

FY 2017-18 Executive Budget Overview

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

**House Appropriations Committee
February 15, 2017**



Revenues

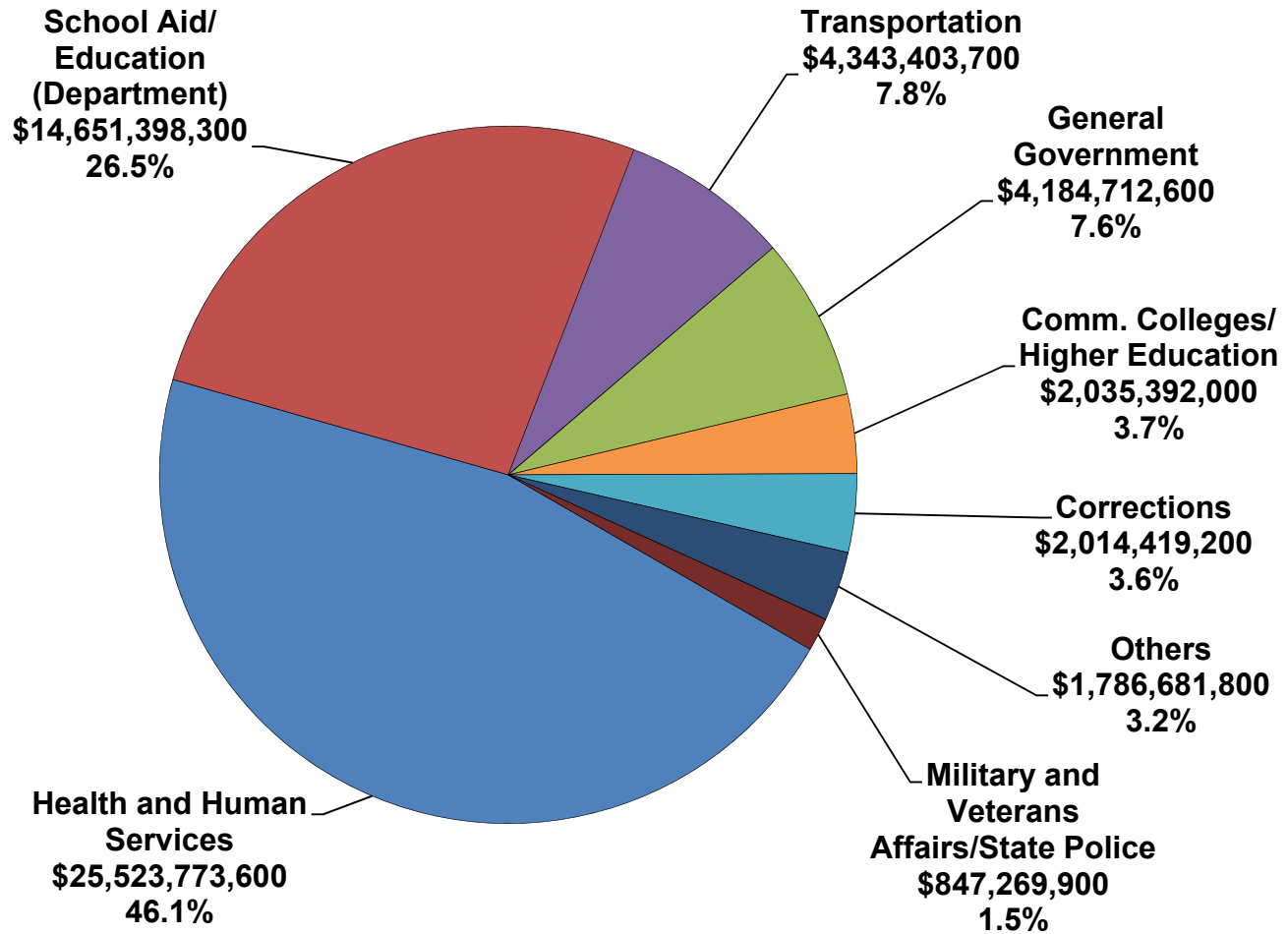
The Executive recommendation assumes the January 2017 Consensus Revenue Estimating Conference (CREC) revenue estimates:

(Dollars in Millions)

