

May 16, 2002

Members of the House of Representatives

Mitchell E. Bean, Director

Consensus Revenue Agreement — May 16, 2002

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) revenues.

The conference principals at the May 2002 meeting were the Director of the House Fiscal Agency, the Director of the Senate Fiscal Agency, and the State Treasurer. The Director of the Senate Fiscal Agency is the 2002 Conference Chairperson.

The attached tables provide a summation of the agreements reached at the May 16 conference. These consensus estimates will be revised or updated at the January 2003 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 grow by 2.5% in calendar year (CY) 2002 and by 3.3% in CY 2003. In addition, Michigan personal income is forecast to grow 2.9% in CY 2002 and by 5.0% in CY 2003.

Table 2: Consensus Estimates of GF/GP and SAF

Provides final estimates for FY 2000-01, revised consensus estimates for FY 2001-02, and revised consensus estimates for FY 2002-03 revenues. Net GF/GP and SAF revenue is estimated to decline by \$443.8 million in FY 2001-02, then increase by \$398.5 million or 2.2% in FY 2002-03.

Table 3: Consensus Estimate - Budget and Economic Stabilization Fund Calculation

No pay-in or withdrawal from the Budget Stabilization Fund (based on growth in real adjusted personal income [Management and Budget Act, 1984 PA 431, Section 352]) is estimated for FY 2001-02 or FY 2002-03.

Table 4: Consensus Estimate - Constitutional Revenue Limit Calculation

Reports calculations of the amounts that revenues exceed or do not exceed the constitutional state revenue limit established in Article IX, Section 26 of the Constitution of the State of Michigan. It is estimated that total state revenue subject to the limit will be \$4.0 billion below in FY 2001-02 and \$3.5 billion below in FY 2002-03.

Table 5: Consensus Estimate - Comparison of Pupil Membership Estimates

Reports consensus estimates of pupil membership for FY 2001-02 and FY 2002-03 and notes

changes from January 2002 estimates.

Table 6: Consensus Estimate - School Aid Revenue Adjustment Factor and Pupil Membership Adjustment Factor

Reports calculations used to determine the FY 2002-03 revenue adjustment factor which is 1.0287, and the pupil membership adjustment factor, which is 0.9966 for FY 2002-03. The revenue adjustment factor is multiplied by the pupil membership adjustment factor to determine the increase in the per pupil foundation allowance, which is 1.0252 or 2.52%.

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

attachments

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Table 1
Consensus Economic Forecast
May 2002

	<u>Calendar 2001</u> <u>Actual</u>	<u>Percent Change</u> <u>from Prior Year</u>	<u>Calendar 2002</u> <u>Forecast</u>	<u>Percent Change</u> <u>from Prior Year</u>	<u>Calendar 2003</u> <u>Forecast</u>	<u>Percent Change</u> <u>from Prior Year</u>
<u>United States</u>						
Real Gross Domestic Product (Billions of Chained 1996 Dollars)	\$9,334	1.2%	\$9,567	2.5%	\$9,883	3.3%
Implicit Price Deflator GDP (1996 = 100)	109.4	2.2%	110.6	1.1%	112.5	1.7%
Consumer Price Index (1982-84 = 100)	177.1	2.8%	180.1	1.7%	185.0	2.7%
3-month Treasury Bills Interest Rate (percent)	3.5		1.9		3.2	
Aaa Corporate Bonds Interest Rate (percent)	7.1		6.8		7.1	
Unemployment Rate - Civilian (percent)	4.8		5.6		5.4	
Light Vehicle Sales (millions of units)	17.0	-1.3%	16.5	-3.0%	16.7	1.2%
Passenger Car Sales (millions of units)	8.4	-4.8%	8.0	-5.0%	8.1	1.3%
Light Truck Sales (millions of units)	8.6	2.5%	8.5	-1.1%	8.6	1.2%
Import Share of Light Vehicles (percent)	18.1		19.5		18.2	
<u>Michigan</u>						
Wage and Salary Employment (thousands)	4,587	-1.9%	4,573	-0.3%	4,650	1.7%
Unemployment Rate (percent)	5.3		6.1		5.4	
Personal Income (millions of dollars)	\$295,108	1.8%	\$303,666	2.9%	\$318,849	5.0%
Real Personal Income (millions of 1982-84 dollars)	\$169,213	-0.9%	\$170,539	0.8%	\$174,528	2.3%
Wages and Salaries (millions of dollars)	\$176,516	0.5%	\$179,870	1.9%	\$189,943	5.6%
Detroit Consumer Price Index (1982-84 = 100)	174.4	2.7%	178.1	2.1%	182.7	2.6%

NOTE: Percentages may not calculate exactly due to rounding.

