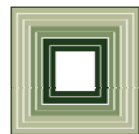


REVISED REVENUE AND BUDGET OUTLOOK



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2009-11 Biennium Forecast

•Consensus revision of January 2009 forecast

	<u>Revised Revenues</u>	<u>Revision</u>
FY2008-09	\$17,682.3	(\$949.5)
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FY2009-10	\$17,516.4	(\$1,345.2)
FY2010-11	\$18,114.1	(\$1,790.0)

FY 2008-09 Budget

\$3.2 billion shortfall based on a \$20.8 billion revenue budget

- Unprecedented 10.8% decline over last year's collections
 - 15.2% under budget
 - Last 2 recessions 9-10% shortfalls
 - April 15 Final Tax Payments down 40%
 - Last 2 recession down 20-21%

Business Cycles and State Revenues

<u>NBER Recession Date</u>	<u>Months</u>	<u>Revenue Shortfall</u>
July 1981 – Nov. 1982	16	FY 1981-82 -9.2%
July 1990 – March 1991	8	FY 1990-91 -8.1%
March 2001 – Nov. 2001	8	FY 2001-02 -10.8%
December 2007 – ?	17 and counting	FY 2008-09(e)-15.2%

2009-11 Biennium Revenue

Key Economic Indicators/Assumptions

- Timing/Strength of Economic Recovery
 - Consensus of business, government and university forecasters: recovery 2009:Q4 (<1% growth)
 - Modest rebound for 2010: 1.5 -2% growth

2009-11 Biennium

Key Economic Indicators/Assumptions

- Employment Picture
 - Employment losses downgraded from 1% to 3% in FY 2009-10
 - Employment losses widespread
 - Key sectors such as financial and construction slow recovery end of 2010

2009-11 Biennium

Key Economic Indicators/Assumptions

- Personal Income
 - Personal income downgraded: 2.1% to (-0.3%) in FY 2009-10
 - Wage & Salary income to fall by 2.5%
 - Wage cuts and freezes through 2010 will depress FY 2010-11 growth, 2%

2009-11 Biennium

Key Points

Economic Recovery → Employment Recovery →
Income Recovery → Revenue Recovery

- Revised consensus numbers suggests if normal long-term growth resumes in 2011-12, then it will be 2013-14 before revenues equal the \$20.8 billion budget number of 2008-09

Revenue estimates for FY 2008-09 have changed over past 10 months

	Estimate (\$ millions)	Change
July, 08 Certified Budget	20,849.1	NA
January, 09 Forecast	18,631.8	-2,217.3
May, 09 Revised Forecast	17,682.3	- 949.5
Cumulative Change - \$		- 3,166.8
Cumulative Change - %		-15%

Estimate of Gap Between Revenues and Continuation Budget has Changed

FY 2009-10 (\$ millions)

	Governor (March 09)	Senate (April 09)	(May 09)
Revenue Forecast	18,861.5	18,861.5	17,516.4
Continuation Budget	22,113.9	22,113.9	22,113.9
Shortfall	-3,252.4	-3,252.4	-4,597.5

Governor's use of ARRA funds in FY 08-09 decreases funds available for FY 09-10 by \$200 million

FY 2009-10 (\$ millions)

	Governor (March 09)	Senate (April 09)	(May 09)
Rev. Forecast	18,861.5	18,861.5	17,516.4
ARRA Funds	1,713.9	1,630.6 *	1,430.6 **
Total	20,575.4	20,492.1	18,947.1

* FMAP considered revenue for sake of comparability.

** OSBM plans to use \$200 million in ARRA funds to balance 08-09 shortfall. Number assumes FMAP relief same for Senate.

For FY 2009-10 General Assembly must generate additional \$1.5 billion in cuts and/or revenues over and above those in Governor's and Senate's budgets (for FY 2010-11 General Assembly must find extra \$2.0 billion)

- \$1.5 billion:
 - Equals 7.5% of Senate appropriations for FY 2009-10
 - Represents almost 50% increase in size of FY 2009-10 shortfall
 - Roughly equivalent to ½ of FY 2008-09 State Medicaid budget
 - Roughly ½ size of university budget
 - Represents about as much money as feds. have made available for FY 2009-10 through ARRA