

FY 2020-21 Executive Budget Overview

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

**House Appropriations Committee
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Revenues

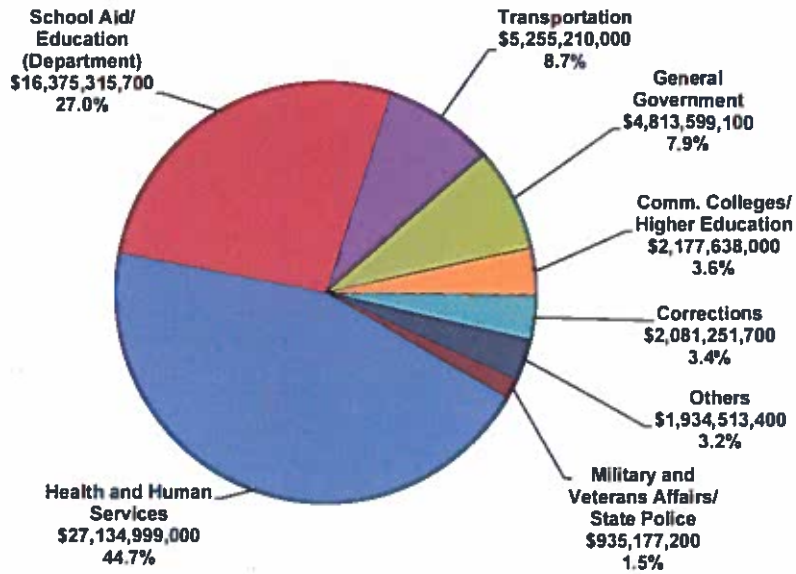
**January 2020 Consensus Revenue Estimating Conference (CREC)
revenue estimates:**

(Dollars in Millions)

	FY 2019-20	FY 2020-21	FY 2021-22
GF/GP	\$11,012.1	\$11,194.5	\$11,518.5
SAF	\$13,925.5	\$14,317.5	\$14,640.1

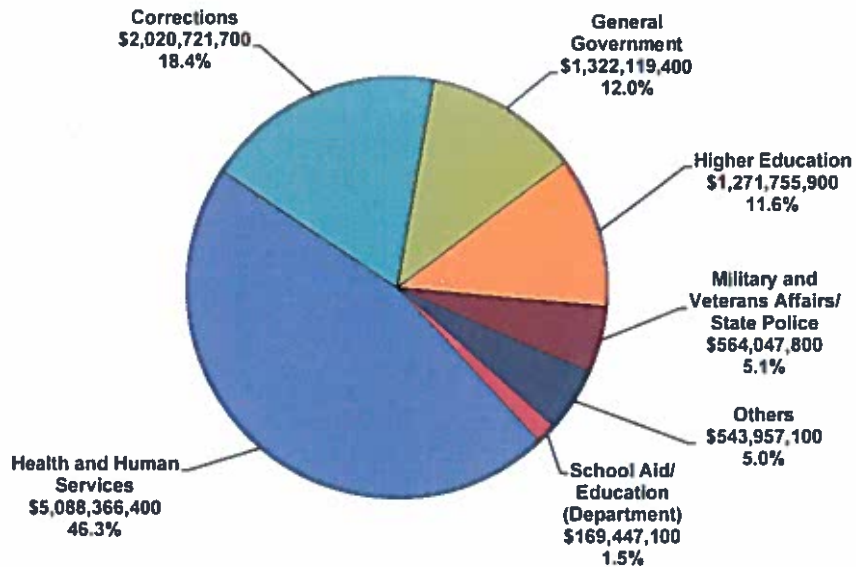
FY 2020-21 Executive Recommendation

Adjusted Gross = \$60,707,704,100



FY 2020-21 Executive Recommendation

General Fund/General Purpose (GF/GP) = \$10,980,415,400



FY 2020-21 Executive Budget Appropriation Changes

(Dollars in Millions)

