

STATE BUDGET OVERVIEW



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March 20, 2015

<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

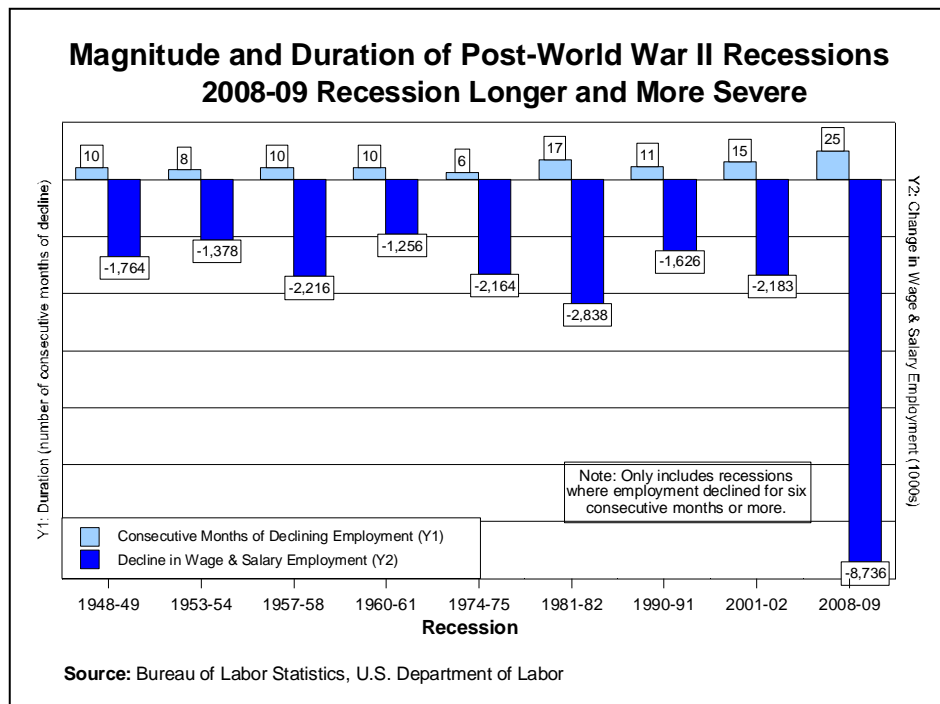


Figure 2

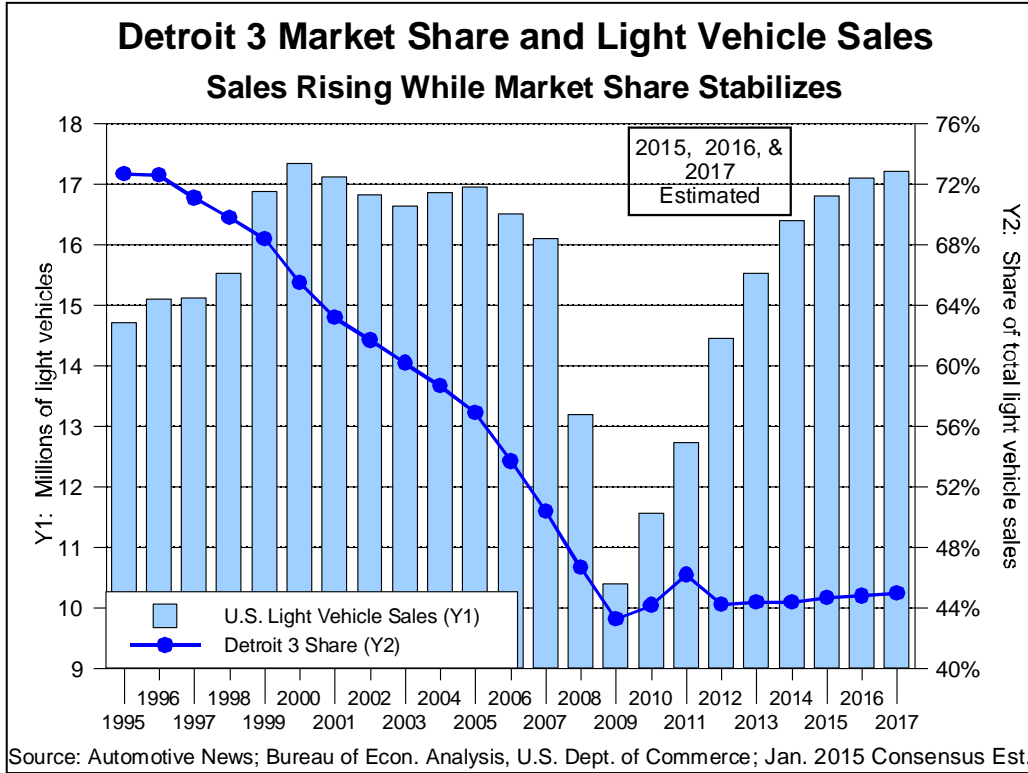
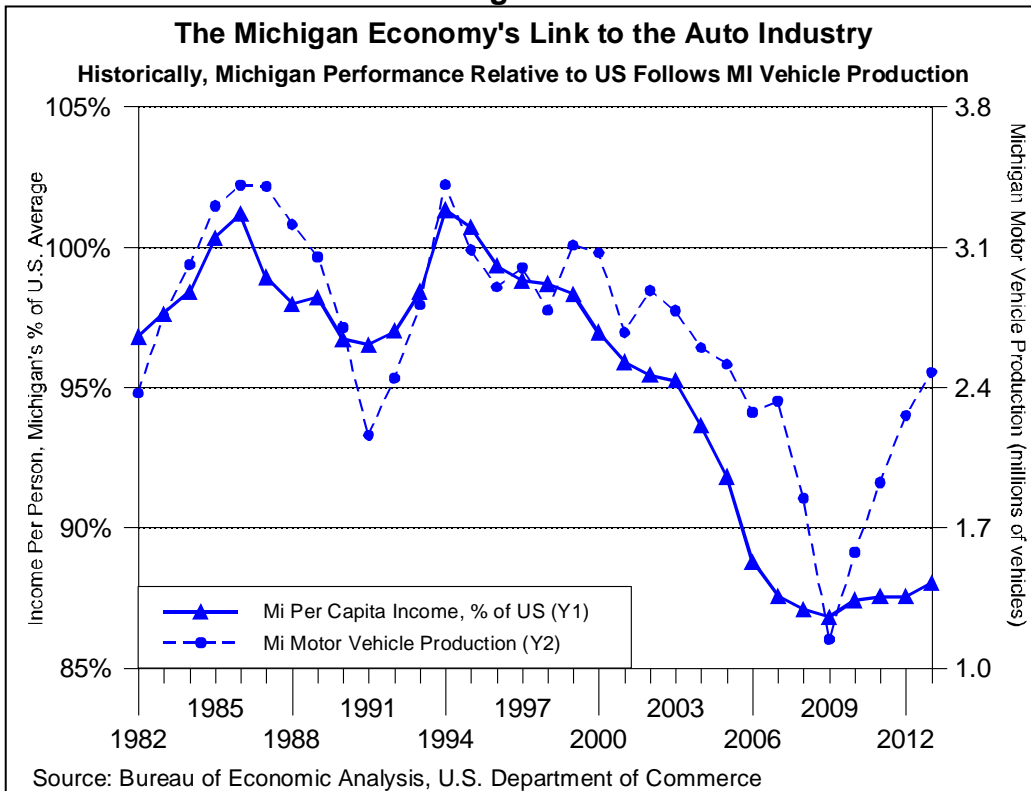


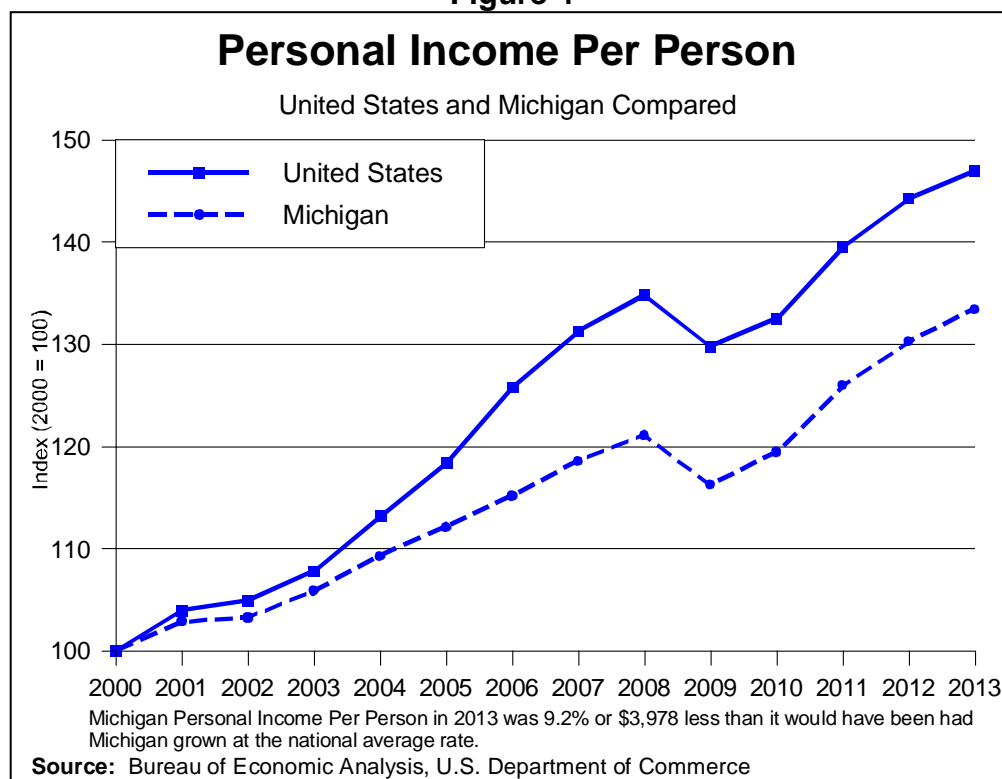
Figure 3



Michigan Personal Income

- Michigan personal income 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 3.49% 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 18th among the states. During calendar year 2005, Michigan's ranking fell to 29th among the states and by calendar year 2010, Michigan's ranking fell to 37th 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 415,600 jobs from December 2007 and down 861,100 jobs from the April 2000 peak.
- Peak-to-trough, payroll employment declined 18.4%, with 48.3% of the job loss occurring after December 2007.
- Between January 2000 and June 2009, Michigan lost 465,900 or 51.4% of its manufacturing jobs. After peaking in May 2000, transportation equipment manufacturing employment had fallen 66.5% by June 2009.

