HOUSE FISCAL AGENCY

Budget Briefing: Treasury

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Briefing Topics

- Funding Sources
- Appropriations Areas
- Major Budget Topics

Department of Treasury

The Department of Treasury acts as the chief fiscal agency of the Executive branch of the State of Michigan and is the primary source of advice to the governor on tax and fiscal policy issues

- Chief responsibilities:
  - Collect state taxes
  - Invest, control, and disburse state monies
  - Protect the state's credit rating and that of its cities
- Other responsibilities:
  - Manage investments for the state's pension funds
  - Administer state revenue sharing for local units of government
  - Administer student financial aid programs
  - Investigate fraudulent financial activity
  - Provide advice and assistance on property tax-related issues
  - Advise issuers of municipal security obligations
  - Lend funds to local units in fiscal distress through the Emergency Loan Board

Key Budget Terms

Fiscal Year: The state's fiscal year (FY) runs from October to September. FY 2026-27 is October 1, 2026 through September 30, 2027.

Appropriation: Authority to expend funds. An appropriation is not a mandate to spend. Constitutionally, state funds cannot be expended without an appropriation by the legislature.

Line Item: Specific appropriation amount that establishes spending authorization for a particular program or function in a budget bill.

Boilerplate: Specific language sections in a budget bill that direct, limit, or restrict line item expenditures, express legislative intent, and/or require reports.

Lapses: Appropriated amounts that are unspent or unobligated at the end of a fiscal year. Appropriations are automatically terminated at the end of a fiscal year unless designated as a multi-year work project under a statutory process. Lapsed funds are available for expenditure in the subsequent fiscal year.

Note: Unless otherwise indicated, historical budget figures in this presentation have not been adjusted for inflation.

