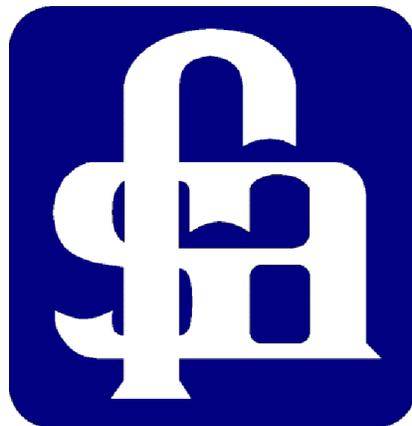


# **STATE BUDGET OVERVIEW**



**Ellen Jeffries, Director  
SENATE FISCAL AGENCY**

**May 4, 2012**

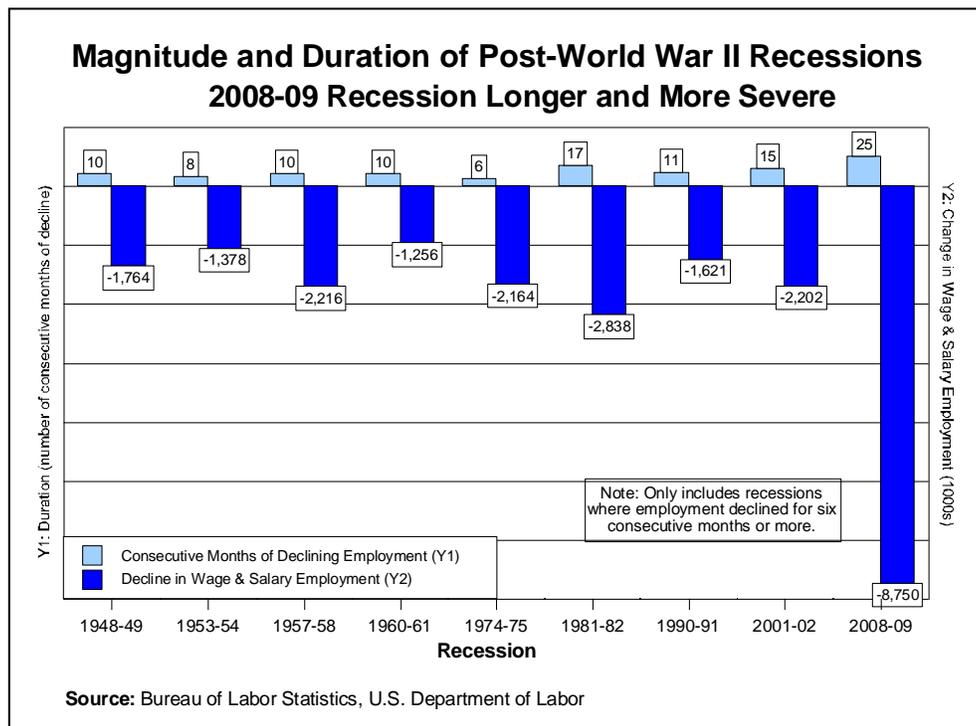
**<http://www.senate.michigan.gov/sfa/>**

# The U.S. Economy

The 2008-09 recession was the most severe economic contraction in 70 years, both in duration and depth.

- Inflation-adjusted GDP fell 5.1% peak-to-trough, the largest decline since the Great Depression.
- U.S. payroll employment declined 6.3% (8.75 million jobs), the largest percentage decline since the end of World War II.
- During the recession retail sales fell 13.5% between November 2007 and March 2009, the largest decline on record back to 1967.
- Light vehicle sales started dropping earlier, and fell from a 17.6 million unit annual rate in January 2006 to a 9.2 million unit rate in February 2009 (a 47.4% 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

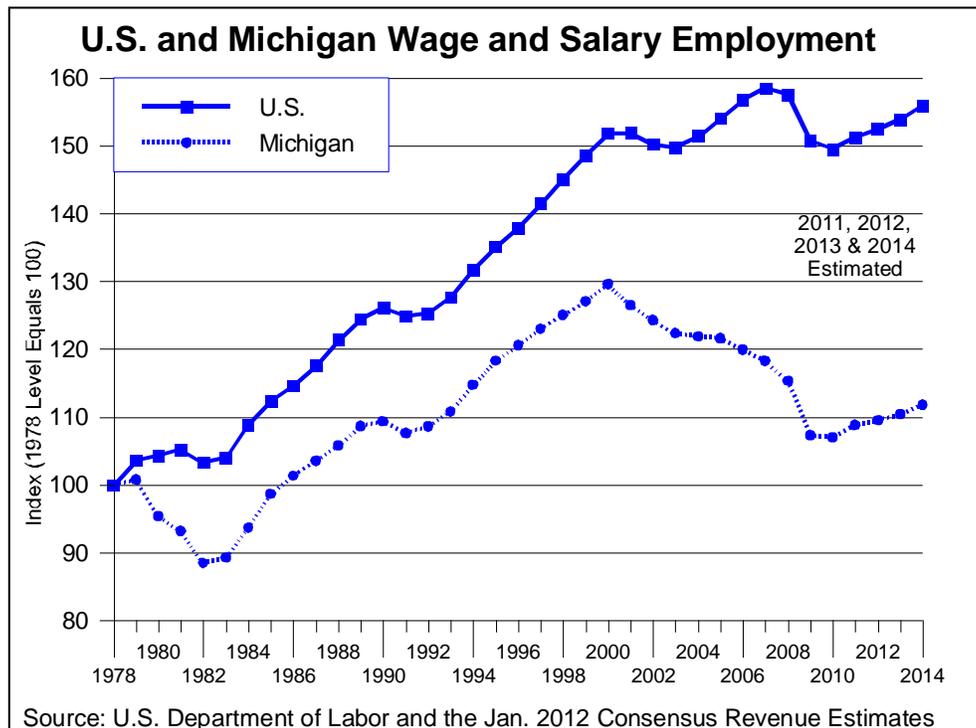


# Michigan Employment

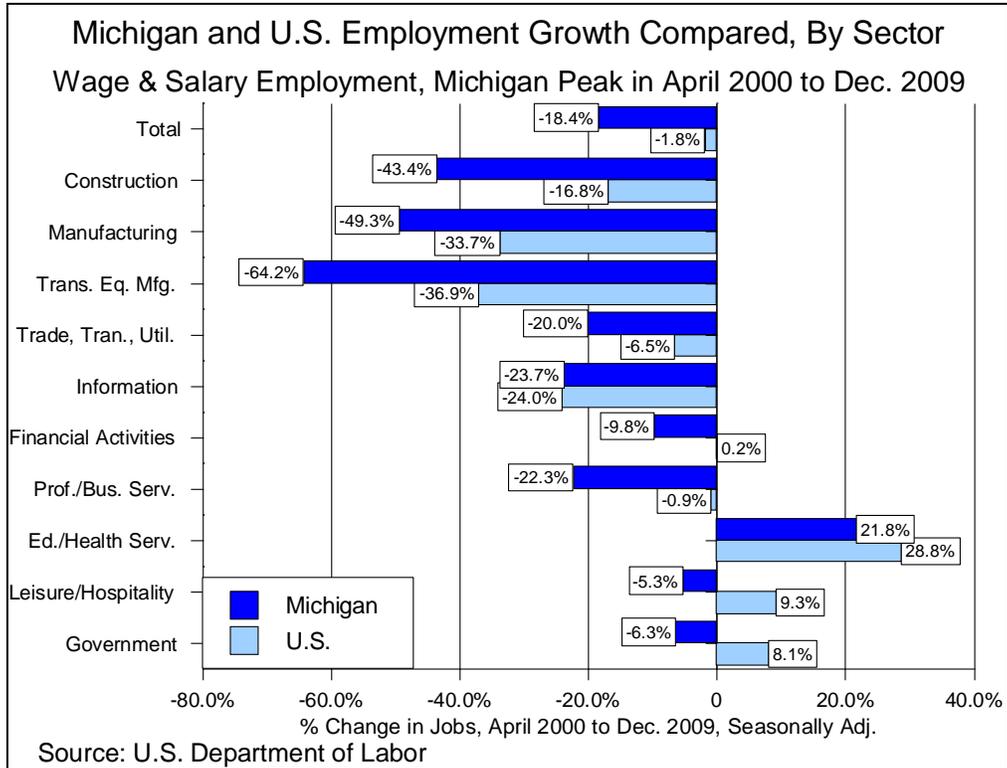
Although Michigan had not yet emerged from the 2001 recession, the 2008-09 recession still had a significant impact.

- Payroll employment bottomed out in December 2009, down 413,300 jobs from December 2007 and down 861,900 jobs from the April 2000 peak.
- Peak-to-trough, payroll employment declined 18.4%, with 48.3% of the job loss occurring after December 2007.
- Between January 2000 and June 2009, Michigan lost 467,500 or 51.5% of the manufacturing jobs. After peaking in July 2000, transportation equipment manufacturing employment had fallen 68.2% by June 2009.

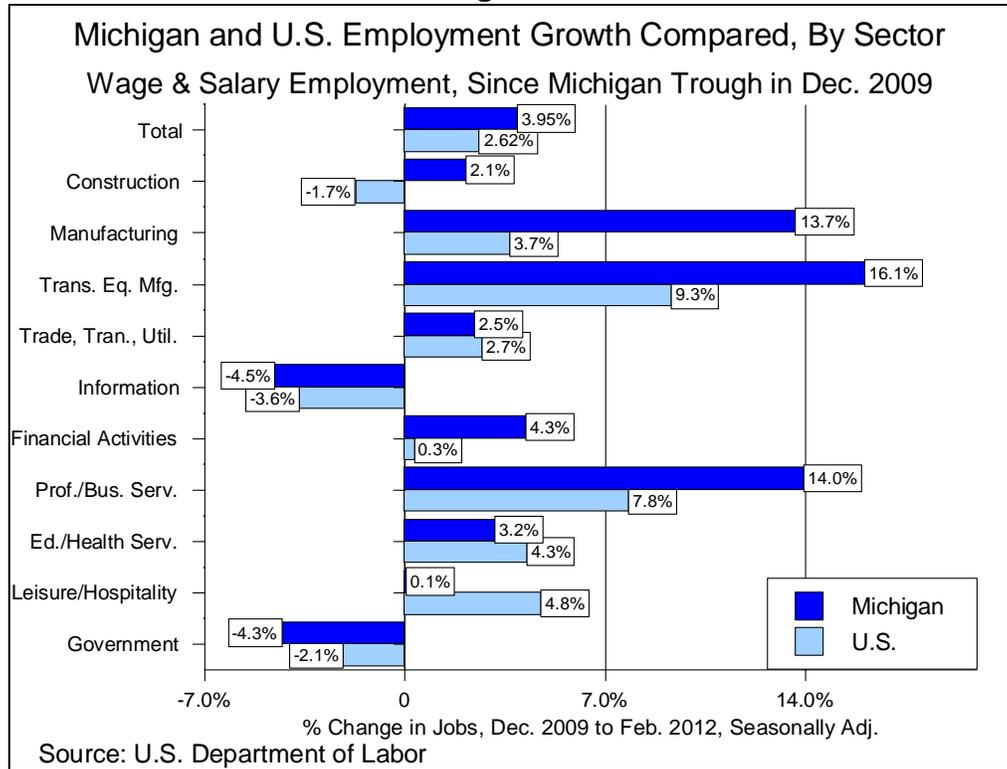
Figure 2



**Figure 3**



**Figure 4**



## Michigan Personal Income

- Michigan personal income has increased 17.2% between 2000 and 2010, compared to a 44.4% increase for the nation as a whole. Personal income grew by 33.0% in Illinois, 31.9% in Indiana, 28.0% in Ohio, and 38.9% 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 2.78% of the United States total.
- During calendar year 2000, Michigan per capita personal income ranked 19th among the states. During calendar year 2005, Michigan's ranking fell to 31st among the states and by calendar year 2010, Michigan's ranking fell to 40th among the states.

