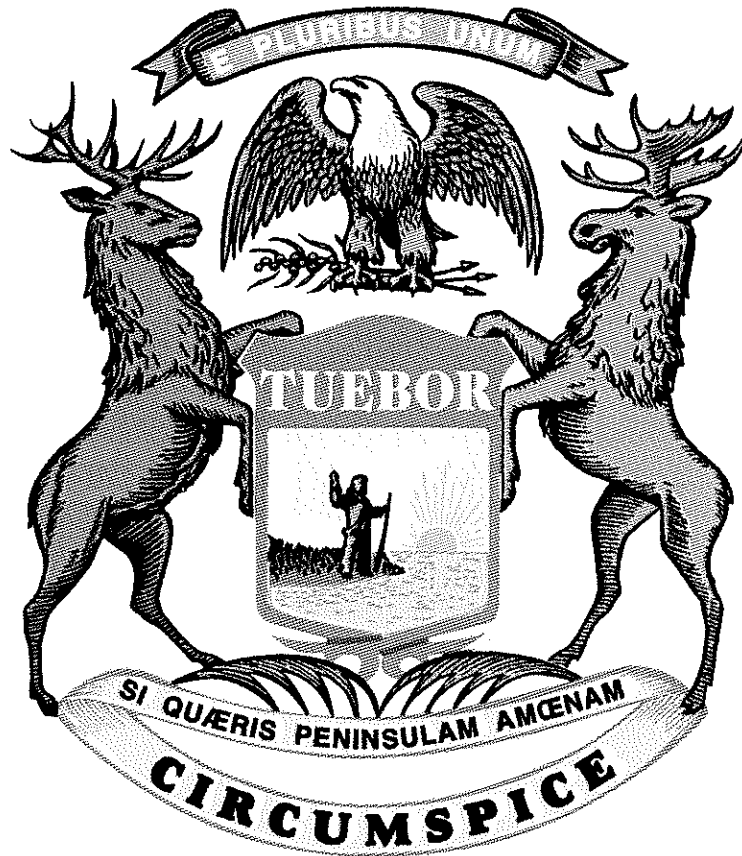


# **Economic and Revenue Forecasts**

**FY 2014 \* FY 2015 \* FY 2016**



**Consensus Revenue Estimating Conference  
January 10, 2014**

## Outline

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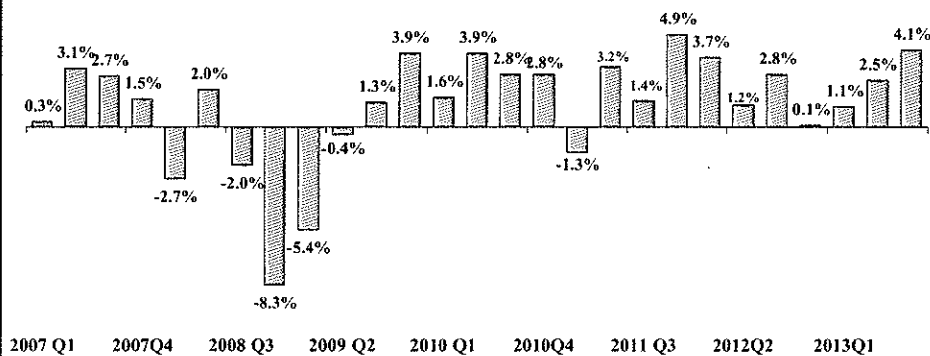
- **Economic Forecast** – David Zin,  
Senate Fiscal Agency
- **Revenue Estimates for Major Taxes** – Jay Wortley,  
Department of Treasury
- **Revenue Estimates by Fund** – Jim Stansell,  
House Fiscal Agency

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## GDP Growth Accelerates in 2013

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### Real GDP Growth



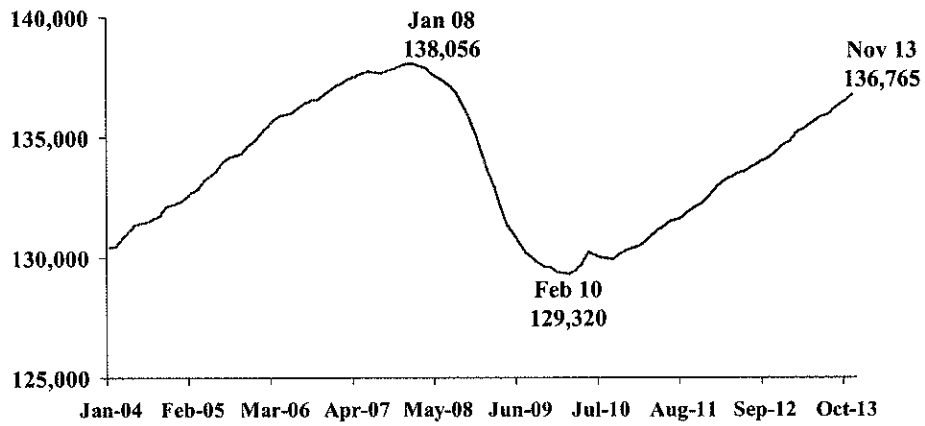
Figures are annualized percent change from preceding quarter in 2005 chained dollars.

Source: Bureau of Economic Analysis.

