

# **Consensus Revenue Agreement**

## **Executive Summary**

**January 14, 2016**

**Economic and Revenue Forecasts**  
**Fiscal Years 2016, 2017 and 2018**



### **Principals**

**Nick Khouri**  
**State Treasurer**

**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**

| January 2016                                                      |                            |                              |                                         |                              |                                         |                              |                                         |                              |                                         |
|-------------------------------------------------------------------|----------------------------|------------------------------|-----------------------------------------|------------------------------|-----------------------------------------|------------------------------|-----------------------------------------|------------------------------|-----------------------------------------|
|                                                                   | Calendar<br>2014<br>Actual | Calendar<br>2015<br>Forecast | Percent<br>Change<br>from Prior<br>Year | Calendar<br>2016<br>Forecast | Percent<br>Change<br>from Prior<br>Year | Calendar<br>2017<br>Forecast | Percent<br>Change<br>from Prior<br>Year | Calendar<br>2018<br>Forecast | Percent<br>Change<br>from Prior<br>Year |
| <b>United States</b>                                              |                            |                              |                                         |                              |                                         |                              |                                         |                              |                                         |
| Real Gross Domestic Product<br>(Billions of Chained 2009 Dollars) | \$15,962                   | \$16,361                     | 2.5%                                    | \$16,770                     | 2.5%                                    | \$17,189                     | 2.5%                                    | \$17,602                     | 2.4%                                    |
| Implicit Price Deflator GDP<br>(2009 = 100)                       | 108.7                      | 109.8                        | 1.0%                                    | 111.6                        | 1.6%                                    | 113.6                        | 1.8%                                    | 115.9                        | 2.0%                                    |
| Consumer Price Index<br>(1982-84 = 100)                           | 236.736                    | 236.956                      | 0.1%                                    | 240.723                      | 1.6%                                    | 246.309                      | 2.3%                                    | 252.304                      | 2.4%                                    |
| Consumer Price Index - Fiscal Year<br>(1982-84 = 100)             | 236.009                    | 236.742                      | 0.3%                                    | 239.530                      | 1.2%                                    | 244.872                      | 2.2%                                    | 250.845                      | 2.4%                                    |
| Personal Consumption Deflator<br>(2009 = 100)                     | 109.1                      | 109.4                        | 0.3%                                    | 111.0                        | 1.4%                                    | 113.0                        | 1.8%                                    | 115.1                        | 1.9%                                    |
| 3-month Treasury Bills<br>Interest Rate (percent)                 | 0.03                       | 0.04                         |                                         | 0.9                          |                                         | 1.8                          |                                         | 2.8                          |                                         |
| Aaa Corporate Bonds<br>Interest Rate (percent)                    | 4.2                        | 3.9                          |                                         | 4.3                          |                                         | 4.4                          |                                         | 4.6                          |                                         |
| Unemployment Rate - Civilian<br>(percent)                         | 6.2                        | 5.3                          |                                         | 4.9                          |                                         | 4.7                          |                                         | 4.6                          |                                         |
| Wage and Salary Employment<br>(millions)                          | 139.023                    | 141.932                      | 2.1%                                    | 144.340                      | 1.7%                                    | 146.360                      | 1.4%                                    | 147.970                      | 1.1%                                    |
| Housing Starts<br>(millions of starts)                            | 1.003                      | 1.113                        | 10.9%                                   | 1.270                        | 14.1%                                   | 1.410                        | 11.0%                                   | 1.475                        | 4.6%                                    |
| Light Vehicle Sales<br>(millions of units)                        | 16.4                       | 17.4                         | 5.8%                                    | 18.0                         | 3.5%                                    | 18.0                         | 0.0%                                    | 17.9                         | -0.6%                                   |
| Passenger Car Sales<br>(millions of units)                        | 7.7                        | 7.5                          | -2.1%                                   | 7.6                          | 1.0%                                    | 7.6                          | 0.0%                                    | 7.5                          | -1.3%                                   |
| Light Truck Sales<br>(millions of units)                          | 8.7                        | 9.9                          | 12.7%                                   | 10.4                         | 5.5%                                    | 10.4                         | 0.0%                                    | 10.4                         | 0.0%                                    |
| Big 3 Share of Light Vehicles<br>(percent)                        | 44.3                       | 43.8                         |                                         | 44.2                         |                                         | 44.2                         |                                         | 44.2                         |                                         |
| <b>Michigan</b>                                                   |                            |                              |                                         |                              |                                         |                              |                                         |                              |                                         |
| Wage and Salary Employment<br>(thousands)                         | 4,180                      | 4,270                        | 2.2%                                    | 4,322                        | 1.2%                                    | 4,378                        | 1.3%                                    | 4,422                        | 1.0%                                    |
| Unemployment Rate<br>(percent)                                    | 7.3                        | 5.4                          |                                         | 5.1                          |                                         | 4.9                          |                                         | 4.8                          |                                         |
| Personal Income<br>(millions of dollars)                          | \$403,726                  | \$420,279                    | 4.1%                                    | \$438,771                    | 4.4%                                    | \$457,200                    | 4.2%                                    | \$476,859                    | 4.3%                                    |
| Real Personal Income<br>(millions of 1982-84 dollars)             | \$182,036                  | \$191,978                    | 5.5%                                    | \$197,291                    | 2.8%                                    | \$200,778                    | 1.8%                                    | \$204,402                    | 1.8%                                    |
| Wages and Salaries<br>(millions of dollars)                       | \$204,476                  | \$213,064                    | 4.4%                                    | \$222,865                    | 4.6%                                    | \$231,557                    | 3.9%                                    | \$240,356                    | 3.8%                                    |
| Detroit Consumer Price Index<br>(1982-84 = 100)                   | 221.784                    | 218.920                      | -1.3%                                   | 222.398                      | 1.6%                                    | 227.714                      | 2.4%                                    | 233.295                      | 2.5%                                    |

