

# **STATE BUDGET OVERVIEW**



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SENATE FISCAL AGENCY**

**April 3, 2017**

**<http://www.senate.michigan.gov/sfa/>**

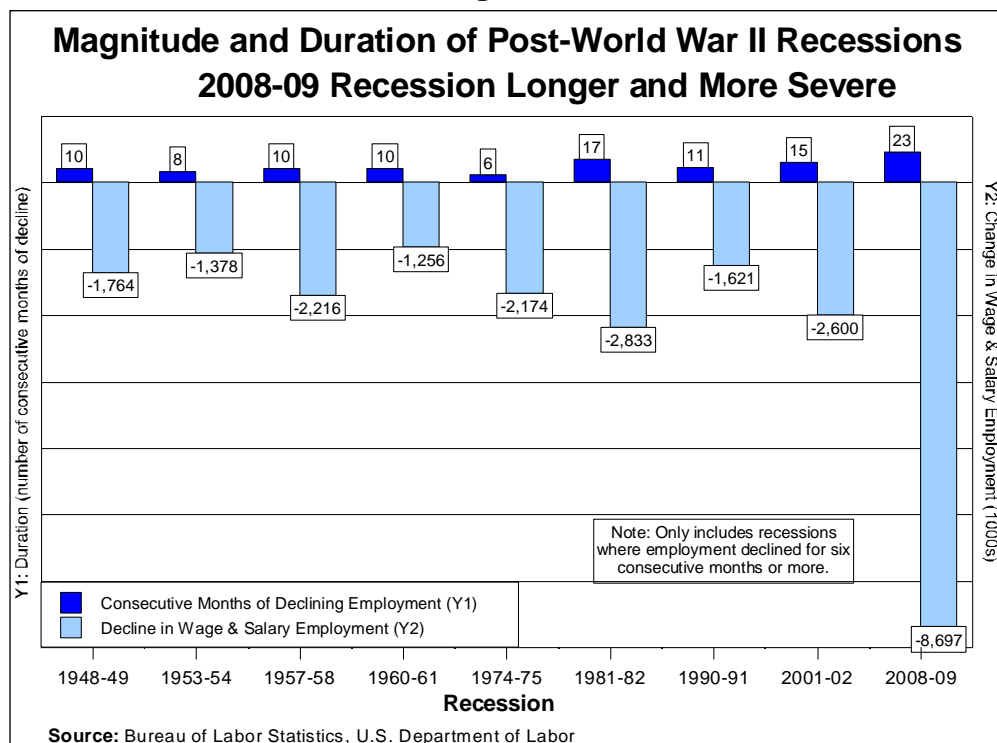
# **The Economy and State Revenue**

# The Great Recession

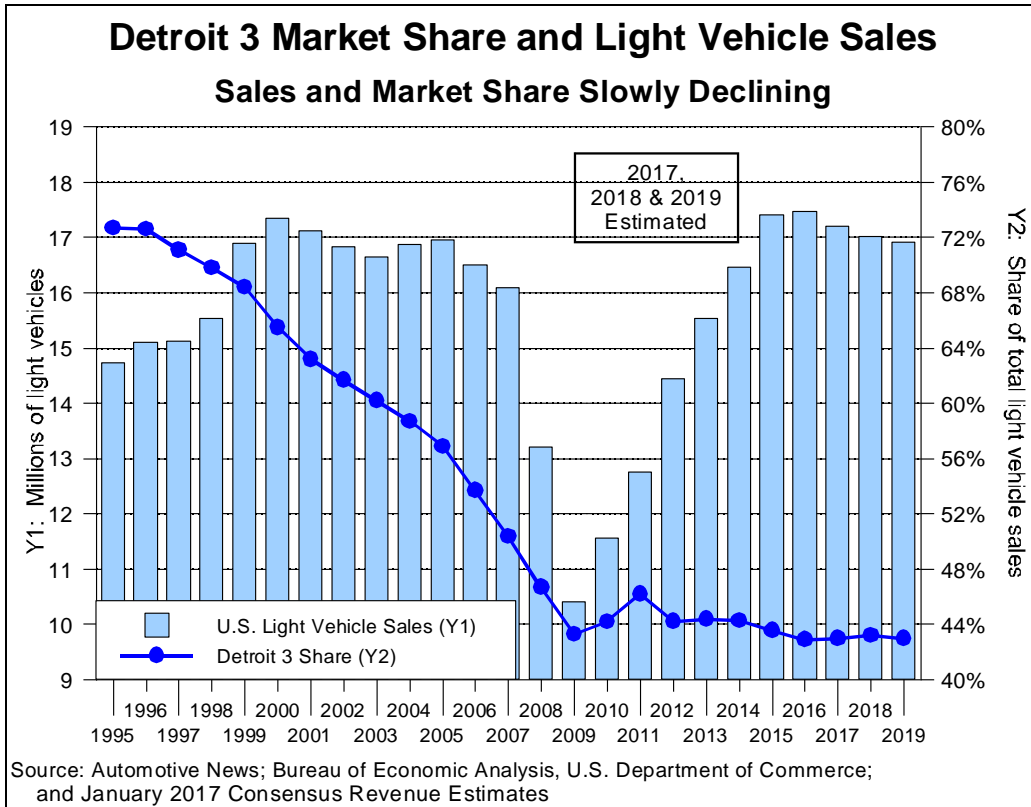
The 2008-09 recession was the most severe economic contraction in 70 years, both in duration and depth.

- Inflation-adjusted GDP fell 4.2% peak-to-trough, the largest decline since the Great Depression.
- U.S. payroll employment declined 6.3% (8.7 million jobs), the largest percentage decline since the end of World War II, while Michigan payroll employment fell 9.6% (406,100 jobs).
- During the recession retail sales fell 13.5% between November 2007 and March 2009, the largest decline on record back to 1967.
- Light vehicle sales started dropping earlier, and fell from a 17.6 million unit annual rate in January 2006 to a 9.0 million unit rate in February 2009 (a 48.7% decline), the largest decline on record back to 1976.
- Housing starts fell from a high rate of 2.3 million units in January 2006 to 478,000 units in April 2009, a 79.0% decline, the largest decline on record (data on housing starts begins in 1959).

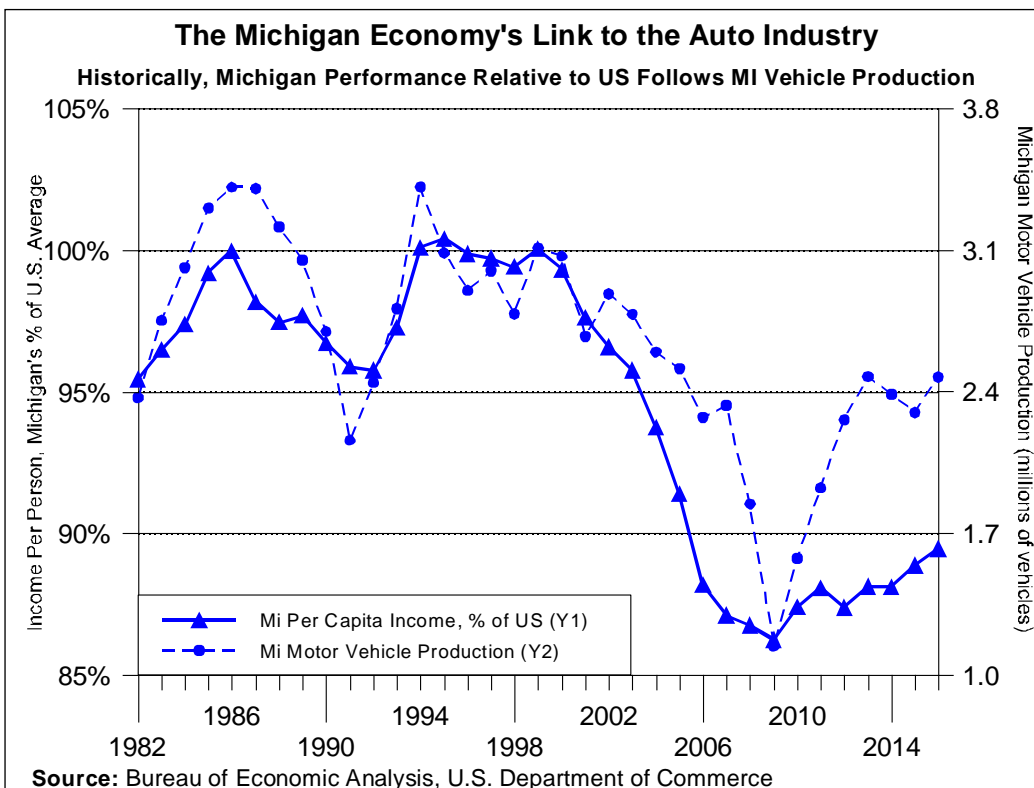
Figure 1



**Figure 2**



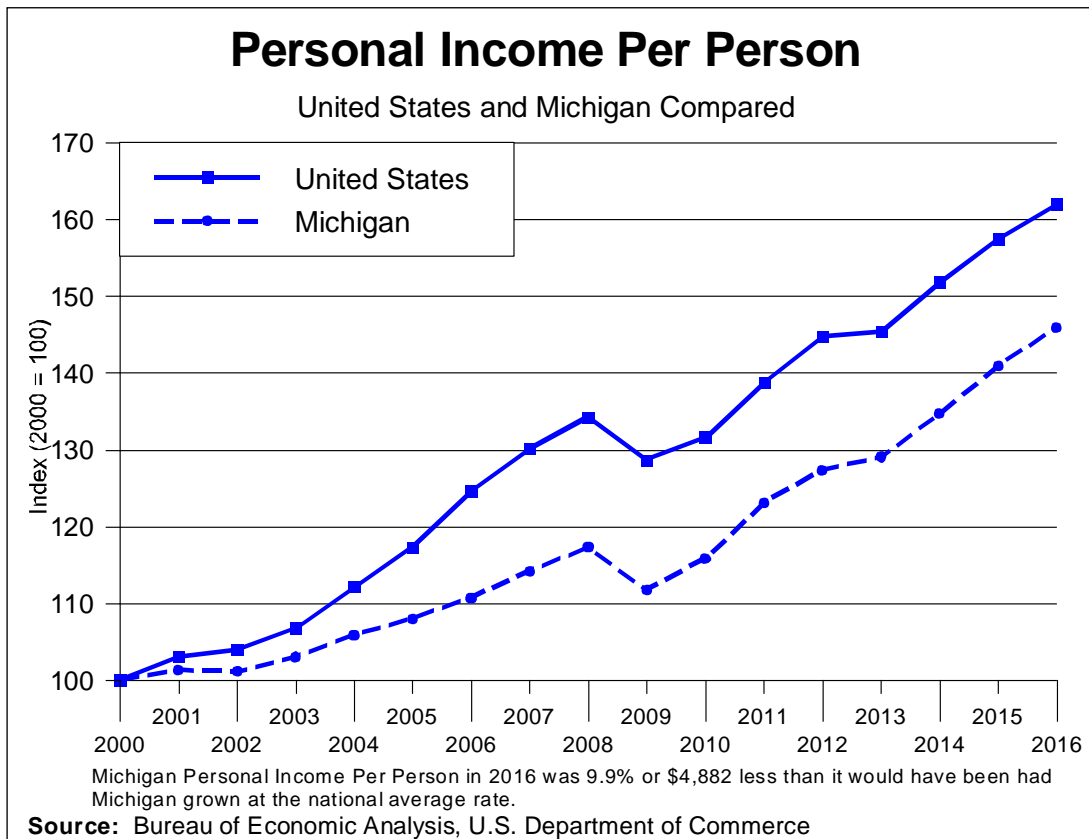
**Figure 3**



# Michigan Personal Income

- Michigan personal income increased 15.0% between 2000 and 2010, compared to a 44.3% increase for the nation as a whole. Personal income grew by 29.7% in Illinois, 32.7% in Indiana, 29.5% in Ohio, and 37.7% in Wisconsin over the same time period. Michigan's personal income growth was the slowest among 50 states and the District of Columbia.
- During calendar year 2000, personal income in Michigan accounted for 3.50% of the United States total. During calendar year 2010, Michigan personal income accounted for only 2.79% of the United States total.
- During calendar year 2000, Michigan per capita personal income ranked 17th among the 50 states and the District of Columbia. During calendar year 2005, Michigan's ranking fell to 27th among the states and by calendar year 2010, Michigan's ranking fell to 39th among the states.

Figure 4

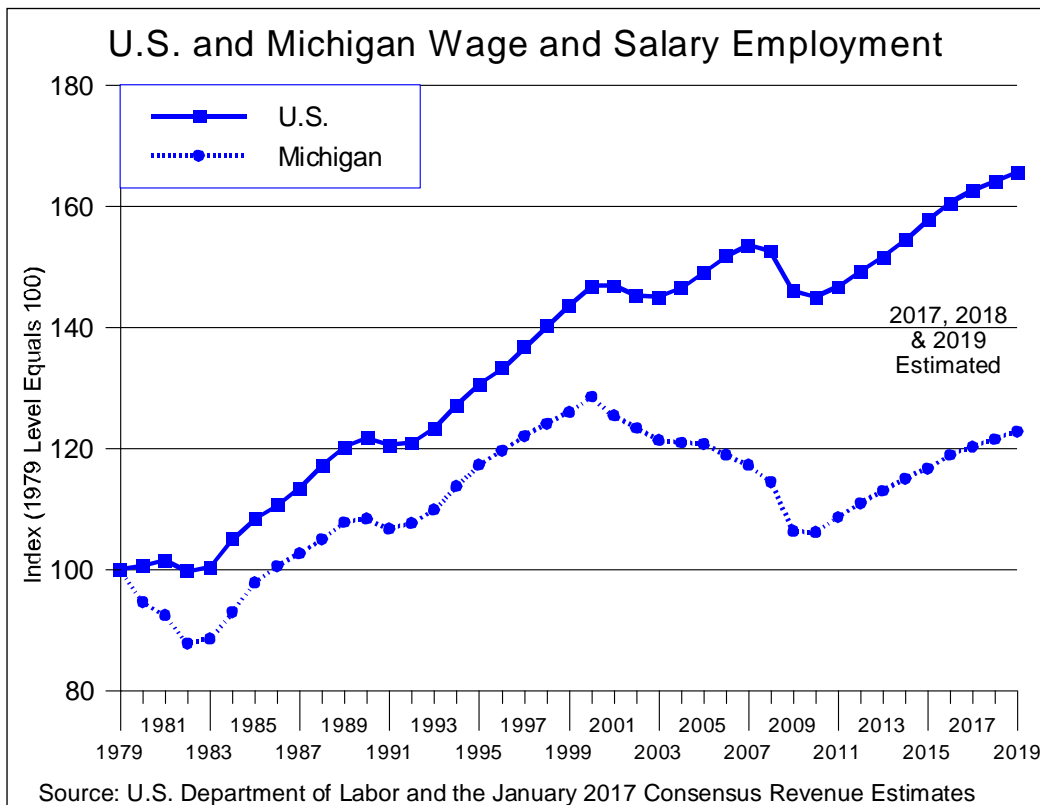


# Michigan's Decade of Declining Employment

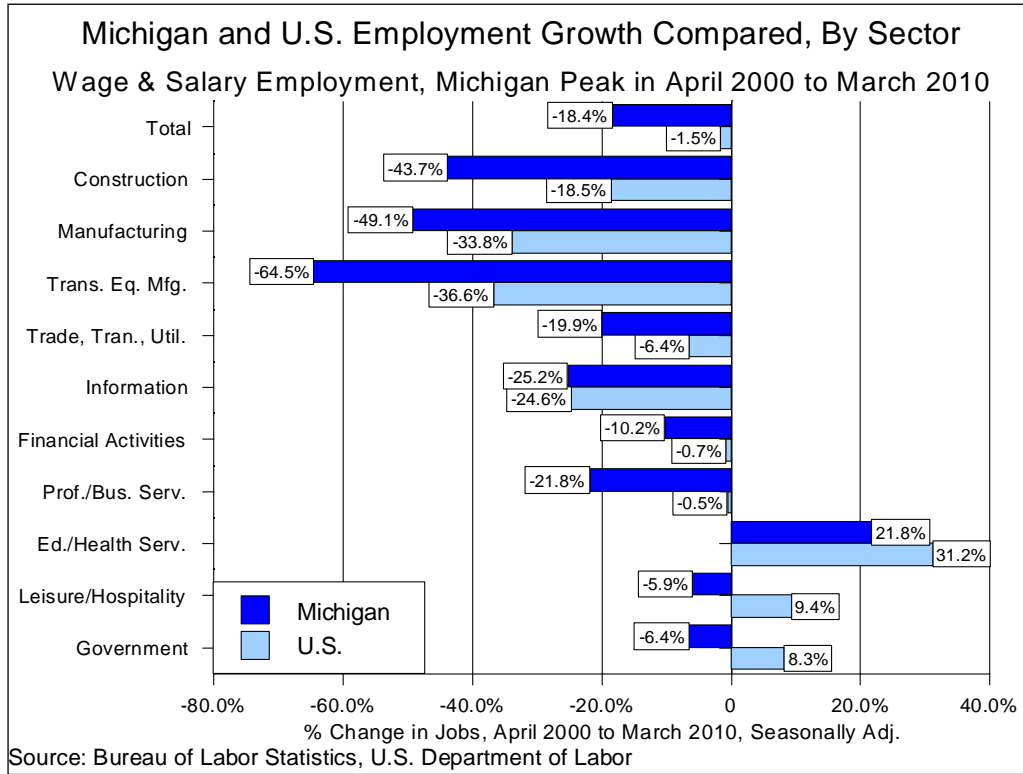
Although Michigan had not yet emerged from the 2001 recession, the 2008-09 recession still had a significant impact.

- Payroll employment bottomed out in March 2010, down 406,100 jobs from January 2008 and down 860,600 jobs from the April 2000 peak.
- Peak-to-trough, payroll employment declined 18.4%, with 47.2% of the job loss occurring after January 2008.
- Between May 2000 and June 2009, Michigan lost 461,600 or 51.6% of its manufacturing jobs. After peaking in May 2000, transportation equipment manufacturing employment had fallen 69.1% by June 2009, a loss of 236,700 jobs.

