

Consensus Revenue Agreement

Executive Summary

January 12, 2017

Economic and Revenue Forecasts
Fiscal Years 2017, 2018 and 2019



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Table 1
Consensus Economic Forecast

January 2017

	Calendar 2015 Actual	Calendar 2016 Forecast	Percent Change from Prior Year	Calendar 2017 Forecast	Percent Change from Prior Year	Calendar 2018 Forecast	Percent Change from Prior Year	Calendar 2019 Forecast	Percent Change from Prior Year
United States									
Real Gross Domestic Product (Billions of Chained 2009 Dollars)	\$16,397	\$16,660	1.6%	\$16,993	2.0%	\$17,316	1.9%	\$17,680	2.1%
Implicit Price Deflator GDP (2009 = 100)	110.0	111.4	1.3%	113.4	1.8%	115.6	1.9%	117.9	2.0%
Consumer Price Index (1982-84 = 100)	237.017	239.925	1.2%	244.879	2.1%	249.777	2.0%	255.504	2.3%
Consumer Price Index - Fiscal Year (1982-84 = 100)	236.742	238.939	0.9%	243.767	2.0%	248.490	1.9%	254.017	2.2%
Personal Consumption Deflator (2009 = 100)	109.5	110.7	1.1%	112.6	1.7%	114.6	1.8%	116.9	2.0%
3-month Treasury Bills Interest Rate (percent)	0.05	0.3		0.8		1.4		2.1	
Aaa Corporate Bonds Interest Rate (percent)	3.9	3.6		3.9		4.1		4.3	
Unemployment Rate - Civilian (percent)	5.3	4.9		4.7		4.7		4.7	
Wage and Salary Employment (millions)	141.865	144.319	1.7%	146.200	1.3%	147.520	0.9%	148.850	0.9%
Housing Starts (millions of starts)	1.112	1.164	4.7%	1.226	5.3%	1.270	3.6%	1.335	5.1%
Light Vehicle Sales (millions of units)	17.4	17.5	0.4%	17.2	-1.5%	17.0	-1.2%	16.9	-0.6%
Passenger Car Sales (millions of units)	7.5	6.9	-8.2%	6.5	-5.8%	6.4	-1.5%	6.3	-1.6%
Light Truck Sales (millions of units)	9.9	10.6	6.9%	10.7	1.3%	10.6	-0.9%	10.6	0.0%
Big 3 Share of Light Vehicles (percent)	43.6	42.9		43.0		43.2		43.0	
Michigan									
Wage and Salary Employment (thousands)	4,244	4,329	2.0%	4,376	1.1%	4,420	1.0%	4,464	1.0%
Unemployment Rate (percent)	5.4	4.6		4.6		4.8		4.7	
Personal Income (millions of dollars)	\$424,807	\$440,101	3.6%	\$457,265	3.9%	\$474,183	3.7%	\$493,625	4.1%
Real Personal Income (millions of 1982-84 dollars)	\$194,237	\$198,076	2.0%	\$201,330	1.6%	\$204,870	1.8%	\$208,937	2.0%
Wages and Salaries (millions of dollars)	\$214,703	\$224,580	4.6%	\$232,215	3.4%	\$239,414	3.1%	\$247,793	3.5%
Detroit Consumer Price Index (1982-84 = 100)	218.706	222.188	1.6%	227.122	2.2%	231.456	1.9%	236.255	2.1%

Table 2
January 2017 Consensus Forecast
(millions)

Net Revenue Estimates								
	<u>FY 2016</u>	<u>FY 2017</u>			<u>FY 2018</u>			<u>FY 2019</u>
	<u>Preliminary</u>	<u>May 2016 Consensus</u>	<u>Jan 2017 Consensus</u>	<u>\$ Change From May</u>	<u>May 2016 Consensus</u>	<u>Jan 2017 Consensus</u>	<u>\$ Change From May</u>	<u>Jan 2017 Consensus</u>
Net GF-GP Revenue	\$10,015.4	\$10,138.5	\$10,290.1	\$151.6	\$10,607.1	\$10,522.7	(\$84.4)	\$10,589.3
% Growth	-0.2%	4.2%	2.7%		4.6%	2.3%		0.6%
\$ Growth			\$274.7			\$232.6		\$66.6
Net SAF Revenue	\$12,118.7	\$12,402.4	\$12,457.0	\$54.6	\$12,760.8	\$12,783.1	\$22.3	\$13,131.5
% Growth	3.2%	2.8%	2.8%		2.9%	2.6%		2.7%
\$ Growth			\$338.3			\$326.1		\$348.4
Combined GF-GP/SAF	\$22,134.1	\$22,541.0	\$22,747.1	\$206.2	\$23,367.9	\$23,305.8	(\$62.1)	\$23,720.8
% Growth	1.6%	3.4%	2.8%		3.7%	2.5%		1.8%
\$ Growth			\$613.0			\$558.7		\$415.0

Revenue Limit Calculation				
	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
Personal Income	\$403,726	\$424,807	\$440,101	\$457,265
Ratio	9.49%	9.49%	9.49%	9.49%
Revenue Limit	\$38,313.6	\$40,314.2	\$41,765.6	\$43,394.4
Revenue Subject to Limit	\$29,939.7	\$31,028.1	\$32,271.3	\$33,194.7
<u>Amount Under (Over) Limit</u>	\$8,373.9	\$9,286.1	\$9,494.3	\$10,199.7

Note: CY 2014 Personal Income is used for the FY 2016 revenue limit calculation, CY 2015 for FY 2017, CY 2016 for FY 2018, and CY 2017 for FY 2019.

Long Term Revenue Trend		
	<u>FY 2020</u>	<u>FY 2021</u>
Net GF-GP Revenue	\$10,731.3	\$10,848.1
Growth	1.3%	1.1%
Net SAF Revenue	\$13,499.0	\$13,877.8
Growth	2.8%	2.8%
Combined GF-GP/SAF	\$24,230.3	\$24,725.9
Growth	2.1%	2.0%

Budget Stabilization Fund Calculation		
FY 2017 Calculations	PAY-IN	\$140.2
FY 2018 Calculations	NO PAY-IN OR PAY-OUT	
FY 2019 Calculations	NO PAY-IN OR PAY-OUT	

School Aid Index		
	<u>FY 2018</u>	<u>FY 2019</u>
Revenue Adjustment Factor	1.0236	1.0245
Pupil Membership Factor	1.0028	1.0030
School Aid Index	1.0265	1.0276