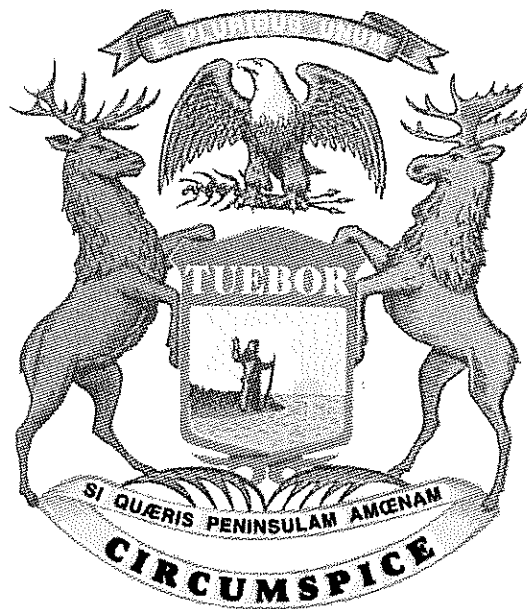


Economic and Revenue Forecasts

FY 2015 * FY 2016 * FY 2017



Consensus Revenue Estimating Conference
May 15, 2015

Outline

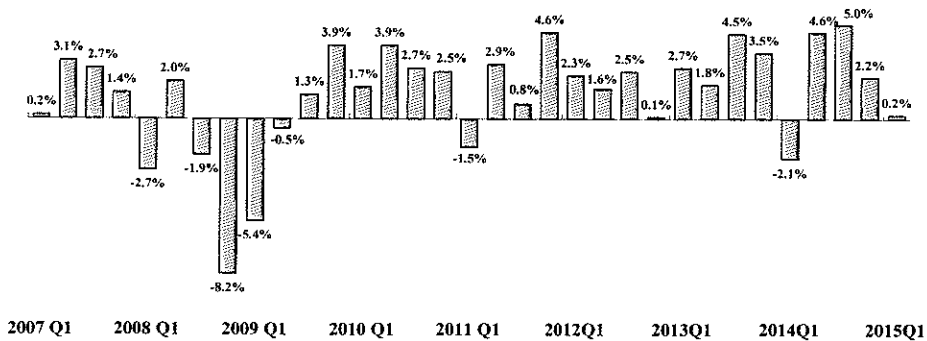
- **Economic Forecast** – David Zin,
Senate Fiscal Agency
- **Revenue Estimates for Major Taxes** – Jay Wortley,
Department of Treasury
- **Revenue Estimates by Fund** – Jim Stansell,
House Fiscal Agency

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2

GDP Quarterly Growth Rates

Real GDP Growth



Figures are annualized percent change from preceding quarter in 2005 chained dollars.

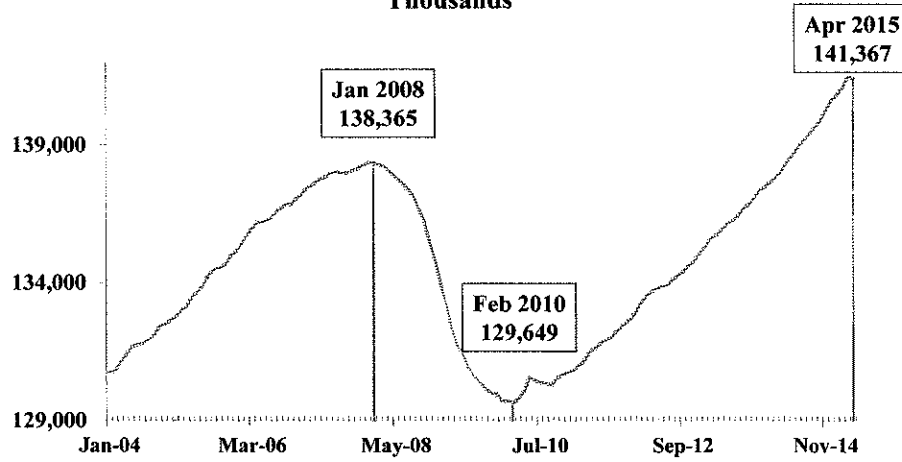
Source: Bureau of Economic Analysis.

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3

U.S. Employment Increasing

U.S. Payroll Employment
Thousands

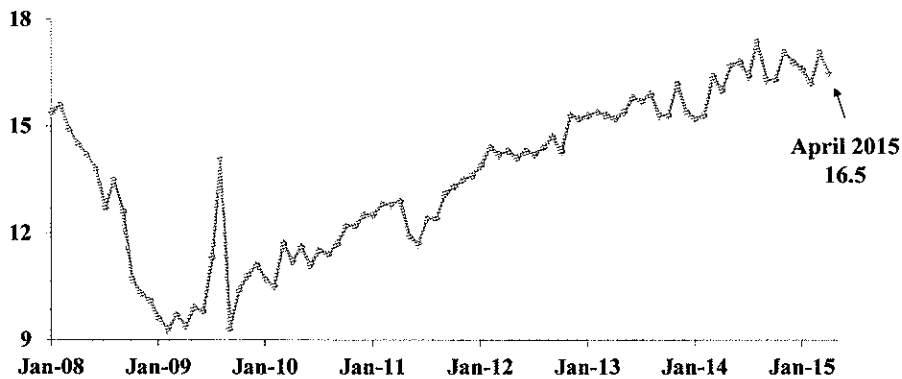


Source: Bureau of Labor Statistics.
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Light Vehicle Sales Highest in 9 Years

