

# Economic and Revenue Forecasts

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FY 2016 \* FY 2017 \* FY 2018



Consensus Revenue Estimating Conference  
May 17, 2016

May 2016 Consensus Conference

## Outline

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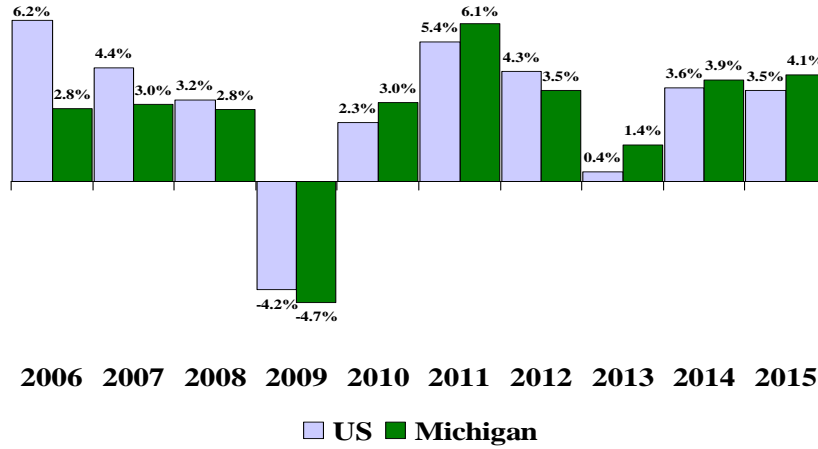
- **Economic Forecast**  
Jay Wortley, Department of Treasury
- **Revenue Estimates for Major Taxes**  
Jim Stansell, House Fiscal Agency
- **Revenue Estimates by Fund**  
David Zin, Senate Fiscal Agency

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## Per Capita Personal Income Growth

### Yearly Percent Change

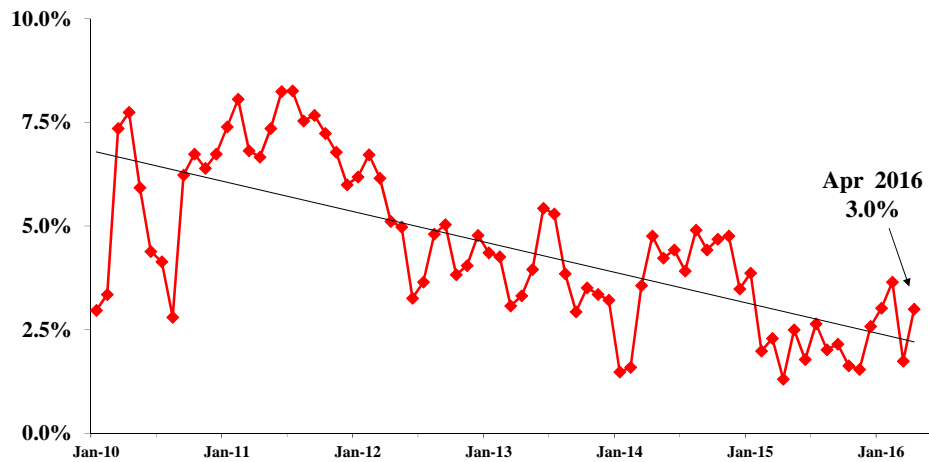


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## Retail Sales Trending Down

### Year-Over-Year Change

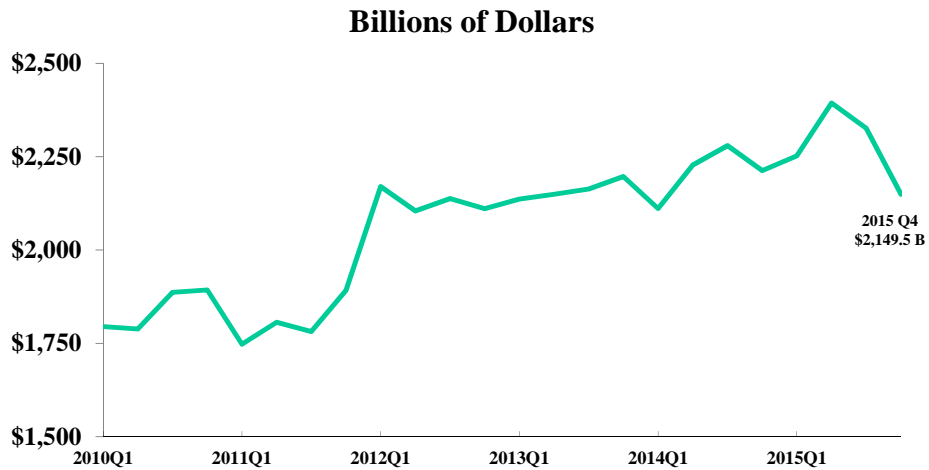


Source: Michigan Department of Treasury.

