



Federal Reserve Bank of Chicago
37th Annual Economic Outlook Symposium

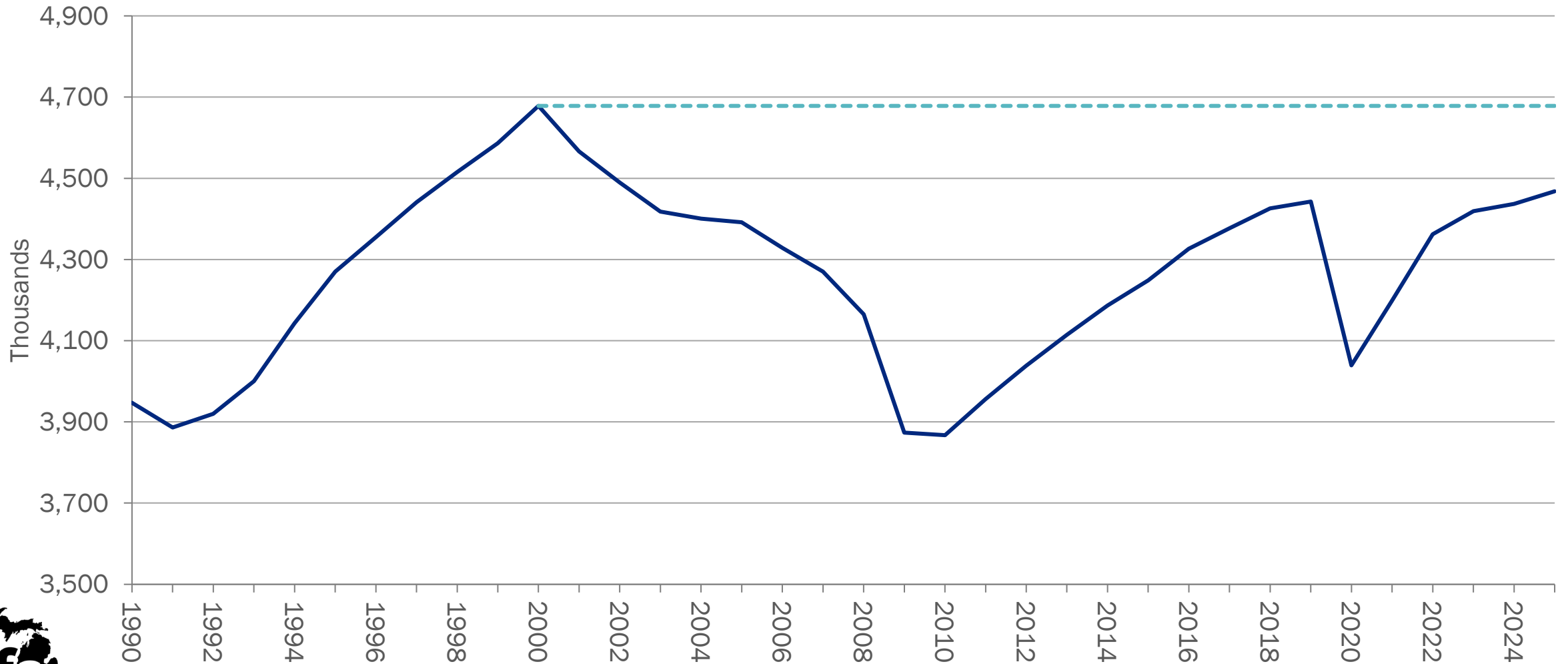
December 1, 2023

Senate Fiscal Agency

David Zin, Chief Economist

Michigan Payroll Employment

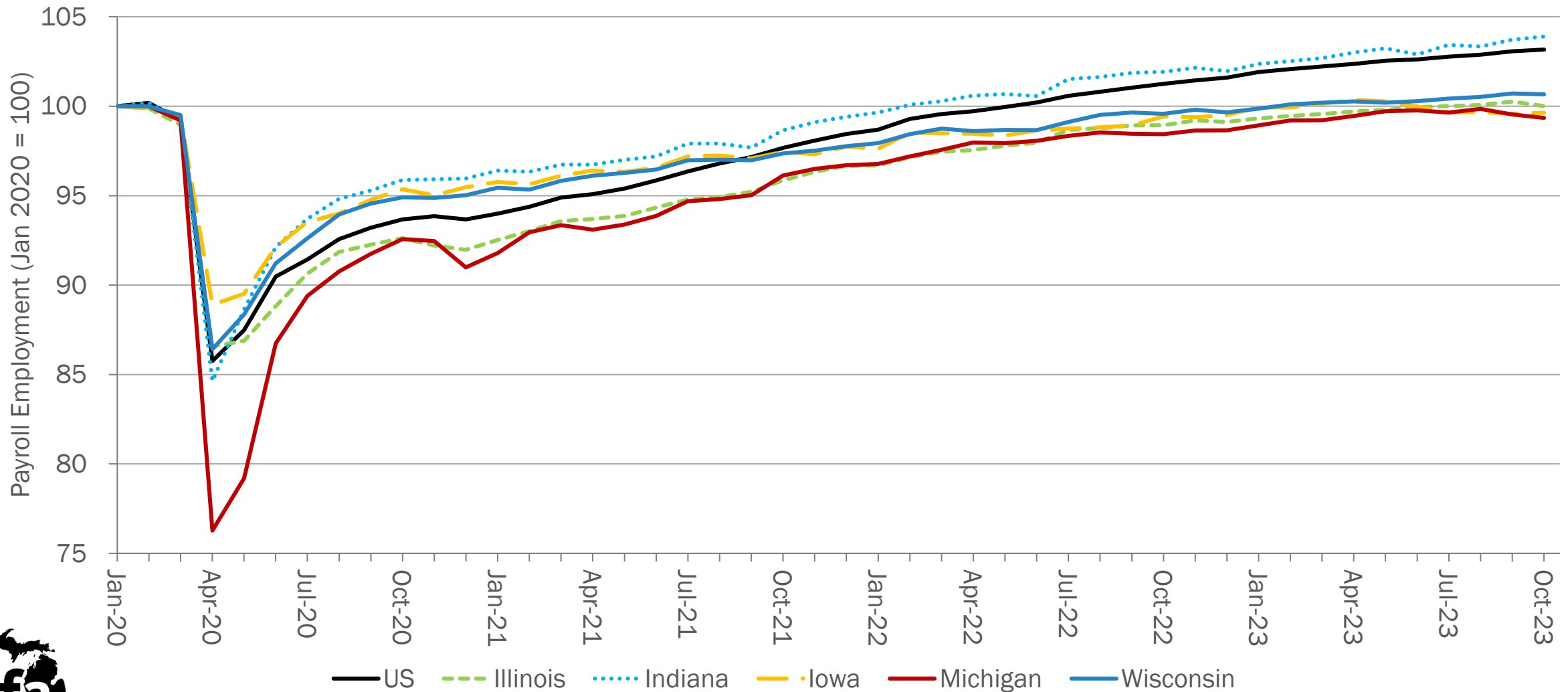
A Quarter Century and Still Counting...



Source: Bureau of Labor Statistics, U.S. Department of Labor.

Payroll Employment

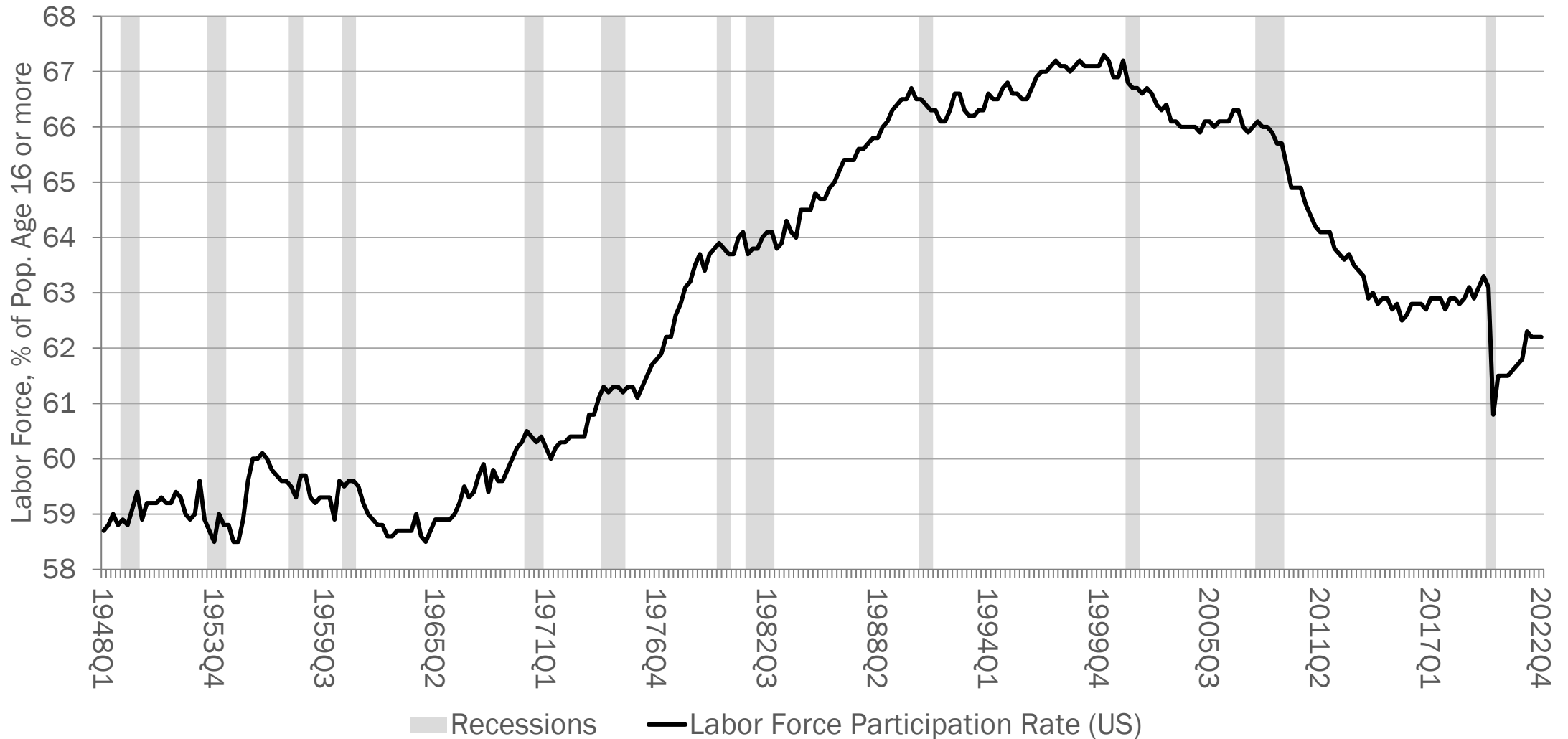
Iowa & Michigan Still Below Jan 2020, Wisconsin Barely Above



Source: Bureau of Labor Statistics, U.S. Department of Labor.

