

MEMORANDUM



DATE: May 21, 2021
TO: Members of the Michigan House of Representatives
FROM: Mary Ann Cleary, Director *MAC*
RE: Consensus Revenue Agreement – May 21, 2021

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 May 2021 meeting were the Director of the House Fiscal Agency, the Director of the Senate Fiscal Agency, and the State Treasurer. The Director of the House Fiscal Agency is the 2021 Conference Chairperson.

The attached tables provide a summation of the agreements reached at the May 2021 conference. These consensus estimates will be reviewed and updated at the January 2022 conference.

Table 1: Consensus Economic Forecast

Provides estimates of various state and national economic variables. Real gross domestic product (GDP) is predicted to increase 6.4% in calendar year (CY) 2021, 4.4% in CY 2022, and 2.4% in CY 2023. Michigan personal income is forecast to increase 2.5% in CY 2021, decrease 1.1% in CY 2022, and increase 4.0% in CY 2023.

Table 2: Consensus Estimates of GF/GP and SAF

Provides the final FY 2019-20 revenue and revised revenue estimates for FY 2020-21 through FY 2022-23. Relative to FY 2019-20, net GF/GP and SAF revenue is estimated to increase \$1,543.2 million or 6.2% in FY 2020-21, increase \$494.9 million or 1.9% in FY 2021-22, and increase \$894.2 million or 3.3% in FY 2022-23.

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

No pay-ins or pay-outs for FY 2020-21 and FY 2021-22 are anticipated based on statute while a pay-in of \$29.2 million is calculated for FY 2022-23. It should be noted that the deposits to and 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

Reports calculations of the amounts that revenues exceed or fall below the constitutional state revenue limit established in Article IX, Section 26 of the Constitution of the State of Michigan. Total state revenue subject to the limit is estimated to be \$11.42 billion below the limit in FY 2019-20, \$10.46 billion below in FY 2020-21, \$13.28 billion below in FY 2021-22, and \$13.49 billion below the limit in FY 2022-23.

Table 5: Long Term Revenue Trend

The long term revenue trend for combined GF/GP and SAF revenue is 2.1% growth for FY 2023-24 and 2.3% growth for FY 2024-25.

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 2021-22 and FY 2022-23. 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 2021-22 is 1.0470 and FY 2022-23 is 1.0147. The index would equal a 4.7% increase in the foundation allowance in FY 2021-22 and 1.5% increase in FY 2022-23.

Table 8: Consensus Estimate—Child Development and Care (CDC) Program Caseload Costs

Reports consensus estimates of CDC caseload costs for FY 2020-21 through FY 2022-23. The annual CDC cost is estimated at \$162.0 million for FY 2020-21 and \$199.1 for both FY 2021-22 and FY 2022-23.

Table 9: Consensus Estimate—Human Services and Medicaid Expenditures

Reviews consensus Gross and GF/GP expenditure estimates for Human Services caseload programs and Medicaid programs. Human Services caseload program GF/GP expenditures are estimated to decrease \$65.9* million in FY 2020-21, \$40.8* million in FY 2021-22, and \$40.6 million FY 2022-23. Medicaid GF/GP expenditures are estimated to decline \$557.7* million from FY 2020-21 appropriated levels, increase \$49.5* million in FY 2021-22 and \$49.5 million in FY 2022-23.

* FY 21 GF/GP figure includes additional savings of (\$631,110,400) GF/GP due to continuation of the 6.2% increase in Medicaid and Title IV-E match rate from January 1, 2021 to September 30, 2021. The 6.2% increase in Medicaid and Title IV-E match rate is estimated to end December 31, 2021, which was already reflected in the FY 22 budget as proposed by the Governor and passed by the House and Senate.

