

Consensus Revenue Estimating Conference Overview

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House Fiscal Agency**

**House Appropriations Committee
January 30, 2019**



Consensus Revenue Estimating Conference

FORECAST INPUT

University of Michigan
Economic Outlook

National
Economic Forecasts

State
Economic Forecasts

Business Executive
Outlook

AGENCY FORECASTS:

House Fiscal Agency
Senate Fiscal Agency
Administration

**CONSENSUS
REVENUE
ESTIMATING
CONFERENCE**

FORECAST OUTPUT

Estimates of:

Total
GF/GP Revenue

Total
School Aid Fund
Revenue

School
Foundation Index

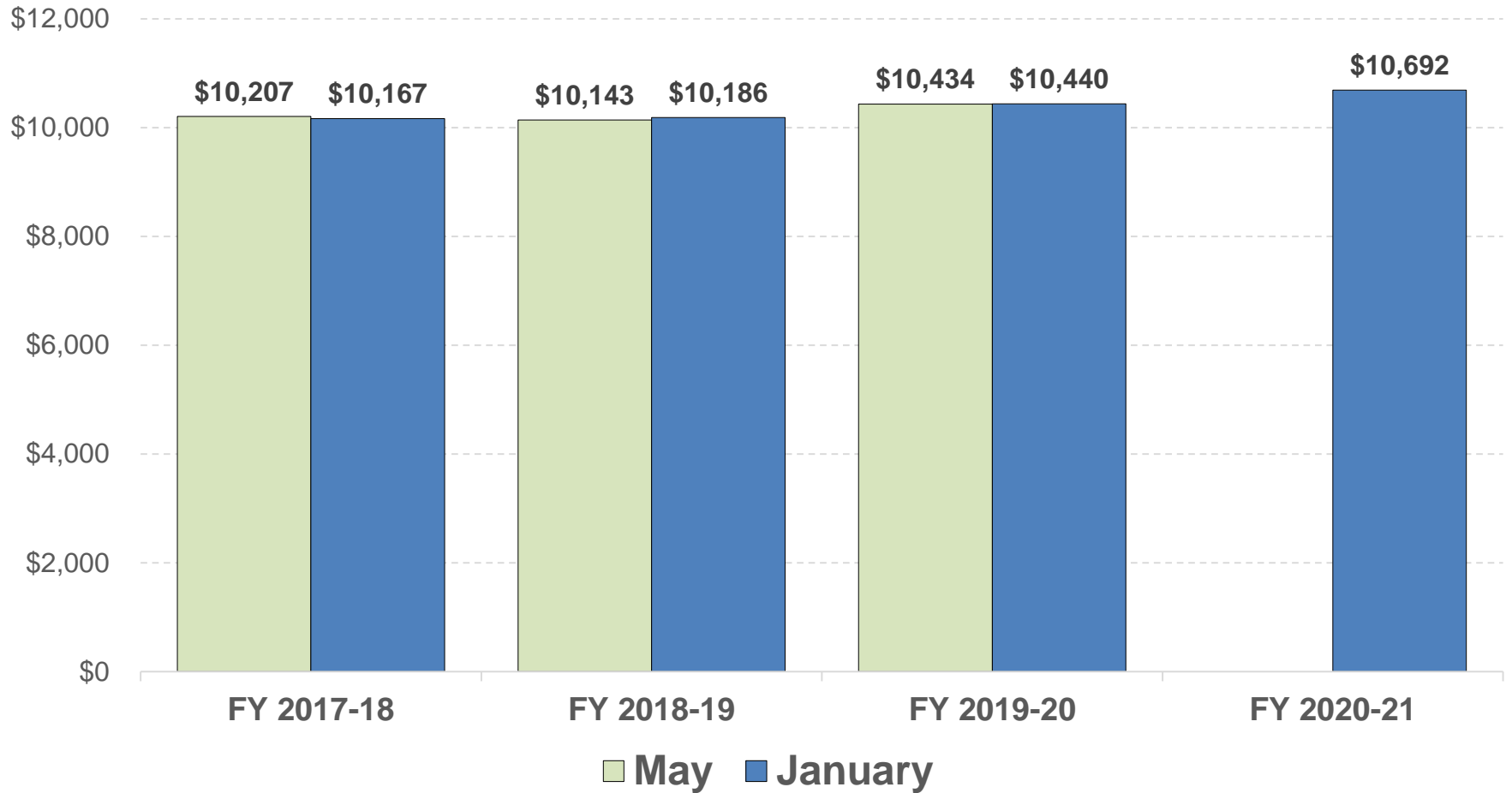
Constitutional
Revenue Limit

Budget
Stabilization Fund
Pay-in/Pay-out

Revenue Estimates

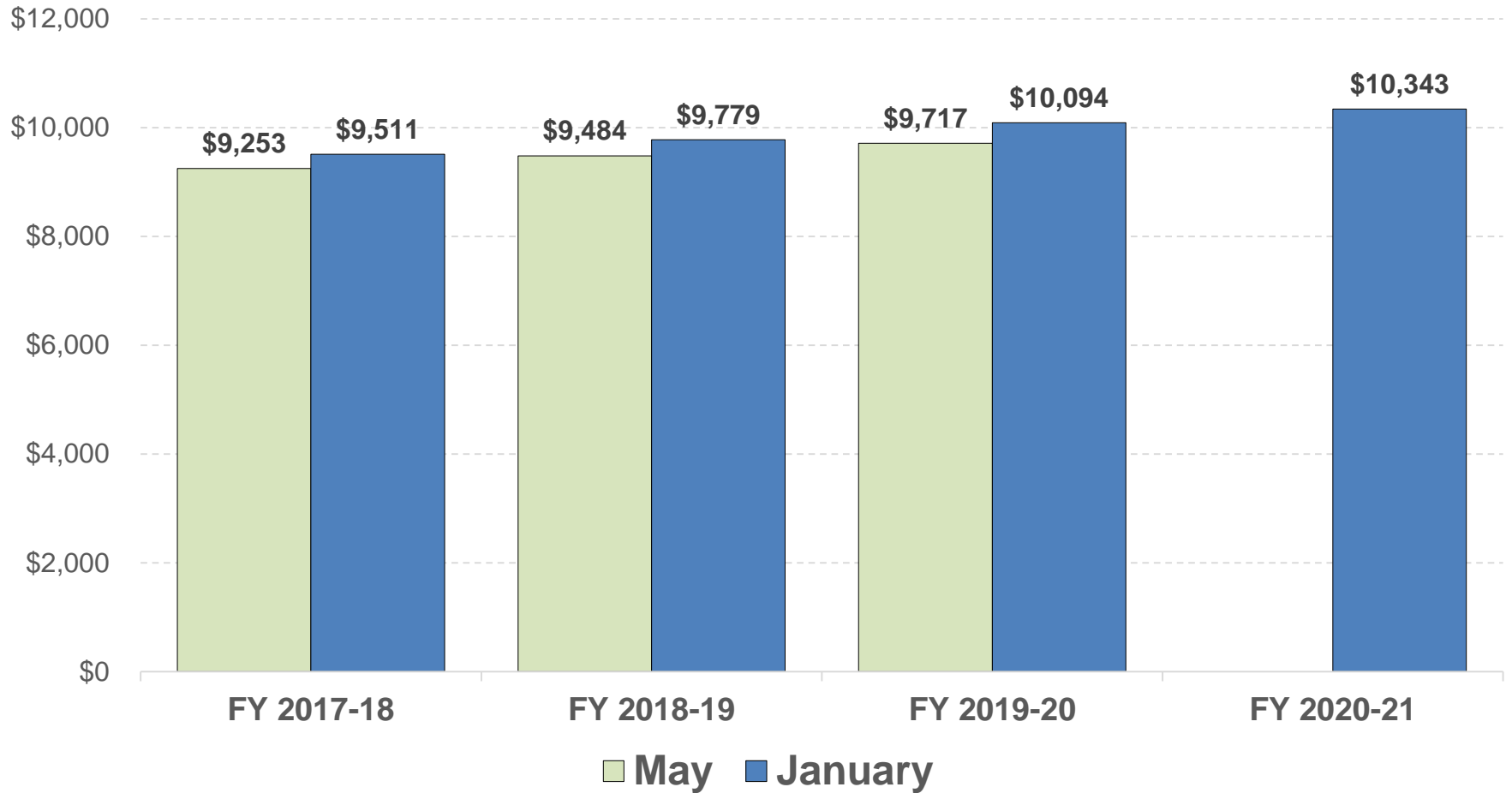
Net Individual Income Tax

(Dollars in Millions)



