INTRODUCTION
Coordinated Compensation Proceedings
FY 2021-2022

The Michigan Association of Governmental Employees (MAGE), Office & Professional Employees International Union (OPEIU) Local 2002 submits this position statement to the Employment Relations Board (ERB) on behalf of its members. This statement covers compensation issues for the Board to consider for FY 2021-22 for non-exclusively represented employees.

Direct Wage Increase FY 2021-20

Civil Service Regulation 6.06 provides that the Board consider *"Comparison of the rates of pay, the continuity and stability of employment, and the overall compensation and benefits received by excluded and non-exclusively represented classified state employees performing similar services in other public and private employment."*

The Commission has already approved a 2 percent increase in October 2021 and a 1 percent increase in April 2022 for exclusively represented employees.

According the Michigan's Economic Outlook and Budget Review produced by the Senate Fiscal Agency, the CPI is estimated to rise 1.8 percent in 2021 and 2.6 percent in 2022 (**Exhibit #1, page 1).**

The Michigan economy as measured by inflation adjusted personal income is estimated to decline 1.6 percent in 2020, but then grow 1.3 percent in 2021 and 2.6 percent in 2022 **(Exhibit 1, page 1).**

Although we continue to face the pandemic, State Revenue collections in August were above what was collected a year ago during the same period. Net income tax revenue was up 11.6 percent from the same period one year ago, and sales tax collection for the month was up 7.7 percent from one year ago. **(Exhibit #2)**

MAGE hereby recommends a 2 percent base wage increase in October 2021 and a 1 percent increase in April 2022.

PROFESSIONAL DEVELOPMENT FUND

MAGE recommends funding the Professional Development Fund at $250,000 as the State has done in the past.

Respectfully submitted,

Brant Wimbush

Brant Wimbush, Chair
Compensation Committee
MAGE-OPEIU Local 2002

EXHIBIT #1

MAGE-OPEIU LOCAL 2002
Position Statement 2021-22

Senate Fiscal Agency

MICHIGAN'S ECONOMIC OUTLOOK AND BUDGET REVIEW

FY 2019-20, FY 2020-21, and FY 2021-22

May 14, 2020

Christopher Harkins, Director – Lansing, Michigan – (517) 373-2768
www.senate.michigan.gov/sfa

THE SENATE FISCAL AGENCY

The Senate Fiscal Agency is governed by a board of five members, including the majority and minority leaders of the Senate, the Chairperson of the Appropriations Committee of the Senate, and two other members of the Appropriations Committee of the Senate appointed by the Chairperson of the Appropriations Committee with the concurrence of the Majority Leader of the Senate, one from the minority party.

The purpose of the Agency, as defined by statute, is to be of service to the Senate Appropriations Committee and other members of the Senate. In accordance with this charge, the Agency strives to achieve the following objectives:

1. To provide technical, analytical, and preparatory support for all appropriations bills.

2. To provide written analyses of all Senate bills, House bills, and Administrative Rules considered by the Senate.

3. To review and evaluate proposed and existing State programs and services.

4. To provide economic and revenue analysis and forecasting.

5. To review and evaluate the impact of Federal budget decisions on the State.

6. To review and evaluate State issuance of long-term and short-term debt.

7. To review and evaluate the State's compliance with constitutional and statutory fiscal requirements.

8. To prepare special reports on fiscal issues as they arise and at the request of members of the Senate.

The Agency is located on the 8th floor of the Victor Office Center. The Agency is an equal opportunity employer.

Christopher Harkins, Director
Senate Fiscal Agency
P.O. Box 30036
Lansing, Michigan 48909-7536
Telephone (517) 373-2768

www.senate.michigan.gov/sfa

ACKNOWLEDGEMENT

This Economic Outlook and Budget Review was prepared and written by David Zin, Chief Economist; Ryan Bergan, Economist and Fiscal Analyst; Kathryn Summers, Associate Director; and Christopher Harkins, Director of the Senate Fiscal Agency. Linda Scott, Executive Assistant, coordinated the production of this report.

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ECONOMIC FORECAST

The United States economy, as measured by inflation-adjusted gross domestic product (GDP) is predicted to contract 7.2% in 2020, the first annual decline since 2009, but will expand 0.7% in 2021 and 3.1% in 2022. Light vehicle sales are forecast to decline from 17.0 million units in 2019 to 12.4 million units in 2020, 15.5 million units in 2021, and 16.2 million units in 2022. The unemployment rate is expected to rise from 3.7% in 2019 to 9.0% in 2020, before declining to 6.3% in 2021 and 4.5% in 2022; the Consumer Price Index is estimated to fall 0.4% in 2020, and then rise 1.8% in 2021 and 2.6% in 2022.

