

# FY 2015-16 Executive Budget Overview

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House Fiscal Agency**

**House Appropriations Committee  
February 18, 2015**

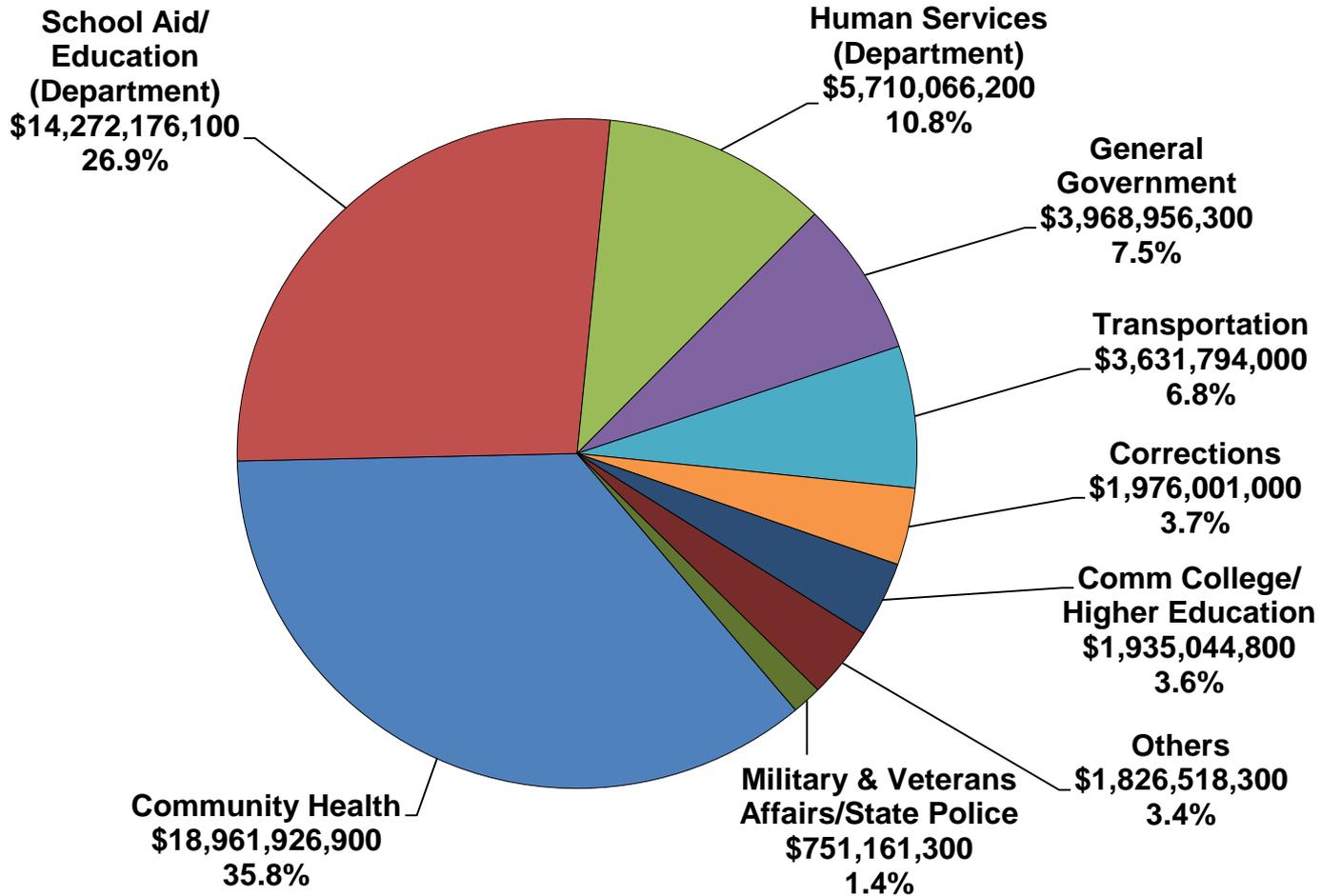
# Revenues

**In addition to CREC estimates, the recommendation assumes the following:**

- Continued collection of the use tax on Medicaid managed care providers (\$377.1 million GF/GP).
- Increased revenue from Public Acts 553 and 554 of 2014 (online sales tax-related) of \$54.0 million (\$10.0 million GF/GP and \$44.0 million School Aid Fund [SAF]).
- A decrease in revenue from the Michigan Venture Fund tax vouchers of \$50.0 million (\$38.1 million GF/GP and \$11.9 million SAF).

