

MEMORANDUM



**DATE:** January 14, 2022  
**TO:** Members of the Michigan House of Representatives  
**FROM:** Mary Ann Cleary, Director *MAC*  
**RE:** Consensus Revenue Agreement – January 14, 2022

Pursuant to the Management and Budget Act Sections 367(a) through 367(f), the Consensus Revenue Estimating Conference establishes an official economic forecast of major variables of the national and state economies and establishes a forecast of anticipated state General Fund/General Purpose (GF/GP) and School Aid Fund (SAF) revenue.

The conference principals at the January 2022 meeting were the Director of the House Fiscal Agency, the Director of the Senate Fiscal Agency, and the State Treasurer. The State Treasurer is the 2022 Conference Chairperson.

The attached tables provide a summation of the agreements reached at the January 2022 conference. These consensus estimates will be revised and updated at the May 2022 conference.

**Table 1: Consensus Economic Forecast**

Provides estimates of various state and national economic variables. The forecast projects that real gross domestic product (GDP) will increase 4.1% in calendar year (CY) 2022, 2.7% in CY 2023, and 2.2% in CY 2024. Michigan personal income is forecast to increase 0.4% in CY 2022, 4.8% in CY 2023 and 4.1% in CY 2024.

**Table 2: Consensus Estimates of GF/GP and SAF**

Preliminary final FY 2020-21 revenue, revised revenue estimates for FY 2021-22 and FY 2022-23, and the initial estimates for FY 2023-24 are presented in Table 2. Relative to FY 2020-21, net combined GF/GP and SAF revenue is estimated to decrease \$473.1 million or 1.6% in FY 2021-22, before increasing \$610.8 million or 2.1% in FY 2022-23, and \$733.3 million or 2.5% in FY 2023-24.

**Table 3: Consensus Estimate—Budget and Economic Stabilization Fund (BSF) Calculation**

There are no calculated pay-outs for FY 2021-22, FY 2022-23, or FY 2023-24, although the formulas suggest pay-ins of \$51.8 million for FY 2021-22 and \$148.3 million for FY 2023-24. No pay-in is suggested for FY 2022-23. It should be noted that the deposits to, or withdrawals from, the BSF are not automatic, and that they require an appropriation. Pay-ins and pay-outs from the BSF are based on growth in real adjusted personal income (Management and Budget Act, 1984 PA 431, Section 352).

**Table 4: Consensus Estimate—Constitutional Revenue Limit Calculation**

Calculations of the amounts that revenue exceed or do not exceed the constitutional state revenue limit established in Article IX, Section 26 of the Constitution of the State of Michigan are reported in Table 4. Total state revenue subject to the limit is estimated to be \$8.29 billion below the limit in FY 2020-21, \$12.17 billion below in FY 2021-22, \$14.00 billion below in FY 2022-23, and \$13.30 billion below the limit in FY 2023-24.

**Table 5: Long Term Revenue Trend**

The long term revenue trend for combined GF/GP and SAF revenue is 2.4% growth for FY 2024-25 and 2.5% FY 2025-26.

**Table 6 and Table 7:**

**Consensus Estimate—School Aid Revenue Adjustment Factor  
and Pupil Membership Adjustment Factor**

Reports consensus estimates of revenue adjustment factor and pupil membership for FY 2022-23 and FY 2023-24. The revenue adjustment factor is multiplied by the pupil membership adjustment factor to determine the index, the statutorily recommended increase or decrease in the per pupil foundation allowance. The School Aid Index for FY 2022-23 is 1.0081 and FY 2023-24 is 1.0219. The index would equal a 0.8% increase in the foundation allowance in FY 2022-23 and 2.2% in FY 2023-24.

If you have any questions regarding this information, please do not hesitate to call.

