

State Notes

TOPICS OF LEGISLATIVE INTEREST

Fall 2013

One-Time Appropriations: Three Years of Experience By Elizabeth Pratt, Fiscal Analyst*

Beginning in fiscal year (FY) 2011-12, the Governor's recommended budget and the enacted budget designated some appropriations as one-time only. Other appropriations without the one-time designation were considered ongoing. One-time revenue, such as a carry-forward balance, was used only for one-time appropriations. This matched ongoing spending with ongoing revenue in order to demonstrate that the budget was structurally balanced. This device has been a part of the State budget for three fiscal years.

Under the Michigan Constitution, however, a balanced annual budget must be enacted each fiscal year. The current Legislature cannot bind future legislators to a specific spending plan. Essentially all State appropriations are one-time, except those required by the Constitution such as constitutional revenue sharing and the Proposal A guarantee for per-pupil school funding. Distinguishing between one-time and ongoing appropriations is thus problematic because few appropriations actually are ongoing. An issue also arises when determining what revenue is considered one-time. Current-year General Fund/General Purpose (GF/GP) revenue could be considered ongoing, although estimates and actual collections fluctuate. The deposit of ongoing revenue to reserve funds converts ongoing or baseline revenue to a one-time source for future use. While there are practical and policy questions in distinguishing between ongoing and one-time revenue and spending, the distinction may be useful to match spending with revenue.

The method of specifying that an appropriation is one-time has varied. In FY 2011-12, one-time items in most budgets were included in boilerplate. In FY 2012-13 and FY 2013-14, the one-time appropriations for most budgets were made in a separate appropriation unit for each department. For the School Aid budget, statutory language in FY 2011-12 and FY 2012-13 specified which appropriations were for one year only.

The Leadership Target Agreement on the FY 2013-14 budget designated the amount of one-time funding in each budget. Generally, these designations were built into the appropriations bills. For School Aid and Community Health, some appropriations designated by the target agreement as one-time items were characterized as one-time in budget tracking and documents in order to match ongoing spending with ongoing revenue; however, the budget bills did not reflect this designation.

One-time appropriations have been made for specific projects and deposits to reserve funds. Deposits to reserve funds consist of GF/GP appropriations to the Counter-Cyclical Budget and Economic Stabilization Fund (BSF) of \$470.8 million over three years, School Aid Fund appropriations to the Michigan Public School Employees' Retirement System (MPERS) Retirement Obligation Reform Reserve Fund (\$133.0 million in FY 2011-12 and \$41.0 million in FY 2012-13), and a GF/GP appropriation of \$230.0 million in FY 2013-14 to the new Roads and Risks Reserve Fund.

* *The author would like to thank Joseph Snyder, Senate Fiscal Agency intern during Summer 2013, for gathering data for this article.*



Appropriations designated as one-time have been made in all State budgets. The amount of one-time appropriations from GF/GP revenue to departments has increased each year from approximately \$171.6 million in FY 2011-12 to \$428.8 million in FY 2013-14. Table 1 shows the recent history of one-time GF/GP appropriations.

Table 1

One-time Appropriations from GF/GP Revenue at Initial Budget Enactment			
GF/GP Appropriations	FY 2011-12	FY 2012-13	FY 2013-14
Appropriations to Departments	\$171,550,000	\$365,749,700	\$428,803,300
<u>Appropriations to Reserves</u>			
Budget Stabilization Fund	255,800,000	140,000,000	75,000,000
Roads and Risks Reserve Fund ¹⁾			230,000,000
Subtotal	255,800,000	140,000,000	305,000,000
Total	\$427,350,000	\$505,749,700	\$733,803,300
¹⁾ \$115.0 million was appropriated in FY 2013-14 from the Roads and Risks Reserve Fund for the Priority Roads Investment Program. Language in PA 59 of 2013 states the intent of the Legislature to use the remaining balance of the Roads and Risks Reserve Fund during FY 2013-14.			

The amount of GF/GP spending designated as one-time has increased by about \$306.4 million or 71.7% from FY 2011-12 to FY 2013-14. This compares to the change in initial ongoing appropriations from \$8,275.2 million in FY 2011-12 to \$8,952.0 million in FY 2013-14, an increase of \$676.8 million or 8.2%.

Appropriations have been made from the reserve funds, in one case in the same fiscal year as the deposit was made. In FY 2013-14, \$115.0 million was appropriated from the Roads and Risks Reserve Fund for the Priority Roads Investment Program. Budget bill boilerplate (Public Act 59 of 2013, Article VIII, Sec. 211b) states the intent to use the remaining \$115.0 million in the Roads and Risks Reserve Fund during FY 2013-14. In the School Aid budget, \$156.0 million from the MPSERS Retirement Obligation Reform Reserve Fund will be spent in support of the MPSERS rate cap costs in FY 2013-14.

