



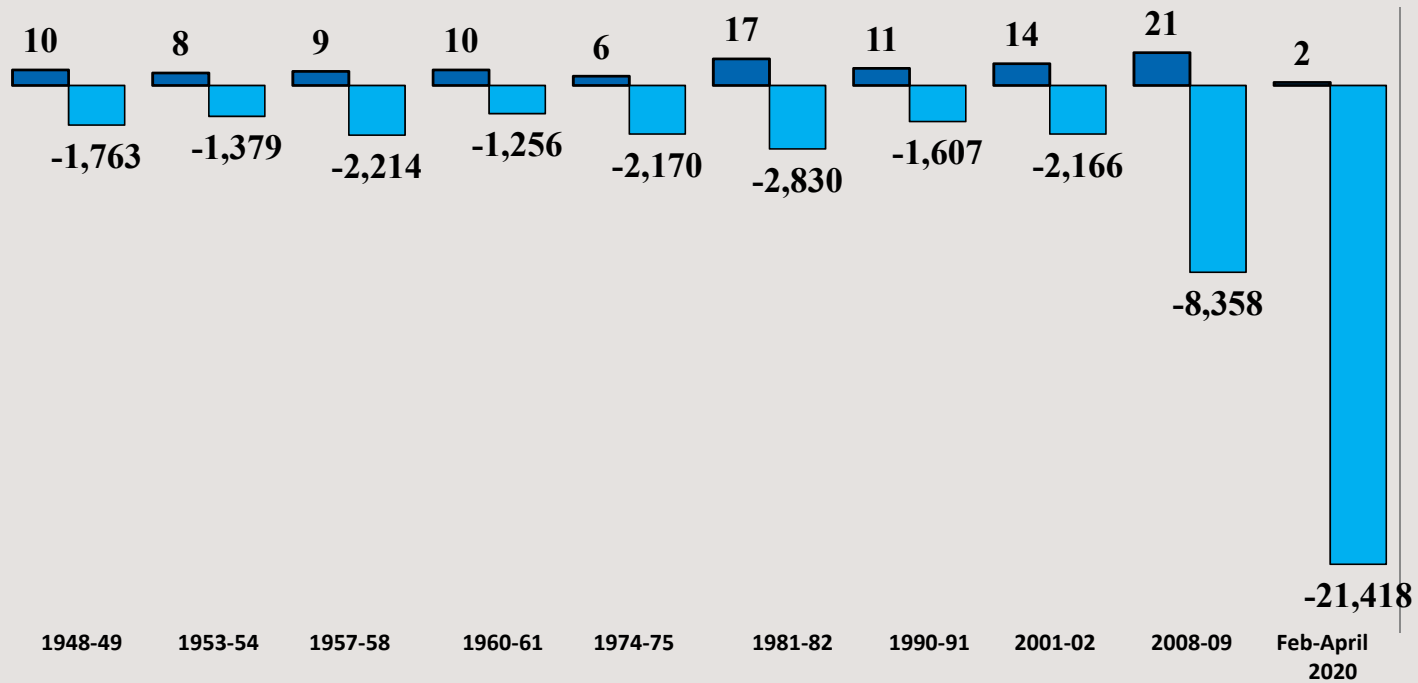
Overview of
May
Consensus
Revenue
Estimating
Conference

Senate Fiscal Agency Staff
June 3, 2020

Summary of Consensus Revenue Conference

Economics – David Zin

Prior Recessions Compared With COVID-19 Declines

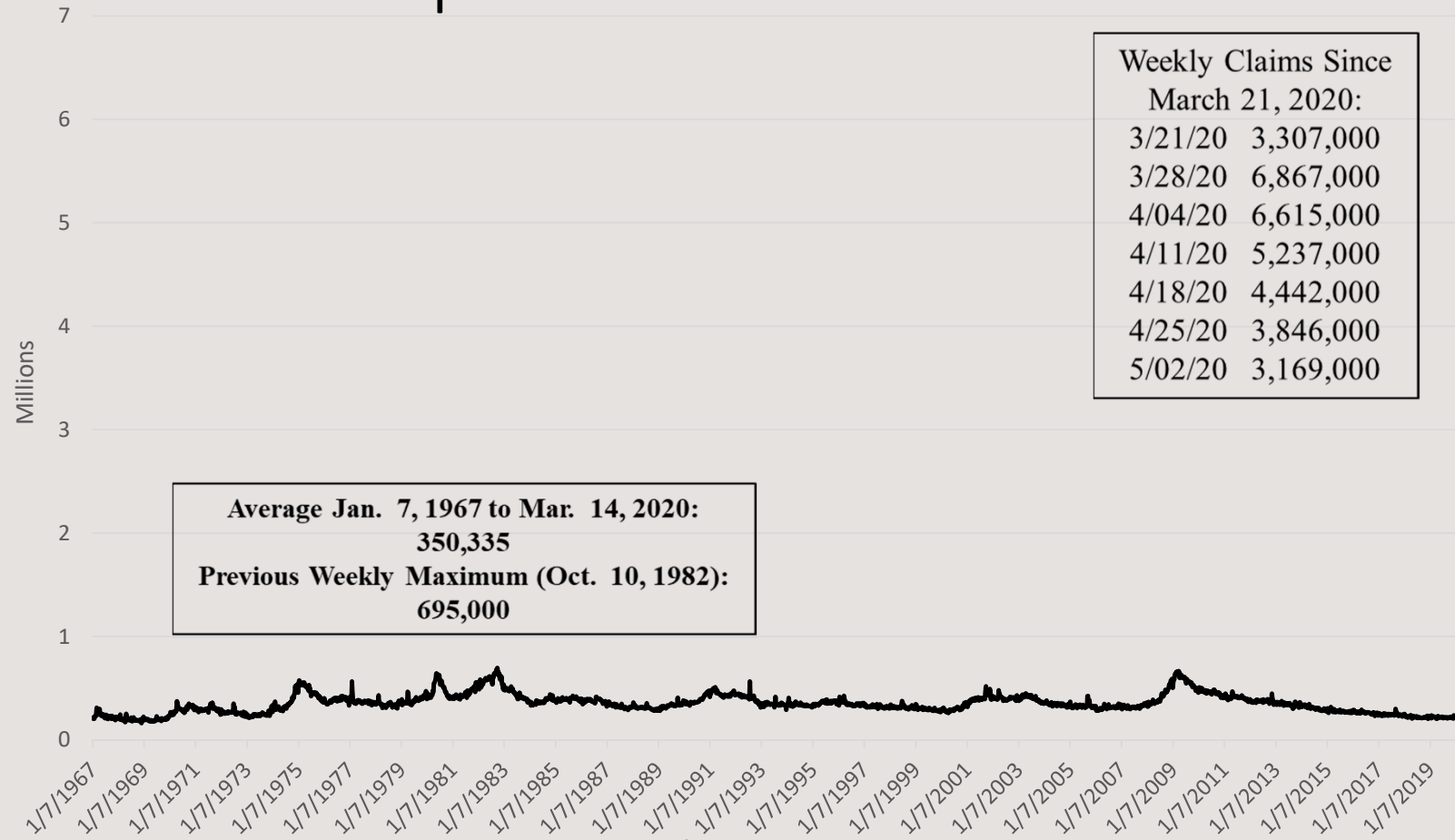


- Consecutive Months of Declining Employment
- Decline in Wage & Salary Employment (thousands)

Source: Bureau of Labor Statistics, U.S. Department of Labor.



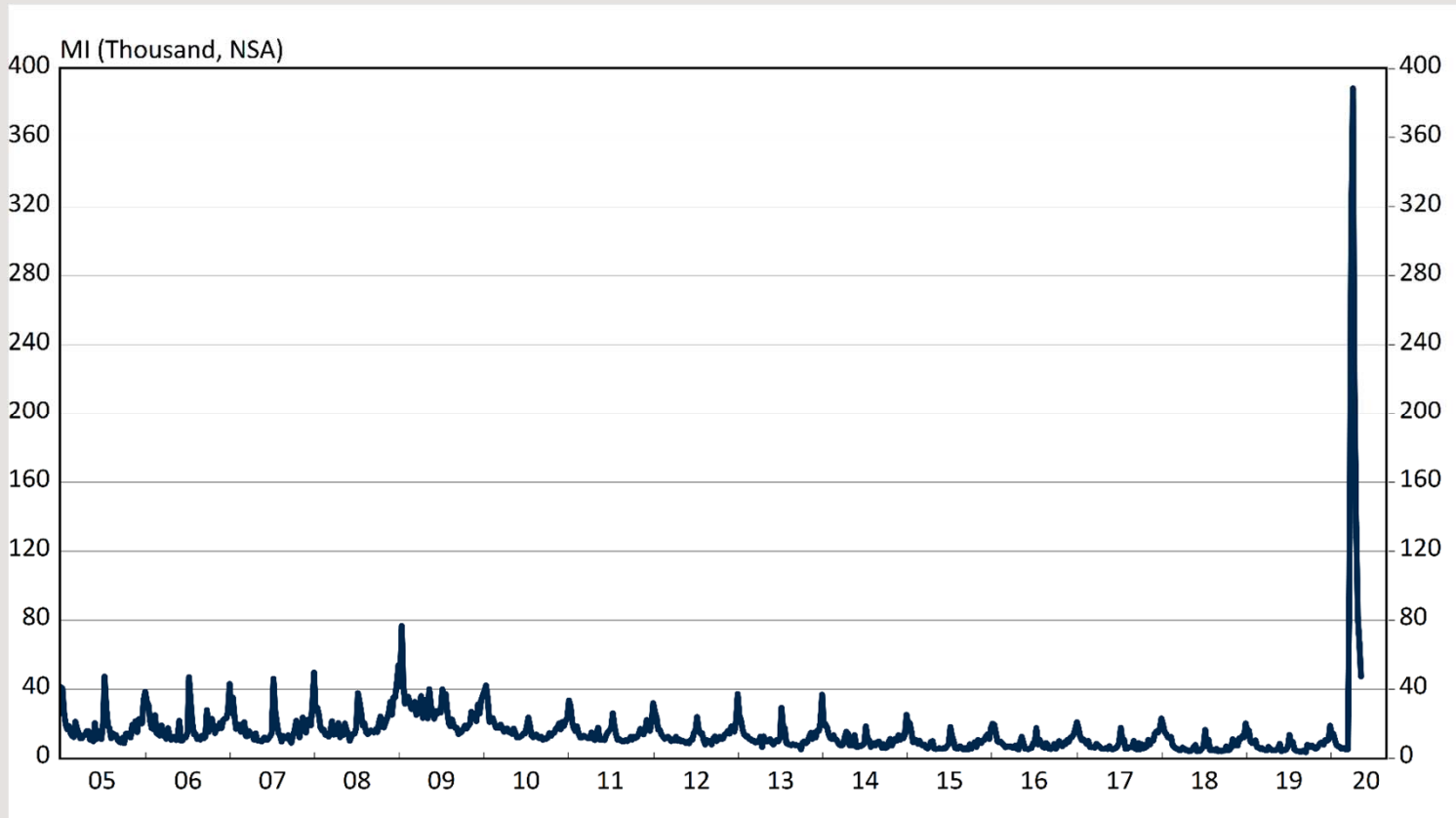
Initial Claims for Unemployment Insurance Benefits at Unprecedented Levels



Source: Employment and Training Administration, U.S. Department of Labor.



