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## **Consensus Revenue Estimating Conference Highlights**

The State of Michigan is looking at another bleak budget year. Several national and state economists convened on Thursday January 18, 2007 to reach a consensus on the projected number for a fiscal year (FY) 2007-2008 budget. The outcome: a current-year budget deficit of \$722-\$900 million and a potential budget deficit in excess of \$2 billion in 2007-08 if a revenue-neutral replacement to the Single Business Tax (SBT) is not adopted. This marks an estimated 4.4 percent decline in General Fund revenues from 2006 and a projected 14.8 percent decline for 2007-08.

Other highlights of the 2007 Consensus Revenue Estimating Conference:

- Economists cite the uncertainty of the Single Business Tax replacement as the policy that is most hindering economic growth in Michigan.
- Economists cite the loss of SBT revenue, state overspending, and lost gaming tax for temporary structures as the major causes for the budget deficit.
- Census data shows declines in revenue to the School Aid Fund are a result of the school age population declining.
- Citizens are expected to receive a 2.2 percent growth in personal income due to federal tax credits. However, disposable income is expected to be down in 2007-2008, due to the rate of inflation exceeding the growth of personal income.
- If a revenue-neutral SBT replacement is enacted, the revenues for 2007-08 are projected to increase roughly 1.6 percent.
- The downturn of the School Aid Fund means a possible \$224-per-pupil budget cut. This cut would wipe out the \$210-per-pupil increase lawmakers planned for fiscal year 2007.
- Economic experts forecast a return to economic prosperity for Michigan by 2020. If an unprecedented employment growth similar to the 1990s happens, prosperity could come as early as 2013.

Karoub Associates will be closely monitoring the Michigan's declining revenue situation as it translates into budgets for fiscal year 2007-08.