
MEMORANDUM



DATE: January 14, 2011
TO: Members of the Michigan House of Representatives
FROM: Mitchell E. Bean, Director *MB*
RE: Consensus Revenue Agreement—January 14, 2011

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 January 2011 meeting were the Director of the House Fiscal Agency, the Director of the Senate Fiscal Agency, and the State Treasurer. The Director of the Senate Fiscal Agency is the 2011 Conference Chairperson.

The attached tables provide a summation of the agreements reached at the January 2011 conference. The consensus estimates will be revised or updated at the May 2011 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 2.8% in calendar year (CY) 2011 and increase by 2.7% in CY 2012. Michigan personal income is forecast to increase 2.7% in CY 2011 and increase by 3.3% in CY 2012.

Table 2: Consensus Estimates of GF/GP and SAF

Provides revenue estimates for FY 2009-10 (final), FY 2010-11 (revised), and FY 2011-12 (initial). Net GF/GP and SAF revenue is estimated to increase \$604.8 million or 3.4% in FY 2010-11 and increase \$280.9 million or 1.5% in FY 2011-12.

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

A pay-in of \$7.2 million is estimated for FY 2010-11 and no pay-in or withdrawal is expected for FY 2011-12. 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 \$8.91 billion below the limit in FY 2009-10, \$7.13 billion below in FY 2010-11, and \$7.72 billion below the limit in FY 2011-12.

Table 5: Consensus Estimate—School Aid Revenue Adjustment Factor and Pupil Membership Adjustment Factor

Reports consensus estimates of pupil membership for FY 2010-11 and FY 2011-12 and notes changes from May 2010 estimates. Also reports calculations used to determine the FY 2011-12 revenue adjustment factor, which is 1.0163, and pupil membership adjustment factor, which is 1.0134. The revenue adjustment factor is multiplied by the pupil membership adjustment factor to determine the increase or decrease in the per pupil foundation allowance, which is 1.0299 or an increase of 2.99%.

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

attachments

Table 1
Consensus Economic Forecast
January 2011

	Calendar 2009 Actual	Calendar 2010 Estimated	% Change from Prior Year	Calendar 2011 Forecast	% Change from Prior Year	Calendar 2012 Forecast	% Change from Prior Year
<u>United States</u>							
Real Gross Domestic Product (Billions of Chained 2005 Dollars)	\$12,881	\$13,241	2.8%	\$13,612	2.8%	\$13,980	2.7%
Implicit Price Deflator GDP (2005 = 100)	109.6	110.6	0.9%	111.7	1.0%	112.9	1.1%
Consumer Price Index (1982-84 = 100)	214.5	217.9	1.6%	221.2	1.5%	225.2	1.8%
Consumer Price Index (FY) (1982-84 = 100)	213.8	217.4	1.7%	220.7	1.5%	224.5	1.7%
3-month Treasury Bills Interest Rate (Percent)	0.2%	0.1%		0.2%		0.2%	
Aaa Corporate Bonds Interest Rate (Percent)	5.3%	4.9%		4.9%		4.9%	
Unemployment Rate—Civilian (Percent)	9.3%	9.6%		9.5%		9.2%	
Wage and Salary Employment (Millions)	130.920	130.262	-0.5%	131.830	1.2%	133.940	1.6%
Housing Starts (Millions of starts)	0.554	0.590	6.5%	0.700	18.6%	0.940	34.3%
Light Vehicle Sales (Millions of units)	10.4	11.5	10.6%	12.9	12.2%	14.5	12.4%
Passenger Car Sales (Millions of units)	5.5	5.7	3.6%	6.4	12.3%	7.4	15.6%
Light Truck Sales (Millions of units)	4.9	5.8	18.4%	6.5	12.1%	7.1	9.2%
Big 3 Share of Light Vehicles (Percent)	43.4%	44.2%		43.9%		43.8%	
<u>Michigan</u>							
Wage and Salary Employment (Thousands)	3,876	3,842	-0.9%	3,850	0.2%	3,896	1.2%
Unemployment Rate (Percent)	13.6%	13.4%		12.3%		11.5%	
Personal Income (Millions of dollars)	\$342,303	\$350,518	2.4%	\$359,982	2.7%	\$371,862	3.3%
Real Personal Income (Millions of 1982-84 dollars)	\$168,208	\$170,878	1.6%	\$173,235	1.4%	\$175,988	1.6%
Wage and Salary Income (Millions of dollars)	\$170,711	\$173,101	1.4%	\$177,602	2.6%	\$182,930	3.0%
Detroit Consumer Price Index (1982-84 = 100)	203.5	205.1	0.8%	207.8	1.3%	211.3	1.7%
Detroit CPI (FY) (1982-84 = 100)	202.8	205.0	1.1%	207.6	1.2%	210.7	1.5%