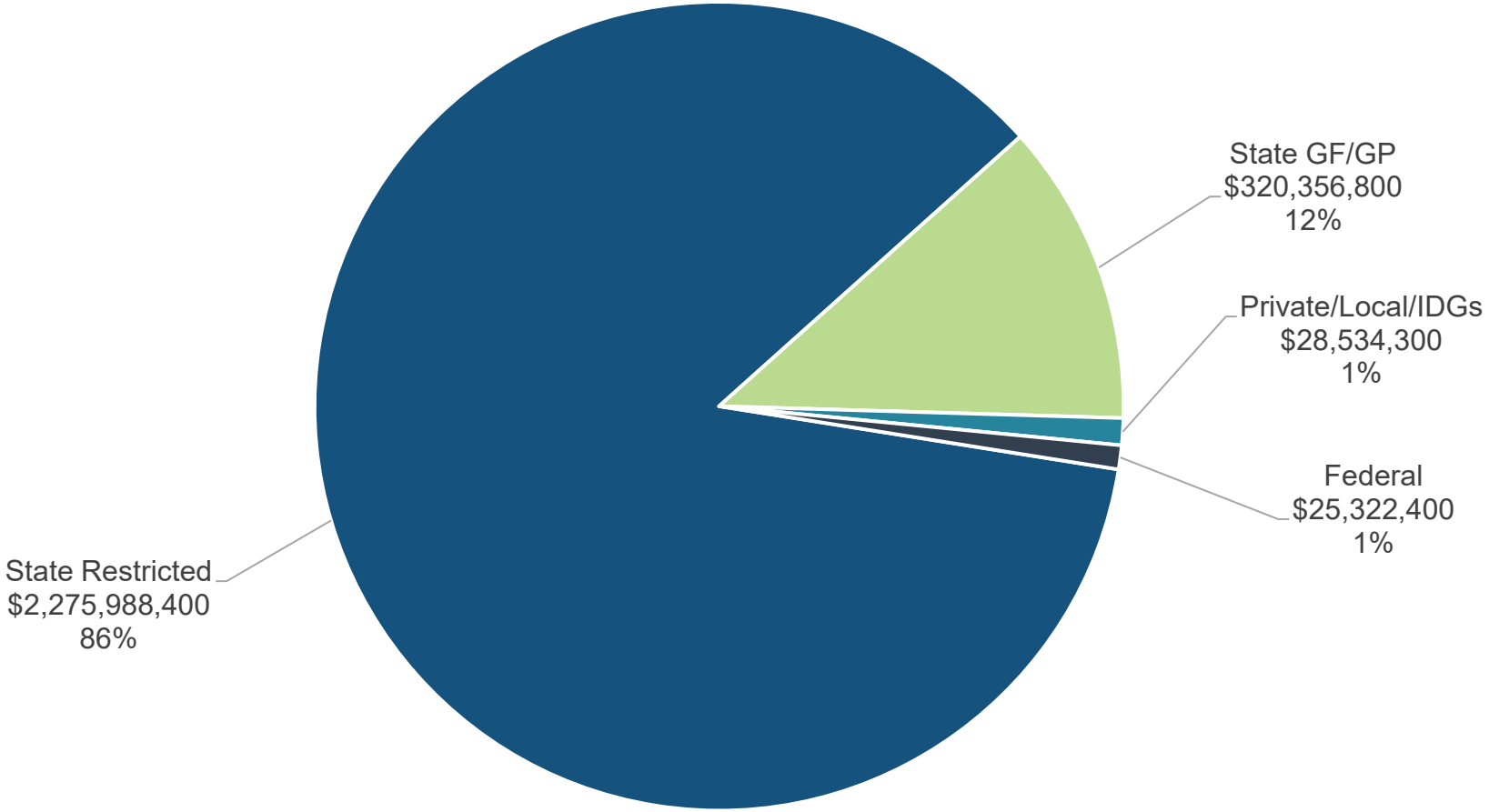
Funding Sources

FY 2026-27 Treasury Budget

Fund Source	Funding	Description
Gross Appropriations	$2,650,201,900	Total spending authority from all revenue sources
Interdepartmental Grants (IDG) Revenue	12,285,700	Funds received by one state department from another state department, usually for services provided
Adjusted Gross Appropriations	$2,637,916,200	Gross appropriations excluding IDGs; avoids double counting when adding appropriation amounts across budget areas
Federal Revenue	25,322,400	Federal grant or matching revenue; generally dedicated to specific programs or purposes
Local Revenue	16,204,300	Revenue received from local units of government for state services
Private Revenue	44,300	Revenue from individuals and private entities, including payments for services, grants, and other contributions
State Restricted Revenue	2,275,988,400	State revenue restricted by the State Constitution, state statute, or outside restriction that is available only for specified purposes; includes most fee revenue
State General Fund/General Purpose (GF/GP) Revenue	$320,356,800	Unrestricted revenue from taxes and other sources available to fund basic state programs and other purposes determined by the Legislature

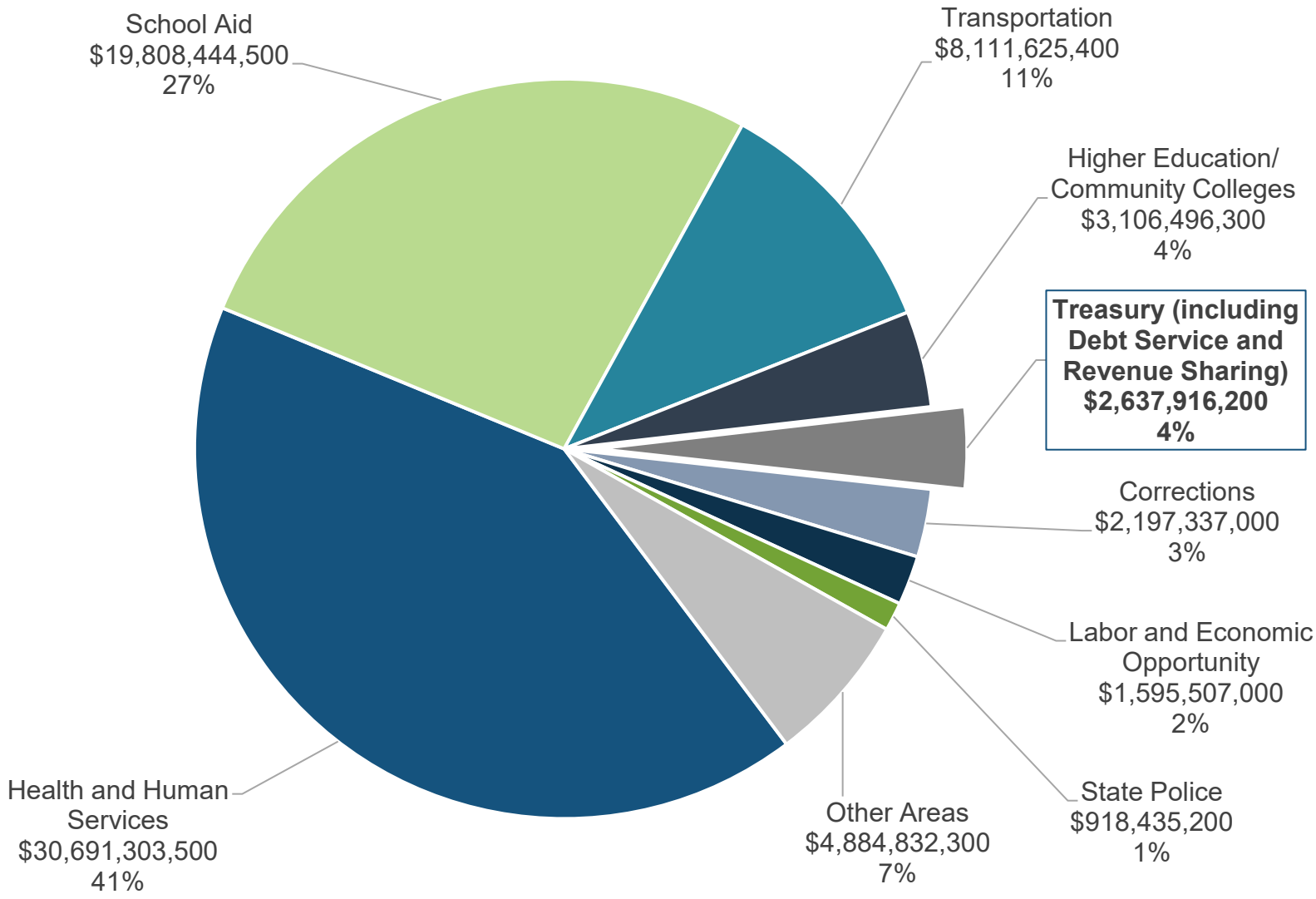
FY 2026-27 Fund Sources

Of the **$2.7 billion** Treasury budget, **86%** is funded with state restricted revenues. Sales tax revenue which supports state revenue sharing payments to local units of government comprises the large majority of state restricted fund appropriations.



