

STATE BUDGET OVERVIEW



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March 30, 2016

<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% (8.72 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

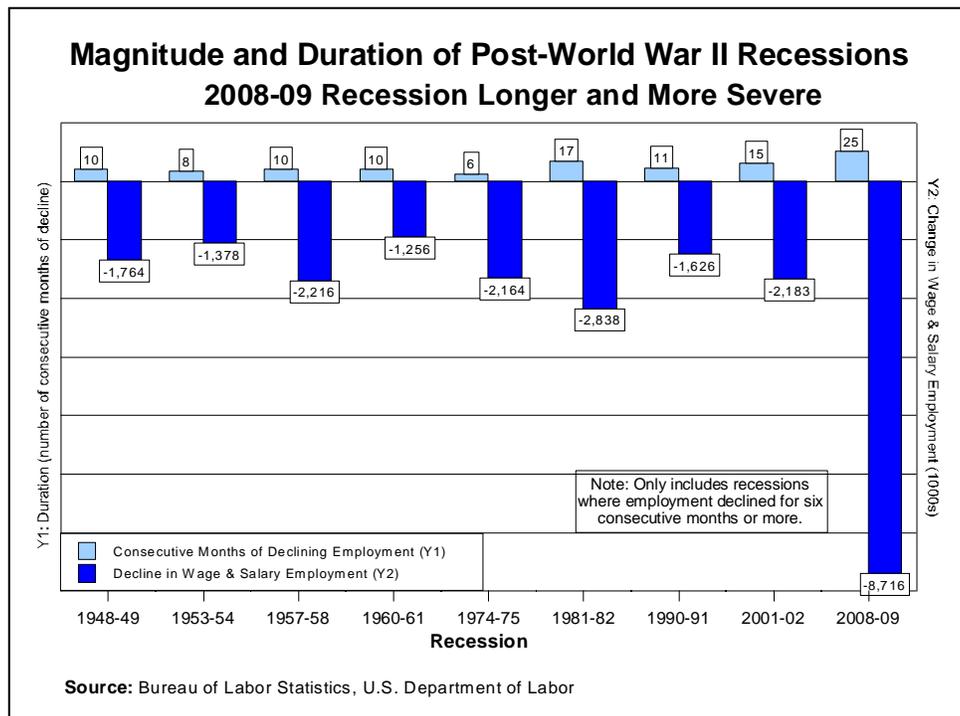


Figure 2

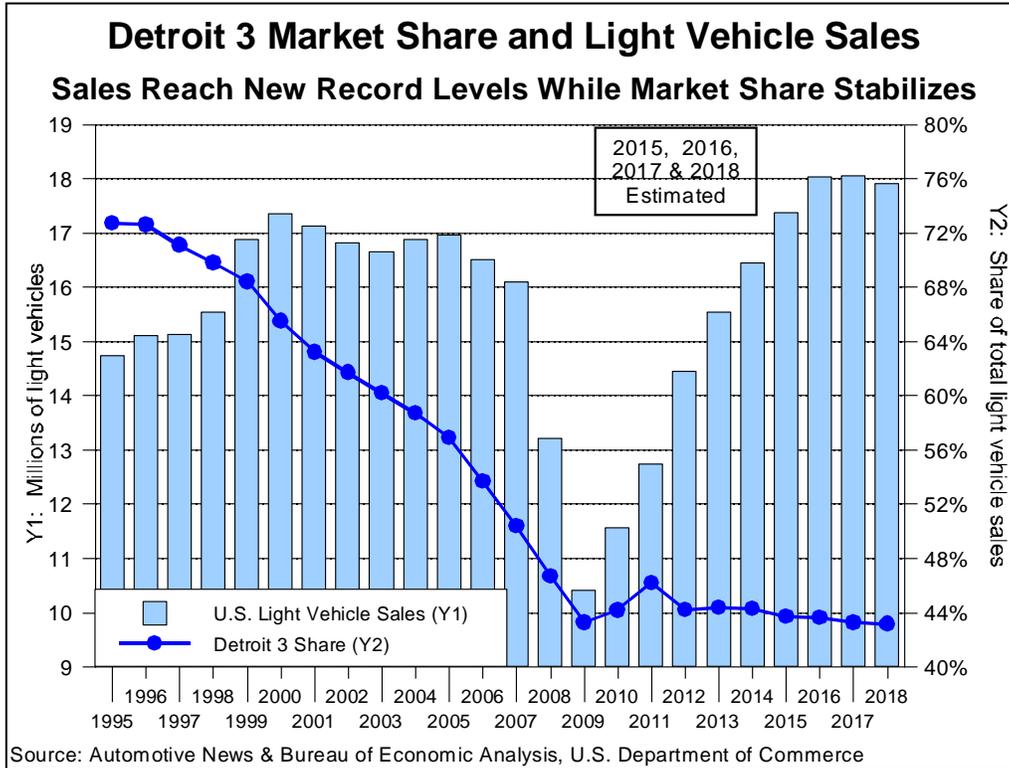
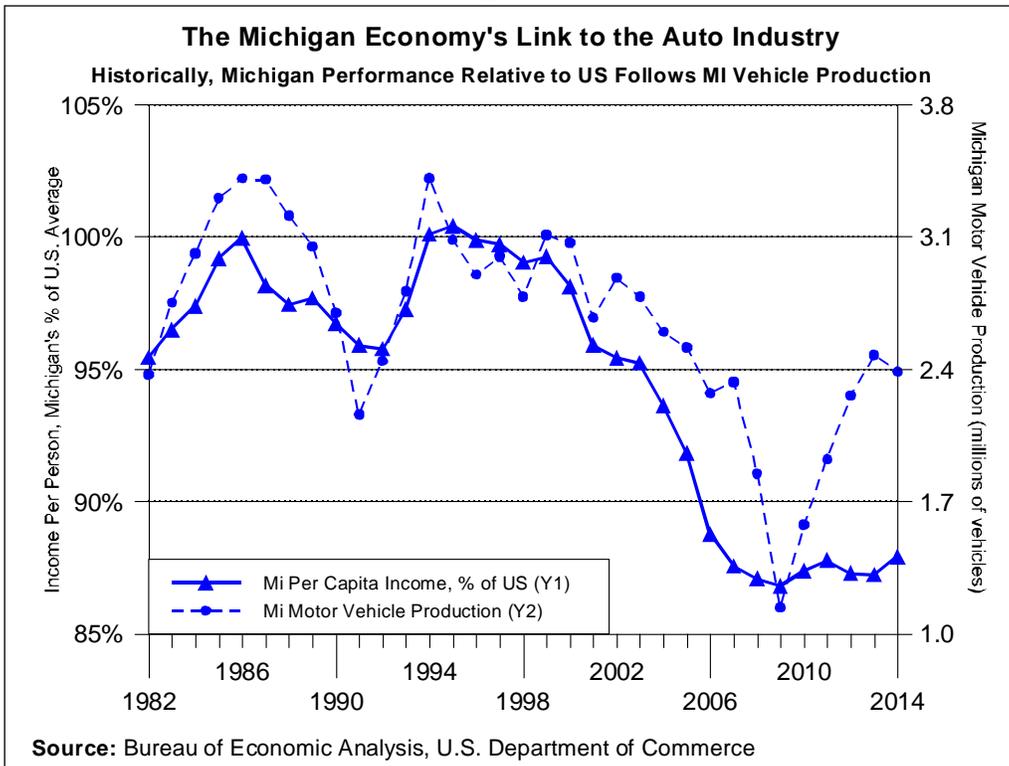


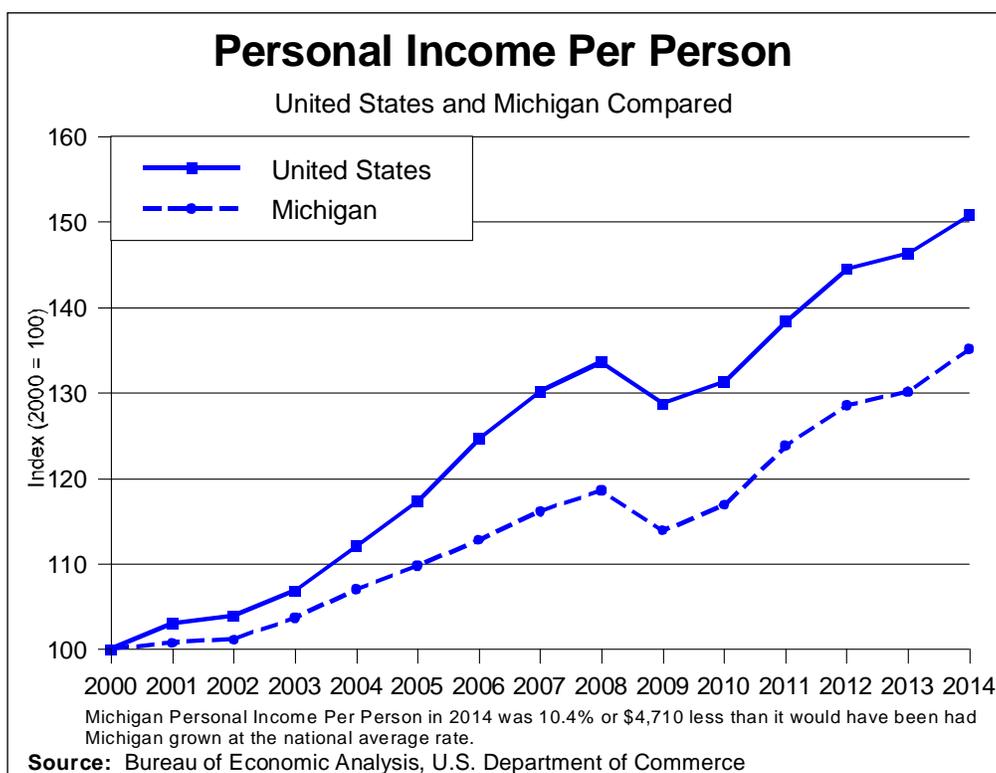
Figure 3



Michigan Personal Income

- Michigan personal income increased 16.0% between 2000 and 2010, compared to a 43.9% increase for the nation as a whole. Personal income grew by 31.8% in Illinois, 30.1% in Indiana, 28.5% in Ohio, and 39.5% 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 3.46% 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 19th among the 50 states and the District of Columbia. During calendar year 2005, Michigan's ranking fell to 30th among the states and by calendar year 2010, Michigan's ranking fell to 38th 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 417,400 jobs from December 2007 and down 862,900 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 465,900 or 51.4% of its manufacturing jobs. After peaking in May 2000, transportation equipment manufacturing employment had fallen 66.5% by June 2009.

