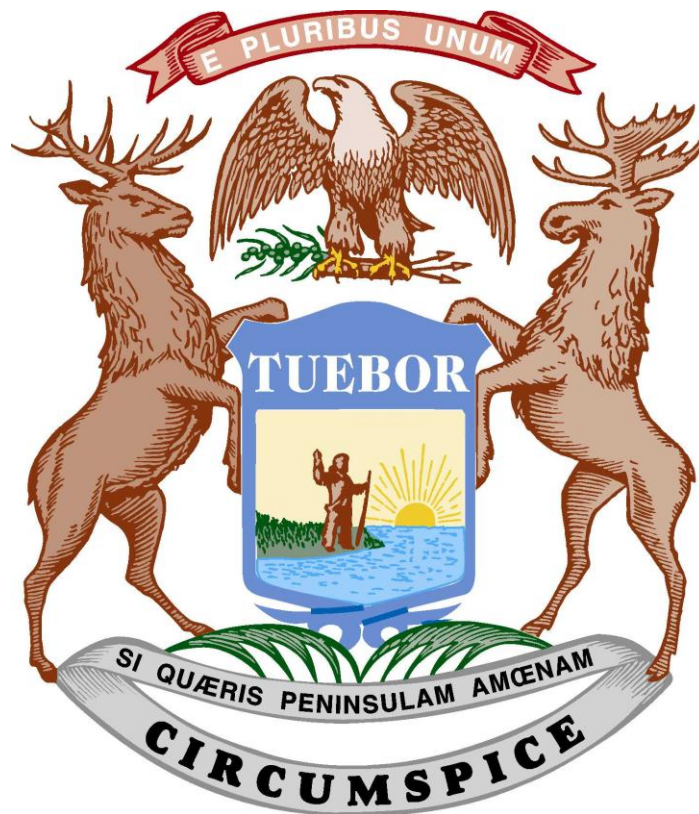


Administration Estimates Michigan Economic and Revenue Outlook



FY 2013-14, FY 2014-15 and FY 2015-16

**Michigan Department of Treasury
Kevin Clinton, State Treasurer**

**Office of Revenue and Tax Analysis
Jay Wortley, Director
Andrew Lockwood, Senior Economist
Thomas Patchak-Schuster, Senior Economist
May 15, 2014**

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ADMINISTRATION ESTIMATES
EXECUTIVE SUMMARY
May 15, 2014

Revenue Review and Outlook

- FY 2014 GF-GP revenue is forecast to decrease 1.6 percent to \$9,410.2 million. This revised estimate is down \$162.3 million from the January 2014 Consensus estimate. FY 2014 SAF revenue is forecast to increase 2.3 percent to \$11,524.7 million and is down \$35.2 million from the January 2014 Consensus estimate.
- FY 2015 GF-GP revenue is forecast to increase 5.2 percent to \$9,903.7 million, down \$142.7 million from the January 2014 Consensus estimate. FY 2015 SAF revenue is forecast to increase 3.0 percent to \$11,875.1 million, down \$56.7 million from the January 2014 Consensus estimate.
- FY 2016 GF-GP revenue is forecast to increase 4.9 percent to \$10,388.8 million, down \$146.8 million the January 2014 Consensus estimate. FY 2016 SAF revenue is forecast to increase 3.5 percent to \$12,284.9 million, down \$53.3 million from the January 2014 Consensus estimate.

2014, 2015 and 2016 U.S. Economic Outlook

- After increasing 1.8 percent in 2011, real gross domestic product grew 2.8 percent in 2012. Real GDP growth slowed to 1.9 percent in 2013. Economic growth is forecast to accelerate to 2.5 percent in 2014, 3.1 percent in 2015 and 3.3 percent in 2016.
- U.S. wage and salary employment rose 1.7 percent in 2012 and grew an additional 1.7 percent in 2013. U.S. employment is expected to increase 1.6 percent in 2014. Employment is then forecast to accelerate slightly to 1.8 percent growth in 2015 and 1.9 percent growth in 2016.
- The U.S. unemployment rate is forecast to decline each year over the forecast horizon. The unemployment rate averaged 8.1 percent in 2012 and then 7.4 percent in 2013. The unemployment rate is forecast to drop to 6.5 percent in 2014, decline to 6.0 percent in 2015 and fall to 5.4 percent in 2016.
- In 2012, housing starts increased a sharp 28.2 percent. In 2013, starts grew 18.5 percent. Starts are forecast to increase an additional 13.5 percent in 2014. In 2015, starts are expected to rise another 22.1 percent to 1.3 million units. Starts are then expected to rise 17.4 percent in 2016 to 1.5 million units.

- Light vehicle sales are expected to post significant growth across the forecast. In 2012, sales rose to 14.4 million units from 12.7 million units in 2011. Sales in 2013 increased to 15.5 million units – marking the first year that sales topped 15.0 million units since 2007. Sales are expected to rise to 16.0 million units in 2014 and increase to 16.3 million units in 2015 and rise to 16.7 million units in 2016.
- Consumer prices edged up 2.1 percent in 2012 and rose 1.5 percent in 2013. Prices will rise an additional 1.5 percent in 2014 before inflation accelerates to 1.7 percent in 2015 and to 1.9 percent in 2016.

2014, 2015 and 2016 Michigan Economic Outlook

- In 2009, Michigan wage and salary employment plummeted 7.0 percent – the largest drop in over 50 years. After declining another 0.2 percent in 2010, employment increased 2.3 percent or 88,500 jobs in 2011 – marking the first increase since 2000. Employment grew again in 2012, by 2.1 percent or 81,500 jobs. In 2013, employment increased 71,200 jobs (1.8 percent). Largely due to a weak first quarter, State employment growth is expected to slow to 0.8 percent in 2014. Then, State employment is forecast to rise 1.4 percent in 2015 and increase 1.5 percent in 2016.
- The Michigan unemployment rate dropped from 12.7 percent in 2010 to 10.4 percent in 2011. The rate declined sharply in 2012 to 9.1 percent before falling to 8.8 percent in 2013. The rate is expected to continue to drop over the forecast horizon to 7.7 percent in 2014, 7.1 percent in 2015 and 6.5 percent in 2016.
- After dropping 8.3 percent in 2009 (the largest percent decline since 1945), Michigan wages and salaries increased 1.6 percent in 2010, grew 5.4 percent in 2011, rose 4.1 percent in 2012 and 3.3 percent in 2013. Michigan wages and salaries are forecast to increase 3.1 percent in 2014, 4.0 percent in 2015 and 4.3 percent in 2016.
- Michigan personal income fell 4.4 percent in 2009 – marking the first annual Michigan personal income drop since 1958 and the largest annual decline since 1945. Income increased 2.5 percent in 2010 and rose 5.5 percent in 2011. Personal income increased 3.5 percent in 2012 and rose 2.5 percent in 2013. Michigan personal income is forecast to increase 3.5 percent in 2014, 4.6 percent in 2015 and 4.9 percent in 2016.
- On a fiscal year basis, Michigan disposable income rose 3.3 percent in FY 2012 and 2.4 percent in FY 2013. Disposable income is forecast to grow 2.3 percent in FY 2014, 4.0 percent in FY 2015 and 4.4 percent in 2016. Wages and salaries increased 4.3 percent in FY 2012 and 3.6 percent in FY 2013. Wages and salaries are forecast to increase 2.9 percent in FY 2014, 3.9 percent in FY 2015 and 4.3 percent in FY 2016.

Forecast Risks

- The recent federal budget agreement and the political fallout from the October 2012 government shutdown reduces the likelihood of further political brinksmanship. However, division among federal policymakers could substantially weaken consumer and investor confidence. Polarization could also substantially limit the federal government's ability to respond to negative financial and macroeconomic shocks.
- Europe's weak financial and economic recovery from its massive financial crises leaves the Continent vulnerable to still slower economic growth, which would have negative financial and economic impacts on the U.S. economy.
- Political and military tensions have continued to mount. Still greater unrest throughout the Middle East would seriously curtail world oil supplies, which, in turn, would dramatically raise oil and gasoline prices. Higher than forecast oil prices would lower consumers' discretionary income, increase many businesses' costs and depress economic activity.
- A stronger (weaker) housing market would boost (depress) the economy more than forecast.
- A severe drop in stock values would pose a substantial drag on the macroeconomy.
- Continued and strong job growth remains central to sustaining recent gains across the economy and to combating dampening factors such as weak consumer confidence.
- The Great Recession may have a longer negative effect on confidence than assumed. In particular, the after effects could lead businesses and consumers to react more negatively to an economic slowdown or mild decline than before the Great Recession.
- Uncertainty surrounds the Federal Reserve's tapering of its quantitative easing both in terms of the actions the Fed will take as well as the impact of those actions themselves given the unprecedented and unconventional nature of the quantitative easing program.
- Uncertainty also surrounds when the Federal Reserve will begin raising the federal funds rate from the rate's current 0.00-0.25 percent range. It is possible the Fed will begin raising the rate after 2016.

ECONOMIC REVIEW AND OUTLOOK

May 15, 2014

Current U.S. Economic Situation

Summary

The U.S. economy has continued to show signs of improvement over recent months. However, improvements have been modest and many economic indicators remain weak by historical standards.

Real Gross Domestic Product (GDP) has grown in all but one quarter since the end of the Great Recession (2009Q3 – 2014Q1). Poor weather brought the economy in 2014Q1 to a near standstill with annualized growth of just 0.1 percent. However, many economic indicators strengthened in the latter portion of 2014Q1. As a result, the latter portion of the first quarter sets a strong base for the economy in 2014Q2. In addition, investment will likely post very strong increases in the near future as investment delayed by the first quarter's poor weather is undertaken in the near future – notably 2014Q2.

Annual GDP has risen modestly in each of the past four calendar years (2010-2013) with annual growth of 2.5 percent, 1.8 percent, 2.8 percent and 1.9 percent, respectively. Consumption accounted for 65.9 percent of the increase in real GDP from 2009 through 2013 – 2.4 percentage points less than consumption's share of 2009 real GDP. While accounting for 14.0 percent of 2009 real GDP, investment accounted for slightly more than half (51.2 percent) of the increase in real GDP between 2009 and 2013.

U.S. wage and salary employment has risen each month since October 2010 with a cumulative gain of 8.0 million jobs over the past 43 months. In April 2014, a net 288,000 jobs were added (the largest one month increase since January 2012). In the first four months of 2014, the economy added 857,000 jobs. Over the past year, employment rose 2.4 million jobs. As a result, April 2014 wage and salary employment was down only 98,000 jobs compared to employment at the Great Recession's outset (December 2007).

Housing Market

House Construction and Sales

While the housing market remains historically weak, the market has recently strengthened considerably.

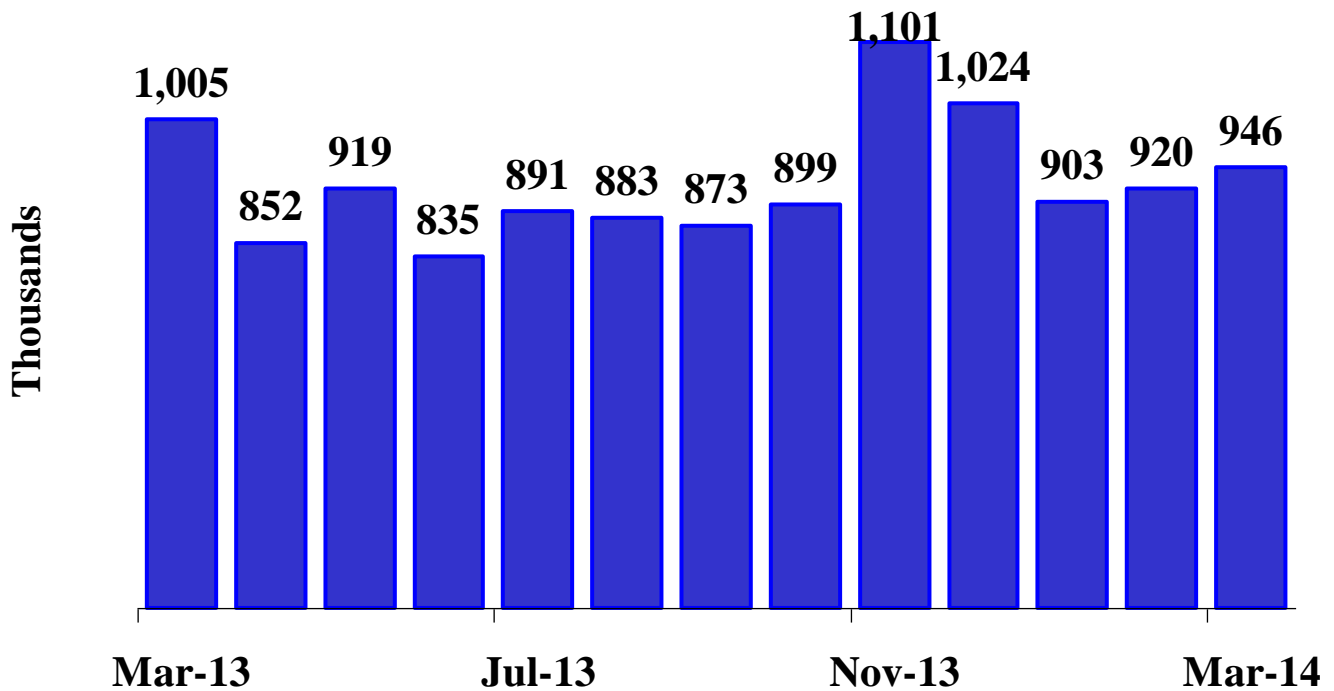
Calendar year (CY) 2013, **housing starts** marked the sixth straight year in which housing starts totaled fewer than 1.0 million units. Prior to 2008, starts had never fallen below 1.0 million units since at least 1959. Further, 2013 starts were 46.1 percent below the ten-year annual average of starts between 1998 and 2007 (1.7 million units). However, starts did rise sharply in both 2012 (+28.2 percent) and 2013 (+18.5 percent). Further, at 924,900 units, 2013 starts represented the highest level of starts since 2007 when starts totaled 1.4 million units. 2013Q4 marked the first quarter in which annualized starts rose above 1.0 million units since 2008Q2. However, annualized housing starts dropped below 1.0 million in 2014Q1, in which starts reported their first year-over-year decline since 2011Q2. (U.S. Census Bureau).