The Michigan economy, as measured by inflation-adjusted personal income, is estimated to decline 1.6% in 2020, but then grow 1.3% in 2021 and 2.6% in 2022. Wage and salary employment, after increasing 0.3% in 2019, is predicted to fall 11.7% during 2020, but then grow 6.1% in 2021 and 1.1% in 2022.

REVENUE FORECAST

In FY 2019-20, an economic recession is expected to lower revenue from every major tax. General Fund/General Purpose (GF/GP) and School Aid Fund (SAF) net revenue will total an estimated $21.3 billion, a 13.6% decrease from FY 2018-19. Compared to the January 2020 consensus estimates, the GF/GP estimate is $2.3 billion lower and the SAF estimate is $1.3 billion lower.

In FY 2020-21, as the economy begins to recover from the 2020 recession, net GF/GP and SAF revenue will total an estimated $22.2 billion, a 4.1% increase from the revised FY 2019-20 estimate but $3.3 billion below the January 2020 consensus estimate. General Fund/General Purpose revenue will total an estimated $9.1 billion, a 4.2% increase from FY 2019-20 that is $2.1 billion less than the January 2020 consensus estimate. School Aid Fund revenue will total an estimated $13.1 billion, a 4.0% increase that is $1.2 billion less than the January 2020 consensus estimate.

In FY 2021-22, net GF/GP and SAF revenue will total an estimated $24.0 billion, an 8.2% increase from the revised estimate for FY 2020-21 and $2.1 billion less than the January 2020 consensus estimates. Under the forecast, combined GF/GP and SAF revenue in FY 2021-22 would be $656.3 million, or 2.7%, less than in FY 2018-19. Continuing economic growth will result in GF/GP revenue totaling an estimated $10.1 billion, an increase of 11.1% from FY 2020-21, while SAF revenue will total an estimated $13.9 billion, a 6.3% increase.

YEAR-END BALANCE ESTIMATES

Based on the revised Senate Fiscal Agency (SFA) revenue estimates and enacted and projected appropriations, the SFA is estimating that the FY 2019-20 GF/GP budget will have a negative ending balance of $1.4 billion. A comparison of the FY 2019-20 SAF revenue estimates and enacted and projected SAF appropriations produces a $1.2 billion SAF deficit.

Comparing the SFA's FY 2020-21 GF/GP revenue estimate with a projected baseline current services budget, leads to a $2.7 billion deficit in the FY 2020-21 GF/GP budget. The SFA's FY 2020-21 SAF revenue estimate, projecting a continuation baseline, results in a $1.1 billion deficit in the FY 2020-21 SAF budget.

If the SFA's FY 2021-22 GF/GP revenue estimate is compared with the FY 2020-21 ongoing GF/GP appropriations adjusted for a current services baseline and for SFA-estimated caseload and costs, there is a projected $1.5 billion GF/GP budget deficit. If the SFA's FY 2021-22 SAF revenue estimate is compared with the continuation of a current services budget into FY 2021-22, adjusted for estimated pupils and other costs, there is a projected $320.7 million budget deficit.

EXECUTIVE SUMMARY

SENATE FISCAL AGENCY
ECONOMIC AND BUDGET SUMMARY

ECONOMIC PROJECTIONS (Calendar Year)	2018 Actual	2019 Actual	2020 Estimate	2021 Estimate	2022 Estimate
Real Gross Domestic Product (% change)	2.9%	2.3%	-7.2%	0.7%	3.1%
U.S. Consumer Price Index (% change)	2.4%	2.3%	-0.4%	1.8%	2.6%
Light Motor Vehicle Sales (millions of units)	17.2	17.0	12.4	15.5	16.2
U.S. Unemployment Rate (%)	3.9%	3.7%	9.0%	6.3%	4.5%
Real Michigan Personal Income (% change)	2.5%	2.5%	-1.6%	1.3%	2.6%
Michigan Wage & Salary Employment (% change)	1.1%	0.3%	-11.7%	6.1%	1.1%

REVENUE ESTIMATES
GENERAL FUND/GENERAL PURPOSE (GF/GP) AND SCHOOL AID FUND (SAF)
(millions of dollars)

