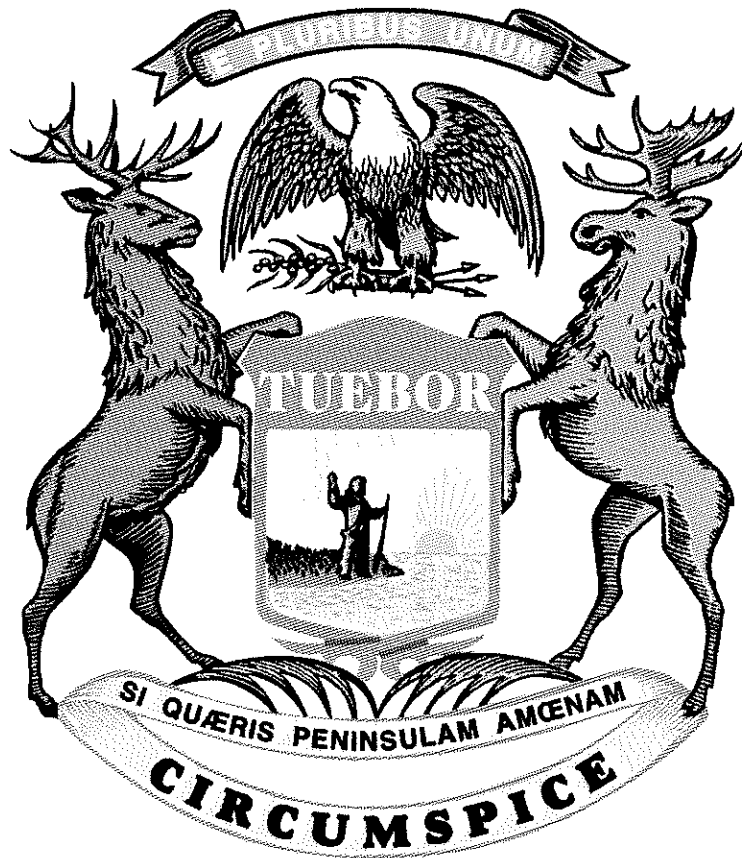


# Economic and Revenue Forecasts

FY 2014 \* FY 2015 \* FY 2016



Consensus Revenue Estimating Conference  
May 15, 2014

## Outline

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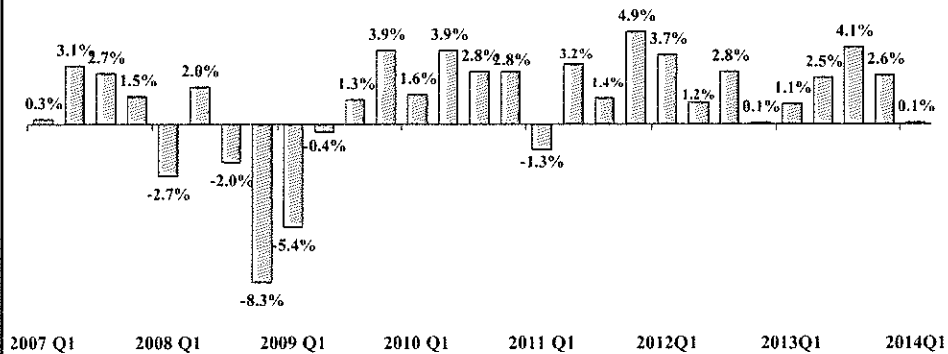
- **Economic Forecast** – Jim Stansell,  
House Fiscal Agency
- **Revenue Estimates for Major Taxes** – David Zin,  
Senate Fiscal Agency
- **Revenue Estimates by Fund** – Jay Wortley,  
Department of Treasury

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## GDP Quarterly Growth Rates

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### Real GDP Growth

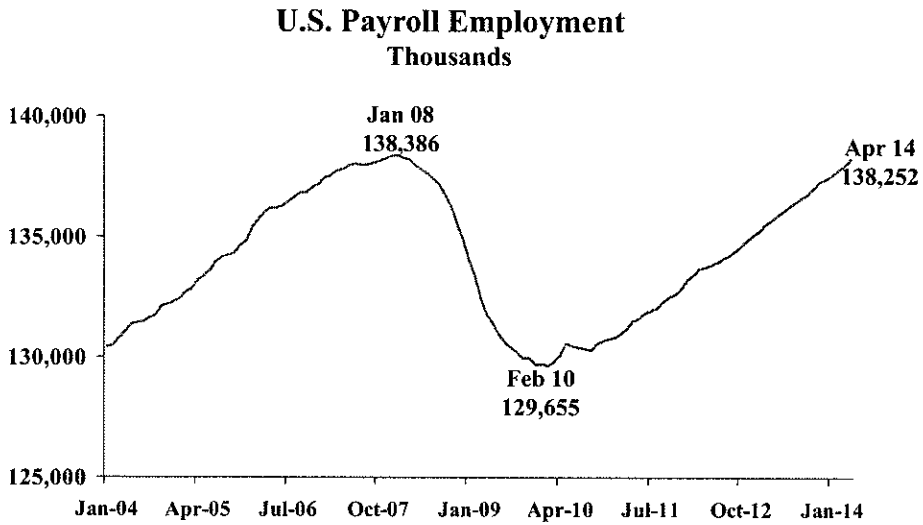


Figures are annualized percent change from preceding quarter in 2005 chained dollars.

