State Budget Update

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September 27, 2021





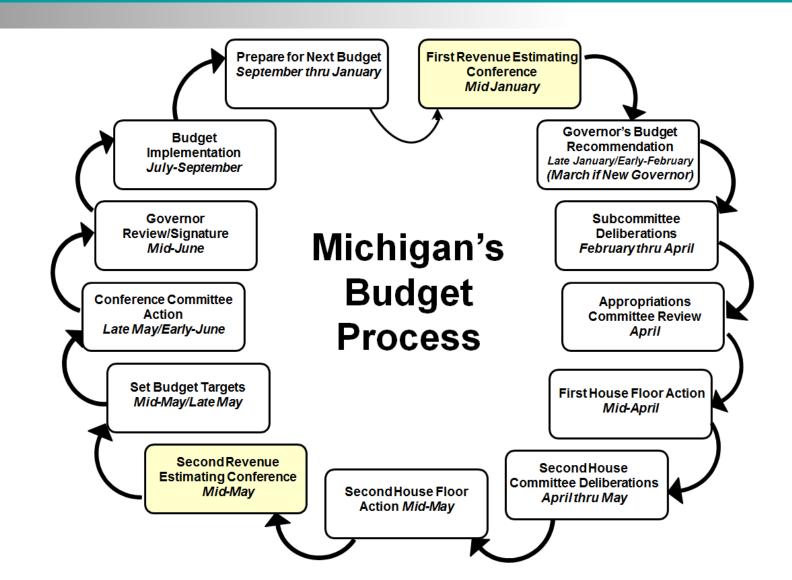
Agenda



- "Normal" Budget Process
- Year in Review: Budget Rollercoaster
- FY 2022 Budget
- Federal Stimulus Funds

Budget Process





Budget Timeline 2020



February:

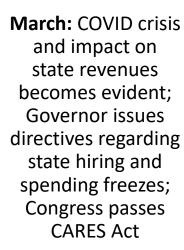
Original FY 2021
Executive
Recommendation
presented to
Legislature

April: Congress passes the Paycheck Protection Program and Health Care Enhancement (PPPHCEA)

July: After extensive negotiations, Governor issues Executive Order to reduce budget, with associated budget balancing actions adopted by Legislature

September:

Following additional negotiations, Legislature adopts and Governor signs balanced FY 2021 budget



May: Consensus
Revenue
Estimating
Conference (CREC)
publishes official
forecast of
projected
reductions in state
revenues

August: Special revenue conference revises revenue estimates upwards; administration informally revises FY 2021 Executive Recommendation to balance with revenue estimates

December: Congress passes Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA)

Budget Timeline 2021



January: CREC significantly increases revenue estimates for all three fiscal years including the one just ended, leaving a large starting balance

March: Congress passes the American Rescue Plan Act (ARPA) June: House passes HB 4410, generally a baseline budget for state departments, and 4411, a FY 2022 School Aid budget. Senate adopts School Aid budget but goes on summer recess before finalizing the rest of the state budget



May: CREC increases
FY 2021 revenues by
another 2 billion and
FY 2022 estimates by
another billion

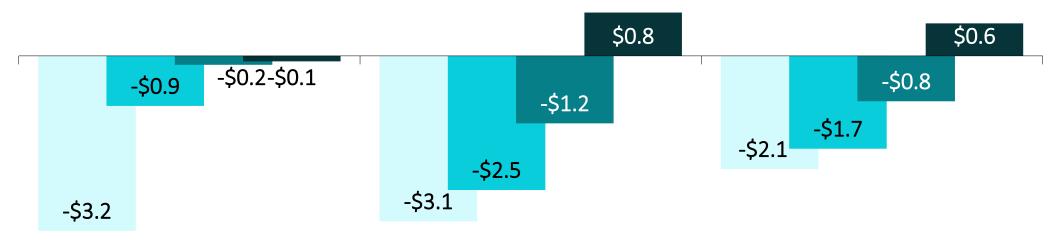
September:

- FY22 Budget negotiations finalized
- Congress debates
 Infrastructure Plan

Revenue Change from Jan. 2020 Forecast





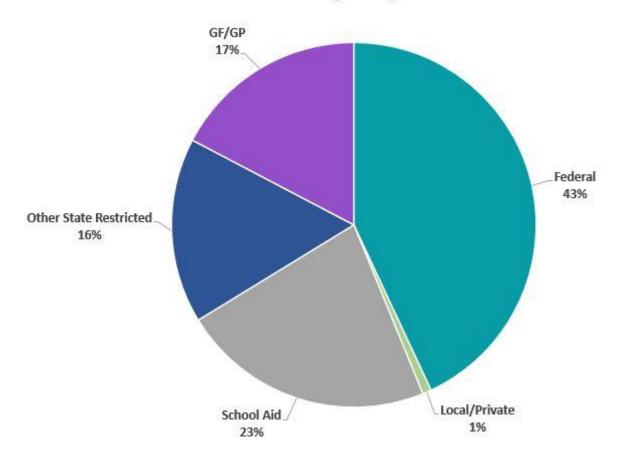




FY 2022 Budget

- Total budget \$69.9b, up 13%
- General Fund \$11.8b, up7%
- School Aid Fund \$17b, up 7%

Total Budget by Source

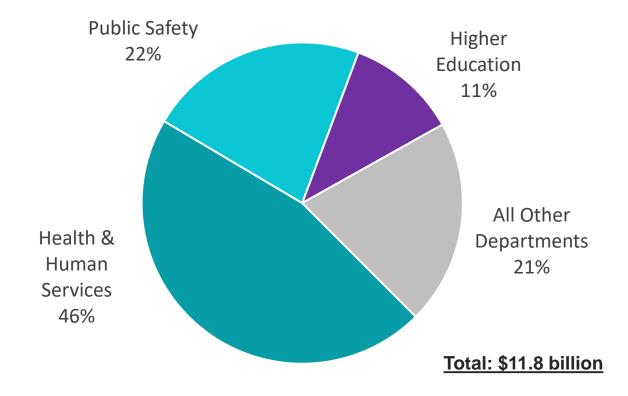


FY 2022 General Fund Budget



General Fund: About 80% of GF/GP appropriations fund health care, the protection of vulnerable children and adults, public safety, and education.

