

**ECONOMIC OUTLOOK  
AND  
REVENUE ESTIMATES  
FOR  
MICHIGAN**

**FY 2021-22  
THROUGH  
FY 2023-24**



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**May 2022**



# FOREWORD

This report includes a national and state economic forecast for calendar year (CY) 2021 through CY 2024. It also presents final General Fund/General Purpose (GF/GP) and School Aid Fund (SAF) revenue for fiscal year (FY) 2020-21 and revised revenue estimates for FY 2021-22 through FY 2023-24. Estimates reported herein will be presented to the Consensus Revenue Estimating Conference on May 20, 2022, and will be used to facilitate the consensus estimating process.

This report includes House Fiscal Agency (HFA) analyses of important factors that will affect state and national economies through the year 2024, and estimates of the Countercyclical Budget Stabilization Fund, state compliance with the Constitutional State Revenue Limit, and GF/GP and SAF year-end balances.

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# **ECONOMIC OVERVIEW AND FORECAST**

This section presents the economic forecast used by the House Fiscal Agency (HFA) to produce its revenue forecasts for FY 2021-22 through FY 2023-24. In developing the U.S. and Michigan forecasts, key macroeconomic data such as employment, interest rates, business investment, light vehicle sales, international trade, oil prices, and consumer spending are examined with the goal of combining these variables along with others into an overall snapshot of the U.S. economy for the past year, current year, and two subsequent years. The key segments for Michigan include the automotive sector, the labor force and employment, wage and salary income, and inflation rates.

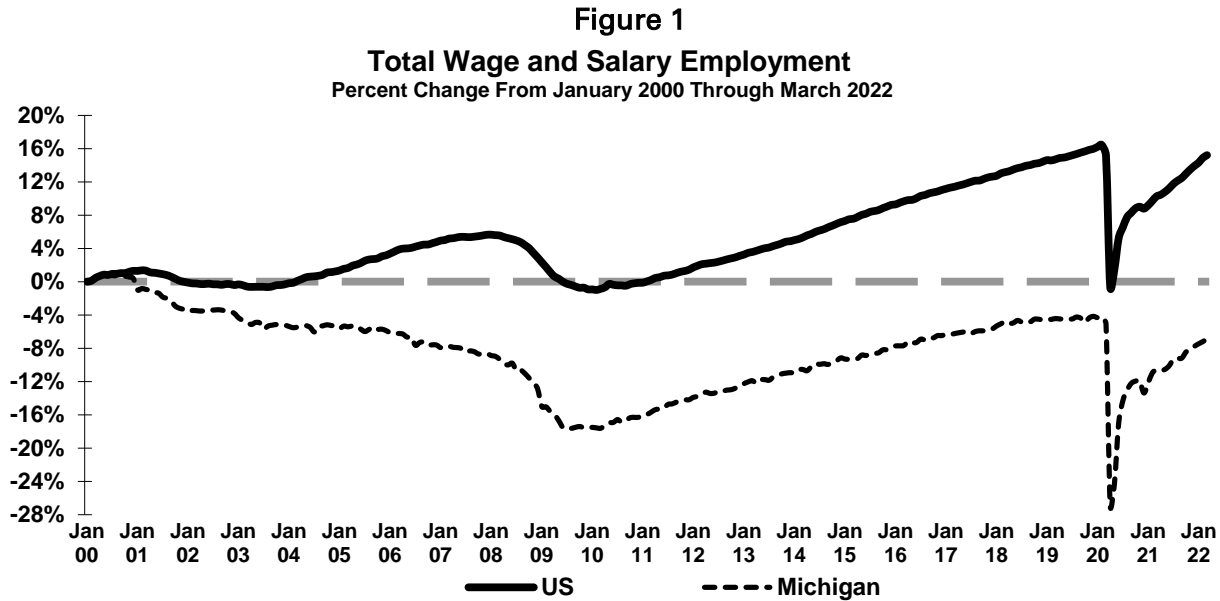
The HFA economic forecast released in January 2022 anticipated a continued recovery from the pandemic that dramatically altered the trajectories of the U.S. and Michigan economies. Even though much of the financial stimulus provided earlier in the pandemic had tapered off, the robust growth during CY 2021 was projected to continue through the forecast horizon, albeit at slowing rates.

After growing at a 6.9% rate in the fourth quarter of CY 2021 and 5.7% for the year as a whole, the initial real GDP (Gross Domestic Product) estimate for the first quarter of 2022 showed the economy declining at a 1.4% annual rate. However, one quarter does not make a trend, and real GDP growth is expected to resume in the second quarter even as the Fed continues raising interest rates to limit inflationary pressures.

The U.S. forecast in this report assumes that the economy will begin to grow at a modest rate during the final three quarters of CY 2022, and real GDP is forecast to recover to its pre-pandemic level in the second quarter. Growth begins to slow in CY 2023 and CY 2024 as labor markets tighten. The outlook for Michigan is similar in that employment growth will begin to slow after CY 2022. As a result, employment is not expected to return to pre-pandemic levels until late CY 2023.

