

ECONOMIC OUTLOOK AND REVENUE ESTIMATES FOR MICHIGAN

**FY 2023-24
THROUGH
FY 2025-26**



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FOREWORD

This report includes a national and state economic forecast for calendar year (CY) 2023 through CY 2026. It also presents final General Fund/General Purpose (GF/GP) and School Aid Fund (SAF) revenue for fiscal year (FY) 2022-23 and revised revenue estimates for FY 2023-24 through FY 2025-26. Estimates reported herein will be presented to the Consensus Revenue Estimating Conference on May 17, 2024, and will be used to facilitate the consensus estimating process.

This report includes House Fiscal Agency (HFA) analyses of important factors that will affect state and national economies through the year 2026, and estimates of the Countercyclical Budget Stabilization Fund, state compliance with the Constitutional State Revenue Limit, and GF/GP and SAF year-end balances.

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ECONOMIC OVERVIEW AND FORECAST

This section presents the economic forecast used by the House Fiscal Agency (HFA) to produce its revenue forecasts for FY 2023-24 through FY 2025-26. In developing the U.S. and Michigan forecasts, key macroeconomic data such as employment, interest rates, business investment, light vehicle sales, international trade, oil prices, and consumer spending are examined with the goal of combining these variables along with others into an overall snapshot of the U.S. economy for the past year, current year, and two subsequent years. The key segments for Michigan include the automotive sector, the labor force and employment, wage and salary income, and inflation rates.

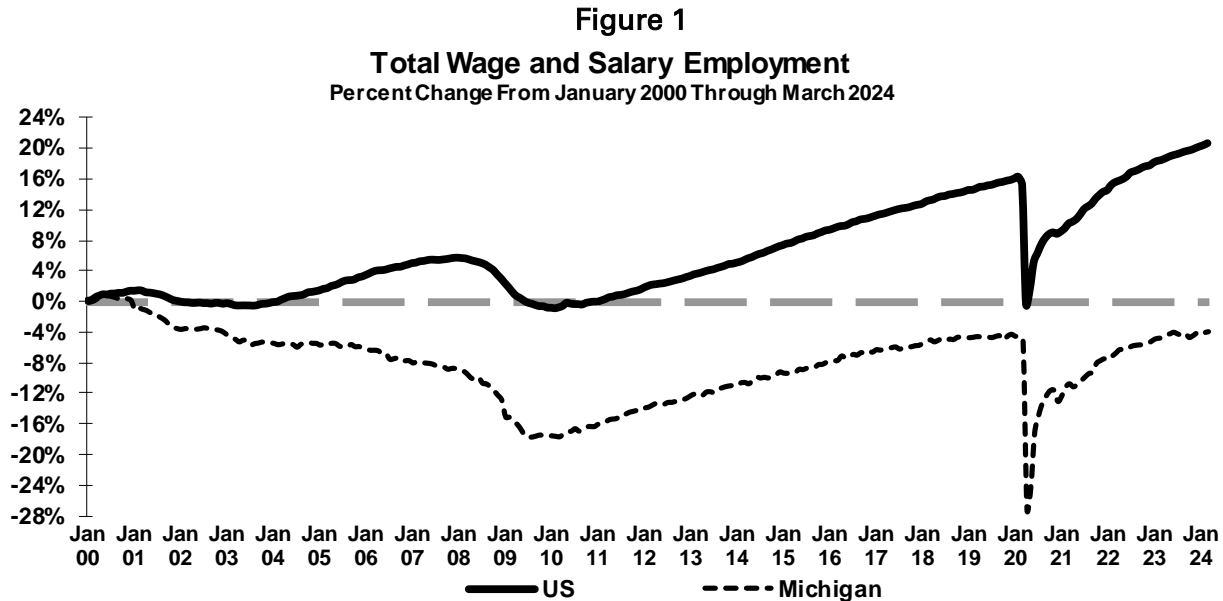
The national economy remains strong and has shown resiliency in CY 2023 (growing at a 2.5% rate) and early CY 2024 despite aggressive rate hikes by the Federal Reserve to mitigate inflationary pressures. Inflation has moderated significantly from its highs, albeit not the Fed's preferred 2% target range, and the labor market remains strong. Consumers continue to exhibit spending power, driving much of the GDP growth. That said, the forecast assumes the labor market will eventually soften and economic growth will slow slightly to 2.3% in CY 2024 and 2.0% in CY 2025 before rebounding slightly to 2.1% in CY 2026.

Employment growth will moderate throughout the forecast window, averaging about 1.1% growth, with the unemployment rate will peak at 4.1% in CYs 2025 and 2026. Inflation will continue its downward trend, declining to 2.7% in CY 2024, 2.2% in CY 2025, and 2.3% in CY 2026.

Michigan's economy and state revenue are significantly affected by the strength of the national economy. The Michigan outlook projects a slightly weaker employment picture than the national economy with softer employment growth and unemployment peaking at 4.2% in CY 2025. By historical standards, the Michigan economy is forecast to remain relatively strong.

