

**ECONOMIC OUTLOOK
AND
REVENUE ESTIMATES
FOR
MICHIGAN**

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



Mary Ann Cleary, Director

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FOREWORD

This report includes a national and state economic forecast for calendar year (CY) 2021 through CY 2024. It also presents preliminary General Fund/General Purpose (GF/GP) and School Aid Fund (SAF) revenue for fiscal year (FY) 2020-21, revised revenue estimates for FY 2021-22 and FY 2022-23, and initial estimates for FY 2023-24. Estimates reported herein will be presented to the Consensus Revenue Estimating Conference on January 14, 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.

Jim Stansell, Senior Economist, and Benjamin Gielczyk, Associate Director, are the authors of this report. Kathryn Bateson, Administrative Assistant, prepared the report for publication.

TABLE OF CONTENTS

Economic Overview and Forecast	1
Total Wage and Salary Employment (Figure 1)	2
U.S. and Michigan Motor Vehicle Industry.....	3
Light Vehicle Sales (Figure 2).....	3
U.S. Forecast Highlights	4
Michigan Forecast Highlights.....	4
Economic Forecast Variables (Table 1).....	5
Risks and Uncertainties	7
Trajectory of the COVID-19 Global Pandemic	7
Labor Markets	7
Supply Disruptions	7
Inflation.....	8
GF/GP and SAF Revenue	9
Baseline and Net GF/GP and SAF Revenue Estimates.....	9
GF/GP Revenue by Source	10
SAF Revenue by Source	10
HFA Revenue Estimates (Table 2)	11
GF/GP Net Revenue Estimates (Table 3).....	12
School Aid Fund Net Revenue Estimates (Table 4).....	13
Budget Stabilization Fund (BSF) Year-End Balance (Table 5).....	14
Compliance with the State Revenue Limit (Table 6 and Figure 3)	16
HFA Estimates of Year-End Balances.....	17
Year-End Unreserved Balance Estimates (Table 7).....	17



ECONOMIC OVERVIEW AND FORECAST

This section presents the economic forecast used by the House Fiscal Agency 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.

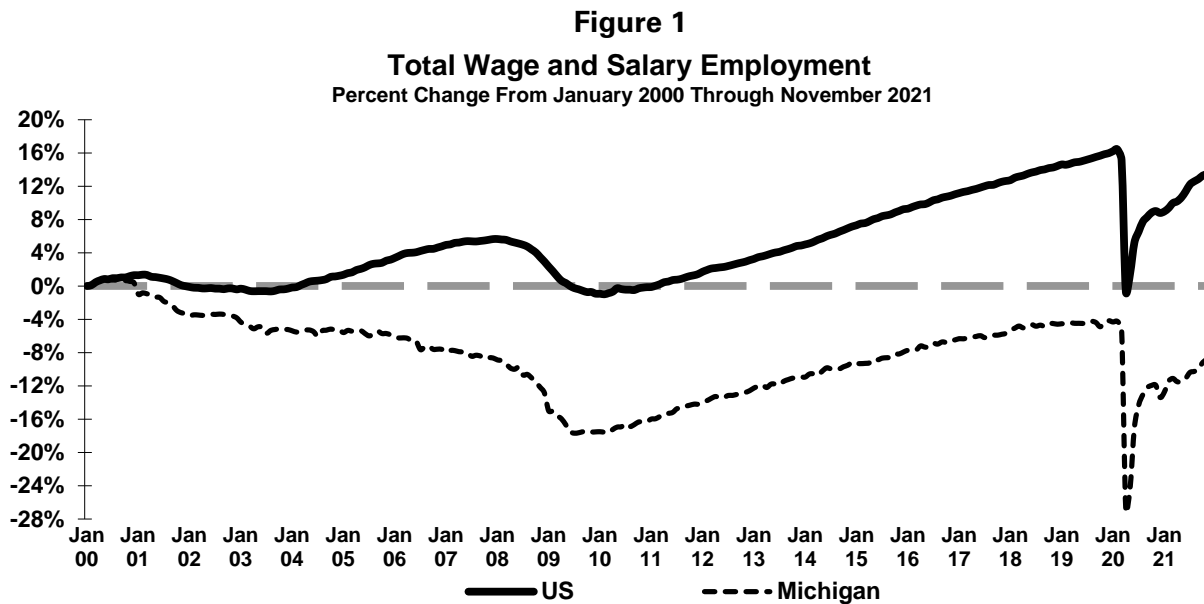
Despite multiple waves of COVID-19, the national economy has substantially recovered from initial impacts of the pandemic. After declining by 3.4% during CY 2020, real Gross Domestic Product (GDP) is projected to grow by 5.5% in CY 2021, in part due to the unprecedented fiscal support from the federal government via the CARES Act and the American Rescue Plan Act, and exceed the pre-pandemic high.

