

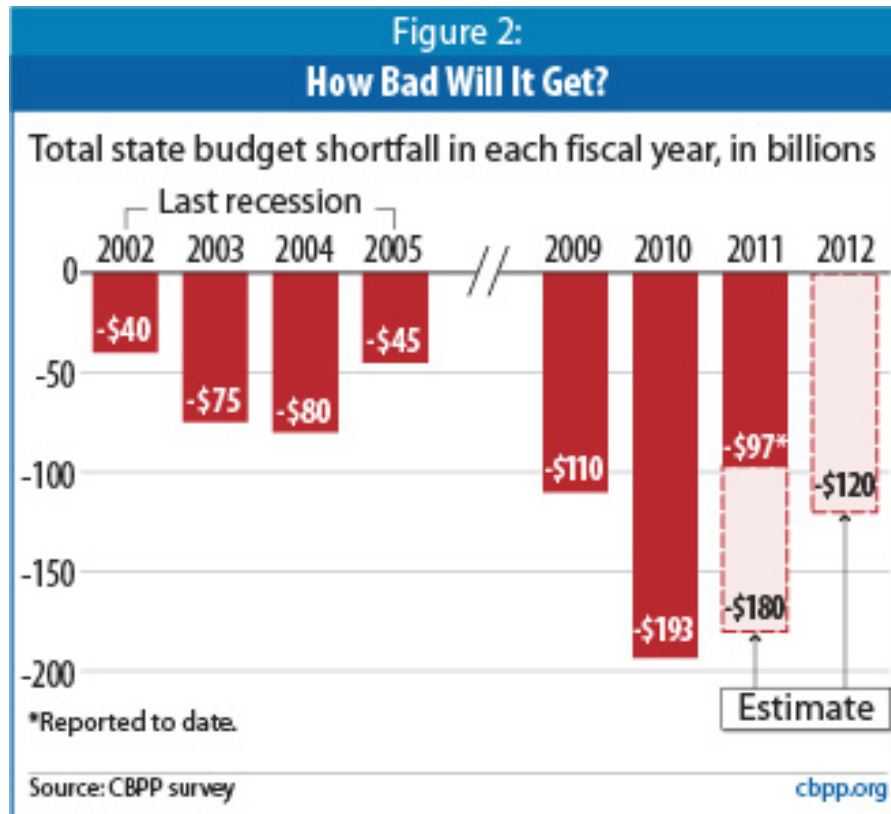
# **Sustainability Work Group Introductory Remarks**

*January 7, 2010*

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NASDDDS**

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# Budget Gaps Nationally



- Mid-year shortfalls have opened in 39 states (in addition to gaps closed earlier).
- 48 states have or face shortfalls for 2010 of \$193 billion, 28% of total budgets – the largest gaps on record.
- 39 states have estimated gaps in 2011 of \$97 billion, 16% of total budgets