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## Corporate Profits Decline Last 2 Quarters

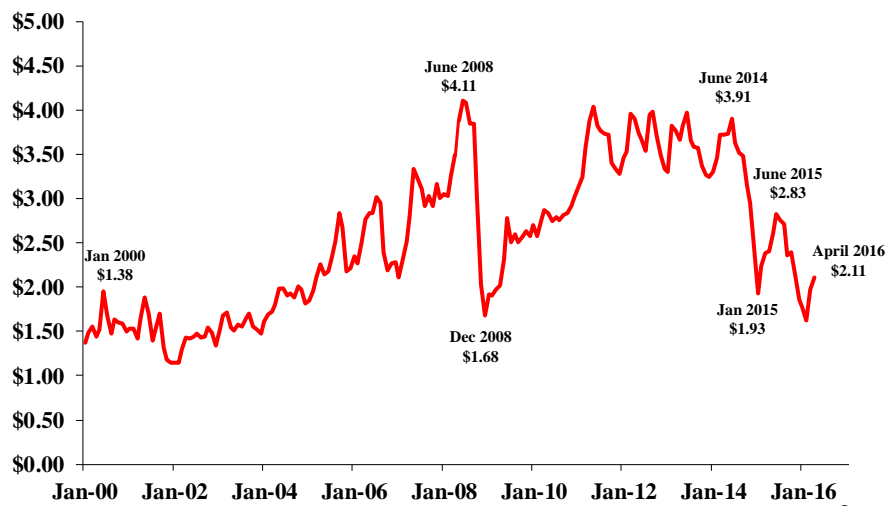


Source: Bureau of Economic Analysis; data adjusted to a seasonally adjusted annual rate.

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## Michigan Gasoline Prices



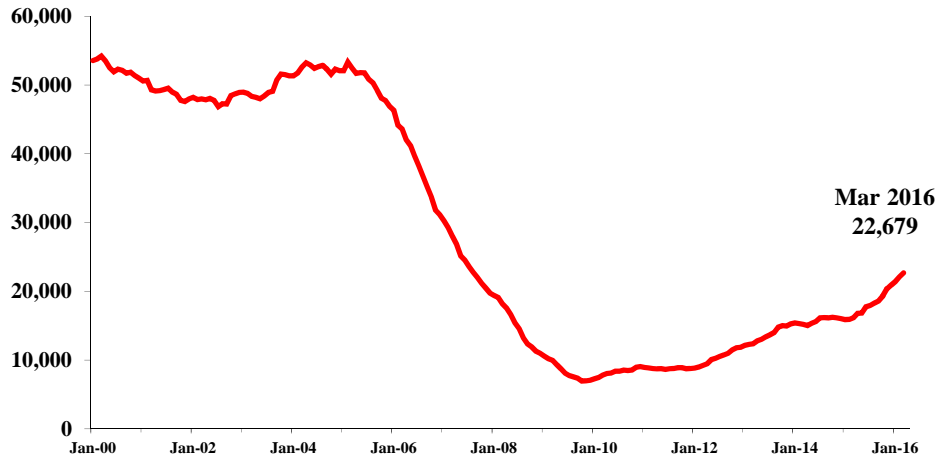
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Source: AAA Michigan

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## Michigan Building Permits Begin to Recover

12 month moving annual average

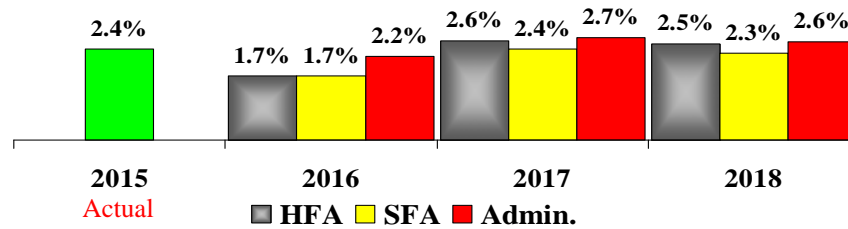


Source: U.S. Census Bureau and Michigan Department of Treasury.  
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## GDP Forecasts