However, there are some aspects of the economy that are still lagging. Light motor vehicle sales, which had fallen to 14.5 million units in CY 2020, are projected to increase slightly to 14.9 million in CY 2021 as supply chain constraints continue to hinder production. In addition, while the unemployment rate is declining and approaching its pre-pandemic level, total employment is not expected to fully recover until the latter part of CY 2022 as labor force participation growth trails employment.

Michigan's economy and state revenue are significantly affected by national economic conditions, and Michigan's recovery from the pandemic is expected to somewhat lag the improvement in national economic conditions. Although Michigan's wage and salary employment has grown throughout CY 2021, through November employment is still more than 212,400 jobs below the pre-pandemic peak.

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 November 2021.



U.S. Wage and Salary Employment

U.S. employment peaked in February 2001, and then began a long slide that did not end until August 2003. During this 30-month period, more than 2.7 million jobs were lost – about 91,800 jobs per month on average. This decline was followed by 53 consecutive months of job growth, and by January 2008, more than 8.1 million jobs had been added.

The recession which began in February 2008 led to 25 continuous months of employment declines during which almost 8.8 million jobs were lost. Job gains finally reappeared in March 2010, and during the 128-month span of job growth that ensued, U.S. wage and salary employment surpassed the pre-recession peak and by February 2020, total cumulative growth during the expansion topped 22.8 million jobs.

The sharp decline brought about by COVID-19 saw employment drop back to roughly the same level as January 2000, but in the following months through November 2021, 18.5 million jobs have returned.

Michigan Wage and Salary Employment

Michigan endured more than a decade of job losses during the early 2000s, during which time wage and salary employment in Michigan dropped by almost 18% relative to January 2000. As the labor market began recovering from the Great Recession, steady job growth continued each year through 2019, although by the end of the decade annual gains were slowing. Still, by the end of 2019, total employment was within 5% of the January 2000 level.

