

**SENATE FISCAL AGENCY
 MEMORANDUM**

DATE: May 22, 2015
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) 2015-16 target agreement on May 20, 2015. This memo provides a summary of that agreement.

The budget agreement includes FY 2015-16 General Fund/General Purpose (GF/GP) departmental and education appropriation targets of \$9.9 billion, of which \$9.5 billion is considered to be for ongoing GF/GP appropriations and \$356.3 million for one-time GF/GP appropriations. The agreement also includes a one-time GF/GP appropriation of \$95.0 million for the Budget Stabilization Fund.

The budget target agreement includes \$1.25 billion for State revenue sharing payments to local units of government. This amount is a 2.0% increase over FY 2014-15 and is \$5.8 million more than the Governor's and House-passed versions, and \$5.4 million more than the Senate-passed recommendation. 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 2015 consensus revenue estimates recognized \$783.9 million for constitutional revenue sharing, and the budget target agreement provides \$468.5 million for discretionary or "statutory" revenue sharing. The estimated FY 2015-16 \$783.9 million appropriation for constitutional revenue sharing would be \$23.7 million or 3.1% more than the estimated FY 2014-15 appropriation for constitutional revenue sharing; the \$468.5 million discretionary portion that is included in the budget target agreement represents an estimated increase of \$0.5 million or 0.1% over FY 2014-15.

Table 1 lists the FY 2015-16 GF/GP appropriation targets by department or budget area, and includes the \$95.0 million appropriation to the Budget Stabilization Fund. The Governor's original recommendation also contained a GF/GP appropriation of \$95.0 million for the Budget Stabilization Fund. The House-passed budget included \$95.0 million for the Budget Stabilization Fund while the Senate-passed budget included \$50.0 million for the Budget Stabilization Fund.

The FY 2015-16 GF/GP target balance sheet is outlined in Table 2 and is based on the May 2015 consensus revenue estimate of \$9.9 billion (which is \$168.7 million more than the January 2015 consensus estimate). Ongoing discretionary State revenue sharing payments of \$462.7 million combined with one-time State revenue sharing payments of \$5.8 million, reduce GF/GP revenue by \$468.5 million. The \$2.0 million shift of short-term borrowing costs to the School Aid Fund continues, and there is \$406.7 million of revenue from the Medicaid managed care use tax. The target agreement proposes to purchase the Venture Michigan Fund tax vouchers at face value for FYs 2014-15 (\$50.0 million) and 2015-16 (\$50.0 million), thereby saving future interest costs. The purchase would be funded with \$38.1 million GF/GP and \$11.9 million of tobacco settlement revenue, for each of the two fiscal years. Based on all of these target agreement assumptions, total estimated GF/GP revenue is \$10.0 billion.

On the expenditure side of the FY 2015-16 GF/GP target agreement balance sheet, the \$10.0 billion of target agreement budget area appropriations represents an increase of \$279.5 million or 2.9% over FY 2014-15. Included within this \$279.5 million increase are caseload and cost adjustments, an increase of \$115.5 million GF/GP in the Department of Transportation (DOT) to reflect a total DOT GF/GP appropriation of \$400.0 million, and reserves for Department of State voting machines and State Police retirement payments. The FY 2015-16 GF/GP balance sheet also reflects a \$95.0 million appropriation to the Budget Stabilization Fund. Comparing estimated GF/GP revenue to estimated GF/GP expenditures shows an FY 2015-16 projected year-end GF/GP balance of \$14.3 million.

Table 1
Target Agreement
FY 2015-16 General Fund/General Purpose (GF/GP) Targets
Ongoing and One-Time