Figure 5

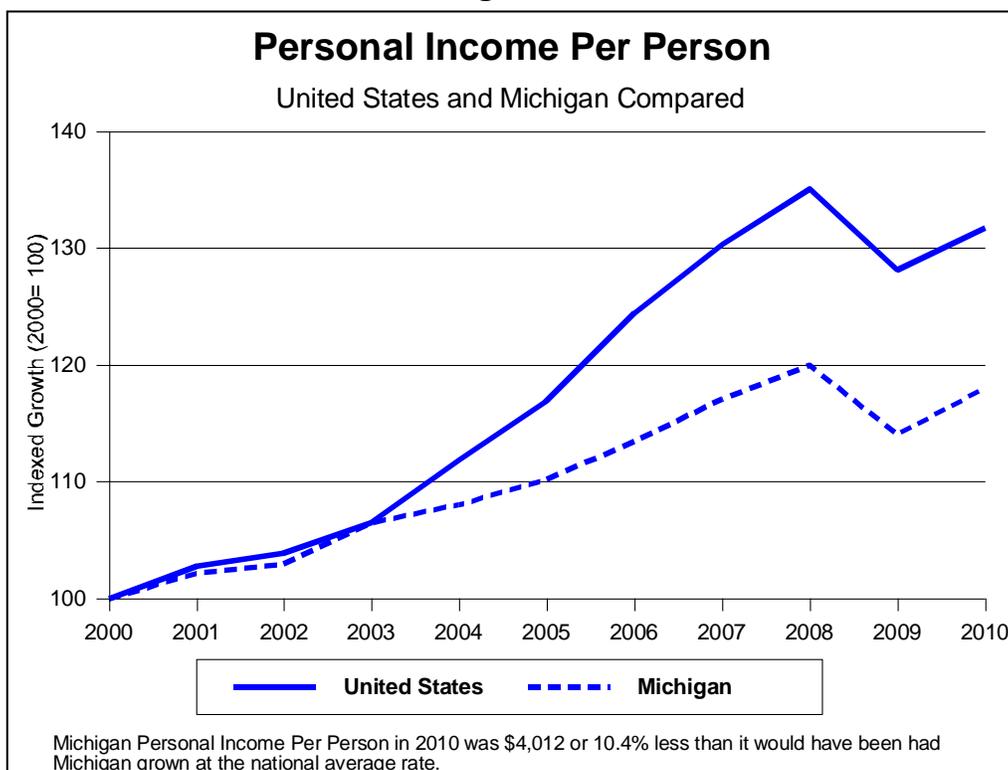


Figure 6

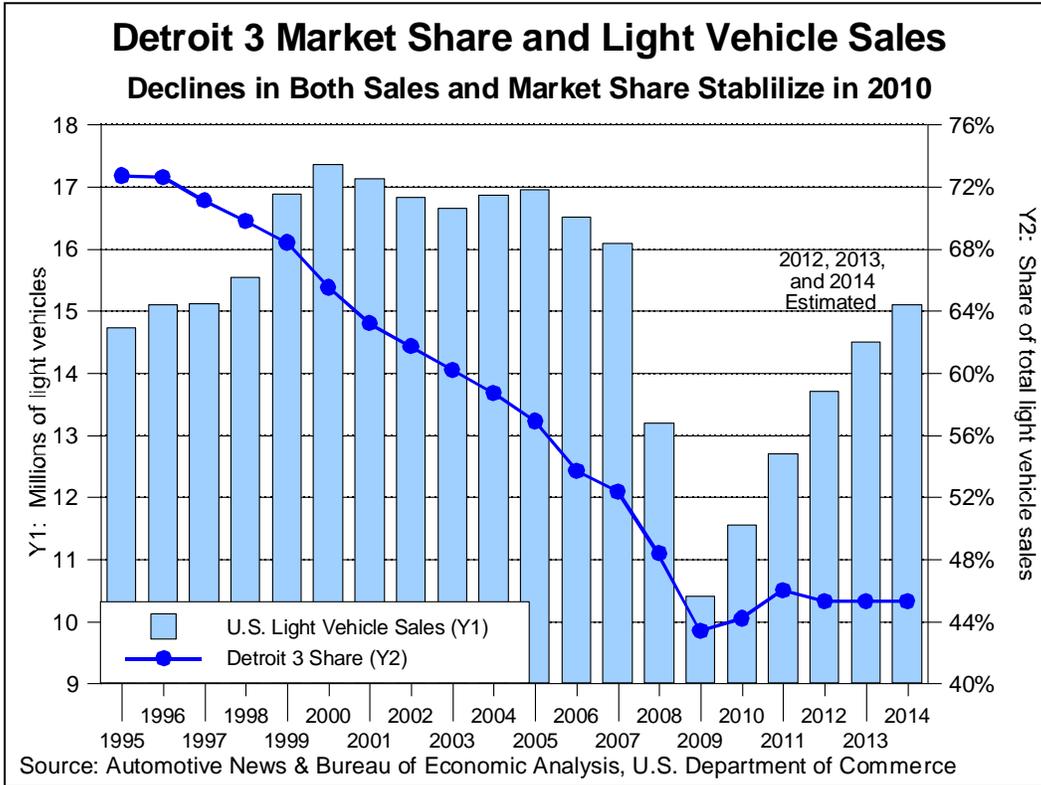
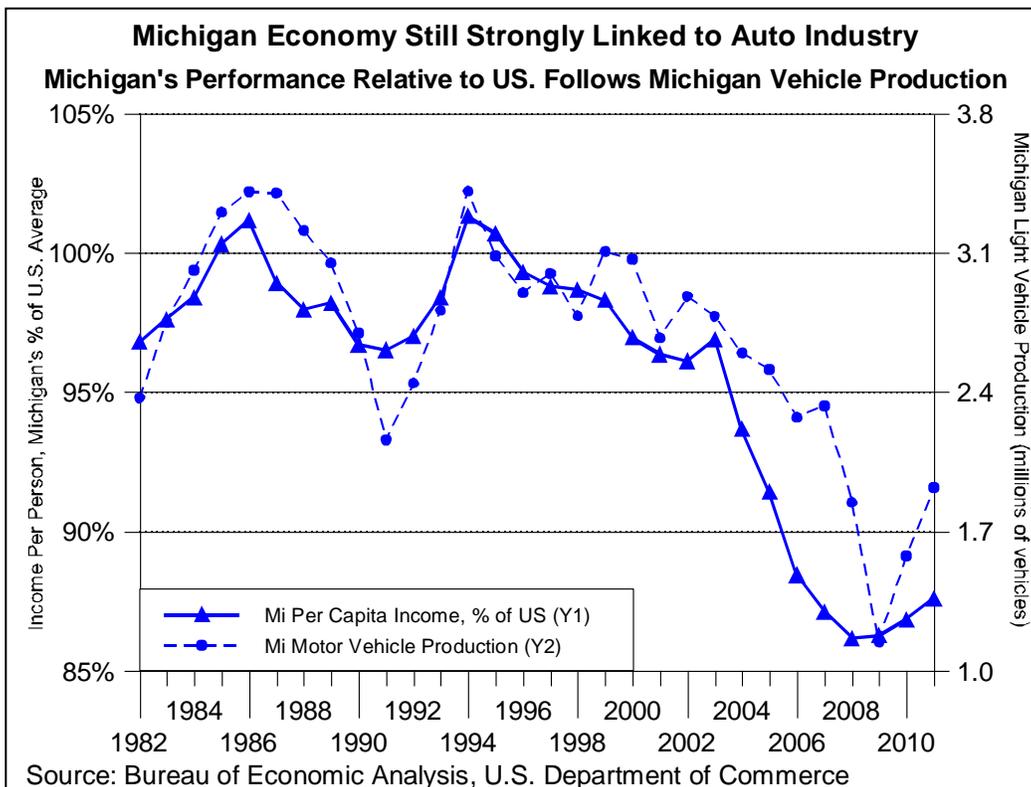


Figure 7



## Recent U.S. Economic Highlights

- The economy is growing, but more slowly. After growing 3.0% during 2010, inflation-adjusted GDP grew 1.7% in 2011. Growth in 2011 was averaging less than 1.2% before getting a boost from 3.0% growth in the fourth quarter. Between 1983 and 2007, the economy averaged 3.3% annual growth.
- Despite gains, employment remains well below pre-recession levels. Nationally, payroll employment has risen for 18 consecutive months, and in March 2012 was 2.8% above the February 2010 trough. However, payroll employment is still 5.2 million jobs (3.8%) below the January 2008 peak.
- Employment growth is not keeping up with population growth. The average employment gain has averaged about 143,100 jobs per month since the February 2010 trough, compared to about 177,000 per month during 2003-2006, and 251,400 per month over the 1993-1999 period. The economy needs roughly 150,000 additional jobs per month to keep up with population growth.
- The U.S. unemployment rate in March 2012 was 8.2%, down from 9.0% in September and 9.4% in December 2010.
- In inflation-adjusted terms, average hourly earnings fell 1.0% in 2011. Average weekly hours have remained essentially unchanged for 23 months.
- Light vehicle sales have improved, but remain below pre-recession levels. Light vehicle sales totaled 12.7 million units in 2011, up 10.2% from 2010; but well below the 16-17 million unit rate experienced between 1998 and 2007. February 2012 sales were at the highest annual rate since February 2008.
- Housing starts remain low. While starts during 2010 were up 5.9% from 2009's record lows, during 2011 housing starts increased only 3.7% and were still down 70.6% from the 2005 peak. Excluding 2009 and 2010, starts in 2011 were still 32.8% below the next worst year since records began in 1959.

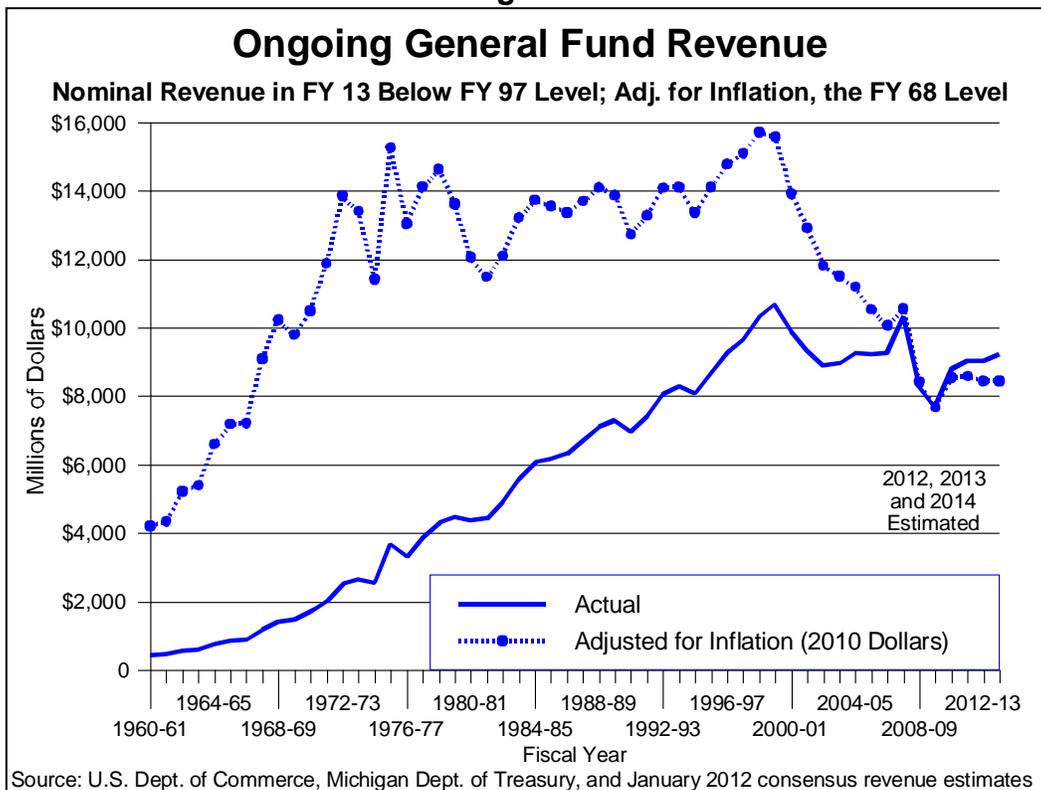
## Recent Michigan Economic Highlights

- Payroll employment increased by 1,000 jobs in February 2012, the fifth consecutive monthly increase – although the total increase over the period is only 37,000 jobs. Payroll employment was 151,000 jobs more than the December 2009 trough. Manufacturing employment was 62,800 jobs above December 2008, led by a 20,200 job increase in transportation equipment manufacturing.
- Michigan's unemployment rate was 8.8% in February 2012, down from 10.6% in August 2011, and down from the 14.2% peak in August 2009. However, much of the improvement in the unemployment rate reflects people leaving the labor force. Compared with August 2009, employment is up by 86,455 (2.1%) jobs but 189,780 people (3.9%) have left the labor force. The size of the labor force fell for 22 consecutive months between March 2010 and December 2010, but has risen in the first two months of 2012.
- On a seasonally adjusted basis, Michigan motor vehicle production decreased 2.7% in February 2012 from the January level, but was up 40.4% from the year-ago level.
- Michigan personal income is now growing faster than the national average. In 2010, total personal income increased 3.3%, compared with the U.S. average of 3.7%, ranking Michigan 32<sup>nd</sup>. However, in 2011, Michigan personal income increased 5.2%, above the national average of 5.1%, and ranking Michigan 16<sup>th</sup>.
- On a per-person basis, Michigan ranked 5<sup>th</sup> with personal income per person growing 5.2% in 2011, compared with the national average of 4.3%. Illinois ranked 8<sup>th</sup>, Indiana ranked 15<sup>th</sup>, Ohio ranked 20<sup>th</sup>, and Wisconsin ranked 11<sup>th</sup>.