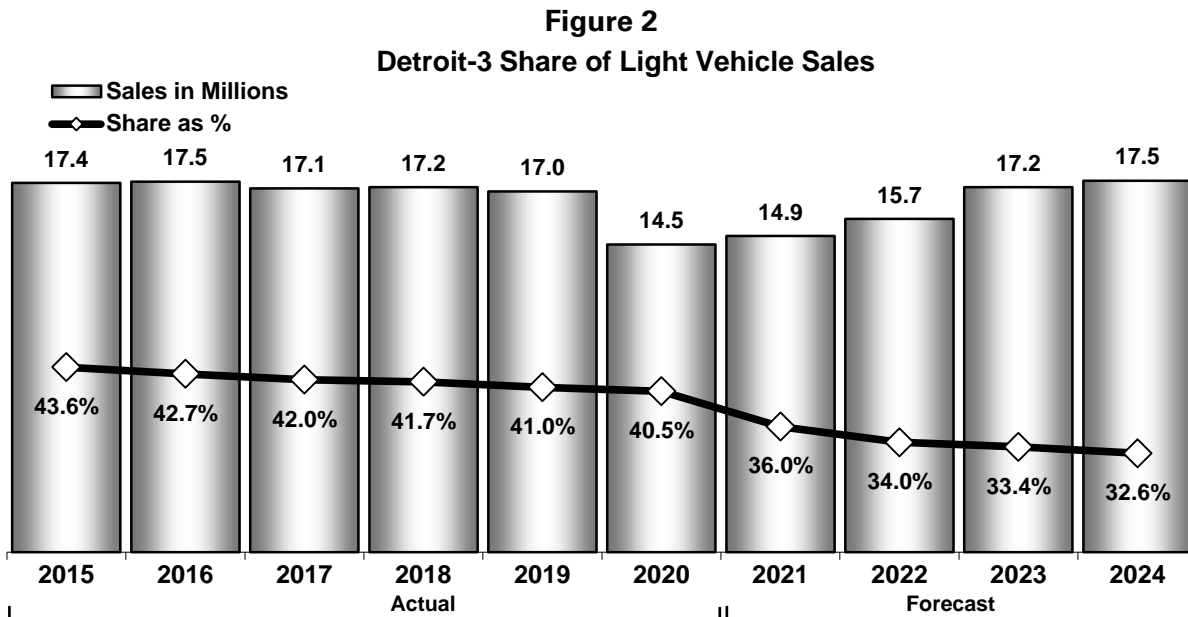
As with employment nationwide, sharp declines occurred in March and April of 2020 as employment plunged well below Great Recession levels. While about 80% of the job losses have been recovered as of November 2020, total employment is still about 212,400 jobs shy of the February 2020 levels.

U.S. and Michigan Motor Vehicle Industry

Early releases indicate that light motor vehicle sales totaled 14.9 million units in CY 2021, an increase of 3.3% from the 14.5 million vehicles sold in CY 2020. Light motor vehicle sales are forecast to increase to 15.7 million units in CY 2022, and continue growing to 17.2 million units in CY 2023 and 17.5 million units in CY 2024, as demand remains high and production increases as supply chain constraints ease.

The market share of imports and transplants (vehicles with a foreign nameplate that are made in the U.S.) has stabilized in recent years. As shown in **Figure 2**, the market share of the Detroit-3 auto manufacturers hovered around 36.0% in CY 2021 and is expected to decline slowly to 32.6% by the end of the forecast horizon.

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 2021, the Detroit-3 is expected to sell just under 5.4 million vehicles, which would translate to an 8.2% decrease from CY 2020. It is projected that the Detroit-3 will sell approximately 5.3 million vehicles in CY 2022 before sales increase to around 5.7 million units in CY 2023 and CY 2024.



U.S. Forecast Highlights

Real GDP growth is forecast to increase 4.0% in CY 2022, 2.8% in CY 2023, and 2.3% in CY 2024.

Inflation, as measured by the Consumer Price Index (CPI), is forecast to increase 4.2% in CY 2022, 2.4% in CY 2023, and 2.2% in CY 2024.

Slight growth in light vehicle sales to 14.9 million units is expected in CY 2021, but sales are forecast to grow to 15.7 million units in CY 2022, 17.2 million units in CY 2023, and 17.5 million units in CY 2024. The import share of light vehicles is forecast to remain relatively constant at about 25.5% throughout the forecast.

Wage and salary employment growth is expected to increase 2.7% in CY 2021; it is then forecast to increase 3.7% in CY 2022, 1.7% in CY 2023, and 0.9% in CY 2024.

The national unemployment rate is expected to be 5.4% in CY 2021; it is forecast to decline to 3.9% in CY 2022 and 3.6% in CY 2023 before increasing slightly to 3.7% in CY 2024.

Interest rates on three-month T-bills are expected to increase from 0.05% in CY 2021 to 0.33% in CY 2022, 0.98% in CY 2023, and 1.52% in CY 2024 as the Federal Reserve begins increasing rates in response to recent inflation increases.

Michigan Forecast Highlights

Michigan wage and salary employment growth is expected to grow by 3.1% in CY 2021, 3.7% in CY 2022, 2.1% in CY 2023, and 0.9% in CY 2024.