Attachments

**Table 1**  
**Consensus Economic Forecast**  
**January 2022**

	<b>Calendar 2021 Forecast</b>	<b>% Change from Prior Year</b>	<b>Calendar 2022 Forecast</b>	<b>% Change from Prior Year</b>	<b>Calendar 2023 Forecast</b>	<b>% Change from Prior Year</b>	<b>Calendar 2024 Forecast</b>	<b>% Change from Prior Year</b>
<b><u>United States</u></b>								
Real Gross Domestic Product (Billions of Chained 2012 Dollars)	\$19,396	5.5%	\$20,191	4.1%	\$20,736	2.7%	\$21,192	2.2%
Implicit Price Deflator GDP (2012 = 100)	118.1	4.0%	123.4	4.5%	127.1	3.0%	130.3	2.5%
Consumer Price Index (1982-84 = 100)	270.970	4.7%	283.622	4.7%	290.892	2.6%	297.838	2.4%
Consumer Price Index – Fiscal Year (1982-84 = 100)	266.616	3.3%	281.413	5.6%	289.002	2.7%	296.082	2.4%
Personal Consumption Deflator (2012 = 100)	115.4	3.8%	120.1	4.1%	123.2	2.6%	126.2	2.4%
3-month Treasury Bills Interest Rate (Percent)	0.05%		0.41%		1.07%		1.55%	
Unemployment Rate - Civilian (Percent)	5.3%		4.1%		3.8%		4.0%	
Wage and Salary Employment (Millions)	146.122	2.8%	151.380	3.6%	153.950	1.7%	155.340	0.9%
Housing Starts (Millions of Starts)	1.586	15.0%	1.640	3.4%	1.645	0.3%	1.590	-3.3%
Light Vehicle Sales (Millions of Units)	14.9	3.0%	15.7	5.4%	16.9	7.6%	17.1	1.2%
Passenger Car Sales (Millions of Units)	3.3	-3.0%	3.3	0.0%	3.3	0.0%	3.2	-3.0%
Light Truck Sales (Millions of Units)	11.6	4.8%	12.4	6.9%	13.6	9.7%	13.9	2.2%
Detroit-3 Share of Light Vehicles (Percent)	36.0%		37.1%		36.4%		35.7%	
<b><u>Michigan</u></b>								
Wage and Salary Employment (Thousands)	4,153	3.0%	4,286	3.2%	4,376	2.1%	4,416	0.9%
Unemployment Rate (Percent)	5.4%		5.3%		4.6%		4.6%	
Personal Income (Millions of Dollars)	\$558,411	5.2%	\$560,644	0.4%	\$587,555	4.8%	\$611,645	4.1%
Real Personal Income (Millions of 1982-84 Dollars)	\$225,343	0.9%	\$216,233	-4.0%	\$221,149	2.3%	\$225,048	1.8%
Wages and Salaries (Millions of Dollars)	\$265,210	9.3%	\$285,366	7.6%	\$301,061	5.5%	\$312,501	3.8%
Detroit Consumer Price Index (1982-84 = 100)	247.805	4.3%	259.278	4.6%	265.683	2.5%	271.785	2.3%
Detroit CPI – Fiscal Year (1982-84 = 100)	244.089	2.9%	257.616	5.5%	264.176	2.5%	270.288	2.3%

NOTE: Percentages may not calculate exactly due to rounding.

**Table 2**  
**January 2022: Revenue Comparison and Consensus Estimates of GF/GP and SAF**  
**(Millions of Dollars)**

		FY 2021-22			FY 2022-23			FY 2023-24				
	<u>FY 2020-21 Preliminary Final</u>	<u>January 2022 Consensus</u>	<u>Change From FY 2020-21</u>	<u>\$ Change From May 2021 Consensus</u>	<u>January 2022 Consensus</u>	<u>Change From FY 2021-22</u>	<u>\$ Change From May 2021 Consensus</u>	<u>January 2022 Consensus</u>	<u>Change From FY 2022-23</u>			
Net GF/GP Revenue	\$12,950.7	\$12,449.7	(\$501.0)	-3.9%	\$776.6	\$12,892.1	\$442.4	3.6%	\$621.4	\$13,314.3	\$422.2	3.3%
Net SAF Revenue	\$16,050.3	\$16,078.2	\$27.9	0.2%	\$947.2	\$16,246.6	\$168.4	1.0%	\$819.0	\$16,557.7	\$311.1	1.9%
Net GF/GP and SAF	\$29,001.0	\$28,527.9	(\$473.1)	-1.6%	\$1,723.8	\$29,138.7	\$610.8	2.1%	\$1,440.4	\$29,872.0	\$733.3	2.5%

