



Key Elements to Governor's Recommendations

- Reduce spending to match anticipated revenues
- Protect priority services including K-12 education, vets, state public safety
- New tax incentives for jobs creation
 - Angel Investment Credit
 - Corporate Franchise Tax Reduction

State Faces Continued Budget Challenges

- Budget Deficit of \$1.2 Billion
 - November forecast finds lower than expected revenues
 - Gap is 6% of remaining budget
- Federal Requirements Limit Options
 - Health care eligibility
 - Maintain Higher Ed and K-12 Education at 2006 levels
- Already Used One-time Resources
 - K-12 education shifts
 - Budget reserve

Key Elements to Governor's Recommendations

- Most programs and operating budgets reduced 6%
 - Operating cuts and balances save more than \$70 million
 - Includes reductions in non-general funds and small agencies
- All funds contribute to the solution
 - One-time reductions and balances from special revenue funds
 - Health Care Access fund savings eliminate need for FY 2011 general fund transfer
 - Douglas Johnson Economic Protection fund reduced \$30 million

Key Elements to Governor's Recommendations

- Utilize additional federal funding
 - Net impact of \$387 million for last two quarters of FY11

- Ratify unallotments as permanent reductions
 - Reduces 2012-13 gap by \$2.2 billion

- No additional shifts

- Cut future budget challenge by more than half
 - Current \$5.4 billion gap reduced to \$2.4 billion

Proposed Budget Solution

<u>Proposed Changes (\$ millions):</u>	<u>Impact</u>
Health Care & Human Services	\$347
Aid to Local Governments	\$250
Extended Federal Medicaid Match	\$387
Higher Education Institutions	\$47
State Agencies/Grants/Other	\$181
<i>Subtotal</i>	<u>\$1,212</u>

