

**ECONOMIC OUTLOOK
AND
REVENUE ESTIMATES
FOR
MICHIGAN**

**FY 2015-16
THROUGH
FY 2017-18**



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FOREWORD

This report includes a national and state economic forecast for calendar year (CY) 2015 through CY 2018. It also presents preliminary final General Fund/General Purpose (GF/GP) and School Aid Fund (SAF) revenue for fiscal year (FY) 2014-15, revised revenue estimates for FY 2015-16 and FY 2016-17, and initial estimates for FY 2017-18. Estimates reported herein will be presented to the Consensus Revenue Estimating Conference on January 14, 2016, and will be used to facilitate the consensus estimating process.

This report includes House Fiscal Agency (HFA) analyses of important factors that will affect state and national economies through the year 2018, and estimates of the Countercyclical Budget Stabilization Fund, state compliance with the Constitutional State Revenue Limit, and GF/GP and SAF year-end balances.

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ECONOMIC OVERVIEW AND FORECAST

This section presents the economic forecast used by the House Fiscal Agency to produce its revenue forecasts for FY 2015-16 through FY 2017-18.

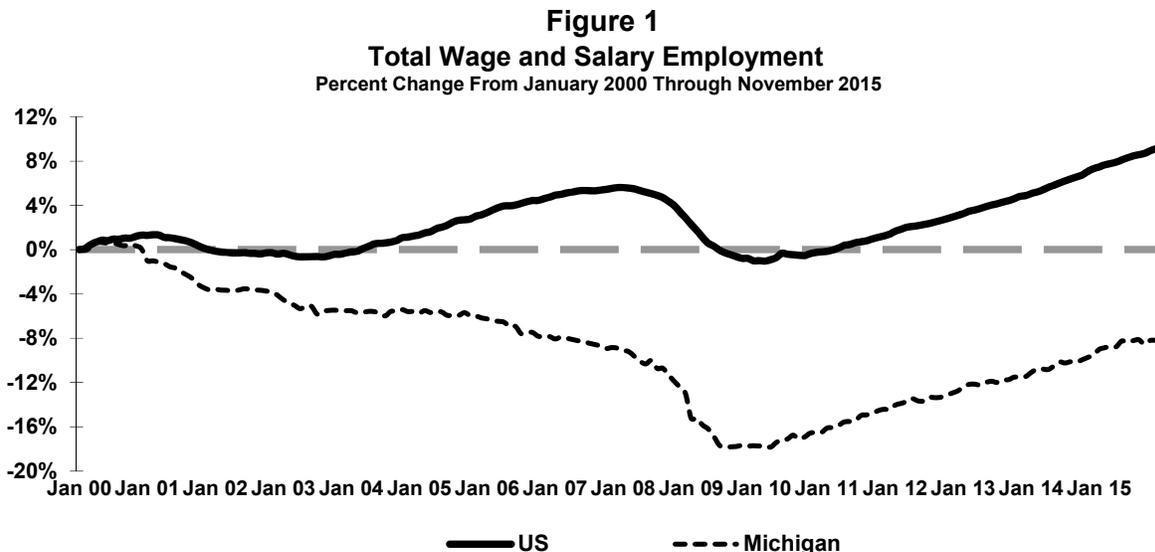
After an unusually weak first quarter of 2015, the national economy has been improving at a modest pace. The housing sector continues to expand and light motor vehicle sales reached an all-time high in CY 2015. In addition, wage and salary employment is on track to increase 2.1% in CY 2015 with broad-based gains across all major economic sectors.

Gross Domestic Product (GDP) growth is expected to increase from an estimated 2.5% rate in CY 2015 to 2.6% in CY 2016. Accelerated economic growth is anticipated through CY 2017 before moderating somewhat in CY 2018.

Michigan's economy and state revenue are significantly affected by the strength of the national recovery. Through November, Michigan's wage and salary employment had grown at roughly the same rate as the U.S., resulting in a gain of about 85,600 jobs in 2015. This increase has been led by gains in construction, professional and business services, manufacturing, and wholesale trade.

Total Wage and Salary Employment

Figure 1 shows the monthly percent change in total wage and salary employment for both the U.S. and Michigan from January 2000 through November 2015.



U.S. Wage and Salary Employment

U.S. employment peaked in February 2001, and then began a long slide that did not end until August 2003. During this 30-month period, more than 2.7 million jobs were lost – about 91,800 jobs per month on average. This decline was followed by 53 consecutive months of job growth, and by January 2008, more than 8.1 million jobs had been added.

The ensuing recession saw 25 continuous months of employment declines during which almost 8.8 million jobs were lost. Job gains finally reappeared in March 2010, and modest job growth resumed during much of CY 2010. During a 39-month span of job growth from October 2010 through the end 2013, total wage and salary employment increased by about 7.1 million jobs. By April 2014, U.S. wage and salary employment surpassed the pre-recession peak, and as of November 2015, total employment was roughly 9.1% higher than in January 2000.

