

Consensus Revenue Agreement

Executive Summary

January 14, 2016

Economic and Revenue Forecasts
Fiscal Years 2016, 2017 and 2018



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Table 1
Consensus Economic Forecast

January 2016

	Calendar 2014 Actual	Calendar 2015 Forecast	Percent Change from Prior Year	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)	\$15,962	\$16,361	2.5%	\$16,770	2.5%	\$17,189	2.5%	\$17,602	2.4%
Implicit Price Deflator GDP (2009 = 100)	108.7	109.8	1.0%	111.6	1.6%	113.6	1.8%	115.9	2.0%
Consumer Price Index (1982-84 = 100)	236.736	236.956	0.1%	240.723	1.6%	246.309	2.3%	252.304	2.4%
Consumer Price Index - Fiscal Year (1982-84 = 100)	236.009	236.742	0.3%	239.530	1.2%	244.872	2.2%	250.845	2.4%
Personal Consumption Deflator (2009 = 100)	109.1	109.4	0.3%	111.0	1.4%	113.0	1.8%	115.1	1.9%
3-month Treasury Bills Interest Rate (percent)	0.03	0.04		0.9		1.8		2.8	
Aaa Corporate Bonds Interest Rate (percent)	4.2	3.9		4.3		4.4		4.6	
Unemployment Rate - Civilian (percent)	6.2	5.3		4.9		4.7		4.6	
Wage and Salary Employment (millions)	139.023	141.932	2.1%	144.340	1.7%	146.360	1.4%	147.970	1.1%
Housing Starts (millions of starts)	1.003	1.113	10.9%	1.270	14.1%	1.410	11.0%	1.475	4.6%
Light Vehicle Sales (millions of units)	16.4	17.4	5.8%	18.0	3.5%	18.0	0.0%	17.9	-0.6%
Passenger Car Sales (millions of units)	7.7	7.5	-2.1%	7.6	1.0%	7.6	0.0%	7.5	-1.3%
Light Truck Sales (millions of units)	8.7	9.9	12.7%	10.4	5.5%	10.4	0.0%	10.4	0.0%
Big 3 Share of Light Vehicles (percent)	44.3	43.8		44.2		44.2		44.2	
Michigan									
Wage and Salary Employment (thousands)	4,180	4,270	2.2%	4,322	1.2%	4,378	1.3%	4,422	1.0%
Unemployment Rate (percent)	7.3	5.4		5.1		4.9		4.8	
Personal Income (millions of dollars)	\$403,726	\$420,279	4.1%	\$438,771	4.4%	\$457,200	4.2%	\$476,859	4.3%
Real Personal Income (millions of 1982-84 dollars)	\$182,036	\$191,978	5.5%	\$197,291	2.8%	\$200,778	1.8%	\$204,402	1.8%
Wages and Salaries (millions of dollars)	\$204,476	\$213,064	4.4%	\$222,865	4.6%	\$231,557	3.9%	\$240,356	3.8%
Detroit Consumer Price Index (1982-84 = 100)	221.784	218.920	-1.3%	222.398	1.6%	227.714	2.4%	233.295	2.5%

Table 2
January 2016 Consensus Forecast
(millions)

Net Revenue Estimates									
	FY 2015	FY 2016			\$ Change From May	FY 2017		\$ Change From May	FY 2018
	Preliminary	May 2015 Consensus	Jan 2016 Consensus	Jan 2016 Consensus		May 2015 Consensus	Jan 2016 Consensus		Jan 2016 Consensus
Net GF-GP Revenue	\$10,034.4	\$9,881.9	\$9,843.8			\$10,213.9		\$10,599.3	
% Growth	11.3%	1.6%	-1.9%	(\$38.1)	2.4%	3.8%		3.8%	
\$ Growth			(\$190.6)			\$370.1		\$385.4	
Net SAF Revenue	\$11,747.1	\$12,242.9	\$12,131.6	(\$111.3)	\$12,598.8	\$12,486.2	(\$112.6)	\$12,831.1	
% Growth	2.0%	3.0%	3.3%		2.9%	2.9%		2.8%	
\$ Growth			\$384.5			\$354.5		\$344.9	
Combined GF-GP/SAF	\$21,781.5	\$22,124.8	\$21,975.4	(\$149.4)	\$22,720.2	\$22,700.1	(\$20.2)	\$23,430.4	
% Growth	6.0%	2.4%	0.9%		2.7%	3.3%		3.2%	
\$ Growth			\$193.9			\$724.7		\$730.4	

Revenue Limit Calculation				
	FY 2015	FY 2016	FY 2017	FY 2018
Personal Income	\$386,471	\$403,726	\$420,279	\$438,771
Ratio	9.49%	9.49%	9.49%	9.49%
Revenue Limit	\$36,676.1	\$38,313.6	\$39,884.5	\$41,639.4
Revenue Subject to Limit	\$28,844.3	\$29,190.2	\$30,270.0	\$31,533.0
Amount Under (Over) Limit	\$7,831.8	\$9,123.4	\$9,614.4	\$10,106.4

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		
	FY 2019	FY 2020
Net GF-GP Revenue	\$10,563.7	\$10,702.6
Growth	-0.3%	1.3%
Net SAF Revenue	\$13,195.5	\$13,579.4
Growth	2.8%	2.9%
Combined GF-GP/SAF	\$23,759.2	\$24,282.0
Growth	1.4%	2.2%

Budget Stabilization Fund Calculation		
FY 2016 Calculations	PAY-IN	\$250.9
FY 2017 Calculations	PAY-IN	\$196.9
FY 2018 Calculations	PAY-IN	\$10.2

School Aid Index		
	FY 2017	FY 2018
Revenue Adjustment Factor	1.0287	1.0286
Pupil Membership Factor	1.0066	1.0068
School Aid Index	1.0355	1.0356