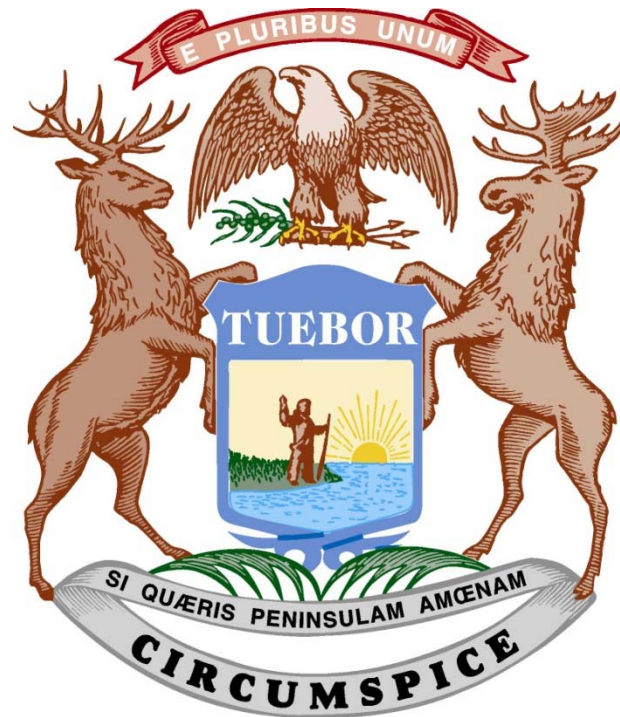


Economic and Revenue Forecasts

FY 2017 * FY 2018 * FY 2019



Consensus Revenue Estimating Conference

May 17, 2017

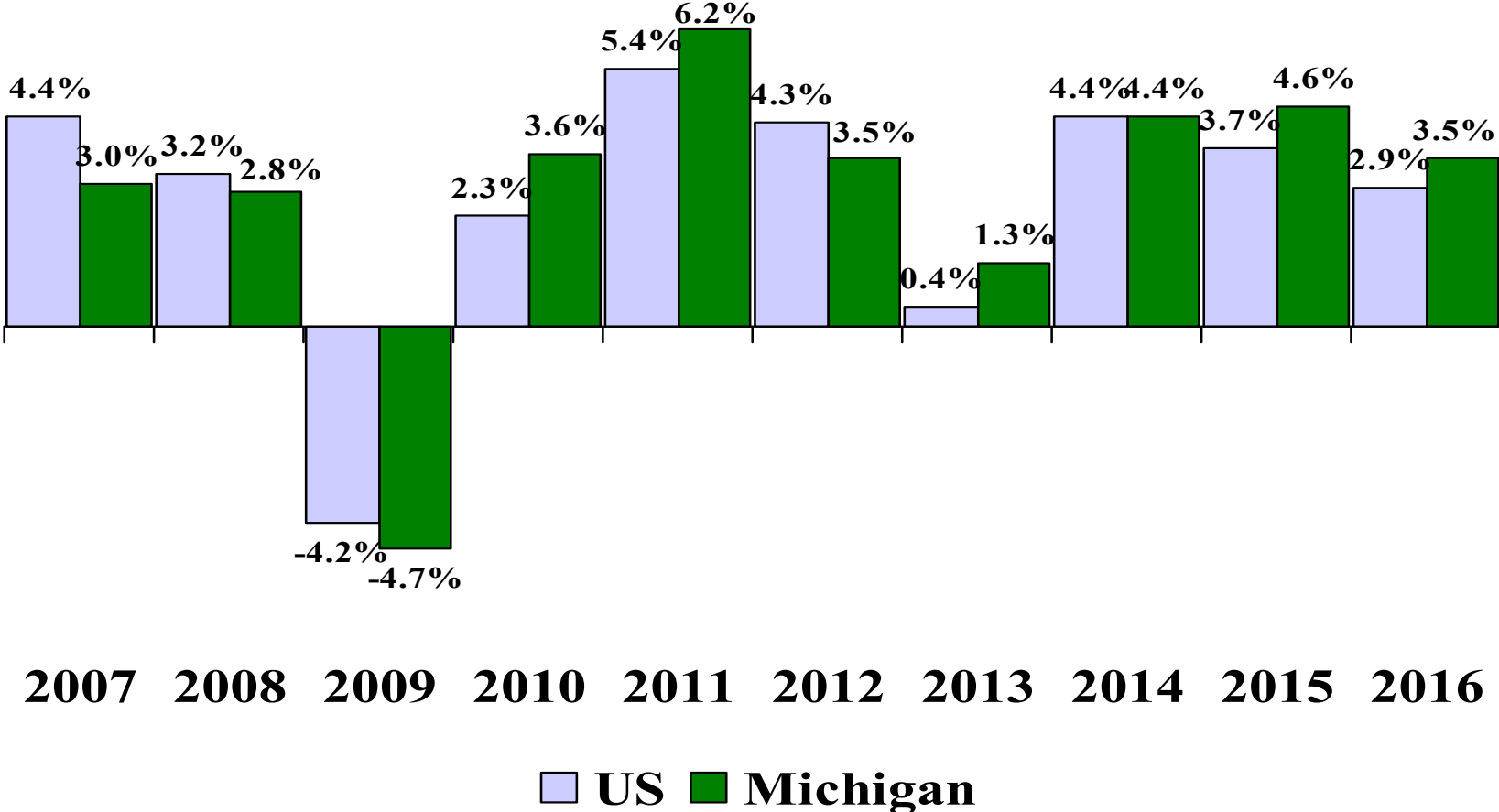
May 2017 Consensus Conference

Outline

- **Economic Forecast**
Jim Stansell, House Fiscal Agency
- **Revenue Estimates for Major Taxes**
David Zin, Senate Fiscal Agency
- **Revenue Estimates by Fund**
Eric Bussis, Department of Treasury

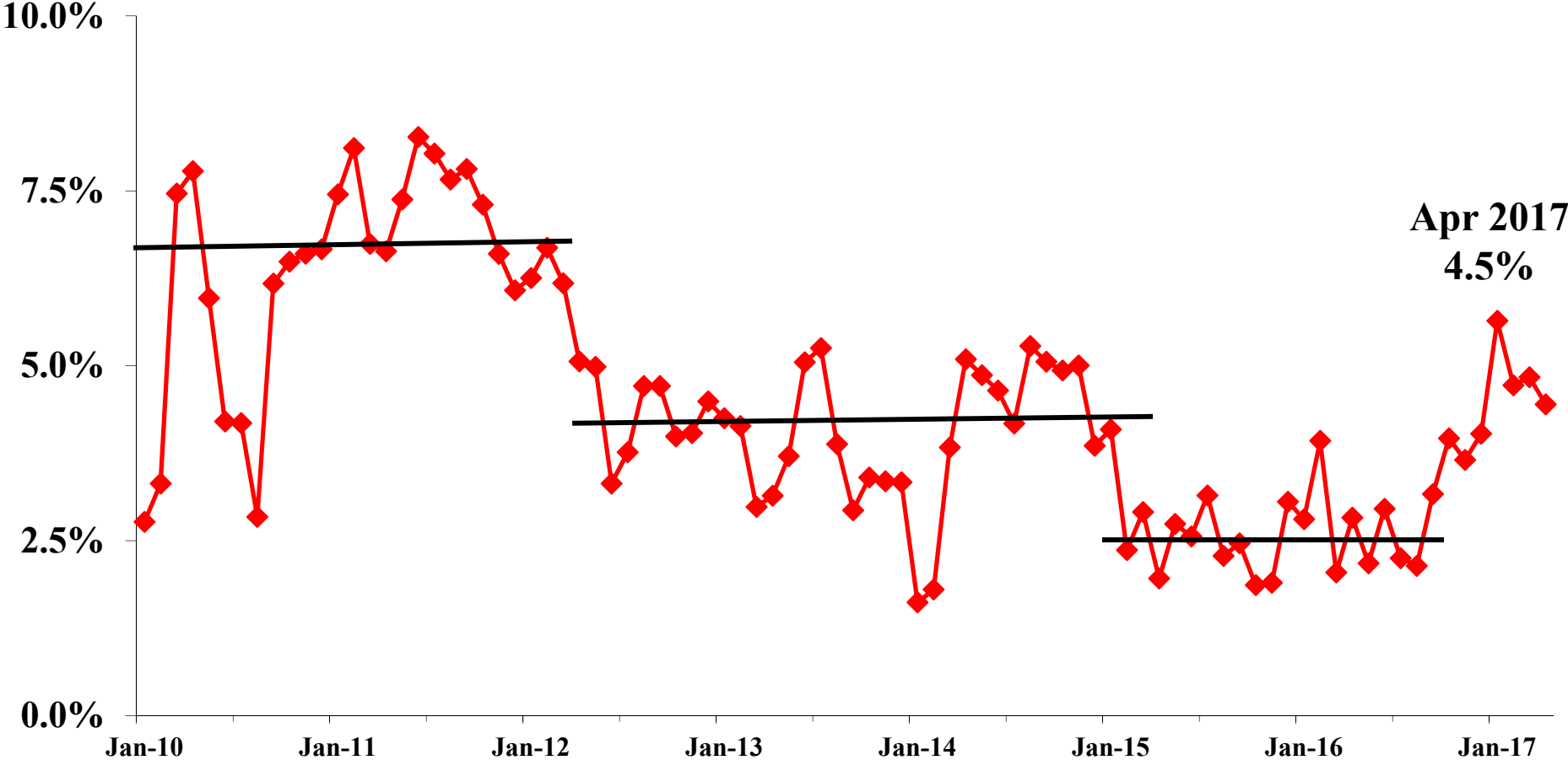
Per Capita Personal Income Growth

Yearly Percent Change



Retail Sales Trending Up

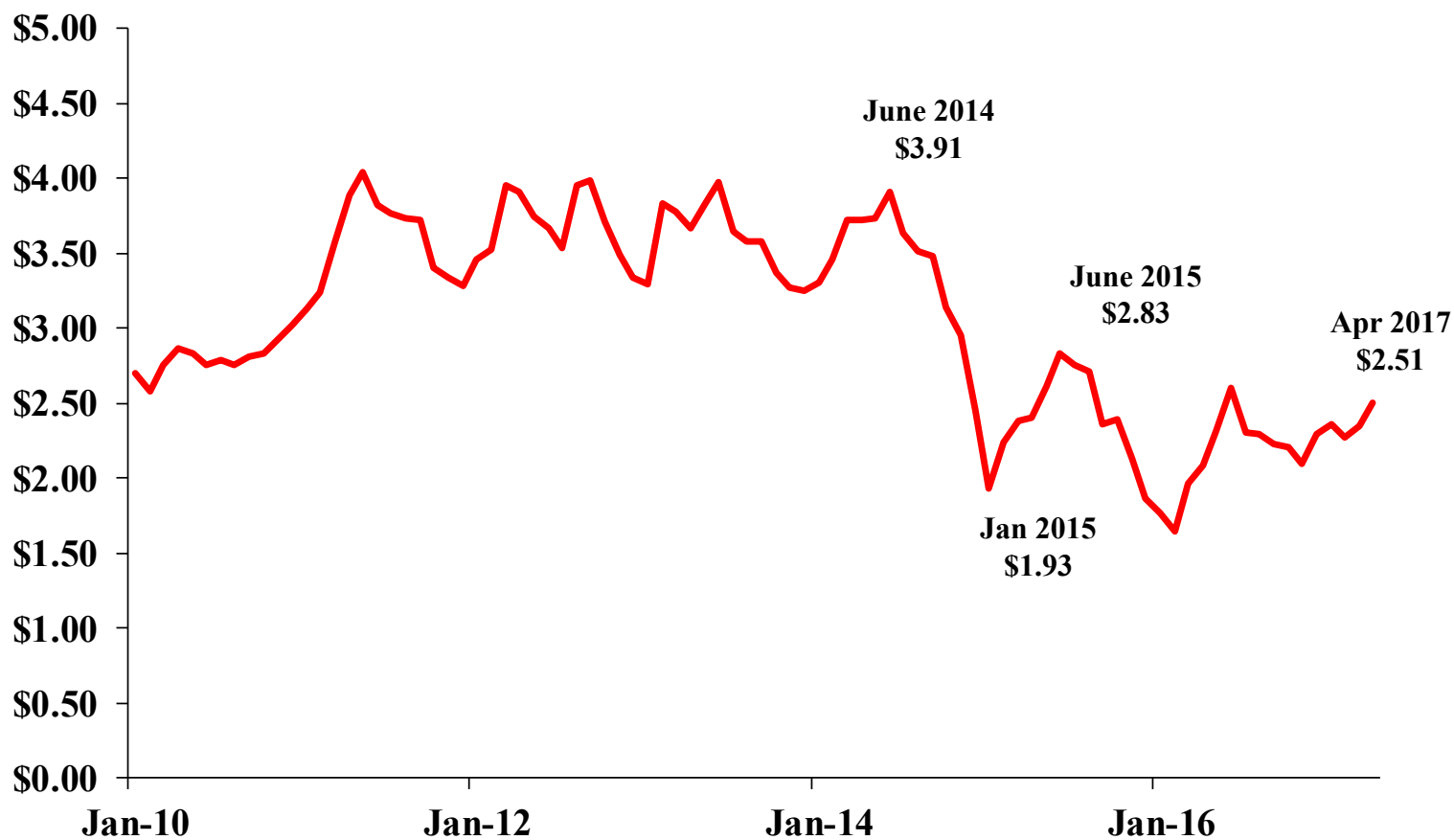
Year-Over-Year Change



Source: Michigan Department of Treasury.