	Year-to-Date	Executive Rec.	Change	
	<u>FY 2019-20</u>	<u>FY 2020-21</u>	<u>Dollar</u>	<u>Percent</u>
General Fund/General Purpose	\$10,376.1	\$10,980.4	\$604.3	5.8%
State Restricted	<u>24,296.5</u>	<u>25,397.8</u>	<u>1,101.3</u>	4.5%
Total State-Source Appropriations	\$34,672.7	\$36,378.3	\$1,705.6	4.9%
Federal	\$23,372.0	\$23,866.4	\$494.4	2.1%
Local	247.6	265.4	17.8	7.2%
Private	163.2	197.6	34.4	21.1%
Total Adjusted Gross	\$58,455.5	\$60,707.7	\$2,252.2	3.9%

Numbers may not add due to rounding

GF/GP Appropriations

Department/Budget Area	Year-To-Date FY 2019-20	Exec. Rec. FY 2020-21	Difference FY 2020-21 vs. FY 2019-20	
Agriculture & Rural Development	\$55,979,900	\$63,471,200	\$7,491,300	13.4%
Attorney General	41,736,300	41,648,400	(87,900)	(0.2%)
Capital Outlay	0	0	0	-
Civil Rights	13,195,700	13,542,200	346,500	2.6%
Community Colleges	0	0	0	-
Corrections	1,980,137,900	2,020,721,700	40,583,800	2.0%
Education	67,212,000	69,447,100	2,235,100	2.6%
Environment, Great Lakes, & Energy	168,577,400	74,133,900	(94,443,500)	(56.0%)
Executive Office	7,114,300	7,276,500	162,200	2.3%
Health and Human Services	4,769,278,700	5,069,366,400	319,087,700	6.7%
Higher Education	1,207,949,300	1,271,755,900	63,806,600	5.3%
Insurance & Financial Services	150,000	0	(150,000)	(100.0%)
Judiciary	201,443,600	203,834,300	2,390,700	1.2%
Labor & Economic Devel. (MSF)	142,308,300	188,869,500	44,561,200	31.3%
Legislative Auditor General	17,790,300	18,324,000	533,700	3.0%
Legislature	170,576,000	175,414,200	4,838,200	2.8%
Licensing & Regulatory Affairs	111,806,400	153,155,600	41,549,200	37.2%
Military & Veterans Affairs	73,247,500	79,671,200	6,423,700	8.8%
Natural Resources	46,985,000	49,362,100	2,377,100	5.1%
School Aid	62,620,000	80,000,000	17,380,000	27.6%
State	13,451,200	19,087,200	5,636,000	41.9%
State Police	475,701,700	484,378,600	8,674,900	1.8%
Tech. Mgmt. & Budget Operations	247,083,600	347,550,500	100,548,900	40.7%
Tech. Mgmt. & Budget SBA Rent	246,570,600	246,570,600	0	0.0%
Transportation	25,000,000	0	(25,000,000)	(100.0%)
Treasury Operations	108,141,800	152,101,300	45,959,500	43.3%
Treasury Debt Service	104,335,000	113,735,000	9,400,000	9.0%
Treasury Revenue Sharing	0	0	0	-
TOTAL	\$10,378,112,500	\$10,980,415,400	\$604,302,900	5.8%

Current Services Baseline Assumptions

Major GF/GP current services baseline increases in the executive recommendation include:

- \$469.7 million Gross (\$168.3 million GF/GP) for traditional Medicaid program caseload/utilization/inflation financing and actuarial soundness adjustments. (DHHS)
- \$229.4 million Gross (\$65.6 million GF/GP) for Healthy Michigan Plan caseload/utilization/inflation financing and actuarial soundness adjustments. (DHHS)
- \$108.6 million GF/GP for state employee compensation-related costs. (All budgets)
- \$67.1 million GF/GP to backfill declining restricted revenues. (DHHS)
- \$56.3 million GF/GP to purchase Venture Michigan Fund II vouchers. (DTMB)
- \$36.5 million GF/GP to cover the state's share of indigent defense standards 1-4. (LARA)
- \$35.2 million Gross (\$45.2 million GF/GP) for child welfare caseload adjustments. (DHHS)
- \$5.0 million GF/GP for deposit into the Wrongful Imprisonment Compensation Fund. (Treasury)

GF/GP Program Reductions

Major GF/GP program reductions of \$176.0 million proposed in the executive recommendation include:

- \$182.9 million Gross (\$45.8 million GF/GP) savings from moving to a Medicaid-managed care organization single preferred drug list. (DHHS)
- \$84.4 million Gross (\$30.3 million GF/GP) savings from redesigning the payment methodology for long-term care facilities. (DHHS)
- \$49.7 million Gross (\$17.9 million GF/GP) rate reduction for Medicaid-managed care organizations third party liability recoupments. (DHHS)
- \$10.0 million GF/GP reduction from relocation of the Special Alternative Incarceration program. (MDOC)
- \$4.0 million GF/GP savings from elimination of the Food and Agriculture Investment program. (MDARD)
- \$2.0 million GF/GP reduction to the County Veteran Service Fund. (DMVA)

GF/GP Ongoing Allocations

Major FY 2020-21 GF/GP program increases include:

- \$37.5 million Gross (\$17.6 million GF/GP) for a new Healthy Moms, Healthy Babies initiative. (DHHS)
- \$34.5 million for program restorations (Business Attraction/Pure Michigan/Going Pro.) (LEO)
- \$20.7 million Gross (\$12.2 million GF/GP) for replacement of MISACWIS with a comprehensive child welfare information system (\$8.3 million GF/GP is one-time). (DHHS)
- \$20.3 million Gross (\$8.5 million GF/GP) to create a statewide network of independent consultants to assist Medicaid beneficiaries for long-term care services. (DHHS)
- \$11.7 million Gross (\$7.1 million GF/GP) to build a statewide infrastructure to address social determinants of health. (DHHS)
- \$7.6 million to support ongoing operations at the new homes for veterans. (DMVA)

GF/GP One-Time Allocations

Major one-time allocations of GF/GP funding totaling \$234.0 million for FY 2020-21 include:

- \$40.0 million for local climate resilient infrastructure grants; \$10.0 million for planning grants and \$30.0 million for infrastructure grants. (Treasury)
- \$30.0 million for deferred maintenance projects at each of the state's five inpatient psychiatric hospitals and centers. (DTMB)
- \$61.9 million Gross (\$20.1 million GF/GP) to support MiDOCS funding. (DHHS)
- \$20.0 million to invest in a variety of tools and measures to enhance cyber security. (DTMB)
- \$20.0 million for prioritization and remediation of non-petroleum contaminated properties statewide. (DEGLE)
- \$10.0 million to offset associated costs of state workers who are eligible to take up to 12 weeks of paid parental leave. (DTMB)
- \$10.0 million to draw down \$250 million in federal USDA funds for the reestablishment of the Conservation Reserve Enhancement program. (MDARD)
- \$10.0 million for a nature, science, and cultural experiences competitive grant program. (LEO)
- \$10.0 million to establish a lead poisoning prevention fund. (DHHS)
- \$10.0 million for opioid crisis response service. (DHHS)

School Aid Fund Allocations

Major changes proposed for FY 2020-21 for School Aid and Higher Education funding include:

- \$290.0 million SAF for increases to district foundation allowances ranging from \$150 to \$225 per pupil based on 1.5x formula (percentages range from 1.8% to 2.8%).
- \$77.5 million SAF increase to the Great Start Readiness Program (GSRP) for school readiness preschool programs.
- \$60.0 million SAF to increase reimbursement for districts' special education costs by 4.0%.
- \$60.0 million SAF increase for academically at-risk and economically disadvantaged students.
- \$40.0 million GF/GP one-time to districts for infrastructure grants.
- \$25.0 million SAF one-time to districts for distribution to classroom teachers to purchase classroom materials and supplies.
- \$24.0 million SAF savings from reducing cyber school foundation allowances to 80% of the minimum foundation allowance.
- \$36.5 million GF/GP for a 2.5% increase in public university operations.
- \$10.0 million GF/GP for the Michigan Student Loan Refinance program. (Higher Education)
- \$8.1 million SAF for a 2.5% increase in community college operations.

MPSERS Retirement Changes

MPSERS retirement changes included in the executive recommendation for FY 2020-21 include:

- \$206.4 million increase in the state share of MPSERS UAAL payments to pay for increases associated with 2018 actuarial experience study.
- \$8.2 million increase in the state share of MPSERS payments to pay for increases in normal costs associated with dedicated gains policy.

