

STATE BUDGET OVERVIEW



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SENATE FISCAL AGENCY**

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<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 4.7% peak-to-trough, the largest decline since the Great Depression.
- U.S. payroll employment declined 6.3% (8.75 million jobs), the largest percentage decline since the end of World War II.
- 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 to 1959.

Figure 1

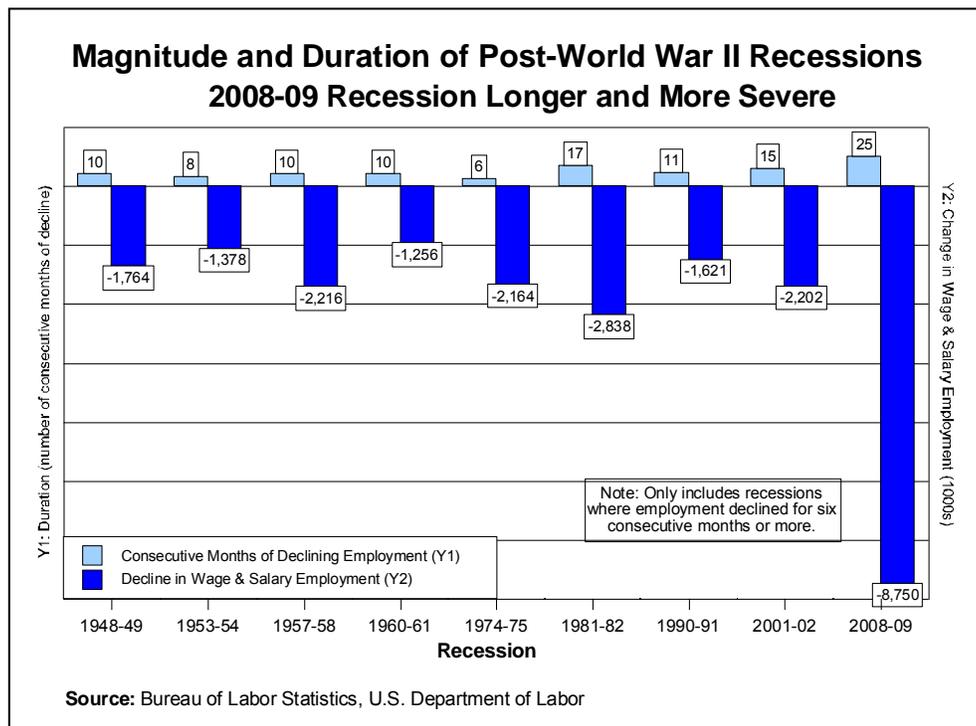


Figure 2

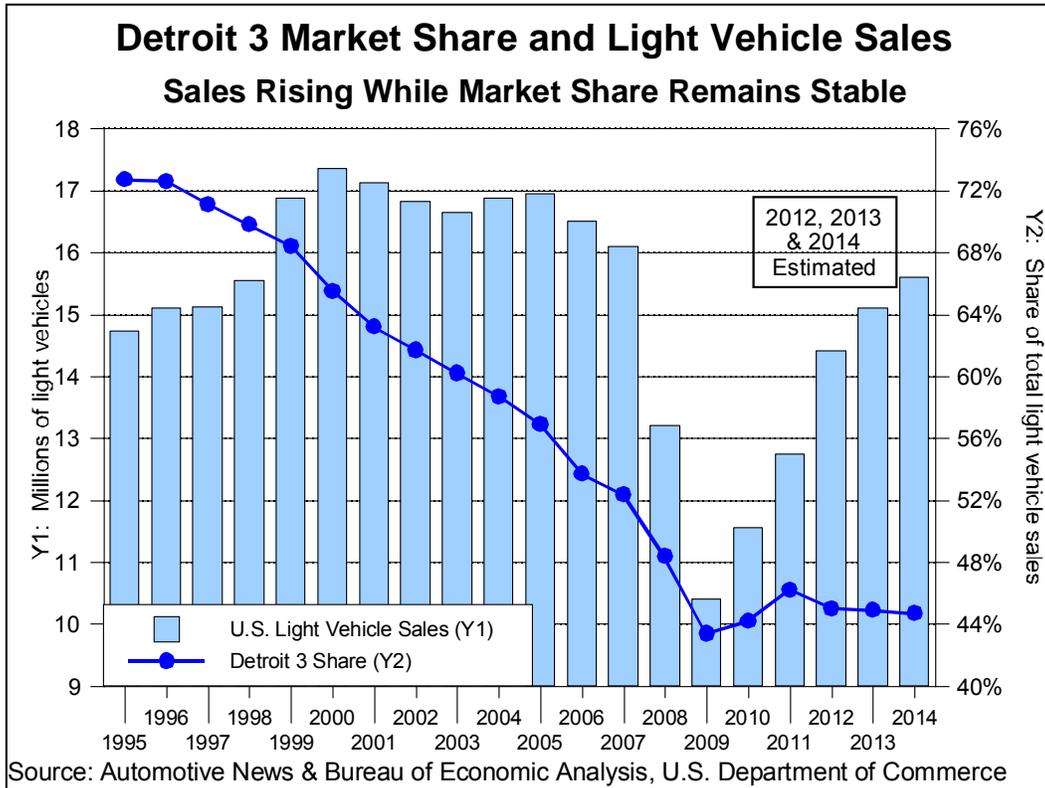
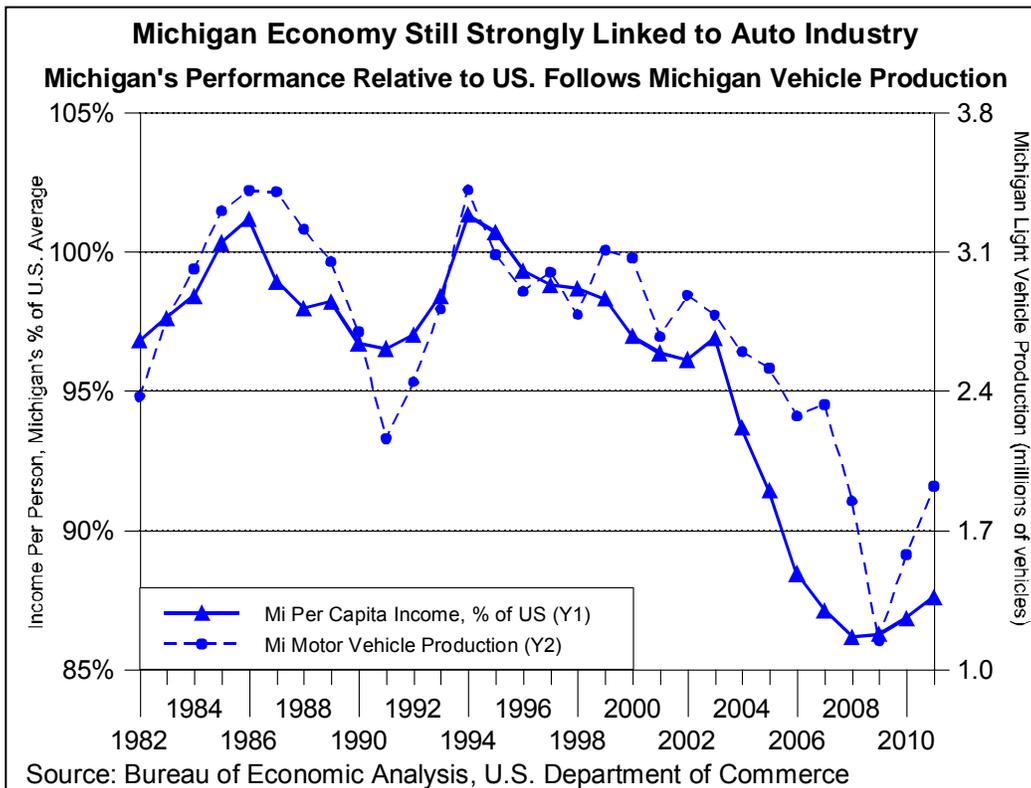


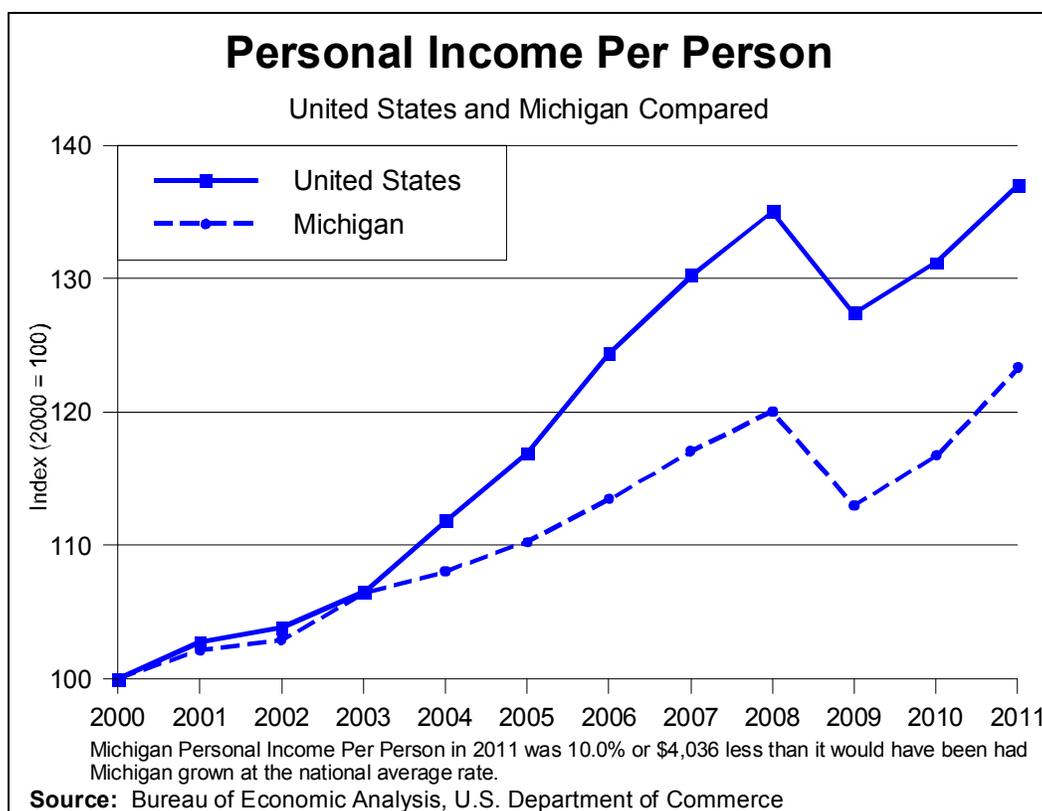
Figure 3



Michigan Personal Income

- Michigan personal income has increased 15.9% between 2000 and 2010, compared to a 43.9% increase for the nation as a whole. Personal income grew by 33.0% in Illinois, 32.0% in Indiana, 27.1% in Ohio, and 38.1% 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 3.42% of the United States total. During calendar year 2010, Michigan personal income accounted for only 2.75% of the United States total.
- During calendar year 2000, Michigan per capita personal income ranked 19th among the states. During calendar year 2005, Michigan's ranking fell to 31st among the states and by calendar year 2010, Michigan's ranking fell to 40th 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 December 2009, down 413,300 jobs from December 2007 and down 861,900 jobs from the April 2000 peak.
- Peak-to-trough, payroll employment declined 18.4%, with 48.3% of the job loss occurring after December 2007.
- Between January 2000 and June 2009, Michigan lost 467,500 or 51.5% of the manufacturing jobs. After peaking in July 2000, transportation equipment manufacturing employment had fallen 68.2% by June 2009.

