

STATE BUDGET OVERVIEW



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

Figure 1

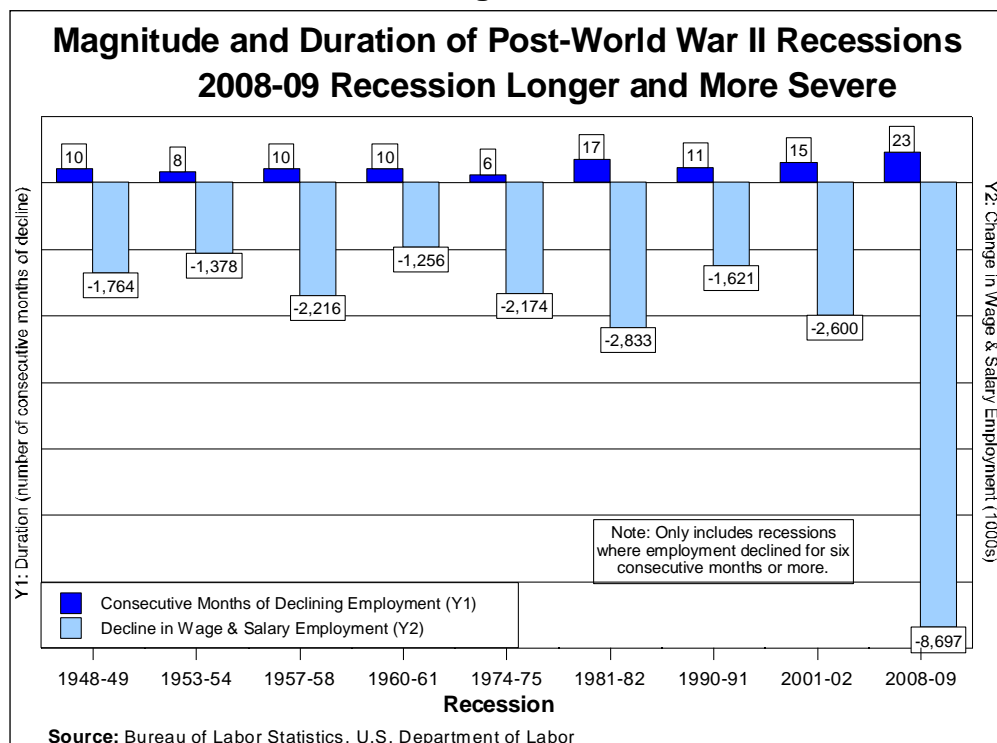


Figure 2

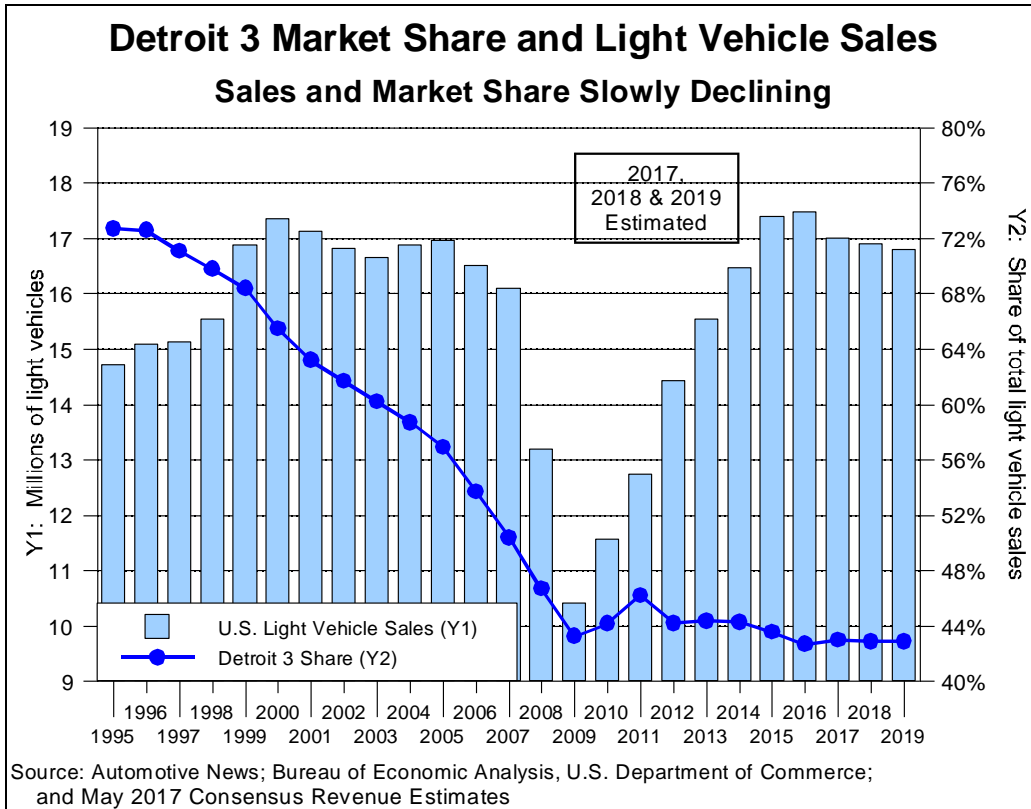
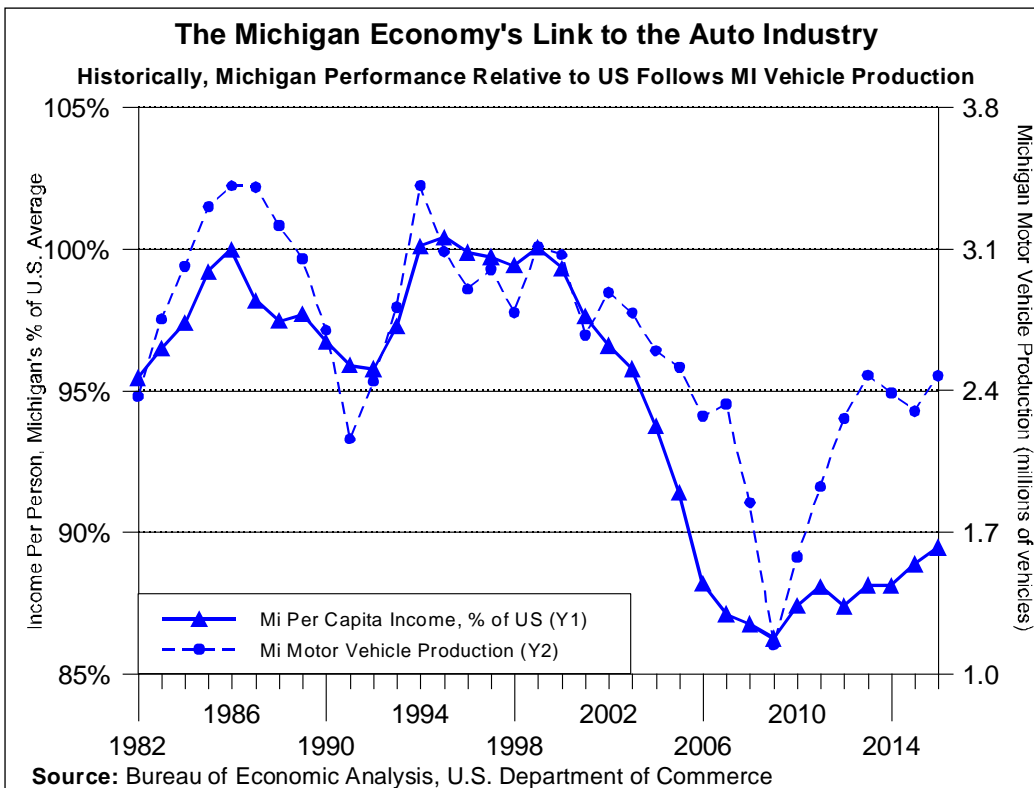


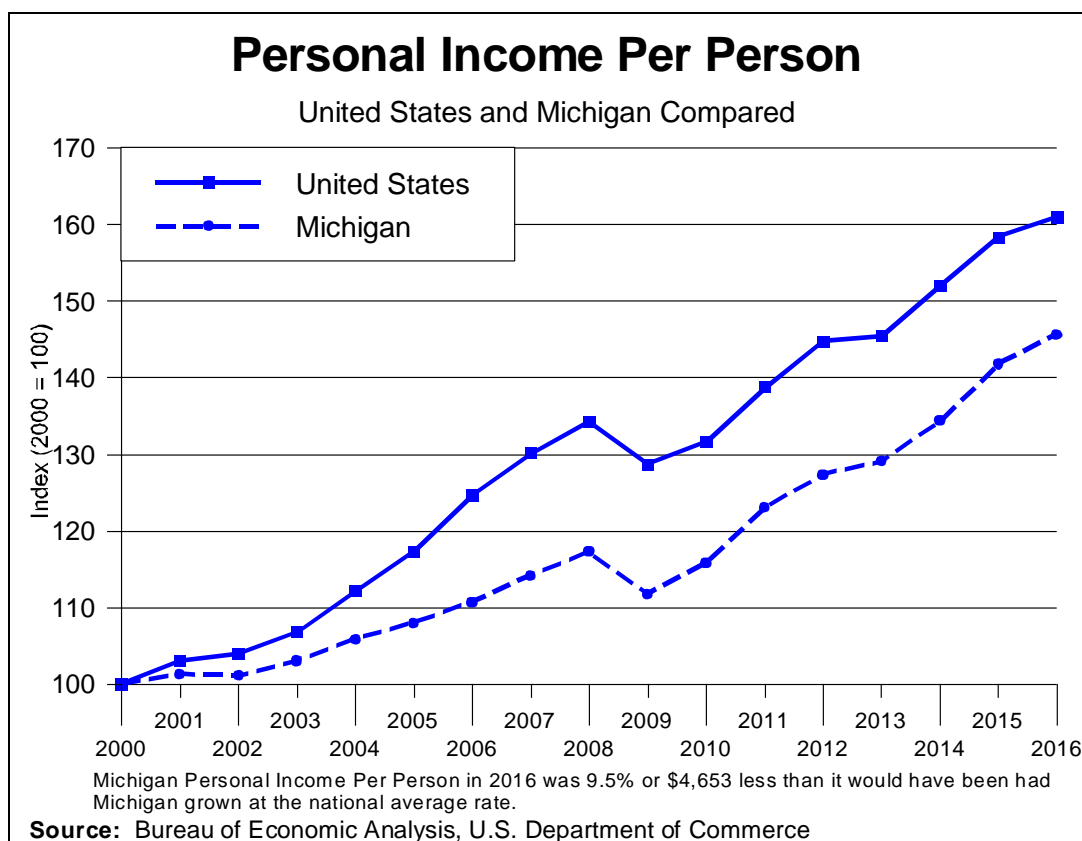
Figure 3



Michigan Personal Income

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

Figure 4



Michigan's Decade of Declining Employment

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

- Payroll employment bottomed out in March 2010, down 415,000 jobs from December 2007 (when the U.S. recession began) and down 860,600 jobs from the April 2000 peak.
- Peak-to-trough, payroll employment declined 18.4%, with 48.2% of the job loss occurring after December 2007.
- Between May 2000 and June 2009, Michigan lost 461,600 or 51.6% of its manufacturing jobs. After peaking in May 2000, transportation equipment manufacturing employment had fallen 69.1% by June 2009, a loss of 236,700 jobs.

