

**SENATE FISCAL AGENCY
 MEMORANDUM**

DATE: May 17, 2011
TO: Members of the Senate
FROM: Ellen Jeffries, Director
RE: Updated State Budget Year-End Balance Estimates

Based on the revised consensus revenue estimates agreed to on May 16, 2011, and enacted and projected State appropriations, the Senate Fiscal Agency (SFA) has revised its estimates of the year-end balances in the fiscal year (FY) 2010-11, FY 2011-12, and FY 2012-13 General Fund/ General Purpose (GF/GP) and School Aid Fund (SAF) budgets. The SFA has also included the impact of the recently passed tax code reform legislation in the projected year-end balances. This memorandum provides a brief summary of these revised SFA estimates.

FY 2010-11 Year-End Balance Estimates

The FY 2010-11 State budget was originally based on consensus revenue estimates agreed to in May 2010. The revisions of the consensus revenue estimates agreed to in January 2011 still projected an estimated positive year-end balance in the FY 2010-11 GF/GP and SAF budgets. The May 2011 revenue estimates continue to show projected surpluses in the FY 2010-11 GF/GP and SAF budgets.

Table 1 provides a summary of the SFA's estimate of a \$254.5 million FY 2010-11 GF/GP budget surplus. This estimate assumes the consensus revenue estimate, revenue changes assumed in the enacted budget, year-to-date appropriations, pending supplemental appropriations, caseload and cost adjustments, funding for implementation of the new tax plan, and other potential funding risks.

Table 2 provides a summary of the SFA's estimate of a \$645.9 million FY 2010-11 SAF budget surplus. This estimate assumes the consensus revenue estimate, Federal funds appropriated in the budget, enacted appropriations, and adjustments to the final level of expenditures based on revised formula funding costs.

Pursuant to the Management and Budget Act (Sec. 451), the projected levels of the FY 2010-11 GF/GP and SAF year-end balances will carry forward and be available to support the FY 2011-12 GF/GP and SAF budgets unless further action is taken by the Legislature. The SFA estimate of the FY 2011-12 GF/GP and SAF year-end balances assume the carry-forward of these budget surpluses.

Table 1
FY 2010-11
GENERAL FUND/GENERAL PURPOSE
REVENUE, EXPENDITURES, AND YEAR-END BALANCE
(Millions of Dollars)

	May 2011 SFA Estimate
Revenue:	
Beginning Balance	\$187.2
<u>Ongoing Revenue:</u>	
Consensus Revenue Estimate (May 2011)	\$7,524.1
Revenue Sharing Freeze for Cities, Villages, Townships.....	\$604.8
Restore Payments for County Revenue Sharing.....	(114.7)
Shift of Short-Term Borrowing Costs to School Aid Fund	15.0
Use Tax on Health Maintenance Organizations	380.6
<u>Non-ongoing Revenue:</u>	
Enhanced Tax Enforcement Revenue	15.0
Liquor Reforms.....	5.1
Tax Amnesty.....	61.8
Unclaimed Property Reforms	166.0
Lawsuit Settlements	3.3
Lapse Secretary of State Work Project to General Fund	6.0
Total Estimated GF/GP Revenue	\$8,854.2
Expenditures:	
Initial Appropriations.....	\$8,311.0
<u>Enacted Supplemental Appropriations:</u>	
Public Act 191 of 2010-Grant to Detroit Institute of Arts.....	10.0
Public Act 204 of 2010-Eliminate GF Reimbursement to K-12 for Ren Zones ..	(9.2)
<u>Pending Supplemental:</u>	
House Bill 4291-Early Retirement Savings.....	(57.4)
<u>Other Expenditure Adjustments:</u>	
Community Health Caseload/Costs	98.7
Human Services Caseload/Costs	(2.0)
Tax Plan Implementation.....	19.6
Other Potential Funding Risks	229.0
Total Estimated GF/GP Expenditures	\$8,599.7
Projected Year-End GF/GP Balance	\$254.5

Table 2
FY 2010-11
SCHOOL AID FUND
REVENUE, EXPENDITURES, AND YEAR-END BALANCE
(Millions of Dollars)

