

**SENATE FISCAL AGENCY  
 MEMORANDUM**

**DATE:** May 22, 2013  
**TO:** Members of the Senate  
**FROM:** Ellen Jeffries, Director  
**RE:** Summary of the Republican Leadership Target Agreement

The Republican Leadership of the House and Senate, along with the Governor, announced a fiscal year (FY) 2013-14 budget target agreement on May 21, 2013. This memo provides a summary of that agreement.

The budget agreement includes FY 2013-14 General Fund/General Purpose (GF/GP) appropriation targets of \$9.4 billion, of which \$9.0 billion is considered to be ongoing GF/GP appropriations and \$428.7 million one-time GF/GP appropriations. The agreement also includes one-time FY 2013-14 GF/GP appropriations of \$75.0 million for the Budget Stabilization Fund and \$230.0 million for a Roads and Risks Reserve Fund that would be established in the Department of Treasury. Half of the Roads and Risks Reserve Fund would be used as a source of financing in the Department of Transportation budget beginning on October 1, 2013. The remaining \$115.0 in the Reserve Fund could be used for other potential funding risks in the FY 2013-14 budget but any funds remaining in the Reserve Fund on February 1, 2014, would be available for appropriation to infrastructure projects in the Department of Transportation.

The budget target agreement does not include the Governor's proposal to expand Medicaid nor does it include the Governor's proposed transportation initiative. The budget target agreement does include additional funding for State revenue sharing payments to local units of government. State revenue sharing is funded from State sales tax revenue, a portion of which is constitutionally earmarked, and a portion that is discretionary. The May 2013 consensus revenue estimates recognized \$737.3 million for constitutional revenue sharing, and the budget target agreement provides \$396.6 million for discretionary or "statutory" revenue sharing. The estimated FY 2013-14 \$1.1 billion total appropriation for revenue sharing would be \$46.6 million more than the estimated FY 2012-13 appropriation for revenue sharing; the \$396.6 million statutory portion that is included in the budget target agreement represents an estimated increase of \$26.0 million or 7.0% over FY 2012-13, and the target agreement is \$16.0 million more than the FY 2013-14 Governor's recommendation.

The budget target agreement also reserves \$20.0 million on the GF/GP balance sheet for an "individual relief" proposal that has not yet been fully developed but could include the mitigation of fees or assessments applied to individuals.

Table 1 lists the FY 2013-14 GF/GP appropriation targets by department or budget area, and provides both the ongoing and one-time amounts. The bottom of Table 1 outlines the State restricted revenue appropriations addressed in the target agreement that have an impact on State GF/GP revenue.

**Table 1**  
**FY 2013-14**  
**GENERAL FUND/GENERAL PURPOSE (GF/GP) TARGETS**

Department/Budget Area	FY 2013-14 GF/GP Target	Ongoing GF/GP	One-Time GF/GP
Agriculture and Rural Development.....	\$40,580,300	\$37,180,300	\$3,400,000
Attorney General.....	34,481,300	34,481,300	0
Capital Outlay .....	0	0	0
Civil Rights.....	12,337,500	12,337,500	0
Community Colleges.....	138,363,500	137,263,500	1,100,000
Community Health .....	2,916,047,100	2,801,972,100	114,075,000
Corrections .....	1,982,265,800	1,973,233,300	9,032,500
Education.....	70,893,900	70,893,900	0
Environmental Quality .....	29,104,500	28,104,500	1,000,000
Executive .....	5,370,000	5,370,000	0
Higher Education .....	1,132,981,400	1,132,981,400	0
Human Services.....	1,003,000,000	1,000,960,400	2,039,600
Insurance and Financial Services .....	11,000,000	11,000,000	0
Judiciary.....	183,441,300	176,941,300	6,500,000
Legislative Auditor General .....	13,911,300	13,911,300	0
Legislature .....	122,309,500	122,309,500	0
Licensing and Regulatory Affairs.....	25,004,900	25,004,900	0
Military and Veterans Affairs .....	46,503,300	41,003,300	5,500,000
Natural Resources .....	25,286,600	24,686,600	600,000
School Aid.....	230,000,000	180,000,000	50,000,000
State .....	15,253,400	15,253,400	0
State Police.....	353,474,300	346,912,400	6,561,900
Technology, Management, and Budget.....	408,787,400	392,787,300	16,000,100
Transportation.....	121,300,000	0	121,300,000
Treasury-Debt Service .....	151,188,000	151,188,000	0
Treasury-Operations .....	89,803,300	83,040,000	6,763,300
Treasury-Revenue Sharing .....	0	0	0
Treasury-Strategic Fund Agency.....	218,503,900	133,703,900	84,800,000
<b>Total GF/GP Appropriations.....</b>	<b>\$9,381,192,500</b>	<b>\$8,952,520,100</b>	<b>\$428,672,400</b>
Budget Stabilization Fund .....	75,000,000	0	75,000,000
Roads and Risks Reserve.....	230,000,000	0	230,000,000
Revenue Sharing .....	396,600,000	370,600,000	26,000,000
Individual Relief.....	20,000,000	20,000,000	0
<b>Total GF/GP Impact.....</b>	<b>\$10,102,792,500</b>	<b>\$9,343,120,100</b>	<b>\$759,672,400</b>

