

MEMORANDUM



DATE: May 21, 2013
TO: Members of the Michigan House of Representatives
FROM: Mary Ann Cleary, Director *MAC*
RE: Consensus Revenue Agreement – May 15, 2013

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 2013 meeting were the Director of the House Fiscal Agency, the Director of the Senate Fiscal Agency, and the State Treasurer. The State Budget Director is the 2013 Conference Chairperson.

The attached tables provide a summation of the agreements reached at the May 2013 conference. These consensus estimates will be reviewed and updated at the January 2014 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 1.9% in calendar year (CY) 2013, increase by 2.7% in CY 2014, and increase by 2.9% in CY 2015. Michigan personal income is forecast to increase 2.5% in CY 2013, increase by 4.0% in CY 2014, and increase by 4.2% in CY 2015.

Table 2: Consensus Estimates of GF/GP and SAF

Provides the final FY 2011-12 revenue and revised revenue estimates for FY 2012-13 through FY 2014-15. Net GF/GP and SAF revenue is estimated to increase \$258.7 million or 1.3% in FY 2012-13, increase \$513.6 million or 2.5% in FY 2013-14, and increase \$736.7 million or 3.5% in FY 2014-15.

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

No pay-in's or withdrawals are expected for FY 2012-13 through FY 2014-15. 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 \$5.29 billion above the limit in FY 2011-12, \$6.41 billion above in FY 2012-13, \$7.04 billion above in FY 2013-14, and \$7.01 billion above the limit in FY 2014-15.

Table 5: Long Term Revenue Trend

The long term revenue trend for the combined GF/GP and SAF for FY 2015-16 is 3.5% and for FY 2016-17 is 3.2%.

Table 6 and Table 7:

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

Reports consensus estimates of revenue adjustment factor and pupil membership for FY 2013-14 and FY 2014-15. 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 2013-14 is 1.0305 and FY 2014-15 is 1.0316. The index would equal a 3.1% increase in the foundation allowance in FY 2013-14 and a 3.2% increase in FY 2014-15.

Table 8: Consensus Human Services/Community Health Expenditure Estimates

Reviews consensus gross and GF/GP expenditure estimates for Department of Human Services caseload programs, Medicaid programs within the Department of Community Health, and Child Development and Care within the Department of Education. Human Services caseload program GF/GP spending is expected to fall \$19.6 million below FY 2012-13 appropriated levels, and \$22.3 million and \$15.7 million below the FY 2013-14 and FY 2014-15 Executive recommendations, respectively. Medicaid GF/GP expenditures are expected to fall \$30.3 million below current year appropriations, and increase \$2.4 for both FY 2013-14 and FY 2014-15 Executive recommendations. Child Development and Care GF/GP expenditures for FY 2012-13 are expected to remain the same, with no GF/GP increases anticipated for FY 2013-14 and FY 2014-15.

