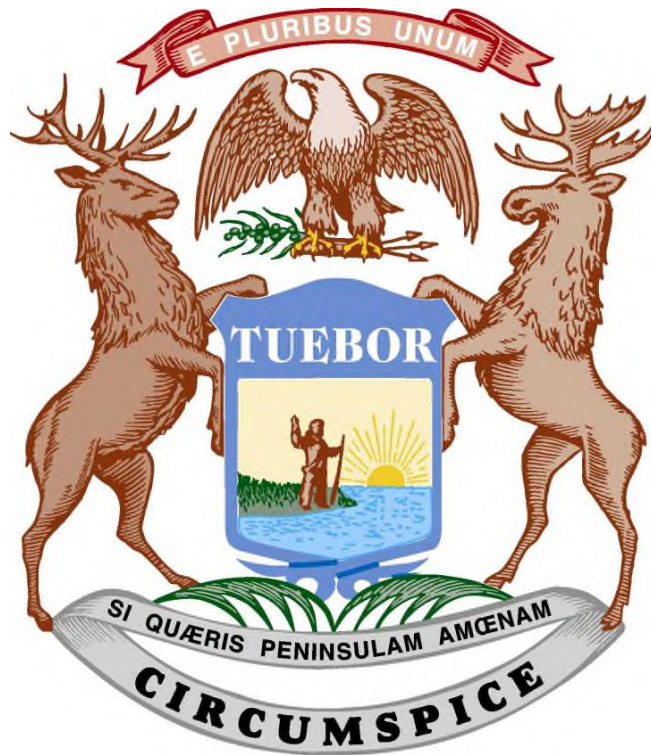


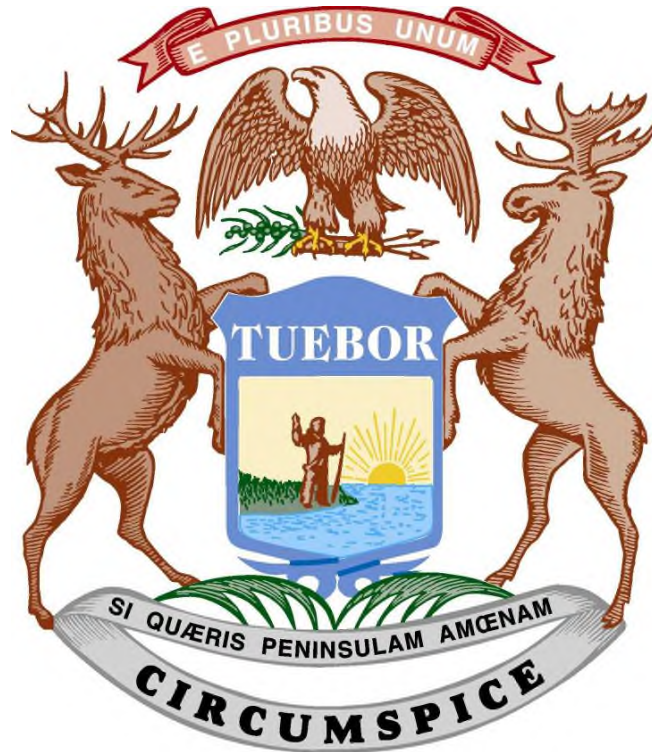
Economic and Revenue Outlook
FY 2025-26, FY 2026-27, and FY 2027-28
Michigan Department of Treasury
May 15, 2026



Economic and Revenue Outlook

FY 2025-26, FY 2026-27, and FY 2027-28

Michigan Department of Treasury



Introductory Note

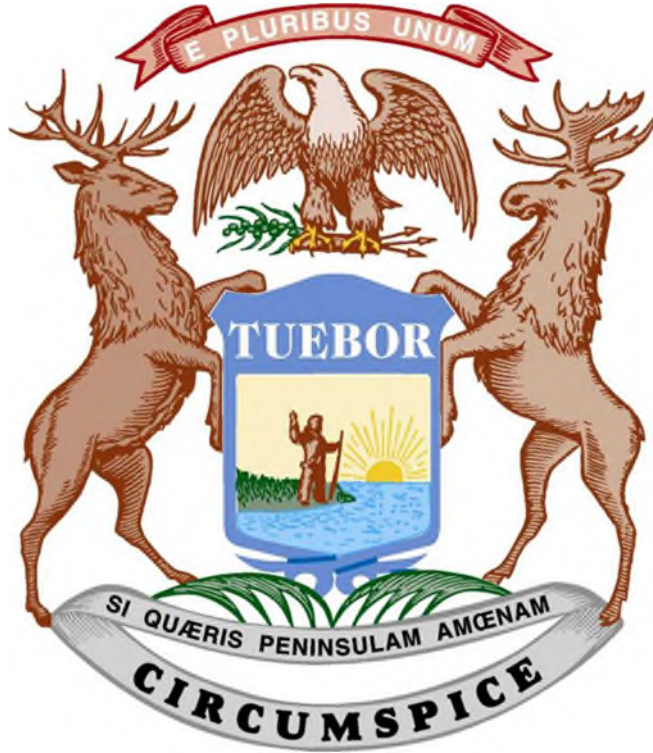
This document represents the Administration's economic and revenue forecast for the January 2026 Consensus Revenue Estimating Conference. The Michigan Department of Treasury produces the estimates on behalf of the Governor's Administration for the conference held in accordance with MCL 18.1367b. The summary of the final agreement between the principals under MCL 18.1367b(3) will be released after the conference and posted online at www.michigan.gov/crec.

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**SECTION I:
Administration Estimates - Executive Summary**

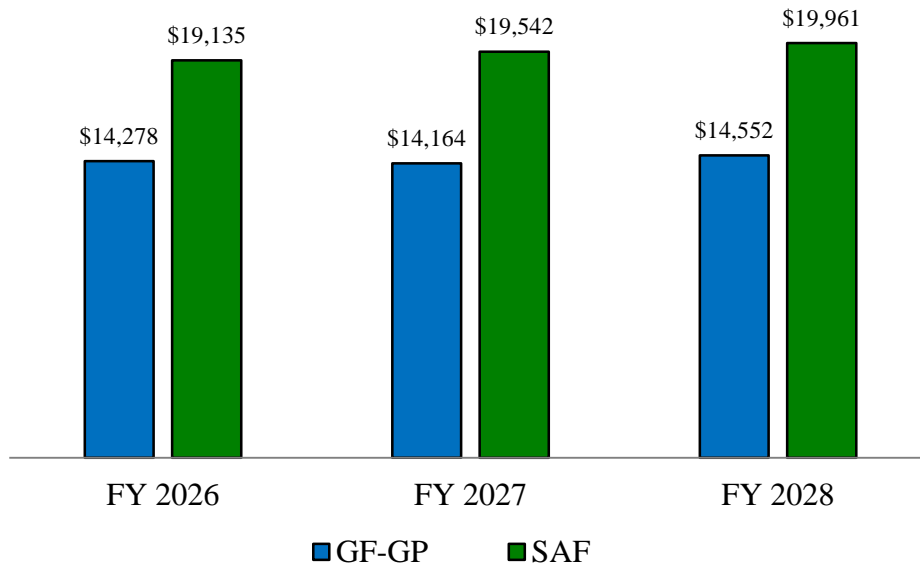


Administration Estimates - Executive Summary May 15, 2026

Revenue Review and Outlook

- FY 2026 GF-GP revenue is forecast to decrease 1.4 percent to \$14,278.3 million, up \$144.2 million from the January 2026 Consensus estimate. FY 2026 SAF revenue is forecast to increase 2.3 percent to \$19,134.6 million, down \$0.8 million from the January 2026 Consensus estimate
- FY 2027 GF-GP revenue is forecast to decrease 0.8 percent to \$14,164.0 million, up \$89.4 million from the January 2026 Consensus estimate. FY 2027 SAF revenue is forecast to increase 2.1 percent to \$19,542.4 million, down \$25.9 million from the January 2026 Consensus estimate.
- FY 2028 GF-GP revenue is forecast to increase 2.7 percent to \$14,552.2 million, up \$67.9 million from the January 2026 Consensus estimate. FY 2028 SAF revenue is forecast to increase 2.1 percent to \$19,960.8 million, down \$4.9 million from the January 2026 Consensus estimate.

**Figure 1: Administration GF-GP and School Aid Fund Revenue Estimates
(millions of dollars)**



United States Economic Outlook

- The pace of economic growth is forecast to rise modestly in the next three years. Real, or inflation adjusted, Gross Domestic Product (GDP) is forecast to increase 1.8 percent in 2026, 1.2 percent in 2027, and move up 2.1 percent in 2028.
- U.S. wage and salary employment is forecast to advance by 0.2 percent in 2026, remain unchanged in 2027, then increase 0.4 percent in 2028.
- The national jobless rate is forecast to rise to 4.5 percent in 2026, increase to 5.0 percent in 2027 and stay unchanged at 5.0 percent in 2028.
- Housing starts are expected to decrease by 2.3 percent in 2026, decline by 1.1 percent in 2027, and increase by 5.8 percent in 2028.
- U.S. light vehicle sales are forecast to fall to 15.5 million units in 2026, decline to 15.0 million in 2027, then increase to 15.2 million in 2028.
- Headline inflation, as measured by the Consumer Price Index, is forecast to rise by 3.6 percent by 2026, increase by 2.9 percent in 2027, then advance by 2.2 percent in 2028.

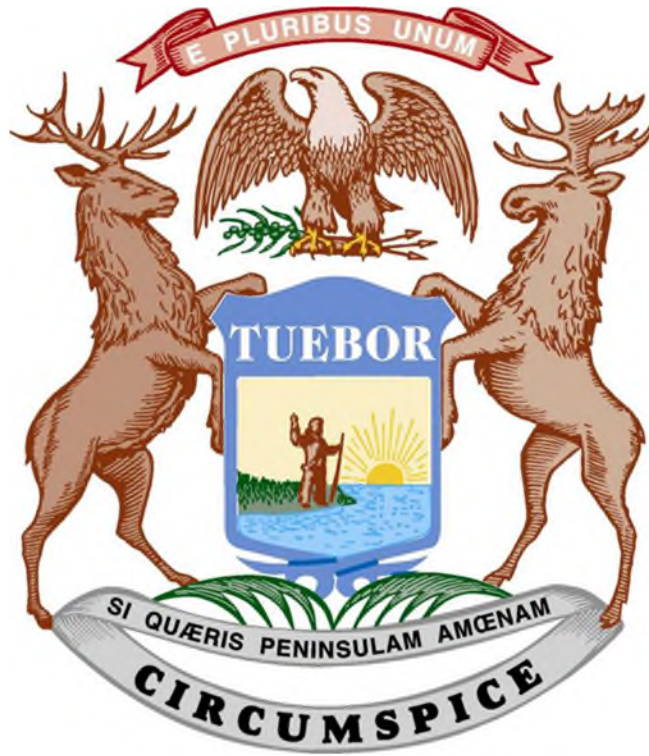
Michigan Economic Outlook

- Michigan wage and salary employment is expected to fall 0.2 percent in 2026, then rise by 0.1 percent in 2027 and in 2028.
- The statewide unemployment rate is forecast to be 5.1 percent in 2026, increase to 5.5 percent by both 2027 and 2028.
- Total wages and salaries across the state are forecast to increase 2.8 percent in 2026, rise by 3.0 percent in 2027, then increase by 3.4 percent in 2028.
- Michigan personal income is projected to advance moderately throughout the forecast, increasing by 3.3 percent in 2026 and in 2027 while rising by 3.4 percent by 2028.

Forecast Risks

- Conflict in Iran and increased instability across the Middle East could destabilize global commodity markets and supply chains.
- Inflation may continue to increase with the decreasing supply of oil and LNG in world commodity markets.
- Slowing consumer spending may slow U.S. light vehicle sales and other big ticket consumer items.
- Michigan vehicle production remains uncertain due to changes in U.S. tariff and trade policy.
- Volatile global markets, constrained credit availability, and shifting fiscal priorities all pose key challenges to U.S. monetary policy.
- Uncertainty surrounding long-term and short-term interest rates remain a risk for business investment and large consumer purchases.

**SECTION II:
Economic Review**



Economic Review

May 15, 2026

Current U.S. Economic Situation

Summary

Numerous federal policy changes have driven economic changes over the past year and a half. The U.S. economy experienced uncertainty at the beginning of 2025 as new tariff and trade policies were implemented. The One Big Beautiful Bill Act (OBBBA) passed in July 2025, which included tax cuts, changes to health care funding, and shifts in federal spending. This was followed by a shutdown in many areas of the federal government from October 1 to November 12, as a result of the lapse in appropriations.

In 2026, the conflict in the Middle East and continued changes with respect to trade policy have been the main headlines. Oil prices have climbed since the beginning of the war with Iran leading to inflation rising in the first part of 2026.

Since the decline in real GDP for the first quarter of 2025, it has risen through each quarter since then. After two strong readings in 2025Q2 (3.8%) and 2025Q3 (4.4%), real GDP slowed down to 0.5% in 2025Q4. In 2026Q1, real GDP bounced back with stronger investment spending and federal government spending rebounded after the government shutdown.

With energy prices increasing, especially from oil, inflation increased sharply in April by 3.8% year-over-year, up from the March increase of 3.3%. During CY 2025, the federal funds target range fell from 4.25-4.5 percent to 3.5-3.75 percent and remains at that level through May 2026.

Large monthly revisions to U.S. total nonfarm payroll jobs resulted in muted gains during CY 2025, as wage and salary employment grew 0.5 percent down from 1.2 percent growth in CY 2024.

Between January and December 2025, the national unemployment rate rose 0.4 percentage points to 4.4 percent, contributing to four consecutive monthly declines in the consumer sentiment survey, an occurrence that happened twice during 2025.

