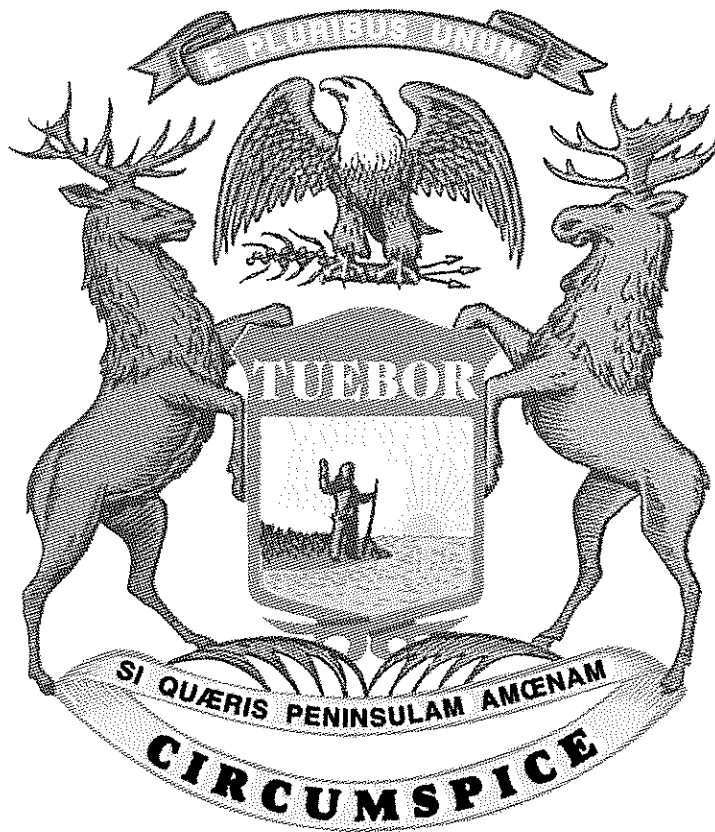# Economic and Revenue Forecasts

FY 2017 * FY 2018 * FY 2019

Consensus Revenue Estimating Conference

May 17, 2017

Outline

- **Economic Forecast**
Jim Stansell, House Fiscal Agency

- **Revenue Estimates for Major Taxes**
David Zin, Senate Fiscal Agency

- **Revenue Estimates by Fund**
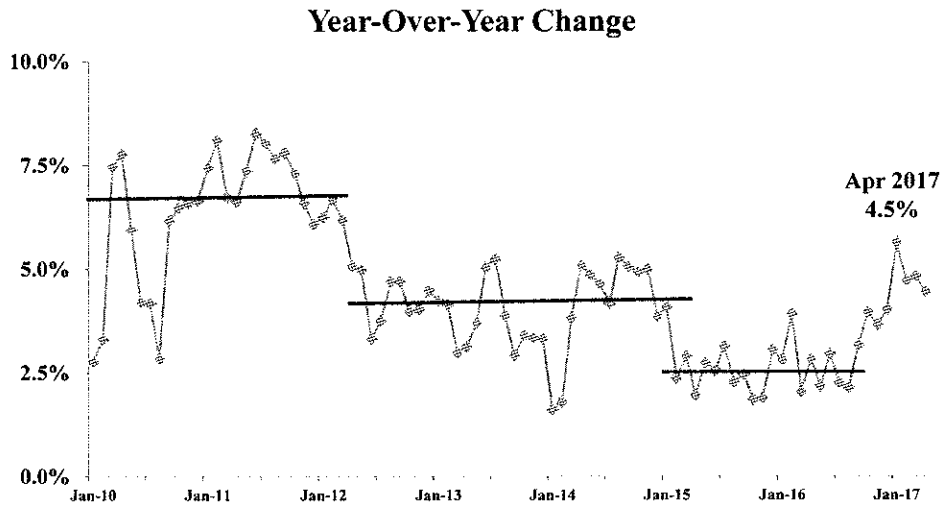Eric Bussis, Department of Treasury

