

**SENATE FISCAL AGENCY
MEMORANDUM**



DATE: May 17, 2019
TO: Members of the Senate
FROM: Christopher Harkins, Director
RE: Consensus Revenue Year-End Balance Estimates

Based on the revised consensus revenue estimates agreed to on May 17, 2019, and enacted and projected State appropriations based on FY 2019-20 Senate-passed budgets, the Senate Fiscal Agency (SFA) has revised its estimates of the year-end balances in the fiscal year (FY) 2018-19, FY 2019-20, and FY 2020-21 General Fund/General Purpose (GF/GP) and School Aid Fund (SAF) budgets. This memorandum provides a brief summary of these revised estimates.

FY 2018-19 Year-End Balance Estimates

The initial FY 2018-19 budget approved by the Legislature was based on a May 2018 consensus revenue estimate. The revisions to the consensus revenue estimates agreed to in January 2019 reflected a decrease from the May 2018 estimate in GF/GP revenue, and an increase in the estimate for SAF revenue, still allowing continued surpluses in both the GF/GP and SAF budgets. Under current law, ending balances for both the GF/GP budget and the SAF budget are carried forward into the ensuing fiscal year, and have already been built into the FY 2019-20 budgets proposed by the Governor and the Senate.

The May 2019 consensus estimate of FY 2018-19 GF/GP revenue is up by \$151.5 million from the January 2019 consensus revenue estimate, while consensus SAF revenue is down by \$68.2 million. The SFA's FY 2018-19 estimated GF/GP revenue total of \$11.2 billion includes \$788.3 million of surplus revenue carried forward from FY 2017-18, and negative adjustments of \$479.1 million to reflect statutory State revenue sharing payments (both ongoing and one-time). The SFA's FY 2018-19 estimated SAF revenue total of \$15.8 billion includes \$320.5 million of surplus revenue carried forward from FY 2017-18, \$13.5 billion of restricted SAF revenue, a \$87.9 million GF/GP grant, \$72.0 million from the Community District Education Trust Fund, and \$1.7 billion of ongoing Federal aid.

The projected level of FY 2018-19 GF/GP expenditures includes initial appropriations of \$10.2 billion; a \$100.0 million appropriation to the Budget Stabilization Fund (BSF); enacted supplemental appropriations of \$405.5 million; pending supplemental appropriation reductions of \$20.3 million; projected caseload and cost savings of \$10.8 million in the Department of Health and Human Services; and an estimated year-end lapse amount of \$9.5 million. Comparing estimated GF/GP revenue to estimated GF/GP expenditures results in a projected year-end GF/GP balance of \$668.3 million. The estimated \$15.7 billion level of SAF expenditures includes enacted appropriations of \$15.7 billion, consensus cost adjustment reductions of \$56.7 million, supplemental adjustments of \$79.6 million, and cash flow borrowing cost increases of \$14.0 million. Comparing estimated SAF revenue to estimated SAF expenditures results in a projected year-end SAF balance of \$48.9 million.



FY 2019-20 Year-End Balance Estimates

The May 2019 consensus estimate of FY 2019-20 GF/GP revenue is up by \$59.1 million from the January 2019 consensus revenue estimate while consensus SAF revenue is down by \$86.9 million. The FY 2019-20 estimated GF/GP revenue total of \$11.0 billion includes \$668.3 million of surplus revenue carried forward from FY 2018-19; consensus revenue of \$10.8 billion; Senate-passed statutory revenue sharing payments of \$479.6 million, which reduce GF/GP revenue by that amount; \$5.2 million in anticipated carryforward from the Lawsuit Settlement Fund; and \$10.0 million in reimbursement revenue resulting from the implementation of recreational marijuana pursuant to Initiated Law 1 of 2018. The FY 2019-20 estimated SAF revenue total of \$16.0 billion includes \$48.9 million of surplus revenue carried forward from FY 2018-19; \$13.8 billion of restricted SAF revenue; a Senate-passed \$268.0 million GF/GP grant; \$72.0 million from the Community District Education Trust Fund; and \$1.7 billion of ongoing Federal aid.