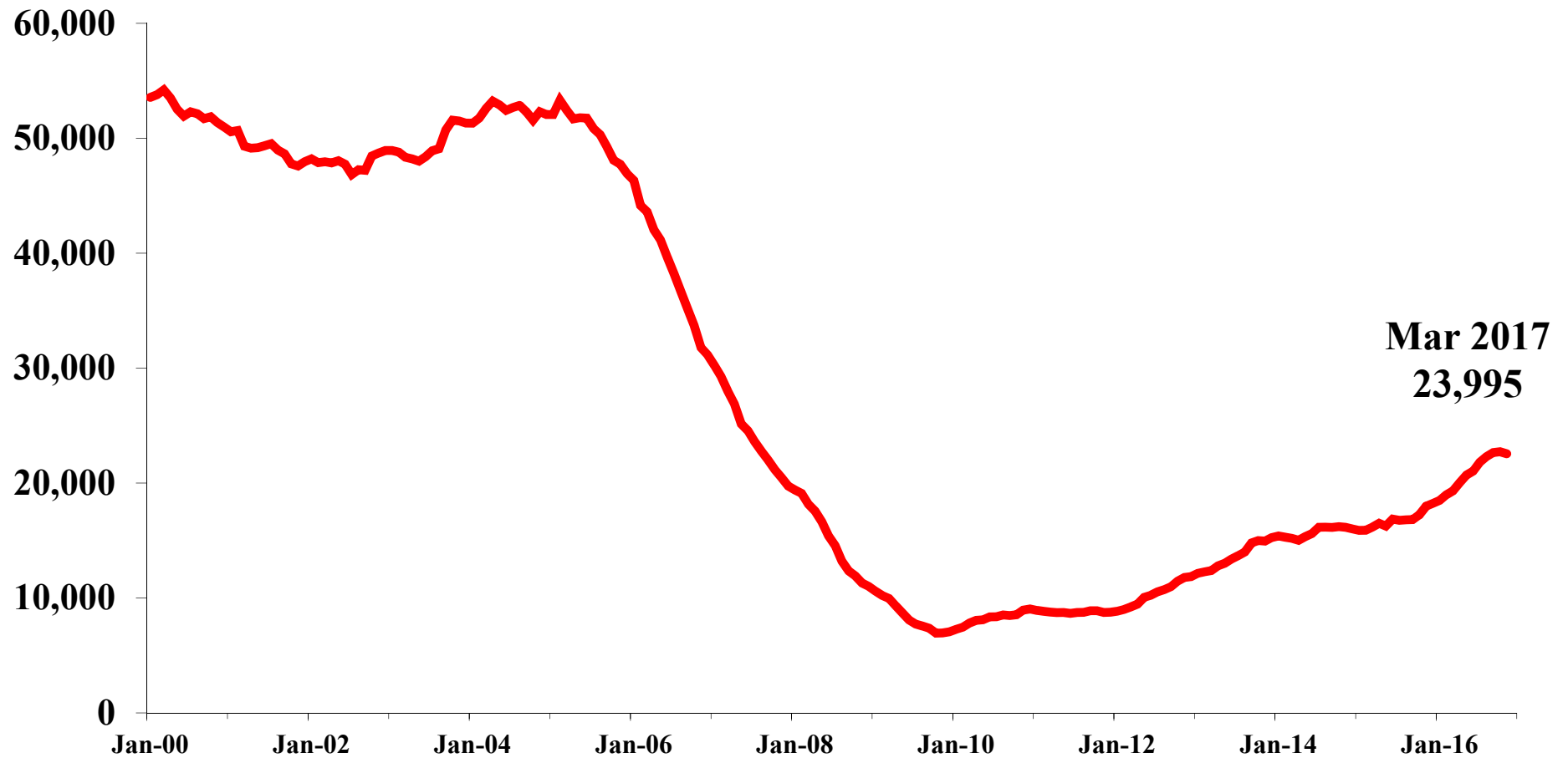
May 2017 Consensus Conference

Michigan Gasoline Prices



Michigan Building Permits Begin to Recover

12 month moving annual average

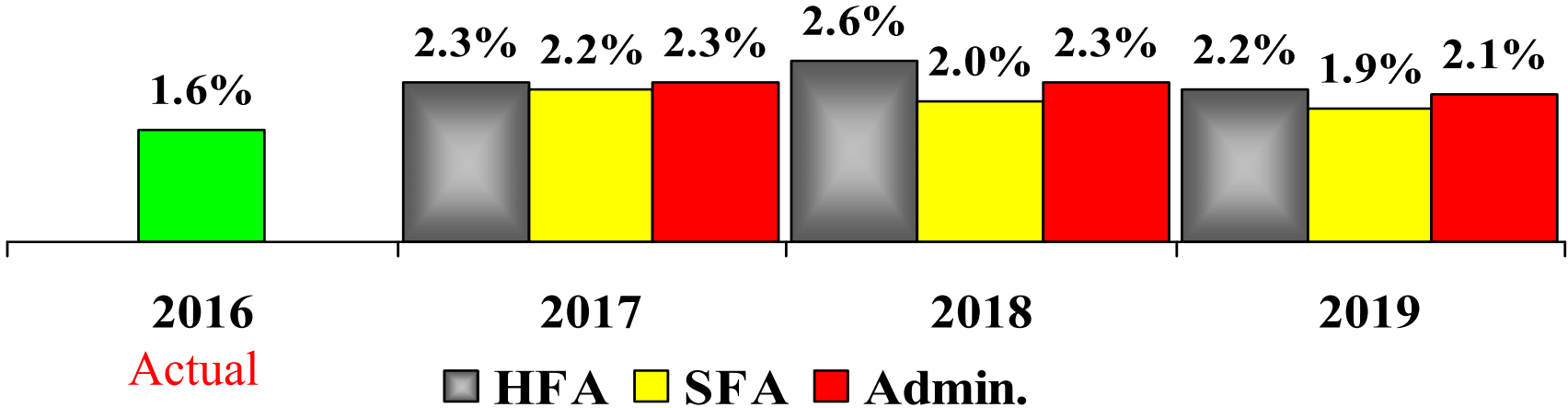


Source: U.S. Census Bureau and Michigan Department of Treasury.

