



Mary Ann Cleary, Director



Chris Harkins, Director

# **Legislative Staff Training**

**Michigan's Budget Process**

**Michigan State University  
Institute for Public Policy and Social Research  
Legislative Staff Training  
February 5, 2021**

# Who we are?

---

# The House and Senate Fiscal Agencies

- Nonpartisan agencies; neither supports nor opposes policy, legislation, or recommendations made by any House or Senate member
- House reports to bipartisan governing committee: 3 members from each caucus
- Senate reports to a 5 person governing committee: 3 members of majority caucus and 2 members of the minority caucus
- Provides confidential assistance with fiscal questions to
  - Appropriations Committee
  - All members
  - Caucus staff
- Prepares reports/publications throughout the budget process; publishes special reports on topics of interest

# HFA and SFA Staff

- Fiscal Analysts
- Economists
- Legislative Analysts
- HFA reports/publications available on the HFA website: [www.house.mi.gov/hfa](http://www.house.mi.gov/hfa)
- SFA reports/publications available on the SFA website: [www.senate.michigan.gov/sfa](http://www.senate.michigan.gov/sfa)
- HFA and SFA bill summaries/analyses available on the Michigan Legislative website: [www.legislature.mi.gov](http://www.legislature.mi.gov)  
(as well as the House and Senate session website)

# What can we do for you?

---

# Budget

- Analyze/explain proposals and budgets
- Prepare appropriation bill substitutes and amendments
- Monitor issues/trends that may affect the state budget
- One-on-one meetings
- Provide specific budget details impacting your local districts: foundation allowances, revenue sharing payments, and road funding
- Assist with constituent budget questions

# Revenue, Tax and the Economy

- Research tax-related issues
- Analyze/explain tax proposals
- Help respond to changing economic and fiscal conditions
- One-on-one meetings

# Legislative Analysis

- Provide summaries of bills in policy committees or at the request of a member
- Provide a fiscal impact of bills in committees
- Provide a fiscal impact of a draft proposal at the request of a member



# Agency Publications

- Legislative Summaries and Analyses
- Budget and Revenue Summaries
- Background Brief / Fiscal Brief / Fiscal Focus
- Budget Area PowerPoints
- Budget Data Tables

# Questions we can answer

---

**Where can I find a 10-year history of General Fund spending?**

**Where can I get an estimated fiscal impact of my proposed legislation?**

**What is the impact to Michigan from the Wayfair Supreme Court decision?**

**Who do I call to find out much funding goes to my school district?**

**Where can I find out about how much it will cost to increase the foundation allowance by \$100 per student?**

**Where can I learn more about the state and school retirement systems?**

**Who can I call to find out how much of the transportation budget goes to my local communities for roads?**

**Where can I find a 10-year history of Medicaid spending?**

**Where can I find out how many prisoners we have the state? How much does it cost to house a prisoner?**

# Budget Process

---

# State Budget Overview

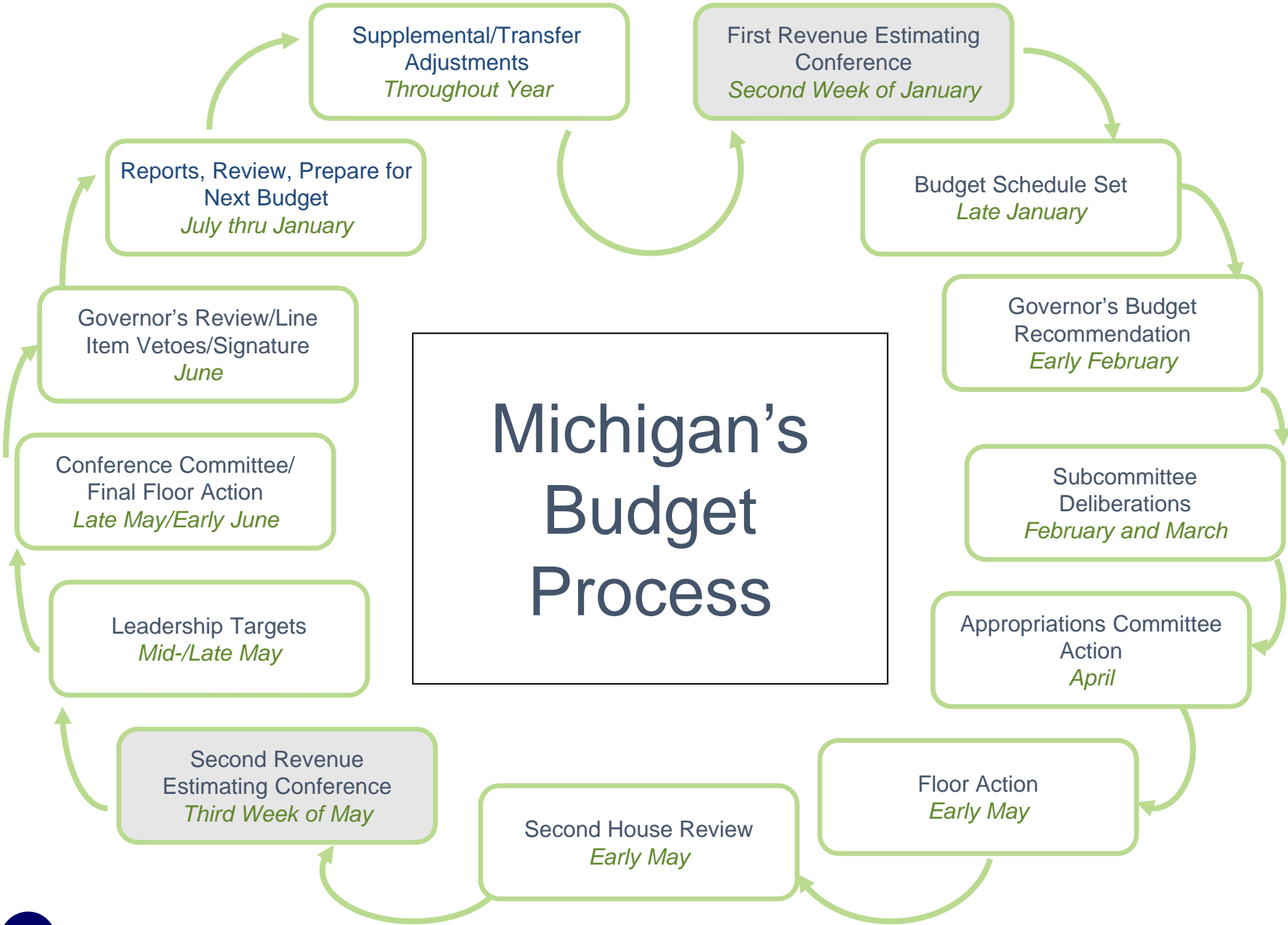
- Michigan's fiscal year (FY) runs Oct. 1 through Sept. 30<sup>th</sup> each year
- The Governor submits a budget for the next fiscal year within 30 days after the Legislature convenes (60 days for a newly elected Governor)
- The Governor's budget must be balanced and uses the January CREC for revenue projections
- Expenditures requested in excess of projected revenues must include recommended sources of new revenue
- Budget assumptions built on Consensus Revenue Estimating Conferences (CREC)
  - January (second week)
  - May (third week)
  - As needed

