

**DATE:** May 17, 2018  
**TO:** Members of the Michigan House of Representatives  
**FROM:** Mary Ann Cleary, Director *MAC*  
**RE:** Consensus Revenue Agreement – May 16, 2018

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 May 2018 meeting were the Director of the House Fiscal Agency, the Director of the Senate Fiscal Agency, and the State Treasurer. The Director of the House Fiscal Agency is the 2018 Conference Chairperson.

The attached tables provide a summation of the agreements reached at the May 2018 conference. These consensus estimates will be reviewed and updated at the January 2019 conference.

**Table 1: Consensus Economic Forecast**

Provides estimates of various state and national economic variables. Real gross domestic product (GDP) is predicted to increase 2.7% in both calendar year (CY) 2018 and CY 2019 before dropping back to 1.9% in CY 2020. Michigan personal income is forecast to increase 4.1% in CY 2018, 4.4% in CY 2019, and 4.3% in CY 2020.

**Table 2: Consensus Estimates of GF/GP and SAF**

Provides the final FY 2016-17 revenue and revised revenue estimates for FY 2017-18 through FY 2019-20. Relative to FY 2016-17, total net GF/GP and SAF revenue is estimated to increase \$827.0 million or 3.6% in FY 2017-18, \$278.4 million or 1.2% in FY 2018-19, and \$433.5 million or 1.8% in FY 2019-20.

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

There is no pay-in or pay-out calculated for FY 2017-18, although a \$150.0 million appropriation has been made. The calculated pay-ins for FY 2018-19 and FY 2019-20 are \$13.6 million and \$47.9 million, respectively. It should be noted that the deposits to the BSF are not automatic, and that they require an appropriation. No pay-outs are expected for any of these years. Pay-ins and pay-outs 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 \$8.62 billion below the limit in FY 2016-17, \$8.69 billion below in FY 2017-18, \$9.02 billion below in FY 2018-19, and \$9.83 billion below the limit in FY 2019-20.

**Table 5: Long Term Revenue Trend**

The long term revenue trend for combined GF/GP and SAF revenue is 1.9% growth for FY 2020-21 and 3.1% growth for FY 2021-22.

**Table 6 and Table 7:**

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

Reports consensus estimates of revenue adjustment factor and pupil membership for FY 2018-19 and FY 2019-20. The revenue adjustment factor is multiplied by the pupil membership adjustment factor to determine the index, the statutorily recommended increase or decrease in the per pupil foundation allowance. The School Aid Index for FY 2018-19 is 1.0359 and FY 2019-20 is 1.0278. The index would equal a 3.6% increase in the foundation allowance in FY 2018-19 and 2.8% in FY 2019-20.

**Table 8: Consensus Estimate—Child Development and Care (CDC) Program Caseload Costs**

Reports consensus estimates CDC caseload costs for FY 2017-18 through FY 2019-20. The CDC cost is estimated at \$177.0 million for FY 2017-18 and \$187.0 million for FYs 2018-19 and 2019-20.

**Table 9: Consensus Estimate—Human Services and Medicaid Expenditures**

Reviews consensus Gross and GF/GP expenditure estimates for Human Services caseload programs and Medicaid programs. Human Services caseload program GF/GP expenditures are estimated to increase \$12.0 million in FY 2017-18 and to decline \$19.1 million. Medicaid GF/GP expenditures are estimated to decline \$81.1 million in FY 2017-18 appropriated levels and to decline \$109.8 million in FY 2018-19.

**Table 10: Consensus Estimate—Department of Corrections Projections of Prisoner Population and Number of Available Beds**

Reports consensus estimates of projected prisoner population and number of available beds for FY 2018-19. The estimated prisoner population for FY 2018-19 is 38,815, and the estimated number of available beds is 932.