Sales and Use Taxes

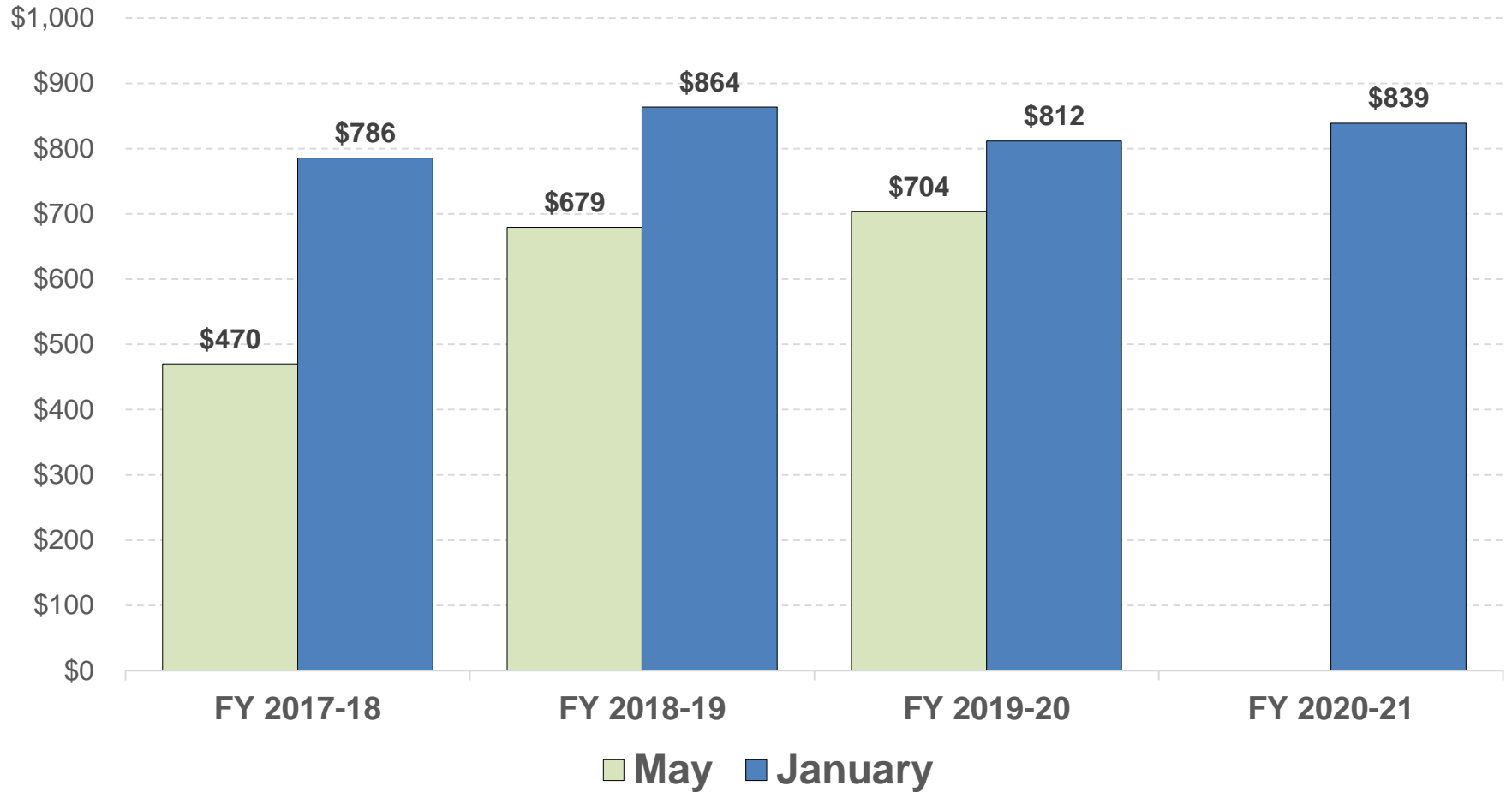
(Dollars in Millions)