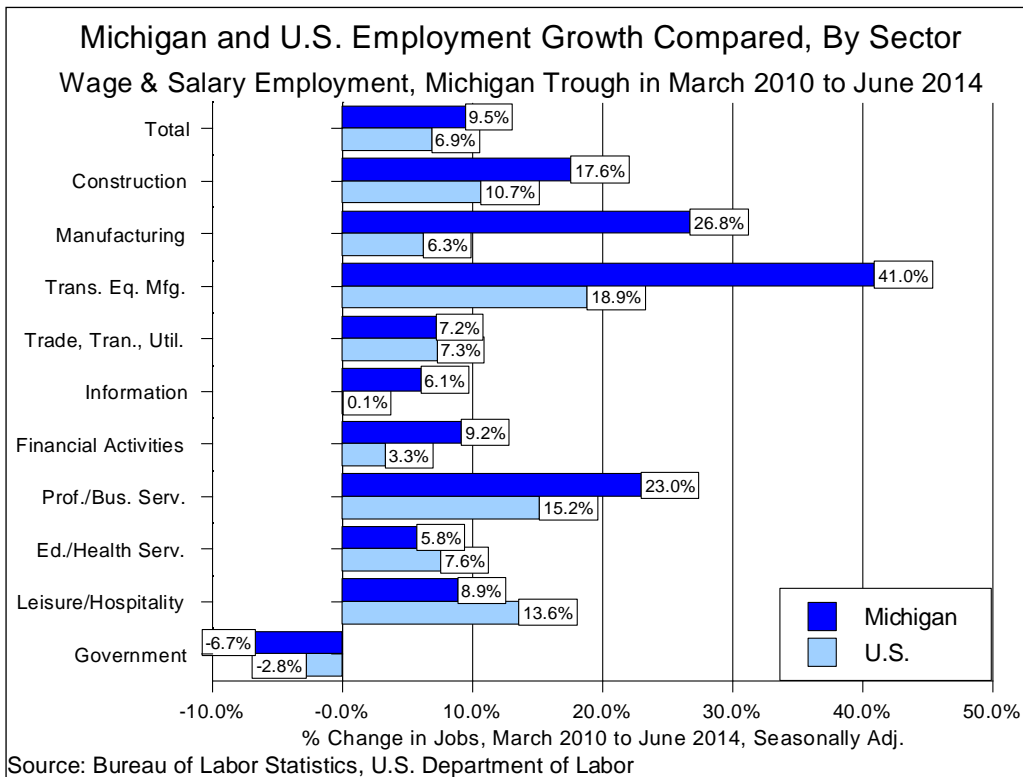
Figure 5



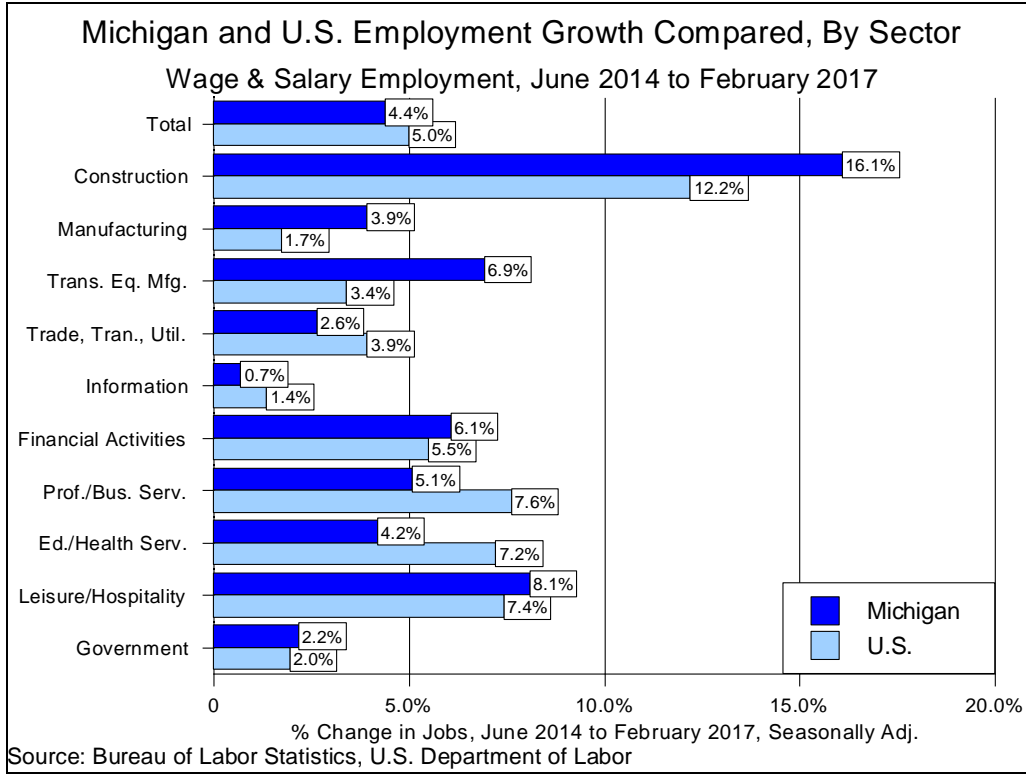
**Figure 6**



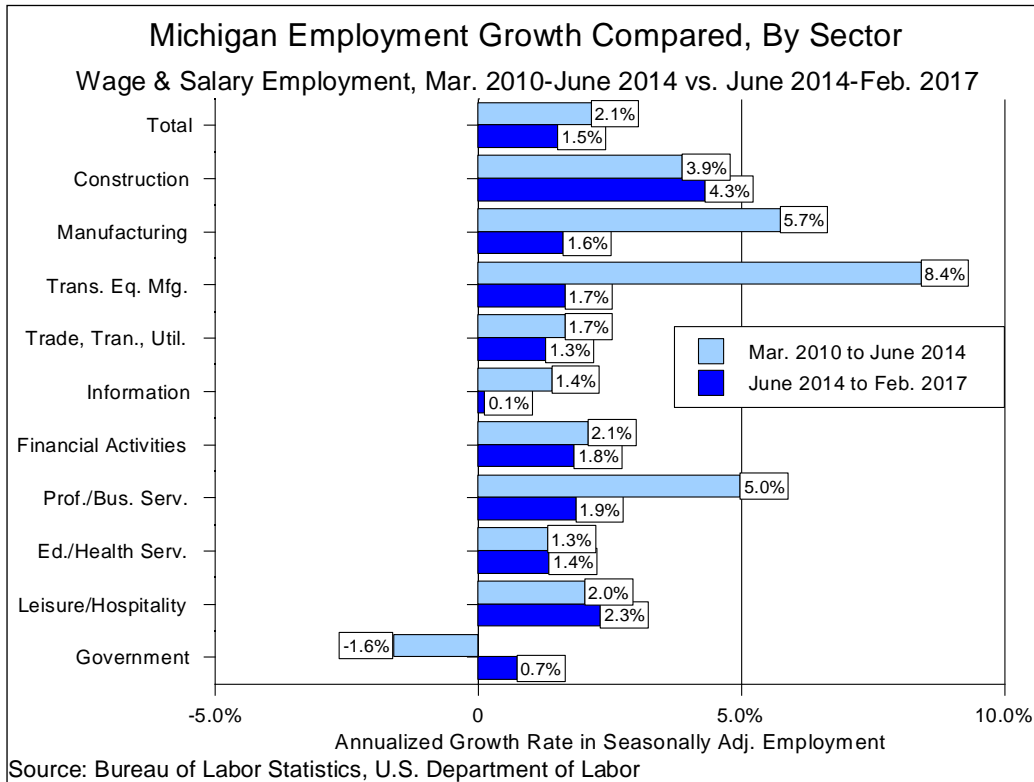
**Figure 7**



**Figure 8**



**Figure 9**





## A Record-Weak Recovery for a Record-Setting Recession

- The current recovery is half as strong as prior recoveries. Among the six post-World War II recoveries lasting 25 quarters or more, the current recovery is the weakest, with inflation-adjusted GDP growing at an annual rate of 2.1%. Historically, the economy has grown at a 4.5% rate ([Figure 10](#)). Until mid-2015 investment had been slightly stronger than in prior recoveries; however, consumption growth has been half as strong. Furthermore, while government spending has historically increased during recoveries, in the current recovery government spending has declined ([Figure 11](#)). Despite the slow growth, because of weak growth in productivity, the economy has generally been growing faster than the potential long-term growth rate ([Figure 12](#)).

**Figure 10**

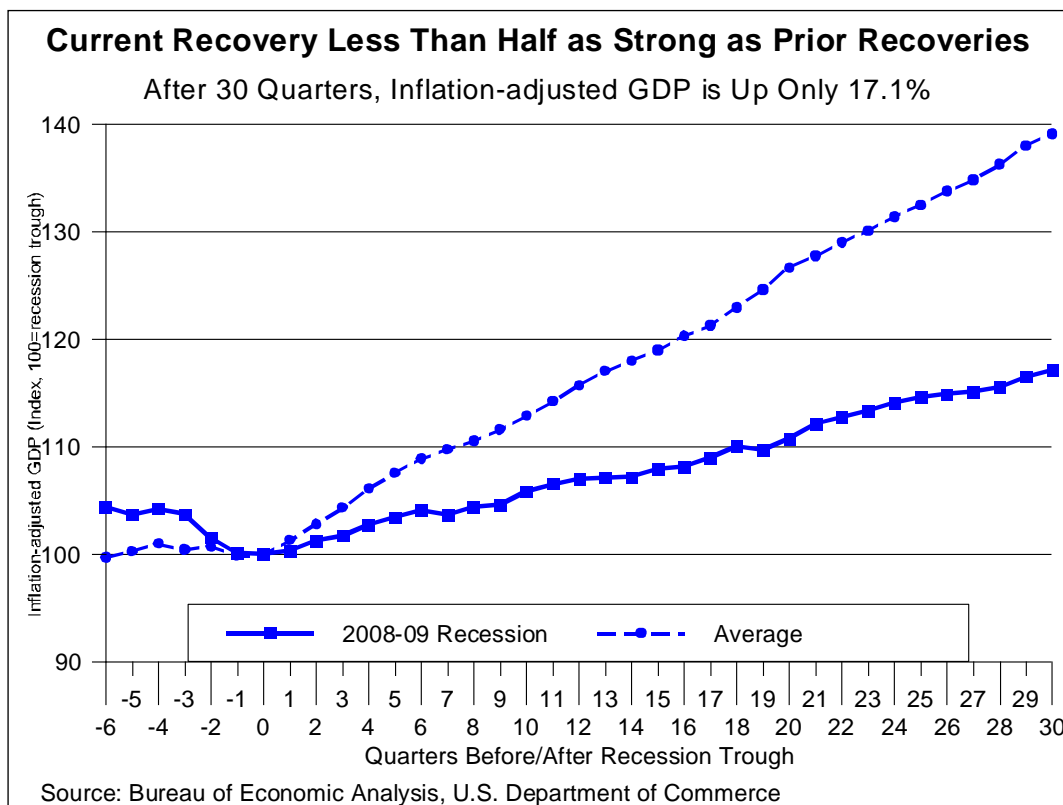


Figure 11

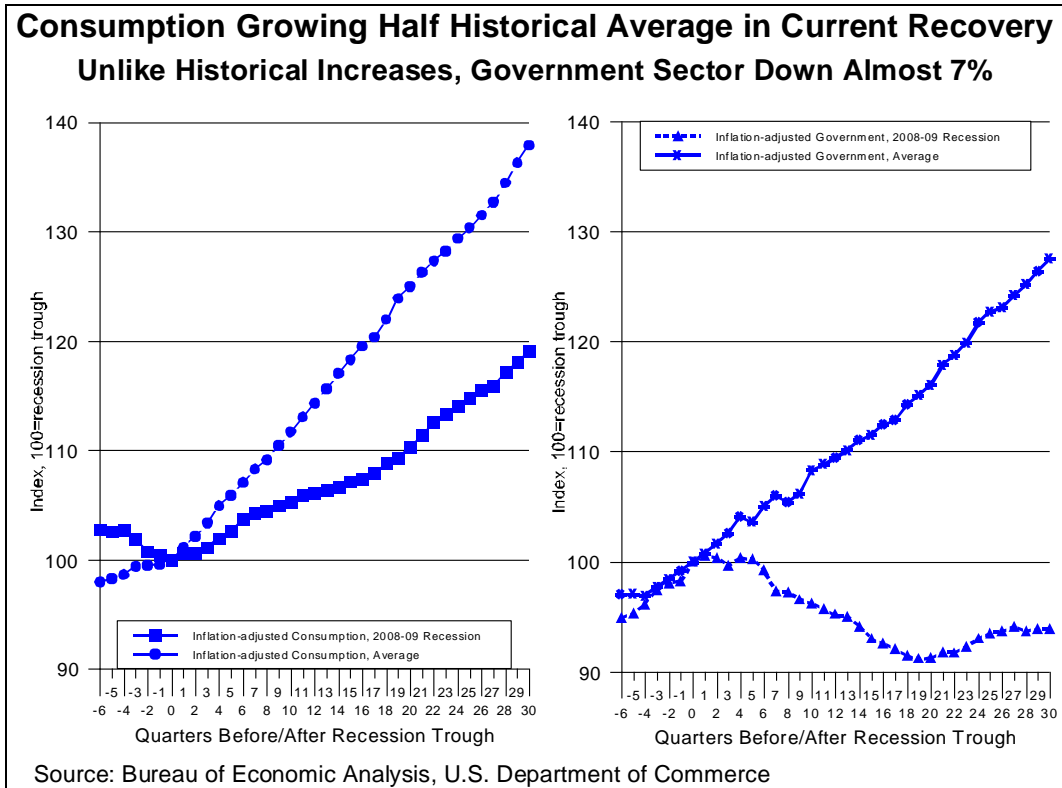
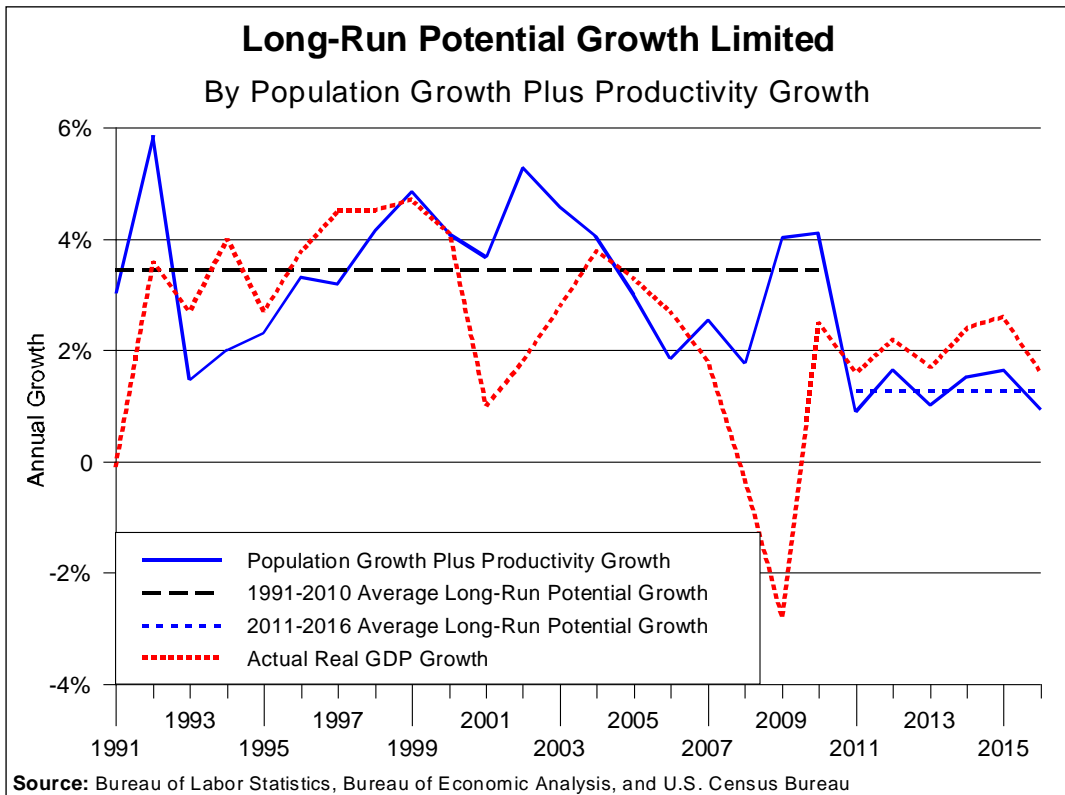


Figure 12



- Employment finally exceeded pre-recession levels in 2014. Between World War II and the 1980 recession, employment reached its pre-recession peak in an average of 18.8 months. After the 1981-82 recession, the recovery in employment took 28 months, compared to 32 months after the 1990-91 recession, and 98 months after the 2001 recession. It took 76 months for payroll employment to reach the pre-recession peak experienced in January 2008.
- Michigan payroll employment has been on an upward trend after reaching a trough in March 2010. As of February 2017, Michigan payroll employment had increased by 546,600 jobs, 140,500 jobs more than in January 2008--when US pre-recession payroll employment peaked. However, the February 2017 payroll employment level is still 6.7% below (314,000 jobs) the Michigan peak in April 2000.
- Employment growth has barely exceeded population growth during much of the recovery. The economy needs roughly 125,000 additional jobs per month to keep up with population growth. Average payroll employment gains averaged 166,300 jobs per month between the February 2010 trough and February 2014, compared with about 177,000 per month during 2003-2006, and 251,400 per month over the 1993-1999 period. While payroll employment increased by an average of 244,100 jobs per month between March 2014 and December 2015, job growth has slowed to 186,700 per month during 2016 (Figure 13).
- People have left the labor force. While job growth has lowered the unemployment rate from the October 2009 peak of 10.0% to 4.7% in February 2017, a substantial portion of the decline in the unemployment rate was reflected in individuals leaving the labor force. The labor force declined in 24 of the 51 months between the October 2009 peak in the unemployment rate and December 2013. Labor force participation in 2016 was 62.7%, slightly above the 62.4% rate in 2015, which was the lowest level since 1977. Compared with the 66.2% labor force participation rate at the employment peak in January 2008, 3.4% of the population has left the labor force and is no longer working or seeking work (Figure 14).
- Until the 2.1% increase in 2015, wage income was stagnant after the 2008-09 recession. After falling 1.1% in 2011 and 0.1% in 2012, inflation-adjusted average hourly earnings rose 0.6% in 2013 and 0.5% in 2014. Inflation-adjusted average hourly earnings increased 1.2% in 2016. Average weekly hours have remained essentially unchanged for 78 months.

- Housing starts are growing rapidly but remain low by historical standards. While 2016 starts finished up 5.6% from 2015, 2016 was the 14<sup>th</sup> weakest year on record, after every year in the 2008-2015 period and the recession years of 1966, 1975, 1981, 1982, and 1991; and were still down 43.2% from the 2005 peak (Figure 15).
- Labor productivity has been on a significant downward trend. While productivity growth has exhibited substantial volatility since World War II, since 2003 productivity has been on a downward trend and is now at the weakest trend growth rates ever recorded. Productivity growth averaged 0.2% in 2016, about one-fourth of the 2015 growth rate, and the 9<sup>th</sup> worst in the last 70 years. (Figure 16).
- Michigan per capita personal income has been growing. With the exception of 2012 and 2014, Michigan per capita personal income has grown faster than the U.S. average in every year during the 2010-2016 period. In 2016, Michigan ranked 32<sup>nd</sup> among the states.

