

State Budget Update

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House Fiscal Agency

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Revenue Update

May 2026 Economic Forecasting Notes

- Stable GDP growth (2%) with high energy prices are causing near-term inflation increases
- Forecast assumes a cooling labor market, but extended geopolitical conflict could worsen economic conditions
- Income tax collections exhibit strong growth despite a softening labor market

May 2026 Economic Forecasting Notes Cont.

- Sales tax collections are weakening, and high energy prices are going to continue to lessen consumer spending
- Use tax collections are high, possibly due to shifts to internet purchases or tax incentives in OBBBA
- Higher gas prices increase how much General Fund goes to the School Aid Fund, leading to lower overall General Fund revenues
- Online gaming revenues continue to exceed projections

May 2026 Consensus Revenue Estimates

(Dollars in Millions)

	FY 2025-26				FY 2026-27			
	Total	\$ Chg from Jan 26	\$ Chg from FY 25	%Chg from FY 25	Total	\$ Chg from Jan 26	\$ Chg from FY 26	%Chg from FY 26
School Aid Fund	\$19,214.8	\$79.4	\$501.2	2.7%	\$19,647.9	\$79.6	\$433.1	2.3%
General Fund/ General Purpose (GF/GP)	<u>\$14,362.0</u>	<u>\$227.9</u>	<u>(\$119.2)</u>	<u>(0.8%)</u>	<u>\$14,168.8</u>	<u>\$94.2</u>	<u>(\$193.2)</u>	<u>(1.3%)</u>
Total Revenue	\$33,576.8	\$307.3	\$382.0	1.1%	\$33,816.7	\$173.8	\$239.9	0.7%

