

**ECONOMIC OUTLOOK  
AND  
REVENUE ESTIMATES  
FOR  
MICHIGAN**

**FY 2018-19  
THROUGH  
FY 2020-21**



**Mary Ann Cleary, Director**

**May 2019**



# FOREWORD

This report includes a national and state economic forecast for calendar year (CY) 2018 through CY 2021. It also presents final General Fund/General Purpose (GF/GP) and School Aid Fund (SAF) revenue for fiscal year (FY) 2017-18 and revised revenue estimates for FY 2018-19 through FY 2020-21. Estimates reported herein will be presented to the Consensus Revenue Estimating Conference on May 17, 2019, 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 2021, 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, is the author of this report. Kathryn Bateson, Administrative Assistant, prepared the report for publication.



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# ECONOMIC OVERVIEW AND FORECAST

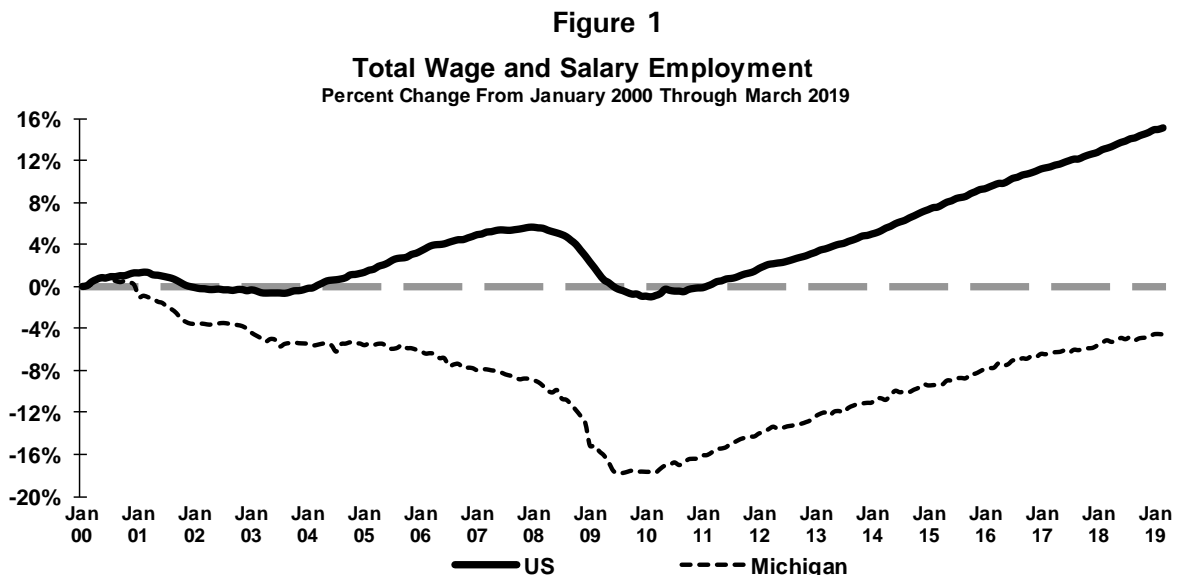
This section presents the economic forecast used by the House Fiscal Agency to produce its revenue forecasts for FY 2018-19 through FY 2020-21.

Gross Domestic Product (GDP) grew at a 2.9% rate in CY 2018, up from the 2.2% rate posted in CY 2017, primarily due to the stimulus provided by the Tax Cut and Jobs Act. In a break from a trend over the past few years, the national economy improved at a surprising 3.2% growth rate during the first quarter of 2019, and is expected to increase at a 2.6% rate for CY 2019 as a whole as the economy is poised to break the record for the longest economic expansion in history. GDP growth is expected to decline to 1.9% in CY 2020 and 1.7% in CY 2021 as the impacts effects from the Tax Cut and Jobs Act begin to wane.

Michigan’s economy and state revenue are significantly affected by the strength of national recovery. Over the past three years, Michigan’s wage and salary employment has grown at a slightly slower rate than the U.S., resulting in a gain of about 152,700 jobs.

## 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 2019.



### ***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 ensuing recession saw 25 continuous months of employment declines during which almost 8.8 million jobs were lost. Job gains finally reappeared in March 2010, and modest job growth resumed during much of CY 2010. During a 39-month span of job growth from October 2010 through the end 2013, total wage and salary employment increased by about 7.1 million jobs and by May 2014, U.S. wage and salary employment surpassed the pre-recession peak. As of March 2019, total employment was roughly 15.1% higher than in January 2000.