	FY 2019-20 Estimate			FY 2020-21 Estimate			FY 2021-22 Estimate		
	Baseline	Tax Changes	Net Available	Baseline	Tax Changes	Net Available	Baseline	Tax Changes	Net Available
GF/GP	$10,623.8	($1,909.9)	$8,713.9	$11,192.5	($2,108.6)	$9,084.0	$11,969.3	($1,881.3)	$10,088.0
% Change	(13.3%)	---	(21.6%)	5.4%	---	4.2%	6.9%	---	11.1%
School Aid Fund	$12,466.9	$131.4	$12,598.3	$12,881.4	$217.9	$13,099.3	$13,611.8	$312.1	$13,923.9
% Change	(8.6%)	---	(7.0%)	3.3%	---	4.0%	5.7%	---	6.3%
Total GF/GP & SAF	$23,090.7	($1,778.5)	$21,312.2	$24,073.9	($1,890.6)	$22,183.3	$24,011.9	($1,569.2)	$24,011.9
% Change	(10.8%)	---	(13.6%)	4.3%	---	4.1%	6.3%	---	8.2%
Revenue Limit – Under (Over)		$15,601.4			$15,923.9			$12,163.7	

	FY 2019-20 Estimate	FY 2020-21 Estimate	FY 2021-22 Estimate
Revision from Jan. Consensus			
GF/GP	($2,298.2)	($2,110.5)	($1,430.5)
SAF	(1,327.2)	(1,218.2)	(716.2)
Total	**($3,625.4)**	**($3,328.7)**	**($2,146.7)**

YEAR-END BALANCE ESTIMATES (Fiscal Year, millions of dollars)	FY 2019-20 Estimate	FY 2020-21 Estimate	FY 2021-22 Estimate
General Fund/General Purpose..................................	($1,395.0)	($2,664.0)	($1,540.9)
School Aid Fund	($1,235.1)	($1,097.1)	($320.7)
Budget Stabilization Fund (with enacted deposits)......	$1,174.4	$1,193.1	$1,218.6

ECONOMIC REVIEW AND OUTLOOK

State revenue, particularly tax revenue, depends heavily on economic conditions. This section presents the Senate Fiscal Agency's (SFA's) latest economic forecast for 2020, 2021, and 2022, as well as a summary of recent economic activity.

RECENT U.S. ECONOMIC HIGHLIGHTS

The longest economic expansion on record, based on the National Bureau of Economic Research dating recessions as far back as December 1854, likely ended in first quarter of 2020, as inflation-adjusted Gross Domestic Product (GDP) declined 4.8% according to the advance estimate from the US Department of Commerce's Bureau of Economic Analysis. While a single quarter of decline would not mark the end of an expansion period, the economic disruption associated with COVID-19 is expected to result in an even more severe contraction during the second quarter of 2020. Two consecutive quarters of decline in inflation-adjusted GDP generally is considered sufficient to mark a recession. Most forecasts suggest that, measured either in terms of peak-to-trough decline in inflation-adjusted GDP or in terms of peak-to-trough decline in employment, the impending recession will be deeper, although of a shorter duration, than the 2008-09 recession.

Although the 2008-2009 recession represented the most severe economic contraction in more than 70 years, the years following the recession have also represented the weakest recovery. Between the second quarter of 2009 and the fourth quarter of 2019, the economy had expanded for 42 quarters. Four other recoveries since World War II lasted 20 quarters or more, although only two of those recoveries lasted 35 quarters or more (the longest was 40 quarters), and the most recent recovery was less than half as strong as the average of other long recoveries (Figure 1). The economy averaged only 2.2% annual growth during the expansion, compared with an average of 3.8% annual growth over the longest recoveries since World War II (42 quarters after the end of the 1961, 1982, and 1991 recessions). Most of the weakness during the recovery reflected particularly slow growth through the first quarter of 2014: personal consumption spending (which generally has accounted for two-thirds of economic activity) grew at a rate of 1.7% per year between the recession trough and the first quarter of 2014 while the government sector contracted by 1.9% per year (Figure 2). Since the first quarter of 2014, the government sector remained relatively flat through the third quarter of 2017, and then grew 2.3% per year between the third quarter of 2017 and the fourth quarter of 2019, while consumption consistently grew more rapidly, growing at an average of 2.9% per year. However, the growth in consumption since the first quarter of 2014 has been offset by a marked slowing in business investment, from 9.8% growth per year between the second quarter of 2009 and the first quarter of 2014, to 3.0% growth per year between the first quarter of 2014 and the fourth quarter of 2019.

The weak recovery from the 2008-09 recession has meant that, despite the record-setting duration, the US economy was more likely to see the expansions gains erased quickly. The advance estimate for inflation-adjusted GDP in the first quarter already erased almost all of the growth experienced since the first quarter of 2019. To the extent that the advance estimate is widely expected to be revised lower, the impact of the first quarter's decline will be even more severe. While total employment increased by 20.7 million jobs between the employment trough in December 2009 and February 2020, between February and April of 2020, total employment declined by 25.4 million jobs--more than wiping out all of the employment gains of the last 11 years. For economic variables, such as housing starts and industrial production, that had yet to recover to pre-recession peaks, the current recession will delay any recovery.

