

DATE: January 11, 2010
TO: Members of the Michigan House of Representatives
FROM: Mitchell E. Bean, Director *MB*
RE: Consensus Revenue Agreement—January 11, 2010

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 2010 meeting were the Director of the House Fiscal Agency, the Director of the Senate Fiscal Agency, and the State Treasurer. The State Treasurer is the 2010 Conference Chairperson.

The attached tables provide a summation of the agreements reached at the January 2010 conference. The consensus estimates will be revised or updated at the May 2010 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) 2010 and increase by 2.7% in CY 2011. Michigan personal income is forecast to increase 1.0% in CY 2010 and increase by 1.7% in CY 2011.

Table 2: Consensus Estimates of GF/GP and SAF

Provides revenue estimates for FY 2008-09 (final), FY 2009-10 (revised), and FY 2010-11 (initial). Net GF/GP and SAF revenue is estimated to decrease \$931.3 million or 5.1% in FY 2009-10 and increase \$92.4 million or 0.5% in FY 2010-11.

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

A withdrawal is estimated for both FY 2009-10 and FY 2010-11. 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 \$8.94 billion below the limit in FY 2009-10 and \$7.78 billion below the limit in FY 2010-11.

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

Reports consensus estimates of pupil membership for FY 2009-10 and FY 2010-11 and notes changes from May 2009 estimates. Also reports calculations used to determine the FY 2010-11 revenue adjustment factor, which is 0.9798, and pupil membership adjustment factor, which is 1.0110. 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 0.9906 or a decrease of 0.94%.

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

attachments

Table 1
Consensus Economic Forecast
January 2010

	Calendar 2008 Actual	Calendar 2009 Estimated	% Change from Prior Year	Calendar 2010 Forecast	% Change from Prior Year	Calendar 2011 Forecast	% Change from Prior Year
<u>United States</u>							
Real Gross Domestic Product (Billions of 2005 dollars)	\$13,312	\$12,966	-2.6%	\$13,251	2.2%	\$13,609	2.7%
Implicit Price Deflator GDP (2005 = 100)	108.5	110.0	1.2%	111.0	0.9%	112.8	1.6%
Consumer Price Index (1982-84 = 100)	215.3	214.7	-0.3%	220.5	2.7%	225.6	2.3%
Consumer Price Index (FY) (1982-84 = 100)	214.5	213.8	-0.3%	219.1	2.5%	224.1	2.3%
Personal Consumption Deflator (2005 = 100)	121.6	122.0	0.2%	124.4	2.0%	126.5	1.7%
3-month Treasury Bills Interest Rate (Percent)	1.4%	0.2%		0.2%		0.9%	
Aaa Corporate Bonds Interest Rate (Percent)	5.6%	5.3%		5.0%		4.9%	
Unemployment Rate—Civilian (Percent)	5.8%	9.3%		10.2%		9.7%	
Housing Starts (Millions of starts)	0.901	0.580	-35.6%	0.710	22.4%	1.100	54.9%
Light Vehicle Sales (Millions of units)	13.2	10.3	-22.0%	11.2	8.7%	12.5	11.6%
Passenger Car Sales (Millions of units)	6.8	5.4	-20.6%	5.8	7.4%	6.6	13.8%
Light Truck Sales (Millions of units)	6.4	4.9	-23.4%	5.4	10.2%	5.9	9.3%
Import Share of Light Vehicles (Percent)	25.4%	26.7%		25.5%		26.0%	
<u>Michigan</u>							
Wage and Salary Employment (Thousands)	4,159	3,876	-6.8%	3,791	-2.2%	3,757	-0.9%
Unemployment Rate (Percent)	8.4%	14.1%		15.7%		15.3%	
Personal Income (Millions of current dollars)	\$349,612	\$340,173	-2.7%	\$343,575	1.0%	\$349,416	1.7%
Real Personal Income (Millions of 1982-84 dollars)	\$170,752	\$167,145	-2.1%	\$164,863	-1.4%	\$164,508	-0.2%
Wage and Salary Income (Millions of current dollars)	\$187,914	\$173,069	-7.9%	\$171,338	-1.0%	\$172,366	0.6%
Detroit Consumer Price Index (1982-84 = 100)	204.7	203.5	-0.6%	208.4	2.4%	212.4	1.9%
Detroit CPI (FY) (1982-84 = 100)	204.6	202.8	-0.9%	207.5	2.3%	211.4	1.9%

NOTE: Percentages may not calculate exactly due to rounding.

