

OVERVIEW OF THE EXECUTIVE BUDGET

SFY 2008-09

Overview of the Executive Budget

The Governor proposes an All Funds budget of \$124.3 billion for State Fiscal Year (SFY) 2008-2009. This budget is \$6.0 billion higher than the estimated \$118.3 billion in spending for SFY 2007-2008 representing growth of 5.1 percent. The All Funds budget is the broadest measure of spending; accounting for state unrestricted and restricted funds as well as funds received from the federal government. The All Funds accounting system consist of four major fund types the General Fund, Special Revenue Fund, Capital Project Fund and Debt Service Fund.

Governmental Funds

Table 1

	General Fund	State Funds	All Funds
Actual SFY2006-07	\$51,591	\$77,311	\$112,764
Closeout Estimated Jan 2007-08	53,588	82,669	118,314
Change SFY 2006-07	5,151	5,358	5,550
Proposed SFY 2008-09	\$56,742	\$87,779	\$124,329
Change from SFY2007-08	\$5,331	\$5,110	\$6,015

The General Fund accounts for unrestricted taxes and receipts, and spending on state operations and local governments not funded through dedicated revenues. For SFY 2008-2009 the Governor proposes an increase of

\$3.2 billion in the General Fund, an increase of 5.9 percent over SFY 2007-2008. Spending for the current fiscal year is projected to be \$53.6 billion, an increase of 3.9 percent from the prior year.

Another comprehensive measure of State spending is the State Funds concept which consists of the General Fund plus non-federal Special Revenue, Capital Project, and Debt Service Funds. State Funds spending for SFY 2008-09 is projected to total \$87.8 billion, an increase of 6.2 percent or \$5.1 billion higher than SFY 2007-08.

The Executive's Financial Plan forecasts current services gaps in SFY 2009-10 of \$3.3 billion, \$5.7 billion in SFY 2010-11 and \$6.8 billion in SFY 2011-12 (Figure 1).

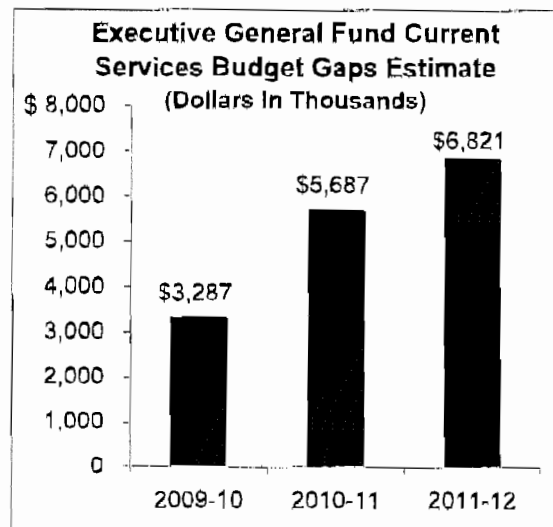


Figure 1

All Funds by Function

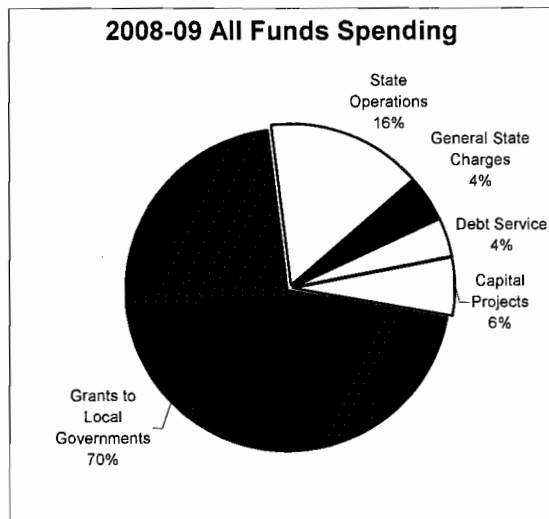


Figure 2

The majority of State spending provides grants to local governments for education, as well as, the health, safety and welfare of its citizens (Figure 2). In addition, the operation of State government and General State Charges accounts for 20 percent of State spending. The remaining 10 percent of the budget is used to finance Capital Projects and Debt Service on outstanding bonds.

Implementing Budget Reforms of 2007

The 2008-09 State Fiscal Year (SFY) Budget process will be the first conducted under the historic budget reform legislation enacted in 2007. The Assembly is firmly committed to ensuring that the principles of timeliness, transparency and accountability advanced through that legislation are continued.

Chapter 1 of the Laws of 2007 marked the first comprehensive reform of the State budget process in nearly 15 years. The

major goals of the legislation were to improve the budget process to encourage its timely completion; enhance reporting and transparency requirements and increase fiscal responsibility and accountability.

Timeliness

Budget reform created a "quick start" process requiring the Executive, Senate, Assembly, and Comptroller to provide separate reports of receipts and disbursement estimates by November 5th of each year. A joint report estimating state receipts and disbursements is issued by November 15th of each year.

Ten days after the Governor submits the Executive Budget, the Senate and the Assembly must establish a schedule for joint conference committees to reconcile budget bills passed by each house and must also set a schedule for: (a) public hearings, (b) joint budget conference committees and (c) the issuance of final reports. In addition, the Executive is now required to submit all budget amendments within 21 days after the submission of the Executive Budget, and requires that the consensus revenue forecast will be issued ten days earlier, by March 1st of each year.

Enhanced Transparency

Budget reform requires enhanced reporting on the multi-year financial plans, State workforce employment levels, information technology projects over \$10 million, and analysis of the fiscal impact of the budget on local governments.

The Legislature cannot make lump sum appropriations and must, before passage, clearly summarize all changes made to the Executive Budget.

Fiscal Responsibility and Accountability

The recent reforms significantly enhance fiscal responsibility and accountability by requiring that the General Fund budget enacted by the Legislature be balanced. In addition, the reforms have strengthened the State's ability to respond to an economic downturn or a catastrophic event by establishing a new 3 percent "Rainy Day Fund."