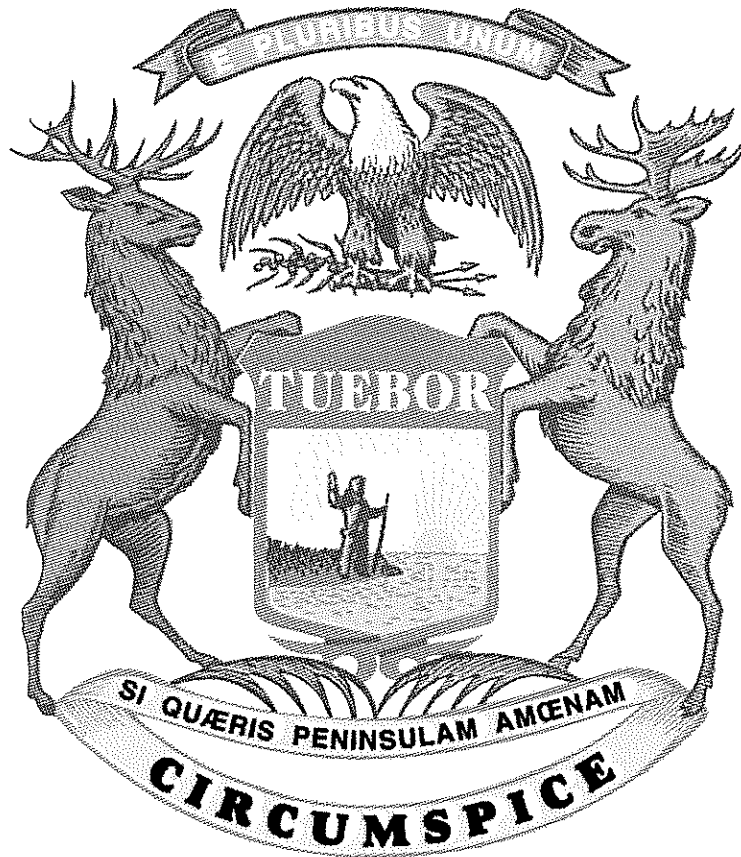


# **Economic and Revenue Forecasts**

**FY 2013 \* FY 2014 \* FY 2015**



**Consensus Revenue Estimating Conference  
January 11, 2013**



## Outline

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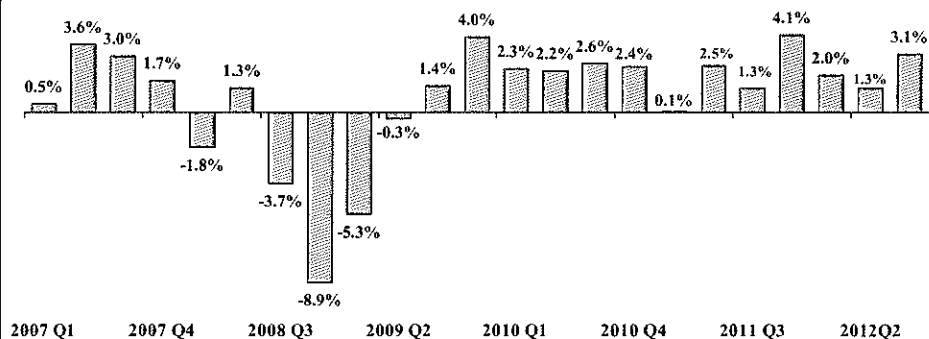
- **Economic Forecast** – Rebecca Ross, House Fiscal Agency
- **Revenue Estimates for Major Taxes** – David Zin, Senate Fiscal Agency
- **Revenue Estimates by Fund** – Jay Wortley, Department of Treasury

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## Renewed GDP Growth Last 13 Quarters

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### Real GDP Growth



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

Source: Bureau of Economic Analysis.

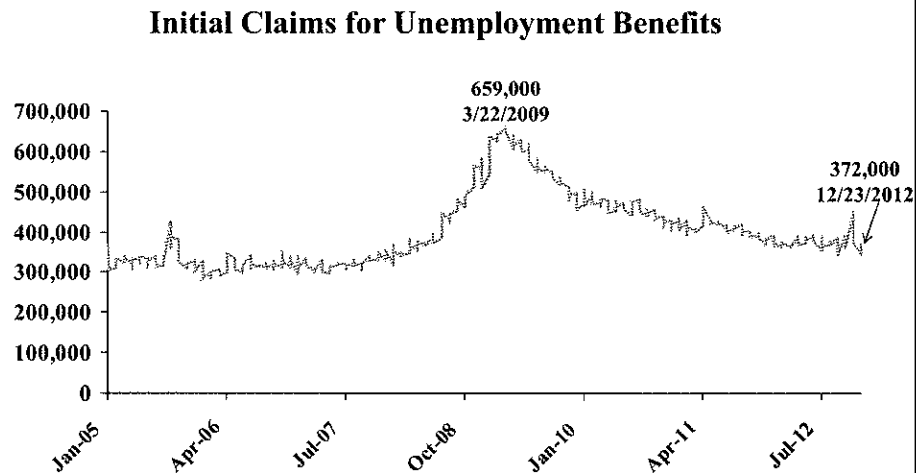
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## U.S. Employment Increasing



