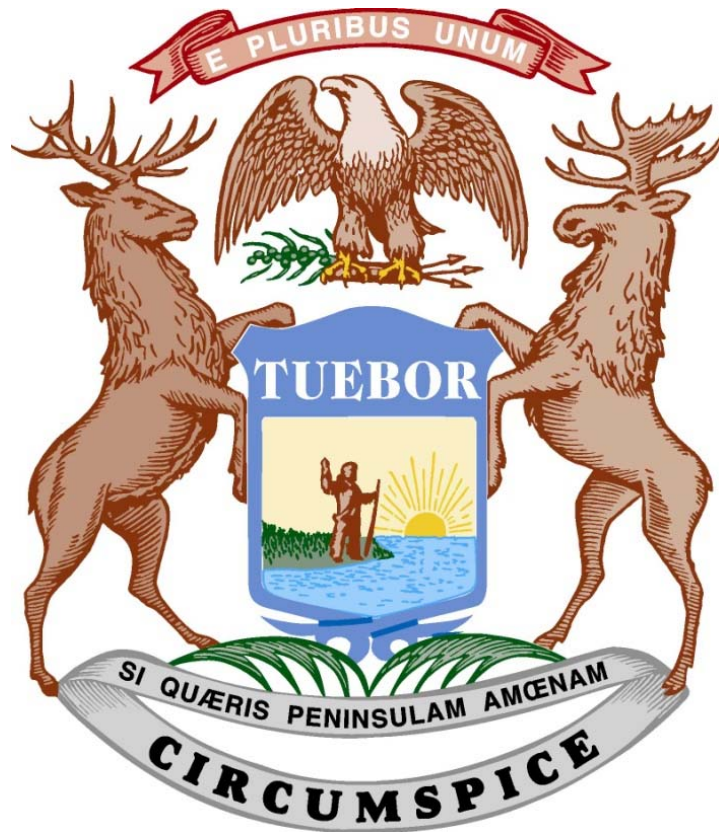


Economic and Revenue Forecasts

FY 2018 * FY 2019 * FY 2020



**Consensus Revenue Estimating Conference
January 11, 2018**

Outline

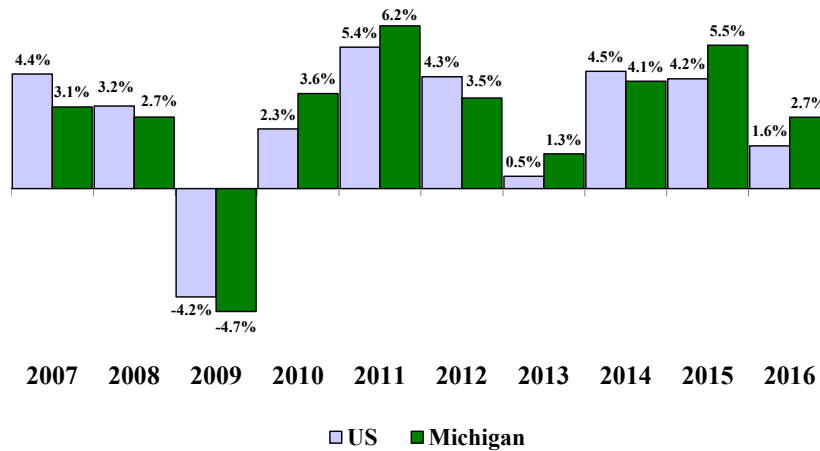
- **Economic Forecast**
Eric Bussis, Department of Treasury
- **Revenue Estimates for Major Taxes**
Jim Stansell, House Fiscal Agency
- **Revenue Estimates by Fund**
David Zin, Senate Fiscal Agency

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Per Capita Personal Income Growth

