

MEMORANDUM



**DATE:** May 17, 2012  
**TO:** Members of the Michigan House of Representatives  
**FROM:** Mary Ann Cleary, Director *MAC*  
**RE:** Consensus Revenue Agreement – May 16, 2012

Pursuant to the Management and Budget Act Sections 367(a) through 367(f), the Consensus Revenue Estimating Conference establishes an official economic forecast of major variables of the national and state economies and establishes a forecast of anticipated state General Fund/General Purpose (GF/GP) and School Aid Fund (SAF) revenue.

The conference principals at the May 2012 meeting were the Director of the House Fiscal Agency, the Director of the Senate Fiscal Agency, and the State Treasurer. The Director of the House Fiscal Agency is the 2012 Conference Chairperson.

The attached tables provide a summation of the agreements reached at the May 2012 conference. These consensus estimates will be reviewed and updated at the January 2013 conference.

**Table 1: Consensus Economic Forecast**

Provides estimates of various state and national economic variables. The forecast indicates that real gross domestic product (GDP) will increase 2.2% in calendar year (CY) 2012, increase by 2.5% in CY 2013, and increase by 2.9% in CY 2014. Michigan personal income is forecast to increase 3.0% in CY 2012, increase by 2.6% in CY 2013, and increase by 4.2% in CY 2014.

**Table 2: Consensus Estimates of GF/GP and SAF**

Provides the final FY 2010-11 revenue and revised revenue estimates for FY 2011-12 through FY 2013-14. Net GF/GP and SAF revenue is estimated to decrease \$120.6 million or -0.6% in FY 2011-12, increase \$198.8 million or 1.0% in FY 2012-13, and increase \$591.0 million or 2.9% in FY 2013-14.

**Table 3: Consensus Estimate—Budget and Economic Stabilization Fund (BSF) Calculation**

No pay-in's or withdrawals are expected for FY 2011-12, FY 2012-13, and FY 2013-14. Pay-ins and withdrawals from the BSF are based on growth in real adjusted personal income (Management and Budget Act, 1984 PA 431, Section 352).

**Table 4: Consensus Estimate—Constitutional Revenue Limit Calculation**

Reports calculations of the amounts that revenue exceed or do not exceed the constitutional state revenue limit established in Article IX, Section 26 of the Constitution of the State of Michigan. Total state revenue subject to the limit is estimated to be \$6.15 billion below the limit in FY 2010-11, \$6.01 billion below in FY 2011-12, \$7.30 billion below in FY 2012-13, and \$7.54 billion below the limit in FY 2013-14.

**Table 5 and Table 6:**

**Consensus Estimate—School Aid Revenue Adjustment Factor  
and Pupil Membership Adjustment Factor**

Reports consensus estimates of revenue adjustment factor and pupil membership for FY 2012-13 and FY 2013-14. The revenue adjustment factor is multiplied by the pupil membership adjustment factor to determine the index, the increase or decrease in the per pupil foundation allowance. The School Aid Index for FY 2012-13 is 1.0359 and FY 2013-14 is 1.0248. The index would equal a 3.6% increase in the foundation allowance in FY 2012-13 and a 2.5% increase in FY 2013-14.

**Table 7: Consensus Human Services/Community Health Expenditure Estimates**

Reviews consensus gross and GF/GP expenditure estimates for Department of Human Services caseload programs and for Medicaid programs within the Department of Community Health. Human Services caseload program GF/GP spending is expected to fall \$48.0 million below FY 2011-12 appropriated levels, and \$20.4 million and \$13.3 million below the FY 2012-13 and FY 2013-14 Executive recommendations, respectively. Medicaid GF/GP expenditures are expected to fall \$103.8 million below current year appropriations, and \$52.7 million and \$53.1 million below the FY 2012-13 and FY 2013-14 Executive recommendations, respectively.

If you have any questions regarding this information, please do not hesitate to call.

