

State Budget Update

Jacqueline Mullen, Senior Fiscal Analyst
Noel Benson, Fiscal Analyst
House Fiscal Agency

June 8, 2023



Revenue Update

May 2023 Consensus Revenue Estimates

(Dollars in Millions)

	FY 2022-23				FY 2023-24			
	Total	\$ Chg from Jan 23	\$ Chg from FY 22	%Chg from FY 22	Total	\$ Chg from Jan 23	\$ Chg from FY 23	%Chg from FY 23
School Aid Fund	\$17,741.6	\$106.5	(\$139.4)	(0.8%)	\$17,888.1	\$42.1	\$146.5	0.8%
General Fund/ General Purpose (GF/GP)	<u>\$13,788.0</u>	<u>(\$989.9)</u>	<u>(\$1,424.0)</u>	<u>(9.4%)</u>	<u>\$13,238.3</u>	<u>(\$1,853.9)</u>	<u>(\$549.7)</u>	<u>(4.0%)</u>
Total Revenue	\$31,529.6	(\$883.4)	(\$1,563.4)	(4.7%)	\$31,126.4	(\$1,811.8)	(\$403.2)	(1.3%)

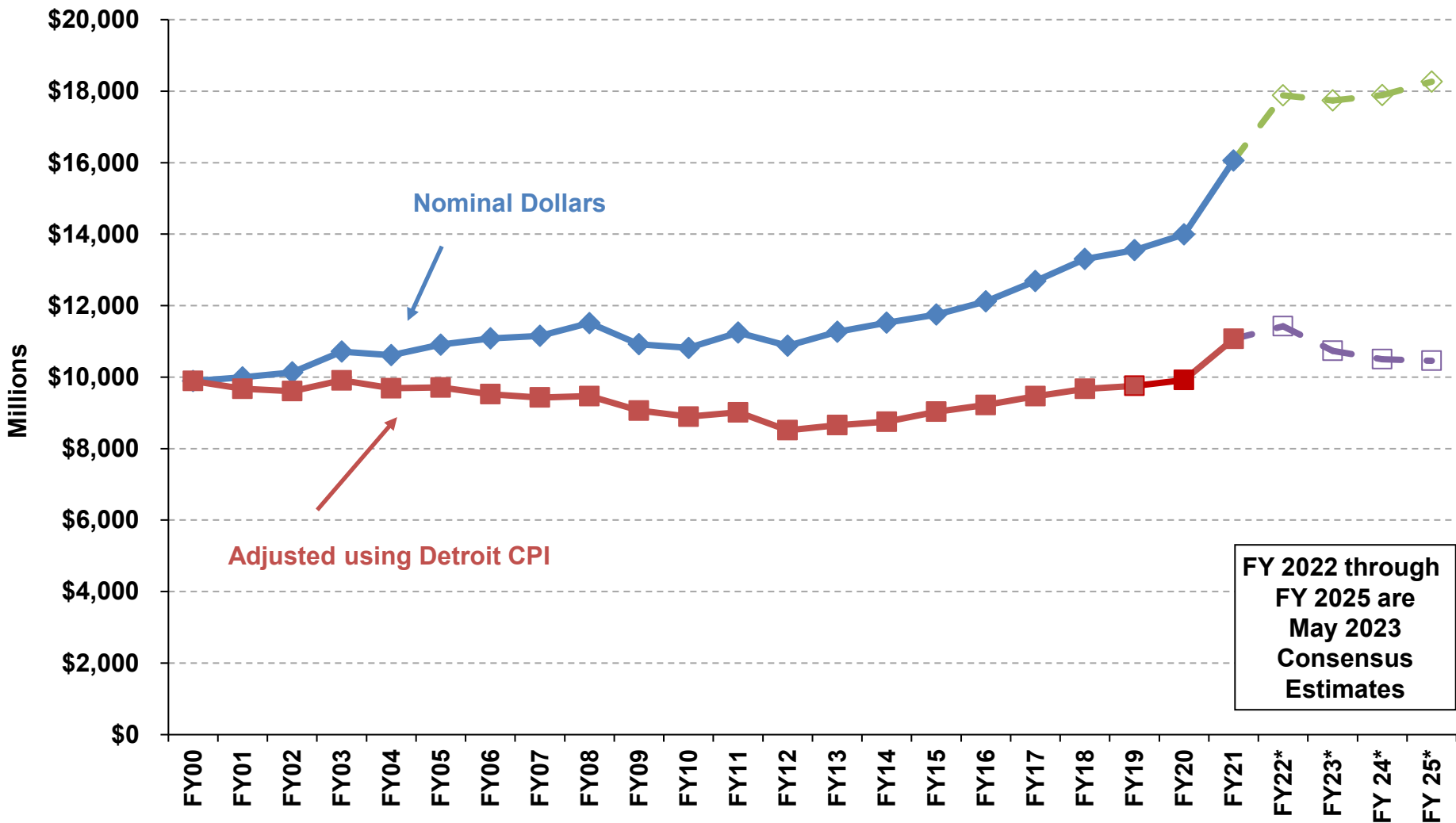
May 2023 Consensus Revenue Estimates

(Dollars in Millions)

	FY 2024-25			
	Total	\$ Chg from Jan 23	\$ Chg from FY 24	%Chg from FY 24
School Aid Fund	\$18,265.9	\$8.3	\$377.8	2.1%
General Fund/ General Purpose (GF/GP)	<u>\$13,916.4</u>	<u>(\$1,629.1)</u>	<u>\$678.1</u>	<u>5.1%</u>
Total Revenue	\$32,182.3	(\$1,620.8)	\$1,055.9	3.4%

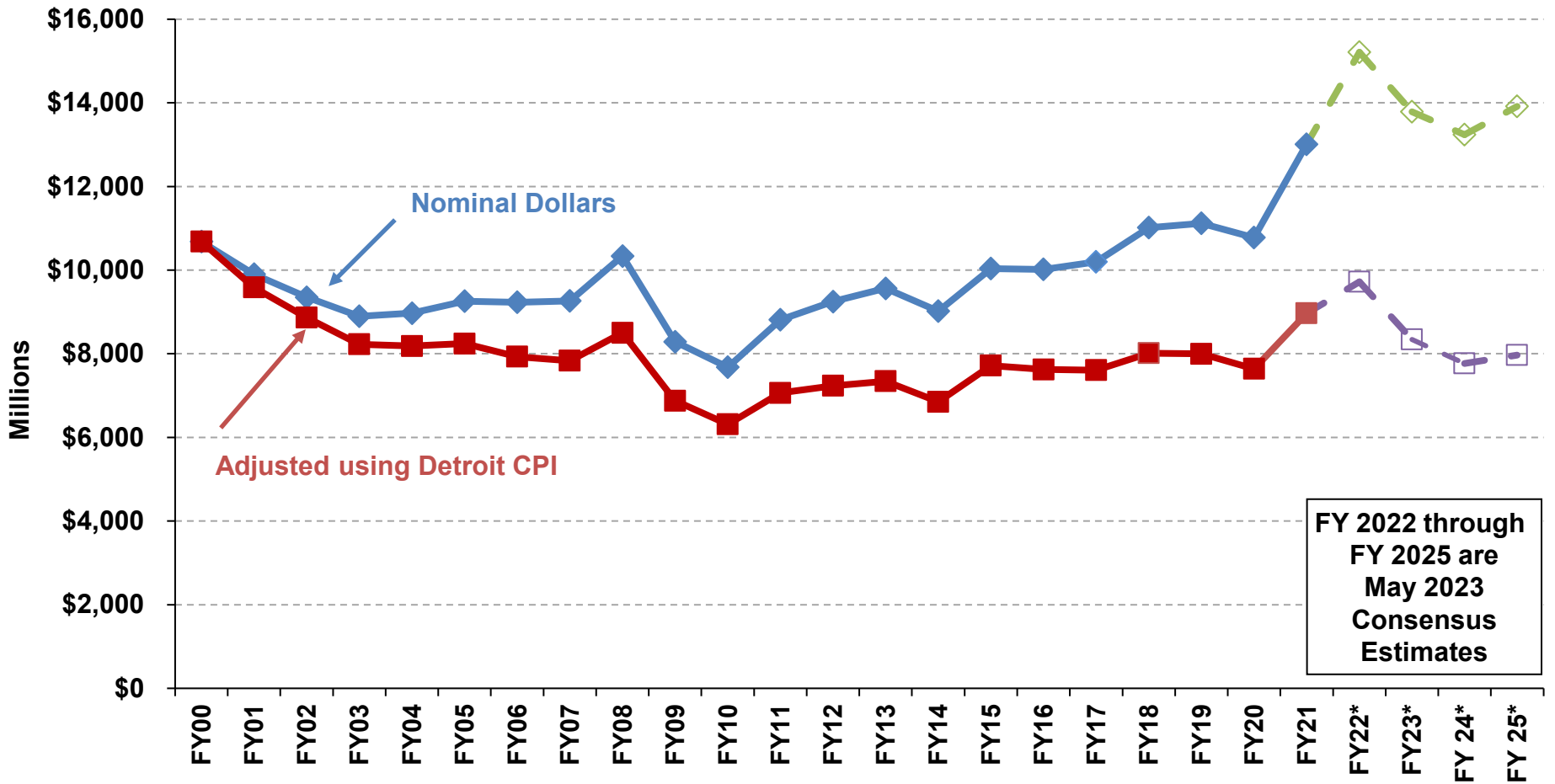
May 2023 CREC: School Aid Fund Net Revenue