Millions of Units



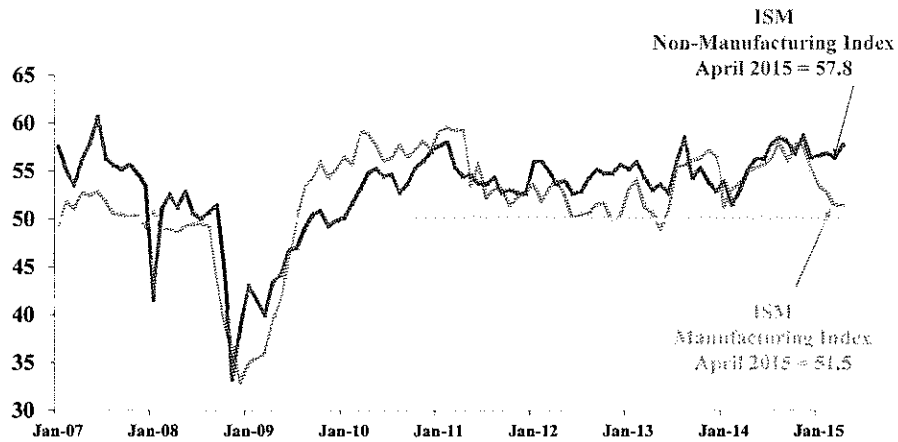
Note: Sales rates are shown as an annual average sales rate.

Source: Bureau of Economic Analysis.

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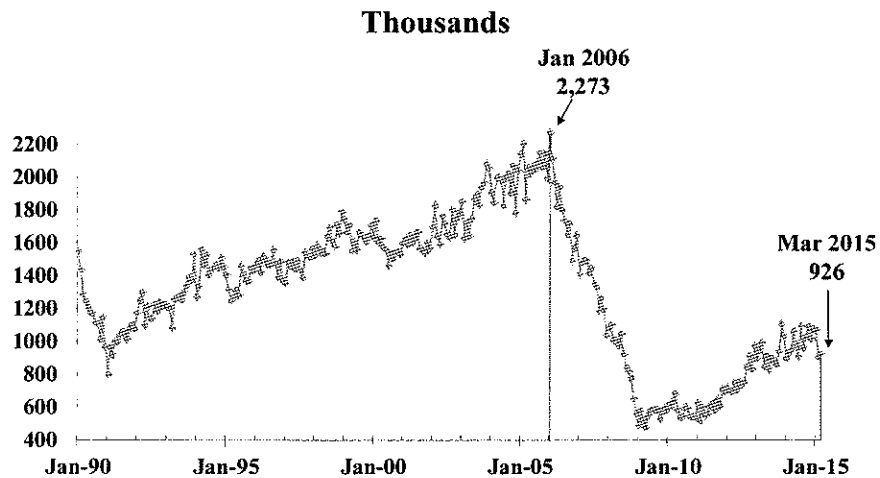
ISM Indices Show Expansion



Source: Institute for Supply Management.
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Housing Starts Increasing From Historical Lows

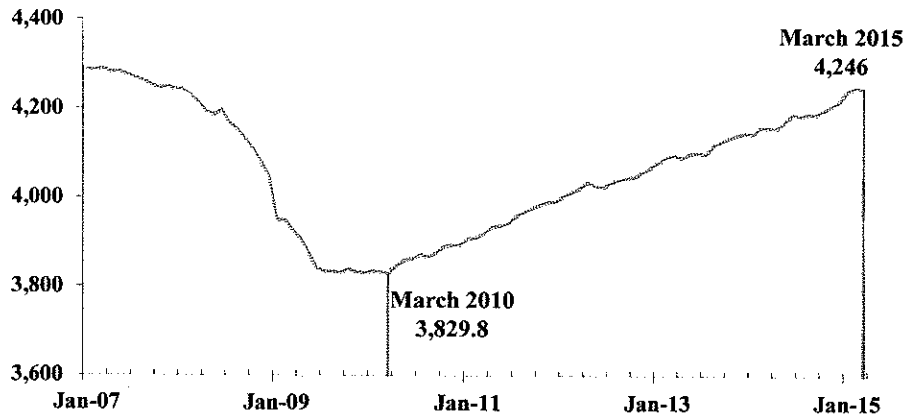


Source: New Privately Owned Housing Units Started, U.S. Department of Commerce.
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Michigan Employment is Increasing

Michigan Payroll Employment
Thousands of Jobs

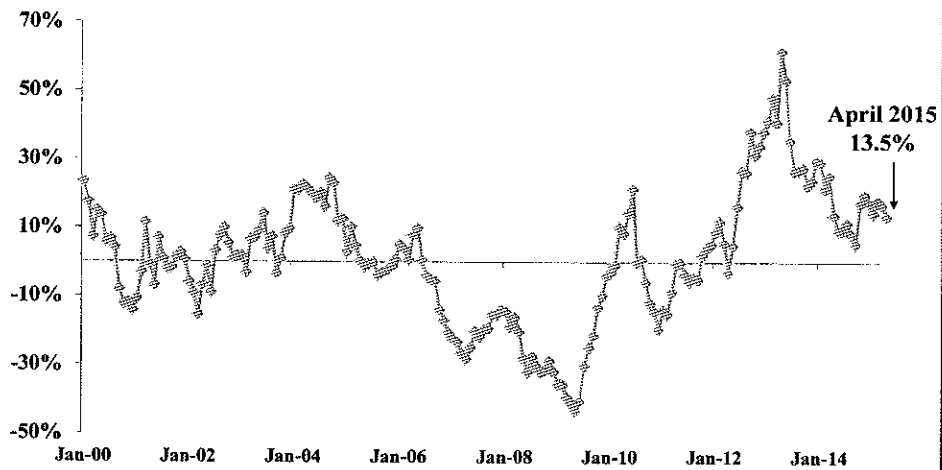


Source: Bureau of Labor Statistics.
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Real Estate Transfer Tax Reflects Increased Activity