Figure 5

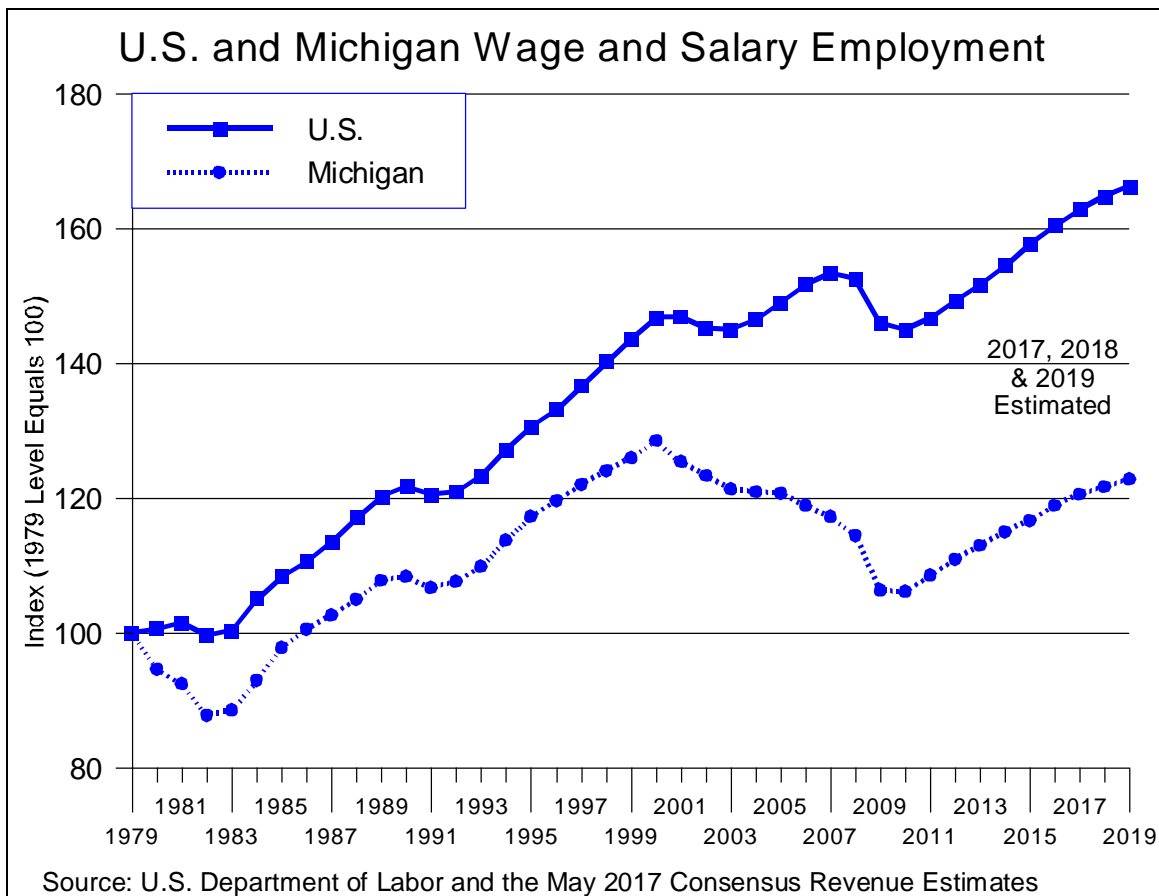


Figure 6

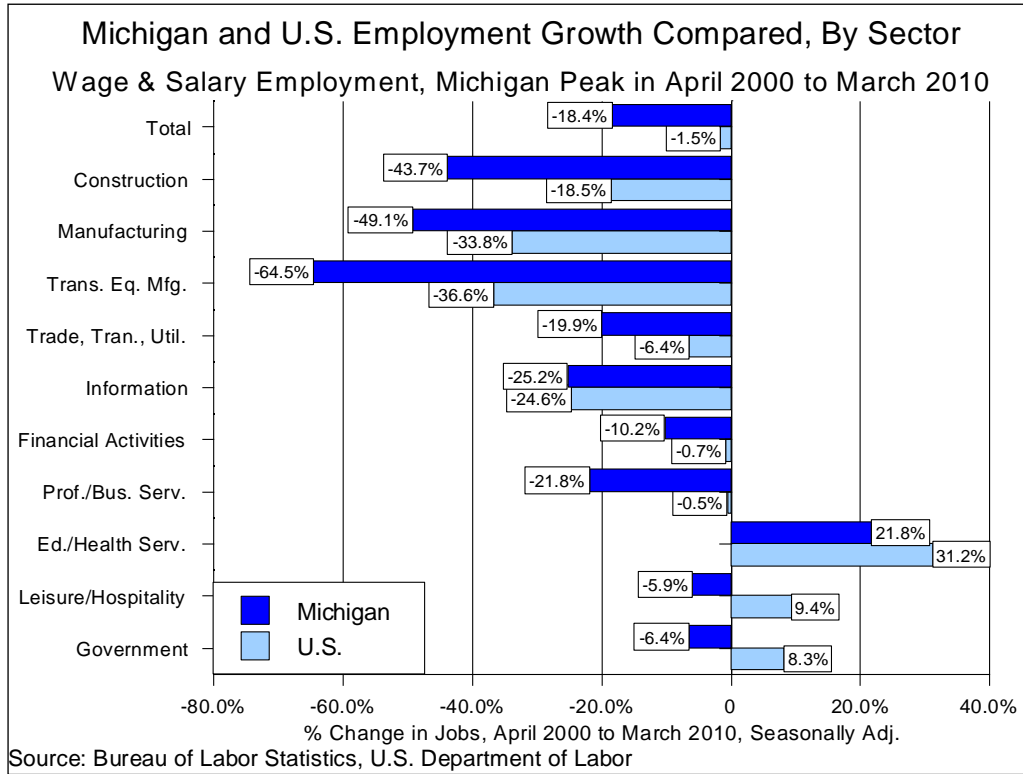


Figure 7

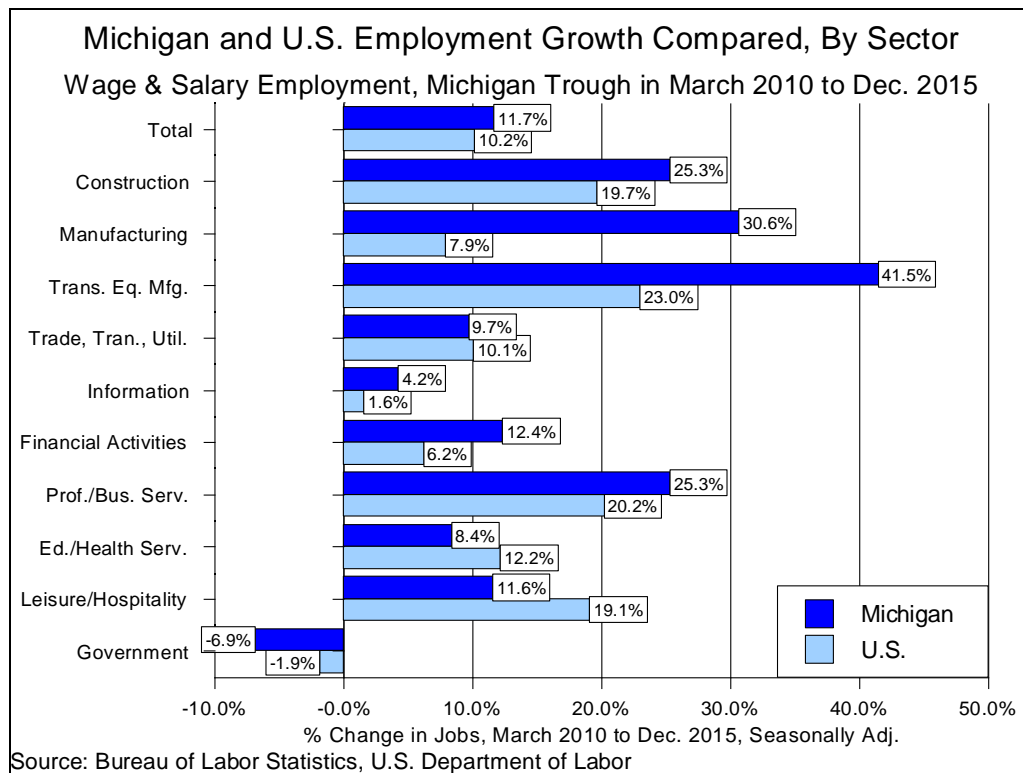


Figure 8

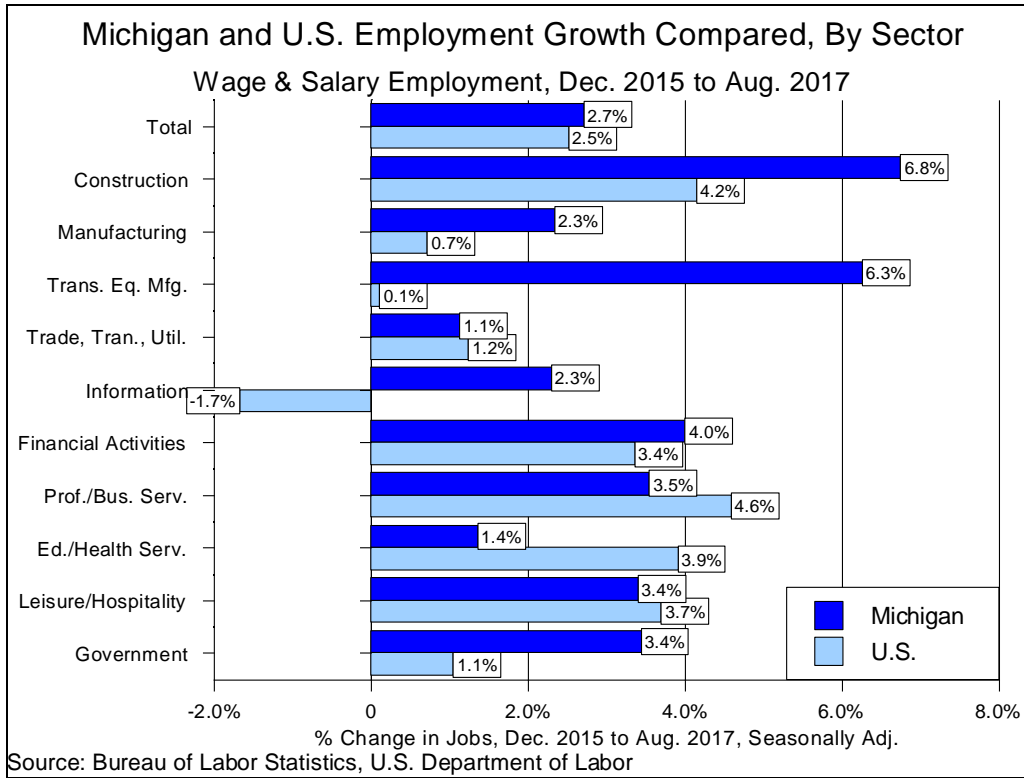
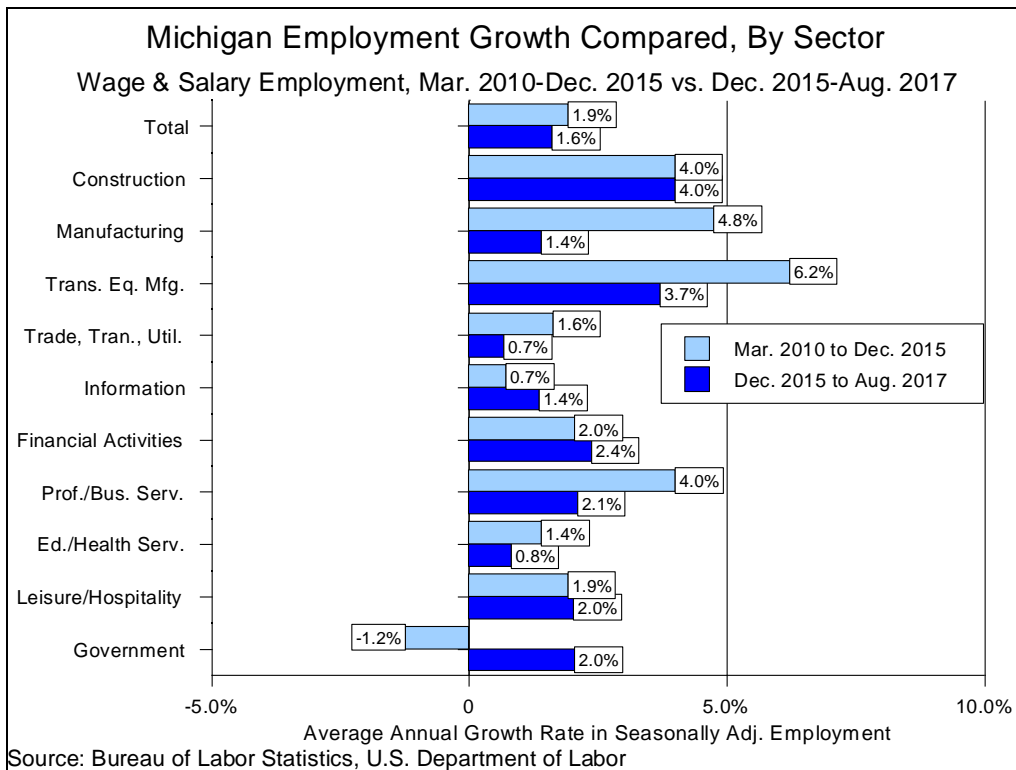


Figure 9



A Record-Weak Recovery for a Record-Setting Recession

- The current recovery is half as strong as prior recoveries. Among the six post-World War II recoveries lasting 25 quarters or more, the current recovery is the weakest, with inflation-adjusted GDP growing at an annual rate of 2.2%. Historically, the economy has grown at a 4.4% rate ([Figure 10](#)). Until mid-2015 investment had been slightly stronger than in prior recoveries; however, consumption growth has been half as strong. Furthermore, while government spending has historically increased during recoveries, in the current recovery government spending has declined ([Figure 11](#)). Despite the slow growth, because of weak growth in productivity, the economy has generally been growing faster than the potential long-term growth rate ([Figure 12](#)).

Figure 10

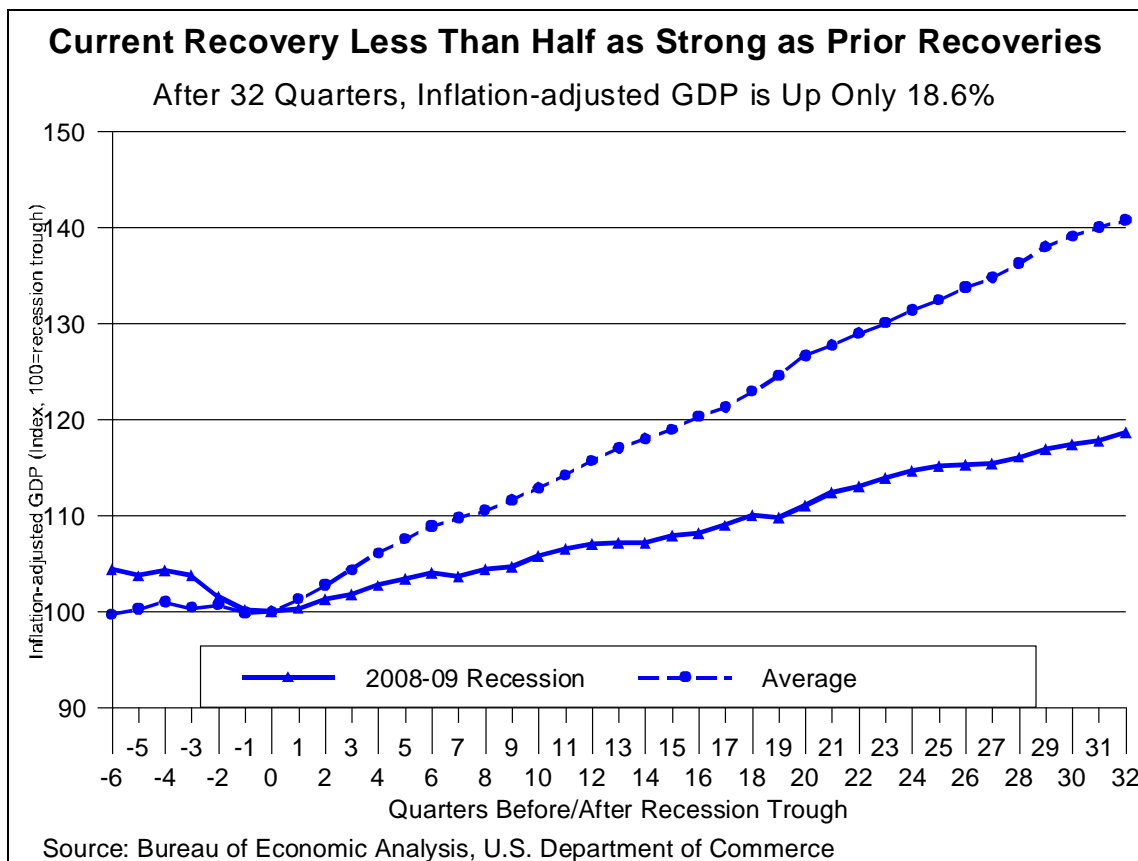


Figure 11

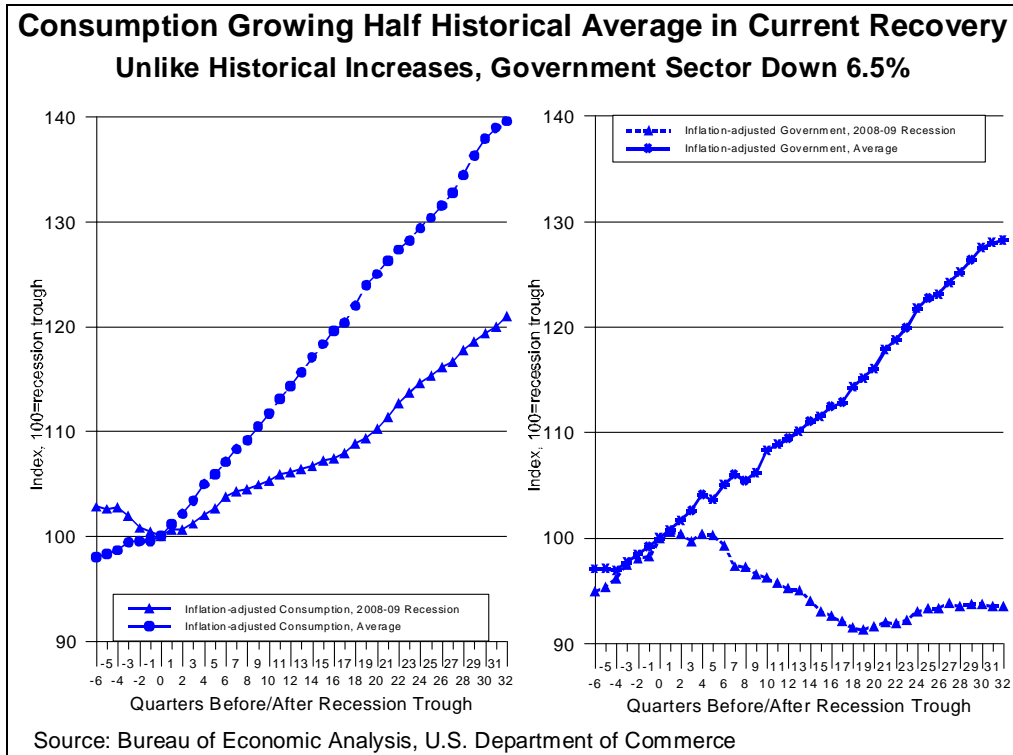
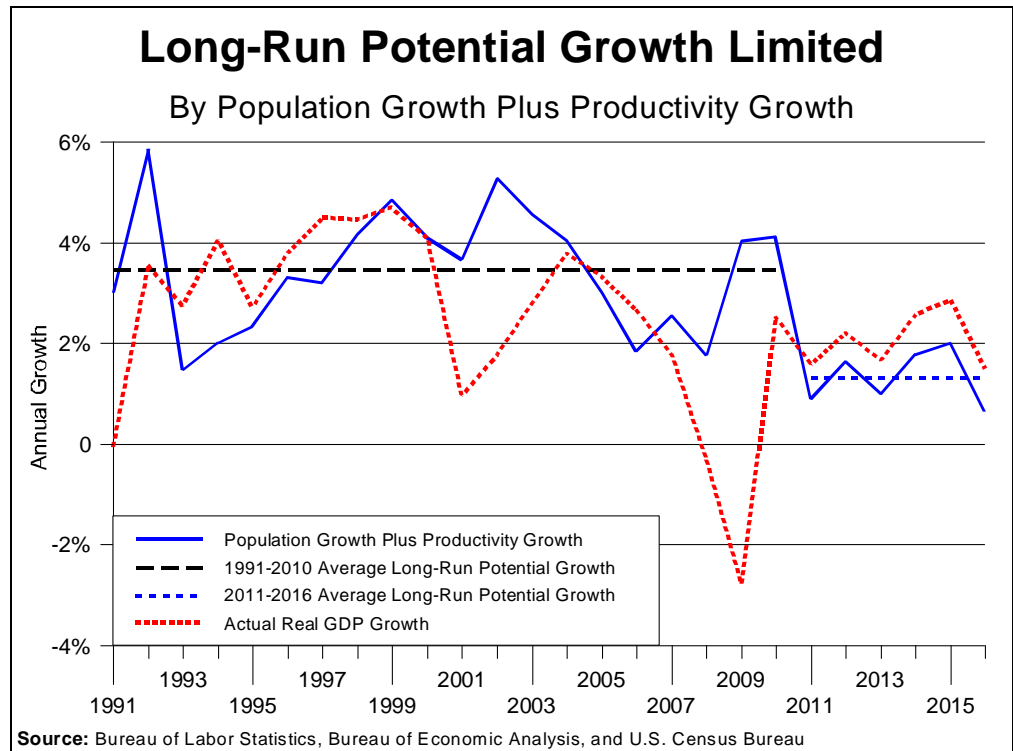


Figure 12



- Employment finally exceeded pre-recession levels in 2014. Between World War II and the 1980 recession, employment reached its pre-recession peak in an average of 18.8 months. After the 1981-82 recession, the recovery in employment took 28 months, compared to 32 months after the 1990-91 recession, and 98 months after the 2001 recession. It took 76 months for payroll employment to reach the pre-recession peak experienced in January 2008.
- Michigan payroll employment has been on an upward trend after reaching a trough in March 2010. As of August 2017, Michigan payroll employment had increased by 562,200 jobs, 145,600 jobs more than in December 2007--when the U.S. recession began. However, the February 2017 payroll employment level is still 6.4% below (298,400 jobs) the Michigan peak in April 2000.
- Employment growth has barely exceeded population growth during much of the recovery. The economy needs roughly 125,000 additional jobs per month to keep up with population growth. Average payroll employment gains averaged 166,300 jobs per month between the February 2010 trough and February 2014, compared with about 177,000 per month during 2003-2006, and 251,400 per month over the 1993-1999 period. While payroll employment increased by an average of 244,100 jobs per month between March 2014 and December 2015, and 186,700 jobs per month during 2016, job growth has slowed to 148,200 per month during 2017 (Figure 13).
- People have left the labor force. While job growth has lowered the unemployment rate from the October 2009 peak of 10.0% to 4.2% in September 2017, a substantial portion of the decline in the unemployment rate was reflected in individuals leaving the labor force. The labor force declined in 24 of the 51 months between the October 2009 peak in the unemployment rate and December 2013. Labor force participation in 2016 was 62.7%, slightly above the 62.4% rate in 2015, which was the lowest level since 1977. Compared with the 66.2% labor force participation rate at the employment peak in January 2008, 3.4% of the population has left the labor force and is no longer working or seeking work (Figure 14).
- Until the 2.1% increase in 2015, wage income was stagnant after the 2008-09 recession. After falling 1.1% in 2011 and 0.1% in 2012, inflation-adjusted average hourly earnings rose 0.6% in 2013 and 0.5% in 2014. Inflation-adjusted average hourly earnings increased 1.2% in 2016. Average weekly hours have remained essentially unchanged for 88 months.

- Housing starts are growing rapidly but remain low by historical standards. While 2016 starts finished up 5.6% from 2015, 2016 was the 14th weakest year on record, after every year in the 2008-2015 period and the recession years of 1966, 1975, 1981, 1982, and 1991; and were still down 43.2% from the 2005 peak (Figure 15).
- Labor productivity has been on a significant downward trend. While productivity growth has exhibited substantial volatility since World War II, since 2003 productivity has been on a downward trend and is now at the weakest trend growth rates ever recorded. Productivity growth fell 0.7% in 2016, the 6th worst change in the last 70 years, after growing about 1.0% in both 2014 and 2015 (Figure 16).
- Michigan per capita personal income has been growing. With the exception of 2012 and 2014, Michigan per capita personal income has grown faster than the U.S. average in every year during the 2010-2016 period. In 2016, Michigan ranked 32nd among the states.