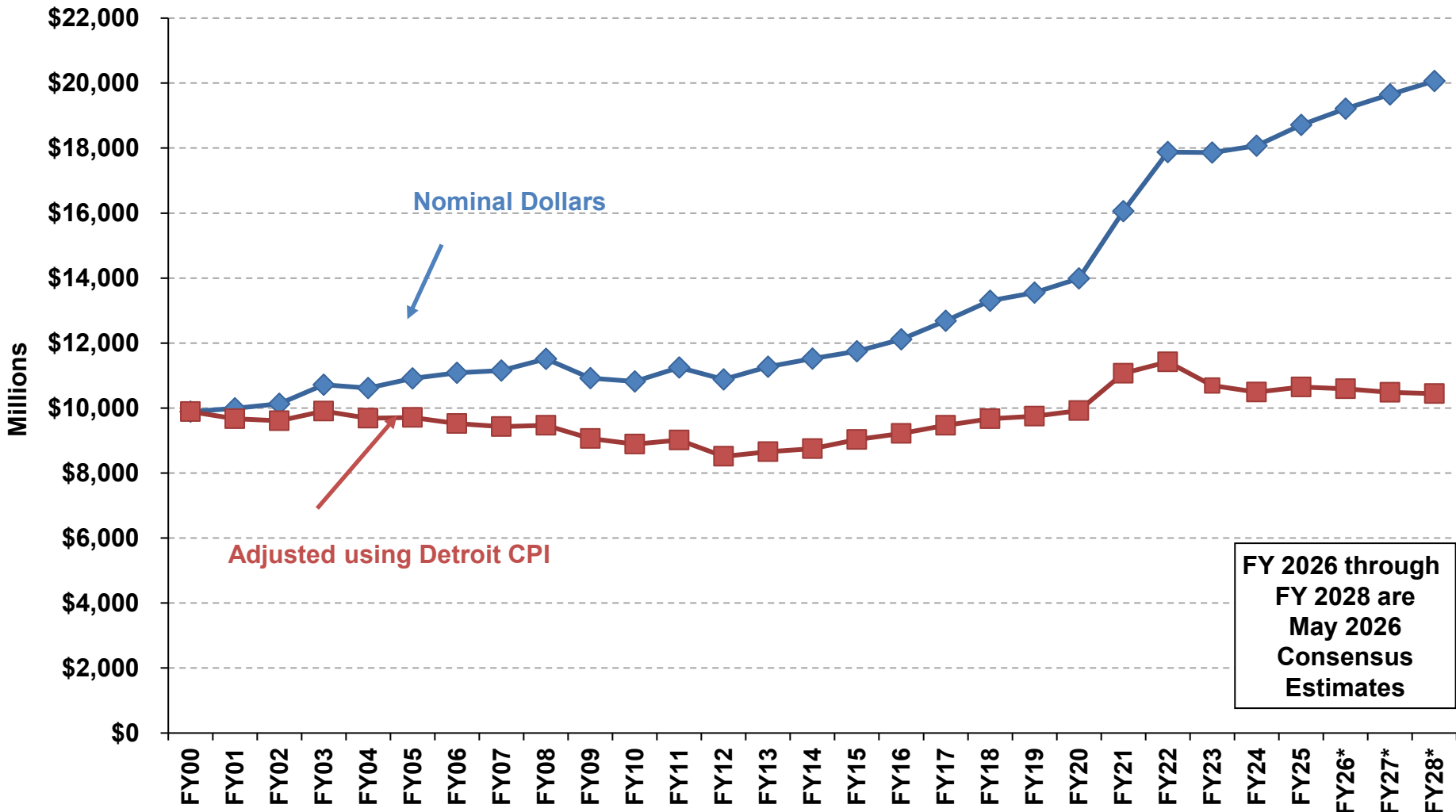
May 2026 Consensus Revenue Estimates

(Dollars in Millions)

		FY 2027-28		
	Total	\$ Chg from Jan 26	\$ Chg from FY 27	%Chg from FY 27
School Aid Fund	\$20,063.8	\$98.1	\$415.9	2.1%
General Fund/ General Purpose (GF/GP)	<u>\$14,559.9</u>	<u>\$75.7</u>	<u>\$391.1</u>	<u>2.8%</u>
Total Revenue	\$34,623.7	\$173.8	\$807.0	2.4%

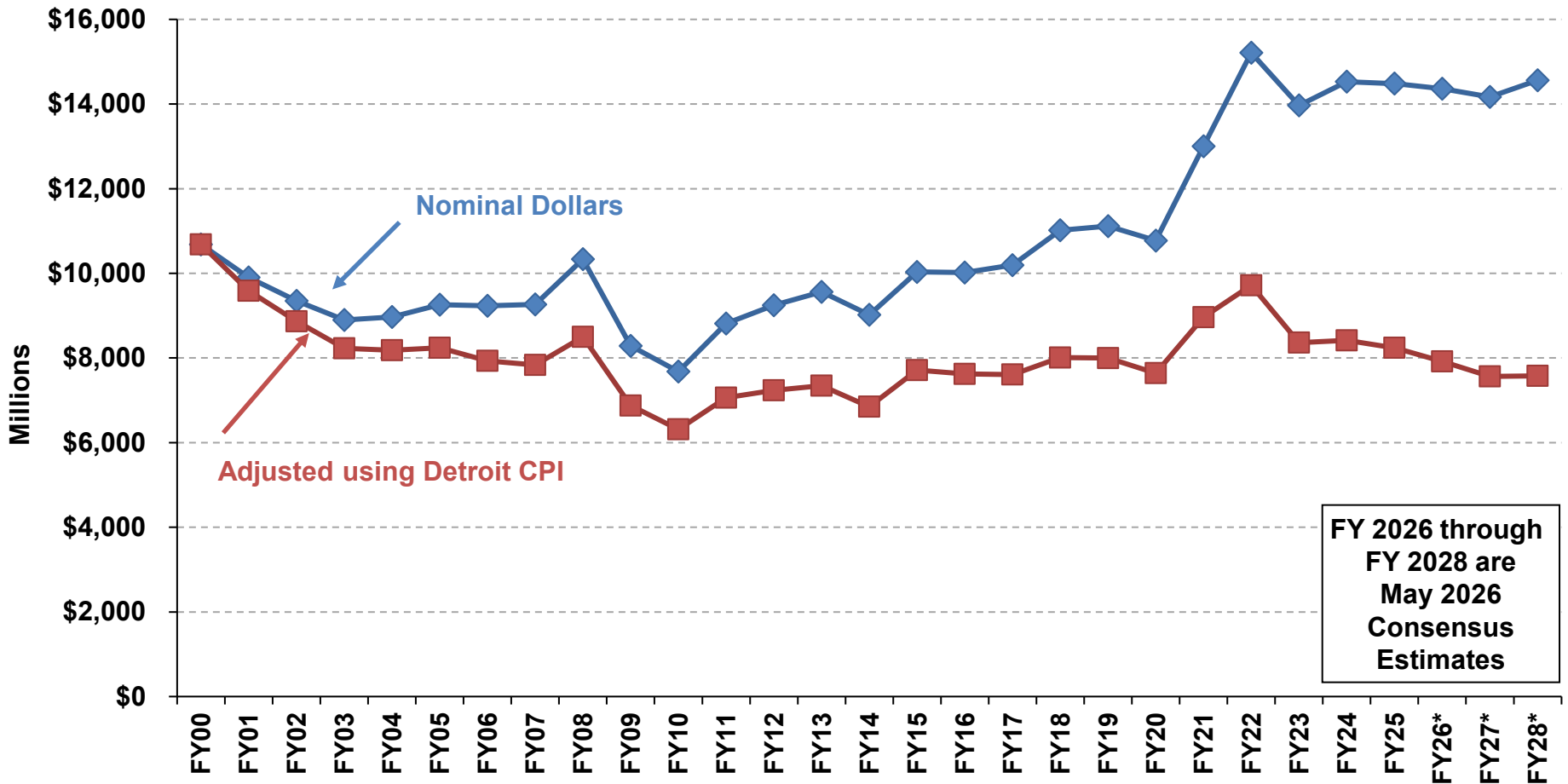
May 2026 CREC: School Aid Fund Net Revenue