Recent Recessions See Workers Leaving the Labor Force

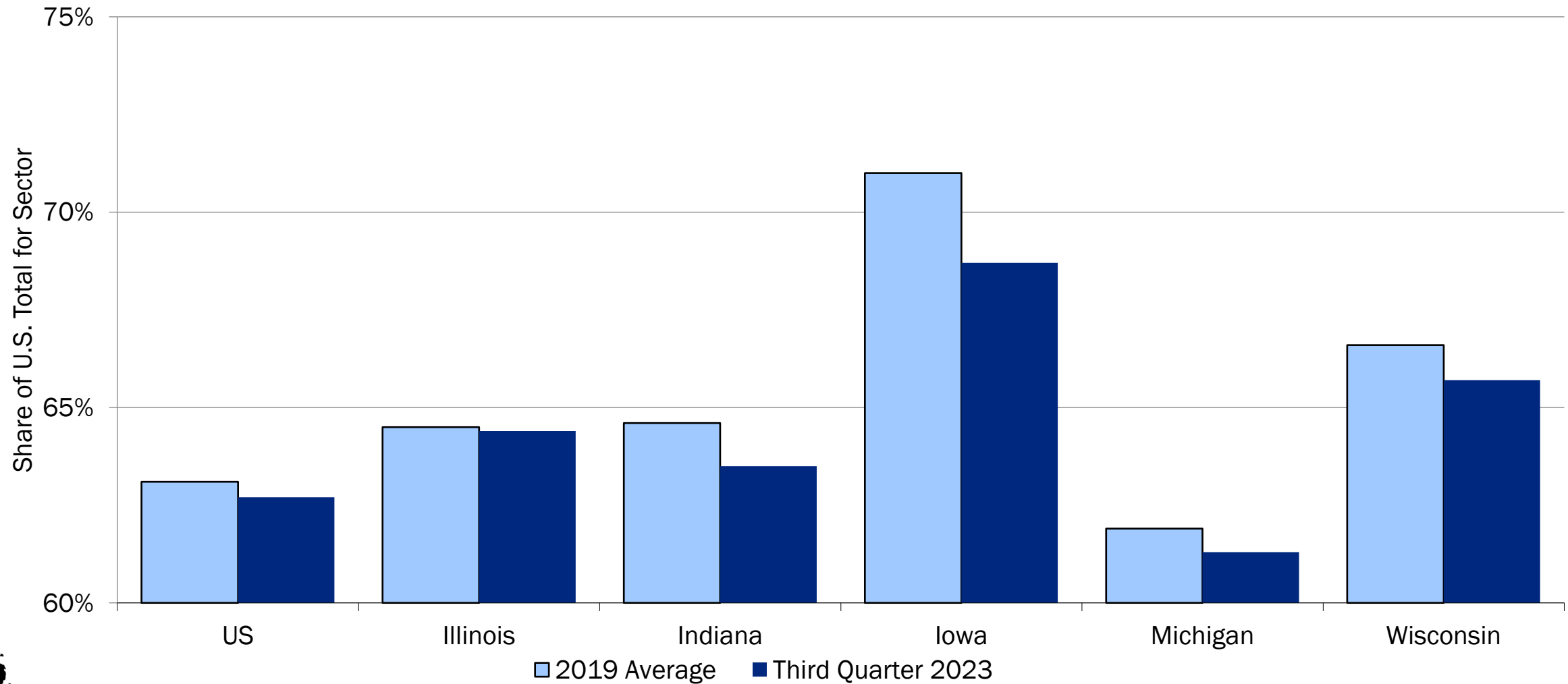
Long-Term Trend Reflects Aging Population Demographics



Source: Bureau of Labor Statistics, U.S. Department of Labor.