Source: Bureau of Labor Statistics.  
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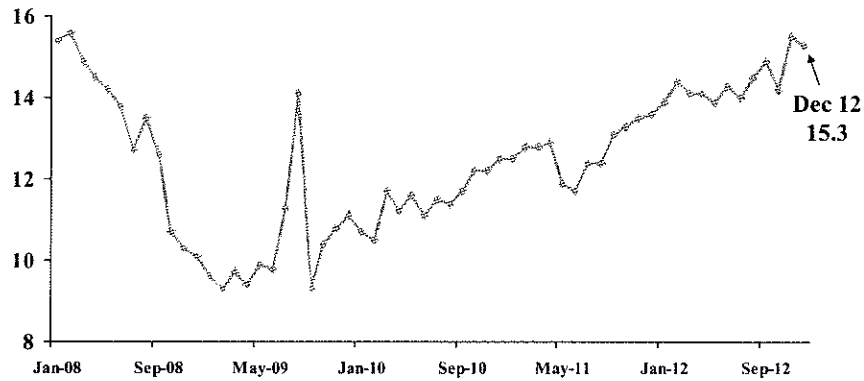
## Unemployment Claims Trending Down



Source: Employment and Training Administration.  
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## Light Vehicle Sales Increasing

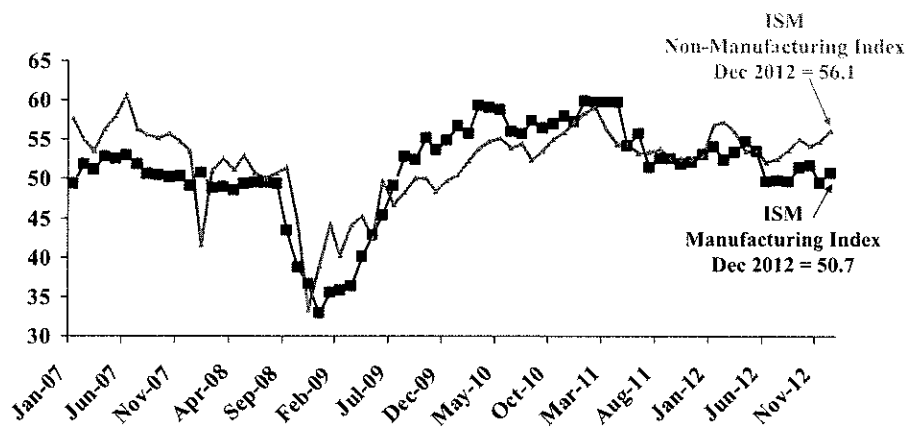
Millions of Units



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

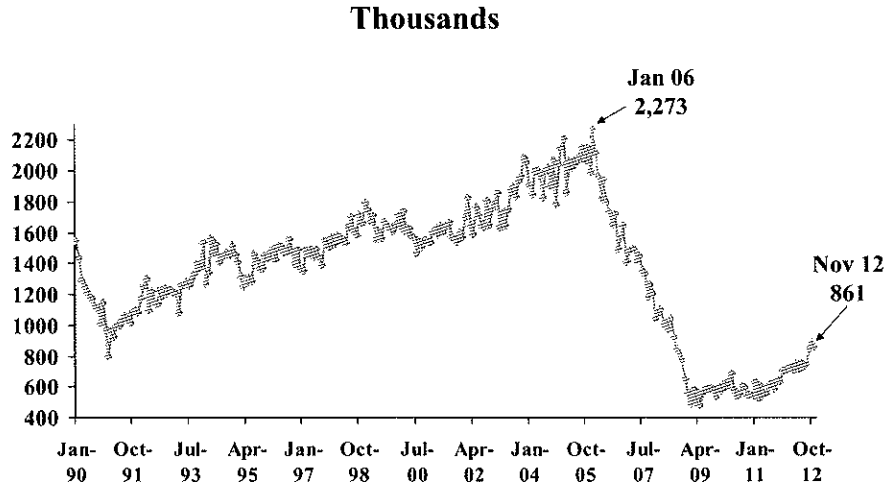
Source: Bureau of Economic Analysis.  
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## ISM Indices Show Modest Expansion



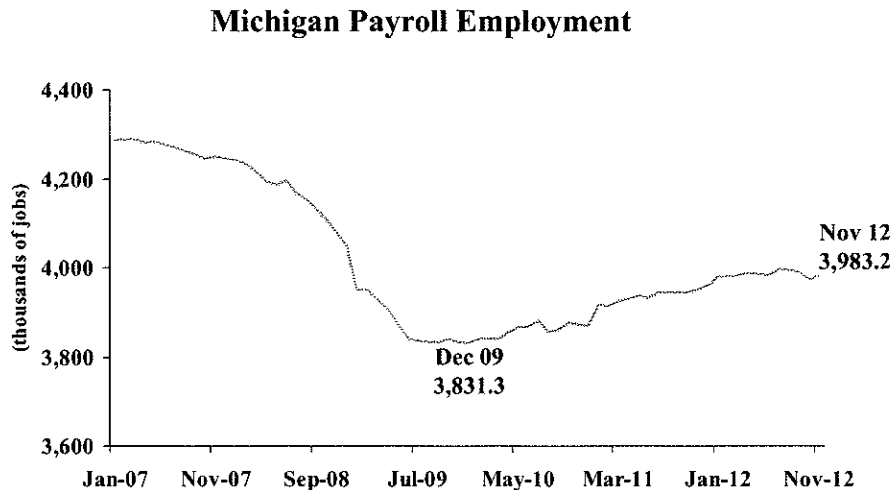
Source: Institute for Supply Management.  
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## Housing Starts Increasing From Historical Lows



