Public Policy Associates

Michigan's Budget Breakdown

LESSONS AND RECOMMENDATIONS FROM FY 2026

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In my 25 years of working in Michigan politics, I have never seen a budget process quite like this.

Although Michigan's policy environment has always been challenging; this past year, behind closed doors and after multiple statutory deadlines passed, the Legislature passed a budget that left many confused and disappointed.

The unique demographics of our state foster a fertile environment for bipartisan consensus, encouraging a rich exchange of ideas that should benefit all residents.

However, our budget process is failing to meet the basic pillars of transparent and deliberative bipartisan governance.

Instead, our budget process has created a system that fails our communities and our state's democratic ideals.

Public Policy Associates' goal in this work is not to point fingers or place blame, but to provide time to reflect on our state's appropriation process.

We can and must do better than we did in 2025.

To that end, this policy brief provides an analysis of Michigan's constitutional and statutory budget rules; a review of the de facto budget process and timeline; a rundown of the unique and tumultuous aspects of the FY2026 budget deliberations; lessons from Michigan's history; and recommendations to improve the process.

As a state, we have the duty to create a system that allows for bipartisan disagreements, open and honest dialogue, and diversity of opinion, especially from outside of the Lansing elite.

Ultimately, our recommendations, focused on improvement, provide a path forward to a more engaging and responsive process.

After 25 years of public service, one lesson stands out above all: when we set partisan differences aside, we can create intentional reforms and meaningful change.

Rob Fowler, CEO
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Michigan Constitutional Requirements

First, we must clarify what is constitutionally mandated in Michigan. The Michigan Constitution sets the overall framework for our state's government and includes several key provisions related to our budget process.

The Constitution provides a general cadence for the order in which things should be passed, as well as the detail and structure of the actual budget text. It, however, does not set dates of passage or punishments for failing to meet them.

Additionally, the Michigan Constitution does not define a fiscal year (FY), meaning our current FY is set by statute, not the Constitution. Nonetheless, there are several key procedures and functions of the state budget process in Michigan's Constitution, namely in Articles IV, V, and IX.

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LEGISLATIVE BRANCH: ARTICLE IV, SECTION 31

Article IV, Section 31 establishes priority for a general appropriation bill for the succeeding fiscal year over any supplemental appropriation bills. This section also specifies that one of the general appropriation bills passed by the Legislature needs to contain an itemized statement of estimated revenue by "major source in each operating fund for the ensuing fiscal period."

EXECUTIVE BRANCH: ARTICLE V, SECTIONS 18, 19, 20

Article V, Section 18 mandates that the Governor must submit a balanced budget recommendation to the Legislature for the ensuing fiscal year. The executive budget must include all operating funds, propose expenditure, and estimate the revenue required to fund them.

Additionally, any deficit or surplus from the preceding fiscal year must be included in the next year's budget and in one of the appropriation bills, ensuring financial stability and fiscal responsibility.

Other key sections in Article V include Section 19, which gives the Governor the power to line-item veto items in the appropriation bill.

Lastly, Article V, Section 20 stipulates that no appropriation shall be a mandate to spend and states that the Governor, with approval of the House and Senate Appropriations Committees, "shall reduce authorized expenditures for departments of the executive branch when it appears that actual revenue will fall below the revenue estimate on which appropriations were based."

FINANCE AND TAXATION: ARTICLE IX, SECTION 28

Article IX outlines the state's finance and taxation structure; however, Article IX, Section 28 mandates that the Legislature must approve an enacted budget balanced with the available estimated revenue.

KEY CONSTITUTIONAL PROVISIONS

- ✓ The Governor must submit a balanced budget recommendation to the Legislature.
- ✓ The Legislature must approve an enacted budget that is balanced with the estimated revenue available.
- ✓ The Governor and Legislature must make adjustments if the budget becomes out of balance during the course of a fiscal year to bring it back into balance.

