

MEMORANDUM



**DATE:** January 17, 2012  
**TO:** Members of the Michigan House of Representatives  
**FROM:** Mary Ann Cleary, Director *MAC*  
**RE:** Consensus Revenue Agreement – January 13, 2012

Pursuant to the Management and Budget Act Sections 367(a) through 367(f), the Consensus Revenue Estimating Conference establishes an official economic forecast of major variables of the national and state economies and establishes a forecast of anticipated state General Fund/General Purpose (GF/GP) and School Aid Fund (SAF) revenue.

The conference principals at the January 2012 meeting were the Director of the House Fiscal Agency, the Director of the Senate Fiscal Agency, and the State Treasurer. The Director of the House Fiscal Agency is the 2012 Conference Chairperson.

The attached tables provide a summation of the agreements reached at the January 2012 conference. The consensus estimates will be revised or updated at the May 2012 conference.

**Table 1: Consensus Economic Forecast**

Provides estimates of various state and national economic variables. The forecast indicates that real gross domestic product (GDP) will increase 2.0% in calendar year (CY) 2012, increase by 2.2% in CY 2013, and increase by 2.7% in CY 2014. Michigan personal income is forecast to increase 3.0% in CY 2012, increase by 2.8% in CY 2013, and increase by 4.6% in CY 2014.

**Table 2: Consensus Estimates of GF/GP and SAF**

Provides revenue estimates for FY 2010-11 (preliminary final), FY 2011-12 and FY 2012-13 (revised), and FY 2013-14 (initial). Net GF/GP and SAF revenue is estimated to decrease \$266.9 million or -1.3% in FY 2011-12, increase \$295.3 million or 1.5% in FY 2012-13, and increase \$505.9 million or 2.5% in FY 2013-14.

**Table 3: Consensus Estimate—Budget and Economic Stabilization Fund (BSF) Calculation**

A pay-out of \$27.1 million is estimated for FY 2011-12, and no pay-in or withdrawal is expected for FY 2012-13. Pay-ins and withdrawals from the BSF are based on growth in real adjusted personal income (Management and Budget Act, 1984 PA 431, Section 352).

**Table 4: Consensus Estimate—Constitutional Revenue Limit Calculation**

Reports calculations of the amounts that revenue exceed or do not exceed the constitutional state revenue limit established in Article IX, Section 26 of the Constitution of the State of Michigan. Total state revenue subject to the limit is estimated to be \$6.15 billion below the limit in FY 2010-11, \$6.16 billion below in FY 2011-12, \$7.56 billion below in FY 2012-13, and \$7.89 billion below the limit in FY 2013-14.

**Table 5 and Table 6:**

**Consensus Estimate—School Aid Revenue Adjustment Factor  
and Pupil Membership Adjustment Factor**

Reports consensus estimates of revenue adjustment factor and pupil membership for FY 2012-13 and FY 2013-14. The revenue adjustment factor is multiplied by the pupil membership adjustment factor to determine the increase or decrease in the per pupil foundation allowance, which is 1.0305 or an increase of 3.05% in FY 2012-13 and 1.0312 or an increase of 3.12% in FY 2013-14.

If you have any questions regarding this information, please do not hesitate to call.

Attachments

**Table 1  
Consensus Economic Forecast  
January 2012**

	<u>Calendar 2010 Actual</u>	<u>% Change from Prior Year</u>	<u>Calendar 2011 Forecast</u>	<u>% Change from Prior Year</u>	<u>Calendar 2012 Forecast</u>	<u>% Change from Prior Year</u>	<u>Calendar 2013 Forecast</u>	<u>% Change from Prior Year</u>	<u>Calendar 2014 Forecast</u>	<u>% Change from Prior Year</u>
<b><u>United States</u></b>										
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)	129.8	-0.8%	131.2	1.0%	132.3	0.9%	133.5	0.9%	135.4	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%	
<b><u>Michigan</u></b>										
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%

NOTE: Percentages may not calculate exactly due to rounding.

