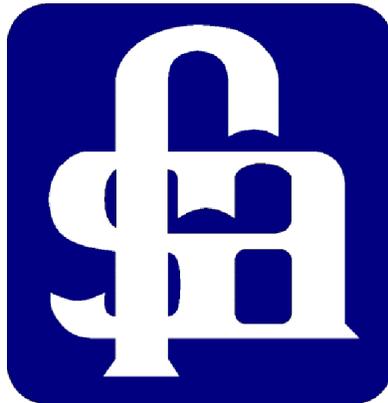


STATE BUDGET OVERVIEW



**Ellen Jeffries, Director
SENATE FISCAL AGENCY**

January 13, 2014

<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 4.3% peak-to-trough, the largest decline since the Great Depression.
- U.S. payroll employment declined 6.3% (8.74 million jobs), the largest percentage decline since the end of World War II.
- During the recession retail sales fell 13.5% between November 2007 and March 2009, the largest decline on record back to 1967.
- Light vehicle sales started dropping earlier, and fell from a 17.6 million unit annual rate in January 2006 to a 9.0 million unit rate in February 2009 (a 48.7% decline), the largest decline on record back to 1976.
- Housing starts fell from a high rate of 2.3 million units in January 2006 to 478,000 units in April 2009, a 79.0% decline, the largest decline on record to 1959.

Figure 1

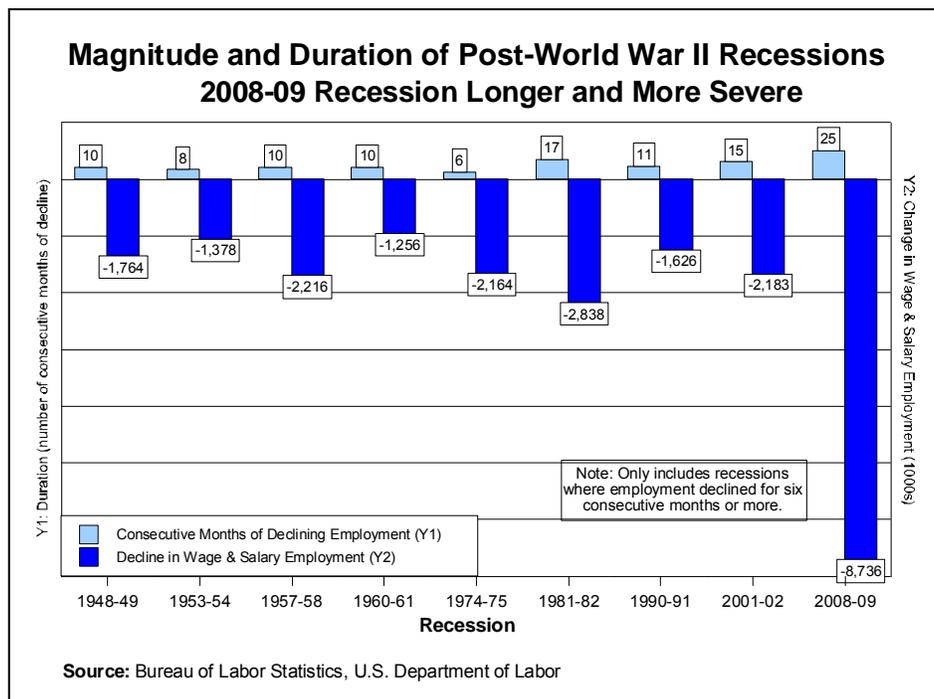


Figure 2

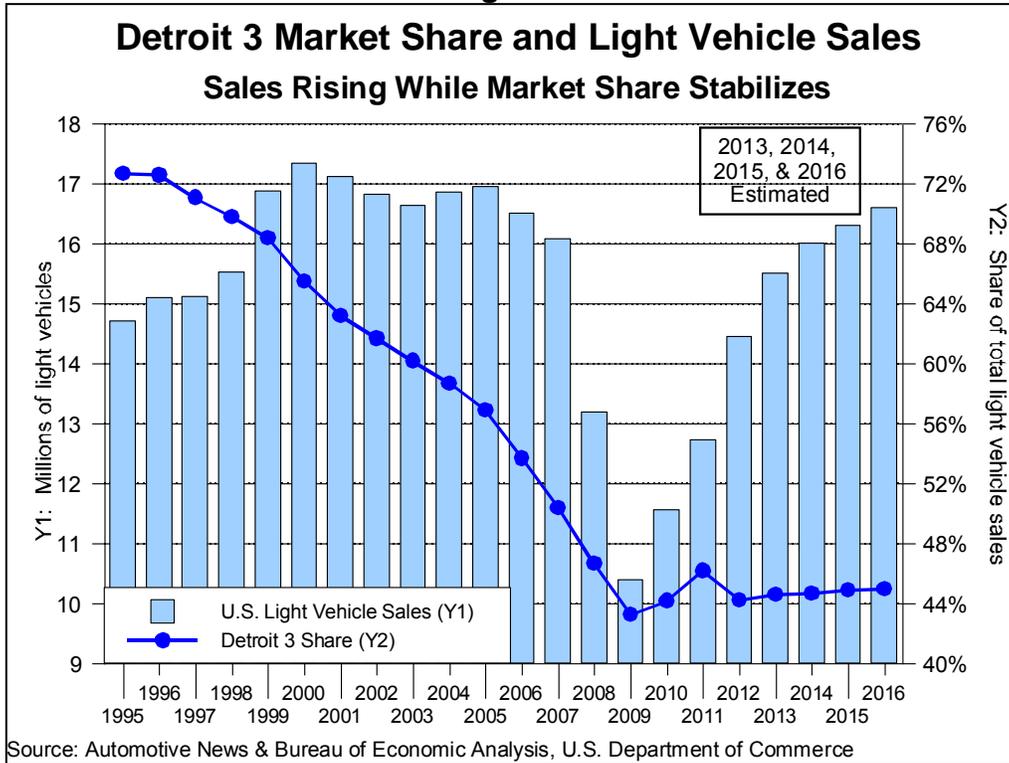
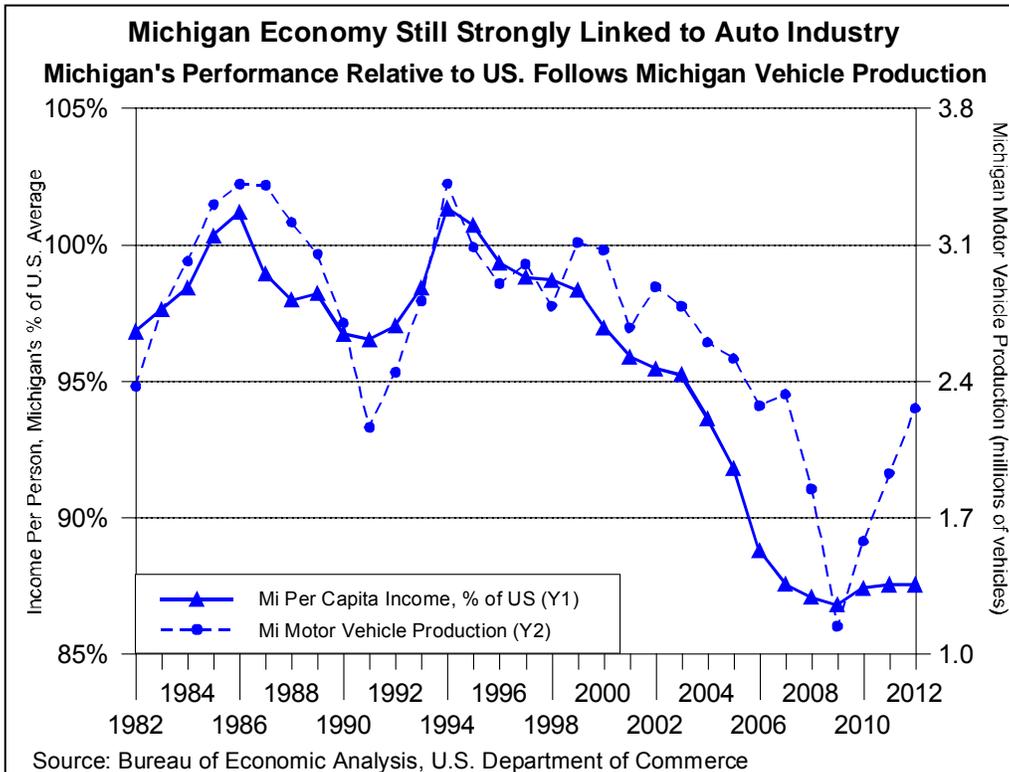


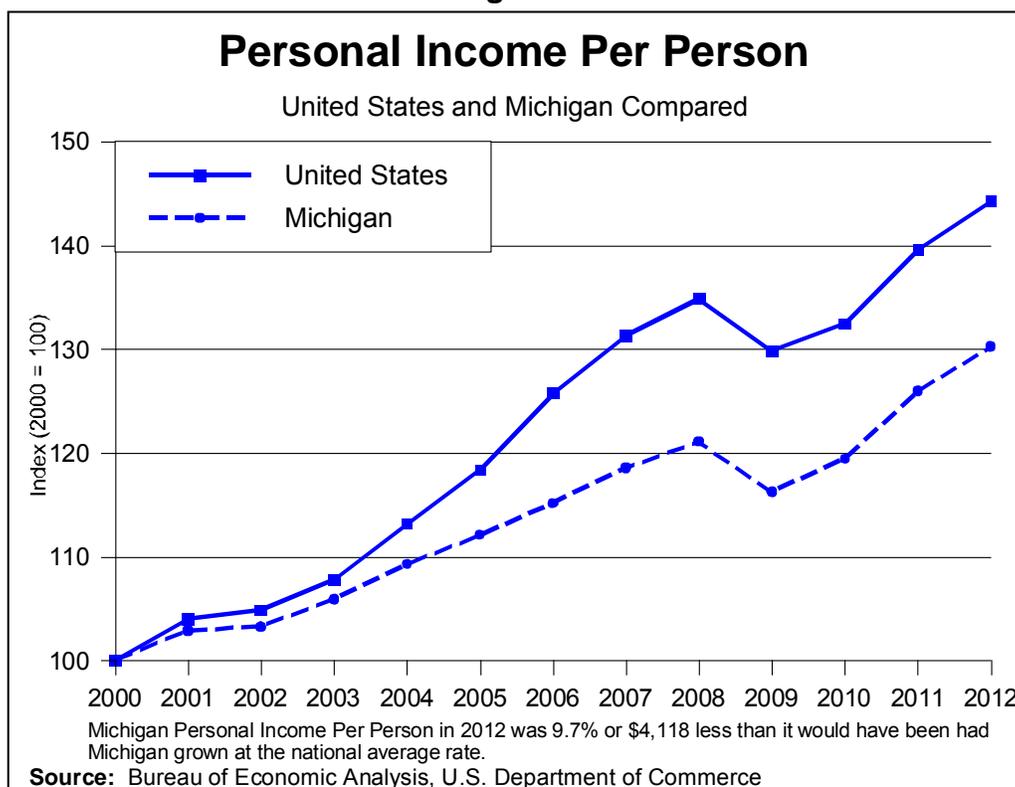
Figure 3



Michigan Personal Income

- Michigan personal income has increased 18.5% between 2000 and 2010, compared to a 45.2% increase for the nation as a whole. Personal income grew by 33.1% in Illinois, 33.4% in Indiana, 28.4% in Ohio, and 40.8% in Wisconsin over the same time period. Michigan's personal income growth was the slowest among 50 states and the District of Columbia.
- During calendar year 2000, personal income in Michigan accounted for 3.42% of the United States total. During calendar year 2010, Michigan personal income accounted for only 2.79% of the United States total.
- During calendar year 2000, Michigan per capita personal income ranked 19th among the states. During calendar year 2005, Michigan's ranking fell to 30th among the states and by calendar year 2010, Michigan's ranking fell to 38th among the states.

Figure 4



Michigan's Decade of Declining Employment

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

- Payroll employment bottomed out in July 2009, down 416,800 jobs from December 2007 and down 862,300 jobs from the April 2000 peak.
- Peak-to-trough, payroll employment declined 18.4%, with 48.3% of the job loss occurring after December 2007.
- Between January 2000 and June 2009, Michigan lost 467,800 or 51.6% of its manufacturing jobs. After peaking in July 2000, transportation equipment manufacturing employment had fallen 68.2% by June 2009.

