

**SENATE FISCAL AGENCY  
MEMORANDUM**



**DATE:** January 12, 2017  
**TO:** Members of the Senate  
**FROM:** Ellen Jeffries, 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) 2015-16, FY 2016-17, and FY 2017-18. An agreement also was reached on the first consensus estimate of FY 2018-19 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 in the FY 2015-16, FY 2016-17, and FY 2017-18 GF/GP and SAF budgets. This memorandum provides a brief summary of these revised SFA estimates.

**FY 2015-16 Year-End Balance Estimates**

The FY 2015-16 State budget was originally based on consensus revenue estimates agreed to in May 2015. At that time, the GF/GP year-end balance was projected to be \$17.6 million, and the projected SAF year-end balance was \$50.2 million. The FY 2015-16 comprehensive annual financial report (commonly referred to as the CAFR) has not yet been published, but based on year-to-date accounting reports of FY 2015-16 GF/GP revenue and expenditures from the State Budget Office and the Department of Treasury, the Senate Fiscal Agency is projecting that the FY 2015-16 GF/GP budget will close the fiscal year with a \$608.6 million balance. The FY 2015-16 SAF budget is projected to close the fiscal year with a \$168.2 million balance.

The first column of [Table 1](#) provides a summary of the current SFA estimate of a \$608.6 million balance in the FY 2015-16 GF/GP budget. The first column of [Table 2](#) provides a summary of the SFA's estimate of a \$168.2 million year-end balance in the FY 2015-16 SAF budget. Pursuant to statutory requirements, the amounts of the year-end balances will carry forward and be available as FY 2016-17 revenue sources. It should be noted that year-end balances of \$135.3 million GF/GP and \$104.2 million SAF had been assumed in June 2016 when the FY 2016-17 budget was being finalized, and were factored into the FY 2016-17 spending plan.

The revised FY 2015-16 balance sheets in this memo include \$473.3 million more in the GF/GP carry-forward year-end balance and \$64.0 million more in the SAF carry-forward year-end balance, than the June 2016 estimate. Of the \$473.3 million-higher GF/GP carry-forward balance, \$281.3 million was due to changes in revenue from the May 2016 consensus. These revenue changes were accompanied by higher-than-anticipated year-end lapses of \$198.1 million. Also of note is that of the \$281.3 million GF/GP revenue change from the May 2016 consensus, approximately \$152.1 million can be attributed to Michigan Business Tax credits that were not posted as part of the FY 2015-16 book-closing process, but may be recognized in a future fiscal year. The SAF's FY 2015-16 year-end balance increase of \$64.0 million from June 2016 is primarily attributed to a revenue increase of \$51.3 million, as well as year-end lapses and other adjustments that lowered expenditures compared to the June 2016 estimates.



## **FY 2016-17 Year-End Balance Estimates**

Based on the consensus revenue estimate and enacted appropriations, the SFA is now estimating that the FY 2016-17 GF/GP budget year-end balance will be \$479.7 million. The second column of [Table 1](#) provides a summary of this estimate. The estimate includes a projected \$608.6 million budget surplus carried forward from FY 2015-16. The current consensus estimate of FY 2016-17 GF/GP revenue represents a \$151.6 million increase from the May 2016 consensus revenue estimate upon which the FY 2016-17 budget was based, although \$80.0 million of this increase had already been assumed on the balance sheet due to the adoption of insurance tax credits. The SFA estimate of \$10.1 billion for FY 2016-17 GF/GP expenditures has not changed from the estimate published in the SFA's Economic Outlook and Budget Review on December 19, 2016. Comparing the total estimated GF/GP revenue (based on the January 2017 consensus revenue estimate) to the SFA's estimate of FY 2016-17 GF/GP expenditures results in a projected year-end balance of \$479.7 million.

Based on the consensus revenue estimate and enacted and projected expenditures, the SFA is now estimating that the FY 2016-17 SAF budget will have a year-end balance of \$143.5 million. The second column of [Table 2](#) provides a summary of this estimate. This estimate includes a projected \$168.2 million budget surplus carried forward from FY 2015-16. The current consensus estimate of FY 2016-17 SAF revenue represents a \$54.6 million increase from the May 2016 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 2016-17 by \$15.5 million. Comparing the total estimated SAF revenue (based on the January 2017 consensus revenue estimate) to the SFA's estimate of FY 2016-17 SAF expenditures results in a projected ending balance of \$143.5 million.

