

**ECONOMIC OUTLOOK
AND
REVENUE ESTIMATES
FOR
MICHIGAN**

**FY 2020-21
THROUGH
FY 2022-23**



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FOREWORD

This report includes a national and state economic forecast for calendar year (CY) 2020 through CY 2023. It also presents final General Fund/General Purpose (GF/GP) and School Aid Fund (SAF) revenue for fiscal year (FY) 2019-20 and revised revenue estimates for FY 2020-21 through FY 2022-23. Estimates reported herein will be presented to the Consensus Revenue Estimating Conference on May 21, 2021, and will be used to facilitate the consensus estimating process.

This report includes House Fiscal Agency (HFA) analyses of important factors that will affect state and national economies through the year 2023, and estimates of the Countercyclical Budget Stabilization Fund, state compliance with the Constitutional State Revenue Limit, and GF/GP and SAF year-end balances.

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ECONOMIC OVERVIEW AND FORECAST

This section presents the economic forecast used by the House Fiscal Agency (HFA) to produce its revenue forecasts for FY 2020-21 through FY 2022-23. In developing the U.S. and Michigan forecasts, key macroeconomic data such as employment, interest rates, business investment, light vehicle sales, international trade, oil prices, and consumer spending are examined with the goal of combining these variables along with others into an overall snapshot of the U.S. economy for the past year, current year, and two subsequent years. The key segments for Michigan include the automotive sector, the labor force and employment, wage and salary income, and inflation rates.

The HFA economic forecast released in January 2021 projected a continued recovery from the pandemic that dramatically altered the trajectories of the U.S. and Michigan economies. A number of restrictions imposed at the height of the pandemic had been relaxed, vaccines were being approved for emergency use, and two rounds of Federal stimulus approved in March and December 2020 all provided promise that conditions would continue to improve.

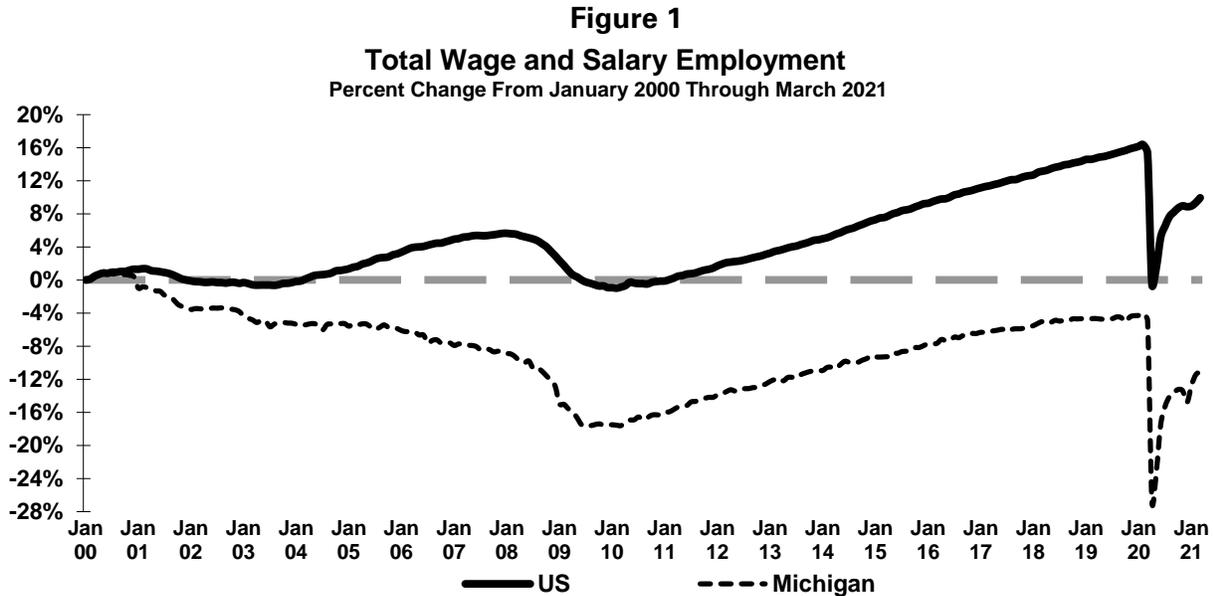
An additional \$1.9 trillion of Federal stimulus enacted in March provides broad-based relief, in some cases through 2024, and brings the total amount of Federal support to about \$5.0 trillion since the onset of the pandemic. Without this inflow of funds, any economic recovery would certainly have been muted.

After growing at a 4.3% rate in the fourth quarter of CY 2020 and -3.5% for the year as a whole, the initial real GDP (Gross Domestic Product) estimate for the first quarter of 2021 showed a growth rate of 6.4%. Although employment is still well below pre-pandemic levels, relative to one year ago, initial unemployment claims filed in Michigan in 2021 are only at about one-fourth the level they were during the same period in 2020, part of which was before the onset of the virus.