	FY 2016-17	FY 2017-18	FY 2018-19
GF/GP	\$10,290.1	\$10,522.7	\$10,589.3
SAF	\$12,457.0	\$12,783.1	\$13,131.5

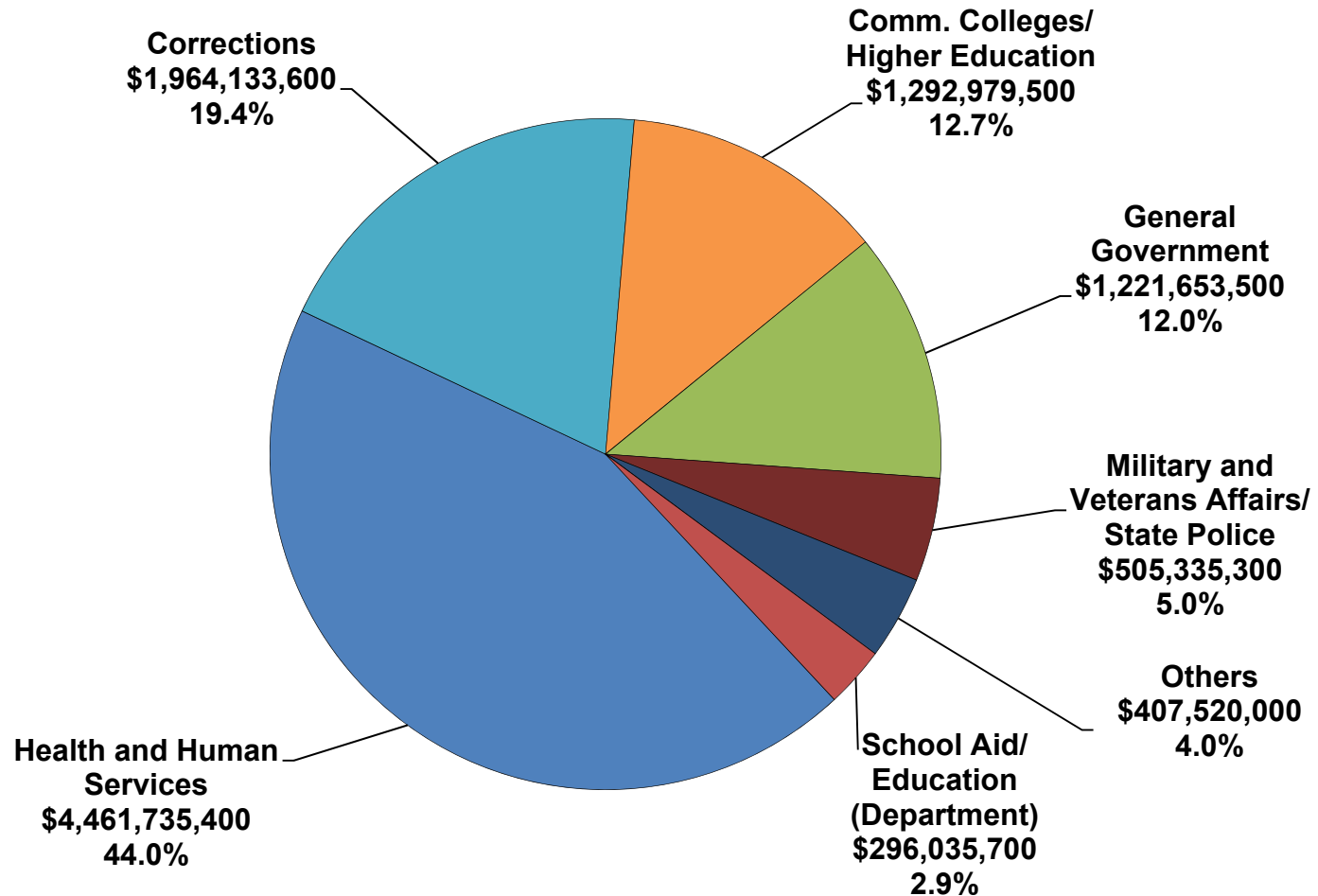
FY 2017-18 Executive Recommendation

Adjusted Gross = \$55,387,051,100



FY 2017-18 Executive Recommendation

General Fund/General Purpose (GF/GP) = \$10,149,393,000



FY 2017-18 Executive Budget Appropriation Changes

(Dollars in Millions)

	Year-to-Date	Executive Rec.	Change	
	<u>FY 2016-17</u>	<u>FY 2017-18</u>	<u>Dollar</u>	<u>Percent</u>
General Fund/General Purpose	\$10,101.5	\$10,149.4	\$47.9	0.5%
State Restricted	<u>21,038.9</u>	<u>21,758.5</u>	<u>719.6</u>	3.4%
Total State-Source Appropriations	\$31,140.4	\$31,907.9	\$767.5	2.5%
Federal	\$22,693.9	\$23,096.0	\$402.1	1.8%
Local	216.1	214.9	(1.2)	(0.6%)
Private	172.5	168.3	(4.2)	(2.4%)
Total Adjusted Gross	\$54,222.8	\$55,387.1	\$1,164.3	2.1%

Numbers may not add due to rounding.