Figure 5

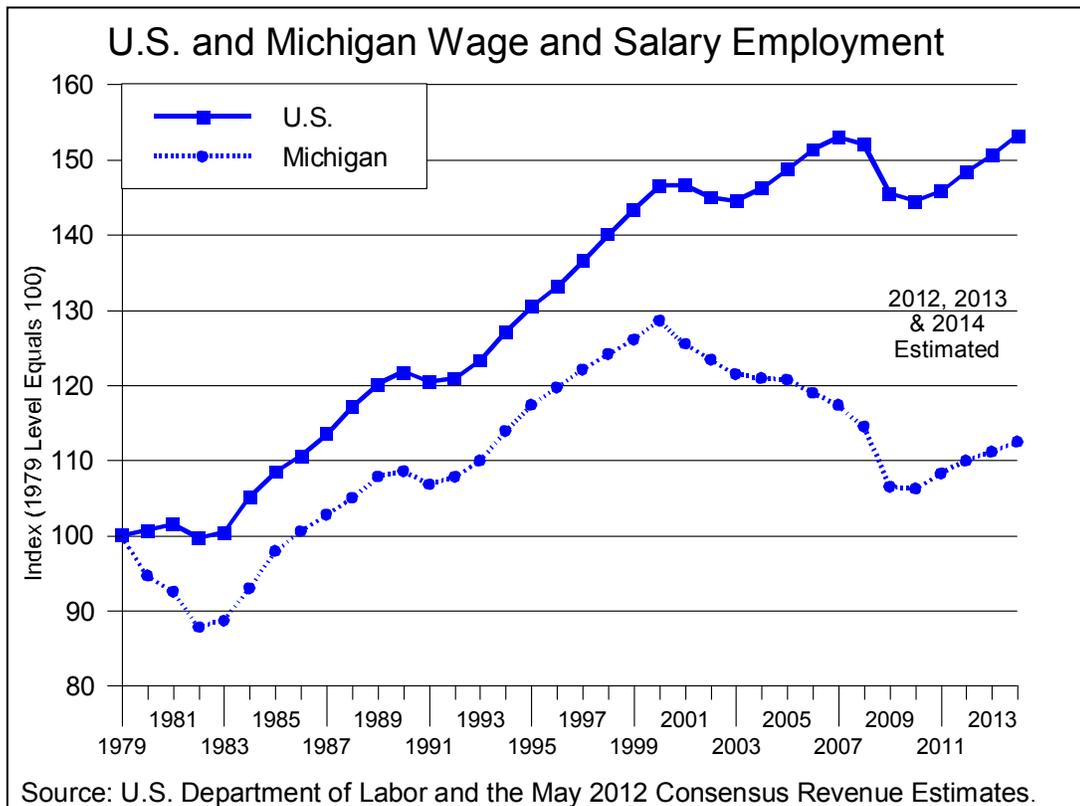


Figure 6

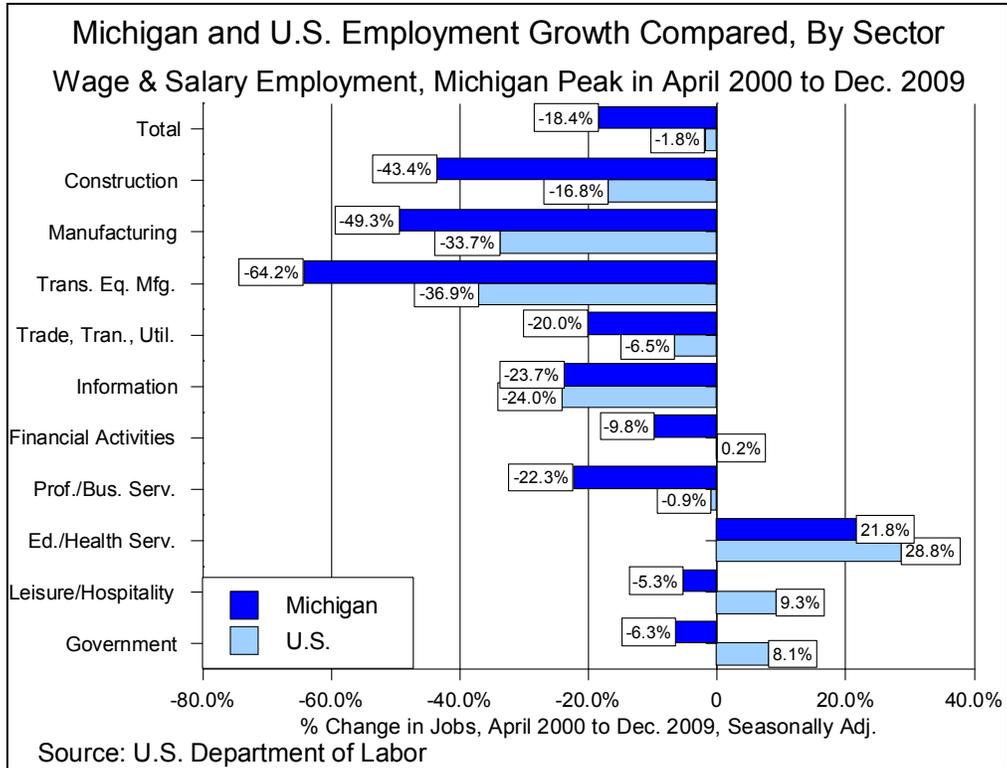
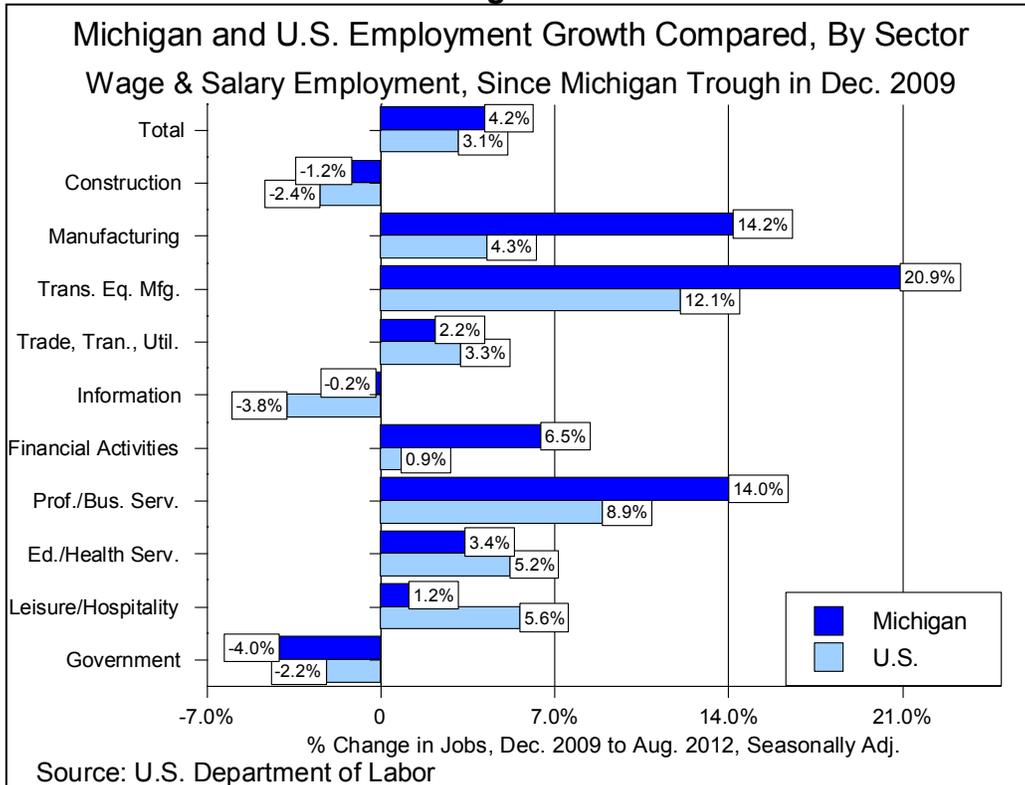


Figure 7



Recent U.S. Economic Highlights

- The economy is growing, but slowly. After growing 2.4% during 2010, inflation-adjusted GDP grew 1.8% in 2011. Growth during 2012 averaged 2.2%, but the economy actually contracted 0.1% in the fourth quarter of 2012. Between 1983 and 2007, the economy averaged 3.3% annual growth.
- Despite gains, employment remains well below pre-recession levels. Nationally, payroll employment has risen for 28 consecutive months, and in January 2013 was 4.3% above the February 2010 trough. However, payroll employment is still 3.2 million jobs (2.3%) below the January 2008 peak.
- Employment growth is barely keeping up with population growth. Average payroll employment gains have averaged 157,000 jobs per month since the February 2010 trough, compared to about 177,000 per month during 2003-2006, and 251,400 per month over the 1993-1999 period. The economy needs roughly 150,000 additional jobs per month to keep up with population growth.
- The U.S. unemployment rate in January 2013 was 7.9%, down from 8.3% in January 2012 but essentially unchanged since September 2012.
- In inflation-adjusted terms, average hourly earnings fell 1.1% in 2011 and were unchanged in 2012. Average weekly hours have remained essentially unchanged for 31 months.
- Light vehicle sales have improved, but remain below pre-recession levels. Light vehicle sales totaled 14.4 million units in 2012, up 13.4% from 2011 and 25.0% from 2010, well below the 16-17 million unit rate experienced between 1998 and 2007. November 2012 sales were at the highest annual rate since February 2008.
- Housing starts remain low. While 2012 starts were up 28.1% from 2011, 2012 was the fourth weakest year on record, after 2009, 2010, and 2011, and was down 62.3% from 2005.

Recent Michigan Economic Highlights

- Payroll employment declined by 10,600 jobs in December 2012, the fourth decline in the last five months – although employment was up 12,900 jobs from December 2011. Payroll employment was 144,100 jobs more than the December 2009 trough. Manufacturing employment in December 2012 was 88,000 jobs above the June 2009 trough, led by a 28,200 job increase in transportation equipment manufacturing.
- Michigan's unemployment rate was 8.9% in December 2012, down from 9.3% in December 2011, and down from the 14.2% peak in August 2009. However, much of the improvement in the unemployment rate reflects people leaving the labor force. Compared with August 2009, employment is up by 75,500 (1.8%) jobs but 197,100 people (4.1%) have left the labor force. The size of the labor force fell for 22 consecutive months between March 2010 and December 2011, rose in the first five months of 2012, and has declined in five of the seven months since May.
- Year-to-date Michigan motor vehicle production through November 2012 was up 18.7% from the year-ago level.
- Michigan personal income is now growing faster than the national average. In 2010, total personal income increased 3.1%, compared with the U.S. average of 3.9%, ranking Michigan 34th. However, in 2011, Michigan personal income increased 5.6%, above the national average of 5.2%, and ranking Michigan 15th. Michigan personal income has grown faster than the national in three of the last four quarters.
- On a per-person basis, Michigan ranked 7th with personal income per person growing 5.7% in 2011, compared with the national average of 4.5%. Illinois ranked 41st, Indiana ranked 13th, Ohio ranked 9th, and Wisconsin ranked 38th.

Figure 8

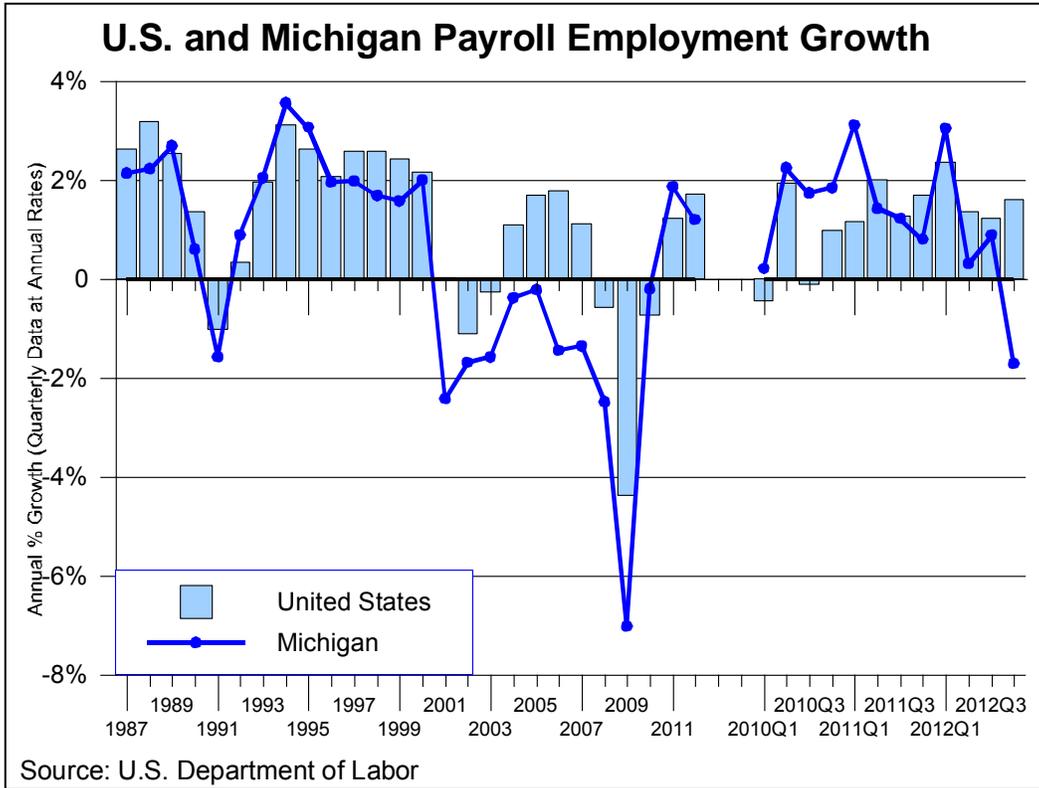
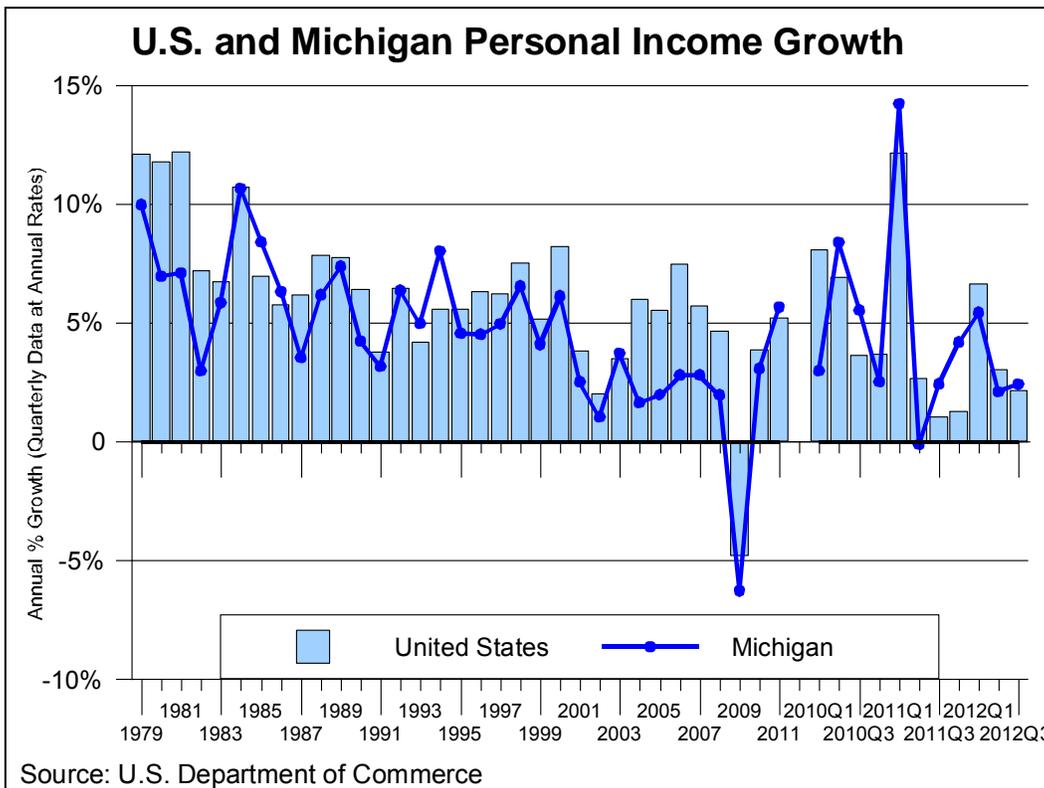