Source: New Privately Owned Housing Units Started, U.S. Department of Commerce.  
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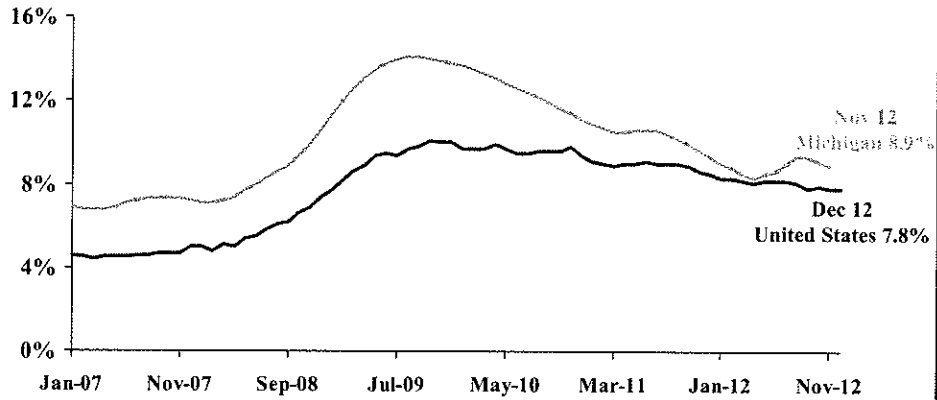
## Michigan Employment Steady Last Half Of 2012



Source: Bureau of Labor Statistics.  
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## U.S. & Michigan Unemployment Rates

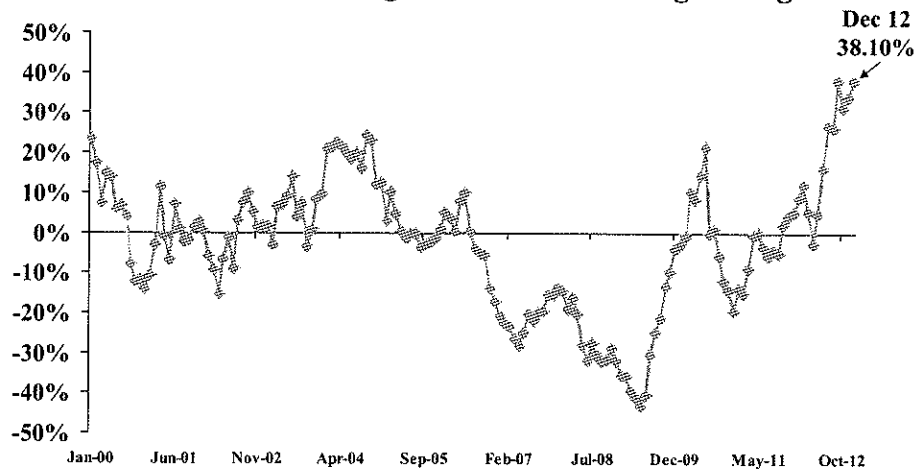
### Michigan Improving Faster Than U.S.



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

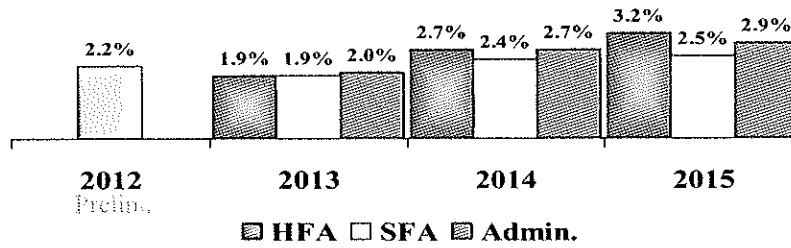
### Year-Over-Year Change in 6 Month Trailing Average



Source: Michigan Department of Treasury.  
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## GDP Forecasts

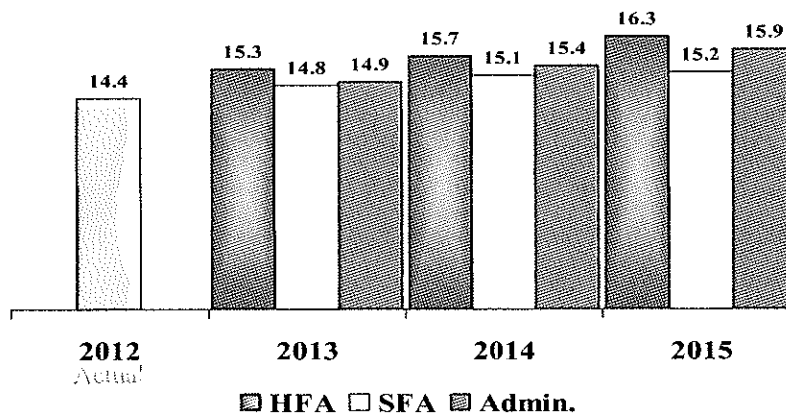
### Annual Percent Change



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## Light Vehicle Sales Forecast

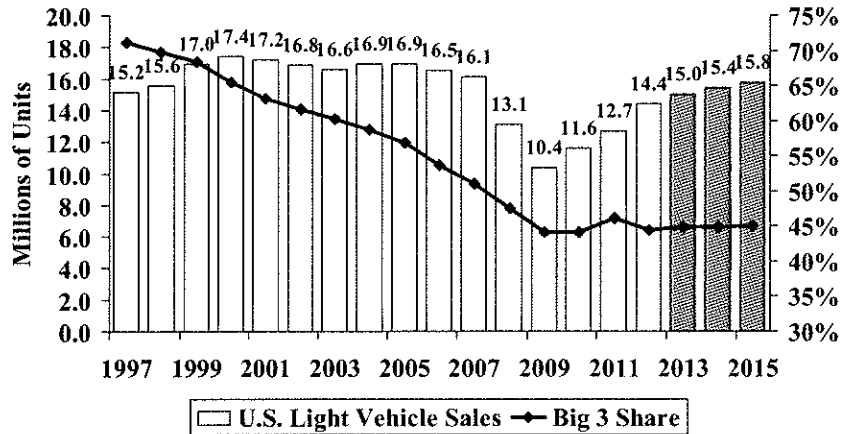
### Millions of Units



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## Vehicle Sales Up, Big 3 Market Share Stabilizes

