

Consensus Revenue Agreement

Executive Summary

January 15, 2021

Economic and Revenue Forecasts
Fiscal Years 2021, 2022 and 2023



Principals

Rachael Eubanks
State Treasurer

Chris Harkins, Director
Senate Fiscal Agency

Mary Ann Cleary, Director
House Fiscal Agency

Staff

Eric Bussis
Michigan Department of Treasury

David Zin
Senate Fiscal Agency

Jim Stansell
House Fiscal Agency

Table 1
Consensus Economic Forecast

January 2021

	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	Calendar 2023 Forecast	Percent Change from Prior Year
United States										
Real Gross Domestic Product (Billions of Chained 2012 Dollars)	\$19,092	2.4%	\$18,404	-3.6%	\$19,067	3.6%	\$19,601	2.8%	\$20,091	2.5%
Implicit Price Deflator GDP (2012 = 100)	112.3	1.7%	113.6	1.1%	115.4	1.6%	117.5	1.8%	119.9	2.0%
Consumer Price Index (1982-84 = 100)	255.657	1.8%	258.686	1.2%	264.121	2.1%	269.900	2.2%	275.703	2.2%
Consumer Price Index - Fiscal Year (1982-84 = 100)	254.376	1.9%	258.014	1.4%	262.663	1.8%	268.514	2.2%	274.210	2.1%
Personal Consumption Deflator (2012 = 100)	109.7	1.4%	111.0	1.2%	113.1	1.9%	115.4	2.0%	117.7	2.0%
3-month Treasury Bills Interest Rate (percent)	2.1		0.4		0.1		0.1		0.1	
Unemployment Rate - Civilian (percent)	3.7		8.1		6.4		5.8		5.3	
Wage and Salary Employment (millions)	150.939	1.4%	142.340	-5.7%	145.900	2.5%	149.260	2.3%	151.500	1.5%
Housing Starts (millions of starts)	1.290	3.2%	1.350	4.7%	1.380	2.2%	1.360	-1.5%	1.365	0.4%
Light Vehicle Sales (millions of units)	17.0	-1.4%	14.5	-14.6%	16.0	10.3%	16.2	1.3%	16.3	0.6%
Passenger Car Sales (millions of units)	4.7	-10.9%	3.4	-28.0%	3.5	2.9%	3.2	-8.6%	3.1	-3.1%
Light Truck Sales (millions of units)	12.2	2.8%	11.1	-9.3%	12.5	12.6%	13.0	4.0%	13.2	1.5%
Big 3 Share of Light Vehicles (percent)	41.0		40.5		40.3		40.1		39.6	
Michigan										
Wage and Salary Employment (thousands)	4,433	0.3%	4,012	-9.5%	4,132	3.0%	4,252	2.9%	4,320	1.6%
Unemployment Rate (percent)	4.1		9.8		7.1		6.2		5.4	
Personal Income (millions of dollars)	\$491,632	1.6%	\$521,130	6.0%	\$506,017	-2.9%	\$518,667	2.5%	\$539,933	4.1%
Real Personal Income (millions of 1982-84 dollars)	\$208,968	0.3%	\$219,015	4.8%	\$207,956	-5.0%	\$208,727	0.4%	\$212,697	1.9%
Wages and Salaries (millions of dollars)	\$246,831	2.7%	\$235,230	-4.7%	\$238,759	1.5%	\$252,845	5.9%	\$262,453	3.8%
Detroit Consumer Price Index (1982-84 = 100)	235.267	1.3%	237.943	1.1%	243.329	2.3%	248.491	2.1%	253.851	2.2%
Detroit CPI - Fiscal Year (1982-84 = 100)	233.840	1.0%	237.511	1.6%	242.232	2.0%	247.296	2.1%	252.509	2.1%

Table 2
January 2021 Consensus Forecast
(millions)

Net Revenue Estimates								
	FY 2020	FY 2021			FY 2022			FY 2023
	Jan 2021 Consensus	Aug 2020 Consensus	Jan 2021 Consensus	Change From Consensus	Aug 2020 Consensus	Jan 2021 Consensus	Change From Consensus	Jan 2021 Consensus
Net GF-GP Revenue	\$10,770.6	\$9,536.7	\$10,237.5	\$700.8	\$10,392.5	\$10,897.1	\$504.6	\$11,167.1
Percent Growth	-3.1%	-7.4%	-4.9%		9.0%	6.4%		2.5%
Dollar Growth	(\$345.2)		(\$533.1)			\$659.6		\$270.0
Net SAF Revenue	\$14,002.4	\$13,501.9	\$14,030.2	\$528.3	\$14,053.5	\$14,423.7	\$370.2	\$14,730.4
Percent Growth	3.3%	-1.5%	0.2%		4.1%	2.8%		2.1%
Dollar Growth	\$450.0		\$27.8			\$393.5		\$306.7
Combined	\$24,773.0	\$23,038.6	\$24,267.7	\$1,229.1	\$24,446.0	\$25,320.8	\$874.8	\$25,897.5
Percent Growth	0.4%	-4.1%	-2.0%		6.1%	4.3%		2.3%
Dollar Growth	\$104.8		(\$505.3)			\$1,053.1		\$576.7

Revenue Limit Calculation					Long Term Revenue Trend		
	FY 2020	FY 2021	FY 2022	FY 2023		FY 2024	FY 2025
Personal Income	\$484,030	\$491,632	\$521,130	\$506,017	Net GF-GP Revenue Growth	\$11,446.5	\$11,747.6
Ratio	9.49%	9.49%	9.49%	9.49%		2.5%	2.6%
Revenue Limit	\$45,934.4	\$46,655.9	\$49,455.2	\$48,021.0	Net SAF Revenue Growth	\$15,143.1	\$15,547.1
Revenue Subject to Limit	\$34,527.8	\$34,135.5	\$35,332.8	\$36,063.3		2.8%	2.7%
Amount Under (Over) Limit	\$11,406.6	\$12,520.4	\$14,122.4	\$11,957.7	Combined GF-GP/SAF Growth	\$26,589.6	\$27,294.7
						2.7%	2.7%

Note: CY 2018 Personal Income is used for the FY 2020 revenue limit calculation, CY 2019 for FY 2021, CY 2020 for FY 2022, and CY 2021 for FY 2023.

Income Tax Rate Under MCL 206.51(1)				Budget Stabilization Fund Calculation			
	FY 2021	FY 2022					
GF/GP Revenue	\$10,237.5	\$10,897.1		FY 2021 Calculations	NO PAY-IN OR PAY-OUT		
Section 51d earmark (MTF)	\$600.0	\$600.0		FY 2022 Calculations	NO PAY-IN OR PAY-OUT		
Total GF/GP Subject to MCL 206.51	\$10,837.5	\$11,497.1		FY 2023 Calculations	NO PAY-IN OR PAY-OUT		
Percentage increase CPI from 2021		2.23%		School Aid Index			
Multiplier		1.425			FY 2022	FY 2023	
Capped GF/GP revenue		\$11,181.5		Revenue Adjustment Factor	1.0111	1.0207	
Total Estimated IIT revenue collected	\$13,237.0	\$13,372.7		Pupil Membership Factor	1.0102	1.0060	
Estimated Tax Rate as of 1/1/2023		4.15%		School Aid Index	1.0214	1.0268	
FY 23 Revenue Impact		(\$193.0)					