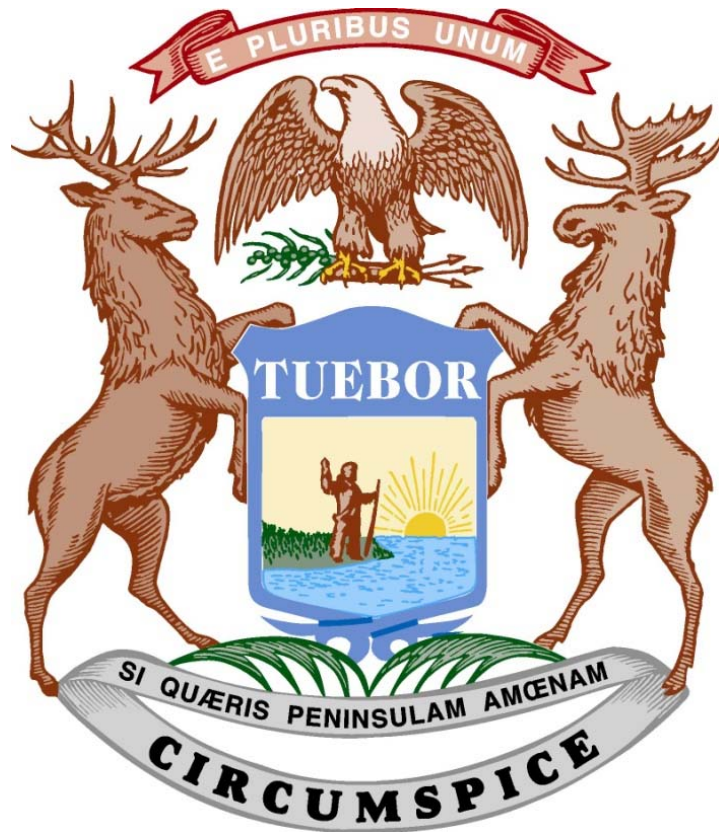


Economic and Revenue Forecasts

FY 2018 * FY 2019 * FY 2020



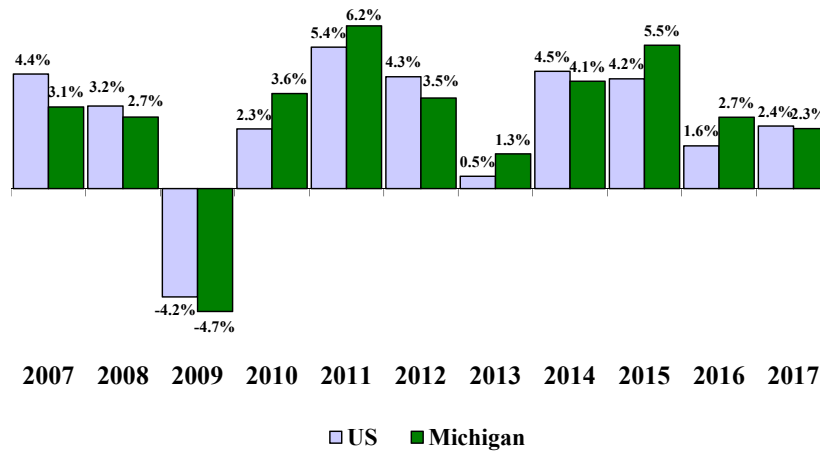
**Consensus Revenue Estimating Conference
May 16, 2018**