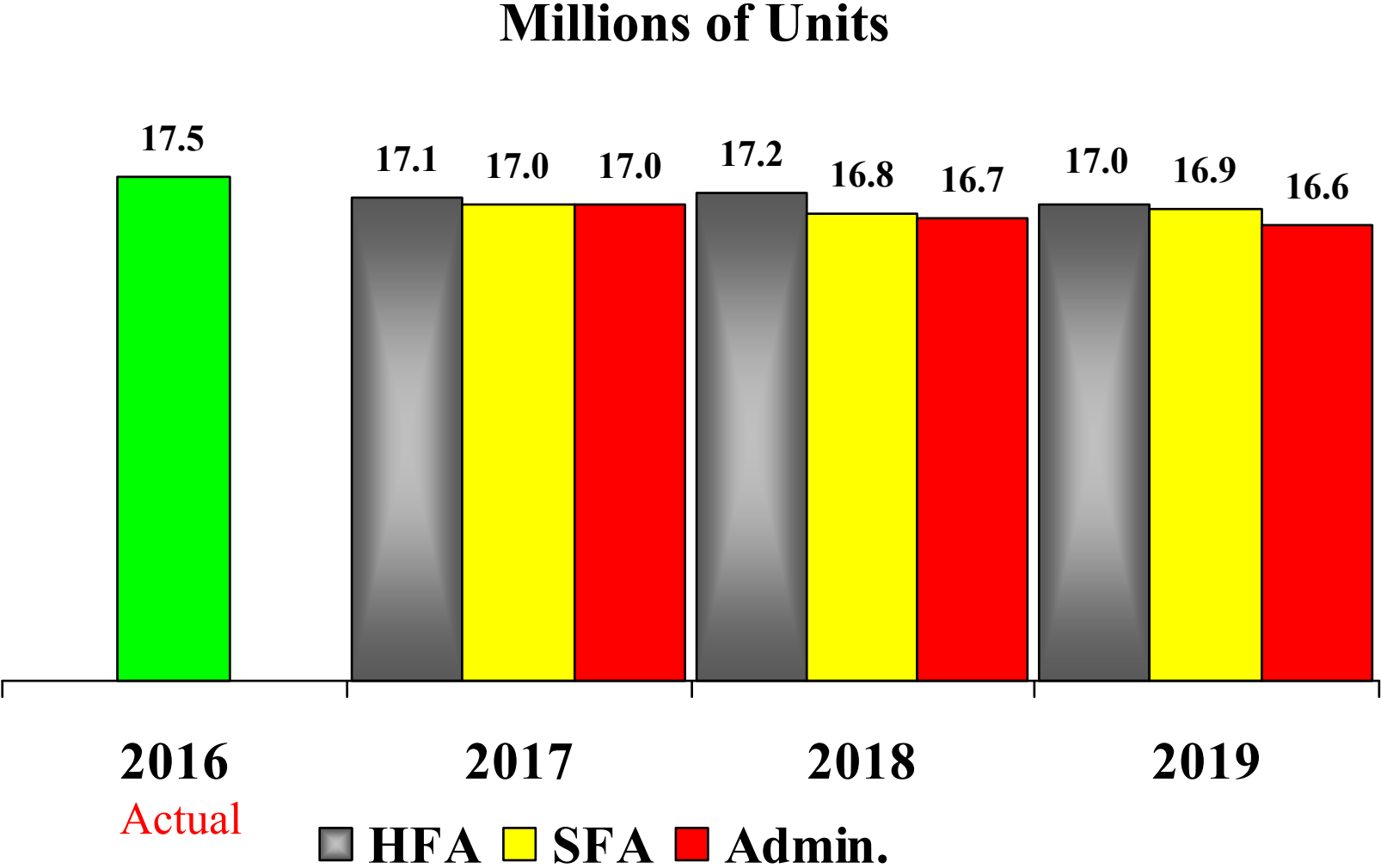
May 2017 Consensus Conference

GDP Forecasts

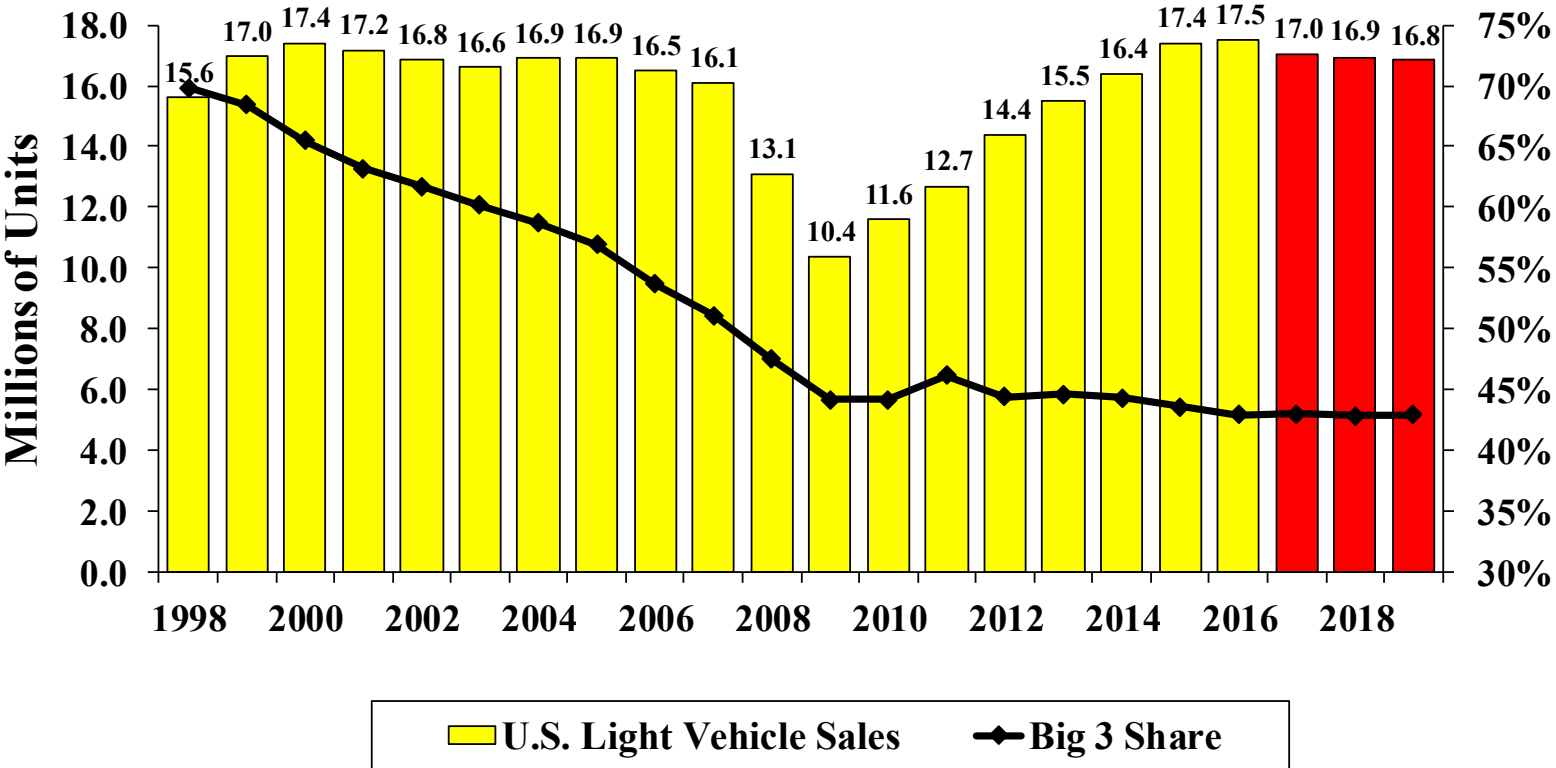
Annual Percent Change



Light Vehicle Sales Forecast



Vehicle Sales at Historically High Levels

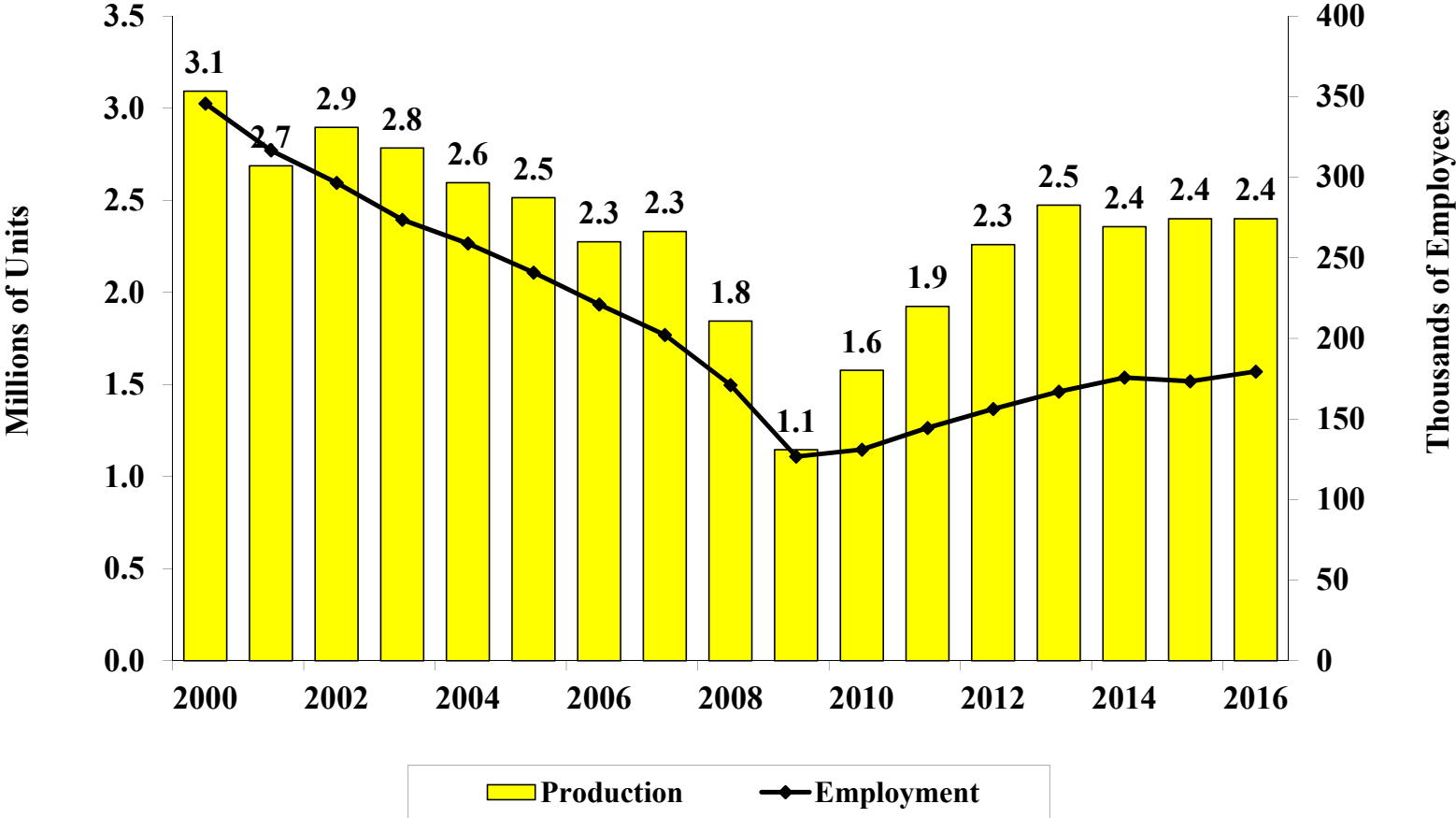


Source: Automotive News.

May 2017 Consensus Conference

Average Agency Forecasts

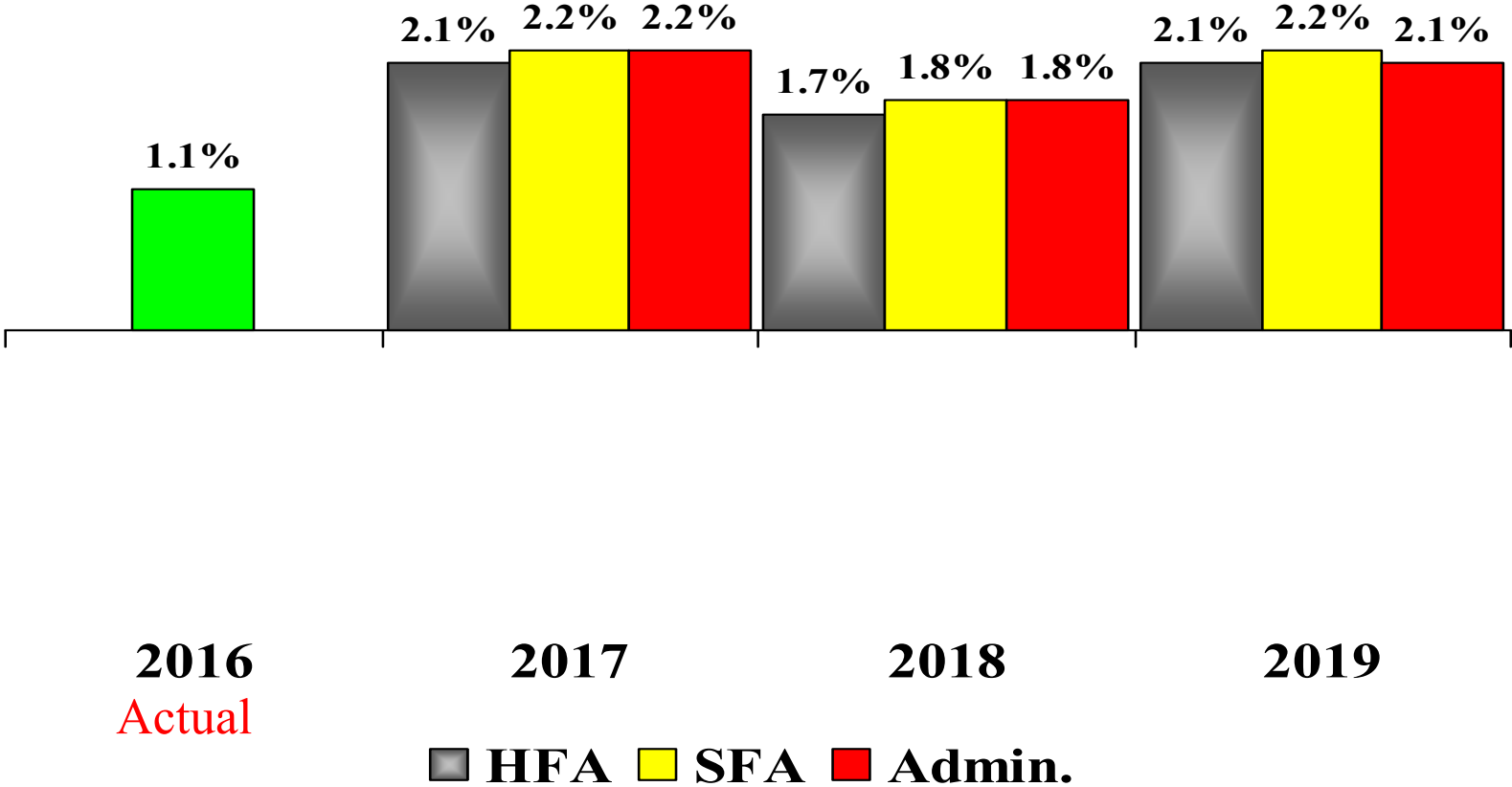
MI Motor Vehicle Production & Employment



Source: Michigan Department of Treasury & U.S. Bureau of Labor Statistics.
May 2017 Consensus Conference