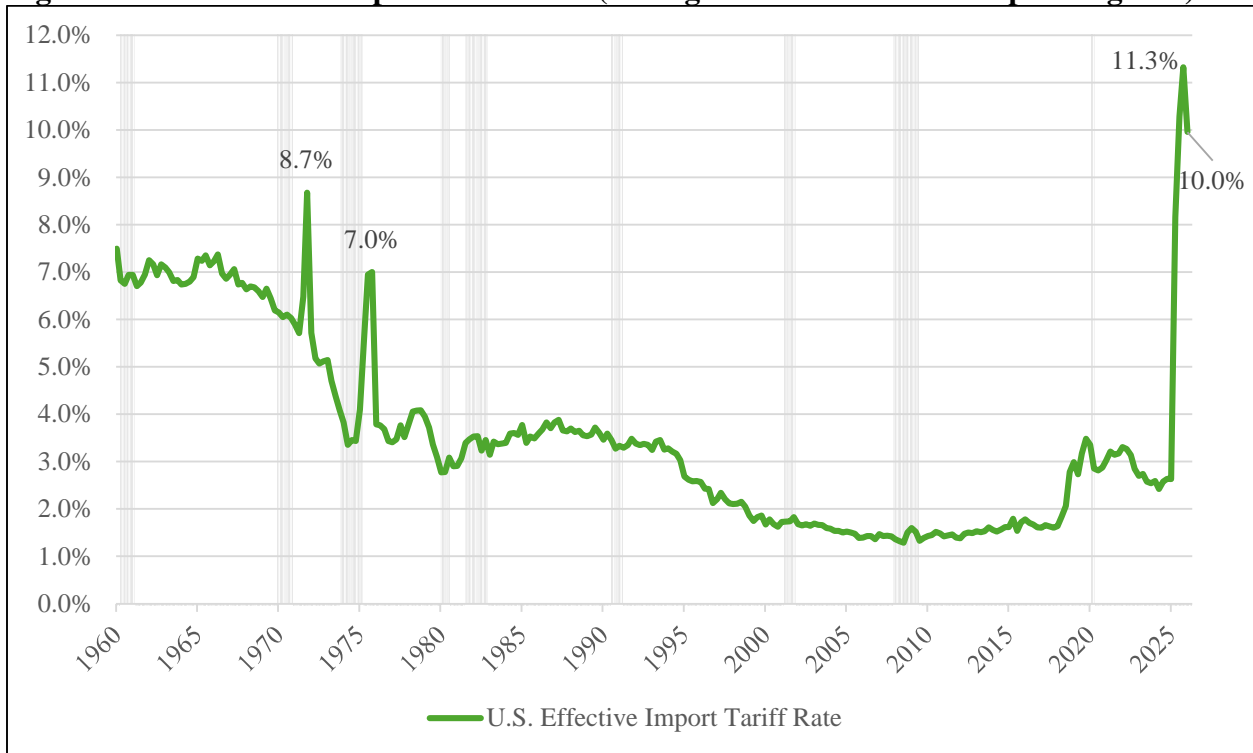
The national economy is facing challenges in 2026. Higher energy prices and tariff and trade policies will be dominant factors in how well the economy performs in the upcoming months.

Tariffs

From early 2025 through May 2026, the United States implemented substantial trade and tariff actions aimed at strengthening domestic industries, correcting market imbalances, and responding to geopolitical pressures. These measures reshaped supply chains across key Michigan industries, especially automotive manufacturing, construction materials, agriculture, and advanced technologies.

Michigan's economy—heavily reliant on automotive manufacturing, advanced materials, and international trade—faced both challenges and opportunities. The 25% tariff on imported auto parts in May had direct implications for Michigan's automotive supply chain, influencing sourcing strategies and cost structures. Copper and lumber tariffs affected construction and manufacturing sectors, while reciprocal tariffs from other nations introduced uncertainty for Michigan exporters, particularly in machinery and agricultural products.

Figure 2: U.S. Effective Import Tariff Rate (average customs duties on imported goods)



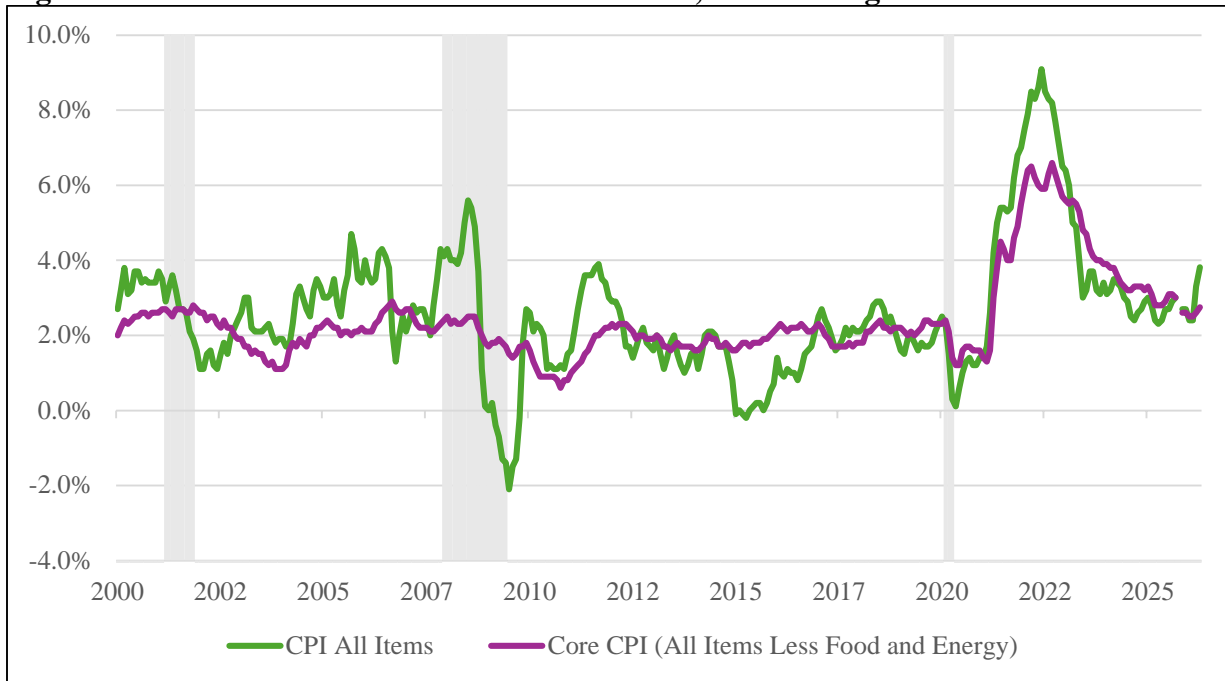
Source: U.S. Bureau of Economic Analysis (BEA), Federal government current tax receipts: Taxes on production and imports: Customs duties [B235RC1Q027SBEA] / Current payments to the rest of the world: Imports of goods [A255RC1Q027SBEA], retrieved from FRED, Federal Reserve Bank of St. Louis

Inflation

Inflationary price changes, as measured by the U.S. Consumer Price Index (CPI-U), continued to remain lower than its rates recorded after the onset of the COVID-19 pandemic. From June 2022 to December 2025, year-over-year (y-o-y) increases to the CPI-U slowed from 9.1 percent to 2.7 percent. By March 2026, headline inflation increased to 3.3 percent, compared to 2.4 percent a year ago, as fuel prices increased in response to uncertainty from the conflict with Iran. Energy prices continued to increase in April, with the CPI-U registering a 3.8 percent increase from the prior year, the largest increase since May 2023.

Similarly, the U.S. Core Consumer Price Index, which excludes food and energy and better tracks underlying inflation, also increased at slower rates during 2024 and 2025 compared to its changes in 2022 and 2023. After rising 6.6 percent y-o-y in September 2022, y-o-y core CPI increases decelerated to 2.6 percent in November 2025 and December 2025, and remained flat in the first part of 2026, recording 2.6 percent in March 2026, and 2.8 percent in April. Core CPI y-o-y rates remained higher than the overall headline inflation rate for 32 consecutive months, from March 2023 to April 2026, due mainly to declining energy prices.

Figure 3: Overall Headline Inflation Remains Low, But Starting to Increase

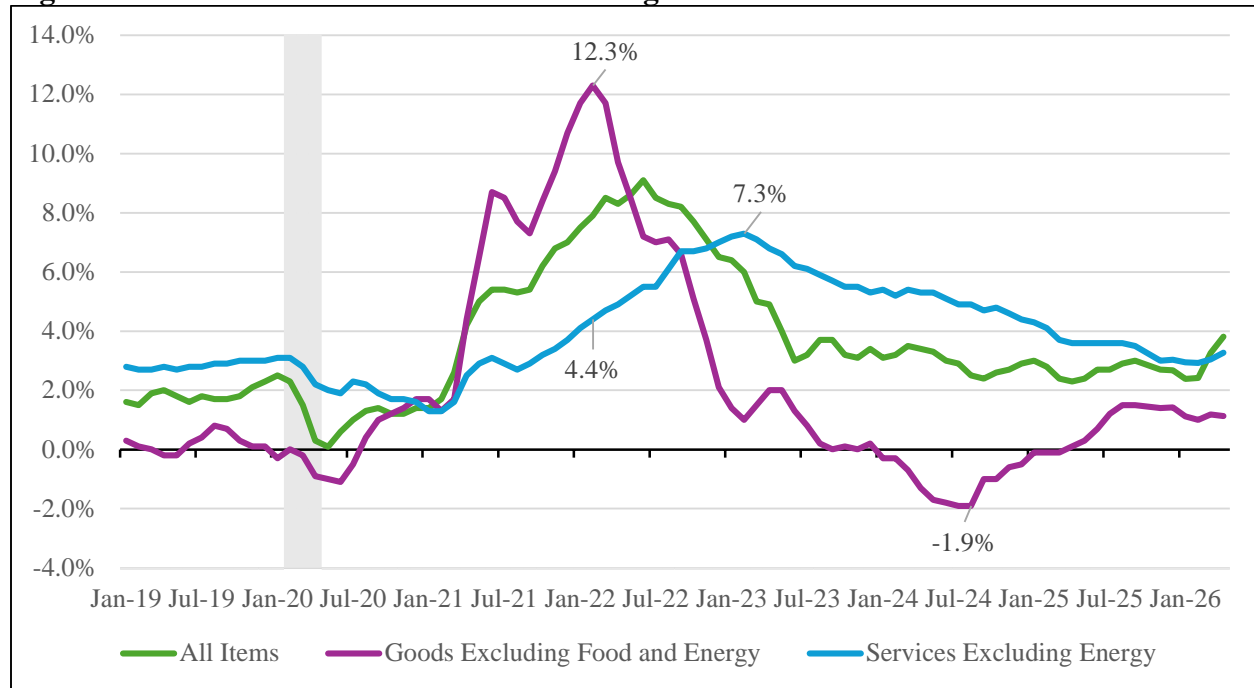


Source: U.S. Bureau of Labor Statistics (BLS)

The Federal Reserve’s preferred inflation measure, the personal consumption expenditure (PCE) deflator, has also slowed but remains higher than desired. The y-o-y increases in the PCE deflator decelerated from 7.2 percent in June 2022 to 2.9 percent in December 2025. By March 2026, the PCE deflator readings increased to 3.5 percent.

After reaching its recent peak in February 2022 of 12.3 percent, the y-o-y increase in goods excluding energy and food slowed dramatically in 2023 and entered deflationary territory by January 2024. Goods inflation continued to decline in the following months, falling to -1.9 percent by July 2024, its lowest reading since February 2004 (-2.0 percent). However, since April 2025, y-o-y goods prices moved from deflationary territory, registering increases between 0.1 and 1.5 percent, and rising 1.2 percent in March 2026, and 1.1 percent in April 2026. In contrast, the y-o-y increases in services excluding energy rose from 4.4 percent in February 2022 to its recent peak of 7.3 percent in February 2023. Services prices then declined repeatedly, falling to 2.9 percent y-o-y by January 2026, its lowest y-o-y increase since September 2021 (2.9 percent), before edging up to 3.0 percent in March 2026, and 3.3 percent in April 2026.

Figure 4: Services Prices Decline Is Moderating

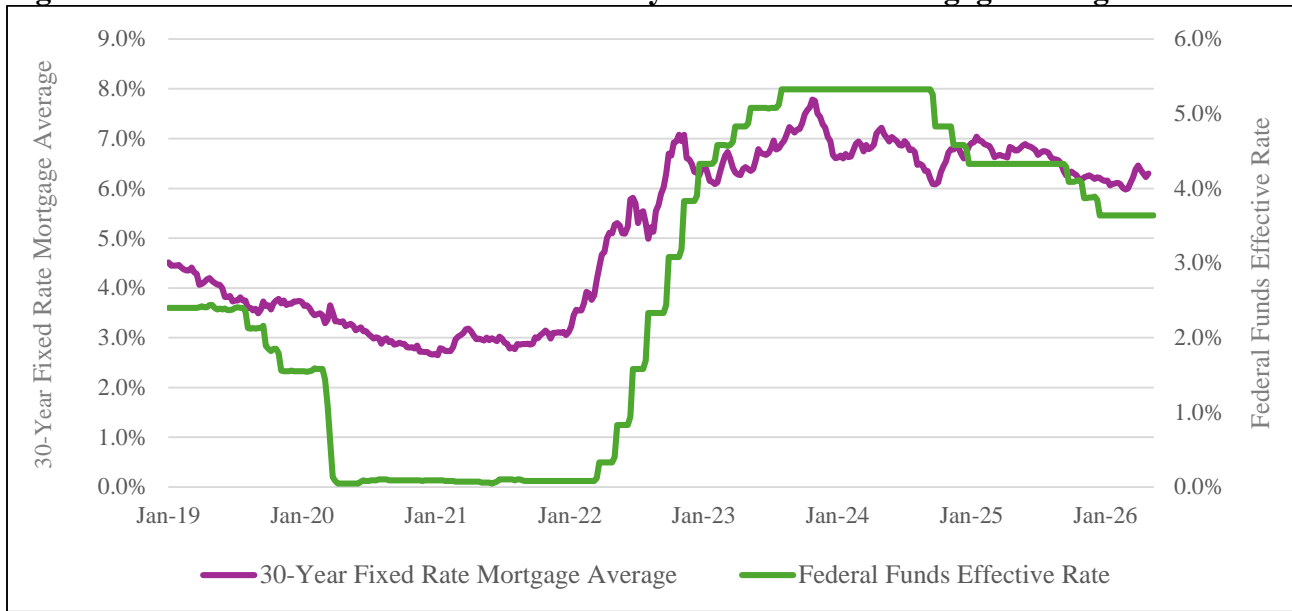


Source: U.S. Bureau of Labor Statistics (BLS)

Monetary Policy and Interest Rates

The Federal Reserve’s policy remained contractionary until the middle of 2023, evidenced by the Federal Open Market Committee (FOMC) raising the federal funds target range eleven times. Target range increases lasted between March 2022 and July 2023, moving from 0.25-0.50 percent to 5.25-5.50 percent. The federal funds rate advanced 4.25 percentage points in CY 2022 before increasing an additional 1.00 percentage point in CY 2023 to 5.25-5.50, a 22-year high. The upper bound remained between 5.25-5.50 percent for 13 consecutive months. As inflation stabilized in the second half of CY 2024 and worries about stagnating economic growth diminished, the Federal Reserve decreased the rate 1.00 percentage points during December 2024, moving the upper bound to 4.25-4.50 percent. The target range stayed unchanged through July 2025. The Fed then implemented three consecutive rate cuts, resulting in a new federal funds target range of 3.5-3.75 percent by December 2025. Due to gradual upticks in the national unemployment rate and slowing job growth through 2024 and 2025, officials had to balance inflationary pressures with future rate cuts. In concordance, the Federal Reserve decreased its asset holdings during calendar year 2024 and 2025. As of December 31, 2025, the Federal Reserve reduced its asset holdings by 3.1 percent compared to its holdings at this time last year. The FOMC left the fed funds rate unchanged at 3.5-3.75 percent at its March 2026 meeting, as the economy seems to remain in solid growth, inflation remains somewhat elevated, and unemployment rate has presented little change in recent months.

