

# **Consensus Revenue Agreement**

## **Executive Summary**

**May 15, 2013**

**Economic and Revenue Forecasts**  
**Fiscal Years 2013, 2014 and 2015**



### **Principals**

**Andy Dillon**  
**State Treasurer**

**Ellen Jeffries, Director**  
**Senate Fiscal Agency**

**Mary Ann Cleary, Director**  
**House Fiscal Agency**

### **Staff**

**Jay Wortley**  
**Michigan Department of Treasury**

**David Zin**  
**Senate Fiscal Agency**

**Jim Stansell**  
**House Fiscal Agency**

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

May 2013

	Calendar 2011 Actual	Calendar 2012 Actual	Percent Change from Prior Year	Calendar 2013 Forecast	Percent Change from Prior Year	Calendar 2014 Forecast	Percent Change from Prior Year	Calendar 2015 Forecast	Percent Change from Prior Year
<b>United States</b>									
Real Gross Domestic Product (Billions of Chained 2005 Dollars)	13,299	\$13,593	2.2%	\$13,851	1.9%	\$14,225	2.7%	\$14,638	2.9%
Implicit Price Deflator GDP (2005 = 100)	113.4	115.4	1.8%	117.0	1.4%	119.0	1.7%	121.3	1.9%
Consumer Price Index (1982-84 = 100)	224.939	229.594	2.1%	233.482	1.7%	238.023	1.9%	242.977	2.1%
Consumer Price Index - Fiscal Year (1982-84 = 100)	223.137	228.526	2.4%	232.483	1.7%	236.879	1.9%	241.695	2.0%
Personal Consumption Deflator (2005 = 100)	113.8	115.8	1.8%	117.3	1.3%	119.1	1.5%	121.0	1.6%
3-month Treasury Bills Interest Rate (percent)	0.1	0.1		0.1		0.2		0.2	
Aaa Corporate Bonds Interest Rate (percent)	4.6	3.7		3.9		4.0		4.0	
Unemployment Rate - Civilian (percent)	8.9	8.1		7.6		7.0		6.4	
Wage and Salary Employment (millions)	131.497	133.739	1.7%	135.750	1.5%	137.920	1.6%	140.400	1.8%
Housing Starts (millions of starts)	0.609	0.781	28.2%	1.056	35.3%	1.280	21.2%	1.432	11.9%
Light Vehicle Sales (millions of units)	12.7	14.4	13.4%	15.3	6.3%	15.6	2.0%	15.9	1.9%
Passenger Car Sales (millions of units)	6.2	7.4	19.4%	7.8	5.4%	7.9	1.3%	8.0	1.3%
Light Truck Sales (millions of units)	6.5	7.0	7.7%	7.5	7.1%	7.7	2.7%	7.9	2.6%
Big 3 Share of Light Vehicles (percent)	46.2	44.2		45.0		45.1		45.4	
<b>Michigan</b>									
Wage and Salary Employment (thousands)	3,952	4,024	1.8%	4,077	1.3%	4,125	1.2%	4,175	1.2%
Unemployment Rate (percent)	10.4	9.1		8.6		8.1		7.7	
Personal Income (millions of dollars)	\$358,152	\$370,599	3.5%	\$379,864	2.5%	\$395,058	4.0%	\$411,650	4.2%
Real Personal Income (millions of 1982-84 dollars)	\$169,131	\$171,508	1.4%	\$172,752	0.7%	\$176,531	2.2%	\$180,437	2.2%
Wages and Salaries (millions of dollars)	\$183,000	\$189,121	3.3%	\$194,795	3.0%	\$200,834	3.1%	\$208,666	3.9%
Detroit Consumer Price Index (1982-84 = 100)	211.760	216.082	2.0%	219.890	1.7%	223.790	1.6%	228.141	1.8%

Table 2  
**May 2013 Consensus Forecast**  
(millions)

<b>Net Revenue Estimates</b>									
	<u>FY 2013</u>			<u>FY 2014</u>			<u>FY 2015</u>		
	<u>Jan 2013 Consensus</u>	<u>May 2013 Consensus</u>	<u>\$ Change From January</u>	<u>Jan 2013 Consensus</u>	<u>May 2013 Consensus</u>	<u>\$ Change From January</u>	<u>Jan 2013 Consensus</u>	<u>May 2013 Consensus</u>	<u>\$ Change From January</u>
<b>Net GF-GP Revenue</b>	\$8,792.2	\$9,189.2	\$396.9	\$9,264.4	\$9,446.2	\$181.8	\$9,639.9	\$9,840.2	\$200.3
% Growth	-5.1%	-0.8%		5.4%	2.8%		4.1%	4.2%	
\$ Growth		(\$76.0)			\$257.1			\$394.0	
<b>Net SAF Revenue</b>	\$11,127.7	\$11,213.4	\$85.7	\$11,432.5	\$11,470.1	\$37.6	\$11,768.8	\$11,812.7	\$43.9
% Growth	2.3%	3.1%		2.7%	2.3%		2.9%	3.0%	
\$ Growth		\$334.7			\$256.7			\$342.6	
<b>Combined GF-GP/SAF</b>	\$19,919.9	\$20,402.6	\$482.6	\$20,697.0	\$20,916.3	\$219.3	\$21,408.7	\$21,653.0	\$244.2
% Growth	-1.1%	1.3%		3.9%	2.5%		3.4%	3.5%	
\$ Growth		\$258.7			\$513.7			\$736.6	

<b>Revenue Limit Calculation</b>				
	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
Personal Income	\$342,663	\$358,152	\$370,599	\$379,864
Ratio	9.49%	9.49%	9.49%	9.49%
Revenue Limit	\$32,518.7	\$33,988.6	\$35,169.8	\$36,049.1
Revenue Subject to Limit	\$27,228.1	\$27,580.8	\$28,130.5	\$29,037.2
<b>Amount Under (Over) Limit</b>	<b>\$5,290.6</b>	<b>\$6,407.8</b>	<b>\$7,039.4</b>	<b>\$7,011.9</b>

Note: CY 2010 Personal Income is used for the FY 2012 revenue limit calculation, CY 2011 for FY 2013, CY 2012 for FY 2014, and CY 2013 for FY 2015.

<b>Long Term Revenue Trend</b>		
	<u>FY 2016</u>	<u>FY 2017</u>
<b>Net GF-GP Revenue</b>	\$10,265.9	\$10,655.6
Growth	4.3%	3.8%
<b>Net SAF Revenue</b>	\$12,150.5	\$12,474.7
Growth	2.9%	2.7%
<b>Combined GF-GP/SAF</b>	\$22,416.4	\$23,130.3
Growth	3.5%	3.2%

<b>Budget Stabilization Fund Calculation</b>	
FY 2013 Calculations	<b>NO PAY-IN OR PAY-OUT</b>
FY 2014 Calculations	<b>NO PAY-IN OR PAY-OUT</b>
FY 2015 Calculations	<b>NO PAY-IN OR PAY-OUT</b>

<b>School Aid Index</b>		
	<u>FY 2014</u>	<u>FY 2015</u>
Revenue Adjustment Factor	<b>1.0264</b>	<b>1.0275</b>
Pupil Membership Factor	<b>1.0040</b>	<b>1.0039</b>
School Aid Index	<b>1.0305</b>	<b>1.0315</b>