Attachments

**Table 1**  
**Consensus Economic Forecast**  
**May 2012**

	<b>Calendar 2011 Actual</b>	<b>% Change from Prior Year</b>	<b>Calendar 2012 Forecast</b>	<b>% Change from Prior Year</b>	<b>Calendar 2013 Forecast</b>	<b>% Change from Prior Year</b>	<b>Calendar 2014 Forecast</b>	<b>% Change from Prior Year</b>
<b><u>United States</u></b>								
Real Gross Domestic Product (Billions of Chained 2005 Dollars)	\$13,315	1.7%	\$13,608	2.2%	\$13,948	2.5%	\$14,352	2.9%
Implicit Price Deflator GDP (2005 = 100)	113.3	2.1%	115.1	1.6%	117.3	1.9%	119.5	1.9%
Consumer Price Index (1982-84 = 100)	224.939	3.2%	230.039	2.3%	234.589	2.0%	239.573	2.1%
Consumer Price Index – Fiscal Year (1982-84 = 100)	223.137	2.7%	228.732	2.5%	233.370	2.0%	238.194	2.1%
Personal Consumption Deflator (2005 = 100)	113.9	2.5%	116.1	1.9%	118.0	1.6%	120.0	1.7%
3-month Treasury Bills Interest Rate (Percent)	0.1%		0.1%		0.2%		0.2%	
Aaa Corporate Bonds Interest Rate (Percent)	4.6%		4.0%		4.1%		4.3%	
Unemployment Rate – Civilian (Percent)	8.9%		8.1%		7.7%		7.4%	
Wage and Salary Employment (Millions)	131.4	1.1%	133.5	1.6%	135.5	1.5%	137.8	1.7%
Housing Starts (Millions of Starts)	0.611	4.1%	0.740	21.1%	0.952	28.6%	1.190	25.0%
Light Vehicle Sales (Millions of Units)	12.7	9.5%	14.4	13.4%	15.1	4.9%	15.6	3.3%
Passenger Car Sales (Millions of Units)	6.2	8.8%	7.4	19.4%	7.5	1.4%	7.7	2.7%
Light Truck Sales (Millions of Units)	6.5	12.1%	7.0	7.7%	7.6	8.6%	7.9	3.9%
Big 3 Share of Light Vehicles (Percent)	46.2%		45.0%		44.9%		44.7%	
<b><u>Michigan</u></b>								
Wage and Salary Employment (Thousands)	3,936	1.9%	3,999	1.6%	4,043	1.1%	4,091	1.2%
Unemployment Rate (Percent)	10.3%		8.5%		8.0%		7.6%	
Personal Income (Millions of Dollars)	\$360,806	5.2%	\$371,630	3.0%	\$381,293	2.6%	\$397,307	4.2%
Real Personal Income (Millions of 1982-84 dollars)	\$170,384	1.9%	\$171,080	0.4%	\$172,239	0.7%	\$175,750	2.0%
Wages and Salaries (Millions of Dollars)	\$182,600	5.2%	\$189,539	3.8%	\$196,552	3.7%	\$203,431	3.5%
Detroit Consumer Price Index (1982-84 = 100)	211.760	3.3%	217.226	2.6%	221.374	1.9	226.064	2.1%
Detroit Consumer Price Index – Fiscal Year (1982-84 = 100)	209.984	2.6%	216.105	2.9%	220.374	2.0	224.917	2.1%

NOTE: Percentages may not calculate exactly due to rounding.