The one-time appropriations to departments can be grouped into several categories:

Single-Year Appropriation. Some appropriations appear solely in one fiscal year for separate projects that are not part of an ongoing appropriation. These appropriations for a single-year project are those that are most clearly one-time in nature. An example of this is the \$4.0 million in FY 2011-12 appropriated to the Department of Natural Resources for a capital outlay project at the Grand Marais Harbor.

Additions to an Ongoing Program. There are a number of cases in which one-time funds are used to augment an existing line item. In the Department of Community Health, the Graduate Medical Education Program, which supports a portion of the cost of training medical residents, received one-time funding in three fiscal years, in addition to ongoing appropriations for that purpose.



Multiple Years of One-Time Funding. Many programs received one-time appropriations in more than one year. The Film Incentive Program within the Michigan Strategic Fund has received one-time appropriations that total \$125.0 million over three fiscal years.

Appropriations that Became Ongoing, in Whole or in Part. Some one-time appropriations became ongoing in a subsequent year. The Facility for Rare Isotope Beams (FRIB) at Michigan State University received one-time funding of \$1.2 million in FY 2011-12 in the Higher Education budget to fund a portion of the community share for that project. In FY 2012-13, State support for this project was increased and transferred to the Department of Treasury as an ongoing line item. The FRIB project received ongoing appropriations of \$2,339,900 in FY 2012-13 and \$7.3 million in FY 2013-14 in the Department of Treasury budget.

One-Time Designations Per Leadership Target Agreement. A number of appropriations in the School Aid budget for FY 2013-14 are considered one-time due to designation in the Leadership Target Agreement. These appropriations are not specified as one-time in the School Aid budget, but are designated and tracked as one-time funding. This budget tracking demonstrates how the School Aid budget complies with the target agreement on the amount of one-time funding.

Several appropriations fall into more than one of these categories. For the Economic Vitality Incentive Program, the program that replaced statutory revenue sharing for cities, villages, and townships, one-time funding has been used each year, has supplemented ongoing funding, and has become ongoing in subsequent years. In FY 2011-12, \$15.0 million in one-time funding was provided in addition to \$195.0 million in ongoing appropriations. The one-time funding in FY 2011-12 was built into the ongoing appropriation in FY 2012-13 and an additional \$7.5 million in one-time revenue was added. In FY 2013-14, funds were added to both the ongoing and one-time funding for the program. The budget for FY 2013-14 added \$16.3 million to the ongoing line item and \$2.0 million to the one-time line item to increase total funding for the program to \$235.8 million. These appropriations are summarized in Table 2.

Table 2
Economic Vitality Incentive Program
Summary of Year-to-Date Gross Appropriations
(millions)

Appropriations	FY 2011-12	FY 2012-13	FY 2013-14
Ongoing.....	195.0	210.0	226.3
One-time.....	15.0	7.5	9.5
Total.....	\$210.0	\$217.5	\$235.8

In the budget for the Michigan Strategic Fund Agency, the appropriations for Business Attraction and Community Revitalization also illustrate the complexity of dividing funding between ongoing and one-time. Funding for Business Attraction and Community Revitalization totaled \$100.0 million in FY 2011-12, consisting of \$50.0 million in ongoing and \$50.0 million in one-time appropriations. In FY 2012-13, total funding for the program



remained at \$100.0 million, but all of the one-time funding became ongoing. In FY 2013-14, the total funding for the program increased to \$120.0 million, but the ongoing portion declined. As shown in Table 3, total funding for the program was stable and then increased. The split between ongoing and one-time funding, however, has varied.

Table 3
Business Attraction and Community Revitalization¹⁾
Summary of Year-to-Date Gross Appropriations
(millions)

Appropriations	FY 2011-12	FY 2012-13	FY 2013-14
Ongoing.....	50.0	100.0	95.2
One-time.....	50.0	0.0	24.8
Total.....	\$100.0	\$100.0	\$120.0

¹⁾ This appropriation was named Business Attraction and Economic Gardening in FY 2011-12 and FY 2012-13.

The Appendix lists the one-time appropriations at initial budget enactment for FY 2011-12, FY 2012-13, and FY 2013-14, with notations on the way each appropriation meets the above categories. One-time appropriations to departments are listed first, followed by the total of appropriations for one-time lump sum payments to employees, and ending with one-time deposits to reserve funds.

