

**SENATE FISCAL AGENCY
MEMORANDUM**



DATE: May 18, 2018
TO: Members of the Senate
FROM: Ellen Jeffries, Director
RE: Consensus Revenue Year-End Balance Estimates - REVISED

Based on the revised consensus revenue estimates agreed to on May 16, 2018, and enacted and projected State appropriations based on FY 2018-19 Senate-passed budgets, the Senate Fiscal Agency (SFA) has revised its estimates of the year-end balances in the fiscal year (FY) 2017-18, FY 2018-19, and FY 2019-20 General Fund/General Purpose (GF/GP) and School Aid Fund (SAF) budgets. This memorandum provides a brief summary of these revised estimates.

FY 2017-18 Year-End Balance Estimates

The initial FY 2017-18 budget approved by the Legislature was based on a May 2017 consensus revenue estimate. The revisions to the consensus revenue estimates agreed to in January 2018 reflected a decrease from the May 2017 estimate in GF/GP revenue, and an increase in the estimate for SAF revenue, still 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 2018-19 budgets proposed by the Governor and the Legislature.

The May 2018 consensus estimate of FY 2017-18 GF/GP revenue is up by \$155.9 million from the January 2018 consensus revenue estimate, while consensus SAF revenue is up by \$159.5 million. The FY 2017-18 estimated GF/GP revenue total of \$10.6 billion includes \$622.5 million of surplus revenue carried forward from FY 2016-17, and negative adjustments of \$471.7 million to reflect statutory State revenue sharing payments (both ongoing and one-time) and \$12.2 million to account for State restricted revenue that was replaced by General Fund revenue pursuant to FY 2017-18 target agreements. The FY 2017-18 estimated SAF revenue total of \$15.5 billion includes \$377.4 million of surplus revenue carried forward from FY 2016-17, \$13.2 billion of restricted SAF revenue, a \$78.0 million GF/GP grant, \$72.0 million from the Community District Education Trust Fund, and \$1.7 billion of ongoing Federal aid. The FY 2017-18 revenue estimate is reduced by \$31.9 million to reflect the deposit into, and subsequent appropriation from, the reserve fund for retirement costs.

The projected level of FY 2017-18 GF/GP expenditures includes initial appropriations of \$10.0 billion; a \$150.0 million appropriation to the Budget Stabilization Fund; enacted supplemental appropriations of \$218.1 million; pending supplemental appropriations recommended by the Governor of a negative \$71.6 million; projected caseload and cost savings of \$69.1 million in the Department of Health and Human Services; and an estimated year-end lapse amount of \$1.0 million from a prior-year Department of Education work project. Comparing estimated GF/GP revenue to estimated GF/GP expenditures results in a projected year-end GF/GP balance of \$339.9 million. The estimated \$15.223 billion level of SAF expenditures includes enacted appropriations of \$15.221 billion, consensus cost adjustments of \$11.0 million, and net pending supplemental requests that reduce expenditures by \$8.4 million. Comparing estimated SAF revenue to estimated SAF expenditures results in a projected year-end SAF balance of \$242.8 million.



FY 2018-19 Year-End Balance Estimates

The May 2018 consensus estimate of FY 2018-19 GF/GP revenue is up by \$72.0 million from the January 2018 consensus revenue estimate while consensus SAF revenue is up by \$110.4 million. The FY 2018-19 estimated GF/GP revenue total of \$10.3 billion includes \$339.9 million of surplus revenue carried forward from FY 2017-18; consensus revenue of \$10.4 billion; statutory revenue sharing payments of \$466.3 million, which reduce GF/GP revenue by that amount, and a redirection of \$3.0 million from the Transportation Economic Development Fund, which increases GF/GP revenue. The FY 2018-19 estimated SAF revenue total of \$15.8 billion includes \$242.8 million of surplus revenue carried forward from FY 2017-18; \$13.6 billion of restricted SAF revenue; a \$150.5 million GF/GP grant; \$72.0 million from the Community District Education Trust Fund; and \$1.7 billion of ongoing Federal aid. In addition, the remaining \$31.9 million from the retirement reserve fund is allocated to the SAF.

