

# **Consensus Revenue Agreement**

## **Executive Summary**

**January 10, 2020**

**Economic and Revenue Forecasts**  
**Fiscal Years 2020, 2021 and 2022**



### **Principals**

**Rachael Eubanks**  
**State Treasurer**

**Chris Harkins, Director**  
**Senate Fiscal Agency**

**Mary Ann Cleary, Director**  
**House Fiscal Agency**

### **Staff**

**Eric Bussis**  
**Michigan Department of Treasury**

**David Zin**  
**Senate Fiscal Agency**

**Jim Stansell**  
**House Fiscal Agency**



**Table 1**  
**Consensus Economic Forecast**

January 2020

	Calendar 2018 Actual	Calendar 2019 Forecast	Percent Change from Prior Year	Calendar 2020 Forecast	Percent Change from Prior Year	Calendar 2021 Forecast	Percent Change from Prior Year	Calendar 2022 Forecast	Percent Change from Prior Year
<b>United States</b>									
Real Gross Domestic Product (Billions of Chained 2012 Dollars)	\$18,638	\$19,067	2.3%	\$19,410	1.8%	\$19,740	1.7%	\$20,036	1.5%
Implicit Price Deflator GDP (2012 = 100)	110.4	112.3	1.7%	114.2	1.7%	116.5	2.0%	118.9	2.1%
Consumer Price Index (1982-84 = 100)	251.107	255.488	1.7%	260.125	1.8%	264.972	1.9%	270.189	2.0%
Consumer Price Index - Fiscal Year (1982-84 = 100)	249.749	254.376	1.9%	258.966	1.8%	263.723	1.8%	268.864	1.9%
Personal Consumption Deflator (2012 = 100)	108.2	109.7	1.4%	111.6	1.7%	113.5	1.7%	115.5	1.8%
3-month Treasury Bills Interest Rate (percent)	1.9	2.1		1.5		1.6		1.7	
Unemployment Rate - Civilian (percent)	3.9	3.7		3.5		3.5		3.6	
Wage and Salary Employment (millions)	149.074	151.390	1.6%	153.360	1.3%	154.890	1.0%	156.130	0.8%
Housing Starts (millions of starts)	1.250	1.260	0.8%	1.266	0.5%	1.268	0.2%	1.261	-0.6%
Light Vehicle Sales (millions of units)	17.2	17.0	-1.4%	16.8	-1.0%	16.6	-1.2%	16.4	-1.2%
Passenger Car Sales (millions of units)	5.3	4.7	-10.8%	4.2	-11.2%	3.7	-11.9%	3.3	-10.8%
Light Truck Sales (millions of units)	11.9	12.2	2.8%	12.6	2.9%	12.9	2.4%	13.1	1.6%
Big 3 Share of Light Vehicles (percent)	41.7	41.0		41.6		40.4		40.3	
<b>Michigan</b>									
Wage and Salary Employment (thousands)	4,419	4,441	0.5%	4,467	0.6%	4,490	0.5%	4,503	0.3%
Unemployment Rate (percent)	4.1	4.1		3.8		3.7		3.8	
Personal Income (millions of dollars)	\$484,030	\$502,423	3.8%	\$521,013	3.7%	\$539,248	3.5%	\$557,583	3.4%
Real Personal Income (millions of 1982-84 dollars)	\$208,409	\$213,944	2.7%	\$217,855	1.8%	\$221,695	1.8%	\$225,086	1.5%
Wages and Salaries (millions of dollars)	\$239,478	\$246,423	2.9%	\$256,280	4.0%	\$266,275	3.9%	\$275,860	3.6%
Detroit Consumer Price Index (1982-84 = 100)	232.250	234.838	1.1%	239.156	1.8%	243.239	1.7%	247.720	1.8%
Detroit CPI - Fiscal Year (1982-84 = 100)	231.441	233.840	1.0%	238.194	1.9%	242.181	1.7%	246.583	1.8%

Table 2  
**January 2020 Consensus Forecast**  
(millions)

<b>Net Revenue Estimates</b>								
	<u>FY 2019</u>	<u>FY 2020</u>		<u>Change From Consensus</u>	<u>FY 2021</u>		<u>Change From Consensus</u>	<u>FY 2022</u>
	<u>Preliminary</u>	<u>May 2019 Consensus</u>	<u>Jan 2020 Consensus</u>		<u>May 2019 Consensus</u>	<u>Jan 2020 Consensus</u>		<u>Jan 2020 Consensus</u>
<b>Net GF-GP Revenue</b>	\$11,108.0	\$10,776.9	\$11,012.1	\$235.2	\$10,920.5	\$11,194.5	\$274.0	\$11,518.5
Percent Growth	0.8%	-0.7%	-0.9%		1.3%	1.7%		2.9%
Dollar Growth	\$90.9		(\$95.9)			\$182.4		\$324.0
<b>Net SAF Revenue</b>	\$13,560.0	\$13,839.8	\$13,925.5	\$85.7	\$14,179.5	\$14,317.5	\$138.0	\$14,640.1
Percent Growth	1.9%	2.7%	2.7%		2.5%	2.8%		2.3%
Dollar Growth	\$258.0		\$365.5			\$392.0		\$322.6
<b>Combined GF-GP/SAF</b>	\$24,668.0	\$24,616.7	\$24,937.6	\$320.9	\$25,100.0	\$25,512.0	\$412.0	\$26,158.6
Percent Growth	1.4%	1.2%	1.1%		2.0%	2.3%		2.5%
Dollar Growth	\$348.9		\$269.6			\$574.4		\$646.6

  

<b>Revenue Limit Calculation</b>					<b>Long Term Revenue Trend</b>		
	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>		<u>FY 2023</u>	<u>FY 2024</u>
Personal Income	\$460,270	\$484,030	\$502,423	\$521,013	<b>Net GF-GP Revenue</b>	\$11,907.2	\$12,278.2
Ratio	9.49%	9.49%	9.49%	9.49%	Growth	3.4%	3.1%
Revenue Limit	\$43,679.6	\$45,934.4	\$47,679.9	\$49,444.1	<b>Net SAF Revenue</b>	\$15,038.7	\$15,445.0
Revenue Subject to Limit	\$33,733.3	\$34,387.2	\$35,211.5	\$36,003.6	Growth	2.7%	2.7%
<b>Amount Under (Over) Limit</b>	<b>\$9,946.3</b>	<b>\$11,547.2</b>	<b>\$12,468.4</b>	<b>\$13,440.5</b>	<b>Combined GF-GP/SAF</b>	\$26,945.9	\$27,723.2
					Growth	3.0%	2.9%

Note: CY 2017 Personal Income is used for the FY 2019 revenue limit calculation, CY 2018 for FY 2020, CY 2019 for FY 2021, and CY 2020 for FY 2022.

  

<b>Budget Stabilization Fund Calculation</b>			<b>School Aid Index</b>		
				<u>FY 2021</u>	<u>FY 2022</u>
FY 2020 Calculations		<b>NO PAY-IN OR PAY-OUT</b>	Revenue Adjustment Factor	<b>1.0213</b>	<b>1.0232</b>
FY 2021 Calculations		<b>NO PAY-IN OR PAY-OUT</b>	Pupil Membership Factor	<b>1.0050</b>	<b>1.0046</b>
FY 2022 Calculations		<b>NO PAY-IN OR PAY-OUT</b>	School Aid Index	<b>1.0264</b>	<b>1.0279</b>