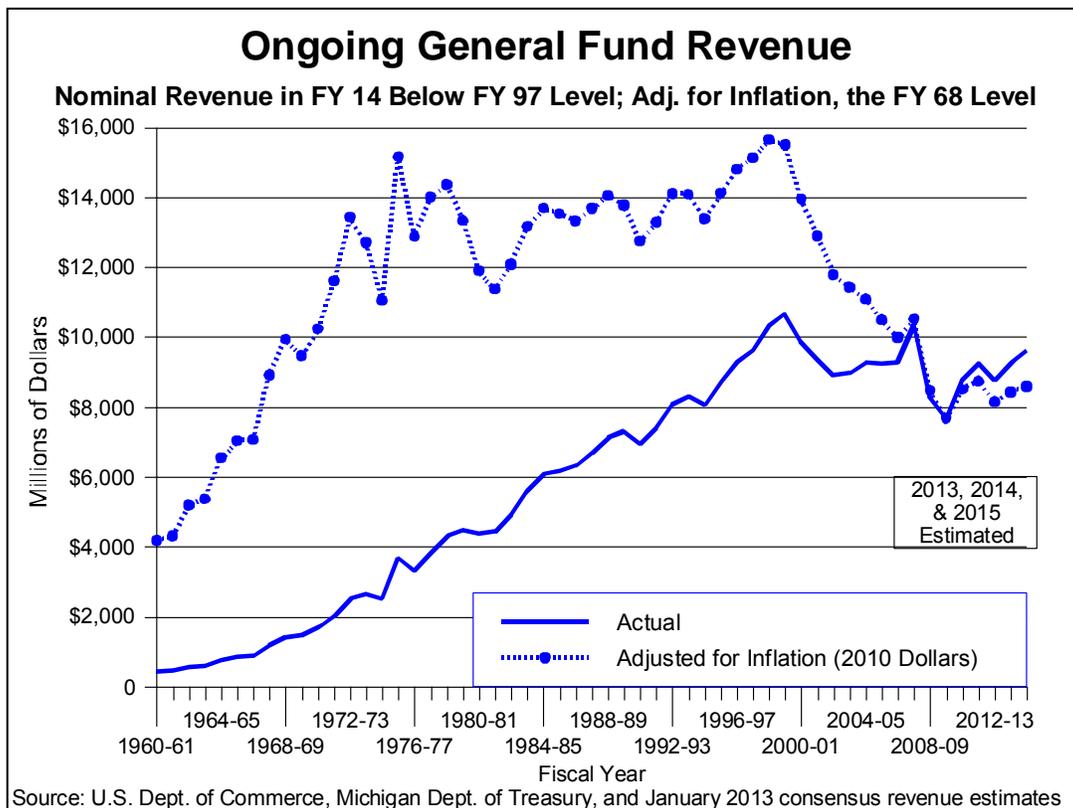
Figure 9



State Revenue

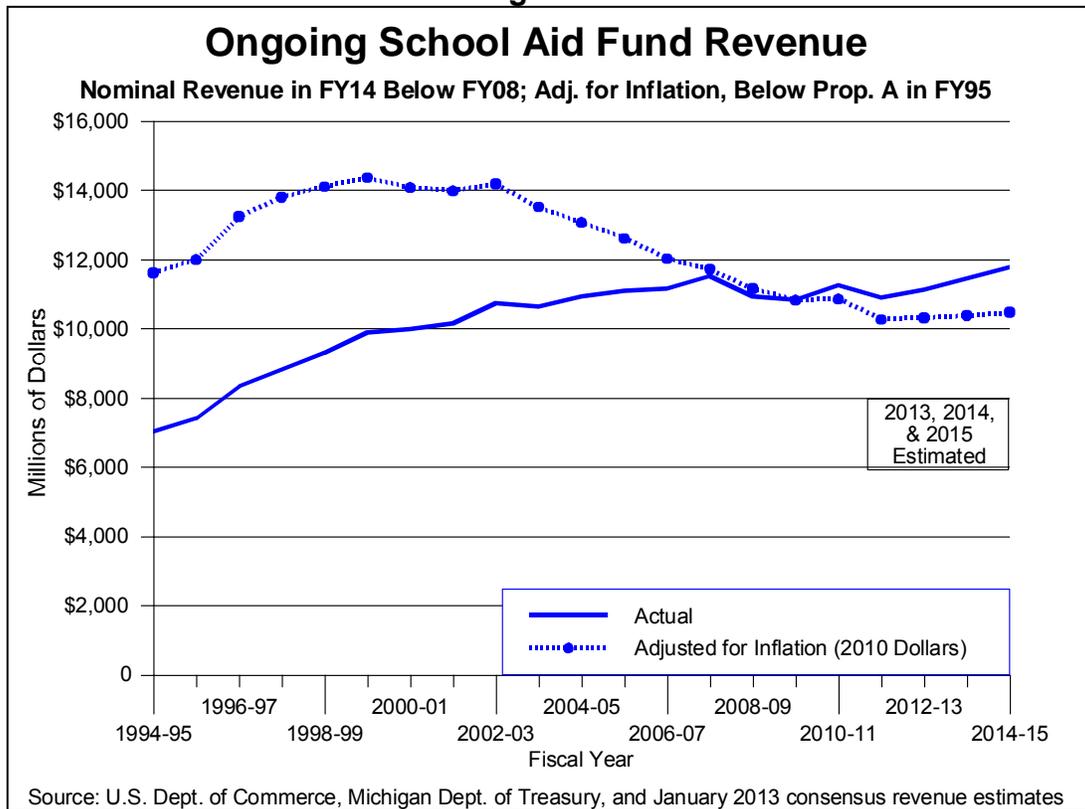
- The majority of State taxes and fees are deposited in the State's General Fund, School Aid Fund, or various transportation funds. Ongoing General Fund revenue has fallen as the economy has declined. Between FY 2007-08 and FY 2009-10, ongoing General Fund revenue fell 25.7% (\$2.7 billion) and ongoing School Aid (SAF) revenue fell 6.0% (\$696.0 million).
- On an inflation-adjusted basis, ongoing General Fund revenue in FY 2011-12 was 2.5% (\$223.7 million, in 2010 dollars) lower than the level in FY 1967-68, when the State adopted the new personal and corporate income taxes, as shown in Figure 10.

Figure 10



On an inflation-adjusted basis, ongoing SAF revenue in FY 2011-12 was 11.3% (\$1.7 billion) lower than the level in FY 1994-95, when Proposal A took effect, as shown in Figure 11.

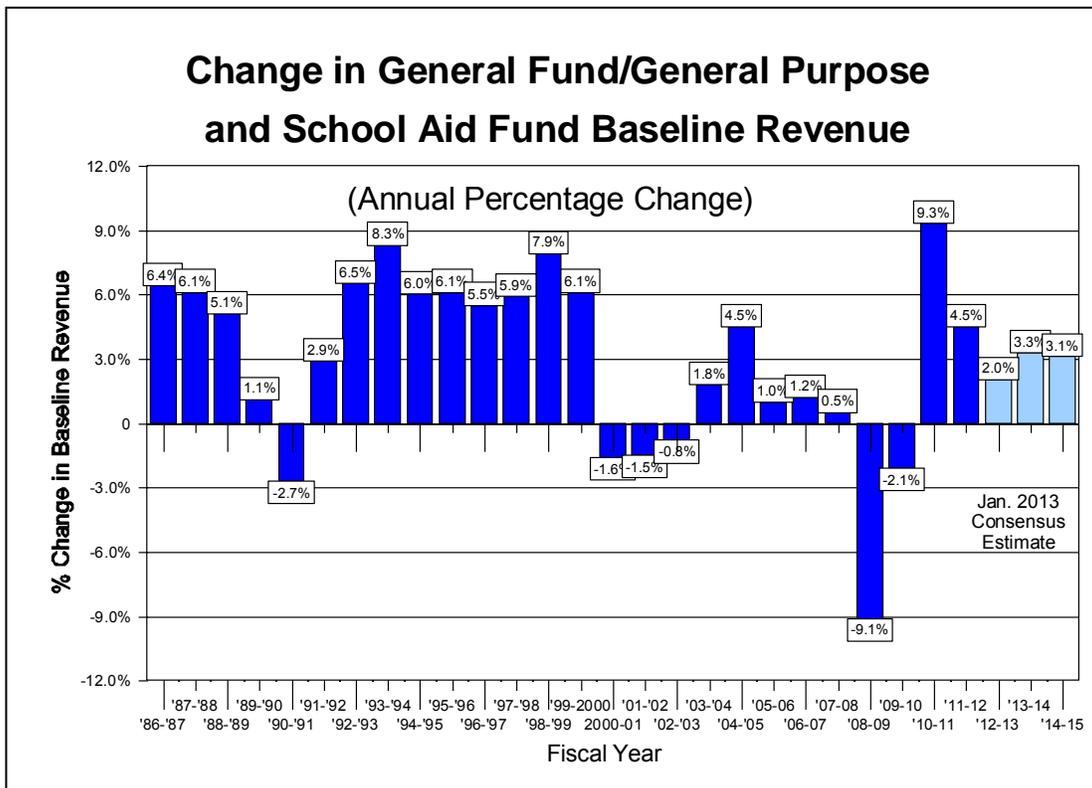
Figure 11



Forecast for State Revenue

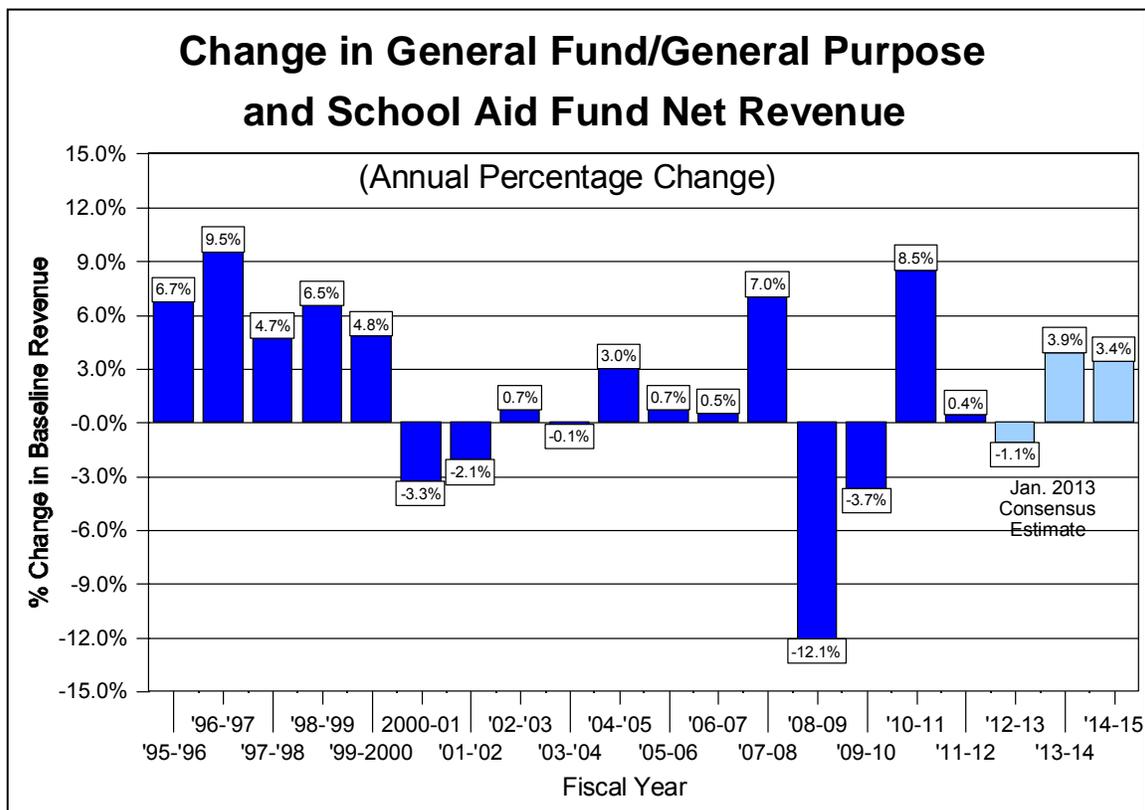
- Pursuant to State statute, there are Consensus Revenue Estimating Conferences held in January and May of each year in which the State Treasurer, and the Directors of the House and Senate Fiscal Agencies, meet to agree on the amount of State revenue available for the State budget.
- The Governor and the Legislature will use the revenue estimates from the May ??, 2013, Conference to finalize the FY 2013-14 budget. The Governor's budget recommendation for FY 2013-14 was based on the January 2013 Conference.
- The percentage changes in baseline General Fund/General Purpose (GF/GP) and School Aid Fund (SAF) revenue forecasted for FY 2011-12 through FY 2013-14 are compared with the actual growth rates during the preceding 25 years in Figure 12.

Figure 12



- Underlying economic fundamentals for FY 2012-13 and FY 2013-14 will be offset by tax policy changes that will reduce GF/GP and School Aid Fund revenue.
- The revised estimates for FY 2012-13, after accounting for tax changes, predict GF/GP revenue will decrease by 5.1% while SAF revenue will increase by 2.3%. GF/GP revenue in FY 2013-14 is estimated to increase 5.4% while SAF revenue will grow 2.7%.
- The percentage changes in net (after tax changes) General Fund/General Purpose (GF/GP) and School Aid Fund (SAF) revenue forecasted for FY 2012-13 through FY 2014-15 are compared with the actual growth rates during the preceding 17 years in Figure 13.

Figure 13



- Figures 14 and 15 display the estimated FY 2012-13 revenue sources for the State General Fund and School Aid Fund, respectively.

