

Consensus Revenue Agreement Executive Summary January 13, 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

January 2012

	Calendar 2010 Actual	Percent Change from Prior Year	Calendar 2011 Forecast	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
United States										
Real Gross Domestic Product (Billions of Chained 2005 Dollars)	\$13,088	3.0%	\$13,310	1.7%	\$13,576	2.0%	\$13,875	2.2%	\$14,250	2.7%
Implicit Price Deflator GDP (2005 = 100)	110.7	1.1%	113.1	2.2%	115.0	1.7%	117.0	1.7%	118.9	1.6%
Consumer Price Index (1982-84 = 100)	218.1	1.6%	225.0	3.2%	230.0	2.2%	234.4	1.9%	238.9	1.9%
Consumer Price Index - Fiscal Year (1982-84 = 100)	217.4	1.7%	223.1	2.7%	228.9	2.6%	233.2	1.9%	237.6	1.9%
Personal Consumption Deflator (2005 = 100)	111.1	1.8%	113.9	2.5%	115.6	1.5%	117.3	1.5%	119.1	1.5%
3-month Treasury Bills Interest Rate (percent)	0.1		0.1		0.1		0.2		0.6	
Aaa Corporate Bonds Interest Rate (percent)	4.9		4.7		4.0		4.2		4.4	
Unemployment Rate - Civilian (percent)	9.6		9.0		9.1		8.9		8.4	
Wage and Salary Employment (millions)	129.818	-0.8%	131.159	1.0%	132.340	0.9%	133.530	0.9%	135.400	1.4%
Housing Starts (millions of starts)	0.585	5.6%	0.597	2.0%	0.700	17.3%	0.873	24.7%	1.036	18.7%
Light Vehicle Sales (millions of units)	11.6	11.5%	12.7	9.5%	13.7	7.9%	14.5	5.8%	15.1	4.1%
Passenger Car Sales (millions of units)	5.7	3.6%	6.2	8.8%	6.7	8.1%	7.1	6.0%	7.4	4.2%
Light Truck Sales (millions of units)	5.8	18.4%	6.5	12.1%	7.0	7.7%	7.4	5.7%	7.7	4.1%
Big 3 Share of Light Vehicles (percent)	44.2		46.2		45.3		45.3		45.3	
Michigan										
Wage and Salary Employment (thousands)	3,861	-0.3%	3,927	1.7%	3,954	0.7%	3,986	0.8%	4,034	1.2%
Unemployment Rate (percent)	12.5		10.7		10.4		10.2		9.8	
Personal Income (millions of dollars)	\$342,663	3.3%	\$361,510	5.5%	\$372,355	3.0%	\$382,781	2.8%	\$400,389	4.6%
Real Personal Income (millions of 1982-84 dollars)	\$167,083	-0.7%	\$170,443	2.0%	\$171,592	0.7%	\$173,282	1.0%	\$178,030	2.7%
Wages and Salaries (millions of dollars)	\$173,642	1.7%	\$183,019	5.4%	\$188,692	3.1%	\$195,297	3.5%	\$202,913	3.9%
Detroit Consumer Price Index (1982-84 = 100)	205.1	0.8%	212.1	3.4%	217.0	2.3%	220.9	1.8%	224.9	1.8%

Table 2
January 2012 Consensus Forecast
(millions)

Net Revenue Estimates								
	FY 2011	FY 2012			FY 2013		FY 2014	
	Prelim Actual	Adjusted May 2011 Consensus	Jan 2012 Consensus	Change From May	Adjusted May 2011 Consensus	Jan 2012 Consensus	Change From May	Jan 2012 Consensus
Net GF-GP Revenue	\$8,813.0	\$8,752.5	\$9,030.5	\$278.0	\$8,908.1	\$9,034.6	\$126.5	\$9,236.0
Growth	14.8%	0.8%	2.5%		1.8%	0.0%		2.2%
Net SAF Revenue	\$11,248.2	\$10,635.1	\$10,763.6	\$128.5	\$10,965.2	\$11,055.0	\$89.8	\$11,359.5
Growth	4.0%	-4.5%	-4.3%		3.1%	2.7%		2.8%
Combined GF-GP/SAF	\$20,061.2	\$19,387.6	\$19,794.1	\$406.5	\$19,873.3	\$20,089.6	\$216.3	\$20,595.5
Growth	8.5%	-2.2%	-1.3%		2.5%	1.5%		2.5%

Revenue Limit Calculation					Long Term Revenue Trend		
	FY 2011	FY 2012	FY 2013	FY 2014		FY 2015	FY 2016
Personal Income	\$342,302	\$342,663	\$362,538	\$373,776	Net GF-GP Revenue	\$9,527.8	\$9,925.5
Ratio	9.49%	9.49%	9.49%	9.49%		Growth	3.2%
Revenue Limit	\$32,484.5	\$32,518.7	\$34,404.9	\$35,471.3	Net SAF Revenue	\$11,658.8	\$11,977.2
Revenue Subject to Limit	\$26,333.5	\$26,354.8	\$26,842.1	\$27,581.6		Growth	2.6%
Amount Under (Over) Limit	\$6,151.0	\$6,164.0	\$7,562.8	\$7,889.8	Combined GF-GP/SAF	\$21,186.6	\$21,902.7
					Growth	2.9%	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.

Budget Stabilization Fund Calculation			School Aid Index	
			FY 2013	FY 2014
FY 2012 Calculations - Pay-Out		(\$27.1)	1.0239	1.0266
FY 2013 Calculations	NO PAY-IN OR PAY-OUT		1.0064	1.0045
FY 2014 Calculations	NO PAY-IN OR PAY-OUT		1.0305	1.0312
	Revenue Adjustment Factor			
	Pupil Membership Factor			
	School Aid Index			