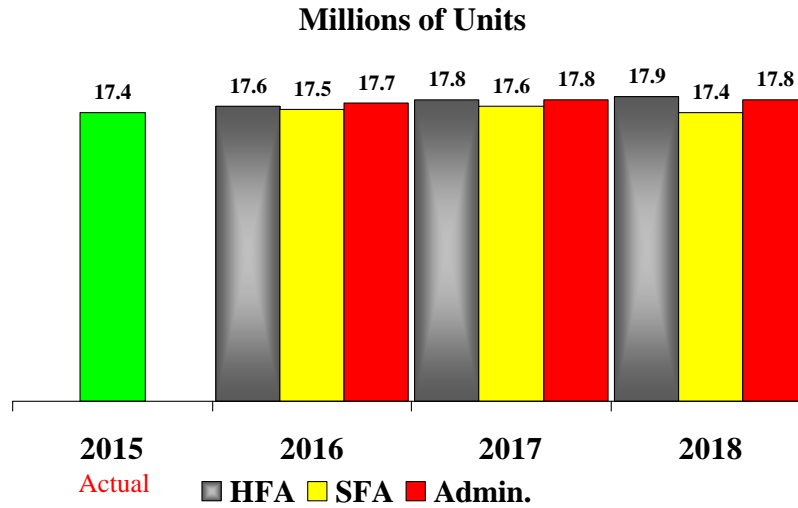
Annual Percent Change



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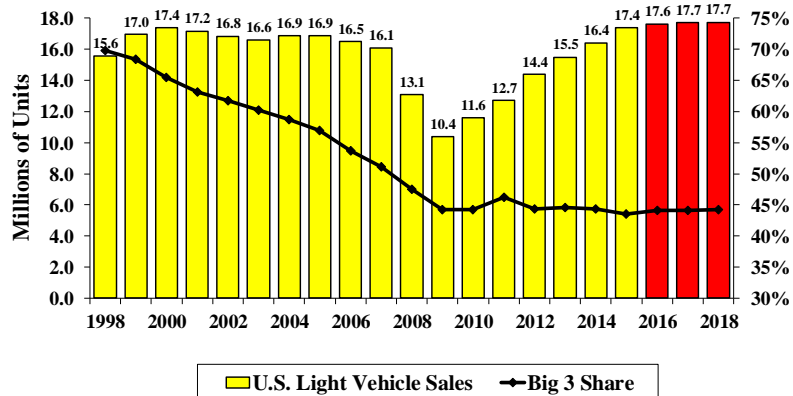
## Light Vehicle Sales Forecast



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## Vehicle Sales Up, Big 3 Market Share Stabilizes



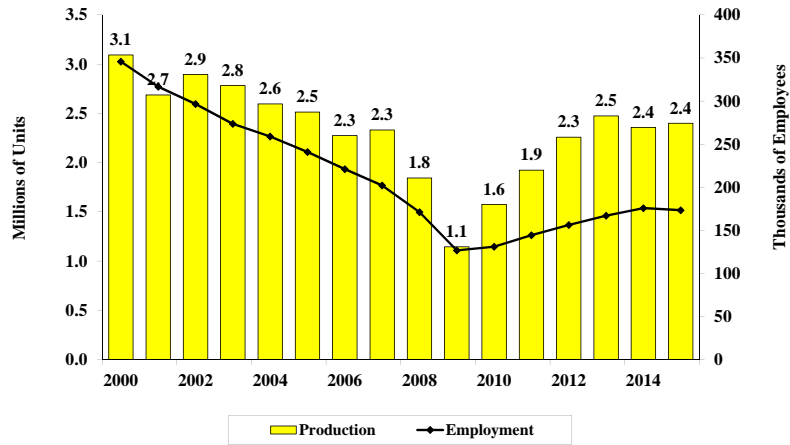
Source: Automotive News.

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Average Agency Forecasts

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## MI Motor Vehicle Production & Employment

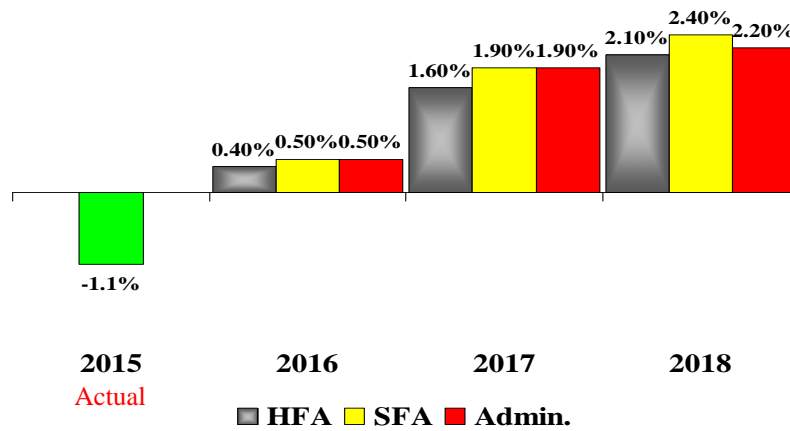


Source: Michigan Department of Treasury & U.S. Bureau of Labor Statistics.  
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## Inflation Expected to Increase

### Detroit Consumer Price Index Fiscal Year Growth

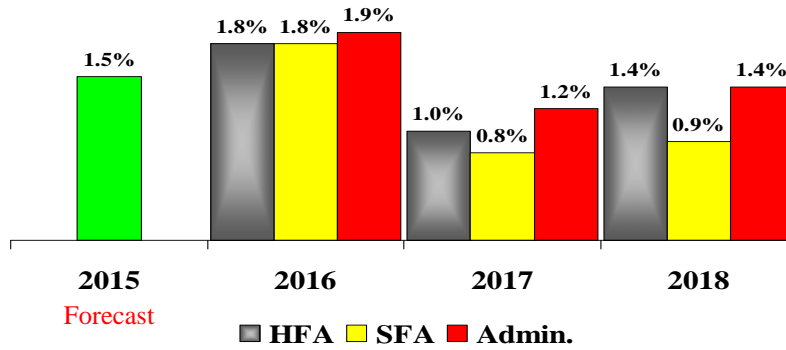


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## Michigan Wage and Salary Employment

