

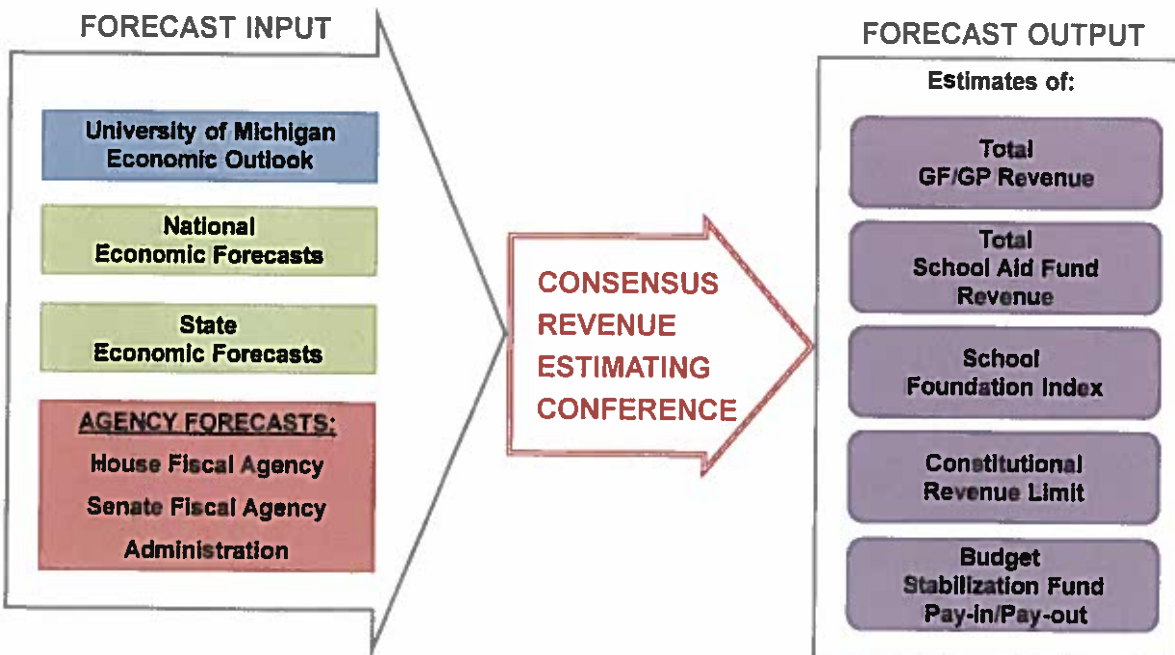
# Consensus Revenue Estimating Conference Overview