# State Budget Overview

- May CREC is often used by Legislative Leaders and the Governor to negotiate target dollar amounts that the House and Senate conferees use to produce conference reports.
- For the purposes of reaching resolution in conference committee, items of difference are based on the House and Senate-passed versions of their originated budget bills.
- The Governor may sign or veto the appropriation bills, and may veto individual line items.
- Throughout the fiscal year, adjustments to the State budget may be made by:
  - Supplementals (Positive and Negative)
  - Transfers (Legislative and Administrative)
  - Executive Orders



# Michigan's Budget Process



# Appropriations Overview

---

# Key Budget Terms

**Fiscal Year:** The state's fiscal year (FY) runs from October to September. FY 2020-21 is October 1, 2020 through September 30, 2021.

**Appropriation:** Authority to expend funds. An appropriation is not a mandate to spend. Constitutionally, state funds cannot be expended without an appropriation by the legislature.

**Line Item:** Specific appropriation amount that establishes spending authorization for a particular program or function in a budget bill.

**Boilerplate:** Specific language sections in a budget bill that direct, limit, or restrict line item expenditures, express legislative intent, and/or require reports.

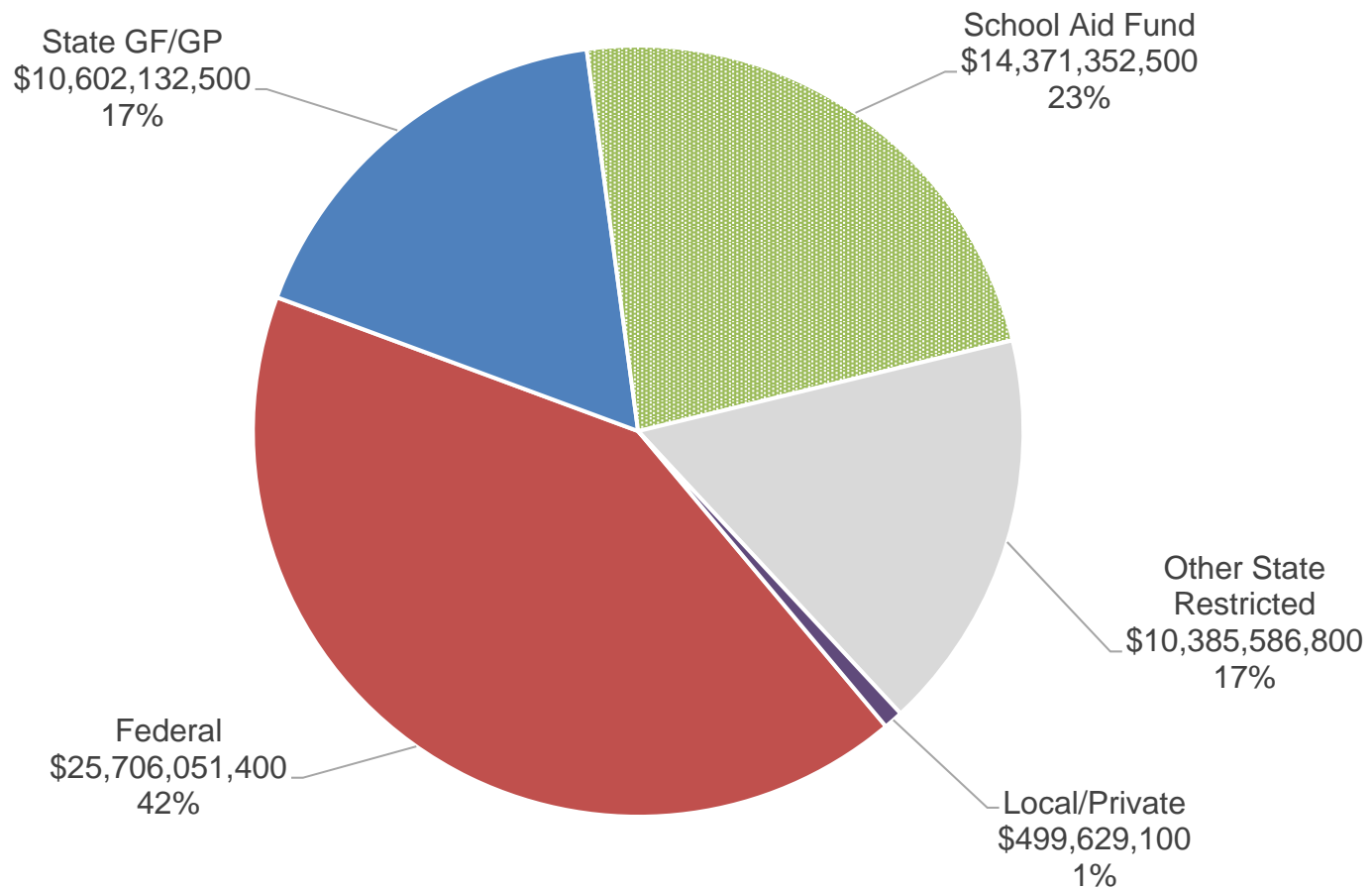
**Lapse:** Appropriated amounts that are unspent or unobligated at the end of a fiscal year. Appropriations are automatically terminated at the end of a fiscal year unless designated as a multi-year work project under a statutory process. Lapsed funds are available for expenditure in the subsequent fiscal year.