Michigan Wage and Salary Employment

Although employment rebounded at the national level through 2007, conditions in Michigan remained bleak. Employment in Michigan peaked in June 2000, a full eight months before the national level peak in February 2001. Following that June 2000 peak, employment in Michigan dropped steadily until July 2003, resulting in a loss of more than 314,000 jobs – a 6.7% decline. For the next two years, employment in Michigan fluctuated around the July 2003 level, with monthly job gains offset by subsequent monthly job losses. Throughout the 2000s, job losses continued to mount.

During CY 2008 and CY 2009, more than 400,000 additional jobs were lost, and although employment increased somewhat in CY 2010, only about 56,000 jobs were added. An additional 97,000 jobs were added during CY 2011, and while growth in total non-farm employment slowed to about 77,000 during both CY 2012 and CY 2013, job growth increased in CY 2014 when 91,600 were added. The first 11 months of 2015 have seen more modest job growth, as roughly 61,600 new jobs have been added. However, despite the job gains of the past several years, total wage and salary employment remains 8.2% lower than in January 2000.

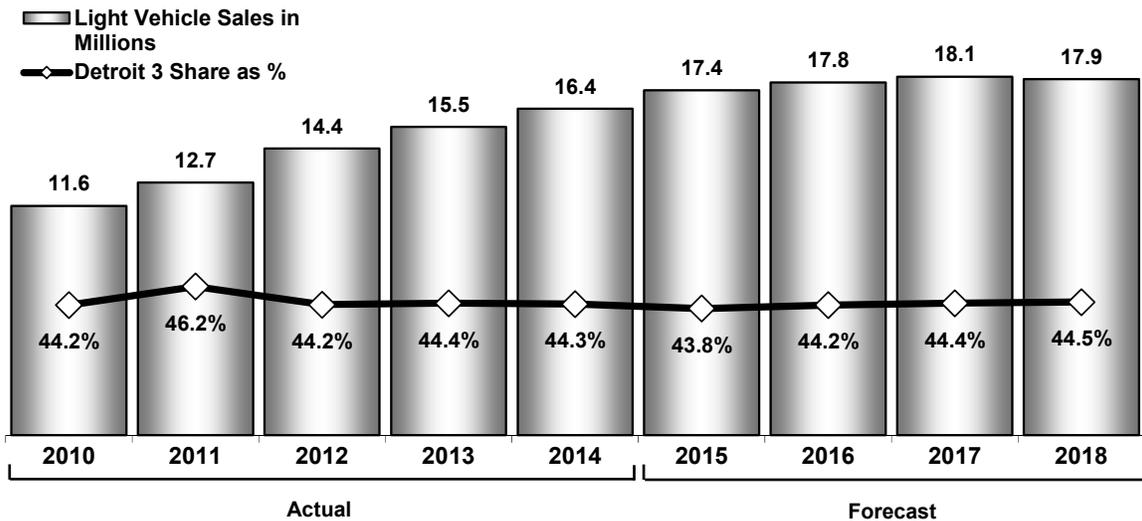
U.S. and Michigan Motor Vehicle Industry

Light motor vehicle sales totaled almost 17.4 million units in CY 2015, an increase of 5.7% from the previous year. Light motor vehicle sales are forecast to be 17.8 million units in CY 2016, then increase to 18.1 million units in CY 2017 before dropping back to 17.9 million units in CY 2018.

The market share of imports and transplants (vehicles with a foreign nameplate that are made in the U.S.) has stabilized in recent years. As shown in **Figure 2**, the market share of the Detroit 3 auto manufacturers hovered around 43.8% in CY 2015 and is expected to increase only to 44.5% through the end of the forecast horizon.

The level and composition of light motor vehicle sales as well as the extent to which the domestic nameplates can retain market share will have a direct impact on Michigan's economy. In CY 2015, the Detroit 3 is expected to sell 7.6 million vehicles, which would translate to a 4.4% increase from the previous year. It is expected that the Detroit 3 will sell 7.85 million vehicles in CY 2016 and continue to post modest gains in CY 2017.

Figure 2
Detroit 3 Share of Light Vehicle Sales



U. S. Forecast Highlights

Real GDP growth is forecast to increase 2.6% in CY 2016. It is forecast to increase 2.8% in CY 2017, and grow 2.5% in CY 2018.

Inflation, as measured by the Consumer Price Index (CPI), is forecast to increase 1.5% in CY 2016 and 2.4% in both CY 2017 and CY 2018.

