

Economic and Revenue Forecasts

FY 2018 * FY 2019 * FY 2020



**Consensus Revenue Estimating Conference
May 16, 2018**

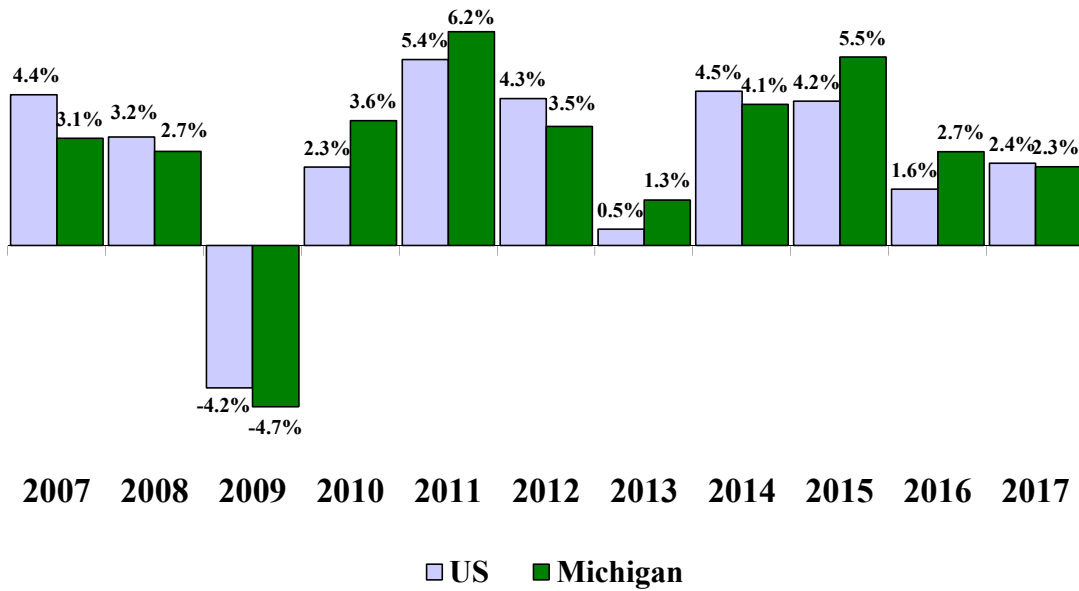
May 2018 Consensus Conference

Outline

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

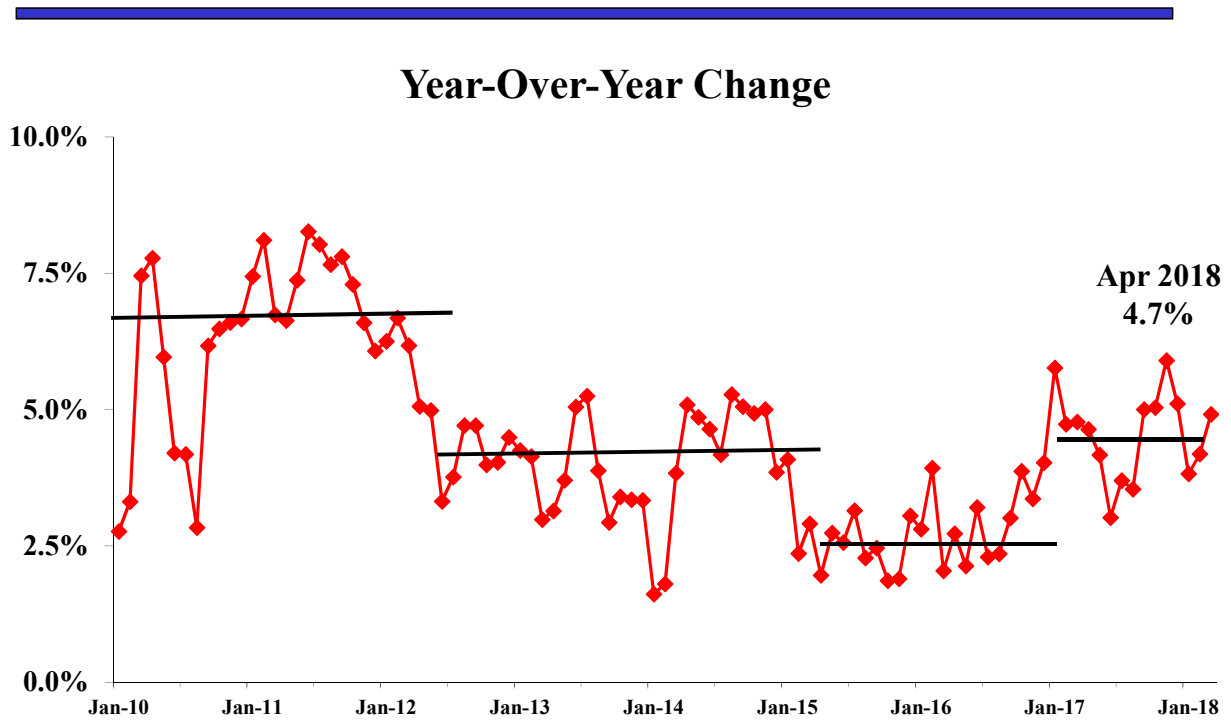
Per Capita Personal Income Growth

Yearly Percent Change



Source: Bureau of Economic Analysis
May 2018 Consensus Conference

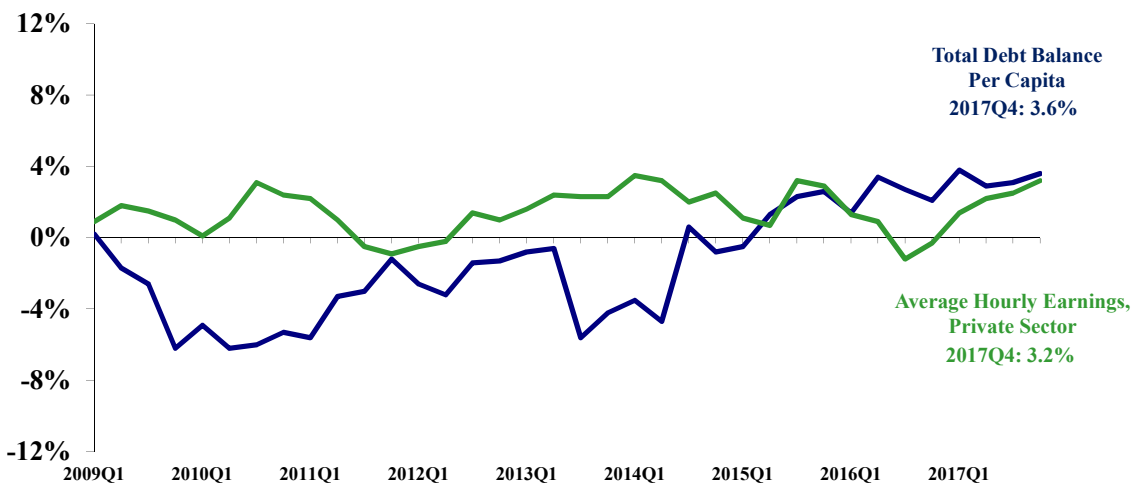
Retail Sales Trending Up



Source: Bureau of the Census.

