Section IV. Major Policies

This section describes major policies impacting appropriations and revenue, as reflected in Tables 3.2 and 2.4 respectively.

HEALTH AND HUMAN SERVICES

Restore Medicaid Savings Program

The FY 19 Revised Budget restores $61.5 million (with a corresponding revenue loss of $68.5 million) to reflect maintaining the Medicare Savings Program (MSP) income eligibility at 211% to 246% FPL, instead of reducing eligibility to the federal minimum as reflected in Table 4.1.

Table 4.1 Medicare Savings Program (MSP)

Medicare Savings Program[1]	Benefit Summary	Annual Income Limit (Prior law, 17-2 JSS)		Annual Income Limit (PA 18-81, Effective 7/1/18)	
		FPL%	Single $	FPL%	Single $
QMB	Medicaid pays the Medicare Part A premiums, Medicare Part B premiums, and Medicare deductibles and coinsurance for Medicare services provided by Medicare-enrolled providers.	Less than 100%	$12,140	Less than 211%	$25,615
SLMB	Medicaid pays Medicare Part B premiums only.	100% to 120%	$14,568	211% to 231%	$28,043
ALMB	Medicaid pays Medicare Part B premiums only.	120% to 135%	$16,389	231% to 246%	$29,864

[1]QMB = Qualified Medicare Beneficiary; SLMB = Specified Low-Income Medicare Beneficiary; ALMB = Additional Low-Income Medicare Beneficiary, also known as Qualifying Individual. At all three levels, there is an income 'disregard' for beneficiaries who have income through employment, meaning that the actual eligibility levels for the Medicare Savings Programs will be somewhat higher for working people.

Provide Funding to Support Private Provider Wage Increases

The FY 19 Revised Budget provides funding of $31,037,000 within the Office of Policy and Management budget to support wage increases through (1) implementing SA 18-5, which increases the wages of certain employees who provide services to Department of Developmental Services consumers, and (2) delivering a 1% cost-of-living adjustment (COLA) to employees of providers who support state-administered human services.

Increase Eligibility for HUSKY A

The FY 19 Revised Budget provides funding of $11.3 million to restore income eligibility for HUSKY A adults to FY 17 levels (from 138% to 155% FPL, inclusive of a 5% income disregard).

EDUCATION

Provide Additional Fringe Benefits Funding to Community Colleges

The FY 19 Revised Budget provides funding of $16.2 million for the community colleges within the Office of the State Comptroller-Fringe Benefits budget, to support fringe benefit costs for employees whose salaries are not supported with the community college block grant.

Provide Funding for K-12 Education

The FY 19 Revised Budget provides an additional $8.3 million in FY 19 across multiple education accounts, as displayed in Table 4.2. While the table shows an Education Cost Sharing (ECS) increase of $2.9 million for hurricane evacuee grants, updated data reduces ECS formula funding required by $3.3 million. These adjustments result in a net ECS reduction of approximately $0.4 million.

Table 4.2 Additional K-12 Funding
In Millions of Dollars

Increase Vo-Ag Grants	3.5
Distribute Grants for Enrolling Hurricane Evacuees:	3.3
Bilingual Education	0.4
ECS	2.9
Fund TEAM Mentoring	1.5
Total	**8.3**

MUNICIPAL AID

Provide Additional Funding for Car Tax Grants

The FY 19 Revised Budget provides an additional $15.7 million for the Municipal Transition Grant (i.e., the car tax grant). The grant is intended to reimburse towns for revenue loss resulting from the motor vehicle mill rate cap. The FY 19 Original Budget provided sufficient funding ($15.0 million) to reimburse municipalities at their FY 15 mill rates; the FY 19 Revised Budget allows reimbursement to be provided at current town mill rates, with total funding of $30.7 million.

The motor vehicle mill rate cap, set at 45 mills in the FY 19 Original Budget, is unchanged.

OTHER & TECHNICAL ADJUSTMENTS

Carry Forward FY 18 Funds to FY 19

The FY 19 Revised Budget reduces retiree health funding by $21.5 million and Medicaid funding by $21.0 million to reflect the carry forward and use of FY 18 funds (that otherwise would have lapsed) into FY 19.

VOLATILITY CAP & BUDGET RESERVE FUND

Index the Volatility Cap to Growth in Personal Income

The revised volatility cap potentially increases the amount of E&F revenue available to the General Fund while reducing the amount set aside for year-end transfers to the Budget Reserve Fund (BRF).

Table 4.3 reflects the estimated General Fund (+) and Budget Reserve Fund (-) changes. For instance, the impact in FY 19 increases General Fund revenues by $46.8 million while reducing the set aside for the Budget Reserve Fund in the same amount.