Figure 14

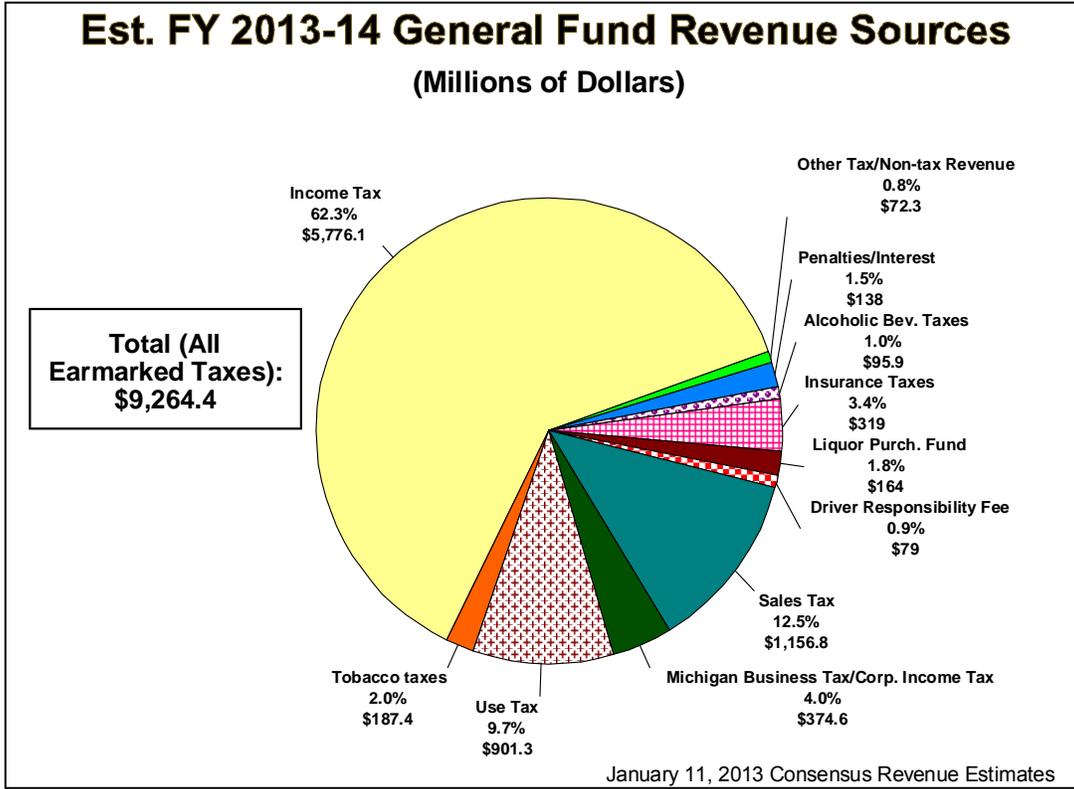
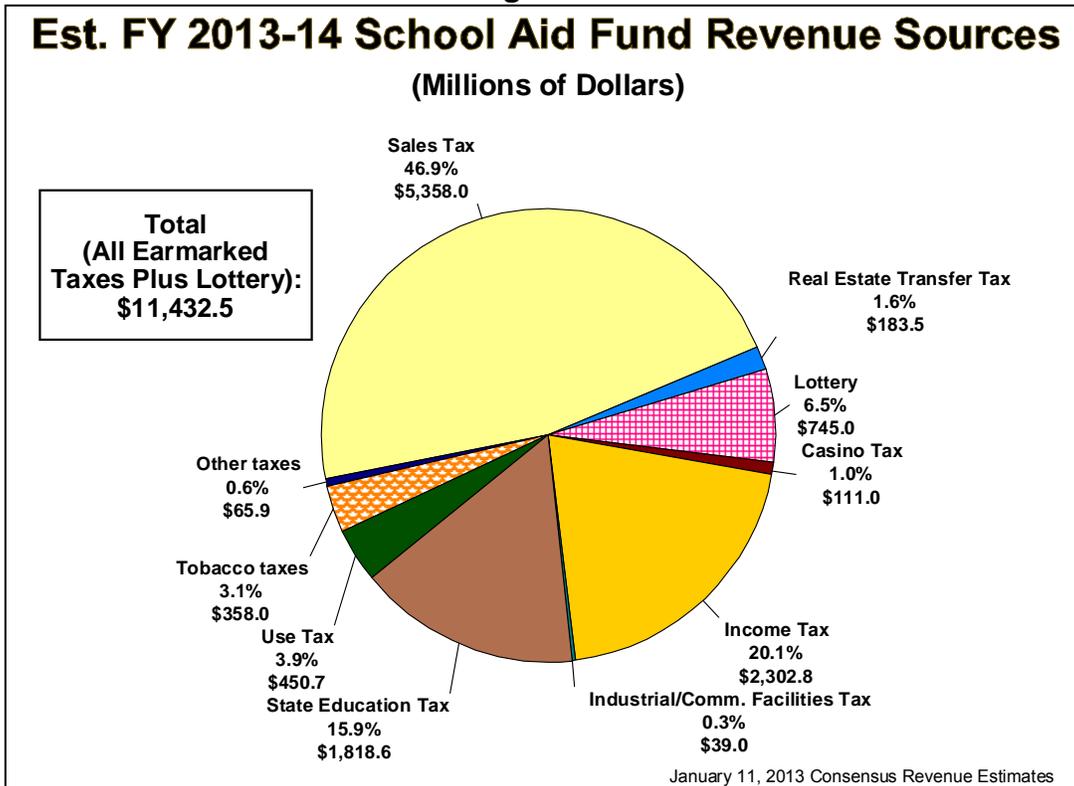


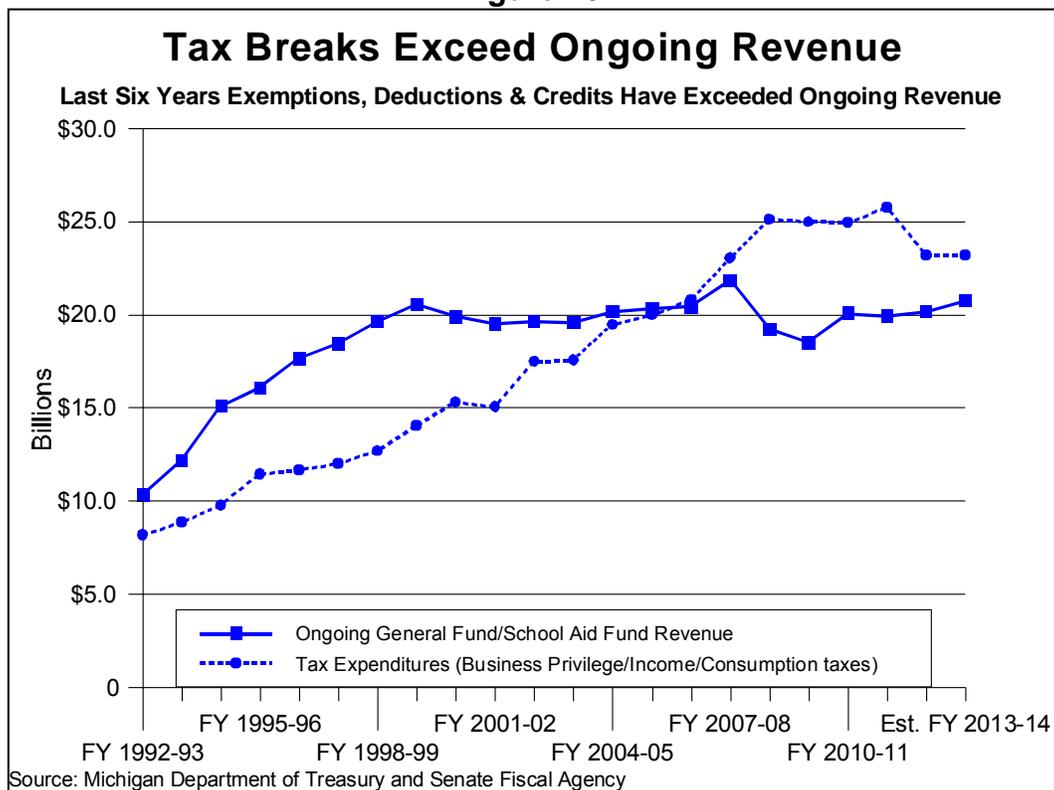
Figure 15



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 \$25.0 billion in FY 2009-10. The estimate for FY 2011-12 is \$25.7 billion.
- During FY 1999-2000 tax expenditures equaled 68.2% of ongoing GF/GP and SAF revenue. During FY 2010-11 tax expenditures equaled 124.4% of total ongoing GF/GP and SAF revenue.

Figure 16



- The growth in tax expenditures has primarily focused on consumption taxes and individual income taxes. The most recently enacted major tax expenditures include the earned income tax credit and credits to subsidize certain battery manufacturers.

- Table 1 provides details on major changes in tax expenditures from FY 1999-2000 to FY 2013-14.

Table 1

**DETAIL ON MAJOR CHANGES IN TAX EXPENDITURES
(Millions of Dollars)**

	FY 1999-2000	FY 2011-12	\$ Change FY 1999-2000 to FY 2011-12	FY 2013-14	\$ Change FY 2011-12 to FY 2013-14
Consumption Taxes					
Food	\$860.0	\$1,220.2	\$360.2	\$1,280.5	\$60.3
Industrial Processing	660.0	920.0	260.0	1,108.0	188.0
Prescription Drugs	242.0	536.3	294.3	928.5	392.2
Services	4,392.0	10,357.2	5,965.2	10,709.1	351.9
Individual Income Taxes					
Adjustments to Income	1,600.0	3,351.7	1,751.7	3,3248.3	(103.4)
Homestead Prop. Tax Credit	471.0	831.1	360.1	523.6	(307.5)
Personal Exemption ¹⁾	987.0	1,173.7	186.7	1,142.2	(31.5)
Earned Income Tax Credit	0.0	360.0	360.0	115.5	(244.5)
All Other Tax Expenditures	4,859.4	6,995.6	2,136.2	5,007.0	1,988.6
Total Tax Expenditures	\$14,071.4	\$25,745.8	\$11,674.4	\$24,062.7	(\$1,683.1)

1) Does not include impact of increasing the personal exemption under PA 224 of 2012.

Source: Michigan Department of Treasury

- Changes in the tax structure enacted in May 2011 are forecasted to reduce 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 corporation income tax. However, tax expenditures are still expected to exceed ongoing revenue.

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 include: 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.
- 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 will be FY 2012-13 when it is estimated that GF/GP revenue will increase by \$385.5 million and School Aid Fund revenue will decrease by \$669.9 million.

Table 2

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

Tax Provision	FY 2011-12			FY 2012-13			FY 2013-14		
	GF/GP	SAF	Total	GF/GP	SAF	Total	GF/GP	SAF	Total
<u>Prior Law:</u>									
Michigan Business Tax	\$1,449.8	\$759.1	\$2,208.9	\$1,144.4	\$778.8	\$1,923.2	\$1,259.8	\$793.6	\$2,053.4
<u>Business Tax Changes:</u>									
Repeal MBT (12/31/11)	(\$454.2)	(\$759.1)	(\$1,213.3)	(\$1,259.5)	(\$778.8)	(\$2,038.3)	(\$1,304.8)	(\$793.6)	(\$2,098.4)
Corporate Income Tax (1/1/12)	457.9	0.0	457.9	795.1	0.0	795.1	866.8	0.0	866.8
Financial Institutions Tax	27.7	0.0	27.7	43.9	0.0	43.9	45.6	0.0	45.6
Certified Credits/Options Tax	<u>(282.0)</u>	<u>0.0</u>	<u>(282.0)</u>	<u>(437.4)</u>	<u>0.0</u>	<u>(437.4)</u>	<u>(568.9)</u>	<u>0.0</u>	<u>(568.9)</u>
Total Changes to Business Taxes	<u>(250.6)</u>	<u>(759.1)</u>	<u>(1,009.7)</u>	<u>(857.9)</u>	<u>(778.8)</u>	<u>(1,636.7)</u>	<u>(961.3)</u>	<u>(793.6)</u>	<u>(1,754.9)</u>
Net Business Tax Rev. After Credits	\$1,199.2	\$0.0	\$1,199.2	\$286.5	\$0.0	\$286.5	\$298.5	\$0.0	\$298.5
<u>Individual Income Tax Changes¹⁾:</u>									
Delay/Eliminate Tax Rate Changes	\$172.0	\$0.0	\$172.0	\$225.0	\$0.0	\$225.0	\$415.4	\$0.0	\$415.4
Repeal Senior/Unemp. Ins. Exempt.	6.7	2.1	8.8	34.3	6.7	41.0	32.2	10.0	42.2
Repeal Child Deduction	0.0	0.0	0.0	52.9	4.2	57.1	48.0	10.8	58.8
Pension Tax Changes	182.5	38.4	220.9	255.7	80.5	336.2	260.2	86.8	347.0
Repeal Nonrefundable Credits	73.9	0.0	73.9	103.5	0.0	103.5	107.0	0.0	107.0
Homestead Credit Changes	0.0	0.0	0.0	257.0	0.0	257.0	265.0	0.0	265.0
Modify Earned Income Tax Credit	0.0	0.0	0.0	261.6	0.0	261.6	269.4	0.0	269.4
Eliminate Subtract./Exemp./Other	37.9	9.5	47.5	53.5	17.5	71.1	54.2	18.1	72.3
Total Chngs. to Individ. Income Tax	\$473.0	\$50.0	\$523.1	\$1,243.5	\$108.9	\$1,352.5	\$1,451.4	\$125.7	\$1,577.1
Net Impact of Proposed Reforms	\$222.4	(\$709.1)	(\$486.6)	\$385.6	(\$669.9)	(\$284.2)	\$490.1	(\$667.9)	(\$177.8)
<u>Addendum: Impact by Taxpayer Type</u>									
Businesses			(\$1,009.7)			(\$1,636.7)			(\$1,754.9)
Individuals			\$523.1			\$1,352.5			\$1,577.1
1) Does not include impact of increasing the personal exemption under PA 224 of 2012.									

Source: May 2012 Consensus Revenue estimates

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 is estimated to be approximately \$6.0 billion below the limit for FY 2011-12, \$7.3 billion below the limit in FY 2012-13, and \$7.5 billion below the limit in FY 2013-14.

