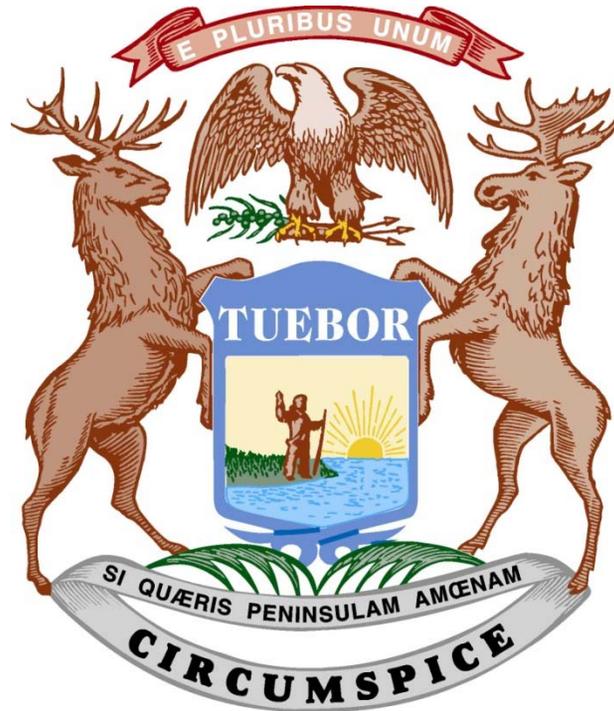


Economic and Revenue Forecasts

FY 2017 * FY 2018 * FY 2019



Consensus Revenue Estimating Conference

January 12, 2017

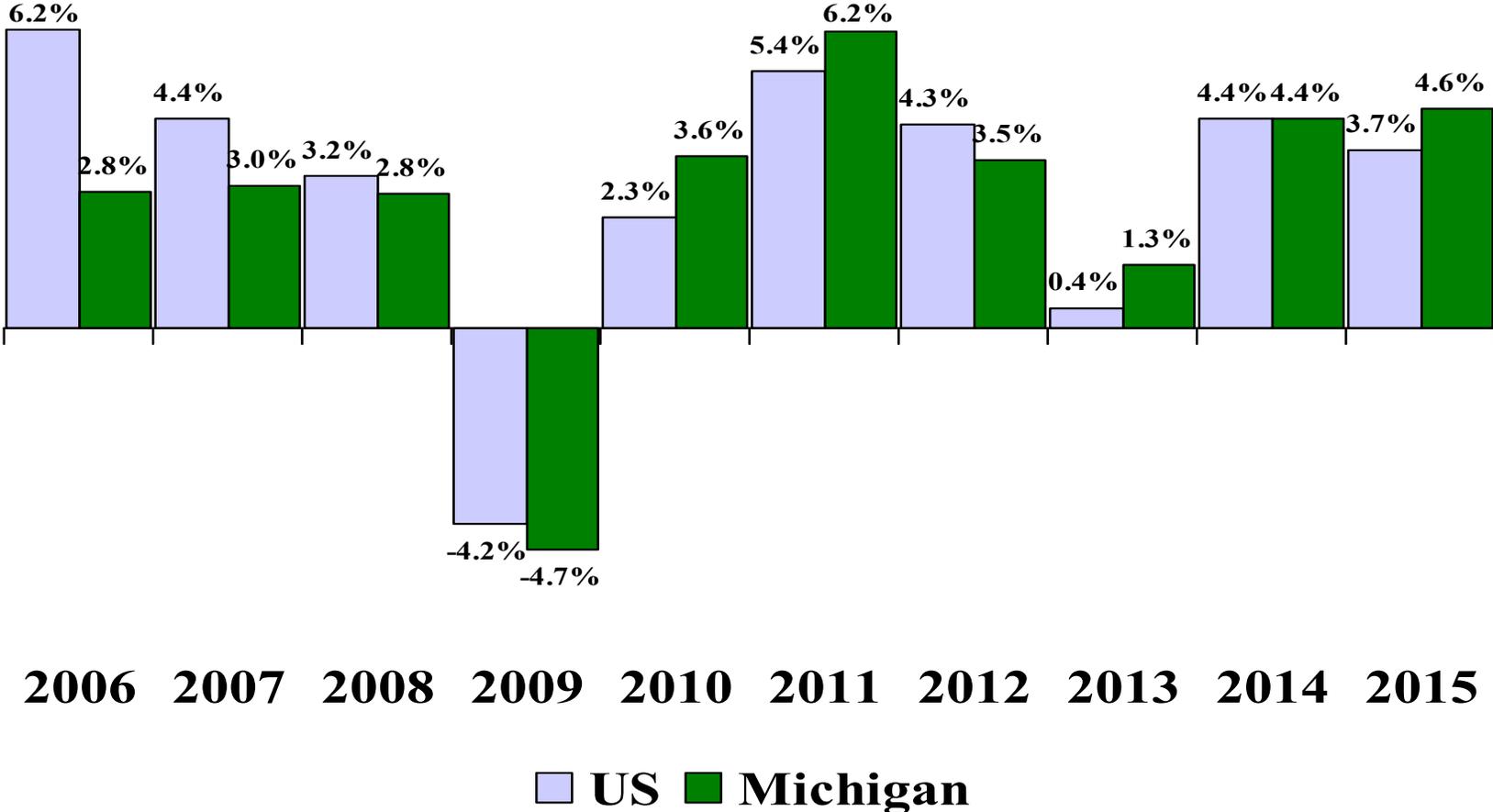
January 2017 Consensus Conference

Outline

- **Economic Forecast**
David Zin, Senate Fiscal Agency
- **Revenue Estimates for Major Taxes**
Jay Wortley, Department of Treasury
- **Revenue Estimates by Fund**
Jim Stansell, House Fiscal Agency