May 2018 Consensus Conference

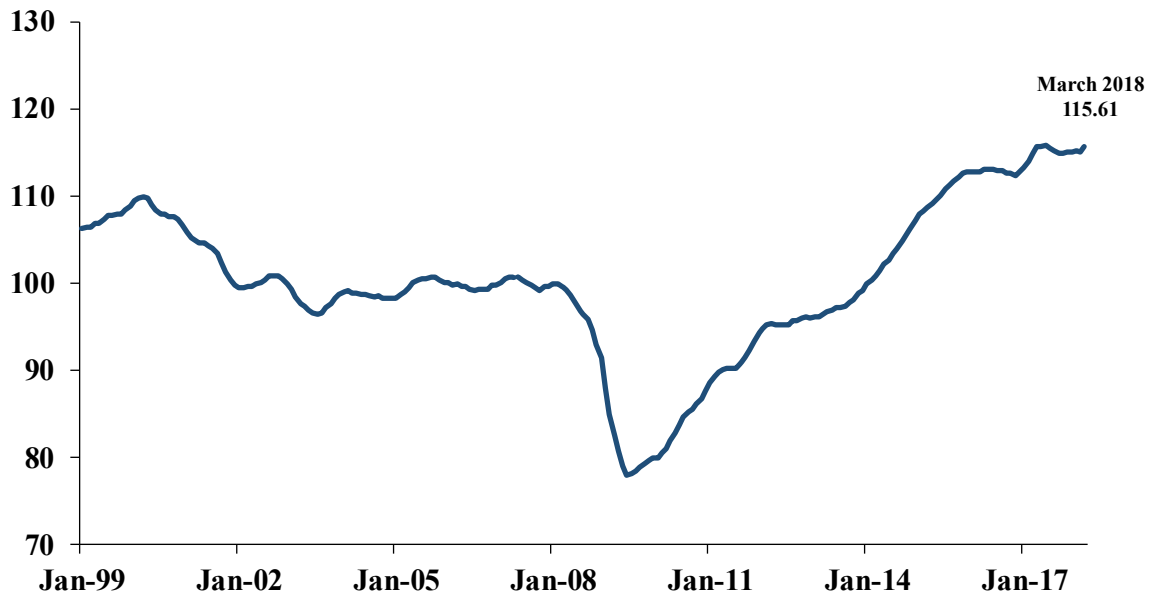
Michigan Debt and Average Hourly Earnings