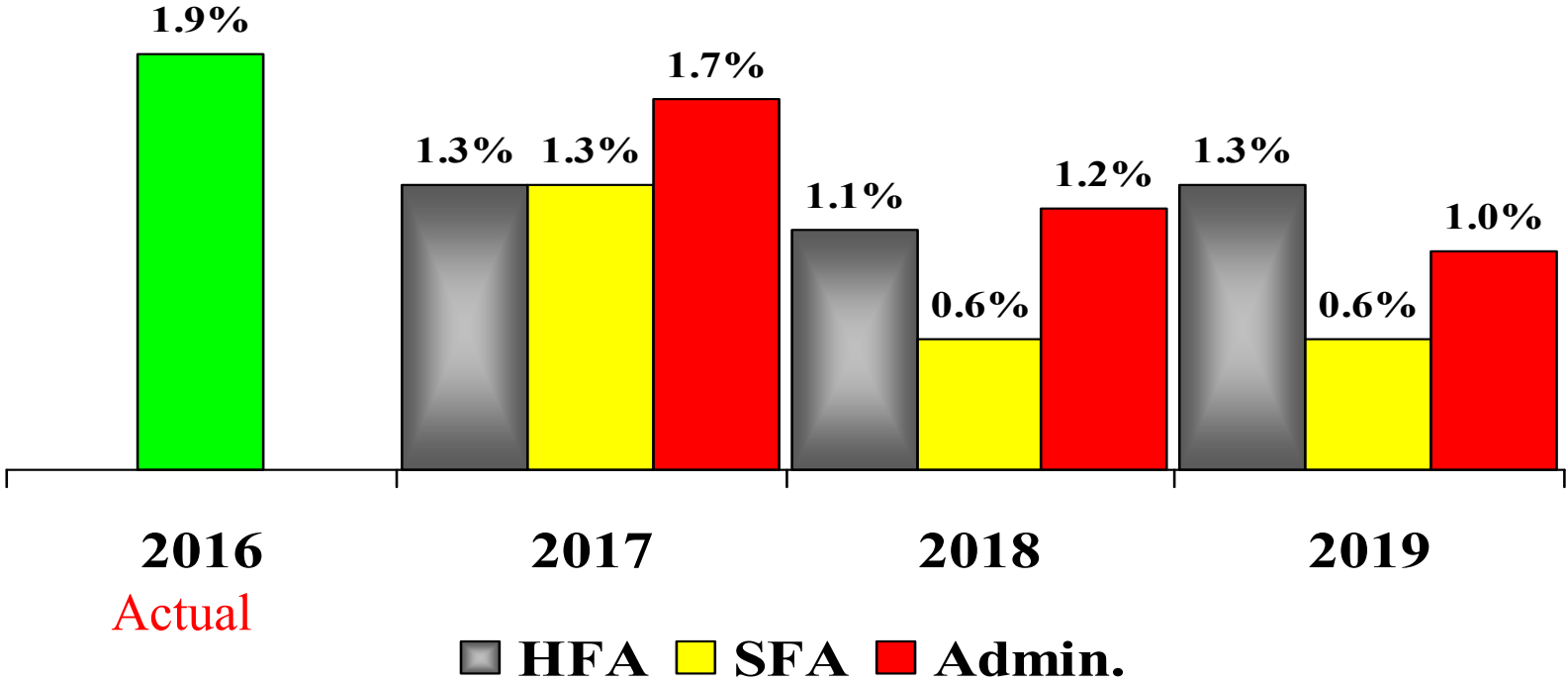
Inflation Expected to Increase

Detroit Consumer Price Index Fiscal Year Growth



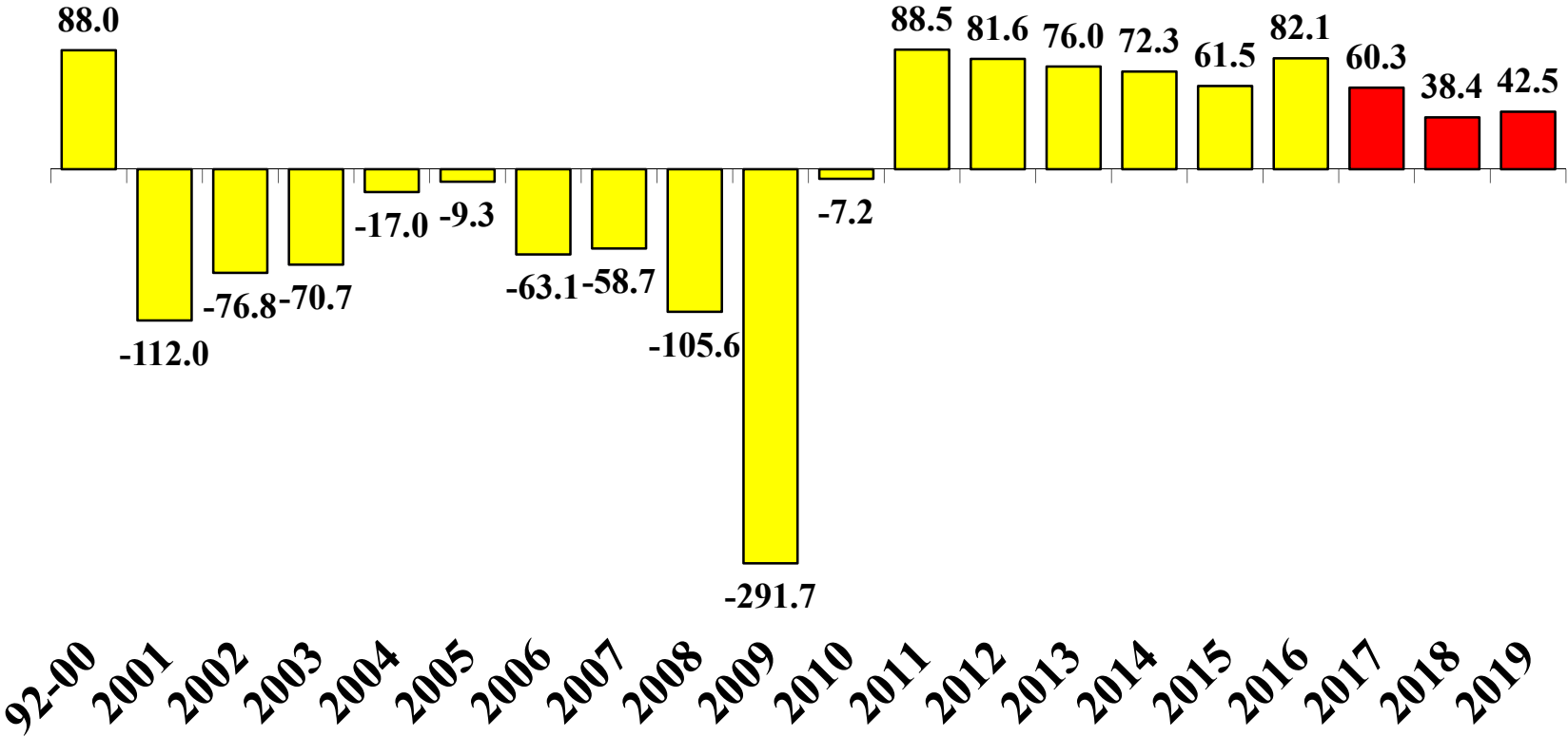
Michigan Wage and Salary Employment

Annual Percent Change



Michigan Job Gains Expected Through 2019

**Change in Michigan Wage and Salary Employment
Thousands**



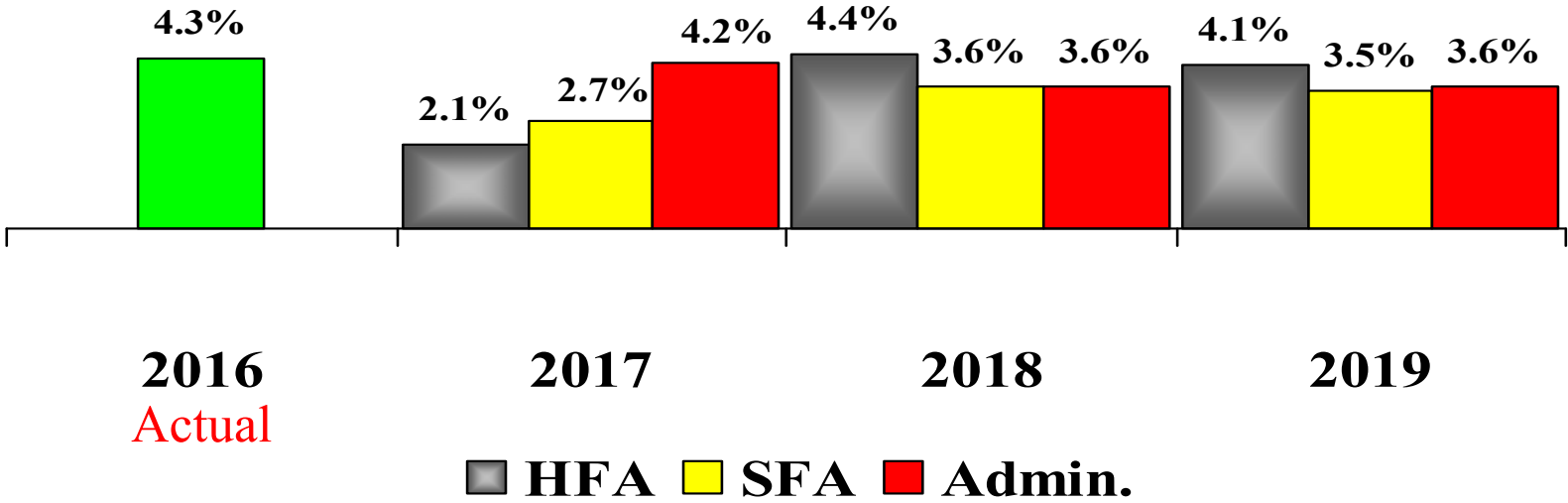
Average Agency Forecasts

Forecast of Major Taxes

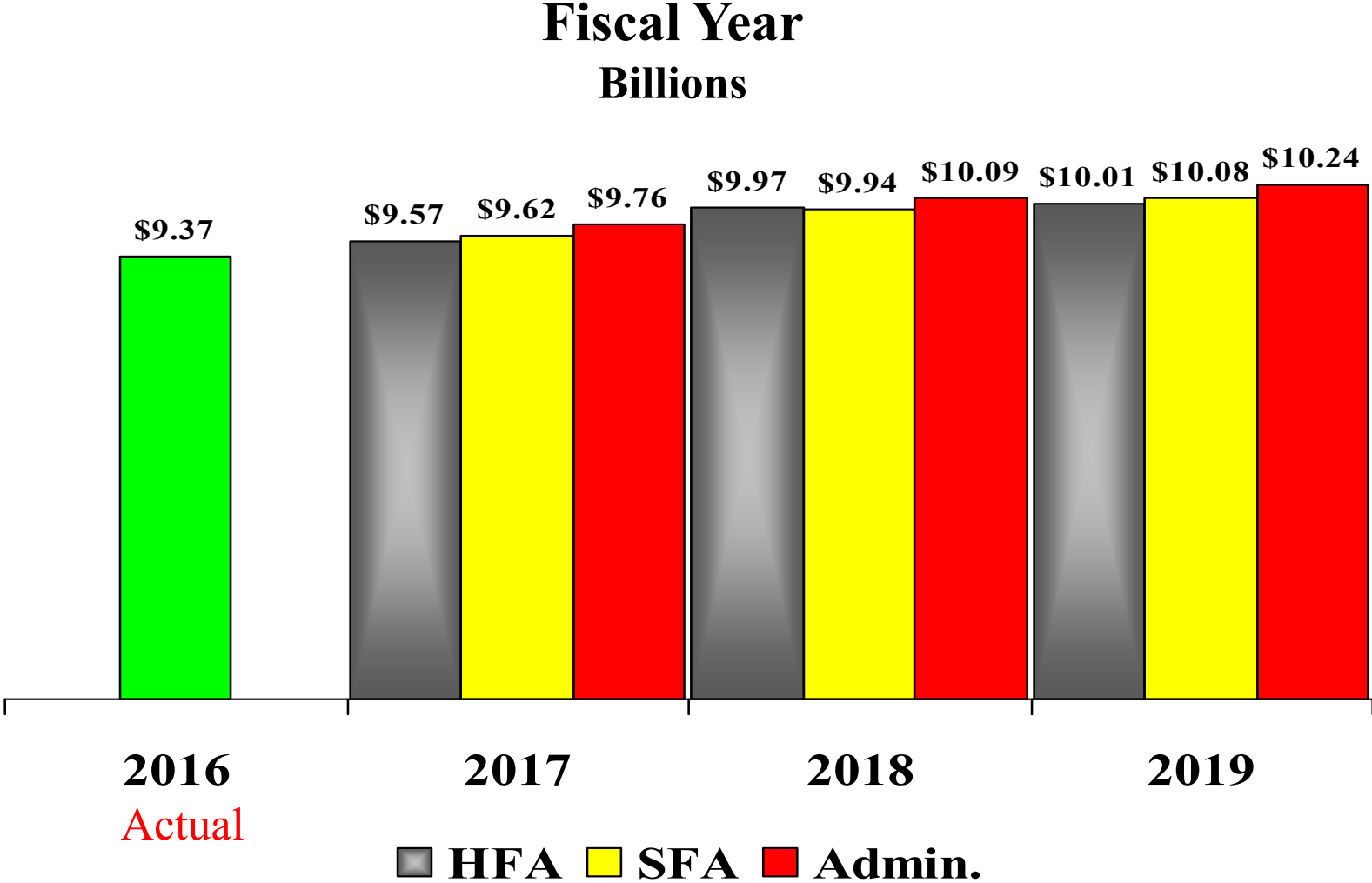
- Income tax withholding slower in FY 17 compared to FY16 but is expected to grow through FY19.
- Sales tax growth rate has improved in FY17 after being very weak in FY15 and FY16.
- CIT/MBT weaker than expected in FY 17 as business taxes exhibit volatility for both economic and non-economic reasons.
- IIT transportation earmark and homestead property tax credit change reduces GF-GP revenue in FY19.

