

SENATE FISCAL AGENCY  
MEMORANDUM



**DATE:** January 11, 2019  
**TO:** Members of the Senate  
**FROM:** Christopher Harkins, Director  
**RE:** Consensus Revenue Year-End Balance Estimates

The Consensus Revenue Estimating Conference reached agreement today on revised General Fund/General Purpose (GF/GP) and School Aid Fund (SAF) revenue estimates for fiscal year (FY) 2017-18, FY 2018-19, and FY 2019-20. An agreement also was reached on the first consensus estimate of FY 2020-21 GF/GP and SAF revenue. Based on the revised consensus revenue estimates and enacted and projected State appropriations, the Senate Fiscal Agency (SFA) has revised its estimates of the year-end balances that were included in the SFA's *Economic Outlook and Budget Review* that was published on December 27, 2018. This memorandum provides a brief summary of these revised SFA estimates.

#### **FY 2017-18 Year-End Balance Estimates**

The FY 2017-18 State budget was based on consensus revenue estimates agreed to in May 2018. The revenue numbers illustrated in [Table 1](#) for FY 2017-18 final remain preliminary as the State's bookclosing has not been finalized and the FY 2017-18 comprehensive annual financial report (commonly referred to as the CAFR) has not yet been published. However, based on year-to-date accounting reports of FY 2017-18 GF/GP revenue and expenditures from the State Budget Office and the Department of Treasury, the SFA is projecting that the FY 2017-18 GF/GP budget will close the fiscal year with a \$662.5 million balance. The FY 2017-18 SAF budget is projected to close the fiscal year with a \$362.6 million balance. Changes to these preliminary final figures which may result from bookclosing, have the potential to increase or decrease the amount of projected balance in FY 2017-18 and, therefore, may affect future year revenue.

The first column of [Table 1](#) provides a summary of the current SFA estimate of a \$662.5 million balance in the FY 2017-18 GF/GP budget. The first column of [Table 2](#) provides a summary of the SFA's estimate of a \$362.6 million year-end balance in the FY 2017-18 SAF budget. Pursuant to statutory requirements, the amounts of the year-end balances will carry forward and be available as FY 2018-2019 revenue sources. It should be noted that year-end balances of \$101.4 million GF/GP and \$217.7 million SAF had been assumed in June 2018 when the FY 2018-19 budget was being finalized, and were factored into the FY 2018-19 spending plan.

The revised FY 2017-18 balance sheets in this memo include \$561.1 million more in the GF/GP carry-forward year-end balance and \$144.9 million more in the SAF carry-forward year-end balance, than the June 2018 estimate. The higher GF/GP carry-forward balance is due primarily to increases in revenue assumptions from the May 2018 consensus and estimated year-end lapses of \$105.5 million.

#### **FY 2018-19 Year-End Balance Estimates**

Based on the consensus revenue estimate and enacted appropriations, the SFA is now estimating that the FY 2018-19 GF/GP budget year-end balance will be \$400.4 million. The second column of [Table 1](#) provides a summary of this estimate. The estimate includes a projected \$662.5 million budget surplus

carried forward from FY 2017-18. The current consensus estimate of FY 2018-19 GF/GP revenue represents a \$288.6 million increase from the May 2018 consensus revenue estimate upon which the FY 2018-19 budget was based. The SFA estimate of \$10.5 billion for FY 2018-19 GF/GP expenditures has been revised from the estimate published in the SFA's *Economic Outlook and Budget Review* on December 27, 2018, to accommodate supplemental spending bills enacted into law at the end of the legislative session. Comparing the total estimated GF/GP revenue (based on the January 2019 consensus revenue estimate) to the SFA's revised estimate of FY 2018-19 GF/GP expenditures results in a projected year-end balance of \$400.4 million.

Based on the consensus revenue estimate and enacted and projected expenditures, the SFA is now estimating that the FY 2018-19 SAF budget will have a year-end balance of \$187.7 million. The second column of Table 2 provides a summary of this estimate. This estimate includes a projected \$362.6 million budget surplus carried forward from FY 2017-18. The current consensus estimate of FY 2018-19 SAF revenue represents a \$23.9 million decrease from the May 2018 consensus revenue estimate upon which the budget was based. On the expenditure side of the SAF budget, there are consensus K-12 adjustments for pupils and local property taxes that reduce costs for FY 2018-19 by \$59.8 million, which more than offset the consensus SAF revenue estimate reduction. Comparing the total estimated SAF revenue (based on the January 2019 consensus revenue estimate) to the SFA's estimate of FY 2018-19 SAF expenditures results in a projected ending balance of \$187.7 million.