**Figure 13**

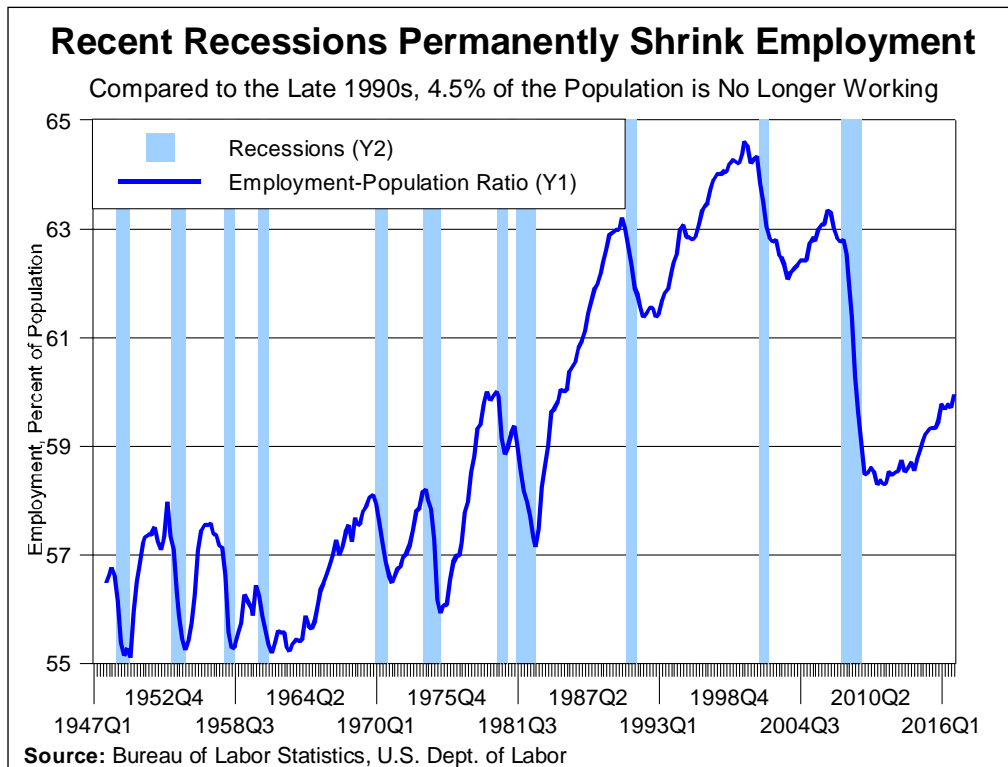


Figure 14

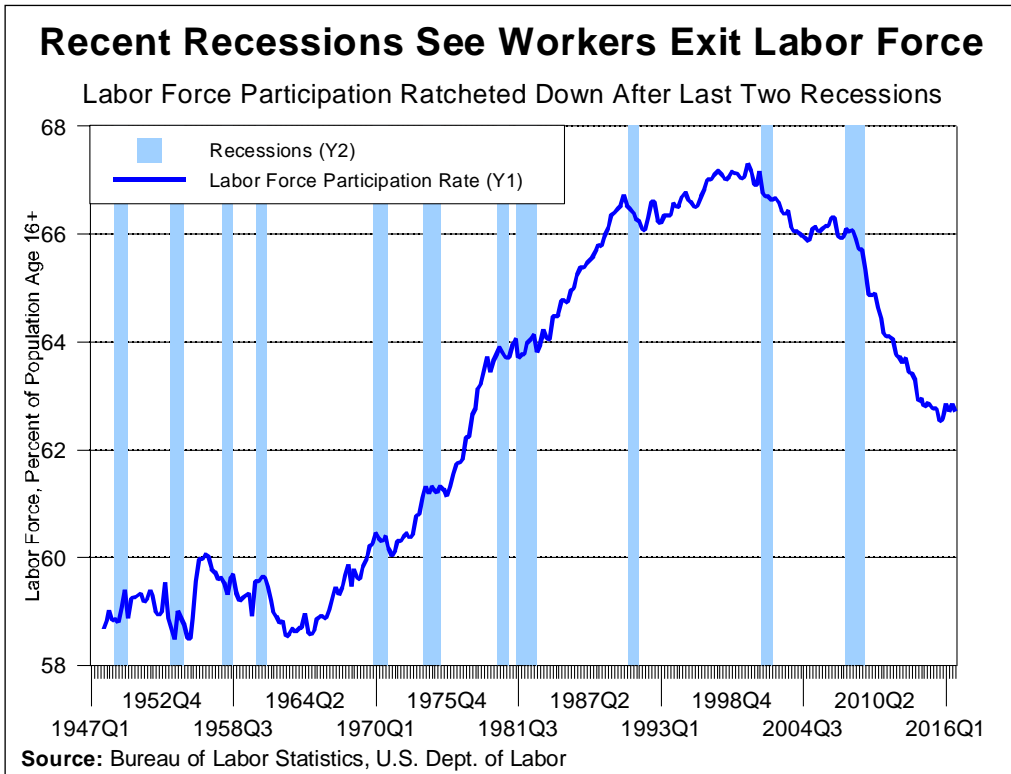


Figure 15

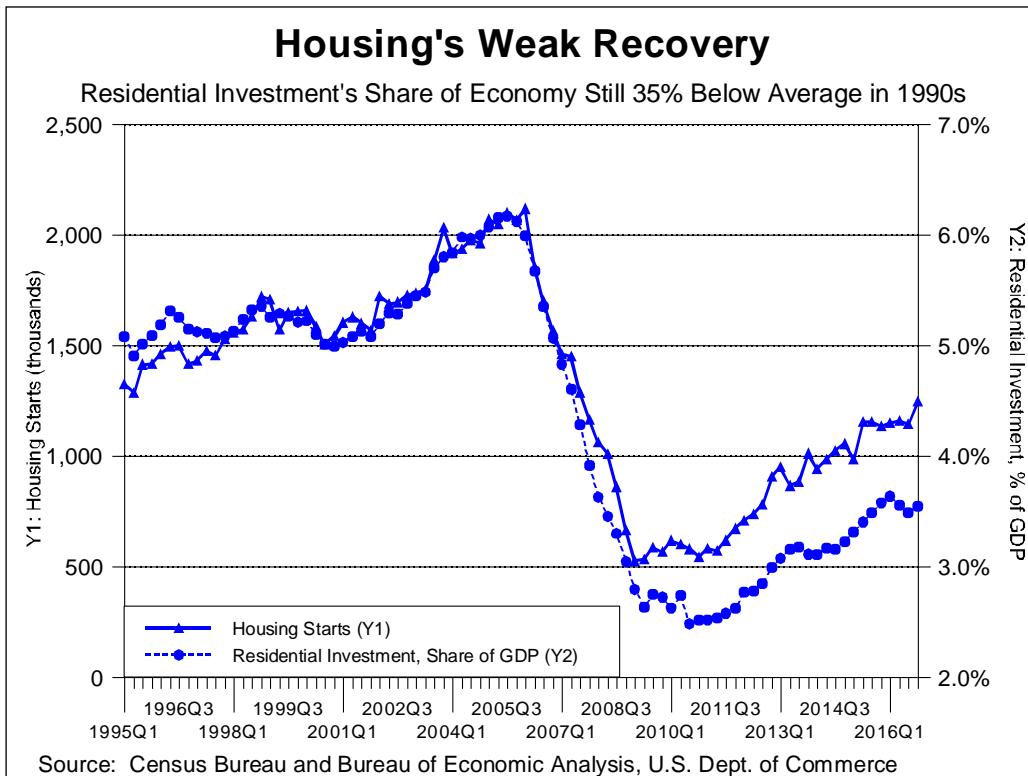
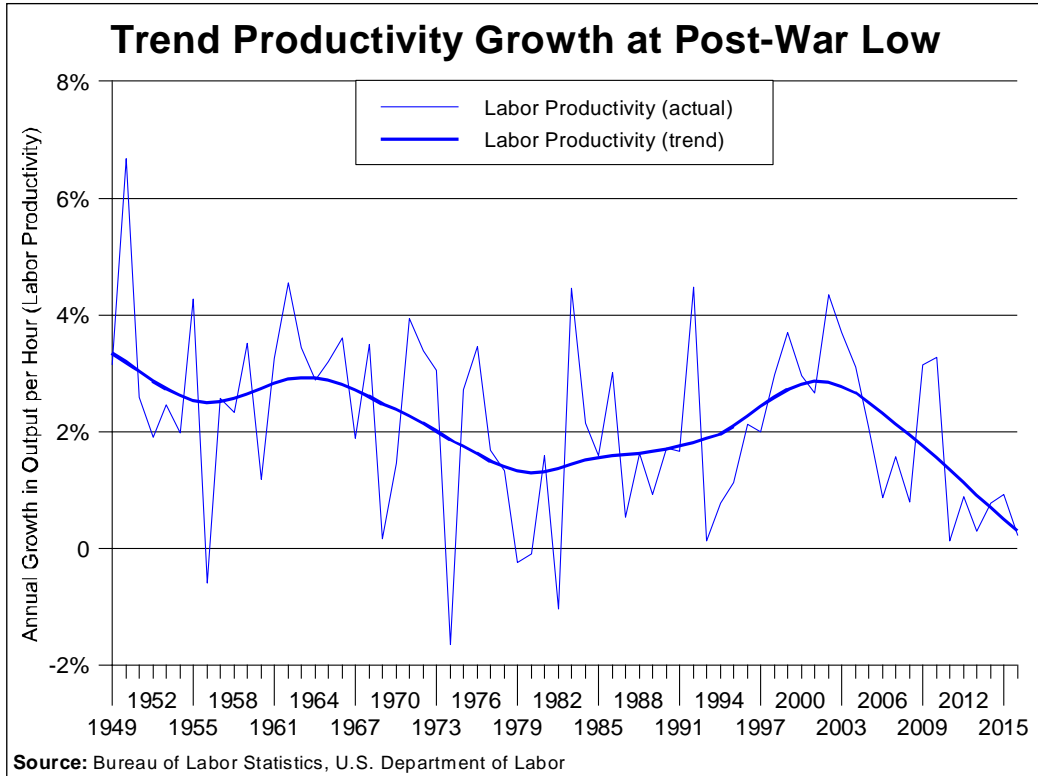


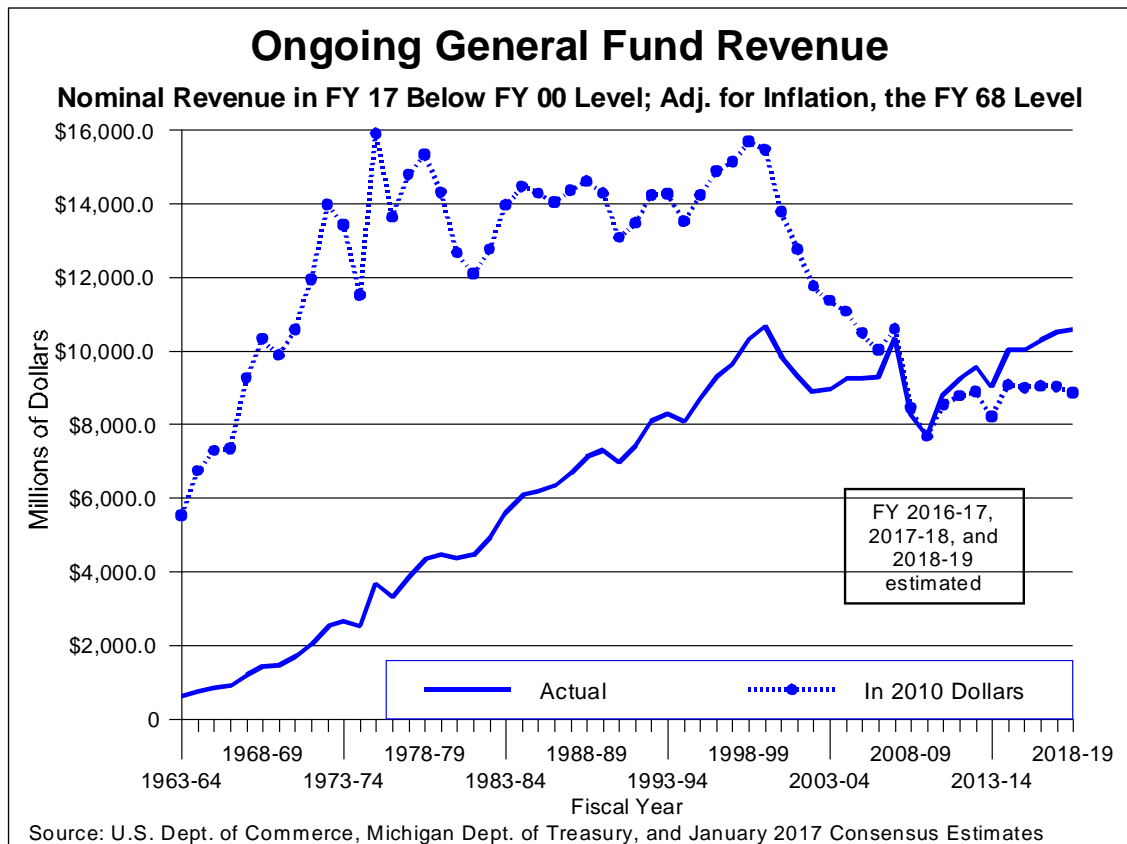
Figure 16



# State Revenue Background

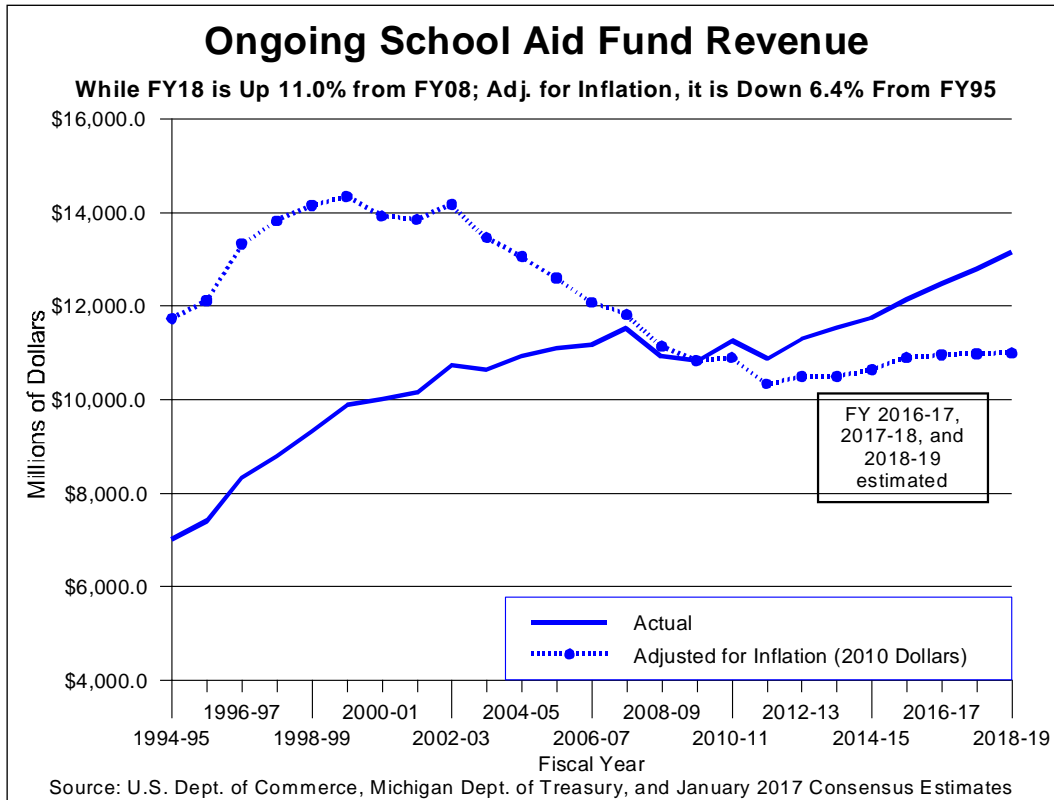
- The majority of State taxes and fees are deposited in the State's General Fund, School Aid Fund, or various transportation funds. Ongoing General Fund revenue fell as the economy declined. Between FY 2007-08 and FY 2009-10, ongoing General Fund revenue fell 25.7% (\$2.7 billion) and ongoing School Aid (SAF) revenue fell 6.0% (\$696.0 million).
- Ongoing General Fund revenue decreased 0.2% in FY 2015-16 and is estimated to increase 2.7% in FY 2016-17 and 2.3% in FY 2017-18. Ongoing SAF revenue increased 3.2% in FY 2015-16 and is expected to rise 2.8% in FY 2016-17 and 2.6% in FY 2017-18.
- On an inflation-adjusted basis, ongoing General Fund revenue in FY 2017-18 is estimated to be 2.5% (\$227.1 million, in 2010 dollars) lower than the level in FY 1967-68, when the State adopted the then new personal and corporate income taxes, as shown in [Figure 17](#).

Figure 17



- On an inflation-adjusted basis, ongoing SAF revenue in FY 2017-18 is estimated to be 6.4% (\$775.5 million, in 2010 dollars) lower than the level in FY 1994-95, when Proposal A took effect, as shown in Figure 18.

**Figure 18**

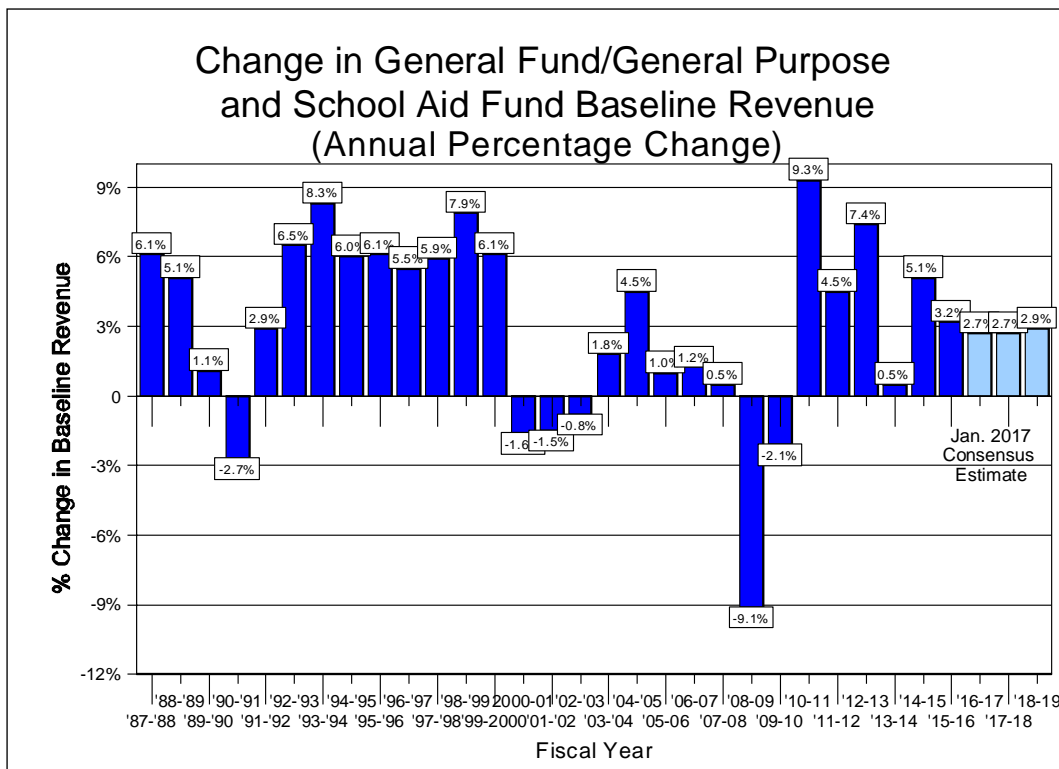




## Forecast for State Revenue

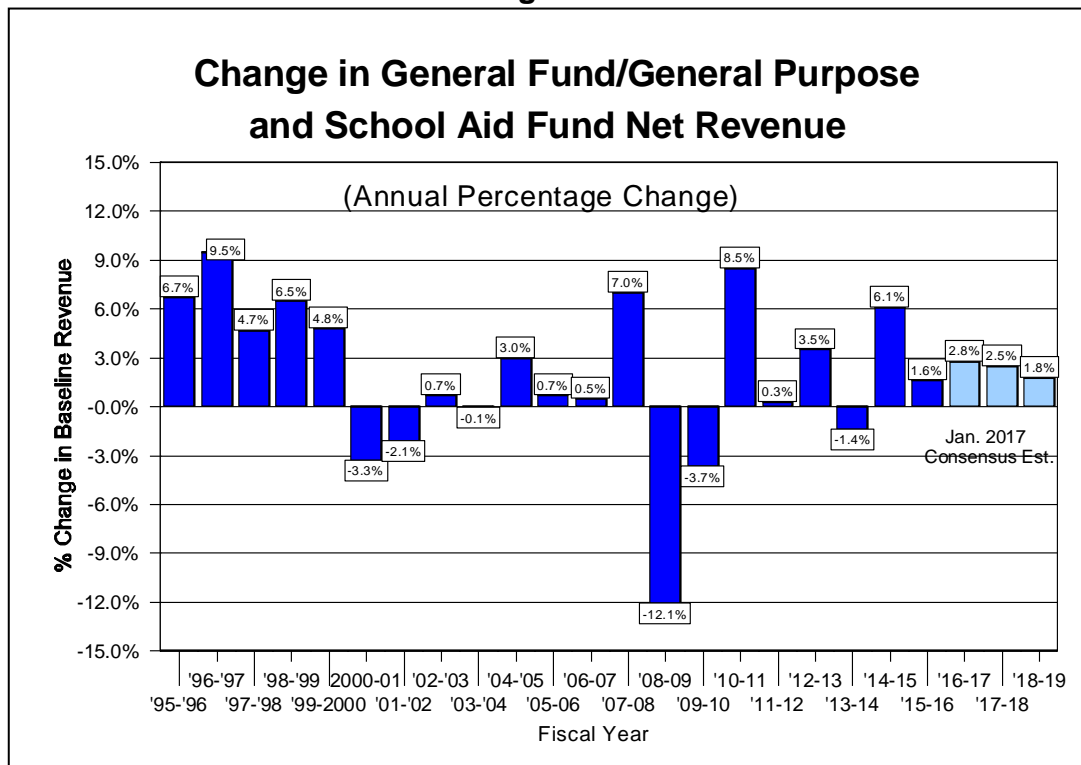
- Pursuant to State statute, there are Consensus Revenue Estimating Conferences held in January and May of each year in which the State Treasurer, and the Directors of the House and Senate Fiscal Agencies, meet to agree on the amount of State revenue available for the State budget.
- The FY 2016-17 budget was based on the May 2016 Consensus Revenue estimates. The Governor's budget recommendation for FY 2017-18 was based on estimates from the January 2017 Conference. The Governor and the Legislature will use the revenue estimates from the May 2017 Conference to finalize the FY 2017-18 budget.
- The percentage changes in baseline General Fund/General Purpose (GF/GP) and School Aid Fund (SAF) revenue forecasted for FY 2015-16 through FY 2017-18 are compared with the actual growth rates during the preceding 29 years in Figure 19.

**Figure 19**



- The revised estimates for FY 2016-17, after accounting for tax changes, predict GF/GP revenue will decrease by 2.7% while SAF revenue will increase by 2.8%. GF/GP revenue in FY 2017-18 is estimated to increase 4.6% while SAF revenue will grow 2.9%.
- The percentage changes in net (after tax changes) General Fund/General Purpose (GF/GP) and School Aid Fund (SAF) revenue forecasted for FY 2016-17 through FY 2018-19 are compared with the actual growth rates during the preceding 21 years in Figure 20.

**Figure 20**



- Figures 21 and 22 display the estimated FY 2016-17 revenue sources for the State General Fund and School Aid Fund, respectively.

