

MICHIGAN Budget Report Card



MICHIGAN'S IMPROVING FINANCES from fiscal 2015 through 2019 were reflected in a decline in the use of budget maneuvers, or one-time actions, to achieve balance. By 2018–19, the state had ceased practices such as shifting money into the general fund from the unemployment fund, as it had done in 2017. Michigan averaged a B in the category over the five years.

The state earned its highest grade—a top A average—in reserve funds. Its policies for disbursement from and replenishment of the Counter Cyclical Budget and Economic Stabilization Fund are spelled out in statute. Michigan is also among twenty states that incorporate revenue volatility in reserve fund policies. The state bases deposits into the fund on fluctuations in personal income, a broad measure of economic well-being that captures total earnings from wages, investment interest, and other sources. Using this measure allowed Michigan to build up its rainy day fund from \$498 million in fiscal 2015 to \$1.1 billion in fiscal 2019. The sum was equivalent to 11 percent of general fund expenditures.

The state's C in legacy funds reflects contributions for public worker pensions and other post-employment benefits (OPEB), primarily health care, which each fell below actuarially recommended sums in one of the five years studied. At 61 percent in 2019, the pension funding ratio was 10 percentage points below the total for all states.

In budget forecasting, Michigan earned an average of B. Its only shortcoming was its failure to forecast expenditures for more than one year.


EAST NORTH CENTRAL STATES SIDE BY SIDE: Five-Year Average Grades, Fiscal 2015–19


	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Illinois	C	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: Preparing for the Storm* at VolckerAlliance.org. © 2021 VOLCKER ALLIANCE INC.


MICHIGAN Budget Report Card, Fiscal 2015–19

BUDGET FORECASTING							TREND				
	2015	2016	2017	2018	2019	'15	'16	'17	'18	'19	
	CATEGORY GRADE	B	B	B	B	B					
	Consensus Revenue Forecasts	✓	✓	✓	✓	✓					
	Multiyear Expenditure Forecasts	X	X	X	X	X	●	●	●	●	
	Multiyear Revenue Forecasts	✓	✓	✓	✓	✓					
	Revenue Growth Projections	✓	✓	✓	✓	✓					
5-YEAR AVERAGE						B					

BUDGET MANEUVERS							TREND				
	2015	2016	2017	2018	2019	'15	'16	'17	'18	'19	
	CATEGORY GRADE	C	B	B	A	A					
	Deferring Recurring Expenditures	✓	✓	✓	✓	✓				●	
	Revenue and Cost Shifting	X	✓	X	✓	✓		●	●		
	Funding Recurring Expenditures with Debt	X	X	✓	✓	✓	●				
	Using Asset Sales and Up-Front Revenues	✓	✓	✓	✓	✓					
5-YEAR AVERAGE						B					

LEGACY COSTS							TREND				
	2015	2016	2017	2018	2019	'15	'16	'17	'18	'19	
	CATEGORY GRADE	B	D	B	D	B					
	Public Employee OPEB Funding	✓	✓	✓	X	✓				●	
	Public Employee Pension Funding	✓	X	✓	✓	✓	●		●	●	
	Public Employee Pension Funded Ratio*	64%	64%	65%	63%	61%		●		●	
5-YEAR AVERAGE						C					

RESERVE FUNDS							TREND				
	2015	2016	2017	2018	2019	'15	'16	'17	'18	'19	
	CATEGORY GRADE	A	A	A	A	A					
	Positive Reserve or General Fund Balance	✓	✓	✓	✓	✓	●	●	●	●	
	Reserve Funds Disbursement Policy	✓	✓	✓	✓	✓					
	Reserve Funds Replenishment Policy	✓	✓	✓	✓	✓					
	Reserves Tied to Revenue Volatility	✓	✓	✓	✓	✓					
5-YEAR AVERAGE						A					

TRANSPARENCY							TREND				
	2015	2016	2017	2018	2019	'15	'16	'17	'18	'19	
	CATEGORY GRADE	B	B	B	B	B					
	Consolidated Budget Website	✓	✓	✓	✓	✓					
	Provides Debt Tables	✓	✓	✓	✓	✓	●	●	●	●	
	Discloses Deferred Infrastructure Replacement Costs	X	X	X	X	X					
	Discloses Tax Expenditures	✓	✓	✓	✓	✓					
5-YEAR AVERAGE						B					

KEY

✓	Followed best practice
X	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.

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