Sources: Bureau of Labor Statistics & Federal Reserve Bank of New York

May 2018 Consensus Conference

Coincident Economic Activity Index for Michigan

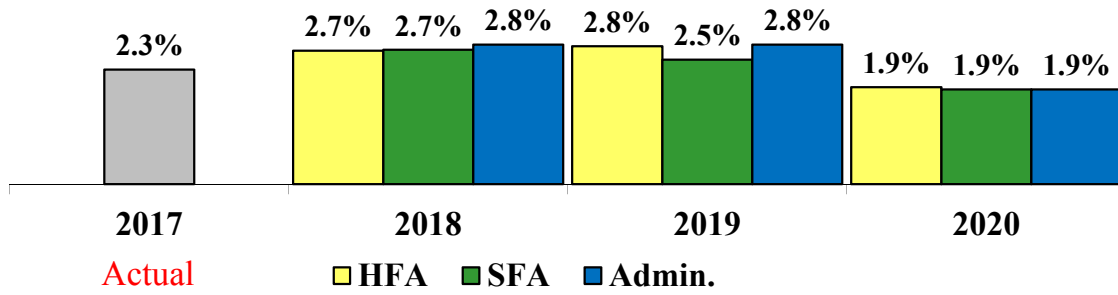


Source: Federal Reserve Bank of St. Louis

May 2018 Consensus Conference

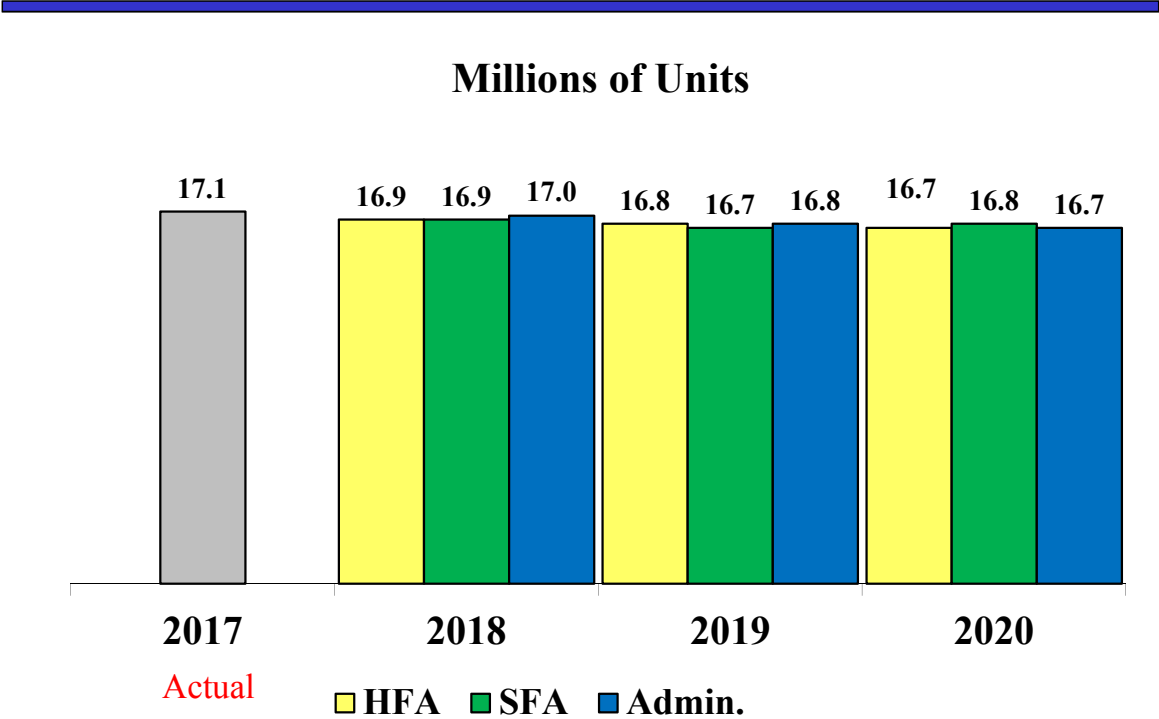
GDP Forecasts

Annual Percent Change

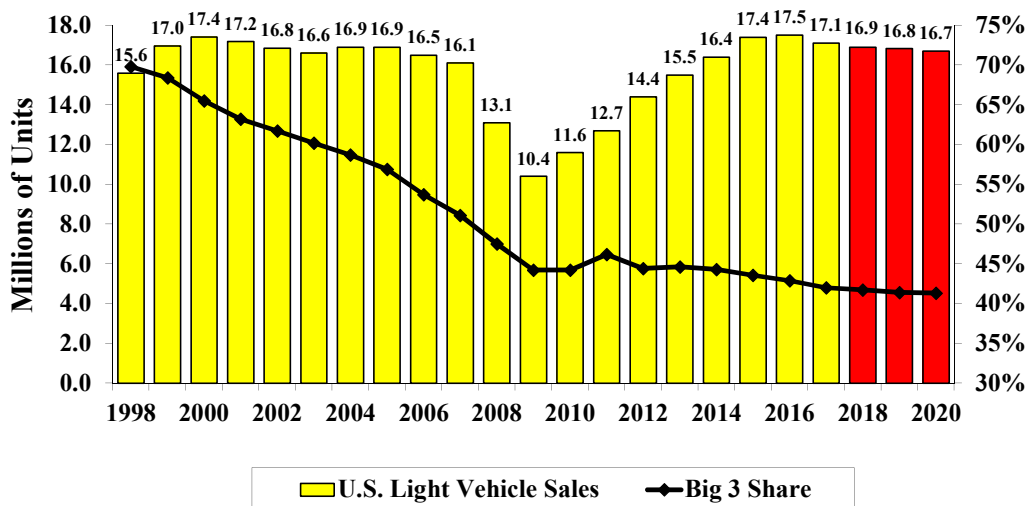


May 2018 Consensus Conference

Light Vehicle Sales Forecast



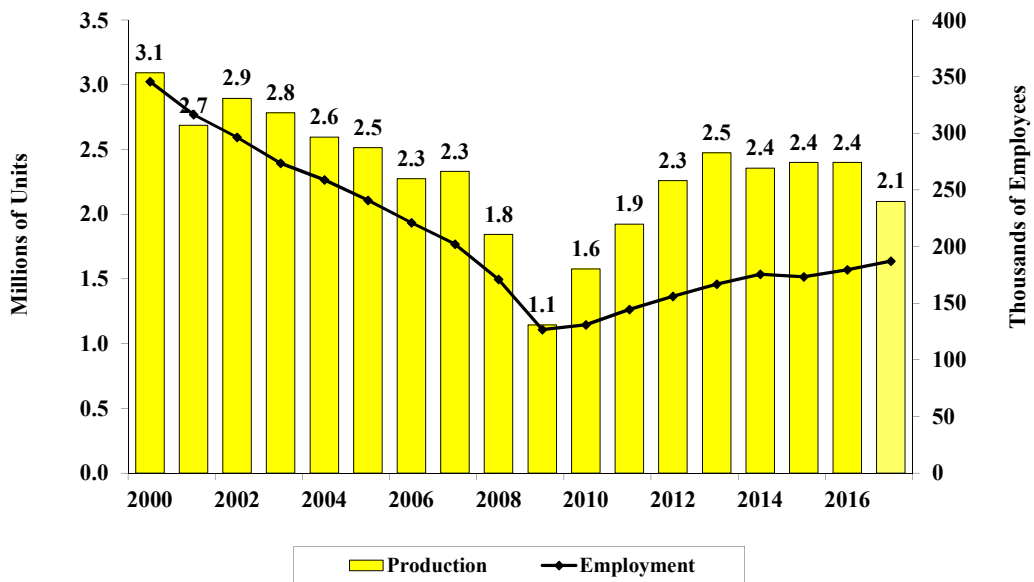
Vehicle Sales at Historically High Levels



Source: Automotive News.
 May 2018 Consensus Conference

Average Agency Forecasts

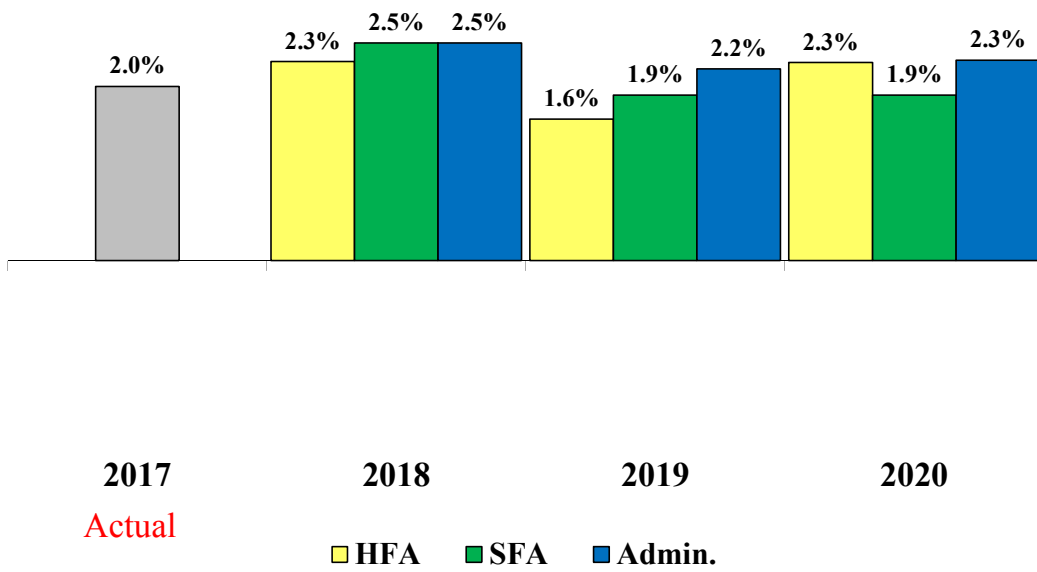
MI Motor Vehicle Production & Employment



Source: Michigan Department of Treasury & U.S. Bureau of Labor Statistics.
May 2018 Consensus Conference