**House Fiscal Agency**  
May 17, 2012

**Table 2**  
**May 2012: Revenue Comparison and Consensus Estimates of GF/GP and SAF**  
**(Millions of Dollars)**

	FY 2010-11 Final	% Change From FY 2009-10	FY 2011-12			FY 2012-13			FY 2013-14		
			May 2012 Consensus	Change From FY 2010-11		May 2012 Consensus	Change From FY 2011-12		May 2012 Consensus	Change From FY 2012-13	
<b>General Fund/General Purpose</b>											
Baseline	\$7,660.2	13.0%	\$8,144.0	\$483.8	6.3%	\$8,324.8	\$180.8	2.2%	\$8,711.1	\$386.3	4.6%
Tax Adjustments	\$1,152.8		\$920.4	(\$232.4)	-20.2%	\$645.1	(\$275.3)	-29.9%	\$547.8	(\$97.3)	-15.1%
<b>Net GF/GP Revenue</b>	<b>\$8,813.1</b>	<b>14.8%</b>	<b>\$9,064.4</b>	<b>\$251.4</b>	<b>2.9%</b>	<b>\$8,969.9</b>	<b>(\$94.5)</b>	<b>-1.0%</b>	<b>\$9,259.0</b>	<b>\$289.0</b>	<b>3.2%</b>
<b>School Aid Fund Revenue</b>											
Baseline	\$11,260.5	3.9%	\$11,614.7	\$354.3	3.1%	\$11,878.8	\$264.1	2.3%	\$12,184.5	\$305.7	2.6%
Tax Adjustments	(\$12.3)		(\$738.6)	(\$726.3)	5,904.9%	(\$709.4)	\$29.2	-4.0%	(\$713.1)	(\$3.7)	0.5%
<b>Net SAF Revenue</b>	<b>\$11,248.2</b>	<b>4.0%</b>	<b>\$10,876.1</b>	<b>(\$372.0)</b>	<b>-3.3%</b>	<b>\$11,169.5</b>	<b>\$293.4</b>	<b>2.7%</b>	<b>\$11,471.5</b>	<b>\$302.0</b>	<b>2.7%</b>
<b>Total GF/GP and SAF</b>											
Baseline	\$18,920.7	9.3%	\$19,758.7	\$838.1	4.4%	\$20,203.6	\$444.9	2.3%	\$20,895.6	\$692.0	3.4%
Tax Adjustments	\$1,140.5		\$181.8	(\$958.7)	-84.1%	(\$64.3)	(\$246.1)	-135.4%	(\$165.3)	(\$101.0)	157.0%
<b>Net GF/GP and SAF</b>	<b>\$20,061.3</b>	<b>8.5%</b>	<b>\$19,940.4</b>	<b>(\$120.6)</b>	<b>-0.6%</b>	<b>\$20,139.3</b>	<b>\$198.8</b>	<b>1.0%</b>	<b>\$20,730.5</b>	<b>\$591.0</b>	<b>2.9%</b>

Numbers may not calculate exactly due to rounding.

**House Fiscal Agency**  
 May 17, 2012

**Table 3**  
**May 2012: Consensus Estimate for Budget and Economic Stabilization Fund Calculation**  
**(Millions of Dollars)**

	Pay-In/Transfer for FY 2011-12		Pay-In/Transfer for FY 2012-13		Pay-In/Transfer for FY 2013-14	
	CY 2011	CY 2012	CY 2012	CY 2013	CY 2013	CY 2014
Michigan Personal Income	\$360,806 <sup>(1)</sup>	\$371,630 <sup>(2)</sup>	\$371,630 <sup>(2)</sup>	\$381,293 <sup>(2)</sup>	\$381,293 <sup>(2)</sup>	\$397,307 <sup>(2)</sup>
Less Transfer Payments	\$82,230 <sup>(1)</sup>	\$83,299 <sup>(2)</sup>	\$83,299 <sup>(2)</sup>	\$85,548 <sup>(2)</sup>	\$85,548 <sup>(2)</sup>	\$90,424 <sup>(2)</sup>
Income Net of Transfers	\$278,576	\$288,331	\$288,331	\$295,745	\$295,745	\$306,883
Detroit CPI for 12 months ending	2.080 <sup>(3)</sup> (June 2011)	2.152 <sup>(4)</sup> (June 2012)	2.152 <sup>(4)</sup> (June 2012)	2.195 <sup>(4)</sup> (June 2013)	2.195 <sup>(4)</sup> (June 2013)	2.239 <sup>(4)</sup> (June 2014)
Real Adjusted Michigan Personal Income	\$133,931	\$133,998	\$133,998	\$134,748	\$134,748	\$137,081
Change in Real Adjusted Personal Income		0.1%		0.6%		1.7%
Amount Under 0% Excess Over 2%		0.0% N/A		0.0% N/A		0.0% N/A
GF-GP Revenue	FY 2011-12	\$9,064.4	FY 2012-13	\$8,969.9	FY 2013-14	\$9,259.0
<b>BSF (PAY-OUT) PAY-IN CALCULATED<sup>(5)</sup></b>	<b>FY 2011-12</b>	No Pay-In or Pay-Out	<b>FY 2012-13</b>	No Pay-In or Pay-Out	<b>FY 2013-14</b>	No Pay-In or Pay-Out

Notes:

1. Personal Income and Transfer Payments: BEA October 2011.
2. Personal Income and Transfer Payments: Consensus Forecast, May 2012.
3. Detroit Consumer Price Index, Average of 6 monthly values reported by BLS for each 12 month period.
4. Detroit Consumer Price Index: Consensus Forecast, May 2012.
5. Calculation done per MCL 18.1352