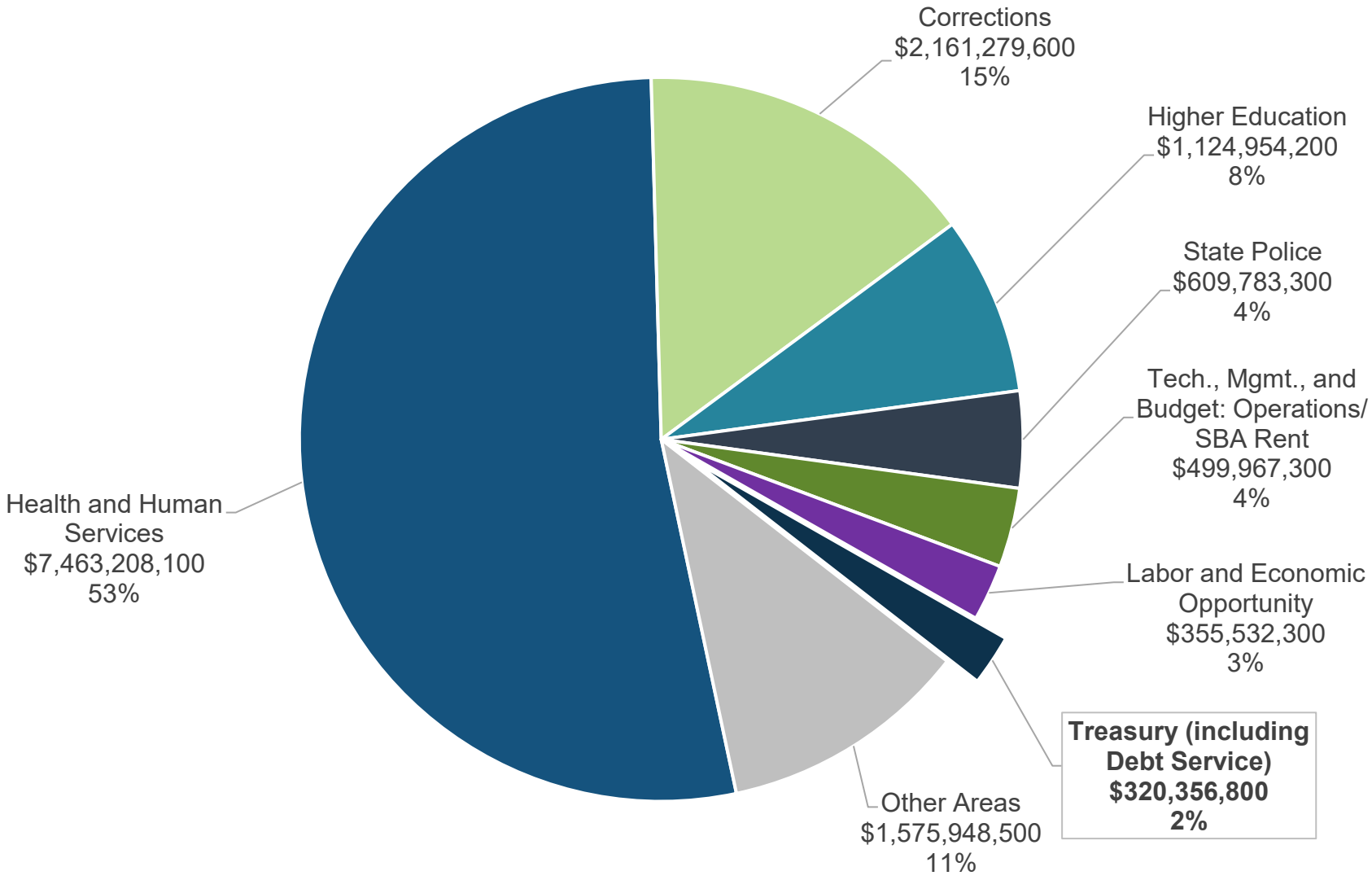
Treasury Share of Total State Budget

The Treasury budget, including revenue sharing, represents approximately **4%** of the **$74.0 billion** state budget (adjusted gross) for FY 2026-27.