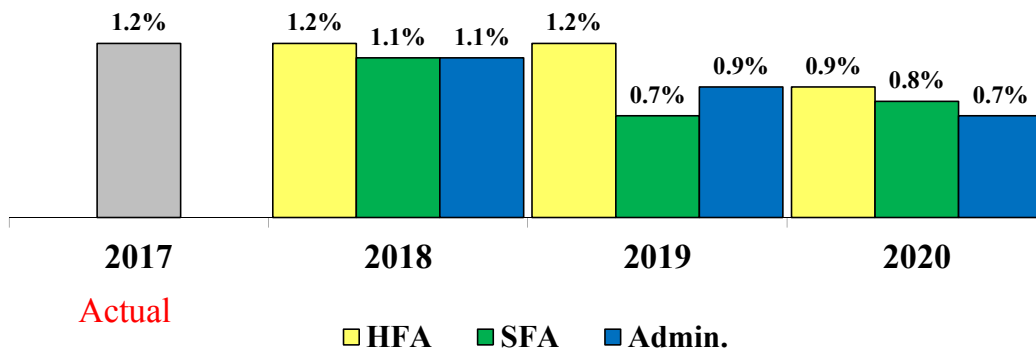
Inflation Expected to Increase

Detroit Consumer Price Index Fiscal Year Growth



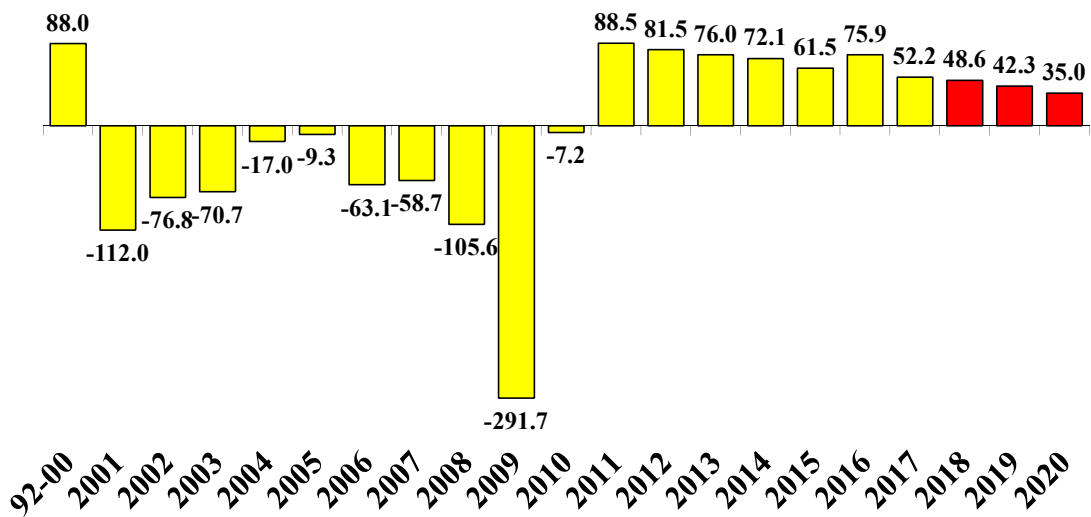
Michigan Wage and Salary Employment

Annual Percent Change



Michigan Job Gains Expected Through 2020

**Change in Michigan Wage and Salary Employment
Thousands**

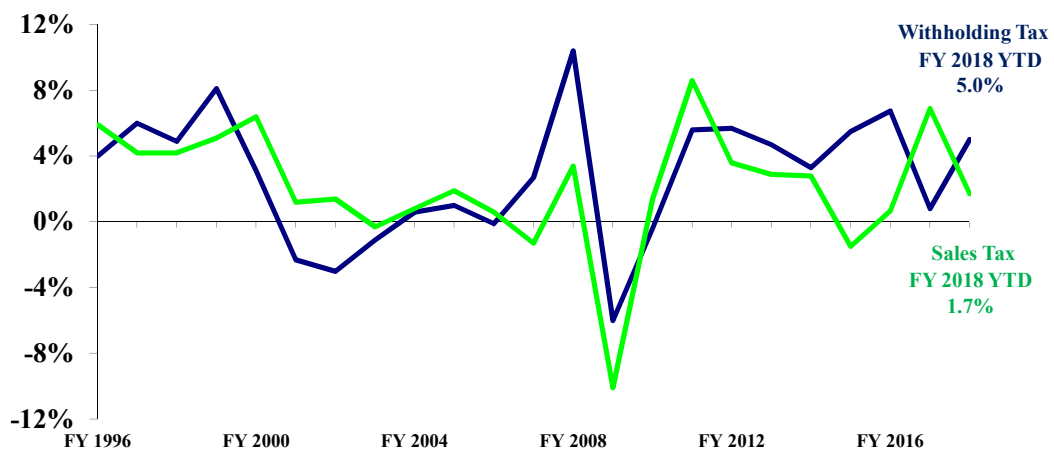


Average Agency Forecasts

Forecast of Major Taxes

- Strong FY18 year-to-date income tax collections.
- Sales tax and use tax combined growth rates strong in FY18 and solid in FY19 and FY20.
- CIT/MBT remains the most volatile major taxes for both economic and non-economic reasons.