## Total Wage and Salary Employment

Figure 1 shows the monthly percent change in total wage and salary employment for both the U.S. and Michigan from January 2000 through March 2022.



### ***U.S. Wage and Salary Employment***

A 120-month span of job growth came to an end in March 2020 when employment dropped by almost 1.4 million jobs, roughly 1.1% of total wage and salary employment. This was followed by a loss of 20.8 million jobs (about 13.7% of total employment) in April as unemployment soared in response to the coronavirus and the policies designed to contain it. Modest job growth returned shortly thereafter, and by the end of CY 2021 the national economy had recovered almost 98% of the jobs lost. Total employment should eclipse the prior peak in the third quarter of CY 2022, although subsequent job growth is expected to slow as labor markets remain tight and labor force growth remains muted.

### ***Michigan Wage and Salary Employment***

Wage and salary employment in Michigan has followed a path similar to the national economy. Between February and April 2020, employment in Michigan fell by 23.7%. By December 2021, employment had risen by 96.3% from the April trough, and while employment growth is projected to continue, employment will not return to its pre-pandemic peak until the third quarter of CY 2024. As with the national economy, employment growth in Michigan will be limited by miniscule labor force growth.

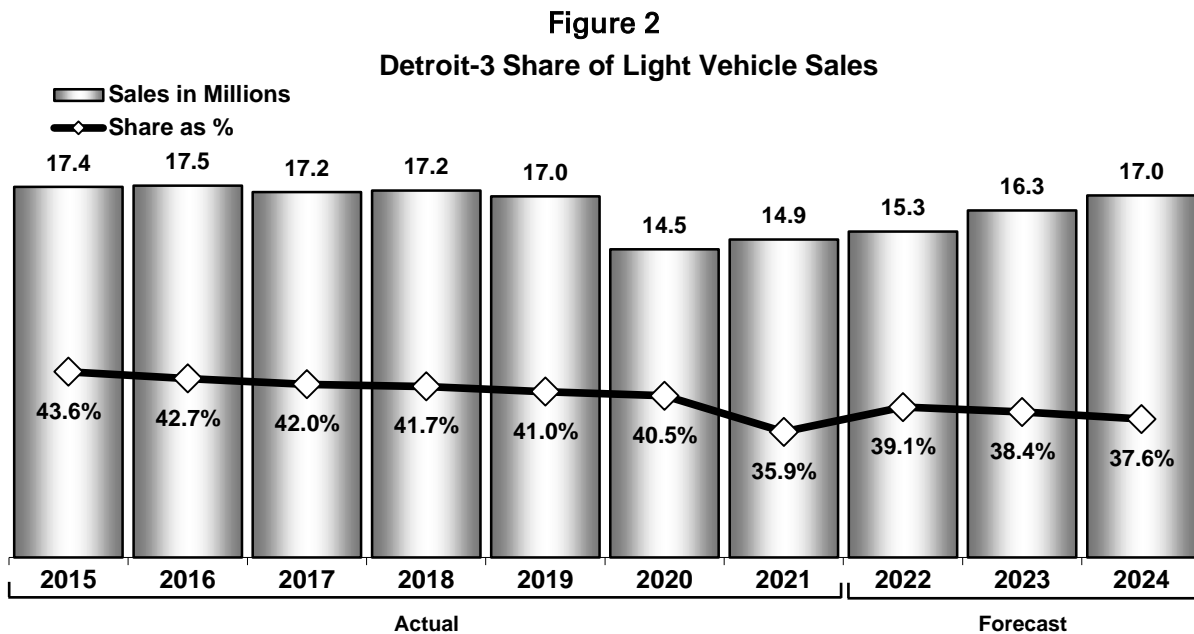


## U.S. and Michigan Motor Vehicle Industry

Light motor vehicle sales totaled 14.9 million units in CY 2021, a 3.1% drop from the 14.5 million units sold in CY 2020. Light motor vehicle sales are forecast to total 15.3 million units in CY 2022, 16.3 million units in CY 2023, and 17.0 million units in CY 2024.

The market share of imports and transplants (vehicles with a foreign nameplate that are made in the U.S.) is expected to decline from 23.6% in CY 2021 to 20.9% by CY 2022, in part due to supply chain issues. As shown in **Figure 2**, the market share of the Detroit-3 auto manufacturers hovered around 40.0% through CY 2020 before dropping to 35.9% in CY 2021. It is expected to increase to 39.1% in CY 2022 before dipping to 38.4% in CY 2023 and 37.6% in CY 2024.

The level and composition of light motor vehicle sales, as well as the extent to which the domestic nameplates can retain market share, will have a direct impact on Michigan's economy. In CY 2022, the Detroit-3 auto manufacturers are expected to sell almost 6.0 million vehicles, which would translate to an 11.5% increase from CY 2021. It is estimated that the Detroit-3 sales will increase to 6.3 million vehicles in CY 2023 and 6.4 million CY 2024.