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Table 2

**Revenue Comparison and Consensus Estimates of GF/GP and SAF
(Millions of Dollars)**

May 2002

	<u>Final</u>	<u>05/16/2002 Consensus</u>	<u>% Change from FY 01</u>	<u>\$\$ Change from FY 01</u>	<u>FY 2000-01FY 2001-02FY 2002-03</u>		
					<u>05/16/2002 Consensus</u>	<u>% Change from FY 02</u>	<u>\$\$ Change from FY 02</u>
General Fund/General Purpose							
Baseline	\$8,962.5	\$8,701.8	-2.91%	(\$260.7)	\$9,131.8	4.94%	\$430.0
Tax Adjustments	\$27.0	(\$295.8)			(\$727.6)		
Net GF-GP Revenue	\$8,989.5	\$8,406.0	-6.49%	(\$583.5)	\$8,404.2	-0.02%	(\$1.8)
School Aid Fund Revenue							
Baseline	\$9,994.1	\$10,149.0	1.55%	\$154.9	\$10,565.7	4.11%	\$416.7
Tax Adjustments	\$0.0	(\$15.2)			(\$31.6)		
Net SAF Revenue	\$9,994.1	\$10,133.8	1.40%	\$139.7	\$10,534.1	3.95%	\$400.3
Total GF-GP and SAF							
Baseline	\$18,956.6	\$18,850.8	-0.56%	(\$105.8)	\$19,697.5	4.49%	\$846.7
Tax Adjustments	\$27.0	(\$311.1)			(\$759.2)		
Net GF-GP and SAF	\$18,983.6	\$18,539.8	-2.34%	(\$443.8)	\$18,938.3	2.15%	\$398.5

NOTE: Percentages may not calculate exactly due to rounding.

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Table 3
Consensus Estimate for Budget and Economic Stabilization Fund Calculation
FY 2001-02 and FY 2002-03
(Millions of Dollars)
May 2002

	<u>CY 2001</u>	<u>CY 2002</u>
Michigan Personal Income	\$295,108 (1)	\$303,666 (3)
Less Transfer Payments	<u>\$40,958 (1)</u>	<u>\$44,256 (3)</u>
Income Net of Transfers	\$254,150	\$259,411
Detroit CPI for 12 months ending	1.729 (2) (June 2001)	1.762 (3) (June 2002)
Real Adjusted Michigan Personal Income	\$146,992	\$147,238
Change in Real Adjusted Personal Income		0.2%
Between 0 and 2%		0.0%
GF-GP Revenue Fiscal Year 2001-02		\$8,406.0

BSF Withdrawal not indicated for FY 2001-02

BSF Pay-in not required for FY 2002-03

Notes:

1. Personal Income and Transfer Payments: Bureau of Economic Analysis, April 24, 2002, release.
2. Detroit Consumer Price Index: average of six monthly values reported by BLS for each 12-month period and from May 16, 2002, Consensus Forecast.
3. Personal Income, Transfer Payments, and Detroit Consumer Price Index: Consensus Economic Forecast of May 16, 2002.

NOTE: Numbers may not calculate exactly due to rounding.

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**Table 4
Consensus Estimate
Constitutional Revenue Limit Calculation
(Millions of Dollars)
May 2002**

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
<u>Revenue Subject to Limit</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Prelim Final</u>	<u>Consensus</u>	<u>Consensus</u>
<u>Consensus</u>	<u>June 29, 1999</u>	<u>Feb 24, 2000</u>	<u>May 7, 2001</u>	<u>May 16, 2002</u>	<u>May 16, 2002</u>	<u>May 16, 2002</u>
General Fund General Purpose	\$8,764.8	\$9,382.1	\$9,754.8	\$8,964.9	\$8,376.0	\$8,374.2
General Fund Revenue Sharing	\$1,359.9	\$1,395.0	\$1,470.1	\$1,559.3	\$1,586.6	\$1,644.2
School Aid Fund	\$8,796.5	\$9,309.9	\$9,889.3	\$9,994.1	\$10,133.8	\$10,995.9
Transportation	\$1,928.0	\$2,048.5	\$2,094.9	\$2,118.7	\$2,185.7	\$2,283.8
Other Restricted Revenue	\$1,223.2	\$1,073.2	\$1,153.8	\$1,153.8	\$1,153.8	\$1,153.8
Total Revenue Subject to Limit	\$22,072.4	\$23,208.6	\$24,362.9	\$23,790.8	\$23,435.9	\$24,451.9
<u>Revenue Limit</u>	<u>CY 1996</u>	<u>CY 1997</u>	<u>CY 1998</u>	<u>CY 1999</u>	<u>CY 2000</u>	<u>CY 2001</u>
Personal Income Ratio	\$239,330 9.49%	\$244,329 9.49%	\$255,039 9.49%	\$277,296 9.49%	\$289,390 9.49%	\$295,108 9.49%
Revenue Limit	\$22,712.4	\$23,186.8	\$24,203.2	\$26,315.4	\$27,463.1	\$28,005.7
1 Percent of Limit	\$227.1	\$231.9	\$242.0	\$263.2	\$274.6	\$280.1
Amount Under (Over) Limit	\$640.1	(\$21.7)	(\$159.7)	\$2,524.6	\$4,027.3	\$3,553.9

