

# Responsible Budgeting in the Stimulus Age



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**What is responsible  
budgeting?**

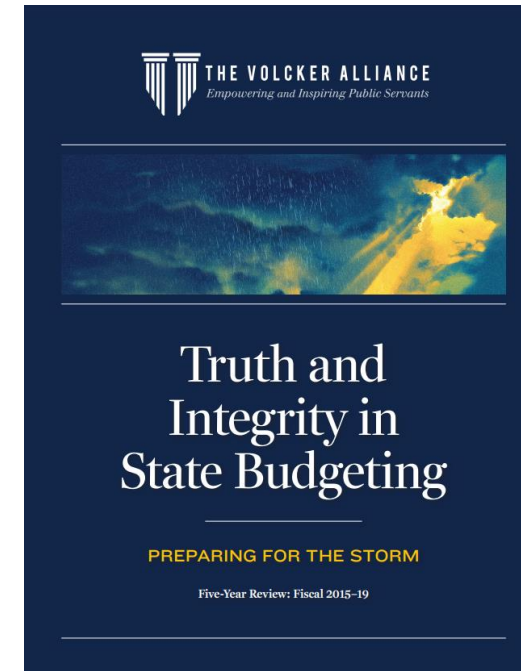
# Responsible Budgeting Concepts

- 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



- Available
  - <https://www.volckeralliance.org/resources/195-billion-challenge>

# Acknowledgements

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

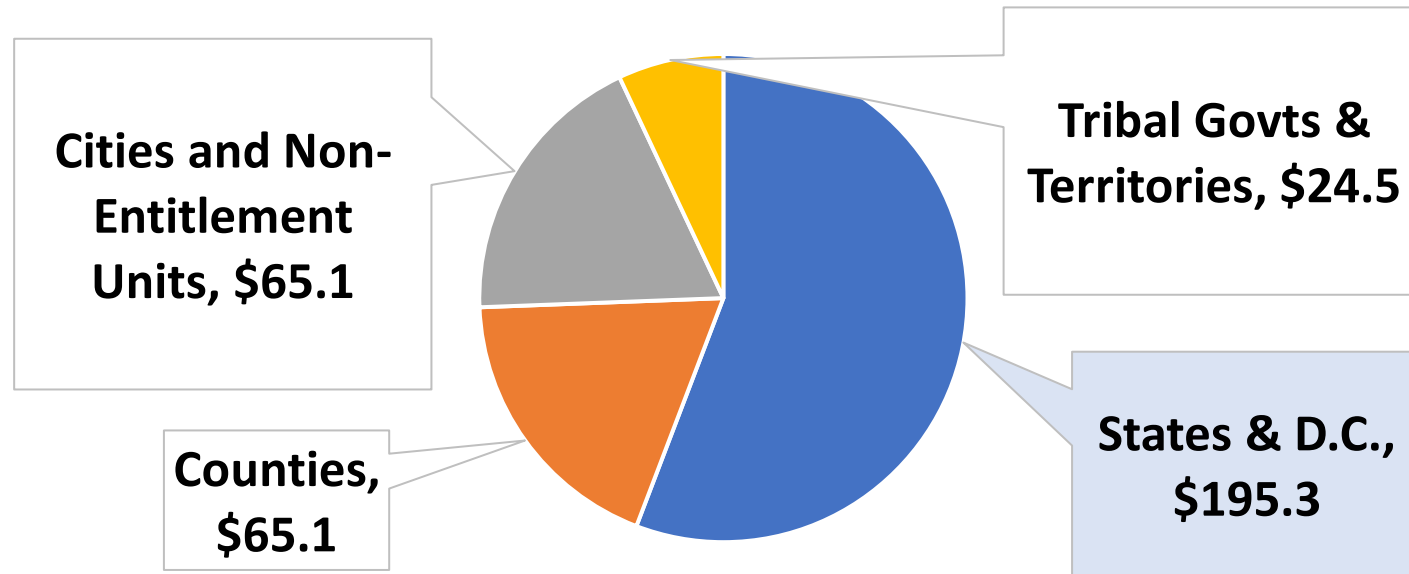
# Outline

- 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)