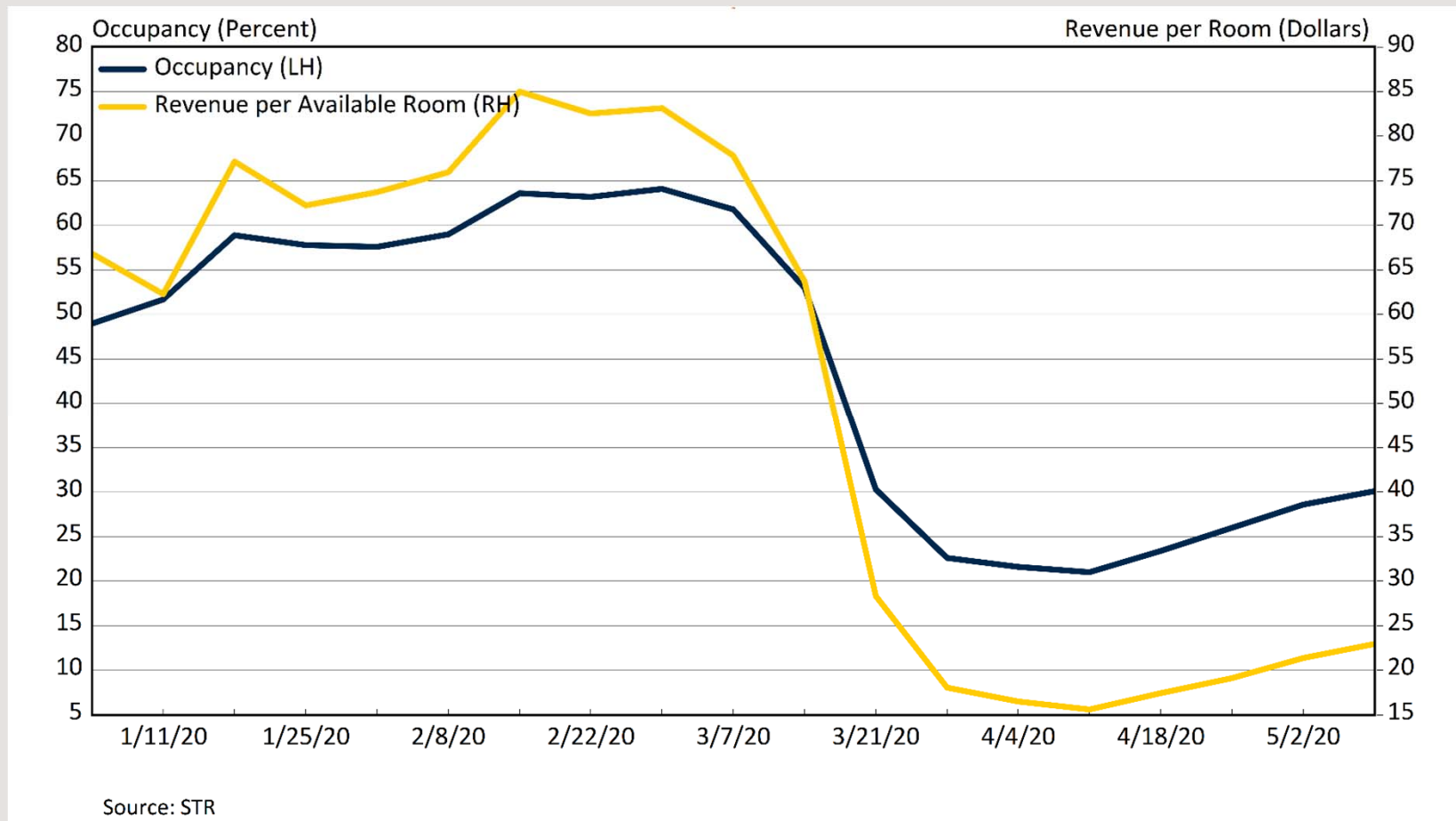
Weekly Initial Unemployment Insurance Claims (Michigan)