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## U.S. Employment Increasing

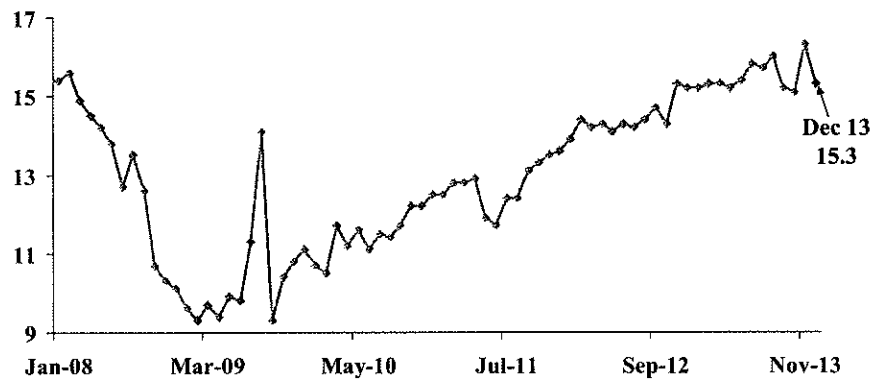
### U.S. Payroll Employment Thousands



Source: Bureau of Labor Statistics.  
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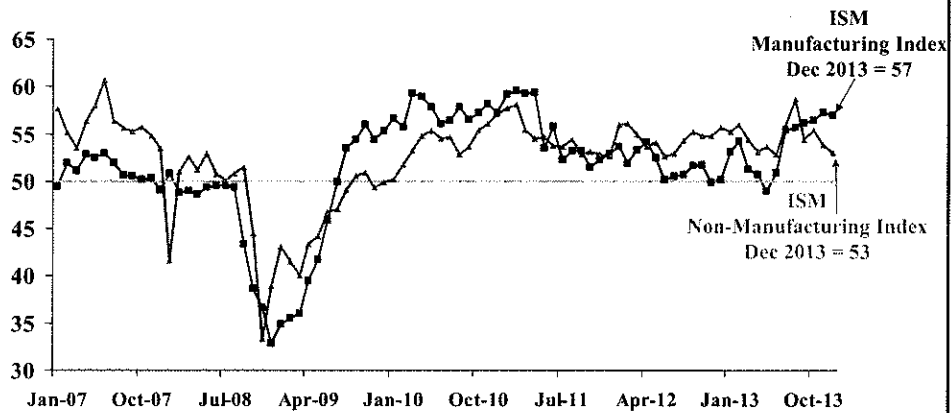
## Light Vehicle Sales

### Millions of Units



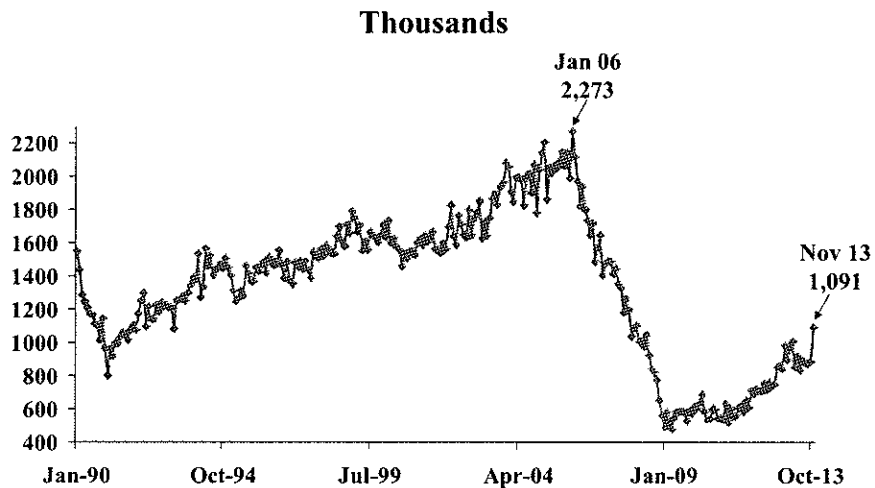
Note: Sales rates are shown as an annual average sales rate.  
Source: Bureau of Economic Analysis.  
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## ISM Indices Show Expansion



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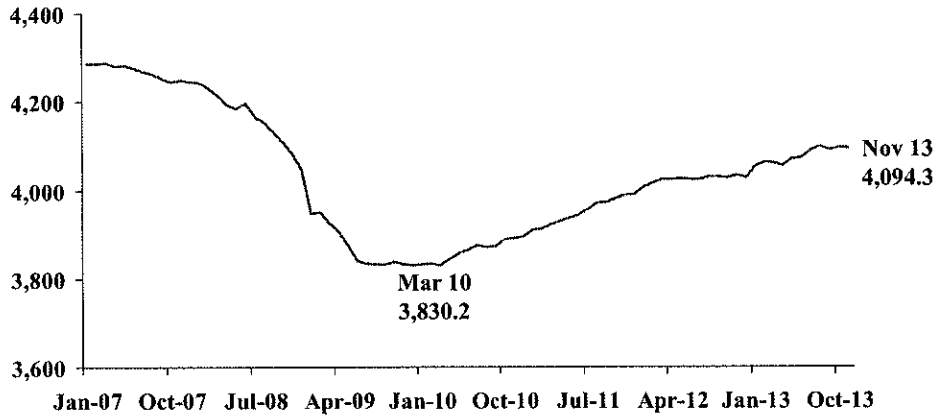
## Housing Starts Increasing From Historical Lows



Source: New Privately Owned Housing Units Started, U.S. Department of Commerce.  
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## Michigan Employment Growth Stabilizing

