

Consensus Revenue Estimating Conference Overview

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House Fiscal Agency**

**House Appropriations Committee
January 15, 2014**



Consensus Revenue Estimating Conference

FORECAST INPUT

University of Michigan
Economic Outlook

Governor's Executive
Roundtable

AGENCY FORECASTS:

Administration
Senate Fiscal Agency
House Fiscal Agency

State Economic Forecasts

National Economic
Forecasts

**CONSENSUS
REVENUE
ESTIMATING
CONFERENCE**

FORECAST OUTPUT

GF/GP Revenue
Forecast

School Aid Fund
Forecast

Revenue Limit

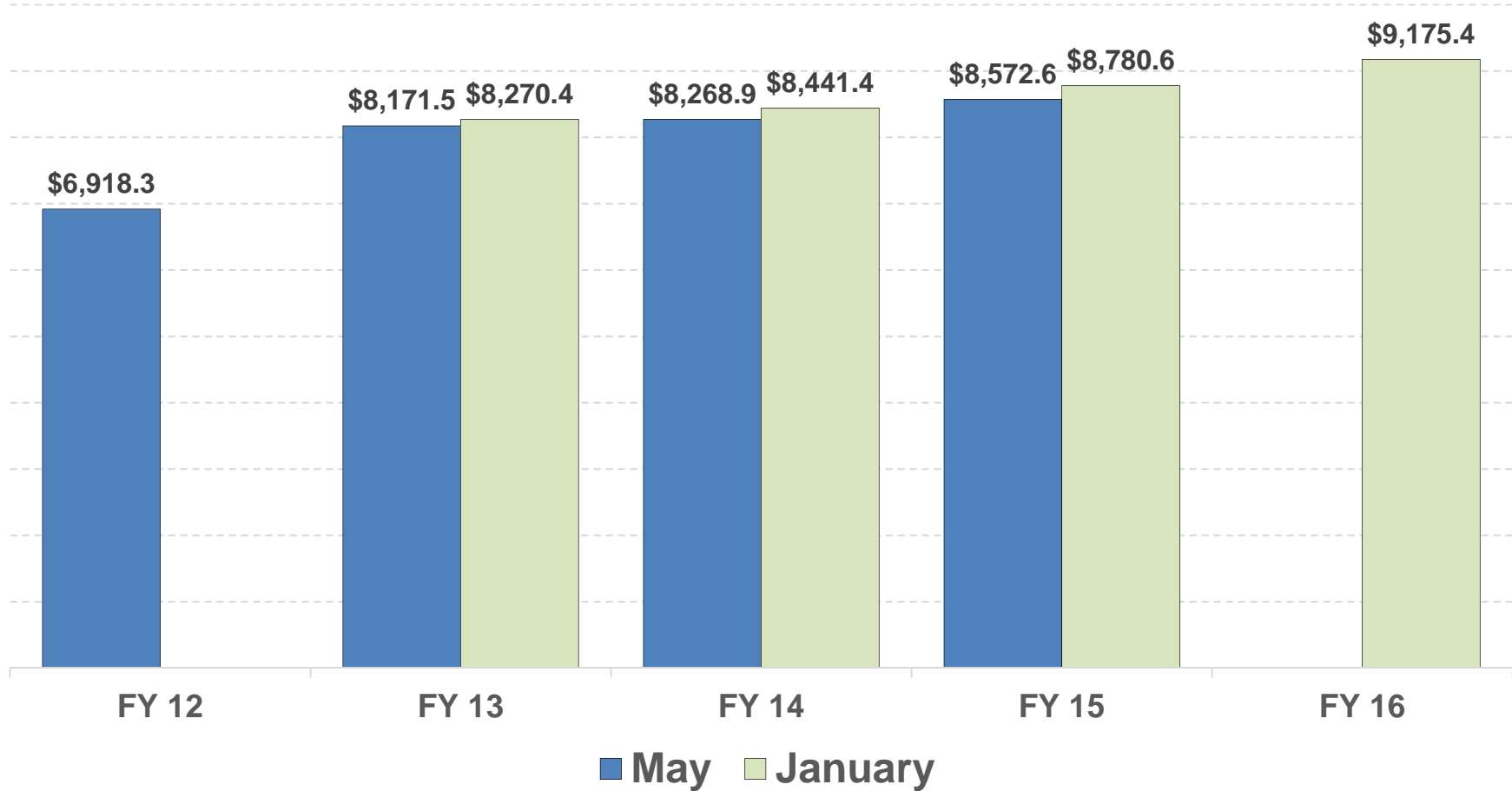
Budget Stabilization
Fund Forecast

School Foundation
Index

Revenue Estimates

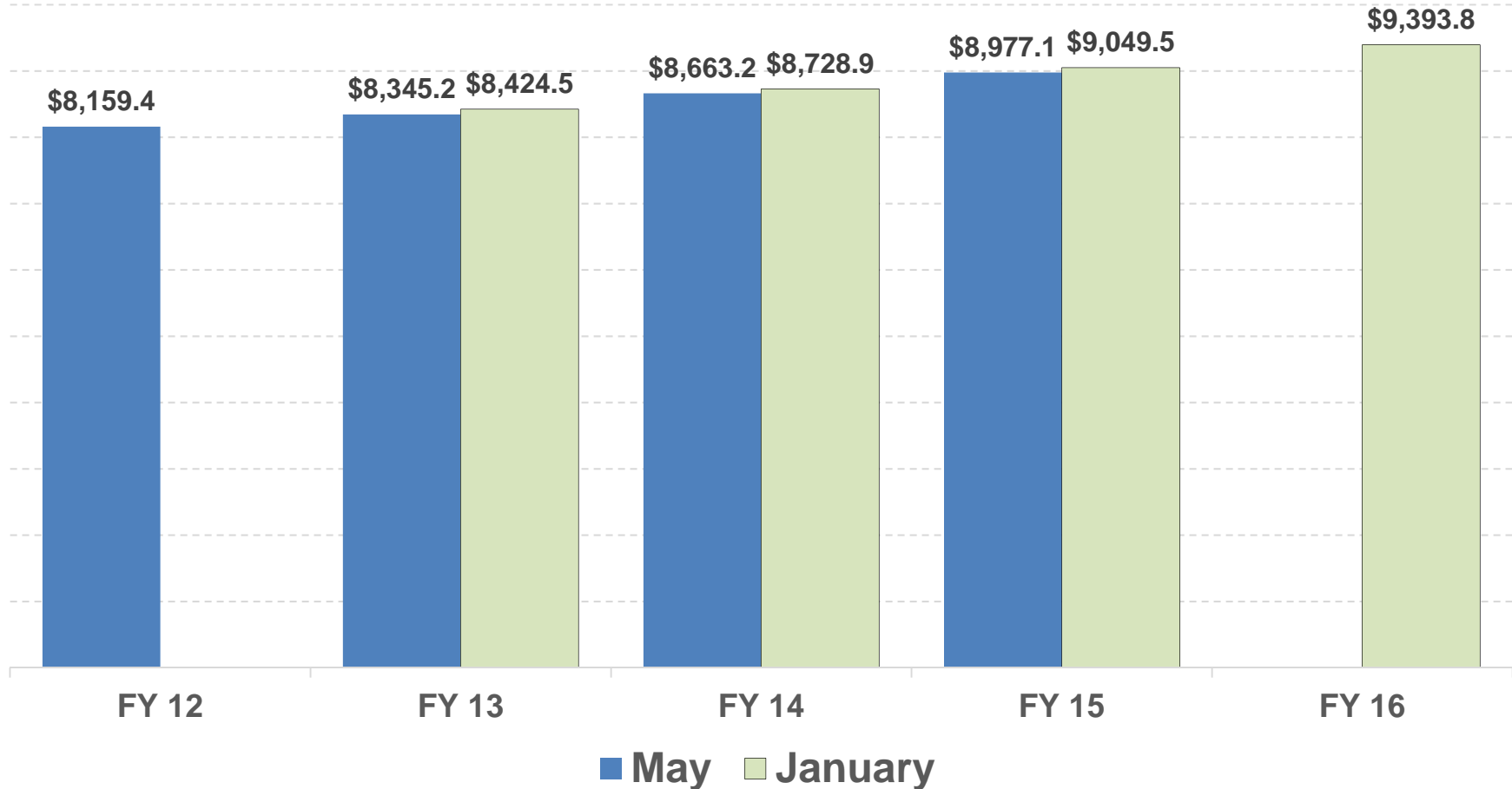
Net Individual Income Tax

(Dollars in Millions)