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

Attachments

**Table 1**  
**Consensus Economic Forecast**  
**May 2018**

	<b>Calendar 2017 Actual</b>	<b>% Change from Prior Year</b>	<b>Calendar 2018 Forecast</b>	<b>% Change from Prior Year</b>	<b>Calendar 2019 Forecast</b>	<b>% Change from Prior Year</b>	<b>Calendar 2020 Forecast</b>	<b>% Change from Prior Year</b>
<b><u>United States</u></b>								
Real Gross Domestic Product (Billions of Chained 2009 Dollars)	\$17,096	2.3%	\$17,558	2.7%	\$18,032	2.7%	\$18,375	1.9%
Implicit Price Deflator GDP (2009 = 100)	113.5	1.8%	115.8	2.0%	118.3	2.2%	121.0	2.3%
Consumer Price Index (1982-84 = 100)	245.120	2.1%	250.891	2.4%	255.920	2.0%	261.692	2.3%
Consumer Price Index – Fiscal Year (1982-84 = 100)	243.841	2.1%	249.103	2.2%	254.003	2.0%	259.528	2.2%
Personal Consumption Deflator (2009 = 100)	112.7	1.7%	115.0	2.0%	117.1	1.8%	119.4	2.0%
3-month Treasury Bills Interest Rate (Percent)	0.9%		2.0%		2.8%		3.5%	
Unemployment Rate - Civilian (Percent)	4.4%		4.0%		3.7%		3.7%	
Wage and Salary Employment (Millions)	146.624	1.6%	148.970	1.6%	150.910	1.3%	152.420	1.0%
Housing Starts (Millions of Starts)	1.203	2.5%	1.300	8.1%	1.330	2.3%	1.340	0.8%
Light Vehicle Sales (Millions of Units)	17.1	-2.1%	16.9	-1.2%	16.8	-0.6%	16.7	-0.6%
Passenger Car Sales (Millions of Units)	6.1	-11.6%	5.3	-13.1%	4.9	-7.5%	4.7	-4.1%
Light Truck Sales (Millions of Units)	11.0	4.1%	11.6	5.5%	11.9	2.6%	12.0	0.8%
Big 3 Share of Light Vehicles (Percent)	42.0%		41.5%		41.0%		40.5%	
<b><u>Michigan</u></b>								
Wage and Salary Employment (Thousands)	4,371	1.2%	4,419	1.1%	4,459	0.9%	4,495	0.8%
Unemployment Rate (Percent)	4.6%		4.5%		4.4%		4.3%	
Personal Income (Millions of Dollars)	\$450,847	2.6%	\$469,332	4.1%	\$489,982	4.4%	\$511,052	4.3%
Real Personal Income (Millions of 1982-84 Dollars)	\$198,702	0.5%	\$202,261	1.8%	\$207,176	2.4%	\$211,399	2.0%
Wages and Salaries (Millions of Dollars)	\$229,335	2.9%	\$239,655	4.5%	\$250,199	4.4%	\$260,708	4.2%
Detroit Consumer Price Index (1982-84 = 100)	226.896	2.1%	232.043	2.3%	236.505	1.9%	241.747	2.2%
Detroit CPI – Fiscal Year (1982-84 = 100)	225.517	2.0%	231.046	2.5%	235.426	1.9%	240.524	2.2%

NOTE: Percentages may not calculate exactly due to rounding.

