

**SENATE FISCAL AGENCY
 MEMORANDUM**

DATE: June 10, 2016
TO: Members of the Senate
FROM: Ellen Jeffries, Director
RE: Summary of the FY 2016-17 Appropriations Conference Reports

The House and Senate passed the General and Education Omnibus Conference Reports for the Fiscal Year (FY) 2016-17 State budget on June 8, 2016. This memo provides a summary of those reports.

The conference reports include FY 2016-17 Gross appropriations of \$54.9 million and FY 2016-17 General Fund/General Purpose (GF/GP) departmental and education appropriations of nearly \$10.0 billion, of which \$9.7 billion is considered to be for ongoing GF/GP appropriations and \$306.3 million for one-time GF/GP appropriations.

The General Omnibus Conference Report includes \$1.2 billion for State revenue sharing payments to local units of government. This amount is a 1.2% increase over FY 2015-16 but is \$27.0 million or 2.1% less than the Senate-passed recommendation. State revenue sharing is funded from State sales tax revenue, a portion of which is constitutionally earmarked, and a portion that is discretionary. The May 2016 consensus revenue estimates recognized \$757.9 million for constitutional revenue sharing, and the conference report provides \$471.1 million for discretionary or "statutory" revenue sharing. The estimated FY 2016-17 \$757.9 million appropriation for constitutional revenue sharing would be \$12.1 million or 1.6% more than the revised estimate for FY 2015-16 constitutional revenue sharing; the \$471.1 million discretionary portion that is included in the conference report represents an estimated increase of \$2.6 million or 0.6% over FY 2015-16.

Table 1 lists the FY 2016-17 GF/GP appropriation amounts by department or budget area for both the General and Education Omnibus Conference Reports. Included as Articles II, XX, and XXI in the General Omnibus Conference Report are FY 2015-16 supplemental appropriations for Capital Outlay, Non-Flint-related issues, and the Flint water emergency, respectively. Table 2 summarizes the FY 2015-16 supplemental appropriations in each of these articles, including the \$5.0 million GF/GP boilerplate appropriation in Article XX for the new Infrastructure Fund.

The FY 2015-16 and FY 2016-17 GF/GP balance sheet is outlined in Table 3 and is based on the May 2016 consensus revenue estimate of \$9.7 billion for FY 2015-16 (which is \$109.7 million less than the January 2016 consensus estimate), and \$10.1 billion for FY 2016-17 (which is \$75.4 million below the January 2016 consensus estimate). For FY 2016-17, ongoing discretionary State revenue sharing payments of \$465.3 million combined with one-time State revenue sharing payments of \$5.8 million, reduce GF/GP revenue by \$471.1 million. The \$3.0 million shift of short-term borrowing costs to the School Aid Fund continues, and there is \$105.8 million of revenue from the Medicaid managed care use tax. The conference reports assume the loss of \$1.4 million GF/GP from the passage of farmland preservation legislation and the retention of \$80.0 million from the passage of clarifying amendments for certain insurance tax credits. The FY 2016-17 balance sheet also assumes the redirection of \$9.4 million of Transportation and Economic Development Fund revenue and \$10.0 million of penalty and interest revenue, to the General Fund, as well as the estimated payment of \$30.5 million for Venture Michigan Fund tax vouchers. Based on all of these assumptions, total FY 2016-17 estimated GF/GP revenue is \$10.0 billion.

On the expenditure side of the FY 2016-17 GF/GP balance sheet, the \$10.0 billion of appropriations in the conference reports represents an increase of \$36.2 million or 0.4% over current FY 2015-16 GF/GP appropriations, but a decrease of \$270.4 million or 2.9% from estimated FY 2015-16 GF/GP expenditures if FY 2015-16 supplementals included in the General Omnibus bill are taken into account. Comparing FY 2016-17 estimated GF/GP revenue to FY 2016-17 estimated GF/GP expenditures shows an FY 2016-17 projected year-end GF/GP balance of \$1.0 million.