# State Revenue

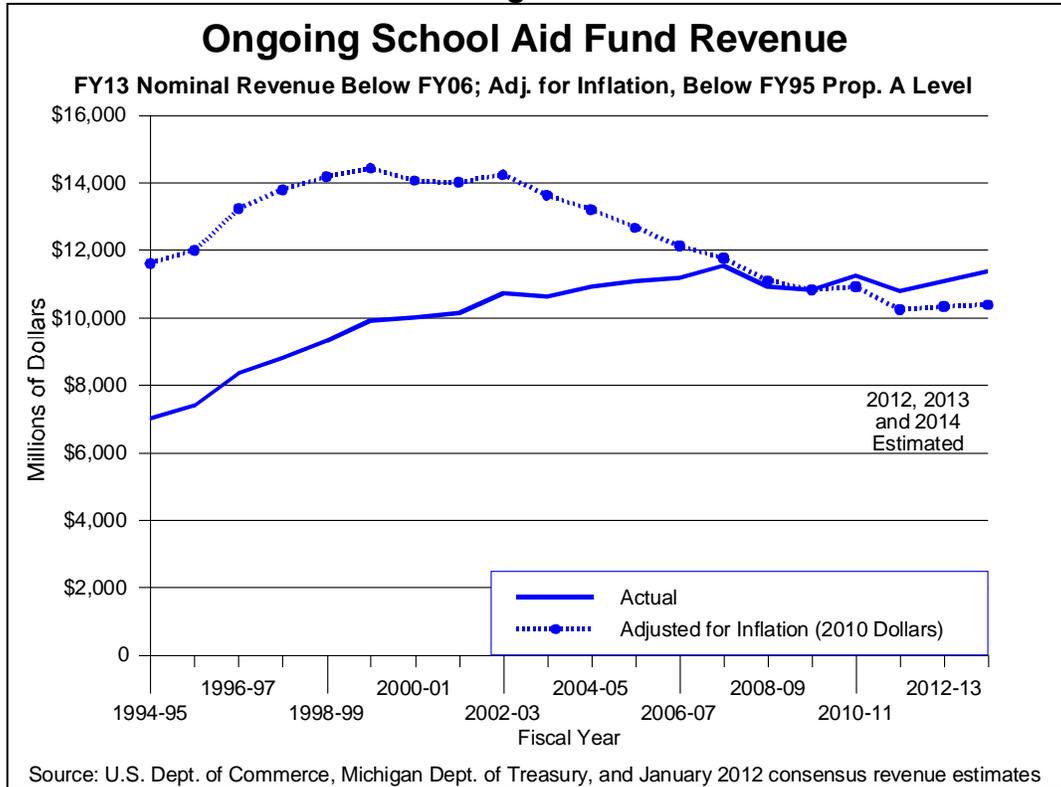
- The majority of State taxes and fees are deposited in the State's General Fund, School Aid Fund, or various transportation funds. Ongoing General Fund revenue has fallen as the economy has declined. Between FY 2007-08 and FY 2009-10, ongoing General Fund revenue fell 25.7% (\$2.7 billion) and ongoing School Aid (SAF) revenue fell 6.0% (\$696.0 million).
- On an inflation-adjusted basis, ongoing General Fund revenue in FY 2009-10 was 15.5% (\$1.4 billion, in 2010 dollars) lower than the level in FY 1967-68, when the State adopted the new personal and corporate income taxes, as shown in Figure 8.

Figure 8



On an inflation-adjusted basis, ongoing SAF revenue in FY 2009-10 was 6.4% lower than the level in FY 1994-95, when Proposal A took effect, as shown in Figure 9.

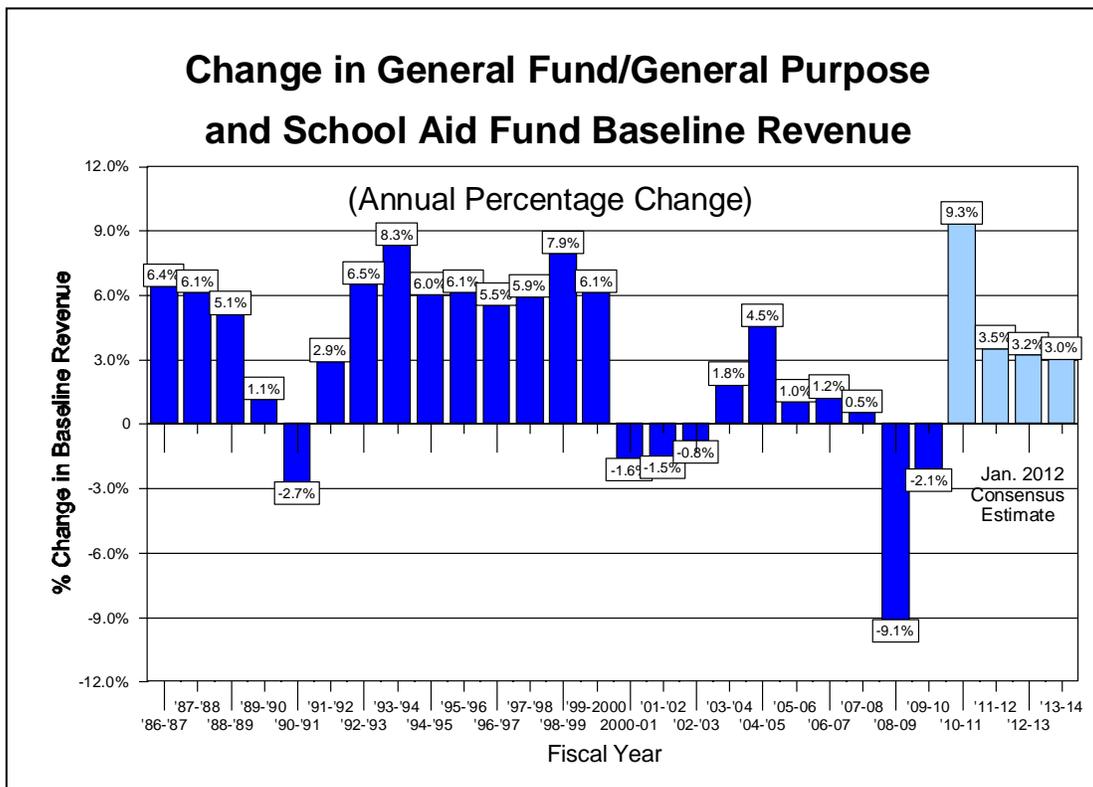
**Figure 9**



## 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 16, 2011, Conference to finalize the FY 2011-12 budget. The Governor's budget recommendation for FY 2012-13 was based on the January 2012 Conference.
- The percentage changes in baseline General Fund/General Purpose (GF/GP) and School Aid Fund (SAF) revenue for FY 2009-10 through FY 2012-13 are compared with the actual growth rates during the preceding 20 years in Figure 10.

**Figure 10**



- The increases in baseline revenue estimated for FY 2010-11 through FY 2013-14 represent the first increases since FY 2007-08 and the strongest growth since FY 2004-05.
- FY 2010-11 GF/GP revenue is estimated to have increased by 14.8% over FY 2009-10 and SAF revenue is estimated to increase by 4.0%. The revised estimates for FY 2011-12, after accounting for tax changes, predict GF/GP revenue will increase by 2.5% while SAF revenue will decrease by 4.3%. GF/GP revenue in FY 2012-13 is estimated to increase 0.05% while SAF revenue will grow 2.7%.
- Underlying economic fundamentals for FY 2011-12 and FY 2012-13 will be offset by tax policy changes that will reduce GF/GP and School Aid Fund revenue.
- Figures 11 and 12 display the estimated FY 2011-12 revenue sources for the State General Fund and School Aid Fund, respectively.

Figure 11

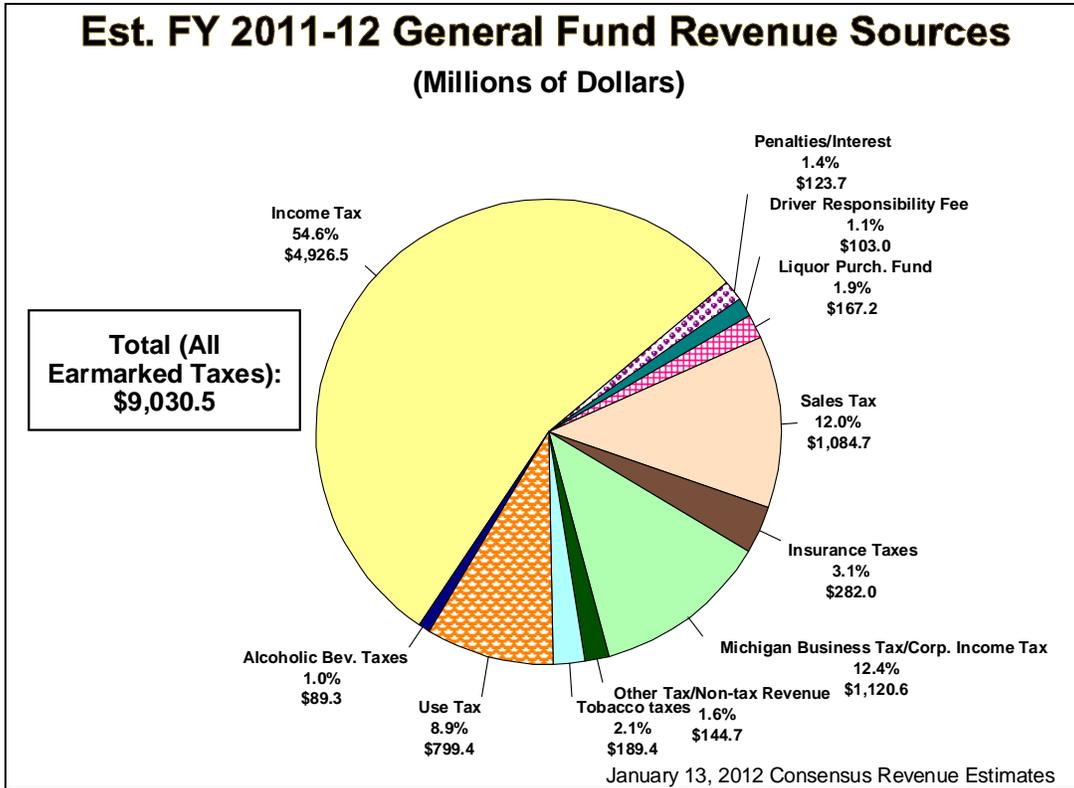
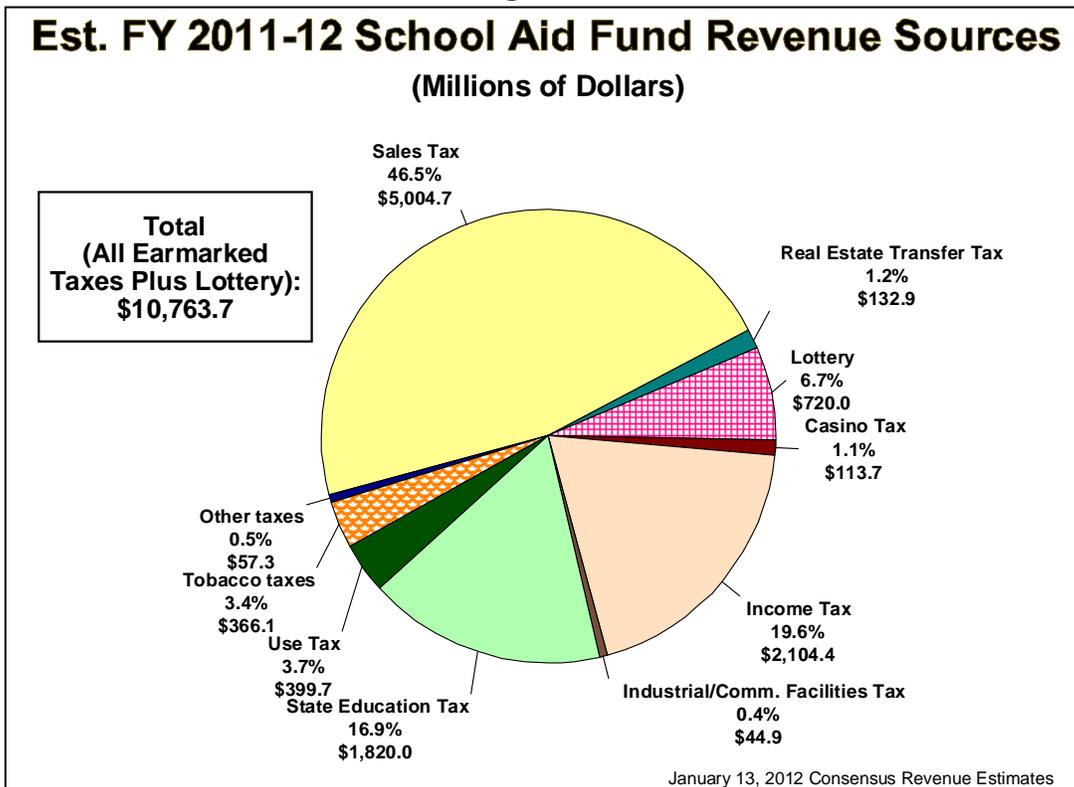