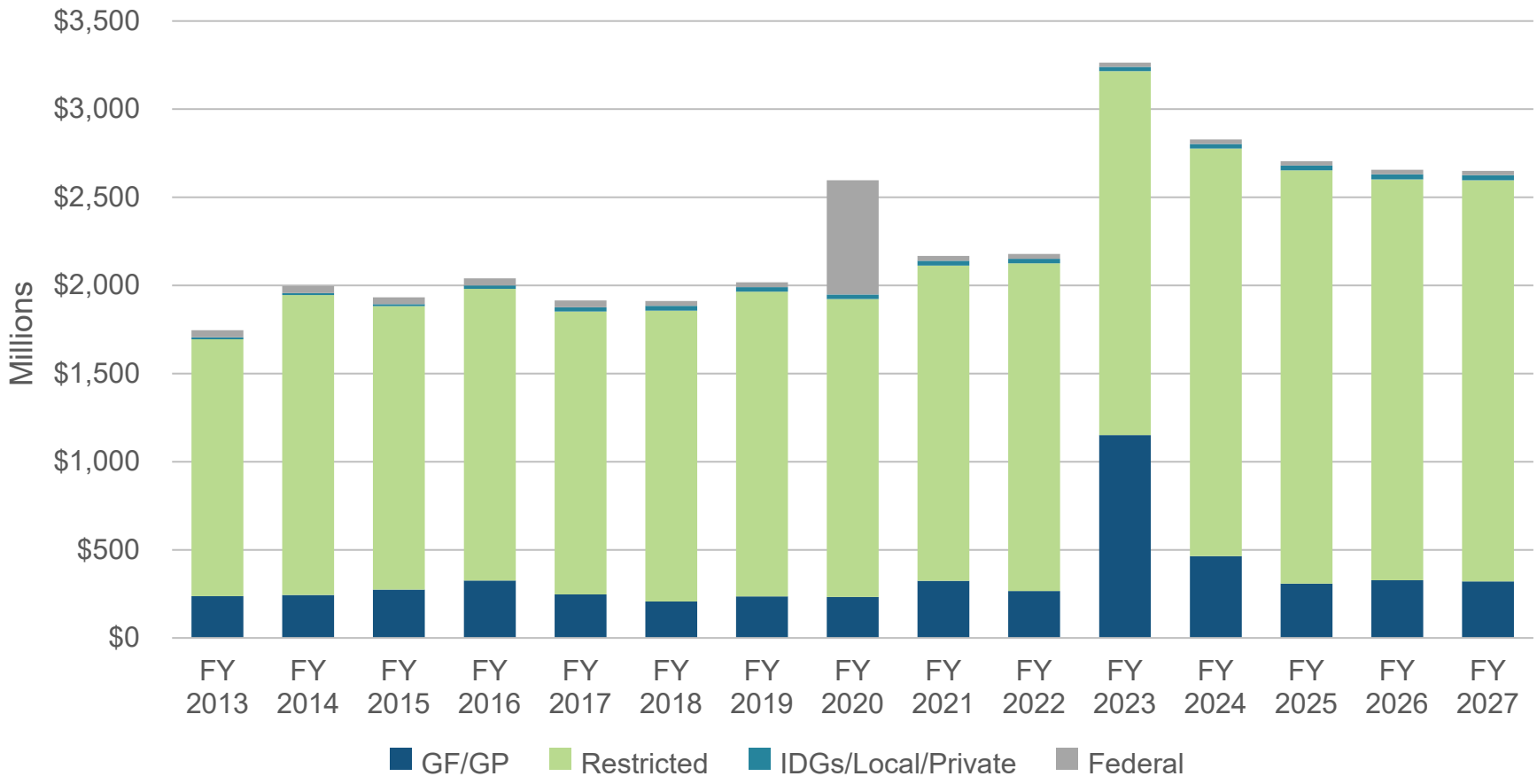
Treasury Share of Total GF/GP Budget

The Treasury budget, including general obligation bond debt service, represents about **2%** of the state's **$14.1 billion** GF/GP budget for FY 2026-27.



Treasury Funding History

Funding for Treasury has increased by **52%** since FY 2012-13. Economic increases coupled with growth in revenue sharing, especially since FY 2021-22, have driven much of the growth. GF/GP funding returned closer to historical norms following the large one-time appropriation in FY 2022-23 of $850.0 million for pensions of local governments and the Michigan State Police.



Appropriation Areas

Treasury Appropriation Areas

Financial and Tax Programs and Services: Funds local government financial services/programs; administers tax programs/processing; provides financial services for the State of Michigan; provides investment services for state-managed funds; supports operations of Michigan Finance Authority

Debt Service: Funding for principal and interest payment requirements on state general obligation bonds

Grants: Grants to local units of government for the operation of local programs/services

Gaming Control/Lottery: Funds operations for the Bureau of State Lottery and Michigan Gaming Control Board

Payments in Lieu of Taxes (PILT): Funds payments to local units of government for certain statutorily tax-exempt property within a local unit's geographic boundary