**House Fiscal Agency**  
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**Table 2**  
**January 2012: Revenue Comparison and Consensus Estimates of GF/GP and SAF**  
**(Millions of Dollars)**

	FY 2010-11 Preliminary Final	% Change From FY 2009-10	FY 2011-12			FY 2012-13			FY 2013-14		
			January 2012 Consensus	Change From FY 2010-11		January 2012 Consensus	Change From FY 2011-12		January 2012 Consensus	Change From FY 2012-13	
<b>General Fund/General Purpose</b>											
Baseline	\$7,660.2	12.2%	\$8,087.5	\$427.3	5.6%	\$8,429.8	\$342.3	4.2%	\$8,732.9	\$303.1	3.6%
Tax Adjustments	\$1,152.8		\$943.0	(\$209.8)	-18.2%	\$604.8	(\$338.2)	-35.9%	\$503.1	(\$101.7)	-16.8%
<b>Net GF/GP Revenue</b>	<b>\$8,813.0</b>	<b>14.8%</b>	<b>\$9,030.5</b>	<b>\$217.5</b>	<b>2.5%</b>	<b>\$9,034.6</b>	<b>\$4.1</b>	<b>0.0%</b>	<b>\$9,236.0</b>	<b>\$201.4</b>	<b>2.2%</b>
<b>School Aid Fund Revenue</b>											
Baseline	\$11,260.5	4.1%	\$11,492.9	\$232.4	2.1%	\$11,769.8	\$276.9	2.4%	\$12,074.0	\$304.2	2.6%
Tax Adjustments	(\$12.3)		(\$729.1)	(\$716.8)	5,827.6%	(\$714.8)	\$14.3	-2.0%	(\$714.5)	\$0.3	0.0%
<b>Net SAF Revenue</b>	<b>\$11,248.2</b>	<b>4.0%</b>	<b>\$10,763.8</b>	<b>(\$484.4)</b>	<b>-4.3%</b>	<b>\$11,055.0</b>	<b>\$291.2</b>	<b>2.7%</b>	<b>\$11,359.5</b>	<b>\$304.5</b>	<b>2.8%</b>
<b>Total GF/GP and SAF</b>											
Baseline	\$18,920.7	7.1%	\$19,580.4	\$659.7	3.5%	\$20,199.6	\$619.2	3.2%	\$20,806.9	\$607.3	3.0%
Tax Adjustments	\$1,140.5		\$213.9	(\$926.6)	-81.2%	(\$110.0)	(\$323.9)	-151.4%	(\$211.4)	(\$101.4)	92.2%
<b>Net GF/GP and SAF</b>	<b>\$20,061.2</b>	<b>8.4%</b>	<b>\$19,794.3</b>	<b>(\$266.9)</b>	<b>-1.3%</b>	<b>\$20,089.6</b>	<b>\$295.3</b>	<b>1.5%</b>	<b>\$20,595.5</b>	<b>\$505.9</b>	<b>2.5%</b>

Numbers may not calculate exactly due to rounding.

**House Fiscal Agency**  
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**Table 3**  
**January 2012: Consensus Estimate for Budget and Economic Stabilization Fund Calculation**  
**(Millions of Dollars)**

	Pay-In/Transfer for FY 2011-12		Pay-In/Transfer for FY 2012-13		Pay-In/Transfer for FY 2013-14	
	CY 2011	CY 2012	CY 2012	CY 2013	CY 2013	CY 2014
Michigan Personal Income	\$361,510 <sup>(1)</sup>	\$372,355 <sup>(2)</sup>	\$372,355 <sup>(2)</sup>	\$382,781 <sup>(2)</sup>	\$382,781 <sup>(2)</sup>	\$400,389 <sup>(2)</sup>
Less Transfer Payments	\$82,724 <sup>(1)</sup>	\$84,544 <sup>(2)</sup>	\$84,544 <sup>(2)</sup>	\$87,080 <sup>(2)</sup>	\$87,080 <sup>(2)</sup>	\$91,957 <sup>(2)</sup>
Income Net of Transfers	\$278,786	\$287,811	\$287,811	\$295,701	\$295,701	\$308,432
Detroit CPI for 12 months ending	2.080 <sup>(3)</sup> (June 2011)	2.153 <sup>(4)</sup> (June 2012)	2.153 <sup>(4)</sup> (June 2012)	2.192 <sup>(4)</sup> (June 2013)	2.192 <sup>(4)</sup> (June 2013)	2.231 <sup>(4)</sup> (June 2014)
Real Adjusted Michigan Personal Income	\$134,032	\$133,692	\$133,692	\$134,928	\$134,928	\$138,249
Change in Real Adjusted Personal Income		-0.3%		0.9%		2.5%
Amount Under 0%		-0.3%		N/A		N/A
Excess Over 2%		N/A		N/A		0.5%
GF-GP Revenue	FY 2011-12	\$9,030.5	FY 2012-13	\$9,034.6	FY 2013-14	\$9,236.0
<b>BSF (PAY-OUT) PAY-IN CALCULATED<sup>(5)</sup></b>	<b>FY 2011-12</b>	<b>(\$27.1)</b>	<b>FY 2012-13</b>	No Pay-In or Pay-Out	<b>FY 2013-14<sup>(6)</sup></b>	No Pay-In or Pay-Out