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

Attachments

Table 1
Consensus Economic Forecast
May 2021

	Calendar 2020 <u>Actual</u>	% Change from Prior Year	Calendar 2021 <u>Forecast</u>	% Change from Prior Year	Calendar 2022 <u>Forecast</u>	% Change from Prior Year	Calendar 2023 <u>Forecast</u>	% Change from Prior Year
<u>United States</u>								
Real Gross Domestic Product (Billions of Chained 2012 Dollars)	\$18,426	-3.5%	\$19,605	6.4%	\$20,468	4.4%	\$20,959	2.4%
Implicit Price Deflator GDP (2012 = 100)	113.6	1.2%	117.0	3.0%	120.2	2.7%	123.2	2.5%
Consumer Price Index (1982-84 = 100)	258.811	1.2%	266.405	2.9%	272.809	2.4%	279.363	2.4%
Consumer Price Index – Fiscal Year (1982-84 = 100)	258.014	1.4%	264.469	2.5%	271.182	2.5%	277.718	2.4%
Personal Consumption Deflator (2012 = 100)	111.2	1.2%	114.0	2.6%	116.6	2.3%	119.3	2.3%
3-month Treasury Bills Interest Rate (Percent)	0.4%		0.1%		0.1%		0.3%	
Unemployment Rate - Civilian (Percent)	8.1%		5.6%		4.4%		4.1%	
Wage and Salary Employment (Millions)	142.185	-5.8%	146.170	2.8%	151.430	3.6%	153.850	1.6%
Housing Starts (Millions of Starts)	1.380	6.9%	1.620	17.4%	1.615	-0.3%	1.600	-0.9%
Light Vehicle Sales (Millions of Units)	14.5	-14.6%	16.9	16.8%	17.0	0.6%	16.9	-0.6%
Passenger Car Sales (Millions of Units)	3.4	-27.9%	3.7	8.8%	3.4	-8.1%	3.2	-5.9%
Light Truck Sales (Millions of Units)	11.1	-9.5%	13.2	19.2%	13.6	3.0%	13.7	0.7%
Big 3 Share of Light Vehicles (Percent)	40.5%		39.9%		40.4%		40.0%	
<u>Michigan</u>								
Wage and Salary Employment (Thousands)	4,033	-9.2%	4,178	3.6%	4,320	3.4%	4,380	1.4%
Unemployment Rate (Percent)	9.9%		5.1%		4.6%		4.2%	
Personal Income (Millions of Dollars)	\$528,093	7.4%	\$541,296	2.5%	\$535,341	-1.1%	\$556,755	4.0%
Real Personal Income (Millions of 1982-84 Dollars)	\$222,206	6.3%	\$221,944	-0.1%	\$214,557	-3.3%	\$218,161	1.7%
Wages and Salaries (Millions of Dollars)	\$239,866	-2.8%	\$248,981	3.8%	\$260,185	4.5%	\$271,113	4.2%
Detroit Consumer Price Index (1982-84 = 100)	237.659	1.0%	243.888	2.6%	249.510	2.3%	255.204	2.3%
Detroit CPI – Fiscal Year (1982-84 = 100)	237.426	1.5%	242.035	1.9%	247.604	2.3%	253.301	2.3%

NOTE: Percentages may not calculate exactly due to rounding.

Table 2
May 2021: Revenue Comparison and Consensus Estimates of GF/GP and SAF
(Millions of Dollars)

	FY 2020-21			FY 2021-22			FY 2022-23				
	FY 2019-20 Final	Change From FY 2018-19	May 2021 Consensus	Change From FY 2019-20	May 2021 Consensus	Change From FY 2020-21	May 2021 Consensus	Change From FY 2021-22			
General Fund/ General Purpose											
Baseline	\$12,008.9		\$13,525.4	\$1,516.5	12.6%	\$13,419.0	(\$106.4)	-0.8%	\$13,735.2	\$316.2	2.4%
Tax Adjustments	(\$1,233.3)		(\$2,248.6)	(\$1,015.3)		(\$1,745.9)	\$502.7		(\$1,464.5)	\$281.4	
Net GF/GP Revenue	\$10,775.6	-2.2%	\$11,276.8	\$501.2	4.7%	\$11,673.1	\$396.3	3.5%	\$12,270.7	\$597.6	5.1%
School Aid Fund Revenue											
Baseline	\$14,085.3		\$15,132.3	\$1,047.0	7.4%	\$15,119.3	(\$13.0)	-0.1%	\$15,362.9	\$243.6	1.6%
Tax Adjustments	(\$94.9)		(\$99.9)	(\$5.0)		\$11.6	\$111.5		\$64.7	\$53.1	
Net SAF Revenue	\$13,990.4	5.2%	\$15,032.4	\$1,042.0	7.4%	\$15,131.0	\$98.6	0.7%	\$15,427.6	\$296.6	2.0%
Total GF/GP and SAF											
Baseline	\$29,094.2		\$28,657.7	\$2,563.5	9.8%	\$28,538.3	(\$119.4)	-0.4%	\$29,098.1	\$559.8	2.0%
Tax Adjustments	(\$1,328.2)		(\$2,348.5)	(\$1,020.3)		(\$1,734.3)	\$614.2		(\$1,399.8)	\$334.5	
Net GF/GP and SAF	\$24,766.0	1.8%	\$26,309.2	\$1,543.2	6.2%	\$26,804.1	\$494.9	1.9%	\$27,698.3	\$894.2	3.3%