Figure 17

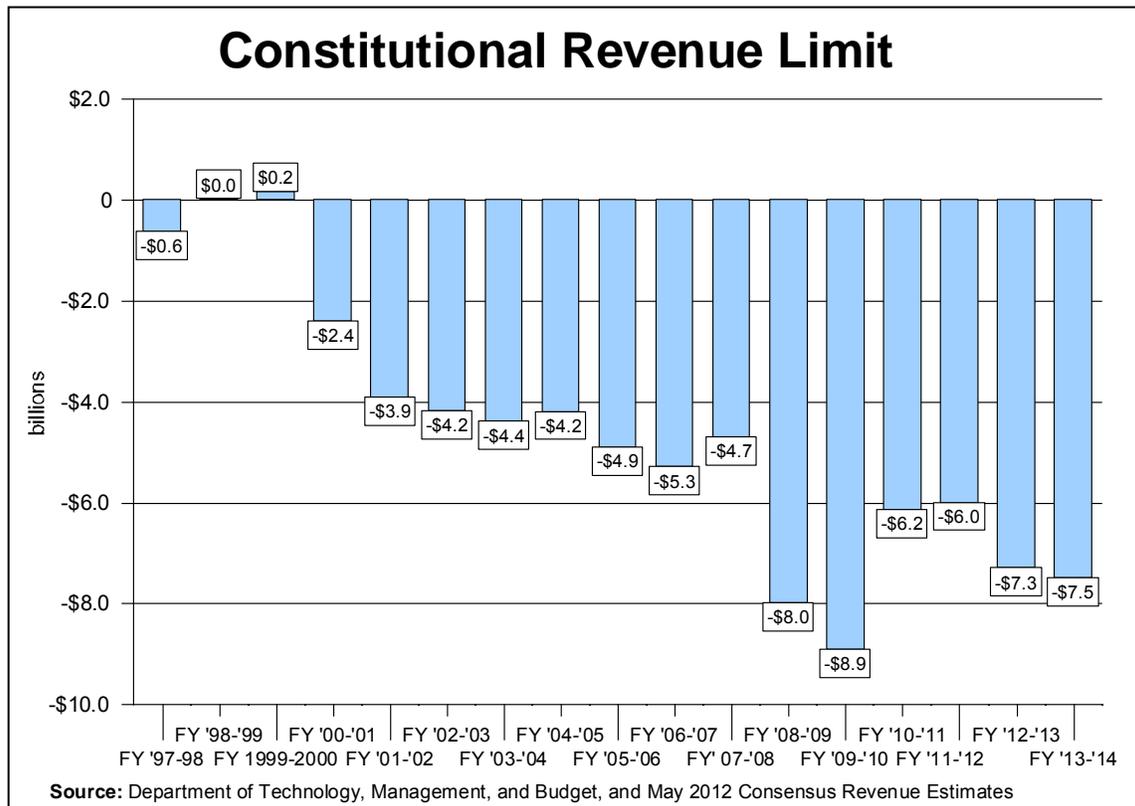


Figure 18

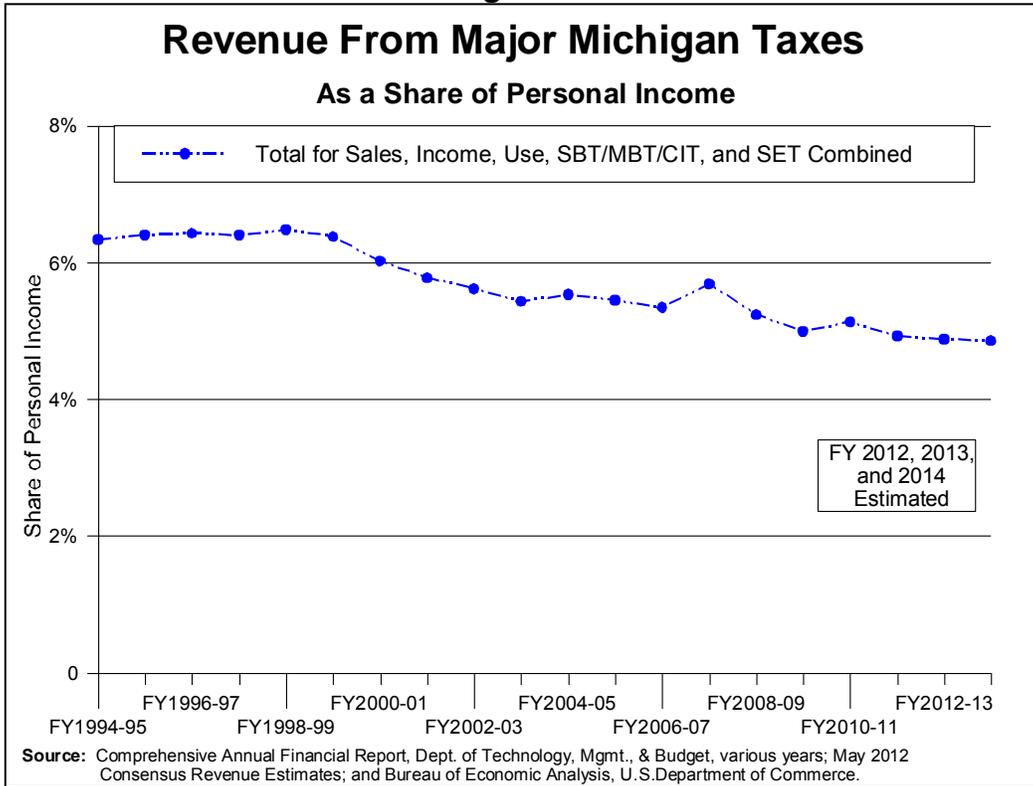


Figure 19

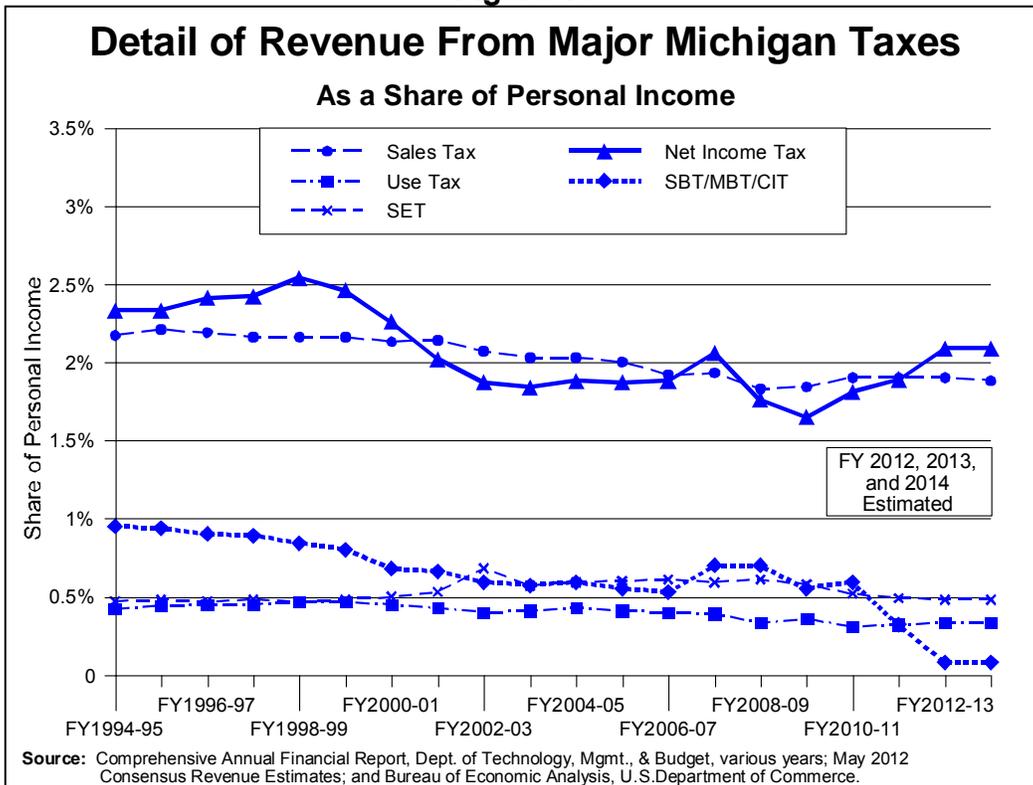


Table 3

**MICHIGAN'S MAJOR TAXES: REVENUE ESTIMATES, TAX RATES, AND YIELDS FOR FY 2011-12 AND FY 2012-13
(Dollars in Millions)**

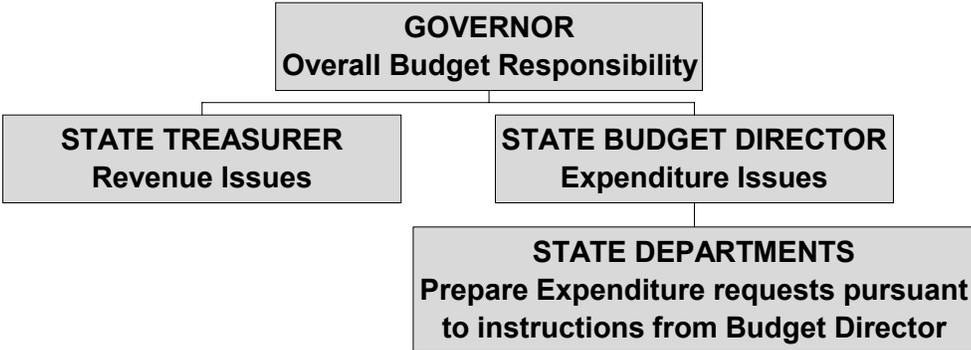
Tax	Revenue Estimates ¹⁾		Examples of Rev. Impact Due to Change in Rate ²⁾				History of Tax Rate Changes
	FY 2011-12 Net Revenue	FY 2012-13 Net Revenue	Current Tax Rate	Rate Change	FY '12 Rev. Change Eff. 1/1/12	FY '13 Rev. Change Eff. 1/1/11	
Individual Income Tax:							
Gross Collections	\$9,069.0	\$9,459.5	4.25%				1967: 2.6% 1971: 3.9% 2004:3.9% 7/1
Refunds	(2,103.1)	(1,552.0)					1975: 4.6% 1982: 5.6% 4/1
Net Income Tax	\$6,965.9	\$7,907.5		0.1%	\$130.3	\$199.0	1982: 4.6% 10/1 1983: 6.35% 2007:4.35% 10/1 1984: 5.35% 9/1 1986: 4.6% 2012:4.25% 10/1 1994: 4.4% 5/1 2000: 4.2% 2002: 4.1% 2003: 4.0%
Sales Tax³⁾	\$7,023.9	\$7,194.1	6.0%	1% of: ³⁾ first 4% of 6% last 2% of 6%	\$898.4 837.2	\$1,226.4 1,144.4	1933: 3.0% 1960: 4.0% 1994: 6.0% 5/1
Use Tax	\$1,182.1	\$1,252.0	6.0%	1.0%	\$147.8	\$208.7	1937: 3.0% 1960: 4.0% 1994: 6.0% 5/1
Tobacco Tax							
Cigarettes	\$961.7	\$941.6	\$2.00/pack	\$0.10/pack	\$33.4	\$43.4	1947: 3 cents/pk 1959: 4 cents/pk 1961: 5 cents/pk 1962: 7 cents/pk
Other Tobacco Products	\$899.7	\$876.6	32% whole-sale price	2.0%	\$2.9	\$4.1	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
	\$62.0	\$65.0					
Liquor Tax⁴⁾	\$40.3	\$41.2	4.0%	1.0%	\$7.5	\$10.2	1959: Liquor excise tax established - 4.0% 1962: Liquor specific tax established - 4.0% 1972: Liquor specific tax established - 1.85% 1985: Liquor specific tax established - 4.0%
Beer Tax⁵⁾	\$40.0	\$40.6	\$6.30/barrel ⁵⁾	\$1/barrel ⁵⁾	\$4.7	\$6.4	1933: \$1.25/barrel 1959: \$2.50/barrel 1962: \$6.61/barrel 1966: \$6.30/barrel
Wine Tax⁶⁾	\$10.0	\$10.2	⁶⁾	\$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 1981: w/ >16% alcohol 20 cents/liter 1989: mixed-spirit drinks 48 cents/liter
Casino Gaming Tax	\$114.7	\$106.3	8.1%	1.0%	\$10.2	\$13.1	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
Real Estate Transfer Tax	\$124.9	\$133.6	0.75% ⁷⁾	0.25%	\$20.8	\$44.5	Rate has not changed.
State Education Property Tax	\$1,807.1	\$1,829.4	6 mills	1 mill	\$301.2	\$304.9	1994: 6 mills 2003: 5 mills (one-year reduction only) 2004: 6 mills
Gasoline Tax	\$825.5	\$822.0	0.19/gal.	0.01/gal.	\$32.6	\$43.3	1983: 13 cents/gal. 1984: 15 cents/gal. 1997: 19 cents/gal.

1) Consensus Revenue Estimates, May 16, 2012. Figures do not reflect the impact of the tax changes from HB 5699 and HB 5700, as enacted. 2) Senate Fiscal Agency estimate. 3) The first four 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 are assessed on the entire sales tax base except residential utilities. 4) There are four taxes on liquor: three have rates of 4.0% and they are earmarked to the General Fund, School Aid Fund, and the Convention Facility Fund, and one is assessed at 1.85% and is earmarked to the Liquor Purchase Revolving Fund. 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.