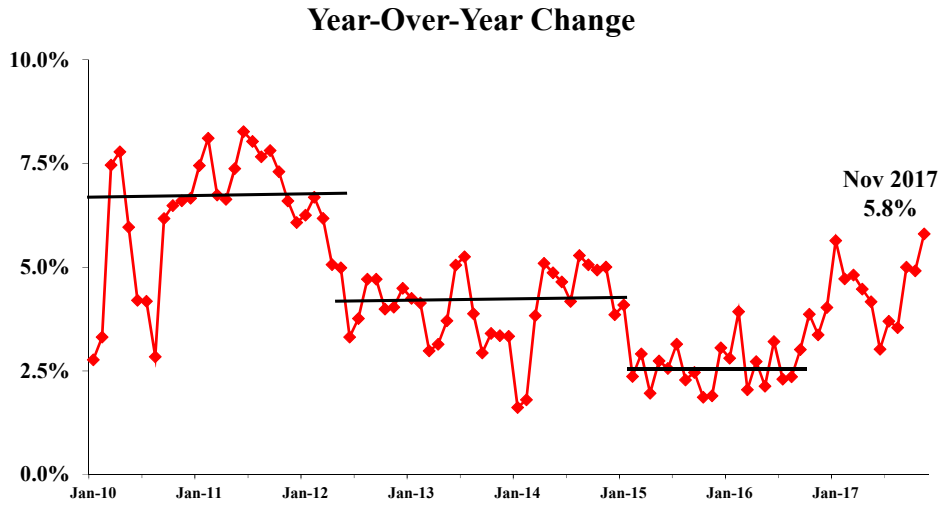
Yearly Percent Change



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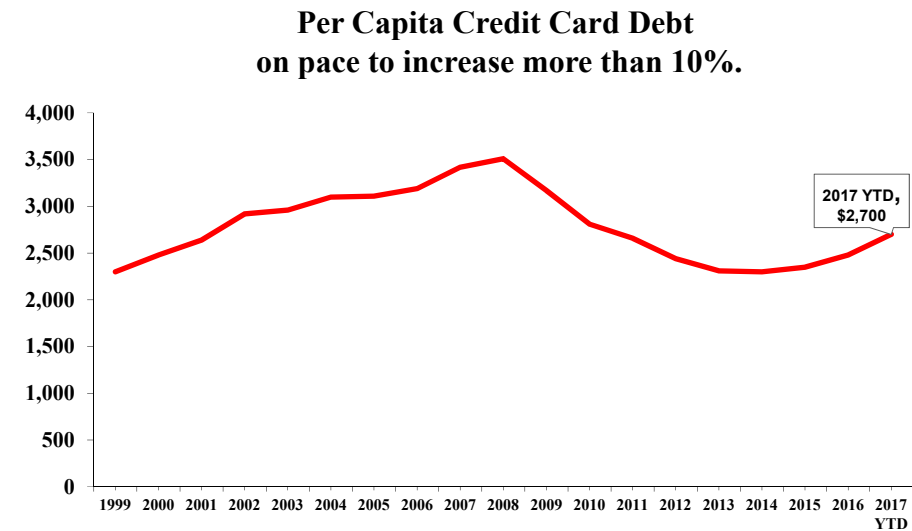
Retail Sales Trending Up



Source: Michigan Department of Treasury.
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Michigan Per Capita Credit Card Debt

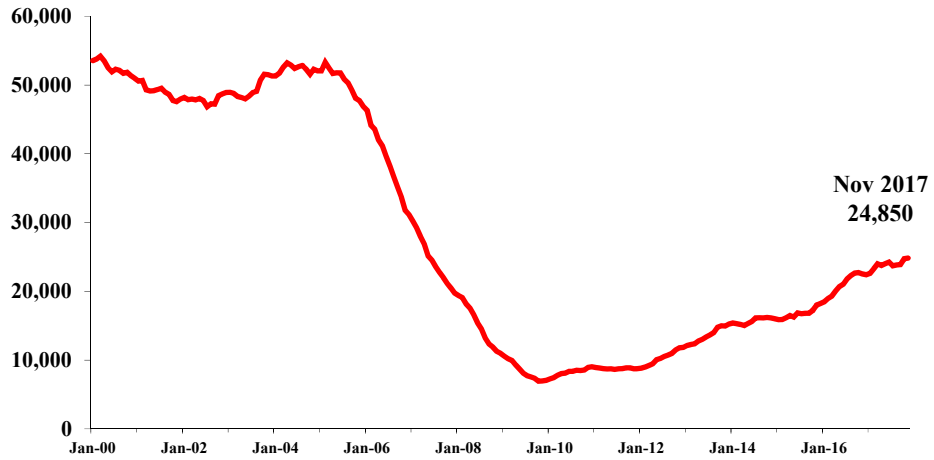


Source: Federal Reserve Bank of New York.
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Michigan Building Permits Continue to Recover

12 month moving annual average

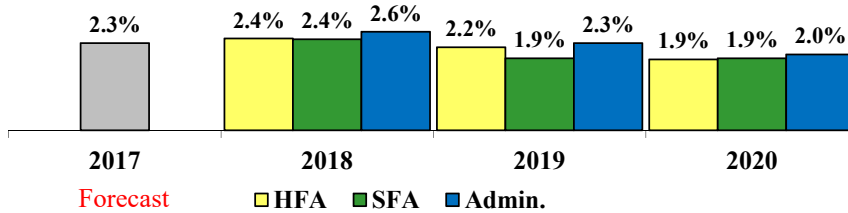


Source: U.S. Census Bureau and Michigan Department of Treasury.
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GDP Forecasts