Figure 5

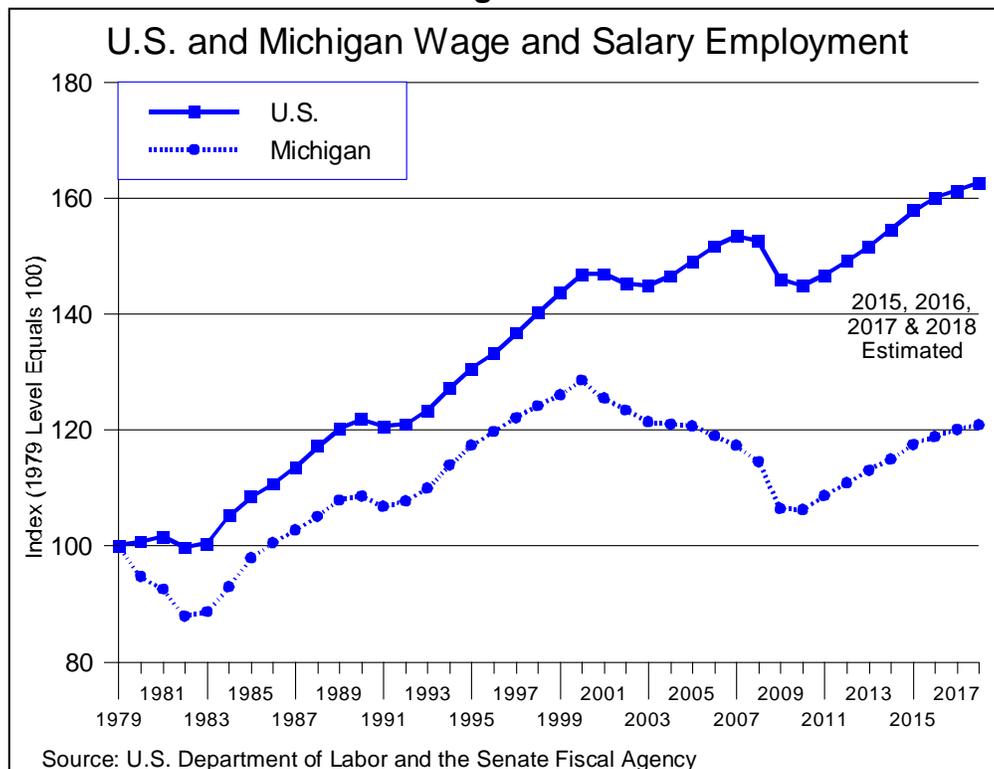


Figure 6

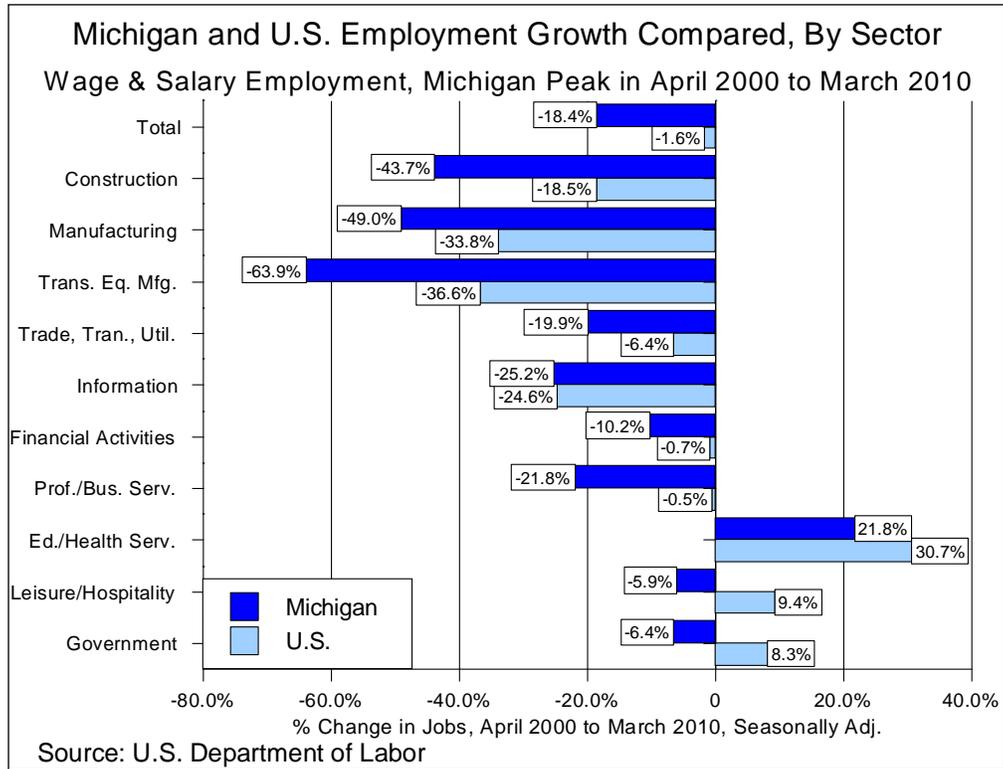


Figure 7

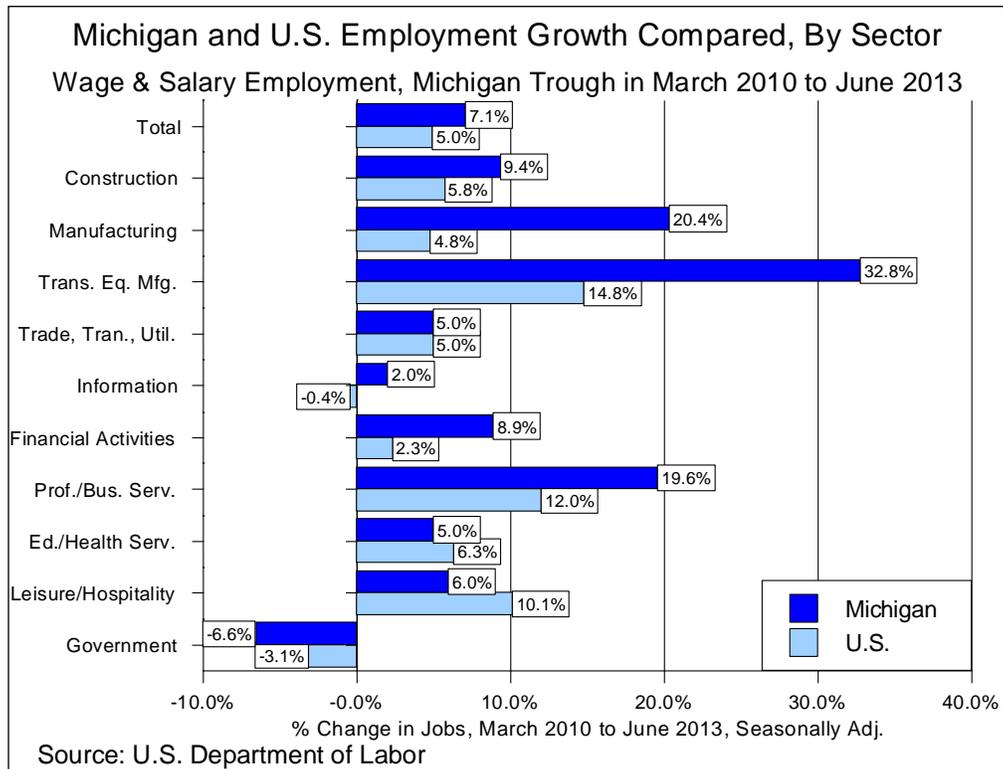
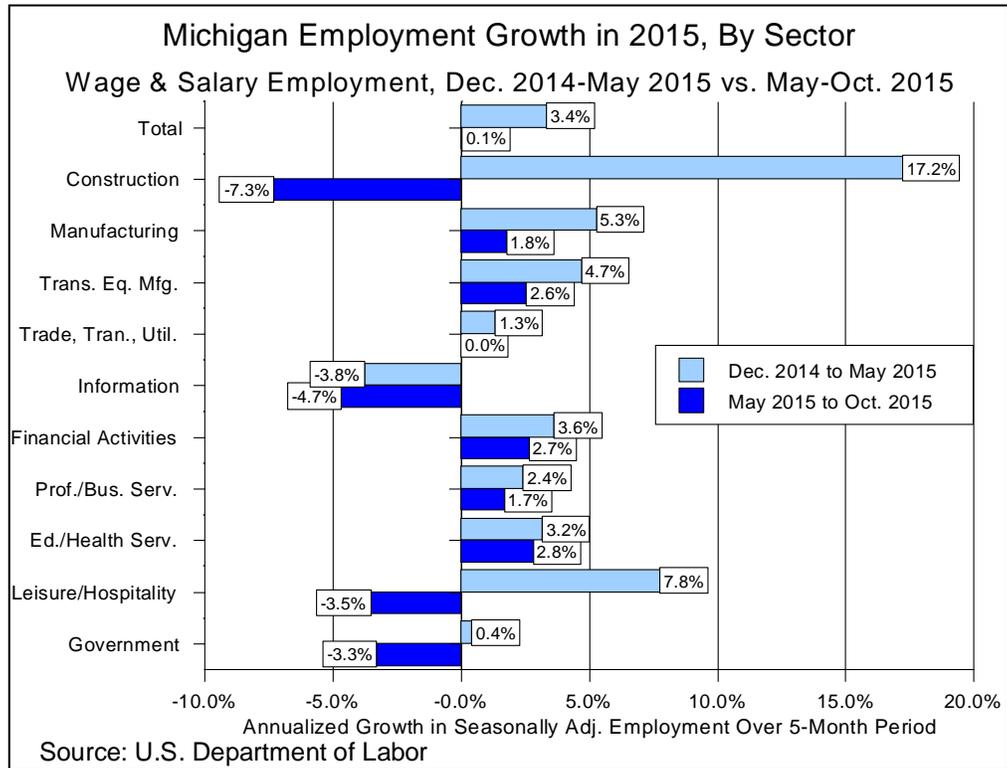


Figure 8



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 2.2%. Historically, the economy has grown at a 4.6% rate (Figure 9). Investment has been slightly stronger than in prior recoveries; however, consumption growth has been half as strong. Furthermore, while government spending has historically increased in recoveries, in the current recovery government spending has declined (Figures 10 and 11).

Figure 9

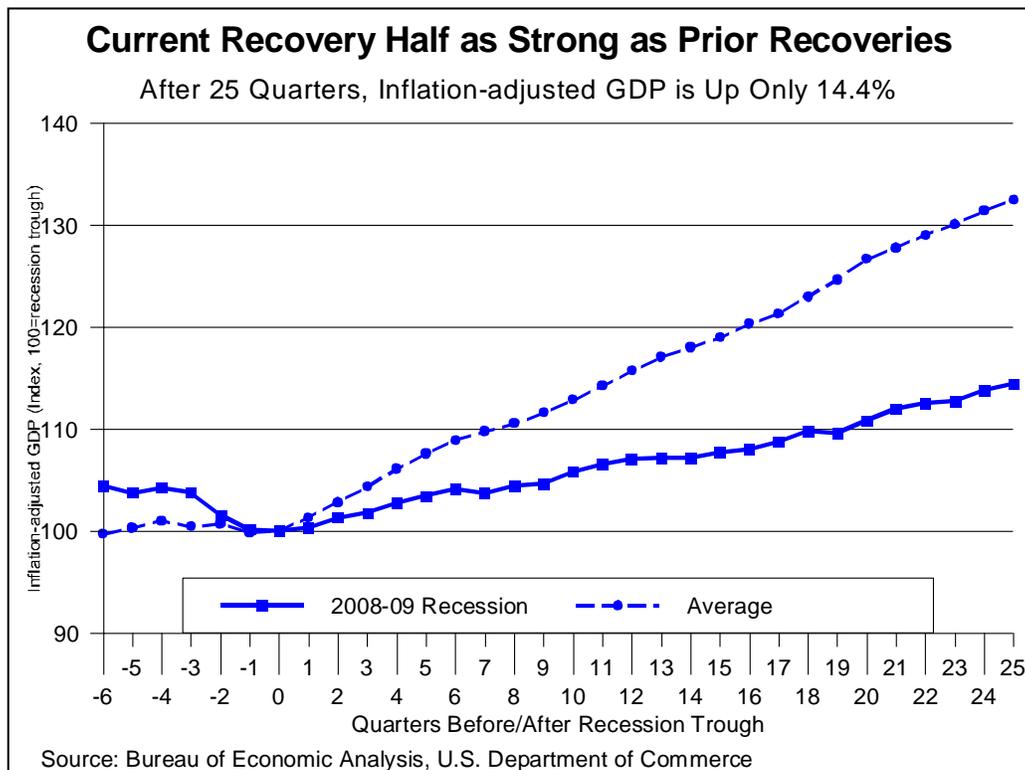


Figure 10

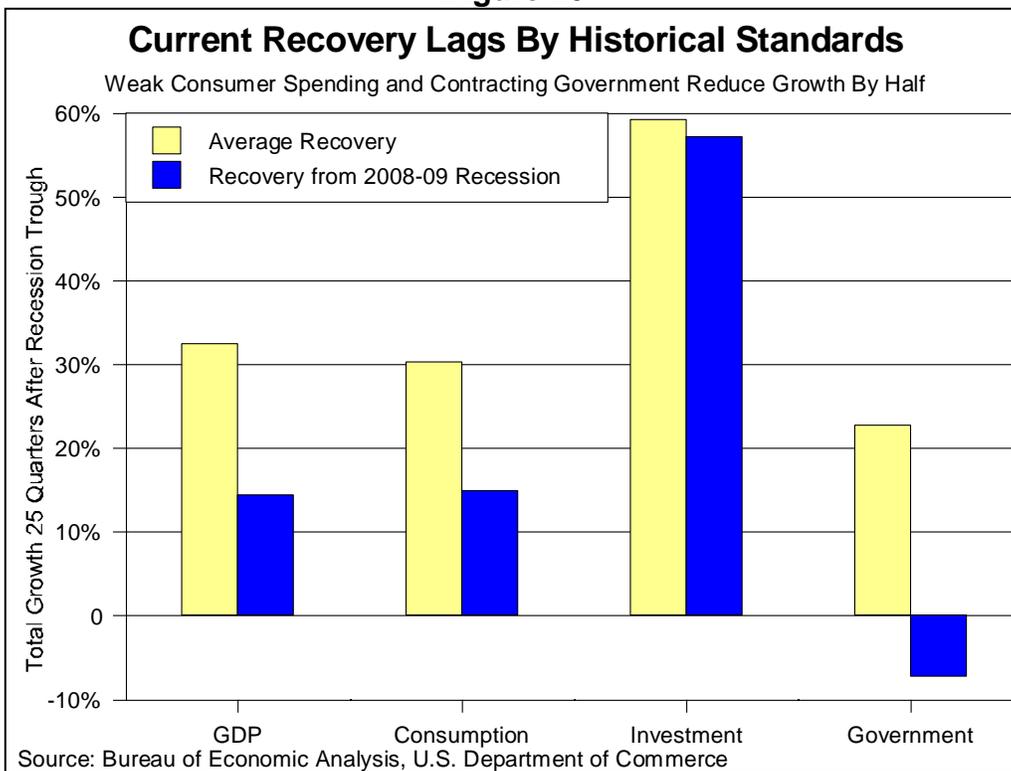
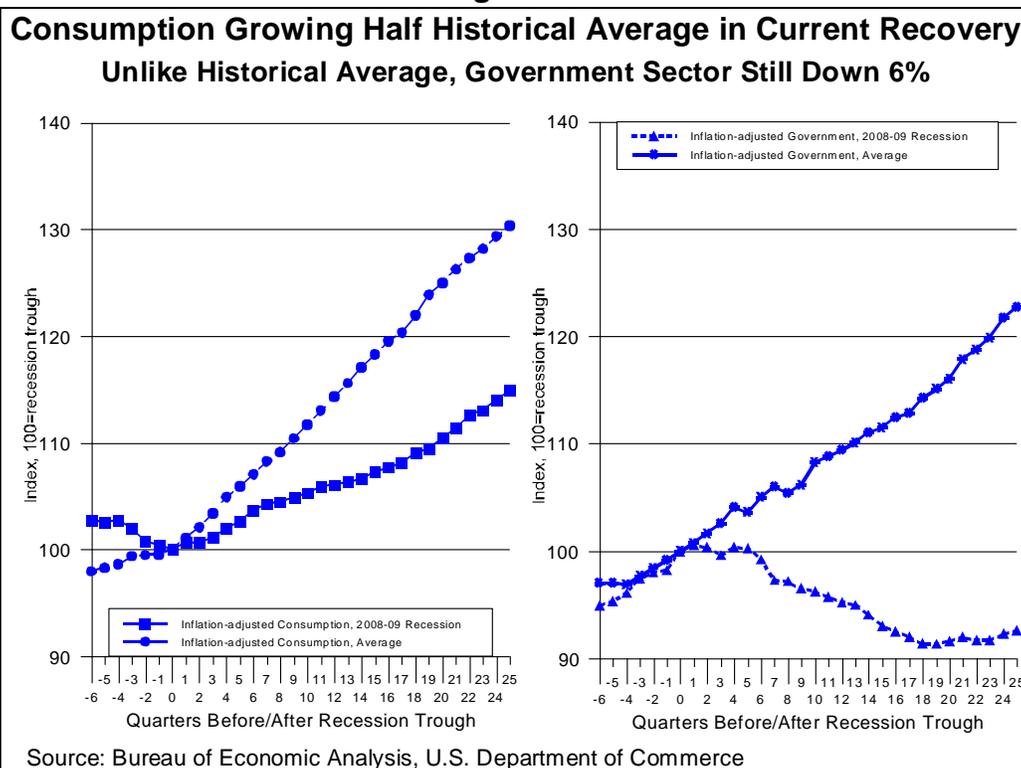


Figure 11



- 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, while after the 1990-91 recession it took 32 months, and after the 2001 recession it took 48 months. It took 78 months for payroll employment to reach the pre-recession peak experienced in January 2008.
- Employment growth has barely exceeded population growth during much of the recovery. Average payroll employment gains averaged 169,500 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. The economy needs roughly 150,000 additional jobs per month to keep up with population growth (Figure 12).
- People are leaving the labor force. While job growth has lowered the unemployment rate from the October 2009 peak of 10.0% to 5.0% in December 2015, a substantial portion of the decline in the unemployment rate was reflected in individuals leaving the labor force. The labor force has grown in three out of the last five months, but declined in 31 of the 75 months since the October 2009 peak in the unemployment rate. Labor force participation in December 2015 was 62.6%, slightly above the 62.4% rate in September 2015, which was the lowest level since October 1977. Compared with the 66.2% labor force participation rate at the employment peak in January 2008, 3.6% of the population has left the labor force and is no longer working or seeking work (Figure 13).
- Until 2015, wage income was stagnant. After falling 1.5% in 2011 and 0.5% in 2012, inflation-adjusted average hourly earnings rose 0.6% in 2013 and 0.8% in 2014. Average weekly hours have remained essentially unchanged for 57 months. In 2015, inflation-adjusted hourly earnings rose 2.0%, although average weekly hours have been flat.
- Housing starts are growing rapidly but remain low by historical standards. While 2015 starts finished up 10.9% from 2014, 2015 was the 11th weakest year on record, after every year in the 2008-2013 period and the recession years of 1981, 1982, and 1991, and were still down 46.2% from the 2005 peak (Figure 14).