Figure 5

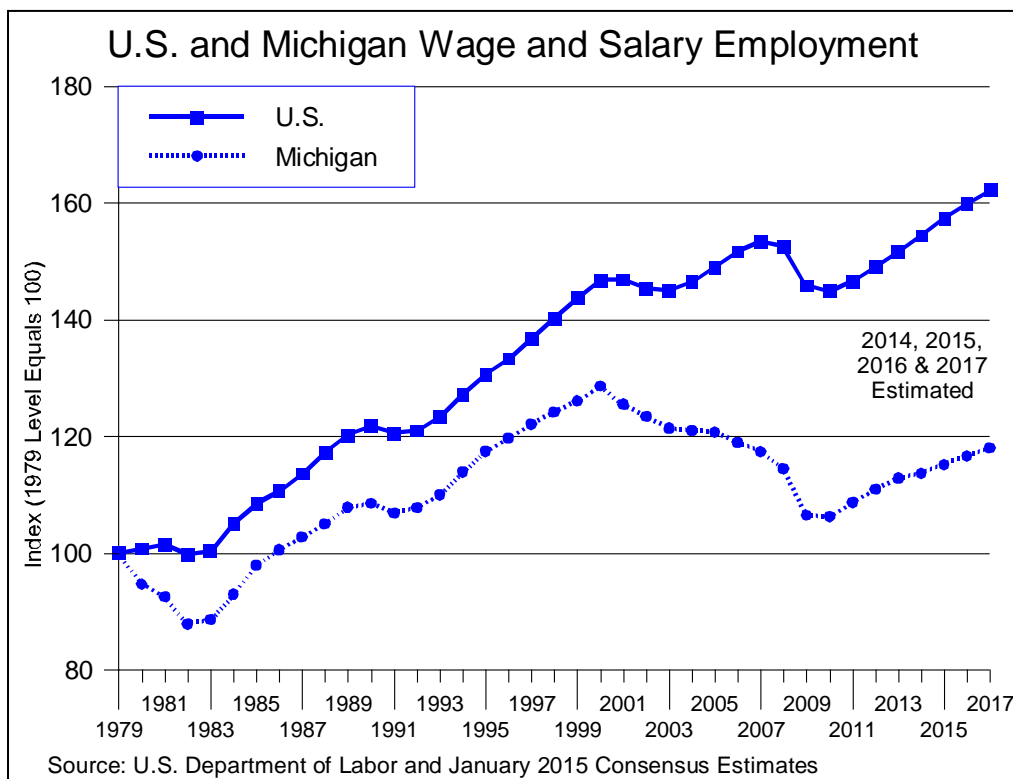


Figure 6

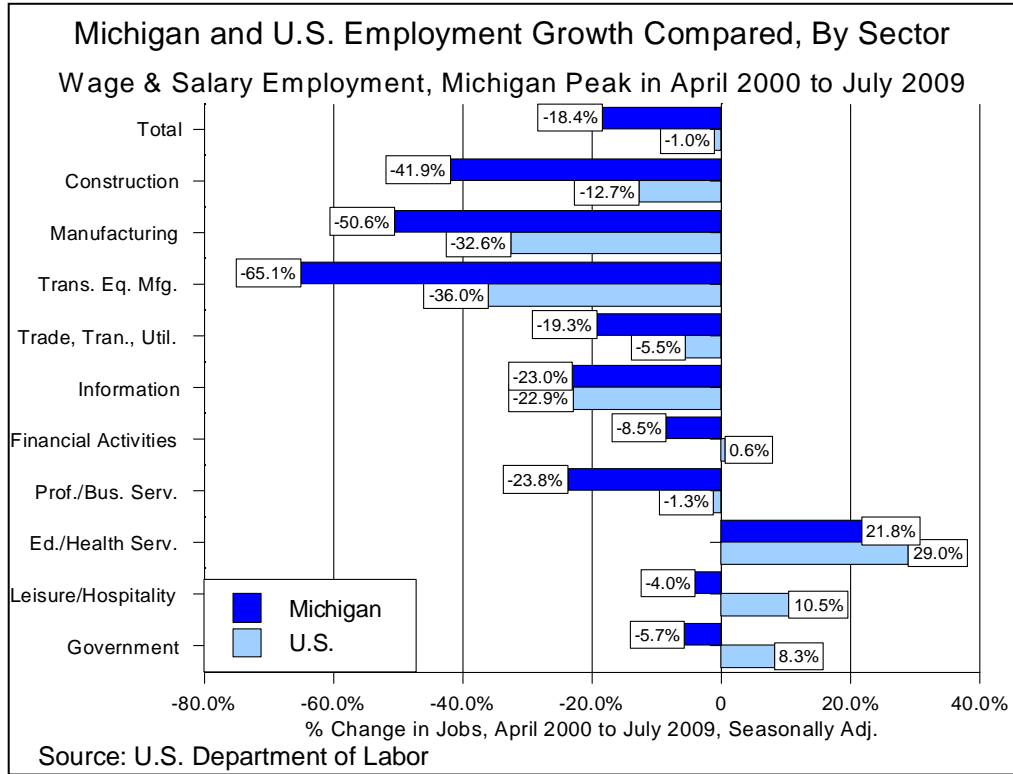


Figure 7

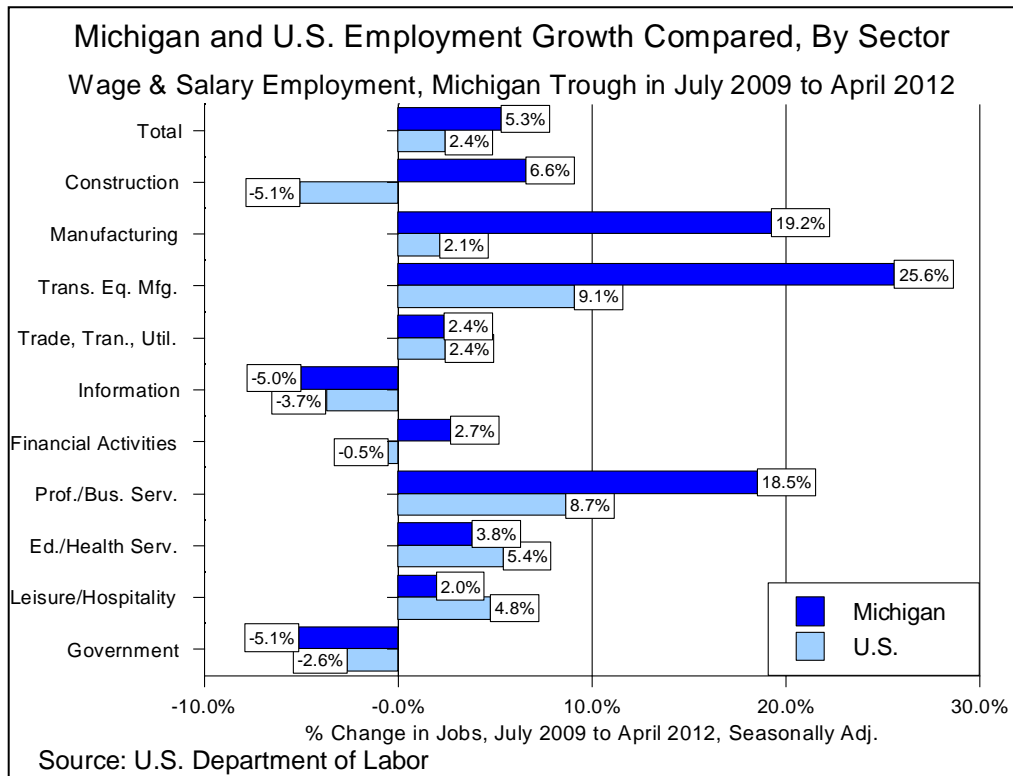
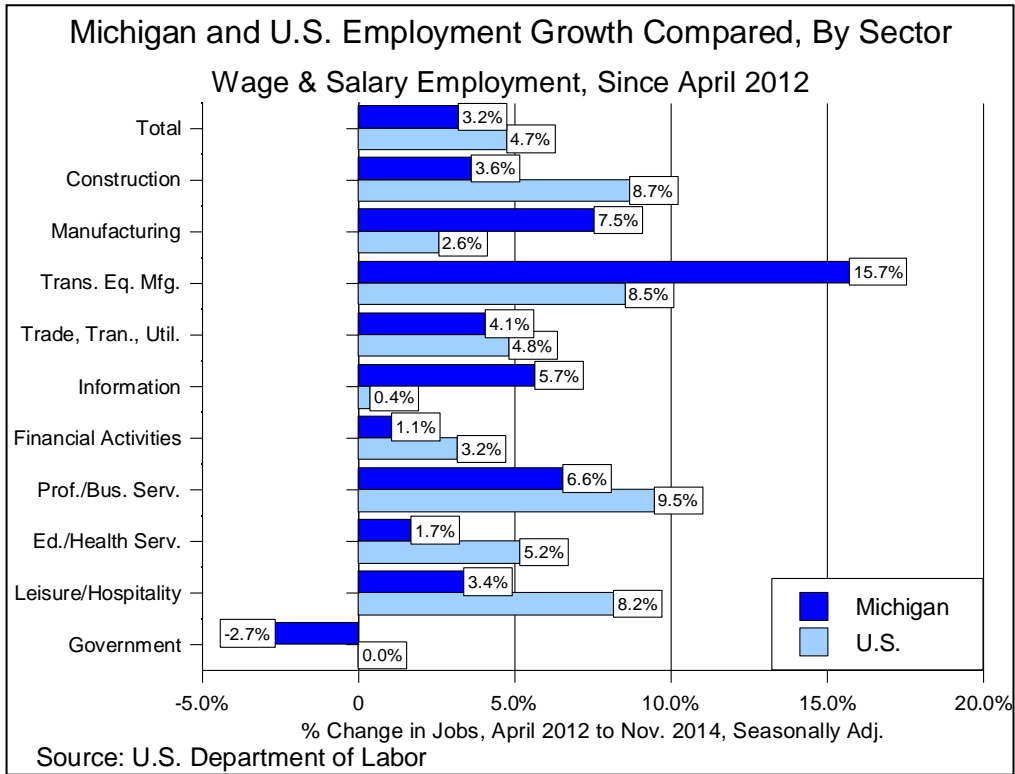


Figure 8



A Record-Weak Recovery for a Record-Setting Recession Employment

- The current recovery is half as strong as prior recoveries. Among the six post-World War II recoveries lasting 21 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 4.3% 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 finally exceeded pre-recession levels in 2014. Between World War II and the 1980 recession, employment reached its pre-recession peak in an average of 18.8 months. After the 1981-82 recession, the recovery in employment took 28 months, while after the 1990-91 recession it took 32 months, and after the 2001 recession it took 48 months. It took 77 months for payroll employment to reach the pre-recession peak experienced in January 2008.
- Employment growth has barely exceeded population growth during much of the recovery. Average payroll employment gains averaged 169,500 jobs per month between the February 2010 trough and March 2014, compared with about 177,000 per month during 2003-2006, and 251,400 per month over the 1993-1999 period. The economy needs roughly 150,000 additional jobs per month to keep up with population growth.
- People are leaving the labor force. While job growth has lowered the unemployment rate from the October 2009 peak of 10.0% to 5.6% in December 2014, 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 67 months. Labor force participation in December 2014 was 62.7%, tied with September 2014 as the lowest level since February 1978. Compared with the 66.2% labor force participation rate at the employment peak in January 2008, 3.5% of the population has left the labor force and is no longer working or seeking work.

- Wage income is stagnant. After falling 1.4% in 2011 and 0.2% in 2012, inflation-adjusted average hourly earnings rose 0.6% in 2013 and 0.8% in 2014. Average weekly hours have remained essentially unchanged for 52 months.
- Housing starts are growing rapidly but remain low by historical standards. While 2014 starts are on track to finish up 7.0% from 2013, 2014 would still be the seventh weakest year on record, after every year in the 2008-2013 period, and would still be down 52.1% from 2005 (Figure 12).