Slide Source: U of M RSQE



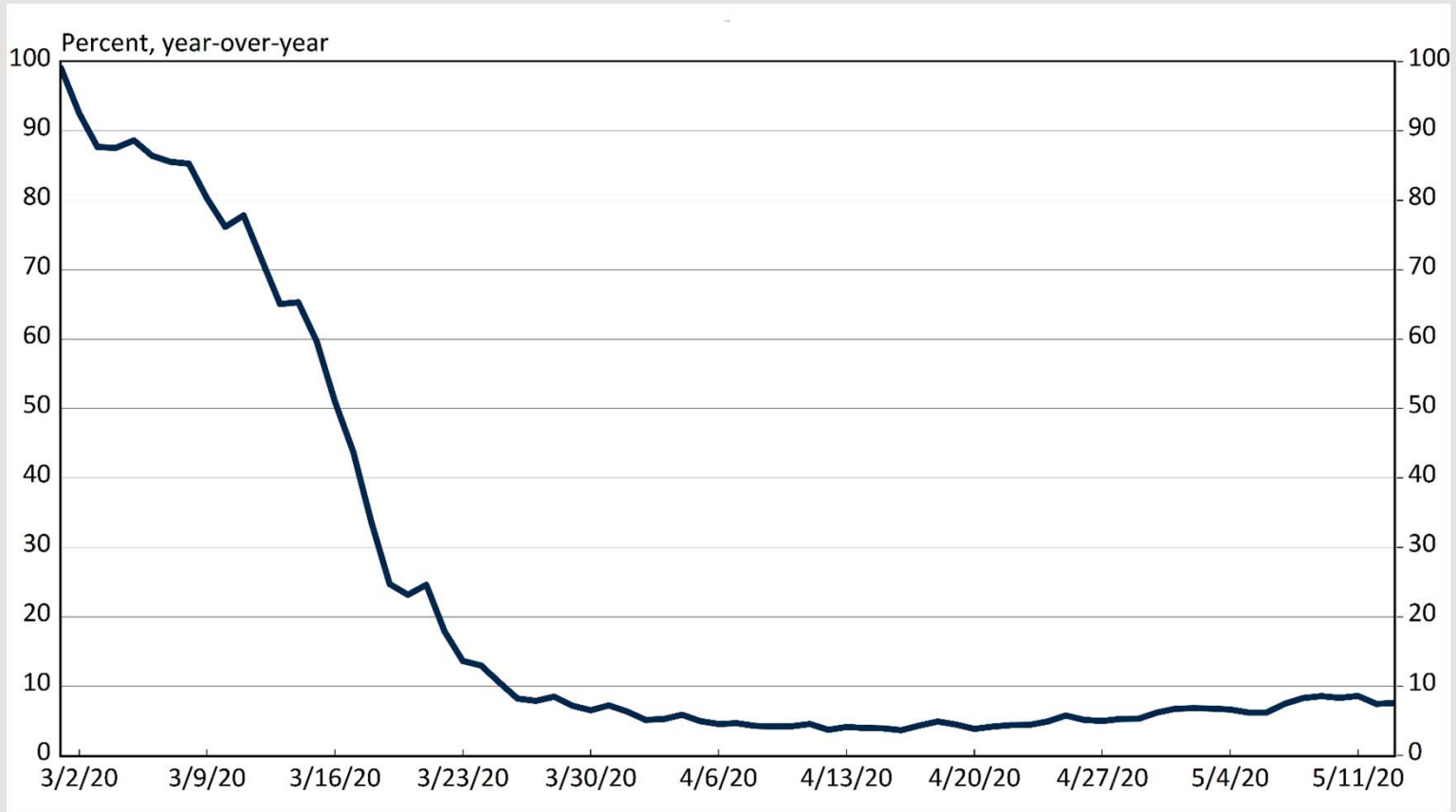
Hotel Occupancy and Revenue



Slide Source: U of M RSQE



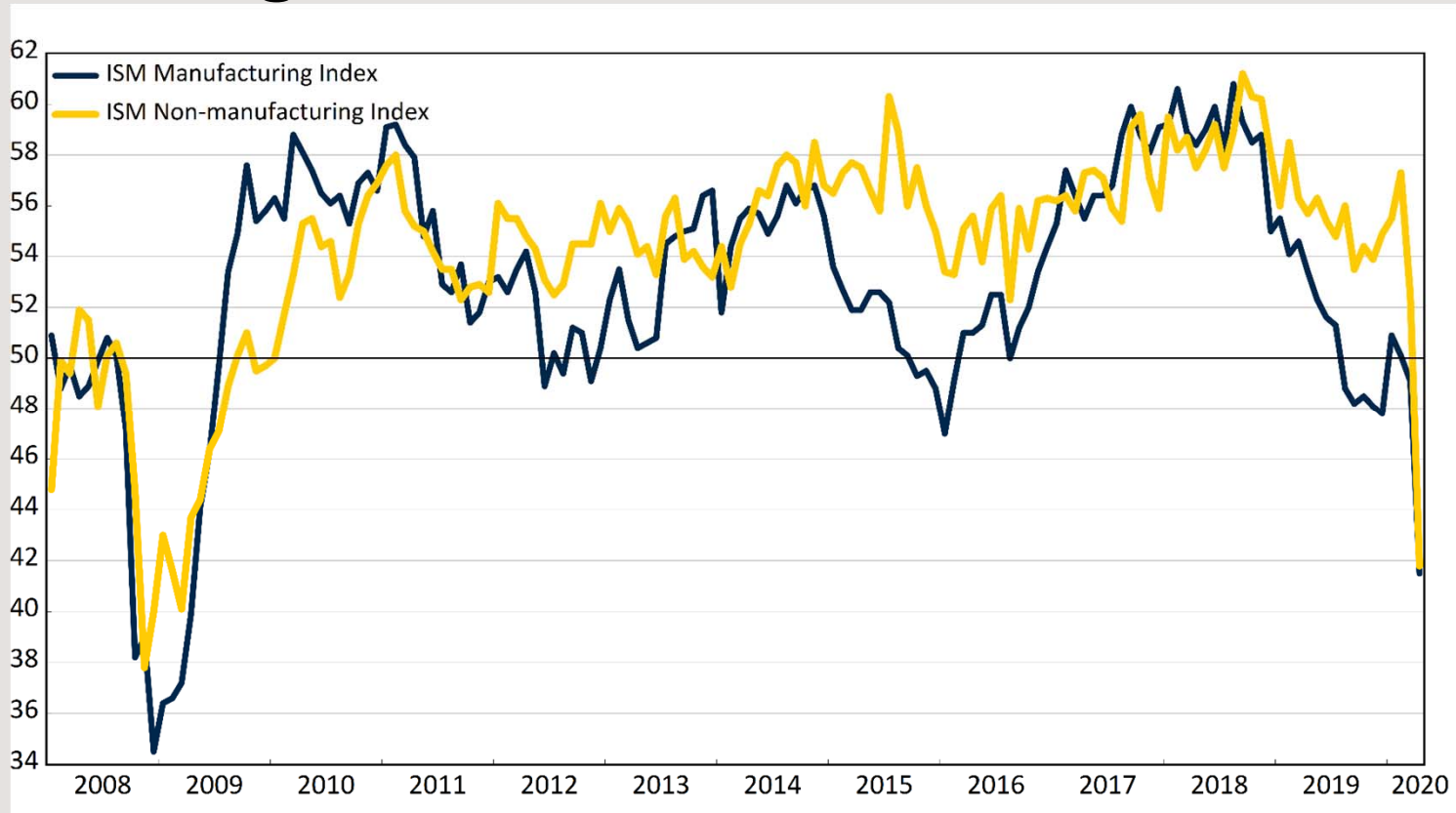
TSA Total Traveler Throughput



Slide Source: U of M RSQE



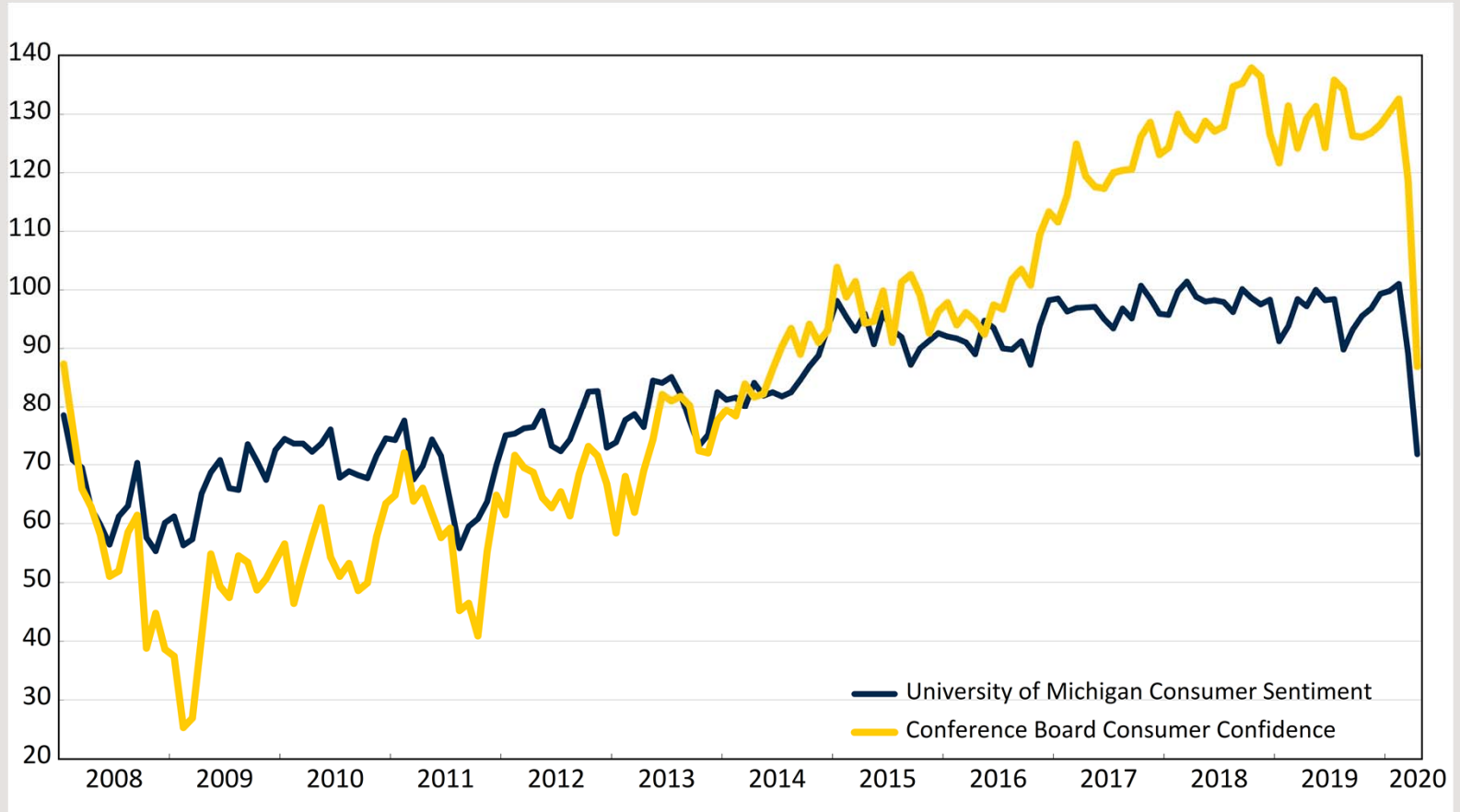
Institute of Supply Management Indexes: Contracting