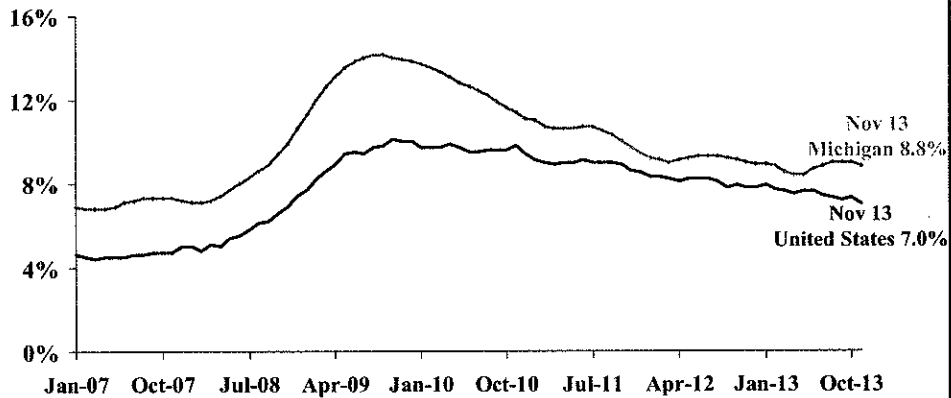
**Michigan Payroll Employment**  
Thousands of Jobs



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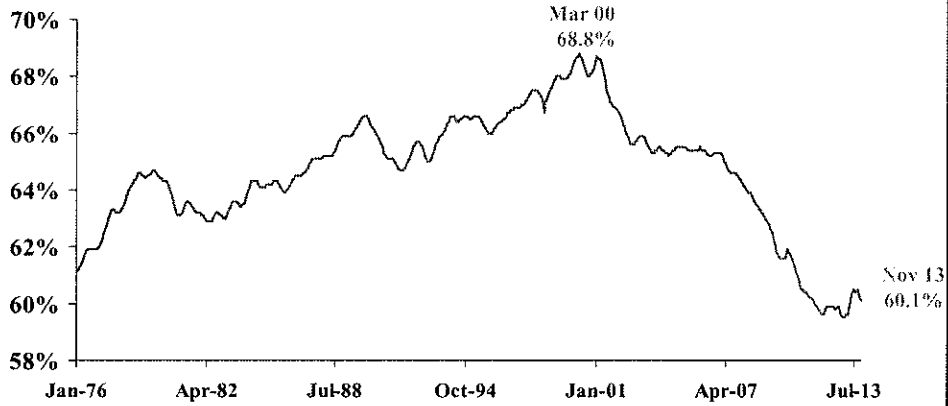
## U.S. & Michigan Unemployment Rates

**Michigan Improving Faster Than U.S.**



Source: Bureau of Labor Statistics.  
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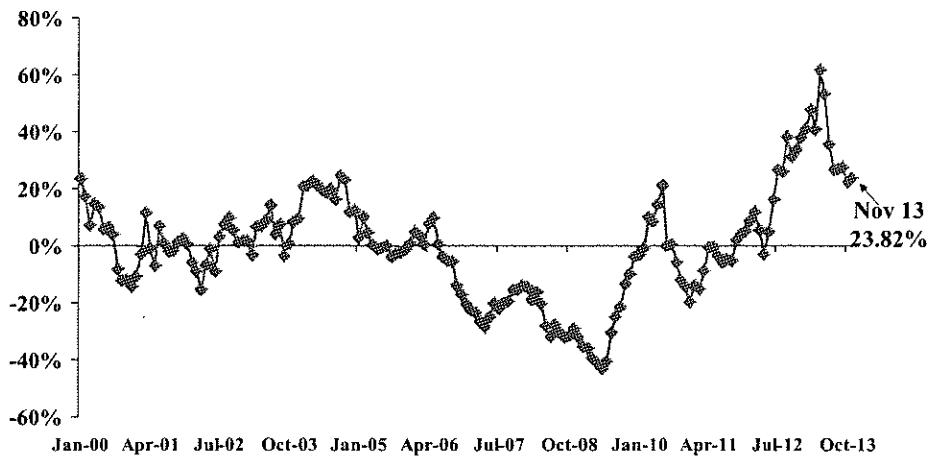
## Michigan Labor Force Participation Rate



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

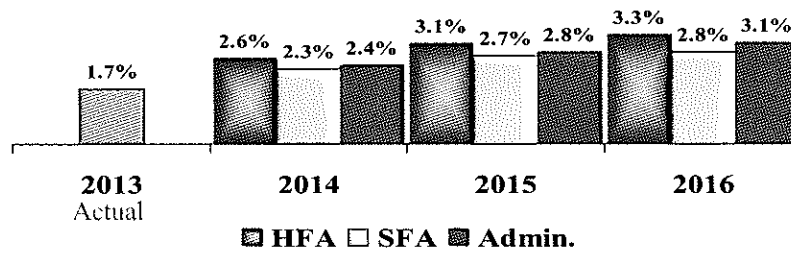
### Year-Over-Year Change in 6 Month Trailing Average



Source: Michigan Department of Treasury.  
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## GDP Forecasts