Figure 9

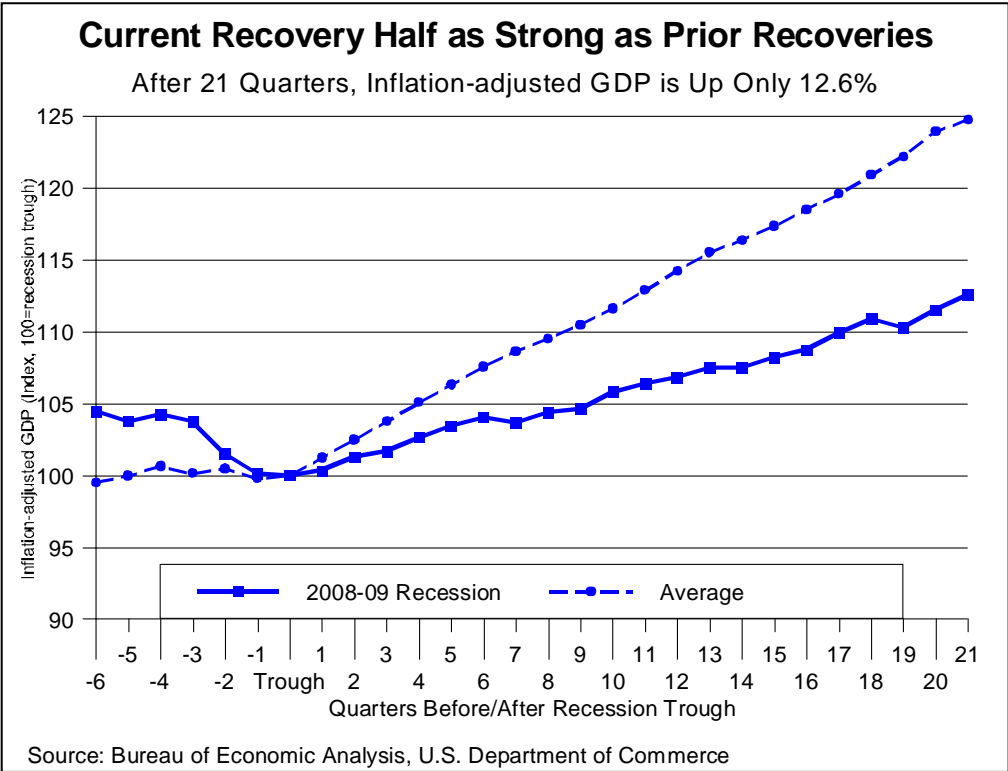


Figure 10

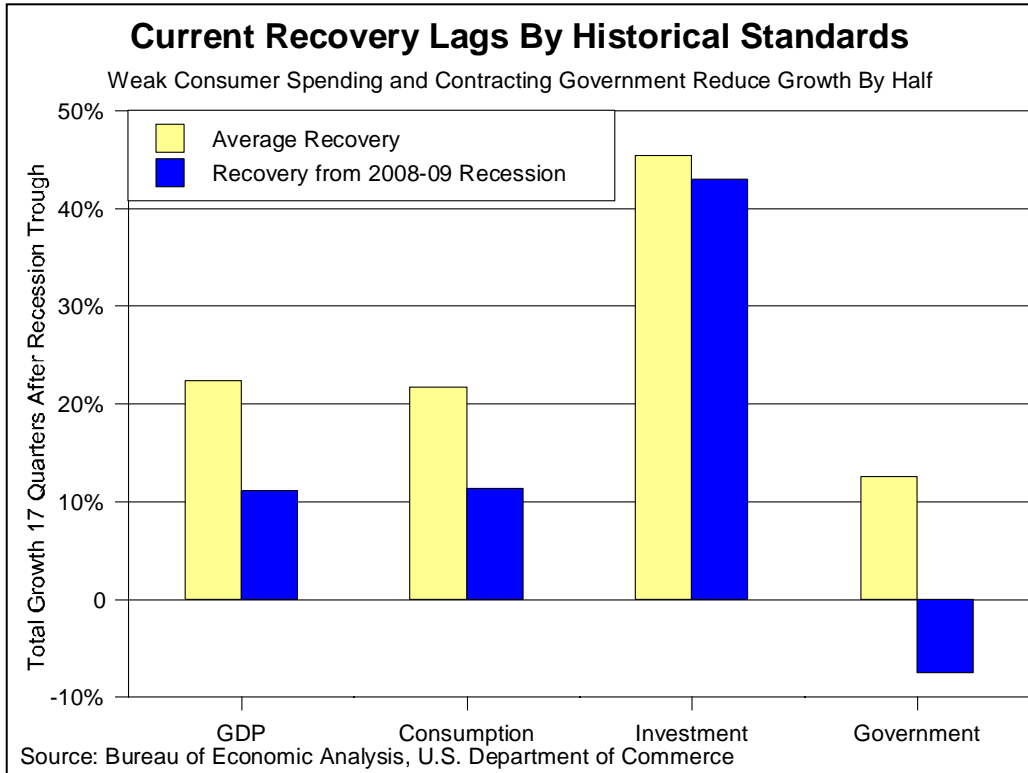


Figure 11

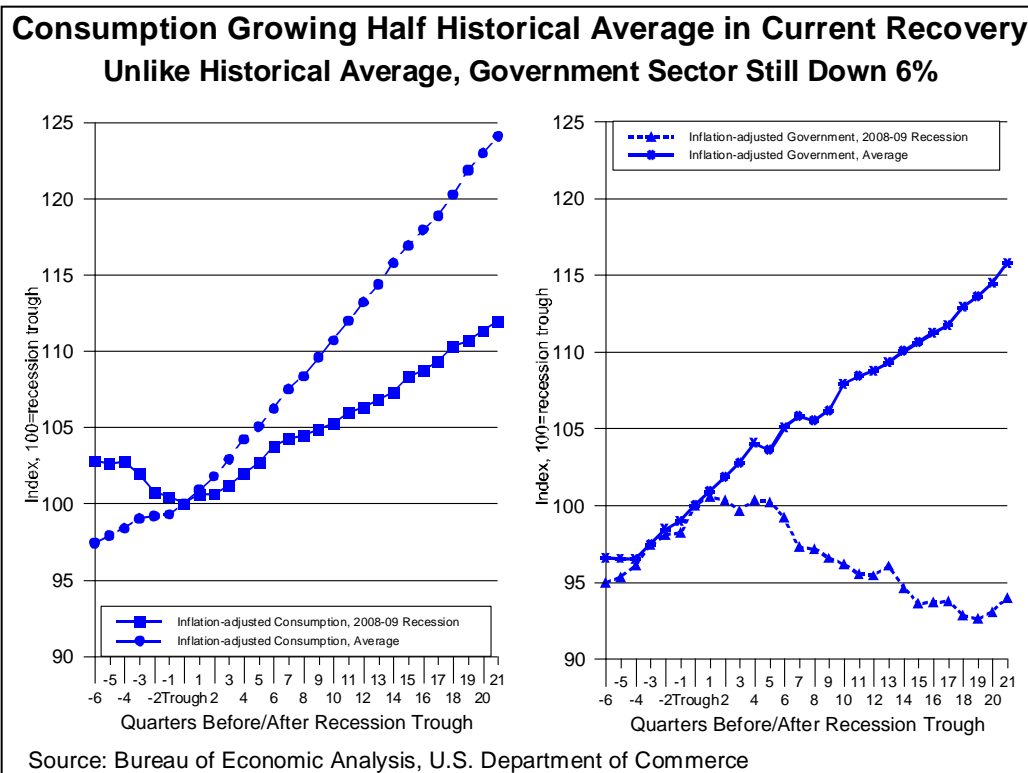
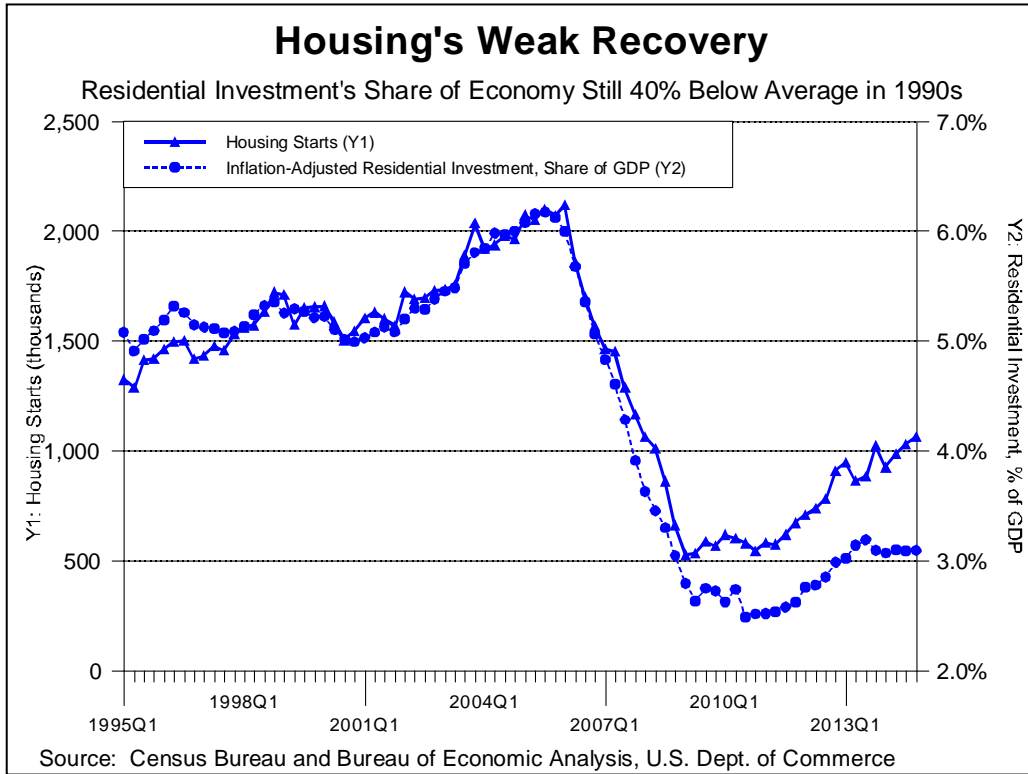


Figure 12



Recent U.S. Economic Highlights

- While the economy is growing, the growth rate is inconsistent. Inflation-adjusted GDP shrank at a 2.1% rate in the first quarter of 2014, the first decline since the first quarter of 2011, while in the third quarter increased at a 5.0% rate, the most rapid increase since the third quarter of 2003. However, many of the changes have been driven by relatively one-time factors, including the bad weather in the first quarter of 2014 and a one-time surge 16.0% surge in Federal defense spending during the third quarter.
- Nationally, payroll employment has risen for 51 consecutive months, and in December 2014 was 8.2% above the February 2010 trough and 1.4% above the pre-recession peak. Payroll employment rose by almost 3.0 million jobs in between December 2013 and December 2014, more than 27% of the increase since the recession trough.
- The U.S. unemployment rate in December 2014 was 5.6%, down from 6.7% in December 2013 and well below the October 2009 peak of 10.0%. Compared with one year ago, most of the improvement reflects job gains, with the labor force up by 1.1 million persons and employment up by 2.8 million jobs.
- Light vehicle sales have improved, and are generally exceeding most pre-recession levels. Light vehicle sales totaled 16.4 million units in 2014, up 5.8% from 2013 and 58.0% from 2010. In November 2014, light vehicles sales averaged 17.5 million units, well above the 9.2 million units in February 2009 and the highest rate since July 2006.
- Through November, housing starts broke the million unit average rate five times in 2014 and in four of the last five months, compared to only breaking that level twice in in 2013, in November and December. Prior to 2013, the last time starts broke the million unit rate was June 2008.

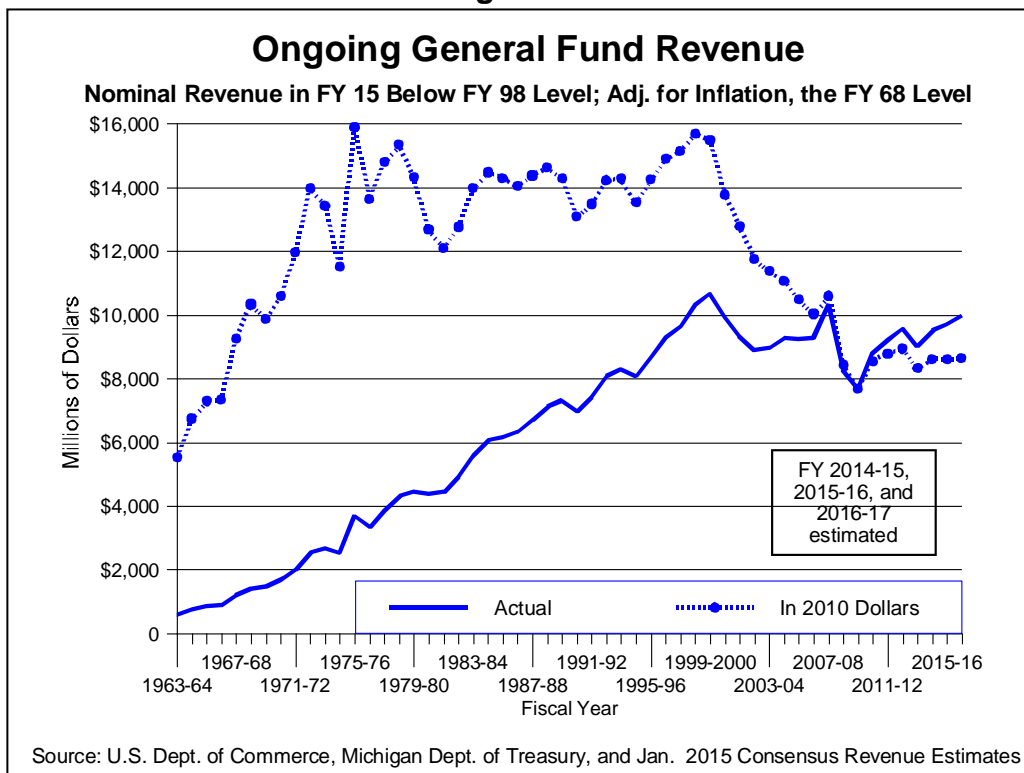
Recent Michigan Economic Highlights

- Job growth is slowing. Throughout 2013, payroll employment averaged 72,800 more jobs than during 2012. Through November 2014, payroll employment is only averaging a 29,500-job increase from 2013 and that average was pushed up 1,000 jobs by the strong November employment report. Despite the increase, November 2014 employment was up only 1.0% from the year-ago level. Payroll employment in 2014 is expected to finish up 0.7% from the 2013 level, the fourth consecutive annual increase but a smaller gain than in 2011 (2.3%), 2012 (2.1%), and 2013 (1.8%).
- The labor force continues to exhibit weak economic fundamentals. Michigan's unemployment rate was 6.7% in November 2014, down from 8.5% in November 2013, and down from the 14.2% peak in August 2009. A sizeable portion of the improvement in the unemployment rate since 2009 reflects people leaving the labor force. Compared with August 2009, employment is up by 259,800 (6.3%) jobs but 107,000 people (2.2%) 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 six months of 2013. During the first six months of 2014, the size of the labor force has increased every month, but fell in three of the last five months, leaving the November labor force down 0.2% from the June 2014 peak.
- Michigan motor vehicle production is flattening. While during the first nine months of 2013, Michigan motor vehicle production was up 9.3% from the 2012, the first nine months of 2014 are down 0.4% from 2013.
- Inflation-adjusted average hourly earnings have stopped declining but the growth remains weak. After falling 2.8% in 2011 and 1.6% in 2012, inflation-adjusted average hourly earnings rose 0.6% in 2013 and are projected to rise 1.2% in 2014. However, average weekly hours have remained essentially unchanged since May 2011.
- Michigan personal income is now growing closer to the national average. In 2012, total personal income increased 3.5%, compared with the U.S. average of 4.2%, ranking Michigan 39th. However, in 2013, Michigan personal income increased 2.5%, near the national average of 2.6%, and ranking Michigan 24th.
- When income growth is measured on a per-person basis, Michigan ranked 23rd in 2012 with personal income per person growing 3.4%, the same as the national average. In 2013, Michigan ranked 9th with personal income per person growing 2.4%, compared with the national average of 1.8%. In 2013, Illinois ranked 18th, Indiana ranked 32nd, Ohio ranked 19th, and Wisconsin ranked 7th.

State Revenue

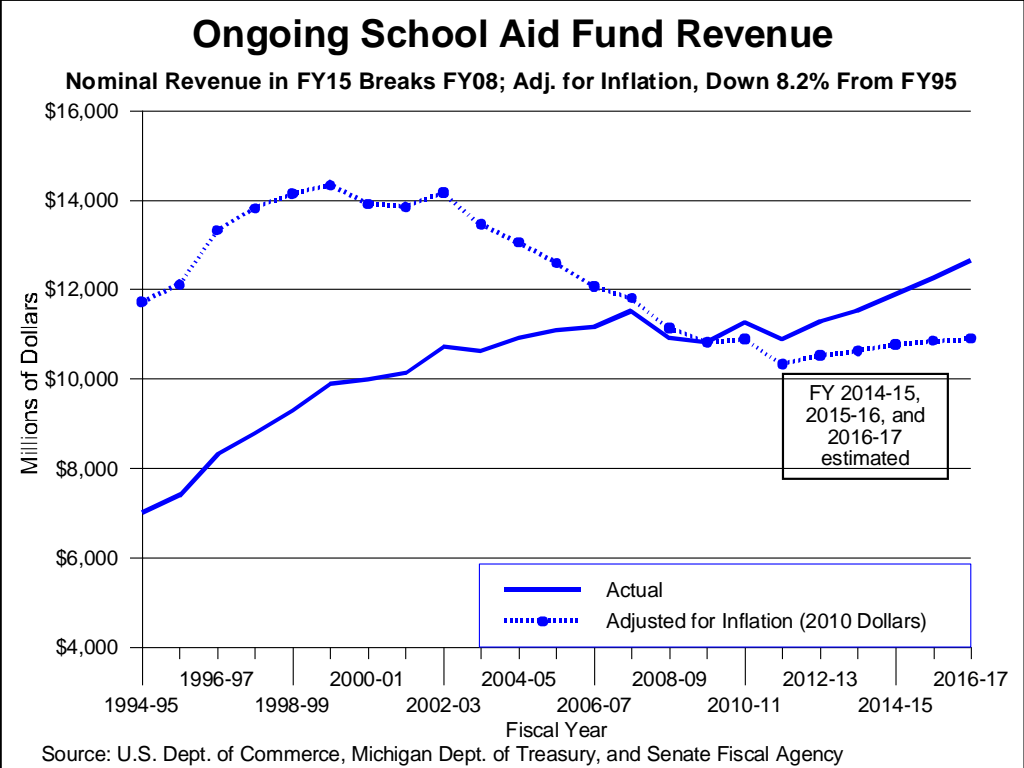
- The majority of State taxes and fees are deposited in the State's General Fund, School Aid Fund, or various transportation funds. Ongoing General Fund revenue fell as the economy declined. Between FY 2007-08 and FY 2009-10, ongoing General Fund revenue fell 25.7% (\$2.7 billion) and ongoing School Aid (SAF) revenue fell 6.0% (\$696.0 million).
- Ongoing General Fund revenue decreased 5.7% in FY 2013-14 and is estimated to increase 5.4% in FY 2014-15, rising another 2.2% in FY 2015-16. Ongoing SAF revenue increased 2.2% in FY 2013-14 and is expected to rise 3.2% in FY 2014-15 and 3.2% in FY 2015-16.
- On an inflation-adjusted basis, ongoing General Fund revenue in FY 2014-15 is estimated to be 7.0% (\$651.8 million, in 2010 dollars) lower than the level in FY 1967-68, when the State adopted the then new personal and corporate income taxes, as shown in [Figure 13](#).

Figure 13



- On an inflation-adjusted basis, ongoing SAF revenue in FY 2014-15 is estimated to be 8.2% (\$957.6 million) lower than the level in FY 1994-95, when Proposal A took effect, as shown in Figure 14.

