

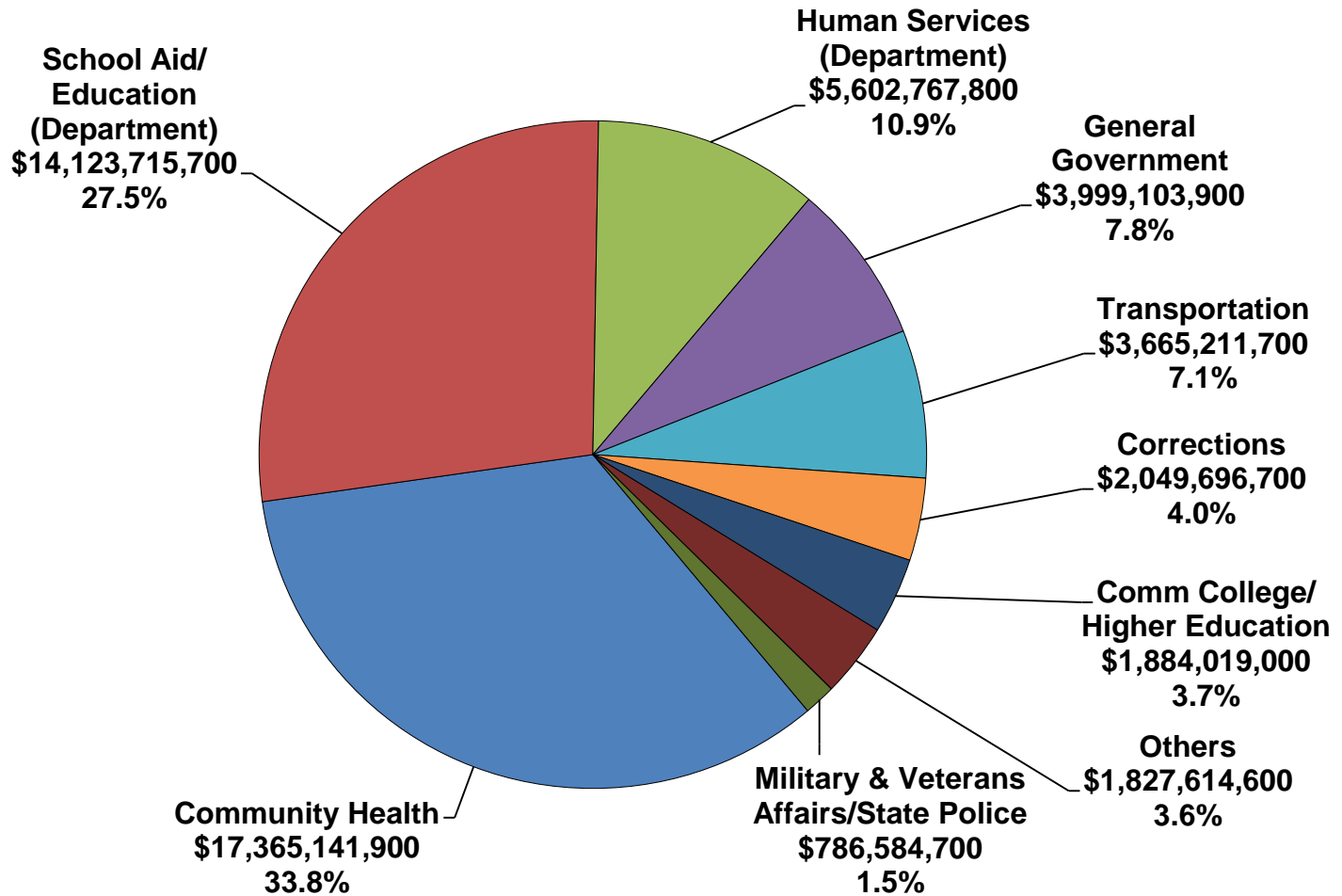
FY 2014-15 Executive Budget Overview

**Mary Ann Cleary, Director
House Fiscal Agency**

**House Appropriations Committee
February 12, 2014**

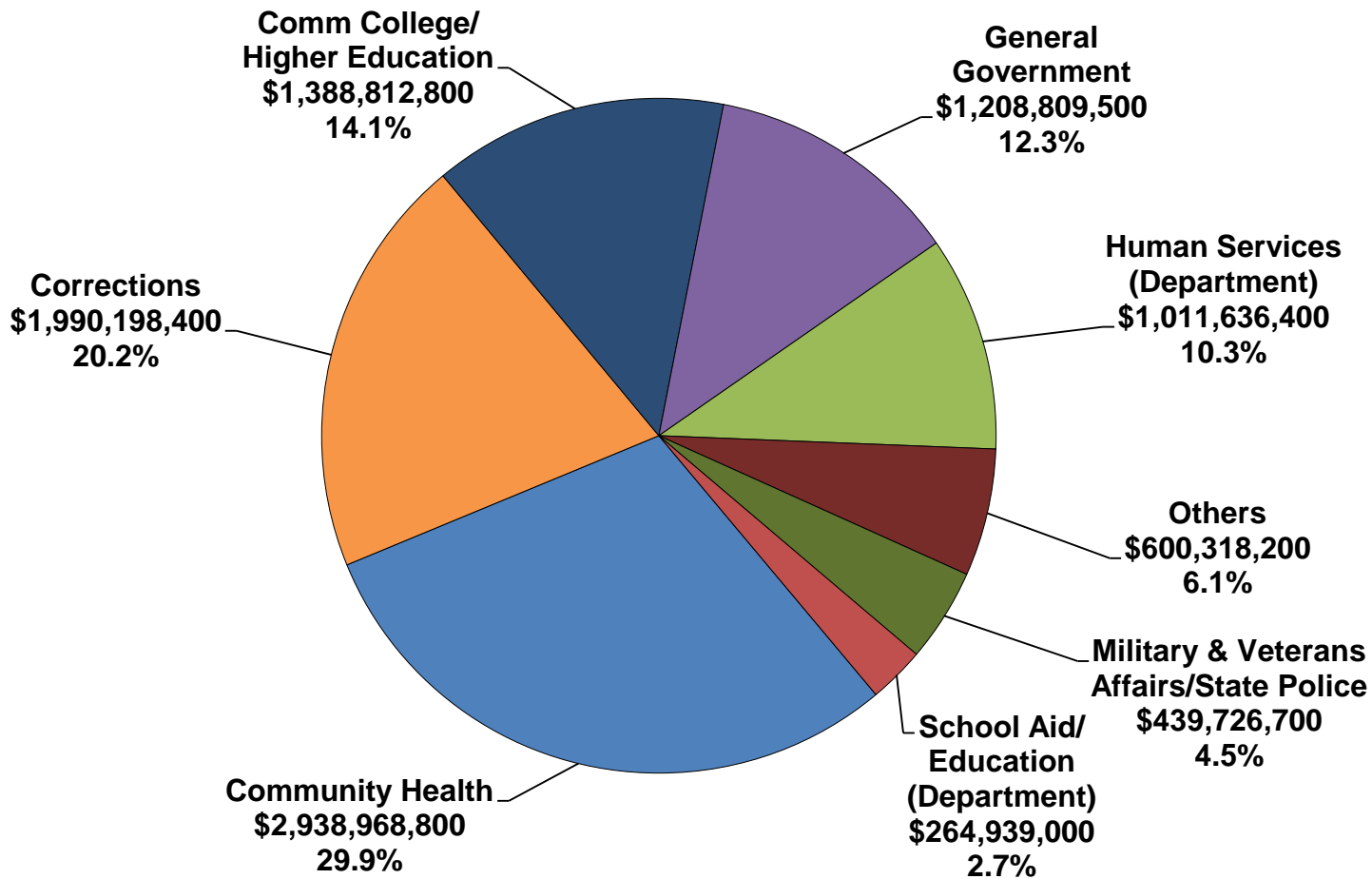
FY 2014-15 Executive Recommendation

Adjusted Gross = \$51,303,856,000



FY 2014-15 Executive Recommendation

General Fund/General Purpose (GF/GP) = \$9,843,409,800



FY 2014-15 Executive Budget Appropriation Changes

(Dollars in Millions)

	* Year-to-Date	Executive Rec.	Change	
	<u>FY 2013-14</u>	<u>FY 2014-15</u>	<u>Dollar</u>	<u>Percent</u>
General Fund/General Purpose	\$9,193.7	\$9,843.4	\$649.8	7.1%
State Restricted	<u>19,462.0</u>	<u>19,941.9</u>	<u>479.9</u>	2.5%
Total State Spending from State Sources	\$28,655.7	\$29,785.3	\$1,129.6	3.9%
Federal	\$21,036.1	\$21,006.0	(\$30.1)	(0.1%)
Local	375.7	344.1	(31.6)	(8.4%)
Private	157.8	168.4	10.6	6.7%
Total Adjusted Gross	\$50,225.2	\$51,303.9	\$1,078.6	2.1%

* Includes PA 107 adjustments that will take effect in March

Revenues

- **Incorporates January 2014 CREC revenue estimates for GF/GP and SAF**
- **Expansion of Homestead Property Tax Credit (HPTC)**
 - Lowers household income threshold from 3.5% to 3.0% for purposes of calculating credit amount
 - Modifies existing phase out so that a reduction percentage of 20% would apply to those whose household resources exceed \$48,000 but are less than or equal to \$60,000
 - Proposed changes reduce GF/GP revenue by \$102.7 million annually beginning in FY 2013-14
- **Personal Property Tax (PPT)**
 - Reduces GF/GP revenues \$41.7 million total in FY 2015-16 and reduces SAF \$10.0 million in FY 2014-15 and \$20.0 million in FY 2015-16 for the phase-out of PPT. Assumes passage of August 2014 ballot initiative
- **Does not include a specific solution to the continued shortfall of approximately \$110 to \$130 million per year in Health Insurance Claims Assessment (HICA) collections**