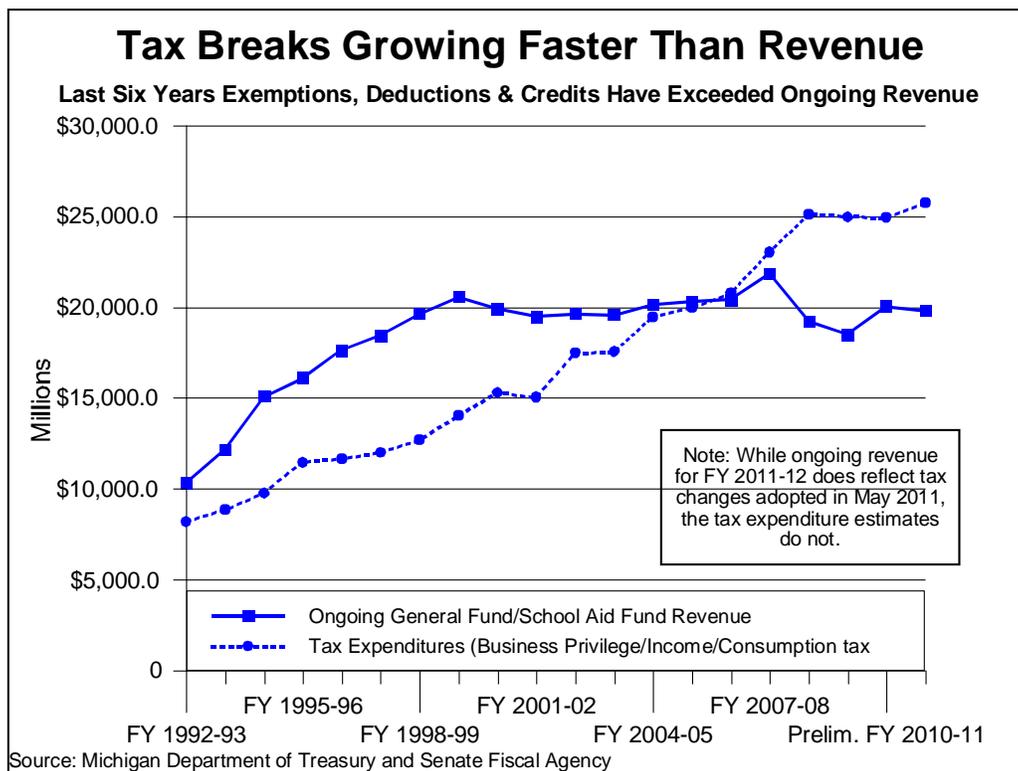
Figure 12



## State Tax Expenditures

- Based on estimates of the Michigan Department of Treasury, the level of State tax expenditures has increased from \$14.1 billion in FY 1999-2000 to \$25.0 billion in FY 2009-10. The estimate for FY 2010-11 is \$24.9 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 13**



- The growth in tax expenditures has primarily focused on consumption taxes and individual income taxes. Recently enacted tax expenditures include the earned income tax credit and subsidies to the film industry and certain battery manufacturers.

- Table 1 provides details on major changes in tax expenditures from FY 1999-2000 to FY 2010-11.

**Table 1**

<b>DETAIL ON MAJOR CHANGES IN TAX EXPENDITURES</b>			
<b>(Millions of Dollars)</b>			
	<b>FY</b>	<b>FY</b>	<b>Dollar</b>
	<b>1999-2000</b>	<b>2010-11</b>	<b>Change</b>
Consumption Taxes			
Food	\$860.0	\$1,193.1	\$333.1
Industrial Processing	660.0	860.0	200.0
Prescription Drugs	242.0	512.1	270.1
Services	4,392.0	10,208.4	5,816.4
Individual Income Taxes			
Adjustments to Income	1,600.0	3,137.2	1,537.2
Homestead Property Tax Credit	471.0	865.7	394.7
Personal Exemption	987.0	1,162.1	175.1
Earned Income Tax Credit	0.0	340.0	340.0
All Other Tax Expenditures	4,859.4	6,670.9	1,811.5
<b>Total Tax Expenditures</b>	<b>\$14,071.4</b>	<b>\$24,949.5</b>	<b>\$10,878.1</b>

- Current tax expenditure estimates for FY 2011-12 (not shown) do not reflect changes in the tax structure enacted in May 2011. These changes would reduce the level of tax expenditures shown under both the individual income tax and "all other" categories.

## 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, modifying pension deductions and the homestead property tax credit, reducing the earned income tax credit (EITC), and eliminating most of the other credits, deductions, and exemptions.
- Table 2 outlines estimates of the fiscal impact for the State GF/GP and the School Aid Fund of the tax restructuring. The first year of the full impact of the changes will be FY 2012-13 when it is estimated that GF/GP revenue will increase by \$340.6 million and School Aid Fund revenue will decrease by \$674.5 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	\$1,066.8	\$759.1	\$1,825.9	\$1,259.5	\$778.8	\$2,038.3	\$1,304.8	\$793.6	\$2,098.4
<u>Business Tax Changes:</u>									
			(\$1,213.3)				(\$1,304.8)		
Repeal MBT (12/31/11)	(\$454.2)	(\$759.1)	)	(\$1,259.5)	(\$778.8)	(\$2,038.3)	)	(\$793.6)	(\$2,098.4)
Corporate Income Tax (1/1/12)	457.9	0.0	457.9	770.0	0.0	770.0	831.8	0.0	831.8
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	24.7	0.0	24.7	(462.0)	0.0	(462.0)	(583.5)	0.0	(583.5)
Total Changes to Business Taxes	56.1	(759.1)	(703.0)	(907.6)	(778.8)	(1,686.4)	(1,010.9)	(793.6)	(1,804.5)
Net Business Tax Rev. After Credits	\$1,122.9	\$0.0	\$1,122.9	\$351.9	\$0.0	\$351.9	\$293.9	\$0.0	\$293.9
<u>Individual Income Tax Changes:</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. Exemption	6.7	2.1	8.8	41.0	0.0	41.0	32.2	10.0	42.2
Repeal Child Deduction	0.0	0.0	0.0	57.1	0.0	57.1	48.0	10.8	58.8
Pension Tax Changes	182.5	38.4	220.9	253.7	82.5	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	49.3	21.8	71.1	54.2	18.1	72.3
Total Chngs. to Individual Income Tax	\$473.0	\$50.0	\$523.1	\$1,248.2	\$104.3	\$1,352.5	\$1,451.4	\$125.7	\$1,577.1
Net Impact of Proposed Reforms	\$529.1	(\$709.1)	(\$179.9)	\$340.6	(\$674.5)	(\$333.9)	\$440.5	(\$667.9)	(\$227.4)
<u>Addendum: Impact by Taxpayer Type</u>									
Businesses			(\$703.0)			(\$1,686.4)			(\$1,804.5)
Individuals			\$523.1			\$1,352.5			\$1,577.1

## 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 \$6.2 billion below the limit for FY 2010-11 and FY 2011-12, \$7.6 billion below the limit in FY 2012-13, and \$7.9 billion below the limit in FY 2013-14.

**Figure 14**

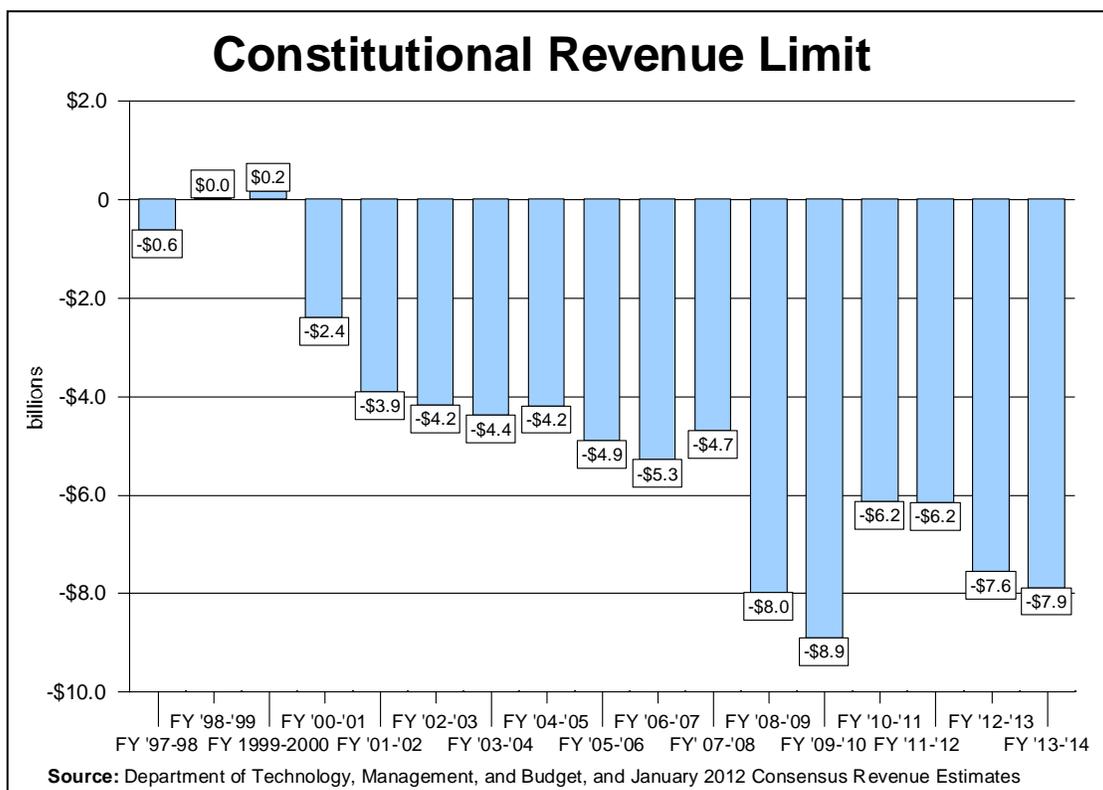


Figure 15

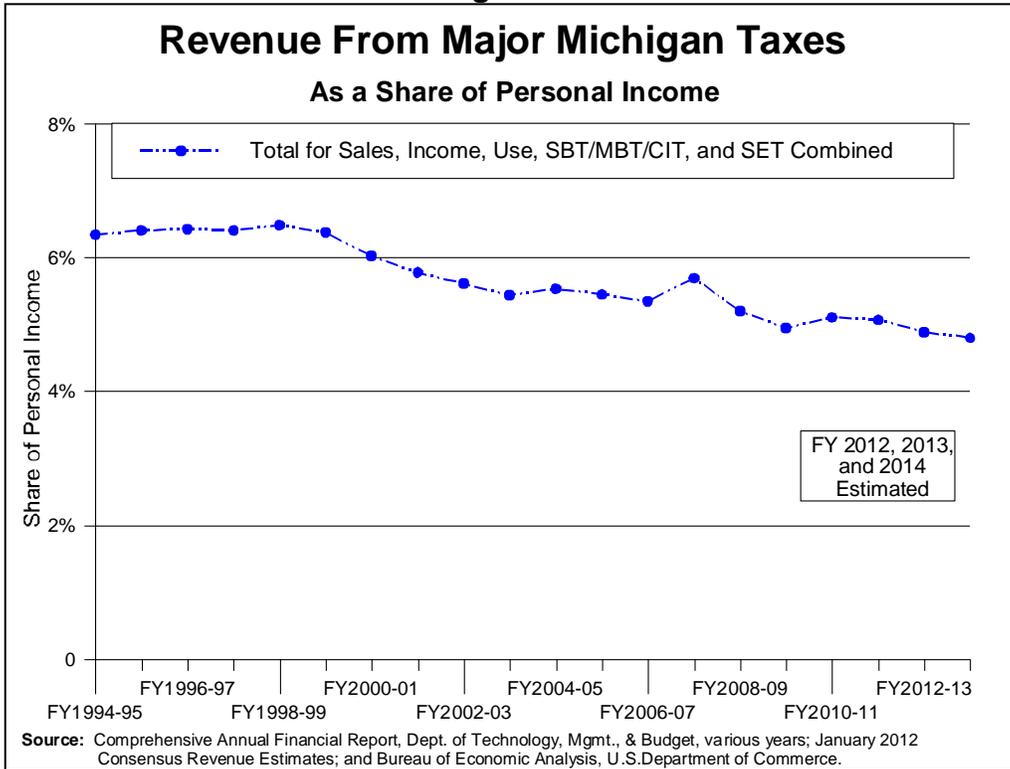
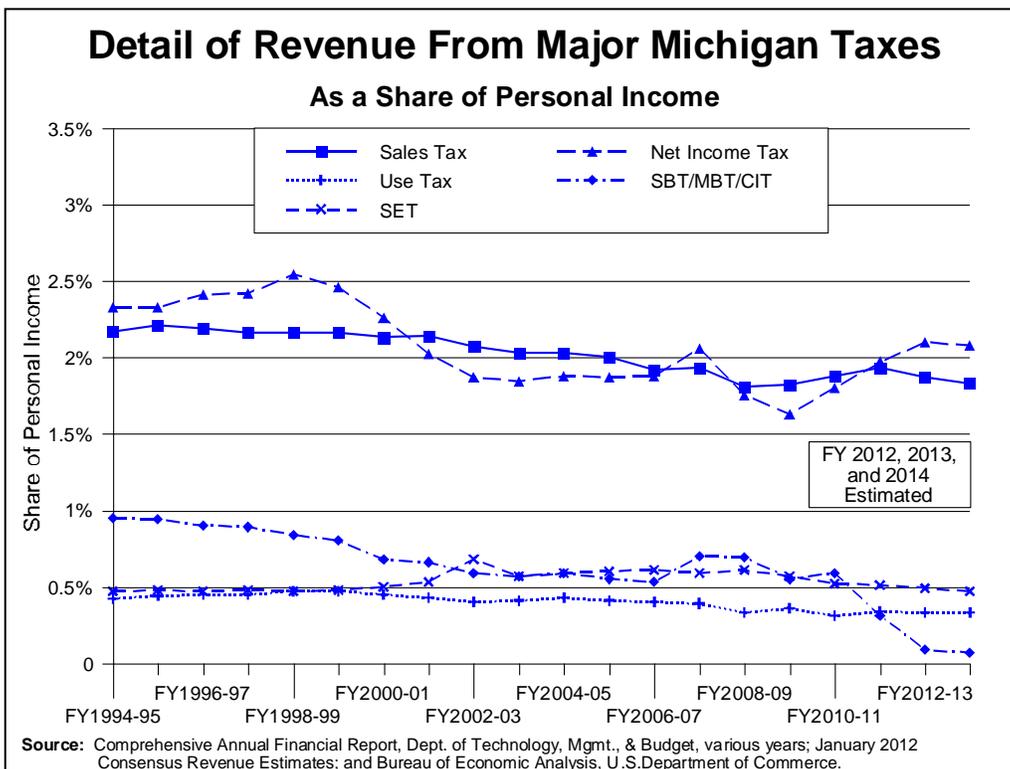


