



ECONOMIC ASSUMPTIONS AND REVENUE ESTIMATES

NATIONAL ECONOMY

The Legislative Fiscal Bureau's 2017-19 revenue estimates are based on the January 2017 national economic forecast from IHS Markit. IHS Markit forecasts strengthening economic growth in 2017 relative to the modest rate of growth in 2016 as a strong labor market supports accelerating growth in personal income. Economic growth is expected to accelerate in 2018 due to expected federal fiscal stimulus, predominantly in the form of tax reductions and infrastructure investments before decelerating slightly in 2019.

- **Real Output Growth.** Real Gross Domestic Product (GDP) is projected to increase by 2.3 percent in 2017, 2.6 percent in 2018, and 2.3 percent in 2019.
- **Employment.** Employment is projected to continue to grow moderately over the next few years with growth in total nonfarm payrolls of 1.3 percent in 2017 and 1.2 percent in both 2018 and 2019. These rates of growth are down from the past few years as slack in the labor market has been largely absorbed.
- **Inflation.** Inflation is projected to accelerate relative to recent years with consumer prices expected to rise 2.5 percent in 2017, 2.1 percent in 2018, and 2.5 percent in 2019.
- **Profits.** Corporate profits are expected to jump in the next two years before decelerating. Economic profits are projected to grow by 8.0 percent in 2017, 4.8 percent in 2018, and 0.3 percent in 2019.
- **Incomes.** Personal income growth is projected to accelerate with growth of 4.6 percent in 2017, 5.2 percent in 2018, and 5.3 percent in 2019.
- **Retail Sales.** Retail sales growth is expected to generally grow in line with incomes over the next few years with projected growth of 4.1 percent in 2017, 4.8 percent in 2018, and 5.2 percent in 2019.



SUMMARY OF THE NATIONAL ECONOMIC OUTLOOK

Economic Indicators	Actual			Forecast	
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Gross Domestic Product					
Nominal GDP	3.7	2.9	4.7	4.8	4.4
Real GDP	2.6	1.6	2.3	2.6	2.3
Prices and Wages					
GDP Deflator	1.1	1.3	2.3	2.1	2.1
Consumer Price Index	0.1	1.3	2.5	2.1	2.1
Compensation Per Hour	2.1	2.1	2.5	3.1	3.4
Production and Other Measures					
Total Nonfarm Employment	2.1	1.7	1.3	1.2	1.2
Industrial Production	0.3	-1.0	1.5	3.0	2.1
Housing Starts (Millions)	1.108	1.162	1.223	1.320	1.387
Light Vehicle Sales (Millions)	17.40	17.41	17.38	17.57	17.56
Retail Sales	2.3	3.0	4.1	4.8	5.2
Profits and Income					
Corporate Profits Before Tax	-5.5	3.0	8.2	3.4	-0.5
Personal Income	4.4	3.5	4.6	5.2	5.3

All numbers are annual percent change except as noted.

REVENUE AND EXPENDITURE OUTLOOK

The revenue estimates released by the Legislative Fiscal Bureau on January 18, 2017, reflect an improved outlook for Wisconsin. The bureau projects revenues will increase by \$406,100,000 (2.7 percent) in the current fiscal year, by \$529,800,000 (3.4 percent) in fiscal year 2017-18, and by \$582,600,000 (3.6 percent) in fiscal year 2018-19.

These increases demonstrate Wisconsin's steady economic growth, mirroring the national trend. Individual income tax revenues are expected to grow 4.0 percent this year, 3.9 percent in fiscal year 2017-18, and 4.2 percent in fiscal year 2018-19. Sales tax revenues are also expected to increase this year and in each year of the upcoming biennium, with growth of 2.9 percent this year, 3.0 percent in fiscal year 2017-18, and 3.9 percent in fiscal year 2018-19. Corporate income tax revenues are expected to decline (6.5 percent) in the current year from the prior year actuals, but then grow by 4.4 percent in fiscal year 2017-18 and 1.1 percent in fiscal year 2018-19.

As in the past three biennia, this budget will continue to provide prudent levels of tax relief while also managing the state's fiscal condition responsibly. The tax relief the Governor recommends will be well within the bounds of what can be paid for with projected revenues.

The Governor's 2017-19 biennial budget builds upon the tough, but prudent decisions characterizing the prior three biennia, which have funded key state priorities while also minimizing the burden borne by state taxpayers.



GENERAL PURPOSE REVENUE ESTIMATES
(\$ in millions)

<u>Current Law Estimates</u>	Actual <u>FY16</u>	Estimate <u>FY17</u>	Estimate <u>FY18</u>	Estimate <u>FY19</u>
Individual Income	\$7,740.8	\$8,050.0	\$8,360.0	\$8,710.0
General Sales and Use	5,065.8	5,215.0	5,370.0	5,580.0
Corporation Franchise and Income	963.0	900.0	940.0	950.0
Public Utility	360.6	359.7	373.5	378.2
Excise				
Cigarette	573.4	565.0	565.0	561.0
Tobacco Products	76.1	82.0	85.0	88.0
Liquor and Wine	50.0	51.0	52.0	53.0
Beer	9.0	8.9	8.9	8.8
Insurance Companies	177.3	187.0	192.0	197.0
Miscellaneous	<u>81.4</u>	<u>85.0</u>	<u>87.0</u>	<u>90.0</u>
 Total GPR Taxes	 \$15,097.5	 \$15,503.6	 \$16,033.4	 \$16,616.0
 Change Over Prior Year				
Amount		\$406.1	\$529.8	\$582.6
Percent		2.7%	3.4%	3.6%

Detail may not add due to rounding.



The Governor's budget reduces the Wisconsin individual income tax for taxable income up to \$28,090 for single filer and \$37,450 for a married joint filer, makes significant efforts to improve tax law enforcement and clarifies the treatment of existing law.

**GENERAL PURPOSE REVENUE ESTIMATES UNDER
GOVERNOR'S RECOMMENDATIONS**
(\$ in millions)

<u>Current Law Estimates</u>	<u>Actual FY16</u>	<u>Estimate FY17</u>	<u>Estimate FY18</u>	<u>Estimate FY19</u>
Individual Income	\$7,740.8	\$8,050.0	\$8,277.8	\$8,637.0
General Sales and Use	5,065.8	5,215.0	5,374.9	5,585.0
Corporation Franchise and Income	963.0	900.0	957.0	975.1
Public Utility	360.6	359.7	373.5	378.2
Excise				
Cigarette	573.4	565.0	565.0	561.0
Liquor and Wine	76.1	82.0	85.0	88.0
Tobacco Products	50.0	51.0	52.0	53.0
Beer	9.0	8.9	8.9	8.8
Insurance Companies	177.3	187.0	192.0	197.0
Miscellaneous	<u>81.4</u>	<u>85.0</u>	<u>87.0</u>	<u>90.0</u>
Total GPR Taxes	\$15,097.5	\$15,503.6	\$15,973.1	\$16,573.0
Change Over Prior Year				
Amount		\$406.1	\$469.5	\$599.9
Percent		2.7%	3.0%	3.8%

Detail may not add due to rounding.