Combined Business Taxes

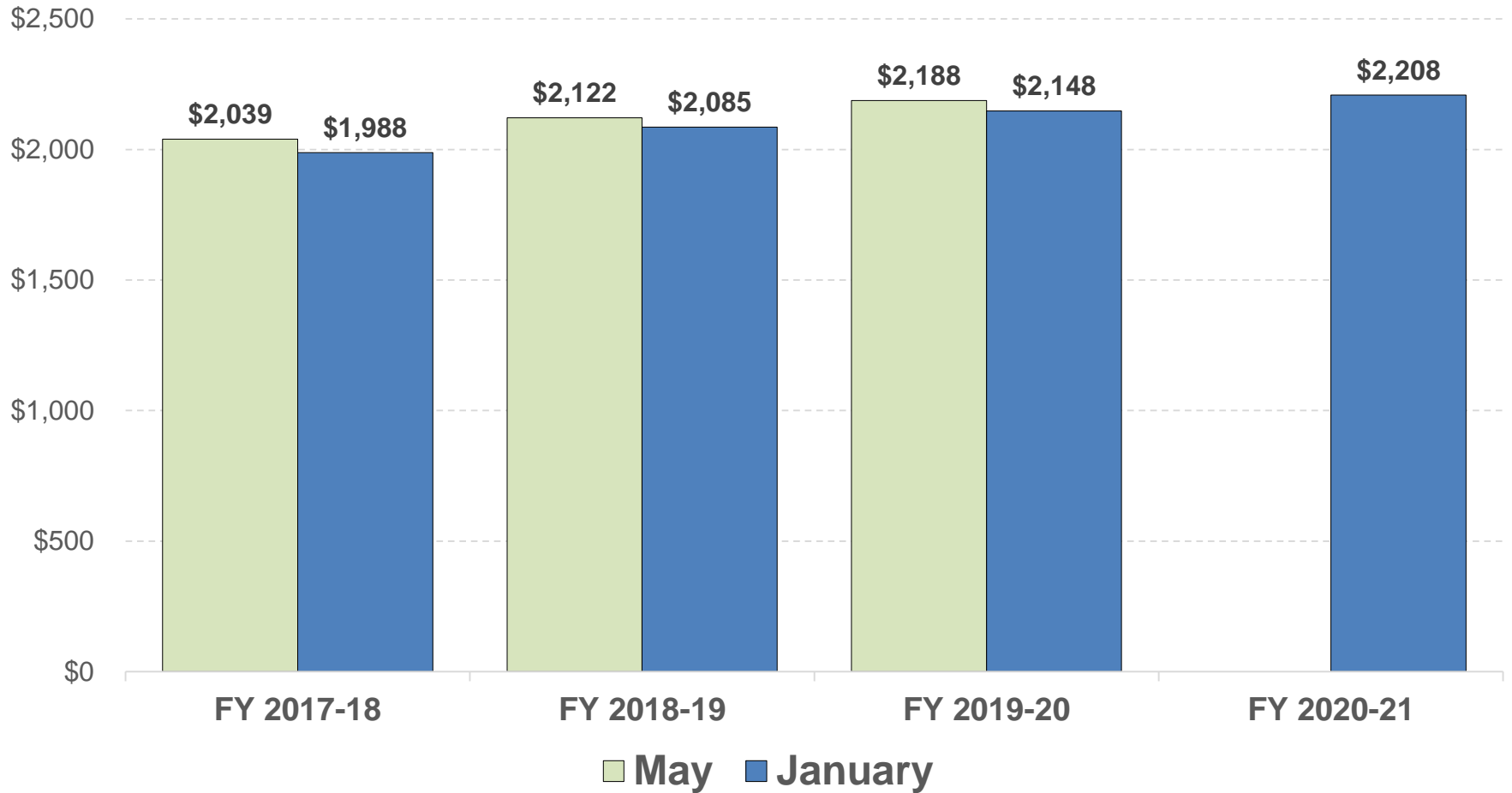
(Corporate Income Tax / Michigan Business Tax / Insurance Company Premiums Taxes)

(Dollars in Millions)



