

**SENATE FISCAL AGENCY
 MEMORANDUM**

DATE: January 16, 2026

TO: Members of the Michigan Senate

FROM: David Zin, Chief Economist
 Ryan Bergan, Senior Fiscal Analyst

RE: Consensus Revenue Estimates for Fiscal Years (FYs) 2025-26, 2026-27, and 2027-28 and School Aid Foundation Allowance Index Estimate for FY 2026-27 and FY 2027-28

The Senate Fiscal Agency, House Fiscal Agency, and Department of Treasury held a Consensus Revenue Estimating Conference (CREC) on January 16, 2026, and unanimously adopted revised revenue estimates for FY 2025-26 and FY 2026-27, initial estimates for FY 2027-28, and estimates of the School Aid Foundation Allowance Index for FY 2026-27 and FY 2027-28. The new consensus revenue estimates for General Fund/General Purpose (GF/GP) and School Aid Fund (SAF) revenue are summarized below and in [Tables 1, 2, and 3](#). The School Aid Foundation Allowance Index estimates also are discussed below.

General Fund/General Purpose

While the economy exhibited growth during 2025, compared to 2024, both Michigan employment and Michigan income gains were slightly weaker than estimated at the May 2025 CREC, which resulted in preliminary FY 2024-25 revenue declining more than the slight decline that was forecasted. The reduced revenue in FY 2024-25 is expected to decrease the economic base for many taxes in FY 2025-26 and later years. Furthermore, although the CREC predicts that the economy will grow slowly in 2026 and later years, tax changes enacted during 2025 will more than offset revenue gains from economic growth in FY 2025-26 and FY 2026-27, resulting in GF/GP revenue declining in those years. As a result, the January 2026 CREC lowers the estimates of GF/GP revenue in each forecast year, compared to the estimates made in May 2025 ([Figure 1](#)). General Fund/General Purpose revenue is expected to decline 2.4% in FY 2025-26 and 0.4% in FY 2026-27. Stronger economic growth will combine with expiring business tax credits and cause GF/GP revenue to increase an expected 2.9% in FY 2027-28.

School Aid Fund

Unlike GF/GP revenue, SAF earmarked tax and lottery revenue is forecasted to grow consistently over the forecast, largely because several of the tax changes enacted in 2025 hold the SAF harmless for any revenue loss. School Aid Fund revenue is expected to grow 2.3% in FY 2025-26 and FY 2026-27 and increase 2.0% in FY 2027-28. The increases in SAF revenue reflect growth in gross income tax revenue, sales tax revenue, and the State education tax. These three revenue sources account for more than 80% of SAF revenue. The CREC estimates for FY 2025-26 and FY 2026-27 are above the estimates made in May 2025 ([Figure 1](#)).

Total General Fund/General Purpose and School Aid Fund Revenue

Combined GF/GP and SAF revenue will total an estimated \$33.3 billion in FY 2025-26, up 0.2% from the preliminary revenue level for FY 2024-25. Combined GF/GP and SAF revenue will increase 1.1% in FY 2026-27 and 2.4% in FY 2027-28. The CREC estimates for FY 2025-26 and FY 2026-27 are below the estimates made in May 2025.

Table 1

FY 2025-26 REVENUE ESTIMATE COMPARISON & CONSENSUS AGREEMENT								
General Fund/General Purpose (GF/GP) and School Aid Fund (SAF)								
January 16, 2026, Consensus Revenue Estimating Conference								
(millions of dollars)								
	FY 2025-26 Revised Revenue Estimates					FY 2025-26 Revised Consensus Est. 1/16/26	\$ Change from May 16, 2025 Consensus	% Change from FY 2024-25
	FY 2024-25 Preliminary Revenue	Previous FY 2025-26 Consensus Est. May 2025	Treasury Department	House Fiscal Agency	Senate Fiscal Agency			
Net GF/GP Revenue	\$14,475.8	\$15,114.6	\$14,527.5	\$14,130.3	\$13,800.0	\$14,134.1	(\$980.5)	(2.4%)
Net SAF Revenue	\$18,713.3	\$18,934.3	\$19,137.0	\$19,199.7	\$19,108.8	\$19,135.4	\$201.1	2.3%
Net GF/GP & SAF Revenue	\$33,189.1	\$34,048.9	\$33,664.5	\$33,330.0	\$32,908.8	\$33,269.5	(\$779.4)	0.2%

