

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

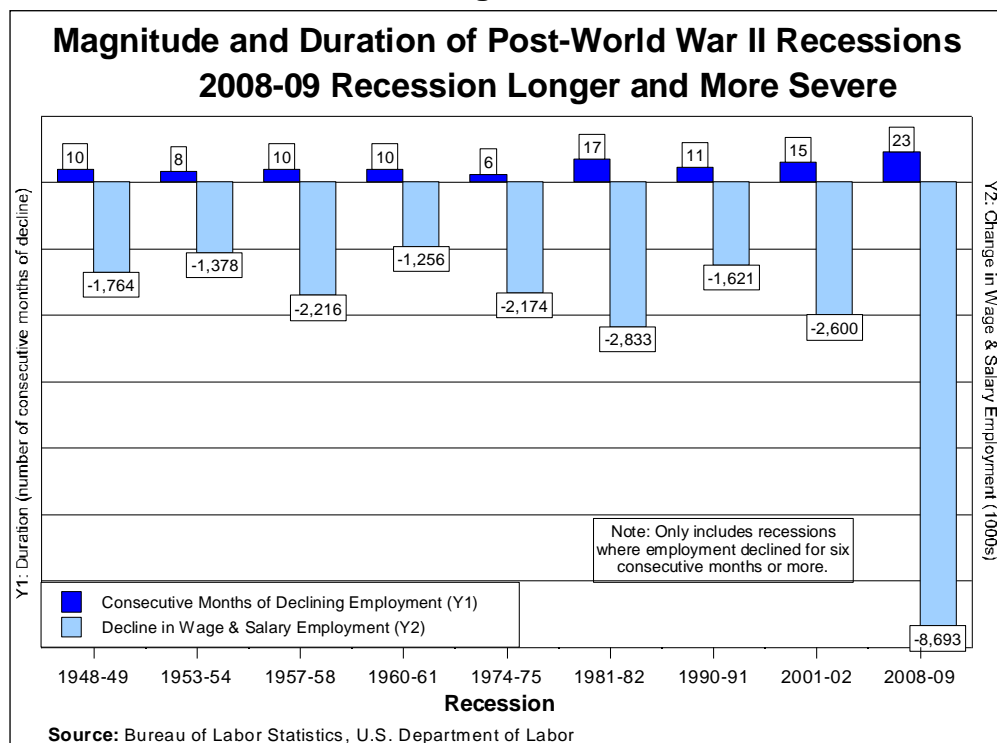


Figure 2

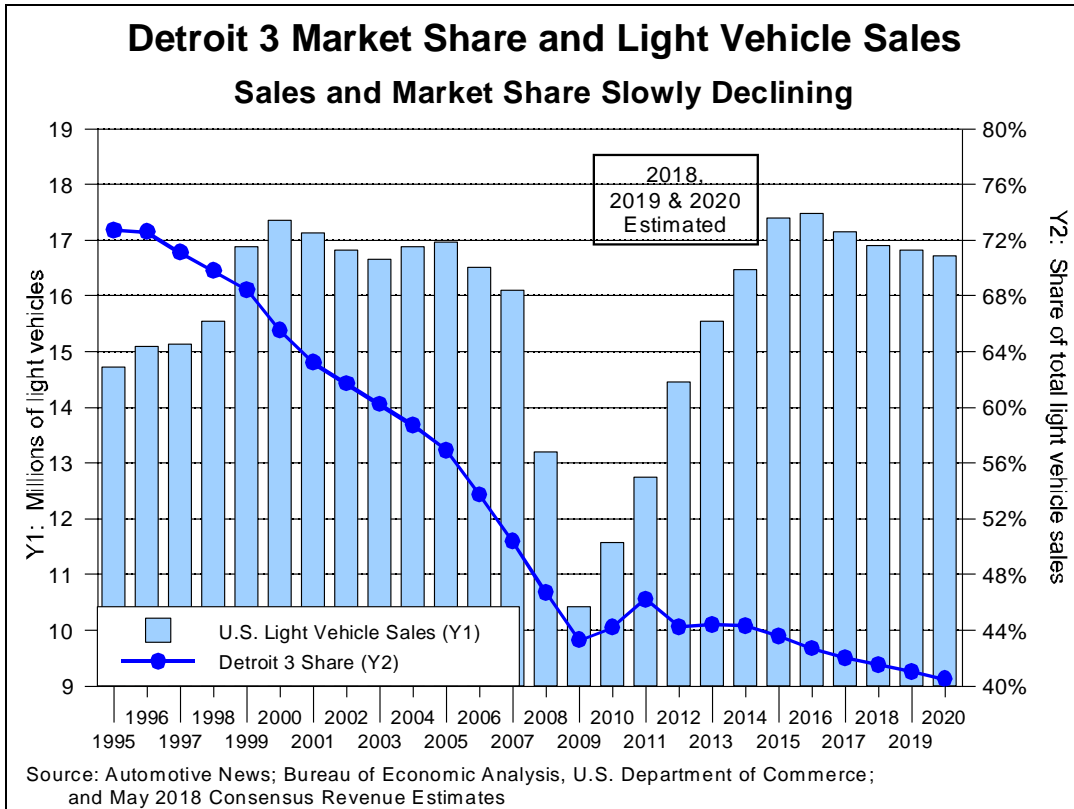
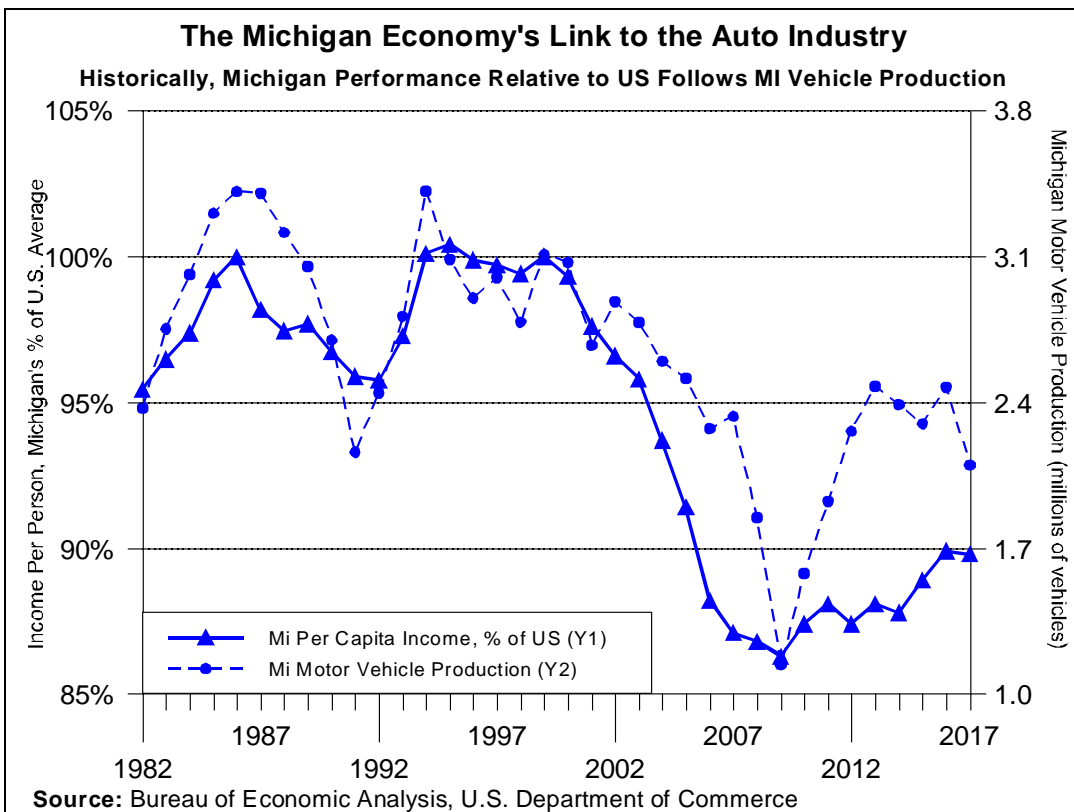


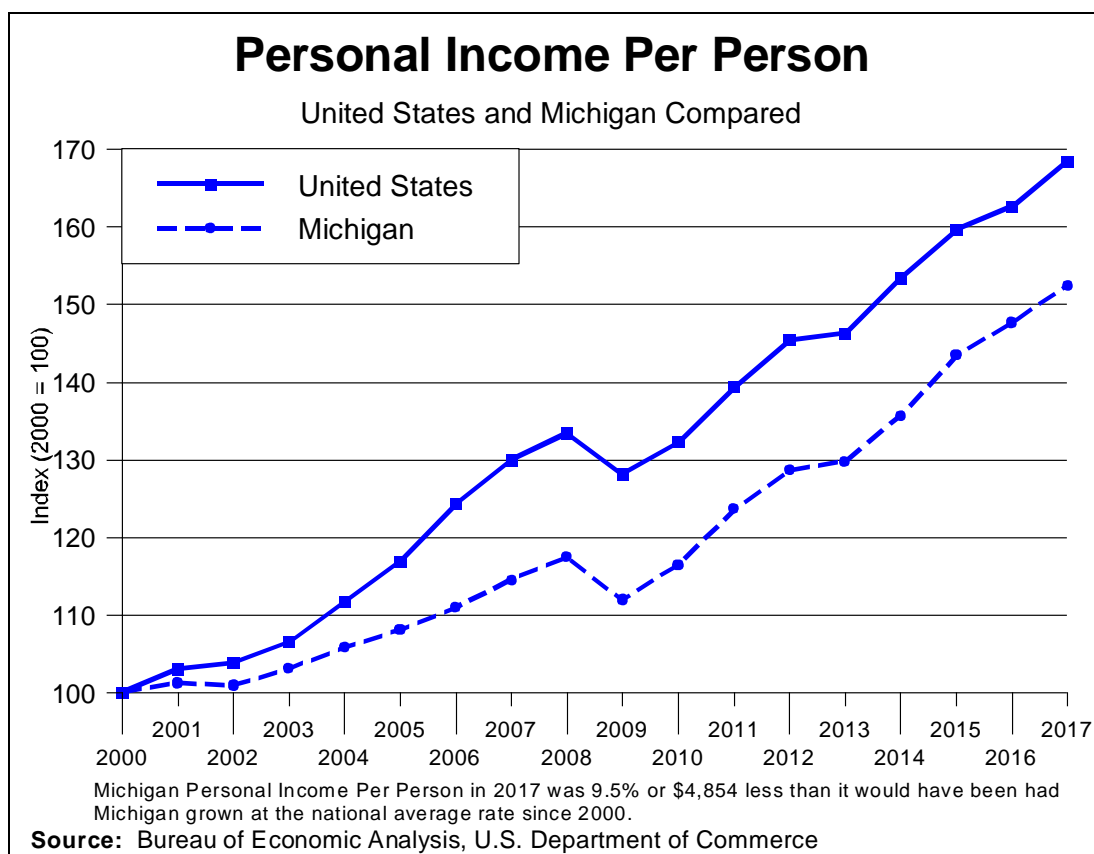
Figure 3



Michigan Personal Income

- Michigan personal income increased 15.6% between 2000 and 2010, compared to a 45.0% increase for the nation as a whole. Personal income grew by 30.7% in Illinois, 33.9% in Indiana, 29.8% in Ohio, and 39.6% 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 3.5% of the United States total. During calendar year 2010, Michigan personal income accounted for only 2.78% 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 28th among the states and by calendar year 2010, Michigan's ranking fell to 40th among the states.

Figure 4



Michigan's Decade of Declining Employment

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

- Payroll employment bottomed out in July 2009, down 418,400 jobs from December 2007 (when the U.S. recession began) and down 862,800 jobs from the April 2000 peak.
- Peak-to-trough, payroll employment declined 18.3%, with 48.5% 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