Source: Bureau of Economic Analysis.

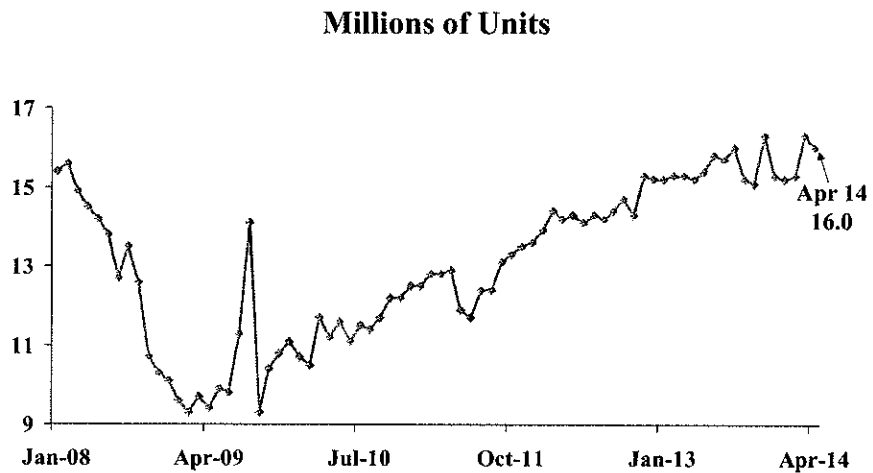
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## U.S. Employment Increasing



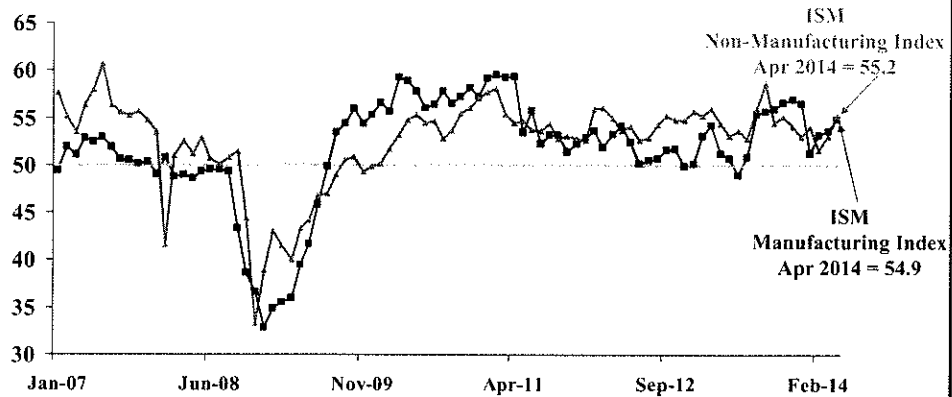
Source: Bureau of Labor Statistics.  
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## Light Vehicle Sales Growing More Slowly



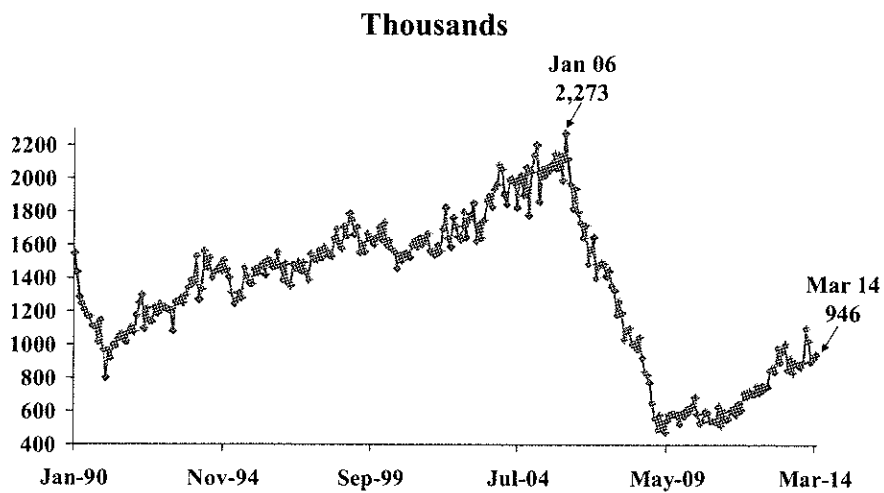
Note: Sales rates are shown as an annual average sales rate.  
Source: Bureau of Economic Analysis.  
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## ISM Indices Show Expansion



