

# **Consensus Revenue Agreement**

## **Executive Summary**

**January 11, 2019**

**Economic and Revenue Forecasts**  
**Fiscal Years 2019, 2020 and 2021**



### 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 2019

	Calendar 2017 Actual	Percent Change from Prior Year	Calendar 2018 Forecast	Percent Change from Prior Year	Calendar 2019 Forecast	Percent Change from Prior Year	Calendar 2020 Forecast	Percent Change from Prior Year	Calendar 2021 Forecast	Percent Change from Prior Year
<b>United States</b>										
Real Gross Domestic Product (Billions of Chained 2012 Dollars)	\$18,051	2.2%	\$18,574	2.9%	\$19,057	2.6%	\$19,400	1.8%	\$19,691	1.5%
Implicit Price Deflator GDP (2012 = 100)	107.9	1.8%	110.4	2.3%	112.8	2.2%	115.5	2.4%	118.2	2.3%
Consumer Price Index (1982-84 = 100)	245.120	2.1%	250.999	2.4%	256.424	2.2%	262.128	2.2%	268.273	2.3%
Consumer Price Index - Fiscal Year (1982-84 = 100)	243.841	2.1%	249.749	2.4%	254.940	2.1%	260.753	2.3%	266.606	2.2%
Personal Consumption Deflator (2012 = 100)	106.1	1.8%	108.3	2.1%	110.4	1.9%	112.7	2.1%	115.1	2.1%
3-month Treasury Bills Interest Rate (percent)	0.9		1.9		2.7		3.0		3.4	
Unemployment Rate - Civilian (percent)	4.4		3.9		3.6		3.6		3.7	
Wage and Salary Employment (millions)	146.624	1.6%	149.041	1.6%	151.130	1.4%	152.640	1.0%	153.560	0.6%
Housing Starts (millions of starts)	1.203	2.5%	1.258	4.6%	1.275	1.4%	1.300	2.0%	1.320	1.5%
Light Vehicle Sales (millions of units)	17.1	-1.9%	17.1	-0.2%	16.8	-1.8%	16.6	-1.2%	16.5	-0.6%
Passenger Car Sales (millions of units)	6.1	-11.5%	5.2	-14.5%	4.6	-11.5%	4.1	-10.9%	4.0	-2.4%
Light Truck Sales (millions of units)	11.1	4.4%	11.9	7.6%	12.2	2.5%	12.5	2.5%	12.5	0.0%
Big 3 Share of Light Vehicles (percent)	42.0		41.6		41.5		41.3		41.2	
<b>Michigan</b>										
Wage and Salary Employment (thousands)	4,371	1.2%	4,428	1.3%	4,464	0.8%	4,486	0.5%	4,504	0.4%
Unemployment Rate (percent)	4.6		4.4		3.9		3.9		3.9	
Personal Income (millions of dollars)	\$460,270	3.5%	\$477,760	3.8%	\$495,915	3.8%	\$515,256	3.9%	\$535,351	3.9%
Real Personal Income (millions of 1982-84 dollars)	\$202,855	1.4%	\$205,524	1.3%	\$209,066	1.7%	\$212,709	1.7%	\$216,432	1.8%
Wages and Salaries (millions of dollars)	\$231,748	4.2%	\$241,713	4.3%	\$250,657	3.7%	\$260,182	3.8%	\$269,548	3.6%
Detroit Consumer Price Index (1982-84 = 100)	226.896	2.1%	232.460	2.5%	237.205	2.0%	242.235	2.1%	247.353	2.1%
Detroit CPI - Fiscal Year (1982-84 = 100)	225.517	2.0%	231.441	2.6%	235.834	1.9%	241.024	2.2%	246.024	2.1%

Table 2  
**January 2019 Consensus Forecast**  
(millions)

Net Revenue Estimates								
	FY 2018	FY 2019			FY 2020			FY 2021
	Preliminary	May 2018 Consensus	Jan 2019 Consensus	Change From May	May 2018 Consensus	Jan 2019 Consensus	Change From May	Jan 2019 Consensus
Net GF-GP Revenue	\$10,945.4	\$10,411.6	\$10,700.2	\$288.6	\$10,518.7	\$10,717.8	\$199.1	\$10,852.6
Percent Growth	7.4%	-0.5%	-2.2%		1.0%	0.2%		1.3%
Dollar Growth	\$749.9		(\$245.2)			\$17.6		\$134.8
Net SAF Revenue	\$13,339.9	\$13,574.4	\$13,550.5	(\$23.9)	\$13,900.8	\$13,926.7	\$25.9	\$14,264.4
Percent Growth	5.2%	2.5%	1.6%		2.4%	2.8%		2.4%
Dollar Growth	\$654.8		\$210.6			\$376.2		\$337.7
Combined GF-GP/SAF	\$24,285.3	\$23,986.0	\$24,250.7	\$264.7	\$24,419.5	\$24,644.5	\$225.0	\$25,117.0
Percent Growth	6.1%	1.2%	-0.1%		1.8%	1.6%		1.9%
Dollar Growth			(\$34.6)			\$393.8		\$472.5

Revenue Limit Calculation					Long Term Revenue Trend		
	FY 2018	FY 2019	FY 2020	FY 2021		FY 2022	FY 2023
Personal Income	\$439,361	\$460,270	\$477,760	\$495,915	Net GF-GP Revenue	\$11,200.1	\$11,515.7
Ratio	9.49%	9.49%	9.49%	9.49%	Growth	3.2%	2.8%
Revenue Limit	\$41,695.4	\$43,679.6	\$45,339.4	\$47,062.3	Net SAF Revenue	\$14,653.3	\$15,063.0
Revenue Subject to Limit	\$32,831.6	\$33,274.1	\$34,151.9	\$35,092.2	Growth	2.7%	2.8%
<b>Amount Under (Over) Limit</b>	<b>\$8,863.8</b>	<b>\$10,405.5</b>	<b>\$11,187.5</b>	<b>\$11,970.1</b>	Combined GF-GP/SAF	\$25,853.4	\$26,578.7
					Growth	2.9%	2.8%

Note: CY 2016 Personal Income is used for the FY 2018 revenue limit calculation, CY 2017 for FY 2019, CY 2018 for FY 2020, and CY 2019 for FY 2021.

Budget Stabilization Fund Calculation		School Aid Index	
		FY 2020	FY 2021
FY 2019 Calculations	NO PAY-IN OR PAY-OUT	1.0220	1.0234
FY 2020 Calculations	NO PAY-IN OR PAY-OUT	1.0070	1.0056
FY 2021 Calculations	NO PAY-IN OR PAY-OUT	1.0292	1.0291