December 2013 (the last month of data available at the January 2014 Consensus Conference) marked the seventh straight month in which the **National Association of Home Builders (NAHB) sentiment index** remained above 50 -- indicating that more builders viewed conditions as favorable compared with the number who viewed conditions as poor. In January 2014, the NAHB sentiment index fell one point but remained above 50. However, the index fell sharply in February to 46. The index stayed at 46 in March and rose just one point in April.

In 2013, **new home sales** remained below 500,000 units for the sixth straight year. Prior to 2008, new home sales last totaled fewer than 500,000 units in 1982. Further, 2013 sales were 56.8 percent below the 1998-2007 annual average sales (992,000 units). However, at 429,000 units, 2013 did represent the first year in which new home sales exceeded 400,000 units since 2008. Further, 2013 new home sales were up 16.6 percent from 2012 and up 40.2 percent from 2011 when sales had fallen to a record low (306,000 units). In 2014Q1, annualized new home sales stood at 434,000 units – down 2.5 percent from 2013Q4 and down 3.2 percent from a year earlier (2013Q1), but slightly higher than the CY 2013 average. (U.S. Census Bureau)

Between the end of 2010 and mid-2013, **existing home sales** trended upward with the annualized sales rate peaking in July 2013 at 5.4 million units – the highest sales rate since late 2009. In addition, the annualized existing sales rate reported year-over-year increases each month between July 2011 and October 2013, inclusive. However, most recently, the existing home sales market hit a slight lull. In all but one month between November 2013 and March 2014, existing home sales fell from the prior month. In November 2013, the sales rate fell below 5.0 million units for the first time since April 2013. In March 2014, existing home sales fell to their lowest level since June 2012. (National Association of Realtors)

Annualized Housing Starts At Historically Low Levels



Source: U.S. Census Bureau. Seasonally adjusted annual rate (thousands).

House Prices

House prices have grown substantially in recent months.

- Between March 2013 and March 2014, the **Core Logic Home Price Index** increased 11.1 percent. Furthermore March 2014 marked the 25th consecutive month of year-over-year home price gains. However, the March 2014 level remained 16.0 percent below the index's peak (April 2006).
- In 2013, the **Census Bureau's median new home sales price** reported its fourth straight annual price increase – rising 9.7 percent from 2012. At \$268,900, the 2013 annual median price represents the highest annual median new home sale price on record.
- After 19 months of year-over-year increases in median new home prices, in February 2014 the median new home price fell slightly (1.6 percent) from a year earlier. However, in March 2014, the median sales price jumped to an all-time record monthly high (\$290,000) – up 12.6 percent from March 2013.
- According to the **National Association of Realtors**, the median existing-house price was up 7.9 percent from March 2013 to March 2014.

Repercussions

In 2013, **foreclosures** fell to their lowest annual level since 2007. In March 2014, foreclosures rose four percent from February 2014, but fell 23 percent from March 2013. Furthermore, March 2014 marked the 42nd straight year-over-year decline in foreclosures. Finally, in 2014Q1, foreclosures fell to their lowest quarterly level since 2007Q2. (RealtyTrac)

In March 2014, there were 48,000 **completed foreclosures** in the U.S. March 2014 foreclosures were up 5.9 percent from February 2014 but down 10.0 percent from a year ago. The total number of foreclosures for the 12 months ended in March (April 2013-March 2014 inclusive) declined for the 27th consecutive month and was the lowest aggregate sum since December 2007. Further, the March 2014 **rate of serious delinquencies** dropped to 4.7 percent for the first time since October 2008. (CoreLogic)

In 2013Q4 **homeowner real estate equity** was down \$3.4 trillion from its 2006Q1 peak. At 51.7 points, the 2013Q4 homeowner equity rate was off 7.6 percentage points from 2006Q1 but 15.2 points higher than its all-time low (2009Q1). Over the past year, homeowner equity increased \$2.1 trillion and the equity rate rose by 5.9 percentage points. As a result, 2013Q4 real estate equity represented the highest equity level since 2007Q4 and the highest equity rate since 2007Q2 (Federal Reserve Bank, *Flow of Funds Accounts of the United States*).

During the Great Recession, **household net worth** dropped by \$11.2 trillion (-16.5 percent). Thus far, during the subsequent economic recovery, household net worth has gained a net \$24.1 trillion -- making 2013Q4 net worth level the highest level on record (going back to 1952Q1). Over the past year alone, household net worth has risen substantially (\$9.8 trillion) -- accounting for 40.7 percent of net worth's increase during the recovery (Federal Reserve, *Flow of Funds Accounts of the United States*).

At 4.34 percent, the **30-year fixed mortgage rate** in April 2014 was down 0.12 percentage point from the end of last year (December 2013). However the April 2014 rate is still 0.89 percentage point higher than a year earlier. The April 2014 mortgage rate is nearly one percentage point (0.99 point) higher than the record low mortgage rate set in December 2012 (3.35 percentage points). (Federal Reserve)

With both higher home prices and mortgage rates, the **National Association of Realtors housing affordability index** fell 34.1 points between February 2013 and February 2014 (the most recent index value available). In February 2013, the housing affordability index stood at 209.8 – indicating that the median family income was more than twice the income necessary to qualify for a mortgage. In contrast, in February 2014, the median family income was only 75.7 percent higher than the qualifying income.

Stock prices have increased slightly since the January 2014 Consensus Conference. Between the end of December 2013 and the end of April 2014, the **stock market (Wilshire 5000)** rose 1.6 percent. However, compared to a year ago, the month-end April 2014 index was up 18.2 percent.

Monetary Policy

At the Federal Open Market Committee's (FOMC) most recent meeting (April 30, 2014), the FOMC stated that the Fed expects to maintain its 0.00-0.25 federal funds rate range well after the unemployment rate falls below 6.5 percent if the projected inflation rate remains under 2.0 percent:

The Committee now anticipates, based on its assessment of these factors, that it likely will be appropriate to maintain the current target range for the federal funds rate well past the time that the unemployment rate declines below 6-1/2 percent, especially if projected inflation continues to run below the Committee's 2 percent longer-run goal. When the Committee decides to begin to remove policy accommodation, it will take a balanced approach consistent with its longer-run goals of maximum employment and inflation of 2 percent.

Since late 2008, the Fed has engaged in several rounds of quantitative easing (injecting substantial liquidity into financial markets by purchasing large amounts of Treasury and agency mortgage-backed securities). In its December 19, 2013 statement the Fed indicated that it would begin reducing the size of the additions to its holdings. In January 2014, the FOMC added \$75 billion (rather than \$85 billion) to the Fed's holdings. Similarly, the FOMC added \$65 billion to its asset holdings in February and again added \$65 billion to its asset holdings in March. In April, the FOMC reduced the size of its additions to \$55 billion. At its most recent meeting (April 30, 2014), the FOMC announced that it would reduce the magnitude of its quantitative easing to \$45 billion:

Beginning in May, the Committee will add to its holdings of agency mortgage-backed securities at a pace of \$20 billion per month rather than \$25 billion per month, and will add to its holdings of longer-term Treasury securities at a pace of \$25 billion per month rather than \$30 billion per month.

It is not a given that the FOMC will decide to continue to reduce the size of its quantitative easing at subsequent meetings. Whether the FOMC continues to reduce the size of its securities purchases depends upon several factors including continued labor market improvement, continued success in returning inflation to the Committee's target rate and the FOMC's cost-benefit analysis:

If incoming information broadly supports the Committee's expectation of ongoing improvement in labor market conditions and inflation moving back toward its longer-run objective, the Committee will likely reduce the pace of asset purchases in further measured steps at future meetings. However, asset purchases are not on a preset course, and the Committee's decisions about their pace will remain contingent on the Committee's outlook for the labor market and inflation as well as its assessment of the likely efficacy and costs of such purchases.

Fiscal Policy

In December 2013, the President signed a budget agreement reached by Congress. The agreement eased sequestration by allowing spending to rise by \$62 billion combined in fiscal years 2014 and 2015. The budget agreement also included offsetting revenue and long-term spending cuts, so that the agreement overall would reduce the deficit by \$23 billion over 10 years. In addition, in mid-February 2014, the President, House and Senate reached an agreement to suspend the federal debt ceiling until March 16, 2015. In so doing, they allowed the federal government to increase its borrowing above the current \$17.2 trillion debt ceiling, against which actual borrowing was already pushing.

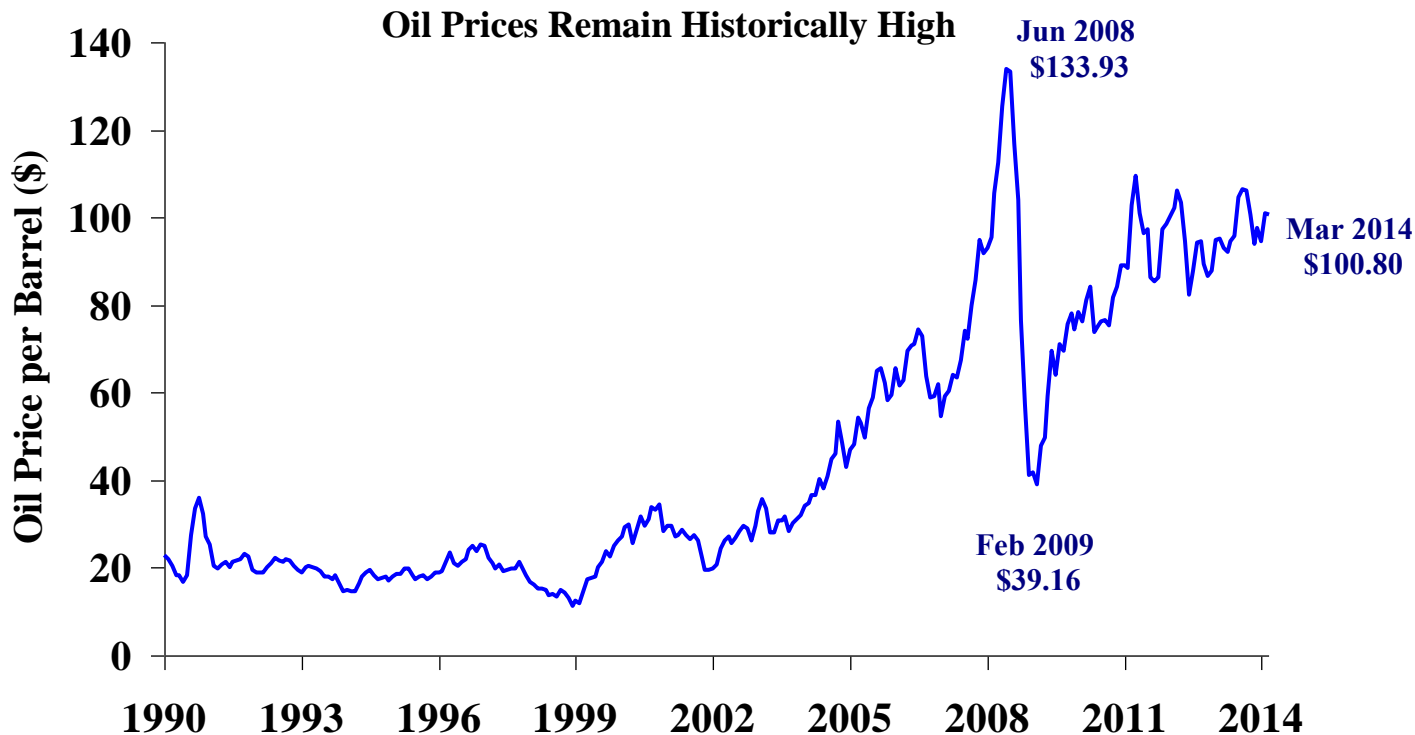
Inflation

In 2013, **oil prices** averaged \$98 per barrel – up 4.0 percent from 2012 and 3.2 percent higher than in 2011. In 2014Q1, oil prices averaged \$99 per barrel -- up 4.7 percent from 2013Q1. Oil prices in March 2014 (\$101 per barrel) were up 8.5 percent from March 2013. Oil prices remain historically very high. Prior to 2000, oil prices never rose above \$40 per barrel (January 1946 - December 1999). (Federal Reserve Bank of St. Louis).