The U.S. forecast in this report assumes that the economy will continue to grow rapidly through the second and third quarters of CY 2021 before growth begins to taper off to more historically normal levels thereafter. Primarily due to all the federal stimulus, U.S. real GDP is projected to return to its pre-pandemic level by the middle of CY 2021, although employment losses are not expected to recover until the third quarter of CY 2022. The outlook for Michigan is slightly less optimistic in that the jobs lost during the first and second quarters of CY 2021 are not expected to return until after the forecast horizon.

Total Wage and Salary Employment

Figure 1 shows the monthly percent change in total wage and salary employment for both the U.S. and Michigan from January 2000 through March 2021.



U.S. Wage and Salary Employment

A 120-month span of job growth came to an end in March 2020 when employment dropped by almost 1.4 million jobs, roughly 1.1% of total wage and salary employment. This was followed by a loss of 20.8 million jobs (about 13.7% of total employment) in April as unemployment soared in response to the coronavirus and the policies designed to contain it. Although modest job growth returned through the end of the year, annual CY 2020 employment decreased by -5.7%, the first year with negative job growth since CY 2010.

Michigan Wage and Salary Employment

Wage and salary employment in Michigan has followed a path similar to the national economy. Between February and April 2020, employment in Michigan fell by 23.7%. By December 2020, employment had risen by 18.6% from the April trough, although by the end of the year wage and salary employment was still 9.2% lower than CY 2019.

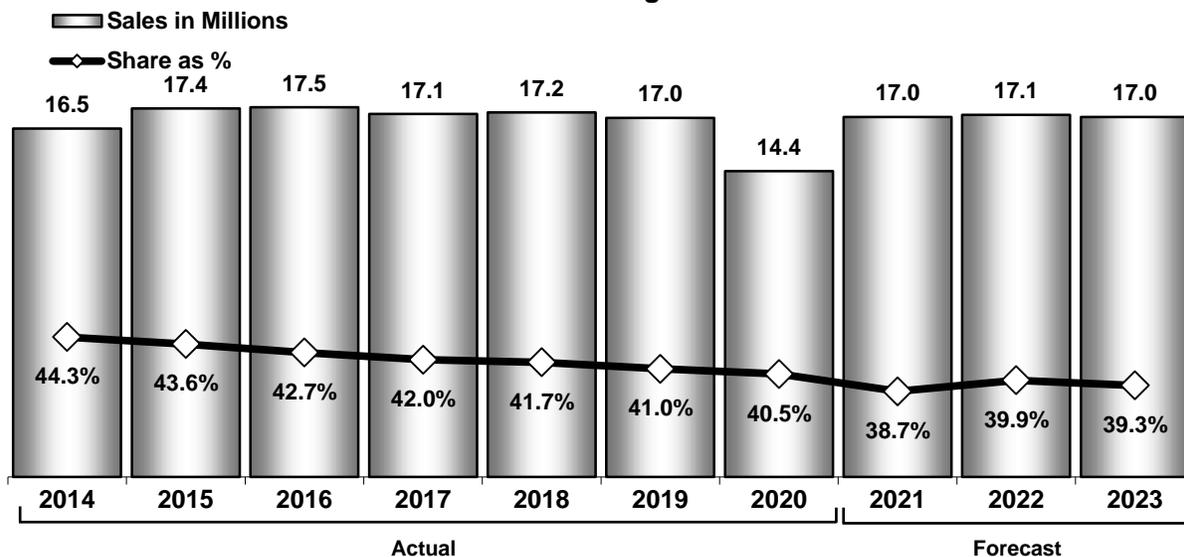
U.S. and Michigan Motor Vehicle Industry

Light motor vehicle sales totaled 14.4 million units in CY 2020, a 14.9% drop from the 17.0 million units sold in CY 2019. Light motor vehicle sales are forecast to total 17.0 million units in CY 2021, 17.1 million units in CY 2022, and 17.0 million units in CY 2023.

The market share of imports and transplants (vehicles with a foreign nameplate that are made in the U.S.) is expected to decline slightly from 23.9% in CY 2021 to 23.0% by CY 2023. As shown in **Figure 2**, the market share of the Detroit-3 auto manufacturers hovered around 40.0% in CY 2020. It is expected to drop to 38.7% in CY 2021 before increasing to 39.9% in CY 2022, and then dipping to 39.3% in CY 2023.

The level and composition of light motor vehicle sales, as well as the extent to which the domestic nameplates can retain market share, will have a direct impact on Michigan's economy. In CY 2021, the Detroit-3 auto manufacturers are expected to sell 6.6 million vehicles, which would translate to a 12.6% decrease from CY 2020. It is estimated that the Detroit-3 sales will increase to 6.8 million vehicles in CY 2022 before dropping back to 6.7 million CY 2023.