Table 1
FY 2016-17 Conference Reports
General Fund/General Purpose (GF/GP) Appropriations
Ongoing and One-Time

Department/Budget Area	FY 2016-17		
	Ongoing GF/GP	One-Time GF/GP	Total GF/GP
Agriculture and Rural Development.....	\$47,536,900	\$2,390,000	\$49,926,900
Attorney General.....	38,440,500	4,400,000	42,840,500
Civil Rights	12,771,300	250,000	13,021,300
Corrections.....	1,942,970,500	8,987,400	1,951,957,900
Education	71,181,200	5,000,000	76,181,200
Environmental Quality	35,336,400	12,400,000	47,736,400
Executive.....	5,636,300	0	5,636,300
Health and Human Services	4,355,102,600	19,445,700	4,374,548,300
Insurance and Financial Services.....	150,000	0	150,000
Judiciary	187,457,400	1,700,000	189,157,400
Legislative Auditor General	16,123,900	0	16,123,900
Legislature	136,727,800	500,000	137,227,800
Licensing and Regulatory Affairs	40,321,100	3,400,000	43,721,100
Military and Veterans Affairs	51,443,600	3,800,000	55,243,600
Natural Resources.....	38,260,000	1,650,000	39,910,000
State	17,109,600	5,000,000	22,109,600
State Police.....	393,962,800	8,700,000	402,662,800
Talent and Economic Development.....	150,388,900	29,000,000	179,388,900
Technology, Management and Budget	474,167,700	11,350,900	485,518,600
Transportation.....	0	8,500,000	8,500,000
Treasury-Debt Service	137,037,000	0	137,037,000
Treasury-Operations	95,066,300	3,342,500	98,408,800
Treasury-Revenue Sharing.....	0	0	0
Subtotal General Omnibus.....	\$8,247,191,800	\$129,816,500	\$8,377,008,300
Community Colleges	135,510,800	0	135,510,800
Higher Education	1,243,404,500	500,000	1,243,904,500
School Aid.....	42,900,000	176,000,000	218,900,000
Subtotal Education Omnibus	\$1,421,815,300	\$176,500,000	\$1,598,315,300
Total General and Education Omnibi	\$9,669,007,100	\$306,316,500	\$9,975,323,600

Table 2
General Omnibus Appropriation Bill
House Bill 5294 (H-1) CR-1
FY 2015-16 Supplemental Appropriations

Article/Budget Area	FY 2015-16 Gross Appropriation	FY 2015-16 GF/GP Appropriation
Article II-Capital Outlay		
State Project Planning Authorizations	\$500,100	\$500,100
College and University Planning Authorizations.....	1,400	1,400
College and University Construction Authorizations.....	100	100
Subtotal Article II-Capital Outlay Supplemental	\$501,600	\$501,600
Article XX-Non Flint Supplemental Appropriations		
Corrections	\$13,400,000	\$13,400,000
Education	(3,500,000)	(4,700,000)
Environmental Quality	500,000	500,000
Health and Human Services	(299,155,700)	79,581,500
Insurance and Financial Services	2,225,000	1,775,100
Judiciary	5,300,000	467,000
Legislature.....	7,200,000	7,200,000
Licensing and Regulatory Affairs	5,853,300	2,470,000
Military and Veterans Affairs	8,866,600	7,425,000
Natural Resources	9,000,000	3,000,000
State	3,800,000	3,800,000
State Police	11,178,800	11,178,800
Technology, Management and Budget.....	(10,830,000)	(13,630,000)
Treasury-Operations	1,300,000	1,000,000
Subtotal Article XX-Non Flint Supplemental	(\$244,862,000)	\$113,467,400
Treasury - Infrastructure Fund (Boilerplate Sec. 203)	\$5,000,000	\$5,000,000
Total Article XX-Non Flint Supplemental	(\$239,862,000)	118,467,400
Article XXI-Flint Supplemental Appropriations		
Attorney General	\$1,300,000	\$0
Education	25,600,000	6,000,000
Environmental Quality	33,350,000	33,350,000
Health and Human Services	14,790,000	8,690,000
Natural Resources	250,000	250,000
State Police	6,000,000	6,000,000
Technology, Management and Budget.....	18,900,000	18,900,000
Treasury-Operations	14,130,000	14,130,000
Subtotal Article XXI-Flint Supplemental	\$114,320,000	\$87,320,000

Table 3
FY 2015-16 and FY 2016-17
General Fund/General Purpose (GF/GP)
Revenue, Expenditures, and Year-End Balance Estimates
(Millions of Dollars)