# There is Still A Problem in Arizona

There are three interconnected problems

- Current year deficit
- Structural deficit
- Cash flow

# Current Year and Structural Deficit

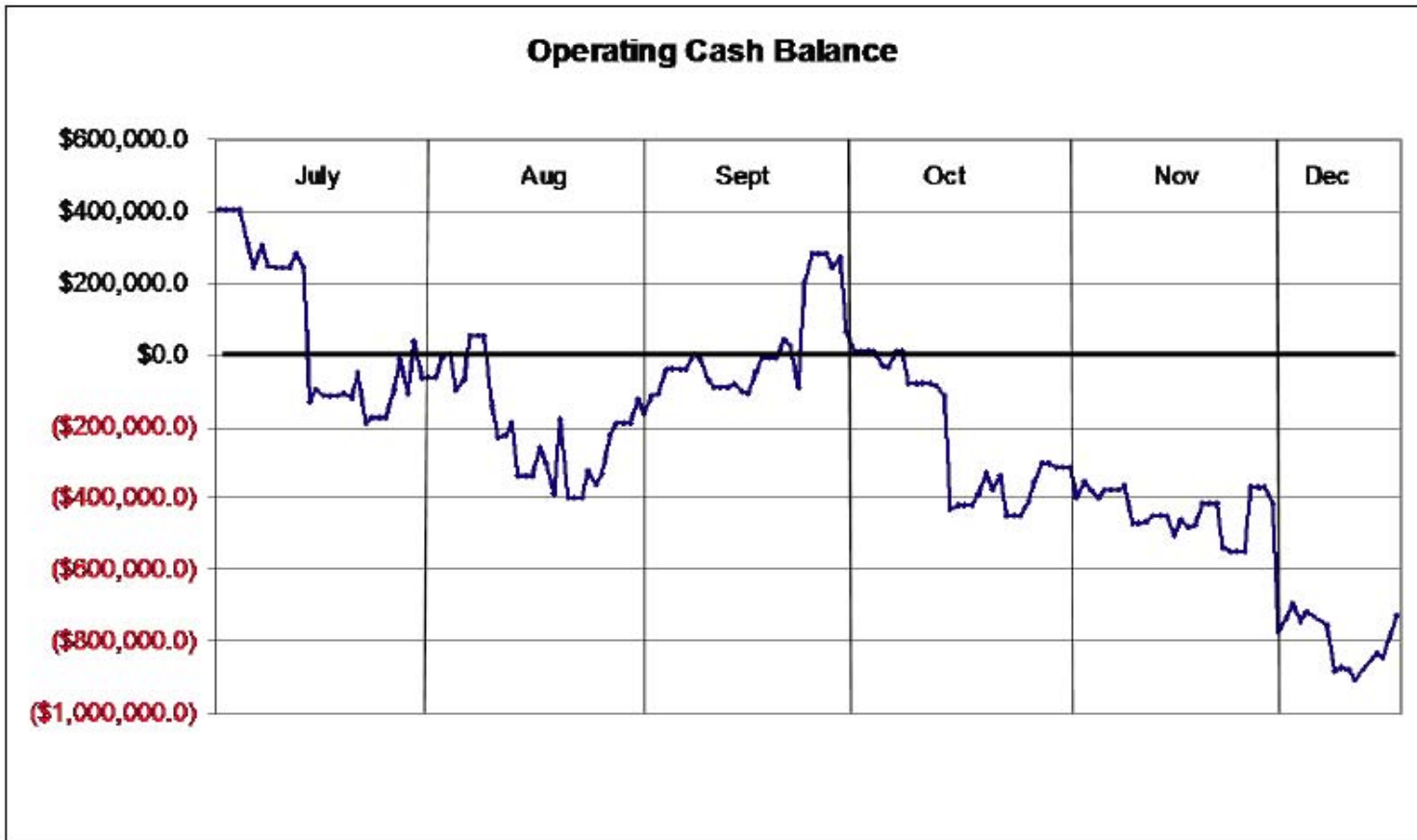
- Current Year Deficit
  - Current year deficit is anticipated to be **\$1.5 billion**
  - \$480 million left over from SFY 2009
- Structural Deficit
  - Arizona has a structural deficit –our revenues and expenditures are out of alignment.
  - This misalignment will produce a **\$3.4 billion** deficit in SFY 2011.

A \$3.4 billion deficit in SFY 2011 amounts to:51% of anticipated General Fund revenues in FY 2011.