A Typical Budget Process

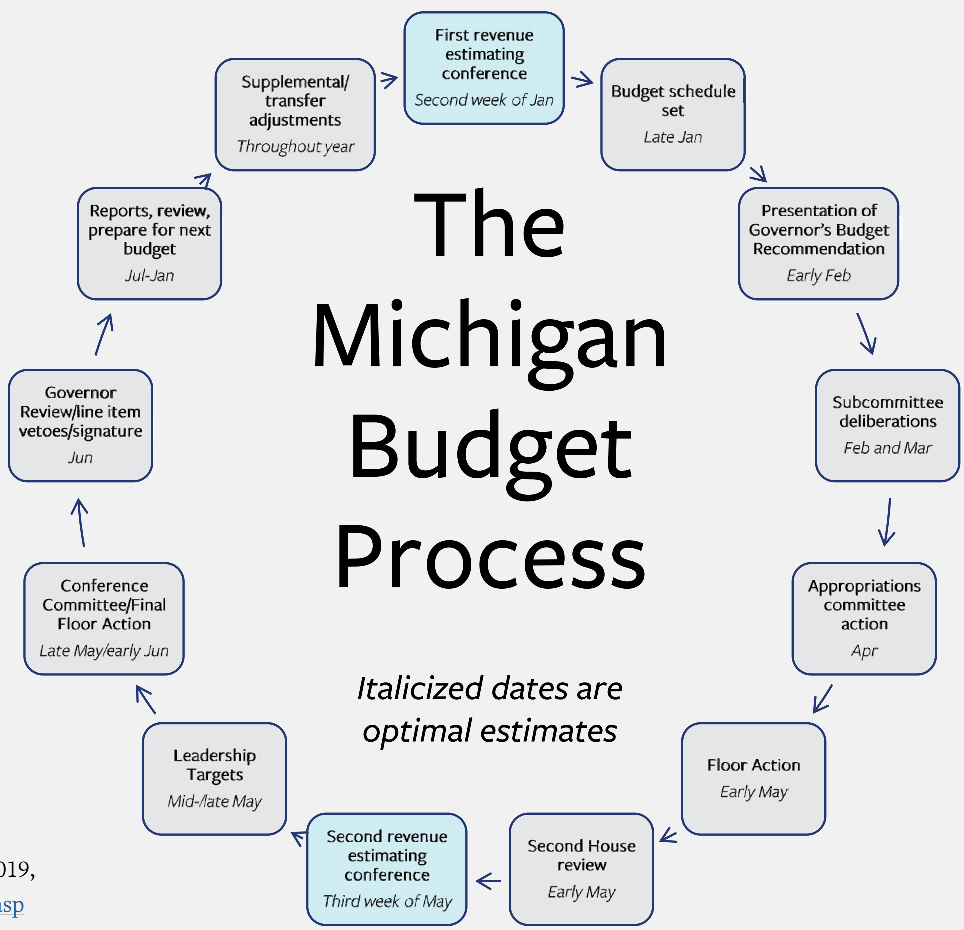
As laid out in the previous section, the Michigan Constitution provides a general cadence for the order in which things should be passed and the detail and structure of the actual budget document. However, the dates and deadlines, which are mandated by statute, have changed over time.

Typically, after the start of the state's new fiscal on October 1, the Executive branch, House, and Senate begin conversations internally on their priorities and objectives for the next fiscal year.

Stakeholders, subject-matter experts, lobbyists, and constituents are often consulted during this time to understand where the state should put additional investment. It is important to note that conversations with these groups are typically ongoing throughout the year.

The Consensus Revenue Estimating Conference (CREC), which happens in January, kicks off the first

FIGURE 1: THE MICHIGAN BUDGET PROCESS CYCLE



Note. From Figure 1 by House Fiscal Agency, 2019, https://www.house.mi.gov/hfa/KeyDocuments.asp step in actualizing the Executive, House, and Senate budget proposals. The CREC is a biannual meeting where state officials forecast tax revenues for the state budget (Michigan Department of Treasury, n.d.).