Annual Percent Change

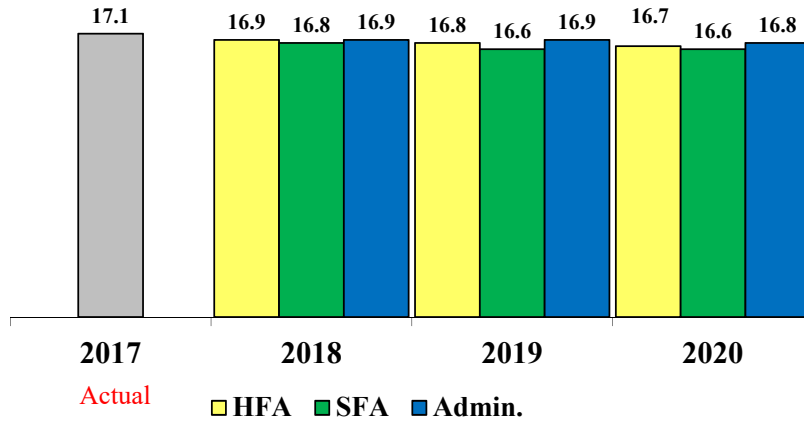


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Light Vehicle Sales Forecast

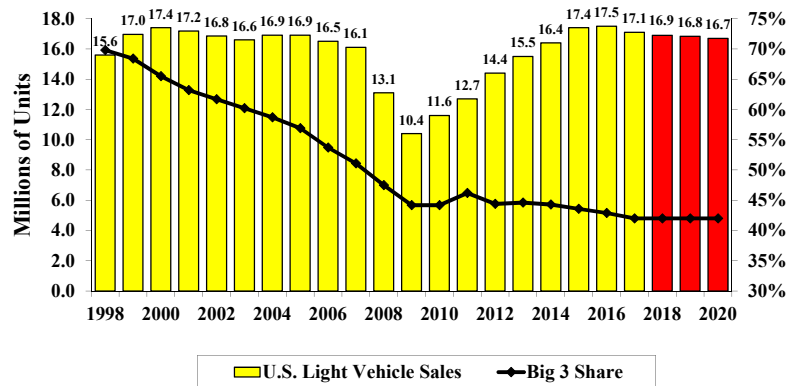
Millions of Units



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Vehicle Sales at Historically High Levels



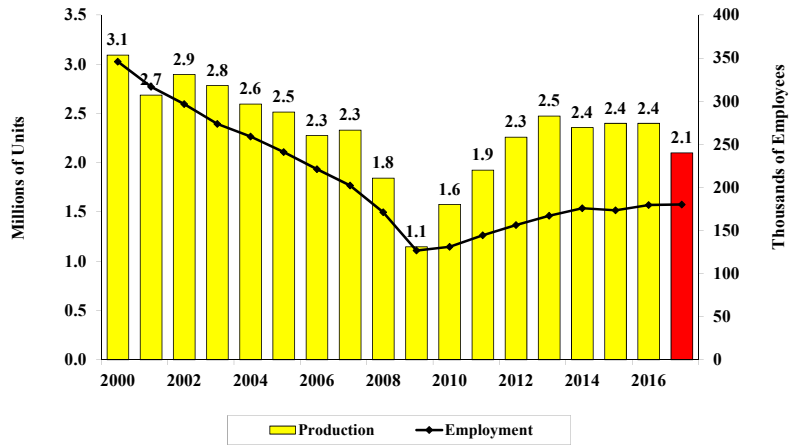
Source: Automotive News.

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Average Agency Forecasts

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MI Motor Vehicle Production & Employment

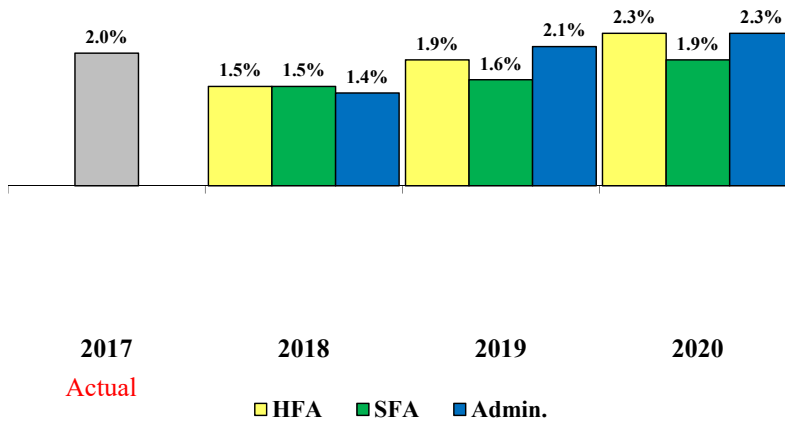


Source: Michigan Department of Treasury & U.S. Bureau of Labor Statistics.
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Inflation Expected to Increase

