

**SENATE FISCAL AGENCY
 MEMORANDUM**

DATE: May 17, 2017
TO: Members of the Senate
FROM: Ellen Jeffries, Director
RE: Consensus Revenue Year-End Balance Estimates

Based on the revised consensus revenue estimates agreed to on May 17, 2017, and enacted and projected State appropriations based on FY 2017-18 Senate-passed budgets, the Senate Fiscal Agency (SFA) has revised its estimates of the year-end balances in the fiscal year (FY) 2016-17, FY 2017-18, and FY 2018-19 General Fund/General Purpose (GF/GP) and School Aid Fund (SAF) budgets. This memorandum provides a brief summary of these revised estimates.

FY 2016-17 Year-End Balance Estimates

The initial FY 2016-17 budget approved by the Legislature was based on a May 2016 consensus revenue estimate. The revisions to the consensus revenue estimates agreed to in January 2017 reflected increases from the May 2016 estimates of \$151.6 million and \$54.6 million, respectively, in GF/GP and SAF revenue, allowing continued surpluses in both the GF/GP and SAF budgets. Under current law, ending balances for both the GF/GP budget and the SAF budget are carried forward into the ensuing fiscal year, and have already been built into the FY 2017-18 budgets proposed by the Governor and the Legislature.

The May 2017 consensus estimate of FY 2016-17 GF/GP revenue is down by \$178.8 million from the January 2017 consensus revenue estimate, while consensus SAF revenue is up by \$152.9 million. The FY 2016-17 estimated GF/GP revenue total of \$10.4 billion includes \$604.4 million of surplus revenue carried forward from FY 2015-16; negative adjustments of \$471.1 million to reflect statutory State revenue sharing payments (both ongoing and one-time); the shift of \$5.5 million in short-term borrowing costs to the School Aid Fund; \$121.6 million of assumed revenue from the Medicaid managed care use tax; and \$16.8 million of State restricted revenue that was redirected to the General Fund pursuant to FY 2016-17 budget target agreements. The FY 2016-17 estimated SAF revenue total of \$14.9 billion includes \$168.2 million of surplus revenue carried forward from FY 2015-16; \$12.6 billion of restricted SAF revenue; a \$218.9 GF/GP grant; \$72.0 million from the Community District Education Trust Fund; \$60.8 million from the Medicaid managed care use tax; and \$1.7 billion of ongoing Federal aid.

The projected level of FY 2016-17 GF/GP expenditures includes initial appropriations of \$10.0 billion; a \$75.0 million appropriation to the Budget Stabilization Fund; enacted supplemental appropriations of \$124.7 million; pending supplemental appropriations recommended by the Governor of \$63.5 million; projected caseload and cost savings of \$100.7 million in the Department of Health and Human Services; and an estimated year-end lapse amount of \$50.0 million. Comparing estimated GF/GP revenue to estimated GF/GP expenditures results in a projected year-end GF/GP balance of \$300.7 million. The estimated \$14.56 billion level of SAF expenditures includes enacted appropriations of \$14.66 billion and net consensus cost savings from both January and May of

\$102.5 million. Comparing estimated SAF revenue to estimated SAF expenditures results in a projected year-end SAF balance of \$303.7 million.

FY 2017-18 Year-End Balance Estimates

The May 2017 consensus estimate of FY 2017-18 GF/GP revenue is down by \$114.1 million from the January 2017 consensus revenue estimate while consensus SAF revenue is up by \$187.4 million. The FY 2017-18 estimated GF/GP revenue total of \$10.2 billion includes \$300.7 million of surplus revenue carried forward from FY 2016-17; consensus revenue of \$10.4 billion; a negative adjustment of \$471.7 million to reflect statutory State revenue sharing payments (both ongoing and one-time); and the shift of \$6.5 million in short-term borrowing costs to the SAF. The FY 2017-18 GF/GP and SAF balance sheets no longer include Medicaid managed care use tax revenue, which expired on January 1, 2017. The FY 2017-18 estimated SAF revenue total of \$15.3 billion includes \$303.7 million of surplus revenue carried forward from FY 2016-17; \$13.0 billion of restricted SAF revenue; a \$195.0 million GF/GP grant; \$72.0 million from the Community District Education Trust Fund; and \$1.7 billion of ongoing Federal aid.