Slide Source: U of M RSQE



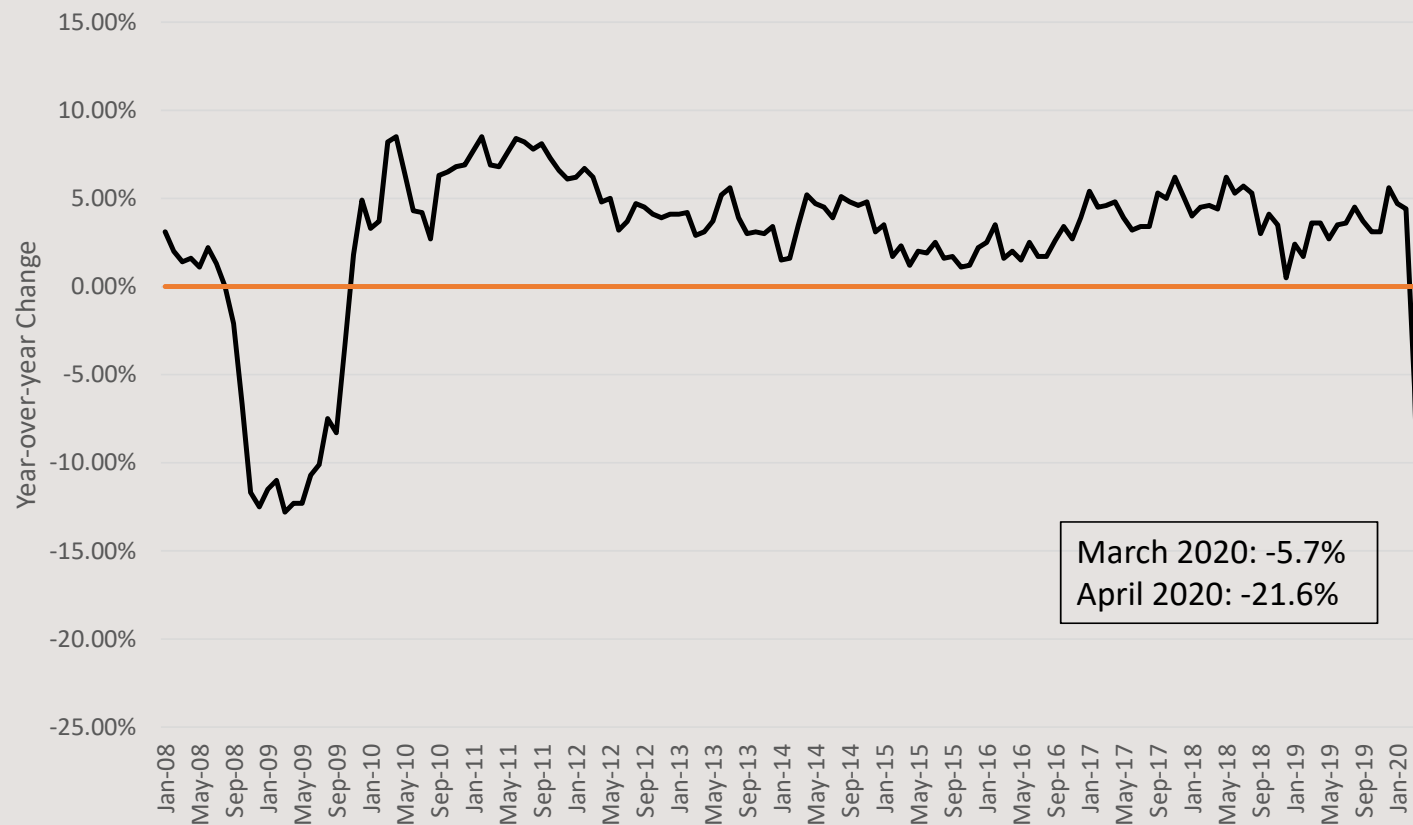
Consumer Sentiment Through April 2020



Slide Source: U of M RSQE



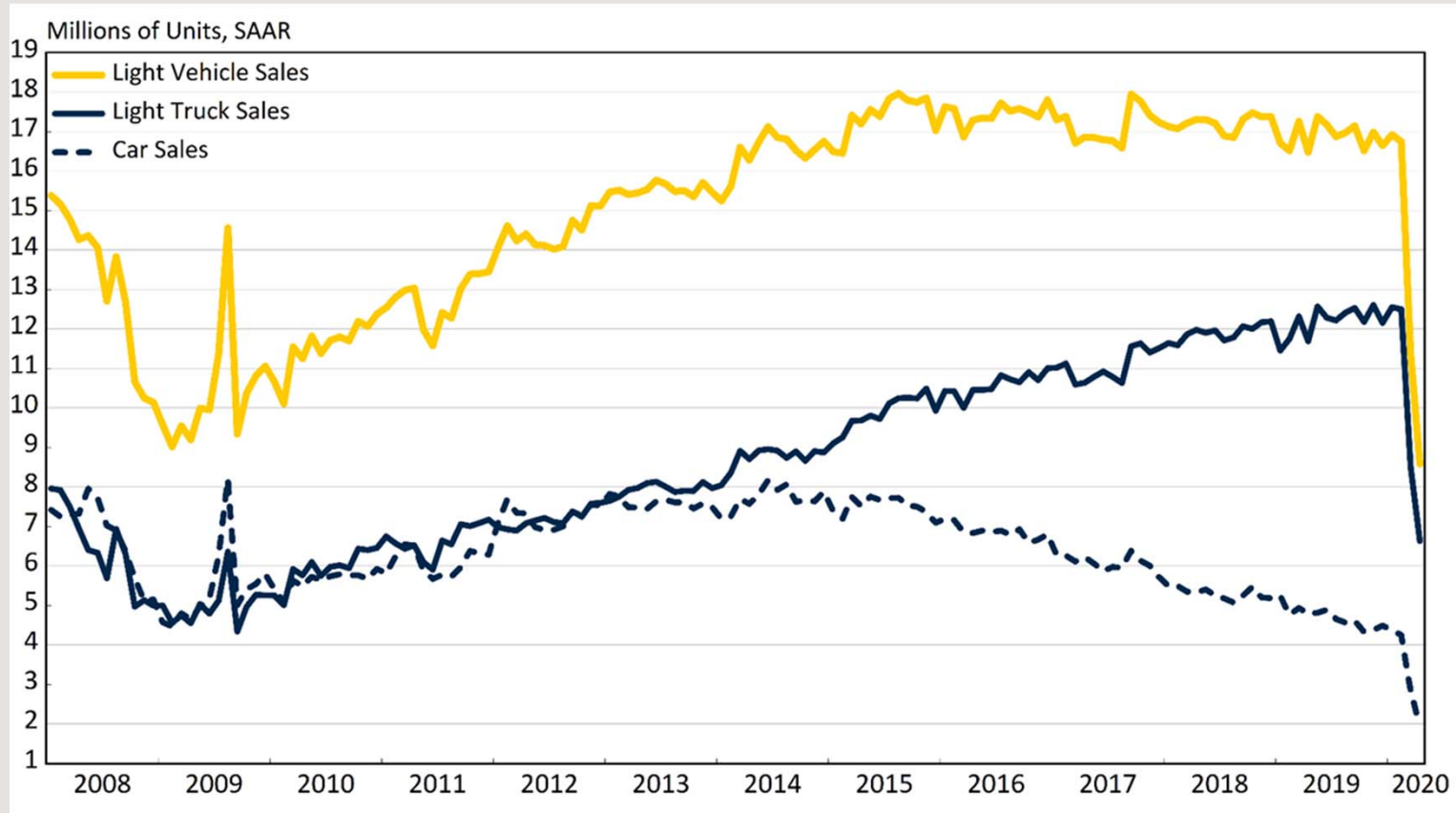
March Retail Sales Show First Decline Since 2008-09 Recession, April Decline Sets New Record



Source: Bureau of the Census, U.S. Department of Commerce.



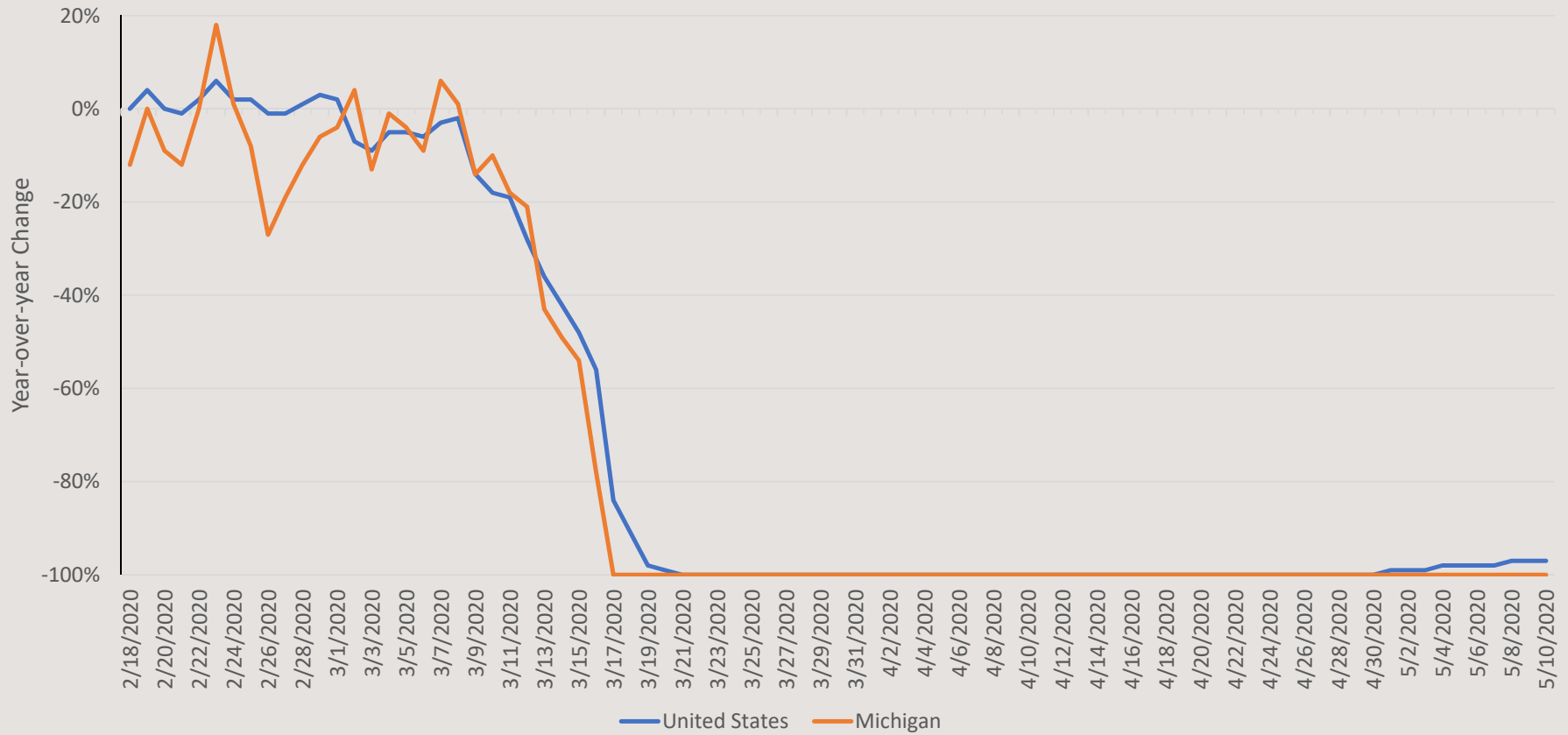
Monthly U.S. Light Vehicle Sales



Slide Source: U of M RSQE



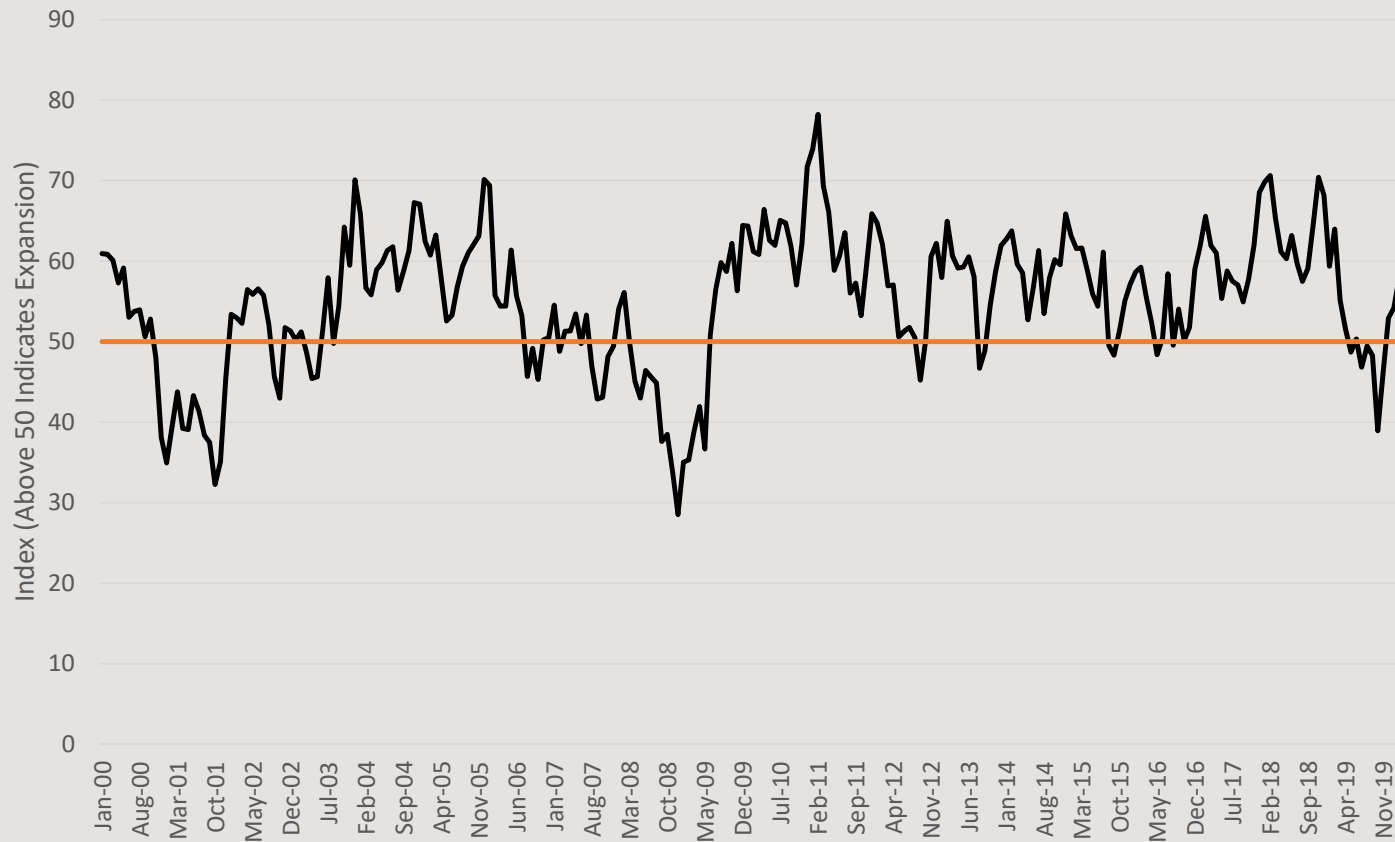
Seated Diners at Restaurants All But Gone



