

**SENATE FISCAL AGENCY
MEMORANDUM**



DATE: January 10, 2025
TO: Members of the Michigan Senate
FROM: Kathryn R. Summers, 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) 2023-24, FY 2024-25, and FY 2025-26. An agreement also was reached on the first consensus estimates of FY 2026-27 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*, which was published on January 7, 2025. This memorandum provides a 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 2023-24*	FY 2024-25	FY 2025-26
General Fund/General Purpose.....	\$1,986.1	\$717.7	\$1,072.3
School Aid Fund.....	1,129.1	1,021.3	2,037.1

*Preliminary; also, portions of these balances were used to build the FY 2024-25 budget.

YEAR-END BALANCE ESTIMATES

FY 2023-24

It is important to note that the books have not yet been closed for FY 2023-24. Based on the accounting of State revenue and expenditures as of January 10, 2025, the SFA is estimating that the FY 2023-24 GF/GP budget will close the fiscal year with a \$2.0 billion balance. The SFA estimates that the FY 2023-24 SAF budget will close the fiscal year with a \$1.1 billion balance. A portion of those balances was used in support of the FY 2024-25 budget.

FY 2024-25

A comparison of the SFA's FY 2024-25 revenue estimates with enacted and projected appropriations leads to a \$717.7 million GF/GP year-end balance. The SFA estimates that the FY 2024-25 SAF budget will end the year with a \$1.0 billion balance.

FY 2025-26

Looking ahead at the FY 2025-26 budget, comparing the SFA's FY 2025-26 GF/GP revenue estimate with FY 2025-26 GF/GP estimated expenditures results in a projected GF/GP balance of \$1.1 billion. Those estimated expenditures freeze initial ongoing spending at the FY 2024-25 level and include the prior year's ending balance along with various estimated baseline adjustments. Comparing the SFA's FY 2025-26 SAF revenue estimate (plus the prior-year balance estimate) with the FY 2025-26 SAF estimated continuation expenditures adjusted for changes in estimated pupils and other costs results in a projected SAF year-end balance of \$2.0 billion for FY 2025-26.



ESTIMATES OF FY 2024-25 ONE-TIME AND ONGOING BALANCES

The GF/GP year-end balance is primarily ongoing in nature, while the SAF balance is approximately one-half ongoing and one-half one-time in nature. Table 2 breaks down the FY 2024-25 estimated balances into ongoing and one-time. An ongoing balance is estimated by comparing ongoing revenue to ongoing spending, excluding one-time revenue (e.g., a prior-year carryforward) and one-time spending.

Table 2

SFA ESTIMATES OF ONGOING AND ONE-TIME BALANCES		
(Fiscal Year 2024-25, millions of dollars)		
	GF/GP	SAF
Estimated Ongoing Balance	\$717.4	\$535.2
Estimated One-Time Balance	<u>0.3</u>	<u>486.1</u>
Estimated Total Year-End Balance	\$717.7	\$1,021.3

Summary

Tables 3 and 4 summarize the projected year-end balances for all three fiscal years for the GF/GP and SAF budgets, respectively. The SFA also is publishing today a memorandum that summarizes the consensus revenue estimates for FYs 2023-24, 2024-25, and 2025-26 and the School Aid Foundation Allowance Index Estimate for FY 2025-26. Please see the SFA's January 7, 2025, *Economic Outlook and Budget Review* for more details on the revenue and balance sheet assumptions.

Any spending in a given year will reduce the out-year's balance as well as the current year's balance. Both the GF/GP and the SAF sides of the ledger appear to be structurally balanced; in other words, ongoing revenue (not including carryforward balances) is estimated to exceed ongoing (excluding one-time) spending. A caution to the preceding statement is that the succeeding year's expenditure estimates *assume baseline (or flat)* spending. Ongoing spending in FY 2025-26 that is greater than a baseline amount will reduce the gap between ongoing revenue and ongoing expenditure estimates.

Again, the estimated FY 2023-24 ending balances may change when the State's book-closing process is completed and the Annual Comprehensive Financial Report is published. If the FY 2023-24 numbers change because of final supplemental spending or other book-closing issues, the ending balances in this report would change. Additional policy changes or supplemental appropriations for FY 2023-24 or FY 2024-25 also would change the ending balances for FYs 2023-24, 2024-25, and money available for FY 2025-26.

