



## Projection Budgeting

(current method used by Legislature)

vs.

## Prior Year Budgeting

(as proposed by State Senate candidate Paul Sanford)

**EXPLAINED**

The current budgetary process used by the state Legislature employs a method of projecting what future revenues should be and then basing the following year's budget off that arbitrary projection.

Alabama will experience a \$700 million shortfall in revenues for FY 2009 due to the unexpected slowdown in the economy.

Republican State Senate District 7 candidate Paul Sanford proposes basing the state budgetary process on prior year revenues. The example below will show you how, if used, prior year budgeting would have created a \$3.1 billion surplus during the past three years alone.

If the 2006 budget had been based on 2004 (first full prior year)'s revenue:

**FY 2004 Revenue** - \$6,872,624,254.67

**FY 2006 Revenue** - \$8,371,414,233.31

**\$1,498,798,978.64 SURPLUS**

If the 2007 budget had been based on 2005 (first full prior year)'s revenue:

**FY 2005 Revenue** - \$7,622,125,094.60

**FY 2007 Revenue** - \$8,742,958,232.98

**\$1,102,833.138.38 SURPLUS**

If the 2008 budget had been based on 2006 (first full prior year)'s revenue:

**FY 2006 Revenue** - \$8,371,414,233.31

**FY 2008 Revenue** - \$8,962,346,085.88

**\$ 590,931,852.57 SURPLUS**

**COMBINED 3 YEAR SURPLUS: \$3,192,554,969.59** (using prior year budgeting)

The net effect of using prior year revenues as a basis for formulating the State budget, as opposed to projecting the revenue stream, greatly reduces the likelihood of government outspending the revenue source and proration.

Year-Over-Year Revenue Increases for the Past Four Years:

- FY 2005 increased 10.9% over FY 2004
- FY 2006 increased 9.83% over FY 2005
- FY 2007 increased 4.22% over FY 2006
- FY 2008 increased 2.72% over FY 2007