The projected \$10.3 billion level of FY 2017-18 GF/GP expenditures includes Senate-passed appropriations of \$9.9 billion, which is \$274.7 million lower than the Governor's budget, and consensus caseload and cost savings in the Department of Health and Human Services of \$69.4 million. The Senate budget proposal does not include the Governor's recommendation to deposit an additional \$266.5 million into the Budget Stabilization Fund but redirects those dollars to a Senate balance sheet reserve. The combination of the Budget Stabilization Fund's \$266.5 million increase with the Senate's net \$274.7 million of GF/GP budget reductions, allowed the Senate to create a \$541.2 million balance sheet reserve. Comparing estimated GF/GP revenue with estimated Senate-passed GF/GP expenditures results in a projected negative year-end GF/GP balance of \$102.0 million. The estimated \$14.9 billion level of SAF expenditures are the Senate-passed appropriations with a minor consensus cost adjustment savings of \$0.1 million. Comparing estimated SAF revenue to estimated SAF expenditures results in a projected year-end SAF balance of \$349.6 million. Pursuant to constitutional requirements, the negative projected ending balance for the GF/GP budget would need to be resolved during deliberations on the FY 2017-18 budget.

FY 2018-19 Year-End Balance Estimates

The May 2017 consensus estimate of FY 2018-19 GF/GP revenue is down by \$99.8 million from the January 2017 consensus revenue estimate, while consensus SAF revenue is up by \$199.0 million. The FY 2018-19 estimated GF/GP revenue total of \$10.0 billion includes a beginning balance of zero; \$10.5 billion of consensus revenue; a negative adjustment of \$465.9 million to reflect statutory State revenue sharing payments (based on the Governor's recommendation); and the shift of \$7.5 million in short-term borrowing costs to the SAF. The FY 2018-19 estimated SAF revenue total of \$15.6 billion, based on the Governor's recommendation, includes consensus revenue of \$13.3 billion; a \$145.0 million GF/GP grant; \$72.0 million from the Community District Education Trust Fund; and \$1.7 billion of Federal aid.

The estimated \$10.1 billion level of FY 2018-19 GF/GP expenditures includes the Governor's FY 2018-19 recommendation for ongoing appropriations and \$69.4 million of projected consensus caseload and cost savings in the Department of Health and Human Services. Comparing estimated GF/GP revenue to estimated GF/GP expenditures results in a projected year-end GF/GP balance of a negative \$21.5 million.

The estimated \$14.9 billion level of SAF expenditures includes FY 2018-19 appropriations based on the Governor's recommendation, and consensus cost adjustments of a negative \$1.2 million. Comparing estimated SAF revenue to estimated SAF expenditures results in a projected year-end SAF balance of \$681.0 million.

Tables 1 and 2 provide a three-year summary of the projected year-end balances for the GF/GP and SAF budgets, respectively. Table 3 outlines the Governor's FY 2017-18 Gross and GF/GP appropriation recommendations by budget area, compared with the Senate-passed appropriations.

If you have any questions on these revised SFA estimates, please don't hesitate to contact me at 373-5300 or ejeffries@senate.michigan.gov.

/lms

Attachments

Table 1
General Fund/General Purpose (GF/GP)
Revenue, Expenditures, and Year-End Balance Estimates
 (millions of dollars)

