

MEMORANDUM



DATE: May 20, 2022
TO: Members of the Michigan House of Representatives
FROM: Mary Ann Cleary, Director *MAC*
RE: Consensus Revenue Agreement – May 20, 2022

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 2022 meeting were the Director of the House Fiscal Agency, the Director of the Senate Fiscal Agency, and the State Treasurer. The State Treasurer is the 2022 Conference Chairperson.

The attached tables provide a summation of the agreements reached at the May 2022 conference. These consensus estimates will be reviewed and updated at the January 2023 conference.

Table 1: Consensus Economic Forecast

Provides estimates of various state and national economic variables. Real gross domestic product (GDP) is projected to increase 2.5% in calendar year (CY) 2022, 2.2% in CY 2023, and 2.1% in CY 2024. Michigan personal income is forecast to increase 2.2% in CY 2022, 5.3% in CY 2023, and 4.2% in CY 2024.

Table 2: Consensus Estimates of GF/GP and SAF

Provides the final FY 2020-21 revenue and revised revenue estimates for FY 2021-22 through FY 2023-24. Relative to FY 2020-21, net GF/GP and SAF revenue is estimated to increase \$2,463.8 million or 8.5% in FY 2021-22, decrease \$351.6 million or 1.1% in FY 2022-23, and increase \$505.0 million or 1.6% in FY 2023-24.

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

No pay-ins or pay-outs for FY 2022-23 and FY 2023-24 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 \$7.95 billion below the limit in FY 2020-21, \$8.76 billion below in FY 2021-22, \$11.49 billion below in FY 2022-23, and \$11.93 billion below the limit in FY 2023-24.

Table 5: Long Term Revenue Trend

The long term revenue trend for combined GF/GP and SAF revenue is 2.3% growth for FY 2024-25 and 2.9% growth for FY 2025-26.

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 2022-23 and FY 2023-24. 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 2022-23 is 1.0387 and FY 2023-24 is 1.0148. The index would equal a 3.9% increase in the foundation allowance in FY 2022-23 and 1.5% increase in FY 2023-24.

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

Reports consensus estimates of CDC caseload costs for FY 2021-22 through FY 2023-24. The annual CDC cost is estimated at \$319.8 million for FY 2021-22, \$363.1 for FY 2022-23, and \$299.0 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 \$47.7* million in FY 2021-22, \$40.7 million in FY 2022-23, and \$40.7 million FY 2023-24. Medicaid GF/GP expenditures are estimated to decrease \$738.9* million in FY 2021-22, \$167.5 million in FY 2022-23, and \$167.5 million in FY 2023-24.

* FY 2021-22 General Fund/General Purpose (GF/GP) estimate includes savings of \$673.3 million due to continuation of the 6.2% increase in Medicaid and Title IV-E match rates from January 1, 2022 to September 30, 2022. The FY 2022-23 GF/GP estimate does not assume continuation of the enhanced Medicaid and Title IV-E rates.

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

Attachments

Table 1
Consensus Economic Forecast
May 2022

	<u>Calendar 2021 Actual</u>	<u>Calendar 2022 Forecast</u>	<u>% Change from Prior Year</u>	<u>Calendar 2023 Forecast</u>	<u>% Change from Prior Year</u>	<u>Calendar 2024 Forecast</u>	<u>% Change from Prior Year</u>
<u>United States</u>							
Real Gross Domestic Product (Billions of Chained 2012 Dollars)	\$19,427	\$19,913	2.5%	\$20,351	2.2%	\$20,778	2.1%
Implicit Price Deflator GDP (2012 = 100)	118.4	125.9	6.3%	130.7	3.8%	134.0	2.5%
Consumer Price Index (1982-84 = 100)	270.970	290.978	7.4%	301.819	3.7%	309.703	2.6%
Consumer Price Index – Fiscal Year (1982-84 = 100)	266.616	286.520	7.5%	299.618	4.6%	307.807	2.7%
Personal Consumption Deflator (2012 = 100)	115.5	122.2	5.8%	126.4	3.4%	129.6	2.5%
3-month Treasury Bills Interest Rate (Percent)	0.1%	1.3%		2.9%		3.0%	
Unemployment Rate - Civilian (Percent)	5.3%	3.6%		3.8%		3.9%	
Wage and Salary Employment (Millions)	146,124	151,969	4.0%	153,793	1.2%	154,562	0.5%
Housing Starts (Millions of Starts)	1.601	1.650	3.1%	1.551	(6.0%)	1.557	0.4%
Light Vehicle Sales (Millions of Units)	14.9	15.2	1.7%	16.4	7.9%	17.0	3.7%
Passenger Car Sales (Millions of Units)	3.4	3.3	(1.5%)	3.2	(3.0%)	3.2	0.0%
Light Truck Sales (Millions of Units)	11.6	11.9	2.6%	13.2	10.9%	13.8	4.5%
Big 3 Share of Light Vehicles (Percent)	36.0%	38.8%		38.2%		37.4%	
<u>Michigan</u>							
Wage and Salary Employment (Thousands)	4,194	4,349	3.7%	4,414	1.5%	4,441	0.6%
Unemployment Rate (Percent)	5.9%	4.4%		4.5%		4.5%	
Personal Income (Millions of Dollars)	\$558,330	\$570,613	2.2%	\$600,856	5.3%	\$626,092	4.2%
Real Personal Income (Millions of 1982-84 Dollars)	\$225,310	\$214,460	(4.8%)	\$217,754	1.5%	\$221,289	1.6%
Wages and Salaries (Millions of Dollars)	\$264,563	\$289,167	9.3%	\$303,626	5.0%	\$314,860	3.7%
Detroit Consumer Price Index (1982-84 = 100)	247.805	266.069	7.4%	275.933	3.7%	282.929	2.5%
Detroit CPI – Fiscal Year (1982-84 = 100)	244.089	262.185	7.4%	274.033	4.5%	281.360	2.7%