Figure 2
Detroit-3 Share of Light Vehicle Sales



U.S. Forecast Highlights

Real GDP decreased at a 3.5% rate in CY 2020 and is forecast to grow by 6.4% in CY 2021, 4.2% in CY 2022, and 2.0% in CY 2023.

Inflation, as measured by the Consumer Price Index (CPI), is forecast to increase at a rate of 3.0% in CY 2021, 2.6% in CY 2022, and 2.5% in CY 2023.

Light vehicle sales total 14.4 million units in CY 2020 and are forecast to increase to 17.0 million units in CY 2021, 17.1 million units in CY 2022, and 17.0 million units in CY 2023.

The import share of light vehicles is forecast to decrease from 23.9% in CY 2021 to 23.0% by the end of CY 2023.

Wage and salary employment growth declined by 5.7% in CY 2020; it is forecast to increase by 3.0% in CY 2021, 3.5% in CY 2022, and 1.2% in CY 2023.

The national unemployment rate was 8.1% in CY 2020; it is forecast to drop to 5.5% in CY 2021, 4.3% in CY 2022, and 4.1% in CY 2023.

Interest rates on three-month T-bills are expected to fluctuate between 0.1% and 0.4% throughout the forecast period as the Federal Reserve holds the federal funds rate below 0.5% over the next three years.

Michigan Forecast Highlights

Michigan wage and salary employment fell by 9.2% in CY 2020; it is expected to increase by 3.5% in CY 2021, 3.8% in CY 2022, and 1.7% in CY 2023.

Michigan's unemployment rate was 10.0% in CY 2020; it is forecast to drop to 5.2% in CY 2021, 4.7% in CY 2022, and 4.2% in CY 2023.

Michigan personal income grew by 7.4% in CY 2020; it is forecast to increase 2.5% in CY 2021 before declining 1.1% in CY 2022. Personal income is then projected to grow 3.9% in CY 2023.

Michigan wage and salary income decreased by 2.8% in CY 2020; it is forecast to increase 3.5% in CY 2021, 4.2% in CY 2022, and 3.9% in CY 2023.

Inflation (as measured by the Detroit Consumer Price Index) is forecast to increase 2.4% in CY 2021, CY 2022, and CY 2023.

Additional details of the U.S. and Michigan forecasts are presented in **Table 1** on the following page.

**Table 1
ECONOMIC FORECAST VARIABLES**

	Calendar 2019 Actual	Calendar 2020 Actual	% Change from Prior Year	Calendar 2021 Estimated	% Change from Prior Year	Calendar 2022 Estimated	% Change from Prior Year	Calendar 2023 Estimated	% Change from Prior Year
<u>United States</u>									
Real Gross Domestic Product (Billions of 2012 dollars)	\$19,091.7	\$18,426.1	(3.5%)	\$19,604.5	6.4%	\$20,432.1	4.2%	\$20,833.5	2.0%
Implicit Price Deflator GDP (2012 = 100)	112.262	113.610	1.2%	117.025	3.0%	120.322	2.8%	123.411	2.6%
Consumer Price Index (1982-84 = 100)	255.657	258.811	1.2%	266.448	3.0%	273.244	2.6%	280.141	2.5%
Consumer Price Index (FY) (1982-84 = 100)	254.377	258.014	1.4%	264.457	2.5%	271.524	2.7%	278.409	2.5%
Federal Funds Rate Interest Rate (Percent)	0.4%	0.4%		0.1%		0.1%		0.3%	
3-month Treasury Bills Interest Rate (Percent)	2.1%	0.4%		0.1%		0.1%		0.3%	
30-year Conventional Mortgage Rate Interest Rate (Percent)	3.9%	3.1%		3.2%		3.7%		4.1%	
Unemployment Rate (Percent)	3.7%	8.1%		5.5%		4.3%		4.1%	
Wage and Salary Employment (Millions)	150.9	142.3	(5.7%)	146.5	3.0%	151.6	3.5%	153.5	1.2%
Housing Starts (Thousands of units)	1.295	1.395	7.7%	1.625	16.5%	1.570	(3.4%)	1.540	(1.9%)
Light Vehicle Sales (Millions of units)	17.0	14.4	(14.9%)	17.0	17.8%	17.1	0.6%	17.0	(0.6%)
Passenger Car Sales (Millions of units)	4.7	3.4	(27.5%)	3.7	9.4%	3.5	(6.0%)	3.3	(5.2%)
Light Truck Sales (Millions of units)	12.2	11.0	(10.0%)	13.3	20.4%	13.6	2.4%	13.7	0.6%
Import Share of Light Vehicles (Percent)	22.4%	22.7%		23.9%		23.3%		23.0%	
Detroit-3 Share of Light Vehicle Sales (Percent)	41.0%	40.5%		38.7%		39.9%		39.3%	
Personal Income (Billions of current dollars)	\$18,551.5	\$19,691.0	6.1%	\$21,011.5	6.7%	\$21,108.2	0.5%	\$22,192.1	5.1%
<u>Michigan</u>									
Wage and Salary Employment (Thousands)	4,442.9	4,035.1	(9.2%)	4,176.2	3.5%	4,333.9	3.8%	4,408.8	1.7%
Transportation Equipment Employment (Thousands)	190.0	164.7	(13.3%)	174.7	6.1%	183.8	5.2%	188.0	2.3%
Unemployment Rate (Percent)	4.1%	10.0%		5.2%		4.7%		4.2%	
Personal Income (Millions of current dollars)	\$491,632	\$528,093	7.4%	\$541,050	2.5%	\$535,360	(1.1%)	\$556,239	3.9%
Real Personal Income (Millions of 1982-84 dollars)	\$208,798	\$222,246	6.4%	\$222,262	0.0%	\$214,661	(3.4%)	\$217,860	1.5%
Wage and Salary Income (Millions of current dollars)	\$246,831	\$239,866	(2.8%)	\$248,348	3.5%	\$258,737	4.2%	\$268,698	3.9%
Detroit Consumer Price Index (1982-84 = 100)	235.267	237.659	1.0%	243.430	2.4%	249.381	2.4%	255.313	2.4%
Detroit Consumer Price Index (FY) (1982-84 = 100)	233.872	237.347	1.5%	241.981	2.0%	247.884	2.4%	253.838	2.4%



