

MEMORANDUM



DATE: January 15, 2021
TO: Members of the Michigan House of Representatives
FROM: Mary Ann Cleary, Director *MAC*
RE: Consensus Revenue Agreement – January 15, 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 January 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 January 2021 conference. These consensus estimates will be revised and updated at the May 2021 conference.

Table 1: Consensus Economic Forecast

Provides estimates of various state and national economic variables. The forecast projects that real gross domestic product (GDP) will increase 3.6% in calendar year (CY) 2021, 2.8% in CY 2022, and 2.5% in CY 2023. Michigan personal income is forecast to decrease 2.9% in CY 2021 before increasing 2.5% in CY 2022 and 4.1% in CY 2023. Michigan personal income is forecast to decrease 2.9% in CY 2021 and increase 2.5% in CY 2022, and 4.1% in CY 2023.

Table 2: Consensus Estimates of GF/GP and SAF

Preliminary final FY 2019-20 revenue, revised revenue estimates for FY 2020-21 and FY 2021-22, and the initial estimates for FY 2022-23 are presented in Table 2. Relative to FY 2019-20, net combined GF/GP and SAF revenue is estimated to decrease \$505.3 million or 2.0% in FY 2020-21 before increasing \$1,053.1 million or 4.3% in FY 2021-22 and \$576.7 million or 2.3% in FY 2022-23. Relative to FY 2019-20, combined net GF/GP and SAF revenue is estimated to decrease \$505.3 million or 2.0% in FY 2020-21 and increase to \$1,053.1 million or 4.3% in FY 2021-22, and \$576.7 million or 2.3% in FY 2022-23.

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

There are no calculated pay-ins or pay-outs for FY 2020-21, FY 2021-22, or FY 2022-23. It should be noted that the deposits to or 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

Calculations of the amounts that revenue exceed or do not exceed the constitutional state revenue limit established in Article IX, Section 26 of the Constitution of the State of Michigan are reported in Table 4. Total state revenue subject to the limit is estimated to be \$11.41 billion below the limit in FY 2019-20, \$12.52 billion below in FY 2020-21, \$14.12 billion below in FY 2021-22, and \$11.96 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 2.7% growth for both FY 2023-24 and 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 1.0214 and FY 2022-23 is 1.0268. The index would equal a 2.1% increase in the foundation allowance in FY 2021-22 and 2.7% in FY 2022-23.