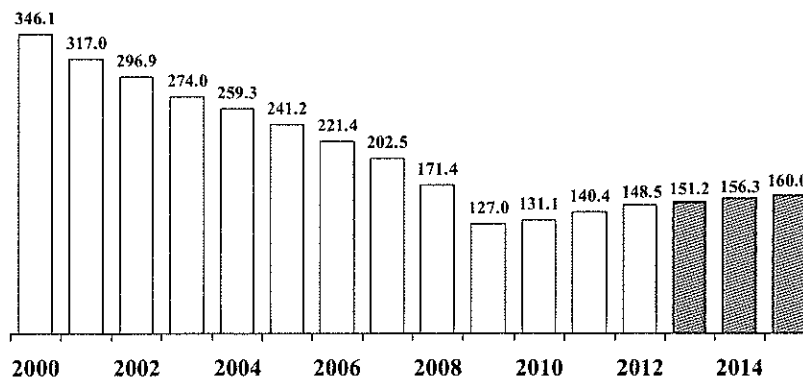


Source: Automotive News.  
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Average Agency Forecasts

## Michigan Vehicle Employment

### Transportation Equipment Employment Edging Up Thousands

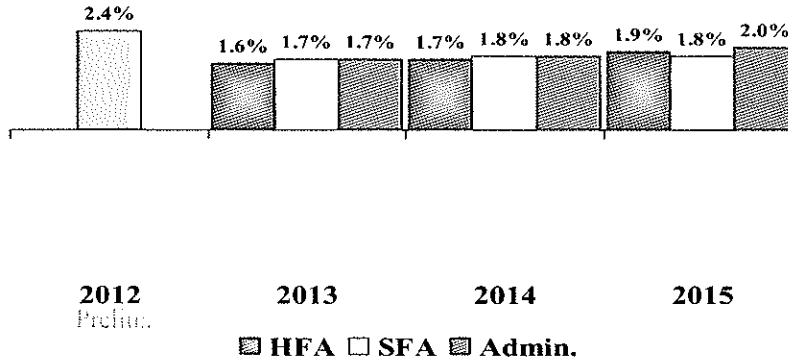


Source: Bureau of Labor Statistics.  
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Average Agency Forecasts

## Inflation Remains Low

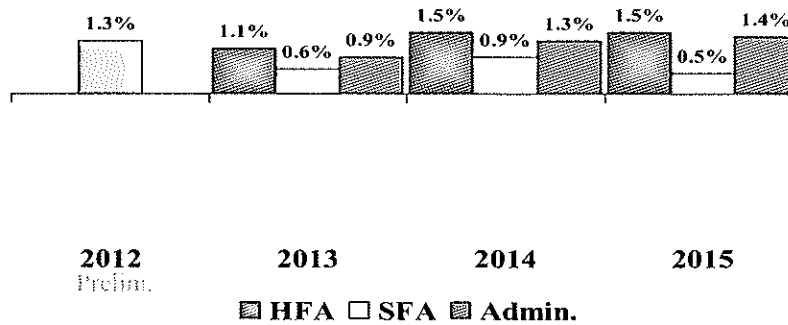
### Detroit Consumer Price Index Fiscal Year Growth



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## Michigan Wage and Salary Employment

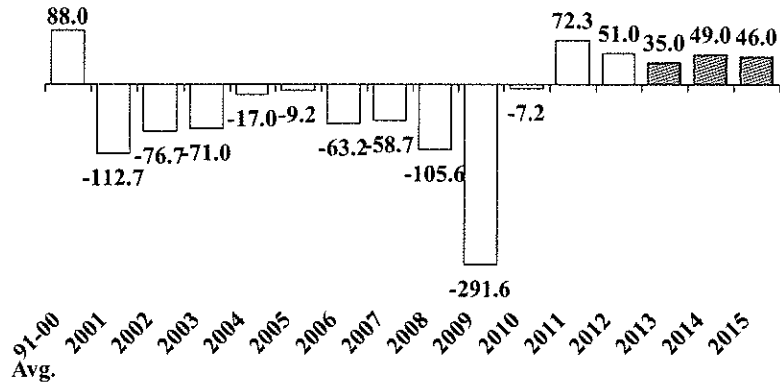
### Annual Percent Change



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## Michigan Job Gains Expected Through 2015