House Fiscal Agency
January 11, 2010

Table 2
January 2010: Revenue Comparison and Consensus Estimates of GF/GP and SAF
(Millions of Dollars)

	FY 2008-09 <u>Final</u>	FY 2009-10			FY 2010-11		
		<u>January 2010 Consensus</u>	<u>Change From FY 2008-09</u>		<u>January 2010 Consensus</u>	<u>Change From FY 2009-10</u>	
<i>General Fund/General Purpose</i>							
Baseline	\$7,097.1	\$6,890.6	-2.9%	(\$206.5)	\$7,025.2	2.0%	\$134.6
Tax Adjustments	\$268.5	\$7.8	-97.1%	(\$260.7)	(\$56.9)	-829.5%	(\$64.7)
Net GF-GP Revenue	\$7,365.6	\$6,898.4	-6.3%	(\$467.2)	\$6,968.4	1.0%	\$70.0
<i>School Aid Fund Revenue</i>							
Baseline	\$10,896.3	\$10,458.1	-4.0%	(\$438.2)	\$10,464.8	0.1%	\$6.7
Tax Adjustments	\$25.9	\$0.0	-100.0%	(\$25.9)	\$15.7	N/A	\$15.7
Net SAF Revenue	\$10,922.2	\$10,458.1	-4.2%	(\$464.1)	\$10,480.5	0.2%	\$22.4
<i>Total GF-GP and SAF</i>							
Baseline	\$17,993.3	\$17,348.7	-3.6%	(\$644.7)	\$17,490.0	0.8%	\$141.3
Tax Adjustments	\$294.4	\$7.8	-97.4%	(\$286.6)	(\$41.1)	-626.9%	(\$48.9)
Net GF-GP and SAF	\$18,287.8	\$17,356.5	-5.1%	(\$931.3)	\$17,448.9	0.5%	\$92.4

Numbers may not calculate exactly due to rounding.

Table 3
January 2010: Consensus Estimate for Budget and Economic Stabilization Fund Calculation
(Millions of Dollars)

	Pay-In/Transfer for FY 2009-10		Pay-In/Transfer for FY 2010-11	
	CY 2009	CY 2010	CY 2010	CY 2011
Michigan Personal Income	\$340,173 ⁽¹⁾	\$343,575 ⁽²⁾	\$343,575 ⁽²⁾	\$349,416 ⁽²⁾
Less Transfer Payments	\$75,491 ⁽¹⁾	\$79,093 ⁽²⁾	\$79,093 ⁽²⁾	\$79,633 ⁽²⁾
Income Net of Transfers	\$264,682	\$264,482	\$264,482	\$269,783
Detroit CPI for 12 months ending	2.036 ⁽³⁾ (June 2009)	2.061 ⁽⁴⁾ (June 2010)	2.061 ⁽⁴⁾ (June 2010)	2.104 ⁽⁴⁾ (June 2011)
Real Adjusted Michigan Personal Income	\$130,008	\$128,306	\$128,306	\$128,224
Change in Real Adjusted Personal Income		-1.3%		-0.1%
Amount Under 0%		-1.3%		-0.1%
GF-GP Revenue	FY 2009-10	\$6,898.4	FY 2010-11	\$6,968.4
BSF PAY-OUT CALCULATED	FY 2009-10	(\$89.7) ⁽⁵⁾	FY 2010-11	(\$7.0) ⁽⁵⁾

Notes:

1. *Personal Income and Transfer Payments BEA October 2009.*
2. *Personal Income and Transfer Payments: Consensus, January 2010.*
3. *Detroit Consumer Price Index: Average of six monthly values reported by BLS for each 12-month period.*
4. *Detroit Consumer Price Index: Consensus Forecast, January 2010.*
5. *Calculation per MCL 18.1352.*

Table 4
January 2010 Consensus Estimate
Constitutional Revenue Limit Calculation
(Millions of Dollars)