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

Although employment rebounded at the national level through 2007, conditions in Michigan remained bleak. Employment in Michigan peaked in June 2000, a full eight months before the national level peak in February 2001. Following that June 2000 peak, employment in Michigan dropped steadily until July 2003, resulting in a loss of more than 314,000 jobs – a 6.7% decline. For the next two years, employment in Michigan fluctuated around the July 2003 level, with monthly job gains offset by subsequent monthly job losses. Throughout the 2000s, job losses continued to mount.

During CY 2008 and CY 2009, more than 400,000 additional jobs were lost, and although employment increased somewhat in CY 2010, only about 58,500 jobs were added. An additional 97,400 jobs were added during CY 2011, and while growth in total non-farm employment slowed to about 75,000 during both CY 2012 and CY 2013, job growth increased in CY 2014 when 82,400 were added. Employment growth slowed through the end of CY 2018 as the economy added an average of 52,400 jobs each year. However, despite the job gains of the past several years, total wage and salary employment through March 2019 remains 4.6% lower than in January 2000.

### **U.S. and Michigan Motor Vehicle Industry**

Light motor vehicle sales totaled almost 17.2 million units in CY 2018, an increase of 0.3% from the 17.1 million units sold in CY 2017. Light motor vehicle sales are forecast to decline to 16.8 million units in CY 2019, 16.6 million units in CY 2020, 16.5 million units in CY 2021.

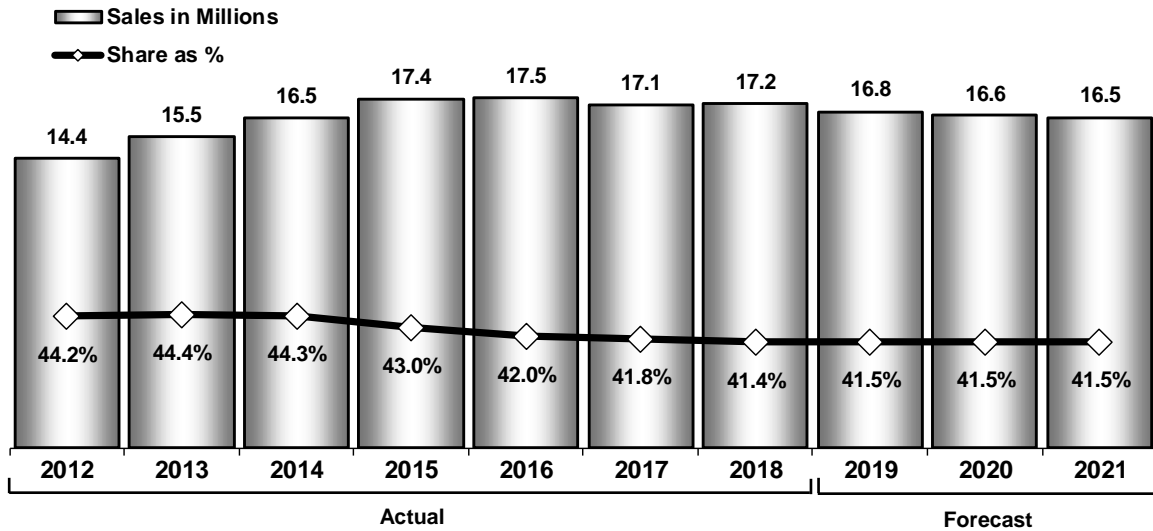
The market share of imports and transplants (vehicles with a foreign nameplate that are made in the U.S.) is expected to increase from 22.8% in CY 2019 to 24.1% by CY 2021. As shown in **Figure 2**, the market share of the Big-3 auto manufacturers hovered around 41.4% in CY 2018 and is expected to remain very close to that percentage over the next three years.

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 2019, the Big-3 auto manufacturers are expected to sell just under 7.0 million vehicles, which would translate to a 2.1% decrease from CY 2018. It is expected that Big-3 sales will decline to 6.9 million vehicles in CY 2020 and 6.8 million CY 2021.

**Figure 2**  
**Big-3 Share of Light Vehicle Sales**



**U.S. Forecast Highlights**

Real GDP increased at a 2.9% rate in CY 2018, and is forecast to increase 2.6% in CY 2019, 1.9% in CY 2020, and 1.7% in CY 2021.