Labor Force Participation Rate

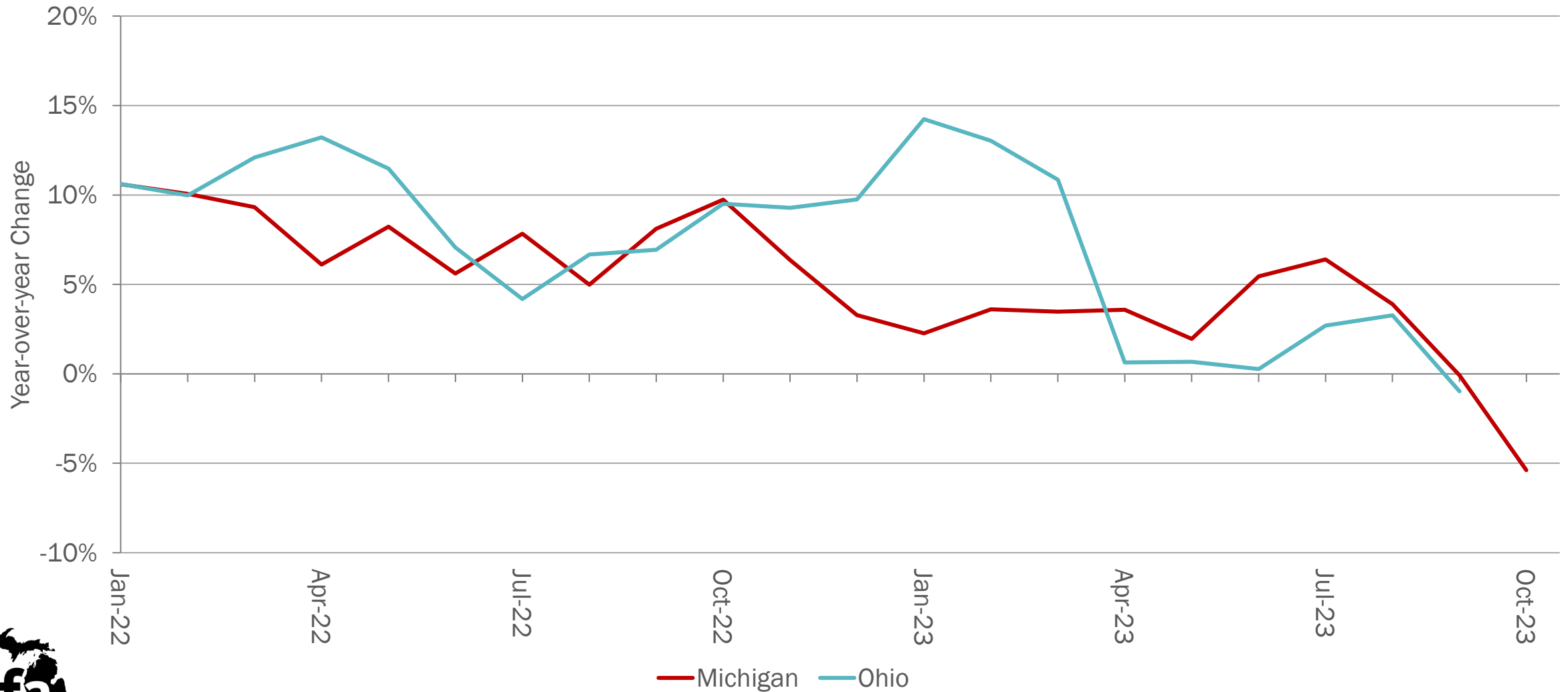
Below Pre-Pandemic Average



Source: Bureau of Labor Statistics, U.S. Department of Labor

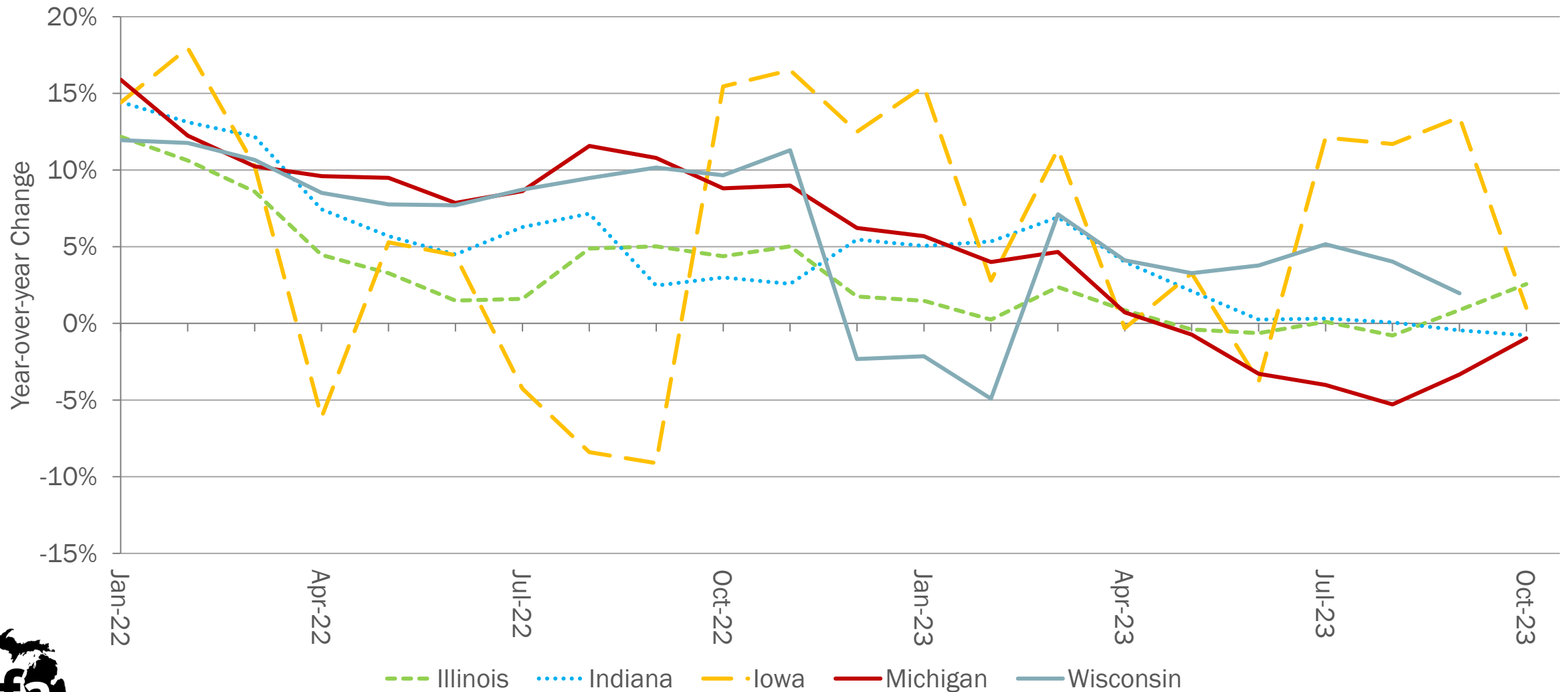
Withholding Growth Slowing

Three-Month Moving Average



Sales and Use Tax Revenue

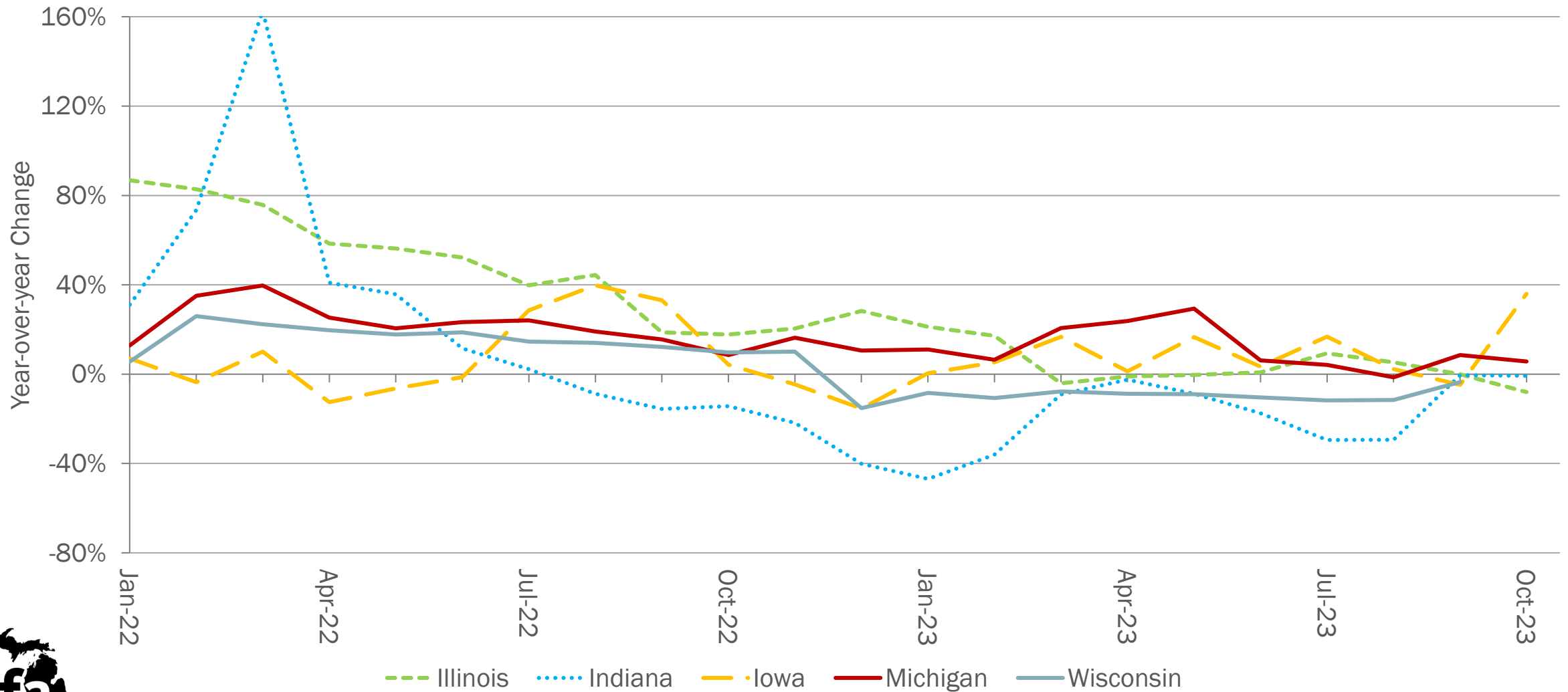
Most States Showing Slowing Growth



Source: Bureau of Labor Statistics, U.S. Department of Labor.

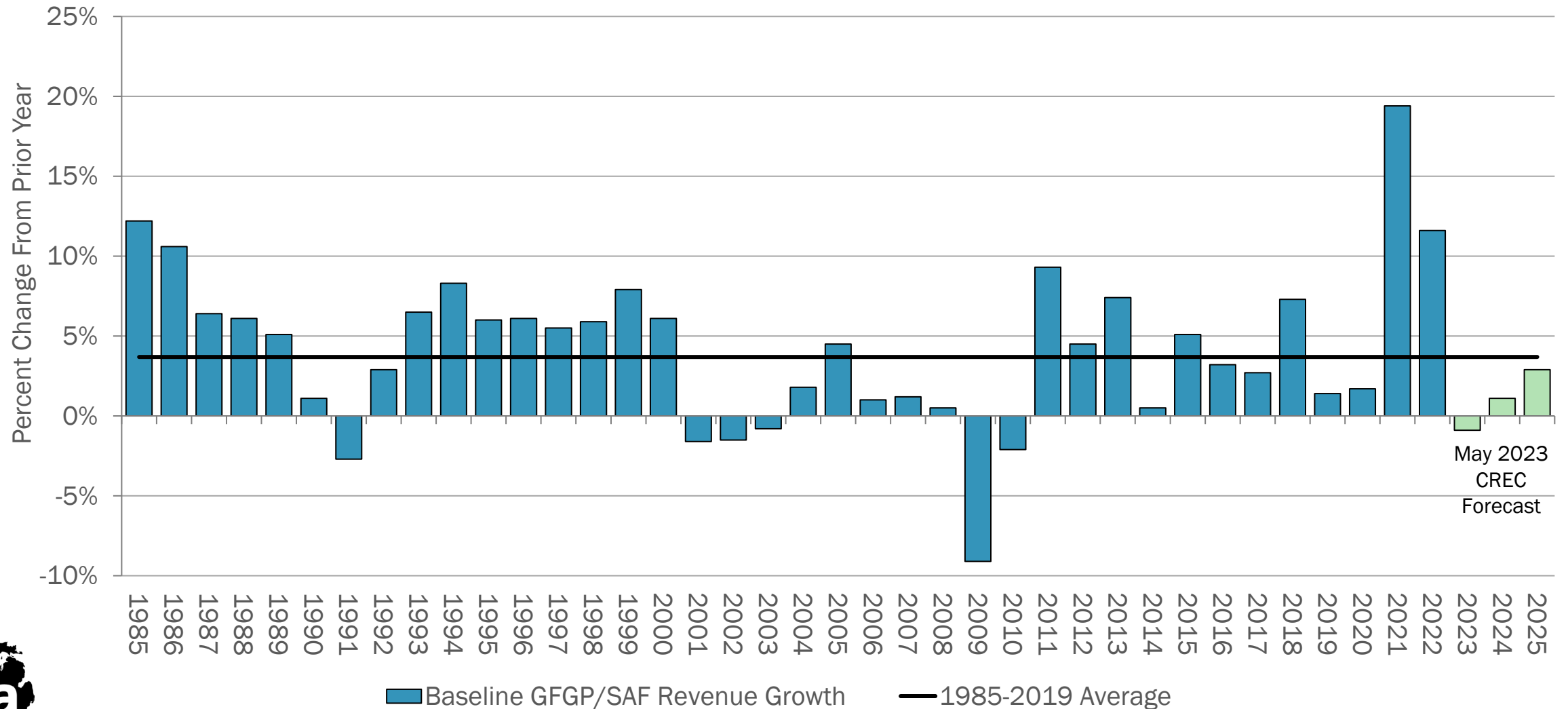
Corporate Tax Revenue

Despite Volatility, Most States Exhibit Slowing



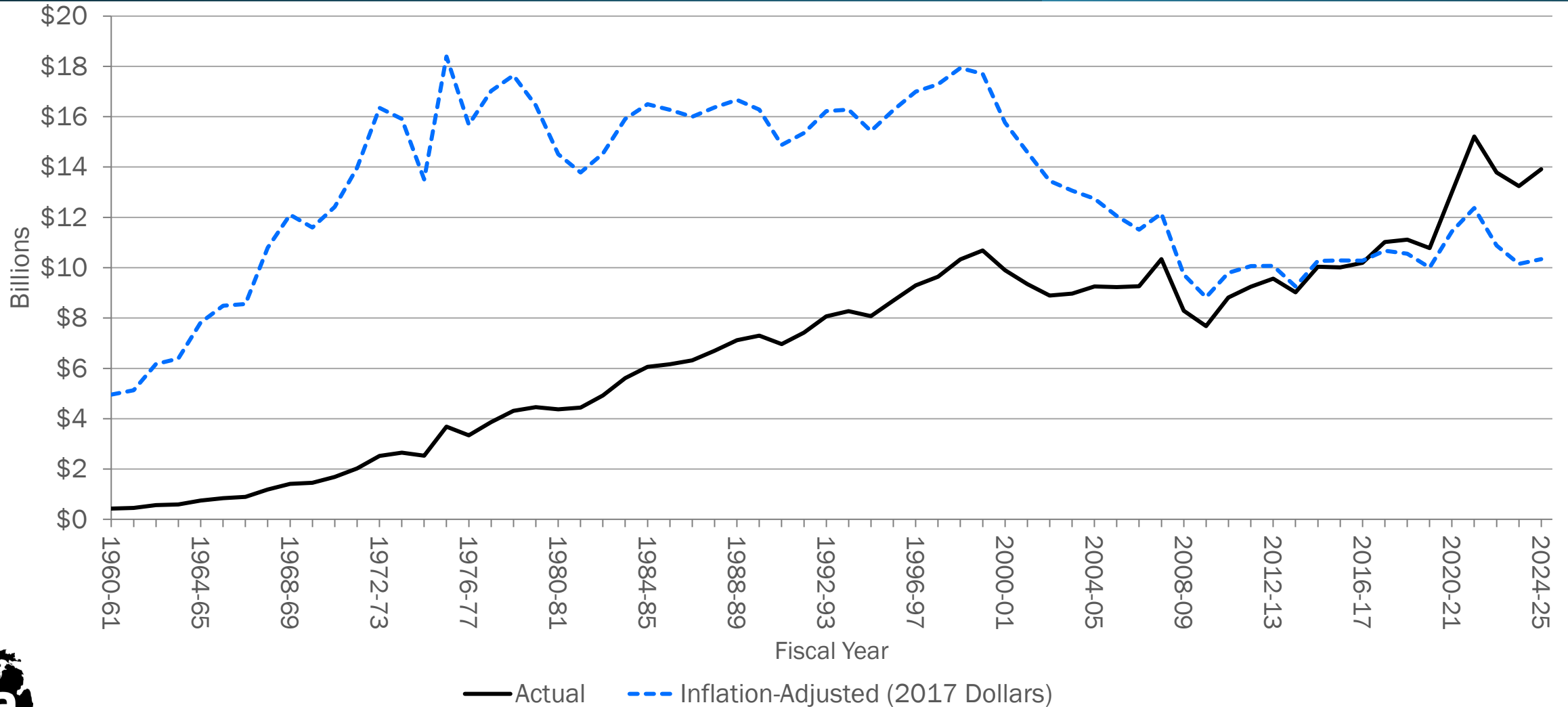
Baseline GF-GP/School Aid Revenue Growth

Below Average Growth Expected Over the Forecast



Ongoing GF-GP Revenue

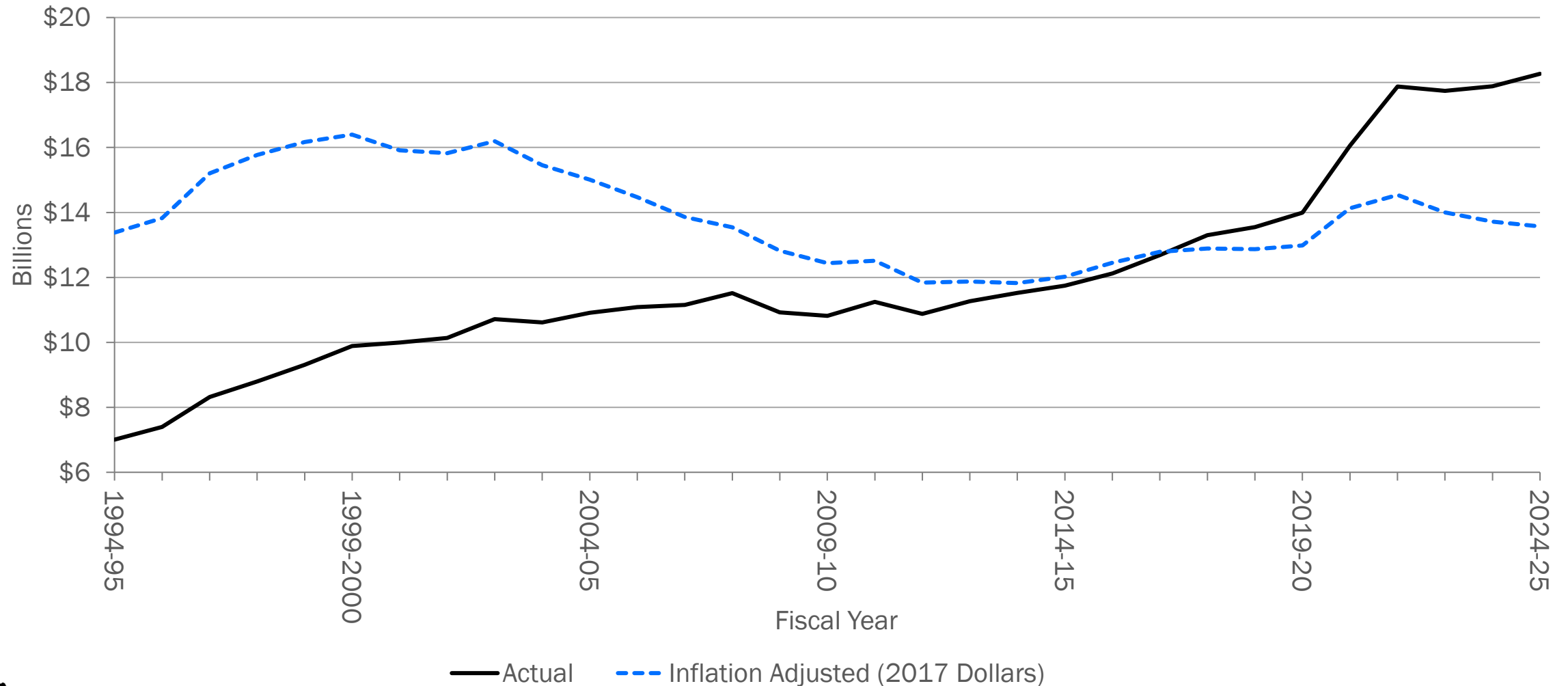
FY 25 Nominal Revenue 25.2% Above FY 19; Adjusted for Inflation, 4.2% Below FY 68



