

OVERVIEW OF THE EXECUTIVE BUDGET SFY 2006-07

Overview of the Executive Budget

The Governor proposes an All Funds budget of \$110.7 billion for State Fiscal Year (SFY) 2006-2007. This budget is \$4.4 billion higher than the estimated \$106.4 billion in spending for SFY 2005-2006 representing growth of 4.1 percent. The All Funds budget is the broadest measure of spending; accounting for state unrestricted and restricted funds as well as funds received from the federal government. The All fund accounting system consist of four major fund types the General Fund, Special Revenue Fund, Capital Project Fund and Debt Service Fund.

Governmental Funds

Table 1

	General Fund	State Funds	All Funds
Actual SFY 2004-05	\$44,127	\$63,972	\$100,668
Estimated SFY 2005-06	\$47,233	\$70,353	\$106,374
Change From 2004-05	7.0%	10.0%	5.7%
Proposed SFY 2006-07	\$49,638	\$74,998	\$110,744
Change From 2005-06	5.1%	6.6%	4.1%

The General Fund, the largest of the four fund types, accounts for unrestricted taxes and receipts, and the lion's share of spending on state operations and local governments. For SFY 2006-2007 the Governor proposes an increase of \$2.4 billion in the General Fund, an increase of 5.1 percent over SFY 2005-2006. Spending for the current

fiscal year is projected to be \$47.2 billion, an increase of 7 percent from the prior year.

Another comprehensive measure of State spending is the State Fund concept which consists of the General Fund plus non-federal Special Revenue, Capital Project, and Debt Service Funds. State Fund spending for SFY 2006-07 is projected to total \$74.9 billion, an increase of 6.6 percent or \$4.6 billion higher than SFY 2005-06.

The Executive's Financial Plan reflects structural deficits in SFY 2007-08 of \$2.9 billion and \$4.9 billion in SFY 2008-09 (Figure 1).

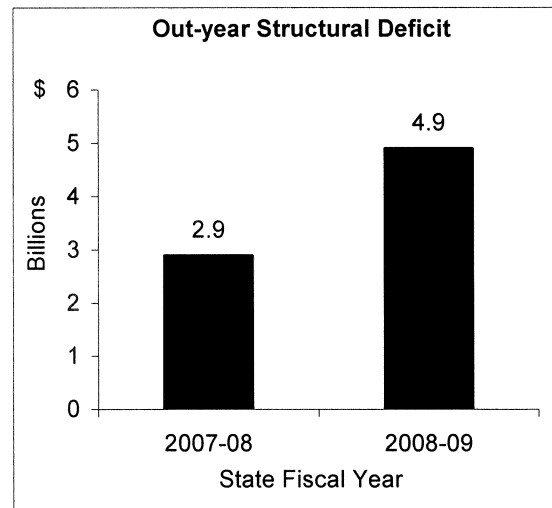


Figure 1

If you include the outstanding obligation for Campaign For Fiscal Equity (CFE), the structural deficit in the out-years is over \$11 billion.

The out-year gap includes \$4 billion of tax reductions with a minimum fully effective cost of \$4.5 billion. It also includes \$1.4 billion of revenue enhancements, most of which have previously been rejected by the Legislature.

All Funds Trends

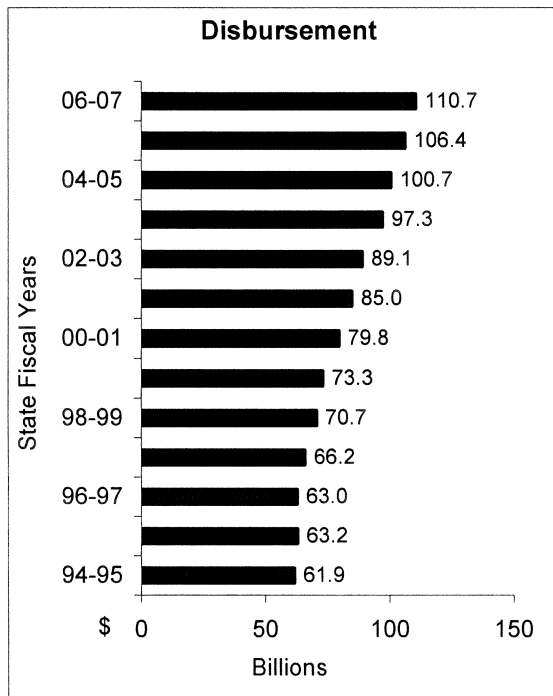


Figure 2

Actual spending data indicates that the State Budget has been growing rapidly since SFY 1994-95. Spending in SFY 1994-95 was \$61.9 billion and for the next consecutive twelve years the State Budget experienced unparalleled growth to \$110.7 billion in SFY 2006-07 (Figure 2). Over the past 10 years, the All Funds budget has increased approximately 76 percent.

All Funds by Function

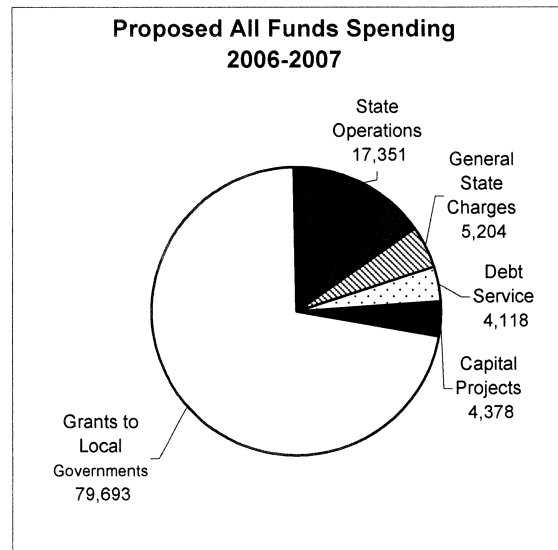


Figure 3

The majority of State spending provides grants to local governments for education, as well as, the health, safety and welfare of its citizens (Figure 3). In addition, the operation of State government and General State Charge accounts for 20 percent of State spending. The remaining 8 percent of the budget is used to finance Capital Projects and Debt Service on outstanding bonds.