Detroit Consumer Price Index Fiscal Year Growth

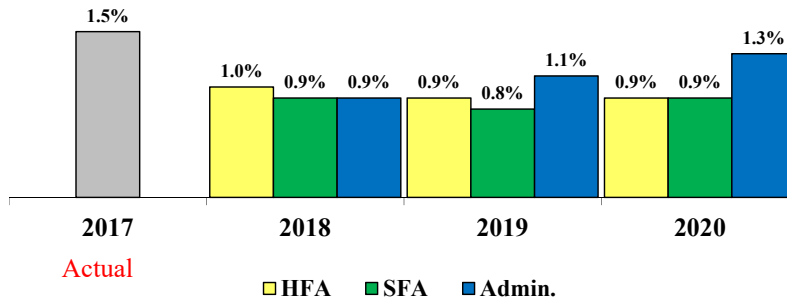


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Michigan Wage and Salary Employment

Annual Percent Change

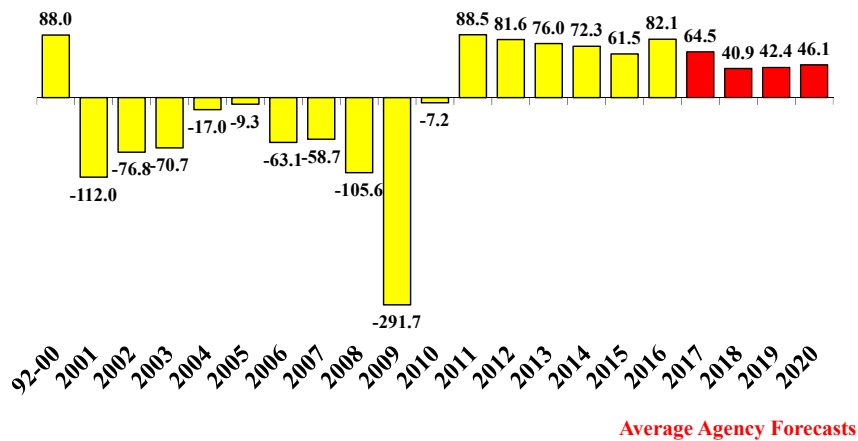


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Michigan Job Gains Expected Through 2020

Change in Michigan Wage and Salary Employment Thousands



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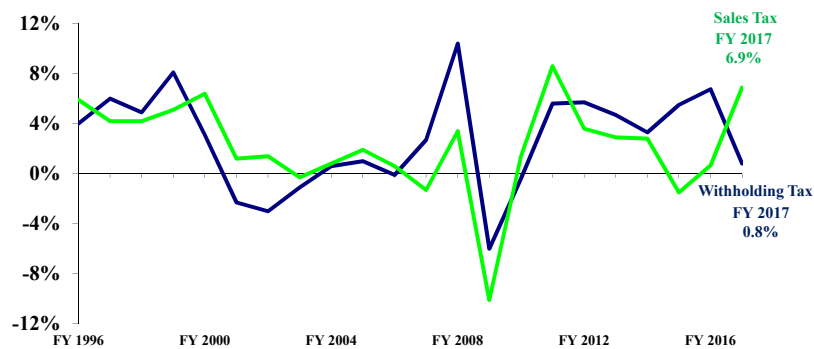
Forecast of Major Taxes

- Income tax withholding slower in FY 17 compared to FY16 but is expected to grow through FY20.
- Sales tax growth rate was strong in FY17 after being very weak in FY15 and FY16 but is expected to grow modestly through the forecast period.
- CIT/MBT remains the most volatile major tax for both economic and non-economic reasons.
- IIT transportation earmark and homestead property tax credit change reduces GF-GP revenue in FY19 & FY20.

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IIT Withholding & Sales Tax FY Growth Rates



