Responsible Budgeting in the Stimulus Age

Beverly Bunch, Professor

Center for State Policy & Leadership
University of Illinois Springfield
What is responsible budgeting?
Responsible Budgeting Concepts

• Accountable
  • Responsive to stakeholders
  • Implement programs and services that work (evidence-based)
• Equitable
• Sustainable
• Transparent
Volcker Alliance
Truth and Integrity in State Budgeting

• documented state budget practices during 2015-2019

• assigned grades to states in each of five categories
  1. Forecasting
  2. Budget Maneuvers
  3. Legacy Costs
  4. Reserve Funds
  5. Transparency

• Website: https://www.volckeralliance.org/resources/truth-and-integrity-state-budgeting-preparing-storm
Issue Paper

The $195 Billion Challenge

Facing State Fiscal Cliffs After COVID-19 Aid Expires

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University of Illinois at Chicago

Available

https://www.volckeralliance.org/resources/195-billion-challenge
Acknowledgements

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  • Patricia Byrnes, Professor
  • Nolan Flaherty, Student Researcher
  • Austin Verthein, Student Researcher

• Express our Appreciation to
  • The Volcker Alliance
  • Peter G. Peterson Foundation

• Statements made and views expressed are solely the responsibility of the research team
Outline

• Overview of the Coronavirus State and Local Fiscal Recovery Fund Program
• Fiscal Cliff Risk
• Initial State Plans for the Use of Funds
• Transparency Examples
• Recommendations
Coronavirus State and Local Fiscal Recovery Fund Program (SLFRF)

- $350 billion authorized by the American Rescue Plan Act (ARPA) passed in March 2021

Allocation of SLFRF Funds (in billions)

- States & D.C. $195.3
- Counties, $65.1
- Cities and Non-Entitlement Units, $65.1
- Tribal Govts & Territories, $24.5
Eligible Uses

• Public Health
• Negative Economic Impact
• Disproportionately Impacted Communities
  • dispersed to other categories as of 4/22
• Public Health-Negative Economic Impact: Public Sector Capacity
  General Provisions
  • new category as of 4/22
• Premium Pay
• Water, Wastewater, and Broadband Infrastructure
• Revenue Replacement
• Administrative
Prohibited Uses

• Directly or indirectly offset revenue loss due to state tax decreases
• Extraordinary pension contributions
• Replenish rainy day funds or other reserves
• Pay debt service
• Pay judgements

Allowed

• Replenish unemployment trust funds
• Repay federal advances (loans) to unemployment trust funds
Fiscal Cliff

• Federal **one-time** funds that must be obligated by 2024 and spent by 2026
  • What happens if state governments use these one-time funds to pay for **recurring costs**?
  • When federal funds are no longer available, these states run the risk of a **fiscal cliff**
Types of Spending May Impact Fiscal Cliff Risks

One-Time Spending
- Infrastructure
- System Improvements
- Unemployment trust fund
- One-time premium pay

Recurring Spending
- Community Needs
- State Needs
- Capital operating & maintenance costs

Short-Term Programs
- Health pandemic spending
- Assistance to business, nonprofits and individuals
- Pandemic-related workforce development

Identify pandemic health spending that will need to be recurring
REVENUE REPLACEMENT

- 19 states allocated at least some funds to Revenue Replacement (as of 7/21)

- Based on estimates of revenue loss due to the pandemic

- Category that allows the most discretion for states

- Whether this could lead to a fiscal cliff depends, in part, on how those funds are being used
Highlights of Initial Plans by 50 States

As of July 31, 2021

• States had allocated 43% of total funds
• Largest categories of planned spending
  • Revenue Replacement: 31%
  • Negative Economic Impact: 28%
    • Small businesses, nonprofits, impacted industries
    • Households and communities
    • Public sector capacity and workforce
  • Water, Wastewater, and Broadband Infrastructure: 17%
FIGURE 1  How 8 States Are Spending SLFRF Money (as of July 31, 2021)*