Figure 5

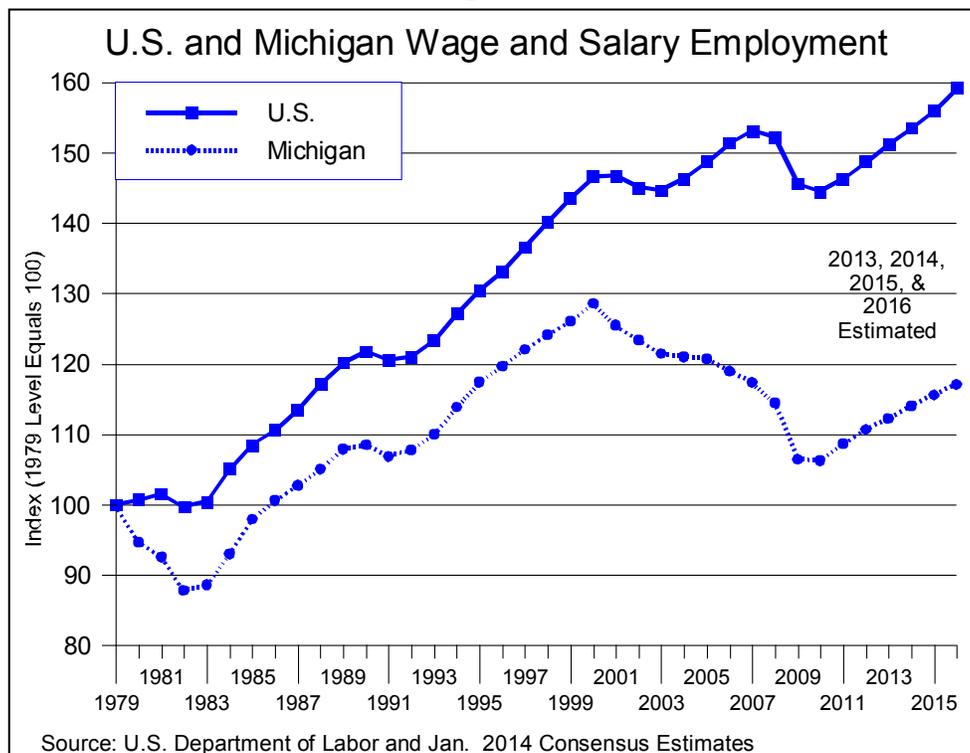


Figure 6

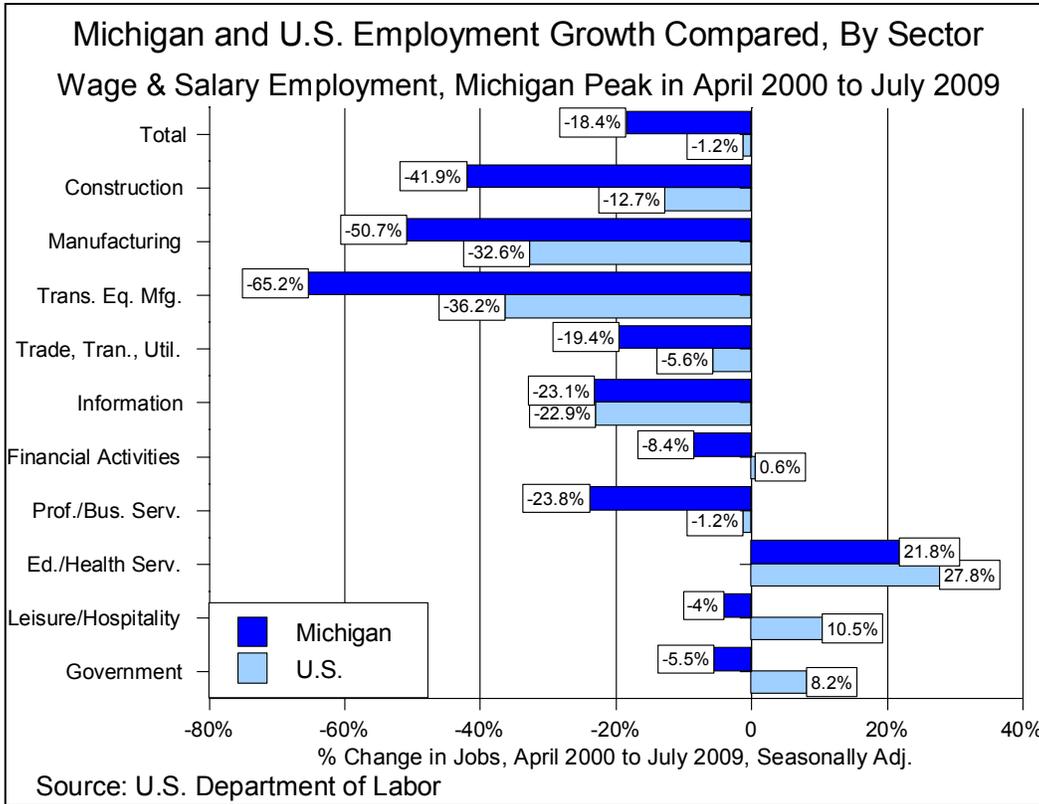


Figure 7

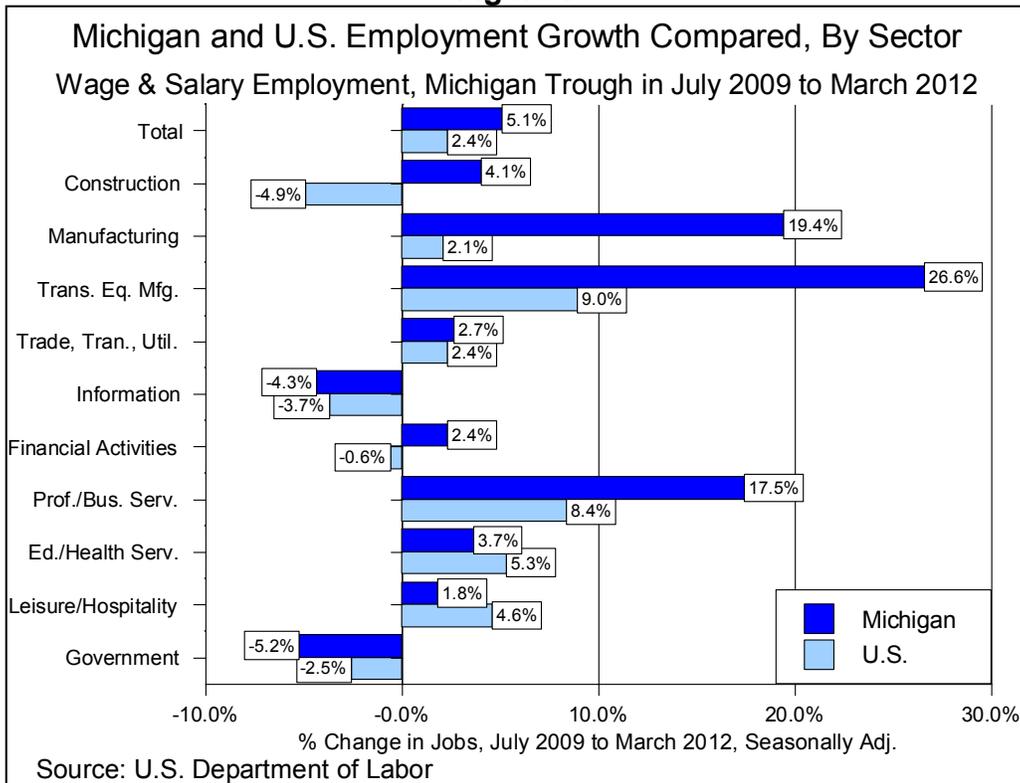
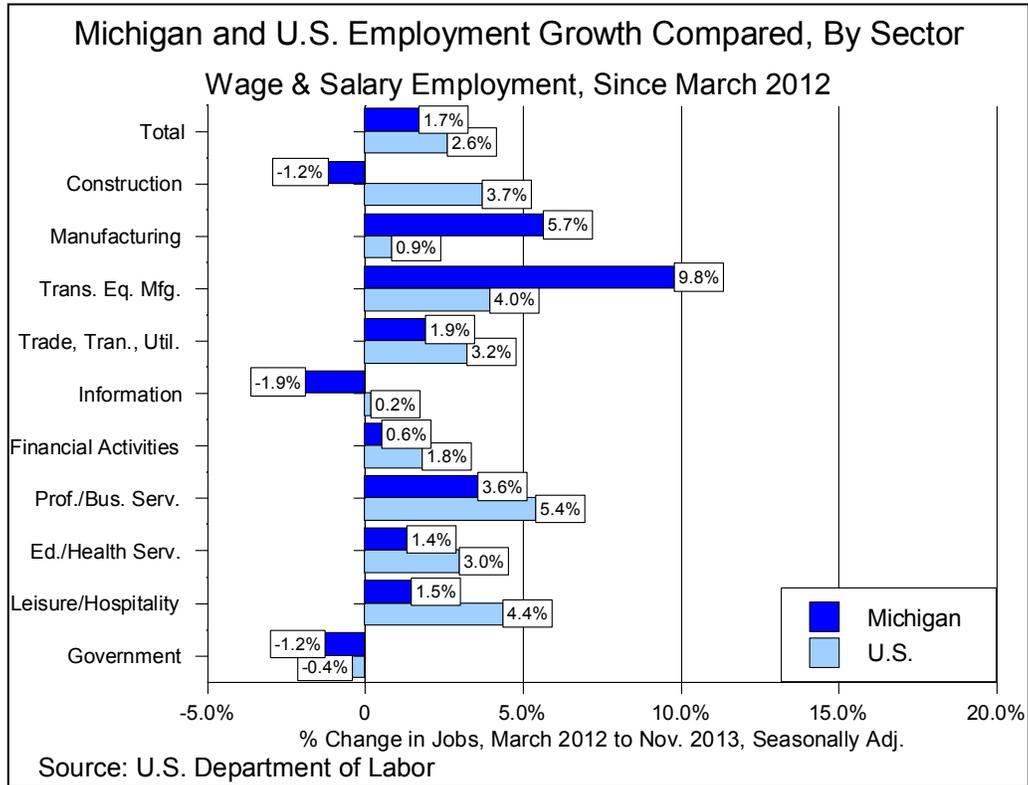


Figure 8



A Record-Weak Recovery for a Record-Setting Recession

- The current recovery is half as strong as prior recoveries. Among the six post-World War II recoveries lasting 17 months 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 4.4% rate (Figure 9). Investment has followed a pattern consistent with prior recoveries; however, consumption growth has been half as strong. Furthermore, while government spending has historically increased in recoveries, in the current recovery government spending has declined (Figures 10 and 11).
- Employment remains below pre-recession levels. Between World War II and the 1980 recession, employment reached its pre-recession peak in an average of 18.8 months. After the 1981-82 recession, the recovery in employment took 28 months, while after the 1990-91 recession it took 32 months, and after the 2001 recession it took 48 months. After 70 months, payroll employment is still 1.3 million jobs below the pre-recession peak in January 2008.
- Employment growth is barely exceeding population growth. Average payroll employment gains have averaged 165,400 jobs per month since the February 2010 trough, compared to about 177,000 per month during 2003-2006, and 251,400 per month over the 1993-1999 period. The economy needs roughly 150,000 additional jobs per month to keep up with population growth.
- People are leaving the labor force. While job growth has lowered the unemployment rate from the October 2009 peak of 10.0% to 7.0% in November 2013, a substantial portion of the decline in the unemployment rate reflects individuals leaving the labor force. The labor force has declined in three out of the last five months, and 32 of the last 69 months. Labor force participation in November 2013 was 63.0%, above October's 62.8%, but otherwise the lowest level since April 1978. Compared with the 66.2% labor force participation rate at the employment peak in January 2008, 3.2% of the population has left the labor force and is no longer working or seeking work.

- In inflation-adjusted terms, average hourly earnings fell 1.1% in 2011 and remained flat in 2012. Through November 2013, inflation-adjusted hourly earnings have risen 0.3% from the 2012 level. Average weekly hours have remained essentially unchanged for 43 months.
- Housing starts are growing rapidly but remain low by historical standards. While 2012 starts were up 28.2% from 2011, 2012 was the fourth weakest year on record, after 2009, 2010, and 2011, and was down 62.3% from 2005. Through November 2013, starts are up 19.2% from the first 11 months of 2012. Starts in 2013 are expected to exhibit a fourth consecutive annual increase but will likely still be 55.6% below the 2005 level, and a lower level of starts than any year prior to the recession (Figure 12).