Numbers may not calculate exactly due to rounding.

Table 3
May 2021: Consensus Estimate for Budget and Economic Stabilization Fund Calculation
(Millions of Dollars)

	FY 2020-21 Pay-In / FY 2019-20 Pay-Out Calculation		FY 2021-22 Pay-In / FY 2020-21 Pay-Out Calculation		FY 2022-23 Pay-In / FY 2021-22 Pay-Out Calculation		FY 2022-23 Pay-Out Calculation	
	<u>CY 2019</u>	<u>CY 2020</u>	<u>CY 2020</u>	<u>CY 2021</u>	<u>CY 2021</u>	<u>CY 2022</u>	<u>CY 2022</u>	<u>CY 2023</u>
Michigan Personal Income ⁽¹⁾	\$491,632	\$528,093	\$528,093	\$541,296	\$541,296	\$535,341	\$535,341	\$556,755
Less Transfer Payments ⁽¹⁾	\$94,697	\$146,766	\$146,766	\$144,100	\$144,100	\$119,838	\$119,838	\$122,755
Income Net of Transfers	\$396,935	\$381,327	\$381,327	\$397,196	\$397,196	\$415,503	\$415,503	\$434,000
Detroit CPI ⁽²⁾ for 12 months ending	2.353 (Dec. 2019)	2.377 (Dec. 2020)	2.377 (Dec. 2020)	2.439 (Dec. 2021)	2.439 (Dec. 2021)	2.495 (Dec. 2022)	2.495 (Dec. 2022)	2.552 (Dec. 2023)
Real Adjusted Michigan Personal Income	\$168,717	\$160,451	\$160,451	\$162,860	\$162,860	\$166,528	\$166,528	\$170,060
Change in Real Adjusted Personal Income		-4.9%		1.5%		2.3%		2.1%
Amount Under 0% Between 0% and 2% Excess Over 2%		-4.9% N/A N/A		N/A 1.5% N/A		N/A 2.0% 0.3%		N/A 2.0% 0.1%
GF/GP Revenue	FY 2020-21	\$10,775.6	FY 2020-21	\$11,276.8	FY 2021-22	\$11,673.1	FY 2022-23	\$12,270.7
BSF PAY-IN⁽³⁾	FY 2021-22	No Pay-In	FY 2021-22	No Pay-In	FY 2022-23	\$29.2	FY 2022-23	No Pay-Out
BSF PAY-OUT⁽³⁾			FY 2020-21	No Pay-Out	FY 2021-22	No Pay-Out	FY 2022-23	No Pay-Out

Notes:

1. Personal Income and Transfer Payments: CY 2019 and CY 2020 are from the U.S. Bureau of Economic Analysis. Subsequent years are May 2021 consensus estimates.
2. Detroit Consumer Price Index: CY 2020 value as reported by the U.S. Bureau of Labor Statistics. Subsequent years are May 2021 consensus estimates.
3. Calculation done per MCL 18.1352.