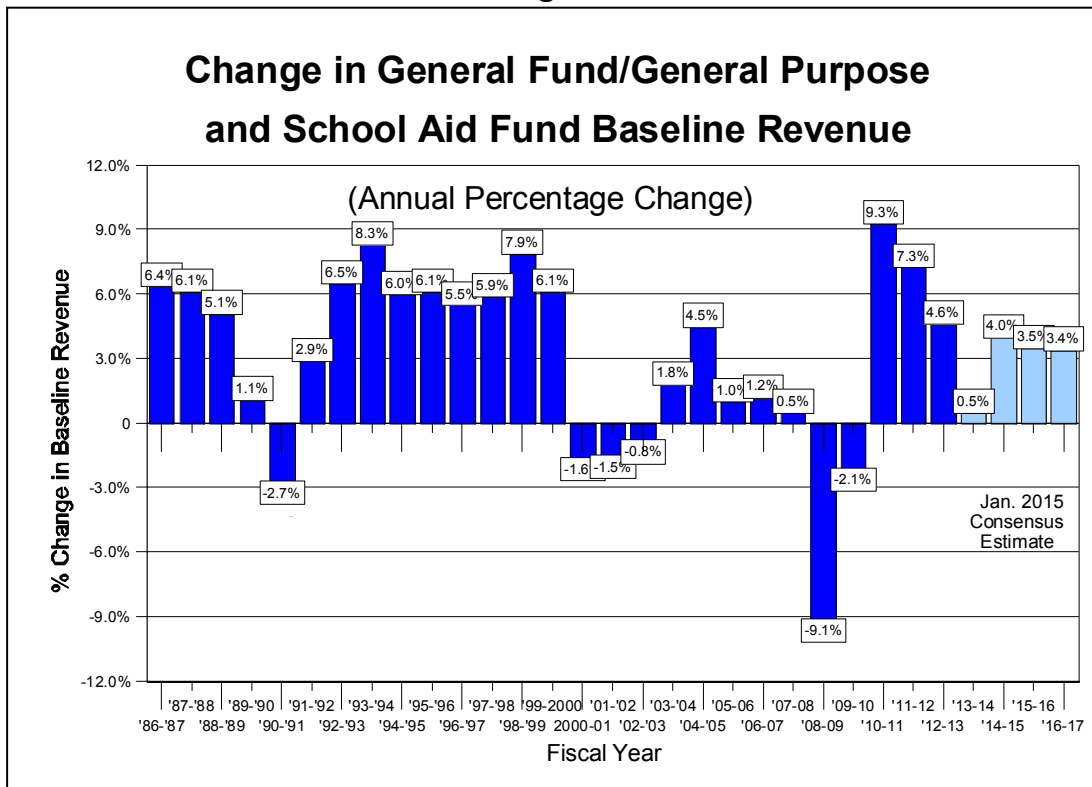
Figure 14



Forecast for State Revenue

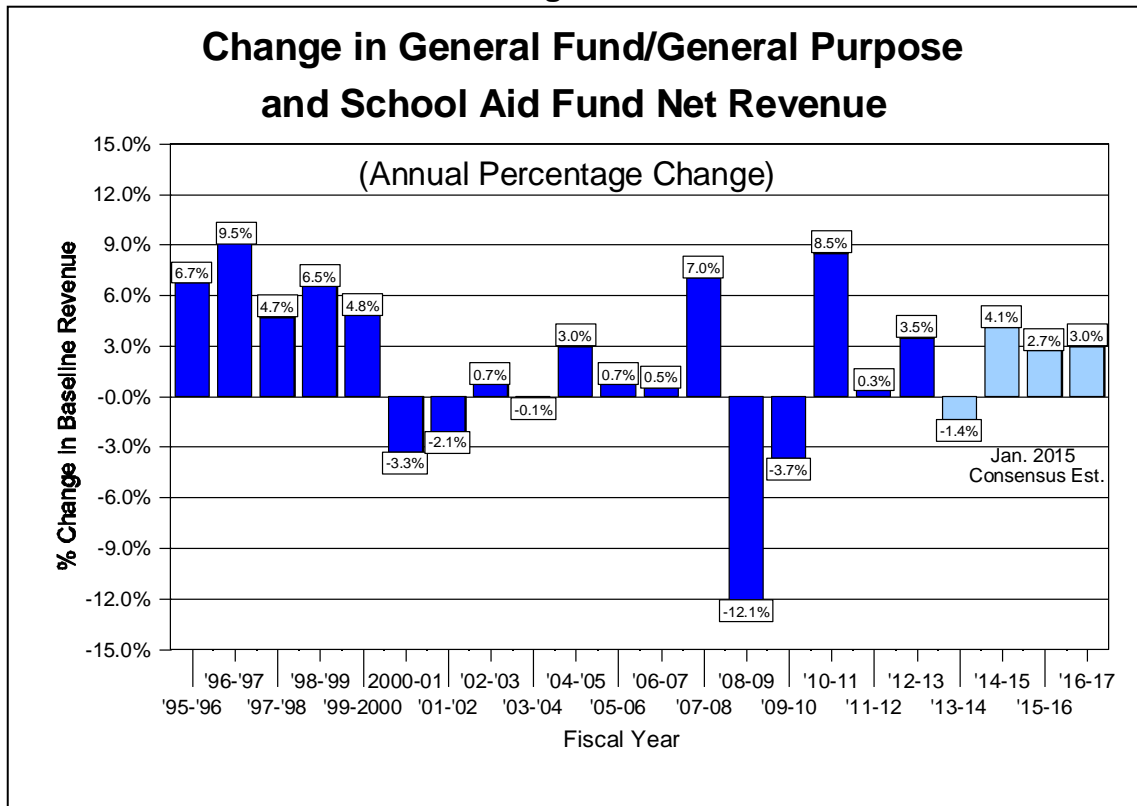
- Pursuant to State statute, there are Consensus Revenue Estimating Conferences held in January and May of each year in which the State Treasurer, and the Directors of the House and Senate Fiscal Agencies, meet to agree on the amount of State revenue available for the State budget.
- The Governor and the Legislature will use the revenue estimates from the May 2015 Conference to finalize the FY 2015-16 budget. The Governor's budget recommendation for FY 2015-16 was based on the January 2015 Conference.
- The percentage changes in baseline General Fund/General Purpose (GF/GP) and School Aid Fund (SAF) revenue forecasted for FY 2014-15 through FY 2016-17 are compared with the actual growth rates during the preceding 27 years in Figure 15.

Figure 15



- The revised estimates for FY 2014-15, after accounting for tax changes, predict GF/GP revenue will increase by 5.4% while SAF revenue will increase by 3.2%. GF/GP revenue in FY 2015-16 is estimated to increase 2.2% 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 2014-15 through FY 2016-17 are compared with the actual growth rates during the preceding 18 years in Figure 16.

Figure 16



- Figures 17 and 18 display the estimated FY 2014-15 revenue sources for the State General Fund and School Aid Fund, respectively.

Figure 17

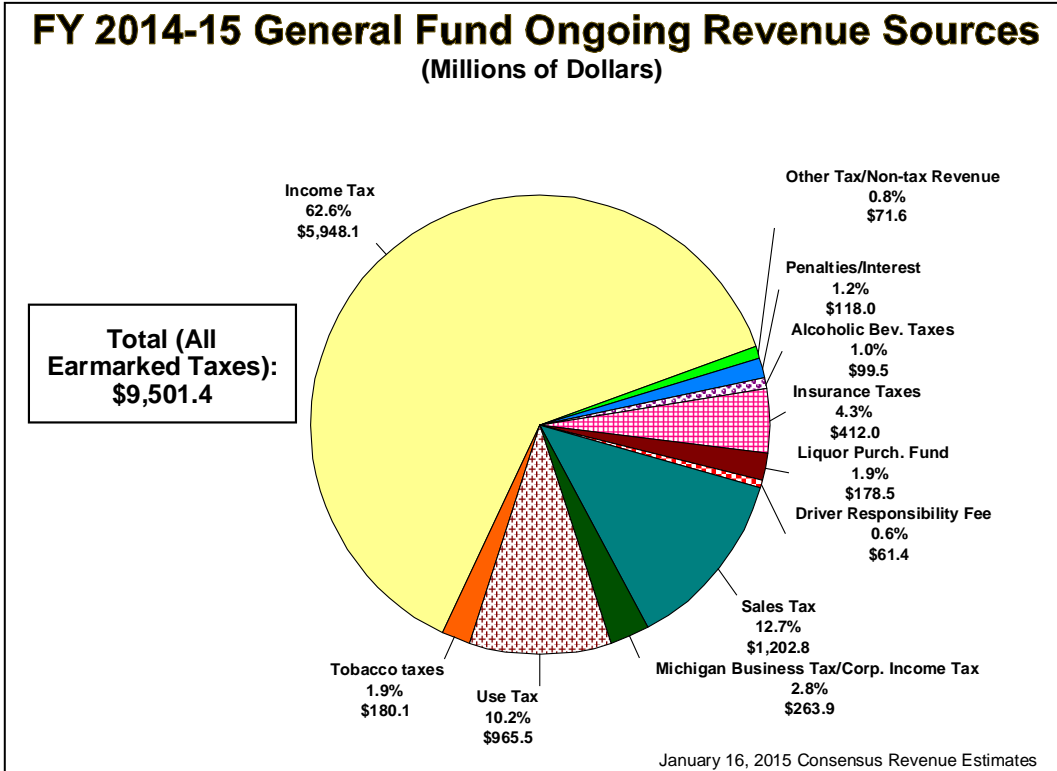
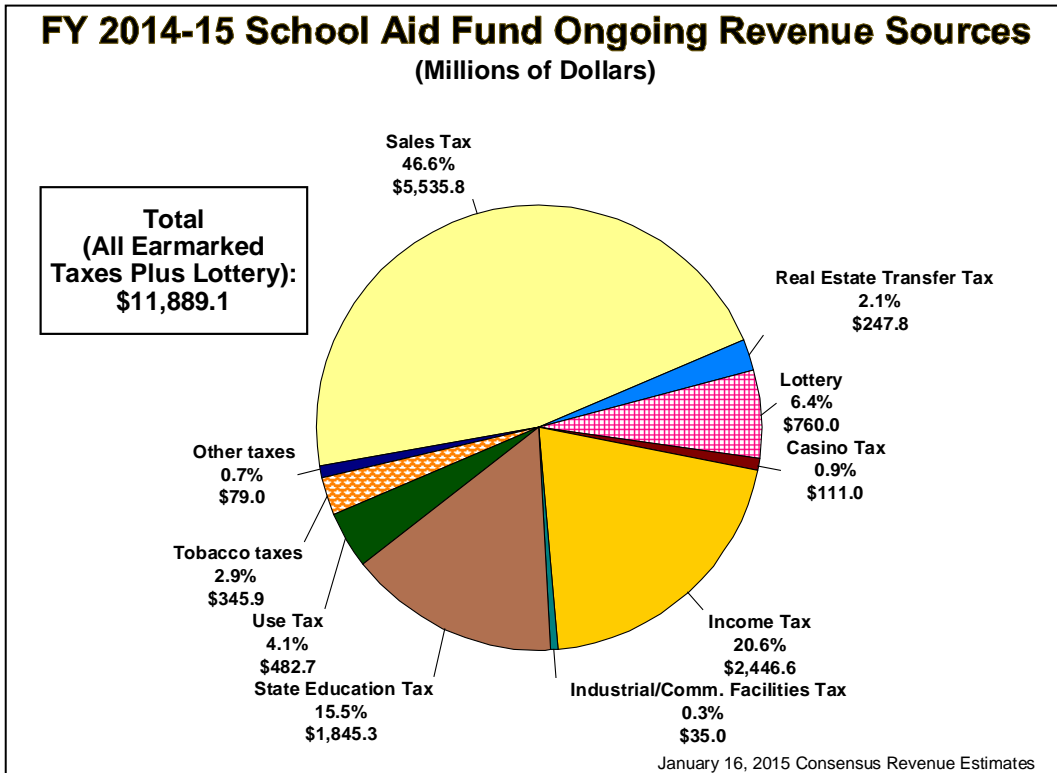


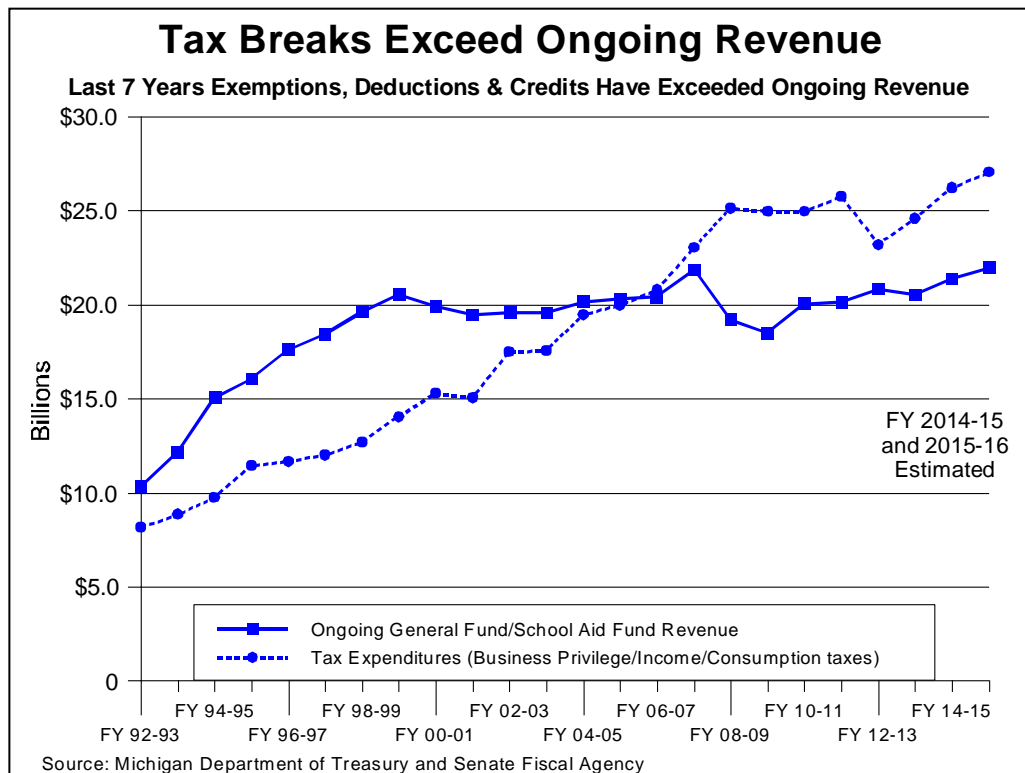
Figure 18



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 \$25.7 billion in FY 2011-12. The estimate for FY 2014-15 is \$26.2 billion.
- During FY 1999-2000 tax expenditures equaled 68.2% of ongoing GF/GP and SAF revenue. During FY 2011-12 tax expenditures equaled 127.9% of total ongoing GF/GP and SAF revenue. Tax expenditures are estimated to equal 122.6% of ongoing GF/GP and SAF revenue in FY 2014-15.

