

# State Budget Update

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# Revenue Update

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# May 2025 Economic Forecasting Notes

- Main word is “uncertainty”
  - Tariff strains, vulnerable labor market, geopolitical risks
  - Economic modeling requires a lot of assumptions, which are difficult to make in a high uncertainty environment
- Data and sentiment are not aligned
  - Economic impact of tariffs, etc. has not fully hit
  - WSJ April 2025 Survey of Economists: 45% probability U.S. is in a recession in the next 12 months

# May 2025 Economic Forecasting Notes Cont.

- School Aid Fund (SAF) has more stable revenue sources
  - 43% of revenue is from sales tax
- General Fund/General Purpose (GF/GP) is hit more from uncertainty
  - 60% of revenue is from the individual income tax
  - Local unemployment rates are rising; labor demand is declining
- SAF is benefiting from the phase out of taxing retirement income

# May 2025 Consensus Revenue Estimates

(Dollars in Millions)

	FY 2024-25				FY 2025-26			
	Total	\$ Chg from Jan 25	\$ Chg from FY 24	%Chg from FY 24	Total	\$ Chg from Jan 25	\$ Chg from FY 25	%Chg from FY 25
School Aid Fund	\$18,545.2	\$85.6	\$470.7	2.6%	\$18,934.3	\$42.8	\$389.1	2.1%
General Fund/ General Purpose (GF/GP)	<u>\$14,493.9</u>	<u>(\$221.6)</u>	<u>(\$33.2)</u>	<u>(0.2%)</u>	<u>\$15,114.6</u>	<u>(\$363.1)</u>	<u>\$620.7</u>	<u>4.3%</u>
Total Revenue	\$33,039.1	(\$136.0)	\$437.5	1.3%	\$34,048.9	(\$320.3)	\$1,009.8	3.1%