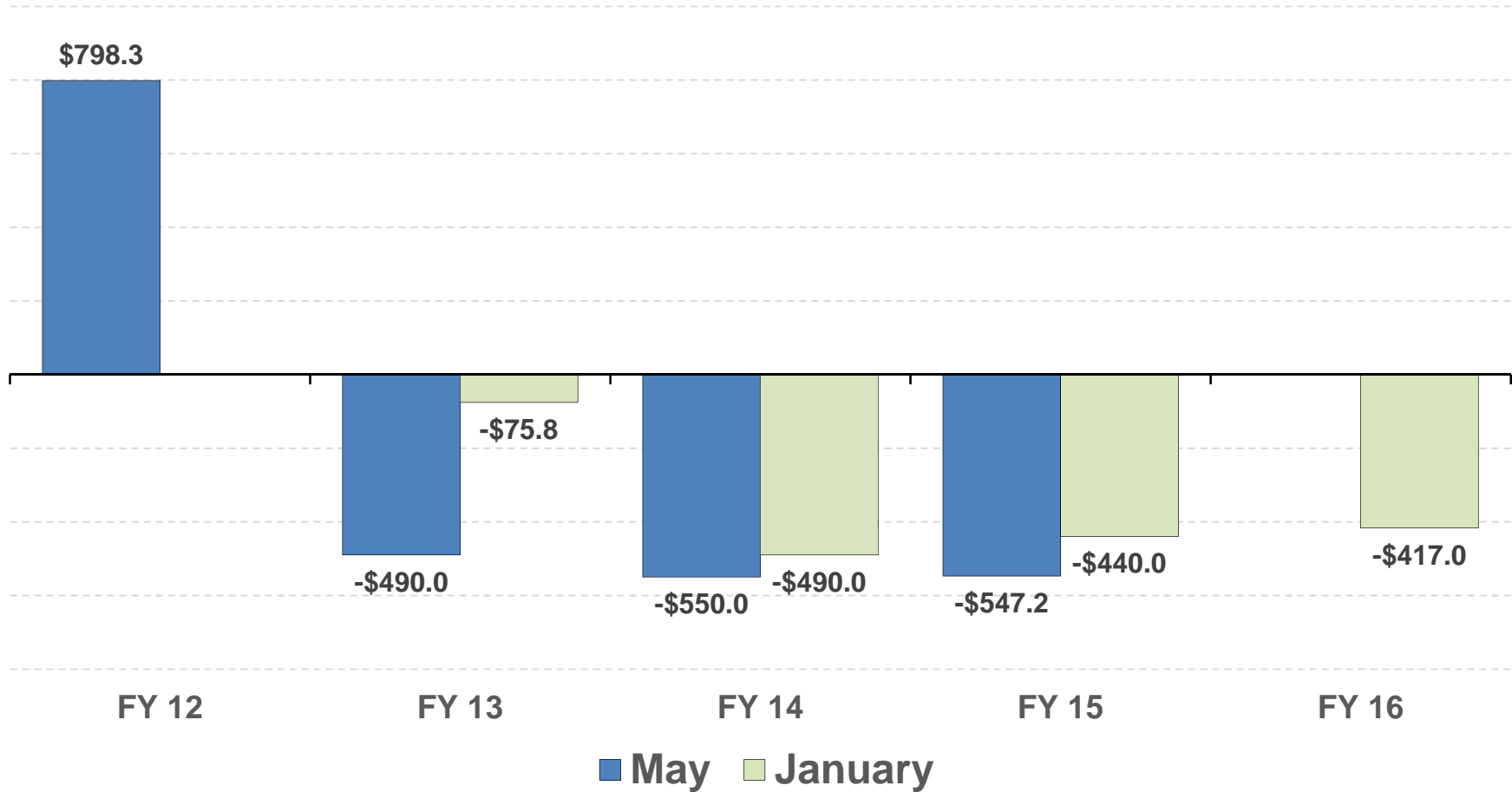
Sales and Use Tax

(Dollars in Millions)