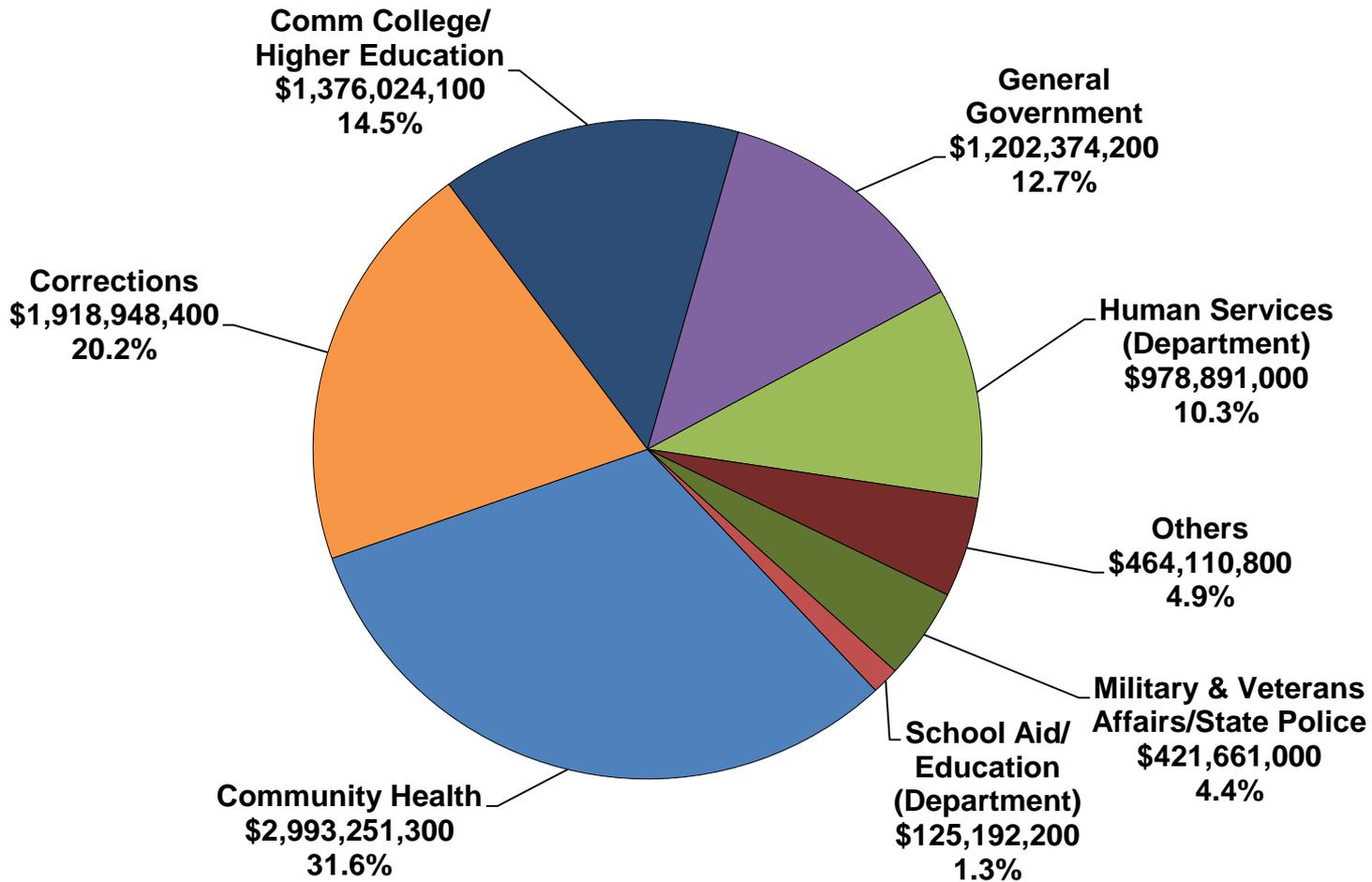
# FY 2015-16 Executive Recommendation

**Adjusted Gross = \$53,033,644,900**



# FY 2015-16 Executive Recommendation

**General Fund/General Purpose (GF/GP) = \$9,480,453,000**



# FY 2015-16 Executive Budget Appropriation Changes

(Dollars in Millions)

