

**DATE:** January 12, 2018  
**TO:** Members of the Michigan House of Representatives  
**FROM:** Mary Ann Cleary, Director *MAC*  
**RE:** Consensus Revenue Agreement – January 11, 2018

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 2018 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 2018 Conference Chairperson.

The attached tables provide a summation of the agreements reached at the January 2018 conference. These consensus estimates will be revised or updated at the May 2018 conference.

**Table 1: Consensus Economic Forecast**

Provides estimates of various state and national economic variables. Real gross domestic product (GDP) is predicted to increase 2.5% in calendar year (CY) 2018, 2.1% in CY 2019, and 1.9% in CY 2020. Michigan personal income is forecast to increase 4.3% in CY 2018, 4.4% in CY 2019, and 4.5% in CY 2020.

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

Provides the preliminary final FY 2016-17 revenue, revised revenue estimates for FY 2017-18 and FY 2018-19, and the initial estimates for FY 2019-20. Relative to FY 2016-17, total net GF/GP and SAF revenue is estimated to increase \$514.8 million or 2.3% in FY 2017-18, \$411.4 million or 1.8% in FY 2018-19, and \$432.6 million or 1.8% in FY 2019-20.

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

There is no pay-in or pay-out calculated for FY 2017-18, although a \$150.0 million appropriation has been made. The calculated pay-ins for FY 2018-19 and FY 2019-20 are \$72.2 million and \$31.0 million, respectively. It should be noted that the deposits to the BSF are not automatic, and that they require an appropriation. No pay-outs are expected for any of these years. Pay-ins and pay-outs 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 \$8.62 billion below the limit in FY 2016-17, \$9.01 billion below in FY 2017-18, \$9.36 billion below in FY 2018-19, and \$10.25 billion below the limit in FY 2019-20.

**Table 5: Long Term Revenue Trend**

The long term revenue trend for combined GF/GP and SAF revenue is 2.1% growth for FY 2020-21 and 3.3% growth for FY 2021-22.

**Table 6 and Table 7:**

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

Reports consensus estimates of revenue adjustment factor and pupil membership for FY 2018-19 and FY 2019-20. The revenue adjustment factor is multiplied by the pupil membership adjustment factor to determine the index, the statutorily recommended increase or decrease in the per pupil foundation allowance. The School Aid Index for FY 2018-19 is 1.0313 and FY 2019-20 is 1.0300. The index would equal a 3.1% increase in the foundation allowance in FY 2018-19 and 3.0% in FY 2019-20.

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

Attachments

**Table 1**  
**Consensus Economic Forecast**  
**January 2018**

	<u>Calendar 2017 Forecast</u>	<u>% Change from Prior Year</u>	<u>Calendar 2018 Forecast</u>	<u>% Change from Prior Year</u>	<u>Calendar 2019 Forecast</u>	<u>% Change from Prior Year</u>	<u>Calendar 2020 Forecast</u>	<u>% Change from Prior Year</u>
<b><u>United States</u></b>								
Real Gross Domestic Product (Billions of Chained 2009 Dollars)	\$17,101	2.3%	\$17,529	2.5%	\$17,897	2.1%	\$18,237	1.9%
Implicit Price Deflator GDP (2009 = 100)	113.4	1.7%	115.6	1.9%	117.9	2.0%	120.5	2.2%
Consumer Price Index (1982-84 = 100)	244.860	2.0%	248.929	1.7%	253.872	2.0%	259.552	2.2%
Consumer Price Index – Fiscal Year (1982-84 = 100)	243.841	2.1%	247.889	1.7%	252.589	1.9%	258.097	2.2%
Personal Consumption Deflator (2009 = 100)	112.6	1.6%	114.4	1.6%	116.6	1.9%	118.9	2.0%
3-month Treasury Bills Interest Rate (Percent)	0.9%		1.6%		2.0%		2.5%	
Unemployment Rate - Civilian (Percent)	4.4%		4.2%		4.1%		4.0%	
Wage and Salary Employment (Millions)	146.330	1.4%	148.520	1.5%	150.300	1.2%	151.650	0.9%
Housing Starts (Millions of Starts)	1.202	2.4%	1.267	5.4%	1.306	3.1%	1.342	2.8%
Light Vehicle Sales (Millions of Units)	17.1	-2.1%	16.9	-1.2%	16.8	-0.6%	16.7	-0.6%
Passenger Car Sales (Millions of Units)	6.1	-11.6%	5.8	-4.9%	5.6	-3.4%	5.4	-3.6%
Light Truck Sales (Millions of Units)	11.0	4.1%	11.1	0.9%	11.2	0.9%	11.3	0.9%
Big 3 Share of Light Vehicles (Percent)	42.0%		42.0%		42.1%		42.1%	
<b><u>Michigan</u></b>								
Wage and Salary Employment (Thousands)	4,390	1.5%	4,430	0.9%	4,470	0.9%	4,519	1.1%
Unemployment Rate (Percent)	4.4%		4.3%		4.3%		4.2%	
Personal Income (Millions of Dollars)	\$452,542	3.0%	\$472,001	4.3%	\$492,769	4.4%	\$514,944	4.5%
Real Personal Income (Millions of 1982-84 Dollars)	\$199,998	1.1%	\$205,406	2.7%	\$210,345	2.4%	\$215,093	2.3%
Wages and Salaries (Millions of Dollars)	\$230,622	3.5%	\$239,616	3.9%	\$249,440	4.1%	\$260,415	4.4%
Detroit Consumer Price Index (1982-84 = 100)	226.273	1.8%	229.789	1.6%	234.267	1.9%	239.405	2.2%
Detroit CPI – Fiscal Year (1982-84 = 100)	225.517	2.0%	228.852	1.5%	233.103	1.9%	238.095	2.1%