Outline

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

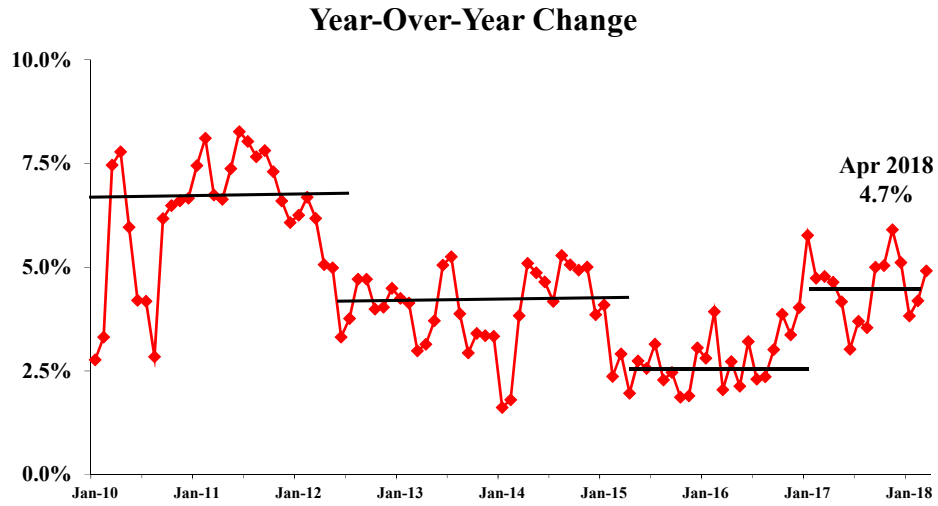
Per Capita Personal Income Growth

Yearly Percent Change



Source: Bureau of Economic Analysis

Retail Sales Trending Up

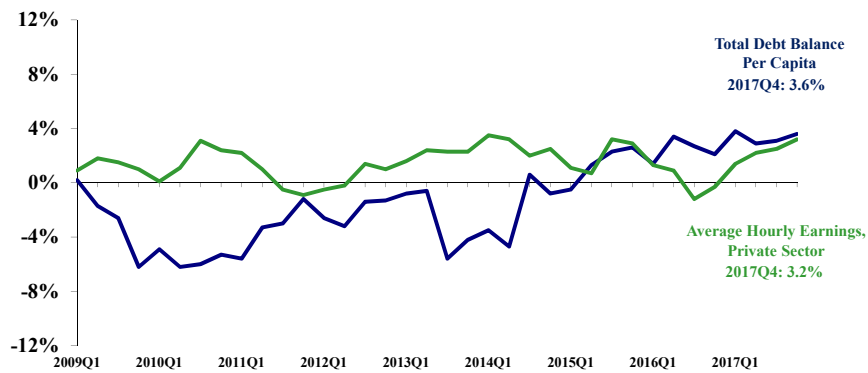


Source: Bureau of the Census.

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4

Michigan Debt and Average Hourly Earnings

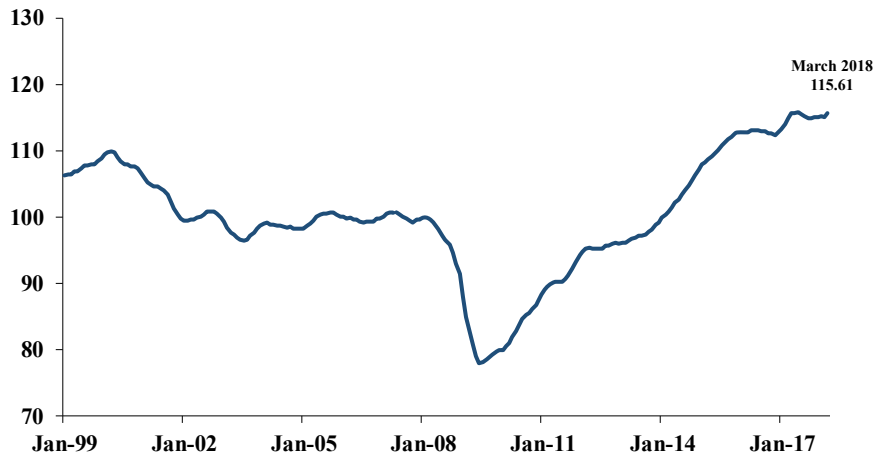


Sources: Bureau of Labor Statistics & Federal Reserve Bank of New York

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5

Coincident Economic Activity Index for Michigan



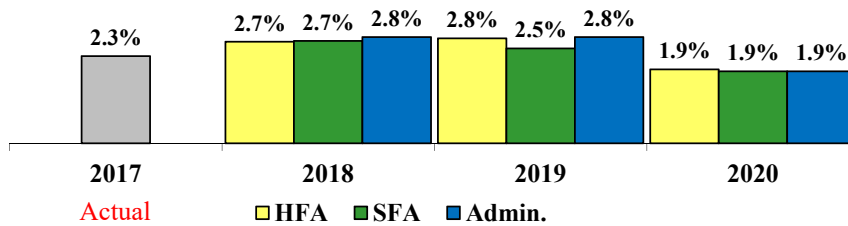
Source: Federal Reserve Bank of St. Louis