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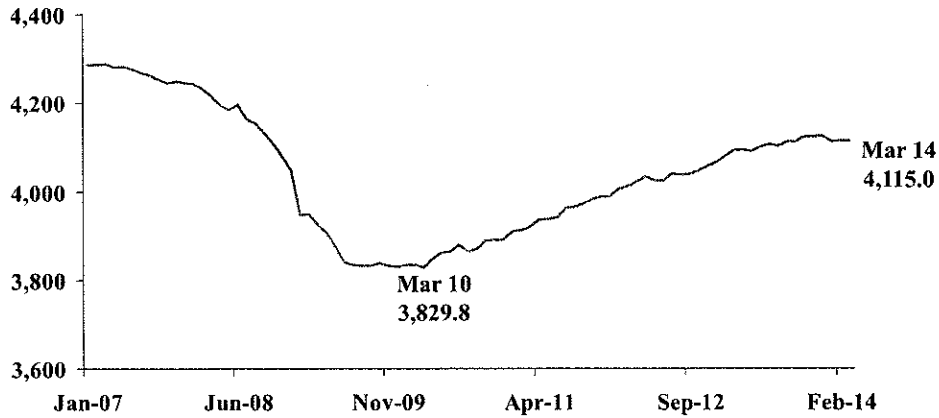
## Housing Starts Increasing From Historical Lows



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

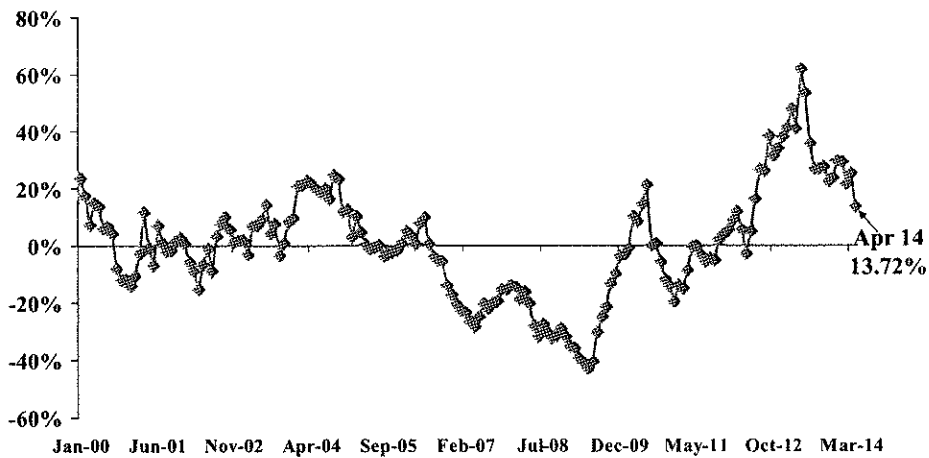
**Michigan Payroll Employment**  
Thousands of Jobs



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

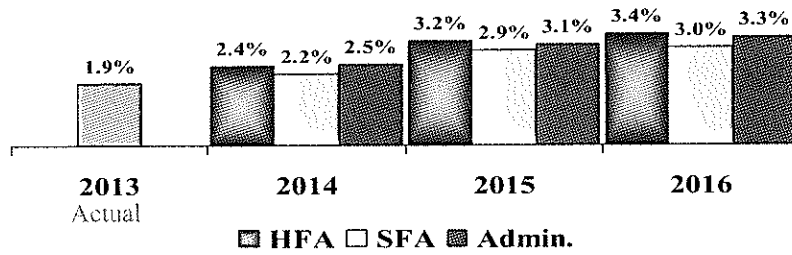
**Year-Over-Year Change in 6 Month Trailing Average**



Source: Michigan Department of Treasury.  
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## GDP Forecasts

