

# KAROUN

ASSOCIATES



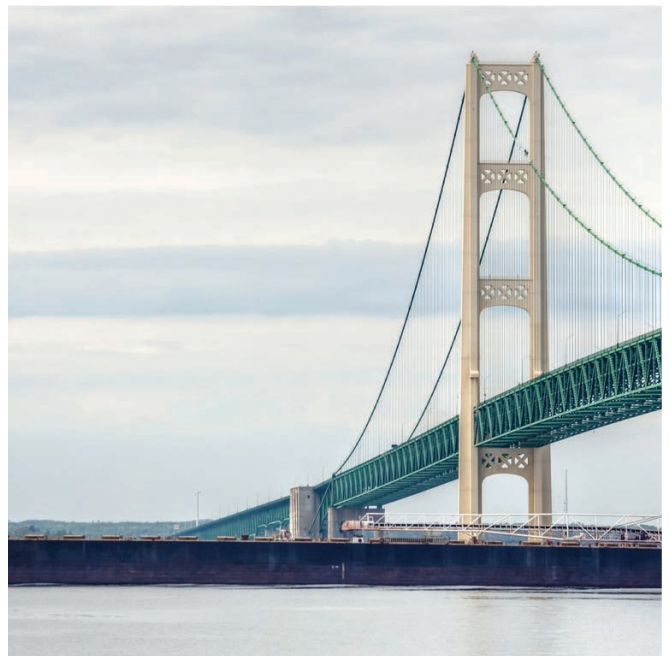
## KAROUN REPORT

| JUNE 2025

### **Bridging the Policy Divide: Takeaways from the 2025 Mackinac Policy Conference**

Last week, Michigan's top business, political, and civic leaders convened on Mackinac Island for the 2025 Detroit Regional Chamber Policy Conference—an annual event that continues to set the tone for statewide priorities, partnerships, and, increasingly, the political mood ahead of a major election year.

This year's theme—"Rebuilding Trust: Civility, Solutions, and Shared Responsibility"—was more than a slogan. It framed virtually every panel, fireside chat, and hallway conversation. Against a national backdrop of deepening polarization, Michigan leaders leaned into collaboration as the key to solving challenges ranging from workforce development and public health to education, infrastructure, and clean energy.



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Governor Gretchen Whitmer opened the conference with a focus on Michigan's economic momentum, pointing to large-scale manufacturing investments, record-low unemployment, and bipartisan efforts to fund talent pipelines. At the same time, she acknowledged persistent gaps: declining student outcomes, housing shortages, and the urgent need for more mental health and childcare infrastructure.

Legislative leaders used the platform to outline their own visions for a stronger, more equitable state. With a split Legislature and narrow margins heading into 2026, speakers on both sides of the aisle emphasized the need for practical, data-driven solutions—though differences on tax relief, permitting reform, and school accountability remain sharp.

Karoub Associates clients were well represented in breakout conversations on Michigan's talent shortages, the future of higher education, and the role of K-12 assessment in ensuring long-term economic competitiveness. Several sessions

highlighted the importance of apprenticeship expansion, adult upskilling, and better data systems to match training with real employer demand.

In particular, panels explored how Michigan can more effectively connect public funding with outcomes that matter—whether that's students staying on track, adults re-entering the workforce, or businesses finding skilled talent without delay.

While the views from the Grand Hotel porch were, as always, unmatched, the real value of Mackinac was in the relationships deepened and the policy signals sent. It's clear that in this transitional period—between post-COVID recovery and pre-election tension—organizations that can tell a clear, compelling story and align with the state's priorities will have an edge.

The path forward requires clarity, connection, and the kind of trusted advocacy that turns a good idea into good policy.

## State Budget Update: Stability, Strategy, & School Aid

Michigan's fiscal outlook remains relatively stable, according to the May 2025 Consensus Revenue Estimating Conference (CREC), but signs of slower growth and long-term pressures are already shaping this year's budget negotiations.

### **CREC: Revenue Flatlines, Outlook Cautious**

The big takeaway from this month's CREC: the state's major revenue sources—sales tax, income tax, and business taxes—are holding steady, but no longer surging. Analysts from the Department of Treasury, House Fiscal Agency, and Senate Fiscal Agency now project modest revenue declines in both the General Fund and School Aid Fund for FY 2025–26 compared to prior estimates.

- General Fund revenues are projected at just over \$13.4 billion, down slightly from January's forecast.
- School Aid Fund revenues remain strong at \$19.4 billion, but growth has flattened.



- The total state budget remains north of \$80 billion, buoyed by federal dollars and restricted funds, but discretionary dollars are tightening.

In short: Michigan's fiscal situation is still healthy, but there's less room for big-ticket new programs or spending expansions than in recent cycles. Lawmakers will need to prioritize.

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### **School Aid: Proposals Vary, Debate Intensifies**

As always, education funding is one of the highest-stakes items in the state budget. The Governor's executive recommendation includes a \$900 per-pupil foundation allowance increase, continued funding for universal school meals, and targeted investments in literacy coaches, school safety, and educator retention.

But the House and Senate proposals diverge, particularly around:

- Categorical funding for mental health and afterschool programs
- At-risk student funding and distribution formulas
- Assessment and accountability system investments, where some lawmakers are pressing for reductions or redirection of funds

While most expect the final School Aid budget to land close to the Governor's topline numbers, the details remain in play—especially with regard to how funding is tied to performance metrics, student need, and local flexibility.

### **Budget Timing and Process**

Legislative leaders remain committed to finalizing the FY 2025–26 budget before the statutory deadline of July 1, but negotiations are moving more cautiously than in recent years.

Several factors are influencing the pace:

- Revenues are flat, requiring tougher decisions and trade-offs.

- Election-year dynamics are sharpening partisan lines on tax policy and spending.
- Federal COVID relief dollars are phasing out, creating funding cliffs for programs launched during the pandemic.

Behind the scenes, Karoub Associates continues to engage on behalf of our clients, ensuring that key priorities—from K-12 programs and postsecondary access to infrastructure and local government support—remain visible and viable in this final stretch.

### **Next Steps**

Over the coming weeks, the House and Senate will begin reconciling their competing budget bills in conference committees. The Governor's office has signaled flexibility but is unlikely to support major cuts to signature programs like education, childcare, and climate resilience.

We'll continue to track these developments closely and provide client-specific updates as negotiations unfold. In the meantime, if you have questions about how the budget may affect your organization—or if you need help communicating with policymakers about a specific line item—don't hesitate to reach out.

Let's make sure your priorities are part of the final conversation.

## New Laws Aim to Expand Affordable Housing

Michigan has taken bipartisan action to expand affordable housing options with the recent passage of House Bills 5030–5032.

The new laws strengthen the role of the Michigan State Housing Development Authority (MSHDA) by:

- Giving MSHDA more flexibility in managing its debt;
- Increasing financial caps on home purchase and construction costs, especially for individuals with disabilities; and
- Enhancing resident representation in agency governance.

These changes align Michigan with federal and regional housing practices and are designed to make it easier for first-time buyers and low-income residents to access safe, affordable housing.

Karoub Associates is monitoring implementation and can help clients identify opportunities created by the new laws.