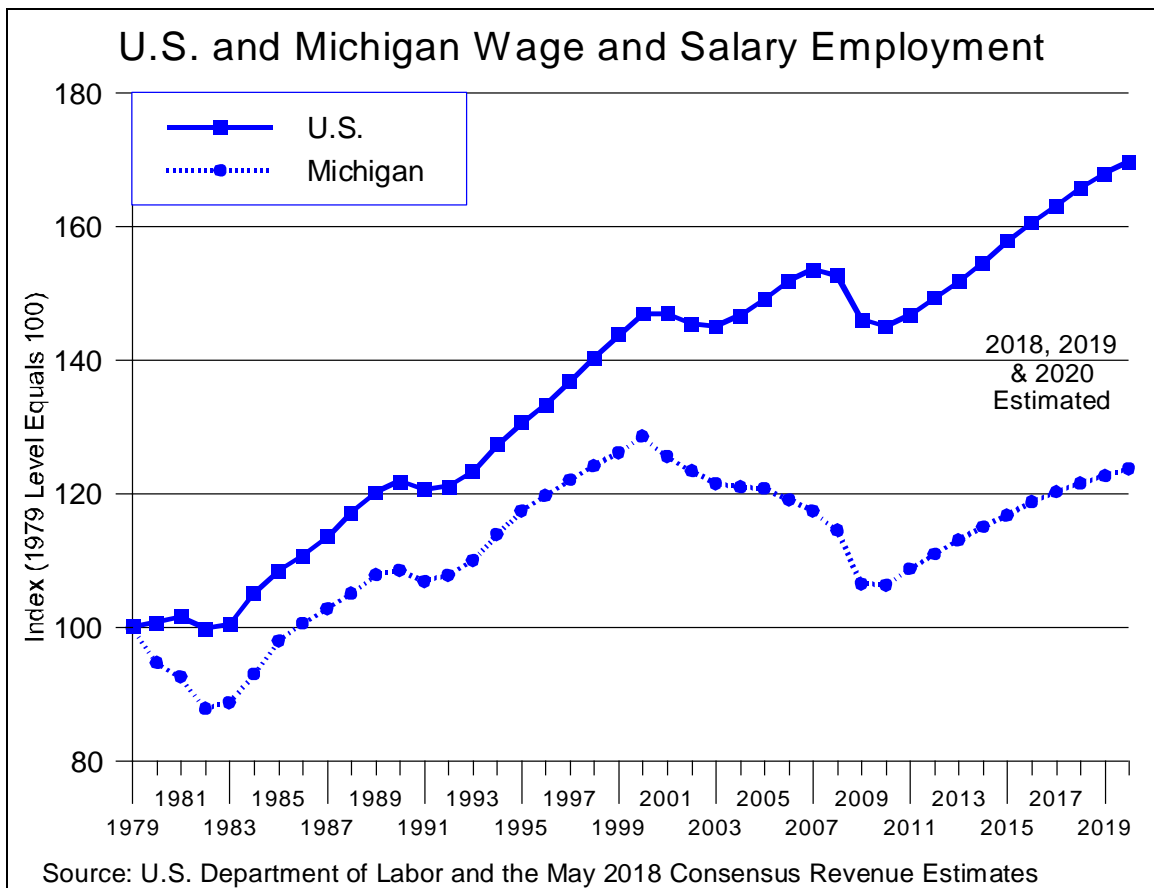


Figure 6

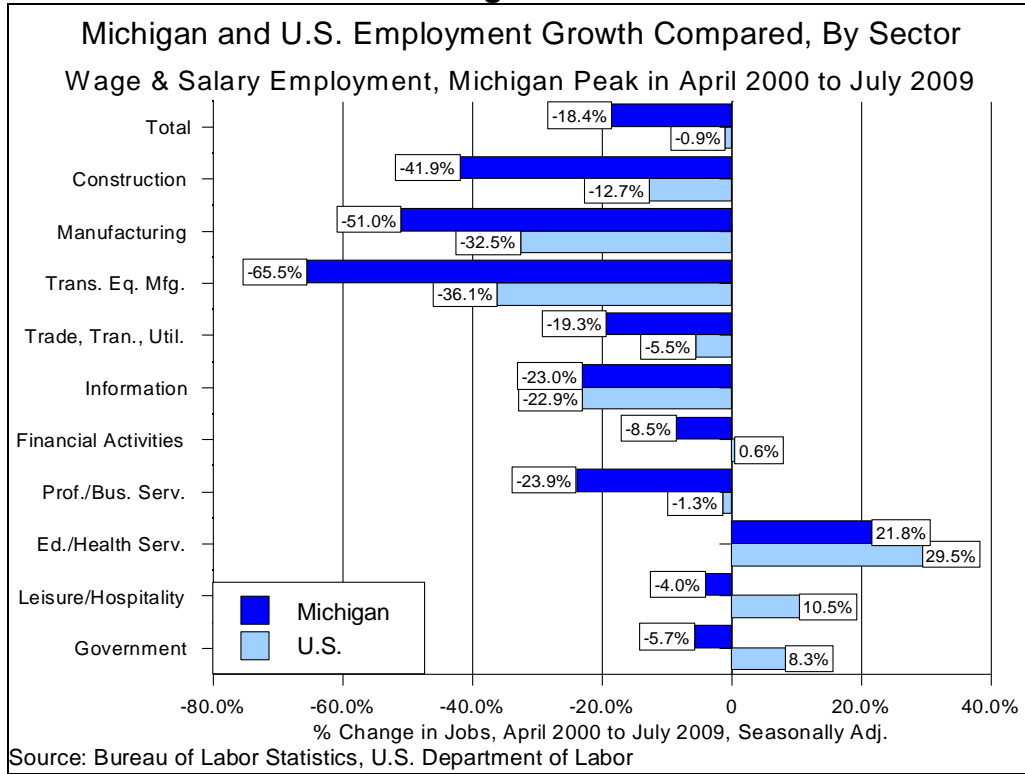


Figure 7

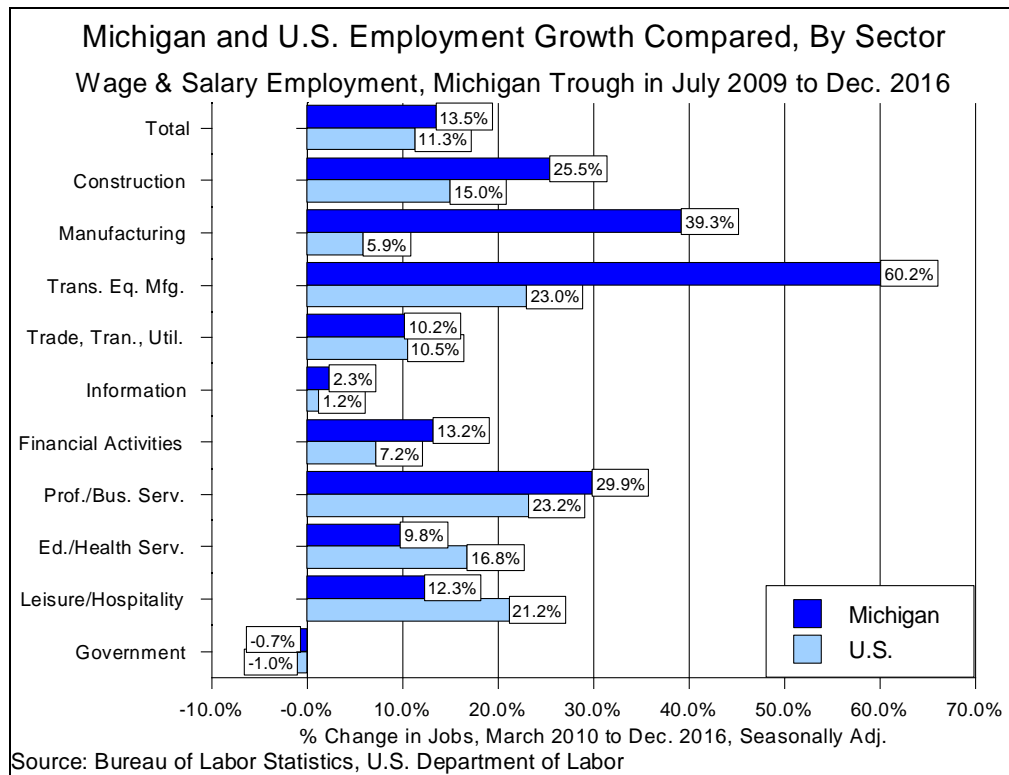


Figure 8

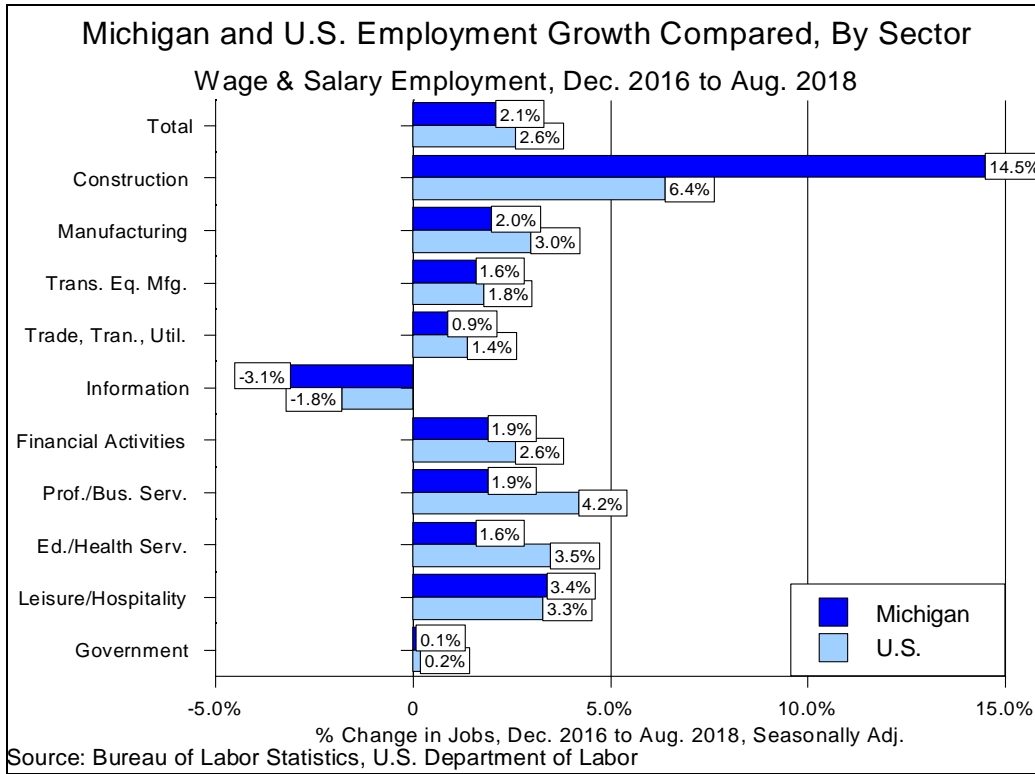
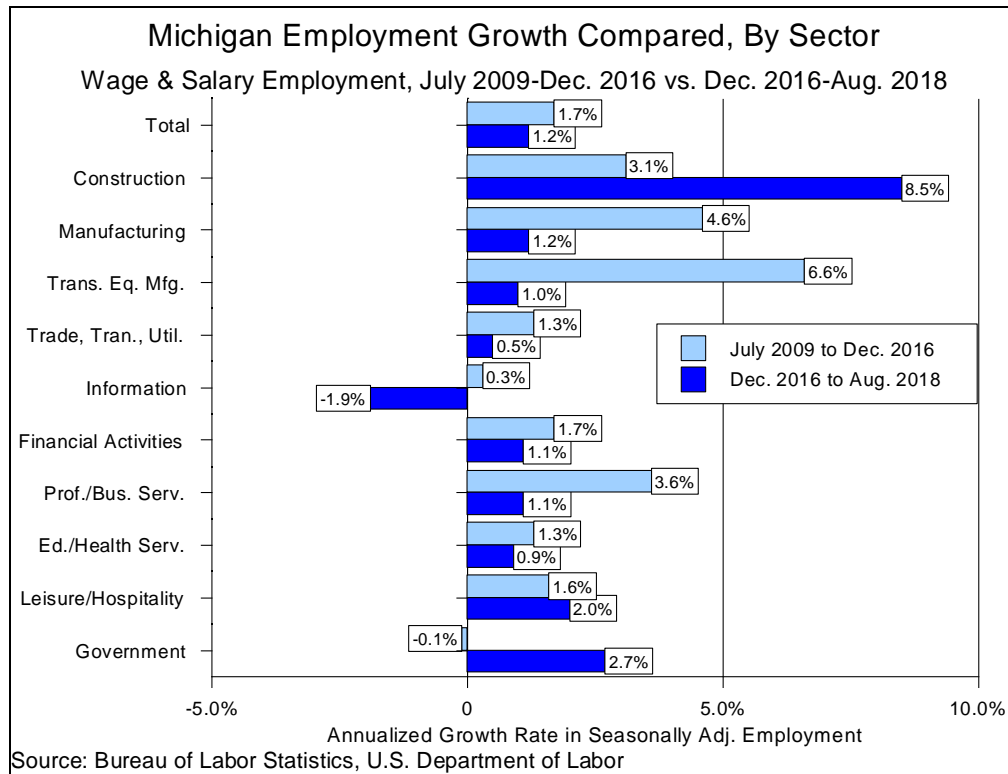


Figure 9



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 2.3%. Historically, the economy has grown at a 4.1% 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

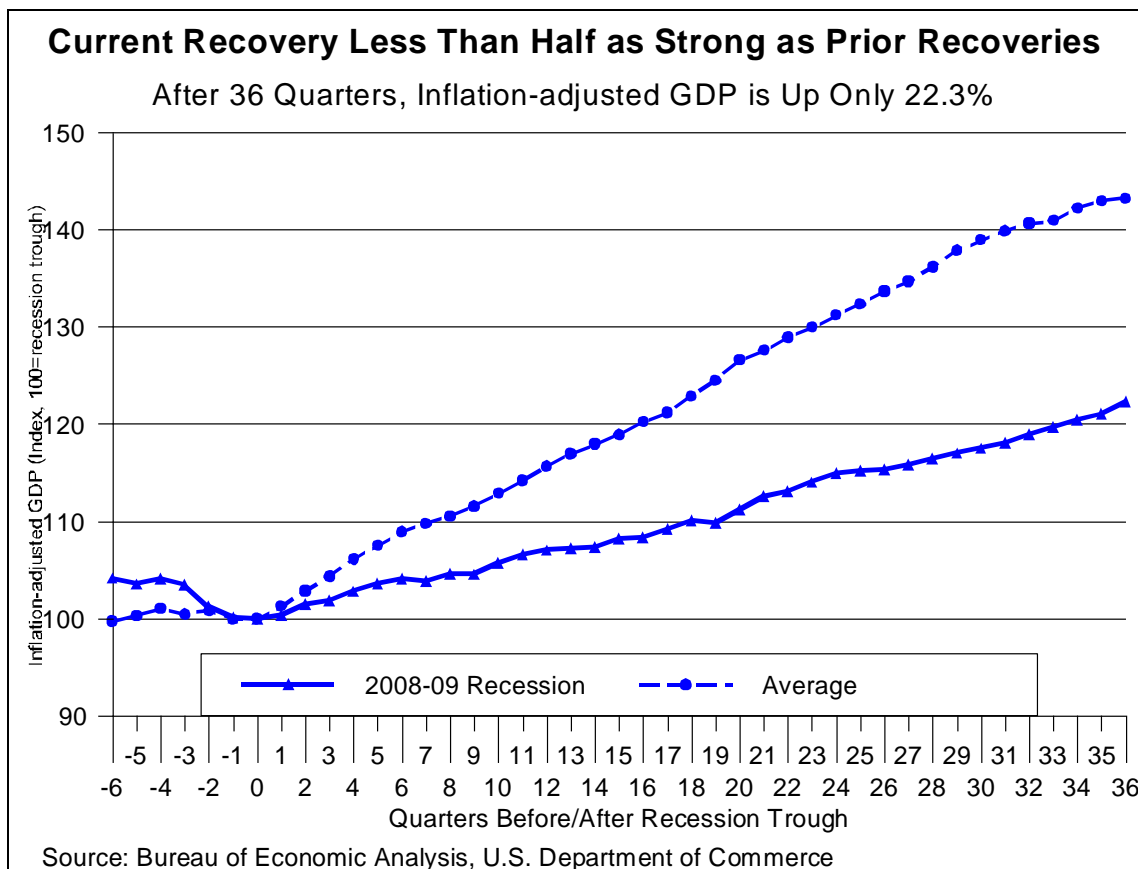


Figure 11

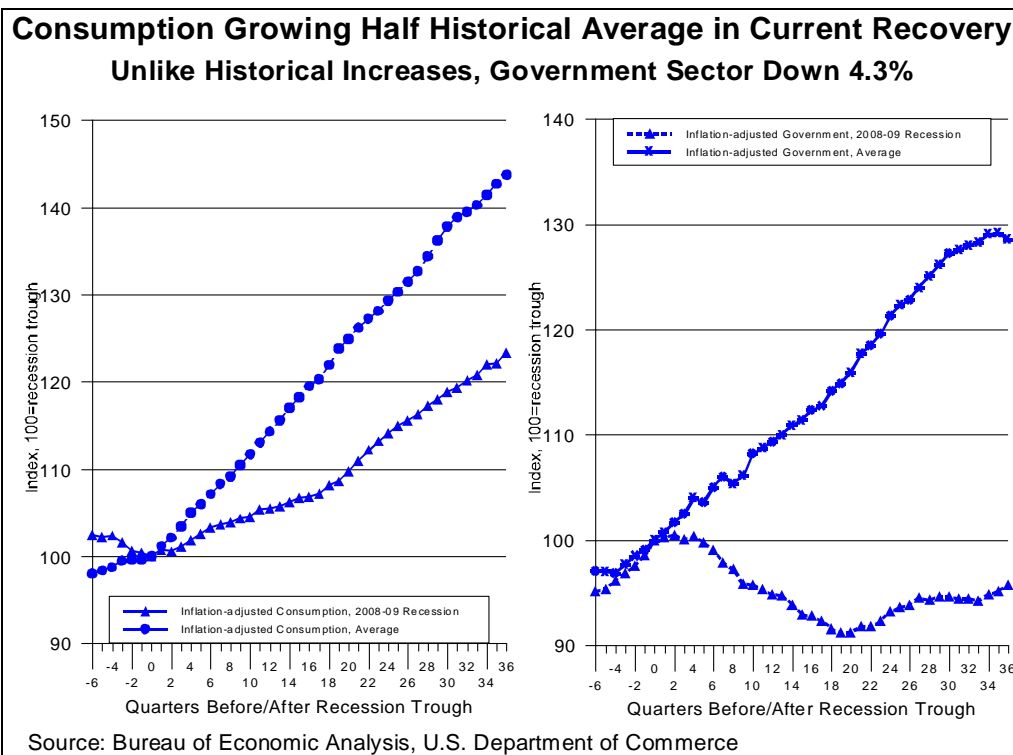
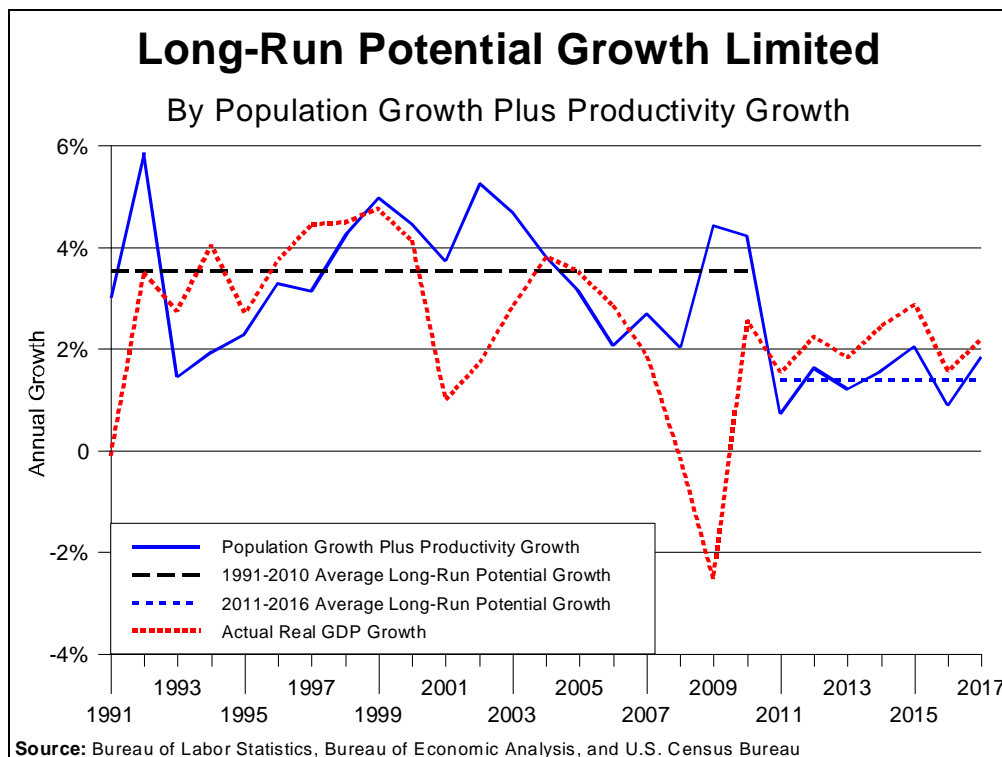


Figure 12



- 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, although year-over-year growth has slowed since July 2017. As of August 2018, Michigan payroll employment had increased by 603,400 jobs, although the August 2018 payroll employment level is still 5.5% below (256,300 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 the growth in the working age population. Average payroll employment gains averaged 167,200 jobs per month between 2010 and 2013, compared with about 177,000 per month during 2003-2006, and 251,400 per month over the 1993-1999 period. While payroll employment has increased by an average of 209,800 jobs per month since 2013, between slow job growth and an aging population, employment as a share of the population remains well below the levels in the late 1990s. (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 3.9% in August 2018, 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%, the lowest level since 1977, and has averaged 62.8% since 2016. 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 and the decline since the late 1990s is even greater. (Figure 14).
- With the exception of the 2.2% increase in 2015, wage income has been stagnant since the 2008-09 recession. After falling 0.4% in 2011, inflation-adjusted average hourly earnings rose 0.3% in 2012, 0.4% in 2013, and 0.8% in 2014. Inflation-adjusted average hourly earnings increased 0.7% in both 2016 and 2017. Average weekly hours have remained essentially unchanged for 96 months.

