

January 15, 2003

Members of the House of Representatives

Mitchell E. Bean, Director

Consensus Revenue Agreement — January 14, 2003

Pursuant to the Management and Budget Act Sections 367(a) through 367(f), the Consensus Revenue Estimating Conference establishes an official economic forecast of major variables of the national and state economies and establishes a forecast of anticipated state General Fund/General Purpose (GF/GP) and School Aid Fund (SAF) revenues.

The conference principals at the January 2003 meeting were the Director of the House Fiscal Agency, the Director of the Senate Fiscal Agency, and the State Treasurer. The Director of the House Fiscal Agency is the 2003 Conference Chairperson.

The attached tables provide a summation of the agreements reached at the January 14 conference. The consensus estimates will be revised or updated at the May 2003 conference.

Table 1: Consensus Economic Forecast

Provides estimates of various state and national economic variables. The forecast indicates that real gross domestic product (GDP) will grow by 2.4% in calendar year (CY) 2003 and by 3.7% in CY 2004. In addition, Michigan personal income is forecast to grow 3.6% in CY 2003 and by 5.2% in CY 2004.

Table 2: Consensus Estimates of GF/GP and SAF

Provides the final estimates for FY 2001-02, revised consensus estimates for FY 2002-03, and the initial consensus estimates for FY 2003-04 revenues. Net GF/GP and SAF revenue is estimated to increase by \$382.3 million in FY 2002-03, then increase by \$104.9 million or 0.6% in FY 2003-04.

Table 3: Consensus Estimate - Budget and Economic Stabilization Fund Calculation

Reports no withdrawal from the Budget Stabilization Fund estimated for FY 2002-03 based on growth in real adjusted personal income (Management and Budget Act, 1984 PA 431, Section 352). No pay-in or payout is calculated for FY 2003-04.

Table 4: Consensus Estimate - Constitutional Revenue Limit Calculation

Reports calculations of the amounts that revenues exceed or do not exceed the constitutional state revenue limit established in Article IX, Section 26 of the Constitution of the State of Michigan. It is estimated that total state revenue subject to the limit will remain \$3.9 billion below in FY 2001-02, \$4.2 billion below in FY 2002-03, and \$4.5 billion below in FY 2003-04.

Table 5: Consensus Estimate - Comparison of Pupil Membership Estimates

Reports consensus estimates of pupil membership for FY 2002-03 and FY 2003-04 and notes changes from May 2002 estimates.

Table 6: Consensus Estimate - School Aid Revenue Adjustment Factor and Pupil Membership Adjustment Factor

Reports calculations used to determine the FY 2003-04 revenue adjustment factor which is 1.0295, and the pupil membership adjustment factor, which is 0.9981 for FY 2003-04. The revenue adjustment factor is multiplied by the pupil membership adjustment factor to determine the increase in the per pupil foundation allowance, which is 1.0275 or 2.75%.

If you have any questions regarding this information, please do not hesitate to call.

attachments

Table 1
Consensus Economic Forecast
January 2003

	<u>Calendar 2002 Actual</u>	<u>Percent Change from Prior Year</u>	<u>Calendar 2003 Forecast</u>	<u>Percent Change from Prior Year</u>	<u>Calendar 2004 Forecast</u>	<u>Percent Change from Prior Year</u>
United States						
Real Gross Domestic Product (Billions of Chained 1996 Dollars)	\$9,432	2.4%	\$9,658	2.4%	\$10,016	3.7%
Implicit Price Deflator GDP (1996 = 100)	110.7	1.1%	112.8	1.9%	115.3	2.2%
Consumer Price Index (1982-84 = 100)	179.9	1.6%	184.6	2.6%	189.6	2.7%
3-month Treasury Bills Interest Rate (percent)	1.6		1.6		3.2	
Aaa Corporate Bonds Interest Rate (percent)	6.5		6.0		6.1	
Unemployment Rate - Civilian (percent)	5.8		6.1		5.6	
Light Vehicle Sales (millions of units)	16.5	-3.0%	16.3	-1.3%	16.4	0.6%
Passenger Car Sales (millions of units)	8.0	-4.6%	7.9	-1.7%	8.0	1.3%
Light Truck Sales (millions of units)	8.5	-1.3%	8.4	-1.0%	8.4	0.0%
Import Share of Light Vehicles (percent)	19.8		19.9		19.2	
Michigan						
Wage and Salary Employment (thousands)	4,546	-0.9%	4,532	-0.3%	4,609	1.7%
Unemployment Rate (percent)	6.1		6.2		5.7	
Personal Income (millions of dollars)	\$303,508	2.0%	\$314,434	3.6%	\$330,848	5.2%
Real Personal Income (millions of 1982-84 dollars)	\$169,580	-0.6%	\$171,066	0.9%	\$175,264	2.5%
Wages and Salaries (millions of dollars)	\$173,697	0.2%	\$179,429	3.3%	\$187,862	4.7%
Detroit Consumer Price Index	179.0	2.6%	183.8	2.7%	188.8	2.7%

