

**SENATE FISCAL AGENCY
 MEMORANDUM**

DATE: May 15, 2015
TO: Members of the Senate
FROM: Ellen Jeffries, Director
RE: Consensus Revenue Year-End Balance Estimates

Based on the revised consensus revenue estimates agreed to on May 15, 2015, enacted and projected State appropriations based on Senate-passed budgets, and the assumption that the Governor's proposed increase in the Health Insurance Claims Assessment (HICA) rate is not enacted, the Senate Fiscal Agency (SFA) has revised its estimates of the year-end balances in the fiscal year (FY) 2014-15, FY 2015-16, and FY 2016-17 General Fund/General Purpose (GF/GP) and School Aid Fund (SAF) budgets. This memorandum provides a brief summary of these revised estimates.

FY 2014-15 Year-End Balance Estimates

The initial FY 2014-15 budget approved by the Legislature was based on a May 2014 consensus revenue estimate. The revisions to the consensus revenue estimates agreed to in January 2015 reflected a decrease of over \$300.0 million in GF/GP revenue, with SAF revenue remaining stable. In order to bring the FY 2014-15 GF/GP budget back into balance, Executive Order 2015-5 and two negative supplemental bills (Public Acts 5 and 6 of 2015) were enacted. The May 15, 2015 consensus revenue estimates, which result in an increase in GF/GP revenue and a decrease in SAF revenue from the January 2015 consensus, still produce an FY 2014-15 surplus in both the GF/GP and SAF budgets of \$210.3 million and \$141.8 million, respectively. 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 2015-16 budgets proposed by the Governor and the Legislature.

The May 2015 consensus estimate of current-law FY 2014-15 GF/GP revenue is up by \$223.5 million from the January 2015 consensus revenue estimate, while current-law SAF revenue is down by \$5.9 million. The FY 2014-15 estimated GF/GP revenue total of \$9.9 billion includes \$306.4 million of surplus revenue carried forward from FY 2013-14, consensus revenue of \$9.7 billion, \$374.8 million of Medicaid managed care use tax revenue, adjustments of \$468.0 million to reflect statutory State revenue sharing payments, and \$38.1 million to pay for Venture Michigan Fund tax voucher liabilities. The FY 2014-15 estimated SAF revenue total of \$14.4 billion includes \$455.1 million of surplus revenue carried forward from FY 2013-14, \$11.9 billion of consensus revenue, \$18.0 million from the Michigan Public Schools Employee Retirement System (MPERS) Reserve Fund, a \$33.7 million GF/GP grant, \$187.4 million of Medicaid managed care use tax revenue, Federal aid of \$1.8 billion, and \$11.9 million to pay for Venture Michigan Fund tax voucher liabilities.

The projected \$9.9 billion level of FY 2014-15 GF/GP expenditures includes enacted appropriations, \$10.8 million of projected consensus caseload and cost estimates in the Departments of Education (\$2.7 million savings), Community Health (\$14.7 million cost), and Human Services (\$1.2 million savings), and an estimated year-end lapse of \$6.8 million.

Comparing estimated GF/GP revenue to estimated GF/GP expenditures results in a projected year-end GF/GP balance of \$210.3 million. The estimated \$14.2 billion level of SAF expenditures includes enacted appropriations, a State Budget Office request for \$1.0 million to contract for an education resource study, and consensus cost adjustments of a negative \$13.0 million. Comparing estimated SAF revenue to estimated SAF expenditures results in a projected year-end SAF balance of \$141.8 million.

FY 2015-16 Year-End Balance Estimates

The May 2015 consensus estimate of current-law FY 2015-16 GF/GP revenue is up by \$168.7 million from the January 2015 consensus revenue estimate while current-law SAF revenue is down by \$20.8 million. The FY 2015-16 estimated GF/GP revenue total of \$10.0 billion includes \$210.3 million of surplus revenue carried forward from FY 2014-15, consensus revenue of \$9.9 billion, a negative adjustment of \$462.7 million to reflect statutory State revenue sharing payments, the shift of \$2.0 million in short-term borrowing costs to the SAF, \$406.7 million of Medicaid managed care use tax revenue, and \$38.1 million to pay for Venture Michigan Fund tax voucher liabilities. The FY 2015-16 estimated SAF revenue total of \$14.4 billion includes \$141.8 million of surplus revenue carried forward from FY 2014-15, a \$41.7 million GF/GP grant, \$203.3 million of Medicaid managed care use tax revenue, Federal aid of \$1.8 billion, and \$11.9 million to pay for Venture Michigan Fund tax voucher liabilities.