# 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

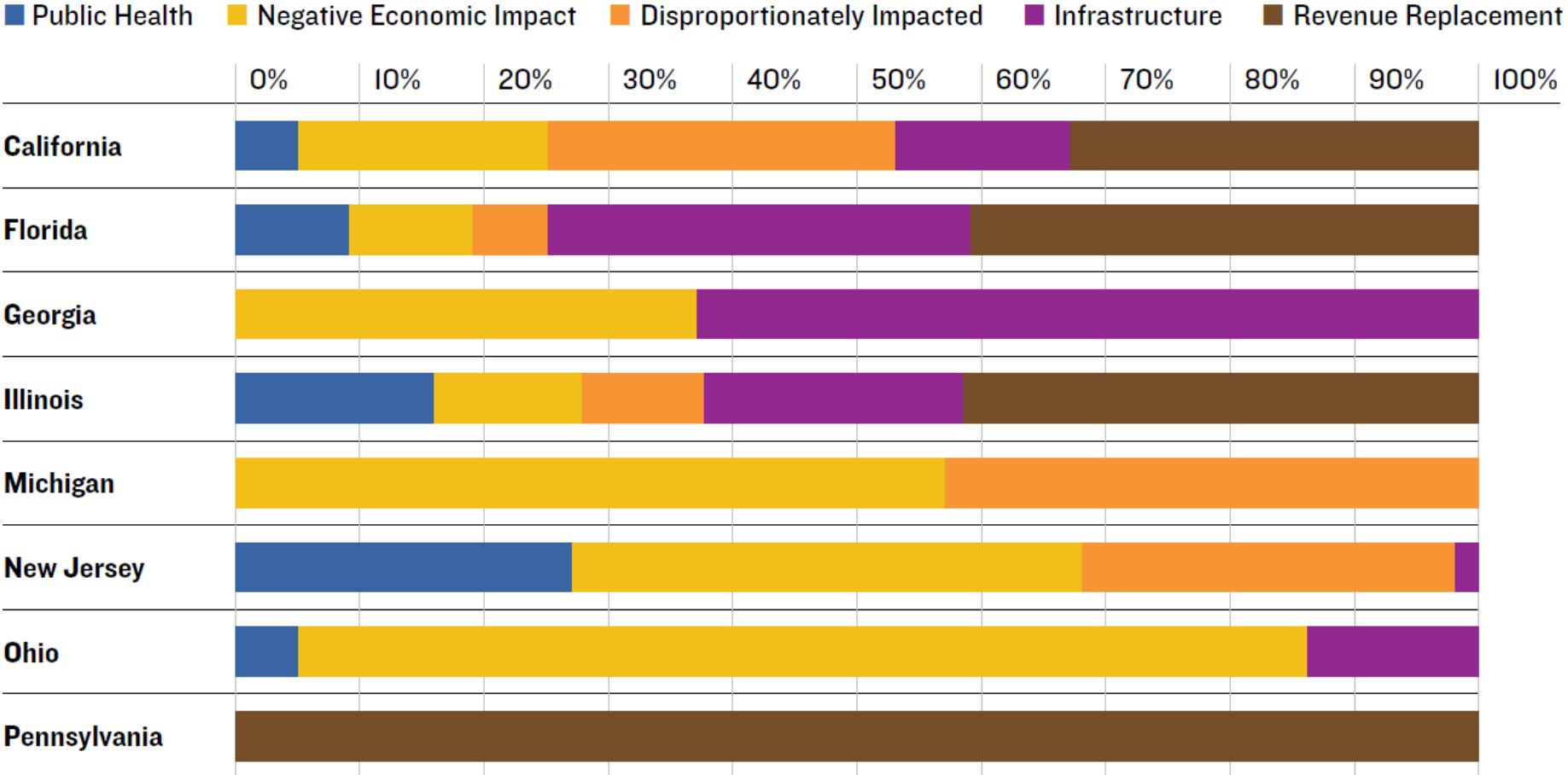
- 19 states allocated at least some funds to Revenue Replacement (as of 7/21)
- Based on estimates of revenue loss due to the pandemic
- Category that allows the most discretion for states
- Whether this could lead to a fiscal cliff depends, in part, on how those funds are being used