Source: Open Table



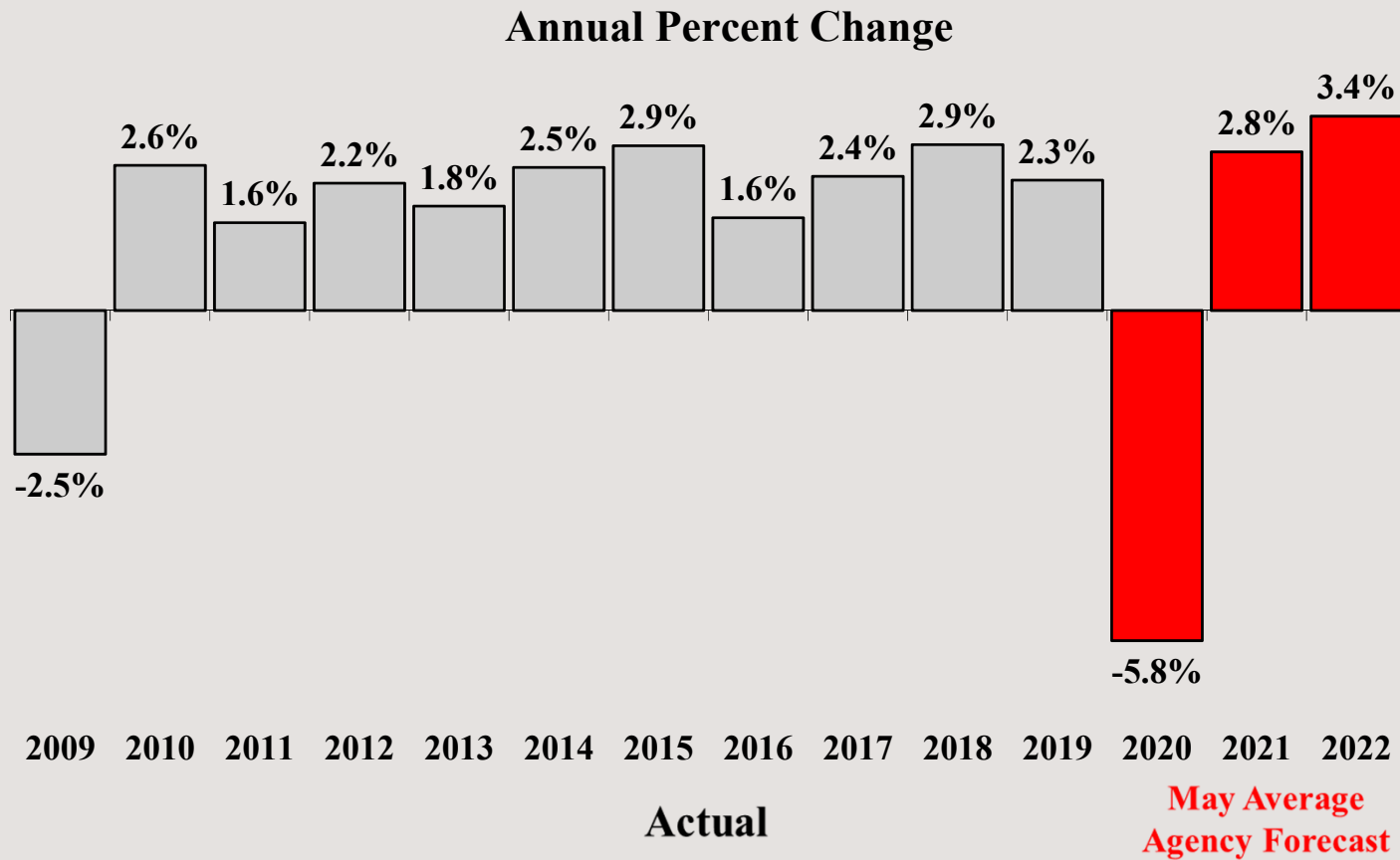
West Michigan Purchasing Managers Index Hits Record Low in April 2020



Source: Calculations using data from monthly Current Business Trends report issued by Institute for Supply Management, Greater Grand Rapids, Inc.



GDP Forecast



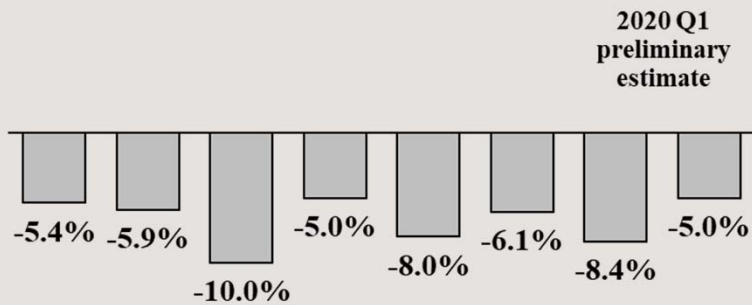
Source: U.S. Bureau of Economic Analysis.



2020 Recession - Quarterly

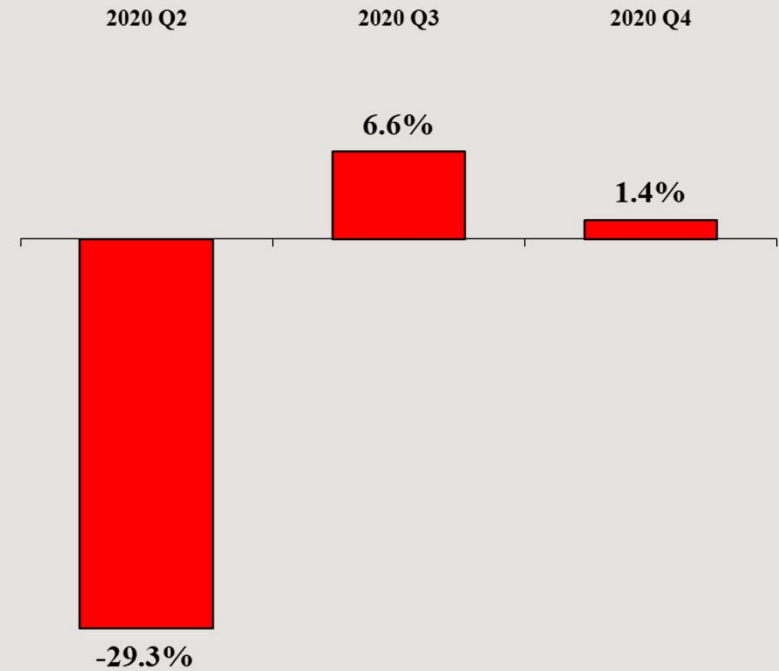
Quarterly GDP Declines of more than 5% since 1949