Baseline Income Tax Growth

Fiscal Year Growth

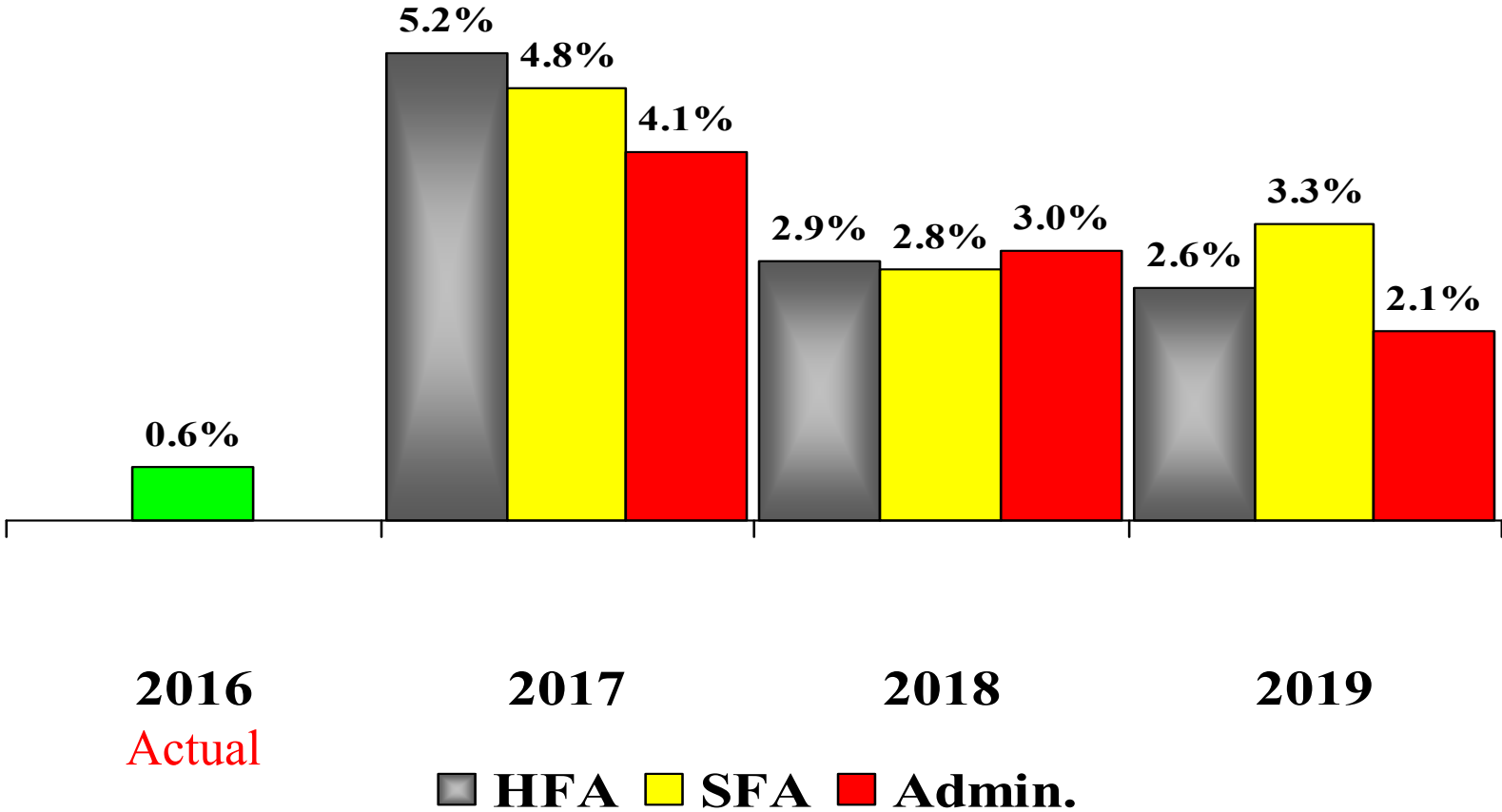


Net Income Tax Revenue Estimates

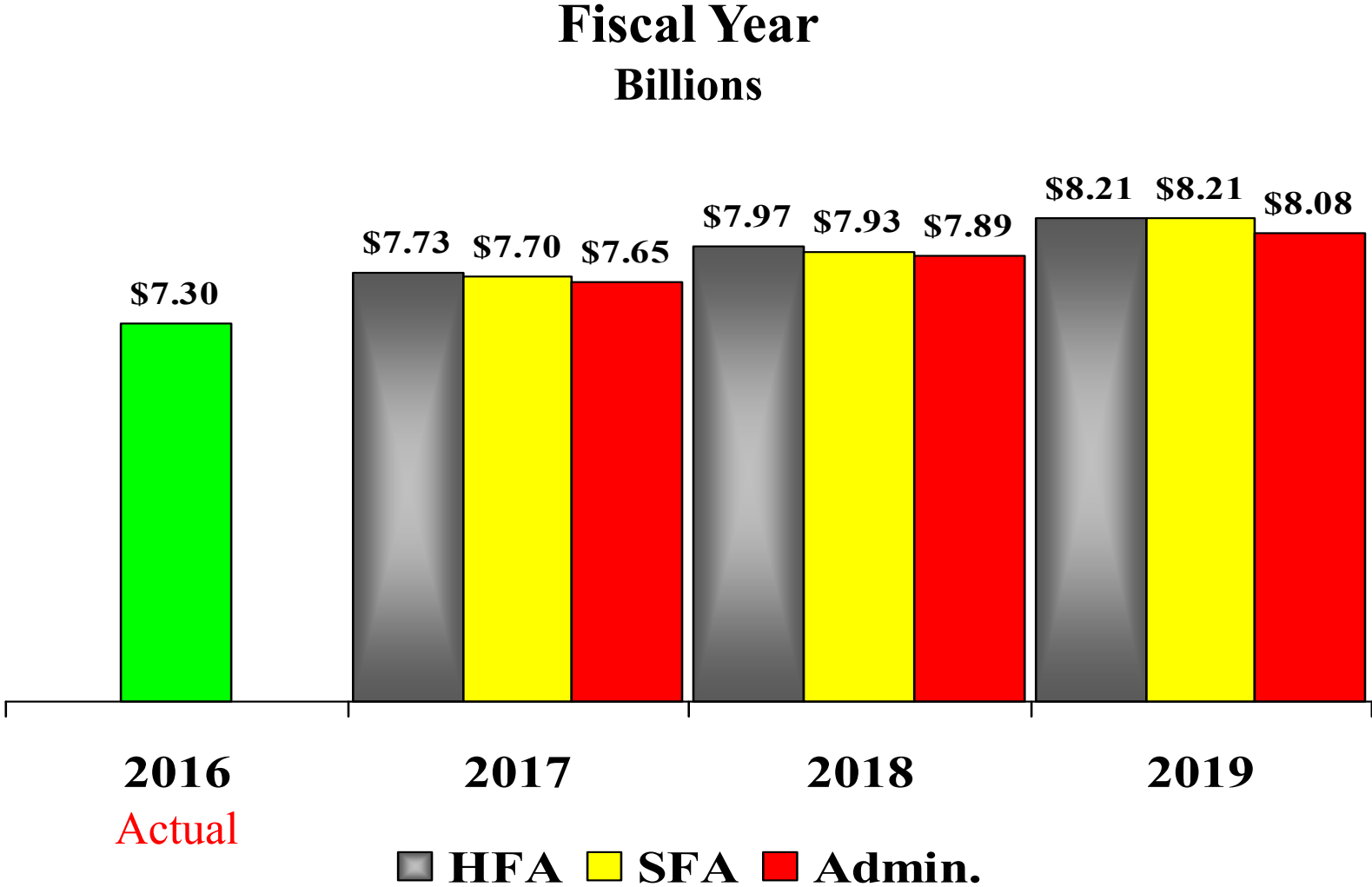


Baseline Sales Tax Growth

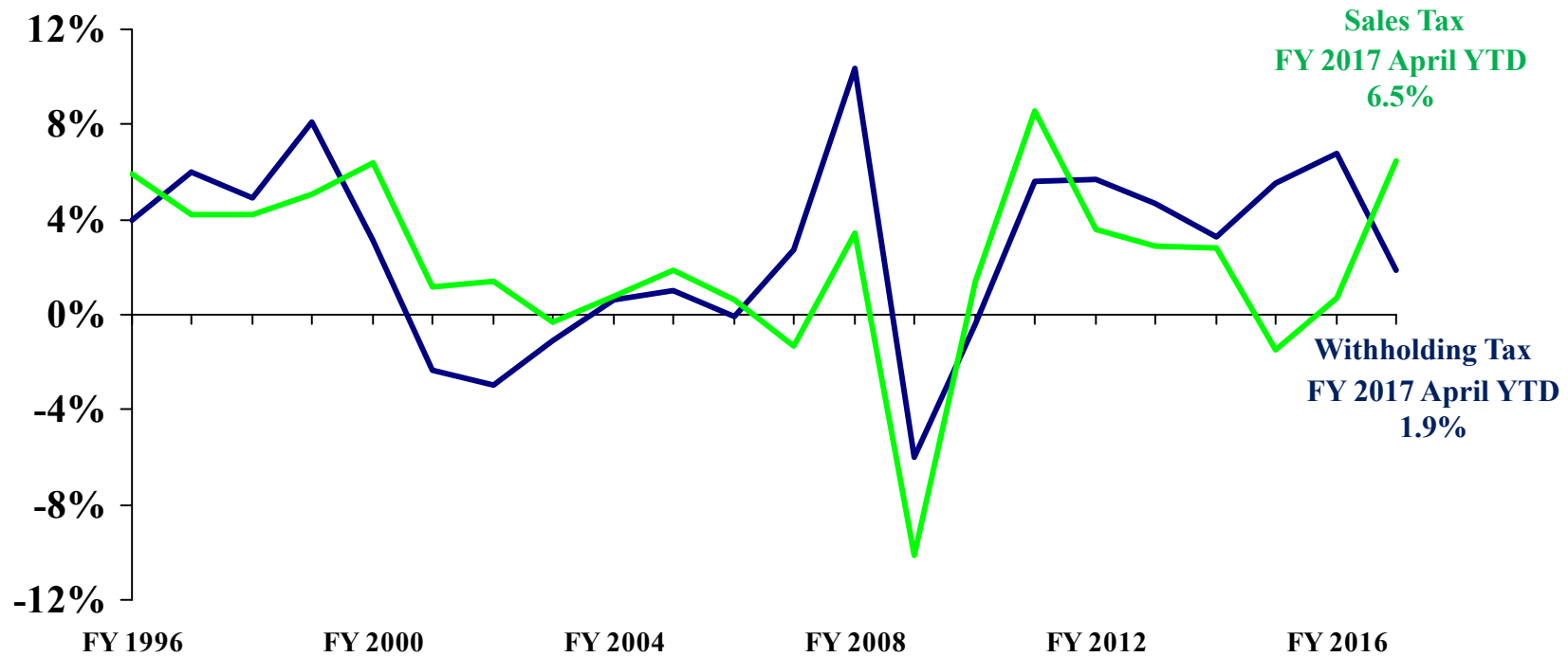
Fiscal Year Growth



Net Sales Tax Revenue Estimates



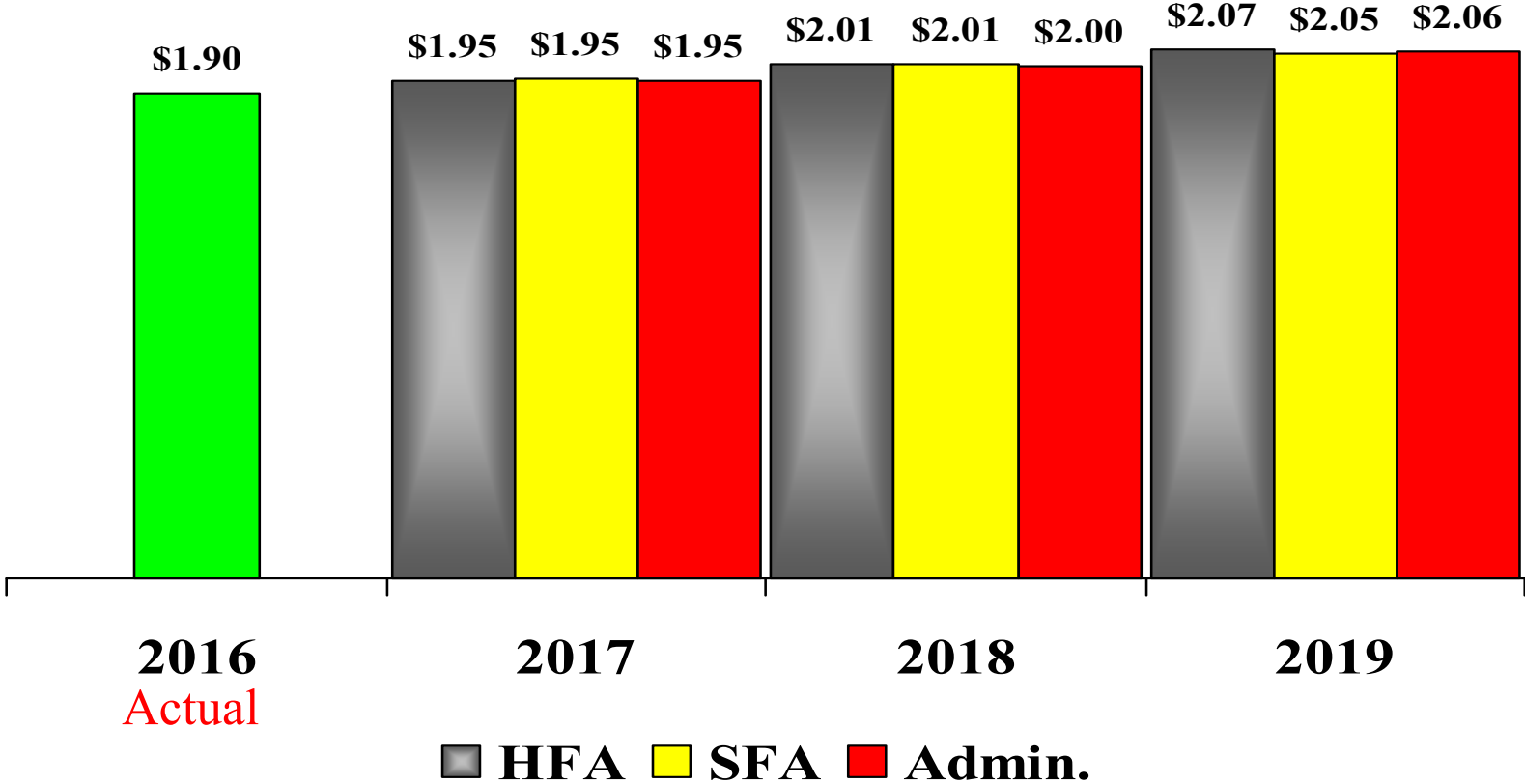
IIT Withholding & Sales Tax FY Growth Rates



Source: Michigan Department of Treasury

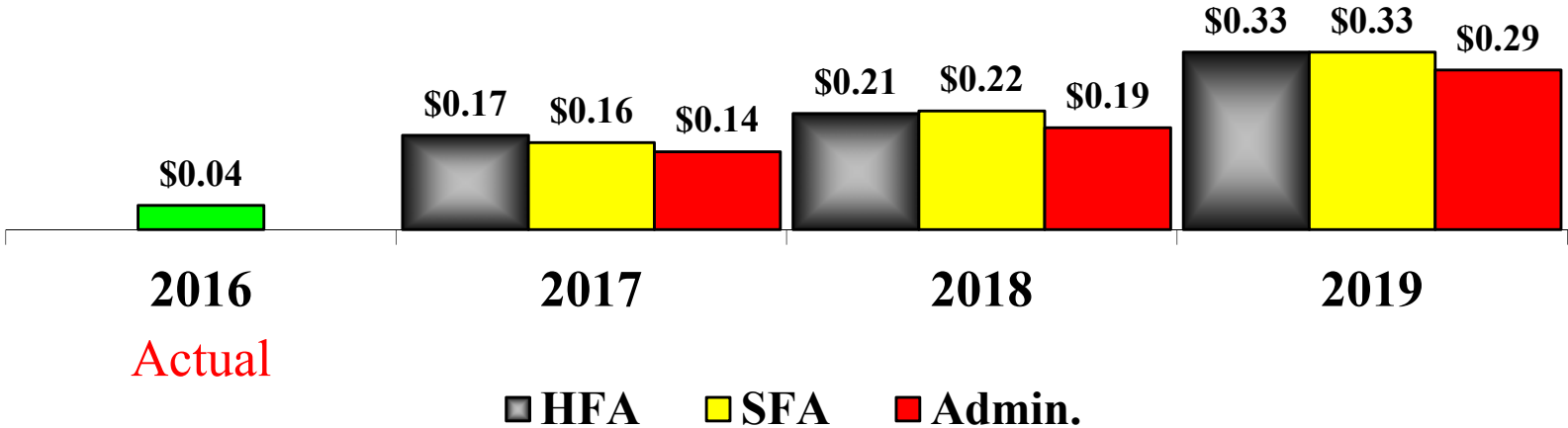
Net SET Revenue Estimates

Fiscal Year
Billions



Net CIT/MBT Revenue Estimates

Fiscal Year
Billions



CIT/MBT Revenue

Revenue Collections

- MBT refunds are projected to be on target.
- Treasury and MEDC continue to work closely to monitor the business credits.
- CIT payments have been below expectations in FY17.

