Michigan Payroll Employment
A Quarter Century and Still Counting...

Payroll Employment
Iowa & Michigan Still Below Jan 2020, Wisconsin Barely Above

Recent Recessions See Workers Leaving the Labor Force
Long-Term Trend Reflects Aging Population Demographics

Labor Force Participation Rate
Below Pre-Pandemic Average

Withholding Growth Slowing
Three-Month Moving Average
Sales and Use Tax Revenue
Most States Showing Slowing Growth

Corporate Tax Revenue
Despite Volatility, Most States Exhibit Slowing
Baseline GF-GP/School Aid Revenue Growth

Below Average Growth Expected Over the Forecast

May 2023 CREC 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

Source: U.S. Dept. of Commerce, Michigan Dept. of Treasury, and May 2023 CREC Estimates
State Government Payroll Employment
All States Remain Below Pre-Pandemic Levels

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

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Ongoing GF/SAF Revenue</th>
<th>Tax Expenditures (Business Privilege/Income/Consumption Taxes)</th>
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<tbody>
<tr>
<td>1994-95</td>
<td>$13,000</td>
<td>$18,000</td>
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<tr>
<td>1996-97</td>
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<td>2020-21</td>
<td>$39,000</td>
<td>$44,000</td>
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</table>
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

Diversions, % of Ongoing General Fund Revenue

May 2023 CREC Forecast

FY 2014-15: -1.0%
FY 2015-16: -3.8%
FY 2016-17: -3.8%
FY 2017-18: -7.0%
FY 2018-19: -9.3%
FY 2019-20: -8.9%
FY 2020-21: -8.0%
FY 2021-22: -13.5%
FY 2022-23: -15.2%
FY 2023-24: -14.7%
FY 2024-25: -12.0%
FY 2025-26: -10.0%
FY 2026-27: -8.0%
FY 2027-28: -6.0%
FY 2028-29: -4.0%
FY 2029-30: -2.0%
FY 2030-31: 0.0%
FY 2031-32: 2.0%
FY 2032-33: 4.0%
FY 2033-34: 6.0%
FY 2034-35: 8.0%
FY 2035-36: 10.0%
FY 2036-37: 12.0%
FY 2037-38: 14.0%
FY 2038-39: 16.0%
FY 2039-40: 18.0%
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

| Year | Revenue Limit
|------|----------------|
| 1999 | -$2.4
| 2000 | -$3.9
| 2001 | -$4.2
| 2002 | -$4.4
| 2003 | -$4.2
| 2004 | -$4.9
| 2005 | -$5.3
| 2006 | -$4.7
| 2007 | -$5.6
| 2008 | -$5.5
| 2009 | -$6.5
| 2010 | -$7.7
| 2011 | -$7.6
| 2012 | -$7.4
| 2013 | -$8.5
| 2014 | -$8.1
| 2015 | -$9.2
| 2016 | -$9.7
| 2017 | -$11.9
| 2018 | -$12.0
| 2019 | -$12.0
| 2020 | -$13.0
| 2021 | -$14.0
| 2022 | -$12.9
| 2023 | -$11.7
| 2024 | -$12.0
| 2025 | -$12.9

**May 2023 CREC Forecast**
Local Retirement/OPEB Plans in Michigan
Unfunded Liability as a Share of Annual Revenue, FY 2021-22

[Graph showing unfunded liability as a share of annual revenue for Retirement and Health Care, with Retirement significantly higher than Health Care.]

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)

Source: Michigan Department of Health and Human Services
Michigan Age Mismatch
Smaller Cohorts Replacing Those Reaching Retirement Age

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

Source: American Community Survey (ACS) public-use microdata, U.S. Census Bureau
Prime-Working Age Population, 2000-2050
(Forecasted Net Positive Migration, 2022-2050)

Historical - Projected

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