Typically, after the January CREC, the budget process has followed this order:

- Budget discussions begin in October of the previous year.
- The CREC meets in January of each year and again in May.
- The Governor presents the Executive recommendation in February.
- Senate and House budget negotiations occur from February to May/June.
- The budget is signed by July 1.

AMENDING THE BUDGET PROCESS

Over time, the State of Michigan has made several changes to its budget process.

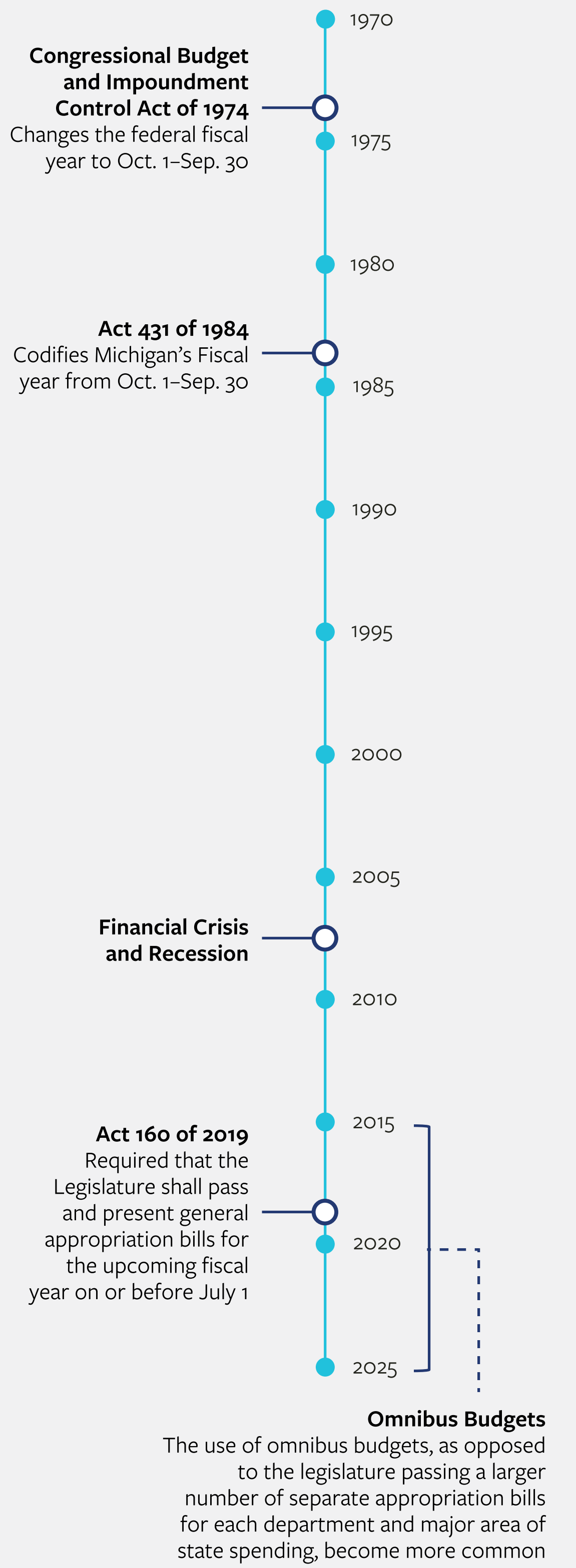
For example, in 1984, Michigan shifted Michigan's fiscal year to begin on October 1.

After Michigan aligned its fiscal year with the federal government's fiscal year in 1976, July became the unofficial target for the State's Legislature to complete its budget (according to a 2009 report by the Citizens Research Council). Despite the federal shift, Michigan did not officially change its fiscal year until Act 431 of 1984.

More recently, Act 160 of 2019 required that, beginning July 1, 2021, the legislature must pass and present general appropriation bills for the upcoming fiscal year on or before July 1.

