



September 2013

**Preliminary FY 2013 Closing Balance of \$636 Million  
Allocated to School Shift Buy Back**

Fiscal year 2013 ended with a preliminary general fund balance of \$636 million – a significant gain from the zero ending balance projected after the February 2013 forecast. Higher than anticipated year-end revenues, combined with gains in transfers and other resources along with lower spending produces the \$636 million balance.

This ending balance carries forward into FY 2014 – however, it will not materially change the outlook for the current biennium. A provision in 2013 session law requires that the entire FY 2013 ending balance be automatically used in FY 2014 to repay a portion of the estimated \$874 million remaining obligation from the K-12 payment and property recognition shifts enacted in the 2009-11 legislative sessions.

**FY 2013 Comparison: Forecast vs. Year-end Closing**  
(\$ in millions)

	<b><u>FY 2013</u></b>	<b><u>FY 2013</u></b>	<b><u>\$ Change</u></b>
	<b><u>Estimate</u></b>	<b><u>Closing</u></b>	
Beginning Balance	\$1,795	\$1,795	-
Revenues	18,075	18,657	582
Spending	18,862	18,740	(122)
Reserves	1,006	1,006	-
Stadium Reserve	1	-	(1)
Appropriations Carried Fwd	-	69	69
<b>Ending Balance</b>	<b>-0-</b>	<b>\$636</b>	<b>\$636</b>

An estimated \$287 million of the \$636 million will complete repayment of the school aid payment shift – returning to a 90/10 payment schedule from the current 86.4/13.6 percentages. The remaining \$349 million will reduce the school district property tax recognition shift. An approximate \$238 million obligation to schools will remain based on end-of-session estimates.

The Department of Education will certify new payment and recognition percentages by October 15, 2013 based on updated data from September school district levy certifications. Increased payments to schools will begin with the October 15<sup>th</sup> payment. Current statutes that allocate any forecast balance for shift repayment remain unchanged for the November and February forecasts.

**FY 2013 Non-Dedicated Revenues Closed \$489 Million Above February's Forecast; Transfers and Other Resources Were \$93 million Above Estimates**

Net non-dedicated general fund revenues for the fiscal year that ended June 30, 2013 are now \$489 million above February's forecast, \$26 million more than the \$463 million originally reported in the *July Revenue and Economic Update*. Much of the increase in the FY 2013 revenue variance is attributable to the timing of certain electronic payments for withholding, sales, and cigarette taxes received at the end of June. That technical adjustment more than offsets higher than estimated corporate and sales tax refunds paid prior to fiscal year close.

**FY 2013 Revenue Comparison: Forecast vs. Year-end Close**  
(\$ in millions)

	<b>FY 2013 <u>Estimate</u></b>	<b>FY 2013 <u>Closing</u></b>	<b>\$ <u>Change</u></b>
Income Tax	\$8,649	\$9,013	\$364
Sales Tax	4,817	4,774	(43)
Corporate Franchise Tax	1,165	1,281	116
Other Tax and Non-tax Revenue	<u>2,826</u>	<u>2,877</u>	<u>52</u>
<b>Subtotal - Non-Dedicated Rev</b>	<b>17,457</b>	<b>17,946</b>	<b>489</b>
Transfers, Other Resources	<u>618</u>	<u>711</u>	<u>93</u>
<b>Total</b>	<b>\$18,075</b>	<b>\$18,657</b>	<b>\$582</b>

Final individual income tax receipts for FY 2013 were \$364 million above February's forecast, \$29 million more than in July's preliminary report. Corporate tax receipts for the fiscal year were \$116 million more than forecast in February, \$8 million less than previously reported. And, final sales tax receipts were \$43 million below February's forecast, \$10 million less than the \$33 million shortfall originally reported in July.

Other tax and non-tax revenues were a net \$52 million above forecast at the close of FY 2013. The insurance gross premiums tax, cigarette and tobacco tax, the estate tax, and departmental earnings were the sources of much of the positive variance in other tax and non-tax revenues. Since July's preliminary report, the positive variance in other tax and non-tax revenues increased by \$15 million.

Other resources, including transfers from other funds and prior year adjustments contributed \$711 million in FY 2013, \$93 million above forecast. Actual transfers from other funds were \$602 million, \$9 million above forecast. Prior years' adjustments totaled \$109 million, \$84 million above forecast. Prior year adjustments reflect savings occurring from cancellations of encumbrances (contracts, grants or purchase orders) or revenues deposited that are attributable to prior fiscal years after the years have closed – in this case, changes attributable to fiscal years 2011 and 2012.