Figure 5: Federal Funds Effective Rate and 30-year Fixed Rate Mortgage Average



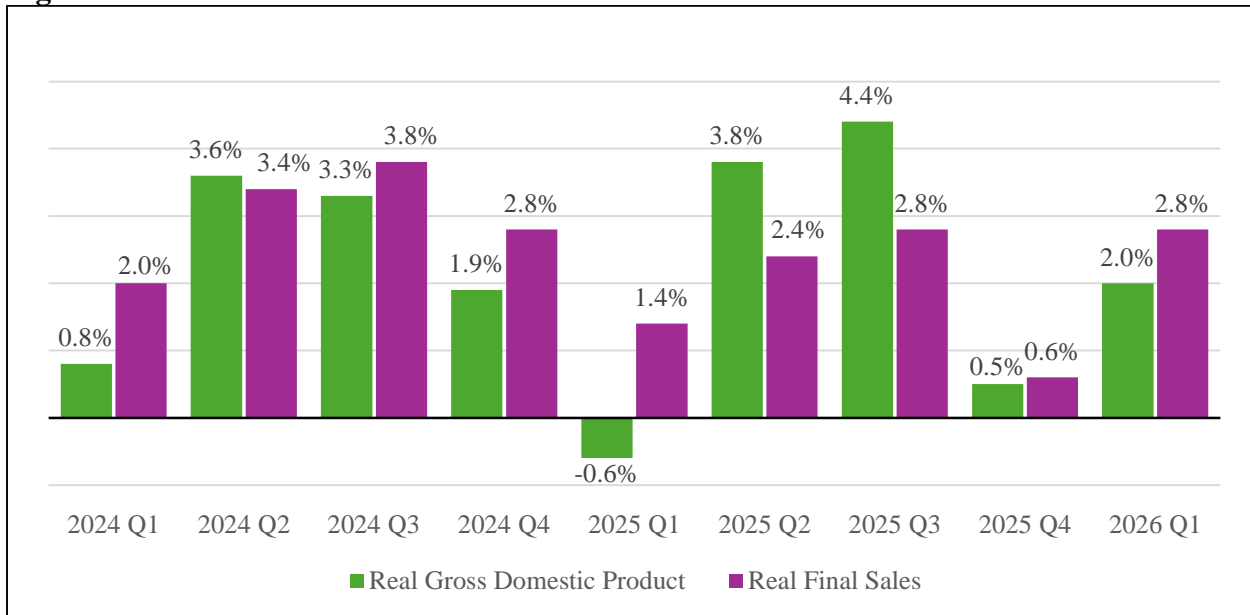
Source: Freddie Mac, 30-Year Fixed Rate Mortgage Average in the U.S. and Board of Governors of the Federal Reserve System, Federal Funds Effective Rate, FRED, Federal Reserve Bank of St. Louis

Gross Domestic Product (GDP)

U.S. real GDP declined by 0.6 percent in the first quarter of 2025 from the surge in imports ahead of the executive administration’s new tariff policies. This tariff front-running resulted in the first, quarterly decline in real GDP since 2022Q1 (-1.0 percent). Real GDP then rebounded by 3.8 percent during 2025Q2, due to the decrease in imports and increase in consumer spending. Real GDP growth remained solid in the third quarter of 2025, recording a 4.4 percent increase led by gains in consumer spending, exports, and government spending. But the federal government shutdown last October and November weighed on overall real GDP growth in the last quarter of 2025, leading to the modest 0.5 percent real GDP growth in the period. With government purchases largely normalized in the beginning of 2026, the sturdy pace of consumer spending, and a notable pick up of domestic investment, the U.S. economy appears to be expanding solidly, registering 2.0 percent real GDP percent increase in the first quarter of 2026.

Real final sales to domestic purchasers, a more stable and representative measure of current domestic demand, which excludes inventory changes and exports but includes imports, increased at a solid pace during 2023 and 2024, with an average quarterly growth rate of 3.7 and 3.0 percent for each year, respectively. Despite real GDP’s 2025 first quarter decline, real final sales exhibited continued growth in each quarter of 2025, registering an average quarterly growth rate of 1.8 percent in 2025. For the first quarter of 2026, real final sales to domestic purchasers registered a 2.8 percent annual rate increase.

Figure 6: Real Gross Domestic Product and Real Final Sales



Source: U.S. Bureau of Economic Analysis (BEA)

Labor Markets

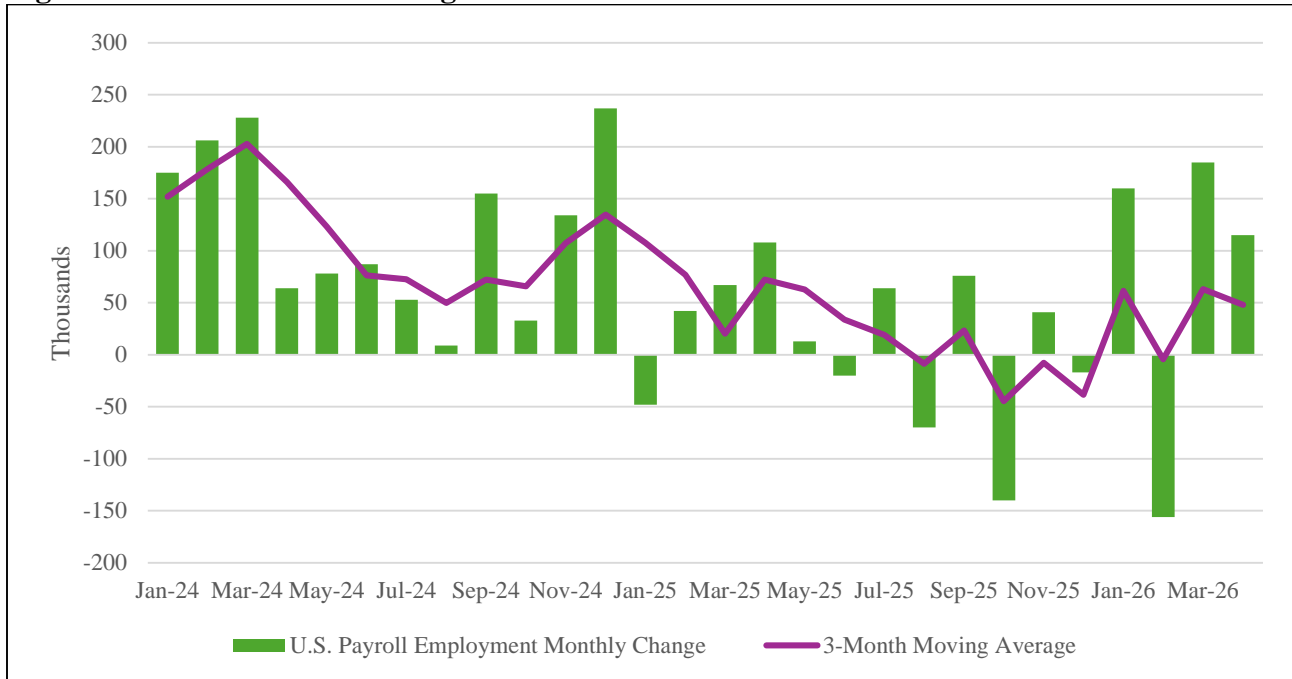
Total nonfarm payroll jobs continued to reach record levels during 2024 and 2025. However, these employment gains increased at a notably slower pace than in prior years. Nonfarm employment in the United States recorded solid growth rates during 2022 and 2023 due to strong rebounds from COVID-19 related job losses. Monthly job gains averaged 377,100 per month in 2022 before falling to 209,500 jobs per month in 2023. Average monthly job gains continued to decline in 2024 and 2025, to 121,600 jobs and 9,700 jobs, respectively. Despite recent volatility in nonfarm payroll, the average monthly job gain for the first four months of 2026 was 76,000 jobs, compared to 42,300 jobs in the same period in 2025. Nationwide employment in April 2026 was approximately 6.3 million or 4.2 percent higher than its February 2020 pre-pandemic level.

Although the U.S. **jobless rate** remained low the past three years, a gradual uptick has been recorded in more recent months. Previously, the jobless rate remained below 4.0 percent for 27 consecutive months, from February 2022 to April 2024. The unemployment rate increased to between 4.0 and 4.2 percent from May 2024 through July 2025, before edging up to the 4.3 and 4.5 percent range since then. As of April 2026, the unemployment rate stood at 4.3 percent, 0.8 percentage points above the February 2020 pre-pandemic rate.

The **labor force participation rate**, the share of the working-age population who are in the labor force either working or actively looking for work, was recorded at an annual average rate of 63.1 percent in 2019, its highest, annual average reading since 2013. The national participation rate declined sharply in 2020 due to the COVID-19 pandemic. The annual average participation rate remained at 61.7 percent for two consecutive years, from 2020 to 2021. The annual average participation rate edged up slowly the next two years, increasing to 62.2 in 2022, then 62.6 in 2023 and stayed at 62.6 in 2024. As of December 2025, the nationwide seasonally adjusted labor force participation rate was recorded at 62.4 percent. On a monthly basis, the labor force participation

rate has been decreasing for the past five consecutive months, declining from 62.5 percent in November 2025, to 61.8 percent in April 2026.

Figure 7: Cumulative Job Change in the United States



Source: Current Employment Statistics (CES), U.S. Bureau of Labor Statistics (BLS)

Figure 8: U.S. Labor Force Participation Rate (monthly)

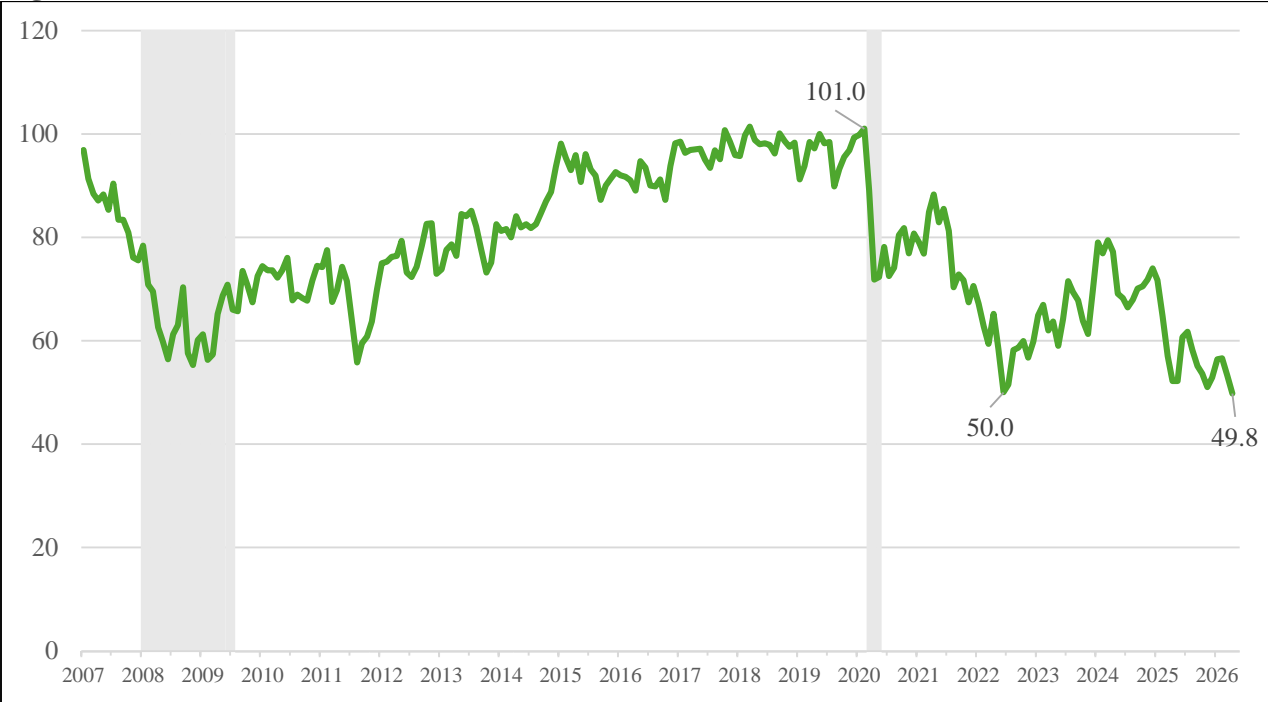


Source: Current Population Survey (CPS), U.S. Bureau of Labor Statistics (BLS)

Consumers: Spending, Sentiment and Residential Investment

The University of Michigan’s **index of consumer sentiment**, a monthly survey of consumer confidence levels in the United States, recovered slowly throughout 2023 and 2024 after recording historic lows during 2022, when inflation was a major concern. Due to persistently higher prices and major uncertainties around earlier tariff and trade policies, consumer sentiment decreased rapidly in 2025. During 2025 the index fell to 51.0 index points in November 2025, its lowest level since June 2022. Subdued labor market expectations and high prices were cited as continued concerns among the surveyed. The index finished the year with an overall reading of 52.9 in December 2025, boosted by the decline in year-ahead inflation expectations to its lowest reading since January 2025. The recent increase of fuel prices as a reflex of the conflict with Iran dragged the index to new lows in the beginning of 2026, with the index dropping to 49.8 in April 2026, the new lowest level recorded for the index. Preliminary results for the May survey indicate sentiment remains essentially unchanged, coming in a scant 1.6 index points below April’s reading.