Whether it be federal or economic shifts, there is precedent for amending the budget process.

FIGURE 2: TIMELINE OF MICHIGAN BUDGET CHANGES THROUGH STATUTES



What Happened This Year?

A failed and dramatic lame-duck session set the stage for the start of the 103rd Michigan legislative session. Some might argue that this legislative session was doomed from the start.

OFF TO A ROUGH START

Just a month earlier, in December 2024, the 102nd session concluded in turmoil, unable to pass a series of proposed laws in its final days (Bridge, 2024).

Typically, the final days of a legislative session, known colloquially as a lame duck session, result in a marathon of bill passage. The lame duck period occurs between the November election and the official end of the current session in December (Hudiburg, 2024). This is an opportunity, especially for an outgoing leader, to usher major policy change across the finish line.

This most recent lame duck session had additional pressure as it was the final days of a two-year Michigan Democratic Party Trifecta (Hendrickson, 2024). With the change in House leadership imminent, Michigan House and Senate Democrats were anticipating the passage of several key policies, including an economic development package, government transparency (Freedom of Information Act reform), and a road-funding package.

The aspirations were ceremoniously thwarted by the House Republican walkout, which eliminated the quorum necessary for a vote. House Republicans attributed the boycott to Speaker Joe Tate and House Democrats' failure to prioritize voting on bills concerning the new paid earned sick time rules scheduled to take effect in February 2025 (Harmon, 2024).

The December lame duck session was filled with emotion, finger-pointing, and contentious press conferences, hinting at what was in store come January.

THE START OF MICHIGAN'S 103RD LEGISLATURE

The 2025-2026 legislative session marked the start of a newly divided government with Democrats controlling the Governor's office and the Senate, and Republicans controlling the House. Representative Matt Hall from Richland Township, the key leader of the Republican lame-duck walkout, became the new House Speaker (Michigan House Republicans, 2024).

As the session kicked off, not only was the December drama still fresh in legislators' minds, but several politically fraught circumstances also heightened tensions.

In January, President Donald Trump was sworn into his second presidential term. He quickly enacted several of his campaign promises, including an aggressive immigration-enforcement campaign, the swift cancellation of billions of federal grants and contracts, and the scaling back or elimination of federal departmental programs and personnel (White House, 2025; Cabreros & Bhatia, 2025). These swift policy changes led to outrage from Michigan Democrats and excitement and energy from the Republican caucus.

Back in the Mitten State, there needed to be immediate action on earned sick time and minimum wage laws set to take effect in mid-February.[1] The impending changes, which were established by a 2018 ballot proposal, drew strong condemnation from some and praise from others. Business-advocacy groups, labor and workers' rights groups, unions, conservatives, and progressives clashed sharply over how to implement the recent changes. These changes were also the subject of strife during the lame-duck session one month prior.

The drama of lame duck, a controversial presidency, and a politically divided legislature created ample conditions for partisan strife.

1. For a brief history and legislative changes to Michigan's Earned Sick Time Act, please visit: https://natlawreview.com/article/hold-tight-last-minute-changes-michigans-earned-sick-time-act.

Image: "Michigan House Chamber," by Antony-22, via Wikimedia Commons, licensed under CC BY-SA.

A RACE TO THE FINISH LINE

Given the circumstances, the Fiscal Year 2026 budget process got off to a relatively normal start. In January, the CREC projected a healthy budget outlook for the upcoming year and forecasted that "Michigan economy will maintain moderate growth" (Gielczyk, 2025; Michigan Department of Treasury, 2025). Additionally, both General Fund and School Aid dollars were higher than originally projected (Zin & Bergan, 2025).

Typically, after the Governor's budget is released, each Chamber of the Legislature will introduce its own budget bills and begin to schedule committee hearings. However, after the release of Whitmer's executive budget recommendation, the typical budget process fell apart. This timeline summarizes the major actions that took place between the release of the executive recommendation and the signing of FY 2026 budgets.