Figure 13

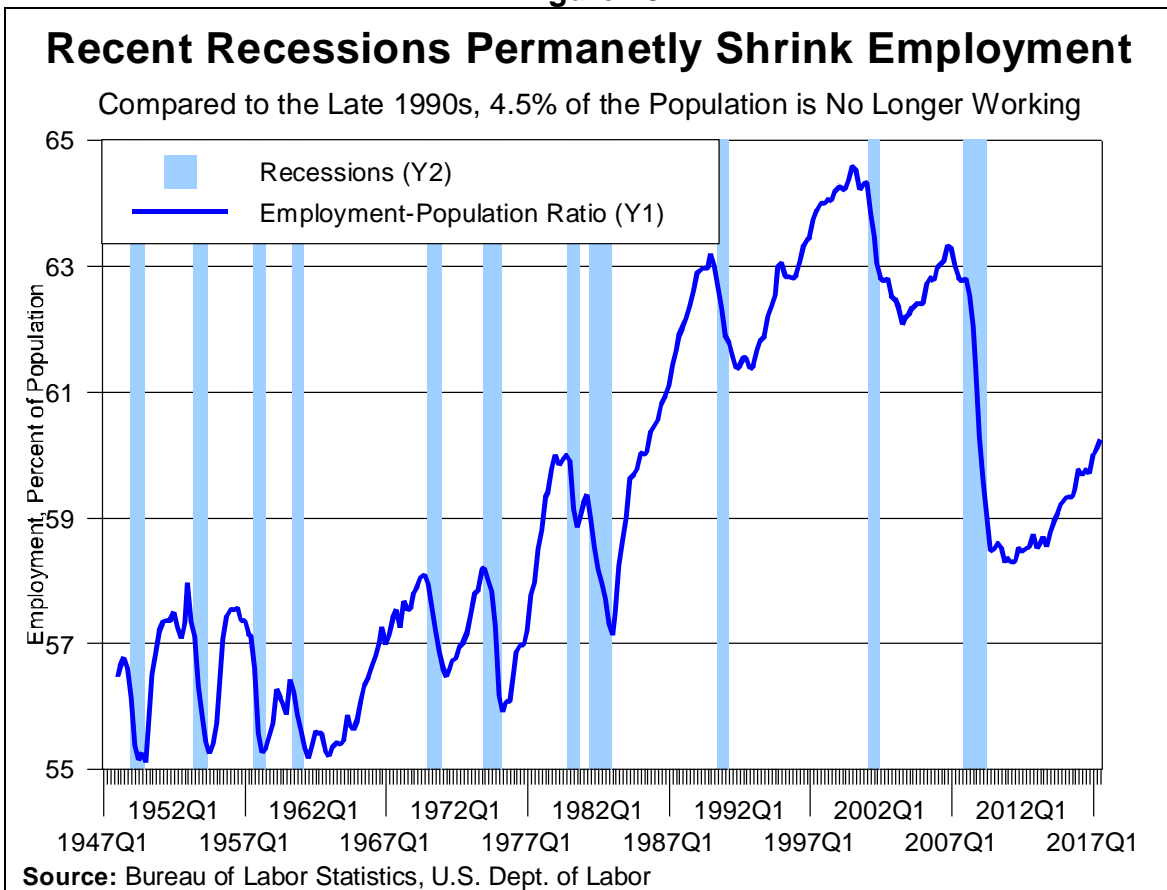


Figure 14

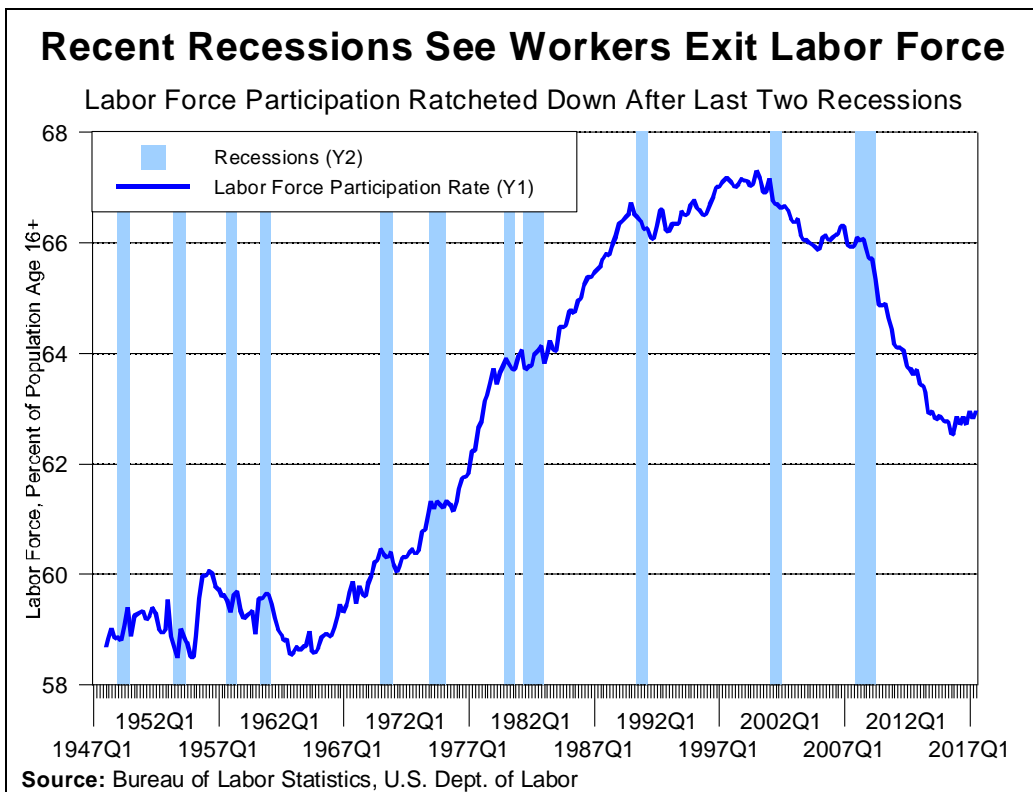


Figure 15

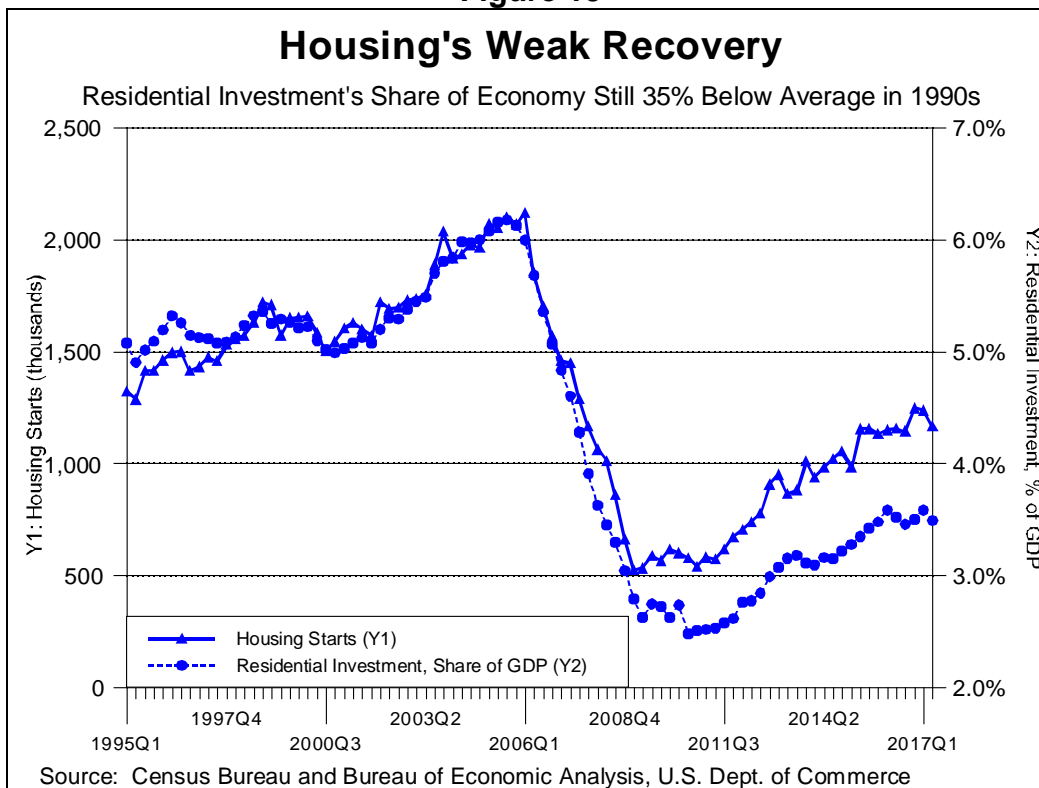
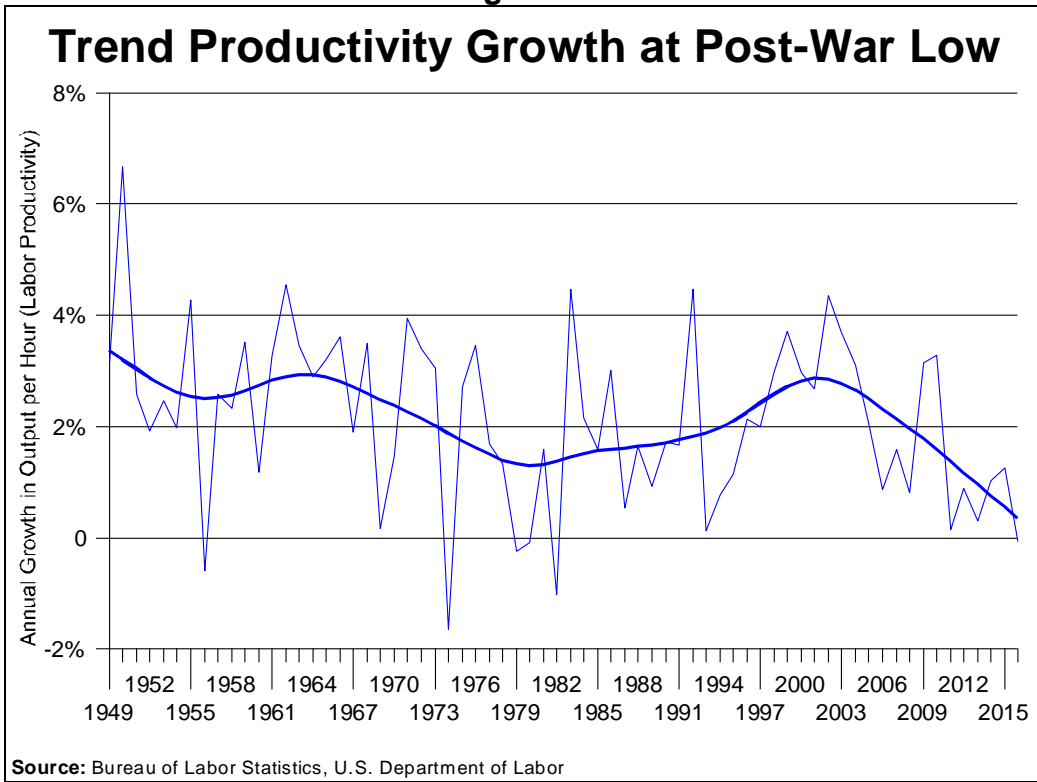


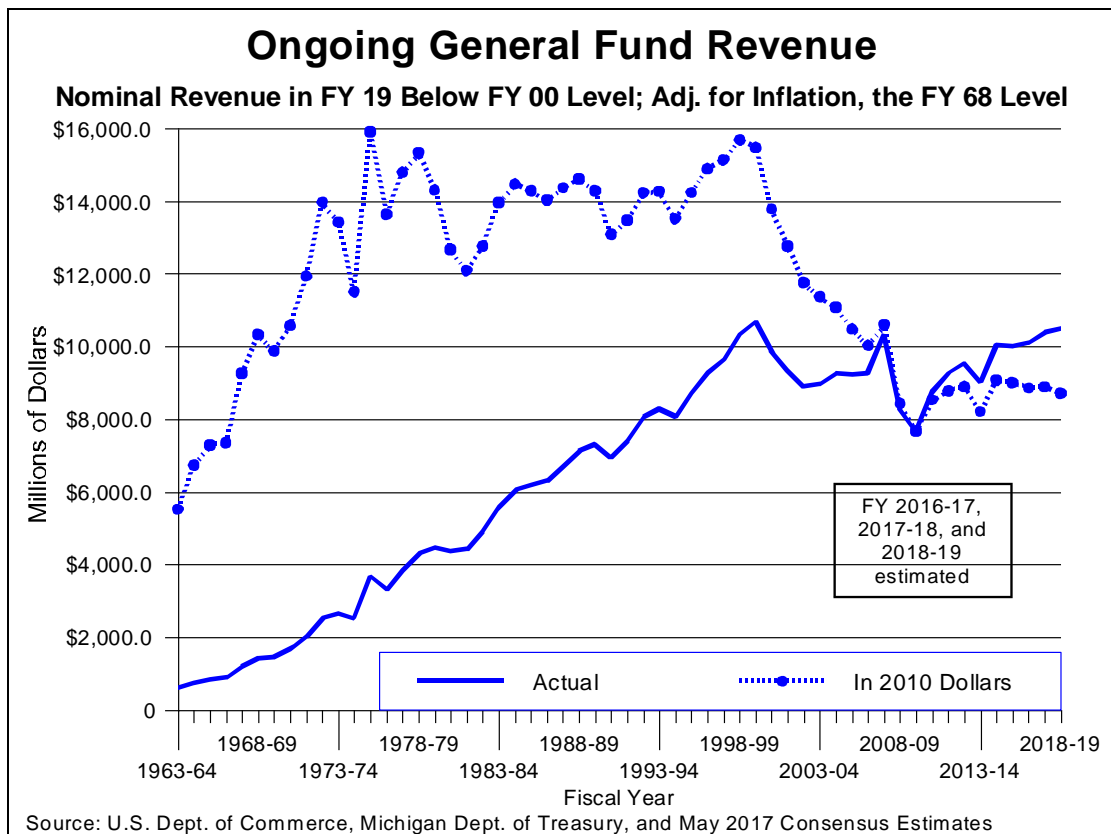
Figure 16



State Revenue Background

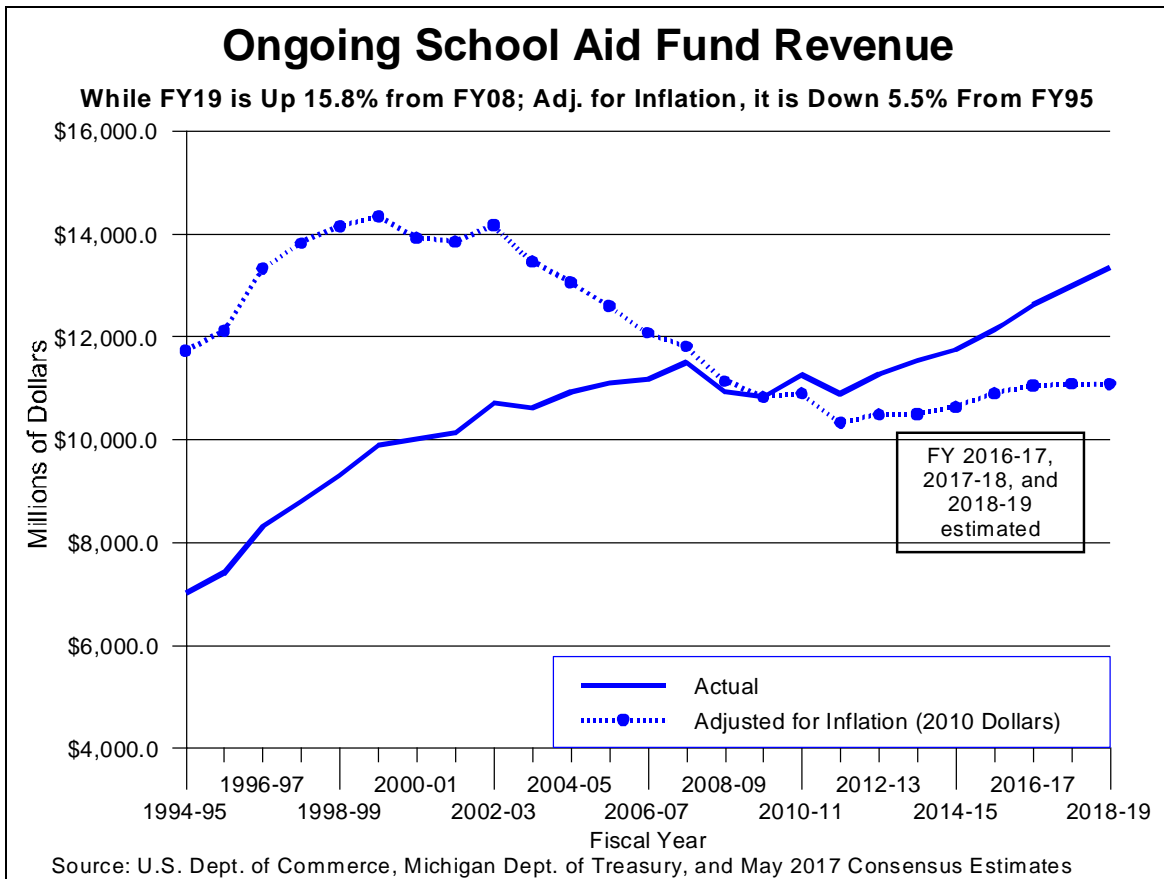
- The majority of State taxes and fees are deposited in the State's General Fund, School Aid Fund, or various transportation funds. Ongoing General Fund revenue fell as the economy declined. Between FY 2007-08 and FY 2009-10, ongoing General Fund revenue fell 25.7% (\$2.7 billion) and ongoing School Aid (SAF) revenue fell 6.0% (\$696.0 million).
- Ongoing General Fund revenue decreased 0.2% in FY 2015-16 and is estimated to increase 1.0% in FY 2016-17, 2.9% in FY 2017-18, and 0.8% in FY 2018-19. Ongoing SAF revenue increased 3.2% in FY 2015-16 and is expected to rise 4.1% in FY 2016-17, 2.9% in FY 2017-18, and 2.8% in FY 2018-19.
- On an inflation-adjusted basis, ongoing General Fund revenue in FY 2018-19 is estimated to be 5.8% lower (\$541.2 million, in 2010 dollars) than the level in FY 1967-68, when the State adopted the then new personal and corporate income taxes, as shown in [Figure 17](#).

