

**Consensus Revenue Agreement
Executive Summary
January 14, 2011**

**Economic and Revenue Forecasts
Fiscal Years 2011 and 2012**



Principals

**Ellen Jeffries, Director
Senate Fiscal Agency**

**Mitch Bean, 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 2011

	Calendar 2009 Actual	Calendar 2010 Forecast	Percent Change from Prior Year	Calendar 2011 Forecast	Percent Change from Prior Year	Calendar 2012 Forecast	Percent Change from Prior Year
United States							
Real Gross Domestic Product (Billions of Chained 2005 Dollars)	\$12,881	\$13,241	2.8%	\$13,612	2.8%	\$13,980	2.7%
Implicit Price Deflator GDP (2005 = 100)	109.6	110.6	0.9%	111.7	1.0%	112.9	1.1%
Consumer Price Index (1982-84 = 100)	214.5	217.9	1.6%	221.2	1.5%	225.2	1.8%
Consumer Price Index - Fiscal Year (1982-84 = 100)	213.8	217.4	1.7%	220.7	1.5%	224.5	1.7%
3-month Treasury Bills Interest Rate (percent)	0.2	0.1		0.2		0.2	
Aaa Corporate Bonds Interest Rate (percent)	5.3	4.9		4.9		4.9	
Unemployment Rate - Civilian (percent)	9.3	9.6		9.5		9.2	
Wage and Salary Employment (millions)	130.920	130.262	-0.5%	131.830	1.2%	133.940	1.6%
Housing Starts (millions of starts)	0.554	0.590	6.5%	0.700	18.6%	0.940	34.3%
Light Vehicle Sales (millions of units)	10.4	11.5	10.6%	12.9	12.2%	14.5	12.4%
Passenger Car Sales (millions of units)	5.5	5.7	3.6%	6.4	12.3%	7.4	15.6%
Light Truck Sales (millions of units)	4.9	5.8	18.4%	6.5	12.1%	7.1	9.2%
Big 3 Share of Light Vehicles (percent)	43.4	44.2		43.9		43.8	
Michigan							
Wage and Salary Employment (thousands)	3,876	3,842	-0.9%	3,850	0.2%	3,896	1.2%
Unemployment Rate (percent)	13.6	13.4		12.3		11.5	
Personal Income (millions of dollars)	\$342,303	\$350,518	2.4%	\$359,982	2.7%	\$371,862	3.3%
Real Personal Income (millions of 1982-84 dollars)	\$168,208	\$170,878	1.6%	\$173,235	1.4%	\$175,988	1.6%
Wages and Salaries (millions of dollars)	\$170,711	\$173,101	1.4%	\$177,602	2.6%	\$182,930	3.0%
Detroit Consumer Price Index (1982-84 = 100)	203.5	205.1	0.8%	207.8	1.3%	211.3	1.7%
Detroit CPI Fiscal Year (1982-84 = 100)	202.6	204.7	1.0%	207.3	1.2%	210.4	1.5%

Table 2
January 2011 Consensus Forecast
(millions)

Net Revenue Estimates								
	<u>FY 2010</u>			<u>FY 2011</u>			<u>FY 2012</u>	
	<u>May 2010 Consensus</u>	<u>Prelim Final</u>	<u>Change From May</u>	<u>May 2010 Consensus</u>	<u>Jan 2011 Consensus</u>	<u>Change From May</u>	<u>Jan 2011 Consensus</u>	<u>Change From FY 2011</u>
Net GF-GP Revenue	\$6,654.9	\$6,785.2	\$130.3	\$7,096.7	\$7,227.8	\$131.2	\$7,294.1	\$66.3
Growth	-9.6%	-7.9%		6.6%	6.5%		0.9%	
Net SAF Revenue	\$10,749.9	\$10,816.9	\$67.0	\$10,832.9	\$10,979.1	\$146.2	\$11,193.7	\$214.6
Growth	-1.6%	-1.0%		0.8%	1.5%		2.0%	
Combined GF-GP/SAF	\$17,404.9	\$17,602.1	\$197.2	\$17,929.6	\$18,206.9	\$277.3	\$18,487.8	\$280.9
Growth	-4.8%	-3.7%		3.0%	3.4%		1.5%	

Revenue Limit Calculation				
	<u>Actual FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>
Personal Income	\$345,885	\$349,612	\$339,219	\$350,518
Ratio	9.49%	9.49%	9.49%	9.49%
Revenue Limit	\$32,824.5	\$33,178.2	\$32,191.9	\$33,264.2
Revenue Subject to Limit	\$24,838.6	\$24,263.7	\$25,065.6	\$25,547.4
Amount Under (Over) Limit	\$7,985.9	\$8,914.5	\$7,126.3	\$7,716.7

Note: CY 2007 Personal Income is used for the FY 2009 revenue limit calculation, CY 2008 for FY 2010, CY 2009 for FY 2011 and CY 2010 for FY 2012.

Budget Stabilization Fund Calculation		School Aid Index	
FY 2011 Calculations - Pay-In	\$7.2	Revenue Adjustment Factor	<u>FY 2012</u> 1.0163
FY 2012 Calculations	NO PAY-IN OR PAY-OUT	Pupil Membership Factor	1.0134
		School Aid Index	1.0299

Prepared By: Office of Revenue and Tax Analysis, Michigan Department of Treasury
Updated: 1/14/2011

Printed: 1/14/2011