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

Attachments

Table 1
Consensus Economic Forecast
May 2013

	Calendar 2012 Actual	% Change from Prior Year	Calendar 2013 Forecast	% Change from Prior Year	Calendar 2014 Forecast	% Change from Prior Year	Calendar 2015 Forecast	% Change from Prior Year
<u>United States</u>								
Real Gross Domestic Product (Billions of Chained 2005 Dollars)	\$13,593	2.2%	\$13,851	1.9%	\$14,225	2.7%	\$14,638	2.9%
Implicit Price Deflator GDP (2005 = 100)	115.4	1.8%	117.0	1.4%	119.0	1.7%	121.3	1.9%
Consumer Price Index (1982-84 = 100)	229.594	2.1%	233.482	1.7%	238.023	1.9%	242.977	2.1%
Consumer Price Index – Fiscal Year (1982-84 = 100)	228.526	2.4%	232.483	1.7%	236.879	1.9%	241.695	2.0%
Personal Consumption Deflator (2005 = 100)	115.8	1.8%	117.3	1.3%	119.1	1.5%	121.0	1.6%
3-month Treasury Bills Interest Rate (Percent)	0.1%		0.1%		0.2%		0.2%	
Aaa Corporate Bonds Interest Rate (Percent)	3.7%		3.9%		4.0%		4.0%	
Unemployment Rate – Civilian (Percent)	8.1%		7.6%		7.0%		6.4%	
Wage and Salary Employment (Millions)	133.7	1.7%	135.8	1.5%	137.9	1.6%	140.4	1.8%
Housing Starts (Millions of Starts)	0.781	28.2%	1.056	35.3%	1.280	21.2%	1.432	11.9%
Light Vehicle Sales (Millions of Units)	14.4	13.4%	15.3	6.3%	15.6	2.0%	15.9	1.9%
Passenger Car Sales (Millions of Units)	7.4	19.4%	7.8	5.4%	7.9	1.3%	8.0	1.3%
Light Truck Sales (Millions of Units)	7.0	7.7%	7.5	7.1%	7.7	2.7%	7.9	2.6%
Big 3 Share of Light Vehicles (Percent)	44.2%		45.0%		45.1%		45.4%	
<u>Michigan</u>								
Wage and Salary Employment (Thousands)	4,024	1.8%	4,077	1.3%	4,125	1.2%	4,175	1.2%
Unemployment Rate (Percent)	9.1%		8.6%		8.1%		7.7%	
Personal Income (Millions of Dollars)	\$370,599	3.5%	\$379,864	2.5%	\$395,058	4.0%	\$411,650	4.2%
Real Personal Income (Millions of 1982-84 dollars)	\$171,508	1.4%	\$172,752	0.7%	\$176,531	2.2%	\$180,437	2.2%
Wages and Salaries (Millions of Dollars)	\$189,121	3.3%	\$194,795	3.0%	\$200,834	3.1%	\$208,666	3.9%
Detroit Consumer Price Index (1982-84 = 100)	216.082	2.0%	219.890	1.7%	223.790	1.6	228.141	1.8%
Detroit Consumer Price Index – Fiscal Year (1982-84 = 100)	215.052	2.4%	219.052	1.9%	222.455	1.6	226.451	1.8%

NOTE: Percentages may not calculate exactly due to rounding.

Table 2
May 2013: Revenue Comparison and Consensus Estimates of GF/GP and SAF
(Millions of Dollars)

	FY 2011-12 Final	% Change From FY 2010-11	FY 2012-13			FY 2013-14			FY 2014-15		
			May 2013 Consensus	Change From FY 2011-12		May 2013 Consensus	Change From FY 2012-13		May 2013 Consensus	Change From FY 2013-14	
General Fund/General Purpose											
Baseline	\$8,164.6	6.6%	\$8,783.0	\$618.4	7.6%	\$8,910.3	\$127.3	1.4%	\$9,237.8	\$327.5	3.7%
Tax Adjustments	\$1,100.6		\$406.2	(\$694.4)		\$535.9	\$129.7		\$602.5	\$66.6	
Net GF/GP Revenue	\$9,265.2	5.1%	\$9,189.2	(\$76.0)	-0.8%	\$9,446.2	\$257.0	2.8%	\$9,840.3	\$394.1	4.2%
School Aid Fund Revenue											
Baseline	\$11,613.7	3.1%	\$11,942.4	\$328.7	2.8%	\$12,197.0	\$254.6	2.1%	\$12,565.9	\$368.9	3.0%
Tax Adjustments	(\$734.9)		(\$728.9)	\$6.0		(\$726.9)	\$2.0		(\$753.2)	(\$26.3)	
Net SAF Revenue	\$10,878.8	-3.3%	\$11,213.5	\$334.7	3.1%	\$11,470.1	\$256.6	2.3%	\$11,812.7	\$342.6	3.0%
Total GF/GP and SAF											
Baseline	\$19,778.3	4.5%	\$20,725.4	\$947.1	4.8%	\$21,107.3	\$381.9	1.8%	\$21,803.7	\$696.4	3.3%
Tax Adjustments	\$365.7		(\$322.7)	(\$688.4)		(\$191.0)	\$131.7		(\$150.7)	\$40.3	
Net GF/GP and SAF	\$20,144.0	0.4%	\$20,402.7	\$258.7	1.3%	\$20,916.3	\$513.6	2.5%	\$21,653.0	\$736.7	3.5%

Numbers may not calculate exactly due to rounding.

