

Consensus Revenue Agreement

Executive Summary

May 21, 2021

Economic and Revenue Forecasts
Fiscal Years 2021, 2022 and 2023



Principals

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Table 1
Consensus Economic Forecast

May 2021

	Calendar 2019 Actual	Percent Change from Prior Year	Calendar 2020 Actual	Percent Change from Prior Year	Calendar 2021 Forecast	Percent Change from Prior Year	Calendar 2022 Forecast	Percent Change from Prior Year	Calendar 2023 Forecast	Percent Change from Prior Year
United States										
Real Gross Domestic Product (Billions of Chained 2012 Dollars)	\$19,092	2.2%	\$18,426	-3.5%	\$19,605	6.4%	\$20,468	4.4%	\$20,959	2.4%
Implicit Price Deflator GDP (2012 = 100)	112.3	1.8%	113.6	1.2%	117.0	3.0%	120.2	2.7%	123.2	2.5%
Consumer Price Index (1982-84 = 100)	255.657	1.8%	258.811	1.2%	266.405	2.9%	272.809	2.4%	279.363	2.4%
Consumer Price Index - Fiscal Year (1982-84 = 100)	254.376	1.9%	258.014	1.4%	264.469	2.5%	271.182	2.5%	277.718	2.4%
Personal Consumption Deflator (2012 = 100)	109.9	1.5%	111.2	1.2%	114.0	2.6%	116.6	2.3%	119.3	2.3%
3-month Treasury Bills Interest Rate (percent)	2.1		0.4		0.1		0.1		0.3	
Unemployment Rate - Civilian (percent)	3.7		8.1		5.6		4.4		4.1	
Wage and Salary Employment (millions)	150.905	1.3%	142.185	-5.8%	146.170	2.8%	151.430	3.6%	153.850	1.6%
Housing Starts (millions of starts)	1.290	3.2%	1.380	6.9%	1.620	17.4%	1.615	-0.3%	1.600	-0.9%
Light Vehicle Sales (millions of units)	17.0	-1.5%	14.5	-14.6%	16.9	16.8%	17.0	0.6%	16.9	-0.6%
Passenger Car Sales (millions of units)	4.7	-11.1%	3.4	-27.9%	3.7	8.8%	3.4	-8.1%	3.2	-5.9%
Light Truck Sales (millions of units)	12.2	2.8%	11.1	-9.5%	13.2	19.2%	13.6	3.0%	13.7	0.7%
Big 3 Share of Light Vehicles (percent)	41.0		40.5		39.9		40.4		40.0	
Michigan										
Wage and Salary Employment (thousands)	4,443	0.4%	4,033	-9.2%	4,178	3.6%	4,320	3.4%	4,380	1.4%
Unemployment Rate (percent)	4.1		9.9		5.1		4.6		4.2	
Personal Income (millions of dollars)	\$491,632	3.1%	\$528,093	7.4%	\$541,296	2.5%	\$535,341	-1.1%	\$556,755	4.0%
Real Personal Income (millions of 1982-84 dollars)	\$208,968	1.7%	\$222,206	6.3%	\$221,944	-0.1%	\$214,557	-3.3%	\$218,161	1.7%
Wages and Salaries (millions of dollars)	\$246,831	2.6%	\$239,866	-2.8%	\$248,981	3.8%	\$260,185	4.5%	\$271,113	4.2%
Detroit Consumer Price Index (1982-84 = 100)	235.267	1.3%	237.659	1.0%	243.888	2.6%	249.510	2.3%	255.204	2.3%
Detroit CPI - Fiscal Year (1982-84 = 100)	233.843	1.0%	237.426	1.5%	242.035	1.9%	247.604	2.3%	253.301	2.3%

Table 2
May 2021 Consensus Forecast
(millions)