- Housing starts grew rapidly between 2012 and 2016 but growth has slowed since 2017 and remain low by historical standards. Housing starts in 2017 finished up 2.5% from 2016, and 2017 was the 17th weakest year on record, after every year in the 2008-2016 period and the recession years of 1966, 1975, 1981, 1982, 1991, and 1992; and were still down 41.8% 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 increased 0.1% in 2016, the 8th worst change in the last 70 years, after growing less than 1.0% per year between 2013 and 2015 (Figure 16). In comparison, productivity averaged more than 3.5% growth per year between 1990 and 2010.
- 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 2017, Michigan ranked 32nd among the states, after per capita income increased 3.2%, compared to the national average of 3.6%

Figure 13

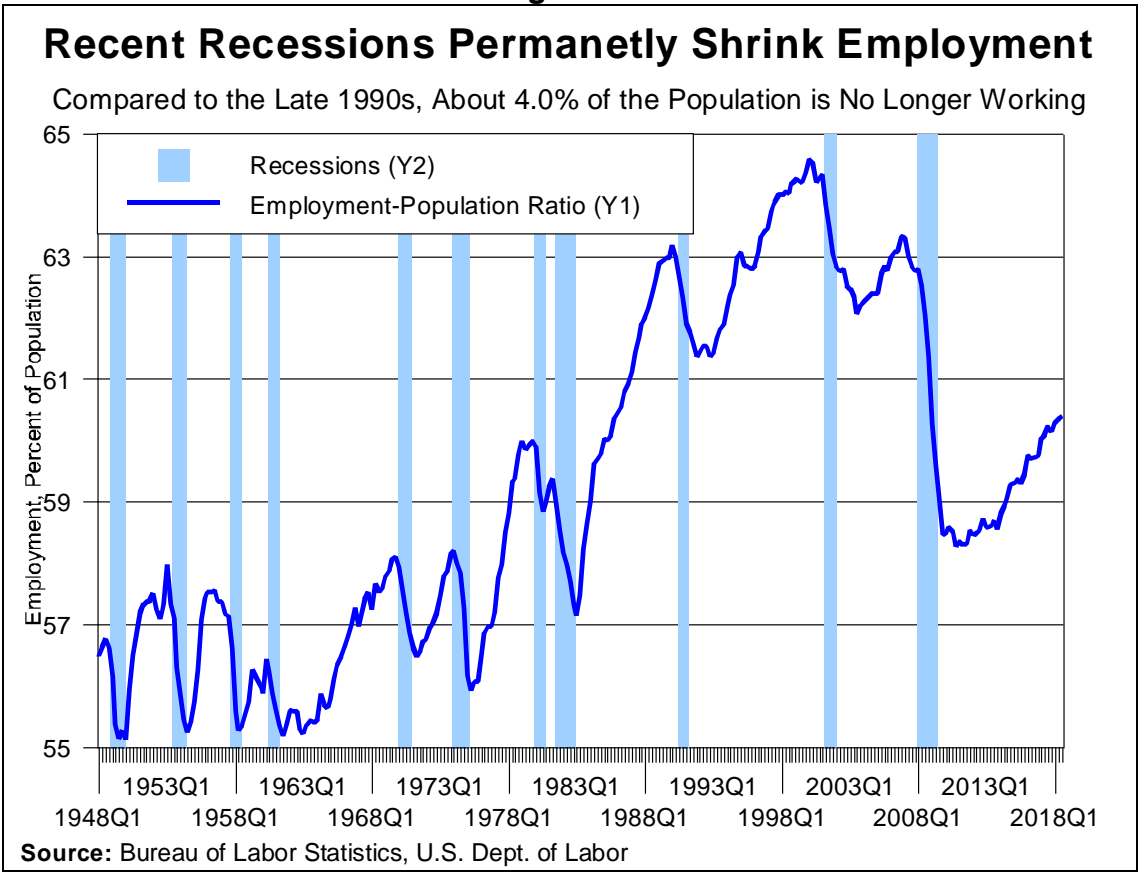


Figure 14

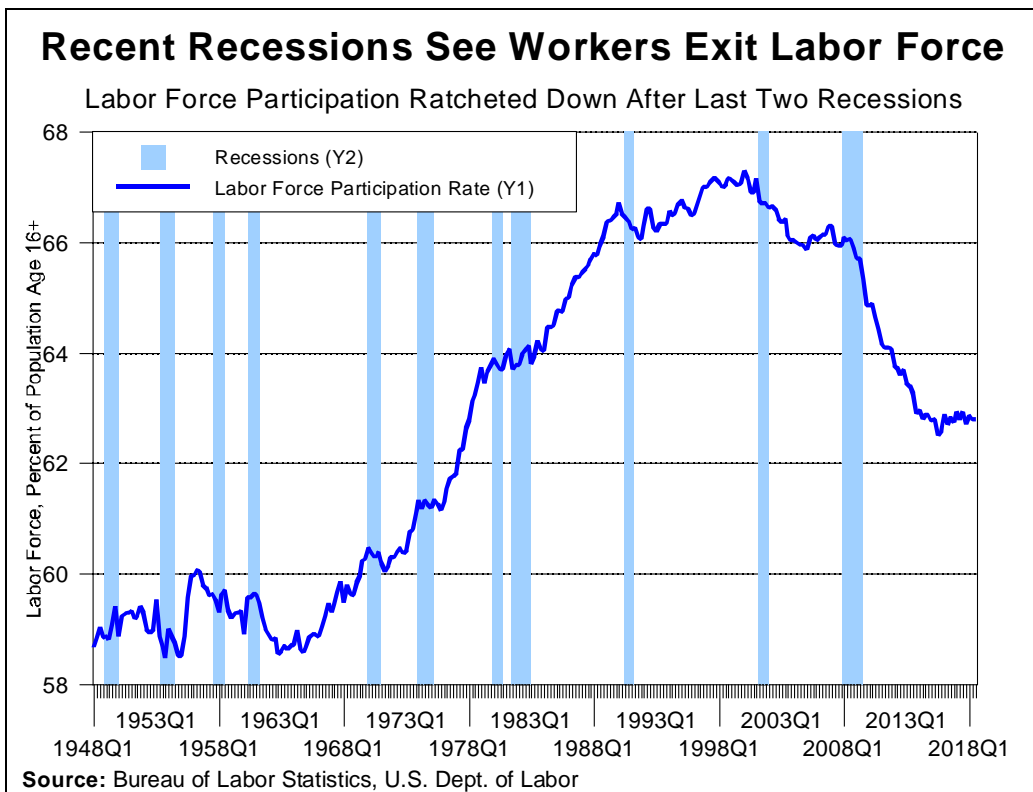


Figure 15

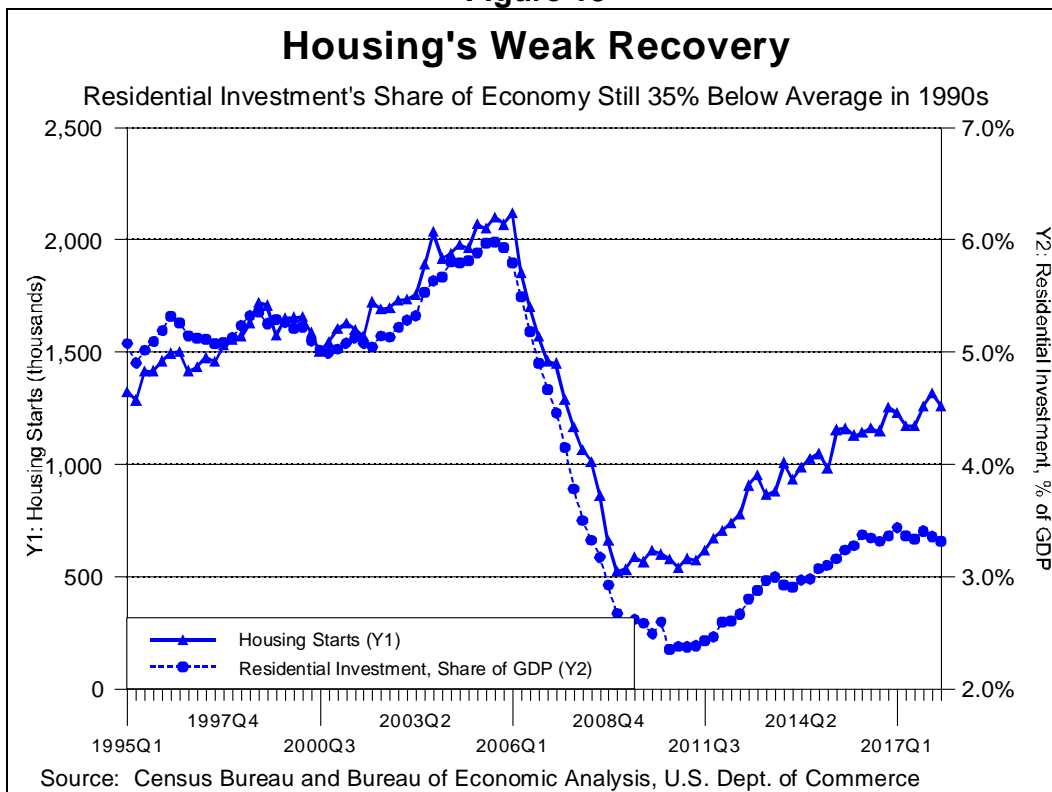


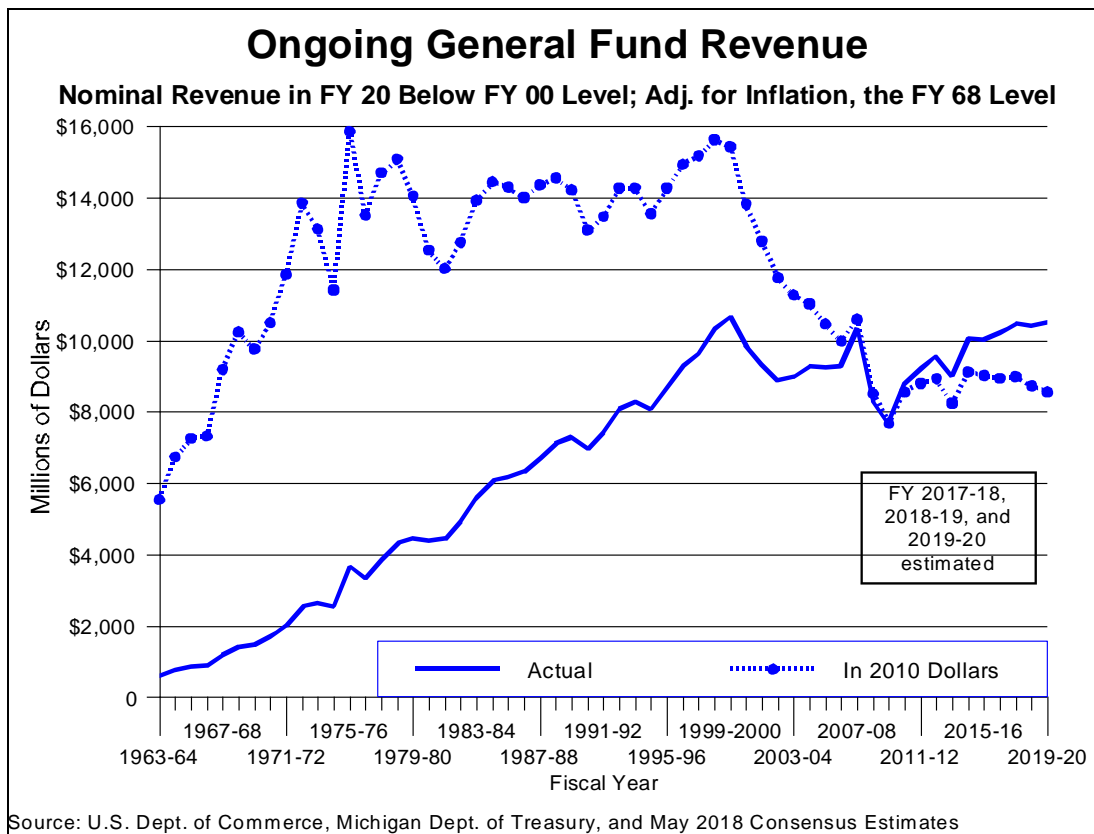
Figure 16



State Revenue Background

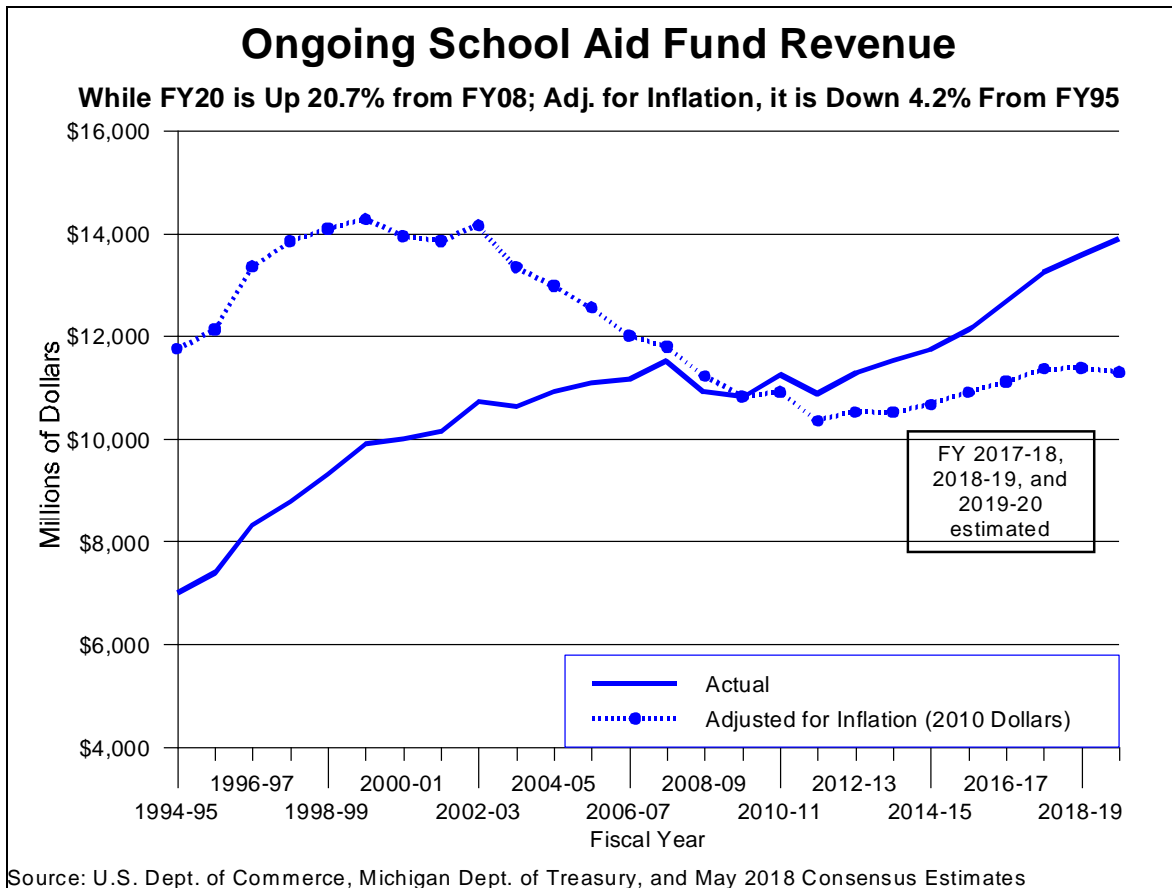
- The majority of State taxes and fees are deposited in the State's General Fund, School Aid Fund, or various transportation funds. Ongoing General Fund revenue fell as the economy declined. Between FY 2007-08 and FY 2009-10, ongoing General Fund revenue fell 25.7% (\$2.7 billion) and ongoing School Aid (SAF) revenue fell 6.0% (\$696.0 million).
- Ongoing General Fund revenue increased 1.8% in FY 2016-17 and is estimated to increase 2.6% in FY 2017-18, before declining 0.5% in FY 2018-19, and then growing 1.0% in FY 2019-20. Ongoing SAF revenue increased 4.7% in FY 2016-17 and is expected to rise 4.4% in FY 2017-18, 2.5% in FY 2018-19, and 2.4% in FY 2019-20.
- On an inflation-adjusted basis, ongoing General Fund revenue in FY 2019-20 is estimated to be 7.0% lower (\$638.6 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 2019-20 is estimated to be 3.9% lower (\$455.6 million, in 2010 dollars) than the level in FY 1994-95, when Proposal A took effect, as shown in Figure 18.

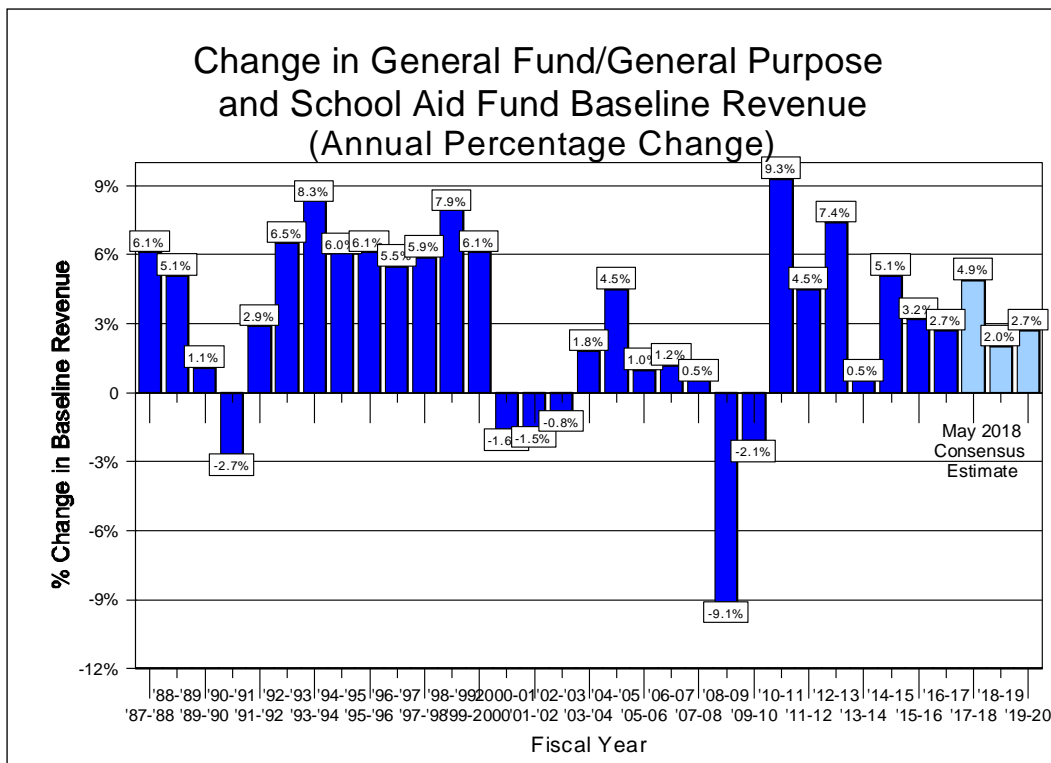