Figure 12

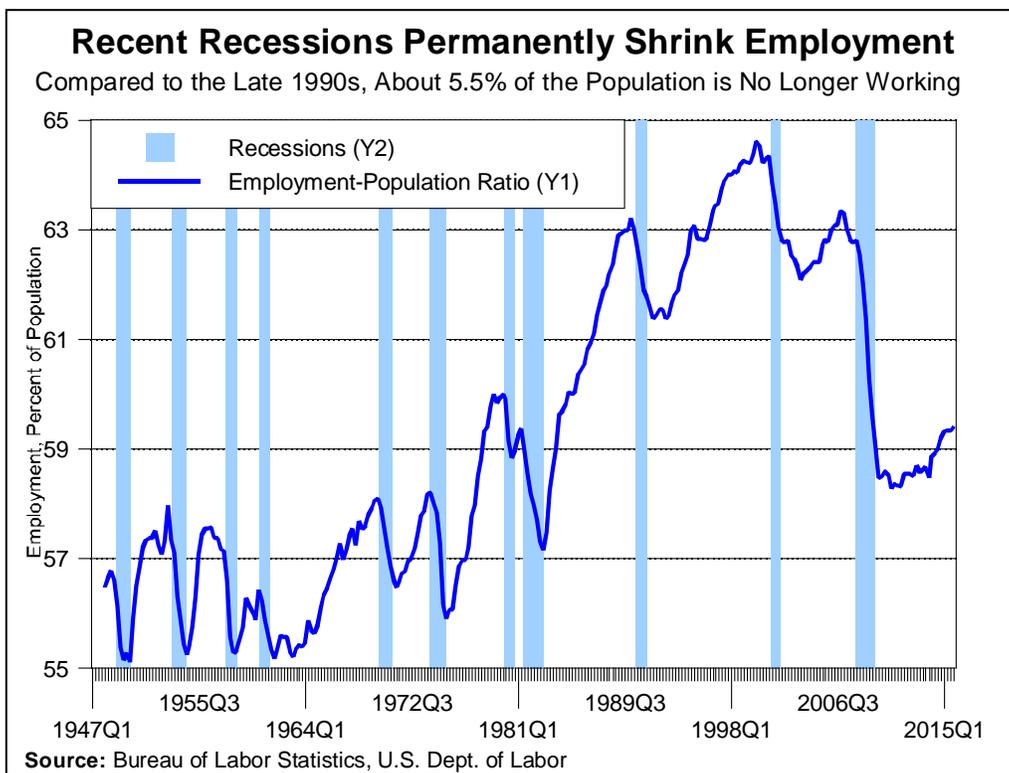


Figure 13

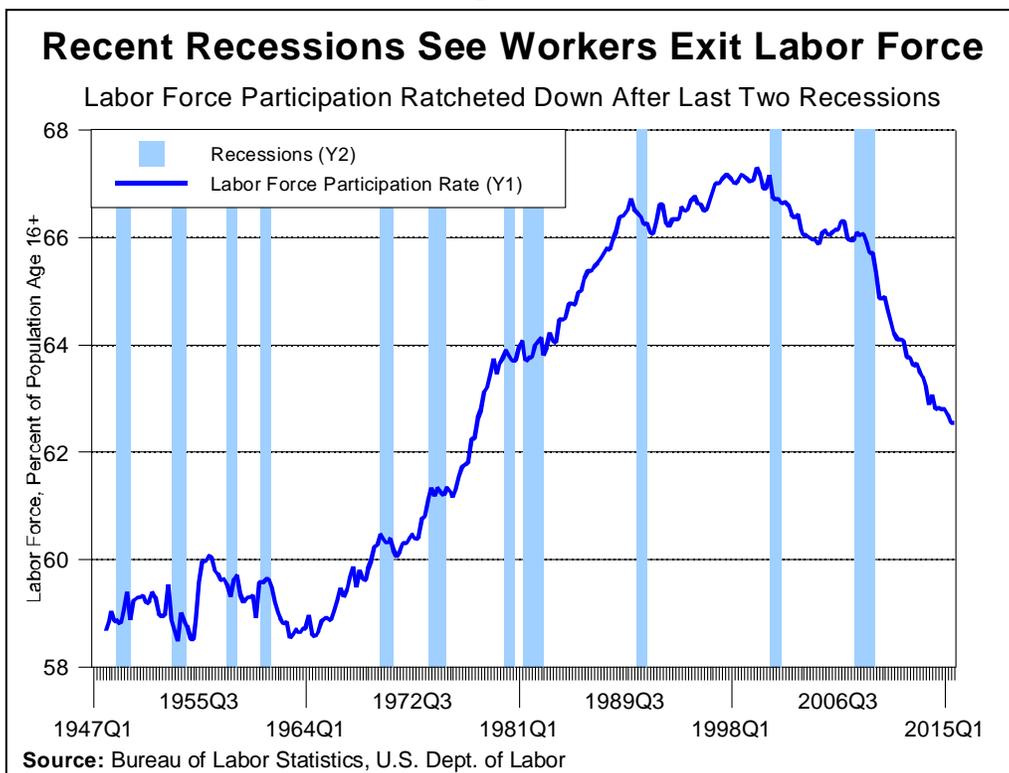
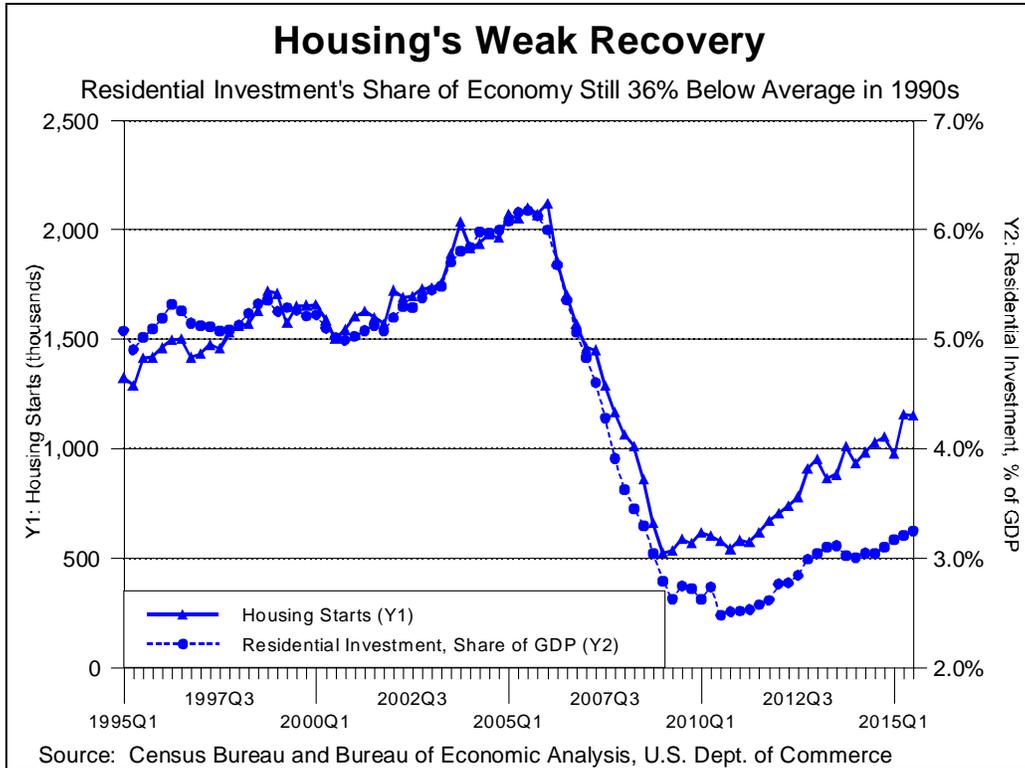


Figure 14



Recent U.S. Economic Highlights

- While the economy is growing, the growth rate is inconsistent. Inflation-adjusted GDP grew at a 0.6% rate in the first quarter of 2015 and 3.9% in the second quarter, while in the first quarter of 2014 it decreased at a 0.9% rate but rose at a 4.9% rate in the second quarter of 2014. Many of the changes have been driven by relatively one-time factors, including the bad weather in the first quarter of both 2014 and 2015 and a one-time 4.5% surge in Federal defense spending during the third quarter of 2014.
- Employment growth is slowing. After averaging 260,000 new jobs per month during 2014, employment rose by 221,000 jobs per month in 2015.
- The U.S. unemployment rate in December 2015 was 5.0%, down from 6.7% in December 2013, 5.6% in December 2014, and well below the October 2009 peak of 10.0%. Compared with one year ago, most of the improvement reflects job gains, with the labor force up by 1.7 million persons and employment up by 2.7 million jobs.
- Nationally, payroll employment has risen for 63 consecutive months, and in December 2015 was 10.5% above the February 2010 trough and 3.5% above the pre-recession peak. Payroll employment rose by almost 2.7 million jobs between December 2013 and December 2015, 42.4% of the increase since the recession trough.
- Light vehicle sales have improved, and are generally exceeding most pre-recession levels. Light vehicle sales totaled 16.4 million units in 2014, up 5.8% from 2013 and 58.0% from 2010, while in 2015, light vehicles sales totaled 17.4 million units, well above the 9.2 million units in February 2009 and the highest total on record.
- Housing starts are growing strongly. Housing starts broke the million unit average rate in every month since March 2015. Growth in multi-unit housing has generally exceeded the growth in single-unit starts. In 2014, housing starts broke the million unit average rate six times, including all of the last four months of the year, compared to only breaking that level twice in 2013 (November and December). Prior to 2013, the last time starts broke the million unit rate was June 2008.

Recent Michigan Economic Highlights

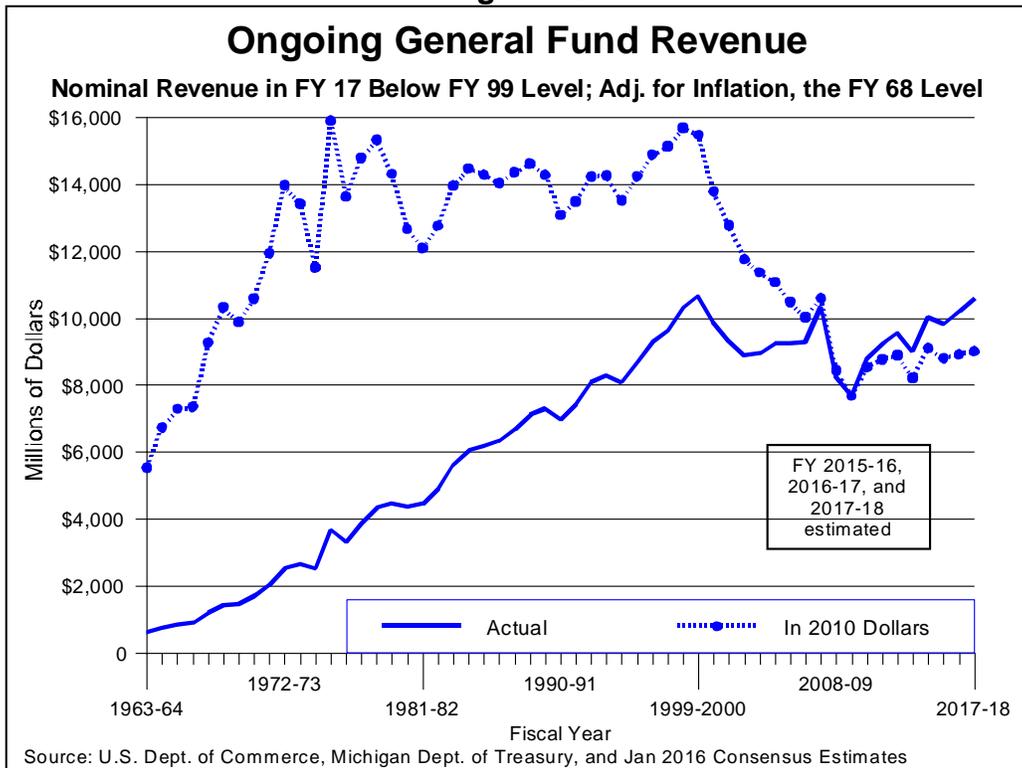
- Job growth has been slowing. Between December 2013 and December 2014, Michigan payroll employment increased by 72,500. Between December 2014 and June 2015, payroll employment grew by 53,100 jobs. However, between June 2015 and November 2015 only 8,500 jobs were added.
- Despite payroll employment gains, the labor force continues to exhibit weak economic fundamentals. Michigan's unemployment rate was 5.1% in November 2015, down from 6.5% in November 2014, and down from the 14.2% peak in August 2009. A sizeable portion of the improvement in the unemployment rate since 2009 reflects people leaving the labor force. Compared with August 2009, November 2015 employment is up by 325,700 (7.8%) jobs but 145,600 people (3.0%) have left the labor force. The size of the labor force fell for 23 consecutive months between July 2009 and May 2011, but grew in most months between June 2011 and March 2014. The labor force decreased in five of the first seven months of 2015, but has increased in every month since July, leaving the November 2015 labor force down 7.9% from the January 2001 peak.
- Rising vehicle sales nationally have pushed Michigan motor vehicle production higher. While during the first seven months of 2015, Michigan motor vehicle production was down 10.2% from 2014, August through October 2015 production is up 11.2% from 2014.
- Inflation-adjusted average hourly earnings have stopped declining but the growth remains weak. After falling 2.8% in 2011 and 1.6% in 2012, inflation-adjusted average hourly earnings rose 0.6% in 2013 and 1.8% in 2014. However, average hourly earnings are on track to rise 3.1% in 2015 although average weekly hours have remained essentially unchanged since May 2011, and in 2014 were still 1.5% less than in 2007.
- Michigan personal income is now growing closer to the national average. In 2013, total personal income increased 1.4%, compared with the U.S. average of 2.0%, ranking Michigan 38th. However, in 2014, Michigan personal income increased 4.2%, better than the national average of 3.9%, and ranking Michigan 22nd.

- When income growth is measured on a per-person basis, Michigan ranked 29th in 2013 with personal income per person growing 1.2%, slightly less than the national average of 1.3%. In 2014, Michigan ranked 10th with personal income per person growing 3.8%, compared with the national average of 3.0%. In 2014, Illinois ranked 42nd, Indiana ranked 45th, Ohio ranked 13th, and Wisconsin ranked 23rd.

State Revenue Background

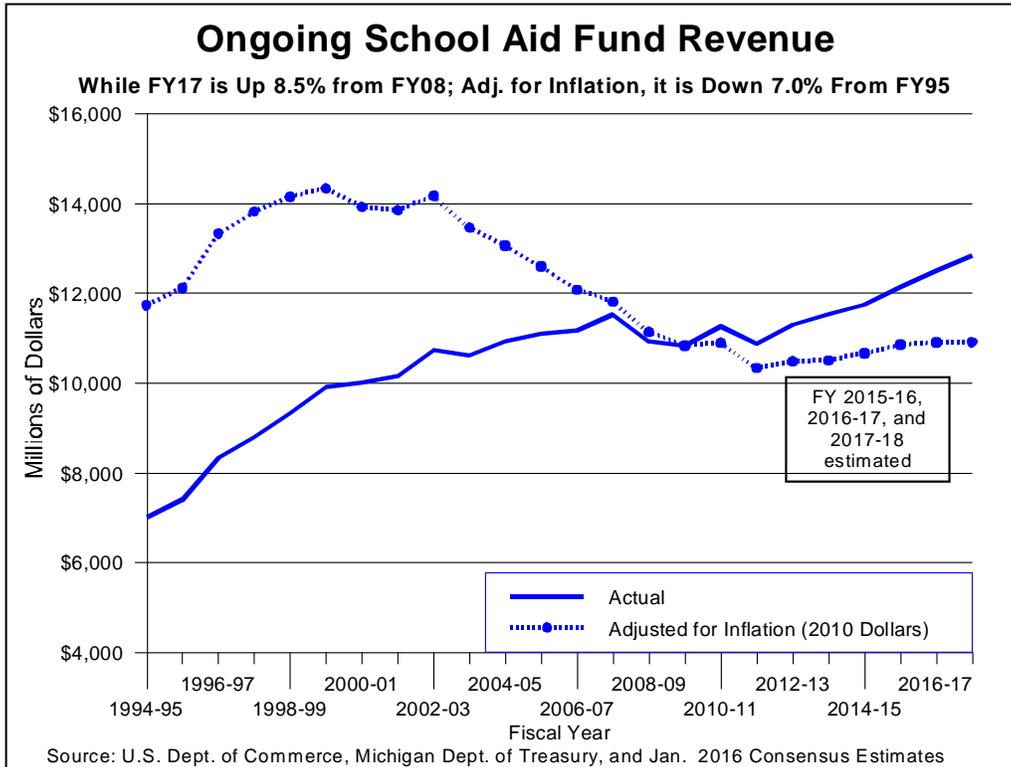
- The majority of State taxes and fees are deposited in the State's General Fund, School Aid Fund, or various transportation funds. Ongoing General Fund revenue fell as the economy declined. Between FY 2007-08 and FY 2009-10, ongoing General Fund revenue fell 25.7% (\$2.7 billion) and ongoing School Aid (SAF) revenue fell 6.0% (\$696.0 million).
- Ongoing General Fund revenue increased 11.3% in FY 2014-15 and is estimated to decrease 1.9% in FY 2015-16 before rising another 3.8% in FY 2016-17. Ongoing SAF revenue increased 2.0% in FY 2014-15 and is expected to rise 3.3% in FY 2015-16 and 2.9% in FY 2016-17.
- On an inflation-adjusted basis, ongoing General Fund revenue in FY 2016-17 is estimated to be 3.7% (\$340.8 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 15](#).