Since January CREC, nominal SAF revenue for FY 2023 is up \$106.5 million from \$17.6 billion to \$17.7 billion. Nominal SAF revenue is expected to increase to \$18.3 billion by FY 2025.



May 2023 CREC: GF/GP Net Revenue

Nominal GF/GP revenue shows a negative adjustment in starting in FY 2023 due to tax policy changes, including the income tax trigger, phase out of the pension tax, increase in Earned Income Tax Credit, and changes to corporate income tax earmarks.



Note: For consistency, revenue figures for years prior to FY 2010-11 have been adjusted to include sales tax revenue previously designated for statutory revenue sharing.

Balance Sheets

May 2023 CREC: School Aid Fund Balance Sheet

	FY 2022-23	Baseline FY 2023-24
BEGINNING BALANCE	\$4,622.5	\$4,358.0
REVENUE		
School Aid Fund (SAF) Revenue: Jan. 2023 CREC	\$17,635.1	\$17,845.9
SAF Revenue: May 2023 CREC Adjustment	\$106.5	\$42.1
General Fund/General Purpose (GF/GP)	\$124.2	\$49.6
Other Restricted Funds	\$234.8	\$225.2
MPERS Reserve Deposit	(\$425.0)	\$0.0
<u>Federal Funds</u>	<u>\$2,559.9</u>	<u>\$2,250.0</u>
TOTAL REVENUE	\$20,235.5	\$20,412.8
EXPENDITURES		
School Aid (Adj for lapses/consensus revisions)	\$19,703.6	\$18,207.3
Community Colleges	\$448.6	\$473.6
<u>Higher Ed</u>	<u>\$347.9</u>	<u>\$352.3</u>
TOTAL EXPENDITURES	\$20,500.0	\$19,033.1
TOTAL ENDING BALANCE	\$4,358.0	\$5,737.6