Figure 9

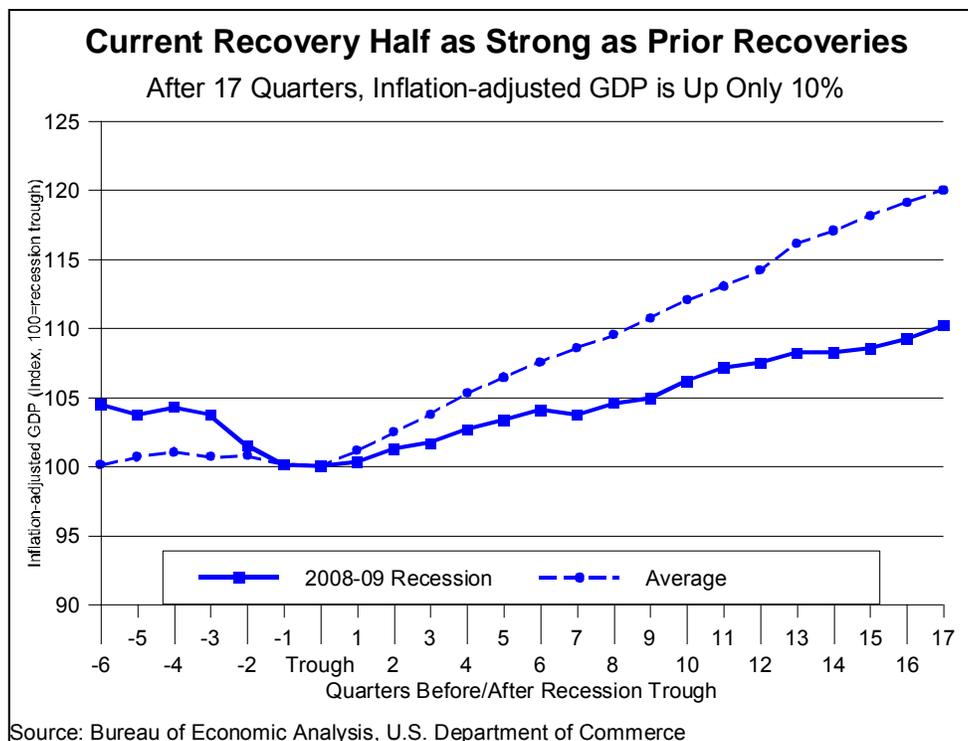


Figure 10

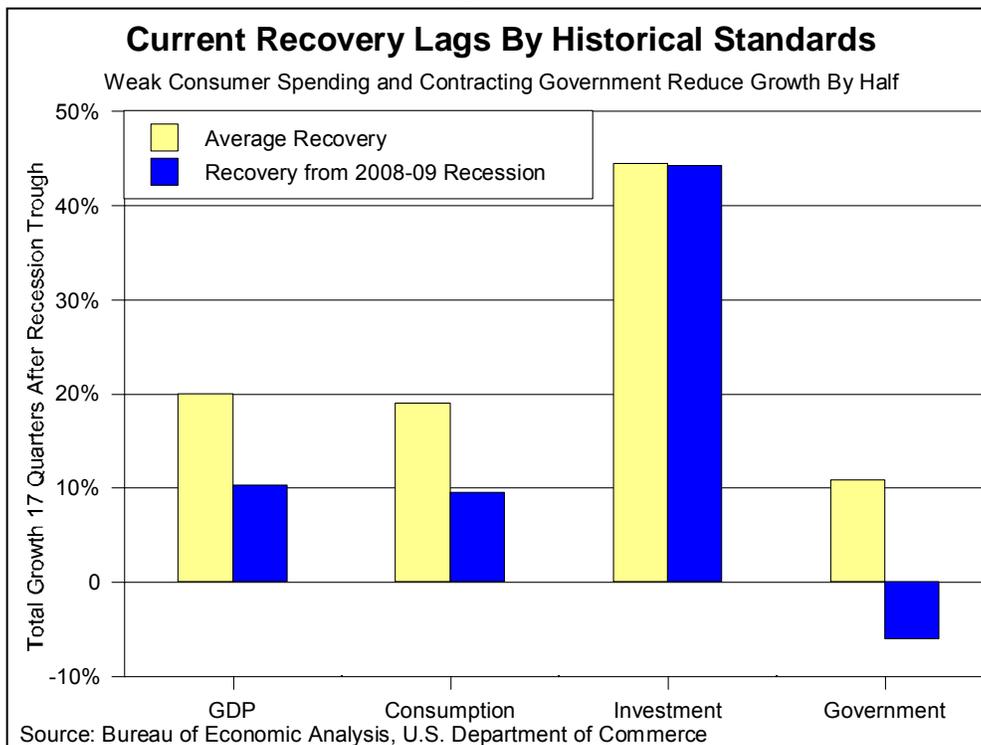


Figure 11

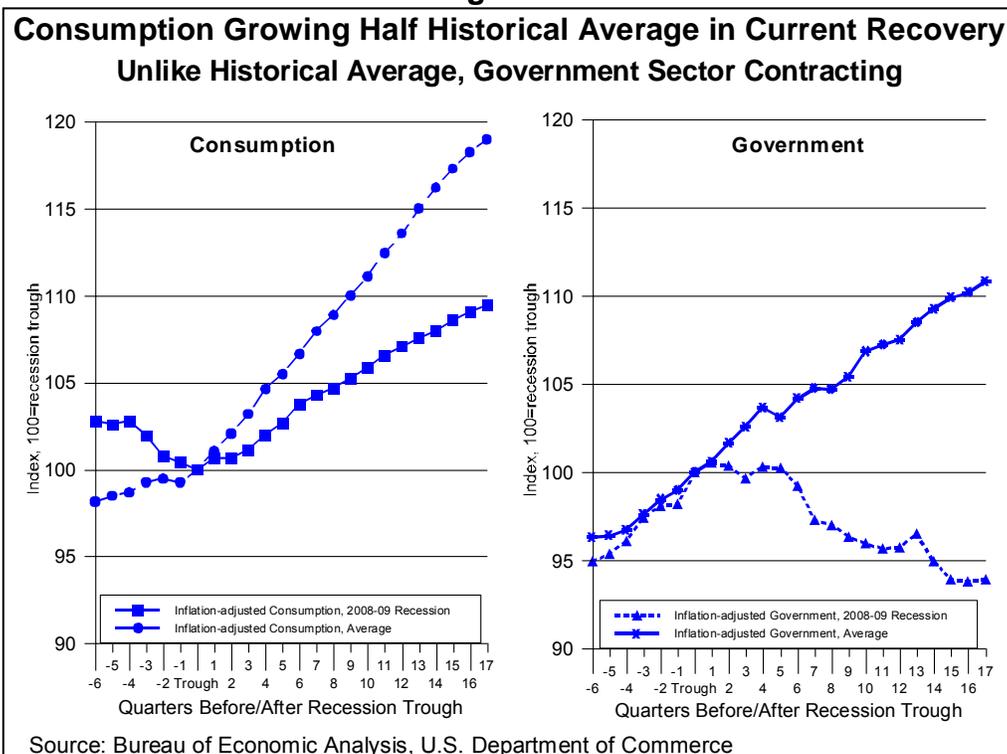
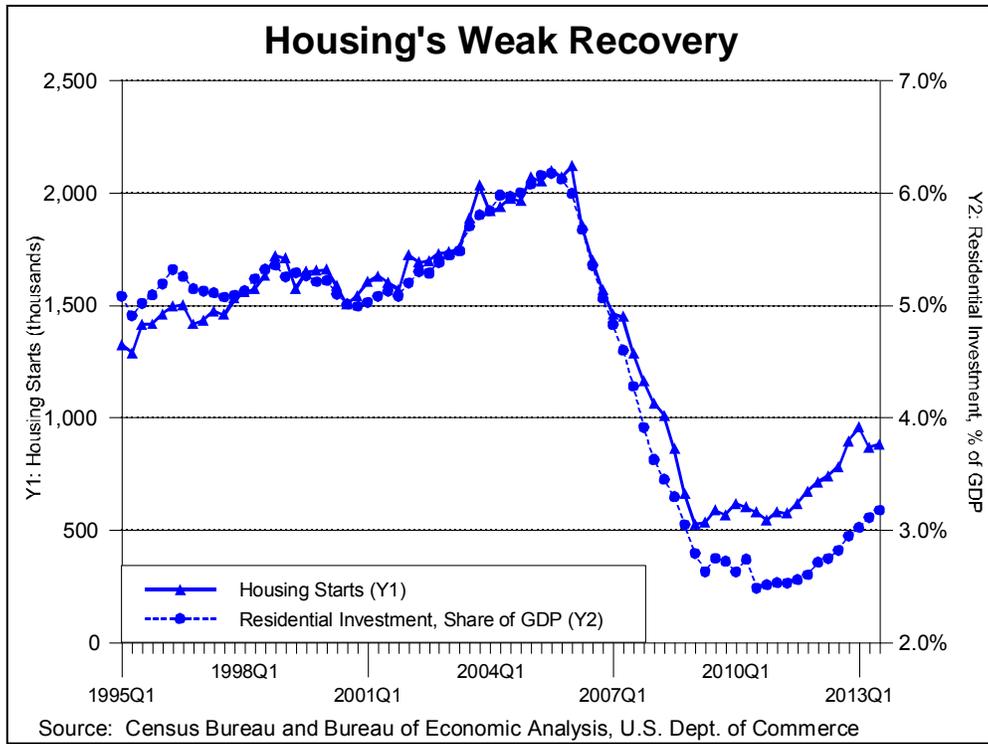


Figure 12



Recent U.S. Economic Highlights

- The economy is growing, and the growth rate is accelerating. In the third quarter of 2013, inflation-adjusted GDP grew by 4.1%, the most rapid increase in two years and only the second time since the first quarter of 2006 that economic growth has exceeded a 4.0% rate. The third quarter of 2013 also represented the fourth consecutive quarter where GDP growth has been more rapid than in the preceding quarter.
- Nationally, payroll employment has risen for 38 consecutive months, and in November 2013 was 5.8% above the February 2010 trough.
- The U.S. unemployment rate in November 2013 was 7.0%, down from 7.8% in November 2012 and well below the October 2009 peak of 10.0%. Compared with one year ago, most of the improvement reflects job gains, with the labor force down by only 25,000 persons and employment up by 1.1 million jobs.
- Light vehicle sales have improved, and are near pre-recession levels. Light vehicle sales totaled 14.4 million units in 2012, up 13.4% from 2011 and 25.0% from 2010. Through November 2013, light vehicles sales have averaged 15.5 million units, below the 16-17 million unit rate experienced between 1998 and 2007, but well above the 10.4 million units in 2009. November 2013 sales, at an annualized rate of 16.3 million units, were at the highest rate since May 2007.
- Housing starts in November 2013 were at the highest seasonally adjusted rate since February 2008.

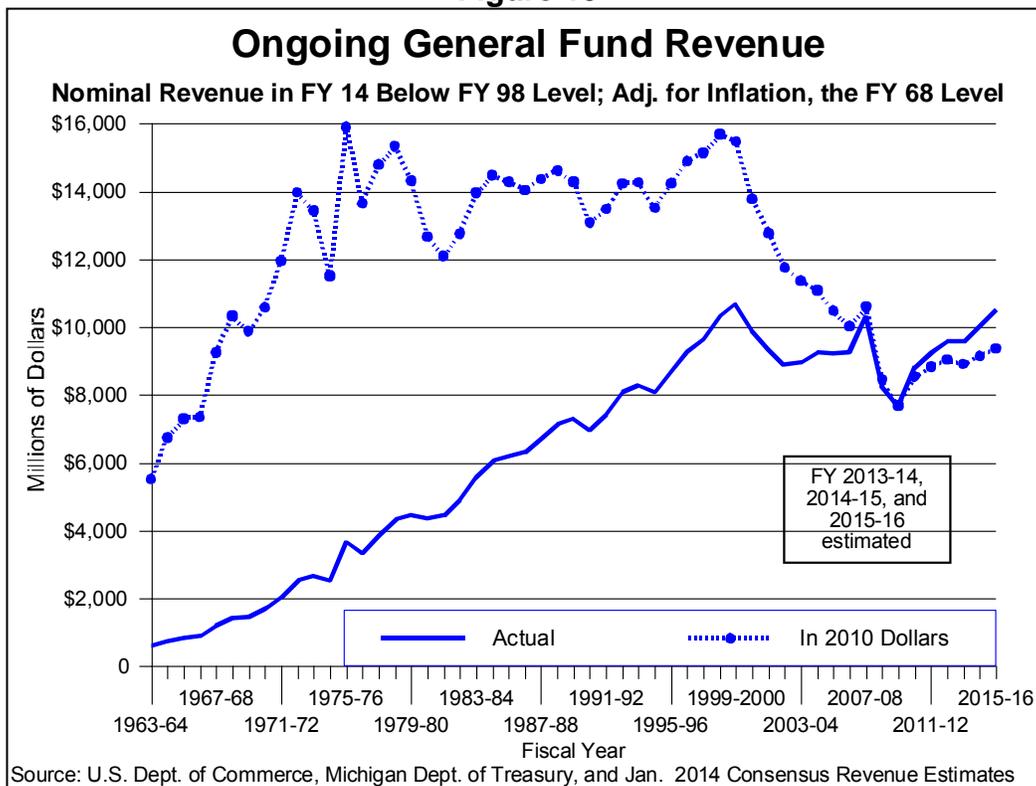
Recent Michigan Economic Highlights

- Job growth is slowing. As of November 2013, payroll employment has remained relatively flat for four months. However, November 2013 employment was up 1.5% from the year-ago level. Payroll employment in 2013 is expected to finish up 1.4% from the 2012 level, the third consecutive annual increase but a smaller gain than in 2011 (2.3%) and 2012 (1.8%).
- The labor force has started shrinking again. Michigan's unemployment rate was 8.8% in November 2013, down from 9.0% in November 2012, and down from the 14.2% peak in August 2009, but up from 8.4% in both April and May of 2013. A sizeable portion of the improvement in the unemployment rate reflects people leaving the labor force. Compared with August 2009, employment is up by 123,000 (2.9%) jobs but 147,200 people (3.0%) have left the labor force. The size of the labor force fell for 23 consecutive months between March 2010 and January 2012, and declined in the last nine months of 2012. After rising during the first seven months of 2013, the size of the labor force has fallen in three of the last four months.
- While the November 2013 unemployment rate was 8.8%, down from 9.0% in October, it was entirely due to changes in the labor force. Seasonally adjusted employment fell by 7,200 jobs, while the number of people in the labor force fell by 17,200.
- Year-to-date Michigan motor vehicle production through October 2013 was up 9.9% from the year-ago level. As of October 2013, Michigan motor vehicle production had risen for four consecutive months.
- Michigan personal income is now growing closer to the national average. In 2010, total personal income increased 3.1%, compared with the U.S. average of 3.9%, ranking Michigan 34th. However, in 2011, Michigan personal income increased 5.6%, above the national average of 5.2%, and ranking Michigan 15th. In 2012, Michigan personal income grew 3.5%, equal to the national average and ranking Michigan 23rd.
- On a per-person basis, Michigan ranked 7th in 2011 with personal income per person growing 5.7%, compared with the national average of 4.5%. In 2012, Michigan ranked 8th with personal income per person growing 3.4%, compared with the national average of 2.7%. In 2012, Illinois ranked 31st, Indiana tied Michigan at 8th, Ohio ranked 2nd, and Wisconsin ranked 35th.

State Revenue

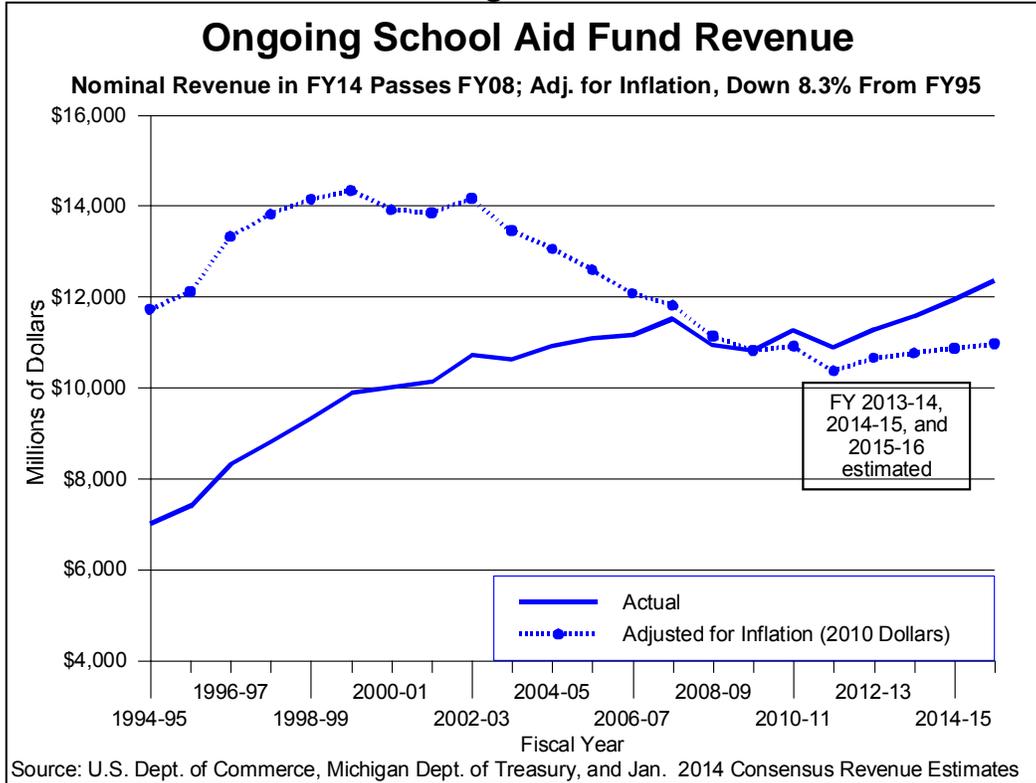
- The majority of State taxes and fees are deposited in the State's General Fund, School Aid Fund, or various transportation funds. Ongoing General Fund revenue fell as the economy declined. Between FY 2007-08 and FY 2009-10, ongoing General Fund revenue fell 25.7% (\$2.7 billion) and ongoing School Aid (SAF) revenue fell 6.0% (\$696.0 million).
- Ongoing General Fund revenue increased 5.1% in FY 2011-12 and preliminary estimates indicated ongoing General Fund revenue rose 3.2% in FY 2012-13. Ongoing SAF revenue declined 5.0% in FY 2011-12 but preliminary FY 2012-13 SAF revenue is up 3.6%.
- On an inflation-adjusted basis, ongoing General Fund revenue in FY 2013-14 is estimated to be 3.8% (\$349.7 million, in 2010 dollars) lower than the level in FY 1967-68, when the State adopted the then new personal and corporate income taxes, as shown in [Figure 13](#).

Figure 13



- On an inflation-adjusted basis, ongoing SAF revenue in FY 2013-14 is estimated to be 8.3% (\$968.5 million) lower than the level in FY 1994-95, when Proposal A took effect, as shown in Figure 14.