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6

GDP Forecasts

Annual Percent Change

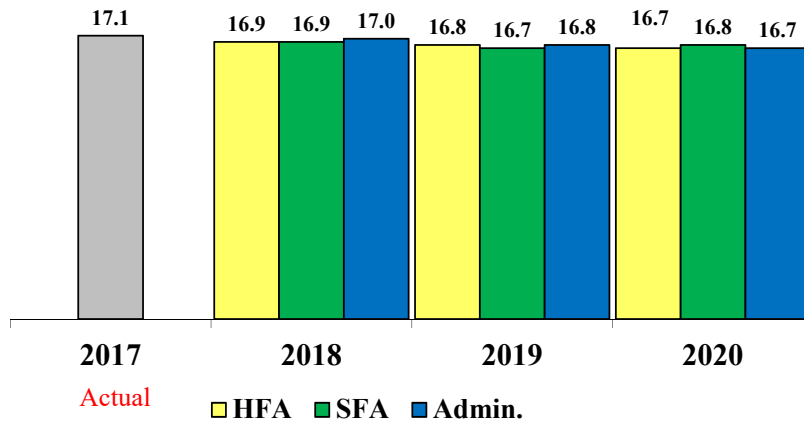


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7

Light Vehicle Sales Forecast

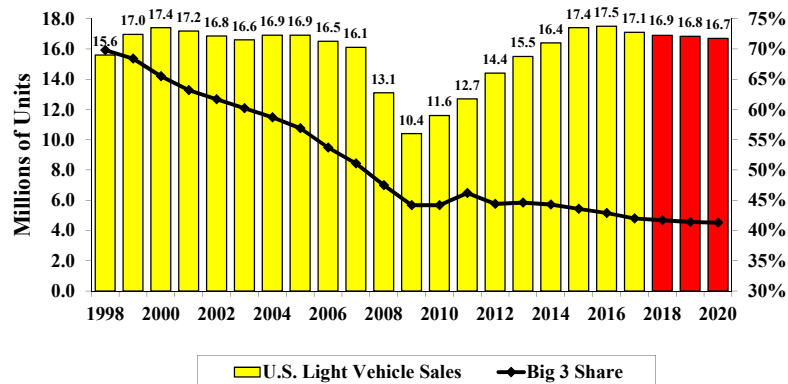
Millions of Units



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8

Vehicle Sales at Historically High Levels



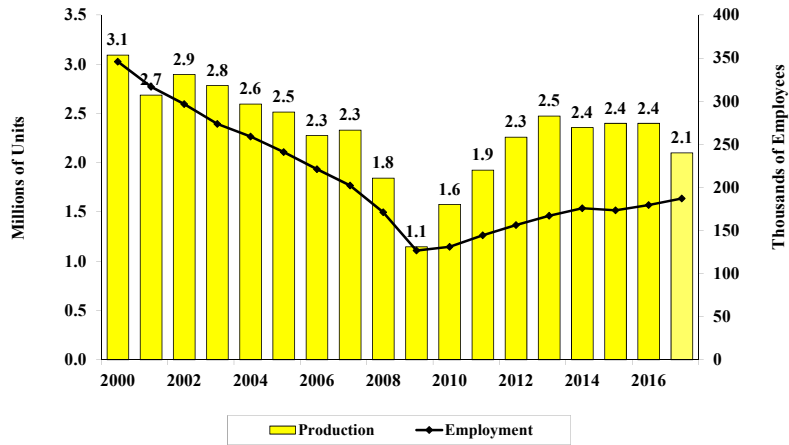
Source: Automotive News.

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Average Agency Forecasts

9

MI Motor Vehicle Production & Employment

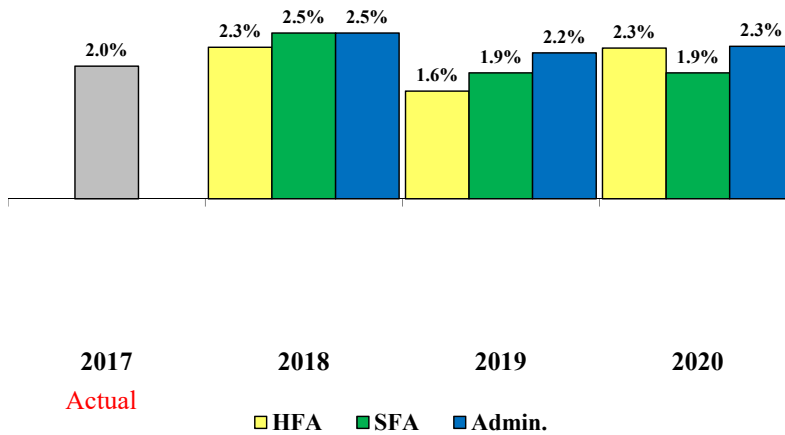


Source: Michigan Department of Treasury & U.S. Bureau of Labor Statistics.
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10