The projected \$9.9 billion level of FY 2018-19 GF/GP expenditures includes Senate-passed appropriations of \$9.96 billion, which is \$24.3 million lower than the Governor's revised recommendation, and consensus caseload and cost savings in the Department of Health and Human Services of \$75.8 million (\$128.8 million consensus savings, less \$53.0 million of savings already built into the Senate-passed budget). Comparing estimated GF/GP revenue with Senate-passed GF/GP appropriations, adjusted for caseload and cost savings, results in a projected year-end GF/GP balance of \$408.8 million. The estimated \$15.5 billion level of SAF expenditures are the Senate-passed appropriations with a minor consensus cost adjustment savings of \$1.0 million. Comparing estimated SAF revenue to estimated SAF expenditures results in a projected year-end SAF balance of \$273.8 million. The Senate-passed K-12 budget does not include the Governor's recommended funding for the "Marshall Plan for Talent"; instead, that funding likely will be addressed separately under Senate Bills 941 and 942.

FY 2019-20 Year-End Balance Estimates

The May 2018 consensus estimate of FY 2019-20 GF/GP revenue is up by \$105.2 million from the January 2018 consensus revenue estimate, while consensus SAF revenue is up by \$78.1 million. The FY 2019-20 estimated GF/GP revenue total of \$10.5 billion includes a beginning balance of \$408.8 million; \$10.5 billion of consensus revenue; the Governor's recommendation of \$466.3 million for statutory State Revenue Sharing payments; the redirection of \$13.0 million from the Transportation Economic Development Fund to the General Fund; and a \$19.2 million revenue reduction for Venture Michigan Fund tax vouchers. The FY 2019-20 estimated SAF revenue total of \$16.0 billion includes consensus revenue of \$13.9 billion; a \$45.0 million GF/GP grant; \$72.0 million from the Community District Education Trust Fund; \$1.7 billion of Federal aid; and a \$6.0 million revenue reduction for Venture Michigan Fund tax vouchers.

The estimated \$10.0 billion level of FY 2019-20 GF/GP expenditures includes the Governor's FY 2019-20 recommendation for ongoing appropriations and \$130.7 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 \$427.3 million.

The estimated \$15.5 billion level of SAF expenditures includes FY 2019-20 appropriations based on a continuation of the FY 2018-19 Senate-passed appropriations into FY 2019-20, and consensus cost adjustments of a negative \$22.0 million. Comparing estimated SAF revenue to estimated SAF expenditures results in a projected year-end SAF balance of \$503.4 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 2018-19 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