Estimated light vehicle sales of 17.4 million units in CY 2015 are forecast to grow to 17.8 million units in CY 2016, 18.1 million units in CY 2017, and 17.9 million units in CY 2018. The import share of light vehicles is forecast to be 21.4% in CY 2015 and then dip to approximately 20.5% by the end of the forecast horizon.

Wage and salary employment growth is expected to be 2.1% in CY 2015; it is forecast to increase 1.8% in CY 2016, 1.5% in CY 2017, and 1.3% in CY 2018.

The national unemployment rate is expected to be 5.3% in CY 2015; it is forecast to decline to 4.9% in CY 2016, 4.7% in CY 2017, and 4.5% in CY 2018.

Interest rates on three-month T-bills are expected to average 0.8% in CY 2016, 1.8% in CY 2017, and 2.7% in CY 2018 as the Federal Reserve begins increasing the federal funds rate.

Michigan Forecast Highlights

Michigan wage and salary employment growth is expected to be 2.1% in CY 2015; it is forecast to be 1.1% in CY 2016, 1.6% in CY 2017, and 1.4% in CY 2018.

Michigan's unemployment rate is expected to be 5.6% in CY 2015; it is forecast to decrease to 5.3% in CY 2016, 4.9% in CY 2017, and 4.6% in CY 2018.

Michigan personal income is expected to increase 4.3% in CY 2015; it is forecast to increase 4.3% in CY 2016, 4.5% in CY 2017, and 4.7% in CY 2018.

Michigan wage and salary income is expected to increase 4.6% in CY 2015; it is forecast to increase 4.3% in both CY 2016 and CY 2017, and grow by 4.4% in CY 2018.

Inflation (as measured by the Detroit Consumer Price Index) is forecast to increase 1.5% in CY 2016 and 2.3% in both CY 2017 and CY 2018.

Additional details of the U.S. and Michigan forecasts are presented in **Table 1** on the following page.

**Table 1
ECONOMIC FORECAST VARIABLES**

	Calendar 2014 Actual	Calendar 2015 Estimated	% Change from Prior Year	Calendar 2016 Estimated	% Change from Prior Year	Calendar 2017 Estimated	% Change from Prior Year	Calendar 2018 Estimated	% Change from Prior Year
<u>United States</u>									
Real Gross Domestic Product (Billions of 2009 dollars)	\$15,961.7	\$16,354.5	2.5%	\$16,779.9	2.6%	\$17,253.2	2.8%	\$17,682.4	2.5%
Implicit Price Deflator GDP (2009 = 100)	108.7	109.8	1.0%	111.4	1.5%	113.5	1.9%	115.8	2.1%
Consumer Price Index (1982-84 = 100)	236.7	237.0	0.1%	240.6	1.5%	246.3	2.4%	252.4	2.4%
Consumer Price Index (FY) (1982-84 = 100)	236.0	236.7	0.3%	239.5	1.2%	244.9	2.2%	250.8	2.4%
Personal Consumption Deflator (2009 = 100)	109.1	109.4	0.3%	110.8	1.2%	112.9	1.9%	115.1	2.0%
3-month Treasury Bills Interest Rate (Percent)	0.0%	0.1%		0.8%		1.8%		2.7%	
Aaa Corporate Bonds Interest Rate (Percent)	4.2%	3.9%		4.1%		4.3%		4.6%	
Unemployment Rate (Percent)	6.2%	5.3%		4.9%		4.7%		4.5%	
Wage and Salary Employment (Millions)	139.0	142.0	2.1%	144.5	1.8%	146.7	1.5%	148.6	1.3%
Housing Starts (Thousands of units)	1.001	1.109	10.9%	1.281	15.5%	1.438	12.3%	1.518	5.5%
Light Vehicle Sales (Millions of units)	16.4	17.4	5.7%	17.8	2.3%	18.1	1.6%	17.9	-0.7%
Passenger Car Sales (Millions of units)	7.7	7.5	-2.1%	7.5	0.0%	7.6	0.7%	7.5	-1.6%
Light Truck Sales (Millions of units)	8.7	9.9	12.6%	10.2	4.0%	10.5	2.3%	10.5	0.0%
Import Share of Light Vehicles (Percent)	21.0%	21.4%		21.5%		20.9%		20.5%	
Big-3 Share of Light Vehicle Sales (Percent)	44.3%	43.8%		44.2%		44.4%		44.5%	
Personal Income (Billions of current dollars)	\$14,694.2	\$15,364.7	4.6%	\$16,091.2	4.7%	\$16,909.4	5.1%	\$17,840.9	5.5%
Real Disposable Income (Billions of 2009 dollars)	\$11,836.3	\$12,260.7	3.6%	\$12,668.1	3.3%	\$13,042.8	3.0%	\$13,455.7	3.2%
<u>Michigan</u>									
Wage and Salary Employment (Thousands)	4,179.7	4,266.4	2.1%	4,313.5	1.1%	4,380.7	1.6%	4,441.7	1.4%
Transportation Equipment Employment (Thousands)	176.0	188.8	7.3%	193.8	2.6%	198.0	2.2%	199.8	0.9%
Unemployment Rate (Percent)	7.1%	5.6%		5.3%		4.9%		4.6%	
Personal Income (Millions of current dollars)	\$403,726	\$421,217	4.3%	\$439,300	4.3%	\$459,067	4.5%	\$480,415	4.7%
Real Personal Income (Millions of 1982-84 dollars)	\$182,036	\$192,167	5.6%	\$197,484	2.8%	\$201,659	2.1%	\$206,217	2.3%
Real Disposable Income (Millions of 1982-84 dollars)	\$161,024	\$169,539	5.3%	\$174,352	2.8%	\$177,752	2.0%	\$181,368	2.0%
Wage and Salary Income (Millions of current dollars)	\$204,476	\$213,791	4.6%	\$223,020	4.3%	\$232,581	4.3%	\$242,770	4.4%
Detroit Consumer Price Index (1982-84 = 100)	221.8	219.2	-1.2%	222.4	1.5%	227.6	2.3%	233.0	2.3%
Detroit Consumer Price Index (FY) (1982-84 = 100)	221.5	219.1	-1.1%	221.5	1.1%	226.3	2.2%	231.6	2.3%