Inflation, as measured by the Consumer Price Index (CPI), is forecast to increase 1.8% in CY 2019, 1.9% in CY 2020, and 2.1% in CY 2021.

Light vehicle sales of 17.2 million units in CY 2018 are forecast to decline to 16.8 million units in CY 2019, 16.6 million units in CY 2020, and 16.5 million units in CY 2021. The import share of light vehicles is forecast to increase from 22.8% in CY 2019 to 24.1% by the end of CY 2021.

Wage and salary employment growth was 1.7% in CY 2018; it is forecast to decline to 1.3% in CY 2019 before dipping to 1.0% in CY 2020 and 0.6% in CY 2021.

The national unemployment rate was 3.9% in CY 2018; it is forecast to decline to 3.6% in CY 2019 and 3.5% in both CY 2020 and CY 2021.

Interest rates on three-month T-bills are expected to average 2.4% throughout the forecast period as the Federal Reserve holds off on federal funds rate increases.

### **Michigan Forecast Highlights**

Michigan wage and salary employment growth was 1.1% in CY 2018; and is expected to slow to 0.8% in CY 2019, 0.4% in CY 2020, and 0.2% in CY 2021.

Michigan's unemployment rate was 4.1% in CY 2018; it is forecast to decrease to 3.9% in CY 2019 and CY 2020 before increasing slightly to 4.0% in CY 2021.

Michigan personal income grew by 3.3% in CY 2018; it is forecast to increase 3.8% in CY 2019 and 3.9% in both CY 2020 and CY 2021.

Michigan wage and salary income increased by 3.3% in CY 2018; it is forecast to increase 4.0% in CY 2019, 3.6% in CY 2020 and 3.5% CY 2021.

Inflation (as measured by the Detroit Consumer Price Index) is forecast to increase 1.5% in CY 2019, 1.9% in CY 2020, and 2.0% in CY 2021.

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

**Table 1  
ECONOMIC FORECAST VARIABLES**

	<b>Calendar 2017 Actual</b>	<b>Calendar 2018 Actual</b>	<b>% Change from Prior Year</b>	<b>Calendar 2019 Estimated</b>	<b>% Change from Prior Year</b>	<b>Calendar 2020 Estimated</b>	<b>% Change from Prior Year</b>	<b>Calendar 2021 Estimated</b>	<b>% Change from Prior Year</b>
<b>United States</b>									
Real Gross Domestic Product (Billions of 2012 dollars)	\$18,050.7	\$18,566.4	2.9%	\$19,047.5	2.6%	\$19,410.6	1.9%	\$19,740.6	1.7%
Implicit Price Deflator GDP (2012 = 100)	107.9	110.4	2.3%	112.1	1.6%	114.4	2.0%	116.9	2.2%
Consumer Price Index (1982-84 = 100)	245.1	251.1	2.4%	255.6	1.8%	260.5	1.9%	266.0	2.1%
Consumer Price Index (FY) (1982-84 = 100)	243.8	249.7	2.4%	254.5	1.9%	259.3	1.9%	264.6	2.0%
Federal Funds Rate Interest Rate (Percent)	0.5%	1.8%		2.4%		2.4%		2.7%	
3-month Treasury Bills Interest Rate (Percent)	0.9%	1.9%		2.4%		2.4%		2.4%	
Aaa Corporate Bonds Interest Rate (Percent)	3.7%	3.9%		3.7%		3.8%		3.9%	
Unemployment Rate (Percent)	4.4%	3.9%		3.6%		3.5%		3.5%	
Wage and Salary Employment (Millions)	146.6	149.1	1.7%	151.0	1.3%	152.5	1.0%	153.4	0.6%
Housing Starts (Thousands of units)	1.208	1.249	3.4%	1.213	-2.9%	1.253	3.3%	1.284	2.5%
Light Vehicle Sales (Millions of units)	17.1	17.2	0.3%	16.8	-2.2%	16.6	-1.2%	16.5	-0.6%
Passenger Car Sales (Millions of units)	6.1	5.3	-12.8%	4.8	-9.6%	4.3	-10.5%	3.8	-10.6%
Light Truck Sales (Millions of units)	11.1	11.9	7.5%	12.0	1.0%	12.3	2.5%	12.7	2.9%
Import Share of Light Vehicles (Percent)	17.2%	23.1%		22.8%		23.7%		24.1%	
Big-3 Share of Light Vehicle Sales (Percent)	41.8%	41.4%		41.5%		41.5%		41.5%	
Personal Income (Billions of current dollars)	\$16,830.9	\$17,582.4	4.5%	\$18,277.1	4.0%	\$19,101.2	4.5%	\$19,947.4	4.4%
Real Disposable Income (Billions of 2012 dollars)	\$13,949.3	\$14,350.8	2.9%	\$14,706.3	2.5%	\$15,104.2	2.7%	\$15,465.9	2.4%
<b>Michigan</b>									
Wage and Salary Employment (Thousands)	4,369.5	4,419.4	1.1%	4,452.6	0.8%	4,470.1	0.4%	4,477.6	0.2%
Transportation Equipment Employment (Thousands)	188.2	193.0	2.6%	193.7	0.4%	194.8	0.5%	195.4	0.3%
Unemployment Rate (Percent)	4.6%	4.1%		3.9%		3.9%		4.0%	
Personal Income (Millions of current dollars)	\$460,270	\$475,626	3.3%	\$493,621	3.8%	\$512,859	3.9%	\$532,798	3.9%
Real Personal Income (Millions of 1982-84 dollars)	\$202,854	\$204,827	1.0%	\$209,505	2.3%	\$213,747	2.0%	\$217,755	1.9%
Real Disposable Income (Millions of 1982-84 dollars)	\$179,242	\$181,824	1.4%	\$185,701	2.1%	\$189,598	2.1%	\$193,015	1.8%
Wage and Salary Income (Millions of current dollars)	\$231,748	\$239,478	3.3%	\$248,938	4.0%	\$257,886	3.6%	\$266,938	3.5%
Detroit Consumer Price Index (1982-84 = 100)	226.9	232.2	2.3%	235.6	1.5%	240.0	1.9%	244.8	2.0%
Detroit Consumer Price Index (FY) (1982-84 = 100)	225.6	231.3	2.6%	234.3	1.3%	238.5	1.8%	243.3	2.0%