Figure 1

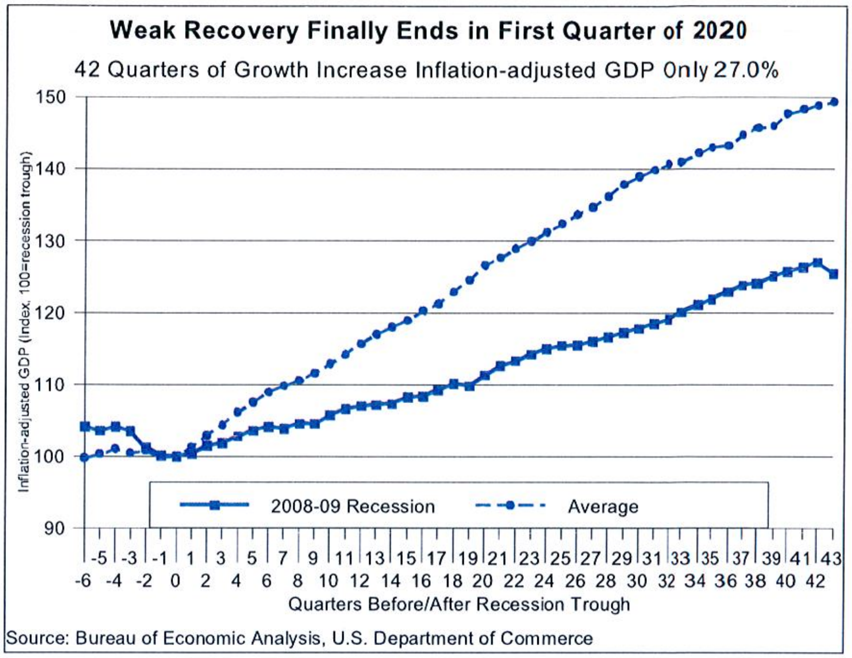
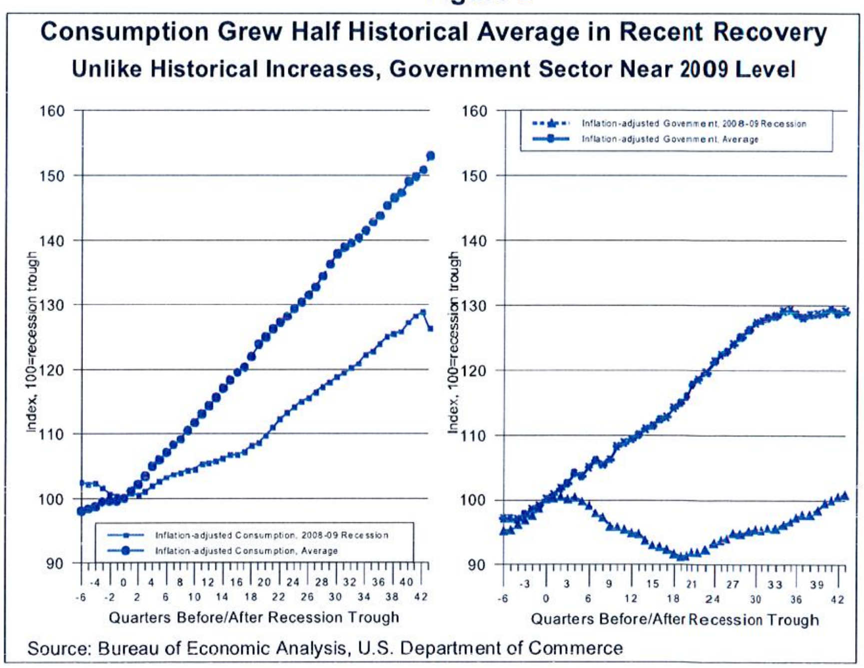