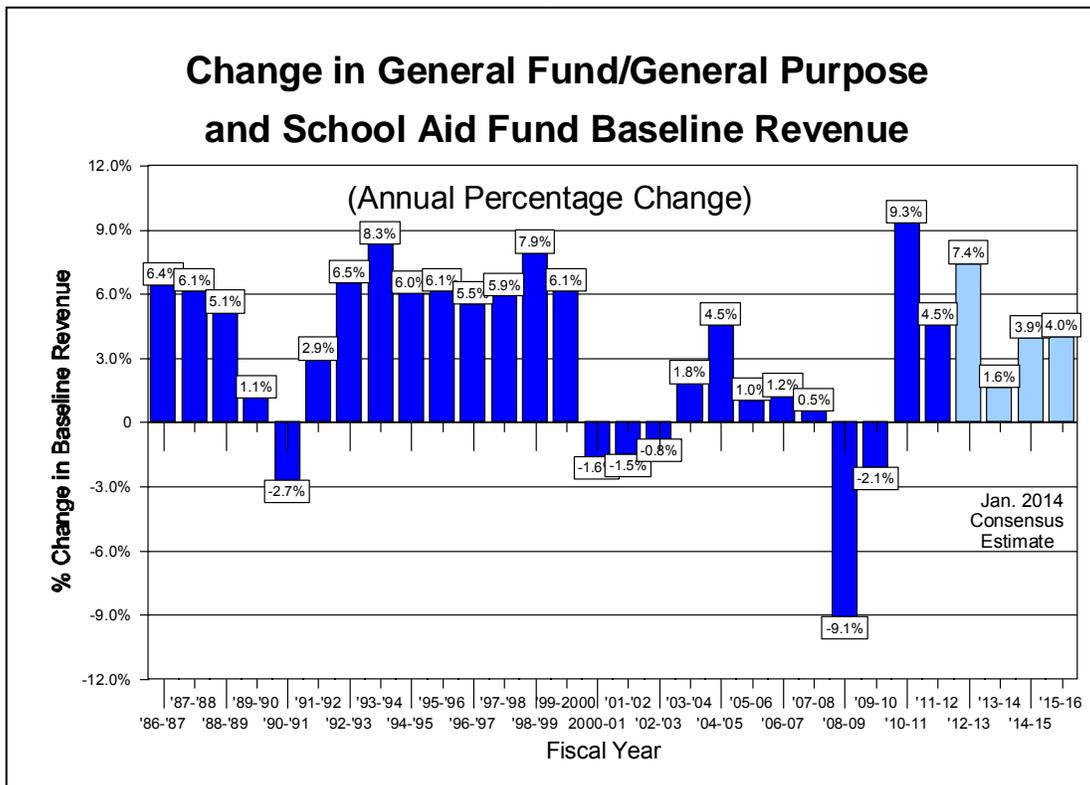
Figure 14



Forecast for State Revenue

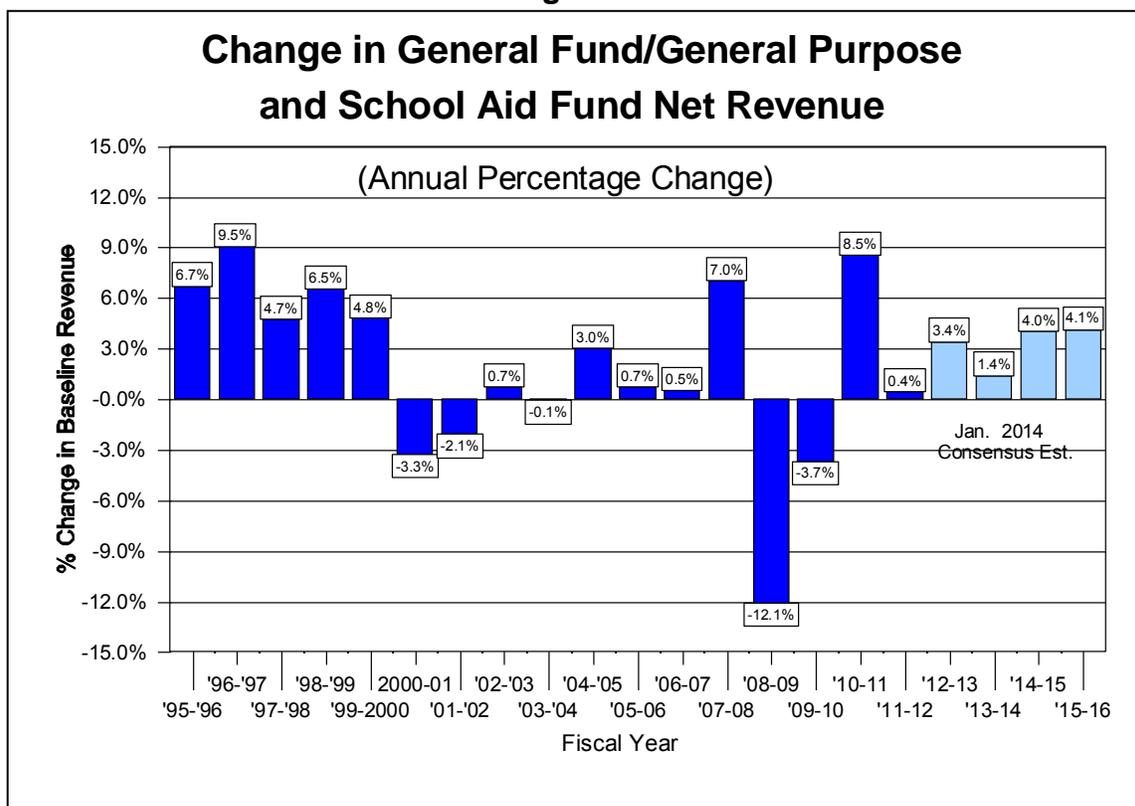
- Pursuant to State statute, there are Consensus Revenue Estimating Conferences held in January and May of each year in which the State Treasurer, and the Directors of the House and Senate Fiscal Agencies, meet to agree on the amount of State revenue available for the State budget.
- The Governor and the Legislature used the revenue estimates from the May 15, 2013, Conference to finalize the FY 2013-14 budget. The Governor's budget recommendation for FY 2014-15 will be based on the January 2014 Conference.
- The percentage changes in baseline General Fund/General Purpose (GF/GP) and School Aid Fund (SAF) revenue forecasted for FY 2013-14 through FY 2015-16 are compared with the actual growth rates during the preceding 26 years in Figure 15.

Figure 15



- The revised estimates for FY 2013-14, after accounting for tax changes, predict GF/GP revenue will increase by 0.1% while SAF revenue will increase by 2.6%. GF/GP revenue in FY 2014-15 is estimated to increase 5.0% while SAF revenue will grow 3.2%.
- The percentage changes in net (after tax changes) General Fund/General Purpose (GF/GP) and School Aid Fund (SAF) revenue forecasted for FY 2013-14 through FY 2015-16 are compared with the actual growth rates during the preceding 17 years in Figure 16.

Figure 16



- Figures 17 and 18 display the estimated FY 2013-14 revenue sources for the State General Fund and School Aid Fund, respectively.

Figure 17

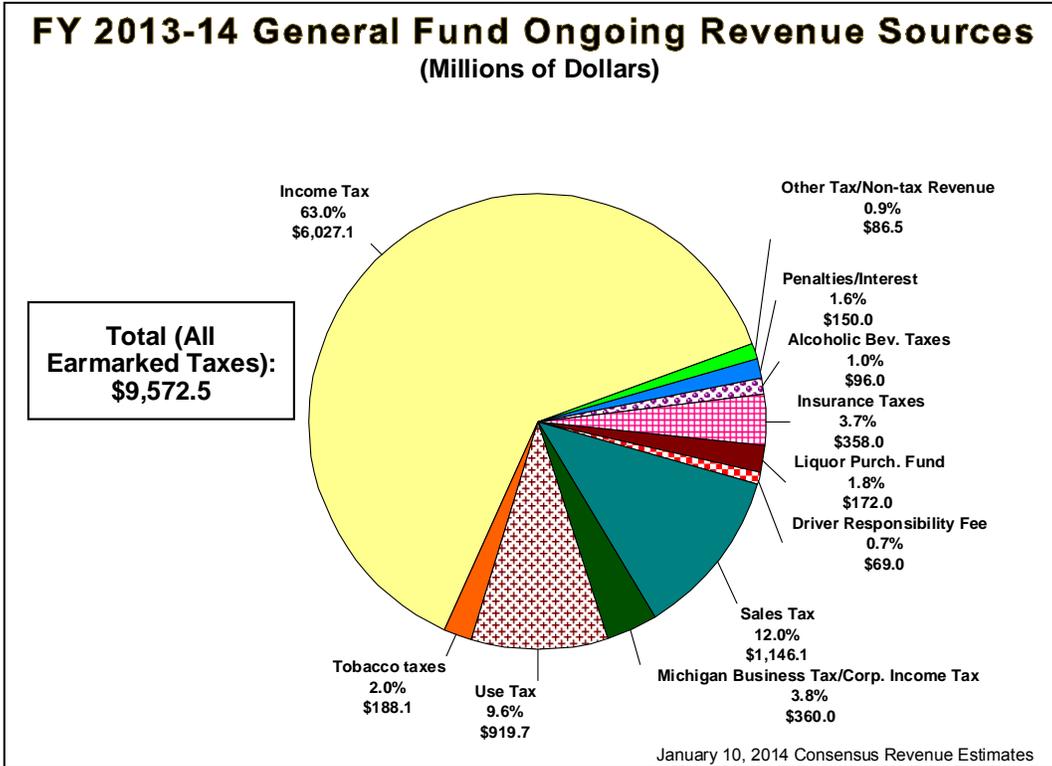
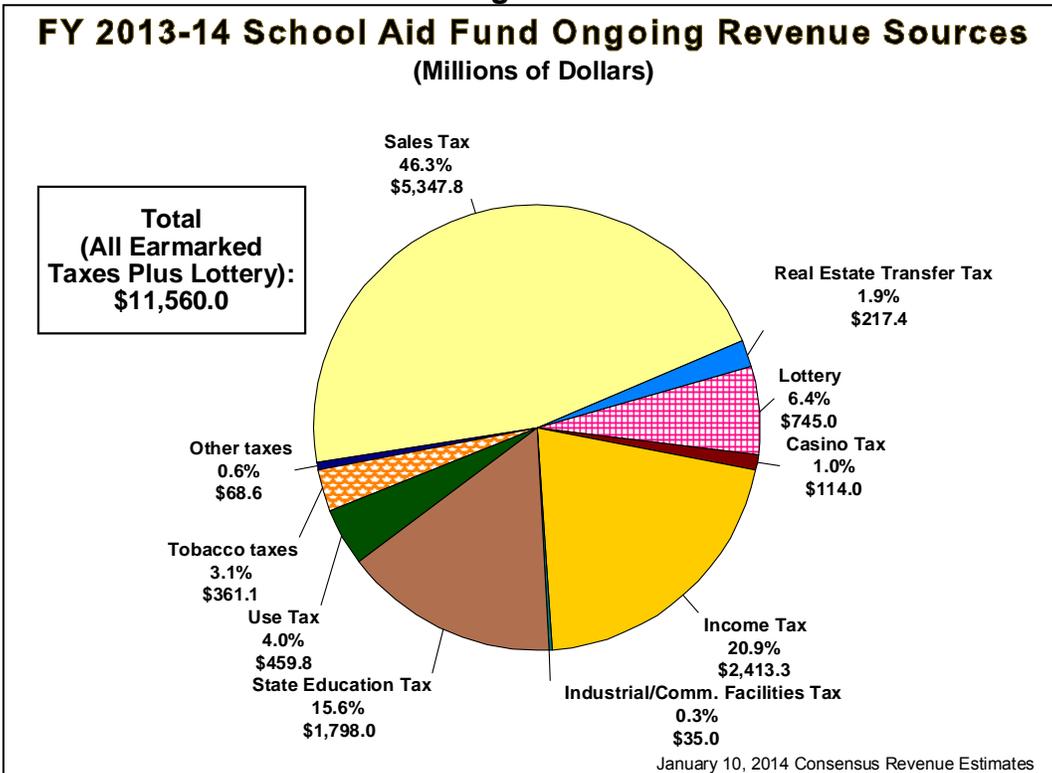


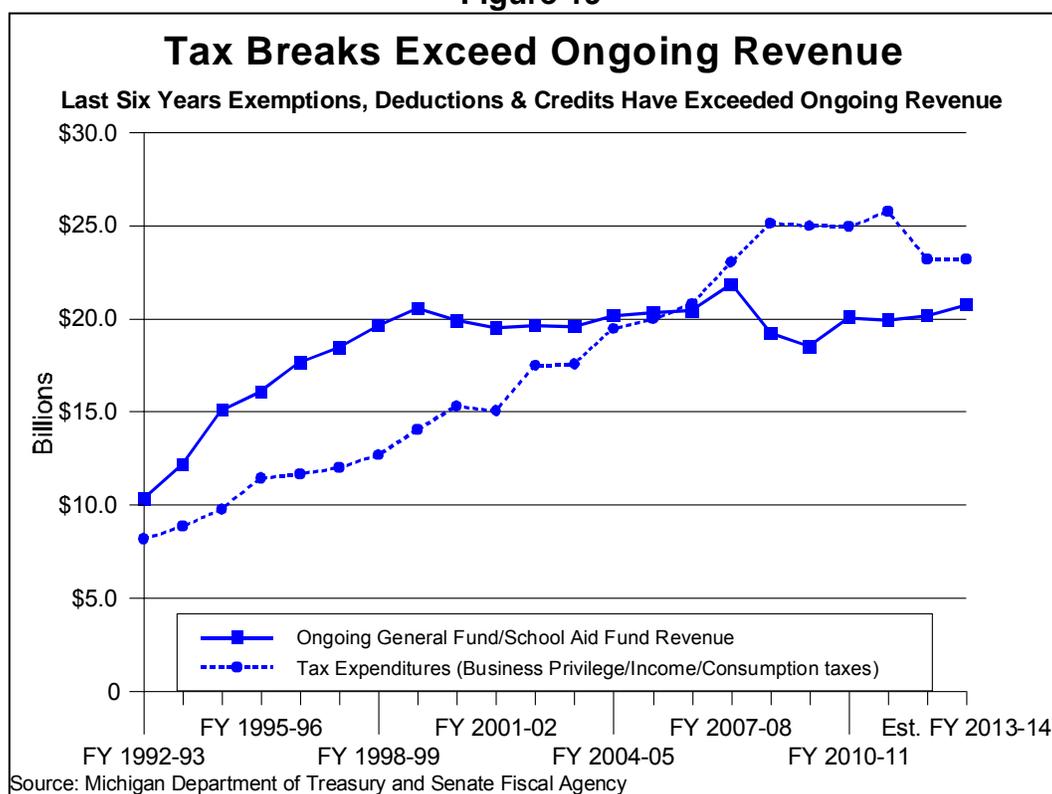
Figure 18



State Tax Expenditures

- Based on estimates of the Michigan Department of Treasury, the level of State tax expenditures under the State's business privilege, income, and consumption taxes increased from \$14.1 billion in FY 1999-2000 to \$25.0 billion in FY 2009-10. The estimate for FY 2011-12 is \$25.7 billion.
- During FY 1999-2000 tax expenditures equaled 68.2% of ongoing GF/GP and SAF revenue. During FY 2010-11 tax expenditures equaled 124.4% of total ongoing GF/GP and SAF revenue.

Figure 19



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

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

Table 1

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

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

Source: Michigan Department of Treasury

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

Tax Code Restructuring

- Public Acts 38, 39, and 40 of 2011 restructured Michigan's business and personal income taxes.
- The existing Michigan Business Tax (MBT) was repealed and replaced with a new 6.0% Corporate Income Tax (CIT).
- Changes to the Michigan personal income tax include: freezing the personal income tax rate at 4.35% until January 1, 2013 (later modified to October 1, 2012, by PA 223 of 2012), modifying pension deductions and the homestead property tax credit, reducing the earned income tax credit (EITC), and eliminating most of the other credits, deductions, and exemptions. 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 will be FY 2012-13 when it is estimated that GF/GP revenue will increase by \$385.5 million and School Aid Fund revenue will decrease by \$669.9 million.