# Cash Flow

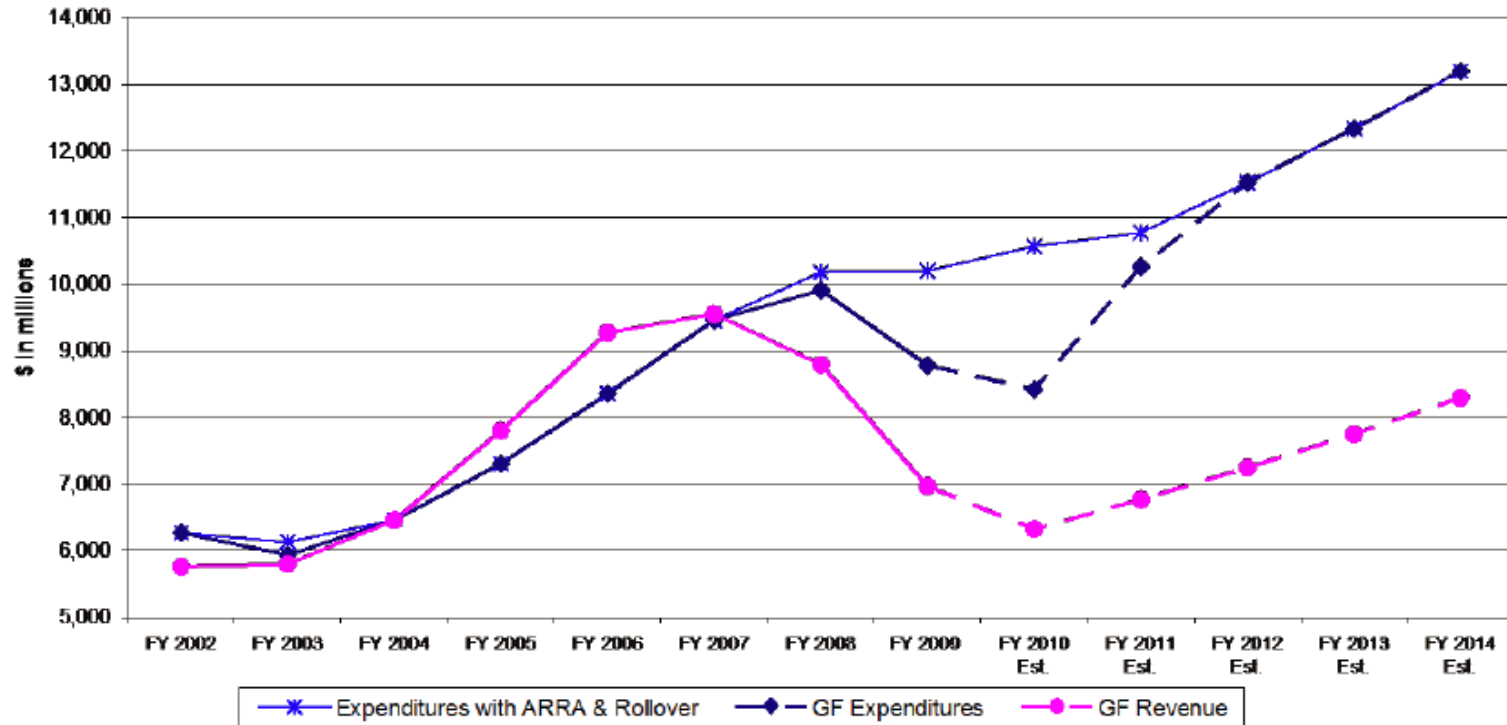
## Cash Flow

- Every day the General Fund is borrowing every dollar of uncommitted state cash in the state's custody approximately \$1.5 billion. The General Fund plus these uncommitted dollars are known as the Operating Fund.
- In addition, the State has created two facilities to borrow non state funds, an internal line of credit worth approximately \$500 million and an external line of credit with Bank of America worth \$700 million.
- Total available daily credit of \$2.7billion.
- Currently the State makes daily calculations to determine if the state has sufficient cash to cover expenses.