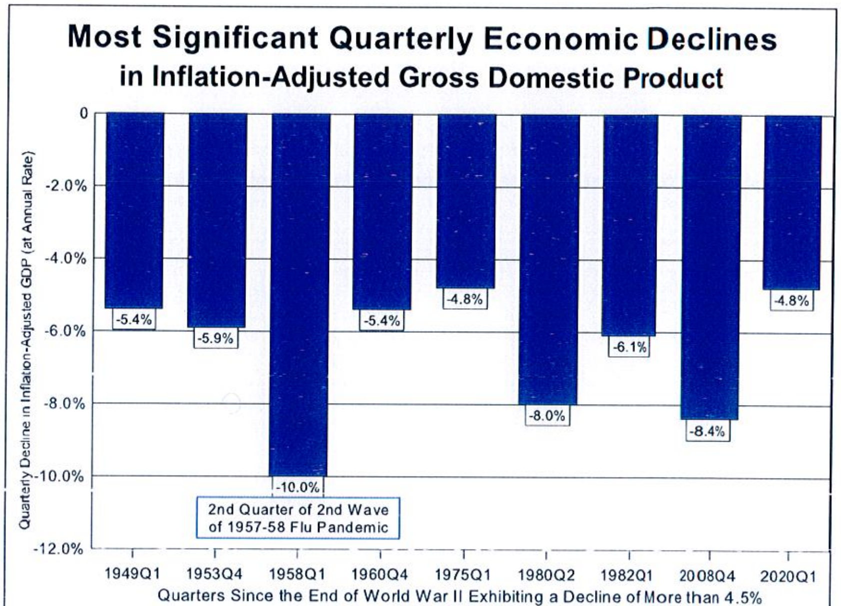
Figure 2



The economic contraction associated with COVID-19 has been rapid and global. For many economic variables, the changes already have been of unprecedented magnitudes--even compared to the changes over the duration of entire recessions that have occurred previously. The reduction in inflation-adjusted GDP in the first quarter of 2020 already ranks as one of the nine worst quarterly declines since World War II (Figure 3). The majority of current forecasts expect the second quarter of 2020 to be more than double the contraction in the first quarter of 1958, the steepest quarterly decline since World War II. The 1957-58 recession exhibited declines at an annual rate of 4.1% in the fourth quarter of 1957 and 10.0% in the first quarter of 1958, reflecting the second wave of the H2N2 flu pandemic.

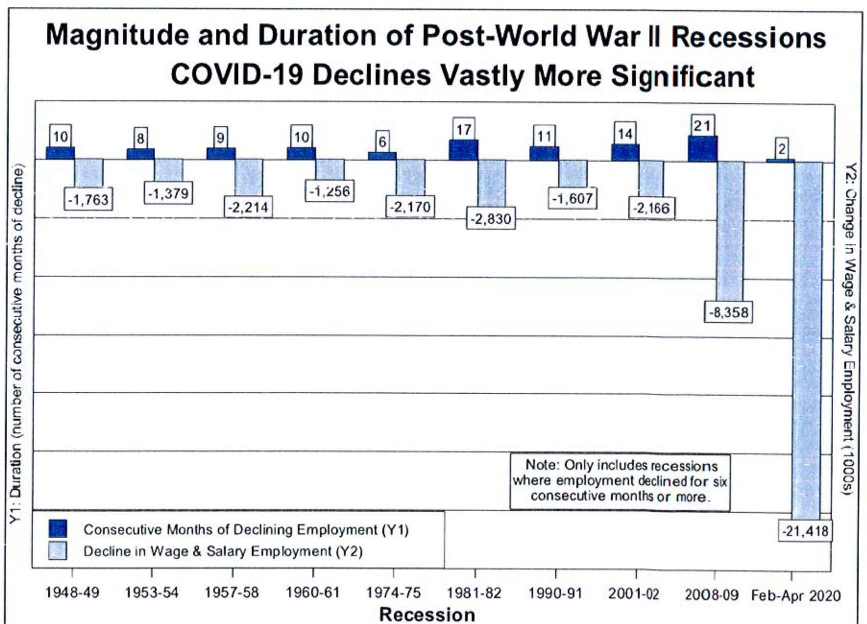
Job losses associated with the COVID-19 pandemic already are significant. The loss of 21.4 million payroll employment jobs (as opposed to total employment, which also includes self-employed workers and agricultural workers) between February and April 2020 not only erased nearly all of the 22.8 million payroll jobs created since February 2010 (the employment trough from the 2008-09 recession), but is almost three times the record-setting employment decline experienced during the 2008-09 recession (Figure 4). Similarly, the rapid onset of such substantial changes also is unprecedented, as illustrated by initial claims for unemployment insurance (Figure 5). Job losses associated with COVID-19 have pushed the April 2020 unemployment rate to an all-time post-World War II record high of 14.7%. The previous record was 10.8% in November and December of 1982 (Figure 6).