Michigan's unemployment rate is expected to be 5.4% in CY 2021; it is forecast to decrease to 4.9% in CY 2022 and 4.2% in CY 2023 before increasing to 4.3% in CY 2024.

Michigan personal income is expected to increase by 5.2% in CY 2021, 0.5% in CY 2022 and continue to grow at rates of 4.7% in CY 2023 and 4.4% in CY 2024.

Michigan wage and salary income is expected to increase 9.4% in CY 2021; it is forecast to increase 8.0% in CY 2022, 5.6% in CY 2023, and 4.5% in CY 2024.

Inflation (as measured by the Detroit Consumer Price Index) is forecast to increase 4.3% in CY 2022, 2.3% in CY 2023, and 2.1% in 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 Estimated	% 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
United States									
Real Gross Domestic Product (Billions of 2012 dollars)	\$18,384.7	\$19,392.4	5.5%	\$20,165.4	4.0%	\$20,723.1	2.8%	\$21,200.3	2.3%
Implicit Price Deflator GDP (2012 = 100)	113.633	118.174	4.0%	123.484	4.5%	127.255	3.1%	130.587	2.6%
Personal Consumption Deflator (2012 = 100)	111.209	115.390	3.8%	120.055	4.0%	123.270	2.7%	126.407	2.5%
Consumer Price Index (1982-84 = 100)	258.811	270.659	4.6%	282.046	4.2%	288.826	2.4%	295.191	2.2%
Consumer Price Index (FY) (1982-84 = 100)	258.014	266.616	3.3%	280.130	5.1%	287.165	2.5%	293.590	2.2%
Federal Funds Rate Interest Rate (Percent)	-0.36%	0.08%		0.17%		0.75%		1.27%	
3-month Treasury Bills Interest Rate (Percent)	0.36%	0.05%		0.33%		0.98%		1.52%	
Aaa Corporate Bonds Interest Rate (Percent)	3.11%	2.98%		3.56%		3.98%		4.31%	
Unemployment Rate (Percent)	8.1%	5.4%		3.9%		3.6%		3.7%	
Wage and Salary Employment (Millions of workers)	142.3	146.1	2.7%	151.5	3.7%	154.1	1.7%	155.5	0.9%
Housing Starts (Millions of units)	1.397	1.590	13.8%	1.605	0.9%	1.575	-1.9%	1.525	-3.2%
Light Vehicle Sales (Millions of units)	14.5	14.9	3.3%	15.7	5.0%	17.2	9.6%	17.5	1.7%
Passenger Car Sales (Millions of units)	3.4	3.3	-1.1%	3.2	-4.7%	3.4	5.1%	3.3	-2.4%
Light Truck Sales (Millions of units)	11.1	11.6	5.0%	12.5	7.5%	13.8	10.7%	14.2	2.8%
Import Share of Light Vehicles (Percent)	22.8%	21.3%		25.4%		25.5%		25.6%	
Detroit-3 Share of Light Vehicle Sales (Percent)	40.5%	36.0%		34.0%		33.4%		32.6%	
Personal Income (Billions of current dollars)	\$19,627.6	\$20,925.9	6.6%	\$21,250.0	1.5%	\$22,528.1	6.0%	\$23,675.2	5.1%
Michigan									
Wage and Salary Employment (Thousands of workers)	4,035.1	4,160.2	3.1%	4,314.1	3.7%	4,404.7	2.1%	4,444.4	0.9%
Transportation Equipment Employment (Thousands of workers)	164.7	175.1	6.3%	187.5	7.1%	194.9	4.0%	194.3	-0.3%
Unemployment Rate (Percent)	10.0%	5.4%		4.9%		4.2%		4.3%	
Personal Income (Millions of current dollars)	\$530,809	\$558,410	5.2%	\$561,208	0.5%	\$587,602	4.7%	\$613,447	4.4%
Real Personal Income (Millions of 1982-84 dollars)	\$223,420	\$225,039	0.7%	\$216,797	-3.7%	\$221,885	2.3%	\$226,886	2.3%
Wage and Salary Income (Millions of current dollars)	\$242,644	\$265,422	9.4%	\$286,615	8.0%	\$302,766	5.6%	\$316,420	4.5%
Detroit Consumer Price Index (1982-84 = 100)	237.659	248.180	4.4%	258.909	4.3%	264.874	2.3%	270.446	2.1%
Detroit Consumer Price Index (FY) (1982-84 = 100)	237.347	244.014	2.8%	257.713	5.6%	263.404	2.2%	269.040	2.1%