## U.S. Forecast Highlights

Real GDP increased at a 5.7% rate in CY 2021 and is forecast to grow by 2.6% in CY 2022, 2.3% in CY 2023, and 2.2% in CY 2024.

Inflation, as measured by the Consumer Price Index (CPI), is forecast to increase at a rate of 7.4% in CY 2022. It is projected to slow to 3.4% in CY 2023 and 2.5% in CY 2024 as the Fed raises key interest rates to combat inflation.

Wage and salary employment growth was 2.8% in CY 2021; it is forecast to increase by 4.0% in CY 2022, 1.2% in CY 2023, and 0.3% in CY 2024.

The national unemployment rate was 5.4% in CY 2021; it is forecast to drop to 3.6% in CY 2022 before rising to 3.9% in CY 2023 and 4.1% in CY 2024.

Interest rates on three-month T-bills are expected to climb from under 0.05% in CY 2021 to 3.45% by CY 2024 as the Federal Reserve increases the federal funds rate from below 0.1% in FY 2021 to 2.97% over the next three years.

### **Michigan Forecast Highlights**

Michigan wage and salary employment increased by 3.9% in CY 2021; it is expected to increase by 3.8% in CY 2022, 1.8% in CY 2023, and 0.5% in CY 2024.

Michigan's unemployment rate was 5.9% in CY 2021; it is forecast to drop to 4.4% in CY 2022 before increasing slightly to in 4.5% in CY 2023 and 4.6% in CY 2024.

Michigan personal income grew by 5.2% in CY 2021; it is forecast to increase 1.3% in CY 2022, 5.3% in CY 2023, and 4.4% in CY 2024.

Michigan wage and salary income increased by 9.0% in CY 2021; it is forecast to increase 8.5% in CY 2022, 5.4% in CY 2023, and 4.0% in CY 2024.

Inflation (as measured by the Detroit Consumer Price Index) is forecast to increase 7.8% in CY 2022, 3.6% in CY 2023, and 2.4% CY 2024.

Additional details of the U.S. and Michigan forecasts are presented in **Table 1** on the following page.

**Table 1**  
**ECONOMIC FORECAST VARIABLES**

	Calendar 2020 Actual	Calendar 2021 Actual	% Change from Prior Year	Calendar 2022 Estimated	% Change from Prior Year	Calendar 2023 Estimated	% Change from Prior Year	Calendar 2024 Estimated	% Change from Prior Year
<b>United States</b>									
Real Gross Domestic Product (Billions of 2012 dollars)	\$18,384.7	\$19,427.3	5.7%	\$19,924.6	2.6%	\$20,383.6	2.3%	\$20,831.7	2.2%
Implicit Price Deflator GDP (2012 = 100)	113.633	118.342	4.1%	125.907	6.4%	130.869	3.9%	134.099	2.5%
Consumer Price Index (1982-84 = 100)	258.811	270.970	4.7%	291.026	7.4%	300.936	3.4%	308.472	2.5%
Consumer Price Index (FY) (1982-84 = 100)	258.014	266.616	3.3%	286.566	7.5%	298.978	4.3%	306.665	2.6%
Federal Funds Rate Interest Rate (Percent)	0.38%	0.08%		1.09%		2.83%		2.97%	
3-month Treasury Bills Interest Rate (Percent)	0.36%	0.04%		1.43%		3.29%		3.45%	
30-year Conventional Mortgage Rate Interest Rate (Percent)	3.11%	2.96%		5.01%		5.21%		5.31%	
Unemployment Rate (Percent)	8.1%	5.4%		3.6%		3.9%		4.1%	
Wage and Salary Employment (Millions)	142.1	146.1	2.8%	151.9	4.0%	153.8	1.2%	154.2	0.3%
Housing Starts (Millions of units)	1.397	1.605	14.9%	1.680	4.7%	1.606	(4.4%)	1.575	(1.9%)
Light Vehicle Sales (Millions of units)	14.5	14.9	3.1%	15.3	2.5%	16.3	6.5%	17.0	4.3%
Passenger Car Sales (Millions of units)	3.4	3.3	(1.8%)	3.1	(6.9%)	3.2	2.7%	3.2	0.0%
Light Truck Sales (Millions of units)	11.1	11.6	4.6%	12.2	5.3%	13.1	7.5%	13.8	5.3%
Import Share of Light Vehicles (Percent)	22.8%	23.6%		20.9%		20.9%		21.2%	
Detroit-3 Share of Light Vehicle Sales (Percent)	40.5%	35.9%		39.1%		38.4%		37.6%	
Personal Income (Billions of current dollars)	\$19,627.6	\$21,077.2	7.4%	\$21,665.4	2.8%	\$22,834.8	5.4%	\$24,002.0	5.1%
<b>Michigan</b>									
Wage and Salary Employment (Thousands)	4,039.2	4,196.3	3.9%	4,355.8	3.8%	4,434.2	1.8%	4,456.3	0.5%
Transportation Equipment Employment (Thousands)	163.0	179.3	10.0%	190.6	6.3%	195.6	2.7%	195.8	0.1%
Unemployment Rate (Percent)	10.0%	5.9%		4.4%		4.5%		4.6%	
Personal Income (Millions of current dollars)	\$530,809	\$558,330	5.2%	\$565,601	1.3%	\$595,578	5.3%	\$621,784	4.4%
Real Personal Income (Millions of 1982-84 dollars)	\$223,409	\$225,282	0.8%	\$211,692	(6.0%)	\$215,153	1.6%	\$219,358	2.0%
Wage and Salary Income (Millions of current dollars)	\$242,644	\$264,563	9.0%	\$287,049	8.5%	\$302,603	5.4%	\$314,627	4.0%
Detroit Consumer Price Index (1982-84 = 100)	237.659	247.806	4.3%	267.200	7.8%	276.828	3.6%	283.483	2.4%
Detroit Consumer Price Index (FY) (1982-84 = 100)	237.347	244.047	2.8%	262.864	7.7%	274.958	4.6%	281.890	2.5%





