

**SENATE FISCAL AGENCY
MEMORANDUM**



DATE: August 6, 2008
TO: Members of the Senate
FROM: Gary S. Olson, Director
RE: Update on Status of the State Budget

The following information provides members of the Senate with an update as to the status of the State budget. This memorandum will provide updated estimates of the projected year-end balances of the General Fund/General Purpose (GF/GP) and School Aid Fund (SAF) budgets for both fiscal year (FY) 2007-08 and FY 2008-09.

Appropriation Bill Status

As of August 6, 2008, the Legislature has approved and the Governor has signed into law the majority of the FY 2008-09 appropriation bills to implement the budget. The FY 2008-09 appropriation bill for the Department of Transportation (House Bill 5808) is still in a joint Senate/House conference committee. In addition, pending before the Legislature is an FY 2007-08 Capital Outlay appropriation bill (Senate Bill 511) and an FY 2007-08 departmental supplemental appropriation bill (House Bill 5342). The final passage of these three pending appropriation bills will complete action on the adjustments to the FY 2007-08 budget and complete action on the initial appropriation bills for the FY 2008-09 budget.

Based on the appropriation targets agreed to by the Legislative Leadership and the Governor on June 25, 2008, and the action of the Legislature on the passage of the appropriation bills, the FY 2007-08 and FY 2008-09 GF/GP and SAF budgets are balanced between actual/projected appropriations and estimated revenue. The remainder of this memorandum provides updated estimates of the projected year-end balances of the GF/GP and SAF budgets.

FY 2007-08 Year-End Balance Estimates

Table 1 provides the Senate Fiscal Agency (SFA) estimate of a \$139.9 million year-end balance in the FY 2007-08 GF/GP budget. This projected year-end balance estimate is based on the May 2008 consensus revenue estimate, enacted and pending revenue adjustments, enacted appropriations, the pending FY 2007-08 supplemental appropriation items as recommended by the Office of the State Budget (OSB), and the agreed-upon estimates of year-end appropriation lapses.

The OSB has recommended to the Legislature the approval of \$82.8 million of GF/GP-financed FY 2007-08 supplemental appropriations. These supplemental appropriations are currently pending in the Legislature. Projected year-end GF/GP appropriation lapses will total \$51.5 million. These lapses were agreed to as part of the overall budget target agreements reached on June 25, 2008. The projected year-end balance of \$139.9 million will carry forward into FY 2008-09 and is an assumed part of the projected balance between FY 2008-09 GF/GP revenue and appropriations.

Table 2 provides the SFA estimate of a \$68.6 million year-end balance in the FY 2007-08 SAF budget. This projected year-end balance is based on the May 2008 consensus revenue estimate,



enacted appropriations, and projected year-end appropriation lapses. The projected year-end balance of \$68.6 million will carry forward into FY 2008-09 and is an assumed part of the projected balance between FY 2008-09 SAF revenue and appropriations.

Table 1

FY 2007-08 General Fund/General Purpose Revenue, Expenditures, and Year-End Balance (millions of dollars)	
	SFA Estimate
Revenue:	
Beginning Balance.....	\$259.1
<u>Ongoing Revenue:</u>	
Ongoing Consensus Revenue Estimate.....	9,164.1
Revenue Sharing Freeze.....	577.5
Shift Short-Term Borrowing Costs to School Aid Fund.....	22.8
Subtotal Ongoing Revenue.....	9,764.4
<u>One-Time Revenue:</u>	
Sale of Northville State Property.....	22.9
Juror Compensation Fund Transfer to General Fund.....	2.3
Comprehensive Transportation Fund Transfer to General Fund.....	5.0
Transportation Economic Development Fund Transfer to General Fund.....	13.0
Financial Institutions Fund Shift to General Fund.....	2.0
Tobacco Settlement Refinancing (PA 101 of 2008).....	60.0
Subtotal One-Time Revenue.....	105.2
Total Estimated Revenue.....	\$10,128.7
Expenditures:	
Initial Enacted Appropriations.....	\$9,856.3
<u>Supplemental Appropriations:</u>	
Public Act 113 of 2008.....	41.2
Public Act 98 of 2008.....	60.0
<u>Pending Supplemental Appropriations:</u>	
Tobacco Revenue Funding Shortfall.....	74.1
Medicaid Benefits Trust Fund Shortfall.....	9.2
Community Health Caseload Year-End Lapse.....	(26.9)
Detroit Zoo Transitional Funding.....	4.5
Agriculture Pending Supplemental.....	0.4
Higher Education (Fund Source Shift GF/GP to TANF).....	(91.9)
Human Services (Fund Source Shift TANF to GF/GP).....	91.9
Management and Budget (Group Insurance Charge to Federal Gov't)...	21.5
Subtotal Pending Supplemental Appropriations.....	82.8
<u>Projected Year-End Appropriation Lapses:</u>	
Group Insurance Year-End Lapses.....	(21.5)
Other Year-End Appropriation Lapses.....	(30.0)
Subtotal Year-End Appropriation Lapses.....	(51.5)
Total Projected Expenditures.....	\$9,988.8
Projected Year-End Balance.....	\$ 139.9