Source: U.S. Dept. of Commerce, Michigan Dept. of Treasury, and May 2023 CREC Estimates

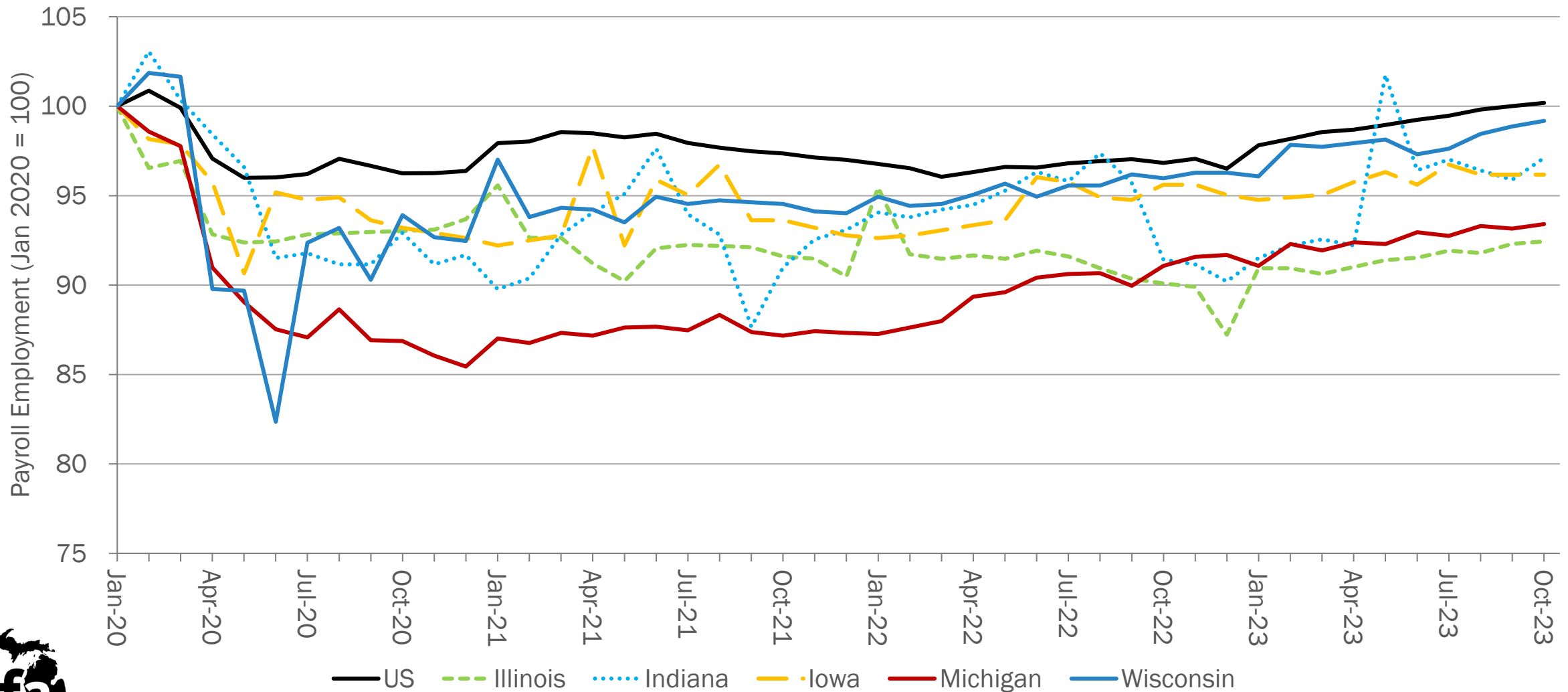
Ongoing School Aid Fund Revenue

FY 25 Nominal Revenue Up 58.7% from FY 08;
Adjusted for Inflation, it is Up 1.4% from FY 95



State Government Payroll Employment

All States Remain Below Pre-Pandemic Levels



Source: Bureau of Labor Statistics, U.S. Department of Labor.

GF/GP and School Aid Fund Balances

Balance Sheets at the Beginning of the FY 2023-24 Budget Cycle

The GF/GP Balance Sheet showed roughly \$5 billion available (about 2/3 was one-time money)

The School Aid Fund balance sheet showed roughly \$4 billion available (about 2/3 was one-time money)

How the Balance Sheets Changed

Multiple Actions Lowered Balances Substantially

Major Tax Changes

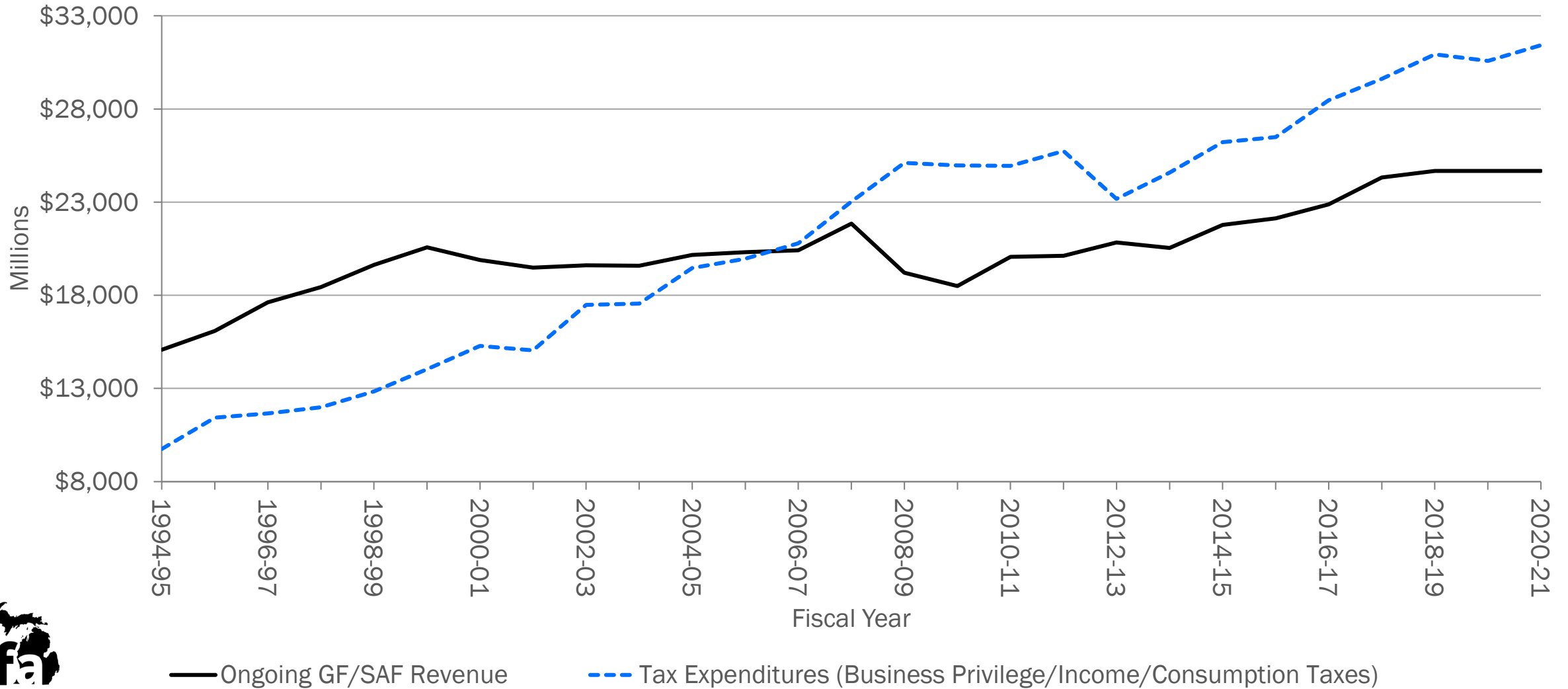
Supplementals and FY 2023-24 Budget

FY 23 Enhancement Grants

Projected Balances at End of FY 2023-24:
General Fund: \$332 million, School Aid Fund: \$83 million