The Budget Process

KEY ACTORS IN BUDGET DECISION MAKING PROCESS

Executive Branch



KEY ACTORS IN BUDGET DECISION MAKING PROCESS

Legislative Branch



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 THE EXECUTIVE BUDGET

STATE TREASURER (Incoming \$\$\$)

Revenue Estimates

Tax Policy

Cash Management

Debt Management

PREPARATION OF THE EXECUTIVE BUDGET (Continued)

BUDGET DIRECTOR (Outgoing \$\$\$)

Issues Budget Directions

Reviews & Analyzes Agency Requests

Filters Requests from Outside Groups

Prepares Final Budget Documents

Oversees Legislative Budget Process for Governor

Management of Current Year Budget

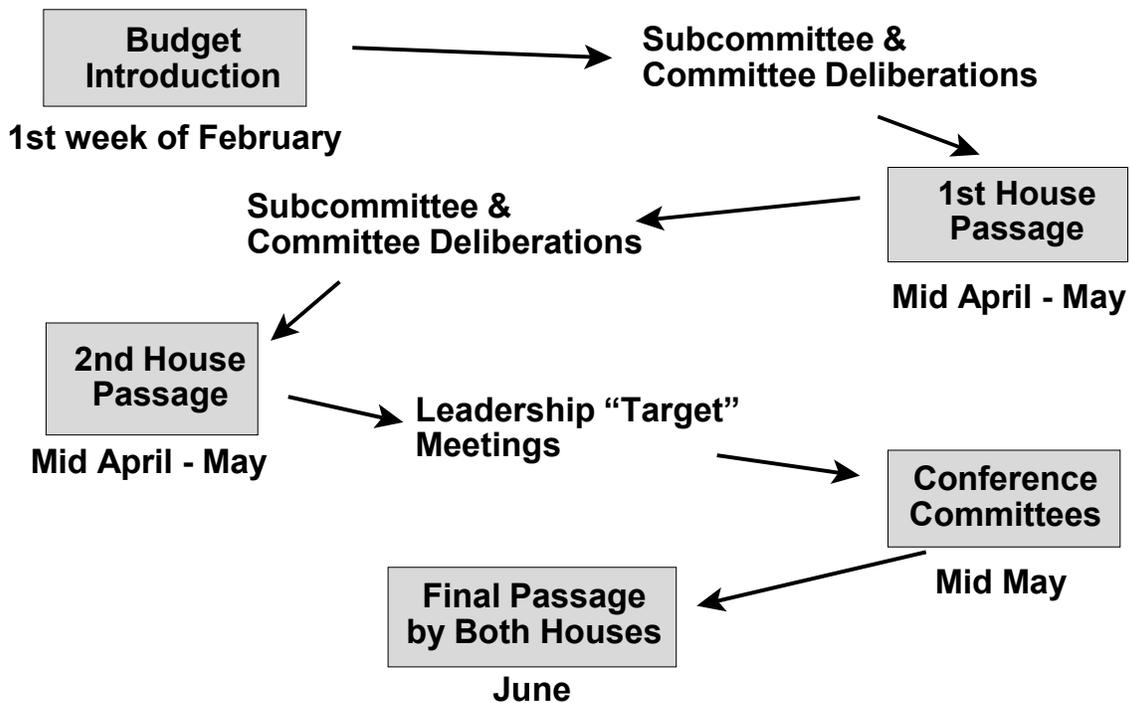
PRESENTATION OF THE EXECUTIVE BUDGET TO THE LEGISLATURE

- ▶ Prescribed by Statute
- ▶ Executive Press Releases
- ▶ Joint Meeting of the House and Senate
Appropriations Committees
 - 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

TRADITIONAL BUDGET TIME FRAME



MANDATED BUDGET REQUIREMENTS & RESTRICTIONS

State Budget Process Constitutional Requirements

- ▶ Budget Submission Date (Sec. 18 of Article V)
- ▶ Balanced Budget Requirement (Sec. 31 of Article IV)
- ▶ Revenue Limit (Sec. 26 of Article IX)
- ▶ State & Local Spending Split (Sec. 30 of Article IX)
- ▶ Expenditure Limit (Sec. 28 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 & 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
 - Counter-cyclical Budget & Economic Stabilization Fund
 - Operating funds
 - Implementation of Constitutional requirements

MANDATED BUDGET REQUIREMENTS & 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
 - Incremental changes in budget
 - Strong threat of line-item veto

STATE BUDGET TERMS

- ▶ **Gross Appropriations:** Total level of State appropriations from all fund sources
- ▶ **State Spending from State Resources Appropriations:** Total level of State appropriations excluding Federal and local and private funding sources
- ▶ **General Fund/General Purpose Appropriations:** Unrestricted portion of State budget fund sources
- ▶ **Earmarking:** State taxes or fees that are designated for a specific purpose in the budget by either constitutional or statutory requirements
- ▶ **FTE:** Full-time equated employee
- ▶ **Boilerplate:** Intent language in appropriation bills

Adjusted Gross, State Spending from State Resources and GF/GP Appropriations FY 2012-13 (billions of dollars)

Department/Budget Area	Adj. Gross	State Spending	GF/GP
K-12 Education	\$12.9	\$11.2	\$0.3
Community Health	15.0	5.0	2.8
Human Services	6.7	1.1	1.0
Transportation	3.5	2.2	0.0
Corrections	2.0	2.0	1.9
Higher Ed. & Comm. Coll.	1.7	1.6	1.2
Subtotal	\$41.8	\$23.1	\$7.3
All Other	6.4	4.7	1.7
Total	\$48.2	\$27.8	\$9.0

**The State Budget
FY 2012-13**

Table 4

SUMMARY OF FY 2012-13 APPROPRIATION CHANGES (Millions of Dollars)		
	Adj. Gross	GF/GP
FY 2011-12 Year-To-Date Appropriation (as of 7-1-12)	\$47,481.3	\$8,491.8
<u>Changes for FY 2012-13:</u>		
New Programs	\$371.8	\$109.3
Program Increases	1,647.6	461.7
Program Eliminations	(267.6)	(86.5)
Program Reductions	(629.4)	(185.2)
Major Fund Shifts Affecting GF/GP	18.4	291.0
Economic Increases	167.8	73.7
State Employee Lump Sum Payments	53.2	25.3
Unclassified Salaries	3.5	2.5
Expiration of HMO/PIHP Use Tax	(201.1)	(167.3)
Adjustments for FY 2011-12 Transfers/Supplementals	(138.3)	(16.4)
Other Technical Adjustments	<u>(314.6)</u>	<u>(5.7)</u>
Total Changes	\$711.3	\$502.4
FY 2012-13 INITIAL APPROPRIATION	\$48,192.7	\$8,994.2
<u>Other Budget Adjustments:</u>		
FY 2012-13 Enacted Supplementals	\$49.0	\$27.9
CREC Changes	(12.4)	0.0
Contingency Fund Transfers	0.0	0.0
FY 2012-13 YEAR-TO-DATE APPROPRIATION	\$48,229.3	\$9,022.1

Figure 20

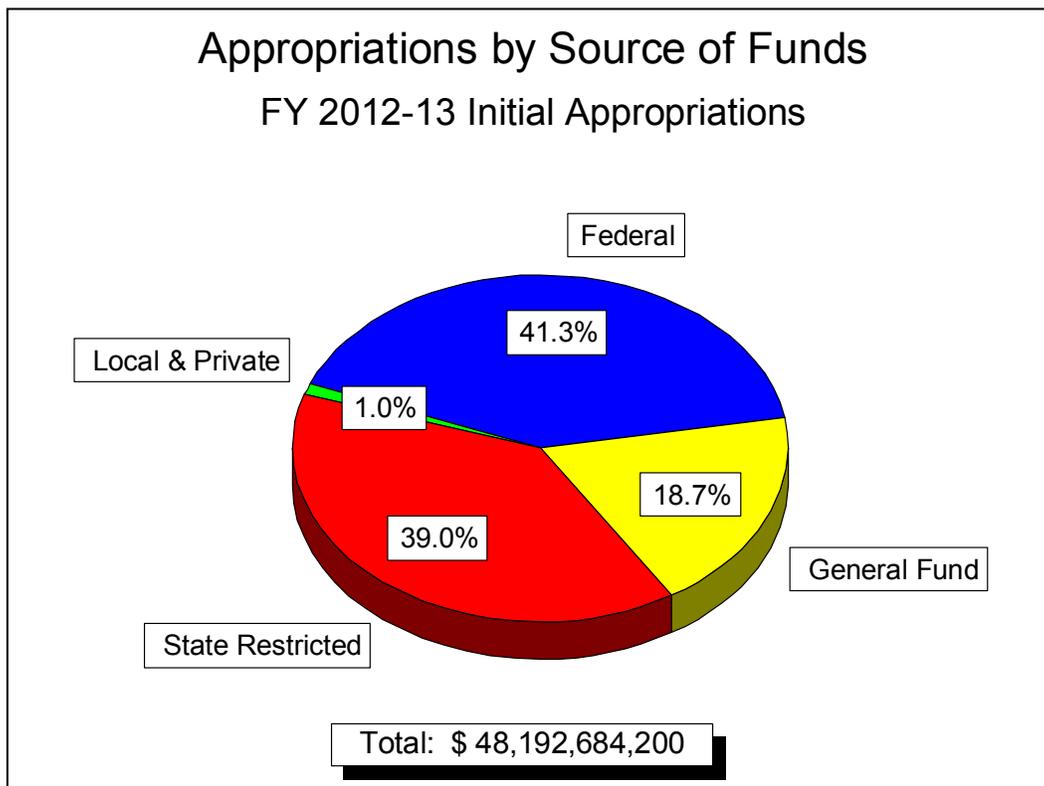


Figure 21

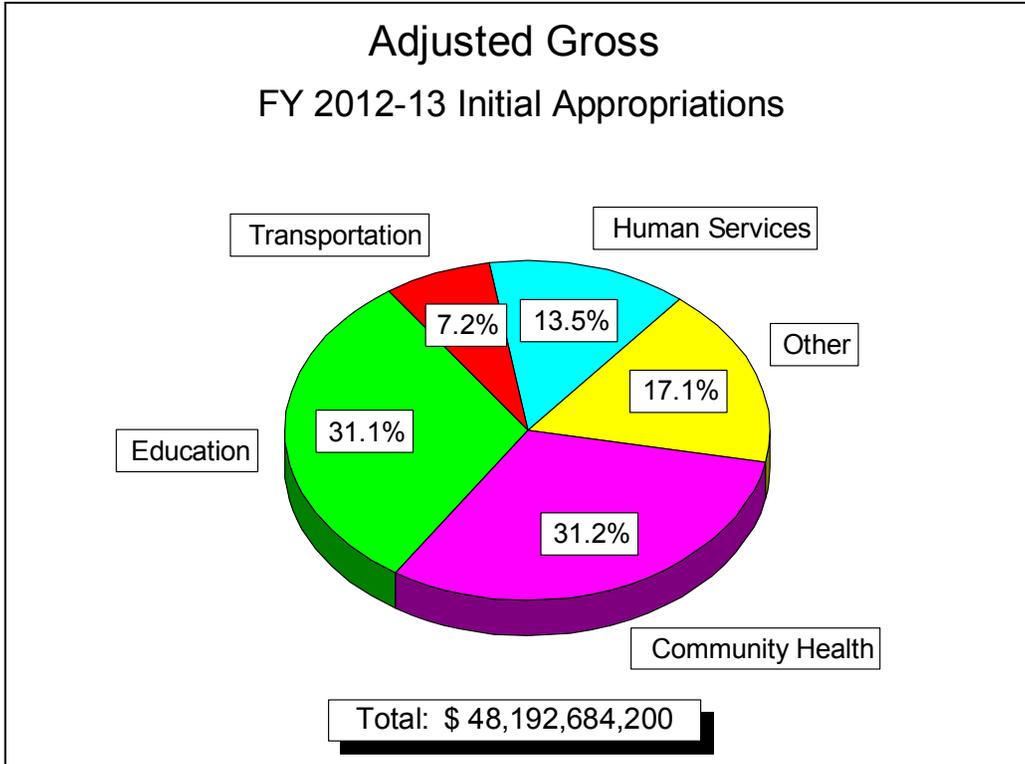


Figure 22

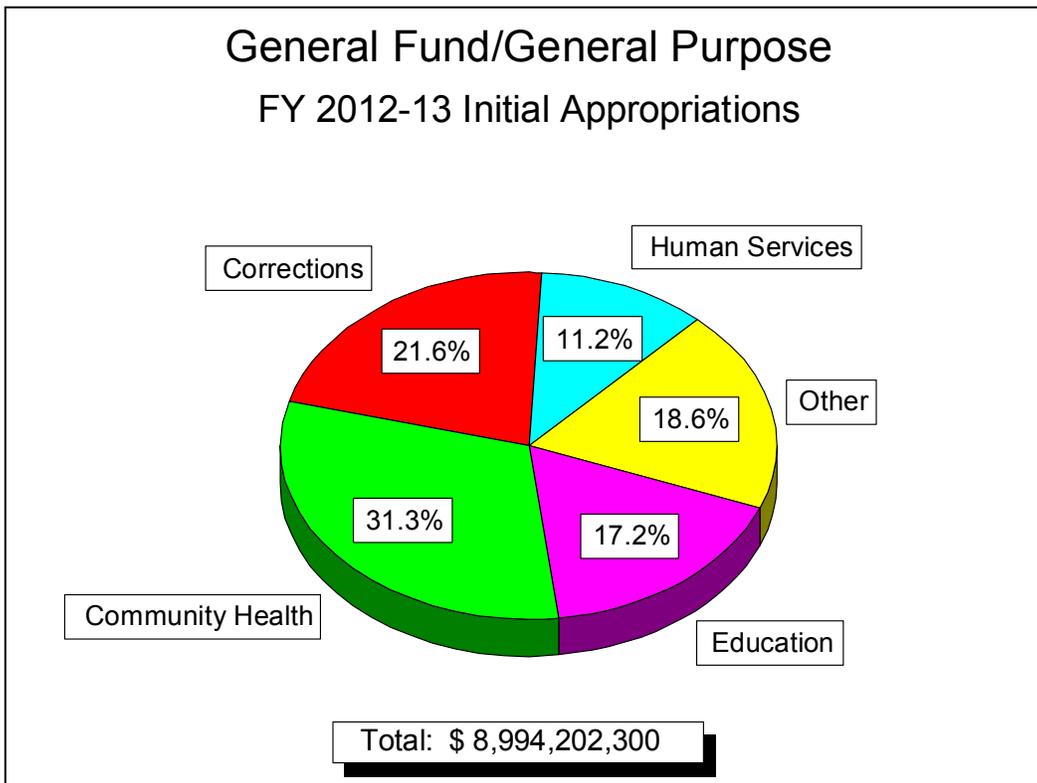


Table 5

FULL-TIME EQUATED POSITIONS FY 2011-12 VERSUS FY 2012-13				
Department/Budget Area	FY 2011-12 Year-to-Date Positions	FY 2012-13 Year-to-Date Positions	Position Change	Percent Change
Agriculture and Rural Development	432.0	425.0	(7.0)	(1.6%)
Attorney General	523.0	508.0	(15.0)	(2.9)
Civil Rights	118.0	121.0	3.0	2.5
Community Health	3,545.9	3,546.6	0.7	0.0
Corrections	15,568.8	14,695.2	(873.6)	(5.6)
Education	598.0	590.5	(7.5)	(1.3)
Environmental Quality	1,334.5	1,321.5	(13.0)	(1.0)
Executive	74.2	74.2	0.0	0.0
Human Services	11,358.5	12,308.0	949.5	8.4
Judiciary	491.0	472.0	(19.0)	(3.9)
Licensing and Regulatory Affairs	4,327.8	3,709.8	(618.0)	(14.3)
Military and Veterans Affairs	989.0	834.0	(155.0)	(15.7)
Natural Resources	2,169.5	2,093.8	(75.7)	(3.5)
State	1,798.0	1,689.0	(109.0)	(6.1)
State Police	2,859.0	2,881.0	22.0	0.8
Technology, Management, and Budget	3,025.5	2,808.0	(217.5)	(7.2)
Transportation	3,043.3	2,912.3	(131.0)	(4.3)
Treasury - Operations	1,727.5	1,774.5	47.0	2.7
Treasury - Strategic Fund Agency	818.0	748.0	(70.0)	(8.6)
TOTAL POSITIONS	54,801.5	53,512.4	(1,289.1)	(2.4%)