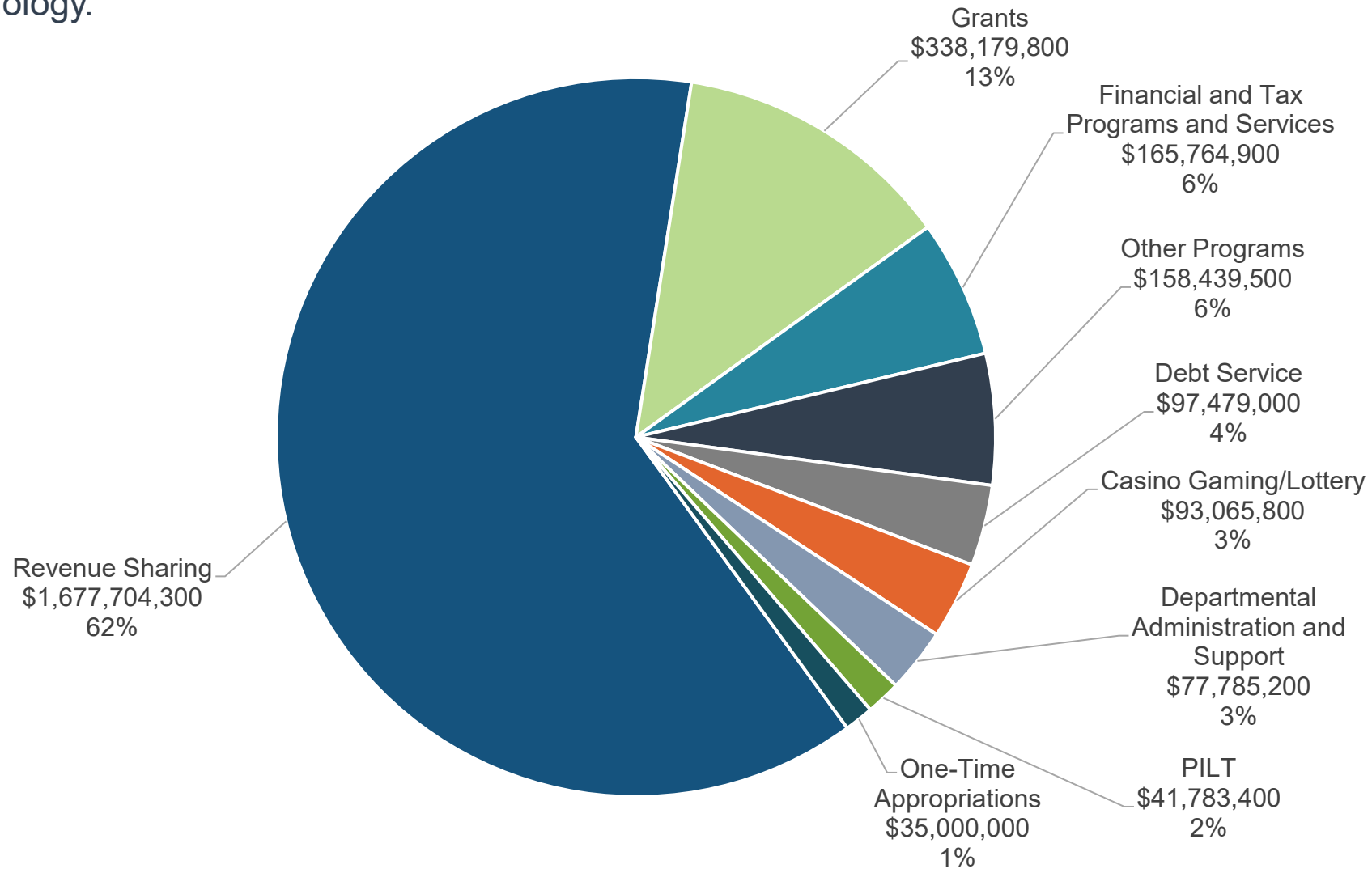
Revenue Sharing: Constitutionally-required and discretionary revenue sharing payments to local units (For more information on revenue sharing, click here)

Other: Department administration and support, State Building Authority, city income tax administration program, and information technology (IT)

One-Time Appropriations: Includes **$23.0 million** for local prosecutor grants, **$10.0 million** public safety academy scholarships, and **$2.0 million** for IT support for local government revenue sharing financial reporting

