



MEMORANDUM

To: Chris Sieklucki

From: Matt Solak

Date: May 29, 2020

Re: MAAE Monthly Legislative Report

Overall State Issues

COVID-19

As members are surly aware the COVID-19 outbreak continues to be all consuming since Michigan's first confirmed case on March 10th. The Legislature last met on March 17th to approve \$125 million in additional COVID-19 related spending. The Legislature has started to meet with some more frequency throughout May as the realities of the budget impact caused by COVID-19 are becoming more prevalent.

On May 19, the Senate Fiscal Agency released a memo laying out the new budget realities for the State of Michigan. State tax revenue drops have resulted in a \$2.2 billion hole in the state's General Fund and School Aid Fund for the current fiscal year and \$3.1 billion for the next fiscal year, according to a Senate Fiscal Agency (SFA) analysis of consensus revenue projections made this afternoon. Combined, the state's revenue loss between this year and Fiscal Year (FY) 2021 is \$6.28 billion.

The General Fund revenue for FY '20 was reduced today by \$2 billion. School Aid revenue for the current year is off by \$1.2 billion. Once a projected \$916.2 million surplus is taken off and a variety of other variables are taken into consideration, the final number is a \$2.2 billion mid-year deficit. For the fiscal year ending Sept. 30, it's a \$1.068 billion General Fund hole and a \$1.09 billion School Aid Fund deficit, for a total of \$2.2 billion. For the fiscal year starting Oct. 1, it's a \$2.216 billion General Fund hole and a \$962.7 million School Aid Fund deficit, for a total of \$3.1 billion.

The problem is bigger next year, presuming the leftover money is spent and a variety of other spending pressures are tossed into the soup. The numbers for FY '22 don't look great either. The

projected General Fund hole is \$1.146 billion. The School Aid deficit moves down to \$334.4 million.

None of the numbers presume money is spent out of the \$1.2 billion rainy day fund.

Airport Issues

Aviation Funding

On March 10th House Bills 5582 and 5583 were introduced to remove the sales and use tax on motor and aviation fuel. These bills were to confirm Speaker Lee Chatfield's position that all taxes paid at the pump should go to support infrastructure. The legislation contained a motor fuel replacement tax in House Bill 5585. A replacement tax was not introduced on aviation fuel until an agreement can be reached between MAAE, MBAA, Delta and the State Aeronautics Office. The Legislature is committed to a replacement tax that provides additional funding for Michigan's airports. MAAE's lobbyist continues to work with other industry partners to find an agreeable solution. The COVID-19 situation will surely complicate all tax issues as the State is seeing massive declines in tax revenues.

Michigan Airports Receive \$256 Million in CARES Act Grants

The MAAE sent a letter to Michigan's Congressional Delegation in support of the federal CARES Act. In April, the CARES Act was passed by Congress and signed by President Trump. More than 90 airports in Michigan will receive funding from the CARES Act.