RISKS AND UNCERTAINTIES

An economic forecast is based on the best information available at the time the forecast is prepared. Because information and foresight are not perfect, risks and uncertainties are inherent in any forecast. Key risks in this forecast stem predominantly from uncertainties surrounding the growth in other countries (primarily China), monetary policy, and oil prices.

Rest of World Growth

Economic growth in China has declined from over 9.5% in CY 2011 to a forecast 6.5% in CY 2016. Although such growth rates would be welcome in most nations, they represent a significant slowdown for the Chinese economy, and the potential exists that financial and productivity reforms will continue to diminish growth and spread to its major trading partners.

Monetary Policy

The Federal Reserve officially raised the federal funds rate by 25 basis point in December 2015, the first increase since June 2006. A measured series of moderate increases over the forecast horizon is anticipated, but should interest rates rise more quickly it could have a dampening impact on projected economic growth.

Oil Prices

West Texas Intermediate crude oil prices averaged less than \$50 per barrel during CY 2015, the lowest annual average since CY 2004. The forecast assumes that the average price for CY 2016 will remain below \$45 per barrel before increasing by about \$10 per barrel in both CY 2017 and CY 2018. Although declines in the prices of crude oil and motor fuels may be a boon for consumers' pocketbooks, decreasing prices will likely squelch some domestic oil production that is not cost effective at current prices, thereby reducing jobs and income attributable to that sector of the economy. The degree to which these two effects offset each other creates considerable uncertainty.



GF/GP AND SAF REVENUE

Revenue estimates are based on the economic performance of the components of national and state economies discussed in the previous section. This section contains the House Fiscal Agency's January 2016 baseline and net General Fund/General Purpose (GF/GP) and School Aid Fund (SAF) estimates as well as recommended revisions from the May 2015 Consensus Revenue Estimating Conference (**Table 2**), detailed net GF/GP estimates (**Table 3**), and detailed net SAF (**Table 4**) estimates. Also, included in this section are estimated year-end balances for GF/GP, the SAF, and the budget stabilization fund (BSF), and the state revenue limit calculation.

Baseline and Net GF/GP and SAF Revenue Estimates

Baseline revenue does not include the impact of partial-year policy changes or certain other policy changes that have recently been adopted. Baseline estimates are comparable across fiscal years and demonstrate the changes to state revenue that are driven by changes in the economy. The preliminary final total baseline GF/GP and SAF revenue was \$22.5 billion in FY 2014-15. It is forecast to increase 1.5% in FY 2015-16, and 3.1% in both FY 2016-17 and FY 2017-18.

Net revenue captures the effects of all policy changes and represents actual resources available. Preliminary final total net GF/GP and SAF revenue was \$21.8 billion in FY 2014-15, which would be a 6.0% increase from FY 2013-14. It is forecast to decrease 0.1% in FY 2015-16. Total net GF/GP and SAF revenue is expected to increase 3.3% in both FY 2016-17 and FY 2017-18.

Table 2 reports GF/GP and SAF revenue in terms of baseline and net revenue. It also shows the May 2015 adjusted consensus estimates and the recommended revisions to these estimates for FY 2014-15 through FY 2016-17. The May 2015 adjusted consensus estimates include the May 2015 consensus estimates plus enacted tax changes since May 2015.