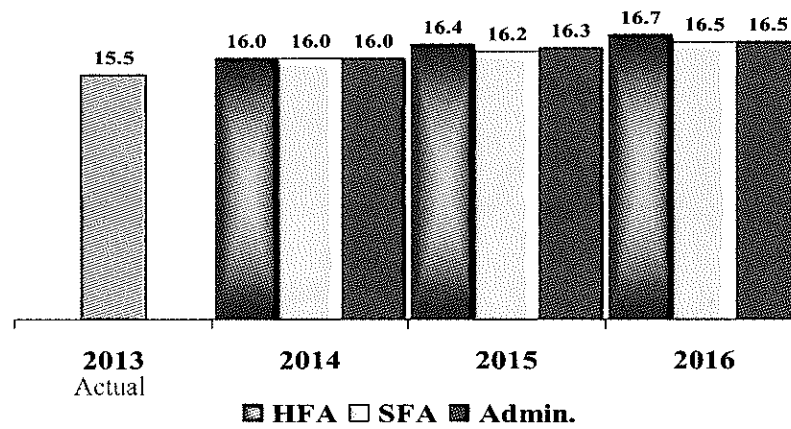
### Annual Percent Change



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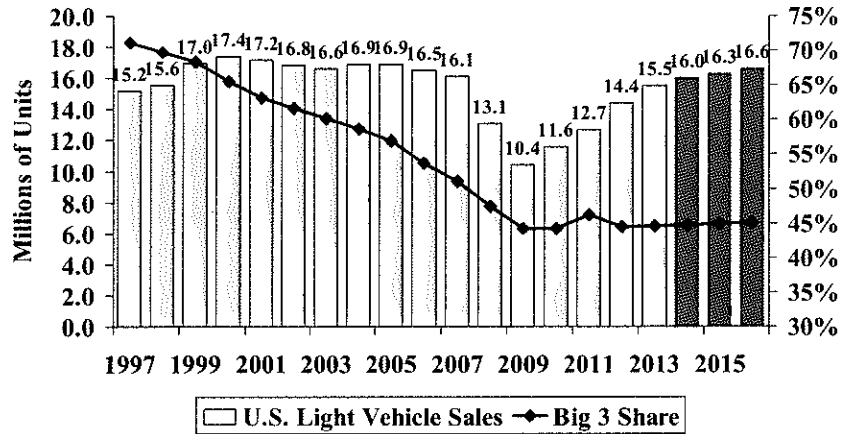
## Light Vehicle Sales Forecast

### Millions of Units



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## Vehicle Sales Up, Big 3 Market Share Stabilizes



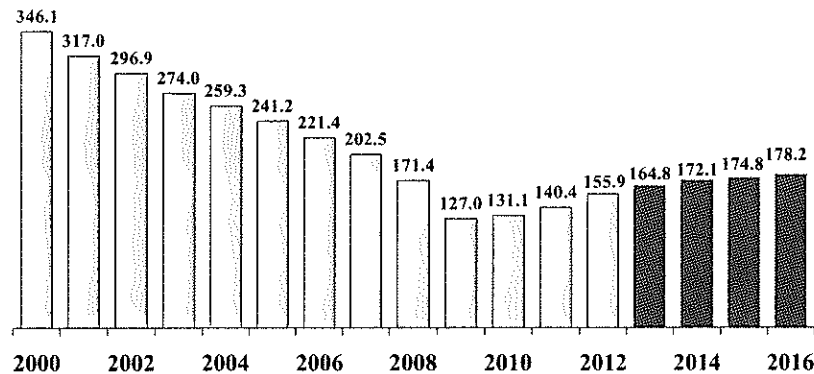
Source: Automotive News.  
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Average Agency Forecasts

## Michigan Vehicle Employment

### Transportation Equipment Employment Edging Up

Thousands



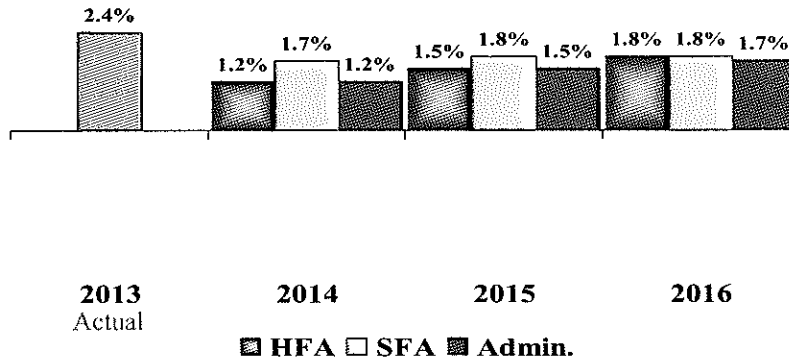
Source: Bureau of Labor Statistics.  
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Average Agency Forecasts



## Inflation Remains Low

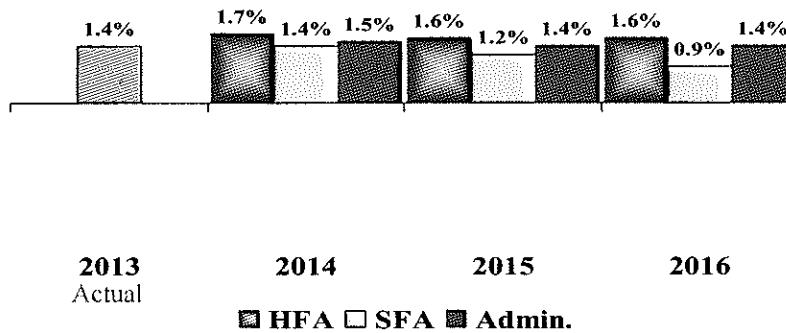
### Detroit Consumer Price Index Fiscal Year Growth



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## Michigan Wage and Salary Employment

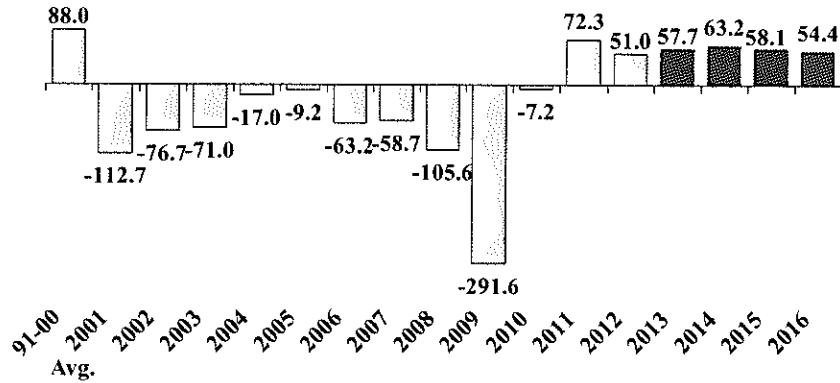
### Annual Percent Change



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## Michigan Job Gains Expected Through 2016