Conclusion

The distinction between ongoing and one-time appropriations may be useful in matching one-time and ongoing spending to one-time and ongoing revenue at enactment of the initial budget; however, as the budget is modified during the year and revenue is re-estimated, this distinction blurs. One-time appropriations are more complex than the term suggests given that one-time funds may supplement ongoing funding, be used for high-priority projects, and continue for more than one year. Similarly, the designation of revenue as one-time or ongoing is not clear cut. Any future program reductions or increases will be considered in the light of State needs and policy priorities at that time. Designation of spending as one-time will not prevent difficult decisions if budget reductions are needed in the future.

**One-Time Appropriations at Initial Budget Enactment
to Departments and Reserve Funds
FY 2011-12 to FY 2013-14**

Department/Budget Area/Program	FY 2011-12		FY 2012-13		FY 2013-14		Single-Year (or First-Year) Program	Added to an Ongoing Program	Multiple Years of One-Time Funding	Became Ongoing, in Whole or in Part	One-Time Per Target Agreement
	Adjusted Gross	GF/GP	Adjusted Gross	GF/GP	Adjusted Gross	GF/GP					
Agriculture & Rural Development											
Rural Development Grants			\$900,000	\$900,000			x				
Private Forestry Program			600,000	600,000			x				
Healthy Food Program			500,000	500,000			x				
Qualified Forest Affidavit Program					2,300,000	2,300,000	x				
Pesticide & Plant Pest Management					800,000	800,000	x				
Ottawa County Water Resources Study					300,000	300,000	x				
Total			\$2,000,000	\$2,000,000	\$3,400,000	\$3,400,000					
Community Colleges											
Virtual Learning Collaborative					1,100,000	1,100,000	x				
Total					\$1,100,000	\$1,100,000					
Community Health											
Graduate Medical Education	\$17,129,400	\$5,800,000	4,314,200	1,450,000	4,314,200	1,450,000		x	x	x	
Rural Hospitals	29,533,400	10,000,000								x	
Healthy Michigan Fund/Health & Wellness	3,000,000	3,000,000	5,000,000	5,000,000				x	x		
Community Mental Health Special Populations	3,000,000	3,000,000	3,000,000	3,000,000				x		x	
Island Health Clinics	300,000	300,000	325,000	325,000	325,000	325,000			x		
CHAMPS Diagnostic Coding Project/ Medicaid Info System			30,000,000	3,000,000	18,300,000	2,300,000	x		x		
Foregone Medicaid Expansion Savings					103,000,000	103,000,000	x				x
Mental Health Innovation					5,000,000	5,000,000	x				
Univ. Autism Centers & Services ¹⁾					2,000,000	2,000,000			x		
Total	\$52,962,800	\$22,100,000	\$42,639,200	\$12,775,000	\$132,939,200	\$114,075,000					
Corrections											
Information Technology Adjustments			1,129,500	1,129,500			x				
New Custody Training Staff					9,032,500	9,032,500		x			
Total			\$1,129,500	\$1,129,500	\$9,032,500	\$9,032,500					
Education											
CMU Lending Library			50,000	50,000			x				
Total			\$50,000	\$50,000							
Environmental Quality											
Muskegon Cleanup Site	6,000,000	6,000,000					x				
Drinking Water Revolving Fund			2,500,000	2,500,000			x				
Wetlands Program			1,500,000	1,500,000	600,000	600,000		x	x	x	
Hazardous Waste Management					400,000	400,000		x			
Total	\$6,000,000	\$6,000,000	\$4,000,000	\$4,000,000	\$1,000,000	\$1,000,000					