# FY 2020-21 State Budget

Fund Source	Funding	Description
Gross Appropriations	\$62,759,877,600	Total spending authority from all revenue sources
Interdepartmental Grants (IDG) Revenue	1,195,125,300	Funds received by one state department from another state department, usually for services provided
Adjusted Gross Appropriations	\$61,564,752,300	Gross appropriations excluding IDGs; avoids double counting when adding appropriation amounts across budget areas
Federal Revenue	25,706,051,400	Federal grant or matching revenue; generally dedicated to specific programs or purposes
Local Revenue	296,550,400	Revenue received from local units of government for state services
Private Revenue	203,078,700	Revenue from individuals and private entities, including payments for services, grants, and other contributions
State Restricted Revenue	24,756,939,300	State revenue restricted by the State Constitution, state statute, or outside restriction that is available only for specified purposes; includes most fee revenue
State General Fund/General Purpose (GF/GP) Revenue	\$10,602,132,500	Unrestricted revenue from taxes and other sources available to fund basic state programs and other purposes determined by the Legislature

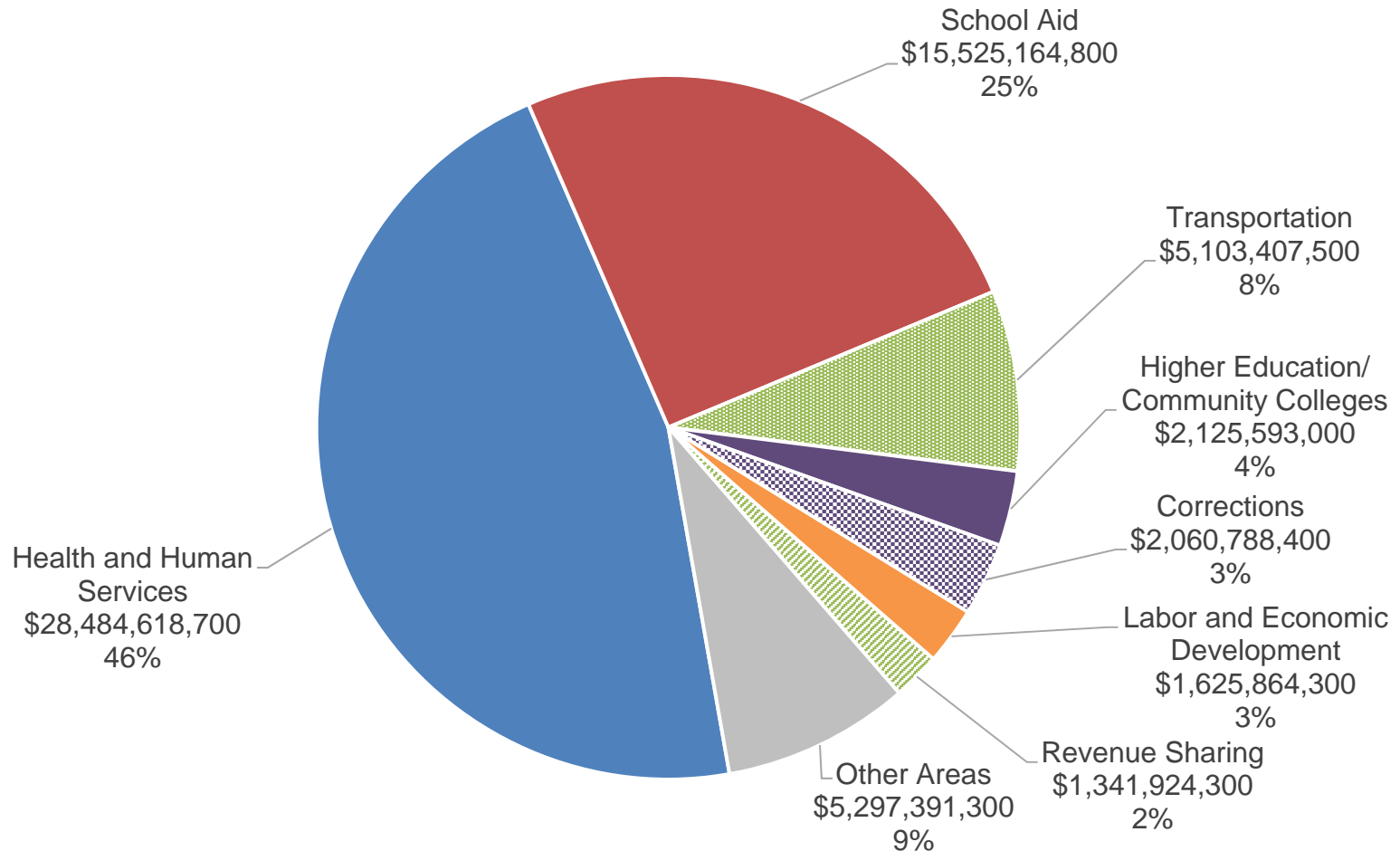
# FY 2020-21 Fund Sources

Discretionary GF/GP funds make up 17% of the **\$61.6 billion** state budget (adjusted gross). Including the School Aid Fund, which must be used for K-12 or postsecondary education, brings the percentage up to 40%.