### Change in Michigan Wage and Salary Employment Thousands

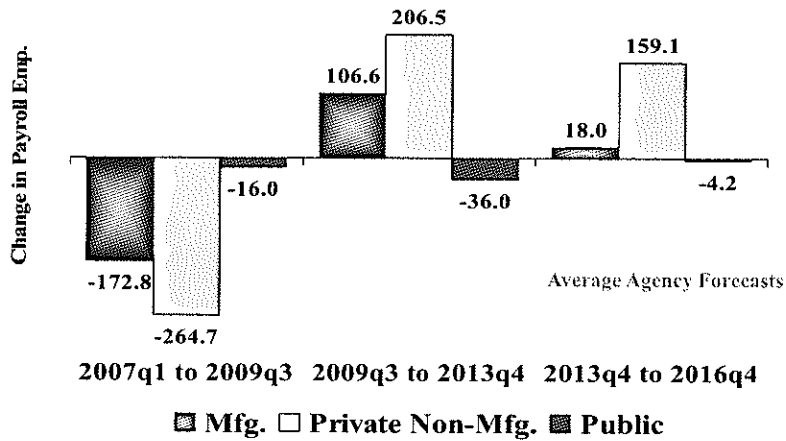


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Average Agency Forecasts

## Dynamics of Michigan Payroll Employment

### Thousands of Jobs



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## Forecast of Major Taxes

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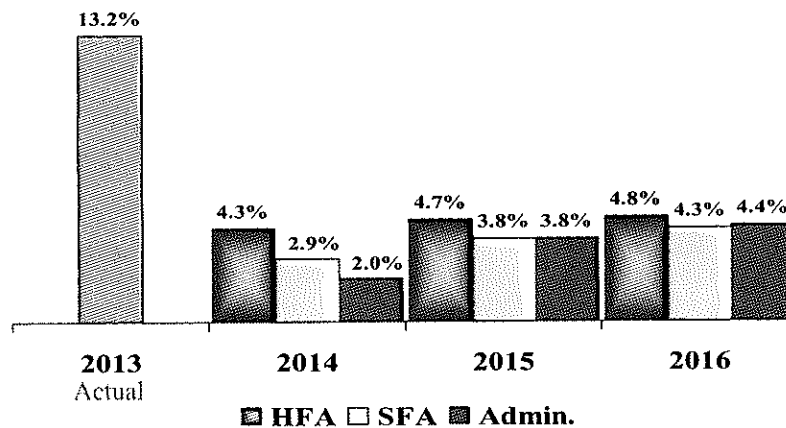
- Income and Business Taxes stronger than expected in FY 2013.
- Sales and Income Taxes will continue to grow through the forecast period.
- SET is expected to stop declining in FY 2014.
- Much uncertainty regarding MBT/CIT revenue due to timing and amount of certificated credits.

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## Baseline Income Tax Growth

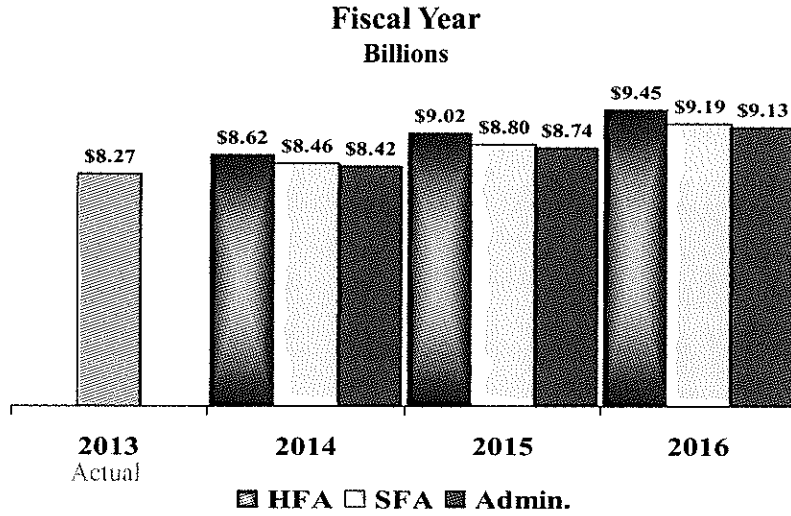
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### Fiscal Year Growth



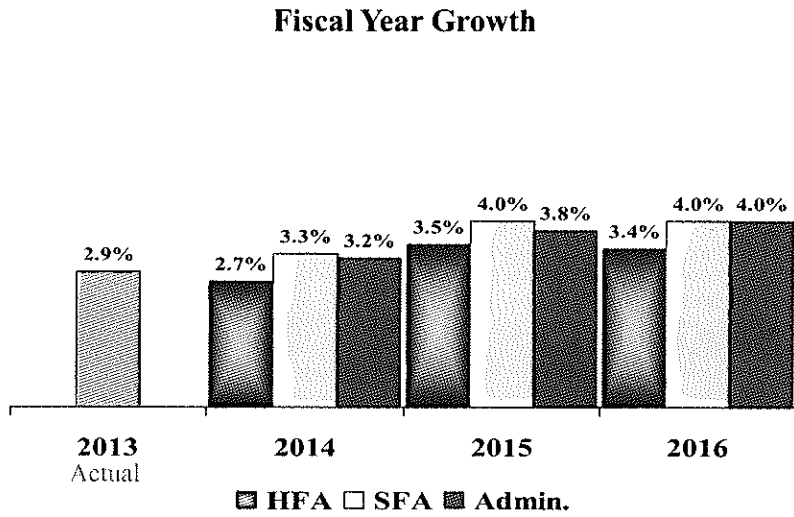
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## Net Income Tax Revenue Estimates