FY 2017 and FY 2018 GF/GP Appropriations

<u>Department/Budget Area</u>	<u>Year-To-Date FY 2016-17</u>	<u>Exec. Rec. FY 2017-18</u>	<u>Difference FY 2017-18 vs. FY 2016-17</u>	
Agriculture & Rural Development	\$49,926,900	\$56,582,000	\$6,655,100	13.3%
Attorney General	42,840,500	40,298,600	(2,541,900)	(5.9%)
Capital Outlay	200	700	500	250.0%
Civil Rights	13,021,300	12,856,600	(164,700)	(1.3%)
Community Colleges	135,510,800	3,025,000	(132,485,800)	(97.8%)
Corrections	1,951,957,900	1,964,133,600	12,175,700	0.6%
Education	76,181,200	81,035,700	4,854,500	6.4%
Environmental Quality	49,273,400	51,318,300	2,044,900	4.2%
Executive Office	5,636,300	6,848,500	1,212,200	21.5%
Health and Human Services	4,392,732,800	4,461,735,400	69,002,600	1.6%
Higher Education	1,243,904,500	1,289,954,500	46,050,000	3.7%
Insurance & Financial Services	150,000	150,000	0	0.0%
Judiciary	189,157,400	192,405,100	3,247,700	1.7%
Legislative Auditor General	16,123,900	16,607,600	483,700	3.0%
Legislature	143,227,800	150,297,100	7,069,300	4.9%
Licensing & Regulatory Affairs	43,721,100	43,016,600	(704,500)	(1.6%)
Military & Veterans Affairs	58,243,600	63,067,500	4,823,900	8.3%
Natural Resources	43,410,000	64,047,300	20,637,300	47.5%
School Aid	218,900,000	215,000,000	(3,900,000)	(1.8%)
State	22,109,600	22,139,000	29,400	0.1%
State Police	405,162,800	442,267,800	37,105,000	9.2%
Talent and Economic Devel. (MSF)	182,508,900	193,502,400	10,993,500	6.0%
Tech., Mgmt. & Budget: Operations	322,982,000	326,184,600	3,202,600	1.0%
Tech., Mgmt. & Budget: SBA Rent	246,570,600	246,570,600	0	0.0%
Transportation	9,750,000	0	(9,750,000)	(100.0%)
Treasury: Operations	101,458,800	98,768,500	(2,690,300)	(2.7%)
Treasury: Debt Service	137,037,000	107,580,000	(29,457,000)	(21.5%)
Treasury: Revenue Sharing	0	0	0	--
TOTAL	\$10,101,499,300	\$10,149,393,000	\$47,893,700	0.5%

Supplementals

Executive proposal includes three recommended supplementals totaling \$137.2 million Gross (\$10.0 million GF/GP) for FY 2016-17:

- Michigan Natural Resources Trust Fund projects of \$47.6 million Gross. (Request 2017-1)
- School Aid appropriation reduction of \$103.4 million Gross (\$15.5 million SAF). (Request 2017-2)
- Departmental appropriation adjustment requests of \$193.0 million Gross (\$10.0 million GF/GP). (Request 2017-3)

Reserve Funds

Executive proposal includes proposed deposits of \$311.5 million into the following three reserve funds:

- \$266.5 million in the Budget Stabilization Fund.
- \$25.0 million in the Drinking Water Declaration of Emergency Reserve Fund.
- \$20.0 million in the Michigan Infrastructure Fund.

GF/GP Program Reductions

Executive proposes \$35.8 million in program and grant reductions. Major reduction areas include:

- \$21.5 million GF/GP reduction in various grants and programs in the Health and Human Services budget (DHHS).
- \$5.2 million GF/GP reduction in the Corrections budget to various grants and programs.