	Senate Fiscal Agency Estimates		
	FY 2016-17 Year-To-Date	FY 2017-18 Sen-Passed	FY 2018-19 Gov's Rec.
Revenue:			
Beginning Balance	\$604.4	\$300.7	\$0.0
<u>Ongoing Revenue:</u>			
Consensus Revenue Estimate (January 2017)	\$10,290.1	\$10,522.7	\$10,589.3
May 2017 Revenue Estimate Change	<u>(178.8)</u>	<u>(114.1)</u>	<u>(99.8)</u>
Consensus Revenue Estimate (May 2017)	\$10,111.3	\$10,408.6	\$10,489.5
<u>Other Revenue Adjustments:</u>			
Revenue Sharing Payments	(\$465.3)	(\$465.9)	(\$465.9)
Shift of Borrowing Costs to School Aid Fund.....	5.5	6.5	7.5
Medicaid Managed Care Use Tax	<u>121.6</u>	<u>0.0</u>	<u>0.0</u>
Subtotal Ongoing Revenue	\$9,773.1	\$9,949.2	\$10,031.1
<u>Non-Ongoing Revenue:</u>			
One-Time Appropriation for Revenue Sharing	(\$5.8)	(\$5.8)	\$0.0
Redirection of Restricted Revenue	<u>16.8</u>	<u>0.0</u>	<u>0.0</u>
Subtotal Non-Ongoing Revenue	\$11.0	(\$5.8)	\$0.0
Total Estimated GF/GP Revenue	\$10,388.5	\$10,244.1	\$10,031.1
Expenditures:			
<u>Ongoing Appropriations:</u>			
Initial Ongoing Appropriations.....	\$9,669.0	\$9,789.7	\$10,122.0
<u>One-Time and Other Appropriations:</u>			
Initial One-Time Appropriations	\$306.3	\$84.5	\$0.0
Appropriation to Budget Stabilization Fund	75.0	0.0	0.0
Enacted Supplementals	124.7	0.0	0.0
Pending Non-DHHS Supplementals	33.2	0.0	0.0
Pending Non-Caseload-DHHS Supplementals	30.3	0.0	0.0
Senate Balance Sheet Reserve.....	0.0	541.2	0.0
Consensus Estimated Caseload/Cost Adjustments	(100.7)	(69.4)	(69.4)
Estimated Lapses	<u>(50.0)</u>	<u>0.0</u>	<u>0.0</u>
Subtotal One-Time and Other Appropriations.....	\$418.8	\$556.3	(\$69.4)
Total Estimated GF/GP Expenditures	\$10,087.8	\$10,346.1	\$10,052.6
PROJECTED YEAR-END GF/GP BALANCE.....	\$300.7	(\$102.0)	(\$21.5)

Table 2
School Aid Fund (SAF)
Revenue, Expenditures, and Year-End Balance Estimates
 (millions of dollars)

	Senate Fiscal Agency Estimates		
	FY 2016-17 Year-To-Date	FY 2017-18 Sen-Passed	FY 2018-19 Gov's Rec.
Revenue:			
Beginning Balance	\$168.2	\$303.7	\$349.6
Ongoing Revenue:			
Consensus Revenue Estimate (January 2017)	\$12,457.0	\$12,783.1	\$13,131.5
May 2017 Revenue Estimate Change	<u>152.9</u>	<u>187.4</u>	<u>199.0</u>
Consensus Revenue Estimate (May 2017)	\$12,609.9	\$12,970.5	\$13,330.5
Other Revenue Adjustments:			
General Fund/General Purpose Grant.....	\$218.9	\$195.0	\$145.0
Community District Education Trust Fund	72.0	72.0	72.0
Medicaid Managed Care Use Tax	60.8	0.0	0.0
Federal Ongoing Aid.....	<u>1,730.7</u>	<u>1,726.9</u>	<u>1,726.9</u>
Subtotal Ongoing Revenue	\$14,692.3	\$14,964.4	\$15,274.4
Total Estimated School Aid Fund Revenue.....	\$14,860.5	\$15,268.1	\$15,624.0
Expenditures:			
Ongoing Appropriations:			
Initial Ongoing K-12 Appropriations	\$13,985.8	\$14,202.1	\$14,204.3
January 2017 CREC Cost Adjustments.....	(103.4)	0.0	0.0
May 2017 Consensus Cost Adjustments.....	0.9	0.1	(1.2)
Fund Community Colleges with SAF	260.4	395.1	396.2
Partially Fund Higher Education with SAF.....	<u>237.1</u>	<u>235.6</u>	<u>237.7</u>
Subtotal Ongoing Appropriations	\$14,380.8	\$14,832.9	\$14,837.0
One-Time and Other Appropriations:			
Initial One-Time K-12 Appropriations.....	\$176.0	\$85.6	\$106.0
Estimated Lapses	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Subtotal One-Time and Other Appropriations.....	\$176.0	\$85.6	\$106.0
Total Estimated School Aid Fund Expenditures	\$14,556.8	\$14,918.5	\$14,943.0
PROJECTED YEAR-END SCHOOL AID FUND BALANCE	\$303.7	\$349.6	\$681.0

