

MEMORANDUM



DATE: May 19, 2023
TO: Members of the Michigan House of Representatives
FROM: Mary Ann Cleary, Director *MAC*
RE: Consensus Revenue Agreement – May 19, 2023

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 2023 meeting were the Director of the House Fiscal Agency, the Director of the Senate Fiscal Agency, and the State Treasurer. The Director of the Senate Fiscal Agency is the 2023 Conference Chairperson.

The attached tables provide a summation of the agreements reached at the May 2023 conference. These consensus estimates will be reviewed and updated at the January 2024 conference.

Table 1: Consensus Economic Forecast

Provides estimates of various state and national economic variables. Real gross domestic product (GDP) is projected to increase 1.2% in calendar year (CY) 2023, 0.7% in CY 2024, and 2.0% in CY 2025. Michigan personal income is forecast to increase 4.1% in CY 2023, 3.3% in CY 2024, and 3.8% in CY 2025.

Table 2: Consensus Estimates of GF/GP and SAF

Provides the final FY 2021-22 revenue and revised revenue estimates for FY 2022-23 through FY 2024-25. Relative to FY 2021-22, net GF/GP and SAF revenue is estimated to decrease \$1,563.4 million or 4.7% in FY 2022-23, decrease \$403.2 million or 1.3% in FY 2023-24, and increase \$1,055.9 million or 3.4% in FY 2024-25.

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

No pay-ins or pay-outs for FY 2023-24 and FY 2024-25 are anticipated. 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 \$7.67 billion below the limit in FY 2021-22, \$11.65 billion below in FY 2022-23, \$11.98 billion below in FY 2023-24, and \$12.88 billion below the limit in FY 2024-25.

Table 5: Long Term Revenue Trend

The long term revenue trend for combined GF/GP and SAF revenue is 2.0% growth for FY 2025-26 and 2.7% growth for FY 2026-27.

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 2023-24 and FY 2024-25. 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 2023-24 is 1.0110 and FY 2024-25 is 1.0239. The index would equal a 1.1% increase in the foundation allowance in FY 2023-24 and 2.4% increase in FY 2024-25.

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

Reports consensus estimates of CDC caseload costs for FY 2022-23 and FY 2023-24. The annual CDC cost is estimated at \$439.2 million for FY 2022-23 and \$364.5 for FY 2023-24.

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 \$52.9* million in FY 2022-23, \$38.2 million in FY 2023-24, and \$37.5 million FY 2024-25. Medicaid GF/GP expenditures are estimated to decrease \$391.5* million in FY 2022-23, \$23.1* million in FY 2023-24, and \$73.7* million in FY 2024-25.

* FY 2022-23 General Fund/General Purpose (GF/GP) estimate includes savings of \$697.2 million due to continuation of an increased in Medicaid and Title IV-E match rate through December 31, 2023. The FY 2023-24 GF estimate does include one quarter of a of a temporary increase in the Medicaid and Title IV-E match rate for a GF/GP savings of \$50.1 million. FY 2024-25 includes a reversal of the temporary increased Medicaid and Title IV-E match rate and a full fiscal year of savings due to the resumption in Medicaid redeterminations with the passage of PL 117-328, Consolidated Appropriations Act, 2023, with a marginal GF/GP savings of \$50.6 million from FY 2023-24.