Total Wage and Salary Employment

Figure 1 shows the monthly percent change in total wage and salary employment for both the U.S. and Michigan from January 2000 through March 2024.



U.S. Wage and Salary Employment

U.S. employment peaked in February 2001, and then began a long slide that did not end until August 2003. During this 30-month period, more than 2.7 million jobs were lost – about 91,800 jobs per month on average. This decline was followed by 53 consecutive months of job growth, and by January 2008, more than 8.1 million jobs had been added.

The recession which began in February 2008 led to 25 continuous months of employment declines during which almost 8.8 million jobs were lost. Job gains finally reappeared in March 2010, and during the 128-month span of job growth that ensued, U.S. wage and salary employment surpassed the pre-recession peak and by February 2020, total cumulative growth during the expansion topped 22.8 million jobs.

The sharp decline brought about by COVID-19 saw employment drop back to roughly the same level as January 2000, but through April 2024, 27.9 million jobs have returned and total employment is now above pre-pandemic levels.

Michigan Wage and Salary Employment

Michigan endured more than a decade of job losses during the early 2000s, during which time wage and salary employment in Michigan dropped by almost 18% relative to January 2000. As the labor market began recovering from the Great Recession, steady job growth continued each year through 2019, although by the end of the decade annual gains were slowing. Still, by the end of 2019, total employment was within 5% of the January 2000 level.

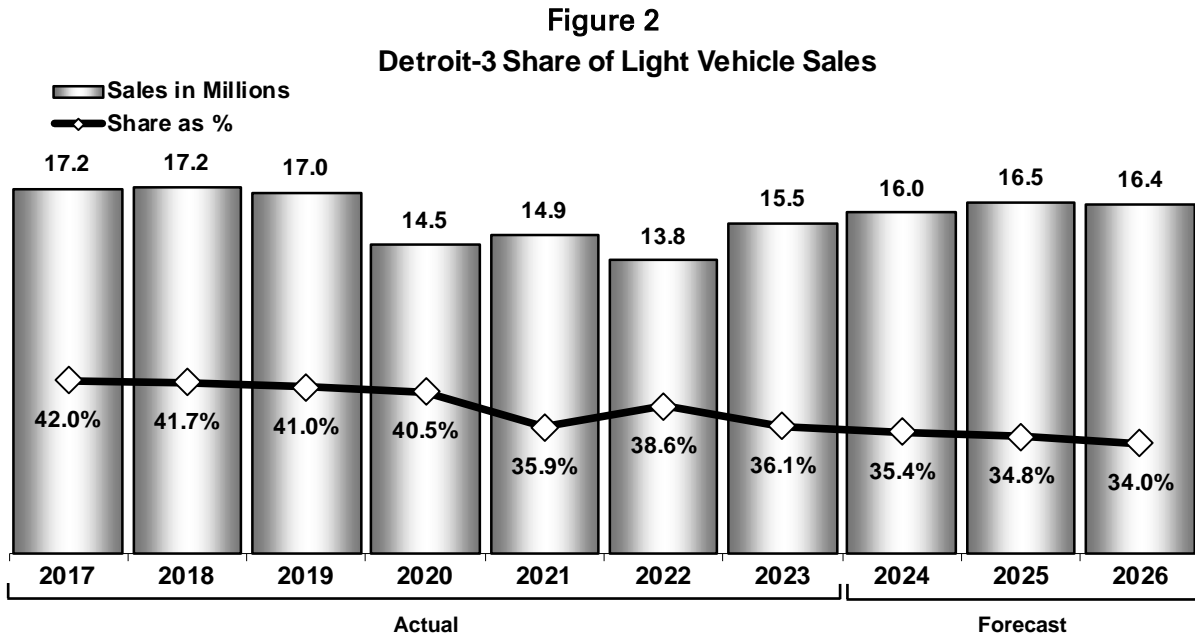
As with employment nationwide, sharp declines occurred in March and April of 2020 as employment plunged well below Great Recession levels. Michigan has added back just shy of 1.1 million jobs from the pandemic low point in April 2020, and is now approximately 26,800, or 0.6%, above the pre-pandemic level in February 2020.

U.S. and Michigan Motor Vehicle Industry

Light motor vehicle sales totaled 15.5 million units in CY 2023, an 12.9% increase from the 13.8 million units sold in CY 2022. Light motor vehicle sales are forecast to total 16.0 million units in CY 2024, 16.5 million units in CY 2025, and 16.4 million units in CY 2026.

The market share of imports and transplants (vehicles with a foreign nameplate that are made in the U.S.) has stabilized in recent years. As shown in **Figure 2**, the market share of the Detroit-3 auto manufacturers was 36.1% in CY 2023 and is expected to decline to 34.0% by the end of the forecast horizon.

