

Consensus Revenue Estimating Conference Findings for FY21 and FY22

January 28, 2021

State economists including State Treasurer Rachel Eubanks, State Budget Director Dave Massaron, Senate Fiscal Agency Director Christopher Harkins, and House Fiscal Agency Director Mary Ann Cleary, agreed to upgrade state revenue projections in response to data that shows the doom and gloom from the economic shutdowns enacted in response to the COVID-19 pandemic will not be nearly as bad as originally feared. These projections* were presented at the January 15, 2021 Consensus Revenue Estimating Conference (CREC).

When Michigan's government finally closes the books on FY2020 (last year), it is projected to have a \$2.5 billion surplus in the General Fund and a nearly \$1.2 billion balance in the School Aid Fund. These numbers will be carried over into the current fiscal year. The combined \$3.7 billion surplus is a complete turnaround to where state officials projected the budget's position to be last summer when Michigan was staring into a \$2.2 billion hole for FY2020. The state economists stated that the federal government's help with unemployment payments, stimulus checks, and COVID-19 relief help for public health care, is a big driver for the change.

While Michigan's government will receive about \$1.25 billion less than initially expected for this fiscal year, which started October 1, State Treasurer Rachael Eubanks stated, "While still down more than \$1 billion compared to before the pandemic, today the state's revenues were raised upwards primarily due to direct and indirect impacts from the federal stimulus. Our economic recovery this year will continue to depend on the course of the pandemic and the additional economic relief coming from Washington D.C. There is cautious hope and optimism as we move forward as vaccines are administered, and we begin to put the pandemic behind us."

Governor Whitmer will base her proposed FY2022 budget around these numbers later this winter, but another forecast in May will be the numbers the Legislature uses to pass their plan for the coming fiscal year. The state economists forecast that the State of Michigan will receive \$1 billion more in revenue during FY2022, which starts October 1. According to the House and Senate fiscal agencies, we can expect an additional \$700 million in General Fund revenue and \$530 million more in School Aid Fund support for FY2021 over the August prediction. But as noted, there will still be a significant shortfall from the original projections of \$84 million.

The January Consensus Revenue Estimating Conference's detailed forecast can be found on the House Fiscal Agency's website at this link: <https://www.house.mi.gov/hfa/Consensus.asp>

* The revenue estimates are based on the most recent economic projections and forecasting models. As with any economic and revenue forecasts, there are potential risks to the estimates agreed to, including further COVID-19 outbreaks, national economic trends, and international economic issues.