Year-Over-Year Change in 6 Month Trailing Average

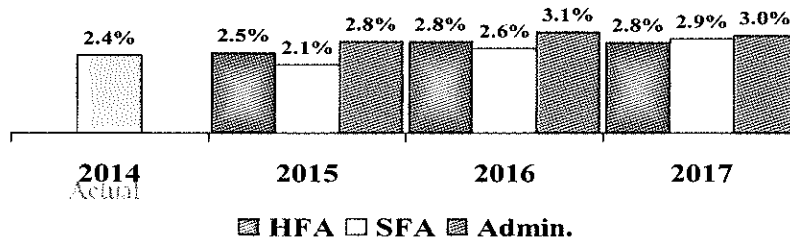


Source: Michigan Department of Treasury.
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GDP Forecasts

Annual Percent Change

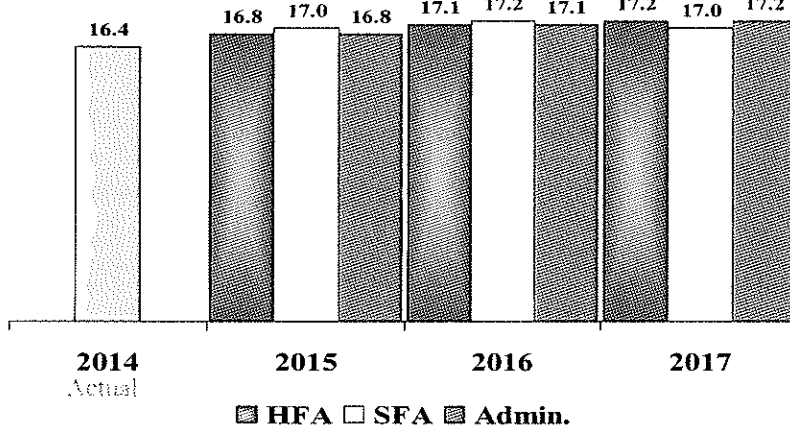


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Light Vehicle Sales Forecast

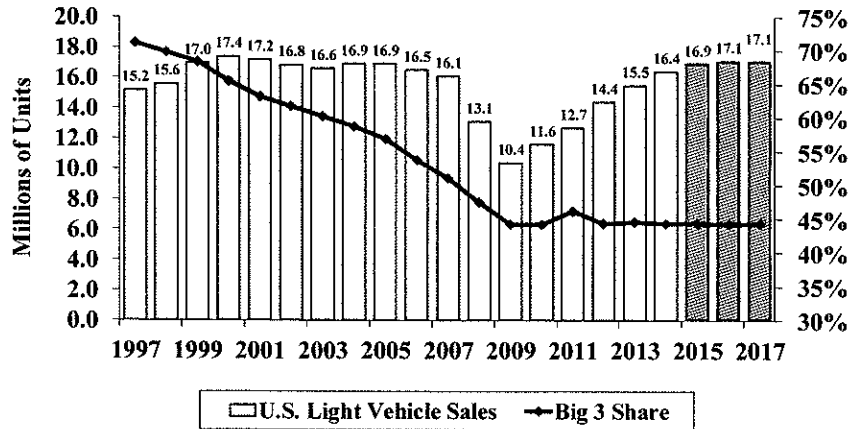
Millions of Units



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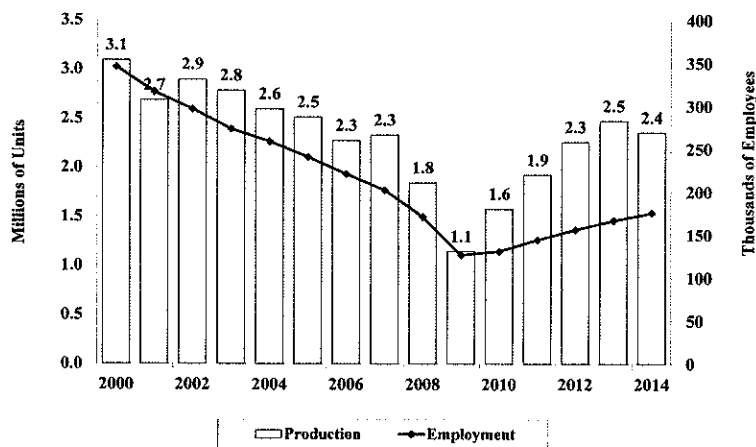
Vehicle Sales Up, Big 3 Market Share Stabilizes



Source: Automotive News.
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MI Motor Vehicle Production & Employment