**Table 2**  
**May 2018: Revenue Comparison and Consensus Estimates of GF/GP and SAF**  
**(Millions of Dollars)**

	FY 2016-17		FY 2017-18			FY 2018-19			FY 2019-20		
	<u>Final</u>	<u>Change From FY 2015-16</u>	<u>May 2018 Consensus</u>	<u>Change From FY 2016-17</u>		<u>May 2018 Consensus</u>	<u>Change From FY 2017-18</u>		<u>May 2018 Consensus</u>	<u>Change From FY 2018-16</u>	
<b>General Fund/ General Purpose</b>											
Baseline	\$11,063.4		\$11,710.9	\$647.5	5.9%	\$11,876.2	\$165.3	1.4%	\$12,208.2	\$332.0	2.8%
Tax Adjustments	(\$867.9)		(\$1,247.3)	(\$379.4)		(\$1,464.6)	(\$217.3)		(\$1,689.5)	(\$224.9)	
<b>Net GF/GP Revenue</b>	<b>\$10,195.5</b>	<b>1.8%</b>	<b>\$10,463.6</b>	<b>\$268.1</b>	<b>2.6%</b>	<b>\$10,411.6</b>	<b>(\$52.0)</b>	<b>(0.5%)</b>	<b>\$10,518.7</b>	<b>\$107.1</b>	<b>1.0%</b>
<b>School Aid Fund Revenue</b>											
Baseline	\$12,732.1		\$13,250.2	\$518.1	4.1%	\$13,575.0	\$324.8	2.5%	\$13,919.8	\$344.8	2.5%
Tax Adjustments	(\$47.0)		(\$6.2)	\$40.8		(\$0.6)	\$5.6		(\$19.0)	(\$18.4)	
<b>Net SAF Revenue</b>	<b>\$12,685.1</b>	<b>4.7%</b>	<b>\$13,244.0</b>	<b>\$558.9</b>	<b>4.4%</b>	<b>\$13,574.4</b>	<b>\$330.4</b>	<b>2.5%</b>	<b>\$13,900.8</b>	<b>\$326.4</b>	<b>2.4%</b>
<b>Total GF/GP and SAF</b>											
Baseline	\$23,795.5		\$24,961.1	\$1,165.6	4.9%	\$25,451.2	\$490.1	2.0%	\$26,128.0	\$676.8	2.7%
Tax Adjustments	(\$914.9)		(\$1,253.5)	(\$338.6)		(\$1,465.2)	(\$211.7)		(\$1,708.5)	(\$243.3)	
<b>Net GF/GP and SAF</b>	<b>\$22,880.6</b>	<b>3.4%</b>	<b>\$23,707.6</b>	<b>\$827.0</b>	<b>3.6%</b>	<b>\$23,986.0</b>	<b>\$278.4</b>	<b>1.2%</b>	<b>\$24,419.5</b>	<b>\$433.5</b>	<b>1.8%</b>

Numbers may not calculate exactly due to rounding.

**Table 3**  
**May 2018: Consensus Estimate for Budget and Economic Stabilization Fund Calculation**  
(Millions of Dollars)

	FY 2017-18 Pay-In / FY 2016-17 Pay-Out Calculation		FY 2018-19 Pay-In / FY 2017-18 Pay-Out Calculation		FY 2019-20 Pay-In / FY 2018-19 Pay-Out Calculation		FY 2019-20 Pay-In / Pay-Out Calculation	
	<u>CY 2016</u>	<u>CY 2017</u>	<u>CY 2017</u>	<u>CY 2018</u>	<u>CY 2018</u>	<u>CY 2019</u>	<u>CY 2019</u>	<u>CY 2020</u>
Michigan Personal Income <sup>(1)</sup>	\$439,361	\$450,847	\$450,847	\$469,332	\$469,332	\$489,982	\$489,982	\$499,068
Less Transfer Payments <sup>(1)</sup>	<u>\$93,520</u>	<u>\$94,836</u>	<u>\$94,836</u>	<u>\$97,871</u>	<u>\$97,871</u>	<u>\$101,966</u>	<u>\$101,966</u>	<u>\$108,827</u>
Income Net of Transfers	\$345,841	\$356,011	\$356,011	\$371,461	\$371,461	\$388,016	\$388,016	\$390,241
Detroit CPI <sup>(2)</sup> for 12 months ending	2.202 (June 2016)	2.249 (June 2017)	2.249 (June 2017)	2.297 (June 2018)	2.297 (June 2018)	2.342 (June 2019)	2.342 (June 2019)	2.336 (June 2020)
Real Adjusted Michigan Personal Income	\$157,066	\$158,331	\$158,331	\$161,706	\$161,706	\$165,686	\$165,686	\$167,065
Change in Real Adjusted Personal Income		0.8%		2.1%		2.5%		0.8%
Amount Under 0%		N/A		N/A		N/A		N/A
Between 0% and 2%		0.8%		2.0%		2.0%		0.8%
Excess Over 2%		N/A		0.1%		0.5%		N/A
GF/GP Revenue	FY 2016-17	\$10,195.4	FY 2017-18	\$10,463.6	FY 2018-19	\$10,411.6	FY 2019-20	\$10,518.7
<b>BSF PAY-IN<sup>(3)</sup></b>	<b>FY 2017-18</b>	<b>No Pay-In</b>	<b>FY 2018-19</b>	<b>\$13.6</b>	<b>FY 2019-20</b>	<b>\$47.9</b>	<b>FY 2019-20</b>	<b>No Pay-Out</b>
<b>BSF PAY-OUT<sup>(3)</sup></b>			<b>FY 2017-18</b>	<b>No Pay-Out</b>	<b>FY 2018-19</b>	<b>No Pay-Out</b>	<b>FY 2019-20</b>	<b>No Pay-Out</b>