### Annual Percent Change

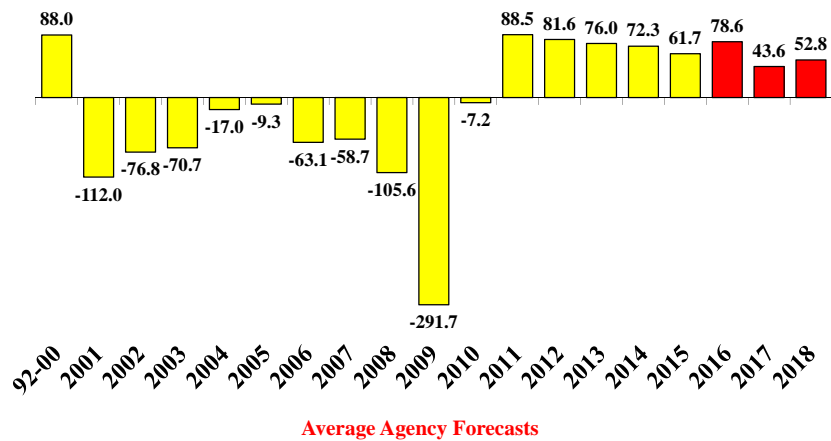


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## Michigan Job Gains Expected Through 2018

### Change in Michigan Wage and Salary Employment Thousands



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## Forecast of Major Taxes

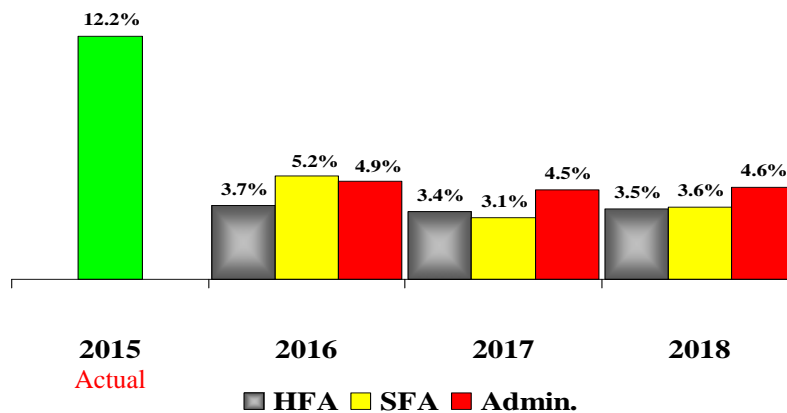
- Income tax withholding is strong in FY16 and is expected to continue to grow in FY17 and FY18.
- As expected, income tax annual payments declined in FY16, but are expected to increase slightly in FY17 and FY18.
- Gasoline prices are expected to stay above recent low levels and this will help boost sales tax growth.
- CIT is down in FY16, but is expected to increase in FY17 and FY18.

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## Baseline Income Tax Growth

### Fiscal Year Growth

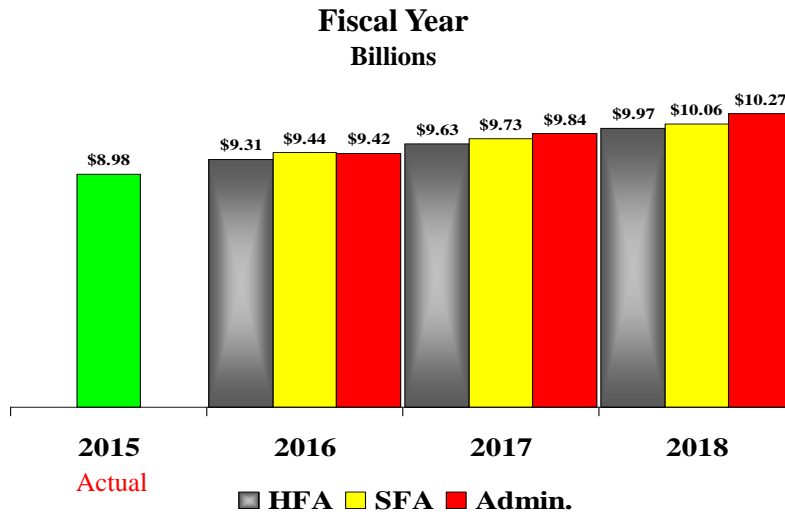


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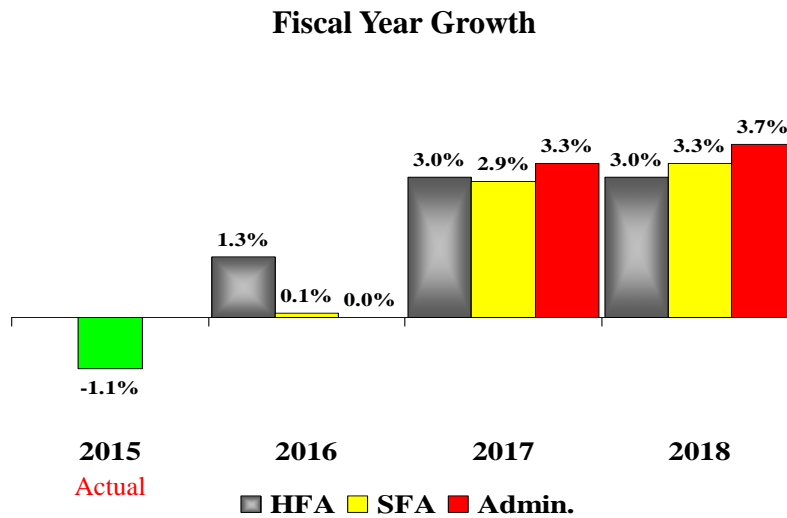
## Net Income Tax Revenue Estimates