GF/GP Ongoing Allocations

Executive proposes \$215.6 million in program and grant increases. Major increase areas include:

- \$37.6 million GF/GP (\$84.4 million Gross) for 8 statewide IT projects representing three departments and a deposit into the Information Technology Investment Fund (\$7.5 million). Funding includes a mix of ongoing and one-time costs.
- \$35.0 million for a 2.5% increase in public university operations.
- \$14.2 million GF/GP (\$45.0 million Gross) to provide a \$0.50 per hour increase in wages for direct care workers providing Medicaid behavioral health services.
- \$10.0 million increase for Business Attraction and Community Revitalization programs plus shifts \$14.0 million in one-time funding in FY 2016-17 to ongoing in FY 2017-18.
- \$11.0 million increase for tuition grants and competitive scholarships at Michigan universities.

GF/GP Ongoing Allocations cont.

- \$9.2 million (including \$6.2 million in one-time costs) for a State Police trooper school.
- \$8.4 million GF/GP (\$27.2 million Gross) to increase the reimbursement rate for childcare providers delivering services through the Child Development and Care (CDC) program.
- \$8.1 million GF/GP (\$11.3 million Gross) increase for 95 adult services workers.
- \$6.8 million GF/GP (\$14.2 million Gross) for increases in administrative per diem rates to private foster care agencies and residential service providers.
- \$4.9 million GF/GP (\$7.2 million Gross) increase for additional 72 staff workers at state hospitals and centers.

GF/GP One-Time Allocations

Executive recommends \$182.1 million in one-time allocations. Major increases include:

- \$15.0 million for state parks repair and maintenance and trail development.
- \$10.0 million to replenish the Disaster and Emergency Contingency Fund within State Police.
- \$10.0 million for Going Pro program (formerly skilled trades training).
- \$5.0 million for talent marketing to attract out-of-state talent to Michigan.

School Aid Fund Allocations

Major School Aid funding reductions include:

- \$55.0 million to implement a cap on shared-time pupils.
- \$16.0 million to reduce cyber school foundation allowances by 20% after the district's first year of operation.
- \$21.9 million to eliminate 18 categorical grant programs ranging from \$79,000 to \$4.0 million.

School Aid Fund Allocations

Major School Aid funding increases include:

- \$128.0 million for increases to district foundation allowances ranging from \$50 to \$100 per pupil based on 2x formula (percentages range from 0.6% to 1.3%).
- \$150.0 million increase to school districts for at-risk students in addition to expanding the number of eligible students and the number of eligible districts.
- \$22.0 million to provide an additional \$50 per pupil for each high school pupil in grades 9 to 12.
- \$16.8 million one-time for career and technical education (CTE) equipment upgrades.
- \$7.0 million for teacher and administrator evaluation training.
- \$7.0 million to school districts to assist with declining enrollment.

Retirement Changes

Proposed retirement changes included in the Executive recommendation include:

- \$100.0 million SAF to pay for the additional unfunded liability costs from lowering the assumed rate of return (AROR) for MPERS from 8.0% to 7.5% to community colleges, universities, and school districts. (2-year phase-in)
- \$53.0 million SAF to pay the additional MPSE normal cost to community colleges, universities, and school districts resulting from the change in AROR. (2-year phase-in)
- \$43.4 million GF/GP (\$83.7 million Gross) to pay the additional unfunded liability costs from lowering the assumed rate of return for state employees', state police, and judges' retirement systems from 8.0% to 7.5%.

Revenue Sharing Allocations

Executive recommends no change to local revenue sharing programs.

Fund Shift – Community Colleges

Executive recommendation increases SAF revenue by \$130.4 million and a corresponding GF/GP decrease of \$130.4 million.

Flint Allocations

Executive recommends the following for Flint Water Emergency funding:

FY 2016-17

- \$100.0 million federal funds to the City of Flint in the FY 2016-17 supplemental (DEQ).

FY 2017-18

- \$25.0 million GF/GP into the Drinking Water Declaration of Emergency reserve fund.
- \$1.0 million GF/GP (\$13.4 million Gross) in DHHS.
- \$8.7 million SAF in School Aid.
- \$1.0 million GF/GP in DEQ.
- \$600,000 GF/GP in MDARD.

Estimated total funding of \$389.6 million.