Inflation Expected to Increase

Detroit Consumer Price Index Fiscal Year Growth

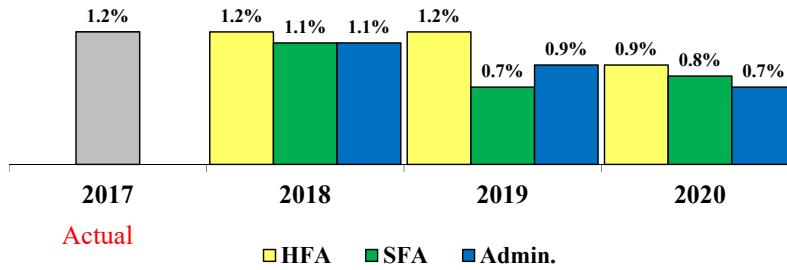


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11

Michigan Wage and Salary Employment

Annual Percent Change

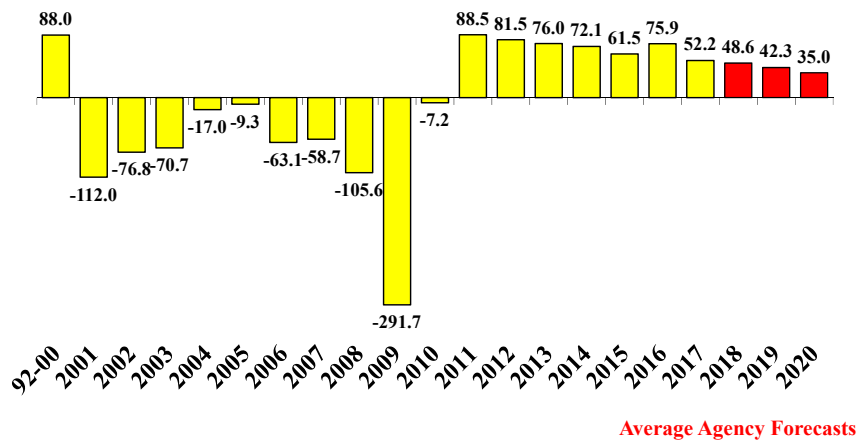


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12

Michigan Job Gains Expected Through 2020

Change in Michigan Wage and Salary Employment Thousands



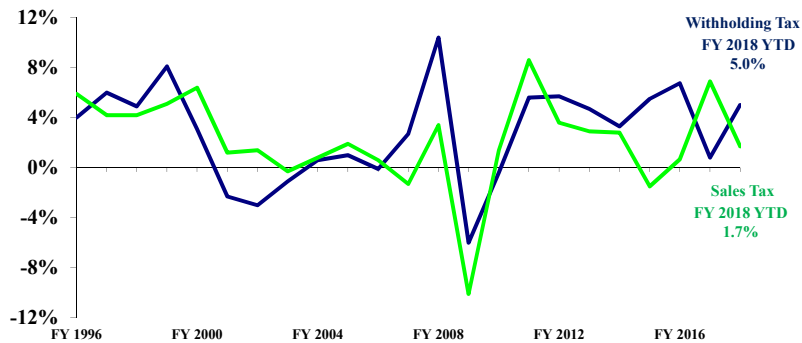
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13

Forecast of Major Taxes

- Strong FY18 year-to-date income tax collections.
- Sales tax and use tax combined growth rates strong in FY18 and solid in FY19 and FY20.
- CIT/MBT remains the most volatile major taxes for both economic and non-economic reasons.

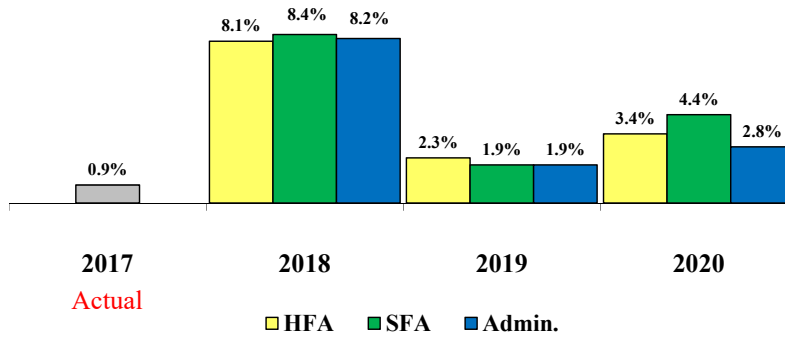
IIT Withholding & Sales Tax FY Growth Rates



