Am. Sub. House Bill 64
Conference Committee Testimony on the
FY 2016 and 2017 Biennial Operating Budget

Timothy S. Keen, Director
Office of Budget and Management
June 19, 2015

Mr. Chairman, members of the Conference Committee, thank you for the opportunity to testify today on Amended Substitute House Bill 64, the FY 2016 and 2017 Biennial Operating Budget for the State of Ohio.

Governor Kasich appreciates the time and effort both chambers have given to development of the budget since introduction of the Executive Budget proposal in February. Both versions of the bill reflect a strong commitment to key elements of that proposal:

- Reducing the personal income tax and small business taxes to continue improving Ohio's economic competitiveness.
- Ensuring that Ohio's schoolchildren are ready for college and careers, with record state funding to help build a world-class education system and provide more resources overall to those school districts with the least capacity to raise revenues locally.
- Continuing implementation of our nationally recognized, performance-based funding formula for higher education, including provisions for restrained tuition policies on state-supported campuses, prioritization of scholarship programs, and general system efficiencies and reforms.
- Building on the momentum of Medicaid reform and expansion begun in Governor Kasich's first term, which greatly improved the design and delivery of the Medicaid program as well as its underlying administrative structure.

We now look forward to working with this Committee to reconcile the differences among various versions of the bill. To begin that effort, today I will present the Administration's revised GRF revenue estimates, as well as the latest Medicaid projections. I will also review the condition of the GRF as FY 2015 comes to a close and offer the Administration's perspective on a budget framework for the Conference Committee.

The revenue forecast I will present contains revisions from the forecast that accompanied the Executive Budget. Those revisions result from two factors. First, OBM has updated national and Ohio economic forecasts from both the Global Insight and Moody's forecasting firms. Second, we have an additional four months of GRF revenue data, including the income tax filing results for tax year 2014. Both of these factors have an impact on the revised forecasts for FY 2015-2017.

Economic Forecast

Let me begin by briefly discussing the latest economic forecasts that OBM has used for the revenue and Medicaid caseload forecasts, and how they differ from the forecasts that were used to build the Executive Budget. In general, the revised forecasts are substantially the same as the forecasts that underpinned the Executive Budget, but the negative first quarter of calendar year 2015 and the mixed indicators that we have seen so far in the second quarter have led to a lower growth forecast in the near term. The expected acceleration in growth is now projected to occur somewhat later in the forecast period than was originally thought.

As I just mentioned, U.S. GDP growth in the first quarter is estimated to have been minus 0.7%, the third negative quarter of the current expansion. Forecasters currently expect second quarter growth to be somewhat better. For example, the Atlanta Federal Reserve Bank's "GDPnow" forecast is for second quarter growth to be about 2%. Even 2% growth, I would point out, is relatively weak for a postwar recovery or expansion period.

Despite the slow first half, most forecasters, including Global Insight, are predicting that growth will pick up in the second half of calendar year 2015. There are recent signs of strength in the economy, including: a robust May employment report that saw an additional 280,000 jobs at the national level; improvement in housing indicators such as starts, permits, and prices; very strong May auto sales; and improved overall May retail sales. This spate of recent data gives OBM confidence that a second half rebound is in store and that the updated forecasts for 2016-2017 have a solid basis.

Nevertheless, we must keep in mind that risks to the forecast remain. A recent conference call with members of the Governor's Council of Economic Advisors highlighted two areas of risk to bear in mind when constructing the revenue and caseload forecasts:

(1) International trade – my previous testimony to House and Senate committees has already mentioned the risk to the national and Ohio economies from the strong dollar, which hurts U.S. exports and encourages the purchase of imports rather than domestically produced goods in both the consumer and investment sectors. There is also risk from other areas that could hurt U.S. exports, such as a sharp slowdown in Chinese demand or another EU slowdown prompted by events such as the Greek debt crisis.