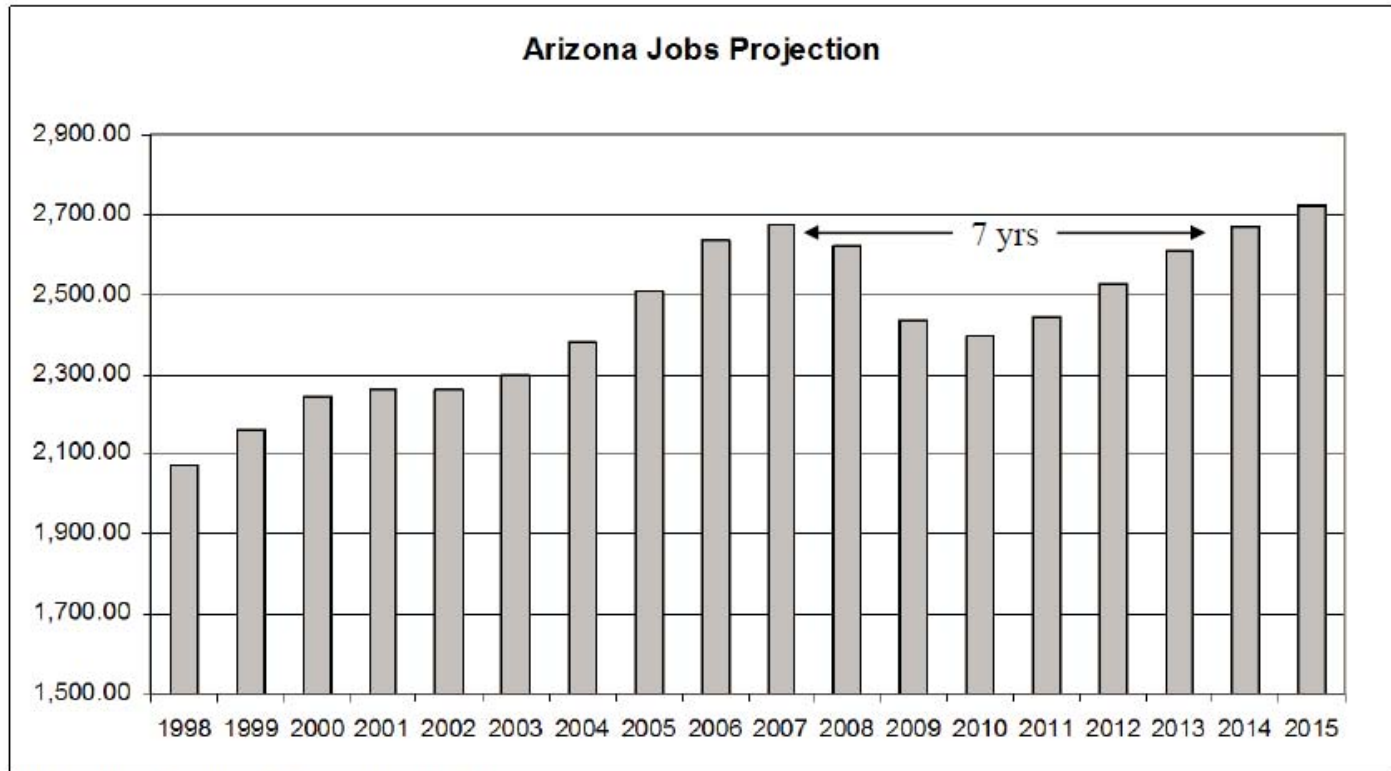
# The Structural Deficit

## General Fund Ongoing Revenue and Expenditures before Solutions



**Assumptions: Revenue:** Ongoing revenue does not include one time items such as fund transfer, asset sales, etc. Growth rates assumptions: FY10: -9.2%, FY11:7%, FY12 and 7%. **Expenditure:** Ongoing expenditure does not include rollover or ARRA. FY10 and FY11 estimated Expenditure from most current S&U, FY12 and beyond assuming 7% growth.