Source: Michigan Department of Treasury

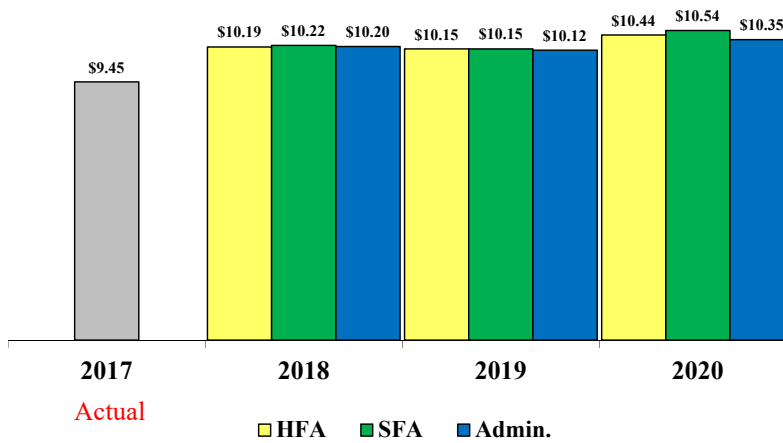
Baseline Income Tax Growth

Fiscal Year Growth



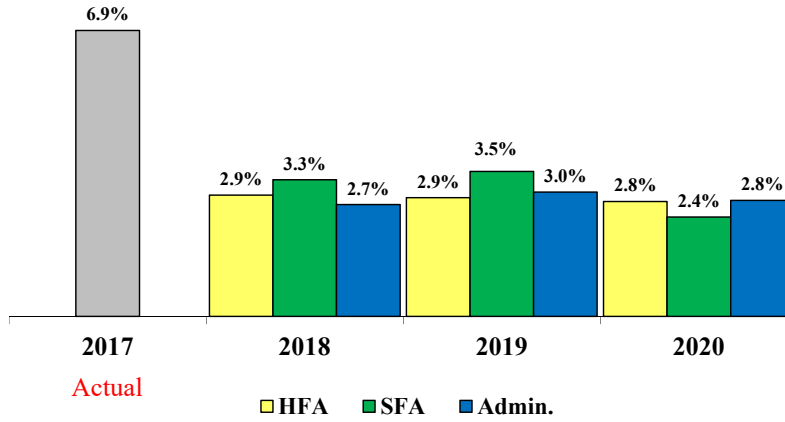
Net Income Tax Revenue Estimates

Fiscal Year Billions



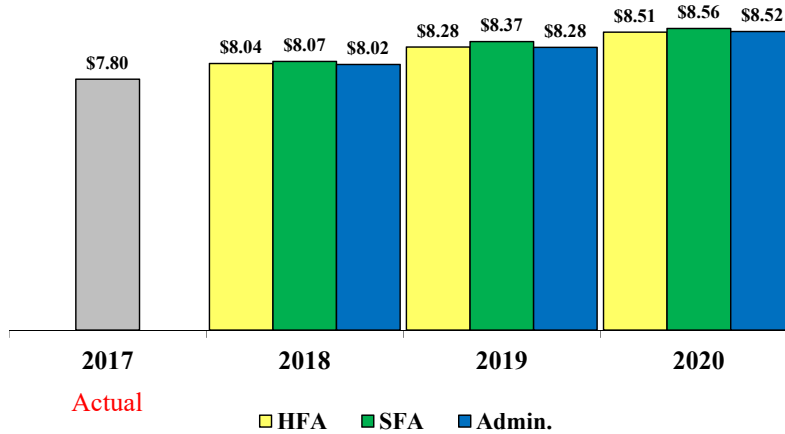
Baseline Sales Tax Growth

Fiscal Year Growth