RISKS AND UNCERTAINTIES

An economic forecast is based on the best information available at the time the forecast is prepared. Because information and foresight are not perfect, risks and uncertainties are inherent in any forecast, and variations in the underlying factors can exert either optimistic or pessimistic influences on the forecast. That said, the COVID-19 global pandemic is still considered the primary source of uncertainty in the underlying risk factors. Some of the more prevalent risks are highlighted below.

Trajectory of the COVID-19 Global Pandemic

The trajectory of, and response to, COVID-19 is the primary source of risk and uncertainty for this forecast. Economic conditions have improved as Michigan and other states continue to relax mitigation measures implemented to slow the spread of the disease and the number of individuals vaccinated continues to increase, which has led to improved economic conditions. That said, future trends in vaccinations and the potential for more contagious strains of the disease present both upside and downside risks to the forecast.

Fiscal and Monetary Policy

Significant fiscal and monetary stimulus measures were, and continue to be, implemented in response to the COVID-19 pandemic. These stimulus measures provided immediate support for public health, state and local governments, businesses, and individuals. Most recently, the \$1.9 trillion American Rescue Plan Act of 2021 fiscal stimulus package was enacted in March 2020. While some of the individual supports included in the bill (enhanced unemployment and stimulus checks) have been distributed, most of the funds have yet to be allocated. The pace at which these funds are dispersed and how the funds are expended will have an impact on the pace and scope of the economic recovery. In many instances, the federal funds are available over a period of years. While not included in the forecast, the potential for additional fiscal spending packages exists.

Labor Markets

The employment picture continues to improve both nationally and in Michigan. However, labor force participation continues to be depressed compared to pre-pandemic levels. While some individuals have left the labor force permanently, others have left for a myriad of reasons, including health concerns, child care, and returning to school. As businesses continue to open, individual supports diminish or expire, and we return to some sort of

normality post-pandemic we would expect to see labor force participation start to tick up. However, if labor force participation stagnates it would present downside risks to the forecast in both the short- and long-term.

Consumer Behavior

The COVID-19 pandemic changed consumer attitudes, behaviors, and purchasing habits, which have been reflected in both the economic data and state revenue trends. Increased digital commerce, purchases of tangible goods over services, and changes in the way individuals work and recreate were all changes resulting from pandemic-driven behaviors. The extent to which these trends remain post-pandemic will impact both the economic and revenue outlook. For example, with many services closed or drastically limited during the pandemic individual purchasing habits shifted to tangible goods. The latter is subject to the sales and use taxes, while the former is not.



GF/GP AND SAF REVENUE

Revenue estimates are based on the economic performance of the components of national and state economies discussed in the previous section. This section contains the House Fiscal Agency's May 2021 baseline and net General Fund/General Purpose (GF/GP) and School Aid Fund (SAF) estimates as well as recommended revisions from the January 2021 Consensus Revenue Estimating Conference (**Table 2**), detailed net GF/GP estimates (**Table 3**), and detailed net SAF (**Table 4**) estimates. Also, included in this section are estimated year-end balances for GF/GP, the SAF, and the budget stabilization fund (BSF), and the state revenue limit calculation.