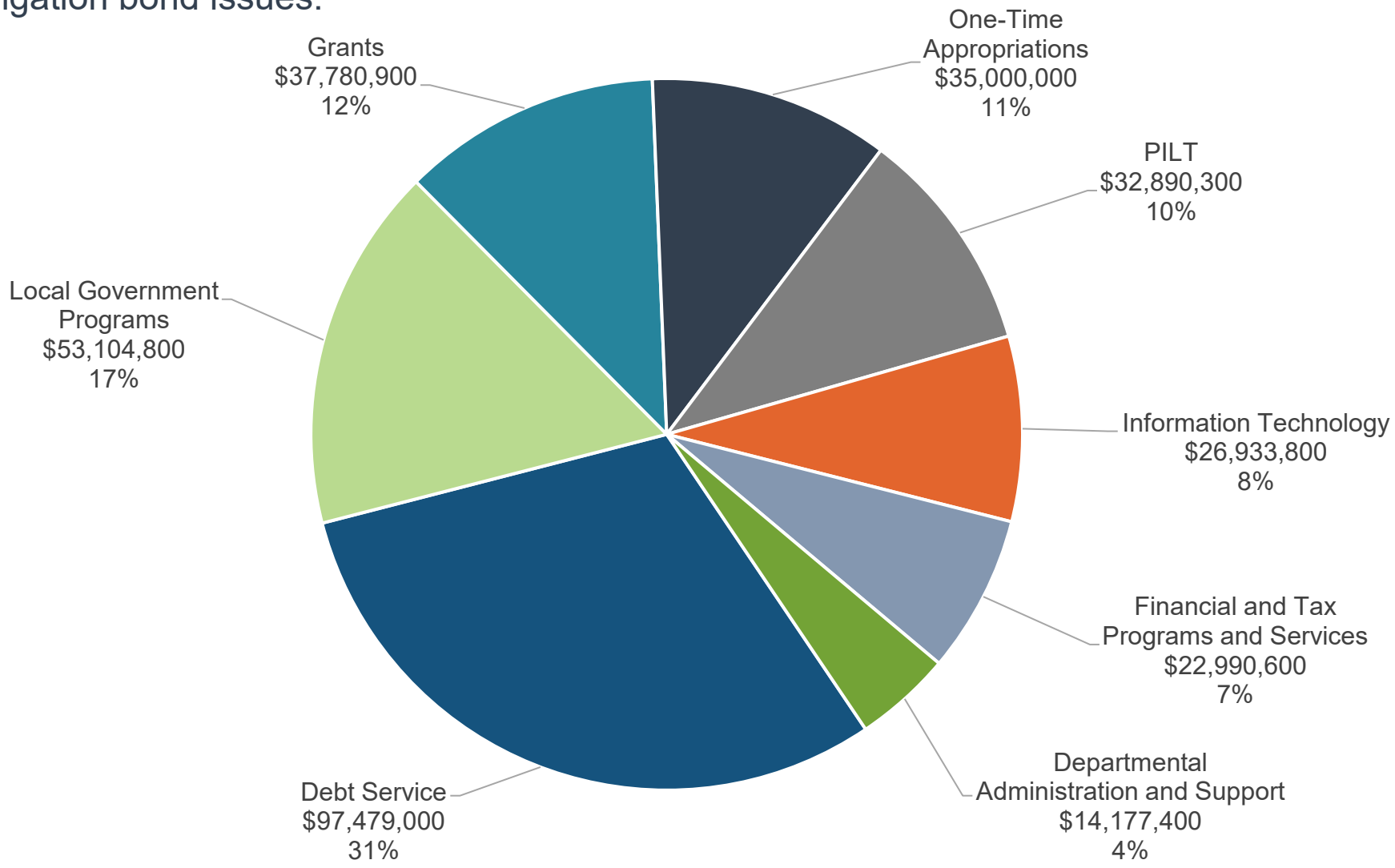
FY 2026-27 Gross Appropriations

About **63%** of the **$2.7 billion** Treasury budget supports revenue sharing payments to local units of government. Funding counted under Other Programs supports local government programs, the State Building Authority, the city income tax administration, and information technology.



FY 2026-27 GF/GP Appropriations

In FY 2026-27, **$97.5 million** of the $320.4 million GF/GP funds (approximately **31%**) is appropriated for debt service or paying principal and interest payments on general obligation bond issues.