IIT Withholding & Sales Tax FY Growth Rates



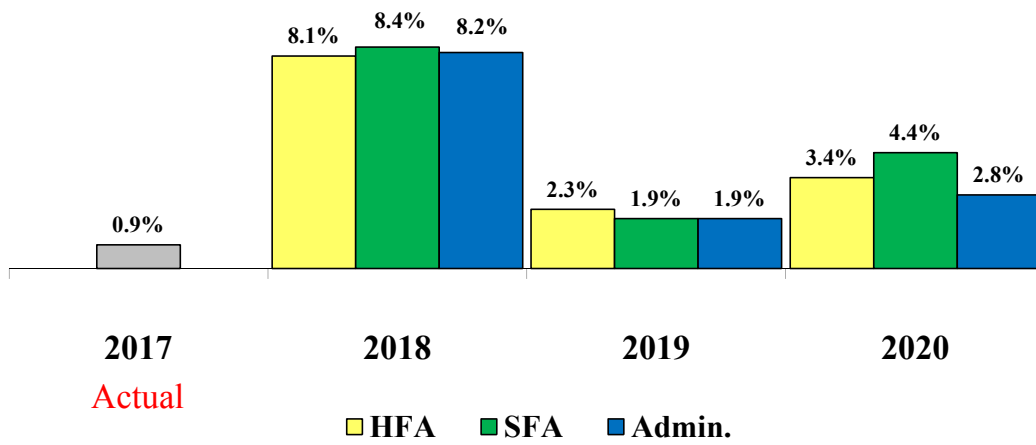
Source: Michigan Department of Treasury

May 2018 Consensus Conference

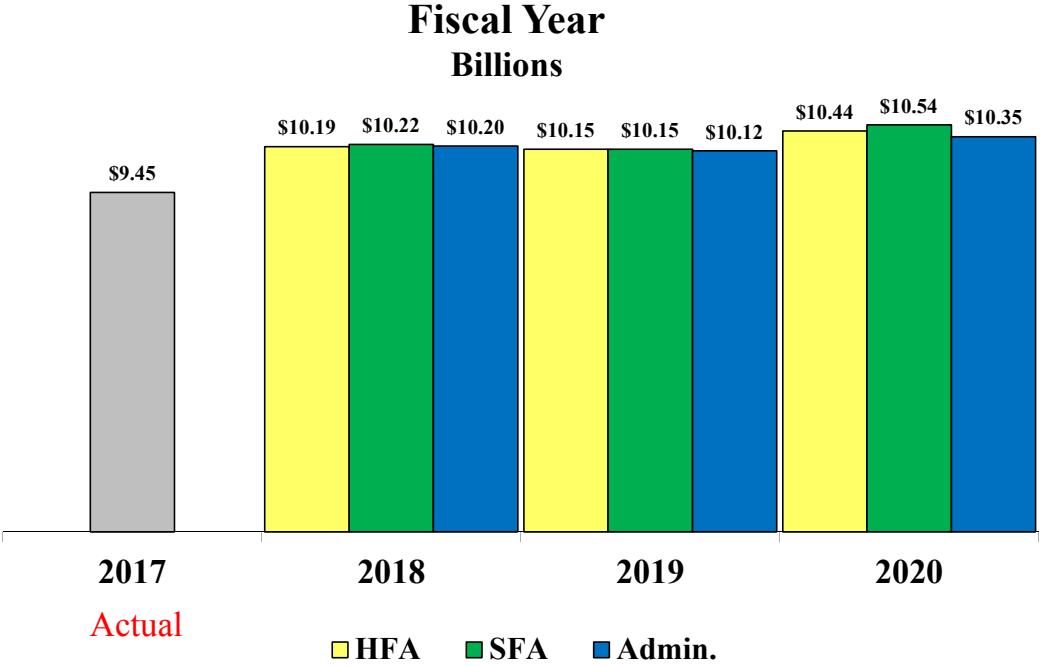
15

Baseline Income Tax Growth

Fiscal Year Growth

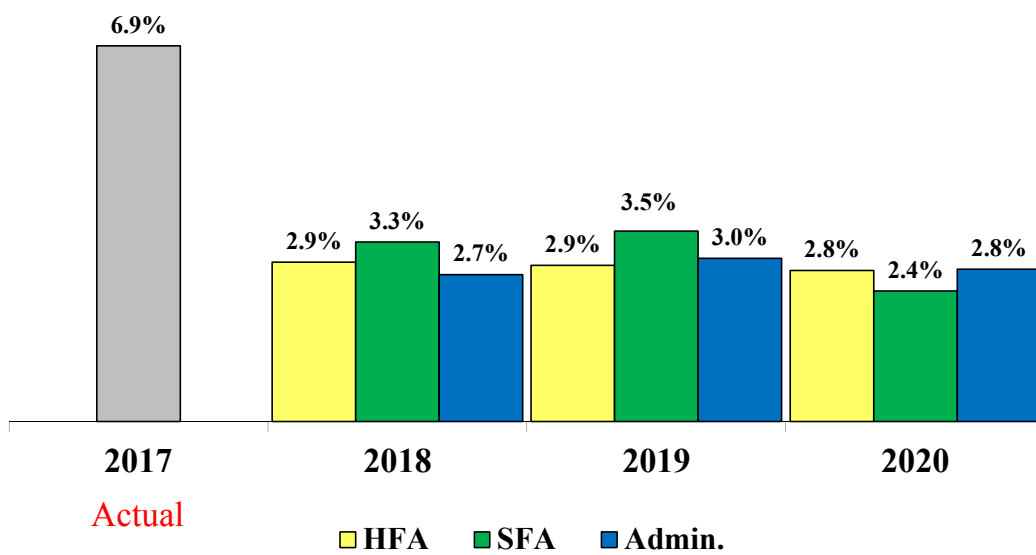


Net Income Tax Revenue Estimates

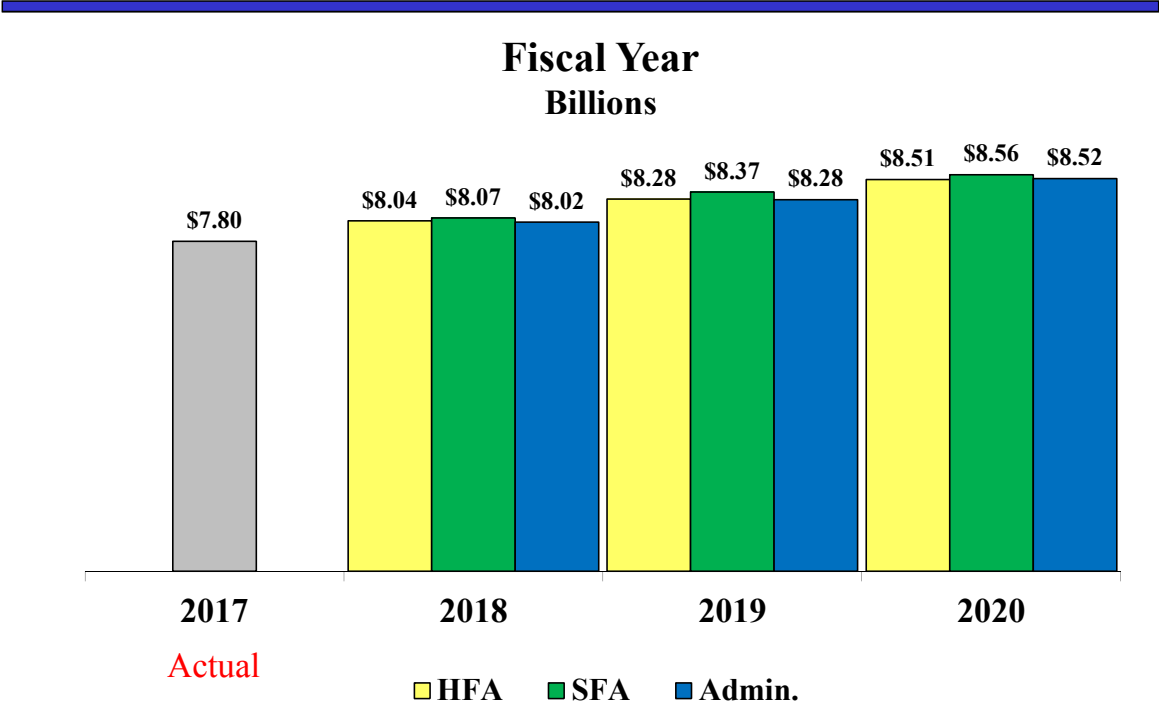


Baseline Sales Tax Growth

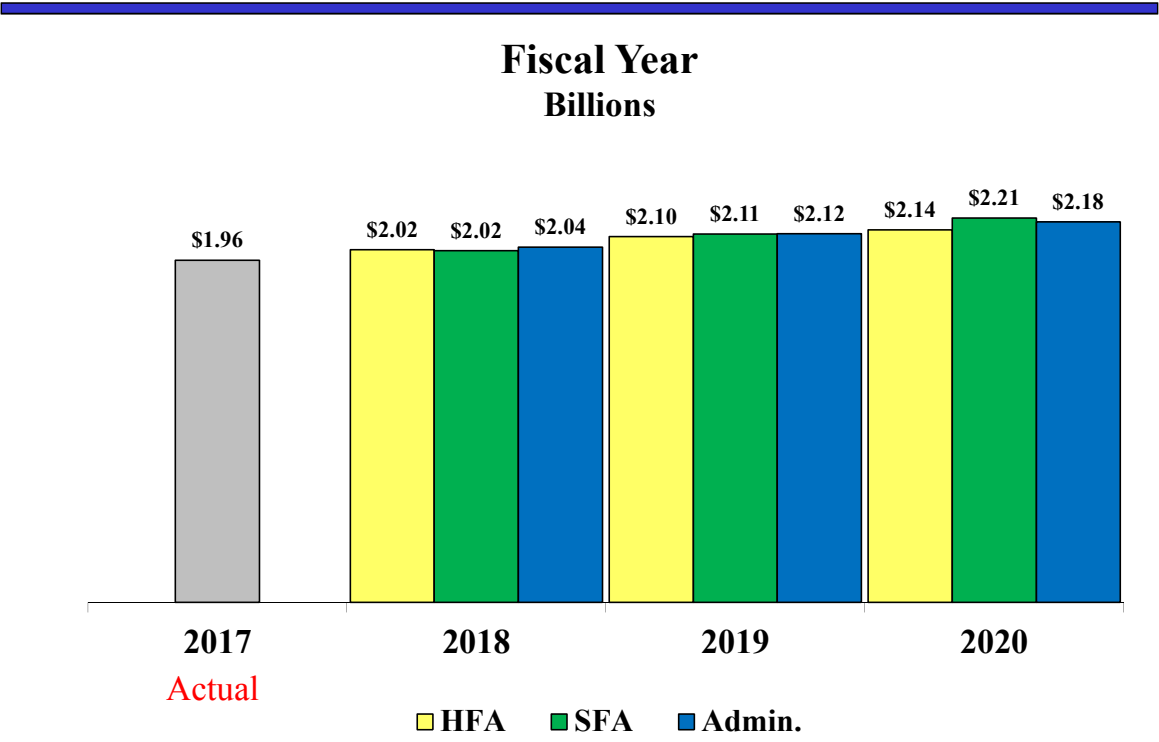
Fiscal Year Growth