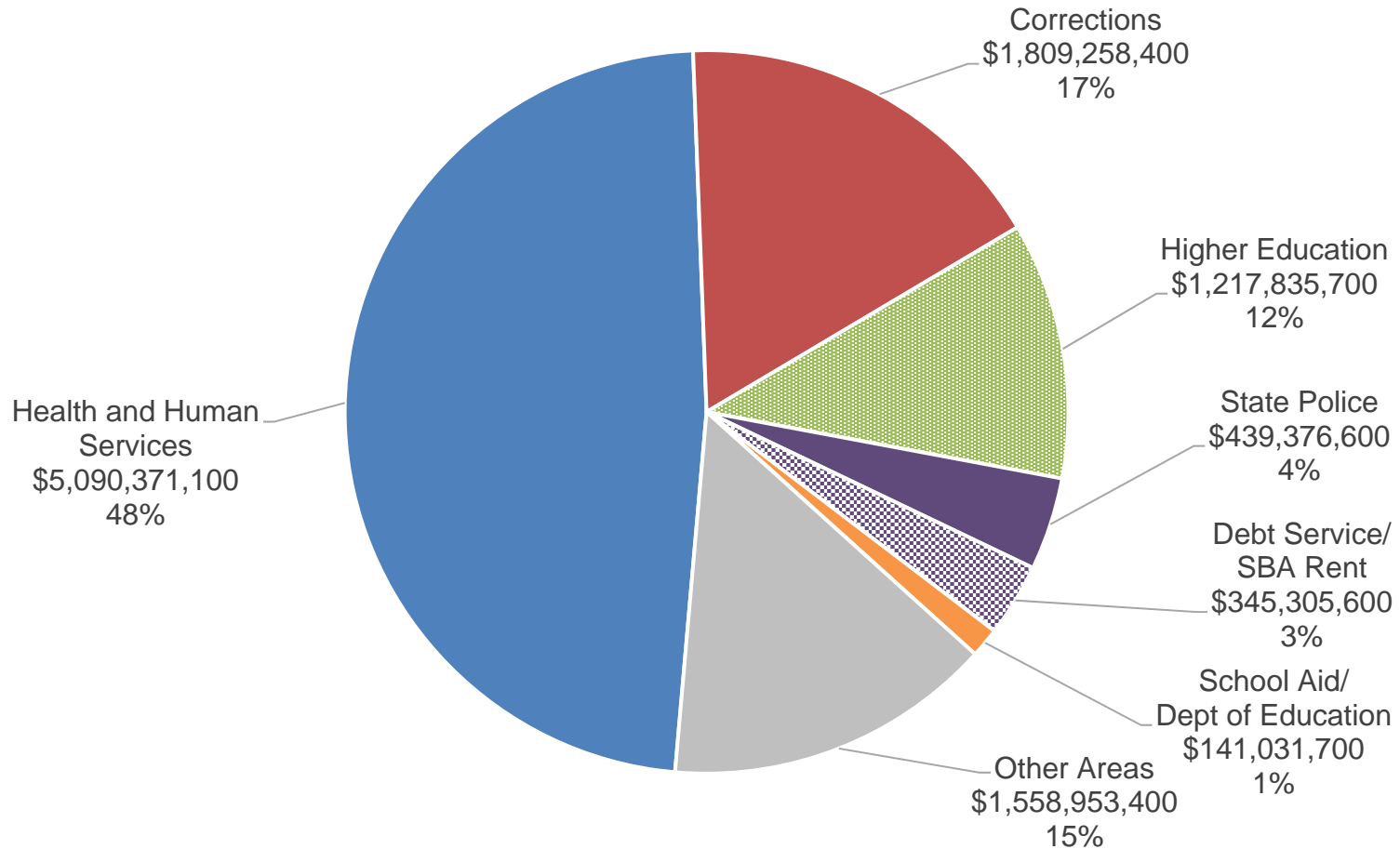
# FY 2020-21 Adjusted Gross Appropriations

Large portions of the **\$61.6 billion** state budget consist of payments to health care providers, school districts, universities and colleges, and local units of government.



