

Consensus Revenue Agreement

Executive Summary

May 17, 2006

Economic and Revenue Forecasts

Fiscal Years 2006 and 2007



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 2006

	Calendar 2004 Actual	Calendar 2005 Actual	Percent Change from Prior Year	Calendar 2006 Forecast	Percent Change from Prior Year	Calendar 2007 Forecast	Percent Change from Prior Year
United States							
Real Gross Domestic Product (Billions of Chained 2000 Dollars)	\$10,756	\$11,135	3.5%	\$11,525	3.5%	\$11,848	2.8%
Implicit Price Deflator GDP (2000 = 100)	109.1	112.1	2.8%	115.4	2.9%	118.7	2.9%
Consumer Price Index (1982-84 = 100)	188.9	195.3	3.4%	201.2	3.0%	206.2	2.5%
Personal Consumption Deflator (2000 = 100)	108.2	111.3	2.9%	114.1	2.5%	116.6	2.2%
3-month Treasury Bills Interest Rate (percent)	1.4	3.2		4.8		5.0	
Aaa Corporate Bonds Interest Rate (percent)	5.6	5.2		6.0		6.7	
Unemployment Rate - Civilian (percent)	5.5	5.1		4.7		4.8	
Light Vehicle Sales (millions of units)	16.9	16.9	0.0%	16.7	-1.0%	16.6	-0.6%
Passenger Car Sales (millions of units)	7.5	7.7	2.0%	7.8	1.9%	7.8	0.0%
Light Truck Sales (millions of units)	9.4	9.2	-1.6%	8.9	-3.4%	8.8	-1.1%
Import Share of Light Vehicles (percent)	20.2	20.1		21.4		22.4	
Michigan							
Wage and Salary Employment (thousands)	4,395	4,384	-0.2%	4,345	-0.9%	4,336	-0.2%
Unemployment Rate (percent)	7.0	6.7		6.8		7.0	
Personal Income (millions of dollars)	\$324,134	\$335,164	3.4%	\$348,571	4.0%	\$363,211	4.2%
Real Personal Income (millions of 1982-84 dollars)	\$174,830	\$175,663	0.5%	\$177,029	0.8%	\$180,343	1.9%
Wages and Salaries (millions of dollars)	\$180,252	\$186,722	3.6%	\$190,456	2.0%	\$196,360	3.1%
Detroit Consumer Price Index (1982-84 = 100)	185.4	190.8	2.9%	196.9	3.2%	201.4	2.3%
Detroit CPI Fiscal Year (1982-84 = 100)	184.4	189.0	2.5%	195.6	3.5%	200.1	2.3%

Table 2
May 2006 Consensus Agreement
(millions)

Net Revenue Estimates							
	<u>FY 2005</u>	<u>FY 2006</u>		<u>Change From January</u>	<u>FY 2007</u>		<u>Change From January</u>
	<u>Actual</u>	<u>Jan 2006 Consensus</u>	<u>May 2006 Consensus</u>		<u>Jan 2006 Consensus</u>	<u>May 2006 Consensus</u>	
Net GF-GP Revenue	\$8,308.8	\$8,207.8	\$8,281.7	\$73.9	\$8,377.2	\$8,435.4	\$58.2
Growth	3.36%	-1.10%	-0.33%		2.06%	1.85%	
Net SAF Revenue	\$10,909.9	\$11,230.9	\$11,198.0	(\$32.9)	\$11,591.1	\$11,552.4	(\$38.7)
Growth	2.77%	2.94%	2.64%		3.21%	3.17%	
Combined GF-GP/SAF	\$19,218.7	\$19,438.7	\$19,479.7	\$41.0	\$19,968.3	\$19,987.8	\$19.5
Growth	3.03%	1.15%	1.36%		2.51%	2.61%	

Revenue Limit Calculation			
	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Personal Income	\$314,460	\$324,134	\$335,164
Ratio	9.49%	9.49%	9.49%
Revenue Limit	\$29,842.2	\$30,760.3	\$31,807.1
Revenue Subject to Limit	\$25,626.7	\$26,211.0	\$27,121.1
<u>Amount Under (Over) Limit</u>	\$4,215.5	\$4,549.3	\$4,686.0

Note: CY 2003 Personal Income is used for the FY 2005 revenue limit calculation, CY 2004 for FY 2006, and CY 2005 for FY 2007.

Budget Stabilization Fund Calculation		Revenue Adjustment Factor	
FY 2006 Calculated Withdrawal	\$24.8	Revenue Adjustment Factor	<u>1.0278</u>
		Pupil Membership Factor	<u>1.0041</u>
		School Aid Index	<u>1.0320</u>