Table 3
May 2013: Consensus Estimate for Budget and Economic Stabilization Fund Calculation
(Millions of Dollars)

	FY 2012-13 Pay-In / FY 2011-12 Pay-Out Calculation		FY 2013-14 Pay-In / FY 2012-13 Pay-Out Calculation		FY 2014-15 Pay-In / FY 2013-14 Pay-Out Calculation	
	<u>CY 2012</u>	<u>CY 2013</u>	<u>CY 2013</u>	<u>CY 2014</u>	<u>CY 2014</u>	<u>CY 2015</u>
Michigan Personal Income (MPI)	\$370,599 ⁽¹⁾	\$379,864 ⁽²⁾	\$379,864 ⁽²⁾	\$395,058 ⁽²⁾	\$395,058 ⁽²⁾	\$411,650 ⁽²⁾
Less Transfer Payments	<u>\$83,672 ⁽²⁾</u>	<u>\$86,768 ⁽²⁾</u>	<u>\$86,768 ⁽²⁾</u>	<u>\$91,089 ⁽²⁾</u>	<u>\$91,089 ⁽²⁾</u>	<u>\$95,999 ⁽²⁾</u>
Income Net of Transfers	\$286,927	\$293,096	\$293,096	\$303,969	\$303,969	\$315,651
Detroit CPI for 12 months ending	2.143 ⁽³⁾ (June 2012)	2.181 ⁽⁴⁾ (June 2013)	2.181 ⁽⁴⁾ (June 2013)	2.218 ⁽⁴⁾ (June 2014)	2.218 ⁽⁴⁾ (June 2014)	2.259 ⁽⁴⁾ (June 2015)
Real Adjusted Michigan Personal Income	\$133,890	\$134,386	\$134,386	\$137,046	\$137,046	\$139,730
Change in Real Adjusted Personal Income		0.37%		1.98%		1.96%
Amount Under 0%		N/A		N/A		N/A
Between 0% and 2%		0.37%		1.98%		1.96%
Excess Over 2%		N/A		N/A		N/A
GF/GP Revenue	FY 2012-13	\$9,189.2	FY 2013-14	\$9,446.2	FY 2014-15	\$9,840.3
BSF PAY-IN⁽⁵⁾	FY 2012-13	No Pay-In	FY 2013-14	No Pay-In	FY 2014-15	No Pay-In
BSF PAY-OUT⁽⁵⁾	FY 2011-12	No Pay-Out	FY 2012-13	No Pay-Out	FY 2013-14	No Pay-Out

Notes:

1. Personal Income and Transfer Payments: BEA May 2013.
2. Personal Income and Transfer Payments: Consensus Forecast, May 2013.
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 2013.
5. Calculation done per MCL 18.1352.

