

# **Consensus Revenue Agreement**

## **Executive Summary**

**May 15, 2013**

**Economic and Revenue Forecasts**  
**Fiscal Years 2013, 2014 and 2015**



### **Principals**

**Andy Dillon**  
**State Treasurer**

**Ellen Jeffries, Director**  
**Senate Fiscal Agency**

**Mary Ann Cleary, Director**  
**House Fiscal Agency**

### **Staff**

**Jay Wortley**  
**Michigan Department of Treasury**

**David Zin**  
**Senate Fiscal Agency**

**Jim Stansell**  
**House Fiscal Agency**

**Table 1**  
**Consensus Economic Forecast**

May 2013

|   | Calendar<br>2011<br>Actual | Calendar<br>2012<br>Actual | Percent<br>Change<br>from Prior<br>Year | Calendar<br>2013<br>Forecast | Percent<br>Change<br>from Prior<br>Year | Calendar<br>2014<br>Forecast | Percent<br>Change<br>from Prior<br>Year | Calendar<br>2015<br>Forecast | Percent<br>Change<br>from Prior<br>Year |
|---|----------------------------|----------------------------|---|------------------------------|---|------------------------------|---|------------------------------|---|
| <b>United States</b>  |                            |                            |   |                              |   |                              |   |                              |   |
| Real Gross Domestic Product<br>(Billions of Chained 2005 Dollars) | 13,299                     | \$13,593                   | 2.2%                                    | \$13,851                     | 1.9%                                    | \$14,225                     | 2.7%                                    | \$14,638                     | 2.9%                                    |
| Implicit Price Deflator GDP<br>(2005 = 100)                       | 113.4                      | 115.4                      | 1.8%                                    | 117.0                        | 1.4%                                    | 119.0                        | 1.7%                                    | 121.3                        | 1.9%                                    |
| Consumer Price Index<br>(1982-84 = 100)                           | 224.939                    | 229.594                    | 2.1%                                    | 233.482                      | 1.7%                                    | 238.023                      | 1.9%                                    | 242.977                      | 2.1%                                    |
| Consumer Price Index - Fiscal Year<br>(1982-84 = 100)             | 223.137                    | 228.526                    | 2.4%                                    | 232.483                      | 1.7%                                    | 236.879                      | 1.9%                                    | 241.695                      | 2.0%                                    |
| Personal Consumption Deflator<br>(2005 = 100)                     | 113.8                      | 115.8                      | 1.8%                                    | 117.3                        | 1.3%                                    | 119.1                        | 1.5%                                    | 121.0                        | 1.6%                                    |
| 3-month Treasury Bills<br>Interest Rate (percent)                 | 0.1                        | 0.1                        |   | 0.1                          |   | 0.2                          |   | 0.2                          |   |
| Aaa Corporate Bonds<br>Interest Rate (percent)                    | 4.6                        | 3.7                        |   | 3.9                          |   | 4.0                          |   | 4.0                          |   |
| Unemployment Rate - Civilian<br>(percent)                         | 8.9                        | 8.1                        |   | 7.6                          |   | 7.0                          |   | 6.4                          |   |
| Wage and Salary Employment<br>(millions)                          | 131.497                    | 133.739                    | 1.7%                                    | 135.750                      | 1.5%                                    | 137.920                      | 1.6%                                    | 140.400                      | 1.8%                                    |
| Housing Starts<br>(millions of starts)                            | 0.609                      | 0.781                      | 28.2%                                   | 1.056                        | 35.3%                                   | 1.280                        | 21.2%                                   | 1.432                        | 11.9%                                   |
| Light Vehicle Sales<br>(millions of units)                        | 12.7                       | 14.4                       | 13.4%                                   | 15.3                         | 6.3%                                    | 15.6                         | 2.0%                                    | 15.9                         | 1.9%                                    |
| Passenger Car Sales<br>(millions of units)                        | 6.2                        | 7.4                        | 19.4%                                   | 7.8                          | 5.4%                                    | 7.9                          | 1.3%                                    | 8.0                          | 1.3%                                    |
| Light Truck Sales<br>(millions of units)                          | 6.5                        | 7.0                        | 7.7%                                    | 7.5                          | 7.1%                                    | 7.7                          | 2.7%                                    | 7.9                          | 2.6%                                    |
| Big 3 Share of Light Vehicles<br>(percent)                        | 46.2                       | 44.2                       |   | 45.0                         |   | 45.1                         |   | 45.4                         |   |
| <b>Michigan</b>   |                            |                            |   |                              |   |                              |   |                              |   |
| Wage and Salary Employment<br>(thousands)                         | 3,952                      | 4,024                      | 1.8%                                    | 4,077                        | 1.3%                                    | 4,125                        | 1.2%                                    | 4,175                        | 1.2%                                    |
| Unemployment Rate<br>(percent)                                    | 10.4                       | 9.1                        |   | 8.6                          |   | 8.1                          |   | 7.7                          |   |
| Personal Income<br>(millions of dollars)                          | \$358,152                  | \$370,599                  | 3.5%                                    | \$379,864                    | 2.5%                                    | \$395,058                    | 4.0%                                    | \$411,650                    | 4.2%                                    |
| Real Personal Income<br>(millions of 1982-84 dollars)             | \$169,131                  | \$171,508                  | 1.4%                                    | \$172,752                    | 0.7%                                    | \$176,531                    | 2.2%                                    | \$180,437                    | 2.2%                                    |
| Wages and Salaries<br>(millions of dollars)                       | \$183,000                  | \$189,121                  | 3.3%                                    | \$194,795                    | 3.0%                                    | \$200,834                    | 3.1%                                    | \$208,666                    | 3.9%                                    |
| Detroit Consumer Price Index<br>(1982-84 = 100)                   | 211.760                    | 216.082                    | 2.0%                                    | 219.890                      | 1.7%                                    | 223.790                      | 1.6%                                    | 228.141                      | 1.8%                                    |