Net Sales Tax Revenue Estimates

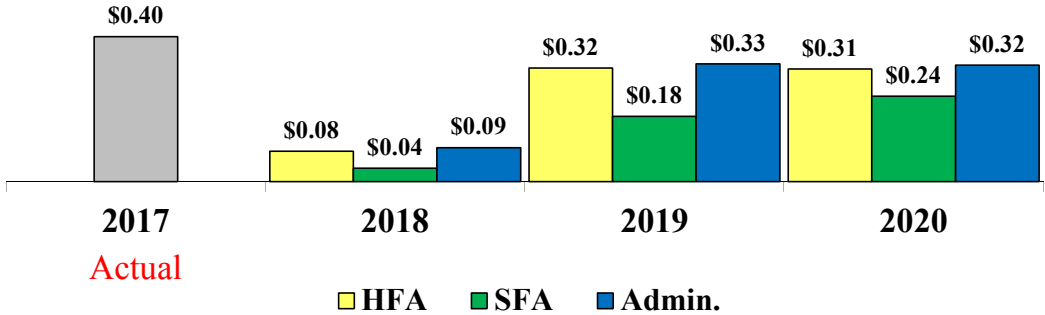


Net SET Revenue Estimates



Net CIT/MBT Revenue Estimates

Fiscal Year
Billions

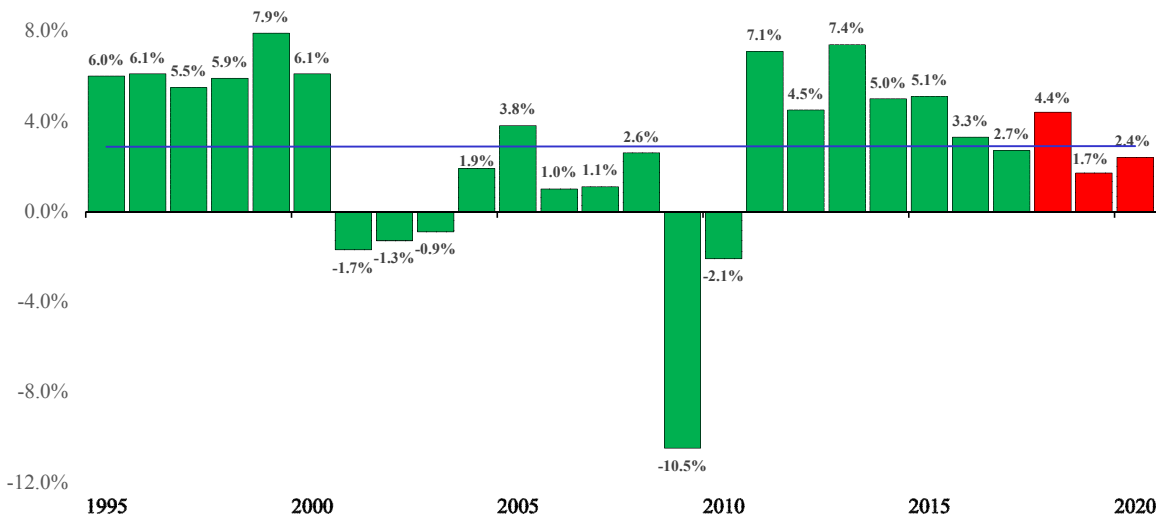


GF-GP and School Aid Fund Revenue

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

GF-GP and School Aid Revenue

Baseline Growth Rates Before Tax Changes



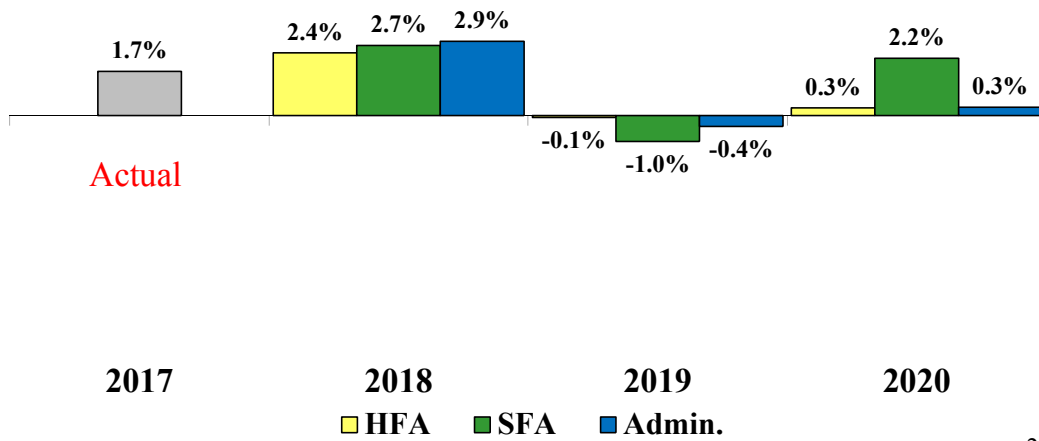
Average Agency Forecasts

May 2018 Consensus Conference