Capital Outlay

The Executive recommendation includes planning authorization for seven capital outlay projects. Financing the capital outlay projects would cost approximately \$17.2 million GF/GP annually for 15-17 years:

- STEM Innovation Learning Center at Wayne State University.
- College of Business and Management expansion at Saginaw Valley State University.
- H-STEM Engineering and Health Tech complex at Michigan Technology University.
- Entrepreneur and Innovation Institute/Technology building renovation.
- Health Sciences, AJ Thiesen building renovation at St. Clair Community College.
- Replacement of the Caro Center State Psychiatric Hospital. (DHHS)
- Secretary of State building addition at the secondary complex.

Other

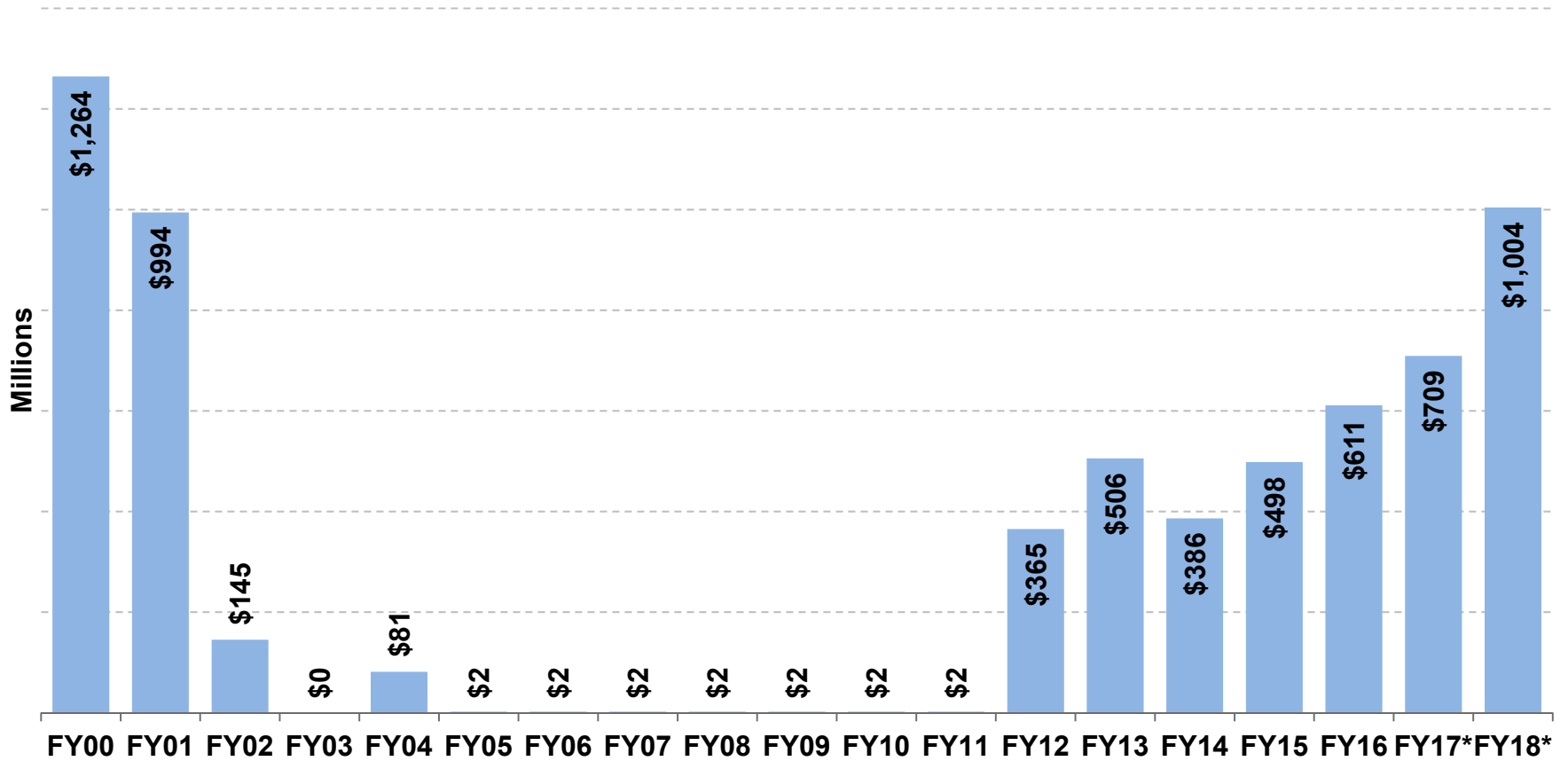
Includes \$36.5 million restricted funds to implement the recently enacted Medical Marihuana Facilities Licensing Act (PA 281 of 2016) as follows:

- \$6.6 million from the Medical Marihuana Excise Fund:
 - Locals (\$4.0 million)
 - LARA (\$2.0 million)
 - MSP (\$660,000)

- \$29.9 million from the Marihuana Regulatory Fund:
 - LARA (\$18.7 million and 108.0 FTEs)
 - MSP (\$8.8 million and 48.0 FTEs)
 - DHHS (\$1.4 million)
 - Treasury (\$675,000 and 6.0 FTEs)
 - Attorney General (\$375,000 and 4.0 FTEs)

Budget Stabilization Fund Balance

The Executive Recommendation proposes a \$266.5 million BSF deposit for FY 2017-18.



*Exec Rec

Note: Reduction in balance for FY 2013-14 is due to state payment of \$195 million toward Detroit bankruptcy settlement; funds are being repaid to BSF with \$17.5 million of tobacco settlement revenue per year.

Balance Sheets

Executive Recommendation General Fund Balance Sheet

(Dollars in Millions)

	<u>FY 2016-17</u>	<u>FY 2017-18</u>	<u>FY 2018-19</u>
RESOURCES			
Beginning balance	\$604.4	\$366.0	\$7.6
Consensus Revenue Estimates: January 2017	10,290.1	10,522.7	10,589.3
Use tax on Medicaid MCOs (GF portion: discontinued 1/1/17)	105.3	0.0	0.0
Miscellaneous revenue	22.3	6.5	7.5
Revenue Sharing: ongoing	(465.3)	(465.9)	(465.9)
<u>Revenue Sharing: one-time</u>	<u>(5.8)</u>	<u>(5.8)</u>	<u>0.0</u>
TOTAL RESOURCES	\$10,551.0	\$10,423.5	\$10,138.5
EXPENDITURES			
Enacted appropriations: ongoing	\$9,669.0	\$9,967.3	\$10,122.0
Enacted appropriations: one-time	397.1	137.1	0.0
Deposit to Budget Stabilization Fund	75.0	266.5*	0.0
Reserve funds (infrastructure and drinking water)	33.9	45.0	0.0
<u>Proposed supplemental</u>	<u>10.0</u>	<u>0.0</u>	<u>0.0</u>
<u>TOTAL EXPENDITURES</u>	<u>\$10,185.0</u>	<u>\$10,415.9</u>	<u>\$10,122.0</u>
PROJECTED ENDING BALANCE / (SHORTFALL)	\$366.0	\$7.6	\$16.5

* FY 2017-18 - Sec. 211 of Article VIII of 2016 PA 268 – 25% of unassigned GF/GP fund balance for FY 2016-17 shall be deposited in the BSF = \$91.5 million.

Executive Recommendation School Aid Balance Sheet

(Dollars in Millions)

	<u>FY 2016-17</u>	<u>FY 2017-18</u>	<u>FY 2018-19</u>
RESOURCES			
Beginning balance	\$168.1	\$143.4	\$7.6
Consensus Revenue Estimates: January 2017	12,457.0	12,783.1	13,131.5
Use tax on Medicaid MCOs (SAF portion: discontinued 1/1/17)	52.6	0.0	0.0
GF/GP grant	218.9	215.0	145.0
Detroit Public Schools Trust Fund	72.0	72.0	72.0
<u>Federal funds</u>	<u>1,730.7</u>	<u>1,726.9</u>	<u>1,726.9</u>
TOTAL RESOURCES	\$14,699.3	\$14,940.4	\$15,083.0
EXPENDITURES			
School Aid ongoing recommendations	\$14,119.8	\$14,202.4	\$14,204.3
School Aid one-time recommendations	42.0	99.7	97.9
Pending supplemental requests	(103.4)	0.0	0.0
Community College recommendations	260.4	395.1	403.4
<u>Higher Education recommendations</u>	<u>237.1</u>	<u>235.6</u>	<u>238.5</u>
<u>TOTAL EXPENDITURES</u>	\$14,555.9	\$14,932.8	\$14,944.1
PROJECTED ENDING BALANCE / (SHORTFALL)	\$143.4	\$7.6	\$138.9



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