TABLE 1: FISCAL YEAR 2026 BUDGET TIMELINE

February 5	Governor Whitmer presented her proposed budget to the legislature. Following precedent, Governor Whitmer released her proposed budget in early February and emphasized her plan included "strategic investments in education, talent, infrastructure, public safety, and making government work better" (DTMB, 2025).
May 14	The Michigan Senate passed its versions of a general omnibus budget (Senate Bill 173 of 2025) and school aid budgets (Senate Bill 166 of 2025).
JULY 1 STATUTORY BUDGET DEADLINE	
August 26	The Michigan House released the specifics of its general omnibus budget plan for fiscal year 2026 (House Bill 4706 of 2025).
September 27	Governor Whitmer, Senate Majority Leader Brinks, and Speaker Hall officially announced that a budget deal had been reached and would pass before October 1 (State of Michigan, 2025; Gorchow, 2025b).
OCTOBER 1 START OF FISCAL YEAR 2026	
Wednesday, October 1	In the early hours of the morning, a temporary budget continuation (House Bill 4161 of 2025) was signed into law. This continuation budget funded the state government for eight days and aimed to provide the Governor, House, and Senate additional time to finalize the budget.
Thursday, October 2	The Michigan House passed the general omnibus budget (House Bill 4706 of 2025) and school aid budget (Senate Bill 166 of 2025) late Thursday evening. Earlier in the day, Senator Anthony introduced Senate Bill 596 of 2025, which established procedure and transparency requirements for legislatively directed spending items.
Friday, October 3	The Senate passed the general omnibus budget (House Bill 4706 of 2z025) and school aid budget (Senate Bill 166 of 2025) early Friday evening.
Tuesday, October 7	Governor Whitmer signed the final FY 2026 budget into law. The Governor pushed for bills to accompany the budget, which included the marijuana wholesale tax and the decoupling of state and federal business taxes (Guiney, 2025; Smith & Durnbaugh, 2025).
November 13	Governor Whitmer informed the legislature that 40 items in the boilerplate of the FY2026 budget were unenforceable (Kasben & Gorchow, 2025).
December 2	Senate Bill 596 of 2025, which establishes a procedure and transparency requirements for legislatively directed spending items, was signed by Governor Whitmer.
December 10	House Republicans approved eliminating $645 million in work projects for the 2024-2025 fiscal year (Gorchow, 2025a).

REACTIONS

A myriad of factors amplified the tension in crafting the FY 2026 budget. However, the last-minute, late-night passage of the final budget was met with frustration by most of Michigan's political community.

School labor unions were upset that the budget was passed three months after many schools' fiscal years started on July 1 (Michigan Education Association, 2025). Business groups were upset by the decoupling of federal taxes (Detroit Regional Chamber et al., 2025). The cannabis industry was angered by the last-minute adoption of a whole tax on cannabis to pay for the newly created roads plan (Hermani, 2025a).

Image: State of Michigan / Office of Governor Gretchen Whitmer

Michigan's Budget History

Although 2025 saw a particularly tumultuous budget process, Michigan's budget does not always go smoothly.

Since FY 2012, the budget was signed after the July 1st deadline seven times and in the last three weeks of September three times.

There also seems to be a trend that both economic and political challenges severely encumber state leaders' ability to sign an on-time budget.

In 2007, the FY 2008 budget negotiations went into the early hours of the night at the start of the new fiscal year due to an impasse over budget cuts and taxes

FIGURE 3: DATES THE MICHIGAN BUDGET WAS SIGNED

FISCAL YEAR	DATE SIGNED
2012	6/21/2011
2013	6/26/2013
2014	6/13/2013
2015	6/17/2014
2016	6/17/2015
2017	6/29/2016
2018	7/14/2017
2019	6/21/2018
2020	9/20/2019
2021	9/30/2020
2022	9/29/2021
2023	7/20/2022
2024	7/31/2023
2025	7/24/2024
2026	10/7/2025

Before July 1 deadline

After July 1 deadline

After October 1

(Citizens Research Council of Michigan, 2009). This budget, which was voted through at 4:00 a.m. on October 1, included changes to the state's income and sales taxes (Bunkley, 2007). The state government shut down again in 2009—this time only for two hours.