# 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 I How 8 States Are Spending SLFRF Money (as of July 31, 2021)\***



**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\*

Source: US Treasury, *Advances to State Unemployment Fund*,  
<https://fiscaldata.treasury.gov/datasets/ssa-title-xii-advance-activities/advances-to-state-unemployment-funds-social-security-act-title-xii>

- 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)

State	Amount (in billions) as of July 30, 2021	% of FY 2022 General Fund Estimated Expenditures
California	\$8.9 Revenue replacement	4.2%
Pennsylvania	\$3.8 Revenue replacement	9.9%
Illinois	\$2.0 ARPA reserves for essential gov't services	4.5%
New York	\$4.5 Federal aid – nontax revenues	5.2%

# 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

Source: State Recovery Plans, August 2021.



# 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

Source: State Recovery Plans, August 2021.

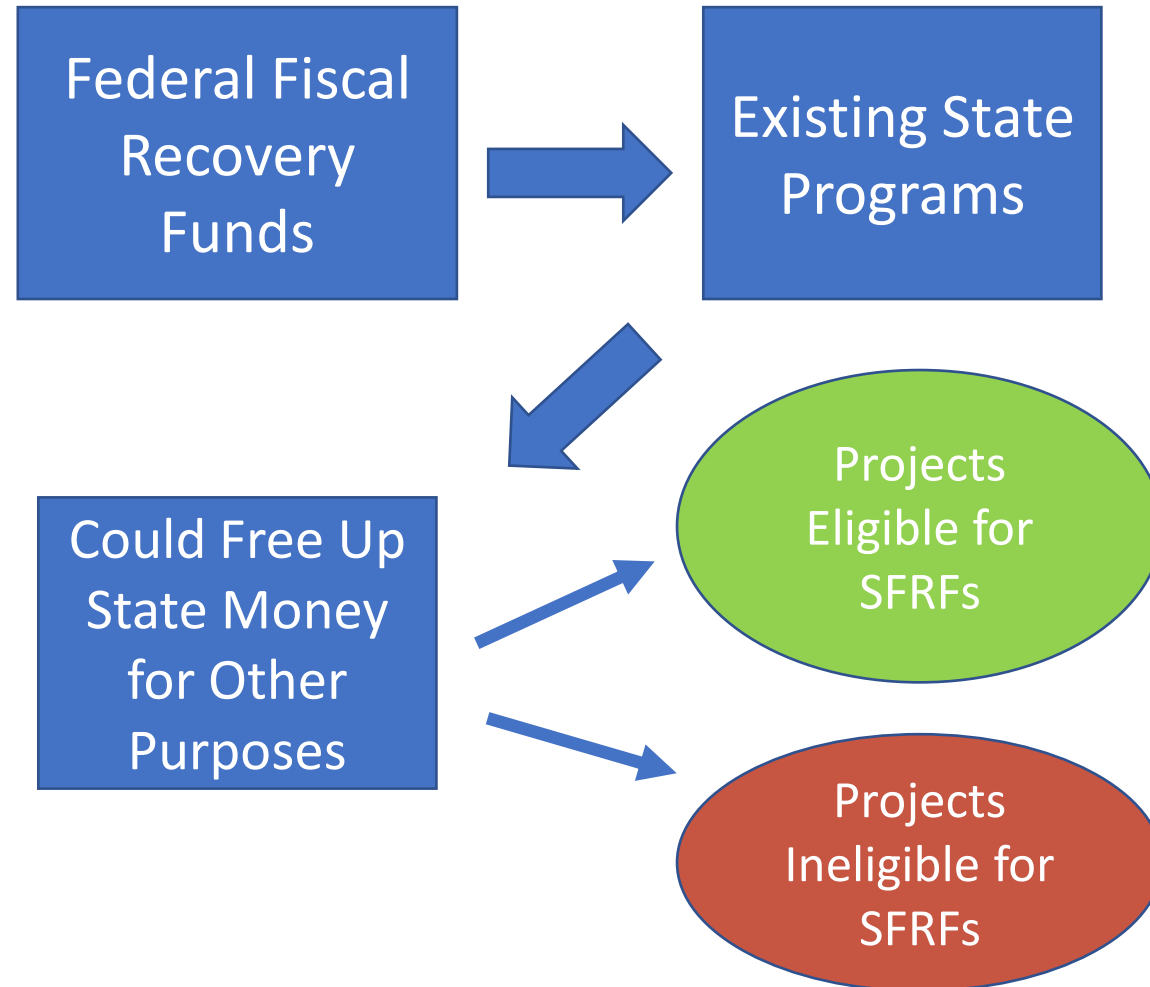
# Example of Revenue Replacement Fund Uses

