



MSU IPPSR
December 5, 2022
Senate Fiscal Agency
Kathryn R. Summers, Director

Agenda

Timeline and Process

Supplementals

CREC and Revenues

Contact Information

A Synopsis of Who We Are



The Senate Fiscal Agency is:

- Established in statute (MCL 4.1501)
- Nonpartisan
- Confidential
- Objective

The SFA has:

- Fiscal analysts assigned to budget subcommittees
- Legislative analysts assigned to standing policy committees
- Economists
- Visualization and publication specialists
- Support staff

Timeline and Process

Presenter: Kathryn Summers



Timeline – For the past
decade or so

Process – For the past
decade or so

Budget Time Frame – “Ish”

JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE
LEGISLATIVE ACTION					
Governor's State of the State is delivered and budget recommendation is prepared for submission to the Legislature.	Governor's budget is delivered, legislative action begins.	Subcommittees make decisions, Appropriations Committee meets, floor votes take place.		Budget targets are negotiated between the Executive and Legislature. Conference Committees meet.	
SENATE FISCAL AGENCY ACTION					
First Consensus Revenue Estimating Conference (CREC) is scheduled. SFA prepares applicable documents, schedules future hearings, and provides background briefings.	SFA presents analysis of Governor's budget. Subcommittee hearings begin.	Decision documents are prepared, SFA works with Subcommittee chairs and members to develop proposals, substitute bills are prepared and analyzed, amendments are drafted. SFA revenue forecast is released. Second CREC is held in May.		SFA provides staff support to Conference negotiations, and prepares and analyzes Conference Reports.	

JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
LEGISLATIVE ACTION					
Governor signs appropriation bills and issues vetoes. Veto overrides are considered. Current-year budget adjustments are considered. Fiscal year ends September 30.			New fiscal year begins October 1. Appropriations Committee considers book-closing transfers and/or book-closing supplementals.		
SENATE FISCAL AGENCY ACTION					
Analysis of initial appropriations legislation is completed. Initial Appropriations Report is distributed. Year-end budgetary adjustments and lapse estimates are completed.			SFA Year-End Appropriations Report is generated. SFA Economic and Revenue Forecast is released. Mid-year budget adjustments (transfers, supplementals, Executive Orders) are analyzed as needed.		



Steps in the Appropriations Process for Past Decade

- 1. After the budget's introduction, Legislative leadership sets a schedule for Legislative action. Bills are referred to the Appropriations Committees and then assigned to subcommittees.
- 2. Subcommittee meetings provide detailed examination of the proposed budget.
 - Public hearings
 - Testimony from department, local units, interested parties, and public
- 3. Subcommittee reports bill to the full Appropriations Committee.
 - Usually, the subcommittee reports a substitute bill reflecting the changes recommended by the subcommittee.
- 4. Full Appropriations Committee action
 - Committee can reject the substitute, adopt the substitute as reported, amend the substitute, or report a new version of the bill.
- 5. Floor action
 - Bills that are reported out of the Appropriations Committees are considered on the House and Senate floors in the same manner as other bills reported from standing committees and may be amended or substituted. The only difference is that the fiscal agencies, not the Legislative Service Bureau, prepare all amendments and substitutes for appropriation bills on the floor.
- 6. Conference Committees
 - After the Senate and House pass their versions of the budget, each house "zeroes out" the other house's bills (i.e., line item appropriations and boilerplate are removed). The "zeroed out" bills then are returned to the house of origination, rejected by that house and referred to conference committee.
 - Differences between the House-passed and Senate-passed versions are resolved in conference committee.
 - The Senate and House participate in conference committees using individual budget bills.
 - After conference decisions have been reached on all of the individual budget bills, a conference committee is held on each omnibus budget bill, which incorporates all of the decisions made in conference committees on individual budget bills. The omnibus bills thus become the vehicle bills for the budget, going to the House and Senate for adoption of the omnibus conference reports.

Senate Fiscal Agency (SFA) Role in the Appropriation Bill Process

- 1. Consensus Revenue Estimating Conference. The SFA is one of the three principals (along with the House Fiscal Agency and the Department of Treasury) in the Consensus Revenue Estimating Conference.
- 2. SFA analyst provides technical and administrative support to the subcommittee:
 - Sends subcommittee meeting notices.
 - Acts as committee clerk during subcommittee meetings and hearings.
 - Compiles minutes of subcommittee meetings.
 - Prepares decision documents and analyses.
 - Produces substitute bills and amendments for the subcommittee.
- 3. SFA role beyond the subcommittee process:
 - Drafts amendments and substitutes, as requested by any Senator, for the full Appropriations Committee or while the bill is on the floor of the Senate.
 - Acts as committee clerk during conference committee meetings.
 - While the bill is in the Senate, produces and distributes analysis of the appropriation bill at each step of the process.

