

MEMORANDUM



DATE: January 12, 2024
TO: Members of the Michigan House of Representatives
FROM: Mary Ann Cleary, Director *MAC*
RE: Consensus Revenue Agreement – January 12, 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 January 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 January 2024 conference. These consensus estimates will be revised and updated at the May 2024 conference.

Table 1: Consensus Economic Forecast

Provides estimates of various state and national economic variables. The forecast projects that real gross domestic product (GDP) will increase 1.8% in calendar year (CY) 2024, 2.0% in CY 2025, and 2.1% in CY 2026. Michigan personal income is forecast to increase 3.4% in CY 2024, 4.1% in CY 2025 and 3.7% in CY 2026.

Table 2: Consensus Estimates of GF/GP and SAF

Preliminary final FY 2022-23 revenue, revised revenue estimates for FY 2023-24 and FY 2024-25, and the initial estimates for FY 2025-26 are presented in Table 2. Relative to FY 2022-23, net combined GF/GP and SAF revenue is estimated to decrease \$281.0 million or 0.9% in FY 2023-24, before increasing \$784.9 million or 2.5% in FY 2024-25, and \$1,084.4 million or 3.4% in FY 2025-26.

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

There are no calculated pay-ins or pay-outs for FY 2023-24 through FY 2025-26. It should be noted that the deposits to, or 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

Calculations of the amounts that revenue exceed or do not exceed the constitutional state revenue limit established in Article IX, Section 26 of the Constitution of the State of Michigan are reported in Table 4. Total state revenue subject to the limit is estimated to be \$11.90 billion below the limit in FY 2022-23, \$12.35 billion below in FY 2023-24, \$13.63 billion below in FY 2024-25, and \$14.21 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 2.6% growth for FY 2026-27 and 2.8% 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 1.0220 and FY 2025-26 is 1.0282. The index would equal a 2.2% increase in the foundation allowance in FY 2024-25 and 2.8% in FY 2025-26.

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

Attachments

Table 1
Consensus Economic Forecast
January 2024

	Calendar 2023 Forecast	% 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 2017 Dollars)	\$22,368	2.5%	\$22,770	1.8%	\$23,226	2.0%	\$23,713	2.1%
Implicit Price Deflator GDP (2017 = 100)	122.4	3.8%	125.8	2.8%	128.8	2.4%	131.8	2.3%
Consumer Price Index (1982-84 = 100)	304.795	4.1%	313.872	3.0%	321.660	2.5%	329.525	2.4%
Consumer Price Index – Fiscal Year (1982-84 = 100)	302.289	5.1%	311.765	3.1%	319.745	2.6%	327.541	2.4%
Personal Consumption Deflator (2017 = 100)	120.5	3.9%	123.9	2.8%	126.9	2.4%	129.8	2.3%
3-month Treasury Bills Interest Rate (Percent)	5.1%		5.2%		4.6%		4.0%	
Unemployment Rate - Civilian (Percent)	3.7%		4.2%		4.2%		4.1%	
Wage and Salary Employment (Millions)	156.237	2.4%	157.955	1.1%	158.903	0.6%	160.015	0.7%
Housing Starts (Millions of Starts)	1.384	-10.8%	1.360	-1.7%	1.398	2.8%	1.420	1.6%
Light Vehicle Sales (Millions of Units)	15.5	12.7%	16.0	3.2%	16.4	2.5%	16.3	-0.6%
Passenger Car Sales (Millions of Units)	3.1	8.4%	3.2	3.2%	3.2	0.0%	3.2	0.0%
Light Truck Sales (Millions of Units)	12.4	13.8%	12.8	3.2%	13.2	3.1%	13.1	-0.8%
Detroit-3 Share of Light Vehicles (Percent)	36.8%		36.1%		35.3%		34.5%	
<u>Michigan</u>								
Wage and Salary Employment (Thousands)	4,428	1.5%	4,459	0.7%	4,485	0.6%	4,499	0.3%
Unemployment Rate (Percent)	3.9%		4.4%		4.4%		4.3%	
Personal Income (Millions of Dollars)	\$596,935	4.3%	\$617,231	3.4%	\$642,537	4.1%	\$666,311	3.7%
Real Personal Income (Millions of 1982-84 Dollars)	\$210,483	-1.4%	\$211,047	0.3%	\$214,576	1.7%	\$217,378	1.3%
Wages and Salaries (Millions of Dollars)	\$298,766	5.6%	\$311,015	4.1%	\$322,523	3.7%	\$333,166	3.3%
Detroit Consumer Price Index (1982-84 = 100)	283.602	5.8%	292.461	3.1%	299.445	2.4%	306.522	2.4%
Detroit CPI – Fiscal Year (1982-84 = 100)	281.054	6.7%	290.563	3.4%	297.827	2.5%	304.849	2.4%

NOTE: Percentages may not calculate exactly due to rounding.