Figure 21

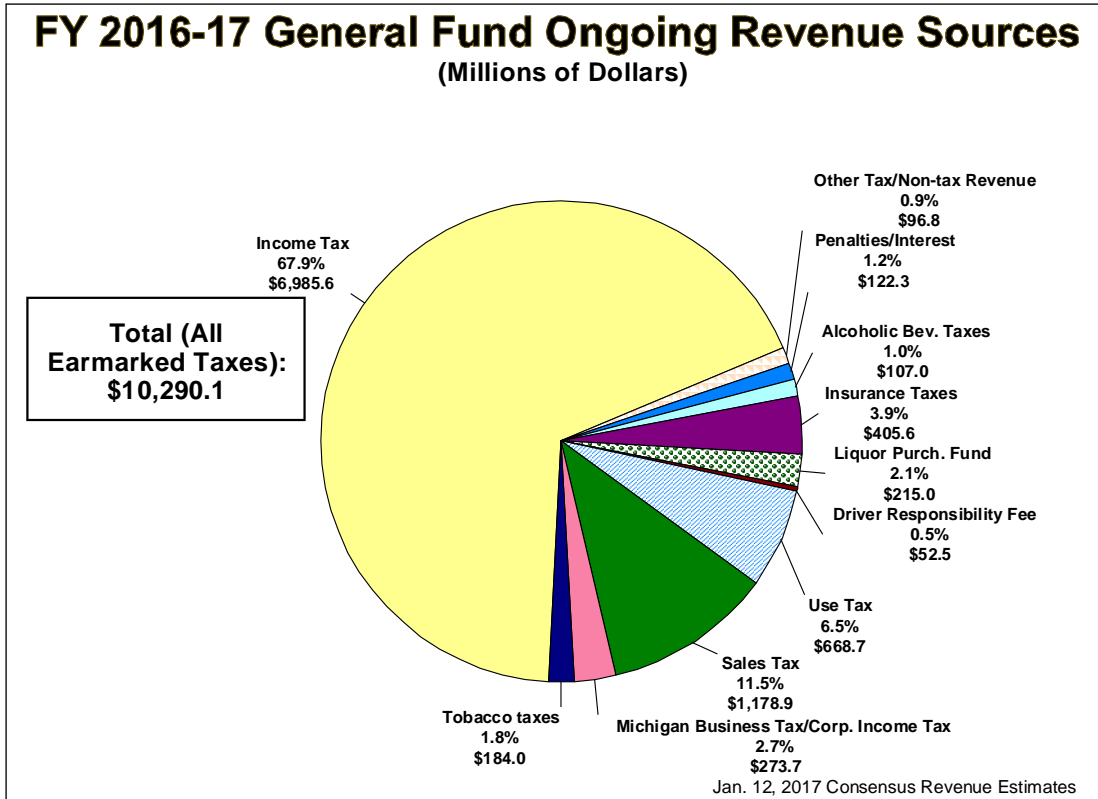
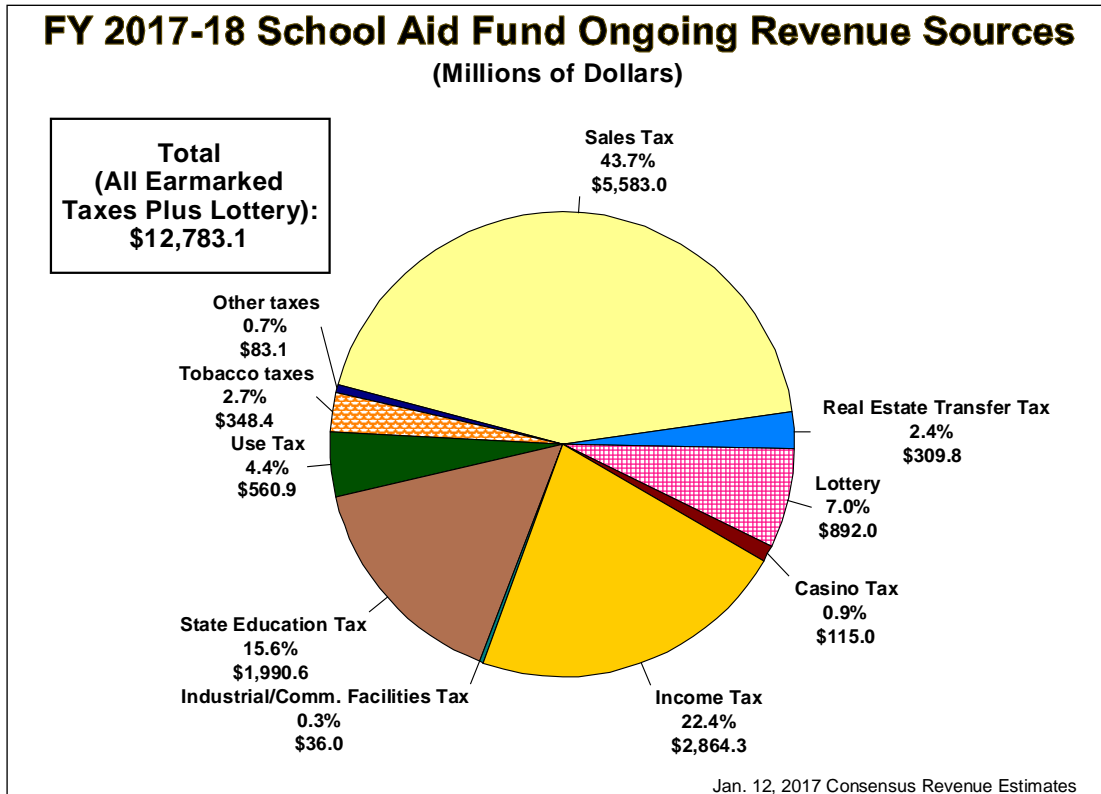


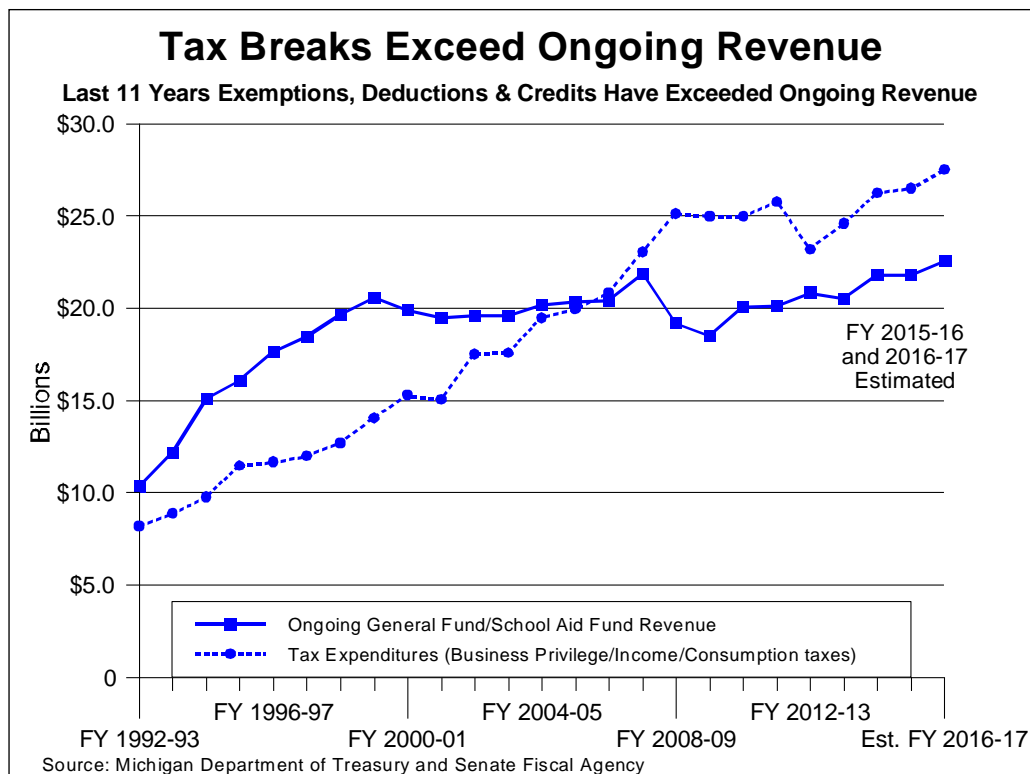
Figure 22



## State Tax Expenditures

- Based on estimates of the Michigan Department of Treasury, the level of State tax expenditures under the State's business privilege, income, and consumption taxes increased from \$14.1 billion in FY 1999-2000 to \$25.8 billion in FY 2011-12. The estimate for FY 2015-16 is \$27.6 billion.
- During FY 1999-2000, tax expenditures equaled 68.2% of ongoing GF/GP and SAF revenue. During FY 2011-12 tax expenditures equaled 127.9% of total ongoing GF/GP and SAF revenue. Tax expenditures are estimated to equal 121.1% of ongoing GF/GP and SAF revenue in FY 2016-17.

**Figure 23**



- The growth in tax expenditures has primarily focused on consumption taxes and individual income taxes. The most recently enacted major tax expenditures include several sales and use tax exemptions enacted for a variety of economic development purposes and the personal property tax exemptions.

- Table 1 provides details on major changes in tax expenditures from FY 1999-2000 to FY 2016-17.

**Table 1**

<b>DETAIL ON MAJOR CHANGES IN TAX EXPENDITURES</b>					
<b>(Millions of Dollars)</b>					
	<b>FY</b>	<b>FY</b>	<b>\$ Change</b>	<b>FY</b>	<b>\$ Change</b>
	<b>1999-2000</b>	<b>2011-12</b>	<b>FY 1999-2000</b>	<b>2016-17</b>	<b>FY 2011-12 to</b>
			<b>to FY 2011-12</b>		<b>FY 2016-17</b>
Consumption Taxes					
Food	\$860.0	\$1,220.2	\$360.2	\$1,333.6	\$113.4
Industrial Processing	660.0	920.0	260.0	1,398.0	478.0
Prescription Drugs	242.0	536.3	294.3	658.2	121.9
Services	4,392.0	10,357.2	5,965.2	12,467.6	2,110.4
Individual Income Taxes					
Adjustments to Income	1,600.0	3,351.7	1,751.7	3,350.3	(1.4)
Homestead Prop. Tax Credit	471.0	831.1	360.1	540.1	(291.0)
Personal Exemption	987.0	1,173.7	186.7	1,360.8	187.1
Earned Income Tax Credit	0.0	360.0	360.0	121.6	(238.4)
All Other Tax Expenditures	4,859.4	7,044.2	2,184.8	6,326.0	(718.2)
<b>Total Tax Expenditures</b>	<b>\$14,071.4</b>	<b>\$25,794.4</b>	<b>\$11,723.0</b>	<b>\$27,556.1</b>	<b>1,761.7</b>

Source: Michigan Department of Treasury

- Changes in the tax structure enacted in May 2011 reduced the level of tax expenditures by \$2.8 billion in FY 2012-13 and \$2.5 billion in FY 2013-14 compared to the FY 2011-12 level. These new tax expenditure estimates do not include the cost of exempting pass-through entities such as sole proprietorships, partnerships, S-corporations, and limited liability corporations (LLCs) from the new corporate income tax. However, tax expenditures are still expected to exceed ongoing revenue.

Figure 24

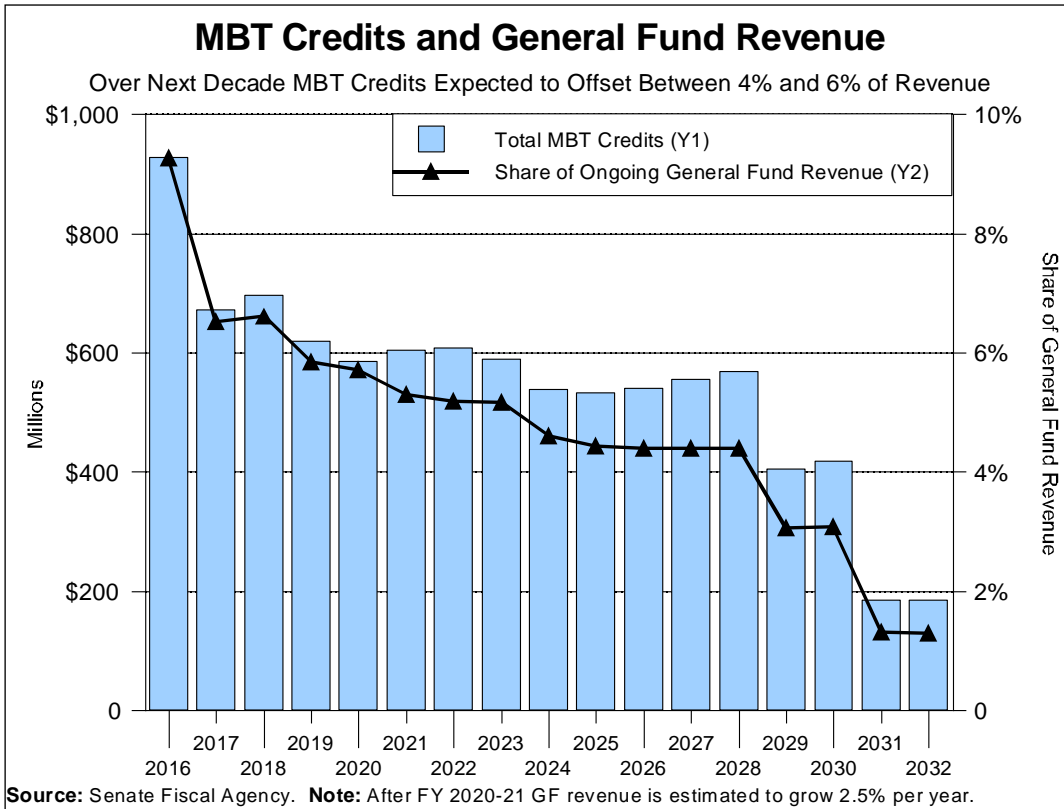
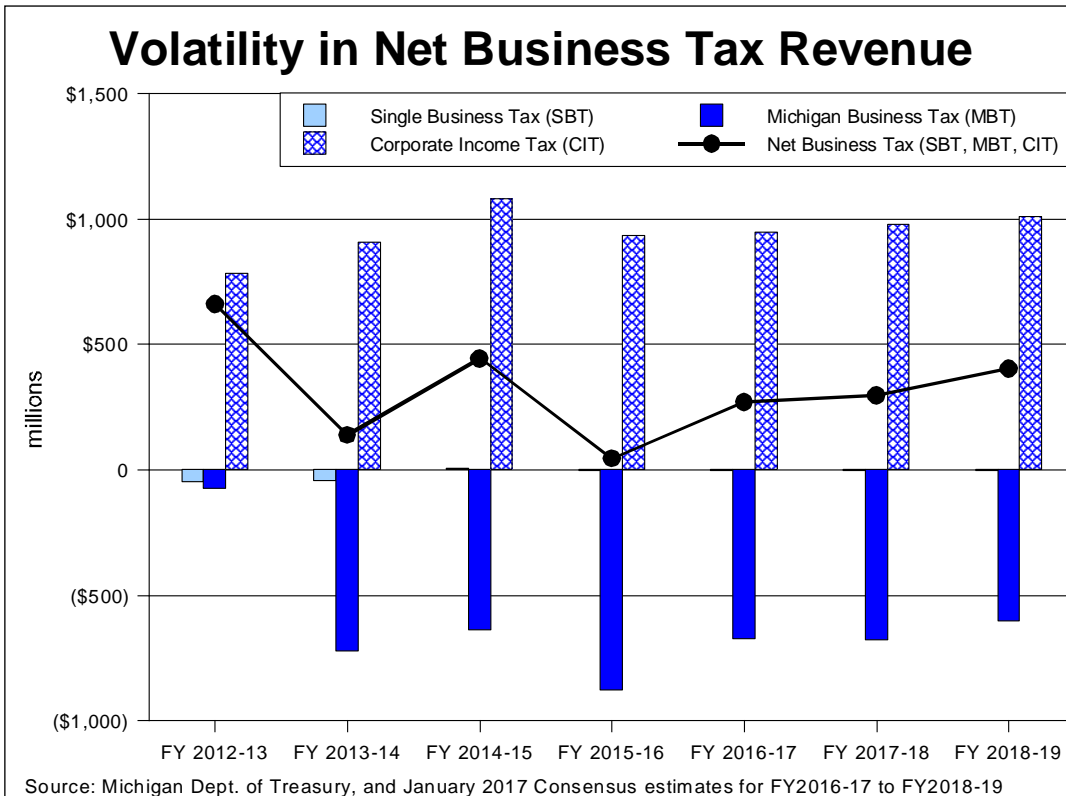


Figure 25



## Tax Code Restructuring

- Public Acts 38, 39, and 40 of 2011 restructured Michigan's business and personal income taxes.
- The existing Michigan Business Tax (MBT) was repealed and replaced with a new 6.0% Corporate Income Tax (CIT).
- Changes to the Michigan personal income tax included: freezing the personal income tax rate at 4.35% until January 1, 2013 (later modified to October 1, 2012, by PA 223 of 2012), modifying pension deductions and the homestead property tax credit, reducing the earned income tax credit (EITC), and eliminating most of the other credits, deductions, and exemptions. The current income tax rate is 4.25%.
- Table 2 outlines estimates of the fiscal impact for the State GF/GP and the School Aid Fund of the tax restructuring. The first year of the full impact of the changes was FY 2012-13 when GF/GP revenue increased an estimated \$354.8 million and School Aid Fund revenue decreased by an estimated \$672.2 million.

**Table 2**

**ENACTED TAX RESTRUCTURING LEGISLATION  
(Dollars in Millions)**

Tax Provision	FY 2012-13			FY 2013-14			FY 2014-15		
	GF/GP	SAF	Total	GF/GP	SAF	Total	GF/GP	SAF	Total
<u>Prior Law:</u>									
Michigan Business Tax	\$1,322.5	\$777.3	\$2,099.8	\$1,385.2	\$792.1	\$2,177.3	\$1,424.8	\$808.7	\$2,233.5
<u>Business Tax Changes:</u>									
Repeal MBT (12/31/11)	(\$1,375.1)	(\$777.3)	(\$2,152.4)	(\$1,366.3)	(\$792.1)	(\$2,158.4)	(\$1,409.7)	(\$808.7)	(\$2,218.4)
Corporate Income Tax (1/1/12)	876.1	0.0	876.1	911.4	0.0	911.4	945.5	0.0	945.5
Financial Institutions Tax	43.9	0.0	43.9	45.6	0.0	45.6	47.5	0.0	47.5
Certified Credits/Options Tax	(437.4)	0.0	(437.4)	(568.9)	0.0	(568.9)	(562.3)	0.0	(562.3)
Total Changes to Business Taxes	(892.5)	(777.3)	(1,669.8)	(978.2)	(792.1)	(1,770.3)	(979.0)	(808.7)	(1,787.7)
Net Business Tax Rev. After Credits	\$430.0	(\$0.0)	\$430.0	\$407.0	\$0.0	\$407.0	\$445.8	\$0.0	\$445.8
<u>Individual Income Tax Changes<sup>1)</sup>:</u>									
Delay/Eliminate Tax Rate Changes	\$225.0	\$0.0	\$225.0	\$415.4	\$0.0	\$415.4	\$617.9	\$0.0	\$617.9
Repeal Senior/Unemp. Ins. Exempt.	34.3	6.7	41.0	32.2	10.0	42.2	37.2	6.3	43.5
Repeal Child Deduction	52.9	4.2	57.1	48.0	10.8	58.8	49.5	11.1	60.6
Pension Tax Changes	259.5	76.7	336.2	263.7	83.3	347.0	272.3	85.0	357.3
Repeal Nonrefundable Credits	103.5	0.0	103.5	107.0	0.0	107.0	110.3	0.0	110.3
Homestead Credit Changes	257.0	0.0	257.0	265.0	0.0	265.0	273.0	0.0	273.0
Modify Earned Income Tax Credit	261.6	0.0	261.6	269.4	0.0	269.4	277.5	0.0	277.5
Eliminate Subtract./Exemp./Other	53.5	17.5	71.1	54.2	18.1	72.3	55.1	18.5	73.6
Total Changes to Individ. Income Tax	\$1,247.3	\$105.1	\$1,352.5	\$1,454.9	\$122.2	\$1,577.1	\$1,692.8	\$120.9	\$1,813.7
Net Impact of Proposed Reforms	\$354.8	(\$672.2)	(\$317.3)	\$476.7	(\$669.9)	(\$193.2)	\$713.8	(\$687.8)	\$26.0
<u>Addendum: Impact by Taxpayer Type</u>									
Businesses			(\$1,669.8)			(\$1,770.3)			(\$1,787.7)
Individuals			\$1,352.5			\$1,577.1			\$1,813.7

<sup>1)</sup> Does not include changes from PAs 223 and 224 of 2012, which subsequently amended portions of the restructuring legislation concerning the rate changes and changes in the personal exemption.

**Source:** May 15, 2013 Consensus Revenue estimates. These are the last detailed estimates for the impact of the reform package because beginning with the January 10, 2014 Consensus Revenue estimates, the impacts were included in baseline revenue and no longer estimated separately from other components of the affected taxes.



## Constitutional Revenue Limit

- Section 26 of Article IX of the State Constitution limits total State revenue to a maximum of 9.49% of Michigan personal income.
- Based on the revised revenue estimates, revenue subject to the Constitutional revenue limit was \$8.5 billion below the limit for FY 2013-14 and \$7.8 billion below the limit in FY 2014-15. It is estimated to be \$8.4 billion below the limit in FY 2015-16, \$9.3 billion below the limit in FY 2016-17, \$9.5 billion below the limit in FY 2017-18, and \$10.2 billion below the limit in FY 2018-19.