(2) Monetary policy risk – there is concern that when the Federal Reserve finally begins "renormalizing" short-term interest rates that the financial market reaction may be worse than expected. As an example, if there is an asset bubble in real estate and mortgage-backed securities – such as existed before the last recession – it will probably be evident only in hindsight, after it has burst. Another monetary policy risk is that inflation will accelerate faster than anticipated and the Fed will have to raise rates more quickly, leading to bigger negative impacts on output and employment.

The May 2015 Global Insight baseline forecast for the U.S. and Ohio has literally thousands of variables. As usual, OBM has condensed those forecasts into a table that contains a few variables that either summarize the broad economy or are key drivers of the revenue estimates for major taxes. Those forecasts for FY 2015-2017 are in the table on page 4. Note that, although steady growth is presumed in the baseline forecast, FY 2016 growth is generally slightly weaker than in the November forecast, which was the basis for the Executive Budget. Ohio retail sales growth is lower by 0.8%, a point that I will revisit in my revenue testimony.

Table 1

History and Global Insight Baseline Forecast of Key Economic Variables, FY 2013-2017					
Annual percent change unless otherwise indicated					
Output	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Estimate	FY 2017 Estimate
U.S. Real GDP	2.0	2.5	2.6	2.3	3.0
Ohio Real GDP	1.7	1.3	1.6	1.9	2.4
Income					
U.S. nominal personal income	4.0	2.6	4.2	3.9	5.1
Ohio nominal personal income	3.3	2.7	4.2	3.6	4.3
Ohio nominal wage and salary income	3.3	2.6	4.7	4.3	4.2
Employment					
U.S. nonfarm employment	1.6	1.8	2.1	1.7	1.4
Ohio nonfarm employment	1.3	1.3	1.5	1.2	1.0
U.S. unemployment rate (percentage)	7.8	6.8	5.7	5.2	5.0
Ohio unemployment rate (percentage)	7.3	6.5	5.2	5.0	4.9
Consumer Spending					
U.S. real personal consumption expenditure	2.1	2.4	2.9	3.0	2.9
U.S. nominal personal consumption expenditure	3.5	3.7	3.7	3.8	4.9
U.S. retail and food service sales	4.2	3.5	2.9	2.7	5.3
Ohio retail and food service sales	3.6	3.8	2.8	2.2	4.7
U.S. light vehicle sales (millions of units)	15.03	15.85	16.73	17.11	17.48

Revised Revenue Estimates

The revised FY 2015-2017 baseline GRF revenue forecast [Attachments 1 and 2] is built on the Global Insight May 2015 baseline forecasts for the U.S. and Ohio. Of course, the forecast revisions also take into account how revenues have actually performed in FY 2015. Based on both the new economic forecasts and actual performance in FY 2015, the Conference Committee tax revenue forecast is higher than the Executive Budget (Blue Book) estimates by $252 million (1.2%) in FY 2015, $213 million (1.0%) in FY 2016, and $180 million (0.8%) in FY 2017. Almost all of the upward adjustment in FY 2015, and more than all of the upward adjustment in FY 2016-2017, is due to higher income tax forecasts. OBM has revised its income tax forecasts upward based on the strong performance of non-withheld income tax revenues in FY 2015. Other tax revenue estimates are, on the whole, revised upward only slightly or revised downward.

After 11 months of FY 2015, income tax withholding collections are $2 million above the estimate, or a barely perceptible 0.03%. This extremely low forecast variance follows forecast differentials for withholding of 0.9% in FY 2013 and 0.4% in FY 2014. It would seem that both the forecasts of the explanatory variables and the model that OBM uses for forecasting withholding are performing well.

Unfortunately, forecasting non-wage income and non-withheld income tax revenues is a much more difficult exercise, and our forecast variances there tend to be much larger. After 11 months of FY 2015, non-withheld income tax revenues are $302 million over the original estimate, and if the June variance were zero, would finish FY 2015 at $223 million over the revised estimate made for the Executive Budget.