<table>
<thead>
<tr>
<th>State</th>
<th>Public Health</th>
<th>Negative Economic Impact</th>
<th>Disproportionately Impacted</th>
<th>Infrastructure</th>
<th>Revenue Replacement</th>
</tr>
</thead>
<tbody>
<tr>
<td>California</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Florida</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Georgia</td>
<td></td>
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<tr>
<td>Illinois</td>
<td></td>
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<tr>
<td>Michigan</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Jersey</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ohio</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Pennsylvania</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Uses of one-time federal funds that are less likely to lead to a fiscal cliff
Use of State Fiscal Recovery Funds For Unemployment Insurance Trust Fund

• 22 states borrowed from the federal government to pay unemployment benefits during the pandemic

• 14 states planned to use fiscal recovery funds to repay federal unemployment trust fund loans (advances) or replenish state unemployment trust funds (as of July 2021)

• Examples
  • Texas: $7.2 billion
  • Ohio: $1.5 billion
  • Illinois: $2.7 billion (March 2022)
Federal Unemployment Insurance Loans

- States with outstanding federal loans as of 7/28/22
  - California: $17.9 billion
  - New York: $8.1 billion
  - Illinois: $1.8 billion
  - Massachusetts: $1.8 billion*
  - Colorado: $133 million*
  - Connecticut: $197 million
  - New Jersey: $56 million*


- Federal unemployment tax rates will increase on employers within a state if the state’s loan is not repaid by November 10, 2022 (See Cong. Research Service, https://crsreports.congress.gov/product/pdf/RS/RS22954) (if loans have been outstanding for two consecutive January 1)
Use of State Fiscal Recovery Funds For Capital Spending

• Generally one-time spending
  • But, depending on the project, may require, future operation and maintenance costs

• Congress designated a specific category for Broadband, Water, and Wastewater Projects
  • Broadband: 18 states
  • Water and Wastewater: 17 states

• Certain types of capital projects also allowed under other categories
  • Example
    • Revenue Replacement: capital projects are allowed but they cannot be debt-financed
Examples of Capital Spending

• Florida
  • Revenue Replacement
    • Highway capital projects: $1.4 billion
    • Higher education capital: $156 million
  • Infrastructure in high poverty school districts: $172 million
  • Deferred Building Maintenance: $287 million
  • Clean Water Infrastructure: $1.5 billion

• Other Examples
  • California: affordable housing, community care facilities
  • Texas: higher education, psychiatric hospital, improvements to veterans’ homes
  • New Jersey: trauma centers, upgrades to childcare facilities, school facility improvements
Other One-Time Uses of Federal Funds

- Premium Pay
  - 14 states as of July 2021
  - One-time extra pay for staff, such as
    - First responders
    - Corrections staff
    - State police
    - National Guard
    - Health care facility personnel

- System Improvements
  - Cybersecurity, employment systems, other
Uses of one-time federal funds that may contribute to a fiscal cliff
Examples of Lump-Sum Contributions to the General Fund (among the 11 largest states)

<table>
<thead>
<tr>
<th>State</th>
<th>Amount (in billions) as of July 30, 2021</th>
<th>% of FY 2022 General Fund Estimated Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>California</td>
<td>$8.9 Revenue replacement</td>
<td>4.2%</td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>$3.8 Revenue replacement</td>
<td>9.9%</td>
</tr>
<tr>
<td>Illinois</td>
<td>$2.0 ARPA reserves for essential gov’t services</td>
<td>4.5%</td>
</tr>
<tr>
<td>New York</td>
<td>$4.5 Federal aid – nontax revenues</td>
<td>5.2%</td>
</tr>
</tbody>
</table>
Examples of Revenue Replacement Funds Being Used for Governmental Services (as of July 2021)

- **Connecticut**: $1.75 billion
  - “to support budget balance” -- $560 million for FY 2022 and $1.195 billion for FY 2023

- **Minnesota**: $1.183 billion
  - “provision of government services” -- $633 million for FY 2022-23 biennium and $550 million for FY 2024-25 biennium

- **Alaska**: $250 million
  - Trial courts ($80m), state trooper detachments ($75m.), correctional center ($25 million), corrections physical health care ($25m.), other

Examples of Revenue Replacement Funds Being Used for Governmental Services (as of July 2021)

