

Update on COVID-19 Impacts on State of Michigan Budget

May 28, 2020

Staggering revenue declines for the State of Michigan were announced at the May 15 Consensus Revenue Estimating Conference (CREC). Officials agreed that for the current fiscal year, the state's General Fund will see a \$1.98 billion decrease in revenue, while the School Aid Fund will see a \$1.25 billion hit.

Furthermore, current estimates show a total decrease of \$6.3 billion for both funds combined in the current and upcoming fiscal years. State Budget Director Chris Kolb noted that given the unprecedented health crisis the state of Michigan is facing right now, flexibility and additional funding from the federal government are crucial to ensure Michigan and states across the country can continue working on behalf of the people.

When asked what programs would be impacted by these declines, Governor Whitmer stated that she believes that Congress needs to take immediate action to address this revenue deficiency and help all states across the nation with relief. Whitmer, along with other governors, is advocating to use the \$3.8 billion from our federal government for COVID-19 related challenges to help mitigate the loss of revenues that states and local units of government are sure to feel, but to date, this has not been approved. There is also conversation of utilizing the \$1.2 billion in Michigan's "Rainy Day Fund" to shore up the state budget during this fiscal year and next. It is important to note that only 25% of these funds can be used in any given year and accordingly, will only be used as a last resort to the budget challenges.