The level and composition of light motor vehicle sales, as well as the extent to which the domestic nameplates can retain market share, will have a direct impact on Michigan’s economy. In CY 2024, the Detroit-3 auto manufacturers are expected to sell almost 5.7 million vehicles, which would translate to an 1.1% increase from CY 2023. It is estimated that the Detroit-3 sales will remain to 5.7 million vehicles in CY 2025 and drop to just under 5.6 million CY 2026.



U.S. Forecast Highlights

Real GDP increased at a 2.5% rate in CY 2023 and is forecast to grow by 2.3% in CY 2024, 2.0% in CY 2025, and 2.1% in CY 2026.

Inflation, as measured by the Consumer Price Index (CPI), is forecast to increase at a rate of 2.7% in CY 2024. It is projected to slow to 2.2% in CY 2025 and 2.3% in CY 2026 as the Fed's tightening continues to reduce inflationary pressures.

Wage and salary employment growth was 2.3% in CY 2023; it is forecast to increase by 1.6% in CY 2024, 0.7% in CY 2025, and 0.9% in CY 2026.

The national unemployment rate was 3.6% in CY 2023; it is forecast to increase to 3.9% in CY 2024 and 4.1% in CY 2025 and CY 2026.

Interest rates on three-month T-bills are expected to decrease from 5.1% in CY 2023 to 5.0% in CY 2024, 4.1% in CY 2025, and 3.2% in CY 2026 as the Federal Reserve lowers interest rates as inflation subsides.

Michigan Forecast Highlights

Michigan wage and salary employment increased by 1.5% in CY 2023; it is expected to increase by 0.8% in CY 2024, 0.9% in CY 2025, and 0.3% in CY 2026.

Michigan's unemployment rate was 4.0% in CY 2023; it is forecast to increase to 4.1% in CY 2024 and 4.2% in CY 2025 before decreasing to 4.1% in CY 2026.

Michigan personal income grew by 4.7% in CY 2023; it is forecast to increase 3.2% in CY 2024, 4.4% in CY 2025, and 3.5% in CY 2026.

Michigan wage and salary income increased by 6.1% in CY 2023; it is forecast to increase 3.8% in CY 2024, 4.1% in CY 2025, and 3.0% in CY 2026.

Inflation (as measured by the Detroit Consumer Price Index) is forecast to increase 2.4% in CY 2024, 2.2% in CY 2025, and 2.3% CY 2026.

Additional details of the U.S. and Michigan forecasts are presented in **Table 1** on the following page.

Table 1
ECONOMIC FORECAST VARIABLES

	Calendar 2022 Actual	Calendar 2023 Actual	% Change from Prior Year	Calendar 2024 Estimated	% Change from Prior Year	Calendar 2025 Estimated	% Change from Prior Year	Calendar 2026 Estimated	% Change from Prior Year
United States									
Real Gross Domestic Product (Billions of 2012 dollars)	\$21,822.0	\$22,376.9	2.5%	\$22,888.9	2.3%	\$23,346.4	2.0%	\$23,836.4	2.1%
Implicit Price Deflator GDP (2012 = 100)	117.965	122.265	3.6%	124.772	2.1%	127.383	2.1%	130.112	2.1%
Personal Consumption Deflator (2012 = 100)	116.036	120.379	3.7%	122.638	1.9%	125.141	2.0%	127.778	2.1%
Consumer Price Index (1982-84 = 100)	292.655	304.702	4.1%	312.943	2.7%	319.839	2.2%	327.209	2.3%
Consumer Price Index (FY) (1982-84 = 100)	287.723	302.289	5.1%	311.039	2.9%	318.111	2.3%	325.354	2.3%
Federal Funds Rate Interest Rate (Percent)	1.7%	5.0%		5.1%		4.2%		3.3%	
3-month Treasury Bills Interest Rate (Percent)	2.0%	5.1%		5.0%		4.1%		3.2%	
30-year Conventional Mortgage Rate Interest Rate (Percent)	5.3%	6.8%		6.2%		5.6%		5.3%	
Unemployment Rate (Percent)	3.6%	3.6%		3.9%		4.1%		4.1%	
Wage and Salary Employment (Millions)	152.5	156.1	2.3%	158.6	1.6%	159.7	0.7%	161.1	0.9%
Housing Starts (Millions of units)	1.551	1.423	(8.3%)	1.440	1.2%	1.475	2.4%	1.510	2.4%
Light Vehicle Sales (Millions of units)	13.8	15.5	12.9%	16.0	3.1%	16.5	3.1%	16.4	(0.6%)
Passenger Car Sales (Millions of units)	2.9	3.1	9.2%	3.2	1.6%	3.2	1.6%	3.2	(1.4%)
Light Truck Sales (Millions of units)	10.9	12.4	13.4%	12.8	3.9%	13.3	3.5%	13.2	(0.4%)
Import Share of Light Vehicles (Percent)	21.0%	21.3%		22.3%		22.5%		22.6%	
Detroit-3 Share of Light Vehicle Sales (Percent)	38.6%	36.1%		35.4%		34.8%		34.0%	
Personal Income (Billions of current dollars)	\$21,840.8	\$22,978.4	5.2%	\$23,925.1	4.1%	\$25,056.7	4.7%	\$26,221.2	4.6%
Michigan									
Wage and Salary Employment (Thousands)	4,362.9	4,426.4	1.5%	4,461.8	0.8%	4,502.0	0.9%	4,515.5	0.3%
Transportation Equipment Employment (Thousands)	184.6	184.8	0.1%	183.5	(0.7%)	186.3	1.5%	186.2	(0.1%)
Unemployment Rate (Percent)	4.2%	4.0%		4.1%		4.2%		4.1%	
Personal Income (Millions of current dollars)	\$572,325	\$598,980	4.7%	\$618,151	3.2%	\$645,215	4.4%	\$667,792	3.5%
Real Personal Income (Millions of 1982-84 dollars)	\$213,265	\$211,799	(0.7%)	\$213,022	0.6%	\$217,566	2.1%	\$220,118	1.2%
Wage and Salary Income (Millions of current dollars)	\$282,922	\$300,096	6.1%	\$311,396	3.8%	\$324,095	4.1%	\$333,918	3.0%
Detroit Consumer Price Index (1982-84 = 100)	268.122	283.439	5.7%	290.185	2.4%	296.580	2.2%	303.413	2.3%
Detroit Consumer Price Index (FY) (1982-84 = 100)	263.469	280.730	6.6%	288.197	2.7%	294.932	2.3%	301.691	2.3%



