

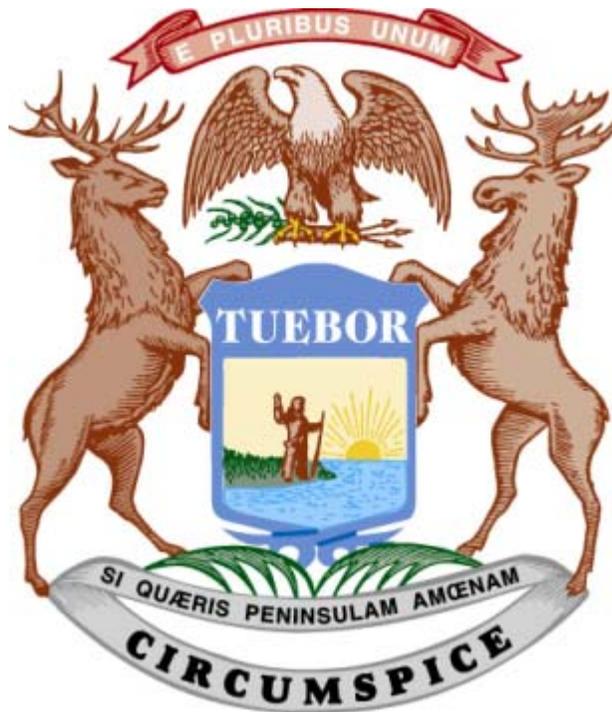
Consensus Revenue Agreement

Executive Summary

May 15, 2015

Economic and Revenue Forecasts

Fiscal Years 2015, 2016 and 2017



Principals

John Roberts
State Budget Director

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 2015

	Calendar 2013 Actual	Calendar 2014 Forecast	Percent Change from Prior Year	Calendar 2015 Forecast	Percent Change from Prior Year	Calendar 2016 Forecast	Percent Change from Prior Year	Calendar 2017 Forecast	Percent Change from Prior Year
United States									
Real Gross Domestic Product (Billions of Chained 2009 Dollars)	\$15,710	\$16,086	2.4%	\$16,472	2.4%	\$16,933	2.8%	\$17,424	2.9%
Implicit Price Deflator GDP (2009 = 100)	106.7	108.3	1.5%	109.5	1.1%	111.3	1.6%	113.3	1.8%
Consumer Price Index (1982-84 = 100)	232.957	236.736	1.6%	237.165	0.2%	241.859	2.0%	247.193	2.2%
Consumer Price Index - Fiscal Year (1982-84 = 100)	232.247	236.009	1.6%	236.761	0.3%	240.676	1.7%	245.853	2.2%
Personal Consumption Deflator (2009 = 100)	107.3	108.7	1.3%	109.0	0.3%	110.6	1.5%	112.5	1.7%
3-month Treasury Bills Interest Rate (percent)	0.1	0.03		0.2		1.2		2.1	
Aaa Corporate Bonds Interest Rate (percent)	4.2	4.2		3.8		4.2		4.5	
Unemployment Rate - Civilian (percent)	7.4	6.2		5.4		5.2		5.1	
Wage and Salary Employment (millions)	136.393	139.042	1.9%	141.820	2.0%	143.950	1.5%	145.970	1.4%
Housing Starts (millions of starts)	0.925	1.001	8.2%	1.143	14.2%	1.320	15.5%	1.450	9.8%
Light Vehicle Sales (millions of units)	15.5	16.4	5.8%	16.9	3.0%	17.1	1.2%	17.1	0.0%
Passenger Car Sales (millions of units)	7.6	7.7	1.1%	7.7	0.2%	7.8	1.3%	7.9	1.3%
Light Truck Sales (millions of units)	7.9	8.7	10.4%	9.2	5.5%	9.3	1.1%	9.2	-1.1%
Big 3 Share of Light Vehicles (percent)	44.4	44.3		44.3		44.4		44.5	
Michigan									
Wage and Salary Employment (thousands)	4,109	4,180	1.7%	4,263	2.0%	4,314	1.2%	4,358	1.0%
Unemployment Rate (percent)	8.8	7.3		5.8		5.5		5.4	
Personal Income (millions of dollars)	\$386,471	\$401,901	4.0%	\$420,388	4.6%	\$438,886	4.4%	\$457,319	4.2%
Real Personal Income (millions of 1982-84 dollars)	\$176,084	\$181,213	2.9%	\$190,467	5.1%	\$195,104	2.4%	\$199,025	2.0%
Wages and Salaries (millions of dollars)	\$195,203	\$204,768	4.9%	\$214,187	4.6%	\$221,255	3.3%	\$228,114	3.1%
Detroit Consumer Price Index (1982-84 = 100)	219.481	221.784	1.0%	220.715	-0.5%	224.950	1.9%	229.779	2.1%