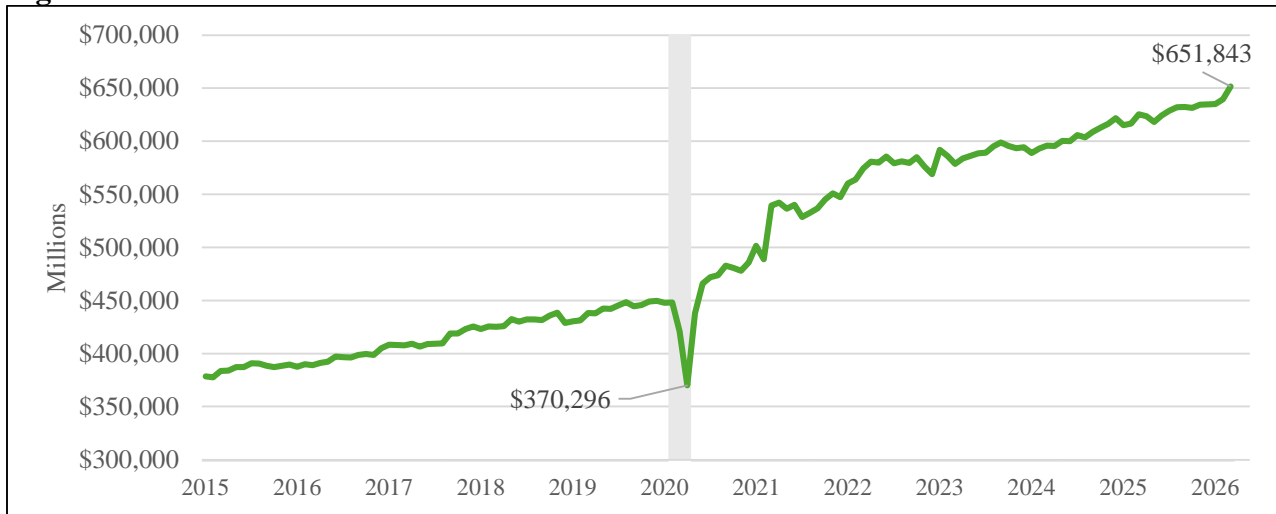
Figure 9: Index of Consumer Sentiment



Source: University of Michigan, Surveys of Consumers

The **retail trade sales** estimate for March 2026, which provides an early indication of sales of retail and food service companies, rose 1.9 percent from the previous last month, and up 4.2 percent over year. The yearly gain was mainly driven by non-store retailers, which encompasses e-commerce purchases. Non-store retailers were up 10.1 percent from last year, while retail trade sales increased 4.2 percent from a year ago, and food services and drinking places were up 2.4 percent from March 2025. Total sales for the January 2026 through March 2026 period were up 3.7 percent from the same period a year ago, a notable result in the presence of continued weakening of consumer confidence, relatively high interest rates, and uncertain tariff and trade trends observed in since 2025.

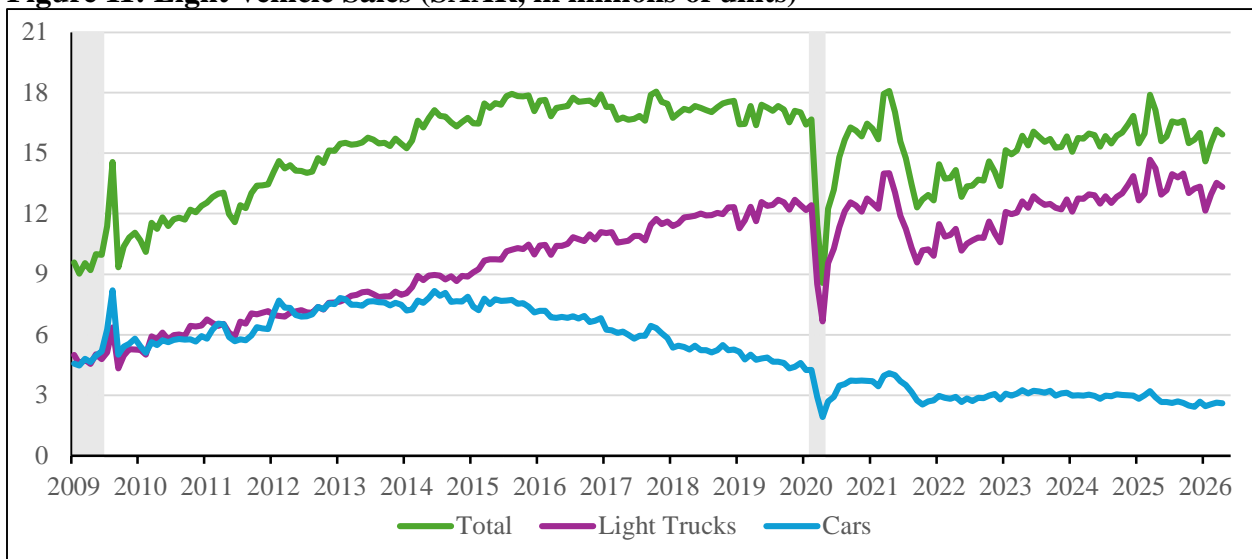
Figure 10: Retail Trade Sales



Source: Advance Monthly Retail Trade Survey, U.S. Census Bureau

U.S. light vehicle sales advanced from 13.8 million average units in 2022 to 15.5 million average units in 2023, as inventory was restored and supply chain constraints declined. Light vehicle sales rose again in 2024, reaching 15.9 million average units, which was 2.2 percent higher than sales recorded in the prior year. Similarly, light trucks sales grew from 10.9 million average units in 2022 to 12.4 million average units in 2023, followed by an increase to 12.9 million average units in 2024. For 2025, light vehicle sales were recorded at 16.2 million average units, as light trucks sales grew to 13.5 million average units, compared to 2.7 million average units of automobile sales. For the 12-month period ending in April 2026, light vehicle sales declined to 15.9 million average units, or 1.9 percent lower than the same period last year. Light trucks sales barely registered at the same rate as in the prior year, at 13.3 million average units (0.6 percent change from a year ago), while car sales continued to decline, recording average unit sales of 2.6 million, or 12.9 percent lower than the prior year.

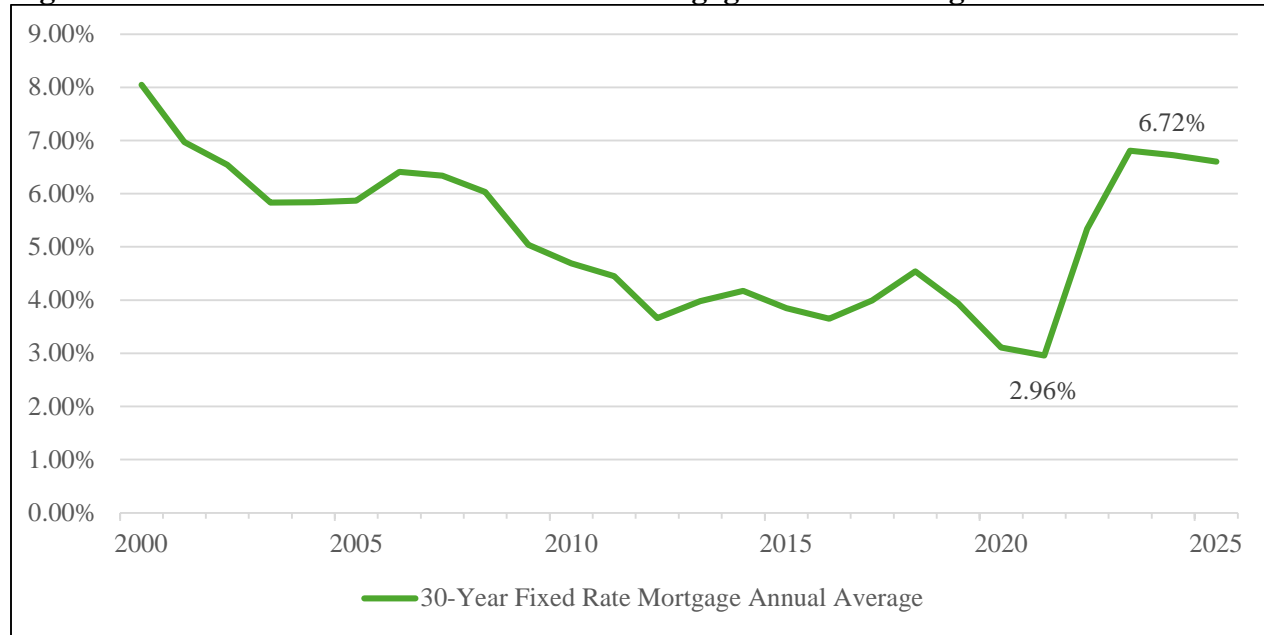
Figure 11: Light Vehicle Sales (SAAR, in millions of units)



Source: U.S. Bureau of Economic Analysis (BEA)

High mortgage rates continued to affect national housing starts. The average annual **30-year fixed mortgage rate** recorded a historic low in 2021, at 2.96 percent. The average annual rate then increased significantly over the next three years, rising from 5.34 percent in 2022 to 6.81 percent in 2023, 6.72 percent in 2024, and averaging 6.60 percent in 2025. The 30-year mortgage rate peaked at 7.79 percent at the end of October 2023, rising from its low of 2.65 percent in the first week of January 2021. The 30-year average mortgage rate declined modestly during 2025, reaching 6.15 percent in the last week of December 2025. Uncertainty over tariff and the conflict in with Iran have kept market alert, contributing to a slower decline in mortgage rates than otherwise. By the last week in April 2026, mortgage rates had edged up to 6.30 percent. As mortgage rates advanced from 2022 to 2023, national housing starts steadily declined. On an annual average basis, housing starts totaled 1.60 million in 2021, 1.55 million in 2022, and 1.42 in 2023. While mortgage rates began to moderate in 2024 and 2025, housing starts continue to decline in 2024, falling to an annual average of 1.37 million units, and moved sideways in 2025, with a total annual average of 1.36 million. As of March 2026, housing starts edged up, recording 1.50 million units, 10.8 percent higher than the level registered a year ago.

Figure 12: United States 30-Year Fixed Rate Mortgage Annual Average



Source: Freddie Mac, FRED, Federal Reserve Bank of St. Louis

Federal Policy: Budget, Tax, and Trade

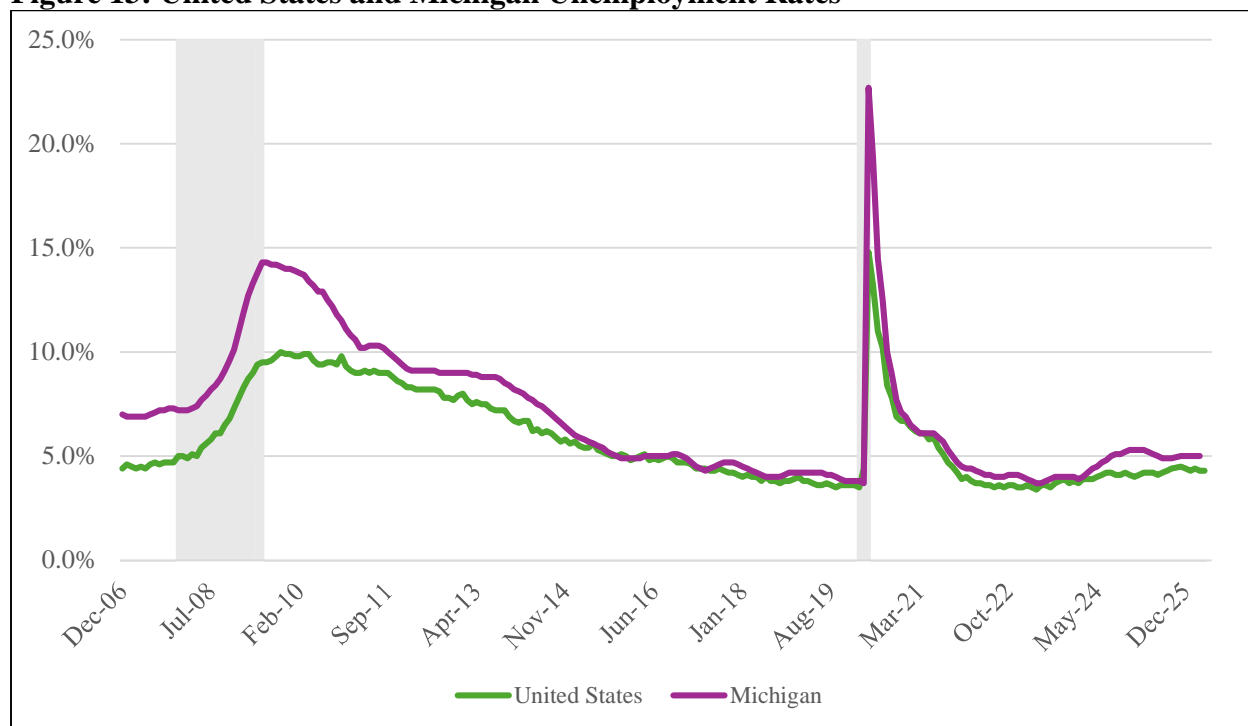
The U.S. federal budget deficit was \$1.775 trillion in FY 2025, on an annualized, not seasonally adjusted basis. The deficit decreased by \$55.6 billion or 3.0 percent from the FY 2024 amount. Federal tax revenues rose by \$314.7 billion or 6.4 percent, while federal outlays increased by \$259.1 billion or 3.8 percent. In FY2025, net interest payments rose to \$0.970 trillion, a 10.2 percent increase from the prior year, compared to 3.4 percent and 2.6 percent increases for discretionary and mandatory outlays, respectively. In FY 2025, the deficit was equal to 5.8 percent of the nation’s GDP which was below the FY 2024 level of 6.3 percent. The FY 2025 federal budget deficit as a share of GDP is greater than the 50-year average of 3.7 percent.

Current Michigan Economic Situation

Michigan total nonfarm payroll job increases averaged 8,600 jobs per month during 2022 but declined to an average gain of 5,800 jobs per month in 2023, before decelerating to 500 jobs per month in 2024. By 2025, Michigan’s annual total nonfarm payroll job count stood at 4.48 million, 3.2 percent lower than its year-ago level, and reflected an average of 600 jobs lost per month in the year. Compared to the prior year, nonfarm jobs have been recording declines since August 2025, with 9,200 fewer jobs than the same month in the prior year. In March 2026, nonfarm payroll was 8,800 jobs lower than the prior year.

After seven consecutive months with nearly unchanged rate at 4.0 percent, the Michigan unemployment rate recorded an uptick in March 2024, which was followed by nearly consecutive months of rate increases through the end of 2024. During 2025, the statewide unemployment rate ranged between 5.0 percent and 5.3 percent. The Michigan jobless rate declined to 5.0 percent in November 2025, where it has remained unchanged as of March 2026.