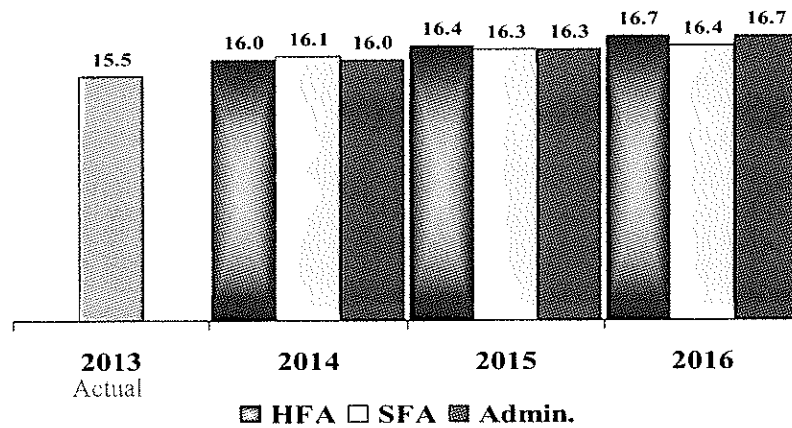
### Annual Percent Change



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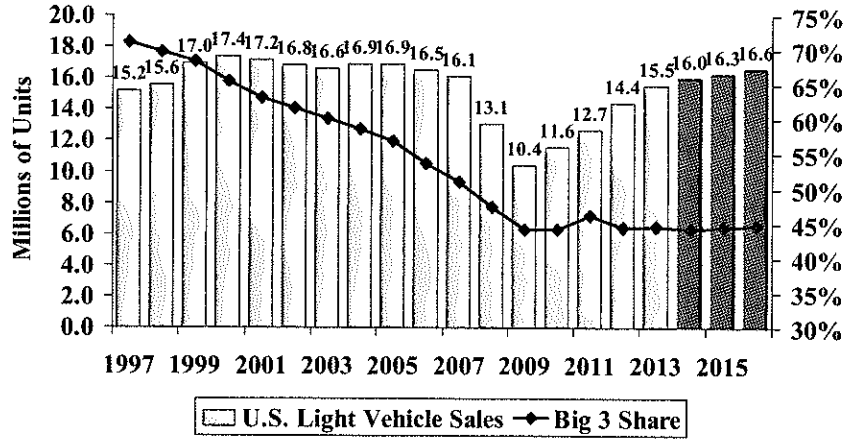
## Light Vehicle Sales Forecast

### Millions of Units



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## Vehicle Sales Up, Big 3 Market Share Stabilizes

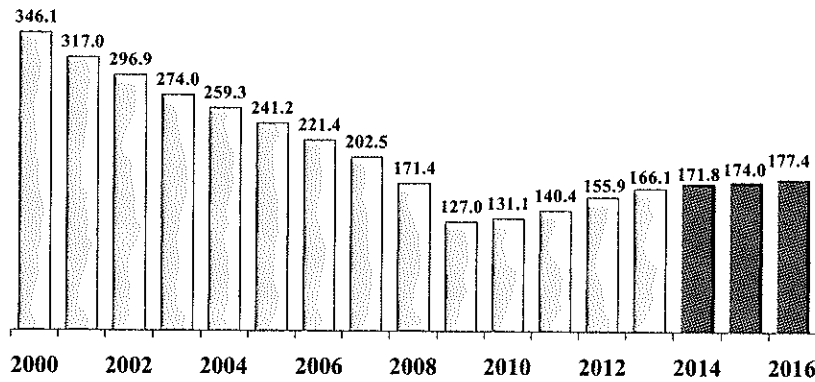


Source: Automotive News.  
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Average Agency Forecasts

## Michigan Vehicle Employment

### Transportation Equipment Employment Edging Up Thousands

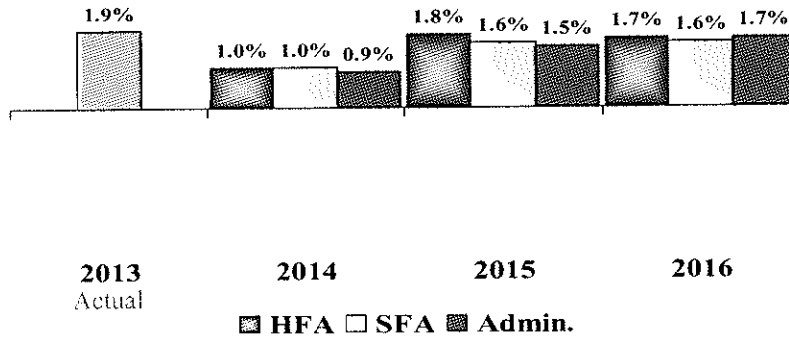


Source: Bureau of Labor Statistics.  
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## Inflation Remains Low

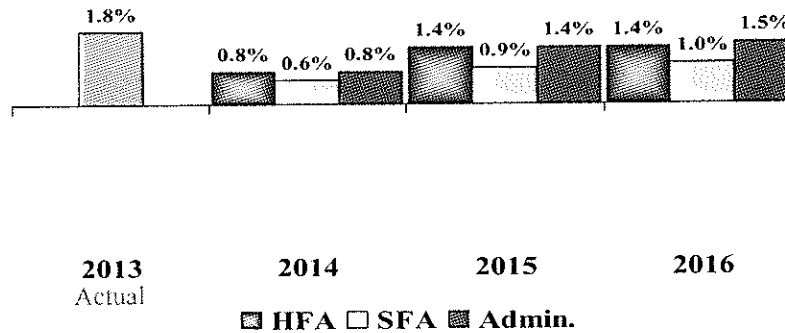
### Detroit Consumer Price Index Fiscal Year Growth



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## Michigan Wage and Salary Employment

### Annual Percent Change

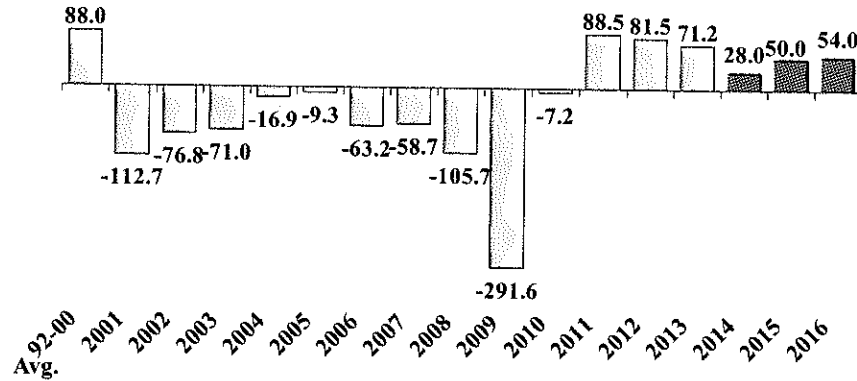


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## Michigan Job Gains Expected Through 2016