- **Nevada**: $1.086 billion
  - Maintenance or pay-go infrastructure (including roads), cybersecurity modernization, health services, environmental remediation, educational services, public safety services

- **Oregon**: $1.404 billion
  - Public safety and state hospital expenditures, with a smaller amount for critical infrastructure projects

- **Wyoming**: $503 million
  - $120 million for Corrections
  - Modify allocations for Department of Transportation unrestricted highway funds

Example of Revenue Replacement Fund Uses
Updates as of March 2022

• 28 states reported at least some funds under Revenue Replacement

• **Use of Funds for General Services**
  • California: $11.2 billion
  • Nevada: $120 million position restorations (higher ed + non-higher ed)
  • West Virginia: $325 million

• **Use of Funds for Particular Functions**
  • Illinois: $3.2 billion public safety agencies
  • Colorado: $387 million transportation
  • Washington: $600 million transportation

Source: State Project and Expenditure Reports, April 2022.
Indirect Effects of the Use of State Fiscal Recovery Funds (SFRFs)

Federal Fiscal Recovery Funds

Existing State Programs

Could Free Up State Money for Other Purposes

Projects Eligible for SFRFs

Projects Ineligible for SFRFs
Spending in Other Categories Also May Be for Programs or Services with Recurring Demand

• Health programs
  • COVID-19 prevention and treatment
  • Mental health
  • Substance abuse
  • Assistance to healthcare facilities
• Education programs
• Workforce programs
• Community programs
  • Affordable housing
  • Violence prevention
1. What types of programs or services is your state funding with federal state fiscal recovery funds that will likely have recurring demand after federal funds expire?

2. What strategies, if any, is your state using (or could states use) to lessen the possibility and magnitude of funding shortfalls that may occur when federal funds are no longer available?
Fiscal Cliff Concerns

• Lump-Sum Amounts -- lack of disclosure on how funds will be used
  • Cannot identify one-time versus recurring needs
  • Makes it difficult to identify how much state revenue will be needed in the future to avoid a fiscal cliff

• Use of federal funds for recurring programs
  • Existing or new programs
  • What happens when federal funds are no longer available?
Recommendations to Avoid a Fiscal Cliff

- Use funds for one-time spending
- Use funds for short-term programs (identify start and end dates)
- Plan for how to fund future capital project maintenance and operations costs
- If use funds for recurring costs, plan for future funding
Other Recommendations for Responsible Budgeting During the Stimulus Age and Beyond

• Conduct multi-year revenue and expenditure forecasting
• Prepare fiscal scenarios
• Build rainy day fund reserves
• Provide legislative oversight of spending of federal funds
• Promote transparency
New York State Comptroller: Tool for NYC to show programs that have a drop in funding (in $1000s)