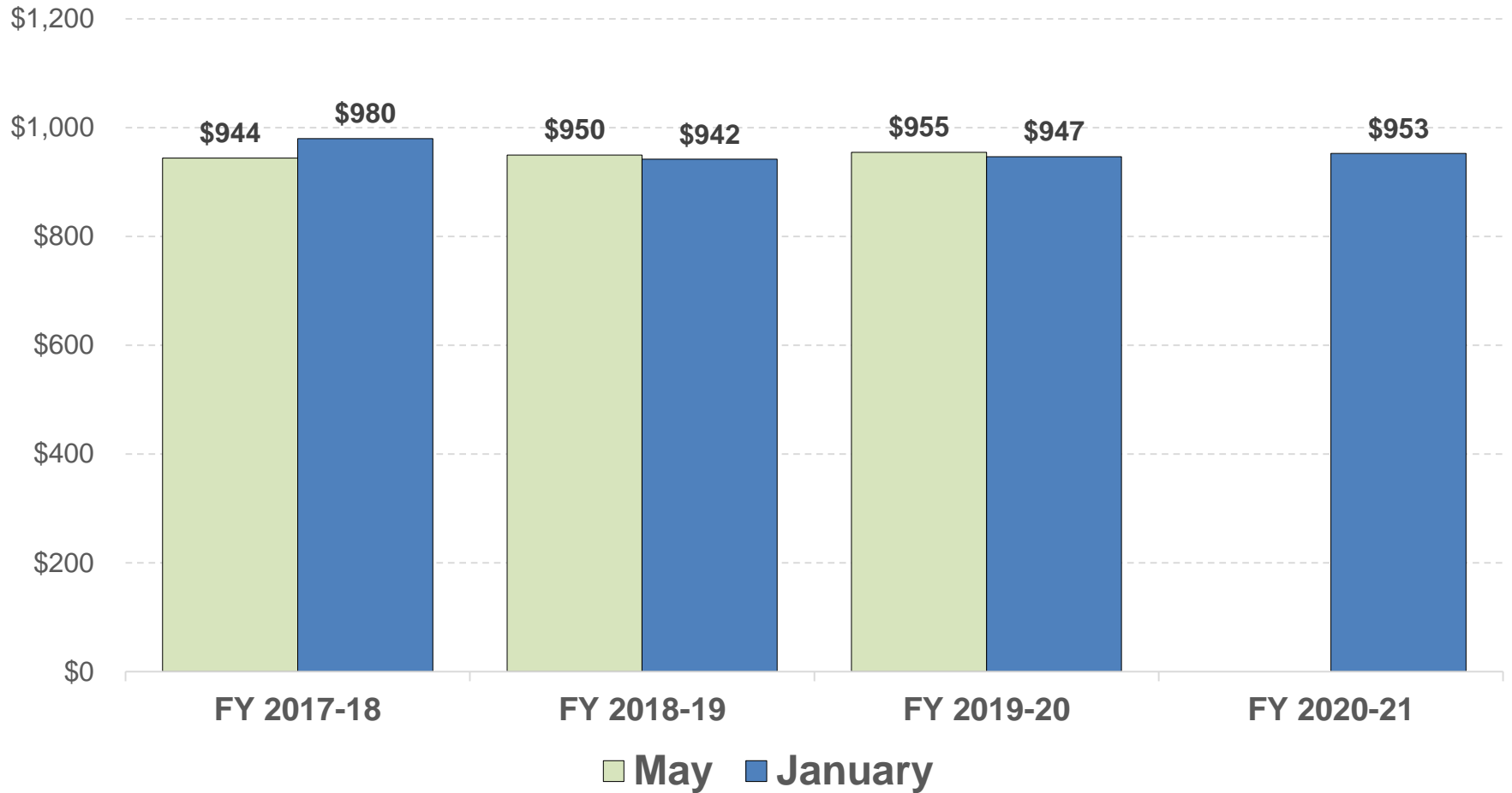
State Education Tax (SET)

(Dollars in Millions)



Lottery Transfer

(Dollars in Millions)



January 2019 Consensus Revenue Estimates

(Dollars in Millions)

	FY 2018-19			Change from May 2018 Consensus
	January 2019 Consensus	Change From FY 2017-18		
General Fund/General Purpose (GF/GP)	\$10,700	(\$245)	(2.2%)	\$289
School Aid Fund (SAF)	13,551	211	1.6%	(24)
Total Revenue	\$24,251	(\$35)	(0.1%)	\$265

Note: Numbers may not add due to rounding.

January 2019 Consensus Revenue Estimates

(Dollars in Millions)

	FY 2019-20			Change from May 2018 Consensus
	January 2019 Consensus	Change From FY 2018-19		
General Fund/General Purpose (GF/GP)	\$10,718	\$18	0.2%	\$199
School Aid Fund (SAF)	13,927	376	2.8%	26
Total Revenue	\$24,645	\$394	1.6%	\$225

Note: Numbers may not add due to rounding.