Figure 18



Forecast for State Revenue

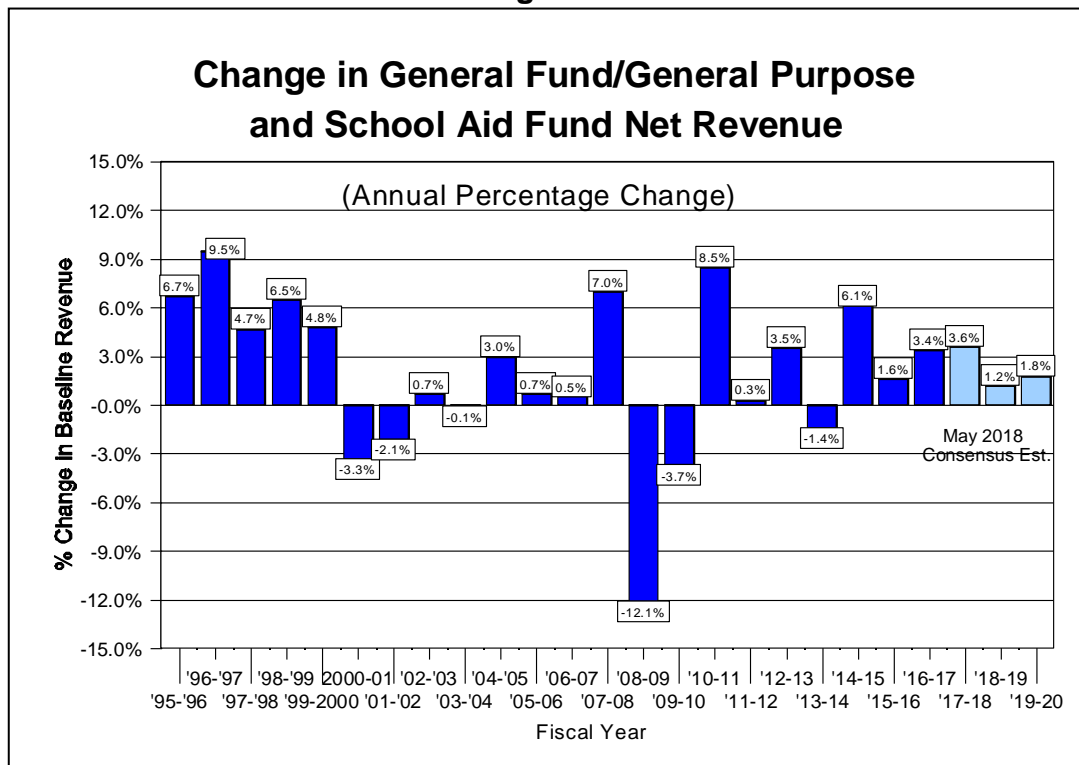
- Pursuant to State statute, there are Consensus Revenue Estimating Conferences held in January and May of each year at which the State Treasurer, and the Directors of the House and Senate Fiscal Agencies, meet to agree on the amount of State revenue available for the State budget.
- The FY 2018-19 budget was based on the May 2018 Consensus Revenue estimates. The Governor's budget recommendation for FY 2019-20 will be based on estimates from the January 2019 Conference. The Governor and the Legislature will use the revenue estimates from the May 2019 Conference to finalize the FY 2019-20 budget.
- The percentage changes in baseline General Fund/General Purpose (GF/GP) and School Aid Fund (SAF) revenue forecasted for FY 2017-18 through FY 2019-20 are compared with the actual growth rates during the preceding 31 years in Figure 19.

Figure 19



- The revised estimates for FY 2017-18, after accounting for tax changes, predict GF/GP revenue will increase by 2.6% while SAF revenue will increase by 4.4%. GF/GP revenue in FY 2018-19 is estimated to decrease 0.5% while SAF revenue will grow 2.5%.
- The percentage changes in net (after tax changes) General Fund/General Purpose (GF/GP) and School Aid Fund (SAF) revenue forecasted for FY 2017-18 through FY 2019-20 are compared with the actual growth rates during the preceding 22 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

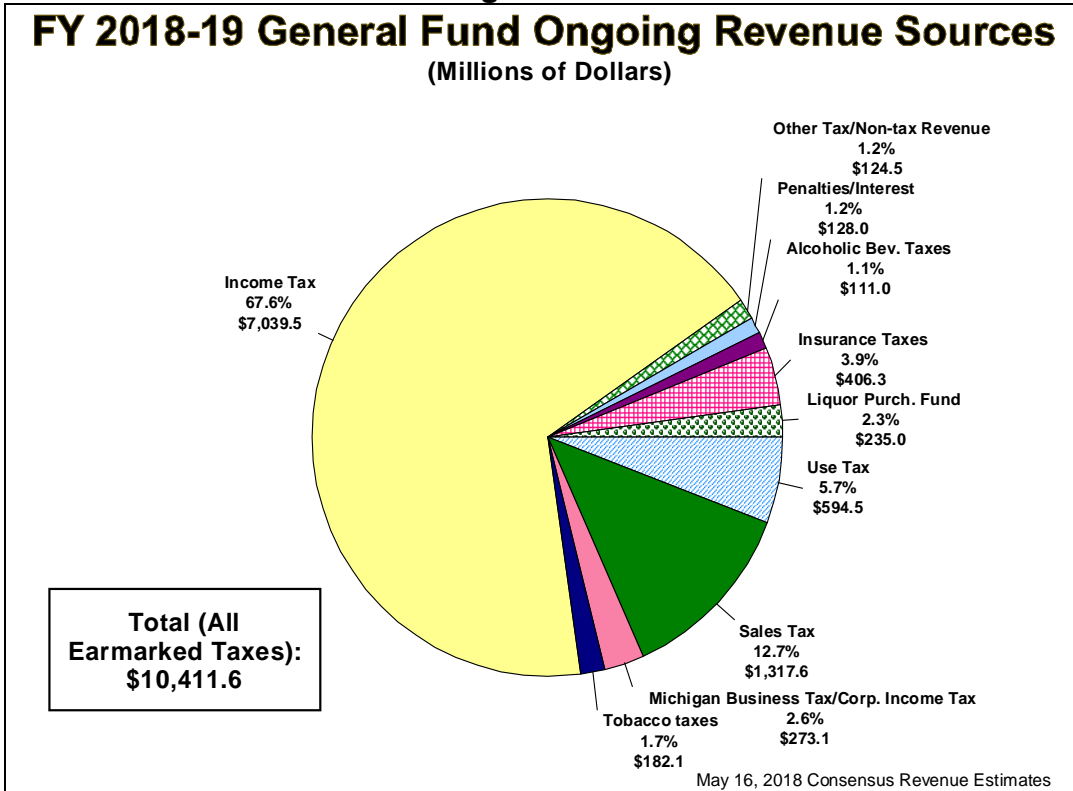
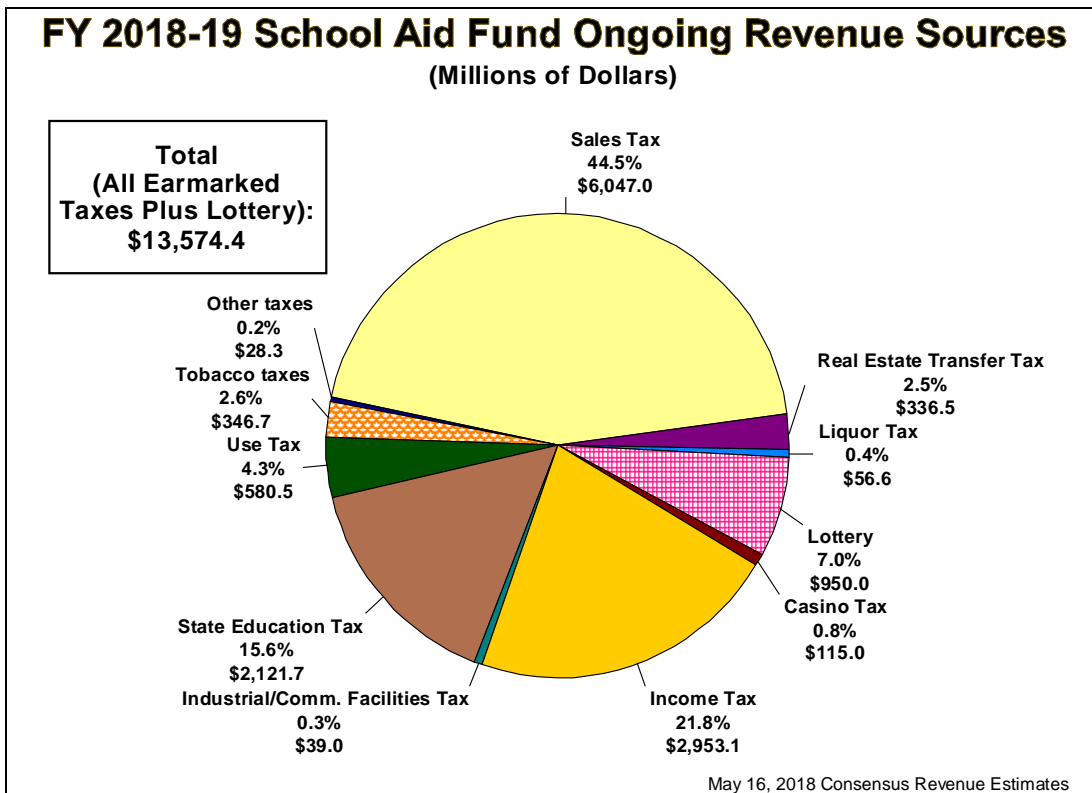


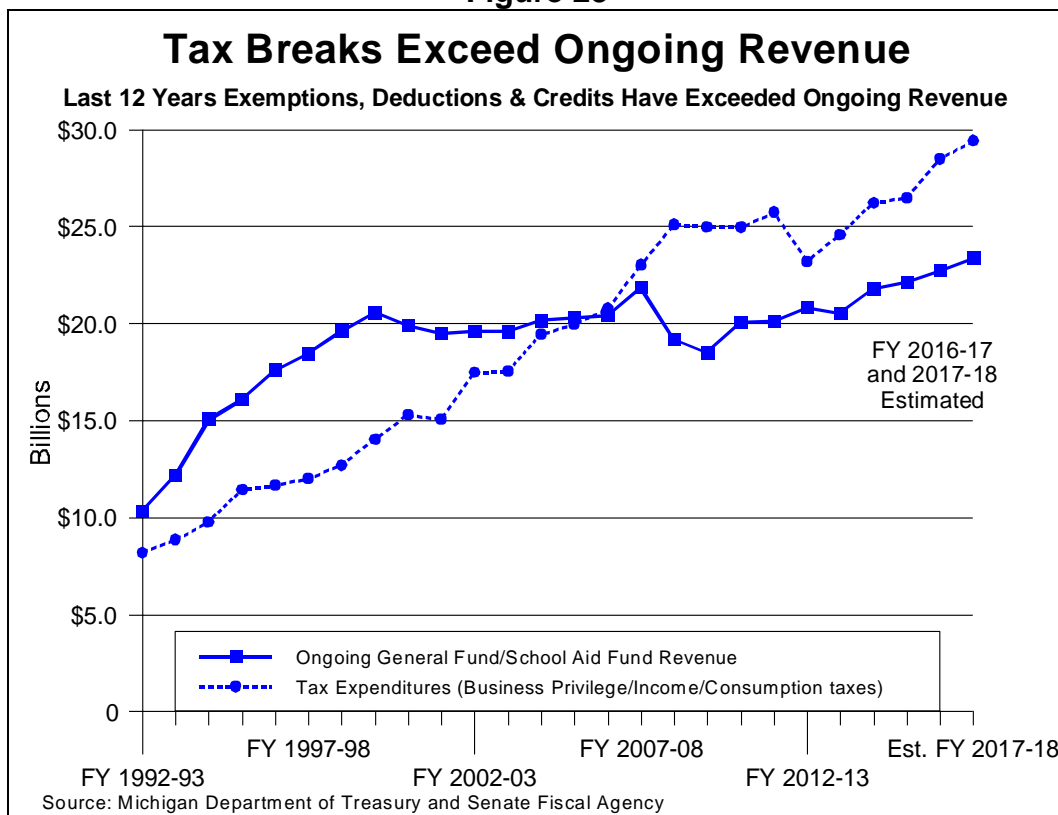
Figure 22



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. Because a corporate income tax only taxes traditional corporations, these 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 corporate income tax. Such entities have historically been taxed under Michigan's primary business tax, and were taxed under the Business Activities Tax, the Single Business Tax, and the Michigan Business Tax. Despite omitting that estimate, tax expenditures are still expected to exceed ongoing revenue.

