

Budget Stabilization Fund

- The Countercyclical Budget and Economic Stabilization Fund (BSF) was established by Public Act 76 of 1977.
- The BSF is a cash reserve or "Rainy Day Fund" for the State.
- Deposits and withdrawals must be appropriated annually, except for Trust Fund Act earmarked revenue.

Estimated Balance and Limits

- Estimated closing balance is \$1780.3 million in FY 2022-23, as shown in Table 1.
- The BSF is 5.5% of estimated combined General Fund/General Purpose (GF/GP) and School Aid Fund (SAF) revenue in FY 2022-23.
- The statutory maximum size of the BSF is 15.0% of combined GF/GP and SAF revenue or an estimated \$4.9 billion in FY 2022-23.

BSF Deposits

Management and Budget Act Provisions

- Reflect economic conditions: growth of more than 2% in personal income less transfer payments adjusted for inflation results in a calculated pay-in in the next fiscal year.
- Deposit the amount of the General Fund closing balance to the BSF.

Trust Fund Act Earmarked Revenue

- \$17.5 million from tobacco settlement revenue is deposited to the BSF annually from FY 2014-15 to FY 2034-35 per agreement to repay the BSF for the appropriation of \$194.8 million to the settlement administration fund related to the Detroit bankruptcy.

Discretionary Deposits

- Timing varies: from initial appropriations to book closing.
- Deposit revenue from sale of State assets (sale of former workers compensation fund, \$177.6 million in FY 1994-95).

BSF Withdrawals

Management and Budget Act Provisions

- Decline in personal income adjusted for inflation results in a calculated withdrawal in the current fiscal year.
- If triggered, the Legislature may appropriate up to 25% of the available fund balance in the current year.
- If personal income is forecast to be negative in subsequent fiscal years, the Legislature then may appropriate up to 25% of the available Fund balance in the first fiscal year for each subsequent fiscal year.
- Allows emergency withdrawals with two-thirds majority vote, however, statutory supermajority requirement apparently can be amended by simple majority.

Discretionary Withdrawals

- Balance the State budget (GF/GP and SAF).
- Pay lawsuit settlements (*Miller Brothers*, FY 1994-95, and *Durant*, FY 1997-98 to FY 2002-03).
- Money to State Trunk Line Fund (FY 1996-97, FY 1999-2000 to FY 2001-02).
- Money to School Aid Fund (FY 2020-21).

Table 1

BUDGET AND ECONOMIC STABILIZATION FUND TRANSFERS, EARNINGS, AND FUND BALANCE FY 1999-00 TO FY 2025-26 ESTIMATES (millions of dollars)					
Fiscal Year	Pay-In Trust Fund Act _a	Pay-In	Interest Earned	Pay-Out	Balance
1999-00		100.0	73.9	132.0	1264.4
2000-01		0.0	66.7	337.0	994.2
2001-02		0.0	20.8	869.8	145.2
2002-03		9.1	1.8	156.1	0
2003-04		81.3	0.0	0.0	81.3
2004-05		0.0	2.0	81.3	2
2005-06		0.0	0.0	0.0	2
2006-07		0.0	0.1	0.0	2.1
2007-08		0.0	0.1	0.0	2.2
2008-09		0.0	0.0	0.0	2.2
2009-10		0.0	0.0	0.0	2.2
2010-11		0.0	0.0	0.0	2.2
2011-12		362.7	0.2	0.0	365.1
2012-13		140.0	0.5	0.0	505.6
2013-14		75.0	0.4	194.8 _b	386.2
2014-15	17.5	94.0	0.4	0.0	498.1
2015-16	17.5	95.0	1.8	0.0	612.4
2016-17	17.5	75.0	5.1	0.0	710
2017-18	17.5	265.0	13.5	0.0	1006
2018-19	17.5	100.0	25.1	0.0	1148.6
2019-20	17.5	0.0	13.0	350.0	829.1
2020-21	17.5	535.0	0.7	0.0	1382.3
2021-22	17.5	180.0	9.1	0.0	1588.9
<i>Est. 2022-23</i>	17.5	100.0	73.9	0.0	1780.3
<i>Est. 2023-24</i>	17.5	100.0	97.9	0.0	1995.7
<i>Est. 2024-25</i>	17.5	0.0	99.8	0.0	2113.0
<i>Est. 2025-26</i>	17.5	0.0	95.1	0.0	2225.6

a) PA 186 of 2014 amended the Trust Fund Act to authorize the deposit of \$17.5 million of tobacco settlement revenue to the BSF annually from FY 2014-15 to FY 2034-35 to repay the withdrawal related to the Detroit bankruptcy.

b) Pay-in was appropriated in Public Act 59 of 2013. Pay-out is the transfer of \$194.8 million in FY 2013-14 per PA 188 of 2014 from the BSF to the Settlement Administration Fund related to the Detroit bankruptcy.

Source: State of Michigan Annual Comprehensive Financial Reports and the Senate Fiscal Agency.