Figure 23

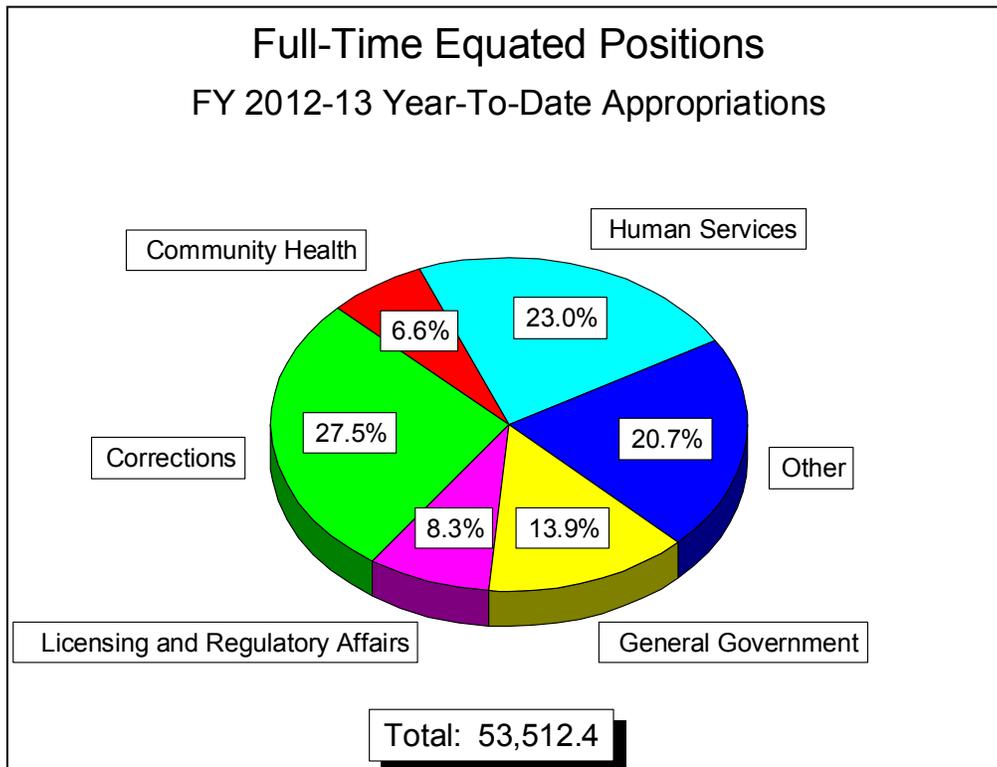
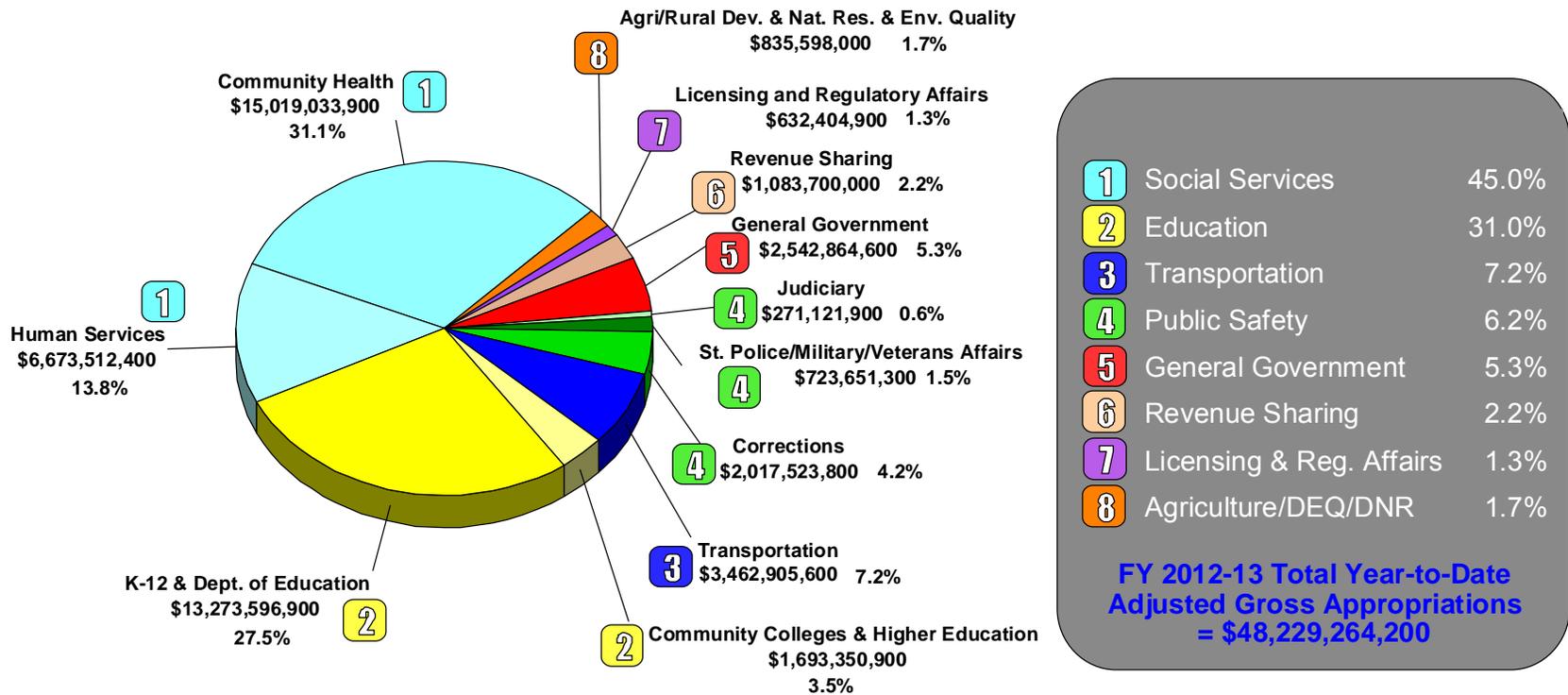


Figure 24

Where State of Michigan Tax Dollars Are Spent Fiscal Year 2012-13 Year-to-Date Adjusted Gross Appropriations



Source: Senate Fiscal Agency - 02/14/2013

Table 6

**FY 2011-12, FY 2012-13, FY 2013-14, AND FY 2014-15 GENERAL FUND/GENERAL PURPOSE (GF/GP)
REVENUE, EXPENDITURES, AND EYAR-END BALANCE ESTIMATES
(Millions of Dollars)**

	Preliminary Closing FY 2011-12	FY 2012-13	Gov's Rec. FY 2013-14	Gov's Rec. FY 2014-15
Revenue:				
Beginning Balance	\$553.7	\$972.5	\$278.4	\$15.7
<u>Ongoing Revenue:</u>				
Consensus Revenue Estimate (May 2012)	\$9,064.4	\$8,969.9	\$9,259.0	\$9,639.9
January 2013 Consensus Revenue Change	<u>200.8</u>	<u>(177.7)</u>	<u>5.4</u>	<u>0.0</u>
Consensus Revenue Estimate (January 2013)	\$9,265.2	\$8,792.2	\$9,264.4	\$9,639.9
<u>Other Revenue Adjustments:</u>				
Revenue Sharing Payments	(300.0)	(350.6)	(358.6)	(358.6)
Restricted Revenue/Bookclosing Adjustments	(24.9)	3.2	6.0	8.0
Blue Cross/Blue Shield Insurance Revenue	<u>0.0</u>	<u>0.0</u>	<u>62.0</u>	<u>75.0</u>
Subtotal Ongoing Revenue	\$8,940.3	\$8,444.8	\$8,973.8	\$9,364.3
<u>Non-Ongoing Revenue:</u>				
One-Time Appropriation for Revenue Sharing	(40.0)	(20.0)	(22.0)	0.0
FY 2011-12 - Use Tax HMOs; FY 2012-13 - LPRF Lapse	<u>127.5</u>	<u>(2.0)</u>	<u>0.0</u>	<u>0.0</u>
Total Estimated GF/GP Revenue	\$9,581.5	\$9,395.3	\$9,230.2	\$9,380.0
Expenditures:				
Initial Ongoing Appropriations	\$8,275.5	\$8,628.5	\$8,850.7	\$9,034.7
Initial One-Time Appropriations	171.6	365.7	185.8	4.0
One-Time Appropriations to Budget Stabilization Fund	362.7	140.0	75.0	150.0
One-Time Appropriations to Michigan Health Savings Fund	0.0	0.0	103.0	137.8
Enacted Supplementals	113.6	28.0	0.0	0.0
Caseload and Cost Adjustments for DCH/DHS	(179.5)	(57.4)	0.0	0.0
Pending Supplementals	0.0	29.5	0.0	0.0
General Fund Grant to School Aid	(40.0)	0.0	0.0	0.0
Health Insurance Claims Assessment Revenue Shortfall ¹⁾	0.0	0.0	0.0	0.0
Estimate of Year-End Lapses	<u>(\$94.9)</u>	<u>(\$17.4)</u>	<u>\$0.0</u>	<u>\$0.0</u>
Total Estimated GF/GP Expenditures	\$8,609.0	\$9,116.9	\$9,214.5	\$9,326.5
Projected Year-End GF/GP Balance	\$972.5	\$278.4	\$15.7	\$53.5

¹⁾ Assumes use of other Restricted revenue in FY 2011-12 and FY 2012-13 and passage of HICA legislation for subsequent fiscal years.

Table 7

**FY 2011-12, FY 2012-13, FY 2013-14, AND FY 2014-15 SCHOOL AID FUND (SAF)
REVENUE, EXPENDITURES, AND YEAR-END BALANCE ESTIMATES
(Millions of Dollars)**

	Preliminary Closing FY 2011-12	FY 2012-13	Gov's Rec. FY 2013-14	Gov's Rec. FY 2014-15
Revenue:				
Beginning Balance.....	\$724.7	\$254.1	\$49.9	\$1.3
<u>Ongoing Revenue:</u>				
Consensus Revenue Estimate (May 2012).....	\$10,876.1	\$11,169.5	\$11,471.5	\$11,768.8
January 2013 Consensus Revenue Change.....	2.6	(41.8)	(39.0)	0.0
Consensus Revenue Estimate (January 2013).....	\$10,878.7	\$11,127.7	\$11,432.5	\$11,768.8
<u>Other Revenue Adjustments:</u>				
General Fund/General Purpose Grant.....	78.6	282.4	180.0	233.0
Federal Ongoing Aid.....	1,819.0	1,701.0	1,764.4	1,764.4
ILottery.....	0.0	0.0	7.8	23.4
MPSERS Retirement Obligation Reform Reserve Fund.....	0.4	0.0	150.0	100.0
Subtotal Ongoing Revenue.....	\$12,776.7	\$13,111.1	\$13,534.7	\$13,889.6
<u>Non-Ongoing Revenue:</u>				
General Fund/General Purpose Grant.....	65.1	0.0	50.0	0.0
Total Estimated School Aid Fund Revenue	\$13,566.5	\$13,365.2	\$13,634.6	\$13,890.9
Expenditures:				
Initial Ongoing K-12 Appropriations	\$12,203.6	\$12,750.2	\$13,135.7	\$13,490.6
Initial One-Time K-12 Appropriations	472.0	194.3	99.5	0.0
Public Act 29 of 2012 Adjustments/Public Act 465 of 2012 (PILT)	68.4	0.2	0.0	0.0
Cost Adjustments	2.9	(27.5)	0.0	0.0
Partially Fund Community Colleges with School Aid Fund.....	259.6	197.6	197.6	197.6
Partially Fund Higher Education with School Aid Fund	200.0	200.5	200.5	200.5
Federal Expenditures Adjustment.....	161.0	0.0	0.0	0.0
Estimate of Year-End Lapses	(55.1)	0.0	0.0	0.0
Total Estimated School Aid Fund Expenditures	\$13,312.4	\$13,315.3	\$13,633.3	\$13,888.7
Projected Year-End School Aid Fund Balance	\$254.1	\$49.9	\$1.3	\$2.2

Table 8

TOTAL ACCUMULATED PENSION UNFUNDED LIABILITIES										
Fiscal Year	MPSERS¹⁾		STATE EMPLOYEES		STATE POLICE		JUDGES		LEGISLATIVE	
	Unfunded Liability	Funded Ratio	Unfunded Liability	Funded Ratio	Unfunded Liability	Funded Ratio	Unfunded Liability	Funded Ratio	Unfunded Liability	Funded Ratio
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%	\$13,741,000	92.0%
2010-11 ²⁾	\$22,389,000,000	64.7%	\$5,385,000,000	65.5%	\$489,800,000	69.9%	(\$15,100,000)	106.0%	\$31,000,000	82.5%

Notes: FY 2010-11 Total Accrued Unfunded Liability for the four retirement systems equals \$28,279,700,000. Negative numbers in the unfunded liability column represent surplus assets in a retirement system.

Table 9

TOTAL ACCUMULATED HEALTH UNFUNDED LIABILITIES										
Fiscal Year	MPSERS¹⁾		STATE EMPLOYEES		STATE POLICE		JUDGES		LEGISLATIVE	
	Unfunded Liability	Funded Ratio	Unfunded Liability	Funded Ratio	Unfunded Liability	Funded Ratio	Unfunded Liability	Funded Ratio	Unfunded Liability	Funded Ratio
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 ²⁾	\$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%

Notes: FY 2010-11 Total Accrued Unfunded Liability for the four retirement systems equals \$41,268,600,000. The State Employees Retirement System began prefunding retiree health care in FY 2011-12 and the MPSERS began prefunding in FY 2012-13, which will reduce the stated unfunded liability.

¹⁾ Michigan Public School Employees Retirement System. ²⁾ Numbers for Legislative are estimates.