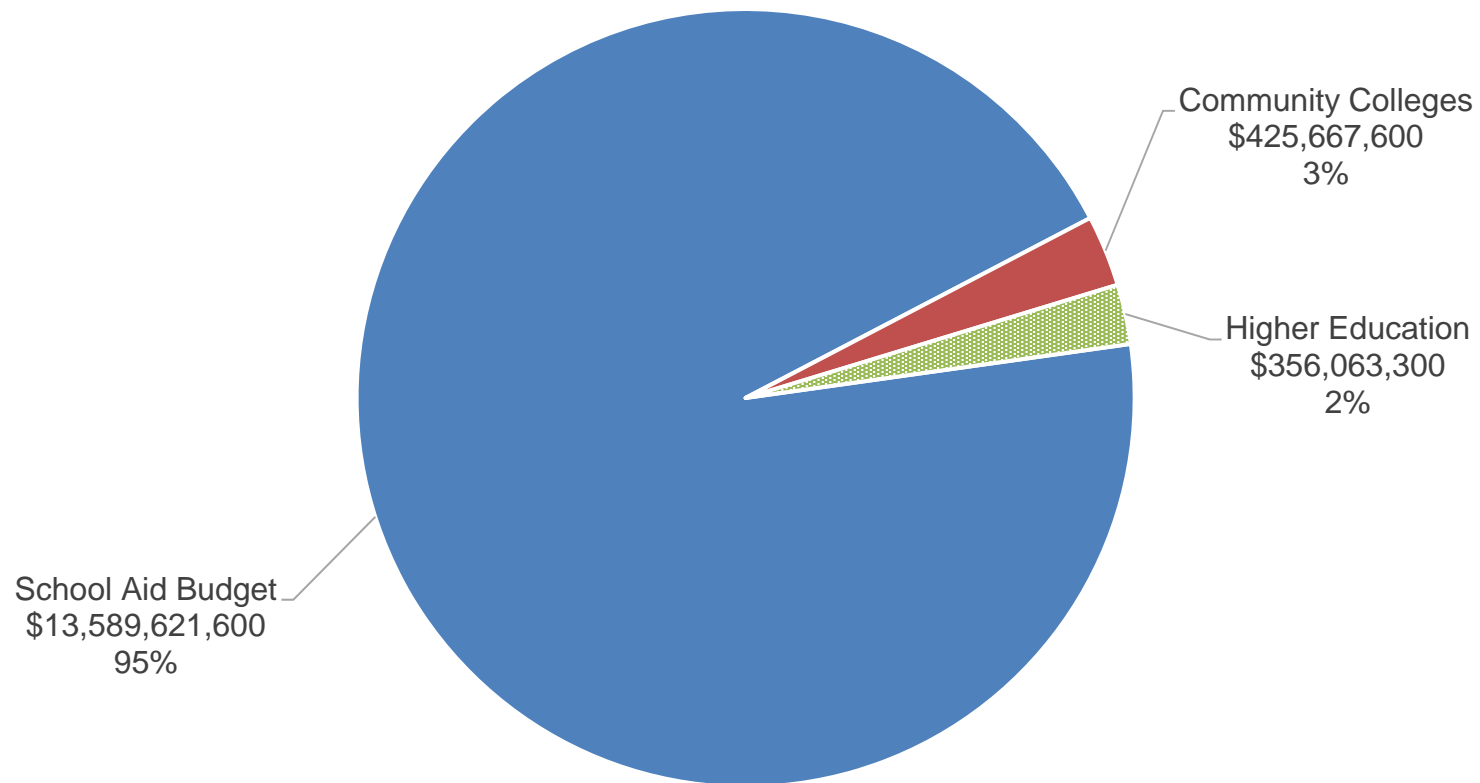
# FY 2020-21 GF/GP Appropriations

85% of the **\$10.6 billion** GF/GP budget is appropriated for health and human services, public safety, education, and debt service. The remaining 15% provides funding for 13 state departments, the Judiciary, the Legislature, and the Executive Office.



# FY 2020-21 School Aid Fund Appropriations

School Aid Fund (SAF) appropriations totaling **\$14.4 billion** are primarily for K-12 school districts and other school aid purposes. A portion of SAF funds are used for community colleges and public universities.





# Budget Overview

---

# January Consensus Revenue Estimates

Millions of \$

	FY 2020-21 Estimate	FY 2021-22 Estimate	FY 2022-23 Estimate	FY 2023-24 Trend	FY 2024-25 Trend
<b>GF/GP Revenue</b>	<b>\$10,237.6</b>	<b>\$10,897.1</b>	<b>\$11,167.1</b>	<b>\$11,446.5</b>	<b>\$11,747.6</b>
\$ Change	(\$533.2)	\$659.5	\$270.0	\$279.4	\$301.1
% Change	(5.0%)	6.4%	2.5%	2.5%	2.6%
<b>SAF Revenue</b>	<b>\$14,030.2</b>	<b>\$14,423.7</b>	<b>\$14,730.4</b>	<b>\$15,143.1</b>	<b>\$15,547.1</b>
\$ Change	\$27.8	\$393.6	\$306.7	\$412.7	\$404.0
% Change	0.2%	2.8%	2.1%	2.7%	2.7%

## GF/GP Revenue

- Substantial reductions in FY 2020-21 due to declines in economic activity due to the pandemic, individual income tax transfer for road funding, continued Michigan business tax credits, and diversion of use tax revenue for personal property tax reimbursement.
- Strong growth projected for FY 2021-22 as economic activity rebounds, followed by stable growth in subsequent years as the income tax trigger limits general fund revenue.

## SAF Revenue

- Minimal growth in FY 2020-21 followed by a rebound in FY 2021-22. Projected revenue increases in FY 2022-23 and beyond based on sales tax, use tax, and individual income tax growth. It should be noted that the income tax trigger has no impact on SAF revenue.

# HFA General Fund Balance Sheet

Millions of \$

	<u>FY 2019-20</u>	<u>FY 2020-21</u>	<u>Baseline FY 2021-22</u>
<b>RESOURCES</b>			
Beginning Balance	\$916.2	\$2,489.4	\$1,805.8
Consensus Revenue Estimates: January 2021	10,770.6	10,237.5	10,897.1
Fund Balance Transfer/Work project lapses	246.2	13.0	--
Miscellaneous Other Revenue	(0.8)	(1.6)	75.0
Revenue Sharing	<u>(393.6)</u>	<u>(490.1)</u>	<u>(490.1)</u>
<b>TOTAL RESOURCES</b>	<b>\$11,538.9</b>	<b>\$12,248.2</b>	<b>\$12,287.8</b>
<b>EXPENDITURES</b>			
Appropriations: Ongoing	\$9,595.8	\$10,279.9	\$10,279.9
Base: Caseload/Economics	--	(479.3)	194.8
Appropriations: One-time	311.2	271.3	0.0
GF to School Aid	104.7	53.9	65.4
Supplementals	(548.4)	243.3	0.0
BSF Deposit	0.0	35.8	0.0
State Psych DSH penalty	0.0	62.5	59.2
Miscellaneous Other Appropriations	<u>(413.8)</u>	<u>(25.0)</u>	<u>35.0</u>
<b><u>TOTAL EXPENDITURES</u></b>	<b>\$9,049.5</b>	<b>\$10,442.4</b>	<b>\$10,634.3</b>
<b>PROJECTED ENDING BALANCE / (SHORTFALL)</b>	<b>\$2,489.4</b>	<b>\$1,805.8</b>	<b>\$1,653.5</b>