After reaching a 33-month low in November 2013 (\$3.19 per gallon), gasoline prices have risen substantially. In April 2014, **gasoline prices** averaged \$3.59 per gallon – up 40 cents from November 2013. Compared to a year ago, April 2014 gasoline prices were up nine cents. (U.S. Energy Information Administration)

In recent years and months, price inflation has remained mild. In 2013, **consumer prices** increased 1.5 percent. The increase follows a 0.4 percent decline in 2009, a 1.6 percent increase in 2010, a 3.2 percent rise in 2011 and a 2.1 percent rise in 2012. 2014Q1 consumer prices averaged 1.4 percent higher than 2013Q1. **Core consumer price** inflation (excluding food and energy) has remained relatively tame over the past four years. Core prices rose 1.8 percent in 2013 following core inflation of 1.7 percent in 2009, 1.0 percent in 2010, 1.7 percent in 2011 and 2.1 percent in 2012. (Bureau of Labor Statistics) Core consumer prices rose 1.6 percent between 2013Q1 and 2014Q1. As further evidence of tame consumer price inflation, the average **core personal consumption expenditures price deflator** in 2013 was up only 1.1 percent from 2012. Similarly, the 2014Q1 average core deflator was up just 1.1 percent for 2013Q1. Finally, year-over-year, the deflator has risen less than 2.0 percent every month since May 2012. (Bureau of Economic Analysis)

Producer prices rose 6.0 percent in CY 2011, due primarily to increases in fuel prices. In contrast, 2011 core producer prices (excluding food and energy) were up 2.4 percent. In 2013, overall producer prices increased 1.2 percent while core producer prices were up 1.5 percent. (Bureau of Labor Statistics)



Source: Federal Reserve Bank of St. Louis

Major Economic Indicators

Since the January 2014 Conference, four additional months of **ISM manufacturing index (PMI)** data have been released (January 2014-April 2014). The PMI declined significantly (5.2 points) to 51.3 in January 2014. The index did rise in each of the three most recently reported months (February 2014-April 2014), but remains 1.6 points below the index's December 2013 reading. The PMI has signaled sector expansion (reading over 50) in each of the past 11 months.

In April 2014, the **ISM non-manufacturing index (NMI)** marked the 51st straight month signaling sector expansion. In the four months reported since the January 2014 Conference, the NMI rose from the prior month in three of the four months with February reporting the one index decline. On net, the NMI rose 2.2 points between December 2013 and April 2014.

In 2013, the annual average of **industrial production** rose 2.9 percent. The 2013 increase marks the fourth straight year of annual growth and follows annual growth of 5.7 percent in 2010, 3.3 percent in 2011 and 3.8 percent in 2012. Industrial production in 2014Q1 was up 3.4 percent from 2013Q1 – marking the 17th straight quarter of year-over-year growth.

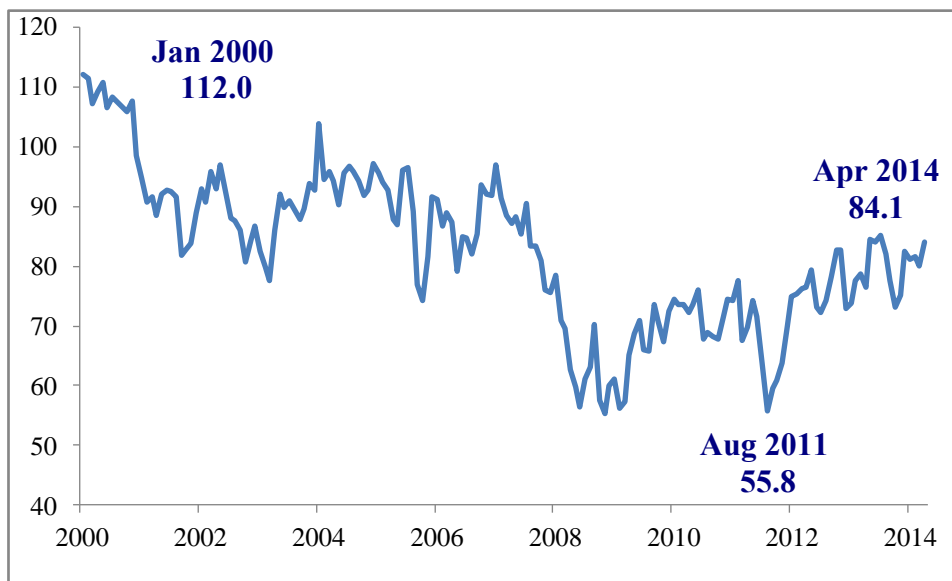
As with industrial production, the annual **capacity utilization rate** rose for the fourth straight year in 2013. However, gains in 2012 and 2013 (1.0 point and 0.7 point, respectively) were substantially smaller than gains in 2010 and 2011 (5.2 points and 2.5 point, respectively). At 78.7 points, the 2014Q1 capacity utilization rate represents the highest quarterly utilization rate since 2008Q2. Finally, the 2014Q1 rate is up 11.4 points from the low of 67.3 points reached in 2009Q2.

Following the January 2014 Consensus Conference, the three-month average of **new durable goods orders declined** from the prior month in December and January before rising in February and March. On net, the average fell 1.6 percent from November 2013. However the three-month average in March 2014 was up 4.6 percent from last March.

Since December 2009, the three-month average of **retail sales** has reported year-over-year increases each month. Over this period, the median y-o-y percent increase has been 5.1 percent. Most recently, poor weather conditions slowed y-o-y increases to 2.4 percent in February 2014. Growth increased only slightly in March 2014 to 2.5 percent.

The **University of Michigan index of consumer sentiment** fell sharply in December 2012 to 72.9 under the weight of fiscal cliff concerns. The index rose in each of the first three months of 2013, but then fell in April 2013. The index increased sharply in May 2013 -- rising to 84.5 points – a nearly six-year high. The index then trended downward over the next five months with the index dropping to 73.2 in October 2013. The index then rose over the next two months with the index rising to 82.5 in December 2013. After falling to 80.0 in March 2014, the index rebounded to 84.1 in April 2014. On net, the consumer sentiment index has risen 7.7 points from a year ago, but remains at historically low readings as the graph below illustrates.

Consumer Sentiment Up Substantially from August 2011 Trough But Well Below January 2000 Peak



Source: University of Michigan Survey of Consumers.

The **Conference Board Measure of CEO Confidence Index** reported net positive readings (over 50) in each of the past five quarters with three quarters posting readings at or above 60. The 2014Q1 reading of 63 ties 2012Q1 for the highest quarterly reading in three years.

The **Conference Board index of leading economic indicators (LEI)** has increased in seven of the past eight months (August 2013-March 2014). In March 2014 the LEI increased 0.8 percent.

The **Economic Cycle Research Institute (ECRI) weekly leading index growth rate** accelerated from 1.6 percent at the end of December 2013 to 4.2 percent in late January 2014. Sharp declines brought the growth rate back to 1.6 percent by the end of February 2014. However, the growth rate has since accelerated with the rate rising to 4.2 percent by the end of April 2014.

Employment

Between the end of calendar year 2013 and mid April 2014, the four-week average of **initial unemployment claims** trended downward. Over this period, the average fell from 352,250 to 312,000 – the lowest four-week average since mid-August 2007. Since mid-April 2014, the average has risen modestly with the average rising to 324,750 for the first week in May 2014. Thus, on net, the four-week average of initial unemployment claims fell by 27,500 between the end of calendar year 2013 and early May 2014. Between late October 2011 and early May 2014, the average has remained below the key 400,000 level each week with only two exceptions (the last week in November 2012 and the first week in December 2012). Recent four-week average readings remain well below levels reached in the Great Recession during which the average rose as high as 659,250 in one week. (U.S. Department of Labor)

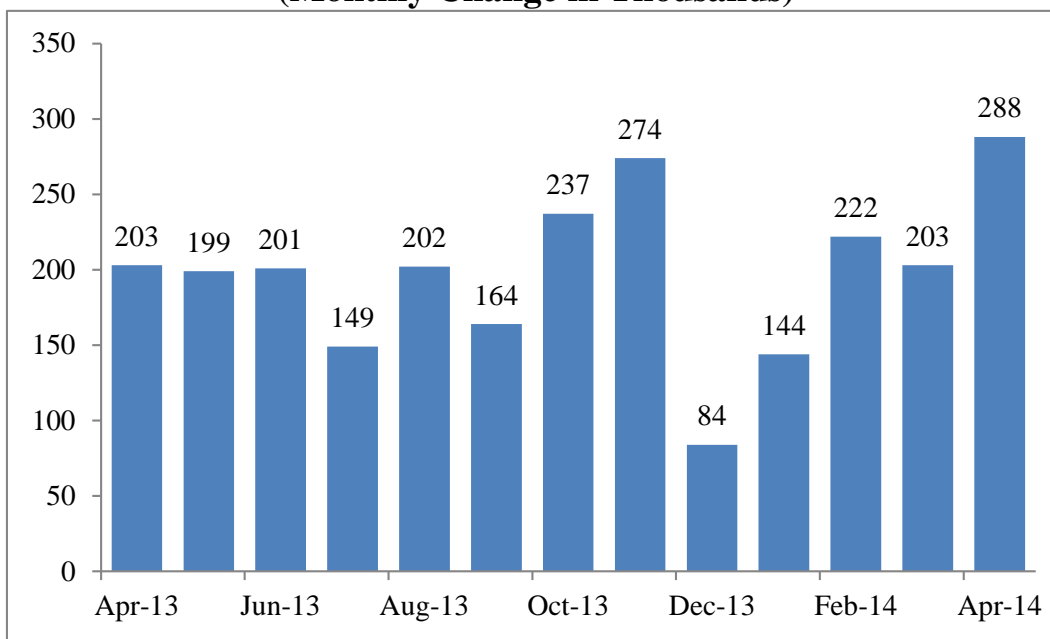
Since October 2009 when the **U.S. unemployment rate** rose to 10.0 percent (the highest monthly unemployment rate since mid-1983), the U.S. unemployment rate has steadily declined. In April 2014, the U.S. unemployment rate fell to 6.3 percent – the lowest monthly U.S. unemployment rate in over five years. However, a portion of the inroads made into lowering the unemployment rate is attributable to substantial reductions in the labor force participation rate. At 62.8 percent, the labor force participation rate in April 2014 was the lowest participation rate since February 1978. (Bureau of Labor Statistics)

Since November 2013 (the last reported month before the January 2014 Consensus Conference), the U.S. unemployment rate has dropped 0.7 percentage point. The April 2014 rate was 1.2 percentage points lower than April 2013 reading. April 2014 also marked the fifth straight month of sub-7.0 percent readings. The annual unemployment rate dropped for the third straight year in 2013 -- falling from 9.6 percent (a 30+ year record annual high) in 2010 to 8.9 percent in 2011, 8.1 percent in 2012 and 7.4 percent in 2013.

Between February 2008 and February 2010, **U.S. wage and salary employment** fell every month, declining 8.7 million jobs to its lowest level since August 1999. With the exception of the months June 2010 through September 2010, wage and salary employment has risen each month since March 2010. On net, employment rose 8.6 million jobs between March 2010 and April 2014. Compared to a year ago, April 2014 employment was up 2.4 million jobs (1.7 percent). Since the end of 2013, employment has increased by 857,000 jobs. In April 2014 alone, employment rose by 288,000 jobs – the greatest one-month employment gain in over two years. At 138.3 million jobs, the April 2014 employment level is only 113,000 jobs (0.1 percent) below the all-time high monthly U.S. employment level of 138.4 million jobs set in January 2008.

In calendar year 2013, U.S. wage and salary employment increased for the third straight year with 1.2 percent growth in 2011 and 1.7 percent growth both in 2012 and in 2013. The 2013 average annual U.S. employment level was 1.1 percent below the 2007 record high level.

**U.S. Payroll Employment
2.4 Million Jobs Added in Past Year
(Monthly Change in Thousands)**



Source: Bureau of Labor Statistics, U.S. Department of Labor.

Annual **manufacturing sector employment** has risen in each of the past three calendar years with increases of 1.7 percent both in 2011 and in 2012 and 0.7 percent in 2013. Between March 2010 and April 2014, manufacturing sector employment has increased from the prior month in 41 of the past 50 months. Further, manufacturing employment has increased in each of the past nine months over which sector employment has risen by 118,000 jobs. On net, April 2014 manufacturing employment was up 99,000 jobs from a year ago. Since the end of the Great Recession (June 2009), manufacturing employment has increased a net 374,000 jobs. Despite these increases, April 2014 manufacturing employment was still down 1.6 million jobs from the start of the recession (December 2007).

