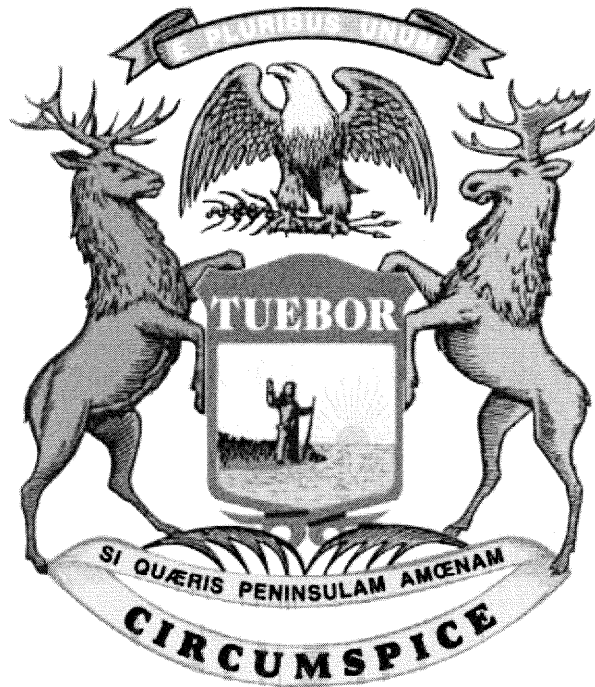


**Consensus Revenue Agreement  
Executive Summary  
May 15, 2009**

**Economic and Revenue Forecasts  
Fiscal Years 2009 and 2010**



**Principals**

**Gary Olson, Director  
Senate Fiscal Agency**

**Mitch Bean, Director  
House Fiscal Agency**

**Robert J. Kleine, State Treasurer  
Michigan Department of Treasury**

**Staff**

**Jay Wortley  
Senate Fiscal Agency**

**Rebecca Ross  
House Fiscal Agency**

**Jeff Guilfoyle  
Michigan Department of Treasury**

**Table 1**  
**Consensus Economic Forecast**

May 2009

	Calendar 2007 Actual	Calendar 2008 Actual	Percent Change from Prior Year	Calendar 2009 Forecast	Percent Change from Prior Year	Calendar 2010 Forecast	Percent Change from Prior Year
<b>United States</b>							
Real Gross Domestic Product (Billions of Chained 2000 Dollars)	\$11,524	\$11,652	1.1%	\$11,221	-3.7%	\$11,311	0.8%
Implicit Price Deflator GDP (2000 = 100)	119.8	122.4	2.2%	124.6	1.8%	126.0	1.1%
Consumer Price Index (1982-84 = 100)	207.3	215.3	3.8%	214.4	-0.4%	219.5	2.4%
Consumer Price Index - Fiscal Year (1982-84 = 100)	205.3	214.5	4.5%	214.1	-0.2%	218.8	2.2%
Personal Consumption Deflator (2000 = 100)	117.7	121.6	3.3%	121.8	0.2%	124.2	2.0%
3-month Treasury Bills Interest Rate (percent)	4.4	1.4		0.3		0.4	
Aaa Corporate Bonds Interest Rate (percent)	5.6	5.6		5.2		4.7	
Unemployment Rate - Civilian (percent)	4.6	5.8		9.2		10.4	
Light Vehicle Sales (millions of units)	16.1	13.1	-18.6%	9.6	-26.7%	11.1	15.6%
Passenger Car Sales (millions of units)	7.6	6.7	-11.8%	4.9	-26.9%	5.8	18.4%
Light Truck Sales (millions of units)	8.5	6.4	-24.7%	4.7	-26.6%	5.3	12.8%
Import Share of Light Vehicles (percent)	23.3	25.4		32.0		30.0	
<b>Michigan</b>							
Wage and Salary Employment (thousands)	4,268	4,159	-2.6%	3,814	-8.3%	3,639	-4.6%
Unemployment Rate (percent)	7.1	8.4		14.0		15.3	
Personal Income (millions of dollars)	\$345,940	\$353,113	2.1%	\$339,342	-3.9%	\$329,840	-2.8%
Real Personal Income (millions of 1982-84 dollars)	\$172,859	\$172,462	-0.2%	\$166,753	-3.3%	\$159,036	-4.6%
Wages and Salaries (millions of dollars)	\$188,116	\$187,914	-0.1%	\$174,760	-7.0%	\$169,168	-3.2%
Detroit Consumer Price Index (1982-84 = 100)	200.1	204.7	2.3%	203.5	-0.6%	207.4	1.9%
Detroit CPI Fiscal Year (1982-84 = 100)	199.0	204.6	2.8%	202.6	-1.0%	206.2	1.8%

Table 2  
**May 2009 Consensus Forecast**  
(millions)