*Numbers may not add due to rounding.*

# HFA School Aid Balance Sheet

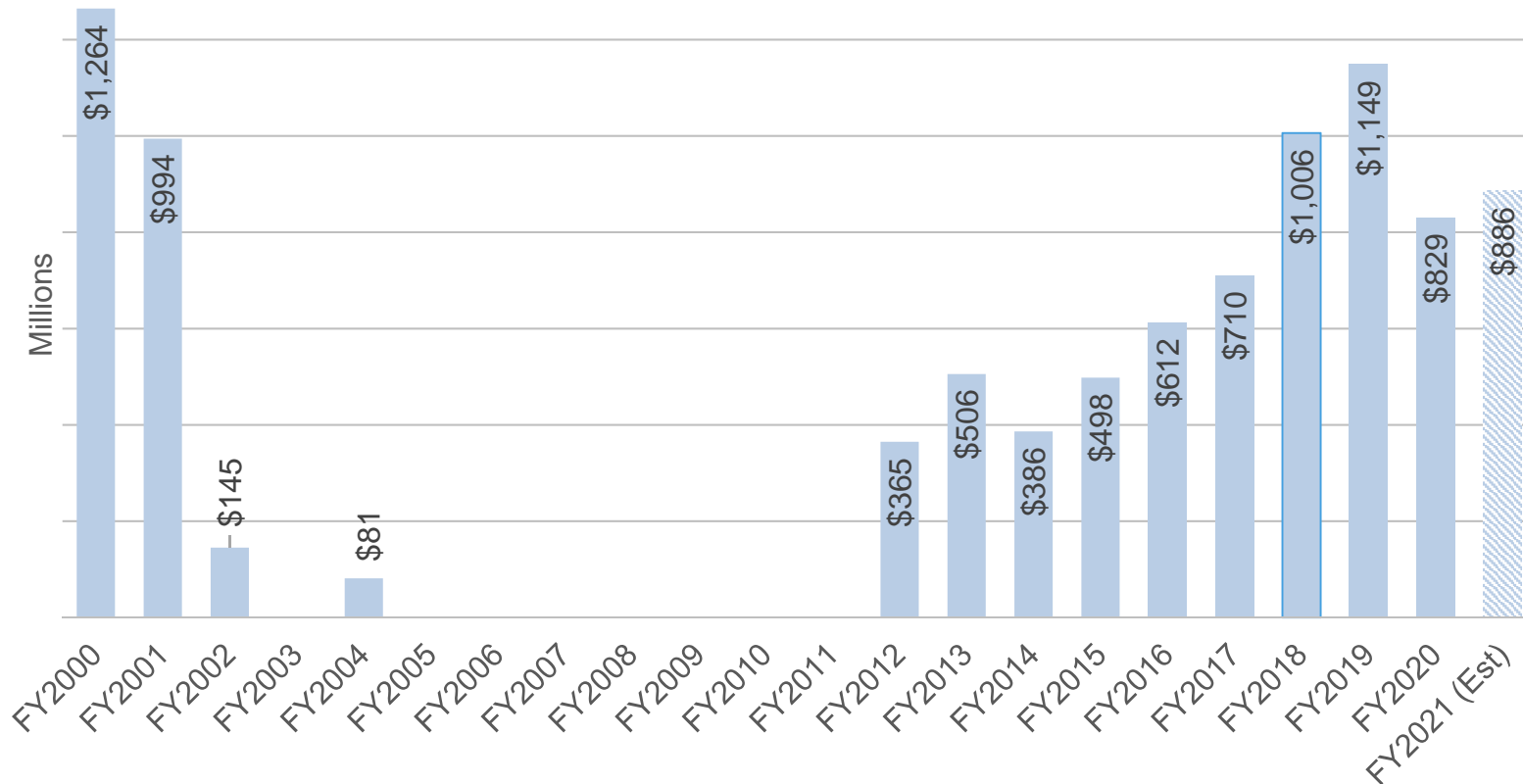
## Millions of \$

	<u>FY 2019-20</u>	<u>FY 2020-21</u>	<u>Baseline FY 2021-22</u>
<b>RESOURCES</b>			
Beginning Balance	\$194.7	\$1,177.3	\$922.0
Consensus Revenue Estimates: January 2021	14,002.4	14,030.2	14,423.7
GF/GP Grant	104.7	53.9	65.8
BSF Transfer	350.0	0.0	0.0
Detroit Public Schools Trust Fund	75.9	79.8	72.0
MSPERS Retirement Reserve Fund	31.9	0.0	0.0
Other Revenue Adjustments	13.6	0.0	0.0
Federal COVID Funds	512.0	0.0	0.0
Federal Aid	<u>1,749.6</u>	<u>1,806.9</u>	<u>1,806.9</u>
<b>TOTAL RESOURCES</b>	<b>\$17,034.8</b>	<b>\$17,148.1</b>	<b>\$17,290.0</b>
<b>EXPENDITURES</b>			
School Aid: Ongoing	\$15,106.8	\$15,430.2	\$15,349.3
School Aid: Net Baseline Adj	(89.2)	(80.9)	70.6
School Aid: One-time	0.0	95.0	0.0
School Aid: Supplementals	295.8	0.0	0.0
School Aid: Lapses	(20.0)	0.0	0.0
Community College	378.4	425.7	428.3
Higher Education	<u>185.7</u>	<u>356.1</u>	<u>356.4</u>
<b><u>TOTAL EXPENDITURES</u></b>	<b>\$15,857.5</b>	<b>\$16,226.1</b>	<b>\$16,204.6</b>
<b>PROJECTED ENDING BALANCE / (SHORTFALL)</b>	<b>\$1,177.3</b>	<b>\$922.0</b>	<b>\$1,085.4</b>

*Numbers may not add due to rounding.*

# Budget Stabilization Fund Balance

After a \$350 million withdrawal, the balance at the end of FY 2019-20 was approximately \$829 million—about 3.7% of combined GF and SAF appropriations. The balance is expected to grow due to a \$35 million appropriation in FY 2020-21, interest, and annual repayments.