### **FY 2019-20 State Budget Outlook**

Pursuant to statutory requirements, the Governor must submit a detailed FY 2019-20 State budget recommendation to the Legislature within 30 days after it convenes, or 60 days if the Governor is newly-elected. Governor Whitmer will be afforded this additional time and must submit her initial budget before March 10, 2019. This State budget recommendation will initiate the debate on the FY 2019-20 State budget.

The estimated FY 2018-19 GF/GP revenue and expenditures produce a projected FY 2019-20 beginning balance of \$400.4 million. If this beginning balance is combined with estimated ongoing GF/GP revenue (based on the January 2019 consensus revenue estimate) of \$10.7 billion, and if FY 2019-20 ongoing and one-time departmental appropriations are assumed to remain at the same levels as those of FY 2018-19, with adjustments for caseload, costs, and economic factors, there will be an FY 2019-20 projected year-end GF/GP balance of \$522.0 million. The third column of Table 1 outlines these assumptions.

The third column of Table 2 provides a summary of the SFA's outlook for the FY 2019-20 SAF budget. The estimated FY 2018-19 SAF revenue and expenditures result in a projected ending balance of \$187.7 million. If this balance is carried forward into FY 2019-20 and is combined with \$13.9 billion of ongoing revenue (based on the January 2019 consensus revenue estimate) and \$1.9 billion of other assumed revenue, and if FY 2019-20 SAF expenditures are continued at the FY 2018-19 appropriation level with consensus adjustments for pupils, local property tax valuations, and other costs, there will be an FY 2019-20 projected SAF year-end balance of \$263.2 million. The FY 2019-20 total estimated SAF expenditures assume the continuation of SAF appropriations for community colleges and universities of \$912.4 million

**Summary**

Tables 1 and 2 summarize the projected year-end balances for all three fiscal years, for the GF/GP and School Aid Fund budgets, respectively. The SFA also is publishing today a memorandum that summarizes the consensus revenue estimates for FYs 2018-19, 2019-20, and 2020-21, and the School Aid Foundation Allowance Index Estimate for FY 2019-20. Please see the SFA's December 27, 2018, *Economic Outlook and Budget Review* for more details on the revenue and balance sheet assumptions. If you have any questions on any of the Consensus Revenue Estimating Conference issues, please contact me at 517-373-5302 or at [charkins@senate.michigan.gov](mailto:charkins@senate.michigan.gov).

**Table 1**  
**FY 2017-18, FY 2018-19, AND FY 2019-20**  
**GENERAL FUND/GENERAL PURPOSE (GF/GP)**  
**REVENUE, EXPENDITURES AND YEAR-END BALANCE ESTIMATES**  
 (millions of dollars)

	FY 2017-18	FY 2018-19	FY 2019-20
<b>Revenue:</b>			
Beginning Balance .....	\$598.5	\$662.5	\$400.4
<u>Ongoing Revenue:</u>			
Consensus Revenue Estimate (May 2018) .....	\$10,463.6	\$10,411.6	\$10,518.7
January 2019 Revenue Estimate Change .....	481.8	288.6	199.1
Consensus Revenue Estimate (January 2019) .....	\$10,945.4	\$10,700.2	\$10,717.8
<u>Other Revenue Adjustments:</u>			
Revenue Sharing Payments .....	(\$465.9)	(\$466.0)	(\$466.3)
Subtotal Ongoing Revenue .....	\$10,479.5	\$10,234.2	\$10,251.5
<u>Non-Ongoing Revenue:</u>			
One-Time Appropriation for Revenue Sharing.....	(\$5.8)	(\$13.1)	(\$13.1)
Redirection of Restricted Revenue (Lawsuit Settlement/DRF) .....	(6.7)	(\$6.3)	-
Sale of Scott Correctional Facility .....	3.4	-	-
Venture Michigan Fund II Tax Vouchers.....	-	-	(19.2)
Subtotal Non-Ongoing Revenue .....	(\$9.1)	(\$19.4)	(\$32.3)
<b>Total Estimated GF/GP Revenue .....</b>	<b>\$11,069.0</b>	<b>\$10,877.3</b>	<b>\$10,619.6</b>
<b>Expenditures:</b>			
<u>Ongoing Appropriations:</u>			
Initial Appropriations.....	\$9,784.4	\$9,611.3	\$9,611.3
Subtotal Ongoing Appropriations .....	\$9,784.4	\$9,611.3	\$9,611.3
<u>One-Time and Other Appropriations:</u>			
Estimated One-Time Appropriations .....	\$257.3	\$410.1	\$385.1
Appropriation to Budget Stabilization Fund.....	265.0	100.0	-
Enacted Supplementals (2017 PAs 143, 158, 201/2018 PAs 82, 171.....	218.2	-	-
School Aid Fund Shift (2018 PAs 265 & 586, FY 20 Gov's Rec.) .....	(136.5)	27.9	(15.0)
Enacted Supplementals (PA 207 of 2018)	177.2	-	-
Health and Human Services Caseload/Costs (PA 207 of 2018/Other) ....	(69.1)	(50.0)	103.0
Enacted Supplemental: PA 618 of 2018 .....	(0.2)	377.6	132.0
Insurance Provider Assessment net impact.....	-	-	(118.9)
Assign Remaining Principal to School Bond Loan Fund .....	15.6	-	-
Estimated Lapses.....	(105.5)	-	-
Subtotal One-Time and Other Appropriations.....	\$622.0	\$865.6	\$486.2
<b>Total Estimated GF/GP Expenditures .....</b>	<b>\$10,406.4</b>	<b>\$10,476.9</b>	<b>\$10,097.6</b>
<b>PROJECTED YEAR-END GF/GP BALANCE .....</b>	<b>\$662.5</b>	<b>\$400.4</b>	<b>\$522.0</b>

