



May 6, 2022

IPPSR: Legislative Staff Training

Budget

Starting Point

Tax Cuts

Key Budget Differences

Timeline and Process

Starting Point



- After the January revenue estimating conference, it was estimated that there was roughly \$6 billion in one-time State funding, and \$1.4 billion in additional ongoing money available (\$600m GF, \$800m SAF).
- In addition, Michigan received \$6.5 billion State Fiscal Recovery Funding, along with IIJA and dedicated/specific Federal grants to address various aspects of COVID. Total COVID-related Federal funding (not IIJA) for Michigan was roughly \$24.5 billion since 2020. Remaining SFRF is \$2.8 billion.
- <https://www.senate.michigan.gov/SFA/Chart/COVID-19/FedFundGrantsCOVID-19Response.pdf>

High Level

Governor proposed to spend down balances on numerous one-time investments and proposed 2 tax cuts

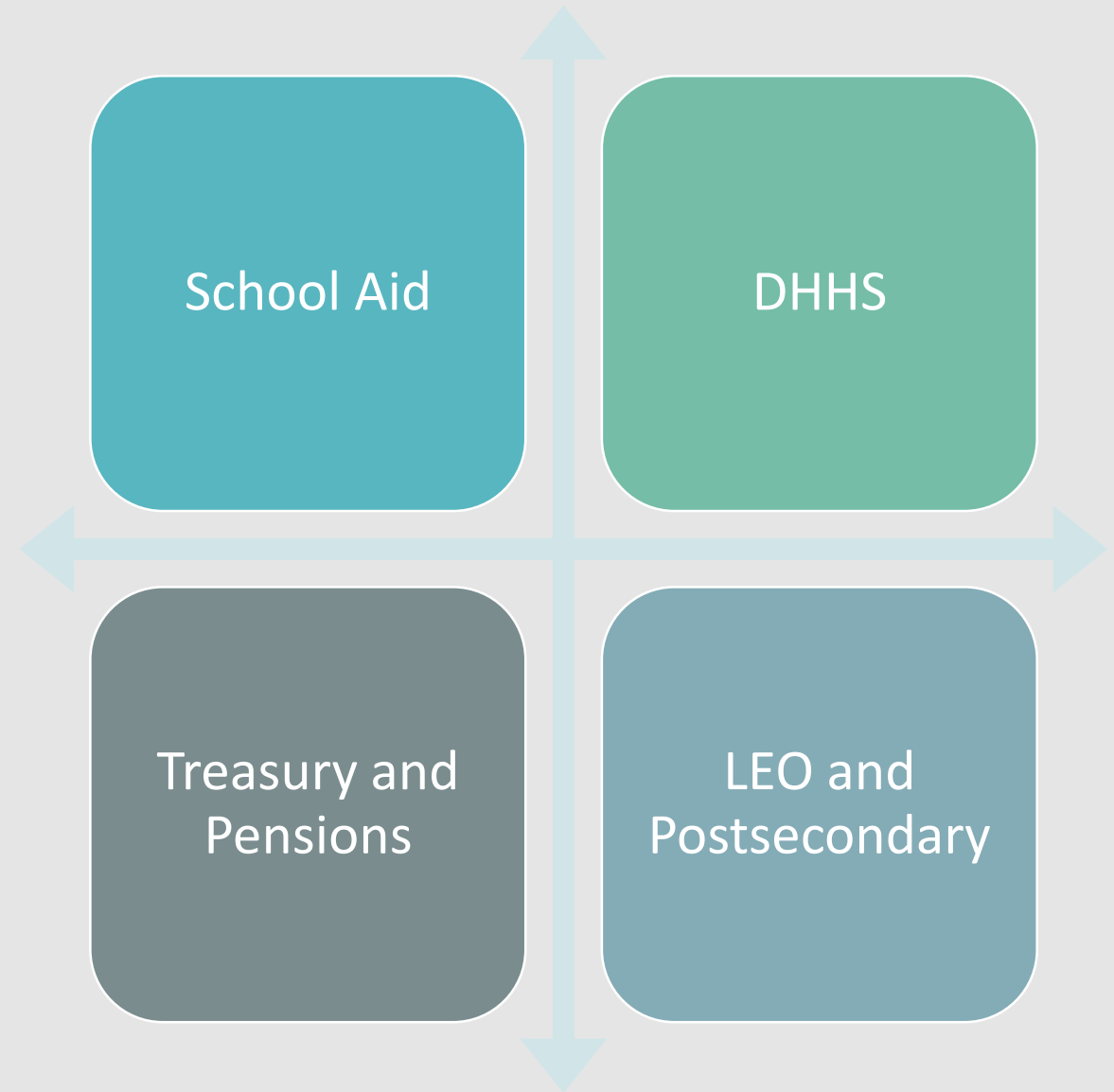
Senate provided a continuation budget, adjusted for economics, plus targeted investments and a larger tax cut

Tax Cut Proposals



- Governor included two tax cuts: one for roughly \$500m (pension tax, when fully phased in), and one for roughly \$260m (earned income tax credit)
- Senate appropriated \$2 billion in tax cuts in the Treasury budget (\$1 billion one-time, \$1 billion ongoing) – type of cut is TBD

Key Budget Differences



School Aid

Governor included \$435 per-pupil increase; \$222m for At Risk; \$171m for infrastructure; \$150m TRAILS; \$150m additional special education; \$150m educator scholarships and onboarding; \$56m school safety; \$91m mental health

Senate included a \$450 per-pupil increase; \$10m TRAILS; \$25m educator scholarships; \$25m school safety; \$30m mental health; \$500m school consolidation

DHHS

Governor included \$325m for a state-operated psychiatric complex; \$248m for dental system redesign; \$60m wage increase nursing homes; numerous one-times (food security, home repair)

Senate included \$95m to increase Medicaid reimbursement for primary care services; \$52m to increase fee-for-service dental; reduced FTEs to December 2021 level; replaced Federal funds with GF to place restrictions on abortion providers; assumed \$69m of lapse savings

Treasury and Pensions

Governor has 10% increase for revenue sharing (5% ongoing, 5% one-time)

Senate included same 5% ongoing, 5% one-time increases for revenue sharing; \$2 billion appropriated for the Senate Tax Cut Fund

Labor and Economic Opportunity

Governor included \$500m SOAR deposit; 15 projects totaling \$606m including \$230m transformational education infrastructure (\$130m EV at UM and \$100m medical school facility at MSU); \$200m regional empowerment program; \$75m grants for cultural diversity and natural beauty; \$20m to identify talent gaps, numerous other one-time items

Senate included \$50m for blight elimination; additional \$15m for Going Pro; \$4m to continue monitoring UIA benefits claims

Higher Ed and Community Colleges

Governor included 10% increases for operations (5% ongoing, 5% one-time) using across-the-board proportional to current funding levels

Senate included 11% (5.5% each ongoing, one-time) using new formula that considers existing funding, student headcount, and degrees conferred; \$361m for new scholarship; \$581m to pay off university MPSERS

Process and Timeline



- The “old” budget process was one where the House started half of the budgets and the Senate started the other half. At spring break, they would pass the bills to the other chamber, and then begin work on the second half.
- The current process is one where the House and Senate both work on all budget bills at the same time. They then swap the bills and send all the budgets to conference committees.
- We’re at the stage where the bills have passed both chambers. The May revenue conference will occur May 20th, and from there, targets will be set for each budget, and negotiations on final budgets will begin using those targets.

Miscellaneous

CREC is May 20th

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Questions?