Table 2

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

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

Source: May 2012 Consensus Revenue estimates

Constitutional Revenue Limit

- Section 26 of Article IX of the State Constitution limits total State revenue to a maximum of 9.49% of Michigan personal income.
- Based on the revised revenue estimates, revenue subject to the Constitutional revenue limit is estimated to be approximately \$6.5 billion below the limit for FY 2012-13, \$7.1 billion below the limit in FY 2013-14 and FY 2014-15, and \$7.6 billion below the limit in FY 2015-16.

Figure 20

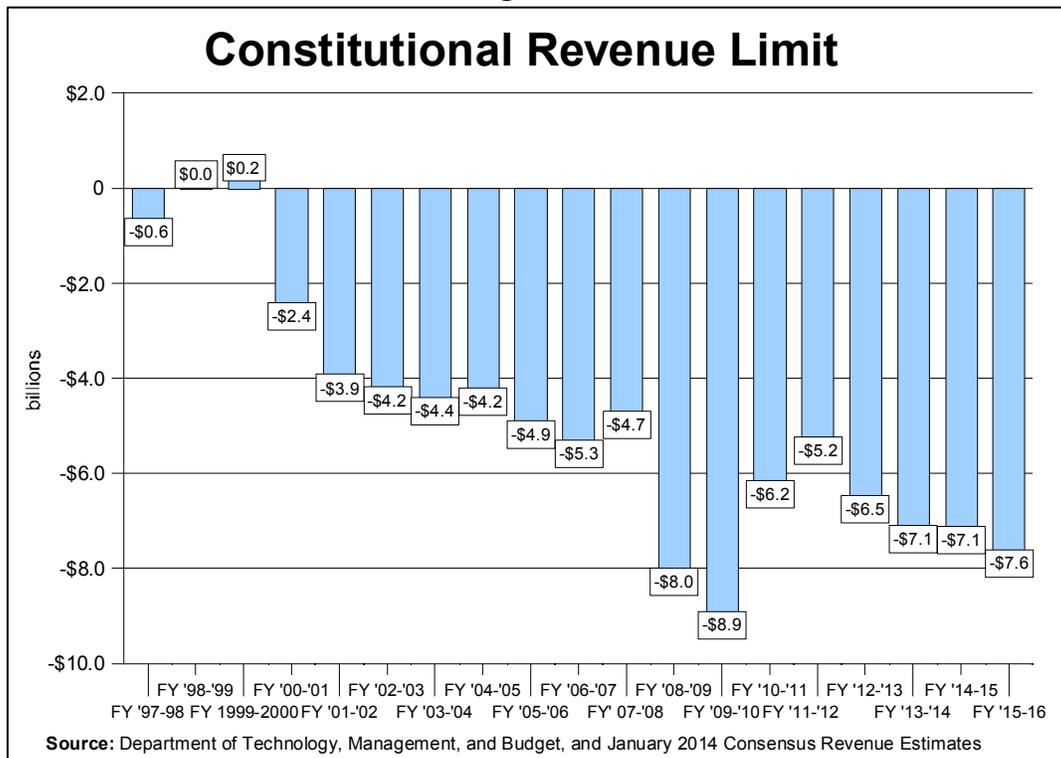


Figure 21

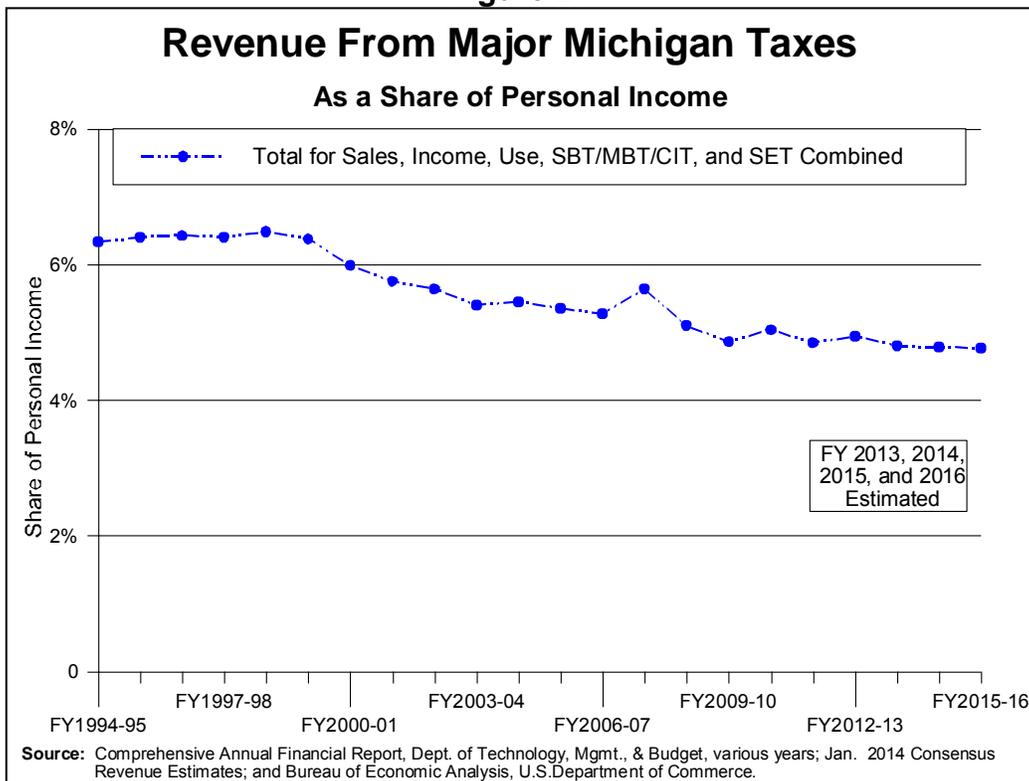


Figure 22

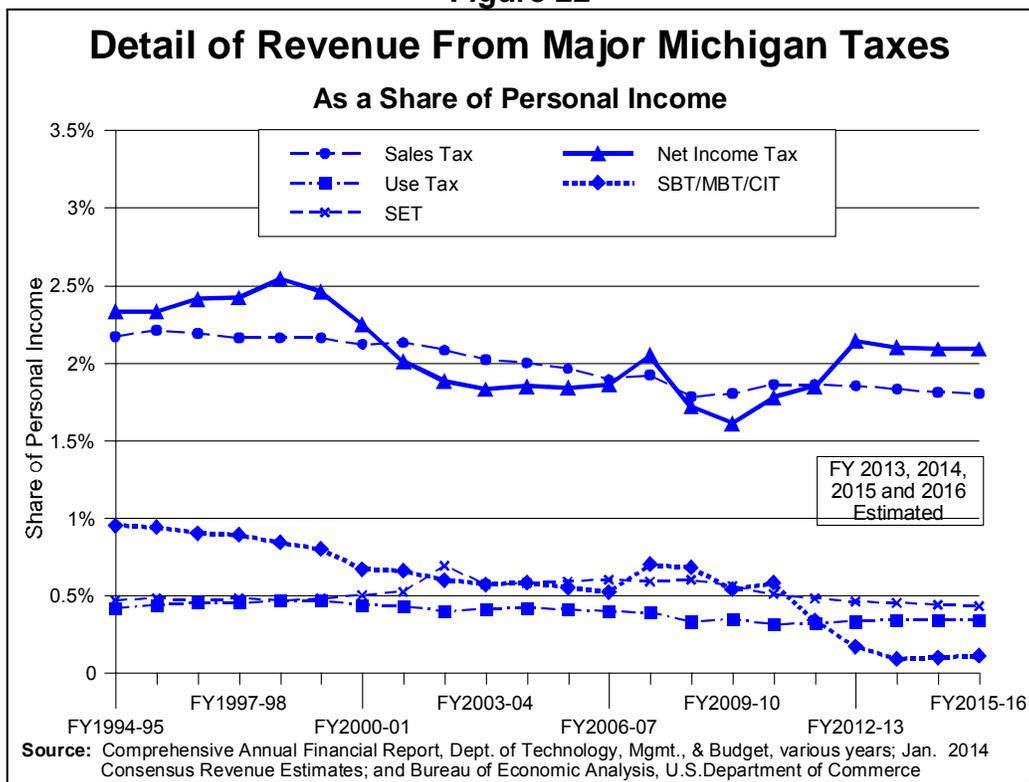


Table 3

**MICHIGAN'S MAJOR TAXES: REVENUE ESTIMATES, TAX RATES, AND YIELDS FOR FY 2012-13 AND FY 2013-14
(Dollars in Millions)**

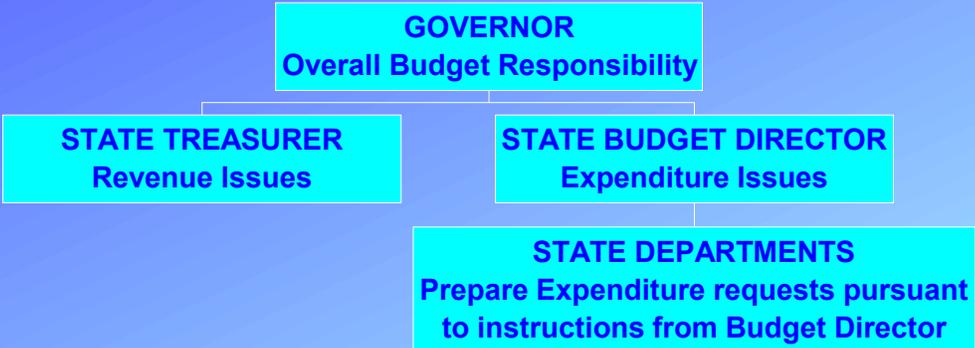
Tax	Revenue Estimates ¹⁾		Current Tax Rate	Examples of Rev. Impact Due to Change in Rate ^{f)}			History of Tax Rate Changes
	FY 2012-13 Net Revenue	FY 2013-14 Net Revenue		Rate Change	FY '13 Rev. Change Eff. 1/1/13	FY '14 Rev. Change Eff. 1/1/13	
Individual Income Tax: Gross Collections Refunds Net Income Tax	\$9,796.8 <u>(1,625.3)</u> \$8,171.5	\$9,889.0 <u>(1,620.1)</u> \$8,268.9	4.25%	0.1%	\$135.5	\$208.2	1967: 2.6% 1971: 3.9% 2004:3.9% 7/1 1975: 4.6% 1982: 5.6% 4/1 1982: 4.6% 10/1 1983: 6.35% 2007:4.35% 10/1 1984: 5.35% 9/1 1986: 4.6% 2012:4.25% 10/1 1994: 4.4% 5/1 2000: 4.2% 2002: 4.1% 2003: 4.0%
Sales Tax²⁾	\$7,100.7	\$7,330.7	6.0%	1% of: ²⁾ first 4% of 6% last 2% of 6%	\$907.6 \$847.6	12,249.1 \$1,167.1	1933: 3.0% 1960: 4.0% 1994: 6.0% 5/1
Use Tax	\$1,244.5	\$1,332.5	6.0%	1.0%	\$155.6	\$222.1	1937: 3.0% 1960: 4.0% 1994: 6.0% 5/1
Corporate Income Tax	\$920.0	\$957.0	6.0%	1.0%	\$115.0	\$159.5	Rate has not changed.
Tobacco Tax Cigarettes Other Tobacco Products	\$950.0 \$880.3 \$69.7	\$936.4 \$864.6 \$71.8	\$2.00/pack 32% whole-sale price	\$0.10/pack 2.0%	\$32.7 \$3.2	\$42.8 \$4.4	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 Tax³⁾	\$42.4	\$43.5	4.0%	1.0%	\$7.9	\$10.8	1959: Liquor excise tax established - 4.0% 1962: Liquor specific tax established - 4.0% 1972: Liquor specific tax established - 1.85% 1985: Liquor specific tax established - 4.0%
Beer Tax⁴⁾	\$41.2	\$41.6	\$6.30/barrel ⁴⁾	\$1/barrel ⁴⁾	\$4.9	\$6.6	1933: \$1.25/barrel 1959: \$2.50/barrel 1962: \$6.61/barrel 1966: \$6.30/barrel
Wine Tax⁵⁾	\$10.3	\$10.4	⁵⁾	\$0.01/liter	\$0.6	\$0.8	1937: \$0.50/gallon 1981: w/ 16% alcohol 13.5 cents/liter 1981: w/ >16% alcohol 20 cents/liter 1981: w/ >16% alcohol 20 cents/liter 1989: mixed-spirit drinks 48 cents/liter
Casino Gaming Tax	\$109.7	\$112.0	8.1%	1.0%	\$9.8	\$13.8	1999: 8.1% of adj. gross receipts 2004: 12.1% of adj. gross receipts 9/1 FY07: 8.1%-12.1% FY09: 8.1% 2/09
Real Estate Transfer Tax	\$190.5	\$202.1	0.75% ⁶⁾	0.25%	\$47.6	\$67.4	Rate has not changed.
State Education Property Tax	\$1,792.0	\$1,818.0	6 mills	1 mill	\$298.7	\$303.0	1994: 6 mills 2003: 5 mills (one-year reduction only) 2004: 6 mills
Gasoline Tax	\$815.0	\$812.5	\$0.19/gl.	\$0.01/gal.	\$32.2	\$42.8	1983: 13 cents/gal. 1984: 15 cents/gal. 1997: 19 cents/gal.

1) Consensus Revenue Estimates, May 15, 2013. b) 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. c) 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. d) 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. e) 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. f) The real estate transfer tax is assessed when real property changes ownership and it is assessed on the transaction price. g) Senate Fiscal Agency estimate.