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. That said, external forces have created far more volatility in the underlying factors than under more typical circumstances. Some of the more prevalent risks are highlighted below.

Trajectory of the COVID-19 Global Pandemic

The trajectory of, and response to, COVID-19 is the primary source of risk and uncertainty for this forecast. While economic conditions have improved generally since the worst of the pandemic, the rise of the Omicron variant has made it clear that the pandemic continues to have an impact. The forecast assumes the transition to a COVID-19 endemic; however, low vaccination rates globally coupled with the rise of new variants could generate economic headwinds.

Labor Markets

The employment picture has been improving both nationally and in Michigan. However, labor force participation continues to be depressed compared to pre-pandemic levels. While some individuals have left the labor force permanently, others have left for a myriad of reasons, including health concerns, child care, and returning to school. Tight labor markets have led to near-term wage growth, particularly at the bottom of the wage scale. As the pandemic transitions to an endemic and the economy continues to recover, we would expect to see an increasing labor force participation rate, easing both labor supply constraints and the recent upward pressure on wages. While recent wage increases have been a benefit to workers, if labor force participation stagnates it would present downside risks to forecasted economic growth in both the short term and long term.

Supply Disruptions

Supply and shipping constraints continue to be a drag on economic growth. The forecast assumes that the worst of the supply chain issues have passed, but continued supply chain issues that reduce the availability of autos and other consumer durable goods present a downside risk to the forecast.

Inflation

While the forecast assumes existing inflation will return to more normal levels by the end of 2022, mostly due to assumptions about the labor market and supply chain issues noted above, there is a risk that inflation remains elevated longer than forecasted. Persistently high inflation would likely provoke a more aggressive response from the Federal Reserve, leading to higher interest rates and slower growth.



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 January 2022 baseline and net General Fund/General Purpose (GF/GP) and School Aid Fund (SAF) estimates as well as recommended revisions from the May 2021 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, the budget stabilization fund (BSF), and the state revenue limit calculation.

Baseline and Net GF/GP and SAF Revenue Estimates

Table 2 reports GF/GP and SAF revenue in terms of baseline and net revenue. 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 preliminary total baseline GF/GP and SAF revenue is \$31.0 billion in FY 2020-21. It is forecast to decrease 2.7% in FY 2021-22, increase 1.4% in FY 2022-23, and increase further by 2.0% in FY 2023-24.

Net revenue captures the effects of all policy changes and represents actual resources available. Preliminary total net GF/GP and SAF revenue is \$28.9 billion in FY 2020-21, which would be a 16.9% increase from FY 2019-20. It is forecast to decrease 1.5% in FY 2021-22 before increasing 1.9% in FY 2022-23 and 2.4% in FY 2023-24.

Table 2 also shows the May 2021 adjusted consensus estimates and the recommended revisions to these estimates for FY 2020-21 through FY 2022-23. The May 2021 adjusted consensus estimates include the May 2021 consensus estimates plus enacted tax changes since May 2021.

Preliminary FY 2020-21 figures suggest an increase of \$2,636.5 million from the May 2021 adjusted consensus estimates, due in part to continued strong growth in the components of the individual income tax, which reflects the income support provided by the federal government in response to the pandemic. In addition, sales and use tax revenue was strong as consumers continued to purchase taxable goods at a higher rate than untaxed services. Corporate income tax revenue reached new highs due to strong corporate profits.