Table 1

GENERAL FUND/GENERAL PURPOSE (GF/GP) REVENUE, EXPENDITURES, AND YEAR-END BALANCE ESTIMATES (millions of dollars)			
	SFA Estimates		
	FY 2017-18 Year-To- Date	FY 2018-19 Senate Passed	FY 2019-20 Gov's Rec.
Revenue:			
Beginning Balance	\$622.5	\$339.9	\$408.8
<u>Ongoing Revenue:</u>			
Consensus Revenue Estimate (January 2018).....	\$10,307.7	\$10,339.6	\$10,413.5
Consensus Revenue Estimate Change	<u>155.9</u>	<u>72.0</u>	<u>105.2</u>
Consensus Revenue Estimate (May 2018).....	\$10,463.6	\$10,411.6	\$10,518.7
<u>Other Revenue Adjustments:</u>			
Revenue Sharing Payments.....	(\$465.9)	(\$466.3)	(\$466.3)
Redirect Transportation Econ Dev Fund to GF	<u>0.0</u>	<u>3.0</u>	<u>13.0</u>
Subtotal Ongoing Revenue.....	\$9,997.7	\$9,948.3	\$10,065.4
<u>Non-ongoing Revenue:</u>			
One-Time Appropriation for Revenue Sharing.....	(\$5.8)	\$0.0	\$0.0
Redirection of Restricted Revenue	(6.4)	0.0	0.0
Venture Michigan Fund Tax Vouchers.....	<u>0.0</u>	<u>0.0</u>	<u>(19.2)</u>
Subtotal Non-Ongoing Revenue.....	(\$12.2)	\$0.0	(\$19.2)
Total Estimated GF/GP Revenue.....	\$10,608.0	\$10,288.2	\$10,455.0
Expenditures:			
<u>Ongoing Appropriations:</u>			
Initial/Senate-Passed/Gov's Rec.	\$9,784.4	\$9,909.0	\$10,158.4
Subtotal Ongoing Appropriations.....	\$9,784.4	\$9,909.0	\$10,158.4
<u>One-Time and Other Appropriations:</u>			
Estimated One-Time Appropriations	\$257.3	\$46.2	\$0.0
Appropriation to Budget Stabilization Fund.....	150.0	0.0	0.0
Enacted Supplementals	218.1	0.0	0.0
Pending Supplementals (Req. 2018-3, 2018-5, 2018-7)	(71.6)	0.0	0.0
DHHS Caseload and Costs (FY 19=\$128.8m less \$53m).....	(69.1)	(75.8)	(130.7)
Lapse Prior Year DOE Work Project.....	<u>(1.0)</u>	<u>0.0</u>	<u>0.0</u>
Subtotal One-Time and Other Appropriations	\$483.6	(\$29.6)	(\$130.7)
Total Estimated GF/GP Expenditures	\$10,268.1	\$9,879.4	\$10,027.7
PROJECTED YEAR-END GF/GP BALANCE	\$339.9	\$408.8	\$427.3

Table 2
SCHOOL AID FUND (SAF)
REVENUE, EXPENDITURES, AND YEAR-END BALANCE ESTIMATES
 (millions of dollars)

	SFA Estimates		
	FY 2017-18 Year-To- Date	FY 2018-19 Senate Passed	FY 2019-20 Senate Rec.
Revenue:			
Beginning Balance	\$377.4	\$242.8	\$273.8
Ongoing Revenue:			
Consensus Revenue Estimate (January 2018)	\$13,084.5	\$13,464.0	\$13,822.7
Consensus Revenue Estimate Change	159.5	110.4	78.1
Consensus Revenue Estimate (May 2018)	\$13,244.0	\$13,574.4	\$13,900.8
Other Revenue Adjustments:			
General Fund/General Purpose Grant	\$78.0	\$150.5	\$45.0
Community District Education Trust Fund	72.0	72.0	72.0
Federal Ongoing Aid	1,726.9	1,724.7	1,719.7
Subtotal Ongoing Revenue	\$15,120.9	\$15,521.6	\$15,737.5
Non-Ongoing Revenue:			
SAF Deposit into MPSERS Reserve Fund	(\$55.0)	\$0.0	\$0.0
Reserve Fund for MPSERS	23.1	31.9	0.0
Venture Michigan Fund Tax Vouchers	0.0	0.0	(6.0)
Subtotal Non-Ongoing Revenue	(\$31.9)	\$31.9	(\$6.0)
Total Estimated School Aid Fund Revenue	\$15,466.4	\$15,796.3	\$16,005.3
Expenditures:			
Ongoing Appropriations:			
Initial K-12/Senate-Passed Appropriations	\$14,266.5	\$14,641.5	\$14,641.5
Pending Supplementals (Req. #2018-5 and #2018-8)	(8.4)	0.0	0.0
Consensus Cost Adjustments (May 2018)	11.0	(1.0)	(22.0)
Fund Community Colleges with SAF	394.7	398.6	401.3
Partially Fund Higher Education with SAF	237.9	384.9	385.9
Subtotal Ongoing Appropriations	\$14,901.7	\$15,424.0	\$15,406.7
One-Time and Other Appropriations:			
Initial One-Time K-12 Appropriations	\$89.3	\$91.4	\$88.1
Initial One-Time Community Colleges Appropriations	3.6	6.4	6.4
Initial One-Time Higher Education Appropriations	0.4	0.7	0.7
Enacted Supplementals	5.5	0.0	0.0
MPSERS: PA 92 Costs and Additional UAAL Payment	223.1	0.0	0.0
Subtotal One-Time and Other Appropriations	\$321.9	\$98.5	\$95.2
Total Estimated School Aid Fund Expenditures	\$15,223.6	\$15,522.5	\$15,501.9
PROJECTED YEAR-END SCHOOL AID FUND BALANCE	\$242.8	\$273.8	\$503.4