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

Attachments

Table 1
Consensus Economic Forecast
January 2021

	<u>Calendar 2020 Forecast</u>	<u>% Change from Prior Year</u>	<u>Calendar 2021 Forecast</u>	<u>% Change from Prior Year</u>	<u>Calendar 2022 Forecast</u>	<u>% Change from Prior Year</u>	<u>Calendar 2023 Forecast</u>	<u>% Change from Prior Year</u>
<u>United States</u>								
Real Gross Domestic Product (Billions of Chained 2012 Dollars)	\$18,404	-3.6%	\$19,067	3.6%	\$19,601	2.8%	\$20,091	2.5%
Implicit Price Deflator GDP (2012 = 100)	113.6	1.1%	115.4	1.6%	117.5	1.8%	119.9	2.0%
Consumer Price Index (1982-84 = 100)	258.686	1.2%	264.121	2.1%	269.900	2.2%	275.703	2.2%
Consumer Price Index – Fiscal Year (1982-84 = 100)	258.014	1.4%	262.663	1.8%	268.514	2.2%	274.210	2.1%
Personal Consumption Deflator (2012 = 100)	111.0	1.2%	113.1	1.9%	115.4	2.0%	117.7	2.0%
3-month Treasury Bills Interest Rate (Percent)	0.4%		0.1%		0.1%		0.1%	
Unemployment Rate - Civilian (Percent)	8.1%		6.4%		5.8%		5.3%	
Wage and Salary Employment (Millions)	142.340	-5.7%	145.900	2.5%	149.260	2.3%	151.500	1.5%
Housing Starts (Millions of Starts)	1.350	4.7%	1.380	2.2%	1.360	-1.5%	1.365	0.4%
Light Vehicle Sales (Millions of Units)	14.5	-14.6%	16.0	10.3%	16.2	1.3%	16.3	0.6%
Passenger Car Sales (Millions of Units)	3.4	-28.0%	3.5	2.9%	3.2	-8.6%	3.1	-3.1%
Light Truck Sales (Millions of Units)	11.1	-9.3%	12.5	12.6%	13.0	4.0%	13.2	1.5%
Big 3 Share of Light Vehicles (Percent)	40.5%		40.3%		40.1%		39.6%	
<u>Michigan</u>								
Wage and Salary Employment (Thousands)	4,012	-9.5%	4,132	3.0%	4,252	2.9%	4,320	1.6%
Unemployment Rate (Percent)	9.8%		7.1%		6.2%		5.4%	
Personal Income (Millions of Dollars)	\$521,130	6.0%	\$506,017	-2.9%	\$518,667	2.5%	\$539,933	4.1%
Real Personal Income (Millions of 1982-84 Dollars)	\$219,015	4.8%	\$207,956	-5.0%	\$208,727	0.4%	\$212,697	1.9%
Wages and Salaries (Millions of Dollars)	\$235,230	-4.7%	\$238,759	1.5%	\$252,845	5.9%	\$262,453	3.8%
Detroit Consumer Price Index (1982-84 = 100)	237.943	1.1%	243.329	2.3%	248.491	2.1%	253.851	2.2%
Detroit CPI – Fiscal Year (1982-84 = 100)	237.511	1.6%	242.232	2.0%	247.296	2.1%	252.509	2.1%

NOTE: Percentages may not calculate exactly due to rounding.

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

	FY 2019-20 Preliminary Final	FY 2020-21			FY 2021-22			FY 2022-23				
		January 2021 Consensus	Change From FY 2019-20	\$ Change From August 2020 Consensus	January 2021 Consensus	Change From FY 2020-21	\$ Change From August 2020 Consensus	January 2021 Consensus	Change From FY 2021-22			
Net GF/GP Revenue	\$10,770.6	\$10,237.5	(\$533.1)	-4.9%	\$700.8	\$10,897.1	\$659.6	6.4%	\$504.6	\$11,167.1	\$270.0	2.5%
Net SAF Revenue	\$14,002.4	\$14,030.2	\$27.8	0.2%	\$528.3	\$14,423.7	\$393.5	2.8%	\$370.2	\$14,730.4	\$306.7	2.1%
Net GF/GP and SAF	\$24,773.0	\$24,267.7	(\$505.3)	-2.0%	\$1,229.1	\$25,320.8	\$1,053.1	4.3%	\$874.8	\$25,897.5	\$576.7	2.3%

Numbers may not calculate exactly due to rounding.

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

	FY 2020-21 Pay-In 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	\$521,130	\$521,130	\$506,017	\$506,017	\$518,667	\$518,667	\$539,933
Less Transfer Payments ⁽¹⁾	\$103,672	\$144,909	\$144,909	\$120,601	\$120,601	\$118,098	\$118,098	\$122,273
Income Net of Transfers	\$387,960	\$376,221	\$376,221	\$385,416	\$385,416	\$400,569	\$400,569	\$417,660
Detroit CY CPI ⁽²⁾	2.353	2.379	2.379	2.433	2.433	2.485	2.485	2.539
Real Adjusted Michigan Personal Income	\$164,902	\$158,114	\$158,114	\$158,393	\$158,393	\$161,201	\$161,201	\$164,530
Change in Real Adjusted Personal Income		-4.1%		0.2%		1.8%		2.1%
Amount Under 0%		-4.1%		N/A		N/A		N/A
Between 0% and 2%		N/A		0.2%		1.8%		2.0%
Excess Over 2%		N/A		N/A		N/A		0.1%
GF/GP Revenue	FY 2019-20	\$10,770.6	FY 2020-21	\$10,237.6	FY 2021-22	\$10,897.0	FY 2022-23	\$11,167.1
BSF PAY-IN⁽³⁾	FY 2020-21	No Pay-In	FY 2021-22	No Pay-In	FY 2022-23	No Pay-In	FY 2022-23	No Pay-Out
BSF PAY-OUT⁽³⁾			FY 2020-21	No Pay-Out	FY 2021-22	No Pay-Out		