Figure 3



Source: Bureau of Economic Analysis, U.S. Department of Commerce

Figure 4



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

Figure 5

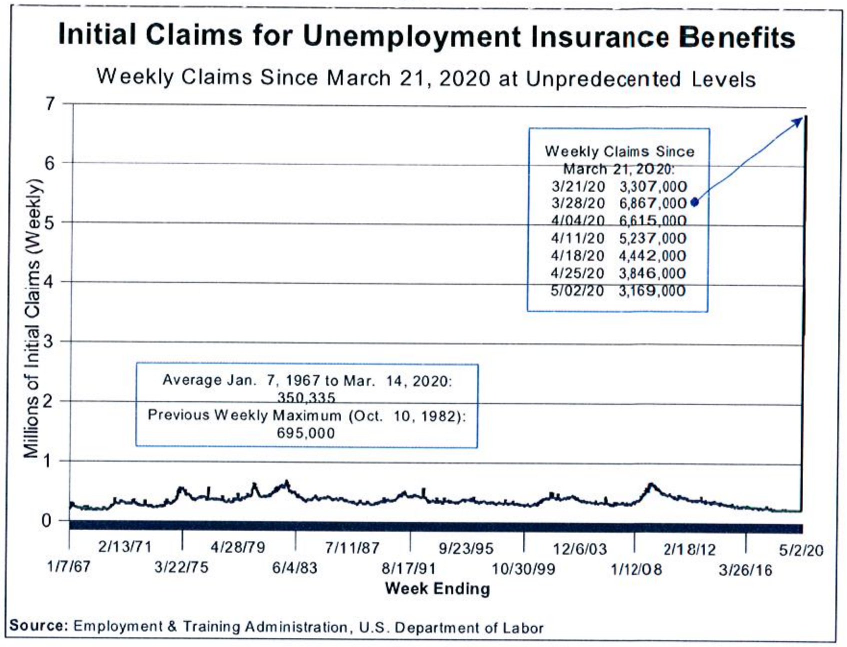
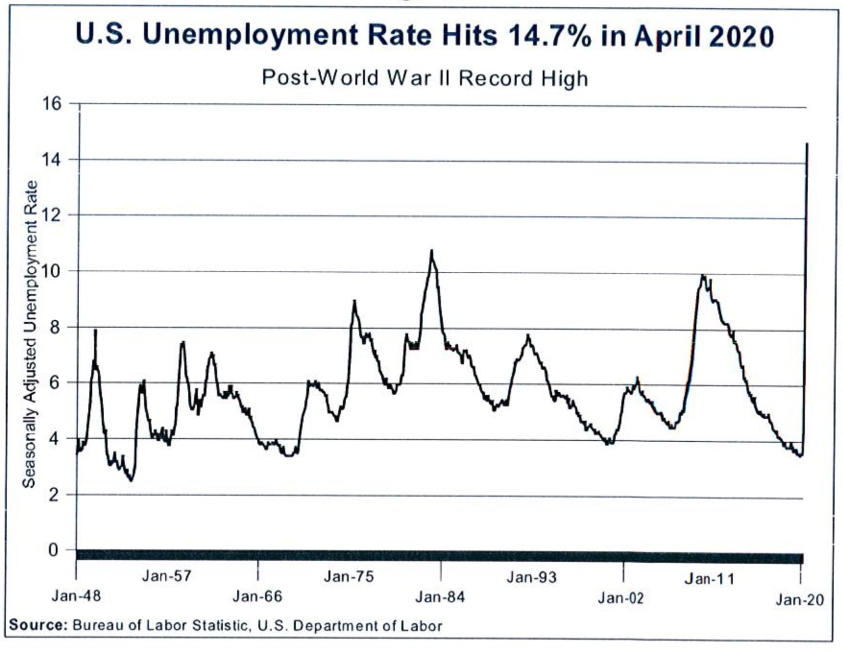


Figure 6



The impact of COVID-19 has lowered economic activity across a wide variety of sectors. Industrial production in the manufacturing sector, which has not yet recovered to pre-2008 recession peaks, fell below the January 2005 level in March 2020, according to the most recent data available (Figure 7). The decline in manufacturing has not just been on the output side, with both employment and new orders contracting substantially in April 2020 from March 2020, despite a slowdown that had started in August 2019 (Figure 8). The nonmanufacturing sector had exhibited continued expansion at the start of 2020, although the expansion had been slowing, but turned to contraction in April (Figure 9). Among nonmanufacturing services most substantially affected by COVID-19, the travel/transportation sector and food services (i.e. restaurants) sector have experienced year-over-year declines in activity of between 90% and 100% (Figures 10 and 11). The hospitality sector has experienced significant declines, with hotel occupancy declining between 60%

and 70%, while revenue per available room has fallen approximately 80% (Figure 12). Retail sales also exhibited the first year-over-year decline since the 2008-09 recession in March 2020 and further declines are expected (Figure 13), particularly given that many of the factors that caused the March decline were present for only the last portion of the month but continued through all of April.