2

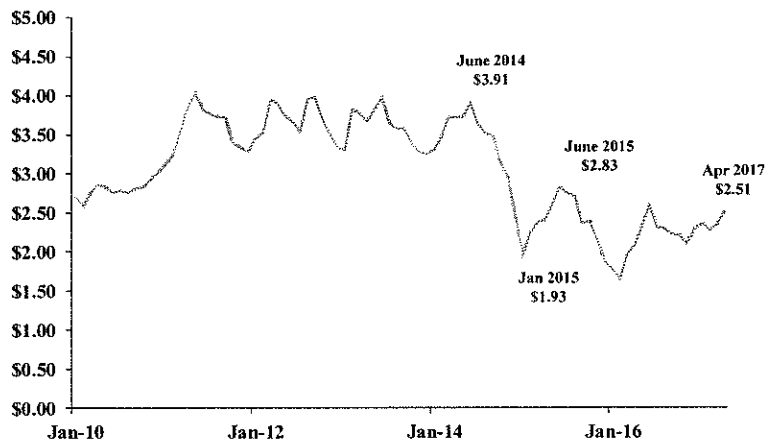# Per Capita Personal Income Growth

Yearly Percent Change

| 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |

☐ US ▨ Michigan

3
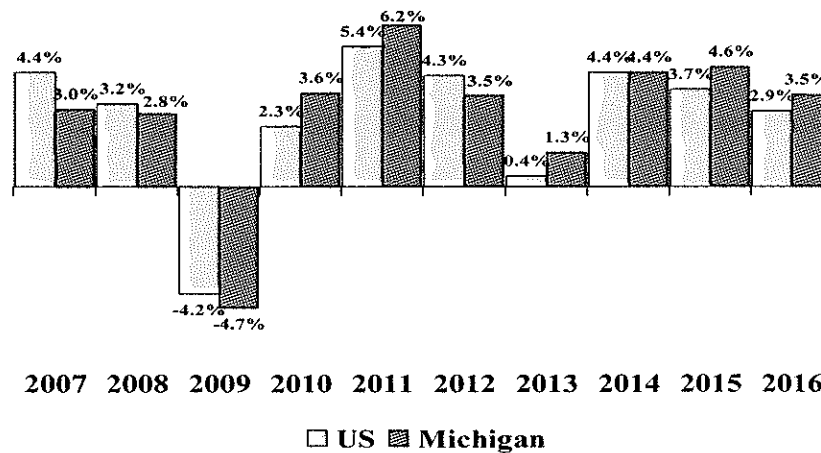
Retail Sales Trending Up

Year-Over-Year Change

Apr 2017
4.5%

Source: Michigan Department of Treasury.

May 2017 Consensus Conference

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Michigan Gasoline Prices

June 2014
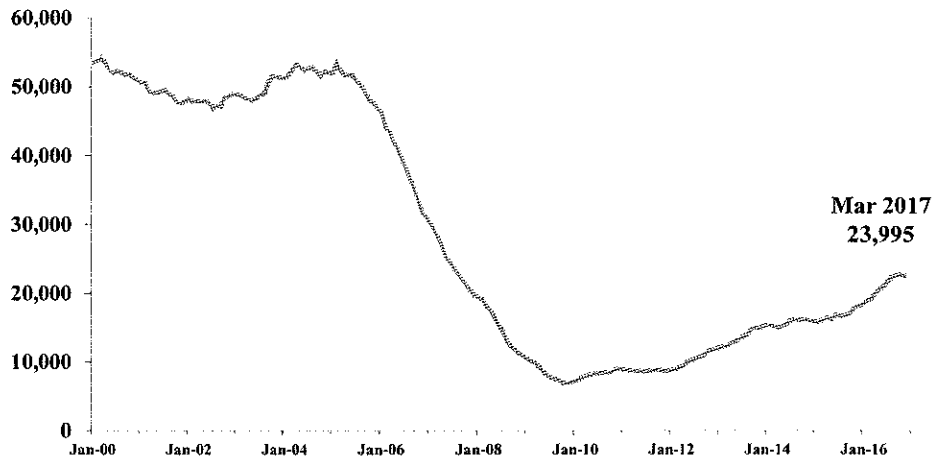$3.91

June 2015
$2.83

Apr 2017
$2.51

Jan 2015
$1.93

May 2017 Consensus Conference   Source: AAA Michigan

5

Michigan Building Permits Begin to Recover
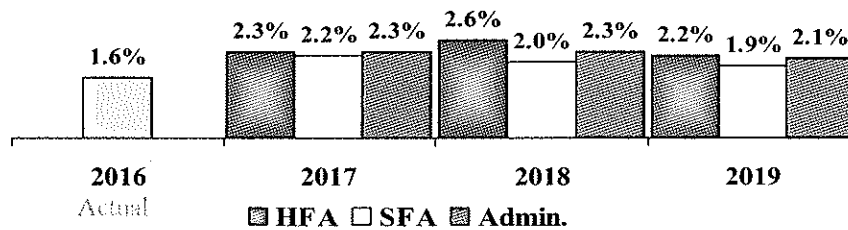
12 month moving annual average

Mar 2017
23,995

Source: U.S. Census Bureau and Michigan Department of Treasury.
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GDP Forecasts

Annual Percent Change

				2.6%					
	2.3%	2.2%	2.3%		2.0%	2.3%	2.2%	1.9%	2.1%
1.6%									

2016   **2017**   **2018**   **2019**

Actual

▨ HFA ☐ SFA ▨ Admin.

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Light Vehicle Sales Forecast

Millions of Units

| 2016 | 2017 | 2018 | 2019 |

17.5 | 17.1 17.0 17.0 | 17.2 16.8 16.7 | 17.0 16.9 16.6

Actual

▨ HFA ☐ SFA ▨ Admin.
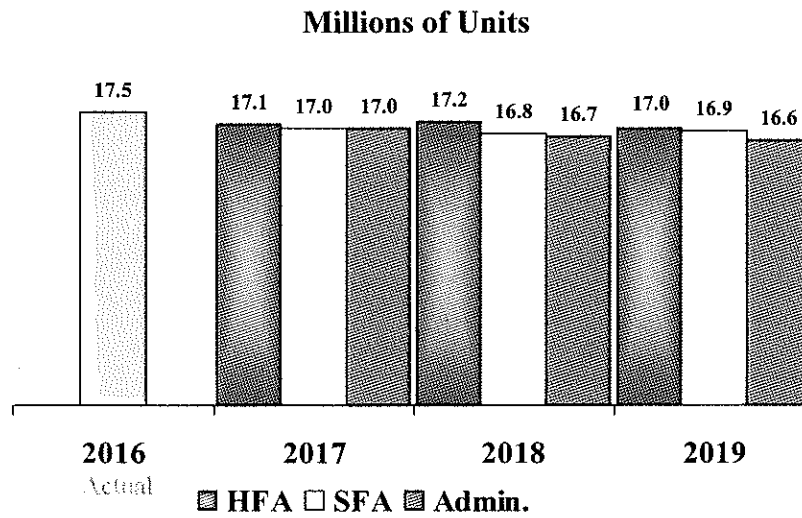
Vehicle Sales at Historically High Levels