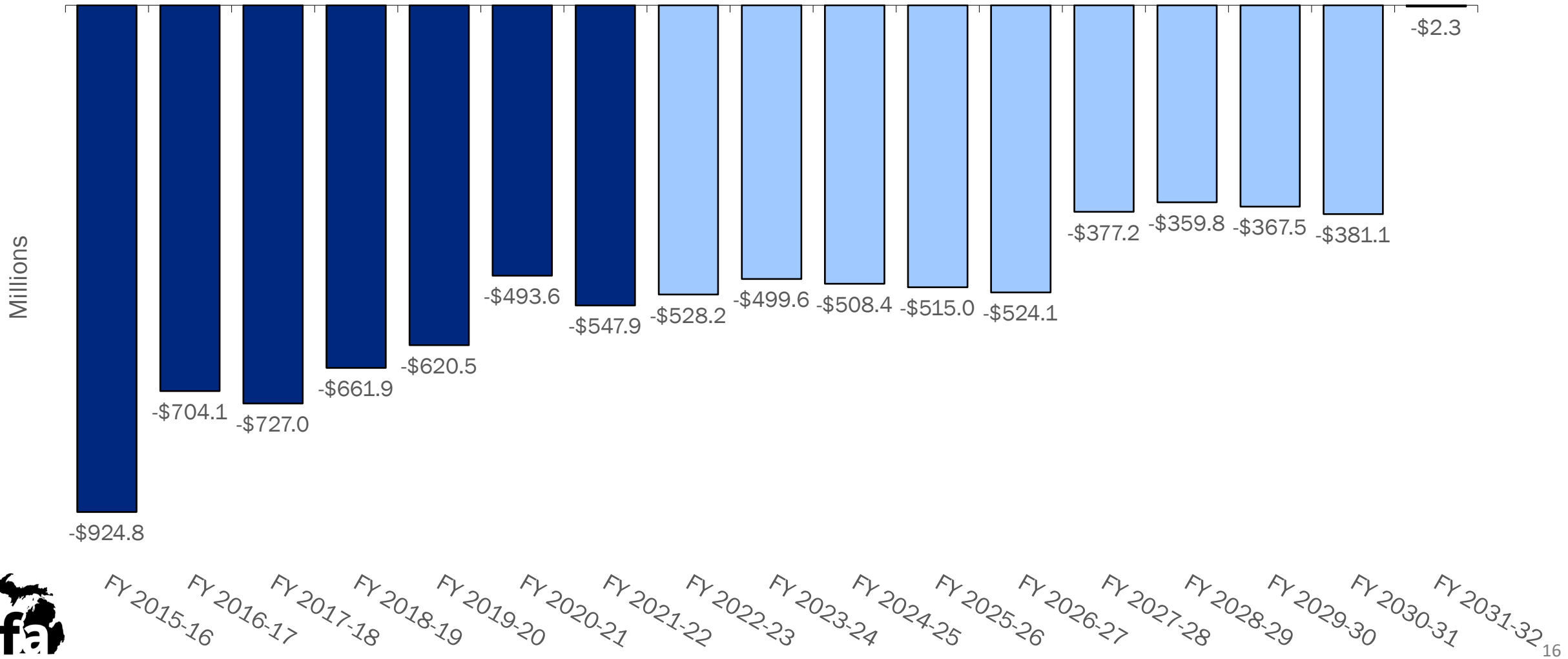
Tax Expenditures

Exempt Activity Exceeds the Tax Base for Ongoing Revenue



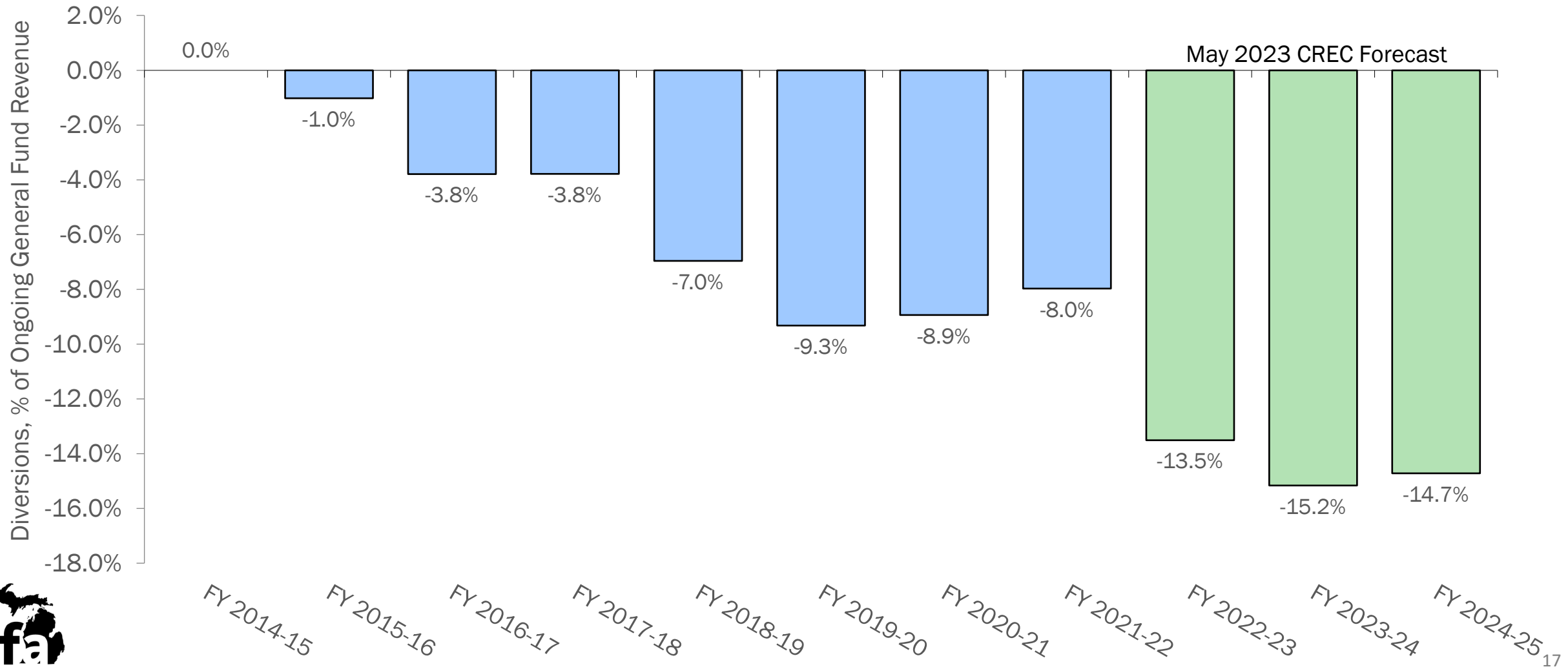
MEGA Credits Continue to Reduce General Fund

Reductions Will Continue into the 2030s



General Fund Diversions and Ongoing GF Revenue

Increasing Portion of GF Revenue Being Diverted to Other Funds

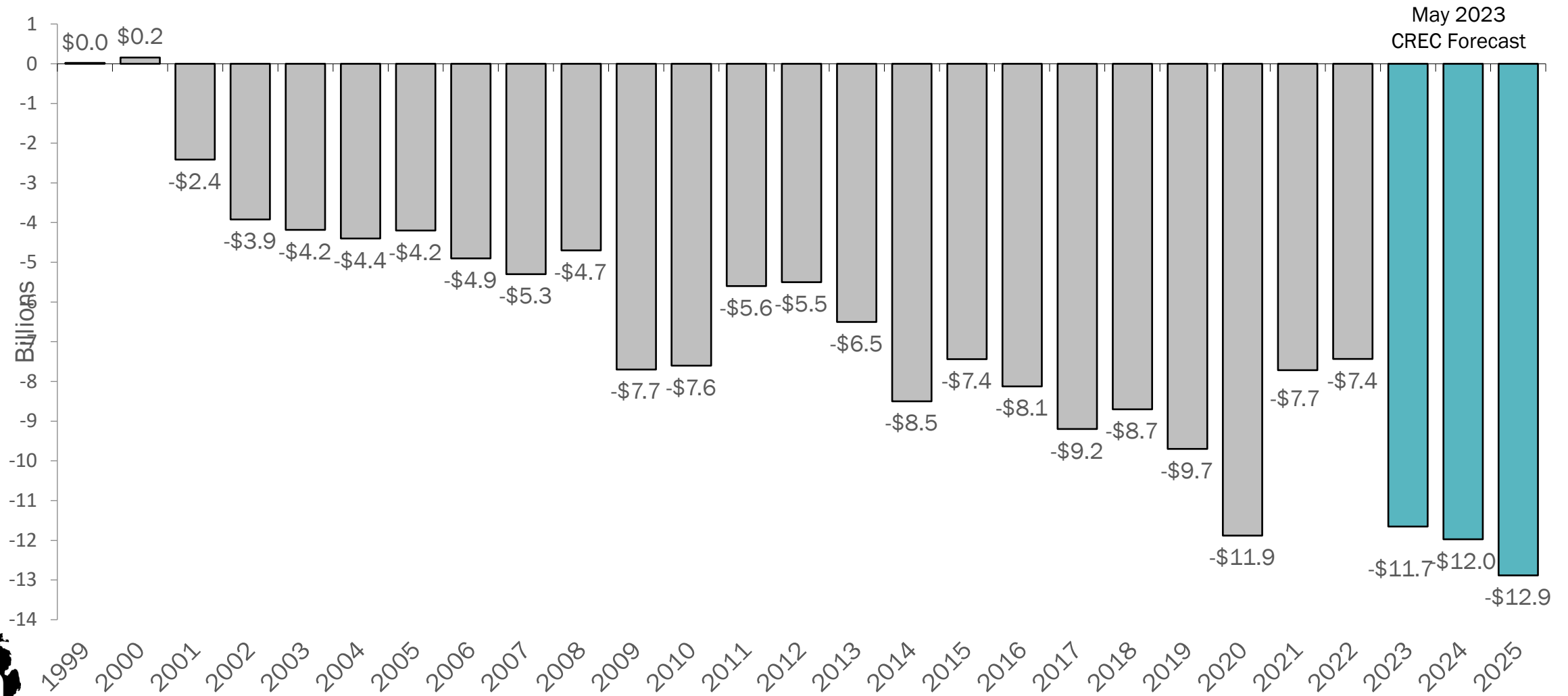


Items on the Horizon that Will Impact State Balance Sheet

- Lawsuits:
 - UIA Settlement
 - Individual Income Tax Rate Trigger
- Federal Changes
 - TANF allowable uses
- Budgetary Commitments and Accounting Issues
 - MIDC
 - Juvenile Justice
 - Booking Credit Forwards
- Recent and Pending Legislation
 - PA 4 of 2023 (built into the budget)
 - Good Jobs Program and Transformational Brownfields Projects
 - R&D Credits, Good Job credits

