



FAST FACTS: January 2026 CREC

Here's a summary of the [January 2026 CREC](#), tailored for MSBO members who need the highlights quickly...

RSQE Economic Outlook

- RSQE projects a **modest** economic outlook. Described by House Fiscal Agency as a “**ho-hum forecast.**”
- **Job growth:** +6,000 jobs expected in 2026. **Employment:** Still below Michigan’s 2000 peak.
- **GDP:** Federal shutdown weighed on 2025 Q4 GDP. **Growth:** Forecasted U.S. and Michigan growth ~2%.

AI & the Economy

- Dr. Justin Wolfers presented on AI’s long-term impacts.
- **Wide range of potential outcomes, but current adoption remains low.**

State Revenue Highlights

Corporate Income Tax (CIT)

- **CIT revenue is down 15% year over year.**
- Causes:
 - **Timing differences** between federal (July 2025) and state (Oct 2025) tax changes
 - Michigan **decoupling** from federal corporate tax rules
- December 2025 showed a **rebound**, possibly shifting into FY2025-26.

Income Tax

- **Net income tax revenue is rising steadily.**
- Important because income tax = **~40% of combined GF/GP + SAF revenue.**

Pupil Counts

- Michigan expected to **lose 10,000+ students per year** through FY2027-28.

Consensus Revenue Estimates

School Aid Fund (SAF)

All adjustments **are positive**:

- **FY2024-25:** +3.5% growth
- **FY2025-26:** +\$201.1M vs. May 2025
- **FY2026-27:** +\$169.7M vs. May 2025
- **FY2027-28:** \$19.965B initial (2.0% growth)
- **Out-years:** 2.0%–2.5% annual growth

General Fund / General Purpose (GF/GP)

The picture **remains challenging**:

- **FY2024-25:** -0.4% growth
- **FY2025-26:** -\$980.5M vs. May 2025
- **FY2026-27:** -\$1.269B vs. May 2025
- **FY2027-28:** \$14.484B initial (2.9% growth)
- **Out-years:** -2.4% to +2.9% annual range

School Aid Fund Balance

- **FY2025-26:** ~\$751M ending balance
- **FY2026-27 baseline:** ~\$1.7B
- Split between **ongoing vs. one-time** dollars
- Q&A noted: A **3.2% foundation allowance increase** would cost **~\$440M**

General Fund / General Purpose (GF/GP) Balance

- **FY2025-26:** ~\$90M deficit
- **FY2026-27 baseline:** ~\$822M deficit
- Driven largely by the **2025 road funding package**, which:
 - Removed sales tax on gasoline
 - Created a new road tax
 - Shifted GF/GP dollars to SAF to support K-12

Additional Notes

- Timing mismatches in federal/state CIT rules and Michigan's decoupling continue to add revenue volatility.
- Budget pressures may create **political pressure on the SAF** due to GF/GP imbalance.
- [Meeting materials and recordings are available to members.](#)

What's Next

- **Executive Budget Recommendation:** Wednesday, **Feb. 11, 2026**
- **State of the State Address:** Wednesday, **Feb. 25, 2026**
- **See msbo.org for more information**