# Employment Picture



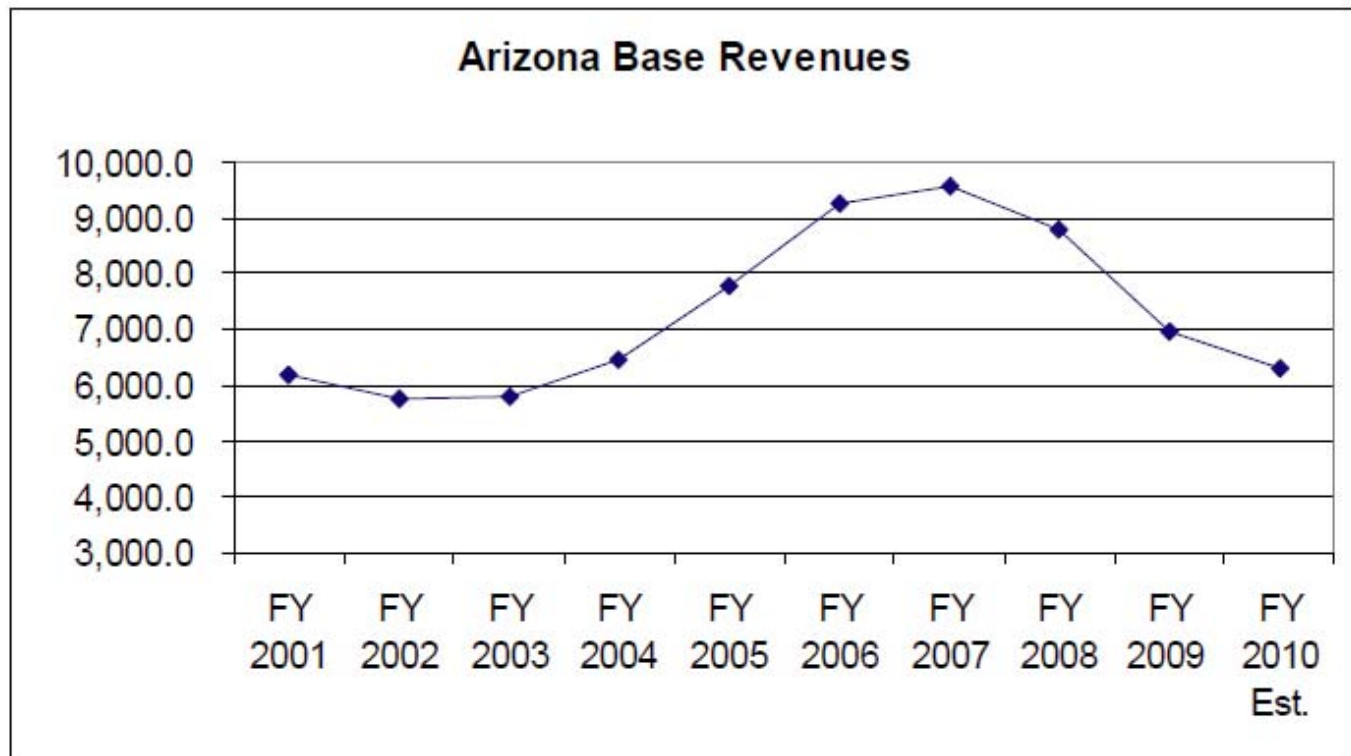
Developed by the AZ Department of Commerce

