

MEMORANDUM



DATE: May 17, 2024
TO: Members of the Michigan House of Representatives
FROM: Mary Ann Cleary, Director *MAC*
RE: Consensus Revenue Agreement – May 17, 2024

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 May 2024 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 2024 Conference Chairperson.

The attached tables provide a summation of the agreements reached at the May 2024 conference. These consensus estimates will be reviewed and updated at the January 2025 conference.

Table 1: Consensus Economic Forecast

Provides estimates of various state and national economic variables. Real gross domestic product (GDP) is projected to increase 2.4% in calendar year (CY) 2024, 2.0% in CY 2025, and 2.2% in CY 2026. Michigan personal income is forecast to increase 3.5% in CY 2024, 4.4% in CY 2025, and 3.5% in CY 2026.

Table 2: Consensus Estimates of GF/GP and SAF

Provides revised revenue estimates for FY 2023-24 through FY 2025-26. Relative to FY 2022-23, net GF/GP and SAF revenue is estimated to decrease \$94.4 million or 0.3% in FY 2023-24, increase \$672.3 million or 2.1% in FY 2024-25, and increase \$1,054.3 million or 3.3% in FY 2025-26.

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

There are no pay-ins or pay-outs suggested for FY 2023-24 or FY 2024-25. There is a calculated pay-in of \$15.7 million suggested for FY 2025-26. It should be noted that the deposits to and withdrawals from the BSF are not automatic, and that they require an appropriation. 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 revenues exceed or fall below 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 \$10.27 billion below the limit in FY 2022-23, \$10.64 billion below in FY 2023-24, \$12.43 billion below in FY 2024-25, and \$13.28 billion below the limit in FY 2025-26.

Table 5: Long Term Revenue Trend

The long term revenue trend for combined GF/GP and SAF revenue is 2.5% growth for FY 2026-27 and 2.8% growth for FY 2027-28.

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 2024-25 and FY 2025-26. 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 2024-25 is 1.0045 and FY 2025-26 is 1.0048. The index would equal a 1.8% increase in the foundation allowance in FY 2024-25 and 2.9% increase in FY 2025-26.

Table 8: Consensus Estimate—Child Development and Care (CDC) Caseload and Costs

Reports consensus estimates of CDC caseload costs for FY 2023-24 and FY 2024-25. The annual CDC cost is estimated at \$399.3 million for FY 2023-24 and \$433.9 for FY 2024-25.

Table 9: Consensus Estimate—Human Services and Medicaid Expenditures

Reviews consensus Gross and GF/GP expenditure estimates for Human Services caseload programs and Medicaid programs. Human Services caseload program GF/GP expenditures are estimated to increase \$36.9 million in FY 2023-24, \$24.4 million in FY 2024-25, and \$24.4 million FY 2025-26. Medicaid GF/GP expenditures are estimated to increase \$53.9 million in FY 2023-24 and decrease \$103.6 in both FY 2024-25 and FY 2025-26.

Income Tax Rate Under MCL 206.51(1)

In accordance with Section 51(1)(c) of the Income Tax Act, it has been determined that a formulary reduction to the rate for tax year 2024 is not required.

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

Attachments

Table 1
Consensus Economic Forecast
May 2024

	Calendar 2023 Actual	% Change from Prior Year	Calendar 2024 Forecast	% Change from Prior Year	Calendar 2025 Forecast	% Change from Prior Year	Calendar 2026 Forecast	% Change from Prior Year
<u>United States</u>								
Real Gross Domestic Product (Billions of Chained 2012 Dollars)	\$22,377	2.5%	\$22,914	2.4%	\$23,372	2.0%	\$23,886	2.2%
Implicit Price Deflator GDP (2012 = 100)	122.3	3.6%	125.0	2.2%	127.6	2.1%	130.3	2.1%
Consumer Price Index (1982-84 = 100)	304.702	4.1%	313.951	3.0%	321.639	2.4%	329.598	2.5%
Consumer Price Index – Fiscal Year (1982-84 = 100)	302.289	5.1%	311.589	3.1%	320.052	2.7%	327.311	2.3%
Personal Consumption Deflator (2012 = 100)	120.4	3.7%	122.9	2.1%	125.5	2.1%	128.1	2.1%
3-month Treasury Bills Interest Rate (Percent)	5.1%		5.0%		4.4%		3.6%	
Unemployment Rate - Civilian (Percent)	3.6%		4.0%		4.2%		4.2%	
Wage and Salary Employment (Millions)	156.051	2.3%	158.548	1.6%	159.975	0.9%	161.415	0.9%
Housing Starts (Millions of Starts)	1.420	(8.5%)	1.410	(0.7%)	1.443	2.3%	1.485	2.9%
Light Vehicle Sales (Millions of Units)	15.5	12.6%	16.0	3.1%	16.4	2.5%	16.3	(0.6%)
Passenger Car Sales (Millions of Units)	3.1	8.6%	3.2	2.5%	3.2	(0.9%)	3.2	0.9%
Light Truck Sales (Millions of Units)	12.4	13.6%	12.8	3.2%	13.2	3.4%	13.1	(1.0%)
Big 3 Share of Light Vehicles (Percent)	36.1%		35.3%		34.7%		33.7%	
<u>Michigan</u>								
Wage and Salary Employment (Thousands)	4,451	1.8%	4,487	0.8%	4,531	1.0%	4,545	0.3%
Unemployment Rate (Percent)	3.9%		4.2%		4.3%		4.3%	
Personal Income (Millions of Dollars)	\$599,366	4.7%	\$620,344	3.5%	\$647,639	4.4%	\$670,306	3.5%
Real Personal Income (Millions of 1982-84 Dollars)	\$211,246	(1.0%)	\$213,122	0.9%	\$217,124	1.9%	\$219,199	1.0%
Wages and Salaries (Millions of Dollars)	\$300,571	6.2%	\$313,195	4.2%	\$326,036	4.1%	\$336,143	3.1%
Detroit Consumer Price Index (1982-84 = 100)	283.729	5.8%	291.074	2.6%	298.280	2.5%	305.798	2.5%
Detroit CPI – Fiscal Year (1982-84 = 100)	281.054	6.7%	288.382	2.6%	296.460	2.8%	303.214	2.3%