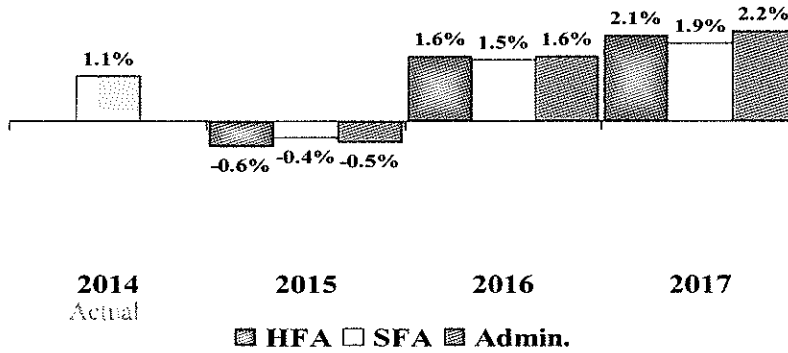


Source: Michigan Department of Treasury & U.S. Bureau of Labor Statistics.
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Inflation Remains Low

**Detroit Consumer Price Index
Fiscal Year Growth**

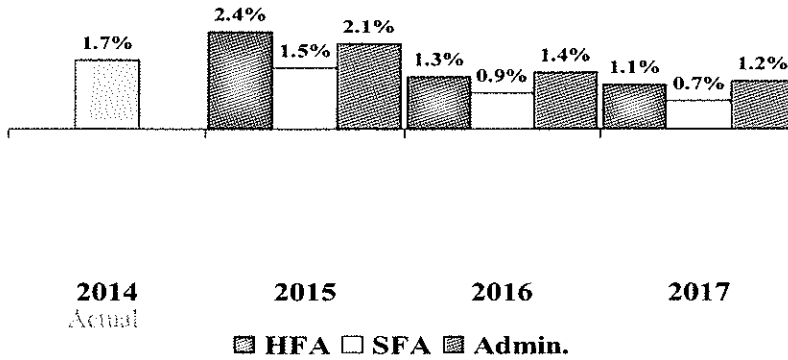


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Michigan Wage and Salary Employment

Annual Percent Change

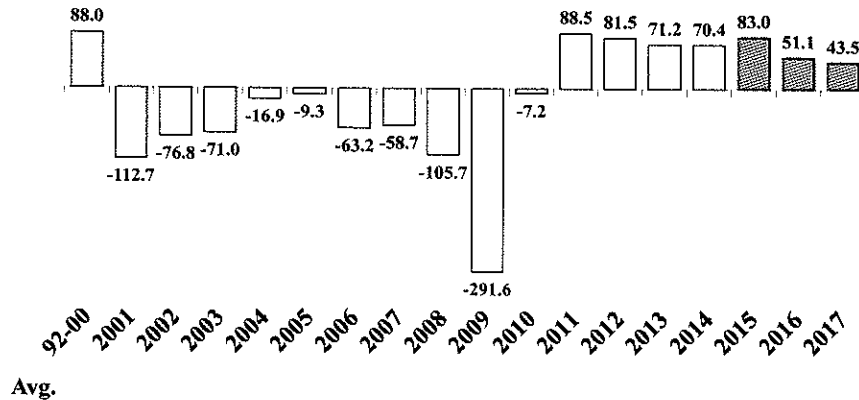


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Michigan Job Gains Expected Through 2017

Change in Michigan Wage and Salary Employment Thousands



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Forecast of Major Taxes

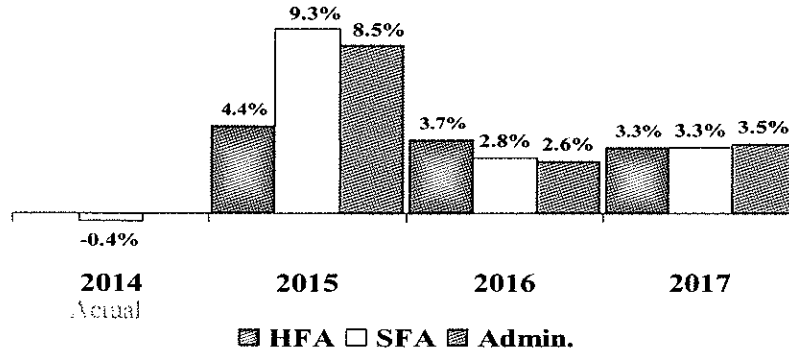
- Individual Income Tax revenue is expected to increase each year due to continued growth in employment and earnings.
- The drop in gasoline prices is expected to slow the growth in sales tax receipts.
- SET is expected to continue to grow, but the rate of growth will be slowed in FY16 by low inflation.
- MBT net refunds are expected to peak in FY16 and CIT is expected to grow through FY17.

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Baseline Income Tax Growth

Fiscal Year Growth

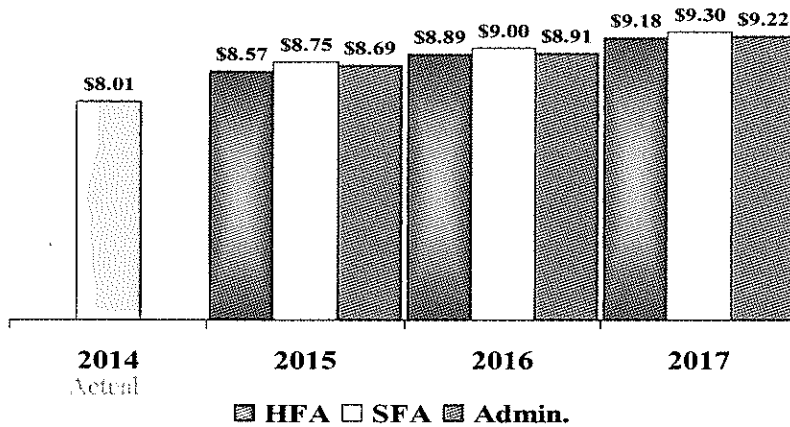


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Net Income Tax Revenue Estimates