**Figure 26**

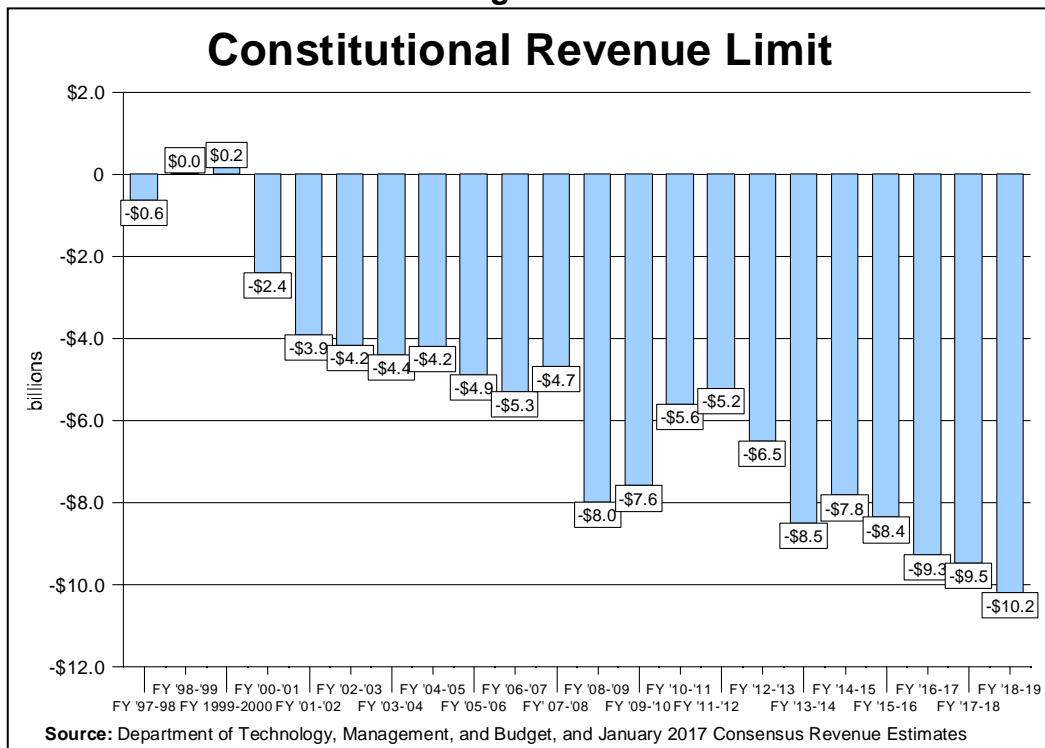


Figure 27

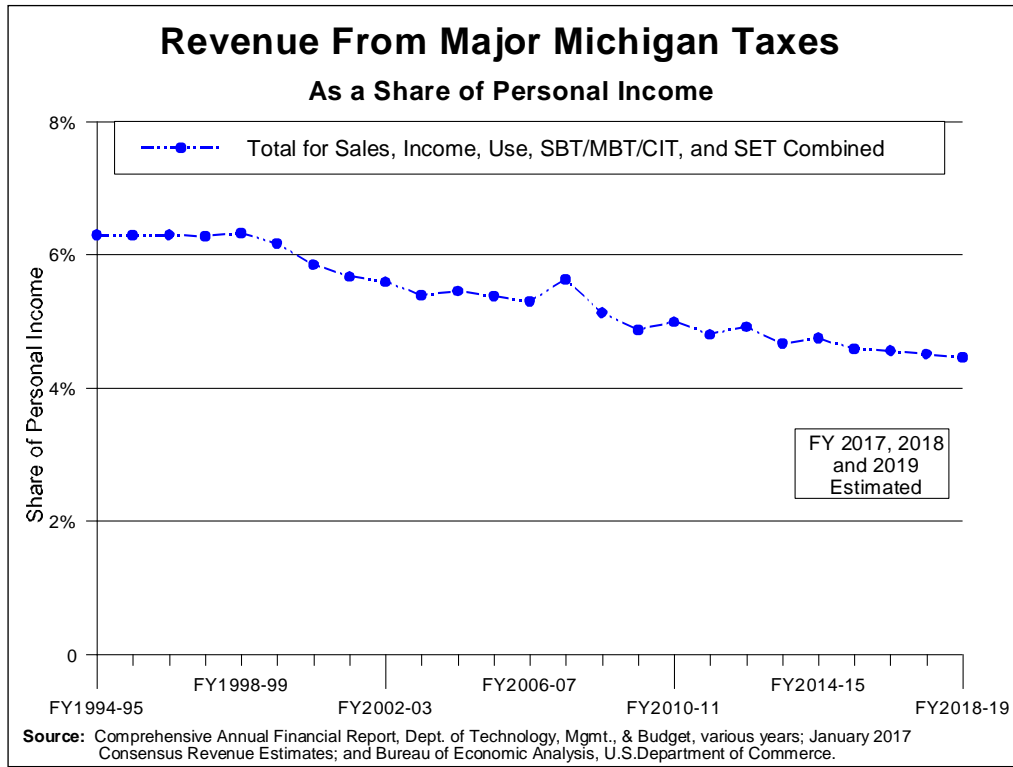
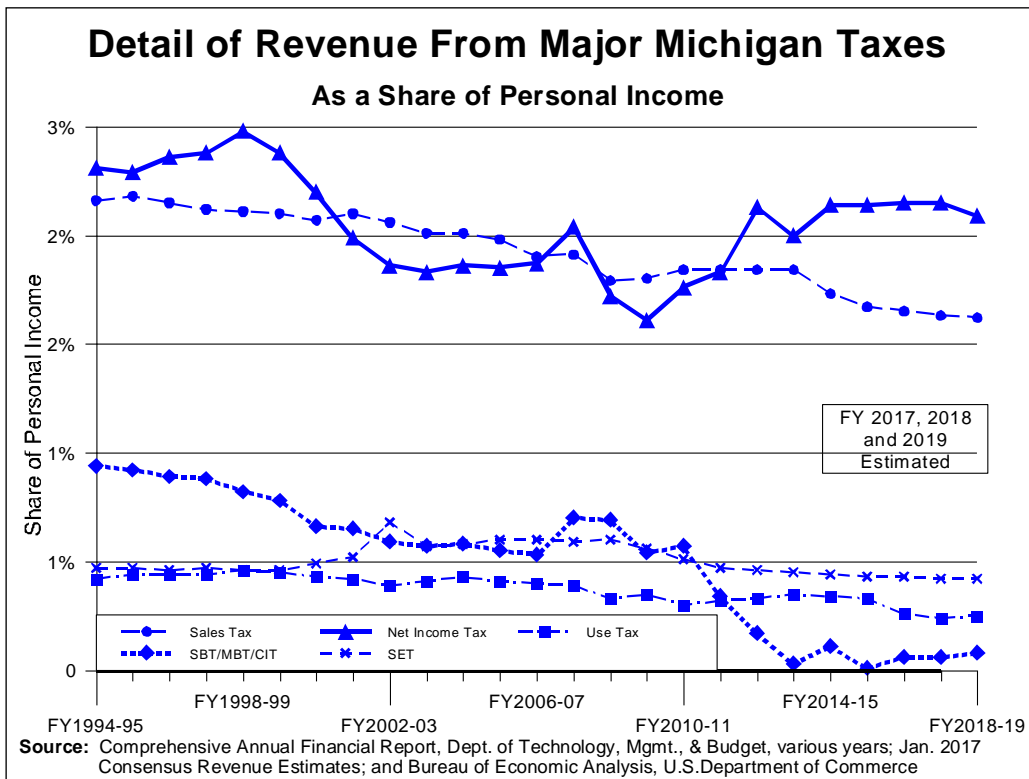


Figure 28



**Table 3**

**MICHIGAN'S MAJOR TAXES: REVENUE ESTIMATES, TAX RATES, AND YIELDS FOR FY 2016-17 AND FY 2017-18  
(Dollars in Millions)**

Tax	Revenue Estimates <sup>1)</sup>		Current Tax Rate	Examples of Rev. Impact Due to Change in Rate <sup>8)</sup>			History of Tax Rate Changes
	FY 2016-17 Net Revenue	FY 2017-18 Net Revenue		Rate Change	FY '17 Rev. Change Eff. 1/1/17	FY '18 Rev. Change Eff. 1/1/17	
<b>Individual Income Tax:</b>							
Gross Collections	\$11,636.0	\$12,030.0	4.25%				1967: 2.6%; 1971: 3.9%; 1975: 4.6%; 1982 (4/1): 5.6%; 1982 (10/1): 4.6%; 1983: 6.35%; 1984 (9/1): 5.35%; 1986: 4.6%; 1994 (5/1): 4.4%; 2000: 4.2%; 2002: 4.1%; 2003: 4.0%; 2004 (7/1): 3.9%; 2007 (10/1): 4.35%; 2012 (10/1): 4.25%
Refunds	(1,879.0)	(1,927.5)					
<b>Net Income Tax</b>	\$9,757.0	\$10,102.5		0.1%	\$167.4	\$253.8	
<b>Sales Tax<sup>2)</sup></b>	\$7,485.2	\$7,672.5	6.0%	1% of: <sup>2)</sup> first 4% of 6% last 2% of 6%	\$955.7 \$895.7	\$1,305.9 \$1,224.4	1933: 3.0% 1960: 4.0% 1994: 6.0% 5/1
<b>Use Tax<sup>3)</sup></b>	\$1,574.5	\$1,555.4	6.0%	1.0%	\$196.8	\$259.2	1937: 3.0% 1960: 4.0% 1994: 6.0% 5/1
<b>Corporate Income Tax</b>	\$946.5	\$975.8	6.0%	1.0%	\$118.3	\$162.6	Rate has not changed.
<b>Tobacco Tax</b>	\$934.4	\$925.7					1947: 3 cents/pk 1959: 4 cents/pk 1961: 5 cents/pk 1962: 7 cents/pk 1970: 11 cents/pk 1982: 21 cents/pk 1987: 25 cents/pk 1993: 75 cents/pk 2002: \$1.25/pk 8/1 2004: \$2/pk 7/1
Cigarettes	\$855.5	\$844.4	\$2.00/pack	\$0.10/pack	\$31.8	\$41.8	
Other Tobacco Products	\$78.9	\$81.3	32% whole-sale price	2.0%	\$3.7	\$5.0	
<b>Liquor Tax<sup>4)</sup></b>	\$54.0	\$55.2	4.0%	1.0%	\$10.1	\$13.7	1959: Liquor excise tax established - 4.0% 1962: Liquor specific tax established - 4.0% 1972: Liquor specific tax established - 1.85%, repealed 10/1/12 1985: Liquor specific tax established - 4.0%
<b>Beer Tax<sup>5)</sup></b>	\$42.4	\$43.2	\$6.30/barrel <sup>5)</sup>	\$1/barrel <sup>5)</sup>	\$5.0	\$6.8	1933: \$1.25/barrel 1959: \$2.50/barrel 1962: \$6.61/barrel 1966: \$6.30/barrel
<b>Wine Tax<sup>6)</sup></b>	\$10.6	\$10.8	<sup>6)</sup>	\$0.01/liter	\$0.6	\$0.8	1937: \$0.50/gallon 1981: w/ 16% alcohol 13.5 cents/liter 1981: w/ >16% alcohol 20 cents/liter 1989: mixed-spirit drinks 48 cents/liter
<b>Casino Gaming Tax</b>	\$114.0	\$115.0	8.1%	1.0%	\$10.6	\$14.2	1999: 8.1% of adj. gross receipts 2004: 12.1% of adj. gross receipts 9/1 FY07: 8.1%-12.1% FY09: 8.1% 2/09
<b>Real Estate Transfer Tax<sup>7)</sup></b>	\$305.2	\$309.8	0.75% <sup>7)</sup>	0.25%	\$76.3	\$103.3	Rate has not changed.
<b>State Education Property Tax</b>	\$1,933.9	\$1,990.6	6 mills	1 mill	\$322.3	\$331.8	1994: 6 mills 2003: 5 mills (one-year reduction only) 2004: 6 mills
<b>Gasoline Tax</b>	\$1,122.1	\$1,202.3	\$0.263/gal.	\$0.01/gal.	\$34.2	\$45.7	1983: 13 cents/gal. 2017: 26.3 cents/gal. 1984: 15 cents/gal. 1997: 19 cents/gal.

1) Consensus Revenue Estimates, January 12, 2017. 2) The first 4 percentage points of the 6% sales tax rate are assessed on the entire sales tax base (including residential utilities), whereas the last two percentage points of the 6% sales tax rate are not assessed on residential utilities. 3) Combined State and local revenue, and thus includes the portion of the Use Tax directed to the Local Community Stabilization Authority. The LCSEA portion is set in statute and would not be affected by a rate change. Thus the estimated impact of a rate change only reflects the impact on State revenue. 4) There are three taxes on liquor, each with a rate of 4.0% and they are earmarked to the General Fund, School Aid Fund, and the Convention Facility Fund. One tax, assessed at 1.85% on sales for off-site consumption and earmarked to the Liquor Purchase Revolving Fund, was repealed effective October 1, 2012. 5) The beer tax of \$6.30/barrel is equivalent to 1.9 cents per 12-ounce can of beer. Increasing the rate by \$1/barrel would increase the tax/can to 2.2 cents. 6) Tax on wine is as follows: Wine containing 16% or less of alcohol: 13.5 cents/liter; and wine containing more than 16% alcohol: 20 cents/liter. 7) The real estate transfer tax is assessed when real property changes ownership and it is assessed on the transaction price. 8) Senate Fiscal Agency estimate.

## Budget Stabilization Fund

- The Countercyclical Budget and Economic Stabilization Fund (BSF) was established by Public Act 76 of 1977.
- The BSF is a cash reserve to which the State, in years of economic growth, adds revenue, and from which, in years of economic recession, the State withdraws revenue.
- Table 4 presents the recent history of the BSF in terms of actual transfers into and out of the Fund, interest earnings, and year-end balances.

**Table 4**

<b>BUDGET AND ECONOMIC STABILIZATION FUND TRANSFERS, EARNINGS, AND FUND BALANCE FY 1998-99 TO FY 2017-18 ESTIMATE (Millions of Dollars)</b>				
<b>Fiscal Year<sup>a)</sup></b>	<b>Pay-In</b>	<b>Interest Earned</b>	<b>Pay-Out</b>	<b>Fund Balance</b>
1998-99	\$244.4	\$51.2	\$73.7	\$1,222.5
1999-00	100.0	73.9	132.0	1,264.4
2000-01	0.0	66.7	337.0	994.2
2001-02	0.0	20.8	869.8	145.2
2002-03	0.0	1.8	147.0	0.0
2003-04	81.3	0.0	0.0	81.3
2004-05	0.0	2.0	81.3	2.0
2005-06	0.0	0.0	0.0	2.0
2006-07	0.0	0.1	0.0	2.1
2007-08	0.0	0.1	0.0	2.2
2008-09	0.0	0.0	0.0	2.2
2009-10	0.0	0.0	0.0	2.2
2010-11	0.0	0.0	0.0	2.2
2011-12	362.7	0.2	0.0	365.1
2012-13	140.0	0.5	0.0	505.6
2013-14 <sup>b)</sup>	75.0	0.4	194.8	386.2
2014-15 <sup>c)</sup>	111.5	0.4	0.0	498.1
2015-16 <sup>d)</sup>	112.5	1.8	0.0	612.4
<b>Enacted Deposits and Estimated Interest Earnings:</b>				
2016-17 <sup>e)</sup>	92.5	4.0	0.0	708.5
2017-18 <sup>f)</sup>	17.5	8.2	0.0	734.6

a) For FY 1998-99 to FY 2015-16 the table shows the actual appropriated pay-in and pay-out to the BSF and the interest earned as reported in the State of Michigan Comprehensive Annual Financial Report. FY 2016-17 and FY 2017-18 include enacted legislation and estimated interest earnings.

b) Pay-in was appropriated in PA 59 of 2013. Pay-out is the transfer of \$194.8 million in FY 2013-14 per PA 188 of 2014 from the BSF to the Settlement Administration Fund related to the Detroit bankruptcy.

c) PA 252 of 2014 appropriated \$94.0 million to the BSF and PA 186 of 2014, which amended the Trust Fund Act, authorizes the annual deposit of \$17.5 million of tobacco settlement revenue to the BSF from FY 2014-15 to FY 2034-35 to repay the withdrawal related to the Detroit bankruptcy.

d) PA 84 of 2015 appropriated \$95.0 million to the BSF, in addition to the \$17.5 million deposited under the Trust Fund Act.

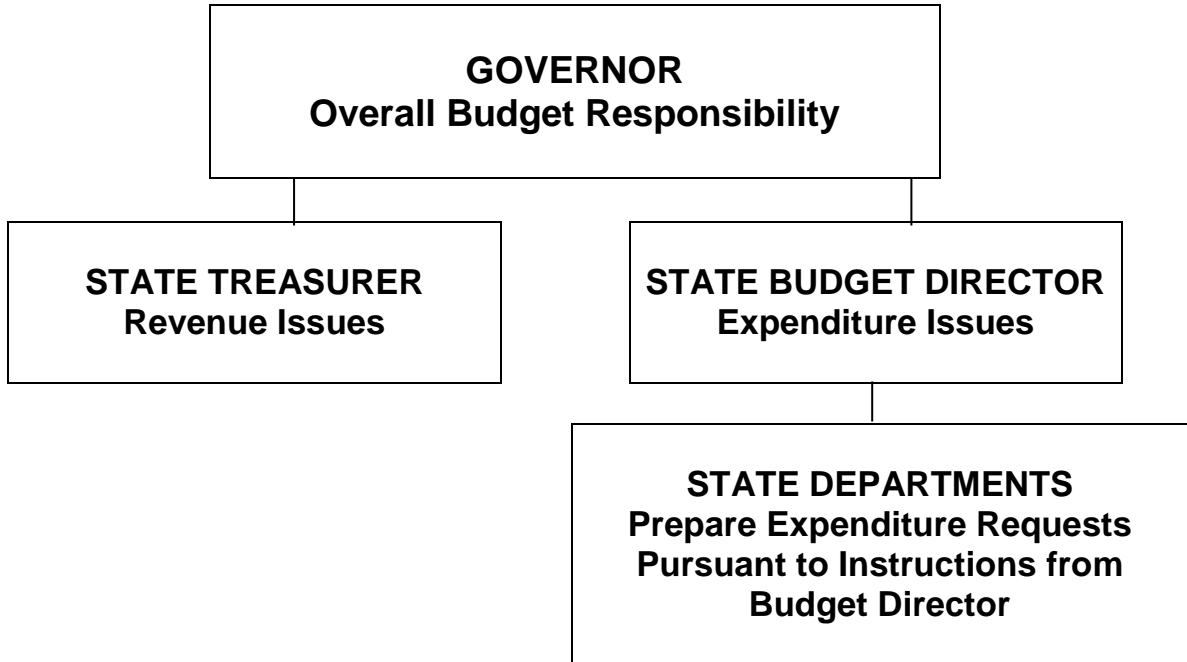
e) Estimated pay-in consists of \$17.5 million pursuant to the Trust Fund Act and \$75.0 million appropriated in Public Act 340 of 2016.

f) Estimated pay-in consists of \$17.5 million deposited under the Trust Fund Act.

# **The Budget Process**

# Key Actors in Budget Decision Making Process

## Executive Branch



## Legislative Branch

<b>HOUSE OF REPRESENTATIVES</b>	<b>SENATE</b>
<b>Speaker of the House</b>	<b>Majority Leader</b>
<b>Chair of Appropriations Committee</b>	<b>Chair of Appropriations Committee</b>
<b>Members of Appropriations Committee</b>	<b>Members of Appropriations Committee</b>
<b>Appropriation Subcommittees</b>	<b>Appropriation Subcommittees</b>
<b>Full Membership of House</b>	<b>Full Membership of Senate</b>
<b>House Fiscal Agency</b>	<b>Senate Fiscal Agency</b>

# **Key Actors in Budget Decision Making Process**

## **State Departments and Outside Interest Groups**

- Education Institutions
- Units of Local Government
- Nonprofit Associations
- Multi-client Lobbyists
- Single Issue Lobbyists
- General Public

## **Preparation of Executive Budget**

### **State Treasurer (Incoming \$\$\$)**

- Revenue Estimates
- Tax Policy
- Cash Management
- Debt Management

### **Budget Director (Outgoing \$\$\$)**

- Issues Budget Directions
- Reviews and Analyzes Agency Requests
- Filters Requests from Outside Groups
- Prepares Final Budget Documents
- Oversees Legislative Budget Process for Governor
- Management of Current Year Budget



## **Presentation of Executive Budget to the Legislature**

- Prescribed by Statute
- Executive Press Releases
- Joint Meeting of the House and Senate Appropriations Committees
  - Governor and Budget Director Presentation
- Documentation
  - Summaries
  - Executive Budget Bills
  - Line Item Detail

## **Legislative Budget Responsibilities**

- Consideration of Executive Budget
- Adoption of Annual Appropriation Bills
- Review of Governor's Line Item Vetoes
- Monitoring and Oversight of Current Year Budget

## Budget Time Frame

JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE
<b>LEGISLATIVE ACTION</b>					
Governor's State of the State is delivered and budget recommendation is prepared for submission to the Legislature.	Governor's budget is delivered, legislative action begins.	Subcommittees make decisions, Appropriations Committee meets, floor votes take place.			Budget targets are negotiated between the Executive and Legislature. Conference Committees meet.
<b>SENATE FISCAL AGENCY ACTION</b>					
First Consensus Revenue Estimating Conference (CREC) is scheduled. SFA prepares applicable documents, schedules future hearings, and provides background briefings.	SFA presents analysis of Governor's budget. Subcommittee hearings begin.	Decision documents are prepared, SFA works with Subcommittee chairs and members to develop proposals, substitute bills are prepared and analyzed, amendments are drafted. SFA revenue forecast is released. Second CREC is held in May.			SFA provides staff support to Conference negotiations, and prepares and analyzes Conference Reports.

JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
<b>LEGISLATIVE ACTION</b>					
Governor signs appropriation bills and issues vetoes. Veto overrides are considered. Current-year budget adjustments are considered. Fiscal year ends September 30.			New fiscal year begins October 1. Appropriations Committee considers year-end transfers.		
<b>SENATE FISCAL AGENCY ACTION</b>					
Analysis of initial appropriations legislation is completed. Initial Appropriations Report is distributed. Year-end budgetary adjustments and lapse estimates are completed.			SFA Year-End Appropriations Report is generated. SFA Economic and Revenue Forecast is released. Mid-year budget adjustments (transfers, supplementals, Executive Orders) are analyzed as needed.		

## **Mandated Budget Requirements and Restrictions State Budget Process Constitutional Requirements**

- Budget Submission Date (Sec. 18 of Article V)
- Balanced Budget Requirement (Sec. 31 of Article IV and Sec. 18 of Article V)
- Revenue Limit (Sec. 26 of Article IX)
- Expenditure Limit (Sec. 28 of Article IX)
- State and Local Spending Split (Sec. 30 of Article IX)
- Appropriation Reductions (Sec. 20 of Article V)
- Line Item Veto (Sec. 19 of Article V)
- Limits on State General Obligation Debt (Sec. 15 of Article IX)

## **Mandated Budget Requirements and Restrictions State Budget Process Statutory Requirements**

Public Act 431 of 1984 provides the basic statutory framework for the State budget process. Some of the major provisions include:

- Role of State Budget Director
- Fiscal Year Period
- Budget Submission Date
- Consensus Revenue Estimating Conference
- Countercyclical Budget and Economic Stabilization Fund
- Operating Funds
- Implementation of Constitutional Requirements

## **Mandated Budget Requirements and Restrictions Boilerplate Requirements**

Intent language contained in appropriation bills is referred to as boilerplate. Boilerplate language is used to accomplish the following objectives:

- Imposes Conditions on Appropriations
- Reporting Requirements
- Imposes Specific Spending Criteria

## **Specific Michigan Budget Practices**

Several features of Michigan's budget process that result from historical practices impact on final budget decisions. These include:

- Strong Executive Branch Influence
- Strong Legislative Appropriations Committees
- Numerous Appropriations Bills/Omnibus Bills
- Incremental Changes in Budget
- Strong Threat of Line Item Veto

## State Budget Terms

**Gross Appropriations:** Total level of State appropriations from all fund sources

**Adjusted Gross Appropriations:** Total Gross Appropriations excluding interdepartmental grants and transfers

**State Restricted Revenue Appropriations:** State taxes or fees that are designated for a specific purpose in the budget by either constitutional or statutory requirements

**General Fund/General Purpose (GF/GP) Appropriations:** Unrestricted portion of State budget fund sources

**State Spending from State Resources Appropriations:** Total level of State appropriations excluding Federal, local, and private funding sources; includes only State Restricted and General Fund/General Purpose appropriations

**FTE:** Full-time equated employee

**Boilerplate:** Intent language in appropriation bills

**Table 5**

<b>ADJUSTED GROSS, STATE SPENDING FROM STATE RESOURCES, AND GF/GP INITIAL APPROPRIATIONS for FY 2016-17 (Billions of Dollars)</b>			
<b>Department/Budget Area</b>	<b>Adjusted Gross</b>	<b>State Spending</b>	<b>GF/GP</b>
Health and Human Services	\$24.8	\$6.7	\$4.4
K-12 Education	14.2	12.3	0.2
Transportation	4.1	2.7	0.01
Corrections	2.0	2.0	2.0
Higher Ed/Community Colleges	<u>2.0</u>	<u>1.9</u>	<u>1.4</u>
Subtotal	\$47.1	\$25.6	\$8.0
All Other	7.0	5.4	2.0
<b>Total</b>	<b>\$54.0</b>	<b>\$31.0</b>	<b>\$10.0</b>

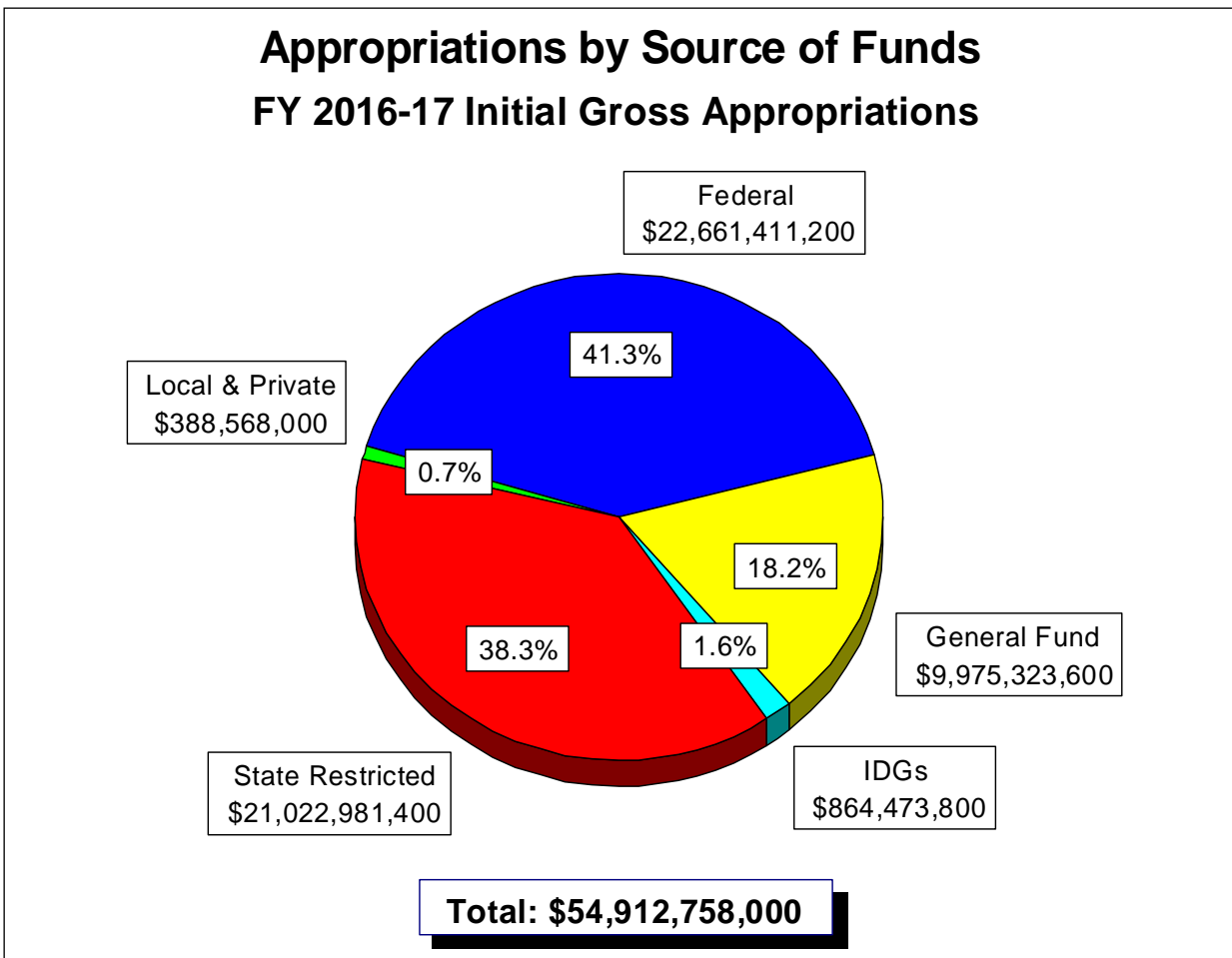
**The State Budget  
FY 2016-17**

**Table 6**

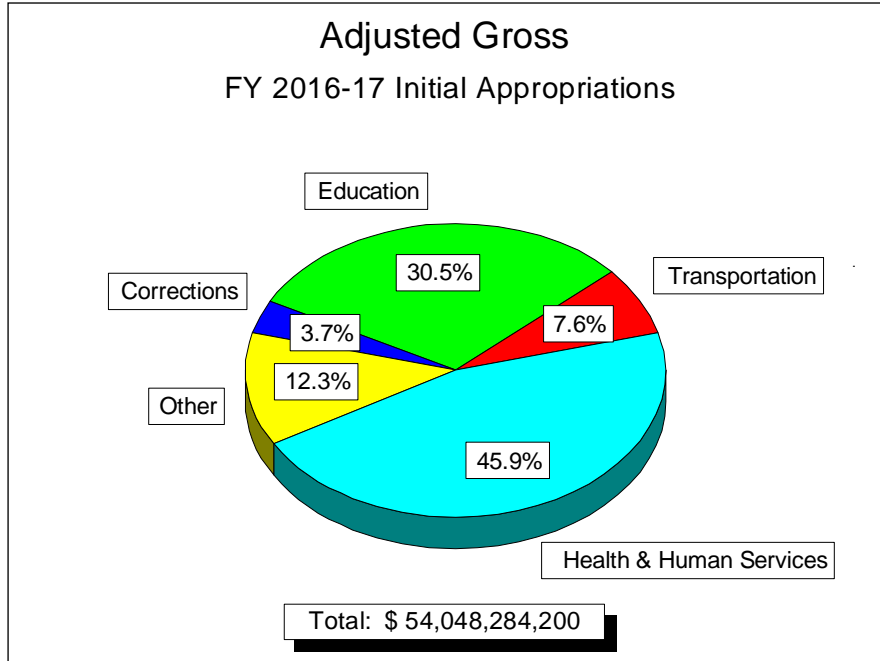
<b>SUMMARY OF FY 2016-17 APPROPRIATION CHANGES</b>		
	<b>Gross</b>	<b>GF/GP</b>
<b>FY 2015-16 Year-To-Date Appropriation<sup>1)</sup></b> .....	<b>\$54,320,118,200</b>	<b>\$10,149,633,800</b>
<b>Changes for FY 2016-17:</b>		
New Programs .....	\$110,597,200	\$28,669,000
Program Increases.....	1,743,696,650	567,681,100
Program Eliminations/Reductions .....	(1,057,652,050)	(400,792,100)
Major Fund Shifts Affecting GF/GP .....	0	(253,269,100)
Other Technical Program Adjustments.....	(347,472,200)	(189,869,500)
Economic Increases.....	143,003,700	73,019,400
Unclassified Salaries Adjustments .....	<u>466,500</u>	<u>251,000</u>
Total Changes.....	\$592,639,800	(\$174,310,200)
<b>FY 2015-16 INITIAL APPROPRIATION</b> .....	<b>\$54,912,758,000</b>	<b>\$9,975,323,600</b>

<sup>1)</sup> Appropriation as of July 1, 2016.

**Figure 29**



**Figure 30**

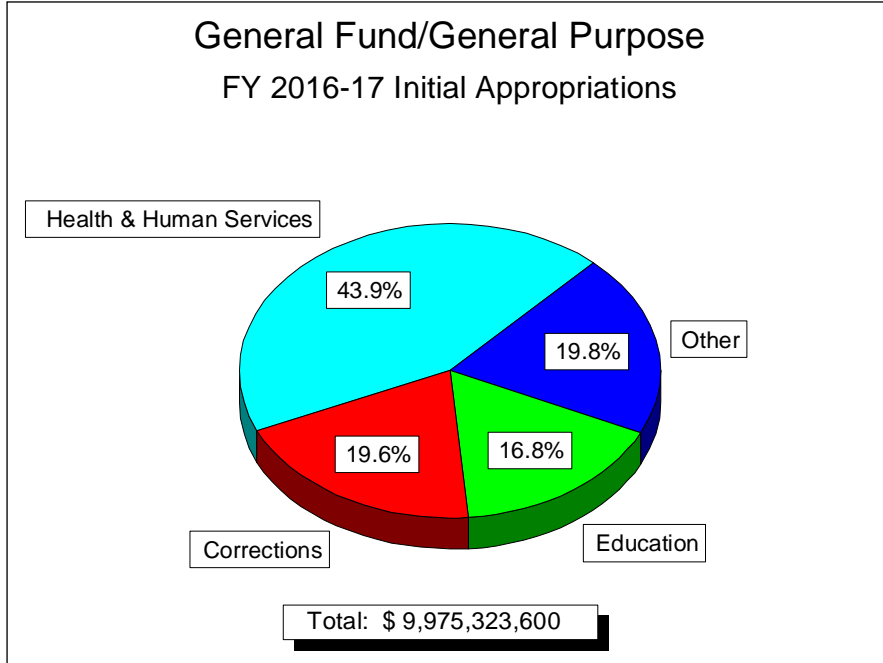


**Table 7**

<b>INITIAL ADJUSTED GROSS APPROPRIATIONS FY 2016-17</b>	
<b>Department/Budget Area</b>	
Health and Human Services .....	\$24,828,323,100
School Aid.....	14,161,842,100
Transportation.....	4,110,490,200
Corrections.....	2,002,729,000
Higher Education .....	1,582,640,400
Treasury-Revenue Sharing .....	1,228,982,700
Talent and Economic Development .....	1,145,994,300
State Police.....	622,895,700
Technology, Management, and Budget .....	607,137,600
Treasury-Operations.....	507,860,900
Environmental Quality .....	504,323,700
Natural Resources.....	396,878,200
Community Colleges.....	395,925,600
Licensing and Regulatory Affairs.....	371,138,600
Education .....	331,975,200
Judiciary.....	296,684,000
State.....	228,015,600
Military and Veterans Affairs.....	173,998,400
Legislature .....	141,903,600
Treasury-Debt Service.....	137,037,000
Agriculture and Rural Development .....	93,778,100
Attorney General.....	72,496,100
Insurance and Financial Services .....	65,549,600
Legislative Auditor General .....	18,093,300
Civil Rights.....	15,954,900
Executive .....	5,636,300
<b>TOTAL APPROPRIATIONS .....</b>	<b>\$54,048,284,200</b>



**Figure 31**



**Table 8**

**INITIAL GF/GP APPROPRIATIONS  
FY 2016-17**

<b>Department/Budget Area</b>	
Health and Human Services	\$4,374,548,300
Corrections	1,951,957,900
Higher Education	1,243,904,500
Technology, Management, and Budget	485,518,600
State Police	402,662,800
School Aid	218,900,000
Judiciary	189,157,400
Talent and Economic Development	179,388,900
Legislature	137,227,800
Treasury-Debt Service	137,037,000
Community Colleges	135,510,800
Treasury-Operations	98,408,800
Education	76,181,200
Military and Veterans Affairs	55,243,600
Agriculture and Rural Development	49,926,900
Environmental Quality	47,736,400
Licensing and Regulatory Affairs	43,721,100
Attorney General	42,840,500
Natural Resources	39,910,000
State	22,109,600
Legislative Auditor General	16,123,900
Civil Rights	13,021,300
Transportation	8,500,000
Executive	5,636,300
Insurance and Financial Services	150,000
Treasury-Revenue Sharing	0
<b>TOTAL GF/GP APPROPRIATIONS.....</b>	<b>\$9,975,323,600</b>

**Table 9**  
**FULL-TIME EQUATED POSITIONS**  
**FY 2015-16 VERSUS FY 2016-17**

Department/Budget Area	FY 2015-16	FY 2016-17	Position Change	Percent Change
	Year-to-Date Positions	Initial Positions		
Agriculture & Rural Development .....	454.0	473.0	19.0	4.2%
Attorney General.....	518.5	527.0	8.5	1.6
Civil Rights .....	129.0	129.0	0.0	0.0
Corrections.....	14,174.3	13,803.9	(370.4)	(2.6)
Education .....	588.5	597.5	9.0	1.5
Environmental Quality .....	1,224.0	1,232.0	8.0	0.7
Executive.....	74.2	74.2	0.0	0.0
Health & Human Services.....	15,437.0	15,570.5	133.5	0.9
Higher Education.....	0.0	0.0	0.0	0.0
Insurance & Financial Services.....	337.0	336.5	(0.5)	(0.1)
Judiciary .....	495.0	510.0	15.0	3.0
Licensing & Regulatory Affairs.....	2,164.3	2,170.3	6.0	0.3
Military & Veterans Affairs.....	888.5	898.5	10.0	1.1
Natural Resources .....	2,229.8	2,236.8	7.0	0.3
State .....	1,587.0	1,587.0	0.0	0.0
State Police .....	3,131.0	3,226.0	95.0	3.0
Talent & Economic Development .....	1,613.0	1,609.0	(4.0)	(0.2)
Technology, Management, & Budget .....	2,844.0	2,877.0	33.0	1.2
Transportation .....	2,912.3	2,912.3	0.0	0.0
Treasury (Operations) .....	1,901.5	1,906.5	5.0	0.3
<b>TOTAL POSITIONS.....</b>	<b>52,702.9</b>	<b>52,677.0</b>	<b>(25.9)</b>	<b>(0.04%)</b>