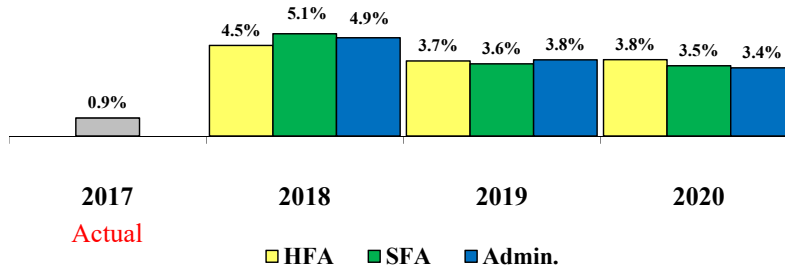
Source: Michigan Department of Treasury

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Baseline Income Tax Growth

Fiscal Year Growth

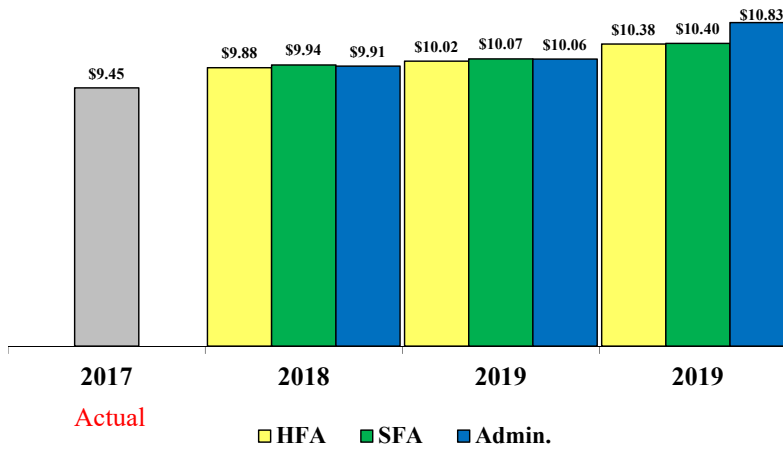


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Net Income Tax Revenue Estimates

Fiscal Year Billions

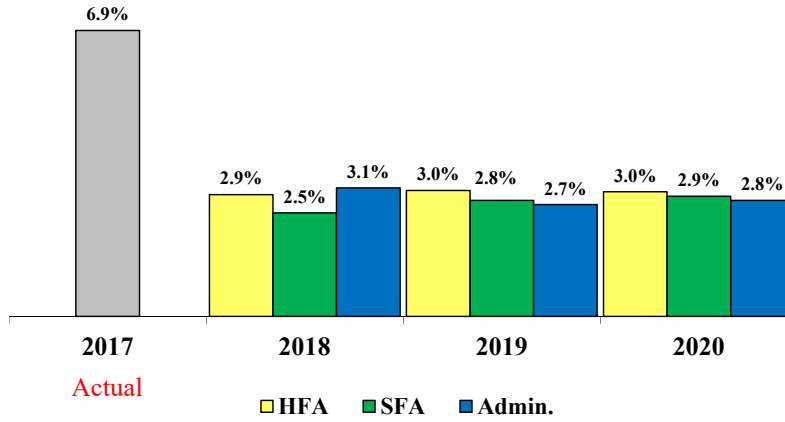


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Baseline Sales Tax Growth

Fiscal Year Growth

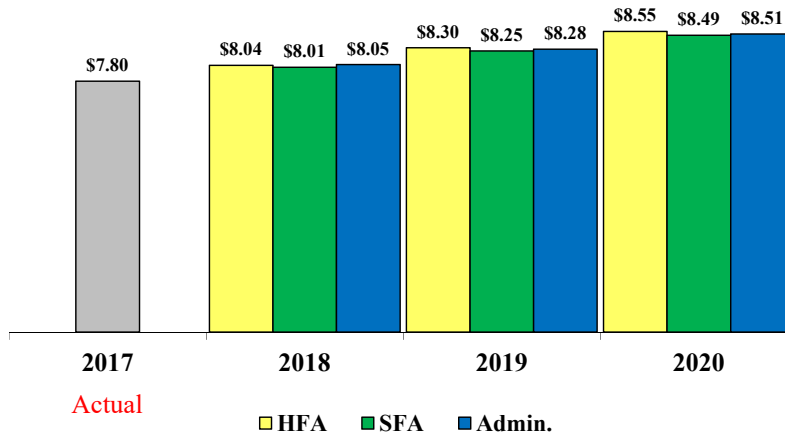


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Net Sales Tax Revenue Estimates

