

MEMORANDUM

DATE: May 20, 2022
TO: Members of the Michigan Senate
FROM: Kathryn R. Summers, Director
RE: May Consensus Revenue Year-End Balance Estimates Based on Senate Budgets

Based on the revised consensus revenue estimates agreed to on May 20, 2022, the enacted fiscal year (FY) 2021-22 appropriations, pending supplementals, and projected State appropriations based on Senate-passed FY 2022-23 budgets, the Senate Fiscal Agency (SFA) has revised its estimates of the year-end balances in the FY 2021-22, FY 2022-23, and FY 2023-24 General Fund/General Purpose (GF/GP) and School Aid Fund (SAF) budgets. This memorandum provides a brief summary of these revised estimates, and Table 1 below compiles the balances into a summary table.

Table 1

SFA ESTIMATES OF YEAR-END BALANCES USING CREC REVENUE ESTIMATES			
(Fiscal Year, millions of dollars)			
	FY 2021-22	FY 2022-23	FY 2023-24
General Fund/General Purpose.....	\$5,278.2	\$4,486.5	\$5,523.4
School Aid Fund	5,028.9	5,047.0	6,443.9

FY 2021-22 Year-End Balance Estimates

The initial FY 2021-22 budget approved by the Legislature was based on the May 2021 consensus revenue estimate. The revisions to the consensus revenue estimates agreed to in January 2022 reflected an increase from the May 2021 estimate for both GF/GP and SAF revenue, allowing continued surpluses in both the GF/GP and SAF budgets. The May 2022 consensus estimate of FY 2021-22 GF/GP revenue was increased by \$1.7 billion from the January 2022 consensus revenue estimate, while consensus SAF revenue was increased by \$1.3 billion. The May consensus estimates coupled with enacted appropriations and SFA projected expenditures for May 2022 result in a projected year-end balance of \$5.3 billion GF/GP and \$5.0 billion SAF.

The FY 2021-22 GF/GP revenue is increased by \$1.7 billion from the January consensus revenue estimate. In addition to the estimated increase in ongoing revenue, the SFA's FY 2021-22 estimated GF/GP revenue total of \$18.0 billion includes \$4.4 billion of surplus revenue carried forward from FY 2020-21, a negative adjustment totaling \$500.3 million to reflect statutory State revenue sharing payments, and a \$2.6 million reduction from redirection of restricted revenue.

The projected level of FY 2021-22 GF/GP expenditures includes initial ongoing appropriations of \$10.9 billion, initial one-time appropriations of \$736.2 million, enacted supplemental appropriations of \$1.7 billion, caseload and cost reductions from the May consensus of \$781.1 million in the Department of Health and Human Services (DHHS), and numerous other one-time and ongoing spending items. Comparing estimated GF/GP revenue to year-to-date GF/GP appropriations, adjusted for SFA assumptions, results in a projected year-end GF/GP balance of \$5.3 billion.

The FY 2021-22 SAF revenue is increased by \$1.3 billion from the January consensus estimate. The SFA's FY 2021-22 estimated SAF revenue total of \$22.8 billion includes \$2.9 billion of surplus revenue carried forward from FY 2020-21, \$17.3 billion of restricted SAF revenue, a \$91.6 million GF/GP grant, \$72.0 million from the Community District Education Trust Fund (CDTF), and \$1.8 billion of ongoing Federal aid. Additionally, the SAF revenue total includes \$202.0 million from Federal COVID-19 funding and \$367.8 million in additional Federal funds for school meals.

The estimated \$17.8 billion level of SAF expenditures includes initial enacted K-12 appropriations of \$16.5 billion, consensus cost adjustment reductions of \$355.7 million, initial one-time appropriations of \$425.1 million, \$368.7 million in pending Federal school meal appropriations, \$6.0 million appropriated by the Senate for Oxford Schools, Community College operations funding of \$428.2 million, and partial Higher Education operations funding of \$361.4 million. Comparing estimated SAF revenue to estimated SAF expenditures results in a projected year-end SAF surplus of \$5.0 billion. Combined, the FY 2021-22 GF/GP and SAF are projected at a \$10.3 billion year-end surplus.