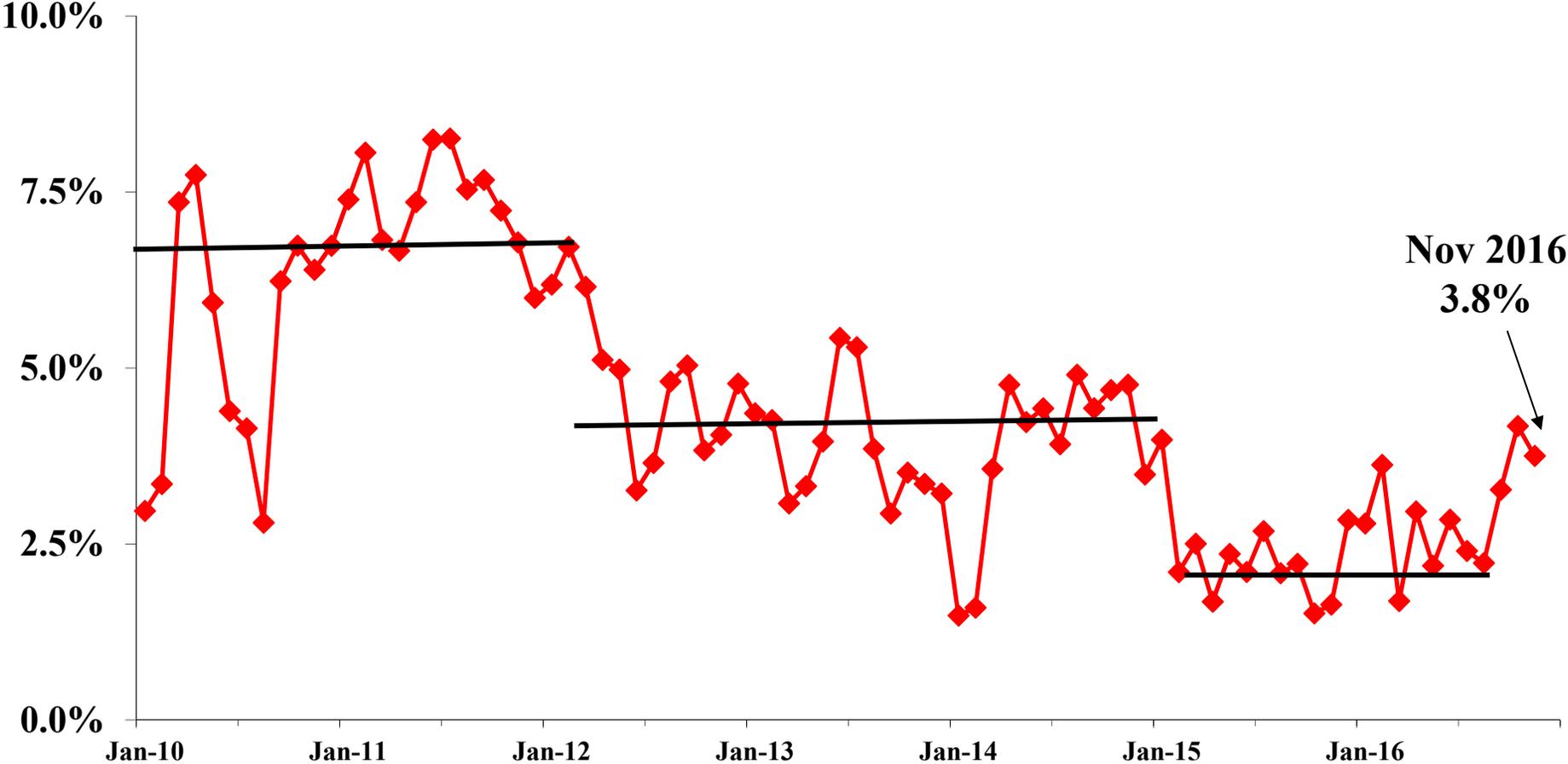
Per Capita Personal Income Growth

Yearly Percent Change



Retail Sales Trending Down

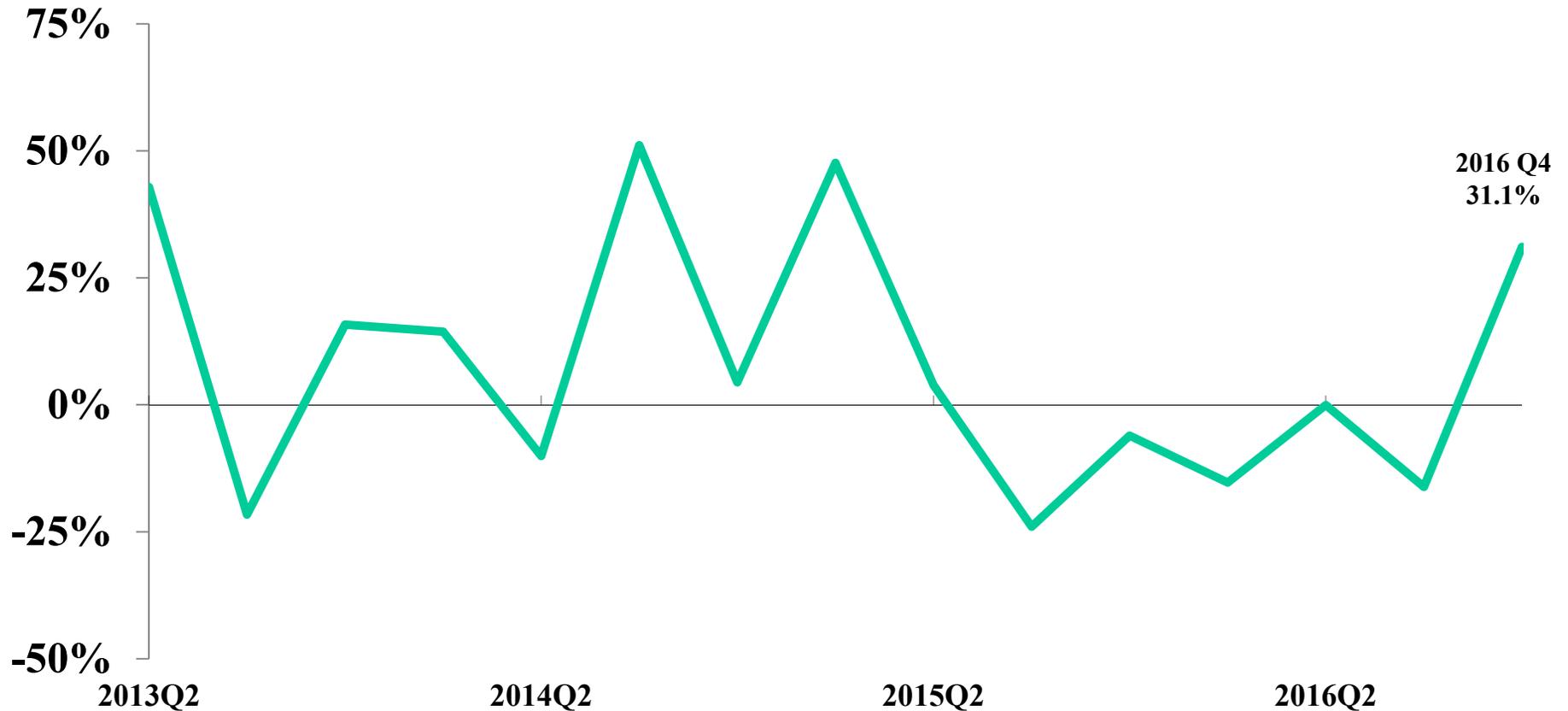
Year-Over-Year Change



Source: Michigan Department of Treasury.
January 2017 Consensus Conference

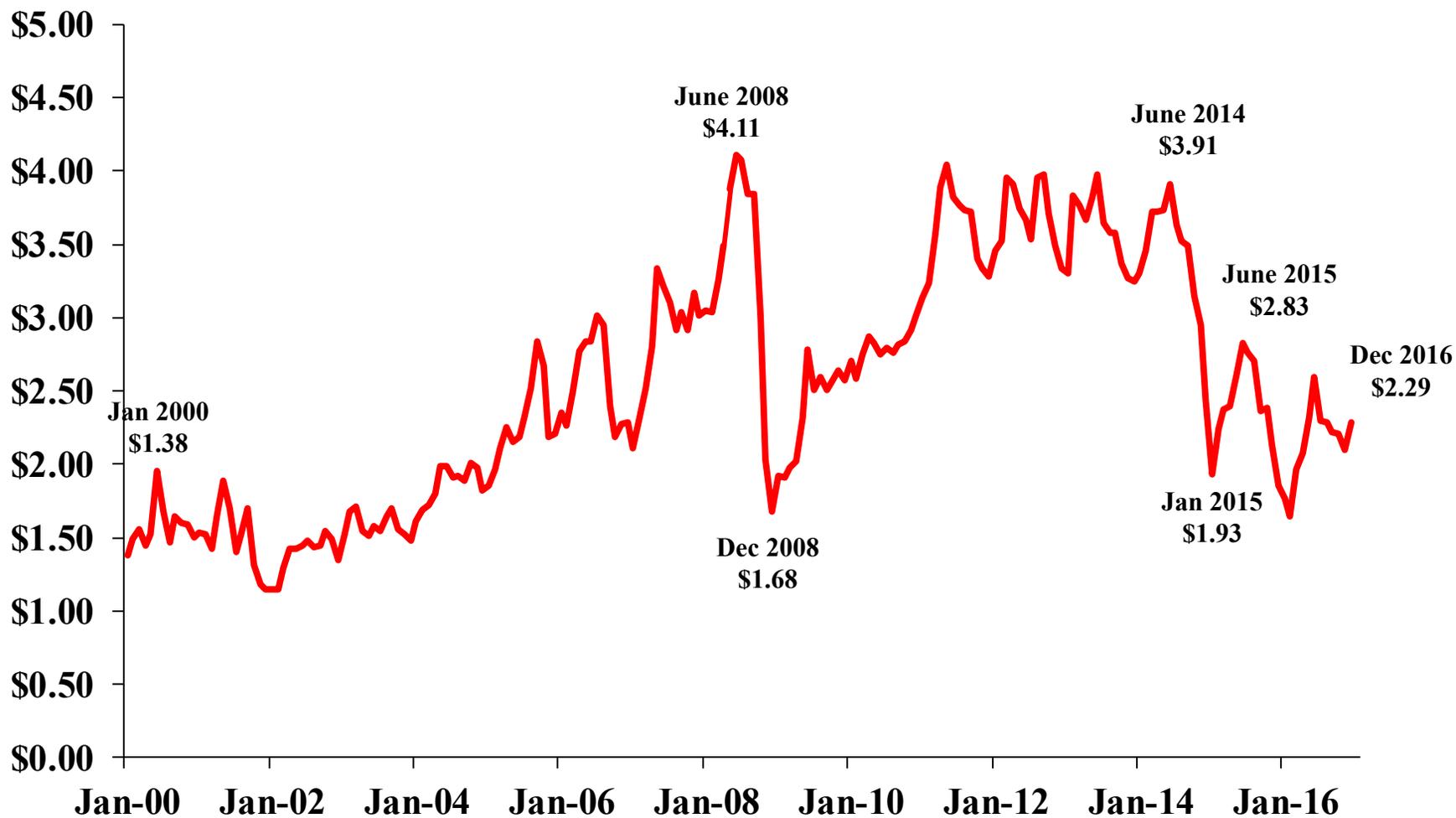
Michigan CIT Revenues Show Volatility

Quarterly Revenue, Year-over-Year Change



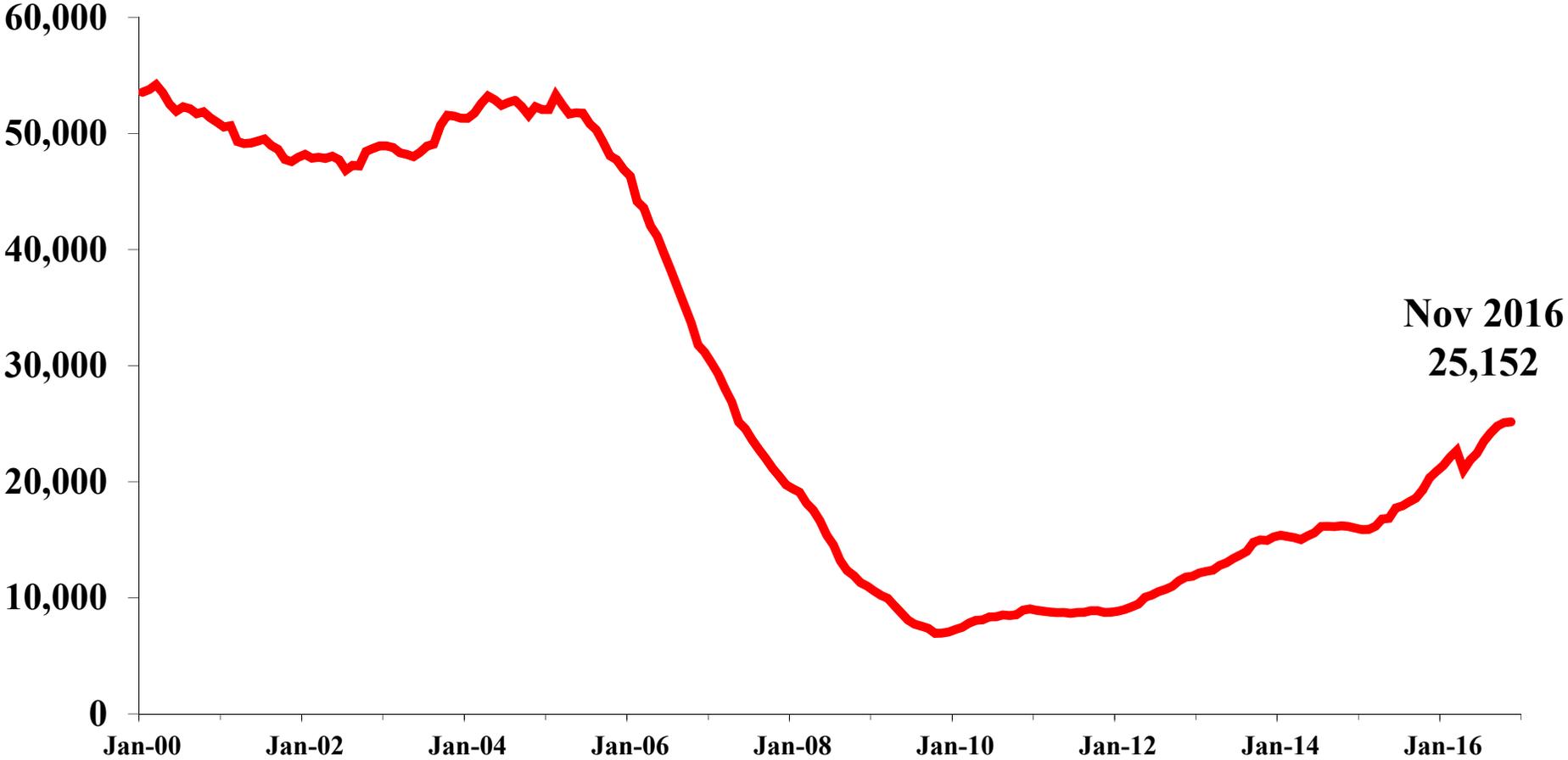
Source: Michigan Department of Treasury
January 2017 Consensus Conference

Michigan Gasoline Prices



Michigan Building Permits Begin to Recover

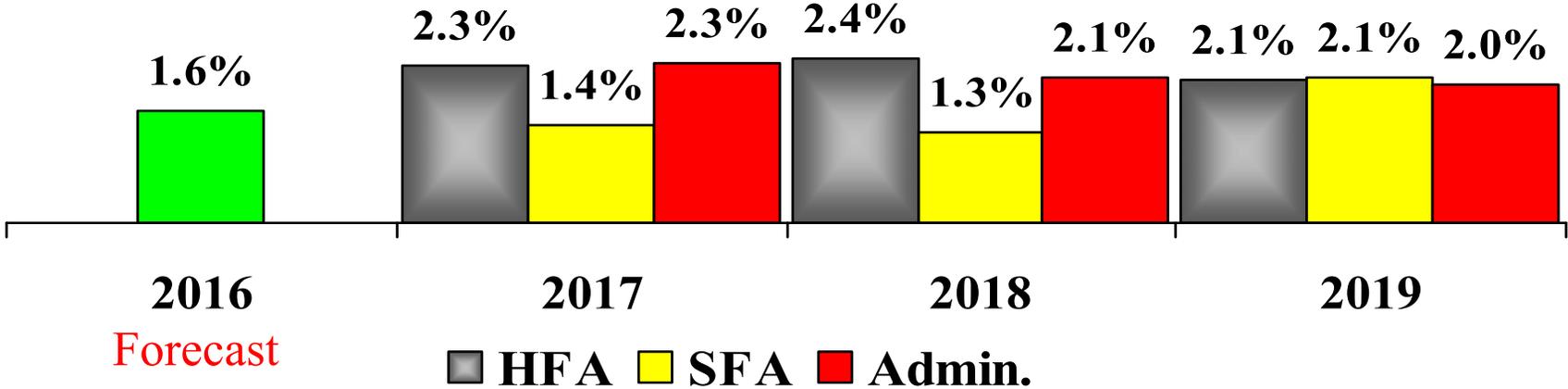
12 month moving annual average



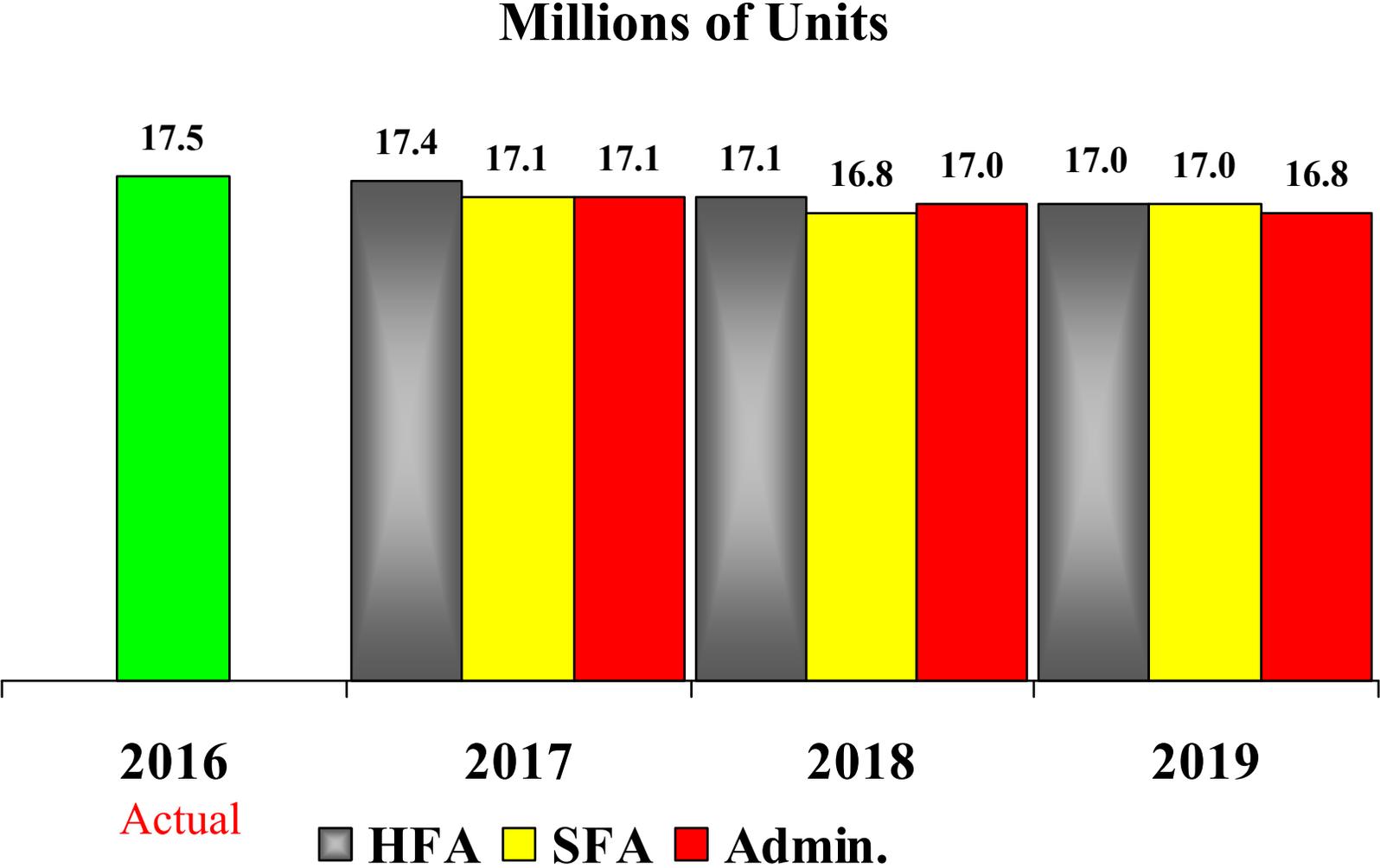
Source: U.S. Census Bureau and Michigan Department of Treasury.
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GDP Forecasts