Revenue Sharing Allocations

The executive recommendation for local revenue sharing programs includes:

- \$16.1 million (1.9%) increase to constitutional revenue sharing based on January 2020 CREC estimates for FY 2020-21.
- \$6.5 million for a 2.5% increase for city, village, and township revenue sharing.
- \$5.7 million for a 2.5% increase for county revenue sharing.

Supplementals

The executive proposal includes two recommended supplementals totaling \$474.7 million Gross (\$175.2 million GF/GP) for FY 2019-20:

- Departmental appropriation adjustment requests of \$611.3 million Gross (\$173.0 million GF/GP), which includes caseload cost adjustments of \$457.1 million Gross (\$106.8 million GF/GP). (Request 2020-1)
- School Aid appropriation increase of \$41.6 million Gross, which includes a baseline cost reduction of \$3.8 million SAF, federal revenue increase of \$10.0 million, and \$35.0 million from the Talent Investment Fund for the Michigan Reconnect grant program. (Request 2020-2)

Balance Sheets

Executive Recommendation General Fund Balance Sheet

(Dollars in Millions)

	<u>FY 2019-20</u>	<u>FY 2020-21</u>	<u>Baseline FY 2021-22</u>
RESOURCES			
Beginning Balance	\$899.5	\$524.6	\$1.6
Consensus Revenue Estimates: January 2020	11,012.1	11,194.5	11,518.5
Passage of HB 4125 (Adj income Tax earmark to SAF)	(173.2)	(179.4)	(183.7)
Miscellaneous Other Revenue	25.3	67.6	75.0
Revenue Sharing	<u>(490.1)</u>	<u>(502.3)</u>	<u>(502.3)</u>
TOTAL RESOURCES	\$11,273.6	\$11,105.0	\$10,909.1
EXPENDITURES			
Appropriations: Ongoing	\$10,002.6	\$10,022.0	\$10,022.0
Base: DHHS caseload	127.1	286.2	491.2
Base: Other	45.9	183.4	234.6
Base: Economics	--	108.6	153.6
Executive Investments	--	233.6	263.6
Executive Reductions	--	(176.0)	(176.0)
Appropriations: One-time	311.2	242.7	0.0
GF to School Aid	62.3	80.0	40.0
State Psych DSH penalty	62.8	59.2	59.2
Other Audit/Legal/Statutory Cost Reserves	<u>137.2</u>	<u>63.8</u>	<u>0.0</u>
TOTAL EXPENDITURES	\$10,749.1	\$11,103.4	\$11,088.1
PROJECTED ENDING BALANCE / (SHORTFALL)	\$524.6	\$1.6	(\$179.0)

Numbers may not add due to rounding.

Executive Recommendation School Aid Balance Sheet

(Dollars in Millions)

	<u>FY 2019-20</u>	<u>FY 2020-21</u>	<u>Baseline FY 2021-22</u>
RESOURCES			
Beginning Balance	\$212.5	\$263.3	\$12.5
Consensus Revenue Estimates: January 2020	13,925.5	14,317.5	14,640.1
Passage of HB 4125 (Adj Income Tax earmark to SAF)	173.2	179.4	183.7
GF/GP Grant	62.7	80.0	40.0
Detroit Public Schools Trust Fund	75.8	78.4	78.4
MSPERS Retirement Reserve Fund	1.9	0.0	0.0
Federal Aid	<u>1,759.6</u>	<u>1,806.9</u>	<u>1,806.9</u>
TOTAL RESOURCES	\$16,211.2	\$16,725.5	\$16,761.6
EXPENDITURES			
School Aid: Ongoing	\$15,036.7	\$15,177.3	\$15,177.3
School Aid: Net Baseline Adj	6.6	188.1	225.4
School Aid: Investments	-	508.1	508.1
School Aid: Reductions	-	(26.4)	(26.4)
School Aid: One-time	70.0	76.0	0.0
School Aid: Supplementals	70.5	0.0	0.0
Community College	414.7	433.8	439.6
Higher Education	<u>349.4</u>	<u>356.1</u>	<u>357.3</u>
TOTAL EXPENDITURES	\$15,947.9	\$16,713.0	\$16,681.3
PROJECTED ENDING BALANCE / (SHORTFALL)	\$263.3	\$12.5	\$80.3

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February 2020



