Figures in Millions	FY 2010	FY 2011
Beginning Fund Balance	**$392.0**	**$138.2**
Anticipated Revenue	1,590.8	1,661.6
Anticipated Disbursement	(1,851.3)	(1,863.5)
Adjustments	6.7	0.0
Ending Fund Balance	**$138.2**	**($63.7)**
Agency Spending Reductions		47.8
Balance after Reductions		**($15.9)**
Pending Issues	**Range**	
Supplemental Appropriations		(22.0)
Otter Creek Coal Lease	0.0	136.0
PPL Litigation	18.4	63.1
Federal FMAP	6.0	47.0

The above general fund balance sheet shows the ending general fund balance based on revenue estimates prepared by the LFD and recommended spending reductions prepared by state agencies. As shown in the figure, when the spending reductions are included, the ending general fund balance is a negative $15.9 million or $52 million ($15.9 plus $36 million) less than the statutory trigger.

Fund Balance Reduction

The fund balance in FY 2010 is below the level anticipated at the end of session. $313 million was originally anticipated, the current anticipated level is $175 million less or $138 million.

Revenues

Year to date revenues of $792 million are 23% less than last year. If this year's collections follow historical trend, then the total collections for the year will be $1,599 million. Legislative Fiscal Division assumptions for the current fiscal year yield $1,591 million. The OBPP estimate FY 2010 is $1,652 million.

As an example of why we think the OBPP estimates are too high, we look at Corporation Tax. The LFD estimate is that the state will collect $58 million compared to the OBPP estimate of $93 million in FY 2010. Revenue collected to date is $27 million, with 2 out of the 4 payments received. With half the payments already received, economic data available, and significant anecdotal evidence from corporations, we find no evidence to suggest that the final two payments could bring the total to three and a half times the current collections.

Spending Reductions

Next Tuesday, February 16, the OBPP will forward their recommended reductions to the Governor. The OBPP could recommend a higher level of reductions from the $47.8 million submitted by the Agencies. Note that some portion of the plan submitted by OBPP could require legislative action in order to implement and/or face the risk of lawsuit by injured parties. We estimate that over $50 million additional reductions or a total of nearly $100 million are needed to achieve the statutory required ending fund balance of $36.6 million in the 2011 biennium unless some positive impacts from the pending issues described below are realized.

Pending Issues

Supplemental Appropriations affect fund balance, but are not included in the calculation for the minimum required to meet 17-7-140. We understand that the OBPP is working with agencies to minimize these expenditures.

There are a number of issues that are outstanding at this time and are listed above. We know at this time that no qualifying bids were received for the Otter Creek Coal tracts. It appears that the Land Board may settle for a lower amount and receive some level of bonus payments.

PPL litigation is currently with the Supreme Court. If the court finds in favor of the state, the amount of general fund expenditures offset will be between $18 and $63 million. This decision should be known within the next two months.

FMAP - Increases in the Medicaid match from the federal government are anticipated to aid the general fund ending fund balance by between $6 and $47 million depending on federal interpretation of laws and passage of President Obama's budget.

Next Biennium

Without reductions from current levels of service, the structural imbalance next biennium is anticipated to be 10% or approximately $200 million per year. The resolution of the budget issues faced in the 2011 biennium will impact the options available for the 2013 biennium. Reductions made in FY 2011 service levels could improve the structural imbalance in the next biennium as the base level of services could be lower and beneficiaries could adjust to lower levels of spending sooner.

If the fund balance falls as shown above, fewer options will be available to the legislature next session as the fund balance "cushion" could be gone. Without a significant fund balance, more significant reductions could be needed in order to increase fund balance to a sufficient level for ongoing state operations.