

Section III. Appropriations

The budget increases appropriations over FY 19 Revised Budget appropriations by \$429.9 million in FY 20 and \$1,210.7 million in FY 21. This increase is due to current service adjustments totaling \$608.2 million in FY 20 and \$1,491.9 million in FY 21. Current service adjustments are partially offset by policy reductions totaling \$178.4 million in FY 20 and \$281.2 million in FY 21.

Table 3.1 Building the Biennial Budget
In Millions of Dollars

All Appropriated Funds	FY 20	FY 21
FY 19 appropriations	20,855.4	20,855.4
Current service adjustments	608.2	1,491.9
Base Expenditures	21,463.6	22,347.3
Policy revisions	(178.4)	(281.2)
TOTAL	21,285.3	22,066.1

Current Service Adjustments

These are summarized into three categories, below, and in **Table 3.2** at the end of this section.

Hospital Supplemental Payments

The hospital supplemental payment change corresponds with the scheduled reduction in the hospital tax under current law. The tax and the corresponding hospital supplemental payments are predominately maintained at the FY 19 level, which results in changes to both revenue and appropriations as summarized collectively in **Section IV**.

Fixed Costs

Current service increases of over \$550 million per year are in fixed cost accounts, which include: (1) state employee fringe benefits (e.g., State Employee Retirement System (SERS), retiree health), (2) Debt Service, (3) the Teachers' Retirement System (TRS), and (4) entitlements (e.g., Medicaid).

Non-Fixed Costs

Non-fixed cost increases are primarily the result of requirements in statute or previously negotiated contracts. As part of the budget process there are also many current service updates that are later undone through policy reductions.

Table 3.2 Summary of Current Services Adjustments

In Millions of Dollars

Description	FY 20	FY 21
Hospital Supplemental Payments		
Reduction to align payments with current law	(329.8)	(329.8)
Fixed Costs		
Fringe benefit current services updates	229.0	420.4
Debt service	128.9	362.8
Fully fund TRS based on the 2018 Valuation	99.9	145.1
Other Current Service updates	99.0	232.2
Fixed Costs - Subtotal	556.8	1,160.5
Non-Fixed Costs		
Wage and fringe benefit increases	123.1	344.3
Increases undone through policy reductions	155.6	179.6
Other Current Service updates	102.6	137.3
Non-Fixed Costs - Subtotal	381.3	661.1
TOTAL	608.2	1,491.9

Policy Revisions

Table 3.3 below summarizes the policy reductions into five categories: (1) hospital supplemental payments, (2) policies which undo current service increases, (3) reductions to the Teacher's Retirement System, (4) labor concessions, and (5) miscellaneous other policies.

Table 3.3 Summary of Policy Revisions
In Millions of Dollars

Policies	FY 20	FY 21
Adjust hospital supplemental payments	286.8	286.8
Reduce the Teacher's Retirement System contribution	(183.4)	(189.4)
Labor concessions	(181.5)	(275.9)
Undo current service increases	(155.6)	(179.6)
Other policies	55.2	76.9
TOTAL	(178.4)	(281.2)