

Consensus Revenue Agreement

Executive Summary

August 17, 2005

Economic and Revenue Forecasts

Fiscal Years 2005 and 2006



Principals

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Table 1
Consensus Economic Forecast

August 2005

	Calendar 2003 Actual	Calendar 2004 Actual	Percent Change from Prior Year	Calendar 2005 Forecast	Percent Change from Prior Year	Calendar 2006 Forecast	Percent Change from Prior Year
United States							
Real Gross Domestic Product (Billions of Chained 2000 Dollars)	\$10,321	\$10,756	4.2%	\$11,143	3.6%	\$11,477	3.0%
Implicit Price Deflator GDP (2000 = 100)	106.3	109.1	2.6%	112.0	2.7%	115.4	3.0%
Consumer Price Index (1982-84 = 100)	184.0	189.0	2.7%	195.0	3.2%	200.9	3.0%
Personal Consumption Deflator (2000 = 100)	105.5	108.2	2.6%	111.1	2.7%	113.9	2.5%
3-month Treasury Bills Interest Rate (percent)	1.0	1.4		3.2		4.3	
Aaa Corporate Bonds Interest Rate (percent)	5.7	5.6		5.6		6.4	
Unemployment Rate - Civilian (percent)	6.0	5.5		5.1		5.1	
Light Vehicle Sales (millions of units)	16.6	16.9	1.3%	17.0	0.8%	16.8	-1.2%
Passenger Car Sales (millions of units)	7.6	7.5	-1.4%	7.7	2.6%	7.6	-1.3%
Light Truck Sales (millions of units)	9.0	9.4	3.7%	9.3	-0.7%	9.2	-1.1%
Import Share of Light Vehicles (percent)	19.9	20.2		20.2		21.4	
Michigan							
Wage and Salary Employment (thousands)	4,410	4,391	-0.4%	4,378	-0.3%	4,400	0.5%
Unemployment Rate (percent)	7.1	7.1		7.2		7.4	
Personal Income (millions of dollars)	\$314,346	\$322,636	2.6%	\$337,477	4.6%	\$355,364	5.3%
Real Personal Income (millions of 1982-84 dollars)	\$172,244	\$173,816	0.9%	\$177,246	2.0%	\$182,051	2.7%
Wages and Salaries (millions of dollars)	\$176,646	\$180,007	1.9%	\$185,407	3.0%	\$193,009	4.1%
Detroit Consumer Price Index (1982-84 = 100)	182.5	185.4	1.6%	190.4	2.7%	195.2	2.5%
Detroit CPI Fiscal Year (1982-84 = 100)	182.0	184.4	1.3%	189.0	2.5%	194.1	2.7%

Table 2
August 2005 Consensus Agreement
(millions)

	Net Revenue Estimates						
	<u>FY 2004</u>	<u>FY 2005</u>			<u>FY 2006</u>		<u>Change From May</u>
	<u>Actual</u>	<u>May 2005 Consensus</u>	<u>Aug 2005 Consensus</u>	<u>Change From May</u>	<u>May 2005 Consensus</u>	<u>Aug 2005 Consensus</u>	
Net GF-GP Revenue	\$8,041.8	\$7,914.7	\$7,994.0	\$79.3	\$8,135.1	\$8,212.9	\$77.8
Growth	1.04%	-2.14%	-0.60%		3.64%	2.74%	
Net SAF Revenue	\$10,615.5	\$10,850.5	\$10,840.3	(\$10.2)	\$11,244.1	\$11,233.1	(\$11.0)
Growth	-0.93%	2.48%	2.12%		3.88%	3.62%	
Combined GF-GP/SAF Revenue	\$18,657.4	\$18,765.2	\$18,834.2	\$69.0	\$19,379.2	\$19,446.0	\$66.8
Growth	-0.09%	0.58%	0.95%		2.89%	3.25%	

Revenue Limit Calculation			
	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>
Personal Income	\$303,745	\$314,460	\$322,636
Ratio	9.49%	9.49%	9.49%
Revenue Limit	\$28,825.4	\$29,842.2	\$30,618.2
Revenue Subject to Limit	\$24,384.7	\$24,652.6	\$25,512.0
<u>Amount Under (Over) Limit</u>	\$4,440.7	\$5,189.6	\$5,106.2

Note: CY 2002 Personal Income is used for the FY 2004 revenue limit calculation, CY 2003 for FY 2005, and CY 2004 for FY 2006.

Budget Stabilization Fund Calculation	Revenue Adjustment Factor
FY 2006 BSF Calculation	<u>FY 2006</u>
\$8.0	Revenue Adjustment Factor
	<u>1.0326</u>
	Pupil Membership Factor
	<u>1.0023</u>
	School Aid Index
	<u>1.0350</u>