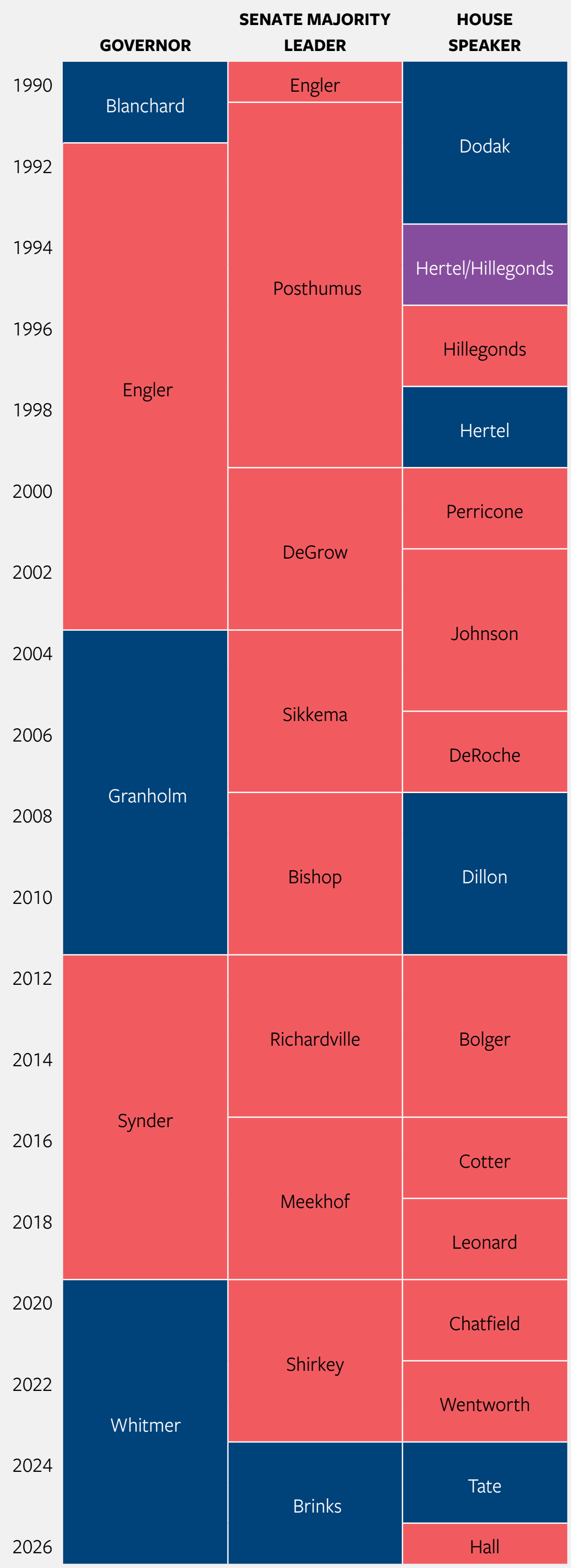
In the background of both the FY 2007 and FY 2009, and the most recent budget negotiations were significant economic challenges.

Between 2007-2009, the Great Recession was hitting Michigan significantly hard. Michigan had one of the highest unemployment rates in the nation and both General Motors and Chrysler (some of the state's biggest employers) filed for bankruptcy (BLS, 2012). In FY 2026, Michigan leaders were navigating the uncertainty of federal cuts and economic instability.

In addition to the economic challenges, during the last three shutdowns the state had divided government. This signals that partisan disagreement compounds when tough economic decisions are needed most.

Lansing—Bird's-Eye View of Michigan Avenue and Capitol, color postcard circa 1900-1907. Source: Archives of Michigan Digital Collection.