	FY 2015-16 Conference Reports	FY 2016-17 Conference Reports
Revenue:		
Beginning Balance	\$694.7	\$135.3
<u>Ongoing Revenue:</u>		
January 2016 Consensus Revenue Estimate	\$9,843.8	\$10,213.9
May 2016 Revenue Estimate Change	<u>(109.7)</u>	<u>(75.4)</u>
May 2016 Consensus Revenue Estimate	\$9,734.1	\$10,138.5
<u>Other Revenue Adjustments:</u>		
Revenue Sharing Payments	(462.7)	(465.3)
Shift of Borrowing Costs to School Aid Fund.....	1.0	3.0
Medicaid Managed Care Use Tax	421.0	105.8
Farmland Preservation Legislation	0.0	(1.4)
Insurance Tax Credit Amendments	<u>0.0</u>	<u>80.0</u>
Subtotal Ongoing Revenue.....	\$9,693.4	\$9,860.6
<u>Non-Ongoing Revenue:</u>		
One-Time Appropriation for Revenue Sharing	(\$5.8)	(\$5.8)
Redirect TEDF to GF	0.0	9.4
Redirect Settlement Fund Revenue from GF to Attorney General.....	(1.3)	(2.6)
Redirect Penalty and Interest Revenue to GF	0.0	10.0
Venture Michigan Fund Tax Vouchers	0.0	(30.5)
Total Estimated GF/GP Revenue	\$10,381.0	\$9,976.4
Expenditures:		
<u>Ongoing Appropriations:</u>		
Initial Ongoing Appropriations.....	\$9,517.8	\$9,669.0
<u>One-Time and Other Appropriations:</u>		
Initial One-Time Appropriations	\$98.3	\$306.3
Initial One-Time Appropriation for Transportation	258.0	0.0
Appropriation to Budget Stabilization Fund	95.0	0.0
Enacted Supplementals	65.0	0.0
Michigan Infrastructure Fund	5.0	0.0
Omnibus-Article II-Capital Outlay	0.5	0.0
Omnibus-Article XX-Non-Flint Supplemental (w/o caseload/costs)	26.6	0.0
Omnibus-Article XXI-Flint Supplemental	87.3	0.0
Education Omnibus-Flint Water Emergency-K-12 Early On	9.2	0.0
Caseload/Cost Adjustments for DOE(savings)/DHHS(costs)	83.2	0.0
DHHS Cost Adjustment: Replace Merit Award Fund with GF	3.7	0.0
Estimated IT Fund Lapse.....	<u>(3.9)</u>	<u>0.0</u>
Subtotal One-Time and Other Appropriations	\$727.9	\$306.3
Total Estimated GF/GP Expenditures	\$10,245.7	\$9,975.3
PROJECTED YEAR-END GF/GP BALANCE	\$135.3	\$1.0

The FY 2016-17 conference reports include \$54.2 million less in GF/GP appropriations than the Senate-passed budget bills. Table 4 provides a comparison of the GF/GP conference report appropriations to the Senate-passed GF/GP appropriations.

Table 5 provides the FY 2015-16 and FY 2016-17 School Aid Fund (SAF) balance sheet using the May 2016 consensus revenue estimate of \$12.1 billion for FY 2015-16 (which is \$64.2 million below the January 2016 consensus estimate), and \$12.4 billion for FY 2016-17 (which is \$83.8 million below the January 2016 consensus estimate). Other SAF revenue adjustments include a \$218.9 million GF/GP grant; \$72.0 million from the Community District Education Trust Fund to pay the additional foundation allowance costs if the Detroit Public Schools' existing 18-mill property tax levy is diverted to pay off debt; \$52.9 million of revenue from the Medicaid managed care use tax; and \$1.8 billion of Federal aid. On the expenditure side of the FY 2016-17 SAF balance sheet, there are \$14.0 billion of ongoing K-12 appropriations, \$176.0 million of one-time K-12 appropriations, and appropriations of \$260.4 million and \$237.1 million, for community colleges and universities, respectively. Comparing estimated FY 2016-17 SAF revenue to estimated FY 2016-17 SAF expenditures shows an FY 2016-17 projected year-end SAF balance of \$0.2 million.

Table 4
FY 2016-17 General Fund/General Purpose (GF/GP) Appropriations
(Includes Both Ongoing and One-Time Appropriations)