April 2014 **construction sector employment** is down by 10,000 jobs since the end of the recession (June 2009) and is down by 1.5 million jobs (-19.9 percent) compared to December 2007. However, over the past year, construction employment is up by 189,000 jobs. Since November 2013 (the last month reported prior to the January 2014 Consensus Conference), the sector's employment has risen a net 104,000 jobs.

Vehicle Sales and Production

The vehicle sector has shown substantial growth over the past four years. **U.S. light vehicle sales** totaled slightly over 10.4 million units in 2009 – the worst annual sales year since 1982 when sales came in just under 10.4 million units. However, in 2010, sales rose to 11.6 million units and, in 2011, light vehicle sales increased to 12.7 million units. In 2012, sales grew to 14.4 million units. Last calendar year (2013), light vehicle sales rose to 15.5 million units – the highest annual light vehicle sales since 2007.

Through the first four months of 2014, light vehicle sales averaged a 15.7 million units annual sales rate – up 3.0 percent from the first four months of 2013. Light vehicle sales have exceeded a 15.0 million unit rate in each of the past 18 months.

Between 2003 and 2009, inclusive, **U.S. vehicle production** declined each year. Between 2006 and 2009, annual production decreased a cumulative 5.6 million units (49.4 percent). However, U.S. vehicle production has risen in each of the past four years (2010-2013, inclusive). Consequently, 2013 national vehicle production was 93.0 percent higher than 2009 production and 1.9 percent above 2007 production.

Current Michigan Economic Conditions

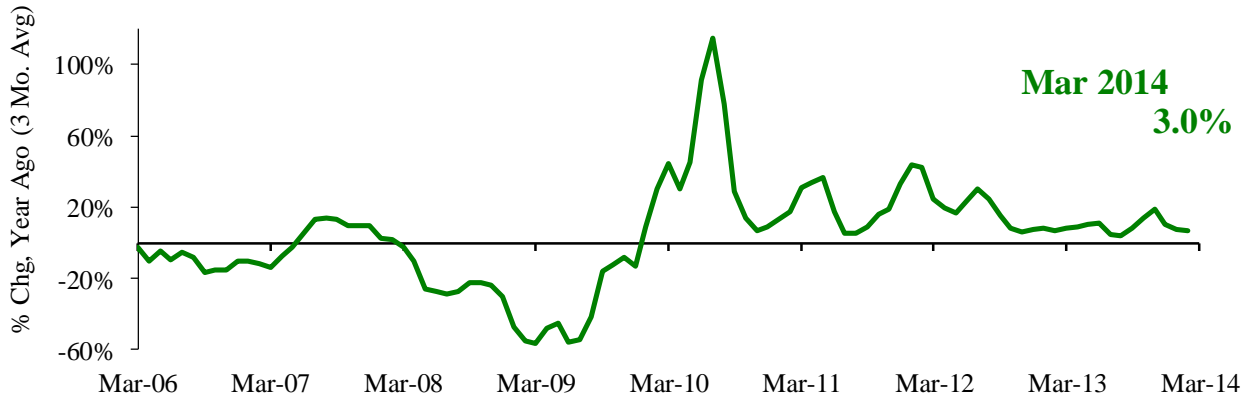
Vehicle Production

In 2013, **Michigan vehicle production** rose 9.5 percent. Coupled with double-digit annual increases each year between 2010 and 2012, inclusive, State vehicle production rose to 2.47 million units – Michigan’s highest vehicle production level since 2005.

In 2013, **Michigan’s share of U.S. vehicle production** rose 0.6 percentage point to 22.3 percent – matching 2011 for the State’s highest production share since 2003.

In 2014Q1, Michigan vehicle production rose 3.0 percent from a year ago while national vehicle production increased 15.0 percent. 2014Q1 marked the 17th straight quarter in which quarterly State production was up from the prior year. However, year-over-year growth has slowed over the past year. Michigan’s 3.0 percent vehicle increase between 2013Q1 and 2014Q1 represented the smallest year-over-year State vehicle increase across the past 17 quarters.

Michigan Vehicle Production Increases Slow



Source: Automotive News and Michigan Department of Treasury.

Employment

In 2013, **Michigan wage and salary employment** rose for a third straight year with 1.8 percent growth, ranking 18th among U.S. states. Michigan employment had increased 2.3 percent in 2011 and had risen 2.1 percent in 2012. At 4.1 million jobs, 2013 Michigan wage and salary employment represented the State’s highest employment level since 2008.

Rising by a combined 241,200 jobs over the past three years, Michigan wage and salary employment rose 6.2 percent (the 6th fastest percent growth among U.S. states).

Directly prior to the three recent annual increases, Michigan employment had fallen each year between 2001 and 2010, inclusive, and dropped a combined 813,100 jobs. Thus, Michigan’s 2013 wage and salary employment level (4.1 million jobs) remains 571,900 jobs (12.2 percent) below the State’s record high annual employment level of 4.7 million jobs set in 2000.

Manufacturing employment has risen in each of the past four years with gains of 2.3 percent in 2010, 7.6 percent in 2011, 5.5 percent in 2012 and 3.3 percent in 2013. Over the past three years, manufacturing employment increased by 81,200 jobs. Thus, manufacturing employment accounted for 33.7 percent of the overall State employment increase over the past three years, even while comprising only 12.3 percent of the overall *level* of 2010 Michigan wage and salary employment. In 2013, Michigan construction employment rose 3.3 percent after increasing 3.0 percent in 2011 and 2.3 percent in 2012.

At 7.2 percent, Michigan's wage and salary employment percent increase since the end of the Great Recession (June 2009) ranks 6th among all U.S. states. Over the past year between March 2013 and March 2014, Michigan employment has risen 0.5 percent, ranking 42nd among U.S. states.

In 2009, **Michigan's unemployment rate** rose to 13.5 percent – the State's highest rate since 1983 when the rate stood at 14.6 percent. However, in each year between 2010 and 2013, inclusive, the State's unemployment rate decreased. Over the past four years, Michigan's unemployment rate dropped a combined 4.7 percentage points with the largest share of the decline (-2.3 points) occurring in 2011. Michigan's 2013 unemployment rate stood at 8.8 percent, the State's lowest annual unemployment rate since 2008.

Michigan's unemployment rate has fallen in each of the past seven months. Over these seven months, the State's unemployment rate has dropped 1.5 percentage points from 9.0 percent in August 2013 to 7.5 percent in March 2014 (the most recent month for which data are available). At 7.5 percent, Michigan's March 2014 unemployment rate represented the State's lowest monthly rate since April 2008.

After rising to 1.8 percentage points in August 2013, the **gap between Michigan's unemployment rate and the U.S. unemployment rate** has trended downward. Further, the gap has fallen in each of the past three months. As a result, in March 2014, the gap declined to 0.8 percentage point -- the smallest gap since December 2002, when the gap equaled 0.4 percentage point.

Month-over-month, **Michigan household employment** fell in each month between January 2007 and December 2009 with household employment falling a combined 594,800 persons (12.6 percent). Since January 2010, household employment has trended upward and has regained a net 244,500 persons. In each of the past eight months (August 2013-March 2014, inclusive), household employment has increased on a month-to-month basis. Compared to a year ago, State household employment is up 80,300 persons (1.9 percent).

The **Michigan labor force** fell in all but three months between December 2006 and August 2012, inclusive. Over this period, the State's labor force dropped a net 414,000 persons (8.2 percent). Between September 2012 and June 2013, Michigan's labor force rose each month and increased a combined 55,400 persons. The State's labor force then decreased each month between July 2013 and December 2013 and dropped a combined 32,400 persons. However, the Michigan labor force posted gains in each of the first three months of 2014 and increased a combined 43,500 persons. On net, the State's labor force has risen 66,500 persons since August 2012. Over the last year, Michigan's labor force has risen 21,000 persons.

Over the past year, **Michigan household unemployment** is down 59,300 persons (14.3 percent). Compared to household unemployment at the end of the Great Recession, March 2014 unemployment is 322,800 persons lower. Compared to the *outset* of the Recession, March 2014 unemployment is 3,600 persons lower.

The State's March 2014 labor force is down 142,000 persons from the end of the Great Recession. Michigan household employment has risen 180,800 persons since the end of the Great Recession. Thus the employment increase accounts for 56 percent of the 322,800 persons decline in State unemployment with the labor force accounting for the other 44 percent of the unemployment decline. Nationally, the increase in household employment since the Great Recession (5.7 million persons) more than accounts for the 4.2 million persons decline in the U.S. unemployment count.

Housing Market

Despite not being one of the major participants in the housing boom, Michigan was hit disproportionately hard by the housing bust due to sharply declining employment. Nevertheless, the State's housing market has recently seen signs of improvement.

In 2013, **Michigan housing unit authorizations** increased sharply (34.8 percent), marking the fourth straight annual increase and the third increase greater than 25 percent in the past four years. Michigan's 2013 percent increase in housing unit authorizations ranked 6th among U.S. states. Nationally, housing unit authorizations increased 19.4 percent in 2013. Michigan accounted for 1.6 percent of total 2013 U.S. authorizations.

Nevertheless, in 2013, Michigan authorizations (15,757 units) were 69.5 percent below the State's 1996-2005 annual average (51,688 units). Total U.S. authorizations in 2013 were 42.5 percent below the national 1996-2005 average. As a result, while accounting for an average of 3.0 percent of overall U.S. authorizations between 1996-2005, Michigan authorizations accounted for only 1.6 percent of U.S. authorizations in 2013.

In February 2014, according to **Case-Shiller house price measures** (seasonally adjusted), the Detroit MSA recorded a 15.5 percent year-over-year house price increase, compared to a 12.9 percent average increase for the 20 U.S. metro areas surveyed for the measure. Detroit's 15.5 percent year-over-year increase ranked 7th among the 20 metro areas.

According to CoreLogic, Michigan, had the 2nd highest number of **completed foreclosures** for the 12 months ending March 2014 with 49,000 completed foreclosures, behind Florida. However, Michigan had the 14th smallest **percent of homes in foreclosure**. (CoreLogic)

The **share of mortgage properties underwater (negative equity)** in Michigan is higher than the national average. In 2013Q4, 13.3 percent of residential properties with mortgages were underwater nationally. In Michigan, 18.0 percent of such properties were underwater – tying Michigan with Georgia for 7th highest among the fifty states behind Nevada (30.4 percent), Florida (28.1 percent), Arizona (21.5 percent), Ohio (19.0 percent), Illinois (18.7 percent) and Rhode Island (18.3 percent). (CoreLogic)

Personal Income

Michigan annual personal income growth slowed from 3.5 percent in 2012 to 2.5 percent in 2013. Michigan's 2.5 percent income growth in 2013 ranked 24th among U.S. states. Nationally, personal income growth slowed from 4.2 percent in 2012 to 2.6 percent in 2013 with each of the 50 states reporting slowing growth in 2013. Michigan's 2013 per capita income increase (2.4 percent) ranked 7th among U.S. states.

Michigan's quarterly personal income grew from the prior year in each quarter between 2010Q1-2013Q4 (the latest quarter available). Most recently, 2013Q4 Michigan personal income was up 1.6 percent from a year ago (ranking 16th among U.S. states). As was the case nationally, Michigan's 2013Q4 year-over-year growth represented the State's slowest y-o-y increase since 2010Q1.

Each quarter between 2010Q2 and 2013Q4, **Michigan wage and salary income** rose from a year ago with increases ranging between 1.0 percent and 8.2 percent. Year-over-year wage and salary growth has decelerated over the two most recently reported quarters with growth slowing from 4.0 percent in 2013Q2 to 2.7 percent in 2013Q4. At 2.7 percent, Michigan's 2013Q4 wage and salary growth ranked 17th among the 50 states. Nationally, wage and salary income rose 2.1 percent between 2012Q4 and 2013Q4.

After year-over-year declines in 12 straight quarters from 2007Q2 to 2010Q1, **Michigan manufacturing wages and salaries** experienced 15 consecutive quarters of y-o-y increases. Manufacturing wage growth peaked in 2011Q1 (20.7 percent) and then slowed to 8.8 percent and 5.6 percent in the second and third quarters, respectively. After accelerating to 12.0 percent in 2011Q4, manufacturing wage growth fluctuated between 4.5 percent and 8.7 percent over the next four quarters. Manufacturing wage and salary growth slowed to 3.4 percent in 2013Q1 but then accelerated in each of the following quarters with y-o-y wage and salary growth accelerating to 6.4 percent in 2013Q3. Wage and salary growth then slowed to 4.1 percent in 2013Q4.

Michigan manufacturing wages have outpaced overall U.S. manufacturing sector wages for 16 straight quarters. In 2013Q4, Michigan manufacturing wages and salaries grew 2.0 percentage points faster than manufacturing wages and salaries nationally.