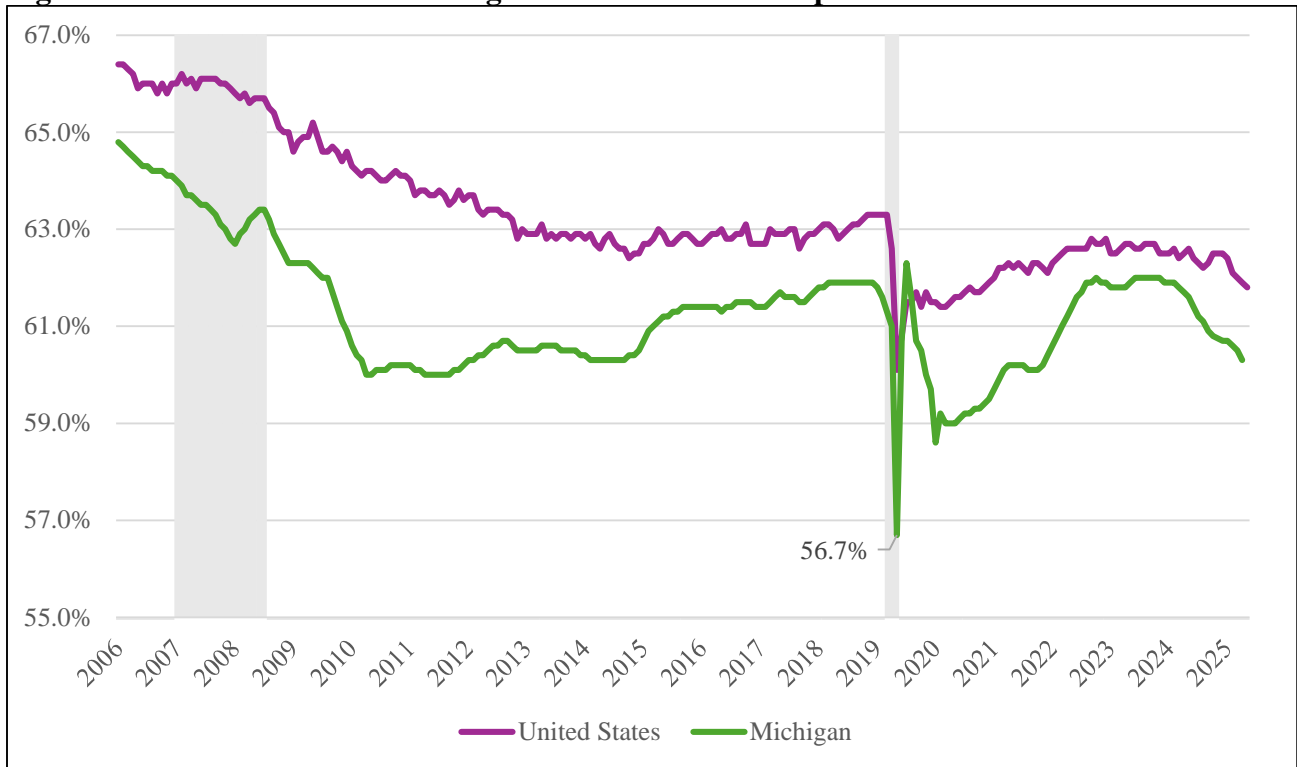
Figure 13: United States and Michigan Unemployment Rates



Source: Current Employment Statistics (CES), U.S. Bureau of Labor Statistics (BLS)

Staying between 61.8 percent to 62.0 percent throughout the entirety of 2024, the statewide labor force participation rate has essentially been declining every month since then, recording a low of 60.3 percent in March 2026. While historically lower than the national participation rate, the gap between the United States and the Michigan rate began to inch closer beginning in 2022 through 2024. But since 2025, the gap began to widen again. In March 2025, the statewide rate was 0.8 percentage points below the nationwide rate of 62.5 percent. A year later, the gap between the national and Michigan rate doubled, with the statewide participation rate 1.6 percentage points below the national rate of 61.9 percent in March 2026.

Figure 14: United States and Michigan Labor Force Participation Rates



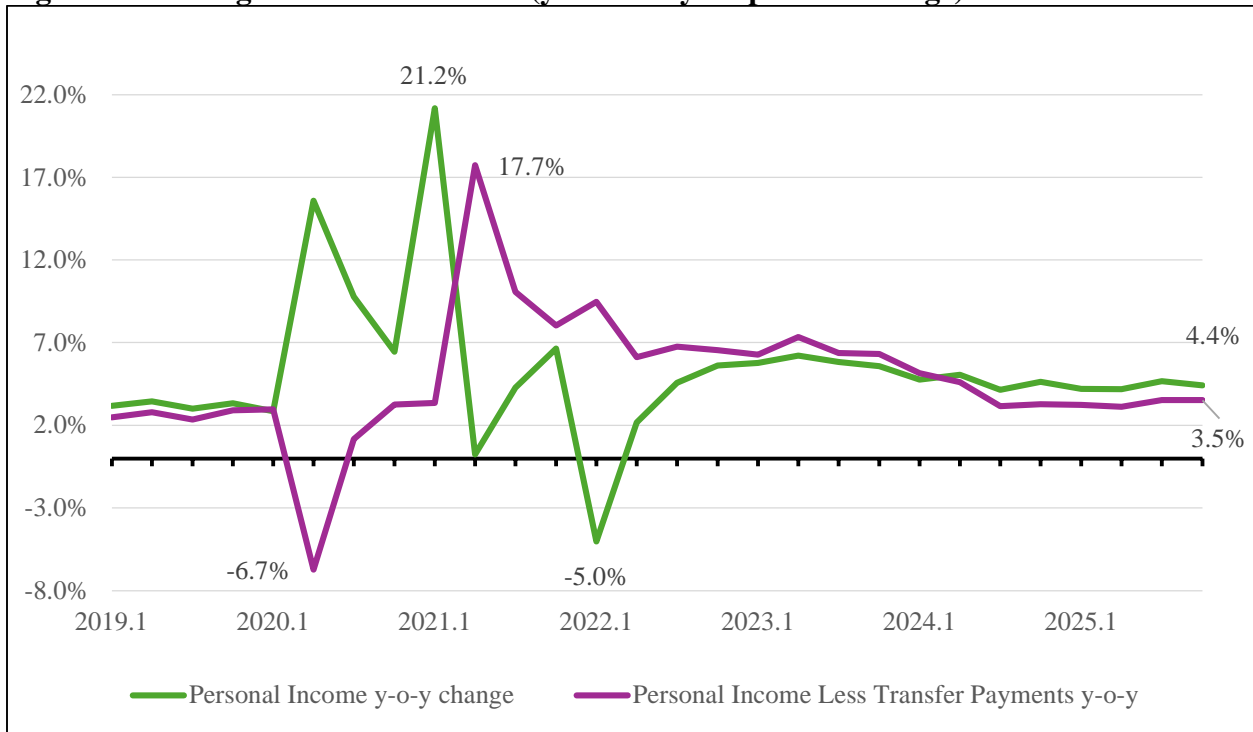
Source: Current Population Survey (CPS) and Local Area Unemployment Statistics (LAUS), U.S. Bureau of Labor Statistics (BLS)

Michigan personal income increased 15 of the last 16 quarters, between 2022Q1 through 2025Q4, reflecting strong earnings from work and dividends, interest, and rent income during the period. At a year-over-year (y-o-y) rate, Michigan personal income increased 5.6 percent in 2023Q4, 4.6 percent in 2024Q4, and 4.4 percent in 2025Q4.

Transfer payments for Michigan declined more rapidly on a y-o-y basis than the national average during 2022. In 2023, statewide transfer payments recovered, with annual growth rates outpacing national rates. Michigan transfer payments growth rate matched national rate in 2024, before losing some ground in 2025. As of 2025Q4, Michigan transfers increased 7.6 percent y-o-y compared to the national yearly growth rate of 8.6 percent.

Personal income less transfer payments, which measures income by excluding payments made by the government to individuals through programs such as Social Security or unemployment insurance, helps in understanding underlying income trends and economic health by excluding the effects of government intervention through transfer payments. On a y-o-y basis, Michigan personal income less transfer payments have increased every quarter since 2020Q2. Between 2020Q3 and 2025Q4, y-o-y Michigan personal income less transfers payments growth rates ranged from a low of 1.2 percent during 2020Q3 to a high of 17.7 percent during 2021Q2. Compared to prior quarters, statewide personal income less transfers increased 6.3 percent in 2023Q4, 3.3 percent in 2024Q4, and 3.5 percent in 2025Q4.

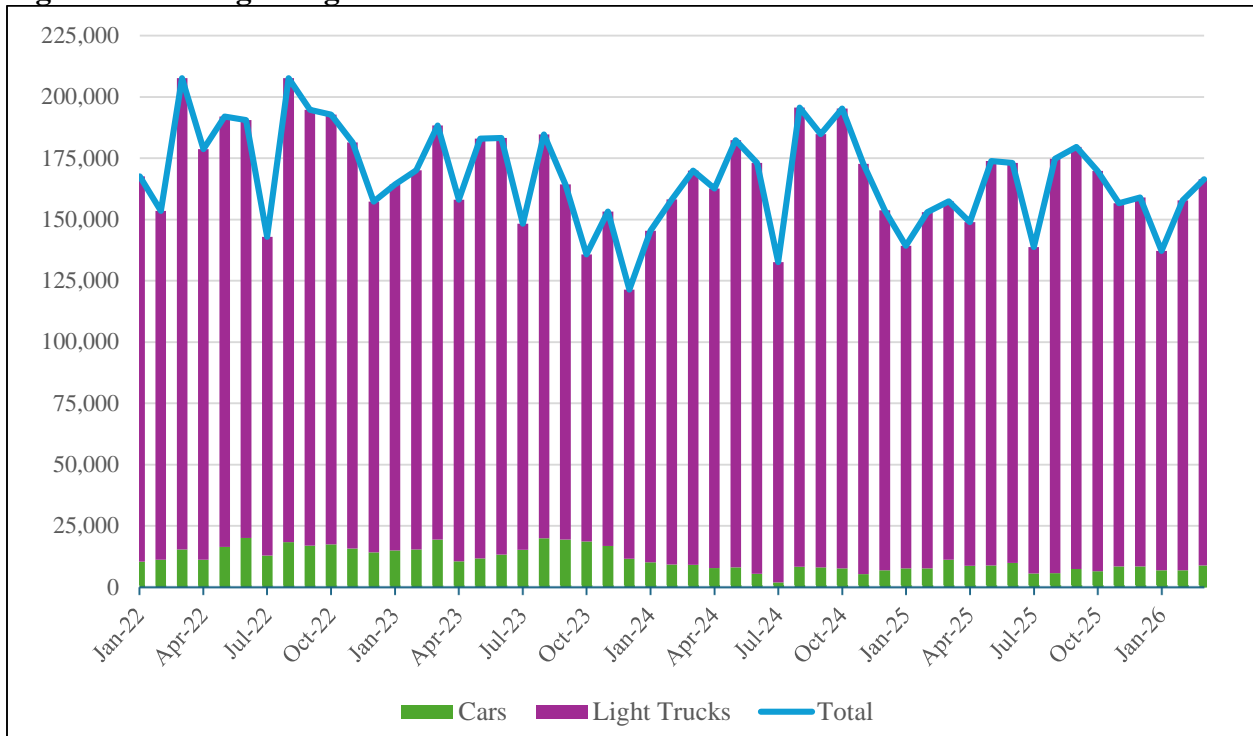
Figure 15: Michigan Personal Income (year-over-year percent change)



Source: U.S. Bureau of Economic Analysis (BEA)

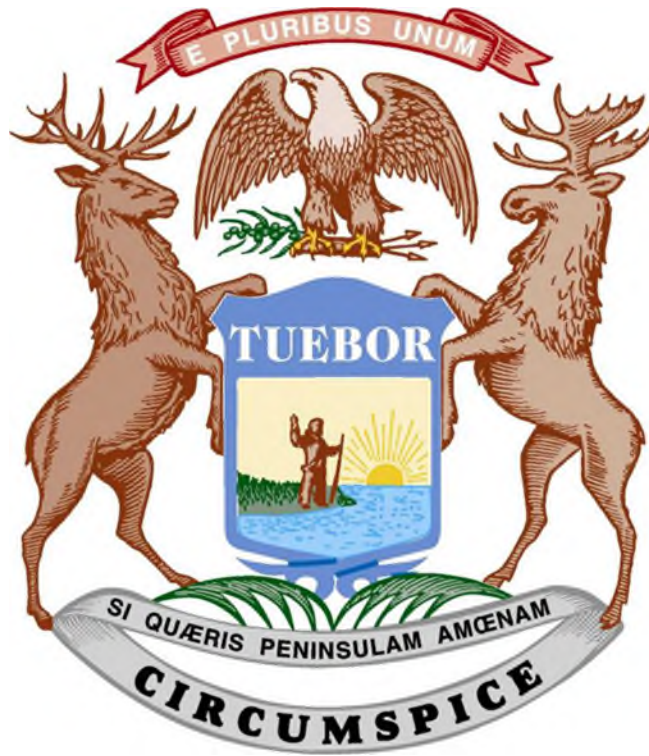
Michigan vehicle production rose at a noteworthy pace in 2021 and 2022, advancing by 269,000 units and 309,200 units respectively, despite persistent supply-chain challenges triggered by the global semi-conductor chip shortage. The gains recorded during 2021 and 2022 were due mainly to increases in light truck production. However, these post-pandemic increases in statewide vehicle production reversed course in 2023, as production fell by 212,200 units over the year, exacerbated by the UAW strike in the latter half of the year. This decline reflected drastically weaker production in light trucks. Michigan’s total vehicle production recovered in 2024, rising by 71,900 over the year, highlighted by the 170,700 unit increase in light trucks. Facing headwinds from tariffs and change in federal incentives to purchase of specific light vehicle, statewide production declined in 2025, producing 102,500 fewer units than the prior year. As of March 2026, Michigan year-to-date (YTD) light vehicle production was about 11,700 units higher than its YTD March 2025 level, but still 12,200 lower than the YTD level in March 2024.

