

SENATE FISCAL AGENCY
MEMORANDUM



DATE: May 16, 2023
TO: Members of the Michigan Senate
FROM: Kathryn R. Summers, Director
RE: Transmittal of Senate Fiscal Agency's (SFA's) Economic Outlook and Budget Review

I am pleased to transmit to your office a copy of the SFA's latest economic and revenue forecast. This forecast will be used by the SFA at the Consensus Revenue Estimating Conference to be held on May 19, 2023.

The SFA's updated economic forecast anticipates moderate changes in the United States and Michigan economies through calendar year 2025. Growth in the national economy (as measured by the percentage change in real gross domestic product) is expected to slow down in 2023 and 2024, before growing a bit faster in 2025, while the Michigan economy is expected to grow more slowly than the nation as a whole.

In terms of the State revenue forecast, the SFA predicts an 8.2% decrease in General Fund/General Purpose (GF/GP) revenue for FY 2022-23 compared to final FY 2021-22 GF/GP revenue. A GF/GP revenue decrease of 2.6% is estimated for FY 2023-24 and then an increase of 7.3% in FY 2024-25 when compared to revised SFA figures. Similarly, restricted School Aid Fund (SAF) revenue is expected to decrease 0.8% in FY 2022-23, when compared to final FY 2021-22 revenue. Restricted SAF revenue is projected to increase by 0.5% in FY 2023-24, and then increase another 2.3% in FY 2024-25, as earmarked SAF revenue sources gradually return over the forecast period to historical patterns.

The final book closing for FY 2021-22 resulted in positive year-end balances in both the GF/GP and SAF budgets, of \$7.5 billion and \$4.6 billion, respectively. For FY 2022-23, the SFA's revised revenue and spending estimates result in a projected year-end balance of \$2.6 billion in the GF/GP budget and a year-end balance of \$3.9 billion in the SAF budget. If the SFA's FY 2023-24 revenue estimate is compared with Senate-passed budget bills, the SFA's outlook for the FY 2023-24 budget includes a projected GF/GP budget balance of \$1.2 billion. The SFA projects a year-end balance of \$2.0 billion in the SAF based on Senate-passed budget bills. These projected future balances would be adjusted by any action taken in the current fiscal year, or to the extent enacted spending differs from the Senate-passed budget recommendations for FY 2023-24.

If you have any questions about this report, please contact me or the SFA's Chief Economist, David Zin.

/lms

Attachment

c: Lori Dey, Senate Majority Staff
David Zin, Chief Economist

Tom Davis, Senate Republican Staff
Bobby Canell, Economist and Fiscal Analyst