December 2009

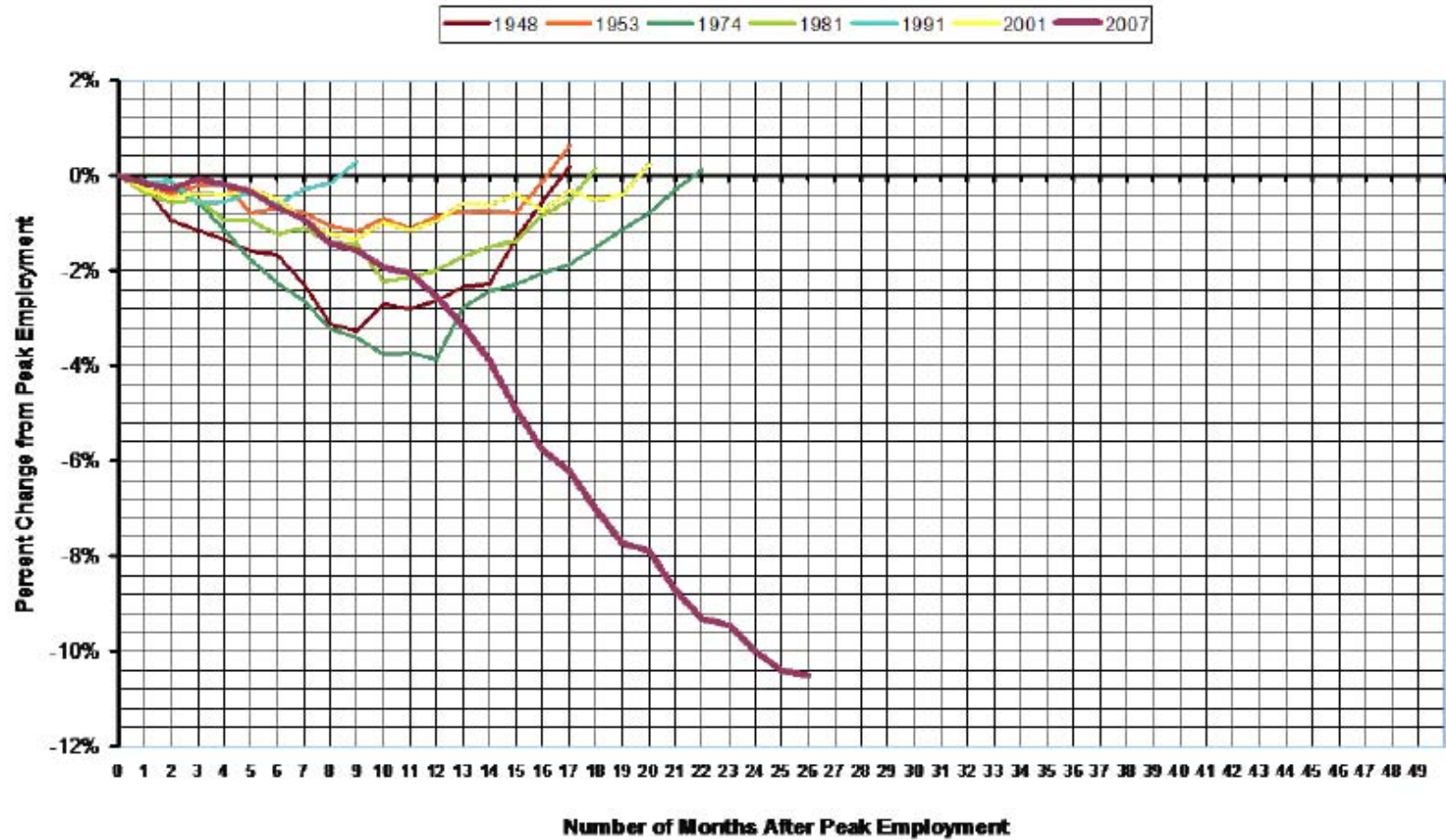
Office of Governor Janice K. Brewer

# Declining Revenues

State tax revenues have declined 34 percent in three years



**Arizona**  
**Number of Months needed to surpass a peak in employment.**



# There is Not a Lot of Time to Correct the Problem

- Half of SFY 2010 will be gone by the time the Legislature returns for its Regular Session.
- SFY 2011 will begin in six months.

# Summary

## FY 2010

- FY 2010 remaining deficit - \$1.5 billion
- FY 2010 remaining unprotected fund - \$1.2 billion

## FY 2011

- FY 2011 deficit - \$3.4 billion
- FY 2011 unprotected funds - \$3.4 billion

## Cash

- Borrowing nearly \$1 billion each day to cover cash needs

# Sustainability & Innovation Work Group Purpose

To bring together family members, consumer leaders, provider organizations and state agencies to review Arizona's systems of services and supports for people with disabilities and their families in order **to develop and propose systems change recommendations for sustainable, consumer-driven, quality and cost effective developmental disabilities services.**

# Source of the Slides

Office of Governor Janice Brewer

Arizona State Budget Crisis

Dec. 2009

- [http://www.azgovernor.gov/dms/upload/PR\\_122109\\_CabinetAddressEmergencyMeeting.pdf](http://www.azgovernor.gov/dms/upload/PR_122109_CabinetAddressEmergencyMeeting.pdf)
- [http://www.azgovernor.gov/dms/upload/PR\\_122109\\_CabinetPresentation.pdf](http://www.azgovernor.gov/dms/upload/PR_122109_CabinetPresentation.pdf)