Figure 15



- On an inflation-adjusted basis, ongoing SAF revenue in FY 2016-17 is estimated to be 7.0% (\$820.2 million, in 2010 dollars) lower than the level in FY 1994-95, when Proposal A took effect, as shown in Figure 16.

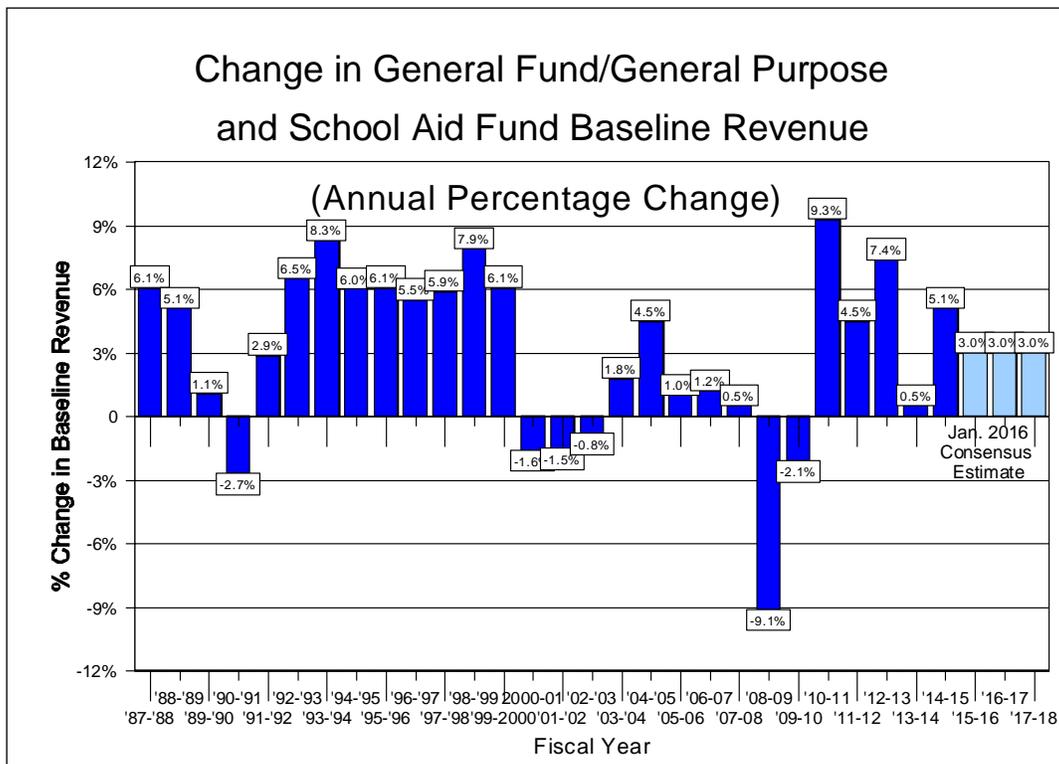
Figure 16



Forecast for State Revenue

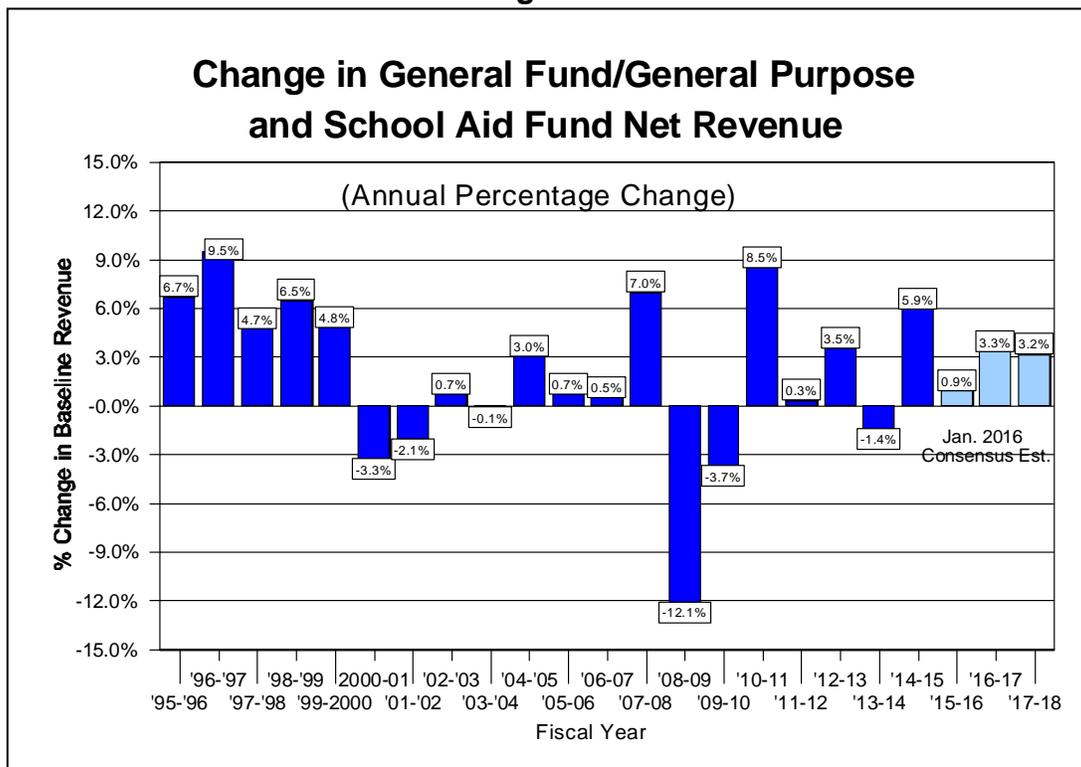
- Pursuant to State statute, there are Consensus Revenue Estimating Conferences held in January and May of each year in which the State Treasurer, and the Directors of the House and Senate Fiscal Agencies, meet to agree on the amount of State revenue available for the State budget.
- The Governor's budget recommendation for FY 2016-17 will be based on the January 2016 Conference. The Governor and the Legislature will use the revenue estimates from the May 2016 Conference to finalize the FY 2016-17 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 17](#).

Figure 17



- The revised estimates for FY 2015-16, after accounting for tax changes, predict GF/GP revenue will decrease by 1.9% while SAF revenue will increase by 3.3%. GF/GP revenue in FY 2016-17 is estimated to increase 3.8% 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 2015-16 through FY 2017-18 are compared with the actual growth rates during the preceding 20 years in Figure 18.

Figure 18



- Figures 19 and 20 display the estimated FY 2015-16 revenue sources for the State General Fund and School Aid Fund, respectively.

Figure 19

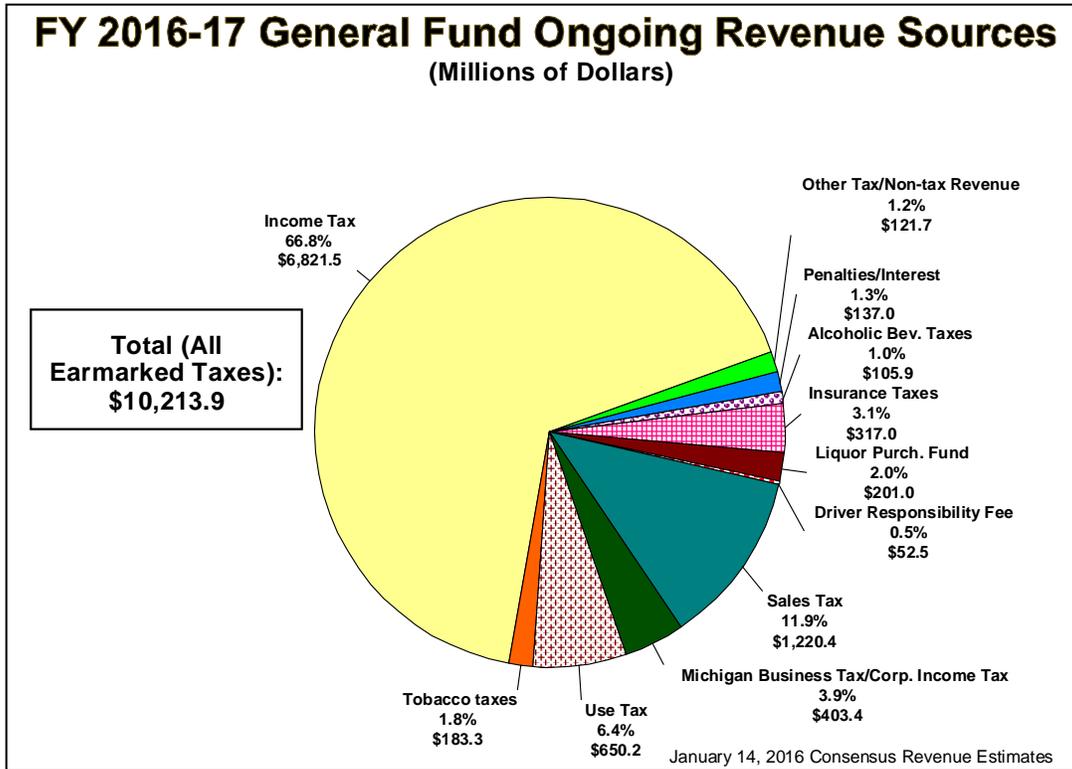
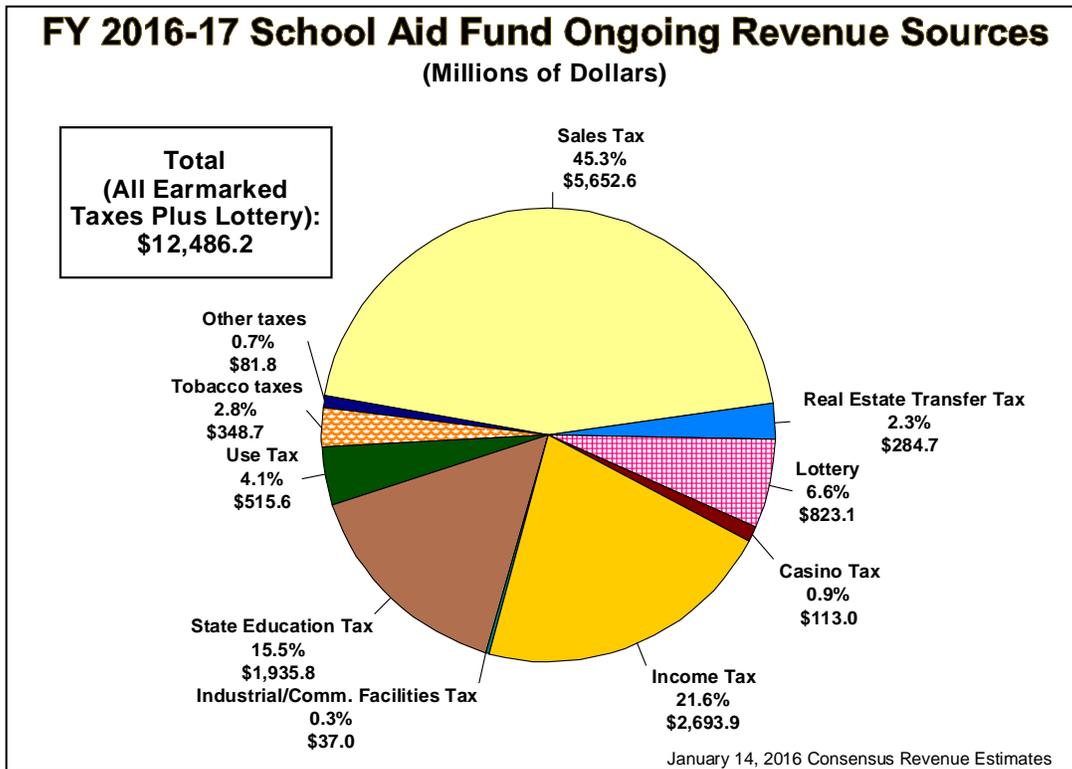


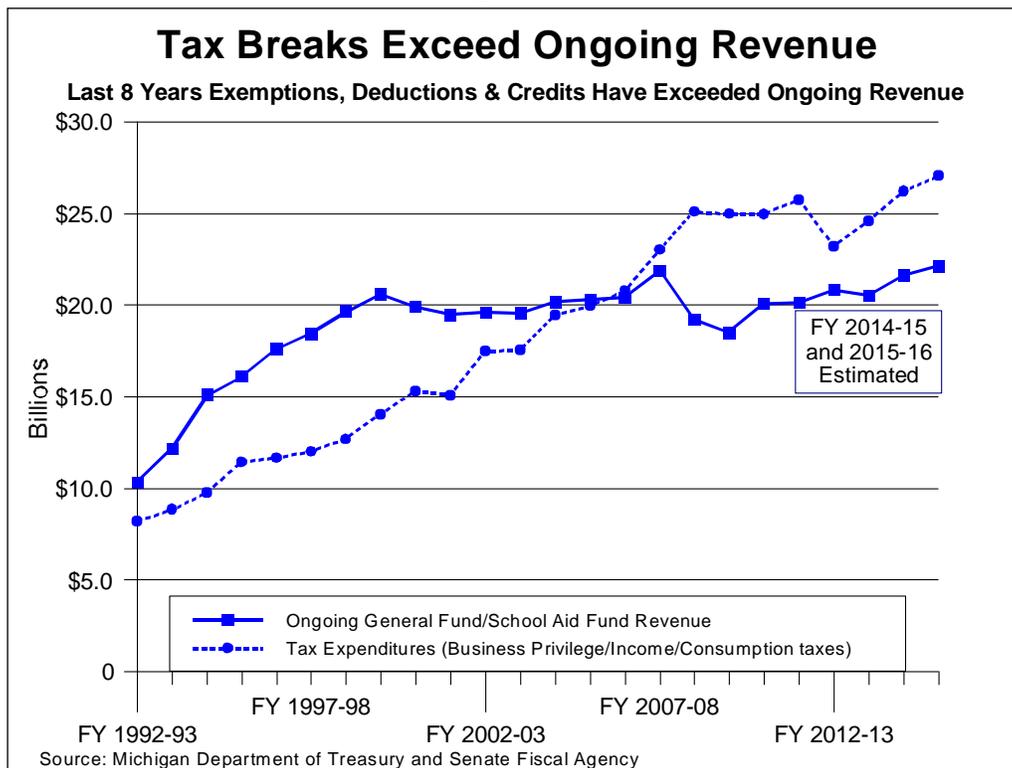
Figure 20



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 \$25.7 billion in FY 2011-12. The estimate for FY 2014-15 is \$26.2 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 122.6% of ongoing GF/GP and SAF revenue in FY 2014-15.

Figure 21



- 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 2015-16.

Table 1

DETAIL ON MAJOR CHANGES IN TAX EXPENDITURES					
(Millions of Dollars)					
	FY	FY	\$ Change	FY	\$ Change
	1999-2000	2011-12	FY 1999-2000	2015-16	FY 2011-12 to
			to FY 2011-12		FY 2015-16
Consumption Taxes					
Food	\$860.0	\$1,220.2	\$360.2	\$1,352.6	\$132.4
Industrial Processing	660.0	920.0	260.0	1,338.0	418.0
Prescription Drugs	242.0	536.3	294.3	581.5	45.2
Services	4,392.0	10,357.2	5,965.2	11,811.3	1,454.1
Individual Income Taxes					
Adjustments to Income	1,600.0	3,351.7	1,751.7	3,874.4	522.7
Homestead Prop. Tax Credit	471.0	831.1	360.1	560.1	(271.0)
Personal Exemption	987.0	1,173.7	186.7	1,305.8	132.1
Earned Income Tax Credit	0.0	360.0	360.0	118.0	(242.0)
All Other Tax Expenditures	4,859.4	7,044.2	2,184.8	6,146.2	(898.1)
Total Tax Expenditures	\$14,071.4	\$25,794.4	\$11,723.0	\$27,087.9	1,293.4

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 corporation income tax. However, tax expenditures are still expected to exceed ongoing revenue.