Supplementals

Presenter: Josh Sefton



A supplemental appropriations bill is any bill that makes an appropriation to supplement the annual enacted budget.

- Types of supplementals:

- Technical
- Budget reduction
- Mid-year program enhancement
- Unanticipated/unappropriated Federal funds
- New program implementation

- Constitutional requirements:

- May only be enacted following enactment of the annual budget for that fiscal year
- Not subject to public referendum (applies to all budget bills)

Supplementals

Presenter: Josh Sefton



Dos

- If necessary, consider adding a supplemental bill as part of a major policy bill package that may have a price tag.
 - SFA performs a fiscal impact analysis on every bill that is considered before a Senate committee.
 - Most bills do not require an accompanying supplemental appropriations bill.
 - Tax policy that only affects revenue does **not** require an appropriations bill.
- Ask your staff to consult the SFA Supplemental Coordinator (Josh Sefton).
 - Appropriations bill requests are treated differently by the Legislative Service Bureau (LSB) - LSB will always ask you if they can work with SFA on those requests anyway.
- Consider whether a supplemental bill is necessary for what you wish to accomplish (another good time to consult SFA).

Supplementals

Presenter: Josh Sefton



Don'ts

- Use a supplemental bill to enact policy.
 - Appropriations bills are one-year bills; any policy therein would have to be re-enacted every year.
 - Any stipulations contained in an appropriations bill (boilerplate) must directly pertain to the funds appropriated in that bill.
 - Article IV, Section 24 of the Michigan Constitution stipulates: “No law shall embrace more than one object...”
 - Generally this means that the **object** of an appropriations bill is to make appropriations.
 - Article IV, Section 25 of the Michigan Constitution stipulates: “No law shall be revised, altered or amended by reference...”
 - An appropriations bill cannot direct a State department or agency to use appropriations to do something contrary to statute, nor can it prohibit it from doing something required by statute.
 - In either of the above cases, the statute in question must be amended by a separate bill.
- This is actually a **DO**: When in doubt, consult your caucus legal counsel.

CREC and Revenue Update

Presenter: David Zin



Estimating Revenue for the Budget

Quick Update on Revenue

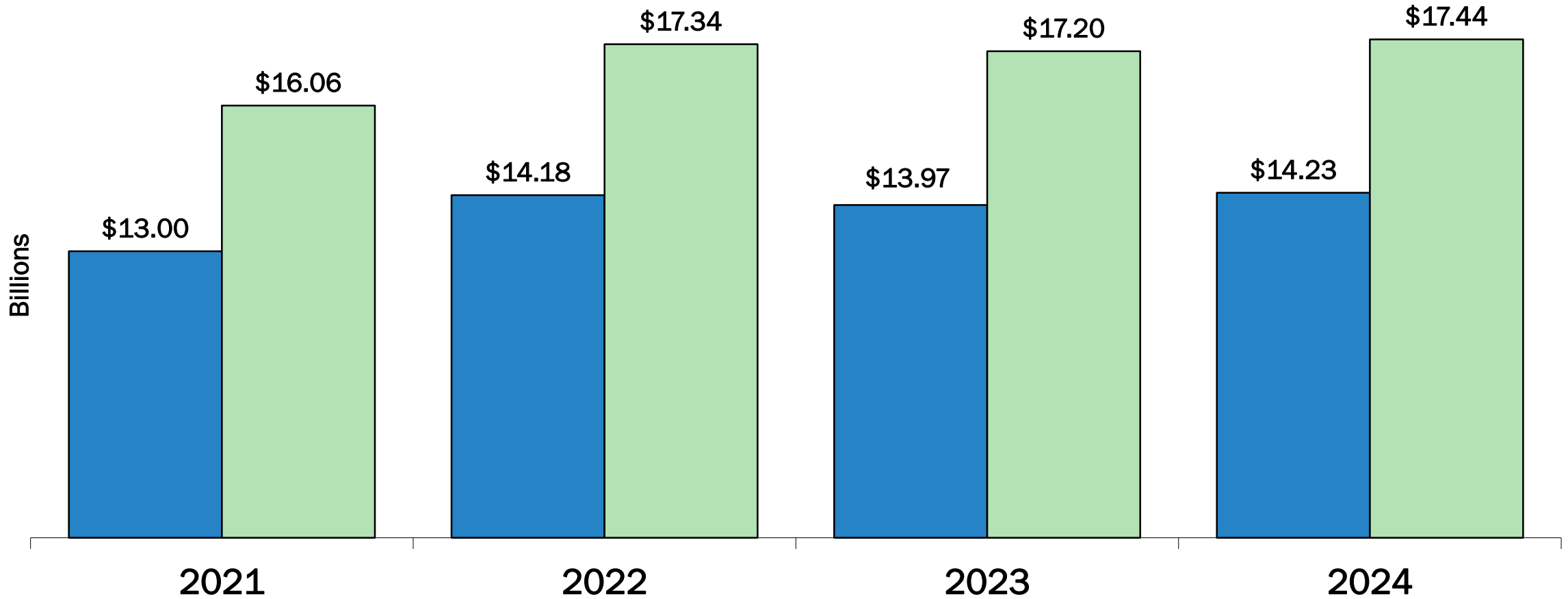
The Consensus Revenue Estimating Conference (CREC) Structure

