MEMORANDUM

HOUSE FISCAL AGENCY

DATE: May 16, 2025

TO: Members of the Michigan House of Representatives

FROM: Mary Ann Cleary, Director

RE: Consensus Revenue Agreement – May 16, 2025

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 2025 meeting were the Director of the House Fiscal Agency, the Director of the Senate Fiscal Agency, and the State Treasurer. The State Treasurer is the 2025 Conference Chairperson.

The attached tables provide a summation of the agreements reached at the May 2025 conference. These consensus estimates will be reviewed and updated at the January 2026 conference.

Table 1: Consensus Economic Forecast
Provides estimates of various state and national economic variables. Real gross domestic product (GDP) is projected to increase 1.1% in calendar year (CY) 2025, 1.2% in CY 2026, and 1.9% in CY 2027. Michigan personal income is forecast to increase 3.6% in CY 2025, 3.6% in CY 2026, and 3.7% in CY 2027.

Table 2: Consensus Estimates of GF/GP and SAF
Provides revised revenue estimates for FY 2024-25 through FY 2026-27. Relative to FY 2023-24, net GF/GP and SAF revenue is estimated to increase $437.5 million or 1.3% in FY 2024-25, increase $1,009.8 million or 3.1% in FY 2025-26, and increase $693.5 million or 2.0% in FY 2026-27.

Table 3: Consensus Estimate—Budget and Economic Stabilization Fund (BSF) Calculation
There are no pay-ins or pay-outs suggested for FY 2024-25. There is a calculated pay-out up to $538.5 million for FY 2025-26. There are no pay-ins or pay-outs suggested for FY 2026-27. 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 $9.71 billion below the limit in FY 2023-24, $13.15 billion below in FY 2024-25, $14.64 billion below in FY 2025-26, and $16.08 billion below the limit in FY 2026-27.

Table 5: Long Term Revenue Trend
The long term revenue trend for combined GF/GP and SAF revenue is 3.3% growth for FY 2027-28 and 2.9% growth for FY 2028-29.

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 2025-26 and FY 2026-27. 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 2025-26 is 1.0296 and FY 2026-27 is 1.0286. The index would equal a 3.0% increase in the foundation allowance in FY 2025-26 and 2.9% increase in FY 2026-27.

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

Reports consensus estimates of CDC caseload costs for FY 2024-25 and FY 2025-26. The annual CDC cost is estimated at $511.3 million for FY 2024-25 and $543.3 million for FY 2025-26.

Table 9: Consensus Estimate— Medicaid Expenditures and Human Services

Reviews consensus Gross and GF/GP expenditure estimates for Medicaid and Human Services caseload programs. Medicaid GF/GP expenditures are estimated to increase $212.5 million in FY 2024-25 and decrease $9.4 million in both FY 2025-26 and FY 2026-27. Human Services caseload program GF/GP expenditures are estimated to increase $21.6 million in FY 2024-25 and decrease $4.8 million in both FY 2025-26 and FY 2026-27.

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 2025 is not required.