Table 2  
**May 2013 Consensus Forecast**  
(millions)

| <b>Net Revenue Estimates</b> |                               |                               |                                       |                               |                               |                                       |                               |                               |                                       |
|------------------------------|-------------------------------|-------------------------------|---------------------------------------|-------------------------------|-------------------------------|---------------------------------------|-------------------------------|-------------------------------|---------------------------------------|
|                              | <u>FY 2013</u>                |                               |                                       | <u>FY 2014</u>                |                               |                                       | <u>FY 2015</u>                |                               |                                       |
|                              | <u>Jan 2013<br/>Consensus</u> | <u>May 2013<br/>Consensus</u> | <u>\$ Change<br/>From<br/>January</u> | <u>Jan 2013<br/>Consensus</u> | <u>May 2013<br/>Consensus</u> | <u>\$ Change<br/>From<br/>January</u> | <u>Jan 2013<br/>Consensus</u> | <u>May 2013<br/>Consensus</u> | <u>\$ Change<br/>From<br/>January</u> |
| <b>Net GF-GP Revenue</b>     | \$8,792.2                     | \$9,189.2                     | \$396.9                               | \$9,264.4                     | \$9,446.2                     | \$181.8                               | \$9,639.9                     | \$9,840.2                     | \$200.3                               |
| % Growth                     | -5.1%                         | -0.8%                         |                                       | 5.4%                          | 2.8%                          |                                       | 4.1%                          | 4.2%                          |                                       |
| \$ Growth                    |                               | (\$76.0)                      |                                       |                               | \$257.1                       |                                       |                               | \$394.0                       |                                       |
| <b>Net SAF Revenue</b>       | \$11,127.7                    | \$11,213.4                    | \$85.7                                | \$11,432.5                    | \$11,470.1                    | \$37.6                                | \$11,768.8                    | \$11,812.7                    | \$43.9                                |
| % Growth                     | 2.3%                          | 3.1%                          |                                       | 2.7%                          | 2.3%                          |                                       | 2.9%                          | 3.0%                          |                                       |
| \$ Growth                    |                               | \$334.7                       |                                       |                               | \$256.7                       |                                       |                               | \$342.6                       |                                       |
| <b>Combined GF-GP/SAF</b>    | \$19,919.9                    | \$20,402.6                    | \$482.6                               | \$20,697.0                    | \$20,916.3                    | \$219.3                               | \$21,408.7                    | \$21,653.0                    | \$244.2                               |
| % Growth                     | -1.1%                         | 1.3%                          |                                       | 3.9%                          | 2.5%                          |                                       | 3.4%                          | 3.5%                          |                                       |
| \$ Growth                    |                               | \$258.7                       |                                       |                               | \$513.7                       |                                       |                               | \$736.6                       |                                       |

| <b>Revenue Limit Calculation</b> |                  |                  |                  |                  |
|----------------------------------|------------------|------------------|------------------|------------------|
|                                  | <u>FY 2012</u>   | <u>FY 2013</u>   | <u>FY 2014</u>   | <u>FY 2015</u>   |
| Personal Income                  | \$342,663        | \$358,152        | \$370,599        | \$379,864        |
| Ratio                            | 9.49%            | 9.49%            | 9.49%            | 9.49%            |
| Revenue Limit                    | \$32,518.7       | \$33,988.6       | \$35,169.8       | \$36,049.1       |
| Revenue Subject to Limit         | \$27,228.1       | \$27,580.8       | \$28,130.5       | \$29,037.2       |
| <b>Amount Under (Over) Limit</b> | <b>\$5,290.6</b> | <b>\$6,407.8</b> | <b>\$7,039.4</b> | <b>\$7,011.9</b> |

Note: CY 2010 Personal Income is used for the FY 2012 revenue limit calculation, CY 2011 for FY 2013, CY 2012 for FY 2014, and CY 2013 for FY 2015.

| <b>Long Term Revenue Trend</b> |                |                |
|--------------------------------|----------------|----------------|
|                                | <u>FY 2016</u> | <u>FY 2017</u> |
| <b>Net GF-GP Revenue</b>       | \$10,265.9     | \$10,655.6     |
| Growth                         | 4.3%           | 3.8%           |
| <b>Net SAF Revenue</b>         | \$12,150.5     | \$12,474.7     |
| Growth                         | 2.9%           | 2.7%           |
| <b>Combined GF-GP/SAF</b>      | \$22,416.4     | \$23,130.3     |
| Growth                         | 3.5%           | 3.2%           |

| <b>Budget Stabilization Fund Calculation</b> |                             |
|--|-----------------------------|
| FY 2013 Calculations                         | <b>NO PAY-IN OR PAY-OUT</b> |
| FY 2014 Calculations                         | <b>NO PAY-IN OR PAY-OUT</b> |
| FY 2015 Calculations                         | <b>NO PAY-IN OR PAY-OUT</b> |

| <b>School Aid Index</b>   |                |                |
|---------------------------|----------------|----------------|
|                           | <u>FY 2014</u> | <u>FY 2015</u> |
| Revenue Adjustment Factor | <b>1.0264</b>  | <b>1.0275</b>  |
| Pupil Membership Factor   | <b>1.0040</b>  | <b>1.0039</b>  |
| School Aid Index          | <b>1.0305</b>  | <b>1.0315</b>  |