We will not have data on tax year 2014 income by type for Ohio taxpayers until federal return data is made available about a year from now. We actually do not yet have data on tax year 2013 income yet, although it is supposed to be released soon. OBM has tried to estimate the underlying non-wage income that has resulted in the FY 2015 variance and then make conservative but reasonable projections of how that income will grow in the next two tax years. These forecasts drive our forecast of non-withheld income. The result of this exercise is that the income tax forecasts are revised upward by $239 million (2.9%) in FY 2015, $268 million (3.0%) in FY 2016, and $219 million (2.3%) in FY 2017.

OBM has also made upward adjustments, relative to the Executive Budget forecast, for the auto sales tax and for the CAT. You may recall that in the course of my earlier testimony about the Executive Budget, I stated that OBM was holding the FY 2016 auto sales tax forecast flat with the FY 2015 estimate, reflecting the belief that auto sales had been running above trend and would have to moderate. That assumption is no longer part of the outlook. New auto sales have remained very strong in the second half of FY 2015, and the Global Insight baseline forecast calls for national average sales above 17 million units in both FY 2016 and FY 2017. OBM has revised the auto sales tax forecast upward by 1.8% in FY 2016 and 3.0% in FY 2017.

The CAT has outperformed expectations throughout FY 2015, in a reversal of its underperformance in FY 2014. Part of the story here is the volatility of tax credits claimed against the CAT. In FY 2014, those credits grew rapidly from FY 2013, and were much higher than OBM had forecasted. In FY 2015, based on the partial-year data available, this appears to have been reversed, and credits are on track to decrease from FY 2014, and to fall well below the amount forecasted.

Some of this FY 2015 variance seems to be the result of credits that OBM had expected would be taken against the CAT instead being taken against other taxes. Some is not easily explained: the timing of the claiming of credits does not appear to have a stable, predictable relationship with when they are authorized. As a result, OBM has reduced its estimate of the credits against the CAT in FY 2016-2017. However, being mindful of the volatility in these credits, the OBM forecast assumes that credits will resume growing and will exceed not only the FY 2015 amount but also the FY 2014 amount. Nevertheless, the decrease in estimated credits raises the CAT GRF forecast by $18 million (2.1%) in FY 2016 and $30 million (3.5%) in FY 2017.

After all this cautious optimism, we come to the one place where OBM is not so optimistic, the non-auto sales tax. The good news here is that, after falling short of the original estimate by $58 million in the four months spanning December through March, the non-auto sales tax has rebounded in April and May, beating the original estimate by $63 million. It now appears that the non-auto sales tax may reach the Executive Budget estimate for FY 2015.

However, despite the rebounding performance of the past two months, OBM has adopted a cautious outlook toward the non-auto sales tax. Most economists would agree that the expected "gasoline dividend" of additional consumer spending due to lower gasoline prices has not materialized. Savings in gasoline purchases appear to have largely been either saved or used to pay down debt. In addition, the Global Insight forecasts for personal consumption call for only 1.4% growth in non-durable goods purchases in FY 2016, and only 2.5% growth in durable goods other than motor vehicles and parts. Total retail sales are forecasted to grow by only 2.7%. Finally, employment growth, which was very strong in calendar year 2014 and which has picked up again after a weak first quarter, is projected to slow down in FY 2016-2017.

More fundamentally, the shadow of the Great Recession appears to still linger over U.S. households and their purchasing and saving decisions. As I have remarked before, research shows that recessions precipitated by financial market crashes, and the recoveries from such recessions, are different than ordinary recessions. They are marked by such behavior as deleveraging (reducing debt ratios) by households and businesses and by an abundance of caution in consumption and investment decisions. Given this background, OBM has chosen to continue to be cautious in its forecasts of the sales tax.

Finally, outside the economic picture, the Department of Medicaid has reduced its estimates of the managed care caseload in FY 2016-2017, which in turn reduces the estimated sales tax from managed care premiums by about $48 million in FY 2016 and $36 million in FY 2017 compared to the Executive Budget.