# RISKS AND UNCERTAINTIES

An economic forecast is based on the best information available at the time the forecast is prepared. Because information and foresight are not perfect, risks and uncertainties are inherent in any forecast, and variations in the underlying factors can exert either optimistic or pessimistic influences on the forecast. Some of the more prevalent risks are highlighted below.

## **Inflation and Monetary Policy**

Increasing inflation rates in recent months has led the Federal Reserve to begin monetary tightening. It is expected that the Fed will continue to raise interest rates at a moderate pace as inflation stays above the Fed's target. While the forecast assumes the Fed is successful at reducing inflation to levels closer to its target rate in the near- to medium-term, if inflation persists at levels above the Fed's target with continued monetary tightening this presents a downside risk to the forecast.

## **COVID-19**

The trajectory of, and response to, COVID-19 as it continues the transition from pandemic to endemic continues to be a source of risk and uncertainty for this forecast. Economic conditions have improved as Michigan and other states continue to relax or eliminate mitigation measures implemented to slow the spread of the disease. That said, future trends in the disease globally and nationally, and the potential for more contagious strains of the disease present both upside and downside risks to the forecast.

## **Geopolitical Conflict and Global Economic Conditions**

The Russia-Ukraine conflict, supply chain constraints, and COVID-19-related lockdowns continue to generate political and economic headwinds globally. The Russian invasion of Ukraine presents challenges on multiple fronts as countries respond politically, militarily, and economically. Oil, gas, raw materials, and other agricultural commodity prices have realized significant price increases either due to sanctions or supply disruptions. A quicker resolution to the conflict presents an upside risk, while a protracted, intensified conflict is a downside risk in the forecast.

COVID-19-related lockdowns in China and other pandemic-related issues continue to aggravate global supply chains. While it is anticipated that supply chain conditions continue to improve, new or prolonged issues in the supply chain present a downside risk to the forecast.

### **Labor Markets**

The employment picture continues to improve both nationally and in Michigan. However, labor force participation continues to be depressed compared to pre-pandemic levels. Some individuals have left the labor force permanently and others have left temporarily for a myriad of reasons, including health concerns, child care, and returning to school. As we return to some sort of post-pandemic normality we would expect to see labor force participation start to tick up. While the labor force participation rate does not reach pre-pandemic levels within the forecast window, the rate continues to trend upwards. However, if labor force participation stagnates it would inhibit employment growth, put upward pressure on wages and salaries, and strain already tight labor markets.



# GF/GP AND SAF REVENUE

Revenue estimates are based on the economic performance of the components of national and state economies discussed in the previous section. This section contains the House Fiscal Agency's May 2022 baseline and net General Fund/General Purpose (GF/GP) and School Aid Fund (SAF) estimates as well as recommended revisions from the January 2022 Consensus Revenue Estimating Conference (**Table 2**), detailed net GF/GP estimates (**Table 3**), and detailed net SAF (**Table 4**) estimates. Also, included in this section are estimated year-end balances for GF/GP, the SAF, and the budget stabilization fund (BSF), and the state revenue limit calculation.

## **Baseline and Net GF/GP and SAF Revenue Estimates**

Baseline revenue does not include the impact of partial-year policy changes or certain other policy changes that have recently been adopted. Baseline estimates are comparable across fiscal years and demonstrate the changes to state revenue that are driven by changes in the economy. The final total combined baseline GF/GP and SAF revenue was \$31,075.5 million in FY 2020-21. It is forecast to increase 6.2% in FY 2021-22 before decreasing 0.3% in FY 2022-23. A 2.0% increase is projected for FY 2023-24.

Net revenue captures the effects of all policy changes and represents actual resources available. Final total net GF/GP and SAF revenue was \$29,066.0 million in FY 2020-21, which is a 17.4% increase from FY 2019-20. It is forecast to increase 7.7% in FY 2021-22, 0.2% in FY 2022-23, and 2.3% in FY 2023-24.

