

Consensus Revenue Agreement

Executive Summary

January 18, 2007

Economic and Revenue Forecasts

Fiscal Years 2007 and 2008



Principals

Gary Olson, Director
Senate Fiscal Agency

Mitch Bean, Director
House Fiscal Agency

Robert J. Kleine, 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

January 2007

	Calendar 2005 Actual	Calendar 2006 Estimated	Percent Change from Prior Year	Calendar 2007 Forecast	Percent Change from Prior Year	Calendar 2008 Forecast	Percent Change from Prior Year
United States							
Real Gross Domestic Product (Billions of Chained 2000 Dollars)	\$11,049	\$11,413	3.3%	\$11,664	2.2%	\$11,979	2.7%
Implicit Price Deflator GDP (2000 = 100)	112.7	116.0	3.0%	118.9	2.5%	122.2	2.8%
Consumer Price Index (1982-84 = 100)	195.3	201.7	3.3%	205.9	2.1%	211.7	2.8%
Personal Consumption Deflator (2000 = 100)	111.5	114.6	2.8%	116.7	1.8%	119.4	2.3%
3-month Treasury Bills Interest Rate (percent)	3.2	4.7		4.9		5.0	
Aaa Corporate Bonds Interest Rate (percent)	5.2	5.6		5.9		6.4	
Unemployment Rate - Civilian (percent)	5.1	4.6		4.6		4.7	
Light Vehicle Sales (millions of units)	16.9	16.5	-2.5%	16.3	-1.2%	16.5	1.1%
Passenger Car Sales (millions of units)	7.7	7.8	2.0%	7.7	-1.9%	7.7	0.4%
Light Truck Sales (millions of units)	9.3	8.7	-6.3%	8.7	-0.6%	8.8	1.7%
Import Share of Light Vehicles (percent)	20.1	22.2		22.5		22.5	
Michigan							
Wage and Salary Employment (thousands)	4,384	4,358	-0.6%	4,319	-0.9%	4,293	-0.6%
Unemployment Rate (percent)	6.7	6.8		7.4		7.7	
Personal Income (millions of dollars)	\$331,304	\$342,900	3.5%	\$352,501	2.8%	\$362,984	3.0%
Real Personal Income (millions of 1982-84 dollars)	\$173,639	\$174,504	0.5%	\$176,427	1.1%	\$177,238	0.5%
Wages and Salaries (millions of dollars)	\$183,652	\$187,509	2.1%	\$189,384	1.0%	\$192,490	1.6%
Detroit Consumer Price Index (1982-84 = 100)	190.8	196.5	3.0%	199.8	1.7%	204.8	2.5%
Detroit CPI Fiscal Year (1982-84 = 100)	189.0	195.9	3.7%	198.4	1.3%	203.4	2.5%

Table 2
January 2007 Consensus Agreement
(millions)

Net Revenue Estimates

	FY 2006			FY 2007			FY 2008	
	Adjusted May 2006 Consensus	Prelim Final	Change From May	Adjusted May 2006 Consensus	Jan 2007 Consensus	Change From May	Jan 2007 Consensus	Additional Revenue Over FY 2007
Net GF-GP Revenue	\$8,357.2	\$8,266.7	(\$90.5)	\$8,463.7	\$8,230.0	(\$233.7)	\$7,010.0	(\$1,220.0)
Growth	-0.32%	-0.51%		1.27%	-0.44%		-14.82%	
Net SAF Revenue	\$11,198.0	\$11,082.1	(\$115.9)	\$11,552.4	\$11,230.0	(\$322.4)	\$11,532.9	\$302.9
Growth	2.64%	1.58%		3.16%	1.33%		2.70%	
Combined GF-GP/SAF	\$19,555.2	\$19,348.9	(\$206.3)	\$20,016.1	\$19,460.0	(\$556.1)	\$18,542.9	(\$917.1)
Growth		0.68%		2.36%	0.57%		-4.71%	

Revenue Limit Calculation

	FY 2006	FY 2007	FY 2008
Personal Income	\$324,134	\$331,304	\$342,900
Ratio	9.49%	9.49%	9.49%
Revenue Limit	\$30,760.3	\$31,440.8	\$32,541.2
Revenue Subject to Limit	\$25,941.7	\$26,205.4	\$25,447.6
Amount Under (Over) Limit	\$4,818.7	\$5,235.3	\$7,093.6

Note: CY 2004 Personal Income is used for the FY 2006 revenue limit calculation, CY 2005 for FY 2007, and CY 2006 for FY 2008.

Budget Stabilization Fund Calculation

FY 2008 Calculated Pay-in **NO PAY-IN OR PAY-OUT INDICATED**

Revenue Adjustment Factor

	FY 2007
Revenue Adjustment Factor	1.0191
Pupil Membership Factor	1.0091
School Aid Index	1.0284