- Where: Authorized by statute, in the Management and Budget Act, 1984 PA 431 (MCL 18.1367a through 18.1367f)
- Who: The three principals are the director of the House Fiscal Agency, the director of the Senate Fiscal Agency, and either the state budget director or state treasurer.
- When: The conference is held during the second week of January and the third week of May each year, although additional conferences can be requested by any of the principals.

Key Components of the Consensus Revenue Estimating Conference (CREC)

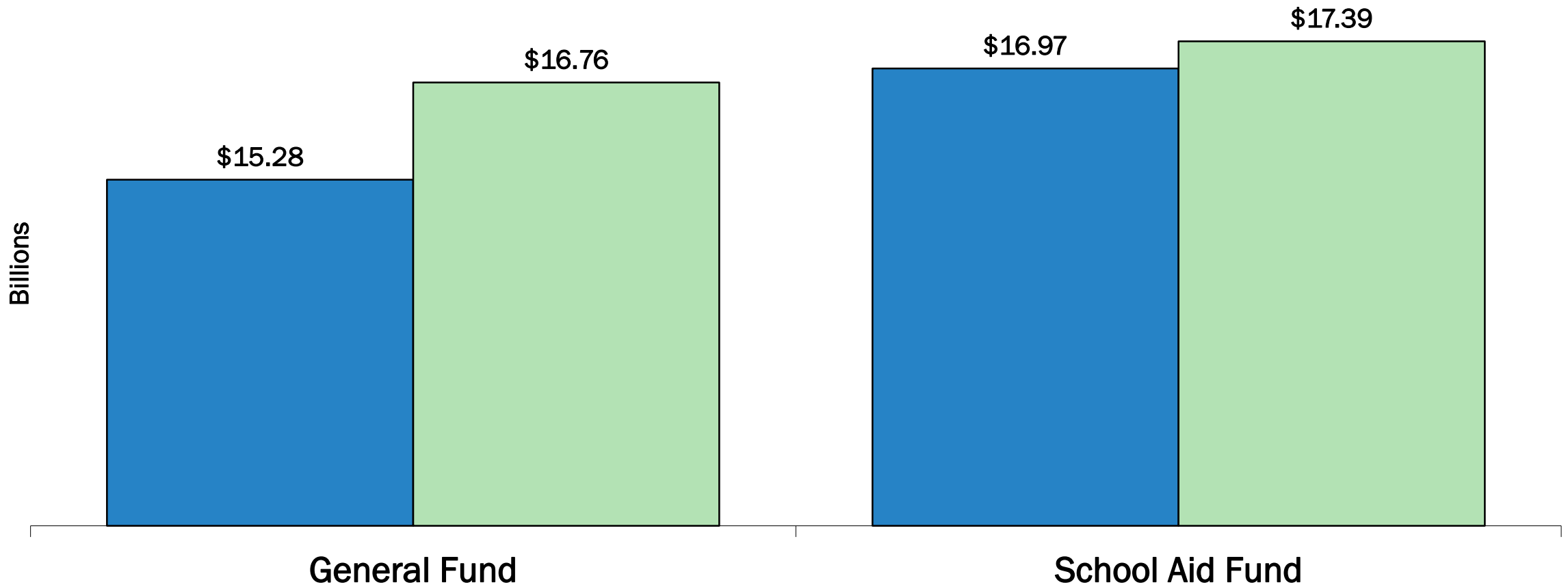
- The conference establishes the official economic forecast for major variables of the national and state economies. The conference also establishes a forecast of anticipated state revenues, including:
 - State income tax collections
 - State sales tax collections
 - Corporate income tax collections
 - Michigan business tax collections
 - Total general fund/general purpose (GF/GP) revenues
 - Lottery transfers to the school aid fund (SAF)
 - Total school aid fund revenues
- Pay-in or pay-outs indicated under the countercyclical budget and economic stabilization fund (BSF) formula
- Compliance with the state revenue limit established by section 26 of article IX of the state constitution

GF-GP and SAF Revenue Forecast (May 2022 CREC)



