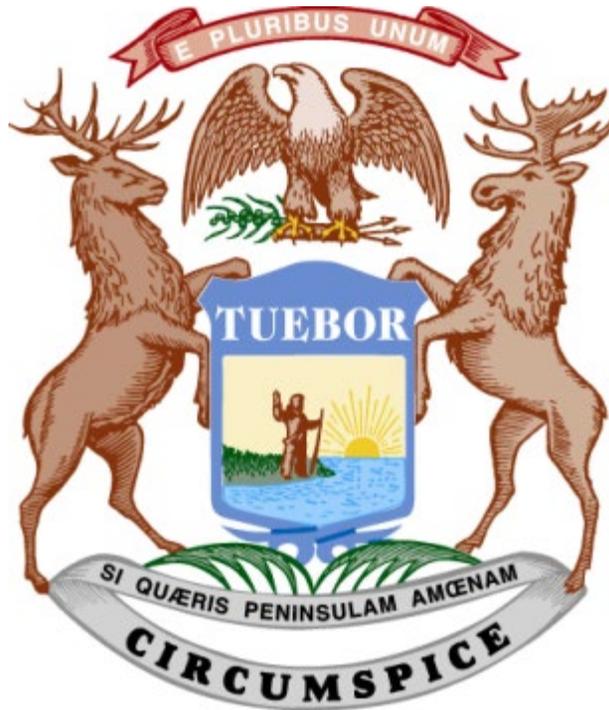


# **Consensus Revenue Agreement**

## **Executive Summary**

**May 17, 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**

May 2019

|   | Calendar<br>2017<br>Actual | Percent<br>Change<br>from Prior<br>Year | Calendar<br>2018<br>Actual | Percent<br>Change<br>from Prior<br>Year | Calendar<br>2019<br>Forecast | Percent<br>Change<br>from Prior<br>Year | Calendar<br>2020<br>Forecast | Percent<br>Change<br>from Prior<br>Year | Calendar<br>2021<br>Forecast | Percent<br>Change<br>from Prior<br>Year |
|---|----------------------------|---|----------------------------|---|------------------------------|---|------------------------------|---|------------------------------|---|
| <b>United States</b>  |                            |   |                            |   |                              |   |                              |   |                              |   |
| Real Gross Domestic Product<br>(Billions of Chained 2012 Dollars) | \$18,051                   | 2.2%                                    | \$18,566                   | 2.9%                                    | \$19,012                     | 2.4%                                    | \$19,354                     | 1.8%                                    | \$19,664                     | 1.6%                                    |
| Implicit Price Deflator GDP<br>(2012 = 100)                       | 107.9                      | 1.9%                                    | 110.4                      | 2.3%                                    | 112.4                        | 1.8%                                    | 114.9                        | 2.2%                                    | 117.4                        | 2.2%                                    |
| Consumer Price Index<br>(1982-84 = 100)                           | 245.120                    | 2.1%                                    | 251.107                    | 2.4%                                    | 255.639                      | 1.8%                                    | 260.739                      | 2.0%                                    | 266.120                      | 2.1%                                    |
| Consumer Price Index - Fiscal Year<br>(1982-84 = 100)             | 243.841                    | 2.1%                                    | 249.749                    | 2.4%                                    | 254.438                      | 1.9%                                    | 259.451                      | 2.0%                                    | 264.741                      | 2.0%                                    |
| Personal Consumption Deflator<br>(2012 = 100)                     | 106.1                      | 1.8%                                    | 108.2                      | 2.0%                                    | 110.0                        | 1.6%                                    | 112.1                        | 1.9%                                    | 114.2                        | 1.9%                                    |
| 3-month Treasury Bills<br>Interest Rate (percent)                 | 0.9                        |   | 1.9                        |   | 2.4                          |   | 2.6                          |   | 2.9                          |   |
| Unemployment Rate - Civilian<br>(percent)                         | 4.4                        |   | 3.9                        |   | 3.7                          |   | 3.6                          |   | 3.7                          |   |
| Wage and Salary Employment<br>(millions)                          | 146.624                    | 1.6%                                    | 149.074                    | 1.7%                                    | 151.310                      | 1.5%                                    | 152.970                      | 1.1%                                    | 154.190                      | 0.8%                                    |
| Housing Starts<br>(millions of starts)                            | 1.203                      | 2.5%                                    | 1.250                      | 3.9%                                    | 1.225                        | -2.0%                                   | 1.246                        | 1.7%                                    | 1.269                        | 1.8%                                    |