<table>
<thead>
<tr>
<th>Funding Source</th>
<th>Description of Program Area</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
<th>2026</th>
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<tbody>
<tr>
<td>Federal</td>
<td>3K Expansion</td>
<td>$(0)</td>
<td>$(0)</td>
<td>$(0)</td>
<td>$(376,159)</td>
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<tr>
<td></td>
<td>Bilingual Education Expansion</td>
<td>$(0)</td>
<td>$(0)</td>
<td>$(13,223)</td>
<td>$(13,223)</td>
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<tr>
<td></td>
<td>Community Schools Expansion</td>
<td>$(0)</td>
<td>$(0)</td>
<td>$(25,600)</td>
<td>$(51,200)</td>
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<tr>
<td></td>
<td>Community Schools Sustainability</td>
<td>$(0)</td>
<td>$(0)</td>
<td>$(1,550)</td>
<td>$(3,100)</td>
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<tr>
<td></td>
<td>Digital Learning</td>
<td>$(0)</td>
<td>$(0)</td>
<td>$(13,444)</td>
<td>$(13,444)</td>
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<tr>
<td></td>
<td>Expand Pre-K for All Special Education</td>
<td>$(0)</td>
<td>$(0)</td>
<td>$(47,373)</td>
<td>$(94,623)</td>
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<tr>
<td></td>
<td>Expand Public Schools Athletic League (PSAL)</td>
<td>$(0)</td>
<td>$(0)</td>
<td>$(3,543)</td>
<td>$(7,086)</td>
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<tr>
<td></td>
<td>Expand Restorative Justice</td>
<td>$(0)</td>
<td>$(10)</td>
<td>$(7,386)</td>
<td>$(14,762)</td>
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<tr>
<td></td>
<td>Gifted and Talented</td>
<td>$(0)</td>
<td>$(0)</td>
<td>$(4,832)</td>
<td>$(4,832)</td>
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<tr>
<td></td>
<td>Indirect Cost Rate (Contractor Administrative Overhead)</td>
<td>$(0)</td>
<td>$(0)</td>
<td>$(5,210)</td>
<td>$(5,210)</td>
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<tr>
<td></td>
<td>Literacy and Dyslexia Screening</td>
<td>$(0)</td>
<td>$(0)</td>
<td>$(7,801)</td>
<td>$(7,801)</td>
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<tr>
<td></td>
<td>Mental Health Support</td>
<td>$(0)</td>
<td>$(0)</td>
<td>$(37,117)</td>
<td>$(85,834)</td>
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<td></td>
<td>Parent and Family Engagement</td>
<td>$(0)</td>
<td>$(0)</td>
<td>$(3,754)</td>
<td>$(3,754)</td>
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<tr>
<td></td>
<td>Pathways Expansion</td>
<td>$(0)</td>
<td>$(0)</td>
<td>$(52,296)</td>
<td>$(52,296)</td>
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<tr>
<td></td>
<td>Restoration of Air Conditioning</td>
<td>$(0)</td>
<td>$(0)</td>
<td>$(8,278)</td>
<td>$(8,278)</td>
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<tr>
<td></td>
<td>Restoration of Community Schools OTPS Contract</td>
<td>$(0)</td>
<td>$(0)</td>
<td>$(3,000)</td>
<td>$(6,000)</td>
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<tr>
<td></td>
<td>Restoration of Comprehensive School Supports</td>
<td>$(0)</td>
<td>$(0)</td>
<td>$(5,000)</td>
<td>$(5,000)</td>
</tr>
<tr>
<td></td>
<td>Restoration of Equity and Excellence Program Reduction</td>
<td>$(0)</td>
<td>$(0)</td>
<td>$(54,022)</td>
<td>$(54,022)</td>
</tr>
<tr>
<td></td>
<td>Restoration of Expanded Arts Instruction</td>
<td>$(0)</td>
<td>$(0)</td>
<td>$(15,469)</td>
<td>$(15,469)</td>
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<tr>
<td></td>
<td>Restoration of Health Ed Works</td>
<td>$(0)</td>
<td>$(0)</td>
<td>$(1,868)</td>
<td>$(1,868)</td>
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<tr>
<td></td>
<td>Safe Supportive Schools</td>
<td>$(0)</td>
<td>$(0)</td>
<td>$(9,150)</td>
<td>$(9,150)</td>
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<tr>
<td></td>
<td>Translation and Interpretation</td>
<td>$(0)</td>
<td>$(0)</td>
<td>$(7,103)</td>
<td>$(7,103)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>$(0)</td>
<td>$(10)</td>
<td>$(321,809)</td>
<td>$(840,214)</td>
</tr>
</tbody>
</table>

- Case studies state governments use for identifying and managing nonrecurring revenues
  - Alabama
  - Tennessee
  - Utah
  - Louisiana
  - Florida
  - Washington

Importance of Transparency

Spending of federal state fiscal recovery funds should be transparent for taxpayers and decision-makers so that spending can be:

- Identified
- Understood
- Tracked
- Evaluated
State Transparency Examples
# Texas Comptroller’s Infographic on ARPA

## The American Rescue Plan Act of 2021

<table>
<thead>
<tr>
<th>Federal Allocation</th>
<th>Texas Allocation</th>
<th>Federal Funds to States</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>State and Local Fiscal Recovery Fund</strong></td>
<td>$350 Billion</td>
<td>$15.8 Billion</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$1.4 Billion</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$3.4 Billion</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$5.7 Billion</td>
</tr>
</tbody>
</table>

**Total allocations that flow through the state:**

**$39.8 Billion**

*Total will depend on federal guidance, COVID-related expenditures, and the extent of lost revenue. The Legislature can maximize funds through appropriation and potential future distribution.*

### Coronavirus Capital Projects Fund

- **$10 Billion**
- **$50.5 Million**

For payments to states, territories, and tribal governments to complete capital projects directly enabling work, education, and health monitoring, including remote options, in response to the public health emergency.