**Note:** Full-Time Equated classified positions include exempt positions in Judiciary.

**Figure 32**

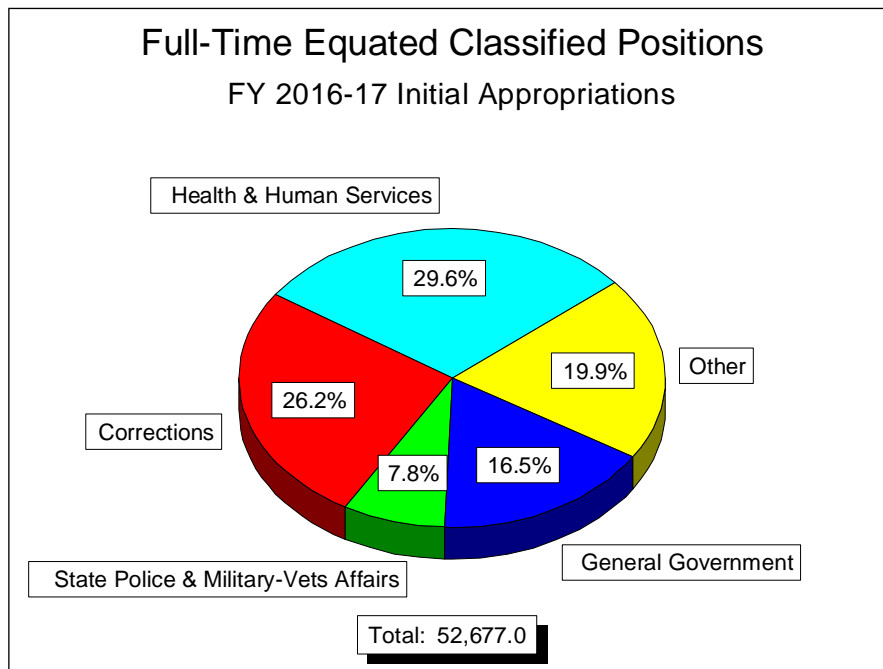


Figure 33

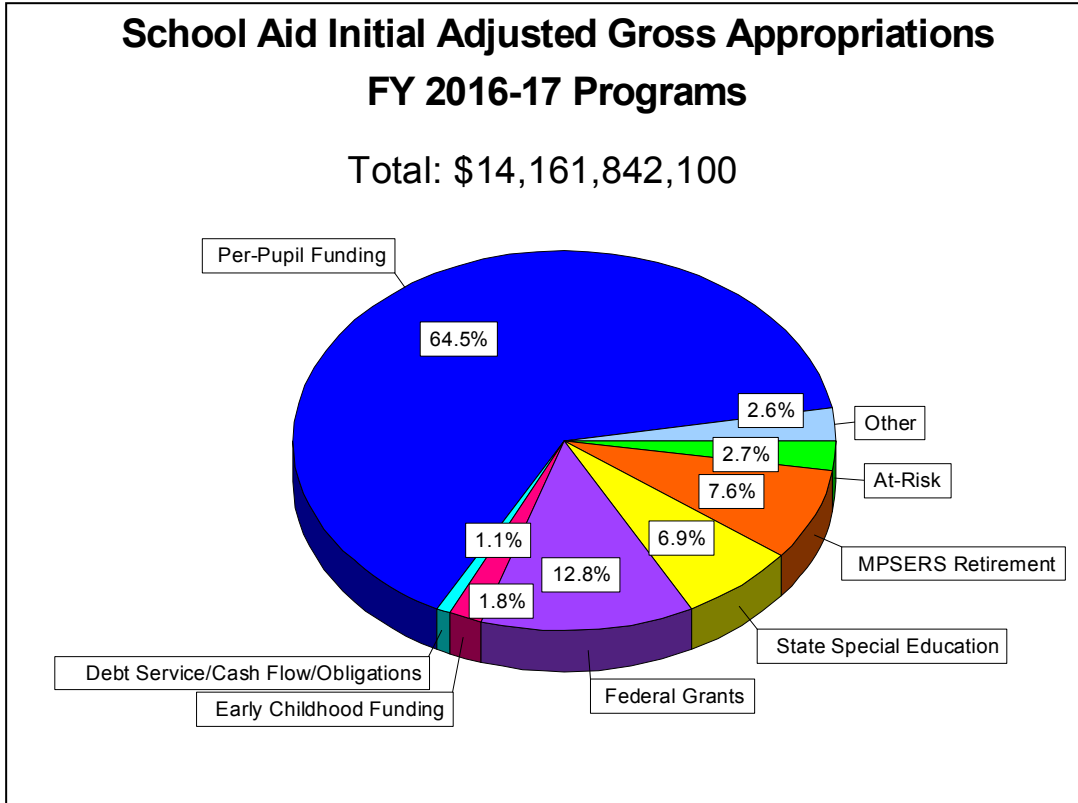


Figure 34

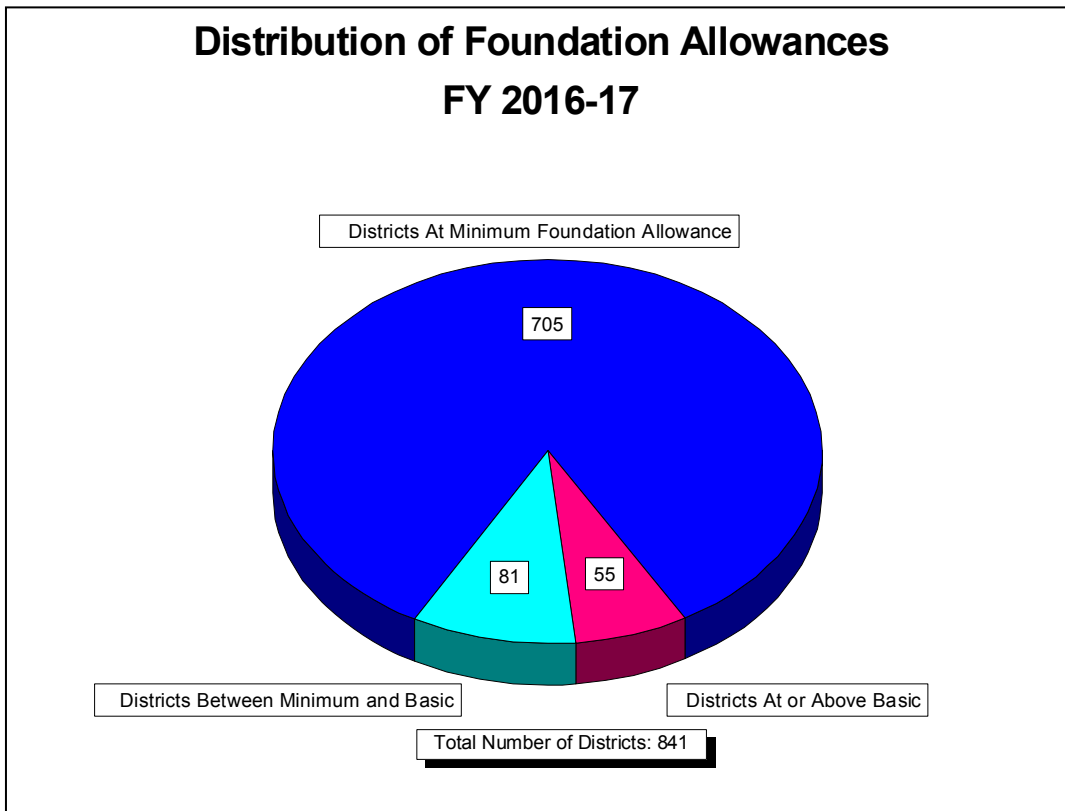
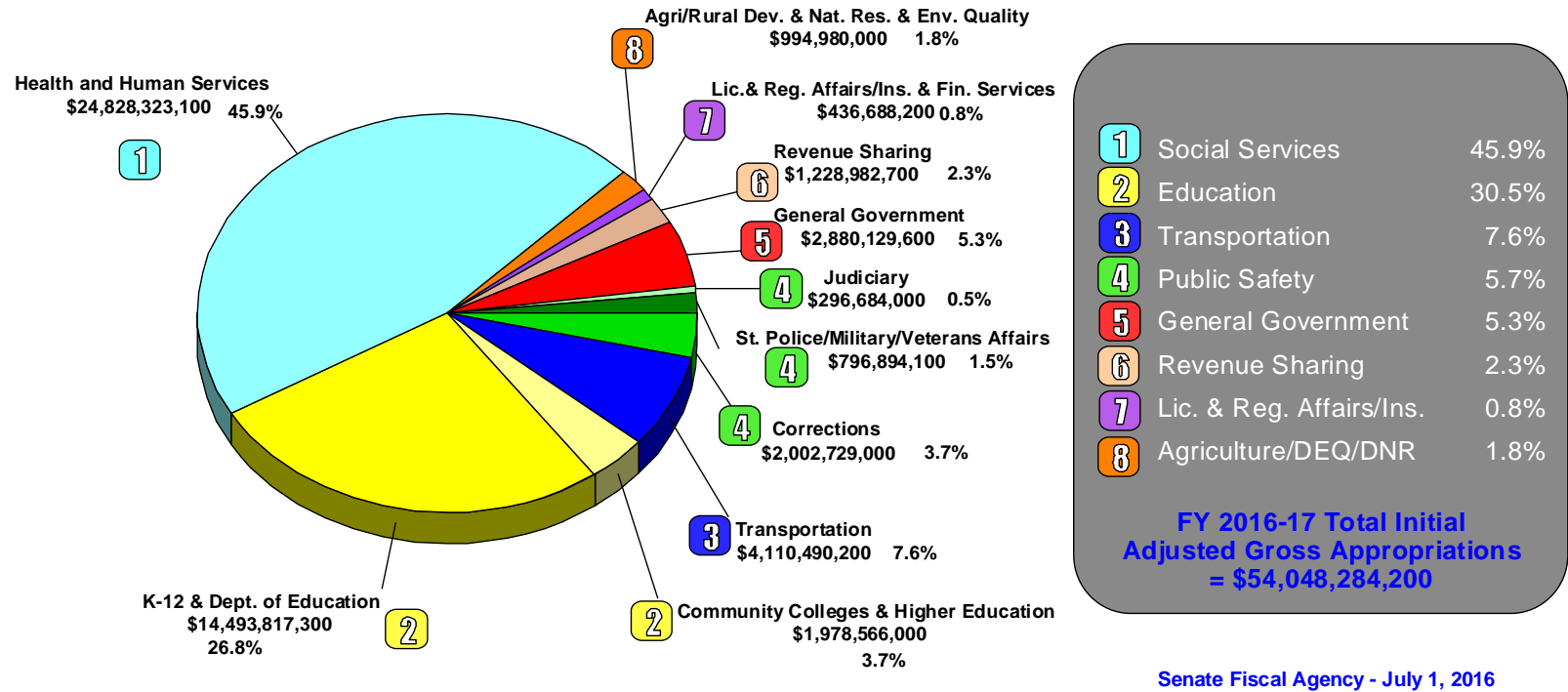


Figure 35

# Where State of Michigan Tax Dollars Are Spent Fiscal Year 2016-17 Initial Adjusted Gross Appropriations



**Table 10**

**FY 2015-16 AND FY 2016-17 GENERAL FUND/GENERAL PURPOSE  
REVENUE, EXPENDITURES, AND YEAR-END BALANCE ESTIMATES  
(Millions of Dollars)**

	<b>FY 2015-16</b>	<b>FY 2016-17</b>
Beginning Balance.....	\$694.7	\$604.4
<b>Ongoing Revenue:</b>		
January 2017 Consensus Revenue Estimate.....	\$10,015.4	\$10,290.1
Revenue Sharing Payments .....	(462.7)	(465.3)
Shift of Short-Term Borrowing Costs to School Aid Fund.....	2.5	5.5
Medicaid Managed Care Use Tax.....	<u>413.5</u>	<u>105.3</u>
Subtotal Ongoing Revenue.....	\$9,968.7	\$9,935.6
<b>Non-Ongoing Revenue:</b>		
One-Time Appropriation for Revenue Sharing .....	(\$5.8)	(\$5.8)
Redirection of Restricted Revenue.....	2.7	16.8
Bookclosing Adjustments.....	<u>128.4</u>	<u>0.0</u>
Subtotal Non-Ongoing Revenue .....	\$125.3	\$11.0
<b>Total Estimated GF/GP Revenue .....</b>	<b>\$10,788.7</b>	<b>\$10,551.0</b>
<b>Expenditures:</b>		
Initial Ongoing Appropriations .....	\$9,517.8	\$9,669.0
<b>One-Time and Other Appropriations:</b>		
Initial One-Time Appropriations.....	\$98.3	\$297.8
Initial One-Time Appropriation for Transportation.....	258.0	8.5
One-Time Appropriation to Budget Stabilization Fund.....	95.0	75.0
Enacted Supplementals .....	282.7	124.7
Pending Supplemental Request #2017-3.....	0.0	10.0
Bookclosing Adjustments.....	130.3	0.0
Estimated Year-End Lapses .....	<u>(197.8)</u>	<u>0.0</u>
Subtotal One-Time and Other Appropriations .....	\$666.5	\$516.0
<b>Total Estimated GF/GP Expenditures.....</b>	<b>\$10,184.3</b>	<b>\$10,185.0</b>
<b>PROJECTED YEAR-END GF/GP BALANCE .....</b>	<b>\$604.4</b>	<b>\$366.0</b>

**Table 11**  
**FY 2015-16 AND FY 2016-17 SCHOOL AID FUND**  
**REVENUE, EXPENDITURES, AND YEAR-END BALANCE ESTIMATES**  
**(Millions of Dollars)**

	<b>FY 2015-16</b>	<b>FY 2016-17</b>
Beginning Balance.....	\$190.2	\$168.2
<b>Ongoing Revenue:</b>		
January 2017 Consensus Revenue Estimate.....	\$12,118.7	\$12,457.0
General Fund/General Purpose Grant .....	55.1	218.9
Federal Ongoing Aid.....	1,585.2	1,730.7
Community District Education Trust Fund.....	0.0	72.0
Medicaid Managed Care Use Tax.....	<u>206.8</u>	<u>52.6</u>
Subtotal Ongoing Revenue.....	<u>\$13,965.8</u>	<u>\$14,531.2</u>
<b>Non-Ongoing Revenue:</b>		
Bookclosing Adjustment: SASF Interest.....	\$0.6	\$0.0
Bookclosing Adjustment: Miscellaneous Revenue .....	<u>16.9</u>	<u>0.0</u>
Subtotal Ongoing Revenue.....	<u>\$17.5</u>	<u>\$0.0</u>
<b>Total Estimated School Aid Fund Revenue .....</b>	<b><u>\$14,173.5</u></b>	<b><u>\$14,699.4</u></b>
<b>Expenditures:</b>		
Initial Ongoing Appropriations .....	\$13,846.6	\$13,985.8
Enacted Supplementals .....	(169.2)	0.0
Pending Supplementals.....	0.0	(103.4)
Partially Fund Community Colleges with School Aid Fund.....	256.7	260.4
Partially Fund Higher Education with School Aid Fund.....	<u>205.2</u>	<u>237.1</u>
Subtotal Ongoing Appropriations .....	<u>\$14,139.3</u>	<u>\$14,379.9</u>
<b>One-Time and Other Appropriations:</b>		
Initial One-Time K-12 Appropriations .....	\$49.8	\$176.0
Enacted Supplemental-Flint Early On Services.....	9.2	0.0
Federal Expenditure Adjustments .....	(190.5)	0.0
Bookclosing Adjustment: Prior Year/Reserves .....	36.3	0.0
Estimated Lapses .....	<u>(38.8)</u>	<u>0.0</u>
Subtotal One-Time and Other Appropriations .....	<u>\$(134.0)</u>	<u>\$176.0</u>
<b>Total Estimated School Aid Fund Expenditures.....</b>	<b><u>\$14,005.3</u></b>	<b><u>\$14,555.9</u></b>
<b>PROJECTED YEAR-END SCHOOL AID FUND BALANCE .....</b>	<b><u>\$168.2</u></b>	<b><u>\$143.4</u></b>

**Table 12**

<b>TOTAL ACCUMULATED PENSION UNFUNDED LIABILITIES</b>												
<b>Fiscal Year</b>	<b>MPSERS<sup>1)</sup>: BASIC/MIP</b>		<b>MPSERS<sup>1)</sup>: HYBRID</b>		<b>STATE EMPLOYEES</b>		<b>STATE POLICE</b>		<b>JUDGES</b>		<b>LEGISLATIVE</b>	
	<b>Unfunded Liability</b>	<b>Funded Ratio</b>	<b>Unfunded Liability</b>	<b>Funded Ratio</b>	<b>Unfunded Liability</b>	<b>Funded Ratio</b>	<b>Unfunded Liability</b>	<b>Funded Ratio</b>	<b>Unfunded Liability</b>	<b>Funded Ratio</b>	<b>Unfunded Liability</b>	<b>Funded Ratio</b>
1999-2000	\$246,000,000	99.3%	---	---	(\$863,000,000)	109.1%	(\$72,400,000)	107.0%	(\$70,600,000)	134.6%	(\$31,782,000)	125.0%
2000-01	1,375,000,000	96.5	---	---	(755,000,000)	107.6	(75,000,000)	107.0	(66,300,000)	129.5	(29,778,000)	121.0
2001-02	3,575,000,000	91.5	---	---	137,000,000	98.7	(5,600,000)	100.5	(62,500,000)	127.3	(23,300,000)	116.0
2002-03	6,043,000,000	86.5	---	---	1,320,000,000	88.8	47,300,000	96.0	(57,100,000)	124.3	(17,519,000)	112.0
2003-04	7,533,000,000	83.7	---	---	1,855,000,000	84.5	138,100,000	89.0	(50,500,000)	121.3	(9,967,000)	107.0
2004-05	9,995,000,000	79.3	---	---	2,503,000,000	79.8	210,000,000	83.8	(35,000,000)	114.4	(2,806,000)	102.0
2005-06	6,141,000,000	87.5	---	---	1,909,000,000	85.1	181,700,000	86.9	(39,100,000)	116.0	(940,000)	101.0
2006-07	5,771,000,000	88.7	---	---	1,818,000,000	86.2	192,700,000	86.7	(53,900,000)	121.8	(4,437,000)	103.0
2007-08	8,931,000,000	83.6	---	---	2,363,000,000	82.8	230,600,000	84.6	(56,700,000)	123.0	(590,000)	100.0
2008-09	11,982,000,000	78.9	---	---	3,127,000,000	78.0	295,900,000	80.7	(50,70,000)	120.7	5,631,000	97.0
2009-10	17,633,400,000	71.1	---	---	4,078,100,000	72.6	392,300,000	75.4	(32,700,000)	113.0	21,184,000	88.2
2010-11	22,389,000,000	64.7	---	---	5,385,000,000	65.5	489,800,000	69.9	(15,100,000)	106.0	31,907,000	82.0
2011-12	24,266,000,000	61.3	\$6,225,000	82.1%	6,207,100,000	60.3	601,900,000	64.0	3,800,000	98.5	43,550,000	76.0
2012-13	25,796,200,000	59.6	(941,000)	101.4	6,210,100,000	60.3	654,900,000	62.0	12,256,000	95.1	45,978,000	74.6
2013-14	26,478,976,000	59.9	(11,786,000)	110.4	6,211,035,000	61.6	666,583,000	63.0	10,884,000	95.8	56,995,000	70.4
2014-15	26,721,248,000	60.5	(23,000)	100.0	5,820,912,000	64.2	654,205,000	64.7	7,914,000	96.9	N/A	---

**Notes:** FY 2014-15 Total Accrued Unfunded Liability for pensions (excluding Legislative) equals \$33,204,256,000. Negative numbers in the unfunded liability column represent surplus assets in a retirement system. New hires in the State Employees', Judicial, and Legislative retirement systems no longer are eligible for a defined benefit pension, and instead are part of a defined contribution (401k) retirement plan. New hires in MPSERS have a choice between a hybrid (DB and DC) plan or a straight DC plan. New hires in State Police are in a hybrid (DB and DC) plan. The hybrid plans are called "Pension Plus".

<sup>1)</sup> Michigan Public School Employees Retirement System (MPSERS)- Basic and Member Investment Plan (MIP): pension plan closed to new hires since July 1, 2010; and Hybrid: pension plan open to new hires since July 1, 2010.

<b>TOTAL ACCUMULATED HEALTH UNFUNDED LIABILITIES</b>										
<b>Fiscal Year</b>	<b>MPSERS</b>		<b>STATE EMPLOYEES</b>		<b>STATE POLICE</b>		<b>JUDGES</b>		<b>LEGISLATIVE</b>	
	<b>Unfunded Liability</b>	<b>Funded Ratio</b>	<b>Unfunded Liability</b>	<b>Funded Ratio</b>	<b>Unfunded Liability</b>	<b>Funded Ratio</b>	<b>Unfunded Liability</b>	<b>Funded Ratio</b>	<b>Unfunded Liability</b>	<b>Funded Ratio</b>
2005-06	\$24,757,000,000	2.5%	\$13,499,000,000	0.0%	\$944,400,000	0.0%	\$6,400,000	0.0%		
2006-07	24,957,000,000	3.0	12,966,000,000	0.0	918,100,000	0.0	6,600,000	0.0		
2007-08	25,979,000,000	3.1	13,542,000,000	0.0	963,000,000	0.0	6,700,000	0.0	\$118,309,000	11.0%
2008-09	27,582,000,000	2.5	12,618,000,000	0.0	882,300,000	0.0	6,600,000	0.0	122,282,000	11.0
2009-10	27,627,200,000	3.5	14,666,400,000	0.0	1,055,900,000	0.0	7,400,000	0.0	139,373,000	10.2
2010-11	25,890,000,000	4.3	14,251,000,000	0.0	994,700,000	0.0	7,900,000	0.0	125,000,000	10.8
2011-12	21,780,200,000	5.8	8,412,600,000	3.9	1,002,000,000	3.3	8,510,000	0.0	124,336,700	14.3
2012-13	12,493,400,000	14.0	7,535,700,000	8.1	550,726,000	8.7	7,656,000	0.0	130,860,200	14.8
2013-14	11,179,666,000	21.1	7,690,968,000	12.1	559,689,000	12.2	8,665,000	0.0	134,943,600	14.9
2014-15	9,301,854,000	27.5	7,696,604,000	14.5	580,817,000	14.0	9,126,000	0.0	N/A	---

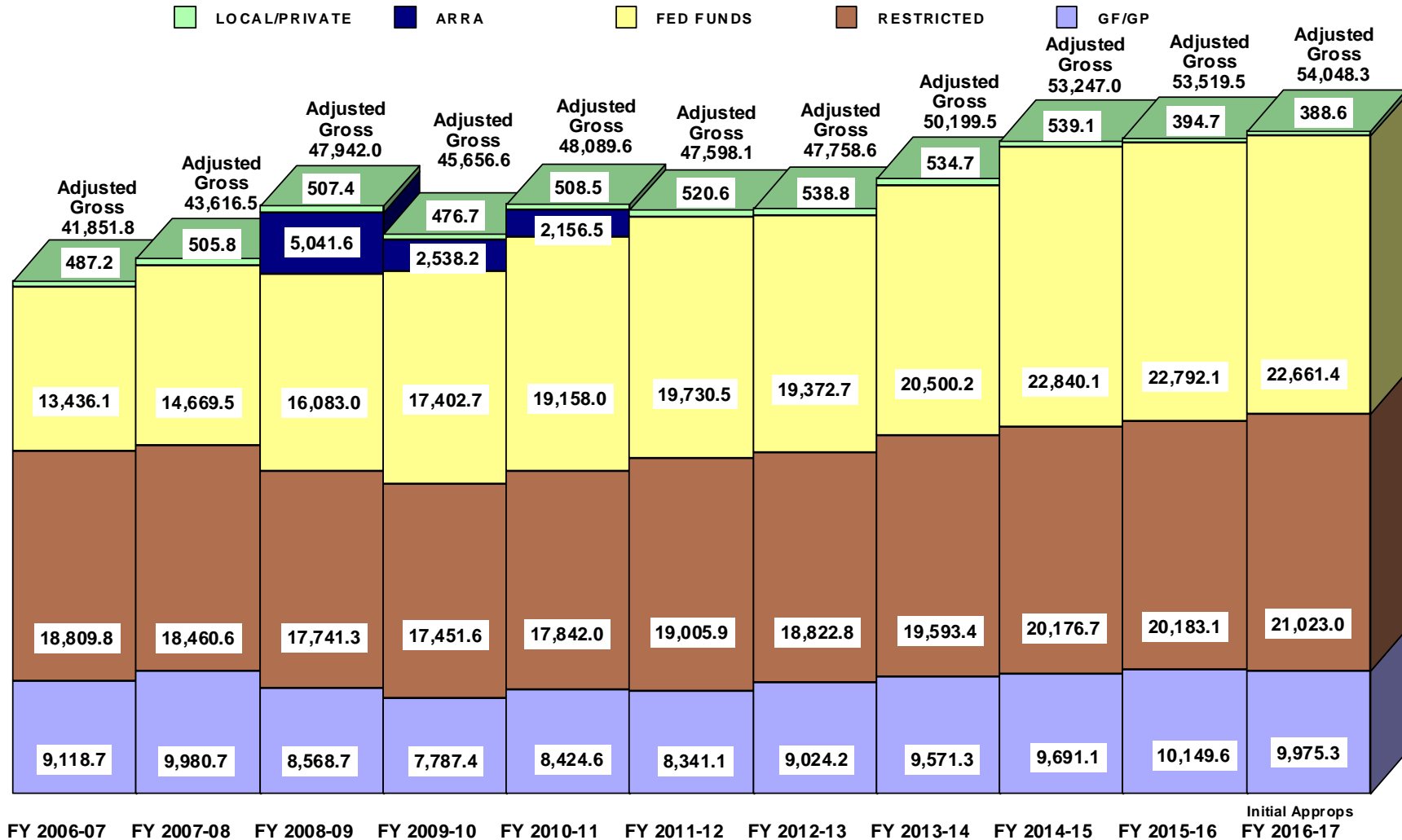
**Notes:** FY 2014-15 Total Accrued Unfunded Liability for retiree health care (excluding Legislative) equals \$17,588,401,000. The State Employees Retirement System began prefunding retiree health care in FY 2011-12 and MPSERS and State Police began prefunding in FY 2012-13. However, new hires (since January 1, 2012 for State employees, June 10, 2012 for State Police, September 4, 2012 for MPSERS, and January 1, 2013 for Legislative) are no longer eligible for retiree health care premium coverage. Instead, these groups, except for legislators, receive matching 401k contributions that could be used to pay for costs related to retiree health care, which accumulate in a personal healthcare fund. Legislators not vested by January 1, 2013, have neither retiree health premium coverage nor a personal healthcare fund.