**Table 2**  
**FY 2017-18, FY 2018-19, AND FY 2019-20**  
**SCHOOL AID FUND (SAF)**  
**REVENUE, EXPENDITURES AND YEAR-END BALANCE ESTIMATES**  
 (millions of dollars)

	FY 2017-18	FY 2018-19	FY 2019-20
<b>Revenue:</b>			
Beginning Balance .....	\$401.4	\$362.6	\$187.7
<u>Ongoing Revenue:</u>			
Consensus Revenue Estimate (May 2018) .....	\$13,244.0	\$13,574.4	\$13,900.8
January 2019 Revenue Estimate Change .....	95.9	(23.9)	25.9
Consensus Revenue Estimate (January 2019) .....	\$13,339.9	\$13,550.5	\$13,926.7
<u>Other Revenue Adjustments:</u>			
General Fund/General Purpose (GF/GP) Grant .....	\$78.5	\$87.9	\$45.0
Community District Education Trust Fund .....	72.0	72.0	72.0
Federal Ongoing Aid .....	1,726.9	1,745.9	1,745.9
Subtotal Ongoing Revenue .....	\$15,217.3	\$15,456.3	\$15,789.6
<u>Non-ongoing Revenue:</u>			
SAF Deposit into MPSERS Reserve Fund .....	(\$55.0)	-	-
Reserve Fund for MPSERS .....	23.1	31.9	-
Talent Investment Fund (PA 228 of 2018) .....	100.0	-	-
SAF Deposit into Mental Health Services and Support Fund .....	(30.0)	-	-
Mental Health Services and Support Fund .....	-	30.0	-
Subtotal Non-Ongoing Revenue .....	\$38.1	\$61.9	-
<b>Total Estimated School Aid Fund Revenue.....</b>	<b>\$15,656.8</b>	<b>\$15,880.8</b>	<b>\$15,977.3</b>
<b>Expenditures:</b>			
<u>Ongoing Appropriations:</u>			
Initial Ongoing K-12 Appropriations .....	\$14,266.5	\$14,644.2	\$14,663.5
Enacted Supplementals (PA 265 of 2018).....	(1.6)	-	-
CREC Cost Adjustments (January 2019) .....	-	(59.8)	20.1
Fund Community Colleges with School Aid Fund.....	394.7	401.8	405.4
Partially Fund Higher Education with School Aid Fund .....	237.9	499.4	499.9
Subtotal Ongoing Appropriations .....	\$14,897.4	\$15,485.6	\$15,588.9
<u>One-Time and Other Appropriations:</u>			
Initial One-Time K-12 Appropriations .....	\$89.3	\$121.3	\$118.1
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 Supplemental (PA 143 of 2018).....	5.5	-	-
Marshal Plan for Talent (PA 227 of 2018).....	100.0	-	-
MPSERS: PA 92 Costs and Additional UAAL Payment .....	223.1	-	-
Enacted Supplemental (PA 586 of 2018).....	-	79.1	-
Estimated Lapses.....	(25.0)	-	-
Subtotal One-Time and Other Appropriations.....	\$396.9	\$207.5	\$125.2
<b>Total Estimated School Aid Fund Expenditures.....</b>	<b>\$15,294.3</b>	<b>\$15,693.1</b>	<b>\$15,714.1</b>
<b>PROJECTED YEAR-END SCHOOL AID FUND BALANCE .....</b>	<b>\$362.6</b>	<b>\$187.7</b>	<b>\$263.2</b>

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