23

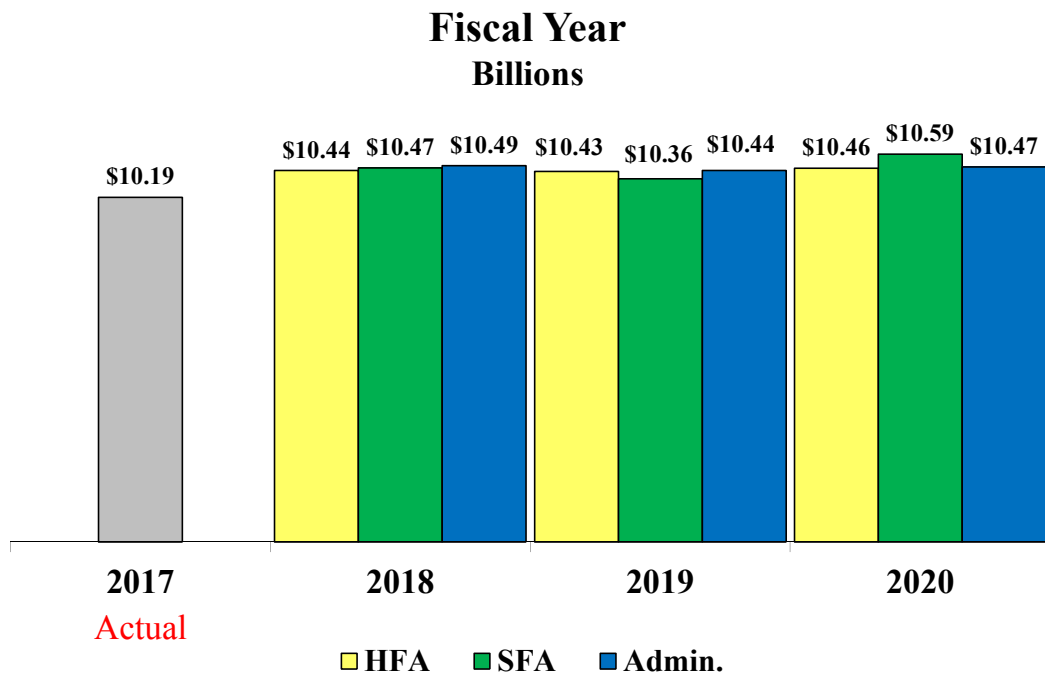
GF-GP Net Revenue Growth

Fiscal Year Growth



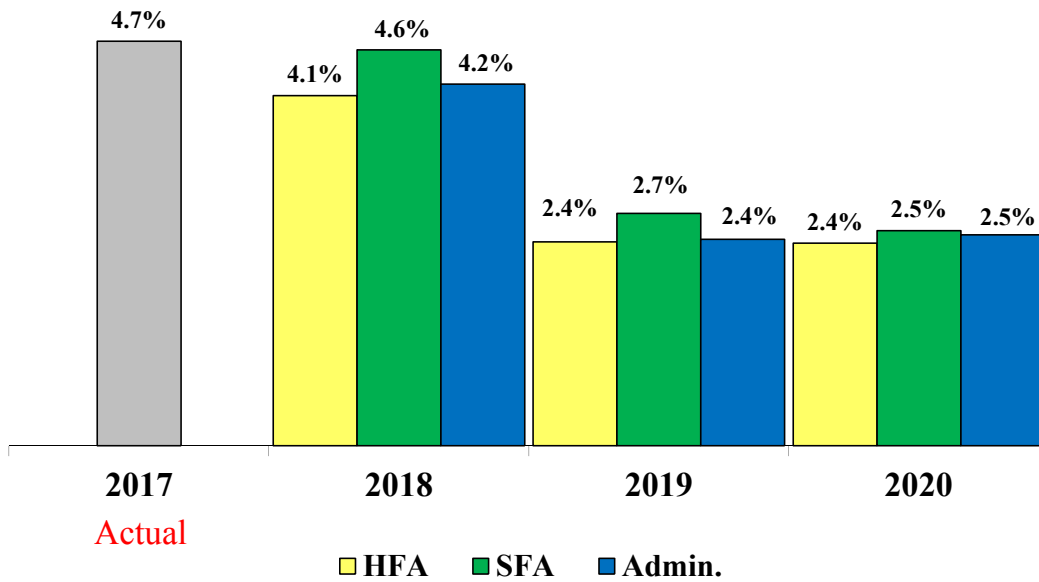
May 2018 Consensus Conference

GF-GP Net Revenue Estimates

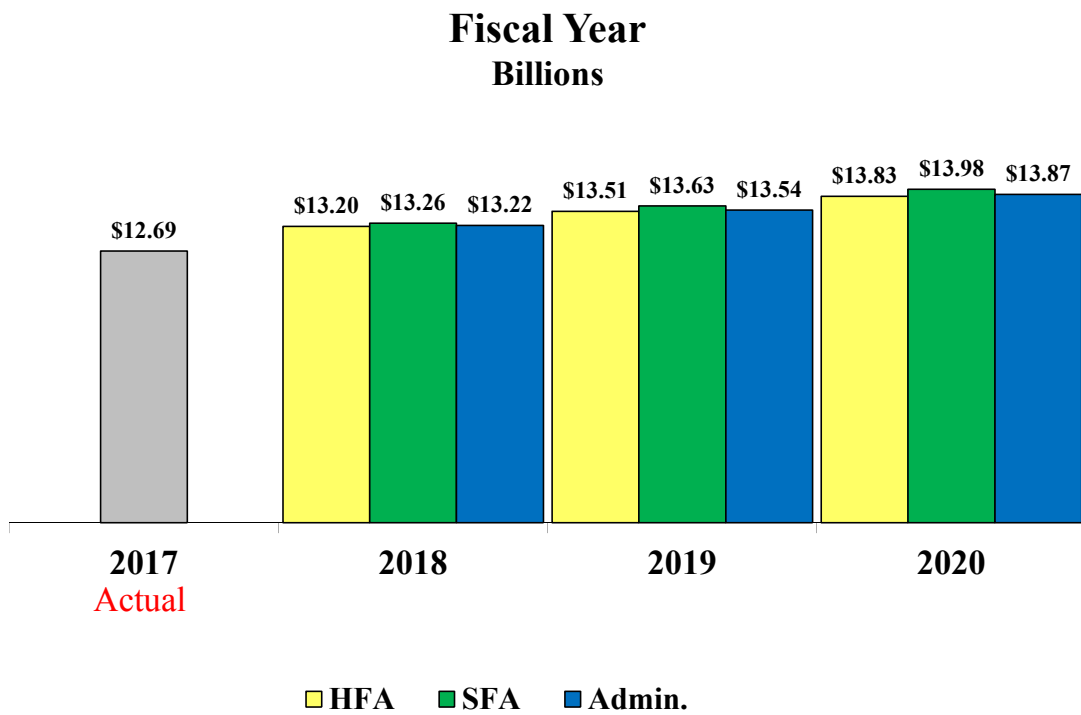


School Aid Fund Net Growth

Fiscal Year Growth

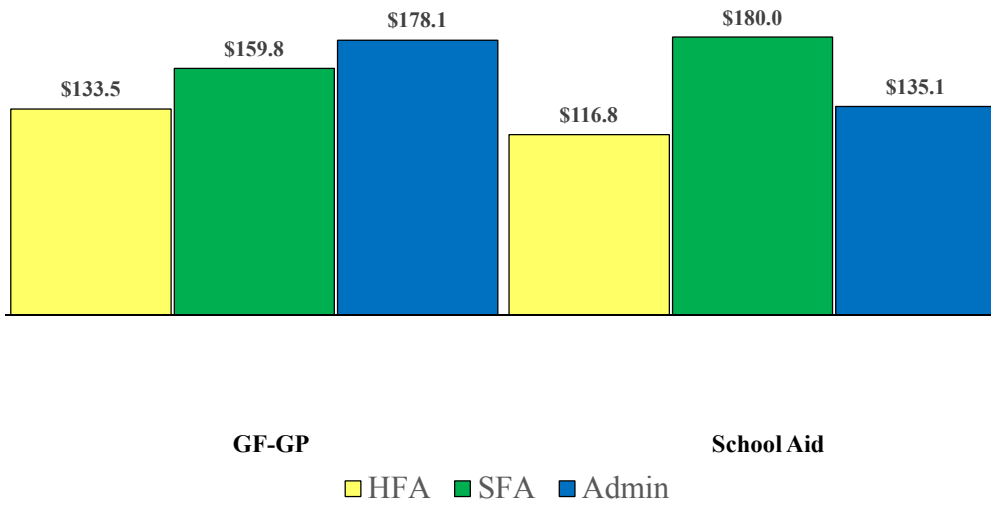


School Aid Fund Net Revenue Estimates



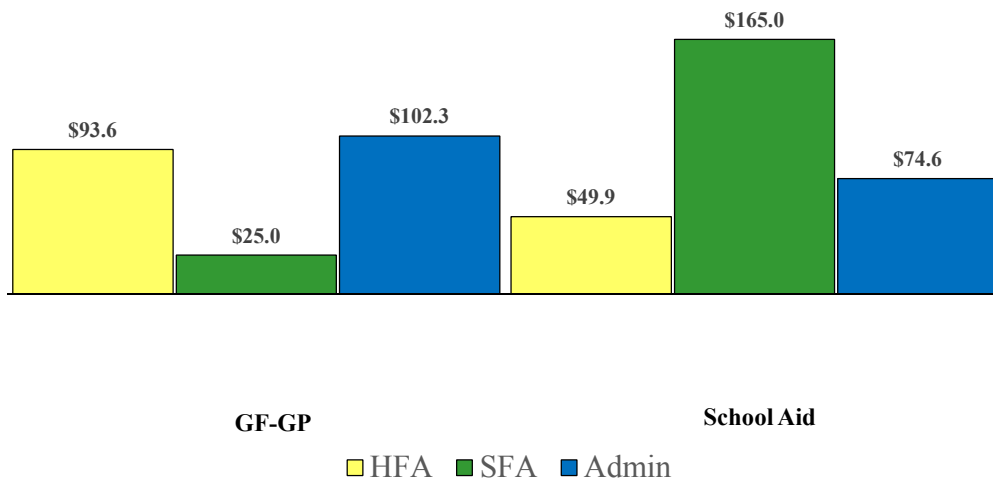
FY 2018 Changes Since January Consensus Estimates