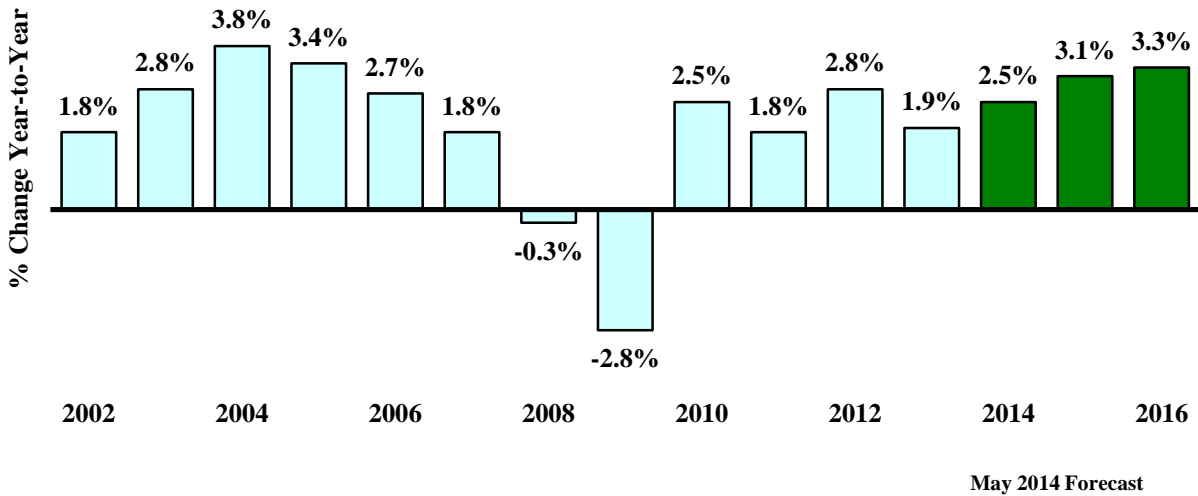
The manufacturing sector continues to play an important role in Michigan's wage growth. While comprising 17.8 percent of Michigan's overall wages in 2012Q4, the State's manufacturing sector accounted for 27.2 percent of Michigan's overall wages growth between 2012Q4-2013Q4.

2014, 2015 and 2016 U.S. Economic Outlook

Summary

After declining 2.8 percent in 2009, real GDP rose 2.5 percent in 2010 and 1.8 percent in 2011. Real GDP then increased 2.8 percent in 2012 and 1.9 percent in 2013. Inflation adjusted GDP is expected to rise 2.5 percent in 2014, 3.1 percent in 2015 and 3.3 percent in 2016.

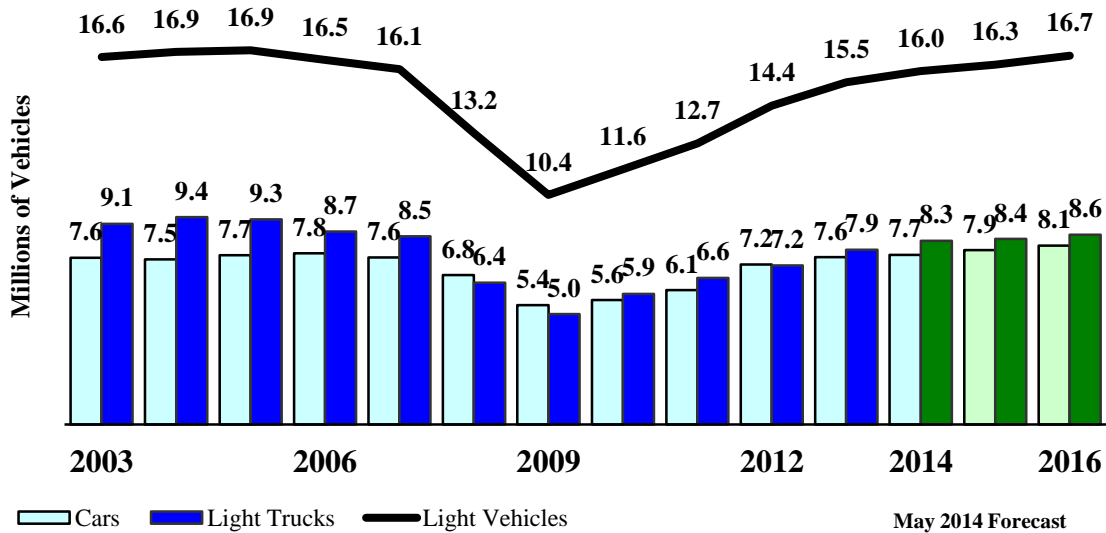
Real GDP Growth Accelerates Modestly



Source: Bureau of Economic Analysis, U.S. Department of Commerce, and Administration Forecast, May 2014.

Light vehicle sales totaled 14.4 million units in 2012 and increased to 15.5 million units in 2013. -- marking the first year in which light vehicle sales have exceeded 15.0 million units since 2007. Annual light vehicle sales are expected to increase each year over the forecast horizon with sales of 16.0 million units in 2014, 16.3 million units in 2015 and 16.7 million units in 2016.

Vehicle Sales Continue Their Rebound



Source: Bureau of Economic Analysis, U.S. Department of Commerce, and Administration Forecast, May 2014.

The U.S. unemployment rate has fallen in each of the past three years with the unemployment rate dropping from a near record high 9.6 percent in 2010 to 7.4 percent in 2013. The national unemployment rate is forecast to fall to 6.5 percent in 2014 and 6.0 percent in 2015. In 2016, the unemployment rate is expected to fall to 5.4 percent, which would be the lowest annual U.S. unemployment rate since 2007.

U.S. wage and salary employment has increased in each of the past three years with national employment rising 1.2 percent in 2011 and 1.7 percent in both 2012 and 2013. Employment is expected to continue to post moderate growth with employment increasing 1.6 percent in 2014, 1.8 percent in 2015 and 1.9 percent in 2016. In 2014, U.S. wage and salary employment is forecast to rise above the previous national peak employment level set in 2007. With employment increases forecast in both 2015 and 2016, calendar year 2016 national employment is expected to be 4.2 percent above the prior 2007 peak employment level.

In 2013, U.S. consumer price inflation slowed to 1.5 percent. Inflation is forecast to remain modest over the forecast horizon with overall annual consumer price increases of 1.5 percent in 2014, 1.7 percent in 2015 and 1.9 percent in 2016.

The short-term Treasury bill rate averaged 0.1 percent in each of the past four years. The rate is forecast to remain at 0.1 percent in 2014. The rate is projected to rise slightly to 0.3 percent in 2015. As a result of increases in the federal funds rate in 2016, the short-term Treasury bill rate is forecast to average 1.0 percent in 2016.

Corporate interest rates are forecast to increase modestly over the forecast horizon. After rising to 4.2 percent in 2013, the corporate Aaa bond rate is expected to average 4.6 percent in 2014, 4.8 percent in 2015 and 4.9 percent in 2016.

Down from 5.0 percent in 2009, the 30-year fixed mortgage rate averaged 4.7 percent in 2010 and 4.5 percent in 2011. The 30-year fixed mortgage rate fell to 3.7 percent in 2012 before rising to 4.0 percent in 2013. Mortgage rates are forecast to increase over the forecast horizon with rates averaging 4.6 percent in 2014, 5.0 percent in 2015 and 5.3 percent in 2016.

Assumptions

The forecast expects real (inflation-adjusted) federal government expenditures to decline 3.2 percent in calendar year (CY) 2014, fall 2.0 percent in CY 2015 and remain essentially unchanged in CY 2016. Consequently, expected CY 2016 real federal government expenditures will be 5.2 percent lower than CY 2013 inflation-adjusted federal government expenditures.

Across the forecast horizon, oil prices per barrel are expected to range narrowly between \$100 per barrel and \$102 per barrel. After rising sharply in 2014Q1, natural gas price increases are expected to fall substantially in 2014Q2 and then rise at a 3.0 percent annual rate over the balance of the forecast horizon.

Throughout the forecast horizon, the housing market is expected to strengthen and housing starts are forecast to increase each year. Consequently, housing starts in 2016 (1.5 million units) will be 62.7 percent higher than starts in 2013. Nevertheless, 2016 starts will remain below the average 1.7 million annual starts in the ten years before the housing bust.

Consistent with recent FOMC statements, the Fed is expected to keep the federal funds rate within the record low 0.00-0.25 percent range through late 2015. The forecast assumes that the Fed increases the federal funds rate gradually over the balance of the forecast horizon with the rate rising to 1.40 percent by the end of 2016.

The level of real state and local government expenditures is expected to rise at a 1.0 percent annual rate in the first half of CY 2014. Beginning in the second half of CY 2014, quarterly real state and local government expenditures increase at annual growth rates ranging between 2.0 percent and 2.4 percent. Consequently, CY 2016 inflation-adjusted state and local government spending is 5.4 percent higher than CY 2013 real state and local government spending.

The savings rate is assumed to fall from 4.6 percent in 2013 to 4.2 percent in 2014. The rate rises over the balance of the forecast horizon and averages 4.5 percent in 2015 and 4.9 percent in 2016.

Rest-of-world growth is assumed to rise 2.4 percent in 2014, increase 2.7 percent in 2015 and then rise 2.8 percent in 2016.

Table 1
Administration Economic Forecast

May 2014

	Calendar 2012 Actual	Calendar 2013 Actual	Percent Change from Prior Year	Calendar 2014 Forecast	Percent Change from Prior Year	Calendar 2015 Forecast	Percent Change from Prior Year	Calendar 2016 Forecast	Percent Change from Prior Year
United States									
Real Gross Domestic Product (Billions of Chained 2009 Dollars)	\$15,471	\$15,761	1.9%	\$16,155	2.5%	\$16,656	3.1%	\$17,206	3.3%
Implicit Price Deflator GDP (2009 = 100)	105.0	106.5	1.4%	108.0	1.4%	109.8	1.7%	111.9	1.9%
Consumer Price Index (1982-84 = 100)	229.594	232.957	1.5%	236.451	1.5%	240.471	1.7%	245.040	1.9%
Consumer Price Index - Fiscal Year (1982-84 = 100)	228.526	232.247	1.6%	235.498	1.4%	239.266	1.6%	243.812	1.9%
Personal Consumption Deflator (2009 = 100)	106.0	107.2	1.1%	108.5	1.2%	110.0	1.4%	111.8	1.6%
3-month Treasury Bills Interest Rate (percent)	0.1	0.1		0.1		0.3		1.0	
Aaa Corporate Bonds Interest Rate (percent)	3.7	4.2		4.6		4.8		4.9	
Unemployment Rate - Civilian (percent)	8.1	7.4		6.5		6.0		5.4	
Wage and Salary Employment (millions)	134.104	136.368	1.7%	138.550	1.6%	141.040	1.8%	143.720	1.9%
Housing Starts (millions of starts)	0.781	0.925	18.5%	1.050	13.5%	1.282	22.1%	1.505	17.4%
Light Vehicle Sales (millions of units)	14.4	15.5	7.6%	16.0	3.2%	16.3	1.9%	16.7	2.5%
Passenger Car Sales (millions of units)	7.4	7.6	2.7%	7.7	1.1%	7.9	2.8%	8.1	2.5%
Light Truck Sales (millions of units)	7.0	7.9	12.9%	8.3	5.3%	8.4	1.0%	8.6	2.4%
Big 3 Share of Light Vehicles (percent)	44.2	44.6		44.7		44.9		45.0	
Michigan									
Wage and Salary Employment (thousands)	4,033	4,105	1.4%	4,137	0.8%	4,195	1.4%	4,258	1.5%
Unemployment Rate (percent)	9.1	8.8		7.7		7.1		6.5	
Personal Income (millions of dollars)	\$378,443	\$388,053	2.5%	\$401,635	3.5%	\$420,110	4.6%	\$440,696	4.9%
Real Personal Income (millions of 1982-84 dollars)	\$175,139	\$176,805	1.0%	\$180,978	2.4%	\$186,445	3.0%	\$192,246	3.1%
Wages and Salaries (millions of dollars)	\$189,640	\$195,866	3.3%	\$201,938	3.1%	\$210,015	4.0%	\$219,046	4.3%
Detroit Consumer Price Index (1982-84 = 100)	216.082	219.481	1.6%	221.925	1.1%	225.327	1.5%	229.235	1.7%

Forecast Risks

As with any economic forecast, the current recovery faces some risks.

Fiscal Policy. The late December 2013 budget deal provided an encouraging sign demonstrating the willingness and ability of the House, Senate and President to reach a compromise. The budget accord, in and of itself, constitutes an important step in averting a government shutdown and also restored a portion of sequestration's spending cuts. In addition, in mid-February 2014, the President, House and Senate reached an agreement to suspend the federal debt ceiling until March 16, 2015. In so doing, they allowed (until March 16, 2015) the federal government to increase its borrowing above the current \$17.2 trillion debt ceiling, against which actual borrowing was already pushing. Finally, the political fallout from the October 2012 federal government shutdown provides a substantial disincentive against further political brinksmanship. However, substantial divisions remain and partisanship will continue to impair the federal government's ability to address negative financial and macroeconomic shocks. This November's Congressional elections could substantially alter the political composition of the federal legislature and thus have a serious impact on divisions within Congress.