Figure 22

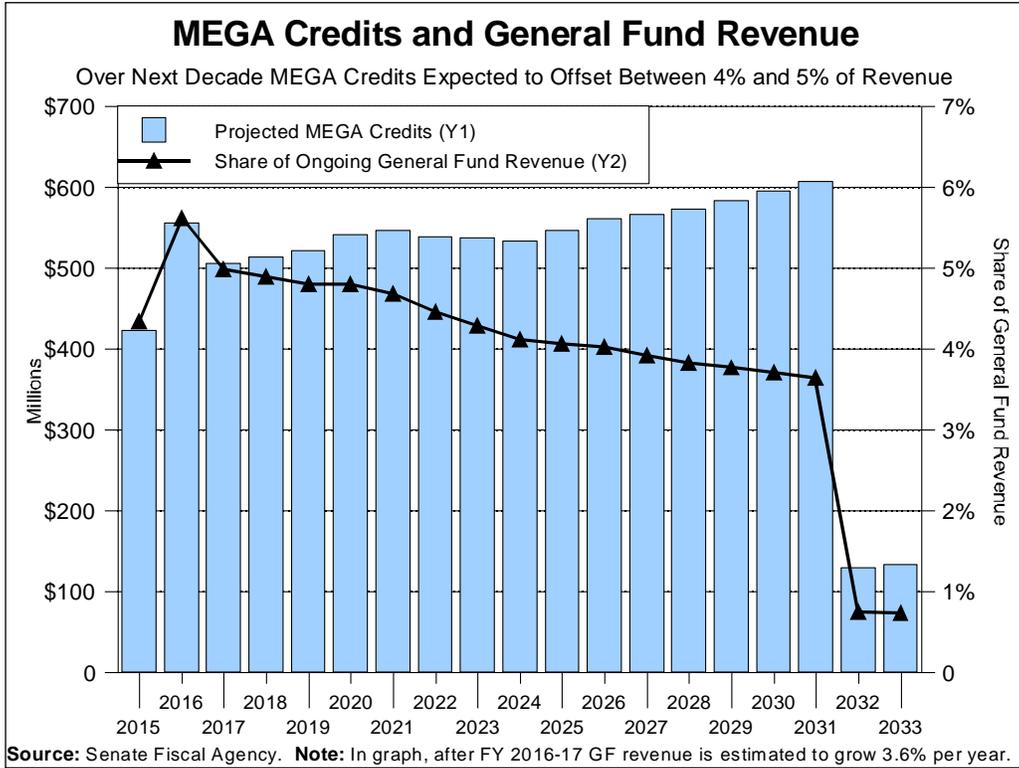
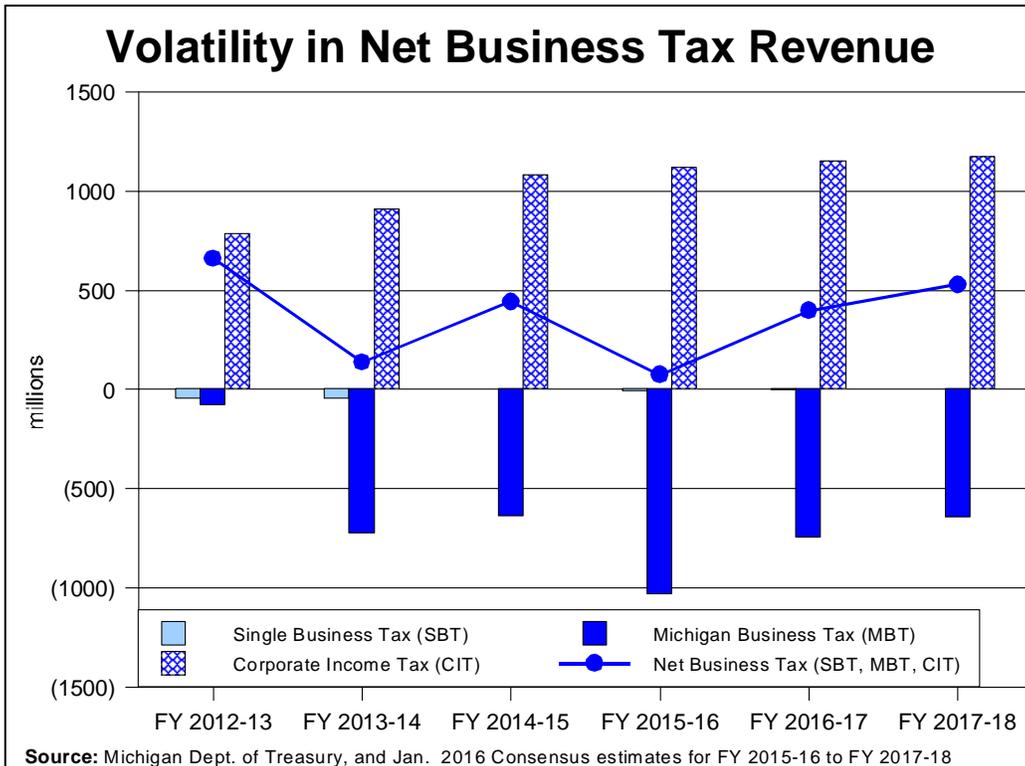


Figure 23



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. 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 Changes¹⁾:</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

¹⁾ 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 \$9.1 billion below the limit in FY 2015-16, \$9.6 billion below the limit in FY 2016-17, and \$10.1 billion below the limit in FY 2017-18.

Figure 24

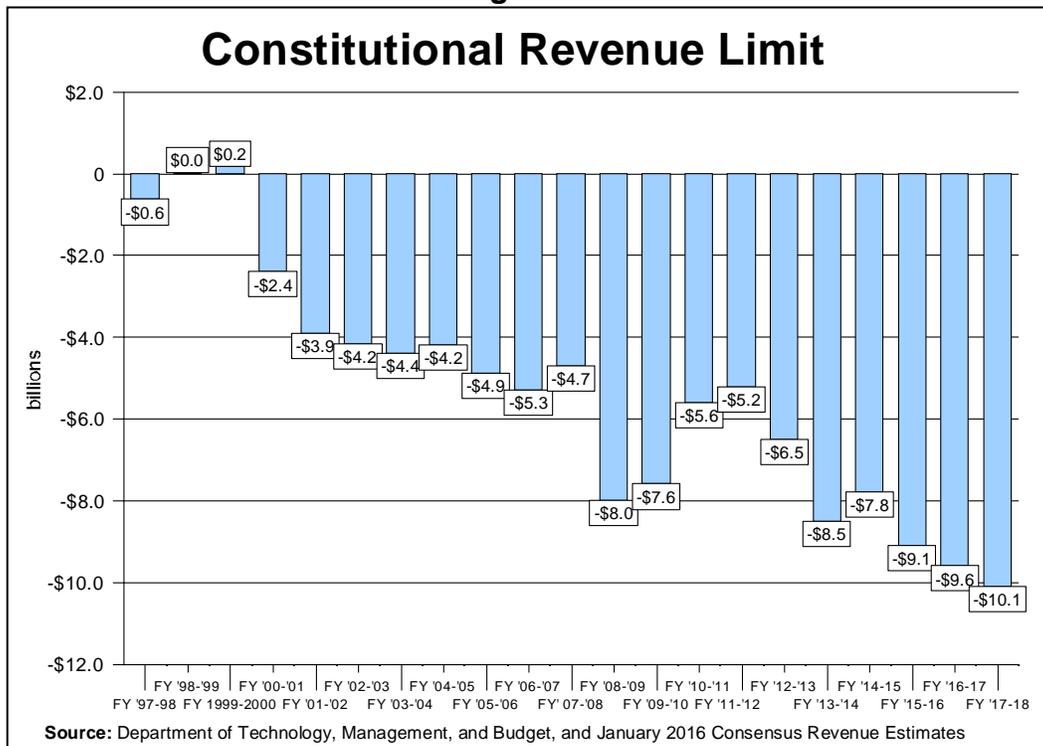


Figure 25

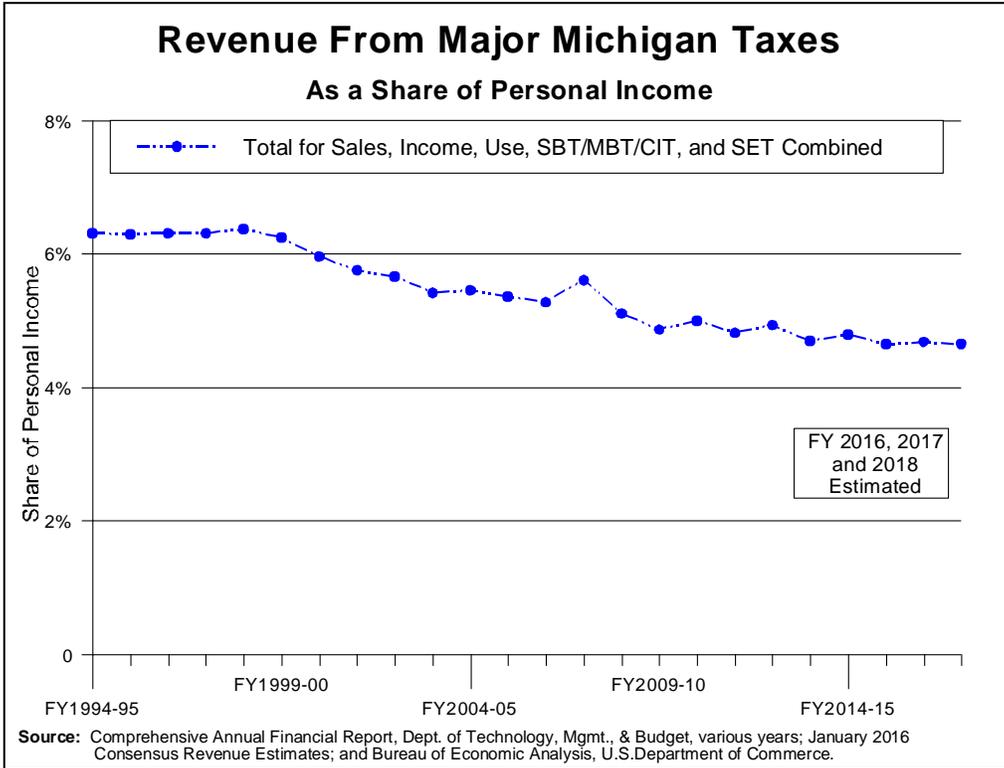


Figure 26

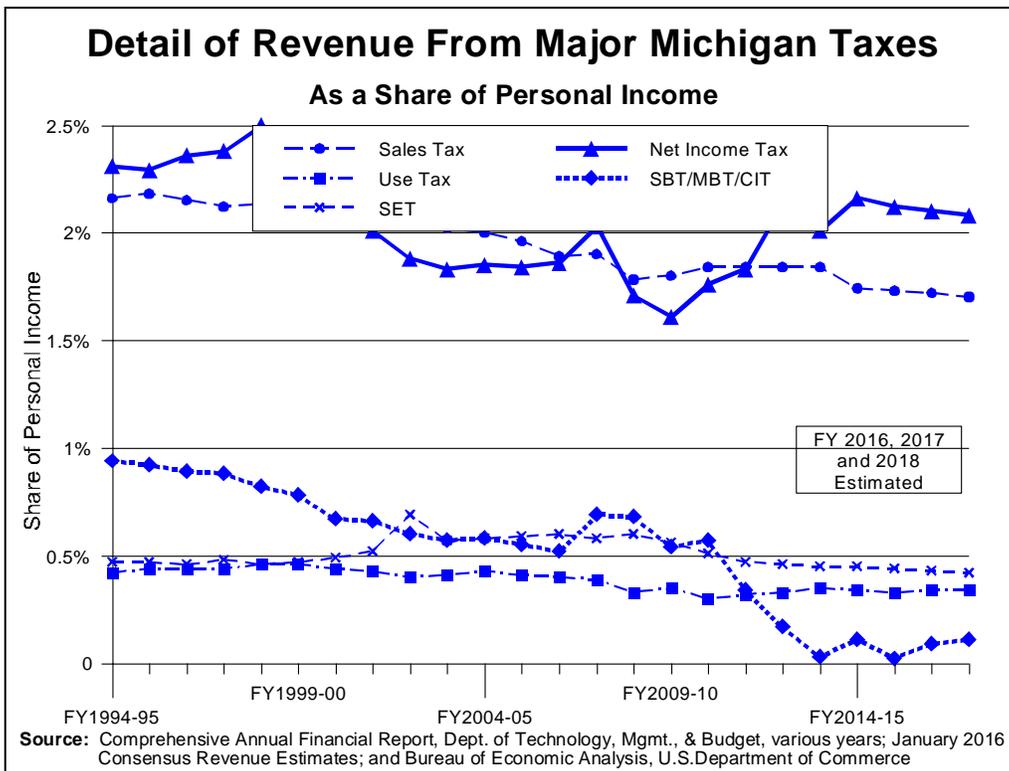


Table 3

**MICHIGAN'S MAJOR TAXES: REVENUE ESTIMATES, TAX RATES, AND YIELDS FOR FY 2015-16 AND FY 2016-17
(Dollars in Millions)**

Tax	Revenue Estimates ¹⁾		Current Tax Rate	Rate Change	Examples of Rev. Impact Due to Change in Rate ⁷⁾		History of Tax Rate Changes
	FY 2015-16 Net Revenue	FY 2016-17 Net Revenue			FY '16 Rev. Change Eff. 1/1/16	FY '17 Rev. Change Eff. 1/1/16	
Individual Income Tax:							
Gross Collections	\$10,947.2	\$11,314.3	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	(1,744.0)	(1,798.1)					
Net Income Tax	\$9,203.2	\$9,516.2		0.1%	\$156.2	\$237.0	
Sales Tax²⁾	\$7,530.0	\$7,771.7	6.0%	1% of: ²⁾ first 4% of 6% last 2% of 6%	\$962.5 \$898.8	\$1,324.5 \$1,237.0	1933: 3.0% 1960: 4.0% 1994: 6.0% 5/1
Use Tax	\$1,444.9	\$1,546.7	6.0%	1.0%	\$180.6	\$273.8	1937: 3.0% 1960: 4.0% 1994: 6.0% 5/1
Corporate Income Tax	\$1,116.0	\$1,147.3	6.0%	1.0%	\$139.5	\$191.2	Rate has not changed.
Tobacco Tax	\$941.7	\$929.0					
Cigarettes	\$860.9	\$845.1	\$2.00/pack	\$0.10/pack	\$32.0	\$41.8	1947: 3 cents/pk 1959: 4 cents/pk 1961: 5 cents/pk 1962: 7 cents/pk
Other Tobacco Products	\$80.8	\$83.9	32% whole-sale price	2.0%	\$3.7	\$5.2	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
Liquor Tax³⁾	\$51.5	\$52.9	4.0%	1.0%	\$9.6	\$13.2	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%
Beer Tax⁴⁾	\$41.6	\$42.4	\$6.30/barrel ⁴⁾	\$1/barrel ⁴⁾	\$4.9	\$6.7	1933: \$1.25/barrel 1959: \$2.50/barrel 1962: \$6.61/barrel 1966: \$6.30/barrel
Wine Tax⁵⁾	\$10.4	\$10.6	⁵⁾	\$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
Casino Gaming Tax	\$112.0	\$113.0	8.1%	1.0%	\$10.0	\$14.0	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 Tax⁶⁾	\$273.0	\$284.7	0.75% ⁶⁾	0.25%	\$68.3	\$94.9	Rate has not changed.
State Education Property Tax	\$1,890.1	\$1,935.8	6 mills	1 mill	\$315.0	\$322.6	1994: 6 mills 2003: 5 mills (one-year reduction only) 2004: 6 mills
Gasoline Tax	\$848.0	\$1,076.0	\$0.19/gl.	\$0.01/gal.	\$33.5	\$44.0	1983: 13 cents/gal. 1984: 15 cents/gal. 1997: 19 cents/gal.