Figure 24

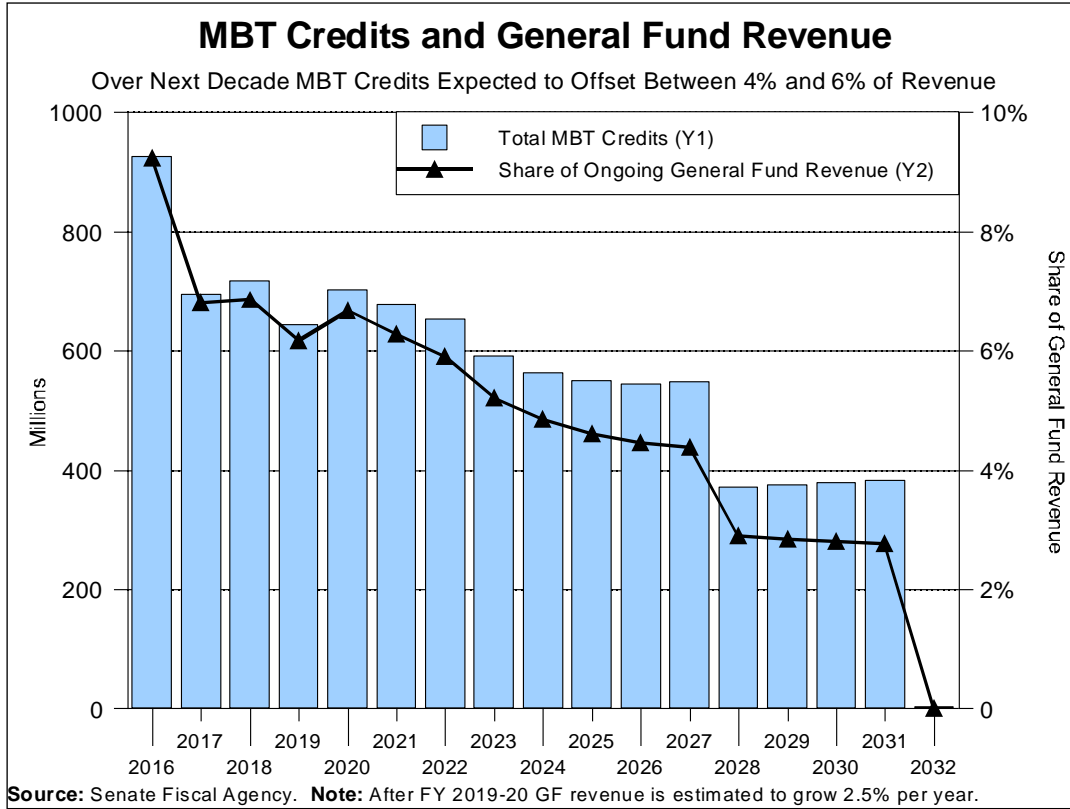
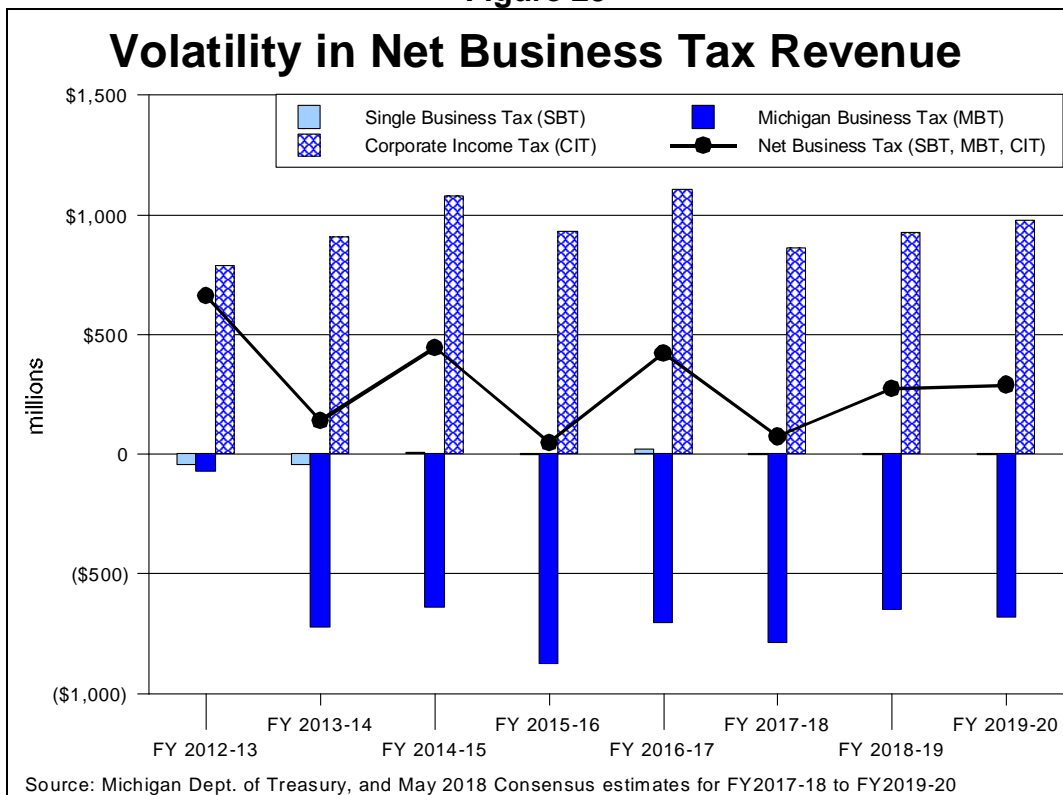


Figure 25



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 \$8.1 billion below the limit for FY 2015-16 and \$9.2 billion below the limit in FY 2016-17. It is estimated to be \$8.6 billion below the limit in FY 2017-18, \$9.0 billion below the limit in FY 2018-19, and \$9.8 billion below the limit in FY 2019-20.

Figure 26

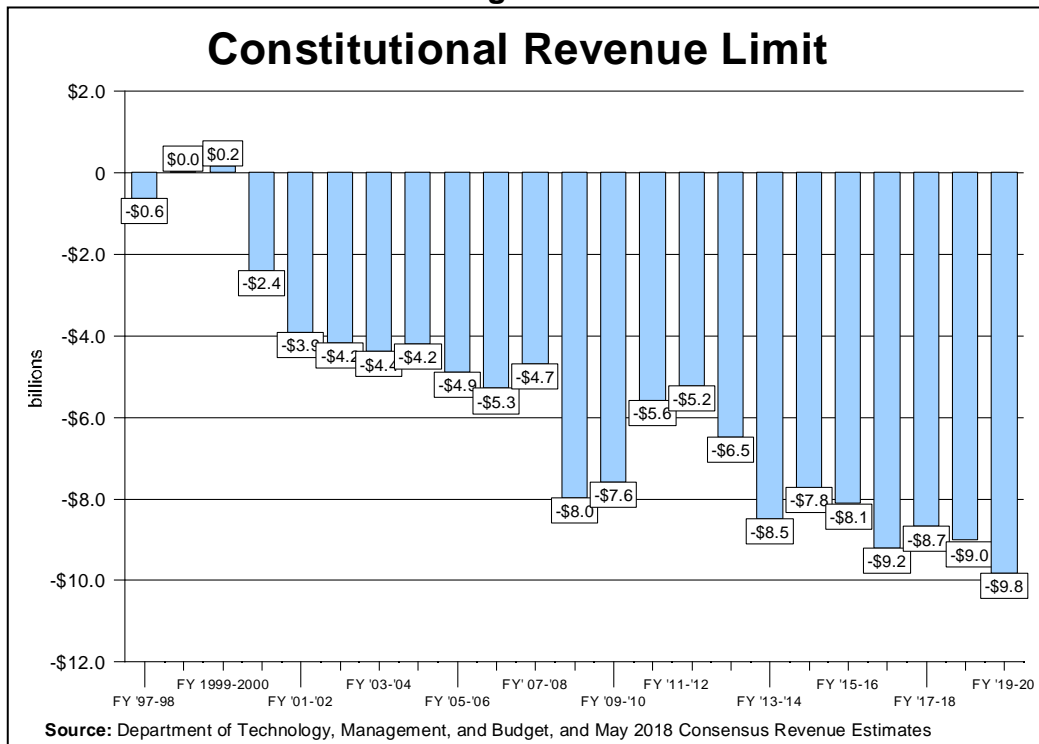


Figure 27

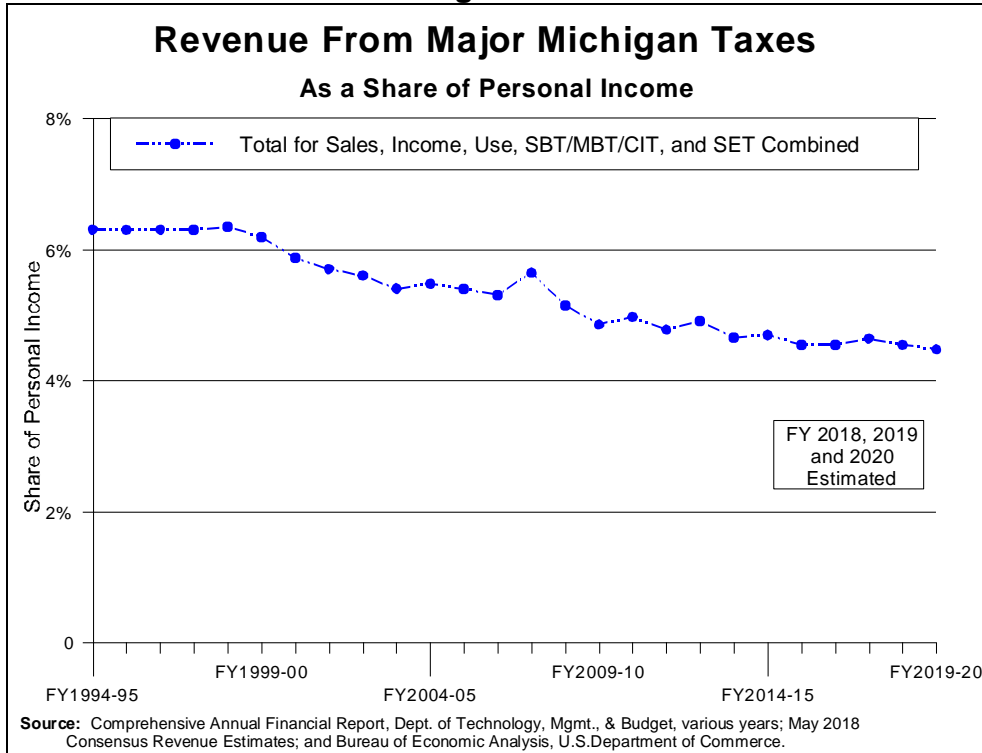


Figure 28

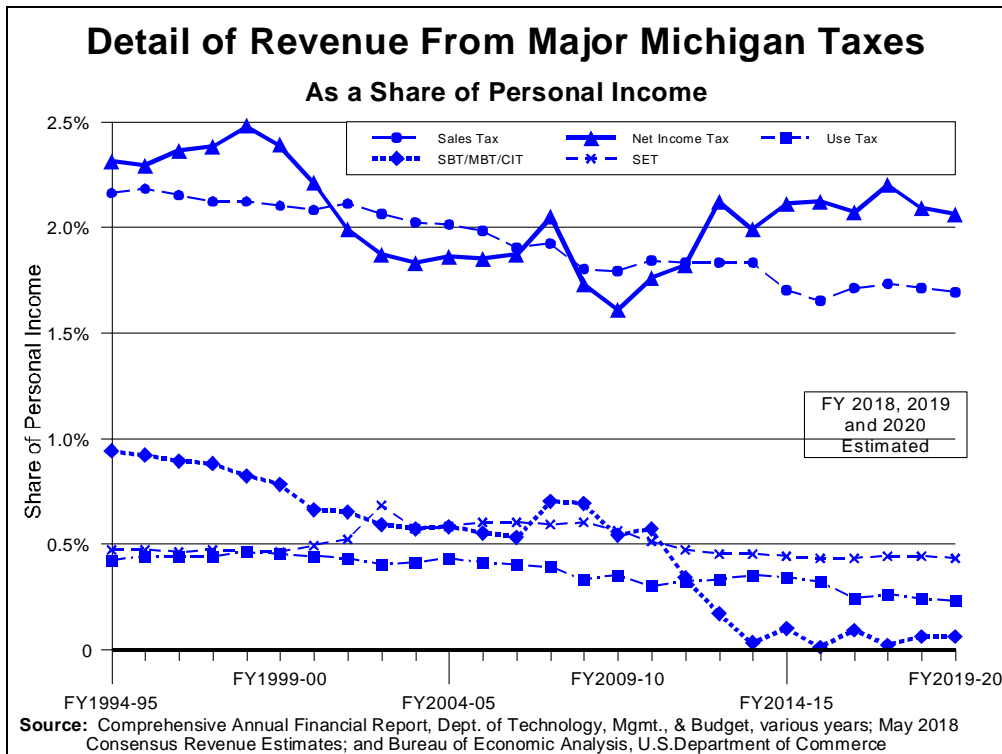


Table 3

**MICHIGAN'S MAJOR TAXES: REVENUE ESTIMATES, TAX RATES, AND YIELDS FOR FY 2017-18 AND FY 2018-19
(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 2017-18 Net Revenue	FY 2018-19 Net Revenue		Rate Change	FY '18 Rev. Change Eff. 1/1/18	FY '19 Rev. Change Eff. 1/1/18	
Individual Income Tax: Gross Collections Refunds Net Income Tax	\$12,205.8 (1,999.3) \$10,206.5	\$12,402.5 (2,259.2) \$10,143.3	4.25%	0.1%	\$177.0	\$262.0	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⁾	\$8,041.8	\$8,308.8	6.0%	1% of: ²⁾ first 4% of 6% last 2% of 6%	\$1,026.4 \$963.0	\$1,413.6 \$1,327.2	1933: 3.0% 1960: 4.0% 1994: 6.0% 5/1
Use Tax³⁾	\$1,622.0	\$1,613.0	6.0%	1.0%	\$202.8	\$268.8	1937: 3.0% 1960: 4.0% 1994: 6.0% 5/1
Corporate Income Tax	\$859.8	\$922.6	6.0%	1.0%	\$107.5	\$153.8	Rate has not changed.
Tobacco Tax Cigarettes Other Tobacco Products	\$930.5 \$849.4 \$81.1	\$919.8 \$836.6 \$83.2	\$2.00/pack 32% whole-sale price	\$0.10/pack 2.0%	\$31.5 \$3.8	\$41.4 \$5.1	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⁾	\$56.0	\$57.0	4.0%	1.0%	\$10.4	\$14.2	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 Tax⁵⁾	\$42.4	\$43.2	\$6.30/barrel ⁵⁾	\$1/barrel ⁵⁾	\$5.0	\$6.8	1933: \$1.25/barrel 1959: \$2.50/barrel 1962: \$6.61/barrel 1966: \$6.30/barrel
Wine Tax⁶⁾	\$10.6	\$10.8	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⁾	\$331.1	\$336.5	0.75% ⁷⁾	0.25%	\$82.8	\$112.2	Rate has not changed.
State Education Property Tax	\$2,039.1	\$2,121.7	6 mills	1 mill	\$339.9	\$353.6	1994: 6 mills 2003: 5 mills (one-year reduction only) 2004: 6 mills
Gasoline Tax	\$1,216.1	\$1,215.1	\$0.263/gal.	\$0.01/gal.	\$34.7	\$46.2	1983: 13 cents/gal. 2017: 26.3 cents/gal. 1984: 15 cents/gal. 1997: 19 cents/gal.