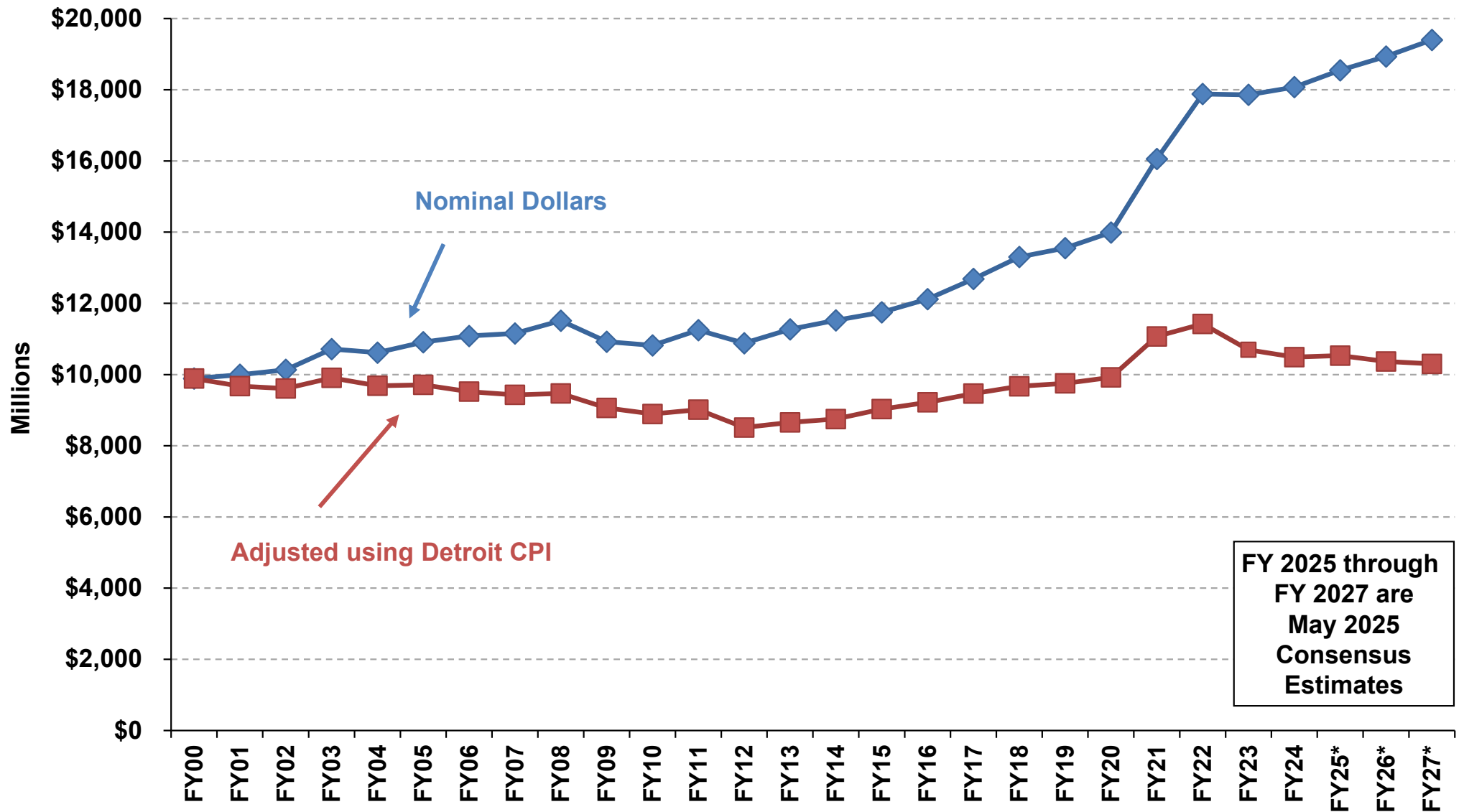
# May 2025 Consensus Revenue Estimates

(Dollars in Millions)

	FY 2026-27			
	Total	\$ Chg from Jan 25	\$ Chg from FY 26	%Chg from FY 26
School Aid Fund	\$19,398.6	\$44.1	\$464.4	2.5%
General Fund/ General Purpose (GF/GP)	<u>\$15,343.7</u>	<u>(\$399.8)</u>	<u>\$229.0</u>	<u>1.5%</u>
Total Revenue	\$34,742.3	(\$355.7)	\$693.4	2.0%