	FY 2008		FY 2009		Change From January		FY 2010		Change From January	
	Actual	Jan 2009 Consensus	May 2009 Consensus	Jan 2009 Consensus	Jan 2009 Consensus	May 2009 Consensus	Jan 2009 Consensus	May 2009 Consensus		
<b>Net GF-GP Revenue Growth</b>	\$9,358.7 12.5%	\$8,306.1 -11.2%	\$7,435.3 -20.6%	\$7,934.5 -4.5%	(\$870.8)	\$6,949.7 -6.5%	\$6,949.7 -6.5%	(\$984.8)		
<b>Net SAF Revenue Growth</b>	\$11,512.9 3.2%	\$11,368.7 -1.3%	\$10,943.7 -4.9%	\$11,295.8 -0.6%	(\$425.0)	\$10,563.0 -3.5%	\$10,563.0 -3.5%	(\$732.8)		
<b>Combined GF-GP/SAF Growth</b>	\$20,871.6 7.2%	\$19,674.8 -5.7%	\$18,378.9 -11.9%	\$19,230.3 -2.3%	(\$1,295.9)	\$17,512.7 -4.7%	\$17,512.7 -4.7%	(\$1,717.6)		

**Revenue Limit Calculation**

	Actual FY 2008	FY 2009	FY 2010
Personal Income	\$341,075	\$345,885	\$353,113
Ratio	9.49%	9.49%	9.49%
Revenue Limit	\$32,368.0	\$32,824.5	\$33,510.4
Revenue Subject to Limit	\$27,716.3	\$25,295.2	\$24,497.7
<b>Amount Under (Over) Limit</b>	<b>\$4,651.7</b>	<b>\$7,529.3</b>	<b>\$9,012.7</b>

Note: CY 2006 Personal Income is used for the FY 2008 revenue limit calculation, CY 2007 for FY 2009, and CY 2008 for FY 2010.

**Budget Stabilization Fund Calculation**

FY 2009 Calculated Withdrawal	(\$557.6)
FY 2010 Calculated Withdrawal	(\$375.3)

**School Aid Index**

	FY 2010
Revenue Adjustment Factor	0.9452
Pupil Membership Factor	1.0171
School Aid Index	0.9614

**SCHOOL AID BALANCE SHEET**  
(Dollars In Millions)

	Revised PA 268 of 2008 May-09 FY 2008-09	May-09 FY 2009-10	Exec Scenario FY 2010-11
<b>ESTIMATED REVENUE</b>			
<b>ESTIMATES OF SCHOOL AID FUND</b>			
Beginning Balance	\$247.1	\$0.0	\$0.0
JAN 2009 Revenue Conference	\$11,368.7	\$11,295.8	\$10,985.5 (1)
Revenue Reduction MAY 2009 (Estimate)	(425.0)	(732.8)	-
<b>Subtotal</b>	<u>\$11,190.8</u>	<u>\$10,563.0</u>	<u>\$10,985.5</u>
<b>ESTIMATED OTHER SCHOOL AID REVENUE</b>			
General Fund/General Purpose Grant	\$33.8	\$40.8	\$40.8
<b>Proposed General Fund Increase</b>	<b>\$44.2</b>		
Federal Aid	1,562.0	1,561.8	1,561.8
<b>Subtotal</b>	<u>\$1,640.0</u>	<u>\$1,602.6</u>	<u>\$1,602.6</u>
<b>TOTAL REVENUE</b>	<b>\$12,830.8</b>	<b>\$12,165.6</b>	<b>\$12,588.1</b>
<b>ESTIMATED EXPENDITURES</b>			
<b>ESTIMATED EXPENDITURES</b>			
YTD appropriations (Exec Rec)	\$13,378.9	\$12,963.6	\$12,850.7
Restore Exec per pupil reduction		110.7	\$110.7
Misc adjustments - including May 2009 pupils/tv/sped costs	4.0	31.0	
Misc adjustments - including May 2008 pupils/tv/sped costs	(123.1)	-	-
<b>TOTAL EXPENDITURES</b>	<u>\$13,259.8</u>	<u>\$13,105.3</u>	<u>\$12,961.4</u>
<b>ESTIMATED YEAR-END BALANCE WITHOUT REVENUE ENHANCEMENTS OR ARRA</b>	<b>(\$428.9)</b>	<b>(\$939.7)</b>	<b>(\$373.3)</b>
<b>PROPOSED REVENUE ENHANCEMENTS</b>			
ANTICIPATED SAF BALANCE AFTER REVENUE ENHANCEMENTS	N/A	(\$65.2) (2)	\$82.5 (2)
	<u>(\$428.9)</u>	<u>(\$874.5)</u>	<u>(\$290.8)</u>
<b>HIGHER EDUCATION ARRA RESTORATION - FY 2009-10 EXEC REC</b>		<b>(\$46.6)</b>	
<b>AVAILABLE ARRA REVENUE -State Fiscal Stabilization Fund</b>	<b>\$1,302.4</b>	<b>\$873.4</b>	
<b>ANTICIPATED BALANCE AFTER USING ARRA</b>	<u>\$873.4</u>	<u>(\$47.7)</u>	<u>(\$290.8)</u>

**NOTES:**

(1) Assumes 4% Revenue Growth in FY 2010-11

(2) Assumes Revenue Enhancements for both FY 2009-10 and FY 2010-11 - Without Enhancements FY 2010-11 the anticipated Balance is \$147.7 million less.