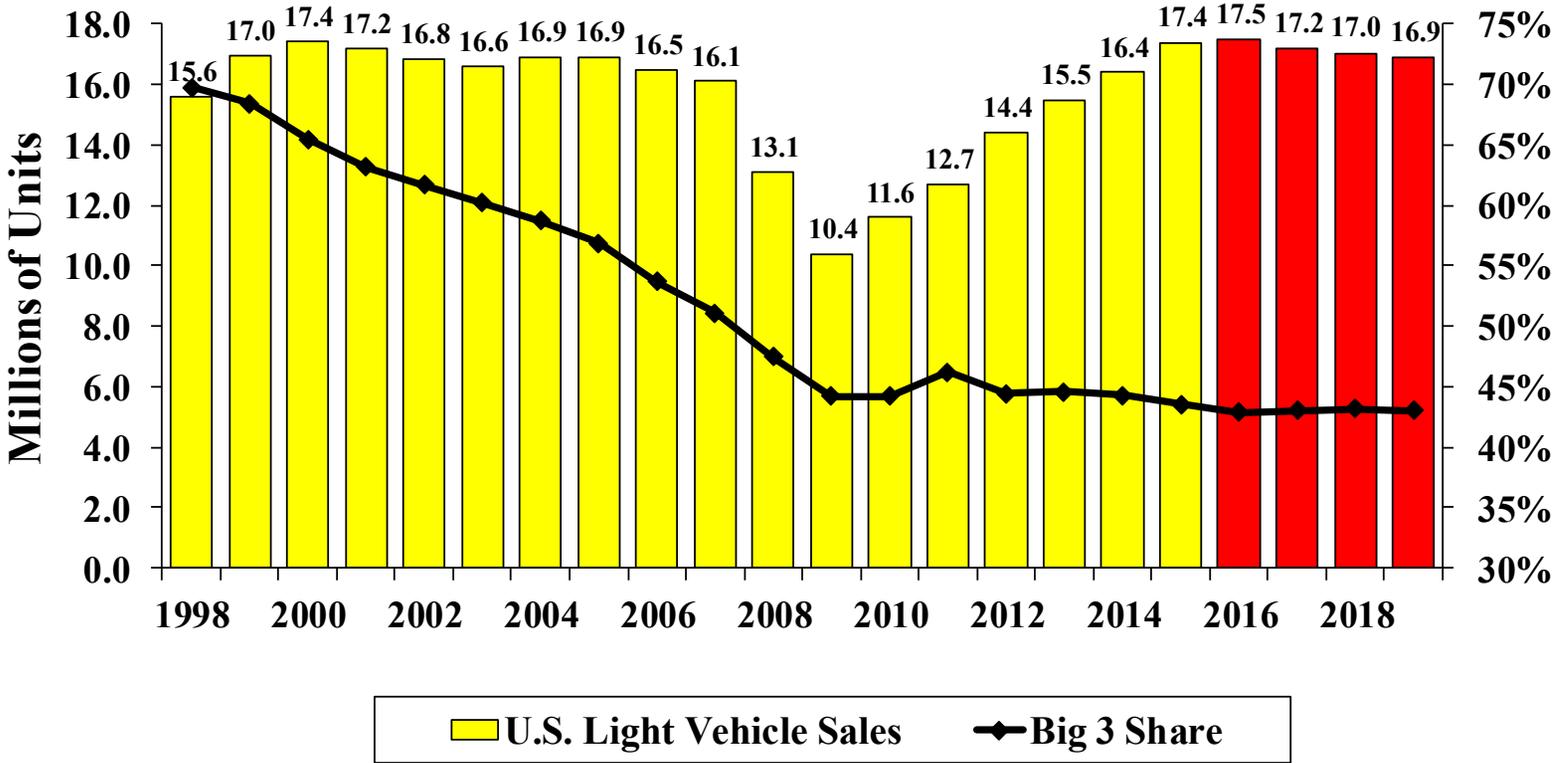
Annual Percent Change



Light Vehicle Sales Forecast



Vehicle Sales at Historically High Levels

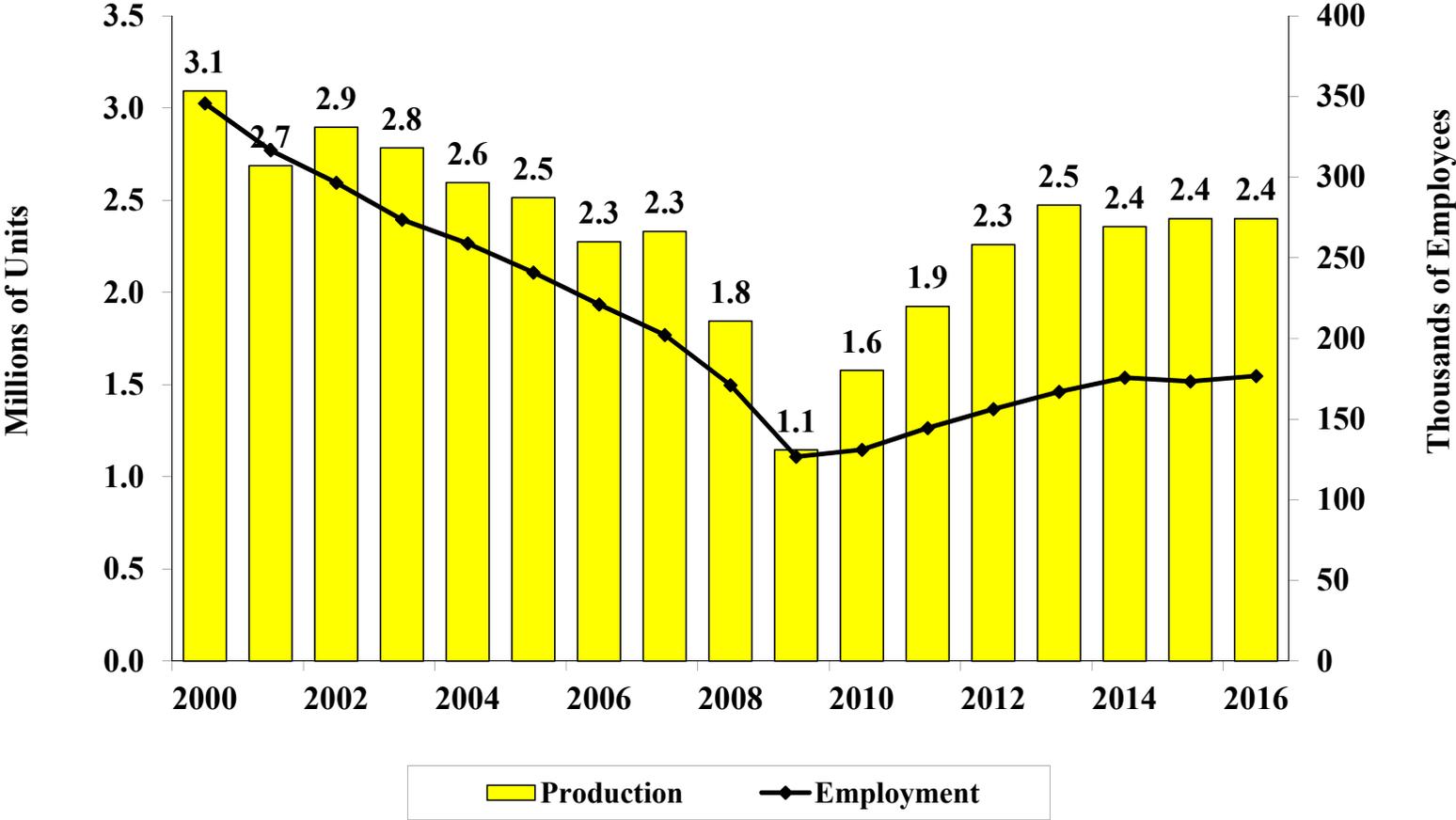


Source: Automotive News.

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Average Agency Forecasts

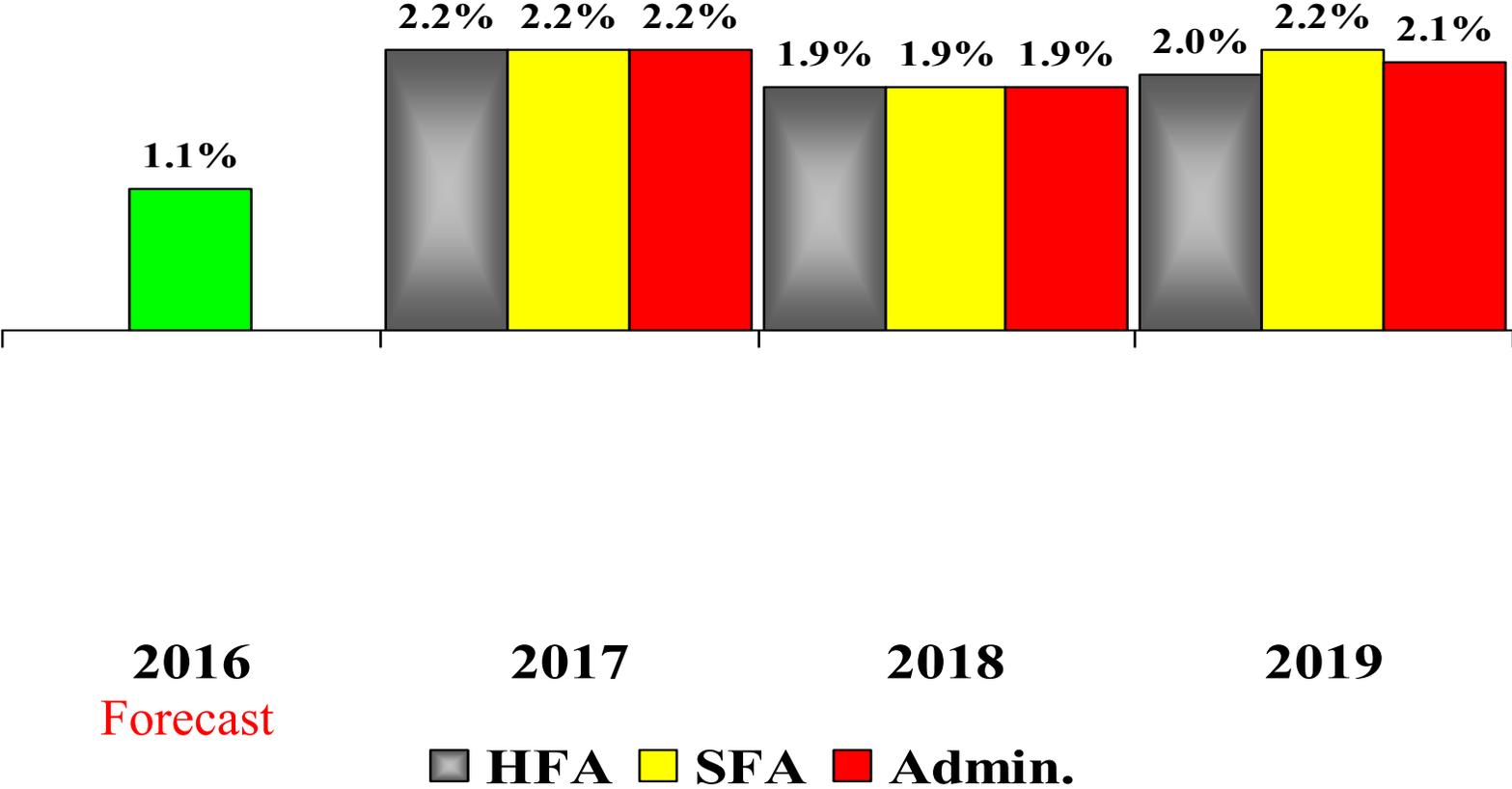
MI Motor Vehicle Production & Employment



Source: Michigan Department of Treasury & U.S. Bureau of Labor Statistics.
 January 2017 Consensus Conference