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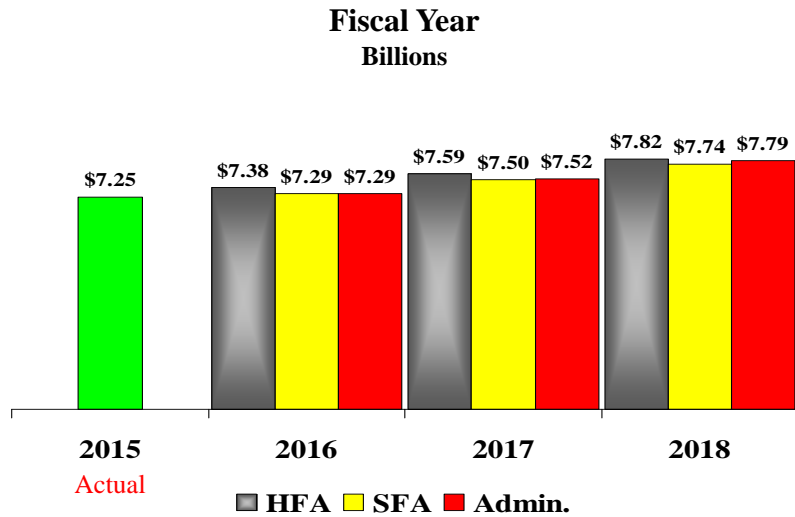
## Baseline Sales Tax Growth



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## Net Sales Tax Revenue Estimates



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## Sales Tax Collections

**Dollars in Millions**

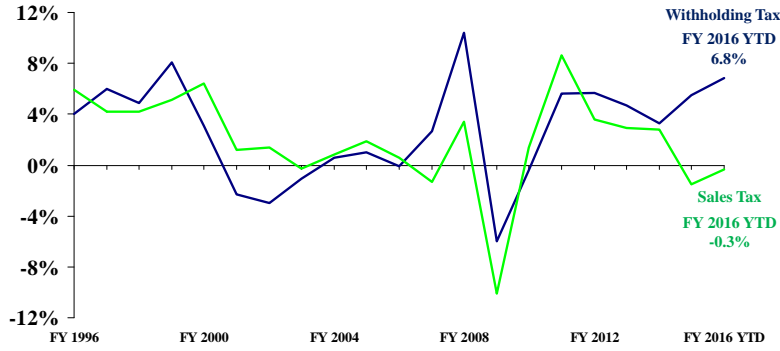
**Fiscal Year-to-Date Through April**

Type of Purchase	FY 2015	FY 2016	% Chg
MV Purchases Sales Tax	\$431.4	\$435.0	0.8%
Gasoline Sales Tax	\$263.7	\$209.1	-20.7%
All Other Purchases	\$2,803.5	\$2,842.6	1.4%
<b>Total</b>	<b>\$3,498.6</b>	<b>\$3,486.7</b>	<b>-0.3%</b>

Source: Michigan Department of Treasury.  
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## IIT Withholding & Sales Tax FY Growth Rates