Notes:

1. Personal Income and Transfer Payments: BEA October 2011.
2. Personal Income and Transfer Payments: Consensus Forecast, January 2012.
3. Detroit Consumer Price Index, Average of 6 monthly values reported by BLS for each 12 month period.
4. Detroit Consumer Price Index: Consensus Forecast, January 2012.
5. Calculation done per MCL 18.1352
6. Estimated FY 2014-15 pay-in of \$46.2 million.

**Table 4**  
**January 2012 Consensus Estimate**  
**Constitutional Revenue Limit Calculation**  
(Millions of Dollars)

	<b>FY 2009-10 Actual</b>	<b>FY 2010-11 Consensus January 2012</b>	<b>FY 2011-12 Consensus January 2012</b>	<b>FY 2012-13 Consensus January 2012</b>	<b>FY 2013-14 Consensus January 2012</b>
<b>Revenue Subject to Limit</b>					
Consensus					
General Fund General Purpose	\$6,764.4	\$8,795.7	\$9,010.4	\$9,014.6	\$9,215.9
General Fund Revenue Sharing	\$1,519.3	\$664.7	\$697.5	\$711.1	\$730.6
School Aid Fund	\$10,816.9	\$11,248.3	\$10,763.7	\$11,055.0	\$11,359.6
Transportation	\$1,999.7	\$2,028.9	\$2,107.4	\$2,096.8	\$2,112.7
Other Restricted Revenue	\$4,472.3	\$3,595.9	\$3,775.7	\$3,964.5	\$4,162.7
<b>Total Revenue Subject to Limit</b>	<b>\$25,572.6</b>	<b>\$26,333.5</b>	<b>\$26,354.7</b>	<b>\$26,842.1</b>	<b>\$27,581.6</b>
<b>Revenue Limit</b>					
	<b><u>CY 2008</u></b>	<b><u>CY 2009</u></b>	<b><u>CY 2010</u></b>	<b><u>CY 2011</u></b>	<b><u>CY 2012</u></b>
Personal Income	\$349,612	\$342,302	\$342,663	\$362,538	\$373,776
Ratio	9.49%	9.49%	9.49%	9.49%	9.49%
<b>Revenue Limit</b>	<b>\$33,178.2</b>	<b>\$32,484.5</b>	<b>\$32,518.7</b>	<b>\$34,404.9</b>	<b>\$35,471.3</b>
1 Percent of Limit	\$331.8	\$324.8	\$325.2	\$344.0	\$354.7
<b>Amount Under (Over) Limit</b>	<b>\$7,605.6</b>	<b>\$6,151.0</b>	<b>\$6,164.0</b>	<b>\$7,562.8</b>	<b>\$7,889.8</b>

Numbers may not calculate exactly due to rounding.

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**Table 5**  
**January 2012 Consensus Estimate**  
**Revenue Adjustment Factor and Pupil Membership Adjustment Factor**  
**for FY 2012-13**