The projected \$10.6 billion level of FY 2019-20 GF/GP expenditures includes Senate-passed appropriations of \$10.5 billion, which is \$187.9 million lower than the Governor's revised recommendation, a Senate-passed contribution to the BSF of \$50.0 million, and consensus caseload and cost increases in the Department of Health and Human Services of \$28.5 million. Comparing estimated GF/GP revenue with Senate-passed GF/GP appropriations, adjusted for caseload and cost increases, results in a projected year-end GF/GP balance of \$424.4 million. The estimated \$16.1 billion level of SAF expenditures are the Senate-passed appropriations with consensus cost adjustment savings of \$18.3 million and additional cash flow borrowing costs of \$10.0 million. Comparing estimated SAF revenue to estimated SAF expenditures results in a projected year-end SAF deficit of \$163.7 million. The projected balance in GF/GP would be sufficient to offset the estimated deficit in the SAF.

FY 2020-21 Year-End Balance Estimates

The May 2019 consensus estimate of FY 2020-21 GF/GP revenue is up by \$67.9 million from the January 2019 consensus revenue estimate, while consensus SAF revenue is down by \$84.9 million. The FY 2020-21 estimated GF/GP revenue total of \$10.9 billion includes a beginning balance of \$424.4 million; \$10.9 billion of consensus revenue, and continuation of the FY 2019-20 Senate-passed recommendation of \$479.6 million for statutory State Revenue Sharing payments. If a portion of the projected FY 2019-20 GF/GP ending balance is used to offset the projected SAF deficit, a reduced amount of balance then will be carried into FY 2020-21 and reduce total GF/GP revenue available. The FY 2020-21 estimated SAF revenue total of \$16.3 billion includes consensus revenue of \$14.2 billion; a continuation of the Senate-passed \$268.0 million GF/GP grant; \$72.0 million from the Community District Education Trust Fund; and \$1.7 billion of Federal aid.

The estimated \$10.2 billion level of FY 2020-21 GF/GP expenditures includes the on-going appropriations recommended by the Senate-passed FY 2019-20 budgets, \$28.5 million of projected consensus caseload and cost increases in the Department of Health and Human Services, \$45.0 million in additional costs associated with State employee compensation, and \$14.6 million of increased State Building Authority rent. Comparing estimated GF/GP revenue to estimated GF/GP expenditures results in a projected year-end GF/GP balance of \$653.7 million.

The estimated \$16.2 billion level of SAF expenditures includes FY 2020-21 appropriations based on a continuation of the FY 2019-20 Senate-passed appropriations into FY 2020-21, consensus cost adjustments of a negative \$31.2 million, and additional cash flow borrowing costs of \$14.0 million. Comparing estimated SAF revenue to estimated SAF expenditures results in a projected year-end SAF balance of \$76.0 million.

Tables 1 and 2 provide a three-year summary of the projected year-end balances for the GF/GP and SAF budgets, respectively. Table 3 outlines the Governor's FY 2019-20 Gross and GF/GP appropriation recommendations by budget area, compared with the Senate-passed appropriations.

If you have any questions on these revised SFA estimates, please don't hesitate to contact me at 373-5300 or charkins@senate.michigan.gov.