Table 2
May 2015 Consensus Forecast
(millions)

Net Revenue Estimates									
	<u>FY 2015</u>			<u>FY 2016</u>			<u>FY 2017</u>		
	<u>Jan 2015 Consensus</u>	<u>May 2015 Consensus</u>	<u>\$ Change From Jan</u>	<u>Jan 2015 Consensus</u>	<u>May 2015 Consensus</u>	<u>\$ Change From Jan</u>	<u>Jan 2015 Consensus</u>	<u>May 2015 Consensus</u>	<u>\$ Change From Jan</u>
Net GF-GP Revenue	\$9,501.4	\$9,724.9	\$223.5	\$9,713.2	\$9,881.9	\$168.7	\$10,000.6	\$10,121.5	\$120.9
% Growth	5.4%	7.8%		2.2%	1.6%		3.0%	2.4%	
\$ Growth		\$706.3			\$156.9			\$239.6	
Net SAF Revenue	\$11,889.1	\$11,883.2	(\$5.9)	\$12,263.7	\$12,242.9	(\$20.8)	\$12,640.9	\$12,598.8	(\$42.1)
% Growth	3.2%	3.1%		3.2%	3.0%		3.1%	2.9%	
\$ Growth		\$362.6			\$359.7			\$355.9	
Combined GF-GP/SAF	\$21,390.5	\$21,608.1	\$217.6	\$21,976.9	\$22,124.8	\$147.8	\$22,641.5	\$22,720.3	\$78.8
% Growth	4.1%	5.2%		2.7%	2.4%		3.0%	2.7%	
\$ Growth		\$1,068.9			\$516.7			\$595.5	

Revenue Limit Calculation				
	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>
Personal Income	\$378,443	\$386,471	\$401,901	\$420,388
Ratio	9.49%	9.49%	9.49%	9.49%
Revenue Limit	\$35,914.2	\$36,676.1	\$38,140.4	\$39,894.8
Revenue Subject to Limit	\$27,244.0	\$28,486.3	\$29,126.1	\$29,856.0
Amount Under (Over) Limit	\$8,670.2	\$8,189.8	\$9,014.3	\$10,038.9

Note: CY 2012 Personal Income is used for the FY 2014 revenue limit calculation, CY 2013 for FY 2015, CY 2014 for FY 2016, and CY 2015 for FY 2017.

Long Term Revenue Trend		
	<u>FY 2018</u>	<u>FY 2019</u>
Net GF-GP Revenue	\$10,486.8	\$10,862.6
Growth	3.6%	3.6%
Net SAF Revenue	\$12,948.3	\$13,322.9
Growth	2.8%	2.9%
Combined GF-GP/SAF	\$23,435.1	\$24,185.5
Growth	3.1%	3.2%

Budget Stabilization Fund Calculation		
FY 2015 Calculations	PAY-IN	\$45.1
FY 2016 Calculations	PAY-IN	\$243.1
FY 2017 Calculations	PAY-IN	\$118.6

School Aid Index		
	<u>FY 2016</u>	<u>FY 2017</u>
Revenue Adjustment Factor	1.0299	1.0280
Pupil Membership Factor	1.0098	1.0095
School Aid Index	1.0400	1.0378