Notes:

1. Personal Income and Transfer Payments: CY 2017 through CY 2019 values are reported by the U.S. Bureau of Economic Analysis. Subsequent years are January 2021 consensus estimates.
2. Detroit Consumer Price Index, CY 2017 through CY 2019 values are reported by the U.S. Bureau of Labor Statistics. Subsequent years are January 2021 consensus estimates.
3. Calculation done per MCL 18.1352.

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

	<u>FY 2018-19 Actual</u>	<u>FY 2019-20 Consensus January 2021</u>	<u>FY 2020-21 Consensus January 2021</u>	<u>FY 2021-22 Consensus January 2021</u>	<u>FY 2022-23 Consensus January 2021</u>
<u>Revenue Subject to Limit</u>					
Consensus					
Net General Fund General Purpose	\$11,115.8	\$10,770.6	\$10,237.6	\$10,897.0	\$11,167.1
Constitutional Revenue Sharing	\$816.6	\$852.8	\$893.4	\$865.7	\$882.5
Net School Aid Fund	\$13,552.4	\$14,002.4	\$14,030.2	\$14,423.8	\$14,730.4
Transportation	\$2,950.2	\$3,658.7	\$3,688.0	\$3,807.0	\$3,890.5
Other Restricted Revenue	\$4,873.1	\$5,243.9	\$5,296.4	\$5,349.3	\$5,402.8
Less: GF/GP Federal Aid	\$2.9	\$3.9	\$10.0	\$10.0	\$10.0
Total Revenue Subject to Limit	\$33,305.2	\$34,524.5	\$34,135.6	\$35,332.8	\$36,063.3
<u>Revenue Limit</u>	<u>CY 2017</u>	<u>CY 2018</u>	<u>CY 2019</u>	<u>CY 2020</u>	<u>CY 2021</u>
Personal Income	\$439,361	\$484,030	\$491,632	\$521,130	\$506,017
Ratio	9.49%	9.49%	9.49%	9.49%	9.49%
Revenue Limit	\$41,695.4	\$45,934.4	\$46,655.9	\$49,455.2	\$48,021.0
Total Revenue Subject to Limit	\$33,305.2	\$34,527.8	\$34,135.5	\$35,332.8	\$36,063.3
Amount Under (Over) Limit	\$8,390.2	\$11,409.9	\$12,520.4	\$14,122.4	\$11,957.7

Numbers may not calculate exactly due to rounding.

Note: CY 2017 Personal Income is used for the FY 2019 revenue limit calculation, CY 2018 for FY 2020, CY 2019 for FY 2021, CY 2020 for FY 2022, and CY 2021 for FY 2023.

Table 5
Long Term Revenue Trend
(Millions of Dollars)

	<u>FY 2023-24</u>	<u>FY 2024-25</u>
Net GF/GP Revenue	\$11,446.5	\$11,747.6
Growth	2.5%	2.6%
Net SAF Revenue	\$15,143.1	\$15,547.1
Growth	2.8%	2.7%
Combined GF/GP and SAF	\$26,589.6	\$27,294.7
Growth	2.7%	2.7%