Notes:

1. Personal Income and Transfer Payments: CY 2016 and CY 2017 are from the U.S. Bureau of Economic Analysis. Subsequent years are May 2018 consensus estimates.
2. Detroit Consumer Price Index, CY 2016 and CY 2017 are calculated based on values reported by U.S. Bureau of Labor Statistics for the July through June period. Subsequent years are May 2018 consensus estimates.
3. Calculation done per MCL 18.1352.

**Table 4**  
**May 2018 Consensus Estimate**  
**Constitutional Revenue Limit Calculation**  
(Millions of Dollars)

	<b>FY 2016-17 Consensus <u>May 2018</u></b>	<b>FY 2017-18 Consensus <u>May 2018</u></b>	<b>FY 2018-19 Consensus <u>May 2018</u></b>	<b>FY 2019-20 Consensus <u>May 2018</u></b>
<b><u>Revenue Subject to Limit</u></b>				
Consensus				
Net General Fund General Purpose	\$10,195.5	\$10,463.6	\$10,411.6	\$10,518.7
Constitutional Revenue Sharing	\$796.2	\$816.2	\$836.0	\$860.5
Net School Aid Fund	\$12,685.1	\$13,244.0	\$13,574.4	\$13,900.8
Transportation	\$2,719.1	\$2,950.2	\$3,137.6	\$3,333.6
Other Restricted Revenue	\$5,305.5	\$5,544.2	\$5,821.4	\$6,112.5
Less: GF/GP Federal Aid	\$8.6	\$13.3	\$13.3	\$13.3
<b>Total Revenue Subject to Limit</b>	<b>\$31,692.7</b>	<b>\$33,004.9</b>	<b>\$33,767.7</b>	<b>\$34,712.7</b>
<b><u>Revenue Limit</u></b>				
Personal Income	\$424,807	\$439,361	\$450,847	\$469,332
Ratio	9.49%	9.49%	9.49%	9.49%
<b>Revenue Limit</b>	<b>\$40,314.2</b>	<b>\$41,695.4</b>	<b>\$42,785.4</b>	<b>\$44,539.6</b>
<b>Total Revenue Subject to Limit</b>	<b>\$31,692.7</b>	<b>\$33,004.9</b>	<b>\$33,767.7</b>	<b>\$34,712.7</b>
<b>Amount Under (Over) Limit</b>	<b>\$8,621.5</b>	<b>\$8,690.5</b>	<b>\$9,017.7</b>	<b>\$9,826.9</b>

*Numbers may not calculate exactly due to rounding.*

*Note: CY 2014 Personal Income is used for the FY 2016 revenue limit calculation, CY 2015 for FY 2017, CY 2016 for FY 2018, CY 2017 for FY 2019, and CY 2018 for FY 2020.*