**Table 2** reports GF/GP and SAF revenue in terms of baseline and net revenue. It also shows the January 2022 adjusted consensus estimates and the recommended revisions to these estimates for FY 2021-22 through FY 2023-24. The January 2022 adjusted consensus estimates include the January 2022 consensus estimates plus enacted tax changes since January 2022.

The recommended revision for FY 2021-22 is an increase of \$2,780.6 million, largely due to collections of the individual income tax, sales tax and corporate income tax, all of which have remained strong. The recommended revisions for FY 2022-23 and FY 2023-24 are increases of \$2,238.2 million and \$2,238.5 million, respectively.

## **GF/GP Revenue by Source**

### ***GF/GP Net Tax Revenue***

GF/GP net tax revenue increased 20.9% to \$12,510.1 million in FY 2020-21. GF/GP tax revenue in FY 2021-22 is estimated to be \$13,521.9 million, an increase of \$1,011.8 million, and \$13,898.4 million in FY 2022-23, an increase of \$376.5 million. GF/GP tax revenue is estimated to increase 2.8% in FY 2023-24.

### ***Total GF/GP Net Revenue***

Net GF/GP revenue includes non-tax revenue and represents the amount available to for expenditures. Final net GF/GP revenue was \$13,009.5 million in FY 2020-21; it is forecast to be \$13,921.0 million in FY 2021-22, an increase of \$911.5 million, and \$14,304.5 million in FY 2022-23, an increase of \$383.5 million. Net GF/GP revenue is estimated to increase 2.8% in FY 2023-24.

## **SAF Revenue by Source**

### ***Total Net SAF Revenue***

Final net SAF revenue increased by 14.8% to \$16,056.5 million in FY 2020-21. Net SAF revenue is forecast to be \$17,387.5 million in FY 2021-22, an increase of \$1,331.0 million. Net SAF revenue is estimated to decline 1.8% in FY 2022-23 to \$17,072.3 million before increasing 2.0% in FY 2023-24.



**Table 2**  
**HFA MAY 2022 REVENUE ESTIMATES FOR FY 2021-22 THROUGH FY 2023-24**  
(Millions of Dollars)

	<u>Final</u> <u>FY 2020-21</u>	<u>HFA Est.</u> <u>FY 2021-22</u>	<u>HFA Est.</u> <u>FY 2022-23</u>	<u>HFA Est.</u> <u>FY 2023-24</u>	<u>FY 2021-22</u> <u>% Change</u>	<u>FY 2022-23</u> <u>% Change</u>	<u>FY 2023-24</u> <u>% Change</u>
<b><u>Baseline</u></b>							
GF/GP	\$14,869.9	\$15,682.3	\$15,677.9	\$15,983.7	5.5%	(0.0%)	2.0%
SAF	16,205.6	17,319.9	17,217.3	17,559.2	6.9%	(0.6%)	2.0%
<b>Total</b>	<b>\$31,075.5</b>	<b>\$33,002.1</b>	<b>\$32,895.2</b>	<b>\$33,542.9</b>	<b>6.2%</b>	<b>(0.3%)</b>	<b>2.0%</b>
<b><u>Net</u></b>							
GF/GP	\$13,009.5	\$13,921.0	\$14,304.5	\$14,703.5	7.0%	2.8%	2.8%
SAF	16,056.5	17,387.5	17,072.3	17,407.1	8.3%	(1.8%)	2.0%
<b>Total</b>	<b>\$29,066.0</b>	<b>\$31,308.5</b>	<b>\$31,376.9</b>	<b>\$32,110.6</b>	<b>7.7%</b>	<b>0.2%</b>	<b>2.3%</b>
<b><u>January 2022 CREC (Adjusted Net)</u></b>							
<b><u>Net</u></b>							
GF/GP	\$12,950.7	\$12,449.5	\$12,891.8	\$13,314.0			
SAF	(1,846.7)	(1,600.9)	(1,398.4)	(1,305.3)			
<b>Total</b>	<b>\$11,104.0</b>	<b>\$10,848.6</b>	<b>\$11,493.4</b>	<b>\$12,008.7</b>			
<b><u>Recommended Net Revision</u></b>							
<b><u>Net</u></b>							
GF/GP	\$58.8	\$1,471.6	\$1,412.7	\$1,389.6			
SAF	6.1	1,309.1	825.5	849.0			
<b>Total</b>	<b>\$64.9</b>	<b>\$2,780.6</b>	<b>\$2,238.2</b>	<b>\$2,238.5</b>			