Based on all these factors, OBM's forecast of the non-auto sales tax is reduced by $95 million (-1.0%) in FY 2016 and $109 million (-1.1%) in FY 2017 relative to the Executive Budget.

At the beginning of this section, I compared OBM's revised baseline tax revenue forecasts for the Conference Committee to OBM's Executive Budget forecasts. I would note in closing that the revised OBM forecasts are $52 million lower than the introduced budget LSC forecasts for FY 2016, but $102 million higher than those LSC forecasts for FY 2017.

FY 2015 Ending GRF Balance and Its Disposition

At the time of the introduction of the Executive Budget in February, OBM projected a FY 2015 GRF ending balance of $970.4 million. After setting aside a carryover equal to 0.5% of GRF revenues, this left an unobligated fund balance of $812.6 million. The Executive Budget contained a recommendation for the disposition of that unobligated balance that included reserving $200.0 million to support permanent income tax reductions, transferring $375.0 million to the Budget Stabilization Fund, and $227.0 million to address various contingencies and non-recurring costs. Both the House and Senate versions of the bill maintained support for the income tax reductions and the Budget Stabilization Fund transfer, albeit at different levels in the case of the income tax reduction reservation. These versions of the bill also made other adjustments to the remaining transfers of the year-end balance to support various policy initiatives.

Based on the revised revenue estimates I have presented today and slightly lower-than-estimated spending, I now expect an ending balance of $1,150.0 million, an amount approximately $340 million higher than what was estimated at budget introduction. The Administration suggests that this additional ending balance be used to support the cost of adjusting the income tax withholding tables to reflect the 6.3 percent personal income tax rate reduction contained in both the House and Senate budgets. Any amount remaining should also be deposited in the Budget Stabilization Fund, which under the provisions of the Senate bill will have its target balance increased from 5% of prior-year GRF revenues to 8.5%.

Revised Medicaid Estimates

The Executive Budget contained the appropriations necessary to fund the projected costs of the Medicaid program for the upcoming biennium. Those forecasts can be divided into two parts: (1) the estimated costs of the existing program (baseline) and (2) the estimated costs or savings of any new reform proposals. The “baseline” portion is the projected cost of the program under current law – that is, the expected cost of providing health care services to individuals expected to be enrolled in the program under the current eligibility requirements, while paying providers the rates that are currently set in law or according to rule, without assuming the adoption of any new reform proposals.

While the Executive Budget, and the versions passed by each chamber of the General Assembly, have all contained a number of reform items, my purpose today is to provide you with information about the Administration’s updates to our baseline projections based upon more recent information.

The primary update to our baseline projections relates to a decrease in the number of expected enrollees in the program. There are several reasons why we expect caseload to be less than originally projected. First, for calendar year 2014, Ohio had a one-year waiver from conducting Medicaid redeterminations. In February of 2015, the Department of Medicaid and county departments of Job and Family Services began implementing the federal requirement that Medicaid eligibility must be redetermined on an annual basis. The recent experience with redeterminations led to lowered estimates of caseload. Second, the Global Insight economic forecast decreased the projection of the unemployment rate, which led to lowered estimates of caseload. (This reduction was offset somewhat because Global Insight also reduced labor force participation estimates, which led to slightly higher estimates of caseload.)

The reductions in caseload projections, and lower-than-expected take-up rates in MyCare Ohio, equate to a reduction in managed care enrollment. In addition, there was an uptick in projected Medicare-related costs because the federal government increased the amount of state funds “clawback” states must pay to the federal government for Medicare Part D.

Updating our baseline projections to incorporate these factors, as well as updating our estimates of the Executive-proposed policy changes contained in the Senate-passed version of the bill, yield revised projections that differ from our February estimates as follows:

- All Funds estimates are now lower by $261.3 million in FY 2016 and by $251.6 million in FY 2017.
- Total GRF estimates are now lower by $341.1 million in FY 2016 and by $357.7 million in FY 2017.
- State GRF estimates are now lower by $123.4 million in FY 2016 and by $63.8 million in FY 2017.