☐U.S. Light Vehicle Sales ◆Big 3 Share
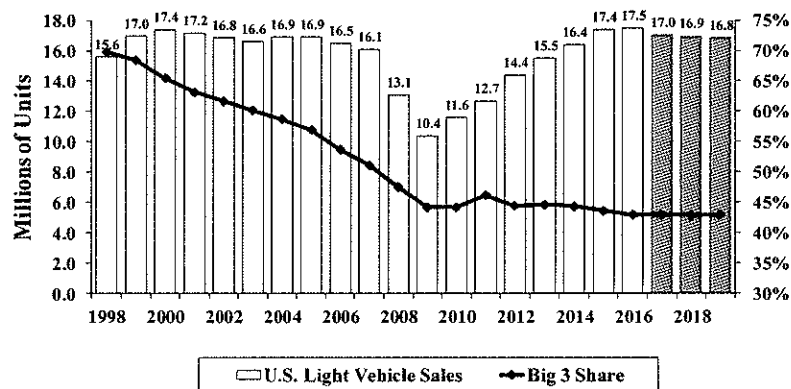
Source: Automotive News.
May 2017 Consensus Conference   Average Agency Forecasts

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MI Motor Vehicle Production & Employment

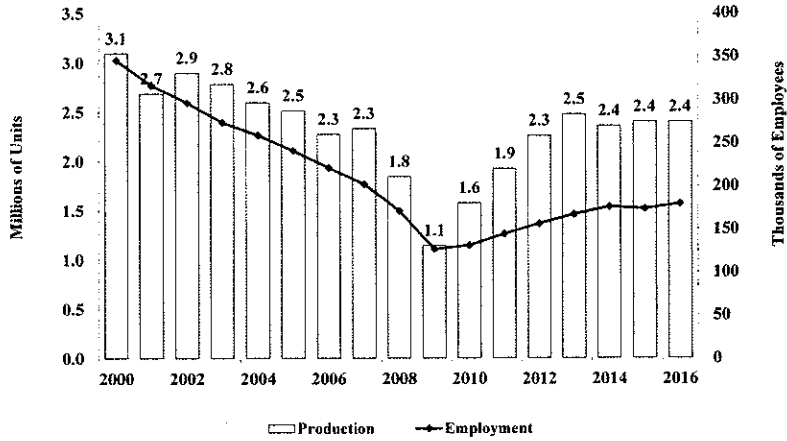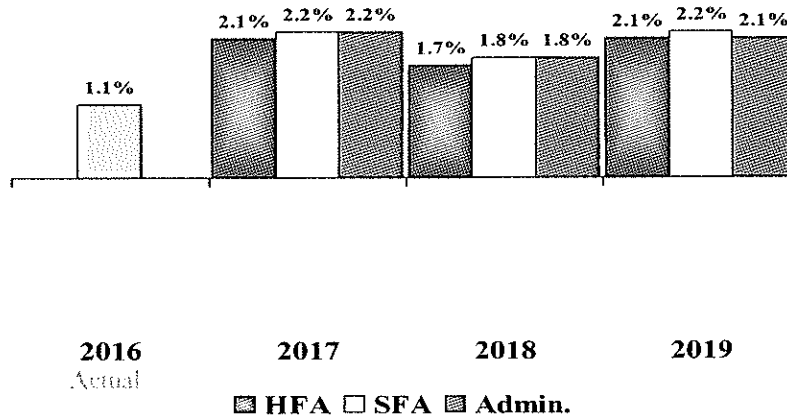Source: Michigan Department of Treasury & U.S. Bureau of Labor Statistics.
May 2017 Consensus Conference

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Inflation Expected to Increase

Detroit Consumer Price Index
Fiscal Year Growth

May 2017 Consensus Conference

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Michigan Wage and Salary Employment

Annual Percent Change

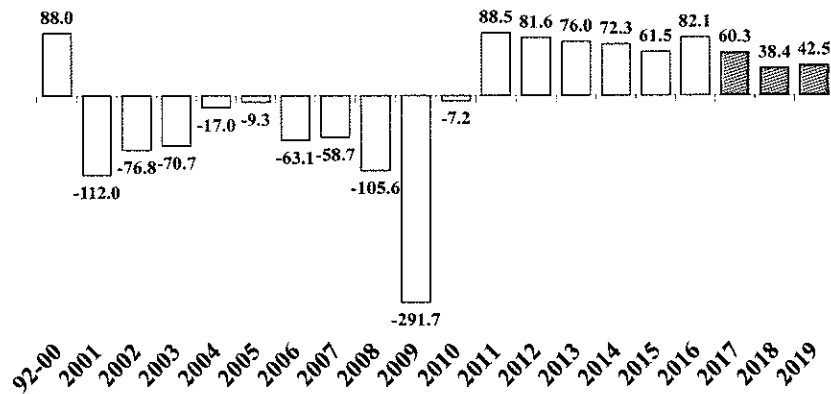|	2016	2017	2018	2019

HFA □ SFA 🔲 Admin.

2016 Actual
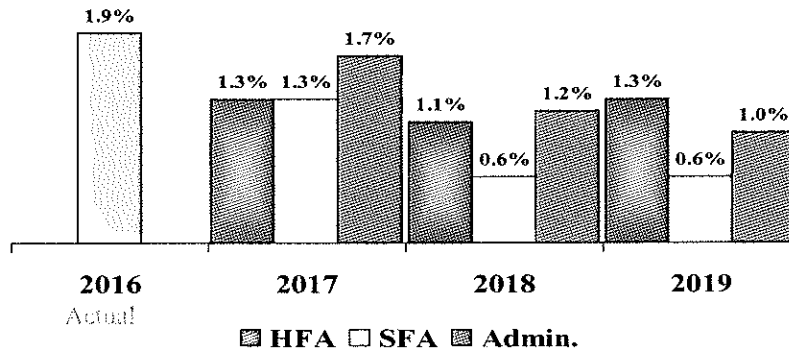
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Michigan Job Gains Expected Through 2019

Change in Michigan Wage and Salary Employment
Thousands

Average Agency Forecasts

May 2017 Consensus Conference

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Forecast of Major Taxes

- Income tax withholding slower in FY 17 compared to FY16 but is expected to grow through FY19.
- Sales tax growth rate has improved in FY17 after being very weak in FY15 and FY16.
- CIT/MBT weaker than expected in FY 17 as business taxes exhibit volatility for both economic and non-economic reasons.
- IIT transportation earmark and homestead property tax credit change reduces GF-GP revenue in FY19.