Figure 16



**The State Budget  
FY 2011-12 and FY 2012-13**

**Table 3**

<b>SUMMARY OF FY 2011-12 APPROPRIATION CHANGES (Millions of Dollars)</b>		
	<b>Adjusted Gross</b>	<b>GF/GP</b>
<b>FY 2010-11 Year-To-Date Appropriation .....</b>	<b>\$47,509.9</b>	<b>\$8,386.2</b>
<b>Changes for FY 2011-12:</b>		
New Programs.....	\$369.5	\$112.6
Program Increases .....	1,168.7	382.4
Program Eliminations .....	(986.2)	(48.6)
Program Reductions.....	(1,476.4)	(671.3)
Major Fund Shifts Affecting GF/GP .....	0.0	535.6
Economic Increases .....	197.1	104.7
Health Claims Assessment Impact.....	(388.4)	(528.4)
Adj. for FY 2010-11 Transfers/Supplementals.....	(243.6)	6.0
Other Technical Adjustments.....	(125.9)	(4.0)
<b>Total Changes.....</b>	<b>(\$1,485.2)</b>	<b>(\$111.0)</b>
<b>FY 2011-12 Initial Ongoing Appropriation .....</b>	<b>\$46,024.7</b>	<b>\$8,275.2</b>
<b>FY 2011-12 Initial One-Time Appropriation .....</b>	<b>\$687.9</b>	<b>\$171.6</b>
<b>Other Budget Adjustments:</b>		
CREC Changes.....	\$38.9	\$0.4
Contingency Fund Transfers .....	57.6	0.0
FY 2011-12 Enacted Supplementals.....	790.5	252.6
<b>FY 2011-12 Total Year-To-Date Appropriation</b>	<b>\$47,599.6</b>	<b>\$8,699.8</b>

**Figure 17**

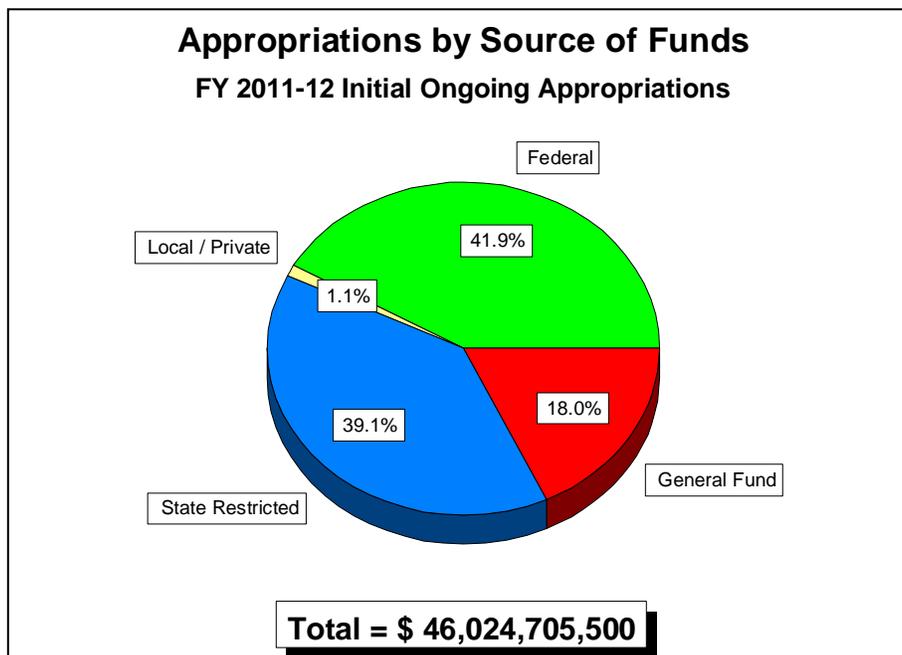


Figure 18

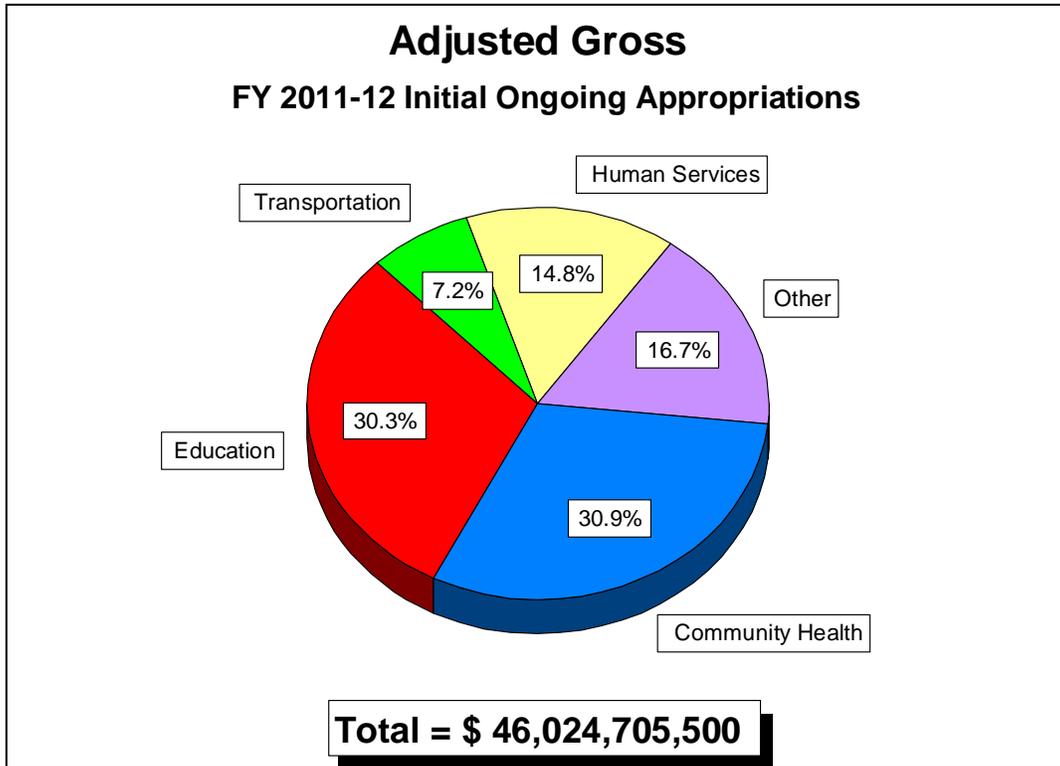
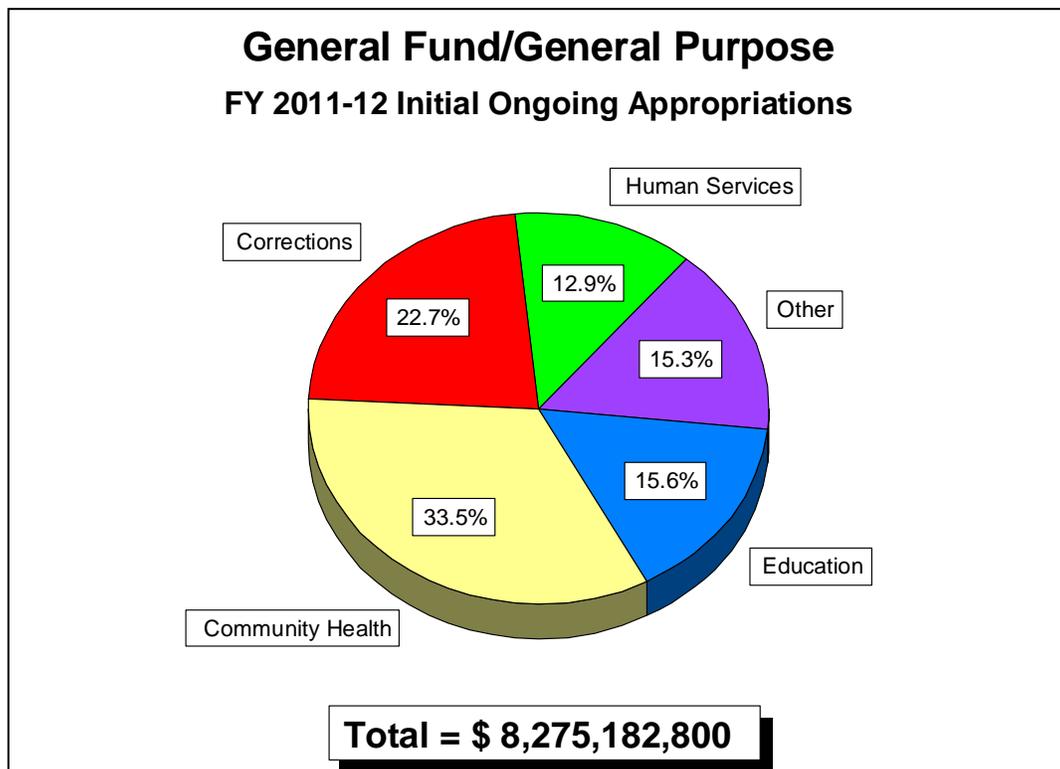


Figure 19



**Table 4**  
**FULL-TIME EQUATED POSITIONS**  
**FY 2010-11 VERSUS FY 2011-12**

Department/Budget Area	FY 2010-11	FY 2011-12	Position Change	Percent Change
	Year-to-Date Positions	Initial Positions		
Agriculture and Rural Development	456.5	441.0	(15.5)	(3.4%)
Attorney General	514.0	514.0	0.0	0.0
Civil Rights	113.0	121.0	8.0	7.1
Community Health	4,392.8	3,634.2	(758.6)	(17.3)
Corrections	15,877.5	15,568.8	(308.7)	(1.9)
Education	562.5	560.0	(2.5)	(0.4)
Environmental Quality	1,480.1	1,334.5	(145.6)	(9.8)
Executive	74.2	74.2	0.0	0.0
Higher Education	1.0	0.0	(1.0)	(100.0)
Human Services	11,863.5	11,576.5	(287.0)	(2.4)
Judiciary	491.0	491.0	0.0	0.0
Licensing and Regulatory Affairs	4,359.5	4,320.8	(38.7)	(0.9)
Military and Veterans Affairs	970.0	819.0	(151.0)	(15.6)
Natural Resources	2,189.4	2,173.4	(16.0)	(0.7)
State	1,809.0	1,809.0	0.0	0.0
State Police	2,764.0	2,751.0	(13.0)	(0.5)
Technology, Management, and Budget	2,966.5	3,032.5	66.0	2.2
Transportation	3,016.3	3,043.3	27.0	0.9
Treasury (Operations)	2,034.5	1,745.5	(289.0)	(14.2)
Treasury (Strategic Fund)	155.0	820.0	665.0	429.0
<b>TOTAL POSITIONS</b>	<b>56,090.3</b>	<b>54,829.7</b>	<b>(1,260.6)</b>	<b>(2.2%)</b>