1949 Q1 1953 Q4 1958 Q1 1960 Q4 1980 Q2 1982 Q1 2008 Q4 2020 Q1



All values are annualized rates

Predicted GDP

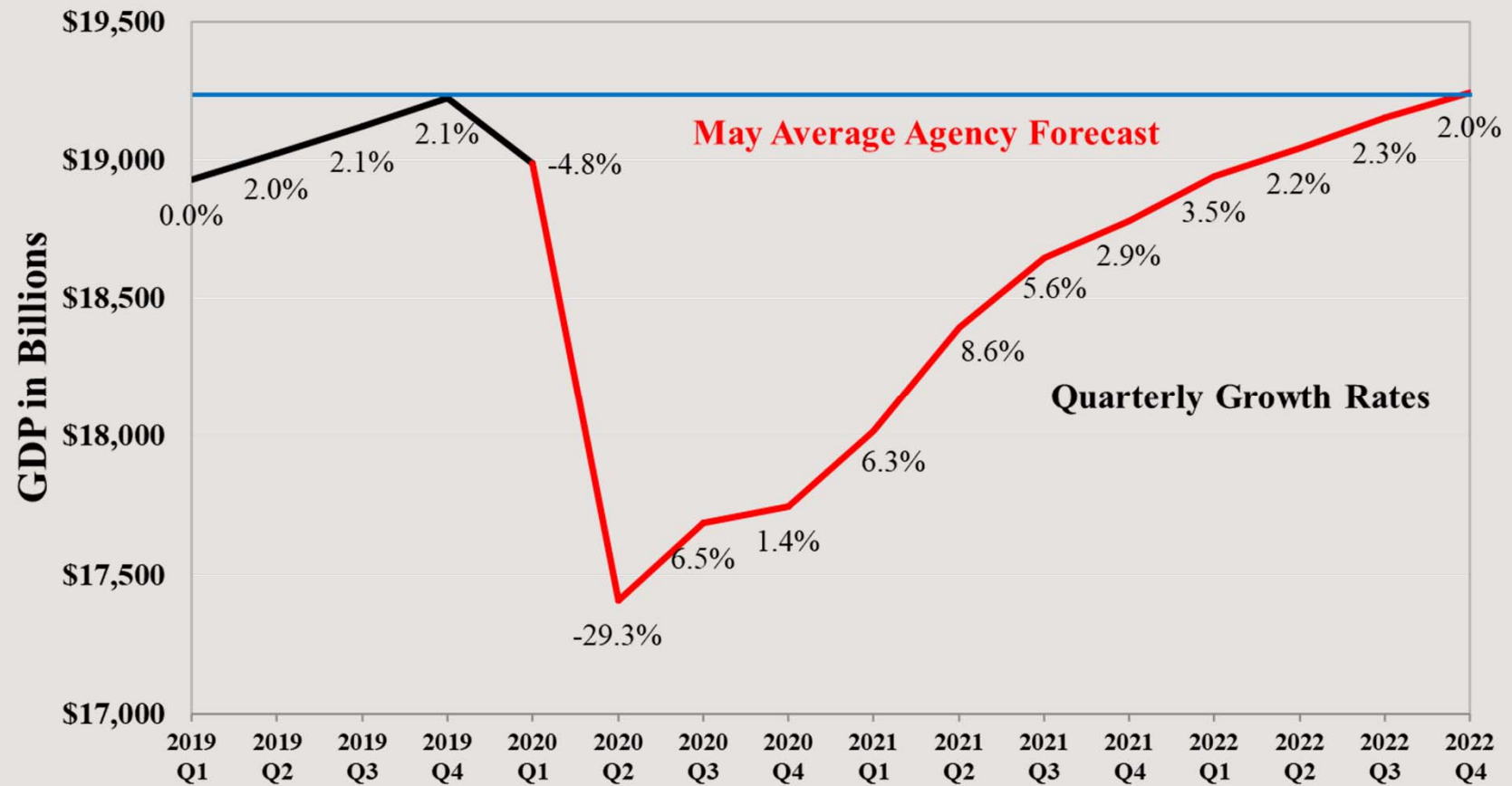


May Average Agency Forecast

Source: U.S. Bureau of Economic Analysis



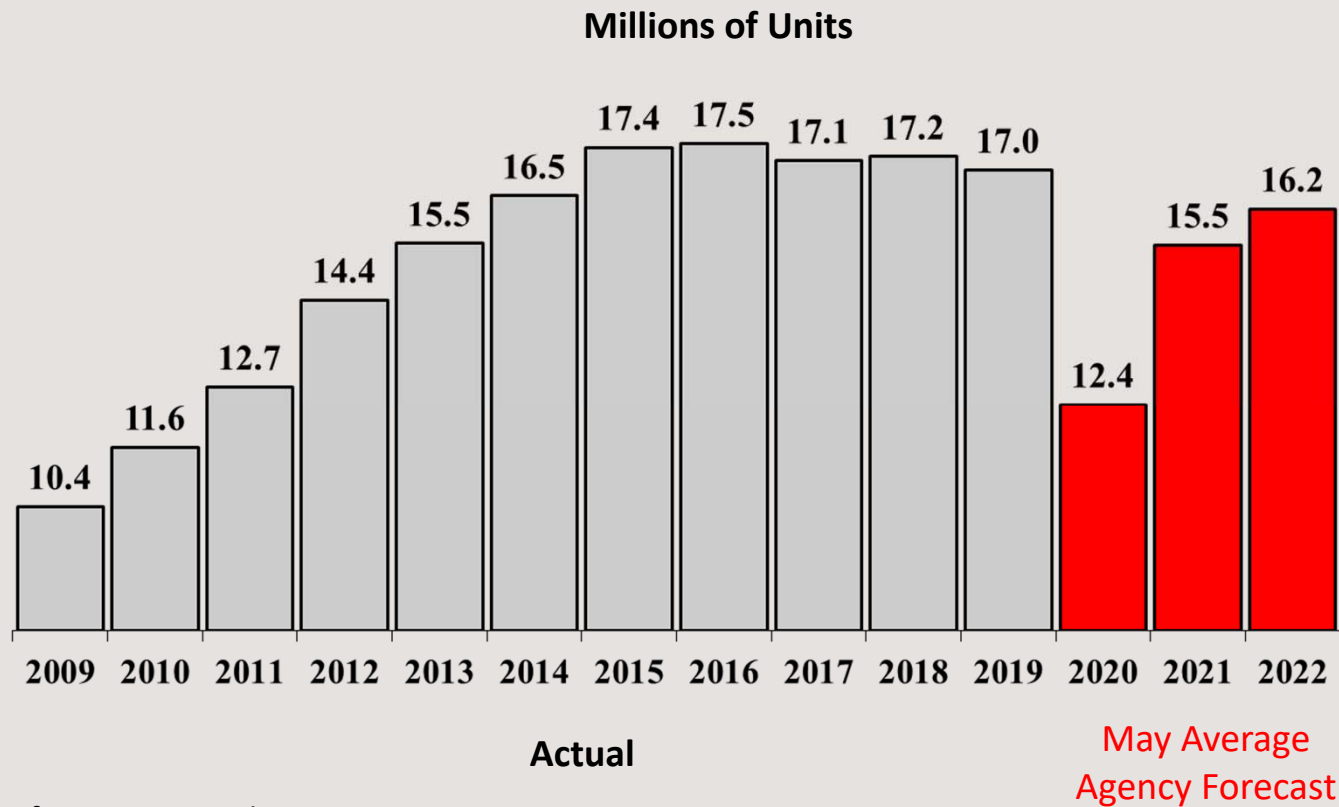
2020 Recession – Real GDP Quarterly Forecast



Source: U.S. Bureau of Economic Analysis



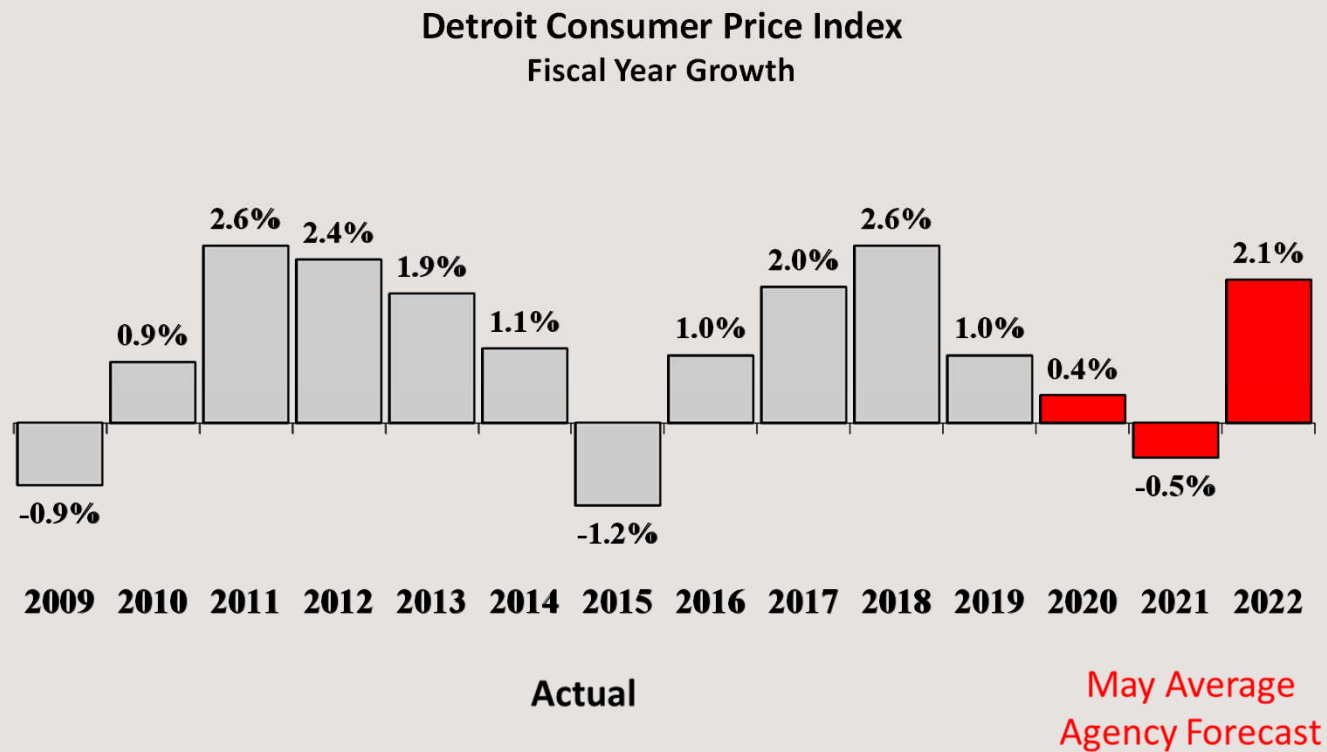
Light Vehicle Sales Forecast



Source: U.S. Bureau of Economic Analysis.



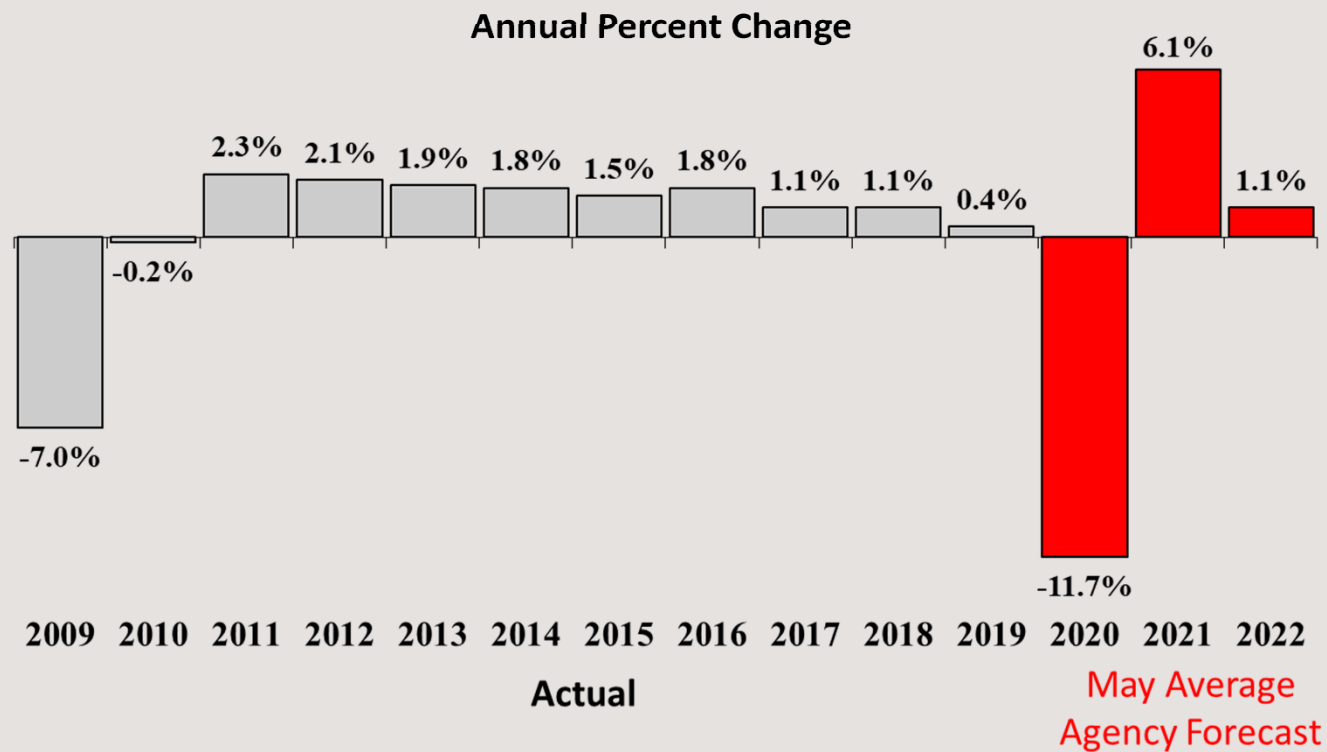
Inflation Expected to be Low In Near Term



Source: Bureau of Labor Statistics, U.S. Department of Labor.