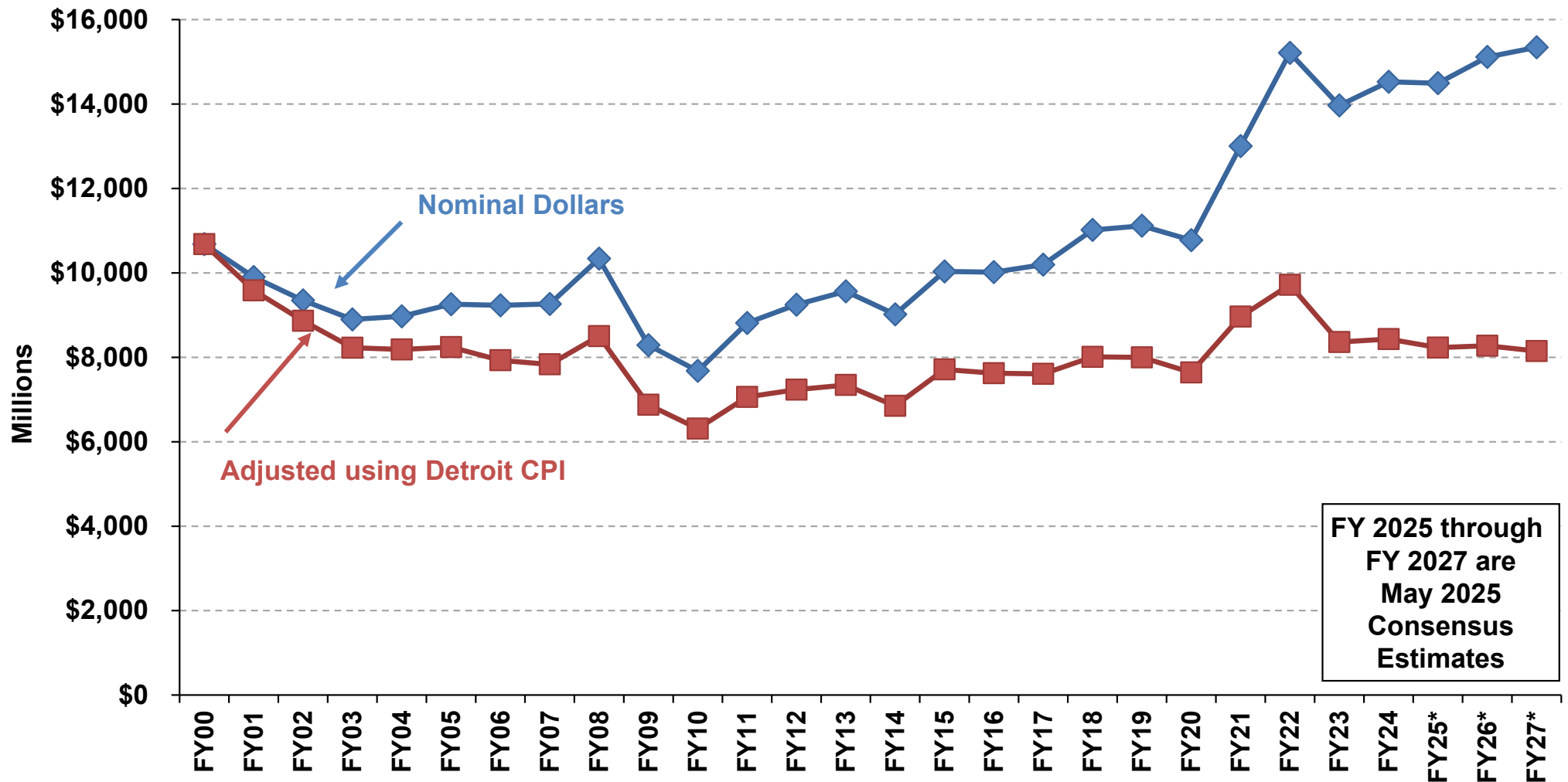
# May 2025 CREC: School Aid Fund Net Revenue

Since January 2025 CREC, nominal SAF revenue for FY 2025 is up \$85.6 million for a total of \$18.5 billion. Nominal SAF revenue is expected to increase to \$19.4 billion by FY 2027.



# May 2025 CREC: GF/GP Net Revenue

Since January 2025 CREC, estimated nominal GF/GP revenue for FY 2025 is down by \$221.6 million for a total of \$14.5 billion. Nominal GF/GP revenue is expected to reach \$15.3 billion by FY 2027.



Note: For consistency, revenue figures for years prior to FY 2010-11 have been adjusted to include sales tax revenue previously designated for statutory revenue sharing.



# Balance Sheets

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# FY 2025-26: School Aid Fund Balance Sheet (Baseline)

	FY 2024-25	FY 2025-26
<b>BEGINNING BALANCE</b>	<b>\$1,257.6</b>	<b>\$1,240.4</b>
<b>REVENUE</b>		
School Aid Fund (SAF) Revenue: Jan 2025 CREC	\$18,459.6	\$18,891.5
SAF Revenue: May 2025 CREC Adjustment	\$85.6	\$42.8
General Fund/General Purpose (GF/GP)	\$78.8	\$50.1
Other Restricted Funds	\$701.8	\$0.0
Reserve Fund Deposits	(\$25.0)	\$0.0
<u>Federal Funds</u>	<u>\$2,272.8</u>	<u>\$2,407.7</u>
<b>TOTAL REVENUE</b>	<b>\$21,598.6</b>	<b>\$21,392.1</b>
<b>EXPENDITURES</b>		
School Aid (Adj for CREC revisions)	\$20,692.0	\$19,389.8
Community Colleges	\$461.9	\$482.1
Higher Education	\$462.0	\$450.8
<b>TOTAL EXPENDITURES</b>	<b>\$21,615.9</b>	<b>\$20,322.7</b>
<b>TOTAL ENDING BALANCE</b>	<b>\$1,240.4</b>	<b>\$2,309.8</b>