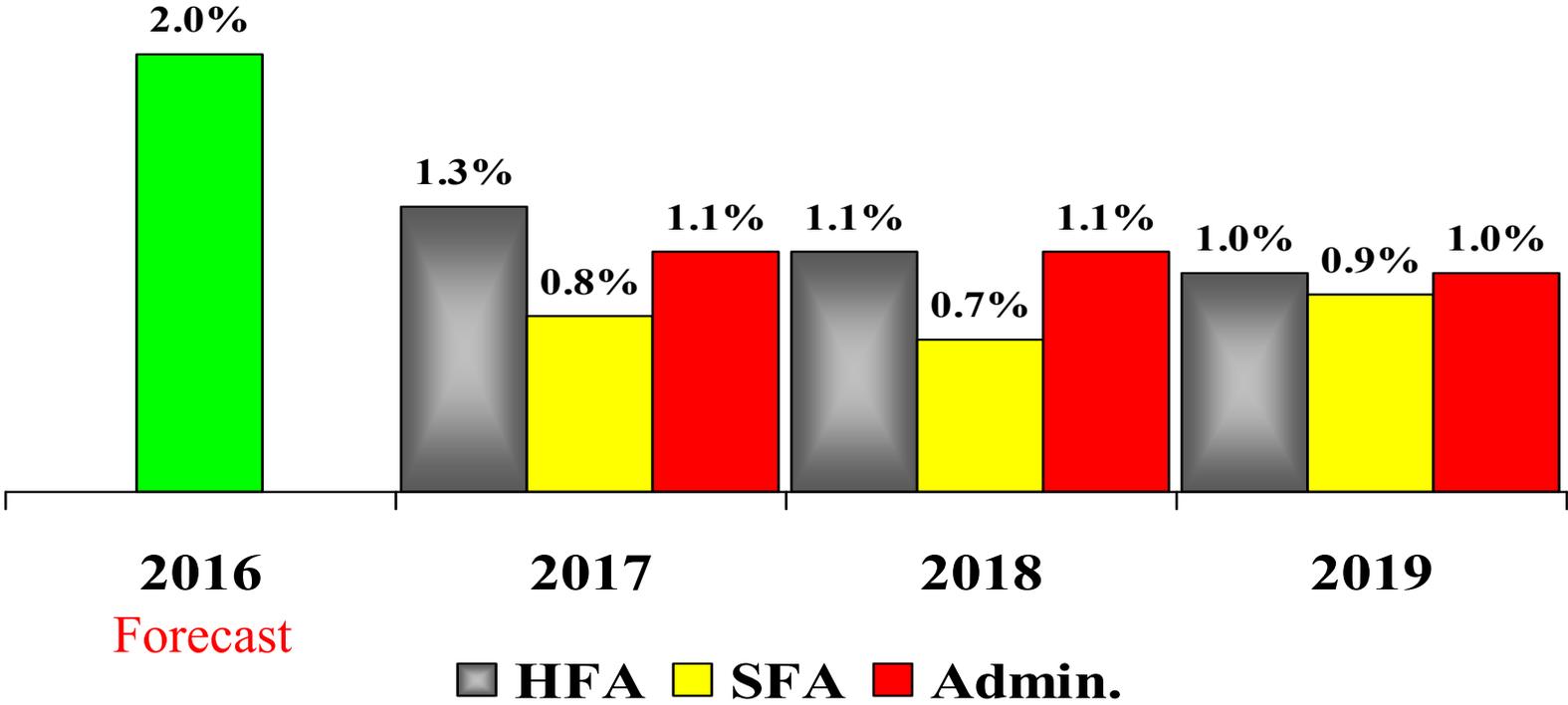
Inflation Expected to Increase

Detroit Consumer Price Index Fiscal Year Growth



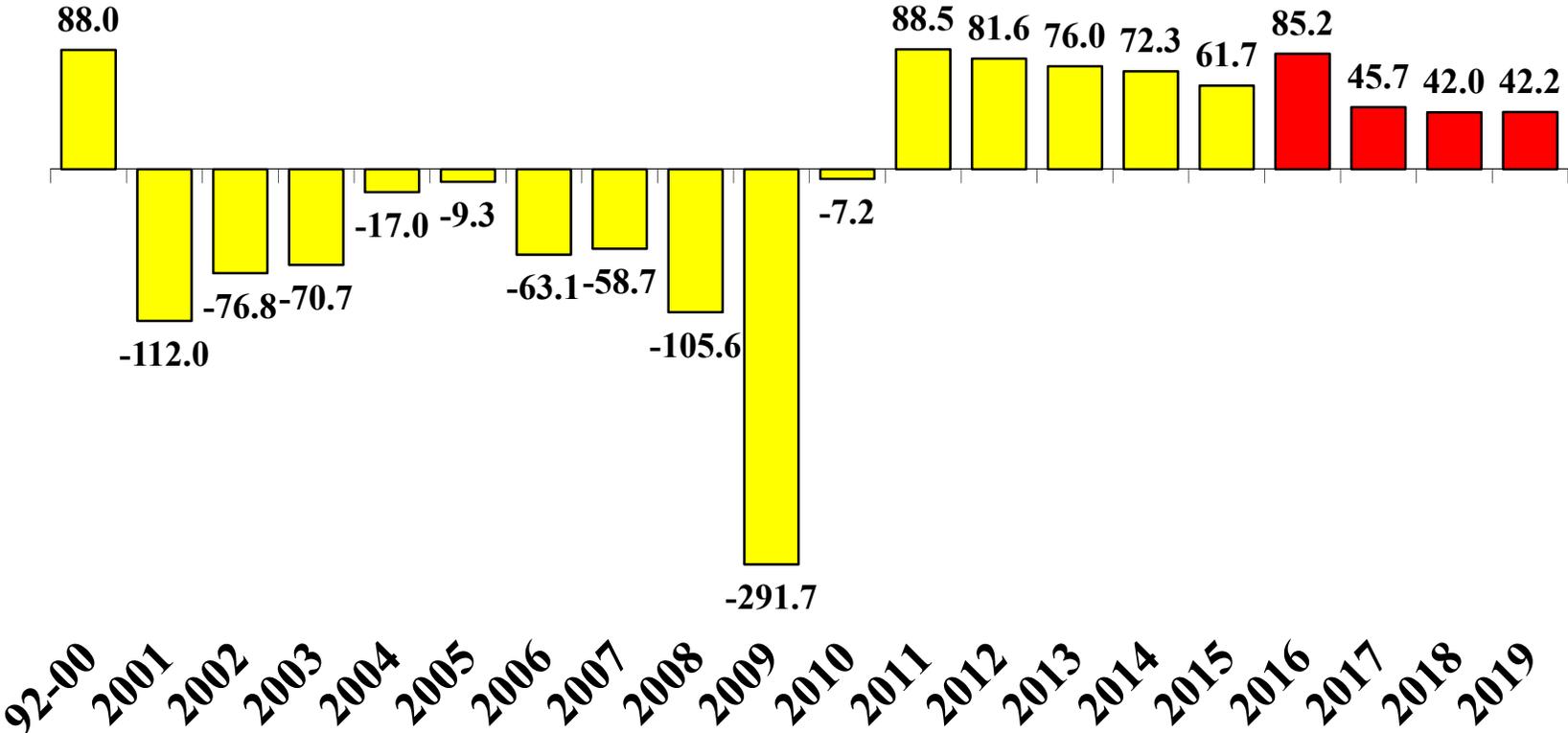
Michigan Wage and Salary Employment

Annual Percent Change



Michigan Job Gains Expected Through 2019

**Change in Michigan Wage and Salary Employment
Thousands**



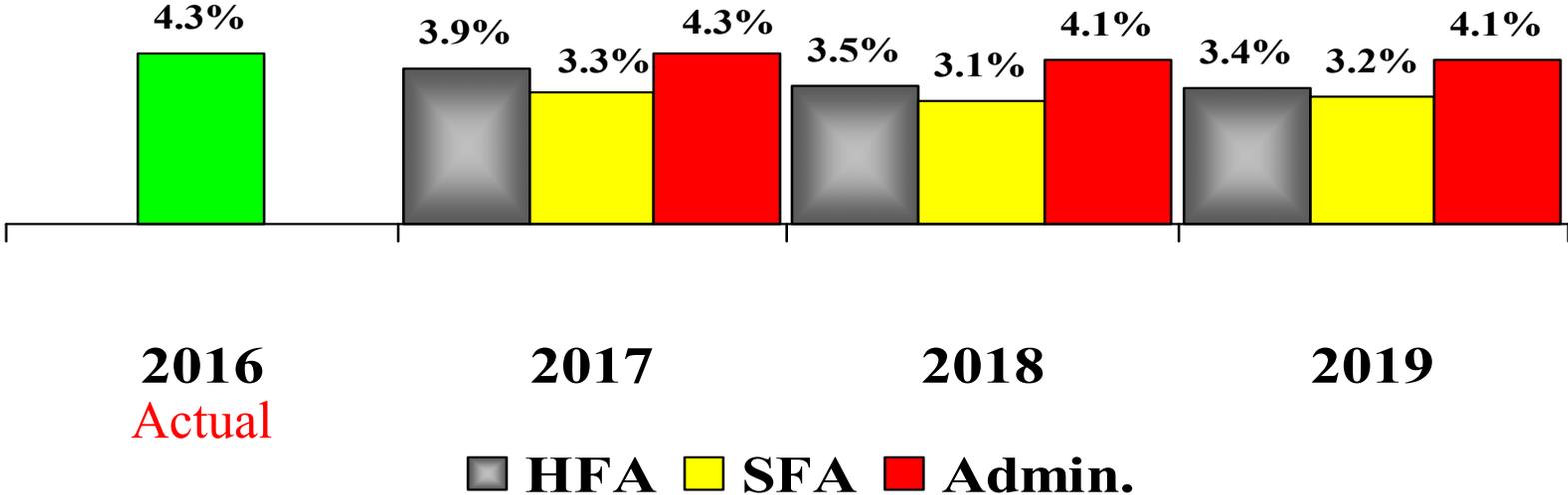
Average Agency Forecasts

Forecast of Major Taxes

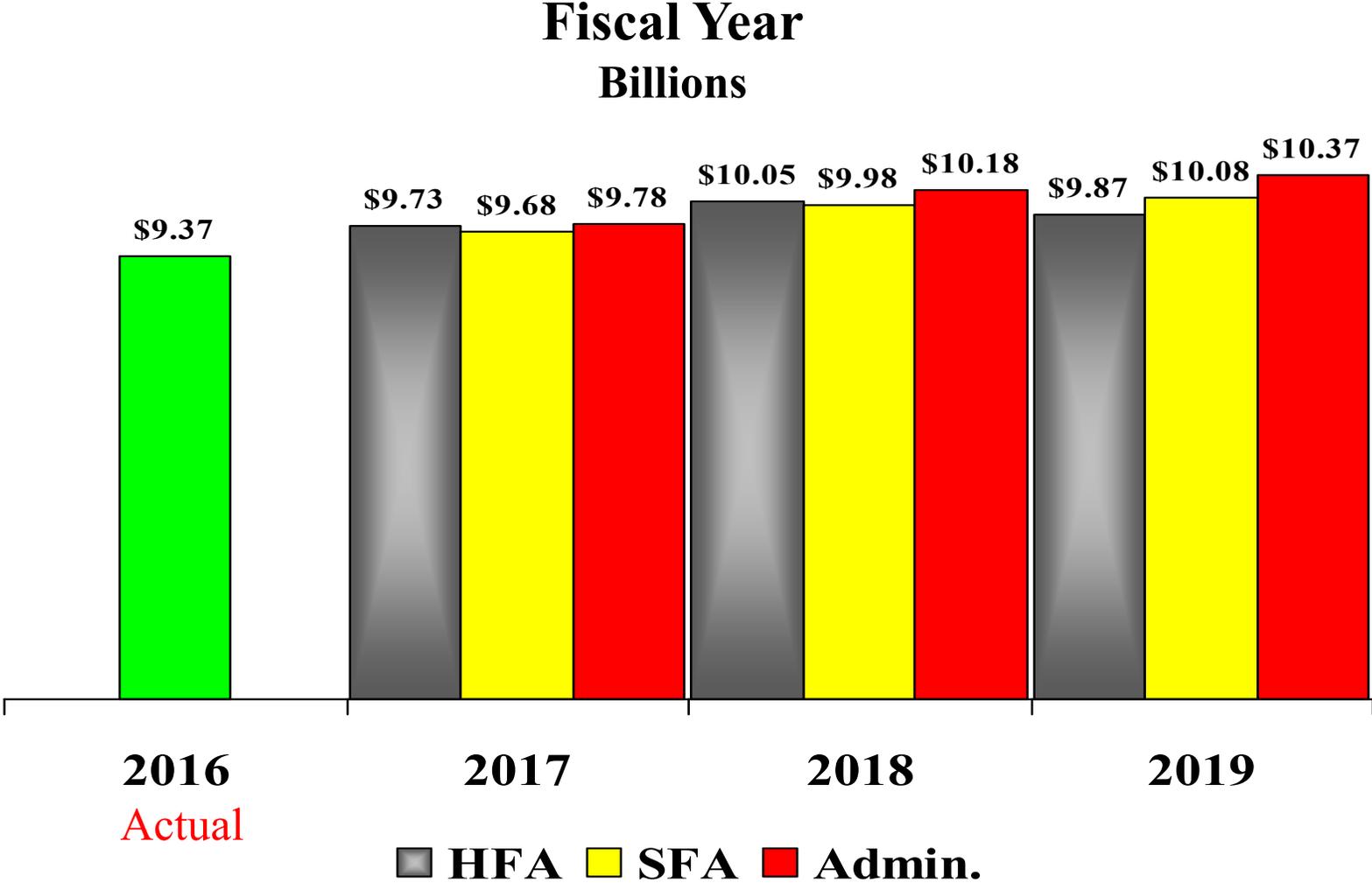
- Income tax withholding was strong in FY16 and is expected to continue to grow through FY19.
- Sales tax growth rate is expected to improve in FY17 after being very weak in FY15 and FY16.
- MBT will be less of a drag on revenue in FY17.
- CIT declined in FY16 and is projected to increase in FY17 - FY19, but has the potential to be volatile.
- Insurance taxes will increase GF-GP revenue \$80 million beginning in FY 2017 due to a credit repeal.
- IIT transportation earmark and homestead property tax credit change reduces GF-GP revenue in FY19.