14

Baseline Income Tax Growth

Fiscal Year Growth

4.3%   2.1%   2.7%   4.2%   4.4%   3.6%   3.6%   4.1%   3.5%   3.6%

2016   **2017**   **2018**   **2019**
Actual

⊞ HFA ☐ SFA ⊞ Admin.

15
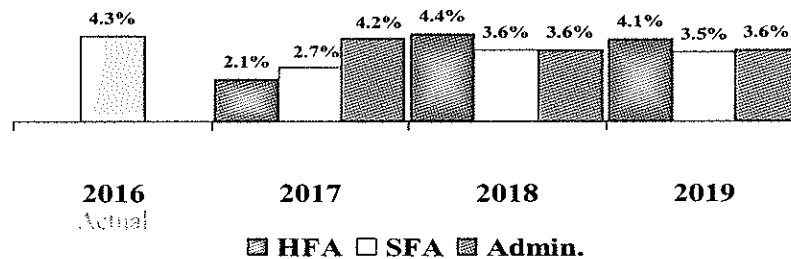
Net Income Tax Revenue Estimates

Fiscal Year
Billions

$9.37 $9.57 $9.62 $9.76 $9.97 $9.94 $10.09 $10.01 $10.08 $10.24

2016
Actual

2017

2018

2019

■ HFA □ SFA ■ Admin.
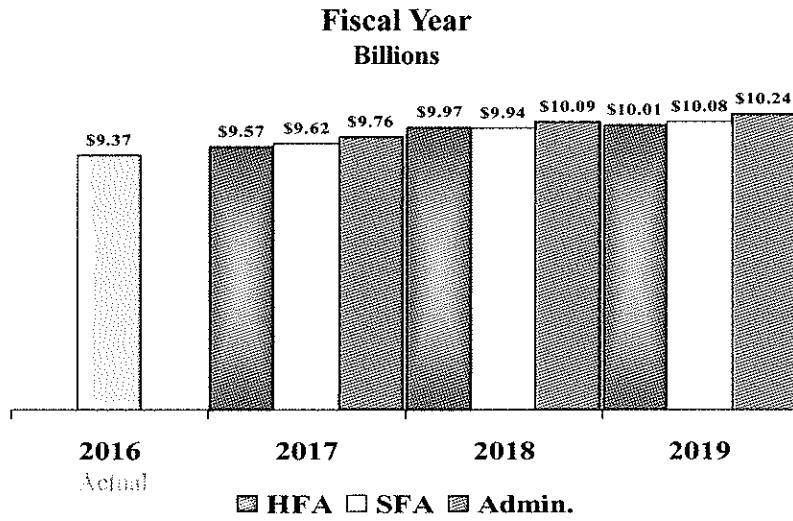
16

Baseline Sales Tax Growth

Fiscal Year Growth

5.2%
4.8%
4.1%
2.9% 2.8% 3.0%
3.3%
2.6%
2.1%

0.6%

2016
Actual

2017

2018

2019

■ HFA □ SFA ■ Admin.
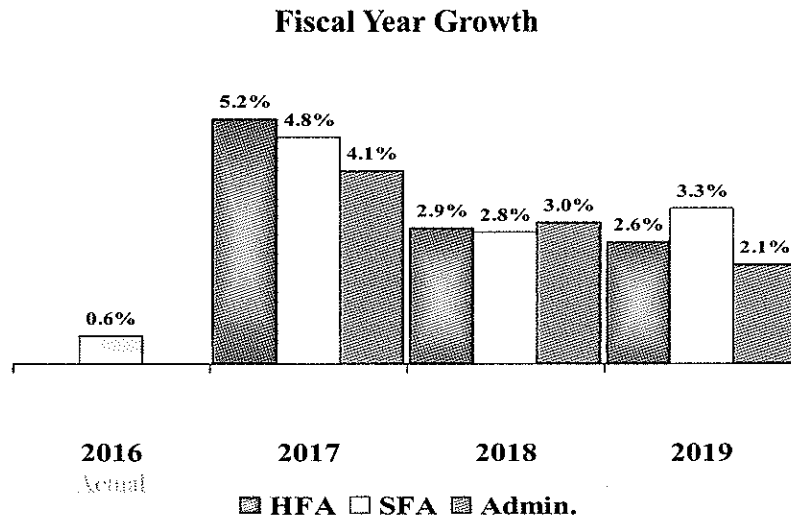
17

Net Sales Tax Revenue Estimates

Fiscal Year
Billions

	2016	2017	2018	2019
	$7.30	$7.73 $7.70 $7.65	$7.97 $7.93 $7.89	$8.21 $8.21 $8.08

Actual

▨ HFA ☐ SFA ▨ Admin.

