

# **Consensus Revenue Agreement**

## **Executive Summary**

**May 17, 2016**

**Economic and Revenue Forecasts**  
**Fiscal Years 2016, 2017 and 2018**



### **Principals**

**Nick Khouri**  
**State Treasurer**

**Ellen Jeffries, Director**  
**Senate Fiscal Agency**

**Mary Ann Cleary, Director**  
**House Fiscal Agency**

### **Staff**

**Jay Wortley**  
**Michigan Department of Treasury**

**David Zin**  
**Senate Fiscal Agency**

**Jim Stansell**  
**House Fiscal Agency**

**Table 1**  
**Consensus Economic Forecast**

May 2016

	Calendar 2015 Actual	Calendar 2016 Forecast	Percent Change from Prior Year	Calendar 2017 Forecast	Percent Change from Prior Year	Calendar 2018 Forecast	Percent Change from Prior Year
<b>United States</b>							
Real Gross Domestic Product (Billions of Chained 2009 Dollars)	\$16,349	\$16,660	1.9%	\$17,093	2.6%	\$17,503	2.4%
Implicit Price Deflator GDP (2009 = 100)	109.1	110.4	1.2%	112.2	1.6%	114.6	2.1%
Consumer Price Index (1982-84 = 100)	237.017	239.720	1.1%	244.806	2.1%	250.668	2.4%
Consumer Price Index - Fiscal Year (1982-84 = 100)	236.742	238.998	1.0%	243.654	1.9%	249.311	2.3%
Personal Consumption Deflator (2009 = 100)	109.4	110.5	1.0%	112.4	1.7%	114.6	2.0%
3-month Treasury Bills Interest Rate (percent)	0.04	0.4		1.0		1.6	
Aaa Corporate Bonds Interest Rate (percent)	3.9	3.9		4.0		4.2	
Unemployment Rate - Civilian (percent)	5.3	4.9		4.8		4.6	
Wage and Salary Employment (millions)	141.865	144.280	1.7%	146.010	1.2%	147.910	1.3%
Housing Starts (millions of starts)	1.112	1.200	7.9%	1.365	13.8%	1.454	6.5%
Light Vehicle Sales (millions of units)	17.4	17.6	1.4%	17.7	0.6%	17.7	0.0%
Passenger Car Sales (millions of units)	7.5	7.2	-4.3%	7.3	1.4%	7.4	1.4%
Light Truck Sales (millions of units)	9.8	10.4	5.7%	10.4	0.0%	10.3	-1.0%
Big 3 Share of Light Vehicles (percent)	43.8	44.0		44.1		44.3	
<b>Michigan</b>							
Wage and Salary Employment (thousands)	4,244	4,320	1.8%	4,363	1.0%	4,416	1.2%
Unemployment Rate (percent)	5.4	5.0		4.9		4.7	
Personal Income (millions of dollars)	\$421,044	\$436,623	3.7%	\$453,651	3.9%	\$474,065	4.5%
Real Personal Income (millions of 1982-84 dollars)	\$192,516	\$197,938	2.8%	\$201,395	1.7%	\$205,470	2.0%
Wages and Salaries (millions of dollars)	\$213,499	\$220,972	3.5%	\$228,264	3.3%	\$237,166	3.9%
Detroit Consumer Price Index (1982-84 = 100)	218.706	220.585	0.9%	225.254	2.1%	230.722	2.4%

Table 2  
**May 2016 Consensus Forecast**  
(millions)

<b>Net Revenue Estimates</b>									
	<u>FY 2016</u>			<u>FY 2017</u>			<u>FY 2018</u>		
	<u>Jan 2016 Consensus</u>	<u>May 2016 Consensus</u>	<u>\$ Change From Jan</u>	<u>Jan 2016 Consensus</u>	<u>May 2016 Consensus</u>	<u>\$ Change From Jan</u>	<u>Jan 2016 Consensus</u>	<u>May 2016 Consensus</u>	<u>\$ Change From Jan</u>
<b>Net GF-GP Revenue</b>	\$9,843.8	\$9,734.1	(\$109.7)	\$10,213.9	\$10,138.5	(\$75.4)	\$10,599.3	\$10,607.1	\$7.8
% Growth	-1.9%	-3.0%		3.8%	4.2%		3.8%	4.6%	
\$ Growth		(\$300.3)			\$404.4			\$468.6	
<b>Net SAF Revenue</b>	\$12,131.6	\$12,067.4	(\$64.2)	\$12,486.2	\$12,402.4	(\$83.8)	\$12,831.1	\$12,760.8	(\$70.3)
% Growth	3.3%	2.7%		2.9%	2.8%		2.8%	2.9%	
\$ Growth		\$320.3			\$335.0			\$358.4	
<b>Combined GF-GP/SAF</b>	\$21,975.4	\$21,801.5	(\$173.9)	\$22,700.1	\$22,540.9	(\$159.2)	\$23,430.4	\$23,367.9	(\$62.5)
% Growth	0.9%	0.1%		3.3%	3.4%		3.2%	3.7%	
\$ Growth		\$20.0			\$739.4			\$827.0	

<b>Revenue Limit Calculation</b>				
	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
Personal Income	\$386,471	\$403,726	\$421,044	\$436,623
Ratio	9.49%	9.49%	9.49%	9.49%
Revenue Limit	\$36,676.1	\$38,313.6	\$39,957.1	\$41,435.5
Revenue Subject to Limit	\$28,844.3	\$29,010.0	\$30,087.3	\$31,445.4
<b><u>Amount Under (Over) Limit</u></b>	<b>\$7,831.8</b>	<b>\$9,303.6</b>	<b>\$9,869.7</b>	<b>\$9,990.1</b>

Note: CY 2013 Personal Income is used for the FY 2015 revenue limit calculation, CY 2014 for FY 2016, CY 2015 for FY 2017, and CY 2016 for FY 2018.

<b>Long Term Revenue Trend</b>		
	<u>FY 2019</u>	<u>FY 2020</u>
<b>Net GF-GP Revenue</b>	\$10,597.9	\$10,754.7
Growth	-0.1%	1.5%
<b>Net SAF Revenue</b>	\$13,121.5	\$13,503.3
Growth	2.8%	2.9%
<b>Combined GF-GP/SAF</b>	\$23,719.4	\$24,258.0
Growth	1.5%	2.3%

<b>Budget Stabilization Fund Calculation</b>		
FY 2016 Calculations	<b>PAY-IN</b>	<b>\$270.9</b>
FY 2017 Calculations	<b>PAY-IN</b>	<b>\$155.7</b>
FY 2018 Calculations	<b>NO PAY-IN OR PAY-OUT</b>	

<b>School Aid Index</b>		
	<u>FY 2017</u>	<u>FY 2018</u>
Revenue Adjustment Factor	<b>1.0253</b>	<b>1.0283</b>
Pupil Membership Factor	<b>1.0077</b>	<b>1.0068</b>
School Aid Index	<b>1.0332</b>	<b>1.0353</b>