| Light Vehicle Sales<br>(millions of units)                        | 17.1                       | -1.9%                                   | 17.2                       | 0.5%                                    | 16.8                         | -2.4%                                   | 16.6                         | -1.2%                                   | 16.5                         | -0.6%                                   |
| Passenger Car Sales<br>(millions of units)                        | 6.1                        | -11.5%                                  | 5.3                        | -12.8%                                  | 4.9                          | -7.6%                                   | 4.4                          | -10.2%                                  | 3.9                          | -11.4%                                  |
| Light Truck Sales<br>(millions of units)                          | 11.1                       | 4.4%                                    | 11.9                       | 7.7%                                    | 11.9                         | -0.1%                                   | 12.2                         | 2.5%                                    | 12.6                         | 3.3%                                    |
| Big 3 Share of Light Vehicles<br>(percent)                        | 42.0                       |   | 41.7                       |   | 41.3                         |   | 41.0                         |   | 40.9                         |   |
| <b>Michigan</b>   |                            |   |                            |   |                              |   |                              |   |                              |   |
| Wage and Salary Employment<br>(thousands)                         | 4,369                      | 1.1%                                    | 4,419                      | 1.1%                                    | 4,454                        | 0.8%                                    | 4,472                        | 0.4%                                    | 4,485                        | 0.3%                                    |
| Unemployment Rate<br>(percent)                                    | 4.6                        |   | 4.1                        |   | 4.0                          |   | 4.1                          |   | 4.2                          |   |
| Personal Income<br>(millions of dollars)                          | \$460,270                  | 3.5%                                    | \$475,626                  | 3.3%                                    | \$492,749                    | 3.6%                                    | \$510,488                    | 3.6%                                    | \$529,376                    | 3.7%                                    |
| Real Personal Income<br>(millions of 1982-84 dollars)             | \$202,855                  | 1.4%                                    | \$204,791                  | 1.0%                                    | \$209,019                    | 2.1%                                    | \$212,457                    | 1.6%                                    | \$216,214                    | 1.8%                                    |
| Wages and Salaries<br>(millions of dollars)                       | \$231,748                  | 4.2%                                    | \$239,478                  | 3.3%                                    | \$248,578                    | 3.8%                                    | \$257,278                    | 3.5%                                    | \$266,540                    | 3.6%                                    |
| Detroit Consumer Price Index<br>(1982-84 = 100)                   | 226.896                    | 2.1%                                    | 232.250                    | 2.4%                                    | 235.744                      | 1.5%                                    | 240.278                      | 1.9%                                    | 244.839                      | 1.9%                                    |
| Detroit CPI - Fiscal Year<br>(1982-84 = 100)                      | 225.517                    | 2.0%                                    | 231.441                    | 2.6%                                    | 234.537                      | 1.3%                                    | 239.033                      | 1.9%                                    | 243.604                      | 1.9%                                    |