Figure 16: Michigan Light Vehicle Production



Sources: Automotive News and Michigan Department of Treasury

**SECTION III:
Administration Economic Forecast**



Administration Economic Forecast May 15, 2026

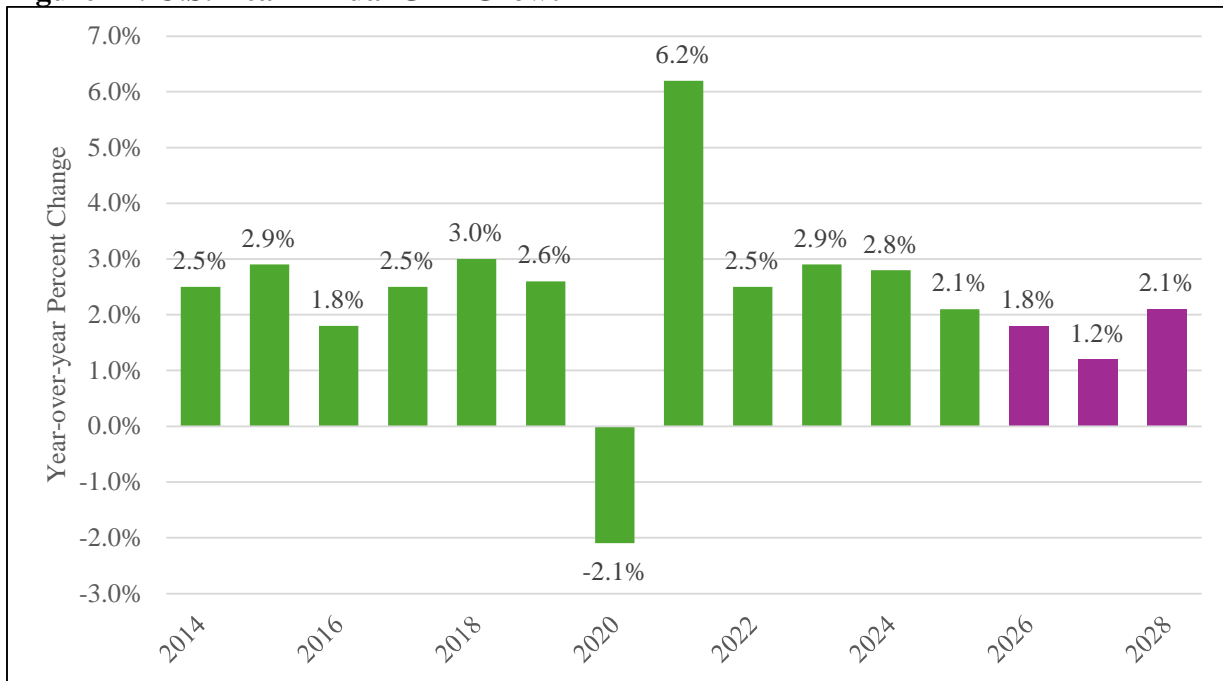
Administration Economic Forecast Summary

For a summary of the Administration forecast of the U.S. and Michigan economies, please see Table 1 at the end of this section.

2026, 2027, and 2028 U.S. Economic Outlook

Real (inflation adjusted) annual GDP is projected to increase over the forecast horizon. Real GDP fell by 2.1 percent in 2020, which was the largest annual decline since 2009. Real GDP then rebounded and advanced by 6.2 percent during calendar year 2021, which was the fastest annual real GDP growth recorded since 1984. Following this rebound, real GDP recorded three consecutive years of annualized growth at 2.5 percent or greater. After rising by 2.1 percent in 2025, real GDP is forecast to rise by 1.8 percent in 2026, 1.2 percent in 2027, before advancing by 2.1 percent in 2028.

Figure 17: U.S. Real Annual GDP Growth

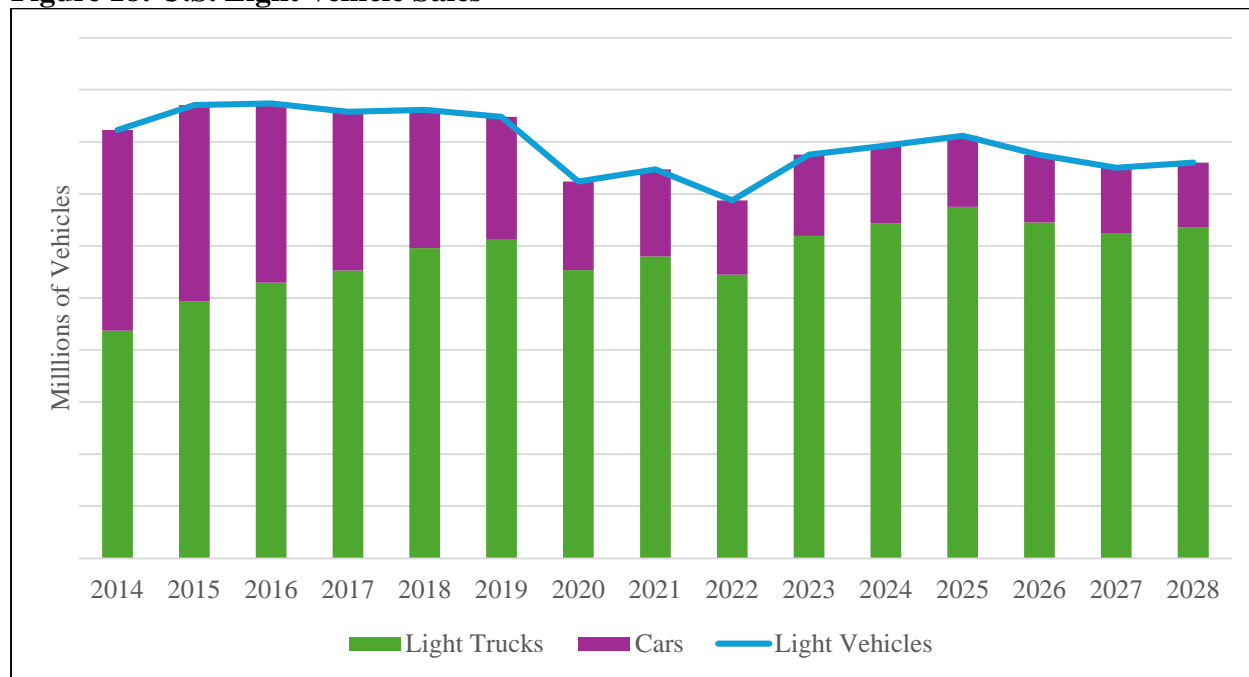


Sources: U.S. Bureau of Economic Analysis (BEA) and Office of Revenue and Tax Analysis (ORTA), Administration Forecast, May 2026

U.S. light vehicle sales fell from 17.0 million units in 2019 to 14.5 million units in 2020 and trended downward the following two years, largely due to lingering effects from the COVID-19 pandemic and the global semiconductor shortage. National light vehicle sales then recovered in the following three years, rising from 13.8 million units in 2022, to 15.5 million units in 2023, 15.9 million units in 2024, and reaching 16.2 million units in 2025. Light vehicle sales are forecast to decline in 2026 to 15.5 million units, and to 15.0 million units in 2027, before edging back up to

15.2 million units in 2028. Similar to last year’s forecast, light truck sales are forecast to lead the light vehicle market over the forecast horizon.

Figure 18: U.S. Light Vehicle Sales



Sources: U.S. Bureau of Economic Analysis (BEA) and Office of Revenue and Tax Analysis (ORTA), Administration Forecast, May 2026

The **U.S. unemployment rate** declined steadily since its recent peak in 2020, falling from 8.1 percent to 3.6 percent by the end of 2023. However, the national unemployment rate rose to 4.0 percent during 2024 and again during 2025, to 4.3 percent. The nationwide jobless rate is forecast to increase to 4.5 percent in 2026, 5.0 percent in 2027, and remain at 5.0 percent in 2028.

U.S. wage and salary employment rose by 2.3 percent during 2023 but slowed to 1.3 percent growth during 2024. Wage and salary employment decelerated again in 2025, increasing by only 0.5 percent. Marginal growth rates are projected to follow a soft labor market trend, with wage and salary employment increasing 0.2 percent in 2026, 0.0 percent in 2027, and 0.4 percent in 2028.

The **U.S. consumer price index (CPI)** increased 4.1 percent in 2023 and advanced by 2.9 percent in 2024. Headline inflation rose 2.7 percent in 2025. Over the forecast horizon, CPI is expected to move up 3.6 percent in 2026, advance by 2.9 percent in 2027, then increase by 2.2 percent in 2028. The **personal consumption price deflator** rate increased 2.5 percent in 2024 and 2.6 percent during 2025. The deflator is forecast to move up 3.7 percent in 2026, rise 2.6 percent in 2027, then advance 2.0 percent in 2028.

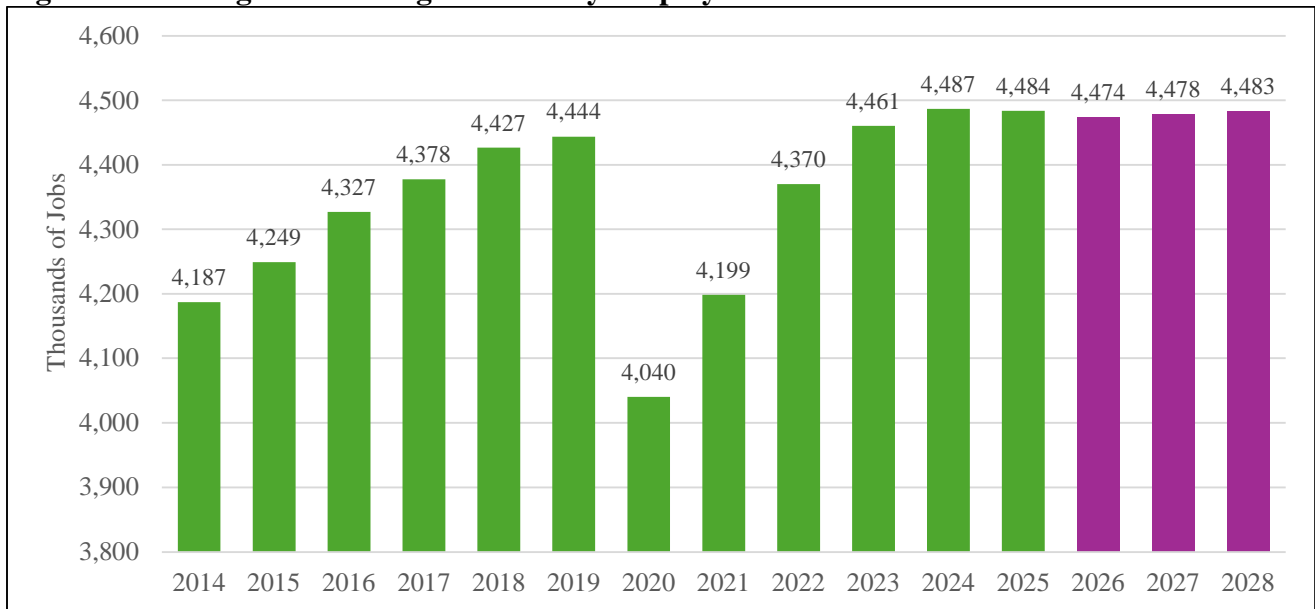
The **three-month Treasury bill rate** average was 5.0 percent in 2024 and 4.1 percent in 2025. The Treasury bill rate is expected to average 3.6 percent in 2026, decline to 3.2 percent in 2027, before falling to 3.1 percent in 2028.

Housing starts declined by 3.9 percent in 2024 to 1.364 million, before falling 1.1 percent in 2025 to 1.356 million, due to continued higher mortgage rates. Housing starts are forecast to continue to drop in 2026 and 2027, to 1.324 million and 1.310 million units, respectively, before increasing to 1.386 million in 2028.

2026, 2027, and 2028 Michigan Economic Outlook

Michigan wage and salary employment displayed solid growth since 2020. After its sharp decline in 2020, the statewide wage and salary employment increased 3.9 percent in 2021 and 4.1 percent in 2022. By April 2023, Michigan wage and salary employment was slightly above its February 2020 pre-pandemic level. In 2024, Michigan wage and salary employment increased 0.6 percent before declining 0.1 percent in 2025. Michigan wage and salary employment is expected to grow modestly over the forecast horizon, first declining by 0.2 percent in 2026, before edging up by 0.1 percent in both 2027 and 2028.

Figure 19: Michigan Total Wage and Salary Employment

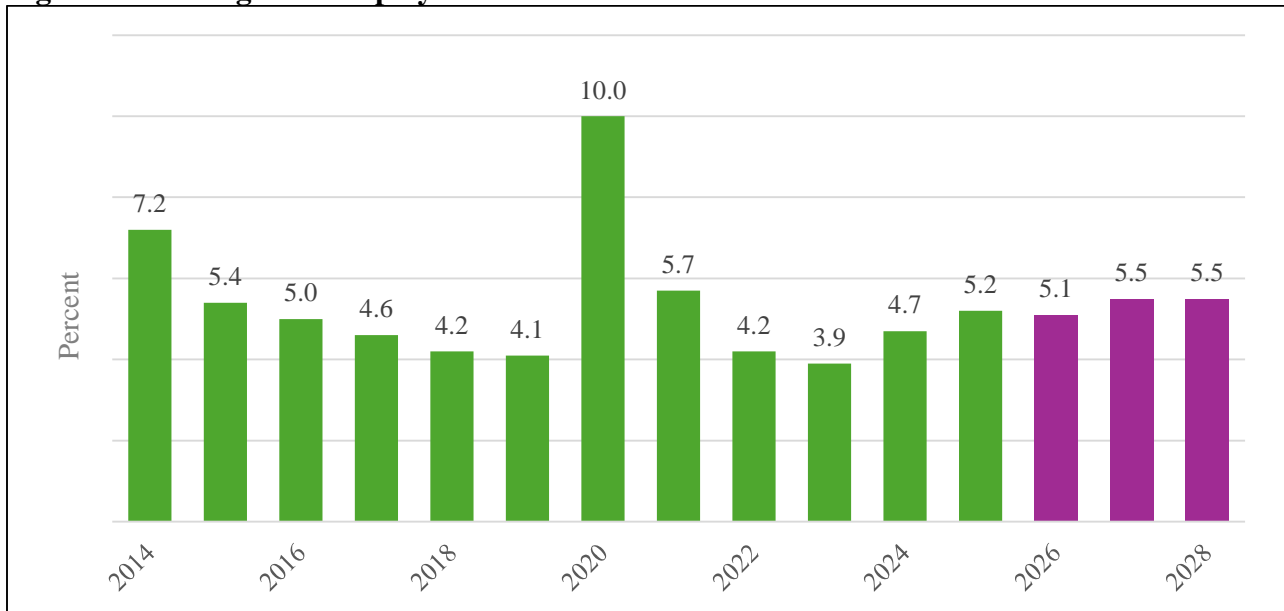


Sources: U.S. Bureau of Labor Statistics (BLS) and Office of Revenue and Tax Analysis (ORTA), Administration Forecast, May 2026

Michigan manufacturing employment declined substantially during 2020 but recovered in 2021 and in 2022, by 4.9 percent and 4.0 percent respectively. Growth slowed during 2023, as manufacturing jobs only rose by 1.5 percent on an annualized basis. Statewide manufacturing then retracted in both 2024 and 2025, falling by 2.1 percent and 3.2 percent, respectively. Manufacturing employment in Michigan is forecast to decline during 2026 by 0.9 percent but rise moderately in 2027 by 0.7 percent and 0.8 percent in 2028,

The **Michigan unemployment rate** decreased to 3.9 percent in 2023 but rose in 2024 to 4.7 percent, and to 5.2 percent in 2025. Michigan’s unemployment rate is forecast to edge down to 5.1 percent in 2026, moving up to 5.5 percent in 2027, where it remains for 2028.