18
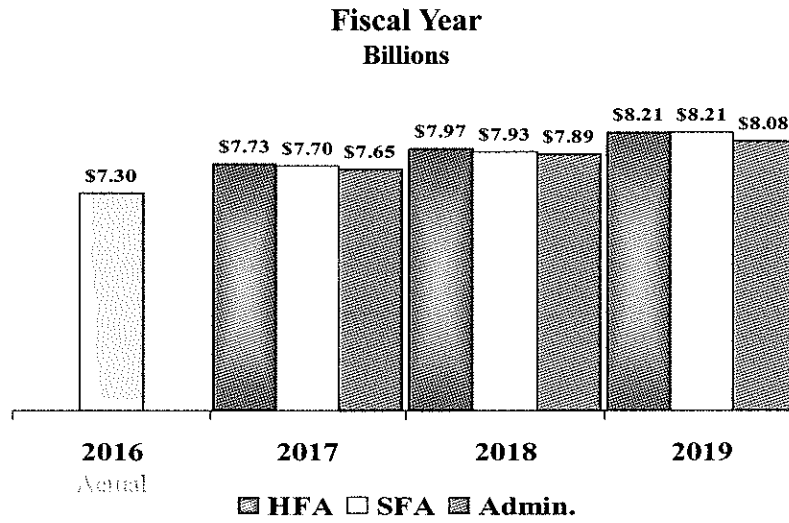
May 2017 Consensus Conference

IIT Withholding & Sales Tax FY Growth Rates
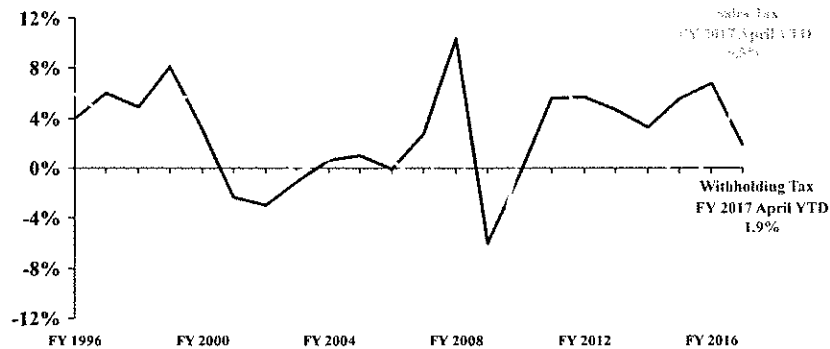
Sales Tax
FY 2017 April YTD
4.8%

Withholding Tax
FY 2017 April YTD
1.9%

FY 1996   FY 2000   FY 2004   FY 2008   FY 2012   FY 2016

Source: Michigan Department of Treasury

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Net SET Revenue Estimates

Fiscal Year
Billions

	2016 Actual	2017			2018			2019		
	$1.90	$1.95	$1.95	$1.95	$2.01	$2.01	$2.00	$2.07	$2.05	$2.06

▣ HFA ☐ SFA ▣ Admin.
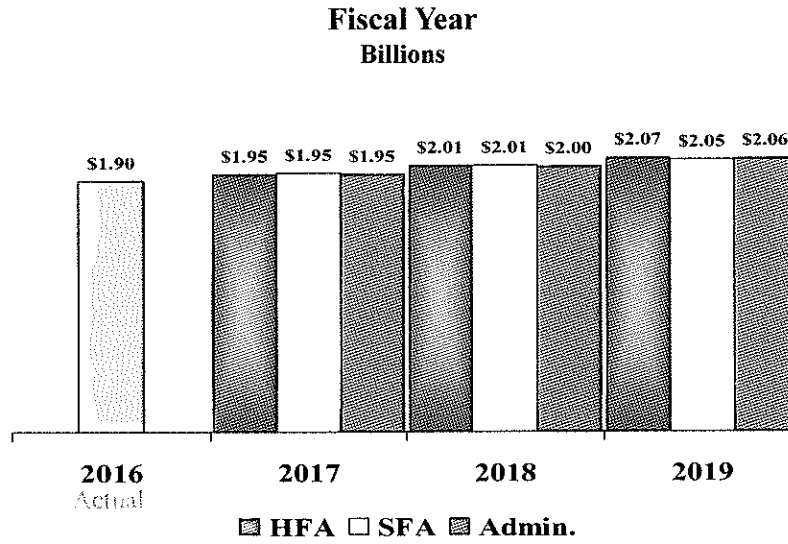
20

Net CIT/MBT Revenue Estimates

Fiscal Year
Billions

	2016 Actual	2017			2018			2019		
	$0.04	$0.17	$0.16	$0.14	$0.21	$0.22	$0.19	$0.33	$0.33	$0.29

▣ HFA ☐ SFA ▣ Admin.
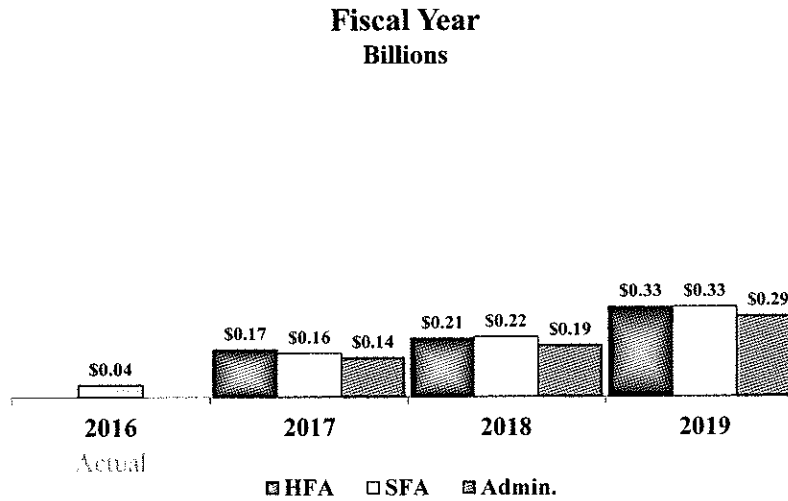
21

CIT/MBT Revenue

Revenue Collections

- MBT refunds are projected to be on target.
- Treasury and MEDC continue to work closely to monitor the business credits.
- CIT payments have been below expectations in FY17.