The projected \$9.6 billion level of FY 2015-16 GF/GP expenditures includes Senate-passed appropriations, \$17.4 million of projected consensus caseload and cost estimates in the Departments of Education (\$0.9 million savings) Community Health (\$30.1 million cost), Human Services (\$12.3 million savings), and Treasury (\$0.5 million cost), and a consensus estimate of \$27.1 million for an increase in HICA credits. Comparing estimated GF/GP revenue with estimated GF/GP expenditures results in a projected year-end GF/GP balance of \$365.1 million. The estimated \$14.4 billion level of SAF expenditures includes Senate-passed appropriations and consensus cost adjustments of a negative \$48.5 million. Comparing estimated SAF revenue to estimated SAF expenditures results in a projected year-end SAF balance of a negative \$3.1 million. Pursuant to constitutional requirements, this negative projected ending balance would need to be resolved during deliberations on the FY 2015-16 budget.

FY 2016-17 Year-End Balances

The May 2015 consensus estimate of current-law FY 2016-17 GF/GP revenue is up by \$120.9 million from the January 2015 consensus revenue estimate, while current-law SAF revenue is down by \$42.1 million. The FY 2016-17 estimated GF/GP revenue total of \$10.1 billion includes a beginning balance of \$365.1 million, \$10.1 billion of consensus revenue, a negative adjustment of \$462.7 million to reflect statutory State revenue sharing payments, the shift of \$3.0 million in short-term borrowing costs to the SAF, \$101.7 million of Medicaid managed care use tax revenue (which is expected to sunset on January 1, 2017), and \$30.5 million to pay for the third of three installments for estimated Venture Michigan Fund tax vouchers. The FY 2016-17 estimated SAF revenue total of \$14.5 billion includes consensus revenue of \$12.6 billion, a \$57.0 million GF/GP grant, \$50.8 million of Medicaid managed care use tax revenue, \$1.8 billion of Federal aid, and \$9.5 million to pay for the third installment for Venture Michigan Fund tax vouchers.

The estimated \$9.7 billion level of FY 2016-17 GF/GP expenditures includes the Governor's FY 2016-17 recommendation for ongoing appropriations (adjusted by an additional \$103.3 million to reflect current HICA policy), a continuation of Senate-passed FY 2015-16 one-time appropriations, \$16.2 million of projected consensus caseload and cost estimates in the Departments of Education (\$0.9 million savings) Community Health (\$27.9 million cost), Human Services (\$11.3 million savings), and Treasury (\$0.5 million cost), and a consensus estimate of \$27.1 million for an increase in HICA credits. Comparing estimated GF/GP revenue to estimated GF/GP expenditures results in a projected year-end GF/GP balance of \$354.2 million. The estimated \$14.4 billion level of SAF expenditures includes FY 2016-17 appropriations based on continuation of FY 2015-16 Senate-passed amounts and consensus cost adjustments of a negative \$45.0 million. Comparing estimated SAF revenue to estimated SAF expenditures results in a projected year-end SAF balance of \$90.0 million.

Tables 1 and 2 provide a three-year summary of the projected year-end balances for the GF/GP and SAF budgets. Table 3 outlines the Governor's FY 2015-16 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 ejeffries@senate.michigan.gov.