Figure 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 2014-15.

Table 1

DETAIL ON MAJOR CHANGES IN TAX EXPENDITURES					
(Millions of Dollars)					
	FY	FY	\$ Change	FY	\$ Change
	1999-2000	2011-12	FY 1999-2000	2014-15	FY 2011-12 to
			to FY 2011-12		FY 2014-15
Consumption Taxes					
Food	\$860.0	\$1,220.2	\$360.2	\$1,302.1	\$81.9
Industrial Processing	660.0	920.0	260.0	1,274.0	354.0
Prescription Drugs	242.0	536.3	294.3	589.1	52.8
Services	4,392.0	10,357.2	5,965.2	11,279.0	921.8
Individual Income Taxes					
Adjustments to Income	1,600.0	3,351.7	1,751.7	3,353.6	1.9
Homestead Prop. Tax Credit	471.0	831.1	360.1	566.3	(264.8)
Personal Exemption	987.0	1,173.7	186.7	1,277.8	104.1
Earned Income Tax Credit	0.0	360.0	360.0	118.9	(241.1)
All Other Tax Expenditures	4,859.4	6,995.6	2,136.2	5,633.6	(1,362.0)
Total Tax Expenditures	\$14,071.4	\$25,745.8	\$11,674.4	\$25,394.5	(\$351.3)

Source: Michigan Department of Treasury

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

Figure 20

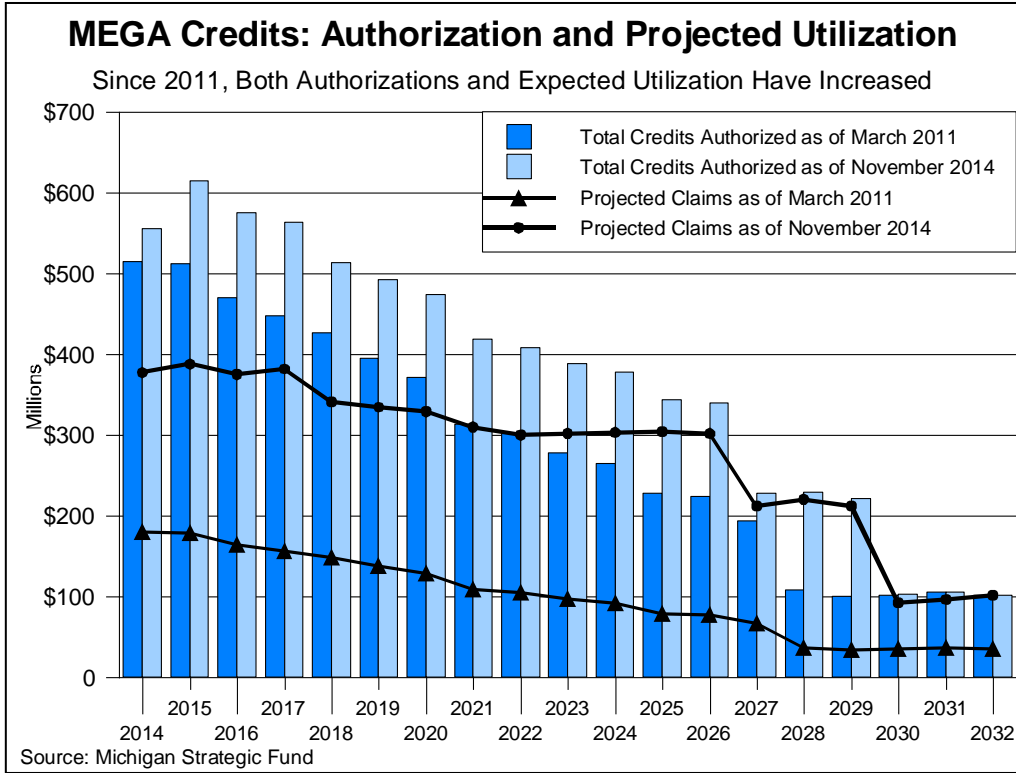
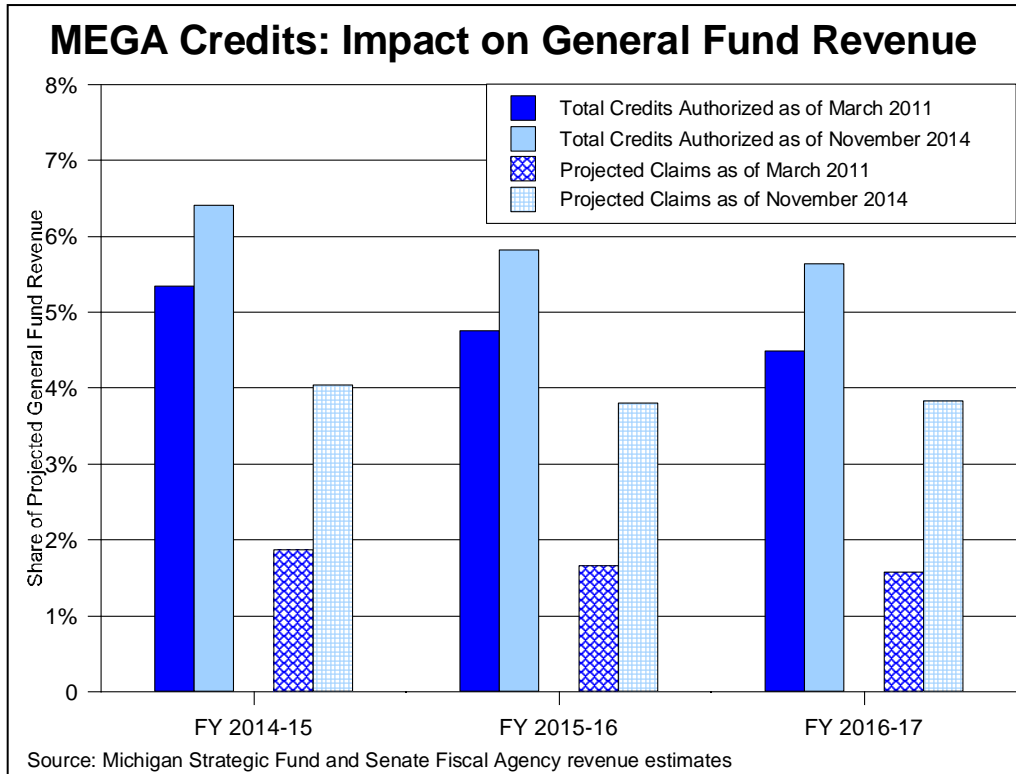


Figure 21



Tax Code Restructuring

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

Table 2

ENACTED TAX RESTRUCTURING LEGISLATION
(Dollars in Millions)

Tax Provision	FY 2012-13			FY 2013-14			FY 2014-15		
	GF/GP	SAF	Total	GF/GP	SAF	Total	GF/GP	SAF	Total
<u>Prior Law:</u>									
Michigan Business Tax	\$1,322.5	\$777.3	\$2,099.8	\$1,385.2	\$792.1	\$2,177.3	\$1,424.8	\$808.7	\$2,233.5
<u>Business Tax Changes:</u>									
Repeal MBT (12/31/11)	(\$1,375.1)	(\$777.3)	(\$2,152.4)	(\$1,366.3)	(\$792.1)	(\$2,158.4)	(\$1,409.7)	(\$808.7)	(\$2,218.4)
Corporate Income Tax (1/1/12)	876.1	0.0	876.1	911.4	0.0	911.4	945.5	0.0	945.5
Financial Institutions Tax	43.9	0.0	43.9	45.6	0.0	45.6	47.5	0.0	47.5
Certified Credits/Options Tax	(437.4)	0.0	(437.4)	(568.9)	0.0	(568.9)	(562.3)	0.0	(562.3)
Total Changes to Business Taxes	(892.5)	(777.3)	(1,669.8)	(978.2)	(792.1)	(1,770.3)	(979.0)	(808.7)	(1,787.7)
Net Business Tax Rev. After Credits	\$430.0	(\$0.0)	\$430.0	\$407.0	\$0.0	\$407.0	\$445.8	\$0.0	\$445.8
<u>Individual Income Tax Changes¹⁾:</u>									
Delay/Eliminate Tax Rate Changes	\$225.0	\$0.0	\$225.0	\$415.4	\$0.0	\$415.4	\$617.9	\$0.0	\$617.9
Repeal Senior/Unemp. Ins. Exempt.	34.3	6.7	41.0	32.2	10.0	42.2	37.2	6.3	43.5
Repeal Child Deduction	52.9	4.2	57.1	48.0	10.8	58.8	49.5	11.1	60.6
Pension Tax Changes	259.5	76.7	336.2	263.7	83.3	347.0	272.3	85.0	357.3
Repeal Nonrefundable Credits	103.5	0.0	103.5	107.0	0.0	107.0	110.3	0.0	110.3
Homestead Credit Changes	257.0	0.0	257.0	265.0	0.0	265.0	273.0	0.0	273.0
Modify Earned Income Tax Credit	261.6	0.0	261.6	269.4	0.0	269.4	277.5	0.0	277.5
Eliminate Subtract./Exemp./Other	53.5	17.5	71.1	54.2	18.1	72.3	55.1	18.5	73.6
Total Changes to Individ. Income Tax	\$1,247.3	\$105.1	\$1,352.5	\$1,454.9	\$122.2	\$1,577.1	\$1,692.8	\$120.9	\$1,813.7
Net Impact of Proposed Reforms	\$354.8	(\$672.2)	(\$317.3)	\$476.7	(\$669.9)	(\$193.2)	\$713.8	(\$687.8)	\$26.0
<u>Addendum: Impact by Taxpayer Type</u>									
Businesses			(\$1,669.8)			(\$1,770.3)			(\$1,787.7)
Individuals			\$1,352.5			\$1,577.1			\$1,813.7

¹⁾ Does not include changes from PAs 223 and 224 of 2012, which subsequently amended portions of the restructuring legislation concerning the rate changes and changes in the personal exemption.

Source: May 15, 2013 Consensus Revenue estimates. These are the last detailed estimates for the impact of the reform package because beginning with the January 10, 2014 Consensus Revenue estimates the impacts were included in baseline revenue and no longer estimated separately from other components of the affected taxes.

Constitutional Revenue Limit

- Section 26 of Article IX of the State Constitution limits total State revenue to a maximum of 9.49% of Michigan personal income.
- Based on the revised revenue estimates, revenue subject to the Constitutional revenue limit is estimated to be approximately \$8.7 billion below the limit for FY 2013-14, \$8.5 billion below the limit in FY 2014-15, \$9.4 billion below the limit in FY 2015-16, and \$10.2 billion below the limit in FY 2016-17.