RISKS AND UNCERTAINTIES

An economic forecast is based on the best information available at the time the forecast is prepared. Because information and foresight are not perfect, risks and uncertainties are inherent in any forecast, and variations in the underlying factors can exert either optimistic or pessimistic influences on the forecast. Some of the more prevalent risks are highlighted below.

Inflation and Monetary Policy

Elevated inflation levels led the Federal Reserve to aggressively raise rates throughout CY 2022 and CY 2023 reaching the forecasted terminal range of 5.25-5.50%. As inflation subsides and the labor market softens, the forecast assumes the Fed will begin to loosen monetary policy beginning in the latter half of CY 2024. While the forecast assumes the Fed is successful at reducing inflation to levels closer to its target rate in the near term, if inflation persists at levels above the Fed's target necessitating further monetary tightening or maintaining rates higher for longer this would present a downside risk to the forecast.

Geopolitical Conflict and Global Economic Conditions

The Russia-Ukraine and Israel-Hamas conflict continue to present challenges on multiple fronts as countries respond politically, militarily, and economically. Certainly, a quicker end to the conflicts presents an upside risk, while a protracted or intensified set of conflicts and a more pronounced slowdown in global growth is a downside risk to the forecast.

Financial Conditions

Higher for longer interest rates could lead to diminished consumer spending and business investment, which could restrain economic growth in the near-term. On the other hand, interest rates below those forecasted could lead to increased consumer and business loan demand and a quicker rebound in the housing market, among other things. Therefore, the direction of lending standards is both an upside and downside risk to the forecast.



GF/GP AND SAF REVENUE

Revenue estimates are based on the economic performance of the components of national and state economies discussed in the previous section. This section contains the House Fiscal Agency's May 2024 baseline and net General Fund/General Purpose (GF/GP) and School Aid Fund (SAF) estimates as well as recommended revisions from the January 2024 Consensus Revenue Estimating Conference (**Table 2**), detailed net GF/GP estimates (**Table 3**), and detailed net SAF (**Table 4**) estimates. Also, included in this section are estimated year-end balances for GF/GP, the SAF, and the budget stabilization fund (BSF), and the state revenue limit calculation.

Baseline and Net GF/GP and SAF Revenue Estimates

Baseline revenue does not include the impact of partial-year policy changes or certain other policy changes that have recently been adopted. Baseline estimates are comparable across fiscal years and demonstrate the changes to state revenue that are driven by changes in the economy. The final total combined baseline GF/GP and SAF revenue was \$34,898.0 million in FY 2022-23. It is forecast to decrease 0.7% in FY 2023-24 before increasing 2.2% in FY 2024-25. A 1.8% increase is projected for FY 2025-26.

Net revenue captures the effects of all policy changes and represents actual resources available. Final total net GF/GP and SAF revenue was \$31,826.3 million in FY 2022-23, which is a 3.8% decrease from FY 2021-22. It is forecast to decrease 0.7% in FY 2023-24 before increasing 2.4% in FY 2024-25 and 3.2% in FY 2025-26.

Table 2 reports GF/GP and SAF revenue in terms of baseline and net revenue. It also shows the January 2024 adjusted consensus estimates and the recommended revisions to these estimates for FY 2023-24 through FY 2025-26. The January 2024 adjusted consensus estimates include the January 2024 consensus estimates plus enacted tax changes since January 2024.