FIGURE 4: POLITICAL CONTROL IN THE HOUSE, SENATE, AND EXECUTIVE IN MICHIGAN



Lessons From Other States

The Michigan Constitution establishes a solid framework for the state's budget process, and statutory changes over the past fifty years have further refined it. Yet, Michigan's uneven budget history suggests that the typical process is not working as effectively as it could.

At PPA, we believe it is time for the state to re-evaluate its approach to budgeting.

Fortunately, Michigan is not alone in seeking to modernize and democratize the budget process. States across the country have adopted innovative strategies to promote transparency, accountability, and timely budget adoption.

Through a national scan of these practices, we have identified six policy solutions that could strengthen process moving forward.

INSTITUTE A NO BUDGET, NO PAY BILL

Utilized in California

California is the only state where lawmakers face automatic forfeiture of their pay and per diem during a budget impasse (Art. IV, § 12.).

Michigan lawmakers attempted to pass a no-budget, no-pay law in August 2025 (midway through the tumultuous FY2026 budget discussions) (H.J.R. M, 2025).

However, the legislature was ultimately unable to pass a joint resolution to amend the Michigan Constitution "to suspend salaries for the governor and legislators if there is not a budget in place by July 1" (Hermani, 2025b).

By creating a direct financial incentive to meet deadlines, proponents argue that lawmakers will be more determined to meet deadlines (Macias & Ross, 2010).

Opponents agree that the no-budget, no-pay law would punish lawmakers from lower socioeconomic backgrounds (Amar, 2013).

A no-budget, no pay policy has also been discussed at the federal level.

The most recent attempt to pass a federal no-budget, no-pay act was introduced in January 2025 (H.R. 208. 2025).

ADOPT BIENNIAL BUDGET CYCLE

Utilized in 20 states, including Indiana, Kentucky, Minnesota, Ohio, and Wisconsin

A Biennial Budget Cycle would shift the state from a one-year to a two-year budget cycle. As the FY2026 budget process demonstrated, the budget process is cumbersome.

A biennial budget could give lawmakers more time to focus on other legislative priorities during a non-budget year.

As of 2024, 20 states employed a biennial budget cycle (National Conference of State Legislatures, 2024).

In the early 1990s, there was a conversation in Michigan around shifting to a biennial budget.

Proponents of this shift believed that a biennial budget would allow more time for the Legislature to focus on non-budgetary matters, limit program distributions (especially if a budget is not passed on time), and provide a more predictable approach to administering programs (Kleine & Beier, 1993).

Opponents argue that a biennial budget would give the executive branch more discretion in spending federal funds during an emergency. Additionally, revenue estimates, which fluctuate throughout the year, would be harder to predict. This could result in smaller budgets to accommodate unexpected changes in revenue (Kleine & Beier, 1993).

CHANGE STATE'S FISCAL YEAR TO JULY 1–JUNE 30

Utilized in 46 states

Only New York, Texas, Alabama, and Michigan have fiscal years that do not start on July 1. Although changing the state's fiscal year to July 1 would not necessarily guarantee an on-time budget, proponents argue that this shift would align more closely with the school's calendar (who arguably struggle the most when budgets are late).

A shift in the fiscal year would not be unprecedented. Michigan shifted its fiscal year to October 1 in 1984 to address several years of budget uncertainty (Faverman et al., 1985).

Yet, a shift back may be cumbersome as the state has built the infrastructure and administrative processes around an October 1 deadline.

MISS THE DEADLINE—THE GOVERNOR'S BUDGET PREVAILS

Like an automatic continuing resolution, this option would be triggered if the legislature fails to meet the budget deadline.

This option would require a change in the Michigan Constitution, as the legislature is mandated to pass an appropriation bill.

This approach could incentivize cooperation among the Legislative and Executive branches, especially during divided government.

REINSTATE SINGLE-SUBJECT APPROPRIATIONS BILLS

Past practice in Michigan

In recent years, Michigan has shifted from single-subject appropriations to only two appropriation bills: the School Aid budget, which funds the public school system, and the Omnibus budget, which funds everything else.

