

Consensus Revenue Agreement

Executive Summary

January 11, 2018

Economic and Revenue Forecasts
Fiscal Years 2018, 2019 and 2020



Principals

Nick Khouri
State Treasurer

Ellen Jeffries, Director
Senate Fiscal Agency

Mary Ann Cleary, Director
House Fiscal Agency

Staff

Eric Bussis
Michigan Department of Treasury

David Zin
Senate Fiscal Agency

Jim Stansell
House Fiscal Agency

Table 1
Consensus Economic Forecast

January 2018

	Calendar 2016 Actual	Calendar 2017 Forecast	Percent Change from Prior Year	Calendar 2018 Forecast	Percent Change from Prior Year	Calendar 2019 Forecast	Percent Change from Prior Year	Calendar 2020 Forecast	Percent Change from Prior Year
United States									
Real Gross Domestic Product (Billions of Chained 2009 Dollars)	\$16,716	\$17,101	2.3%	\$17,529	2.5%	\$17,897	2.1%	\$18,237	1.9%
Implicit Price Deflator GDP (2009 = 100)	111.4	113.4	1.7%	115.6	1.9%	117.9	2.0%	120.5	2.2%
Consumer Price Index (1982-84 = 100)	240.007	244.860	2.0%	248.929	1.7%	253.872	2.0%	259.552	2.2%
Consumer Price Index - Fiscal Year (1982-84 = 100)	238.939	243.841	2.1%	247.889	1.7%	252.589	1.9%	258.097	2.2%
Personal Consumption Deflator (2009 = 100)	110.8	112.6	1.6%	114.4	1.6%	116.6	1.9%	118.9	2.0%
3-month Treasury Bills Interest Rate (percent)	0.3	0.9		1.6		2.0		2.5	
Unemployment Rate - Civilian (percent)	4.9	4.4		4.2		4.1		4.0	
Wage and Salary Employment (millions)	144.306	146.330	1.4%	148.520	1.5%	150.300	1.2%	151.650	0.9%
Housing Starts (millions of starts)	1.174	1.202	2.4%	1.267	5.4%	1.306	3.1%	1.342	2.8%
Light Vehicle Sales (millions of units)	17.5	17.1	-2.1%	16.9	-1.2%	16.8	-0.6%	16.7	-0.6%
Passenger Car Sales (millions of units)	6.9	6.1	-11.6%	5.8	-4.9%	5.6	-3.4%	5.4	-3.6%
Light Truck Sales (millions of units)	10.6	11.0	4.1%	11.1	0.9%	11.2	0.9%	11.3	0.9%
Big 3 Share of Light Vehicles (percent)	42.7	42.0		42.0		42.1		42.1	
Michigan									
Wage and Salary Employment (thousands)	4,326	4,390	1.5%	4,430	0.9%	4,470	0.9%	4,519	1.1%
Unemployment Rate (percent)	4.9	4.4		4.3		4.3		4.2	
Personal Income (millions of dollars)	\$439,361	\$452,542	3.0%	\$472,001	4.3%	\$492,769	4.4%	\$514,944	4.5%
Real Personal Income (millions of 1982-84 dollars)	\$197,762	\$199,998	1.1%	\$205,406	2.7%	\$210,345	2.4%	\$215,093	2.3%
Wages and Salaries (millions of dollars)	\$222,823	\$230,622	3.5%	\$239,616	3.9%	\$249,440	4.1%	\$260,415	4.4%
Detroit Consumer Price Index (1982-84 = 100)	222.167	226.273	1.8%	229.789	1.6%	234.267	1.9%	239.405	2.2%
Detroit CPI - Fiscal Year (1982-84 = 100)	221.137	225.517	2.0%	228.852	1.5%	233.103	1.9%	238.095	2.1%

Table 1
January 2018 Consensus Forecast
(millions)

Net Revenue Estimates								
	FY 2017	FY 2018			FY 2019			FY 2020
	Preliminary	May 2017 Consensus	Jan 2018 Consensus	\$ Change From May	May 2017 Consensus	Jan 2018 Consensus	\$ Change From May	Jan 2018 Consensus
Net GF-GP Revenue	\$10,192.3	\$10,408.6	\$10,307.7	(\$100.9)	\$10,489.5	\$10,339.6	(\$149.9)	\$10,413.5
Percent Growth	1.7%	2.9%	1.1%		0.8%	0.3%		0.7%
Dollar Growth			\$115.4			\$31.9		\$73.9
Net SAF Revenue	\$12,685.1	\$12,970.5	\$13,084.5	\$114.0	\$13,330.5	\$13,464.0	\$133.5	\$13,822.7
Percent Growth	4.7%	2.9%	3.1%		2.8%	2.9%		2.7%
Dollar Growth			\$399.4			\$379.5		\$358.7
Combined GF-GP/SAF	\$22,877.4	\$23,379.1	\$23,392.2	\$13.1	\$23,820.0	\$23,803.6	(\$16.4)	\$24,236.2
Percent Growth	3.3%	2.9%	2.3%		1.9%	1.8%		1.8%
Dollar Growth			\$514.8			\$411.4		\$432.6

Revenue Limit Calculation				
	FY 2017	FY 2018	FY 2019	FY 2020
Personal Income	\$424,807	\$439,361	\$452,542	\$472,001
Ratio	9.49%	9.49%	9.49%	9.49%
Revenue Limit	\$40,314.2	\$41,695.4	\$42,946.2	\$44,792.9
Revenue Subject to Limit	\$31,689.6	\$32,682.8	\$33,581.6	\$34,541.1
Amount Under (Over) Limit	\$8,624.6	\$9,012.6	\$9,364.6	\$10,251.8

Note: CY 2015 Personal Income is used for the FY 2017 revenue limit calculation, CY 2016 for FY 2018, CY 2017 for FY 2019, and CY 2018 for FY 2020.

Long Term Revenue Trend		
	FY 2021	FY 2022
Net GF-GP Revenue	\$10,514.7	\$10,914.9
Growth	1.0%	3.8%
Net SAF Revenue	\$14,223.9	\$14,639.4
Growth	2.9%	2.9%
Combined GF-GP/SAF	\$24,738.6	\$25,554.3
Growth	2.1%	3.3%

Budget Stabilization Fund Calculation		
FY 2018 Calculations	PAY-IN IN OR PAY-OUT	
FY 2019 Calculations	PAY-IN	\$72.2
FY 2020 Calculations	PAY-IN	\$31.0

School Aid Index		
	FY 2019	FY 2020
Revenue Adjustment Factor	1.0278	1.0275
Pupil Membership Factor	1.0034	1.0024
School Aid Index	1.0313	1.0300