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

**Table 3**  
**GF/GP NET REVENUE ESTIMATES AND CHANGE FROM THE PREVIOUS FISCAL YEARS**  
(Millions of Dollars)

	Final	HFA Est.	HFA Est.	HFA Est.	FY 2021-22		FY 2022-23		FY 2023-24	
	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	\$ Change	% Change	\$ Change	% Change	\$ Change	% Change
Income Tax	\$7,713.5	\$8,500.6	\$9,067.3	\$9,323.4	\$787.1	10.2%	\$566.6	6.7%	\$256.1	2.8%
Sales Tax	1,470.7	1,593.5	1,514.3	1,538.6	122.8	8.3%	(79.2)	(5.0%)	24.2	1.6%
Use Tax	1,255.5	1,236.2	1,222.8	1,229.1	(19.3)	(1.5%)	(13.4)	(1.1%)	6.3	0.5%
Michigan Business Tax	(490.5)	(594.3)	(527.6)	(519.3)	(103.8)	21.2%	66.7	(11.2%)	8.3	(1.6%)
Corporate Income Tax	1,701.7	1,910.9	1,732.4	1,812.2	209.2	12.3%	(178.5)	(9.3%)	79.8	4.6%
Insurance	354.8	390.0	395.0	405.0	35.2	9.9%	5.0	1.3%	10.0	2.5%
Other GF/GP Taxes	504.4	485.0	494.2	502.5	(19.4)	(3.8%)	9.2	1.9%	8.2	1.7%
<b>GF/GP Net Tax Revenue</b>	<b>\$12,510.1</b>	<b>\$13,521.9</b>	<b>\$13,898.4</b>	<b>\$14,291.4</b>	<b>\$1,011.8</b>	<b>8.1%</b>	<b>\$376.5</b>	<b>2.8%</b>	<b>\$393.0</b>	<b>2.8%</b>
Non-Tax Revenue	499.4	399.1	406.1	412.1	(100.3)	(20.1%)	7.0	1.8%	6.0	1.5%
<b>Total GF/GP Net Revenue</b>	<b>\$13,009.5</b>	<b>\$13,921.0</b>	<b>\$14,304.5</b>	<b>\$14,703.5</b>	<b>\$911.5</b>	<b>7.0%</b>	<b>\$383.5</b>	<b>2.8%</b>	<b>\$399.0</b>	<b>2.8%</b>

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

**Table 4**  
**SCHOOL AID FUND NET REVENUE ESTIMATES AND CHANGE FROM THE PREVIOUS FISCAL YEARS**  
(Millions of Dollars)

	Final	HFA Est.	HFA Est.	HFA Est.	FY 2021-22		FY 2022-23		FY 2023-24	
	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	\$ Change	% Change	\$ Change	% Change	\$ Change	% Change
Sales Tax	\$6,857.6	\$7,695.3	\$7,333.4	\$7,451.8	\$837.7	12.2%	(\$361.9)	(4.7%)	\$118.4	1.6%
Use Tax	876.1	881.5	888.2	898.2	5.4	0.6%	6.7	0.8%	10.0	1.1%
Income Tax	3,458.3	3,891.4	3,763.1	3,833.6	433.1	12.5%	(128.2)	(3.3%)	70.4	1.9%
State Education Tax	2,256.4	2,385.0	2,549.9	2,689.9	128.6	5.7%	164.9	6.9%	140.0	5.5%
Lottery/Casinos	1,510.4	1,380.0	1,375.0	1,370.0	(130.4)	(8.6%)	(5.0)	(0.4%)	(5.0)	(0.4%)
Tobacco Tax	322.0	297.0	292.7	288.5	(25.0)	(7.8%)	(4.2)	(1.4%)	(4.2)	(1.4%)
Real Estate Transfer Tax	490.3	535.0	525.0	515.0	44.7	9.1%	(10.0)	(1.9%)	(10.0)	(1.9%)
Other Taxes	285.4	322.4	345.0	360.1	36.9	12.9%	22.6	7.0%	15.1	4.4%
<b>Total SAF Net Revenue</b>	<b>\$16,056.5</b>	<b>\$17,387.5</b>	<b>\$17,072.3</b>	<b>\$17,407.1</b>	<b>\$1,331.0</b>	<b>8.3%</b>	<b>(\$315.2)</b>	<b>(1.8%)</b>	<b>\$334.7</b>	<b>2.0%</b>

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

## **BSF Year-End Balance**

The Counter-Cyclical Budget and Economic Stabilization Fund (BSF), the state's rainy day fund, is a reserve of cash to contribute to or withdraw from throughout economic and budget cycles. A statutory BSF trigger calculation – based on Michigan personal income less transfer payments adjusted for inflation and actual or net GF/GP revenue – indicates whether a pay-in (deposit) is recommended. Under the provisions of 2018 PA 613, a pay-out (withdrawal) of up to 25% of the prior year ending BSF balance would be indicated if personal income growth is negative. In either case, the recommendation is statutory; it cannot mandate an appropriation, and 2018 PA 613 specifies that a legislative appropriation is required for transfers both into and out of the fund.

In addition to the BSF calculation, 2014 PA 186 amended the Michigan Trust Fund Act to require annual \$17.5 million deposits of tobacco settlement revenue to the BSF from FY 2014-15 through FY 2034-35. **Table 5** provides details on deposits, withdrawals, interest earnings, and the year-end balance from FY 1990-91 through FY 2023-24. Estimates include the impact of 2014 PA 186 amended the Michigan Trust Fund Act to require annual \$17.5 million deposits of tobacco settlement revenue to the BSF from FY 2014-15 through FY 2034-35.