The FY 2013-14 GF/GP target balance sheet is outlined in [Table 2](#) and is based on the May 2013 consensus revenue estimate of \$9.4 billion, which is \$181.8 million above the January 2013 consensus estimate. Ongoing State revenue sharing payments of \$370.6 million combined with one-time State revenue sharing payments of \$26.0 million, reduce GF/GP revenue by \$396.6 million. The \$4.0 million shift of short-term borrowing costs to the School Aid

Fund continues, and the target agreement proposal to provide individual relief in some form reduces GF/GP revenue by \$20.0 million.

**Table 2**  
**FY 2013-14**  
**GENERAL FUND/GENERAL PURPOSE**  
**REVENUE, EXPENDITURES, AND YEAR-END BALANCE**  
**(Millions of Dollars)**

	<b>SFA Estimate</b>
<b>Revenue:</b>	
Beginning Balance.....	\$652.7
<u>Ongoing Revenue:</u>	
May 2013 Consensus Revenue Estimate .....	\$9,446.2
Revenue Sharing Payments .....	(370.6)
Shift of Short-Term Borrowing Costs to School Aid Fund.....	4.0
Individual Relief .....	<u>(20.0)</u>
Subtotal Ongoing Revenue.....	\$9,059.6
<u>Non-Ongoing Revenue:</u>	
One-Time Appropriation for Revenue Sharing .....	(26.0)
<b>Total Estimated GF/GP Revenue .....</b>	<b>\$9,686.3</b>
<b>Expenditures:</b>	
FY 2013-14 Target Appropriations.....	\$9,381.2
<u>Other Adjustments:</u>	
Appropriation to the Budget Stabilization Fund .....	\$75.0
Appropriation to the Roads and Risks Reserve Fund.....	<u>230.0</u>
Subtotal Other Adjustments .....	\$305.0
<b>Total Estimated GF/GP Expenditures .....</b>	<b>\$9,686.2</b>
<b>Projected Year-End GF/GP Balance .....</b>	<b>\$0.1</b>

On the expenditure side of the FY 2013-14 GF/GP target agreement balance sheet, the \$9.4 billion of appropriations represents an increase of \$344.7 million over the Governor's revised recommendation. The largest portion of the increase is related to the GF/GP savings in the Governor's proposal to expand Medicaid, which the target agreement does not include. Also, unlike the Governor, the target agreement includes a \$121.3 million GF/GP appropriation to meet the Federal match requirement in the Department of Transportation; the Governor's transportation initiative would have provided the State match from State restricted revenue. Table 3 provides a comparison of the GF/GP target appropriations to the Governor's revised appropriation recommendations.

In addition to the budget area target appropriations, the FY 2013-14 GF/GP balance sheet reflects appropriations to the Budget Stabilization Fund and the Roads and Risks Reserve Fund, of \$75.0 million and \$230.0 million, respectively. Comparing estimated GF/GP revenue to estimated GF/GP expenditures shows an FY 2013-14 projected year-end GF/GP balance of \$0.1 million.