	* Year-to-Date	Executive Rec.	Change	
	<u>FY 2014-15</u>	<u>FY 2015-16</u>	<u>Dollar</u>	<u>Percent</u>
General Fund/General Purpose	\$9,594.2	\$9,480.5	(\$113.7)	(1.2%)
State Restricted	<u>20,132.2</u>	<u>20,489.6</u>	<u>357.4</u>	1.8%
<b>Total State Spending from State Sources</b>	<b>\$29,726.4</b>	<b>\$29,970.0</b>	<b>\$243.6</b>	<b>0.8%</b>
Federal	\$21,650.1	\$22,662.5	\$1,012.4	4.7%
Local	357.6	227.8	(129.8)	(36.3%)
Private	176.4	173.4	(3.0)	(1.7%)
<b>Total Adjusted Gross</b>	<b>\$51,910.6</b>	<b>\$53,033.6</b>	<b>\$1,123.1</b>	<b>2.2%</b>

\* FY 2014-15 year-to-date figures includes proposed FY 2014-15 adjustments under Executive Order 2015-5, House Bill 4110 (H-1), and House Bill 4112 (H-1).

# FY 2015 and FY 2016 GF/GP Budget Adjustments

## GENERAL FUND/GENERAL PURPOSE APPROPRIATIONS FY 2015-16 Executive Recommendation Compared with FY 2014-15 Year-to-Date

Department/Budget Area	FY 2014-15 Year-to-Date as of 2/11/15	*Proposed Adjustments	Adjusted FY 2014-15 Appropriations	FY 2015-16 Exec Rec	Exec Rec Change from YTD as of 2/11/15		Exec Rec Change from Adjusted YTD	
					Dollar	Percent	Dollar	Percent
Agriculture & Rural Development	\$45,916,200	(\$600,000)	\$45,316,200	\$42,373,600	(\$3,542,600)	(7.7)	(\$2,942,600)	(6.5)
Attorney General	38,267,100	0	38,267,100	36,847,400	(1,419,700)	(3.7)	(1,419,700)	(3.7)
Civil Rights	13,448,200	0	13,448,200	12,949,700	(498,500)	(3.7)	(498,500)	(3.7)
Community Colleges	167,110,800	(167,110,800)	0	137,110,800	(30,000,000)	(18.0)	137,110,800	--
Community Health	3,239,701,400	(150,994,600)	3,088,706,800	2,993,251,300	(246,450,100)	(7.6)	(95,455,500)	(3.1)
Corrections	1,980,798,400	(20,700,000)	1,960,098,400	1,918,948,400	(61,850,000)	(3.1)	(41,150,000)	(2.1)
Education	82,083,000	(8,403,100)	73,679,900	79,292,200	(2,790,800)	(3.4)	5,612,300	7.6
Environmental Quality	40,875,900	(3,400,000)	37,475,900	35,377,700	(5,498,200)	(13.5)	(2,098,200)	(5.6)
Executive Office	5,916,100	0	5,916,100	5,916,100	0	0.0	0	0.0
Higher Education	1,214,902,000	(2,000,000)	1,212,902,000	1,238,913,300	24,011,300	2.0	26,011,300	2.1
Human Services	995,452,600	(14,297,100)	981,155,500	978,891,000	(16,561,600)	(1.7)	(2,264,500)	(0.2)
Insurance & Financial Services	55,000	0	55,000	150,000	95,000	172.7	95,000	172.7
Judiciary	186,527,400	0	186,527,400	182,692,200	(3,835,200)	(2.1)	(3,835,200)	(2.1)
Legislative Auditor General	14,937,300	0	14,937,300	15,460,100	522,800	3.5	522,800	3.5
Legislature	127,420,700	0	127,420,700	131,872,300	4,451,600	3.5	4,451,600	3.5
Licensing & Regulatory Affairs	40,133,800	(312,500)	39,821,300	24,223,400	(15,910,400)	(39.6)	(15,597,900)	(39.2)
Military & Veterans Affairs	49,154,500	3,300,000	52,454,500	48,187,300	(967,200)	(2.0)	(4,267,200)	(8.1)
Natural Resources	48,591,500	(2,000,000)	46,591,500	39,772,800	(8,818,700)	(18.1)	(6,818,700)	(14.6)
School Aid	114,900,000	(81,200,000)	33,700,000	45,900,000	(69,000,000)	(60.1)	12,200,000	36.2
State	17,539,000	200,000	17,739,000	17,161,500	(377,500)	(2.2)	(577,500)	(3.3)
State Police	414,171,000	(23,331,100)	390,839,900	373,473,700	(40,697,300)	(9.8)	(17,366,200)	(4.4)
Tech, Mgmt, & Budget: Operations	224,527,900	(15,500,000)	209,027,900	224,310,200	(217,700)	(0.1)	15,282,300	7.3
Tech, Mgmt, & Budget: SBA Rent	254,570,600	(17,800,000)	236,770,600	254,570,600	0	0.0	17,800,000	7.5
Transportation	284,647,900	0	284,647,900	139,521,100	(145,126,800)	(51.0)	(145,126,800)	(51.0)
Treasury: Operations	118,118,300	3,550,000	121,668,300	120,230,300	2,112,000	1.8	(1,438,000)	(1.2)
Treasury: Michigan Strategic Fund	244,642,500	(22,000,000)	222,642,500	226,607,000	(18,035,500)	(7.4)	3,964,500	1.8
Treasury: Debt Service	152,395,000	0	152,395,000	156,449,000	4,054,000	2.7	4,054,000	2.7
<b>TOTAL</b>	<b>\$10,116,804,100</b>	<b>(\$522,599,200)</b>	<b>\$9,594,204,900</b>	<b>\$9,480,453,000</b>	<b>(\$636,351,100)</b>	<b>(6.3)</b>	<b>(\$113,751,900)</b>	<b>(1.2)</b>