NOTE: Percentages may not calculate exactly due to rounding.

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Table 2
January 2011: Revenue Comparison and Consensus Estimates of GF/GP and SAF
(Millions of Dollars)

	FY 2009-10 <u>Final</u>	FY 2010-11			FY 2011-12		
		<u>January 2011 Consensus</u>	<u>Change From FY 2009-10</u>		<u>January 2011 Consensus</u>	<u>Change From FY 2010-11</u>	
General Fund/General Purpose							
Baseline	\$6,505.9	\$6,843.4	5.2%	\$337.5	\$7,107.6	3.9%	\$264.2
Tax Adjustments	\$279.3	\$384.4	37.6%	\$105.1	\$186.5	-51.5%	(\$197.9)
Net GF-GP Revenue	\$6,785.2	\$7,227.8	6.5%	\$442.6	\$7,294.1	0.9%	\$66.3
School Aid Fund Revenue							
Baseline	\$10,808.9	\$10,955.6	1.4%	\$146.7	\$11,163.8	1.9%	\$208.2
Tax Adjustments	\$8.1	\$23.5	190.1%	\$15.4	\$29.9	27.2%	\$6.4
Net SAF Revenue	\$10,816.9	\$10,979.1	1.5%	\$162.2	\$11,193.7	2.0%	\$214.6
Total GF-GP and SAF							
Baseline	\$17,314.7	\$17,799.0	2.8%	\$484.3	\$18,271.4	2.7%	\$472.4
Tax Adjustments	\$287.4	\$407.9	41.9%	\$120.5	\$216.4	-469.5%	(\$191.5)
Net GF-GP and SAF	\$17,602.1	\$18,206.9	3.4%	\$604.8	\$18,487.8	1.5%	\$280.9

Numbers may not calculate exactly due to rounding.

Table 3
January 2011: Consensus Estimate for Budget and Economic Stabilization Fund Calculation
(Millions of Dollars)

	Pay-In/Transfer for FY 2010-11		Pay-In/Transfer for FY 2011-12	
	CY 2010	CY 2011	CY 2011	CY 2012
Michigan Personal Income	\$350,518 ⁽¹⁾	\$359,982 ⁽¹⁾	\$359,982 ⁽¹⁾	\$371,862 ⁽¹⁾
Less Transfer Payments	\$81,570 ⁽¹⁾	\$82,794 ⁽¹⁾	\$82,794 ⁽¹⁾	\$85,277 ⁽¹⁾
Income Net of Transfers	\$268,948	\$277,188	\$277,188	\$286,585
Detroit CPI for 12 months ending	2.045 ⁽²⁾ (June 2010)	2.064 ⁽³⁾ (June 2011)	2.064 ⁽²⁾ (June 2011)	2.093 ⁽²⁾ (June 2012)
Real Adjusted Michigan Personal Income	\$131,499	\$134,319	\$134,319	\$136,955
Change in Real Adjusted Personal Income		2.1%		2.0%
Excess Over 2%		0.1%		0.0%
GF-GP Revenue	FY 2010-11	\$7,227.8	FY 2011-12	\$7,294.1
BSF PAY-IN CALCULATED	FY 2010-11	\$7.2	FY 2011-12	No Pay-In or Pay-Out

Notes:

1. Personal Income and Transfer Payments: Consensus, January 2011.
2. Detroit Consumer Price Index: Consensus Forecast, January 2011.
3. Calculation per MCL 18.1352.