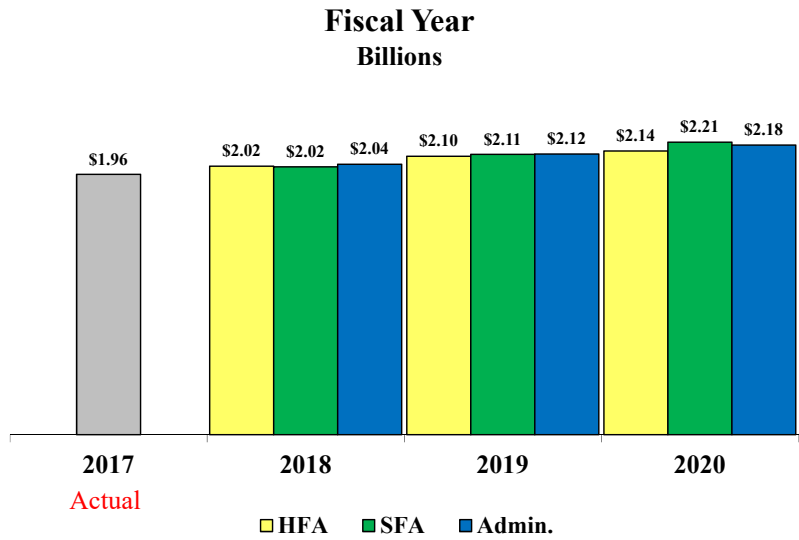


Net Sales Tax Revenue Estimates

Fiscal Year Billions



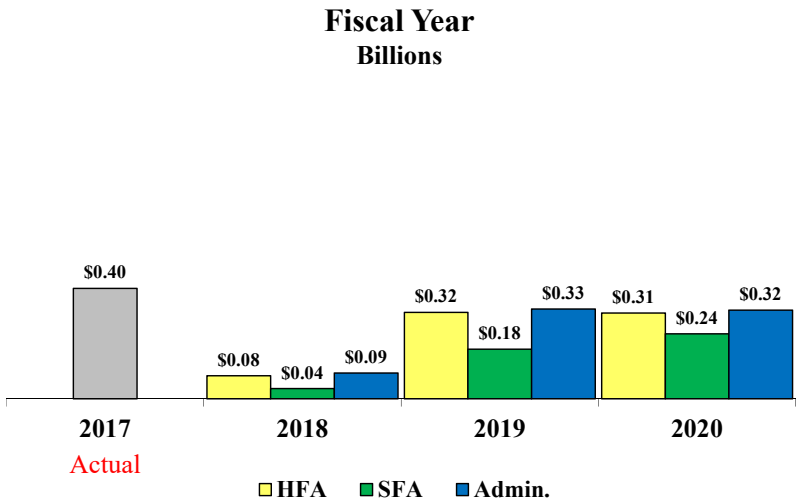
Net SET Revenue Estimates



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20

Net CIT/MBT Revenue Estimates



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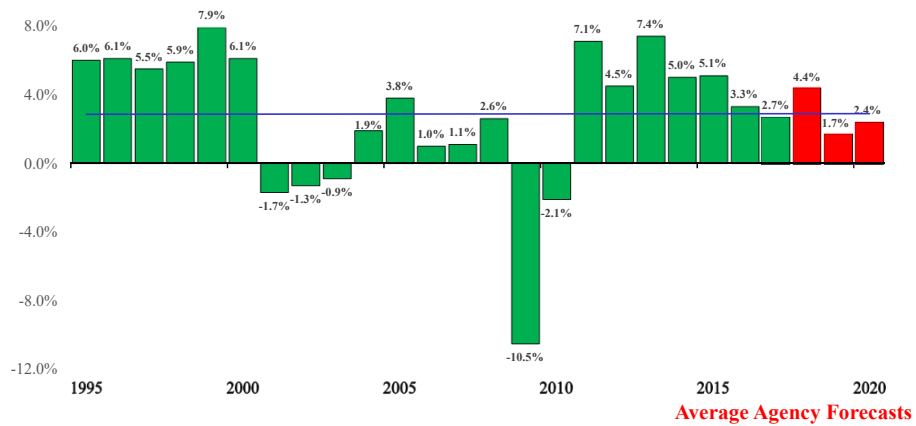
21