Accounting Corrections

- Payments reclassified will affect split of MBT and CIT revenues.
- Reclassified revenue will have no overall effect on total fiscal year revenues.
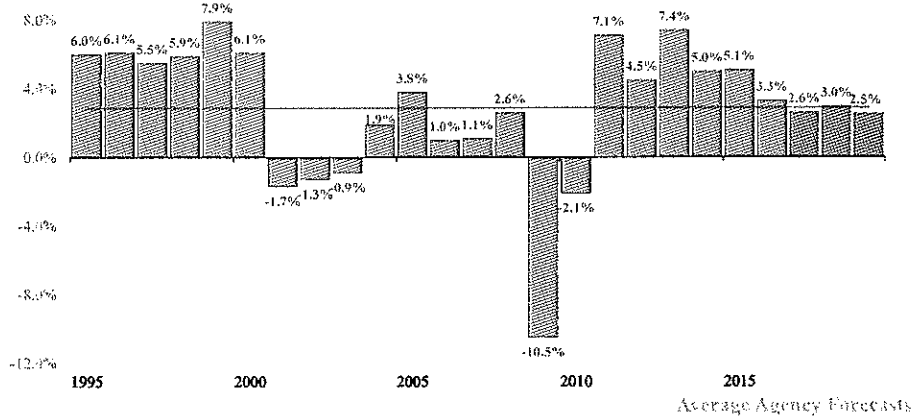
22

GF-GP and School Aid Fund Revenue

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

23

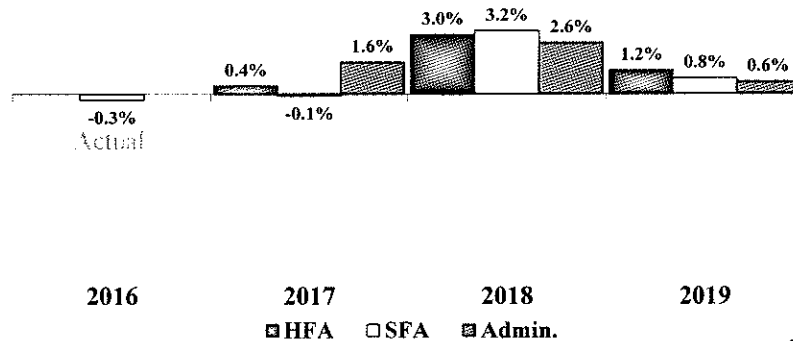# GF-GP and School Aid Revenue

Baseline Growth Rates Before Tax Changes

Average Agency Forecasts

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GF-GP Net Revenue Growth

Fiscal Year Growth

□ HFA   □ SFA   ▣ Admin.

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GF-GP Net Revenue Estimates

Fiscal Year
Billions

2016 — $10.02 (Actual)

2017 — HFA $10.07, SFA $10.00, Admin. $10.18

2018 — HFA $10.37, SFA $10.32, Admin. $10.44

2019 — HFA $10.49, SFA $10.40, Admin. $10.51

▣ HFA   □ SFA   ▣ Admin.
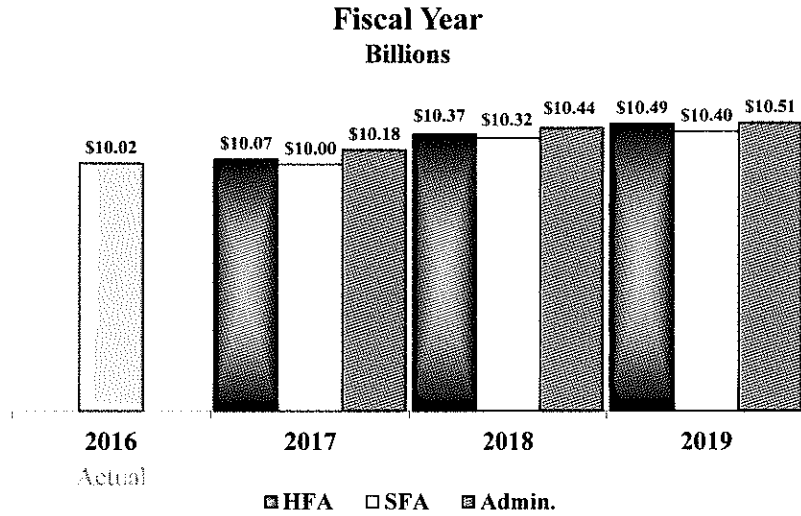
School Aid Fund Net Growth

Fiscal Year Growth

2016 — 3.2% (Actual)

2017 — HFA 4.1%, SFA 3.9%, Admin. 4.1%

2018 — HFA 3.0%, SFA 2.7%, Admin. 2.8%

2019 — HFA 2.8%, SFA 2.9%, Admin. 2.5%

▣ HFA   □ SFA   ▣ Admin.
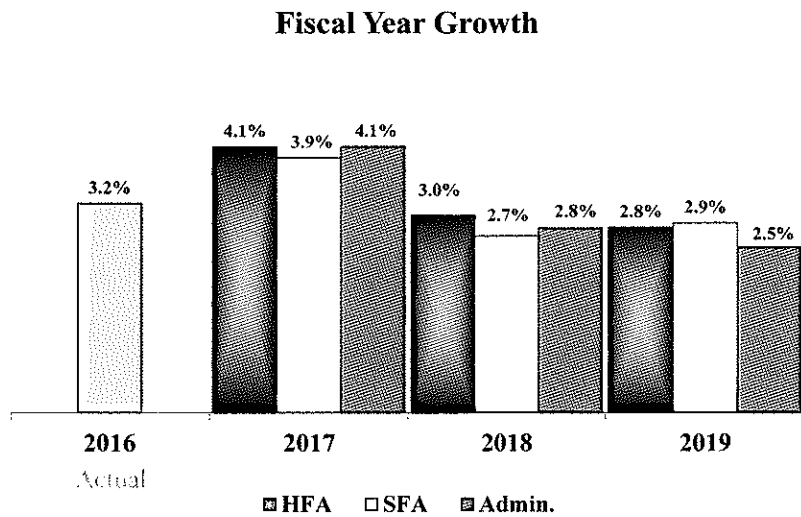
School Aid Fund Net Revenue Estimates