What is most relevant to note today, however, is our projected appropriation needs based upon House Bill 64 as amended by the General Assembly. Both the House and Senate versions of the bill utilized the Legislative Service Commission’s February baseline Medicaid estimates, which initially enabled appropriations to be lowered in the House from our Executive Budget recommended levels by $258.0 million in FY 2016 and by $336.0 million in FY 2017. The Senate subsequently returned to the Executive baseline estimates for only the Medicaid services funded through the Department of Developmental Disabilities. Thus, the Senate-passed version of the bill still contains LSC-related baseline assumptions of the following:

- All Funds appropriation needs have been assumed to be lower by $224.0 million in FY 2016 and by $278.0 million in FY 2017.
- GRF appropriation needs also have been assumed to be lower by $224.0 million in FY 2016 and by $278.0 million in FY 2017.

- State GRF appropriation needs have been assumed to be lower by $29.0 million in FY 2016 and by $92.0 million in FY 2017.

From my perspective, the General Assembly's use of LSC's February estimates essentially "pre-spent" much of the benefit from OBM's Conference Committee re-projections and, in some cases, overspent. The appropriation levels necessary to support the Senate-passed version of the bill can only be lowered by the amount by which the OBM re-projections are lower than the LSC assumptions already incorporated in the bill. In other words, the Medicaid appropriations can be adjusted by the net of the OBM re-projections and the amounts required to reverse the General Assembly's LSC assumptions:

- All Funds appropriations can be reduced by $37.3 million in FY 2016 and increased by $26.4 million in FY 2017.
- GRF appropriations can be reduced by $117.1 million in FY 2016 and by $79.7 million in FY 2017.
- State GRF appropriations can be reduced by $94.4 million in FY 2016 and increased by $28.2 million in FY 2017.

The following table summarizes my comments. Please note this table reflects Medicaid spending across all six Medicaid agencies:

Table 2

	Total All Funds		Total GRF		State Share GRF	
in millions	**FY16**	**FY17**	**FY16**	**FY17**	**FY16**	**FY17**
Executive Budget	$ 27,292.8	$ 28,161.2	$ 18,499.1	$ 19,649.7	$ 5,968.5	$ 6,334.0
G.A. Adjustments	$ (178.5)	$ (390.5)	$ (66.1)	$ (270.8)	$ (20.1)	$ (188.4)
LSC Feb. Baseline Adj.*	$ (224.0)	$ (278.0)	$ (224.0)	$ (278.0)	$ (29.0)	$ (92.0)
Senate Passed	***$ 26,890.2***	***$ 27,492.7***	***$ 18,209.1***	***$ 19,100.9***	***$ 5,919.3***	***$ 6,053.6***
Executive Forecast Update	$ (261.3)	$ (251.6)	$ (341.1)	$ (357.7)	$ (123.4)	$ (63.8)
Restore Feb. LSC Baseline Adj.*	$ 224.0	$ 278.0	$ 224.0	$ 278.0	$ 29.0	$ 92.0
CONFERENCE NEED	**$ 26,852.9**	**$ 27,519.1**	**$ 18,092.0**	**$ 19,021.2**	**$ 5,825.0**	**$ 6,081.7**
Variance from Senate Passed	*$ (37.3)*	*$ 26.4*	*$ (117.1)*	*$ (79.7)*	*$ (94.4)*	*$ 28.2*

**Note: The House All Funds appropriation reduction associated with using LSC's baseline projections was $258.0m in FY 16 and $336.0m in FY 17. The Senate subsequently reverted to the Executive projections for only the Department of Developmental Disabilities, leaving the LSC-related adjustments as shown in the table.*

Totals may not add due to rounding.

Additionally, Attachment 3 details which line items we believe should be adjusted.

We look forward to discussing our revised Medicaid projections during Conference Committee deliberations to ensure adequate funding for the program through the next biennium.

