

# Overview of Executive Reduction Order 2020-155

July 22, 2020

State Budget Director Chris Kolb



# Budget Shortfall

*Amounts shown in millions.*

|  | GF/GP          | SAF            | Total          |
|--|----------------|----------------|----------------|
| May revenue adjustments                              | (1,984)        | (1,249)        | (3,233)        |
| May caseload adjustments                             | (190)          | 86             | (104)          |
| Savings from enhanced Medicaid match (two quarters)  | 329            |                | 329            |
| Previous projected ending balances                   | 525            | 263            | 788            |
| Other technical adjustments                          | 206            | (191)          | 15             |
| <b>Budget shortfall after May revenue conference</b> | <b>(1,115)</b> | <b>(1,091)</b> | <b>(2,205)</b> |

# Vehicles to Balance Budget

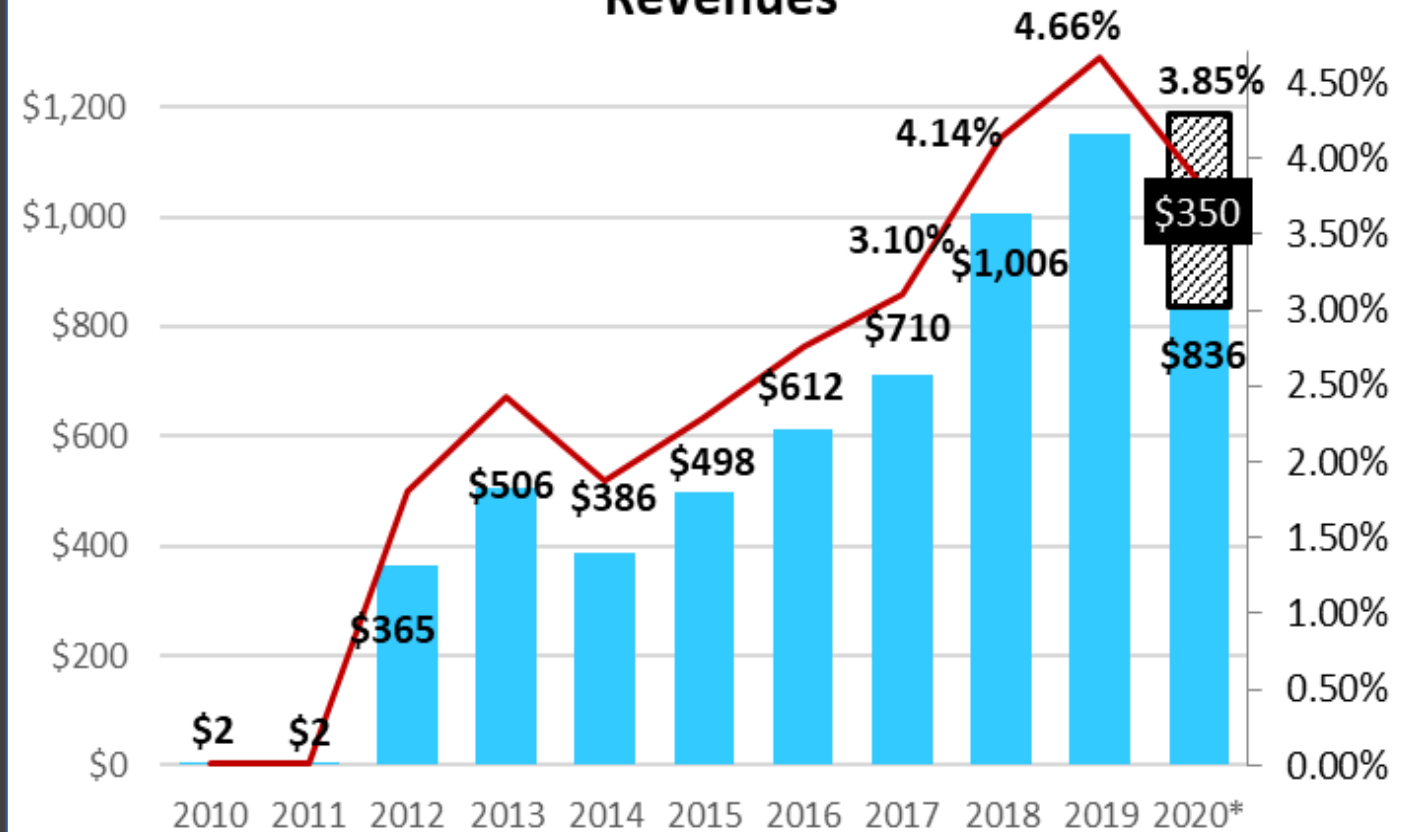
- Executive Order 2020-155
  - GF/GP reductions in department budgets
- HB 5265 – General Fund supplemental
  - Reductions to Judiciary budget
  - Restricted fund shifts to reduce GF/GP appropriations
  - Revenue sharing reduction with additional federal CRF allocation to locals
  - Remove state GF/GP no longer needed for COVID-19 response (federal CRF used instead)
  - Other GF/GP savings and technical adjustments
- SB 373 – School Aid Fund supplemental
  - Reductions for schools, universities, and community colleges with additional CRF allocations
  - Transfer from Budget Stabilization Fund to School Aid Fund
  - Other SAF savings and technical adjustments
  - Increase in GF/GP to School Aid to fully balance SAF shortfall (GF/GP funds available after budget balancing actions)
- Letter from State Budget Director to lapse prior-year work projects (sent today)
- Statutory bills for transfers of available restricted fund balances to General Fund