Oil Prices. Geopolitical concerns, increased demand, or a major supply disruption could raise oil prices well above the assumed range (\$100-\$102 per barrel). Higher oil prices (and consequently higher gasoline prices) would retard domestic growth by depressing consumer sentiment, reducing households' discretionary income and increasing input costs to businesses. This risk is heightened as many other countries around the world recover and thus boost demand. Alternatively, if Asian oil demand decreases due to lower and more sustainable growth rates in China or if European demand weakens, prices could be lower than assumed.

Europe Debt Crisis. Europe's ongoing economic recovery has been slow and tenuous. Extremely slow price inflation remains a major barrier to recovery with the threat of disinflation, which severely hampers efforts to reduce indebtedness. Even if the Eurozone recovery is not short-circuited, continued economic stagnation remains a very real possibility.

The escalating crisis in Ukraine constitutes a serious risk to recovery in Europe. Military actions by Russia near/in Ukraine coupled with U.S./European actions taken against those actions could have serious negative repercussions for the Russian economy. In addition, given Europe's substantial dependence on natural gas from Russia, the crisis could seriously harm economies across Europe.

Complicating the Eurozone recovery, austerity measures (spending cuts, tax hikes) represent a major tool being employed by several European countries to address their debt problems. However, austerity measures hamper a nation's economic growth. Given the ill effects of massive indebtedness on the one hand and of austerity measures on the other, the forecast's assumed modest growth among the United States' major trading partners may be too optimistic. In addition, there is growing dissatisfaction among electorates in many European nations with the depressing impacts of austerity measures. Social and political opposition to austerity measures heightens growing uncertainty. Quantitative easing has been floated as a potential

means to bolster Eurozone economic growth. However, Germany, the Eurozone's largest economy, remains opposed.

Slower economic growth in Asia also poses a downward risk to the U.S. economic forecast.

Monetary Policy. Uncertainty surrounding the Federal Reserve's tapering of its quantitative easing both in terms of the actions the Fed will take as well as the impact of those actions themselves given the unprecedented and unconventional nature of the quantitative easing program.

Recent FOMC statements suggest that the Fed will likely begin raising the federal fund's rate in the forecast horizon. However, given the increased latitude the FOMC has provided itself, substantial uncertainty surrounds when the Fed will begin raising the federal funds rate. It remains possible that rate increases will not start until after 2016.

Housing Market. Projected 2016 starts are about 90 percent higher than 2012 housing starts. If the housing market fails to grow as forecasted, the U.S. and Michigan economies would be weaker than expected. Higher than expected mortgage rates could severely curtail housing market growth. However, despite the large projected increases, forecasted 2016 starts total 1.5 million units – significantly below average starts in the ten years prior to the housing bust (1.7 million units). A stronger than forecasted housing market would boost the overall economy.

Great Recession. The Great Recession did serious damage to household balance sheets and psyches, and significantly tightened credit conditions. Recent economic data suggest that the Great Recession's negative impacts are softening in most respects. Nevertheless, substantial uncertainty surrounds the recession's negative impact on consumer and investor sentiment.

2014, 2015 and 2016 Michigan Economic Outlook

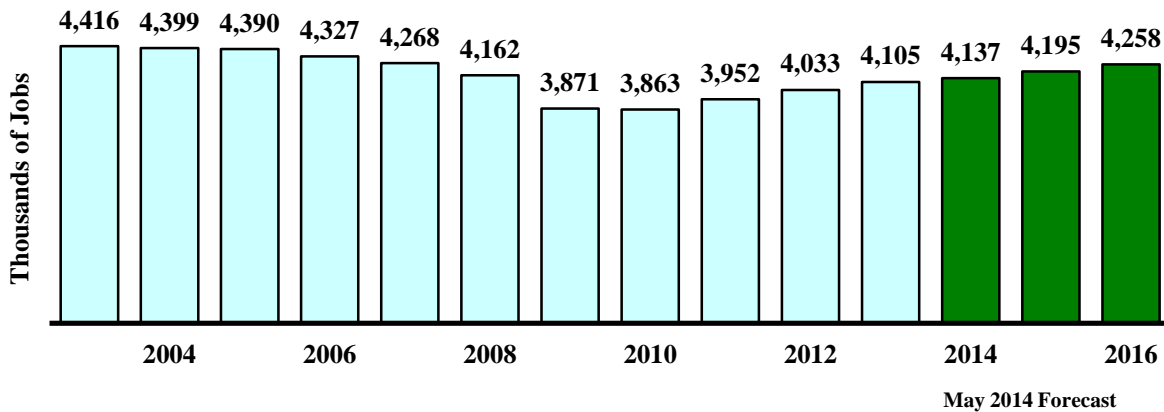
Following ten straight annual declines between 2001 and 2010, inclusive, Michigan employment reported its third straight annual employment increase in 2013. State employment rose 2.3 percent in 2011, increased 2.1 percent in 2012 and was up 1.8 percent in 2013. State employment is forecasted to grow in each of the next three years: 0.8 percent in 2014, 1.4 percent in 2015 and 1.5 percent in 2016. At 4.3 million jobs, the forecasted Michigan employment level in 2016 would represent the State's highest employment level since 2007. However, forecasted 2016 Michigan employment would remain 418,300 jobs (8.9 percent) below the State's peak annual employment set in 2000 (4.7 million jobs).

Private non-manufacturing employment rose by 62,600 jobs in calendar year 2012 and increased 62,700 jobs in 2013. Private non-manufacturing employment is forecast to gain a net 22,800 jobs in 2014, 51,800 jobs in 2015 and 56,900 jobs in 2016.

After increasing a strong 7.6 percent in 2011, Michigan manufacturing employment grew 5.5 percent in 2012. In 2013, manufacturing employment growth slowed further to a 3.3 percent rate. Manufacturing employment growth is forecast to continue to decelerate – slowing to 2.3

percent in 2014, 1.1 percent in 2015 and 1.2 percent in 2016. Between 2013 and 2016, manufacturing employment is projected to rise by 25,600 jobs.

Michigan Wage and Salary Employment Continues to Rise



Source: Michigan Department of Labor and Economic Growth, U.S. Bureau of Labor Statistics, and May 2014 Administration Forecast.

Michigan transportation equipment employment rose 10.3 percent in 2011 and then increased 8.1 percent in 2012 and 6.8 percent in 2013. Transportation equipment employment is forecast to grow each year between 2014 and 2016 with annual increases of 3.4 percent in 2014, 2.2 percent in 2015 and 2.3 percent in 2016. Despite the increases, forecasted 2016 transportation equipment employment of 180,600 jobs is down 47.8 percent from the sector’s CY 2000 employment of 346,100 jobs.

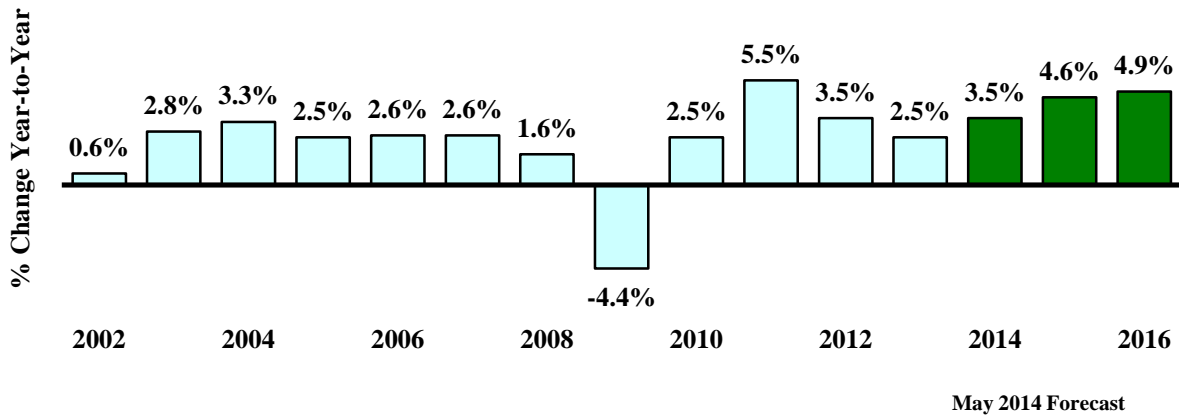
After soaring from 8.3 percent to 13.5 percent in 2009 (highest rate since 1983), Michigan’s unemployment rate declined to 12.7 percent in 2010, 10.4 percent in 2011, 9.1 percent in 2012 and 8.8 percent in 2013. The State’s rate is expected to continue to drop across the forecast horizon to 7.7 percent in 2014, 7.1 percent in 2015 and 6.5 percent in 2016.

After falling 8.3 percent in 2009 (the greatest decline since 1945), Michigan wages and salaries rose 1.6 percent in 2010, increased 5.4 percent in 2011 and rose 4.1 percent in 2012. Wages and salaries grew 3.3 percent in 2013. Wages and salaries are forecast to increase each year with wages and salaries growing 3.1 percent in 2014, 4.0 percent in 2015 and 4.3 percent in 2016.

In 2009, overall Michigan personal income declined 4.4 percent – the first personal income decline since 1958 and Michigan’s largest percent decline since 1945. Personal income rose 2.5 percent in 2010, increased 5.5 percent in 2011 and rose 3.5 percent in 2012. After slowing to 2.5 percent in 2013, State income growth is expected to accelerate to 3.5 percent in 2014, 4.6 percent in 2015 and 4.9 percent in 2016.

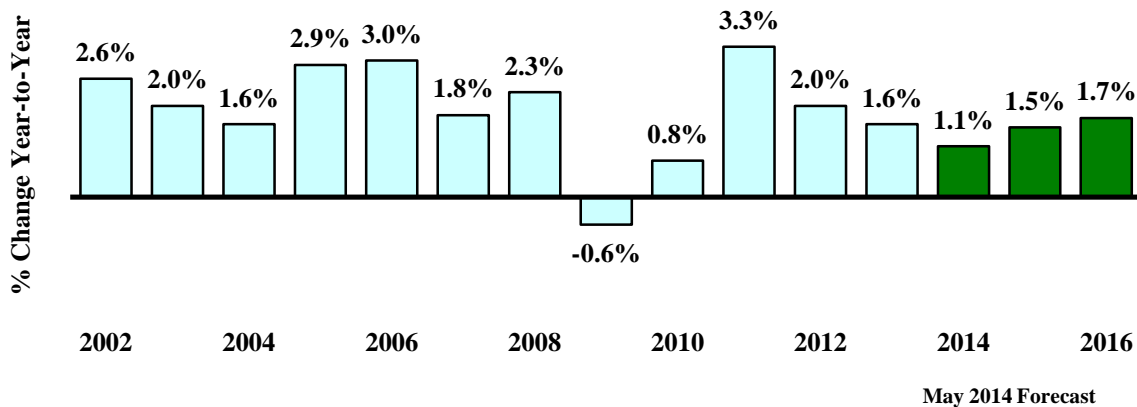
The overall CY price level, as measured by the Detroit CPI, increased 3.3 percent in 2011. Detroit CPI inflation was 2.0 percent in 2012. Detroit price increases remained moderate in 2013 with a 1.6 percent annual increase. The Detroit CPI is forecast to increase 1.1 percent in 2014 and 1.5 percent in 2015. The Detroit CPI is then expected to rise 1.7 percent in 2016.

Michigan Personal Income Reports Solid Growth



Source: Bureau of Economic Analysis, U.S. Department of Commerce, and Administration Forecast, May 2014.

Overall Price Level Rises Moderately Detroit CPI



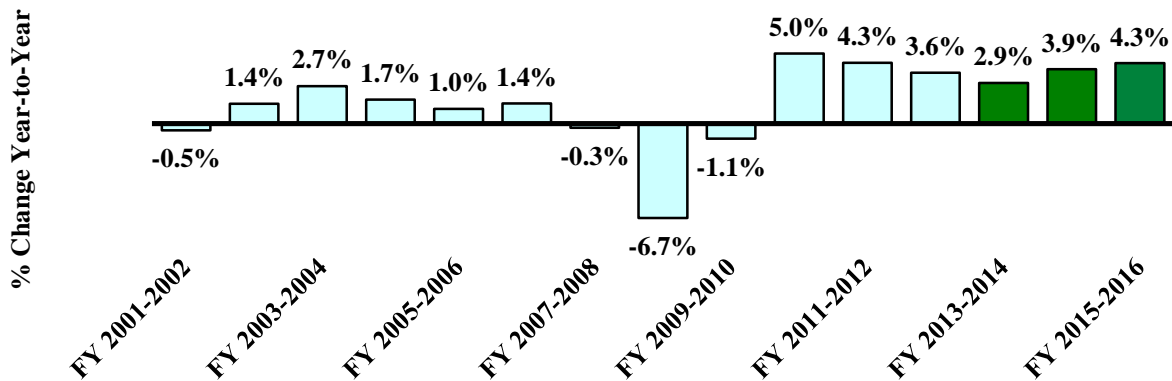
Source: U.S. Bureau of Labor Statistics and Administration Forecast, May 2014.