The recommended revision for FY 2021-22 is an increase of \$1,699.4 million, driven by higher than anticipated collections from the use tax, sales tax, and corporate income tax. Finally, the recommended revision for FY 2022-23 is an increase of \$1,344.2 million, reflecting the ongoing impact of prior year revenue trends.

GF/GP Revenue by Source

GF/GP Tax Revenue

Relative to FY 2019-20, preliminary GF/GP tax revenue increased 20.9% to \$12,515.2 million in FY 2020-21. Net income taxes (after refunds) accruing to the general fund increased by 12.4% and corporate income tax revenue rose by 54.4%. Sales and use taxes also grew substantially, by 14.7% and 66.5%, respectively. GF/GP tax revenue in FY 2021-22 is estimated to be \$12,004.3 million, a decrease of \$511.0 million as corporate income tax revenue declines by an estimated \$417.2 million. GF/GP tax revenue will increase by \$437.3 million to \$12,441.6 million in FY 2022-23 as the economy rebounds and earnings increase. GF/GP tax revenue is estimated to grow to \$12,825.1 million in FY 2023-24, an increase of \$383.5 million.

Total GF/GP Net Revenue

Net GF/GP revenue includes non-tax revenue and represents the amount available to be appropriated. Preliminary net GF/GP revenue is expected to be \$12,942.4 million in FY 2020-21. In FY 2021-22 it is forecast to be \$12,386.4 million, a decrease of \$556.1 million, and \$12,831.7 million in FY 2022-23, an increase of \$445.3 million. Net GF/GP revenue is estimated to increase 3.0% in FY 2023-24 to \$13,222.2 million.

SAF Revenue by Source

Total Net SAF Revenue

Preliminary net SAF revenue is anticipated to increase 14.4% to \$16,003.3 million in FY 2020-21. Net SAF revenue is forecast to be \$16,117.6 million in FY 2021-22, an increase of \$114.3 million. Net SAF revenue is estimated to increase 0.6% in FY 2022-23 and 1.9% in FY 2023-24.

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

	<u>Preliminary FY 2020-21</u>	<u>HFA Est. FY 2021-22</u>	<u>HFA Est. FY 2022-23</u>	<u>HFA Est. FY 2023-24</u>	<u>FY 2021-22 % Change</u>	<u>FY 2022-23 % Change</u>	<u>FY 2023-24 % Change</u>
<u>Baseline</u>							
GF/GP	\$14,766.7	\$13,984.7	\$14,225.4	\$14,529.5	(5.3%)	1.7%	2.1%
SAF	16,184.6	16,137.4	16,330.1	16,638.0	(0.3%)	1.2%	1.9%
Total	\$30,951.3	\$30,122.2	\$30,555.5	\$31,167.5	(2.7%)	1.4%	2.0%
<u>Net</u>							
GF/GP	\$12,942.4	\$12,386.4	\$12,831.7	\$13,222.2	(4.3%)	3.6%	3.0%
SAF	16,003.3	16,117.6	16,210.9	16,511.5	0.7%	0.6%	1.9%
Total	\$28,945.8	\$28,504.0	\$29,042.6	\$29,733.7	(1.5%)	1.9%	2.4%
<u>May 2021 Adjusted Consensus¹</u>							
<u>Net</u>							
GF/GP	\$11,277.0	\$11,672.8	\$12,270.4				
SAF	15,032.2	15,131.3	15,427.9				
Total	\$26,309.2	\$26,804.1	\$27,698.3				
<u>Recommended Revision</u>							
<u>Net</u>							
GF/GP	\$1,665.4	\$713.6	\$561.3				
SAF	971.1	985.8	783.0				
Total	\$2,636.5	\$1,699.4	\$1,344.2				

NOTE: Numbers may not add due to rounding.

¹ The May 2021 adjusted consensus estimate includes the May 2021 consensus estimate plus enacted tax changes since May 2021.