After an appropriated pay-out of \$350.0 million, the BSF ending fund balance at the end of FY 2019-20 was \$829.3 million. The balance increased to \$1,382.8 million after appropriations of \$35.0 million and \$500 million in FY 2020-21.

Although the statutory BSF trigger calculation, based on Michigan personal income less transfer payments adjusted for inflation and actual (or net) GF/GP revenue indicated a pay in of \$36.8 million for FY 2021-22, no deposit was appropriated. No other pay-ins (other than the required \$17.5 million already identified) would be indicated for FY 2022-23 or FY 2023-24.

Because inflation-adjusted personal income is projected to decline between CY 2021 and CY 2022, a pay-out of up to \$345.7 million would be suggested. However, because pay-ins and pay-outs require an appropriation, no pay-out is assumed.

After adjusting for the required \$17.5 million deposits and estimated interest earnings, the year-end balance is projected at \$1,413.5 million for FY 2021-22, \$1,476.8 million for FY 2022-23, and \$1,549.2 million for FY 2023-24.

**Table 5**  
**BUDGET STABILIZATION FUND HISTORY**  
(Millions of Dollars)

<u>Fiscal Year</u>	<u>Deposits</u>	<u>Withdrawals</u>	<u>Interest Earned</u>	<u>Balance</u>
1990-91	\$0.0	\$230.0	\$27.1	\$182.2
1991-92	\$0.0	\$170.1	\$8.1	\$20.1
1992-93	\$282.6	\$0.0	\$0.7	\$303.4
1993-94	\$460.2	\$0.0	\$11.9	\$775.5
1994-95	\$260.1	\$90.4	\$57.7	\$1,003.0
1995-96	\$91.3	\$0.0	\$59.2	\$1,153.6
1996-97	\$0.0	\$69.0	\$67.8	\$1,152.4
1997-98	\$0.0	\$212.0	\$60.1	\$1,000.5
1998-99	\$244.4	\$73.7	\$51.2	\$1,222.5
1999-2000	\$100.0	\$132.0	\$73.9	\$1,264.4
2000-01	\$0.0	\$337.0	\$66.7	\$994.2
2001-02	\$0.0	\$869.8	\$20.8	\$145.2
2002-03	\$0.0	\$156.1	\$10.9	\$0.0
2003-04	\$81.3	\$0.0	\$0.0	\$81.3
2004-05	\$0.0	\$81.3	\$2.0	\$2.0
2005-06	\$0.0	\$0.0	\$0.0	\$2.0
2006-07	\$0.0	\$0.0	\$0.1	\$2.1
2007-08	\$0.0	\$0.0	\$0.1	\$2.2
2008-09	\$0.0	\$0.0	\$0.0	\$2.2
2009-10	\$0.0	\$0.0	\$0.0	\$2.2
2010-11	\$0.0	\$0.0	\$0.0	\$2.2
2011-12	\$362.7	\$0.0	\$0.2	\$365.1
2012-13	\$140.0	\$0.0	\$0.5	\$505.6
2013-14	\$75.0	\$194.8	\$0.4	\$386.2
2014-15	\$111.6	\$0.0	\$0.3	\$498.1
2015-16	\$112.5	\$0.0	\$1.7	\$612.4
2016-17	\$92.5	\$0.0	\$5.1	\$710.0
2017-18	\$282.5	\$0.0	\$13.5	\$1,006.0
2018-19	\$117.5	\$0.0	\$25.1	\$1,148.6
2019-20	\$17.5	\$350.0	\$13.2	\$829.3
2020-21	\$552.5	\$0.0	\$1.0	\$1,382.8
2021-22*	\$17.5	\$0.0	\$13.2	\$1,413.5
2022-23*	\$17.5	\$0.0	\$45.7	\$1,476.8
2023-24*	\$17.5	\$0.0	\$54.9	\$1,549.2

\* HFA estimates

NOTE: Numbers may not add due to rounding.

## **Compliance with the State Revenue Limit**

Article IX, Section 26 of the *1963 Michigan Constitution*, which was approved by a vote of the people in 1978, sets a limit on the amount of revenue collected by the state in any fiscal year. As provided for in the Constitution, the revenue limit is calculated as 9.49% of total state personal income (which is the broadest measure of state economic activity) in the previous full calendar year prior to the fiscal year in which the revenues are measured.

The revenue to be considered in the revenue limit includes not only state taxes, but also fees, licenses, and interest earned. Federal aid is not included in the revenue limit calculation. Article IX, Section 26 of the 1963 Michigan Constitution provides that:

. . . For any fiscal year in the event that Total State Revenues exceed the limit established in this section by 1% or more, the excess revenues shall be refunded pro rata based on the liability reported on the Michigan income tax and single business tax (or its successor tax or taxes) annual returns filed following the close of such fiscal year. If the excess is less than 1%, this excess may be transferred to the State Budget Stabilization Fund . . . .