GF/GP Ongoing Allocations

- **GF/GP funding increases of \$370.9 million for new programs or increases in existing programs. Major GF/GP funding increases include the following:**
 - \$80.3 million for public university funding (6.1% increase)
 - \$28.0 million for state information technology system replacement and upgrades
 - \$26.0 million for Medicaid primary care rates
 - \$25.3 million for the Michigan Public Safety Communications System
 - \$16.7 million for mental health-related initiatives (with an additional \$5.0 million in one-time funding)
 - \$15.7 million for Community Colleges operations funding (3.0%) and retirement rate cap reduction
 - \$15.0 million for the Business Attraction and Community Revitalization Program
 - \$13.5 million for annual debt service on \$150 million in borrowing through the Michigan Strategic Fund for university engineering talent investment and community college skilled trade equipment

GF/GP One-Time Allocations

- **Proposals for one-time GF/GP resources totaling \$636.4 million are as follows:**
 - Transportation-related funding of \$254.0 million GF/GP
 - Various departmental funding items of \$140.4 million GF/GP including:
 - \$19.3 million for Personal Property Tax Reform – grants to locals
 - \$10.0 million for Business Attraction and Community Revitalization
 - \$7.0 million for special maintenance for Armories / Veterans Homes
 - Reserve fund deposits:
 - Budget Stabilization Fund deposit of \$120.0 million GF/GP
 - Health Savings Sub-Fund deposit of \$122.0 million GF/GP

Revenue Sharing / EVIP Allocations

- **Revenue sharing funding increases with GF/GP impact are as follows:**
 - \$65.4 million to fully fund County Revenue Sharing
 - \$7.2 million for an Economic Vitality Incentive Program (EVIP) funding increase (3.0%)
 - \$28.8 million for one-time supplemental EVIP payments

School Aid Funding Allocations

- **The School Aid funding proposal includes the following:**
 - \$150.0 million for foundation allowance increases ranging from \$83 to \$111 per pupil
 - \$65.0 million increase in Great Start Readiness Preschool program
 - \$48.2 million in other program increases
 - \$40.0 million savings in baseline cost adjustments
 - \$270.1 million increase for state-level MPERS unfunded accrued liability costs
 - MPERS Reserve Fund deposit of \$50.0 million
- **\$228.6 million in categorical funding for schools is classified as one-time**

Other Adjustments

- **Reserves \$17.5 million in annual tobacco settlement revenues for distressed communities**
- **A number of items classified as one-time appropriations in FY 2013-14 are included as ongoing appropriations in FY 2014-15: for example, film credits at \$25.0 million GF/GP**
- **No fee increases – only the extension of sunsets on existing fees**

Supplemental Requests

- **\$96.6 million increase GF/GP includes \$73.3 million to replace three months of savings that will not occur due to delay of implementation of the Healthy Michigan Plan**
- **\$109.3 million savings in School Aid Funding for baseline cost adjustments**
- **\$27.7 million in restricted funding for Michigan Natural Resources Trust Fund (MNRTF) projects**
- **\$22.9 million increase for Low-Income Home Energy Assistance program (\$20.0 million federal funds and \$2.9 million private funds)**

Balance Sheets

FY 2014-15 and FY 2015-16 Executive Recommendation General Fund/General Purpose (GF/GP)

(Dollars in Millions)

	<u>FY 2014-15</u>	<u>FY 2015-16</u>
<u>Resources</u>		
Beginning balance	\$666.9	\$41.2
Revenue estimate	10,046.5	10,535.6
Homestead Property Tax Credit	(102.7)	(102.7)
Personal Property Tax	0.0	(41.7)
Revenue Sharing	(488.0)	(459.2)
Charge SAF for short-term borrowing cost	<u>4.0</u>	<u>5.0</u>
Total Resources	\$10,126.7	\$9,978.2
<u>Expenditures</u>		
Ongoing recommendations	\$9,449.0	\$9,648.2
One-time recommendations	394.5	23.3
BSF deposit	120.0	0.0
Health Savings Sub-Fund deposit	<u>122.0</u>	<u>122.0</u>
Total Expenditures	\$10,085.5	\$9,793.5
Estimated Ending Balance	\$41.2	\$184.7

FY 2014-15 and FY 2015-16 Executive Recommendation School Aid Fund (SAF)

(Dollars in Millions)

	<u>FY 2014-15</u>	<u>FY 2015-16</u>
<u>Resources</u>		
Beginning balance	\$351.6	\$34.2
MPERS reserve balance	18.0	50.0
Revenue estimate	11,931.8	12,338.2
Personal Property Tax	(10.0)	(20.9)
GF/GP contribution	180.0	180.0
Federal funds	<u>1,808.2</u>	<u>1,808.2</u>
Total Resources	\$14,279.6	\$14,389.7
<u>Expenditures</u>		
School Aid ongoing recommendations	\$13,528.9	\$13,790.7
School Aid one-time recommendations	268.4	0.0
Community College recommendations	197.6	197.6
Higher Education recommendations	<u>200.5</u>	<u>200.5</u>
Total Expenditures	\$14,195.4	\$14,188.8
Estimated SAF Ending Balance	\$34.2	\$150.9
Estimated MPERS Reserve Ending Balance	\$50.0	\$50.0

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