Figure 17



- On an inflation-adjusted basis, ongoing SAF revenue in FY 2018-19 is estimated to be 5.5% lower (\$649.0 million, in 2010 dollars) than the level in FY 1994-95, when Proposal A took effect, as shown in Figure 18.

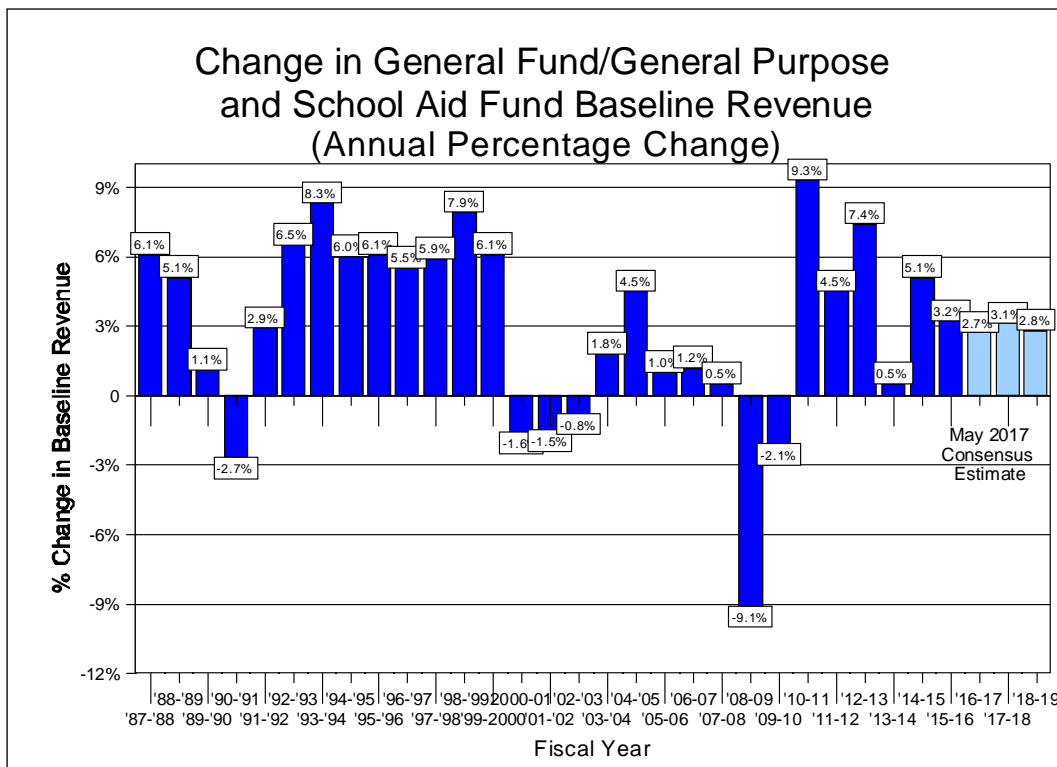
Figure 18



Forecast for State Revenue

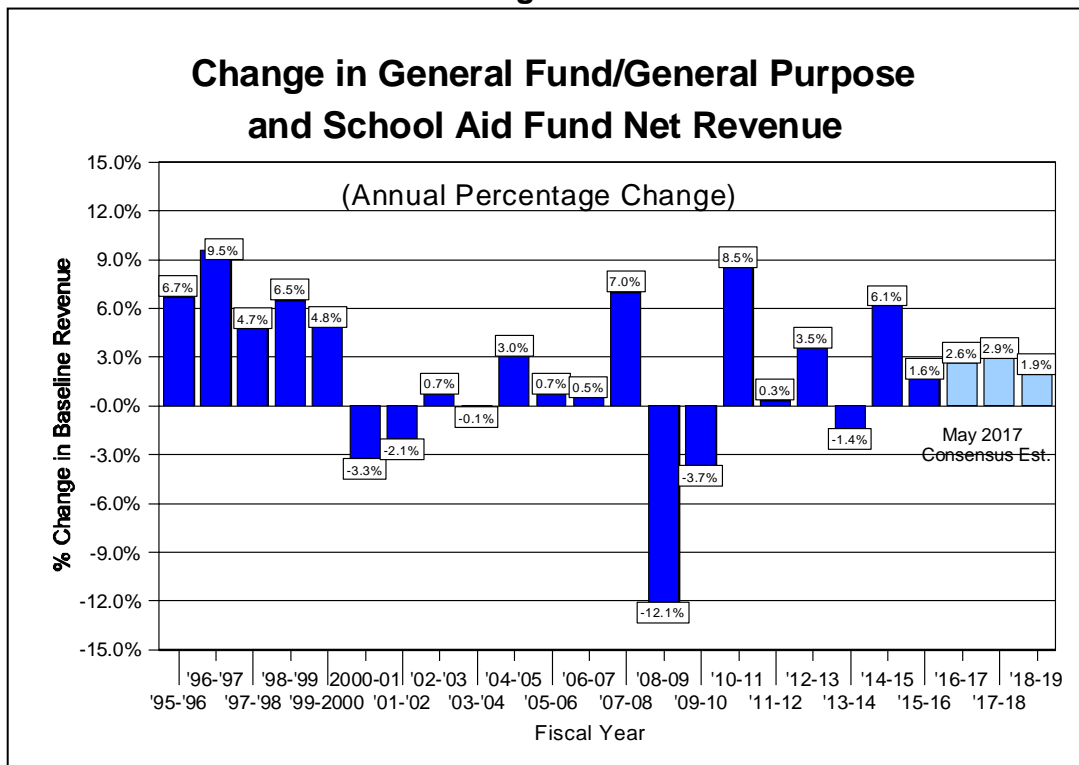
- Pursuant to State statute, there are Consensus Revenue Estimating Conferences held in January and May of each year in which the State Treasurer, and the Directors of the House and Senate Fiscal Agencies, meet to agree on the amount of State revenue available for the State budget.
- The FY 2017-18 budget was based on the May 2017 Consensus Revenue estimates. The Governor's budget recommendation for FY 2018-19 will be based on estimates from the January 2018 Conference. The Governor and the Legislature will use the revenue estimates from the May 2018 Conference to finalize the FY 2018-19 budget.
- The percentage changes in baseline General Fund/General Purpose (GF/GP) and School Aid Fund (SAF) revenue forecasted for FY 2016-17 through FY 2018-19 are compared with the actual growth rates during the preceding 30 years in [Figure 19](#).

Figure 19



- The revised estimates for FY 2016-17, after accounting for tax changes, predict GF/GP revenue will increase by 0.9% while SAF revenue will increase by 4.1%. GF/GP revenue in FY 2017-18 is estimated to increase 2.9% while SAF revenue will grow 2.9%.
- The percentage changes in net (after tax changes) General Fund/General Purpose (GF/GP) and School Aid Fund (SAF) revenue forecasted for FY 2016-17 through FY 2018-19 are compared with the actual growth rates during the preceding 21 years in Figure 20.

Figure 20



- Figures 21 and 22 display the estimated FY 2017-18 revenue sources for the State General Fund and School Aid Fund, respectively.

Figure 21

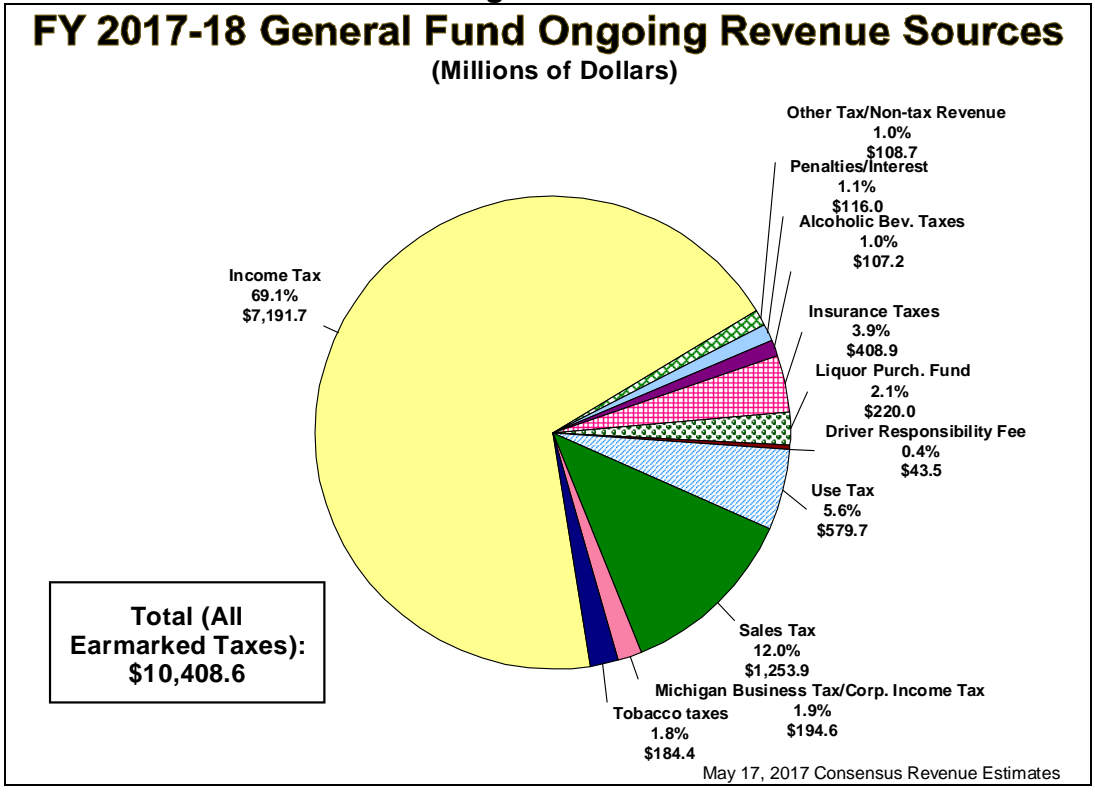
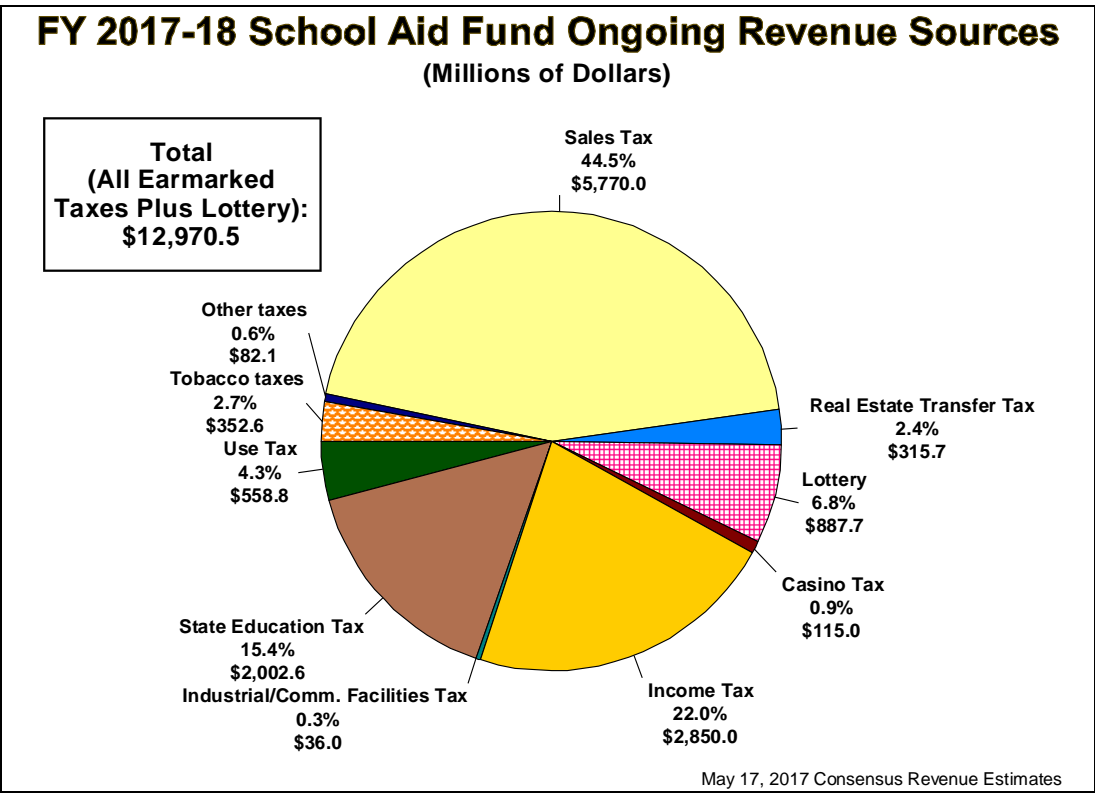


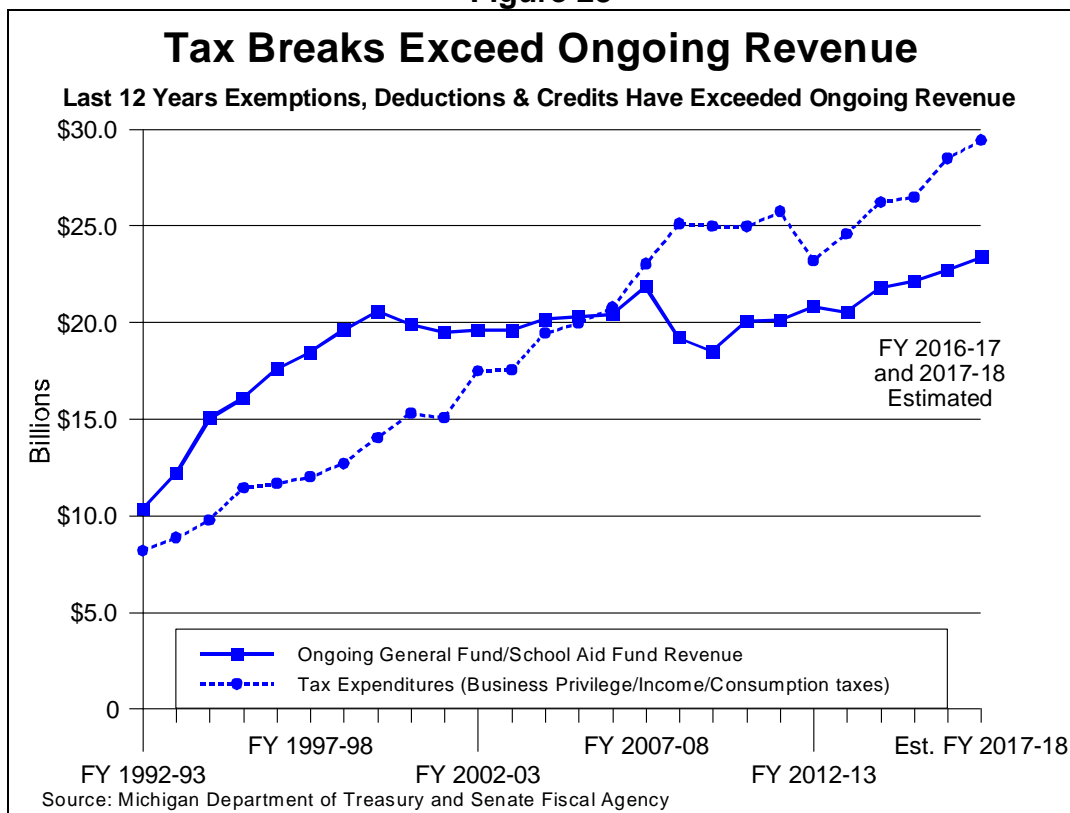
Figure 22



State Tax Expenditures

- Based on estimates of the Michigan Department of Treasury, the level of State tax expenditures under the State's business privilege, income, and consumption taxes increased from \$14.1 billion in FY 1999-2000 to \$25.8 billion in FY 2011-12. The estimate for FY 2015-16 is \$27.6 billion.
- During FY 1999-2000, tax expenditures equaled 68.2% of ongoing GF/GP and SAF revenue. During FY 2011-12 tax expenditures equaled 127.9% of total ongoing GF/GP and SAF revenue. Tax expenditures are estimated to equal 125.9% of ongoing GF/GP and SAF revenue in FY 2017-18.

Figure 23



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

- Table 1 provides details on major changes in tax expenditures from FY 1999-2000 to FY 2017-18.