# **Recent State Appropriation History**



Figure 36

# State Of Michigan Appropriations by Fund Source Year-To-Date (Millions of Dollars)



Notes: Adjusted Gross = Total appropriations for all departments. State Resources = State restricted + GF/GP appropriations. Does not include GF/GP BSF appropriations of \$362.7 million, \$140 million, \$75 million, \$94 million, and \$95 million for FYs 2011-12, 2012-13, 2013-14, 2014-15, and 2015-16 respectively, or \$230 million GF/GP in FY 2013-14 for Roads and Risks Reserve Fund. Senate Fiscal Agency - October 1, 2016

**Table 13**

<b>ADJUSTED GROSS APPROPRIATION HISTORY</b> (Millions of Dollars)			
<b>Fiscal Year</b>	<b>Appropriations</b>	<b>Dollar Change</b>	<b>Percent Change</b>
2000-01	\$36,953.3	\$1,535.6	4.3%
2001-02	38,751.3	1,798.0	4.9
2002-03	39,553.1	801.8	2.1
2003-04	39,115.3	(437.8)	(1.1)
2004-05	39,908.5	793.2	2.0
2005-06	41,322.7	1,414.2	3.5
2006-07	41,851.8	529.1	1.3
2007-08	43,616.5	1,764.7	4.2
2008-09	47,942.0	4,325.5	9.9
2009-10	45,656.6	(2,285.3)	(4.8)
2010-11	48,089.6	2,433.0	5.3
2011-12	47,598.1	(491.6)	(1.0)
2012-13	47,758.6	160.6	0.3
2013-14	50,199.5	2,440.9	5.1
2014-15	53,247.0	3,047.5	6.1
2015-16	53,519.5	272.5	0.5
2016-17 (Initial)	54,048.3	528.8	1.0
Change FY 2006-07 to FY 2016-17		\$12,196.5	29.1%
Detroit CPI 10-Year Percent Change			12.6%
<b>Note:</b> Does not include Budget Stabilization Fund appropriations of \$362.7 million, \$140.0 million, \$75.0 million, \$94.0 million, and \$95.0 million for FYs 2011-12, 2012-13, 2013-14, 2014-15, and 2015-16, respectively; includes \$147.1 million FY 2013-14 appropriation and \$82.9 million FY 2014-15 appropriation from the Roads and Risks Reserve Fund.			

**Table 14**

<b>STATE SPENDING FROM STATE RESOURCES APPROPRIATION HISTORY</b> (Millions of Dollars)			
<b>Fiscal Year</b>	<b>Appropriations</b>	<b>Dollar Change</b>	<b>Percent Change</b>
2000-01	\$25,761.6	\$1,182.6	4.8%
2001-02	26,086.8	325.2	1.3
2002-03	26,020.5	(66.3)	(0.3)
2003-04	25,802.5	(218.0)	(0.8)
2004-05	26,285.3	482.8	1.9
2005-06	27,704.0	1,418.7	5.4
2006-07	27,928.6	224.6	0.8
2007-08	28,441.3	512.7	1.8
2008-09	26,309.9	(2,131.4)	(7.5)
2009-10	25,239.0	(1,070.8)	(4.1)
2010-11	26,266.7	1,027.7	4.1
2011-12	27,346.9	1,080.3	4.1
2012-13	27,847.1	500.2	1.8
2013-14	29,164.7	1,317.6	4.7
2014-15	29,867.7	703.0	2.4
2015-16	30,332.7	465.0	1.6
2016-17 (Initial)	30,998.3	665.6	2.2
Change FY 2006-07 to FY 2016-17		\$3,069.7	11.0%
Detroit CPI 10-Year Percent Change			12.6%
<b>Note:</b> Does not include Budget Stabilization Fund appropriations of \$362.7 million, \$140.0 million, \$75.0 million, \$94.0 million, and \$95.0 million for FYs 2011-12, 2012-13, 2013-14, 2014-15, and FY 2015-16, respectively; includes \$147.1 million FY 2013-14 appropriation and \$82.9 million FY 2014-15 appropriation from the Roads and Risks Reserve Fund.			

**Table 15**

<b>GENERAL FUND/GENERAL PURPOSE APPROPRIATION HISTORY</b>			
<b>(Millions of Dollars)</b>			
<b>Fiscal Year</b>	<b>Appropriations</b>	<b>Dollar Change</b>	<b>Percent Change</b>
2000-01	\$9,744.4	\$136.7	1.4%
2001-02	9,189.3	(555.1)	(5.7)
2002-03	8,830.9	(358.4)	(3.9)
2003-04	8,770.1	(60.8)	(0.7)
2004-05	8,702.8	(67.3)	(0.8)
2005-06	9,106.3	403.5	4.6
2006-07	9,118.7	12.4	0.1
2007-08	9,980.7	862.0	9.5
2008-09	8,568.7	(1,412.0)	(14.1)
2009-10	7,787.4	(781.2)	(9.1)
2010-11	8,424.6	637.2	8.2
2011-12	8,341.1	(83.6)	(1.0)
2012-13	9,024.2	683.2	8.2
2013-14	9,571.3	547.1	6.1
2014-15	9,691.1	119.8	1.3
2015-16	10,149.6	458.6	4.7
2016-17 (Initial)	9,975.3	(174.3)	(1.7)
Change FY 2006-07 to FY 2016-17		\$856.6	9.4%
Detroit CPI 10-Year Percent Change			12.6%
<b>Note:</b> Does not include Budget Stabilization Fund appropriations of \$362.7 million, \$140.0 million, \$75.0 million, \$94.0 million, and \$95.0 million for FYs 2011-12, 2012-13, 2013-14, 2014-15, and 2015-16, respectively; does not include \$230.0 million FY 2013-14 appropriation for the Roads and Risks Reserve Fund.			

**Table 16**

<b>FEDERAL FUNDS APPROPRIATED IN MICHIGAN BUDGET</b>			
<b>(Millions of Dollars)</b>			
<b>Fiscal Year</b>	<b>Federal Funds</b>	<b>Adjusted Gross Appropriations</b>	<b>Federal as Percent of Total Adjusted Gross</b>
2000-01	\$10,019.2	\$36,953.3	27.11%
2001-02	11,242.9	38,751.3	29.01
2002-03	12,226.7	39,553.1	30.91
2003-04	12,361.6	39,115.3	31.60
2004-05	12,855.5	39,908.5	32.21
2005-06	13,179.9	41,322.7	31.89
2006-07	13,436.1	41,851.8	32.10
2007-08	14,669.5	43,616.5	33.63
2008-09	21,124.7	47,941.9	44.06
2009-10	19,940.9	45,656.6	43.68
2010-11	21,314.5	48,089.6	44.32
2011-12	19,730.5	47,598.1	41.45
2012-13	19,372.7	47,758.6	40.56
2013-14	20,500.2	50,199.5	40.84
2014-15	22,840.1	53,247.0	42.89
2015-16	22,792.1	53,519.5	42.59
2016-17 (Initial)	22,661.4	54,048.3	41.93
Change FY 2006-07 to FY 2016-17			
	68.7%	29.1%	

**Table 17**

<b>APPROPRIATED FULL-TIME EQUATED CLASSIFIED POSITIONS (FTEs) IN MICHIGAN STATE BUDGET</b>			
<b>Fiscal Year</b>	<b>FTEs</b>	<b>Change</b>	<b>Percent Change</b>
2000-01	64,602.5	971.6	1.5%
2001-02	64,190.1	(412.4)	(0.6)
2002-03	62,760.2	(1,429.9)	(2.2)
2003-04	57,811.1	(4,949.1)	(7.9)
2004-05	57,028.3	(782.8)	(1.4)
2005-06	56,436.4	(591.9)	(1.0)
2006-07	56,760.3	323.9	0.6
2007-08	57,041.7	281.4	0.5
2008-09	56,491.1	(550.6)	(1.0)
2009-10	55,597.2	(893.9)	(1.6)
2010-11	56,089.3	492.1	0.9
2011-12	54,795.5	(1,293.8)	(2.3)
2012-13	53,583.5	(1,212.0)	(2.2)
2013-14	52,797.5	(786.0)	(1.5)
2014-15	52,853.5	56.0	0.1
2015-16	52,702.9	(150.6)	(0.3)
2016-17 (Initial)	52,677.0	(25.9)	(0.05)
Change FY 2006-07 to FY 2016-17		(4,083.3)	(7.2%)
Detroit CPI 10-Year Percent Change			12.6%

**Note:** Includes exempt positions in Judiciary.

**Table 18**

<b>SCHOOL AID K-12 APPROPRIATION HISTORY (Millions of Dollars)</b>			
<b>Fiscal Year</b>	<b>State-Funded K-12</b>		
	<b>Appropriations</b>	<b>Dollar Change</b>	<b>Percent Change</b>
2000-01	\$10,732.3	\$656.5	6.5%
2001-02	11,220.6	488.3	4.5
2002-03	11,334.6	114.0	1.0
2003-04	11,059.3	(275.3)	(2.4)
2004-05	11,113.5	54.2	0.5
2005-06	11,308.0	194.5	1.8
2006-07	11,597.0	288.9	2.6
2007-08	11,421.8	(175.2)	(1.5)
2008-09	11,097.8	(324.0)	(2.8)
2009-10	10,675.1	(422.7)	(3.8)
2010-11	10,803.4	128.3	1.2
2011-12	11,088.9	285.5	2.6
2012-13	11,211.0	122.1	1.1
2013-14	11,506.1	295.1	2.6
2014-15	11,865.8	359.7	3.1
2015-16	11,960.5	94.7	0.8
2016-17 (Initial)	12,343.2	382.7	3.2
Change FY 2006-07 to FY 2016-17		\$746.2	6.4%
Detroit CPI 10-Year Percent Change			12.6%

**Table 19**

<b>PUPIL MEMBERSHIP HISTORY FY 1994-95 to FY 2017-18</b>				
<b>Blend Calculation</b>	<b>Fiscal Year</b>	<b>Local Districts</b>	<b>Charter Schools</b>	<b>Total</b>
50/50	1994-95	1,593,306	0	1,593,306
50/50	1995-96	1,610,130	4,790	1,614,920
50/50	1996-97	1,634,074	11,520	1,645,594
60/40	1997-98	1,651,011	19,202	1,670,213
60/40	1998-99	1,656,186	31,109	1,687,295
75/25	1999-2000	1,651,300	45,290	1,696,590
80/20	2000-01	1,649,085	55,072	1,704,157
80/20	2001-02	1,647,459	62,113	1,709,572
80/20	2002-03	1,647,531	67,336	1,714,867
80/20	2003-04	1,640,929	73,473	1,714,402
75/25	2004-05	1,626,289	81,491	1,707,780
75/25	2005-06	1,607,880	89,654	1,697,534
75/25	2006-07	1,584,435	96,627	1,681,062
75/25	2007-08	1,553,568	98,987	1,652,555
75/25	2008-09	1,517,714	102,030	1,619,744
75/25	2009-10	1,487,297	108,425	1,595,722
75/25	2010-11	1,457,160	112,276	1,569,436
90/10	2011-12	1,432,200	119,900	1,552,100
90/10	2012-13	1,405,599	130,390	1,535,989
90/10 CY	2013-14	1,374,800	147,828	1,522,628
90/10 CY	2014-15	1,356,640	151,368	1,508,008
90/10	2015-16	1,344,369	151,611	1,495,980
90/10	2016-17 Est.	1,331,000	153,500	1,484,500
90/10	2017-18 Est.	1,319,000	155,500	1,474,500

**Table 20**

<b>STATE SPENDING PER PUPIL</b>			
<b>Fiscal Year</b>	<b>State-Funded Appropriations (Millions of Dollars)</b>	<b>Pupils (Millions)</b>	<b>Appropriations Per Pupil</b>
2000-01	\$10,732.3	1.7042	\$6,297
2001-02	11,220.6	1.7096	6,563
2002-03	11,334.6	1.7149	6,609
2003-04	11,059.3	1.7144	6,450
2004-05	11,113.5	1.7078	6,507
2005-06	11,308.1	1.6975	6,661
2006-07	11,597.0	1.6811	6,898
2007-08	11,421.8	1.6526	6,911
2008-09	11,097.8	1.6197	6,851
2009-10	10,675.1	1.5957	6,690
2010-11	10,803.4	1.5694	6,884
2011-12	11,088.9	1.5521	7,144
2012-13	11,211.0	1.5360	7,299
2013-14	11,506.1	1.5226	7,557
2014-15	11,865.8	1.5080	7,869
2015-16	11,960.5	1.4960	7,995
2016-17 (Initial)	12,343.2	1.4845	8,315

**Table 21**

<b>K-12 SCHOOLS MINIMUM FOUNDATION ALLOWANCE</b>				
<b>Fiscal Year</b>	<b>Enacted Per Pupil</b>	<b>After Reductions</b>	<b>Percent Change</b>	
2000-01	\$6,000	\$6,000	N/A	
2001-02	6,500	6,500	8.3%	
2002-03	6,700	6,626	1.9	
2003-04	6,700	6,626	0.0	
2004-05	6,700	6,700	1.1	
2005-06	6,875	6,875	2.6	
2006-07	7,108	7,085	3.4	
2007-08	7,204	7,204	1.4	
2008-09	7,316	7,316	1.6	
2009-10	7,316	7,151	(2.3)	
2010-11	7,316	7,146	0.0	
2011-12	6,846	6,846	(4.2)	
2012-13	6,966	6,966	1.8	
2013-14	7,076	7,076	1.6	
2014-15	7,251	7,251	2.5	
2015-16	7,391	7,391	1.9	
2016-17	7,511	7,511	1.6	
10-Year Change	\$403	\$426		
10-Year % Change	5.7%	6.0%		
10-Year Detroit CPI % Change		12.6%		

**Table 22**

<b>STATE SPENDING FROM STATE RESOURCES APPROPRIATIONS TOTAL COMPARED IN SELECTED BUDGET AREAS (Millions of Dollars)</b>				
<b>Budget Area</b>	<b>FY 2006-07</b>	<b>FY 2016-17</b>	<b>Dollar Difference</b>	<b>Percent Change</b>
	<b>Year-to-Date Appropriations</b>	<b>Initial Appropriations</b>		
Health and Human Services	\$6,253.3	\$6,668.7	\$415.4	6.6%
Corrections	1,939.7	1,988.5	48.9	2.5
K-12 School Aid	11,597.0	12,343.2	746.2	6.4
Community Colleges	247.8	395.9	148.1	59.7
Higher Education	1,607.8	1,481.1	(126.6)	(7.9)
Revenue Sharing-Constitutional	666.0	757.9	91.9	13.8
Revenue Sharing-Nonconstitutional	405.1	471.1	66.0	16.3
All Other Programs	5,212.0	6,891.8	1,679.9	32.2
<b>Total State Spending</b>	<b>\$27,928.6</b>	<b>\$30,998.3</b>	<b>\$3,069.7</b>	<b>11.0%</b>
<b>Addendum:</b>				
Medicaid Caseload	1,540,400	2,350,000	809,600	52.6%
Prison Population	51,490	43,655	(7,835)	(15.2)
K-12 Pupil Count	1,681,062	1,484,500	(196,562)	(11.7)
University Students	253,576	261,989	8,413	3.3
Community College Students	139,219	133,895	(5,324)	(3.8)
Michigan Personal Income (millions)	\$346,367.0	\$449,394.0	\$103,027.0	29.7%
Detroit Consumer Price Index	199.0	224.1	25.1	12.6%
<b>NOTES: Revenue Sharing:</b> Constitutional number is the May 2016 Consensus Revenue Estimating Conference (CREC) estimate. <b>Medicaid Caseload:</b> Number for FY 2016-17 includes the estimated 600,000 individuals who are eligible under the expansion of Medicaid. <b>Prison Population:</b> These are "average population" numbers and do not represent the exact count on any particular date, but demonstrate how many beds are associated with the appropriation; the numbers are taken from the annual appropriation bills. <b>K-12 Pupils:</b> FY 2016-17 pupil count is the May 2016 CREC estimate. <b>Community College and University Students:</b> Numbers in FY 2016-17 column reflect the most recent data available, which are FY 2014-15 fiscal-year-equated-students as reported in the Activities Classification Structure (ACS) and the Higher Education Institutional Data Inventory (HEIDI). <b>Michigan Personal Income and Detroit CPI:</b> Numbers are fiscal year averages; FY 2016-17 numbers are May 2016 CREC estimates.				

**Table 23**

<b>STATE APPROPRIATIONS FROM ALL SOURCES: HOW MUCH IS DISCRETIONARY? (Actual Dollars)</b>	
<b>FY 2016-17 Initial Adjusted Gross Appropriation .....</b>	<b>\$54,048,284,200</b>
<u>Constitutional/Statutory Earmarking Requirements:</u>	
School Aid Fund (50% Constitutional) .....	(\$12,644,749,400)
Transportation (87% Constitutional).....	(2,736,727,700)
Regulatory Restricted Revenue (Statutory) .....	(1,659,796,900)
Constitutional Revenue Sharing.....	(757,875,200)
Federal Funding Requirement .....	(22,661,411,200)
Local and Private Revenue .....	(388,568,000)
Debt Service Payments (GF/GP) .....	(395,507,600)
Caseload/Inmate Driven.....	(7,957,228,300)
<b>Estimated Balance for Discretionary Spending.....</b>	<b>\$4,846,419,900</b>
<u>Estimated Balance for Discretionary Spending Includes:</u>	
GF/GP Funding for Community Colleges and Higher Education.....	\$1,379,415,300
Nonconstitutional State Revenue Sharing Funding .....	471,107,500
State Restricted and GF/GP Funding for State Police.....	411,526,600
Medicaid Programs-includes GME and MIChoice waiver.....	400,000,000
Non-Medicaid Programs-includes CMH, Local Public Health, Aging .....	300,000,000
GF/GP Funding for K-12 School Aid-includes Foundation Allowance.....	195,984,300
GF/GP Funding for Judiciary.....	189,157,400
State Restricted and GF/GP Funding for Department of State.....	99,794,300
GF/GP for Transportation.....	8,500,000
State Restricted Revenue for Various State Departments .....	358,369,800
GF/GP Funding for: Agriculture, Attorney General, Civil Rights, Education, Environmental Quality, Executive, Insurance & Financial Services, Legislature, Licensing & Regulatory Affairs, Military & Veterans Affairs, Natural Resources, Technology, Management, & Budget, Treasury Operations and Talent & Economic Development.....	1,032,564,700
<b>Estimated Discretionary Spending .....</b>	<b>\$4,846,419,900</b>