Net Revenue Estimates									
	<u>FY 2021</u>			<u>FY 2022</u>			<u>FY 2023</u>		
	<u>Jan 2021 Consensus</u>	<u>May 2021 Consensus</u>	<u>Change From Consensus</u>	<u>Jan 2021 Consensus</u>	<u>May 2021 Consensus</u>	<u>Change From Consensus</u>	<u>Jan 2021 Consensus</u>	<u>May 2021 Consensus</u>	<u>Change From Consensus</u>
Net GF-GP Revenue	\$10,237.5	\$11,276.8	\$1,039.3	\$10,897.1	\$11,673.1	\$776.0	\$11,167.1	\$12,270.7	\$1,103.6
Percent Growth	-4.9%	4.7%		6.4%	3.5%		2.5%	5.1%	
Dollar Growth		\$501.2			\$396.3			\$597.6	
Net SAF Revenue	\$14,030.2	\$15,032.4	\$1,002.2	\$14,423.7	\$15,131.0	\$707.3	\$14,730.4	\$15,427.6	\$697.2
Percent Growth	0.2%	7.4%		2.8%	0.7%		2.1%	2.0%	
Dollar Growth		\$1,042.0			\$98.6			\$296.6	
Combined	\$24,267.7	\$26,309.2	\$2,041.5	\$25,320.8	\$26,804.1	\$1,483.3	\$25,897.5	\$27,698.3	\$1,800.8
Percent Growth	-2.0%	6.2%		4.3%	1.9%		2.3%	3.3%	
Dollar Growth		\$1,543.2			\$494.9			\$894.2	

Revenue Limit Calculation				
	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>
Personal Income	\$484,030	\$491,632	\$528,093	\$541,296
Ratio	9.49%	9.49%	9.49%	9.49%
Revenue Limit	\$45,934.4	\$46,655.9	\$50,116.0	\$51,369.0
Revenue Subject to Limit	\$34,516.9	\$36,198.7	\$36,833.5	\$37,876.7
Amount Under (Over) Limit	\$11,417.6	\$10,457.2	\$13,282.5	\$13,492.3

Note: CY 2018 Personal Income is used for the FY 2020 revenue limit calculation, CY 2019 for FY 2021, CY 2020 for FY 2022, and CY 2021 for FY 2023.

Long Term Revenue Trend		
	<u>FY 2024</u>	<u>FY 2025</u>
Net GF-GP Revenue	\$12,510.6	\$12,790.8
Growth	2.0%	2.2%
Net SAF Revenue	\$15,773.3	\$16,155.2
Growth	2.2%	2.4%
Combined GF-GP/SAF	\$28,283.9	\$28,946.0
Growth	2.1%	2.3%

Income Tax Rate Under MCL 206.51(1)			
	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>
GF/GP Revenue	\$11,276.8	\$11,673.1	\$12,270.7
Section 51d earmark (MTF)	\$600.0	\$600.0	\$600.0
Total GF/GP Subject to MCL 206.51	\$11,876.8	\$12,273.1	\$12,870.7
Percentage increase CPI from 2021		2.54%	5.01%
Multiplier		1.425	1.425
Capped GF/GP revenue		\$12,306.3	\$12,724.5
Total Estimated IIT revenue collected	\$13,390.3	\$13,631.6	\$14,060.3
Estimated Tax Rate for Tax Year 2023			4.25%
FY 23 Revenue Impact			\$0.0
Estimated Tax Rate for Tax Year 2024			4.21%
FY 24 Revenue Impact			(\$90.0)

Budget Stabilization Fund Calculation		
FY 2021 Calculations	NO PAY-IN OR PAY-OUT	
FY 2022 Calculations	NO PAY-IN OR PAY-OUT	
FY 2023 Calculations	PAY-IN \$29.2 MILLION	
School Aid Index		
	<u>FY 2022</u>	<u>FY 2023</u>
Revenue Adjustment Factor	1.0354	1.0076
Pupil Membership Factor	1.0112	1.0070
School Aid Index	1.0470	1.0147