Preliminary final FY 2014-15 figures suggest an increase of \$173.5 million from the May 2015 adjusted consensus estimates, primarily due to approximately \$112 million of existing certificated credits that had been anticipated to be claimed under the Michigan Business Tax (MBT) in FY 2014-15, but will likely be deferred until FY 2015-16. In addition, much stronger than predicted income tax growth boosted both GF/GP and SAF revenue. However, the impact on the SAF was more than offset by a reduction in sales tax revenue, much of which can be attributed to lower fuel prices.

The recommended revision for FY 2015-16 is a decrease of \$354.1 million as the impact of the deferred MBT credits reduces GF/GP revenue and income tax revenue returns to a more normal growth rate. Finally, the recommended revision for FY 2016-17 is a decrease of \$226.9 million, reflecting the ongoing impact of prior year reductions.

GF/GP Revenue by Source

GF/GP Tax Revenue

GF/GP tax revenue increased 11.7% to \$9,636.9 million in FY 2014-15. As previously noted, the majority of the increase can be attributed to deferred MBT credits. GF/GP tax revenue in FY 2015-16 is estimated to be \$9,322.8 million, a decrease of \$314.1 million, and \$9,717.0 million in FY 2016-17, an increase of \$394.1 million. GF/GP tax revenue is estimated to increase 4.1% in FY 2017-18.

Total GF/GP Net Revenue

Net GF/GP revenue includes non-tax revenue and represents the amount available to spend. Final net GF/GP revenue is expected to be \$10,034.5 million in FY 2014-15; In FY 2015-16 it is forecast to be \$9,687.6 million, a decrease of \$346.9 million, and \$10,068.6 million in FY 2016-17, an increase of \$380.9 million. Net GF/GP revenue is estimated to increase 3.8% in FY 2017-18.

Net GF/GP revenue estimates are lowered by \$96.4 million for FY 2015-16, \$380.9 million for FY 2016-17, and \$410.8 million for FY 2017-18 due to the diversion of use tax revenue for personal property tax reimbursement to local units of government.

SAF Revenue by Source

Total Net SAF Revenue

Final net SAF revenue is anticipated to increase 2.0% to \$11,747.1 million in FY 2014-15. Net SAF revenue is forecast to be \$12,083.0 million in FY 2015-16, an increase of \$335.9 million. Net SAF revenue is estimated to increase 2.8% in FY 2016-17 and 2.9% in FY 2017-18.

Table 2
HFA JANUARY 2016 REVENUE ESTIMATES FOR FY 2015-16 THROUGH FY 2017-18
(Millions of Dollars)

	Preliminary Final <u>FY 2014-15</u>	HFA Est. <u>FY 2015-16</u>	HFA Est. <u>FY 2016-17</u>	HFA Est. <u>FY 2017-18</u>	FY 2015-16 <u>% Change</u>	FY 2016-17 <u>% Change</u>	FY 2017-18 <u>% Change</u>
<u>Baseline</u>							
GF/GP	\$10,781.7	\$10,805.3	\$11,173.3	\$11,531.0	0.2%	3.4%	3.2%
SAF	11,758.8	12,066.1	12,408.0	12,775.9	2.6%	2.8%	3.0%
Total	\$22,540.5	\$22,871.5	\$23,581.3	\$24,306.9	1.5%	3.1%	3.1%
<u>Net</u>							
GF/GP	\$10,034.5	\$9,687.6	\$10,068.6	\$10,455.2	-3.5%	3.9%	3.8%
SAF	11,747.1	12,083.0	12,424.8	12,780.0	2.9%	2.8%	2.9%
Total	\$21,781.6	\$21,770.7	\$22,493.3	\$23,235.2	-0.1%	3.3%	3.3%
<u>May 2015 Adjusted Consensus¹</u>							
<u>Net</u>							
GF/GP	\$9,724.9	\$9,881.9	\$10,121.5				
SAF	11,883.2	12,242.9	12,598.7				
Total	\$21,608.1	\$22,124.8	\$22,720.2				
<u>Recommended Revision</u>							
<u>Net</u>							
GF/GP	\$309.6	(\$194.3)	(\$52.9)				
SAF	(136.1)	(159.9)	(173.9)				
Total	\$173.5	(\$354.1)	(\$226.9)				

NOTE: Numbers may not add due to rounding.

¹ The May 2015 adjusted consensus estimate includes the May 2015 consensus estimate plus enacted tax changes since May 2015.