Note: Percentages may not calculate exactly due to rounding.

Table 2
May 2024: Revenue Comparison and Consensus Estimates of GF/GP and SAF
(Millions of Dollars)

	FY 2023-24				FY 2024-25				FY 2025-26			
	<u>May 2024 Consensus</u>	<u>Change From FY 2022-23</u>		<u>\$ Change From January 2024 Consensus</u>	<u>May 2024 Consensus</u>	<u>Change From FY 2023-24</u>		<u>\$ Change From January 2024 Consensus</u>	<u>May 2024 Consensus</u>	<u>Change From FY 2024-25</u>		<u>\$ Change From January 2024 Consensus</u>
Net GF/GP Revenue	\$13,948.8	(\$18.0)	(0.1%)	\$351.4	\$14,257.8	\$309.0	2.2%	\$235.6	\$14,886.5	\$628.7	4.4%	\$178.9
Net SAF Revenue	\$17,783.6	(\$76.4)	(0.4%)	(\$163.3)	\$18,146.9	\$363.3	2.0%	(\$160.1)	\$18,572.5	\$425.6	2.3%	(\$133.5)
Net GF/GP and SAF	\$31,732.4	(\$94.4)	(0.3%)	\$188.1	\$32,404.7	\$672.3	2.1%	\$75.5	\$33,459.0	\$1,054.3	3.3%	\$45.4

Numbers may not calculate exactly due to rounding.

Table 3
May 2024: Consensus Estimate for Budget and Economic Stabilization Fund Calculation
(Millions of Dollars)

	FY 2023-24 Pay-In Calculation		FY 2024-25 Pay-In / FY 2023-24 Pay-Out Calculation		FY 2025-26 Pay-In / FY 2024-25 Pay-Out Calculation		FY 2025-26 Pay-Out Calculation	
	<u>CY 2022</u>	<u>CY 2023</u>	<u>CY 2023</u>	<u>CY 2024</u>	<u>CY 2024</u>	<u>CY 2025</u>	<u>CY 2025</u>	<u>CY 2026</u>
Michigan Personal Income ⁽¹⁾	\$572,325	\$599,366	\$599,366	\$620,344	\$620,344	\$647,639	\$647,639	\$670,306
Less Transfer Payments ⁽¹⁾	\$123,353	\$126,936	\$126,936	\$130,116	\$130,116	\$134,672	\$134,672	\$139,379
Income Net of Transfers	\$448,972	\$472,430	\$472,430	\$490,228	\$490,228	\$512,967	\$512,967	\$530,927
Detroit CY CPI ⁽²⁾	2.681	2.837	2.837	2.911	2.911	2.983	2.983	3.058
Real Adjusted Michigan Personal Income	\$167,451	\$166,507	\$166,507	\$168,420	\$168,420	\$171,975	\$171,975	\$173,620
Change in Real Adjusted Personal Income		(0.6%)		1.2%		2.1%		1.0%
Amount Under 0%		(0.6%)		N/A		N/A		N/A
Between 0% and 2%		N/A		1.2%		2.0%		1.0%
Excess Over 2%		N/A		N/A		0.1%		N/A
GF/GP Revenue	FY 2022-23	\$13,966.7	FY 2023-24	\$13,948.8	FY 2024-25	\$14,257.8	FY 2025-26	\$14,886.5
BSF PAY-IN⁽³⁾	FY 2023-24	No Pay-In	FY 2024-25	No Pay-In	FY 2025-26	\$15.7	FY 2025-26	No Pay-Out
BSF PAY-OUT⁽³⁾			FY 2023-24	No Pay-Out	FY 2024-25	No Pay-Out		