### Change in Michigan Wage and Salary Employment Thousands



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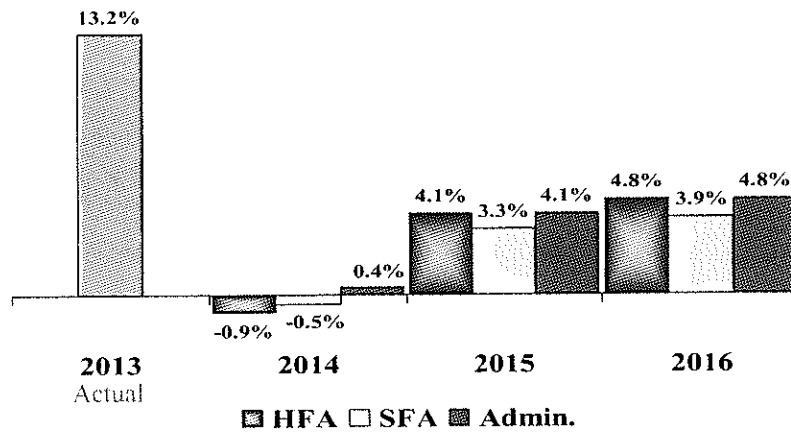
## Forecast of Major Taxes

- Income and Business Taxes weaker than expected in FY 2014.
- Income Tax annual payments much lower than expected in FY 2014.
- Adverse winter weather slows the growth in Sales Tax.
- SET is expected to stop declining in FY 2014.
- Much uncertainty regarding MBT refunds due to timing and amount of certificated credits.

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## Baseline Income Tax Growth

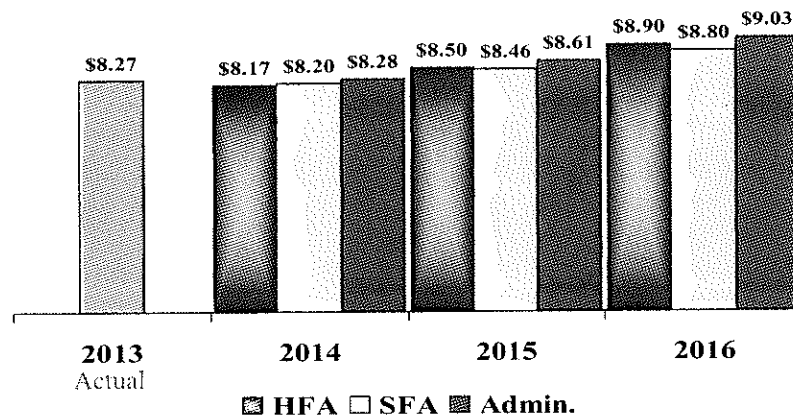
### Fiscal Year Growth



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## Net Income Tax Revenue Estimates

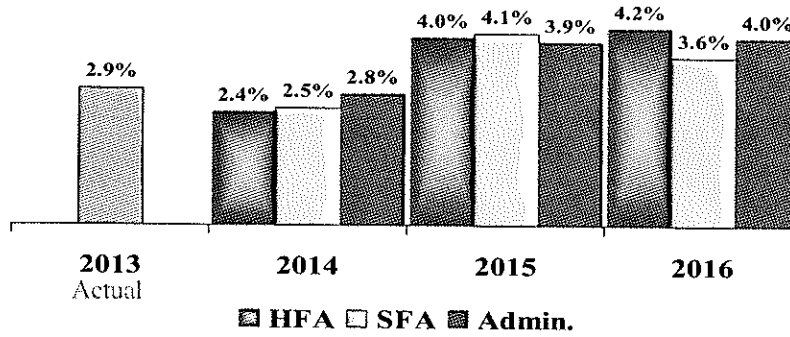
### Fiscal Year Billions



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## Baseline Sales Tax Growth

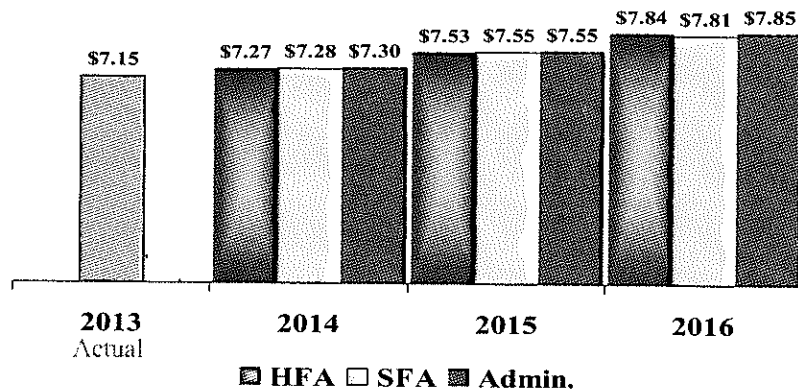
### Fiscal Year Growth



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## Net Sales Tax Revenue Estimates