■ General Fund ■ School Aid Fund

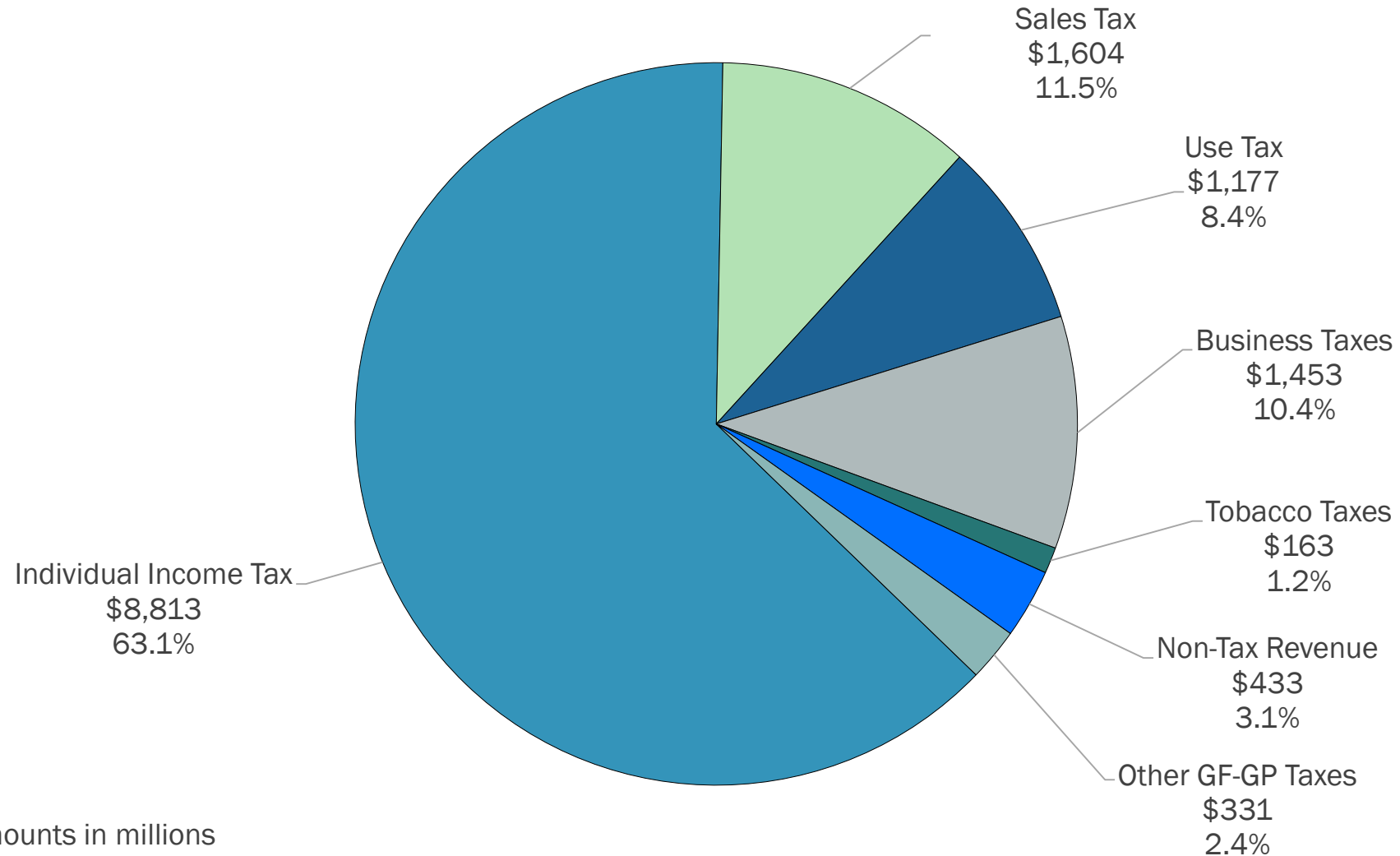
GF-GP and SAF Monthly Revenue Tracking



■ Forecast (Revenue Tracking)