*Numbers may not calculate exactly due to rounding.*

**Table 3**  
**January 2022: Consensus Estimate for Budget and Economic Stabilization Fund Calculation**  
**(Millions of Dollars)**

	FY 2021-22 Pay-In Calculation		FY 2022-23 Pay-In / FY 2021-22 Pay-Out Calculation		FY 2023-24 Pay-In / FY 2022-23 Pay-Out Calculation		FY 2023-24 Pay-Out Calculation	
	<u>CY 2020</u>	<u>CY 2021</u>	<u>CY 2021</u>	<u>CY 2022</u>	<u>CY 2022</u>	<u>CY 2023</u>	<u>CY 2023</u>	<u>CY 2024</u>
Michigan Personal Income <sup>(1)</sup>	\$530,809	\$558,411	\$558,411	\$560,644	\$560,644	\$587,555	\$587,555	\$611,645
Less Transfer Payments <sup>(1)</sup>	\$146,541	\$148,112	\$148,112	\$123,085	\$123,085	\$125,049	\$125,049	\$129,822
Income Net of Transfers	\$384,268	\$410,299	\$410,299	\$437,559	\$437,559	\$462,506	\$462,506	\$481,823
Detroit CY CPI <sup>(2)</sup>	2.377	2.478	2.478	2.593	2.593	2.657	2.657	2.718
Real Adjusted Michigan Personal Income	\$161,689	\$165,573	\$165,573	\$168,761	\$168,761	\$174,082	\$174,082	\$177,281
Change in Real Adjusted Personal Income		2.4%		1.9%		3.2%		1.8%
Amount Under 0%		N/A		N/A		N/A		N/A
Between 0% and 2%		2.0%		1.9%		2.0%		1.8%
Excess Over 2%		0.4%		N/A		1.2%		N/A
GF/GP Revenue	FY 2020-21	\$12,950.7	FY 2021-22	\$12,449.7	FY 2022-23	\$12,892.1	FY 2023-24	\$13,314.3
<b>BSF PAY-IN<sup>(3)</sup></b>	<b>FY 2021-22</b>	<b>\$51.8</b>	<b>FY 2022-23</b>	<b>No Pay-In</b>	<b>FY 2023-24</b>	<b>\$148.3</b>	<b>FY 2023-24</b>	<b>No Pay-Out</b>
<b>BSF PAY-OUT<sup>(3)</sup></b>			<b>FY 2021-22</b>	<b>No Pay-Out</b>	<b>FY 2022-23</b>	<b>No Pay-Out</b>	<b>FY 2023-24</b>	<b>No Pay-Out</b>

**Notes:**

1. Personal Income and Transfer Payments: CY 2018 through CY 2020 values are reported by the U.S. Bureau of Economic Analysis. Subsequent years are January 2022 consensus estimates.
2. Detroit Consumer Price Index, CY 2018 through CY 2020 values are reported by the U.S. Bureau of Labor Statistics. Subsequent years are January 2022 consensus estimates.
3. Calculation done per MCL 18.1352.