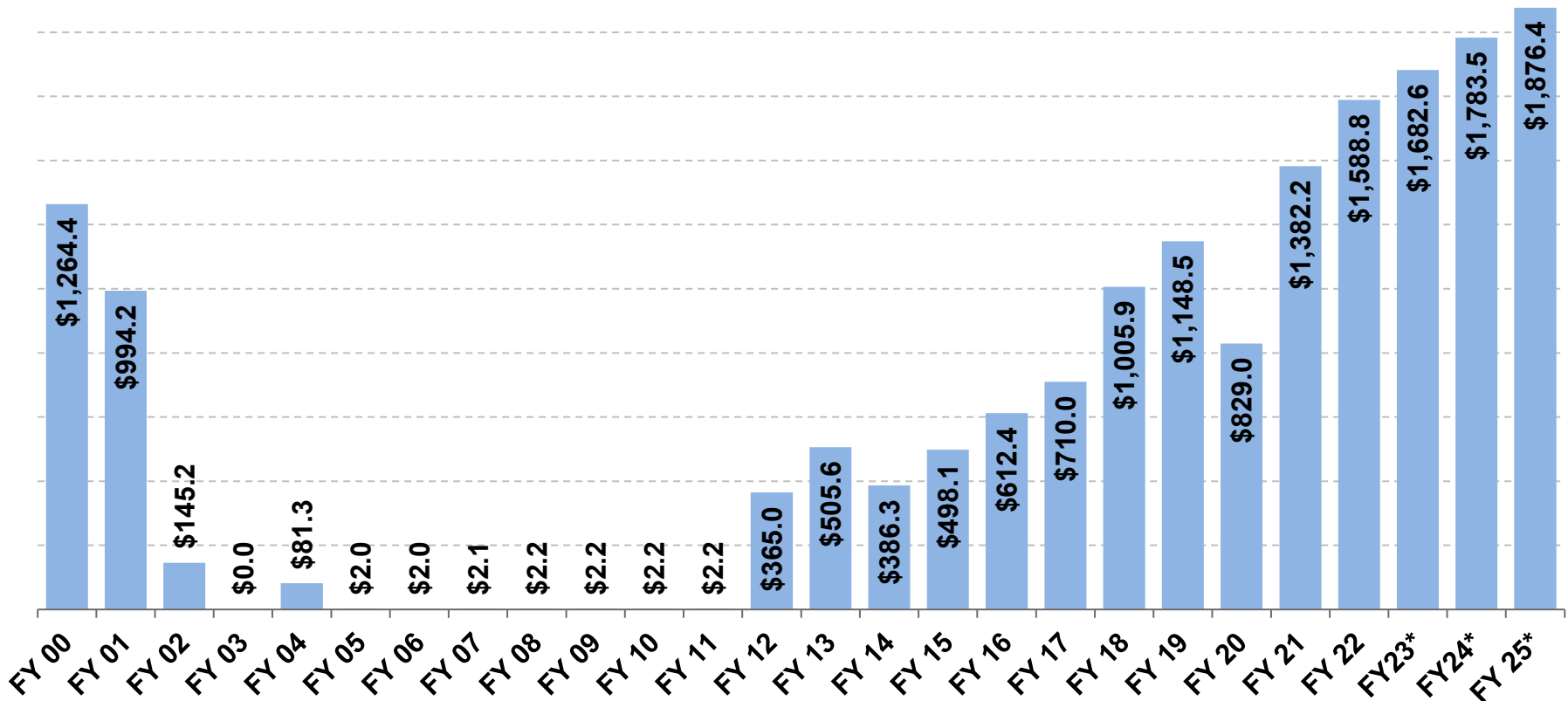
May 2023 CREC: General Fund Balance Sheet

	FY 2022-23	Baseline FY 2023-24
BEGINNING BALANCE	\$7,463.5	\$3,207.8
REVENUE		
General Fund (GF/GP) Revenue: Jan. 2023 CREC	\$14,777.9	\$15,092.2
GF/GP Revenue: May 2023 CREC Adjustment	(\$989.9)	(\$1,853.9)
Revenue Sharing	(\$530.5)	(\$525.6)
<u>Other</u>	<u>(\$96.1)</u>	<u>(\$96.7)</u>
TOTAL REVENUE	\$13,161.4	\$12,616.0
EXPENDITURES		
Initial Ongoing/Baseline Est.	\$11,901.9	\$12,239.6
One-time Appropriations	\$3,229.8	\$0.0
Economics/Caseload	(\$441.5)	(\$61.3)
GF/GP to School Aid	\$124.2	\$49.6
<u>Supplementals/Other</u>	<u>\$2,602.8</u>	<u>\$39.8</u>
TOTAL EXPENDITURES	\$17,417.2	\$12,267.7
TOTAL ENDING BALANCE	\$3,207.8	\$3,556.1