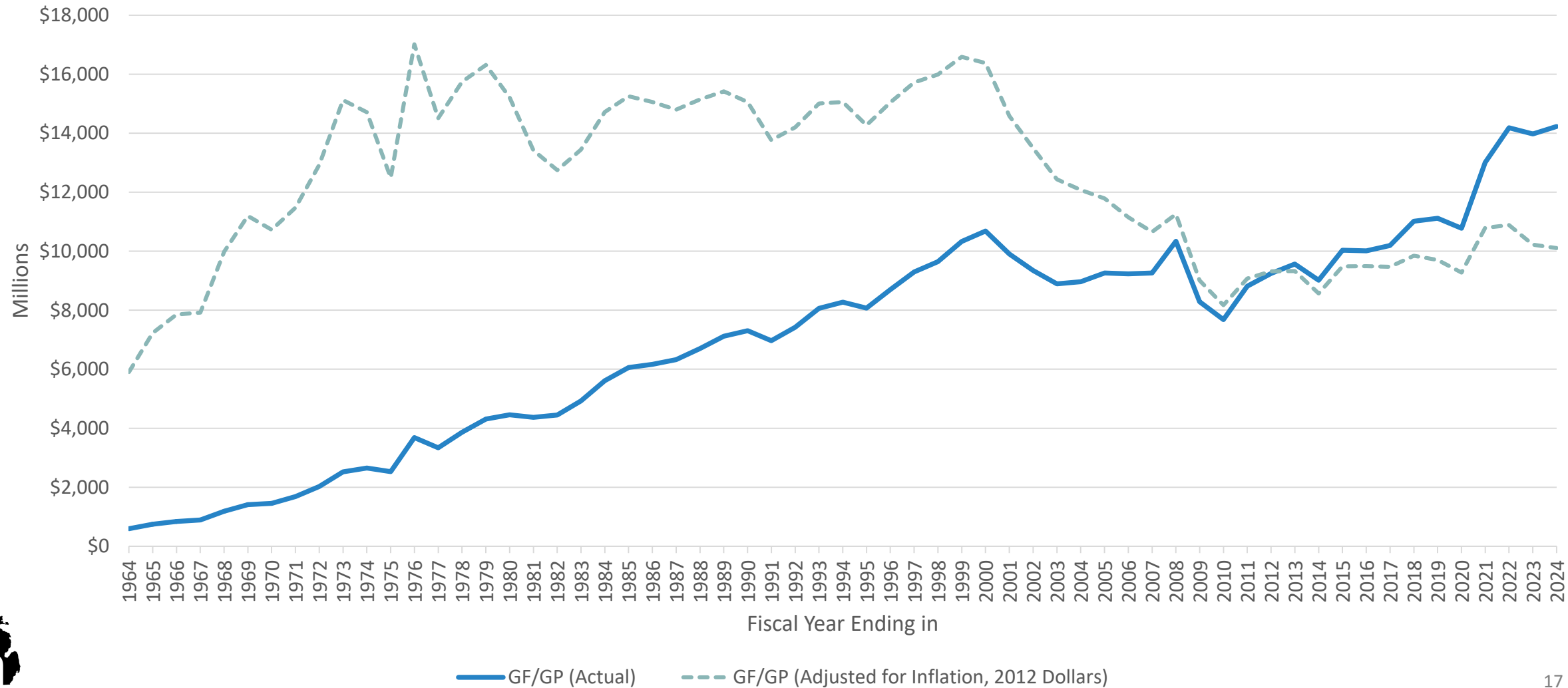
■ Monthly Collections as of October

GF-GP Revenue Sources (May 2022 CREC)