Department/Budget Area	FY 2015-16		
	Ongoing GF/GP	One-Time GF/GP	Total GF/GP
Agriculture and Rural Development.....	\$41,873,600	\$1,200,000	\$43,073,600
Attorney General.....	37,013,400	0	37,013,400
Civil Rights	12,949,700	0	12,949,700
Corrections.....	1,903,948,400	0	1,903,948,400
Education	74,898,700	0	74,898,700
Environmental Quality	34,827,700	0	34,827,700
Executive.....	5,531,100	0	5,531,100
Health and Human Services-Health Services...	3,193,596,700	7,000,000	3,200,596,700
Health and Human Services-Human Services..	941,802,500	400,000	942,202,500
Insurance and Financial Services.....	150,000	0	150,000
Judiciary	183,442,200	0	183,442,200
Legislative Auditor General	15,460,100	0	15,460,100
Legislature	131,872,300	0	131,872,300
Licensing and Regulatory Affairs	38,481,500	0	38,481,500
Military and Veterans Affairs	48,187,300	3,000,000	51,187,300
Natural Resources.....	38,522,800	1,075,000	39,597,800
State	17,161,500	0	17,161,500
State Police.....	372,605,600	3,700,000	376,305,600
Talent and Economic Development.....	151,007,000	47,450,000	198,457,000
Technology, Management and Budget	472,593,200	4,605,000	477,198,200
Transportation.....	142,000,000	258,000,000	400,000,000
Treasury-Debt Service	156,449,000	0	156,449,000
Treasury-Operations	94,030,300	29,900,000	123,930,300
Treasury-Revenue Sharing.....	0	0	0
Subtotal General State Budget Areas	\$8,108,404,600	\$356,330,000	\$8,464,734,600
Community Colleges	131,110,800	0	131,110,800
Higher Education	1,232,418,500	0	1,232,418,500
School Aid.....	45,900,000	0	45,900,000
Subtotal Education.....	\$1,409,429,300	\$0	\$1,409,429,300
Total General Budget Areas and Education.	\$9,517,833,900	\$356,330,000	\$9,874,163,900
Budget Stabilization Fund.....	\$0	\$95,000,000	\$95,000,000
Total GF/GP Appropriations	\$9,517,833,900	\$451,330,000	\$9,969,163,900

Table 2
FY 2015-16
General Fund/General Purpose (GF/GP)
Revenue, Expenditures, and Year-End Balance Estimates
(Millions of Dollars)

	SFA Estimate
Revenue:	
Beginning Balance.....	\$204.9
<u>Ongoing Revenue:</u>	
January 2015 Consensus Revenue Estimate	\$9,713.2
May 2015 Consensus Revenue Change	168.7
May 2015 Consensus Revenue Estimate	\$9,881.9
<u>Other Revenue Adjustments:</u>	
Revenue Sharing Payments.....	(462.7)
Shift of Short-Term Borrowing Costs to School Aid Fund.....	2.0
Managed Care Use Tax Revenue.....	406.7
Subtotal Ongoing Revenue	\$9,827.9
<u>Non-Ongoing Revenue:</u>	
One-Time Appropriation for Revenue Sharing.....	(5.8)
Venture Michigan Fund Tax Vouchers	(38.1)
Total Estimated GF/GP Revenue	\$9,988.9
Expenditures:	
Target Ongoing Appropriations	\$9,517.8
Target One-Time Appropriations.....	356.3
One-Time Appropriation to Budget Stabilization Fund.....	95.0
Appropriation Reserves	5.4
Total Estimated GF/GP Expenditures.....	\$9,974.6
PROJECTED YEAR-END GF/GP BALANCE.....	\$14.3

The FY 2015-16 budget target agreement includes \$378.6 million more in GF/GP appropriations than the Senate-passed budget bills. [Table 3](#) provides a comparison of the GF/GP target appropriations to the Senate-passed GF/GP appropriations.

[Table 4](#) provides the FY 2015-16 School Aid Fund (SAF) target balance sheet using the May 2015 consensus revenue estimate of \$12.2 billion (which is \$20.8 million below the January 2015 consensus estimate), a \$45.9 million GF/GP grant, \$203.3 million of revenue from the Medicaid managed care use tax, and \$1.8 billion of Federal aid. On the expenditure side of the FY 2015-16 SAF target balance sheet, there are \$13.8 billion of ongoing K-12 appropriations, \$100.7 million of one-time K-12 appropriations, and appropriations of \$256.7 million and \$205.2 million, for community colleges and universities, respectively. Comparing estimated SAF revenue to estimated SAF expenditures shows an FY 2015-16 projected year-end SAF balance of \$50.0 million. The members of the individual K-12 School Aid, Community Colleges, and Higher Education Conference Committees will make the final decisions regarding the allocation of the FY 2015-16 appropriations.