\*Proposed FY 2014-15 adjustments under Executive Order 2015-5, House Bill 4110 (H-1), or House Bill 4112 (H-1).

# Fund Shifts

Two major fund shifts are proposed for the Medicaid program under the Executive Recommendation to offset existing GF/GP appropriations with proposed increases in state restricted revenue:

- A GF/GP reduction of \$180.1 million to the Medicaid budget to be offset by a proposed increase in the Health Insurance Claims Assessment (HICA) rate from 0.75% to 1.3% and removal of the current statutory cap on annual HICA collections.
- Total GF/GP reduction of \$77.1 million reduction (compared to original FY 2014-15 levels) for Graduate Medical Education and Special Rural Hospital Medicaid payments, to be offset by a proposed increase in the hospital provider tax.

# GF/GP Program Reductions

Major GF/GP program reductions proposed in the Executive Recommendation compared to adjusted FY 2014-15 levels include:

- A reduction of \$16.8 million from moving pharmacy coverage from managed care contracts to fee-for-service effective January 1, 2016.
- A \$9.0 million fund shift to utilize Special Equipment Fund revenue in place of GF/GP funds for prisoner education in the Corrections budget.
- A reduction of \$7.1 million tied to reductions in foster care rates in the Human Services budget.

# GF/GP Ongoing Allocations

Major GF/GP program increases proposed in the Executive Recommendation compared to adjusted FY 2014-15 levels include:

- \$28.0 million for a 2.0% increase in funding for public university operations.
- \$13.0 million for maintenance at state facilities (including restoration of a \$5.0 million EO 2015-5 reduction).
- \$9.5 million for information technology investment (including restoration of a \$2.5 million EO 2015-5 reduction in the EO).
- \$8.8 million (including \$3.2 million in one-time costs) for State Police trooper and motor carrier officer schools.
- \$7.9 million to implement an enhanced dental benefit for adults in the traditional Medicaid program effective July 1, 2016.
- \$7.5 million to expand the Healthy Kids Dental program to children age 0 to 8 in Kent, Oakland, and Wayne counties.

# GF/GP One-Time Allocations

Major one-time allocations of GF/GP funding proposed in the Executive Recommendation include:

- \$139.5 million for federal Transportation match needs (down from \$284.6 million in FY 2014-15).
- \$25.0 million for the Film Incentive Program; total funding would be restored to the original FY 2014-15 level of \$50.0 million (prior to a \$12.0 million reduction under EO 2015-5).
- \$17.9 million for the Business Attraction and Community Revitalization Program; total funding would be \$128.0 million (\$1.0 million below the original FY 2014-15 level, prior to EO 2015-5 adjustments).
- A \$95.0 million deposit to the Budget Stabilization Fund (BSF). This deposit would increase the projected BSF balance at the close of FY 2015-16 to \$615.9 million.

# Revenue Sharing Allocations

The Executive Recommendation proposes the following major adjustments for local revenue sharing programs:

- Reflect an estimated increase of \$30.2 million in constitutional revenue sharing payments to cities, villages, and townships based on projected growth in sales tax revenues.
- Hold discretionary revenue sharing payments to cities, villages, and townships flat after removal of \$5.8 million in payments to an expanded pool of local units that had been designated as one-time funding in FY 2014-15.
- Increase funding for revenue sharing and incentive payments to counties by \$3.5 million to provide full funding to two additional counties who will have exhausted their reserve funds.