**One-Time Appropriations at Initial Budget Enactment
to Departments and Reserve Funds
FY 2011-12 to FY 2013-14**

Department/Budget Area/Program	FY 2011-12		FY 2012-13		FY 2013-14		Single-Year (or First-Year) Program	Added to an Ongoing Program	Multiple Years of One-Time Funding	Became Ongoing, in Whole or in Part	One-Time Per Target Agreement
	Adjusted Gross	GF/GP	Adjusted Gross	GF/GP	Adjusted Gross	GF/GP					
Higher Education											
EMU Autism Collaborative Center ¹⁾	500,000	500,000									x
MSU Facility for Rare Isotope Beams (FRIB) ²⁾	1,200,000	1,200,000					x				x
WMU Economic Development	200,000	200,000					x				
Total	\$1,900,000	\$1,900,000									
Human Services											
State Emergency Relief Energy Services			59,900,000	27,700,000			x				
Inspector General Information											
Technology Upgrades			2,500,000	1,500,000			x				
Seita Scholars Program			750,000	750,000			x				
Juvenile Justice Behavioral Health Study			500,000	500,000			x				
Medicaid Eligibility Efficiency Pilot			250,000	250,000			x				
Information Tech. Services & Projects					2,000,000	1,039,600		x			
Demonstration Projects					1,500,000	1,000,000	x				
Total			\$63,900,000	\$30,700,000	\$3,500,000	\$2,039,600					
Judiciary											
Michigan Court System Case Management System					3,490,700	3,490,700	x				
Trial Court Performance Innovation Fund					1,000,000	1,000,000	x				
Total					\$4,490,700	\$4,490,700					
Licensing & Regulatory Affairs											
Nursing Home Survey Info. Tech. System					2,140,300	2,140,300	x				
Total					\$2,140,300	\$2,140,300					
Military & Veterans Affairs											
Veterans Service Delivery Initiative					3,955,000	3,955,000	x				
Vets Affairs Agency Computer Upgrade					1,500,000	1,500,000	x				
County Counselor Education and Training Expenses			200,000	200,000	45,000	45,000		x			
Armory Special Maintenance			2,400,000	2,400,000			x				
Grand Rapids Veterans' Home Special Maintenance			1,600,000	1,600,000			x				
Data Upgrades/Digitization of Records			750,000	750,000			x				
Jacobetti Veterans' Home Special Maintenance			516,000	516,000			x				
Veterans Service Enhancements			434,000	434,000			x				
Total			\$5,900,000	\$5,900,000	\$5,500,000	\$5,500,000					

**One-Time Appropriations at Initial Budget Enactment
to Departments and Reserve Funds
FY 2011-12 to FY 2013-14**

Department/Budget Area/Program	FY 2011-12		FY 2012-13		FY 2013-14		Single-Year (or First-Year) Program	Added to an Ongoing Program	Multiple Years of One-Time Funding	Became Ongoing, in Whole or in Part	One-Time Per Target Agreement
	Adjusted Gross	GF/GP	Adjusted Gross	GF/GP	Adjusted Gross	GF/GP					
Natural Resources											
Capital Outlay: Grand Marais Harbor	4,000,000	4,000,000									
Dam Management			2,000,000	2,000,000							
Conservation Officer Training					600,000	600,000					
Total	\$4,000,000	\$4,000,000	\$2,000,000	\$2,000,000	\$600,000	\$600,000					
School Aid											
Public School Employees Retirement System (PSERS) Payments	155,000,000	0					x				
Best Practices	154,000,000	0	80,000,000		80,000,000				x		x
PSERS Retirement Obligation Reform Reserve Fund (See below)											
Partially Restore Small Class Size Grants	13,500,000	0	13,300,000	357,600	9,000,000				x		x
Equity Payments					36,000,000						x
Technology Grants			50,000,000		50,000,000	5,000,000			x		x
Consolidation Innovation Grants			10,000,000		5,000,000						x
Student Centric Learning Grants					8,000,000				x		x
FIRST Robotics					3,000,000				x		x
Career Prep Michigan Merit Exam Integration Grant					1,000,000			x			x
Career Prep Transfer Credit Partnership Grant					1,000,000						x
One-time Fund Shift, School Aid Fund to GF/GP			0	181,000,000							
One-time GF/GP Grant					0	45,000,000					x
Total	\$322,500,000	\$0	\$153,300,000	\$181,357,600	\$193,000,000	\$50,000,000					
State											
Replace Commercial Driver License Fee Revenue			600,000	600,000							x
ExpressSOS Marketing			150,000	150,000							x
Total			\$750,000	\$750,000							
State Police											
Michigan International Speedway Traffic Control	800,000	800,000	800,000	800,000							x
Replacement of Outdated Equipment/Protective Gear			1,623,700	1,623,700							x
Collins Road Rent and Building Occupancy Charges			350,000	350,000							x
At-Post Troopers-Trooper School					3,661,900	3,661,900					x
Disaster & Emergency Contingency Fund					2,000,000	2,000,000					x
Grand Rapids Forensics Lab.					400,000	400,000					x