**Table 4**  
**May 2012 Consensus Estimate**  
**Constitutional Revenue Limit Calculation**  
(Millions of Dollars)

	<b>FY 2009-10 Actual</b>	<b>FY 2010-11 Consensus May 2012</b>	<b>FY 2011-12 Consensus May 2012</b>	<b>FY 2012-13 Consensus May 2012</b>	<b>FY 2013-14 Consensus May 2012</b>
<b>Revenue Subject to Limit</b>					
Consensus					
General Fund General Purpose	\$6,764.4	\$8,795.7	\$9,044.4	\$8,949.9	\$9,239.0
General Fund Revenue Sharing	\$1,519.3	\$664.7	\$708.7	\$727.8	\$741.5
School Aid Fund	\$10,816.9	\$11,248.3	\$10,876.2	\$11,169.5	\$11,471.5
Transportation	\$1,999.7	\$2,028.9	\$2,107.4	\$2,096.8	\$2,112.7
Other Restricted Revenue	\$4,472.3	\$3,595.9	\$3,775.7	\$3,964.5	\$4,162.7
<b>Total Revenue Subject to Limit</b>	<b>\$25,572.6</b>	<b>\$26,333.5</b>	<b>\$26,512.3</b>	<b>\$26,908.5</b>	<b>\$27,727.4</b>
<b>Revenue Limit</b>					
Personal Income	\$349,612	\$342,302	\$342,663	\$360,482	\$371,630
Ratio	9.49%	9.49%	9.49%	9.49%	9.49%
<b>Revenue Limit</b>	<b>\$33,178.2</b>	<b>\$32,484.5</b>	<b>\$32,518.7</b>	<b>\$34,209.7</b>	<b>\$35,267.7</b>
1 Percent of Limit	\$331.8	\$324.8	\$325.2	\$342.1	\$352.7
<b>Amount Under (Over) Limit</b>	<b>\$7,605.6</b>	<b>\$6,151.0</b>	<b>\$6,006.4</b>	<b>\$7,301.2</b>	<b>\$7,540.4</b>

Numbers may not calculate exactly due to rounding.

House Fiscal Agency  
May 17, 2012

**Table 5**  
**May 2012 Consensus Estimate**  
**Revenue Adjustment Factor and Pupil Membership Adjustment Factor**  
**for FY 2012-13**

<b><u>Revenue Adjustment Factor (Millions of \$)</u></b>			
	<b><u>FY 2010-11</u></b>	<b><u>FY 2011-12</u></b>	<b><u>FY 2012-13</u></b>
Baseline SAF Revenue	\$11,260.6	\$11,614.9	\$11,879.2
Balance Sheet Adjustments	(\$12.3)	(\$738.7)	(\$709.7)
Net SAF Estimate	\$11,248.3	\$10,876.2	\$11,169.5
Subtotal Adjustments to FY 2012-13 Base	(\$697.0)	\$29.3	\$0.0
Baseline Revenue on an FY 2012-13 Base	\$10,551.2	\$10,905.4	\$11,169.5
Percent Change		3.36%	2.42%
SAF Revenue Adjustment Calculation for FY 2012-13:			
Sum of FY 2010-11 and FY 2011-12	\$10,551.2 +	\$10,905.4 =	\$21,456.7
Sum of FY 2011-12 and FY 2012-13	\$10,905.4 +	\$11,169.5 =	\$22,074.9
<b>FY 2012-13 Revenue Adjustment Factor</b>			<b>1.0288</b>
	<b><u>January 2012 Consensus Estimate</u></b>	<b><u>May 2012 Consensus Estimate</u></b>	<b><u>Change</u></b>
<b><u>Pupil Membership Adjustment Factor</u></b>			
<b>FY 2011-12</b>			
Local Districts	1,432,900	1,432,200	(700)
Public School Academies	119,900	119,900	0
<b>Total</b>	<b>1,552,800</b>	<b>1,552,100</b>	<b>(700)</b>
<b>FY 2012-13</b>			
Local Districts	1,414,900	1,412,500	(2,400)
Public School Academies	128,000	129,000	1,000
<b>Total</b>	<b>1,542,900</b>	<b>1,541,500</b>	<b>(1,400)</b>
Consensus Estimate of Pupil Membership	<b><u>FY 2011-12</u></b> 1,552,100	<b><u>FY 2012-13</u></b> 1,541,500	
Pupil Membership Adjustment Factor for FY 2012-13:			
<u>FY 2011-12 Pupil Membership</u>	=	<u>1,552,100</u>	
<u>FY 2012-13 Pupil Membership</u>	=	<u>1,541,500</u>	
<b>FY 2012-13 Pupil Membership Adjustment Factor</b>			<b>1.0069</b>
<b>FY 2012-13 School Aid Index</b>			<b>1.0359</b>