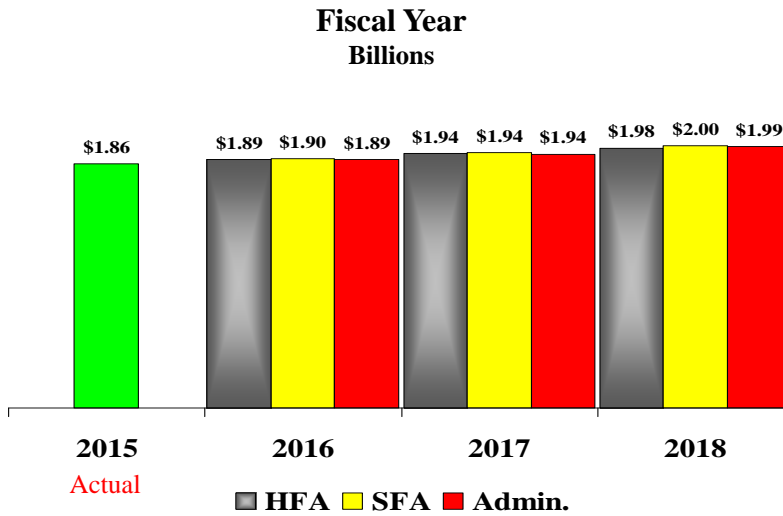


Source: Michigan Department of Treasury

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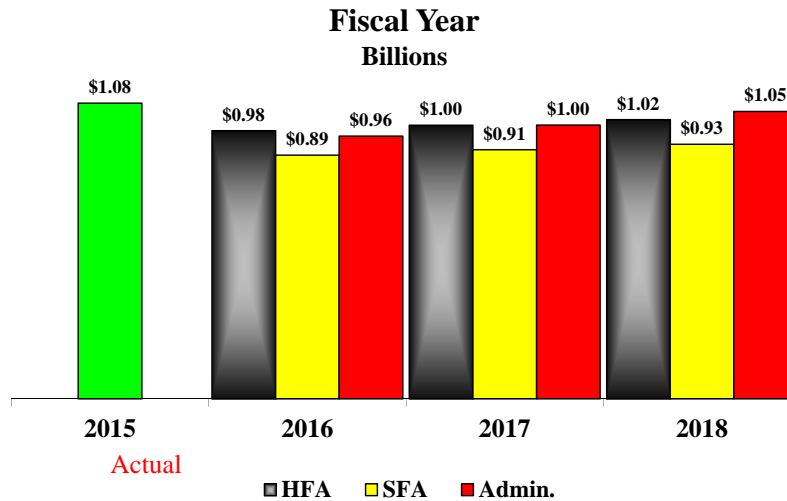
## Net SET Revenue Estimates



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## Net CIT Revenue Estimates



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## MBT Net Refunds

- MBT net refunds are expected to peak in FY16.
- MEGA credits will top \$600 million in FY16, but then fall to about \$500 million in FY17.
- Battery credits will total about \$200 million in FY16, but drop to roughly \$80 million in FY17.
- Treasury and MEDC continue to work closely to monitor the business credits.

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## GF-GP and School Aid Fund Revenue

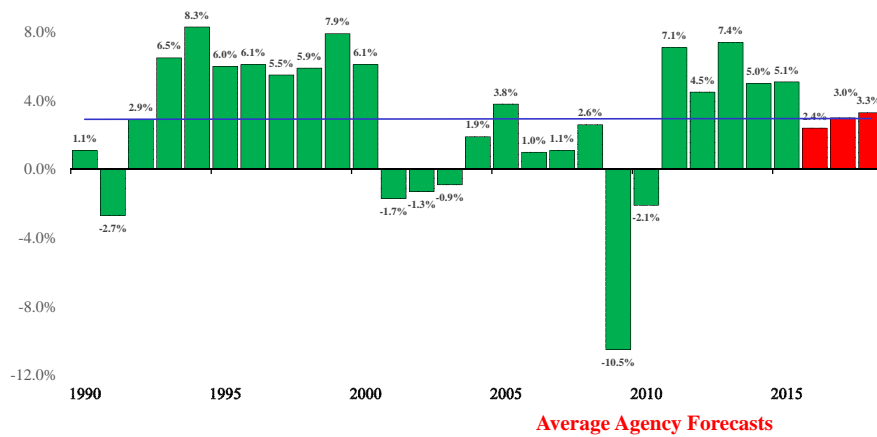
- Growth rate comparisons.
- Level comparisons.
- Budget Stabilization Fund calculation.
- Constitutional Revenue Limit calculation.

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## GF-GP and School Aid Revenue

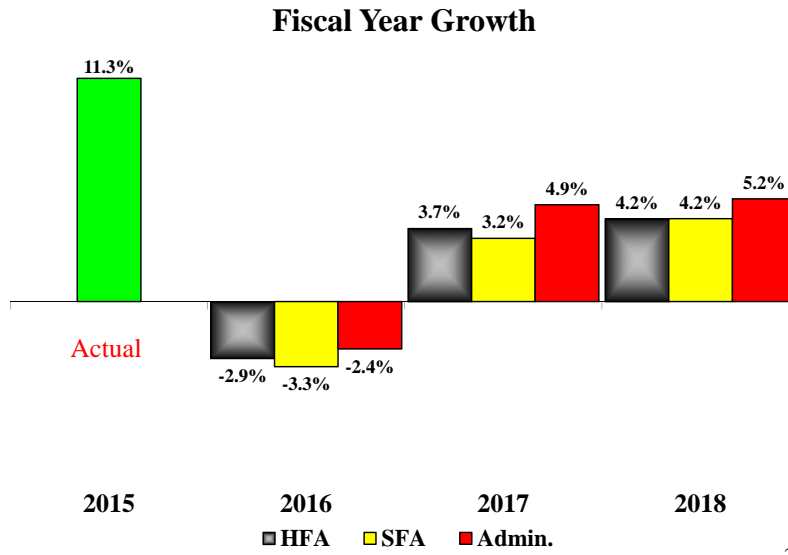
### Baseline Growth Rates Before Tax Changes



