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TO:

FROM: Christopher Wetzel

SUBJECT: Items and Amounts Moved Outside the Statutory Spending Cap

You asked for a list of items and associated amounts that have been shifted off-budget or reduced for spending cap purposes.

The list below provides the Public Act, a brief description, and associated amounts of items moved off-budget for spending cap purposes:

1) PA 15-244 specified that appropriations for unfunded liabilities of the State Employees' Retirement System (SERS), Judges, Family Support Magistrates and Compensation Commissioners' Retirement System (JRS), and the Teachers' Retirement System (TRS) are exempt from being counted as general budget expenditures under the spending cap for FY 15-FY 17. The amounts of unfunded liabilities for those systems are as follows:

	<u>FY 15 \$</u>	<u>FY 16 \$</u>	<u>FY 17 \$</u>
SERS	892,804,521	995,290,263	1,025,131,035
JRS	11,347,649	11,771,943	12,368,601
TRS	831,986,904	821,713,055	852,527,148

2) PA 13-184, the FY 14 and FY 15 Budget as adjusted by PA 13-147, the general government implementer, enacted a change in funding the Medicaid program within the Department of Social Services (DSS) from a gross basis to a net basis; thus, the appropriations contained in the FY 14-FY 15 budget reflect

Reviewer: MM MM

only the state's portion of DSS costs for Medicaid (rather than including the federal share). This change removed \$2.8 billion in FY 14 and \$3.2 billion in FY 15 appropriations. It should be noted that, in accordance with Sections 67 and 69 of PA 13-184, the base upon which the spending cap was calculated was adjusted downward by approximately \$2.3 billion due to the implementation of net funding of Medicaid (thus removing much of the "room" the shift to net funding would have created under the spending cap absent this treatment).

3) The FY 13 revised budget consolidated certain Charter School funding totaling approximately \$67.9 million within the Education Cost Sharing (ECS) grant, which is partially exempt from the spending cap as a grant to distressed municipalities. PA 12-116 included language specifying that any Charter School funding transferred to the ECS account be distributed to municipalities.

4) PA 01-9 JSS excluded \$9 million in appropriations for Supplemental Education Aid from the spending cap calculation by redefining the appropriation as something other than a general budget expenditure.

5) PA 01-2 JSS required DSS to pay for dually eligible Medicare Part B clients through a revenue offset using federal funds, thus allowing DSS to deduct a federal payment from federal revenue and lowering the Medicaid appropriation. This was expected to reduce state appropriations by \$45.4 million in FY 02 and \$47.8 million in FY 03.

Please note that this does not represent a comprehensive list of items that have been shifted from appropriated line items within the budget to alternative sources of funding (e.g., revenue diversions, bond funding, etc.), thereby impacting the spending cap calculation. A separate memo is forthcoming which provides more detail on the use of borrowing to reduce appropriations.

I hope that you find this information helpful. Please contact me if you have any questions or need further assistance.