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

Attachments

Table 1
Consensus Economic Forecast
May 2023

	Calendar 2022 Actual	% Change from Prior Year	Calendar 2023 Forecast	% Change from Prior Year	Calendar 2024 Forecast	% Change from Prior Year	Calendar 2025 Forecast	% Change from Prior Year
<u>United States</u>								
Real Gross Domestic Product (Billions of Chained 2012 Dollars)	\$20,014	2.1%	\$20,254	1.2%	\$20,396	0.7%	\$20,804	2.0%
Implicit Price Deflator GDP (2012 = 100)	127.2	7.0%	132.6	4.2%	136.4	2.9%	139.4	2.2%
Consumer Price Index (1982-84 = 100)	292.655	8.0%	305.689	4.5%	314.825	3.0%	322.834	2.5%
Consumer Price Index – Fiscal Year (1982-84 = 100)	287.723	7.9%	302.949	5.3%	312.737	3.2%	320.778	2.6%
Personal Consumption Deflator (2012 = 100)	122.8	6.2%	127.7	4.0%	131.5	2.9%	134.5	2.3%
3-month Treasury Bills Interest Rate (Percent)	2.0%		5.0%		4.7%		4.1%	
Unemployment Rate - Civilian (Percent)	3.6%		3.7%		4.2%		4.0%	
Wage and Salary Employment (Millions)	152.575	4.3%	155.779	2.1%	155.779	0.0%	156.714	0.6%
Housing Starts (Millions of Starts)	1.553	(3.0%)	1.314	(15.4%)	1.293	(1.6%)	1.347	4.2%
Light Vehicle Sales (Millions of Units)	13.8	(8.0%)	15.1	9.8%	15.5	2.6%	16.1	3.9%
Passenger Car Sales (Millions of Units)	2.9	(14.7%)	3.1	8.4%	3.1	0.0%	3.1	0.0%
Light Truck Sales (Millions of Units)	10.9	(6.0%)	12.0	10.1%	12.4	3.3%	13.0	4.8%
Big 3 Share of Light Vehicles (Percent)	38.6%		37.7%		37.4%		36.7%	
<u>Michigan</u>								
Wage and Salary Employment (Thousands)	4,362	3.9%	4,419	1.3%	4,437	0.4%	4,468	0.7%
Unemployment Rate (Percent)	4.2%		4.3%		4.8%		4.3%	
Personal Income (Millions of Dollars)	\$570,065	0.4%	\$593,438	4.1%	\$613,021	3.3%	\$636,316	3.8%
Real Personal Income (Millions of 1982-84 Dollars)	\$212,615	(7.2%)	\$211,622	(0.5%)	\$212,515	0.4%	\$215,309	1.3%
Wages and Salaries (Millions of Dollars)	\$285,475	9.0%	\$300,890	5.4%	\$309,616	2.9%	\$320,762	3.6%
Detroit Consumer Price Index (1982-84 = 100)	268.121	8.2%	280.423	4.6%	288.460	2.9%	295.536	2.5%
Detroit CPI – Fiscal Year (1982-84 = 100)	263.397	7.9%	278.061	5.6%	286.760	3.1%	293.836	2.5%

Note: Percentages may not calculate exactly due to rounding.

Table 2
May 2023: Revenue Comparison and Consensus Estimates of GF/GP and SAF
(Millions of Dollars)

	FY 2022-23			FY 2023-24			FY 2024-25				
	FY 2021-22 Final	Change From FY 2020-21	May 2023 Consensus	Change From FY 2021-22	May 2023 Consensus	Change From FY 2022-23	May 2023 Consensus	Change From FY 2023-24			
General Fund/ General Purpose											
Baseline	\$16,863.0		\$16,437.4	(\$425.6)	(2.5%)	\$16,400.9	(\$36.5)	(0.2%)	\$16,624.8	\$223.9	1.4%
Tax Adjustments	(\$1,651.0)		(\$2,649.4)	(\$998.4)		(\$3,162.6)	(\$513.2)		(\$2,708.4)	\$454.2	
Net GF/GP Revenue	\$15,212.0	17.0%	\$13,788.0	(\$1,424.0)	(9.4%)	\$13,238.3	(\$549.7)	(4.0%)	\$13,916.4	\$678.2	5.1%
School Aid Fund Revenue											
Baseline	\$17,819.5		\$17,788.2	(\$31.3)	(0.2%)	\$18,068.4	\$280.2	1.6%	\$18,500.7	\$432.3	2.4%
Tax Adjustments	\$61.5		(\$46.6)	(\$108.1)		(\$180.3)	(\$133.7)		(\$234.8)	(\$54.5)	
Net SAF Revenue	\$17,881.0	11.4%	\$17,741.6	(\$139.3)	(0.8%)	\$17,888.1	\$146.5	0.8%	\$18,265.9	\$377.7	2.1%
Total GF/GP and SAF											
Baseline	\$34,682.5		\$34,225.6	(\$456.9)	(1.3%)	\$34,469.3	\$243.7	0.7%	\$35,125.5	\$656.2	1.9%
Tax Adjustments	(\$1,589.5)		(\$2,696.0)	(\$1,106.5)		(\$3,342.9)	(\$646.9)		(\$2,943.2)	\$399.7	
Net GF/GP and SAF	\$33,093.0	13.9%	\$31,529.6	(\$1,563.4)	(4.7%)	\$31,126.4	(\$403.2)	(1.3%)	\$32,182.3	\$1,055.9	3.4%

Numbers may not calculate exactly due to rounding.