Fiscal Year Billions

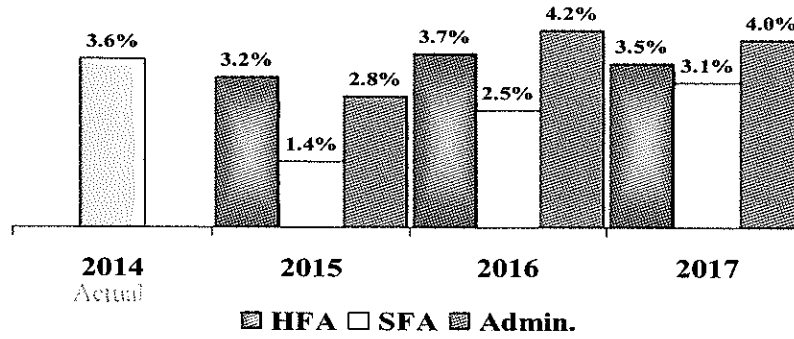


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Baseline Sales Tax Growth

Fiscal Year Growth

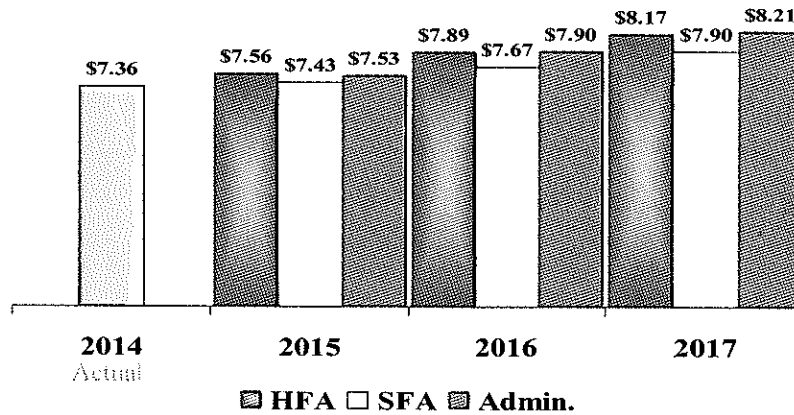


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Net Sales Tax Revenue Estimates

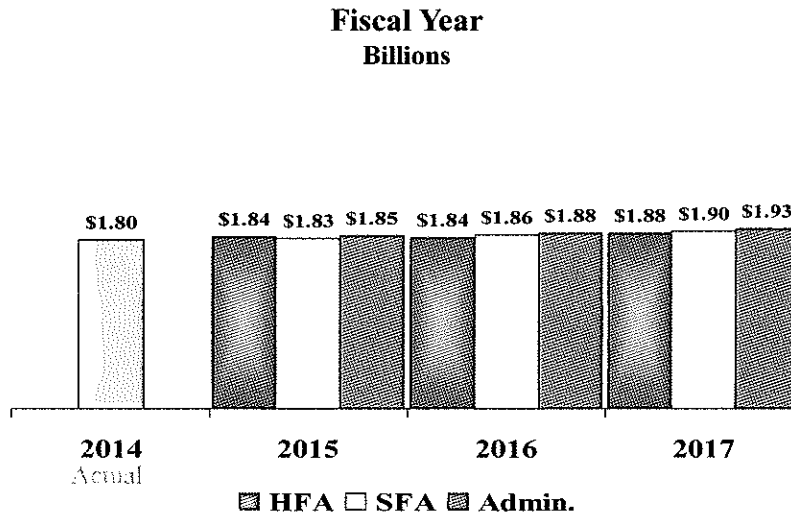
Fiscal Year Billions



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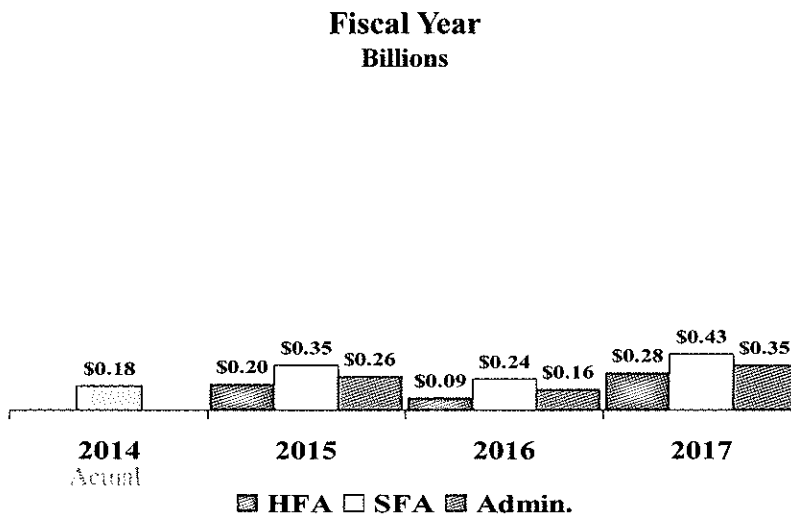
Net SET Revenue Estimates



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Net CIT/MBT Revenue Estimates