**Figure 20**

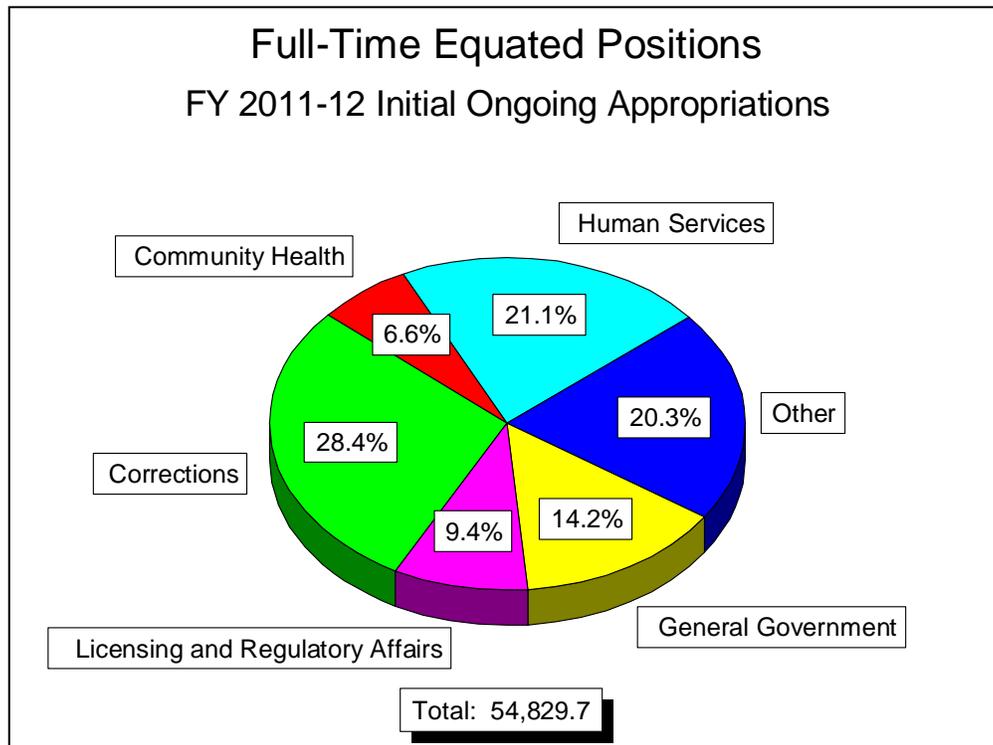
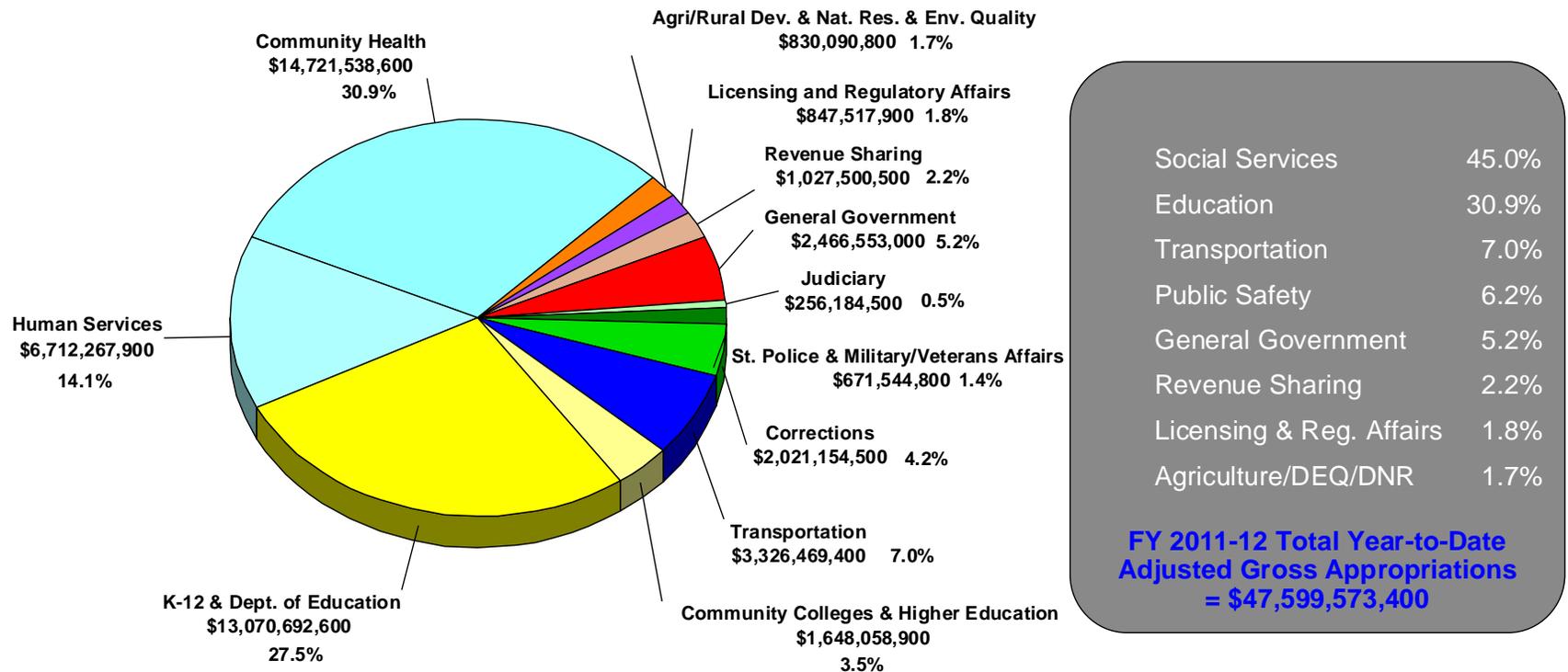


Figure 21

# Where State of Michigan Tax Dollars Are Spent Fiscal Year 2011-12 Year-to-Date Adjusted Gross Appropriations



Source: Senate Fiscal Agency - 05/04/2012

**Table 5**

**FY 2012-13 GOVERNOR'S RECOMMENDATION BY SOURCE OF FUNDS – FEBRUARY 2012  
(Includes Both Ongoing and One-Time Appropriations)**

Department/Budget Area	Adjusted Gross	Federal Funds	Local and		General Fund
			Private Funds	State Restricted	
Agriculture & Rural Development	\$74,195,300	\$11,199,600	\$175,800	\$28,659,400	\$34,160,500
Attorney General	60,865,100	9,932,600	0	17,242,000	33,690,500
Capital Outlay	0	0	0	0	0
Civil Rights	14,332,600	2,641,300	18,700	151,900	11,520,700
Community Colleges	294,130,500	0	0	197,614,100	96,516,400
Community Health	15,085,456,300	9,740,485,300	350,544,100	2,146,562,200	2,847,864,700
Corrections	2,063,505,800	8,784,400	264,300	72,271,500	1,982,185,600
Education	330,952,900	246,894,300	8,389,100	7,626,300	68,043,200
Environmental Quality	422,507,000	161,687,500	533,200	230,881,300	29,405,000
Executive	4,887,900	0	0	0	4,887,900
Higher Education	1,399,981,500	97,026,400	0	200,565,700	1,102,389,400
Human Services	6,561,645,100	5,394,076,700	49,925,000	88,847,000	1,028,796,400
Judiciary	263,586,800	6,017,100	7,971,100	88,582,200	161,016,400
Legislative Auditor General	14,895,600	0	0	1,890,700	13,004,900
Legislature	109,522,500	0	400,000	1,109,800	108,012,700
Licensing & Regulatory Affairs	819,016,700	390,840,600	12,587,700	380,017,500	35,570,900
Military & Veterans Affairs	166,672,700	99,239,400	2,272,900	30,427,000	34,733,400
Natural Resources	339,734,900	66,603,000	7,239,200	244,254,800	21,637,900
School Aid	12,687,014,800	1,701,041,400	0	10,785,973,400	200,000,000
State	200,822,500	1,810,000	100	184,971,100	14,041,300
State Police	547,908,800	104,911,000	7,100,700	119,005,700	316,891,400
Technology, Management, & Budget	503,408,700	9,464,300	1,511,000	90,517,200	401,916,200
Transportation	3,448,558,400	1,221,830,100	52,180,200	2,055,548,100	119,000,000
Treasury (Debt Service)	140,554,900	0	0	5,514,500	135,040,400
Treasury (Operations)	460,713,200	40,365,300	2,252,700	350,163,400	67,931,800
Treasury (Revenue Sharing)	1,071,719,700	0	0	1,071,719,700	0
Treasury (Strategic Fund)	967,211,500	658,020,600	9,813,500	145,675,800	153,701,600
<b>TOTAL APPROPRIATIONS</b>	<b>\$48,053,801,700</b>	<b>\$19,972,870,900</b>	<b>\$513,179,300</b>	<b>\$18,545,792,300</b>	<b>\$9,021,959,200</b>

Figure 22

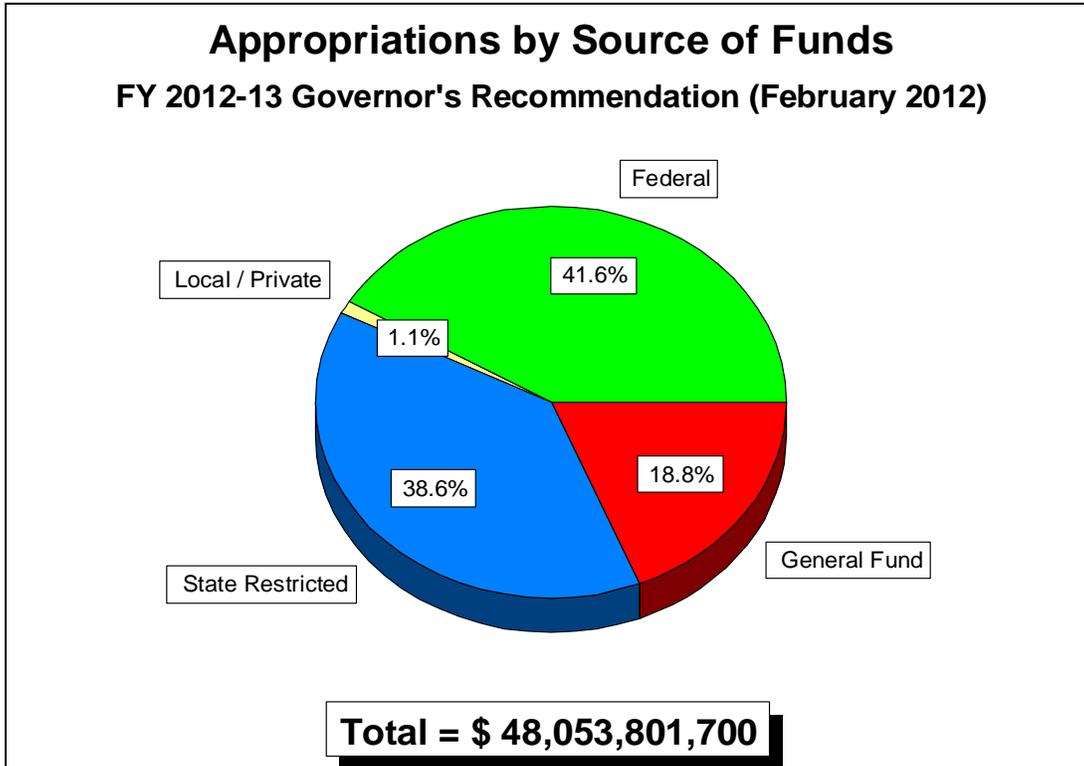


Figure 23

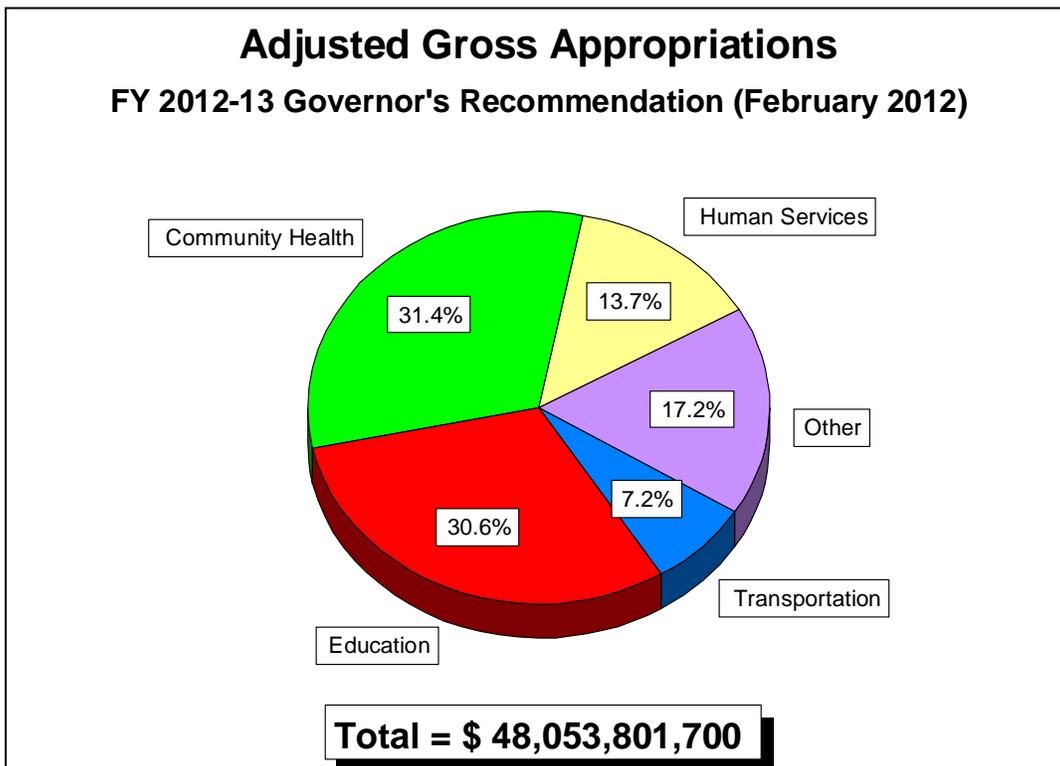
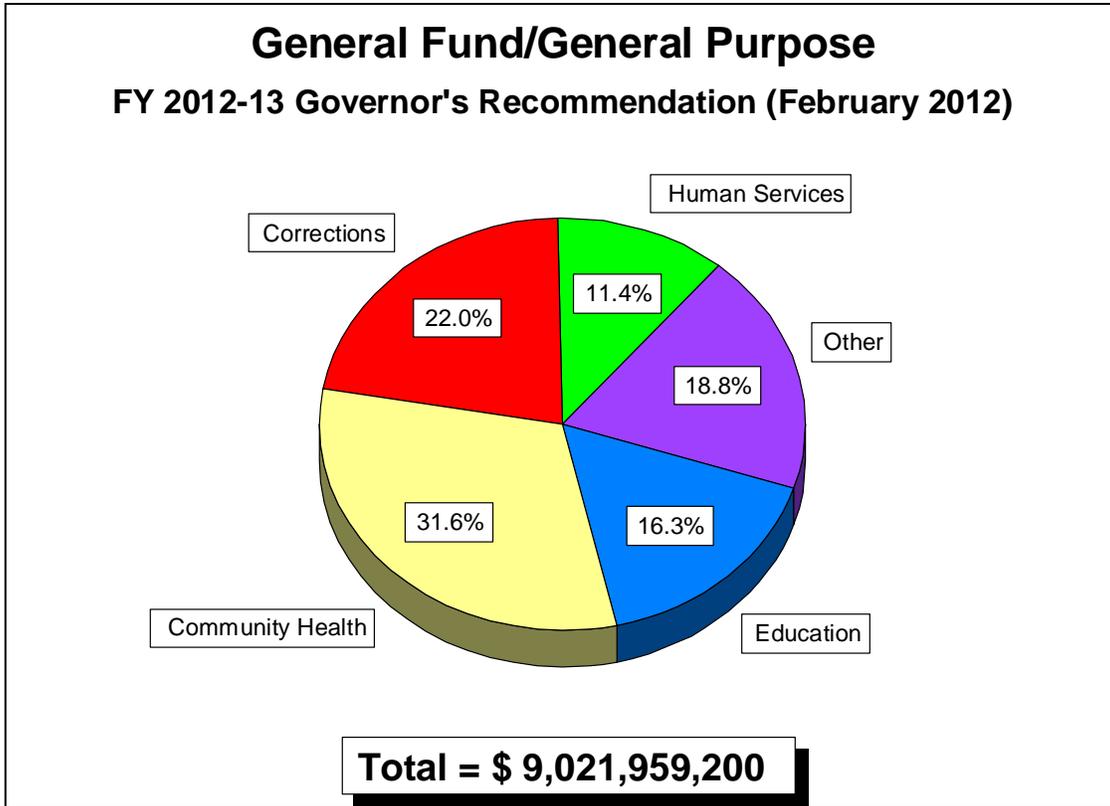