Major Budget Topics

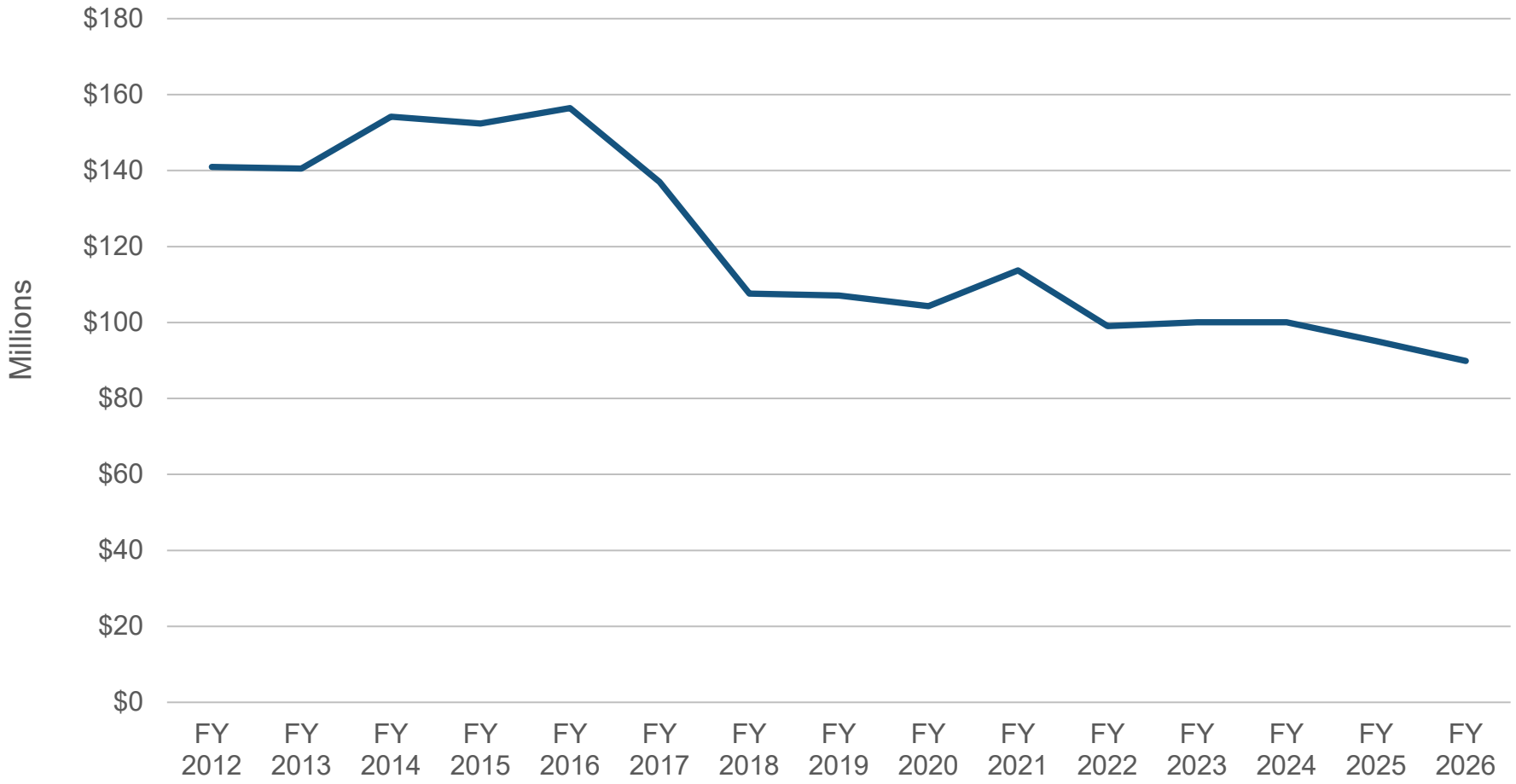
General Obligation Debt Service

Appropriation covers principal and interest payment requirements on state general obligation bond issues (authorized by the electorate) except school bond loan debt which is funded in the School Aid Act

- **Quality of Life Bond/Environmental Protection**: Issuance of up to $660 million in environmental bonds to support environmental protection activities and up to $140 million in recreation bonds to support development of recreation activities and facilities; includes portion of Strategic Water Quality Initiative
- **Clean Michigan Initiative**: Issuance of up to $675 million in bonds for environmental clean-up, pollution prevention, redevelopment, and natural resource protection projects; includes portion of Strategic Water Quality Initiative; Clean Michigan Initiative has issued all of its existing bond capacity
- **Great Lakes Water Quality Bond**: Issuance of up to $1 billion in bonds for sewage treatment works, storm water projects, and water pollution projects; includes portion of Strategic Water Quality Initiative

General Obligation Debt Service

Annual debt service payments for the State of Michigan general obligation debt (not including School Bond Loan Fund). Debt service payments have declined in recent years due to refinancing, payoffs, and lower bond capacity for issuance of new debt.