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

	FY 2022-23 Preliminary Final	FY 2023-24			FY 2024-25			FY 2025-26				
		January 2024 Consensus	Change From FY 2022-23	\$ Change From May 2023 Consensus	January 2024 Consensus	Change From FY 2023-24	\$ Change From May 2023 Consensus	January 2024 Consensus	Change From FY 2024-25	\$ Change From May 2023 Consensus		
Net GF/GP Revenue	\$13,965.9	\$13,597.4	(\$368.6)	-2.6%	\$359.1	\$14,022.2	\$424.9	3.1%	\$105.8	\$14,707.6	\$685.4	4.9%
Net SAF Revenue	\$17,859.4	\$17,946.9	\$87.6	0.5%	\$58.8	\$18,307.0	\$360.0	2.0%	\$41.1	\$18,706.0	\$399.0	2.2%
Net GF/GP and SAF	\$31,825.3	\$31,544.3	(\$281.0)	-0.9%	\$417.9	\$32,329.2	\$784.9	2.5%	\$146.9	\$33,413.6	\$1,084.4	3.4%

Numbers may not calculate exactly due to rounding.

Table 3
January 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	\$596,935	\$596,935	\$617,231	\$617,231	\$642,537	\$642,537	\$666,311
Less Transfer Payments ⁽¹⁾	\$123,353	\$126,936	\$126,936	\$130,378	\$130,378	\$135,465	\$135,465	\$140,209
Income Net of Transfers	\$448,972	\$469,999	\$469,999	\$486,853	\$486,853	\$507,072	\$507,072	\$526,102
Detroit CY CPI ⁽²⁾	2.681	2.836	2.836	2.925	2.925	2.994	2.994	3.065
Real Adjusted Michigan Personal Income	\$167,451	\$165,725	\$165,725	\$166,468	\$166,468	\$169,337	\$169,337	\$171,636
Change in Real Adjusted Personal Income		-1.0%		0.5%		1.7%		1.4%
Amount Under 0%		-1.0%		N/A		N/A		N/A
Between 0% and 2%		N/A		0.5%		1.7%		1.4%
Excess Over 2%		N/A		N/A		N/A		N/A
GF/GP Revenue	FY 2022-23	\$13,965.9	FY 2023-24	\$13,597.4	FY 2024-25	\$14,022.2	FY 2025-26	\$14,707.6
BSF PAY-IN⁽³⁾	FY 2023-24	No Pay-In	FY 2024-25	No Pay-In	FY 2025-26	No Pay-In	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 January 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 January 2024 consensus estimates.
3. Calculation done per MCL 18.1352.

Table 4
January 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	\$596,935	\$617,231
Ratio	9.49%	9.49%	9.49%	9.49%
Revenue Limit	\$53,884.9	\$54,313.6	\$56,649.1	\$58,575.2
Total Revenue Subject to Limit	\$41,985.2	\$41,959.2	\$43,021.9	\$44,362.7
Amount Under (Over) Limit	\$11,899.6	\$12,354.4	\$13,627.2	\$14,212.6

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
Long Term Revenue Trend
(Millions of Dollars)

	<u>FY 2026-27</u>	<u>FY 2027-28</u>
Net GF/GP Revenue	\$15,071.5	\$15,534.3
Growth	2.5%	3.1%
Net SAF Revenue	\$19,204.7	\$19,703.6
Growth	2.7%	2.6%
Combined GF/GP and SAF	\$34,276.2	\$35,237.9
Growth	2.6%	2.8%