Baseline Income Tax Growth

Fiscal Year Growth

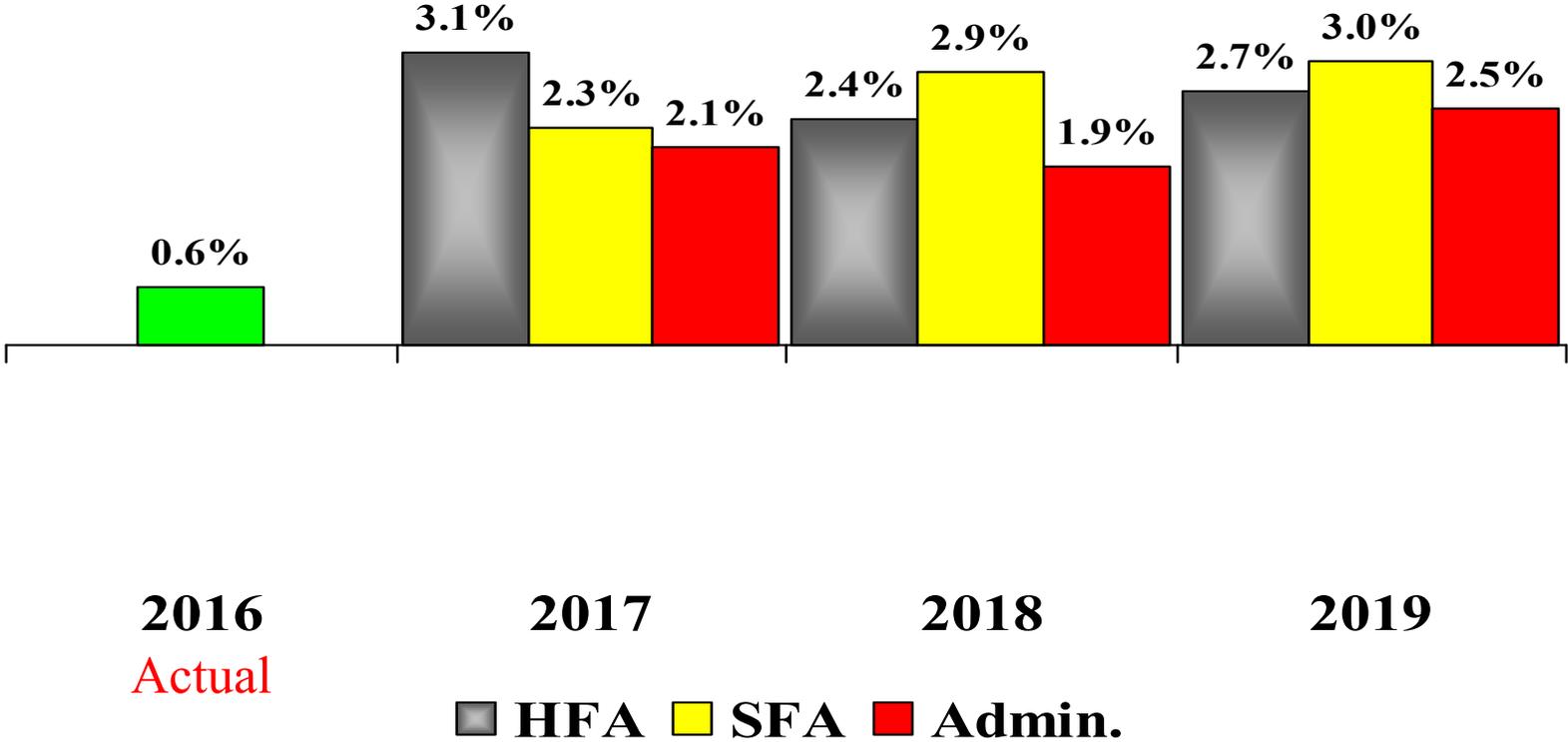


Net Income Tax Revenue Estimates



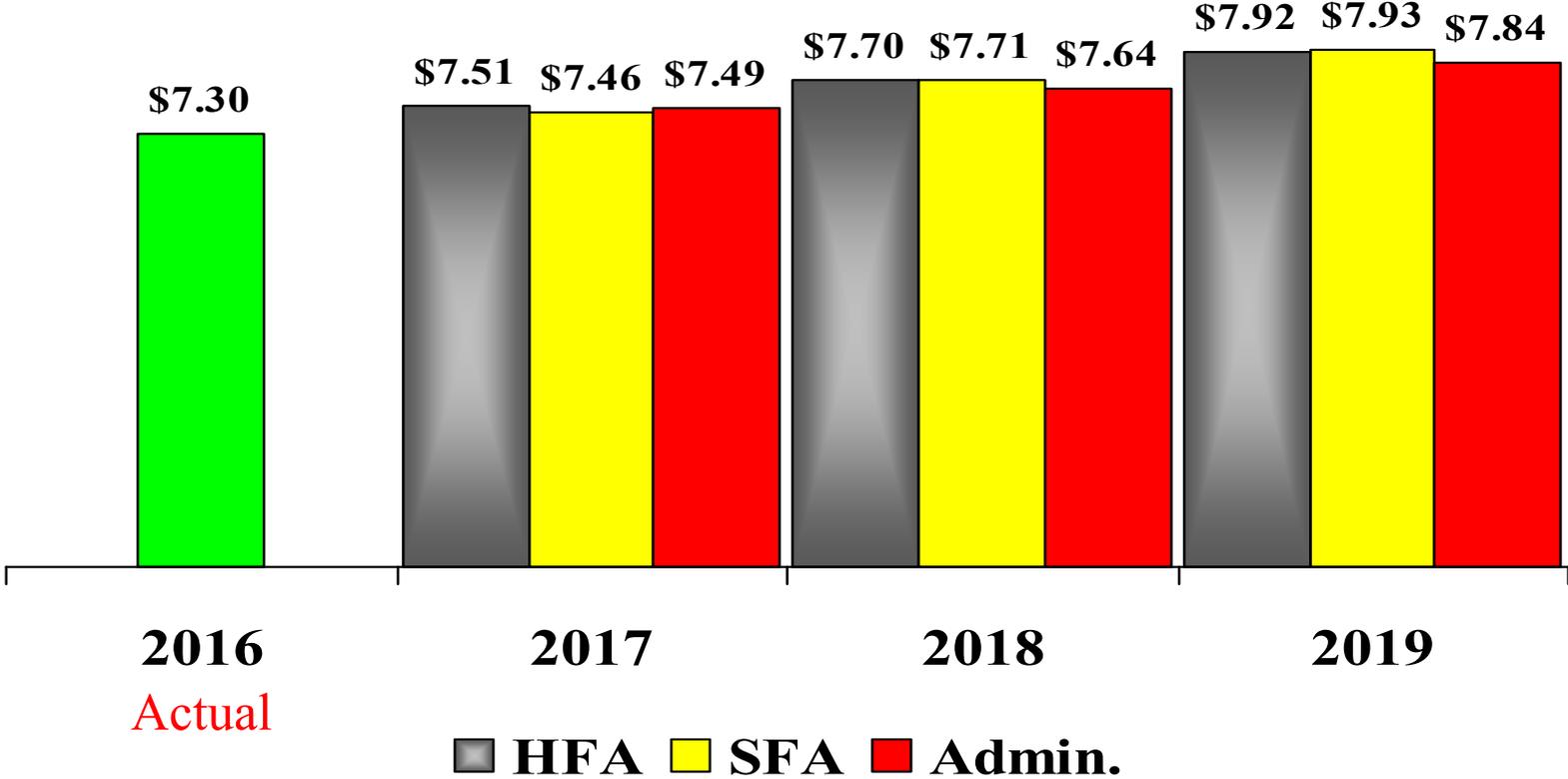
Baseline Sales Tax Growth

Fiscal Year Growth



Net Sales Tax Revenue Estimates

Fiscal Year
Billions

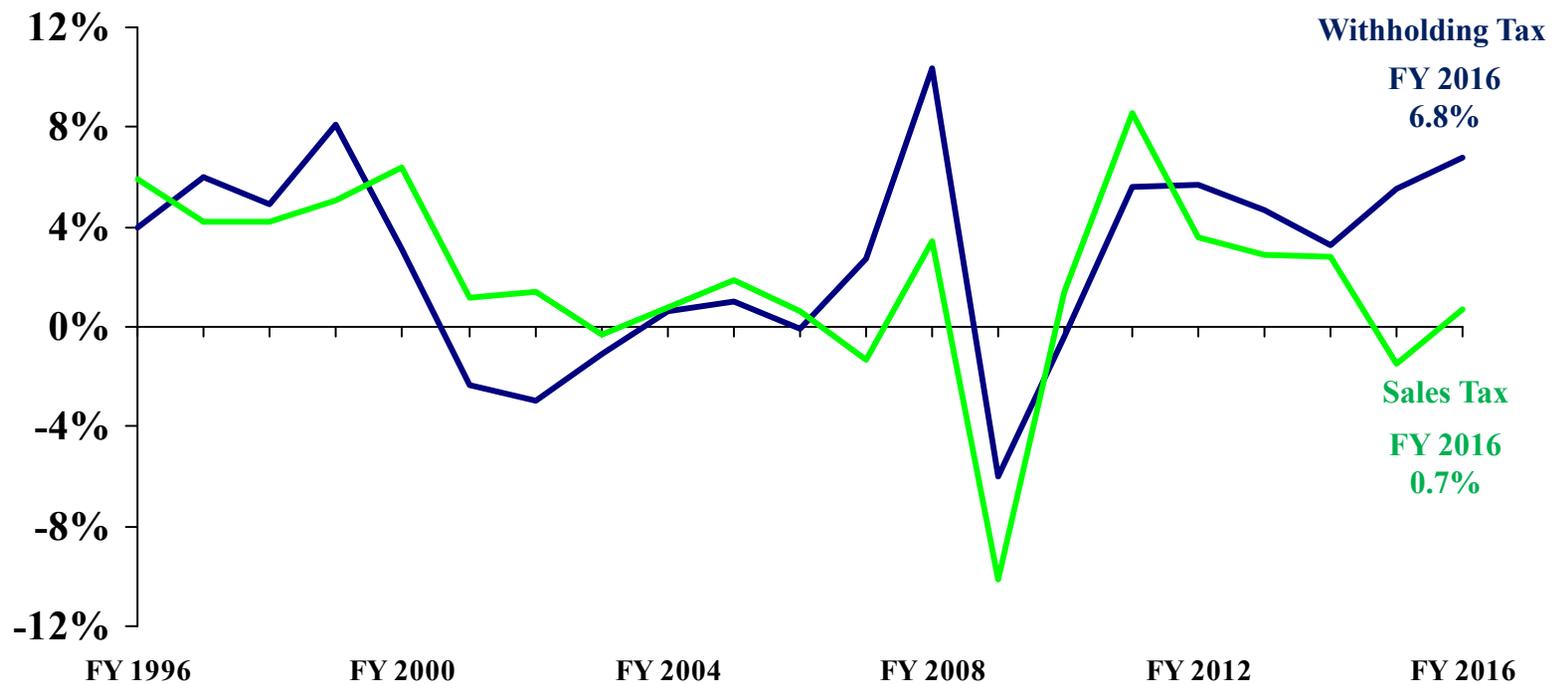


Sales Tax Collections

Dollars in Millions

	<u>FY 2015</u>	<u>FY 2016</u>	<u>Percent Change</u>
Sales Tax from Gasoline Purchases	\$603.6	\$511.0	-15.3%
Motor Vehicle Purchases	\$925.4	\$952.3	2.9%
All Other Purchases	<u>\$5,717.4</u>	<u>\$5,832.3</u>	<u>2.0%</u>
Total Sales Tax	\$7,246.4	\$7,295.6	0.7%

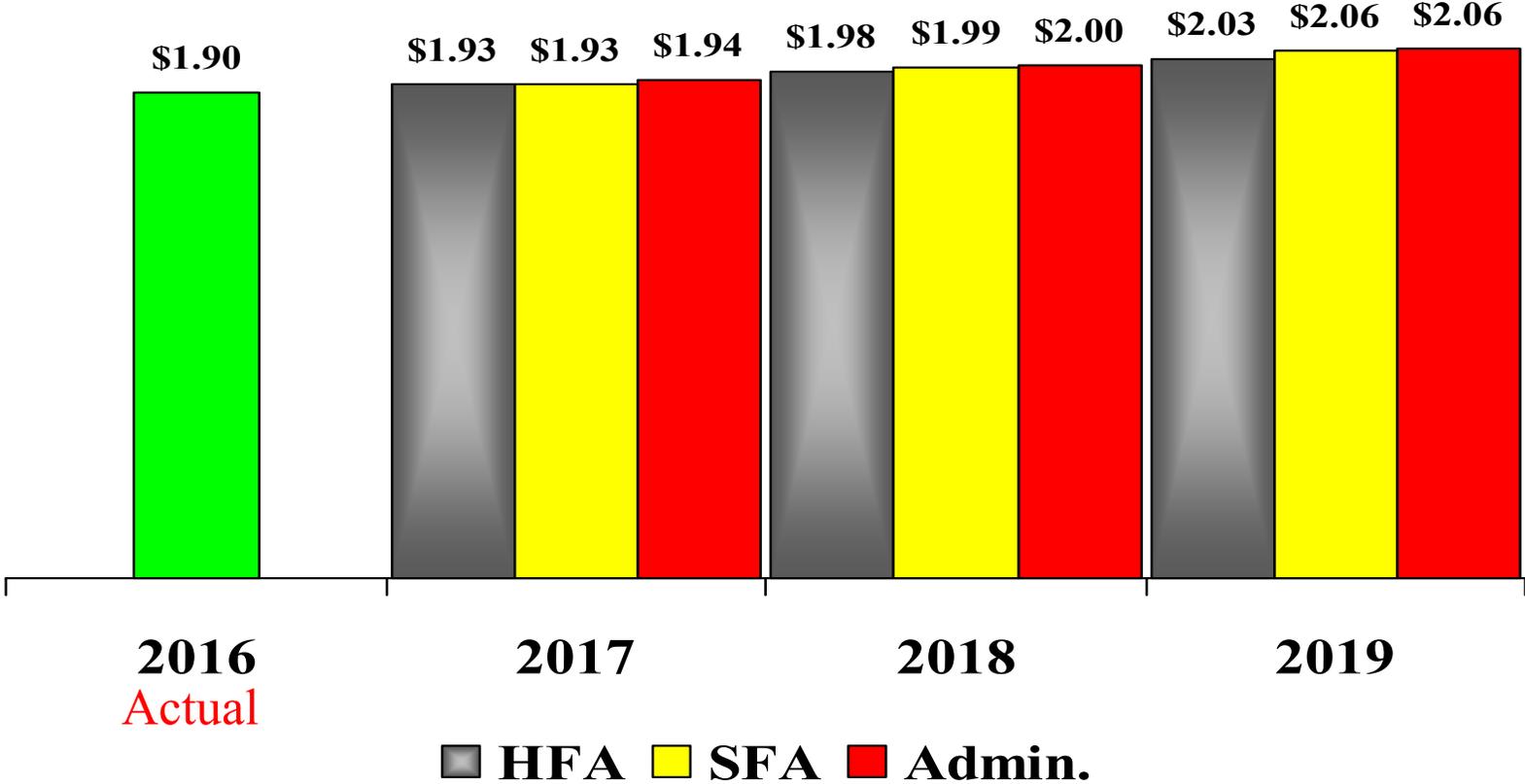
IIT Withholding & Sales Tax FY Growth Rates



