

FISCAL SNAPSHOT

BUDGET STABILIZATION FUND

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Analyst: Ben Gielczyk

Summary

Created in 1977, the Countercyclical Budget and Economic Stabilization Fund, more commonly referred to as the Budget Stabilization Fund (BSF), is the state’s rainy day fund, which serves as a reserve of funds to contribute to or withdraw from throughout economic and budget cycles to alleviate the need for major budget-balancing actions during an economic downturn.

Background

Pursuant to [section 352](#) of the Management and Budget Act, a [trigger calculation](#) (see section 210 at the link) indicates whether a pay-in (deposit) or pay-out (withdrawal) is recommended. As a practical matter, the calculations for transfers into and out of the BSF have served as a guideline for the legislature. Deposits into the BSF are typically done through budget bill boilerplate language, and withdrawals through statutory amendments. Outside of legislative appropriations, the BSF realizes growth from interest earnings and a [statutorily required deposit of \\$17.5 million](#) of tobacco settlement revenues through FY 2034-35 (repayment for BSF assistance with the Detroit bankruptcy settlement). The balance of the BSF [must not exceed 15%](#) of the combined GF/GP and School Aid Fund (SAF) revenues.

Recent Activity

As part of the FY 2022-23 supplemental article of 2023 PA 119 (Article 16) [\\$100.0 million](#) was appropriated for deposit into the BSF. This was in addition to the annual \$17.5 million related to the Detroit bankruptcy settlement and annual interest earnings. In addition, [\\$100.0 million](#) was appropriated in FY 2023-24 in Article 5 of 2023 PA 119. The FY 2024-25 budget, 2024 PA 121, includes a \$50.0 million appropriation.

The Bottom Line

After spending down a record \$1.3 billion balance, or 6.1% of combined GF/GP and SAF revenue, in the early 2000s following the 2001 recession, the BSF balance effectively remained zero between FY 2002-03 and FY 2010-11. Since that time, the BSF balance has steadily increased to an estimated nominal historic high of just under \$1.8 billion, or 5.6% of GF/GP and SAF revenues, at the close of FY 2022-23 with recent appropriations and interest earnings estimated to increase the BSF balance to almost \$2.2 billion, or 6.6% of GF/GP and SAF revenues, by the close of FY 2024-25 (See **Figure 1** and **Table 1**).

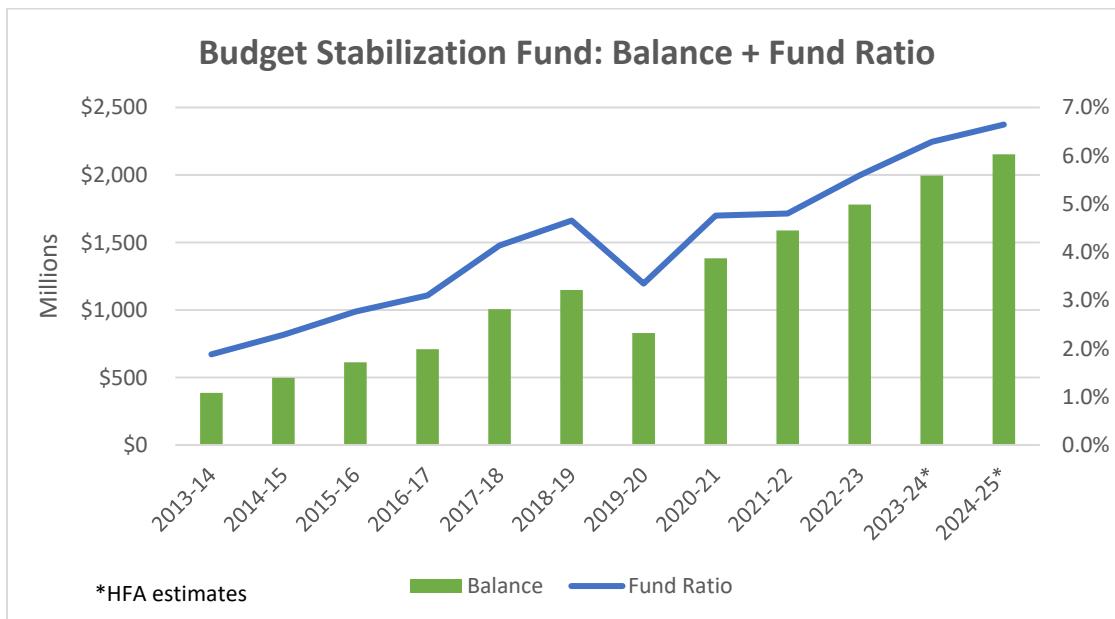


Table 1 – Budget Stabilization Fund
Deposits, Withdrawals, Interest Earnings, Year-End Balances, and Fund Ratios

<u>Fiscal Year</u>	<u>Deposits*</u>	<u>Withdrawals</u>	<u>Interest Earnings</u>	<u>Year-End Balance</u>	<u>Fund Ratio</u>
2013-14	\$75.0	\$194.8	\$0.4	\$386.2	1.9%
2014-15	111.6	--	0.3	498.1	2.3%
2015-16	112.5	--	1.7	612.4	2.8%
2016-17	92.5	--	5.1	710.0	3.1%
2017-18	282.4	--	13.5	1,005.9	4.1%
2018-19	117.5	--	25.1	1,148.5	4.7%
2019-20	17.3	350.0	13.2	829.0	3.3%
2020-21	552.2	--	1.0	1,382.2	4.8%
2021-22	197.2	--	9.3	1,588.8	4.8%
2022-23	117.5	--	74.1	1,780.4	5.6%
2023-24 (est)	117.5	--	97.2	1,995.0	6.3%
2024-25 (est)	67.5	--	90.6	2,153.2	6.6%

**Beginning in FY 2014-15, deposits include the statutorily required \$17.5 million tobacco settlement deposit associated with the Detroit bankruptcy*