Table 3

<b>FY 2013-14 ONGOING AND ONE-TIME GF/GP APPROPRIATIONS                      TARGETS COMPARED TO GOVERNOR'S REVISED RECOMMENDATION</b>			
<b>Department/Budget Area</b>	<b>FY 2013-14 Governor's Revised Rec.</b>	<b>FY 2013-14 Final Target</b>	<b>Target Change to Governor</b>
Agriculture and Rural Development.....	\$37,630,300	\$40,580,300	\$2,950,000
Attorney General.....	34,481,300	34,481,300	0
Capital Outlay .....	0	0	0
Civil Rights.....	12,337,500	12,337,500	0
Community Colleges.....	138,363,500	138,363,500	0
Community Health .....	2,725,532,500	2,916,047,100	190,514,600
Corrections .....	1,963,053,600	1,982,265,800	19,212,200
Education.....	70,893,900	70,893,900	0
Environmental Quality.....	29,104,500	29,104,500	0
Executive .....	4,970,000	5,370,000	400,000
Higher Education .....	1,132,981,400	1,132,981,400	0
Human Services.....	1,013,112,400	1,003,000,000	(10,112,400)
Insurance and Financial Services .....	15,000,000	11,000,000	(4,000,000)
Judiciary.....	183,441,300	183,441,300	0
Legislative Auditor General .....	13,511,300	13,911,300	400,000
Legislature .....	122,309,500	122,309,500	0
Licensing and Regulatory Affairs.....	23,804,900	25,004,900	1,200,000
Military and Veterans Affairs .....	42,381,300	46,503,300	4,122,000
Natural Resources .....	27,286,600	25,286,600	(2,000,000)
School Aid.....	230,000,000	230,000,000	0
State .....	15,253,400	15,253,400	0
State Police.....	350,974,300	353,474,300	2,500,000
Technology, Management, and Budget.....	405,887,400	408,787,400	2,900,000
Transportation.....	0	121,300,000	121,300,000
Treasury-Debt Service .....	151,188,000	151,188,000	0
Treasury-Operations .....	82,503,300	89,803,300	7,300,000
Treasury-Revenue Sharing .....	0	0	0
Treasury-Strategic Fund Agency.....	210,503,900	218,503,900	8,000,000
<b>Total GF/GP Appropriations.....</b>	<b>\$9,036,506,100</b>	<b>\$9,381,192,500</b>	<b>\$344,686,400</b>

Table 4 provides the FY 2013-14 School Aid Fund (SAF) target balance sheet using the May 2013 consensus revenue estimate of \$11.5 billion, and the Governor's recommended FY 2013-14 appropriations, as the base. Adjustments to revenue since the Governor's original recommendation are approximately \$120.0 million. On the expenditure side of the FY 2013-14 SAF target balance sheet, there are consensus cost adjustments of \$33.0 million, additional pupil performance funding recommended by the Governor of \$16.4 million, and additional funding from the target agreement of \$137.1 million. Comparing estimated SAF revenue to estimated SAF expenditures shows an FY 2013-14 projected year-end SAF balance of \$1.0 million. The members of the K-12 School Aid Conference Committee will make the final decisions regarding the allocation of the FY 2013-14 appropriations.

**Table 4**  
**FY 2013-14**  
**SCHOOL AID FUND**  
**REVENUE, EXPENDITURES, AND YEAR-END BALANCE**  
**(Millions of Dollars)**

	<b>SFA Estimate</b>
<b>Revenue:</b>	
Beginning Balance.....	\$140.7
May 2013 Consensus Revenue Estimate .....	\$11,470.1
<b>Other Revenue Adjustments:</b>	
General Fund/General Purpose Grant .....	180.0
Federal Ongoing Aid.....	1,764.4
MPERS Retirement Obligation Reform Reserve Fund .....	<u>150.0</u>
Subtotal Ongoing Revenue.....	\$13,564.5
<b>Non-Ongoing Revenue:</b>	
General Fund/General Purpose Grant .....	<u>\$49.6</u>
<b>Total Estimated School Aid Fund Revenue .....</b>	<b>\$13,754.8</b>
<b>Expenditures:</b>	
Governor's Recommended Appropriations .....	\$13,235.2
<b>Other Adjustments:</b>	
Cost Adjustments (Consensus Estimate).....	(33.0)
Governor's Revised Rec. to Fully Fund Pupil Performance.....	16.4
Target Agreement Additional Funding .....	137.1
Partially Fund Community Colleges with School Aid Fund.....	197.6
Partially Fund Higher Education with School Aid Fund .....	<u>200.5</u>
Subtotal Other Adjustments .....	\$518.7
<b>Total Estimated School Aid Fund Expenditures .....</b>	<b>\$13,753.8</b>
<b>Projected Year-End School Aid Fund Balance .....</b>	<b>\$1.0</b>

The Senate Fiscal Agency will provide details on all of the FY 2013-14 appropriations after the conference reports are adopted. In the meantime, if you have any questions, please contact me at 373-5300 or [ejeffries@senate.michigan.gov](mailto:ejeffries@senate.michigan.gov) .

/kjh

c: Tom Davis, Senate Majority Policy Office  
 David Ettinger, Senate Democratic Office