The Budget Process

KEY ACTORS IN BUDGET DECISION MAKING PROCESS

Executive Branch



KEY ACTORS IN BUDGET DECISION MAKING PROCESS

Legislative Branch



KEY ACTORS IN BUDGET DECISION MAKING PROCESS

State Departments and Outside Interest Groups

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

PREPARATION OF THE EXECUTIVE BUDGET

STATE TREASURER (Incoming \$\$\$)

Revenue Estimates

Tax Policy

Cash Management

Debt Management

PREPARATION OF THE EXECUTIVE BUDGET (Continued)

BUDGET DIRECTOR (Outgoing \$\$\$)

Issues Budget Directions

Reviews & Analyzes Agency Requests

Filters Requests from Outside Groups

Prepares Final Budget Documents

Oversees Legislative Budget Process for Governor

Management of Current Year Budget

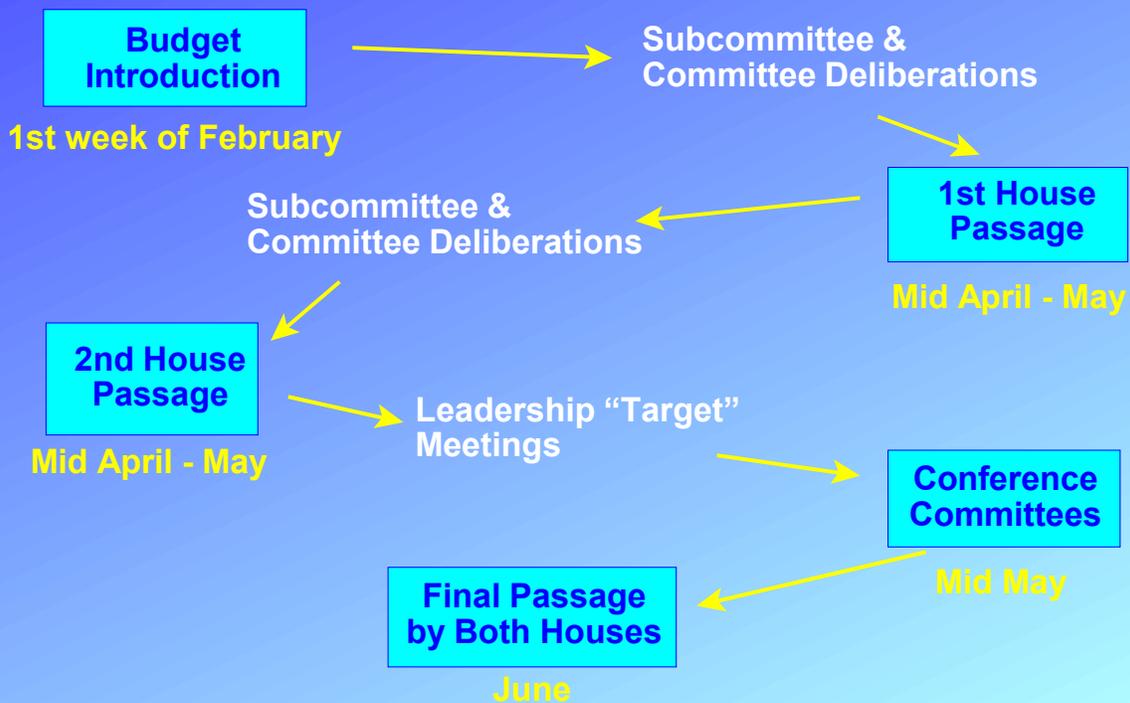
PRESENTATION OF THE EXECUTIVE BUDGET TO THE LEGISLATURE

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

LEGISLATIVE BUDGET RESPONSIBILITIES

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

TRADITIONAL BUDGET TIME FRAME



MANDATED BUDGET REQUIREMENTS & RESTRICTIONS

State Budget Process Constitutional Requirements

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

MANDATED BUDGET REQUIREMENTS & RESTRICTIONS

State Budget Process Statutory Requirements

- ▶ Public Act 431 of 1984 provides the basic statutory framework for the State budget process. Some of the major provisions include:
 - Role of State Budget Director
 - Fiscal Year period
 - Budget submission date
 - Consensus Revenue Estimating Conference
 - Counter-cyclical Budget & Economic Stabilization Fund
 - Operating funds
 - Implementation of Constitutional requirements

MANDATED BUDGET REQUIREMENTS & RESTRICTIONS

Boilerplate Requirements

- ▶ Intent language contained in appropriation bills is referred to as boilerplate. Boilerplate language is used to accomplish the following objectives:
 - Imposes conditions on appropriations
 - Reporting requirements
 - Imposes specific spending criteria

SPECIFIC MICHIGAN BUDGET PRACTICES

- ▶ Several features of Michigan's budget process that result from historical practices impact on final budget decisions. These include:
 - Strong Executive Branch influence
 - Strong Legislative Appropriations committees
 - Numerous appropriations bills
 - Incremental changes in budget
 - Strong threat of line-item veto

STATE BUDGET TERMS

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

Adjusted Gross, State Spending from State Resources and GF/GP Appropriations FY 2013-14 (billions of dollars)

Department/Budget Area	Adj. Gross	State Spending	GF/GP
K-12 Education	\$13.4	\$11.6	\$0.2
Community Health	15.4	5.1	2.9
Human Services	6.0	1.1	1.0
Transportation	3.6	2.3	0.1
Corrections	2.1	2.0	2.0
Higher Ed. & Comm. Coll.	1.8	1.7	1.3
Subtotal	\$42.3	\$23.8	\$7.5
All Other	6.4	5.0	1.9
Total	\$48.7	\$28.8	\$9.4

**The State Budget
FY 2013-14**

Table 4

SUMMARY OF FY 2013-14 APPROPRIATION CHANGES (Millions of Dollars)		
	Adj. Gross	GF/GP
FY 2012-13 Year-To-Date Appropriation (as of 7-3-13)	\$47,651.8	\$9,024.2
<u>Changes for FY 2013-14:</u>		
New Programs	\$100.9	\$49.1
Program Increases	1,826.6	485.3
Program Eliminations/Reductions.....	(1,366.6)	(159.2)
Major Fund Shifts Affecting GF/GP	0.0	(36.2)
Economic Adjustments	187.1	96.0
Unclassified Salaries	0.9	0.7
One-Time Employee Lump Sum Payments.....	(53.2)	(25.3)
Technical Adjustments	<u>345.2</u>	<u>(53.7)</u>
Total Changes	\$1,041.0	\$356.6
FY 2013-14 Initial Appropriation.....	\$48,692.8	\$9,380.9
<u>Other Budget Adjustments:</u>		
FY 2013-14 Enacted Supplementals	\$7.1	\$5.1
CREC Changes.....	0.0	0.0
Contingency Fund Transfers	0.0	0.0
FY 2013-14 Year-To-Date Appropriation	\$48,699.9	\$9,386.0

Figure 23

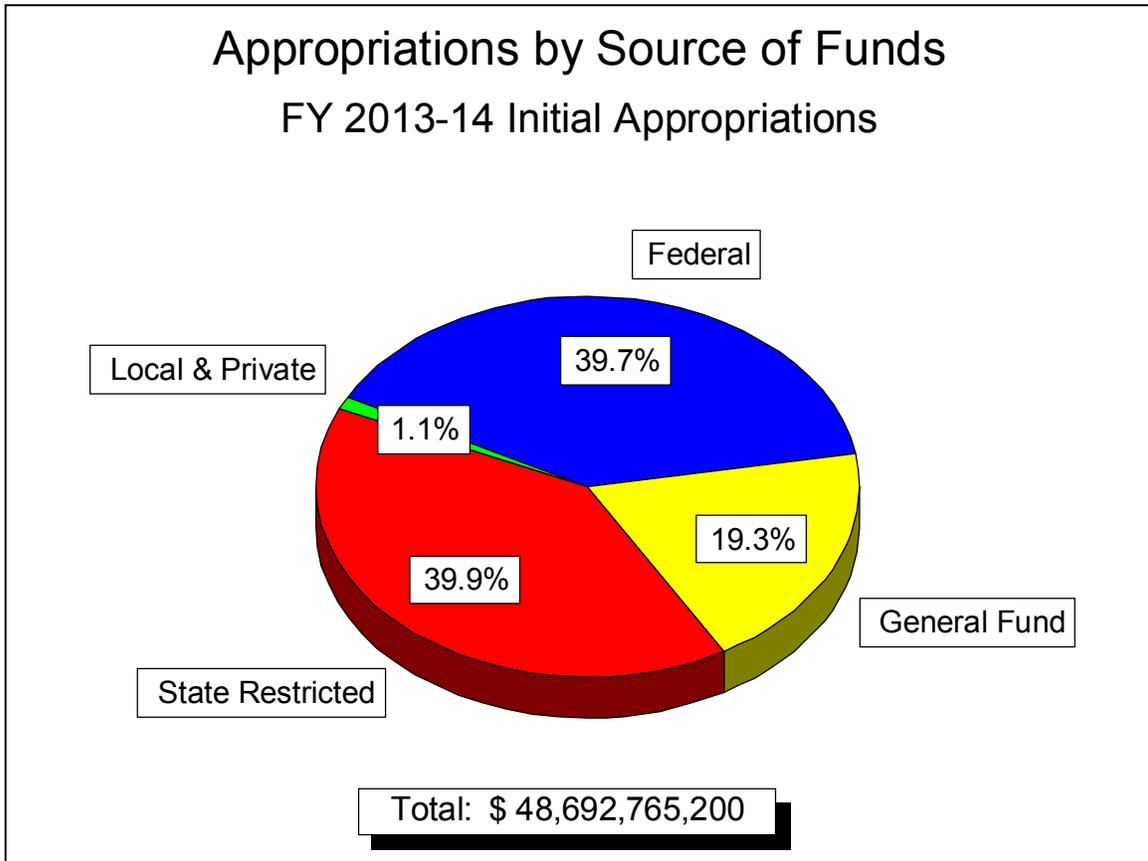


Figure 24

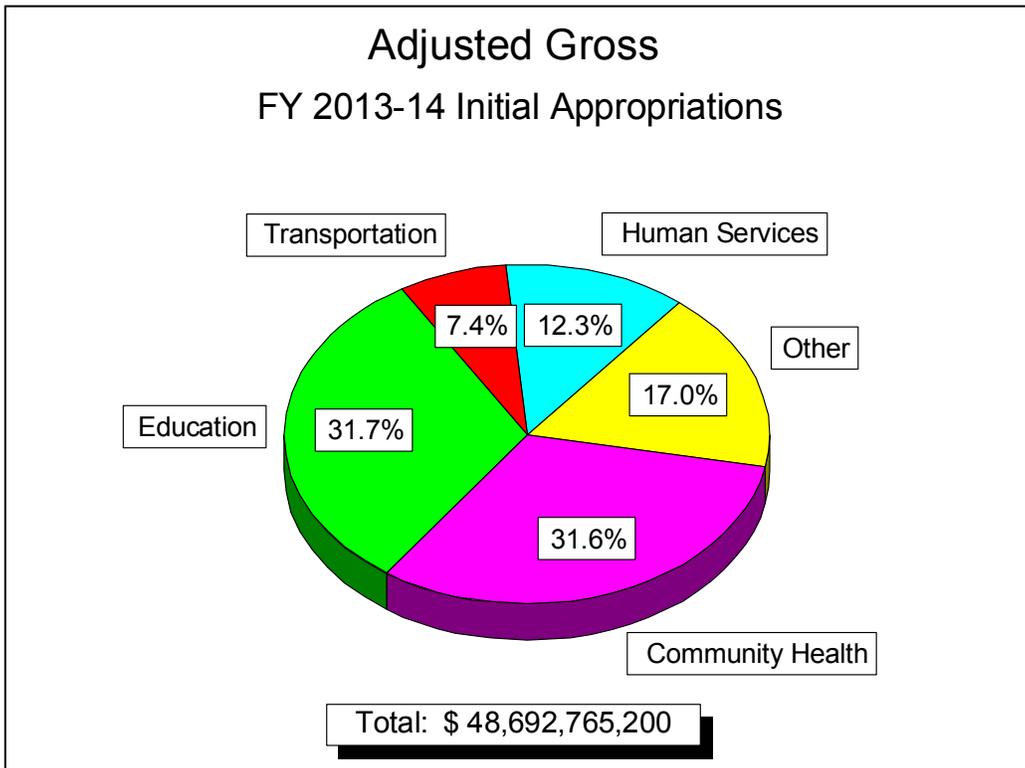


Figure 25

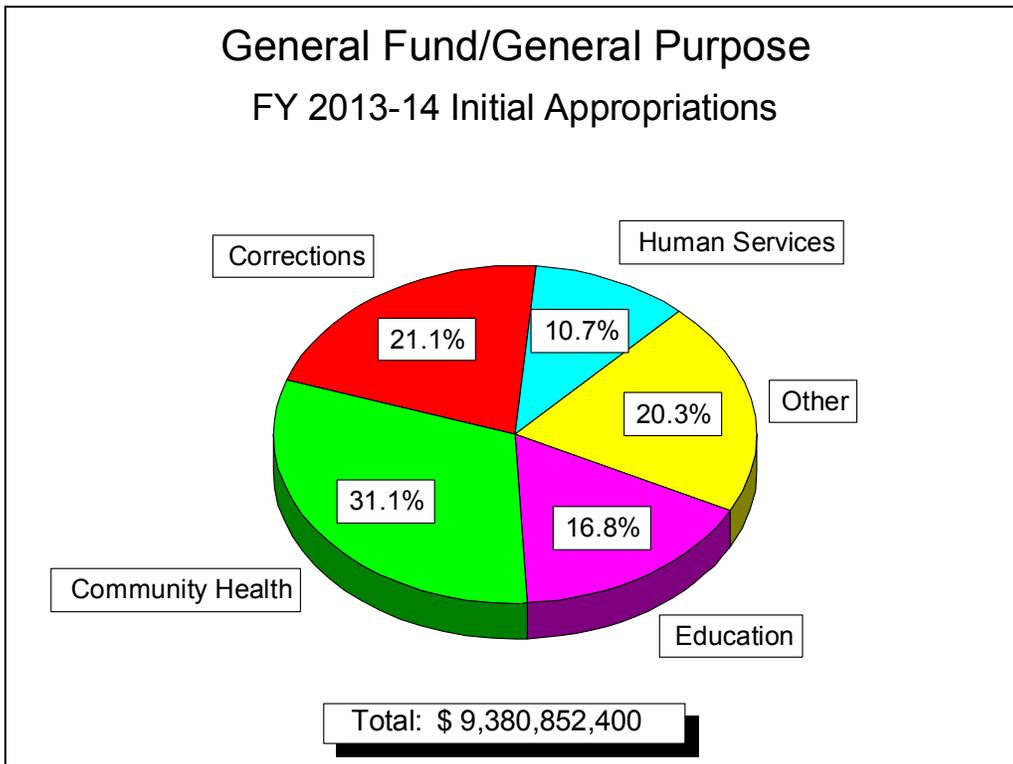


Table 5

**FULL-TIME EQUATED POSITIONS
FY 2012-13 VERSUS FY 2013-14**

Department/Budget Area	FY 2012-13 Year-to-Date Positions	FY 2013-14 Initial Positions	Position Change	Percent Change
Agriculture and Rural Development.....	425.0	434.0	9.0	2.1%
Attorney General.....	509.0	511.0	2.0	0.4
Civil Rights.....	121.0	122.0	1.0	0.8
Community Health.....	3,546.6	3,585.6	39.0	1.1
Corrections.....	14,758.3	14,559.6	(198.7)	(1.3)
Education.....	590.5	593.5	3.0	0.5
Environmental Quality.....	1,321.5	1,281.5	(40.0)	(3.0)
Executive.....	74.2	74.2	0.0	0.0
Higher Education.....	0.0	0.0	0.0	0.0
Human Services.....	12,308.0	12,144.5	(163.5)	(1.3)
Insurance and Financial Services.....	0.0	337.0	337.0	100.0
Judiciary.....	472.0	483.0	11.0	2.3
Licensing and Regulatory Affairs.....	3,709.8	2,913.0	(796.8)	(21.5)
Military and Veterans Affairs.....	845.0	889.5	44.5	5.3
Natural Resources.....	2,093.8	2,134.3	40.5	1.9
State.....	1,689.0	1,562.0	(127.0)	(7.5)
State Police.....	2,883.0	2,931.0	48.0	1.7
Technology, Management, and Budget.....	2,808.0	2,816.0	8.0	0.3
Transportation.....	2,912.3	2,912.3	0.0	0.0
Treasury - Operations.....	1,774.5	1,774.5	0.0	0.0
Treasury - Strategic Fund.....	748.0	756.0	8.0	1.1
TOTAL POSITIONS.....	53,589.5	52,814.5	(775.0)	(1.4%)