**Table 6**  
**May 2012 Consensus Estimate**  
**Revenue Adjustment Factor and Pupil Membership Adjustment Factor**  
**for FY 2013-14**

<b><u>Revenue Adjustment Factor (Millions of \$)</u></b>			
	<b><u>FY 2011-12</u></b>	<b><u>FY 2012-13</u></b>	<b><u>FY 2013-14</u></b>
Baseline SAF Revenue	\$11,614.8	\$11,878.8	\$12,184.6
Balance Sheet Adjustments	(\$738.6)	(\$709.3)	(\$713.1)
Net SAF Estimate	\$10,876.2	\$11,169.5	\$11,471.5
Subtotal Adjustments to FY 2013-14 Base	<u>\$25.5</u>	<u>(\$3.8)</u>	<u>\$0.0</u>
Baseline Revenue on an FY 2013-14 Base	\$10,901.6	\$11,165.7	\$11,471.5
Percent Change		2.42%	2.74%
SAF Revenue Adjustment Calculation for FY 2013-14:			
Sum of FY 2011-12 and FY 2012-13	\$10,901.6 +	\$11,165.7 =	\$22,067.3
Sum of FY 2012-13 and FY 2013-14	\$11,165.7 +	\$11,471.5 =	\$22,637.2
<b>FY 2013-14 Revenue Adjustment Factor</b>			<b>1.0258</b>
	<b><u>January 2012 Consensus Estimate</u></b>	<b><u>May 2012 Consensus Estimate</u></b>	<b><u>Change</u></b>
<b><u>Pupil Membership Adjustment Factor</u></b>			
<b>FY 2013-14</b>			
Local Districts	1,398,000	1,390,000	(8,000)
Public School Academies	<u>138,000</u>	<u>153,000</u>	<u>15,000</u>
<b>Total</b>	<b>1,536,000</b>	<b>1,543,000</b>	<b>7,000</b>
	<b><u>FY 2012-13</u></b>	<b><u>FY 2013-14</u></b>	
Consensus Estimate of Pupil Membership	1,541,500	1,543,000	
Pupil Membership Adjustment Factor for FY 2013-14:			
<u>FY 2012-13 Pupil Membership</u>	=	<u>1,541,500</u>	
<u>FY 2013-14 Pupil Membership</u>	=	<u>1,543,000</u>	
<b>FY 2013-14 Pupil Membership Adjustment Factor</b>			<b>0.9990</b>
<b>FY 2013-14 School Aid Index</b>			<b>1.0248</b>



**Table 7**  
**May 2012 Consensus Expenditure Estimates**  
**Department of Community Health and Department of Human Services**  
**FY 2011-12 Through FY 2013-14**  
**(Millions of Dollars)**

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**Department of Community Health (DCH)**

Estimate for Medicaid Expenditures

	<b><u>Total Increase / (Decrease)</u></b>	
	<b>Gross Change</b>	<b>GF/GP Change</b>
FY 2011-12 Change from Year-to Date	(\$297.9)	(\$103.8)
FY 2012-13 Change from Executive Recommendation	(\$101.7)	(\$52.7)
FY 2013-14 Change from Executive Recommendation	(\$101.7)	(\$53.1)

**Department of Human Services (DHS)**

Estimate for Caseloads and Expenditures

	<b><u>Total Increase / (Decrease)</u></b>	
	<b>Gross Change</b>	<b>GF/GP Change</b>
FY 2011-12 Change from Year-to Date	(\$85.4)	(\$48.0)
FY 2012-13 Change from Executive Recommendation	(\$49.1)	(\$20.4)
FY 2013-14 Change from Executive Recommendation	(\$35.7)	(\$13.3)