Source: Michigan Department of Treasury

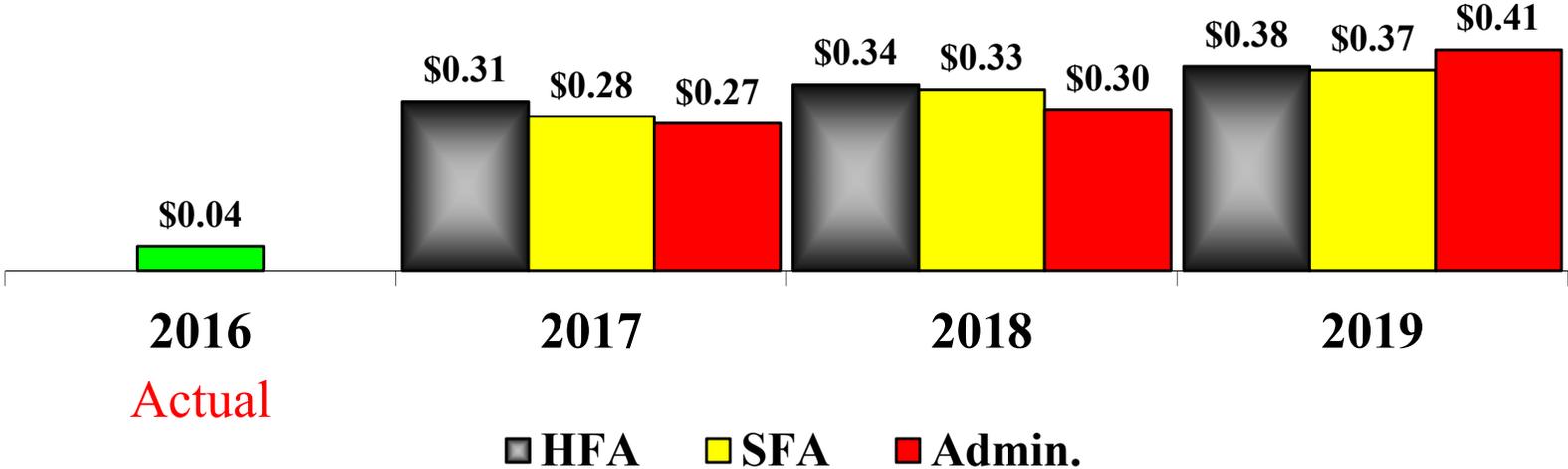
Net SET Revenue Estimates

Fiscal Year
Billions



Net CIT/MBT Revenue Estimates

Fiscal Year
Billions



MBT Net Refunds

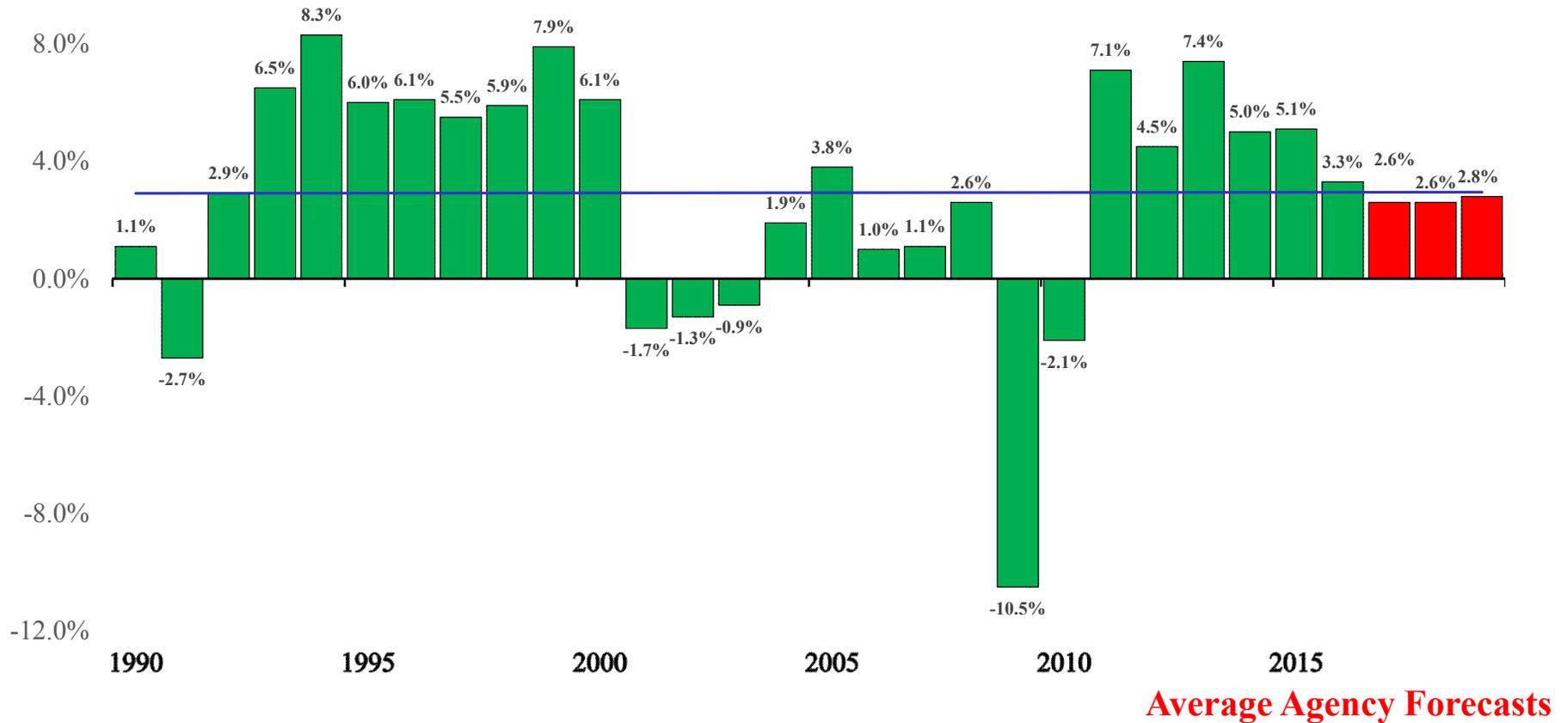
- MBT net refunds peaked in FY16 at \$880 million.
- MBT net refunds are expected to fall to about \$670 million in FY17.
- MEGA credits will total in the range of \$530-\$600 million in FY17-FY19.
- Battery credits totaled about \$238 million in FY16 but will drop to roughly \$50 million in FY17.
- Treasury and MEDC continue to work closely to monitor the business credits.

GF-GP and School Aid Fund Revenue

- Growth rate comparisons.
- Level comparisons.
- Budget Stabilization Fund calculation.
- Constitutional Revenue Limit calculation.