**The Executive Budget Rec.
FY 2013-14**

Summary

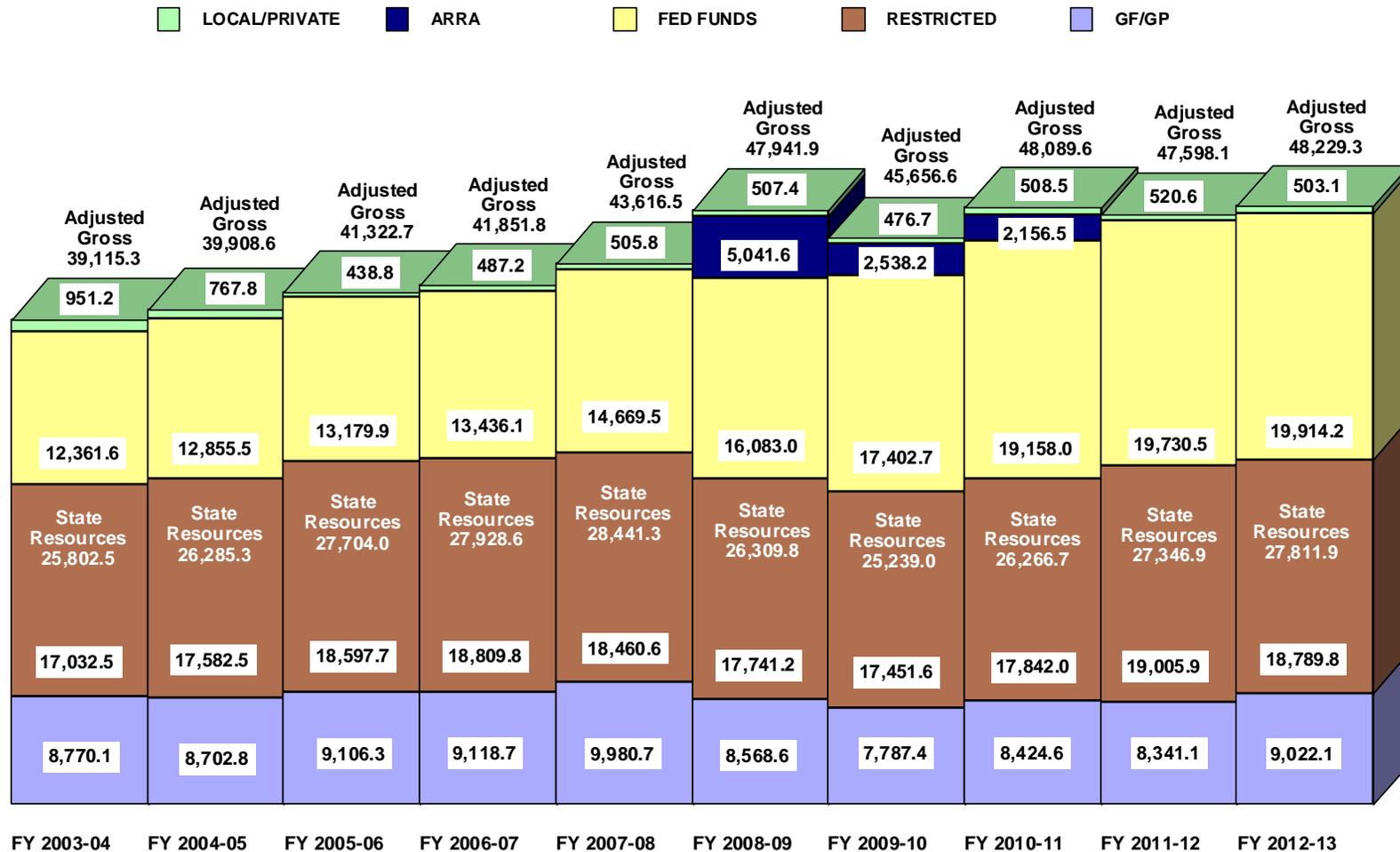
- Governor Rick Snyder presented his third State Budget Message on February 7, 2013.
- The FY 2013-14 budget recommendation is based on the General Fund/General Purpose (GF/GP) and School Aid Fund (SAF) consensus revenue estimates agreed to on January 11, 2013.
- The Governor recommends FY 2013-14 Adjusted Gross appropriations of \$50.8 billion, and GF/GP appropriations of \$9.0 billion.
- Compared with FY 2012-13 year-to-date appropriations, the Governor's FY 2013-14 budget includes an Adjusted Gross appropriation increase of \$2.5 billion or 5.3%, and an increase in GF/GP appropriations of \$14.4 million or 0.2%.
- The primary reasons for the large increase in Adjusted Gross appropriations are the Governor's proposals for new spending of \$1.2 billion of State Restricted revenue for the transportation investment package, and \$1.3 billion of Federal funding for the expansion of the Medicaid program.
- The Governor proposes to increase these taxes and fees to fund his \$1.2 billion transportation investment package:
 1. Increase gasoline tax from 19 to 33 cents\$598.7 million
 2. Increase diesel fuel tax from 15 to 33 cents.....\$129.0 million
 3. Increase vehicle, truck, trailer registration fees\$508.3 million
- The Governor proposes to expand Medicaid to cover all individuals up to 133% of the Federal poverty level. The increase would be 100% Federally-funded in FY 2013-14, and the initial assumption is that 321,000 people would be covered in FY 2013-14, with that number growing up toward 460,000 by FY 2017-18. The State would see an estimated GF/GP savings of \$205.9 million in FY 2013-14, with full-year GF/GP savings of \$275.0 million in FY 2014-15.

- The Governor recommends a \$103.0 million appropriation to the proposed Michigan Health Savings Fund. This FY 2013-14 appropriation of \$103.0 million to this new fund represents a deposit of 50.0% of the savings from the Governor's proposal to expand Medicaid.
- The Governor's FY 2013-14 State Revenue Sharing proposal provides a 4.1% increase in Constitutional revenue sharing, from \$713.3 million to \$742.6 million. The non-Constitutional programs would increase from \$370.6 million to \$380.6 million or 2.7%.
- The Governor's School Aid budget increases total spending by \$318.0 million or 2.5%. This includes \$242.8 million to pay for the cost of keeping the employer retirement contribution rate relatively flat, an increase of \$65.0 million for the Great Start Readiness Program, and \$24.0 million as a one-time payment for districts with funding below \$7,000 per pupil.
- In the Department of Treasury's Strategic Fund, the Governor proposes to reduce the Film Incentive Program from the FY 2012-13 level of \$50.0 million to \$25.0 million in FY 2013-14.
- The Governor's budget includes \$90.4 million in fee adjustments other than the vehicle registration fee increases proposed in his transportation package. The budget also assumes \$400.0 million in Health Insurance Claims Assessment (HICA) revenue in the Department of Community Health which would require a statutory change. There are 24 statutory changes required to implement the Governor's FY 2013-14 budget recommendation.
- Finally, the Governor recommends a \$75.0 million appropriation to the Budget Stabilization Fund which would bring the total amount in the Fund to approximately \$585.0 million.

Recent State Appropriation History

Figure 25

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 BSF appropriations of \$362.7 million and \$140 million for FYs 2011-12 and 2012-13, respectively.
Senate Fiscal Agency, February 14, 2013

Table 10

ADJUSTED GROSS APPROPRIATION HISTORY (Millions of Dollars)			
Fiscal Year	Appropriations	Dollar Change	Percent Change
1997-98	\$31,472.8	\$1,816.3	6.1%
1998-99	33,160.3	1,687.5	5.4
1999-2000	35,417.7	2,257.4	6.8
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	47,941.9	4,325.4	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	48,229.3	631.2	1.3
2013-14 Gov's Rec.	50,769.2	2,539.9	5.3
Change FY 2003-04 to FY 2013-14		\$11,653.9	29.8%
Detroit CPI 10-Year Percent Change			20.8%

Table 11

STATE SPENDING FROM STATE RESOURCES APPROPRIATION HISTORY (Millions of Dollars)			
Fiscal Year	Appropriations	Dollar Change	Percent Change
1997-98	\$22,493.6	\$941.3	4.4%
1998-99	23,276.8	783.2	3.5
1999-2000	24,579.0	1,302.2	5.6
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	26,309.8	(2,131.5)	(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	27,811.9	465.0	1.7
2013-14 Gov's Rec.	29,470.7	1,658.8	6.0
Change FY 2003-04 to FY 2013-14		\$3,668.2	14.2%
Detroit CPI 10-Year Percent Change			20.8%

Table 12

GENERAL FUND/GENERAL PURPOSE APPROPRIATION HISTORY (millions of dollars)			
Fiscal Year	Appropriations	Dollar Change	Percent Change
1997-98	\$8,735.1	\$366.0	4.4%
1998-99	9,415.0	679.9	7.8
1999-2000	9,607.7	192.7	2.0
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	8,568.6	(1,412.1)	(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	9,022.1	681.1	8.2
2013-14 Gov's Rec.	9,036.5	14.4	0.2
Change FY 2003-04 to FY 2013-14		\$266.4	3.0%
Detroit CPI 10-Year Percent Change			20.8%

Table 13

SCHOOL AID FUND APPROPRIATION HISTORY (Millions of Dollars)			
Fiscal Year	State-Funded Appropriations	Dollar Change	Percent Change
1997-98	\$9,307.4	\$749.1	8.8%
1998-99	9,495.1	187.7	2.0
1999-2000	9,957.6	462.5	4.9
2000-01	10,732.3	774.7	7.8
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	11,308.1	194.6	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	11,243.6	154.7	1.4
2013-14 Gov's Rec.	11,470.8	227.2	2.0
Change FY 2003-04 to FY 2013-14		\$411.5	3.7%
Detroit CPI 10-Year Percent Change			20.8%

Table 14

FEDERAL FUNDS APPROPRIATED IN MICHIGAN BUDGET (Millions of Dollars)			
Fiscal Year	Federal Funds	Adjusted Gross Appropriations	Federal as Percent of Total Adjusted Gross
1997-98	\$7,931.5	\$31,472.8	25.20%
1998-99	8,623.4	33,160.3	26.01
1999-2000	9,765.6	35,417.7	27.57
2000-01	10,002.2	36,953.3	27.07
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	19,914.2	48,229.0	41.29
2013-14 Gov's Rec.	20,816.9	50,769.2	41.00
Change FY 2003-04 to FY 2013-14		68.4%	29.8%

Table 15

APPROPRIATED FULL-TIME EQUATED POSITIONS (FTEs) IN MICHIGAN STATE BUDGET			
Fiscal Year	FTEs	Change	Percent Change
1997-98	64,119.8	(1,500.2)	(2.3)%
1998-99	62,082.6	(2,037.2)	(3.2)
1999-2000	63,630.9	1,548.3	2.5
2000-01	64,601.5	970.6	1.5
2001-02	64,190.1	(411.4)	(0.6)
2002-03	62,760.2	(1,429.9)	(2.2)
2003-04	57,817.1	(4,943.1)	(7.9)
2004-05	57,034.3	(782.8)	(1.4)
2005-06	56,442.4	(591.9)	(1.0)
2006-07	56,766.3	323.9	0.6
2007-08	57,041.7	275.4	0.5
2008-09	56,491.1	(550.6)	(1.0)
2009-10	55,603.2	(887.9)	(1.6)
2010-11	56,095.3	492.1	0.9
2011-12	54,801.5	(1,293.8)	(2.3)
2012-13	53,512.4	(1,289.1)	(2.4)
2013-14 Gov's Rec.	52,878.9	(633.5)	(1.2)
Change FY 2003-04 to FY 2013-14		(4,938.2)	(8.5%)
Detroit CPI 10-Year Percent Change			20.8%

Table 16

STATE SPENDING FROM STATE RESOURCES APPROPRIATIONS TOTAL COMPARED IN SELECTED BUDGET AREAS (Millions of Dollars)				
Department/Budget Area	FY 2012-13		Dollar Change	Percent Change
	FY 2002-03 Appropriations	Year-to-Date Approps.		
Community Health	\$3,259.4	\$4,975.5	\$1,716.1	52.7%
Corrections	1,655.6	2,008.5	352.9	21.3%
Human Services	1,199.6	1,117.2	(82.4)	(6.9%)
K-12 School Aid	11,334.6	11,243.6	(91.1)	(0.8%)
Community Colleges	310.9	294.1	(16.8)	(5.4%)
Higher Education	1,839.4	1,302.2	(537.2)	(29.2%)
Revenue Sharing	1,451.4	1,083.7	(367.7)	(25.3%)
All Other Programs	4,969.6	5,787.0	817.4	16.4%
Total State Spending	\$26,020.5	\$27,811.9	\$1,791.4	6.9%
Addendum:				
Medicaid Caseload	1,296,000	1,900,000	604,000	46.6%
Prison Population	51,551	43,953	(7,598)	(14.7%)
K-12 Pupil Count	1,714,867	1,537,400	(177,467)	(10.3%)
University Students	246,205	264,915	18,710	7.6%
Community College Students	125,719	164,830	39,111	31.1%
Michigan Personal Income (CY, millions)	\$314,285.1	\$381,293.0	\$67,007.9	21.3%
Detroit Consumer Price Index	182.0	218.7	36.7	20.2%
Notes:				
Prison Population: These "average populations" are taken from the appropriation bill for the respective fiscal year; they do not represent the exact count on any particular date, but demonstrate how many beds are associated with the appropriation.				
K-12 Pupils: FY 2012-13 pupil count is from the January 2013 CREC.				
Community College and University Students: Numbers in FY 2012-13 column reflect FY 2011-12 Fiscal Year Equated Students as reported in the Activities Classification Structure (ACS) and Higher Education Institutional Data Inventory (HEIDI).				

Table 17

STATE SPENDING: HOW MUCH IS DISCRETIONARY? (Actual Dollars)	
FY 2012-13 Adjusted Gross Appropriation.....	\$48,229,264,200
<u>Constitutional/Statutory Earmarking Requirements:</u>	
School Aid Fund.....	(\$11,641,725,400)
Revenue Sharing	(1,083,700,000)
Transportation.....	(2,188,895,300)
Regulatory Restricted Revenue.....	(797,709,000)
Federal Funding Requirement.....	(19,914,246,100)
Debt Service Payments.....	(397,425,500)
Caseload/Inmate Driven.....	(8,101,196,100)
Balance for Discretionary Spending.....	\$4,104,366,800