

Consensus Revenue Agreement

Executive Summary

May 17, 2016

Economic and Revenue Forecasts
Fiscal Years 2016, 2017 and 2018



Principals

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Table 1
Consensus Economic Forecast

May 2016

	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
United States							
Real Gross Domestic Product (Billions of Chained 2009 Dollars)	\$16,349	\$16,660	1.9%	\$17,093	2.6%	\$17,503	2.4%
Implicit Price Deflator GDP (2009 = 100)	109.1	110.4	1.2%	112.2	1.6%	114.6	2.1%
Consumer Price Index (1982-84 = 100)	237.017	239.720	1.1%	244.806	2.1%	250.668	2.4%
Consumer Price Index - Fiscal Year (1982-84 = 100)	236.742	238.998	1.0%	243.654	1.9%	249.311	2.3%
Personal Consumption Deflator (2009 = 100)	109.4	110.5	1.0%	112.4	1.7%	114.6	2.0%
3-month Treasury Bills Interest Rate (percent)	0.04	0.4		1.0		1.6	
Aaa Corporate Bonds Interest Rate (percent)	3.9	3.9		4.0		4.2	
Unemployment Rate - Civilian (percent)	5.3	4.9		4.8		4.6	
Wage and Salary Employment (millions)	141.865	144.280	1.7%	146.010	1.2%	147.910	1.3%
Housing Starts (millions of starts)	1.112	1.200	7.9%	1.365	13.8%	1.454	6.5%
Light Vehicle Sales (millions of units)	17.4	17.6	1.4%	17.7	0.6%	17.7	0.0%
Passenger Car Sales (millions of units)	7.5	7.2	-4.3%	7.3	1.4%	7.4	1.4%
Light Truck Sales (millions of units)	9.8	10.4	5.7%	10.4	0.0%	10.3	-1.0%
Big 3 Share of Light Vehicles (percent)	43.8	44.0		44.1		44.3	
Michigan							
Wage and Salary Employment (thousands)	4,244	4,320	1.8%	4,363	1.0%	4,416	1.2%
Unemployment Rate (percent)	5.4	5.0		4.9		4.7	
Personal Income (millions of dollars)	\$421,044	\$436,623	3.7%	\$453,651	3.9%	\$474,065	4.5%
Real Personal Income (millions of 1982-84 dollars)	\$192,516	\$197,938	2.8%	\$201,395	1.7%	\$205,470	2.0%
Wages and Salaries (millions of dollars)	\$213,499	\$220,972	3.5%	\$228,264	3.3%	\$237,166	3.9%
Detroit Consumer Price Index (1982-84 = 100)	218.706	220.585	0.9%	225.254	2.1%	230.722	2.4%

Table 2
May 2016 Consensus Forecast
(millions)

Net Revenue Estimates									
	<u>FY 2016</u>			<u>FY 2017</u>			<u>FY 2018</u>		
	<u>Jan 2016 Consensus</u>	<u>May 2016 Consensus</u>	<u>\$ Change From Jan</u>	<u>Jan 2016 Consensus</u>	<u>May 2016 Consensus</u>	<u>\$ Change From Jan</u>	<u>Jan 2016 Consensus</u>	<u>May 2016 Consensus</u>	<u>\$ Change From Jan</u>
Net GF-GP Revenue	\$9,843.8	\$9,734.1	(\$109.7)	\$10,213.9	\$10,138.5	(\$75.4)	\$10,599.3	\$10,607.1	\$7.8
% Growth	-1.9%	-3.0%		3.8%	4.2%		3.8%	4.6%	
\$ Growth		(\$300.3)			\$404.4			\$468.6	
Net SAF Revenue	\$12,131.6	\$12,067.4	(\$64.2)	\$12,486.2	\$12,402.4	(\$83.8)	\$12,831.1	\$12,760.8	(\$70.3)
% Growth	3.3%	2.7%		2.9%	2.8%		2.8%	2.9%	
\$ Growth		\$320.3			\$335.0			\$358.4	
Combined GF-GP/SAF	\$21,975.4	\$21,801.5	(\$173.9)	\$22,700.1	\$22,540.9	(\$159.2)	\$23,430.4	\$23,367.9	(\$62.5)
% Growth	0.9%	0.1%		3.3%	3.4%		3.2%	3.7%	
\$ Growth		\$20.0			\$739.4			\$827.0	

Revenue Limit Calculation				
	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
Personal Income	\$386,471	\$403,726	\$421,044	\$436,623
Ratio	9.49%	9.49%	9.49%	9.49%
Revenue Limit	\$36,676.1	\$38,313.6	\$39,957.1	\$41,435.5
Revenue Subject to Limit	\$28,844.3	\$29,010.0	\$30,087.3	\$31,445.4
<u>Amount Under (Over) Limit</u>	\$7,831.8	\$9,303.6	\$9,869.7	\$9,990.1

Note: CY 2013 Personal Income is used for the FY 2015 revenue limit calculation, CY 2014 for FY 2016, CY 2015 for FY 2017, and CY 2016 for FY 2018.

Long Term Revenue Trend		
	<u>FY 2019</u>	<u>FY 2020</u>
Net GF-GP Revenue	\$10,597.9	\$10,754.7
Growth	-0.1%	1.5%
Net SAF Revenue	\$13,121.5	\$13,503.3
Growth	2.8%	2.9%
Combined GF-GP/SAF	\$23,719.4	\$24,258.0
Growth	1.5%	2.3%

Budget Stabilization Fund Calculation		
FY 2016 Calculations	PAY-IN	\$270.9
FY 2017 Calculations	PAY-IN	\$155.7
FY 2018 Calculations	NO PAY-IN OR PAY-OUT	

School Aid Index		
	<u>FY 2017</u>	<u>FY 2018</u>
Revenue Adjustment Factor	1.0253	1.0283
Pupil Membership Factor	1.0077	1.0068
School Aid Index	1.0332	1.0353