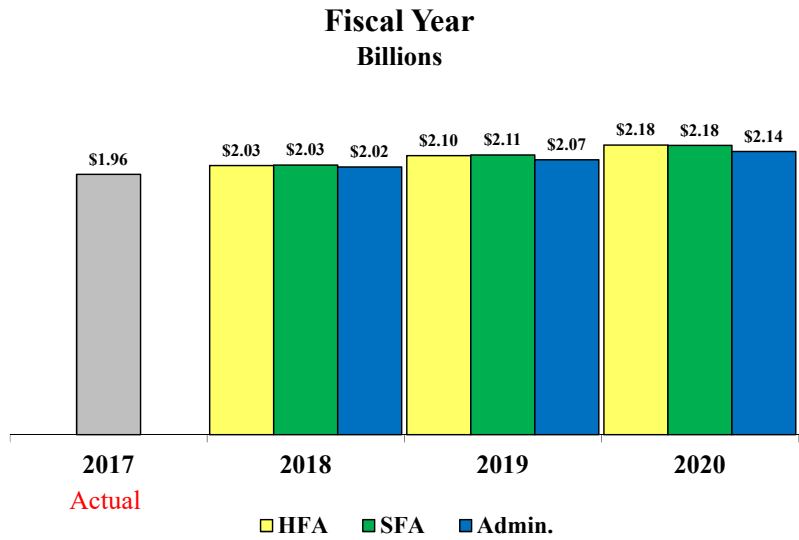
Fiscal Year Billions



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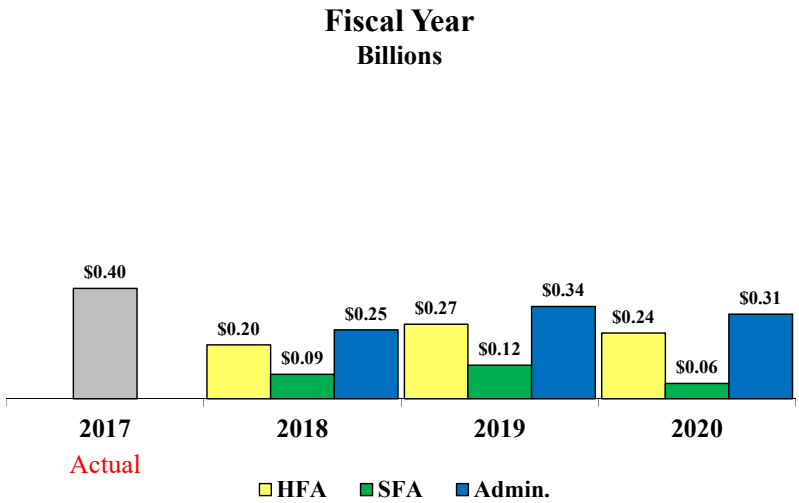
Net SET Revenue Estimates



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Net CIT/MBT Revenue Estimates



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GF-GP and School Aid Fund Revenue

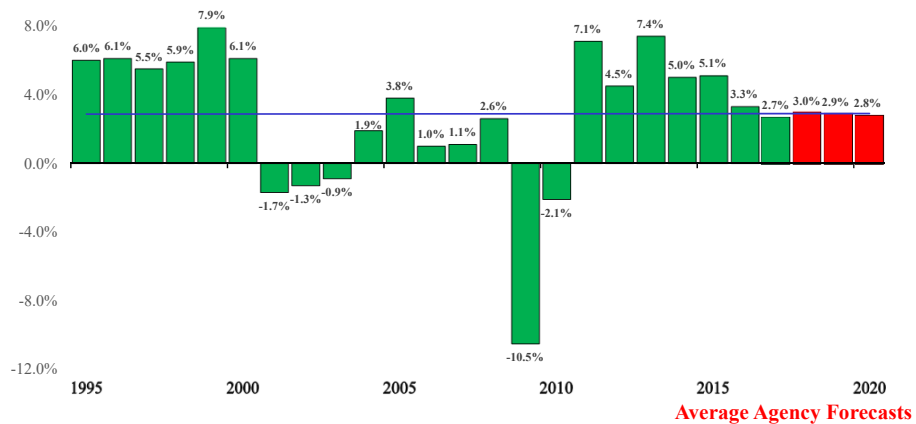
- Growth rate comparisons.
- Level comparisons.
- Budget Stabilization Fund calculation.
- Constitutional Revenue Limit calculation.

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GF-GP and School Aid Revenue