Table 4
May 2013 Consensus Estimate
Constitutional Revenue Limit Calculation
(Millions of Dollars)

	FY 2010-11 <u>Actual</u>	FY 2011-12 Consensus <u>May 2013</u>	FY 2012-13 Consensus <u>May 2013</u>	FY 2013-14 Consensus <u>May 2013</u>	FY 2014-15 Consensus <u>May 2013</u>
<u>Revenue Subject to Limit</u>					
Consensus					
Net General Fund General Purpose	\$8,813.1	\$9,265.2	\$9,189.2	\$9,446.2	\$9,840.3
General Fund Revenue Sharing	\$664.7	\$715.2	\$706.4	\$723.2	\$784.4
Net School Aid Fund	\$11,248.2	\$10,878.8	\$11,213.5	\$11,470.1	\$11,812.7
Transportation	\$2,028.9	\$2,107.4	\$2,110.0	\$2,121.8	\$2,136.2
Other Restricted Revenue	\$4,510.7	\$4,316.2	\$4,382.1	\$4,389.2	\$4,483.6
Less: GF/GP Federal Aid	(\$17.3)	(\$54.8)	(\$20.0)	(\$20.0)	(\$20.0)
Total Revenue Subject to Limit	\$27,248.3	\$27,228.0	\$27,581.2	\$28,130.5	\$29,037.2
<u>Revenue Limit</u>					
	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>	<u>CY 2012</u>	<u>CY 2013</u>
Personal Income	\$345,933	\$342,663	\$358,152	\$370,599	\$379,864
Ratio	9.49%	9.49%	9.49%	9.49%	9.49%
Revenue Limit	\$32,829.0	\$32,518.7	\$33,988.6	\$35,169.8	\$36,049.1
1 Percent of Limit	\$328.3	\$325.2	\$339.9	\$351.7	\$360.5
Amount Under (Over) Limit	(\$5,580.7)	(\$5,290.7)	(\$6,407.4)	(\$7,039.3)	(\$7,011.9)

Numbers may not calculate exactly due to rounding.

Table 5
Long Term Revenue Trend
(Millions of Dollars)

	<u>FY 2016</u>	<u>FY 2017</u>
Net GF/GP Revenue	\$10,265.9	\$10,655.6
Growth	4.3%	3.8%
Net SAF Revenue	\$12,150.5	\$12,474.7
Growth	2.9%	2.7%
Combined GF/GP and SAF	\$22,416.4	\$23,130.3
Growth	3.5%	3.2%

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

<u>Revenue Adjustment Factor (Millions of \$)</u>			
	<u>FY 2011-12</u>	<u>FY 2012-13</u>	<u>FY 2013-14</u>
Baseline SAF Revenue	\$11,613.7	\$11,942.4	\$12,197.0
Balance Sheet Adjustments	(\$734.9)	(\$728.9)	(\$726.9)
Net SAF Estimate	\$10,878.8	\$11,213.5	\$11,470.1
Subtotal Adjustments to FY 2013-14 Base	<u>\$8.0</u>	<u>\$2.2</u>	<u>\$0.0</u>
Baseline Revenue on an FY 2013-14 Base	\$10,886.8	\$11,215.7	\$11,470.1
Percent Change		3.02%	2.27%
SAF Revenue Adjustment Calculation for FY 2013-14:			
Sum of FY 2011-12 and FY 2012-13	\$10,886.8 +	\$11,215.7 =	\$22,102.5
Sum of FY 2012-13 and FY 2013-14	\$11,215.7 +	\$11,470.1 =	\$22,685.8
FY 2013-14 Revenue Adjustment Factor			1.0264
<i>Note: Factor is calculated off a FY 2014 base year.</i>			
	<u>January 2013 Consensus Estimate</u>	<u>May 2013 Consensus Estimate</u>	<u>Change</u>
<u>Pupil Membership Adjustment Factor</u>			
FY 2012-13			
Local Districts	1,407,100	1,406,100	(1,000)
Public School Academies	130,300	130,500	200
Total	1,537,400	1,536,600	(800)
FY 2013-14			
Local Districts	1,384,000	1,383,000	(1,000)
Public School Academies	148,000	147,500	(500)
Total	1,532,000	1,530,500	(1,500)
	<u>FY 2012-13</u>	<u>FY 2013-14</u>	
Consensus Estimate of Pupil Membership	1,536,600	1,530,500	
Pupil Membership Adjustment Factor for FY 2013-14:			
<u>FY 2012-13 Pupil Membership</u>	=	<u>1,536,600</u>	
<u>FY 2013-14 Pupil Membership</u>	=	<u>1,530,500</u>	
FY 2013-14 Pupil Membership Adjustment Factor			1.0040
FY 2013-14 School Aid Index			1.0305