The recommended revision for FY 2023-24 is an increase of \$61.1 million. Strong individual income tax withholding, use tax, interfund borrowing interest, and corporate income tax collections helped boost GF/GP, while weaker than anticipated sales tax collections lowered SAF. The recommended revisions for FY 2024-25 and FY 2025-26 are an increase of \$28.0 million and a decrease of \$24.0 million, respectively. Revisions to GF/GP and SAF in FY 2024-25 and FY 2025-26 are due to the same reasons noted above for FY 2023-24.

GF/GP Revenue by Source

GF/GP Net Tax Revenue

Table 3 - GF/GP net tax revenue decreased 12.2% to \$12,768.6 million in FY 2022-23. GF/GP tax revenue in FY 2023-24 is estimated to be \$12,716.7 million, a decrease of \$51.9 million, and \$13,365.1 million in FY 2024-25, an increase of \$648.4 million. GF/GP tax revenue is estimated to increase 5.9% in FY 2025-26.

Total GF/GP Net Revenue

Net GF/GP revenue includes non-tax revenue and represents the amount available to for expenditures. Final net GF/GP revenue was \$13,966.4 million in FY 2022-23; it is forecast to be \$13,719.9 million in FY 2023-24, a decrease of \$246.5 million, and \$14,132.7 million in FY 2024-25, an increase of \$412.8 million. Net GF/GP revenue is estimated to increase 4.5% in FY 2025-26.

SAF Revenue by Source

Total Net SAF Revenue

Table 4 - Final net SAF revenue decreased by 0.1% to \$17,859.9 million in FY 2022-23. Net SAF revenue is forecast to be \$17,885.3 million in FY 2023-24, an increase of \$25.4 million. Net SAF revenue is estimated to increase 1.9% in FY 2024-25 to \$18,224.5 million and 2.2% in FY 2025-26.

Table 2
HFA MAY 2024 REVENUE ESTIMATES FOR FY 2023-24 THROUGH FY 2025-26
(Millions of Dollars)

	Final FY 2022-23	HFA Est. FY 2023-24	HFA Est. FY 2024-25	HFA Est. FY 2025-26	FY 2023-24 % Change	FY 2024-25 % Change	FY 2025-26 % Change
<u>Baseline</u>							
GF/GP	\$16,828.4	\$16,603.4	\$16,962.4	\$17,183.3	(1.3%)	2.2%	1.3%
SAF	18,069.6	18,059.4	18,455.6	18,886.1	(0.1%)	2.2%	2.3%
Total	\$34,898.0	\$34,662.9	\$35,418.0	\$36,069.4	(0.7%)	2.2%	1.8%
<u>Net</u>							
GF/GP	\$13,966.4	\$13,719.9	\$14,132.7	\$14,769.1	(1.8%)	3.0%	4.5%
SAF	17,859.9	17,885.3	18,224.5	18,620.4	0.1%	1.9%	2.2%
Total	\$31,826.3	\$31,605.3	\$32,357.2	\$33,389.5	(0.7%)	2.4%	3.2%
<u>January 2024 CREC (Adjusted Net)</u>							
<u>Net</u>							
GF/GP	\$13,843.6	\$13,597.1	\$14,022.1	\$14,706.7			
SAF	17,869.0	17,947.1	18,307.1	18,706.8			
Total	\$31,712.7	\$31,544.2	\$32,329.2	\$33,413.5			
<u>Recommended Net Revision</u>							
<u>Net</u>							
GF/GP	\$122.8	\$122.9	\$110.6	\$62.4			
SAF	(9.1)	(61.8)	(82.6)	(86.5)			
Total	\$113.6	\$61.1	\$28.0	(\$24.0)			

NOTE: Numbers may not add due to rounding.

Table 3
GF/GP NET REVENUE ESTIMATES AND CHANGE FROM THE PREVIOUS FISCAL YEARS
(Millions of Dollars)