1) Consensus Revenue Estimates, January 14, 2016. 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) 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. 4) 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. 5) 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. 6) The real estate transfer tax is assessed when real property changes ownership and it is assessed on the transaction price. 7) Senate Fiscal Agency estimate.

Budget Stabilization Fund

- The Counter-Cyclical 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

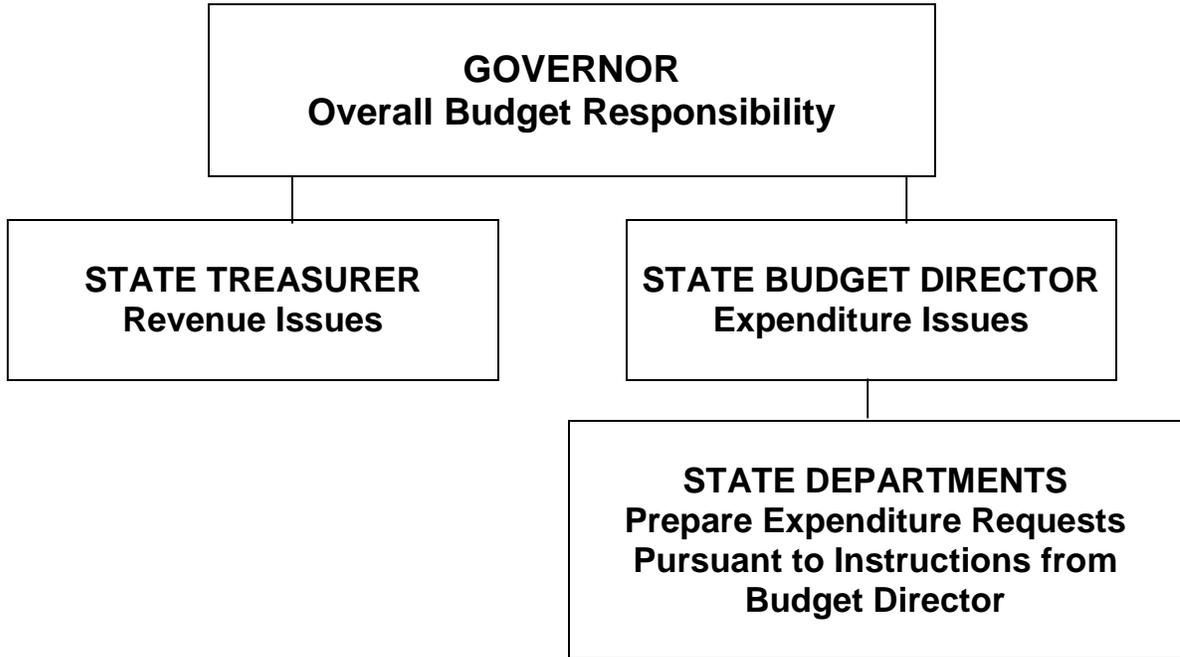
BUDGET AND ECONOMIC STABILIZATION FUND TRANSFERS, EARNINGS, AND FUND BALANCE FY 1998-99 TO FY 2017-18 ESTIMATE (Millions of Dollars)				
Fiscal Year^{a)}	Pay-In	Interest Earned	Pay-Out	Fund Balance
1998-99	\$244.4	\$51.2	\$73.7	\$1,222.5
1999-00	100.0	73.9	132.0	1,264.4
2000-01	0.0	66.7	337.0	994.2
2001-02	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 ^{b)}	75.0	0.4	194.8	386.2
2014-15 ^{c)}	111.5	0.4	0.0	498.1
Enacted Deposits and Estimated Interest Earnings:				
2015-16 ^{d)}	112.5	1.5	0.0	612.1
2016-17	17.5	3.7	0.0	633.3
2017-18	17.5	3.8	0.0	654.6

^{a)} For FY 1998-99 to FY 2014-15 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 2015-16 to 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.
^{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.

The Budget Process

Key Actors in Budget Decision Making Process

Executive Branch



Legislative Branch

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

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 Committee
 - 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
LEGISLATIVE ACTION					
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.
SENATE FISCAL AGENCY ACTION					
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
LEGISLATIVE ACTION					
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. Budget implementation legislation is considered.		
SENATE FISCAL AGENCY ACTION					
Analysis of initial 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 (transfer, 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)
- State and 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 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
- Counter-cyclical 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 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

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 Appropriations: Unrestricted portion of State budget fund sources

FTE: Full-time equated employee

Boilerplate: Intent language in appropriation bills

Table 5

ADJUSTED GROSS, STATE SPENDING FROM STATE RESOURCES, AND GF/GP INITIAL APPROPRIATIONS for FY 2015-16 (billions of dollars)			
Department/Budget Area	Adjusted Gross	State Spending	GF/GP
Health and Human Services	\$25.0	\$6.4	\$4.1
K-12 Education	13.9	12.1	0.05
Transportation	3.9	2.6	0.4
Corrections	2.0	1.9	1.9
Higher Ed/Community Colleges	1.9	1.8	1.4
Subtotal	\$46.7	\$24.8	\$7.9
All Other	6.9	5.3	2.0
Total	\$53.6	\$30.1	\$9.9

**The State Budget
FY 2015-16**

Table 6

SUMMARY OF FY 2015-16 APPROPRIATION CHANGES		
	Gross	GF/GP
FY 2014-15 Year-To-Date Appropriation¹⁾	\$53,935,443,300	\$9,684,148,700
Changes for FY 2015-16:		
New Programs	\$145,725,500	\$35,676,500
Program Increases.....	1,793,502,300	361,541,000
Program Eliminations/Reductions	(1,027,937,900)	(282,763,500)
Major Fund Shifts Affecting GF/GP	0	114,232,100
Economic Adjustments.....	(14,466,600)	(5,029,600)
Unclassified Salaries.....	273,900	140,300
Other Technical Program Adjustments.....	<u>(397,438,500)</u>	<u>(33,782,700)</u>
Total Changes	\$499,658,700	\$190,014,100
FY 2015-16 INITIAL APPROPRIATION	\$54,435,102,000	\$9,874,162,800

¹⁾ Appropriation as of July 1, 2015.

Figure 28

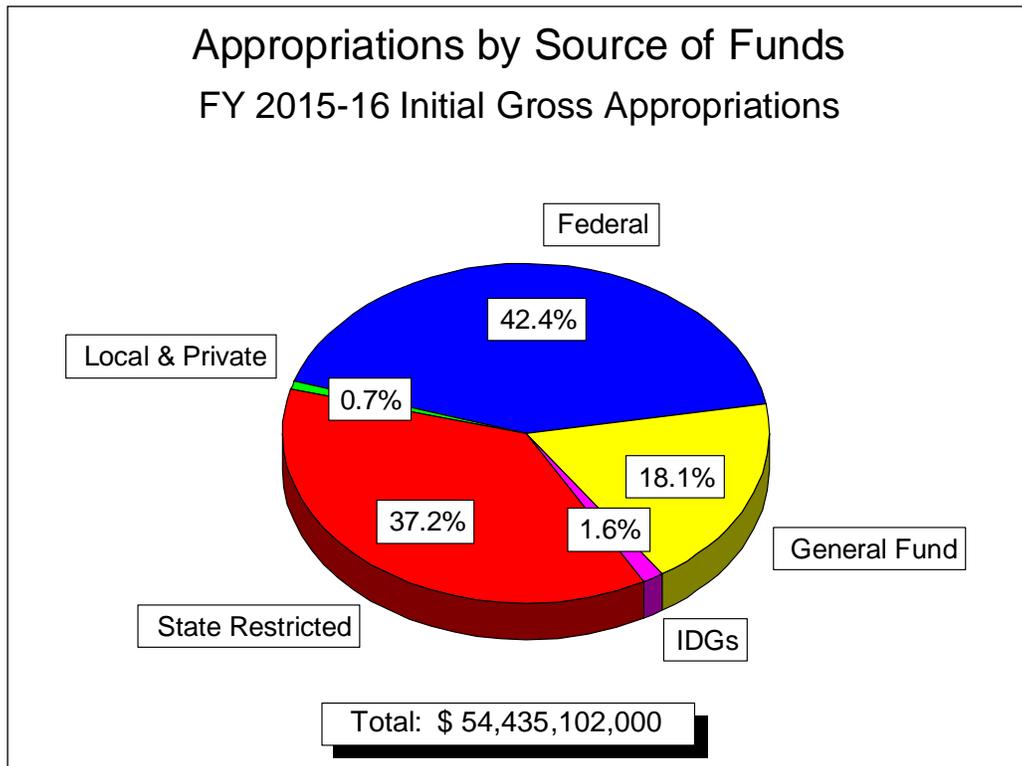


Figure 29

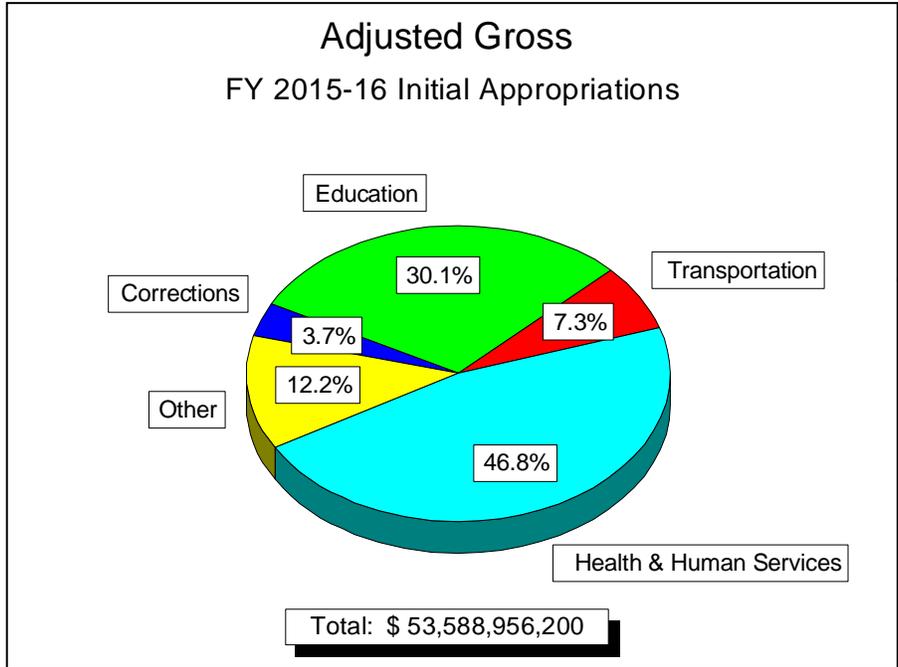


Table 7

**INITIAL ADJUSTED GROSS APPROPRIATIONS
FY 2015-16**

Department/Budget Area	
Health and Human Services	\$25,056,085,500
School Aid.....	13,896,329,300
Transportation.....	3,892,272,900
Corrections.....	1,962,001,000
Higher Education	1,534,724,400
Treasury-Revenue Sharing	1,252,406,100
Talent and Economic Development	1,153,023,500
State Police.....	594,613,100
Technology, Management, and Budget	584,745,200
Treasury-Operations.....	526,696,400
Environmental Quality	477,794,000
Natural Resources.....	402,648,500
Community Colleges.....	387,825,600
Licensing and Regulatory Affairs.....	361,580,300
Education	305,876,200
Judiciary.....	282,288,500
State.....	205,256,700
Military and Veterans Affairs.....	166,854,400
Treasury-Debt Service.....	156,449,000
Legislature	136,464,300
Agriculture and Rural Development	86,276,700
Insurance and Financial Services	64,350,100
Attorney General.....	63,573,700
Legislative Auditor General	17,447,700
Civil Rights	15,842,000
Executive	5,531,100
TOTAL APPROPRIATIONS	\$53,588,956,200

Figure 30

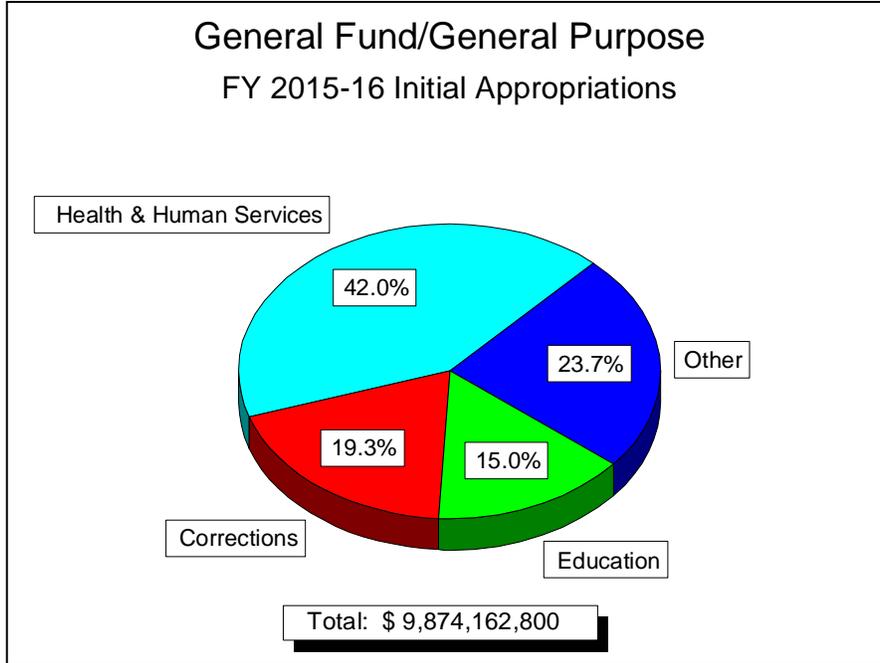


Table 8

**INITIAL GF/GP APPROPRIATIONS
FY 2015-16**

INITIAL GF/GP APPROPRIATIONS FY 2015-16	
Department/Budget Area	
Health and Human Services	\$4,142,798,100
Corrections.....	1,903,948,400
Higher Education	1,232,418,500
Technology, Management, and Budget	477,198,200
Transportation.....	400,000,000
State Police.....	376,305,600
Talent and Economic Development	198,457,000
Judiciary.....	183,442,200
Treasury-Debt Service.....	156,449,000
Legislature	131,872,300
Community Colleges.....	131,110,800
Treasury-Operations.....	123,930,300
Education	74,898,700
Military and Veterans Affairs.....	51,187,300
School Aid.....	45,900,000
Agriculture and Rural Development	43,073,600
Natural Resources.....	39,597,800
Licensing and Regulatory Affairs.....	38,481,500
Attorney General.....	37,013,400
Environmental Quality	34,827,700
State.....	17,161,500
Legislative Auditor General	15,460,100
Civil Rights	12,949,700
Executive	5,531,100
Insurance and Financial Services	150,000
Treasury-Revenue Sharing	0
TOTAL GF/GP APPROPRIATIONS.....	\$9,874,162,800

Table 9
FULL-TIME EQUATED POSITIONS
FY 2014-15 VERSUS FY 2015-16

Department/Budget Area	FY 2014-15 Year-to-Date Positions	FY 2015-16 Initial Positions	Position Change	Percent Change
Agriculture & Rural Development	446.0	454.0	8.0	1.8%
Attorney General	513.5	518.5	5.0	1.0
Civil Rights	132.0	129.0	(3.0)	(2.3)
Corrections	14,179.3	14,174.3	(5.0)	(0.0)
Education	600.5	588.5	(12.0)	(2.0)
Environmental Quality	1,284.5	1,218.0	(66.5)	(5.2)
Executive	78.2	74.2	(4.0)	(5.1)
Health & Human Services	15,854.6	15,437.0	(417.6)	(2.6)
Higher Education	0.0	0.0	0.0	0.0
Insurance & Financial Services	337.0	337.0	0.0	0.0
Judiciary	490.0	489.0	(1.0)	(0.2)
Licensing & Regulatory Affairs	2,820.3	2,163.3	(657.0)	(23.3)
Military & Veterans Affairs	889.5	888.5	(1.0)	(0.1)
Natural Resources	2,222.3	2,229.8	7.5	0.3
State	1,587.0	1,587.0	0.0	0.0
State Police	3,070.0	3,131.0	61.0	2.0
Talent & Economic Development	756.0	1,613.0	857.0	113.4
Technology, Management, & Budget	2,817.0	2,844.0	27.0	1.0
Transportation	2,912.3	2,912.3	0.0	0.0
Treasury (Operations)	1,863.5	1,901.5	38.0	2.0
TOTAL POSITIONS.....	52,853.5	52,689.9	(163.6)	(0.3%)