	May 2011 SFA Estimate
Revenue:	
Beginning Balance	\$255.9
Consensus Revenue Estimate (May 2011).....	\$11,111.5
<u>Other Revenue Adjustments:</u>	
GF/GP Grant to School Aid Fund	\$18.6
Ongoing Federal Aid.....	1,677.8
American Recovery and Reinvestment Act Funding.....	184.3
Federal Education Jobs Fund of 2010	316.2
Enhanced Tax Enforcement Revenue	2.3
Tax Amnesty	26.1
Liquor Reforms	0.9
Subtotal Other Revenue Adjustments	<u>\$2,226.2</u>
Total Estimated School Aid Fund Revenue	\$13,593.6
Expenditures:	
Initial Appropriations (Public Act 110 of 2010)	\$12,864.7
<u>Enacted Supplemental Appropriations:</u>	
Public Act 204 of 2010-Cost Adjustments and Eliminate Ren. Zone Gen'l Fund	(46.8)
Public Act 205 of 2010-Federal Education Jobs Fund	70.3
Public Act 217 of 2010-Federal Education Jobs Fund 2x Distribution.....	246.0
<u>Pending Supplementals:</u>	
House Bill 4445-Technical Cost Adjustments and \$500,000 for Bus Inspections	(180.0)
<u>Other Expenditure Adjustments:</u>	
Formula Cost Adjustments	(6.5)
Total Estimated School Aid Fund Expenditures	\$12,947.7
Projected Year-End School Aid Fund Balance.....	\$645.9

FY 2011-12 Year-End Balance Estimates

Governor Snyder presented his FY 2011-12 and FY 2012-13 budget recommendations to the Legislature in February 2011. The overall budget recommendation of the Governor was balanced between estimated revenue and appropriations by including tax and fee changes, appropriation reductions, and significant fund shifts from the School Aid Fund to the Community Colleges and Higher Education budgets.

Table 3 provides a summary of the SFA's estimate of a \$588.5 million positive balance in the FY 2011-12 GF/GP budget, assuming the carry-forward of \$254.5 million from FY 2010-11. This estimate assumes the consensus revenue estimate, revenue adjustments included in the Senate-passed appropriation bills, the level of GF/GP appropriations included in the Senate-passed appropriation bills, adjustments for revised caseload and cost estimates in the Departments of Community Health and Human Services and assumed savings from State employee concessions.

In terms of GF/GP appropriations, the Senate-passed appropriation bills represent a \$25.4 million reduction from the Governor's recommendation.

Table 3
FY 2011-12
GENERAL FUND/GENERAL PURPOSE
REVENUE, EXPENDITURES, AND YEAR-END BALANCE
(Millions of Dollars)

	May 2011 SFA Estimate
Revenue:	
Beginning Balance	\$254.5
Ongoing Revenue:	
Consensus Revenue Estimate (May 2011)	\$7,651.0
Revenue Sharing Savings	\$652.5
Tax Code Reforms	339.8
Updated Estimate of Tax Code Reforms	(185.1)
Shift of Short-Term Borrowing Costs to School Aid Fund	20.0
Non-ongoing Revenue:	
Tax Amnesty	(49.8)
Unclaimed Property Reforms	35.0
Liquor Reforms	9.1
Northville Sale (Balloon Payment, Oct. 14, 2011)	6.5
Transfer Comprehensive Transportation Fund Revenue to General Fund..	15.0
Total Estimated GF/GP Revenue	\$8,748.5
Expenditures:	
Senate-Passed Appropriations	\$8,125.2
Employee Concessions	(180.0)
Payment for Other Post-Employment Benefits	160.0
Community Health Caseload/Costs	55.0
Human Services Caseload/Costs	(5.5)
Tax Plan Implementation	5.3
Total Estimated GF/GP Expenditures	\$8,160.0
Projected Year-End GF/GP Balance	\$588.5

Table 4 provides a summary of the SFA's estimate of a \$339.1 million positive balance in the FY 2011-12 SAF budget. This estimate assumes the carry-forward of the projected FY 2010-11 SAF surplus, the consensus revenue estimate, the Senate-passed level of a \$218.6 million GF/GP grant to the SAF budget, Federal funds appropriated in the budget, and the Senate-passed appropriations adjusted for revised formula costs.