# Risks

---

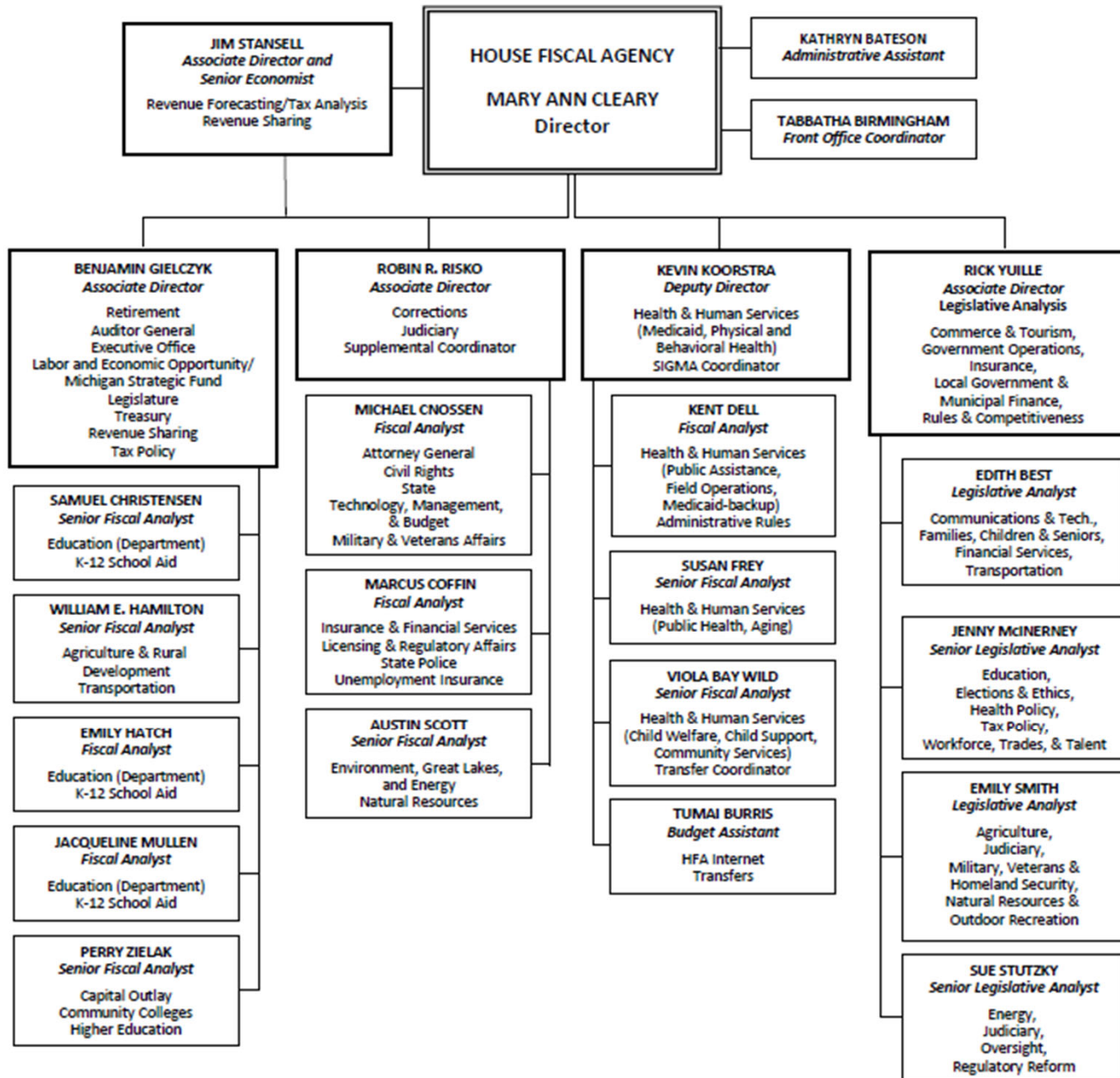
# State Budget Overview

- FY 2020-21 and FY 2021-22 Known Risks:
  - COVID-19
  - Federal Government uncertainty
  - Pending Legal Challenges
  - Potential Lawsuits
  - Caseload Adjustments
  - Federal Disallowances (i.e. Psych Disproportionate Share Hospitals)
  - Statutory Policy Changes
    - For example: Michigan Indigent Defense Grants - \$36.5 million GF/GP recommended FY21
    - Raise the Age (estimates from Criminal Justice Policy Commission report)
      - Costs to counties: \$16.9 million - \$34.1 million
      - Costs to the State: \$9.6 million - \$26.8 million

# State Budget Overview

- Known Risks:
  - Earmarking GF/GP:
    - Transportation Infrastructure Earmarks
      - \$325.0 million in FY2019-20; \$600.0 million in FY2020-21 and FY 2021-22
    - Homestead property credit reforms
      - \$205.8 million in FY 2020-21,
      - Increases to \$215.3 million in FY 2021-22
    - Phase-in of Personal Property Tax reform
      - \$465.9 million in FY 2019-20
      - Increases to \$572.6 million in FY 2027-28
    - MEGA and other certificated tax credits
      - \$500 - \$600 million annually until 2028
      - Declining and ending in 2032





**SENATE FISCAL AGENCY**



201 N. Washington Square  
Suite 800, The Victor Center  
P.O. Box 30036  
Lansing, Michigan 48909-7536  
Phone: 517-373-2768  
FAX: 517-373-1986

**CHRISTOPHER HARKINS, Director**  
[charkins@senate.michigan.gov](mailto:charkins@senate.michigan.gov)  
● Supplementals and Transfers

**SENATE FISCAL AGENCY GOVERNING BOARD**

Senator Jim Stamas, Chair  
Senator Mike Shirkey  
Senator Jon Bumstead  
Senator Jim Ananich  
Senator Curtis Hertel, Jr.