## 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)



# 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

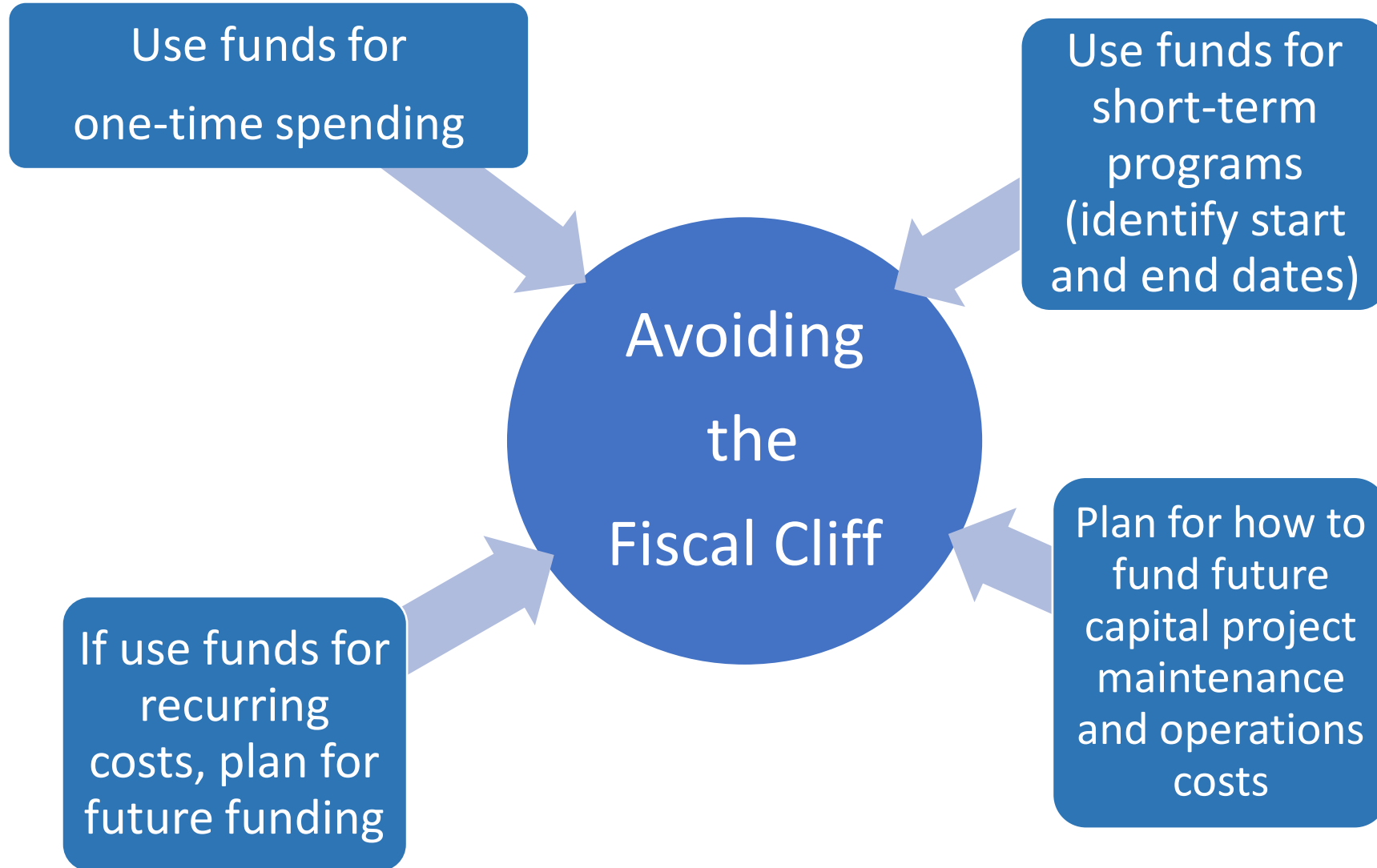
## Discussion Questions

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



# 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)

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

# ***Pew Study – State Strategies for Maintaining a Balance Budget (2018)***

- Case studies state governments use for identifying and managing nonrecurring revenues
  - Alabama
  - Tennessee
  - Utah
  - Louisiana
  - Florida
  - Washington
- Website: <https://www.pewtrusts.org/en/research-and-analysis/reports/2018/06/14/state-strategies-for-maintaining-a-balanced-budget>

# 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

	Federal Allocation	TEXAS ALLOCATION	Federal Funds to States
<b>STATE AND LOCAL FISCAL RECOVERY FUND</b>	\$350 Billion	<b>\$15.8 Billion</b>	<b>State of Texas</b>
		<b>\$1.4 Billion</b>	<b>Smaller Cities and Counties</b>
		<b>\$3.4 Billion</b>	<b>Funds Directly to Major Cities</b>
		<b>\$5.7 Billion</b>	<b>Funds Directly to Major Counties</b>
<b>EDUCATION</b>	\$122.0 Billion		For states, local and tribal governments to:
			<ul style="list-style-type: none"> <li>respond to the COVID-19 public health emergency or its negative economic impacts, including assistance to households, small businesses and nonprofits or aid to impacted industries such as tourism, travel and hospitality</li> <li>provide premium pay to eligible workers that are performing essential work or by providing grants to eligible employers that have eligible essential workers</li> <li>provide government services to the extent of the reduction due to public health emergency relative to revenues collected in the most recent full fiscal year of the government prior to the emergency</li> <li>make necessary investments in water, sewer, or broadband infrastructure</li> </ul>
			Restrictions include 1) that funds not offset any new tax reductions or delay the imposition of any tax or tax increase and 2) cannot be used to support a pension fund
			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
<b>CORONAVIRUS CAPITAL PROJECTS FUND</b>	\$10 Billion	<b>\$500.5 Million</b>	
	\$800 Million	<b>\$81.3 Million</b>	Elementary and Secondary School Emergency Relief Fund -Homeless Children and Youth
	\$2.7 Billion	<b>\$152.1 Million</b>	Emergency Assistance to Non-Public Schools Program
	\$3 Billion	<b>\$275.6 Million</b>	State grants under the Individuals with Disabilities Education Act
	\$39.6 Billion	<b>\$3.4 Billion</b>	Higher Education Emergency Relief Fund

**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's ability to maximize funds through appropriation and potential future distribution based on unemployment.