**Mary Ann Cleary, Director  
House Fiscal Agency**

House Appropriations Committee  
January 22, 2020



## Consensus Revenue Estimating Conference



# Revenue Estimates

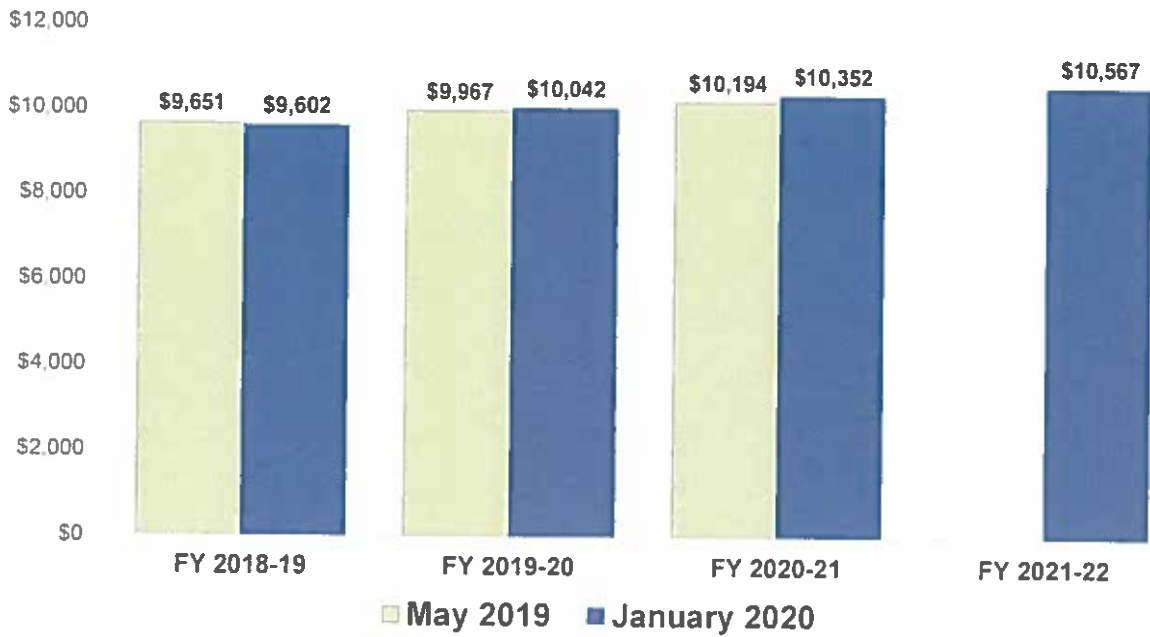
## Net Individual Income Tax

(Dollars in Millions)



## Sales and Use Taxes

(Dollars in Millions)



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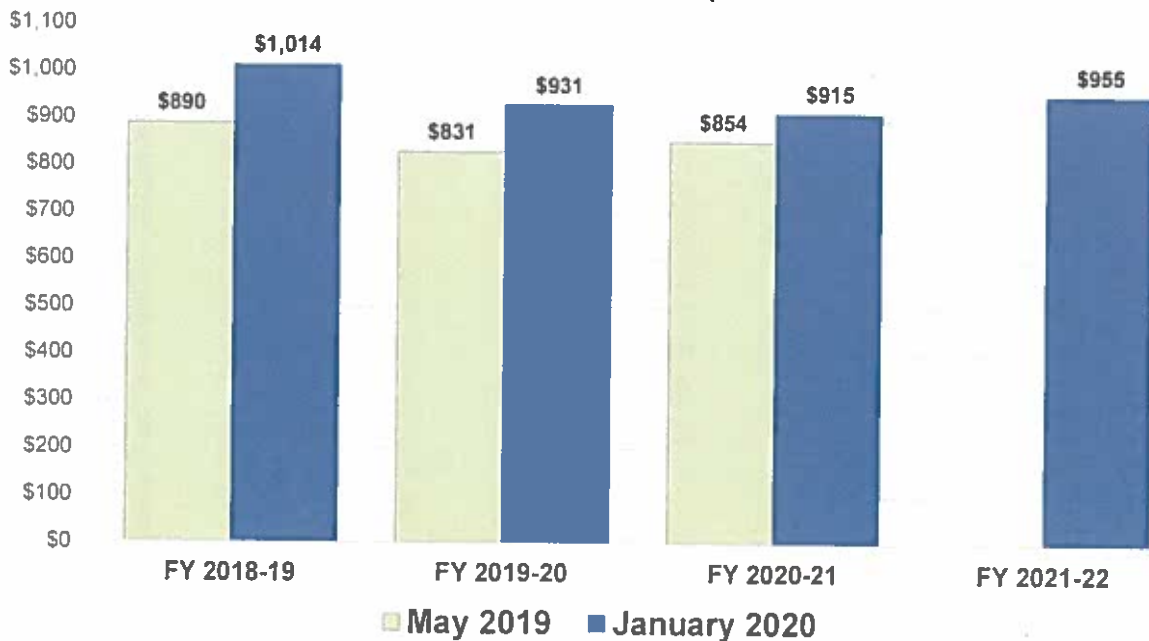
House Fiscal Agency

1/22/2020

## Combined Business Taxes

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

(Dollars in Millions)