FY 2022-23 Year-End Balance Estimates

The May 2022 consensus estimate of FY 2022-23 GF/GP revenue is increased by \$1.1 billion from the January 2022 consensus revenue estimate, while consensus SAF revenue is increased by \$948.7 million. The SFA's estimated FY 2022-23 GF/GP and SAF balance sheets use the Senate-passed budget bills for FY 2022-23 as a base for expenditures. The SFA's FY 2022-23 estimated GF/GP revenue total of \$18.7 billion includes \$5.3 billion of FY 2021-22 year-end carryforward; consensus revenue of \$14.0 billion; Senate-passed FY 2022-23 ongoing statutory revenue sharing payments of \$525.0 million, and \$24.9 million in one-time revenue sharing payments, which reduce GF/GP revenue by that amount; and \$2.6 million in the redirection of available restricted revenue. The FY 2022-23 estimated SAF revenue total of \$24.6 billion includes \$5.0 billion of FY 2021-22 projected year-end balance carried forward, \$17.2 billion of restricted SAF revenue, a \$79.2 million GF/GP grant, \$72.0 million from the CDTF, \$2.2 billion of ongoing Federal aid, and \$19.5 million of additional GF/GP to cover costs estimated to exceed revenue from the CDTF.

The SFA's estimated \$14.2 billion level of FY 2022-23 GF/GP expenditures includes a Senate-passed ongoing initial appropriation of \$12.6 billion (which includes \$1.0 billion appropriated for an ongoing tax cut), and an estimated \$1.7 billion of one-time appropriations (which include \$1.0 billion appropriated for a one-time tax cut). The GF/GP expenditures also include May revisions to previous consensus caseloads in the DHHS that reduce costs by \$204.2 million, \$19.5 million of additional GF/GP obligation for expenditures exceeding the revenue from the CDTF, and all other items contained within the Senate-passed budgets. Comparing estimated GF/GP revenue with Senate-passed GF/GP appropriations results in a revised projected year-end GF/GP balance of \$4.5 billion.

The SFA's estimated \$19.5 billion level of SAF expenditures are the Senate-passed FY 2022-23 appropriations for School Aid, adjusted for consensus cost savings of \$134.2 million, and SAF appropriations for Community Colleges (\$473.3 million) and Higher Education (\$1.3 billion). The Higher Education budget as passed by the Senate includes \$581.2 million to pay off retirement liabilities for the seven universities that were part of the Michigan Public School Employees' Retirement System and \$361.0 million to establish a new two-year scholarship program. Comparing estimated SAF revenue to estimated SAF expenditures results in a projected year-end SAF balance of \$5.0 billion.

FY 2023-24 Year-End Balance Estimates

The May 2022 consensus estimate of FY 2023-24 GF/GP revenue is increased by \$914.6 million from the January 2022 consensus revenue estimate, and consensus SAF revenue is increased by \$887.2 million. The FY 2023-24 estimated GF/GP revenue total of \$18.2 billion includes \$4.5 billion of assumed carryforward from FY 2022-23, \$14.2 billion of consensus revenue, and the assumed continuation of the Senate-passed FY 2022-23 ongoing statutory State Revenue Sharing payments totaling \$525.0 million. The FY 2023-24 estimated SAF revenue total of \$24.9 billion includes \$5.0 billion of projected year-end carry-forward from FY 2022-23, consensus revenue of \$17.4 billion, a continuation of the \$73.5 million GF/GP grant, \$72.0 million from the CDTF, \$2.2 billion of Federal aid, and \$25.2 million of additional GF/GP to cover costs estimated to exceed revenue from the CDTF.