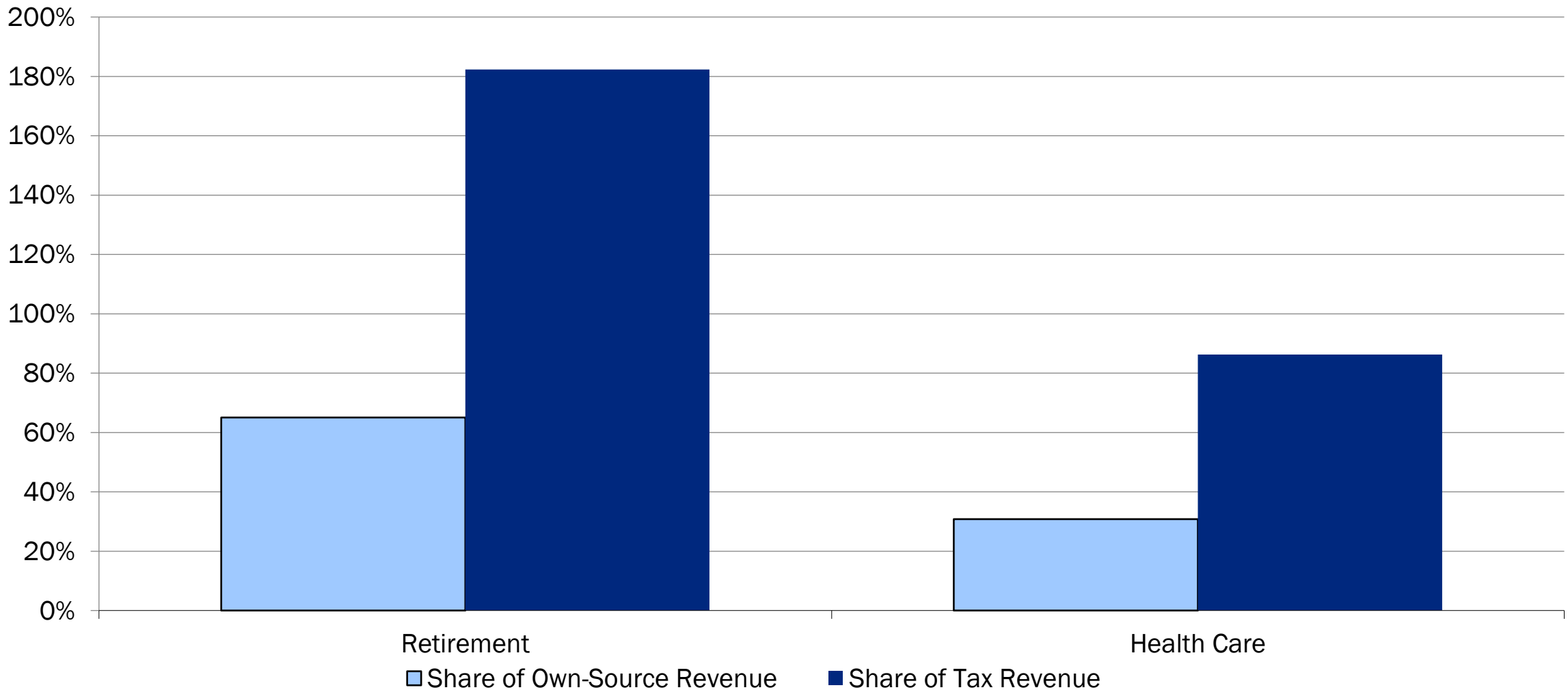
Section 26 Revenue Limit

Amount Under/Over the Constitutional Revenue Limit



Local Retirement/OPEB Plans in Michigan

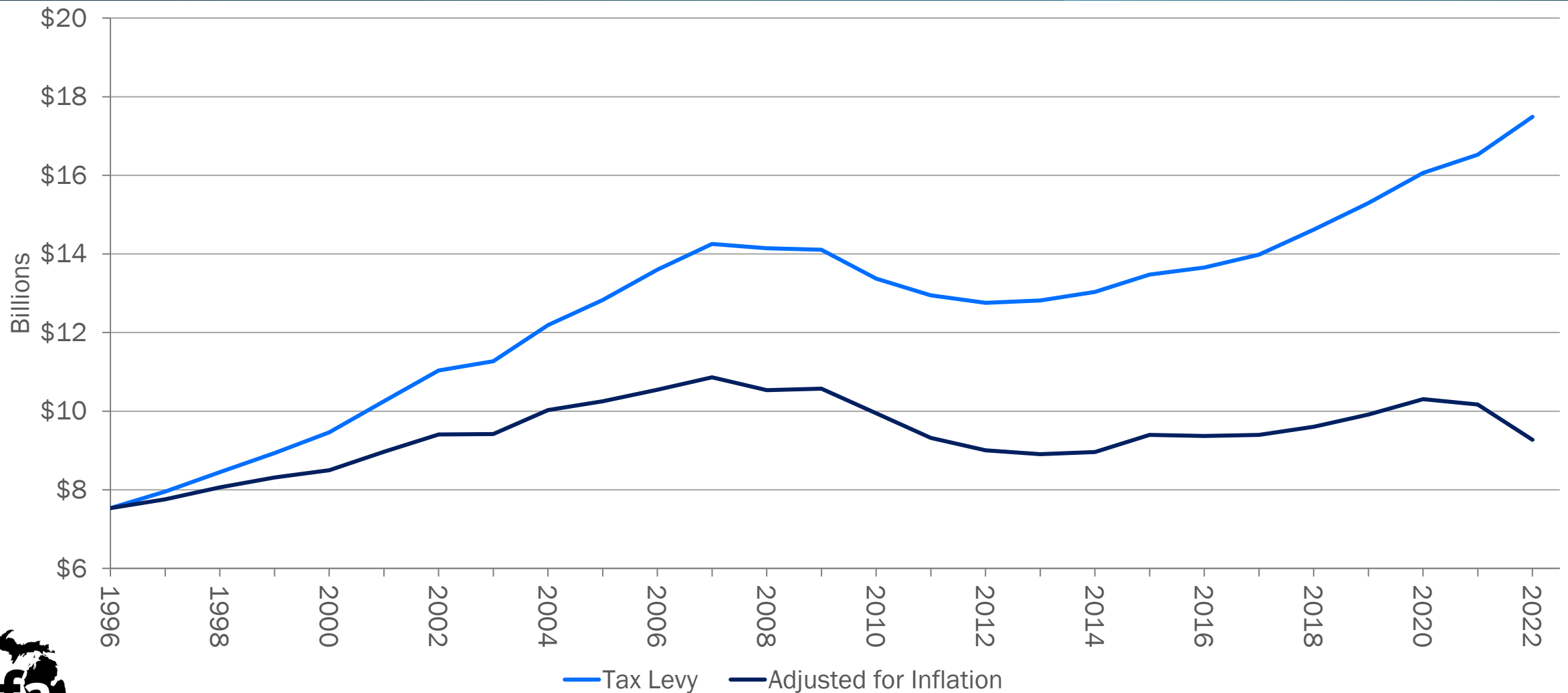
Unfunded Liability as a Share of Annual Revenue, FY 2021-22



Source: Michigan Department of Treasury

Michigan Property Tax Revenue

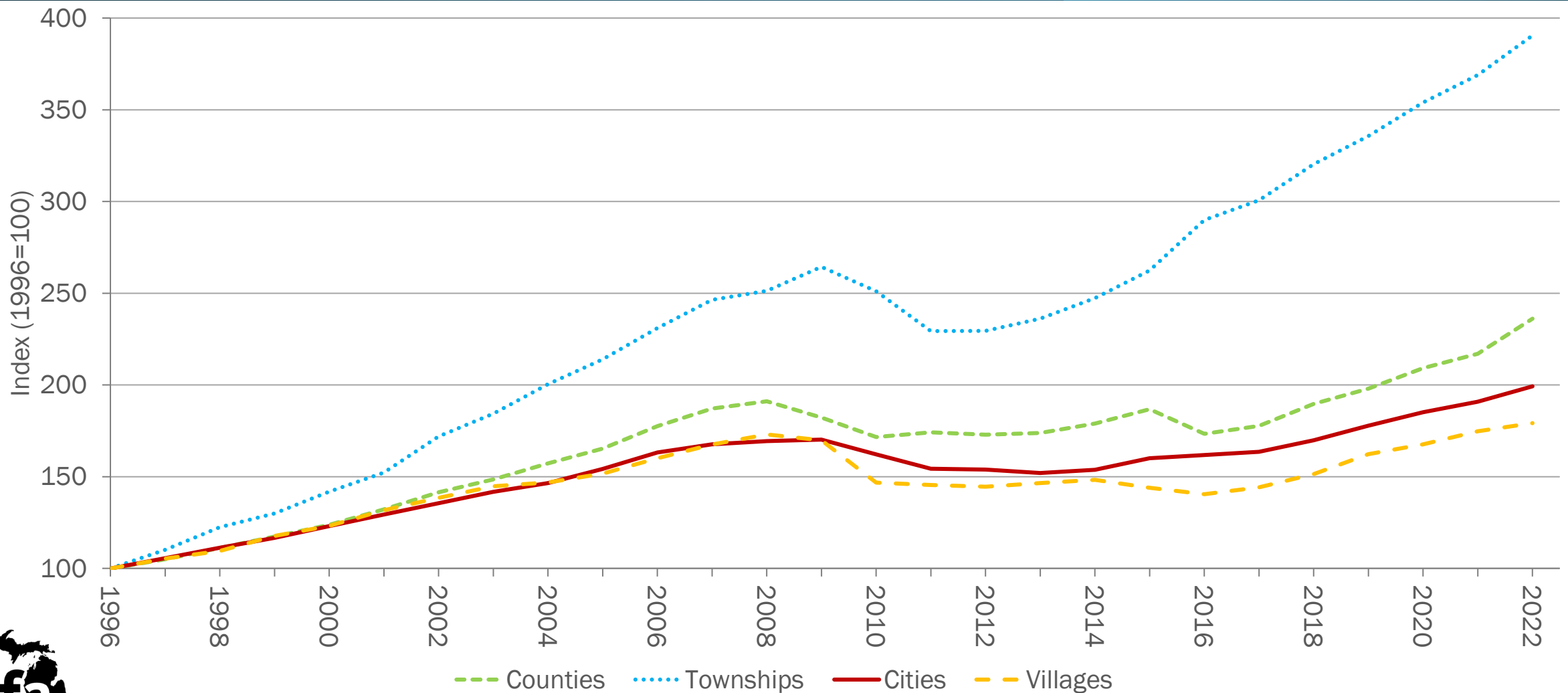
Not Keeping Pace With Inflation



Source: Michigan Department of Treasury, State Tax Commission

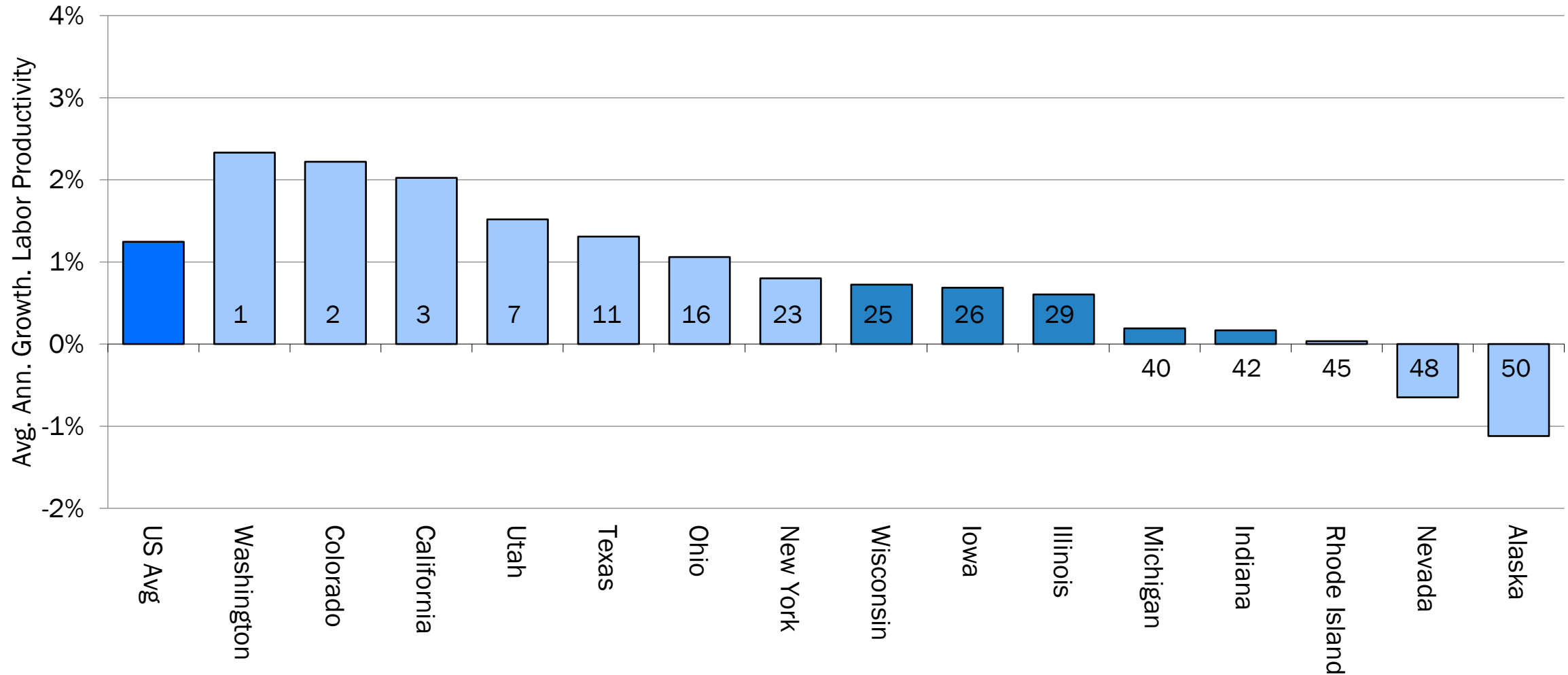
Property Tax Revenue by Type of Local Unit