Figure 22

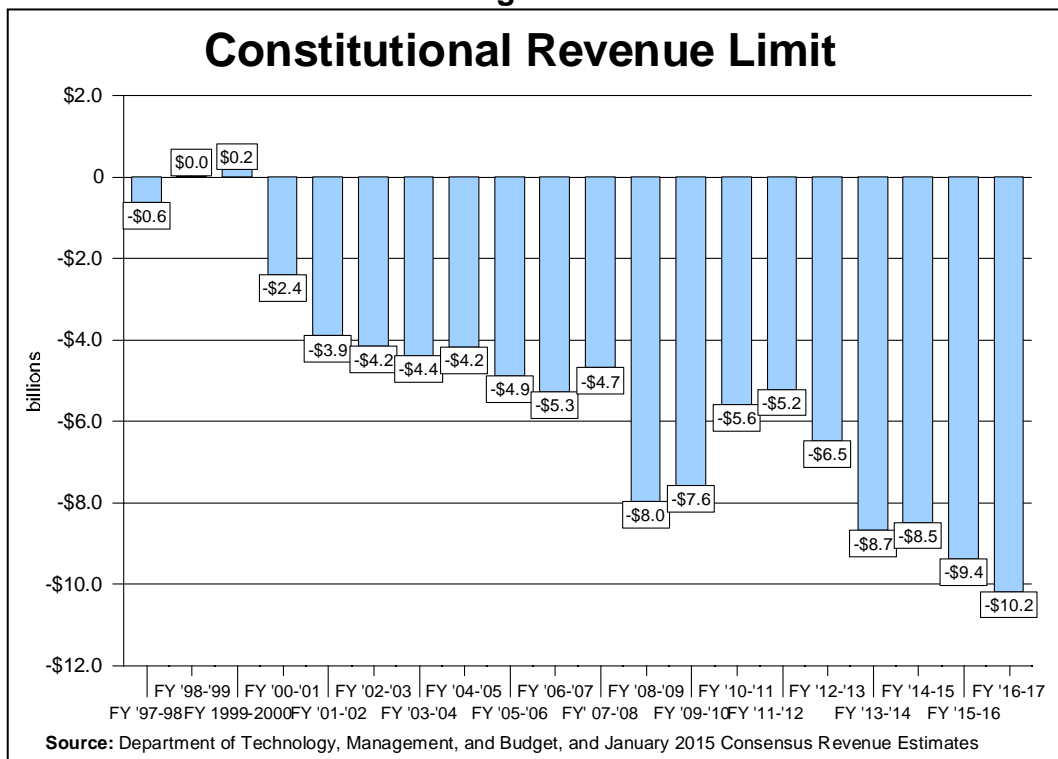


Figure 23

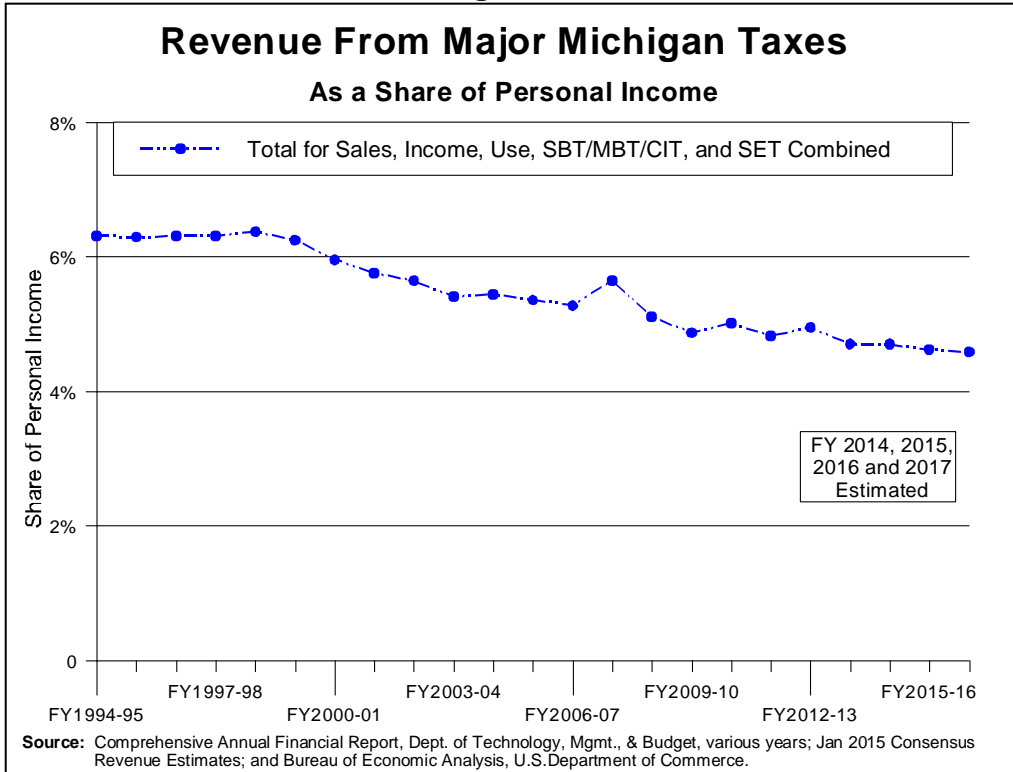


Figure 24

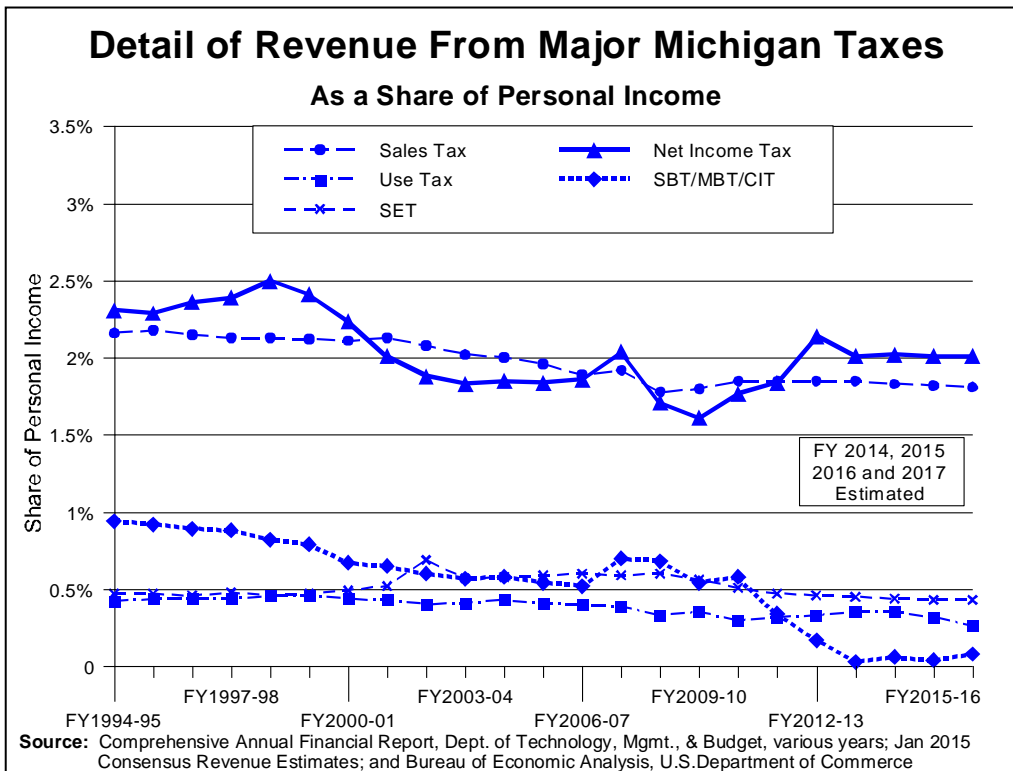


Table 3

**MICHIGAN'S MAJOR TAXES: REVENUE ESTIMATES, TAX RATES, AND YIELDS FOR FY 2014-15 AND FY 2015-16
(Dollars in Millions)**

Tax	Revenue Estimates ¹⁾		Current Tax Rate	Examples of Rev. Impact Due to Change in Rate ⁷⁾			History of Tax Rate Changes
	FY 2014-15 Net Revenue	FY 2015-16 Net Revenue		Rate Change	FY '15 Rev. Change Eff. 1/1/15	FY '16 Rev. Change Eff. 1/1/15	
Individual Income Tax: Gross Collections Refunds Net Income Tax	\$10,275.6 (1,880.1) \$8,395.5	\$10,645.7 (1,926.0) \$8,719.7	4.25%	0.1%	\$147.7	\$224.2	1967: 2.6%; 1971: 3.9%; 1975: 4.6%; 1982 (4/1): 5.6%; 1982 (10/1): 4.6%; 1983: 6.35%; 1984 (9/1): 5.35%; 1986: 4.6%; 1994 (5/1): 4.4%; 2000: 4.2%; 2002: 4.1%; 2003: 4.0%; 2004 (7/1): 3.9%; 2007 (10/1): 4.35%; 2012 (10/1): 4.25%
Sales Tax²⁾	\$7,608.8	\$7,893.7	6.0%	1% of: ²⁾ first 4% of 6% last 2% of 6%	\$971.7 \$909.9	\$1,343.8 \$1,259.3	1933: 3.0% 1960: 4.0% 1994: 6.0% 5/1
Use Tax	\$1,448.2	\$1,406.4	6.0%	1.0%	\$181.0	\$250.4	1937: 3.0% 1960: 4.0% 1994: 6.0% 5/1
Corporate Income Tax	\$944.7	\$976.7	6.0%	1.0%	\$118.1	\$162.8	Rate has not changed.
Tobacco Tax Cigarettes Other Tobacco Products	\$914.4 \$838.4 \$76.0	\$899.1 \$820.4 \$78.7	\$2.00/pack 32% whole-sale price	\$0.10/pack 2.0%	\$31.1 \$3.5	\$40.6 \$4.9	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⁾	\$47.5	\$48.5	4.0%	1.0%	\$8.9	\$12.1	1959: Liquor excise tax established - 4.0% 1962: Liquor specific tax established - 4.0% 1972: Liquor specific tax established - 1.85%, repealed 10/1/12 1985: Liquor specific tax established - 4.0%
Beer Tax⁴⁾	\$41.6	\$42.4	\$6.30/barrel ⁴⁾	\$1/barrel ⁴⁾	\$4.9	\$6.7	1933: \$1.25/barrel 1959: \$2.50/barrel 1962: \$6.61/barrel 1966: \$6.30/barrel
Wine Tax⁵⁾	\$10.4	\$10.6	⁵⁾	\$0.01/liter	\$0.6	\$0.8	1937: \$0.50/gallon 1981: w/ 16% alcohol 13.5 cents/liter 1981: w/ >16% alcohol 20 cents/liter 1989: mixed-spirit drinks 48 cents/liter
Casino Gaming Tax	\$111.0	\$113.5	8.1%	1.0%	\$9.9	\$14.0	1999: 8.1% of adj. gross receipts 2004: 12.1% of adj. gross receipts 9/1 FY07: 8.1%-12.1% FY09: 8.1% 2/09
Real Estate Transfer Tax⁶⁾	\$247.8	\$260.7	0.75% ⁶⁾	0.25%	\$62.0	\$86.9	Rate has not changed.
State Education Property Tax	\$1,845.3	\$1,880.9	6 mills	1 mill	\$307.6	\$313.5	1994: 6 mills 2003: 5 mills (one-year reduction only) 2004: 6 mills
Gasoline Tax	\$820.0	\$819.0	\$0.19/gl.	\$0.01/gal.	\$32.4	\$43.1	1983: 13 cents/gal. 1984: 15 cents/gal. 1997: 19 cents/gal.

1) Consensus Revenue Estimates, January 16, 2015. 2) The first 4 percentage points of the 6% sales tax rate are assessed on the entire sales tax base (including residential utilities), whereas the last two percentage points of the 6% sales tax rate are not assessed on residential utilities. 3) There are three taxes on liquor, each with a rate of 4.0% and they are earmarked to the General Fund, School Aid Fund, and the Convention Facility Fund. One tax, assessed at 1.85% on sales for off-site consumption and earmarked to the Liquor Purchase Revolving Fund, was repealed effective October 1, 2012. 4) The beer tax of \$6.30/barrel is equivalent to 1.9 cents per 12-ounce can of beer. Increasing the rate by \$1/barrel would increase the tax/can to 2.2 cents. 5) Tax on wine is as follows: Wine containing 16% or less of alcohol: 13.5 cents/liter; and wine containing more than 16% alcohol: 20 cents/liter. 6) The real estate transfer tax is assessed when real property changes ownership and it is assessed on the transaction price. 7) Senate Fiscal Agency estimate.

Budget Stabilization Fund

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

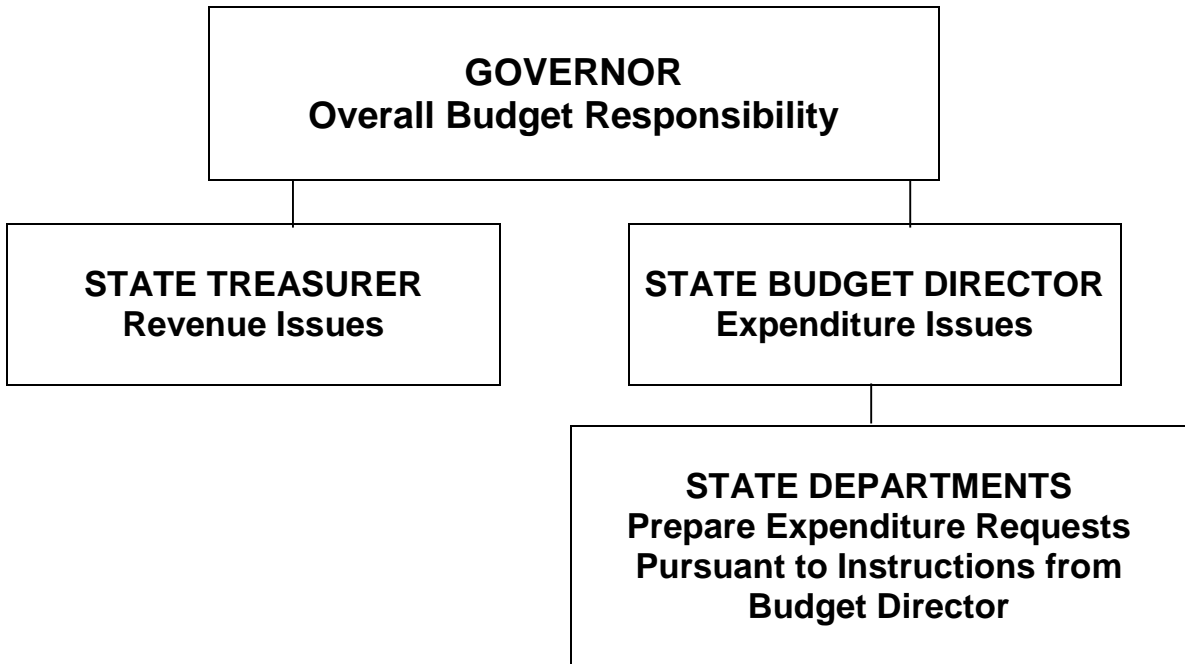
Table 4

BUDGET AND ECONOMIC STABILIZATION FUND TRANSFERS, EARNINGS AND FUND BALANCE FY 1998-99 TO FY 2015-16 ESTIMATE (Millions of Dollars)				
Fiscal Year	Pay-In	Interest Earned	Pay-Out	Fund Balance
1998-99	\$244.4	\$51.2	\$73.7	\$1,222.5
1999-00	100.0	73.9	132.0	1,264.4
2000-01	0.0	66.7	337.0	994.2
2001-02	0.0	20.8	869.8	145.2
2002-03	9.1	1.8	156.1	0.0
2003-04	81.3	0.0	0.0	81.3
2004-05	0.0	2.0	81.3	2.0
2005-06	0.0	0.0	0.0	2.0
2006-07	0.0	0.1	0.0	2.1
2007-08	0.0	0.1	0.0	2.2
2008-09	0.0	0.0	0.0	2.2
2009-10	0.0	0.0	0.0	2.2
2010-11	0.0	0.0	0.0	2.2
2011-12	362.7	0.2	0.0	365.1
2012-13	140.0	0.5	0.0	505.6
2013-14	75.0	0.4	194.8	386.2
<u>Senate Fiscal Agency estimates:</u>				
2014-15	111.5	2.9	0.0	500.6
2015-16 (Gov's Rec.)	112.5	5.0	0.0	618.1

The Budget Process

Key Actors in Budget Decision Making Process

Executive Branch



Legislative Branch

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

Key Actors in Budget Decision Making Process

State Departments and Outside Interest Groups

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

Preparation of Executive Budget

State Treasurer (Incoming \$\$\$)

- Revenue Estimates
- Tax Policy
- Cash Management
- Debt Management

Budget Director (Outgoing \$\$\$)

- Issues Budget Directions
- Reviews and Analyzes Agency Requests
- Filters Requests from Outside Groups
- Prepares Final Budget Documents
- Oversees Legislative Budget Process for Governor
- Management of Current Year Budget

Presentation of Executive Budget to the Legislature

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

Legislative Budget Responsibilities

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

Budget Time Frame

JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE
LEGISLATIVE ACTION					
Governor's State of the State is delivered and budget recommendation is prepared for submission to the Legislature.	Governor's budget is delivered, legislative action begins.	Subcommittees make decisions, Appropriations Committee meets, floor votes take place.			Budget targets are negotiated between the Executive and Legislature. Conference Committees meet.
SENATE FISCAL AGENCY ACTION					
First Consensus Revenue Estimating Conference (CREC) is scheduled. SFA prepares applicable documents, schedules future hearings, and provides background briefings.	SFA presents analysis of Governor's budget. Subcommittee hearings begin.	Decision documents are prepared, SFA works with Subcommittee chairs and members to develop proposals, substitute bills are prepared and analyzed, amendments are drafted. SFA revenue forecast is released. Second CREC is held in May.			SFA provides staff support to Conference negotiations, and prepares and analyzes Conference Reports.

JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
LEGISLATIVE ACTION					
Governor signs appropriation bills and issues vetoes. Veto overrides are considered. Current-year budget adjustments are considered. Fiscal year ends September 30.			New fiscal year begins October 1. Appropriations Committee considers year-end transfers. Budget implementation legislation is considered.		
SENATE FISCAL AGENCY ACTION					
Analysis of initial legislation is completed. Initial Appropriations Report is distributed. Year-end budgetary adjustments and lapse estimates are completed.			SFA Year-End Appropriations Report is generated. SFA Economic and Revenue Forecast is released. Mid-year budget adjustments (transfer, supplementals, Executive Orders) are analyzed as needed.		

Mandated Budget Requirements and Restrictions State Budget Process Constitutional Requirements

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

Mandated Budget Requirements and Restrictions State Budget Process Statutory Requirements

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

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

Mandated Budget Requirements and Restrictions Boilerplate Requirements

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

- Imposes Conditions on Appropriations
- Reporting Requirements
- Imposes Specific Spending Criteria

Specific Michigan Budget Practices

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

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

State Budget Terms

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

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

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

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

General Fund/General Purpose Appropriations: Unrestricted portion of State budget fund sources

FTE: Full-time equated employee

Boilerplate: Intent language in appropriation bills

Table 5

ADJUSTED GROSS, STATE SPENDING FROM STATE RESOURCES, AND GF/GP APPROPRIATIONS for FY 2014-15 (billions of dollars)			
Department/Budget Area	Adjusted Gross	State Spending	GF/GP
Community Health	\$18.0	\$5.2	\$3.1
K-12 Education	13.7	11.9	0.03
Human Services	5.7	1.1	1.0
Transportation	3.7	2.4	0.3
Corrections	2.0	2.0	2.0
Hi Ed/Com. Colleges	<u>1.9</u>	<u>1.8</u>	<u>1.2</u>
Subtotal	\$45.0	\$24.4	\$7.6
All Other	6.9	5.3	2.0
Total	\$51.9	\$29.8	\$9.6

**The State Budget
FY 2014-15**

Table 6

SUMMARY OF FY 2014-15 APPROPRIATION CHANGES
(Millions of Dollars)

	Adjusted Gross	GF/GP
FY 2013-14 Year-to-Date Appropriation¹⁾	\$50,369.3	\$9,439.1
Changes for FY 2014-15:		
New Programs	\$315.3	\$129.7
Program Increases.....	2,930.4	612.8
Program Eliminations/Reductions.....	(1,414.2)	(542.7)
Major Fund Shifts Affecting GF/GP	0.0	14.3
Economic Adjustments	108.9	54.7
Unclassified Salaries.....	0.4	0.2
Actuarial Soundness for Use Tax Changes.....	580.1	338.1
Expiration of Medicaid Primary Care Rate Increase.....	(273.4)	25.0
Other Technical Program Adjustments	(319.1)	14.3
Total Changes	\$1,928.4	\$646.5
FY 2014-15 Initial Appropriation	\$52,297.7	\$10,085.6
Other Budget Adjustments:		
FY 2014-15 Enacted Supplementals	(\$259.4)	(388.5)
Executive Order 2015-5	(127.7)	(102.9)
Natural Resources Trust Fund.....	24.7	0.0
Contingency Fund Transfers.....	0.0	0.0
CREC Changes	6.4	0.0
FY 2014-15 Total Year-to-Date Appropriation	\$51,941.7	\$9,594.2

¹⁾ Appropriation as of June 30, 2014.

Figure 25

Appropriations by Source of Funds
FY 2014-15 Initial Appropriations

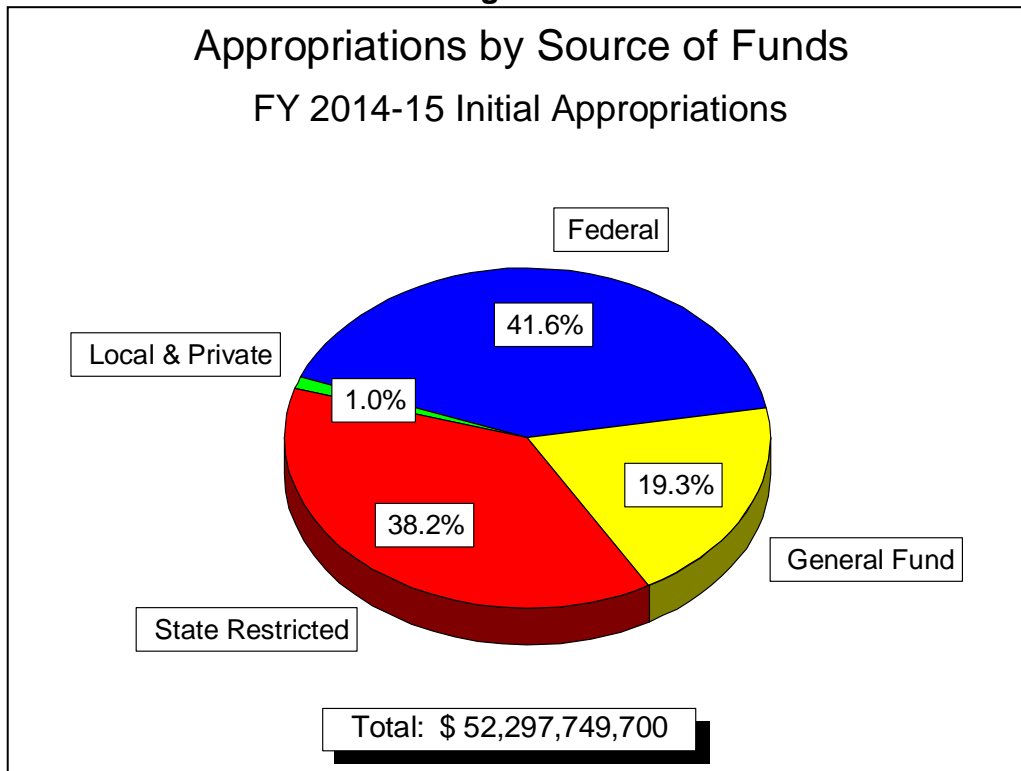


Figure 26

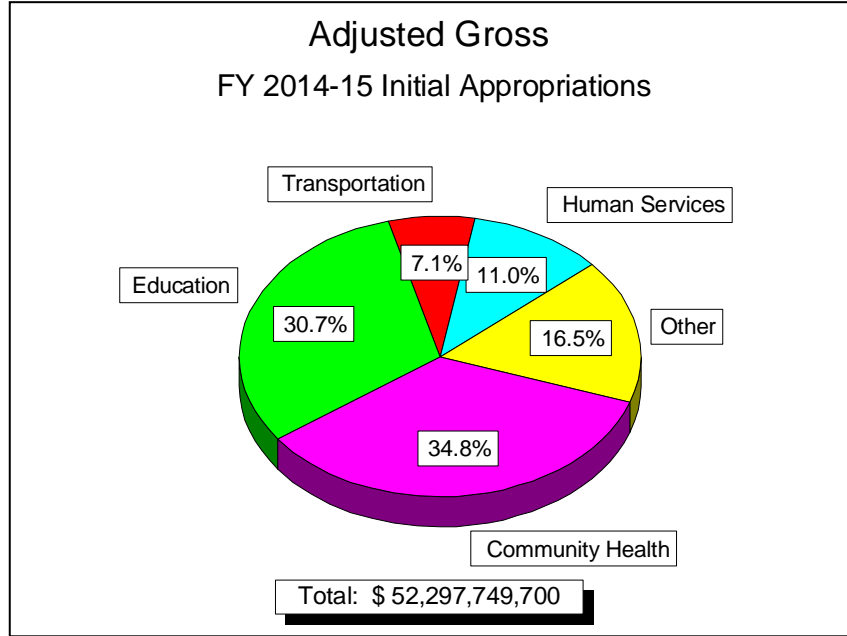


Table 7

INITIAL ADJUSTED GROSS APPROPRIATIONS FY 2014-15	
<u>Department/Budget Area</u>	
Community Health	\$18,205,950,000
School Aid.....	13,870,325,600
Human Services	5,733,628,800
Transportation.....	3,695,731,700
Corrections.....	2,040,296,700
Higher Education	1,516,496,300
Treasury-Revenue Sharing	1,226,312,400
Treasury-Strategic Fund.....	1,024,779,900
State Police.....	613,339,800
Technology, Management, and Budget	585,138,700
Treasury-Operations.....	535,127,300
Licensing and Regulatory Affairs.....	527,978,400
Environmental Quality	493,061,300
Natural Resources.....	383,330,300
Community Colleges.....	364,724,900
Education	287,096,100
Judiciary.....	285,403,200
State.....	203,984,900
Military and Veterans Affairs.....	166,843,700
Treasury-Debt Service.....	152,395,000
Legislature	131,930,500
Agriculture and Rural Development	84,144,100
Attorney General.....	66,038,500
Insurance and Financial Services	64,482,100
Legislative Auditor General	16,938,100
Civil Rights.....	16,355,300
Executive	5,916,100
TOTAL APPROPRIATIONS	\$52,297,749,700

Figure 27

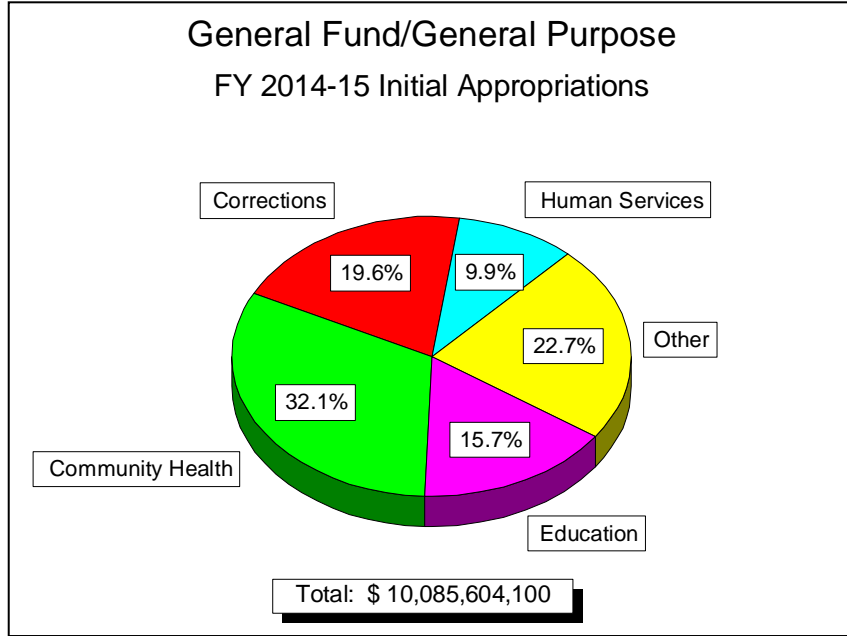


Table 8

**INITIAL GF/GP APPROPRIATIONS
FY 2014-15**

Department/Budget Area	
Community Health	\$3,239,701,400
Corrections.....	1,980,798,400
Higher Education	1,214,902,000
Human Services	995,452,600
Technology, Management, and Budget	479,098,500
State Police.....	384,171,000
Transportation.....	284,647,900
Treasury (Strategic Fund).....	244,642,500
Judiciary.....	186,527,400
Community Colleges.....	167,110,800
Treasury (Debt Service)	152,395,000
Legislature	127,420,700
Treasury (Operations)	117,018,300
School Aid.....	114,900,000
Education	82,083,000
Military and Veterans Affairs.....	49,154,500
Natural Resources	48,591,500
Agriculture and Rural Development	45,916,200
Environmental Quality	40,875,900
Licensing and Regulatory Affairs.....	40,033,800
Attorney General.....	38,267,100
State.....	17,539,000
Legislative Auditor General	14,937,300
Civil Rights	13,448,200
Executive	5,916,100
Insurance and Financial Services	55,000
Treasury (Revenue Sharing)	0
TOTAL GF/GP APPROPRIATIONS	\$10,085,604,100

Table 9

FULL-TIME EQUATED POSITIONS FY 2013-14 VERSUS FY 2014-15				
Department/Budget Area	FY 2013-14 Year-to-Date Positions	FY 2014-15 Initial Positions	Position Change	Percent Change
Agriculture and Rural Development.....	434.0	446.0	12.0	2.8%
Attorney General.....	511.0	513.5	2.5	0.5
Civil Rights	122.0	132.0	10.0	8.2
Community Health	3,585.6	3,648.1	62.5	1.7
Corrections.....	14,543.6	14,179.3	(364.3)	(2.5)
Education	587.5	600.5	13.0	2.2
Environmental Quality.....	1,281.5	1,284.5	3.0	0.2
Executive	74.2	78.2	4.0	5.4
Higher Education	0.0	0.0	0.0	0.0
Human Services.....	12,144.5	12,221.5	77.0	0.6
Insurance and Financial Services.....	337.0	337.0	0.0	0.0
Judiciary.....	487.0	488.0	1.0	0.2
Licensing and Regulatory Affairs.....	2,913.0	2,820.3	(92.7)	(3.2)
Military and Veterans Affairs.....	889.5	889.5	0.0	0.0
Natural Resources	2,135.3	2,222.3	87.0	4.1
State.....	1,562.0	1,587.0	25.0	1.6
State Police.....	2,931.0	3,070.0	139.0	4.7
Technology, Management, and Budget.....	2,812.0	2,817.0	5.0	0.2
Transportation.....	2,912.3	2,912.3	0.0	0.0
Treasury (Operations).....	1,778.5	1,863.5	85.0	4.8
Treasury (Strategic Fund).....	756.0	756.0	0.0	0.0
TOTAL POSITIONS	52,797.5	52,866.5	69.0	0.1%