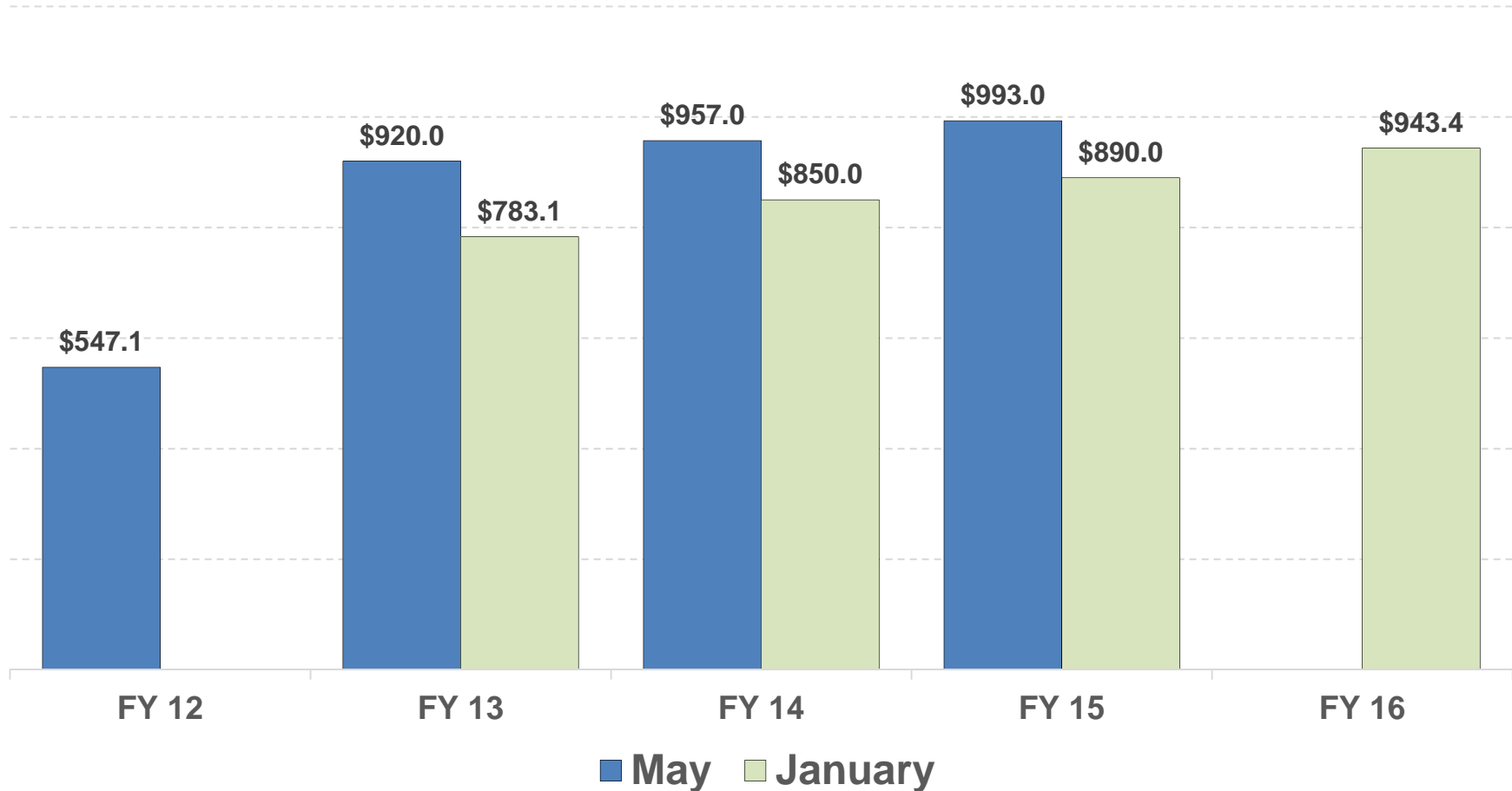
Michigan Business Tax (MBT)