/kjh

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

	Senate-Passed		
	FY 2014-15	FY 2015-16	FY 2016-17
Revenue:			
Beginning Balance	\$306.4	\$210.3	\$365.1
<u>Ongoing Revenue:</u>			
Consensus Revenue Estimate (January 2015)	\$9,501.4	\$9,713.2	\$10,000.6
Consensus Revenue Estimate Change	<u>223.5</u>	<u>168.7</u>	<u>120.9</u>
Consensus Revenue Estimate (May 2015)	\$9,724.9	\$9,881.9	\$10,121.5
<u>Other Revenue Adjustments:</u>			
Revenue Sharing Payments	(459.2)	(462.7)	(462.7)
Shift Borrowing Costs to School Aid Fund	0.0	2.0	3.0
Managed Care Use Tax	<u>374.8</u>	<u>406.7</u>	<u>101.7</u>
Subtotal Ongoing Revenue	\$9,640.5	\$9,827.9	\$9,763.5
<u>Non-ongoing Revenue:</u>			
One-Time Appropriation for Revenue Sharing	(8.8)	0.0	0.0
Venture Michigan Fund Tax Vouchers	(38.1)	(38.1)	(30.5)
Total Estimated GF/GP Revenue	\$9,900.0	\$10,000.1	\$10,098.1
Expenditures:			
<u>Ongoing Appropriations:</u>			
Initial Ongoing Appropriations	<u>\$9,594.0</u>	<u>\$9,324.3</u>	<u>\$9,434.4</u>
Subtotal Ongoing Appropriations	\$9,594.0	\$9,324.3	\$9,434.4
<u>One-Time Appropriations:</u>			
Initial One-Time Appropriations	\$207.0	\$76.7	\$76.7
Initial One-Time Appropriation for Transportation	284.6	139.5	139.5
Initial One-Time Appropriation to Budget Stabilization Fund	94.0	50.0	50.0
Enacted Supplementals	32.2	0.0	0.0
Executive Order 2015-5	(106.4)	0.0	0.0
Public Act 5 of 2015-Education Budget Area Reductions	(250.3)	0.0	0.0
Public Act 6 of 2015-General Budget Area Reductions	(169.4)	0.0	0.0
Consensus Estimate DOE/DHHS Caseload/Cost Adjustments	10.8	17.4	16.2
Consensus Estimate of Increase in HICA Credits	0.0	27.1	27.1
Work Project/Other Lapses	<u>(6.8)</u>	<u>0.0</u>	<u>0.0</u>
Subtotal One-Time and Other Appropriations	\$95.7	\$310.7	\$309.5
Total Estimated GF/GP Expenditures	\$9,689.7	\$9,635.0	\$9,743.9
Projected Year-End GF/GP Balance	\$210.3	\$365.1	\$354.2
Note: FY 2016-17 estimates of ongoing appropriations are the Governor's recommendation adjusted by \$103.3 million to reflect current policy on HICA; estimates of one-time appropriations are the FY 2015-16 Senate-passed amounts.			

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

	Senate-Passed		
	FY 2014-15	FY 2015-16	FY 2016-17
Revenue:			
Beginning Balance	\$455.1	\$141.8	\$0.0
<u>Ongoing Revenue:</u>			
Consensus Revenue Estimate (January 2015)	\$11,889.1	\$12,263.7	\$12,640.9
Consensus Revenue Estimate Change	(5.9)	(20.8)	(42.1)
Consensus Revenue Estimate (May 2015)	\$11,883.2	\$12,242.9	\$12,598.8
<u>Other Revenue Adjustments:</u>			
MPERS Reserve Fund.....	18.0	0.0	0.0
General Fund/General Purpose Grant	33.7	41.7	57.0
Managed Care Use Tax	187.4	203.3	50.8
Federal Ongoing Aid	1,808.2	1,775.8	1,775.8
Subtotal Ongoing Revenue	\$13,930.5	\$14,263.7	\$14,482.4
<u>Non-ongoing Revenue:</u>			
Venture Michigan Fund Tax Vouchers.....	(11.9)	(11.9)	(9.5)
Total Estimated School Aid Fund Revenue.....	\$14,373.7	\$14,393.6	\$14,472.9
Expenditures:			
<u>Ongoing Appropriations:</u>			
Initial Ongoing K-12 Appropriations	\$13,494.1	\$13,854.2	\$13,944.5
Public Act 5 of 2015-Cost Adjustments (January 2015)	(96.0)	0.0	0.0
Cost Adjustments (May 2015 Consensus Estimate).....	(13.0)	(48.5)	(45.0)
Partially Fund Community Colleges with School Aid Fund	197.6	271.1	278.0
Partially Fund Higher Education with School Aid Fund.....	200.5	205.2	205.4
Subtotal Ongoing Appropriations	\$13,783.2	\$14,282.0	\$14,382.9
<u>One-Time Appropriations:</u>			
Initial One-Time K-12 Appropriations	\$376.2	\$114.7	\$0.0
University MPERS Funding	4.0	0.0	0.0
Public Act 5 of 2015-All SAF for Community Colleges	167.1	0.0	0.0
Public Act 5 of 2015-Libraries/Charters MPERS	2.2	0.0	0.0
Public Act 5 of 2015-University MPERS Fund Shift	2.0	0.0	0.0
State Budget Office Request 2015-5-Education Resource Study	1.0	0.0	0.0
Public Act 5 of 2015-Reduce Extra MPERS Payment.....	(88.4)	0.0	0.0
Public Act 5 of 2015-Eliminate Online Nutrition/Health	(1.2)	0.0	0.0
Senate-Reduce Teacher Evaluation Funding	(14.2)	0.0	0.0
Subtotal One-Time Appropriations.....	\$448.7	\$114.7	\$0.0
Total Estimated School Aid Fund Expenditures.....	\$14,231.9	\$14,396.7	\$14,382.9
Projected Year-End School Aid Fund Balance	\$141.8	(\$3.1)	\$90.0
Note: FY 2016-17 estimates of ongoing and one-time appropriations are Senate estimates based on continuation of FY 2015-16 Senate-passed amounts.			