	Final	HFA Est.	HFA Est.	HFA Est.	FY 2023-24		FY 2024-25		FY 2025-26	
	<u>FY 2022-23</u>	<u>FY 2023-24</u>	<u>FY 2024-25</u>	<u>FY 2025-26</u>	<u>\$ Change</u>	<u>% Change</u>	<u>\$ Change</u>	<u>% Change</u>	<u>\$ Change</u>	<u>% Change</u>
Income Tax	\$7,762.3	\$7,737.1	\$8,318.1	\$8,478.6	(\$25.2)	(0.3%)	\$581.0	7.5%	\$160.5	1.9%
Sales Tax	1,626.5	1,594.6	1,614.9	1,639.6	(31.9)	(2.0%)	20.3	1.3%	24.6	1.5%
Use Tax	1,251.6	1,270.9	1,295.2	1,333.0	19.3	1.5%	24.2	1.9%	37.8	2.9%
Michigan Business Tax	(434.1)	(494.6)	(503.4)	(515.0)	(60.5)	13.9%	(8.8)	1.8%	(11.6)	2.3%
Corporate Income Tax	1,609.9	1,600.0	1,610.0	2,170.0	(9.9)	(0.6%)	10.0	0.6%	560.0	34.8%
Insurance	465.9	530.0	540.0	550.0	64.1	13.8%	10.0	1.9%	10.0	1.9%
Other GF/GP Taxes	486.5	478.7	490.4	496.0	(7.8)	(1.6%)	11.7	2.4%	5.6	1.1%
GF/GP Net Tax Revenue	\$12,768.6	\$12,716.7	\$13,365.1	\$14,152.1	(\$51.9)	(0.4%)	\$648.4	5.1%	\$786.9	5.9%
Non-Tax Revenue	1,197.8	1,003.2	767.6	617.0	(194.6)	(16.2%)	(235.6)	(23.5%)	(150.6)	(19.6%)
Total GF/GP Net Revenue	\$13,966.4	\$13,719.9	\$14,132.7	\$14,769.1	(\$246.5)	(1.8%)	\$412.8	3.0%	\$636.3	4.5%

NOTE: Numbers may not add due to rounding.

Table 4
SCHOOL AID FUND NET REVENUE ESTIMATES AND CHANGE FROM THE PREVIOUS FISCAL YEARS
(Millions of Dollars)

	<u>Final</u>	<u>HFA Est.</u>	<u>HFA Est.</u>	<u>HFA Est.</u>	<u>FY 2023-24</u>		<u>FY 2024-25</u>		<u>FY 2025-26</u>	
	<u>FY 2022-23</u>	<u>FY 2023-24</u>	<u>FY 2024-25</u>	<u>FY 2025-26</u>	<u>\$ Change</u>	<u>% Change</u>	<u>\$ Change</u>	<u>% Change</u>	<u>\$ Change</u>	<u>% Change</u>
Sales Tax	\$7,806.9	\$7,719.5	\$7,819.0	\$7,948.1	(\$87.4)	(1.1%)	\$99.5	1.3%	\$129.1	1.7%
Use Tax	909.5	968.2	984.8	1,004.8	58.7	6.5%	16.7	1.7%	20.0	2.0%
Income Tax	3,907.7	3,820.6	3,889.5	4,009.4	(87.1)	(2.2%)	68.9	1.8%	119.9	3.1%
State Education Tax	2,559.5	2,725.0	2,825.0	2,915.0	165.5	6.5%	100.0	3.7%	90.0	3.2%
Lottery/Casinos	1,454.6	1,380.0	1,397.0	1,409.0	(74.6)	(5.1%)	17.0	1.2%	12.0	0.9%
Tobacco Tax	254.7	242.8	238.6	234.4	(11.9)	(4.7%)	(4.2)	(1.7%)	(4.2)	(1.8%)
Real Estate Transfer Tax	389.2	380.0	400.0	415.0	(9.2)	(2.4%)	20.0	5.3%	15.0	3.8%
Other Taxes	577.8	649.3	670.5	684.6	71.5	12.4%	21.3	3.3%	14.1	2.1%
Total SAF Net Revenue	\$17,859.9	\$17,885.3	\$18,224.5	\$18,620.4	\$25.4	0.1%	\$339.2	1.9%	\$395.9	2.2%

NOTE: Numbers may not add due to rounding.

BSF Year-End Balance

The Counter-Cyclical Budget and Economic Stabilization Fund (BSF), the state's rainy day fund, is a reserve of cash to contribute to or withdraw from throughout economic and budget cycles. A statutory BSF trigger calculation – based on Michigan personal income less transfer payments adjusted for inflation and actual or net GF/GP revenue – indicates whether a pay-in (deposit) is recommended. Under the provisions of 2018 PA 613, a pay-out (withdrawal) of up to 25% of the prior year ending BSF balance would be indicated if personal income growth is negative. In either case, the recommendation is statutory; it cannot mandate an appropriation, and 2018 PA 613 specifies that a legislative appropriation is required for transfers both into and out of the fund.

In addition to the BSF calculation, 2014 PA 186 amended the Michigan Trust Fund Act to require annual \$17.5 million deposits of tobacco settlement revenue to the BSF from FY 2014-15 through FY 2034-35. **Table 5** provides details on deposits, withdrawals, interest earnings, and the year-end balance from FY 1990-91 through FY 2025-26. Estimates include the impact of 2014 PA 186 amended the Michigan Trust Fund Act to require annual \$17.5 million deposits of tobacco settlement revenue to the BSF from FY 2014-15 through FY 2034-35.