Accounting Corrections

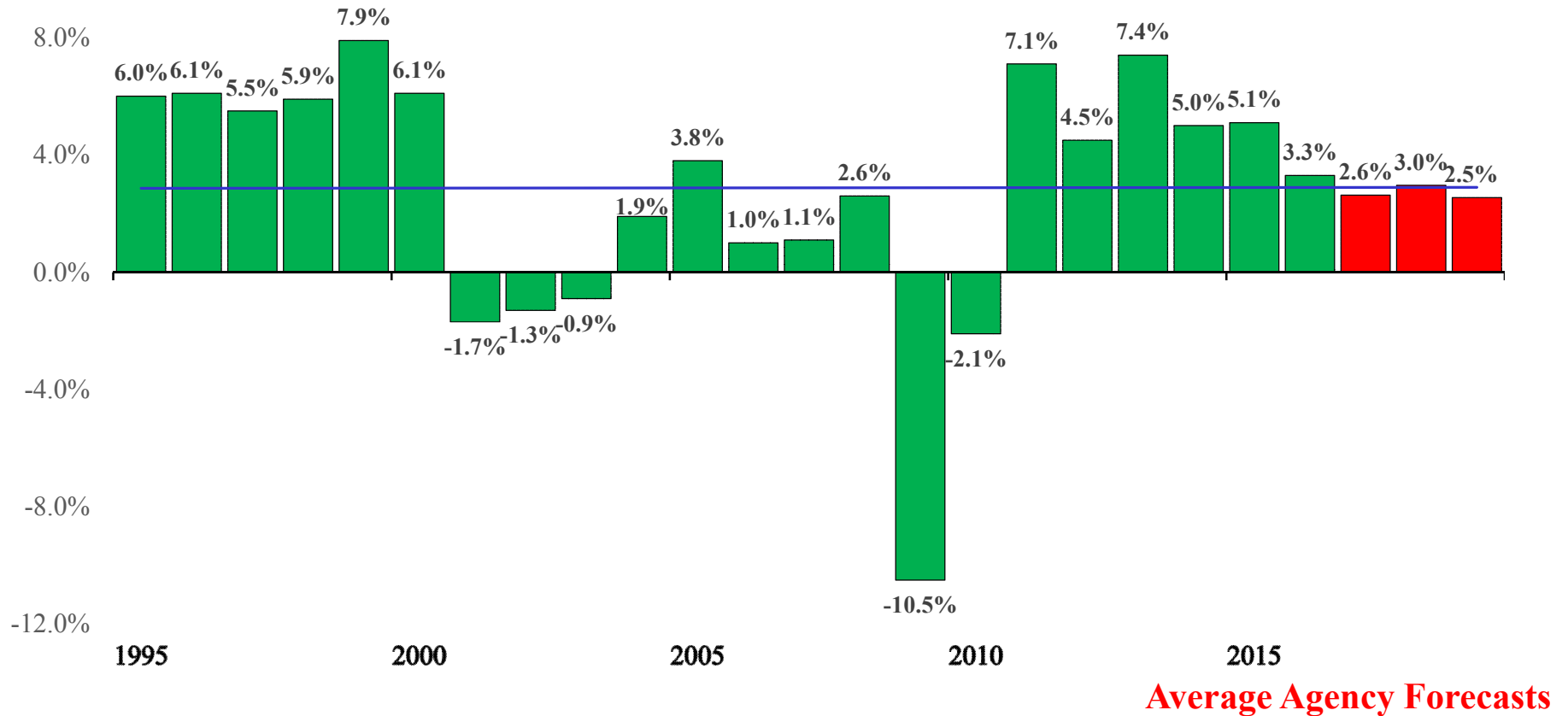
- Payments reclassified will affect split of MBT and CIT revenues.
- Reclassified revenue will have no overall effect on total fiscal year revenues.

GF-GP and School Aid Fund Revenue

- Growth rate comparisons.
- Level comparisons.
- Budget Stabilization Fund calculation.
- Constitutional Revenue Limit calculation.