Table 3
GF/GP NET REVENUE ESTIMATES AND CHANGE FROM THE PREVIOUS FISCAL YEARS
(Millions of Dollars)

	Preliminary	Final	HFA Est.	HFA Est.	HFA Est.	FY 2015-16		FY 2016-17		FY 2017-18	
	<u>FY 2014-15</u>	<u>FY 2015-16</u>	<u>FY 2016-17</u>	<u>FY 2017-18</u>	<u>FY 2017-18</u>	<u>\$ Change</u>	<u>% Change</u>	<u>\$ Change</u>	<u>% Change</u>	<u>\$ Change</u>	<u>% Change</u>
Income Tax	\$6,460.2	\$6,462.8	\$6,690.8	\$6,881.2	\$6,881.2	\$2.6	0.0%	\$228.0	3.5%	\$190.4	2.8%
Sales Tax	1,118.9	1,198.5	1,239.1	1,282.4	1,282.4	79.6	7.1%	40.6	3.4%	43.3	3.5%
Use Tax	958.2	882.4	648.6	649.3	649.3	(75.8)	-7.9%	(233.8)	-26.5%	0.7	0.1%
Michigan Business Tax	(639.4)	(1,031.1)	(743.9)	(642.6)	(642.6)	(391.7)	61.3%	287.2	-27.9%	101.3	-13.6%
Corporate Income Tax	1,078.1	1,105.0	1,145.0	1,170.0	1,170.0	26.9	2.5%	40.0	3.6%	25.0	2.2%
Insurance	322.4	305.0	310.0	325.0	325.0	(17.4)	-5.4%	5.0	1.6%	15.0	4.8%
Other GF/GP Taxes	338.5	400.2	427.4	447.3	447.3	61.7	18.2%	27.2	6.8%	19.9	4.7%
GF/GP Net Tax Revenue	\$9,636.9	\$9,322.8	\$9,717.0	\$10,112.6	\$10,112.6	(\$314.1)	-3.3%	\$394.1	4.2%	\$395.6	4.1%
Non-Tax Revenue	397.6	364.8	351.6	342.6	342.6	(32.8)	-8.2%	(13.2)	-3.6%	(9.0)	-2.6%
Total GF/GP Net Revenue	\$10,034.5	\$9,687.6	\$10,068.6	\$10,455.2	\$10,455.2	(\$346.9)	-3.5%	\$380.9	3.9%	\$386.6	3.8%

NOTE: Numbers may not add due to rounding.

Table 4
SCHOOL AID FUND NET REVENUE ESTIMATES AND CHANGE FROM THE PREVIOUS FISCAL YEARS
(Millions of Dollars)

	Preliminary	HFA Est.	HFA Est.	HFA Est.	FY 2015-16		FY 2016-17		FY 2017-18	
	<u>FY 2014-15</u>	<u>FY 2015-16</u>	<u>FY 2016-17</u>	<u>FY 2017-18</u>	<u>\$ Change</u>	<u>% Change</u>	<u>\$ Change</u>	<u>% Change</u>	<u>\$ Change</u>	<u>% Change</u>
Sales Tax	\$5,265.5	\$5,475.5	\$5,656.8	\$5,850.6	\$210.0	4.0%	\$181.2	3.3%	\$193.9	3.4%
Use Tax	476.4	489.4	514.7	530.1	13.0	2.7%	25.3	5.2%	15.4	3.0%
Income Tax	2,519.3	2,569.1	2,655.0	2,728.8	49.8	2.0%	85.8	3.3%	73.8	2.8%
State Education Tax	1,857.6	1,904.8	1,940.3	1,997.2	47.2	2.5%	35.5	1.9%	56.9	2.9%
Lottery/Casinos	894.9	909.0	916.5	924.0	14.1	1.6%	7.5	0.8%	7.5	0.8%
Tobacco Tax	363.9	349.6	343.9	337.7	(14.3)	-3.9%	(5.6)	-1.6%	(6.2)	-1.8%
Real Estate Transfer Tax	258.4	270.0	280.0	292.0	11.6	4.5%	10.0	3.7%	12.0	4.3%
Other Taxes	111.1	115.6	117.6	119.6	4.5	4.1%	2.0	1.7%	2.0	1.7%
SAF Net Revenue	\$11,747.1	\$12,083.0	\$12,424.8	\$12,780.0	\$335.9	2.9%	\$341.7	2.8%	\$355.2	2.9%

NOTE: Numbers may not add due to rounding.

HFA Estimates of Year-End Balances

Table 5 reports House Fiscal Agency estimates of year-end balances for GF/GP, the SAF, and the BSF. Fiscal Year 2015-16 estimates are based on year-to-date appropriations and HFA revenue estimates. Preliminary final FY 2014-15 figures are included.

Budget Stabilization Fund estimates are based on the current balance and HFA estimates of future deposits and interest earned.

Table 5
YEAR-END UNRESERVED BALANCE ESTIMATES
(Millions of Dollars)

	Preliminary Final FY 2014-15	Estimated FY 2015-16
General Fund/General Purpose	\$694.7	\$346.1
School Aid Fund	\$190.0	(\$15.7)
Budget Stabilization Fund	\$498.3	\$613.8

Note: School Aid Fund revenue is restricted; any year-end balance is carried forward to the subsequent year.