<b><u>Revenue Adjustment Factor (Millions of \$)</u></b>			
	<b><u>FY 2010-11</u></b>	<b><u>FY 2011-12</u></b>	<b><u>FY 2012-13</u></b>
Baseline SAF Revenue	\$11,260.6	\$11,492.8	\$11,769.8
Balance Sheet Adjustments	(\$12.3)	(\$729.1)	(\$714.8)
Net SAF Estimate	\$11,248.3	\$10,763.7	\$11,055.0
Subtotal Adjustments to FY 2011-12 Base	(\$702.5)	\$14.3	\$0.0
Baseline Revenue on an FY 2011-12 Base	\$10,545.8	\$10,778.0	\$11,055.0
Percent Change		2.20%	2.57%
SAF Revenue Adjustment Calculation for FY 2012-13:			
Sum of FY 2010-11 and FY 2011-12	\$10,545.8 +	\$10,778.0 =	\$21,323.8
Sum of FY 2011-12 and FY 2012-13	\$10,778.0 +	\$11,055.0 =	\$21,833.0
<b>FY 2012-13 Revenue Adjustment Factor</b>			<b>1.0239</b>
	<b><u>May 2011 Consensus Estimate</u></b>	<b><u>January 2012 Consensus Estimate</u></b>	<b><u>Change</u></b>
<b><u>Pupil Membership Adjustment Factor</u></b>			
<b>FY 2011-12</b>			
Local Districts	1,433,800	1,432,900	(900)
Public School Academies	118,500	119,900	1,400
<b>Total</b>	<b>1,552,300</b>	<b>1,552,800</b>	<b>500</b>
<b>FY 2012-13</b>			
Local Districts	1,414,000	1,414,900	900
Public School Academies	123,000	128,000	5,000
<b>Total</b>	<b>1,537,000</b>	<b>1,542,900</b>	<b>5,900</b>
Consensus Estimate of Pupil Membership	<b><u>FY 2011-12</u></b> 1,552,800	<b><u>FY 2012-13</u></b> 1,542,900	
Pupil Membership Adjustment Factor for FY 2012-13:			
<u>FY 2011-12 Pupil Membership</u>	=	<u>1,552,800</u>	
<u>FY 2012-13 Pupil Membership</u>	=	<u>1,542,900</u>	
<b>FY 2012-13 Pupil Membership Adjustment Factor</b>			<b>1.0064</b>
<b>FY 2012-13 School Aid Index</b>			<b>1.0305</b>

**Table 6**  
**January 2012 Consensus Estimate**  
**Revenue Adjustment Factor and Pupil Membership Adjustment Factor**  
**for FY 2013-14**

<b><u>Revenue Adjustment Factor (Millions of \$)</u></b>			
	<b><u>FY 2011-12</u></b>	<b><u>FY 2012-13</u></b>	<b><u>FY 2013-14</u></b>
Baseline SAF Revenue	\$11,492.8	\$11,769.8	\$12,074.1
Balance Sheet Adjustments	(\$729.1)	(\$714.8)	(\$714.5)
Net SAF Estimate	\$10,763.7	\$11,055.0	\$11,359.6
Subtotal Adjustments to FY 2012-13 Base	\$14.3	\$0.0	(\$0.3)
Baseline Revenue on an FY 2012-13 Base	\$10,778.0	\$11,055.0	\$11,359.3
Percent Change		2.57%	2.75%
SAF Revenue Adjustment Calculation for FY 2013-14:			
Sum of FY 2011-12 and FY 2012-13	\$10,778.0 +	\$11,055.0 =	\$21,833.0
Sum of FY 2012-13 and FY 2013-14	\$11,055.0 +	\$11,359.3 =	\$22,414.3
<b>FY 2013-14 Revenue Adjustment Factor</b>			<b>1.0266</b>
	<b><u>May 2011 Consensus Estimate</u></b>	<b><u>January 2012 Consensus Estimate</u></b>	<b><u>Change</u></b>
<b><u>Pupil Membership Adjustment Factor</u></b>			
<b>FY 2013-14</b>			
Local Districts	N/A	1,398,000	N/A
Public School Academies	N/A	138,000	N/A
<b>Total</b>	<b>N/A</b>	<b>1,536,000</b>	<b>N/A</b>
	<b><u>FY 2012-13</u></b>	<b><u>FY 2013-14</u></b>	
Consensus Estimate of Pupil Membership	1,542,900	1,536,000	
Pupil Membership Adjustment Factor for FY 2013-14:			
<u>FY 2012-13 Pupil Membership</u>	=	<u>1,542,900</u>	
<u>FY 2013-14 Pupil Membership</u>	=	<u>1,536,000</u>	
<b>FY 2013-14 Pupil Membership Adjustment Factor</b>			<b>1.0045</b>
<b>FY 2013-14 School Aid Index</b>			<b>1.0312</b>