

**SENATE FISCAL AGENCY
MEMORANDUM**



DATE: January 14, 2022
TO: Members of the Michigan Senate
FROM: Kathryn 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) FY 2020-21, FY 2021-22, and FY 2022-23. An agreement also was reached on the first consensus estimates of FY 2023-24 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, 2022. This memorandum provides a brief 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 2020-21	FY 2021-22	FY 2022-23
General Fund/General Purpose.....	\$4,173.6	\$3,484.8	\$4,530.4
School Aid Fund.....	2,882.3	3,601.4	4,843.4

FY 2020-21 Year-End Balance Estimates

The FY 2020-21 State budget was based on consensus revenue estimates agreed to in May 2021. The revenue numbers illustrated in Table 2 for FY 2020-21 final remain preliminary as the State's bookclosing has not been finalized and the FY 2020-21 annual comprehensive financial report (commonly referred to as the ACFR) has not yet been published. However, based on year-to-date accounting reports of FY 2020-21 GF/GP revenue and expenditures from the State Budget Office and the Department of Treasury, the SFA is projecting that the FY 2020-21 GF/GP budget will close the fiscal year with a \$4.2 billion balance. The FY 2020-21 SAF budget is projected to close the fiscal year with a \$2.9 billion balance. Changes to these preliminary final figures, which may result from bookclosing, could increase or decrease the amount of projected balance in FY 2020-21 and, therefore, may affect future year revenue.

The first column of Table 2 provides a summary of the current SFA estimate of a \$4.2 billion balance in the FY 2020-21 GF/GP budget. The first column of Table 3 provides a summary of the SFA's estimate of a \$2.9 billion year-end balance in the FY 2020-21 SAF budget. Pursuant to statutory requirements, the amounts of the year-end balances will carry forward and be available as FY 2021-22 revenue sources. It should be noted that year-end balances of \$2.8 billion GF/GP and \$1.7 billion SAF were assumed when the FY 2021-22 budget was being finalized and were factored into the FY 2021-22 spending plan.

The revised FY 2020-21 balance sheets in this memorandum include \$1.4 billion more in the GF/GP carry-forward year-end balance and \$1.2 billion more in the SAF carry-forward year-end balance than the May 2021 estimate. The higher GF/GP carry-forward balance is due primarily to \$1.7 billion of increased revenue assumptions when compared to the May 2021 consensus and \$306.2 million of estimated year-end lapses, partially offset by supplementals enacted after May 2021. Similarly, the higher SAF carry-forward balance is due to estimated revenue adjustments of \$1.0 billion and year-end lapses of \$159.1 million.



FY 2021-22 Year-End Balance Estimates

Based on the consensus revenue estimate and enacted appropriations, the SFA now is estimating that the FY 2021-22 GF/GP budget year-end balance will be \$3.5 billion. The second column of [Table 2](#) provides a summary of this estimate. The estimate includes a projected \$4.2 billion budget surplus carried forward from FY 2020-21. The current consensus estimate of FY 2021-22 GF/GP revenue represents a \$776.6 million increase from the May 2021 consensus revenue estimate upon which the FY 2021-22 budget was based. Comparing the total estimated GF/GP revenue (based on the January 2022 consensus revenue estimate) to the SFA's estimate of FY 2021-22 GF/GP expenditures results in a projected year-end balance of \$3.5 billion. A detailed description of the assumptions made relative to FY 2021-22 expenditures can be found in the SFA's *Economic Outlook and Budget Review*, which was published on January 7, 2022.

Based on the consensus revenue estimate and enacted and projected expenditures, the SFA now is estimating that the FY 2021-22 SAF budget will have a year-end balance of \$3.6 billion. The second column of [Table 3](#) provides a summary of this estimate. This estimate includes a projected \$2.9 billion budget surplus carried forward from FY 2020-21. The current consensus estimate of FY 2021-22 SAF revenue represents a \$947.2 million increase from the May 2021 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 2021-22 by \$329.9 million. Comparing the total estimated SAF revenue (based on the January 2022 consensus revenue estimate) to the SFA's estimate of FY 2021-22 SAF expenditures results in a projected ending balance of \$3.6 billion.

FY 2022-23 State Budget Outlook

Pursuant to statutory requirements, the Governor must submit a detailed FY 2022-23 State budget recommendation to the Legislature within 30 days after it convenes, or 60 days if the Governor is newly elected. Governor Whitmer must submit her budget recommendation before February 11, 2022. This budget recommendation will initiate the debate on the FY 2022-23 State budget.