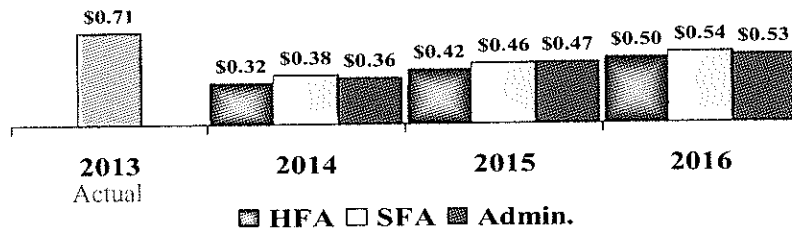
### Fiscal Year Billions



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## Net MBT/CIT Revenue Estimates

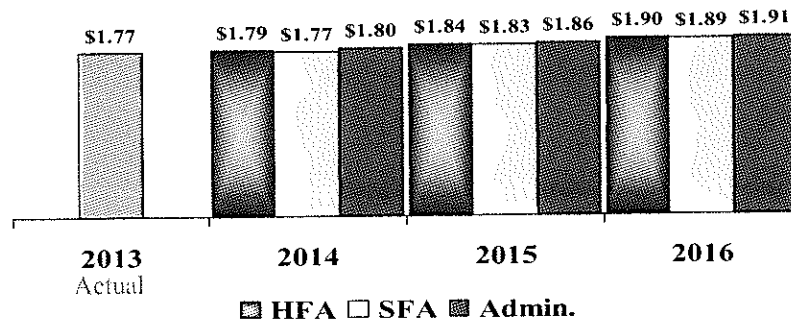
Fiscal Year  
Billions



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## Net SET Revenue Estimates

Fiscal Year  
Billions



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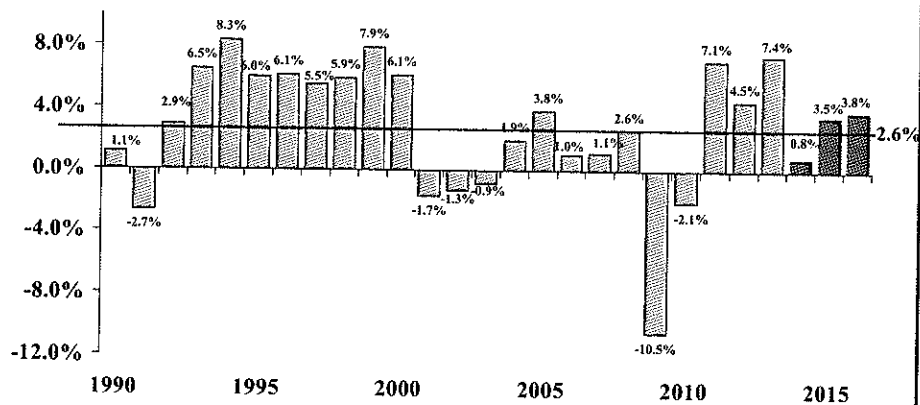
## GF-GP and School Aid Fund Revenue

- 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

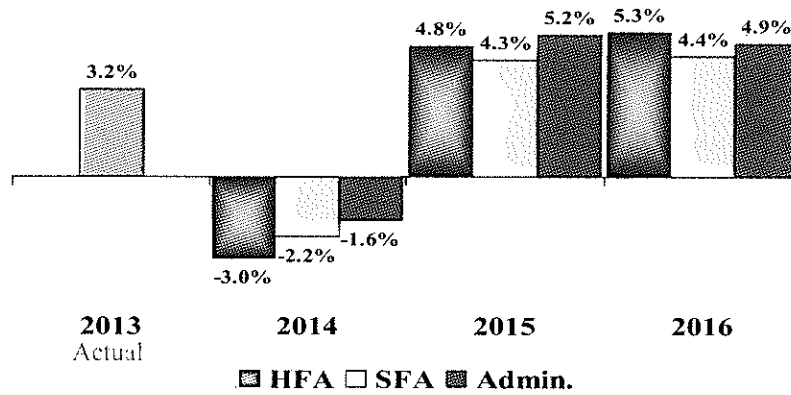


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## GF-GP Net Revenue Growth

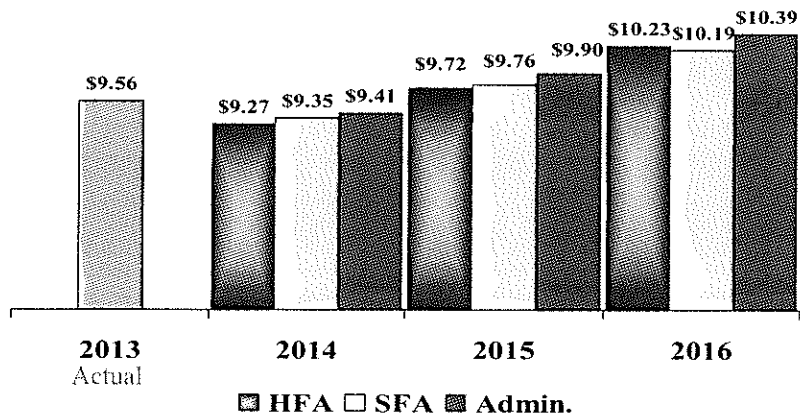
### Fiscal Year Growth



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## GF-GP Net Revenue Estimates