Since January 2026 CREC, nominal SAF revenue for FY 2026 is up \$79.4 million for a total of \$19.2 billion. Nominal SAF revenue is expected to increase to \$20.0 billion by FY 2028.



May 2026 CREC: GF/GP Net Revenue

Since January 2026 CREC, estimated nominal GF/GP revenue for FY 2026 is up by \$227.9 million for a total of \$14.4 billion. Nominal GF/GP revenue is expected to reach \$14.6 billion by FY 2028.



FY 2026 through FY 2028 are May 2026 Consensus Estimates

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

FY 2026-27: School Aid Fund Balance Sheet (Baseline)

	FY 2025-26	FY 2026-27
BEGINNING BALANCE	\$1,705.6	\$1,018.5
REVENUE		
School Aid Fund (SAF) Revenue: Jan 2025 CREC	\$19,135.4	\$19,568.3
SAF Revenue: May 2025 CREC Adjustment	\$79.4	\$79.6
General Fund/General Purpose (GF/GP)	\$73.2	\$46.3
Other Restricted Funds	\$525.0	\$0.0
Reserve Fund Deposits	(\$456.1)	\$0.0
<u>Federal Funds</u>	<u>\$2,407.7</u>	<u>\$2,405.7</u>
TOTAL REVENUE	\$21,764.6	\$22,099.9
EXPENDITURES		
School Aid (Adj for CREC revisions)	\$21,105.5	\$19,669.8
Community Colleges	\$495.4	\$478.5
Higher Education	\$850.8	\$844.9
TOTAL EXPENDITURES	\$22,451.7	\$20,993.2
TOTAL ENDING BALANCE	\$1,018.5	\$2,125.2

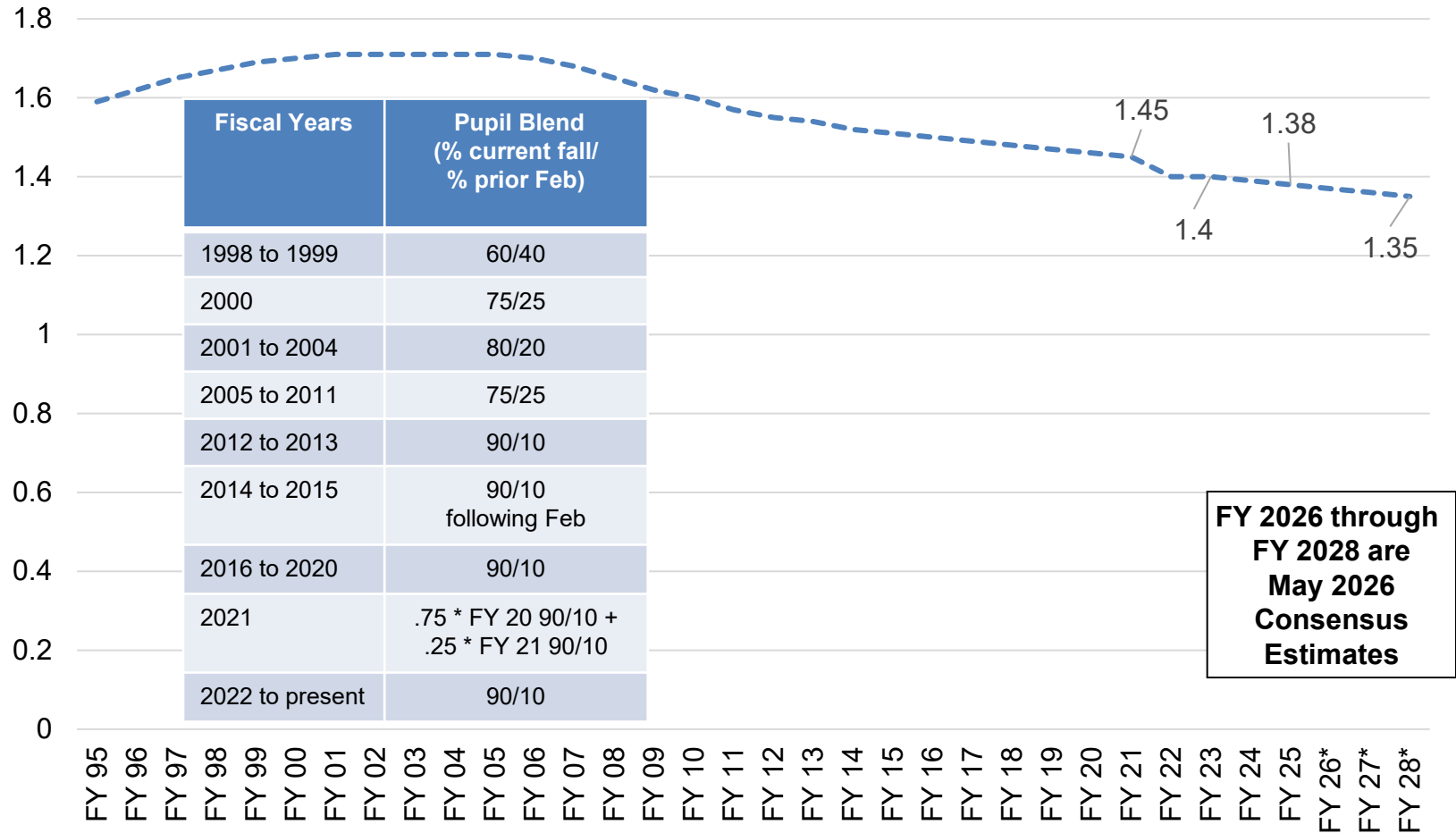
FY 2026-27: General Fund Balance Sheet (Baseline)