1) Consensus Revenue Estimates, May 16, 2018. 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 2018-19 INITIAL APPROPRIATIONS (millions of dollars)					
Fiscal Year	Pay-In			Pay-Out	Fund Balance
	Trust Fund Act^{a)}	Other	Interest Earned		
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	9.1	1.8	156.1	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
2016-17	17.5	75.0	5.1	0.0	710.0
Enacted Deposits with Estimated Interest Earnings Fund Balance:					
2017-18 ^{c)}	17.5	265.0	10.3	0.0	1002.8
2018-19	17.5	0.0	19.6	0.0	1039.9

^{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.

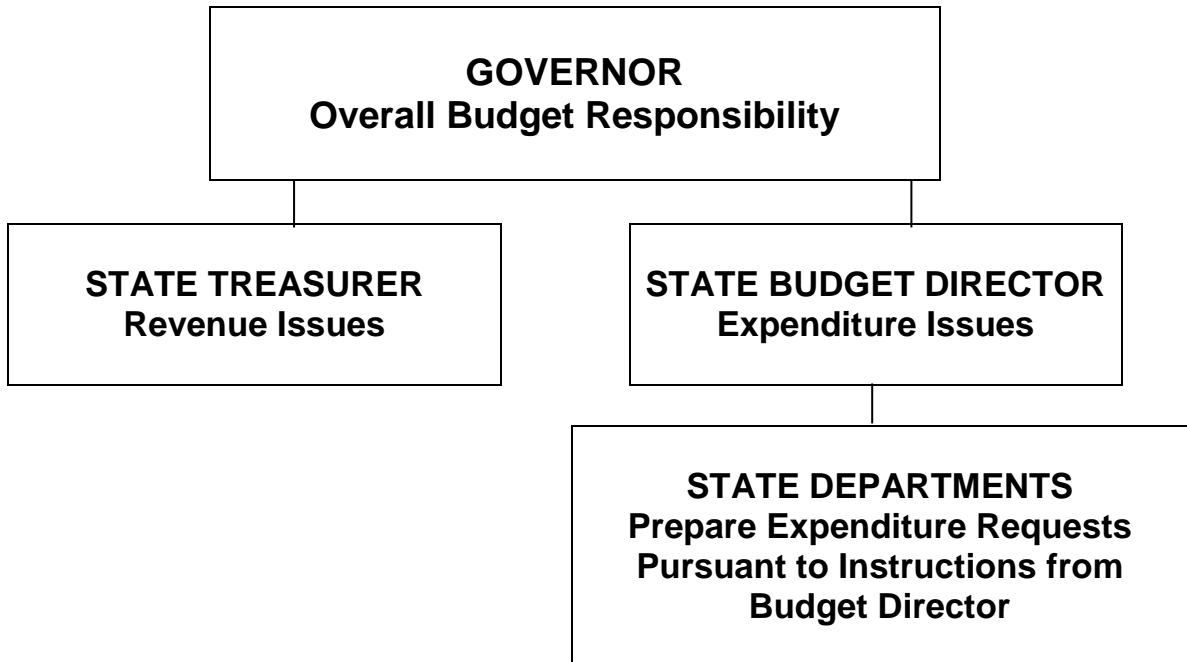
^{c)} PA 107 of 2017 (\$150.0 million) and PA 207 of 2018 (\$115.0 million).

Source: CAFR through FY 2016-17, 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 book-closing 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 2018-19 (billions of dollars)			
Department/Budget Area	Adjusted Gross	State Spending	GF/GP
Health and Human Services	\$24.9	\$7.0	\$4.5
K-12 Education	14.8	13.0	0.1
Transportation	4.8	3.5	0.3
Corrections	2.0	2.0	2.0
Higher Ed/Community Colleges	<u>2.1</u>	<u>2.0</u>	<u>1.0</u>
Subtotal	\$48.6	\$27.4	\$7.8
All Other	7.3	5.6	2.2
Total	\$55.9	\$33.1	\$10.0

**The State Budget
FY 2018-19**

Table 6

SUMMARY OF FY 2018-19 APPROPRIATION CHANGES		
	Gross	GF/GP
FY 2017-18 Year-To-Date Appropriation¹⁾	\$56,516,519,800	\$10,231,417,400
Changes for FY 2018-19:		
New Programs	\$110,791,700	\$94,885,000
Program Increases.....	1,974,694,200	540,581,200
Program Eliminations/Reductions	(1,872,972,900)	(734,152,300)
Major Fund Shifts Affecting GF/GP	0	(164,832,300)
Other Technical Program Adjustments.....	(57,504,000)	(2,784,600)
Economic Adjustments.....	108,683,800	56,086,500
Unclassified Salaries Adjustments (Executive Branch) ...	<u>422,900</u>	<u>223,700</u>
Total Changes.....	\$264,115,700	(\$209,992,800)
FY 2018-19 INITIAL APPROPRIATION	\$56,780,635,500	\$10,021,424,600

¹⁾ Appropriation as of July 1, 2018.

Figure 29

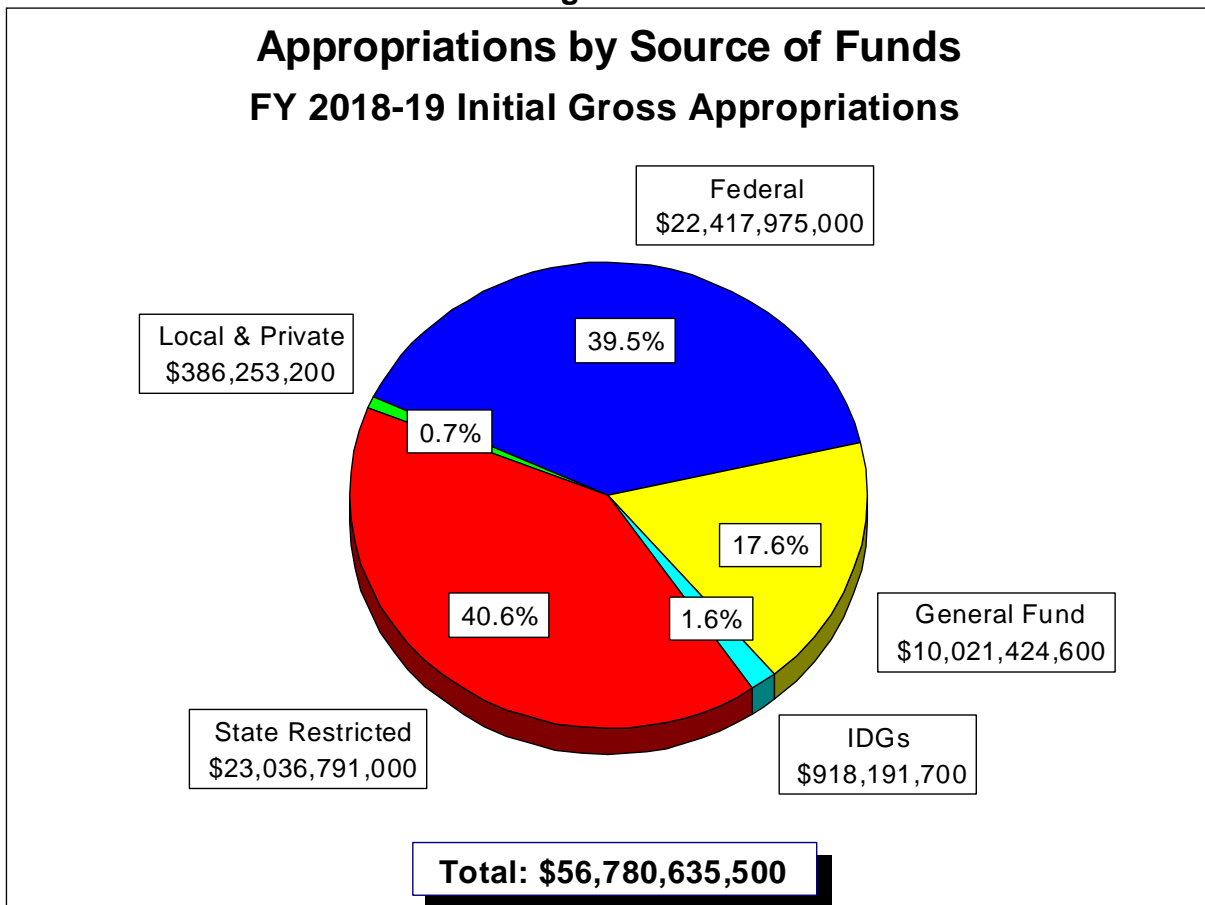


Table 7

**APPROPRIATIONS BY SOURCE OF FUNDS
FY 2018-19 INITIAL APPROPRIATIONS**

Department/Budget Area	Gross	IDGs	Adjusted Gross	Federal	Local & Private	State Restricted	General Fund/ General Purpose
Agriculture & Rural Development	\$107,948,100	\$313,900	\$107,634,200	\$11,775,200	\$101,800	\$37,172,000	\$58,585,200
Attorney General	103,648,900	30,386,400	73,262,500	9,628,500	0	22,427,200	41,206,800
Capital Outlay	0	0	0	0	0	0	0
Civil Rights	16,201,100	299,100	15,902,000	2,802,700	18,700	58,500	13,022,100
Community Colleges	408,215,500	0	408,215,500	0	0	408,215,500	0
Corrections	2,017,056,200	0	2,017,056,200	5,315,200	8,960,100	40,939,600	1,961,841,300
Education	400,815,000	0	400,815,000	298,074,500	7,888,600	8,668,200	86,183,700
Environmental Quality	447,502,600	3,143,700	444,358,900	160,225,400	1,061,700	209,325,300	73,746,500
Executive	6,980,100	0	6,980,100	0	0	0	6,980,100
Health & Human Services	24,880,165,600	13,813,700	24,866,351,900	17,635,395,600	272,022,500	2,498,846,500	4,460,087,300
Higher Education	1,669,732,600	0	1,669,732,600	123,526,400	0	500,188,300	1,046,017,900
Insurance & Financial Services	67,971,900	713,800	67,258,100	2,017,300	0	64,690,800	550,000
Judiciary	304,079,100	1,551,300	302,527,800	5,987,400	7,481,400	92,979,500	196,079,500
Legislative Auditor General	24,938,000	5,823,400	19,114,600	0	0	2,008,800	17,105,800
Legislature	158,112,500	0	158,112,500	0	400,000	4,394,300	153,318,200
Licensing & Regulatory Affairs	517,762,200	48,414,300	469,347,900	65,744,400	211,800	276,471,400	126,920,300
Military & Veterans Affairs	192,564,300	101,800	192,462,500	98,170,200	2,175,400	23,279,500	68,837,400
Natural Resources	438,442,800	232,200	438,210,600	81,731,600	7,431,400	299,965,800	49,081,800
Natural Resources Trust Fund	0	0	0	0	0	0	0
School Aid	14,765,468,800	0	14,765,468,800	1,724,743,500	0	12,980,725,300	60,000,000
State	246,662,800	20,000,000	226,662,800	1,460,000	50,100	206,686,400	18,466,300
State Police	716,459,500	24,748,300	691,711,200	78,297,900	5,261,800	149,103,700	459,047,800
Talent & Economic Development	1,115,295,600	0	1,115,295,600	762,645,800	6,121,700	205,432,300	141,095,800
Tech., Management, & Budget	1,347,108,600	751,777,000	595,331,600	5,033,700	2,471,000	114,037,400	473,789,500
Transportation	4,843,089,900	4,092,500	4,838,997,400	1,318,271,700	51,432,000	3,169,293,700	300,000,000
Treasury (Debt Service)	107,080,000	0	107,080,000	0	0	0	107,080,000
Treasury (Operations)	562,928,500	12,780,300	550,148,200	27,128,000	13,163,200	407,475,700	102,381,300
Treasury (Revenue Sharing)	1,314,405,300	0	1,314,405,300	0	0	1,314,405,300	0
TOTAL BUDGET AREA APPROPS	\$56,780,635,500	\$918,191,700	\$55,862,443,800	\$22,417,975,000	\$386,253,200	\$23,036,791,000	\$10,021,424,600

Figure 30

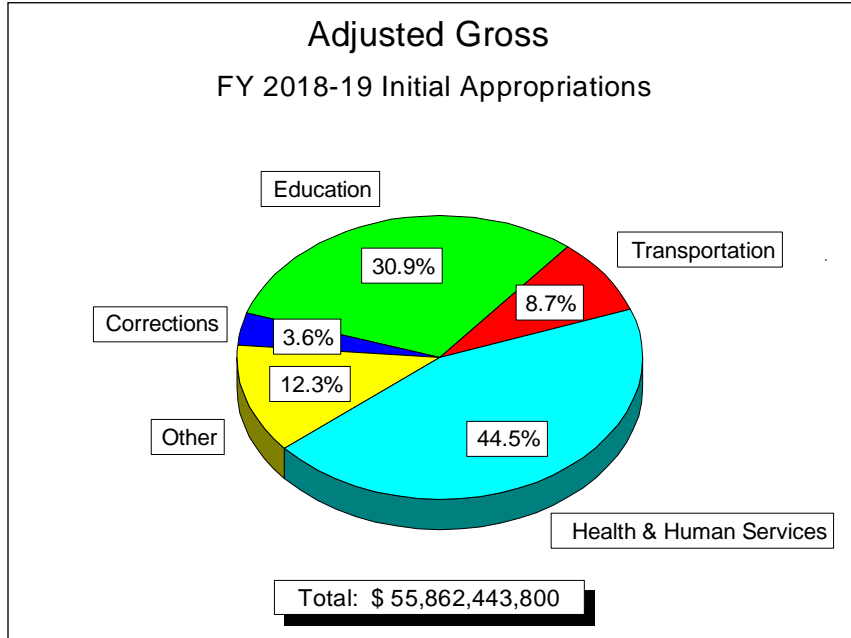


Table 8

**INITIAL ADJUSTED GROSS APPROPRIATIONS
FY 2018-19**

<u>Department/Budget Area</u>	
Health and Human Services	\$24,866,351,900
School Aid	14,765,468,800
Transportation	4,838,997,400
Corrections	2,017,056,200
Higher Education.....	1,669,732,600
Treasury-Revenue Sharing	1,314,405,300
Talent and Economic Development	1,115,295,600
State Police	691,711,200
Technology, Management, and Budget	595,331,600
Treasury-Operations	550,148,200
Licensing and Regulatory Affairs	469,347,900
Environmental Quality	444,358,900
Natural Resources	438,210,600
Community Colleges	408,215,500
Education	400,815,000
Judiciary	302,527,800
State	226,662,800
Military and Veterans Affairs	192,462,500
Legislature.....	158,112,500
Agriculture and Rural Development	107,634,200
Treasury-Debt Service	107,080,000
Attorney General	73,262,500
Insurance and Financial Services	67,258,100
Legislative Auditor General	19,114,600
Civil Rights	15,902,000
Executive	6,980,100
TOTAL APPROPRIATIONS	\$55,862,443,800