May 23 CREC: Budget Stabilization Fund (BSF) Balance

The BSF is projected to grow through accumulated interest and statutorily required deposits of tobacco settlement revenue tied to the Detroit Bankruptcy. No pay-ins or pay-outs are anticipated.

Millions of Dollars

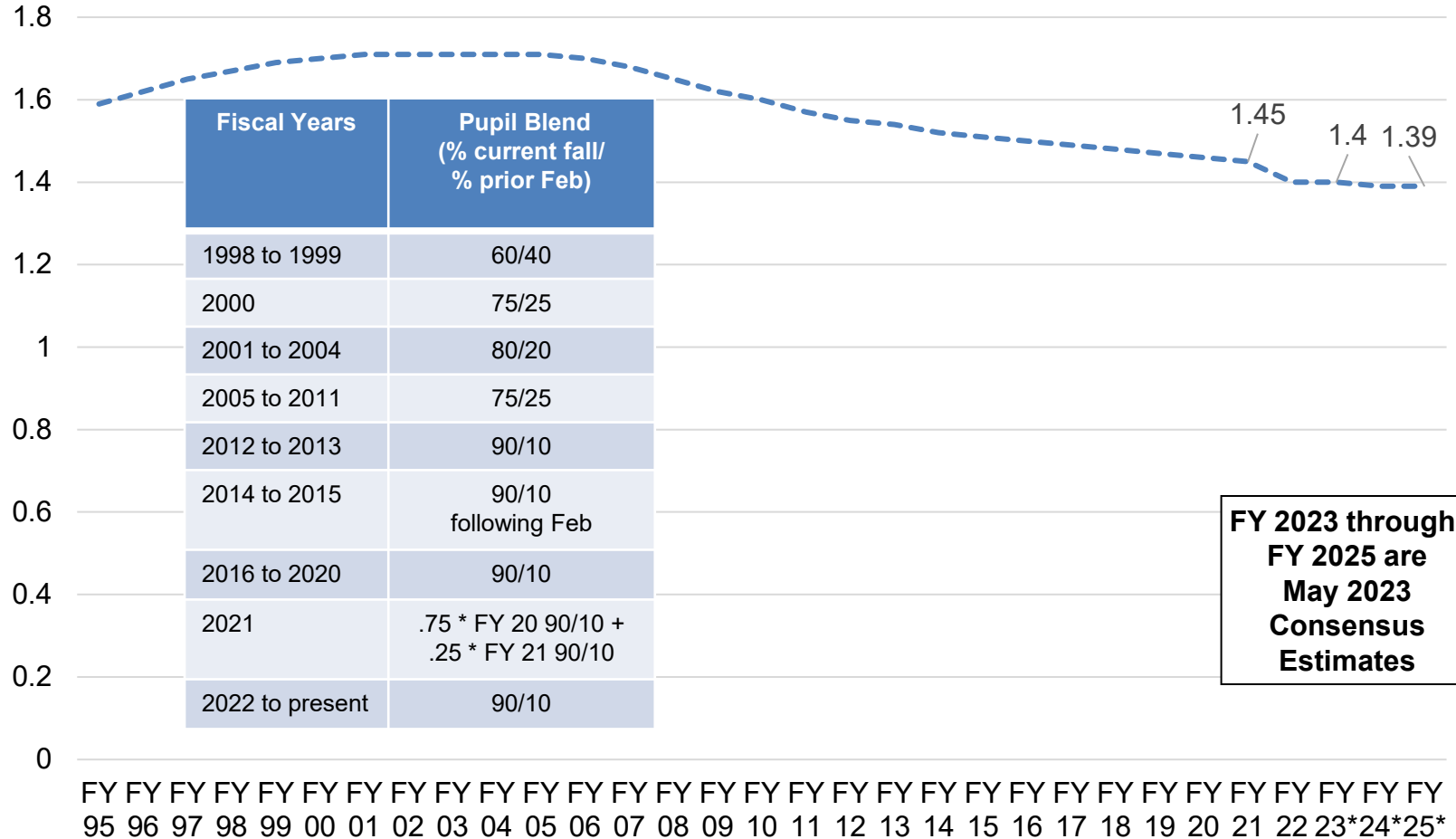


* HFA Estimate

Pupil Membership Update

Total Pupil Membership

Due to the pandemic, total pupils declined by about 40,000 more than expected in FY 2021, although the drop was not fully experienced by districts until FY 2022. Total enrollment is expected to decline by about 6,000 pupils in FY 2023; 5,500 pupils in FY 2024; and 5,100 pupils in FY 2025.



May 2023 CREC Pupil Membership Estimates

	Jan 2023 CREC Estimate	Change from Jan Estimate	Proposed May 2023 CREC Estimate	Change from Prior Year
FY 2022-23				
Local Districts	1,249,300	(600)	1,248,700	(6,200)
Public School Academies	150,500	(100)	150,400	217
TOTAL	1,399,800	(700)	1,399,100	(5,983)
FY 2023-24				
Local Districts	1,243,300	(200)	1,243,100	(5,600)
Public School Academies	150,500	0	150,500	100
TOTAL	1,393,800	(200)	1,393,600	(5,500)
FY 2024-25				
Local Districts	1,237,600	(100)	1,237,500	(5,600)
Public School Academies	151,000	0	151,000	500
TOTAL	1,388,600	(100)	1,388,500	(5,100)

FY 2023-24 Major Proposed Funding Increases

Foundation Allowance

	Exec Rec	House	Senate
Target Foundation (currently \$9,150)	\$9,608 (5%) \$614.0 million	\$9,516 (4%) \$488.0 million	\$9,700 (6%) \$735.0 million