Note: Percentages may not calculate exactly due to rounding.

Table 2
May 2022: Revenue Comparison and Consensus Estimates of GF/GP and SAF
(Millions of Dollars)

	FY 2021-22		FY 2022-23			FY 2023-24					
	FY 2020-21 Final	Change From FY 2019-20	May 2022 Consensus	Change From FY 2020-21	May 2022 Consensus	Change From FY 2021-22	May 2022 Consensus	Change From FY 2022-23			
General Fund/ General Purpose											
Baseline	\$14,860.4		\$15,940.7	\$1,080.3	7.3%	\$15,346.5	(\$594.2)	(3.7%)	\$15,543.1	\$196.6	1.3%
Tax Adjustments	(\$1,860.2)		(\$1,760.9)	\$99.3		(\$1,373.0)	\$387.9		(\$1,314.2)	\$58.8	
Net GF/GP Revenue	\$13,000.2	20.6%	\$14,179.8	\$1,179.6	9.1%	\$13,973.5	(\$206.3)	(1.5%)	\$14,228.9	\$255.4	1.8%
School Aid Fund Revenue											
Baseline	\$16,208.9		\$17,273.2	\$1,064.3	6.6%	\$17,340.6	\$67.4	0.4%	\$17,608.0	\$267.4	1.5%
Tax Adjustments	(\$152.5)		\$67.4	\$219.9		(\$145.3)	(\$212.7)		(\$163.1)	(\$163.1)	
Net SAF Revenue	\$16,056.4	14.8%	\$17,340.6	\$1,284.2	8.0%	\$17,195.3	(\$145.3)	(0.8%)	\$17,444.9	\$249.6	1.5%
Total GF/GP and SAF											
Baseline	\$31,069.3		\$33,213.9	\$2,144.6	6.9%	\$32,687.1	(\$526.8)	(1.6%)	\$33,151.1	\$464.0	1.4%
Tax Adjustments	(\$2,012.7)		(\$1,693.5)	\$319.2		(\$1,518.3)	\$175.2		(\$1,477.3)	(\$104.3)	
Net GF/GP and SAF	\$29,056.6	17.3%	\$31,520.4	\$2,463.8	8.5%	\$31,168.8	(\$351.6)	(1.1%)	\$31,673.8	\$505.0	1.6%

Numbers may not calculate exactly due to rounding.

Table 3
May 2022: Consensus Estimate for Budget and Economic Stabilization Fund Calculation
(Millions of Dollars)

	FY 2022-23 Pay-In / FY 2021-22 Pay-Out Calculation		FY 2023-24 Pay-In / FY 2022-23 Pay-Out Calculation		FY 2023-24 Pay-Out Calculation	
	<u>CY 2021</u>	<u>CY 2022</u>	<u>CY 2022</u>	<u>CY 2023</u>	<u>CY 2023</u>	<u>CY 2024</u>
Michigan Personal Income ⁽¹⁾	\$558,330	\$570,613	\$570,613	\$600,856	\$600,856	\$626,092
Less Transfer Payments ⁽¹⁾	<u>\$148,521</u>	<u>\$130,122</u>	<u>\$130,122</u>	<u>\$136,698</u>	<u>\$136,698</u>	<u>\$142,220</u>
Income Net of Transfers	\$409,809	\$440,491	\$440,491	\$464,158	\$464,158	\$483,872
Detroit CPI ⁽²⁾ for 12 months ending	2.478 (Dec. 2021)	2.661 (Dec. 2022)	2.661 (Dec. 2022)	2.759 (Dec. 2023)	2.759 (Dec. 2023)	2.829 (Dec. 2024)
Real Adjusted Michigan Personal Income	\$165,375	\$165,555	\$165,555	\$168,214	\$168,214	\$171,040
Change in Real Adjusted Personal Income		0.1%		1.6%		1.7%
Amount Under 0%		N/A		N/A		N/A
Between 0% and 2%		0.1%		1.6%		1.7%
Excess Over 2%		N/A		N/A		N/A
GF/GP Revenue	FY 2021-22	\$14,179.8	FY 2022-23	\$13,973.5	FY 2023-24	\$14,228.9
BSF PAY-IN⁽³⁾	FY 2022-23	No Pay-In	FY 2023-24	No Pay-In	FY 2023-24	No Pay-Out
BSF PAY-OUT⁽³⁾	FY 2021-22	No Pay-Out	FY 2022-23	No Pay-Out	FY 2023-24	No Pay-Out