**Table 5**  
**Long Term Revenue Trend**  
**(Millions of Dollars)**

	<u>FY 2020-21</u>	<u>FY 2021-22</u>
<b>Net GF/GP Revenue</b>	\$10,591.3	\$10,961.0
Growth	0.7%	3.5%
<b>Net SAF Revenue</b>	\$14,289.9	\$14,690.6
Growth	2.8%	2.8%
<b>Combined GF/GP and SAF</b>	\$24,881.2	\$25,651.6
Growth	1.9%	3.1%

**Table 6**  
**May 2018 Consensus Estimate**  
**Revenue Adjustment Factor and Pupil Membership Adjustment Factor**  
**for FY 2018-19**

<b><u>Revenue Adjustment Factor (Millions of \$)</u></b>			
	<b><u>FY 2016-17</u></b>	<b><u>FY 2017-18</u></b>	<b><u>FY 2018-19</u></b>
Baseline SAF Revenue	\$12,732.1	\$13,250.2	\$13,575.0
Balance Sheet Adjustments	(\$47.0)	(\$6.2)	(\$0.6)
Net SAF Estimate	\$12,685.1	\$13,244.0	\$13,574.4
Subtotal Adjustments to FY 2018-19 Base	\$46.4	\$5.6	\$0.0
Baseline Revenue on an FY 2018-19 Base	\$12,731.5	\$13,249.9	\$13,574.4
Percent Change		4.07%	2.45%
SAF Revenue Adjustment Calculation for FY 2018-19:			
Sum of FY 2016-17 and FY 2017-18	\$12,731.5 +	\$13,249.6 =	\$25,981.1
Sum of FY 2017-18 and FY 2018-19	\$13,249.6 +	\$13,574.4 =	\$26,824.0
<b>FY 2018-19 Revenue Adjustment Factor</b>			<b>1.0324</b>
<i>Note: Factor is calculated off a FY 2019 base year.</i>			
	<b><u>January 2018 Consensus Estimate</u></b>	<b><u>May 2018 Consensus Estimate</u></b>	<b><u>Change</u></b>
<b><u>Pupil Membership Adjustment Factor</u></b>			
<b>FY 2017-18</b>			
Local Districts	1,336,900	1,337,800	900
Public School Academies	146,600	147,200	600
<b>Total</b>	<b>1,483,500</b>	<b>1,485,000</b>	<b>1,500</b>
<b>FY 2018-19</b>			
Local Districts	1,331,900	1,331,500	(400)
Public School Academies	146,600	148,500	1,900
<b>Total</b>	<b>1,478,500</b>	<b>1,480,000</b>	<b>1,500</b>
Consensus Estimate of Pupil Membership	<b><u>FY 2017-18</u></b> 1,485,000	<b><u>FY 2018-19</u></b> 1,480,000	
Pupil Membership Adjustment Factor for FY 2018-19:			
<u>FY 2017-18 Pupil Membership</u>	=	<u>1,485,000</u>	
<u>FY 2018-19 Pupil Membership</u>	=	<u>1,480,000</u>	
<b>FY 2018-19 Pupil Membership Adjustment Factor</b>			<b>1.0034</b>
<b>FY 2018-19 School Aid Index</b>			<b>1.0359</b>



**Table 7**  
**May 2018 Consensus Estimate**  
**Revenue Adjustment Factor and Pupil Membership Adjustment Factor**  
**for FY 2019-20**

**Revenue Adjustment Factor (Millions of \$)**

	<u>FY 2017-18</u>	<u>FY 2018-19</u>	<u>FY 2019-20</u>
Baseline SAF Revenue	\$13,250.2	\$13,575.0	\$13,919.8
Balance Sheet Adjustments	(\$6.2)	(\$0.6)	(\$19.0)
Net SAF Estimate	\$13,244.0	\$13,574.4	\$13,900.8
Subtotal Adjustments to FY 2019-20 Base	(\$12.8)	(\$18.4)	\$0.0
Baseline Revenue on an FY 2019-20 Base	\$13,231.2	\$13,556.0	\$13,900.8
Percent Change		2.45%	2.54%
SAF Revenue Adjustment Calculation for FY 2019-20:			
Sum of FY 2017-18 and FY 2018-19	\$13,231.2 +	\$13,556.0	= \$26,787.2
Sum of FY 2018-19 and FY 2019-20	\$13,556.0 +	\$13,900.8	= \$27,456.8