Table 1

DETAIL ON MAJOR CHANGES IN TAX EXPENDITURES					
(Millions of Dollars)					
	FY	FY	\$ Change	FY	\$ Change
	1999-2000	2011-12	FY 1999-2000	2017-18	FY 2011-12 to
			to FY 2011-12		FY 2017-18
Consumption Taxes					
Food	\$860.0	\$1,220.2	\$360.2	\$1,305.5	\$85.3
Industrial Processing	660.0	920.0	260.0	1,411.0	491.0
Prescription Drugs	242.0	536.3	294.3	727.6	191.3
Services	4,392.0	10,357.2	5,965.2	13,292.1	2,934.9
Individual Income Taxes					
Adjustments to Income	1,600.0	3,351.7	1,751.7	4,499.3	1,147.5
Homestead Prop. Tax Credit	471.0	831.1	360.1	524.8	(306.3)
Personal Exemption	987.0	1,173.7	186.7	1,404.4	230.7
Earned Income Tax Credit	0.0	360.0	360.0	123.3	(236.7)
All Other Tax Expenditures	4,859.4	7,044.2	2,184.8	6,200.3	(843.9)
Total Tax Expenditures	\$14,071.4	\$25,794.4	\$11,723.0	\$29,488.2	3,693.8

Source: Michigan Department of Treasury

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

Figure 24

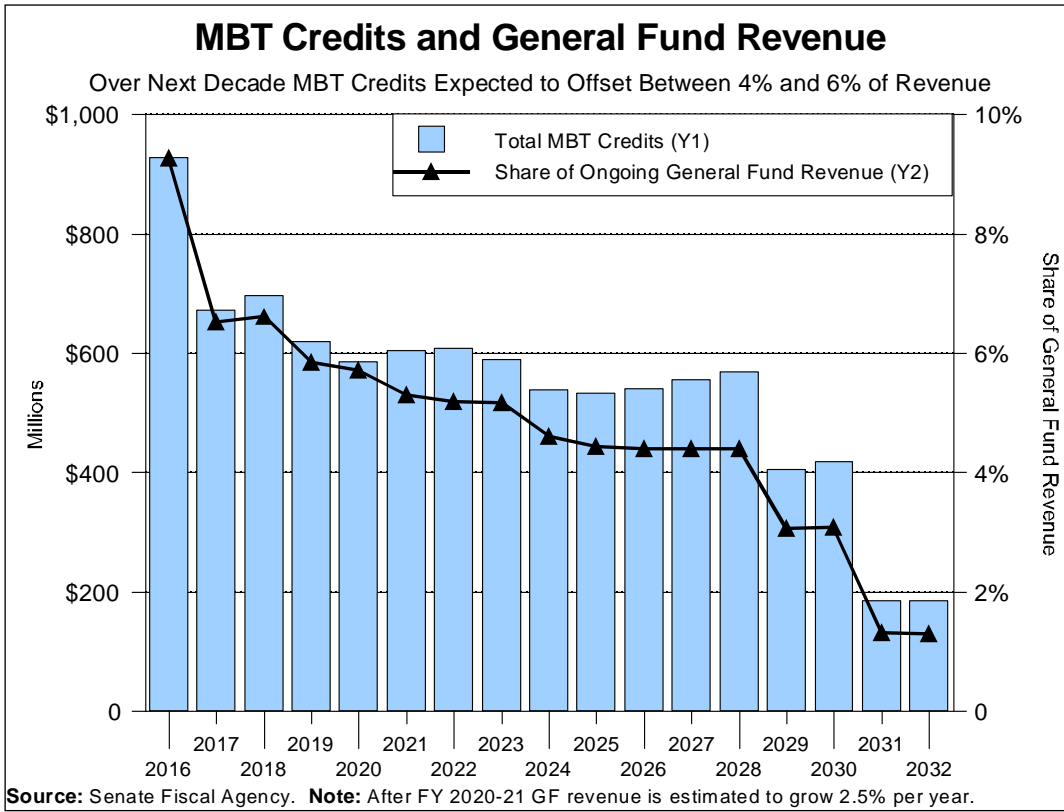
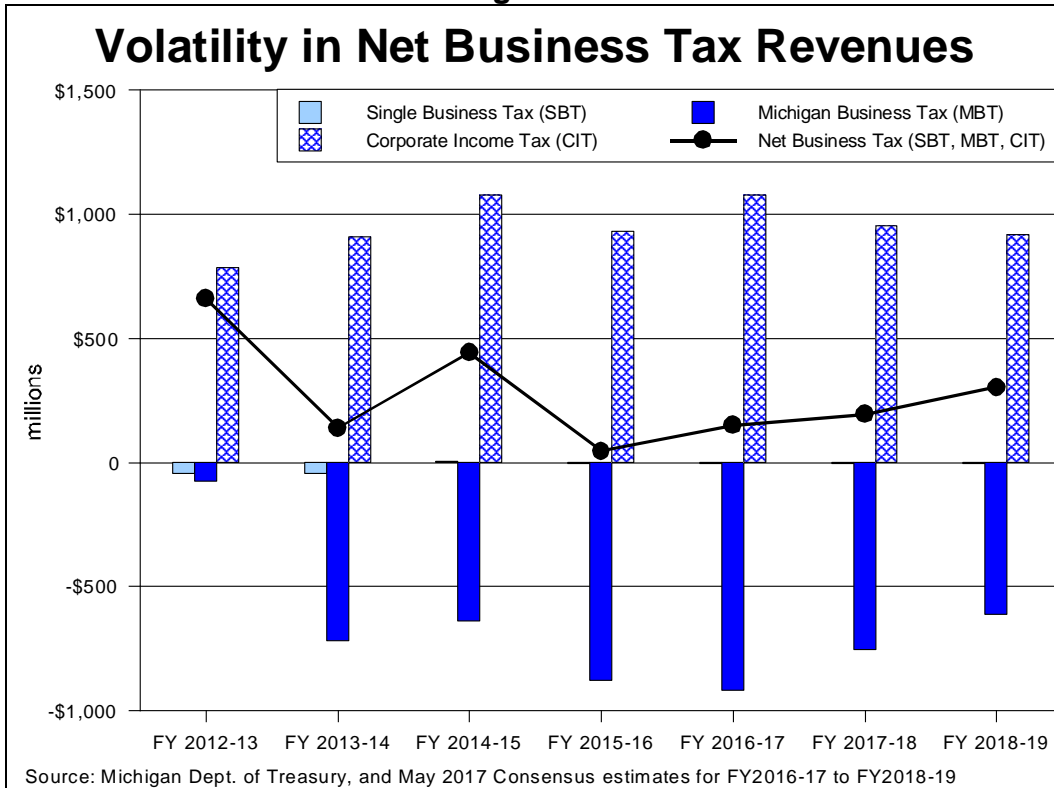


Figure 25



Tax Code Restructuring

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

Table 2

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

Tax Provision	FY 2012-13			FY 2013-14			FY 2014-15		
	GF/GP	SAF	Total	GF/GP	SAF	Total	GF/GP	SAF	Total
<u>Prior Law:</u>									
Michigan Business Tax	\$1,322.5	\$777.3	\$2,099.8	\$1,385.2	\$792.1	\$2,177.3	\$1,424.8	\$808.7	\$2,233.5
<u>Business Tax Changes:</u>									
Repeal MBT (12/31/11)	(\$1,375.1)	(\$777.3)	(\$2,152.4)	(\$1,366.3)	(\$792.1)	(\$2,158.4)	(\$1,409.7)	(\$808.7)	(\$2,218.4)
Corporate Income Tax (1/1/12)	876.1	0.0	876.1	911.4	0.0	911.4	945.5	0.0	945.5
Financial Institutions Tax	43.9	0.0	43.9	45.6	0.0	45.6	47.5	0.0	47.5
Certified Credits/Options Tax	(437.4)	0.0	(437.4)	(568.9)	0.0	(568.9)	(562.3)	0.0	(562.3)
Total Changes to Business Taxes	(892.5)	(777.3)	(1,669.8)	(978.2)	(792.1)	(1,770.3)	(979.0)	(808.7)	(1,787.7)
Net Business Tax Rev. After Credits	\$430.0	(\$0.0)	\$430.0	\$407.0	\$0.0	\$407.0	\$445.8	\$0.0	\$445.8
<u>Individual Income Tax 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 \$7.8 billion below the limit for FY 2014-15 and \$8.1 billion below the limit in FY 2015-16. It is estimated to be \$9.1 billion below the limit in FY 2016-17, \$9.5 billion below the limit in FY 2017-18, and \$10.1 billion below the limit in FY 2018-19.

Figure 26

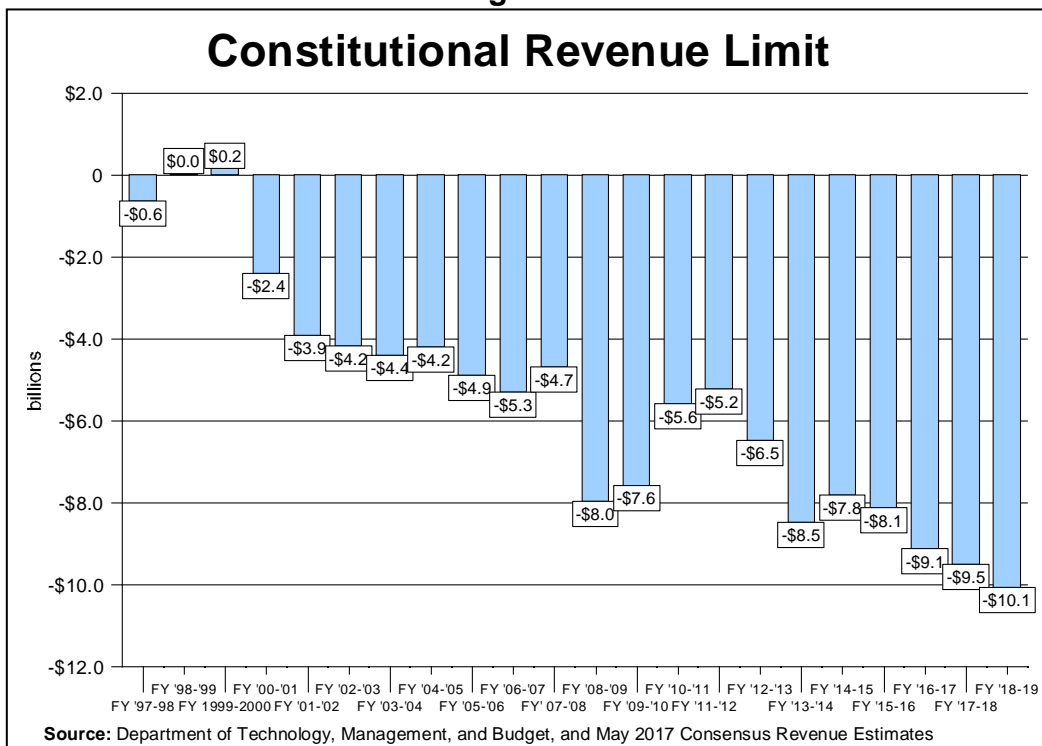


Figure 27

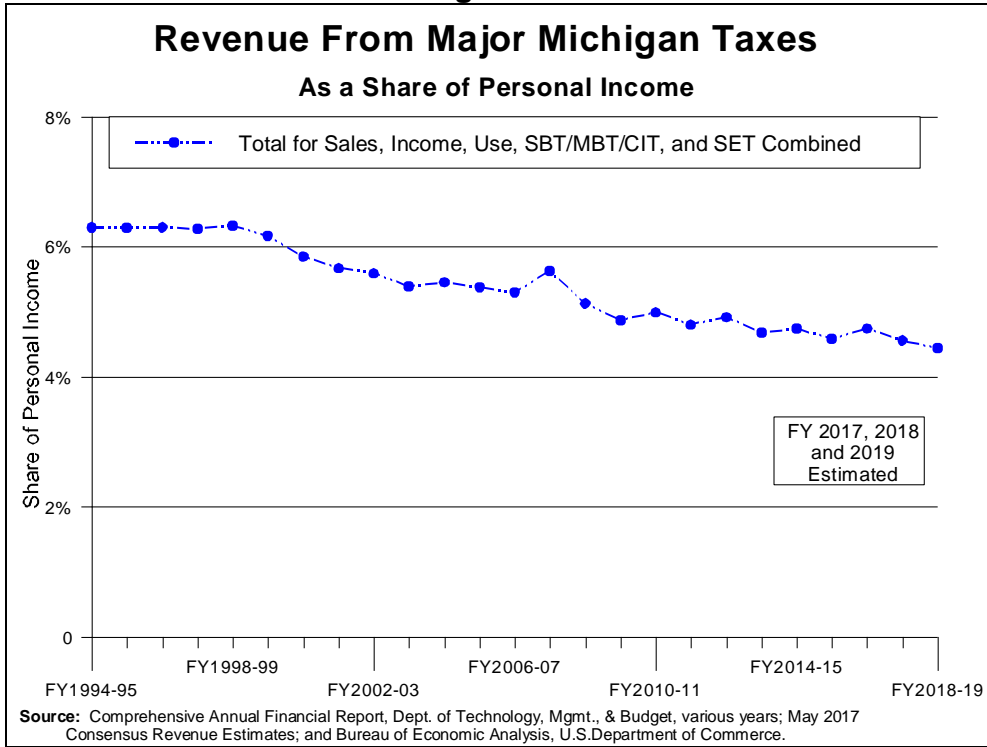


Figure 28

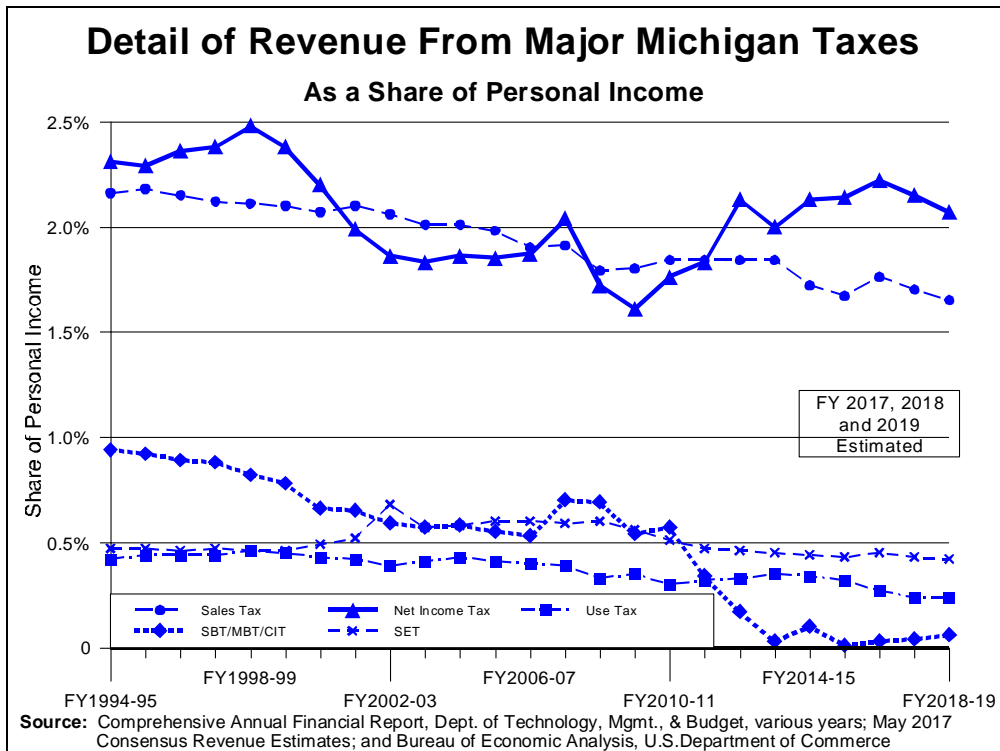


Table 3

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

Tax	Revenue Estimates ¹⁾		Current Tax Rate	Examples of Rev. Impact Due to Change in Rate ⁶⁾			History of Tax Rate Changes
	FY 2016-17 Net Revenue	FY 2017-18 Net Revenue		Rate Change	FY '17 Rev. Change Eff. 1/1/17	FY '18 Rev. Change Eff. 1/1/17	
Individual Income Tax: Gross Collections Refunds Net Income Tax	\$11,575.4 (1,879.0) \$9,696.4	\$11,970.0 (1,927.5) \$10,042.5	4.25%	0.1%	\$167.4	\$252.6	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%
Sales Tax²⁾	\$7,694.9	\$7,929.3	6.0%	1% of: ²⁾ first 4% of 6% last 2% of 6%	\$982.4 \$920.7	\$1,349.6 \$1,265.5	1933: 3.0% 1960: 4.0% 1994: 6.0% 5/1
Use Tax³⁾	\$1,565.9	\$1,549.3	6.0%	1.0%	\$195.7	\$258.2	1937: 3.0% 1960: 4.0% 1994: 6.0% 5/1
Corporate Income Tax	\$1,078.0	\$950.2	6.0%	1.0%	\$134.8	\$158.4	Rate has not changed.
Tobacco Tax Cigarettes Other Tobacco Products	\$944.4 \$865.5 \$78.9	\$935.8 \$854.4 \$81.4	\$2.00/pack 32% whole-sale price	\$0.10/pack 2.0%	\$32.1 \$3.7	\$42.3 \$5.0	1947: 3 cents/pk 1959: 4 cents/pk 1961: 5 cents/pk 1962: 7 cents/pk 1970: 11 cents/pk 1982: 21 cents/pk 1987: 25 cents/pk 1993: 75 cents/pk 2002: \$1.25/pk 8/1 2004: \$2/pk 7/1
Liquor Tax⁴⁾	\$53.0	\$54.2	4.0%	1.0%	\$9.9	\$13.5	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 Tax⁵⁾	\$41.6	\$42.4	\$6.30/barrel ⁵⁾	\$1/barrel ⁵⁾	\$4.9	\$6.7	1933: \$1.25/barrel 1959: \$2.50/barrel 1962: \$6.61/barrel 1966: \$6.30/barrel
Wine Tax⁶⁾	\$10.4	\$10.6	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 1989: mixed-spirit drinks 48 cents/liter
Casino Gaming Tax	\$114.0	\$115.0	8.1%	1.0%	\$10.6	\$14.2	1999: 8.1% of adj. gross receipts 2004: 12.1% of adj. gross receipts 9/1 FY07: 8.1%-12.1% FY09: 8.1% 2/09
Real Estate Transfer Tax⁷⁾	\$312.7	\$315.7	0.75% ⁷⁾	0.25%	\$78.2	\$105.2	Rate has not changed.
State Education Property Tax	\$1,945.9	\$2,002.6	6 mills	1 mill	\$324.3	\$333.8	1994: 6 mills 2003: 5 mills (one-year reduction only) 2004: 6 mills
Gasoline Tax	\$1,122.1	\$1,202.3	\$0.263/gal.	\$0.01/gal.	\$34.2	\$45.7	1983: 13 cents/gal. 2017: 26.3 cents/gal. 1984: 15 cents/gal. 1997: 19 cents/gal.