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Table 5
Consensus Estimate
May 2002 Comparison of Pupil Membership Estimates
FY 2001-02 and FY 2002-03
(Actual Numbers)

	<u>January 2002</u> <u>Consensus Estimate</u>	<u>May 2002</u> <u>Consensus Estimate</u>	<u>Change From</u> <u>January 2002</u> <u>Consensus Estimate</u>
FY 2001-02			
Local Districts	1,648,725 *	1,647,580 *	(1,145)
Public School Academies	<u>64,475</u>	<u>64,044</u>	<u>(431)</u>
Total	1,713,200	1,711,624	(1,576)
FY 2002-03			
Local Districts	1,648,700	1,648,700 **	0
Public School Academies	<u>68,800</u>	<u>68,800</u>	<u>0</u>
Total	1,717,500	1,717,500	0

* FY 2001-02 only, in districts with 4.5 or fewer pupils per square mile and less than 1,550 pupils, pupil memberships are calculated as the greater of the district's actual membership or the average of the district's membership for the current fiscal year and two immediately preceding fiscal years [per Sec. 6(4)(y) of the State School Aid Act].

The FY 2001-02 local district pupil number listed under January 2002 includes and additional 1,053 pupils calculated as a result of this provision.

The FY 2001-02 local district pupil number listed under May 2002 includes and additional 1,092 pupils calculated as a result of this provision.

** For FY 2002-03, the re-calculation described above impacts only Lower Peninsula districts meeting the criteria. An estimated 360 additional pupils will result from this provision and are included in the May 2002 estimate for FY 2002-03.

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Table 6

**May 2002 Consensus Estimate School Aid Revenue Adjustment
Factor and Pupil Membership Adjustment Factor for FY 2002-03**

Revenue Adjustment Factor (Millions of Dollars)

	<u>FY 2000-01</u>	<u>FY 2001-02</u>	<u>FY 2002-03</u>
Baseline SAF Revenue	\$9,994.1	\$10,149.0	\$10,565.7
Balance Sheet Adjustments	\$0.0	(\$15.2)	(\$31.6)
Net SAF Estimate	\$9,994.1	\$10,133.8	\$10,534.1
Adjustments to Base	(\$35.5)	(\$17.5)	\$0.0
Baseline Revenue on an FY 2002-03 Base Annual Growth Rate	\$9,958.6	\$10,116.3 1.58%	\$10,534.1 4.13%
<u>School Aid Fund Revenue Calculation for FY 2002-03</u>			
Sum of FY 2000-01 and FY 2001-02	\$9,958.6	+ \$10,116.3 =	\$20,074.9
Sum of FY 2001-02 and FY 2002-03	\$10,116.3	+ \$10,534.1 =	\$20,650.4
FY 2002-03 Revenue Adjustment Factor			1.0287

Pupil Membership Adjustment Factor (Actual Numbers)

Consensus Estimate FY 2001-02	1,647,580	Local District Pupils
+	<u>64,044</u>	Public School Academy Pupils*
	1,711,624	
Consensus Estimate FY 2002-03	1,648,700	Local District Pupils
+	<u>68,800</u>	Public School Academy Pupils*
	1,717,500	

Estimated FY 2002-03 Pupil Membership Adjustment Factor

FY 2001-02 Pupil Membership	=	1,711,624
	<i>divided by</i>	
FY 2002-03 Pupil Membership	=	1,717,500

FY 2002-03 Pupil Membership Adjustment Factor (based on May 2002 Consensus) **0.9966**

* Includes the Wayne State University School