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Report on Referendum C Revenue and Spending for FY 2007-08

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This report contains preliminary numbers for the amount of money Referendum C provided the state in the 2007-08 fiscal year and the actions of the General Assembly and Governor in spending the money. The state expected to retain \$1,008.0 million in state fiscal year 2007-08 at the time the budget for that year was passed; this amount was budgeted as shown in Table 1. The State Controller has since published a preliminary year-end figure for the amount retained in fiscal year 2007-08 of \$1,171.5 million. This report will be amended when the state balances spending to the final revenue numbers.

Table 1
Referendum C Revenue and Spending
Millions of Dollars

Program	FY 2007-08
Preschool through 12th Grade Public Schools	\$327.5
Health Care for Medical Services Premiums	\$327.6
Higher Education through College Opportunity Fund Stipends	\$294.3
Volunteer Firefighter Retirement Plans	\$3.8
Fire and Police Pension Association Old Hire Plans	\$34.8
Transportation Projects	\$20.0
Total Referendum C Spending	\$1,008.0

By law, the first \$125.0 million of Referendum C money during the 2007-08 fiscal year can be spent as the General Assembly determines on any of the following areas: K-12 education, higher education, health care, firefighter and police retirement plans, and transportation. The remaining amount is split one-third each between health care, K-12 education, and higher education. The \$125 million that could be spent on any of the allowed areas was used to fund the following: the volunteer firefighter retirement plans payment (\$3.8 million); the fire and police pension association old hire plans payment (\$34.8 million); transportation projects (\$20.0 million); K-12 schools (\$33.2 million); and health care (\$33.3 million). A total of \$883.0 million (\$1,008.0 - \$125.0) was allocated one-third each (\$294.3 million) to K-12 education, health care, and the College Opportunity Fund payment.

Other issues for consideration. Two issues should be noted when evaluating this report. First, the state would have faced a significant budget shortfall had Referendum C not passed. Therefore, in many instances the Referendum C money that has been spent is not new money to the programs, rather it maintained the programs and prevented them from undergoing cuts. It is money the programs may not have received without Referendum C, but it is not additional money when compared with the prior year. It is impossible to enumerate this impact because it would require knowledge of what budgetary actions the state would have taken had Referendum C failed.

Second, passage of Referendum C did not amend other requirements in law that limit the spending of state money. The most relevant of these is the six percent Arveschoug-Bird spending limit. This limit prohibits General Fund appropriations growth of greater than six percent in any given year. Therefore, no matter how much additional money is provided through Referendum C, any money above the six percent limit is forced into other areas. Currently, the beneficiaries of those laws are transportation and state capital construction projects. While these areas may have received money that would not have otherwise been available, they did not receive funding directly from Referendum C.

Historical Spending: State Fiscal Years 2005-06 and 2006-07

The state retained \$1,116.1 million during state fiscal year 2005-06 and \$1,308.0 million during state fiscal year 2006-07 under the provisions of Referendum C. By law, the first \$55.0 million during state fiscal year 2005-06 and \$95.0 million during state fiscal year 2006-07 could be spent on any of the allowed areas.

Table 2
Historical Spending of Referendum C Revenue
 Millions of Dollars

Program	2005-06	2006-07
Preschool through 12th Grade Public Schools	\$361.7	\$425.1
Health Care for Medical Services Premiums	\$361.6	\$425.0
Higher Education through College Opportunity Fund Stipends	\$353.7	\$404.3
Volunteer Firefighter Retirement Plans	\$3.8	\$3.8
Fire and Police Pension Association Old Hire Plans	\$25.3	\$34.8
Transportation Projects	\$10.0	\$15.0
TOTAL	\$1,116.1	\$1,308.0

In state fiscal year 2005-06, the \$55 million was spent on the volunteer firefighter retirement plans payment (\$3.8 million); the fire and police pension association old hire plans payment (\$25.3 million); transportation projects (\$10.0 million); K-12 schools (\$8.0 million); and health care (\$7.9 million). A total of \$1,061.1 million (\$1,116.1 - \$55.0) was allocated

one-third each (\$353.7 million) to K-12 education, health care, and the College Opportunity Fund payment.

In state fiscal year 2006-07, the \$95 million was spent on the volunteer firefighter retirement plans payment (\$3.8 million); the fire and police pension association old hire plans payment (\$34.8 million); transportation projects (\$15.0 million); K-12 schools (\$20.8 million); and health care (\$20.7 million). A total of \$1,213.0 million (\$1,308.0 - \$95.0) was allocated one-third each (\$404.3 million) to K-12 education, health care, and the College Opportunity Fund payment.