

**SENATE FISCAL AGENCY
MEMORANDUM**



DATE: June 23, 2017
TO: Members of the Senate
FROM: Ellen Jeffries, Director
RE: Summary of the FY 2017-18 Appropriations Conference Reports

The House and Senate passed the General and Education Omnibus Conference Reports for the fiscal year (FY) 2017-18 State budget on June 20 (House) and June 22, 2017 (Senate). This memo provides a summary of those reports.

The conference reports include FY 2017-18 Gross appropriations of \$56.5 billion and General Fund/General Purpose (GF/GP) of \$10.0 billion for State departments and budget areas. There is also a Gross appropriation (all GF/GP revenue) of \$150.0 million for the State's Budget Stabilization Fund, resulting in total FY 2017-18 appropriations of \$56.7 billion Gross and \$10.2 billion GF/GP.

The General Omnibus Conference Report includes \$1.3 billion for State revenue sharing payments to local units of government. This amount is a 1.5% increase over FY 2016-17, after the FY 2016-17 base is adjusted for the May 2017 consensus revenue increase of 5.1% over the FY 2015-16 amount. State revenue sharing is funded from State sales tax revenue, of which a portion is constitutionally earmarked, and a portion is discretionary. The May 2017 consensus revenue estimates recognized \$798.1 million for FY 2017-18 constitutional revenue sharing, which is an increase of \$9.6 million or 1.2% over the FY 2016-17 consensus-adjusted amount. The conference report provides \$480.1 million for discretionary or "statutory" revenue sharing, which includes a \$6.2 million or 2.5% increase for cities, villages, and townships on a per capita basis, and a \$2.2 million or 1.0% increase for counties.

Table 1 lists the FY 2017-18 GF/GP appropriation amounts by department or budget area for both the General and Education Omnibus Conference Reports. Included as Articles in the General Omnibus Conference Report are FY 2016-17 supplemental appropriations for Capital Outlay (Article II) and for State budget areas (Article XX). The Education Omnibus Conference Report also includes FY 2016-17 supplemental appropriations for Higher Education and K-12. Table 2 outlines the FY 2016-17 supplemental appropriations in both conference reports.

The FY 2016-17 and FY 2017-18 GF/GP balance sheet is outlined in Table 3 and is based on the May 2017 consensus revenue estimate of \$10.1 billion for FY 2016-17 (which is \$178.8 million less than the January 2017 consensus estimate), and \$10.4 billion for FY 2017-18 (which is \$114.1 million below the January 2017 consensus estimate). For FY 2017-18, ongoing discretionary State revenue sharing payments of \$465.9 million combined with one-time State revenue sharing payments of \$5.8 million, reduce GF/GP revenue by \$471.7 million. The shift of short-term borrowing costs to the School Aid Fund continues but at a slightly higher level of \$6.5 million, and the balance sheet no longer includes Medicaid managed care use tax revenue, which expired on January 1, 2017. The FY 2017-18 balance sheet also assumes the redirection of \$5.8 million of lawsuit settlement proceeds revenue from the General Fund. Based on all of these assumptions and including the \$267.3 million beginning balance, total FY 2017-18 estimated GF/GP revenue is \$10.2 billion.

On the expenditure side of the FY 2017-18 GF/GP balance sheet, the \$10.0 billion of appropriations in the conference reports represents a decrease of \$53.8 million or 0.5% below current FY 2016-17 GF/GP appropriations, and still a decrease of \$6.7 million or 0.1% from estimated FY 2016-17 GF/GP expenditures, if FY 2016-17 supplementals included in the General Omnibus bill are taken into account. Comparing FY 2017-18 estimated GF/GP revenue to FY 2017-18 estimated GF/GP expenditures shows an FY 2017-18 projected year-end GF/GP balance of \$7.7 million.



Table 1

General Omnibus Appropriation Bill House Bill 4323 (H-1) CR-1 FY 2017-18 Appropriations		
Department/Budget Area	FY 2017-18 Gross Appropriation	FY 2017-18 GF/GP Appropriation
Agriculture and Rural Development	\$114,698,600	\$66,251,800
Attorney General	101,198,800	40,248,600
Civil Rights	16,249,600	13,006,600
Corrections	2,001,919,200	1,946,633,600
Education	351,181,200	80,677,400
Environmental Quality	509,267,700	47,744,000
Executive	6,848,500	6,848,500
Health and Human Services	25,447,631,600	4,367,381,900
Insurance and Financial Services	66,741,400	150,000
Judiciary	300,043,000	192,574,400
Legislative Auditor General	24,286,200	16,607,600
Legislature	155,274,800	150,597,100
Licensing and Regulatory Affairs	434,672,000	44,416,600
Military and Veterans Affairs	179,504,400	62,567,500
Natural Resources	410,469,700	58,447,300
State	249,358,500	19,139,000
State Police	694,763,900	439,442,800
Talent and Economic Development	1,179,421,800	205,099,400
Technology, Management, and Budget	1,412,543,200	579,755,200
Transportation	4,347,443,000	0
Treasury-Debt Service	107,580,000	107,580,000
Treasury-Operations	512,429,800	98,368,500
Treasury-Revenue Sharing	1,278,215,000	8,379,100
Total General Omnibus Appropriations.....	\$39,901,741,900	\$8,551,916,900