## **FY 2017-18 State Budget Outlook**

Pursuant to statutory requirements, the Governor must submit a detailed FY 2017-18 State budget recommendation to the Legislature no later than February 11, 2017. This State budget recommendation will continue the debate on the FY 2017-18 State budget. On February 10, 2016, Governor Snyder presented his FY 2016-17 budget and his projections for FY 2017-18. The Legislature subsequently enacted an FY 2016-17 State budget and included language within that budget expressing intent to provide FY 2017-18 appropriations that would be the same as those for FY 2016-17, with adjustments for caseload, costs, economic factors, and available revenue.

The estimated FY 2016-17 GF/GP revenue and expenditures produce a projected FY 2017-18 beginning balance of \$479.7 million. If this beginning balance is combined with total estimated GF/GP revenue (based on the January 2017 consensus revenue estimate) of \$10.5 billion, and if FY 2017-18 ongoing and one-time departmental appropriations are assumed to remain at the same levels as those of FY 2016-17, with adjustments for caseload, costs, and economic factors, there will be an FY 2017-18 projected year-end GF/GP balance of \$267.5 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 2017-18 SAF budget. The estimated FY 2016-17 SAF revenue and expenditures result in a projected ending balance of \$143.5 million. If this balance is carried forward into FY 2017-18 and is combined with \$14.7 billion of ongoing revenue (based on the January 2017 consensus revenue estimate), and if FY 2017-18 SAF expenditures are continued at the FY 2016-17 appropriation level with consensus adjustments for pupils, local property tax valuations, and other costs, there will be an FY 2017-18 projected SAF year-end balance of \$273.7 million. The FY 2017-18 total estimated SAF expenditures assume the continuation of SAF appropriations of \$260.9 million for community colleges and \$237.3 million for universities, adjusted for the cap on employee retirement costs.

**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.

**Table 1**  
**FY 2015-16, FY 2016-17, AND FY 2017-18**  
**GENERAL FUND/GENERAL PURPOSE (GF/GP)**  
**REVENUE, EXPENDITURES AND YEAR-END BALANCE ESTIMATES**  
**(Millions of Dollars)**

	FY 2015-16	FY 2016-17	FY 2017-18
<b>Revenue:</b>			
Beginning Balance .....	\$694.7	\$608.6	\$479.7
<u>Ongoing Revenue:</u>			
Consensus Revenue Estimate (May 2016) .....	\$9,734.1	\$10,138.5	\$10,607.1
January 2017 Revenue Estimate Change .....	281.3	151.6	(84.4)
Consensus Revenue Estimate (January 2017) .....	\$10,015.4	\$10,290.1	\$10,522.7
<u>Other Revenue Adjustments:</u>			
Revenue Sharing Payments .....	(\$462.7)	(\$465.3)	(\$465.3)
Shift of Borrowing Costs to School Aid Fund .....	1.3	5.5	6.5
Medicaid Managed Care Use Tax .....	413.5	105.3	0.0
Subtotal Ongoing Revenue .....	\$9,967.5	\$9,935.6	\$10,063.9
<u>Non-Ongoing Revenue:</u>			
One-Time Appropriation for Revenue Sharing.....	(\$5.8)	(\$5.8)	(\$5.8)
School Bond Loan Repayments .....	8.0	0.0	0.0
Redirection of Restricted Revenue .....	2.6	16.8	0.0
Bookclosing Adjustments .....	3.3	0.0	0.0
Subtotal Non-Ongoing Revenue .....	\$8.1	\$11.0	(\$5.8)
<b>Total Estimated GF/GP Revenue .....</b>	<b>\$10,670.3</b>	<b>\$10,555.2</b>	<b>\$10,537.8</b>
<b>Expenditures:</b>			
<u>Ongoing Appropriations:</u>			
Initial Ongoing Appropriations .....	\$9,517.8	\$9,669.0	\$9,669.0
<u>One-Time and Other Appropriations:</u>			
Initial One-Time Appropriations.....	\$356.3	\$306.3	\$306.3
Appropriation to Budget Stabilization Fund.....	95.0	75.0	0.0
Enacted Supplementals .....	282.7	125.2	0.0
Estimated Baseline, Caseload, Cost Adjustments.....	0.0	(100.0)	295.0
Estimated Lapses.....	(190.1)	0.0	0.0
Subtotal One-Time and Other Appropriations.....	\$543.9	\$406.5	\$601.3
<b>Total Estimated GF/GP Expenditures .....</b>	<b>\$10,061.7</b>	<b>\$10,075.5</b>	<b>\$10,270.3</b>
<b>PROJECTED YEAR-END GF/GP BALANCE .....</b>	<b>\$608.6</b>	<b>\$479.7</b>	<b>\$267.5</b>