January 2019 Consensus Revenue Estimates

(Dollars in Millions)

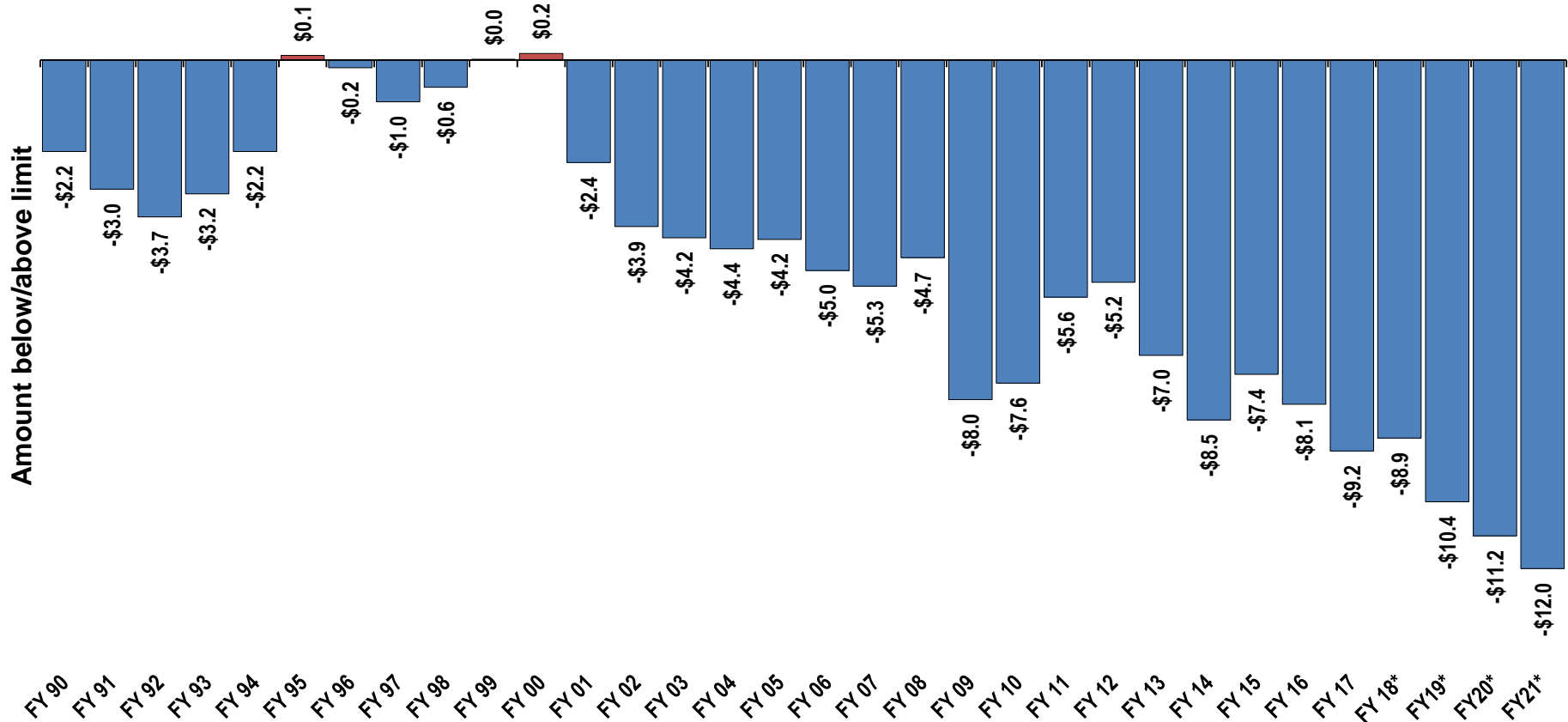
	FY 2020-21			Change from May 2018 Consensus
	January 2019 Consensus	Change From FY 2019-20		
General Fund/General Purpose (GF/GP)	\$10,853	\$135	1.3%	--
School Aid Fund (SAF)	14,264	338	2.4%	--
Total Revenue	\$25,117	\$473	1.9%	--

Note: Numbers may not add due to rounding.