1) Consensus Revenue Estimates, May 17, 2017. 2) The first 4 percentage points of the 6% sales tax rate are assessed on the entire sales tax base (including residential utilities), whereas the last two percentage points of the 6% sales tax rate are not assessed on residential utilities. 3) Combined State and local revenue, and thus includes the portion of the Use Tax directed to the Local Community Stabilization Authority. The LCSA portion is set in statute and would not be affected by a rate change. Thus the estimated impact of a rate change only reflects the impact on State revenue. 4) There are three taxes on liquor, each with a rate of 4.0% and they are earmarked to the General Fund, School Aid Fund, and the Convention Facility Fund. One tax, assessed at 1.85% on sales for off-site consumption and earmarked to the Liquor Purchase Revolving Fund, was repealed effective October 1, 2012. 5) The beer tax of \$6.30/barrel is equivalent to 1.9 cents per 12-ounce can of beer. Increasing the rate by \$1/barrel would increase the tax/can to 2.2 cents. 6) Tax on wine is as follows: Wine containing 16% or less of alcohol: 13.5 cents/liter; and wine containing more than 16% alcohol: 20 cents/liter. 7) The real estate transfer tax is assessed when real property changes ownership and it is assessed on the transaction price.

8) Senate Fiscal Agency estimate.

Budget Stabilization Fund

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

Table 4

BUDGET AND ECONOMIC STABILIZATION FUND TRANSFERS, EARNINGS, AND FUND BALANCE FY 1998-99 TO FY 2017-18 INITIAL APPROPRIATIONS (millions of dollars)					
Fiscal Year	Pay-In		Interest Earned	Pay-Out	Fund Balance
	Trust Fund Act ^{a)}	Other			
1998-99	\$0.0	\$244.4	\$51.2	\$73.7	\$1,222.5
1999-00	0.0	100.0	73.9	132.0	1,264.4
2000-01	0.0	0.0	66.7	337.0	994.2
2001-02	0.0	0.0	20.8	869.8	145.2
2002-03	0.0	0.0	1.8	147.0	0.0
2003-04	0.0	81.3	0.0	0.0	81.3
2004-05	0.0	0.0	2.0	81.3	2.0
2005-06	0.0	0.0	0.0	0.0	2.0
2006-07	0.0	0.0	0.1	0.0	2.1
2007-08	0.0	0.0	0.1	0.0	2.2
2008-09	0.0	0.0	0.0	0.0	2.2
2009-10	0.0	0.0	0.0	0.0	2.2
2010-11	0.0	0.0	0.0	0.0	2.2
2011-12	0.0	362.7	0.2	0.0	365.1
2012-13	0.0	140.0	0.5	0.0	505.6
2013-14 ^{b)}	0.0	75.0	0.4	194.8	386.2
2014-15	17.5	94.0	0.4	0.0	498.1
2015-16	17.5	95.0	1.8	0.0	612.4
Enacted Deposits with Estimated Interest Earnings Fund Balance:					
2016-17 ^{c)}	17.5	75.0	2.9	0.0	707.8
2017-18 ^{d)}	17.5	150.0	10.8	0.0	886.1

^{a)} PA 186 of 2014 amended the Trust Fund Act to authorize the deposit of \$17.5 million of tobacco settlement revenue to the BSF annually from FY 2014-15 to FY 2034-35 to repay the withdrawal related to the Detroit bankruptcy.

^{b)} Pay-in was appropriated in Public Act 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)} \$75.0 million appropriated in PA 340 of 2016 (SB 800). PA 107 of 2017 repealed and replaced this section to remove inoperative automatic deposit language related to the year end General Fund balance.

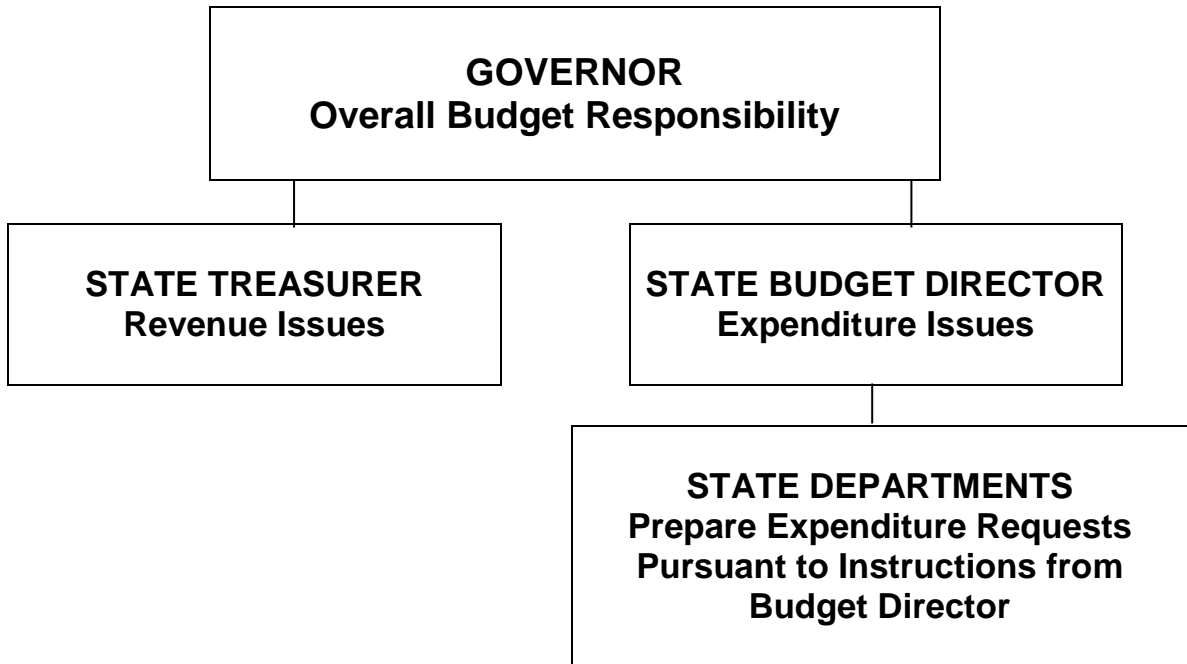
^{d)} PA 107 of 2017.

Source: CAFR through FY 2015-16, enacted legislation, and SFA estimates of interest earnings.

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 Committees
 - Governor and Budget Director Presentation
- Documentation
 - Summaries
 - Executive Budget Bills
 - Line Item Detail

Legislative Budget Responsibilities

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

Budget Time Frame

JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE
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 appropriations legislation is completed. Initial Appropriations Report is distributed. Year-end budgetary adjustments and lapse estimates are completed.			SFA Year-End Appropriations Report is generated. SFA Economic and Revenue Forecast is released. Mid-year budget adjustments (transfers, supplementals, Executive Orders) are analyzed as needed.		

Mandated Budget Requirements and Restrictions State Budget Process Constitutional Requirements

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

Mandated Budget Requirements and Restrictions State Budget Process Statutory Requirements

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

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

Mandated Budget Requirements and Restrictions Boilerplate Requirements

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

- Impose Conditions on Appropriations
- Require Reporting
- Impose Specific Spending Criteria

Specific Michigan Budget Practices

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

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

State Budget Terms

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

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

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

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

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

FTE: Full-time equated employee

Boilerplate: Intent language in appropriation bills

Table 5

ADJUSTED GROSS, STATE SPENDING FROM STATE RESOURCES, AND GF/GP INITIAL APPROPRIATIONS for FY 2017-18 (Billions of Dollars)			
Department/Budget Area	Adjusted Gross	State Spending	GF/GP
Health and Human Services	\$25.4	\$6.8	\$4.4
K-12 Education	14.6	12.9	0.2
Transportation	4.3	3.0	0.0
Corrections	2.0	2.0	1.9
Higher Ed/Community Colleges	<u>2.0</u>	<u>1.9</u>	<u>1.3</u>
Subtotal	\$48.4	\$26.5	\$7.8
All Other	7.2	5.6	2.2
Total	\$55.6	\$32.1	\$10.0

**The State Budget
FY 2017-18**

Table 6

SUMMARY OF FY 2017-18 APPROPRIATION CHANGES		
	Gross	GF/GP
FY 2016-17 Year-To-Date Appropriation¹⁾	\$55,350,819,000	\$10,053,814,800
Changes for FY 2017-18:		
New Programs	\$117,233,400	\$39,152,200
Program Increases.....	2,302,109,000	469,458,400
Program Eliminations/Reductions	(1,274,098,700)	(350,819,900)
Major Fund Shifts Affecting GF/GP	0	(213,425,400)
Other Technical Program Adjustments.....	(99,065,200)	(14,291,500)
Economic Adjustments.....	106,585,800	57,549,100
Unclassified Salaries Adjustments	<u>574,000</u>	<u>299,300</u>
Total Changes.....	\$1,153,338,300	(\$12,077,800)
FY 2017-18 INITIAL APPROPRIATION	\$56,504,157,300	\$10,041,737,000

¹⁾ Appropriation as of July 14, 2017.

Figure 29

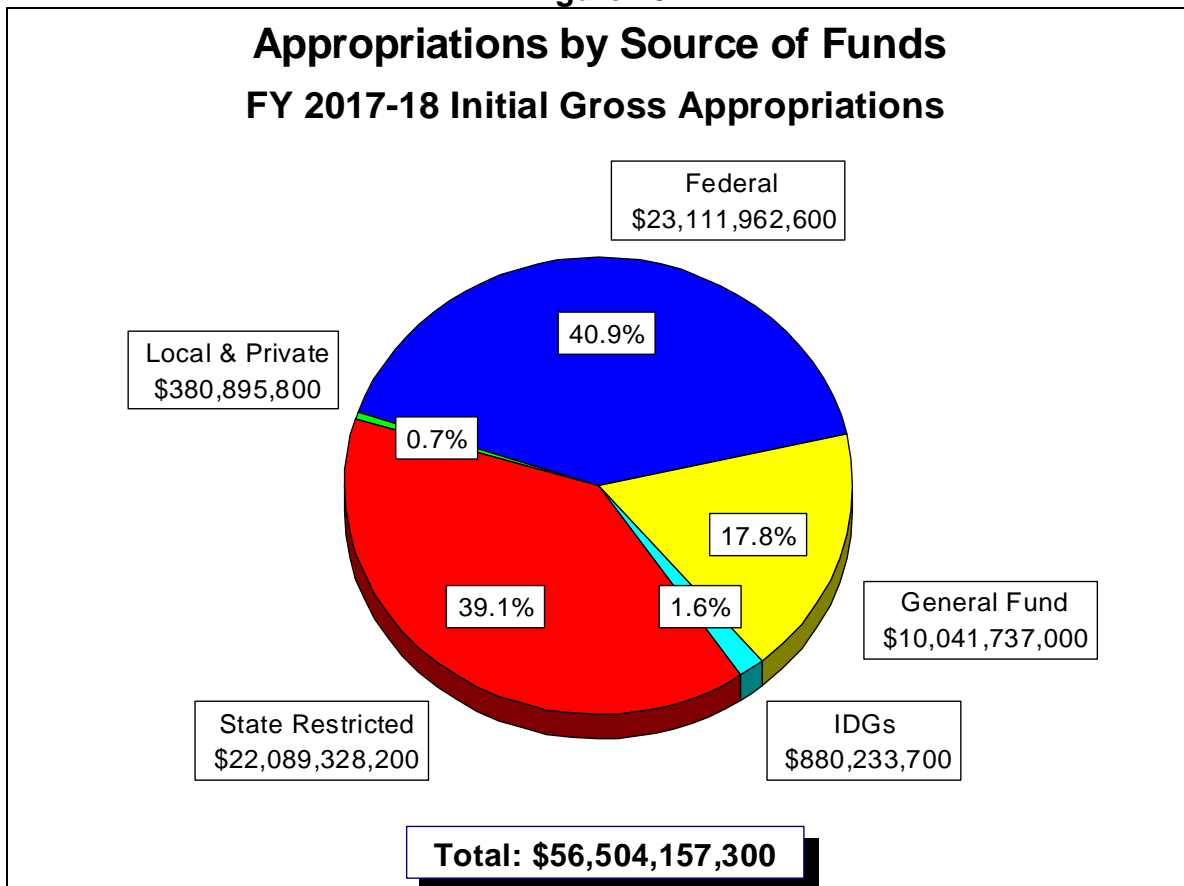


Table 7

**APPROPRIATIONS BY SOURCE OF FUNDS
FY 2017-18 INITIAL APPROPRIATIONS**

Department/Budget Area	Gross	IDGs	Adjusted Gross	Federal	Local & Private	State Restricted	General Fund/ General Purpose
Agriculture & Rural Development	\$114,448,600	\$310,300	\$114,138,300	\$11,373,900	\$101,600	\$36,661,000	\$66,001,800
Attorney General	101,198,800	29,915,300	71,283,500	9,518,000	0	21,516,900	40,248,600
Capital Outlay	0	0	0	0	0	0	0
Civil Rights	16,249,600	296,600	15,953,000	2,775,800	18,700	151,900	13,006,600
Community Colleges	399,326,500	0	399,326,500	0	0	398,301,500	1,025,000
Corrections	2,001,919,200	0	2,001,919,200	5,293,800	8,842,400	41,149,400	1,946,633,600
Education	351,181,200	0	351,181,200	254,084,700	7,851,500	8,567,600	80,677,400
Environmental Quality	508,767,700	3,100,500	505,667,200	170,042,600	555,300	287,825,300	47,244,000
Executive	6,848,500	0	6,848,500	0	0	0	6,848,500
Health & Human Services	25,444,884,600	13,640,900	25,431,243,700	18,364,898,000	266,421,000	2,434,439,800	4,365,484,900
Higher Education	1,629,224,400	0	1,629,224,400	111,526,400	0	238,443,500	1,279,254,500
Insurance & Financial Services	66,741,400	707,600	66,033,800	2,014,700	0	63,869,100	150,000
Judiciary	300,043,000	1,550,600	298,492,400	6,464,100	6,924,900	92,529,000	192,574,400
Legislative Auditor General	24,286,200	5,709,200	18,577,000	0	0	1,969,400	16,607,600
Legislature	155,274,800	0	155,274,800	0	400,000	4,277,700	150,597,100
Licensing & Regulatory Affairs	434,672,000	47,835,100	386,836,900	65,020,900	361,800	277,037,600	44,416,600
Military & Veterans Affairs	179,504,400	101,800	179,402,600	92,334,100	2,168,400	22,332,600	62,567,500
Natural Resources	408,967,300	232,200	408,735,100	70,095,700	7,446,000	274,248,500	56,944,900
Natural Resources Trust Fund	0	0	0	0	0	0	0
School Aid	14,578,863,900	0	14,578,863,900	1,726,943,500	0	12,638,230,400	213,690,000
State	249,358,500	20,000,000	229,358,500	1,460,000	50,100	208,709,400	19,139,000
State Police	694,763,900	26,221,600	668,542,300	83,662,500	6,013,300	139,423,700	439,442,800
Talent & Economic Development	1,179,421,800	0	1,179,421,800	762,144,800	6,120,900	206,056,700	205,099,400
Tech., Management, & Budget	1,412,543,200	713,959,000	698,584,200	4,985,300	2,444,400	111,399,300	579,755,200
Transportation	4,347,443,000	4,039,300	4,343,403,700	1,340,301,200	50,632,000	2,952,470,500	0
Treasury (Debt Service)	107,580,000	0	107,580,000	0	0	0	107,580,000
Treasury (Operations)	512,429,800	12,613,700	499,816,100	27,022,600	14,543,500	359,881,500	98,368,500
Treasury (Revenue Sharing)	1,278,215,000	0	1,278,215,000	0	0	1,269,835,900	8,379,100
TOTAL BUDGET AREA APPROPS	\$56,504,157,300	\$880,233,700	\$55,623,923,600	\$23,111,962,600	\$380,895,800	\$22,089,328,200	\$10,041,737,000

Figure 30

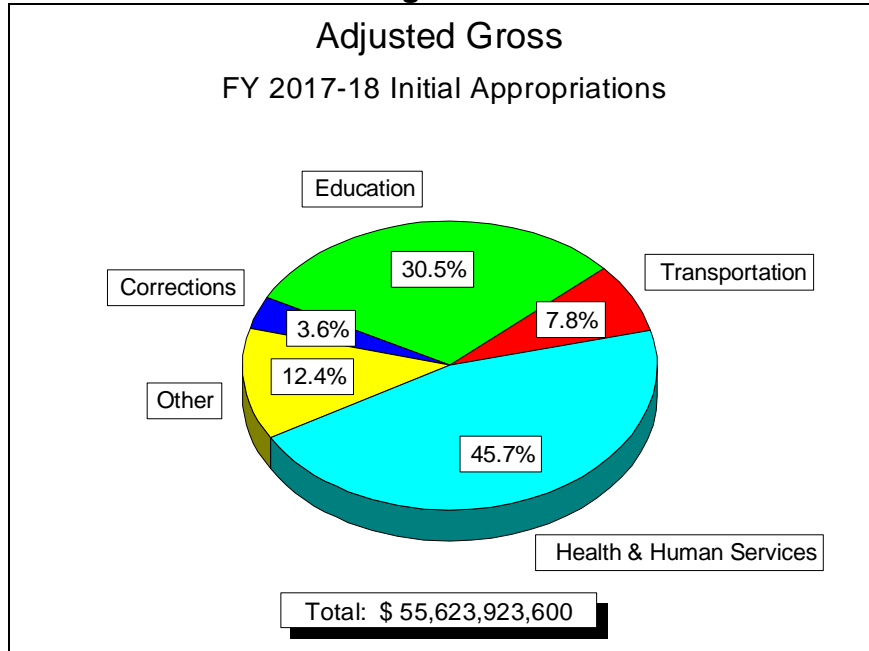


Table 8

INITIAL ADJUSTED GROSS APPROPRIATIONS FY 2017-18	
<u>Department/Budget Area</u>	
Health and Human Services.....	\$25,431,243,700
School Aid.....	14,578,863,900
Transportation.....	4,343,403,700
Corrections.....	2,001,919,200
Higher Education	1,629,224,400
Treasury-Revenue Sharing	1,278,215,000
Talent and Economic Development	1,179,421,800
Technology, Management, and Budget	698,584,200
State Police.....	668,542,300
Environmental Quality	505,667,200
Treasury-Operations.....	499,816,100
Natural Resources.....	408,735,100
Community Colleges.....	399,326,500
Licensing and Regulatory Affairs.....	386,836,900
Education	351,181,200
Judiciary.....	298,492,400
State.....	229,358,500
Military and Veterans Affairs.....	179,402,600
Legislature	155,274,800
Agriculture and Rural Development	114,138,300
Treasury-Debt Service.....	107,580,000
Attorney General.....	71,283,500
Insurance and Financial Services	66,033,800
Legislative Auditor General	18,577,000
Civil Rights.....	15,953,000
Executive	6,848,500
TOTAL APPROPRIATIONS	\$55,623,923,600