**Table 4**  
**January 2022 Consensus Estimate**  
**Constitutional Revenue Limit Calculation**  
(Millions of Dollars)

	<u>FY 2019-20</u> <u>Actual</u>	<u>FY 2020-21</u> <u>Consensus</u> <u>January 2022</u>	<u>FY 2021-22</u> <u>Consensus</u> <u>January 2022</u>	<u>FY 2022-23</u> <u>Consensus</u> <u>January 2022</u>	<u>FY 2023-24</u> <u>Consensus</u> <u>January 2022</u>
<b><u>Revenue Subject to Limit</u></b>					
Consensus					
Net General Fund General Purpose	\$10,771.4	\$12,950.7	\$12,449.7	\$12,892.1	\$11,314.3
Constitutional Revenue Sharing	\$852.8	\$962.5	\$991.8	\$971.7	\$989.7
Net School Aid Fund	\$13,972.1	\$16,050.3	\$16,078.2	\$16,246.6	\$16,557.8
Transportation	\$3,658.7	\$3,593.7	\$3,826.0	\$3,972.0	\$4,085.0
Other Restricted Revenue	\$4,800.9	\$4,821.3	\$4,873.1	\$4,921.8	\$4,971.0
Less: GF/GP Federal Aid	\$3.9	\$8.4	\$10.0	\$10.0	\$10.0
<b>Total Revenue Subject to Limit</b>	<b>\$34,052.0</b>	<b>\$38,370.3</b>	<b>\$38,208.8</b>	<b>\$38,994.2</b>	<b>\$39,907.8</b>
<b><u>Revenue Limit</u></b>	<b><u>CY 2018</u></b>	<b><u>CY 2019</u></b>	<b><u>CY 2020</u></b>	<b><u>CY 2021</u></b>	<b><u>CY 2022</u></b>
Personal Income	\$484,030	\$491,632	\$530,809	\$558,411	\$560,644
Ratio	9.49%	9.49%	9.49%	9.49%	9.49%
<b>Revenue Limit</b>	<b>\$45,934.5</b>	<b>\$46,655.9</b>	<b>\$50,373.8</b>	<b>\$52,993.2</b>	<b>\$53,205.1</b>
<b>Total Revenue Subject to Limit</b>	<b>\$34,052.0</b>	<b>\$38,370.1</b>	<b>\$38,208.8</b>	<b>\$38,994.2</b>	<b>\$39,907.8</b>
<b>Amount Under (Over) Limit</b>	<b>\$11,882.5</b>	<b>\$8,285.8</b>	<b>\$12,165.0</b>	<b>\$13,999.0</b>	<b>\$13,297.3</b>

Numbers may not calculate exactly due to rounding.

Note: CY 2018 Personal Income is used for the FY 2020 revenue limit calculation, CY 2019 for FY 2021, CY 2020 for FY 2022, CY 2021 for FY 2023, and CY 2022 for FY 2024.

**Table 5**  
**Long Term Revenue Trend**  
**(Millions of Dollars)**

	<u>FY 2024-25</u>	<u>FY 2025-26</u>
<b>Net GF/GP Revenue</b>	\$13,654.1	\$14,042.4
Growth	2.6%	2.8%
<b>Net SAF Revenue</b>	\$16,929.8	\$17,311.1
Growth	2.2%	2.3%
<b>Combined GF/GP and SAF</b>	\$30,583.9	\$31,353.5
Growth	2.4%	2.5%

**Table 6**  
**January 2022 Consensus Estimate**  
**Revenue Adjustment Factor and Pupil Membership Adjustment Factor**  
**for FY 2022-23**

**Revenue Adjustment Factor (Millions of \$)**

	<u>FY 2020-21</u>	<u>FY 2021-22</u>	<u>FY 2022-23</u>
Baseline SAF Revenue	\$16,214.6	\$16,098.2	\$16,363.8
Balance Sheet Adjustments	(\$164.1)	(\$20.0)	(\$117.2)
Net SAF Estimate	\$16,050.3	\$16,078.2	\$16,246.6
 Subtotal Adjustments to FY 2022-23 Base	 \$46.9	 (\$97.2)	 \$0.0
 Baseline Revenue on an FY 2022-23 Base	 \$16,097.4	 \$15,981.0	 \$16,246.6
Percent Change		-0.72%	1.66%
SAF Revenue Adjustment Calculation for FY 2022-23:			
Sum of FY 2020-21 and FY 2021-22	\$16,097.4 +	\$15,981.0 =	\$32,078.4
Sum of FY 2021-22 and FY 2022-23	\$15,981.0 +	\$16,246.6 =	\$32,227.6

<b>FY 2022-23 Revenue Adjustment Factor</b>	<b>1.0047</b>
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*Note: Factor is calculated off a FY 2023 base year.*