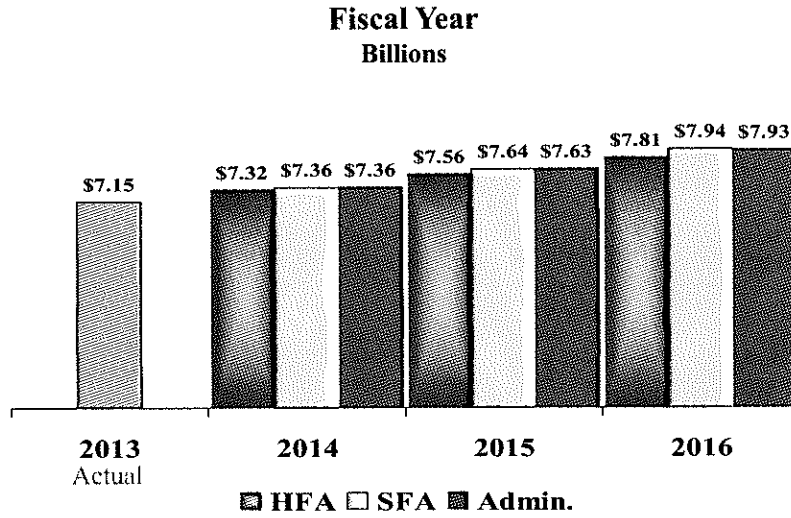
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## Baseline Sales Tax Growth



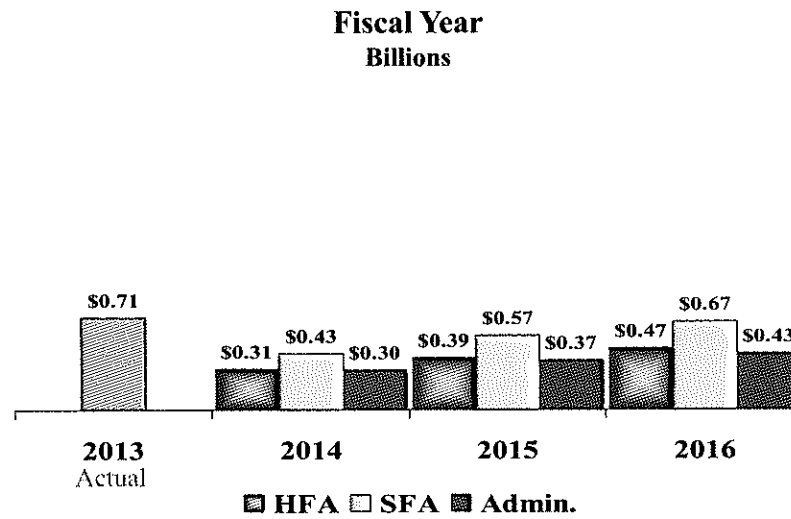
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## Net Sales Tax Revenue Estimates



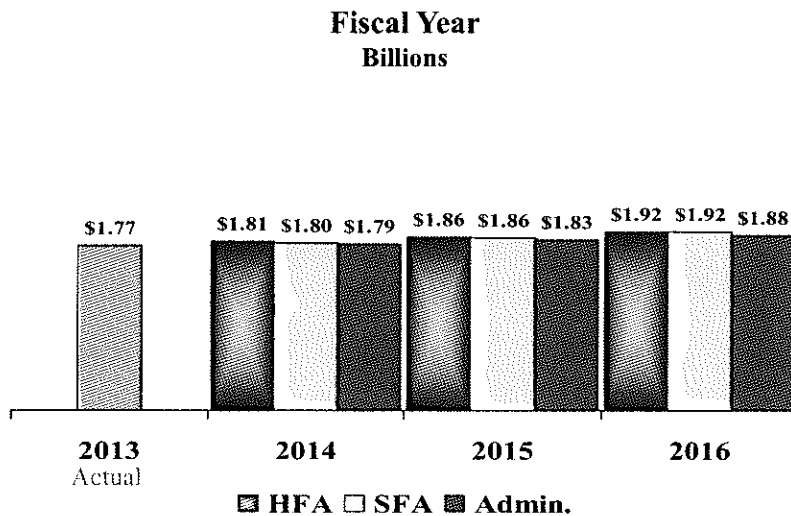
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## Net MBT/CIT Revenue Estimates



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## Net SET Revenue Estimates



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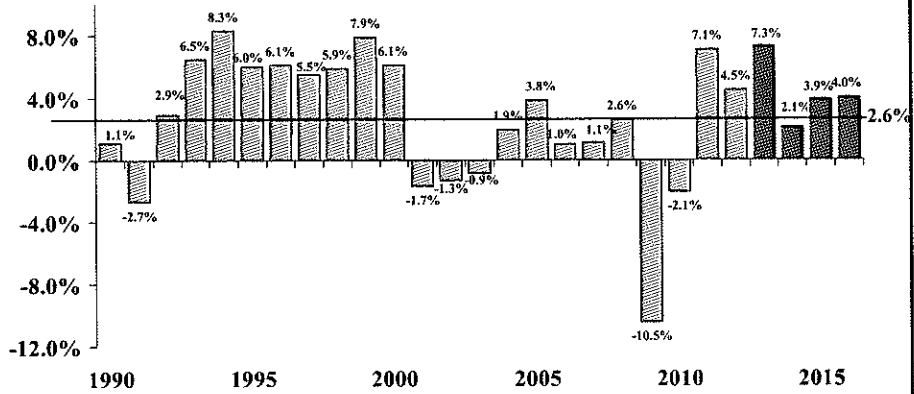
## GF-GP and School Aid Fund Revenue

