



Michigan and Government in Crisis: the State of the Budget and Government in Lansing in COVID-Mode

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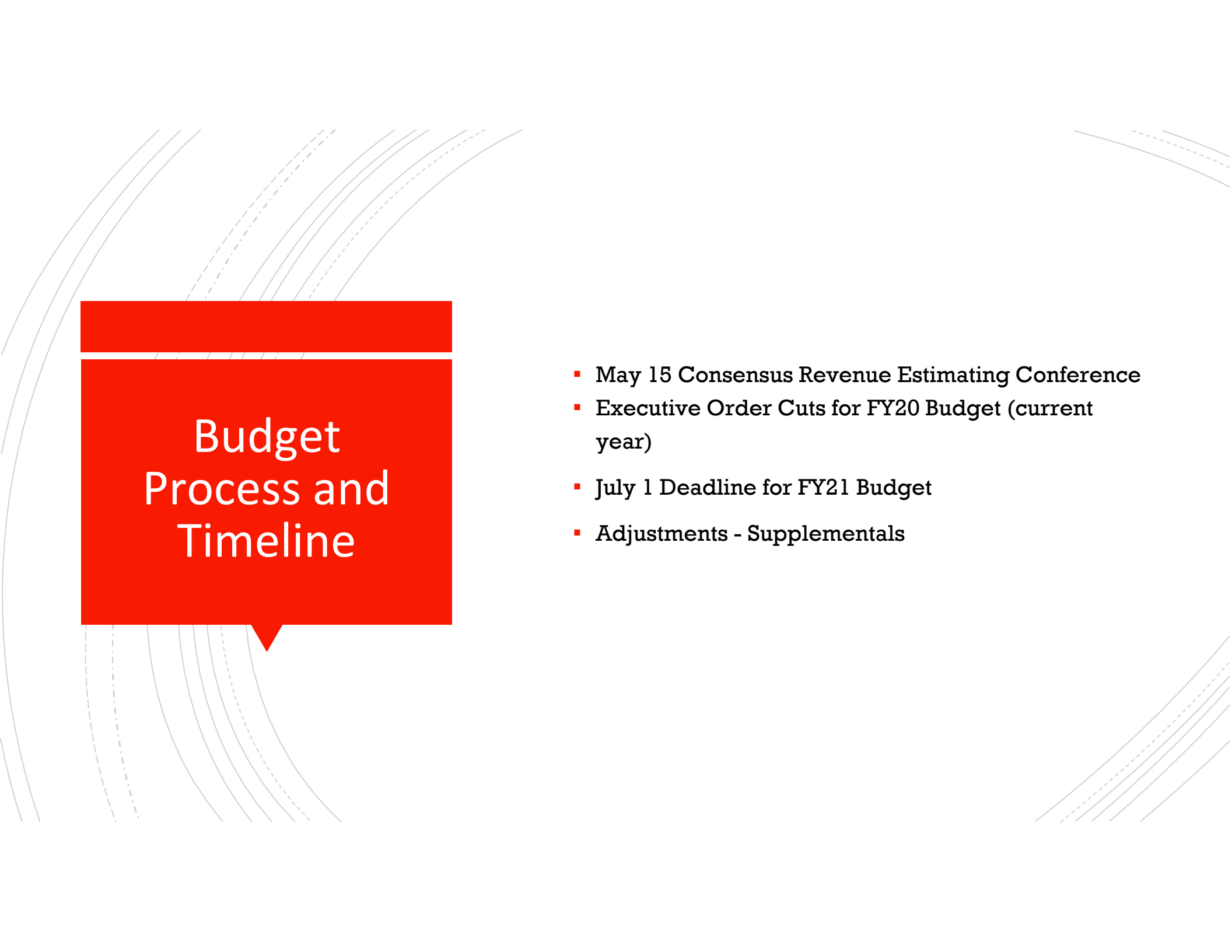
Capitol Services, Inc.