Change in Michigan Wage and Salary Employment  
Thousands

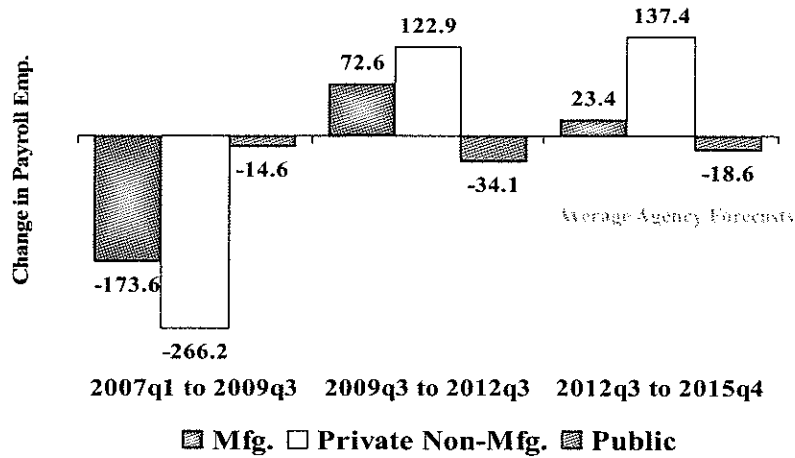


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Average Agency Forecasts

## Dynamics of Michigan Payroll Employment

Thousands of Jobs



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## Forecast of Major Taxes

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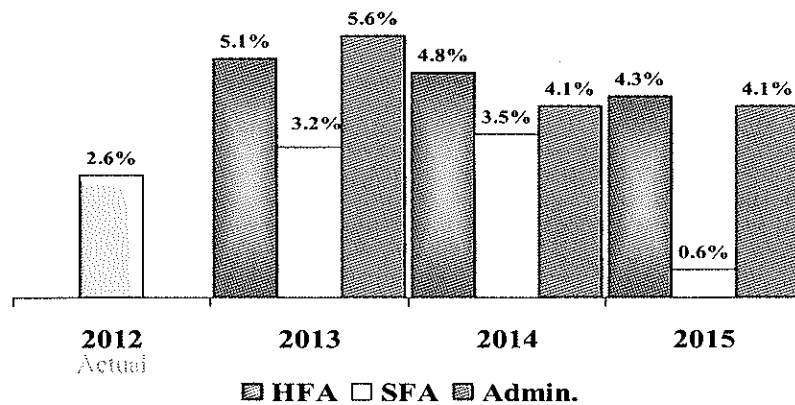
- Tax restructuring will boost income tax revenue in FY 2013.
- Sales tax collections will continue to grow throughout the forecast period.
- SET turns positive in FY 2013.
- MBT/CIT revenue will decline sharply in FY 2013 and then grow in FY 2014 and FY 2015.

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## Baseline Income Tax Growth

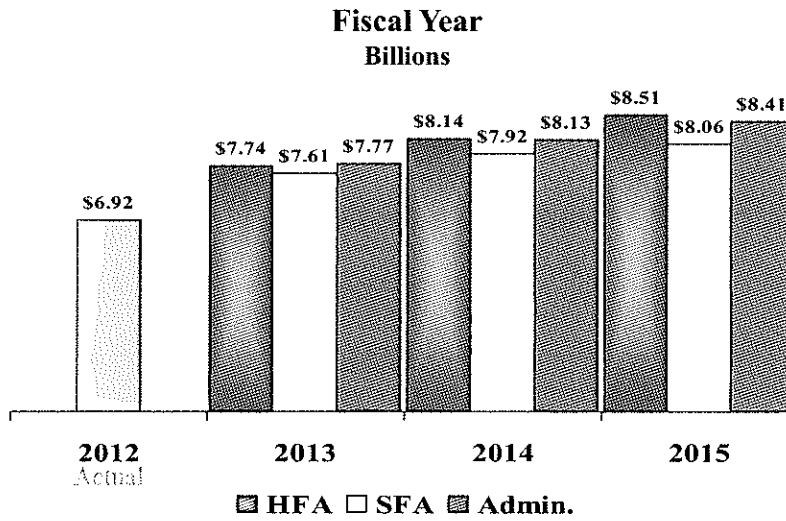
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### Fiscal Year Growth



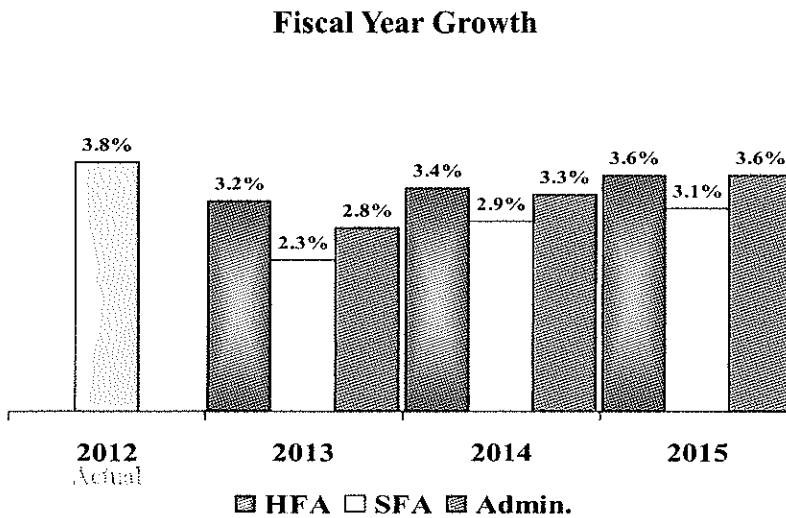
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## Net Income Tax Revenue Estimates



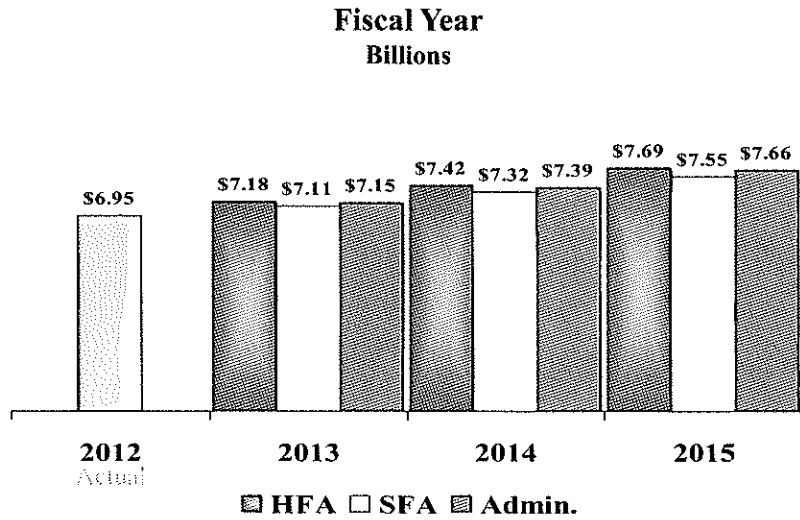
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## Baseline Sales Tax Growth