Table 3
May 2023: Consensus Estimate for Budget and Economic Stabilization Fund Calculation
(Millions of Dollars)

	FY 2023-24 Pay-In / FY 2022-23 Pay-Out Calculation		FY 2024-25 Pay-In / FY 2023-24 Pay-Out Calculation		FY 2024-25 Pay-Out Calculation	
	<u>CY 2022</u>	<u>CY 2023</u>	<u>CY 2023</u>	<u>CY 2024</u>	<u>CY 2024</u>	<u>CY 2025</u>
Michigan Personal Income ⁽¹⁾	\$570,065	\$593,438	\$593,438	\$613,021	\$613,021	\$636,316
Less Transfer Payments ⁽¹⁾	\$124,922	\$127,720	\$127,720	\$132,750	\$132,750	\$137,725
Income Net of Transfers	\$445,143	\$465,718	\$465,718	\$480,271	\$480,271	\$498,591
Detroit CPI ⁽²⁾ for 12 months ending	2.681 (Dec. 2022)	2.804 (Dec. 2023)	2.804 (Dec. 2023)	2.885 (Dec. 2024)	2.885 (Dec. 2024)	2.955 (Dec. 2025)
Real Adjusted Michigan Personal Income	\$166,023	\$166,077	\$166,077	\$166,495	\$166,495	\$168,707
Change in Real Adjusted Personal Income		0.0%		0.3%		1.3%
Amount Under 0%		N/A		N/A		N/A
Between 0% and 2%		0.0%		0.3%		1.3%
Excess Over 2%		N/A		N/A		N/A
GF/GP Revenue	FY 2022-23	\$13,788.0	FY 2023-24	\$13,238.3	FY 2024-25	\$13,916.4
BSF PAY-IN⁽³⁾	FY 2023-24	No Pay-In	FY 2024-25	No Pay-In	FY 2024-25	No Pay-Out
BSF PAY-OUT⁽³⁾	FY 2022-23	No Pay-Out	FY 2023-24	No Pay-Out	FY 2024-25	No Pay-Out

Notes:

1. Personal Income and Transfer Payments: CY 2021 and CY 2022 are from the U.S. Bureau of Economic Analysis. Subsequent years are May 2023 consensus estimates.
2. Detroit Consumer Price Index: CY 2022 value as reported by the U.S. Bureau of Labor Statistics. Subsequent years are May 2023 consensus estimates.
3. Calculation done per MCL 18.1352.

Table 4
May 2023 Consensus Estimate
Constitutional Revenue Limit Calculation
(Millions of Dollars)

	FY 2021-22 Consensus May 2023	FY 2022-23 Consensus May 2023	FY 2023-24 Consensus May 2023	FY 2024-25 Consensus May 2023
<u>Revenue Subject to Limit</u>				
Consensus				
Net General Fund General Purpose	\$15,212.0	\$13,788.0	\$13,238.3	\$13,916.4
Constitutional Revenue Sharing	\$1,076.8	\$1,107.1	\$1,113.1	\$1,133.1
Net School Aid Fund	\$17,881.0	\$17,741.6	\$17,888.1	\$18,265.9
Transportation	\$3,841.0	\$3,999.6	\$4,103.4	\$4,183.5
Other Restricted Revenue	\$5,333.1	\$5,605.0	\$5,790.0	\$5,945.0
Less: GF/GP Federal Aid	(\$9.2)	(\$10.0)	(\$10.0)	(\$10.0)
Total Revenue Subject to Limit	\$43,334.7	\$42,231.3	\$42,122.9	\$43,433.9
<u>Revenue Limit</u>				
Personal Income	\$537,493	\$567,807	\$570,065	\$593,438
Ratio	9.49%	9.49%	9.49%	9.49%
Revenue Limit	\$51,008.1	\$53,884.9	\$54,099.2	\$56,317.3
Total Revenue Subject to Limit	\$510.1	\$538.8	\$541.0	\$563.2
Amount Under (Over) Limit	\$7,673.4	\$11,653.6	\$11,976.3	\$12,883.4

Numbers may not calculate exactly due to rounding.

Note: CY 2020 Personal Income is used for the FY 2022 revenue limit calculation, CY 2021 for FY 2023, CY 2022 for FY 2024 and CY 2023 for FY 2025.