Administration's Perspective on a Budget Framework for the Conference Committee

Having now provided the Committee with OBM's updated GRF baseline tax revenue and Medicaid projections, I believe it might be helpful to further explain the impact of the OBM revisions on the work of the Conference Committee. In this calculation, OBM uses the Senate-passed appropriation levels and revenue-related policy assumptions, not because they are the preference of the Administration, but because they incorporate many of the changes made in the House and reflect the most recent legislative action.

In order to use a budget framework that incorporates OBM's updated tax revenue and Medicaid projections, the "movement" must be from LSC's revenue and Medicaid projections from February, which are the foundation for the Senate-passed version of the bill. From a state share-only GRF perspective in FY 2016, assumed revenue should be reduced by $52 million, and Medicaid appropriations should be reduced by $94 million; thus, the Committee benefits from a variance of $42 million. From a state share-only GRF perspective in FY 2017, assumed revenue should be increased by $102 million, and Medicaid appropriations should be increased by $28 million; thus, the Committee benefits from a variance of $74 million.

Concluding Remarks

As we collaborate to conclude our work on a state budget for Fiscal Years 2016 and 2017, we find ourselves in an enviable position. The fiscal condition of the state is sound. State finances are strong.

In each of the past four years, revenues have surpassed projections and spending has fallen below appropriated levels. We have rebuilt our budgetary reserves from 89 cents to just about $2 billion. Our strong finances and fiscal discipline have allowed us to reform our tax system, reduce the personal income rates and small business taxes in order to improve Ohio's jobs climate and economic competitiveness.

The state's enviable fiscal condition has enabled us to commit additional resources to priority programs like primary and secondary education, higher education, and those that help Ohioans move up and out of poverty, all while working to make the government more efficient with improved program delivery.

But these results should not be taken for granted. Nearly half of the U.S. states faced a budget shortfall this fiscal year or during the development of their budgets for the upcoming fiscal year. It's been our careful and principled decision-making that enabled us to avoid these pitfalls.

The Governor's guiding principle in this budget is the maintenance and protection of the strong financial position our state presently enjoys. To achieve that, budgetary and policy decisions should be affordable and sustainable in the current budget and beyond. Our enacted budget must be balanced, but should also be structurally balanced as we look forward, ensuring that ongoing revenues are sufficient to cover ongoing expenses.

In the Governor's view, the best way to achieve that result is to stick with the blueprint that put us in the strong position we are in today: A continued focus on conservative economic forecasts, conservative revenue estimates and the full allocation of funds necessary to cover our expected program costs and obligations. If we do not do these things, all the success we have achieved together over the last four and a half years – and hope to achieve in the years ahead – could be put at risk.

Mr. Chairman, my Cabinet colleagues and I, along with other Administration staff, stand ready to provide any assistance and information the Conference Committee may need as you work to finalize the budget and policy provisions in this bill.

I thank you for the opportunity to address the Conference Committee today. At this time, I would be happy to answer any questions members of the Committee might have.

ATTACHMENTS

1: FY 2015 GRF Revenue (Executive Budget vs. Conference Committee)
2: FY 2016-2017 GRF Baseline Revenue (Executive Budget vs. Conference Committee)
3: Medicaid ALI Changes (only affected lines)

Attachment 1

General Revenue Fund Revenues

Fiscal Year 2015

(dollars in millions)