Notes:

1. Personal Income and Transfer Payments: CY 2020 and CY 2021 are from the U.S. Bureau of Economic Analysis. Subsequent years are May 2022 consensus estimates.
2. Detroit Consumer Price Index: CY 2021 value as reported by the U.S. Bureau of Labor Statistics. Subsequent years are May 2022 consensus estimates.
3. Calculation done per MCL 18.1352.

Table 4
May 2022 Consensus Estimate
Constitutional Revenue Limit Calculation
(Millions of Dollars)

	FY 2020-21 Consensus <u>May 2022</u>	FY 2021-22 Consensus <u>May 2022</u>	FY 2022-23 Consensus <u>May 2022</u>	FY 2023-24 Consensus <u>May 2022</u>
<u>Revenue Subject to Limit</u>				
Consensus				
Net General Fund General Purpose	\$13,000.2	\$14,179.8	\$13,973.5	\$14,228.9
Constitutional Revenue Sharing	\$962.5	\$1,054.7	\$1,043.7	\$1,058.8
Net School Aid Fund	\$16,056.4	\$17,340.6	\$17,195.3	\$17,444.9
Transportation	\$3,593.7	\$3,848.3	\$3,985.5	\$4,091.0
Other Restricted Revenue	\$5,100.0	\$5,202.0	\$5,306.0	\$5,412.2
Less: GF/GP Federal Aid	(\$8.3)	(\$10.0)	(\$10.0)	(\$10.0)
Total Revenue Subject to Limit	\$38,704.5	\$41,615.4	\$41,494.0	\$42,225.8
<u>Revenue Limit</u>				
Personal Income	\$491,632	\$530,809	\$558,330	\$570,613
Ratio	9.49%	9.49%	9.49%	9.49%
Revenue Limit	\$46,655.9	\$50,373.8	\$52,985.5	\$54,151.2
Total Revenue Subject to Limit	\$466.6	\$503.7	\$529.9	\$541.5
Amount Under (Over) Limit	\$7,951.4	\$8,758.4	\$11,491.5	\$11,925.4

Numbers may not calculate exactly due to rounding.

Note: CY 2019 Personal Income is used for the FY 2021 revenue limit calculation, CY 2020 for FY 2022, CY 2021 for FY 2023 and CY 2022 for FY 2024.

Table 5
May 2022 Consensus Estimate
Long Term Revenue Trend
(Millions of Dollars)

	<u>FY 2024-25</u>	<u>FY 2025-26</u>
Net GF/GP Revenue	\$14,553.1	\$15,089.4
Growth	2.3%	3.7%
Net SAF Revenue	\$17,836.5	\$18,240.6
Growth	2.2%	2.3%
Combined GF/GP and SAF	\$32,389.6	\$33,330.0
Growth	2.3%	2.9%

Table 6
May 2022 Consensus Estimate
Revenue Adjustment Factor and Pupil Membership Adjustment Factor
for FY 2022-23

Revenue Adjustment Factor (Millions of \$)

	<u>FY 2020-21</u>	<u>FY 2021-22</u>	<u>FY 2022-23</u>
Baseline SAF Revenue	\$16,208.9	\$17,273.2	\$17,340.6
Balance Sheet Adjustments	(\$152.5)	\$67.4	(\$145.3)
Net SAF Estimate	\$16,056.4	\$17,340.6	\$17,195.3
 Subtotal Adjustments to FY 2022-23 Base	 \$7.2	 (\$212.7)	 \$0.0
 Baseline Revenue on an FY 2022-23 Base	 \$16,063.6	 \$17,127.9	 \$17,195.3
Percent Change		6.63%	0.39%
SAF Revenue Adjustment Calculation for FY 2022-23:			
Sum of FY 2020-21 and FY 2021-22	\$16,063.6 +	\$17,127.9	= \$33,191.5
Sum of FY 2021-22 and FY 2022-23	\$17,127.9 +	\$17,195.3	= \$34,323.2

FY 2022-23 Revenue Adjustment Factor

1.0341

Note: Factor is calculated off a FY 2023 base year.