Table 5
May 2023 Consensus Estimate
Long Term Revenue Trend
(Millions of Dollars)

	<u>FY 2025-26</u>	<u>FY 2026-27</u>
Net GF/GP Revenue	\$14,153.7	\$14,519.1
Growth	1.7%	2.6%
Net SAF Revenue	\$18,672.0	\$19,198.5
Growth	2.2%	2.8%
Combined GF/GP and SAF	\$32,825.7	\$33,717.6
Growth	2.0%	2.7%

Table 6
May 2023 Consensus Estimate
Revenue Adjustment Factor and Pupil Membership Adjustment Factor
for FY 2023-24

<u>Revenue Adjustment Factor (Millions of \$)</u>			
	<u>FY 2021-22</u>	<u>FY 2022-23</u>	<u>FY 2023-24</u>
Baseline SAF Revenue	\$17,819.5	\$17,788.2	\$18,068.4
Balance Sheet Adjustments	\$61.5	(\$46.6)	(\$180.3)
Net SAF Estimate	\$17,881.0	\$17,741.6	\$17,888.1
Subtotal Adjustments to FY 2023-24 Base	(\$241.8)	(\$133.7)	\$0.0
Baseline Revenue on an FY 2023-24 Base	\$17,639.2	\$17,607.9	\$17,888.1
Percent Change		(0.18%)	1.59%
SAF Revenue Adjustment Calculation for FY 2023-24:			
Sum of FY 2021-22 and FY 2022-23	\$17,639.2	+	\$17,607.9
			=
			\$35,247.1
Sum of FY 2022-23 and FY 2023-24	\$17,607.9	+	\$17,888.1
			=
			\$35,496.0
FY 2023-24 Revenue Adjustment Factor			1.0071
<i>Note: Factor is calculated off a FY 2024 base year.</i>			
	<u>January 2023 Consensus Estimate</u>	<u>May 2023 Consensus Estimate</u>	<u>Change</u>
<u>Pupil Membership Adjustment Factor</u>			
<u>FY 2022-23</u>			
Local Districts	1,249,300	1,248,700	(600)
Public School Academies	150,500	150,400	(100)
Total	1,399,800	1,399,100	(700)
<u>FY 2023-24</u>			
Local Districts	1,243,300	1,243,100	(200)
Public School Academies	150,500	150,500	0
Total	1,393,800	1,393,600	(200)
	<u>FY 2022-23</u>	<u>FY 2023-24</u>	
Consensus Estimate of Pupil Membership	1,399,100	1,393,600	
Pupil Membership Adjustment Factor for FY 2023-24:			
<u>FY 2022-23 Pupil Membership</u>	=	<u>1,399,100</u>	
<u>FY 2023-24 Pupil Membership</u>	=	<u>1,393,600</u>	
FY 2023-24 Pupil Membership Adjustment Factor			1.0039
FY 2023-24 School Aid Index			1.0110

Table 7
May 2023 Consensus Estimate
Revenue Adjustment Factor and Pupil Membership Adjustment Factor
for FY 2024-25

<u>Revenue Adjustment Factor (Millions of \$)</u>			
	<u>FY 2022-23</u>	<u>FY 2023-24</u>	<u>FY 2024-25</u>
Baseline SAF Revenue	\$17,788.2	\$18,068.4	\$18,500.7
Balance Sheet Adjustments	(\$46.6)	(\$180.3)	(\$234.8)
Net SAF Estimate	\$17,741.6	\$17,888.1	\$18,265.9
Subtotal Adjustments to FY 2024-25 Base	(\$188.2)	(\$54.5)	\$0.0
Baseline Revenue on an FY 2024-25 Base	\$17,553.4	\$17,833.6	\$18,265.9
Percent Change		1.60%	2.42%
SAF Revenue Adjustment Calculation for FY 2024-25:			
Sum of FY 2022-23 and FY 2023-24	\$17,553.4 +	\$17,833.6 =	\$35,387.0
Sum of FY 2023-24 and FY 2024-25	\$17,833.6 +	\$18,265.9 =	\$36,099.5
FY 2024-25 Revenue Adjustment Factor			1.0201
<i>Note: Factor is calculated off a FY 2025 base year.</i>			
	<u>January 2023 Consensus Estimate</u>	<u>May 2023 Consensus Estimate</u>	<u>Change</u>
<u>Pupil Membership Adjustment Factor</u>			
FY 2023-24			
Local Districts	1,243,300	1,243,100	(200)
Public School Academies	150,500	150,500	0
Total	1,393,800	1,393,600	(200)
FY 2024-25			
Local Districts	1,237,600	1,237,500	(100)
Public School Academies	151,000	151,000	0
Total	1,388,600	1,388,500	(100)
	<u>FY 2023-24</u>	<u>FY 2024-25</u>	
Consensus Estimate of Pupil Membership	1,393,600	1,388,500	
Pupil Membership Adjustment Factor for FY 2024-25:			
<u>FY 2023-24 Pupil Membership</u>	=	<u>1,393,600</u>	
<u>FY 2024-25 Pupil Membership</u>	=	<u>1,388,500</u>	
FY 2024-25 Pupil Membership Adjustment Factor			1.0037
FY 2024-25 School Aid Index			1.0239