Figure 26

**Full-Time Equated Positions
FY 2013-14 Initial Appropriations**

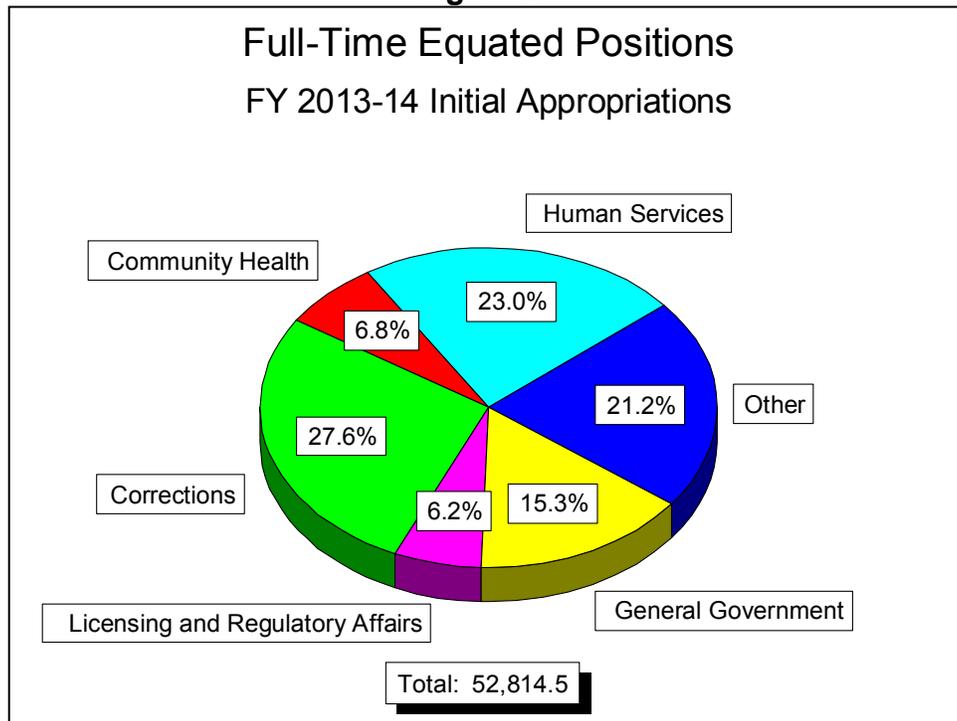
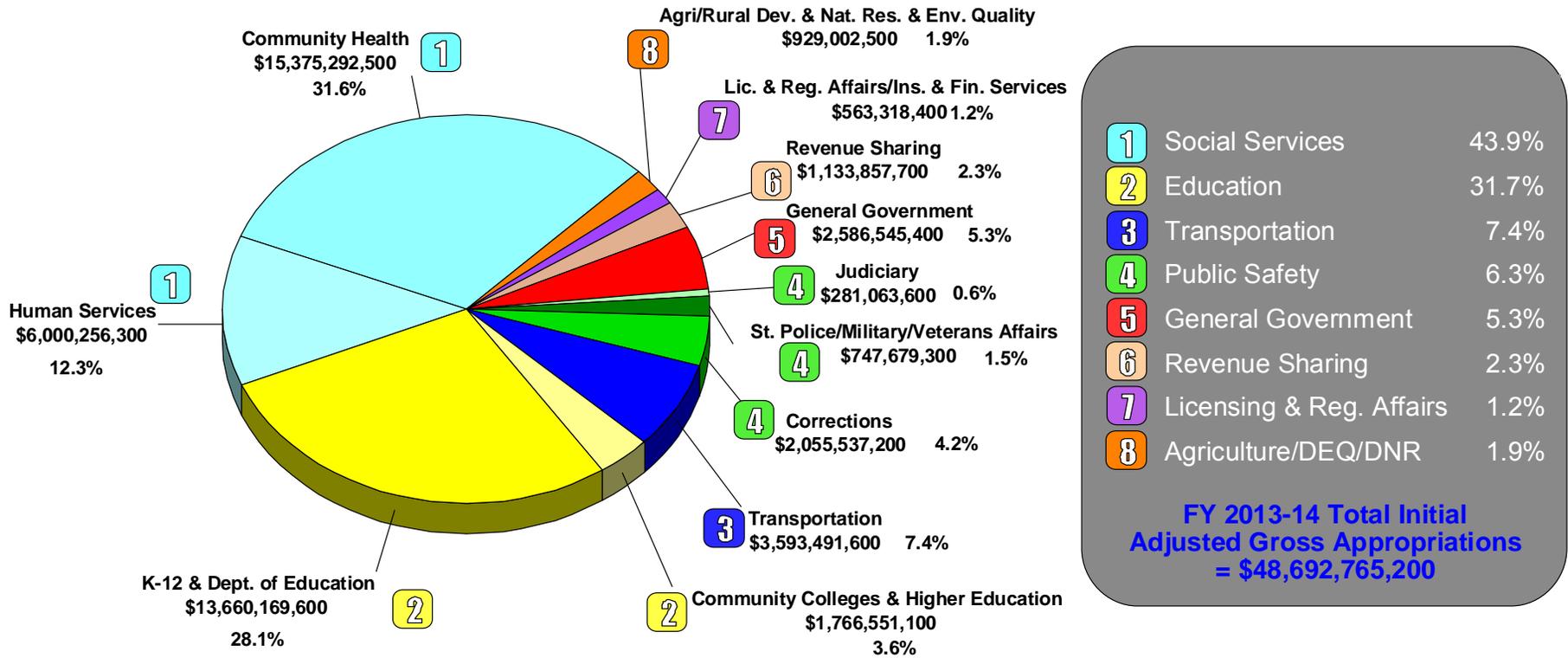


Figure 27

Where State of Michigan Tax Dollars Are Spent Fiscal Year 2013-14 Initial Adjusted Gross Appropriations



Source: Senate Fiscal Agency - 6/27/2013

Table 6

FY 2012-13 AND FY 2013-14 GENERAL FUND/GENERAL PURPOSE (GF/GP) REVENUE, EXPENDITURES, AND YEAR-END BALANCE ESTIMATES (Millions of Dollars)		
	FY 2012-13	FY 2013-14
Revenue:		
Beginning Balance	\$979.2	\$1,186.5
<u>Ongoing Revenue:</u>		
January 2014 Consensus Revenue Estimate	\$9,562.8	\$9,572.5
<u>Other Revenue Adjustments:</u>		
Revenue Sharing Payments	(350.6)	(370.6)
Shift of Short-Term Borrowing Costs to School Aid Fund	1.2	2.5
Bookclosing Adjust. (FY 13)/Individual Relief (FY 14).....	7.4	(20.0)
Subtotal Ongoing Revenue.....	\$9,220.8	\$9,184.4
<u>Non-Ongoing Revenue:</u>		
One-Time Appropriation for Revenue Sharing	(20.0)	(26.0)
Reduce Liquor Purchase Revolving Fund Lapse to GF ..	(2.0)	0.0
Subtotal Non-Ongoing Revenue	(\$22.0)	(\$26.0)
Total Estimated GF/GP Revenue	\$10,178.0	\$10,344.9
Expenditures:		
Initial Ongoing Appropriations.....	\$8,628.5	\$8,952.0
Initial One-Time Appropriations	365.7	428.8
Medicaid Reform Savings.....	0.0	(119.4)
One-Time Appropriation to Budget Stabilization Fund	140.0	75.0
One-Time Appropriation to Roads and Risks Reserve Fund ..	0.0	230.0
Enacted Supplementals.....	30.1	5.1
Pending State Budget Office Supplementals	0.0	5.2
Health Insurance Claims Assessment Revenue Shortfall ...	0.0	124.0
Estimated Year-End Lapses	(172.8)	0.0
Total Estimated GF/GP Expenditures	\$8,991.5	\$9,700.8
Projected Year-End GF/GP Balance	\$1,186.5	\$644.1

Table 7

FY 2012-13 AND FY 2013-14 SCHOOL AID FUND (SAF) REVENUE, EXPENDITURES, AND YEAR-END BALANCE ESTIMATES (Millions of Dollars)		
	FY 2012-13	FY 2013-14
Revenue:		
Beginning Balance	\$254.1	\$291.7
<u>Ongoing Revenue:</u>		
January 2014 Consensus Revenue Estimate	\$11,269.5	\$11,560.0
<u>Other Revenue Adjustments:</u>		
General Fund/General Purpose Grant	282.4	184.9
Federal Ongoing Aid	1,701.0	1,764.4
Interest Earned	0.4	0.0
MPERS Retirement Obligation Reform Reserve Fund ..	0.0	156.0
Subtotal Ongoing Revenue	<u>\$13,253.3</u>	<u>\$13,685.5</u>
<u>Non-Ongoing Revenue:</u>		
General Fund/General Purpose Grant	0.0	50.0
Total Estimated School Aid Fund Revenue	<u>\$13,507.4</u>	<u>\$14,007.0</u>
Expenditures:		
Initial Ongoing Appropriations	\$12,750.2	\$13,168.8
Consensus Cost Adjustments/SFA Estimate	(52.6)	(109.3)
Partially Fund Community Colleges with School Aid Fund..	197.6	197.6
Partially Fund Higher Education with School Aid Fund	200.5	200.5
Subtotal Ongoing Appropriations	<u>\$13,095.7</u>	<u>\$13,457.6</u>
Initial One-Time Appropriations	194.3	193.0
Enacted Supplementals	20.2	4.9
Potential Bookclosing Adjustments	(94.5)	0.0
Subtotal One-Time Appropriations	<u>\$120.0</u>	<u>\$197.9</u>
Total Estimated School Aid Fund Expenditures	<u>\$13,215.7</u>	<u>\$13,655.5</u>
Projected Year-End School Aid Fund Balance	<u>\$291.7</u>	<u>\$351.5</u>

Table 8

TOTAL ACCUMULATED PENSION UNFUNDED LIABILITIES										
Fiscal Year	MPSERS¹⁾		STATE EMPLOYEES		STATE POLICE		JUDGES		LEGISLATIVE	
	Unfunded Liability	Funded Ratio	Unfunded Liability	Funded Ratio	Unfunded Liability	Funded Ratio	Unfunded Liability	Funded Ratio	Unfunded Liability	Funded Ratio
1999-2000	\$246,000,000	99.3%	(\$863,000,000)	109.1%	(\$72,400,000)	107.0%	(\$70,600,000)	134.6%	(\$31,782,000)	125.0%
2000-01	\$1,375,000,000	96.5%	(\$755,000,000)	107.6%	(\$75,000,000)	107.0%	(\$66,300,000)	129.5%	(\$29,778,000)	121.0%
2001-02	\$3,575,000,000	91.5%	\$137,000,000	98.7%	(\$5,600,000)	100.5%	(\$62,500,000)	127.3%	(\$23,300,000)	116.0%
2002-03	\$6,043,000,000	86.5%	\$1,320,000,000	88.8%	\$47,300,000	96.0%	(\$57,100,000)	124.3%	(\$17,519,000)	112.0%
2003-04	\$7,533,000,000	83.7%	\$1,855,000,000	84.5%	\$138,100,000	89.0%	(\$50,500,000)	121.3%	(\$9,967,000)	107.0%
2004-05	\$9,995,000,000	79.3%	\$2,503,000,000	79.8%	\$210,000,000	83.8%	(\$35,000,000)	114.4%	(\$2,806,000)	102.0%
2005-06	\$6,141,000,000	87.5%	\$1,909,000,000	85.1%	\$181,700,000	86.9%	(\$39,100,000)	116.0%	(\$940,000)	101.0%
2006-07	\$5,771,000,000	88.7%	\$1,818,000,000	86.2%	\$192,700,000	86.7%	(\$53,900,000)	121.8%	(\$4,437,000)	103.0%
2007-08	\$8,931,000,000	83.6%	\$2,363,000,000	82.8%	\$230,600,000	84.6%	(\$56,700,000)	123.0%	(\$590,000)	100.0%
2008-09	\$11,982,000,000	78.9%	\$3,127,000,000	78.0%	\$295,900,000	80.7%	(\$50,70,000)	120.7%	\$5,631,000	97.0%
2009-10	\$17,633,400,000	71.1%	\$4,078,100,000	72.6%	\$392,300,000	75.4%	(\$32,700,000)	113.0%	\$13,741,000	92.0%
2010-11 ²⁾	\$22,389,000,000	64.7%	\$5,385,000,000	65.5%	\$489,800,000	69.9%	(\$15,100,000)	106.0%	\$31,000,000	82.5%
2011-12	\$24,266,000,000	61.3%	\$6,207,100,000	60.3%	\$601,900,000	64.0%	\$3,800,000	98.5%	n/a	n/a

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

Table 9

TOTAL ACCUMULATED HEALTH UNFUNDED LIABILITIES										
Fiscal Year	MPSERS¹⁾		STATE EMPLOYEES		STATE POLICE		JUDGES		LEGISLATIVE	
	Unfunded Liability	Funded Ratio	Unfunded Liability	Funded Ratio	Unfunded Liability	Funded Ratio	Unfunded Liability	Funded Ratio	Unfunded Liability	Funded Ratio
2005-06	\$24,757,000,000	2.5%	\$13,499,000,000	0.0%	\$944,400,000	0.0%	\$6,400,000	0.0%		
2006-07	\$24,957,000,000	3.0%	\$12,966,000,000	0.0%	\$918,100,000	0.0%	\$6,600,000	0.0%		
2007-08	\$25,979,000,000	3.1%	\$13,542,000,000	0.0%	\$963,000,000	0.0%	\$6,700,000	0.0%	\$118,309,000	11.0%
2008-09	\$27,582,000,000	2.5%	\$12,618,000,000	0.0%	\$882,300,000	0.0%	\$6,600,000	0.0%	\$122,282,000	11.0%
2009-10	\$27,627,200,000	3.5%	\$14,666,400,000	0.0%	\$1,055,900,000	0.0%	\$7,400,000	0.0%	\$139,373,000	10.2%
2010-11 ²⁾	\$25,890,000,000	4.3%	\$14,251,000,000	0.0%	\$994,700,000	0.0%	\$7,900,000	0.0%	\$125,000,000	10.8%
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%	n/a	n/a

