Office of Fiscal Analysis

EXECUTIVE SUMMARY

Budget Overview

The legislative session began with projected General Fund deficits of $1.08 billion in FY 20 and $1.56 billion in FY 21.

To eliminate the budget deficits, the FY 20 and FY 21 budget increases General Fund revenue by $1.06 billion in FY 20 and $1.46 billion in FY 21. It reduces appropriations by $166.4 million in FY 20 and $269.3 million in FY 21.

The FY 20 and FY 21 Budget Balances

All Appropriated Funds—In Millions of Dollars

Calculation	FY 20	FY 21
Revenue Estimate	21,443.1	22,250.0
Net Appropriation	21,285.2	22,066.1
BALANCE	**157.9**	**183.9**

The FY 20 budget is 2.1% greater than the FY 19 budget, and the FY 21 budget is 3.7% greater than the FY 20 budget, across all appropriated funds.

The FY 20 budget is under the spending cap by approximately $200,000 in FY 20 and approximately $5 million in FY 21.

Revenue Highlights

The most significant changes impacting revenue include:

- Restoring the hospital provider tax to the FY 19 level;
- Increasing the sales tax on digital goods and prepared meals;
- Extending the corporation surcharge for two years, reducing R&D and Urban Reinvestment tax credits;
- Repealing the Business Entity Tax; Reducing the personal income tax credit for pass-through entity taxes paid; and
- Temporarily reducing the percentage revenue transferred to the Special Transportation Fund.

Appropriation Highlights

The most significant changes impacting appropriations include:

- Labor concessions related to modifications to the State Employees' Retirement System and changes to the active and retired state employee health program;
- Implementing changes to the Teacher's Retirement System's funding methodology and benefit design, including reducing the rate of return and re-amortizing the unfunded liability;
- Fringe benefit related current service adjustments; and
- Providing additional funding to reflect wage increases in accordance with contractual requirements.

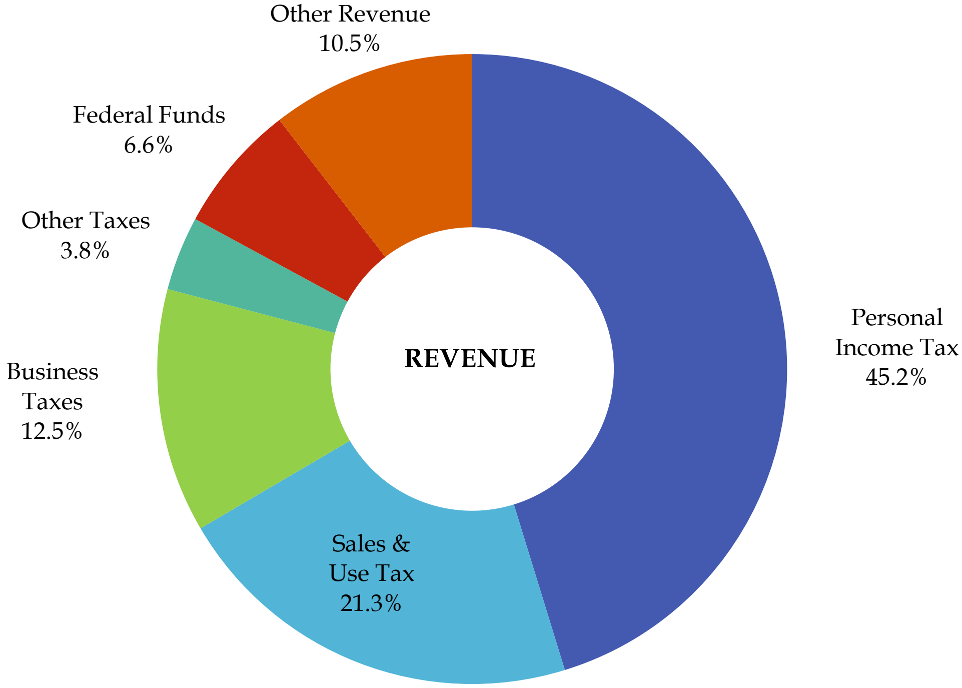
Capital Budget

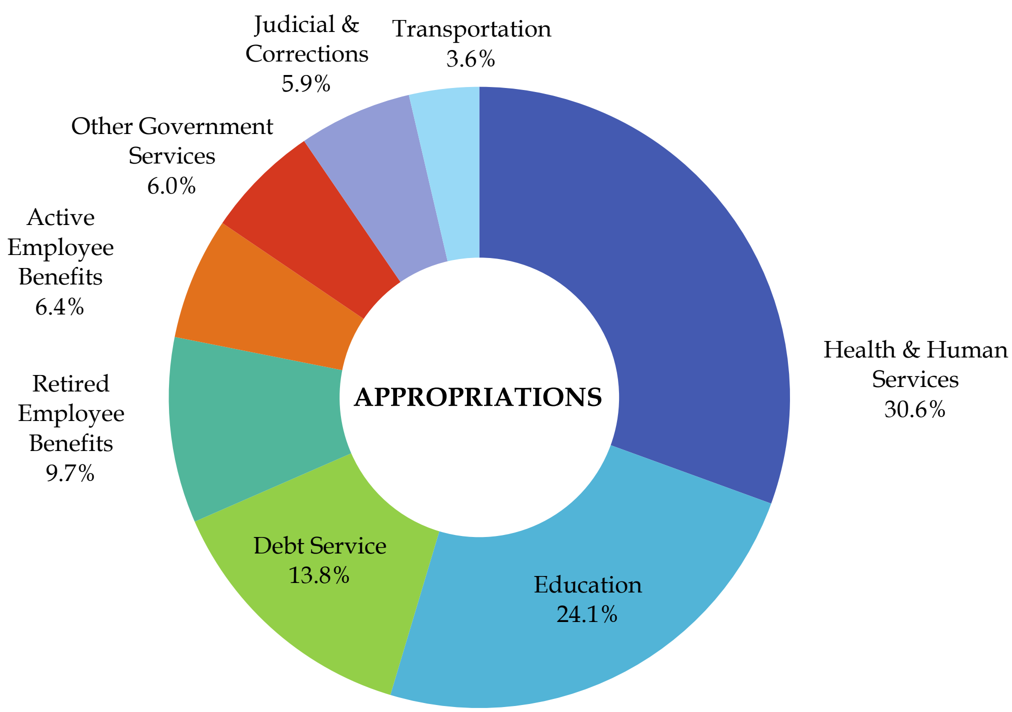
No bond package for the biennium was enacted during the 2019 regular session.

Out Years

The General Fund is projected to be in deficit by over $1 billion per fiscal year starting in FY 22 and lasting through FY 24. Nonetheless, policies enacted in the recent budget will improve projected out year deficits, as compared to the baseline estimates, by approximately $1.2 billion per fiscal year.

Budgeted FY 20 Gross Revenue and Appropriations[1,2,3]
All Appropriated Funds





[1]Across all appropriated funds, FY 20 includes: (1) $23.3 billion in gross revenue, or a net $21.4 billion after accounting for an estimated $1.8 billion in refunds and transfers; and (2) $21.5 billion in gross appropriations, or a net $21.3 billion after accounting for $239.5 million in budgeted lapses.
[2]Percentages may not sum to 100% due to rounding.
[3]**Appendices H** and **I** provide additional details on these categories for appropriations. Whole agencies are categorized according to their primary purpose with a few exceptions: Debt Service, Active Employee Benefits and Retired Employee Benefits, which are generally budgeted for centrally and, therefore, are reflected as separate categories (e.g., "Transportation" is only a subset of total Special Transportation Fund appropriations).