Notes:

1. Personal Income and Transfer Payments: CY 2020 through CY 2022 values are reported by the U.S. Bureau of Economic Analysis. Subsequent years are May 2024 consensus estimates.
2. Detroit Consumer Price Index, CY 2020 through CY 2022 values are reported by the U.S. Bureau of Labor Statistics. Subsequent years are May 2024 consensus estimates.
3. Calculation done per MCL 18.1352.

Table 4
May 2024 Consensus Estimate
Constitutional Revenue Limit Calculation
(Millions of Dollars)

	<u>FY 2022-23</u>	<u>FY 2023-24</u>	<u>FY 2024-25</u>	<u>FY 2025-26</u>
<u>Revenue Limit</u>				
Personal Income	\$567,807	\$572,325	\$599,366	\$620,344
Ratio	9.49%	9.49%	9.49%	9.49%
Revenue Limit	\$53,884.9	\$54,313.6	\$56,879.8	\$58,870.6
Total Revenue Subject to Limit	\$43,610.7	\$43,677.3	\$44,445.0	\$45,589.8
Amount Under (Over) Limit	\$10,274.2	\$10,636.3	\$12,434.8	\$13,280.8

Numbers may not calculate exactly due to rounding.

Note: CY 2021 Personal Income is used for the FY 2023 revenue limit calculation, CY 2022 for FY 2024, CY 2023 for FY 2025, and CY 2024 for FY 2026.

Table 5
May 2024 Consensus Estimate
Long Term Revenue Trend
(Millions of Dollars)

	<u>FY 2026-27</u>	<u>FY 2027-28</u>
Net GF/GP Revenue	\$15,240.0	\$15,707.3
Growth	2.4%	3.1%
Net SAF Revenue	\$19,071.5	\$19,567.8
Growth	2.7%	2.6%
Combined GF/GP and SAF	\$34,311.5	\$35,275.1
Growth	2.5%	2.8%

Table 6
May 2024 Consensus Estimate
Revenue Adjustment Factor and Pupil Membership Adjustment Factor
for FY 2024-25

<u>Revenue Adjustment Factor (Millions of \$)</u>			
	<u>FY 2022-23</u>	<u>FY 2023-24</u>	<u>FY 2024-25</u>
Baseline SAF Revenue	\$17,908.5	\$17,957.8	\$18,375.8
Balance Sheet Adjustments	(\$48.5)	(\$174.2)	(\$228.9)
Net SAF Estimate	\$17,860.0	\$17,783.6	\$18,146.9
Subtotal Adjustments to FY 2024-25 Base	(\$180.4)	(\$54.7)	\$0.0
Baseline Revenue on an FY 2024-25 Base	\$17,679.6	\$17,728.9	\$18,146.9
Percent Change		(0.28%)	2.36%
SAF Revenue Adjustment Calculation for FY 2024-25:			
Sum of FY 2022-23 and FY 2023-24	\$17,679.6 +	\$17,728.9 =	\$35,408.5
Sum of FY 2023-24 and FY 2024-25	\$17,728.9 +	\$18,146.9 =	\$35,875.8
FY 2024-25 Revenue Adjustment Factor			1.0132
<i>Note: Factor is calculated off a FY 2025 base year.</i>			
	<u>January 2024</u> <u>Consensus</u> <u>Estimate</u>	<u>May 2024</u> <u>Consensus</u> <u>Estimate</u>	<u>Change</u>
<u>Pupil Membership Adjustment Factor</u>			
FY 2023-24			
Local Districts	1,240,000	1,239,600	(400)
Public School Academies	<u>151,700</u>	<u>151,600</u>	<u>(100)</u>
Total	1,391,700	1,391,200	(500)
FY 2024-25			
Local Districts	1,233,500	1,232,500	(1,000)
Public School Academies	<u>152,400</u>	<u>152,500</u>	<u>100</u>
Total	1,385,900	1,385,000	(900)
	<u>FY 2023-24</u>	<u>FY 2024-25</u>	
Consensus Estimate of Pupil Membership	1,391,200	1,385,000	
Pupil Membership Adjustment Factor for FY 2024-25:			
<u>FY 2023-24 Pupil Membership</u>	=	<u>1,391,200</u>	
<u>FY 2024-25 Pupil Membership</u>	=	<u>1,385,000</u>	
FY 2024-25 Pupil Membership Adjustment Factor			1.0045
FY 2024-25 School Aid Index			1.0178