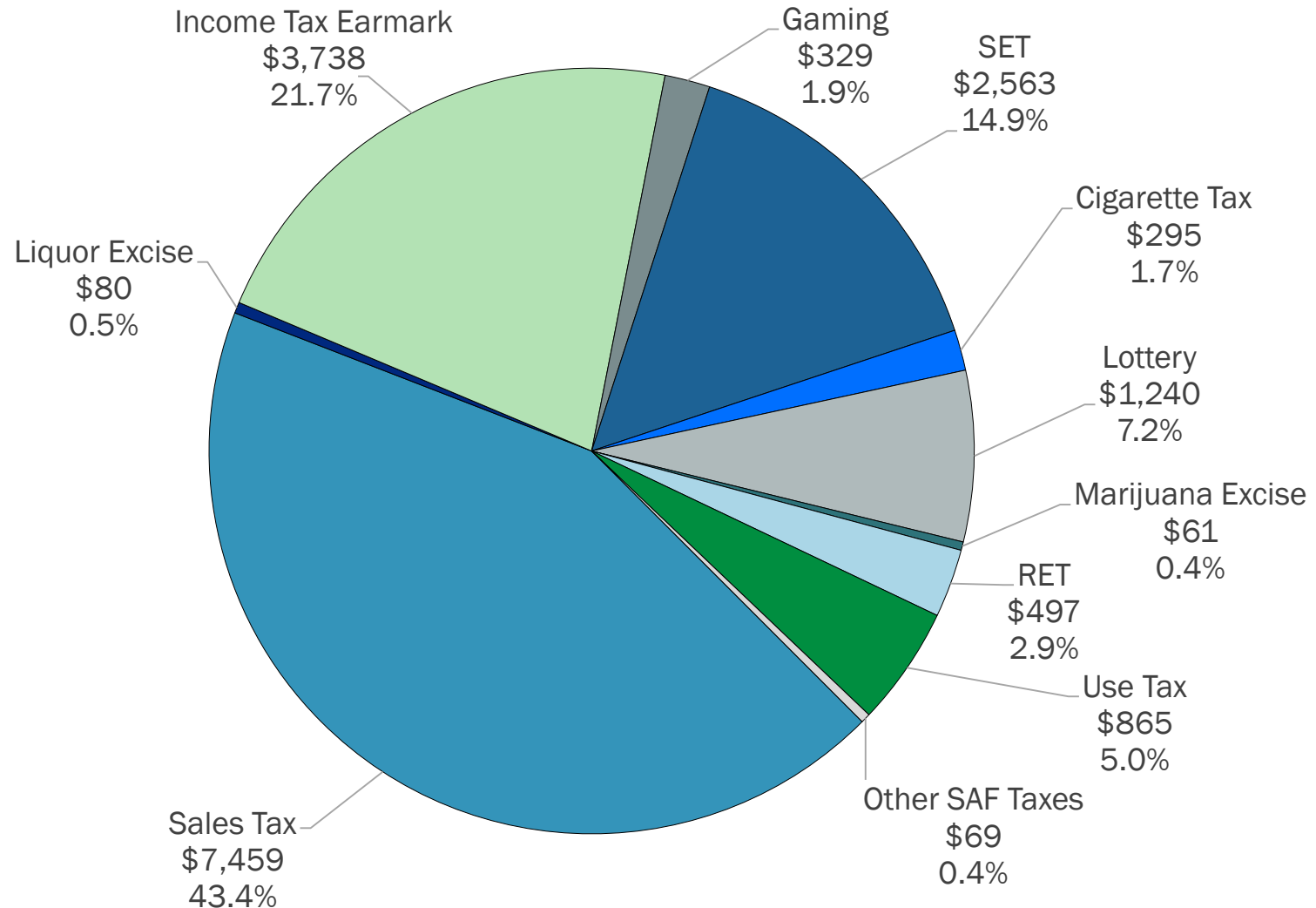


Dollar amounts in millions

Earmarked GF-GP Revenue Over Time

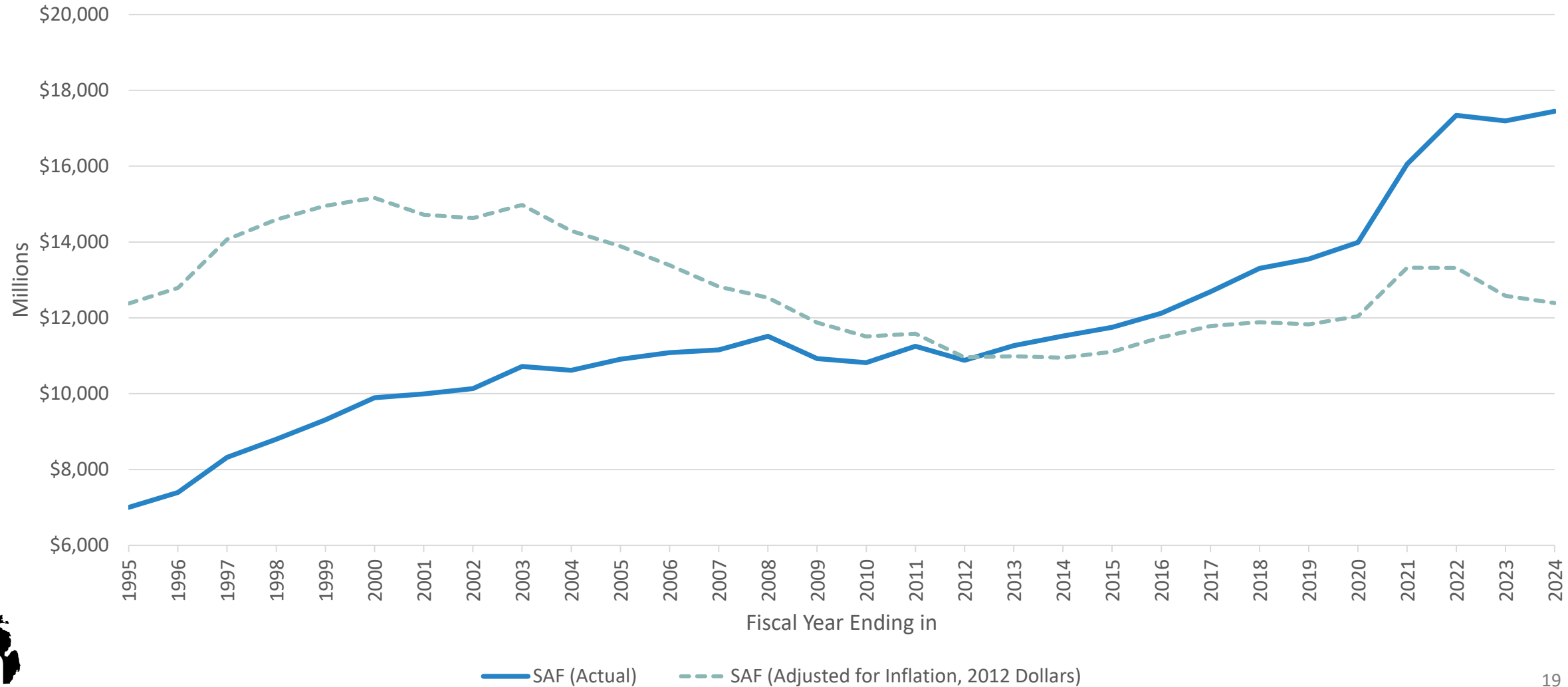


School Aid Fund Revenue Sources (May 2022 CREC)

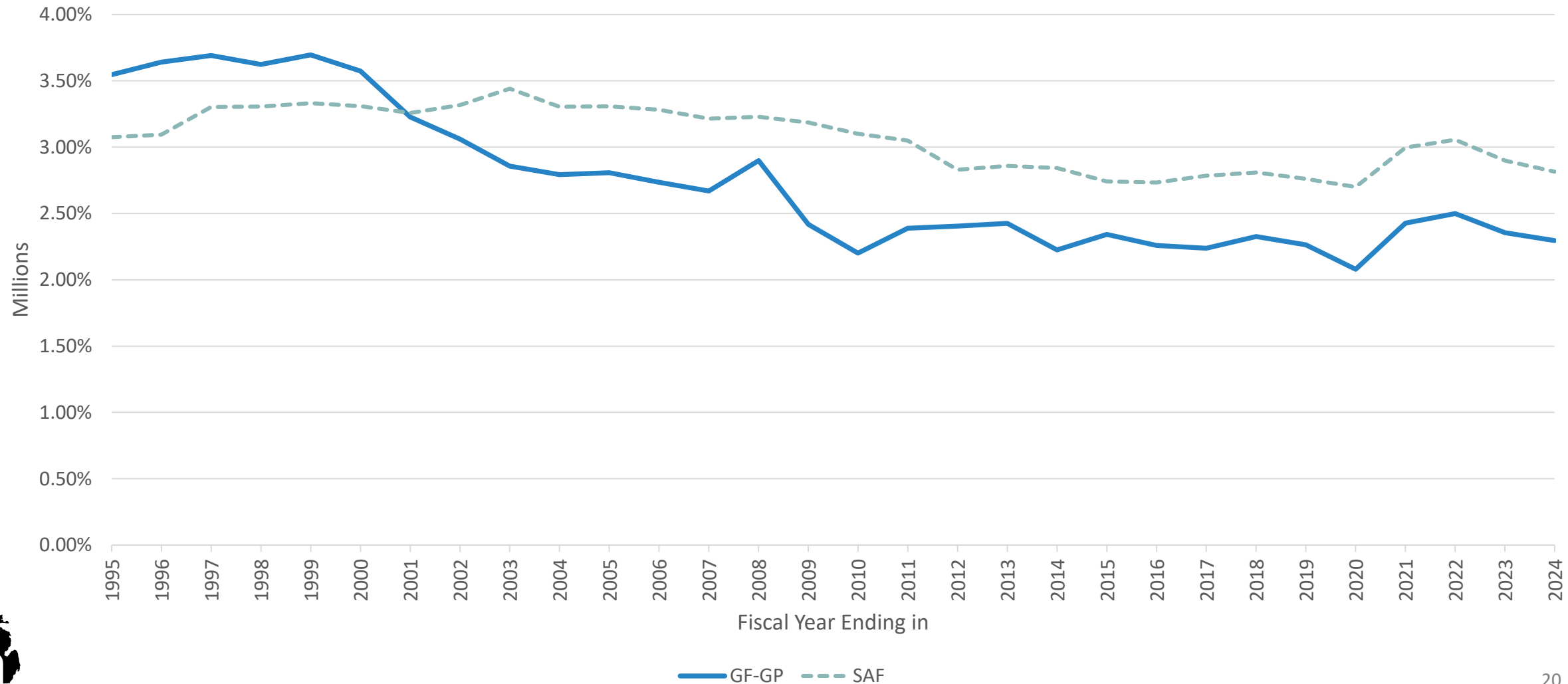


Dollar amounts in millions

Earmarked School Aid Fund Revenue Over Time



GF-GP and SAF Revenue, Share of Personal Income



Assist the
Senate with
Budgets and
Other Fiscal
Matters

The SFA has a dozen fiscal analysts, each assigned to a specific budget subcommittee. While fiscal analysts spend a lot of time with the Senate Appropriations Committee, it is important to note that we are available for the entire Senate.

