

CAPITOL NEWS UPDATE

WEEK OF JANUARY 10, 2014

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Revenue Estimating Conference

Public Act 72 of 1991 (MCL 18.1367a-18.1367f) requires a Consensus Revenue Estimating Conference to be held each January and May. The Conference, which is made up of the directors of the House and Senate Fiscal Agencies and the State Treasurer or Budget Director, is required to establish various forecasts, including tax revenues, lottery revenues, school aid fund revenues, and pay-ins or pay-outs required for the budget stabilization fund. Statute requires that these forecasts be reached by consensus among the three participants. The consensus that is reached during the January conference becomes the revenue basis for the executive budget proposal and those reached during the May conference become the revenue basis for the budget bills passed by the legislature.

January 2014 Results

The table below gives a brief summary of the revenue estimates agreed upon by the conference principles.

	FY '13		FY '14			FY '15	
	Preliminary		January 2014 Consensus	Difference in May 2013 and January 2014 Estimate		January 2014 Consensus	Difference in May 2013 and January 2014 Estimate
Net GF-GP Revenue	\$9,562.8		\$9,572.5	\$126.3		\$10,046.5	\$206.2
Net SAF Revenue	\$11,269.5		\$11,560.0	\$89.9		\$11,931.8	\$119.1
GF-GP & SAF Total	\$20,832.3		\$21,132.5	\$216.2		\$21,978.3	\$325.3

Revenue

General Fund revenue estimate for Fiscal Year 2014, the current year, compared to the May 2013 estimate is up \$126.3 million. The General Fund revenue estimate for Fiscal Year 2015 compared to the May 2013 estimate is up \$206.2 million.

School Aid Fund revenue estimate for Fiscal Year 2014, the current year, compared to the May 2013 estimate is up \$89.9 million. The School Aid Fund revenue estimate for Fiscal Year 2015 compared to the May 2013 estimate is up \$119.1 million.

Combined General Fund and School Aid Fund revenue estimates for Fiscal Year 2014 are up \$216.2 million and Fiscal Year 2015 \$325.3 million.

Overall there are a number of factors that will impact state revenues, however, one driver will be changes in the amount of the credits claimed against the Michigan Business Tax (MBT). While most businesses are taxed under the state's new Corporate Income Tax, businesses that had an agreement with the state for an MBT credit have the option to remain under the MBT and claim their credit for the duration of their agreement. The state entered into a number of

agreements for MBT credits and depending on the individual agreement, a business may claim their credit until 2020 and beyond. It remains to be seen how many credits will ultimately be claimed and what the impact will be on state revenues.