



New Budget Adjustment Bill, Combined With Previous Legislation, Very Similar to Governor's Original Proposal

The Governor has proposed legislation to address the budget gap in fiscal year 2011. His proposal (Special Session SB 12 and AB 13) includes fiscal changes that were stripped out of earlier budget adjustment legislation (now 2011 Act 10).

When SB 12/AB 13 and 2011 Act 10 are taken in combination, the fiscal effect is very similar to the Governor's original budget adjustment proposal he made in February 2011. The only difference is that SB 12/AB 13 appropriates an additional \$24.0 million to cover shortfalls in the Medicaid budget. The administration has re-estimated the size of the shortfall based on more current data.

| Budget Adjustment Bill Effects on General Fund Comparison of Versions | | | |
|--|---------------------------------|--------------------------------|----------------------|
| | Governor's Feb 2011 Proposal | 2011 Act 10 and SB 12/AB 13 | Difference |
| Revenues | | | |
| Increase in Employee Benefit Contributions* | \$29,800,000 | \$29,800,000 | \$0 |
| <u>Reduction in Required Lapses</u> | <u>-\$79,000,000</u> | <u>-\$79,000,000</u> | <u>\$0</u> |
| Total Revenues | -\$49,200,000 | -\$49,200,000 | \$0 |
| Appropriations | | | |
| Medical Assistance (MA) Benefits | \$134,000,000 | \$149,000,000 | \$15,000,000 |
| Corrections** | \$21,537,900 | \$21,537,900 | \$0 |
| MA Administration Contracts | \$16,000,000 | \$21,000,000 | \$5,000,000 |
| MA Income Maintenance | \$2,500,000 | \$6,500,000 | \$4,000,000 |
| Family Care Aging and Disability Resource Center | -\$3,100,000 | -\$3,100,000 | \$0 |
| Joint Finance OWI Supplemental Appropriation | -\$4,590,400 | -\$4,590,400 | \$0 |
| <u>Using TANF Dollars to Supplant EITC Funding</u> | <u>-\$37,000,000</u> | <u>-\$37,000,000</u> | <u>\$0</u> |
| Total Appropriations | \$129,347,500 | \$153,347,500 | \$24,000,000 |
| Debt Restructuring | \$165,000,000 | \$165,000,000 | \$0 |
| Effect on General Fund Balance | -\$13,547,500 | -\$37,547,500 | -\$24,000,000 |
| Projected General Fund Ending Balance | \$107,815,300 | \$83,815,300 | -\$24,000,000 |
| * Combines revenues with lapses of employee benefit funds | | | |
| ** Combines appropriation with reduced lapses for Corrections | | | |

The legal status of 2011 Act 10 is contested. If it does not go into effect, the gross balance of the General Fund would be \$46.3 million, which is below the \$65.0 million required statutory balance. There is precedent for temporarily waiving the required balance. In other words, if 2011 Act 10 does not take effect, the changes proposed in SB12/AB 13 are enough to cover the shortfall in fiscal year 2011.

The Governor's proposal relies in large part on pushing \$165.0 million in debt payments into the future. The Legislative Fiscal Bureau had earlier reported that the bond restructuring would need to be approved by mid-March so that the transaction could be completed before payments were due. Further review has indicated that restructuring appears to be possible.

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