	FY 2025-26	FY 2026-27
BEGINNING BALANCE	\$240.6	\$0.0
REVENUE		
General Fund (GF/GP) Revenue: Jan 2025 CREC	\$14,134.1	\$14,074.6
GF/GP Revenue: May 2025 CREC Adjustment	\$227.9	\$94.2
Revenue Sharing	(\$627.2)	(\$627.2)
<u>Other</u>	<u>\$13.3</u>	<u>(\$102.7)</u>
TOTAL REVENUE	\$13,748.1	\$13,438.9
EXPENDITURES		
Ongoing Appropriations (Adj for CREC revisions)	\$13,588.1	\$14,323.8
One-time Appropriations	\$526.5	\$0.0
GF/GP to School Aid	\$73.2	\$46.3
<u>Supplementals/Other</u>	<u>\$29.2</u>	<u>\$118.7</u>
TOTAL EXPENDITURES	\$14,143.8	\$14,492.6
TOTAL ENDING BALANCE	(\$155.1)	(\$1,020.0)

Pupil Membership Update

Total Pupil Membership

Statewide, pupil memberships are 21% lower than their peak in FY 2003 and dropping. 70% of traditional districts are experiencing pupil decline.



May 2026 CREC Pupil Membership Estimates

	Jan 2026 CREC Estimate	Change from Jan Estimate	Proposed May 2026 CREC Estimate	Change from Prior Year
FY 2025-26				
Local Districts	1,216,600	(300)	1,216,300	(13,684)
Public School Academies	155,200	0	155,200	850
TOTAL	1,371,800	(300)	1,371,500	(12,834)
FY 2026-27				
Local Districts	1,205,000	(1,000)	1,204,000	(12,300)
Public School Academies	156,700	(700)	156,000	800
TOTAL	1,361,700	(1,700)	1,360,000	(11,500)
FY 2027-28				
Local Districts	1,193,200	(3,200)	1,190,000	(14,000)
Public School Academies	158,000	(1,000)	157,000	1,000
TOTAL	1,351,200	(4,200)	1,347,000	(13,000)

The FY 2026-27 Budget Process

FY 2026-27 Budget Timeline

- Executive Recommendation: Released Feb 11th
- Senate Budget: Passed April 30th ([SB 166](#))
- House Budget: Passed April 22nd ([HB 5630](#))
- Conference Committee and final bill passage:
 - Statutory deadline of July 1st ([MCL 18.1365](#))
 - Fiscal year deadline of October 1st
 - Last year was passed on October 3rd
- This year is an election year, which may incentivize early passage

FY 2026-27 Budget Priorities

- Executive, House, and Senate included foundation allowance of \$10,300
- Executive and Senate included a weighted pupil membership
- All three budgets addressed General Fund shortfall differently
- All three budgets included school safety and mental health funding
- Literacy, professional development, and tutoring were priorities highlighted in each budget

For more information about the School Aid budget:

HFA Resources

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

Contact Information

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