

MICHIGAN Budget Report Card



MICHIGAN'S B AVERAGE in budget maneuvers for 2016 through 2018 shows the progress the state has made over a number of years in reducing its reliance on one-time actions to cover fiscal imbalance during and immediately after the Great Recession. The state scored an A in 2018 after getting Bs the previous two years.

In 2018, Michigan did not defer expenditures, accelerate revenues, fund recurring expenditures with debt or use other mechanisms, such as asset sales, to bolster spending. However, it extended a debt maturity in 2016 through a bond refinancing and used \$10 million of one-time money for ongoing costs in 2017.

The lowest average grade Michigan received was a C in legacy costs. In 2017 and 2018, the state came close to making its actuarially determined contributions for pensions and other postemployment benefits, largely health care. This raised its annual grade to a B in both of those years from a D in 2016, when annual contributions for pensions fell short. Because of previous underfunding, Michigan still had a low pension funded ratio of 65.1 percent as of 2017, more than three percentage points below the US total.

The state earned a B average in the budget forecast category. Its only shortcoming was the lack of multiyear expenditure forecasts in each of the three years studied.


EAST NORTH CENTRAL STATES SIDE BY SIDE: Three-Year Average Grades, 2016-18


	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Illinois	D	D	D-	D	B
Indiana	C	A	B	A	C
Michigan	B	B	C	A	B
Ohio	D	B	C	C	B
Wisconsin	D	B	A	B	B
US AVERAGE	C	B	C	B	B


NOTE States are grouped by US Census Bureau divisions.


Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preventing the Next Fiscal Crisis* at VolckerAlliance.org.


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BUDGET FORECASTING			
	2016	2017	2018
 CATEGORY GRADE	B	B	B
Consensus Revenue Forecasts	✓	✓	✓
Multiyear Expenditure Forecasts	✗	✗	✗
Multiyear Revenue Forecasts	✓	✓	✓
Revenue Growth Projections	✓	✓	✓
3-YEAR AVERAGE B		3-YEAR TREND —	

BUDGET MANEUVERS			
	2016	2017	2018
 CATEGORY GRADE	B	B	A
Deferring Recurring Expenditures	✓	✓	✓
Revenue and Cost Shifting	✓	✗	✓
Funding Recurring Expenditures with Debt	✗	✓	✓
Using Asset Sales and Up-Front Revenues	✓	✓	✓
3-YEAR AVERAGE B		3-YEAR TREND ↗	

LEGACY COSTS			
	2016	2017	2018
 CATEGORY GRADE	D	B	B
Public Employee OPEB Funding	✓	✓	✓
Public Employee Pension Funding	✗	✓	✓
Public Employee Pension Funded Ratio*	64%	65%	65%
3-YEAR AVERAGE C		3-YEAR TREND ↗	

RESERVE FUNDS			
	2016	2017	2018
 CATEGORY GRADE	A	A	A
Positive Reserve or General Fund Balance	✓	✓	✓
Reserve Funds Disbursement Policy	✓	✓	✓
Reserve Funds Replenishment Policy	✓	✓	✓
Reserves Tied to Revenue Volatility	✓	✓	✓
3-YEAR AVERAGE A		3-YEAR TREND —	

TRANSPARENCY			
	2016	2017	2018
 CATEGORY GRADE	B	B	B
Consolidated Budget Website	✓	✓	✓
Provides Debt Tables	✓	✓	✓
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗
Discloses Tax Expenditures	✓	✓	✓
3-YEAR AVERAGE B		3-YEAR TREND —	

KEY

✓	Followed best practice
✗	Did not follow best practice

BUDGET FORECASTING evaluates whether and how states estimated long-term revenue and expenditure trends. **BUDGET MANEUVERS** evaluates whether states used one-time revenues, borrowings, asset sales, and other measures to achieve short-term budgetary balance. **LEGACY COSTS** evaluates whether states provided adequate funding, as defined by retirement system actuaries, for pensions and other promised retirement benefits for public workers. **RESERVE FUNDS** evaluates states' rainy day funds and other fiscal reserves, as well as any policies governing their use and replenishment. **TRANSPARENCY** evaluates the accessibility to the public of states' budget practices.

* **SOURCE** Bloomberg; 2017 data also used for 2018.