# Budget Solutions: Rainy Day Fund

|  |       |
|--|-------|
| Projected FY 2020 balance                    | 1,186 |
| Withdrawal/transfer to School Aid Fund       | (350) |
| Remaining balance carried forward to FY 2021 | 836   |

*Amounts shown in millions.*

## BSF Balance and % of GF-GP and SAF Revenues



\*FY 2020 Balance projected. % of GF/GP and SAF Revenues calculated after \$350 million withdrawal

# Budget Solutions: Education/Local Government



Supplemental Bills: State Funding Reductions with Additional Federal Coronavirus Relief Fund (CRF) Allocations  
*Amounts shown in millions.*

|   | GF/GP       | SAF          | Total        | CRF        |
|---|-------------|--------------|--------------|------------|
| School Aid (\$175/pupil reduction; CRF allocation of \$350/pupil) |             | (256)        | (256)        | 512        |
| Hazard pay for teachers   |             |              |              | 53         |
| University reductions (11%)                                       |             | (164)        | (164)        | 164        |
| Community college reductions (11%)                                |             | (36)         | (36)         | 36         |
| Statutory revenue sharing reductions (August payments)            | (97)        |              | (97)         | 150        |
| <b>TOTAL</b>  | <b>(97)</b> | <b>(456)</b> | <b>(553)</b> | <b>915</b> |

# Budget Solutions: Other Supplemental Adjustments



*Amounts shown in millions.*

|  | GF/GP        | SAF          | Total        |
|--|--------------|--------------|--------------|
| Judiciary reductions                                       | (3)          |              | (3)          |
| Restricted fund shifts with GF                             | (45)         |              | (45)         |
| Additional enhanced Medicaid match (one quarter/technical) | (150)        |              | (150)        |
| Reduce GF for COVID response (using federal CRF instead)   | (125)        |              | (125)        |
| Medicaid health plan savings                               | (35)         |              | (35)         |
| School Aid savings   |              | (71)         | (71)         |
| Additional GF to balance School Aid budget                 | 211          | (211)        | 0            |
| Other technical savings                                    | (9)          |              | (9)          |
| <b>TOTAL</b>   | <b>(162)</b> | <b>(282)</b> | <b>(438)</b> |

# Budget Solutions: Work Projects & Restricted Funds



*Amounts shown in millions.*

|                                 | GF/GP        | SAF        | Total        |
|---------------------------------|--------------|------------|--------------|
| Work Project lapses             | (80)         | (4)        | (84)         |
| Restricted fund transfers to GF | (166)        |            | (166)        |
| <b>TOTAL</b>                    | <b>(246)</b> | <b>(4)</b> | <b>(250)</b> |