State Revenue

- In January, the Picture was Rosy:
 - Revenue Estimating Conference: +\$235 Million FY 20
 - Revenue Estimating Conference: +\$274 Million FY 21
- New Revenue Generators:
 - Internet Gaming
 - Internet sales Tax
 - Recreational Marijuana

State Revenue

- COVID-19
 - Stay Safe Stay at Home
 - Revised Revenue Projections/Guesses
 - \$1-3 Billion Shortfall FY '20
 - \$1-3 Billion Shortfall FY '21
 - Timing Makes Projections Difficult
 - Revenue Estimating Conference, May 15
 - School Aid Fund vs. General Fund

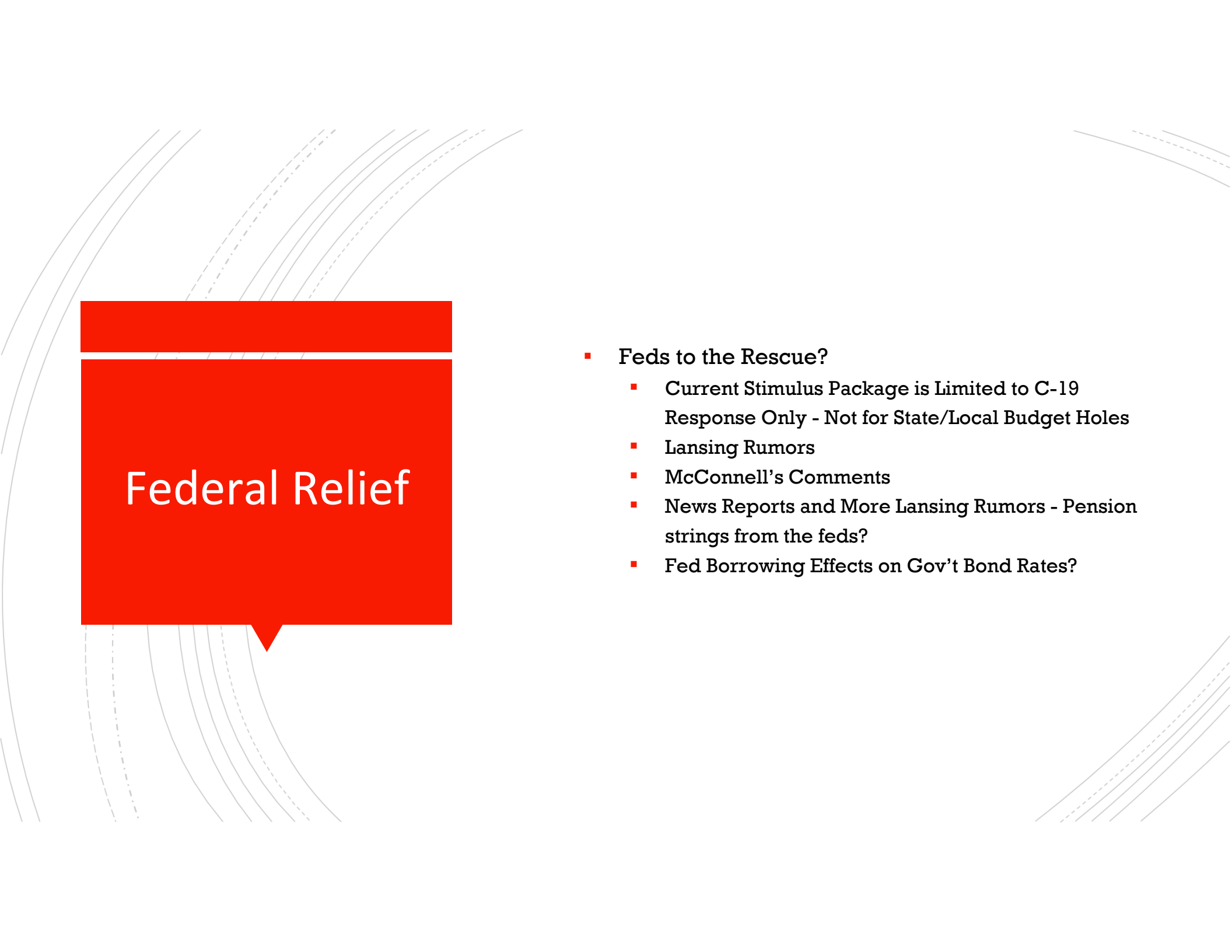


Budget Process and Timeline

- May 15 Consensus Revenue Estimating Conference
- Executive Order Cuts for FY20 Budget (current year)
- July 1 Deadline for FY21 Budget
- Adjustments - Supplementals

