



The 2011 Biennium Budget: Maintenance, Recovery, and Future Cuts Executive Summary

The 61st Legislature faced the unenviable challenge of balancing the budget during a time of economic downturn and extreme revenue uncertainty. Despite a large influx of federal recovery act funding, some of the decisions made by the legislature may lead to cuts in vital programs like education and healthcare, either now or in the future. Many of the cuts are slated for the 2013 Biennium (July 1, 2011 to June 30, 2013) and need not occur if the 62nd Legislature is willing to fill holes created by decisions of the 61st Legislature. Key findings of the report include:

- While the budget for the 2011 Biennium (July 1, 2009 to June 30, 2011) was mostly a present law budget with few new proposals, some agency budgets were cut below amounts needed to continue existing services (also known as “present law”). Cuts below present law for the Department of Revenue and the Office of the Public Defender are particularly problematic during an economic downturn.
- The ending fund balance was \$282 million, or 9% of the general fund appropriations.
- Over \$1 billion in federal recovery act dollars were appropriated by the legislature. Most of the recovery act dollars had federally prescribed purposes. The recovery act dollars represented 11% of the entire state budget.
- Much of the discretionary funding from the federal recovery act intended for education and health and human services was ultimately used to replace, rather than increase, state funding for these programs.
- Despite the intent of education recovery act dollars to maintain or improve education spending, state (general fund) spending on K-12 education declined by over \$84 million, or 6%, and state spending on higher education declined by over \$53 million, or 14%, when compared to the Governor’s proposed budget. In contrast, state spending on all other programs increased by 6%.
- Federal recovery act dollars for were appropriated K-12, higher education and DPHHS. A portion of the federal funding will not be included when calculating those programs’ base budgets in 2013. This means that K-12, higher education, and DPHHS will face cuts unless funding is restored in the form of new proposals.

- In contrast, some of the federal recovery act funding spent on K-12 education, higher education, and DPHHS will be included in the calculation of those agencies' base budgets. However, general fund revenue will need to be sufficient to replace these federal dollars during the next biennium.
- In order to maintain a true present law budget that does not result in cuts to key programs and services during the 2013 biennium, K-12 education, higher education, and DPHHS will need a combined total of \$253 million more in state funding than they received during this budget cycle.
- For the 2013 Biennium, MBPC recommends a balanced approach to creating the budget. An approach that plans for a prosperous future by including revenue raising solutions if adequate revenue is not available to restore spending for K-12, higher education and DPHHS.