The estimated \$12.7 billion level of FY 2023-24 GF/GP expenditures includes the ongoing appropriations assumed to continue from the Senate-passed FY 2022-23 budget bills, a decrease of \$204.2 million from consensus caseload increases, \$25.2 million to cover costs estimated to exceed revenue from the CDTF, \$57.6 million in estimated other current service budget adjustments, and \$140.0 million for actuarial soundness. Comparing estimated GF/GP revenue to estimated GF/GP expenditures results in a projected year-end GF/GP balance of \$5.5 billion.

The estimated \$18.4 billion level of SAF expenditures includes the continuation of the Senate-passed FY 2022-23 budget bills, consensus cost reductions of \$36.3 million, and the continued use of SAF funds for Community College and Higher Education at \$461.5 million and \$708.9 million, respectively. Comparing estimated SAF revenue to estimated SAF expenditures results in a projected year-end SAF balance of \$6.4 billion.

Tables 1 and 2 provide a three-year summary of the projected year-end balances for the GF/GP and SAF budgets, respectively. It also should be noted that any actions taken to increase expenditures in FY 2021-22 will reduce the available carry-forward in future years. Similarly, changes from the FY 2022-23 Senate-passed budget bills will affect potential year-end balances and the amount of carry-forward into future years.

If you have any questions on these revised SFA estimates, please do not hesitate to contact me at 373-5300 or ksummers@senate.michigan.gov.

Table 1
GENERAL FUND/GENERAL PURPOSE (GF/GP)
REVENUE, EXPENDITURES, AND YEAR-END BALANCE ESTIMATES
 (millions of dollars)

	SFA Estimates		
	FY 2021-22 Year-To- Date	FY 2022-23 SFA Estimate	FY 2023-24 SFA Estimate
Revenue:			
Beginning Balance	\$4,362.8	\$5,278.2	\$4,486.5
Ongoing Revenue:			
Consensus Revenue Estimate (August 2020)	\$10,392.5		
Consensus Revenue Change (January 2021)	\$504.6		
Consensus Revenue Estimate (January 2021)	\$10,897.1	\$11,167.1	
Consensus Revenue Change (May 2021)	\$776.0	\$1,103.6	
Consensus Revenue Estimate (May 2021)	\$11,673.1	\$12,270.7	
Consensus Revenue Change (January 2022)	\$776.6	\$621.4	
Consensus Revenue Estimate (January 2022)	\$12,449.7	\$12,892.1	\$13,314.3
Consensus Revenue Change (May 2022)	\$1,730.0	\$1,081.4	\$914.6
Consensus Revenue Estimate (May 2022)	\$14,179.7	\$13,973.5	\$14,228.9
Other Revenue Adjustments:			
Adjustments	\$0.0	\$0.0	\$0.0
Revenue Sharing Payments	(\$500.3)	(\$525.0)	(\$525.0)
Subtotal Ongoing Revenue	\$13,679.4	\$13,448.5	\$13,703.9
Non-ongoing Revenue:			
Legal Settlements/Redirection of Restricted Revenue	(\$2.6)	(\$2.6)	\$0.0
Revenue Sharing One-Time Payments	\$0.0	(\$24.9)	\$0.0
Subtotal Non-Ongoing Revenue	(\$2.6)	(\$27.5)	\$0.0
Total Estimated GF/GP Revenue	\$18,039.6	\$18,699.2	\$18,190.4
Expenditures:			
Ongoing Appropriations:			
Initial Appropriations/Senate-Passed Appropriations	\$10,910.9	\$12,574.8	\$12,632.4
Subtotal Ongoing Appropriations	\$10,910.9	\$12,574.8	\$12,632.4
One-Time and Other Appropriations:			
Estimated One-Time Appropriations	\$736.2	\$1,743.4	\$0.0
Proposed Supplemental Adjustments from Gov Rec	0.3	0.0	0.0
Enacted FY 2021-22 Supplementals	1,741.0	0.0	0.0
DHHS CREC Caseloads	(781.1)	(204.2)	(204.2)
Actuarial Soundness	0.0	0.0	140.0
Ongoing GF Contribution to K-12	70.9	79.2	73.5
Additional K-12 GF Contribution for DCDTF	14.5	19.5	25.2
Additional GF for K-12 (technical fund source correction)	6.2	0.0	0.0
SB 714 Estimated Costs	17.5	0.0	0.0
Flint Settlement Debt Service	35.0	0.0	0.0
PA 87 of 2021 Boilerplate Appropriations (DEGLE)	10.0	0.0	0.0
Subtotal One-Time and Other Appropriations	\$1,850.5	\$1,637.9	\$34.5
Total Estimated GF/GP Expenditures	\$12,761.4	\$14,212.7	\$12,666.9
PROJECTED YEAR-END GF/GP BALANCE	\$5,278.2	\$4,486.5	\$5,523.4