BSF Year-End Balance

The Counter-Cyclical Budget and Economic Stabilization Fund (BSF), the state's rainy day fund, is a reserve of cash to contribute to or withdraw from throughout economic and budget cycles. **Table 6** details deposits, withdrawals, interest earnings, and the year-end balance from FY 1990-91 through FY 2017-18.

The BSF ending fund balance for FY 2014-15 was \$498.3 million. A \$95.0 million appropriation has been made for FY 2015-16. In addition, 2014 PA 186 amended the Michigan Trust Fund Act to require annual \$17.5 million deposits of tobacco settlement revenue to the BSF from FY 2014-15 through FY 2034-35.

The statutory BSF trigger calculation – based on Michigan personal income less transfer payments adjusted for inflation and actual or net GF/GP revenue – indicates pay-ins for FY 2016-17 and FY 2017-18 of \$170.5 million and \$58.4 million, respectively. When the required \$17.5 million deposits are included, the year-end balance is estimated at \$613.8 million for FY 2015-16, \$805.9 million for FY 2016-17, and \$889.9 million for FY 2017-18.

Table 6
BUDGET STABILIZATION FUND HISTORY
(Millions of Dollars)

Fiscal Year	Deposits	Withdrawals	Interest Earned	Balance
1990-91	\$0.0	\$230.0	\$27.1	\$182.2
1991-92	\$0.0	\$170.1	\$8.1	\$20.1
1992-93	\$282.6	\$0.0	\$0.7	\$303.4
1993-94	\$460.2	\$0.0	\$11.9	\$775.5
1994-95	\$260.1	\$90.4	\$57.7	\$1,003.0
1995-96	\$91.3	\$0.0	\$59.2	\$1,153.6
1996-97	\$0.0	\$69.0	\$67.8	\$1,152.4
1997-98	\$0.0	\$212.0	\$60.1	\$1,000.5
1998-99	\$244.4	\$73.7	\$51.2	\$1,222.5
1999-2000	\$100.0	\$132.0	\$73.9	\$1,264.4
2000-01	\$0.0	\$337.0	\$66.7	\$994.2
2001-02	\$0.0	\$869.8	\$20.8	\$145.2
2002-03	\$0.0	\$156.1	\$10.9	\$0.0
2003-04	\$81.3	\$0.0	\$0.0	\$81.3
2004-05	\$0.0	\$81.3	\$2.0	\$2.0
2005-06	\$0.0	\$0.0	\$0.0	\$2.0
2006-07	\$0.0	\$0.0	\$0.1	\$2.1
2007-08	\$0.0	\$0.0	\$0.1	\$2.2
2008-09	\$0.0	\$0.0	\$0.0	\$2.2
2009-10	\$0.0	\$0.0	\$0.0	\$2.2
2010-11	\$0.0	\$0.0	\$0.0	\$2.2
2011-12	\$362.7	\$0.0	\$0.2	\$365.1
2012-13	\$140.0	\$0.0	\$0.5	\$505.6
2013-14	\$75.0	\$194.8	\$0.4	\$386.2
2014-15	\$111.5	\$0.0	\$0.6	\$498.3
2015-16*	\$112.5	\$0.0	\$2.5	\$613.8
2016-17**	\$188.0	\$0.0	\$4.6	\$805.9
2017-18**	\$75.9	\$0.0	\$8.1	\$889.9

* Appropriated amount

** HFA estimates

NOTE: Numbers may not add due to rounding.

Compliance With the State Revenue Limit

Article IX, Section 26 of the *Michigan Constitution*, which was approved by the vote of the people in 1978, sets a limit on the amount of revenue collected by the state in any fiscal year. As provided for in the Constitution, the revenue limit is calculated as 9.49% of total state personal income (which is the broadest measure of state economic activity) in the previous full calendar year prior to the fiscal year in which the revenues are measured.

The revenue to be considered in the revenue limit includes not only state taxes, but also fees, licenses, and interest earned. Federal aid is not included in the revenue limit calculation. Article IX, Section 26, *Constitution of the State of Michigan*, provides that:

. . . For any fiscal year in the event that Total State Revenues exceed the limit established in this section by 1% or more, the excess revenues shall be refunded

pro rata based on the liability reported on the Michigan income tax and single business tax (or its successor tax or taxes) annual returns filed following the close of such fiscal year. If the excess is less than 1%, this excess may be transferred to the State Budget Stabilization Fund

Furthermore, the state is prohibited from spending any current-year revenue in excess of the limit established in Section 26 by Article IX, Section 28.

