



Bulletin

August 3, 2016



MTF's Analysis of FY 2017 Budget Overrides

On July 31st the Legislature completed its budget override process for FY 2017, finalizing the year's General Appropriations Act. In total the Legislature overrode \$231.6 million of the \$267.1 million originally vetoed by the Governor. With these overrides, the FY 2017 budget looks as follows:

	FY 2016	Conference	Vetoed	Overrides	GAA	GAA Spending Growth	Filed Supp	FY 2017
Line item spending	\$38,329.7	\$39,294.7	-\$267.1	\$231.6	\$39,259.2	2.43%	\$274.0	\$39,533.2
<i>Debt service reversions</i>		-\$51.6	\$51.6	\$0.0	\$0.0			\$0.0
<i>Other reversions</i>		-\$100.0	-\$100.0	\$0.0	-\$200.0			-\$200.0
Spending incl. reversion	\$38,329.7	\$39,143.1	-\$315.5	\$231.6	\$39,059.2	1.90%	\$274.0	\$39,333.2
Other spending	\$4,053.7	\$4,303.0	\$0.0	\$0.0	\$4,303.0	6.15%		\$4,303.0
Total Spending (w/reversions)	\$42,383.4	\$43,446.1	-\$315.5	\$231.6	\$43,362.2	2.31%	\$274.0	\$43,636.2

Of the Governor's vetoes not overridden, \$15.3 million comes from updated Administration spending projections, while \$5.4 million comes from vetoes to sheriff offices around the state. The Governor's \$3 million veto to the Lottery's advertising budget was also not overridden.

Final GAA and the FY 2017 Budget Gap

The Foundation's [prior analysis](#) of the FY 2017 budget gap summarized the initial shortfall identified by the Administration and the solutions offered to close that gap. The largest of those gap-closing solutions was spending vetoes. Legislative action to override close to 90 percent of those vetoes changes the fiscal picture laid out by the Administration substantially:



Initial Administration gap	-379.5
Administration solutions	
Vetoed	267.1
Other solves	103.9
Remaining gap	-8.5
<i>Overridden vetoes</i>	-231.6
Revised gap	-240.1

The chart above does not reflect an additional possible budget shortfall related to the state’s annual contribution towards retiree health costs. The Legislature did not act on a budget section returned by the Governor that would have increased the state’s FY 2017 contribution to retiree health costs to \$76 million from the \$25.5 million proposed in the Conference Committee budget. Without action, the original statute governing the contribution – which calls for a \$125 million contribution and would add a further \$50 million to the Administration’s budget gap – is now in effect. It is likely the Legislature will act to reduce this contribution in the months ahead, but such a reduction could be a red flag for credit rating agencies.

Only one month in to the fiscal year, any estimates of a budget gap are very fluid and subject to change. What is certain, however, is that another challenging fiscal year lies ahead and that the extent of this year’s spending overrides increases the likelihood of midyear budget cuts.