GF-GP and School Aid Fund Revenue

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

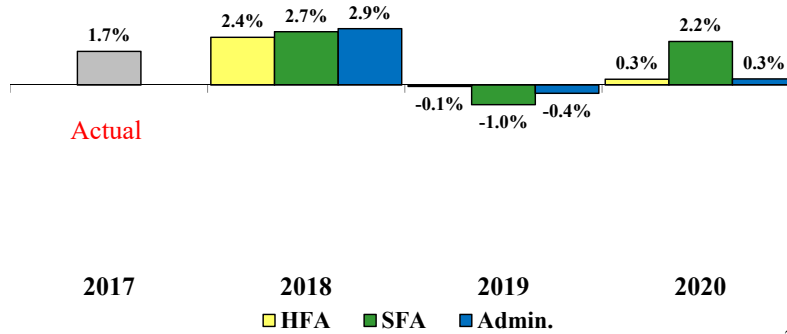
GF-GP and School Aid Revenue

Baseline Growth Rates Before Tax Changes



GF-GP Net Revenue Growth

Fiscal Year Growth

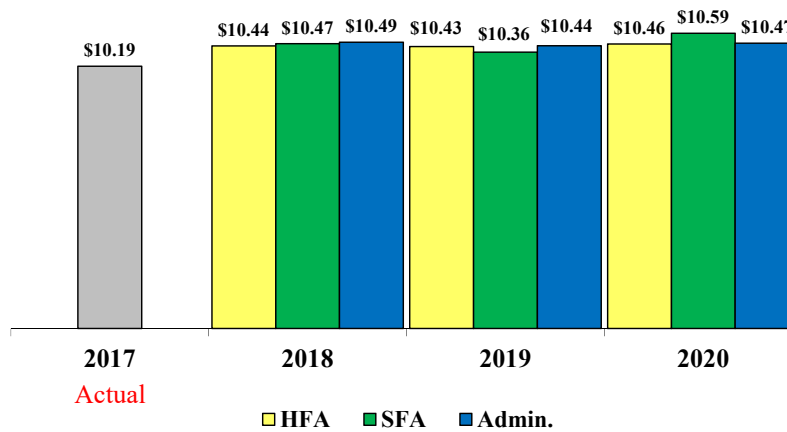


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24

GF-GP Net Revenue Estimates

Fiscal Year Billions

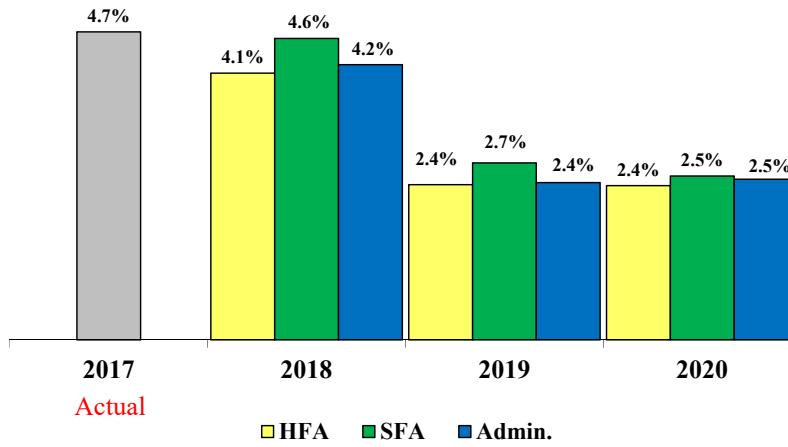


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25

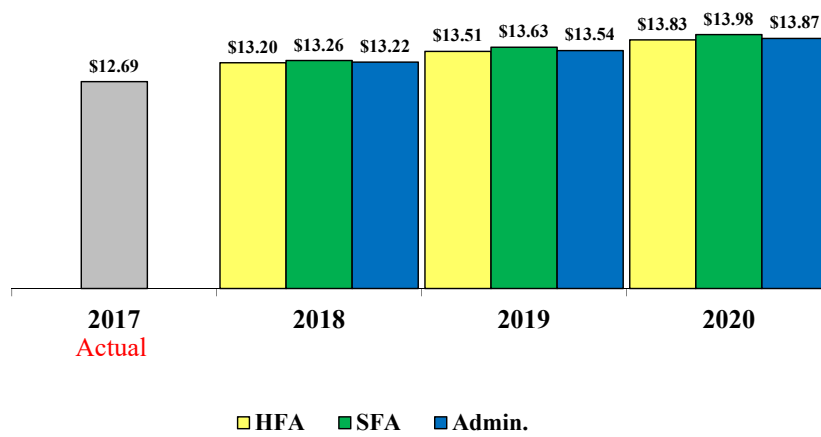
School Aid Fund Net Growth

Fiscal Year Growth



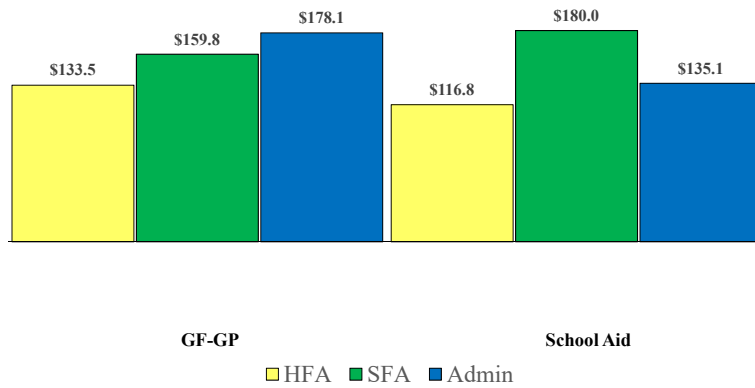
School Aid Fund Net Revenue Estimates

Fiscal Year Billions



FY 2018 Changes Since January Consensus Estimates

Millions



May 2018 Consensus Conference

28

FY 2019 Changes Since January Consensus Estimates

Millions



May 2018 Consensus Conference

29

FY 2020 Changes Since January Consensus Estimates

Millions



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30

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	\$10,485.8	\$10,441.2	\$10,467.5	\$10,441.9	\$10,433.2	\$10,364.6	\$10,474.2	\$10,463.3	\$10,594.1
