

EMERGENCY FUND

Emergency Fund - Totals 486

Emergency Fund – Totals *

	2001-03 Actual	2003-05 Legislatively Approved	2005-07 Governor's Recommended	2005-07 Legislatively Adopted
General Fund		18,639,980	175,000,000	193,800,764
Total Funds		\$18,639,980	\$175,000,000	\$193,800,764

* The 2003-05 legislatively approved total in the above table reflects the \$9.6 million unallocated general purpose and special purpose appropriations (which reverted to the General Fund 2003-05 biennium's ending balance) and the \$9 million salary and benefit adjustment (which was allocated by the Board, but not included in individual agency tables in this document).

Overview

The Emergency Fund consists of General Fund appropriations made to the Emergency Board. The Board allocates money from the Emergency Fund to finance contingencies that are not addressed in approved agency budgets. The Board allocates money to finance general employee compensation increases (salaries and benefits) when an appropriation is made for this purpose. Appropriations are also made to the Board for allocation to specific agencies for specific purposes. This is done in lieu of a direct appropriation to an agency when additional information is required or conditions need to be met prior to making the funds available. The following table separately identifies components within the Emergency Fund:

	<u>1999-2001 Adopted</u>	<u>2001-03 Adopted</u>	<u>2003-05 Adopted</u>	<u>2005-07 Adopted</u>
General Purpose Emergency Fund	41,900,000	40,000,000	40,000,000	30,000,000
Salary & Benefit Adjustment	40,000,000	100,000,000	9,000,000	140,000,000
Special Purpose Appropriations	<u>64,267,351</u>	<u>85,860,033</u>	<u>47,442,994</u>	<u>23,800,764</u>
Total	146,167,351	225,860,033	96,442,994	193,800,764

The 2001 Legislature approved a general purpose Emergency Fund of \$40 million and a total of \$100 million for state employee salary and benefit adjustments. As part of rebalance actions during the five 2002 special sessions, the Legislature made adjustments to the appropriations in each of these three major categories, resulting in a disappropriation of \$19 million from the general purpose Emergency Fund and \$22.7 million of the amount set aside for employee negotiated salary and benefit increases. Additional disappropriations were made during the special sessions from unspent special purpose appropriations to agencies. The 2003 Legislature appropriated \$40 million for general purposes and established a special purpose appropriation of \$9 million for state employee health benefit plan changes. Additional agency specific special purpose appropriations of \$47.4 million were also established. Of the total \$96.4 million appropriated to the Emergency Board, \$9.6 million was not allocated and reverted to the General Fund ending balance as of June 30, 2005.

Budget Environment

The size of the general purpose Emergency Fund has not expanded in the past several biennia proportionately with the growth in the General Fund budget. Unused special purpose appropriations have augmented the general purpose Emergency Fund.

The actual cost of implemented salary and benefit increases has significantly exceeded the amounts appropriated to the Emergency Board in each of the past three biennia. Appropriations in 1995-97 and 1997-99 financed approximately 70% of the actual increases. The \$40 million appropriated in 1999-2001 financed less than 50% of the actual increases. The \$100 million appropriated for 2001-03 was anticipated to fully fund salary and benefit increases, but was reduced by the Legislature during the 2002 special sessions to \$77.3 million. The Legislature adopted a general salary freeze for the 2003-05 biennium and reduced agency budgets to reflect no employee merit increases and no cost-of-living adjustments. The \$9 million special purpose appropriation for salary and benefit adjustments in the 2003-05 adopted budget reflected approximately 35% of the estimated General Fund cost to state agencies of negotiated health benefits (in addition to the \$9 million General Fund, \$15 million Other Funds from the Public Employees Benefit Board was distributed, leaving approximately \$1.9 million of the higher costs unfunded). Actual costs above the amounts appropriated were absorbed within agency budgets, primarily through forced position vacancies and under-realized caseload growth.

Legislatively Adopted Budget

The 2005-07 legislatively adopted budget for the Emergency Board includes a \$30 million general purpose Emergency Fund, \$130 million for state employee salary and benefit adjustments, \$10 million for home care worker benefit adjustments, and \$23.8 million in special purpose appropriations for specific agency needs.

The \$130 million for state employee salary and benefit adjustments represents full coverage of the estimated General Fund cost to state agencies for the salary and health benefit adjustments based on the negotiated settlements with collective bargaining units. The Department of Administrative Services will develop a plan for the distribution of these funds based on the negotiated needs for the 2005-07 biennium and request an allocation of the funds from the Emergency Board. The plan will also include agency requests for related Other Funds and Federal Funds expenditure limitation adjustments for salary and benefit costs covered by these sources. The Department of Human Services will seek allocation of the \$10 million special purpose appropriation for negotiated benefit adjustments for home care workers.

The \$23.8 million in special purpose appropriations for agencies include:

- \$4.9 million for caseload growth in the Department of Education's Early Intervention/Early Childhood Special Education program;
- \$4 million for either the Insurance Pool Governing Board or the Department of Human Services' Medical Assistance Program for maintenance of effort requirements either in the FHIAP or OHP programs;
- \$3.6 million for the Department of Forestry for forest fire suppression severity and fire insurance premium costs;
- \$2.5 million for the Department of Human Services for child welfare staffing and legal representation issues;
- \$2.5 million for the Criminal Justice Commission for a drug court grant program related to the methamphetamine issue;
- \$2.1 million for the Department of Higher Education for costs related to the development of an integrated K-16 student data system;
- \$1.8 million for the Department of Education for costs related to the development of the integrated K-16 student data system;
- \$1 million for the Secretary of State for voters' pamphlet costs;
- \$0.8 million for the Department of Education for local option equalization grants; and
- \$0.7 million for the Department of Community Colleges and Workforce Development for costs related to the development of the integrated K-16 student data system.