While additional anecdotal evidence exists to demonstrate the significant impact COVID-19 has had on the economy so far, many data sources that provide reliable (or official) estimates for economic activity are not issued frequently enough, or require substantial time to collect source information and accurately compile the information, that it is difficult to obtain more timely economic information that can reflect the rapid changes associated with the virus. As a result, over the next few months, a fuller picture of any economic changes will become available.

Figure 7

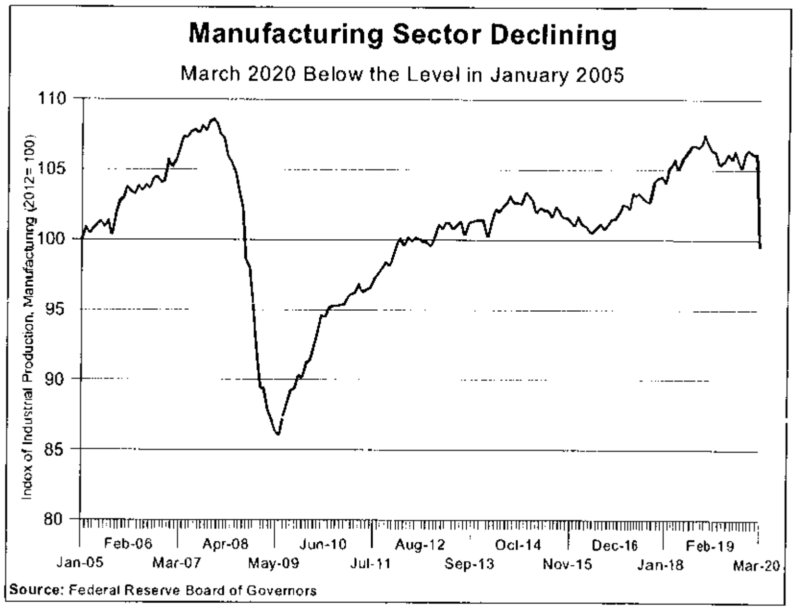


Figure 8

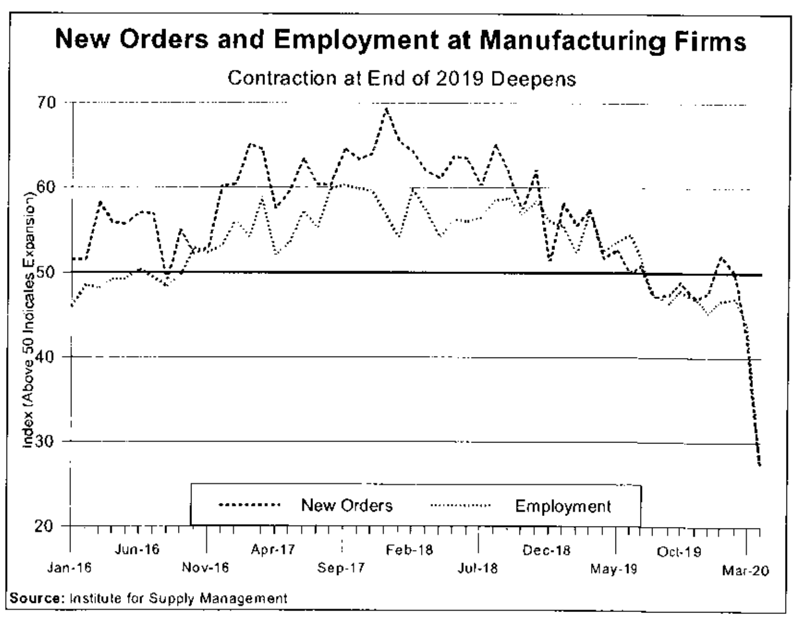
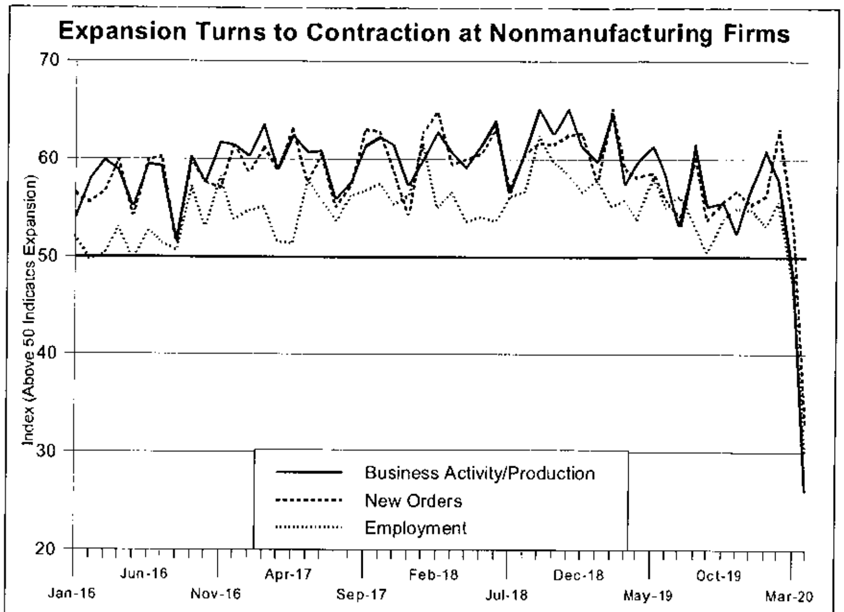
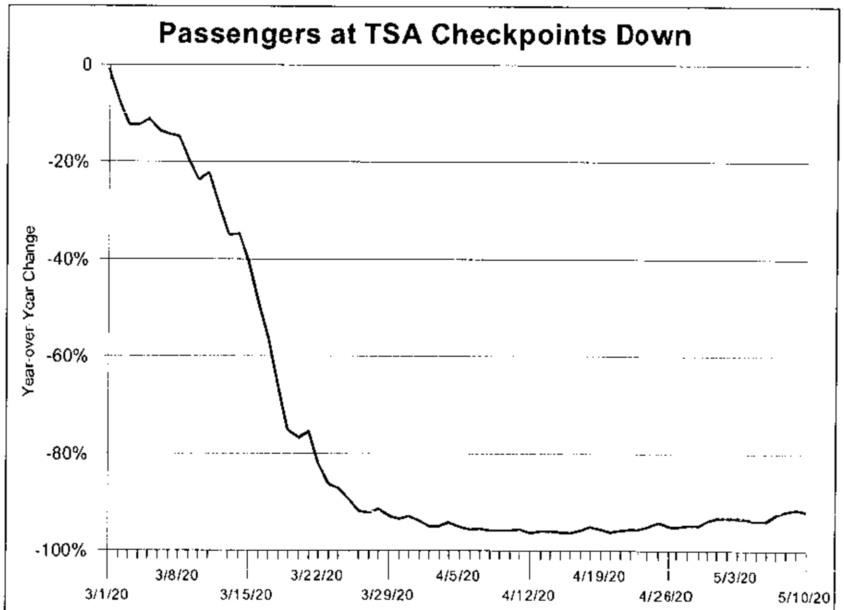


Figure 9



Source: Institute for Supply Management

Figure 10



Source: Transportation Security Administration, U.S. Department of Homeland Security

EXHIBIT #2

MAGE-OPEIU LOCAL 2002
Position Statement 2021-22

SFA: Revenue Up Slightly In August

State revenue collections in August were above what was collected a year ago during the same period but were only a few million dollars above projections from that month's new revenue estimating conference, the Senate Fiscal Agency said Thursday.

For the month, SFA reported combined General Fund and School Aid Fund collections totaled about $2.4 billion. While this was a 5.4 percent increase over August 2019 levels, it was only $4.6 million above projections from the August revenue estimating conference.

SFA noted the new coronavirus impact was evident in many tax collections based on federal stimulus and relief programs as well as the governor's executive orders that temporarily shuttered many businesses statewide.

General Fund collections were $15.2 million below expectations for August while School Aid Fund collections were $17.7 million above expectations. The remaining $2.1 million in collections above projections was from other funds.

SFA said for the current fiscal year to date General Fund collections were $56.5 million above projections set by the August revenue conference and School Aid Fund collections were $13.4 million above the revenue conference projections.

Net income tax revenue came in at $842.2 million for August. This was up 11.6 percent from the same period one year ago and $19.6 million below forecast. Withholding payments representing a majority of gross income tax revenues were 15 percent over one year ago but also $7.2 million below estimates.

Sales tax collection were at $814.5 million for the month, up 7.7 percent from one year ago but $10.3 million below forecast. Sales tax collections from vehicles totaled $109.4 million. This was the third consecutive month of sales tax collections from vehicle sales being above $100 million and only the ninth month on record.

Combined Single Business Tax, Michigan Business Tax and Corporate Income Tax collections were reported to be $13.4 million. This was $13.2 million less than expected and for the current fiscal year to date and business tax collections are down 5.5 percent from August 2019.

State Education Tax collections for the month were 9.3 percent less than what was collected in August 2019 but also $19.3 million above estimates.