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

Attachments

Table 1
Consensus Economic Forecast
May 2025

	Calendar 2024 Actual	% Change from Prior Year	Calendar 2025 Forecast	% Change from Prior Year	Calendar 2026 Forecast	% Change from Prior Year	Calendar 2027 Forecast	% Change from Prior Year
United States								
Real Gross Domestic Product (Billions of Chained 2017 Dollars)	$23,305	2.8%	$23,561	1.1%	$23,844	1.2%	$24,297	1.9%
Implicit Price Deflator GDP (2017 = 100)	125.2	2.4%	129.0	3.0%	133.1	3.2%	136.6	2.6%
Consumer Price Index (1982-84 = 100)	313.689	2.9%	323.731	3.2%	335.600	3.7%	345.673	3.0%
Consumer Price Index – Fiscal Year (1982-84 = 100)	311.581	3.1%	320.735	2.9%	332.873	3.8%	343.223	3.1%
Personal Consumption Deflator (2012 = 100)	123.5	2.5%	126.7	2.6%	130.4	2.9	133.6	2.5%
3-month Treasury Bills Interest Rate (Percent)	5.0%		4.1%		3.6%		3.4%	
Unemployment Rate - Civilian (Percent)	4.0%		4.5%		5.1%		5.0%	
Wage and Salary Employment (Millions)	157.959	1.3%	159.381	0.9%	159.859	0.3%	160.818	0.6%
Housing Starts (Millions of Starts)	1.364	(3.9%)	1.356	(0.6%)	1.353	(0.2%)	1.390	2.7%
Light Vehicle Sales (Millions of Units)	15.8	1.9%	15.6	(1.3%)	15.1	(3.2%)	15.2	0.7%
Passenger Car Sales (Millions of Units)	3.0	(4.7%)	2.7	(9.1%)	2.5	(7.4%)	2.5	0.0%
Light Truck Sales (Millions of Units)	12.8	3.6%	12.9	0.5%	12.6	(2.3%)	12.7	0.8%
Big 3 Share of Light Vehicles (Percent)	34.2%		33.4%		33.4%		32.5%	
Michigan								
Wage and Salary Employment (Thousands)	4,478	0.6%	4,500	0.5%	4,509	0.2%	4,518	0.2%
Unemployment Rate (Percent)	4.7%		5.6%		6.1%		6.0%	
Personal Income (Millions of Dollars)	$641,085	4.5%	$664,164	3.6%	$688,074	3.6%	$713,533	3.7%
Real Personal Income (Millions of 1982-84 Dollars)	$219,284	1.4%	$222,176	1.3%	$221,985	(0.1%)	$223,490	0.7%
Wages and Salaries (Millions of Dollars)	$308,714	4.2%	$317,975	3.0%	$327,515	3.0%	$337,668	3.1%
Detroit Consumer Price Index (1982-84 = 100)	292.354	3.0%	298.936	2.3%	309.964	3.7%	319.269	3.0%
Detroit CPI – Fiscal Year (1982-84 = 100)	289.914	3.2%	296.321	2.2%	307.370	3.7%	316.909	3.1%

Note: Percentages may not calculate exactly due to rounding.

Table 2
May 2025: Revenue Comparison and Consensus Estimates of GF/GP and SAF
(Millions of Dollars)

	FY 2024-25				FY 2025-26				FY 2026-27			
	May 2025 Consensus	Change From FY 2023-24		$ Change From January 2025 Consensus	May 2025 Consensus	Change From FY 2024-25		$ Change From January 2025 Consensus	May 2025 Consensus	Change From FY 2025-26		$ Change From January 2025 Consensus
Net GF/GP Revenue	$14,493.9	($33.2)	(0.2%)	($221.6)	$15,114.6	$620.7	4.3%	($363.1)	$15,343.7	$229.1	1.5%	($399.8)
Net SAF Revenue	$18,545.2	$470.7	2.6%	$85.6	$18,934.3	$389.1	2.1%	$42.8	$19,398.6	$464.4	2.5%	$44.1
Net GF/GP and SAF	$33,039.1	$437.5	1.3%	($136.0)	$34,048.9	$1,009.8	3.1%	($320.3)	$34,742.3	$693.5	2.0%	($355.7)

Numbers may not calculate exactly due to rounding.

Table 3
May 2025: Consensus Estimate for Budget and Economic Stabilization Fund Calculation
(Millions of Dollars)

	FY 2024-25 Pay-In Calculation		FY 2025-26 Pay-In / FY 2024-25 Pay-Out Calculation		FY 2026-27 Pay-In / FY 2025-26 Pay-Out Calculation		FY 2026-27 Pay-Out Calculation	
	CY 2023	**CY 2024**	**CY 2024**	**CY 2025**	**CY 2025**	**CY 2026**	**CY 2026**	**CY 2027**
Michigan Personal Income[1]	$613,719	$641,085	$641,085	$664,164	$664,164	$688,074	$688,074	$713,533
Less Transfer Payments[1]	$132,267	$139,341	$139,341	$146,082	$146,082	$151,986	$151,986	$158,089
Income Net of Transfers	$481,453	$501,744	$501,744	$518,082	$518,082	$536,088	$536,088	$555,444
Detroit CY CPI[2]	2.837	2.933	2.933	2.989	2.989	3.100	3.100	3.193
Real Adjusted Michigan Personal Income	$169,687	$171,095	$171,095	$173,309	$173,309	$172,952	$172,952	$173,974
Change in Real Adjusted Personal Income		0.8%		1.3%		(0.2%)		0.6%
Amount Under 0%		N/A		N/A		(0.2%)		N/A
Between 0% and 2%		0.8%		1.3%		N/A		0.6%
Excess Over 2%		N/A		N/A		N/A		N/A
GF/GP Revenue	FY 2023-24	$14,527.0	FY 2024-25	$14,493.9	FY 2025-26	$15,114.6	FY 2026-27	$15,343.7
BSF PAY-IN[3]	**FY 2024-25**	**No Pay-In**	**FY 2025-26**	**No Pay-In**	**FY 2026-27**	**No Pay-In**		
BSF PAY-OUT[3]			**FY 2024-25**	**No Pay-Out**	**FY 2025-26**	**$538.5**	**FY 2026-27**	**No Pay-Out**