Table 4
May 2021 Consensus Estimate
Constitutional Revenue Limit Calculation
(Millions of Dollars)

	FY 2019-20 Consensus May 2021	FY 2020-21 Consensus May 2021	FY 2021-22 Consensus May 2021	FY 2022-23 Consensus May 2021
<u>Revenue Subject to Limit</u>				
Consensus				
Net General Fund General Purpose	\$10,775.6	\$11,276.8	\$11,673.1	\$12,270.7
Constitutional Revenue Sharing	\$852.8	\$942.0	\$910.4	\$922.5
Net School Aid Fund	\$13,990.4	\$15,032.4	\$15,130.9	\$15,427.6
Transportation	\$3,658.7	\$3,688.0	\$3,807.0	\$3,890.5
Other Restricted Revenue	\$5,243.2	\$5,269.5	\$5,322.1	\$5,375.4
Less: GF/GP Federal Aid	(\$3.9)	(\$10.0)	(\$10.0)	(\$10.0)
Total Revenue Subject to Limit	\$34,516.9	\$36,198.7	\$36,833.5	\$37,876.7
<u>Revenue Limit</u>				
	<u>CY 2018</u>	<u>CY 2019</u>	<u>CY 2020</u>	<u>CY 2021</u>
Personal Income	\$484,030	\$491,632	\$528,093	\$541,296
Ratio	9.49%	9.49%	9.49%	9.49%
Revenue Limit	\$45,934.4	\$46,655.9	\$50,116.0	\$51,369.0
Total Revenue Subject to Limit	\$459.3	\$466.6	\$501.2	\$513.7
Amount Under (Over) Limit	\$11,417.6	\$10,457.2	\$13,282.5	\$13,492.3

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 and CY 2021 for FY 2023.

Table 5
May 2021 Consensus Estimate
Long Term Revenue Trend
(Millions of Dollars)

	<u>FY 2023-24</u>	<u>FY 2024-25</u>
Net GF/GP Revenue	\$12,510.6	\$12,790.8
Growth	2.0%	2.2%
Net SAF Revenue	\$15,773.3	\$16,155.2
Growth	2.2%	2.4%
Combined GF/GP and SAF	\$28,283.9	\$28,946.0
Growth	2.1%	2.3%

Table 6
May 2021 Consensus Estimate
Revenue Adjustment Factor and Pupil Membership Adjustment Factor
for FY 2021-22

Revenue Adjustment Factor (Millions of \$)

	<u>FY 2019-20</u>	<u>FY 2020-21</u>	<u>FY 2021-22</u>
Baseline SAF Revenue	\$14,085.3	\$15,132.3	\$15,119.3
Balance Sheet Adjustments	(\$94.9)	(\$99.9)	\$11.6
Net SAF Estimate	\$13,990.4	\$15,032.4	\$15,130.9
 Subtotal Adjustments to FY 2021-22 Base	 \$106.5	 \$111.5	 \$0.0
Baseline Revenue on an FY 2021-22 Base	\$14,096.9	\$15,143.9	\$15,130.9
Percent Change		7.43%	-0.09%
SAF Revenue Adjustment Calculation for FY 2021-22:			
Sum of FY 2019-20 and FY 2020-21	\$14,096.9 +	\$15,143.9	= \$29,240.8
Sum of FY 2020-21 and FY 2021-22	\$15,143.9 +	\$15,130.9	= \$30,274.8

FY 2021-22 Revenue Adjustment Factor

1.0354

Note: Factor is calculated off a FY 2022 base year.

	January 2021 Consensus Estimate	May 2021 Consensus Estimate	Change
<u>Pupil Membership Adjustment Factor</u>			
FY 2020-21			
Local Districts	1,301,100	1,301,200	100
Public School Academies	<u>148,000</u>	<u>148,300</u>	<u>300</u>
Total	1,449,100	1,449,500	400
FY 2021-22			
Local Districts	1,285,500	1,284,500	(1,000)
Public School Academies	<u>149,000</u>	<u>149,000</u>	<u>0</u>
Total	1,434,500	1,433,500	(1,000)

	<u>FY 2020-21</u>	<u>FY 2021-22</u>
Consensus Estimate of Pupil Membership	1,449,500	1,433,500

Pupil Membership Adjustment Factor for FY 2021-22:

<u>FY 2020-21 Pupil Membership</u>	=	<u>1,449,500</u>
<u>FY 2021-22 Pupil Membership</u>	=	<u>1,433,500</u>

FY 2021-22 Pupil Membership Adjustment Factor

1.0112

FY 2021-22 School Aid Index

1.0470

Table 7
May 2021 Consensus Estimate
Revenue Adjustment Factor and Pupil Membership Adjustment Factor
for FY 2022-23