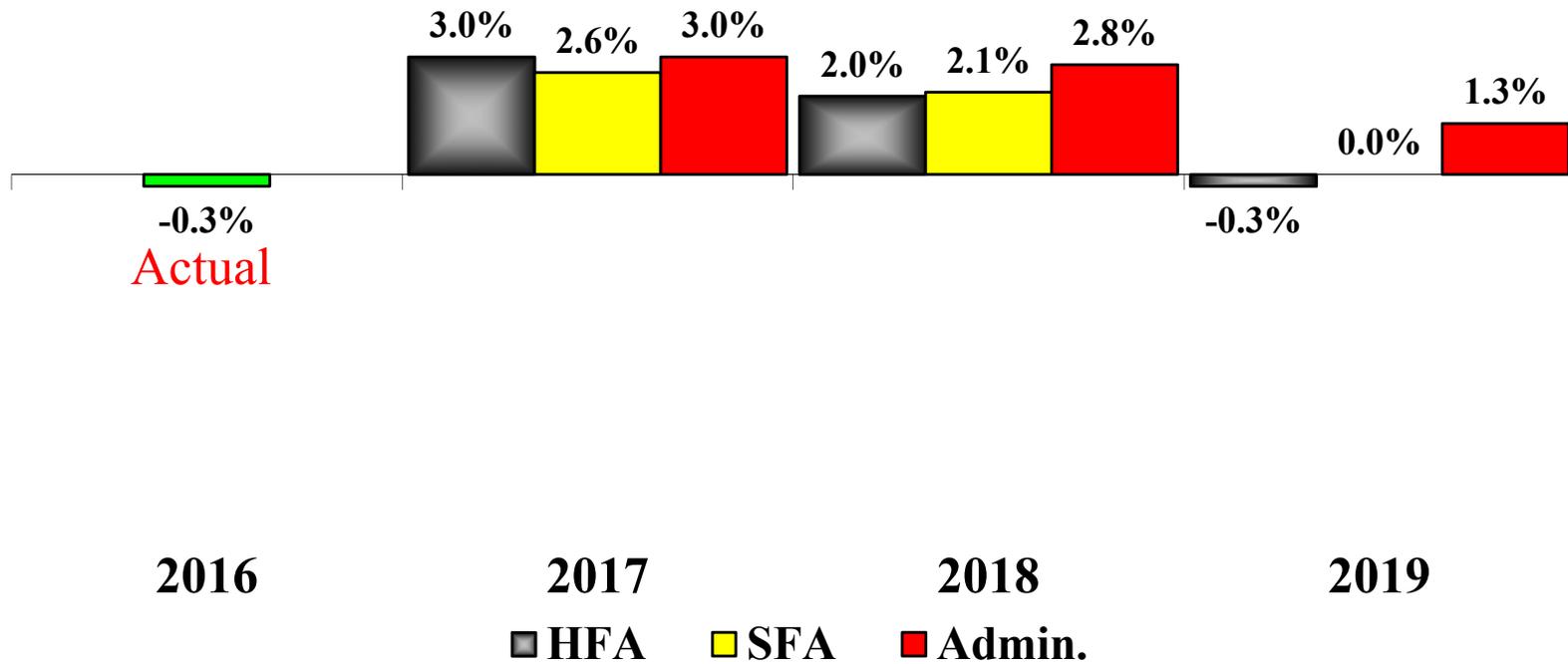
GF-GP and School Aid Revenue

Baseline Growth Rates Before Tax Changes

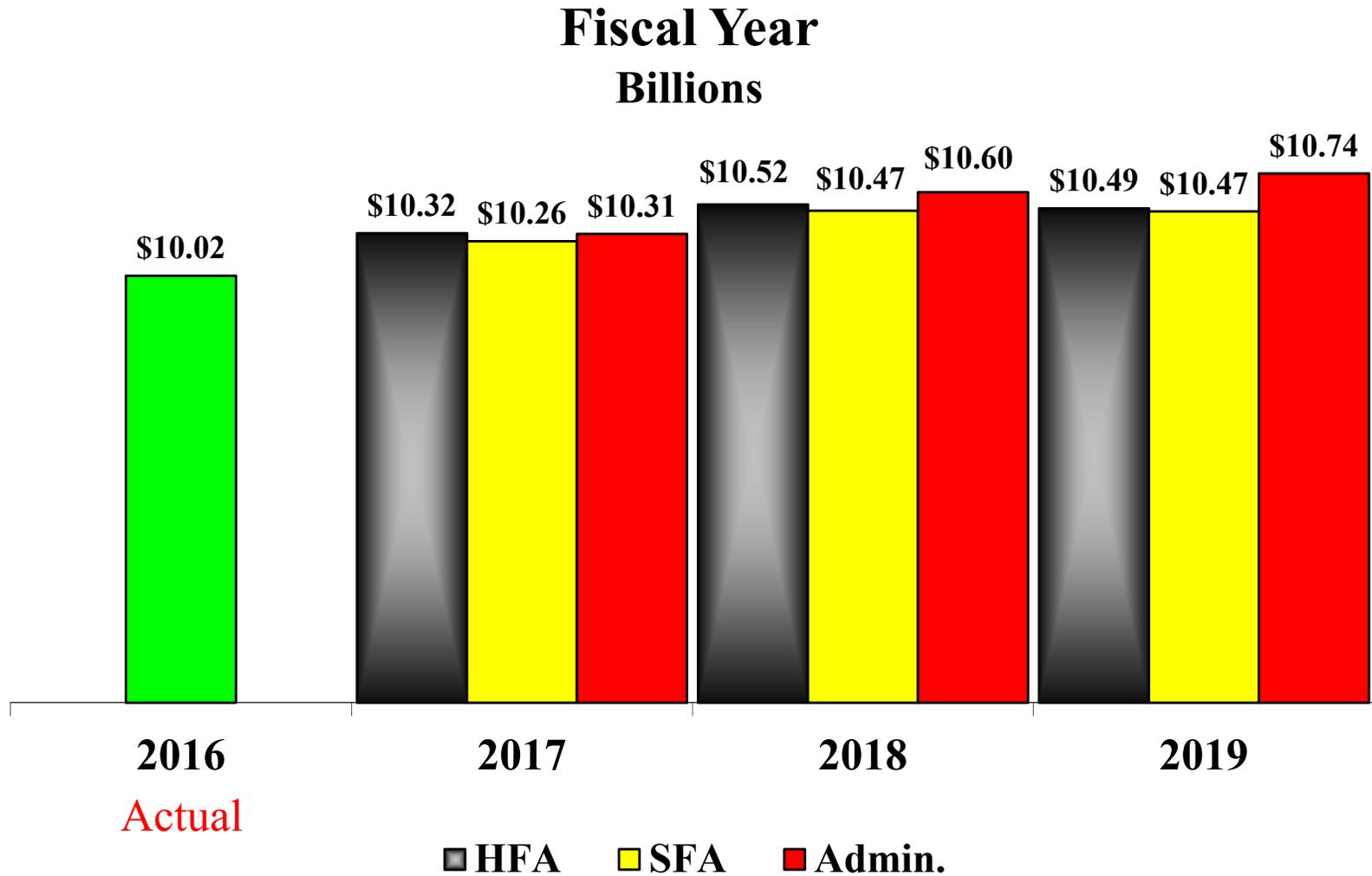


GF-GP Net Revenue Growth

Fiscal Year Growth

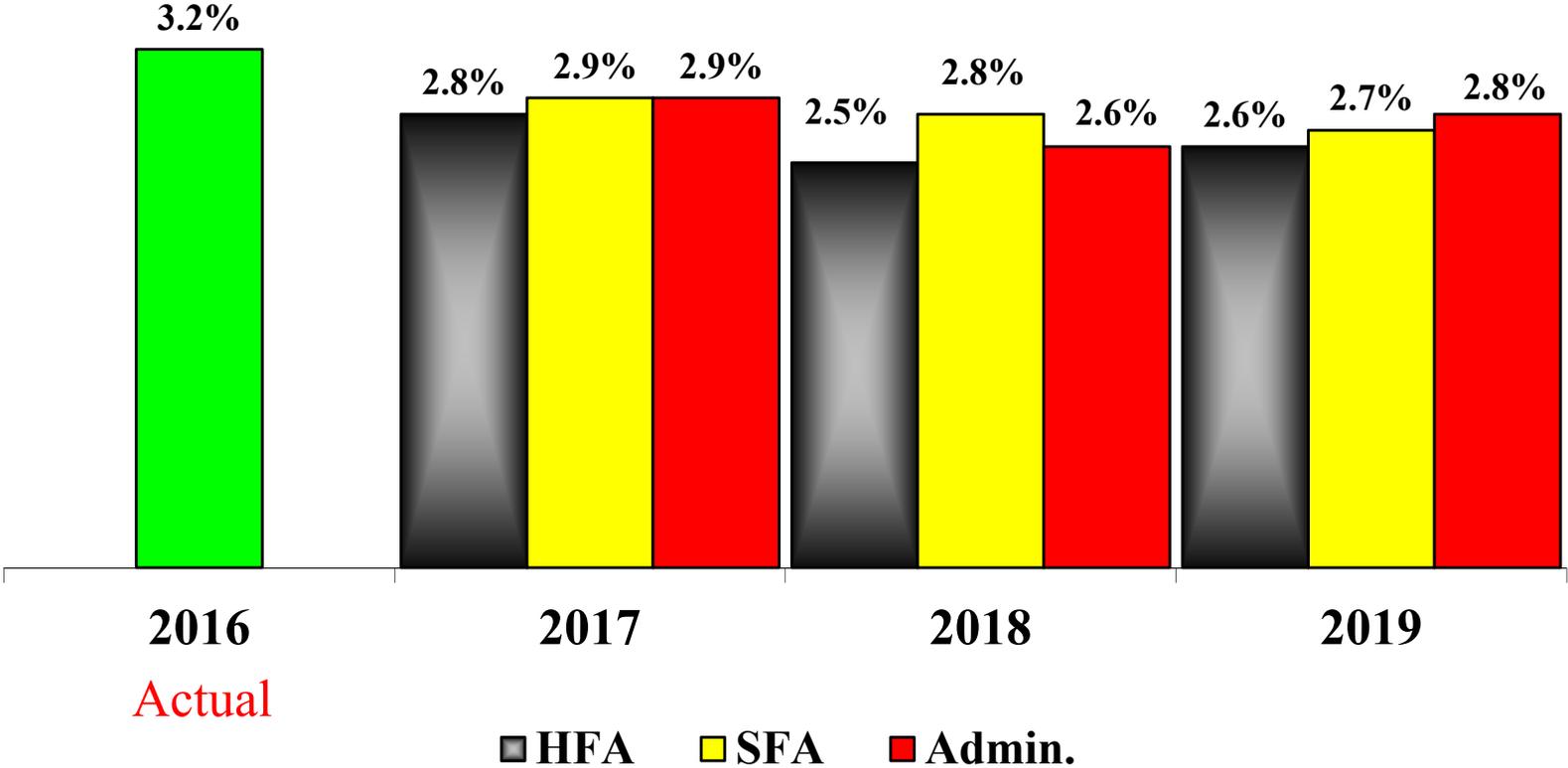


GF-GP Net Revenue Estimates



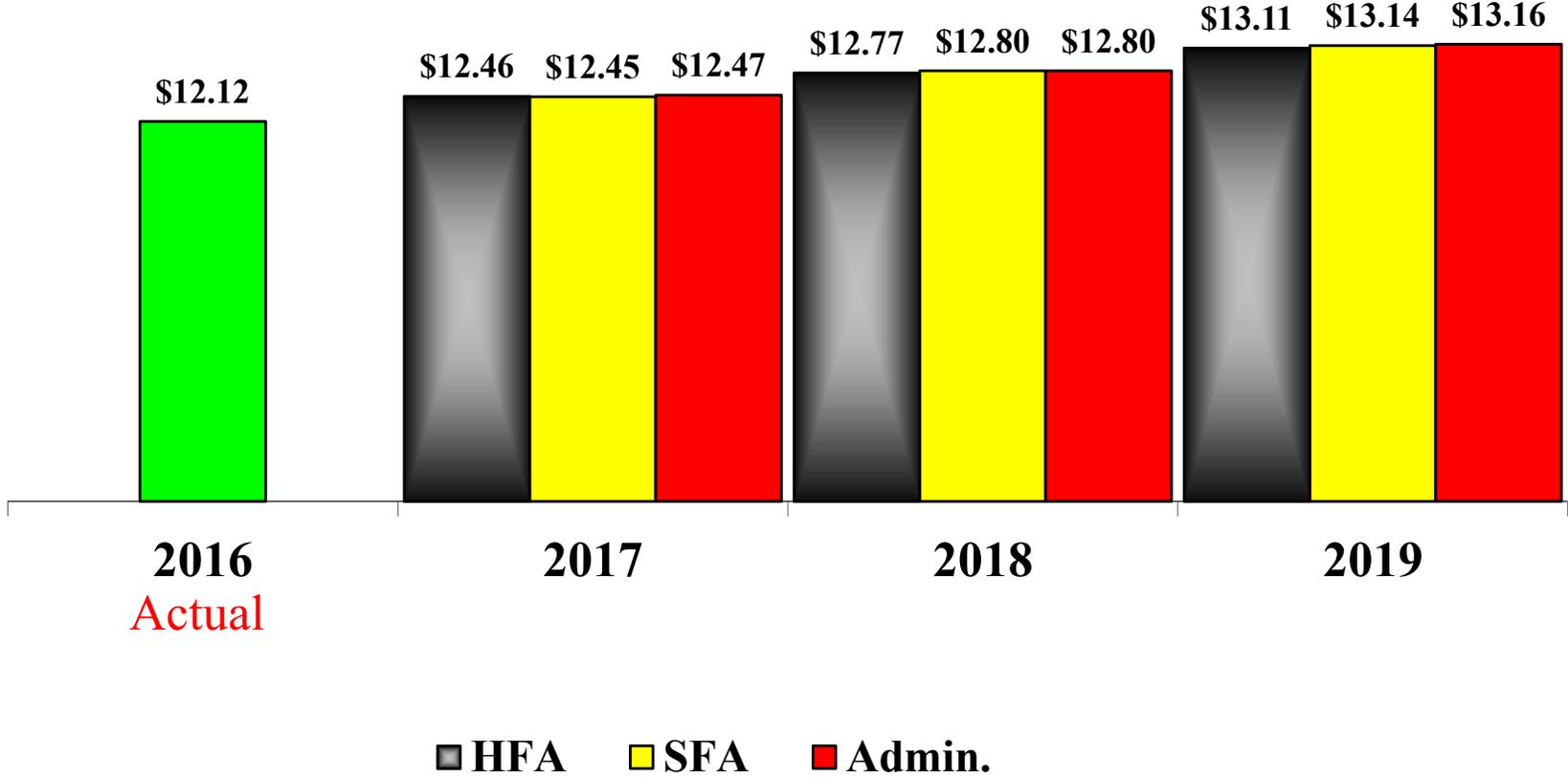
School Aid Fund Net Growth

Fiscal Year Growth



School Aid Fund Net Revenue Estimates

Fiscal Year
Billions

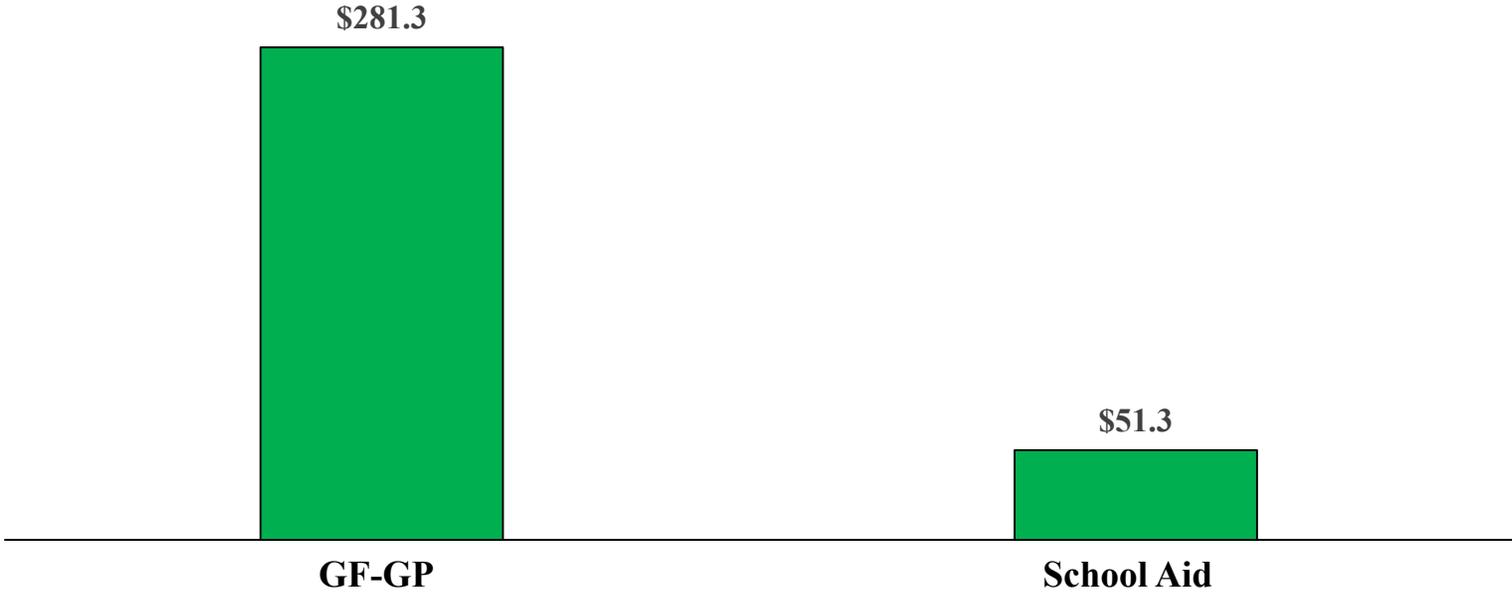


FY 2016 Major Revenue Estimate Revisions Compared to May Estimates

- Income tax gross collections were \$67 million above target in FY16; however . . .
- Income tax refunds were \$99 million above estimate.
- MBT net refunds peaked in FY16, but were below the May estimate by about \$150 million.
- Transfers from unclaimed property and liquor purchase revolving funds topped the estimate by \$62 million.
- Lottery revenue was \$39 million above the estimate.

