

Consensus Revenue Agreement

Executive Summary

May 15, 2020

Economic and Revenue Forecasts
Fiscal Years 2020, 2021 and 2022



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Table 1
Consensus Economic Forecast

May 2020

| | Calendar 2019 Actual | 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 |
|---|----------------------------|---|------------------------------|---|------------------------------|---|------------------------------|---|
| United States | | | | | | | | |
| Real Gross Domestic Product (Billions of Chained 2012 Dollars) | \$19,073 | 2.3% | \$17,967 | -5.8% | \$18,506 | 3.0% | \$19,135 | 3.4% |
| Implicit Price Deflator GDP (2012 = 100) | 112.3 | 1.7% | 112.8 | 0.4% | 114.0 | 1.1% | 116.2 | 1.9% |
| Consumer Price Index (1982-84 = 100) | 255.657 | 1.8% | 255.019 | -0.2% | 258.914 | 1.5% | 264.633 | 2.2% |
| Consumer Price Index - Fiscal Year (1982-84 = 100) | 254.376 | 1.9% | 255.337 | 0.4% | 256.967 | 0.6% | 262.912 | 2.3% |
| Personal Consumption Deflator (2012 = 100) | 109.7 | 1.4% | 110.4 | 0.7% | 111.5 | 1.0% | 113.4 | 1.7% |
| 3-month Treasury Bills Interest Rate (percent) | 2.1 | | 0.4 | | 0.1 | | 0.6 | |
| Unemployment Rate - Civilian (percent) | 3.7 | | 9.0 | | 7.1 | | 6.0 | |
| Wage and Salary Employment (millions) | 150.939 | 1.4% | 143.540 | -4.9% | 148.560 | 3.5% | 153.610 | 3.4% |
| Housing Starts (millions of starts) | 1.290 | 3.2% | 0.980 | -24.0% | 1.110 | 13.3% | 1.240 | 11.7% |
| Light Vehicle Sales (millions of units) | 17.0 | -1.4% | 12.9 | -24.0% | 15.5 | 20.2% | 16.2 | 4.5% |
| Passenger Car Sales (millions of units) | 4.7 | -10.9% | 3.3 | -30.1% | 3.7 | 12.1% | 3.6 | -2.7% |
| Light Truck Sales (millions of units) | 12.2 | 2.8% | 9.6 | -21.6% | 11.8 | 22.9% | 12.6 | 6.8% |
| Big 3 Share of Light Vehicles (percent) | 41.0 | | 43.0 | | 42.4 | | 40.0 | |
| Michigan | | | | | | | | |
| Wage and Salary Employment (thousands) | 4,433 | 0.3% | 3,976 | -10.3% | 4,227 | 6.3% | 4,281 | 1.3% |
| Unemployment Rate (percent) | 4.1 | | 12.7 | | 8.8 | | 7.9 | |
| Personal Income (millions of dollars) | \$502,540 | 3.8% | \$495,002 | -1.5% | \$499,952 | 1.0% | \$524,949 | 5.0% |
| Real Personal Income (millions of 1982-84 dollars) | \$213,604 | 2.5% | \$212,392 | -0.6% | \$213,383 | 0.5% | \$220,412 | 3.3% |
| Wages and Salaries (millions of dollars) | \$246,802 | 2.7% | \$224,343 | -9.1% | \$243,188 | 8.4% | \$258,752 | 6.4% |
| Detroit Consumer Price Index (1982-84 = 100) | 235.267 | 1.3% | 233.061 | -0.9% | 234.297 | 0.5% | 238.167 | 1.7% |
| Detroit CPI - Fiscal Year (1982-84 = 100) | 233.840 | 1.0% | 234.900 | 0.5% | 233.261 | -0.7% | 237.450 | 1.8% |

Table 2
May 2020 Consensus Forecast
(millions)

| Net Revenue Estimates | | | | | | | | | |
|------------------------------|-------------------------------|-------------------------------|--------------------------------------|-------------------------------|-------------------------------|--------------------------------------|-------------------------------|-------------------------------|--------------------------------------|
| | FY 2020 | | | FY 2021 | | | FY 2022 | | |
| | Jan 2020 Consensus | May 2020 Consensus | Change From Consensus | Jan 2020 Consensus | May 2020 Consensus | Change From Consensus | Jan 2020 Consensus | May 2020 Consensus | Change From Consensus |
| Net GF-GP Revenue | \$11,012.1 | \$9,028.2 | (\$1,983.9) | \$11,194.5 | \$9,279.2 | (\$1,915.3) | \$11,518.5 | \$10,149.7 | (\$1,368.8) |
| Percent Growth | -0.7% | -18.8% | | 1.7% | 2.8% | | 2.9% | 9.4% | |
| Dollar Growth | | (\$2,087.6) | | | \$251.0 | | | \$870.5 | |
| Net SAF Revenue | \$13,925.5 | \$12,676.7 | (\$1,248.8) | \$14,317.5 | \$13,180.4 | (\$1,137.1) | \$14,640.1 | \$13,920.4 | (\$719.7) |
| Percent Growth | 2.7% | -6.5% | | 2.8% | 4.0% | | 2.3% | 5.6% | |
| Dollar Growth | | (\$875.7) | | | \$503.7 | | | \$740.0 | |
| Combined GF-GP/SAF | \$24,937.6 | \$21,704.9 | (\$3,232.7) | \$25,512.0 | \$22,459.6 | (\$3,052.4) | \$26,158.6 | \$24,070.1 | (\$2,088.5) |
| Percent Growth | 1.2% | -12.0% | | 2.3% | 3.5% | | 2.5% | 7.2% | |
| Dollar Growth | | (\$2,963.3) | | | \$754.7 | | | \$1,610.5 | |

| Revenue Limit Calculation | | | | |
|----------------------------------|------------------|-------------------|-------------------|-------------------|
| | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
| Personal Income | \$460,270 | \$484,030 | \$502,423 | \$495,002 |
| Ratio | 9.49% | 9.49% | 9.49% | 9.49% |
| Revenue Limit | \$43,679.6 | \$45,934.4 | \$47,679.9 | \$46,975.7 |
| Revenue Subject to Limit | \$33,779.4 | \$31,212.2 | \$32,217.1 | \$34,102.4 |
| Amount Under (Over) Limit | \$9,900.2 | \$14,722.3 | \$15,462.8 | \$12,873.3 |

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.

| Long Term Revenue Trend | | |
|--------------------------------|----------------|----------------|
| | FY 2023 | FY 2024 |
| Net GF-GP Revenue | \$10,171.0 | \$10,377.1 |
| Growth | 0.2% | 2.0% |
| Net SAF Revenue | \$14,286.2 | \$14,675.0 |
| Growth | 2.6% | 2.7% |
| Combined GF-GP/SAF | \$24,457.2 | \$25,052.1 |
| Growth | 1.6% | 2.4% |

| Budget Stabilization Fund Calculation | | |
|--|-----------------------------|------------------|
| FY 2020 Calculations | PAY-OUT | (\$287.2) |
| FY 2021 Calculations | NO PAY-IN OR PAY-OUT | |
| FY 2022 Calculations | PAY-IN | \$286.7 |

| School Aid Index | | |
|---------------------------|----------------|----------------|
| | FY 2021 | FY 2022 |
| Revenue Adjustment Factor | 0.9755 | 1.0406 |
| Pupil Membership Factor | 1.0055 | 1.0052 |
| School Aid Index | 0.9809 | 1.0460 |