Education Omnibus Appropriation Bill House Bill 4313 (H-1) CR-1 FY 2017-18 Appropriations		
Department/Budget Area	FY 2017-18 Gross Appropriation	FY 2017-18 GF/GP Appropriation
Community Colleges	\$399,326,500	\$1,025,000
Higher Education.....	1,629,224,400	1,279,254,500
School Aid K-12	14,580,173,900	215,000,000
Total Education Omnibus Appropriations.....	\$16,608,724,800	\$1,495,279,500

	FY 2017-18 Gross Appropriation	FY 2017-18 GF/GP Appropriation
TOTAL COMBINED OMNIBUS APPROPRIATIONS	\$56,510,466,700	\$10,047,196,400
Budget Stabilization Fund Appropriations	\$150,000,000	\$150,000,000
TOTAL GROSS and GF/GP APPROPRIATIONS	\$56,660,466,700	\$10,197,196,400

Table 2

General Omnibus Appropriation Bill House Bill 4323 (H-1) CR-1 FY 2016-17 Supplemental Appropriations		
Article/Budget Area	FY 2016-17 Gross Appropriation	FY 2016-17 GF/GP Appropriation
Article II-Capital Outlay		
State Project Planning Authorizations	\$100	\$100
State Project Construction Authorizations	200	200
College and University Project Planning Authorizations	1,000	1,000
College and University Construction Authorizations	1,100	1,100
Subtotal Article II-Capital Outlay	\$2,400	\$2,400
Article XX-Budget Areas Supplemental Appropriations		
Attorney General	\$3,726,300	\$0
Corrections	10,750,000	10,750,000
Education	14,526,200	2,100,000
Environmental Quality	3,300,000	0
Health and Human Services	16,923,200	(49,843,900)
Judiciary	534,600	500,000
Licensing and Regulatory Affairs	13,682,300	5,000,000
Military and Veterans Affairs	800,000	800,000
Natural Resources.....	8,158,000	3,850,000
State Police	8,058,100	4,150,000
Talent and Economic Development	7,336,000	7,336,000
Technology, Management, and Budget	5,531,000	3,031,000
Transportation	4,310,000	0
Treasury-Operations	12,750,000	5,000,000
Subtotal Article XX-Budget Areas	\$110,385,700	(\$7,326,900)
Education Omnibus Appropriation Bill House Bill 4313 (H-1) CR-1 FY 2016-17 Supplemental Appropriations		
Budget Area/Program	FY 2016-17 Gross Appropriation	FY 2016-17 GF/GP Appropriation
Higher Education		
Tuition Incentive Program Caseload/Cost Increases (Federal TANF) ...	<u>\$5,000,000</u>	<u>\$0</u>
Total Higher Education	\$5,000,000	\$0
School Aid		
Eliminate School Reform Office CEOs in Schools	(\$5,000,000)	\$0
Reduce Center for Educational Performance (CEPI)	(2,000,000)	(2,000,000)
Executive Director MiSTEM	75,000	75,000
Civics Education	60,000	60,000
Other Cost Adjustments:		
Align Federal Grants (Secs. 39a and 51d).....	(87,900,000)	0
Foundation Allowance (Secs. 22a and 22b)	15,000,000	(37,935,000)
Special Education (Secs. 51a and 51c)	(31,100,000)	0
Career and Technical Education/Dual Enrollment (Sec. 61b)	(1,000,000)	0
Renaissance Zone Costs (Sec. 26a)	(3,000,000)	0
School Breakfast (Sec. 31f)	2,000,000	0
Cash Flow Borrowing Costs (Sec. 11m)	<u>2,500,000</u>	<u>0</u>
Total School Aid	(\$110,365,000)	(\$39,800,000)
Total FY 2016-17 Education Omnibus Supplemental Approps.	(\$105,365,000)	(\$39,800,000)

Table 3
General Fund/General Purpose (GF/GP)
Revenue, Expenditures, and Year-End Balance Estimates
 (millions of dollars)