If you have any questions on any of the Consensus Revenue Estimating Conference issues, please contact me at (517) 373-2768 or at ksummers@senate.michigan.gov.

/lms

Table 3
FY 2023-24, 2024-25, AND 2025-26
GENERAL FUND/GENERAL PURPOSE (GF/GP)
REVENUE, EXPENDITURES AND YEAR-END BALANCE ESTIMATES
(millions of dollars)

	Enacted/ Projected FY 2023-24	Enacted July 2024 FY 2024-25	Estimated Baseline FY 2025-26
Revenue:			
Beginning Balance	\$3,528.9	\$1,986.1	\$717.7
Ongoing Revenue:			
Consensus Revenue Forecast (May 2024)	\$13,948.8	\$14,257.8	\$14,886.5
SFA Adjustments: Restore temporary revenue losses to Baseline	778.4	550.0	0.0
Adjusted CREC Forecast Ongoing Revenue Estimate (May 2024)	\$14,727.2	\$14,807.8	\$14,886.5
CREC Forecast Revenue Change (Jan 2025)	552.3	457.7	591.2
CREC Adjusted Revenue (Jan 2025)	\$15,279.5	\$15,265.5	\$15,477.7
Other Ongoing Revenue Adjustments:			
R&D Tax Credit	0.0	0.0	(100.0)
Public Safety Trust Fund	0.0	(75.0)	(75.0)
Revenue Sharing Payments	(552.2)	(627.2)	(627.2)
Subtotal Ongoing Revenue	\$14,727.3	\$14,563.3	\$14,675.5
Non-Ongoing Revenue:			
Redirection of Restricted Revenue	(\$2.6)	(\$2.6)	(\$2.6)
SOAR interest and work project lapses 9/19 and VMF	384.1	65.0	0.0
Three-year RAP earmark	(50.0)	(50.0)	0.0
Three-year CIT SOAR earmark	(500.0)	(500.0)	0.0
Income tax reduction (ie, trigger) - 1-year impact	(228.4)	0.0	0.0
Revenue Sharing One-Time Payments	(10.5)	0.0	0.0
Subtotal Non-Ongoing Revenue	(\$407.4)	(\$487.6)	(\$2.6)
Total Estimated GF/GP Revenue Including Beginning Balance	\$17,848.8	\$16,061.8	\$15,390.6
Total Estimated GF/GP Revenue Excluding Beginning Balance	\$14,319.9	\$14,075.7	\$14,672.9
Expenditures:			
Ongoing Appropriations:			
Initial/Baseline Appropriations	\$12,757.6	\$13,605.7	\$13,775.7
Potential baseline adjustments DHHS	0.0	150.0	130.0
Childcare baseline cost increases	0.0	0.0	120.3
Reconnect savings and MAS costs	0.0	0.0	66.0
Estimated economics	0.0	0.0	150.0
Policy bills	0.0	20.0	0.0
Community District Trust Fund GF payment	33.7	70.2	0.0
Subtotal Ongoing Appropriations	\$12,791.3	\$13,845.9	\$14,239.6
One-Time and Other Appropriations:			
One-Time Appropriations	\$2,436.0	\$1,276.5	\$0.0
Veto SB 747	0.0	(9.2)	0.0
BSF Deposit	100.0	50.0	0.0
DHHS and DSH costs	55.0	81.6	78.7
SFRF lapse/payroll swap	0.0	(33.0)	0.0
Reserve for Federal reimbursement (UIA)	0.0	125.0	0.0
HB 4292 one-time spending PA 321 of 2023	103.7	0.0	0.0
Estimated lapses of items being reappropriated in HB 4292	(36.5)	0.0	0.0
Lapse report 12/13/24 (on top of earlier items)	(33.4)	0.0	0.0
Additional proposed supplemental spending	446.7	7.3	0.0
Subtotal One-Time and Other Appropriations	\$3,071.5	\$1,498.2	\$78.7
Total Estimated GF/GP Expenditures	\$15,862.8	\$15,344.1	\$14,318.3
PROJECTED YEAR-END GF/GP BALANCE (Total)	\$1,986.1	\$717.7	\$1,072.3
PROJECTED YEAR-END GF/GP BALANCE (Ongoing)	\$1,936.0	\$717.4	\$435.9
PROJECTED YEAR-END GF/GP BALANCE (One-Time)	\$50.0	\$0.3	\$636.4