(1982-84 = 100)

NOTE: Percentages may not calculate exactly due to rounding.

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Table 2

Revenue Comparison and Consensus Estimates of GF/GP and SAF
(Millions of Dollars)
January 2003

	<u>FY 2001-02</u>	<u>FY 2002-03</u>			<u>FY 2003-04</u>		
	<u>Final</u>	<u>01/14/2003 Consensus</u>	<u>% Change from FY 02</u>	<u>\$\$ Change from FY 02</u>	<u>01/14/2003 Consensus</u>	<u>% Change from FY 03</u>	<u>\$\$ Change from FY 03</u>
General Fund/General Purpose							
Baseline	\$8,278.4	\$8,298.6	0.24%	\$20.2	\$8,653.3	4.27%	\$354.7
Tax Adjustments	\$146.8	(\$214.8)			(\$461.7)		
Net GF-GP Revenue	\$8,425.1	\$8,083.8	-4.05%	(\$341.3)	\$8,191.5	1.33%	\$107.7
School Aid Fund Revenue							
Baseline	\$10,105.4	\$10,279.9	1.73%	\$174.5	\$10,714.4	4.23%	\$434.5
Tax Adjustments	\$28.6	\$577.7			\$140.3		
Net SAF Revenue	\$10,134.0	\$10,857.6	7.14%	\$723.6	\$10,854.7	-0.03%	(\$2.9)
Total GF-GP and SAF							
Baseline	\$18,383.7	\$18,578.5	1.06%	\$194.8	\$19,367.7	4.25%	\$789.2
Tax Adjustments	\$175.4	\$362.9			(\$321.4)		
Net GF-GP and SAF	\$18,559.1	\$18,941.4	2.06%	\$382.3	\$19,046.3	0.55%	\$104.9

NOTE: Percentages may not calculate exactly due to rounding.

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Table 3
Consensus Estimate for Budget and Economic Stabilization Fund Calculation
FY 2002-03 and FY 2003-04
(Millions of Dollars)
January 2003

	<u>CY 2002</u>		<u>CY 2003</u>	
Michigan Personal Income	\$303,508	(1)	\$314,434	(1)
Less Transfer Payments	\$46,770	(1)	\$48,688	(1)
Income Net of Transfers	\$256,738	(2)	\$265,747	(1)
Detroit CPI for 12 months ending	1.729 (June 2002)		1.776 (June 2003)	
Real Adjusted Michigan Personal Income	\$148,489		\$149,659	
Change in Real Adjusted Personal Income			0.8%	
Between 0 and 2%			0.0%	
GF-GP Revenue Fiscal Year 2002-03			\$8,083.8	

BSF Withdrawal not indicated for FY 2002-03
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BSF Pay-in not indicated for FY 2003-04
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Notes:

1. Personal Income, Transfer Payments, and Detroit Consumer Price Index: Consensus Economic Forecast of January 14, 2003.
2. Detroit Consumer Price Index: average of six monthly values reported by BLS for each 12-month period and from January 14, 2003, Consensus Forecast.

NOTE: Numbers may not calculate exactly due to rounding.

