

The JLBC Baseline provides an estimate of the General Fund budget shortfall for the current and upcoming budget year. The General Fund revenue estimate is based on a consensus forecast, while spending reflects the cost of currently active funding formulas. The Baseline is a starting point for discussion on the budget and does not include any solutions to the shortfall.

General Fund Balances

- Given FY 2011 revenues of \$7.91 billion and spending of \$8.44 billion, the state has a projected current year shortfall of \$(530) million. The shortfall is largely due to the failure of the 2 fund transfers in the November election.
- In terms of FY 2012, the Baseline revenue estimate is \$8.31 billion, compared to Baseline spending of \$9.28 billion. The Baseline cash shortfall is \$(975) million.
- The FY 2011 and FY 2012 shortfall estimates have declined since this fall due to an improving economy that has increased revenues and reduced low-income entitlement spending.
- If no permanent solutions are enacted in FY 2012, the estimated shortfall is near \$(612) million in FY 2013 and then grows to \$(1.12) billion in FY 2014 as the 1-cent sales tax expires.
- The shortfall estimates do not include over \$1 billion in funding formula costs that are suspended annually, but have not been permanently repealed.

General Fund Revenues

- Base revenues are expected to grow by 5.2% in FY 2011. Using the 4-sector consensus, base revenues are projected to grow another 5.4% in FY 2012. Base revenues exclude tax law changes (like the 1-cent sales tax) and one-time adjustments, so as to provide a perspective on the underlying growth in the economy.
- The General Fund revenue diversion to the cities (urban revenue sharing) will decline from \$474 million in FY 2011 to \$424 million in FY 2012 under the statutory formula.

General Fund Spending

- Spending would increase by \$842 million, or 10.0%, above the FY 2011 budget. Excluding one-time Federal Funds backfill, however, spending would decrease by (0.4)%.
- The main FY 2012 changes are:
 - ⇒ \$876 million to backfill the use of one-time Federal Funds for statutory funding programs in FY 2011.
 - ⇒ \$80 million for the one-time cost of an additional 2-week state employee payroll occurring in FY 2012.
 - ⇒ \$(171) million for lower-than-budgeted FY 2011 Medicaid caseload growth and provider rate reductions offset by 1.9% caseload growth in FY 2012.
 - ⇒ \$55 million for K-12 formula growth.
 - ⇒ \$97 million for higher School Facilities Board lease-purchase payments on prior K-12 school construction.
 - ⇒ \$(53) million in University savings due to the statutory requirement for a pay reduction and furlough to begin in FY 2012.
 - ⇒ \$(42) million in other savings, primarily due to the statutory end of the deposits to the Land Conservation program and lease-purchase savings on state office buildings.

Executive Comparison

In comparison, the Executive budget has a baseline shortfall of \$(764) million in FY 2011 and \$(1.1) billion in FY 2012. The JLBC and Executive baseline shortfall estimates are not directly comparable as they have been constructed in a slightly different manner. After adjusting for those methodological differences, the Executive estimates would be comparable to the JLBC Baseline. Unlike the JLBC Baseline, however, the Executive also proposes a set of solutions to bring the budget into balance.