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

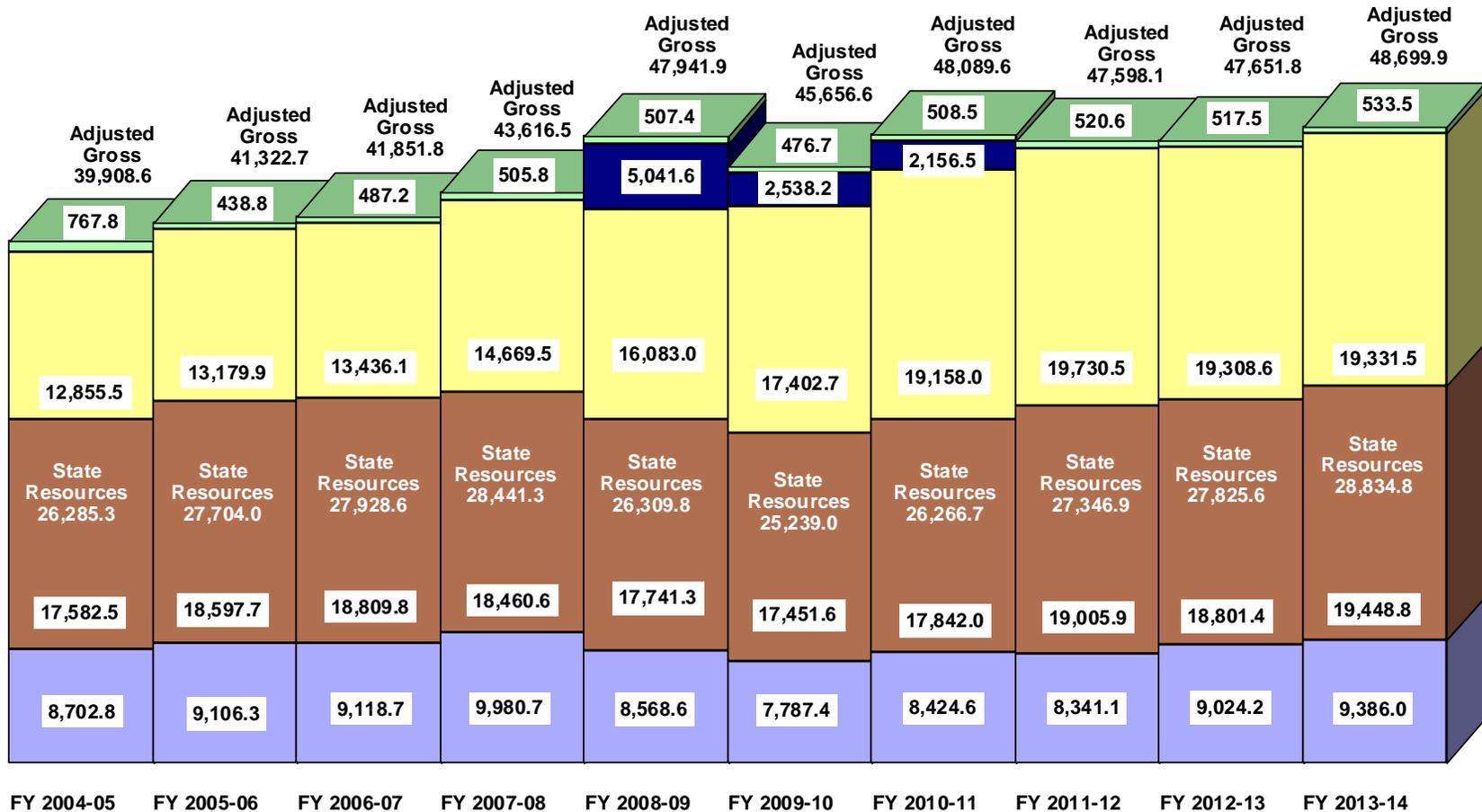
¹⁾ Michigan Public School Employees Retirement System. ²⁾ Numbers for Legislative are estimates.

Recent State Appropriation History

Figure 28

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

LOCAL/PRIVATE ARRA FED FUNDS RESTRICTED GF/GP



FY 2004-05 FY 2005-06 FY 2006-07 FY 2007-08 FY 2008-09 FY 2009-10 FY 2010-11 FY 2011-12 FY 2012-13 FY 2013-14

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

Table 10

ADJUSTED GROSS APPROPRIATION HISTORY (Millions of Dollars)			
Fiscal Year	Appropriations	Dollar Change	Percent Change
1997-98	\$31,472.8	\$1,816.3	6.1%
1998-99	33,160.3	1,687.5	5.4
1999-2000	35,417.7	2,257.4	6.8
2000-01	36,953.3	1,535.6	4.3
2001-02	38,751.3	1,798.0	4.9
2002-03	39,553.1	801.8	2.1
2003-04	39,115.3	(437.8)	(1.1)
2004-05	39,908.5	793.2	2.0
2005-06	41,322.7	1,414.2	3.5
2006-07	41,851.8	529.1	1.3
2007-08	43,616.5	1,764.7	4.2
2008-09	47,941.9	4,325.4	9.9
2009-10	45,656.6	(2,285.3)	(4.8)
2010-11	48,089.6	2,433.0	5.3
2011-12	47,598.1	(491.6)	(1.0)
2012-13	47,651.8	53.7	0.1
2013-14 Initial	48,692.8	1,041.0	2.2
Change FY 2003-04 to FY 2013-14		\$9,577.5	24.5%
Detroit CPI 10-Year Percent Change			20.6%
Note: Does not include Budget Stabilization Fund appropriations of \$362.7 million, \$140.0 million, and \$75.0 million for FYs 2011-12, 2012-13, and 2013-14, respectively; includes \$115.0 million FY 2013-14 appropriation from the Roads and Risks Reserve Fund.			

Table 11

STATE SPENDING FROM STATE RESOURCES APPROPRIATION HISTORY (Millions of Dollars)			
Fiscal Year	Appropriations	Dollar Change	Percent Change
1997-98	\$22,493.6	\$941.3	4.4%
1998-99	23,276.8	783.2	3.5
1999-2000	24,579.0	1,302.2	5.6
2000-01	25,761.6	1,182.6	4.8
2001-02	26,086.8	325.2	1.3
2002-03	26,020.5	(66.3)	(0.3)
2003-04	25,802.5	(218.0)	(0.8)
2004-05	26,285.3	482.8	1.9
2005-06	27,704.0	1,418.7	5.4
2006-07	27,928.6	224.6	0.8
2007-08	28,441.3	512.7	1.8
2008-09	26,309.8	(2,131.5)	(7.5)
2009-10	25,239.0	(1,070.8)	(4.1)
2010-11	26,266.7	1,027.7	4.1
2011-12	27,346.9	1,080.3	4.1
2012-13	27,825.6	478.7	1.8
2013-14 Initial	28,827.7	1,002.1	3.6
Change FY 2003-04 to FY 2013-14		\$3,025.2	11.7%
Detroit CPI 10-Year Percent Change			20.6%
Note: Does not include Budget Stabilization Fund appropriations of \$362.7 million, \$140.0 million, and \$75.0 million for FYs 2011-12, 2012-13, and 2013-14, respectively; includes \$115.0 million FY 2013-14 appropriation from the Roads and Risks Reserve Fund.			

Table 12

GENERAL FUND/GENERAL PURPOSE APPROPRIATION HISTORY (millions of dollars)			
Fiscal Year	Appropriations	Dollar Change	Percent Change
1997-98	\$8,735.1	\$366.0	4.4%
1998-99	9,415.0	679.9	7.8
1999-2000	9,607.7	192.7	2.0
2000-01	9,744.4	136.7	1.4
2001-02	9,189.3	(555.1)	(5.7)
2002-03	8,830.9	(358.4)	(3.9)
2003-04	8,770.1	(60.8)	(0.7)
2004-05	8,702.8	(67.3)	(0.8)
2005-06	9,106.3	403.5	4.6
2006-07	9,118.7	12.4	0.1
2007-08	9,980.7	862.0	9.5
2008-09	8,568.6	(1,412.1)	(14.1)
2009-10	7,787.4	(781.2)	(9.1)
2010-11	8,424.6	637.2	8.2
2011-12	8,341.1	(83.6)	(1.0)
2012-13	9,024.2	683.2	8.2
2013-14 Initial	9,380.9	356.6	4.0
Change FY 2003-04 to FY 2013-14		\$610.8	7.0%
Detroit CPI 10-Year Percent Change			20.6%
Note: Does not include Budget Stabilization Fund appropriations of \$362.7 million, \$140.0 million, and \$75.0 million for FYs 2011-12, 2012-13, and 2013-14, respectively; does not include \$230.0 million FY 2013-14 appropriation for the Roads and Risks Reserve Fund.			

Table 13

SCHOOL AID FUND APPROPRIATION HISTORY (Millions of Dollars)			
Fiscal Year	State-Funded Appropriations	Dollar Change	Percent Change
1997-98	\$9,307.4	\$749.1	8.8%
1998-99	9,495.1	187.7	2.0
1999-2000	9,957.6	462.5	4.9
2000-01	10,732.3	774.7	7.8
2001-02	11,220.6	488.3	4.5
2002-03	11,334.6	114.0	1.0
2003-04	11,059.3	(275.3)	(2.4)
2004-05	11,113.5	54.2	0.5
2005-06	11,308.1	194.6	1.8
2006-07	11,597.0	288.9	2.6
2007-08	11,421.8	(175.2)	(1.5)
2008-09	11,097.8	(324.0)	(2.8)
2009-10	10,675.1	(422.7)	(3.8)
2010-11	10,803.4	128.3	1.2
2011-12	11,088.9	285.5	2.6
2012-13	11,211.0	122.1	1.1
2013-14 Year-to-Date	11,602.3	358.7	3.2
Change FY 2003-04 to FY 2013-14		\$543.0	4.9%
Detroit CPI 10-Year Percent Change			20.6%

Table 14

FEDERAL FUNDS APPROPRIATED IN MICHIGAN BUDGET (Millions of Dollars)			
Fiscal Year	Federal Funds	Adjusted Gross Appropriations	Federal as Percent of Total Adjusted Gross
1997-98	\$7,931.5	\$31,472.8	25.20%
1998-99	8,623.4	33,160.3	26.01
1999-2000	9,765.6	35,417.7	27.57
2000-01	10,002.2	36,953.3	27.07
2001-02	11,242.9	38,751.3	29.01
2002-03	12,226.7	39,553.1	30.91
2003-04	12,361.6	39,115.3	31.60
2004-05	12,855.5	39,908.5	32.21
2005-06	13,179.9	41,322.7	31.89
2006-07	13,436.1	41,851.8	32.10
2007-08	14,669.5	43,616.5	33.63
2008-09	21,124.7	47,941.9	44.06
2009-10	19,940.9	45,656.6	43.68
2010-11	21,314.5	48,089.6	44.32
2011-12	19,730.5	47,598.1	41.45
2012-13	19,308.6	47,651.8	40.52
2013-14 Initial	19,331.5	48,692.8	39.70
Change FY 2003-04 to FY 2013-14	56.4%	24.5%	

Table 15

APPROPRIATED FULL-TIME EQUATED POSITIONS (FTEs) IN MICHIGAN STATE BUDGET			
Fiscal Year	FTEs	Change	Percent Change
1997-98	64,119.8	(1,500.2)	(2.3)%
1998-99	62,082.6	(2,037.2)	(3.2)
1999-2000	63,630.9	1,548.3	2.5
2000-01	64,601.5	970.6	1.5
2001-02	64,190.1	(411.4)	(0.6)
2002-03	62,760.2	(1,429.9)	(2.2)
2003-04	57,817.1	(4,943.1)	(7.9)
2004-05	57,034.3	(782.8)	(1.4)
2005-06	56,442.4	(591.9)	(1.0)
2006-07	56,766.3	323.9	0.6
2007-08	57,041.7	275.4	0.5
2008-09	56,491.1	(550.6)	(1.0)
2009-10	55,603.2	(887.9)	(1.6)
2010-11	56,095.3	492.1	0.9
2011-12	54,801.5	(1,293.8)	(2.3)
2012-13	53,589.5	(1,212.0)	(2.2)
2013-14 Initial	52,814.5	(775.0)	(1.4)
Change FY 2003-04 to FY 2013-14		(5,002.6)	(8.7%)
Detroit CPI 10-Year Percent Change			20.6%

Table 16

STATE SPENDING FROM STATE RESOURCES APPROPRIATIONS TOTAL COMPARED IN SELECTED BUDGET AREAS (Millions of Dollars)				
Department/Budget Area	FY 2003-04 Appropriations	FY 2013-14 Initial	Dollar Change	Percent Change
Community Health	\$3,600.6	\$5,081.5	\$1,480.9	41.1%
Corrections	1,674.3	2,038.3	364.0	21.7
Human Services	1,159.1	1,138.5	(20.6)	(1.8)
K-12 School Aid	11,108.3	11,597.4	489.1	4.4
Community Colleges	276.8	336.0	59.1	21.4
Higher Education	1,649.2	1,333.5	(315.6)	(19.1)
Revenue Sharing - Constitutional	654.8	737.3	82.5	12.6
Revenue Sharing - Nonconstitutional	651.5	370.6	(280.9)	(43.1)
All Other Programs	5,028.0	6,194.7	1,166.7	23.2
Total State Spending	\$25,802.5	\$28,827.7	\$3,025.2	11.7%
Addendum:				
Medicaid Caseload	1,374,206	1,920,000	545,794	39.7
Prison Population	50,782	43,953	(6,829)	(13.4)
K-12 Pupil Count	1,714,402	1,530,500	(183,902)	(10.7)
University Students	249,621	264,915	15,294	6.1
Community College Students	127,717	164,827	37,110	29.1
Michigan Personal Income (millions)	\$318,668.5	\$392,211.5	\$73,543.0	23.1%
Detroit Consumer Price Index	184.4	222.5	38.1	20.6
Notes:				
Medicaid caseload: Number for FY 2013-14 does not include the estimated 320,000 individuals who would be eligible under the proposed expansion of Medicaid.				
Prison Population: These "average populations" are taken from the appropriation bill for the respective fiscal year; they do not represent the exact count on any particular date, but demonstrate how many beds are associated with the appropriation.				
K-12 Pupils: FY 2013-14 pupil count is from the May 2013 CREC.				
Community College and University Students: Numbers in FY 2013-14 column reflect FY 2011-12 fiscal-year-equated-students as reported in the Activities Classification Structure (ACS) and the Higher Education Institutional Data Inventory (HEIDI).				

Table 17

STATE SPENDING: HOW MUCH IS DISCRETIONARY? (Actual Dollars)	
FY 2013-14 Adjusted Gross Appropriation.....	\$48,699,904,500
Constitutional/Statutory Earmarking Requirements:	
School Aid Fund.....	(\$12,000,362,100)
Revenue Sharing	(1,133,857,700)
Transportation.....	(2,346,329,000)
Regulatory Restricted Revenue.....	(896,351,700)
Federal Funding Requirement.....	(19,331,534,100)
Debt Service Payments.....	(412,773,100)
Caseload/Inmate Driven.....	(8,258,334,100)
Balance for Discretionary Spending.....	\$4,320,362,700