/lms

Table 1

GENERAL FUND/GENERAL PURPOSE (GF/GP) REVENUE, EXPENDITURES, AND YEAR-END BALANCE ESTIMATES (millions of dollars)			
	SFA Estimates		
	FY 2018-19 Year-To- Date	FY 2019-20 Senate Passed	FY 2020-21 Senate Rec.
Revenue:			
Beginning Balance	\$788.3	\$668.3	\$424.4
Ongoing Revenue:			
Consensus Revenue Estimate (January 2019).....	\$10,700.2	\$10,717.8	\$10,852.6
Consensus Revenue Estimate Change	151.5	59.1	67.9
Consensus Revenue Estimate (May 2019).....	\$10,851.7	\$10,776.9	\$10,920.5
Other Revenue Adjustments:			
Revenue Sharing Payments.....	(\$466.0)	(\$479.6)	(\$479.6)
Subtotal Ongoing Revenue.....	\$10,385.7	\$10,297.3	\$10,440.9
Non-ongoing Revenue:			
One-Time Appropriation for Revenue Sharing.....	(\$13.1)	\$0.0	\$0.0
Redirection of Restricted Revenue	(6.3)	5.2	0.0
Reimbursement for Implementation of Recreational Marihuana	0.0	10.0	0.0
Subtotal Non-Ongoing Revenue.....	(\$19.4)	15.2	0.0
Total Estimated GF/GP Revenue.....	\$11,154.6	\$10,980.8	\$10,865.3
Expenditures:			
Ongoing Appropriations:			
Initial/Senate-Passed.....	\$9,614.6	\$9,855.6	\$9,855.6
Subtotal Ongoing Appropriations.....	\$9,614.6	\$9,855.6	\$9,855.6
One-Time and Other Appropriations:			
Estimated One-Time Appropriations	\$406.8	\$354.3	\$0.0
Appropriation to Budget Stabilization Fund.....	100.0	50.0	0.0
Enacted Supplementals	377.6	0.0	0.0
Pending Supplementals (Req. 2019-4, HB 4286, SB 150)	(20.3)	0.0	0.0
DHHS Caseload and Costs.....	(10.8)	28.5	28.5
School Aid Fund Shift.....	27.9	268.0	268.0
Defined Calculations	0.0	0.0	45.0
State Building Authority Rent Increases.....	0.0	0.0	14.6
Estimated Lapses	(\$9.5)	0.0	0.0
Subtotal One-Time and Other Appropriations	\$871.7	\$655.8	\$311.1
Total Estimated GF/GP Expenditures.....	\$10,486.3	\$10,556.4	\$10,211.7
PROJECTED YEAR-END GF/GP BALANCE	\$668.3	\$424.4	\$653.7

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

	SFA Estimates		
	FY 2018-19 Year-To- Date	FY 2019-20 Senate Passed	FY 2020-21 Senate Rec.
Revenue:			
Beginning Balance.....	\$320.5	\$48.9	\$0.0
Ongoing Revenue:			
Consensus Revenue Estimate (January 2019)	\$13,550.5	\$13,926.7	\$14,264.4
Consensus Revenue Estimate Change.....	<u>(\$68.2)</u>	<u>(\$86.9)</u>	<u>(\$84.9)</u>
Consensus Revenue Estimate (May 2019)	\$13,482.3	\$13,839.8	\$14,179.5
Other Revenue Adjustments:			
General Fund/General Purpose Grant.....	\$87.9	\$268.0	\$268.0
Community District Education Trust Fund	72.0	72.0	72.0
Federal Ongoing Aid	<u>1,745.9</u>	<u>1,749.6</u>	<u>1,749.6</u>
Subtotal Ongoing Revenue	\$15,388.1	\$15,929.4	\$16,269.1
Non-Ongoing Revenue:			
Reserve Fund for MPSERS	\$30.0	\$1.9	\$0.0
Mental Health Services and Support Fund	<u>30.0</u>	<u>0.0</u>	<u>(6.0)</u>
Subtotal Non-Ongoing Revenue	\$60.0	\$1.9	\$0.0
Total Estimated School Aid Fund Revenue	\$15,768.6	\$15,980.2	\$16,269.1
Expenditures:			
Ongoing Appropriations:			
Initial K-12/Senate-Passed Appropriations	\$14,653.2	\$15,160.2	\$15,285.4
Consensus Cost Adjustments (May 2018).....	(56.7)	(\$18.3)	(\$31.2)
Enacted Supplementals (PA 265 of 2018).....	0.5	0.0	0.0
Additional Cash Flow Borrowing Costs	14.0	10.0	14.0
Fund Community Colleges with SAF	401.8	405.1	416.9
Partially Fund Higher Education with SAF	499.4	499.9	500.9
Subtotal Ongoing Appropriations.....	\$15,512.2	\$16,056.8	\$16,186.0
One-Time and Other Appropriations:			
Initial One-Time K-12 Appropriations.....	\$121.3	\$80.0	0.0
Initial One-Time Community Colleges Appropriations	6.4	6.4	6.4
Initial One-Time Higher Education Appropriations.....	0.7	0.7	0.7
Enacted Supplementals (PA 143, 227, 586 of 2018).....	<u>79.1</u>	<u>0.0</u>	<u>0.0</u>
Subtotal One-Time and Other Appropriations	\$207.5	\$87.1	\$7.1
Total Estimated School Aid Fund Expenditures	\$15,719.7	\$16,143.9	\$16,193.1
PROJECTED YEAR-END SCHOOL AID FUND BALANCE	\$48.9	(\$163.7)	\$76.0