# Budget Solutions: Executive Order

*Amounts shown in millions.*

|  | GF/GP          | SAF            | Total          |
|--|----------------|----------------|----------------|
| Temporary layoff savings (\$90m Gross)   | (27)           |                | (27)           |
| Hiring freeze savings  | (21)           |                | (21)           |
| Discretionary spending freeze savings  | (47)           |                | (47)           |
| Replace eligible public safety payroll costs with federal CRF:<br>Corrections/State Police | (475)          |                | (475)          |
| Other reductions   | (50)           |                | (50)           |
| <b>TOTAL</b>   | <b>(620)</b>   | <b>0</b>       | <b>(620)</b>   |
| <b>TOTAL SOLUTIONS: All Slides</b>   | <b>(1,117)</b> | <b>(1,092)</b> | <b>(2,209)</b> |



# Executive Order Reductions by Department (GF/GP)

\*Includes use of federal CRF to replace eligible public safety payroll costs

\*\*Temporary layoff savings included in "Other Savings"

\*\*\*\$13.4 million in restricted fund reductions in LARA and MDOT allow for GF/GP savings elsewhere

| Department                        | Temporary Layoff Savings | Hiring Freeze Savings | Spending Freeze Savings | Other Reductions     | Total Reductions     |
|-----------------------------------|--------------------------|-----------------------|-------------------------|----------------------|----------------------|
| Agriculture & Rural Development   | (918,600)                | (464,100)             | (3,000,000)             | 0                    | (4,382,700)          |
| Attorney General                  | (640,600)                | (243,600)             | (2,288,300)             | (556,600)            | (3,729,100)          |
| Civil Rights                      | (239,500)                | (494,000)             | (325,000)               | 0                    | (1,058,500)          |
| Corrections*                      | (6,519,100)              | (2,000,000)           | (7,000,000)             | (377,150,000)        | (392,669,100)        |
| Education                         | (457,300)                | (566,200)             | (1,680,600)             | (576,700)            | (3,280,800)          |
| Environ, Great Lakes, & Energy    | (676,600)                | (1,284,800)           | 0                       | 0                    | (1,961,400)          |
| Executive Office**                | 0                        | 0                     | (355,700)               | 0                    | (355,700)            |
| Health & Human Services           | (11,221,000)             | (4,920,900)           | (9,871,500)             | (10,450,000)         | (36,463,400)         |
| Insurance & Financial Services    | 0                        | 0                     | (150,000)               | 0                    | (150,000)            |
| Labor & Economic Opportunity      | (399,400)                | (776,700)             | (741,000)               | (4,580,500)          | (6,497,600)          |
| Licensing & Regulatory Affairs*** | (454,100)                | (172,800)             | (28,600)                | 0                    | (655,500)            |
| Military & Veterans Affairs       | (285,700)                | (1,165,700)           | (664,300)               | 0                    | (2,115,700)          |
| Natural Resources                 | (416,300)                | (987,400)             | (242,500)               | (200,000)            | (1,846,200)          |
| State                             | (111,200)                | (450,000)             | (537,000)               | 0                    | (1,098,200)          |
| State Police*                     | (2,014,300)              | (4,834,000)           | (1,121,800)             | (107,100,000)        | (115,070,100)        |
| Technology, Mgmt & Budget         | (1,670,800)              | (3,047,200)           | (2,881,600)             | (24,230,800)         | (31,830,400)         |
| Transportation***                 | 0                        | 0                     | (13,000,100)            | 0                    | (13,000,100)         |
| Treasury                          | (970,100)                | 0                     | (2,855,000)             | 0                    | (3,825,100)          |
| <b>Total</b>                      | <b>(26,994,600)</b>      | <b>(21,407,400)</b>   | <b>(46,743,000)</b>     | <b>(524,844,600)</b> | <b>(619,989,600)</b> |

# FY 2021 Budget

- May Consensus Revenue Conference lowered FY 2021 revenue estimates by \$1.9 billion GF and \$1.1 billion SAF
- Consensus estimates also increased FY 2021 Medicaid and other DHHS costs by \$569 million GF
- Additional flexible aid is needed from Congress so Michigan and other states can balance their budgets for FY 2021 without having to adopt budget reductions that harm critical education, public safety, and health care services at both the state and local level
- The State Budget Office will continue to meet regularly with the Appropriations Chairs and Democratic Vice-Chairs through July and August to discuss and reach agreement on how to balance the FY 2021 budget
- Special Revenue Estimating Conference in August will revise revenue estimates based on updated economic and revenue data
- FY 2021 budget to be adopted by Legislature and signed into law in September