
JLBC Baseline and Executive Budget Comparison

January 31, 2011

Revised

JLBC

Differences Between JLBC Baseline and Executive Budget

- ❑ The JLBC Baseline represents an estimate of FY 11 and 12 General Fund budget shortfalls
 - Based on a consensus revenue estimate and the estimated cost of currently active funding formulas
 - Does not include solutions to the shortfall
- ❑ In comparison, the Executive has released an entire budget proposal, including a Baseline shortfall estimate and proposed solutions
- ❑ The JLBC and Executive Baseline shortfall estimates are not directly comparable as they have been constructed differently

Baseline Shortfall Estimates

	<u>FY 11</u>	<u>FY 12</u>
Executive	\$(764) M	\$(1,147) M
JLBC	(531) M	(974) M

- ❑ After adjusting for methodological differences, the Executive Budget would be comparable to the JLBC Baseline.

Examples of JLBC – Executive Baseline Methodological Differences

- ❑ If Prop. 302 had been approved by voters, DES would have received a \$40 M appropriation.
 - Executive counts this appropriation in its shortfall, then eliminates it as a solution
 - Since \$40 M no longer authorized in law, JLBC excludes from Baseline
- ❑ \$100 M FY 11 ADE shortfall
 - Executive counts in shortfall with federal funds as a solution
 - JLBC excludes since no legislative action required
- ❑ Executive is cutting Medicaid rates by 5% starting in April 2011
 - Executive does not count savings as part of Baseline
 - JLBC counts savings in Baseline since no further legislative action required

JLBC vs Executive FY 11 Baseline Shortfall

	<u>JLBC</u>	<u>Executive</u>
	\$ in Millions	
<input type="checkbox"/> Failure of November Ballot Props	469	469
<input type="checkbox"/> Restore \$40 M Prop 302 DES Payment	-0-	40 ^{1/}
<input type="checkbox"/> Revenue Shortfall	86	94
<input type="checkbox"/> Medicaid Caseload and Rates/TANF	(19)	19 ^{2/}
<input type="checkbox"/> K-12 Education Shortfall	-0-	103 ^{3/}
<input type="checkbox"/> Technical Adjustment (DES)	-0-	43
<input type="checkbox"/> Other	5	(4)
Total	531	764

^{1/} Deleted in FY 11 Executive Solutions

^{2/} JLBC Baseline includes a surplus while Executive has shortfall. Executive counts some of surplus as a solution

^{3/} Offsets with Federal Funds in FY 11 Executive Solutions. JLBC assumes offset in Baseline.



Executive FY 11 Budget Solutions

	<u>\$ in Millions</u>
Budget Reductions (\$66) M	
DES	\$51
ADC	10
Other	6
Use Fed \$ for K-12	101
K-12 Rollover	245
Prop 302 DES Payment Not Funded	40
AHCCCS Rollover- Payoff	(97)
AHCCCS Rollover Offset – Caseload/Rate Savings	60
Early Childhood June 30 th Loan	330 ^{1/}
Fund Transfers	66
	813
Total	813



^{1/} Repeated at end of FY 12

JLBC vs Executive FY 12 Baseline Shortfall

- Main differences after adjusting for comparable methodology

	Gain (+)/Loss (-) to JLBC Baseline
	<u>\$ in Millions</u>
<input type="checkbox"/> Executive has higher revenue estimates <ul style="list-style-type: none"> JLBC has base revenue growth of 5.4% compared to 7.1% for Executive 	\$135
<input type="checkbox"/> Executive has higher Medicaid formula growth <ul style="list-style-type: none"> Executive forecasts 3.6% to 4% growth compared to JLBC's 1.9% to 2.3% growth Formula includes federal backfill, new caseload, 5% rate decline 	(112)
<input type="checkbox"/> Executive has lower K-12 Growth <ul style="list-style-type: none"> Executive formula and backfill estimate is \$127 M compared to JLBC's \$148 M 	21

Executive's FY 12 Budget Solutions

	<u>\$ in Millions</u>
Main Budget Reductions	\$1,043
Prop 302 DES Unfunded Payment	40
New AHCCCS Rollover	115
Local Government Shifts	44
New Fund Transfers	86
New Spending	(140)
All Other	0
Total	<hr/> \$1,188

