

MICHIGAN Budget Report Card



MICHIGAN STANDS OUT among the five states in the East North Central region for its absence of budget maneuvers: Its three-year top A average in the category for fiscal 2017 through 2019 was matched only by Indiana. During the three years, Michigan did not defer expenditures, accelerate revenues, fund recurring spending with debt, or use other mechanisms, such as asset sales, to maintain budgetary balance.

In budget forecasting, Michigan's B average was the region's highest. The state used a consensus revenue estimating process, provided information to back up projections of revenue growth, and relied on long-term revenue forecasts that looked three years into the future. Its average B in transparency was held down by Michigan's absence of budgetary reporting on deferred infrastruc-

ture maintenance costs.

The state received a C average, its lowest grade, in legacy costs, which cover public worker pensions and other postemployment benefits (OPEB), principally health care. Its pensions were 63 percent funded in 2018, 7 percentage points below the total for all states. Michigan made the full actuarially determined contributions for pensions throughout the evaluation period but not for OPEB. The state's 2018 comprehensive annual financial reports showed contributions below actuarially determined amounts in three of its four OPEB plans.

EAST NORTH CENTRAL STATES SIDE BY SIDE: Three-Year Average Grades, 2017-19


	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Illinois	C	D-	D-	D	B
Indiana	C	A	B	A	B
Michigan	B	A	C	A	B
Ohio	D	C	C	C	B
Wisconsin	D	B	A	B	B
US AVERAGE	B	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: The Balancing Act* at VolckerAlliance.org.


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BUDGET FORECASTING				
	2017	2018	2019	
	CATEGORY GRADE	B	B	B
	Consensus Revenue Forecasts	✓	✓	✓
	Multiyear Expenditure Forecasts	X	X	X
	Multiyear Revenue Forecasts	✓	✓	✓
	Revenue Growth Projections	✓	✓	✓
3-YEAR AVERAGE		B	3-YEAR TREND —	

BUDGET MANEUVERS				
	2017	2018	2019	
	CATEGORY GRADE	B	A	A
	Deferring Recurring Expenditures	✓	✓	✓
	Revenue and Cost Shifting	X	✓	✓
	Funding Recurring Expenditures with Debt	✓	✓	✓
	Using Asset Sales and Upfront Revenues	✓	✓	✓
3-YEAR AVERAGE		A	3-YEAR TREND ↗	

LEGACY COSTS				
	2017	2018	2019	
	CATEGORY GRADE	B	D	D
	Public Employee OPEB Funding	✓	X	X
	Public Employee Pension Funding	✓	✓	✓
	Public Employee Pension Funded Ratio*	65%	63%	63%
3-YEAR AVERAGE		C	3-YEAR TREND ↘	

RESERVE FUNDS				
	2017	2018	2019	
	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				
	2017	2018	2019	
	CATEGORY GRADE	B	B	B
	Consolidated Budget Website	✓	✓	✓
	Provides Debt Tables	✓	✓	✓
	Discloses Deferred Infrastructure Replacement Costs	X	X	X
	Discloses Tax Expenditures	✓	✓	✓
3-YEAR AVERAGE		B	3-YEAR TREND —	

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; 2018 data also used for 2019.

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