Baseline Growth Rates Before Tax Changes

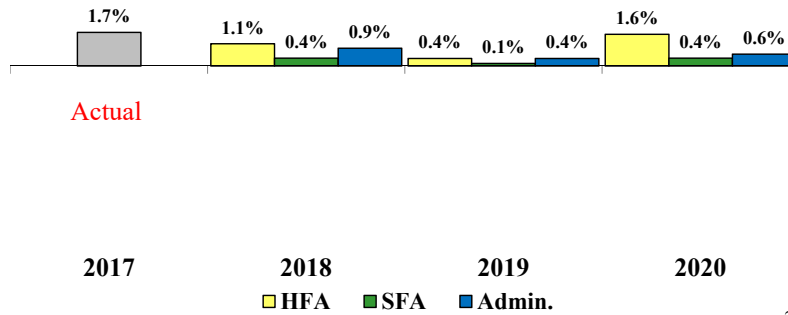


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GF-GP Net Revenue Growth

Fiscal Year Growth

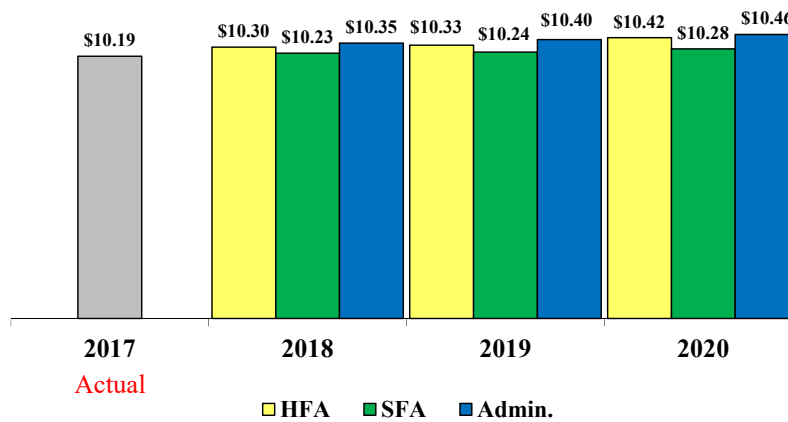


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GF-GP Net Revenue Estimates

Fiscal Year Billions

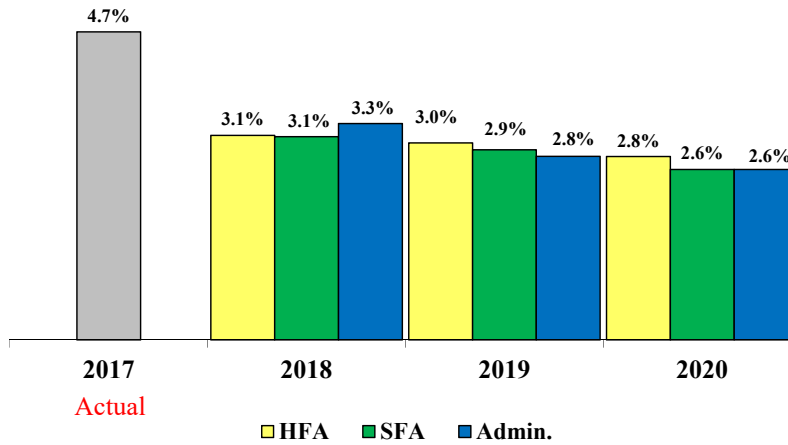


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School Aid Fund Net Growth

Fiscal Year Growth

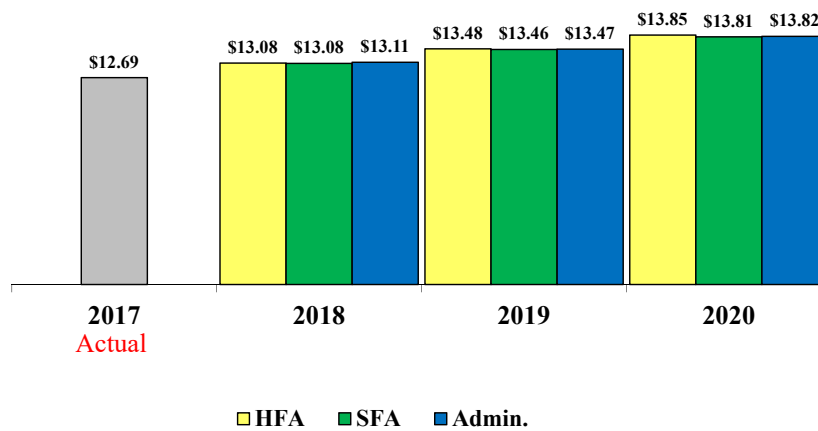


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School Aid Fund Net Revenue Estimates

Fiscal Year Billions

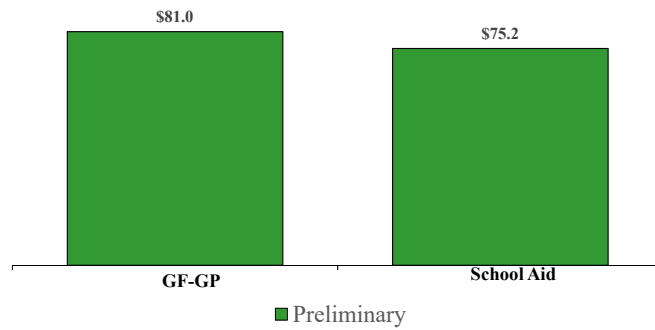


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FY 2017 Changes Since May Consensus Estimates

Millions

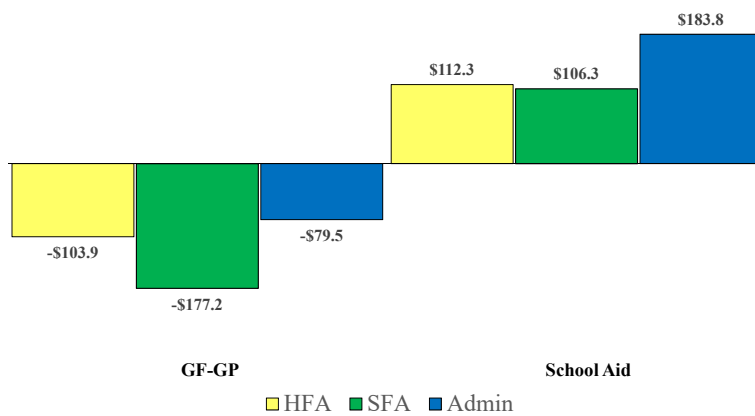


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FY 2018 Changes Since May Consensus Estimates