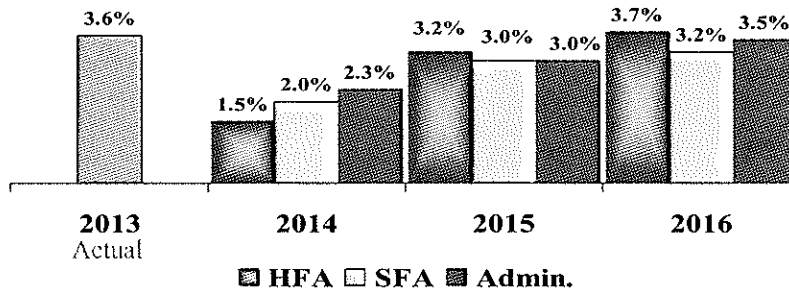
### Fiscal Year Billions



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## School Aid Fund Net Growth

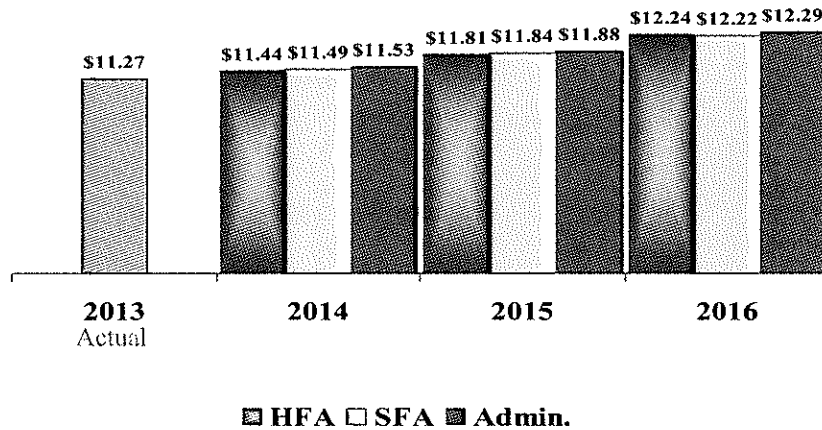
### Fiscal Year Growth



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## School Aid Fund Net Revenue Estimates

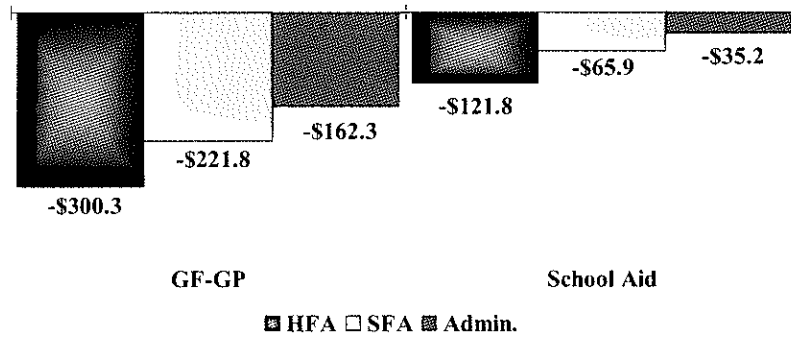
### Fiscal Year Billions



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## FY 2014 Changes Since January

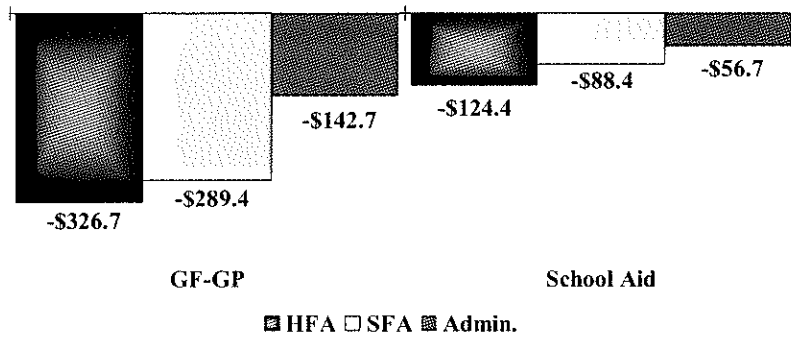
Change From May Consensus Estimates  
Millions



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## FY 2015 Changes Since January

Change From May Consensus Estimates  
Millions

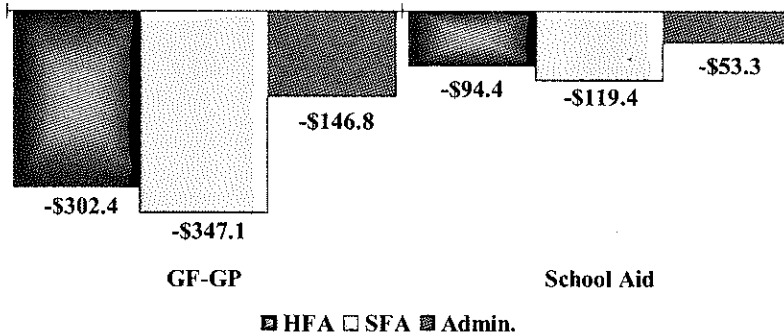


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## FY 2016 Changes Since January