(Dollars in Millions)



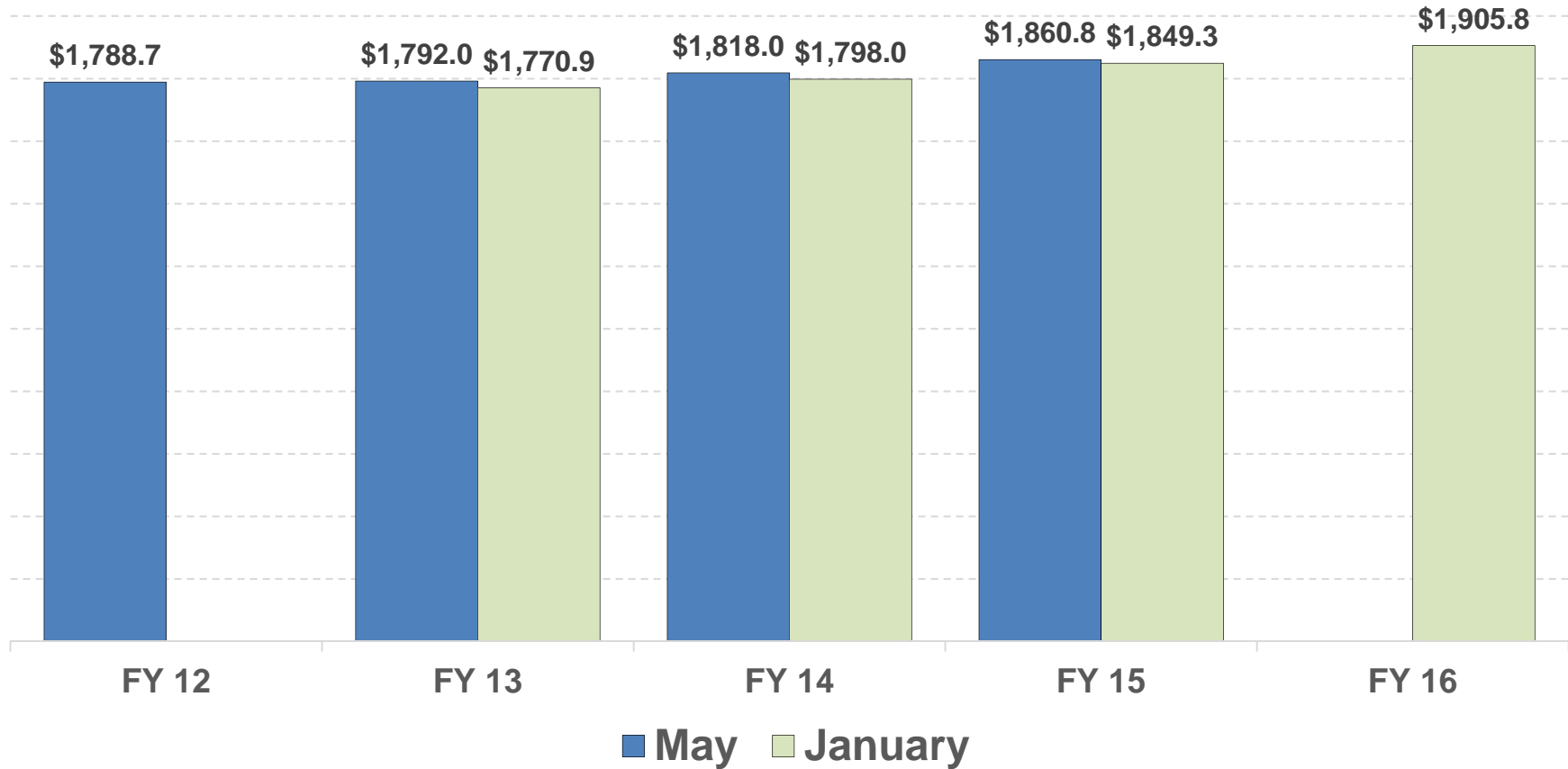
Corporate Income Tax (CIT)