<b><u>Pupil Membership Adjustment Factor</u></b>	<b><u>May 2021 Consensus Estimate</u></b>	<b><u>January 2022 Consensus Estimate</u></b>	<b><u>Change</u></b>
<b>FY 2021-22</b>			
Local Districts	1,284,500	1,255,500	(29,000)
Public School Academies	<u>149,000</u>	<u>150,500</u>	<u>1,500</u>
<b>Total</b>	<b>1,433,500</b>	<b>1,406,000</b>	<b>(27,500)</b>
<b>FY 2022-23</b>			
Local Districts	1,274,500	1,249,700	(24,800)
Public School Academies	<u>149,000</u>	<u>151,500</u>	<u>2,500</u>
<b>Total</b>	<b>1,423,500</b>	<b>1,401,200</b>	<b>(22,300)</b>

	<u>FY 2021-22</u>	<u>FY 2022-23</u>
Consensus Estimate of Pupil Membership	1,406,000	1,401,200

Pupil Membership Adjustment Factor for FY 2022-23:			
<u>FY 2021-22 Pupil Membership</u>	=	<u>1,406,000</u>	
FY 2022-23 Pupil Membership	=	1,401,200	

<b>FY 2022-23 Pupil Membership Adjustment Factor</b>	<b>1.0034</b>
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<b>FY 2022-23 School Aid Index</b>	<b>1.0081</b>
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**Table 7**  
**January 2022 Consensus Estimate**  
**Revenue Adjustment Factor and Pupil Membership Adjustment Factor**  
**for FY 2023-24**

<b><u>Revenue Adjustment Factor (Millions of \$)</u></b>			
	<b><u>FY 2021-22</u></b>	<b><u>FY 2022-23</u></b>	<b><u>FY 2023-24</u></b>
Baseline SAF Revenue	\$16,098.2	\$16,363.8	\$16,682.1
Balance Sheet Adjustments	<u>(\$20.0)</u>	<u>(\$117.2)</u>	<u>(\$124.3)</u>
Net SAF Estimate	\$16,078.2	\$16,246.6	\$16,557.8
Subtotal Adjustments to FY 2023-24 Base	<u>(\$104.3)</u>	<u>(\$7.1)</u>	<u>\$0.0</u>
Baseline Revenue on an FY 2023-24 Base	\$15,973.9	\$16,239.5	\$16,557.8
Percent Change		1.66%	1.96%
SAF Revenue Adjustment Calculation for FY 2023-24:			
Sum of FY 2021-22 and FY 2022-23	\$15,973.9 +	\$16,239.5 =	\$32,213.4
Sum of FY 2022-23 and FY 2023-24	\$16,239.5 +	\$16,557.8 =	\$32,797.3
<b>FY 2023-24 Revenue Adjustment Factor</b>			<b>1.0181</b>
<i>Note: Factor is calculated off a FY 2024 base year.</i>			
	<b><u>May 2021 Consensus Estimate</u></b>	<b><u>January 2022 Consensus Estimate</u></b>	<b><u>Change</u></b>
<b><u>Pupil Membership Adjustment Factor</u></b>			
<b><u>FY 2022-23</u></b>			
Local Districts	1,274,500	1,249,700	(24,800)
Public School Academies	<u>149,000</u>	<u>151,500</u>	<u>2,500</u>
<b>Total</b>	<b>1,423,500</b>	<b>1,401,200</b>	<b>(22,300)</b>
<b><u>FY 2023-24</u></b>			
Local Districts	N/A	1,244,000	N/A
Public School Academies	<u>N/A</u>	<u>152,000</u>	<u>N/A</u>
<b>Total</b>	<b>N/A</b>	<b>1,396,000</b>	<b>N/A</b>
	<b><u>FY 2022-23</u></b>	<b><u>FY 2023-24</u></b>	
Consensus Estimate of Pupil Membership	1,401,200	1,396,000	
Pupil Membership Adjustment Factor for FY 2023-24:			
<u>FY 2022-23 Pupil Membership</u>	=	<u>1,401,200</u>	
<u>FY 2023-24 Pupil Membership</u>	=	<u>1,396,000</u>	
<b>FY 2023-24 Pupil Membership Adjustment Factor</b>			<b>1.0037</b>
<b>FY 2023-24 School Aid Index</b>			<b>1.0219</b>