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

Figure 31

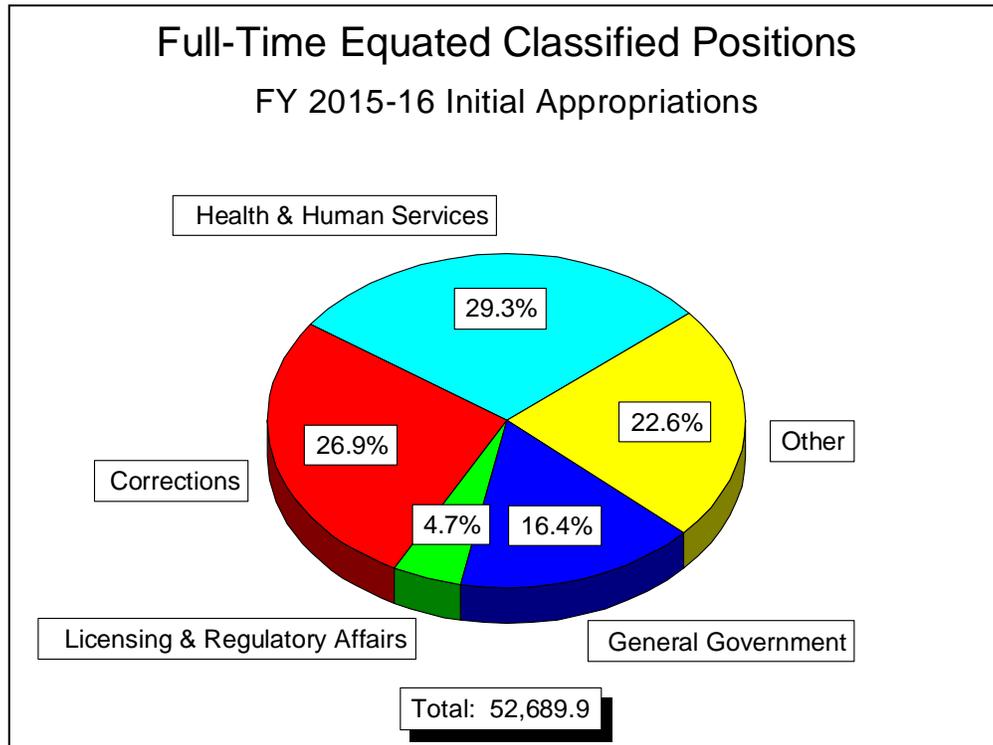


Figure 32

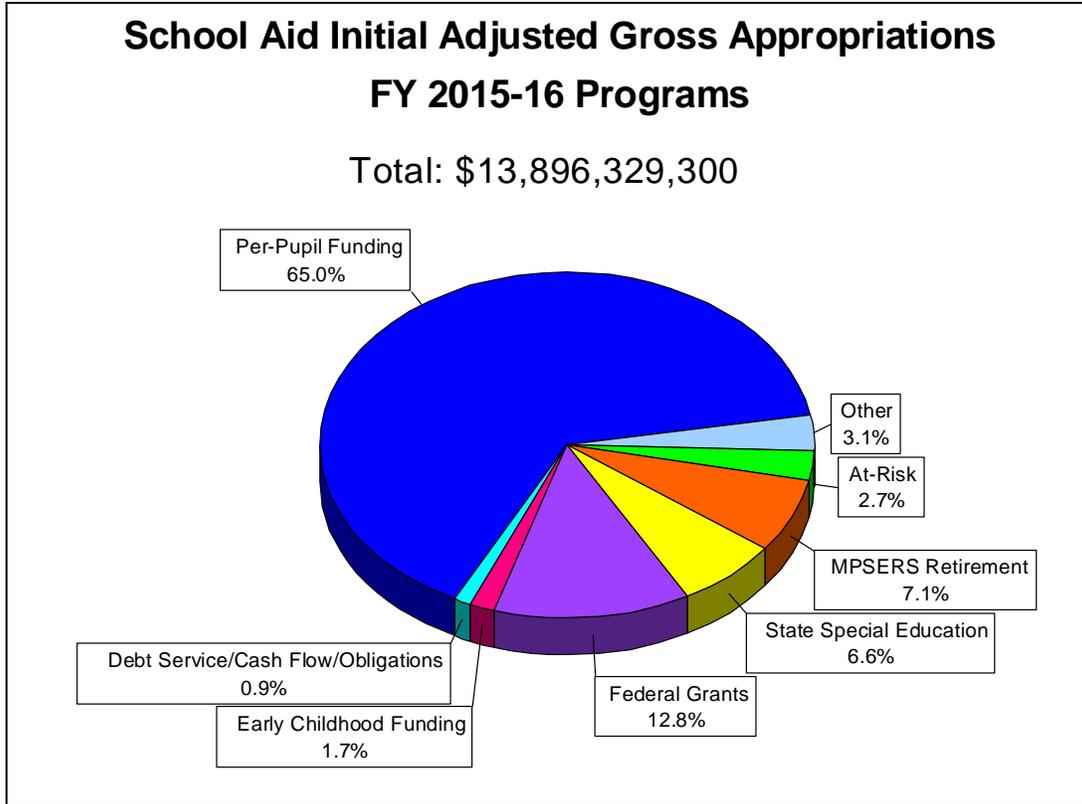


Figure 33

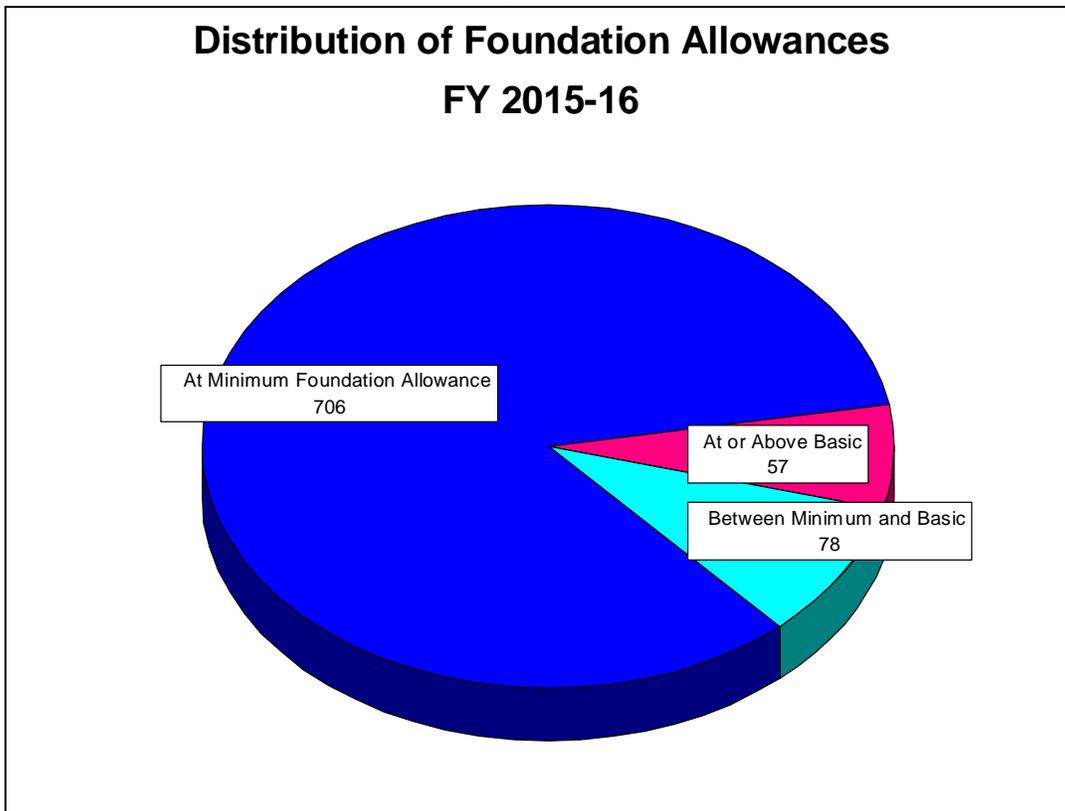
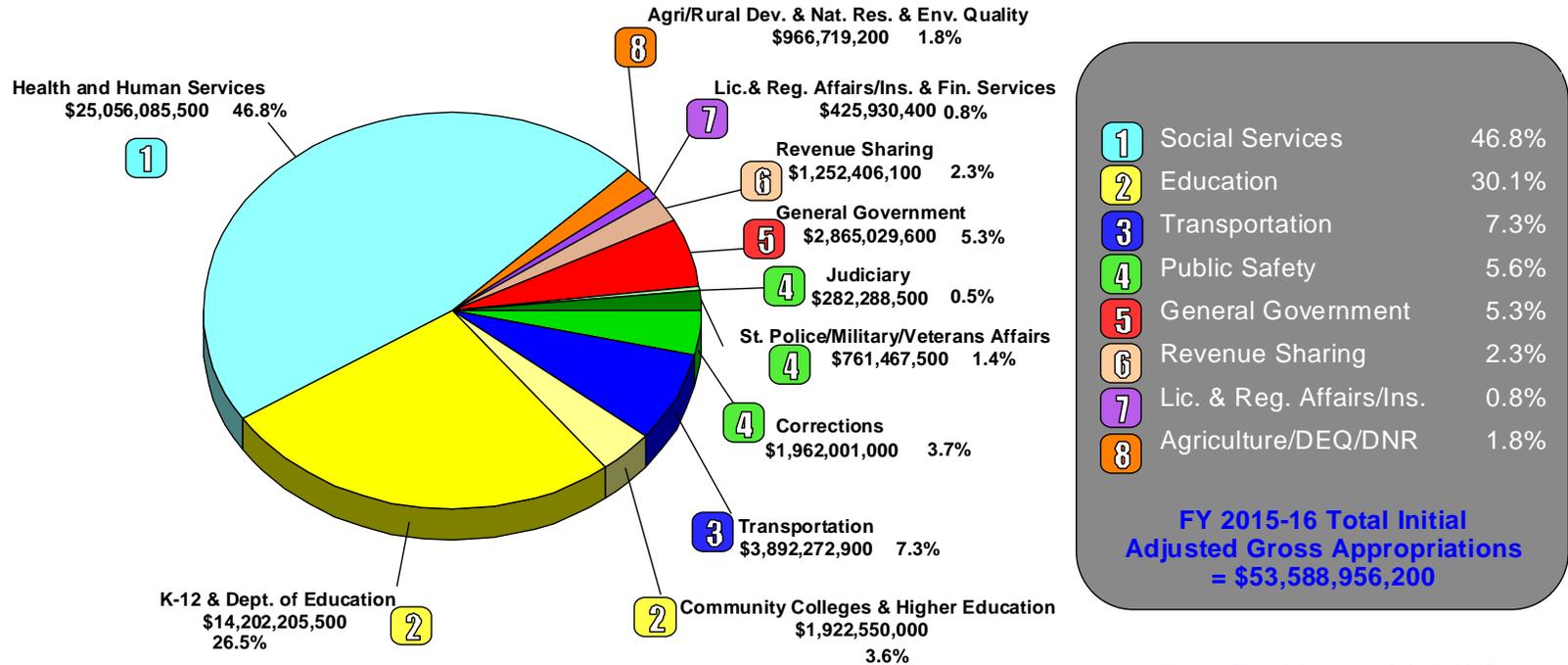


Figure 34

Where State of Michigan Tax Dollars Are Spent Fiscal Year 2015-16 Initial Adjusted Gross Appropriations



FY 2015-16 Total Initial Adjusted Gross Appropriations = \$53,588,956,200

Senate Fiscal Agency - July 1, 2015

Table 10

SUMMARY OF FY 2015-16 APPROPRIATION CHANGES		
	Gross	GF/GP
FY 2014-15 Year-To-Date Appropriation (7-1-15).....	\$53,935,443,300	\$9,684,148,700
<u>Changes for FY 2015-16:</u>		
New Programs.....	\$145,725,500	\$35,676,500
Program Increases	1,793,502,300	361,541,000
Program Eliminations/Reductions.....	(1,027,937,900)	(282,763,500)
Major Fund Shifts Affecting GF/GP.....	0	114,232,100
Economic Increases	(14,466,600)	(5,029,600)
Unclassified Salaries	273,900	140,300
Other Technical Program Adjustments	<u>(397,438,500)</u>	<u>(33,782,700)</u>
Total Changes.....	\$499,658,700	\$190,014,100
FY 2015-16 Initial Appropriation (7-1-15)	\$54,435,102,000	\$9,874,162,800
<u>Other Budget Adjustments:</u>		
FY 2015-16 Enacted Supplementals	\$125,604,000	\$64,982,000
CREC Changes for Revenue Sharing (1-14-16).....	(31,751,400)	0
Contingency Fund Transfers	0	0
FY 2015-16 Year-To-Date Appropriation (4-1-16).....	\$54,528,954,600	\$9,939,144,800

Table 11

**FEBRUARY 2016 GOVERNOR'S RECOMMENDATION GENERAL FUND/GENERAL PURPOSE
REVENUE, EXPENDITURES, AND YEAR-END BALANCE
(Millions of Dollars)**

	FY 2015-16	FY 2016-17	FY 2017-18
Revenue:			
Beginning Balance	\$694.7	\$152.9	\$14.9
Ongoing Revenue:			
Consensus Revenue Estimate (January 2016)	\$9,843.8	\$10,213.9	\$10,599.3
Revenue Sharing Payments	(462.7)	(469.0)	(469.0)
Shift of Borrowing Costs to School Aid Fund	2.0	3.0	4.0
Medicaid Managed Care Use Tax	406.7	101.7	0.0
Insurance Tax Credit Amendments	60.0	80.0	80.0
Subtotal Ongoing Revenue	\$9,849.8	\$9,929.6	\$10,214.3
Non-ongoing Revenue:			
One-Time Appropriation for Revenue Sharing	(5.8)	(5.2)	0.0
Venture Michigan Fund Tax Vouchers	0.0	(30.5)	0.0
Total Estimated GF/GP Revenue	\$10,538.7	\$10,046.8	\$10,229.2
Expenditures:			
Ongoing Appropriations:			
Initial Ongoing Appropriations	\$9,375.8	\$9,697.9	\$9,689.9
Initial Ongoing Appropriation for Transportation	142.0	0.0	0.0
Subtotal Ongoing Appropriations	\$9,517.8	\$9,697.9	\$9,689.9
One-Time and Other Appropriations:			
Initial One-Time Appropriations	\$98.3	\$323.6	\$0.0
Initial One-Time Appropriation for Transportation	258.0	10.4	0.0
Appropriation to Budget Stabilization Fund	95.0	0.0	0.0
Enacted Supplementals	35.0	0.0	0.0
Supplemental Request 2016-4 (Michigan Infrastructure Fund)	165.0	0.0	0.0
Supplemental Request 2016-4 (Detroit Public Schools Financial Assistance)	50.0	0.0	0.0
Supplemental Request 2016-4 (multiple departments)	35.7	0.0	0.0
Supplemental Request 2016-6 (Flint Emergency-multiple departments)	71.8	0.0	0.0
Supplemental Request 2016-6 (Flint Emergency Reserve Fund)	50.0	0.0	0.0
Supplemental Request 2016-7 (Flint Emergency-Early On Services)	9.2	0.0	0.0
Estimated Average Baseline Adjustments	0.0	0.0	215.0
Estimated Lapses	0.0	0.0	0.0
Subtotal One-Time and Other Appropriations	\$868.0	\$334.0	\$215.0
Total Estimated GF/GP Expenditures	\$10,385.8	\$10,031.9	\$9,904.9
PROJECTED YEAR-END GF/GP BALANCE	\$152.9	\$14.9	\$324.3