	FY 2016-17 SFA Est. Year-To-Date	FY 2017-18 Conference Report
Revenue:		
Beginning Balance	\$604.4	\$267.3
<u>Ongoing Revenue:</u>		
Consensus Revenue Estimate (January 2017)	\$10,290.1	\$10,522.7
May 2017 Revenue Estimate Change	<u>(178.8)</u>	<u>(114.1)</u>
Consensus Revenue Estimate (May 2017)	\$10,111.3	\$10,408.6
<u>Other Revenue Adjustments:</u>		
Revenue Sharing Payments	(\$465.3)	(\$465.9)
Shift of Borrowing Costs to School Aid Fund	5.5	6.5
Medicaid Managed Care Use Tax	<u>121.6</u>	<u>0.0</u>
Subtotal Ongoing Revenue	\$9,773.1	\$9,949.2
<u>Non-Ongoing Revenue:</u>		
One-Time Appropriation for Revenue Sharing	(\$5.8)	(\$5.8)
Hewlett Packard Settlement Proceeds	9.5	0.0
Redirection of Restricted Revenue	<u>15.0</u>	<u>(5.8)</u>
Subtotal Non-Ongoing Revenue	\$18.7	(\$11.6)
Total Estimated GF/GP Revenue	\$10,396.2	\$10,204.9
Expenditures:		
<u>Ongoing Appropriations:</u>		
Conference Reports	<u>\$9,669.0</u>	<u>\$9,818.9</u>
Subtotal Ongoing Appropriations	\$9,669.0	\$9,818.9
<u>One-Time and Other Appropriations:</u>		
Initial One-Time Appropriations	\$306.3	\$228.3
Appropriation to Budget Stabilization Fund	75.0	150.0
Enacted Supplementals	125.7	0.0
Pending Supplemental (HB 4323, Article XX)	(7.3)	0.0
Shift from GF to SAF Funding Source	(39.8)	0.0
Estimated Lapses.....	<u>0.0</u>	<u>0.0</u>
Subtotal One-Time and Other Appropriations	\$459.9	\$378.3
Total Estimated GF/GP Expenditures	\$10,128.9	\$10,197.2
PROJECTED YEAR-END GF/GP BALANCE	\$267.3	\$7.7

Table 4 provides the FY 2016-17 and FY 2017-18 School Aid Fund (SAF) balance sheet using the May 2017 consensus revenue estimate of \$12.6 billion for FY 2016-17 (which is \$152.9 million above the January 2017 consensus estimate), and \$13.0 billion for FY 2017-18 (which is \$187.4 million above the January 2017 consensus estimate). For FY 2016-17, a fund shift of \$39.8 million was included in the conference report, reducing GF/GP support of the K-12 budget from \$218.9 million to \$179.1 million. For FY 2017-18, other SAF revenue adjustments include a deposit of \$55.0 SAF into the MPSERS Reforms Reserve Fund, a \$215.0 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; \$23.1 million of revenue from the MPSERS Reforms Reserve Fund to pay the additional first-year school costs related to MPSERS legislation; and \$1.7 billion of Federal aid. On the expenditure side of the FY 2017-18 SAF balance sheet, there are \$14.3 billion of ongoing K-12 appropriations, \$290.6 million of one-time K-12 appropriations, and appropriations of \$398.3 million and \$238.3 million for community colleges and universities, respectively.

Comparing estimated FY 2017-18 SAF revenue to estimated FY 2017-18 SAF expenditures shows an FY 2017-18 projected year-end SAF balance of \$7.4 million.

Table 4
School Aid Fund (SAF)
Revenue, Expenditures, and Year-End Balance Estimates
(millions of dollars)

	FY 2016-17 SFA Est. Year-To-Date	FY 2017-18 Conference Report
Revenue:		
Beginning Balance	\$168.2	\$271.7
<u>Ongoing Revenue:</u>		
Consensus Revenue Estimate (January 2017)	\$12,457.0	\$12,783.1
May 2017 Revenue Estimate Change	<u>152.9</u>	<u>187.4</u>
Consensus Revenue Estimate (May 2017)	\$12,609.9	\$12,970.5
<u>Other Revenue Adjustments:</u>		
Gov's General Fund/General Purpose (GF/GP) Grant	\$218.9	\$215.0
Conference Fund Shift Changes to GF/GP Grant	(39.8)	0.0
Deposit SAF Revenue into MPSERS Reserve Fund.....	0.0	(55.0)
Reserve Fund for MPSERS	0.0	23.1
Community District Education Trust Fund	72.0	72.0
Medicaid Managed Care Use Tax	60.8	0.0
Federal Ongoing Aid	<u>1,730.7</u>	<u>1,726.9</u>
Subtotal Ongoing Revenue	\$14,652.5	\$14,952.5
Total Estimated School Aid Fund Revenue.....	\$14,820.7	\$15,224.2
Expenditures:		
<u>Ongoing Appropriations:</u>		
Conference Report K-12 Appropriations.....	\$13,875.5	\$14,266.5
MPSERS K-12 New Reform Costs	0.0	23.1
Fund Community Colleges with SAF	260.4	398.3
Partially Fund Higher Education with SAF	<u>237.1</u>	<u>238.3</u>
Subtotal Ongoing Appropriations	\$14,373.0	\$14,926.2
<u>One-Time and Other Appropriations:</u>		
Initial One-Time Gov's Rec. K-12 Appropriations	\$176.0	\$90.6
Fund MPSERS UAAL Payment	0.0	200.0
Estimated Lapses.....	<u>0.0</u>	<u>0.0</u>
Subtotal One-Time and Other Appropriations	\$176.0	\$290.6
Total Estimated School Aid Fund Expenditures.....	\$14,549.0	\$15,216.8
PROJECTED YEAR-END SCHOOL AID FUND BALANCE.....	\$271.7	\$7.4

The Senate Fiscal Agency website (<http://www.senate.michigan.gov/sfa/>) includes detailed decision documents for each budget area, and the Agency will publish a comprehensive report on the initial FY 2017-18 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