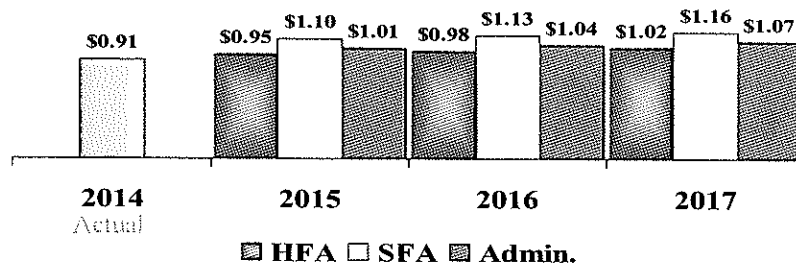


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Net CIT Revenue Estimates

Fiscal Year
Billions

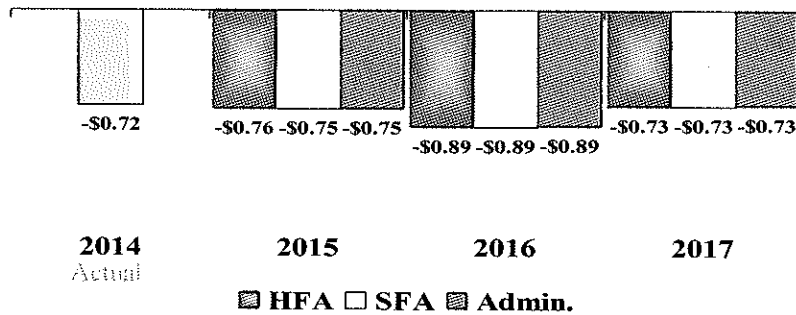


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Net MBT Revenue Estimates

Fiscal Year
Billions



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Michigan Business Tax & Certificated Credits

- The MBT was repealed in 2012 for most business taxpayers and replaced with the CIT.
- Taxpayers awarded certificated credits before 2012 may still pay the MBT and claim their credits.
- In FY 2014, MBT revenue totaled a negative \$723 million (refunds/credits exceeded payments).
- In any given fiscal year, MBT returns are filed for several different tax years.

Estimating MBT Net Refunds

Factors that make it difficult to estimate the MBT:

- Uncertainty of when credits will be claimed
- Uncertainty of the MBT/CIT liability businesses with credits will owe
- Uncertainty of resolution of prior-year issues
- Uncertainty of when prior year overpayments will be claimed.
- Uncertainty of non-credit refund amounts

Actions Being Taken To Help Reduce Uncertainties

- MEDC is providing information on credit applications expected in near future
- Treasury is continuing to closely monitor MBT refunds and credits
- All of this information is being shared in aggregate with the Fiscal Agencies

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MBT Revised Estimates for FY15

- FY15 MBT net refund estimate is a negative \$753 million, down \$72 million from January.
- Transportation sector MEGA credit estimate is unchanged.
- Estimate of other credits and non-credit refunds is being lowered.
- Annual and quarterly MBT/CIT payments are being increased.

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GF-GP and School Aid Fund Revenue

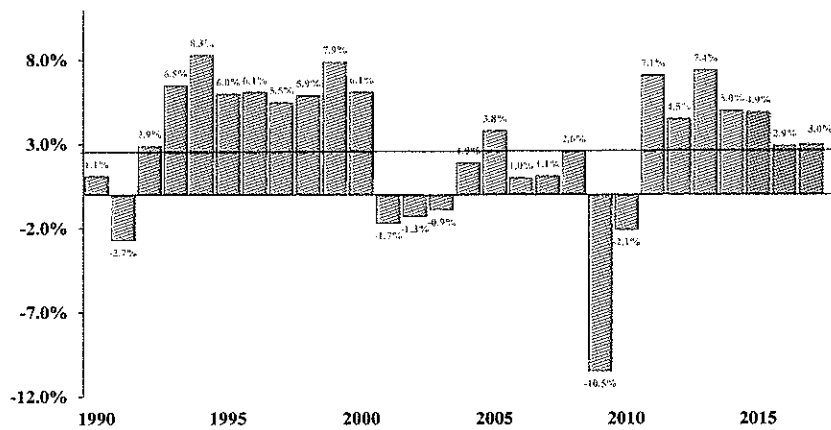
- Growth rate comparisons.
- Level comparisons.
- Budget Stabilization Fund calculation.
- Constitutional Revenue Limit calculation.

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GF-GP and School Aid Revenue