	January 2022 Consensus Estimate	May 2022 Consensus Estimate	Change
<u>Pupil Membership Adjustment Factor</u>			
FY 2021-22			
Local Districts	1,255,500	1,254,700	(800)
Public School Academies	<u>150,500</u>	<u>150,400</u>	<u>(100)</u>
Total	1,406,000	1,405,100	(900)
FY 2022-23			
Local Districts	1,249,700	1,247,900	(1,800)
Public School Academies	<u>151,500</u>	<u>151,000</u>	<u>(500)</u>
Total	1,401,200	1,398,900	(2,300)

	<u>FY 2021-22</u>	<u>FY 2022-23</u>
Consensus Estimate of Pupil Membership	1,405,100	1,398,900

Pupil Membership Adjustment Factor for FY 2022-23:			
<u>FY 2021-22 Pupil Membership</u>	=	<u>1,405,100</u>	
FY 2022-23 Pupil Membership	=	1,398,900	

FY 2022-23 Pupil Membership Adjustment Factor

1.0044

FY 2022-23 School Aid Index

1.0387

Table 7
May 2022 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	\$17,273.2	\$17,340.6	\$17,608.0
Balance Sheet Adjustments	\$67.4	(\$145.3)	(\$163.1)
Net SAF Estimate	\$17,340.6	\$17,195.3	\$17,444.9
Subtotal Adjustments to FY 2023-24 Base	(\$230.5)	(\$17.8)	\$0.0
Baseline Revenue on an FY 2023-24 Base	\$17,110.1	\$17,177.5	\$17,444.9
Percent Change		0.39%	1.56%
SAF Revenue Adjustment Calculation for FY 2023-24:			
Sum of FY 2021-22 and FY 2022-23	\$17,110.1 +	\$17,177.5 =	\$34,287.6
Sum of FY 2022-23 and FY 2023-24	\$17,177.5 +	\$17,444.9 =	\$34,622.4
FY 2023-24 Revenue Adjustment Factor			1.0098
<i>Note: Factor is calculated off a FY 2024 base year.</i>			
	<u>January 2022 Consensus Estimate</u>	<u>May 2022 Consensus Estimate</u>	<u>Change</u>
<u>Pupil Membership Adjustment Factor</u>			
FY 2022-23			
Local Districts	1,249,700	1,247,900	(1,800)
Public School Academies	151,500	151,000	(500)
Total	1,401,200	1,398,900	(2,300)
FY 2023-24			
Local Districts	1,244,000	1,241,000	(3,000)
Public School Academies	152,000	151,000	(1,000)
Total	1,396,000	1,392,000	(4,000)
	<u>FY 2022-23</u>	<u>FY 2023-24</u>	
Consensus Estimate of Pupil Membership	1,398,900	1,392,000	
Pupil Membership Adjustment Factor for FY 2023-24:			
<u>FY 2022-23 Pupil Membership</u>	=	<u>1,389,900</u>	
<u>FY 2023-24 Pupil Membership</u>	=	<u>1,392,000</u>	
FY 2023-24 Pupil Membership Adjustment Factor			1.0050
FY 2023-24 School Aid Index			1.0148

Table 8
May 2022 Consensus Estimate
Department of Education
Estimate for Child Development and Care
FY 2021-22 Through FY 2023-24

	<u>Current Law</u>	<u>May 2022 Consensus Estimate</u>	<u>Difference from Current Law</u>
FY 2021-22 Total	\$565,184,000	\$319,818,000	(\$245,366,000)
FY 2022-23 Total	\$448,808,000	\$363,120,000	(\$85,688,000)
FY 2023-24 Total		\$299,040,000	

Table 9
May 2022 Consensus Expenditure Estimate
Department of Health and Human Services
FY 2021-22 Through FY 2023-24

	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 2021-22	(\$62,202,900)	(\$47,672,600)*
FY 2022-23	(\$62,767,000)	(\$40,718,300)
FY 2023-24	(\$62,767,000)	(\$40,718,300)
<u>Health Services Base Funding</u>		
FY 2021-22	\$62,993,200	(\$738,905,400)*
FY 2022-23	\$112,698,000	(\$167,484,800)
FY 2023-24	\$112,698,000	(\$167,484,800)
<u>Total for Department of Health and Human Services</u>		
FY 2021-22	\$790,300	(\$786,578,000)*
FY 2022-23	\$49,931,000	(\$208,203,100)
FY 2023-24	\$49,931,000	(\$208,203,100)

* FY 22 General Fund (GF) estimate includes savings of \$673.3 million due to continuation of the 6.2% increase in Medicaid and Title IV-E match rate from January 1, 2022 to September 30, 2022. The FY 23 GF estimate does not assume continuation of the enhanced Medicaid and Title IV-E rate.