Department/Budget Area	FY 2016-17 Senate Passed	FY 2016-17 Conference Reports	Conference \$ Chg. To Senate
Agriculture and Rural Development.....	\$49,536,900	\$49,926,900	\$390,000
Attorney General.....	41,040,500	42,840,500	1,800,000
Capital Outlay	0	0	0
Civil Rights	13,519,700	13,021,300	(498,400)
Community Colleges	138,610,800	135,510,800	(3,100,000)
Corrections.....	1,969,457,900	1,951,957,900	(17,500,000)
Education	80,381,300	76,181,200	(4,200,100)
Environmental Quality	47,686,400	47,736,400	50,000
Executive.....	5,636,300	5,636,300	0
Health and Human Services	4,350,767,400	4,374,548,300	23,780,900
Higher Education	1,262,418,500	1,243,904,500	(18,514,000)
Insurance and Financial Services.....	150,000	150,000	0
Judiciary	188,334,800	189,157,400	822,600
Legislative Auditor General	15,923,900	16,123,900	200,000
Legislature	138,077,800	137,227,800	(850,000)
Licensing and Regulatory Affairs	45,813,200	43,721,100	(2,092,100)
Military and Veterans Affairs	57,643,600	55,243,600	(2,400,000)
Natural Resources.....	39,810,000	39,910,000	100,000
Natural Resources Trust Fund.....	0	0	0
School Aid.....	226,000,000	218,900,000	(7,100,000)
State.....	27,109,600	22,109,600	(5,000,000)
State Police.....	415,743,200	402,662,800	(13,080,400)
Talent and Economic Development.....	169,275,100	179,388,900	10,113,800
Technology, Management and Budget	500,468,200	485,518,600	(14,949,600)
Transportation.....	10,400,000	8,500,000	(1,900,000)
Treasury-Debt Service	137,037,000	137,037,000	0
Treasury-Operations	98,408,900	98,408,800	(100)
Treasury-Revenue Sharing.....	246,400	0	(246,400)
Total GF/GP Appropriations	\$10,029,497,400	\$9,975,323,600	(\$54,173,800)

Table 5
FY 2015-16 and FY 2016-17
School Aid Fund (SAF)
Revenue, Expenditures, and Year-End Balance Estimates
(Millions of Dollars)

	FY 2015-16 Conference Report	FY 2016-17 Conference Report
Revenue:		
Beginning Balance	\$190.2	\$104.2
<u>Ongoing Revenue:</u>		
Consensus Revenue Estimate (January 2016)	\$12,131.6	\$12,486.2
May 2016 Revenue Estimate Change	<u>(64.2)</u>	<u>(83.8)</u>
Consensus Revenue Estimate (May 2016)	\$12,067.4	\$12,402.4
<u>Other Revenue Adjustments:</u>		
General Fund/General Purpose Grant	45.9	218.9
General Fund Supplemental Request 2016-7 (Flint Early On)	9.2	0.0
Community District Education Trust Fund	0.0	72.0
Medicaid Managed Care Use Tax	210.5	52.9
Federal Ongoing Aid	<u>1,775.8</u>	<u>1,818.6</u>
Subtotal Ongoing Revenue	\$14,108.8	\$14,564.8
<u>Non-Ongoing Revenue:</u>		
Venture Michigan Fund Tax Vouchers	0.0	(9.5)
Distressed Districts Work Project Lapse	2.8	0.0
Dissolved Districts Work Project Lapse	0.7	0.0
Total Estimated School Aid Fund Revenue.....	\$14,302.5	\$14,659.5
Expenditures:		
<u>Ongoing Appropriations:</u>		
Initial Ongoing K-12 Appropriations	\$13,846.6	\$13,985.8
Enacted Supplementals	4.3	0.0
Supplemental Request 2016-5 (Cost Adjustments)	(73.6)	0.0
Consensus Cost Adjustments (May 2016)	4.0	0.0
Expenditure Adjustments to Current Law	(103.9)	0.0
Partially Fund Community Colleges with School Aid Fund	256.7	260.4
Partially Fund Higher Education with School Aid Fund	<u>205.2</u>	<u>237.1</u>
Subtotal Ongoing Appropriations	\$14,139.3	\$14,483.3
<u>One-Time and Other Appropriations:</u>		
Initial One-Time K-12 Appropriations	\$49.8	\$176.0
Supplemental Request 2016-7 (Flint Early On Services)	<u>9.2</u>	<u>0.0</u>
Subtotal One-Time and Other Appropriations	\$59.0	\$176.0
Total Estimated School Aid Fund Expenditures.....	\$14,198.3	\$14,659.3
PROJECTED YEAR-END SCHOOL AID FUND BALANCE	\$104.2	\$0.2

The Senate Fiscal Agency website (<http://www.senate.michigan.gov/sfa/>) includes detailed decision documents for each budget area, and we will publish a comprehensive report on the initial FY 2016-17 appropriations after the Governor signs the budget into law. In the meantime, if you have any questions, please contact me at 373-5300 or ejeffries@senate.michigan.gov.

/lms

c: Tom Davis, Senate Majority Policy Office
 David Ettinger, Senate Democratic Office
 Senate Fiscal Agency Fiscal Analysts