As shown in **Table 7**, **Figure 3**, and **Table 8**, the FY 2014-15 revenue limit calculation is expected to show state revenue collections at \$7.9 billion below the revenue limit. For FY 2015-16, state revenue is estimated to be below the limit by \$9.2 billion. For FY 2016-17 and FY 2017-18, state revenue is estimated to remain well below the revenue limit – by \$9.5 billion, and \$10.1 billion, respectively.

Table 7
COMPLIANCE WITH THE STATE REVENUE LIMIT
(Millions of Dollars)

Revenue Limit Calculations	Estimated FY 2014-15	Estimated FY 2015-16	Estimated FY 2016-17	Estimated FY 2017-18
Personal Income				
Calendar Year	<u>CY 2013</u>	<u>CY 2014</u>	<u>CY 2015</u>	<u>CY 2016</u>
Amount	\$387,978	\$403,726	\$421,217	\$439,300
X Limit Ratio	9.49%	9.49%	9.49%	9.49%
State Revenue Limit	\$36,819.1	\$38,313.6	\$39,973.5	\$41,689.6
Total Revenue Subject to Revenue Limit	\$28,960.3	\$29,104.7	\$30,469.9	\$31,597.0
Amount Under (Over) State Revenue Limit	\$7,858.8	\$9,208.9	\$9,503.6	\$10,092.6

NOTE: Numbers may not add due to rounding.

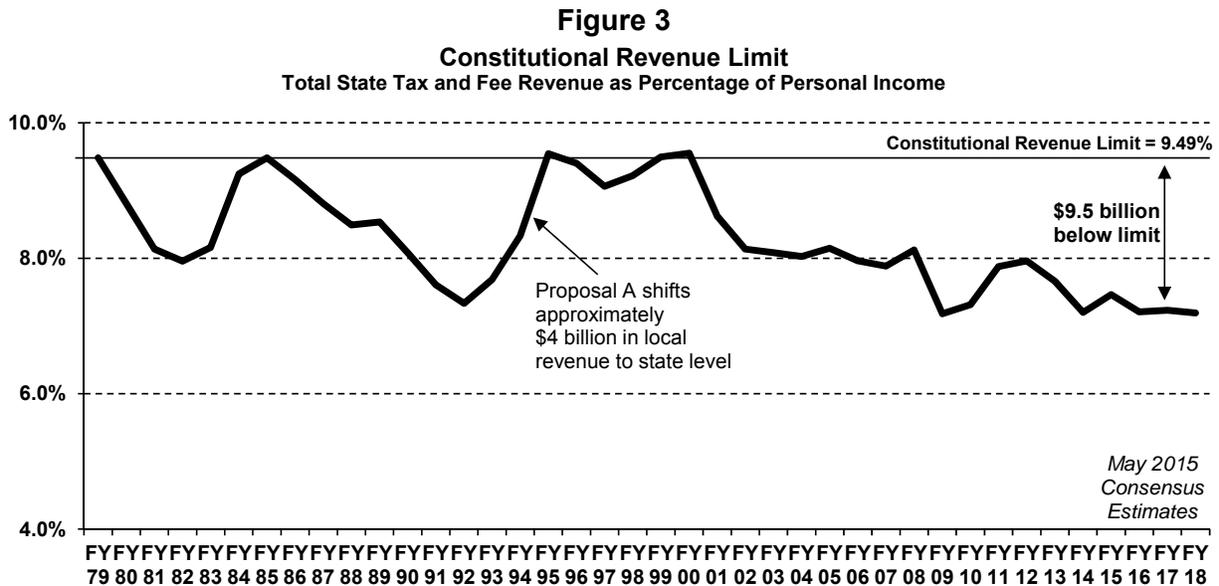


Table 8
CONSTITUTIONAL REVENUE LIMIT HISTORY
(Billions of Dollars)

<u>Fiscal Year</u>	<u>(Under) or Over Limit</u>
1990-91	(\$3.04)
1991-92	(\$3.69)
1992-93	(\$3.48)
1993-94	(\$2.11)
1994-95	\$0.11
1995-96	(\$0.18)
1996-97	(\$0.98)
1997-98	(\$0.64)
1998-99	\$0.02
1999-2000	\$0.16
2000-01	(\$2.41)
2001-02	(\$3.92)
2002-03	(\$4.18)
2003-04	(\$4.44)
2004-05	(\$4.22)
2005-06	(\$4.95)
2006-07	(\$5.32)
2007-08	(\$4.65)
2008-09	(\$7.99)
2009-10	(\$7.61)
2010-11	(\$5.58)
2011-12	(\$5.23)
2012-13	(\$6.55)
2013-14	(\$8.48)
2014-15*	(\$7.86)
2015-16*	(\$9.21)
2016-17*	(\$9.50)
2017-18*	(\$10.09)

**HFA Estimate*



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