Table 12

**FEBRUARY 2016 GOVERNOR'S RECOMMENDATION SCHOOL AID FUND
REVENUE, EXPENDITURES, AND YEAR-END BALANCE
(Millions of Dollars)**

	FY 2015-16	FY 2016-17	FY 2017-18
Revenue:			
Beginning Balance	\$190.2	\$47.9	\$15.4
Ongoing Revenue:			
Consensus Revenue Estimate (January 2016)	\$12,131.6	\$12,486.2	\$12,831.1
General Fund/General Purpose Grant.....	45.9	230.0	57.4
General Fund Supplemental Request 2016-7 (Flint Early On)	9.2	0.0	0.0
Detroit Public Schools Trust Fund	0.0	72.0	72.0
Medicaid Managed Care Use Tax	203.3	50.9	0.0
Federal Ongoing Aid	<u>1,775.8</u>	<u>1,818.6</u>	<u>1,818.6</u>
Subtotal Ongoing Revenue.....	\$14,165.8	\$14,657.7	\$14,779.1
Non-ongoing Revenue:			
Venture Michigan Fund Tax Vouchers	0.0	(9.5)	0.0
Total Estimated School Aid Fund Revenue	\$14,356.0	\$14,696.1	\$14,794.5
Expenditures:			
Ongoing Appropriations:			
Initial Ongoing K-12 Appropriations	\$13,846.5	\$14,147.6	\$14,093.3
Supplemental Request 2016-5 (Cost Adjustments)	(73.6)	0.0	0.0
Enacted Supplementals	4.3	0.0	0.0
Partially Fund Community Colleges with School Aid Fund	256.7	260.4	260.9
Partially Fund Higher Education with School Aid Fund	<u>205.2</u>	<u>237.1</u>	<u>237.3</u>
Subtotal Ongoing Appropriations	\$14,239.1	\$14,645.1	\$14,591.5
One-Time and Other Appropriations:			
Initial One-Time K-12 Appropriations.....	\$49.8	\$35.6	\$1.5
Supplemental Request 2016-5 (Water Testing/Reform Office).....	10.0	0.0	0.0
Supplemental Request 2016-7 (Flint Early On Services).....	<u>9.2</u>	<u>0.0</u>	<u>0.0</u>
Subtotal One-Time and Other Appropriations	\$69.0	\$35.6	\$1.5
Total Estimated School Aid Fund Expenditures	\$14,308.1	\$14,680.7	\$14,593.0
PROJECTED YEAR-END SCHOOL AID FUND BALANCE	\$47.9	\$15.4	\$201.5

Table 13

TOTAL ACCUMULATED PENSION UNFUNDED LIABILITIES												
Fiscal Year	MPSERS: BASIC/MIP		MPSERS: HYBRID		STATE EMPLOYEES		STATE POLICE		JUDGES		LEGISLATIVE	
	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	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

Notes: FY 2013-14 Total Accrued Unfunded Liability for pensions equals \$33,412,687,000. Negative numbers in the unfunded liability column represent surplus assets in a retirement system.

TOTAL ACCUMULATED HEALTH UNFUNDED LIABILITIES										
Fiscal Year	MPSERS ¹⁾		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	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

Notes: FY 2013-14 Total Accrued Unfunded Liability for retiree health care equals \$19,573,931,800. The State Employees Retirement System began prefunding retiree health care in FY 2011-12 and the MPSERS and State Police began prefunding in FY 2012-13.

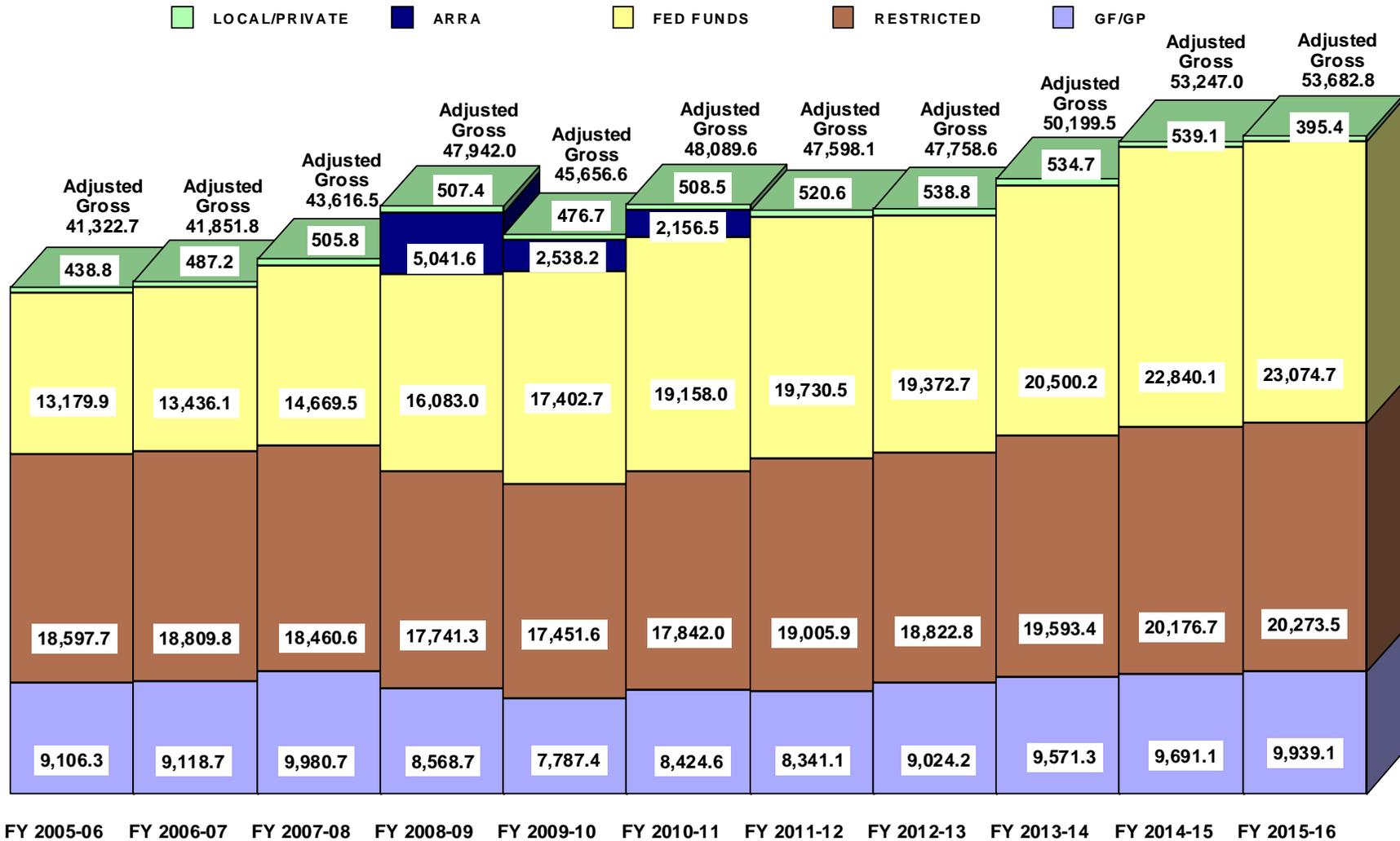
¹⁾ Michigan Public School Michigan Public School Employees Retirement System - Basic and Member Investment Plan (MIP): pension plan closed to new hires since July 1, 2010; and Hybrid: pension plan open to new hires since July 1, 2010.

Recent State Appropriation History

Figure 35

State Of Michigan Appropriations by Fund Source

Year-To-Date (Millions of Dollars)



FY 2005-06 FY 2006-07 FY 2007-08 FY 2008-09 FY 2009-10 FY 2010-11 FY 2011-12 FY 2012-13 FY 2013-14 FY 2014-15 FY 2015-16

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 in FY 2013-14 for Roads and Risks Reserve Fund. Senate Fiscal Agency - March 30, 2016

Table 14

ADJUSTED GROSS APPROPRIATION HISTORY			
(Millions of Dollars)			
Fiscal Year	Appropriations	Dollar Change	Percent Change
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	53,074.9	2,875.4	5.7
2015-16	53,682.8	608.0	1.1
2016-17 (Gov's Rec.)	54,025.4	342.6	0.6
Change FY 2006-07 to FY 2016-17		\$12,173.6	29.1%
Detroit CPI 10-Year Percent Change			13.7%
Note: 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 15

STATE SPENDING FROM STATE RESOURCES APPROPRIATION HISTORY			
(Millions of Dollars)			
Fiscal Year	Appropriations	Dollar Change	Percent Change
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	29,868.0	703.3	2.4
2015-16	30,212.6	344.6	1.2
2016-17 (Gov's Rec.)	31,126.2	913.6	3.0
Change FY 2006-07 to FY 2016-17		\$3,197.6	11.4%
Detroit CPI 10-Year Percent Change			13.7%
Note: 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 16

GENERAL FUND/GENERAL PURPOSE APPROPRIATION HISTORY			
(millions of dollars)			
Fiscal Year	Appropriations	Dollar Change	Percent Change
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	9,939.1	248.1	2.6
2016-17 (Gov's Rec.)	10,031.9	92.7	0.9
Change FY 2006-07 to FY 2016-17		\$913.2	10.0%
Detroit CPI 10-Year Percent Change			13.7%
Note: 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 17

FEDERAL FUNDS APPROPRIATED IN MICHIGAN BUDGET			
(Millions of Dollars)			
Fiscal Year	Federal Funds	Adjusted Gross Appropriations	Federal as Percent of Total Adjusted Gross
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	22,672.9	53,074.9	42.72
2015-16	23,074.7	53,682.8	42.98
2016-17 (Gov's Rec.)	22,503.9	54,025.4	41.65
Change FY 2006-07 to FY 2016-17		67.5%	29.1%

Table 18

APPROPRIATED FULL-TIME EQUATED CLASSIFIED POSITIONS (FTEs) IN MICHIGAN STATE BUDGET			
Fiscal Year	FTEs	Change	Percent Change
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	52,692.9	(160.6)	(0.3)
2016-17 (Gov's Rec.)	52,920.2	227.3	0.4
Change FY 2006-07 to FY 2016-17		(3,840.1)	(6.8%)
Detroit CPI 10-Year Percent Change			13.7%

Note: Includes exempt positions in Judiciary.

Table 19

SCHOOL AID K-12 APPROPRIATION HISTORY (Millions of Dollars)			
Fiscal Year	State-Funded K-12		
	Appropriations	Dollar Change	Percent Change
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	12,124.9	259.1	2.2
2016-17 (Gov's Rec.)	12,364.5	239.6	2.0
Change FY 2006-07 to FY 2016-17		\$767.5	6.6%
Detroit CPI 10-Year Percent Change			13.7%

Table 20

PUPIL MEMBERSHIP HISTORY FY 1994-95 to FY 2017-18				
Blend Calculation	Fiscal Year	Local Districts	Charter Schools	Total
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	1,344,100	151,700	1,495,800
90/10	2016-17 Est.	1,332,000	154,000	1,486,000
90/10	2017-18 Est.	1,320,000	156,000	1,476,000

Table 21

STATE SPENDING PER PUPIL			
Fiscal Year	State-Funded Appropriations (Millions of Dollars)	Pupils (Millions)	Appropriations Per Pupil
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	12,124.9	1.4958	8,106
2016-17 (Gov's Rec.)	12,364.5	1.4860	8,321

Table 22

K-12 SCHOOLS MINIMUM FOUNDATION ALLOWANCE				
Fiscal Year	Enacted Per Pupil	After Reductions	Percent Change	
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 (Gov's Rec.)	7,511	7,511	1.6	
10-Year Change	\$403	\$426		
10-Year % Change	5.7%	6.0%		
10-Year Detroit CPI % Change		13.7%		

Table 23

STATE SPENDING FROM STATE RESOURCES APPROPRIATIONS TOTAL COMPARED IN SELECTED BUDGET AREAS (Millions of Dollars)				
Budget Area	FY 2005-06	FY 2015-16		Percent Change
	Year-to-Date Appropriations	Initial Appropriations	Dollar Difference	
Health and Human Services	\$5,768.8	\$6,357.1	\$588.3	10.2%
Corrections	1,872.7	1,947.9	75.2	4.0
K-12 School Aid	11,308.0	12,120.6	812.5	7.2
Community Colleges	281.6	387.8	106.3	37.7
Higher Education	1,730.9	1,437.7	(293.2)	(16.9)
Revenue Sharing-Constitutional	680.1	783.9	103.7	15.3
Revenue Sharing-Nonconstitutional	423.5	468.5	45.0	10.6
All Other Programs	5,638.4	6,618.2	979.8	17.4
Total State Spending	\$27,704.0	\$30,121.6	\$2,417.6	8.7%
Addendum:				
Medicaid Caseload	1,475,741	2,333,859	858,118	58.1%
Prison Population	50,945	44,997	(5,948)	(11.7)
K-12 Pupil Count	1,697,534	1,493,000	(204,534)	(12.0)
University Students	253,020	262,537	9,517	3.8
Community College Students	133,359	143,829	10,470	7.9
Michigan Personal Income (millions)	\$337,968.4	\$434,261.5	\$96,293.1	28.5%
Detroit Consumer Price Index	195.9	223.9	28.0	14.3
NOTES: Medicaid Caseload: Number for FY 2015-16 includes the estimated 600,079 individuals who are eligible under the expansion of Medicaid. Prison Population: 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. K-12 Pupils: FY 2015-16 pupil count is from the May 2015 CREC. Community College and University Students: Numbers in FY 2015-16 column reflect the most recent data available, which are FY 2013-14 fiscal-year-equated-students as reported in the Activities Classification Structure (ACS) and the Higher Education Institutional Data Inventory (HEIDI). Michigan Personal Income and Detroit CPI: Numbers are fiscal year averages; FY 2015-16 numbers are May 2015 Consensus Revenue Estimating Conference estimates.				

Table 24

STATE APPROPRIATIONS FROM ALL SOURCES: HOW MUCH IS DISCRETIONARY? (Actual Dollars)	
FY 2015-16 Initial Adjusted Gross Appropriation	\$53,588,956,200
<u>Constitutional/Statutory Earmarking Requirements:</u>	
School Aid Fund (50% Constitutional)	(\$12,582,454,400)
Transportation (87% Constitutional).....	(2,184,391,400)
Regulatory Restricted Revenue (Statutory)	(1,372,817,500)
Constitutional Revenue Sharing.....	(783,866,100)
Federal Funding Requirement	(23,071,877,000)
Local and Private Revenue	(395,441,200)
Debt Service Payments.....	(422,919,600)
Caseload/Inmate Driven.....	(7,604,966,800)
Balance for Discretionary Spending	\$5,170,222,200
<u>Estimated Balance for Discretionary Spending Includes:</u>	
GF/GP Funding for Higher Education	\$1,232,418,500
State Restricted and GF/GP Funding for State Police.....	501,133,800
Nonconstitutional State Revenue Sharing Funding	468,540,000
GF/GP for Transportation.....	400,000,000
Medicaid Programs-includes GME and MIChoice Waiver	400,000,000
Non-Medicaid Programs-includes CMH, Local Public Health, Aging	300,000,000
State Restricted and GF/GP Funding for Department of State.....	203,796,600
GF/GP Funding for Judiciary.....	183,442,200
State Restricted Revenue for Various State Departments	331,622,200
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	1,149,268,900
Estimated Discretionary Spending	\$5,170,222,200