# 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. Key risks in this forecast stem predominantly from uncertainties surrounding trade policy and Michigan's auto sector.

## **Trade Policy**

Within the past week, trade talks between the U.S. and China have been suspended, albeit with an understanding that talks will resume at a later date. In the meantime, the U.S. increased tariffs on a number of Chinese exports to 25% and is considering subjecting almost all remaining consumer goods to the 25% tariff. China retaliated with tariff increases of its own, effectively restricting U.S. exports to China. If talks resume in the not too distant future and tariffs are scaled back, the economic fallout will likely be limited. However, a prolonged trade war could have detrimental impacts on agriculture, manufacturing (especially auto manufacturing), and a number of other sectors, and could reduce GDP growth by as much as 0.5% by the end of 2020.

Because of the uncertainty surrounding trade policy, this forecast does not make any explicit adjustments, in a sense coinciding with the outlook that negotiations will resume sooner than later, and that the increased tariffs will have a limited impact. However, in the event that trade barriers escalate, both the U.S. and Michigan would likely experience employment reductions, declining incomes, and higher prices for a number of consumer goods.

## **Michigan's Automotive Sector**

After seven years of increasing light vehicle sales, light vehicle sales fell back in 2017 and further declines are forecast. In addition, the Big-3 share of light vehicle sales has dropped from roughly 46% in 2011 to about 41.5% throughout the forecast. Complicating the issue is the decision by General Motors to close five plants (four of which are in the U.S.) and eliminate up to 8,000 salaried positions. Domestically, as many as 3,000 blue-collar jobs could also be terminated, although it is expected that many of those workers will relocate to existing plants. Regardless, the plant closures will likely reduce employment at automotive supplier facilities as the ripple effects spread through the economy.





# 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 2019 baseline and net General Fund/General Purpose (GF/GP) and School Aid Fund (SAF) estimates as well as recommended revisions from the January 2019 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 \$25.5 billion in FY 2017-18. It is forecast to increase 1.1% in FY 2018-19, 2.2% in FY 2019-20 and 2.5% in FY 2020-21.

Net revenue captures the effects of all policy changes and represents actual resources available. Final total net GF/GP and SAF revenue was \$24.3 billion in FY 2017-18, which is a 6.3% increase from FY 2016-17. It is forecast to decrease 0.1% in FY 2018-19 before increasing 1.4% in FY 2019-20 and 2.1% in FY 2020-21.

