

# **Consensus Revenue Agreement Executive Summary January 15, 2021**

**Economic and Revenue Forecasts  
Fiscal Years 2021, 2022 and 2023**



## **Principals**

**Rachael Eubanks  
State Treasurer**

**Chris Harkins, Director  
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## **Staff**

**Eric Bussis  
Michigan Department of Treasury**

**David Zin  
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**Table 1**  
**Consensus Economic Forecast**

January 2021

|   | Calendar<br>2019<br>Actual | Percent<br>Change<br>from Prior<br>Year | Calendar<br>2020<br>Forecast | Percent<br>Change<br>from Prior<br>Year | Calendar<br>2021<br>Forecast | Percent<br>Change<br>from Prior<br>Year | Calendar<br>2022<br>Forecast | Percent<br>Change<br>from Prior<br>Year | Calendar<br>2023<br>Forecast | Percent<br>Change<br>from Prior<br>Year |
|---|----------------------------|---|------------------------------|---|------------------------------|---|------------------------------|---|------------------------------|---|
| <b>United States</b>  |                            |   |                              |   |                              |   |                              |   |                              |   |
| Real Gross Domestic Product<br>(Billions of Chained 2012 Dollars) | \$19,092                   | 2.4%                                    | \$18,404                     | -3.6%                                   | \$19,067                     | 3.6%                                    | \$19,601                     | 2.8%                                    | \$20,091                     | 2.5%                                    |
| Implicit Price Deflator GDP<br>(2012 = 100)                       | 112.3                      | 1.7%                                    | 113.6                        | 1.1%                                    | 115.4                        | 1.6%                                    | 117.5                        | 1.8%                                    | 119.9                        | 2.0%                                    |
| Consumer Price Index<br>(1982-84 = 100)                           | 255.657                    | 1.8%                                    | 258.686                      | 1.2%                                    | 264.121                      | 2.1%                                    | 269.900                      | 2.2%                                    | 275.703                      | 2.2%                                    |
| Consumer Price Index - Fiscal Year<br>(1982-84 = 100)             | 254.376                    | 1.9%                                    | 258.014                      | 1.4%                                    | 262.663                      | 1.8%                                    | 268.514                      | 2.2%                                    | 274.210                      | 2.1%                                    |
| Personal Consumption Deflator<br>(2012 = 100)                     | 109.7                      | 1.4%                                    | 111.0                        | 1.2%                                    | 113.1                        | 1.9%                                    | 115.4                        | 2.0%                                    | 117.7                        | 2.0%                                    |
| 3-month Treasury Bills<br>Interest Rate (percent)                 | 2.1                        |   | 0.4                          |   | 0.1                          |   | 0.1                          |   | 0.1                          |   |
| Unemployment Rate - Civilian<br>(percent)                         | 3.7                        |   | 8.1                          |   | 6.4                          |   | 5.8                          |   | 5.3                          |   |
| Wage and Salary Employment<br>(millions)                          | 150.939                    | 1.4%                                    | 142.340                      | -5.7%                                   | 145.900                      | 2.5%                                    | 149.260                      | 2.3%                                    | 151.500                      | 1.5%                                    |
| Housing Starts<br>(millions of starts)                            | 1.290                      | 3.2%                                    | 1.350                        | 4.7%                                    | 1.380                        | 2.2%                                    | 1.360                        | -1.5%                                   | 1.365                        | 0.4%                                    |
| Light Vehicle Sales<br>(millions of units)                        | 17.0                       | -1.4%                                   | 14.5                         | -14.6%                                  | 16.0                         | 10.3%                                   | 16.2                         | 1.3%                                    | 16.3                         | 0.6%                                    |
| Passenger Car Sales<br>(millions of units)                        | 4.7                        | -10.9%                                  | 3.4                          | -28.0%                                  | 3.5                          | 2.9%                                    | 3.2                          | -8.6%                                   | 3.1                          | -3.1%                                   |
| Light Truck Sales<br>(millions of units)                          | 12.2                       | 2.8%                                    | 11.1                         | -9.3%                                   | 12.5                         | 12.6%                                   | 13.0                         | 4.0%                                    | 13.2                         | 1.5%                                    |
| Big 3 Share of Light Vehicles<br>(percent)                        | 41.0                       |   | 40.5                         |   | 40.3                         |   | 40.1                         |   | 39.6                         |   |
| <b>Michigan</b>   |                            |   |                              |   |                              |   |                              |   |                              |   |
| Wage and Salary Employment<br>(thousands)                         | 4,433                      | 0.3%                                    | 4,012                        | -9.5%                                   | 4,132                        | 3.0%                                    | 4,252                        | 2.9%                                    | 4,320                        | 1.6%                                    |
| Unemployment Rate<br>(percent)                                    | 4.1                        |   | 9.8                          |   | 7.1                          |   | 6.2                          |   | 5.4                          |   |
| Personal Income<br>(millions of dollars)                          | \$491,632                  | 1.6%                                    | \$521,130                    | 6.0%                                    | \$506,017                    | -2.9%                                   | \$518,667                    | 2.5%                                    | \$539,933                    | 4.1%                                    |
| Real Personal Income<br>(millions of 1982-84 dollars)             | \$208,968                  | 0.3%                                    | \$219,015                    | 4.8%                                    | \$207,956                    | -5.0%                                   | \$208,727                    | 0.4%                                    | \$212,697                    | 1.9%                                    |
| Wages and Salaries<br>(millions of dollars)                       | \$246,831                  | 2.7%                                    | \$235,230                    | -4.7%                                   | \$238,759                    | 1.5%                                    | \$252,845                    | 5.9%                                    | \$262,453                    | 3.8%                                    |
| Detroit Consumer Price Index<br>(1982-84 = 100)                   | 235.267                    | 1.3%                                    | 237.943                      | 1.1%                                    | 243.329                      | 2.3%                                    | 248.491                      | 2.1%                                    | 253.851                      | 2.2%                                    |
| Detroit CPI - Fiscal Year<br>(1982-84 = 100)                      | 233.840                    | 1.0%                                    | 237.511                      | 1.6%                                    | 242.232                      | 2.0%                                    | 247.296                      | 2.1%                                    | 252.509                      | 2.1%                                    |