(Dollars in Millions)



State Education Tax (SET)

(Dollars in Millions)



January 2014 Consensus Revenue Estimates

(Dollars in Millions)

	FY 2012-13			Change from May 2013 Consensus
	January 2014 Consensus	Change From FY 2011-12		
General Fund/General Purpose (GF/GP)	\$9,562.8	\$297.6	3.2%	\$373.6
School Aid Fund (SAF)	\$11,269.5	\$390.6	3.6%	\$56.0
Total Revenue	\$20,832.3	\$688.2	3.4%	\$429.8

January 2014 Consensus Revenue Estimates

(Dollars in Millions)

	FY 2013-14			Change from May 2013 Consensus
	January 2014 Consensus	Change From FY 2012-13		
General Fund/General Purpose (GF/GP)	\$9,572.5	\$9.8	0.1%	\$126.3
School Aid Fund (SAF)	\$11,560.0	\$290.5	2.6%	\$89.9
Total Revenue	\$21,132.5	\$300.3	1.4%	\$216.2

January 2014 Consensus Revenue Estimates

(Dollars in Millions)

	FY 2014-15			Change from May 2013 Consensus
	January 2014 Consensus	Change From FY 2012-13		
General Fund/General Purpose (GF/GP)	\$10,046.5	\$473.9	4.9%	\$206.2
School Aid Fund (SAF)	\$11,931.8	\$371.9	3.2%	\$119.1
Total Revenue	\$21,978.3	\$845.8	4.0%	\$325.3

January 2014 Consensus Forecast

(Dollars in Millions)

Constitutional Revenue Limit Calculation

	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
Personal Income	\$358,152	\$378,443	\$389,418	\$406,552
Ratio	<u>9.49%</u>	<u>9.49%</u>	<u>9.49%</u>	<u>9.49%</u>
Revenue Limit	\$33,989	\$35,914	\$36,956	\$38,582
Revenue Subject to Limit	<u>\$28,074</u>	<u>\$28,472</u>	<u>\$29,480</u>	<u>\$30,567</u>
Amount Under (Over) Limit	\$5,914	\$7,442	\$7,475	\$8,015

Note: CY 2011 Personal Income is used for the FY 2013 revenue limit calculation, CY 2012 for FY 2014, CY 2013 for FY 2015, and CY 2014 for FY 2016.

January 2014 Consensus Forecast

Budget Stabilization Fund (BSF) Calculation

FY 2013-14: No pay-in or pay out

FY 2014-15: \$95.7 million pay-in

FY 2015-16: \$60.3 million pay-in

<u>School Aid Index</u>	<u>FY 2015</u>	<u>FY 2016</u>
Revenue Adjustment Factor	1.0287	1.0323
Pupil Membership Factor	<u>1.0061</u>	<u>1.0046</u>
School Aid Index	1.0351	1.0371

Balance Sheets

General Fund Balance Sheet: FYs 13, 14, and 15

(Dollars in Millions)