**One-Time Appropriations at Initial Budget Enactment
to Departments and Reserve Funds
FY 2011-12 to FY 2013-14**

Department/Budget Area/Program	FY 2011-12		FY 2012-13		FY 2013-14		Single-Year (or First-Year) Program	Added to an Ongoing Program	Multiple Years of One-Time Funding	Became Ongoing, in Whole or in Part	One-Time Per Target Agreement
	Adjusted Gross	GF/GP	Adjusted Gross	GF/GP	Adjusted Gross	GF/GP					
State Police (continued)											
Emergency Response Team Vehicle Replacement					350,000	350,000	x				
Secondary Road Patrol Program					150,000	150,000	x				
Total	\$800,000	\$800,000	\$2,773,700	\$2,773,700	\$6,561,900	\$6,561,900					
Technology, Mgt. & Budget											
Asbestos Abatement at Former State Police Headquarters	1,250,000	1,250,000					x				
Other Post-Employment Benefits Payment Adjustment	60,000,000	60,000,000					x				
Special Maintenance for State Buildings			10,000,000	10,000,000	10,000,000	10,000,000			x		
Space Consolidation Fund			7,000,000	7,000,000			x				
Teacher Evaluation Pilot			4,000,000	4,000,000			x				
Regional Prosperity Grants					2,500,000	2,500,000	x				
Legal Services ³⁾					2,000,000	2,000,000	x		x		
Delta County Bridge Removal					1,500,000	1,500,000	x				
Technology Services Funding (\$21.3 million IDG)					0	0					
Total	\$61,250,000	\$61,250,000	\$21,000,000	\$21,000,000	\$16,000,000	\$16,000,000					
Transportation											
Swing Bridge Maintenance	500,000	500,000					x				
General Fund Grant			23,000,000	23,000,000			x				
Fed Match for State Trunkline Road/Bridge Construction					121,300,000	121,300,000		x			
Priority Roads Investment Program					115,000,000	0	x				
Total	\$500,000	\$500,000	\$23,000,000	\$23,000,000	\$236,300,000	\$121,300,000					
Treasury-Operations											
Legal Services ³⁾			3,000,000	3,000,000			x				
Distressed Communities					5,000,000	5,000,000	x				
Mi. Casino Gaming Bd. System Replace.					3,000,000	0	x				
Sales/Use Taxes & Withholding System Replacement					1,763,300	1,763,300	x				
Total			\$3,000,000	\$3,000,000	\$9,763,300	\$6,763,300					
Treasury-Revenue Sharing											
County Revenue Sharing	15,000,000	0						x	x	x	
Competitive Grant Assistance Program			10,000,000	0	10,000,000	0		x	x		
Econ. Vitality Incentive Program	15,000,000	0	7,500,000	0	9,500,000	0		x	x	x	
County Incentive Program			2,500,000	0	6,500,000	0		x	x		
Total	\$30,000,000	\$0	\$20,000,000	\$0	\$26,000,000	\$0					

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**One-Time Appropriations at Initial Budget Enactment
to Departments and Reserve Funds
FY 2011-12 to FY 2013-14**

Department/Budget Area/Program	FY 2011-12		FY 2012-13		FY 2013-14		Single-Year (or First-Year) Program	Added to an Ongoing Program	Multiple Years of One-Time Funding	Became Ongoing, in Whole or in Part	One-Time Per Target Agreement
	Adjusted Gross	GF/GP	Adjusted Gross	GF/GP	Adjusted Gross	GF/GP					
Treasury-Strategic Fund											
Film Incentive Funding	25,000,000	25,000,000	50,000,000	50,000,000	50,000,000	50,000,000			x		
Business Attraction and Community Revitalization	50,000,000	50,000,000			24,800,000	24,800,000			x	x	
Skilled Trades Training Program					10,000,000	10,000,000	x				
Total	\$75,000,000	\$75,000,000	\$50,000,000	\$50,000,000	\$84,800,000	\$84,800,000					
State Employee Lump Sum Payments			53,213,500	25,313,900			x				
Total			\$53,213,500	\$25,313,900							
Subtotal One-Time Approps	\$554,912,800	\$171,550,000	\$448,655,900	\$365,749,700	\$736,127,900	\$428,803,300					
Approps. to Reserve Funds											
PSERS Retirement Obligation Reform Reserve Fund	133,000,000	0	41,000,000						x		
Budget Stabilization Fund	255,800,000	255,800,000	140,000,000	140,000,000	75,000,000	75,000,000			x		
Roads and Risks Reserve Fund					115,000,000	230,000,000	x				
Subtotal Approps. to Reserve Funds	\$388,800,000	\$255,800,000	\$181,000,000	\$140,000,000	\$190,000,000	\$305,000,000					
Total One-Time Approps.	\$943,712,800	\$427,350,000	\$629,655,900	\$505,749,700	\$926,127,900	\$733,803,300					

¹⁾ Autism Centers were one-time in Higher Education in FY 2011-12, ongoing in FY 2012-13 in DCH, and one-time in DCH in FY 2013-14.

²⁾ FRIB funding became ongoing in the Department of Treasury budget beginning in FY 2012-13.

³⁾ The line item for Legal Services for Department of Treasury was moved from the one-time appropriations for Treasury in FY 2012-13 to the one-time appropriations for DTMB in FY 2013-14.