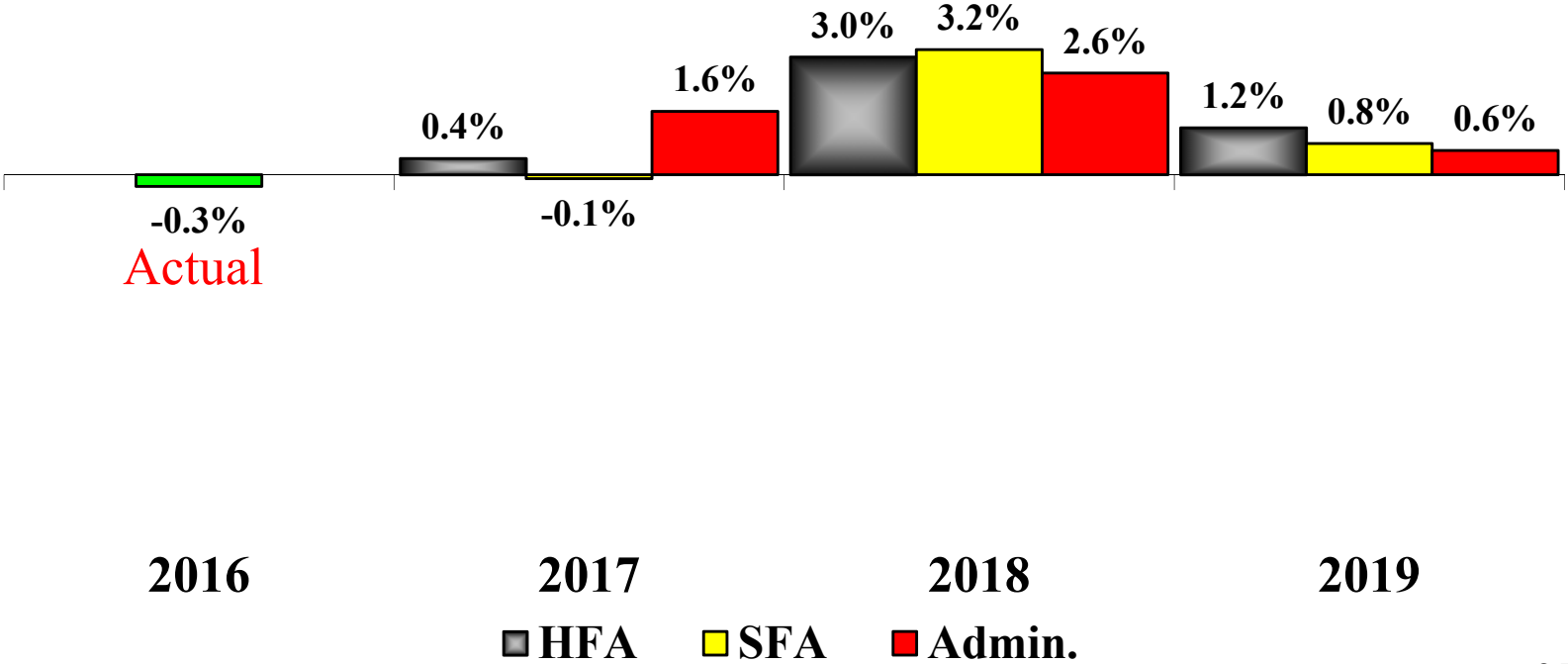
GF-GP and School Aid Revenue

Baseline Growth Rates Before Tax Changes

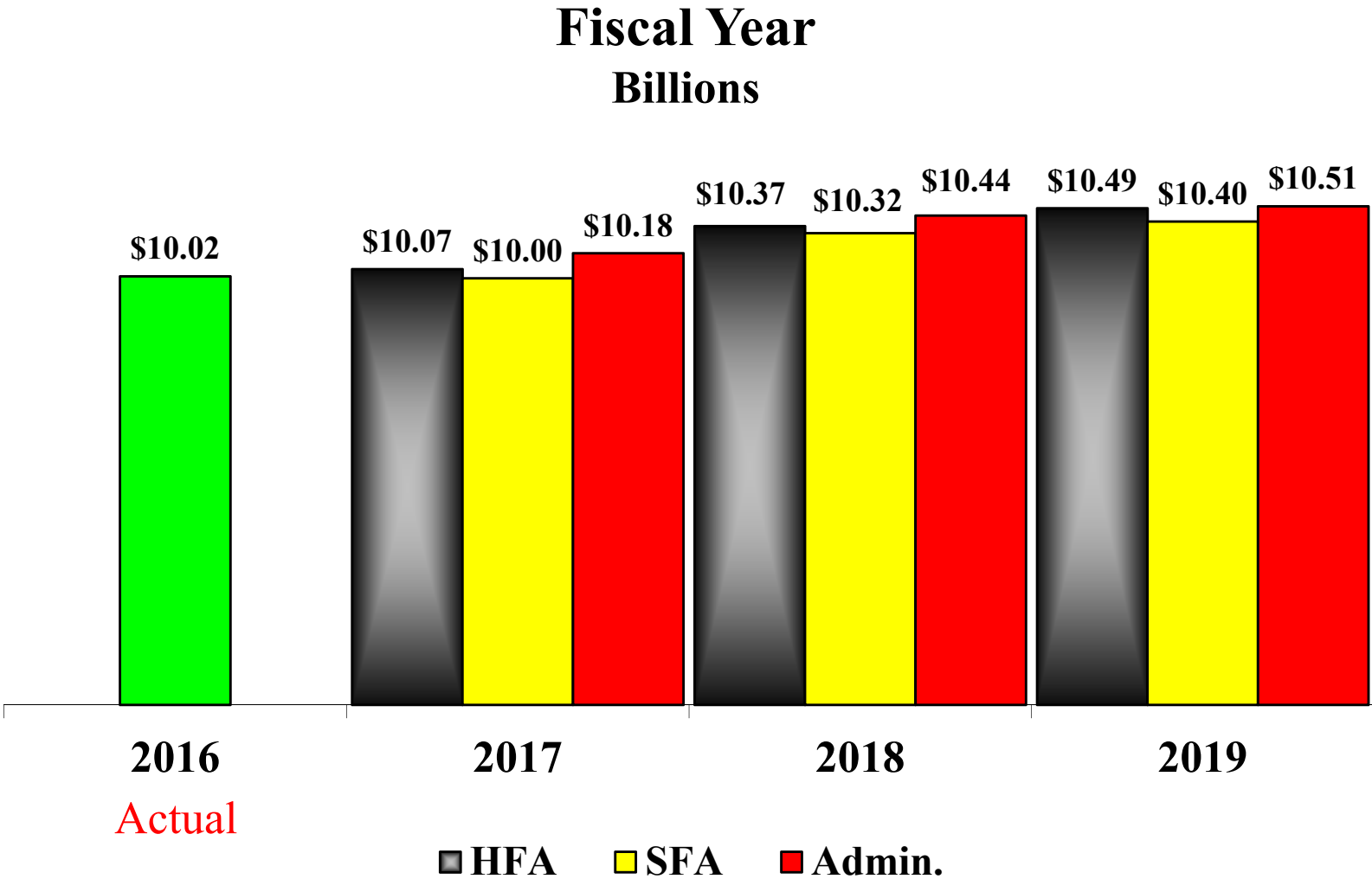


GF-GP Net Revenue Growth

Fiscal Year Growth

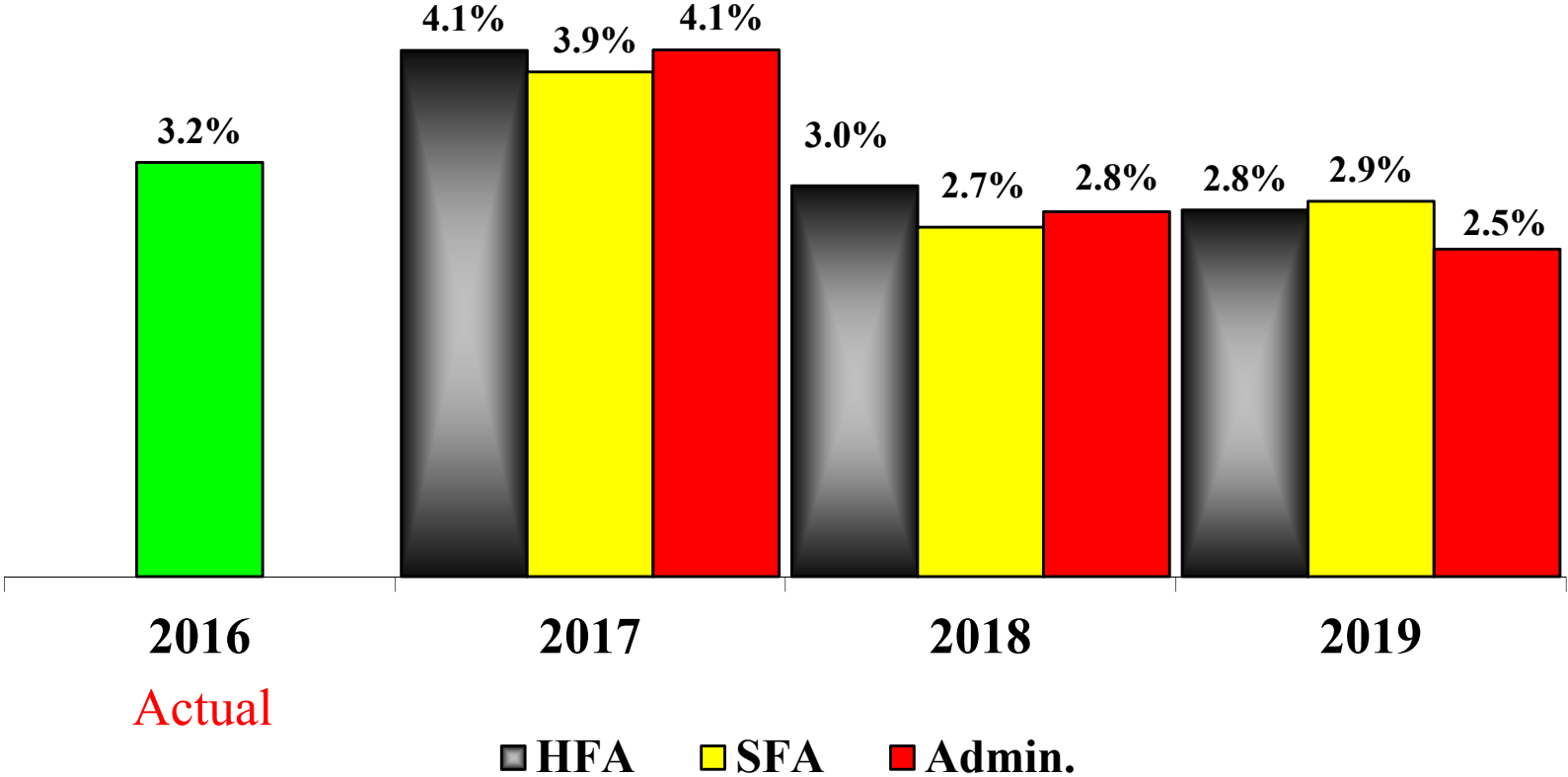


GF-GP Net Revenue Estimates



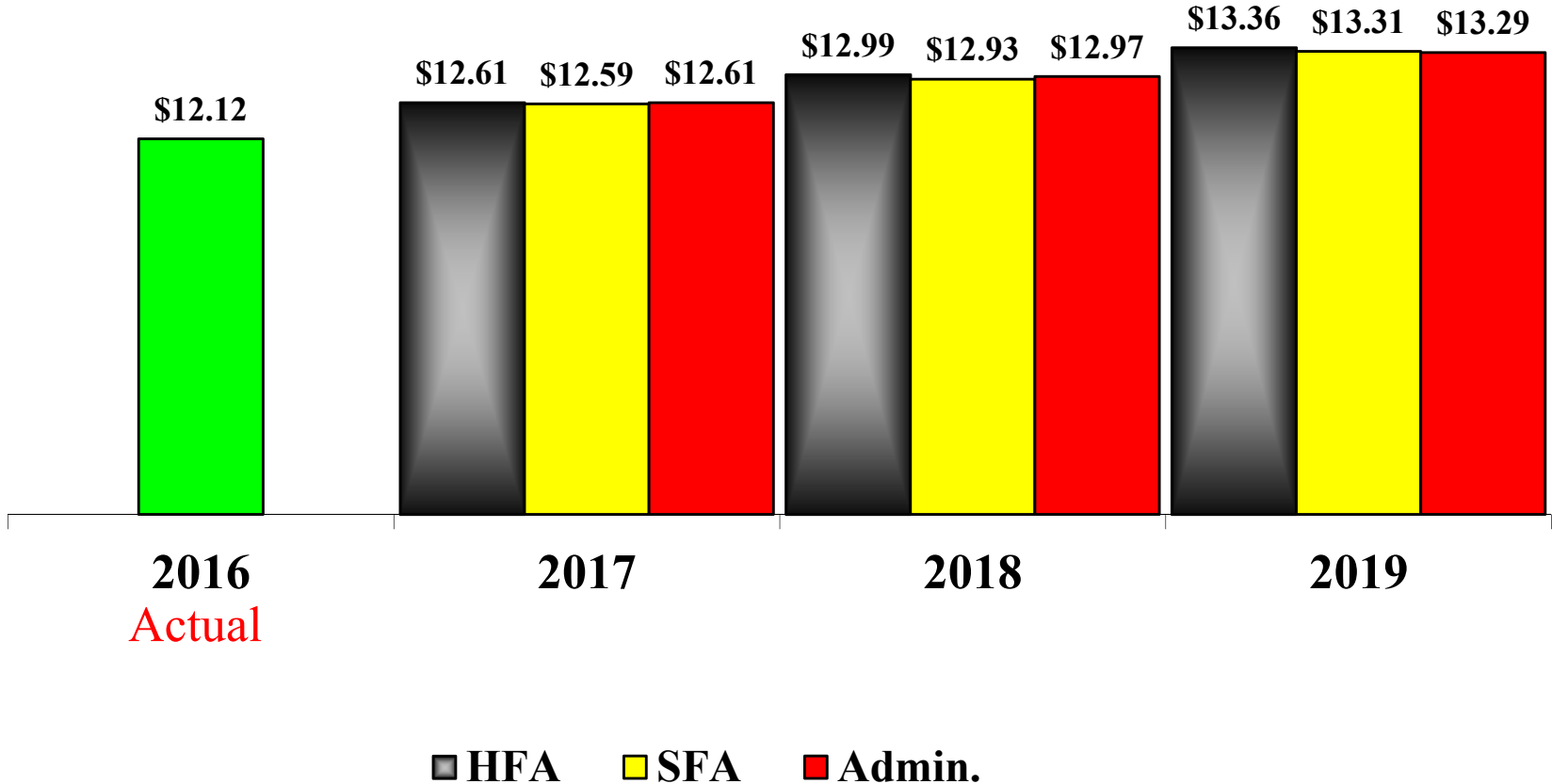
School Aid Fund Net Growth

Fiscal Year Growth



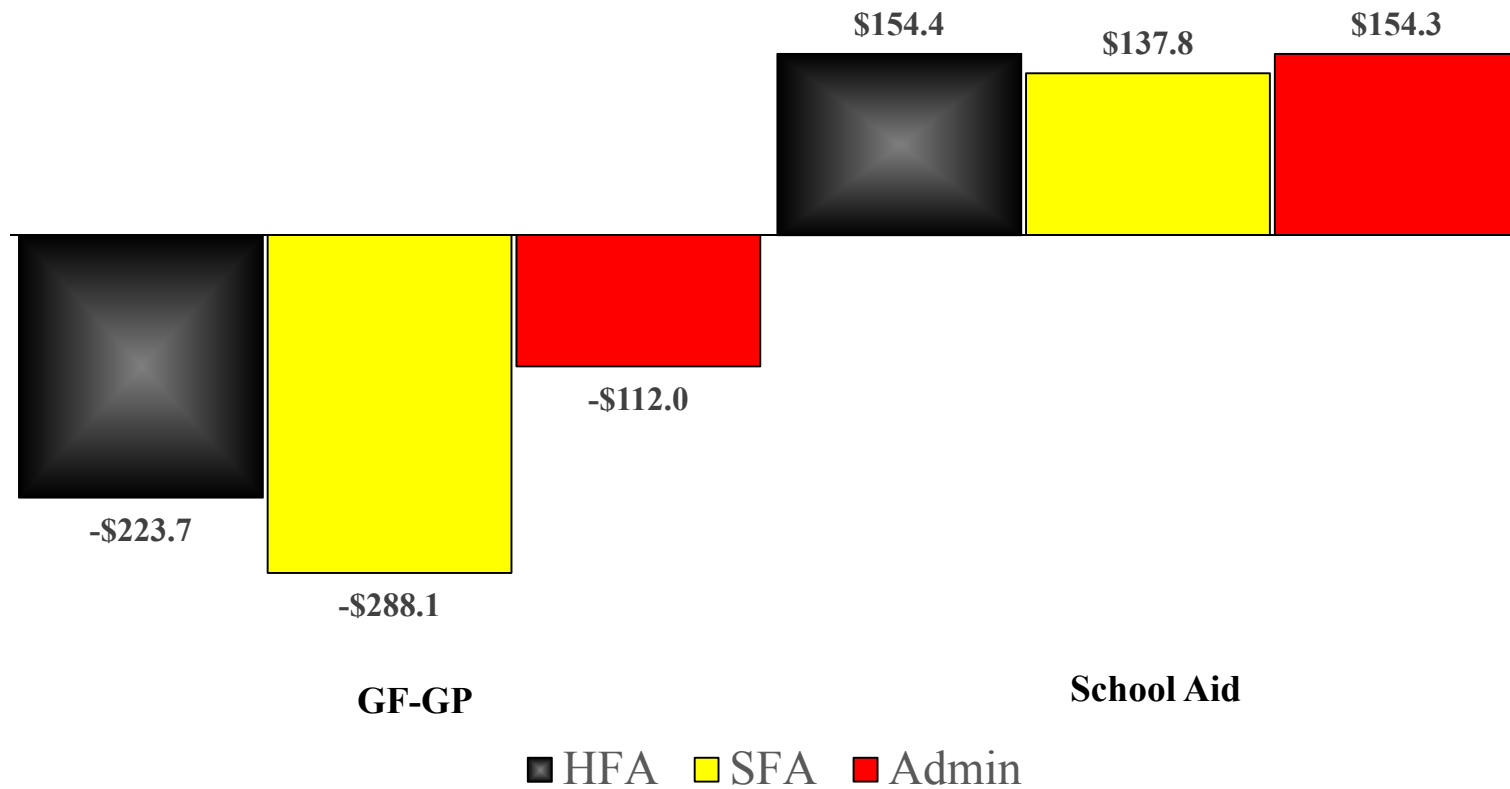
School Aid Fund Net Revenue Estimates

Fiscal Year
Billions



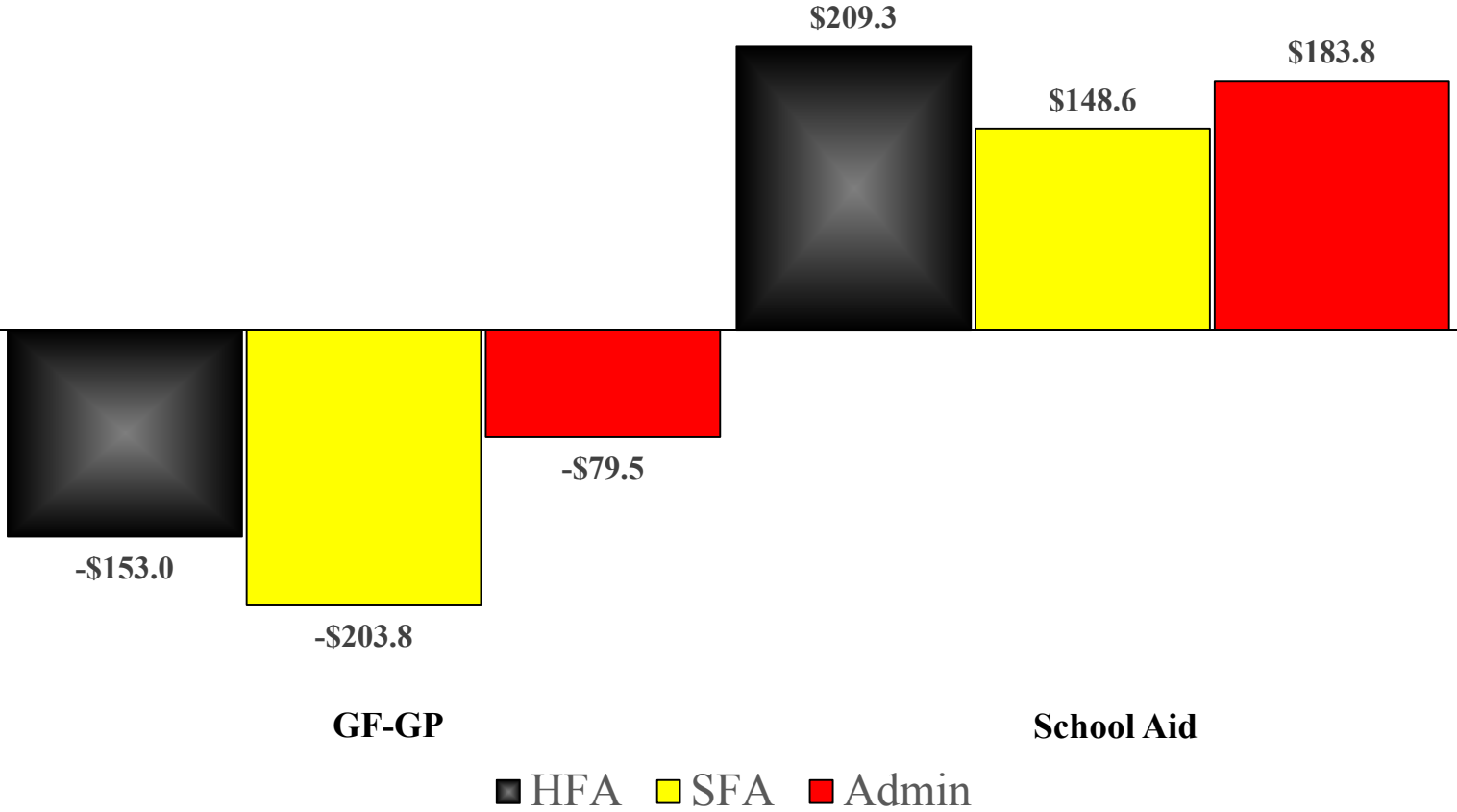
FY 2017 Changes Since January Consensus Estimates

Millions



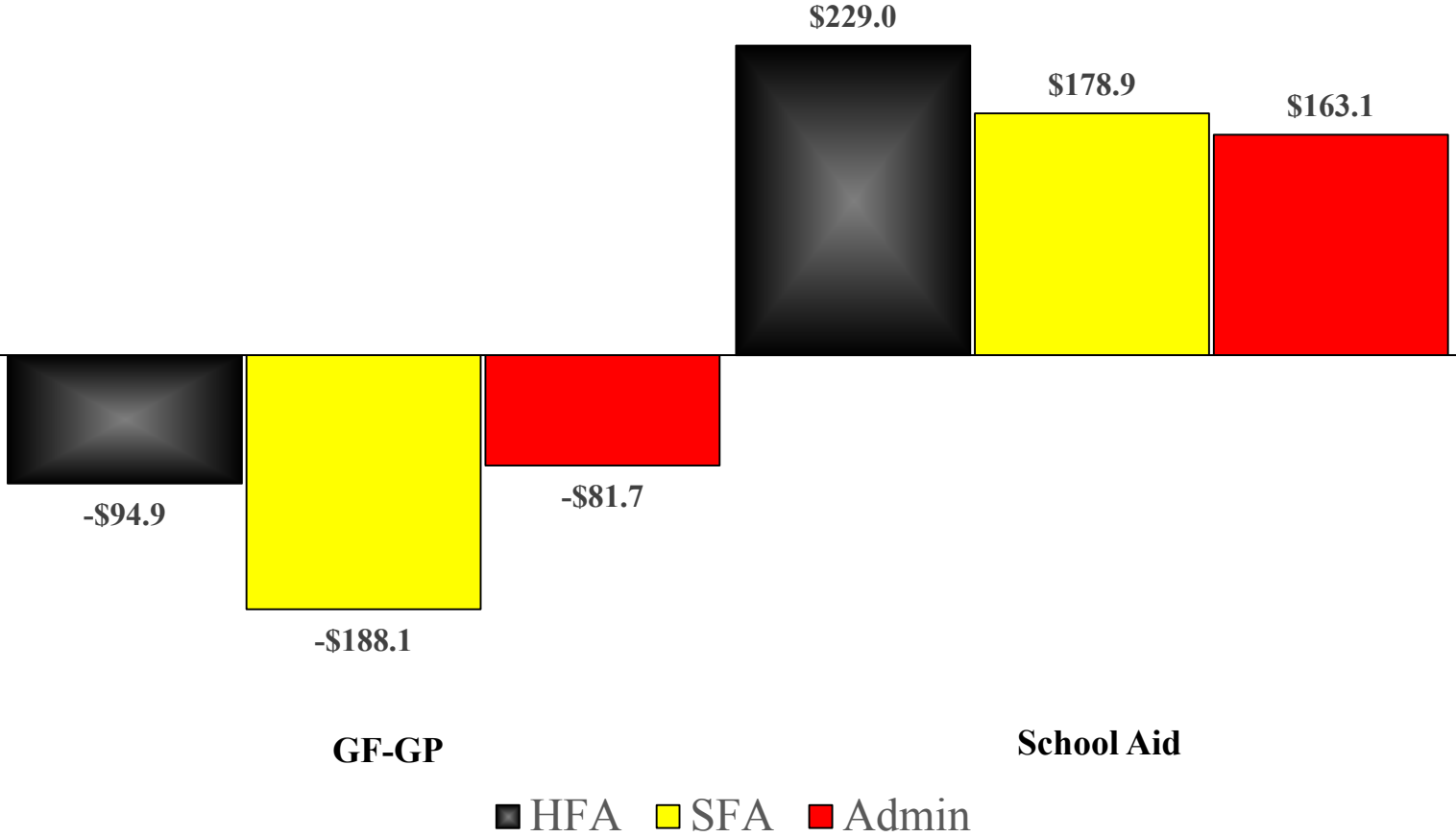
FY 2018 Changes Since January Consensus Estimates

Millions



FY 2019 Changes Since January Consensus Estimates

Millions



Revenue Forecast Comparison

Millions

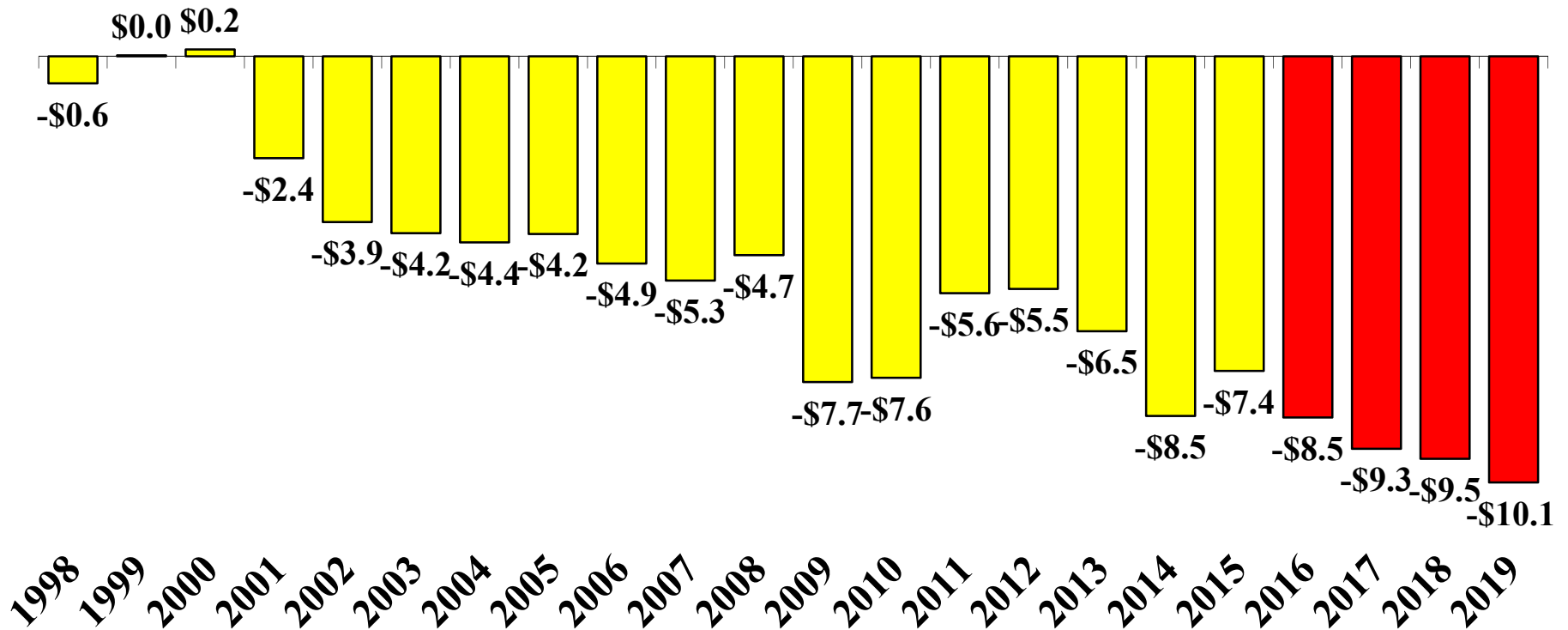
<u>Revenue</u>	<u>FY 2017</u>			<u>FY 2018</u>			<u>FY 2019</u>		
	<u>Treasury</u>	<u>House Fiscal Agency</u>	<u>Senate Fiscal Agency</u>	<u>Treasury</u>	<u>House Fiscal Agency</u>	<u>Senate Fiscal Agency</u>	<u>Treasury</u>	<u>House Fiscal Agency</u>	<u>Senate Fiscal Agency</u>
GF-GP	\$10,178.1	\$10,066.4	\$10,002.0	\$10,443.2	\$10,369.7	\$10,318.9	\$10,507.6	\$10,494.4	\$10,401.2