NOTE: Percentages may not calculate exactly due to rounding.

**Table 2**  
**January 2018: Revenue Comparison and Consensus Estimates of GF/GP and SAF**  
**(Millions of Dollars)**

	FY 2016-17			FY 2017-18			FY 2018-19			FY 2019-20				
	<u>FY 2016-17 Preliminary Final</u>	<u>Change From FY 2015-16</u>	<u>\$ Change From May 2017 Consensus</u>	<u>January 2018 Consensus</u>	<u>Change From FY 2016-17</u>	<u>\$ Change From May 2017 Consensus</u>	<u>January 2018 Consensus</u>	<u>Change From FY 2017-18</u>	<u>\$ Change From May 2017 Consensus</u>	<u>January 2018 Consensus</u>	<u>Change From FY 2018-19</u>			
<b>General Fund/ General Purpose</b>														
Baseline	\$11,140.2	1.5%		\$11,417.4	\$277.2	2.5%	(\$168.9)	\$11,767.8	\$350.4	3.1%	(\$180.3)	\$12,112.1	\$344.3	2.9%
Tax Adjustments	(\$947.9)			(\$1,109.7)	(\$161.8)		\$68.0	(\$1,428.2)	(\$318.5)		\$30.4	(\$1,698.6)	(\$270.4)	
<b>Net GF/GP Revenue</b>	<b>\$10,192.3</b>	<b>2.0%</b>	<b>\$81.0</b>	<b>\$10,307.7</b>	<b>\$115.4</b>	<b>1.1%</b>	<b>(\$100.9)</b>	<b>\$10,339.6</b>	<b>\$31.9</b>	<b>0.3%</b>	<b>(\$149.9)</b>	<b>\$10,413.5</b>	<b>\$73.9</b>	<b>0.7%</b>
<b>School Aid Fund Revenue</b>														
Baseline	\$12,732.1	4.5%		\$13,089.1	\$357.0	2.8%	\$147.2	\$13,451.8	\$362.7	2.8%	\$181.6	\$13,818.3	\$366.5	2.7%
Tax Adjustments	(\$47.0)			(\$4.6)	\$42.4		(\$33.2)	\$12.2	\$16.8		(\$48.1)	\$4.4	(\$7.8)	
<b>Net SAF Revenue</b>	<b>\$12,685.1</b>	<b>4.8%</b>	<b>\$75.2</b>	<b>\$13,084.5</b>	<b>\$399.4</b>	<b>3.1%</b>	<b>\$114.0</b>	<b>\$13,464.0</b>	<b>\$379.5</b>	<b>2.9%</b>	<b>\$133.5</b>	<b>\$13,822.7</b>	<b>\$358.7</b>	<b>2.7%</b>
<b>Total GF/GP and SAF</b>														
Baseline	\$23,872.3	3.1%		\$24,506.5	\$634.2	2.7%	(\$21.7)	\$25,219.6	\$713.1	2.9%	\$1.3	\$25,930.4	\$710.8	2.8%
Tax Adjustments	(\$994.9)			(\$1,114.3)	(\$119.4)		\$34.8	(\$1,416.0)	(\$301.7)		(\$17.7)	(\$1,694.2)	(\$278.2)	
<b>Net GF/GP and SAF</b>	<b>\$22,877.4</b>	<b>3.5%</b>	<b>\$156.2</b>	<b>\$23,392.2</b>	<b>\$514.8</b>	<b>2.3%</b>	<b>\$13.1</b>	<b>\$23,803.6</b>	<b>\$411.4</b>	<b>1.8%</b>	<b>(\$16.4)</b>	<b>\$24,236.2</b>	<b>\$432.6</b>	<b>1.8%</b>