Table 3

FY 2019-20 GROSS AND GENERAL FUND/GENERAL PURPOSE (GF/GP) APPROPRIATIONS GOVERNOR'S REVISED RECOMMENDATION VERSUS SENATE-PASSED APPROPRIATIONS						
Department/Budget Area	Governor's Revised Rec.		Senate-Passed		Senate Changes to Gov's Rec.	
	Gross	GF/GP	Gross	GF/GP	Gross	GF/GP
Agriculture and Rural Development	\$109,830,500	\$57,920,200	\$112,745,500	\$60,835,200	\$2,915,000	\$2,915,000
Attorney General	106,517,800	41,736,300	102,344,200	37,562,700	(4,173,600)	(4,173,600)
Civil Rights	16,388,300	13,195,700	15,068,800	11,876,200	(1,319,500)	(1,319,500)
Community Colleges	421,164,000	12,948,500	416,330,200	4,833,700	(4,833,800)	(8,114,800)
Corrections	2,049,998,200	1,991,874,800	2,021,964,800	1,963,841,400	(28,033,400)	(28,033,400)
Education	436,344,500	87,212,000	422,044,500	87,212,000	(14,300,000)	0
Environmental Quality	497,833,800	55,370,400	598,273,300	173,793,000	100,439,500	118,422,600
Executive	7,114,300	7,114,300	7,114,300	7,114,300	0	0
Health and Human Services	26,178,757,500	4,779,342,000	26,130,808,300	4,745,812,400	(47,949,200)	(33,529,600)
Higher Education	1,711,321,800	1,587,795,400	1,693,001,800	1,064,438,100	(18,320,000)	(523,357,300)
Insurance and Financial Services	68,889,800	150,000	68,889,800	150,000	0	0
Judiciary	309,341,000	201,142,200	311,092,100	201,142,200	1,751,100	0
Legislature	192,700,500	180,074,000	195,855,400	182,795,800	3,154,900	2,721,800
Licensing and Regulatory Affairs	566,009,000	124,355,700	571,864,840	123,520,440	5,855,840	(835,260)
Military and Veterans Affairs	201,102,500	70,284,900	205,197,500	74,379,900	4,095,000	4,095,000
Natural Resources	474,444,700	51,224,000	450,372,100	48,524,200	(24,072,600)	(2,699,800)
School Aid	15,371,238,900	45,000,000	15,240,157,900	268,000,000	(131,081,000)	223,000,000
State	255,209,600	22,967,500	250,393,000	18,150,900	(4,816,600)	(4,816,600)
State Police	718,629,000	468,507,200	721,588,200	471,466,400	2,959,200	2,959,200
Talent and Economic Development	1,088,257,000	144,908,300	1,107,257,100	145,908,400	19,000,100	1,000,100
Technology, Management, and Budget	1,579,618,900	503,792,600	1,521,956,900	446,130,600	(57,662,000)	(57,662,000)
Transportation	5,778,292,000	0	5,130,767,200	132,000,000	(647,524,800)	132,000,000
Treasury-Debt Service	104,335,000	104,335,000	104,335,000	104,335,000	0	0
Treasury-Operations	590,416,900	114,491,800	582,967,900	104,042,800	(7,449,000)	(10,449,000)
Treasury-Revenue Sharing	1,382,407,900	0	1,366,155,700	0	(16,252,200)	0
TOTAL APPROPRIATIONS	\$60,216,163,400	\$10,665,742,800	\$59,348,546,340	\$10,477,865,640	(\$867,617,060)	(\$187,877,160)

The Governor recommends a deposit of \$150.0 million into the Budget Stabilization Fund. The Senate-passed budgets recommend \$50.0 million.