

# **Consensus Revenue Agreement**

## **Executive Summary**

**January 10, 2014**

**Economic and Revenue Forecasts**  
**Fiscal Years 2014, 2015 and 2016**



### Principals

**Kevin Clinton**  
State Treasurer

**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**

January 2014

|   | Calendar<br>2012<br>Actual | Calendar<br>2013<br>Forecast | Percent<br>Change<br>from Prior<br>Year | Calendar<br>2014<br>Forecast | Percent<br>Change<br>from Prior<br>Year | Calendar<br>2015<br>Forecast | Percent<br>Change<br>from Prior<br>Year | Calendar<br>2016<br>Forecast | Percent<br>Change<br>from Prior<br>Year |
|---|----------------------------|------------------------------|---|------------------------------|---|------------------------------|---|------------------------------|---|
| <b>United States</b>  |                            |                              |   |                              |   |                              |   |                              |   |
| Real Gross Domestic Product<br>(Billions of Chained 2005 Dollars) | \$15,471                   | \$15,749                     | 1.8%                                    | \$16,127                     | 2.4%                                    | \$16,595                     | 2.9%                                    | \$17,109                     | 3.1%                                    |
| Implicit Price Deflator GDP<br>(2009 = 100)                       | 105.0                      | 106.6                        | 1.5%                                    | 108.1                        | 1.4%                                    | 110.0                        | 1.8%                                    | 112.1                        | 1.9%                                    |
| Consumer Price Index<br>(1982-84 = 100)                           | 229.594                    | 233.038                      | 1.5%                                    | 236.533                      | 1.5%                                    | 240.791                      | 1.8%                                    | 245.607                      | 2.0%                                    |
| Consumer Price Index - Fiscal Year<br>(1982-84 = 100)             | 228.526                    | 232.247                      | 1.6%                                    | 235.731                      | 1.5%                                    | 239.738                      | 1.7%                                    | 244.293                      | 1.9%                                    |
| Personal Consumption Deflator<br>(2009 = 100)                     | 106.0                      | 107.2                        | 1.1%                                    | 108.5                        | 1.2%                                    | 110.1                        | 1.5%                                    | 111.9                        | 1.6%                                    |
| 3-month Treasury Bills<br>Interest Rate (percent)                 | 0.1                        | 0.1                          |   | 0.1                          |   | 0.3                          |   | 1.0                          |   |
| Aaa Corporate Bonds<br>Interest Rate (percent)                    | 3.7                        | 4.2                          |   | 4.7                          |   | 4.8                          |   | 4.9                          |   |
| Unemployment Rate - Civilian<br>(percent)                         | 8.1                        | 7.4                          |   | 6.8                          |   | 6.4                          |   | 5.9                          |   |
| Wage and Salary Employment<br>(millions)                          | 133.739                    | 135.926                      | 1.6%                                    | 137.960                      | 1.5%                                    | 140.310                      | 1.7%                                    | 143.120                      | 2.0%                                    |
| Housing Starts<br>(millions of starts)                            | 0.781                      | 0.915                        | 17.2%                                   | 1.110                        | 21.3%                                   | 1.320                        | 18.9%                                   | 1.470                        | 11.4%                                   |
| Light Vehicle Sales<br>(millions of units)                        | 14.4                       | 15.5                         | 7.6%                                    | 16.0                         | 3.2%                                    | 16.3                         | 1.9%                                    | 16.6                         | 1.8%                                    |
| Passenger Car Sales<br>(millions of units)                        | 7.4                        | 7.6                          | 2.7%                                    | 7.8                          | 2.6%                                    | 7.9                          | 1.3%                                    | 8.1                          | 2.5%                                    |
| Light Truck Sales<br>(millions of units)                          | 7.0                        | 7.9                          | 12.9%                                   | 8.2                          | 3.8%                                    | 8.4                          | 2.4%                                    | 8.5                          | 1.2%                                    |
| Big 3 Share of Light Vehicles<br>(percent)                        | 44.2                       | 44.6                         |   | 44.7                         |   | 44.9                         |   | 45.0                         |   |
| <b>Michigan</b>   |                            |                              |   |                              |   |                              |   |                              |   |
| Wage and Salary Employment<br>(thousands)                         | 4,024                      | 4,082                        | 1.4%                                    | 4,145                        | 1.5%                                    | 4,203                        | 1.4%                                    | 4,257                        | 1.3%                                    |
| Unemployment Rate<br>(percent)                                    | 9.1                        | 8.7                          |   | 8.3                          |   | 7.5                          |   | 6.7                          |   |
| Personal Income<br>(millions of dollars)                          | \$378,443                  | \$389,418                    | 2.9%                                    | \$406,552                    | 4.4%                                    | \$425,254                    | 4.6%                                    | \$444,815                    | 4.6%                                    |
| Real Personal Income<br>(millions of 1982-84 dollars)             | \$175,139                  | \$177,209                    | 1.2%                                    | \$182,632                    | 3.1%                                    | \$188,025                    | 3.0%                                    | \$193,007                    | 2.6%                                    |
| Wages and Salaries<br>(millions of dollars)                       | \$189,640                  | \$197,036                    | 3.9%                                    | \$204,720                    | 3.9%                                    | \$212,500                    | 3.8%                                    | \$220,362                    | 3.7%                                    |
| Detroit Consumer Price Index<br>(1982-84 = 100)                   | 216.082                    | 219.750                      | 1.7%                                    | 222.607                      | 1.3%                                    | 226.168                      | 1.6%                                    | 230.466                      | 1.9%                                    |