The estimated FY 2021-22 GF/GP revenue and expenditures produce a projected FY 2022-23 beginning balance of \$3.5 billion. If this beginning balance is combined with estimated ongoing GF/GP revenue, based on the January 2022 consensus revenue estimate and adjusted for anticipated revenue adjustments, of \$12.4 billion, and if FY 2021-22 ongoing spending is continued into FY 2022-23 (in which one-time departmental appropriations are removed), with adjustments for caseload, costs, and economic factors, there will be an FY 2022-23 projected year-end GF/GP balance of \$4.5 billion. The third column of [Table 2](#) outlines these assumptions.

The third column of [Table 3](#) provides a summary of the SFA's outlook for the FY 2022-23 SAF budget. The estimated FY 2021-22 SAF revenue and expenditures result in a projected ending balance of \$3.6 billion. If this balance is carried forward into FY 2022-23 and is combined with \$16.3 billion of ongoing SAF revenue (based on the January 2022 consensus revenue estimate) and \$2.1 billion of other assumed revenue, and if ongoing FY 2022-23 SAF expenditures are continued at the FY 2021-22 appropriation level (removing one-time funding) with consensus adjustments for pupils, local property tax valuations, and other costs, there will be an FY 2022-23 projected SAF year-end balance of \$4.8 billion. The FY 2022-23 total estimated SAF expenditures assume the continuation of SAF appropriations for community colleges and universities of \$796.8 million.

Summary

[Tables 2](#) and [3](#) 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 2021-22, 2022-23, and 2023-24 and the School Aid Foundation

Allowance Index Estimates for FYs 2022-23 and 2023-24. Please see the SFA's January 7, 2022, *Economic Outlook and Budget Review* for more details on the revenue and balance sheet assumptions.

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.

Table 2

FY 2020-21, 2021-22, AND 2022-23 GENERAL FUND/GENERAL PURPOSE (GF/GP) REVENUE, EXPENDITURES AND YEAR-END BALANCE ESTIMATES (millions of dollars)			
	Year-End FY 2020-21	YTD FY 2021-22	Estimated FY 2022-23
Revenue:			
Beginning Balance	\$2,363.0	\$4,183.8	\$3,353.5
<u>Ongoing Revenue:</u>			
Consensus Revenue Estimate (August 2020)	\$9,536.7	\$10,392.5	
Consensus Revenue Change (January 2020)	700.8	504.6	
Consensus Revenue Estimate (January 2021)	\$10,237.5	\$10,897.1	\$11,167.1
Consensus Revenue Change (May 2021)	1,039.3	776.0	1,103.6
Consensus Revenue Estimate (May 2021)	\$11,276.8	\$11,673.1	\$12,270.7
Consensus Revenue Change (January 2022)	1,673.9	776.6	621.4
Consensus Revenue Estimate (January 2022)	\$12,950.7	\$12,449.7	\$12,892.1
<u>Other Revenue Adjustments:</u>			
Revenue Sharing Payments	(\$490.1)	(\$500.3)	(\$500.3)
Subtotal Ongoing Revenue	\$12,460.6	\$11,949.4	\$12,391.8
<u>Non-ongoing Revenue:</u>			
Reimbursement for Implementation of Recreational Marihuana	\$5.7	\$0.0	\$0.0
Legal Settlements/Redirection of Restricted Revenue	(2.6)	(2.6)	0.0
GF-equivalent /Restricted Revenue	0.8	0.0	0.0
Subtotal Non-Ongoing Revenue	\$3.9	(\$2.6)	\$0.0
Total Estimated GF/GP Revenue	\$14,827.6	\$16,120.4	\$15,876.6
Expenditures:			
<u>Ongoing Appropriations:</u>			
Initial Appropriations	\$10,294.9	\$10,984.8	\$11,128.8
Subtotal Ongoing Appropriations	\$10,294.9	\$10,984.8	\$11,128.8
<u>One-Time and Other Appropriations:</u>			
Estimated One-Time Appropriations	\$272.3	\$736.2	\$0.0
Appropriation to Budget Stabilization Fund	535.0	0.0	0.0
DHHS FMAP Adjustments (EFMAP and Regular FMAP)	0.0	(250.0)	100.0
Reimbursement of Federal Disallowed Psych DSH Costs	0.0	62.8	62.8
Actuarial Soundness (DHHS)	0.0	0.0	70.0
Additional K-12 GF Contribution (PA 146 and 165 of 2020)	0.0	11.5	14.6
MDOT: TEDF Reduction	(13.0)	0.0	0.0
FY 21 Supplementals	387.8	0.0	0.0
FY 22 Supplementals	0.0	1,145.3	35.0
Flint Settlement Debt Service	35.0	35.0	35.0
PA 86 and 87 FY21 Supplementals	(551.8)	0.0	0.0
PA 87 of 2021 Boilerplate Appropriations (DEGLE)	0.0	10.0	0.0
Estimated Lapses and DHHS Caseload Declines	(306.2)	(100.0)	(100.0)
Subtotal One-Time and Other Appropriations	\$359.1	\$1,650.8	\$217.4
Total Estimated GF/GP Expenditures	\$10,653.9	\$12,635.6	\$11,346.2
PROJECTED YEAR-END GF/GP BALANCE	\$4,173.6	\$3,484.8	\$4,530.4