Baseline and Net GF/GP and SAF Revenue Estimates

Baseline revenue does not include the impact of partial-year policy changes or certain other policy changes that have recently been adopted. Baseline estimates are comparable across fiscal years and demonstrate the changes to state revenue that are driven by changes in the economy. The final total combined baseline GF/GP and SAF revenue was \$26,244.4 million in FY 2019-20. It is forecast to increase 9.2% in FY 2020-21 before decreasing 0.2% in FY 2021-22. A 2.2% increase is projected for FY 2022-23.

Net revenue captures the effects of all policy changes and represents actual resources available. Final total net GF/GP and SAF revenue was \$24,766.1 million in FY 2019-20, which is a 1.8% increase from FY 2017-18. It is forecast to increase 6.3% in FY 2020-21, 2.2% in FY 2021-22, and 3.4% in FY 2022-23.

Table 2 reports GF/GP and SAF revenue in terms of baseline and net revenue. It also shows the January 2021 adjusted consensus estimates and the recommended revisions to these estimates for FY 2020-21 through FY 2022-23. The January 2021 adjusted consensus estimates include the January 2021 consensus estimates plus enacted tax changes since January 2021.

The recommended revision for FY 2020-21 is an increase of \$2,052.8 million, largely due to the influx of income support attributable to the American Rescue Plan. The recommended revisions for FY 2021-22 and FY 2022-23 are increases of \$1,567.7 million and \$1,898.5 million, respectively.

GF/GP Revenue by Source

GF/GP Tax Revenue

GF/GP tax revenue increased 6.2% to \$10,351.0 million in FY 2019-20. GF/GP tax revenue in FY 2020-21 is estimated to be \$10,870.9 million, an increase of \$519.9 million, and \$11,372.6 million in FY 2021-22, an increase of \$501.7 million. GF/GP tax revenue is estimated to increase 5.4% in FY 2022-23.

Total GF/GP Net Revenue

Net GF/GP revenue includes non-tax revenue and represents the amount available to for expenditures. Final net GF/GP revenue was \$10,775.5 million in FY 2019-20; it is forecast to be \$11,242.2 million in FY 2020-21, an increase of \$466.7 million, and \$11,755.8 million in FY 2021-22, an increase of \$513.6 million. Net GF/GP revenue is estimated to increase 5.3% in FY 2022-23.

SAF Revenue by Source

Total Net SAF Revenue

Final net SAF revenue increased by 5.2% to \$13,990.6 million in FY 2019-20. Net SAF revenue is forecast to be \$15,078.4 million in FY 2020-21, an increase of \$1,087.8 million. Net SAF revenue is estimated to increase 0.4% in FY 2021-22 and 1.9% in FY 2022-23.

Table 2
HFA MAY 2021 REVENUE ESTIMATES FOR FY 2020-21 THROUGH FY 2022-23
(Millions of Dollars)

	<u>Final</u> <u>FY 2019-20</u>	<u>HFA Est.</u> <u>FY 2020-21</u>	<u>HFA Est.</u> <u>FY 2021-22</u>	<u>HFA Est.</u> <u>FY 2022-23</u>	<u>FY 2020-21</u> <u>% Change</u>	<u>FY 2021-22</u> <u>% Change</u>	<u>FY 2022-23</u> <u>% Change</u>
<u>Baseline</u>							
GF/GP	\$12,014.1	\$13,490.7	\$13,502.0	\$13,888.2	12.3%	0.1%	2.9%
SAF	14,230.3	15,178.3	15,120.7	15,354.7	6.7%	(0.4%)	1.5%
Total	\$26,244.4	\$28,669.0	\$28,622.7	\$29,242.8	9.2%	(0.2%)	2.2%
<u>Net</u>							
GF/GP	\$10,775.5	\$11,242.2	\$11,775.8	\$12,376.5	4.3%	4.6%	5.3%
SAF	13,990.6	15,078.4	15,132.7	15,419.6	7.8%	0.4%	1.9%
Total	\$24,766.1	\$26,320.5	\$26,888.5	\$27,796.0	6.3%	2.2%	3.4%
<u>January 2021 CREC (Adjusted Net)</u>							
<u>Net</u>							
GF/GP	\$10,775.5	\$10,237.5	\$10,896.8	\$11,212.7			
SAF	13,990.6	14,030.2	14,424.0	14,684.8			
Total	\$24,766.1	\$24,267.7	\$25,320.8	\$25,897.5			
<u>Recommended Net Revision</u>							
<u>Net</u>							
GF/GP	\$0.0	\$1,004.7	\$859.0	\$1,163.7			
SAF	0.0	1,048.2	708.7	734.8			
Total	\$0.0	\$2,052.8	\$1,567.7	\$1,898.5			

NOTE: Numbers may not add due to rounding.

