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April 20, 2020

TO: Senator Alberta Darling
Room 317 East, State Capitol

FROM: Bob Lang, Director

SUBJECT: Revenue Shortfall Provision

At your request, this memorandum describes the revenue shortfall provision contained in s. 16.50(7) of the statutes.

Under s. 16.50(7), if at any time after enactment of the biennial budget, the Secretary of Administration determines that previously authorized expenditures will exceed revenues in either year of the biennium by more than 0.5% of the estimated GPR appropriations for that fiscal year, the Secretary is required to immediately notify the Governor, the presiding officer of each house of the Legislature, and the Joint Committee on Finance of the revenue shortfall.

Following this notification, the Governor is required to submit to the Legislature a bill containing his or her recommendations for correcting the imbalance between projected revenues and authorized expenditures, including a recommendation as to whether moneys should be transferred from the budget stabilization fund to the general fund. Further, if the Legislature is not in a floor period at the time of the Secretary's notification, the Governor is required to call a special session of the Legislature to take up the matter of the projected revenue shortfall and to submit a bill dealing with the shortfall to the Legislature for consideration at that special session.

The statutes do not provide any direction as to when, under s. 16.50(7), the DOA Secretary is to make a determination of any projected revenue shortfall. However, once the Secretary has reached that determination, the Secretary has the responsibility to immediately notify the Governor, the presiding officer of each house of the Legislature, and the Joint Committee on Finance of that determination.

For 2019-20, estimated expenditures are $17,966 million; 0.5% of that amount is $90 million. Under this office's January 23, 2020, revenue and expenditure estimates, adjusted for the tax reduction of 2019 Act 185, the projected gross balance for 2019-20 is $1,142 million. In addition, the January 23 report indicated a transfer or $189 million to the budget stabilization fund. To reach the 0.5% trigger in 2019-20, a projected revenue shortfall of $1,421 million would need to occur ($1,142 plus $90, plus $189 = $1,421 million).

For 2020-21, estimated expenditures are $18,835 million; 0.5% of that amount is $94 million. The projected gross balance for 2020-21, adjusted for the tax reductions of 2019 Act 185, equals $653 million. In addition, the January 23 report reflects a transfer, over the biennium, to the budget stabilization fund of $409 million. To reach the 0.5% trigger in 2020-21, a projected revenue shortfall of $1,156 million would need to occur ($653 plus $94, plus $409 = $1,156 million).

I hope that this information is helpful. Please contact me if you have questions.

BL/lb