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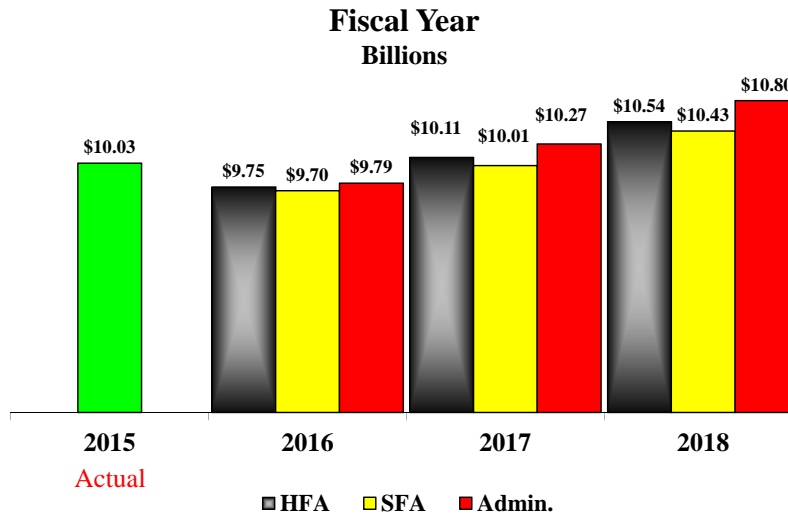
## GF-GP Net Revenue Growth



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## GF-GP Net Revenue Estimates

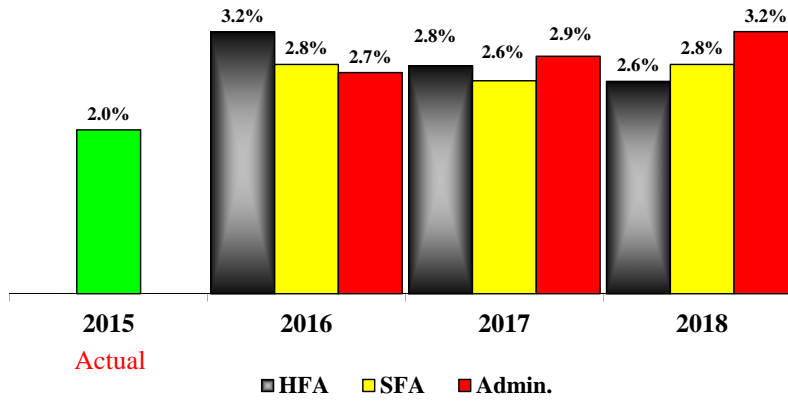


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## School Aid Fund Net Growth

### Fiscal Year Growth

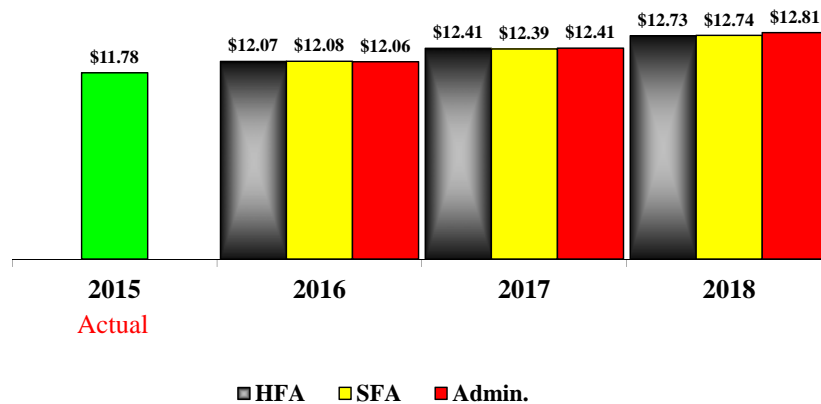


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## School Aid Fund Net Revenue Estimates

### Fiscal Year Billions



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## Major Revenue Estimate Revisions Compared to January Estimates

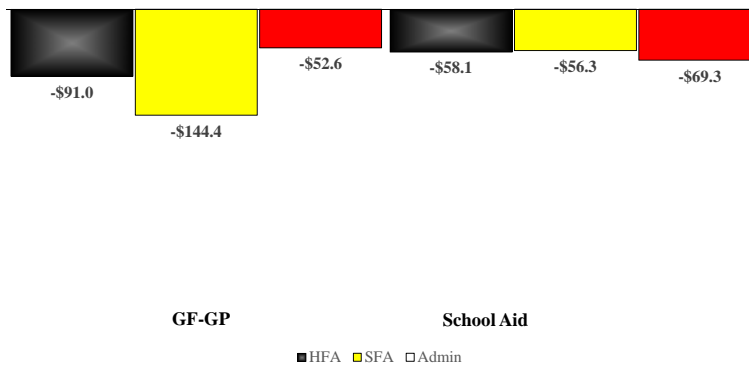
- Income tax withholding payments much stronger than expected: up 7% so far in FY16.
- CIT revenue is down 20% so far in FY16, modest growth was expected.
- Sales tax collections continue to fall below expected levels.
- Lottery revenue is much stronger than expected in FY16.

