

Staff Revenue Agreement Executive Summary August 24, 2020

Economic and Revenue Forecasts Fiscal Years 2020, 2021 and 2022



Principals

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Table 1
Staff Economic Forecast

August 2020

	Calendar 2019 Actual	Percent Change from Prior Year	Calendar 2020 Forecast	Percent Change from Prior Year	Calendar 2021 Forecast	Percent Change from Prior Year	Calendar 2022 Forecast	Percent Change from Prior Year
United States								
Real Gross Domestic Product (Billions of Chained 2012 Dollars)	\$19,092	2.4%	\$18,080	-5.3%	\$18,568	2.7%	\$19,144	3.1%
Implicit Price Deflator GDP (2012 = 100)	112.3	1.7%	113.2	0.8%	114.2	0.9%	115.8	1.4%
Consumer Price Index (1982-84 = 100)	255.657	1.8%	257.806	0.8%	261.805	1.6%	266.993	2.0%
Consumer Price Index - Fiscal Year (1982-84 = 100)	254.376	1.9%	257.702	1.3%	260.710	1.2%	265.813	2.0%
Personal Consumption Deflator (2012 = 100)	109.7	1.4%	110.5	0.8%	111.6	1.0%	113.2	1.4%
3-month Treasury Bills Interest Rate (percent)	2.1		0.4		0.1		0.1	
Unemployment Rate - Civilian (percent)	3.7		8.9		7.9		6.6	
Wage and Salary Employment (millions)	150.939	1.4%	142.490	-5.6%	145.910	2.4%	150.000	2.8%
Housing Starts (millions of starts)	1.290	3.2%	1.195	-7.4%	1.110	-7.1%	1.190	7.2%
Light Vehicle Sales (millions of units)	17.0	-1.4%	13.7	-19.3%	15.0	9.5%	16.1	7.3%
Passenger Car Sales (millions of units)	4.7	-10.9%	3.3	-30.1%	3.6	9.1%	3.6	0.0%
Light Truck Sales (millions of units)	12.2	2.8%	10.4	-15.0%	11.4	9.6%	12.5	9.6%
Big 3 Share of Light Vehicles (percent)	41.0		42.5		41.9		41.6	
Michigan								
Wage and Salary Employment (thousands)	4,433	0.3%	4,043	-8.8%	4,196	3.8%	4,251	1.3%
Unemployment Rate (percent)	4.1		11.7		9.0		7.7	
Personal Income (millions of dollars)	\$502,540	3.8%	\$513,596	2.2%	\$503,324	-2.0%	\$525,974	4.5%
Real Personal Income (millions of 1982-84 dollars)	\$213,604	2.5%	\$218,257	2.2%	\$211,622	-3.0%	\$217,408	2.7%
Wages and Salaries (millions of dollars)	\$246,802	2.7%	\$228,292	-7.5%	\$244,044	6.9%	\$256,490	5.1%
Detroit Consumer Price Index (1982-84 = 100)	235.267	1.3%	235.317	0.0%	237.841	1.1%	241.929	1.7%
Detroit CPI - Fiscal Year (1982-84 = 100)	233.840	1.0%	236.193	1.0%	237.147	0.4%	241.117	1.7%

Table 2
August 2020 Staff Forecast
(millions)

Net Revenue Estimates									
	FY 2020			FY 2021			FY 2022		
	May 2020 Consensus	Aug 2020 Staff	Change From Consensus	May 2020 Consensus	Aug 2020 Staff	Change From Consensus	May 2020 Consensus	Aug 2020 Staff	Change From Consensus
Net GF-GP Revenue	\$9,028.2	\$10,296.8	\$1,268.6	\$9,279.2	\$9,536.7	\$257.5	\$10,149.7	\$10,392.5	\$242.8
Percent Growth	-18.8%	-7.4%		2.8%	-7.4%		9.4%	9.0%	
Dollar Growth		(\$819.0)			(\$760.1)			\$855.8	
Net SAF Revenue	\$12,676.7	\$13,714.4	\$1,037.7	\$13,180.4	\$13,501.9	\$321.5	\$13,920.4	\$14,053.5	\$133.1
Percent Growth	-6.5%	1.2%		4.0%	-1.5%		5.6%	4.1%	
Dollar Growth		\$162.0			(\$212.5)			\$551.6	
Combined GF-GP/SAF	\$21,704.9	\$24,011.2	\$2,306.3	\$22,459.6	\$23,038.6	\$579.0	\$24,070.1	\$24,446.0	\$375.9
Percent Growth	-12.0%	-2.7%		3.5%	-4.1%		7.2%	6.1%	
Dollar Growth		(\$657.0)			(\$972.6)			\$1,407.4	

Revenue Limit Calculation				
	FY 2019	FY 2020	FY 2021	FY 2022
Personal Income	\$460,270	\$484,030	\$502,540	\$513,596
Ratio	9.49%	9.49%	9.49%	9.49%
Revenue Limit	\$43,679.6	\$45,934.4	\$47,691.0	\$48,740.3
Revenue Subject to Limit	\$34,011.3	\$33,773.0	\$33,096.2	\$34,733.4
Amount Under (Over) Limit	\$9,668.3	\$12,161.4	\$14,594.9	\$14,006.9

Note: CY 2017 Personal Income is used for the FY 2019 revenue limit calculation, CY 2018 for FY 2020, CY 2019 for FY 2021, and CY 2020 for FY 2022.

Long Term Revenue Trend		
	FY 2023	FY 2024
Net GF-GP Revenue	\$10,430.6	\$10,534.2
Growth	0.4%	1.0%
Net SAF Revenue	\$14,422.6	\$14,815.1
Growth	2.6%	2.7%
Combined GF-GP/SAF	\$24,853.2	\$25,349.3
Growth	1.7%	2.0%

Budget Stabilization Fund Calculation		
FY 2020 Calculations	PAY-OUT	(\$287.2)
FY 2021 Calculations	NO PAY-IN OR PAY-OUT	
FY 2022 Calculations	PAY-IN	\$133.5

School Aid Index		
	FY 2021	FY 2022
Revenue Adjustment Factor	0.9880	1.0057
Pupil Membership Factor	1.0055	1.0052
School Aid Index	0.9934	1.0109