After an appropriated pay-out of \$350.0 million, the BSF ending fund balance at the end of FY 2019-20 was \$829.0 million. The balance increased to \$1,588.8 million after appropriations of \$35.0 million and \$500 million in FY 2020-21 and \$180.0 million in FY 2021-22. An additional \$100.0 million was appropriated for deposit in both FY 2022-23 and FY 2023-24, which would take the BSF balance to just shy of \$2.0 billion at the close of FY 2023-24. Relatively high interest rates continue to provide elevated investment returns for the BSF.

The statutory BSF trigger calculation, based on Michigan personal income less transfer payments adjusted for inflation and actual or net GF/GP revenue, indicates whether deposits (pay-ins) or withdrawals (pay-outs) are recommended for a fiscal year. Regardless of the calculated amounts, however, all deposits and withdrawals must be appropriated. Based on the formula, no pay-ins would be indicated for FY 2023-24 or FY 2024-25. In FY 2025-26 a pay-in of \$33.9 million would be indicated.

No pay-outs would be indicated for FY 2023-24, FY 2024-25, or FY 2025-26.

After adjusting for the required \$17.5 million deposits and estimated interest earnings, the year-end balance is projected at \$1,995.0 million for FY 2023-24, \$2,102.1 million for FY 2024-25, and \$2,193.9 million for FY 2025-26.

Table 5
BUDGET STABILIZATION FUND HISTORY
(Millions of Dollars)

<u>Fiscal Year</u>	<u>Deposits</u>	<u>Withdrawals</u>	<u>Interest Earned</u>	<u>Balance</u>
1990-91	\$0.0	\$230.0	\$27.1	\$182.2
1991-92	\$0.0	\$170.1	\$8.1	\$20.1
1992-93	\$282.6	\$0.0	\$0.7	\$303.4
1993-94	\$460.2	\$0.0	\$11.9	\$775.5
1994-95	\$260.1	\$90.4	\$57.7	\$1,003.0
1995-96	\$91.3	\$0.0	\$59.2	\$1,153.6
1996-97	\$0.0	\$69.0	\$67.8	\$1,152.4
1997-98	\$0.0	\$212.0	\$60.1	\$1,000.5
1998-99	\$244.4	\$73.7	\$51.2	\$1,222.5
1999-2000	\$100.0	\$132.0	\$73.9	\$1,264.4
2000-01	\$0.0	\$337.0	\$66.7	\$994.2
2001-02	\$0.0	\$869.8	\$20.8	\$145.2
2002-03	\$0.0	\$156.1	\$10.9	\$0.0
2003-04	\$81.3	\$0.0	\$0.0	\$81.3
2004-05	\$0.0	\$81.3	\$2.0	\$2.0
2005-06	\$0.0	\$0.0	\$0.0	\$2.0
2006-07	\$0.0	\$0.0	\$0.1	\$2.1
2007-08	\$0.0	\$0.0	\$0.1	\$2.2
2008-09	\$0.0	\$0.0	\$0.0	\$2.2
2009-10	\$0.0	\$0.0	\$0.0	\$2.2
2010-11	\$0.0	\$0.0	\$0.0	\$2.2
2011-12	\$362.7	\$0.0	\$0.2	\$365.1
2012-13	\$140.0	\$0.0	\$0.5	\$505.6
2013-14	\$75.0	\$194.8	\$0.4	\$386.2
2014-15	\$111.6	\$0.0	\$0.3	\$498.1
2015-16	\$112.5	\$0.0	\$1.7	\$612.4
2016-17	\$92.5	\$0.0	\$5.1	\$710.0
2017-18	\$282.4	\$0.0	\$13.5	\$1,005.9
2018-19	\$117.5	\$0.0	\$25.1	\$1,148.5
2019-20	\$17.3	\$350.0	\$13.2	\$829.0
2020-21	\$552.2	\$0.0	\$1.0	\$1,382.2
2021-22	\$197.2	\$0.0	\$9.3	\$1,588.8
2022-23	\$117.5	\$0.0	\$74.1	\$1,780.4
2023-24*	\$117.5	\$0.0	\$97.2	\$1,995.0
2024-25*	\$17.5	\$0.0	\$89.5	\$2,102.1
2025-26*	\$17.5	\$0.0	\$74.4	\$2,193.9

* HFA estimates

NOTE: Numbers may not add due to rounding.

Compliance with the State Revenue Limit

Article IX, Section 26 of the *1963 Michigan Constitution*, which was approved by a vote of the people in 1978, sets a limit on the amount of revenue collected by the state in any fiscal year. As provided for in the Constitution, the revenue limit is calculated as 9.49% of total state personal income (which is the broadest measure of state economic activity) in the previous full calendar year prior to the fiscal year in which the revenues are measured.