Table 3

FY 2015-16 General Fund/General Purpose (GF/GP) Appropriations (Includes both Ongoing and One-Time Appropriations)							
Department/Budget Area	FY 2015-16 Governor's Revised Rec.	FY 2015-16 House-Passed	House Change to Governor	FY 2015-16 Senate-Passed	Senate Change to Governor	FY 2015-16 GF/GP Target	Target Change to Senate
Agric. & Rural Development	\$42,373,600	\$42,373,600	\$0	\$42,573,600	\$200,000	\$43,073,600	\$500,000
Attorney General	36,847,400	36,847,400	0	36,847,400	0	37,013,400	166,000
Capital Outlay	0	0	0	0	0	0	0
Civil Rights	12,949,700	12,949,700	0	12,949,700	0	12,949,700	0
Community Colleges	137,110,800	135,882,000	(1,228,800)	122,710,800	(14,400,000)	131,110,800	8,400,000
Community Health	2,993,251,300	3,121,097,300	127,846,000	3,128,354,300	135,103,000	3,200,596,700	72,242,400
Corrections	1,918,948,400	1,908,948,400	(10,000,000)	1,904,448,500	(14,499,900)	1,903,948,400	(500,100)
Education	76,871,300	75,291,300	(1,580,000)	75,680,400	(1,190,900)	74,898,700	(781,700)
Environmental Quality	35,377,700	35,077,700	(300,000)	35,377,800	100	34,827,700	(550,100)
Executive	5,531,100	5,916,100	385,000	5,916,100	385,000	5,531,100	(385,000)
Higher Education	1,238,913,300	1,224,917,700	(13,995,600)	1,238,913,300	0	1,232,418,500	(6,494,800)
Human Services	962,395,800	968,456,400	6,060,600	973,835,900	11,440,100	942,202,500	(31,633,400)
Insurance & Financial Svcs.	150,000	150,000	0	55,000	(95,000)	150,000	95,000
Judiciary	182,692,200	182,192,200	(500,000)	184,192,200	1,500,000	183,442,200	(750,000)
Legislative Auditor General	15,460,100	15,385,400	(74,700)	15,460,100	0	15,460,100	0
Legislature	131,872,300	131,236,400	(635,900)	131,872,300	0	131,872,300	0
Licensing & Regulatory Affairs	40,931,500	22,894,800	(18,036,700)	24,223,500	(16,708,000)	38,481,500	14,258,000
Military & Veterans Affairs	48,187,300	48,616,300	429,000	48,187,300	0	51,187,300	3,000,000
Natural Resources	39,772,800	37,775,800	(1,997,000)	39,522,800	(250,000)	39,597,800	75,000
School Aid	45,900,000	45,900,000	0	41,700,000	(4,200,000)	45,900,000	4,200,000
State	17,161,500	17,161,500	0	27,161,500	10,000,000	17,161,500	(10,000,000)
State Police	373,473,700	372,923,700	(550,000)	377,305,700	3,832,000	376,305,600	(1,000,100)
Tech., Management & Budget	481,093,700	470,380,800	(10,712,900)	468,503,800	(12,589,900)	477,198,200	8,694,400
Transportation	139,521,100	159,521,100	20,000,000	139,521,200	100	400,000,000	260,478,800
Treasury-Debt Service	156,449,000	156,449,000	0	156,449,000	0	156,449,000	0
Treasury-Operations	112,930,300	118,780,700	5,850,400	120,230,300	7,300,000	123,930,300	3,700,000
Treasury-Revenue Sharing	0	0	0	424,100	424,100	0	(424,100)
Treasury-Strat. Fund Agency	233,907,000	158,707,100	(75,199,900)	188,107,000	(45,800,000)	198,457,000	10,350,000
Subtotal GF/GP Approps.	\$9,480,072,900	\$9,505,832,400	\$25,759,500	\$9,540,523,600	\$60,450,700	\$9,874,163,900	\$333,640,300
Budget Stabilization Fund	\$95,000,000	\$95,000,000	\$0	\$50,000,000	(\$45,000,000)	\$95,000,000	\$45,000,000
Total GF/GP Appropriations	\$9,575,072,900	\$9,600,832,400	\$25,759,500	\$9,590,523,600	\$15,450,700	\$9,969,163,900	\$378,640,300

Table 4
FY 2015-16
School Aid Fund
Revenue, Expenditures, and Year-End Balance Estimates
(Millions of Dollars)

Revenue:	
Beginning Balance.....	\$140.5
Ongoing Revenue:	
January 2015 Consensus Revenue Estimate	\$12,263.7
May 2015 Consensus Revenue Change	(20.8)
May 2015 Consensus Revenue Estimate	\$12,242.9
Other Revenue Adjustments:	
General Fund/General Purpose Grant	45.9
Managed Care Use Tax Revenue.....	203.3
Federal Ongoing Aid.....	1,775.8
Subtotal Ongoing Revenue	\$14,267.9
Total Estimated School Aid Fund Revenue.....	\$14,408.4
Expenditures:	
Ongoing Target Appropriations for K-12	\$13,795.8
One-Time Target Appropriations for K-12.....	100.7
Partially Fund Community Colleges with School Aid Fund	256.7
Partially Fund Higher Education with School Aid Fund.....	205.2
Total Estimated School Aid Fund Expenditures.....	\$14,358.4
PROJECTED YEAR-END SCHOOL AID FUND BALANCE ...	\$50.0

The Senate Fiscal Agency will provide details on all of the FY 2015-16 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.

/kjh

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