School Aid Fund	\$13,219.6	\$13,201.3	\$13,264.5	\$13,538.6	\$13,513.9	\$13,629.0	\$13,870.0	\$13,832.1	\$13,976.4
Difference from May									
GF-GP	\$178.1	\$133.5	\$159.8	\$102.3	\$93.6	\$25.0	\$60.7	\$49.8	\$180.6
School Aid Fund	\$135.1	\$116.8	\$180.0	\$74.6	\$49.9	\$165.0	\$47.3	\$9.4	\$153.7
Combined	\$313.2	\$250.3	\$339.8	\$176.9	\$143.5	\$190.0	\$108.0	\$59.2	\$334.3

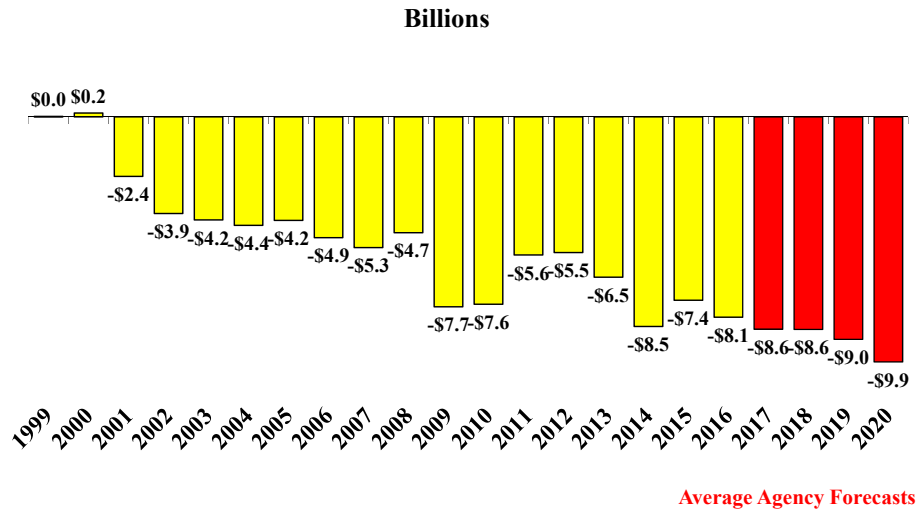
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31

Budget Stabilization Fund

- In FY 2018, the Agencies estimate no pay-ins.
- In FY 2019, the Agencies estimate pay-ins ranging from \$4 to \$51 million.
- In FY 2020, the Agencies estimate pay-ins ranging from \$0 to \$73 million.
- No BSF pay-outs are estimated by any of the Agencies during FY 2018 through FY 2020.

Constitutional Revenue Limit Calculation



Forecast Risks

- International Uncertainty
 - Trade Policy
 - Oil Prices
- How tight are labor markets?
- Monetary policy: How will Fed respond if inflation pressures appear?
- Housing: How will it respond to higher interest rates?
- CIT volatility

Economic and Revenue Forecasts

FY 2018 * FY 2019 * FY 2020



**Consensus Revenue Estimating Conference
May 16, 2018**