The Senate Fiscal Agency (SFA) Appropriations Process handbook for Senators indicates that this shift occurred in FY2011-2012, where now "each house now originates its own set of appropriation bills and runs those bills through the legislative process (subcommittee, full committee, and Floor passage) concurrently with the other house" (SFA, 2023).

Additionally, this process diverged from the previous precedent, under which the "chamber of origin for each specific bill alternated each year." Moreover, there were appropriations for each subcommittee; "the chambers considered those bills and then swapped them," and then a conference committee (a temporary committee of members of both the House and the Senate) would reconcile the "items of difference between the two chambers" (SFA, 2023).

For example, in FY1998, Michigan had eighteen different appropriation bills. This shift has resulted in more power consolidated within the House and Senate Appropriations Committees and less power given to department-specific committees.

The budget status quo of only two budget bills created significant challenges, particularly for the FY2026 budget.

Critics argued that the last-minute decisions within the larger bills reduce transparency and limit the legislature's ability to scrutinize individual spending decisions.

ESTABLISH AN AUTOMATIC CONTINUING RESOLUTION

Utilized in North Carolina, Rhode Island, and Wisconsin

A continuing resolution is utilized when the annual appropriation act is not enacted by the beginning of the fiscal year.

This strategy would provide stopgap funding for critical programs while the regular appropriation is sorted out. This is a commonly used practice at the federal level.

In fact, Congress has enacted "one or more continuing resolutions in all but three of the 49 fiscal years since 1977" (Saturno et al, 2025).

In states that use this process, the automatic continuing resolution must be at the same funding level as in the previous fiscal year.

Three states (North Carolina, Rhode Island, and Wisconsin) have automatic continuing resolution laws.

In North Carolina, the statute authorizes and appropriates funds not to exceed the amounts appropriated in the prior fiscal year (State Budget Act, § 143C-5-4). Only ongoing expenditures are covered by this law; therefore, one-time grants or projects are not reimbursed through the continuing resolution structure (Millonzi, 2025).

A similar law is in place in Wisconsin (Wisconsin Legislative Council, 2020).

In Rhode Island, the automatic continuing resolution will distribute monthly or quarterly allotments if the annual appropriation bill fails to pass in time (R.I. Gen. Laws § 35-3-19).

Opponents of this approach argue that an automatic continuing resolution would reduce the pressure on lawmakers to reach an agreement on time and create a new tactic to prevent the passage of controversial budget increases (Kogan & Van de Water, 2019). However, an automatic continuing resolution will prevent critical programs from a short-term lapse in funding.

Recommendations & Conclusions

PPA remains optimistic that, with deliberate reforms and renewed bipartisan commitment, we can restore integrity to this process.

The first and most crucial step will be to bring together Michigan's legislative leadership.

PPA recommends convening a task force to review recent budget years and potential solutions outlined in this brief. This could be done formally by establishing a task force or working group in statute.

A more informal approach could also be effective. The Governor could appoint a liaison within their office to manage this work, including collaboration with House and Senate leadership.

We cannot overstate that for this effort to succeed, it must be bipartisan and inclusive.

As this brief identifies, many of the State's budgetary processes are established by statute rather than mandated by the Constitution. Because of this, it may be easier—in theory—to implement any of the six policy solutions described above.

However, we recommend that this bipartisan task force carefully assesses the pros and cons of each solution and consider the political, economic, and administrative impacts of each strategy.

Additionally, we recommend leaning on the historical insights and deep expertise of the Citizens Research Council of Michigan to clarify the long-term context of the State's budget process.

Relevant state financial and administrative agencies should also be consulted, as changes to the budget process will ultimately affect the administration and deployment of taxpayer funds.

By moving beyond partisan divisions and prioritizing transparency, Michigan can build a brighter, more accountable future through a budget process that truly honors and serves its people.

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