New Debt and Financing

- Early Childhood Loan – Repeated at end of FY 12
- \$50 M Lottery Bond for Corrections Capital Project – GF Cost in FY 13

Executive's FY 12 Budget Reductions

	<u>\$ in Millions</u>
<input type="checkbox"/> Eliminate Medicaid Prop 204 General Fund (10/1 Start)	\$542
<input type="checkbox"/> Medicaid 5% Provider Cut	89
<input type="checkbox"/> DES Reductions Continued from FY 11	51
<input type="checkbox"/> ADE -	
• CORL Reduction	67
• Career Ladder Phase Down	5
• On-Line Capital Reduction	12
<input type="checkbox"/> Universities	170
<input type="checkbox"/> Community Colleges	73
<input type="checkbox"/> Reduce Payment to Health Insurance Fund	12
<input type="checkbox"/> Convention Center – Adjust for Early Payments	15
<input type="checkbox"/> Juvenile Corrections	7
	\$1,043
Total	



Executive's Local Shift FY 12 Proposals

General Fund Shifts

\$ in Millions^{1/}

<input type="checkbox"/> Continue Maricopa/Pima County Cash Payment	\$21
<input type="checkbox"/> Increase Local Share of DPS Costs	20
<input type="checkbox"/> Increase Local Share of DHS State Hospital Costs	3
Total	<hr/> 44

Other Fund Shifts

<input type="checkbox"/> Charge Cities for Department of Water Resources	6
<input type="checkbox"/> Shift County Courts Aid to DPS	2
Total Fund Impact	<hr/> 52



^{1/} JLBC Baseline continues payment at \$35M FY 11 level.

Executive's New Fund Transfers ^{1/}

- \$66 M in FY 11 and \$86 M in FY 12

	<u>FY 11</u>	<u>FY 12</u>
	<u>\$ in Millions</u>	
<input type="checkbox"/> DES Long Term Care "Profits"	\$30.0	\$30.0
<input type="checkbox"/> Clean Election Fund ^{2/}	10.0	17.0
<input type="checkbox"/> Vehicle License Tax Transfer ^{3/}	0.0	23.6
<input type="checkbox"/> DEQ Emissions Inspection Fund	0.0	8.0
<input type="checkbox"/> GITA Web Portal Fund	0.0	5.4
<input type="checkbox"/> Housing Trust Fund	0.0	4.5
<input type="checkbox"/> Corrections Transition Fund	0.0	4.0
<input type="checkbox"/> Department of Revenue Administration Fund	3.3	0.0
<input type="checkbox"/> State Aviation Fund	3.2	0.0
<input type="checkbox"/> ADE Special Education Fund	2.7	0.0
<input type="checkbox"/> ASDB Cooperative Services Fund	2.6	0.0
<input type="checkbox"/> DPS Identification System Fund	0.0	2.5
<input type="checkbox"/> Corrections Inmate Store Proceeds Fund	0.0	2.5
<input type="checkbox"/> 90/10 Agencies	7.0	4.9
<input type="checkbox"/> All Other	6.8	7.2
<input type="checkbox"/> Retention of Prior year Transfers ^{4/}	<u>0.0</u>	<u>31.4</u>
<u>Total</u>	<u>65.6</u>	<u>141.0</u>

^{1/} All Other New Transfers less than \$2 M. Totals reflect increase above JLBC Baseline fund transfers of \$85 million. The Executive's \$86 million estimate excludes the VLT and retention of prior year transfers

^{2/} Plus \$10 M in Base

^{3/} Plus \$43 M in Base

^{4/} JLBC Baseline had discontinued due to low fund balances



Executive FY 12 New Spending

	<u>\$ in Millions</u>
<input type="checkbox"/> Uncompensated Care Pool in Lieu of Prop 204	\$50
<input type="checkbox"/> Prescription Drugs for SMI's Losing Prop 204 Coverage	10
<input type="checkbox"/> Commerce Authority and Economic Development Tax Credits	40
<input type="checkbox"/> Make Small School taxes Eligible for Rebate	7
<input type="checkbox"/> Increase School Facilities Repairs from \$3 M to \$10 M	7
<input type="checkbox"/> Add 102 Corrections Officers	8
<input type="checkbox"/> Eliminate Furlough Day	17
Total	<hr/> \$140