Table 4
FY 2023-24, 2024-25, AND 2025-26
SCHOOL AID FUND (SAF)
REVENUE, EXPENDITURES AND YEAR-END BALANCE ESTIMATES
(millions of dollars)

	Enacted/ Projected FY 2023-24	Year-to-Date FY 2024-25	Estimated Baseline FY 2025-26
Revenue:			
Beginning Balance	\$2,192.5	\$1,129.1	\$1,021.3
Ongoing Revenue:			
Consensus Revenue Forecast (May 2024).....	\$17,783.6	\$18,146.9	\$18,572.5
SFA Adjustments: Restore temporary revenue gains from Baseline	(9.7)	0.0	0.0
Adjusted CREC Forecast Ongoing Revenue Estimate (May 2024).....	\$17,773.9	\$18,146.9	\$18,572.5
CREC Forecast Revenue Change (Jan 2025).....	301.8	312.7	319.0
CREC Adjusted Revenue (Jan 2025)	\$18,075.7	\$18,459.6	\$18,891.5
Other Revenue Adjustments:			
General Fund/General Purpose (GF/GP) Grant	\$49.8	\$50.1	\$50.0
Community District Education Trust Fund.....	72.0	41.0	0.0
Federal Ongoing Aid	2,204.8	2,272.8	2,322.8
Subtotal Ongoing Revenue	\$20,402.3	\$20,823.5	\$21,264.3
Non-Ongoing Revenue:			
Income tax reduction (ie, trigger) - 4/10/23	\$9.7	\$0.0	\$0.0
MPSERS Reserve Fund	240.7	334.1	0.0
SAF BSF Deposit.....	0.0	(25.0)	0.0
Infrastructure and Consolidation Fund	248.0	0.0	0.0
Transportation Reserve Fund	125.0	125.0	0.0
School Meals Reserve Fund	60.0	0.0	0.0
Additional Meals Reserve	30.0	30.0	0.0
Enrollment Stability Reserve Fund.....	71.0	71.0	0.0
GSRP Reserve Fund	18.0	18.0	0.0
Revenue Deposits - Infrastructure/MPSERS	0.0	30.0	0.0
Additional One-Time GF	38.2	28.7	0.0
Proposed repurposing of \$13.3m GEER.....	14.3	0.0	0.0
Work project lapse for school counselors	107.1	0.0	0.0
GF/GP for DPSCD Add'l Cost Exceeding CDTF \$72m/yr.....	33.7	70.2	0.0
Subtotal Non-Ongoing Revenue	\$995.6	\$682.0	\$0.0
Total Estimated SAF Revenue Including Beginning Balance	\$23,590.4	\$22,634.6	\$22,285.6
Total Estimated SAF Revenue Excluding Beginning Balance	\$21,397.8	\$21,505.5	\$21,264.3
Expenditures:			
Ongoing Appropriations:			
Initial Ongoing K-12 SAF Appropriations	\$16,934.8	\$17,187.6	\$17,107.0
Initial School Aid Federal Funds	2,204.8	\$2,272.8	\$2,322.8
CREC Estimated Cost Adjustments	51.0	(\$80.6)	(\$115.0)
Fund Community Colleges with SAF	496.2	\$456.9	\$482.1
Partially Fund Higher Education with SAF	452.3	\$451.7	\$451.7
Subtotal Ongoing Appropriations	\$20,139.0	\$20,288.3	\$20,248.5
One-Time and Other Appropriations:			
Initial One-Time K-12 SAF Appropriations	\$2,324.1	\$1,183.9	\$0.0
Initial One-Time Community College Appropriations	48.4	5.1	0.0
Initial One-Time University Appropriations.....	30.0	10.0	0.0
Michigan School for the Deaf	40.0	0.0	0.0
Enacted SB 174.....	122.1	0.0	0.0
Supplementals	73.7	126.0	0.0
Lapses (1/7/25 estimate)	(316.0)	0.0	0.0
Subtotal One-Time and Other Appropriations	\$2,322.2	\$1,325.0	\$0.0
Total Estimated School Aid Fund Expenditures	\$22,461.3	\$21,613.3	\$20,248.5
PROJECTED YEAR-END SAF BALANCE (Total)	\$1,129.1	\$1,021.3	\$2,037.1
PROJECTED YEAR-END SAF BALANCE (Ongoing)	\$263.2	\$535.2	\$1,015.8
PROJECTED YEAR-END SAF BALANCE (One-Time)	\$865.9	\$486.1	\$1,021.3