Good News and Bad News for Michigan's Budget

January 23, 2020

GOOD NEWS! While estimates set at the May 2019 Consensus Revenue Estimating Conference predicted a very flat revenue scenario this year, some good news was presented to the legislative and executive branch by fiscal experts in early January. According to new estimates, Michigan expects to see an additional $235.2 million in General Fund revenue and $85.7 million more in School Aid Fund support for the current Fiscal Year 2020. For the upcoming budget, which begins October 1, 2020, officials are expecting additional revenues of $274 million in the General Fund and $138 million in the School Aid Fund for a combined $412 million in additional revenue.

BAD NEWS! Despite the adjustments, net general fund revenue – the amount available to be spent – is expected to remain mostly flat through 2021. Revenue growth is slowing. This is in direct correlation to the commitment to reimburse local governments for the loss of personal property tax revenue, formerly paid by manufacturers, and because of up to $600M a year from the general fund allocated for road and bridge repairs.

In consultation with our lobby firm, GCSI, we anticipate a 2020 budget supplemental will pass in early February focusing on finding money for roads, and fixing the remaining problems caused by the 2020 budget vetoes.

And…here we go again. On February 6, Governor Whitmer is expected to propose her spending plan for 2021, which the Legislature should complete by the end of June — provided the process does not again devolve into partisan divisions.

As we all know, there remains no shortage of demands on a very constrained general fund. As the budget year continues and as a new budget is being created, MLA will keep an eye out for any and all opportunities to increase state aid to libraries.