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

	Preliminary	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	\$7,722.3	\$7,803.6	\$8,142.1	\$8,383.3	\$81.3	1.1%	\$338.5	4.3%	\$241.2	3.0%
Sales Tax	1,490.5	1,516.6	1,505.5	1,534.4	26.1	1.8%	(11.2)	(0.7%)	28.9	1.9%
Use Tax	1,244.5	1,149.5	1,129.5	1,125.8	(95.0)	(7.6%)	(20.0)	(1.7%)	(3.7)	(0.3%)
Michigan Business Tax	(489.6)	(594.3)	(527.6)	(519.3)	(104.7)	21.4%	66.7	(11.2%)	8.3	(1.6%)
Corporate Income Tax	1,698.1	1,280.9	1,322.4	1,401.4	(417.2)	(24.6%)	41.5	3.2%	79.0	6.0%
Insurance	354.8	365.0	380.0	400.0	10.2	2.9%	15.0	4.1%	20.0	5.3%
Other GF/GP Taxes	494.6	482.9	489.6	499.4	(11.7)	(2.4%)	6.7	1.4%	9.8	2.0%
GF/GP Net Tax Revenue	\$12,515.2	\$12,004.3	\$12,441.6	\$12,825.1	(\$511.0)	(4.1%)	\$437.3	3.6%	\$383.5	3.1%
Non-Tax Revenue	427.2	382.1	390.1	397.1	(45.1)	(10.6%)	8.0	2.1%	7.0	1.8%
Total GF/GP Net Revenue	\$12,942.4	\$12,386.4	\$12,831.7	\$13,222.2	(\$556.1)	(4.3%)	\$445.3	3.6%	\$390.5	3.0%

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)

	Preliminary	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	\$6,828.1	\$6,821.7	\$6,798.5	\$6,896.1	(\$6.4)	(0.1%)	(\$23.2)	(0.3%)	\$97.6	1.4%
Use Tax	887.8	839.2	842.5	847.5	(48.6)	(5.5%)	3.3	0.4%	5.0	0.6%
Income Tax	3,461.0	3,526.0	3,513.1	3,577.3	65.0	1.9%	(12.9)	(0.4%)	64.2	1.8%
State Education Tax	2,264.4	2,350.0	2,454.9	2,559.9	85.6	3.8%	104.9	4.5%	105.0	4.3%
Lottery/Casinos	1,499.9	1,420.0	1,440.0	1,460.0	(79.9)	(5.3%)	20.0	1.4%	20.0	1.4%
Tobacco Tax	322.0	315.7	309.4	303.2	(6.3)	(2.0%)	(6.3)	(2.0%)	(6.3)	(2.0%)
Real Estate Transfer Tax	490.3	525.0	528.0	530.0	34.7	7.1%	3.0	0.6%	2.0	0.4%
Other Taxes	249.8	320.1	324.5	337.6	70.3	28.1%	4.4	1.4%	13.1	4.0%
SAF Net Revenue	\$16,003.3	\$16,117.6	\$16,210.9	\$16,511.6	\$114.3	0.7%	\$93.3	0.6%	\$300.7	1.9%

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. **Table 5** details 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, which 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.

The statutory BSF trigger calculation, based on Michigan personal income less transfer payments adjusted for inflation and actual or net GF/GP revenue, indicates whether deposits (pay-ins) or withdrawals (pay-outs) are recommended for a fiscal year. Regardless of the calculated amounts, however, all deposits and withdrawals must be appropriated. After appropriated pay-ins of \$35.0 million and \$500.0 million in FY 2020-21, the BSF ending fund balance was \$1,382.8 million. Based on the formula, a \$32.4 million pay-in would be indicated for FY 2021-22, \$44.6 million for FY 2022-23, and \$154.0 million for FY 2023-24.

After adjusting for the required \$17.5 million deposits and estimating interest earnings, the estimated year-end balances are \$1,403.4 million for FY 2021-22, \$1,425.2 million for FY 2022-23, and \$1,445.6 million for FY 2023-24. These balances do not include the calculated pay-ins since they must be appropriated.