### Education

<table>
<thead>
<tr>
<th></th>
<th>Elementary and Secondary School Emergency Relief Fund</th>
<th>Elementary and Secondary School Emergency Relief Fund - Homeless Children and Youth</th>
<th>Emergency Assistance to Non-Public Schools Program</th>
<th>State Grants under the Individuals with Disabilities Education Act</th>
<th>Higher Education Emergency Relief Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>$12.9 Billion</td>
<td>$12.4 Billion</td>
<td>$11.3 Billion</td>
<td>$152.1 Million</td>
<td>$1.3 Billion</td>
<td>$1.3 Billion</td>
</tr>
<tr>
<td>$1 Billion</td>
<td>$811 Million</td>
<td>$152.1 Million</td>
<td></td>
<td>$275.6 Million</td>
<td></td>
</tr>
<tr>
<td>$3 Billion</td>
<td>$3.4 Billion</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>$38.8 Billion</td>
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</tr>
</tbody>
</table>

*Glen Hegar*

Texas Comptroller of Public Accounts
## New Jersey Website Tracks COVID-19 Recovery Funds

### Financial Summary

**Funding View**: Federal Act

<table>
<thead>
<tr>
<th>COVID-19 Recovery Funding</th>
<th>Total Funds Allocated</th>
<th>Total Funds Disbursed</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>American Rescue Plan Act - Coronavirus State Fiscal Recovery Fund</strong></td>
<td>$116,546,662,847</td>
<td>$102,128,793,573</td>
</tr>
<tr>
<td><strong>Economic Assistance to Businesses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business Marketing Initiatives</td>
<td>$409,050,062</td>
<td>$102,560,116</td>
</tr>
<tr>
<td>Commuter And Transit Bus Private Carrier Pandemic Relief &amp; Job Program</td>
<td>$25,625,000</td>
<td></td>
</tr>
<tr>
<td>Commuter Hub COVID-impacted Redevelopment</td>
<td>$10,000,000</td>
<td></td>
</tr>
<tr>
<td>Meadowlands Complex - Operations</td>
<td>$15,000,000</td>
<td></td>
</tr>
<tr>
<td>New Jersey Performing Arts Center</td>
<td>$5,000,000</td>
<td>$1,250,000</td>
</tr>
</tbody>
</table>

Illinois Governor Reports to the Legislature on COVID-19 Federal Relief Funds

https://www2.illinois.gov/sites/budget/Pages/default.aspx
Michigan’s Identifies Guiding Principles and Metrics for Fiscal Recovery Funds

- Pandemic
- Equity
- Transformational
- Leverage
- Sustainability
- Efficacy
- Implementation

Michigan’s Bill Analysis Shows Appropriations Acts

Fiscal Year 2021-22 General Omnibus

**S.B. 82 (P.A. 87 of 2021): Initial Appropriations**

<table>
<thead>
<tr>
<th>Department/Budget Area</th>
<th>FY 2020-21 Appropriation</th>
<th>FY 2021-22 Appropriation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health and Human Services</td>
<td>$0</td>
<td>$41,900,000</td>
</tr>
<tr>
<td>Labor and Economic Opportunity</td>
<td>150,000,000</td>
<td>120,000,000</td>
</tr>
<tr>
<td>Michigan State Police</td>
<td>(2,700,000)</td>
<td>0</td>
</tr>
<tr>
<td><strong>Subtotal SB 82 (CR-1) State Fiscal Recovery Fund Appropriations</strong></td>
<td>$147,300,000</td>
<td>$161,900,000</td>
</tr>
</tbody>
</table>

