

Consensus Revenue Agreement

Executive Summary

May 17, 2019

Economic and Revenue Forecasts
Fiscal Years 2019, 2020 and 2021



Principals

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Table 1
Consensus Economic Forecast

May 2019

	Calendar 2017 Actual	Percent Change from Prior Year	Calendar 2018 Actual	Percent Change from Prior Year	Calendar 2019 Forecast	Percent Change from Prior Year	Calendar 2020 Forecast	Percent Change from Prior Year	Calendar 2021 Forecast	Percent Change from Prior Year
United States										
Real Gross Domestic Product (Billions of Chained 2012 Dollars)	\$18,051	2.2%	\$18,566	2.9%	\$19,012	2.4%	\$19,354	1.8%	\$19,664	1.6%
Implicit Price Deflator GDP (2012 = 100)	107.9	1.9%	110.4	2.3%	112.4	1.8%	114.9	2.2%	117.4	2.2%
Consumer Price Index (1982-84 = 100)	245.120	2.1%	251.107	2.4%	255.639	1.8%	260.739	2.0%	266.120	2.1%
Consumer Price Index - Fiscal Year (1982-84 = 100)	243.841	2.1%	249.749	2.4%	254.438	1.9%	259.451	2.0%	264.741	2.0%
Personal Consumption Deflator (2012 = 100)	106.1	1.8%	108.2	2.0%	110.0	1.6%	112.1	1.9%	114.2	1.9%
3-month Treasury Bills Interest Rate (percent)	0.9		1.9		2.4		2.6		2.9	
Unemployment Rate - Civilian (percent)	4.4		3.9		3.7		3.6		3.7	
Wage and Salary Employment (millions)	146.624	1.6%	149.074	1.7%	151.310	1.5%	152.970	1.1%	154.190	0.8%
Housing Starts (millions of starts)	1.203	2.5%	1.250	3.9%	1.225	-2.0%	1.246	1.7%	1.269	1.8%
Light Vehicle Sales (millions of units)	17.1	-1.9%	17.2	0.5%	16.8	-2.4%	16.6	-1.2%	16.5	-0.6%
Passenger Car Sales (millions of units)	6.1	-11.5%	5.3	-12.8%	4.9	-7.6%	4.4	-10.2%	3.9	-11.4%
Light Truck Sales (millions of units)	11.1	4.4%	11.9	7.7%	11.9	-0.1%	12.2	2.5%	12.6	3.3%
Big 3 Share of Light Vehicles (percent)	42.0		41.7		41.3		41.0		40.9	
Michigan										
Wage and Salary Employment (thousands)	4,369	1.1%	4,419	1.1%	4,454	0.8%	4,472	0.4%	4,485	0.3%
Unemployment Rate (percent)	4.6		4.1		4.0		4.1		4.2	
Personal Income (millions of dollars)	\$460,270	3.5%	\$475,626	3.3%	\$492,749	3.6%	\$510,488	3.6%	\$529,376	3.7%
Real Personal Income (millions of 1982-84 dollars)	\$202,855	1.4%	\$204,791	1.0%	\$209,019	2.1%	\$212,457	1.6%	\$216,214	1.8%
Wages and Salaries (millions of dollars)	\$231,748	4.2%	\$239,478	3.3%	\$248,578	3.8%	\$257,278	3.5%	\$266,540	3.6%
Detroit Consumer Price Index (1982-84 = 100)	226.896	2.1%	232.250	2.4%	235.744	1.5%	240.278	1.9%	244.839	1.9%
Detroit CPI - Fiscal Year (1982-84 = 100)	225.517	2.0%	231.441	2.6%	234.537	1.3%	239.033	1.9%	243.604	1.9%

Table 2
May 2019 Consensus Forecast
(millions)

Net Revenue Estimates									
	<u>FY 2019</u>			<u>FY 2020</u>			<u>FY 2021</u>		
	<u>Jan 2019 Consensus</u>	<u>May 2019 Consensus</u>	<u>Change From January</u>	<u>Jan 2019 Consensus</u>	<u>May 2019 Consensus</u>	<u>Change From January</u>	<u>Jan 2019 Consensus</u>	<u>May 2019 Consensus</u>	<u>Change From Consensus</u>
Net GF-GP Revenue	\$10,700.2	\$10,851.7	\$151.5	\$10,717.8	\$10,776.9	\$59.1	\$10,852.6	\$10,920.5	\$67.9
Percent Growth	-2.2%	-1.5%		0.2%	-0.7%		1.3%	1.3%	
Dollar Growth		(\$165.4)			(\$74.8)			\$143.6	
Net SAF Revenue	\$13,550.5	\$13,482.3	(\$68.2)	\$13,926.7	\$13,839.8	(\$86.9)	\$14,264.4	\$14,179.5	(\$84.9)
Percent Growth	1.6%	1.4%		2.8%	2.7%		2.4%	2.5%	
Dollar Growth		\$180.3			\$357.5			\$339.7	
Combined GF-GP/SAF	\$24,250.7	\$24,334.0	\$83.3	\$24,644.5	\$24,616.7	(\$27.8)	\$25,117.0	\$25,100.0	(\$17.0)
Percent Growth	-0.1%	0.1%		1.6%	1.2%		1.9%	2.0%	
Dollar Growth		\$14.9			\$282.7			\$483.3	

Revenue Limit Calculation				
	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
Personal Income	\$439,361	\$460,270	\$475,626	\$492,749
Ratio	9.49%	9.49%	9.49%	9.49%
Revenue Limit	\$41,695.4	\$43,679.6	\$45,136.9	\$46,761.9
Revenue Subject to Limit	\$32,875.8	\$33,161.6	\$33,709.2	\$34,625.7
<u>Amount Under (Over) Limit</u>	\$8,819.6	\$10,518.0	\$11,427.7	\$12,136.2

Note: CY 2016 Personal Income is used for the FY 2018 revenue limit calculation, CY 2017 for FY 2019, CY 2018 for FY 2020, and CY 2019 for FY 2021.

Long Term Revenue Trend		
	<u>FY 2022</u>	<u>FY 2023</u>
Net GF-GP Revenue	\$11,271.1	\$11,588.6
Growth	3.2%	2.8%
Net SAF Revenue	\$14,560.3	\$14,966.8
Growth	2.7%	2.8%
Combined GF-GP/SAF	\$25,831.4	\$26,555.4
Growth	2.9%	2.8%

Budget Stabilization Fund Calculation	
FY 2019 Calculations	NO PAY-IN OR PAY-OUT
FY 2020 Calculations	NO PAY-IN OR PAY-OUT
FY 2021 Calculations	NO PAY-IN OR PAY-OUT

School Aid Index		
	<u>FY 2020</u>	<u>FY 2021</u>
Revenue Adjustment Factor	1.0191	1.0219
Pupil Membership Factor	1.0076	1.0058
School Aid Index	1.0268	1.0278