Table 7
May 2024 Consensus Estimate
Revenue Adjustment Factor and Pupil Membership Adjustment Factor
for FY 2025-26

<u>Revenue Adjustment Factor (Millions of \$)</u>			
	<u>FY 2023-24</u>	<u>FY 2024-25</u>	<u>FY 2025-26</u>
Baseline SAF Revenue	\$17,957.8	\$18,375.8	\$18,835.9
Balance Sheet Adjustments	(\$174.2)	(\$228.9)	(\$263.4)
Net SAF Estimate	\$17,783.6	\$18,146.9	\$18,572.5
Subtotal Adjustments to FY 2025-26 Base	(\$89.2)	(\$34.5)	\$0.0
Baseline Revenue on an FY 2025-26 Base	\$17,694.4	\$18,112.4	\$18,572.5
Percent Change		2.36%	2.54%
SAF Revenue Adjustment Calculation for FY 2025-26:			
Sum of FY 2023-24 and FY 2024-25	\$17,694.4 +	\$18,112.4 =	\$35,806.8
Sum of FY 2024-25 and FY 2025-26	\$18,112.4 +	\$18,572.5 =	\$36,684.9
FY 2025-26 Revenue Adjustment Factor			1.0245
<i>Note: Factor is calculated off a FY 2026 base year.</i>			
	<u>January 2024</u> <u>Consensus</u> <u>Estimate</u>	<u>May 2024</u> <u>Consensus</u> <u>Estimate</u>	<u>Change</u>
<u>Pupil Membership Adjustment Factor</u>			
FY 2024-25			
Local Districts	1,233,500	1,232,500	(1,000)
Public School Academies	<u>152,400</u>	<u>152,500</u>	<u>100</u>
Total	1,385,900	1,385,000	(900)
FY 2025-26			
Local Districts	1,226,500	1,225,000	(1,500)
Public School Academies	<u>153,100</u>	<u>153,400</u>	<u>300</u>
Total	1,379,600	1,378,400	(1,200)
Consensus Estimate of Pupil Membership	<u>FY 2024-25</u> 1,385,000	<u>FY 2025-26</u> 1,378,400	
Pupil Membership Adjustment Factor for FY 2025-26:			
<u>FY 2024-25 Pupil Membership</u>	=	<u>1,385,000</u>	
<u>FY 2025-26 Pupil Membership</u>	=	<u>1,378,400</u>	
FY 2025-26 Pupil Membership Adjustment Factor			1.0048
FY 2025-26 School Aid Index			1.0294

Table 8
May 2024 Consensus Estimate
Department of Lifelong Education, Advancement, and Potential
Estimate for Child Development and Care Caseloads and Costs
FY 2023-24 and FY 2024-25

	<u>Current Law</u>	<u>May 2024 Consensus Estimate</u>	<u>Difference from Current Law</u>
FY 2023-24 Total	\$364,500,000	\$399,312,000	\$34,812,000
FY 2024-25 Total		\$433,944,000	\$69,444,000

Child Development and Care Caseloads and Costs History				
Fiscal Year	Cases	\$/Case	Total \$/Month	Total \$/Year
2018-19	19,968	\$797.04	\$15,915,341	\$190,984,094
2019-20	18,779	\$874.18	\$16,416,209	\$196,994,509
2020-21	13,976	\$1,301.97	\$18,196,288	\$218,355,451
2021-22	15,766	\$1,720.65	\$27,127,769	\$325,533,231
2022-23	20,306	\$1,785.30	\$36,252,035	\$435,024,424
2023-24 Est.	23,600	\$1,410.00	\$33,276,000	\$399,312,000
2024-25 Est.	25,200	\$1,435.00	\$36,162,000	\$433,944,000

Table 9
May 2024 Consensus Expenditure Estimate
Department of Health and Human Services
FY 2023-24 Through FY 2025-26

	Gross Change to Originally Proposed/Enacted <u>Appropriation</u>	GF/GP Change to Originally Proposed/Enacted <u>Appropriation</u>
<u>Health Services</u>		
FY 2023-24	\$2,530,483,400	\$53,916,200
FY 2024-25	(\$134,525,500)	(\$103,621,000)
FY 2025-26	(\$134,525,500)	(\$103,621,000)
<u>Human Services</u>		
FY 2023-24	\$14,193,600	\$36,869,100
FY 2024-25	\$28,487,400	\$24,409,700
FY 2025-26	\$28,487,400	\$24,409,700
<u>Total for Department of Health and Human Services</u>		
FY 2023-24	\$2,544,677,000	\$90,785,300
FY 2024-25	(\$106,038,100)	(\$79,211,300)
FY 2025-26	(\$106,038,100)	(\$79,211,300)