Table 8
May 2023 Consensus Estimate
Department of Education
Estimate for Child Development and Care
FY 2022-23 and FY 2023-24

	<u>Current Law</u>	<u>May 2023 Consensus Estimate</u>	<u>Difference from Current Law</u>
FY 2022-23 Total	\$363,120,000	\$439,200,000	\$76,080,000
FY 2023-24 Total		\$364,500,000	\$1,380,000

For FY 2022-23

- CASES: The state has full recovered from the pandemic, we expect caseloads to trend upwards from 15,766 in FY 22 to 20,000 in FY 23, representing a 26.9% increase.
- Cost per Case: We estimate that the costs per case will increase due to all the investments made in the FY 22 budget that have continued as a work project, rising from \$1,699 in FY 22 to \$1,830 in FY 23, representing a 7.7% increase.
- Overall, the FY 23 CREC proposal shows an increase of \$76.1 million over the enacted FY 23 budget. Essentially, the cases and costs per case are increasing based on both recent policy revisions and a trend back to pre-2020 program levels. Of the total \$439.2 million, a portion can be supported using remaining work project balances from FY 22 and the remaining would be supported with ongoing funding. Additionally, \$4.6 million GF/GP is needed in FY 23, to maintain matching requirements for the rest of the fiscal year.

For FY 2023-24

- CASES: We expect caseloads to trend upwards from 20,000 to 22,500 in FY 24, a 12.5% increase.
- Cost per Case: We estimate that the cost per case will decrease due to a temporary reimbursement rate enhancement ending in FY 23. Cost per case are expected to fall from \$1,830 to \$1,350 in FY 24, representing a 26.2% decrease.
- Overall, the CREC proposal shows a decrease of \$74.7 million from FY 23. Essentially, cases will increase based on both recent policy revisions and a trend back to pre-pandemic program levels while costs will decrease more significantly.

Child Development and Care Caseloads and Costs History				
Fiscal Year	Cases	\$/Case	Total \$/Month	Total \$/Year
2018-19	19,536	\$802.81	15,683,949	\$188,207,291
2019-20	18,799	\$874.20	16,416,209	\$196,994,509
2020-21	13,976	\$1,302.00	18,196,288	\$218,355,451
2021-22	15,766	\$1,699.09	26,787,852	\$321,454,235
2022-23 Est.	20,000	\$1,830.00	36,600,000	\$439,200,000
2023-24 Est.	22,500	\$1,350.00	30,375,000	\$364,500,000

Table 9
May 2023 Consensus Expenditure Estimate
Department of Health and Human Services
FY 2022-23 Through FY 2024-25

	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 2022-23	(\$69,747,200)	(\$52,870,400)*
FY 2023-24	(\$42,863,100)	(\$38,168,200)
FY 2024-25	(\$42,863,100)	(\$37,499,100)
<u>Health Services Base Funding</u>		
FY 2022-23	\$1,009,108,700	(\$391,548,100)*
FY 2023-24	(\$157,217,400)	(\$23,089,600)*
FY 2024-25	(\$464,324,600)	(\$73,689,600)*
<u>Total for Department of Health and Human Services</u>		
FY 2022-23	\$939,361,500	(\$444,418,500)*
FY 2023-24	(\$200,080,500)	(\$61,257,800)*
FY 2024-25	(\$507,187,700)	(\$111,188,700)*

* FY 2022-23 General Fund/General Purpose (GF/GP) estimate includes savings of \$697.2 million due to continuation of an increased in Medicaid and Title IV-E match rate through December 31, 2023. The FY 2023-24 GF estimate does include one quarter of a of a temporary increase in the Medicaid and Title IV-E match rate for a GF/GP savings of \$50.1 million. FY 2024-25 includes a reversal of the temporary increased Medicaid and Title IV-E match rate and a full fiscal year of savings due to the resumption in Medicaid redeterminations with the passage of PL 117-328, Consolidated Appropriations Act, 2023, with a marginal GF/GP savings of \$50.6 million from FY 2023-24.