

# **Consensus Revenue Agreement**

## **Executive Summary**

**December 3, 2004**

### **Economic and Revenue Forecasts**

### **Fiscal Years 2004 and 2005**



#### **Principals**

**Gary Olson, Director**  
**Senate Fiscal Agency**

**Mitch Bean, Director**  
**House Fiscal Agency**

**Jay Rising, State Treasurer**  
**Michigan Department of Treasury**

#### **Staff**

**Jay Wortley**  
**Senate Fiscal Agency**

**Rebecca Ross**  
**House Fiscal Agency**

**Jeff Guilfoyle**  
**Michigan Department of Treasury**

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

December 2004

	Calendar 2002 Actual	Calendar 2003 Actual	Percent Change from Prior Year	Calendar 2004 Forecast	Percent Change from Prior Year	Calendar 2005 Forecast	Percent Change from Prior Year
<b>United States</b>							
Real Gross Domestic Product (Billions of Chained 2000 Dollars)	\$10,075	\$10,381	3.0%	\$10,838	4.4%	\$11,185	3.2%
Implicit Price Deflator GDP (2000 = 100)	104.1	106.0	1.8%	108.2	2.1%	110.6	2.2%
Consumer Price Index (1982-84 = 100)	179.9	184.0	2.3%	189.0	2.7%	193.9	2.6%
Personal Consumption Deflator (2000 = 100)	103.5	105.5	1.9%	107.7	2.1%	109.9	2.0%
3-month Treasury Bills Interest Rate (percent)	1.6	1.0		1.4		2.4	
Aaa Corporate Bonds Interest Rate (percent)	6.5	5.7		5.6		5.7	
Unemployment Rate - Civilian (percent)	5.8	6.0		5.5		5.4	
Light Vehicle Sales (millions of units)	16.8	16.6	-0.9%	16.7	0.5%	16.8	0.6%
Passenger Car Sales (millions of units)	8.1	7.6	-6.0%	7.4	-2.8%	7.4	0.0%
Light Truck Sales (millions of units)	8.7	9.0	3.8%	9.3	3.2%	9.4	1.1%
Import Share of Light Vehicles (percent)	19.6	19.9		20.1		20.6	
<b>Michigan</b>							
Wage and Salary Employment (thousands)	4,478	4,412	-1.5%	4,363	-1.1%	4,376	0.3%
Unemployment Rate (percent)	6.2	7.3		6.7		6.9	
Personal Income (millions of dollars)	\$302,019	\$314,460	4.1%	\$322,950	2.7%	\$337,483	4.5%
Real Personal Income (millions of 1982-84 dollars)	\$168,820	\$172,307	2.1%	\$173,816	0.9%	\$177,342	2.0%
Wages and Salaries (millions of dollars)	\$173,339	\$176,493	1.8%	\$177,728	0.7%	\$184,304	3.7%
Detroit Consumer Price Index (1982-84 = 100)	178.9	182.5	2.0%	185.8	1.8%	190.3	2.4%
Detroit CPI Fiscal Year (1982-84 = 100)	177.5	182.0	2.5%	184.4	1.3%	189.2	2.6%

Table 1  
**December 2004 Consensus Agreement**  
(millions)

<b>Net Revenue Estimates</b>							
	<u>FY 2003</u>	<u>FY 2004</u>		<u>Change From May</u>	<u>FY 2005</u>		<u>Change From May</u>
	<u>Final</u>	<u>Adjusted May Consensus</u>	<u>December Consensus</u>		<u>Adjusted May Consensus</u>	<u>December Consensus</u>	
<b>Net GF-GP Revenue</b>	\$7,958.9	\$7,970.4	\$7,968.1	(\$2.3)	\$8,095.4	\$7,838.6	(\$256.8)
Growth	-5.55%		0.12%			-1.63%	
<b>Net SAF Revenue</b>	\$10,714.8	\$10,559.2	\$10,551.9	(\$7.3)	\$10,996.6	\$10,883.4	(\$113.2)
Growth	5.73%		-1.52%			3.14%	

  

<b>Revenue Limit Calculation</b>			
	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Personal Income	\$297,609	\$303,745	\$314,460
Ratio	9.49%	9.49%	9.49%
Revenue Limit	\$28,243.1	\$28,825.4	\$29,842.2
Revenue Subject to Limit	\$24,061.6	\$23,950.5	\$24,132.7
<b><u>Amount Under (Over) Limit</u></b>	<b>\$4,181.5</b>	<b>\$4,874.9</b>	<b>\$5,709.5</b>

Note: CY 2001 Personal Income is used for the FY 2003 revenue limit calculation, CY 2002 for FY 2004, and CY 2003 for FY 2005.

<b>Budget Stabilization Fund Calculation</b>		<b>School Aid Fund Index</b>	
FY 2005 BSF Calculation	<b>NO PAY-IN INDICATED</b>		
		Revenue Adjustment Factor	<u>1.0244</u>
		Membership Adjustment Factor	<u>1.0028</u>
		Foundation Allowance Index	<u>1.0273</u>