- 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

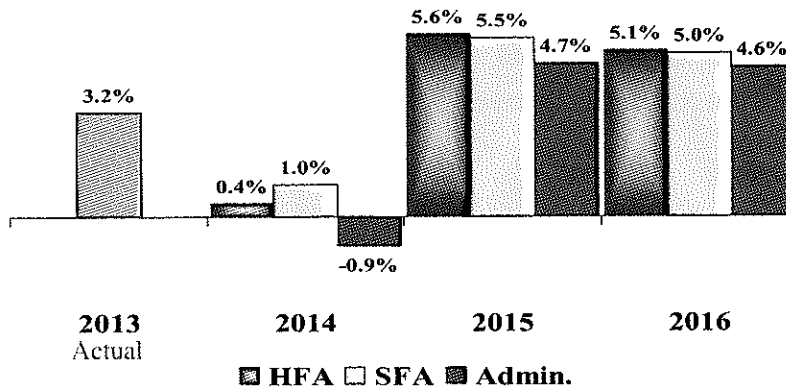


Average Agency Forecasts

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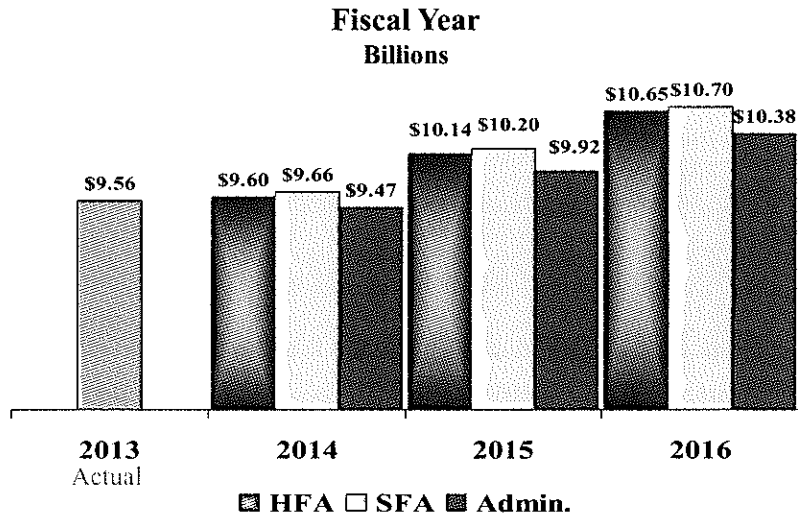
## GF-GP Net Revenue Growth

### Fiscal Year Growth



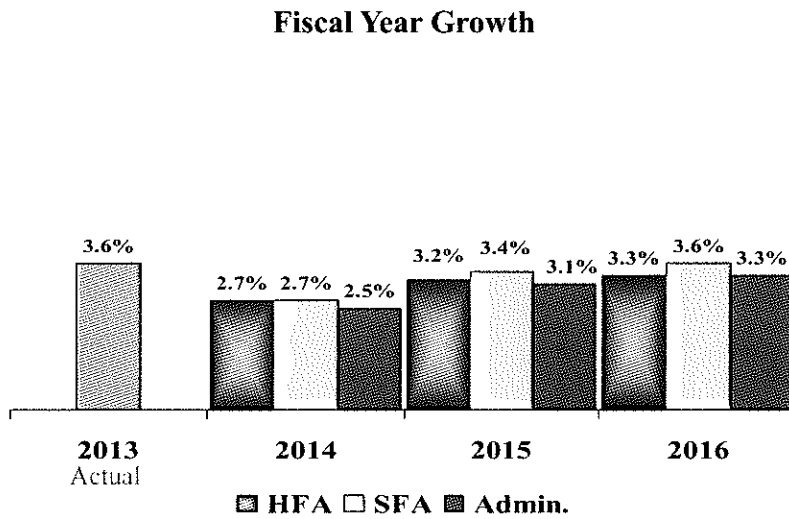
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## GF-GP Net Revenue Estimates



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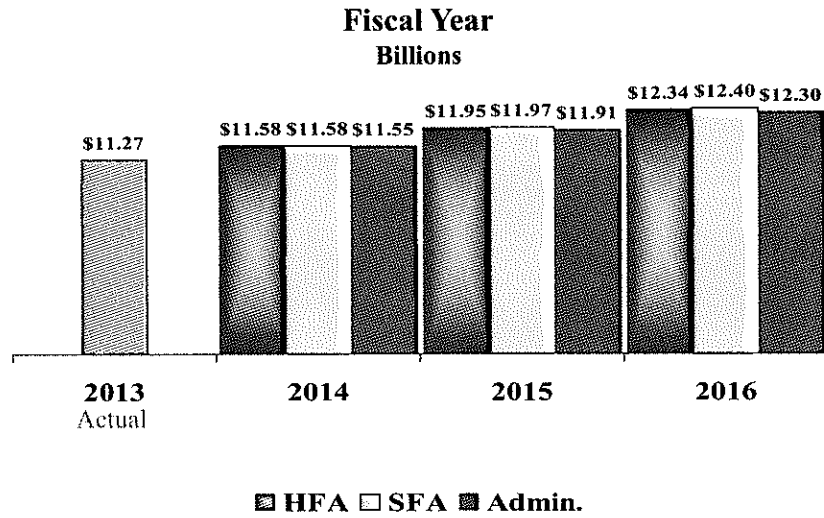
## School Aid Fund Net Growth