**Table 2** reports GF/GP and SAF revenue in terms of baseline and net revenue. It also shows the January 2019 adjusted consensus estimates and the recommended revisions to these estimates for FY 2018-19 through FY 2020-21. The January 2019 adjusted consensus estimates include the January 2019 consensus estimates plus enacted tax changes since January 2019.

The recommended revision for FY 2018-19 is an increase of \$52.2 million as stronger than anticipated quarterly and annual income tax, use tax, and corporate income tax collections more than offset lower than expected withholding and sales tax revenues. The recommended revisions for FY 2019-20 and FY 2020-21 are increases of \$2.8 million and \$42.5 million, respectively.

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

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

GF/GP tax revenue increased 8.6% to \$10,580.7 million in FY 2017-18. GF/GP tax revenue in FY 2018-19 is estimated to be \$10,460.7 million, a decrease of \$120.0 million, and \$10,407.3 million in FY 2019-20, a decrease of \$53.5 million. GF/GP tax revenue is estimated to increase 1.7% in FY 2020-21.

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

Net GF/GP revenue includes non-tax revenue and represents the amount available to spend. Final net GF/GP revenue was \$11,017.1 million in FY 2017-18; in FY 2018-19 it is forecast to be \$10,805.1 million, a decrease of \$212.0 million, and \$10,766.2 million in FY 2019-20, a decrease of \$39.0 million. Net GF/GP revenue is estimated to increase 1.7% in FY 2020-21.

## **SAF Revenue by Source**

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

Final net SAF revenue increased by 4.9% to \$13,302.0 million in FY 2017-18. Net SAF revenue is forecast to be \$13,497.6 million in FY 2018-19, an increase of \$195.6 million. Net SAF revenue is estimated to increase 2.8% in FY 2019-20 and 2.3% in FY 2020-21.