Table 2  
**January 2014 Consensus Forecast**  
(millions)

|                           | Net Revenue Estimates |                    |                    |                    |                    |                    |                    |                    |
|---------------------------|-----------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
|                           | FY 2013               |                    | FY 2014            |                    | FY 2015            |                    | FY 2016            |                    |
|                           | Preliminary           | May 2013 Consensus | Jan 2014 Consensus | May 2013 Consensus | Jan 2014 Consensus | May 2013 Consensus | Jan 2014 Consensus | Jan 2014 Consensus |
| <b>Net GF-GP Revenue</b>  | \$9,562.8             | \$9,446.2          | \$9,572.5          | \$9,840.2          | \$10,046.5         | \$10,535.6         | \$10,535.6         | \$10,535.6         |
| % Growth                  | 3.2%                  | 2.8%               | 0.1%               | 4.2%               | 5.0%               | 4.9%               | 4.9%               | 4.9%               |
| \$ Growth                 |                       |                    | \$9.8              |                    | \$473.9            | \$489.1            | \$489.1            | \$489.1            |
| <b>Net SAF Revenue</b>    | \$11,269.5            | \$11,470.1         | \$11,560.0         | \$11,812.7         | \$11,931.8         | \$12,338.2         | \$12,338.2         | \$12,338.2         |
| % Growth                  | 3.6%                  | 2.3%               | 2.6%               | 3.0%               | 3.2%               | 3.4%               | 3.4%               | 3.4%               |
| \$ Growth                 |                       |                    | \$290.5            |                    | \$371.9            | \$406.3            | \$406.3            | \$406.3            |
| <b>Combined GF-GP/SAF</b> | \$20,832.3            | \$20,916.3         | \$21,132.5         | \$21,653.0         | \$21,978.3         | \$22,873.8         | \$22,873.8         | \$22,873.8         |
| % Growth                  | 3.4%                  | 2.5%               | 1.4%               | 3.5%               | 4.0%               | 4.1%               | 4.1%               | 4.1%               |
| \$ Growth                 |                       |                    | \$300.2            |                    | \$845.8            | \$325.3            | \$325.3            | \$325.3            |
|                           |                       |                    |                    | \$ Change From May |                    | \$ Change From May |                    | \$ Change From May |
|                           |                       |                    |                    |                    |                    |                    |                    |                    |

  

|                    | Long Term Revenue Trend |            |
|--------------------|-------------------------|------------|
|                    | FY 2017                 | FY 2018    |
| Net GF-GP Revenue  | \$10,911.5              | \$11,304.9 |
| Growth             | 3.6%                    | 3.6%       |
| Net SAF Revenue    | \$12,671.8              | \$13,024.8 |
| Growth             | 2.7%                    | 2.8%       |
| Combined GF-GP/SAF | \$23,583.3              | \$24,329.7 |
| Growth             | 3.1%                    | 3.2%       |

  

| Revenue Limit Calculation        |                  |                  |                  |
|----------------------------------|------------------|------------------|------------------|
|                                  | FY 2013          | FY 2014          | FY 2015          |
| Personal Income                  | \$358,152        | \$378,443        | \$389,418        |
| Ratio                            | 9.49%            | 9.49%            | 9.49%            |
| Revenue Limit                    | \$33,988.6       | \$35,914.2       | \$36,955.8       |
| Revenue Subject to Limit         | \$28,074.3       | \$28,472.0       | \$29,480.3       |
| <b>Amount Under (Over) Limit</b> | <b>\$5,914.4</b> | <b>\$7,442.3</b> | <b>\$7,475.5</b> |
|                                  |                  |                  | <b>\$8,015.2</b> |

Note: CY 2011 Personal Income is used for the FY 2013 revenue limit calculation, CY 2012 for FY 2014, CY 2013 for FY 2015, and CY 2014 for FY 2016.

  

| Budget Stabilization Fund Calculation |                      | School Aid Index |         |
|---------------------------------------|----------------------|------------------|---------|
|                                       | FY 2014 Calculations | FY 2015          | FY 2016 |
|                                       | NO PAY-IN OR PAY-OUT | 1.0287           | 1.0323  |
|                                       | PAY-IN               | 1.0061           | 1.0046  |
|                                       | PAY-IN               | 1.0350           | 1.0370  |