

Consensus Revenue Agreement

Executive Summary

May 16, 2018

Economic and Revenue Forecasts
Fiscal Years 2018, 2019 and 2020



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Table 1
Consensus Economic Forecast

May 2018

	Calendar 2016 Actual	Calendar 2017 Actual	Percent Change from Prior Year	Calendar 2018 Forecast	Percent Change from Prior Year	Calendar 2019 Forecast	Percent Change from Prior Year	Calendar 2020 Forecast	Percent Change from Prior Year
United States									
Real Gross Domestic Product (Billions of Chained 2009 Dollars)	\$16,716	\$17,096	2.3%	\$17,558	2.7%	\$18,032	2.7%	\$18,375	1.9%
Implicit Price Deflator GDP (2009 = 100)	111.4	113.5	1.8%	115.8	2.0%	118.3	2.2%	121.0	2.3%
Consumer Price Index (1982-84 = 100)	240.007	245.120	2.1%	250.891	2.4%	255.920	2.0%	261.692	2.3%
Consumer Price Index - Fiscal Year (1982-84 = 100)	238.939	243.841	2.1%	249.103	2.2%	254.003	2.0%	259.528	2.2%
Personal Consumption Deflator (2009 = 100)	110.8	112.7	1.7%	115.0	2.0%	117.1	1.8%	119.4	2.0%
3-month Treasury Bills Interest Rate (percent)	0.3	0.9		2.0		2.8		3.5	
Unemployment Rate - Civilian (percent)	4.9	4.4		4.0		3.7		3.7	
Wage and Salary Employment (millions)	144.352	146.624	1.6%	148.970	1.6%	150.910	1.3%	152.420	1.0%
Housing Starts (millions of starts)	1.174	1.203	2.5%	1.300	8.1%	1.330	2.3%	1.340	0.8%
Light Vehicle Sales (millions of units)	17.5	17.1	-2.1%	16.9	-1.2%	16.8	-0.6%	16.7	-0.6%
Passenger Car Sales (millions of units)	6.9	6.1	-11.6%	5.3	-13.1%	4.9	-7.5%	4.7	-4.1%
Light Truck Sales (millions of units)	10.6	11.0	4.1%	11.6	5.5%	11.9	2.6%	12.0	0.8%
Big 3 Share of Light Vehicles (percent)	42.7	42.0		41.5		41.0		40.5	
Michigan									
Wage and Salary Employment (thousands)	4,319	4,371	1.2%	4,419	1.1%	4,459	0.9%	4,495	0.8%
Unemployment Rate (percent)	5.0	4.6		4.5		4.4		4.3	
Personal Income (millions of dollars)	\$439,361	\$450,847	2.6%	\$469,332	4.1%	\$489,982	4.4%	\$511,052	4.3%
Real Personal Income (millions of 1982-84 dollars)	\$197,762	\$198,702	0.5%	\$202,261	1.8%	\$207,176	2.4%	\$211,399	2.0%
Wages and Salaries (millions of dollars)	\$222,823	\$229,335	2.9%	\$239,655	4.5%	\$250,199	4.4%	\$260,708	4.2%
Detroit Consumer Price Index (1982-84 = 100)	222.167	226.896	2.1%	232.043	2.3%	236.505	1.9%	241.747	2.2%
Detroit CPI - Fiscal Year (1982-84 = 100)	221.137	225.517	2.0%	231.046	2.5%	235.426	1.9%	240.524	2.2%

Table 1
May 2018 Consensus Forecast
(millions)

Net Revenue Estimates									
	<u>FY 2018</u>			<u>FY 2019</u>			<u>FY 2020</u>		
	<u>Jan 2018 Consensus</u>	<u>May 2018 Consensus</u>	<u>\$ Change From Jan</u>	<u>Jan 2018 Consensus</u>	<u>May 2018 Consensus</u>	<u>\$ Change From Jan</u>	<u>Jan 2018 Consensus</u>	<u>May 2018 Consensus</u>	<u>\$ Change From Jan</u>
Net GF-GP Revenue	\$10,307.7	\$10,463.6	\$155.9	\$10,339.6	\$10,411.6	\$72.0	\$10,413.5	\$10,518.7	\$105.2
Percent Growth	1.1%	2.6%		0.3%	-0.5%		0.7%	1.0%	
Dollar Growth		\$268.1			(\$52.0)			\$107.1	
Net SAF Revenue	\$13,084.5	\$13,244.0	\$159.5	\$13,464.0	\$13,574.4	\$110.4	\$13,822.7	\$13,900.8	\$78.1
Percent Growth	3.1%	4.4%		2.9%	2.5%		2.7%	2.4%	
Dollar Growth		\$558.9			\$330.4			\$326.4	
Combined GF-GP/SAF	\$23,392.2	\$23,707.6	\$315.4	\$23,803.6	\$23,986.0	\$182.4	\$24,236.2	\$24,419.5	\$183.3
Percent Growth	2.3%	3.6%		1.8%	1.2%		1.8%	1.8%	
Dollar Growth		\$827.0			\$278.4			\$433.5	

Revenue Limit Calculation				
	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
Personal Income	\$424,807	\$439,361	\$450,847	\$469,332
Ratio	9.49%	9.49%	9.49%	9.49%
Revenue Limit	\$40,314.2	\$41,695.4	\$42,785.4	\$44,539.6
Revenue Subject to Limit	\$31,692.7	\$33,004.9	\$33,767.7	\$34,712.7
<u>Amount Under (Over) Limit</u>	\$8,621.5	\$8,690.5	\$9,017.7	\$9,826.9

Note: CY 2015 Personal Income is used for the FY 2017 revenue limit calculation, CY 2016 for FY 2018, CY 2017 for FY 2019, and CY 2018 for FY 2020.

Long Term Revenue Trend		
	<u>FY 2021</u>	<u>FY 2022</u>
Net GF-GP Revenue	\$10,591.3	\$10,961.0
Growth	0.7%	3.5%
Net SAF Revenue	\$14,289.9	\$14,690.6
Growth	2.8%	2.8%
Combined GF-GP/SAF	\$24,881.2	\$25,651.6
Growth	1.9%	3.1%

Budget Stabilization Fund Calculation		
FY 2018 Calculations	NO PAY-IN OR PAY-OUT	
FY 2019 Calculations	PAY-IN	\$13.6
FY 2020 Calculations	PAY-IN	\$47.9

School Aid Index		
	<u>FY 2019</u>	<u>FY 2020</u>
Revenue Adjustment Factor	1.0324	1.0250
Pupil Membership Factor	1.0034	1.0027
School Aid Index	1.0359	1.0278