# New Jersey Website Tracks COVID-19 Recovery Funds

 OFFICIAL SITE OF THE STATE OF NEW JERSEY

GOVERNOR'S DISASTER RECOVERY OFFICE

[Home](#) > [Financial Analysis Home](#) > [Financial Summary](#)

## Financial Summary

Funding View: Federal Act ▼

### COVID-19 Recovery Funding

Total Funds Allocated: **\$116,546,662,847**      Total Funds Disbursed: **\$102,128,793,573**

	Total Funds Allocated	Total Funds Disbursed
^ American Rescue Plan Act - Coronavirus State Fiscal Recovery Fund	\$2,833,128,395	\$165,232,988
^ Economic Assistance to Businesses	\$409,650,612	\$102,566,116
Business Marketing Initiatives	\$5,000,000	-
Commuter And Transit Bus Private Carrier Pandemic Relief & Job Program	\$25,625,000	-
Commuter Hub COVID-Impacted Redevelopment	\$10,000,000	-
Meadowlands Complex - Operations	\$15,000,000	-
New Jersey Performing Arts Center	\$5,000,000	\$1,250,000

<https://gdro.nj.gov/tp/en/financial-analysis/financial-summary>

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



STATE OF ILLINOIS  
EXECUTIVE OFFICE OF THE GOVERNOR  
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET

JULY 15, 2022

## June 2022 Report to the Legislative Budget Oversight Commission

In accordance with 25 ILCS 10/20, this report contains information regarding revenue and expenditures, statutory transfers, grants awarded from certain federal relief related to the COVID-19 pandemic, and necessary budget management actions taken by the Office of the Governor, the Governor's Office of Management and Budget, or any state agency. This report also contains information about the expenditure of federal financial relief by State and local governments related to the COVID-19 pandemic.

<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



State of Michigan

[https://www.michigan.gov/-/media/Project/Websites/budget/Need-Home/2021\\_SLFRF\\_Recovery\\_Plan\\_Report.pdf?rev=1855b0a6b244431eb1ec4fea29cccd8a](https://www.michigan.gov/-/media/Project/Websites/budget/Need-Home/2021_SLFRF_Recovery_Plan_Report.pdf?rev=1855b0a6b244431eb1ec4fea29cccd8a)



# Michigan's Bill Analysis Shows Appropriations Acts

FY 2021-22 GENERAL OMNIBUS

S.B. 82 (P.A. 87 of 2021): INITIAL APPROPRIATIONS



Senate Fiscal Agency  
P.O. Box 30036  
Lansing, Michigan 48909-7536

BILL ANALYSIS



Telephone: (517) 373-2768

Fax: (517) 373-1986

General Omnibus Appropriations Bill Public Act 87 of 2021 Federal Coronavirus State Fiscal Recovery Fund Appropriations		
Department/Budget Area	FY 2020-21 Appropriation	FY 2021-22 Appropriation
Health and Human Services	\$0	\$41,900,000
Labor and Economic Opportunity	150,000,000	120,000,000
Michigan State Police	(2,700,000)	0
<b>Subtotal SB 82 (CR-1) State Fiscal Recovery Fund</b>	<b>\$147,300,000</b>	<b>\$161,900,000</b>
<b><u>Enacted Appropriations</u></b>		
PA 48 of 2021	\$0	\$202,000,000
PA 67 of 2021	262,700,000	0
<b>Subtotal Enacted State Fiscal Recovery Fund Appropriations</b>	<b>\$262,700,000</b>	<b>\$202,000,000</b>
<b>Total State Fiscal Recovery Fund Appropriations</b>	<b>\$410,000,000</b>	<b>\$363,900,000</b>
Michigan's State Fiscal Recovery allocation total: <b>\$6,540,417,600</b> Estimated funds remaining: <b>\$5,766,517,600</b>		