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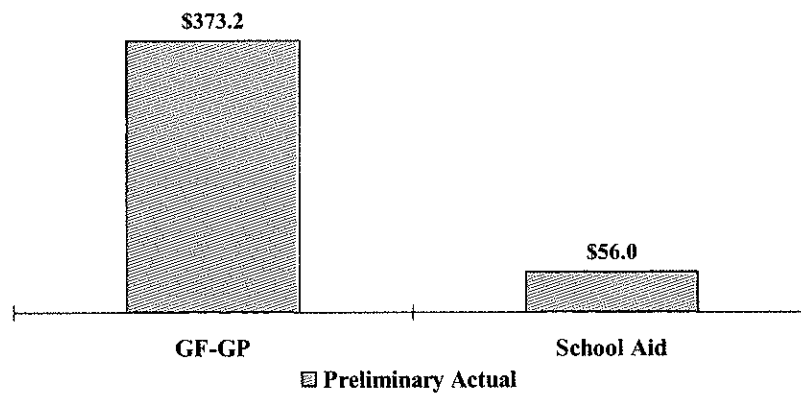
## School Aid Fund Net Revenue Estimates



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## FY 2013 Changes Since May

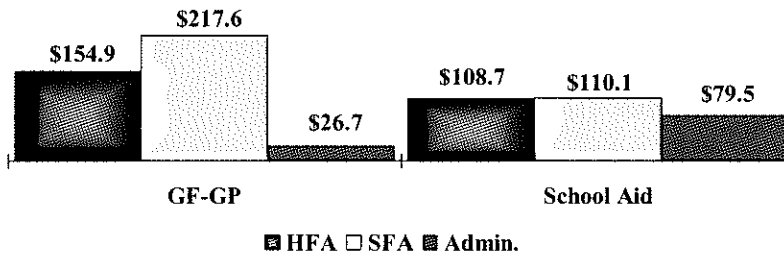
### Change From May Consensus Estimates Millions



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## FY 2014 Changes Since May

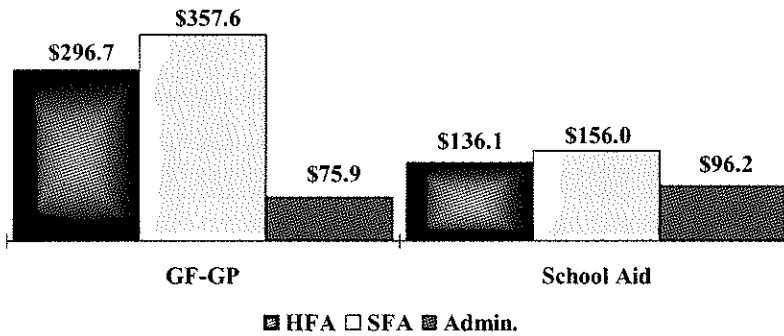
Change From May Consensus Estimates  
Millions



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## FY 2015 Changes Since May

Change From May Consensus Estimates  
Millions



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## Revenue Forecast Comparison

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Millions

<u>Revenue</u>	FY 2014			FY 2015			FY 2016		
	Treasury	House Fiscal Agency	Senate Fiscal Agency	Treasury	House Fiscal Agency	Senate Fiscal Agency	Treasury	House Fiscal Agency	Senate Fiscal Agency
	GF-GP	\$9,473	\$9,601	\$9,664	\$9,916	\$10,137	\$10,198	\$10,375	\$10,650
School Aid	\$11,550	\$11,579	\$11,580	\$11,909	\$11,949	\$11,969	\$12,303	\$12,344	\$12,398
<b>Combined</b>	\$21,023	\$21,180	\$21,244	\$21,825	\$22,086	\$22,167	\$22,678	\$22,994	\$23,102
<b>Difference From Adjusted May</b>									
GF-GP	\$27	\$155	\$218	\$76	\$297	\$358	na	na	na
School Aid	\$80	\$109	\$110	\$96	\$136	\$156	na	na	na
<b>Combined</b>	\$106	\$264	\$328	\$172	\$433	\$514	na	na	na

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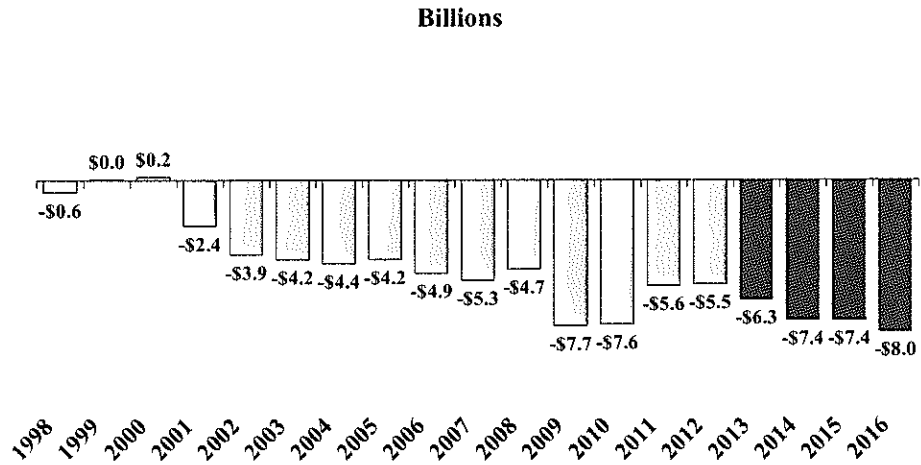
## Budget Stabilization Fund

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- In FY 2014, the Agencies estimate calculated pay-ins ranging from \$0 to \$97 million.
- In FY 2015, the Agencies estimate pay-ins from \$73 million to \$95 million.
- In FY 2016, the Agencies estimate pay-ins ranging from \$19 million to \$88 million.
- No BSF pay-outs are estimated by any of the Agencies during any of these years.

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## Constitutional Revenue Limit Calculation



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Average Agency Forecasts

## Forecast Risks

- Federal fiscal and monetary policies.
- European and Chinese financial risks.
- Consumer spending and debt.
- MBT/CIT refund/credit uncertainties.

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# Economic and Revenue Forecasts

FY 2014 \* FY 2015 \* FY 2016



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