**Enacted Appropriations**

| PA 46 of 2021                              | $0                        | $202,000,000               |
| PA 67 of 2021                              | 262,700,000               | 0                         |
| **Subtotal Enacted State Fiscal Recovery Fund Appropriations** | $262,700,000 | $202,000,000 |

**Total State Fiscal Recovery Fund Appropriations**

<table>
<thead>
<tr>
<th></th>
<th>FY 2020-21</th>
<th>FY 2021-22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Appropriations</td>
<td>$410,000,000</td>
<td>$363,900,000</td>
</tr>
</tbody>
</table>

Michigan’s State Fiscal Recovery allocation total: $6,540,417,600
Estimated funds remaining: $5,766,517,600
Florida Identifies Federal Relief Funds As Non-Recurring

**GENERAL REVENUE FUND**

**FINANCIAL OUTLOOK STATEMENT**

Including Results of August 17, 2021 Revenue Estimating Conference, and Other Adjustments as of August 15, 2021

FY 2020-21 through FY 2026-27

($ MILLIONS)

<table>
<thead>
<tr>
<th>DATE: August 17, 2021</th>
</tr>
</thead>
</table>

**FUNDS AVAILABLE 2020-21**

<table>
<thead>
<tr>
<th>Non-Recurring</th>
<th>Recurring</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance Forward from 2019-20</td>
<td>0.0</td>
<td>6,352.2</td>
</tr>
<tr>
<td>Estimated Revenues</td>
<td>36,791.6</td>
<td>(510.7)</td>
</tr>
<tr>
<td>Prior Year Sales Tax Accounting Adjustment</td>
<td>0.0</td>
<td>(108.6)</td>
</tr>
<tr>
<td>BP Settlement Agreement Payment State Share (D)</td>
<td>26.7</td>
<td>0.0</td>
</tr>
<tr>
<td>Tobacco Settlement Lawsuit Payment</td>
<td>0.0</td>
<td>192.9</td>
</tr>
<tr>
<td>HB 5001 (2020) Trust Fund Transfers (Net of Vetoes; Line Item 815; s. 127)</td>
<td>0.0</td>
<td>182.0</td>
</tr>
<tr>
<td>SB 2500 (2021) Trust Fund Transfers (Net of Vetoes; s. 150)</td>
<td>0.0</td>
<td>322.5</td>
</tr>
<tr>
<td>SB 2500 (2021) - Reverse FCO Carry Forward (ss. 21, 46 &amp; 85)</td>
<td>0.0</td>
<td>6.5</td>
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<tr>
<td>SB 2500 (2021) - Revant Continuing Appropriations (ss. 31 &amp; 34)</td>
<td>0.0</td>
<td>54.0</td>
</tr>
<tr>
<td>Fixed Capital Outlay Revisions</td>
<td>0.0</td>
<td>5.4</td>
</tr>
<tr>
<td>FEMA Reimbursement (Iama, Michael)</td>
<td>0.0</td>
<td>53.0</td>
</tr>
<tr>
<td>COVID-19 Reimbursement</td>
<td>0.0</td>
<td>143.3</td>
</tr>
<tr>
<td>2019 Medicaid Managed Care Achieved Savings Rebate</td>
<td>129.3</td>
<td>129.3</td>
</tr>
<tr>
<td>COVID-19 Emergency Rental Assistance (Restricted Purpose) (F)</td>
<td>0.0</td>
<td>871.2</td>
</tr>
<tr>
<td>Opioid Lawsuit Settlement Payment</td>
<td>0.0</td>
<td>33.8</td>
</tr>
<tr>
<td>American Rescue Plan Act of 2021 - Coronavirus State Fiscal Recovery Fund (G)</td>
<td>0.0</td>
<td>4,408.3</td>
</tr>
<tr>
<td>American Rescue Plan Act of 2021 - Local Fiscal Recovery Fund (G)</td>
<td>363.8</td>
<td>363.8</td>
</tr>
<tr>
<td>Federal Funds Interest Earnings Rebate</td>
<td>0.0</td>
<td>708.2</td>
</tr>
</tbody>
</table>

| Total 2020-21 Funds Available | 38,816.5 | 13,207.1 | 50,023.6 |

**EFFECTIVE APPROPRIATIONS 2020-21**

| State Operations | 17,243.3 | 435.8 | 17,679.1 |
| Aid to Local Government | 16,782.5 | (181.5) | 16,592.0 |
| Fixed Capital Outlay | 94.8 | 147.9 |
| Fixed Capital Outlay/Aid to Local Government | 1.7 | 325.5 | 127.2 |
Pennsylvania Shows Relief Funds Separately From Base Revenues