REVENUE SOURCE	Feb, 2015 Executive Budget	Jun, 2015 Conference Committee	Conference vs Executive $ Change
Auto Sales & Use	1,307.0	1,307.0	0.0
Non-Auto Sales & Use	8,714.0	8,705.7	(8.3)
Total Sales & Use	**10,021.0**	**10,012.7**	**(8.3)**
Personal Income	8,308.8	8,547.4	238.7
Financial Institutions Tax	176.0	179.0	3.0
Commercial Activity Tax	818.4	845.3	26.9
Petroleum Activity Tax	6.0	6.0	0.0
Public Utility	92.0	98.6	6.6
Kilowatt-Hour Tax	296.5	293.6	(3.0)
Natural Gas Consumption	62.0	74.0	12.0
Foreign Insurance	298.0	266.0	(32.0)
Domestic Insurance	244.8	252.4	7.6
Cigarette & Other Tobacco	793.6	793.6	0.0
Alcoholic Beverage	55.0	55.0	0.0
Liquor Gallonage	41.9	41.9	0.0
Total Tax Receipts	**21,213.9**	**21,465.5**	**251.5**
Earnings/Investment	20.0	20.0	0.0
Licenses and Fees	62.0	59.0	(3.0)
Other Income	32.0	26.0	(6.0)
ISTV's & IDC's	4.5	11.0	6.5
Total Non-Tax Receipts	**118.5**	**116.0**	**(2.5)**
Transfers In - Other	653.2	613.9	(39.3)
Transfers In - Temporary	0.0	0.0	0.0
Total Transfers In	**653.2**	**613.9**	**(39.3)**
Total Sources w/o Federal	**21,985.6**	**22,195.4**	**209.7**
Federal Grants	9,562.3	9,326.7	(235.6)
TOTAL SOURCES	**31,547.9**	**31,522.0**	**(25.9)**

Attachment 2

General Revenue Fund Baseline Revenue

FY2016 - FY2017

(dollars in millions)

REVENUE SOURCE	FY 2016 Executive Feb, 2015	FY 2016 Conference Jun, 2015	FY 2016 $ Change	FY 2017 Executive Feb, 2015	FY 2017 Conference Jun, 2015	FY 2017 $ Change
Auto Sales & Use	1,307.0	1,331.0	24.0	1,346.0	1,387.0	41.0
Non-Auto Sales & Use	9,141.6	9,046.9	(94.7)	9,591.9	9,482.9	(109.0)
Total Sales & Use	**10,448.6**	**10,377.9**	**(70.7)**	**10,937.9**	**10,869.9**	**(68.0)**
Personal Income	8,903.2	9,171.6	268.4	9,405.9	9,624.8	218.9
Financial Institutions Tax	190.0	190.0	0.0	190.0	190.0	0.0
Commercial Activity Tax	839.5	857.4	17.9	860.4	890.5	30.1
Petroleum Activity Tax	8.0	8.0	0.0	8.0	8.0	0.0
Public Utility	100.3	105.4	5.1	101.9	105.4	3.5
Kilowatt-Hour Tax	287.2	284.6	(2.6)	278.5	276.2	(2.3)
Natural Gas Consumption	62.0	68.0	6.0	62.0	68.0	6.0
Foreign Insurance	307.0	300.0	(7.0)	319.0	310.0	(9.0)
Domestic Insurance	277.6	271.0	(6.6)	289.3	288.0	(1.3)
Cigarette & Other Tobacco	773.8	773.8	0.0	754.4	754.4	0.0
Alcoholic Beverage	55.0	55.0	0.0	55.0	55.0	0.0
Liquor Gallonage	42.0	44.0	2.0	43.0	45.0	2.0
Total Tax Receipts	**22,294.2**	**22,506.7**	**212.5**	**23,305.3**	**23,485.3**	**179.9**
Earnings/Investment	44.0	22.4	(21.6)	54.8	30.0	(24.8)
Licenses and Fees	57.0	57.0	0.0	57.0	57.0	0.0
Other Income	29.0	29.0	0.0	30.6	30.6	0.0
ISTV's & IDC's	9.8	9.8	0.0	9.7	9.7	0.0
Total Non-Tax Receipts	**139.8**	**118.2**	**(21.6)**	**152.1**	**127.3**	**(24.8)**
Transfers In - Other	408.4	413.1	4.7	410.4	444.1	33.7
Transfers In - Temporary	0.0	0.0	0.0	0.0	0.0	0.0
Total Transfers In	**408.4**	**413.1**	**4.7**	**410.4**	**444.1**	**33.7**
Total Sources w/o Fed	**22,842.4**	**23,038.0**	**195.6**	**23,867.9**	**24,056.7**	**188.8**
Federal Grants	12,451.9	12,190.8	(261.0)	13,228.8	12,856.4	(372.5)
TOTAL SOURCES	**35,294.2**	**35,228.8**	(65.4)	**37,096.7**	**36,913.0**	(183.7)

Attachment 3

Medicaid Line Item Changes Needed for Conference Forecast

Note: Only line items with changes are shown.