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## FY 2016 Changes Since January Consensus Estimates

Millions



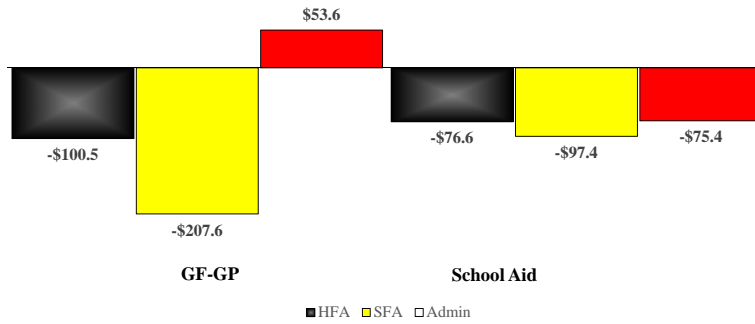
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## FY 2017 Changes Since January Consensus Estimates

Millions

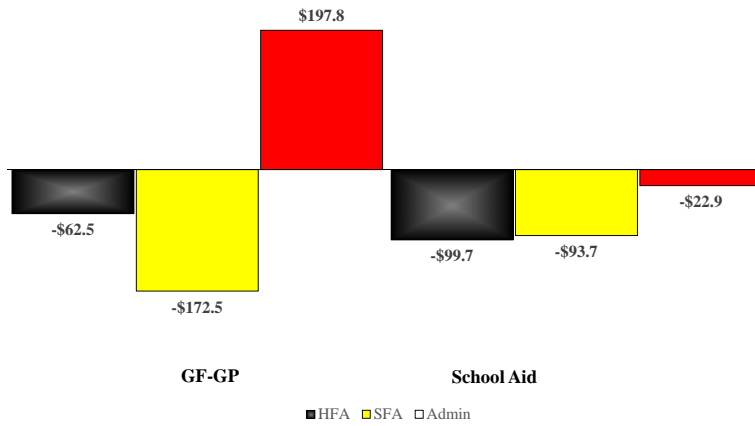


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## FY 2018 Changes Since January Consensus Estimates

Millions



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## Revenue Forecast Comparison

Millions

Revenue	FY 2016			FY 2017			FY 2018		
	House	Senate		House	Senate		House	Senate	
	Fiscal	Fiscal		Fiscal	Fiscal		Fiscal	Fiscal	
	Treasury	Agency	Agency	Treasury	Agency	Agency	Treasury	Agency	Agency
GF-GP	\$9,791	\$9,753	\$9,699	\$10,268	\$10,113	\$10,006	\$10,797	\$10,537	\$10,427
School Aid	\$12,062	\$12,074	\$12,075	\$12,411	\$12,410	\$12,389	\$12,808	\$12,731	\$12,737
<b>Combined</b>	\$21,854	\$21,826	\$21,775	\$22,678	\$22,523	\$22,395	\$23,605	\$23,268	\$23,164
<b>Difference From January</b>									
GF-GP	(\$53)	(\$91)	(\$144)	\$54	(\$100)	(\$208)	\$198	(\$63)	(\$173)
School Aid	(\$69)	(\$58)	(\$56)	(\$75)	(\$77)	(\$97)	(\$23)	(\$100)	(\$94)
<b>Combined</b>	(\$122)	(\$149)	(\$201)	(\$22)	(\$177)	(\$305)	\$175	(\$162)	(\$266)

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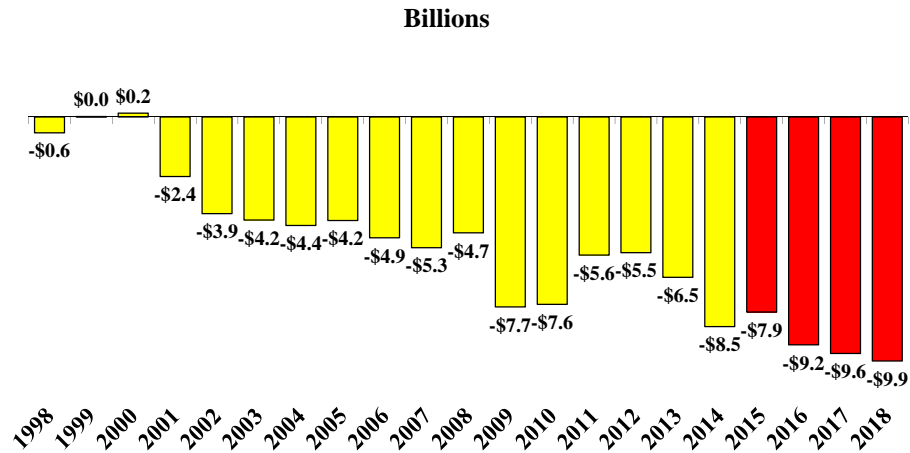
## Budget Stabilization Fund

- In FY 2016, the Agencies estimate pay-ins from \$259 to \$271 million.
- In FY 2017, the Agencies estimate pay-ins ranging from \$102 to \$196 million.
- In FY 2018, the Agencies estimate pay-ins ranging from \$0 to \$72 million.
- No BSF pay-outs are estimated by any of the Agencies during FY 2016, FY 2017 or FY 2018.

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## Constitutional Revenue Limit Calculation



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Average Agency Forecasts

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## Forecast Risks

- International issues (political and economic)
- At what pace will Fed raise interest rates?
- Oil price uncertainty
- Is consumer spending slowdown temporary or here to stay and how will it impact retail sector and tax receipts?
- Housing: will it finally take off?
- CIT volatility
- State Essential Services Assessment uncertainty

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# Economic and Revenue Forecasts

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**FY 2016 \* FY 2017 \* FY 2018**



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