### General Fund Financial Statement

<table>
<thead>
<tr>
<th>Description</th>
<th>2019-20 Actual</th>
<th>2020-21 Actual</th>
<th>2021-22 Available</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Balance</td>
<td>$ -</td>
<td>$(2,734,070)</td>
<td>$ -</td>
</tr>
<tr>
<td>Adjustments to Beginning Balance</td>
<td>$ 30,373</td>
<td>$ 18,795</td>
<td></td>
</tr>
<tr>
<td><strong>Budget Base Revenue Actual/Estimate</strong></td>
<td>$ 32,275,785</td>
<td>$ 36,954,700</td>
<td>$ 38,770,100</td>
</tr>
<tr>
<td>Base Revenue Adjustments</td>
<td>$ -</td>
<td>$ 3,496,818</td>
<td></td>
</tr>
<tr>
<td><strong>Base Revenue Subtotal</strong></td>
<td>$ 32,275,785</td>
<td>$ 40,451,518</td>
<td>$ 38,770,100</td>
</tr>
<tr>
<td><strong>GA &amp; Code Bills:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>GA Bill:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nontax Miscellaneous - ARP - Revenue Loss</td>
<td>$ 3,841,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fiscal Code:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nontax Miscellaneous - Special Fund Transfers</td>
<td>$(59,500)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nontax Licenses &amp; Fees - BOIS Waivers</td>
<td>$(1,000)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>School Code:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corp and Other Taxes - EITC</td>
<td>$(40,000)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax Code:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corp - CNIT, Bank Shares &amp; Insurance Premiums</td>
<td>$(34,600)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consumption - SUT Exemptions</td>
<td>$(17,200)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other - Table Games &amp; PIT</td>
<td>$ 17,900</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Revenue Actuals/Estimates Subtotal</strong></td>
<td>$ 32,275,785</td>
<td>$ 40,392,018</td>
<td>$ 42,536,200</td>
</tr>
<tr>
<td><strong>Federal Stimulus:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>COVID-19 Enhanced FMAP</td>
<td>$ 1,129,395</td>
<td>$ 1,651,173</td>
<td>$ 1,473,395</td>
</tr>
<tr>
<td>CRF - Public Health &amp; Safety Staff*</td>
<td>$ 1,532,151</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Revenue Actuals/Estimates</strong></td>
<td>$ 33,405,180</td>
<td>$ 43,957,342</td>
<td>$ 44,009,595</td>
</tr>
</tbody>
</table>
### Financial Plan Overview

**FY 2022 ENACTED BUDGET GENERAL FUND GAP-CLOSING PLAN SAVINGS/(COSTS)**

(millions of dollars)