Constitutional Revenue Limit

(Dollars in Millions)

Total state tax and other revenue collections are \$10.4 billion lower than the limit set in the State Constitution (9.49% of state personal income) for FY 2019.



*Jan. 2019 Consensus Estimates

January 2019 Consensus Forecast

Budget Stabilization Fund (BSF) Calculation

FY 2018-19: No pay-in or pay-out required

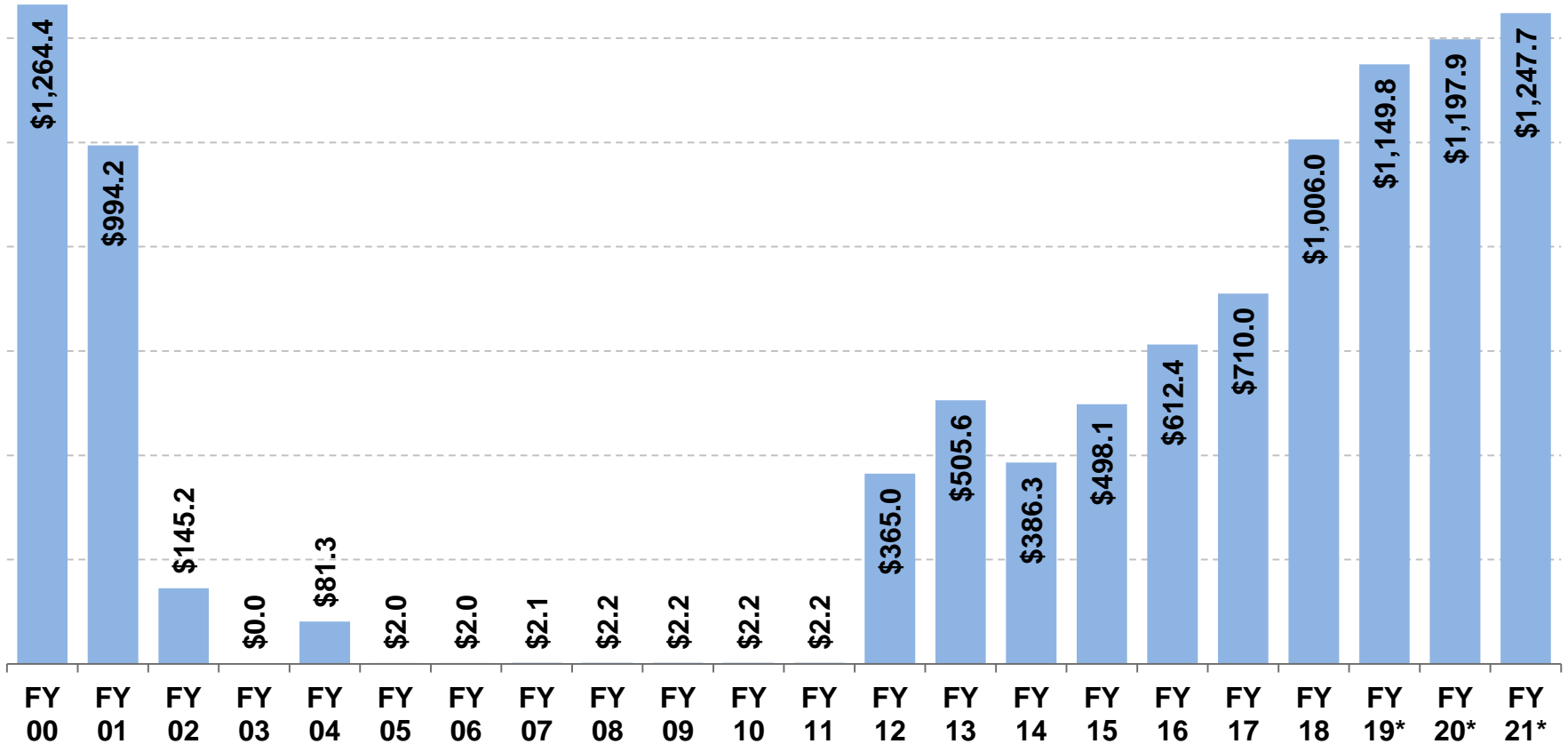
FY 2019-20: No pay-in or pay-out required

FY 2020-21: No pay-in or pay-out required

Budget Stabilization Fund Balance

The estimated FY 2019 BSF balance is 4.7% of combined GF/GP and SAF revenues. With interest and payments tied to the Detroit Bankruptcy, it will increase by about 4% a year absent deposits or withdrawals.