Fiscal Year
Billions

	2016 Actual	2017	2018	2019
HFA		$12.61	$12.99	$13.36
SFA	$12.12	$12.59	$12.93	$13.31
Admin.		$12.61	$12.97	$13.29

☐ HFA   ☐ SFA   ☒ Admin.

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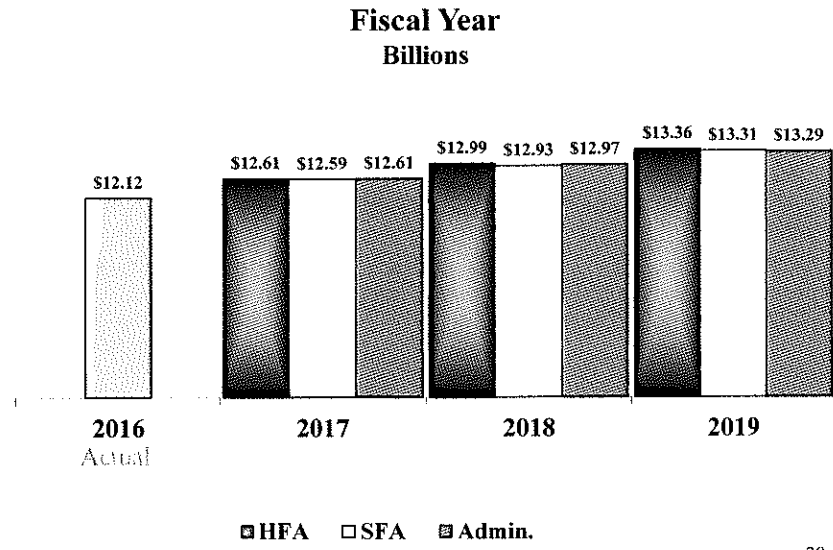
May 2017 Consensus Conference

FY 2017 Changes Since January Consensus Estimates

Millions

GF-GP: -$223.7, -$288.1, -$112.0
School Aid: $154.4, $137.8, $154.3

☒ HFA   ☐ SFA   ☒ Admin

29
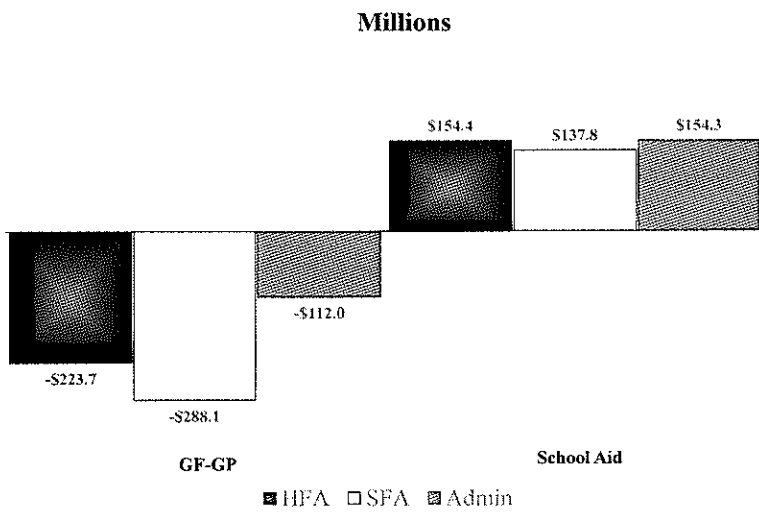
May 2017 Consensus Conference

FY 2018 Changes Since January Consensus Estimates

Millions

$209.3

$148.6

$183.8

-$153.0

-$203.8

-$79.5

GF-GP   School Aid

■ HFA   □ SFA   ▨ Admin
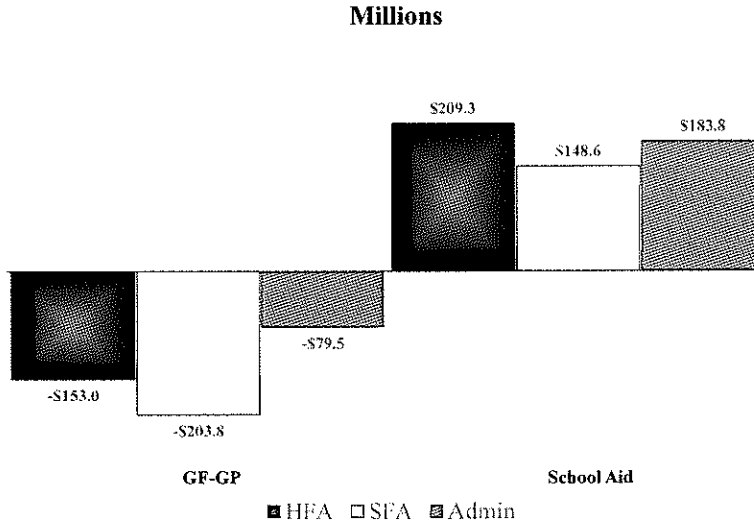
May 2017 Consensus Conference