**Table 2**  
**HFA MAY 2019 REVENUE ESTIMATES FOR FY 2018-19 THROUGH FY 2020-21**  
(Millions of Dollars)

	Final FY 2017-18	HFA Est. FY 2018-19	HFA Est. FY 2019-20	HFA Est. FY 2020-21	FY 2018-19 % Change	FY 2019-20 % Change	FY 2020-21 % Change
<b>Baseline</b>							
GF/GP	\$12,223.3	\$12,251.6	\$12,531.0	\$12,889.4	0.2%	2.3%	2.9%
SAF	13,319.1	13,584.5	13,877.4	14,170.4	2.0%	2.2%	2.1%
<b>Total</b>	<b>\$25,542.4</b>	<b>\$25,836.1</b>	<b>\$26,408.4</b>	<b>\$27,059.8</b>	<b>1.1%</b>	<b>2.2%</b>	<b>2.5%</b>
<b>Net</b>							
GF/GP	\$11,020.9	\$10,805.1	\$10,766.2	\$10,953.1	-2.0%	-0.4%	1.7%
SAF	13,302.0	13,497.6	13,881.2	14,206.4	1.5%	2.8%	2.3%
<b>Total</b>	<b>\$24,322.9</b>	<b>\$24,302.8</b>	<b>\$24,647.3</b>	<b>\$25,159.5</b>	<b>-0.1%</b>	<b>1.4%</b>	<b>2.1%</b>
<b>January 2019 CREC (Adjusted Net)</b>							
<b>Net</b>							
GF/GP	\$11,017.1	\$10,700.1	\$10,717.8	\$10,852.6			
SAF	13,302.1	13,550.5	13,926.7	14,264.4			
<b>Total</b>	<b>\$24,319.2</b>	<b>\$24,250.6</b>	<b>\$24,644.5</b>	<b>\$25,117.0</b>			
<b>Recommended Net Revision</b>							
<b>Net</b>							
GF/GP	\$3.8	\$105.0	\$48.4	\$100.5			
SAF	(0.1)	(52.9)	(45.5)	(58.0)			
<b>Total</b>	<b>\$3.7</b>	<b>\$52.2</b>	<b>\$2.8</b>	<b>\$42.5</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 2018-19		FY 2019-20		FY 2020-21	
	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	\$ Change	% Change	\$ Change	% Change	\$ Change	% Change
Income Tax	\$7,266.9	\$7,119.3	\$7,029.8	\$7,152.7	(\$147.6)	-2.0%	(\$89.5)	-1.3%	\$122.9	1.7%
Sales Tax	1,270.9	1,308.0	1,361.9	1,390.0	37.1	2.9%	53.9	4.1%	28.1	2.1%
Use Tax	801.1	762.7	746.8	731.2	(38.4)	-4.8%	(15.9)	-2.1%	(15.6)	-2.1%
Michigan Business Tax	(646.7)	(607.7)	(691.0)	(657.4)	39.0	-6.0%	(83.3)	13.7%	33.6	-4.9%
Corporate Income Tax	1,019.9	1,140.2	1,133.9	1,113.7	120.3	11.8%	(6.3)	-0.6%	(20.2)	-1.8%
Insurance	393.2	372.5	379.0	389.0	(20.7)	-5.3%	6.5	1.7%	10.0	2.6%
Other GF/GP Taxes	475.4	365.7	446.9	462.5	(109.7)	-23.1%	81.1	22.2%	15.6	3.5%
<b>GF/GP Net Tax Revenue</b>	<b>\$10,580.7</b>	<b>\$10,460.7</b>	<b>\$10,407.3</b>	<b>\$10,581.7</b>	<b>(\$120.0)</b>	<b>-1.1%</b>	<b>(\$53.5)</b>	<b>-0.5%</b>	<b>\$174.4</b>	<b>1.7%</b>
Non-Tax Revenue	436.4	344.4	358.9	371.4	(92.0)	-21.1%	14.5	4.2%	12.5	3.5%
<b>Total GF/GP Net Revenue</b>	<b>\$11,017.1</b>	<b>\$10,805.1</b>	<b>\$10,766.2</b>	<b>\$10,953.1</b>	<b>(\$212.0)</b>	<b>-1.9%</b>	<b>(\$39.0)</b>	<b>-0.4%</b>	<b>\$186.9</b>	<b>1.7%</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 2018-19		FY 2019-20		FY 2020-21	
	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	\$ Change	% Change	\$ Change	% Change	\$ Change	% Change
Sales Tax	\$5,881.1	\$6,076.3	\$6,300.9	\$6,437.5	\$195.2	3.3%	\$224.6	3.7%	\$136.6	2.2%
Use Tax	632.3	609.3	615.3	620.3	(23.0)	-3.6%	6.0	1.0%	5.0	0.8%
Income Tax	2,892.9	2,783.6	2,827.4	2,909.2	(109.3)	-3.8%	43.8	1.6%	81.8	2.9%
State Education Tax	1,987.9	2,112.0	2,180.0	2,242.0	124.1	6.2%	68.0	3.2%	62.0	2.8%
Lottery/Casinos	1,095.3	1,101.0	1,118.0	1,135.0	5.7	0.5%	17.0	1.5%	17.0	1.5%
Tobacco Tax	343.8	342.5	337.5	333.4	(1.3)	-0.4%	(5.0)	-1.5%	(4.2)	-1.2%
Real Estate Transfer Tax	350.3	355.0	359.0	365.0	4.7	1.3%	4.0	1.1%	6.0	1.7%
Other Taxes	118.4	117.9	143.0	164.0	(0.5)	-0.4%	25.1	21.3%	21.0	14.7%
<b>Total SAF Net Revenue</b>	<b>\$13,302.0</b>	<b>\$13,497.6</b>	<b>\$13,881.2</b>	<b>\$14,206.4</b>	<b>\$195.6</b>	<b>1.5%</b>	<b>\$383.5</b>	<b>2.8%</b>	<b>\$325.3</b>	<b>2.3%</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) would be indicated if personal income growth is negative. In either case, the recommendation is only statutory; it does not mandate an appropriation, and 2018 PA 613 specifies that a legislative appropriation is required for transfers 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** details deposits, withdrawals, interest earnings, and the year-end balance from FY 1990-91 through FY 2020-21.

The BSF ending fund balance for FY 2017-18 was \$1,006.0 million. Although no statutory appropriation would be required under the formula, a \$100.0 million appropriation has been made for FY 2018-19.

No pay-in is indicated for FY 2019-20, although FY 2020-21 has a calculated pay-in of \$3.2 million. Neither of the calculated amounts includes the \$17.5 million required under 2016 PA 106. When the required \$17.5 million deposit and estimated interest earnings are included, the year-end balances are estimated at \$1,148.4 million for FY 2018-19, \$1,193.1 million for FY 2019-20, and \$1,242.9 million for FY 2020-21.

