



Legislative Fiscal Bureau

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May 21, 2008

TO:

FROM: Bob Lang, Director

SUBJECT: 2009-11 Structural Deficits

At your request, I have prepared a table, which shows the estimated structural deficits of the state's general fund for the 2009-11 biennium. In addition, the table shows the structural deficits for the previous six biennia.

The structural deficit reflects the amounts necessary (through revenue growth, or revenue and appropriations modifications) for the ensuing biennium to produce a balanced budget.

For the 2009-11 biennium, amounts are shown under the 2007-09 biennial budget (2007 Act 20), and for each proposal under the 2007-09 budget adjustment bill (March SS AB 1 and the enacted bill (2007 Act 226).

As shown on the table, at the time of enactment of 2007 Act 20, the 2009-11 structural deficit was projected to be \$896 million. Under each of the budget adjustment proposals that number has increased significantly. The primary reason for this is due to the estimated decline of general fund tax revenues in the base year (2008-09) of the current biennium. The February 13, 2008, revenue estimates of this office reduced those projected tax collections by \$355 million in that year. Thus, going into 2009-11, base revenues are reduced by \$355 million annually, or \$710 million for the biennium. In addition, the combination of increased sum sufficient appropriations and reduced departmental revenues (primarily due to reduced interest earnings) affected 2008-09 by approximately \$40 million. Carried into the next biennium, this \$40 million increases the structural deficit by \$80 million (\$40 million in each of 2009-10 and 2010-11). In summary, the \$896 million projected structural deficit for 2009-11 at time of enactment of 2007 Act 20, increased by \$790 million to \$1,686 million without any gubernatorial or legislative action.

If you have questions regarding this information, please contact me.

General Fund Amounts Necessary for a Balanced Budget

	<u>In Millions</u>		
	<u>1st Year</u>	<u>2nd Year</u>	<u>Total</u>
For the 2009-11 Biennium			
2007 Act 226	\$800	\$882	\$1,682
SS AB 1 (Conference Committee)	846	848	1,694
SS AB 1 (Senate)	668	702	1,370
SS AB 1 (Assembly)	822	827	1,649
SS AB 1 (Governor)	687	729	1,416
2007 Act 20*	427	469	896
For the 2007-09 Biennium	653	846	1,499
For the 2005-07 Biennium	701	845	1,546
For the 2003-05 Biennium	1,340	1,527	2,867
For the 2001-03 Biennium	693	1,026	1,719
For the 1999-01 Biennium	589	914	1,503
For the 1997-99 Biennium	624	908	1,532

*At time of enactment of 2007 Act 20.

BL/sas