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Table 4
Consensus Estimate
Constitutional Revenue Limit Calculation
(Millions of Dollars)
January 2003

	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Consensus Jan 14, 2003</u>	<u>Consensus Jan 14, 2003</u>	<u>Consensus Jan 14, 2003</u>
<u>Revenue Subject to Limit</u>						
Consensus						
General Fund General Purpose	\$9,382.1	\$9,754.8	\$8,964.9	\$8,400.5	\$8,068.8	\$8,171.6
General Fund Revenue Sharing	\$1,395.0	\$1,470.1	\$1,559.3	\$1,573.1	\$1,608.4	\$1,680.8
School Aid Fund	\$9,309.9	\$9,889.3	\$9,994.1	\$10,134.0	\$10,857.6	\$10,854.7
Transportation	\$2,048.5	\$2,094.9	\$2,118.7	\$2,211.1	\$2,257.3	\$2,347.0
Other Restricted Revenue	\$1,073.2	\$1,153.8	\$1,272.2	\$1,272.2	\$1,272.2	\$1,272.2
Total Revenue Subject to Limit	\$23,208.6	\$24,362.9	\$23,909.2	\$23,590.8	\$24,064.3	\$24,326.3
<u>Revenue Limit</u>	<u>CY 1997</u>	<u>CY 1998</u>	<u>CY 1999</u>	<u>CY 2000</u>	<u>CY 2001</u>	<u>CY 2002</u>
Personal Income	\$244,329	\$255,039	\$277,296	\$289,390	\$297,609	\$303,508
Ratio	9.49%	9.49%	9.49%	9.49%	9.49%	9.49%
Revenue Limit	\$23,186.8	\$24,203.2	\$26,315.4	\$27,463.1	\$28,243.1	\$28,802.9
1 Percent of Limit	\$231.9	\$242.0	\$263.2	\$274.6	\$282.4	\$288.0
<u>Amount Under (Over) Limit</u>	(\$21.7)	(\$159.7)	\$2,406.2	\$3,872.3	\$4,178.8	\$4,476.7

Table 5
Consensus Estimate
January 2003 Comparison of Pupil Membership Estimates
FY 2002-03 and FY 2003-04
 (Actual Numbers)

	May 2002 Consensus <u>Estimate</u>	January 2003 Consensus <u>Estimate</u>	Change From May 2002 Consensus <u>Estimate</u>
FY 2002-03			
Local Districts	1,648,700	1,648,100	(600)
Public School Academies	<u>68,800</u>	<u>67,200</u>	<u>(1,600)</u>
Total	1,717,500	1,715,300	(2,200)
FY 2003-04			
Local Districts	N/A	1,647,000	N/A
Public School Academies	N/A	<u>71,500</u>	N/A
Total	N/A	1,718,500	N/A

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Table 6

January 2003 Consensus Estimate School Aid Revenue Adjustment Factor and Pupil Membership Adjustment Factor for FY 2003-04

Revenue Adjustment Factor (Millions of Dollars)

	<u>FY 2001-02</u>	<u>FY 2002-03</u>	<u>FY 2003-04</u>
Baseline SAF Revenue	\$10,105.4	\$10,279.9	\$10,714.4
Balance Sheet Adjustments	\$28.6	\$577.7	\$140.3
Net SAF Estimate	\$10,134.0	\$10,857.6	\$10,854.7
Adjustments to Base	\$112.2	(\$441.0)	\$0.0
Baseline Revenue on an FY 2003-04 Base Annual Growth Rate	\$10,246.2	\$10,416.6 1.66%	\$10,854.7 4.21%
<u>School Aid Fund Revenue Calculation for FY 2003-04</u>			
Sum of FY 2001-02 and FY 2002-03	\$10,246.2	+ \$10,416.6 =	\$20,662.8
Sum of FY 2002-03 and FY 2003-04	\$10,416.6	+ \$10,854.7 =	\$21,271.3

FY 2003-04 Revenue Adjustment Factor	1.0295
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Pupil Membership Adjustment Factor (Actual Numbers)

Consensus Estimate FY 2002-03	1,648,100	Local District Pupils
	+ 67,200	Public School Academy Pupils
	1,715,300	
Consensus Estimate FY 2003-04	1,647,000	Local District Pupils
	+ 71,500	Public School Academy Pupils
	1,718,500	

Estimated FY 2003-04 Pupil Membership Adjustment Factor

FY 2002-03 Pupil Membership	=	1,715,300
	<i>divided by</i>	
FY 2003-04 Pupil Membership	=	1,718,500

FY 2003-04 Pupil Membership Adjustment Factor (based on January 2003 Consensus)	0.9981
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