Baseline Growth Rates Before Tax Changes

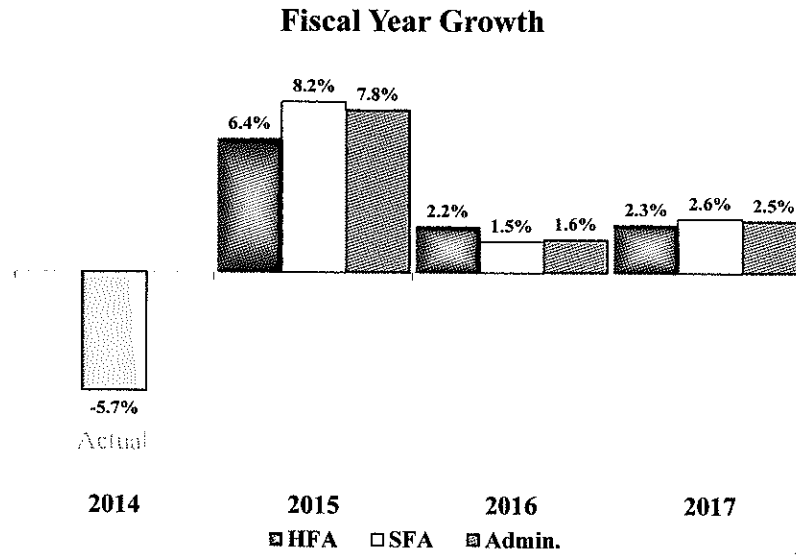


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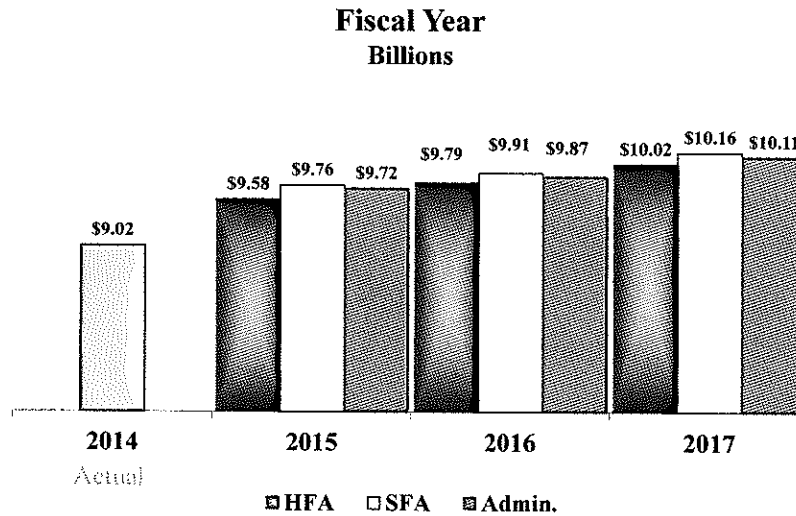
GF-GP Net Revenue Growth



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GF-GP Net Revenue Estimates

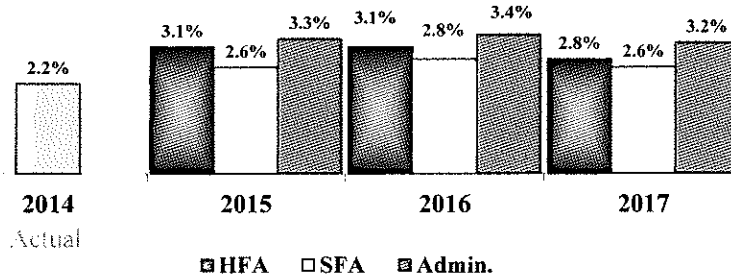


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School Aid Fund Net Growth

Fiscal Year Growth

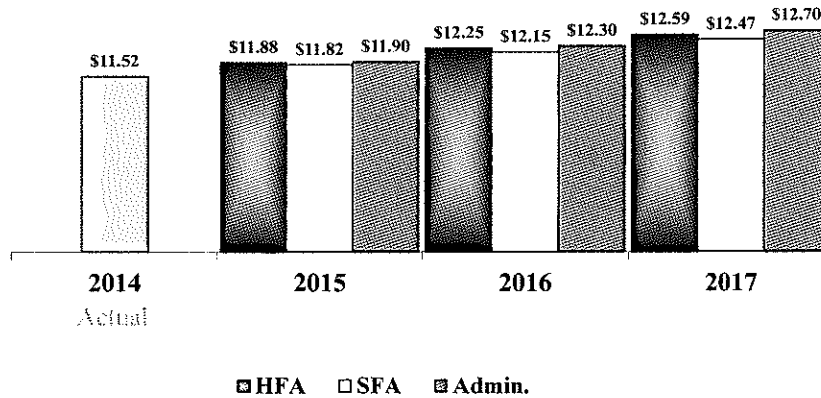


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School Aid Fund Net Revenue Estimates

Fiscal Year Billions



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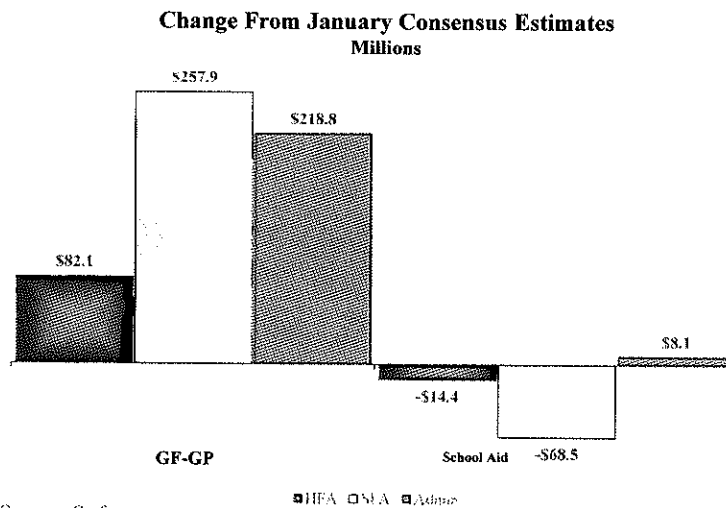
Major Revenue Estimate Revisions Compared To January Estimates

- Main Street Fairness: \$60 million in FY16, not in Jan estimates but was included in FY16 Executive Budget.
- Individual Income Tax FY15 annual payments stronger than expected and refunds weaker.
- CIT collections are stronger than expected in FY15.
- Sales Tax receipts are lower than expected in FY15.