Table 2  
**January 2021 Consensus Forecast**  
(millions)

| <b>Net Revenue Estimates</b> |                       |                       |                       |                             |                       |                       |                             |                       |
|------------------------------|-----------------------|-----------------------|-----------------------|-----------------------------|-----------------------|-----------------------|-----------------------------|-----------------------|
|                              | FY 2020               | FY 2021               |                       |                             | FY 2022               |                       |                             | FY 2023               |
|                              | Jan 2021<br>Consensus | Aug 2020<br>Consensus | Jan 2021<br>Consensus | Change<br>From<br>Consensus | Aug 2020<br>Consensus | Jan 2021<br>Consensus | Change<br>From<br>Consensus | Jan 2021<br>Consensus |
| <b>Net GF-GP Revenue</b>     | \$10,770.6            | \$9,536.7             | \$10,237.5            | \$700.8                     | \$10,392.5            | \$10,897.1            | \$504.6                     | \$11,167.1            |
| Percent Growth               | -3.1%                 | -7.4%                 | -4.9%                 |                             | 9.0%                  | 6.4%                  |                             | 2.5%                  |
| Dollar Growth                | (\$345.2)             |                       | (\$533.1)             |                             |                       | \$659.6               |                             | \$270.0               |
| <b>Net SAF Revenue</b>       | \$14,002.4            | \$13,501.9            | \$14,030.2            | \$528.3                     | \$14,053.5            | \$14,423.7            | \$370.2                     | \$14,730.4            |
| Percent Growth               | 3.3%                  | -1.5%                 | 0.2%                  |                             | 4.1%                  | 2.8%                  |                             | 2.1%                  |
| Dollar Growth                | \$450.0               |                       | \$27.8                |                             |                       | \$393.5               |                             | \$306.7               |
| <b>Combined</b>              | \$24,773.0            | \$23,038.6            | \$24,267.7            | \$1,229.1                   | \$24,446.0            | \$25,320.8            | \$874.8                     | \$25,897.5            |
| Percent Growth               | 0.4%                  | -4.1%                 | -2.0%                 |                             | 6.1%                  | 4.3%                  |                             | 2.3%                  |
| Dollar Growth                | \$104.8               |                       | (\$505.3)             |                             |                       | \$1,053.1             |                             | \$576.7               |