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

	SFA Estimates		
	FY 2021-22 Year-To- Date	FY 2022-23 SFA Estimate	FY 2023-24 SFA Estimate
Revenue:			
Beginning Balance.....	\$2,922.3	\$5,028.9	\$5,047.0
Ongoing Revenue:			
Consensus Revenue Estimate (August 2020).....	\$14,053.5		
Consensus Revenue Change (January 2021)	\$370.2		
Consensus Revenue Estimate (January 2021)	\$14,423.7	\$14,730.4	
Consensus Revenue Change (May 2021).....	\$707.3	\$697.2	
Consensus Revenue Estimate (May 2021)	\$15,131.0	\$15,427.6	
Consensus Revenue Change (January 2022)	\$947.2	\$819.0	
Consensus Revenue Estimate (January 2022)	\$16,078.2	\$16,246.6	\$16,557.7
Consensus Revenue Change (May 2022).....	\$1,262.4	\$948.7	\$887.2
Consensus Revenue Estimate (May 2022)	\$17,340.6	\$17,195.3	\$17,444.9
Other Revenue Adjustments:			
Adjustments	\$0.0	\$0.0	\$0.0
General Fund/General Purpose Grant.....	\$77.1	\$79.2	\$73.5
Community District Education Trust Fund	\$72.0	\$72.0	\$72.0
Federal Ongoing Aid	\$1,822.5	\$2,191.2	\$2,191.2
Subtotal Ongoing Revenue	\$19,312.2	\$19,537.7	\$19,781.6
Non-Ongoing Revenue:			
Federal Stimulus	\$202.0	\$0.0	\$0.0
Additional Federal Meal Funding	\$367.8	\$0.0	\$0.0
GF/GP for DPSCD Addt'l Cost Exceeding CDTF \$72m/yr	\$14.5	\$19.5	\$25.2
Subtotal Non-Ongoing Revenue	\$584.3	\$19.5	\$25.2
Total Estimated School Aid Fund Revenue	\$22,818.8	\$24,586.1	\$24,853.8
Expenditures:			
Ongoing Appropriations:			
Initial Ongoing K-12 State Approps/Senate-Passed Approps	\$14,528.5	\$15,218.8	\$15,084.6
School Aid Federal Funds	2,024.5	2,191.2	2,191.2
State Funds Cost Adjustments (May 2022)	(355.7)	(134.2)	(36.3)
Federal Funds Cost Adjustments (May 2022)	368.7	0.0	0.0
Fund Community Colleges with SAF	428.2	455.5	461.5
Partially Fund Higher Education with SAF	361.4	708.9	708.9
Subtotal Ongoing Appropriations.....	\$17,355.6	\$18,440.2	\$18,409.9
One-Time and Other Appropriations:			
Initial One-Time K-12 Appropriations (School Consolidation)	\$425.1	\$500.0	\$0.0
Initial One-Time Community College Appropriations	3.2	17.8	0.0
FY 23 Pay off University UAAL (Oxford Schools suppl for FY 22)....	6.0	581.2	0.0
Subtotal One-Time and Other Appropriations.....	\$434.4	\$1,099.0	\$0.0
Total Estimated School Aid Fund Expenditures	\$17,789.9	\$19,539.2	\$18,409.9
PROJECTED YEAR-END SCHOOL AID FUND BALANCE	\$5,028.9	\$5,047.0	\$6,443.9