

# **Consensus Revenue Agreement**

## **Executive Summary**

**May 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**  
May 2007

	Calendar 2005 Actual	Calendar 2006 Actual	Percent Change from Prior Year	Calendar 2007 Forecast	Percent Change from Prior Year	Calendar 2008 Forecast	Percent Change from Prior Year
<b>United States</b>							
Real Gross Domestic Product (Billions of Chained 2000 Dollars)	\$11,049	\$11,415	3.3%	\$11,643	2.0%	\$11,969	2.8%
Implicit Price Deflator GDP (2000 = 100)	112.7	116.0	2.9%	118.9	2.5%	121.8	2.4%
Consumer Price Index (1982-84 = 100)	195.3	201.6	3.2%	206.0	2.2%	210.5	2.2%
Personal Consumption Deflator (2000 = 100)	111.5	114.6	2.7%	116.8	1.9%	118.9	1.8%
3-month Treasury Bills Interest Rate (percent)	3.2	4.7		4.9		4.9	
10-year Treasury Bills Interest Rate (percent)	4.3	4.8		4.8		5.2	
Aaa Corporate Bonds Interest Rate (percent)	5.2	5.6		5.6		6.1	
Unemployment Rate - Civilian (percent)	5.1	4.6		4.6		4.7	
Light Vehicle Sales (millions of units)	16.9	16.5	-2.6%	16.3	-1.0%	16.5	0.8%
Passenger Car Sales (millions of units)	7.7	7.8	1.4%	7.6	-2.6%	7.6	0.0%
Light Truck Sales (millions of units)	9.3	8.7	-6.0%	8.8	0.5%	8.9	1.5%
Import Share of Light Vehicles (percent)	20.1	22.3		23.5		23.5	
<b>Michigan</b>							
Wage and Salary Employment (thousands)	4,390	4,341	-1.1%	4,276	-1.5%	4,225	-1.2%
Unemployment Rate (percent)	6.8	6.9		7.2		7.6	
Personal Income (millions of dollars)	\$331,349	\$341,710	3.1%	\$348,202	1.9%	\$356,211	2.3%
Real Personal Income (millions of 1982-84 dollars)	\$173,663	\$173,810	0.1%	\$173,494	-0.2%	\$174,016	0.3%
Wages and Salaries (millions of dollars)	\$183,670	\$186,405	1.5%	\$186,218	-0.1%	\$187,522	0.7%
Detroit Consumer Price Index (1982-84 = 100)	190.8	196.6	3.0%	200.7	2.1%	204.7	2.0%
Detroit CPI Fiscal Year (1982-84 = 100)	189.0	195.9	3.7%	199.4	1.8%	203.6	2.1%

Table 2  
**May 2007 Consensus Agreement**  
(millions)

	<b>Net Revenue Estimates</b>						
	<u>FY 2006</u>	<u>FY 2007</u>			<u>FY 2008</u>		
	<u>Actual</u>	<u>Jan 2007 Consensus</u>	<u>May 2007 Consensus</u>	<u>Change From January</u>	<u>Jan 2007 Consensus</u>	<u>May 2007 Consensus</u>	<u>Change From January</u>
<b>Net GF-GP Revenue</b>	\$8,266.0	\$8,230.0	\$8,187.5	(\$42.5)	\$7,010.0	\$6,919.7	(\$90.3)
Growth	-0.5%	-0.4%	-0.9%		-14.8%	-15.5%	
<b>Net SAF Revenue</b>	\$11,082.1	\$11,230.0	\$11,077.2	(\$152.8)	\$11,532.9	\$11,285.0	(\$247.9)
Growth	1.6%	1.3%	0.0%		2.7%	1.9%	
<b>Combined GF-GP/SAF</b>	\$19,348.2	\$19,460.0	\$19,264.7	(\$195.3)	\$18,542.9	\$18,204.7	(\$338.2)
Growth	0.7%	0.6%	-0.4%		-4.7%	-5.5%	

<b>Revenue Limit Calculation</b>			
	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>
Personal Income	\$324,134	\$331,304	\$341,710
Ratio	9.49%	9.49%	9.49%
Revenue Limit	\$30,760.3	\$31,440.8	\$32,428.3
Revenue Subject to Limit	\$25,822.1	\$25,900.2	\$25,012.9
<b><u>Amount Under (Over) Limit</u></b>	<b>\$4,938.3</b>	<b>\$5,540.6</b>	<b>\$7,415.3</b>

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.

<b>Budget Stabilization Fund Calculation</b>		<b>Revenue Adjustment Factor</b>	
FY 2007 Calculated Withdrawal	(\$49.1)	Revenue Adjustment Factor	<u>FY 2008</u> 1.0082
FY 2008 Calculated Withdrawal	(\$34.6)	Pupil Membership Factor	1.0094
		School Aid Index	1.0177