Table 6
January 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	\$17,908.6	\$18,121.2	\$18,538.2
Balance Sheet Adjustments	<u>(\$49.2)</u>	<u>(\$174.3)</u>	<u>(\$231.2)</u>
Net SAF Estimate	\$17,859.4	\$17,946.9	\$18,307.0
Subtotal Adjustments to FY 2024-25 Base	<u>(\$182.0)</u>	<u>(\$56.9)</u>	<u>\$0.0</u>
Baseline Revenue on an FY 2024-25 Base	\$17,677.4	\$17,890.0	\$18,307.0
Percent Change		1.20%	2.33%
SAF Revenue Adjustment Calculation for FY 2024-25:			
Sum of FY 2022-23 and FY 2023-24	\$17,677.4 +	\$17,890.0 =	\$35,567.4
Sum of FY 2023-24 and FY 2024-25	\$17,890.0 +	\$18,307.0 =	\$36,197.0
FY 2024-25 Revenue Adjustment Factor			1.0177
<i>Note: Factor is calculated off a FY 2025 base year.</i>			
	<u>May 2023 Consensus Estimate</u>	<u>January 2024 Consensus Estimate</u>	<u>Change</u>
<u>Pupil Membership Adjustment Factor</u>			
<u>FY 2023-24</u>			
Local Districts	1,243,100	1,240,000	(3,100)
Public School Academies	<u>150,500</u>	<u>151,700</u>	<u>1,200</u>
Total	1,393,600	1,391,700	(1,900)
<u>FY 2024-25</u>			
Local Districts	1,237,500	1,233,500	(4,000)
Public School Academies	<u>151,000</u>	<u>152,400</u>	<u>1,400</u>
Total	1,388,500	1,385,900	(2,600)
Consensus Estimate of Pupil Membership	<u>1,391,700</u>	<u>1,395,900</u>	
Pupil Membership Adjustment Factor for FY 2024-25:			
<u>FY 2023-24 Pupil Membership</u>	=	<u>1,391,700</u>	
<u>FY 2024-25 Pupil Membership</u>	=	<u>1,385,900</u>	
FY 2024-25 Pupil Membership Adjustment Factor			1.0042
FY 2024-25 School Aid Index			1.0220

Table 7
January 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	\$18,121.2	\$18,538.2	\$18,971.8
Balance Sheet Adjustments	(\$174.3)	(\$231.2)	(\$265.9)
Net SAF Estimate	\$17,946.9	\$18,307.0	\$18,705.9
Subtotal Adjustments to FY 2025-26 Base	(\$91.6)	(\$34.7)	\$0.0
Baseline Revenue on an FY 2025-26 Base	\$17,855.3	\$18,272.3	\$18,705.9
Percent Change		2.34%	2.37%
SAF Revenue Adjustment Calculation for FY 2025-26:			
Sum of FY 2023-24 and FY 2024-25	\$17,855.3 +	\$18,272.3 =	\$36,127.6
Sum of FY 2024-25 and FY 2025-26	\$18,272.3 +	\$18,705.9 =	\$36,978.2
FY 2025-26 Revenue Adjustment Factor			1.0235
<i>Note: Factor is calculated off a FY 2026 base year.</i>			
	<u>May 2023 Consensus Estimate</u>	<u>January 2024 Consensus Estimate</u>	<u>Change</u>
<u>Pupil Membership Adjustment Factor</u>			
<u>FY 2024-25</u>			
Local Districts	1,237,500	1,233,500	(4,000)
Public School Academies	<u>151,000</u>	<u>152,400</u>	<u>1,400</u>
Total	1,388,500	1,385,900	(2,600)
<u>FY 2025-26</u>			
Local Districts	N/A	1,226,500	N/A
Public School Academies	<u>N/A</u>	<u>153,100</u>	<u>N/A</u>
Total	N/A	1,379,600	N/A
	<u>FY 2024-25</u>	<u>FY 2025-26</u>	
Consensus Estimate of Pupil Membership	1,385,900	1,379,600	
Pupil Membership Adjustment Factor for FY 2025-26:			
<u>FY 2024-25 Pupil Membership</u>	=	<u>1,385,900</u>	
<u>FY 2025-26 Pupil Membership</u>	=	<u>1,379,600</u>	
FY 2025-26 Pupil Membership Adjustment Factor			1.0046
FY 2025-26 School Aid Index			1.0282