Fiscal Year Economics

Michigan's largest taxes are the individual income tax (\$8.3 billion in FY 2013), which includes refunds, and sales and use taxes (\$8.4 billion). Income tax withholding is the largest income tax component. Withholding (\$8.0 billion) is most affected by growth in wages and salaries. Michigan wages and salaries rose 4.3 percent in FY 2012 and increased 3.6 percent in 2013. State wages and salaries are forecast to increase 2.9 percent in FY 2014, 3.9 percent in FY 2015 and 4.3 percent in FY 2016.

Sales and use taxes depend primarily on Michigan disposable (after tax) income and inflation. Having risen 3.3 percent in fiscal year 2012, disposable income increased 2.4 percent in FY 2013, and is expected to increase 2.3 percent in FY 2014, 4.0 percent in FY 2015 and 4.4 percent in FY 2016. Prices, as measured by the Detroit CPI, rose 2.4 percent in FY 2012 and increased 1.9 percent in FY 2013. The Detroit CPI is forecast to rise 0.9 percent in FY 2014, increase 1.5 percent in FY 2015 and rise 1.7 percent in FY 2016.

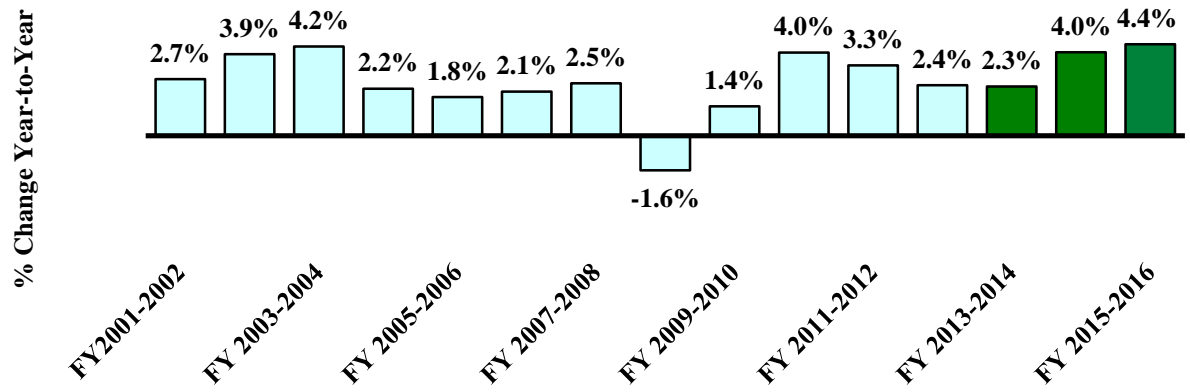
Michigan Wages and Salaries Rise Throughout Forecast Basis for Income Tax Withholding Collections



May 2014 Forecast

Source: Bureau of Economic Analysis, U.S. Department of Commerce, and Administration Forecast, May 2014.

Michigan Disposable Income Increases Basis for Sales and Use Tax Collections



May 2014 Forecast

Source: Research Seminar in Quantitative Economics, University of Michigan, and Administration Forecast, May 2014.

ADMINISTRATION REVENUE ESTIMATES

May 15, 2014

Revenue Estimate Overview

The revenue estimates presented in this section consist of baseline revenues, revenue adjustments, and net revenues. Baseline revenues provide an estimate of the effects of the economy on tax revenues. For these estimates, FY 2013 is the base year. Any non-economic changes to the taxes occurring in FY 2014, FY 2015 and FY 2016 are not included in the baseline estimates. Non-economic changes are referred to in the tables as "tax adjustments". The net revenue estimates are the baseline revenues adjusted for tax adjustments.

This treatment of revenue is best illustrated with an example. Suppose tax revenues are \$10.0 billion in a given year, and that based on the economic forecast, revenues are expected to grow by 5.0 percent per year. Baseline revenue would be \$10.0 billion in Year 1, \$10.5 billion in Year 2, and \$11.0 billion in Year 3. Assume a tax rate cut is in place that would reduce revenues by \$100 million in Year 1, \$200 million in Year 2, and \$300 million in Year 3. If Year 1 is the base year, the revenue adjustments for Year 1 would be \$0 since the tax cut for this year is included in the base. The revenue adjustments for Year 2 would be \$100 million, and the revenue adjustments for Year 3 would be \$200 million, since the revenue adjustments are compared to the base year.

In the example above, the baseline revenues would be \$10.0 billion, \$10.5 billion, and \$11.0 billion, for Years 1 through 3, respectively. The revenue adjustments would be \$0 in Year 1, \$100 million in Year 2, and \$200 million in Year 3. The \$200 million in Year 3 represents the tax cuts since Year 1. Net revenue would be \$10.0 billion in Year 1, \$10.4 billion in Year 2, and \$10.8 billion in Year 3.

The following revenue figures are presented on a Consensus basis. Generally speaking, the Consensus estimates do not include certain one-time budget measures, such as withdrawals from the Budget Stabilization Fund, the sale of buildings, and so on. The figures also do not include constitutional revenue sharing payments to local governments from the sales tax. In addition, the estimates only include enacted legislation and do not include the effects of any proposed changes. The School Aid Fund estimates consist of taxes plus the transfer from the State Lottery Fund.

FY 2014 Revenue Outlook

FY 2014 GF-GP revenue is estimated to be \$9,410.2 million, a 1.6 percent decrease compared to FY 2013. The FY 2014 GF-GP revenue estimate is \$162.3 million below the January 2014 Consensus estimate. SAF revenue is forecast to be \$11,524.7 million; representing a 2.3 percent increase compared to FY 2013. The FY 2014 SAF estimate is \$35.2 million below the January 2014 Consensus estimate (see Table 2).

Table 2
FY 2013-14 Administration Revenue Estimates
(millions)

	Consensus		Administration		Change
	January 10, 2014		May 15, 2014		
	Amount	Growth	Amount	Growth	
General Fund - General Purpose					
Baseline Revenue	\$9,993.8	0.4%	\$9,904.1	-0.5%	
Tax Cut Adjustments	(\$421.2)		(\$493.9)		
Net Resources	\$9,572.5	0.1%	\$9,410.2	-1.6%	(\$162.3)
School Aid Fund					
Baseline Revenue	\$11,576.8	2.6%	\$11,569.7	2.6%	
Tax Cut Adjustments	(\$16.8)		(\$44.9)		
Net Resources	\$11,560.0	2.6%	\$11,524.7	2.3%	(\$35.2)
Combined					
Baseline Revenue	\$21,570.5	1.6%	\$21,473.8	1.1%	
Tax Cut Adjustments	(\$438.1)		(\$538.9)		
Net Resources	\$21,132.5	1.4%	\$20,934.9	0.5%	(\$197.6)

Prepared By: Office of Revenue and Tax Analysis, Michigan Department of Treasury

FY 2015 Revenue Outlook

FY 2015 GF-GP revenue is estimated to be \$9,903.7 million, a 5.2 percent increase compared to FY 2014. The FY 2015 GF-GP revenue estimate is \$142.7 million below the January 2014 Consensus estimate. SAF revenue is forecast to be \$11,875.1 million; representing a 3.0 percent increase compared to FY 2014. The FY 2015 SAF estimate is \$56.7 million below the January 2014 Consensus estimate (see Table 3).

Table 3
FY 2014-15 Administration Revenue Estimates
(millions)

	Consensus		Administration		Change
	January 10, 2014		May 15, 2014		
	<u>Amount</u>	<u>Growth</u>	<u>Amount</u>	<u>Growth</u>	
General Fund - General Purpose					
Baseline Revenue	\$10,485.1	4.9%	\$10,403.6	5.0%	
Tax Cut Adjustments	(\$438.7)		(\$499.9)		
Net Resources	<u>\$10,046.5</u>	<u>5.0%</u>	<u>\$9,903.7</u>	<u>5.2%</u>	(\$142.7)
School Aid Fund					
Baseline Revenue	\$11,936.2	3.1%	\$11,922.7	3.1%	
Tax Cut Adjustments	(\$4.3)		(\$47.6)		
Net Resources	<u>\$11,931.8</u>	<u>3.2%</u>	<u>\$11,875.1</u>	<u>3.0%</u>	(\$56.7)
Combined					
Baseline Revenue	\$22,421.3	3.9%	\$22,326.3	4.0%	
Tax Cut Adjustments	(\$443.0)		(\$547.5)		
Net Resources	<u>\$21,978.3</u>	<u>4.0%</u>	<u>\$21,778.8</u>	<u>4.0%</u>	(\$199.5)

Prepared By: Office of Revenue and Tax Analysis, Michigan Department of Treasury

FY 2016 Revenue Outlook

FY 2016 GF-GP revenue is estimated to be \$10,388.8 million, a 4.9 percent increase compared to FY 2015. The FY 2016 GF-GP revenue estimate is \$146.8 million below the January 2014 Consensus estimate. SAF revenue is forecast to be \$12,284.9 million; representing a 3.5 percent increase compared to FY 2015. The FY 2016 SAF estimate is \$53.3 million below the January 2014 Consensus estimate (see Table 4).

Table 4
FY 2015-16 Administration Revenue Estimates
(millions)

	Consensus		Administration		Change
	January 10, 2014		May 15, 2014		
	Amount	Growth	Amount	Growth	
General Fund - General Purpose					
Baseline Revenue	\$10,980.9	4.7%	\$10,897.1	4.7%	
Tax Cut Adjustments	(\$445.3)		(\$508.3)		
Net Resources	<u>\$10,535.6</u>	4.9%	<u>\$10,388.8</u>	4.9%	<u>(\$146.8)</u>
School Aid Fund					
Baseline Revenue	\$12,337.4	3.4%	\$12,328.7	3.4%	
Tax Cut Adjustments	\$0.8		(\$43.8)		
Net Resources	<u>\$12,338.2</u>	3.4%	<u>\$12,284.9</u>	3.5%	<u>(\$53.3)</u>
Combined					
Baseline Revenue	\$23,318.3	4.0%	\$23,225.8	4.0%	
Tax Cut Adjustments	(\$444.5)		(\$552.2)		
Net Resources	<u>\$22,873.8</u>	4.1%	<u>\$22,673.7</u>	4.1%	<u>(\$200.1)</u>

Prepared By: Office of Revenue and Tax Analysis, Michigan Department of Treasury

Constitutional Revenue Limit

Article IX, Section 26, of the Michigan Constitution establishes a limit on the amount of revenue State government can collect in any given fiscal year. The revenue limit for a given fiscal year is equal to 9.49 percent of the State's personal income for the calendar year prior to the year in which the fiscal year begins. For example, FY 2013 revenue is compared to CY 2011 personal income. If revenues exceed the limit by less than 1 percent, the State may deposit the excess into the Budget Stabilization Fund (BSF). If the revenues exceed the limit by more than 1 percent, the excess revenue is refunded to taxpayers.

FY 2012 revenues were \$5.2 billion below the revenue limit. State revenues will also be well below the limit for FY 2013 through FY 2016. FY 2013 revenues are expected to be \$5.9 billion below the limit, FY 2014 revenues \$7.7 billion below the limit, FY 2015 revenues \$7.7 billion below the limit, and FY 2016 revenues \$7.8 billion below the limit (See Table 5).

Table 5
Administration Revenue Limit Calculation
(millions)

	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
	<u>Final</u>	<u>Admin</u>	<u>Admin</u>	<u>Admin</u>	<u>Admin</u>
	<u>June 2013</u>	<u>May 2014</u>	<u>May 2014</u>	<u>May 2014</u>	<u>May 2014</u>
Revenue Subject to Limit	\$27,288.4	\$28,074.5	\$28,261.9	\$29,266.7	\$30,353.6
<u>Revenue Limit</u>	<u>CY 2010</u>	<u>CY 2011</u>	<u>CY 2012</u>	<u>CY 2013</u>	<u>CY 2014</u>
Personal Income	\$342,663	\$358,152	\$378,443	\$389,418	\$401,835
Ratio	9.49%	9.49%	9.49%	9.49%	9.49%
Revenue Limit	\$32,518.7	\$33,988.6	\$35,914.2	\$36,955.8	\$38,134.1
<u>Amount Under (Over) Limit</u>	\$5,230.4	\$5,914.2	\$7,652.4	\$7,689.1	\$7,780.5

Budget Stabilization Fund Calculation

The Management and Budget Act contains provisions for calculating a recommended deposit or withdrawal from the BSF. The calculation looks at personal income net of transfer payments. The net personal income figure is adjusted for inflation. The change in this figure for the calendar year determines whether a pay-in or pay-out is recommended. If the formula calls for a deposit into the BSF, the deposit is made in the next fiscal year. If the formula calls for a withdrawal, the withdrawal is made during the current fiscal year.

If real personal income grows by more than 2 percent in a given calendar year, the fraction of income growth over 2 percent is multiplied by the current fiscal year's GF-GP revenue to determine the pay-in for the next fiscal year. If real personal income declines, the percentage

deficiency under zero is multiplied by the current fiscal year's GF-GP revenue to determine the withdrawal available for the current fiscal year. If the change in real personal income is between 0 and 2 percent, no pay-in or withdrawal is indicated.