Table 3
FY 2020-21, 2021-22, AND 2022-23
SCHOOL AID FUND (SAF)
REVENUE, EXPENDITURES AND YEAR-END BALANCE ESTIMATES
 (millions of dollars)

	Year-End FY 2020-21	YTD FY 2021-22	Estimated FY 2022-23
Revenue:			
Beginning Balance	\$1,190.5	\$2,882.3	\$3,601.4
<u>Ongoing Revenue:</u>			
Consensus Revenue Estimate (August 2020)	\$13,501.9	\$14,053.5	
Consensus Revenue Change (Jan. 2021)	528.3	370.2	
Consensus Revenue Estimate (Jan. 2021)	\$14,030.2	\$14,423.7	\$14,730.4
Consensus Revenue Change (May 2021)	1,002.2	707.3	697.2
Consensus Revenue Estimate (May 2021)	\$15,032.4	\$15,131.0	\$15,427.6
Consensus Revenue Change (January 2022)	1,017.9	947.2	819.0
Consensus Revenue Estimate (January 2022)	\$16,050.3	\$16,078.2	\$16,246.6
<u>Other Revenue Adjustments:</u>			
General Fund/General Purpose Grant	\$54.5	\$73.9	\$73.9
Community District Education Trust Fund	79.8	72.0	72.0
Federal Ongoing Aid	1,806.9	1,822.5	1,822.5
Subtotal Ongoing Revenue	\$17,991.5	\$18,046.6	\$18,215.0
<u>Non-ongoing Revenue:</u>			
Federal Stimulus	\$6,055.7	\$202.0	\$83.0
GF/GP for DPSCD Addtl Cost Exceeding CDTF \$72m/yr	0.0	11.5	14.6
Subtotal Non-Ongoing Revenue	\$6,055.7	\$213.5	\$97.6
Total Estimated School Aid Fund Revenue.....	\$25,237.7	\$21,142.4	\$21,914.0
Expenditures:			
<u>Ongoing Appropriations:</u>			
Initial Ongoing K-12 Appropriations	\$15,430.2	\$16,553.0	\$16,223.1
Cost Adjustments (January 2022)	0.0	(329.9)	(49.3)
Fund Community Colleges with School Aid Fund	425.7	428.2	434.3
Partially Fund Higher Education with School Aid Fund	356.1	361.4	362.5
Subtotal Ongoing Appropriations	\$16,211.9	\$17,012.7	\$16,970.6
<u>One-Time and Other Appropriations:</u>			
Initial One-Time K-12 Appropriations	\$95.0	\$425.1	\$0.0
Initial One-Time Community College Appropriations	12.7	3.2	\$0.0
Higher Education Federal Maintenance of Effort	0.0	100.0	\$100.0
Enacted Supplementals (PA 143, 227, 586 of '18, PA 162 of '19, PA 3 of 2021)	1,009.2	0.0	0.0
Enacted Supplementals (PAs 47 and 48 of 2021)	5,185.7	0.0	0.0
Estimated Lapses/Year End Change	(159.1)	0.0	0.0
Subtotal One-Time and Other Appropriations	\$6,143.5	\$528.4	\$100.0
Total Estimated School Aid Fund Expenditures	\$22,355.4	\$17,541.0	\$17,070.6
PROJECTED YEAR-END SCHOOL AID FUND BALANCE	\$2,882.3	\$3,601.4	\$4,843.4

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