Numbers may not calculate exactly due to rounding.

**Table 3**  
**January 2018: Consensus Estimate for Budget and Economic Stabilization Fund Calculation**  
(Millions of Dollars)

	FY 2017-18 Pay-In / FY 2016-17 Pay-Out Calculation		FY 2018-19 Pay-In / FY 2017-18 Pay-Out Calculation		FY 2019-20 Pay-In / FY 2018-19 Pay-Out Calculation		FY 2019-20 Pay-In / Pay-Out Calculation	
	<u>CY 2016</u>	<u>CY 2017</u>	<u>CY 2017</u>	<u>CY 2018</u>	<u>CY 2018</u>	<u>CY 2019</u>	<u>CY 2019</u>	<u>CY 2020</u>
Michigan Personal Income <sup>(1)</sup>	\$439,361	\$452,542	\$452,542	\$472,001	\$472,001	\$492,769	\$492,769	\$514,944
Less Transfer Payments <sup>(1)</sup>	<u>\$93,520</u>	<u>\$95,699</u>	<u>\$95,699</u>	<u>\$100,254</u>	<u>\$100,254</u>	<u>\$105,578</u>	<u>\$105,578</u>	<u>\$110,498</u>
Income Net of Transfers	\$345,841	\$356,843	\$356,843	\$371,747	\$371,747	\$387,191	\$387,191	\$404,446
Detroit CPI <sup>(2)</sup> for 12 months ending	2.200 (June 2016)	2.249 (June 2017)	2.249 (June 2017)	2.280 (June 2018)	2.280 (June 2018)	2.321 (June 2019)	2.321 (June 2019)	2.369 (June 2020)
Real Adjusted Michigan Personal Income	\$157,192	\$158,701	\$158,701	\$163,047	\$163,047	\$166,851	\$166,851	\$170,718
Change in Real Adjusted Personal Income		1.0%		2.7%		2.3%		2.3%
Amount Under 0%		N/A		N/A		N/A		N/A
Between 0% and 2%		1.0%		2.0%		2.0%		2.0%
Excess Over 2%		N/A		0.7%		0.3%		0.3%
GF/GP Revenue	FY 2016-17	\$10,192.2	FY 2017-18	\$10,307.7	FY 2018-19	\$10,339.6	FY 2019-20	\$10,413.5
<b>BSF PAY-IN<sup>(3)</sup></b>	<b>FY 2017-18</b>	<b>No Pay-In</b>	<b>FY 2018-19</b>	<b>\$72.2</b>	<b>FY 2019-20</b>	<b>\$31.0</b>		
<b>BSF PAY-OUT<sup>(3)</sup></b>	<b>FY 2016-17</b>	<b>No Pay-Out</b>	<b>FY 2017-18</b>	<b>No Pay-Out</b>	<b>FY 2018-19</b>	<b>No Pay-Out</b>	<b>FY 2019-20</b>	<b>No Pay-Out</b>

Notes:

1. Personal Income and Transfer Payments: CY 2016 is from the U.S. Bureau of Economic Analysis, October 2017. Subsequent years are January 2018 consensus estimates.
2. Detroit Consumer Price Index, CY 2016 and CY 2017 are calculated based on values reported by U.S. Bureau of Labor Statistics for the July through June period. Subsequent years are January 2018 consensus estimates.
3. Calculation done per MCL 18.1352.