Table 4.3 Impact of the "Volatility Cap" Revision
In Millions of Dollars

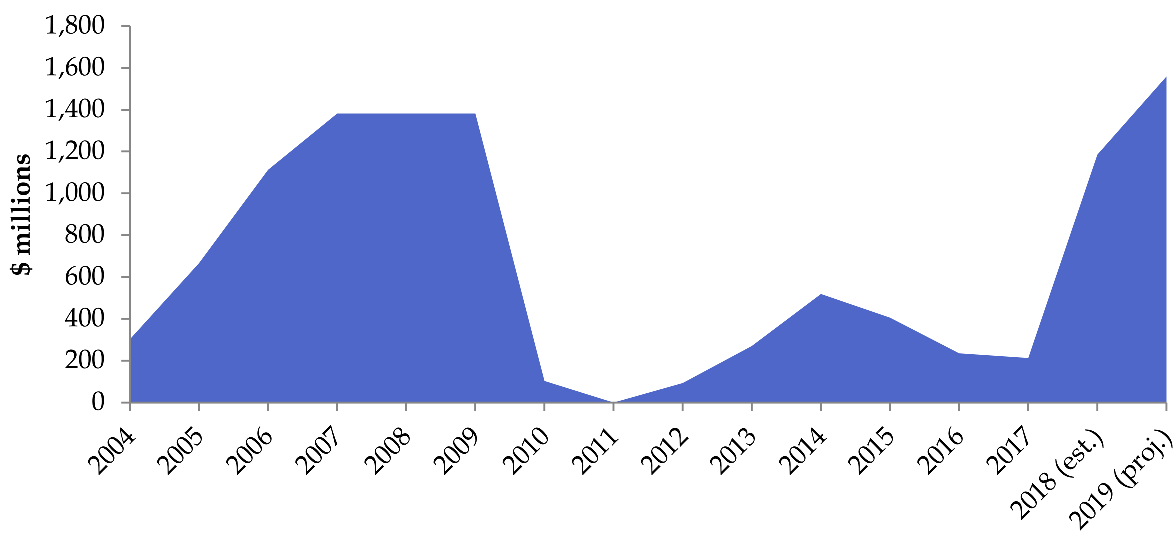
	FY 18	FY 19	FY 20	FY 21	FY 22	FY 23
Growth Rate	-	1.5%	2.6%	2.5%	2.6%	3.0%
Revised Volatility Cap	3,150.0	3,196.8	3,278.8	3,362.4	3,449.4	3,551.4
Change	-	46.8	82.0	83.6	87.0	102.0
Change: Cumulative	-	46.8	128.8	212.4	299.4	401.4

The Budget Reserve Fund is anticipated to grow $373.6 million in FY 19, raising the balance of the fund to approximately $1.6 billion. A "volatility adjustment" transfer of $363.1 million accounts for most of the projected FY 19 growth, with the remaining growth of $10.5 million due to the budgeted General Fund surplus. See Appendix F for additional information.

$972 Million Increase in Budget Reserve Fund Balance in FY 18

At the close of FY 17, the BRF balance was equal to approximately 1.1% of General Fund appropriations in the subsequent fiscal year (FY 18). In contrast, the BRF balance estimated for the close of FY 18 is approximately 6.2% of FY 19 General Fund net appropriations. The FY 18 improvement in large part is due to a windfall of approximately $764 million in Estimated & Final Income Tax revenues from the repatriation of hedge funds' historical (pre-2009) offshore fee income. Federal law mandated repatriation of this income by December 31, 2017.

Figure 4.1 Budget Reserve Fund Balances

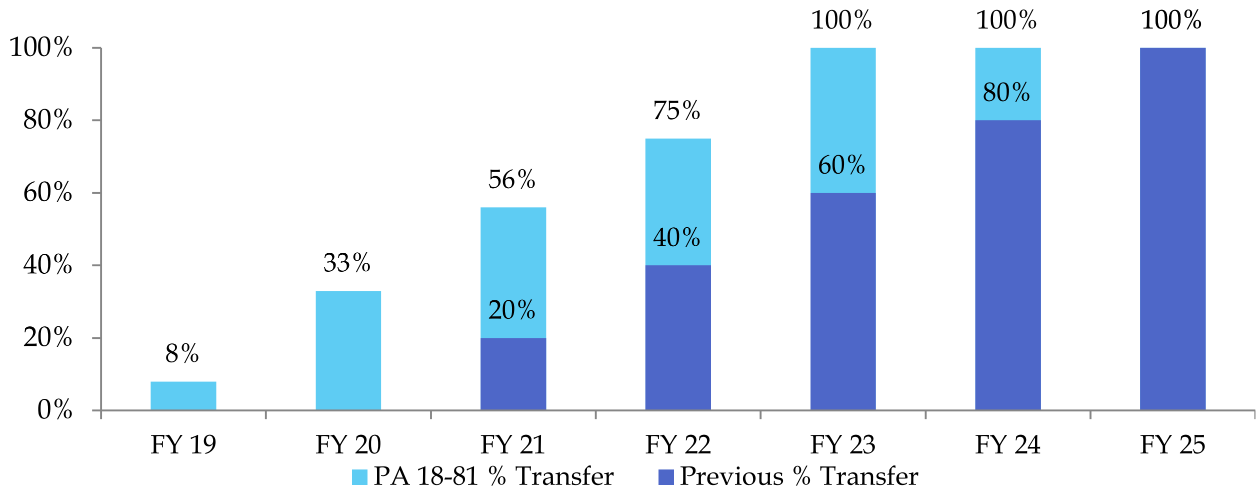


TRANSPORTATION

Accelerate Car Sales Tax Diversion to Special Transportation Fund

The FY 19 Revised Budget accelerates the shift in Sales and Use Tax revenues related to the sale of new motor vehicles from the General Fund to the Special Transportation Fund.

Figure 4.2 Car Sales Tax Transfer Rate Comparison



Reflect $750 Million Special Tax Obligation (STO) Bond Issuance Cap for FY 19 and FY 20

PA 18-178, the bond act, allows for a total of $1 billion in transportation bonding per year, split between General Obligation (GO) and STO bonds. The GO transportation bonds are limited to $250 million per year in each of CY 18 and CY 19. Concurrently, STO issuances are capped at $750 million in each of FY 19 and FY 20. STF debt service is adjusted downward by $9 million to reflect the expected decrease in FY 19 STO issuance from $900 million to the capped level of $750 million.

Provide Funding for Public Transit Services

The Rail Operations, Bus Operations, and ADA Para-Transit accounts increase by $13,447,293, $23,266,111 and $3.8 million respectively from the FY 19 Original Budget, to support ongoing transit subsidies.