# FY 2025-26: General Fund Balance Sheet (Baseline)

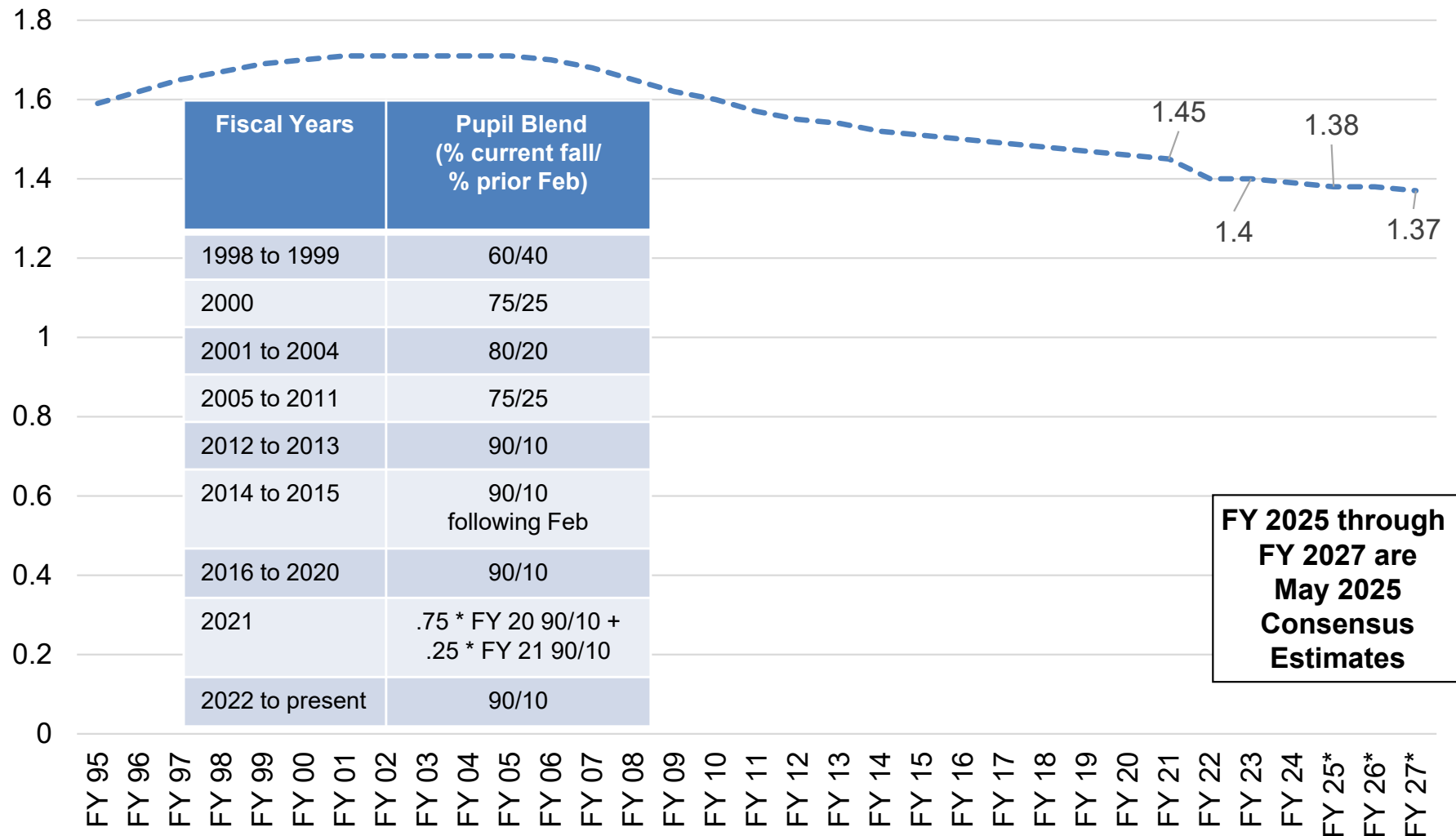
	FY 2024-25	FY 2025-26
<b>BEGINNING BALANCE</b>	<b>\$2,148.5</b>	<b>\$718.7</b>
<b>REVENUE</b>		
General Fund (GF/GP) Revenue: Jan 2025 CREC	\$14,715.5	\$15,477.7
GF/GP Revenue: May 2025 CREC Adjustment	(\$221.6)	(\$363.1)
Revenue Sharing	(\$552.2)	(\$552.2)
<u>Other</u>	<u>(\$12.6)</u>	<u>(\$177.6)</u>
<b>TOTAL REVENUE</b>	<b>\$13,929.1</b>	<b>\$14,384.8</b>
<b>EXPENDITURES</b>		
Ongoing Appropriations (Adj for CREC revisions)	\$13,787.1	\$14,323.8
One-time Appropriations	\$1,243.6	\$0.0
GF/GP to School Aid	\$78.8	\$50.1
<u>Supplementals/Other</u>	<u>\$249.3</u>	<u>\$118.7</u>
<b>TOTAL EXPENDITURES</b>	<b>\$15,358.9</b>	<b>\$14,492.6</b>
<b>TOTAL ENDING BALANCE</b>	<b>\$718.7</b>	<b>\$610.9</b>