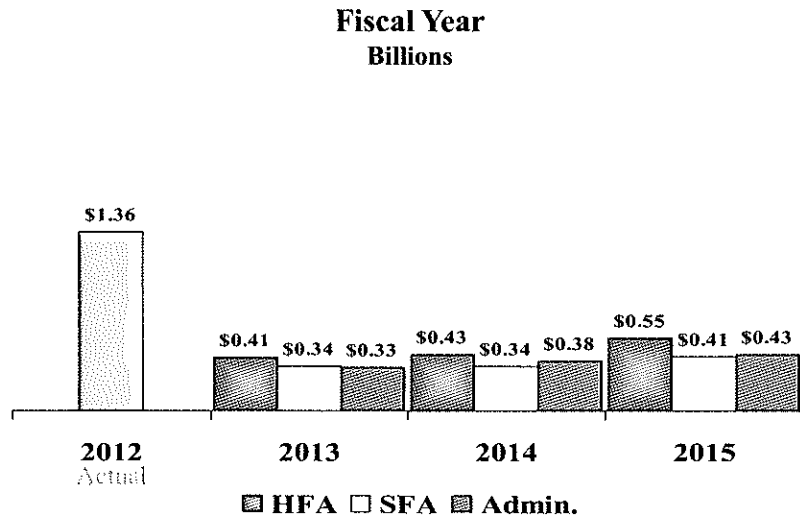
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## Net Sales Tax Revenue Estimates



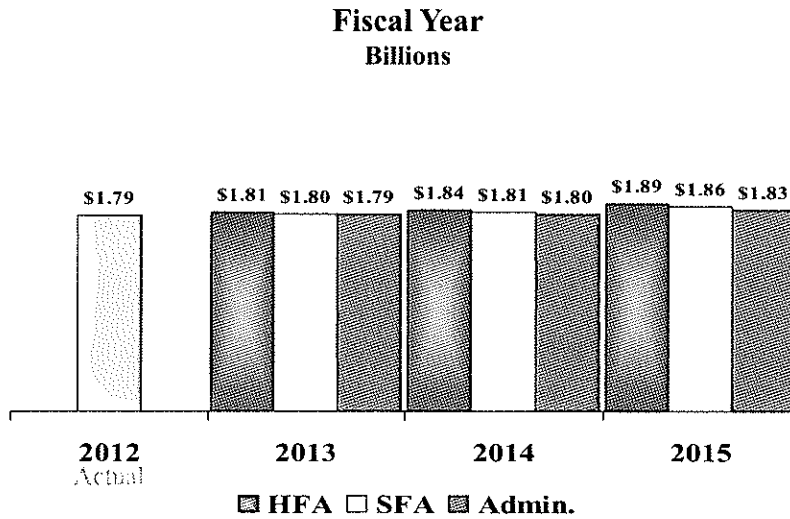
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## Net MBT/CIT Revenue Estimates



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## Net SET Revenue Estimates



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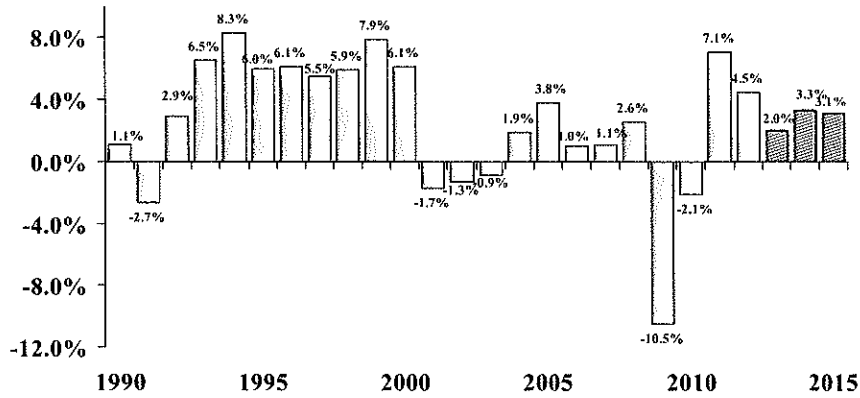
## GF-GP and School Aid Fund Revenue