Table 3
GF/GP NET REVENUE ESTIMATES AND CHANGE FROM THE PREVIOUS FISCAL YEARS
(Millions of Dollars)

	Final	HFA Est.	HFA Est.	HFA Est.	FY 2020-21		FY 2021-22		FY 2022-23	
	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	\$ Change	% Change	\$ Change	% Change	\$ Change	% Change
Income Tax	\$6,869.7	\$6,686.3	\$7,299.7	\$7,685.2	(\$183.4)	(2.7%)	\$613.3	9.2%	\$385.5	5.3%
Sales Tax	1,299.8	1,425.2	1,411.0	1,437.4	125.4	9.7%	(14.2)	(1.0%)	26.4	1.9%
Use Tax	747.5	1,216.5	1,212.9	1,217.4	469.0	62.7%	(3.7)	(0.3%)	4.5	0.4%
Michigan Business Tax	(553.7)	(626.9)	(592.9)	(526.7)	(73.2)	13.2%	34.0	(5.4%)	66.2	(11.2%)
Corporate Income Tax	1,100.1	1,339.6	1,184.2	1,273.6	239.5	21.8%	(155.4)	(11.6%)	89.4	7.5%
Insurance	456.8	390.0	405.0	415.0	(66.8)	(14.6%)	15.0	3.8%	10.0	2.5%
Other GF/GP Taxes	430.8	440.1	452.8	483.5	9.3	2.1%	12.7	2.9%	30.7	6.8%
GF/GP Net Tax Revenue	\$10,351.0	\$10,870.9	\$11,372.6	\$11,985.4	\$519.9	5.0%	\$501.7	4.6%	\$612.8	5.4%
Non-Tax Revenue	424.5	371.3	383.2	391.1	(53.2)	(12.5%)	11.9	3.2%	7.9	2.1%
Total GF/GP Net Revenue	\$10,775.5	\$11,242.2	\$11,755.8	\$12,376.5	\$466.7	4.3%	\$513.6	4.6%	\$620.7	5.3%

NOTE: Numbers may not add due to rounding.

Table 4
SCHOOL AID FUND NET REVENUE ESTIMATES AND CHANGE FROM THE PREVIOUS FISCAL YEARS
(Millions of Dollars)

	Final	HFA Est.	HFA Est.	HFA Est.	FY 2020-21		FY 2021-22		FY 2022-23	
	<u>FY 2019-20</u>	<u>FY 2020-21</u>	<u>FY 2021-22</u>	<u>FY 2022-23</u>	<u>\$ Change</u>	<u>% Change</u>	<u>\$ Change</u>	<u>% Change</u>	<u>\$ Change</u>	<u>% Change</u>
Sales Tax	\$6,048.7	\$6,532.6	\$6,601.2	\$6,709.7	\$483.9	8.0%	\$68.6	1.1%	\$108.6	1.6%
Use Tax	613.0	857.0	869.3	884.9	244.0	39.8%	12.3	1.4%	15.6	1.8%
Income Tax	3,093.0	3,168.9	3,261.9	3,344.2	75.9	2.5%	93.0	2.9%	82.3	2.5%
State Education Tax	2,182.9	2,245.0	2,285.0	2,325.0	62.1	2.8%	40.0	1.8%	40.0	1.8%
Lottery/Casinos	1,246.9	1,350.6	1,244.6	1,267.3	103.7	8.3%	(106.0)	(7.8%)	22.7	1.8%
Tobacco Tax	331.8	323.0	314.6	310.5	(8.8)	(2.7%)	(8.3)	(2.6%)	(4.2)	(1.3%)
Real Estate Transfer Tax	335.4	455.0	385.0	395.0	119.6	35.7%	(70.0)	(15.4%)	10.0	2.6%
Other Taxes	138.9	146.4	171.1	182.9	7.5	5.4%	24.7	16.9%	11.8	6.9%
Total SAF Net Revenue	\$13,990.6	\$15,078.4	\$15,132.7	\$15,419.6	\$1,087.8	7.8%	\$54.3	0.4%	\$286.8	1.9%

NOTE: Numbers may not add due to rounding.

BSF Year-End Balance

The Counter-Cyclical Budget and Economic Stabilization Fund (BSF), the state's rainy day fund, is a reserve of cash to contribute to or withdraw from throughout economic and budget cycles. A statutory BSF trigger calculation – based on Michigan personal income less transfer payments adjusted for inflation and actual or net GF/GP revenue – indicates whether a pay-in (deposit) is recommended. Under the provisions of 2018 PA 613, a pay-out (withdrawal) of up to 25% of the prior year ending BSF balance would be indicated if personal income growth is negative. In either case, the recommendation is statutory; it cannot mandate an appropriation, and 2018 PA 613 specifies that a legislative appropriation is required for transfers both into and out of the fund.