# Pupil Membership Update

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# Total Pupil Membership

Statewide, pupil memberships are 18% lower than their peak in FY 2003 and dropping. 70% of traditional districts are experiencing pupil decline.



# May 2025 CREC Pupil Membership Estimates

	Jan 2025 CREC Estimate	Change from Jan Estimate	Proposed May 2025 CREC Estimate	Change from Prior Year
<b>FY 2024-25</b>				
Local Districts	1,230,300	(300)	1,230,000	(9,062)
Public School Academies	154,000	500	154,500	2,704
<b>TOTAL</b>	<b>1,384,300</b>	<b>200</b>	<b>1,384,500</b>	<b>(6,358)</b>
<b>FY 2025-26</b>				
Local Districts	1,221,300	(500)	1,220,800	(9,200)
Public School Academies	155,800	1,200	157,000	2,500
<b>TOTAL</b>	<b>1,377,100</b>	<b>700</b>	<b>1,377,800</b>	<b>(6,700)</b>
<b>FY 2026-27</b>				
Local Districts	1,211,300	(1,200)	1,210,100	(10,700)
Public School Academies	157,800	2,200	160,000	3,000
<b>TOTAL</b>	<b>1,369,100</b>	<b>1,000</b>	<b>1,370,100</b>	<b>(7,700)</b>

# The FY 2025-26 Budget Process

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# FY 2025-26 Budget Timeline

- Executive Recommendation: Released Feb 2<sup>nd</sup>
- Senate Budget: Passed May 14<sup>th</sup> ([SB 166](#))
- House Budget:
  - Passed a “Shutdown Prevention Plan” March 6<sup>th</sup> ([HB 4162](#))
  - No full House budget yet
- Conference Committee and final bill passage:
  - Statutory deadline of July 1<sup>st</sup> ([MCL 18.1365](#))
  - Fiscal year deadline of October 1<sup>st</sup>



# For more information about the School Aid budget:

## HFA Resources

<http://www.house.mi.gov/hfa/SchoolAid.asp>

## Contact Information

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