- 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

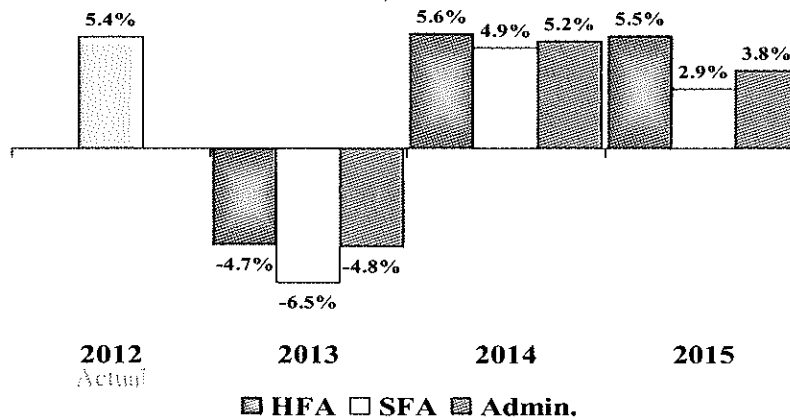


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Average Agency Forecasts

## GF-GP Net Revenue Growth

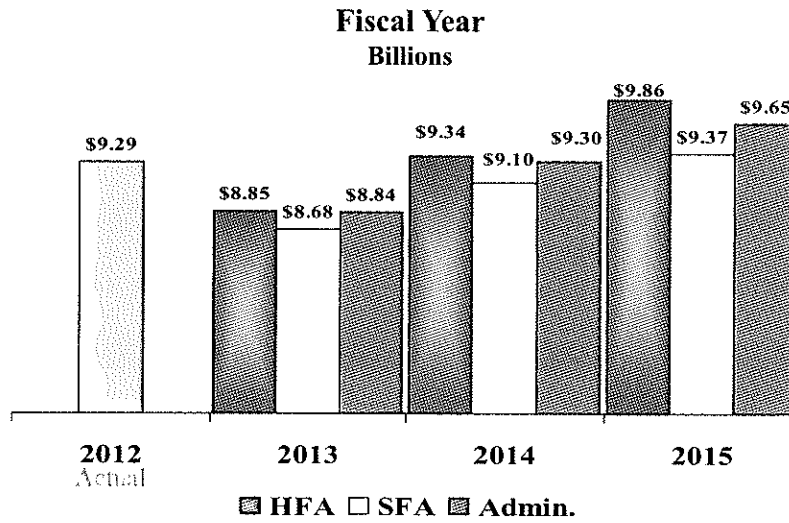
### Fiscal Year Growth



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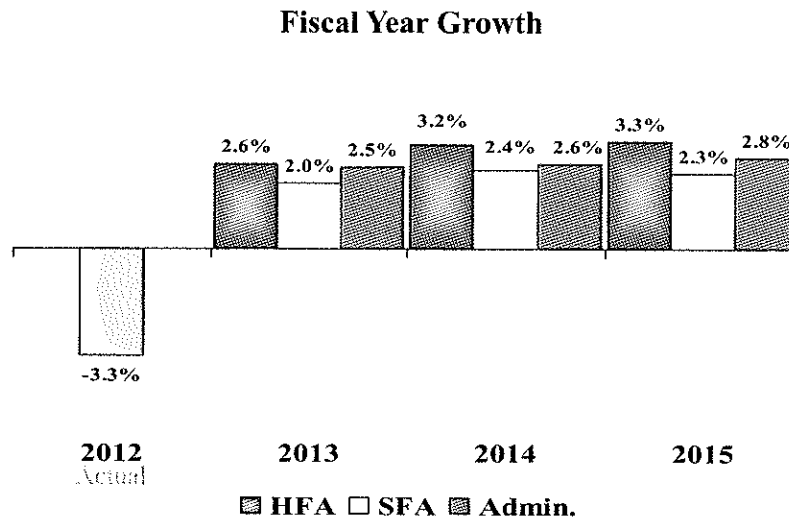


## GF-GP Net Revenue Estimates



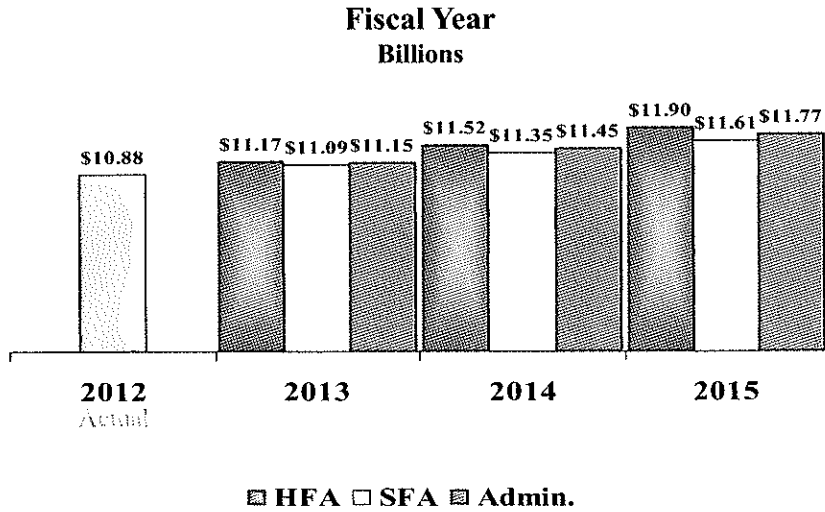
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## School Aid Fund Net Growth



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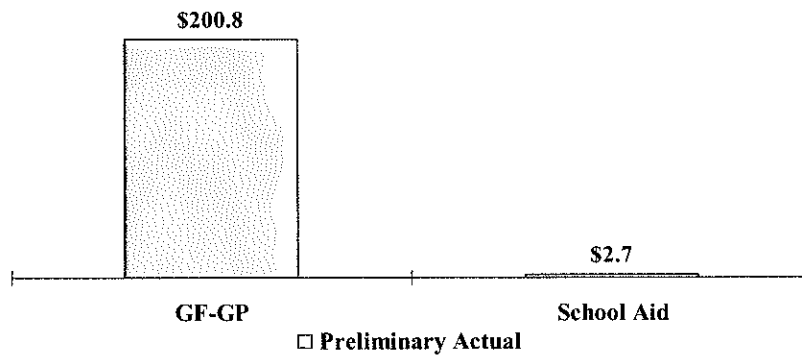
## School Aid Fund Net Revenue Estimates



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## FY 2012 Changes Since May

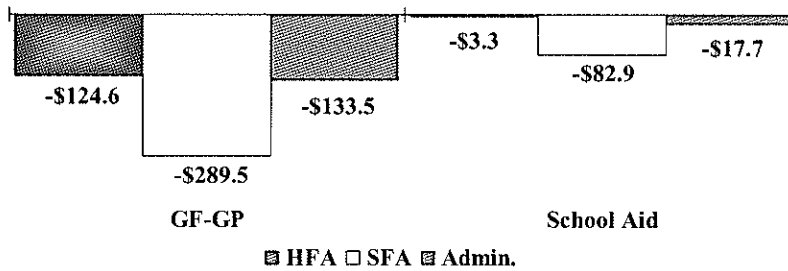
### Change From May Consensus Estimates Millions



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## FY 2013 Changes Since May

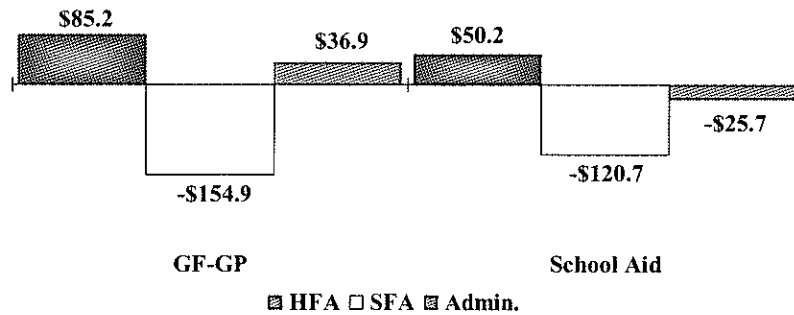
Change From May Consensus Estimates  
Millions



