

BUDGET IN BRIEF

FISCAL YEARS 2000 AND 2001 - GENERAL FUND

THE LEGISLATIVE BUDGET RECOMMENDATION

During the upcoming legislative session, the state will be adopting its first total biennial budget since 1950. While biennial budgeting promotes better planning, it introduces greater uncertainty into the budget. Our forecast horizon now extends to 30 months – from January 1999 to June 2001. Forecasting both revenues and expenditures over this extended period of time will prove a challenge.

We will be putting this budget together under the following backdrop:

- As one of the country's fastest growing states, Arizona's fiscal health remains excellent. The state's leading economists forecast continuing moderate growth in the economy, although at slightly lower rates than in prior years.
- At the same time, however, the state's total FY 2000 General Fund budget resources will be \$133 million less than in FY 1999. While the state's base revenues will continue to grow, the state's surplus will decline from over \$500 million to less than \$70 million. The decline in the surplus is due, in part, to the elimination of recent unexpected revenue windfalls.

The Legislative budget recommendation reduces overall spending by \$89 million to keep the budget in balance for FY 2000. Overall, an increase in operating budgets will be offset by a reduction in the capital budget and by not making a deposit to the Budget Stabilization Fund in FY 2000.

Within these constraints, the Legislative budget preserves or adds funding for the following initiatives:

- \$370.2 million in FY 2000 and \$393.6 million in FY 2001 to fully fund Students FIRST without the use of revenue bonding. These amounts include a \$200 million General Fund contribution in each year for new school construction. By using pay-as-you-go financing, the state avoids \$55 million of interest payments over 10 years.
- \$20 million in new tax reductions in both FY 2000 and FY 2001.
- An additional \$45 million in FY 2000 and \$65 million in FY 2001 for legislative priorities, such as K-12 Maintenance & Operations increases and state employee pay raises.

REVENUE & EXPENDITURE STATEMENT			OPERATING BUDGET TOTALS		
	(\$ in millions)			(\$ in millions)	
	FY 00	FY 01		FY 00	FY 01
Revenues			\$ Dept of Education	\$ 2,255.6	\$ 2,293.2
\$ Balance Forward	\$ 69.4	\$ 24.9	\$ Universities	724.8	726.6
\$ Revenues	6,131.8	6,428.4	\$ Dept of Corrections	553.6	574.9
\$ Less Urban Revenue Sharing	(358.6)	(379.5)	\$ AHCCCS	492.7	528.8
\$ Tax Reduction	(20.0)	(20.0)	\$ DES	427.6	439.2
Total Revenues	5,822.6	6,053.8	\$ School Facilities Bd	318.7	338.7
Expenditures			\$ Dept of Health Services	241.0	251.7
\$ Operating Budget	\$ 5,822.3	\$ 6,057.0	\$ Judiciary	143.3	147.7
\$ Capital Outlay	12.4	11.2	\$ Community Colleges	125.2	129.4
\$ All Other	(37.0)	(45.1)	\$ Legislative Priorities	45.0	65.0
Total Expenditures	\$ 5,797.7	\$ 6,023.1	\$ All Other	494.8	561.8
Carry Forward	\$ 24.9	\$ 30.8	Total Operating	\$ 5,822.3	\$ 6,057.0