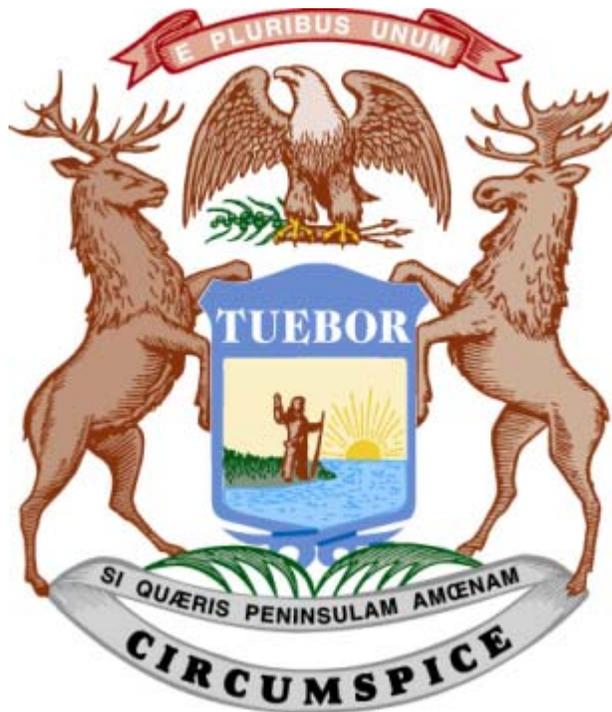


# **Consensus Revenue Agreement**

## **Executive Summary**

**May 16, 2012**

**Economic and Revenue Forecasts**  
**Fiscal Years 2012, 2013 and 2014**



### **Principals**

**Ellen Jeffries, Director**  
**Senate Fiscal Agency**

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

**Andy Dillon, State Treasurer**  
**Michigan Department of Treasury**

### **Staff**

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

**Rebecca Ross**  
**House Fiscal Agency**

**Jay Wortley**  
**Michigan Department of Treasury**

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

May 2012

	Calendar 2011 Actual	Percent Change from Prior Year	Calendar 2012 Forecast	Percent Change from Prior Year	Calendar 2013 Forecast	Percent Change from Prior Year	Calendar 2014 Forecast	Percent Change from Prior Year
<b>United States</b>								
Real Gross Domestic Product (Billions of Chained 2005 Dollars)	13,315	1.7%	\$13,608	2.2%	\$13,948	2.5%	\$14,352	2.9%
Implicit Price Deflator GDP (2005 = 100)	113.3	2.1%	115.1	1.6%	117.3	1.9%	119.5	1.9%
Consumer Price Index (1982-84 = 100)	224.939	3.2%	230.039	2.3%	234.589	2.0%	239.573	2.1%
Consumer Price Index - Fiscal Year (1982-84 = 100)	223.137	2.7%	228.732	2.5%	233.370	2.0%	238.194	2.1%
Personal Consumption Deflator (2005 = 100)	113.9	2.5%	116.1	1.9%	118.0	1.6%	120.0	1.7%
3-month Treasury Bills Interest Rate (percent)	0.1		0.1		0.2		0.2	
Aaa Corporate Bonds Interest Rate (percent)	4.6		4.0		4.1		4.3	
Unemployment Rate - Civilian (percent)	8.9		8.1		7.7		7.4	
Wage and Salary Employment (millions)	131.359	1.1%	133.460	1.6%	135.460	1.5%	137.760	1.7%
Housing Starts (millions of starts)	0.611	4.1%	0.740	21.1%	0.952	28.6%	1.190	25.0%
Light Vehicle Sales (millions of units)	12.7	9.5%	14.4	13.4%	15.1	4.9%	15.6	3.3%
Passenger Car Sales (millions of units)	6.2	8.8%	7.4	19.4%	7.5	1.4%	7.7	2.7%
Light Truck Sales (millions of units)	6.5	12.1%	7.0	7.7%	7.6	8.6%	7.9	3.9%
Big 3 Share of Light Vehicles (percent)	46.2		45.0		44.9		44.7	
<b>Michigan</b>								
Wage and Salary Employment (thousands)	3,936	1.9%	3,999	1.6%	4,043	1.1%	4,091	1.2%
Unemployment Rate (percent)	10.3		8.5		8.0		7.6	
Personal Income (millions of dollars)	\$360,806	5.2%	\$371,630	3.0%	\$381,293	2.6%	\$397,307	4.2%
Real Personal Income (millions of 1982-84 dollars)	\$170,384	1.9%	\$171,080	0.4%	\$172,239	0.7%	\$175,750	2.0%
Wages and Salaries (millions of dollars)	\$182,600	5.2%	\$189,539	3.8%	\$196,552	3.7%	\$203,431	3.5%
Detroit Consumer Price Index (1982-84 = 100)	211.760	3.3%	217.226	2.6%	221.374	1.9%	226.064	2.1%