# 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 16, 2021  
FY 2020-21 through FY 2026-27  
(\$ MILLIONS)

DATE: August 17, 2021

	<u>RECURRING</u>	<u>NON- RECURRING</u>	<u>TOTAL</u>
<b>FUNDS AVAILABLE 2020-21</b>			
Balance Forward from 2019-20	0.0	6,352.2	6,352.2
Estimated Revenues	36,791.6	(510.7)	36,280.9
Prior Year Sales Tax Accounting Adjustment	0.0	(108.6)	(108.6)
BP Settlement Agreement Payment State Share (D)	26.7	0.0	26.7
Tobacco Settlement Lawsuit Payment	0.0	192.9	192.9
HB 5001 (2020) Trust Fund Transfers (Net of Vetoes; Line Item 615); s. 127)	0.0	182.0	182.0
SB 2500 (2021) Trust Fund Transfers (Net of Vetoes; s. 150)	0.0	322.5	322.5
SB 2500 (2021) - Revert FCO Carry Forward (ss. 21, 40 & 85)	0.0	6.5	6.5
SB 2500 (2021) - Revert Continuing Appropriations (ss. 31 & 34)	0.0	54.0	54.0
Fixed Capital Outlay Reversions	0.0	5.4	5.4
FEMA Reimbursement (Irma, Michael)	0.0	53.0	53.0
COVID-19 Reimbursement	0.0	143.3	143.3
2019 Medicaid Managed Care Achieved Savings Rebate	0.0	129.3	129.3
COVID-19 Emergency Rental Assistance (Restricted Purpose) (F)	0.0	871.2	871.2
Opioid Lawsuit Settlement Payment	0.0	33.8	33.8
American Rescue Plan Act of 2021 - Coronavirus State Fiscal Recovery Fund (G)	0.0	4,408.3	4,408.3
American Rescue Plan Act of 2021 (Restricted Purposes) (G)	0.0	363.8	363.8
American Rescue Plan Act of 2021 - Local Fiscal Recovery Fund (G)	0.0	708.2	708.2
Federal Funds Interest Earnings Rebate	(1.8)	0.0	(1.8)
<b>Total 2020-21 Funds Available (A) (B) (C) (D)</b>	<b>36,816.5</b>	<b>13,207.1</b>	<b>50,023.6</b>
<b>EFFECTIVE APPROPRIATIONS 2020-21</b>			
State Operations	17,243.3	435.8	17,679.1
Aid to Local Government	16,783.5	(191.5)	16,592.0
Fixed Capital Outlay	53.3	94.6	147.9
Fixed Capital Outlay/Aid to Local Government	1.7	325.5	327.2



# Pennsylvania Shows Relief Funds Separately From Base Revenues

## General Fund Financial Statement

	2019-20 <u>Actual</u>	2020-21 <u>Actual</u>	2021-22 <u>Available</u>
<b>Beginning Balance</b>	\$ -	\$ (2,734,070)	\$ -
Adjustments to Beginning Balance	30,373	18,795	
Budget Base Revenue Actual/Estimate	32,275,785	36,954,700	38,770,100
Base Revenue Adjustments		3,496,818	
<b>Base Revenue Subtotal</b>	<b>32,275,785</b>	<b>40,451,518</b>	<b>38,770,100</b>
<b><u>GA &amp; Code Bills:</u></b>			
<b>GA Bill:</b>			
➔ Nontax Miscellaneous - ARP - Revenue Loss			3,841,000
<b>Fiscal Code:</b>			
Nontax Miscellaneous - Special Fund Transfers		(59,500)	
Nontax Licenses & Fees - BOIS Waivers			(1,000)
<b>School Code:</b>			
Corp and Other Taxes - EITC			(40,000)
<b>Tax Code:</b>			
Corp - CNIT, Bank Shares & Insurance Premiums			(34,600)
Consumption - SUT Exemptions			(17,200)
Other - Table Games & PIT			17,900
<b>Revenue Actuals/Estimates Subtotal</b>	<b>32,275,785</b>	<b>40,392,018</b>	<b>42,536,200</b>
<b><u>Federal Stimulus:</u></b>			
➔ COVID-19 Enhanced FMAP	1,129,395	1,651,173	1,473,395
CRF - Public Health & Safety Staff*		1,532,151	
<b>Revenue Actuals/Estimates</b>	<b>33,405,180</b>	<b>43,575,342</b>	<b>44,009,595</b>