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FY 2015 Changes Since January

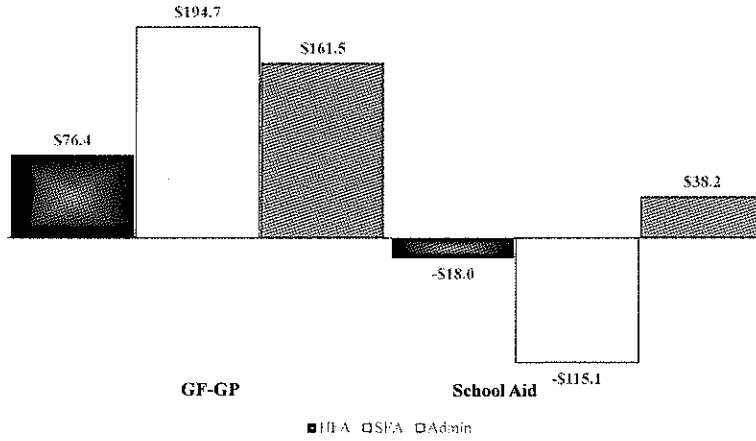


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FY 2016 Changes Since January

Change From January Consensus Estimates Millions

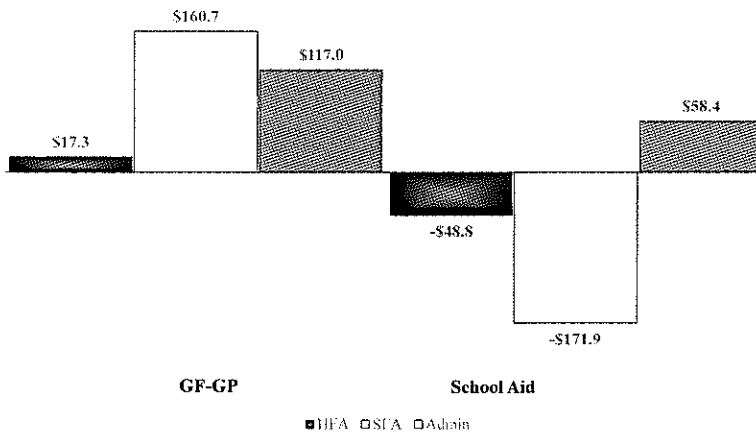


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FY 2017 Changes Since January

Change From January Consensus Estimates Millions



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Revenue Forecast Comparison

Millions

Revenue	FY 2015			FY 2016			FY 2017		
	House	Senate		House	Senate		House	Senate	
	Fiscal	Fiscal	Agency	Fiscal	Fiscal	Agency	Fiscal	Fiscal	Agency
GF-GP	\$9,720	\$9,583	\$9,759	\$9,875	\$9,790	\$9,908	\$10,118	\$10,018	\$10,161
School Aid	\$11,897	\$11,875	\$11,821	\$12,302	\$12,246	\$12,149	\$12,699	\$12,592	\$12,469
Combined	\$21,617	\$21,458	\$21,580	\$22,177	\$22,036	\$22,057	\$22,817	\$22,610	\$22,630
Difference From January									
GF-GP	\$219	\$82	\$258	\$162	\$77	\$195	\$117	\$17	\$161
School Aid	\$8	(\$14)	(\$69)	\$38	(\$18)	(\$115)	\$58	(\$49)	(\$172)
Combined	\$227	\$68	\$189	\$200	\$59	\$80	\$175	(\$32)	(\$11)

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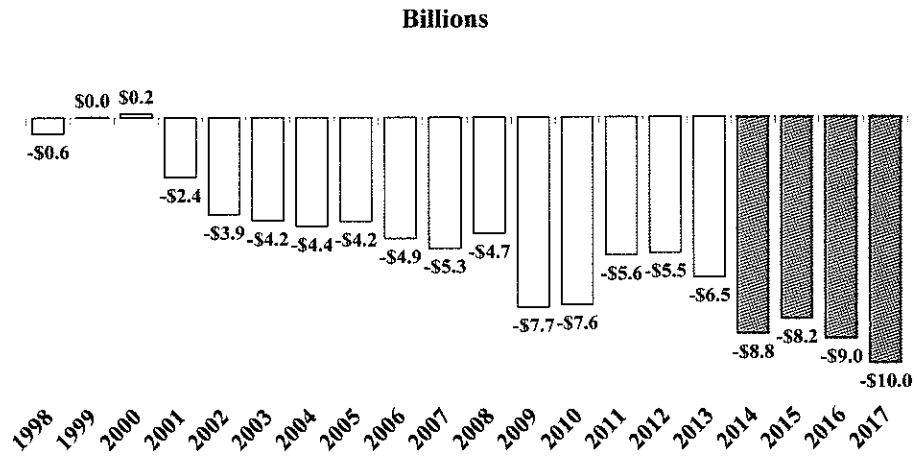
Budget Stabilization Fund

- In FY 2015, the Agencies estimate pay-ins from \$44 to \$69 million.
- In FY 2016, the Agencies estimate pay-ins ranging from \$209 to \$250 million.
- In FY 2017, the Agencies estimate pay-ins ranging from \$109 to \$138 million.
- No BSF pay-outs are estimated by any of the Agencies during FY 2015, FY 2016 or FY 2017.

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Constitutional Revenue Limit Calculation



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Average Agency Forecasts

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Forecast Risks

- International issues
- Oil price uncertainty
- When will Fed raise rates and by how much?
- How will financial markets, consumers react to Fed action?
- Housing: will more consumers take on financial commitment?
- Business tax uncertainty

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Economic and Revenue Forecasts

FY 2015 * FY 2016 * FY 2017



**Consensus Revenue Estimating Conference
May 15, 2015**

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