Urban Areas See Slowest Growth



Source: Michigan Department of Treasury, State Tax Commission

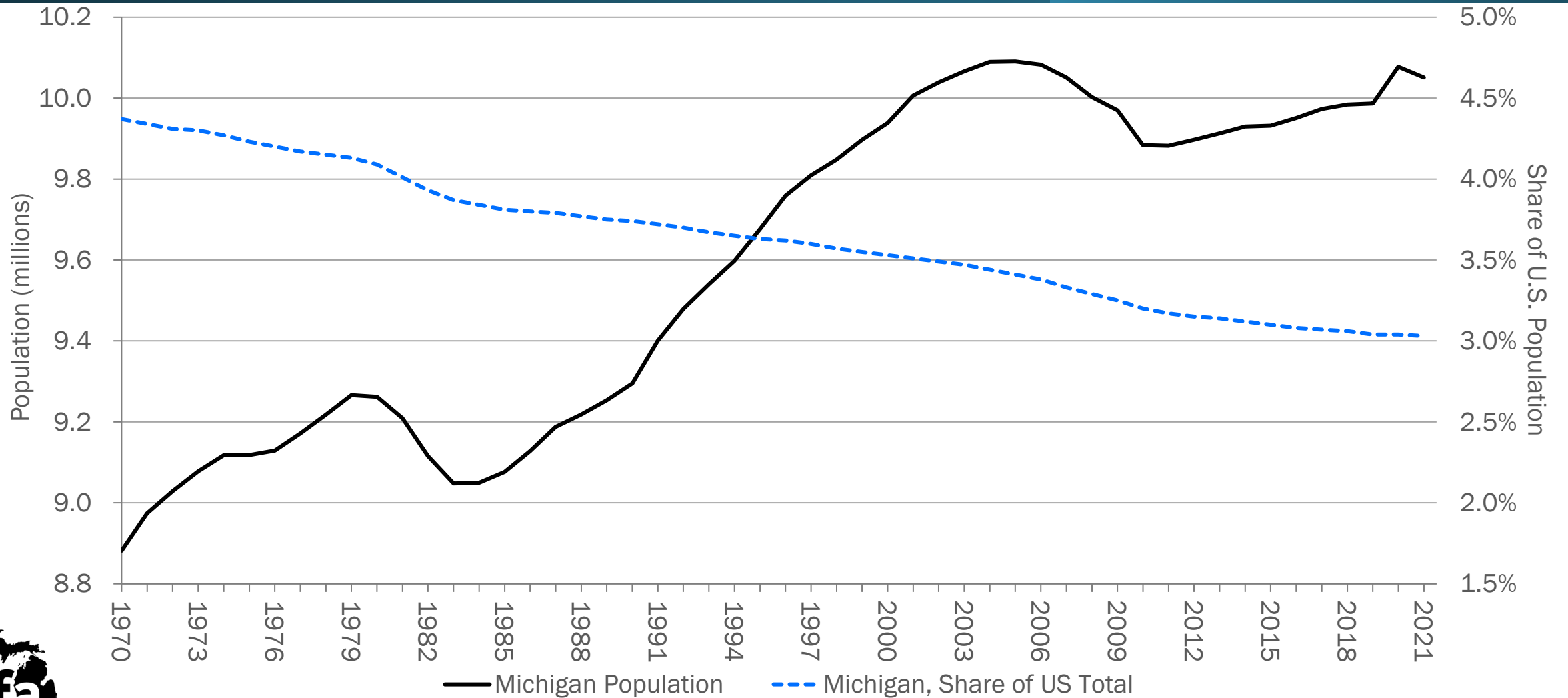
Productivity Growth By State, 2012-2019



Note: Data labels indicate state rank

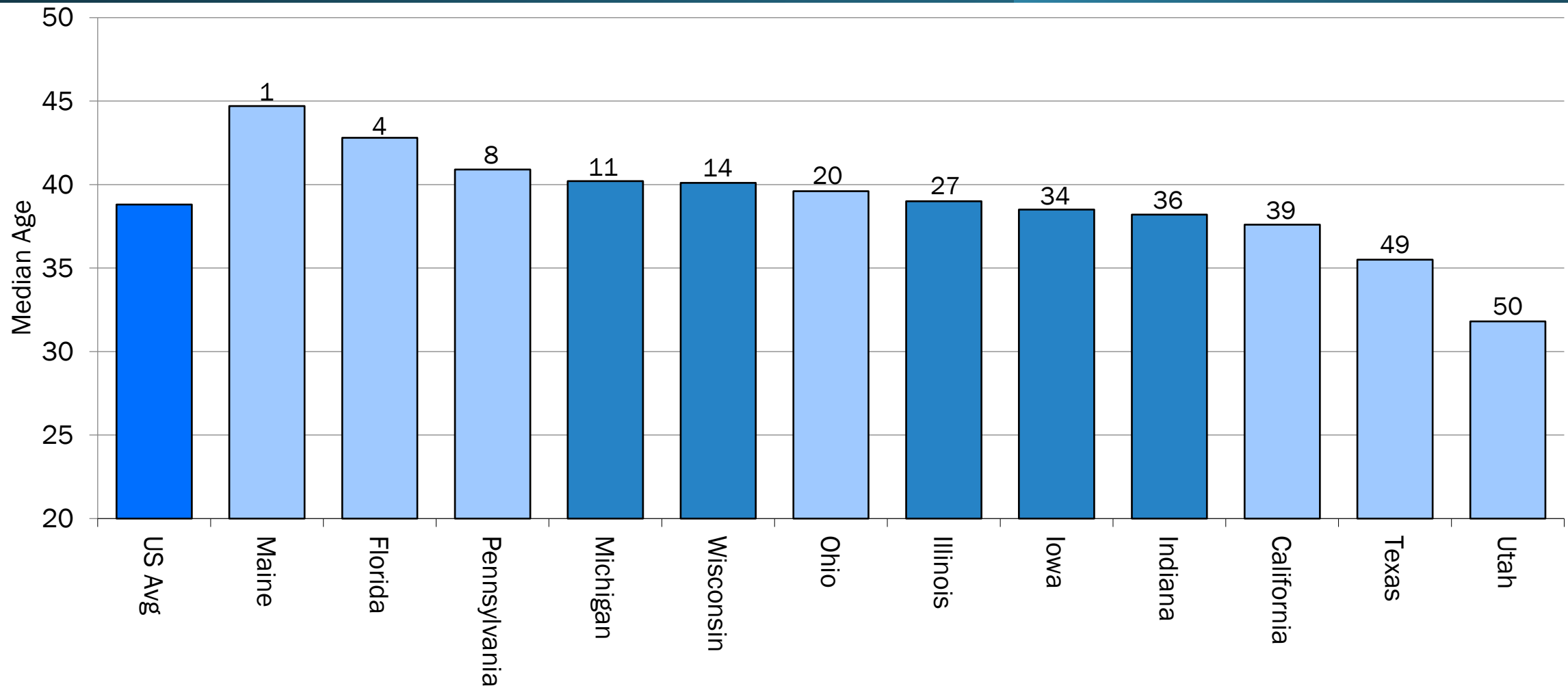
Michigan's Population

Michigan Population Growth Slower than National Average for More than 50 Years



Source: Bureau of the Census, U.S. Department of Commerce.

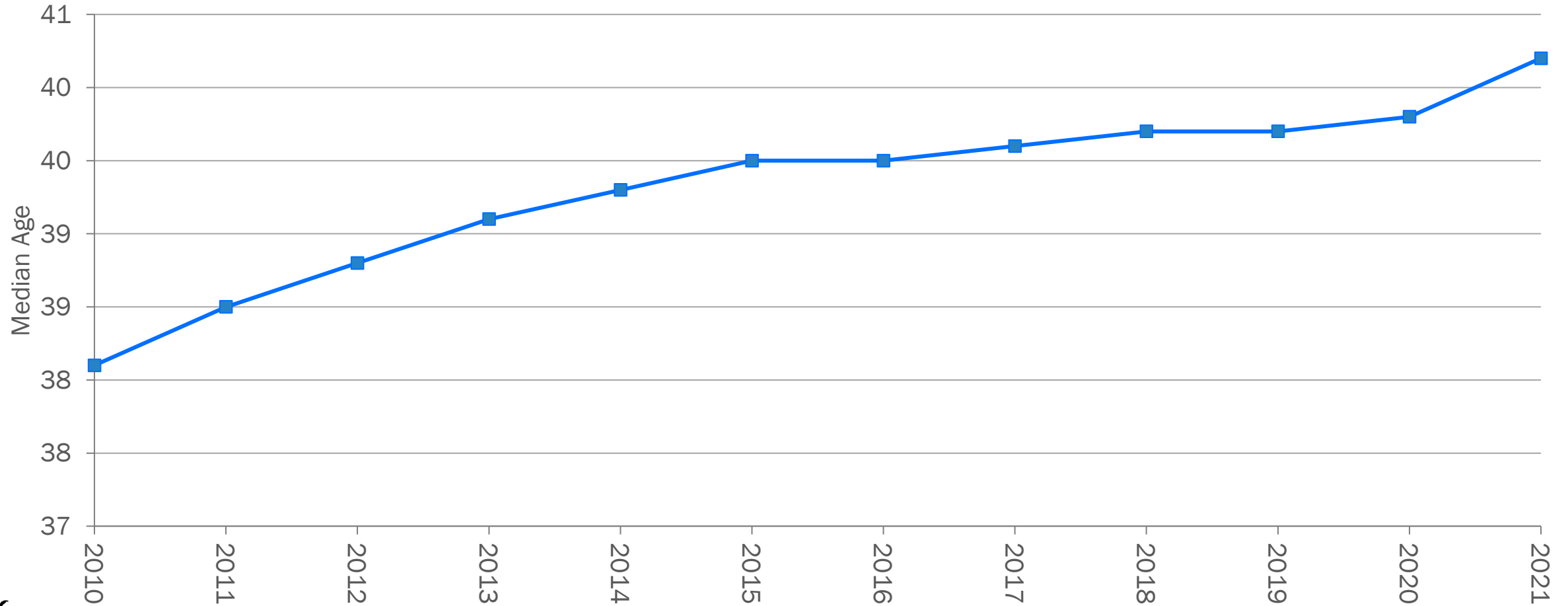
Median Age by State, 2021



Source: Bureau of the Census, U.S. Department of Commerce.

Note: Data labels indicate state rank

Michigan's Aging Population

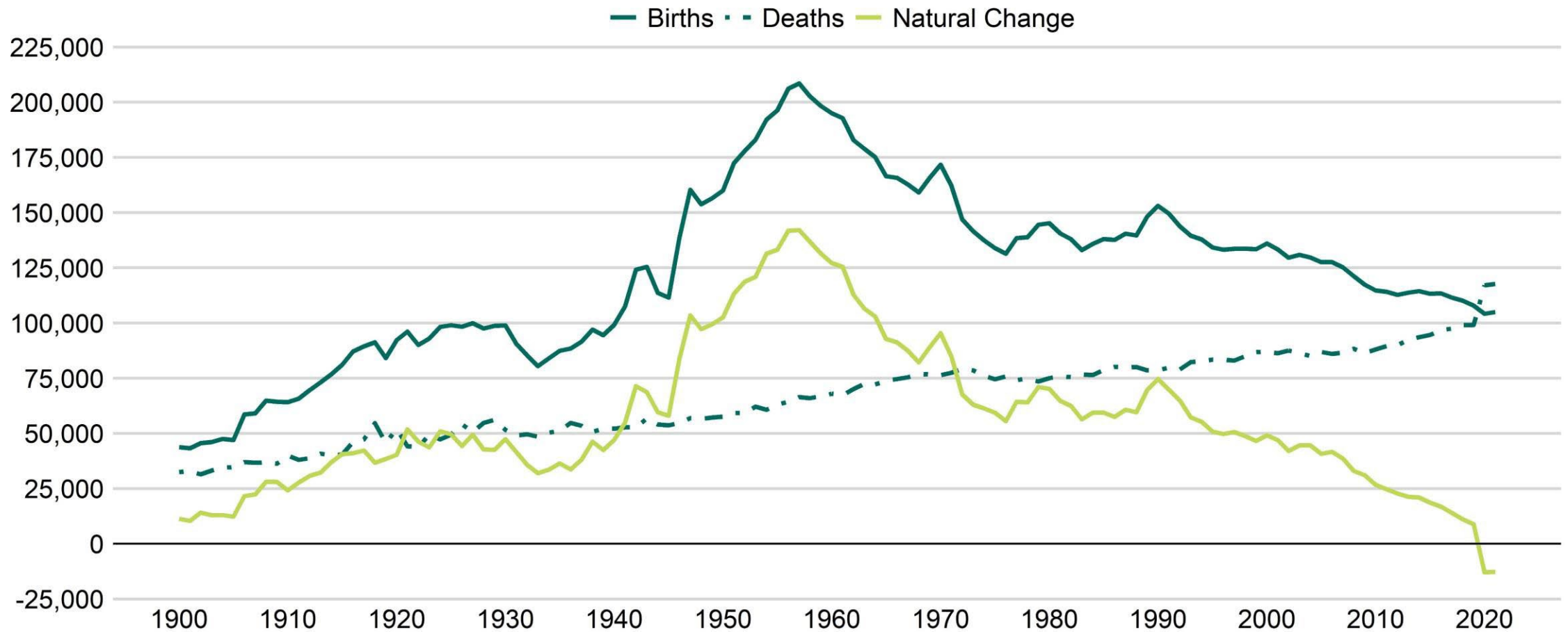


Source: Bureau of the Census, U.S. Department of Commerce.