Figure 31

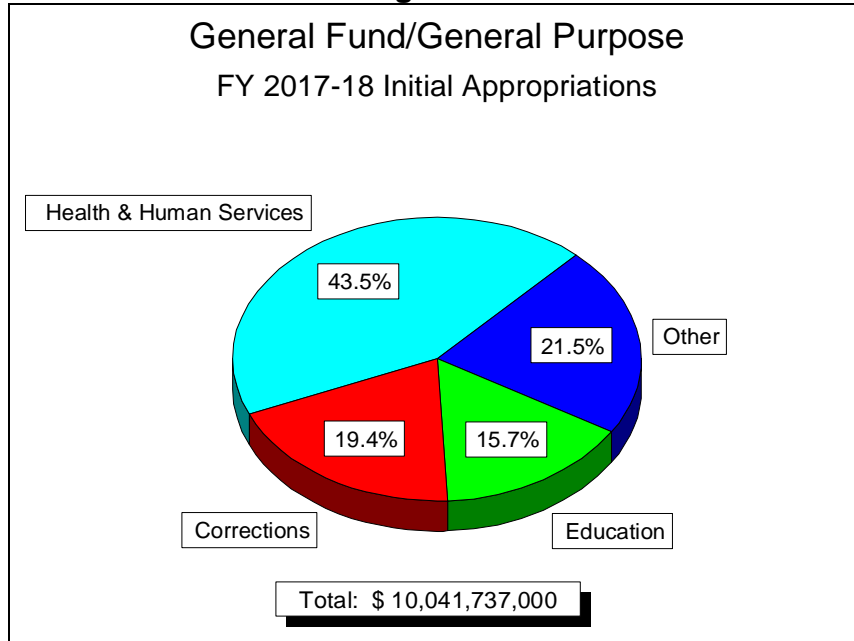


Table 9

**INITIAL GF/GP APPROPRIATIONS
FY 2017-18**

<u>Department/Budget Area</u>	
Health and Human Services	\$4,365,484,900
Corrections	1,946,633,600
Higher Education	1,279,254,500
Technology, Management, and Budget	579,755,200
State Police	439,442,800
School Aid	213,690,000
Talent and Economic Development	205,099,400
Judiciary	192,574,400
Legislature	150,597,100
Treasury-Debt Service	107,580,000
Treasury-Operations	98,368,500
Education	80,677,400
Agriculture and Rural Development	66,001,800
Military and Veterans Affairs	62,567,500
Natural Resources	56,944,900
Environmental Quality	47,244,000
Licensing and Regulatory Affairs	44,416,600
Attorney General	40,248,600
State	19,139,000
Legislative Auditor General	16,607,600
Civil Rights	13,006,600
Treasury-Revenue Sharing	8,379,100
Executive	6,848,500
Community Colleges	1,025,000
Insurance and Financial Services	150,000
Transportation	0
TOTAL GF/GP APPROPRIATIONS.....	\$10,041,737,000

Table 10

**FULL-TIME EQUATED POSITIONS
FY 2016-17 VERSUS FY 2017-18**

Department/Budget Area	FY 2016-17 Year-to-Date Positions	FY 2017-18 Initial Positions	Position Change	Percent Change
Agriculture & Rural Development	476.0	493.5	17.5	3.7%
Attorney General	531.0	530.0	(1.0)	(0.2)
Civil Rights	129.0	110.0	(19.0)	(14.7)
Corrections	13,803.9	13,803.9	0.0	0.0
Education	597.5	603.5	6.0	1.0
Environmental Quality	1,237.0	1,239.0	2.0	0.2
Executive	74.2	79.2	5.0	6.7
Health & Human Services	15,597.5	15,611.5	14.0	0.1
Insurance & Financial Services	336.5	336.5	0.0	0.0
Judiciary	510.0	501.0	(9.0)	(1.8)
Licensing & Regulatory Affairs	2,202.3	2,322.3	120.0	5.4
Military & Veterans Affairs	898.5	904.5	6.0	0.7
Natural Resources	2,237.8	2,261.8	24.0	1.1
State	1,587.0	1,586.0	(1.0)	(0.1)
State Police	3,226.0	3,437.0	211.0	6.5
Talent & Economic Development	1,609.0	1,447.0	(162.0)	(10.1)
Technology, Management, & Budget	2,877.0	2,937.0	60.0	1.2
Transportation	2,912.3	2,820.3	(92.0)	(3.2)
Treasury (Operations)	1,913.5	1,852.5	(61.0)	(3.2)
TOTAL POSITIONS.....	52,756.0	52,876.5	120.5	0.2%

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

Figure 32

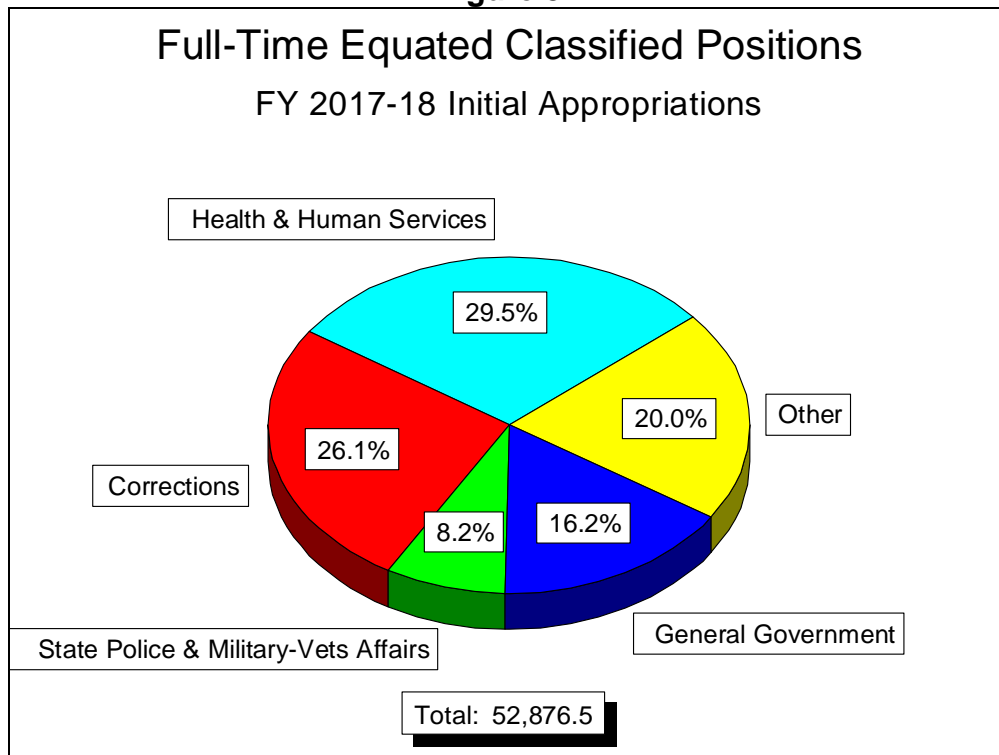


Figure 33

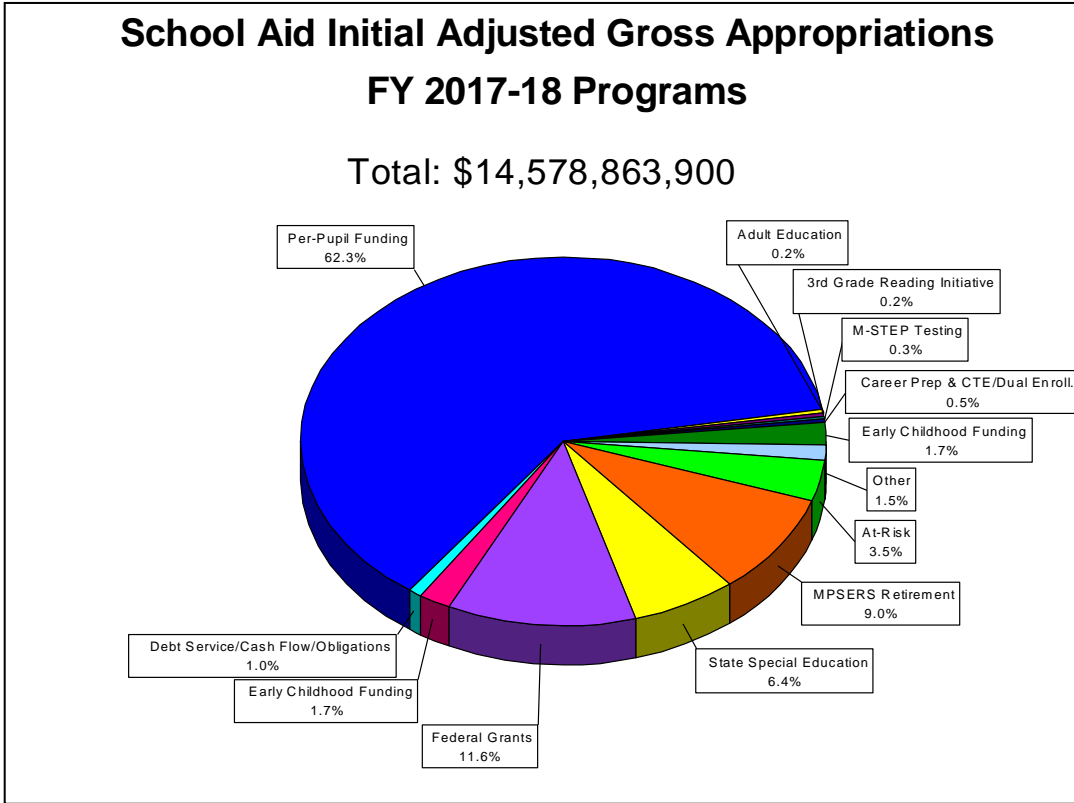


Figure 34

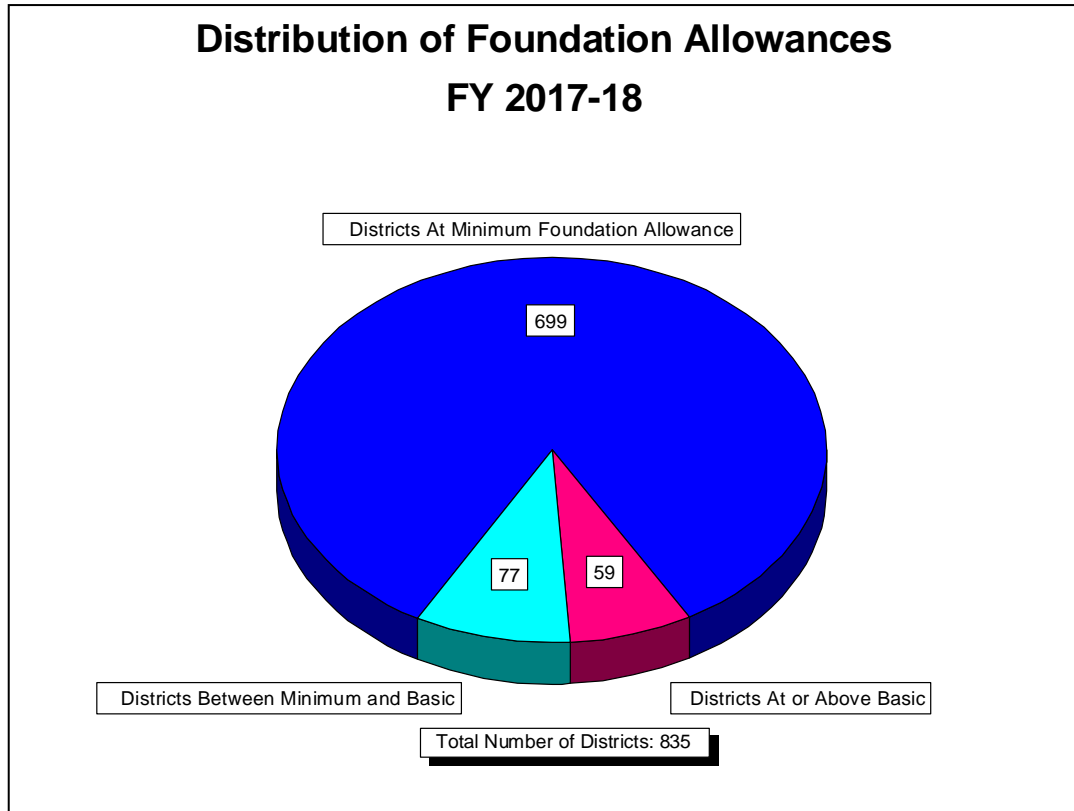
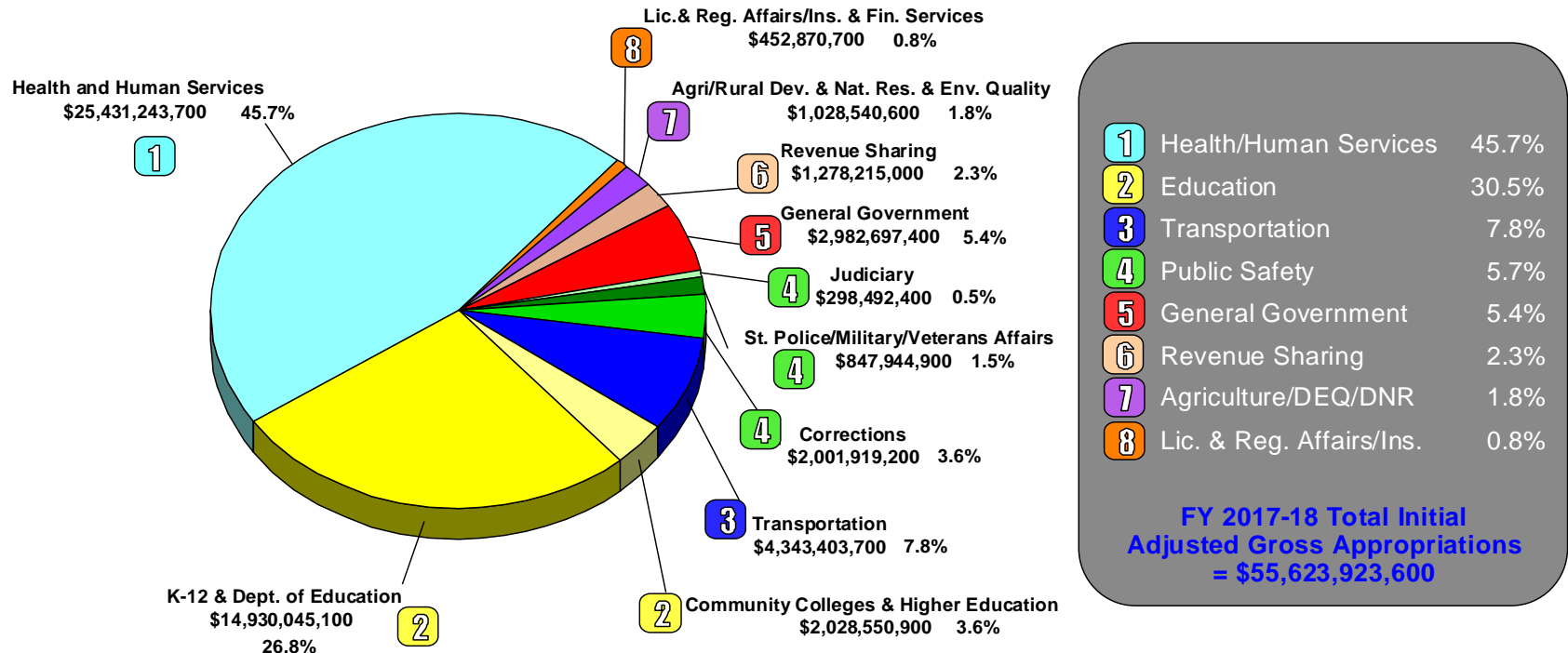


Figure 35

Where State of Michigan Tax Dollars Are Spent Fiscal Year 2017-18 Initial Adjusted Gross Appropriations



1	Health/Human Services	45.7%
2	Education	30.5%
3	Transportation	7.8%
4	Public Safety	5.7%
5	General Government	5.4%
6	Revenue Sharing	2.3%
7	Agriculture/DEQ/DNR	1.8%
8	Lic. & Reg. Affairs/Ins.	0.8%