Furthermore, limit established in Section 26 by Article IX, Section 28 prohibits the state from spending any current-year revenue in excess of that amount.

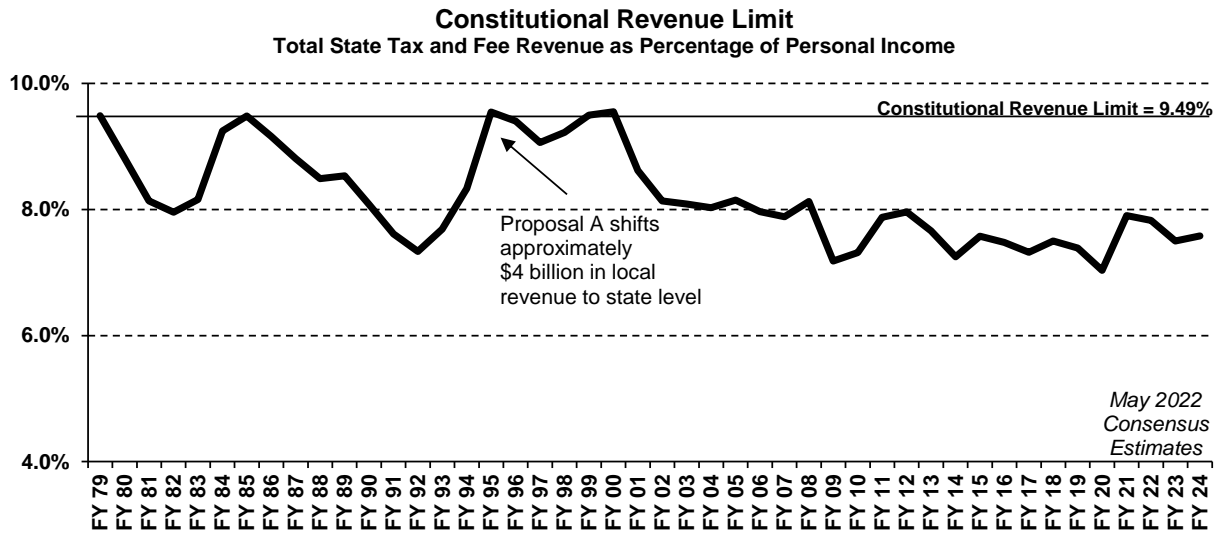
As shown in **Table 6** and **Figure 3**, the FY 2020-21 revenue limit calculation estimates state revenue collections at \$7.8 billion below the revenue limit. State revenue is estimated to be below the limit by \$8.8 billion for FY 2021-22, \$11.1 billion for FY 2022-23, and \$10.8 billion for FY 2023-24.

**Table 6**  
**COMPLIANCE WITH THE STATE REVENUE LIMIT**  
(Millions of Dollars)

<b><u>Revenue Limit Calculations</u></b>	<b><u>Estimated FY 2020-21</u></b>	<b><u>Estimated FY 2021-22</u></b>	<b><u>Estimated FY 2022-23</u></b>	<b><u>Estimated FY 2023-24</u></b>
Personal Income				
Calendar Year	<u>CY 2019</u>	<u>CY 2020</u>	<u>CY 2021</u>	<u>CY 2022</u>
Amount	\$492,022	\$530,809	\$558,330	\$565,601
X Limit Ratio	9.49%	9.49%	9.49%	9.49%
<b>State Revenue Limit</b>	<b>\$46,692.9</b>	<b>\$50,373.7</b>	<b>\$52,985.5</b>	<b>\$53,675.6</b>
Total Revenue Subject to Revenue Limit	\$38,878.3	\$41,547.6	\$41,866.7	\$42,872.0
<b>Amount Under (Over) State Revenue Limit</b>	<b>\$7,814.6</b>	<b>\$8,826.2</b>	<b>\$11,118.7</b>	<b>\$10,803.6</b>

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

**Figure 3**



**HFA Estimates of Year-End Balances**

**Table 7** reports House Fiscal Agency estimates of year-end balances for GF/GP, the SAF, and the BSF. Fiscal Year 2020-21 reflects final numbers. FY 2021-22 and FY 2022-23 are HFA budget estimates that includes HFA revenue projections, cost adjustments and appropriations as passed the House.

Budget Stabilization Fund estimates are based on the current balance and HFA estimates of future deposits and interest earned.

**Table 7**  
**YEAR-END UNRESERVED BALANCE ESTIMATES**  
(Millions of Dollars)

	<u>Final FY 2020-21</u>	<u>Estimated FY 2021-22*</u>	<u>Estimated FY 2022-23*</u>
General Fund/General Purpose	\$4,362.8	\$5,438.6	\$3,840.1
School Aid Fund	\$2,922.3	\$4,890.1	\$2,575.5
Budget Stabilization Fund	\$1,382.8	\$1,413.5	\$1,476.8

*Note: School Aid Fund revenue is restricted; any year-end balance is carried forward to the subsequent year.*

*\* Reflects House passed budget*



**Additional copies of this report can be obtained from:**

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