Real calendar year personal income for Michigan is expected to increase 2.2 percent in 2014. Thus, the formula has a pay-in for FY 2015 of \$18.8 million (See Table 6). In 2015, real calendar year personal income for Michigan is forecast to increase 2.6 percent, so the formula calls for a pay-in of \$59.4 million for FY 2016 (See Table 7). In 2016, real calendar year personal income for Michigan is forecast to increase 3.0 percent, so the formula calls for a pay-in of \$103.9 million in FY 2017 (See Table 8).

Table 6
Budget and Economic Stabilization Fund Calculation
Based on CY 2014 Personal Income Growth
Administration Calculation

	<u>CY 2013</u>	<u>CY 2014</u>
Michigan Personal Income	\$388,053 ⁽¹⁾	\$401,635 ⁽¹⁾
less Transfer Payments	<u>\$ 85,163 ⁽¹⁾</u>	<u>\$ 88,863 ⁽¹⁾</u>
Income Net of Transfers	\$ 302,890	\$ 312,772
Detroit CPI	2.182 ⁽²⁾	2.205 ⁽²⁾
for 12 months ending	(June 2013)	(June 2014)
Real Adjusted Michigan Personal Income	\$ 138,813	\$ 141,866
Change in Real Adjusted Personal Income		2.2%
Excess over 2%		0.2%
GF-GP Revenue Fiscal Year 2013-2014		\$ 9,410.2
		<u>FY 2014-2015</u>
BSF Pay-In Calculated for FY 2015		\$ 18.8
		<u>FY 2013-2014</u>
BSF Pay-Out Calculated for FY 2014		NO PAY-OUT

Notes:

⁽¹⁾ Personal Income and Transfer Payments, Administration Forecast, May 2014.

⁽²⁾ Detroit Consumer Price Index, Administration Forecast, May 2014.

Table 7
Budget and Economic Stabilization Fund Calculation
Based on CY 2015 Personal Income Growth
Administration Calculation

	CY 2014	CY 2015
Michigan Personal Income	\$ 401,635 ⁽¹⁾	\$ 420,110 ⁽¹⁾
less Transfer Payments	\$ 88,863 ⁽¹⁾	\$ 94,586 ⁽¹⁾
Income Net of Transfers	\$ 312,772	\$ 325,524
Detroit CPI	2.205 ⁽²⁾	2.236 ⁽²⁾
for 12 months ending	(June 2014)	(June 2015)
Real Adjusted Michigan Personal Income	\$ 141,866	\$ 145,583
Change in Real Adjusted Personal Income		2.6%
Excess over 2%		0.6%
GF-GP Revenue Fiscal Year 2014-2015		\$ 9,903.7
BSF Pay-In Calculated for FY 2016		<u>FY 2015-2016</u> \$ 59.4
BSF Pay-Out Calculated for FY 2015		<u>FY 2014-2015</u> NO PAY-OUT

Notes:

⁽¹⁾ Personal Income and Transfer Payments, Administration Forecast, May 2014.

⁽²⁾ Detroit Consumer Price Index, Administration Forecast, May 2014.

Table 8
Budget and Economic Stabilization Fund Calculation
Based on CY 2016 Personal Income Growth
Administration Calculation

	CY 2015	CY 2016
Michigan Personal Income	\$ 420,110 ⁽¹⁾	\$ 440,696 ⁽¹⁾
less Transfer Payments	<u>\$ 94,586 ⁽¹⁾</u>	<u>\$ 99,987 ⁽¹⁾</u>
Income Net of Transfers	\$ 325,524	\$ 340,709
Detroit CPI	2.205 ⁽²⁾	2.240 ⁽²⁾
for 12 months ending	(June 2015)	(June 2016)
Real Adjusted Michigan Personal Income	\$ 147,651	\$ 152,075
Change in Real Adjusted Personal Income		3.0%
Excess over 2%		1.0%
GF-GP Revenue Fiscal Year 2015-2016		\$ 10,388.8

	<u>FY 2016-2017</u>
BSF Pay-In Calculated for FY 2017	\$ 103.9
	<u>FY 2015-2016</u>
BSF Pay-Out Calculated for FY 2016	NO PAY-OUT

Notes:

⁽¹⁾ Personal Income and Transfer Payments, Administration Forecast, May 2014.

⁽²⁾ Detroit Consumer Price Index, Administration Forecast, May 2014.

School Aid Fund Revenue Adjustment Factor

The School Aid Fund (SAF) revenue adjustment factor for the next fiscal year is calculated by dividing the sum of current year and subsequent year SAF revenue by the sum of current year and prior year SAF revenue. For example, the FY 2014 SAF revenue adjustment factor is calculated by dividing the sum of FY 2013 and FY 2014 SAF revenue by the sum of FY 2012 and FY 2013 SAF revenue. The SAF revenue totals are adjusted for any change in the rate and base of the SAF taxes. The year for which the adjustment factor is being calculated is used as the base year for any tax adjustments. For FY 2015, the SAF revenue adjustment factor is calculated to be 1.0283 (See Table 9). For FY 2016, the SAF revenue adjustment factor is calculated to be 1.0324 (See Table 10).

Table 9
Administration School Aid Revenue Adjustment Factor
For Fiscal Year 2015

	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
Baseline SAF Revenue	\$11,279.6	\$11,569.7	\$11,922.7
Balance Sheet Adjustments	(\$10.0)	(\$44.9)	(\$47.6)
Net SAF Estimates	<u>\$11,269.6</u>	<u>\$11,524.8</u>	<u>\$11,875.1</u>
Subtotal Adjustments to FY 2015 Base	<u>(\$37.6)</u>	<u>(\$2.7)</u>	<u>\$0.0</u>
Baseline Revenue on a FY 2015 Base	\$11,232.0	\$11,522.1	\$11,875.1

School Aid Fund Revenue Adjustment Calculation for FY 2015

Sum of FY 2013 & FY 2014	\$11,232.0	+	\$11,522.1	=	\$22,754.1
Sum of FY 2014 & FY 2015	\$11,522.1	+	\$11,875.1	=	\$23,397.2

FY 2015 Revenue Adjustment Factor	1.0283
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Note: Factor is calculated off a FY 2015 base year.

Table 10
Administration School Aid Revenue Adjustment Factor
For Fiscal Year 2016

	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
Baseline SAF Revenue	\$11,569.7	\$11,922.7	\$12,328.7
Balance Sheet Adjustments	(\$44.9)	(\$47.6)	(\$43.8)
Net SAF Estimates	<u>\$11,524.8</u>	<u>\$11,875.1</u>	<u>\$12,284.9</u>
Subtotal Adjustments to FY 2016 Base	<u>\$1.1</u>	<u>\$3.8</u>	<u>\$0.0</u>
Baseline Revenue on a FY 2016 Base	\$11,525.8	\$11,878.9	\$12,284.9

School Aid Fund Revenue Adjustment Calculation for FY 2016

Sum of FY 2014 & FY 2015	\$11,525.8	+	\$11,878.9	=	\$23,404.7
Sum of FY 2015 & FY 2016	\$11,878.9	+	\$12,284.9	=	\$24,163.8

FY 2016 Revenue Adjustment Factor	1.0324
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Note: Factor is calculated off a FY 2016 base year.

Revenue Detail

The estimated tax and revenue totals include the effects of all enacted tax changes except sales tax savings resulting from reductions in revenue sharing payments to local units. The revenue totals by tax are presented separately for GF-GP and for the SAF (See Tables 11 and 12). Tax totals for the income, sales, use, CIT/MBT, tobacco and casino taxes for all funds are also included (See Table 13).

Table 11
Administration General Fund General Purpose Revenue Detail
(millions)

	FY 2014		FY 2015		FY 2016	
	Amount	Growth	Amount	Growth	Amount	Growth
GF-GP Tax Amounts						
Income Tax	\$5,898.2	-0.6%	\$6,138.7	4.1%	\$6,449.6	5.1%
Sales	\$1,138.1	13.4%	\$1,187.5	4.3%	\$1,239.0	4.3%
Use	\$916.9	9.4%	\$952.4	3.9%	\$992.3	4.2%
Cigarette	\$186.0	-1.0%	\$182.1	-2.1%	\$178.8	-1.8%
Beer & Wine	\$51.0	0.6%	\$52.0	2.0%	\$53.0	1.9%
Liquor Specific	\$45.0	1.4%	\$46.0	2.2%	\$47.0	2.2%
Single Business Tax	(\$20.0)	NA	(\$10.0)	NA	\$0.0	NA
Insurance Co. Premium	\$348.0	15.5%	\$397.0	14.1%	\$410.5	3.4%
CIT/MBT	\$357.9	-49.4%	\$469.0	31.0%	\$524.5	11.8%
Telephone & Telegraph	\$44.5	-4.3%	\$43.5	-2.2%	\$42.5	-2.3%
Oil & Gas Severance	\$64.0	7.6%	\$67.0	4.7%	\$69.5	3.7%
GF-GP Other Taxes	\$18.0	-43.2%	\$19.0	-205.6%	\$21.0	10.5%
Total GF-GP Taxes	\$9,047.6	-1.2%	\$9,544.2	5.5%	\$10,027.8	5.1%
GF-GP Non-Tax Revenue						
Federal Aid	\$20.0	-11.1%	\$20.0	0.0%	\$20.0	0.0%
From Local Agencies	\$1.0	900.0%	\$1.0	0.0%	\$1.0	0.0%
From Services	\$10.0	11.1%	\$10.0	0.0%	\$10.0	0.0%
From Licenses & Permits	\$10.0	108.3%	\$10.0	0.0%	\$10.0	0.0%
Miscellaneous	\$32.0	18.5%	\$32.0	0.0%	\$32.0	0.0%
Driver Responsibility Fees	\$69.0	-13.5%	\$69.0	0.0%	\$69.0	0.0%
Interfund Interest	(\$2.5)	108.3%	(\$4.0)	60.0%	(\$5.0)	25.0%
Liquor Purchase	\$172.0	0.8%	\$175.5	2.0%	\$178.0	1.4%
Charitable Games	\$6.0	33.3%	\$6.0	0.0%	\$6.0	0.0%
Transfer From Escheats	\$45.0	-50.2%	\$40.0	-11.1%	\$40.0	0.0%
Other Non Tax	\$0.0	0.0%	\$0.0	0.0%	\$0.0	0.0%
Total Non Tax	\$362.5	-11.0%	\$359.5	-0.8%	\$361.0	0.4%
Total GF-GP Revenue	\$9,410.2	-1.6%	\$9,903.7	5.2%	\$10,388.8	4.9%

Table 12
Administration School Aid Fund Revenue Detail

	FY 2014		FY 2015		FY 2016	
	Amount	Growth	Amount	Growth	Amount	Growth
School Aid Fund						
Income Tax	\$2,382.4	1.9%	\$2,473.1	3.8%	\$2,576.3	4.2%
Sales Tax	\$5,311.5	2.0%	\$5,497.0	3.5%	\$5,714.6	4.0%
Use Tax	\$458.5	6.0%	\$476.2	3.9%	\$496.1	4.2%
Liquor Excise Tax	\$44.5	1.6%	\$45.5	2.2%	\$46.5	2.2%
Cigarette & Tobacco	\$357.4	-3.9%	\$348.7	-2.4%	\$341.2	-2.2%
State Education Tax	\$1,801.0	1.7%	\$1,855.3	3.0%	\$1,911.8	3.0%
Real Estate Transfer	\$237.4	17.4%	\$249.1	4.9%	\$260.3	4.5%
Industrial Facilities Tax	\$35.0	3.2%	\$36.1	3.1%	\$37.0	2.5%
Casino (45% of 18%)	\$108.0	-2.4%	\$111.0	2.8%	\$111.0	0.0%
Commercial Forest	\$3.1	-6.1%	\$3.1	0.0%	\$3.1	0.0%
Other Spec Taxes	\$21.0	-1.4%	\$21.0	0.0%	\$21.0	0.0%
Subtotal Taxes	\$10,759.7	2.1%	\$11,116.1	3.3%	\$11,518.9	3.6%
Lottery Transfer	\$765.0	4.2%	\$759.0	-0.8%	\$766.0	0.9%
Total SAF Revenue	\$11,524.7	2.3%	\$11,875.1	3.0%	\$12,284.9	3.5%

Table 13
Administration Major Tax Totals

	FY 2014		FY 2015		FY 2016	
	Amount	Growth	Amount	Growth	Amount	Growth
Major Tax Totals (Includes all Funds)						
Income Tax	\$8,281.6	0.1%	\$8,612.8	4.0%	\$9,026.9	4.8%
Sales Tax	\$7,300.0	2.0%	\$7,554.1	3.5%	\$7,852.0	3.9%
Use Tax	\$1,375.4	8.2%	\$1,428.6	3.9%	\$1,488.4	4.2%
CIT/MBT	\$357.9	-82.5%	\$469.0	31.0%	\$524.5	11.8%
Cigarette and Tobacco	\$933.0	-2.5%	\$913.9	-2.0%	\$897.0	-1.8%
Casino Tax	\$108.0	1.6%	\$111.0	2.8%	\$111.0	0.0%