Table 2

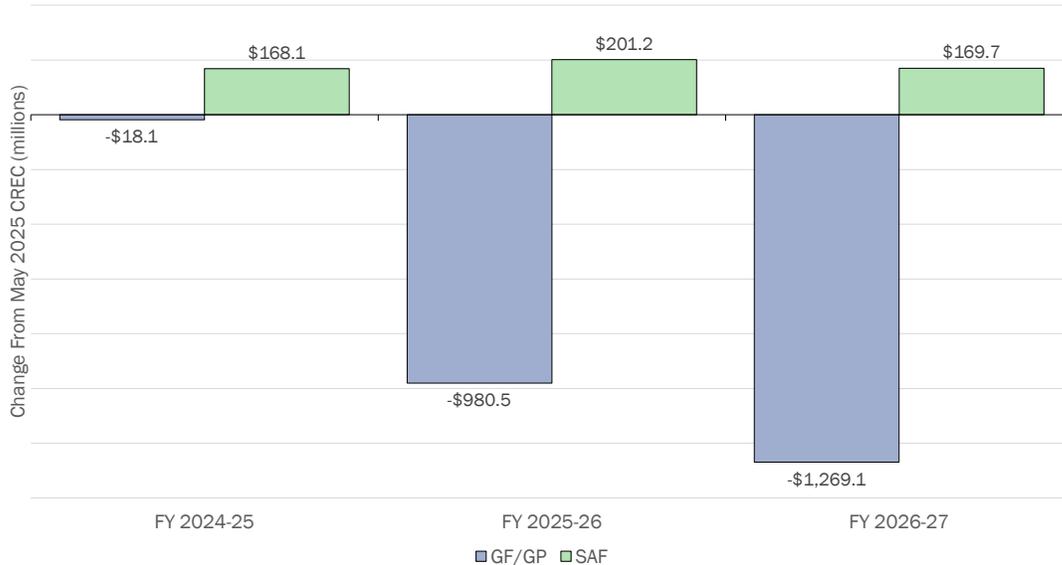
FY 2026-27 REVENUE ESTIMATE COMPARISON & CONSENSUS AGREEMENT								
General Fund/General Purpose (GF/GP) and School Aid Fund (SAF)								
January 16, 2026, Consensus Revenue Estimating Conference								
(millions of dollars)								
	FY 2026-27 Revised Revenue Estimates					FY 2026-27 Revised Consensus Est. 1/16/26	\$ Change from May 16, 2025 Consensus	% Change from FY 2025-26
	FY 2025-26 Revised Consensus Est. 1/16/26	Previous FY 2026-26 Consensus Est. May 2025	Treasury Department	House Fiscal Agency	Senate Fiscal Agency			
Net GF/GP Revenue	\$14,134.1	\$15,343.7	\$14,485.4	\$13,999.9	\$13,750.3	\$14,074.6	(\$1,269.1)	(0.4%)
Net SAF Revenue	\$19,135.4	\$19,398.6	\$19,602.6	\$19,650.4	\$19,490.6	\$19,568.3	\$169.7	2.3%
Net GF/GP & SAF Revenue	\$33,269.5	\$34,742.3	\$34,088.0	\$33,650.3	\$33,240.9	\$33,642.9	(\$1,099.4)	1.1%

Table 3

FY 2027-28 REVENUE ESTIMATE COMPARISON & CONSENSUS AGREEMENT							
General Fund/General Purpose (GF/GP) and School Aid Fund (SAF)							
January 16, 2026, Consensus Revenue Estimating Conference							
(millions of dollars)							
	FY 2026-27 Revised Consensus Est. 1/16/26	FY 2027-28 Initial Revenue Estimates			FY 2027-28 Initial Consensus Est. 1/16/26	\$ Change from FY 2026-27 Consensus	% Change from FY 2026-27
		Treasury Department	House Fiscal Agency	Senate Fiscal Agency			
Net GF/GP Revenue	\$14,074.6	\$14,914.2	\$14,391.1	\$14,292.0	\$14,484.2	\$409.6	2.9%
Net SAF Revenue	\$19,568.3	\$20,014.4	\$20,053.8	\$19,884.7	\$19,965.7	\$397.4	2.0%
Net GF/GP & SAF Revenue	\$33,642.9	\$34,928.6	\$34,444.9	\$34,176.7	\$34,449.9	\$807.0	2.4%

Figure 1

Change in Consensus Revenue Estimates
 January 2026 Estimates Compared to May 2025 Estimates



Source: January 16, 2026 Consensus Revenue Estimates

Revenue Limit

Article IX, Section 26 of the Michigan Constitution establishes a limit on the amount of revenue State government may collect in any fiscal year. The limit equals 9.49% of total Michigan personal income for the calendar year before the calendar year in which the fiscal year begins. As a result, FY 2024-25 revenue may not exceed 9.49% of calendar year 2023 personal income. State government revenue subject to the limit includes total State government tax revenue and all other State government revenue, such as license fees and interest earnings. For purposes of the limit, State government revenue does not include Federal aid. Personal income is a measure of the total income received by individuals, including wages and salaries, proprietors' income, interest and dividend income, rental income, and transfer payments (e.g., Social Security income and Medicaid benefits). It is the broadest measure of overall economic activity for the State of Michigan and is estimated by the US Department of Commerce's Bureau of Economic Analysis. The magnitude by which revenue falls below the limit reflects the relative growth in personal income used to calculate the limit in those years compared to the growth in revenue. In years in which the magnitude by which revenue falls short of the revenue limit increases, personal income has grown more rapidly than revenue subject to the limit.