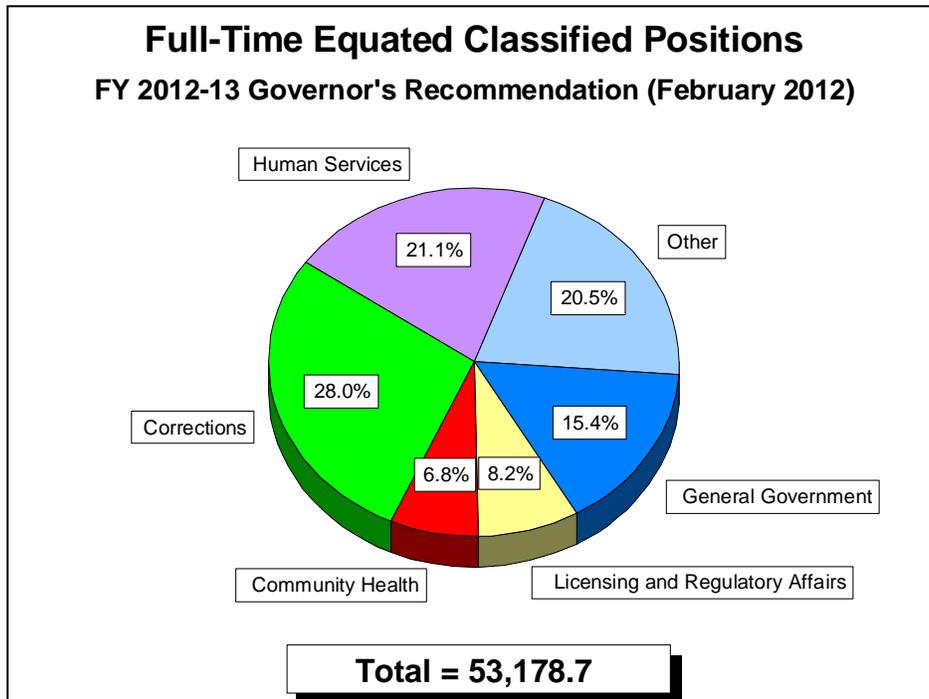
Figure 24



**Table 6**

<b>FULL-TIME EQUATED CLASSIFIED POSITIONS FY 2011-12 VERSUS GOVERNOR'S RECOMMENDATION</b>				
<b>Department/Budget Area</b>	<b>FY 2011-12 Year-to-Date Approps.</b>	<b>FY 2012-13 Gov's Rec.</b>	<b>Position Change</b>	<b>Percent Change</b>
Agriculture & Rural Development	441.0	422.0	(19.0)	(4.3%)
Attorney General	514.0	507.0	(7.0)	(1.4)
Civil Rights	121.0	116.0	(5.0)	(4.1)
Community Health	3,634.2	3,613.9	(20.3)	(0.6)
Corrections	15,568.8	14,879.2	(689.6)	(4.4)
Education	596.0	594.5	(1.5)	(0.3)
Environmental Quality	1,334.5	1,341.8	7.3	0.5
Executive	74.2	74.2	0.0	0.0
Higher Education	0.0	0.0	0.0	0.0
Human Services	11,540.5	11,202.5	(338.0)	(2.9)
Judiciary	491.0	472.0	(19.0)	(3.9)
Licensing & Regulatory Affairs	4,320.8	4,362.3	41.5	1.0
Military & Veterans Affairs	819.0	819.0	0.0	0.0
Natural Resources	2,173.4	2,146.5	(26.9)	(1.2)
State	1,809.0	1,692.0	(117.0)	(6.5)
State Police	2,751.0	2,672.0	(79.0)	(2.9)
Technology, Management, & Budget	3,032.5	2,808.0	(224.5)	(7.4)
Transportation	3,043.3	2,912.3	(131.0)	(4.3)
Treasury (Operations)	1,745.5	1,774.5	29.0	1.7
Treasury (Strategic Fund)	820.0	769.0	(51.0)	(6.2)
<b>TOTAL POSITIONS</b>	<b>54,829.7</b>	<b>53,178.7</b>	<b>(1,651.0)</b>	<b>(3.0%)</b>

**Figure 25**



**Table 7**

<b>FEBRUARY 2012 GOVERNOR'S RECOMMENDATION                      GENERAL FUND/GENERAL PURPOSE (GF/GP) REVENUE,                      EXPENDITURES, AND YEAR-END BALANCE                      (Millions of Dollars)</b>			
	FY 2011-12	FY 2012-13	FY 2013-14
<b>Revenue:</b>			
Beginning Balance.....	\$566.6	\$541.9	\$73.9
<b>Ongoing Revenue:</b>			
Consensus Revenue Estimate (January 13, 2012) .....	\$9,030.5	\$9,034.6	\$9,236.0
Revenue Sharing Payments .....	(300.0)	(340.6)	(350.1)
One-Time Appropriation for Revenue Sharing .....	(30.0)	(20.0)	0.0
Shift of Short-Term Borrowing Costs to School Aid Fund .....	8.5	10.0	20.0
Subtotal Ongoing Revenue .....	\$8,709.0	\$8,684.0	\$8,905.9
<b>Non-Ongoing Revenue:</b>			
Use Tax on Health Maintenance Organizations .....	\$201.1	\$0.0	\$0.0
<b>Total Estimated GF/GP Revenue .....</b>	<b>\$9,476.7</b>	<b>\$9,225.9</b>	<b>\$8,979.8</b>
<b>Expenditures:</b>			
<b>Ongoing Appropriations:</b>			
Initial Ongoing Appropriations.....	\$8,175.5	\$8,626.8	\$8,881.9
Enacted Supplementals .....	181.4	0.0	0.0
Pending OPEB Supplemental.....	135.4	0.0	0.0
Employee Concessions/Alternative Contingency plans .....	(91.3)	0.0	0.0
Subtotal Ongoing Appropriations .....	\$8,401.0	\$8,626.8	\$8,881.9
<b>One-Time Appropriations:</b>			
Initial One-Time Appropriations .....	\$171.6	\$213.8	\$13.6
One-Time Appropriation to School Aid Fund .....	100.0	181.4	0.0
One-Time Appropriation to Budget Stabilization Fund .....	255.8	130.0	0.0
Savings from One-Time OPEB Approps (\$60.0 mill.-\$42.5 mill.) .....	(17.5)	0.0	0.0
Proposed Supplementals (February 9, 2012) .....	23.9	0.0	0.0
Subtotal One-Time Appropriations .....	\$533.8	\$525.2	\$13.6
<b>Total Estimated GF/GP Expenditures.....</b>	<b>\$8,934.8</b>	<b>\$9,152.0</b>	<b>\$8,895.5</b>
<b>PROJECTED YEAR-END GF/GP BALANCE.....</b>	<b>\$541.9</b>	<b>\$73.9</b>	<b>\$84.3</b>

**Table 8**

<b>FY 2012-13 BUDGET RECOMMENDATION                      GOVERNOR'S MAJOR CHANGES FROM FY 2011-12 YEAR-TO-DATE                      GENERAL FUND/GENERAL PURPOSE (GF/GP) APPROPRIATIONS                      (Millions of Dollars)</b>	
FY 2011-12 Year-to-Date Appropriations .....	\$8,628.5
FY 2012-13 Governor's Recommendation .....	9,022.0
<b>Change in GF/GP Appropriations .....</b>	<b>\$393.5</b>
Total New Programs .....	\$83.1
Total Funding Increases .....	500.5
Total Funding Reductions .....	(656.3)
Total Funding Shifts .....	97.5
Total OPEB Funding .....	368.7
<b>TOTAL GF/GP FUNDING CHANGE.....</b>	<b>\$393.5</b>

**Table 9**

<b>FEBRUARY 2012 GOVERNOR'S RECOMMENDATION SCHOOL AID FUND REVENUE, EXPENDITURES, AND YEAR-END BALANCE (Millions of Dollars)</b>			
	<b>FY 2011-12</b>	<b>FY 2012-13</b>	<b>FY 2013-14</b>
<b>Revenue:</b>			
Beginning Balance.....	\$724.7	\$129.0	\$0.0
Consensus Revenue Estimate (January 13, 2012).....	\$10,763.6	\$11,055.0	\$11,359.5
<u>Other Revenue Adjustments:</u>			
General Fund/General Purpose Grant .....	118.6	200.0	18.6
Federal Ongoing Aid.....	<u>1,658.0</u>	<u>1,701.0</u>	<u>1,701.0</u>
Subtotal Ongoing and GF/GP Revenue .....	<u>\$12,540.2</u>	<u>\$12,956.0</u>	<u>\$13,079.1</u>
<b>Total Estimated School Aid Fund Revenue .....</b>	<b>\$13,264.9</b>	<b>\$13,085.0</b>	<b>\$13,079.1</b>
<b>Expenditures:</b>			
<u>Ongoing Appropriations:</u>			
Initial Ongoing K-12 Appropriations.....	\$12,203.6	\$12,537.0	\$12,603.6
K-12 Cost Adjustments (Consensus Estimate, Jan. 2012) .....	63.3	0.0	0.0
SBO Cost Adjustments.....	5.1	0.0	0.0
Partial Funding of Community Colleges with School Aid Fund .....	195.9	197.6	197.6
Partial Funding of Higher Education with School Aid Fund.....	<u>200.0</u>	<u>200.4</u>	<u>200.4</u>
Subtotal Ongoing Appropriations .....	<u>\$12,667.9</u>	<u>\$12,935.0</u>	<u>\$13,001.6</u>
<u>One-Time Appropriations:</u>			
Public School Employees Retirement System (MPSERS)			
Payments.....	\$155.0	\$0.0	\$0.0
K-12 Best Practices/Performance Grants.....	154.0	140.0	0.0
MPSERS Retirement Obligation Reform Reserve Fund .....	133.0	0.0	0.0
Partial Restoration of K-12 Small Class Size Grants .....	13.5	0.0	0.0
Consolidation Innovation Grants .....	<u>0.0</u>	<u>10.0</u>	<u>0.0</u>
Subtotal One-Time Appropriations .....	<u>\$455.5</u>	<u>\$150.0</u>	<u>\$0.0</u>
Supplemental: H.B. 4445 (As Passed the Senate) .....	\$12.5	\$0.0	\$0.0
<b>Total Estimated School Aid Fund Expenditures .....</b>	<b>\$13,135.9</b>	<b>\$13,085.0</b>	<b>\$13,001.6</b>
<b>PROJECTED YEAR-END SCHOOL AID FUND BALANCE .....</b>	<b>\$129.0</b>	<b>\$0.0</b>	<b>\$77.5</b>