Note: Median age from 2010-2020 taken from 5-year ACS Estimates, 2021 is from the 1-year ACS Estimates.

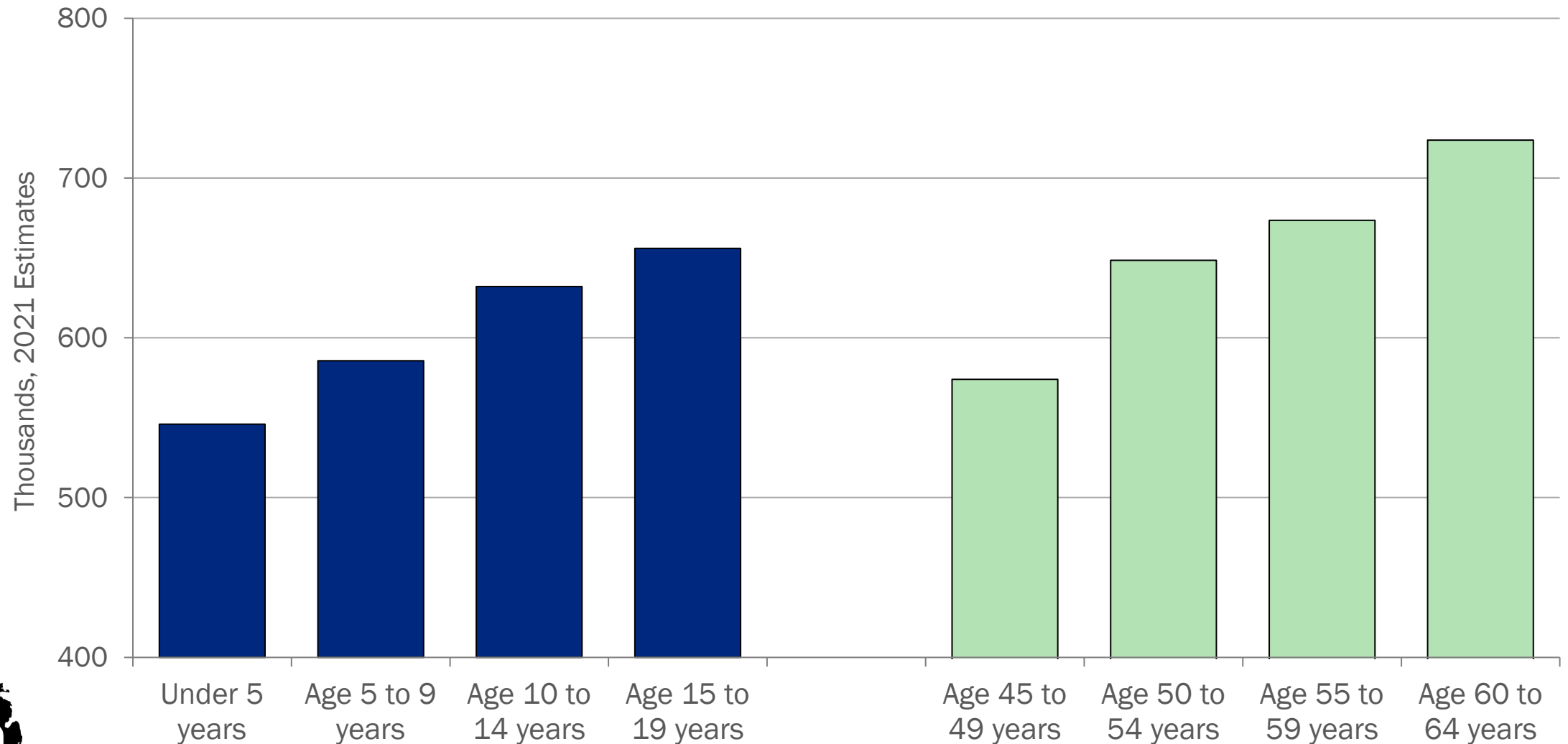
Historical Natural Change in Michigan, 1900–2021

(Births and Deaths)



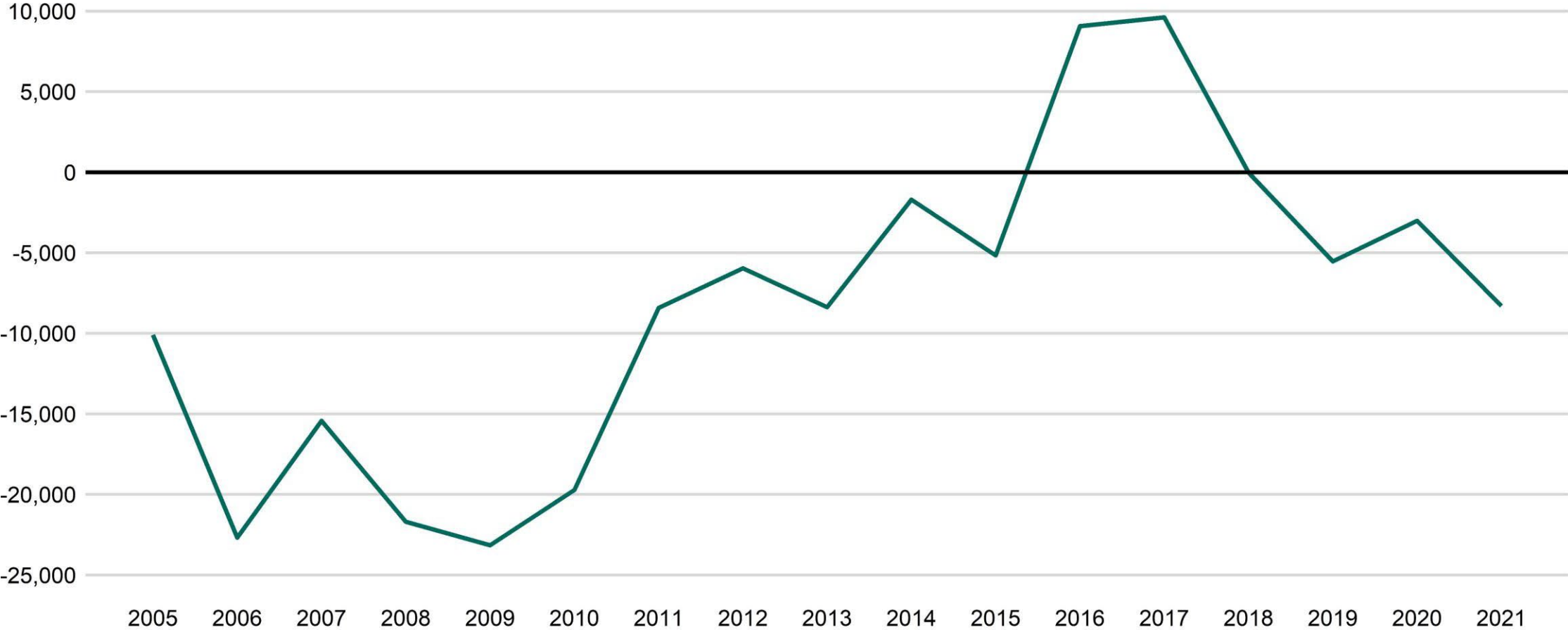
Michigan Age Mismatch

Smaller Cohorts Replacing Those Reaching Retirement Age



Source: Bureau of the Census, U.S. Department of Commerce.

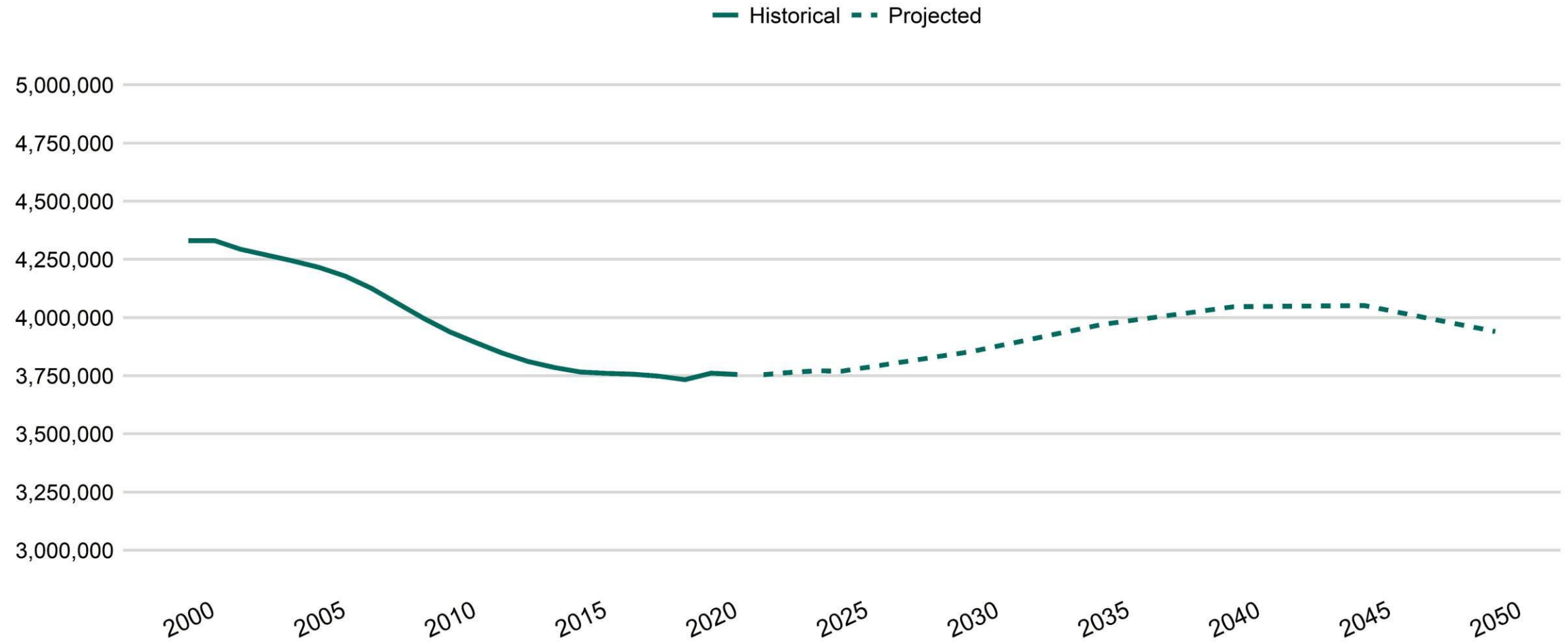
Michigan's Net Migration of Prime-Working Age Adults, Ages 25–54 (2005 to 2021)



Source: American Community Survey (ACS) public-use microdata, U.S. Census Bureau

Prime-Working Age Population, 2000-2050

(Forecasted Net Positive Migration, 2022-2050)



Source: U.S. Census Bureau; MDOT-Statewide & Urban Travel Analysis Section and U-M Research Seminar in Quantitative Economics

Contact Information



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