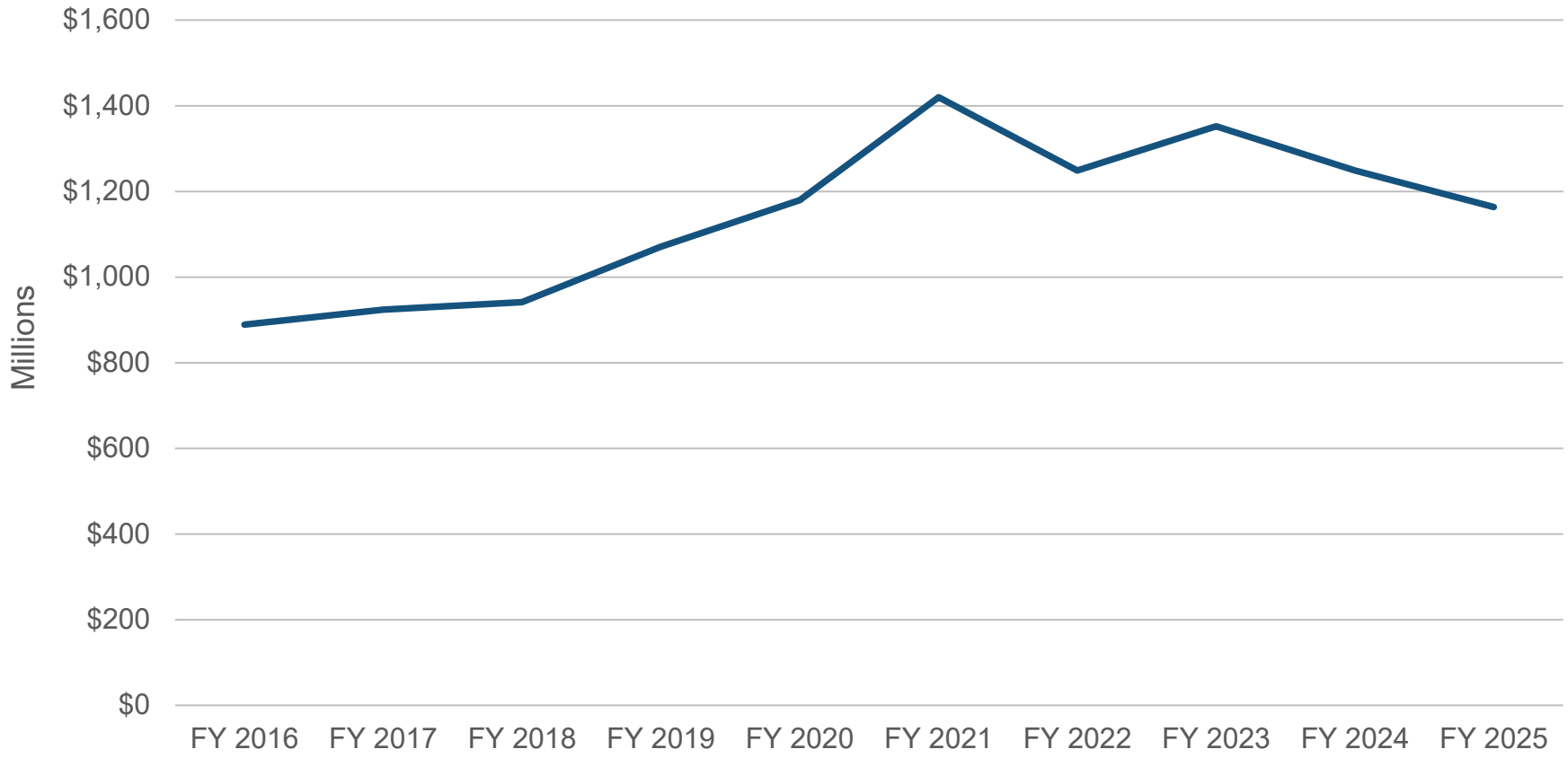


Bureau of State Lottery

- Established pursuant to 1972 PA 239 and charged with “producing the maximum amount of net revenues for the state consonant with the general welfare of the people”
  - Maximize net revenues to supplement state education programs (**$1.2 billion** for FY 2024-25)
  - School aid fund receives 100% of the lottery net revenue (profit)
  - Operate all lottery games and bureau functions
- Funded 100% with state lottery fund revenue which is received from lottery game sales
- State lottery fund revenue supports administration of the Bureau of State Lottery and the cost of advertising for lottery games

Bureau of State Lottery

Annual distribution of lottery proceeds to the School Aid Fund. The iLottery was introduced in FY 2013-14 and steadily increased net revenue to the School Aid Fund up to its recent peak in FY 2020-21. Declining revenues since then have been attributed to competition with sports betting and online gaming.



Payments in Lieu of Taxes (PILT)

- Payments to local units of government for lost revenue from property taxes
- Three types of land programs receive PILT:
  - **Commercial Forest Reserve** – pays a $1.40 specific tax (rate increases 5 cents every 5 years) for FY 2026-27 to FY 2031-32, on each acre enrolled in the program to county treasurers; approximately 2.2 million acres of private forest land are owned by 1,800 landowners enrolled in the program to retain and manage forest for timber production
  - **Purchased Lands** – payments on certain lands owned by the state and controlled by DNR; valuation of state-owned lands established by state tax commission guidelines
  - **Swamp and Tax Reverted Lands** – payments of $5.40 per acre tax in FY 2026-27 (adjusted annually by 5% or inflation, whichever is less) to the general fund of counties (50%) and townships (50%) on tax-reverted recreation and forest lands under control and supervision of DNR
- PILT funding for FY 2026-27 totals **$41.8 million** ($32.9 million GF/GP)
  - Fully funded PILT payments to local units of government
  - Fully funded Michigan Natural Resources Trust Fund (MNRTF) purchased land PILT payments with funds from the MNRTF

Revenue Sharing

- Payments to approximately 1,773 local units of government
- Constitutional state general revenue sharing grants
  - To all cities, villages, and townships on a per capita basis
  - Funded by 15% of sales tax collections at a 4% rate
- Statutory revenue sharing for cities, villages, and townships (CVTs) and counties
  - Funded by a portion of sales tax collections
  - Incentive-based grant program for FY 2026-27 maintains FY 2024-25 funding for the second year in a row at **$333.5 million** for CVTs and **$291.1 million** for counties.
  - CVT payments distributed based on a formula of three factors that includes current taxable values, unit population weight, and yield equalization
  - County payments distributed based on per capita taxable value for each county
- Includes **$2.5 million** for financially distressed CVTs competitive grant program
- For more information on revenue sharing, click here

Public Safety and Prosecutor Grants

Some public safety grant programs created in FY 2025-26 were continued in FY 2026-27. A total of **$83.0 million** Gross ($33.0 million GF/GP) is included for the following:

- **Public Safety Revenue Sharing Grants (PSRSG) - $50.0 million Restricted Sales Tax Revenue - Ongoing**
  - Payments to CVTs, totaling **$35.1 million** (down from **$42.6 million** in FY 2025-26), distributed based on annual violent crime rates
  - Payments to counties, totaling **$11.7 million** (down from **$14.2 million** in FY 2025-26) determined by inverse taxable values
  - Grants to CVTs and counties must be used for operational or capital expenditures for public safety, with not less than 75% going to police
  - Provides **$3.3 million** to the Department of Health and Human Services (DHHS) for Community Violence Intervention programs
- **Public Safety Academy Assistance Grants - $10.0 million GF/GP – One-Time Appropriation**
  - Competitive grants for scholarships to public safety academies, to be administered by the Michigan Commission On Law Enforcement Standards (MCOLES)
- **Local Prosecutor Support Grants - $23.0 million GF/GP – One-Time Appropriation**
  - Provides **$20.0 million** to county prosecutors who have previously qualified for support grants to reduce caseloads including cases related to resentencing juvenile life without parole cases. Must be one of 19 counties that previously qualified for grants
  - Provides **$3.0 million** to local prosecutors that received reduced grant amounts since grants were first awarded in FY 2023-24
- For more information on revenue sharing and public safety grants, click here

For more information about the Treasury budget:

HFA Resources

http://www.house.mi.gov/hfa/GeneralGovernment.asp

Contact Information

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