Notes:

1. Personal Income and Transfer Payments: CY 2021 through CY 2023 values are reported by the U.S. Bureau of Economic Analysis. Subsequent years are May 2025 consensus estimates.
2. Detroit Consumer Price Index, CY 2021 through CY 2023 values are reported by the U.S. Bureau of Labor Statistics. Subsequent years are May 2025 consensus estimates.
3. Calculation done per MCL 18.1352.

Table 4
May 2025 Consensus Estimate
Constitutional Revenue Limit Calculation
(Millions of Dollars)

	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
Revenue Limit				
Personal Income	$572,325	$613,719	$641,085	$664,164
Ratio	9.49%	9.49%	9.49%	9.49%
Revenue Limit	**$54,313.6**	**$58,241.9**	**$60,839.0**	**$63,029.2**
Total Revenue Subject to Limit	**$44,601.0**	**$45,089.8**	**$46,194.9**	**$46,945.9**
Amount Under (Over) Limit	**$9,712.6**	**$13,152.1**	**$14,644.1**	**$16,083.3**

Numbers may not calculate exactly due to rounding.

Note: CY 2022 Personal Income is used for the FY 2024 revenue limit calculation, CY 2023 for FY 2025, CY 2024 for FY 2026, and CY 2025 for FY 2027.

Table 5
May 2025 Consensus Estimate
Long Term Revenue Trend
(Millions of Dollars)

	FY 2027-28	FY 2028-29
Net GF/GP Revenue	$15,926.5	$16,447.9
Growth	3.8%	3.3%
Net SAF Revenue	$19,956.9	$20,485.8
Growth	2.9%	2.7%
Combined GF/GP and SAF	$35,883.4	$36,933.7
Growth	3.3%	2.9%

Table 6
May 2025 Consensus Estimate
Revenue Adjustment Factor and Pupil Membership Adjustment Factor
for FY 2025-26

Revenue Adjustment Factor (Millions of $)

	FY 2023-24		FY 2024-25		FY 2025-26
Baseline SAF Revenue	$18,159.9		$18,668.1		$19,061.4
Balance Sheet Adjustments	($118.8)		($122.9)		($127.1)
Net SAF Estimate	$18,041.1		$18,545.2		$18,934.3
Subtotal Adjustments to FY 2025-26 Base	($8.3)		($4.2)		$0.0
Baseline Revenue on an FY 2025-26 Base	$18,032.8		$18,541.0		$18,934.3
Percent Change			2.82%		2.12%
SAF Revenue Adjustment Calculation for FY 2025-26:					
Sum of FY 2023-24 and FY 2024-25	$18,032.8	+	$18,541.0	=	$36,573.8
Sum of FY 2024-25 and FY 2025-26	$18,541.0	+	$18,934.3	=	$37,475.3

FY 2025-26 Revenue Adjustment Factor	**1.0246**

Note: Factor is calculated off a FY 2026 base year.

Pupil Membership Adjustment Factor	January 2025 Consensus Estimate	May 2025 Consensus Estimate	Change
FY 2024-25			
Local Districts	1,230,300	1,230,000	(300)
Public School Academies	154,000	154,500	500
Total	**1,384,300**	**1,384,500**	**200**
FY 2025-26			
Local Districts	1,221,300	1,220,800	(500)
Public School Academies	155,800	157,000	1,200
Total	**1,377,100**	**1,377,800**	**700**

	FY 2024-25	FY 2025-26
Consensus Estimate of Pupil Membership	1,384,500	1,377,800

Pupil Membership Adjustment Factor for FY 2025-26:

FY 2024-25 Pupil Membership	=	1,384,500
FY 2025-26 Pupil Membership	=	1,377,800

FY 2025-26 Pupil Membership Adjustment Factor	**1.0049**

FY 2025-26 School Aid Index	**1.0296**

Table 7
May 2025 Consensus Estimate
Revenue Adjustment Factor and Pupil Membership Adjustment Factor
for FY 2026-27

Revenue Adjustment Factor (Millions of $)

	FY 2024-25		FY 2025-26		FY 2026-27
Baseline SAF Revenue	$18,668.1		$19,061.4		$19,527.0
Balance Sheet Adjustments	($122.9)		($127.1)		($128.3)
Net SAF Estimate	$18,545.2		$18,934.3		$19,398.7
Subtotal Adjustments to FY 2026-27 Base	($5.4)		($1.2)		$0.0
Baseline Revenue on an FY 2026-27 Base	$18,539.8		$18,933.1		$19,398.7
Percent Change			2.12%		2.46%
SAF Revenue Adjustment Calculation for FY 2026-27:					
Sum of FY 2024-25 and FY 2025-26	$18,539.8	+	$18,933.1	=	$37,472.9
Sum of FY 2025-26 and FY 2026-27	$18,933.1	+	$19,398.7	=	$38,331.8

FY 2026-27 Revenue Adjustment Factor	**1.0229**

Note: Factor is calculated off a FY 2027 base year.

Pupil Membership Adjustment Factor	**January 2025 Consensus Estimate**	**May 2025 Consensus Estimate**	**Change**
FY 2025-26			
Local Districts	1,221,300	1,220,800	(500)
Public School Academies	155,800	157,000	1,200
Total	**1,377,100**	**1,377,800**	**700**
FY 2026-27			
Local Districts	1,211,300	1,210,100	(1,200)
Public School Academies	157,800	160,000	2,200
Total	**1,369,100**	**1,370,100**	**1,000**

	FY 2025-26	FY 2026-27
Consensus Estimate of Pupil Membership	1,377,800	1,370,100
Pupil Membership Adjustment Factor for FY 2026-27:		
FY 2025-26 Pupil Membership =	1,377,800	
FY 2026-27 Pupil Membership =	1,370,100	

FY 2026-27 Pupil Membership Adjustment Factor	**1.0056**

FY 2026-27 School Aid Index	**1.0286**

Table 8
May 2025 Consensus Estimate
Department of Lifelong Education, Advancement, and Potential
Estimate for Child Development and Care Caseloads and Costs
FY 2024-25 and FY 2025-26

	Current Law	May 2025 Consensus Estimate	Difference from Current Law
FY 2024-25 Total	$499,035,800	$511,344,000	$12,308,200
FY 2025-26 Total		$543,312,000	$44,276,200

Child Development and Care Caseloads and Costs History				
Fiscal Year	**Cases**	**$/Case**	**Total $/Month**	**Total $/Year**
2018-19	19,536	$802.81	$15,683,949	$188,207,291
2019-20	18,799	$874.20	$16,416,209	$196,994,509
2020-21	13,976	$1,302.00	$18,196,288	$218,355,451
2021-22	15,766	$1,699.09	$26,787,852	$321,454,235
2022-23	20,306	$1,785.00	$36,600,000	$439,200,000
2023-24	23,562	$1,409.10	$33,278,823	$398,414,016
2024-25 Est.	26,800	$1,590.00	$42,612,000	$511,344,000
2025-26 Est.	29,400	$1,540.00	$45,276,000	$543,312,000

Table 9
May 2025 Consensus Expenditure Estimate
Department of Health and Human Services
FY 2024-25 Through FY 2026-27

	Gross Change to Originally Proposed/Enacted Appropriation	GF/GP Change to Originally Proposed/Enacted Appropriation
Health Services		
FY 2024-25	$875,692,800	$212,520,900
FY 2025-26	$509,308,200	($9,419,200)
FY 2026-27	$509,308,200	($9,419,200)
Human Services		
FY 2024-25	$20,328,000	$21,645,900
FY 2025-26	$3,967,100	($4,806,200)
FY 2026-27	$3,967,100	($4,806,200)
Total for Department of Health and Human Services		
FY 2024-25	$896,020,800	$234,166,800
FY 2025-26	$513,275,300	($14,225,400)
FY 2026-27	$513,275,300	($14,225,400)