

# **Consensus Revenue Agreement**

## **Executive Summary**

**May 15, 2015**

### **Economic and Revenue Forecasts**

### **Fiscal Years 2015, 2016 and 2017**



#### **Principals**

**John Roberts**  
**State Budget Director**

**Ellen Jeffries, Director**  
**Senate Fiscal Agency**

**Mary Ann Cleary, Director**  
**House Fiscal Agency**

#### **Staff**

**Jay Wortley**  
**Michigan Department of Treasury**

**David Zin**  
**Senate Fiscal Agency**

**Jim Stansell**  
**House Fiscal Agency**

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

May 2015

	Calendar 2013 Actual	Calendar 2014 Forecast	Percent Change from Prior Year	Calendar 2015 Forecast	Percent Change from Prior Year	Calendar 2016 Forecast	Percent Change from Prior Year	Calendar 2017 Forecast	Percent Change from Prior Year
<b>United States</b>									
Real Gross Domestic Product (Billions of Chained 2009 Dollars)	\$15,710	\$16,086	2.4%	\$16,472	2.4%	\$16,933	2.8%	\$17,424	2.9%
Implicit Price Deflator GDP (2009 = 100)	106.7	108.3	1.5%	109.5	1.1%	111.3	1.6%	113.3	1.8%
Consumer Price Index (1982-84 = 100)	232.957	236.736	1.6%	237.165	0.2%	241.859	2.0%	247.193	2.2%
Consumer Price Index - Fiscal Year (1982-84 = 100)	232.247	236.009	1.6%	236.761	0.3%	240.676	1.7%	245.853	2.2%
Personal Consumption Deflator (2009 = 100)	107.3	108.7	1.3%	109.0	0.3%	110.6	1.5%	112.5	1.7%
3-month Treasury Bills Interest Rate (percent)	0.1	0.03		0.2		1.2		2.1	
Aaa Corporate Bonds Interest Rate (percent)	4.2	4.2		3.8		4.2		4.5	
Unemployment Rate - Civilian (percent)	7.4	6.2		5.4		5.2		5.1	
Wage and Salary Employment (millions)	136.393	139.042	1.9%	141.820	2.0%	143.950	1.5%	145.970	1.4%
Housing Starts (millions of starts)	0.925	1.001	8.2%	1.143	14.2%	1.320	15.5%	1.450	9.8%
Light Vehicle Sales (millions of units)	15.5	16.4	5.8%	16.9	3.0%	17.1	1.2%	17.1	0.0%
Passenger Car Sales (millions of units)	7.6	7.7	1.1%	7.7	0.2%	7.8	1.3%	7.9	1.3%
Light Truck Sales (millions of units)	7.9	8.7	10.4%	9.2	5.5%	9.3	1.1%	9.2	-1.1%
Big 3 Share of Light Vehicles (percent)	44.4	44.3		44.3		44.4		44.5	
<b>Michigan</b>									
Wage and Salary Employment (thousands)	4,109	4,180	1.7%	4,263	2.0%	4,314	1.2%	4,358	1.0%
Unemployment Rate (percent)	8.8	7.3		5.8		5.5		5.4	
Personal Income (millions of dollars)	\$386,471	\$401,901	4.0%	\$420,388	4.6%	\$438,886	4.4%	\$457,319	4.2%
Real Personal Income (millions of 1982-84 dollars)	\$176,084	\$181,213	2.9%	\$190,467	5.1%	\$195,104	2.4%	\$199,025	2.0%
Wages and Salaries (millions of dollars)	\$195,203	\$204,768	4.9%	\$214,187	4.6%	\$221,255	3.3%	\$228,114	3.1%
Detroit Consumer Price Index (1982-84 = 100)	219.481	221.784	1.0%	220.715	-0.5%	224.950	1.9%	229.779	2.1%

Table 2  
**May 2015 Consensus Forecast**  
(millions)

Net Revenue Estimates									
	FY 2015			FY 2016			FY 2017		
	Jan 2015 Consensus	May 2015 Consensus	\$ Change From Jan	Jan 2015 Consensus	May 2015 Consensus	\$ Change From Jan	Jan 2015 Consensus	May 2015 Consensus	\$ Change From Jan
<b>Net GF-GP Revenue</b>	\$9,501.4	\$9,724.9	\$223.5	\$9,713.2	\$9,881.9	\$168.7	\$10,000.6	\$10,121.5	\$120.9
% Growth	5.4%	7.8%		2.2%	1.6%		3.0%	2.4%	
\$ Growth		\$706.3			\$156.9			\$239.6	
<b>Net SAF Revenue</b>	\$11,889.1	\$11,883.2	(\$5.9)	\$12,263.7	\$12,242.9	(\$20.8)	\$12,640.9	\$12,598.8	(\$42.1)
% Growth	3.2%	3.1%		3.2%	3.0%		3.1%	2.9%	
\$ Growth		\$362.6			\$359.7			\$355.9	
<b>Combined GF-GP/SAF</b>	\$21,390.5	\$21,608.1	\$217.6	\$21,976.9	\$22,124.8	\$147.8	\$22,641.5	\$22,720.3	\$78.8
% Growth	4.1%	5.2%		2.7%	2.4%		3.0%	2.7%	
\$ Growth		\$1,068.9			\$516.7			\$595.5	

Revenue Limit Calculation				
	FY 2014	FY 2015	FY 2016	FY 2017
Personal Income	\$378,443	\$386,471	\$401,901	\$420,388
Ratio	9.49%	9.49%	9.49%	9.49%
Revenue Limit	\$35,914.2	\$36,676.1	\$38,140.4	\$39,894.8
Revenue Subject to Limit	\$27,244.0	\$28,486.3	\$29,126.1	\$29,856.0
<b>Amount Under (Over) Limit</b>	<b>\$8,670.2</b>	<b>\$8,189.8</b>	<b>\$9,014.3</b>	<b>\$10,038.9</b>

Note: CY 2012 Personal Income is used for the FY 2014 revenue limit calculation, CY 2013 for FY 2015, CY 2014 for FY 2016, and CY 2015 for FY 2017.

Long Term Revenue Trend		
	FY 2018	FY 2019
<b>Net GF-GP Revenue</b>	\$10,486.8	\$10,862.6
Growth	3.6%	3.6%
<b>Net SAF Revenue</b>	\$12,948.3	\$13,322.9
Growth	2.8%	2.9%
<b>Combined GF-GP/SAF</b>	\$23,435.1	\$24,185.5
Growth	3.1%	3.2%

Budget Stabilization Fund Calculation		
FY 2015 Calculations	<b>PAY-IN</b>	<b>\$45.1</b>
FY 2016 Calculations	<b>PAY-IN</b>	<b>\$243.1</b>
FY 2017 Calculations	<b>PAY-IN</b>	<b>\$118.6</b>

School Aid Index		
	FY 2016	FY 2017
Revenue Adjustment Factor	<b>1.0299</b>	<b>1.0280</b>
Pupil Membership Factor	<b>1.0098</b>	<b>1.0095</b>
School Aid Index	<b>1.0400</b>	<b>1.0378</b>