Dollars in Millions



* HFA Estimate

Balance Sheets

General Fund Balance Sheet

	FY 2018-19	Baseline FY 2019-20
BEGINNING BALANCE	\$664.7	\$357.4
REVENUE		
General Fund (GF/GP) Revenue	\$10,700.2	\$10,717.8
Misc. Revenue	(\$6.3)	\$0.0
Revenue Sharing	<u>(\$479.1)</u>	<u>(\$479.3)</u>
TOTAL REVENUE	\$10,214.8	\$10,238.5
EXPENDITURES		
Initial Ongoing/Baseline Est.	\$9,569.7	\$10,029.7
One-time Appropriations	\$391.8	\$0.0
Supplemental Appropriations	\$372.7	\$31.2
GF to School Aid	\$87.9	\$45.0
<u>Deposit to Budget Stabilization Fund</u>	<u>\$100.0</u>	<u>\$0.0</u>
TOTAL EXPENDITURES	\$10,522.1	\$10,105.9
CURRENT YEAR: REVENUES - EXPENDITURES	(\$307.3)	132.6
TOTAL ENDING BALANCE	\$357.4	\$490.0

Medicaid Spending Pressures

Traditional Medicaid Program

- Michigan's federal match rate has begun to decline due to both relative growth in personal income and phase down of enhanced match rate. Projected FY 2019-20 GF/GP funding increase of **\$70 million**.
- Medicaid cost adjustments for medical utilization and inflation are projected to increase 2% annually. Projected FY 2019-20 GF/GP funding increase of **\$60 million**.

Healthy Michigan Plan

- Current state match rate obligation of 7% will increase to 10% on January 1, 2020 requiring additional GF/GP funds of roughly **\$80 million** for a total GF/GP match cost of \$187 million in FY 2019-20.

Medicaid Psychiatric Disproportionate Share Hospital Disallowance

- Possible federal repayment for psychiatric hospital claims made on Medicaid from FY 2000-01 to FY 2008-09 – Total **\$195 million** with repayment over 3-years.

School Aid Fund Balance Sheet

	FY 2018-19	Baseline FY 2019-20
BEGINNING BALANCE	\$362.5	\$187.6
REVENUE		
School Aid Fund (SAF) Revenue	\$13,550.5	\$13,926.7
General Fund/General Purpose (GF/GP)	\$87.9	\$45.0
Other Restricted Funds	\$133.9	\$72.0
<u>Federal Funds</u>	<u>\$1,745.9</u>	<u>\$1,745.9</u>
TOTAL REVENUE	\$15,518.2	\$15,789.6
EXPENDITURES		
School Aid (Adj for lapses/consensus revisions)	\$14,784.8	\$14,801.7
Community Colleges	\$408.2	\$411.8
<u>Higher Ed</u>	<u>\$500.1</u>	<u>\$500.5</u>
TOTAL EXPENDITURES	\$15,693.1	\$15,714.0
CURRENT YEAR: REVENUES - EXPENDITURES	(\$174.9)	75.6
TOTAL ENDING BALANCE	\$187.6	\$263.2

Major School Aid Budget Issues

- **School Aid**

- FY 2018-19 budget relies on \$363 million in one-time SAF balance and \$43 million in GF/GP funds designated as one-time.
- Baseline costs are expected to decline by \$94 million based on declining pupils, growing local property tax values, and rising special education costs.
- MPSERS costs for FY 2019-20 will increase by \$95 million, due mainly to use of dedicated gains policy to reduce long-term interest rate assumptions from 7.5% to 7.05%.
- MPSERS experience study revised mortality and other assumptions which will increase FY 2020-21 costs by another \$236 million.
- A foundation allowance increase like that adopted for FY 2018-19, ranging from \$120-\$240, would cost approximately \$304 million.

Summary

- **Projected FY 2018-19 ending balance**
 - **\$357 million** General Fund balance
 - **\$188 million** School Aid Fund balance
- **Projected FY 2019-20 resources above/below baseline budget**
 - **\$490 million** General Fund balance (mostly one-time)
 - **\$263 million** School Aid Fund balance (prior to any discretionary spending)



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