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FY 2019 Changes Since January Consensus Estimates

Millions

$229.0

$178.9

$163.1

-$94.9

-$188.1

-$81.7

GF-GP   School Aid

■ HFA   □ SFA   ▨ Admin
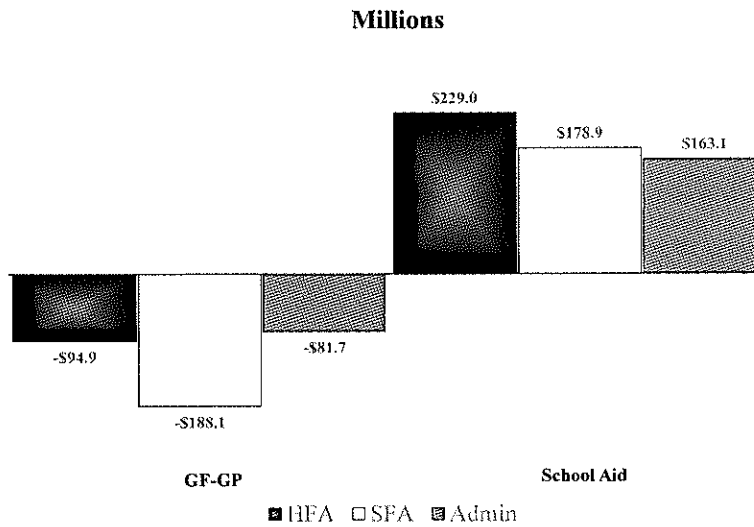
May 2017 Consensus Conference

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Revenue Forecast Comparison

Millions

Revenue	FY 2017			FY 2018			FY 2019		
	Treasury	House Fiscal Agency	Senate Fiscal Agency	Treasury	House Fiscal Agency	Senate Fiscal Agency	Treasury	House Fiscal Agency	Senate Fiscal Agency
GF-GP	$10,178.1	$10,066.4	$10,002.0	$10,443.2	$10,369.7	$10,318.9	$10,507.6	$10,494.4	$10,401.2
School Aid Fund	$12,611.3	$12,611.4	$12,594.8	$12,966.9	$12,992.4	$12,931.7	$13,294.6	$13,360.5	$13,310.4
Difference from May									
GF-GP	($112.0)	($223.7)	($288.1)	($79.5)	($153.0)	($203.8)	($81.7)	($94.9)	($188.1)
School Aid Fund	$154.3	$154.4	$137.8	$183.8	$209.3	$148.6	$163.1	$229.0	$178.9
Combined	$42.3	($69.3)	($150.3)	$104.3	$56.3	($55.2)	$81.4	$134.1	($9.2)

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May 2017 Consensus Conference

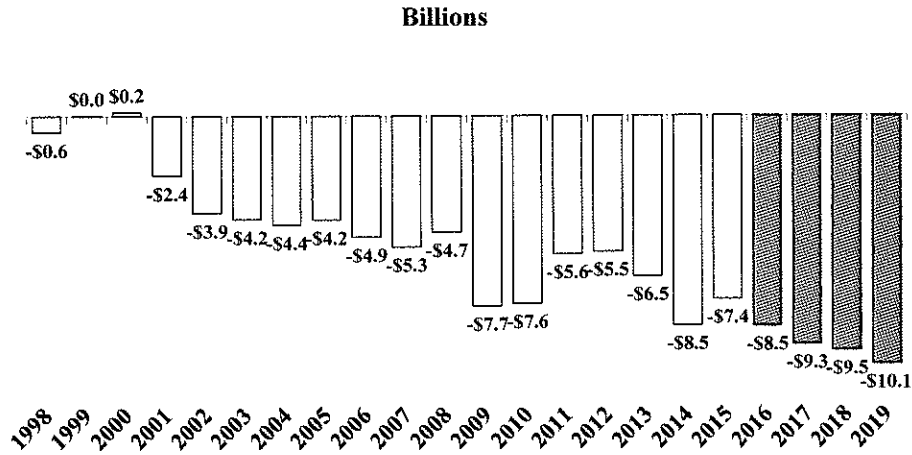
Budget Stabilization Fund

- In FY 2017, the Agencies estimate pay-ins ranging from $150 to $166 million.
- In FY 2018, the Agencies estimate no pay-ins.
- In FY 2019, the Agencies estimate pay-ins ranging from $3 to $103 million.
- No BSF pay-outs are estimated by any of the Agencies during FY 2016 through FY 2019.

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May 2017 Consensus Conference

Constitutional Revenue Limit Calculation

Billions

$0.0 $0.2
-$0.6
-$2.4
-$3.9 -$4.2 -$4.4 -$4.2
-$4.9 -$5.3 -$4.7
-$7.7 -$7.6
-$5.6 -$5.5
-$6.5
-$8.5
-$7.4
-$8.5
-$9.3 -$9.5
-$10.1

1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019

May 2017 Consensus Conference   Average Agency Forecasts

Forecast Risks

- Federal fiscal and monetary policy uncertainty
- International economics uncertainty
  - Trade Policy
  - Exchange Rates
- How tight are labor markets?
- Housing: How will it respond to higher interest rates?
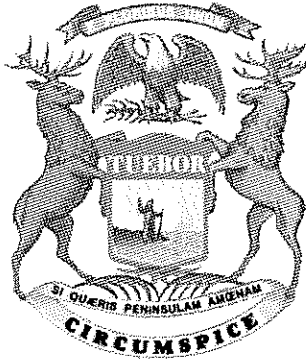- Business tax volatility

May 2017 Consensus Conference

Economic and Revenue Forecasts

FY 2017 * FY 2018 * FY 2019

Consensus Revenue Estimating Conference

May 17, 2017