**Table 2**  
**FY 2015-16, FY 2016-17, AND FY 2017-18**  
**SCHOOL AID FUND (SAF)**  
**REVENUE, EXPENDITURES AND YEAR-END BALANCE ESTIMATES**  
**(Millions of Dollars)**

	FY 2015-16	FY 2016-17	FY 2017-18
<b>Revenue:</b>			
Beginning Balance .....	\$190.2	\$168.2	\$143.5
<u>Ongoing Revenue:</u>			
Consensus Revenue Estimate (May 2016) .....	\$12,067.4	\$12,402.4	\$12,760.8
January 2017 Revenue Estimate Change .....	<u>51.3</u>	<u>54.6</u>	<u>22.3</u>
Consensus Revenue Estimate (January 2017) .....	\$12,118.7	\$12,457.0	\$12,783.1
<u>Other Revenue Adjustments:</u>			
General Fund/General Purpose Grant .....	55.1	218.9	57.4
Community District Education Trust Fund .....	0.0	72.0	72.0
Medicaid Managed Care Use Tax .....	206.8	52.6	0.0
Federal Ongoing Aid .....	<u>1,775.8</u>	<u>1,818.6</u>	<u>1,818.6</u>
Subtotal Ongoing Revenue .....	\$14,156.4	\$14,619.1	\$14,731.6
<u>Non-ongoing Revenue:</u>			
Work Project Lapses/Bookclosing Adjustments.....	3.5	0.0	0.0
<b>Total Estimated School Aid Fund Revenue.....</b>	<b>\$14,350.1</b>	<b>\$14,787.6</b>	<b>\$14,874.6</b>
<b>Expenditures:</b>			
<u>Ongoing Appropriations:</u>			
Initial Ongoing K-12 Appropriations .....	\$13,846.5	\$13,985.8	\$14,102.4
Enacted Supplementals .....	(169.2)	0.0	0.0
Consensus Estimate of K-12 Cost Adjustments (January 2017)	0.0	(15.5)	0.3
Partially Fund Community Colleges with School Aid Fund.....	256.7	260.4	260.9
Partially Fund Higher Education with School Aid Fund .....	<u>205.2</u>	<u>237.1</u>	<u>237.3</u>
Subtotal Ongoing Appropriations .....	\$14,139.2	\$14,467.8	\$14,600.9
<u>One-Time and Other Appropriations:</u>			
Initial One-Time K-12 Appropriations .....	\$49.8	\$176.0	\$0.0
Enacted Supplementals .....	9.5	0.0	0.0
Bookclosing Adjustments .....	22.4	0.0	0.0
Estimated Lapses.....	<u>(39.0)</u>	<u>0.0</u>	<u>0.0</u>
Subtotal One-Time and Other Appropriations.....	\$42.7	\$176.0	\$0.0
<b>Total Estimated School Aid Fund Expenditures.....</b>	<b>\$14,181.9</b>	<b>\$14,643.8</b>	<b>\$14,600.9</b>
<b>PROJECTED YEAR-END SCHOOL AID FUND BALANCE .....</b>	<b>\$168.2</b>	<b>\$143.5</b>	<b>\$273.7</b>

The SFA also is publishing today a memo that summarizes the Consensus Revenue Estimates for FYs 2015-16, 2016-17, and 2017-18, and the School Aid Foundation Allowance Index Estimate for FY 2017-18. If you have any questions on any of the Consensus Revenue Estimating Conference issues, please contact me at 517-373-5300 or at [ejeffries@senate.michigan.gov](mailto:ejeffries@senate.michigan.gov).

/lms