Figure 31

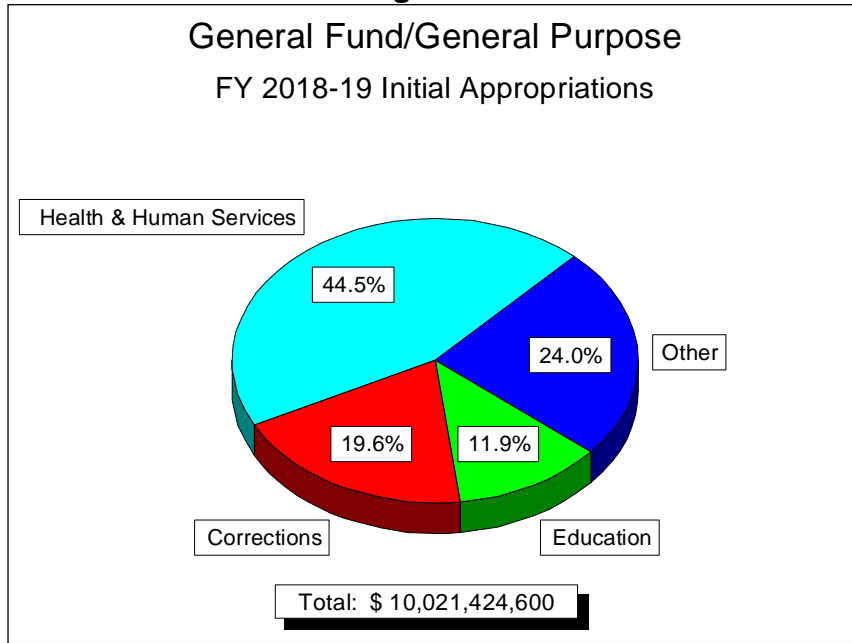


Table 9

**INITIAL GF/GP APPROPRIATIONS
FY 2018-19**

INITIAL GF/GP APPROPRIATIONS FY 2018-19	
Department/Budget Area	
Health and Human Services	\$4,460,087,300
Corrections	1,961,841,300
Higher Education.....	1,046,017,900
Technology, Management, and Budget	473,789,500
State Police	459,047,800
Transportation	300,000,000
Judiciary	196,079,500
Legislature.....	153,318,200
Talent and Economic Development	141,095,800
Licensing and Regulatory Affairs	126,920,300
Treasury-Debt Service	107,080,000
Treasury-Operations	102,381,300
Education	86,183,700
Environmental Quality	73,746,500
Military and Veterans Affairs	68,837,400
School Aid	60,000,000
Agriculture and Rural Development	58,585,200
Natural Resources	49,081,800
Attorney General	41,206,800
State	18,466,300
Legislative Auditor General	17,105,800
Civil Rights	13,022,100
Executive.....	6,980,100
Insurance and Financial Services	550,000
Community Colleges	0
Treasury-Revenue Sharing.....	0
TOTAL GF/GP APPROPRIATIONS.....	\$10,021,424,600

Table 10
FULL-TIME EQUATED POSITIONS
FY 2017-18 VERSUS FY 2018-19

Department/Budget Area	FY 2017-18 Year-to-Date Positions	FY 2018-19 Initial Positions	Position Change	Percent Change
Agriculture & Rural Development	493.5	500.5	7.0	1.4%
Attorney General.....	532.0	531.0	(1.0)	(0.2)
Civil Rights.....	110.0	110.0	0.0	0.0
Corrections.....	13,803.9	13,963.2	159.3	1.2
Education.....	603.5	614.5	11.0	1.8
Environmental Quality	1,246.0	1,231.0	(15.0)	(1.2)
Executive	79.2	79.2	0.0	0.0
Health & Human Services	15,635.5	15,621.7	(13.8)	(0.1)
Insurance & Financial Services	336.5	336.5	0.0	0.0
Judiciary.....	501.0	502.0	1.0	0.2
Licensing & Regulatory Affairs	2,322.3	2,322.3	0.0	0.0
Military & Veterans Affairs	904.5	912.5	8.0	0.9
Natural Resources	2,261.8	2,324.3	62.5	2.8
State.....	1,686.0	1,586.0	(100.0)	(5.9)
State Police.....	3,438.0	3,518.0	80.0	2.3
Talent & Economic Development	1,447.0	1,450.0	3.0	0.2
Technology, Management, & Budget	2,937.0	3,116.0	179.0	6.1
Transportation.....	2,820.3	2,818.3	(2.0)	(0.1)
Treasury (Operations)	1,852.5	1,862.5	10.0	0.5
TOTAL POSITIONS	53,010.5	53,399.5	389.0	0.7%

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

Figure 32

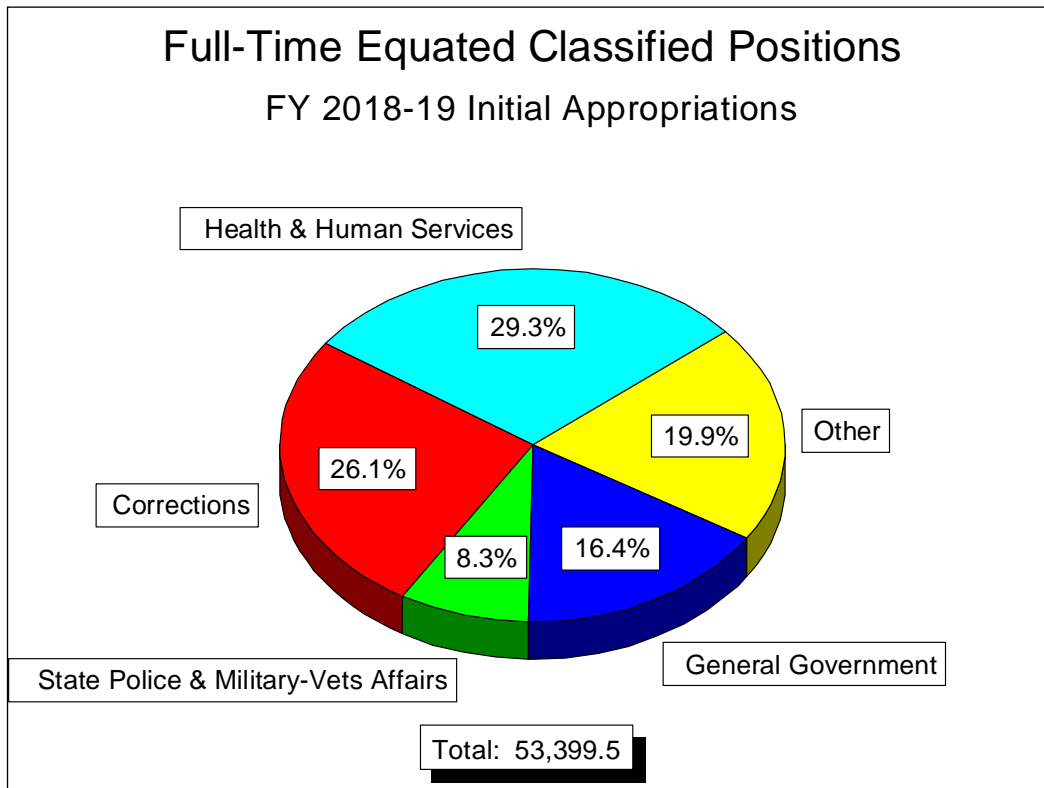


Figure 33

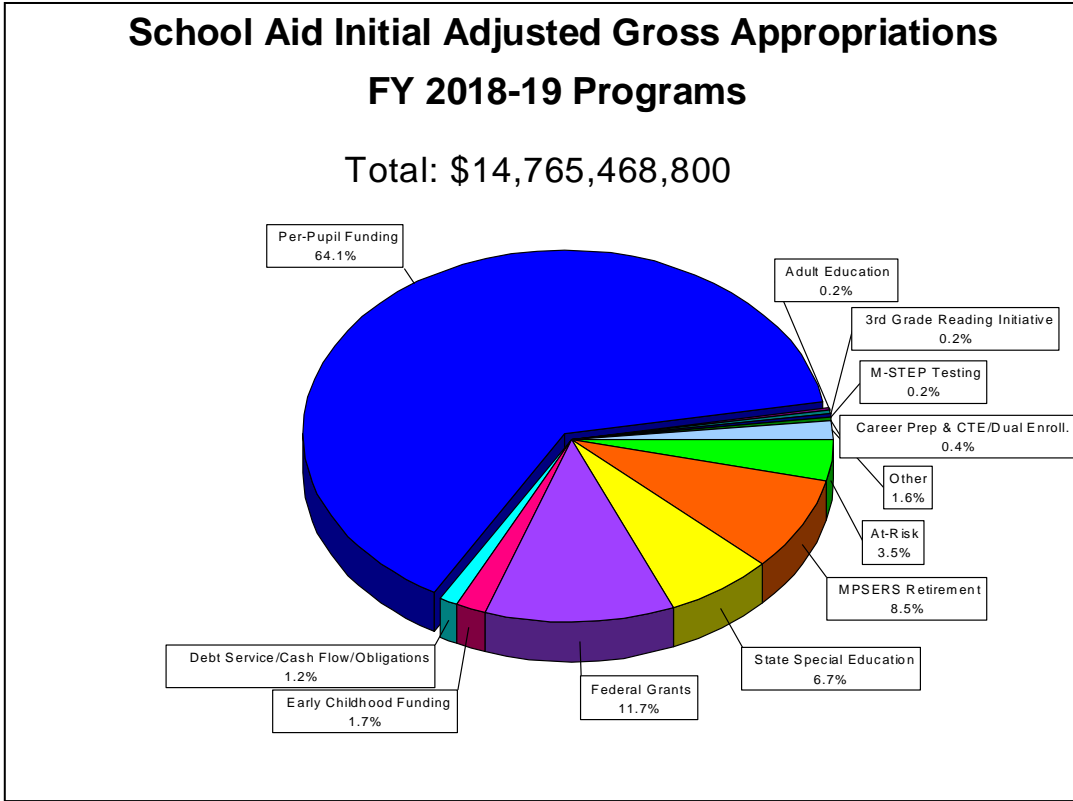


Figure 34

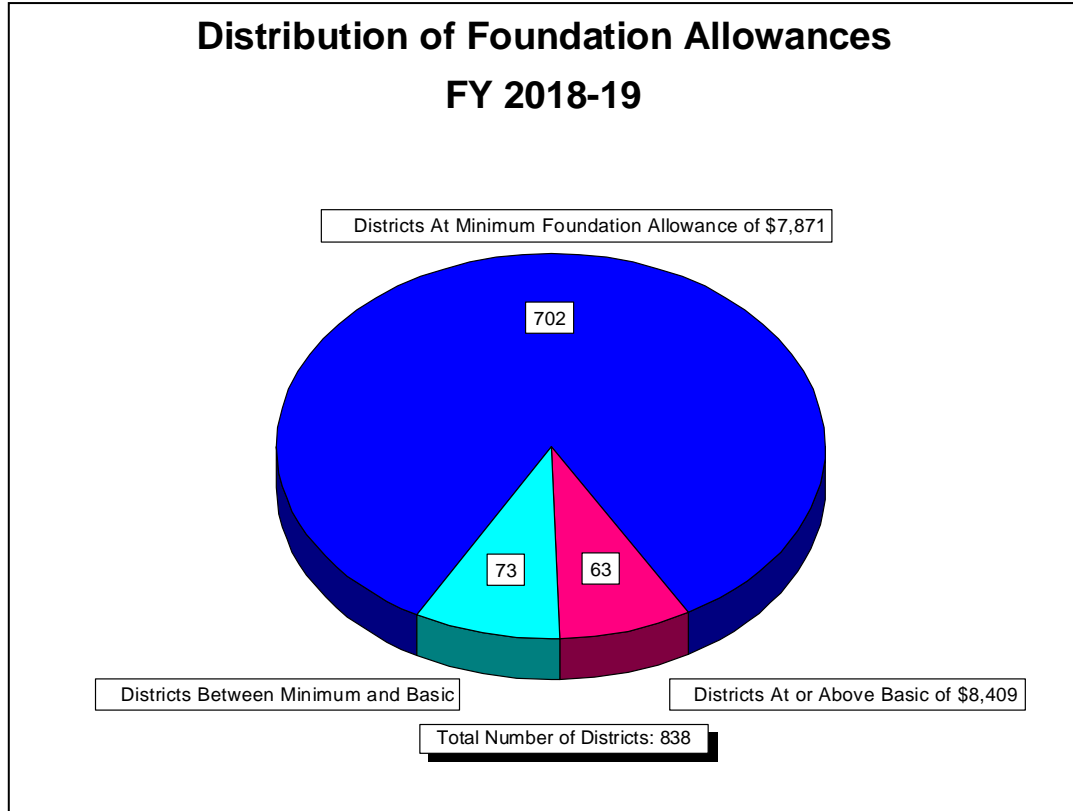
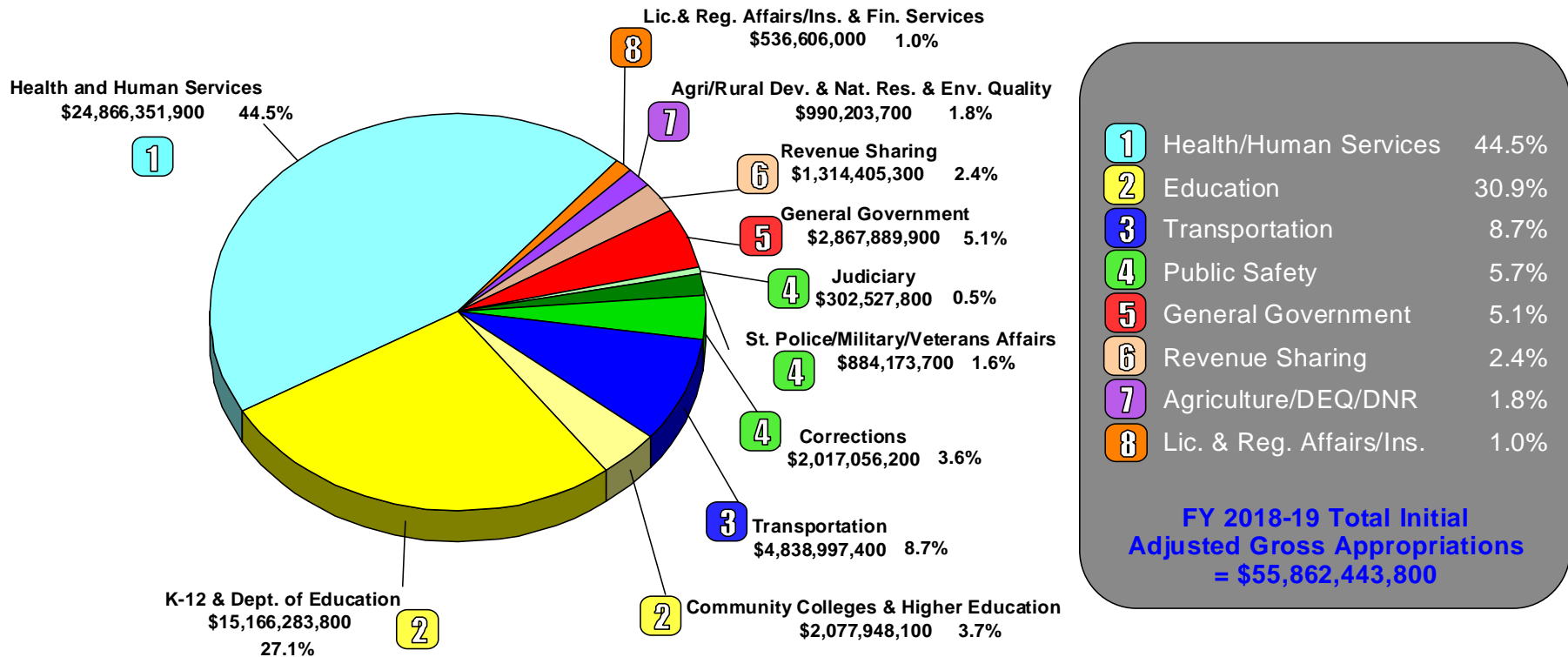