	<u>FY 2006-07</u> <u>Actual</u>	<u>FY 2007-08</u> <u>Actual</u>	<u>FY 2008-09</u> <u>Consensus</u> <u>January 2010</u>	<u>FY 2009-10</u> <u>Consensus</u> <u>January 2010</u>	<u>FY 2010-11</u> <u>Consensus</u> <u>January 2010</u>
<u>Revenue Subject to Limit</u>					
Consensus					
General Fund General Purpose	\$8,299.7	\$9,343.8	\$7,334.4	\$6,869.4	\$6,939.3
General Fund Revenue Sharing	\$1,613.8	\$1,665.5	\$1,568.3	\$1,467.8	\$1,459.4
School Aid Fund	\$11,153.1	\$11,512.9	\$10,922.2	\$10,458.1	\$10,480.5
Transportation	\$2,119.4	\$2,068.5	\$1,999.1	\$1,997.8	\$2,000.5
Other Restricted Revenue	\$2,932.4	\$3,125.5	\$3,281.8	\$3,445.9	\$3,618.2
Total Revenue Subject to Limit	\$26,118.4	\$27,716.3	\$25,105.8	\$24,239.0	\$24,498.0
<u>Revenue Limit</u>	<u>CY 2005</u>	<u>CY 2006</u>	<u>CY 2007</u>	<u>CY 2008</u>	<u>CY 2009</u>
Personal Income	\$331,304	\$341,075	\$345,885	\$349,612	\$340,173
Ratio	9.49%	9.49%	9.49%	9.49%	9.49%
Revenue Limit	\$31,440.7	\$32,368.0	\$32,824.5	\$33,178.2	\$32,282.4
1 Percent of Limit	\$314.4	\$323.7	\$8.2	\$331.8	\$322.8
Amount Under (Over) Limit	\$5,322.4	\$4,651.7	\$7,718.7	\$8,939.2	\$7,784.4

Numbers may not calculate exactly due to rounding.

House Fiscal Agency
January 11, 2010

Table 5
January 2010 Consensus Estimate
Revenue Adjustment Factor and Pupil Membership Adjustment Factor
for FY 2010-11

<i>Revenue Adjustment Factor (Millions of \$)</i>			
	<u>FY 2008-09</u>	<u>FY 2009-10</u>	<u>FY 2010-11</u>
Baseline SAF Revenue	\$10,896.3	\$10,458.1	\$10,464.8
Balance Sheet Adjustments	<u>\$25.9</u>	<u>\$0.0</u>	<u>\$15.7</u>
Net SAF Estimate	\$10,922.2	\$10,458.1	\$10,480.5
Adjustments to FY 2010-11 Base	<u>(\$10.2)</u>	<u>\$15.7</u>	<u>\$0.0</u>
Baseline Revenue on an FY 2010-11 Base	\$10,912.0	\$10,473.8	\$10,480.5
Percent Change		-4.02%	0.06%
SAF Revenue Calculation for FY 2010-11:			
Sum of FY 2008-09 and FY 2009-10	\$10,912.0 +	\$10,473.8	= \$21,385.8
Sum of FY 2009-10 and FY 2010-11	\$10,473.8 +	\$10,480.5	= \$20,954.3
FY 2010-11 Revenue Adjustment Factor			0.9798
	<u>May 2009 Consensus Estimate</u>	<u>January 2010 Consensus Estimate</u>	<u>Change</u>
<i>Pupil Membership Adjustment Factor</i>			
FY 2009-10			
Local Districts	1,485,800	1,488,800	3,000
Public School Academies	<u>106,700</u>	<u>108,650</u>	<u>1,950</u>
Total	1,592,500	1,597,450	4,950
FY 2010-11			
Local Districts	N/A	1,463,300	N/A
Public School Academies	<u>N/A</u>	<u>116,800</u>	<u>N/A</u>
Total	N/A	1,580,100	N/A
	<u>FY 2009-10</u>	<u>FY 2010-11</u>	
Consensus Estimate of Pupil Membership	1,597,450	1,580,100	
Pupil Membership Adjustment Factor for FY 2010-11:			
<u>FY 2009-10 Pupil Membership</u>	=	<u>1,597,450</u>	
<u>FY 2010-11 Pupil Membership</u>	=	<u>1,580,100</u>	
FY 2010-11 Pupil Membership Adjustment Factor			1.0110
FY 2010-11 School Aid Index			0.9906