Local Unit Budgeting

- **Differences Between State/Local Revenues**
 - Locals - Heavy Property Tax and Rev. Sharing
 - State - Heavy Sales/Use and Income
- **Rev. Sharing will tank - Constitutional and Statutory will both suffer with Sales/Use loss at state level**
- **Property Taxes - Collection/Valuation could be an issue for homes/commercial**
- **City Income Tax will tank**
- **State Income Tax Questionable**
- **Local/State Costs are increasing - PPE, social services, public safety, overtime, etc.**

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Federal Relief

- **Feds to the Rescue?**
 - **Current Stimulus Package is Limited to C-19 Response Only - Not for State/Local Budget Holes**
 - **Lansing Rumors**
 - **McConnell's Comments**
 - **News Reports and More Lansing Rumors - Pension strings from the feds?**
 - **Fed Borrowing Effects on Gov't Bond Rates?**

State of Emergency

2 Acts Establish Executive Power During State of
Emergency:

- Emergency Powers of the Governor Act of 1945 (1945 PA 302)
 - **Governor may promulgate reasonable orders, rules, and regulations as he or she considers necessary to protect life and property or to bring the emergency situation within the affected area under control.**
 - **Nearly unlimited authority**

State of Emergency

- **Emergency Management Act of 1976 (Section 1, Article 5, Michigan Constitution; 1976 PA 390)**
 - **cope with dangers to this state or the people of this state presented by a disaster or emergency, which the governor may implement through executive orders, proclamations, and directives having the force and effect of law.**
 - **essentially says the 1945 Act stays true, but for 28 days**
 - **In addition, the legislature must act to extend the State of Emergency if needed**
 - **1976 Act also provides liability protection for professionals working to the best of their ability**

Executive Orders

- Currently up to 72
- E.O. 2020-67 & 68
 - Re-Declare State of Emergency
 - *Different Than* “Stay Home/Stay Safe”
- E.O. 2020-70
 - New Stay Home/Stay Safe Order
 - Reopens on or around 5/7:
 - Real Estate; Construction; delivery/curbside; bike repair; lawn/garden/landscaping/groundskeeping; “work traditionally and primarily performed outdoors;” some manufacturing (focused on COVID mitigation products)

Executive Orders

2 more orders - renewals - are expected shortly:

- **Renewing EO 2020-48**
 - authorizing remote participation in public hearings
 - detailed in Michael VanOverbeke's presentation 5/1
 - set to expire 5/12
- **Renewing 2020-41**
 - authorizing use of remote notarization and electronic signatures, witnessing, and visitation
 - set to expire day of presentation, 5/6
- **2020-38**
 - Set to expire 6/4
 - Extension of FOIA deadlines

Legislating, in the Near Future

From now, through June, Engaging with the Legislature will look different

- Limited Committees are meeting
(Appropriations, Judiciary, Ways and Means)
- Remote access
- Biggest focus:
 - Appropriations
 - Any statutes that must be passed to deal specifically with COVID
- House Resolution 245
 - Provides rules for Committee meetings, including remote citizens and remote lawmaker participation
 - Provides rules for remote lawmaker participation in House Session

PA 202

- MAPERS, Municipal League, Counties Association, Twp Association, Treasury, Stability Board
- Inconsistencies, Conflicts, GASB Terminology Changes, Implementation Issues
- Drafting bill to fix technical issues
- Define legislative strategy moving forward

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Municipal Stability Board

- Next meeting date: 5/20; Remote access available
- MSB did unanimously approve a 2-month delay to the implementation of the corrective action plan monitoring certification process
- Treasury: requests for changes, delays, and the like for any plans on a CAP can follow existing waiver process