In addition to the BSF calculation, 2014 PA 186 amended the Michigan Trust Fund Act to require annual \$17.5 million deposits of tobacco settlement revenue to the BSF from FY 2014-15 through FY 2034-35. **Table 5** details deposits, withdrawals, interest earnings, and the year-end balance from FY 1990-91 through FY 2022-23. Estimates include the impact of 2014 PA 186 amended the Michigan Trust Fund Act to require annual \$17.5 million deposits of tobacco settlement revenue to the BSF from FY 2014-15 through FY 2034-35.

After an appropriated pay-out of \$350.0 million, the BSF ending fund balance at the end of FY 2019-20 was \$829.3 million. Although the statutory BSF trigger calculation, based on Michigan personal income less transfer payments adjusted for inflation and actual or net GF/GP revenue, indicates no pay-in for FY 2020-21, a \$35.0 million appropriation was authorized.

A pay in of \$44.4 million is indicated for FY 2021-22 and no pay-in would be suggested for FY 2022-23. However, because a transfer to the BSF (other than the required \$17.5 million already identified) must be appropriated, the calculated pay-in is not assumed. No pay-outs are projected during the forecast period.

After adjusting for the required \$17.5 million deposits and estimated interest earnings, the year-end balance is projected at \$886.1 million for FY 2020-21, \$907.3 million for FY 2021-22, and \$928.6 million for FY 2022-23.

Table 5
BUDGET STABILIZATION FUND HISTORY
(Millions of Dollars)

Fiscal Year	Deposits	Withdrawals	Interest Earned	Balance
1990-91	\$0.0	\$230.0	\$27.1	\$182.2
1991-92	\$0.0	\$170.1	\$8.1	\$20.1
1992-93	\$282.6	\$0.0	\$0.7	\$303.4
1993-94	\$460.2	\$0.0	\$11.9	\$775.5
1994-95	\$260.1	\$90.4	\$57.7	\$1,003.0
1995-96	\$91.3	\$0.0	\$59.2	\$1,153.6
1996-97	\$0.0	\$69.0	\$67.8	\$1,152.4
1997-98	\$0.0	\$212.0	\$60.1	\$1,000.5
1998-99	\$244.4	\$73.7	\$51.2	\$1,222.5
1999-2000	\$100.0	\$132.0	\$73.9	\$1,264.4
2000-01	\$0.0	\$337.0	\$66.7	\$994.2
2001-02	\$0.0	\$869.8	\$20.8	\$145.2
2002-03	\$0.0	\$156.1	\$10.9	\$0.0
2003-04	\$81.3	\$0.0	\$0.0	\$81.3
2004-05	\$0.0	\$81.3	\$2.0	\$2.0
2005-06	\$0.0	\$0.0	\$0.0	\$2.0
2006-07	\$0.0	\$0.0	\$0.1	\$2.1
2007-08	\$0.0	\$0.0	\$0.1	\$2.2
2008-09	\$0.0	\$0.0	\$0.0	\$2.2
2009-10	\$0.0	\$0.0	\$0.0	\$2.2
2010-11	\$0.0	\$0.0	\$0.0	\$2.2
2011-12	\$362.7	\$0.0	\$0.2	\$365.1
2012-13	\$140.0	\$0.0	\$0.5	\$505.6
2013-14	\$75.0	\$194.8	\$0.4	\$386.2
2014-15	\$111.6	\$0.0	\$0.3	\$498.1
2015-16	\$112.5	\$0.0	\$1.7	\$612.4
2016-17	\$92.5	\$0.0	\$5.1	\$710.0
2017-18	\$282.5	\$0.0	\$13.5	\$1,006.0
2018-19	\$117.5	\$0.0	\$25.1	\$1,148.6
2019-20	\$17.5	\$350.0	\$13.2	\$829.3
2020-21*	\$52.5	\$0.0	\$4.3	\$886.1
2021-22*	\$17.5	\$0.0	\$3.7	\$907.3
2022-23*	\$17.5	\$0.0	\$3.8	\$928.6

* HFA estimates

NOTE: Numbers may not add due to rounding.

Compliance with the State Revenue Limit

Article IX, Section 26 of the *1963 Michigan Constitution*, which was approved by a vote of the people in 1978, sets a limit on the amount of revenue collected by the state in any fiscal year. As provided for in the Constitution, the revenue limit is calculated as 9.49% of total state personal income (which is the broadest measure of state economic activity) in the previous full calendar year prior to the fiscal year in which the revenues are measured.

The revenue to be considered in the revenue limit includes not only state taxes, but also fees, licenses, and interest earned. Federal aid is not included in the revenue limit calculation. Article IX, Section 26 of the 1963 Michigan Constitution provides that:

. . . For any fiscal year in the event that Total State Revenues exceed the limit established in this section by 1% or more, the excess revenues shall be refunded pro rata based on the liability reported on the Michigan income tax and single business tax (or its successor tax or taxes) annual returns filed following the close of such fiscal year. If the excess is less than 1%, this excess may be transferred to the State Budget Stabilization Fund

Furthermore, limit established in Section 26 by Article IX, Section 28 prohibits the state from spending any current-year revenue in excess of that amount.

