



FISCAL SNAPSHOT

BUDGET STABILIZATION FUND

Date: February 2023

Analysts: Jim Stansell and Ben Gielczyk

Summary

Created in 1977, the Countercyclical Budget and Economic Stabilization Fund, more commonly referred to as the Budget Stabilization Fund (BSF), is the state's rainy day fund, which serves as a reserve of funds to contribute to or withdraw from throughout economic and budget cycles to alleviate the need for major budget-balancing actions during an economic downturn.

Background

Pursuant to [section 352](#) of the Management and Budget Act, a [trigger calculation](#) (see section 210 at the link) indicates whether a pay-in (deposit) or pay-out (withdrawal) is recommended. As a practical matter, the calculations for transfers into and out of the BSF have served as a guideline for the legislature. Deposits into the BSF are typically done through budget bill boilerplate language, and withdrawals through statutory amendments. Outside of legislative appropriations, the BSF realizes growth from interest earnings and a [statutorily required deposit of \\$17.5 million](#) of tobacco settlement revenues through FY 2034-35 (repayment for BSF assistance with the Detroit bankruptcy settlement). The balance of the BSF [must not exceed 15%](#) of the combined GF/GP and School Aid Fund (SAF) revenues.

Recent Activity

As part of the FY 2021-22 supplemental article of 2022 PA 166 (Article 15), [\\$180.0 million](#) was appropriated for deposit into the BSF. This was in addition to the annual \$17.5 million related to the Detroit bankruptcy settlement and annual interest earnings. While [\\$350.0 million was appropriated out of the BSF](#) in FY 2019-20 during the height of the pandemic, [two deposits](#) totaling \$535.0 million were subsequently appropriated into the BSF in FY 2020-21.

The Bottom Line

After spending down a record \$1.3 billion balance, or 6.1% of combined GF/GP and SAF revenue, in the early 2000s following the 2001 recession, the BSF balance effectively remained zero between FY 2002-03 and FY 2010-11. Since that time, the state has steadily increased the BSF to an estimated nominal high balance of just under \$1.6 billion, or 4.8% of GF/GP and SAF revenues, at the close of FY 2021-22.