### Change From May Consensus Estimates Millions



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## FY 2014 GF/P & SAF Revenue Estimate Change

### Change Since January 2014 Millions

	GF/GP	SAF	Total
Change in Revenue Est Since January 2014 *	(\$253.2)	(\$63.7)	(\$316.9)
<b>Components of Change:</b>			
Policy Change: Corporate Officer Liability Collections	(\$39.6)	(\$28.1)	(\$67.7)
MBT Information Update	(\$62.0)	\$0.0	(\$62.0)
Individual Income Tax Annual & Refund Payments	(\$172.4)	(\$38.6)	(\$211.0)
Current Year Economic & Other Changes:	\$20.8	\$3.0	\$23.8

\* Staff Estimate based on Agency Estimates

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## FY 2015 GF/P & SAF Revenue Estimate Change

### Change Since January 2014 Millions

	GF/GP	SAF	Total
Change in Revenue Est Since January 2014 *	(\$220.5)	(\$78.5)	(\$299.0)
<b>Components of Change:</b>			
Policy Change: Corporate Officer Liability Collections	(\$61.2)	(\$43.3)	(\$104.5)
MBT Information Update	\$11.0	\$0.0	\$11.0
Individual Income Tax Annual & Refund Payments	(\$182.5)	(\$40.5)	(\$223.0)
Current Year Economic & Other Changes:	\$12.2	\$5.3	\$17.5

\* Staff Estimate based on Agency Estimates

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## Revenue Forecast Comparison

### Millions

Revenue	FY 2014			FY 2015			FY 2016		
	House		Senate	House		Senate	House		Senate
	Treasury	Fiscal	Fiscal	Treasury	Fiscal	Fiscal	Treasury	Fiscal	Fiscal
	Agency	Agency		Agency	Agency		Agency	Agency	
GF-GP	\$9,410	\$9,272	\$9,351	\$9,904	\$9,720	\$9,757	\$10,389	\$10,233	\$10,189
School Aid	\$11,525	\$11,438	\$11,494	\$11,875	\$11,807	\$11,843	\$12,285	\$12,244	\$12,219
<b>Combined</b>	\$20,935	\$20,710	\$20,845	\$21,779	\$21,527	\$21,600	\$22,674	\$22,477	\$22,408
<b>Difference From January</b>									
GF-GP	(\$162)	(\$300)	(\$222)	(\$143)	(\$327)	(\$290)	(\$147)	(\$302)	(\$347)
School Aid	(\$35)	(\$122)	(\$66)	(\$57)	(\$124)	(\$88)	(\$53)	(\$94)	(\$119)
<b>Combined</b>	(\$198)	(\$422)	(\$288)	(\$199)	(\$451)	(\$378)	(\$200)	(\$397)	(\$466)

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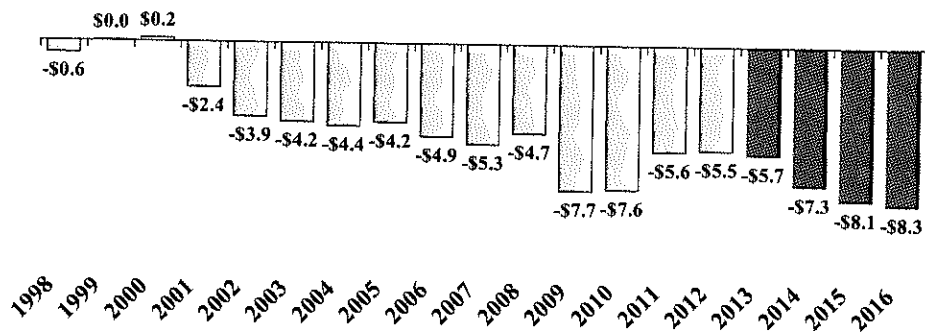
## Budget Stabilization Fund

- In FY 2015, the Agencies estimate pay-ins from \$0 to \$19 million.
- In FY 2016, the Agencies estimate pay-ins ranging from \$0 to \$59 million.
- No BSF pay-outs are estimated by any of the Agencies during either of these years.

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## Constitutional Revenue Limit Calculation

Billions



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Average Agency Forecasts

## Forecast Risks

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- International Issues:
  - European and Chinese financial risks.
  - Syria, Ukraine, Nigeria civil unrest.
- Consumers:
  - Will sentiment increase?
  - Will spending rebound from weather slowdown?
  - Housing: will more consumers take on financial commitment?
- MBT/CIT refund/credit uncertainties:
  - Number of credits that will be claimed.
  - Dollar amount of credits.
  - When credits will be claimed.
  - Unpredictable, volatile and not tied directly to economy.

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## Economic and Revenue Forecasts

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FY 2014 \* FY 2015 \* FY 2016



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