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

<u>Revenue Adjustment Factor (Millions of \$)</u>			
	<u>FY 2019-20</u>	<u>FY 2020-21</u>	<u>FY 2021-22</u>
Baseline SAF Revenue	\$14,100.6	\$14,104.7	\$14,414.5
Balance Sheet Adjustments	<u>(\$94.9)</u>	<u>(\$74.5)</u>	<u>\$9.3</u>
Net SAF Estimate	\$14,005.7	\$14,030.2	\$14,423.8
Subtotal Adjustments to FY 2021-22 Base	<u>\$104.2</u>	<u>\$83.8</u>	<u>\$0.0</u>
Baseline Revenue on an FY 2021-22 Base	\$14,109.9	\$14,114.0	\$14,423.8
Percent Change		0.03%	2.19%
SAF Revenue Adjustment Calculation for FY 2021-22:			
Sum of FY 2019-20 and FY 2020-21	\$14,109.9 +	\$14,114.0 =	\$28,223.9
Sum of FY 2020-21 and FY 2021-22	\$14,114.0 +	\$14,423.8 =	\$28,537.8
FY 2021-22 Revenue Adjustment Factor			1.0111
<i>Note: Factor is calculated off a FY 2022 base year.</i>			
	<u>May 2020 Consensus Estimate</u>	<u>January 2021 Consensus Estimate</u>	<u>Change</u>
<u>Pupil Membership Adjustment Factor</u>			
FY 2020-21			
Local Districts	1,303,600	1,301,100	(2,500)
Public School Academies	<u>148,900</u>	<u>148,000</u>	<u>(900)</u>
Total	1,452,500	1,449,100	(3,400)
FY 2021-22			
Local Districts	1,296,000	1,285,500	(10,500)
Public School Academies	<u>149,000</u>	<u>149,000</u>	<u>0</u>
Total	1,445,000	1,434,500	(10,500)
Consensus Estimate of Pupil Membership	<u>1,449,100</u>	<u>1,434,500</u>	
Pupil Membership Adjustment Factor for FY 2021-22:			
<u>FY 2020-21 Pupil Membership</u>	=	<u>1,449,100</u>	
<u>FY 2021-22 Pupil Membership</u>	=	<u>1,434,500</u>	
FY 2021-22 Pupil Membership Adjustment Factor			1.0102
FY 2021-22 School Aid Index			1.0214

Table 7
January 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	\$14,104.7	\$14,414.5	\$14,697.6
Balance Sheet Adjustments	(\$74.5)	\$9.3	\$32.8
Net SAF Estimate	\$14,030.2	\$14,423.8	\$14,730.4
Subtotal Adjustments to FY 2022-23 Base	\$107.3	\$23.5	\$0.0
Baseline Revenue on an FY 2022-23 Base	\$14,137.5	\$14,447.3	\$14,730.4
Percent Change		2.19%	1.96%
SAF Revenue Adjustment Calculation for FY 2022-23:			
Sum of FY 2020-21 and FY 2021-22	\$14,137.5 +	\$14,447.3	= \$28,584.8
Sum of FY 2021-22 and FY 2022-23	\$14,447.3 +	\$14,730.4	= \$29,177.7
FY 2022-23 Revenue Adjustment Factor			1.0207
<i>Note: Factor is calculated off a FY 2023 base year.</i>			
	<u>May 2020 Consensus Estimate</u>	<u>January 2021 Consensus Estimate</u>	<u>Change</u>
<u>Pupil Membership Adjustment Factor</u>			
FY 2021-22			
Local Districts	1,296,000	1,285,500	(10,500)
Public School Academies	149,000	149,000	0
Total	1,445,000	1,434,500	(10,500)
FY 2022-23			
Local Districts	N/A	1,276,500	N/A
Public School Academies	N/A	149,500	N/A
Total	N/A	1,426,000	N/A
	<u>FY 2021-22</u>	<u>FY 2022-23</u>	
Consensus Estimate of Pupil Membership	1,434,500	1,426,000	
Pupil Membership Adjustment Factor for FY 2022-23:			
<u>FY 2021-22 Pupil Membership</u>	=	<u>1,434,500</u>	
<u>FY 2022-23 Pupil Membership</u>	=	<u>1,426,000</u>	
FY 2022-23 Pupil Membership Adjustment Factor			1.0060
FY 2022-23 School Aid Index			1.0268