Table 5
BUDGET STABILIZATION FUND HISTORY
(Millions of Dollars)

Fiscal Year	Deposits	Withdrawals	Interest Earned	Balance
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	\$3.1	\$1,403.4
2022-23*	\$17.5	\$0.0	\$4.2	\$1,425.2
2023-24*	\$17.5	\$0.0	\$2.9	\$1,445.6

* 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.

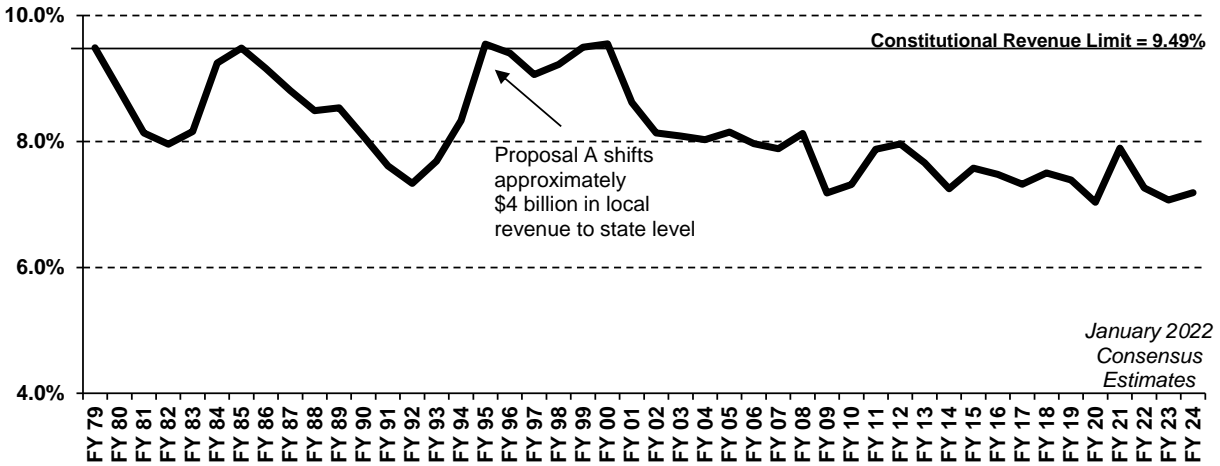
As shown in **Table 6** and **Figure 3**, the FY 2020-21 revenue limit calculation is expected to show state revenue collections at \$7.8 billion below the revenue limit. For FY 2021-22, state revenue is estimated to be below the limit by \$11.8 billion. For FY 2022-23 and FY 2023-24, state revenue is estimated to remain well below the revenue limit – by \$13.5 billion and \$12.9 billion, respectively.

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

<u>Revenue Limit Calculations</u>	<u>Estimated FY 2020-21</u>	<u>Estimated FY 2021-22</u>	<u>Estimated FY 2022-23</u>	<u>Estimated FY 2023-24</u>
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	\$558,410	\$561,208
X Limit Ratio	9.49%	9.49%	9.49%	9.49%
State Revenue Limit	\$46,692.9	\$50,373.7	\$52,993.1	\$53,258.6
Total Revenue Subject to Revenue Limit	\$38,851.9	\$38,552.4	\$39,489.0	\$40,340.4
Amount Under (Over) State Revenue Limit	\$7,841.0	\$11,821.3	\$13,504.1	\$12,918.2

NOTE: Numbers may not add due to rounding.

Figure 3
Constitutional Revenue Limit
 Total State Tax and Fee Revenue as Percentage of Personal Income



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 2021-22 estimates are based on year-to-date appropriations and HFA revenue and K-12 cost estimates. Preliminary FY 2020-21 figures are included.

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)

	Preliminary FY 2020-21	Estimated FY 2021-22
General Fund/General Purpose	\$4,157.6	\$3,112.4
School Aid Fund	\$2,889.5	\$3,618.0
Budget Stabilization Fund	\$1,382.8	\$1,403.4

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



Additional copies of this report can be obtained from:

House Fiscal Agency
P.O. Box 30014
Lansing, MI 48909-7514
(517) 373-8080
www.house.mi.gov/hfa