The January 2026 CREC estimates that total State revenue will remain well below the revenue limit throughout the forecast. As shown in [Table 4](#), the amount by which revenue is below the limit will increase from \$11.4 billion in FY 2024-25 to \$15.0 billion in FY 2027-28, reaching 22.8% of the revenue limit.

Budget Stabilization Fund

Public Act 613 of 2018 made changes to the formulas that calculate withdrawals and deposits into the Budget Stabilization Fund. Based on the consensus economic forecast, the current formula would trigger an allowable withdrawal of up to \$538.7 million in FY 2025-26 from the Budget Stabilization Fund, but would not trigger additional withdrawals over the forecast, nor would the formula trigger a suggested pay-in in any fiscal year, as shown in [Table 4](#). The FY 2025-26 budget did not provide for a deposit into the Fund and ended the scheduled deposits of \$17.5 million of tobacco settlement revenue into the Fund to repay the withdrawal associated with the Detroit bankruptcy. Formula-triggered transfers do not occur automatically but must be appropriated by the Legislature.

Table 4

CONSENSUS CALCULATIONS				
For Budget Stabilization Fund Transfers and Constitutional Revenue Limit				
January 16, 2026, Consensus Revenue Estimating Conference				
(millions of dollars)				
	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Revenue Limit				
Personal Income	\$613,719.0	\$645,847.0	\$672,972.0	\$695,180.0
Ratio	9.49%	9.49%	9.49%	9.49%
Revenue Limit	\$58,241.9	\$61,290.9	\$63,865.0	\$65,972.6
Revenue Subject to the Limit	\$46,876.0	\$48,504.8	\$49,657.8	\$50,955.3
Amount Under (Over) Limit	\$11,365.9	\$12,786.0	\$14,207.2	\$15,017.2
Percent	19.5%	20.9%	22.2%	22.8%
Calculated BSF Transfers		FY 2025-26	FY 2026-27	FY 2027-28
Pay-in		\$0.0	\$0.0	\$0.0
Pay-out		\$0.0	\$0.0	\$0.0

School Aid Foundation Allowance Index

The pupil estimates presented at the January 2026 CREC for the current year, FY 2025-26, show a decrease in the total number of pupils from that estimated at the May 2025 CREC. The FY 2025-26 pupil memberships are estimated at 1,371,800, which is 6,000 pupil memberships lower than the May 2025 estimate. The estimated number of pupils attending traditional school districts is 4,200 lower than the May 2025 CREC estimate, while the estimated number of pupils attending public school academies decreased by 1,800. The pupil count forecast was reduced after the Fall 2025 pupil count came in much lower than forecasted. This drop lowered future forecasts both because of the lower base and the change in assumptions about the trend of the decrease. Compared with FY 2024-25, the number of pupil memberships is estimated to have declined 12,534. The decrease of 6,000 memberships below the May 2025 estimate will reduce State costs. The total foundation allowance cost will be reduced by \$113.5 million because of gains in the taxable value of property and the decreased pupil count. Other cost decreases totaling \$63.4 million are included in the CREC balance sheets for a total State cost decrease of \$176.9 million compared to enacted appropriations.

Pupil estimates for FY 2026-27 also were updated at the January 2026 conference. The pupil estimate of 1,361,700 memberships presented for FY 2026-27 represents a decrease of 8,400 pupils from the May 2025 estimate, and a decline of 0.7%, or 10,100 pupils, from the current fiscal year. The primary reason for the estimated drop in pupil memberships from one year to the next is declining birth rates, which have fallen significantly since 2019. These year-to-year overall declines in pupil memberships, while costing the State fewer dollars, mean at least \$10,050 (which is the amount of the target foundation allowance) less for each pupil at the local school level.

Pupil estimates for FY 2027-28 also were presented (for the first time) at the January 2026 CREC. The initial estimates show a further drop of 10,500 pupil memberships compared to the revised estimate for FY 2026-27.

The School Aid Act currently requires the CREC to determine a pupil membership factor, a revenue adjustment factor, and an index that is to be used to "assist the legislature in determining the basic foundation allowance" for the upcoming year. Under the Act, the index is equal to the revenue adjustment factor multiplied by the pupil membership adjustment factor. Using the consensus estimates for pupils and revenue, the pupil membership adjustment factor for FY 2026-27 is 1.0074 and the revenue adjustment factor is 1.0234. Multiplying these two factors together yields 1.0310 as the FY 2026-27 index. Using the consensus estimates for pupils and revenue, the pupil membership adjustment factor for FY 2027-28 is 1.0078 and the revenue adjustment factor is 1.0218. Multiplying these two factors together yields 1.0298 as the FY 2027-28 index.

/lms

c: Kathryn Summers, Director