Table 2  
**January 2016 Consensus Forecast**  
(millions)

| Net Revenue Estimates     |                    |                           |                           |                           |                           |                           |                           |                           |
|---------------------------|--------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
|                           | FY 2015            | FY 2016                   |                           |                           | FY 2017                   |                           |                           | FY 2018                   |
|                           | <u>Preliminary</u> | <u>May 2015 Consensus</u> | <u>Jan 2016 Consensus</u> | <u>\$ Change From May</u> | <u>May 2015 Consensus</u> | <u>Jan 2016 Consensus</u> | <u>\$ Change From May</u> | <u>Jan 2016 Consensus</u> |
| <b>Net GF-GP Revenue</b>  | \$10,034.4         | \$9,881.9                 | \$9,843.8                 | (\$38.1)                  | \$10,121.5                | \$10,213.9                | \$92.4                    | \$10,599.3                |
| % Growth                  | 11.3%              | 1.6%                      | -1.9%                     |                           | 2.4%                      | 3.8%                      |                           | 3.8%                      |
| \$ Growth                 |                    |                           | (\$190.6)                 |                           |                           | \$370.1                   |                           | \$385.4                   |
| <b>Net SAF Revenue</b>    | \$11,747.1         | \$12,242.9                | \$12,131.6                | (\$111.3)                 | \$12,598.8                | \$12,486.2                | (\$112.6)                 | \$12,831.1                |
| % Growth                  | 2.0%               | 3.0%                      | 3.3%                      |                           | 2.9%                      | 2.9%                      |                           | 2.8%                      |
| \$ Growth                 |                    |                           | \$384.5                   |                           |                           | \$354.5                   |                           | \$344.9                   |
| <b>Combined GF-GP/SAF</b> | \$21,781.5         | \$22,124.8                | \$21,975.4                | (\$149.4)                 | \$22,720.2                | \$22,700.1                | (\$20.2)                  | \$23,430.4                |
| % Growth                  | 6.0%               | 2.4%                      | 0.9%                      |                           | 2.7%                      | 3.3%                      |                           | 3.2%                      |
| \$ Growth                 |                    |                           | \$193.9                   |                           |                           | \$724.7                   |                           | \$730.4                   |

  

| Revenue Limit Calculation                                                                                                                           |                  |                  |                  |                   | Long Term Revenue Trend   |            |            |
|-----------------------------------------------------------------------------------------------------------------------------------------------------|------------------|------------------|------------------|-------------------|---------------------------|------------|------------|
|                                                                                                                                                     | FY 2015          | FY 2016          | FY 2017          | FY 2018           |                           | FY 2019    | FY 2020    |
| Personal Income                                                                                                                                     | \$386,471        | \$403,726        | \$420,279        | \$438,771         | <b>Net GF-GP Revenue</b>  | \$10,563.7 | \$10,702.6 |
| Ratio                                                                                                                                               | 9.49%            | 9.49%            | 9.49%            | 9.49%             | Growth                    | -0.3%      | 1.3%       |
| Revenue Limit                                                                                                                                       | \$36,676.1       | \$38,313.6       | \$39,884.5       | \$41,639.4        | <b>Net SAF Revenue</b>    | \$13,195.5 | \$13,579.4 |
| Revenue Subject to Limit                                                                                                                            | \$28,844.3       | \$29,190.2       | \$30,270.0       | \$31,533.0        | Growth                    | 2.8%       | 2.9%       |
| <b>Amount Under (Over) Limit</b>                                                                                                                    | <b>\$7,831.8</b> | <b>\$9,123.4</b> | <b>\$9,614.4</b> | <b>\$10,106.4</b> | <b>Combined GF-GP/SAF</b> | \$23,759.2 | \$24,282.0 |
| Note: CY 2013 Personal Income is used for the FY 2015 revenue limit calculation, CY 2014 for FY 2016, CY 2015 for FY 2017, and CY 2016 for FY 2018. |                  |                  |                  |                   | Growth                    | 1.4%       | 2.2%       |

  

| Budget Stabilization Fund Calculation |        |         | School Aid Index          |         |         |
|---------------------------------------|--------|---------|---------------------------|---------|---------|
| FY 2016 Calculations                  | PAY-IN | \$250.9 | Revenue Adjustment Factor | FY 2017 | FY 2018 |
| FY 2017 Calculations                  | PAY-IN | \$196.9 | Pupil Membership Factor   | 1.0287  | 1.0286  |
| FY 2018 Calculations                  | PAY-IN | \$10.2  | School Aid Index          | 1.0066  | 1.0068  |
|                                       |        |         |                           | 1.0355  | 1.0356  |