Millions

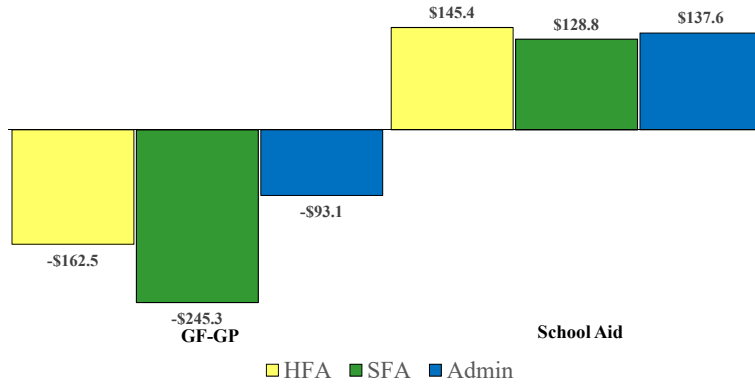


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FY 2019 Changes Since May Consensus Estimates

Millions



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Revenue Forecast Comparison

Millions

Revenue	FY 2018			FY 2019			FY 2020		
	Treasury	House Fiscal Agency	Senate Fiscal Agency	Treasury	House Fiscal Agency	Senate Fiscal Agency	Treasury	House Fiscal Agency	Senate Fiscal Agency
GF-GP	\$10,353.4	\$10,304.7	\$10,231.4	\$10,396.4	\$10,327.0	\$10,244.2	\$10,458.9	\$10,419.9	\$10,282.8
School Aid Fund	\$13,105.9	\$13,082.9	\$13,076.8	\$13,468.1	\$13,475.9	\$13,459.3	\$13,818.1	\$13,852.9	\$13,805.3
Difference from May									
GF-GP	(\$55.2)	(\$103.9)	(\$177.2)	(\$93.1)	(\$162.5)	(\$245.3)			
School Aid Fund	\$135.4	\$112.3	\$106.3	\$137.6	\$145.4	\$128.8			
Combined	\$80.2	\$8.4	(\$70.9)	\$44.5	(\$17.1)	(\$116.5)			

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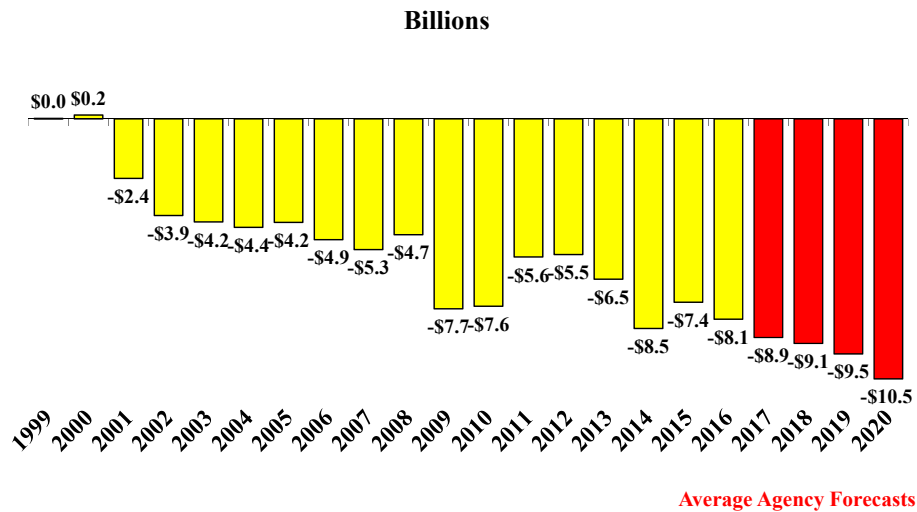
Budget Stabilization Fund

- In FY 2018, the Agencies estimate no pay-ins.
- In FY 2019, the Agencies estimate pay-ins ranging from \$53 to \$75 million.
- In FY 2020, the Agencies estimate pay-ins ranging from \$36 to \$83 million.
- No BSF pay-outs are estimated by any of the Agencies during FY 2017 through FY 2020.

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Constitutional Revenue Limit Calculation



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Forecast Risks

- Federal fiscal and monetary policy uncertainty
- International economics uncertainty
 - Trade Policy
 - Exchange Rates
- How tight are labor markets?
- Housing: How will it respond to higher interest rates?
- Business tax volatility

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Economic and Revenue Forecasts

FY 2018 * FY 2019 * FY 2020



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