Figure 20: Michigan Unemployment Rates



Sources: U.S. Bureau of Labor Statistics (BLS) and Office of Revenue and Tax Analysis (ORTA), Administration Forecast, May 2026

Michigan wages and salaries advanced 5.0 percent in 2023, 4.4 percent in 2024, and 3.9 percent in 2025. Statewide wages and salaries are forecast to increase 2.8 percent in 2026, 3.0 percent in 2027, and 3.4 percent in 2028.

Michigan personal income increased by 5.8 percent in 2023, 4.6 percent in 2024, and 4.4 percent in 2025. Personal income in Michigan is forecast to increase 3.3 percent in both 2026 and 2027, before moving up 3.4 percent in 2028. After rising 1.4 percent in 2024 and 2.4 percent in 2025, **real (inflation adjusted) Michigan personal income** is forecast to change 0.0 percent in 2026, 0.3 percent in 2027, then 1.1 percent in 2028.

The **Detroit CPI** advanced 5.4 percent in 2023, 3.3 percent in 2024, before registering a 1.9 percent growth in 2025. Over the next few years, local inflation is expected to rise moderately. The Detroit CPI is forecast to advance by 3.3 percent in 2026, 3.0 percent in 2027, and 2.3 percent in 2028.

**Table 1: Administration Economic Forecast
May 2026**

	Calendar 2025 <u>Actual</u>	Percent Change from <u>Prior Year</u>	Calendar 2026 <u>Forecast</u>	Percent Change from <u>Prior Year</u>
United States				
Real Gross Domestic Product (Billions of Chained 2017 Dollars)	\$23,849	2.1%	\$24,278	1.8%
Implicit Price Deflator GDP (2017 = 100)	128.8	2.8%	133.7	3.8%
Consumer Price Index (1982-84 = 100)	322.122	2.7%	333.731	3.6%
Consumer Price Index - Fiscal Year (1982-84 = 100)	319.997	2.7%	330.584	3.3%
Personal Consumption Deflator (2012 = 100)	126.8	2.6%	131.5	3.7%
3-month Treasury Bills Interest Rate (percent)	4.1	n.a.	3.6	n.a.
Unemployment Rate - Civilian (percent)	4.3	n.a.	4.5	n.a.
Wage and Salary Employment (millions)	158.439	0.5%	158.756	0.2%
Housing Starts (millions of starts)	1.356	-1.1%	1.324	-2.3%
Light Vehicle Sales (millions of units)	16.2	2.2%	15.5	-4.3%
Passenger Car Sales (millions of units)	2.7	-8.7%	2.6	-5.9%
Light Truck Sales (millions of units)	13.5	4.7%	12.9	-4.0%
Big 3 Share of Light Vehicles (percent)	35.2	n.a.	34.3	n.a.
Michigan				
Wage and Salary Employment (thousands)	4,483	-0.1%	4,474	-0.2%
Unemployment Rate (percent)	5.2	n.a.	5.1	n.a.
Personal Income (millions of dollars)	\$674,264	4.4%	\$696,515	3.3%
Real Personal Income (millions of 1982-84 dollars)	\$226,448	2.4%	\$226,527	0.0%
Wages and Salaries (millions of dollars)	\$322,261	3.9%	\$331,284	2.8%
Detroit CPI (1982-84 = 100)	297.757	1.9%	307.476	3.3%
Detroit CPI - Fiscal Year (1982-84 = 100)	296.005	2.1%	304.707	2.9%

	Calendar 2027 Forecast	Percent Change from Prior Year	Calendar 2028 Forecast	Percent Change from Prior Year
United States (cont.)				
Real Gross Domestic Product (Billions of Chained 2017 Dollars)	\$24,570	1.2%	\$25,086	2.1%
Implicit Price Deflator GDP (2017 = 100)	137.6	2.9%	140.5	2.1%
Consumer Price Index (1982-84 = 100)	343.401	2.9%	351.050	2.2%
Consumer Price Index - Fiscal Year (1982-84 = 100)	341.388	3.3%	349.062	2.2%
Personal Consumption Deflator (2012 = 100)	135.0	2.6%	137.6	2.0%
3-month Treasury Bills Interest Rate (percent)	3.2	n.a.	3.1	n.a.
Unemployment Rate - Civilian (percent)	5.0	n.a.	5.0	n.a.
Wage and Salary Employment (millions)	158.756	0.0%	159.391	0.4%
Housing Starts (millions of starts)	1.310	-1.1%	1.386	5.8%
Light Vehicle Sales (millions of units)	15.0	-3.2%	15.2	1.3%
Passenger Car Sales (millions of units)	2.5	-4.3%	2.5	1.1%
Light Truck Sales (millions of units)	12.5	-3.0%	12.7	1.4%
Big 3 Share of Light Vehicles (percent)	34.3	n.a.	33.8	n.a.
Michigan (cont.)				
Wage and Salary Employment (thousands)	4,478	0.1%	4,483	0.1%
Unemployment Rate (percent)	5.5	n.a.	5.5	n.a.
Personal Income (millions of dollars)	\$719,500	3.3%	\$743,963	3.4%
Real Personal Income (millions of 1982-84 dollars)	\$227,277	0.3%	\$229,775	1.1%
Wages and Salaries (millions of dollars)	\$341,223	3.0%	\$352,824	3.4%
Detroit CPI (1982-84 = 100)	316.574	3.0%	323.779	2.3%
Detroit CPI - Fiscal Year (1982-84 = 100)	314.666	3.3%	321.892	2.3%

Fiscal Year Economics

Michigan's largest taxes are the individual income tax, totaling \$13.3 billion in FY 2025, and sales and use taxes, at \$13.5 billion in FY 2025. Income tax withholding is the largest component of Michigan's income tax. Withholding (\$13.5 billion) is most affected by growth in wages and salaries. **Michigan wages and salaries** advanced 3.9 percent in FY 2025. Wages and salaries are forecast to advance by 3.4 percent in FY 2026, 2.7 percent in FY 2027, and 3.4 percent in FY 2028.

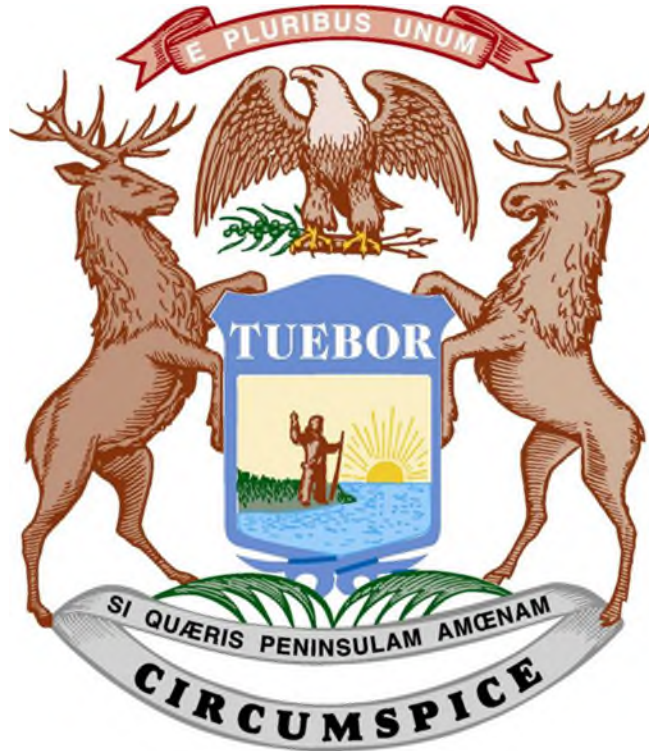
Sales and use taxes partially depend on **Michigan disposable (after tax) income** and inflation. In FY 2025, disposable income increased approximately 4.1 percent and is expected to rise in each of the next three fiscal years, advancing by 3.9 percent in FY 2026, 3.5 percent in FY 2027, before increasing 3.6 percent in FY 2028. Local inflation, as measured by the **Detroit CPI**, rose 3.5 percent in FY 2024 then 2.1 percent in FY 2025. The Detroit CPI is forecast to move up 2.9 percent in FY 2026, rise 3.3 percent in FY 2027, then increase by 2.3 percent FY 2028.

Forecast Risks

Global geopolitical tensions—particularly the conflict in Iran and instability across the Middle East—pose significant risks to global commodity markets and supply chains. These disruptions may further constrain oil and LNG supplies, putting additional upward pressure on inflation. At the same time, softening consumer spending threatens to slow U.S. light vehicle sales and other major consumer purchases. Michigan's vehicle production outlook remains uncertain as evolving U.S. tariff and trade policies create additional instability for manufacturers. Broader economic conditions, including volatile global markets, tighter credit availability, and shifting fiscal policies, continue to complicate the Federal Reserve's monetary strategy. Uncertainty around both short-term and long-term interest rates adds further risk for business investment and large consumer buying decisions.

Many households face growing debt and slowing income growth. Softening labor markets may contribute to a moderation in consumer spending. Business capital expenditure continues to confront higher financing costs, tight lending standards, and uncertain demand prospects.

**SECTION IV:
Administration Revenue Estimates**



Administration Revenue Estimates May 16, 2026

Revenue Estimate Overview

The revenue estimates presented in this section consist of baseline revenues, revenue adjustments, and net revenues. Baseline revenues provide an estimate of the effects of the economy on tax revenues. For these estimates, FY 2025 is the base year. Any non-economic changes to the taxes occurring in FY 2026, FY 2027 and FY 2028 are not included in the baseline estimates. Non-economic changes are referred to in the tables as "tax adjustments". The net revenue estimates are the baseline revenues adjusted for tax adjustments.

This treatment of revenue is best illustrated with an example. Suppose tax revenues are \$10.0 billion in a given year, and that based on the economic forecast, revenues are expected to grow by 5.0 percent per year. Baseline revenue would be \$10.0 billion in Year 1, \$10.5 billion in Year 2, and \$11.0 billion in Year 3. Assume a tax rate cut is in place that would reduce revenues by \$100 million in Year 1, \$200 million in Year 2, and \$300 million in Year 3. If Year 1 is the base year, the revenue adjustments for Year 1 would be \$0 since the tax cut for this year is included in the base. The revenue adjustments for Year 2 would be \$100 million, and the revenue adjustments for Year 3 would be \$200 million, since the revenue adjustments are compared to the base year.

In the example above, the baseline revenues would be \$10.0 billion, \$10.5 billion, and \$11.0 billion, for Years 1 through 3, respectively. The revenue adjustments would be \$0 in Year 1, \$100 million in Year 2, and \$200 million in Year 3. The \$200 million in Year 3 represents the tax cuts since Year 1. Net revenue would be \$10.0 billion in Year 1, \$10.4 billion in Year 2, and \$10.8 billion in Year 3.

The following revenue figures are presented on a Consensus basis. Generally speaking, the Consensus estimates do not include certain one-time budget measures, such as withdrawals from the Budget Stabilization Fund, the sale of buildings, and so on. The figures also do not include constitutional revenue sharing payments to local governments from the sales tax. In addition, the estimates only include enacted legislation and do not include the effects of any proposed changes. The School Aid Fund estimates consist of taxes plus the transfer from the State Lottery Fund.

FY 2026 Revenue Outlook

FY 2026 GF-GP revenue is forecast to decrease 1.4 percent to \$14,278.3 million from FY 2025. The FY 2026 GF-GP revenue estimate is \$144.2 million above the January 2026 Consensus estimate. FY 2026 SAF revenue is forecast to increase 2.2 percent to \$19,134.6 from FY 2025. The FY 2026 SAF revenue estimate is \$0.8 million below the January 2026 Consensus estimate. (see Table 2).

Table 2: FY 2025-26 Administration Revenue Estimates (millions)

	Administration May 15, 2026		Change from Jan 2026 Consensus
	<u>Amount</u>	<u>Growth</u>	
General Fund - General Purpose			
Baseline Revenue	\$17,838.2	3.6%	n.a.
Tax Cut Adjustments	<u>(\$3,559.9)</u>	<u>n.a.</u>	<u>n.a.</u>
Net Resources	\$14,278.3	-1.4%	\$144.2
School Aid Fund			
Baseline Revenue	\$19,261.3	2.3%	n.a.
Tax Cut Adjustments	<u>(\$126.6)</u>	<u>n.a.</u>	<u>n.a.</u>
Net Resources	\$19,134.6	2.2%	(\$0.8)
Combined			
Baseline Revenue	\$37,099.5	2.9%	n.a.
Tax Cut Adjustments	<u>(\$3,686.5)</u>	<u>n.a.</u>	<u>n.a.</u>
Net Resources	\$33,412.9	0.7%	\$143.4

FY 2027 Revenue Outlook

FY 2027 GF-GP revenue is forecast to decrease 0.8 percent to \$14,164.0 million from FY 2026. The FY 2027 GF-GP revenue estimate is \$89.4 million above the January 2026 Consensus estimate. FY 2027 SAF revenue is forecast to increase 2.1 percent to \$19,542.4 from FY 2026. The FY 2027 SAF revenue estimate is \$25.9 million below the January 2026 Consensus estimate. (see Table 3).

Table 3: FY 2026-27 Administration Revenue Estimates (millions)

	Administration May 15, 2026		Change from Jan 2026 Consensus
	<u>Amount</u>	<u>Growth</u>	
General Fund - General Purpose			
Baseline Revenue	\$18,199.4	2.0%	n.a.
Tax Cut Adjustments	<u>(\$4,035.4)</u>	<u>n.a.</u>	<u>n.a.</u>
Net Resources	\$14,164.0	-0.8%	\$89.4
School Aid Fund			
Baseline Revenue	\$19,678.9	2.2%	n.a.
Tax Cut Adjustments	<u>(\$136.4)</u>	<u>n.a.</u>	<u>n.a.</u>
Net Resources	\$19,542.4	2.1%	(\$25.9)
Combined			
Baseline Revenue	\$37,878.3	2.1%	n.a.
Tax Cut Adjustments	<u>(\$4,171.9)</u>	<u>n.a.</u>	<u>n.a.</u>
Net Resources	\$33,706.4	0.9%	\$63.5

FY 2028 Revenue Outlook

FY 2028 GF-GP revenue is forecast to increase 2.7 percent to \$14,552.2 million from FY 2027. The FY 2028 GF-GP revenue estimate is \$67.9 million above the January 2026 Consensus estimate. FY 2028 SAF revenue is forecast to increase 2.1 percent to \$19,960.8 million from FY 2027. The FY 2028 SAF revenue estimate is \$4.9 million below the January 2026 Consensus estimate (see Table 4).