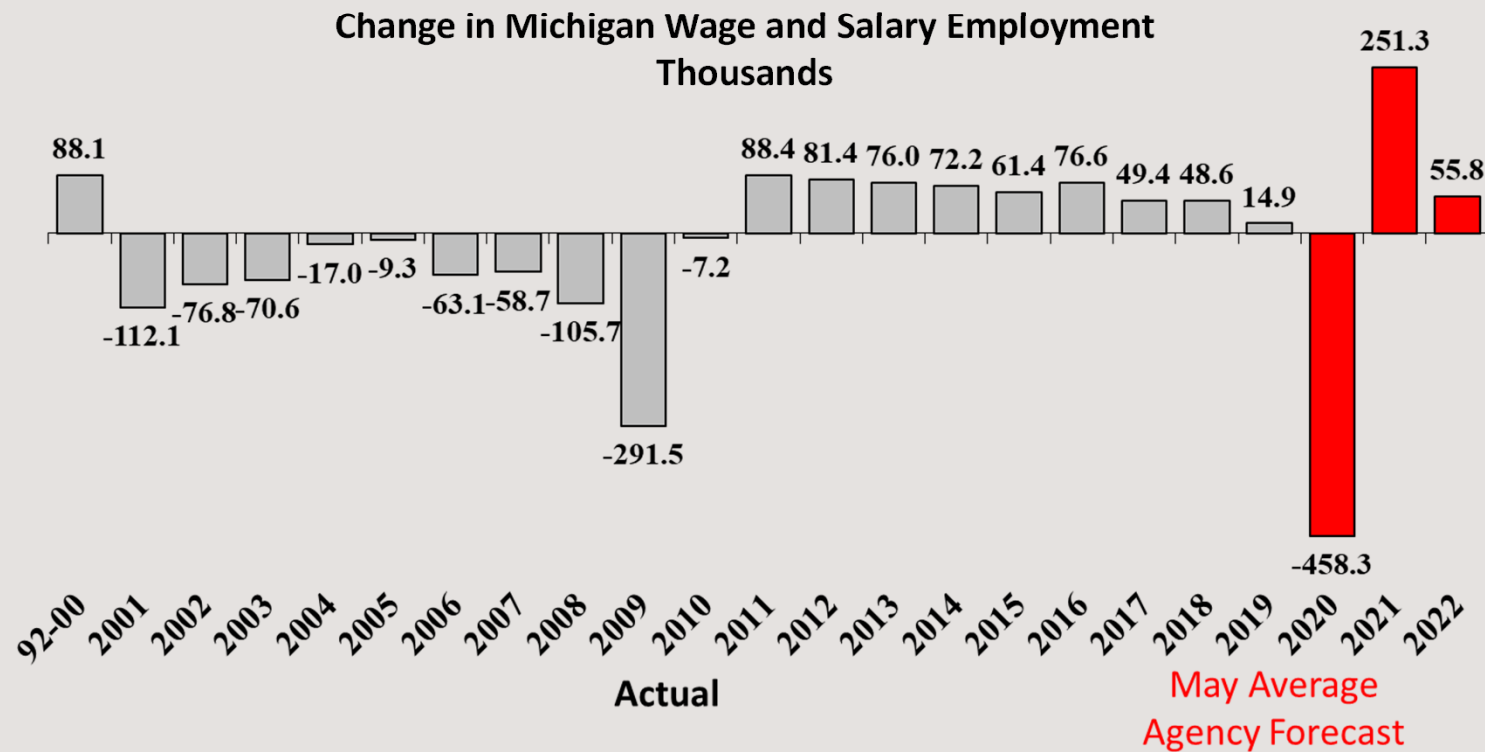
Michigan Wage and Salary Employment



Source: Bureau of Labor Statistics, U.S. Department of Labor.



Michigan Job Changes Expected Through 2022



Source: Bureau of Labor Statistics, U.S. Department of Labor.



Consensus Economic Forecast for U.S. Economy

	Calendar 2019	% Change from Prior Year	Calendar 2020	% Change from Prior Year	Calendar 2021	% Change from Prior Year	Calendar 2022	% Change from Prior Year
Real GDP (billions)	\$19,073	2.3%	\$17,967	-5.8%	\$18,506	3.0%	\$19,135	3.4%
Consumer Price Index	255.657	1.8%	255.019	-0.2%	258.914	1.5%	264.633	2.2%
3-Month T-Bills (Rate)	2.1%		0.4%		.01%		.06%	
Unemployment Rate	3.7%		9.0%		7.1%		6.0%	
Payroll Employment (millions)	150.939	1.4%	143.540	-4.9%	148.560	3.5%	153.610	3.4%
Housing Starts (millions)	1.290	3.2%	0.980	-24.0%	1.110	13.3%	1.240	11.7%
Light Vehicle Sales (millions)	17.0	-1.4%	12.9	-24.0%	15.5	20.2%	16.2	4.5%
Big 3 Share of Light Vehicles	41.0%		43.0%		42.4%		40.0%	

Consensus Economic Forecast for Michigan Economy

	Calendar 2019	% Change from Prior Year	Calendar 2020	% Change from Prior Year	Calendar 2021	% Change from Prior Year	Calendar 2022	% Change from Prior Year
Payroll Employment (millions)	4,433	0.3%	3,976	-10.3%	4,227	6.3%	4,281	1.3%
Unemployment Rate	4.1%		12.7%		8.8%		7.9%	
Detroit Consumer Price Index	235.267	1.3%	233.061	-0.9%	234.297	0.5%	238.167	1.7%
FY Detroit Consumer Price Index	233.840	1.0%	234.900	0.5%	233.261	-0.7%	237.450	1.8%
Personal Income (millions)	\$502,540	3.8%	\$495,002	-1.5%	\$499,952	1.0%	\$524,949	5.0%
Real Personal Income (millions)	\$213,604	2.5%	\$212,392	-0.6%	\$213,383	0.5%	\$220,412	3.3%
Wages & Salaries (millions)	\$246,802	2.7%	\$224,343	-9.1%	\$243,188	8.4%	\$258,752	6.4%

Consensus Caseload Adjustments

Steve Angelotti

**CONSENSUS EXPENDITURE ESTIMATES FOR FY 2019-20, FY 2020-21 AND FY 2021-22
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

May 2020 Consensus Expenditure Estimates Agreed to by the State Budget Office,
the Senate Fiscal Agency, and the House Fiscal Agency

	GROSS CHANGE TO ORIGINALLY PROPOSED/ENACTED	GF/GP CHANGE TO ORIGINALLY PROPOSED/ENACTED
<u>HUMAN SERVICES BASE FUNDING</u>	<u>APPROPRIATION</u>	<u>APPROPRIATION</u>
FY 2019-20	\$56,630,900	\$56,434,600
FY 2020-21	\$60,986,600	\$57,775,000
FY 2021-22	\$47,986,000	\$45,936,100
<u>HEALTH SERVICES BASE FUNDING</u>		
FY 2019-20	\$496,535,300	(\$195,192,300) *
FY 2020-21	\$1,809,624,100	\$511,615,900
FY 2021-22	\$904,812,100	\$255,808,000
<u>TOTAL FOR DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>		
FY 2019-20	\$553,166,200	(\$138,757,700)
FY 2020-21	\$1,870,610,700	\$569,390,900
FY 2021-22	\$952,798,100	\$301,744,100

* - FY 20 GF/GP figure includes savings of \$(328,838,300) GF/GP due to 6.2% increase in Medicaid match rate from January 1, 2020 through June 30, 2020

Summary of School Aid Issues

Kathryn Summers

**COMPARISON OF PROPOSED PUPIL MEMBERSHIP ESTIMATES
FY 2019-20, FY 2020-21, and FY 2021-22**

PROPOSED ESTIMATED PUPIL MEMBERSHIPS				
	JAN 2020 CONSENSUS ESTIMATE	CHANGE FROM JAN ESTIMATE	PROPOSED MAY 2020 CONSENSUS ESTIMATE	CHANGE FROM PRIOR YEAR
FY 2019-20				
LOCAL DISTRICTS	1,313,500	(200)	1,313,300	(10,554)
PUBLIC SCHOOL ACADEMIES	147,400	(200)	147,200	215
TOTAL	1,460,900	(400)	1,460,500	(10,339)
FY 2020-21				
LOCAL DISTRICTS	1,305,200	(1,600)	1,303,600	(9,700)
PUBLIC SCHOOL ACADEMIES	148,400	500	148,900	1,700
TOTAL	1,453,600	(1,100)	1,452,500	(8,000)
FY 2021-22				
LOCAL DISTRICTS	1,298,000	-2,000	1,296,000	(7,600)
PUBLIC SCHOOL ACADEMIES	149,000	0	149,000	100
TOTAL	1,447,000	-2,000	1,445,000	(7,500)
	\$2,000,000		\$2,000,000	\$0
FY 2020-21 Nonpublic Dual Enrollment Cost in Treasury Budget				