FUND ALI	SENATE PASSED FY 16	RESTORE LSC FEB. BASELINE ADJUST.*	EXECUTIVE REFORECAST	CONFERENCE REQ FY 16	VARIANCE CONF v. SEN FY 16
GRF 651525 Medicaid /Health Care Svcs - STATE	*$ 4,847,530,989*	*$ 29,000,000*	*$ (122,816,586)*	*$ 4,753,714,403*	*$ (93,816,586)*
GRF 651525 Medicaid /Health Care Svcs - FEDERAL	*$ 12,289,749,598*	*$ 195,000,000*	*$ (217,737,374)*	*$ 12,267,012,224*	*$ (22,737,374)*
GRF 651525 Medicaid /Health Care Svcs - TOTAL	$ 17,137,280,587	$ 224,000,000	$ (340,553,960)	$ 17,020,726,627	$ (116,553,960)
GRF 651526 Medicare Part D	$ 308,823,000	$ -	$ (545,346)	$ 308,277,654	$ (545,346)
General Revenue Fund Total Adjustment		**$ 224,000,000**	**$ (341,099,306)**		**$ (117,099,306)**
GRF - State Share Adustment		*$ 29,000,000*	*$ (123,361,932)*		*$ (94,361,932)*
3F00 651623 Medicaid Services - Federal	$ 3,645,600,124	$ -	$ 79,794,795	$ 3,725,394,919	$ 79,794,795
Federal Fund Group Adjustment		**$ -**	**$ 79,794,795**		**$ 79,794,795**
All Funds Total Adjustment of Affected ALIs		**$ 224,000,000**	**$ (261,304,511)**		**$ (37,304,511)**

FUND ALI	SENATE PASSED FY 17	RESTORE LSC FEB. BASELINE ADJUST.*	EXECUTIVE REFORECAST	CONFERENCE REQ FY 17	VARIANCE CONF v. SEN FY 17
GRF 651525 Medicaid /Health Care Svcs - STATE	*$ 4,894,000,948*	*$ 92,000,000*	*$ (77,030,764)*	*$ 4,908,970,184*	*$ 14,969,236*
GRF 651525 Medicaid /Health Care Svcs - FEDERAL	*$ 13,047,353,013*	*$ 186,000,000*	*$ (293,865,821)*	*$ 12,939,487,192*	*$ (107,865,821)*
GRF 651525 Medicaid /Health Care Svcs - TOTAL	$ 17,941,353,961	$ 278,000,000	$ (370,896,585)	$ 17,848,457,376	$ (92,896,585)
GRF 651526 Medicare Part D	$ 328,424,000	$ -	$ 13,193,182	$ 341,617,182	$ 13,193,182
General Revenue Fund Total Adjustment		**$ 278,000,000**	**$ (357,703,403)**		**$ (79,703,403)**
GRF - State Share Adjustment		*$ 92,000,000*	*$ (63,837,582)*		*$ 28,162,418*
3F00 651623 Medicaid Services - Federal	$ 3,350,075,809	$ -	$ 106,063,213	$ 3,456,139,022	$ 106,063,213
Federal Fund Group Adjustment		**$ -**	**$ 106,063,213**		**$ 106,063,213**
All Funds Total Adjustment of Affected ALIs		**$ 278,000,000**	**$ (251,640,190)**		**$ 26,359,810**

**Note: The House All Funds appropriation reduction associated with using LSC's baseline projections was $258.0m in FY 16 and $336.0m in FY 17. The Senate subsequently reverted to the Executive projections for only the Department of Developmental Disabilities, leaving the LSC-related adjustments as shown in the table.*