FY 2017-18 Total Initial Adjusted Gross Appropriations = \$55,623,923,600

Senate Fiscal Agency - July 14, 2017

Table 11

FY 2016-17 AND FY 2017-18 GENERAL FUND/GENERAL PURPOSE REVENUE, EXPENDITURES, AND YEAR-END BALANCE ESTIMATES (Millions of Dollars)		
	FY 2016-17	FY 2017-18
Beginning Balance.....	\$604.4	\$267.4
Ongoing Revenue:		
May 2017 Consensus Revenue Estimate	\$10,111.3	\$10,408.6
Revenue Sharing Payments	(465.3)	(465.9)
Shift of Short-Term Borrowing Costs to School Aid Fund.....	5.5	6.5
Medicaid Managed Care Use Tax.....	<u>121.6</u>	<u>0.0</u>
Subtotal Ongoing Revenue.....	\$9,773.1	\$9,949.2
Non-Ongoing Revenue:		
One-Time Appropriation for Revenue Sharing	(\$5.8)	(\$5.8)
Redirection of Restricted Revenue.....	15.0	0.0
Hewlett Packard Settlement Proceeds.....	<u>9.5</u>	<u>(5.8)</u>
Subtotal Non-Ongoing Revenue	\$18.7	(\$11.6)
Total Estimated GF/GP Revenue	\$10,396.2	\$10,205.0
Expenditures:		
Initial Ongoing Appropriations	\$9,669.0	\$9,784.4
One-Time and Other Appropriations:		
Initial One-Time Appropriations.....	\$306.3	\$257.3
Appropriation to the Budget Stabilization Fund	75.0	150.0
Enacted Supplementals	118.3	0.0
Shift from GF/GP to SAF Funding Source.....	(39.8)	0.0
Estimated Year-End Lapses	<u>0.0</u>	<u>0.0</u>
Subtotal One-Time and Other Appropriations	\$459.8	\$407.3
Total Estimated GF/GP Expenditures.....	\$10,128.8	\$10,191.7
PROJECTED YEAR-END GF/GP BALANCE	\$267.4	\$13.3

Table 12
FY 2016-17 AND FY 2017-18 SCHOOL AID FUND
REVENUE, EXPENDITURES, AND YEAR-END BALANCE ESTIMATES
(Millions of Dollars)

	FY 2016-17	FY 2017-18
Beginning Balance.....	\$168.2	\$271.7
Ongoing Revenue:		
May 2017 Consensus Revenue Estimate	\$12,609.9	\$12,970.5
General Fund/General Purpose Grant	179.0	213.7
Federal Ongoing Aid.....	1,730.7	1,726.9
Community District Education Trust Fund.....	72.0	72.0
Medicaid Managed Care Use Tax.....	<u>60.8</u>	<u>0.0</u>
Subtotal Ongoing Revenue.....	<u>\$14,652.4</u>	<u>\$14,983.1</u>
Non-Ongoing Revenue:		
SAF Deposit into MPSERS Reserve Fund.....	\$0.0	(\$55.0)
Reserve Fund for MPSERS	0.0	23.1
Drinking Water Declaration of Emergency Reserve Fund	<u>2.5</u>	<u>0.0</u>
Subtotal Ongoing Revenue.....	<u>\$2.5</u>	<u>(\$31.9)</u>
Total Estimated School Aid Fund Revenue	<u>\$14,823.1</u>	<u>\$15,222.9</u>
Expenditures:		
Initial Ongoing K-12 Appropriations.....	\$13,985.8	\$14,266.5
Enacted Supplementals	(107.9)	0.0
Fund Community Colleges with School Aid Fund.....	260.4	398.3
Partially Fund Higher Education with School Aid Fund.....	<u>237.1</u>	<u>238.3</u>
Subtotal Ongoing Appropriations	<u>\$14,375.4</u>	<u>\$14,903.1</u>
One-Time and Other Appropriations:		
Initial One-Time K-12 Appropriations	\$176.0	\$89.3
MPSERS UAAL Payment	0.0	200.0
MPSERS K-12 New Reform Costs	0.0	23.1
Estimated Lapses	<u>0.0</u>	<u>0.0</u>
Subtotal One-Time and Other Appropriations	<u>\$176.0</u>	<u>\$312.4</u>
Total Estimated School Aid Fund Expenditures.....	<u>\$14,551.4</u>	<u>\$15,215.5</u>
PROJECTED YEAR-END SCHOOL AID FUND BALANCE	<u>\$271.7</u>	<u>\$7.4</u>

Table 13

TOTAL ACCUMULATED PENSION UNFUNDED LIABILITIES												
Fiscal Year	MPSERS¹⁾: BASIC/MIP		MPSERS¹⁾: HYBRID		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	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
2014-15	26,721,248,000	60.5	(23,000)	100.0	5,820,912,000	64.2	654,205,000	64.7	7,914,000	96.9	58,593,000	69.6
2015-16	29,107,030,000	59.7	(178,000)	100.1	6,078,353,000	64.3	734,929,000	63.4	(2,718,000)	101.1	N/A	---

Notes: FY 2015-16 Total Accrued Unfunded Liability for pensions (excluding Legislative) equals \$35,917,416,000. Negative numbers in the unfunded liability column represent surplus assets in a retirement system. New hires in the State Employees', Judicial, and Legislative retirement systems no longer are eligible for a defined benefit pension, and instead are part of a defined contribution (401k) retirement plan. New hires in MPSERS have a choice between a hybrid (DB and DC) plan or a straight DC plan. New hires in State Police are in a hybrid (DB and DC) plan. The hybrid plans are called "Pension Plus".

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

TOTAL ACCUMULATED HEALTH UNFUNDED LIABILITIES										
Fiscal Year	MPSERS		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
2014-15	9,301,854,000	27.5	7,696,604,000	14.5	580,817,000	14.0	9,126,000	0.0	152,724,200	12.5
2015-16	9,497,337,000	31.1	8,395,101,000	16.0	636,743,000	15.5	8,900,000	10.4	N/A	---

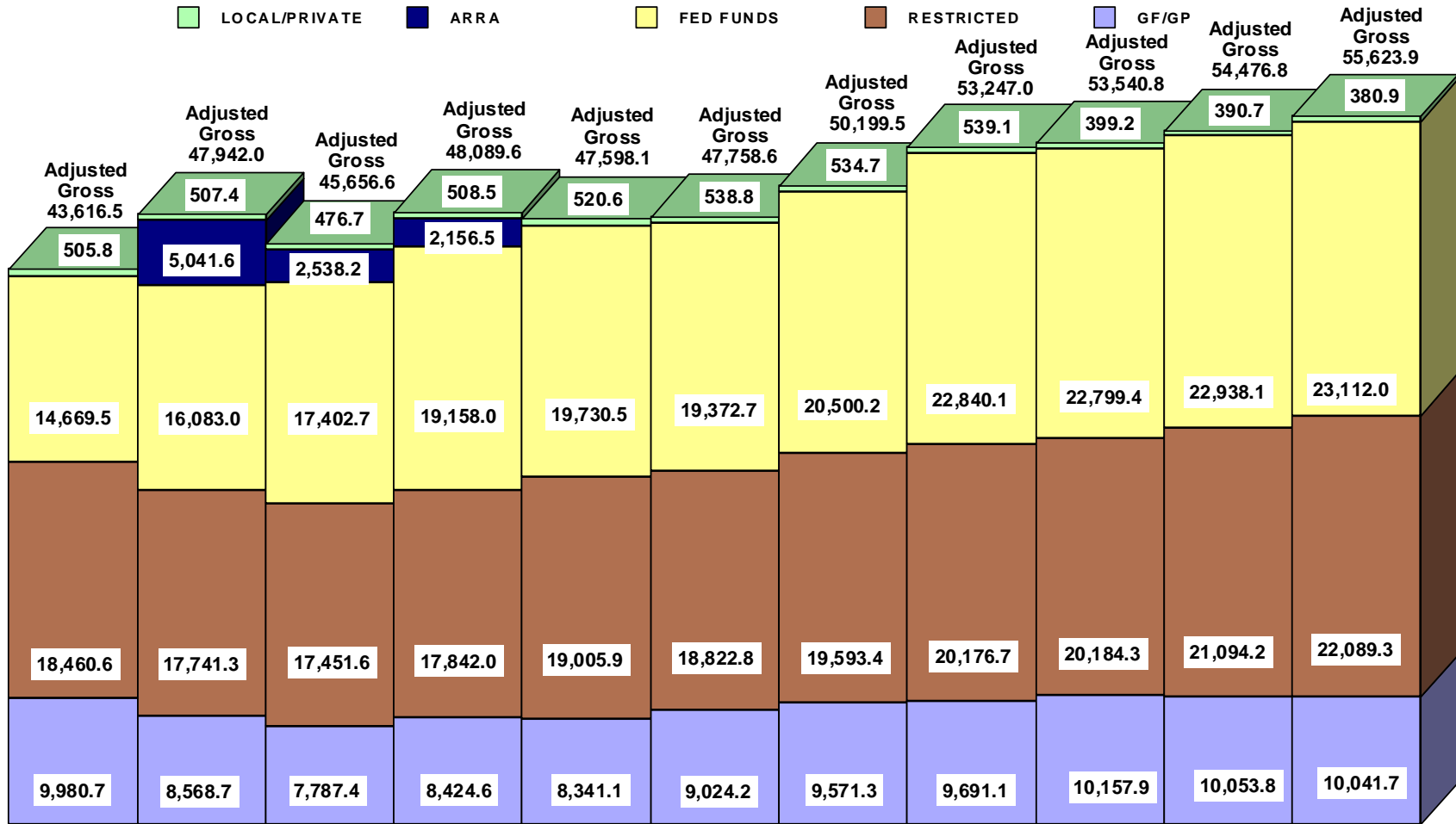
Notes: FY 2015-16 Total Accrued Unfunded Liability for retiree health care (excluding Legislative) equals \$18,538,081,000. The State Employees Retirement System began prefunding retiree health care in FY 2011-12 and MPSERS and State Police began prefunding in FY 2012-13. However, new hires (since January 1, 2012 for State employees, June 10, 2012 for State Police, September 4, 2012 for MPSERS, and January 1, 2013 for Legislative) are no longer eligible for retiree health care premium coverage. Instead, these groups, except for legislators, receive matching 401k contributions that could be used to pay for costs related to retiree health care, which accumulate in a personal healthcare fund. Legislators not vested by January 1, 2013, have neither retiree health premium coverage nor a personal healthcare fund.

Recent State Appropriation History

Figure 36

State Of Michigan Appropriations by Fund Source

Year-To-Date (Millions of Dollars)



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 FY 2016-17 FY 2017-18

Notes: Adjusted Gross = Total appropriations for all departments. State Resources = State restricted + GF/GP appropriations. Initial Approps.
Does not include GF/GP BSF appropriations of \$362.7 million, \$140 million, \$75 million, \$94 million, \$95 million, \$75 million, and \$150 million for FYs 2011-12, 2012-13, 2013-14, 2014-15, 2015-16, 2016-17, and 2017-18 respectively, or \$230 million in FY 2013-14 for Roads and Risks Reserve Fund.

Senate Fiscal Agency, July 14, 2017

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	53,247.0	3,047.5	6.1
2015-16	53,540.8	293.8	0.6
2016-17	54,476.8	936.0	1.7
2017-18 (Initial)	55,623.9	1,147.1	2.1
Change FY 2007-08 to FY 2017-18		\$12,007.4	27.5%
Detroit CPI 10-Year Percent Change			12.4%
Note: Does not include Budget Stabilization Fund appropriations of \$362.7 million, \$140.0 million, \$75.0 million, \$94.0 million, \$95.0 million, \$75.0 million, and \$150.0 million for FYs 2011-12, 2012-13, 2013-14, 2014-15, 2015-16, 2016-17, and 2017-18, 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	29,867.7	703.0	2.4
2015-16	30,342.2	474.4	1.6
2016-17	31,148.1	805.9	2.7
2017-18 (Initial)	32,131.1	983.0	3.2
Change FY 2007-08 to FY 2017-18		\$3,689.8	13.0%
Detroit CPI 10-Year Percent Change			12.4%
Note: Does not include Budget Stabilization Fund appropriations of \$362.7 million, \$140.0 million, \$75.0 million, \$94.0 million, \$95.0 million, \$75.0 million, and \$150.0 million, for FYs 2011-12, 2012-13, 2013-14, 2014-15, 2015-16, 2016-17, and 2017-18, 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	10,149.6	458.6	4.7
2016-17 (Initial)	9,975.3	(174.3)	(1.7)
Change FY 2006-07 to FY 2016-17		\$856.6	9.4%
Detroit CPI 10-Year Percent Change			12.4%
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	22,840.1	53,247.0	42.89
2015-16	22,799.4	53,540.8	42.58
2016-17	22,938.1	54,476.8	42.11
2017-18 (Initial)	23,112.0	55,623.9	41.55
Change FY 2007-08 to FY 2017-18		57.6%	27.5%

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	52,702.9	(150.6)	(0.3)
2016-17	52,756.0	53.1	0.1
2017-18 (Initial)	52,876.5	120.5	0.2
Change FY 2007-08 to FY 2017-18		(4,165.2)	(7.3%)
Detroit CPI 10-Year Percent Change			12.4%

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	11,960.5	94.7	0.8
2016-17	12,323.2	362.7	3.0
2017-18 (Initial)	12,851.9	528.7	4.3
Change FY 2007-08 to FY 2017-18		\$1,430.1	12.5%
Detroit CPI 10-Year Percent Change			12.4%

Table 20

PUPIL MEMBERSHIP HISTORY FY 1994-95 to FY 2018-19				
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	1,344,369	151,611	1,495,980
90/10	2016-17	1,337,700	153,000	1,490,700
90/10	2017-18 Est.	1,336,500	150,000	1,486,500
90/10	2018-19 Est.	1,330,000	152,000	1,482,000

Table 21

STATE SPENDING PER PUPIL HISTORY			
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	11,960.5	1.4960	7,995
2016-17	12,323.2	1.4907	8,267
2017-18 (Initial)	12,851.9	1.4865	8,646

Table 22

K-12 SCHOOLS MINIMUM FOUNDATION ALLOWANCE HISTORY				
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	7,108	3.4	
2007-08	7,204	7,204	1.4	
2008-09	7,316	7,316	1.6	
2009-10	7,316	7,151	(2.3)	
2010-11	7,316	7,146	0.0	
2011-12	6,846	6,846	(4.2)	
2012-13	6,966	6,966	1.8	
2013-14	7,076	7,076	1.6	
2014-15	7,251	7,251	2.5	
2015-16	7,391	7,391	1.9	
2016-17	7,511	7,511	1.6	
2017-18 (Initial)	7,631	7,631	1.6	
10-Year Change	\$427	\$427		
10-Year % Change	5.9%	5.9%		
10-Year Detroit CPI % Change		12.4%		

Table 23

STATE SPENDING FROM STATE RESOURCES APPROPRIATIONS TOTAL COMPARED IN SELECTED BUDGET AREAS (Millions of Dollars)				
Budget Area	FY 2007-08	FY 2017-18	Dollar Difference	Percent Change
	Year-to-Date Appropriations	Initial Appropriations		
Health and Human Services	\$6,514.5	\$6,799.9	\$285.4	4.4%
Corrections	2,066.2	1,987.8	(78.5)	(3.8)
K-12 School Aid	11,421.8	12,851.9	1,430.1	12.5
Community Colleges	318.9	399.3	80.4	25.2
Higher Education	1,771.5	1,517.7	(253.8)	(14.3)
Revenue Sharing-Constitutional	688.2	798.1	109.9	16.0
Revenue Sharing-Nonconstitutional	388.2	480.1	91.9	23.7
All Other Programs	5,272.0	7,296.2	2,024.2	38.4
Total State Spending	\$28,441.3	\$32,131.1	\$3,689.8	13.0%
Addendum:				
Medicaid Caseload	1,550,654	2,450,000	899,346	58.0%
Prison Population	51,454	41,148	(10,306)	(20.0)
K-12 Pupil Count	1,652,555	1,486,500	(166,055)	(10.0)
University Students	254,231	260,817	6,586	2.6
Community College Students	146,234	125,388	(20,846)	(14.3)
Michigan Personal Income (millions)	\$353,728.0	\$471,424.3	\$117,696.3	33.3%
Detroit Consumer Price Index	204.6	230.0	25.4	12.4%
NOTES: Revenue Sharing: Constitutional number is the May 2017 Consensus Revenue Estimating Conference (CREC) estimate. Medicaid Caseload: Number for FY 2017-18 includes the estimated 670,000 individuals who are eligible under the expansion of Medicaid. Prison Population: These are the most recent year-end numbers published by the Department of Corrections for calendar years 2006 and 2016, respectively. K-12 Pupils: FY 2017-18 pupil count is the May 2017 CREC estimate. Community College and University Students: Numbers in FY 2017-18 column reflect the most recent data available, which are FY 2015-16 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 2017-18 numbers are May 2017 CREC estimates.				

Table 24

STATE APPROPRIATIONS FROM ALL SOURCES: HOW MUCH IS DISCRETIONARY? (Actual Dollars)	
FY 2017-18 Initial Adjusted Gross Appropriation	\$55,623,923,600
<u>Constitutional/Statutory Earmarking Requirements:</u>	
School Aid Fund (50% Constitutional)	(\$13,300,475,400)
Transportation (87% Constitutional).....	(2,952,470,500)
Regulatory Restricted Revenue (Statutory)	(1,275,461,100)
Constitutional Revenue Sharing.....	(798,087,800)
Federal Funding Requirement	(23,111,962,600)
Local and Private Revenue	(380,895,800)
Debt Service Payments (GF/GP)	(366,050,600)
Caseload/Inmate Driven.....	(8,087,707,700)
Estimated Balance for Discretionary Spending	\$5,350,812,100
<u>Estimated Balance for Discretionary Spending Includes:</u>	
GF/GP Funding for Community Colleges and Higher Education.....	\$1,280,279,500
Nonconstitutional State Revenue Sharing Funding	480,127,200
State Restricted and GF/GP Funding for State Police.....	578,866,500
Medicaid Programs-includes GME and MIChoice waiver.....	400,000,000
Non-Medicaid Programs-includes CMH, Local Public Health, Aging	300,000,000
GF/GP Funding for K-12 School Aid-includes Foundation Allowance.....	188,090,000
GF/GP Funding for Judiciary.....	192,574,400
State Restricted and GF/GP Funding for Department of State.....	227,848,400
State Restricted Revenue for Various State Departments	492,963,000
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, Talent & Economic Development, Technology, Management, & Budget, and Treasury	1,210,063,100
Estimated Discretionary Spending	\$5,350,812,100