**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	\$92.7	\$0.0	\$5.1	\$710.0
2017-18	\$282.5	\$0.0	\$13.5	\$1,006.0
2018-19*	\$117.5	\$0.0	\$25.0	\$1,148.4
2019-20*	\$17.5	\$0.0	\$27.2	\$1,193.1
2020-21*	\$20.7	\$0.0	\$29.1	\$1,242.9

\* 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, the state is prohibited from spending any current-year revenue in excess of the limit established in Section 26 by Article IX, Section 28.

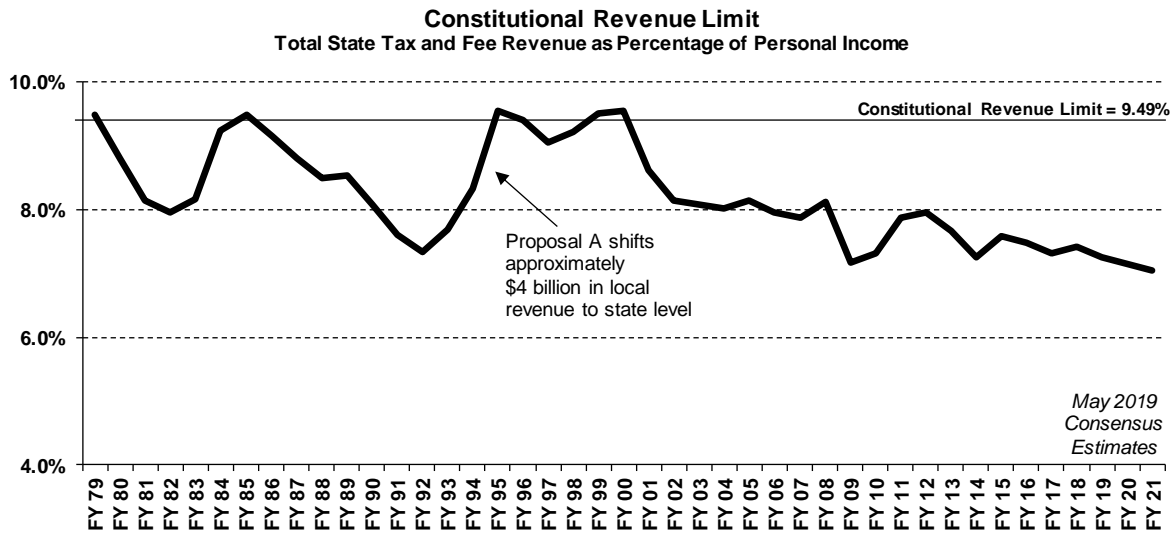
As shown in **Table 6** and **Figure 3**, the FY 2017-18 revenue limit calculation estimates state revenue collections at \$9.2 billion below the revenue limit. State revenue is estimated to be below the limit by \$10.3 billion for FY 2018-19, \$11.1 billion for FY 2019-20, and \$12.1 billion for FY 2020-21.

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

<u>Revenue Limit Calculations</u>	<u>Estimated FY 2017-18</u>	<u>Estimated FY 2018-19</u>	<u>Estimated FY 2019-20</u>	<u>Estimated FY 2020-21</u>
Personal Income				
Calendar Year	<u>CY 2016</u>	<u>CY 2017</u>	<u>CY 2018</u>	<u>CY 2019</u>
Amount	\$444,532	\$460,270	\$475,626	\$493,621
X Limit Ratio	9.49%	9.49%	9.49%	9.49%
<b>State Revenue Limit</b>	<b>\$42,186.1</b>	<b>\$43,679.6</b>	<b>\$45,136.9</b>	<b>\$46,844.6</b>
Total Revenue Subject to Revenue Limit	\$32,948.1	\$33,402.1	\$34,041.8	\$34,763.0
<b>Amount Under (Over) State Revenue Limit</b>	<b>\$9,237.9</b>	<b>\$10,277.6</b>	<b>\$11,095.1</b>	<b>\$12,081.7</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 2018-19 estimates are based on year-to-date appropriations and HFA revenue and K-12 cost estimates. Final FY 2017-18 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)

	Final FY 2017-18	Estimated FY 2018-19
General Fund/General Purpose	\$788.3	\$613.8
School Aid Fund	\$320.5	\$80.6
Budget Stabilization Fund	\$1,006.0	\$1,148.4

*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](http://www.house.mi.gov/hfa)