Source: Senate Fiscal Agency, August 6, 2008

Table 2
FY 2007-08 School Aid Fund
Revenue, Expenditures, and Year-End Balance
(millions of dollars)

	SFA Estimate
Revenue:	
Beginning Balance.....	\$ 82.4
Ongoing Consensus Revenue Estimate.....	11,375.0
GF/GP Grant to School Aid Fund.....	34.9
Federal Revenue.....	1,476.0
Total Estimated Revenue.....	\$12,968.3
Expenditures:	
Initial Enacted Appropriations.....	\$13,006.0
<u>Supplemental Appropriations:</u>	
Public Act 112 of 2008.....	(108.2)
Midland Property Tax and Enbridge Energy Pipeline Settlements.....	12.9
Projected Year-End Appropriation Lapses.....	(11.0)
Total Projected Expenditures.....	\$12,899.7
Projected Year-End Balance.....	\$ 68.6

Source: Senate Fiscal Agency, August 6, 2008

FY 2008-09 Year-End Balance Estimates

Table 3 provides the SFA estimate of a \$2.2 million year-end balance in the FY 2008-09 GF/GP budget. This projected year-end balance is based on the May 2008 consensus revenue estimate, the assumed \$139.9 million year-end balance carried forward from FY 2007-08, other revenue adjustments that were part of the June 25, 2008, budget target agreements, enacted appropriations, and projected year-end appropriation lapses.

Table 4 provides the SFA estimate of a \$2.1 million year-end balance in the FY 2008-09 SAF budget. This projected year-end balance is based on the May 2008 consensus revenue estimate, the assumed \$68.6 million year-end balance carried forward from FY 2007-08, and the enacted level of appropriations.

The SFA will be publishing its FY 2008-09 Appropriations Report, Part II – Initial Appropriations as soon as the Legislature completes action on the remaining pending appropriation bills. This SFA report will provide a detailed summary of FY 2008-09 appropriations and revenue. Until this report is published, if you have any specific questions on the State budget, do not hesitate to call my office at 373-5300.

Table 3
FY 2008-09 General Fund/General Purpose
Revenue, Expenditures, and Year-End Balance
(millions of dollars)

	SFA Estimate
Revenue:	
Beginning Balance	\$ 139.9
Consensus Revenue Estimate	8,884.6
Revenue Sharing Freeze.....	558.7
Revenue Sharing Increase (2.0%)	(8.1)
Shift Short-Term Borrowing Costs to School Aid Fund	45.0
Treasury-Insurance Escheats Revenue	25.0
Treasury-Secondary Collections	6.0
21st Century Fund Transfer to General Fund	10.0
Tourism Borrowing Transfer to General Fund.....	10.0
TEDF Transfer to General Fund.....	6.0
Sale of Surplus State Property-Northville.....	6.5
Total Estimated Revenue	\$9,683.6
Expenditures:	
Enacted Appropriations	\$9,701.4
Lapse from Contract Savings	(20.0)
Total Projected Expenditures	\$9,681.4
Projected Year-End Balance.....	\$ 2.2

Source: Senate Fiscal Agency, August 6, 2008

Table 4
FY 2008-09 School Aid Fund
Revenue, Expenditures, and Year-End Balance
(millions of dollars)

	SFA Estimate
Revenue:	
Beginning Balance	\$ 68.6
Consensus Revenue Estimate	11,707.4
GF/GP Grant	43.0
Federal Aid	1,562.0
Total Estimated Revenue	\$13,381.0
Expenditures:	
Appropriation Target.....	\$13,378.9
Total Projected Expenditures.....	\$13,378.9
Projected Year-End Balance.....	\$ 2.1

Source: Senate Fiscal Agency, June 25, 2008

/kjh

c: Ellen Jeffries, Deputy Director