Millions



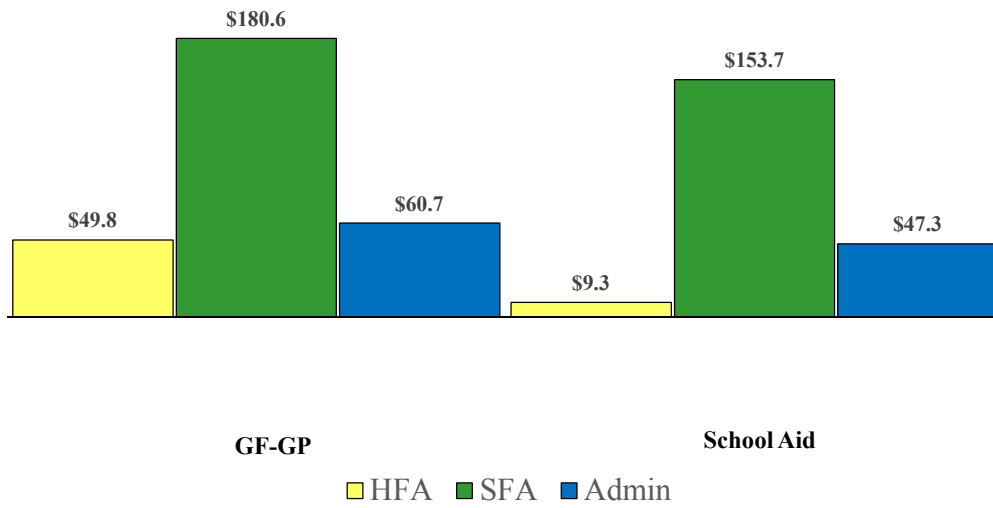
FY 2019 Changes Since January Consensus Estimates

Millions



FY 2020 Changes Since January Consensus Estimates

Millions



Revenue Forecast Comparison

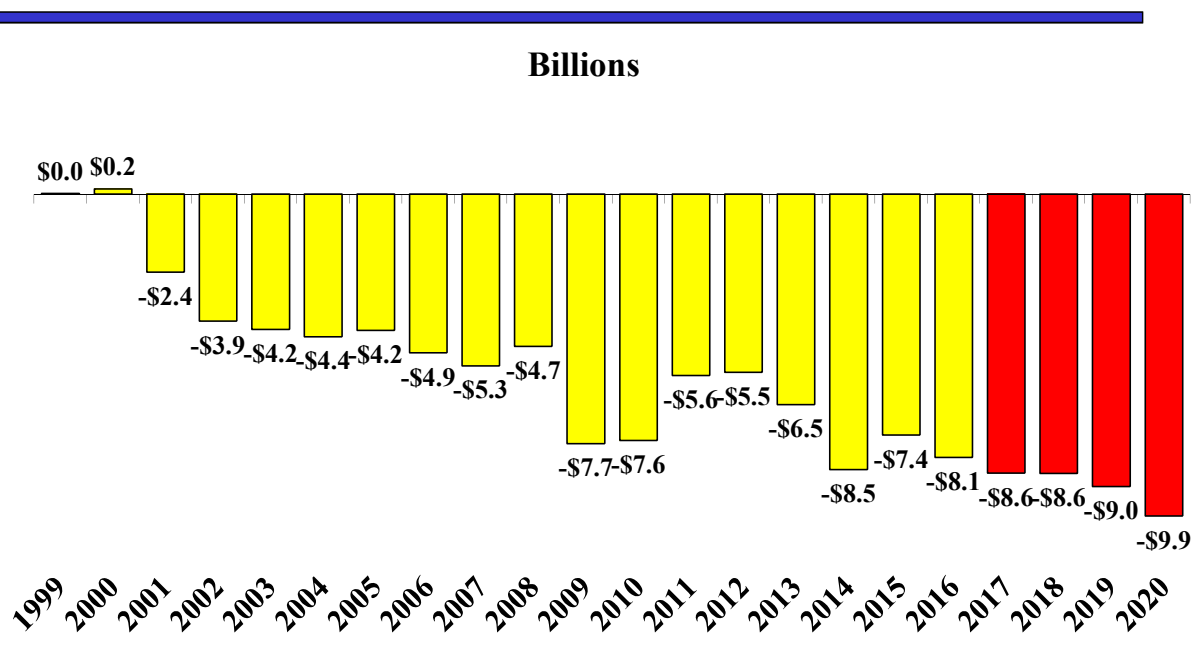
Millions

Revenue	FY 2018			FY 2019			FY 2020		
	Treasury	House Fiscal Agency	Senate Fiscal Agency	Treasury	House Fiscal Agency	Senate Fiscal Agency	Treasury	House Fiscal Agency	Senate Fiscal Agency
GF-GP	\$10,485.8	\$10,441.2	\$10,467.5	\$10,441.9	\$10,433.2	\$10,364.6	\$10,474.2	\$10,463.3	\$10,594.1
School Aid Fund	\$13,219.6	\$13,201.3	\$13,264.5	\$13,538.6	\$13,513.9	\$13,629.0	\$13,870.0	\$13,832.1	\$13,976.4
Difference from May									
GF-GP	\$178.1	\$133.5	\$159.8	\$102.3	\$93.6	\$25.0	\$60.7	\$49.8	\$180.6
School Aid Fund	<u>\$135.1</u>	<u>\$116.8</u>	<u>\$180.0</u>	<u>\$74.6</u>	<u>\$49.9</u>	<u>\$165.0</u>	<u>\$47.3</u>	<u>\$9.4</u>	<u>\$153.7</u>
Combined	\$313.2	\$250.3	\$339.8	\$176.9	\$143.5	\$190.0	\$108.0	\$59.2	\$334.3

Budget Stabilization Fund

- In FY 2018, the Agencies estimate no pay-ins.
- In FY 2019, the Agencies estimate pay-ins ranging from \$4 to \$51 million.
- In FY 2020, the Agencies estimate pay-ins ranging from \$0 to \$73 million.
- No BSF pay-outs are estimated by any of the Agencies during FY 2018 through FY 2020.

Constitutional Revenue Limit Calculation



Average Agency Forecasts

Forecast Risks

- International Uncertainty
 - Trade Policy
 - Oil Prices
- How tight are labor markets?
- Monetary policy: How will Fed respond if inflation pressures appear?
- Housing: How will it respond to higher interest rates?
- CIT volatility

Economic and Revenue Forecasts

FY 2018 * FY 2019 * FY 2020



**Consensus Revenue Estimating Conference
May 16, 2018**

[May 2018 Consensus Conference](#)