Total General Fund by Category



FY 22 Major Investments



The FY22 Budget includes the following investments:

Infrastructure

- Local Bridge Bundling (\$196m)
- High Water and Resilient Infrastructure (\$14m)
- Dam Safety Emergency Fund (\$19m)

Public Health

- Direct Care Worker Wages (\$100m)
- Behavioral Health Improvements (\$118m)
- Programs to address Racial Health Disparities (\$15m)

Opportunity

- Reconnect (\$55m)
- Futures for Frontliners (\$25m)
- Child Care (\$1.4b)
- Community Revitalization Program (\$100m)

Water and Environment

- Contaminated Site Cleanup (\$20m)
- PFAS and Emerging Contaminants Grants (\$14m)
- Emergency Drinking Water Fund (\$15m)

Community Services

- Revenue Sharing 2% Ongoing revenue increase
- Public Safety Personnel Recruitment and Training(\$5m)

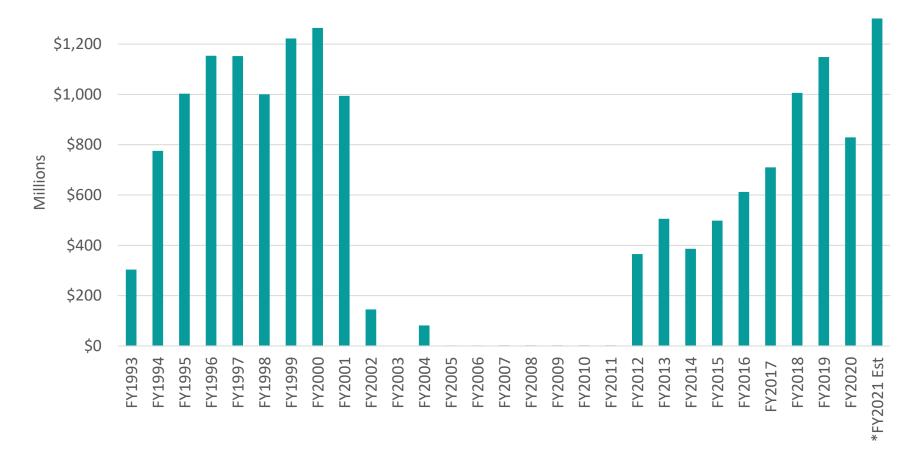
Justice Reform

- Michigan Indigent Defense (\$31m)
- Raise the Age (\$29m)
- Clean Slate (\$20m)

Budget Stabilization Fund



FY22 Deposit of \$500 million represents the largest deposit in history, and the balance surpasses 5% of combined GF and SAF revenue for the first time in over 20 years.



Major Federal Stimulus Funds



CARES Act – March 2020 – nearly \$6 billion to state of Michigan

- \$890 million in Food Assistance Program (SNAP)
- \$480 million for K-12
- \$450 million Federal Emergency Management Agency (FEMA) funds and direct health response
- \$230 million in food assistance, primarily National School Lunch program
- \$3.1 billion State Coronavirus Relief Fund, somewhat discretionary

PPPHCE Act – April 2020 - \$340 million

\$315 million for COVID-19 testing

CRRSA Act – December 2020 – over \$5.0 billion

- \$2.1 billion in Food Assistance Program (SNAP)
- \$1.8 billion for K-12
- \$660 million Emergency Rental Assistance
- \$665 for COVID-19 testing and vaccines
- \$290 Child Care Development Block Grant

Major Federal Stimulus Funds



American Rescue Plan Act – March 2021 - \$14 billion

- \$6.5 billion in State Fiscal Recovery Funds, somewhat flexible source
- \$3.8 billion for K-12
- \$700 million Child Care Stabilization Grants
- \$440 million in Child Care Development & Block Grant
- \$765 million Emergency Rental and Homeowner Assistance
- \$300 million for COVID-19 testing in schools
- \$100 million for COVID-19 vaccines

ARP State Fiscal Recovery Guiding Principles



Pandemic:

How does the proposal address issues created by or exacerbated by the COVID-19 pandemic?

Equity:

Does the proposal address a change in societal opportunity and/or eliminate disparities/gaps in outcomes for underserved and underrepresented populations?

Transformational:

What is the opportunity for transformation and/or social change for Michigan's residents?

Leverage:

Does the proposal leverage additional resources from the private, public, and/or philanthropic sectors? How can we work with local units of government to combine state and local ARP funds through match or through regional efforts?

Sustainability:

How sustainable is the proposal? Will it require ongoing support? What is the potential return on investment?

Efficacy:

How effective would the proposal be in solving a defined problem? Does it use techniques that are highly likely to achieve the desired outcome? Does it clearly define how success will be measured?

Implementation:

How much support does the proposal currently or likely will have? Is there capacity to implement it now?