Cyber School Foundation (currently \$9,150)	\$7,687 (80% of Target) Savings of \$42.0 million	\$9,150 Savings of \$7.9 million	\$7,760 (80% of Target) Savings of \$42.0 million
Two-Year Blend	N/A	\$71.0 million	N/A
PreK Foundation of 1.2 FTE	N/A	N/A	\$11,640 \$117.0 million
TOTAL	\$572.0 million	\$551.1 million	\$810.0 million

Exec Rec Priorities

	Exec Rec	House	Senate
School Safety	\$318.0 million	\$318.0 million (adds SROs)	N/A
Early Literacy Instruction	\$300.0 million	\$300.0 million	N/A
Per-Pupil Mental Health Grant	\$300.0 million	\$300.0 million	\$328.0 million (adds school safety)
Service Consolidation Grants	\$245.0 million	\$245.0 million (adds physical consolidation)	\$100.0 million
Universal School Meals	\$160.0 million	\$160.0 million (plus \$25.0 million in FY 23)	\$160.0 million (plus \$25.0 million in FY 23)
Clean Bus Grants	\$150.0 million	\$150.0 million	\$75.0 million
TOTAL	\$1.5 billion	\$1.5 billion	\$663.0 million

Additional House & Senate Priorities

	Exec Rec	House	Senate
At-Risk (currently 11.5% of Target)	\$64.7 million	\$273.9 million (increases to 14.6% of Target)	\$173.1 million (opportunity index up to 15.3% of Target)
Transportation Costs	N/A	\$150.0 million	N/A
MPSERS 1% UAAL Reimbursement	N/A	\$97.0 million	N/A
Student Loan Repayment Pilot	N/A	N/A	\$250.0 million
Salary Incentive Pilot	N/A	N/A	\$125.0 million
TOTAL	\$64.7 million	\$520.9 million	\$548.1 million



house.mi.gov/hfa/schoolaid.asp