| <b>Revenue Limit Calculation</b>     |                   |                   |                   |                   | <b>Long Term Revenue Trend</b>      |            |            |
|--------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------------------------|------------|------------|
|                                      | FY 2020           | FY 2021           | FY 2022           | FY 2023           |                                     | FY 2024    | FY 2025    |
| Personal Income                      | \$484,030         | \$491,632         | \$521,130         | \$506,017         | <b>Net GF-GP Revenue</b><br>Growth  | \$11,446.5 | \$11,747.6 |
| Ratio                                | 9.49%             | 9.49%             | 9.49%             | 9.49%             |                                     | 2.5%       | 2.6%       |
| Revenue Limit                        | \$45,934.4        | \$46,655.9        | \$49,455.2        | \$48,021.0        | <b>Net SAF Revenue</b><br>Growth    | \$15,143.1 | \$15,547.1 |
| Revenue Subject to Limit             | \$34,527.8        | \$34,135.5        | \$35,332.8        | \$36,063.3        |                                     | 2.8%       | 2.7%       |
| <b>Amount Under (Over)<br/>Limit</b> | <b>\$11,406.6</b> | <b>\$12,520.4</b> | <b>\$14,122.4</b> | <b>\$11,957.7</b> | <b>Combined GF-GP/SAF</b><br>Growth | \$26,589.6 | \$27,294.7 |
|                                      |                   |                   |                   |                   |                                     | 2.7%       | 2.7%       |

Note: CY 2018 Personal Income is used for the FY 2020 revenue limit calculation, CY 2019 for FY 2021, CY 2020 for FY 2022, and CY 2021 for FY 2023.

| <b>Income Tax Rate Under MCL 206.51(1)</b> |            |                  |  | <b>Budget Stabilization Fund Calculation</b> |                             |               |  |
|--|------------|------------------|--|--|-----------------------------|---------------|--|
|  | FY 2021    | FY 2022          |  |  |                             |               |  |
| GF/GP Revenue                              | \$10,237.5 | \$10,897.1       |  | FY 2021 Calculations                         | <b>NO PAY-IN OR PAY-OUT</b> |               |  |
| Section 51d earmark (MTF)                  | \$600.0    | \$600.0          |  | FY 2022 Calculations                         | <b>NO PAY-IN OR PAY-OUT</b> |               |  |
| Total GF/GP Subject to MCL 206.51          | \$10,837.5 | \$11,497.1       |  | FY 2023 Calculations                         | <b>NO PAY-IN OR PAY-OUT</b> |               |  |
| Percentage increase CPI from 2021          |            | 2.23%            |  | <b>School Aid Index</b>                      |                             |               |  |
| Multiplier                                 |            | 1.425            |  |  | FY 2022                     | FY 2023       |  |
| Capped GF/GP revenue                       |            | \$11,181.5       |  | Revenue Adjustment Factor                    | <b>1.0111</b>               | <b>1.0207</b> |  |
| Total Estimated IIT revenue collected      | \$13,237.0 | \$13,372.7       |  | Pupil Membership Factor                      | <b>1.0102</b>               | <b>1.0060</b> |  |
| Estimated Tax Rate as of 1/1/2023          |            | <b>4.15%</b>     |  | School Aid Index                             | <b>1.0214</b>               | <b>1.0268</b> |  |
| FY 23 Revenue Impact                       |            | <b>(\$193.0)</b> |  |  |                             |               |  |