**Table 10**

<b>GOVERNOR'S FY 2012-13 BUDGET RECOMMENDATIONS</b> <b>MAJOR CHANGES FROM FY 2011-12 INITIAL</b> <b>K-12 SCHOOL AID FUND ADJUSTED GROSS APPROPRIATIONS</b> <b>(Includes Both Ongoing and One-Time Appropriations)</b> <b>(Millions of Dollars)</b>	
FY 2011-12 Initial Appropriations.....	\$12,659.1
FY 2012-13 Governor's Recommendation .....	12,687.0
<b>Change in School Aid Fund Appropriations .....</b>	<b>\$27.9</b>
<b>Recommended Appropriation Increases:</b>	
Increase in Federal funds.....	\$53.1
Increase in best practices/performance grants.....	36.0
Increase in school bond loan fund debt service .....	26.8
Increase in MPSERS reimbursement .....	24.0
Technical foundation allowance/special education cost adjustments .....	91.0
New consolidation innovation grants .....	10.0
Increase in data reporting costs reimbursement .....	3.9
New principal training for teacher evaluations.....	1.8
Economic adjustments.....	1.2
Educational costs at juvenile detention facilities.....	0.9
<b>Subtotal Appropriation Increases .....</b>	<b>\$248.7</b>
<b>Recommended Appropriation Reductions:</b>	
Kindergarten funding change (half funding for half-day) .....	(\$50.0)
Elimination of district-specific foundation adjustments .....	(4.0)
Elimination of class-size reduction grants.....	(13.5)
Elimination of MPSERS reserve for retirement reforms .....	(133.0)
Reduction in cash-flow borrowing costs .....	(10.0)
Reduction in MEAP testing costs.....	(8.5)
Reduction in PILT costs .....	(1.1)
Elimination of reimbursement for lost MBT revenue.....	(0.7)
<b>Subtotal Appropriation Reductions .....</b>	<b>(\$220.8)</b>
<b>Total School Aid Fund Appropriation Changes .....</b>	<b>\$27.9</b>

**Table 11**

<b>TOTAL ACCUMULATED PENSION UNFUNDED LIABILITIES</b>										
<b>Fiscal Year</b>	<b>MPSERS</b>		<b>SERS</b>		<b>STATE POLICE</b>		<b>JUDGES</b>		<b>LEGISLATIVE</b>	
	<b>Unfunded Liability</b>	<b>Funded Ratio</b>								
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%

FY 2009-10 Total Accrued Unfunded Liability for the five retirement systems equals \$22,084,841,000.

**Note:** Negative numbers in the unfunded liability column represent surplus assets in a retirement system.

**Table 12**

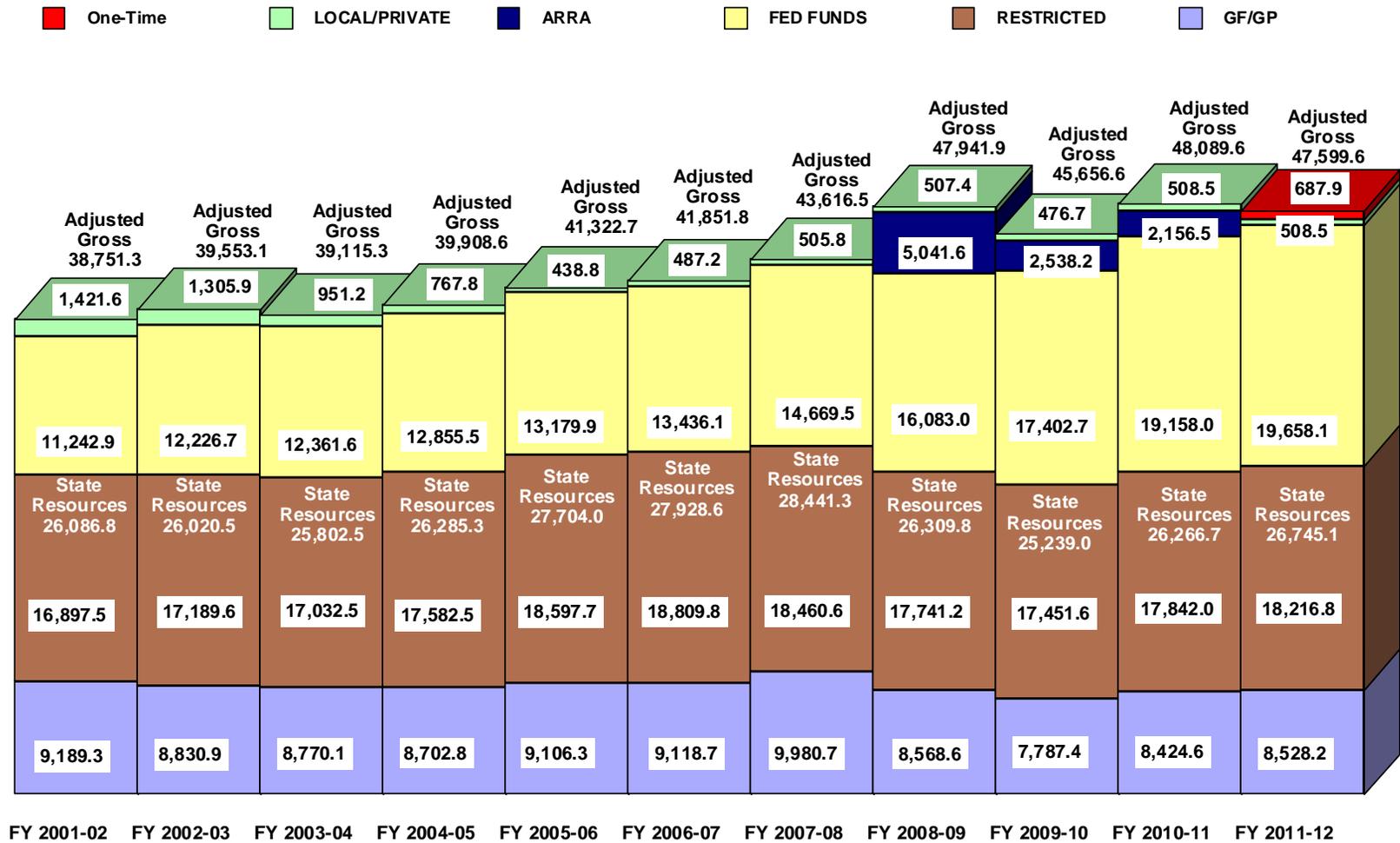
<b>TOTAL ACCUMULATED HEALTH UNFUNDED LIABILITIES</b>										
<b>Fiscal Year</b>	<b>MPSERS</b>		<b>SERS</b>		<b>STATE POLICE</b>		<b>JUDGES</b>		<b>LEGISLATIVE</b>	
	<b>Unfunded Liability</b>	<b>Funded Ratio</b>								
2005-06	\$24,757,000,000	2.5%	\$13,499,000,000	0.0%	\$944,400,000	0.0%	\$6,400,000	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%

FY 2009-10 Total Accrued Unfunded Liability for the five retirement systems equals \$43,496,273,000.

# Recent State Appropriation History

Figure 26

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



Notes: Adjusted Gross = Total appropriations for all departments. State Resources = State restricted + GF/GP appropriations. One-Time does not include \$255.8 million appropriation to BSF.

Senate Fiscal Agency, May 4, 2012

**Table 13**

<b>ADJUSTED GROSS APPROPRIATION HISTORY</b> (Millions of Dollars)			
<b>Fiscal Year</b>	<b>Appropriations</b>	<b>Dollar Change</b>	<b>Percent Change</b>
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 <sup>a)</sup>	47,134.6	(955.0)	(2.0)
2012-13 Gov's Rec. <sup>b)</sup>	48,053.8	919.2	2.0
Change FY 2002-03 to FY 2012-13		\$8,500.7	21.5%

<sup>a)</sup> Includes one-time appropriations of \$687.9 million. <sup>b)</sup> Includes one-time appropriations of \$449.4 million.

**Table 14**

<b>STATE SPENDING FROM STATE RESOURCES APPROPRIATION HISTORY</b> (Millions of Dollars)			
<b>Fiscal Year</b>	<b>Appropriations</b>	<b>Dollar Change</b>	<b>Percent Change</b>
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 <sup>a)</sup>	27,087.8	821.1	3.1
2012-13 Gov's Rec. <sup>b)</sup>	27,567.8	480.0	1.8
Change FY 2002-03 to FY 2012-13		\$1,547.3	5.9%

<sup>a)</sup> Includes one-time appropriations of \$657.0 million. <sup>b)</sup> Includes one-time appropriations of \$397.6 million.

**Table 15**

<b>GENERAL FUND/GENERAL PURPOSE APPROPRIATION HISTORY</b> (millions of dollars)			
<b>Fiscal Year</b>	<b>Appropriations</b>	<b>Dollar Change</b>	<b>Percent Change</b>
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 <sup>a)</sup>	8,628.5	203.9	2.4
2012-13 Gov's Rec. <sup>b)</sup>	9,022.0	393.5	4.6
Change FY 2002-03 to FY 2012-13		\$191.1	2.2%

<sup>a)</sup> Includes one-time appropriations of \$171.6 million. <sup>b)</sup> Includes one-time appropriations of \$395.2 million.

**Table 16**

<b>SCHOOL AID FUND APPROPRIATION HISTORY</b> (Millions of Dollars)			
<b>Fiscal Year</b>	<b>State-Funded Appropriations</b>	<b>Dollar Change</b>	<b>Percent Change</b>
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	11,005.7	202.3	1.9
2012-13 Gov's Rec.	10,986.0	(19.7)	(0.2)
Change FY 2002-03 to FY 2012-13		(\$348.6)	(3.1%)

**Table 17**

<b>FEDERAL FUNDS APPROPRIATED IN MICHIGAN BUDGET</b> (Millions of Dollars)			
<b>Fiscal Year</b>	<b>Federal Funds</b>	<b>Adjusted Gross Appropriations</b>	<b>Federal as Percent of Total Adjusted Gross</b>
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	19,549.9	47,134.6	41.48
2012-13 Gov's Rec.	19,972.9	48,053.8	41.56
Percentage Change FY 2002-03 to FY 2012-13	63.4%	21.5%	

**Table 18**

<b>APPROPRIATED FULL-TIME EQUATED POSITIONS (FTEs)</b> <b>IN MICHIGAN STATE BUDGET</b>			
<b>Fiscal Year</b>	<b>FTEs</b>	<b>Change</b>	<b>Percent Change</b>
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	54,829.7	(1,265.6)	(2.2)
2012-13 Gov's Rec.	53,178.7	(1,651.0)	(3.0)
Change FY 2002-03 to FY 2012-13		(9,581.5)	(15.3%)

**Table 19**

<b>STATE SPENDING FROM STATE RESOURCES APPROPRIATIONS TOTAL COMPARED IN SELECTED BUDGET AREAS (Millions of Dollars)</b>				
<b>Department/Budget Area</b>	<b>FY 2002-03 Appropriations</b>	<b>FY 2012-13 Gov's Rec.</b>	<b>Dollar Change</b>	<b>Percent Change</b>
Community Health	\$3,259.4	\$4,994.4	\$1,735.0	53.2%
Corrections	1,655.6	2,054.5	398.9	24.1
Human Services	1,199.6	1,117.6	(82.0)	(6.8)
K-12 School Aid	11,334.6	10,986.0	(348.6)	(3.1)
Community Colleges	310.9	294.1	(16.8)	(5.4)
Higher Education	1,839.4	1,303.0	(536.4)	(29.2)
Revenue Sharing	1,451.4	1,071.7	(379.7)	(26.2)
All Other Programs	4,969.6	5,746.4	776.8	15.6
<b>Total State Spending</b>	<b>\$26,020.5</b>	<b>\$27,567.8</b>	<b>\$1,547.3</b>	<b>5.9%</b>
<b>Addendum:</b>				
Medicaid Caseload	1,296,000	1,900,000	604,000	46.6%
Prison Population	48,929	43,663	(5,266)	(10.8%)
K-12 Pupil Count	1,714,867	1,542,900	(171,967)	(10.0%)
University Students	246,205	264,903	18,698	7.6%
Community College Students	125,608	176,356	50,748	40.4%
Michigan Personal Income (millions)	\$314,285.0	\$382,781.0	\$68,496.0	21.8%
Detroit Consumer Price Index	182.0	219.6	37.6	20.7%

**Table 20**

<b>STATE SPENDING: HOW MUCH IS DISCRETIONARY? (Actual Dollars)</b>	
<b>FY 2011-12 Adjusted Gross Appropriation.....</b>	<b>\$47,599,573,400</b>
<b>Constitutional/Statutory Earmarking Requirements:</b>	
School Aid Fund.....	(\$11,085,976,000)
Revenue Sharing .....	(1,027,500,500)
Transportation.....	(2,031,305,700)
Regulatory Restricted Revenue.....	(887,265,000)
Federal Funding Requirement.....	(19,686,815,300)
Debt Service Payments.....	(397,798,600)
Caseload/Inmate Driven.....	(8,195,677,200)
<b>Balance for Discretionary Spending.....</b>	<b>\$4,287,235,100</b>