Table 2  
**May 2012 Consensus Forecast**  
(millions)

<b>Net Revenue Estimates</b>									
	<u>FY 2012</u>			<u>FY 2013</u>			<u>FY 2014</u>		
	<u>Jan 2012 Consensus</u>	<u>May 2012 Consensus</u>	<u>Change From Jan</u>	<u>Jan 2012 Consensus</u>	<u>May 2012 Consensus</u>	<u>Change From Jan</u>	<u>Jan 2012 Consensus</u>	<u>May 2012 Consensus</u>	<u>Change From Jan</u>
<b>Net GF-GP Revenue</b>	\$9,030.5	\$9,064.4	\$33.9	\$9,034.6	\$8,969.9	(\$64.7)	\$9,236.0	\$9,259.0	\$23.0
Growth	2.5%	2.9%		0.0%	-1.0%		2.2%	3.2%	
<b>Net SAF Revenue</b>	\$10,763.6	\$10,876.1	\$112.5	\$11,055.0	\$11,169.5	\$114.5	\$11,359.5	\$11,471.4	\$111.9
Growth	-4.3%	-3.3%		2.7%	2.7%		2.8%	2.7%	
<b>Combined GF-GP/SAF</b>	\$19,794.1	\$19,940.5	\$146.4	\$20,089.6	\$20,139.3	\$49.7	\$20,595.5	\$20,730.4	\$134.9
Growth	-1.3%	-0.6%		1.5%	1.0%		2.5%	2.9%	

<b>Revenue Limit Calculation</b>					<b>Long Term Revenue Trend</b>		
	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>		<u>FY 2015</u>	<u>FY 2016</u>
Personal Income	\$342,302	\$342,663	\$360,482	\$371,630	<b>Net GF-GP Revenue</b> Growth	\$9,546.5	\$9,944.7
Ratio	9.49%	9.49%	9.49%	9.49%		3.1%	4.2%
Revenue Limit	\$32,484.5	\$32,518.7	\$34,209.7	\$35,267.7	<b>Net SAF Revenue</b> Growth	\$11,770.9	\$12,089.3
Revenue Subject to Limit	\$26,333.5	\$26,512.3	\$26,908.5	\$27,727.4		2.6%	2.7%
<b>Amount Under (Over) Limit</b>	<b>\$6,151.0</b>	<b>\$6,006.4</b>	<b>\$7,301.2</b>	<b>\$7,540.3</b>	<b>Combined GF-GP/SAF</b> Growth	\$21,317.4	\$22,034.0
					2.8%	3.4%	

Note: CY 2009 Personal Income is used for the FY 2011 revenue limit calculation, CY 2010 for FY 2012, CY 2011 for FY 2013, and CY 2012 for FY 2014.

<b>Budget Stabilization Fund Calculation</b>			<b>School Aid Index</b>		
				<u>FY 2013</u>	<u>FY 2014</u>
FY 2012 Calculations		<b>NO PAY-IN OR PAY-OUT</b>	Revenue Adjustment Factor	<b>1.0288</b>	<b>1.0258</b>
FY 2013 Calculations		<b>NO PAY-IN OR PAY-OUT</b>	Pupil Membership Factor	<b>1.0069</b>	<b>0.9990</b>
FY 2014 Calculations		<b>NO PAY-IN OR PAY-OUT</b>	School Aid Index	<b>1.0359</b>	<b>1.0248</b>