<table>
<thead>
<tr>
<th></th>
<th>FY 2022 Projected</th>
<th>FY 2023 Projected</th>
<th>FY 2024 Projected</th>
<th>FY 2025 Projected</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>BASELINE SURPLUS/(GAP) ESTIMATE</strong></td>
<td>(9,525)</td>
<td>(9,313)</td>
<td>(9,235)</td>
<td>(10,654)</td>
</tr>
<tr>
<td><strong>Receipts</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax Receipts Revisions</td>
<td>4,093</td>
<td>5,102</td>
<td>5,402</td>
<td>6,099</td>
</tr>
<tr>
<td>Tax Actions:</td>
<td>3,490</td>
<td>3,926</td>
<td>3,790</td>
<td>4,022</td>
</tr>
<tr>
<td>Temporary High Income Surcharge</td>
<td>2,753</td>
<td>3,251</td>
<td>3,439</td>
<td>4,472</td>
</tr>
<tr>
<td>Temporary Business Tax Increase</td>
<td>750</td>
<td>1,073</td>
<td>796</td>
<td>0</td>
</tr>
<tr>
<td>Property Tax Relief Credit</td>
<td>0</td>
<td>(382)</td>
<td>(403)</td>
<td>(411)</td>
</tr>
<tr>
<td>Recovery Tax Credits</td>
<td>(20)</td>
<td>(40)</td>
<td>(50)</td>
<td>(25)</td>
</tr>
<tr>
<td>All Other Tax Actions</td>
<td>7</td>
<td>24</td>
<td>8</td>
<td>(14)</td>
</tr>
<tr>
<td>STAR</td>
<td>0</td>
<td>(1)</td>
<td>(1)</td>
<td>107</td>
</tr>
<tr>
<td>Debt Service Transfers</td>
<td>122</td>
<td>1,398</td>
<td>1,028</td>
<td>746</td>
</tr>
<tr>
<td>Miscellaneous Receipts</td>
<td>22</td>
<td>(26)</td>
<td>(20)</td>
<td>(18)</td>
</tr>
<tr>
<td>Federal Aid (Non-Tax Transfers)</td>
<td>4,500</td>
<td>2,350</td>
<td>2,250</td>
<td>3,645</td>
</tr>
<tr>
<td>Other Non-Tax Transfers</td>
<td>(398)</td>
<td>(944)</td>
<td>(1,037)</td>
<td>(1,037)</td>
</tr>
</tbody>
</table>
Transparency Recommendations

• Identify funds as nonrecurring in budget documents
• Provide information on the amount of fiscal recovery funds received, allocated, and spent
• List specific projects, performance metrics, and timeline (start date, end date or plans to continue)
Conclusion -- Responsible Budgeting in Times of Stimulus

• One-time federal funds used for recurring programs could lead to a fiscal cliff

• Ways to avoid a fiscal cliff
  • Use one-time federal funds for one-time or short-term spending
  • If use for recurring programs, identify funds for when federal funds no longer are available

• Recommended Budget practices
  • Rainy day funds
  • Multi-year forecasting and scenario analysis
  • Legislative oversight of funds
  • Transparency
Contact Information

Beverly Bunch
Professor, School of Public Management and Policy
University of Illinois Springfield
bbunc1@uis.edu
Additional Slides If Needed
Examples of the Use of Federal One-Time Funds

**Health Programs**
1. Expand mental health and addiction services
2. Provide skill training for long-term care workers
3. Provide financial assistance to long-term care facilities

**Workforce**
4. Implement job training to help unemployed people significantly impacted by pandemic transition to high-quality career paths
Examples of the Use of Federal One-Time Funds

Education

5. Expand tutoring
6. Offer before and after school programs for students disproportionately impacted by the pandemic
7. Provide funds to higher education to offset revenue loss and higher costs due to pandemic (e.g., COVID-19 testing, remote learning)
8. Expand preschool for underserved populations

Community Programs

9. Invest in affordable housing programs
10. Provide violence prevention grants
11. Stabilize food banks that have experienced large increases in demand
State Tax Decreases

• Cannot use federal funds to “directly or indirectly” offset loss of state tax revenues due to state tax decreases
  • Recoupment provision

• State tax decreases allowed if revenue loss offset by
  • Increases in other taxes or revenues
  • Decreases in spending (beyond what is due to stimulus funds)
  • Organic revenue growth
State Lawsuits Contesting APRA Tax Provision

- As of December 2021, 20 states had filed six lawsuits
  - Four ruled in favor of states
  - Two ruled states did not have standing
- Cases under appeal
Conclusion -- Responsible Budgeting in the Stimulus Age

- How much of state own-source tax revenue increase is due to federal stimulus funds flowing into the economy?
  - e.g., individual stimulus payments, unemployment benefits, child tax credits, assistance to businesses and other organizations

- Possibility of a recession

- Availability of state own-source revenues when federal funds are no longer available

- Permanent versus temporary tax decreases

- Some states using trigger provisions – will not implement phased-in tax cut if revenues drop below a specified level