Figure 35

Where State of Michigan Tax Dollars Are Spent

Fiscal Year 2018-19 Initial Adjusted Gross Appropriations



Senate Fiscal Agency - October 1, 2018

Table 11

FY 2017-18 AND FY 2018-19 GENERAL FUND/GENERAL PURPOSE REVENUE, EXPENDITURES, AND YEAR-END BALANCE ESTIMATES (millions of dollars)		
	FY 2017-18	FY 2018-19
Beginning Balance.....	\$622.5	\$101.3
Ongoing Revenue:		
May 2018 Consensus Revenue Estimate	\$10,463.6	\$10,411.6
Revenue Sharing Payments	<u>(465.9)</u>	<u>(466.0)</u>
Subtotal Ongoing Revenue.....	\$9,997.7	\$9,945.6
Non-Ongoing Revenue:		
One-Time Appropriation for Revenue Sharing	(\$5.8)	(\$13.1)
Redirection of Restricted Revenue.....	(6.7)	(6.3)
Sale of Scott Correctional Facility	<u>3.4</u>	<u>0.0</u>
Subtotal Non-Ongoing Revenue	<u>(\$9.1)</u>	<u>(\$19.4)</u>
Total Estimated GF/GP Revenue	\$10,611.2	\$10,027.5
Expenditures:		
Initial Ongoing Appropriations.....	\$9,784.4	\$9,611.3
One-Time and Other Appropriations:		
Initial One-Time Appropriations.....	\$257.3	\$410.1
Appropriation to Budget Stabilization Fund	265.0	0.0
Enacted Supplementals.....	326.3	0.0
Shift from GF/GP to SAF Funding Source.....	(136.5)	0.0
Assign Remaining Principal to School Bond Loan Fund.....	15.6	0.0
Estimated Year-End Lapses	<u>(2.2)</u>	<u>0.0</u>
Subtotal One-Time and Other Appropriations	<u>\$725.5</u>	<u>\$410.1</u>
Total Estimated GF/GP Expenditures.....	\$10,509.9	\$10,021.4
PROJECTED YEAR-END GF/GP BALANCE	\$101.3	\$6.1

Table 12
FY 2017-18 AND FY 2018-19 SCHOOL AID FUND
REVENUE, EXPENDITURES, AND YEAR-END BALANCE ESTIMATES
(millions of dollars)

	FY 2017-18	FY 2018-19
Beginning Balance.....	\$377.4	\$217.7
Ongoing Revenue:		
May 2018 Consensus Revenue Estimate	\$13,244.0	\$13,574.4
General Fund/General Purpose Grant	78.5	60.0
Community District Education Trust Fund	72.0	72.0
Federal Ongoing Aid	<u>1,726.9</u>	<u>1,724.7</u>
Subtotal Ongoing Revenue.....	\$15,121.4	\$15,431.1
Non-Ongoing Revenue:		
SAF Deposit into MPSERS Reserve Fund.....	(\$55.0)	\$0.0
Reserve Fund for MPSERS	23.1	31.9
SAF Deposit into Mental Health Services and Support Fund	(30.0)	0.0
Talent Investment Fund (PA 228 of 2018).....	<u>100.0</u>	<u>0.0</u>
Subtotal Non-Ongoing Revenue	\$38.1	\$31.9
Total Estimated School Aid Fund Revenue	\$15,536.9	\$15,680.7
Expenditures:		
Initial Ongoing K-12 Appropriations.....	\$14,266.5	\$14,644.2
Funding Community Colleges with School Aid Fund	394.7	401.8
Partially Funding Higher Education with School Aid Fund.....	<u>237.9</u>	<u>499.4</u>
Subtotal Ongoing Appropriations	\$14,899.0	\$15,545.4
One-Time and Other Appropriations:		
Initial One-Time K-12 Appropriations	\$89.3	\$121.3
Initial One-Time Community College Appropriations	3.6	6.4
Initial One-Time Higher Education Appropriations.....	0.4	0.7
Enacted Supplementals (PAs 143 and 265 of 2018).....	3.8	0.0
MPSERS PA 92 of 2017 Costs and Additional UAAL Payment.....	223.1	0.0
Marshall Plan for Talent (PA 227 of 2018)	<u>100.0</u>	<u>0.0</u>
Subtotal One-Time and Other Appropriations	\$420.2	\$128.4
Total Estimated School Aid Fund Expenditures.....	\$15,319.3	\$15,673.8
PROJECTED YEAR-END SCHOOL AID FUND BALANCE	\$217.7	\$6.9

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	(50,700,000)	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	57,248,000	69.9
2016-17	29,443,848,000	61.4	(5,659,000)	101.6	5,996,765,000	66.5	748,955,000	65.1	1,893,000	99.3	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.
- 2) Beginning in FY 2011-12, the State Police Retirement System includes both Hybrid and Non-hybrid members. Data shown here reflect the combined UAAL and funded ratios across both types of payroll.

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	161,283,000	12.5
2016-17	8,409,926,000	38.1	7,548,197,000	21.3	576,358,000	20.7	6,467,000	13.7	N/A	---

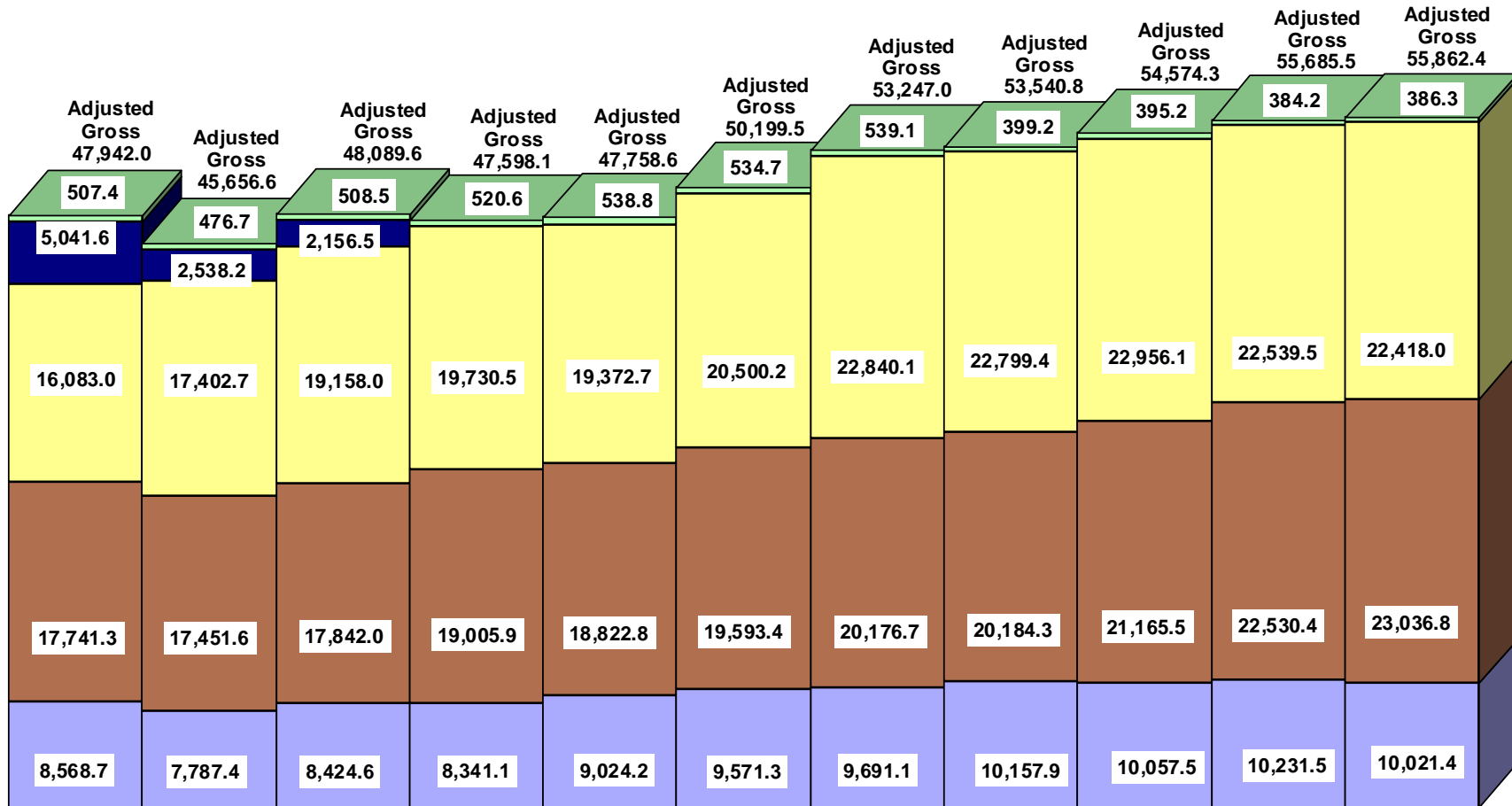
Notes: FY 2015-16 Total Accrued Unfunded Liability for retiree health care (excluding Legislative) equals \$18,538,081,000. The State Employees Retirement System began prefunding retiree health care in FY 2011-12 and MPSERS and State Police began prefunding in FY 2012-13. However, new hires (since January 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)

LOCAL/PRIVATE ARRA FED FUNDS RESTRICTED GF/GP



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 FY 2018-19

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 (FY 2011-12), \$140 million (FY 2012-13), \$75 million (FY 2013-14), \$94 million (FY 2014-15), \$95 million (FY 2015-16), \$75 million (FY 2016-17), and \$265 million (FY 2017-18), or \$230 million in FY 2013-14 for Roads and Risks Reserve Fund.

Senate Fiscal Agency, October 1, 2018

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	54,574.3	1,033.5	1.9
2017-18	55,685.5	1,111.3	2.0
2018-19 (Initial)	55,862.4	176.9	0.3
Change FY 2008-09 to FY 2018-19		\$7,920.4	16.5%
Detroit CPI 10-Year Percent Change			16.1%
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 \$265.0 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	31,223.0	880.8	2.9
2017-18	32,761.9	1,538.9	4.9
2018-19 (Initial)	33,058.2	296.3	0.9
Change FY 2008-09 to FY 2018-19		\$6,748.3	25.6%
Detroit CPI 10-Year Percent Change			16.1%
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 \$265.0 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	10,157.9	466.8	4.8
2016-17	10,057.5	(100.4)	(1.0)
2017-18	10,231.5	174.0	1.7
2018-19 (Initial)	10,021.4	(210.1)	(2.1)
Change FY 2008-09 to FY 2018-19		\$1,452.7	17.0%
Detroit CPI 10-Year Percent Change			16.1%
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 \$265.0 million for FYs 2011-12, 2012-13, 2013-14, 2014-15, 2015-16, 2016-17, and 2017-18, 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	22,956.1	54,574.3	42.06
2017-18	22,539.5	55,685.5	40.48
2018-19 (Initial)	22,418.0	55,862.4	40.13
Change FY 2008-09 to FY 2018-19		6.1%	16.5%

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	53,010.5	254.5	0.5
2018-19 (Initial)	53,399.5	389.0	0.7
Change FY 2008-09 to FY 2018-19		(3,091.6)	(5.5%)
Detroit CPI 10-Year Percent Change			16.1%

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*	12,955.7	632.5	5.1
2018-19 (Initial)	13,040.7	85.0	0.7
Change FY 2008-09 to FY 2018-19		\$1,942.9	17.5%
Detroit CPI 10-Year Percent Change			16.1%

*Includes \$100.0 million for the Marshall Plan for Talent.

Table 20

PUPIL MEMBERSHIP HISTORY FY 1994-95 to FY 2019-20				
Blend Calculation	Fiscal Year	Local Districts	Charter Schools	Total
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	1,338,231	152,933	1,491,164
90/10	2017-18 Est.	1,337,800	147,200	1,485,000
90/10	2018-19 Est.	1,331,500	148,500	1,480,000
90/10	2019-20 Est.	1,326,000	150,000	1,476,000

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	1.4912	8,264
2017-18*	12,955.7	1.4850	8,724
2018-19 (Initial)	13,040.7	1.4800	8,811

*Includes \$100.0 million for the Marshall Plan for Talent.

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	7,631	7,631	1.6	
2018-19 (Initial)	7,871	7,871	3.1	
10-Year Change	\$555	\$555		
10-Year % Change	7.6%	7.6%		
10-Year Detroit CPI % Change		16.1%		

Table 23

STATE SPENDING FROM STATE RESOURCES APPROPRIATIONS TOTAL COMPARED IN SELECTED BUDGET AREAS (millions of dollars)				
Budget Area	FY 2008-09	FY 2018-19		Percent Change
	Year-to-Date Appropriations	Initial Appropriations	Dollar Difference	
Health and Human Services	\$5,445.1	\$6,958.9	\$1,513.8	27.8%
Corrections	1,832.5	2,002.8	170.3	9.3%
K-12 School Aid	11,097.8	13,040.7	1,942.9	17.5%
Community Colleges	299.4	408.2	108.9	36.4%
Higher Education	1,576.2	1,546.2	(30.0)	(1.9%)
Revenue Sharing-Constitutional	649.1	835.3	186.2	28.7%
Revenue Sharing-Statutory	391.0	479.1	88.1	22.5%
All Other Programs	5,018.8	7,786.9	2,768.1	55.2%
Total State Spending	\$26,309.9	\$33,058.2	\$6,748.3	25.6%
Addendum:				
Medicaid Caseload	1,708,157	2,490,000	781,843	45.8%
Prison Population	48,010	38,815	(9,195)	(19.2%)
K-12 Pupil Count	1,619,744	1,480,000	(139,744)	(8.6%)
University Students	257,148	259,711	2,563	1.0%
Community College Students	157,225	124,868	(32,357)	(20.6%)
Michigan Personal Income (millions)	\$339,681.2	\$487,577.0	\$147,895.8	43.5%
Detroit Consumer Price Index	202.8	235.4	32.6	16.1%
NOTES: Revenue Sharing: FY 2018-19 Constitutional number is the May 2018 Consensus Revenue Estimating Conference (CREC) estimate. Medicaid Caseload: Number for FY 2018-19 includes the estimated 690,000 individuals who are eligible under the expansion of Medicaid. Prison Population: FY 2008-09 is average monthly population published by the Department of Corrections; FY 2018-19 average monthly population is May 2018 CREC estimate. K-12 Pupils: FY 2018-19 pupil count is the May 2018 CREC estimate. Community College and University Students: FY 2018-19 numbers reflect the most recent data available, which are FY 2016-17 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 2018-19 numbers are May 2018 CREC estimates.				

Table 24

STATE APPROPRIATIONS FROM ALL SOURCES: HOW MUCH IS DISCRETIONARY? (Actual Dollars)	
FY 2018-19 Initial Adjusted Gross Appropriation	\$55,862,443,800
<u>Constitutional/Statutory Earmarking Requirements:</u>	
School Aid Fund (50% Constitutional)	(\$13,916,801,700)
Transportation (87% Constitutional).....	(3,169,293,700)
Regulatory Restricted Revenue (Statutory)	(1,276,842,500)
Constitutional Revenue Sharing.....	(835,333,800)
Federal Funding Requirement	(22,417,975,000)
Local and Private Revenue	(386,253,200)
Debt Service Payments (GF/GP)	(365,550,600)
Caseload/Inmate Driven.....	(8,241,714,700)
Estimated Balance for Discretionary Spending	\$5,252,678,600
<u>Estimated Balance for Discretionary Spending Includes:</u>	
GF/GP Funding for Community Colleges and Higher Education.....	\$1,046,017,900
Nonconstitutional State Revenue Sharing Funding	479,071,500
State Restricted and GF/GP Funding for State Police.....	608,151,500
Medicaid Programs-includes GME and MIChoice waiver.....	400,000,000
Non-Medicaid Programs-includes CMH, Local Public Health, Aging	320,000,000
GF/GP Funding for K-12 School Aid-includes Foundation Allowance.....	32,227,400
GF/GP Funding for Judiciary.....	196,079,500
State Restricted and GF/GP Funding for Department of State.....	225,152,700
State Restricted Revenue for Various State Departments	491,644,200
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; Talent & Economic Development; Technology, Management, & Budget; and Treasury	1,454,333,900
Estimated Discretionary Spending	\$5,252,678,600