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

| <b>Net Revenue Estimates</b> |                               |                               |                                    |                               |                               |                                    |                               |                               |                                      |
|------------------------------|-------------------------------|-------------------------------|------------------------------------|-------------------------------|-------------------------------|------------------------------------|-------------------------------|-------------------------------|--------------------------------------|
|                              | <u>FY 2019</u>                |                               |                                    | <u>FY 2020</u>                |                               |                                    | <u>FY 2021</u>                |                               |                                      |
|                              | <u>Jan 2019<br/>Consensus</u> | <u>May 2019<br/>Consensus</u> | <u>Change<br/>From<br/>January</u> | <u>Jan 2019<br/>Consensus</u> | <u>May 2019<br/>Consensus</u> | <u>Change<br/>From<br/>January</u> | <u>Jan 2019<br/>Consensus</u> | <u>May 2019<br/>Consensus</u> | <u>Change<br/>From<br/>Consensus</u> |
| <b>Net GF-GP Revenue</b>     | \$10,700.2                    | \$10,851.7                    | \$151.5                            | \$10,717.8                    | \$10,776.9                    | \$59.1                             | \$10,852.6                    | \$10,920.5                    | \$67.9                               |
| Percent Growth               | -2.2%                         | -1.5%                         |                                    | 0.2%                          | -0.7%                         |                                    | 1.3%                          | 1.3%                          |                                      |
| Dollar Growth                |                               | (\$165.4)                     |                                    |                               | (\$74.8)                      |                                    |                               | \$143.6                       |                                      |
| <b>Net SAF Revenue</b>       | \$13,550.5                    | \$13,482.3                    | (\$68.2)                           | \$13,926.7                    | \$13,839.8                    | (\$86.9)                           | \$14,264.4                    | \$14,179.5                    | (\$84.9)                             |
| Percent Growth               | 1.6%                          | 1.4%                          |                                    | 2.8%                          | 2.7%                          |                                    | 2.4%                          | 2.5%                          |                                      |
| Dollar Growth                |                               | \$180.3                       |                                    |                               | \$357.5                       |                                    |                               | \$339.7                       |                                      |
| <b>Combined GF-GP/SAF</b>    | \$24,250.7                    | \$24,334.0                    | \$83.3                             | \$24,644.5                    | \$24,616.7                    | (\$27.8)                           | \$25,117.0                    | \$25,100.0                    | (\$17.0)                             |
| Percent Growth               | -0.1%                         | 0.1%                          |                                    | 1.6%                          | 1.2%                          |                                    | 1.9%                          | 2.0%                          |                                      |
| Dollar Growth                |                               | \$14.9                        |                                    |                               | \$282.7                       |                                    |                               | \$483.3                       |                                      |

| <b>Revenue Limit Calculation</b>        |                  |                   |                   |                   |
|---|------------------|-------------------|-------------------|-------------------|
|   | <u>FY 2018</u>   | <u>FY 2019</u>    | <u>FY 2020</u>    | <u>FY 2021</u>    |
| Personal Income                         | \$439,361        | \$460,270         | \$475,626         | \$492,749         |
| Ratio                                   | 9.49%            | 9.49%             | 9.49%             | 9.49%             |
| Revenue Limit                           | \$41,695.4       | \$43,679.6        | \$45,136.9        | \$46,761.9        |
| Revenue Subject to Limit                | \$32,875.8       | \$33,161.6        | \$33,709.2        | \$34,625.7        |
| <b><u>Amount Under (Over) Limit</u></b> | <b>\$8,819.6</b> | <b>\$10,518.0</b> | <b>\$11,427.7</b> | <b>\$12,136.2</b> |

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.

| <b>Long Term Revenue Trend</b> |                |                |
|--------------------------------|----------------|----------------|
|                                | <u>FY 2022</u> | <u>FY 2023</u> |
| <b>Net GF-GP Revenue</b>       | \$11,271.1     | \$11,588.6     |
| Growth                         | 3.2%           | 2.8%           |
| <b>Net SAF Revenue</b>         | \$14,560.3     | \$14,966.8     |
| Growth                         | 2.7%           | 2.8%           |
| <b>Combined GF-GP/SAF</b>      | \$25,831.4     | \$26,555.4     |
| Growth                         | 2.9%           | 2.8%           |

| <b>Budget Stabilization Fund Calculation</b> |                             |
|--|-----------------------------|
| FY 2019 Calculations                         | <b>NO PAY-IN OR PAY-OUT</b> |
| FY 2020 Calculations                         | <b>NO PAY-IN OR PAY-OUT</b> |
| FY 2021 Calculations                         | <b>NO PAY-IN OR PAY-OUT</b> |

| <b>School Aid Index</b>   |                |                |
|---------------------------|----------------|----------------|
|                           | <u>FY 2020</u> | <u>FY 2021</u> |
| Revenue Adjustment Factor | <b>1.0191</b>  | <b>1.0219</b>  |
| Pupil Membership Factor   | <b>1.0076</b>  | <b>1.0058</b>  |
| School Aid Index          | <b>1.0268</b>  | <b>1.0278</b>  |