Table 4: FY 2027-28 Administration Revenue Estimates (millions)

	Administration May 15, 2026		Change from Jan 2026 Consensus
	<u>Amount</u>	<u>Growth</u>	
General Fund - General Purpose			
Baseline Revenue	\$18,555.4	2.0%	n.a.
Tax Cut Adjustments	<u>(\$4,003.3)</u>	<u>n.a.</u>	<u>n.a.</u>
Net Resources	\$14,552.2	2.7%	\$67.9
School Aid Fund			
Baseline Revenue	\$20,106.0	2.2%	n.a.
Tax Cut Adjustments	<u>(\$145.2)</u>	<u>n.a.</u>	<u>n.a.</u>
Net Resources	\$19,960.8	2.1%	(\$4.9)
Combined			
Baseline Revenue	\$38,661.4	2.1%	n.a.
Tax Cut Adjustments	<u>(\$4,148.4)</u>	<u>n.a.</u>	<u>n.a.</u>
Net Resources	\$34,513.0	2.4%	\$63.0

Constitutional Revenue Limit

Article IX, Section 26, of the Michigan Constitution establishes a limit on the amount of revenue State government can collect in any given fiscal year. The revenue limit for a given fiscal year is equal to 9.49 percent of the State’s personal income for the calendar year prior to the year in which the fiscal year begins. For example, FY 2024 revenue is compared to CY 2022 personal income. If revenues exceed the limit by less than 1 percent, the State may deposit the excess into the Budget Stabilization Fund (BSF). If the revenues exceed the limit by more than 1 percent, the excess revenue is refunded to taxpayers.

FY 2024 revenues were \$8.2 billion below the revenue limit. State revenues will also be well below the limit for FY 2025 through FY 2028. FY 2025 revenues \$11.4 billion below the limit, FY 2026 revenues \$12.7 billion below the limit, FY 2027 revenues \$14.3 billion below the limit, and FY 2028 revenues \$15.1 billion below the limit (See Table 5).

Table 5: Administration Revenue Limit Calculation (millions)

	FY 2025	FY 2026	FY 2027	FY 2028
	Admin	Admin	Admin	Admin
	May 2026	May 2026	May 2026	May 2026
Revenue Subject to Limit	\$46,886.1	\$48,618.2	\$49,657.0	\$50,955.0
Revenue Limit	CY 2023	CY 2024	CY 2025	CY 2026
Personal Income	\$613,719	\$645,847	\$674,264	\$696,515
Ratio	9.49%	9.49%	9.49%	9.49%
Revenue Limit	\$58,241.9	\$61,290.9	\$63,987.7	\$66,099.3
<u>Amount Under (Over) Limit</u>	\$11,355.8	\$12,672.6	\$14,330.7	\$15,144.3

Budget Stabilization Fund Calculation

The Management and Budget Act contains provisions for calculating a recommended deposit or withdrawal from the BSF. The calculation looks at personal income net of transfer payments. The net personal income figure is adjusted for inflation. The change in this figure for the calendar year determines whether a pay-in or pay-out is recommended. If the formula calls for a deposit into the BSF, the deposit is made in the next fiscal year. If the formula calls for a withdrawal, the withdrawal is made during the current fiscal year.

PA 613 of 2018 prohibits the legislature from appropriating money from the fund for a fiscal year when the annual growth rate of real personal income less transfer payments for the calendar year in which that fiscal year ends is estimated to be greater than 0% at the most recent consensus revenue estimating conference. When the annual growth rate is estimated to be less than 0% at the most recent consensus revenue estimating conference, the legislature may appropriate by law for the fiscal year ending in the current calendar year no more than 25% of the prior fiscal year ending balance in the fund as reported in the comprehensive annual financial report. If personal income is

forecast to be negative for subsequent fiscal years, the Legislature then could appropriate up to 25% of the available Fund balance in the first fiscal year for each subsequent fiscal year.

If real personal income less transfer payments grew by more than 2 percent in a given calendar year, the fraction of income growth over 2 percent is multiplied by the current fiscal year’s GF-GP revenue to determine the pay-in for the next fiscal year.

No pay-ins are projected in the forecast. A pay-out of up to \$538 million is calculated for FY 2026.

School Aid Fund Revenue Adjustment Factor

The School Aid Fund (SAF) revenue adjustment factor for the next fiscal year is calculated by dividing the sum of current year and subsequent year SAF revenue by the sum of current year and prior year SAF revenue. The SAF revenue totals are adjusted for any change in the rate and base of the SAF taxes. The year for which the adjustment factor is being calculated is used as the base year for any tax adjustments. For FY 2027, the SAF revenue adjustment factor is calculated to be 1.0222 (See Table 6). For FY 2028, the SAF revenue adjustment factor is calculated to be 1.0219 (See Table 7).

**Table 6: Administration School Aid Revenue Adjustment Factor
For Fiscal Year 2027**

	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>
Baseline SAF Revenue	\$18,837.2	\$19,261.2	\$19,678.8
Balance Sheet Adjustments	<u>(\$122.9)</u>	<u>(\$126.6)</u>	<u>(\$136.5)</u>
Net SAF Estimates	\$18,714.3	\$19,134.6	\$19,542.3
Subtotal Adjustments to FY 2027 Base	<u>(\$13.6)</u>	<u>(\$9.9)</u>	<u>\$0.0</u>
Baseline Revenue on a FY 2027 Base	\$18,700.7	\$19,124.7	\$19,542.3
	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>
School Aid Fund Revenue Adjustment Calculation for FY 2027			
Sum of FY 2025 & FY 2026	\$18,700.7	+ \$19,124.7	= \$37,825.3
Sum of FY 2026 & FY 2027	\$19,124.7	+ \$19,542.3	= \$38,666.9
FY 2027 Revenue Adjustment Factor	1.0222		

Note: Factor is calculated off a FY 2027 base year

**Table 7: Administration School Aid Revenue Adjustment Factor
For Fiscal Year 2028**

	FY 2026	FY 2027	FY 2028
Baseline SAF Revenue	\$19,261.2	\$19,678.8	\$20,106.0
Balance Sheet Adjustments	<u>(\$126.6)</u>	<u>(\$136.5)</u>	<u>(\$145.0)</u>
Net SAF Estimates	\$19,134.6	\$19,542.3	\$19,961.0
Subtotal Adjustments to FY 2027 Base	<u>(\$18.4)</u>	<u>(\$8.5)</u>	<u>\$0.0</u>
Baseline Revenue on a FY 2027 Base	\$19,116.2	\$19,533.8	\$19,961.0
	FY 2026	FY 2027	FY 2028
School Aid Fund Revenue Adjustment Calculation for FY 2028			
Sum of FY 2025 & FY 2026	\$19,116.2	+ \$19,533.8	= \$38,649.9
Sum of FY 2026 & FY 2027	\$19,533.8	+ \$19,961.0	= \$39,494.7
FY 2028 Revenue Adjustment Factor			1.0219

Note: Factor is calculated off a FY 2027 base year

Revenue Detail

The estimated tax and revenue totals include the effects of all enacted tax changes. The revenue totals by tax are presented separately for GF-GP and for the SAF (See Tables 8 and 9). Tax totals for the income, sales, use, CIT/MBT, tobacco and casino taxes for all funds are also included (See Table 10).

**Table 8: Administration General Fund General Purpose Revenue Detail
(millions)**

	FY 2026		FY 2027		FY 2028	
	<u>Amount</u>	<u>Growth</u>	<u>Amount</u>	<u>Growth</u>	<u>Amount</u>	<u>Amount</u>
GF-GP Tax Amounts						
Income Tax	\$9,472.7	12.4%	\$9,546.6	0.8%	\$9,750.0	2.1%
Sales	\$916.1	-44.8%	\$807.7	-11.8%	\$812.2	0.6%
Use	\$1,240.2	7.3%	\$1,292.5	4.2%	\$1,350.5	4.5%
Cigarette	\$119.6	-2.4%	\$116.2	-2.8%	\$114.3	-1.6%
Beer & Wine	\$43.0	0.2%	\$44.0	2.3%	\$45.0	2.3%
Liquor Specific	\$64.4	-5.3%	\$65.2	1.2%	\$70.0	7.4%
Insurance Co. Premium	\$545.0	3.5%	\$565.0	3.7%	\$585.0	3.5%
CIT/MBT	\$856.9	-20.1%	\$760.6	-11.2%	\$913.1	20.0%
Telephone & Telegraph	\$50.0	-5.7%	\$50.0	0.0%	\$50.0	0.0%
Oil & Gas Severance	\$20.0	3.1%	\$21.0	5.0%	\$22.0	4.8%
Essential Services Assess.	\$163.0	4.3%	\$168.0	3.1%	\$173.0	3.0%
Penalties and Interest	\$195.0	1.5%	\$190.0	-2.6%	\$190.0	0.0%
Railroad/Car Loaning	\$8.0	0.0%	\$8.0	0.0%	\$8.0	0.0%
Enhanc. Enforce/ACS	<u>(\$152.0)</u>	<u>-0.2%</u>	<u>(\$153.0)</u>	<u>0.7%</u>	<u>(\$154.0)</u>	<u>0.7%</u>
Total GF-GP Taxes	\$13,541.9	1.4%	\$13,481.9	-0.4%	\$13,929.1	3.3%
GF-GP Non-Tax Revenue						
Federal Aid	\$10.0	-6.5%	\$10.0	0.0%	\$10.0	0.0%
From Local Agencies	\$0.1	n.a.	\$0.1	0.0%	\$0.1	0.0%
From Services	\$7.0	89.2%	\$7.0	0.0%	\$7.0	0.0%
From Licenses & Permits	\$14.0	-2.1%	\$14.0	0.0%	\$14.0	0.0%
Miscellaneous	\$35.0	-42.5%	\$35.0	0.0%	\$35.0	0.0%
Interfund Interest	\$190.0	-56.3%	\$125.0	-34.2%	\$60.0	-52.2%
Liquor Purchase	\$278.3	1.1%	\$289.0	3.8%	\$295.0	2.1%
Charitable Games	\$7.0	0.0%	\$7.0	0.0%	\$7.0	0.0%
Transfer From Escheats	\$195.0	-40.1%	\$195.0	0.0%	\$195.0	0.0%
Other Non Tax	<u>\$0.0</u>	<u>0.0%</u>	<u>\$0.0</u>	<u>0.0%</u>	<u>\$0.0</u>	<u>0.0%</u>
Total Non Tax	<u>\$736.4</u>	<u>-35.0%</u>	<u>\$682.1</u>	<u>-7.4%</u>	<u>\$623.1</u>	<u>-8.6%</u>
Total GF-GP Revenue	\$14,278.3	-1.5%	\$14,164.0	-0.8%	\$14,552.2	2.7%

Table 9: Administration School Aid Fund Revenue Detail

	FY 2026		FY 2027		FY 2028	
	<u>Amount</u>	<u>Growth</u>	<u>Amount</u>	<u>Growth</u>	<u>Amount</u>	<u>Amount</u>
School Aid Fund						
Income Tax	\$4,472.1	5.2%	\$4,577.3	2.4%	\$4,648.9	1.6%
Sales Tax	\$7,883.5	-0.4%	\$8,019.1	1.7%	\$8,182.2	2.0%
Use Tax	\$958.4	4.7%	\$985.3	2.8%	\$1,014.8	3.0%
Liquor Excise Tax	\$75.0	1.8%	\$76.0	1.3%	\$80.0	5.3%
Cigarette & Tobacco	\$206.6	-4.1%	\$199.1	-3.6%	\$194.1	-2.5%
Marijuana Excise Tax	\$109.0	0.0%	\$110.0	0.9%	\$110.0	0.0%
State Education Tax	\$3,055.0	4.9%	\$3,175.0	3.9%	\$3,296.0	3.8%
Real Estate Transfer	\$460.0	4.5%	\$475.0	3.3%	\$488.3	2.8%
Industrial Facilities Tax	\$52.0	-2.4%	\$52.0	0.0%	\$52.0	0.0%
Casino (45% of 18%)	\$103.0	-0.2%	\$105.6	2.5%	\$106.5	0.9%
iGaming, Sports Betting	\$602.0	13.6%	\$635.0	5.5%	\$660.0	3.9%
Commercial Forest	\$4.0	2.6%	\$4.0	0.0%	\$4.0	0.0%
Other Spec Taxes	<u>\$24.0</u>	<u>-0.8%</u>	<u>\$24.0</u>	<u>0.0%</u>	<u>\$24.0</u>	<u>0.0%</u>
Subtotal Taxes	\$18,004.6	2.6%	\$18,437.4	2.4%	\$18,860.8	2.3%
Lottery Transfer	<u>\$1,130.0</u>	<u>-3.3%</u>	<u>\$1,105.0</u>	<u>-2.2%</u>	<u>\$1,100.0</u>	<u>-0.5%</u>
Total SAF Revenue	\$19,134.6	2.2%	\$19,542.4	2.1%	\$19,960.8	2.1%

Table 10: Administration Major Tax Totals

	FY 2026		FY 2027		2028	
	<u>Amount</u>	<u>Growth</u>	<u>Amount</u>	<u>Growth</u>	<u>Amount</u>	<u>Amount</u>
Major Tax Totals (Includes all Funds)						
Income Tax	\$14,014.6	5.0%	\$14,193.7	1.3%	\$14,468.7	1.9%
Sales Tax	\$9,928.2	-8.1%	\$9,882.7	-0.5%	\$10,077.4	2.0%
Use Tax	\$2,845.0	2.9%	\$2,925.0	2.8%	\$3,012.9	3.0%
CIT/MBT	\$856.9	-20.1%	\$760.6	-11.2%	\$913.1	20.0%
Cigarette and Tobacco	\$603.0	-2.6%	\$586.0	-2.8%	\$575.4	-1.8%
Casino Tax	\$103.0	-0.2%	\$105.6	2.5%	\$106.5	0.9%