**FY 2013 Spending Was \$122 Million Less Than Forecast in February**

Actual spending for FY 2013 was \$18.740 billion, \$122 million below previous estimates. However, of that amount, \$69 million of unspent appropriations in FY 2013 were authorized to carry-forward into FY 2014 and will be reflected as an increase in FY 2014 spending. After the carry-forward amount is considered, the net decrease in spending for FY 2013 is \$53 million, which contributes to the FY 2013 ending balance.

**FY 2013 Spending Comparison: Forecast vs. Year-end Close**  
(\$ in millions)

	<b>FY 2013 <u>Estimate</u></b>	<b>FY 2013 <u>Closing</u></b>	<b><u>\$ Change</u></b>
K-12 Education	\$8,875	\$8,874	\$(2)
Health & Human Services	5,269	5,208	(62)
Property Tax Aids & Credits	1,337	1,320	(17)
Higher Education	1,293	1,295	2
Debt Service	223	223	-
All Other	<u>1,864</u>	<u>1,821</u>	<u>(44)</u>
<b>Total</b>	<b>\$18,862</b>	<b>\$18,740</b>	<b>\$(122)</b>
Appropriations Carried Fwd	<u>-</u>	<u>69</u>	<u>69</u>
<b>Adjusted Net Spending</b>	<b>\$18,862</b>	<b>\$18,809</b>	<b>\$(53)</b>

A reduction of \$62 million (1.2 percent) in health and human services expenditures accounts for the majority of the total spending change. The largest single contributor to this change stems from an omission in the February forecast of \$27 million in dedicated revenue that should have offset (reduced) forecast Medical Assistance (MA) expenditures. Other significant savings resulted from lower-than-previously-forecasted expenditures in the MA Long-term Care Waiver program (\$17.8 million) and Families with Children (\$9.7 million) due to lower-than-expected utilization rates.

Final property tax aid and credit spending was \$17 million below forecast. The savings is primarily attributable to lower than expected spending on homeowner property tax refunds.

Final spending for all other areas of the budget was \$44 million below February's budget estimates. State agencies cancelled just under \$43 million of unspent operating and grant money at year-end, \$38 million more than the \$15 million forecast for year-end cancellations.

## General Fund – FY 2013 Year-end Comparison

(\$ in thousands)

	Forecast FY 2013	Close FY 2013	\$ Difference
<b><u>Actual &amp; Estimated Resources</u></b>			
Balance Forward From Prior Year	1,794,929	1,794,929	0
Current Resources:			
Tax Revenues	16,656,387	17,147,023	490,636
Non-Tax Revenues	800,020	798,464	(1,556)
Subtotal - Non-Dedicated Revenue	17,456,407	17,945,487	489,080
Dedicated Revenue	155	692	537
Transfers In	593,186	601,647	8,461
Prior Year Adjustments	25,000	108,636	83,636
Subtotal - Other Revenue	618,341	710,975	92,634
Subtotal-Current Resources	18,074,748	18,656,462	581,714
<b>Total Resources Available</b>	<b>19,869,677</b>	<b>20,451,391</b>	<b>581,714</b>
<b><u>Actual &amp; Estimated Spending</u></b>			
K-12 Education	7,360,814	7,359,255	(1,559)
K-12 Ptx Rec Shift/Aid Payment Shift	1,514,457	1,514,457	0
K-12 Education	8,875,271	8,873,712	(1,559)
Higher Education	1,293,384	1,295,095	1,711
Health & Human Services	5,269,365	5,207,568	(61,797)
Environment & Agriculture	158,259	158,887	628
Jobs, Economic Dvlp, Housing & Commerce	153,238	154,903	1,665
State Government & Veterans	495,956	460,167	(35,789)
Transportation	63,928	63,764	(164)
Public Safety & Judiciary	972,820	957,734	(15,086)
Property Tax Aids & Credits	1,337,462	1,320,179	(17,283)
Debt Service	222,584	223,000	416
Capital Projects & Grants	24,748	24,138	(610)
Deficiencies/Other	9,729	0	(9,729)
Estimated Cancellations	(15,000)	0	15,000
<b>Subtotal Expenditures &amp; Transfers</b>	<b>18,861,744</b>	<b>18,739,147</b>	<b>(122,597)</b>
Dedicated Expenditures	155	329	174
<b>Total Expenditures &amp; Transfers</b>	<b>18,861,899</b>	<b>18,739,476</b>	<b>(122,423)</b>
<b>Balance Before Reserves</b>	<b>1,007,778</b>	<b>1,711,915</b>	<b>704,137</b>
Cash Flow Account	350,000	350,000	0
Budget Reserve	656,471	656,471	0
Stadium Reserve	1,307	0	(1,307)
Appropriations Carried Forward	0	69,355	69,355
<b>Budgetary Balance</b>	<b>0</b>	<b>636,089</b>	<b>636,089</b>