6

House Fiscal Agency

1/22/2020

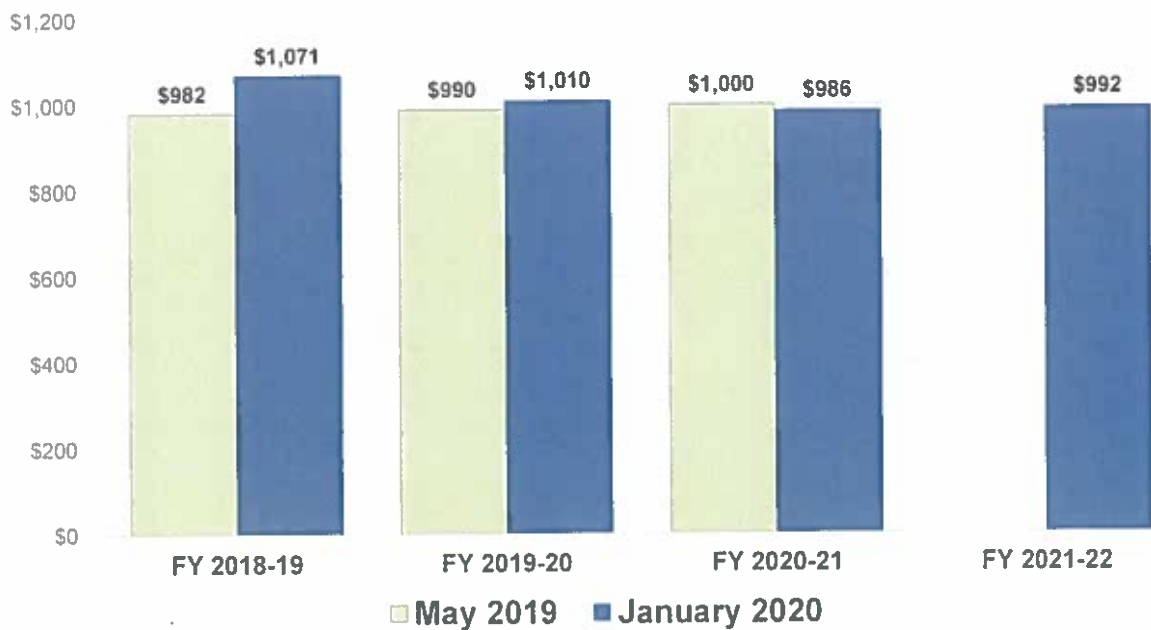
# State Education Tax (SET)

(Dollars in Millions)



# Lottery Transfer

(Dollars in Millions)



## January 2020 Consensus Revenue Estimates

(Dollars in Millions)

	FY 2018-19			Change from May 2019 Consensus
	January 2020 Consensus	Change From FY 2017-18		
General Fund/General Purpose (GF/GP)	\$11,108	\$91	0.8%	\$256
School Aid Fund (SAF)	13,560	258	1.9%	78
<b>Total Revenue</b>	<b>\$24,668</b>	<b>\$349</b>	<b>1.4%</b>	<b>\$334</b>

Note: Numbers may not add due to rounding.

## January 2020 Consensus Revenue Estimates

(Dollars in Millions)

	FY 2019-20			Change from May 2019 Consensus
	January 2020 Consensus	Change From FY 2018-19		
General Fund/General Purpose (GF/GP)	\$11,012	(\$96)	(0.9%)	\$235
School Aid Fund (SAF)	13,926	366	2.7%	86
<b>Total Revenue</b>	<b>\$24,938</b>	<b>\$270</b>	<b>1.1%</b>	<b>\$321</b>

Note: Numbers may not add due to rounding.

## January 2020 Consensus Revenue Estimates

(Dollars in Millions)

	FY 2020-21			Change from May 2019 Consensus
	January 2020 Consensus	Change From FY 2019-20		
General Fund/General Purpose (GF/GP)	\$11,195	\$182	1.7%	\$274
School Aid Fund (SAF)	14,318	392	2.8%	138
<b>Total Revenue</b>	<b>\$25,512</b>	<b>\$574</b>	<b>2.3%</b>	<b>\$412</b>

*Note: Numbers may not add due to rounding.*

## January 2020 Consensus Revenue Estimates

(Dollars in Millions)