Table 4
January 2011 Consensus Estimate
Constitutional Revenue Limit Calculation
(Millions of Dollars)

	<u>FY 2007-08</u> <u>Actual</u>	<u>FY 2008-09</u> <u>Actual</u>	<u>FY 2009-10</u> <u>Consensus</u> <u>January 2011</u>	<u>FY 2010-11</u> <u>Consensus</u> <u>January 2011</u>	<u>FY 2011-12</u> <u>Consensus</u> <u>January 2011</u>
<u>Revenue Subject to Limit</u>					
Consensus					
General Fund General Purpose	\$9,343.8	\$7,334.4	\$6,764.4	\$7,205.8	\$7,271.1
General Fund Revenue Sharing	\$1,665.5	\$1,568.3	\$1,519.3	\$1,556.5	\$1,592.3
School Aid Fund	\$11,512.9	\$10,922.2	\$10,816.9	\$10,979.1	\$11,193.7
Transportation	\$2,068.5	\$1,999.1	\$1,997.8	\$2,000.5	\$2,000.5
Other Restricted Revenue	\$3,125.5	\$3,014.7	\$3,165.4	\$3,323.7	\$3,489.8
Total Revenue Subject to Limit	\$27,716.3	\$24,838.6	\$24,263.8	\$25,065.6	\$25,547.4
<u>Revenue Limit</u>	<u>CY 2006</u>	<u>CY 2007</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>
Personal Income	\$341,075	\$345,885	\$349,612	\$339,219	\$350,518
Ratio	9.49%	9.49%	9.49%	9.49%	9.49%
Revenue Limit	\$32,368.0	\$32,824.5	\$33,178.2	\$32,191.9	\$33,264.2
1 Percent of Limit	\$323.7	\$328.2	\$331.8	\$321.9	\$332.6
Amount Under (Over) Limit	\$4,651.7	\$7,985.9	\$8,914.4	\$7,126.3	\$7,716.8

Numbers may not calculate exactly due to rounding.

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Table 5
January 2011 Consensus Estimate
Revenue Adjustment Factor and Pupil Membership Adjustment Factor
for FY 2011-12

<u>Revenue Adjustment Factor (Millions of \$)</u>			
	<u>FY 2009-10</u>	<u>FY 2010-11</u>	<u>FY 2011-12</u>
Baseline SAF Revenue	\$10,808.8	\$10,955.6	\$11,163.8
Balance Sheet Adjustments	<u>\$8.1</u>	<u>\$23.5</u>	<u>\$29.9</u>
Net SAF Estimate	\$10,816.8	\$10,979.1	\$11,193.7
Adjustments to FY 2011-12 Base	<u>\$21.8</u>	<u>\$6.4</u>	<u>\$0.0</u>
Baseline Revenue on an FY 2011-12 Base	\$10,838.7	\$10,985.5	\$11,193.7
Percent Change		1.35%	1.90%
SAF Revenue Calculation for FY 2011-12:			
Sum of FY 2009-10 and FY 2010-11	\$10,838.7 +	\$10,985.5	= \$21,824.1
Sum of FY 2010-11 and FY 2011-12	\$10,985.5 +	\$11,193.7	= \$22,179.1
FY 2011-12 Revenue Adjustment Factor			1.0163
	<u>May 2010 Consensus Estimate</u>	<u>January 2011 Consensus Estimate</u>	<u>Change</u>
<u>Pupil Membership Adjustment Factor</u>			
FY 2010-11			
Local Districts	1,461,700	1,457,400	(4,300)
Public School Academies	<u>116,000</u>	<u>112,100</u>	<u>(3,900)</u>
Total	1,577,700	1,569,500	(8,200)
FY 2011-12			
Local Districts		1,431,800	N/A
Public School Academies		<u>117,000</u>	<u>N/A</u>
Total		1,548,800	N/A
Consensus Estimate of Pupil Membership	<u>FY 2010-11</u> 1,569,500	<u>FY 2011-12</u> 1,548,800	
Pupil Membership Adjustment Factor for FY 2011-12:			
<u>FY 2010-11 Pupil Membership</u>	=	<u>1,569,500</u>	
<u>FY 2011-12 Pupil Membership</u>	=	<u>1,548,800</u>	
FY 2011-12 Pupil Membership Adjustment Factor			1.0134
FY 2011-12 School Aid Index			1.0299