**Table 4**  
**January 2018 Consensus Estimate**  
**Constitutional Revenue Limit Calculation**  
(Millions of Dollars)

	<b>FY 2015-16 Actual</b>	<b>FY 2016-17 Consensus January 2018</b>	<b>FY 2017-18 Consensus January 2018</b>	<b>FY 2018-19 Consensus January 2018</b>	<b>FY 2019-20 Consensus January 2018</b>
<b>Revenue Subject to Limit</b>					
Consensus					
Net General Fund General Purpose	\$9,994.8	\$10,192.2	\$10,307.7	\$10,339.6	\$10,413.5
Constitutional Revenue Sharing	\$757.5	\$796.2	\$809.5	\$832.3	\$858.4
Net School Aid Fund	\$12,102.6	\$12,685.1	\$13,084.5	\$13,464.0	\$13,822.7
Transportation	\$2,250.6	\$2,719.1	\$2,950.2	\$3,137.6	\$3,347.3
Other Restricted Revenue	\$5,101.4	\$5,305.5	\$5,544.2	\$5,821.4	\$6,112.5
Less: GF/GP Federal Aid	\$18.8	\$8.6	\$13.3	\$13.3	\$13.3
<b>Total Revenue Subject to Limit</b>	<b>\$30,188.1</b>	<b>\$31,689.5</b>	<b>\$32,682.8</b>	<b>\$33,581.6</b>	<b>\$34,541.1</b>
<b>Revenue Limit</b>					
	<b>CY 2014</b>	<b>CY 2015</b>	<b>CY 2016</b>	<b>CY 2017</b>	<b>CY 2018</b>
Personal Income	\$403,726	\$424,807	\$439,361	\$452,542	\$472,001
Ratio	9.49%	9.49%	9.49%	9.49%	9.49%
<b>Revenue Limit</b>	<b>\$38,313.6</b>	<b>\$40,314.2</b>	<b>\$41,695.4</b>	<b>\$42,946.2</b>	<b>\$44,792.9</b>
<b>Total Revenue Subject to Limit</b>	<b>\$30,188.1</b>	<b>\$31,689.5</b>	<b>\$32,682.8</b>	<b>\$33,581.6</b>	<b>\$34,541.1</b>
<b>Amount Under (Over) Limit</b>	<b>\$8,125.5</b>	<b>\$8,624.6</b>	<b>\$9,012.6</b>	<b>\$9,364.6</b>	<b>\$10,251.8</b>

Numbers may not calculate exactly due to rounding.

Note: CY 2014 Personal Income is used for the FY 2016 revenue limit calculation, CY 2015 for FY 2017, CY 2016 for FY 2018, CY 2017 for FY 2019, and CY 2018 for FY 2020.

**Table 5**  
**Long Term Revenue Trend**  
**(Millions of Dollars)**

	<u>FY 2020-21</u>	<u>FY 2021-22</u>
<b>Net GF/GP Revenue</b>	\$10,514.7	\$10,914.9
Growth	1.0%	3.8%
<b>Net SAF Revenue</b>	\$14,223.9	\$14,639.4
Growth	2.9%	2.9%
<b>Combined GF/GP and SAF</b>	\$24,738.6	\$25,554.3
Growth	2.1%	3.3%

**Table 6**  
**January 2018 Consensus Estimate**  
**Revenue Adjustment Factor and Pupil Membership Adjustment Factor**  
**for FY 2018-19**

