

Section III. Appropriations

The budget increases appropriations over FY 21 Biennial Budget appropriations by \$573 million in FY 22 and \$1,451.2 million in FY 23. This increase is due to current service adjustments totaling \$795.4 million in FY 22 and \$1,680.1 million in FY 23. Current service adjustments are partially offset by policy reductions totaling \$222.5 million in FY 22 and \$228.9 million in FY 23.

Table 3.1 Building the Biennial Budget
In Millions of Dollars

All Appropriated Funds	FY 22	FY 23
FY 21 Appropriation	22,170.4	22,170.4
Current Services Adjustment	795.4	1,680.1
Base Expenditures	22,965.8	23,681.6
Policy Revisions	(222.5)	(228.9)
TOTAL	22,743.3	23,850.5

Current Service Adjustments

These are summarized into two categories, below, and in **Table 3.2**.

Fixed Costs

Current service increases of over \$580 million are in fixed cost accounts, which include: (1) state employee fringe benefits (e.g. State Employee Retirement System (SERS), active and retiree health), (2) debt service, (3) 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 labor 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 Service Adjustments
In Millions of Dollars

Description	FY 22	FY 23
Fixed Costs		
Fringe Benefit Current Services Updates	216.2	530.4
Debt Service	129.6	433.7
Fully Fund TRS based on the 2020 Valuation	195.6	330.0
Increases Undone through Policy Reductions	11.8	25.8
Other Current Service Updates	26.9	106.1
Fixed Costs - Subtotal	580.1	1,426.0
Non-Fixed Costs		
Wage Increases	117.9	363.8
Increases Undone through Policy Reductions	66.8	71.7
GAAP Adjustment	(1.6)	(222.2)
Other Current Service Updates	32.2	40.8
Non-Fixed Costs - Subtotal	215.3	254.1
TOTAL	795.4	1,680.1

Policy Revisions

Table 3.3 below summarizes both the policy reductions and increases. The budget act contains net reductions (a combination of reductions and increases) of \$222.5 million in FY 22 and \$228.9 million in FY 23 across all appropriated funds.

Table 3.3 Summary of Policy Adjustments
In Millions of Dollars

Description	FY 22	FY 23
Policy Reductions		
Debt Service	(59.9)	(127.7)
Fringe Benefits	3.3	(172.9)
Off Budget	(227.6)	(100.0)
Undo Current Service Increase	(77.9)	(96.0)
Other Policy Reductions	(170.9)	(291.9)
Policy Reductions Subtotal	(532.9)	(788.6)
Policy Increases		
Education	55.4	106.2
Tiered Pilot	66.4	80.0
Other Policy Increases	188.6	373.5
Policy Increases Subtotal	310.5	559.7
TOTAL	(222.5)	(228.9)

FY 21 Appropriations Carried Forward

The budget implementer, PA 21-2 JSS, carries forward unspent FY 21 appropriated funds from various agencies and accounts. **Appendix J** contains the specific details of the carryforward funds and their purpose.

Table 3.4 Summary of Carry Forward Funding
In Millions of Dollars

Fund	FY 22	FY 23
General Fund	280.8	176.2
Insurance Fund	0.5	-
Special Transportation Fund	2.3	-
Passport to the Parks	2.5	2.5
Tourism Fund	7.9	-
State Employee's Retirement Fund	21.0	-
TOTAL	315.0	178.7

American Rescue Plan Act (ARPA) Allocations

The American Rescue Plan Act (Public Law 117-2) was signed into law by the president on March 11, 2021. The law is the sixth federal COVID-19 relief bill to combat the health and economic effects the coronavirus has had on the nation. ARPA included direct aid to the state through the State Fiscal Recovery Fund and the Capital Projects Fund. The state received \$2.812.3 billion in State Recovery Fund resources and \$141.9 million Capital Project Fund resources.

Table 3.5 presents the allocations from ARPA funding for FY 22 through FY 24, which can be used to support the following areas:

- Support urgent COVID-19 response efforts to continue to decrease spread of the virus and bring the pandemic under control.
- Replace lost revenue for eligible state, local, territorial, and Tribal governments to strengthen support for vital public services and help retain jobs.
- Support immediate economic stabilization for households and businesses.
- Address systemic public health and economic challenges that have contributed to the inequal impact of the pandemic.
- Make necessary investments in water, sewer, and broadband infrastructure.

Table 3.5 Summary of American Rescue Plan Allocations
In Millions of Dollars

Use of ARPA Funds	FY 22	FY 23	FY 24	TOTAL
Federal Allocation to State Fiscal Recovery				2,812.3
Revenue Allocation	559.9	1,194.9	-	1,754.8
Expenditure Allocation	656.1	148.6	19.9	824.6
Total State Allocations	1,216.0	1,343.5	19.9	2,579.4
Remaining State Funds for Allocation				232.9
Federal Capital Projects Fund				141.9
Capital Allocations	39.5	25.0		64.5
Remaining Capital Funds for Allocation				77.4
Total Remaining ARPA Funds to be Allocated				310.3