Table 3

FY 2018-19 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	\$102,888,100	\$53,705,200	\$108,618,100	\$59,355,200	\$5,730,000	\$5,650,000
Attorney General	102,028,900	40,106,800	103,328,900	40,706,800	1,300,000	600,000
Civil Rights	16,201,100	13,022,100	16,201,100	13,022,100	0	0
Community Colleges	405,015,500	0	408,206,000	3,190,500	3,190,500	3,190,500
Corrections	2,035,125,100	1,979,910,200	2,010,125,100	1,954,910,200	(25,000,000)	(25,000,000)
Education	357,107,300	85,183,700	432,557,400	85,183,800	75,450,100	100
Environmental Quality	494,588,000	46,946,500	420,822,600	47,066,500	(73,765,400)	120,000
Executive	6,980,100	6,980,100	6,980,100	6,980,100	0	0
Health and Human Services	25,256,378,300	4,558,549,600	25,117,902,400	4,518,090,900	(138,475,900)	(40,458,700)
Higher Education	1,658,932,600	1,160,217,900	1,680,147,700	1,175,433,000	21,215,100	15,215,100
Insurance and Financial Services	67,571,900	150,000	67,971,900	150,000	400,000	0
Judiciary	302,483,300	194,483,700	303,483,300	195,483,700	1,000,000	1,000,000
Legislative Auditor General	24,938,000	17,105,800	24,938,000	17,105,800	0	0
Legislature	157,281,800	152,487,500	157,512,600	152,718,300	230,800	230,800
Licensing and Regulatory Affairs	491,962,100	88,820,300	479,662,200	88,820,300	(12,299,900)	0
Military and Veterans Affairs	189,089,300	65,362,400	191,166,100	67,439,200	2,076,800	2,076,800
Natural Resources	436,705,300	47,344,300	438,075,400	47,714,400	1,370,100	370,100
School Aid	14,635,968,800	60,000,000	14,732,850,300	150,500,000	96,881,500	90,500,000
State	254,662,800	18,466,300	255,662,800	18,466,300	1,000,000	0
State Police	711,814,700	454,902,800	717,384,600	459,972,900	5,569,900	5,070,100
Talent and Economic Development	1,118,945,600	166,745,800	1,116,065,700	138,865,900	(2,879,900)	(27,879,900)
Technology, Management, and Budget	1,433,670,400	559,931,300	1,368,911,200	495,172,100	(64,759,200)	(64,759,200)
Transportation	4,530,089,900	0	4,540,089,900	0	10,000,000	0
Treasury-Debt Service	107,580,000	107,580,000	107,080,000	107,080,000	(500,000)	(500,000)
Treasury-Operations	525,621,200	101,480,300	552,075,300	101,482,400	26,454,100	2,100
Treasury-Revenue Sharing	1,298,609,300	0	1,308,889,900	10,280,600	10,280,600	10,280,600
TOTAL BUDGET AREA APPROPS.	\$56,722,239,400	\$9,979,482,600	\$56,666,708,600	\$9,955,191,000	(\$55,530,800)	(\$24,291,600)

*Includes both ongoing and one-time appropriations; the \$100 million recommended by the Governor for the "Marshall Plan for Talent" is not included in the numbers in this table.