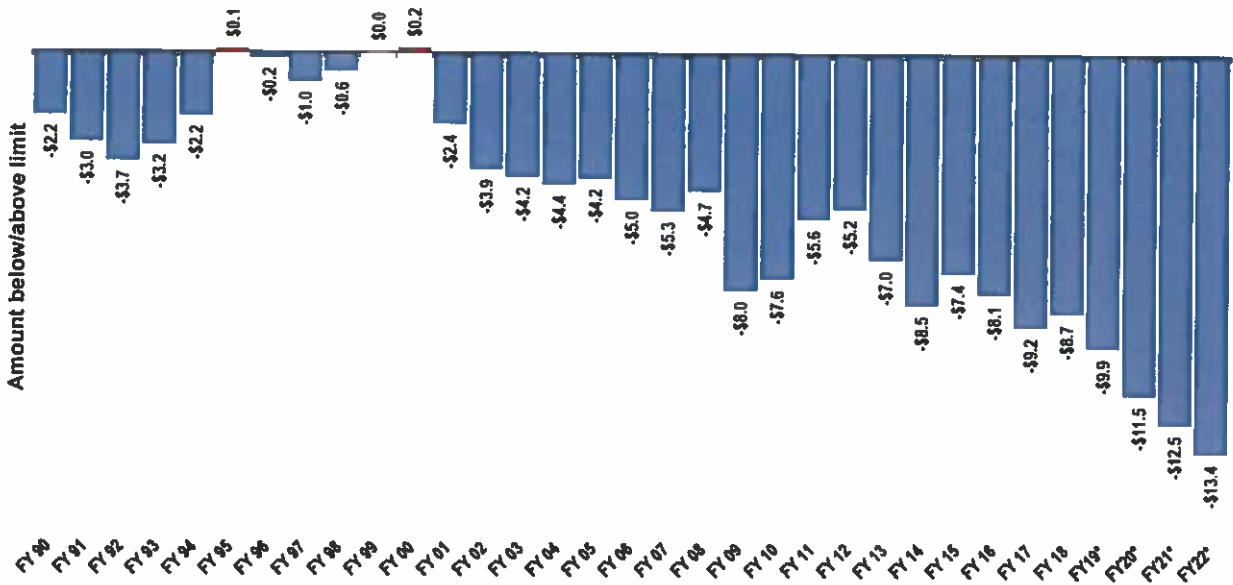
	FY 2021-22			Change from May 2019 Consensus
	January 2020 Consensus	Change From FY 2020-21		
General Fund/General Purpose (GF/GP)	\$11,519	\$324	2.9%	--
School Aid Fund (SAF)	14,640	323	2.3%	--
<b>Total Revenue</b>	<b>\$26,159</b>	<b>\$647</b>	<b>2.5%</b>	<b>--</b>

*Note: Numbers may not add due to rounding.*

# Constitutional Revenue Limit

(Dollars in Billions)

Total state tax and other revenue collections are \$11.5 billion lower than the limit set in the State Constitution (9.49% of adjusted state personal income) for FY 2020.



\*Jan. 2020 Consensus Estimates

# January 2020 Consensus Forecast

## Budget Stabilization Fund (BSF) Calculation

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

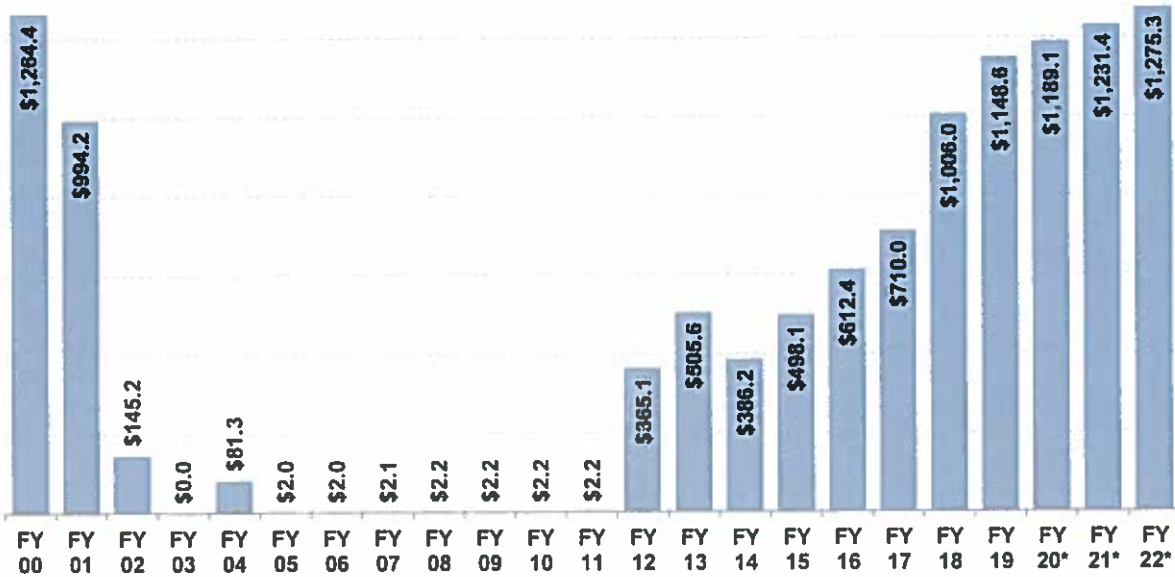
FY 2020-21: No pay-in or pay-out required

FY 2021-22: No pay-in or pay-out required

## Budget Stabilization Fund Balance

The estimated FY 2020 BSF balance is 4.8% of combined GF/GP and SAF revenues. With interest and payments tied to the Detroit Bankruptcy, it will increase by about 3.5% a year absent deposits or withdrawals.