Table 4
FY 2011-12
SCHOOL AID FUND
REVENUE, EXPENDITURES, AND YEAR-END BALANCE
(Millions of Dollars)

	May 2011 SFA Estimate
Revenue:	
Beginning Balance	\$645.9
Consensus Revenue Estimate (May 2011)	\$11,335.3
Other Revenue Adjustments:	
General Fund/General Purpose Grant	\$18.6
Federal Ongoing Aid	1,653.3
Tax Code Reforms.....	(593.9)
Updated Estimate of Tax Code Reforms.....	(96.0)
Additional GF/GP to Partially Offset Tax Code Reforms.....	200.0
Partially Fund Community Colleges with School Aid Fund	(195.9)
Partially Fund Higher Education with School Aid Fund.....	(200.0)
Nontax Revenue Adjustments	(8.0)
Subtotal Other Revenue Adjustments	\$778.1
Total Estimated K-12 School Aid Fund Revenue	\$12,759.3
Expenditures:	
Senate-Passed Appropriations	\$12,400.2
Funding Formula Cost Adjustments	20.0
Total Estimated K-12 School Aid Fund Expenditures	\$12,420.2
Projected Year-End School Aid Fund Balance.....	\$339.1

FY 2012-13 Year-End Balance Estimates

Table 5 outlines the SFA's estimate of a \$712.4 million positive balance in the FY 2012-13 GF/GP budget, assuming the carry-forward of \$588.5 million from FY 2011-12. This estimate includes the consensus revenue estimate, the FY 2011-12 Senate-passed appropriation bills, adjustments for revised caseload and cost estimates in the Departments of Community Health and Human Services, the continuation of employee concessions from FY 2011-12, a \$150.0 million Other Post Employment Benefits (OPEB) payment, and an estimate of other cost increases in the budget of 4.0%.

Table 6 presents the SFA's estimate of a \$359.3 million projected year-end balance in the School Aid Fund. This estimate assumes carrying forward \$339.1 million from FY 2011-12, the consensus revenue estimate, the FY 2011-12 Senate-passed level of a \$218.6 million GF/GP grant to the SAF budget, ongoing Federal aid, and the FY 2011-12 Senate-passed appropriations adjusted for revised formula costs.

Table 5
FY 2012-13
GENERAL FUND/GENERAL PURPOSE
REVENUE, EXPENDITURES, AND YEAR-END BALANCE
(Millions of Dollars)

	May 2011 SFA Estimate
Revenue:	
Beginning Balance	\$588.5
<u>Ongoing Revenue:</u>	
Consensus Revenue Estimate (May 2011)	\$7,517.2
Revenue Sharing Savings	\$668.1
Tax Code Reforms	658.7
Updated Estimate of Tax Code Reforms	(220.7)
Shift of Short-Term Borrowing Costs to School Aid Fund	30.0
<u>Non-ongoing Revenue:</u>	
Unclaimed Property Reforms	(35.0)
Liquor Reforms	9.1
Total Estimated GF/GP Revenue	\$9,215.9
Expenditures:	
Senate-Passed FY 2011-12 Appropriations	\$8,125.2
Employee Concessions	(\$180.0)
Payment for Other Post-Employment Benefits	150.0
Community Health Caseload/Costs	78.8
Human Services Caseload/Costs	(5.4)
Tax Plan Implementation	4.9
Estimate of Other Cost Increases (4.0%)	330.0
Total Estimated GF/GP Expenditures	\$8,503.5
Projected Year-End GF/GP Balance	\$712.4

Table 6
FY 2012-13
SCHOOL AID FUND
REVENUE, EXPENDITURES, AND YEAR-END BALANCE
(Millions of Dollars)

	May 2011 SFA Estimate
Revenue:	
Beginning Balance	\$339.1
Consensus Revenue Estimate (May 2011)	\$11,626.4
Other Revenue Adjustments:	
General Fund/General Purpose Grant	\$18.6
Federal Ongoing Aid	1,653.3
Tax Code Reforms.....	(526.6)
Updated Estimate of Tax Code Reforms.....	(135.5)
Additional GF/GP to Partially Offset Tax Reforms	200.0
Partially Fund Community Colleges with School Aid Fund	(195.9)
Partially Fund Higher Education with School Aid Fund	(200.0)
Nontax Revenue Adjustments	3.3
Subtotal Other Revenue Adjustments	\$817.2
Total Estimated K-12 School Aid Fund Revenue	\$12,782.7
Expenditures:	
Senate-Passed FY 2011-12 Appropriations Adjusted for Jan. Pupils.....	\$12,400.2
Funding Formula Cost Adjustments	23.2
Total Estimated K-12 School Aid Fund Expenditures	\$12,423.4
Projected Year-End School Aid Fund Balance	\$359.3

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c: SFA Fiscal Analysts