Table 3

FY 2017-18 GROSS AND GENERAL FUND/GENERAL PURPOSE (GF/GP) APPROPRIATIONS* GOVERNOR'S REVISED RECOMMENDATION VERSUS SENATE-PASSED APPROPRIATIONS						
Department/Budget Area	Governor's Revised Rec.		Senate-Passed		Senate Changes to Gov's Rec.	
	Gross	GF/GP	Gross	GF/GP	Gross	GF/GP
Agriculture and Rural Development	\$104,928,800	\$56,582,000	\$109,744,600	\$61,397,900	\$4,815,800	\$4,815,900
Attorney General	101,068,800	40,298,600	179,345,200	40,248,600	78,276,400	(50,000)
Civil Rights	16,099,600	12,856,600	16,249,600	13,006,600	150,000	150,000
Community Colleges	398,167,600	3,025,000	401,326,500	6,183,900	3,158,900	3,158,900
Corrections	2,014,419,200	1,964,133,600	1,974,419,200	1,924,133,600	(40,000,000)	(40,000,000)
Education	349,309,500	81,035,700	353,009,500	81,035,700	3,700,000	0
Environmental Quality	510,842,000	51,318,300	490,003,200	46,502,400	(20,838,800)	(4,815,900)
Executive	6,848,500	6,848,500	6,848,500	6,848,500	0	0
Health and Human Services	25,537,414,500	4,461,735,400	25,401,201,500	4,351,065,600	(136,213,000)	(110,669,800)
Higher Education	1,637,224,400	1,289,954,500	1,630,224,400	1,282,954,500	(7,000,000)	(7,000,000)
Insurance and Financial Services	66,741,400	150,000	66,741,400	150,000	0	0
Judiciary	299,437,300	191,968,700	299,437,300	191,968,700	0	0
Legislative Auditor General	24,286,200	16,607,600	24,286,200	16,607,600	0	0
Legislature	154,974,800	150,297,100	155,274,800	150,597,100	300,000	300,000
Licensing and Regulatory Affairs	441,576,300	43,016,600	433,096,900	43,016,600	(8,479,400)	0
Military and Veterans Affairs	180,004,400	63,067,500	180,004,400	63,067,500	0	0
Natural Resources	416,374,300	64,047,300	412,219,700	45,197,300	(4,154,600)	(18,850,000)
School Aid	14,302,088,800	215,000,000	14,287,705,500	195,000,000	(14,383,300)	(20,000,000)
State	249,358,500	22,139,000	248,302,400	21,082,900	(1,056,100)	(1,056,100)
State Police	693,588,900	442,267,800	687,239,100	435,918,000	(6,349,800)	(6,349,800)
Talent and Economic Development	1,143,324,800	193,502,400	1,152,448,500	197,126,100	9,123,700	3,623,700
Technology, Management, and Budget	1,405,543,900	572,755,900	1,328,005,200	495,217,200	(77,538,700)	(77,538,700)
Transportation	4,347,443,000	0	4,347,443,000	0	0	0
Treasury-Debt Service	107,580,000	107,580,000	107,580,000	107,580,000	0	0
Treasury-Operations	512,829,800	98,768,500	512,577,200	93,672,100	(252,600)	(5,096,400)
Treasury-Revenue Sharing	1,245,292,200	0	1,249,959,700	4,667,500	4,667,500	4,667,500
TOTAL BUDGET AREA APPROPS.	\$56,266,767,500	\$10,148,956,600	\$56,054,693,500	\$9,874,245,900	(\$212,074,000)	(\$274,710,700)

*Includes both ongoing and one-time appropriations.