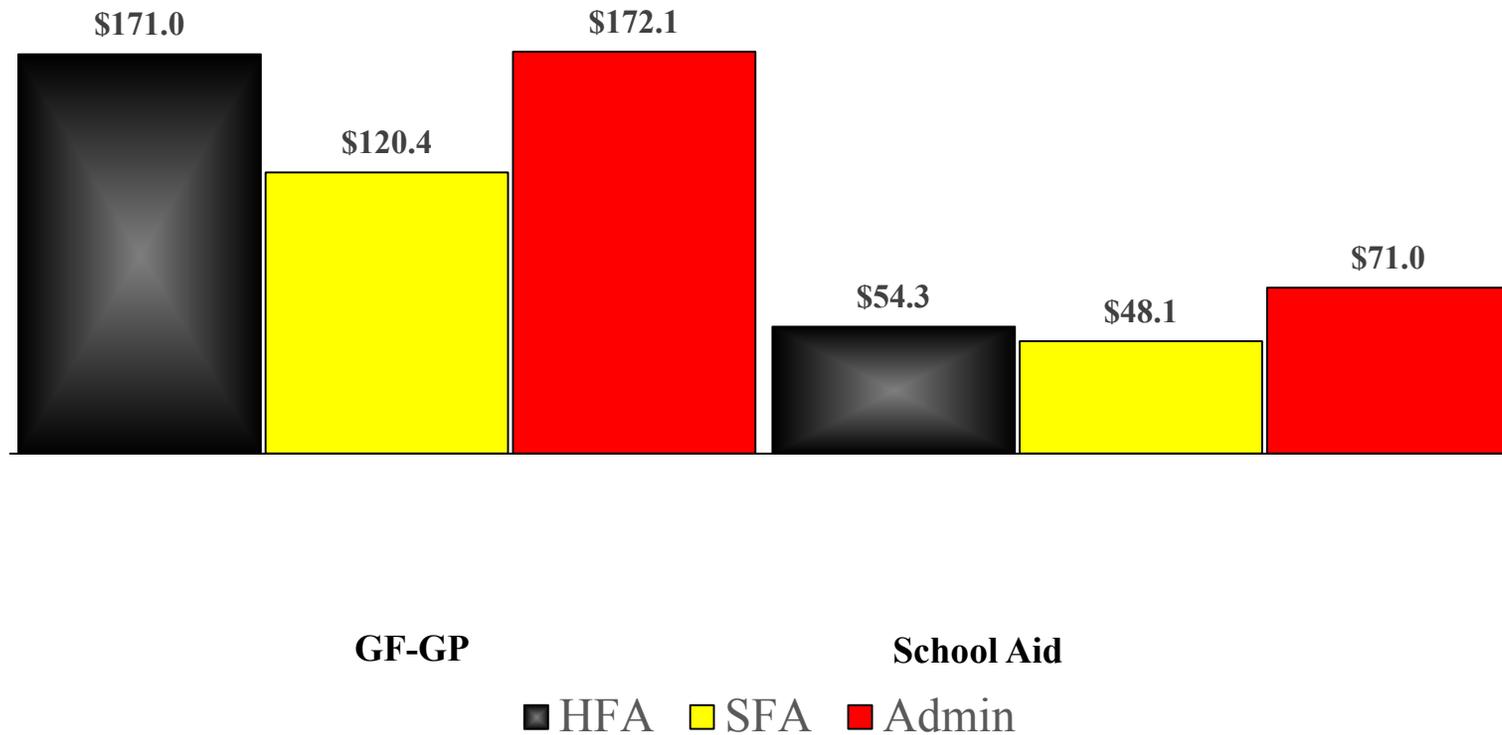
FY 2016 Changes Since May Consensus Estimates

Millions



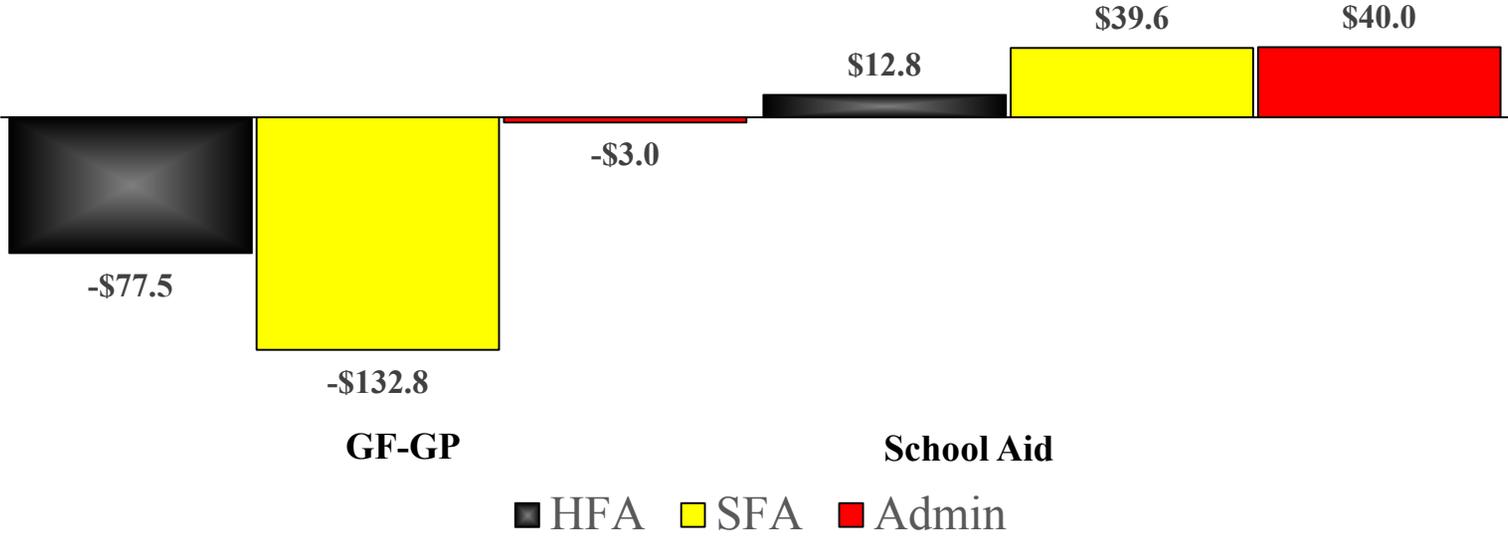
FY 2017 Changes Since May Consensus Estimates

Millions



FY 2018 Changes Since May Consensus Estimates

Millions



Revenue Forecast Comparison

Millions

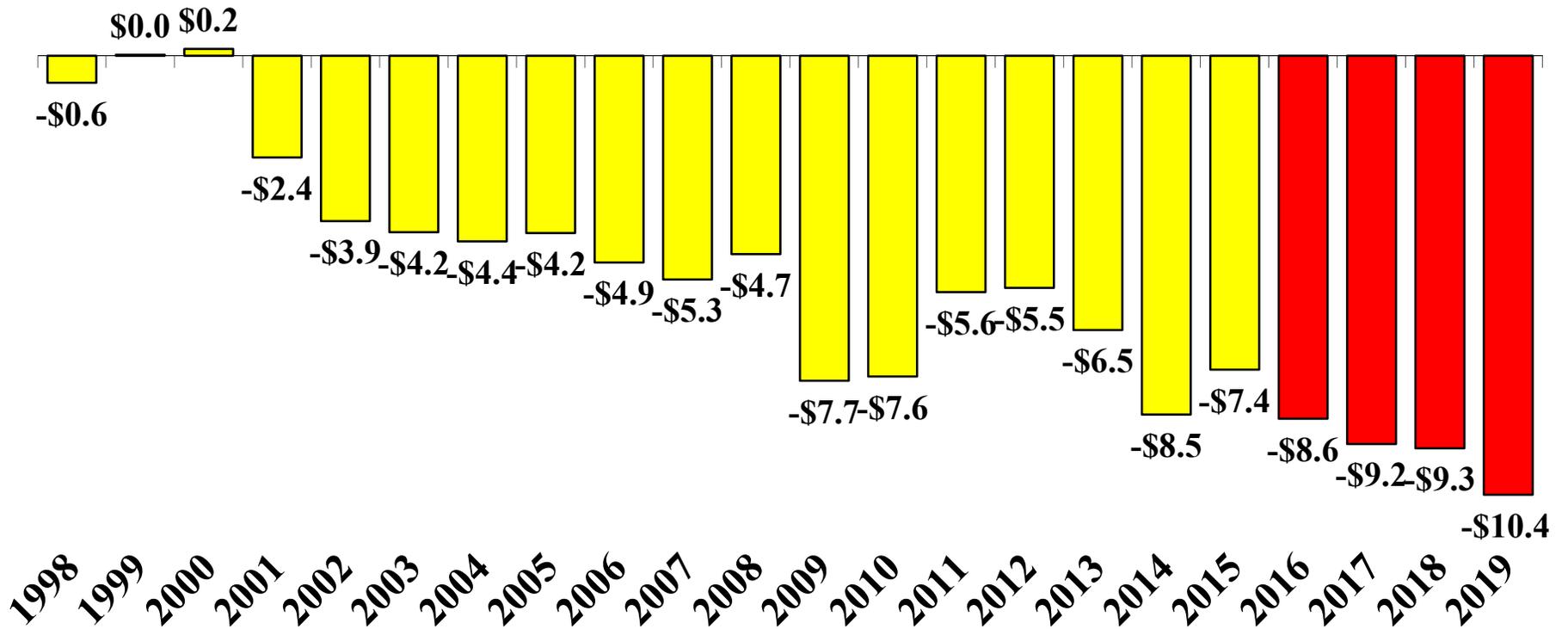
<u>Revenue</u>	<u>FY 2017</u>			<u>FY 2018</u>			<u>FY 2019</u>		
	<u>Treasury</u>	<u>House Fiscal Agency</u>	<u>Senate Fiscal Agency</u>	<u>Treasury</u>	<u>House Fiscal Agency</u>	<u>Senate Fiscal Agency</u>	<u>Treasury</u>	<u>House Fiscal Agency</u>	<u>Senate Fiscal Agency</u>
GF-GP	\$10,310.6	\$10,309.5	\$10,258.9	\$10,604.1	\$10,529.6	\$10,474.3	\$10,736.9	\$10,493.5	\$10,469.5
School Aid Fund	\$12,473.4	\$12,456.7	\$12,450.5	\$12,800.8	\$12,773.6	\$12,800.4	\$13,159.1	\$13,107.5	\$13,140.5
<u>Difference from May</u>									
GF-GP	\$172.1	\$171.0	\$120.4	(\$3.0)	(\$77.5)	(\$132.8)			
School Aid Fund	<u>\$71.0</u>	<u>\$54.3</u>	<u>\$48.1</u>	<u>\$40.0</u>	<u>\$12.8</u>	<u>\$39.6</u>			
Combined	\$243.1	\$225.3	\$168.5	\$37.0	(\$64.7)	(\$93.2)			

Budget Stabilization Fund

- In FY 2017, the Agencies estimate pay-ins ranging from \$130 to \$149 million.
- In FY 2018, the Agencies estimate no pay-ins.
- In FY 2019, the Agencies estimate pay-ins ranging from \$0 to \$21 million.
- No BSF pay-outs are estimated by any of the Agencies during FY 2016 through FY 2019.

Constitutional Revenue Limit Calculation

Billions

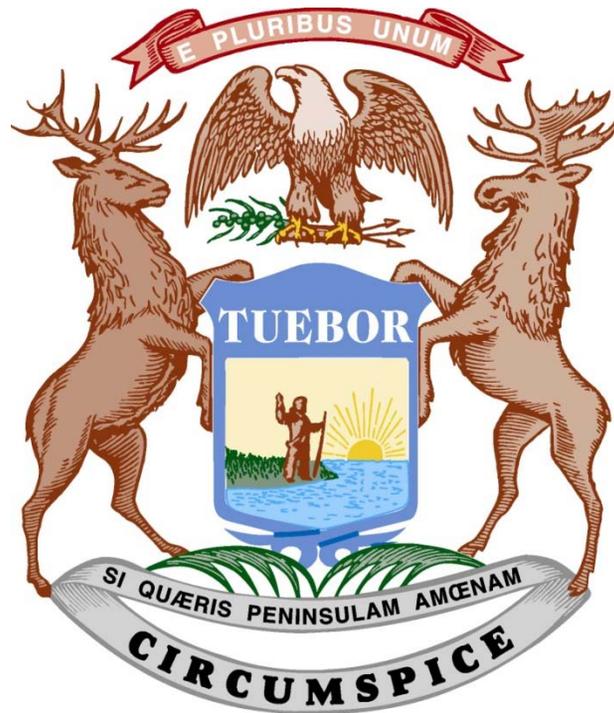


Forecast Risks

- Federal fiscal and monetary policy uncertainty
- International economics uncertainty
 - Trade Policy
 - Exchange Rates
 - Rest-of-world growth
- Will consumer spending increase and how will it impact retail sector and tax receipts?
- Housing: How will it respond to higher interest rates?
- Business tax volatility

Economic and Revenue Forecasts

FY 2017 * FY 2018 * FY 2019



**Consensus Revenue Estimating Conference
January 12, 2017**

January 2017 Consensus Conference