	<u>FY 2013</u>	<u>FY 2014</u>	<u>Baseline FY 2015</u>
Beginning Balance	\$979.2	\$1,186.8	\$695.4
REVENUE			
General Fund/General Purpose (GF/GP)	\$9,562.8	\$9,572.5	\$10,046.4
Other Adjustments	5.3	(0.6)	(0.1)
<u>EVIP / Revenue Sharing</u>	<u>(369.1)</u>	<u>(396.6)</u>	<u>(413.8)</u>
TOTAL REVENUE	\$9,199.0	\$9,175.3	\$9,632.5
EXPENDITURES			
FY 13 and FY 14 and FY 15 Baseline	\$8,630.5	\$9,060.4	\$9,060.4
One-Time Funding	393.7	204.3	130.3
Budget Stabilization Fund (BSF)	140.0	75.0	95.7
Book Closing Lapses	(172.8)	0.0	0.0
Transportation Match	0.0	121.3	120.0
HICA Shortfall	0.0	130.0	130.0
Road/Risk Revenue Fund	0.0	230.0	0.0
Medicaid Expansion Savings	0.0	(119.5)	(274.5)
<u>Other Baseline Adjustments Caseload</u>	<u>0.0</u>	<u>(34.8)</u>	<u>186.9</u>
<u>TOTAL EXPENDITURES</u>	<u>\$8,991.4</u>	<u>\$9,666.7</u>	<u>\$9,448.8</u>
Change in Current Year Balance	\$207.6	(\$491.4)	\$183.7
ESTIMATED ENDING BALANCE	\$1,186.8	\$695.4	\$879.1

School Aid Balance Sheet: FYs 13, 14, and 15

(Dollars in Millions)

	<u>FY 2013</u>	<u>FY 2014</u>	<u>Baseline FY 2015</u>
Beginning Balance	\$254.1	\$291.5	\$351.3
REVENUE			
School Aid Fund (SAF) Revenue	\$11,269.8	\$11,560.0	\$11,931.8
General Fund/General Purpose (GF/GP)	282.4	234.9	234.9
MPSERS Reserve Fund	0.0	156.0	18.0
<u>Federal Funds</u>	<u>1,701.0</u>	<u>1,764.4</u>	<u>1,764.4</u>
<u>TOTAL REVENUE</u>	<u>\$13,253.2</u>	<u>\$13,715.3</u>	<u>\$13,949.1</u>
EXPENDITURES			
FY 13 and FY 14 and FY 15 Baseline	\$12,817.7	\$13,257.4	\$13,502.6
FY 15 Exec. Rec. Preschool Increase	0.0	0.0	65.0
Postsecondary Expenditures	<u>398.1</u>	<u>398.1</u>	<u>398.1</u>
<u>TOTAL EXPENDITURES</u>	<u>\$13,215.8</u>	<u>\$13,655.5</u>	<u>\$13,965.7</u>
Change in Current Year Balance	\$37.4	\$59.8	(\$16.6)
ESTIMATED ENDING BALANCE	\$291.5	\$351.3	\$334.7

FY 2015 Budget Pressures

- **GF/GP**
 - Estimated shortfall of \$130 million in Health Insurance Claims Assessment (HICA) revenue
 - State employee economics: Roughly \$100 million pending final resolution
 - Baseline estimate does not include increases for EVIP / Higher Education / Community Colleges
- **Transportation Funding**
 - Estimated shortfall of \$100-\$120 million to meet the federal match requirement
 - Additional \$1.4 billion for roads to maintain statewide (state and local) pavement preservation goals
- **School Aid**
 - MPSERS unfunded liability costs to pay for increasing State share: \$272 million
 - Maintain programs funded in FY 2014 with one-time revenues: \$193 million
 - Great Start Readiness Preschool program increase: \$65 million (Executive Recommendation)
 - Baseline estimate does not include foundation or other increases

Summary

- **Projected FY 2014 ending balance (one-time): \$1.05 billion**
 - \$695 million General Fund
 - \$351 School Aid Fund
- **Projected FY 2015 resources above/below baseline budget (ongoing): \$167 million**
 - \$184 million General Fund
 - (\$17) million School Aid Fund
- **Potential Additional Resources**
 - HICA fix – \$130 million (General Fund)
 - Comprehensive Transportation Package – \$120 million (General Fund)
 - Exclude additional preschool funding – \$65 million (School Aid Fund)



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