

# **Consensus Revenue Agreement**

## **Executive Summary**

**May 17, 2017**

### **Economic and Revenue Forecasts**

### **Fiscal Years 2017, 2018 and 2019**



#### **Principals**

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

**Ellen Jeffries, 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 2017

	Calendar 2015 Actual	Calendar 2016 Actual	Percent Change from Prior Year	Calendar 2017 Forecast	Percent Change from Prior Year	Calendar 2018 Forecast	Percent Change from Prior Year	Calendar 2019 Forecast	Percent Change from Prior Year
<b>United States</b>									
Real Gross Domestic Product (Billions of Chained 2009 Dollars)	\$16,397	\$16,662	1.6%	\$17,045	2.3%	\$17,437	2.3%	\$17,803	2.1%
Implicit Price Deflator GDP (2009 = 100)	110.0	111.4	1.3%	113.7	2.0%	116.1	2.1%	118.7	2.2%
Consumer Price Index (1982-84 = 100)	237.017	240.007	1.3%	245.905	2.5%	250.555	1.9%	256.101	2.2%
Consumer Price Index - Fiscal Year (1982-84 = 100)	236.742	238.939	0.9%	244.504	2.3%	249.282	2.0%	254.726	2.2%
Personal Consumption Deflator (2009 = 100)	109.5	110.7	1.1%	112.8	1.9%	114.9	1.9%	117.2	2.0%
3-month Treasury Bills Interest Rate (percent)	0.05	0.3		1.0		1.7		2.3	
Unemployment Rate - Civilian (percent)	5.3	4.9		4.6		4.4		4.4	
Wage and Salary Employment (millions)	141.843	144.306	1.7%	146.470	1.5%	148.230	1.2%	149.560	0.9%
Housing Starts (millions of starts)	1.112	1.174	5.6%	1.267	7.9%	1.318	4.0%	1.350	2.4%
Light Vehicle Sales (millions of units)	17.4	17.5	0.4%	17.0	-2.7%	16.9	-0.6%	16.8	-0.6%
Passenger Car Sales (millions of units)	7.5	6.9	-8.2%	6.2	-10.1%	6.0	-3.2%	6.0	0.0%
Light Truck Sales (millions of units)	9.9	10.6	6.9%	10.8	2.2%	10.9	0.9%	10.8	-0.9%
Big 3 Share of Light Vehicles (percent)	43.6	42.7		43.0		42.9		42.9	
<b>Michigan</b>									
Wage and Salary Employment (thousands)	4,244	4,326	1.9%	4,386	1.4%	4,426	0.9%	4,470	1.0%
Unemployment Rate (percent)	5.4	4.9		5.1		5.1		5.0	
Personal Income (millions of dollars)	\$424,807	\$440,292	3.6%	\$455,702	3.5%	\$476,665	4.6%	\$499,068	4.7%
Real Personal Income (millions of 1982-84 dollars)	\$194,071	\$199,104	2.6%	\$201,640	1.3%	\$207,242	2.8%	\$212,474	2.5%
Wages and Salaries (millions of dollars)	\$214,703	\$225,281	4.9%	\$232,715	3.3%	\$242,256	4.1%	\$252,431	4.2%
Detroit Consumer Price Index (1982-84 = 100)	218.706	222.167	1.6%	227.034	2.2%	231.039	1.8%	236.278	2.3%
Detroit CPI - Fiscal Year (1982-84 = 100)	218.893	221.137	1.0%	225.998	2.2%	230.004	1.8%	234.884	2.1%

Table 2  
**May 2017 Consensus Forecast**  
(millions)

<b>Net Revenue Estimates</b>									
	<u>FY 2017</u>			<u>FY 2018</u>			<u>FY 2019</u>		
	<u>January 2017 Consensus</u>	<u>May 2017 Consensus</u>	<u>Change From January</u>	<u>January 2017 Consensus</u>	<u>May 2017 Consensus</u>	<u>Change From January</u>	<u>January 2017 Consensus</u>	<u>May 2017 Consensus</u>	<u>Change From January</u>
<b>Net GF-GP Revenue</b>	\$10,290.1	\$10,111.3	(\$178.8)	\$10,522.7	\$10,408.6	(\$114.1)	\$10,589.3	\$10,489.5	(\$99.8)
Percent Growth	2.7%	0.9%		2.3%	2.9%		0.6%	0.8%	
Dollar Growth		\$92.5			\$297.3			\$80.9	
<b>Net SAF Revenue</b>	\$12,457.0	\$12,609.9	\$152.9	\$12,783.1	\$12,970.5	\$187.4	\$13,131.5	\$13,330.5	\$199.0
Percent Growth	2.8%	4.1%		2.6%	2.9%		2.7%	2.8%	
Dollar Growth		\$491.2			\$360.6			\$360.0	
<b>Combined GF-GP/SAF</b>	\$22,747.1	\$22,721.2	(\$25.9)	\$23,305.8	\$23,379.1	\$73.3	\$23,720.8	\$23,820.0	\$99.2
Percent Growth	2.8%	2.6%		2.5%	2.9%		1.8%	1.9%	
Dollar Growth		\$583.7			\$657.9			\$440.9	

<b>Revenue Limit Calculation</b>				
	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
Personal Income	\$403,726	\$424,807	\$440,292	\$455,702
Ratio	9.49%	9.49%	9.49%	9.49%
Revenue Limit	\$38,313.6	\$40,314.2	\$41,783.7	\$43,246.1
Revenue Subject to Limit	\$29,791.1	\$31,177.3	\$32,265.6	\$33,160.8
<b>Amount Under (Over) Limit</b>	<b>\$8,522.5</b>	<b>\$9,136.9</b>	<b>\$9,518.1</b>	<b>\$10,085.3</b>

Note: CY 2014 Personal Income is used for the FY 2016 revenue limit calculation, CY 2015 for FY 2017, CY 2016 for FY 2018, and CY 2017 for FY 2019.

<b>Long Term Revenue Trend</b>		
	<u>FY 2020</u>	<u>FY 2021</u>
<b>Net GF-GP Revenue</b>	\$10,638.9	\$10,752.7
Growth	1.4%	1.1%
<b>Net SAF Revenue</b>	\$13,703.6	\$14,088.3
Growth	2.8%	2.8%
<b>Combined GF-GP/SAF</b>	\$24,342.5	\$24,841.0
Growth	2.2%	2.0%

<b>Budget Stabilization Fund Calculation</b>		
FY 2017 Calculations	<b>PAY-IN</b>	<b>\$150.3</b>
FY 2018 Calculations	<b>NO PAY-IN OR PAY-OUT</b>	
FY 2019 Calculations	<b>PAY-IN</b>	<b>\$52.0</b>

<b>School Aid Index</b>		
	<u>FY 2018</u>	<u>FY 2019</u>
Revenue Adjustment Factor	<b>1.0306</b>	<b>1.0258</b>
Pupil Membership Factor	<b>1.0028</b>	<b>1.0030</b>
School Aid Index	<b>1.0335</b>	<b>1.0289</b>