# New York Shows Multiple Years of Federal Aid Allocation



## Financial Plan Overview

### FY 2022 ENACTED BUDGET GENERAL FUND GAP-CLOSING PLAN SAVINGS/(COSTS) (millions of dollars)

	FY 2022 Projected	FY 2023 Projected	FY 2024 Projected	FY 2025 Projected
<b>BASELINE SURPLUS/(GAP) ESTIMATE</b>	(9,525)	(9,313)	(9,235)	(10,654)
<b>Receipts</b>	<b>11,829</b>	<b>11,805</b>	<b>11,412</b>	<b>13,564</b>
Tax Receipts Revisions	4,093	5,102	5,402	6,099
Tax Actions:	<u>3,490</u>	<u>3,926</u>	<u>3,790</u>	<u>4,022</u>
Temporary High Income Surcharge	2,753	3,251	3,439	4,472
Temporary Business Tax Increase	750	1,073	796	0
Property Tax Relief Credit	0	(382)	(403)	(411)
Recovery Tax Credits	(20)	(40)	(50)	(25)
All Other Tax Actions	7	24	8	(14)
STAR	0	(1)	(1)	107
Debt Service Transfers	122	1,398	1,028	746
Miscellaneous Receipts	22	(26)	(20)	(18)
Federal Aid (Non-Tax Transfers)	4,500	2,350	2,250	3,645
Other Non-Tax Transfers	(398)	(944)	(1,037)	(1,037)



# 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

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**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

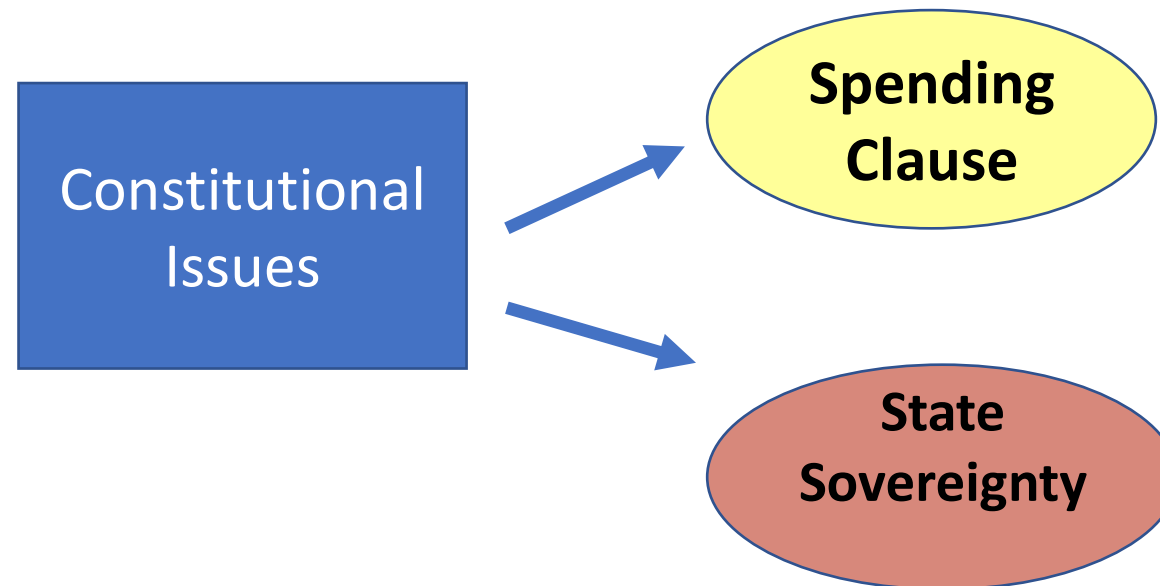
9. Invest in affordable housing programs
10. Provide violence prevention grants
11. Stabilize food banks that have experienced large increases in demand

# 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