School Aid Fund	\$12,611.3	\$12,611.4	\$12,594.8	\$12,966.9	\$12,992.4	\$12,931.7	\$13,294.6	\$13,360.5	\$13,310.4
<u>Difference from May</u>									
GF-GP	(\$112.0)	(\$223.7)	(\$288.1)	(\$79.5)	(\$153.0)	(\$203.8)	(\$81.7)	(\$94.9)	(\$188.1)
School Aid Fund	<u>\$154.3</u>	<u>\$154.4</u>	<u>\$137.8</u>	<u>\$183.8</u>	<u>\$209.3</u>	<u>\$148.6</u>	<u>\$163.1</u>	<u>\$229.0</u>	<u>\$178.9</u>
Combined	\$42.3	(\$69.3)	(\$150.3)	\$104.3	\$56.3	(\$55.2)	\$81.4	\$134.1	(\$9.2)

Budget Stabilization Fund

- In FY 2017, the Agencies estimate pay-ins ranging from \$150 to \$166 million.
- In FY 2018, the Agencies estimate no pay-ins.
- In FY 2019, the Agencies estimate pay-ins ranging from \$3 to \$103 million.
- No BSF pay-outs are estimated by any of the Agencies during FY 2016 through FY 2019.

Constitutional Revenue Limit Calculation

Billions

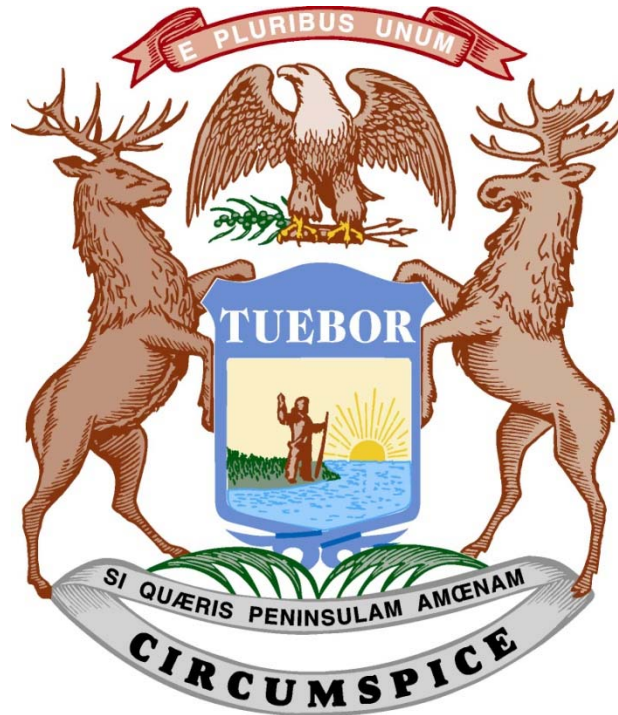


Forecast Risks

- Federal fiscal and monetary policy uncertainty
- International economics uncertainty
 - Trade Policy
 - Exchange Rates
- How tight are labor markets?
- Housing: How will it respond to higher interest rates?
- Business tax volatility

Economic and Revenue Forecasts

FY 2017 * FY 2018 * FY 2019



Consensus Revenue Estimating Conference

May 17, 2017

May 2017 Consensus Conference