[Click for Areas of Responsibility](#)

**LINDA SCOTT**  
[lscott@senate.michigan.gov](mailto:lscott@senate.michigan.gov)  
Executive Assistant and Business Manager

**HUMAN SERVICES UNIT**

**STEVE ANGELOTTI, Associate Director**  
[sangelotti@senate.michigan.gov](mailto:sangelotti@senate.michigan.gov)

- Health and Human Services
- Supplementals

**ELLYN ACKERMAN, Fiscal Analyst**  
[eackerman@senate.michigan.gov](mailto:eackerman@senate.michigan.gov)

- Health and Human Services

**BRUCE BAKER, Senior Analyst**  
[bbaker@senate.michigan.gov](mailto:bbaker@senate.michigan.gov)

- Agriculture and Rural Development
- Military and Veterans Affairs
- State Police

**JOHN MAXWELL, Fiscal Analyst**  
[jmaxwell@senate.michigan.gov](mailto:jmaxwell@senate.michigan.gov)

- Health and Human Services

**BEN DAWSON, Fiscal Analyst**  
[bdawson@senate.michigan.gov](mailto:bdawson@senate.michigan.gov)

- Environment, Great Lakes, and Energy
- Natural Resources
- DNR Trust Fund

**RECEPTIONIST / MESSENGER**

- vacant position

SFA WEBSITE: [www.senate.michigan.gov/sfa/](http://www.senate.michigan.gov/sfa/)

**JOE CARRASCO, Senior Analyst**  
[jcarrasco@senate.michigan.gov](mailto:jcarrasco@senate.michigan.gov)

- Attorney General
- Executive
- State
- Technology, Management, and Budget
- Civil Rights
- Legislature
- Corrections

**ELIZABETH RACZKOWSKI, Fiscal Analyst**  
[eraczkowski@senate.michigan.gov](mailto:eraczkowski@senate.michigan.gov)

- Insurance and Financial Services
- Licensing and Regulatory Affairs
- General Government

**NICOLE FETTES**  
[nfettes@senate.michigan.gov](mailto:nfettes@senate.michigan.gov)  
Unit Assistant/Receptionist

**MEGAN HYDE**  
[mhyde@senate.michigan.gov](mailto:mhyde@senate.michigan.gov)  
Unit Assistant and Office Administrator

**MICHAEL SIRACUSE, Fiscal Analyst**  
[msiracuse@senate.michigan.gov](mailto:msiracuse@senate.michigan.gov)

- Transportation
- Judiciary

**JOSH SEFTON, Senior Analyst**  
[jsefton@senate.michigan.gov](mailto:jsefton@senate.michigan.gov)

- Capital Outlay
- Community Colleges / Higher Education

**K-12 AND ECONOMICS UNIT**

**KATHRYN SUMMERS, Associate Director**  
[ksummers@senate.michigan.gov](mailto:ksummers@senate.michigan.gov)

- School Aid (K-12)
- Retirement

**DAVID ZIN, Chief Economist**  
[dzin@senate.michigan.gov](mailto:dzin@senate.michigan.gov)

- Economic Forecasts
- Revenue Estimates
- Tax Policy

**RYAN BERGAN, Economist / Fiscal Analyst**  
[rbergan@senate.michigan.gov](mailto:rbergan@senate.michigan.gov)

- Economic Forecasts
- Local Issues
- State Revenue Sharing

**CORY SAVINO, Fiscal Analyst**  
[csavino@senate.michigan.gov](mailto:csavino@senate.michigan.gov)

- Department of Education
- School Aid (K-12)
- Labor and Economic Opportunity
- Department of Treasury

**FRED CREMEANS, Systems Analyst**  
[fcremeans@senate.michigan.gov](mailto:fcremeans@senate.michigan.gov)

- Budget Tracking
- Technical Support
- Website

**LEGISLATIVE ANALYSIS UNIT**

**JEFFREY MANN, Associate Director**  
[jmann@senate.michigan.gov](mailto:jmann@senate.michigan.gov)

- Agriculture
- Government Operations

**STEPHEN JACKSON, Legislative Analyst**  
[sjackson@senate.michigan.gov](mailto:sjackson@senate.michigan.gov)

- Health Policy and Human Services
- Insurance and Banking
- Judiciary and Public Safety
- Oversight

**TYLER VANHUYSE, Legislative Analyst**  
[tvanhuyse@senate.michigan.gov](mailto:tvanhuyse@senate.michigan.gov)

- Economic and Small Business Dev.
- Energy and Technology
- Families, Seniors, and Veterans
- Transportation and Infrastructure

**DANA ADAMS, Legislative Analyst**  
[dadams@senate.michigan.gov](mailto:dadams@senate.michigan.gov)

- Education and Career Readiness
- Elections
- Environmental Quality
- Natural Resources

**CHRISTIAN SCHMIDT, Legislative Analyst**  
[cschmidt@senate.michigan.gov](mailto:cschmidt@senate.michigan.gov)

- Finance
- Local Government
- Regulatory Reform

**JULIE WESA**  
[jwesa@senate.michigan.gov](mailto:jwesa@senate.michigan.gov)  
Unit Assistant and Office Administrator

January 11, 2021

February 2021

## For more information



Mary Ann Cleary, Director  
[mcleary@house.mi.gov](mailto:mcleary@house.mi.gov)  
(517) 373-8080

<https://www.house.mi.gov/hfa/home.asp>



Chris Harkins, Director  
[CHarkins@senate.Michigan.org](mailto:CHarkins@senate.Michigan.org)  
(517) 373-2768

[www.senate.Michigan.gov/sfa](http://www.senate.Michigan.gov/sfa)