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## FY 2014 Changes Since May

Change From May Consensus Estimates  
Millions



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## FY 2013 Revenue Estimate Change Since May

Millions			
	<u>GF/GP</u>	<u>SAF</u>	<u>Total</u>
<b>Revenue Estimate Change *</b>	(\$177.7)	(\$41.7)	(\$219.4)
<b>Components of Change:</b>			
<b>Policy Changes (in FY13 Budget)</b>			
IIT Rate Change	(\$47.0)	\$0.0	(\$47.0)
IIT Personal Ex. Inc.	(\$44.0)	(\$12.0)	(\$56.0)
Sales Tax to Trans.	(\$110.0)	\$0.0	(\$110.0)
Other Tax Chgs	(\$11.6)	(\$4.1)	(\$15.7)
Subtotal	(\$212.6)	(\$16.1)	(\$228.7)
<b>Policy Changes "Lame Duck"</b>	(\$4.7)	\$0.2	(\$4.5)
<b>Total Policy Changes</b>	(\$217.3)	(\$15.9)	(\$233.2)
 <b>Economic and Other Changes:</b>	 \$39.6	 (\$25.8)	 \$13.6

\* Based on the Agency estimates.

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## FY 2014 Revenue Estimate Change Since May

Millions			
	<u>GF/GP</u>	<u>SAF</u>	<u>Total</u>
<b>Revenue Estimate Change *</b>	\$5.4	(\$38.9)	(\$33.4)
<b>Components of Change:</b>			
<b>Policy Changes (June 2012)</b>			
IIT Rate Change	\$0.0	\$0.0	\$0.0
IIT Personal Ex. Inc.	(\$27.0)	(\$9.0)	(\$36.0)
Sales Tax to Trans.	\$0.0	\$0.0	\$0.0
Other Tax Chgs	(\$7.8)	(\$2.5)	(\$10.3)
Subtotal	(\$34.8)	(\$11.5)	(\$46.3)
<b>Policy Changes "Lame Duck"</b>	(\$0.6)	(\$8.7)	(\$9.3)
<b>Total Policy Changes</b>	(\$35.4)	(\$20.2)	(\$55.6)
 <b>Economic and Other Changes:</b>	 \$40.8	 (\$18.7)	 \$22.2

\* Based on the Agency estimates.

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## Revenue Forecast Comparison

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Millions

Revenue	FY 2013			FY 2014			FY 2015		
	House Fiscal Agency	Senate Fiscal Agency	Treasury	House Fiscal Agency	Senate Fiscal Agency	Treasury	House Fiscal Agency	Senate Fiscal Agency	Treasury
	GF-GP	\$8,845	\$8,681	\$8,836	\$9,344	\$9,104	\$9,296	\$9,860	\$9,371
School Aid	\$11,166	\$11,087	\$11,152	\$11,522	\$11,351	\$11,446	\$11,896	\$11,613	\$11,767
<b>Combined</b>	\$20,011	\$19,768	\$19,988	\$20,866	\$20,455	\$20,742	\$21,756	\$20,984	\$21,414
<b>Difference From May</b>									
GF-GP	(\$125)	(\$290)	(\$134)	\$85	(\$155)	\$37			
School Aid	(\$3)	(\$83)	(\$18)	\$50	(\$121)	(\$26)			
<b>Combined</b>	(\$128)	(\$372)	(\$151)	\$135	(\$276)	\$11	\$0	\$0	\$0

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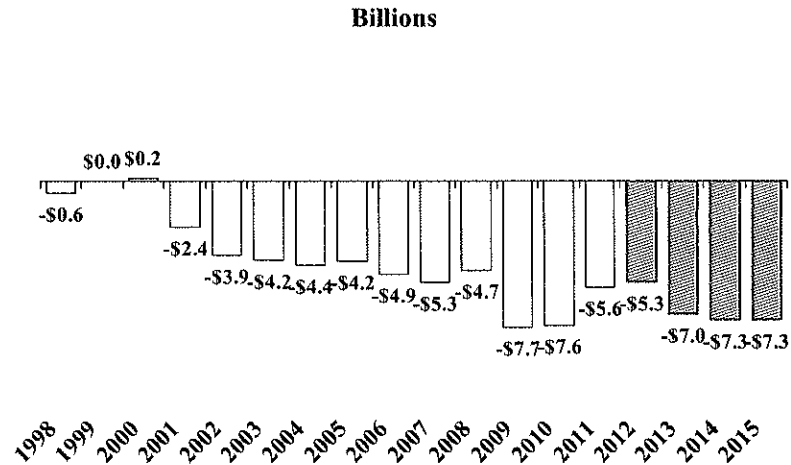
## Budget Stabilization Fund

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- In FY 2012, \$363 million was transferred into the BSF, bringing the balance to \$365 million.
- In FY 2013, an additional \$140 million has been appropriated to the BSF. The Agencies show no calculated pay-ins or pay-outs in FY 2013.
- In FY 2014, the Agencies estimate no calculated pay-ins or pay-outs.
- In FY 2015, the Agencies estimate calculated pay-ins ranging from \$0 to \$40 million and no calculated pay-outs.

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## Constitutional Revenue Limit Calculation



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Average Agency Forecasts

## Forecast Risks

- Federal Government fiscal uncertainty.
- European financial risks.
- Consumer behavior.
- Oil and gasoline prices.
- Rest of world growth.
- Financial and housing markets uncertainties.
- MBT/CIT refund/credit issue.

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