# School Aid Fund Allocations

Major School Aid and Community Colleges funding changes proposed in the Executive Recommendation compared to adjusted FY 2014-15 levels include:

- \$108.0 million for a \$75 across-the-board increase to district foundation allowances.
- \$100.0 million in increased funding for the At-Risk Program.
- A \$75.0 million deposit into the Distressed Districts Rehabilitation Fund.
- \$20.0 million for an early literacy (3<sup>rd</sup> grade reading) initiative.
- \$17.8 million to expand career and technical education middle college programs statewide.
- \$112.6 million in reductions to major categoricals in school aid
  - Best Practice Grants (\$45.0 million)
  - Technology Grants (16.5 million)
  - District Performance Grants (\$51.1 million)

# School Aid Fund Allocations

(continued)

- A \$216.6 million increase for state-level MPERS unfunded accrued liability costs in the School Aid budget and a \$17.2 million increase for Community Colleges budget.
- \$4.3 million for a 1.4% increase in funding for Community College operations.
- A continued \$30.0 million SAF shift from GF/GP in the Community Colleges budget compared to the original FY 2014-15 budget (i.e., reverses \$137.1 million of GF/GP fund shift in HB 4110 (H-1)).

# Fee Proposal

<u>Department/Budget Area</u>	<u>New Fees</u>	<u>Increased Fees</u>	<u>Decreased Fees</u>	<u>Maintain Fees at Current Level Otherwise Decline</u>	<u>Sunset Extensions</u>
Agriculture	\$41,700	\$6,902,300		\$100,000	\$5,020,000
Community Health					249,800,000
Environmental Quality		2,250,000			27,143,700
Licensing & Regulatory Affairs	1,029,500	6,417,634	(16,628)	17,483,744	
State Police					30,729,500
State					<u>109,600,000</u>
<b>Totals</b>	<b>\$1,071,200</b>	<b>\$15,569,934</b>	<b>(\$16,628)</b>	<b>\$17,583,744</b>	<b>\$422,293,200</b>
<b>Total Executive Recommendation for Fees</b>					<b>\$456,501,450</b>

# Balance Sheets

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# Executive Recommendation General Fund Balance Sheet

(Dollars in Millions)

	<u>FY 2016</u>	Baseline <u>FY 2017</u>
Beginning Balance	\$0.3	\$28.9
<b>REVENUE</b>		
General Fund/General Purpose (GF/GP)	\$9,713.2	\$10,000.6
Venture Michigan Fund	(38.1)	(30.5)
Use Tax on Medicaid MCO's (GF Portion)	377.7	97.7
Other Adjustments	14.0	15.0
<u>Revenue Sharing</u>	<u>(462.7)</u>	<u>(462.7)</u>
<b><u>TOTAL REVENUE</u></b>	<b><u>\$9,604.1</u></b>	<b><u>\$9,620.1</u></b>
<b>EXPENDITURES</b>		
Ongoing Baseline	\$9,264.3	\$9,331.1
One-Time Funding	76.7	0.0
Transportation	139.5	0.0
<u>Budget Stabilization Fund (BSF)</u>	<u>95.0</u>	<u>0.0</u>
<b><u>TOTAL EXPENDITURES</u></b>	<b><u>\$9,575.5</u></b>	<b><u>\$9,331.1</u></b>
Change in Current Year Balance	\$28.6	\$289.0
<b>ESTIMATED ENDING BALANCE / (SHORTFALL)</b>	<b>\$28.9</b>	<b>\$317.9</b>

# Executive Recommendation School Aid Balance Sheet

(Dollars in Millions)

	<u>FY 2016</u>	Baseline <u>FY 2017</u>
Beginning Balance	\$120.9	\$6.4
<b>REVENUE</b>		
School Aid Fund (SAF) Revenue	\$12,263.7	\$12,640.9
Use Tax on Medicaid MCO's (SAF Portion)	188.9	48.8
Venture Michigan Fund	(11.9)	(9.5)
Online Sales Tax Legislation	44.0	45.3
General Fund/General Purpose (GF/GP)	45.9	57.0
<u>Federal Funds</u>	<u>1,775.8</u>	<u>1,775.8</u>
<b>TOTAL REVENUE</b>	<b>\$14,306.4</b>	<b>\$14,558.3</b>
<b>EXPENDITURES</b>		
Ongoing Baseline	\$13,844.3	\$13,839.3
Expenditures Funded with One-Time Revenue	114.7	0.0
Postsecondary Expenditures	<u>461.9</u>	<u>469.0</u>
<b><u>TOTAL EXPENDITURES</u></b>	<b><u>\$14,420.9</u></b>	<b><u>\$14,308.3</u></b>
Change in Current Year Balance	(\$114.5)	\$250.0
<b>ESTIMATED ENDING BALANCE / (SHORTFALL)</b>	<b>\$6.4</b>	<b>\$256.4</b>

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