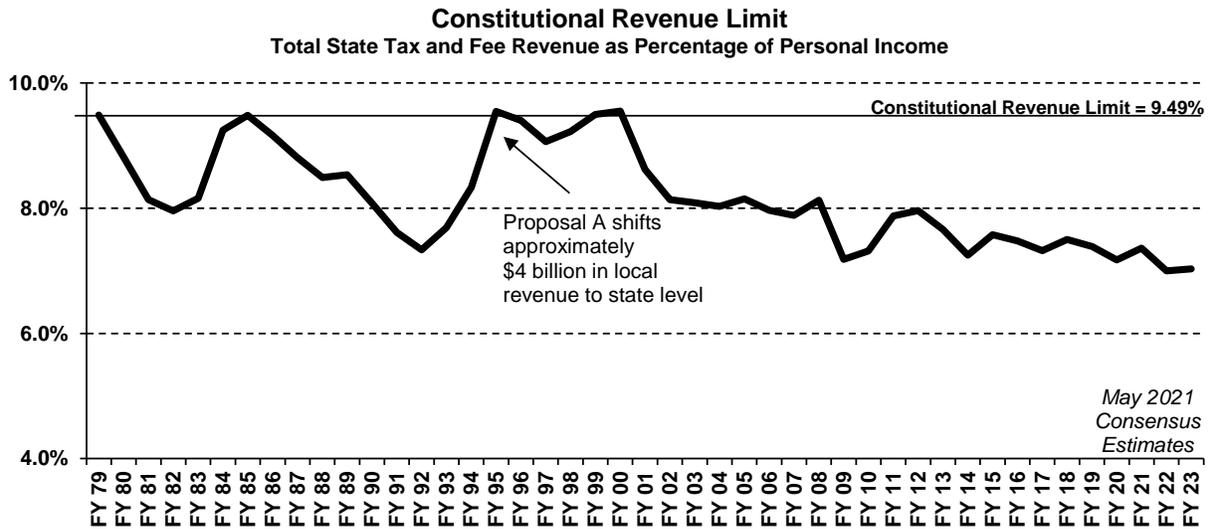
As shown in **Table 6** and **Figure 3**, the FY 2019-20 revenue limit calculation estimates state revenue collections at \$11.1 billion below the revenue limit. State revenue is estimated to be below the limit by \$10.5 billion for FY 2020-21, \$13.2 billion for FY 2021-22, and \$13.3 billion for FY 2022-23.

Table 6
COMPLIANCE WITH THE STATE REVENUE LIMIT
(Millions of Dollars)

<u>Revenue Limit Calculations</u>	<u>Estimated FY 2019-20</u>	<u>Estimated FY 2020-21</u>	<u>Estimated FY 2021-22</u>	<u>Estimated FY 2022-23</u>
Personal Income				
Calendar Year	<u>CY 2018</u>	<u>CY 2019</u>	<u>CY 2020</u>	<u>CY 2021</u>
Amount	\$477,010	\$491,632	\$528,093	\$541,050
X Limit Ratio	9.49%	9.49%	9.49%	9.49%
State Revenue Limit	\$45,268.2	\$46,655.9	\$50,116.1	\$51,345.7
Total Revenue Subject to Revenue Limit	\$34,215.3	\$36,186.9	\$36,956.3	\$38,024.8
Amount Under (Over) State Revenue Limit	\$11,052.9	\$10,469.0	\$13,159.7	\$13,320.9

NOTE: Numbers may not add due to rounding.

Figure 3



HFA Estimates of Year-End Balances

Table 7 reports House Fiscal Agency estimates of year-end balances for GF/GP, the SAF, and the BSF. Fiscal Year 2019-20 reflects final numbers. FY 2020-21 and FY 2021-22 are HFA baseline budget estimates that includes HFA revenue projections, cost adjustments and appropriations at the current level.

Budget Stabilization Fund estimates are based on the current balance and HFA estimates of future deposits and interest earned.

Table 7
YEAR-END UNRESERVED BALANCE ESTIMATES
(Millions of Dollars)

	Final FY 2019-20	Estimated FY 2020-21	Estimated FY 2021-22
General Fund/General Purpose	\$2,364.9	\$2,948.7	\$3,681.0
School Aid Fund	\$1,139.6	\$2,021.6	\$2,939.3
Budget Stabilization Fund	\$829.3	\$886.1	\$907.3

Note: School Aid Fund revenue is restricted; any year-end balance is carried forward to the subsequent year.



Additional copies of this report can be obtained from:

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