<u>Revenue Adjustment Factor (Millions of \$)</u>			
	<u>FY 2020-21</u>	<u>FY 2021-22</u>	<u>FY 2022-23</u>
Baseline SAF Revenue	\$15,132.3	\$15,119.3	\$15,362.9
Balance Sheet Adjustments	<u>(\$99.9)</u>	<u>\$11.6</u>	<u>\$64.7</u>
Net SAF Estimate	\$15,032.4	\$15,130.9	\$15,427.6
Subtotal Adjustments to FY 2022-23 Base	<u>\$164.6</u>	<u>\$53.1</u>	<u>\$0.0</u>
Baseline Revenue on an FY 2022-23 Base	\$15,197.0	\$15,184.0	\$15,427.6
Percent Change		-0.09%	1.60%
SAF Revenue Adjustment Calculation for FY 2022-23:			
Sum of FY 2020-21 and FY 2021-22	\$15,197.0 +	\$15,184.0 =	\$30,381.0
Sum of FY 2021-22 and FY 2022-23	\$15,184.0 +	\$15,427.6 =	\$30,611.6
FY 2022-23 Revenue Adjustment Factor			1.0076
<i>Note: Factor is calculated off a FY 2023 base year.</i>			
	<u>January 2021 Consensus Estimate</u>	<u>May 2021 Consensus Estimate</u>	<u>Change</u>
<u>Pupil Membership Adjustment Factor</u>			
FY 2021-22			
Local Districts	1,285,500	1,284,500	(1,000)
Public School Academies	<u>149,000</u>	<u>149,000</u>	<u>0</u>
Total	1,434,500	1,443,500	(1,000)
FY 2022-23			
Local Districts	1,276,500	1,274,500	(2,000)
Public School Academies	<u>149,500</u>	<u>149,000</u>	<u>(500)</u>
Total	1,426,000	1,423,500	(2,500)
Consensus Estimate of Pupil Membership	<u>1,433,500</u>	<u>1,423,500</u>	
Pupil Membership Adjustment Factor for FY 2022-23:			
<u>FY 2021-22 Pupil Membership</u>	=	<u>1,433,500</u>	
<u>FY 2022-23 Pupil Membership</u>	=	<u>1,423,500</u>	
FY 2022-23 Pupil Membership Adjustment Factor			1.0070
FY 2022-23 School Aid Index			1.0147

Table 8
May 2021 Consensus Estimate
Department of Education
Estimate for Child Development and Care
FY 2020-21 Through FY 2022-23

	<u>Current Law</u>	<u>May 2021 Consensus Estimate</u>	<u>Difference from Current Law</u>
FY 2020-21 Total	\$241,622,000	\$162,000,000	(\$79,622,000)
FY 2021-22 Total		\$199,080,000	(\$42,542,000)
FY 2022-23 Total		\$199,080,000	

Table 9
May 2021 Consensus Expenditure Estimate
Department of Health and Human Services
FY 2020-21 Through FY 2022-23

	Gross Change to Originally Proposed/Enacted <u>Appropriation</u>	GF/GP Change to Originally Proposed/Enacted <u>Appropriation</u>
<u>Human Services Base Funding</u>		
FY 2020-21	(\$85,140,100)	(\$65,925,100)*
FY 2021-22	(\$74,187,500)	(\$40,789,600)*
FY 2022-23	(\$75,295,100)	(\$40,569,600)
<u>Health Services Base Funding</u>		
FY 2020-21	\$633,593,300	(\$557,656,700)*
FY 2021-22	(\$145,329,200)	\$49,458,800*
FY 2022-23	(\$145,329,200)	\$49,458,800
<u>Total for Department of Health and Human Services</u>		
FY 2020-21	\$548,453,200	(\$623,581,800)*
FY 2021-22	(\$219,516,700)	\$8,669,200*
FY 2022-23	(\$220,624,300)	\$8,889,200

* FY 21 GF/GP figure includes additional savings of (\$631,110,400) GF/GP due to continuation of the 6.2% increase in Medicaid and Title IV-E match rate from January 1, 2021 to September 30, 2021. The 6.2% increase in Medicaid and Title IV-E match rate is estimated to end December 31, 2021, which was already reflected in the FY 22 budget as proposed by the Governor and passed by the House and Senate.