**FY 2019-20 Revenue Adjustment Factor**

**1.0250**

*Note: Factor is calculated off a FY 2020 base year.*

<b><u>Pupil Membership Adjustment Factor</u></b>	<b>January 2018 Consensus Estimate</b>	<b>May 2018 Consensus Estimate</b>	<b>Change</b>
<b>FY 2018-19</b>			
Local Districts	1,331,900	1,331,500	(400)
Public School Academies	<u>146,600</u>	<u>148,500</u>	<u>1,900</u>
<b>Total</b>	<b>1,478,500</b>	<b>1,480,000</b>	<b>1,500</b>
<b>FY 2019-20</b>			
Local Districts	1,328,000	1,326,000	(2,000)
Public School Academies	<u>147,000</u>	<u>150,000</u>	<u>3,000</u>
<b>Total</b>	<b>1,475,000</b>	<b>1,476,000</b>	<b>1,000</b>

	<u>FY 2018-19</u>	<u>FY 2019-20</u>
Consensus Estimate of Pupil Membership	1,480,000	1,476,000

Pupil Membership Adjustment Factor for FY 2019-20:		
<u>FY 2018-19 Pupil Membership</u>	=	<u>1,480,000</u>
<u>FY 2019-20 Pupil Membership</u>	=	<u>1,476,000</u>

**FY 2019-20 Pupil Membership Adjustment Factor**

**1.0027**

**FY 2019-20 School Aid Index**

**1.0278**

**Table 8**  
**May 2018 Consensus Estimate**  
**Department of Education**  
**Estimate for Child Development and Care**  
**FY 2017-18 Through FY 2019-20**

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	<u>Current Law</u>	<u>May 2018 Consensus Estimate</u>	<u>Difference from Current Law</u>
<b>Fiscal Year 2018 Total</b>	\$162,396,100	\$177,000,000	\$14,603,900
<b>Fiscal Year 2019 Total</b>		\$187,000,000	\$24,603,900
<b>Fiscal Year 2020 Total</b>		\$187,000,000	\$24,603,900

**Table 9**  
**May 2018 Consensus Expenditure Estimate**  
**Department of Health and Human Services**  
**FY 2017-18 Through FY 2019-20**

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	<b>Gross Change to Originally Proposed/Enacted <u>Appropriation</u></b>	<b>GF/GP Change to Originally Proposed/Enacted <u>Appropriation</u></b>
<b><u>Health Services</u></b>		
<b>FY 2017-18</b>	(\$347,536,300)	(\$81,110,800)
<b>FY 2018-19</b>	(\$555,647,500)	(\$109,784,900)
<b>FY 2019-20</b>	(\$555,647,500)	(\$109,784,900)
<b><u>Human Services</u></b>		
<b>FY 2017-18</b>	\$17,945,200	\$11,998,600
<b>FY 2018-19</b>	(\$26,251,700)	(\$19,055,200)
<b>FY 2019-20</b>	(\$28,487,900)	(\$20,958,700)
<b><u>Total for Department of Health and Human Services</u></b>		
<b>FY 2017-18</b>	(\$329,591,100)	(\$69,112,200)
<b>FY 2018-19</b>	(\$581,899,200)	(\$128,840,100)
<b>FY 2019-20</b>	(\$584,135,400)	(\$130,743,600)

**Table 10**  
**May 2018 Consensus Estimate**  
**Department of Corrections**  
**Proposed Projections of Prisoner Population and**  
**Number of Available Beds**

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	<u><b>FY 2018-19</b></u>
<b>Projected Prisoner Population</b>	<b>38,815</b>
<b>Net Operating Capacity</b>	<b>39,747</b>
<b>Projected Number of Available Beds</b>	<b>932</b>