Table 7
May 2013 Consensus Estimate
Revenue Adjustment Factor and Pupil Membership Adjustment Factor
for FY 2014-15

<u>Revenue Adjustment Factor (Millions of \$)</u>			
	<u>FY 2012-13</u>	<u>FY 2013-14</u>	<u>FY 2014-15</u>
Baseline SAF Revenue	\$11,942.4	\$12,197.0	\$12,565.9
Balance Sheet Adjustments	(\$728.9)	(\$726.9)	(\$753.2)
Net SAF Estimate	\$11,213.5	\$11,470.1	\$11,812.7
Subtotal Adjustments to FY 2014-15 Base	(\$24.0)	(\$26.2)	\$0.0
Baseline Revenue on an FY 2014-15 Base	\$11,189.5	\$11,443.9	\$11,812.7
Percent Change		2.27%	3.22%
SAF Revenue Adjustment Calculation for FY 2014-15:			
Sum of FY 2012-13 and FY 2013-14	\$11,189.5 +	\$11,443.9 =	\$22,633.4
Sum of FY 2013-14 and FY 2014-15	\$11,443.9 +	\$11,812.7 =	\$23,256.6
FY 2014-15 Revenue Adjustment Factor			1.0275
<i>Note: Factor is calculated off a FY 2015 base year.</i>			
	<u>January 2013 Consensus Estimate</u>	<u>May 2013 Consensus Estimate</u>	<u>Change</u>
<u>Pupil Membership Adjustment Factor</u>			
FY 2014-15			
Local Districts	1,361,000	1,359,000	(2,000)
Public School Academies	165,000	165,500	500
Total	1,526,000	1,524,500	(1,500)
	<u>FY 2013-14</u>	<u>FY 2014-15</u>	
Consensus Estimate of Pupil Membership	1,530,500	1,524,500	
Pupil Membership Adjustment Factor for FY 2014-15:			
<u>FY 2013-14 Pupil Membership</u>	=	<u>1,530,500</u>	
<u>FY 2014-15 Pupil Membership</u>	=	<u>1,524,500</u>	
FY 2014-15 Pupil Membership Adjustment Factor			1.0039
FY 2014-15 School Aid Index			1.0316

Table 8
May 2013 Consensus Expenditure Estimates
Department of Community Health and Department of Human Services
FY 2012-13 Through FY 2014-15
(Millions of Dollars)

Department of Community Health (DCH)

Estimate for Medicaid Expenditures

	<u>Total Increase / (Decrease)</u>	
	Gross Change	GF/GP Change
FY 2012-13 Change from Current Law	(\$101.6)	(\$30.3)
FY 2013-14 Change from Executive Recommendation	\$15.1	\$2.4
FY 2014-15 Change from Executive Recommendation	\$15.1	\$2.4

Department of Human Services (DHS)

Estimate for Caseloads and Expenditures

	<u>Total Increase / (Decrease)</u>	
	Gross Change	GF/GP Change
FY 2012-13 Change from Current Law	(\$33.3)	(\$19.6)
FY 2013-14 Change from Executive Recommendation	(\$38.6)	(\$22.3)
FY 2014-15 Change from Executive Recommendation	(\$28.4)	(\$15.7)

Department of Education

Estimate for Child Development and Care

	<u>Total Increase / (Decrease)</u>	
	Gross Change	GF/GP Change
FY 2012-13 Change from Current Law	(\$15.9)	\$0
FY 2013-14 Change from Executive Recommendation	(\$20.5)	\$0
FY 2014-15 Change from Executive Recommendation	(\$20.5)	\$0