Table 3

FY 2015-16 GROSS AND GF/GP APPROPRIATIONS¹⁾
GOVERNOR'S REVISED RECOMMENDATION AND SENATE-PASSED

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 & Rural Development.....	\$84,144,000	\$42,373,600	\$81,088,200	\$42,573,600	(\$3,055,800)	\$200,000
Attorney General.....	91,941,600	36,847,400	91,941,600	36,847,400	0	0
Civil Rights.....	16,128,700	12,949,700	16,128,700	12,949,700	0	0
Community Colleges.....	393,825,600	137,110,800	393,825,600	122,710,800	0	(14,400,000)
Corrections	1,976,226,000	1,918,948,400	1,961,726,100	1,904,448,500	(14,499,900)	(14,499,900)
Education.....	310,791,300	76,871,300	309,600,400	75,680,400	(1,190,900)	(1,190,900)
Environmental Quality.....	487,925,900	35,377,700	487,013,000	35,377,800	(912,900)	100
Executive	5,531,100	5,531,100	5,916,100	5,916,100	385,000	385,000
Health & Human Services-Administration	0	0	0	0	0	0
Health & Human Services-Health Services.....	18,964,058,400	2,993,251,300	19,013,702,400	3,128,354,300	49,644,000	135,103,000
Health & Human Services-Human Services	5,704,992,200	962,395,800	5,720,733,500	973,835,900	15,741,300	11,440,100
Higher Education	1,541,219,200	1,238,913,300	1,541,219,200	1,238,913,300	0	0
Insurance and Financial Services	65,057,700	150,000	64,962,700	55,000	(95,000)	(95,000)
Judiciary.....	283,901,300	182,692,200	285,401,400	184,192,200	1,500,100	1,500,000
Legislative Auditor General.....	22,840,500	15,460,100	22,840,500	15,460,100	0	0
Legislature	136,464,300	131,872,300	136,464,300	131,872,300	0	0
Licensing & Regulatory Affairs.....	410,099,400	40,931,500	539,571,400	24,223,500	129,472,000	(16,708,000)
Military & Veterans Affairs.....	163,953,700	48,187,300	163,953,700	48,187,300	0	0
Natural Resources	389,494,200	39,772,800	389,644,300	39,522,800	150,100	(250,000)
School Aid.....	13,958,963,900	45,900,000	13,969,063,900	41,700,000	10,100,000	(4,200,000)
State	225,256,700	17,161,500	235,256,700	27,161,500	10,000,000	10,000,000
State Police.....	613,531,200	373,473,700	618,863,200	377,305,700	5,332,000	3,832,000
Talent and Economic Development	1,193,170,000	233,907,000	1,006,582,500	188,107,000	(186,587,500)	(45,800,000)
Technology, Management, Budget.....	1,267,119,200	481,093,700	1,258,029,300	468,503,800	(9,089,900)	(12,589,900)
Transportation.....	3,635,722,500	139,521,100	3,635,722,500	139,521,200	0	100
Treasury-Debt Service.....	156,449,000	156,449,000	156,449,000	156,449,000	0	0
Treasury-Operations.....	525,867,200	112,930,300	533,426,200	120,230,300	7,559,000	7,300,000
Treasury-Revenue Sharing.....	1,251,237,000	0	1,251,661,100	424,100	424,100	424,100
Total Budget Area Appropriations	\$53,875,911,800	\$9,480,072,900	\$53,890,787,500	\$9,540,523,600	\$14,875,700	\$60,450,700
Budget Stabilization Fund.....	95,000,000	95,000,000	50,000,000	50,000,000	(45,000,000)	(45,000,000)
Total Appropriations.....	\$53,970,911,800	\$9,575,072,900	\$53,940,787,500	\$9,590,523,600	(\$30,124,300)	\$15,450,700

¹⁾ Includes both ongoing and one-time appropriations.