Dollars in Millions



\* HFA Estimate

## Balance Sheets



## General Fund Balance Sheet

	FY 2019-20	Baseline FY 2020-21
<b>BEGINNING BALANCE</b>	<b>\$838.0</b>	<b>\$591.8</b>
<b>REVENUE</b>		
General Fund (GF/GP) Revenue	\$11,012.1	\$11,194.5
Revise the income tax earmark to SAF (HB 4125)	(\$173.2)	(\$179.4)
Misc. Revenue	\$2.4	\$0.0
Revenue Sharing	(\$490.1)	(\$490.1)
<b>TOTAL REVENUE</b>	<b>\$10,351.3</b>	<b>\$10,525.0</b>
<b>EXPENDITURES</b>		
Initial Ongoing/Baseline Est.	\$10,002.6	\$10,019.9
One-time Appropriations	\$310.8	\$0.0
Economics/DHHS caseload	\$158.6	\$534.0
GF to School Aid	\$62.7	\$45.0
State Psych DHS penalty	\$62.8	\$59.2
<b>TOTAL EXPENDITURES</b>	<b>\$10,597.5</b>	<b>\$10,658.1</b>
<b>TOTAL ENDING BALANCE</b>	<b>\$591.8</b>	<b>\$458.7</b>

## Medicaid Spending Pressures

### Medicaid Program

- The 23% enhanced federal match rate increase for Children's Health Insurance Program (CHIP) will phase out and the last phase down of the Healthy Michigan Plan federal match to 90% will occur. Projected FY 2020-21 GF/GP funding increase of **\$55 million**.
- Medicaid cost adjustments for medical utilization, inflation, and actuarial soundness are projected to increase 3% annually. Projected FY 2020-21 GF/GP funding increase of **\$175 million**.
- One-time GF/GP replacement of restricted funds totaling **\$45 million**.

### 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.
- Additional federal audit "look back" costs related to other Health and Human Services programs could total **\$23 million**.

## Additional Spending Pressures

### Baseline Costs for FY 2020-21

- Full year funding Indigent Defense Standards 1-4 additional funding increase of **\$36 million**.
- Employee economics includes salary increase and retirement costs estimated increase of **\$90 million**.
- Annualizing MSP trooper school **\$10 million**.

### Unknown Potential Costs

- Legal settlements:
  - Department of Corrections
  - Unemployment Insurance Agency (UAI)
  - Flint water
- Adopted Legislation
  - Raise the Age (FY 2021-22)
  - Indigent Defense Standards 5-8

## School Aid Fund Balance Sheet

	FY 2019-20	Baseline FY 2020-21
<b>BEGINNING BALANCE</b>	<b>\$212.3</b>	<b>\$262.7</b>
<b>REVENUE</b>		
School Aid Fund (SAF) Revenue	\$13,925.5	\$14,317.5
Revise the income tax earmark to SAF (HB 4125)	\$173.2	\$179.4
General Fund/General Purpose (GF/GP)	\$62.7	\$45.0
Other Restricted Funds	\$77.3	\$72.0
<u>Federal Funds</u>	<u>\$1,749.6</u>	<u>\$1,749.6</u>
<b>TOTAL REVENUE</b>	<b>\$15,988.3</b>	<b>\$16,363.5</b>
<b>EXPENDITURES</b>		
School Aid (Adj for lapses/consensus revisions)	\$15,173.8	\$15,307.6
Community Colleges	\$414.7	\$425.7
<u>Higher Ed</u>	<u>\$349.4</u>	<u>\$356.1</u>
<b>TOTAL EXPENDITURES</b>	<b>\$15,937.9</b>	<b>\$16,089.4</b>
<b>TOTAL ENDING BALANCE</b>	<b>\$262.7</b>	<b>\$536.8</b>

# Major School Aid Budget Issues

## Baseline Costs for FY 2020-21

- Baseline costs are expected to decline by **\$59 million** based on declining pupils, growing local property tax values, and rising special education costs.
- MPSERS experience study revised mortality and other assumptions which will increase costs by an estimated **\$189 million**.
- A foundation allowance increase ranging from \$100-\$200, would cost approximately **\$250 million**.

## Summary

- **Projected FY 2019-20 ending balance**
  - **\$592 million** General Fund balance
  - **\$263 million** School Aid Fund balance
- **Projected FY 2020-21 resources above/below baseline budget**
  - **\$459 million** General Fund
  - **\$537 million** School Aid Fund balance



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