

EMERGENCY FUND

Emergency Fund – Totals.....470

Emergency Fund – Totals

	2001-03 Actual	2003-05 Legislatively Adopted	2003-05 Legislatively Approved	2005-07 Governor's Recommended
General Fund		49,000,000	32,799,694	175,000,000
Total Funds		\$49,000,000	\$32,799,694	\$175,000,000

Note: For 2003-05 legislatively adopted, agency provided special purpose appropriations are included in the agency-specific tables elsewhere in this document. For 2003-05 legislatively approved, special purpose appropriations are included in agency tables only if allocated by the Emergency Board through November 2004. The 2003-05 legislatively approved total in the above table reflects the unallocated general purpose and unallocated special purpose appropriations after the November 2004 meeting of the Emergency Board; the approved total also includes the \$9 million salary and benefit adjustment (which was allocated by the Board, but not included in individual agency tables).

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:

	1999-01 <u>Approved</u>	2001-03 <u>Approved</u>	2003-05 <u>Adopted</u>	2005-07 <u>Proposed</u>
General Purpose Emergency Fund	41,900,000	21,000,000	40,000,000	25,000,000
Salary & Benefit Adjustment	40,000,000	77,300,000	9,000,000	130,000,000
Special Purpose Appropriations	64,267,351	34,085,281	47,442,994	20,000,000
Total	146,167,351	132,385,281	96,442,994	175,000,000

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.

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.

Governor's Budget

The Governor's recommended budget includes a \$25 million general purpose Emergency Fund. In addition, the proposed budget provides two special purpose appropriations to the Emergency Board:

- \$130 million for state employee compensation issues including any negotiated cost-of-living salary increases and any increases in health and benefit plans; and
- \$20 million for Home Care Worker compensation issues including higher costs for workers' compensation, wages, and health benefits; this amount is in addition to funding provided directly for Home Care Workers in the Department of Human Service's budget.