SCHOOL AID FUND (SAF)			
REVENUE, EXPENDITURES, AND YEAR-END BALANCE ESTIMATES			
(millions of dollars)			
	SFA Estimates		
	FY 2019-20 Year-To- Date	FY 2020-21 SFA Estimate	FY 2021-22 SFA Estimate
Revenue:			
Beginning Balance	\$194.7	\$0.0	\$0.0
<u>Ongoing Revenue:</u>			
Consensus Revenue Estimate (January 2020)	\$13,925.5	\$14,317.5	\$14,640.1
Consensus Revenue Estimate Change	<u>(1,248.8)</u>	<u>(1,137.1)</u>	<u>(719.7)</u>
Consensus Revenue Estimate (May 2020)	\$12,676.7	\$13,180.4	\$13,920.4
<u>Other Revenue Adjustments:</u>			
General Fund/General Purpose Grant	\$62.6	\$62.7	\$62.7
Community District Education Trust Fund	75.8	78.8	72.0
Federal Ongoing Aid	<u>1,759.6</u>	<u>1,806.9</u>	<u>1,806.9</u>
Subtotal Ongoing Revenue	\$14,574.7	\$15,128.8	\$15,862.0
<u>Non-Ongoing Revenue:</u>			
Reserve Fund for MPERS	\$1.9	\$0.0	\$0.0
Subtotal Non-Ongoing Revenue	\$1.9	\$0.0	\$0.0
Total Estimated School Aid Fund Revenue	\$14,771.3	\$15,128.8	\$15,862.0
Expenditures:			
<u>Ongoing Appropriations:</u>			
Initial Ongoing K-12 Appropriations	\$15,106.8	\$15,087.4	\$15,309.7
Cost Adjustments (January/May 2020)	(79.2)	222.3	97.9
Enacted Supplementals (PA 162 of 2019)	59.9	0.0	0.0
Fund Community Colleges with SAF	414.7	425.7	431.5
Partially Fund Higher Education with SAF	<u>349.4</u>	<u>356.1</u>	<u>357.2</u>
Subtotal Ongoing Appropriations	\$15,851.6	\$16,091.5	\$16,196.4
<u>One-Time and Other Appropriations:</u>			
Enacted Supplementals (PA 162 of 2019)	\$10.7	\$0.0	\$0.0
Subtotal One-Time and Other Appropriations	\$10.7	\$0.0	\$0.0
Total Estimated School Aid Fund Expenditures	\$15,862.2	\$16,091.5	\$16,196.4
PROJECTED YEAR-END SCHOOL AID FUND BALANCE	(\$1,090.9)	(\$962.7)	(\$334.4)

Summary of Proration

Estimated Impacts on Various Entities – Kathryn Summers

Proration Overview

- Proration for entities receiving School Aid Fund (SAF) dollars is prescribed under Section 296 of the State School Aid Act, MCL 388.1896.
- Proration, if implemented, would impact the following groups:
 - Districts (including public school academies)
 - Intermediate school districts (ISDs)
 - Community Colleges
 - Higher Education (universities)
 - Other entities

Estimated Shortfall and Estimated Proration

- The SAF shortfall for the current year is estimated at \$1.1 billion.
- Proration, if implemented, would result in the following reductions, if not offset by other reductions or additional revenues:

Entity Type	Estimated Total Proration	Implementation Method
Districts (including PSAs)	\$952 million	Equal Per Pupil: \$652
ISDs	\$77 million	Equal % (7.8% on all SAF)
Community Colleges	\$32 million	Equal % (7.8% on all SAF)
Higher Education	\$27 million	Equal % (7.8% on all SAF)
Other Entities	\$2 million	Equal % (7.8% on all SAF)

How Would Entities 'Absorb' the Reductions

- Entities with proration cuts would be allowed to reduce spending in whatever manner they so chose. Proration cuts are required to protect the following spending:
 - Most special education
 - School lunch
 - School breakfast
 - PILT
 - Renaissance Zones
 - Mandated reimbursement for costs associated with data collection and reporting
- While required MPSERS payments are not currently 'protected' from cuts (because MPSERS rate cap payments were enacted after the most recent amendments to proration), a discussion as to whether they should be included in the protected category may need to occur.
- Proration may be avoided if the Legislature and Governor were to enact additional revenue or implement cuts in a manner different from proration, or some combination of the two.

General Fund Balance Sheet

Christopher Harkins

GENERAL FUND/GENERAL PURPOSE (GF/GP)			
REVENUE, EXPENDITURES, AND YEAR-END BALANCE ESTIMATES			
(millions of dollars)			
	SFA Estimates		
	FY 2019-20	FY 2020-21	FY 2021-22
	Year-To- Date	SFA Estimate	SFA Estimate
Revenue:			
Beginning Balance	\$916.2	\$0.0	\$0.0
Ongoing Revenue:			
Consensus Revenue Estimate (January 2020)	\$11,012.1	\$11,194.5	\$11,518.5
Consensus Revenue Estimate Change	<u>(1,983.9)</u>	<u>(1,915.3)</u>	<u>(1,368.8)</u>
Consensus Revenue Estimate (May 2020)	\$9,028.2	\$9,279.2	\$10,149.7
Other Revenue Adjustments:			
Revenue Sharing Payments	(\$490.1)	(\$490.1)	(\$490.1)
VMF II Voucher Purchase	<u>0.0</u>	<u>75.0</u>	<u>75.0</u>
Subtotal Ongoing Revenue	\$8,538.1	\$8,864.1	\$9,734.6
Non-ongoing Revenue:			
Implementation of Recreational Marihuana	\$10.0	0.0	0.0
Redirection of Restricted Revenue	<u>(7.6)</u>	<u>(2.6)</u>	<u>0.0</u>
Subtotal Non-Ongoing Revenue	\$2.4	(\$2.6)	0.0
Total Estimated GF/GP Revenue	<u>\$9,456.7</u>	<u>\$8,861.5</u>	<u>\$9,734.6</u>
Expenditures:			
Ongoing Appropriations:			
Initial/Senate-Passed	<u>\$9,940.0</u>	<u>\$9,940.0</u>	<u>\$9,940.0</u>
Subtotal Ongoing Appropriations	\$9,940.0	\$9,940.0	\$9,940.0
One-Time and Other Appropriations:			
Estimated One-Time Appropriations	\$175.0	\$0.0	\$0.0
Enacted Supplementals	486.8	255.2	265.2
Health and Human Services Caseload and Costs	209.8	878.6	610.9
Estimated GF/GP Offset for COVID-19 FMAP Adj. (Jan-June) ..	(328.8)	0.0	0.0
Defined calculations	0.0	109.0	159.0
State Building Authority rent increase	0.0	0.0	10.8
Indigent Defense Grants	0.0	36.5	36.5
Tuition Incentive Program cost increases	0.0	9.0	9.0
Reimbursement of Federal Disallowed Psych DHS costs	41.9	59.2	59.2
Other CSB Adjustments	<u>0.0</u>	<u>76.2</u>	<u>76.2</u>
Subtotal One-Time and Other Appropriations	\$584.7	\$1,423.7	\$1,226.9
Total Estimated GF/GP Expenditures	<u>\$10,524.7</u>	<u>\$11,363.8</u>	<u>\$11,166.9</u>
PROJECTED YEAR-END GF/GP BALANCE	<u>(\$1,068.0)</u>	<u>(\$2,502.2)</u>	<u>(\$1,432.3)</u>

Initial Questions

FY 2019-20 Remaining Funds

As reported in SIGMA thru June 1

	FY 2019-20 YTD Appropriation	FY 2019-20 Remaining Balance	Remaining Balance
			%
General Fund/General Purpose	\$10,455,539,460	\$3,939,200,242	37.7%
Gross	\$62,274,189,360	\$18,289,343,207	29.4%

Major Areas of Remaining Funds: Gross

- DHHS: \$11.1 billion
- School Aid: \$5.2 billion

Major Areas of Remaining Funds: GF/GP

- DHHS: \$2.1 billion
- Corrections: \$675.8 million

Note - Executive, Judiciary, and Legislative budgets have been adjusted to reflect SFA tracking figures



FY 2019-20 Remaining Funds

Major Payments Remaining

- Community Colleges:
 - **3 remaining operations payments: \$88,765,350 SAF**
 - \$29,588,450 payments will go out on 6/16, 7/16, and 8/16.
- Higher Education:
 - **3 remaining aid payments: \$419,142,000 GROSS**
(**\$93,591,336 SAF; \$325,550,664 GF/GP**)
 - \$139,714,000 Gross payments will go out on 6/16, 7/16, and 8/16.
- Statutory Revenue Sharing:
 - **2 remaining payments: \$165,010,900 GROSS**
 - \$43.5 million for CVTs; \$30.5 million for County Revenue Sharing; \$7.2 million for County Incentive Program will go out on 6/30 and 8/31
 - \$2.5 million for Financially Distressed CVTs not yet distributed
- School Aid:
 - **3 remaining payments: \$5.3 billion GROSS**
(**\$3.5 billion SAF; \$1.8 billion Federal**)
 - Payments are distributed June 20, July 20, and August 20



COVID-19 Federal Dollars

- Sec. 302 of PA 67 of 2020 provides “receive and expend” authorization to the Administration for Federal revenues authorized by and available from the federal government for the respiratory virus coronavirus-19 (COVID-19)
- When expenditures are booked in SIGMA, the state budget office shall notify the chairs of the senate and house of representatives appropriations subcommittees that have jurisdiction over the expended funds and the senate and house fiscal agencies within 10 days after the approval.
- This section remains in effect for no longer than 90 days after the effective date of this act, or the end of June, 2020.

COVID-19 Federal Dollars

- SBO is distributing Federal COVID-19 spending notifications to the Legislature and making those available on their website: www.Michigan.gov/budget
- As of June 1 reporting:
 - Total Spending: \$1.8 billion Federal; \$112.1 million from Coronavirus Relief Fund:
 - Corrections: \$57.1 million; premium pay for front line employees from April 5-June 13
 - MDE: \$2.3 million; Food bank council of Michigan payment
 - DHHS: \$14.8 million; premium pay for front line employees from April 5-June 13
 - DHHS: \$25 million; health care provider payments
 - DMVA: \$2.0 million; premium pay for front line employees from April 5-June 13
 - DNR: \$1.3 million; premium pay for front line employees from April 5-June 13
 - MSP: \$9.9 million; premium pay for front line employees from April 5-June 13