The revenue to be considered in the revenue limit includes not only state taxes, but also fees, licenses, and interest earned. Federal aid is not included in the revenue limit calculation. Article IX, Section 26 of the 1963 Michigan Constitution provides that:

. . . For any fiscal year in the event that Total State Revenues exceed the limit established in this section by 1% or more, the excess revenues shall be refunded pro rata based on the liability reported on the Michigan income tax and single business tax (or its successor tax or taxes) annual returns filed following the close of such fiscal year. If the excess is less than 1%, this excess may be transferred to the State Budget Stabilization Fund

Furthermore, limit established in Section 26 by Article IX, Section 28 prohibits the state from spending any current-year revenue in excess of that amount.

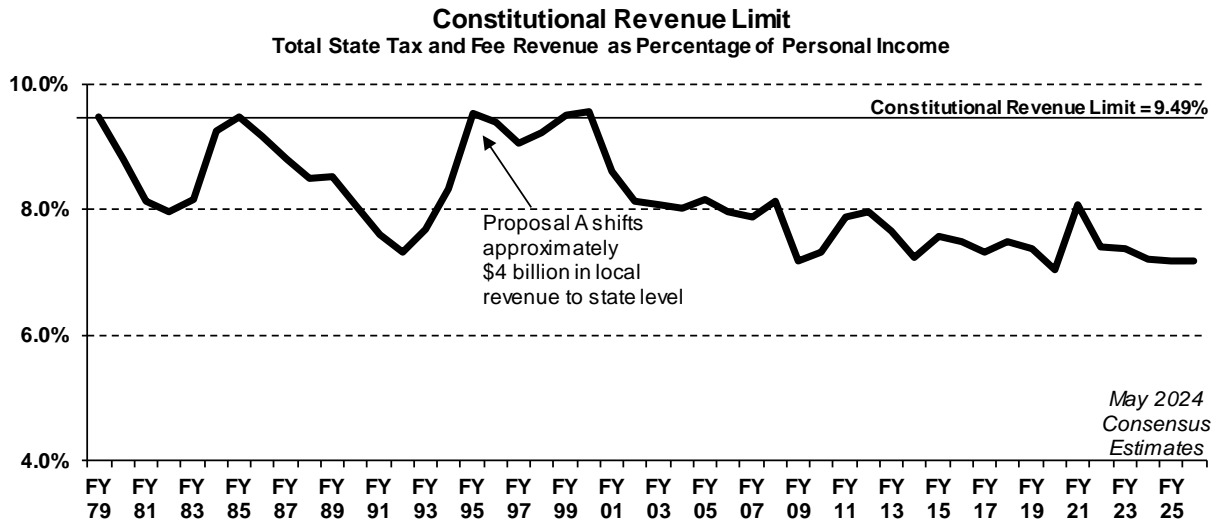
As shown in **Table 6** and **Figure 3**, the FY 2022-23 revenue limit calculation estimates state revenue collections at \$11.8 billion below the revenue limit. State revenue is estimated to be below the limit by \$12.2 billion for FY 2023-24, \$13.7 billion for FY 2024-25, and \$14.2 billion for FY 2025-26.

Table 6
COMPLIANCE WITH THE STATE REVENUE LIMIT
(Millions of Dollars)

<u>Revenue Limit Calculations</u>	<u>Estimated FY 2022-23</u>	<u>Estimated FY 2023-24</u>	<u>Estimated FY 2024-25</u>	<u>Estimated FY 2025-26</u>
Personal Income				
Calendar Year	<u>CY 2021</u>	<u>CY 2022</u>	<u>CY 2023</u>	<u>CY 2024</u>
Amount	\$568,132	\$572,325	\$598,980	\$618,151
X Limit Ratio	9.49%	9.49%	9.49%	9.49%
State Revenue Limit	\$53,915.7	\$54,313.6	\$56,843.2	\$58,662.5
Total Revenue Subject to Revenue Limit	\$42,157.0	\$42,150.8	\$43,171.4	\$44,444.6
Amount Under (Over) State Revenue Limit	\$11,758.8	\$12,162.9	\$13,671.8	\$14,217.9

NOTE: Numbers may not add due to rounding.

Figure 3



HFA Estimates of Year-End Balances

Table 7 reports House Fiscal Agency estimates of year-end balances for GF/GP, the SAF, and the BSF. Fiscal Year 2022-23 reflects final numbers. FY 2023-24 and FY 2024-25 are HFA budget estimates that includes HFA revenue projections, cost adjustments and appropriations as passed the House.

Budget Stabilization Fund estimates are based on the current balance and HFA estimates of future deposits and interest earned.

Table 7
YEAR-END UNRESERVED BALANCE ESTIMATES
(Millions of Dollars)

	Final FY 2022-23	Estimated FY 2023-24*	Estimated FY 2024-25*
General Fund/General Purpose	\$3,925.3	\$1,370.9	\$265.3
School Aid Fund	\$2,192.5	\$520.7	(\$92.6)
Budget Stabilization Fund	\$1,780.4	\$1,995.0	\$2,102.1

Note: School Aid Fund revenue is restricted; any year-end balance is carried forward to the subsequent year.

** Reflects House passed budget*



Additional copies of this report can be obtained from:

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