The SFA has a wide range of data and information beyond the budget and can assist with understanding a bill's impact including during the drafting stage.

When a bill is scheduled on the agenda of a standing committee, fiscal analysts write the fiscal impact note for bills that run through policy committees.

Fiscal analysts, economists, and our legislative analysts can offer estimated impacts during the bill drafting stage or provide insights upon introduction (and before a committee meeting).

Publications:
Economic
Forecasts, Charts
of the Week,
Notes Articles,
Issue Papers, etc.

Economic publications include the SFA forecast, monthly revenue reports and economic indicators, web pages with scads of data

Charts of the Week (emailed, Tweeted)

Notes Articles

Issue Papers

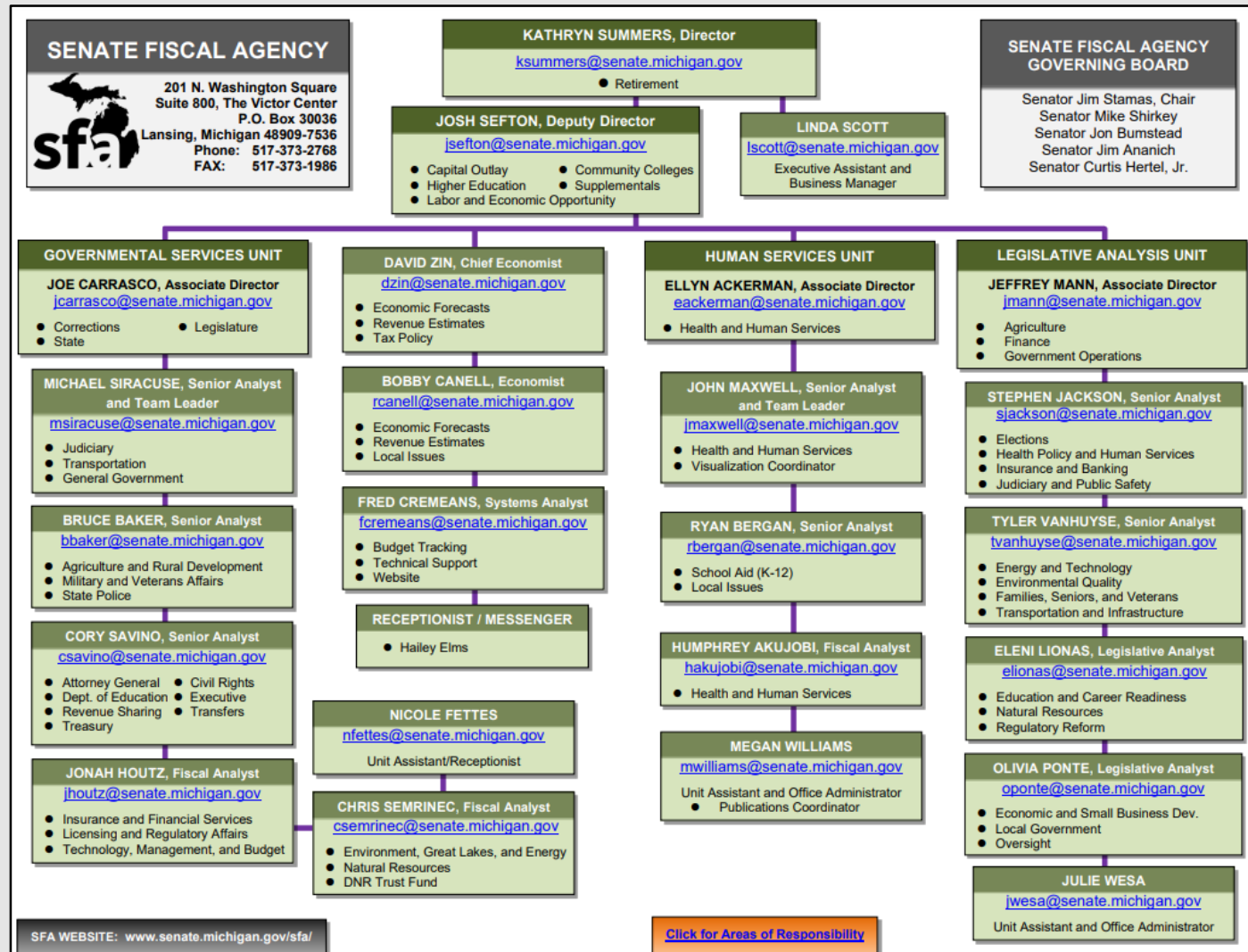
OneFABs (Information on One Page, Front and Back)

Appropriations Reports (Initial, Year-End); Analysis of Gov's Rec
Reports Required by Boilerplate

Lawsuit Report

Line Item and Boilerplate Histories

Personnel



Contact Information



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