<b><u>Revenue Adjustment Factor (Millions of \$)</u></b>			
	<b><u>FY 2016-17</u></b>	<b><u>FY 2017-18</u></b>	<b><u>FY 2018-19</u></b>
Baseline SAF Revenue	\$12,732.1	\$13,089.1	\$13,451.8
Balance Sheet Adjustments	(\$47.0)	(\$4.6)	\$12.2
Net SAF Estimate	\$12,685.1	\$13,084.5	\$13,464.0
 Subtotal Adjustments to FY 2018-19 Base	 \$59.2	 \$16.8	 \$0.0
Baseline Revenue on an FY 2018-19 Base	\$12,744.3	\$13,101.3	\$13,464.0
Percent Change		2.80%	2.77%
SAF Revenue Adjustment Calculation for FY 2018-19:			
Sum of FY 2016-17 and FY 2017-18	\$12,744.3 +	\$13,101.3	= \$25,845.6
Sum of FY 2017-18 and FY 2018-19	\$13,101.3 +	\$13,464.0	= \$26,565.3
<b>FY 2018-19 Revenue Adjustment Factor</b>			<b>1.0278</b>
<i>Note: Factor is calculated off a FY 2019 base year.</i>			
	<b><u>May 2017 Consensus Estimate</u></b>	<b><u>January 2018 Consensus Estimate</u></b>	<b><u>Change</u></b>
<b><u>Pupil Membership Adjustment Factor</u></b>			
<b>FY 2017-18</b>			
Local Districts	1,336,500	1,336,900	400
Public School Academies	150,000	146,600	(3,400)
<b>Total</b>	<b>1,486,500</b>	<b>1,483,500</b>	<b>(3,000)</b>
<b>FY 2018-19</b>			
Local Districts	1,330,000	1,331,900	1,900
Public School Academies	152,000	146,600	(5,400)
<b>Total</b>	<b>1,482,000</b>	<b>1,478,500</b>	<b>(3,500)</b>
	<b><u>FY 2017-18</u></b>	<b><u>FY 2018-19</u></b>	
Consensus Estimate of Pupil Membership	1,483,500	1,478,500	
Pupil Membership Adjustment Factor for FY 2018-19:			
<u>FY 2017-18 Pupil Membership</u>	=	<u>1,483,500</u>	
<u>FY 2018-19 Pupil Membership</u>	=	<u>1,478,500</u>	
<b>FY 2018-19 Pupil Membership Adjustment Factor</b>			<b>1.0034</b>
<b>FY 2018-19 School Aid Index</b>			<b>1.0313</b>

**Table 7**  
**January 2018 Consensus Estimate**  
**Revenue Adjustment Factor and Pupil Membership Adjustment Factor**  
**for FY 2019-20**

<b><u>Revenue Adjustment Factor (Millions of \$)</u></b>			
	<b><u>FY 2017-18</u></b>	<b><u>FY 2018-19</u></b>	<b><u>FY 2019-20</u></b>
Baseline SAF Revenue	\$13,089.1	\$13,451.8	\$13,818.3
Balance Sheet Adjustments	(\$4.6)	\$12.2	\$4.4
Net SAF Estimate	\$13,084.5	\$13,464.0	\$13,822.7
Subtotal Adjustments to FY 2019-20 Base	\$9.0	(\$7.8)	\$0.0
Baseline Revenue on an FY 2019-20 Base	\$13,093.5	\$13,456.2	\$13,822.7
Percent Change		2.77%	2.72%
SAF Revenue Adjustment Calculation for FY 2019-20:			
Sum of FY 2017-18 and FY 2018-19	\$13,093.5 +	\$13,456.2 =	\$26,549.7
Sum of FY 2018-19 and FY 2019-20	\$13,456.2 +	\$13,822.7 =	\$27,278.9
<b>FY 2019-20 Revenue Adjustment Factor</b>			<b>1.0275</b>
<i>Note: Factor is calculated off a FY 2020 base year.</i>			
	<b><u>May 2017 Consensus Estimate</u></b>	<b><u>January 2018 Consensus Estimate</u></b>	<b><u>Change</u></b>
<b><u>Pupil Membership Adjustment Factor</u></b>			
<b>FY 2018-19</b>			
Local Districts	1,330,000	1,331,900	1,900
Public School Academies	152,000	146,600	(5,400)
<b>Total</b>	<b>1,482,000</b>	<b>1,478,500</b>	<b>(3,500)</b>
<b>FY 2019-20</b>			
Local Districts	N/A	1,328,000	N/A
Public School Academies	N/A	147,000	N/A
<b>Total</b>	<b>N/A</b>	<b>1,475,000</b>	<b>N/A</b>
Consensus Estimate of Pupil Membership	<b><u>FY 2018-19</u></b> 1,478,500	<b><u>FY 2019-20</u></b> 1,475,000	
Pupil Membership Adjustment Factor for FY 2019-20:			
<u>FY 2018-19 Pupil Membership</u>	=	<u>1,478,500</u>	
<u>FY 2019-20 Pupil Membership</u>	=	<u>1,475,000</u>	
<b>FY 2019-20 Pupil Membership Adjustment Factor</b>			<b>1.0024</b>
<b>FY 2019-20 School Aid Index</b>			<b>1.0300</b>