

Consensus Revenue Agreement

Executive Summary

August 24, 2020

Economic and Revenue Forecasts

Fiscal Years 2020, 2021 and 2022



Principals

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Table 1
Consensus Economic Forecast

August 2020

	Calendar 2019 Actual	Percent Change from Prior Year	Calendar 2020 Forecast	Percent Change from Prior Year	Calendar 2021 Forecast	Percent Change from Prior Year	Calendar 2022 Forecast	Percent Change from Prior Year
United States								
Real Gross Domestic Product (Billions of Chained 2012 Dollars)	\$19,092	2.4%	\$18,080	-5.3%	\$18,568	2.7%	\$19,144	3.1%
Implicit Price Deflator GDP (2012 = 100)	112.3	1.7%	113.2	0.8%	114.2	0.9%	115.8	1.4%
Consumer Price Index (1982-84 = 100)	255.657	1.8%	257.806	0.8%	261.805	1.6%	266.993	2.0%
Consumer Price Index - Fiscal Year (1982-84 = 100)	254.376	1.9%	257.702	1.3%	260.710	1.2%	265.813	2.0%
Personal Consumption Deflator (2012 = 100)	109.7	1.4%	110.5	0.8%	111.6	1.0%	113.2	1.4%
3-month Treasury Bills Interest Rate (percent)	2.1		0.4		0.1		0.1	
Unemployment Rate - Civilian (percent)	3.7		8.9		7.9		6.6	
Wage and Salary Employment (millions)	150.939	1.4%	142.490	-5.6%	145.910	2.4%	150.000	2.8%
Housing Starts (millions of starts)	1.290	3.2%	1.195	-7.4%	1.110	-7.1%	1.190	7.2%
Light Vehicle Sales (millions of units)	17.0	-1.4%	13.7	-19.3%	15.0	9.5%	16.1	7.3%
Passenger Car Sales (millions of units)	4.7	-10.9%	3.3	-30.1%	3.6	9.1%	3.6	0.0%
Light Truck Sales (millions of units)	12.2	2.8%	10.4	-15.0%	11.4	9.6%	12.5	9.6%
Big 3 Share of Light Vehicles (percent)	41.0		42.5		41.9		41.6	
Michigan								
Wage and Salary Employment (thousands)	4,433	0.3%	4,043	-8.8%	4,196	3.8%	4,251	1.3%
Unemployment Rate (percent)	4.1		11.7		9.0		7.7	
Personal Income (millions of dollars)	\$502,540	3.8%	\$513,596	2.2%	\$503,324	-2.0%	\$525,974	4.5%
Real Personal Income (millions of 1982-84 dollars)	\$213,604	2.5%	\$218,257	2.2%	\$211,622	-3.0%	\$217,408	2.7%
Wages and Salaries (millions of dollars)	\$246,802	2.7%	\$228,292	-7.5%	\$244,044	6.9%	\$256,490	5.1%
Detroit Consumer Price Index (1982-84 = 100)	235.267	1.3%	235.317	0.0%	237.841	1.1%	241.929	1.7%
Detroit CPI - Fiscal Year (1982-84 = 100)	233.840	1.0%	236.193	1.0%	237.147	0.4%	241.117	1.7%

Table 2
August 2020 Consensus Forecast
(millions)

Net Revenue Estimates									
	<u>FY 2020</u>			<u>FY 2021</u>			<u>FY 2022</u>		
	<u>May 2020 Consensus</u>	<u>Aug 2020 Consensus</u>	<u>Change From Consensus</u>	<u>May 2020 Consensus</u>	<u>Aug 2020 Consensus</u>	<u>Change From Consensus</u>	<u>May 2020 Consensus</u>	<u>Aug 2020 Consensus</u>	<u>Change From Consensus</u>
Net GF-GP Revenue	\$9,028.2	\$10,296.8	\$1,268.6	\$9,279.2	\$9,536.7	\$257.5	\$10,149.7	\$10,392.5	\$242.8
Percent Growth	-18.8%	-7.4%		2.8%	-7.4%		9.4%	9.0%	
Dollar Growth		(\$819.0)			(\$760.1)			\$855.8	
Net SAF Revenue	\$12,676.7	\$13,714.4	\$1,037.7	\$13,180.4	\$13,501.9	\$321.5	\$13,920.4	\$14,053.5	\$133.1
Percent Growth	-6.5%	1.2%		4.0%	-1.5%		5.6%	4.1%	
Dollar Growth		\$162.0			(\$212.5)			\$551.6	
Combined GF-GP/SAF	\$21,704.9	\$24,011.2	\$2,306.3	\$22,459.6	\$23,038.6	\$579.0	\$24,070.1	\$24,446.0	\$375.9
Percent Growth	-12.0%	-2.7%		3.5%	-4.1%		7.2%	6.1%	
Dollar Growth		(\$657.0)			(\$972.6)			\$1,407.4	

Revenue Limit Calculation					Long Term Revenue Trend		
	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>		<u>FY 2023</u>	<u>FY 2024</u>
Personal Income	\$460,270	\$484,030	\$502,540	\$513,596	Net GF-GP Revenue	\$10,430.6	\$10,534.2
Ratio	9.49%	9.49%	9.49%	9.49%	Growth	0.4%	1.0%
Revenue Limit	\$43,679.6	\$45,934.4	\$47,691.0	\$48,740.3	Net SAF Revenue	\$14,422.6	\$14,815.1
Revenue Subject to Limit	\$34,011.3	\$33,773.0	\$33,096.2	\$34,733.4	Growth	2.6%	2.7%
Amount Under (Over) Limit	\$9,668.3	\$12,161.4	\$14,594.9	\$14,006.9	Combined GF-GP/SAF	\$24,853.2	\$25,349.3
					Growth	1.7%	2.0%

Note: CY 2017 Personal Income is used for the FY 2019 revenue limit calculation, CY 2018 for FY 2020, CY 2019 for FY 2021, and CY 2020 for FY 2022.

Budget Stabilization Fund Calculation			School Aid Index		
				<u>FY 2021</u>	<u>FY 2022</u>
FY 2020 Calculations			Revenue Adjustment Factor	0.9880	1.0057
FY 2021 Calculations	PAY-OUT	(\$287.2)	Pupil Membership Factor	1.0055	1.0052
FY 2022 Calculations	NO PAY-IN OR PAY-OUT		School Aid Index	0.9934	1.0109
	PAY-IN	\$133.5			