

SENATE FISCAL AGENCY
MEMORANDUM



DATE: May 19, 2021
TO: Members of the Michigan Senate
FROM: Christopher Harkins, Director
RE: Transmittal of Senate Fiscal Agency's (SFA's) Economic Outlook and Budget Review

I am pleased to transmit to your office a copy of the SFA's latest economic and revenue forecast. This forecast will be used by the SFA at the Consensus Revenue Estimating Conference to be held on May 21, 2021.

The impact of the Coronavirus Disease 2019, COVID-19, global pandemic on the national and Michigan economies over the past year has been substantial. The SFA's updated economic forecast anticipates significant changes in the United States and Michigan economies through calendar year 2023. Both the national and Michigan economies are now expected to exhibit a reasonably strong recovery from the COVID-19 pandemic during fiscal year (FY) 2020-21 with slower growth continued in FY 2021-22 and FY 2022-23.

In terms of the State revenue forecast, the SFA predicts a 5.1% increase in General Fund/General Purpose (GF/GP) revenue for FY 2020-21 compared to final FY 2019-20 GF/GP revenue. A GF/GP revenue increase of 2.2% is estimated for FY 2021-22 and another increase of 4.4% in FY 2022-23 when compared to revised SFA figures. Similarly, restricted School Aid Fund (SAF) revenue is expected to increase 8.2% in FY 2020-21, when compared to final FY 2019-20 revenue. The SAF is projected to decrease by 0.8% in FY 2021-22, and increase by 1.8% in FY 2022-23, reflecting a gradual return of earmarked SAF revenue sources over the forecast period.

The final book closing for FY 2019-20 resulted in positive year-end balances in both the GF/GP and SAF budgets, of \$2.3 billion and \$1.2 billion, respectively. For FY 2020-21, the SFA's revised revenue estimates result in a projected year-end balance of \$2.9 billion in the GF/GP budget and a year-end balance of \$1.8 billion in the SAF budget. If the SFA's FY 2021-22 revenue estimate is compared with Senate-passed budget bills, the SFA's outlook for the FY 2021-22 budget includes a projected GF/GP budget balance of \$2.9 billion. The SFA projects a year-end balance of \$2.3 billion in the SAF. These projected future balances would be reduced by any ongoing action taken in the current fiscal year, or if expenditures are adjusted from the Senate-passed budget recommendations for FY 2021-22. .

If you have any questions about this report, please contact me or the SFA's Chief Economist, David Zin.

/lms

Attachment

c: Tom Davis, Senate Majority Policy Office
David Zin, Chief Economist
Kathryn Summers, Associate Director

David Ettinger, Senate Democratic Office
Ryan Bergen, Economist and Fiscal Analyst