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

Figure 28

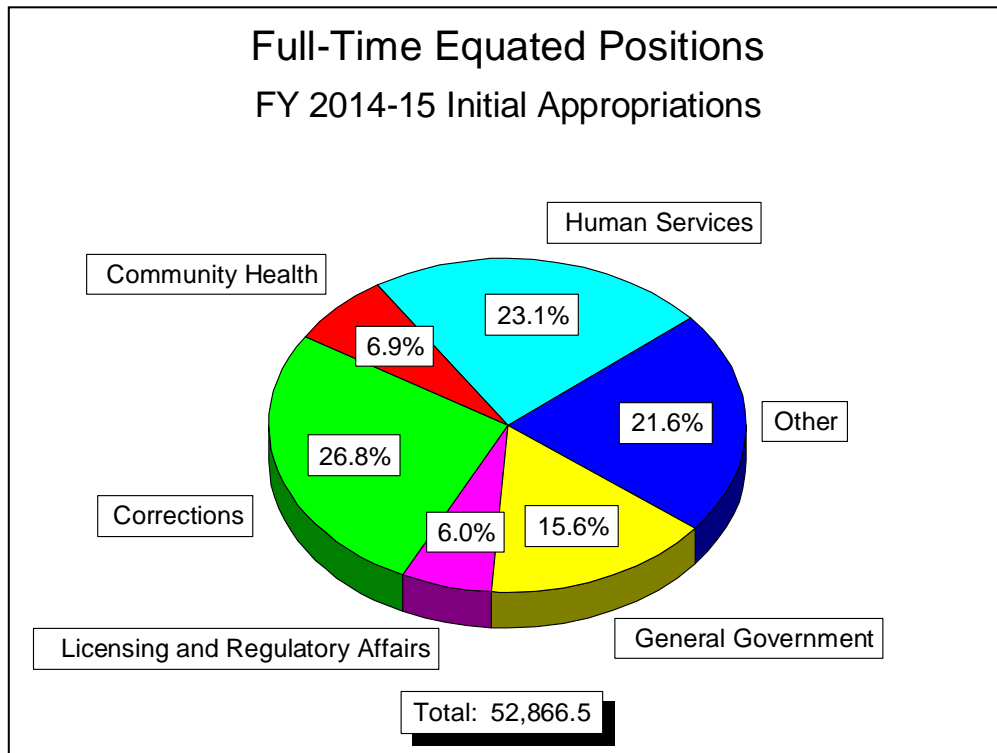
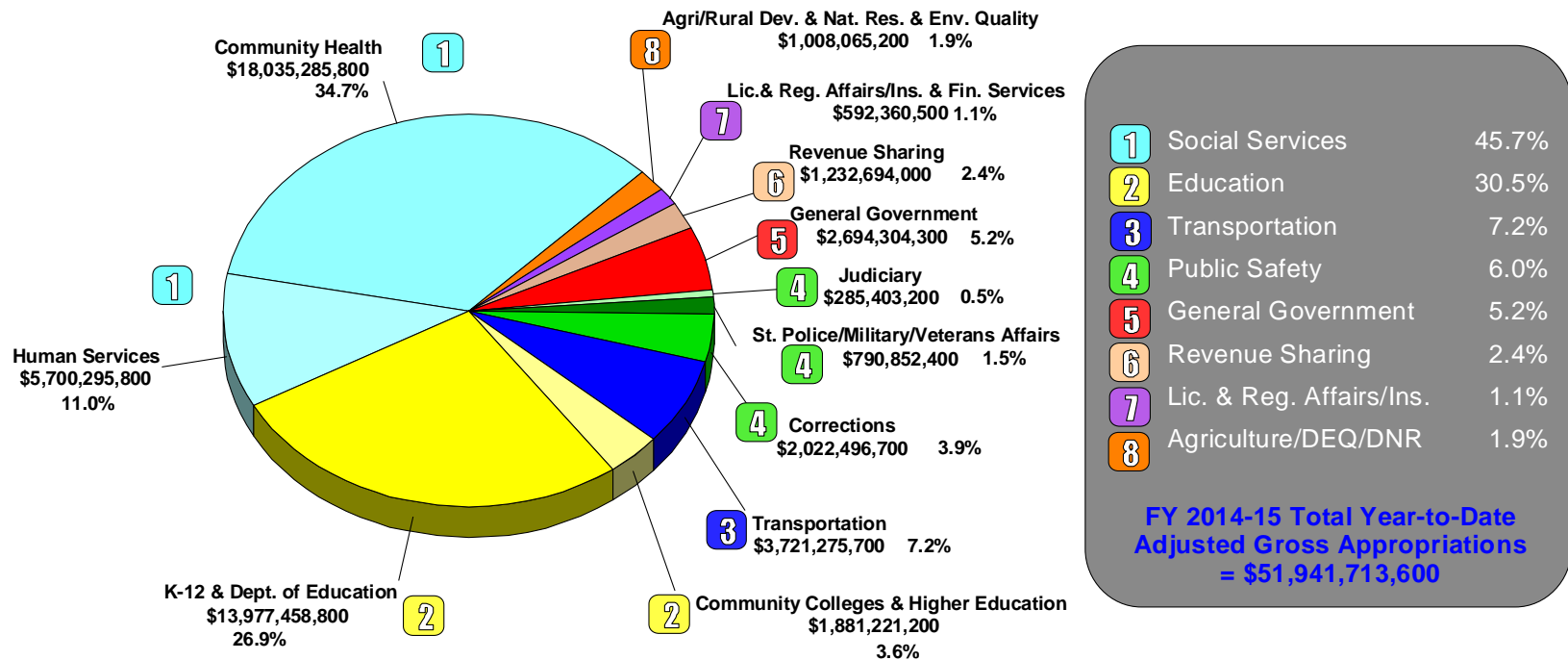


Figure 29

Where State of Michigan Tax Dollars Are Spent

Fiscal Year 2014-15 Year-to-Date Adjusted Gross Appropriations



Source: Senate Fiscal Agency - 3/20/2015

Table 10

FY 2013-14 AND FY 2014-15 GENERAL FUND/GENERAL PURPOSE (GF/GP) REVENUE, EXPENDITURES AND YEAR-END BALANCE ESTIMATES (Millions of Dollars)		
	Jan. 2015 Final CAFR FY 2013-14	FY 2014-15
Revenue		
Beginning Balance	\$1,186.6	\$306.4
<u>Ongoing Revenue:</u>		
May 2014 Consensus Revenue Estimate	\$9,319.3	\$9,826.0
January 2015 Consensus Revenue Change	<u>(300.8)</u>	<u>(324.6)</u>
January 2015 Consensus Revenue Estimate	\$9,018.5	\$9,501.4
Other Revenue Adjustments:		
Revenue Sharing Payments	(370.6)	(459.2)
Shift of Short-Term Borrowing Costs to School Aid Fund	0.0	3.0
Managed Care Use Tax (PA 161 of 2014)	<u>164.6</u>	<u>373.7</u>
Subtotal Ongoing Revenue	\$8,812.5	\$9,418.9
<u>Non-Ongoing Revenue:</u>		
One-Time Appropriation for Revenue Sharing	(26.0)	(8.8)
Bookclosing Adjustments	(44.6)	0.0
Venture Michigan Fund Adjustment	0.0	(38.1)
Total Estimated GF/GP Revenue	\$9,928.5	\$9,678.4
Expenditures:		
Initial Ongoing Appropriations	\$9,125.6	\$9,594.0
Initial One-Time Appropriations	307.9	207.0
Initial One-Time Appropriations for Transportation	121.3	284.6
One-Time Appropriation to Budget Stabilization Fund	75.0	94.0
One-Time Appropriation to Roads and Risks Reserve Fund	230.0	0.0
Enacted Supplementals	16.4	(388.5)
Boilerplate Work Project Supplementals	6.5	0.0
Executive Order 2015-5	0.0	(106.4)
Estimated Year-End Lapses	<u>(260.7)</u>	<u>(6.6)</u>
Total Estimated GF/GP Expenditures	\$9,622.1	\$9,678.1
Projected Year-End GF/GP Balance	\$306.4	\$0.3

Table 11

**FY 2013-14 AND FY 2014-15 SCHOOL AID FUND (SAF)
REVENUE, EXPENDITURES AND YEAR-END BALANCE ESTIMATES
(Millions of Dollars)**

	Jan. 2015 Final CAFR FY 2013-14	FY 2014-15
Revenue		
Beginning Balance	\$292.0	\$455.1
<u>Ongoing Revenue:</u>		
May 2014 Consensus Revenue Estimate	\$11,496.3	\$11,853.3
January 2015 Consensus Revenue Change	<u>24.2</u>	<u>35.8</u>
January 2015 Consensus Revenue Estimate	\$11,520.5	\$11,889.1
Other Revenue Adjustments:		
General Fund/General Purpose Grant	95.0	114.9
Federal Ongoing Aid	1,571.6	1,808.2
MPERS/Education Reserve Fund	156.0	18.0
Reduce GF for Extra K-12 MPERS Payment (PA 5 of 2015)	0.0	(80.0)
Eliminate GF for Online Nutrition/Health Program (PA 5 of 2015)	0.0	(1.2)
Managed Care Use Tax (PA 161 of 2014)	<u>85.9</u>	<u>186.8</u>
Subtotal Ongoing Revenue	\$13,429.0	\$13,935.8
<u>Non-Ongoing Revenue:</u>		
General Fund/General Purpose Grant	54.9	0.0
Federal Race to the Top Challenge Grant	51.7	0.0
Bookclosing Adjustments	59.9	0.0
Venture Michigan Fund Adjustment	0.0	(11.9)
Total Estimated School Aid Fund Revenue	\$13,887.5	\$14,379.0
Expenditures:		
Initial Ongoing Appropriations	\$13,168.8	\$13,494.1
January 2014/2015 Consensus Cost Adjustments	(109.3)	(96.0)
January 2015 Bookclosing Cost Adjustments	20.7	0.0
Federal Revenue Reduction	(192.9)	0.0
Partially Fund Community Colleges with School Aid Fund	197.6	197.6
Partially Fund Higher Education with School Aid Fund	<u>200.5</u>	<u>200.5</u>
Subtotal Ongoing Appropriations	\$13,285.4	\$13,796.2
Initial One-Time Appropriations	193.0	376.2
University MPERS Funding	0.0	4.0
Enacted Supplementals	69.8	81.7
SBO Request 2015-5: Education Resource Study (Transportation)	<u>0.0</u>	<u>1.0</u>
Subtotal One-Time Appropriations	\$262.8	\$462.9
Estimated Year-End Lapses	(115.8)	0.0
Total Estimated School Aid Fund Expenditures	\$13,432.4	\$14,259.1
Projected Year-End School Aid Fund Balance	\$455.1	\$119.9

Figure 30

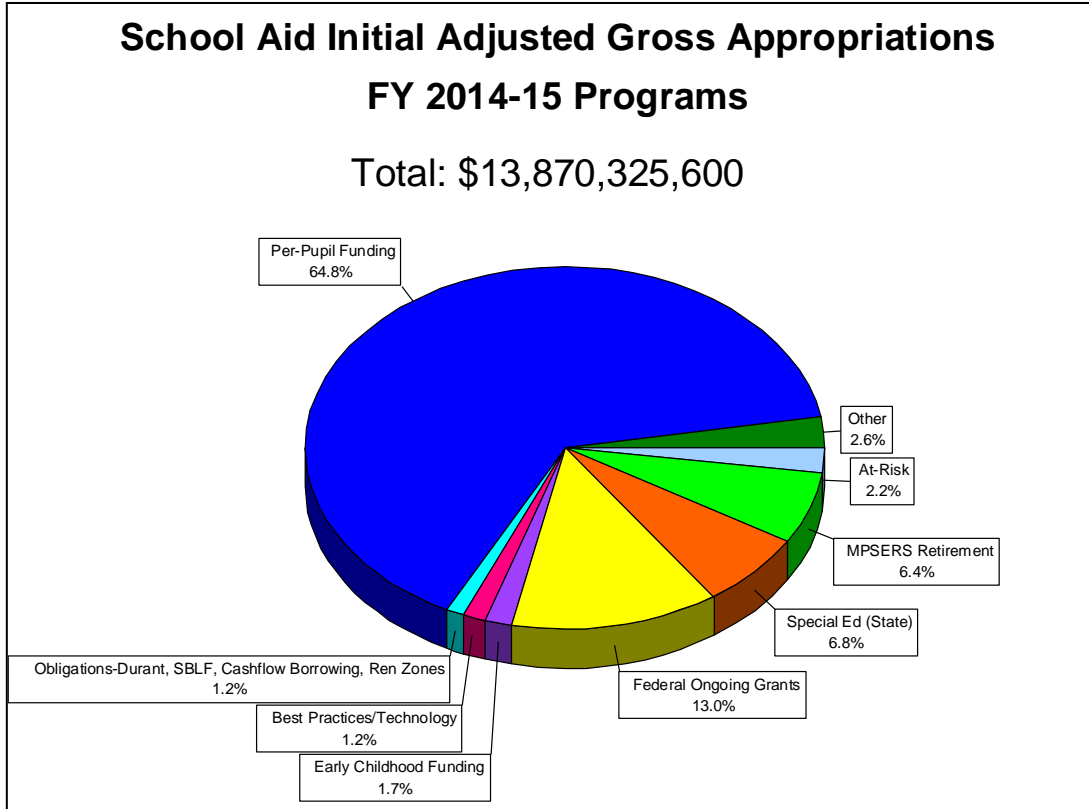


Table 12

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	\$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%	\$6,207,100,000	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%	\$6,210,100,000	60.3%	\$654,900,000	62.0%	\$12,256,000	95.1%	n/a	n/a

Notes: FY 2011-12 Total Accrued Unfunded Liability for pensions equals \$31,122,350,000. Negative numbers in the unfunded liability column represent surplus assets in a retirement system.

Table 13

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	\$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%	n/a	n/a

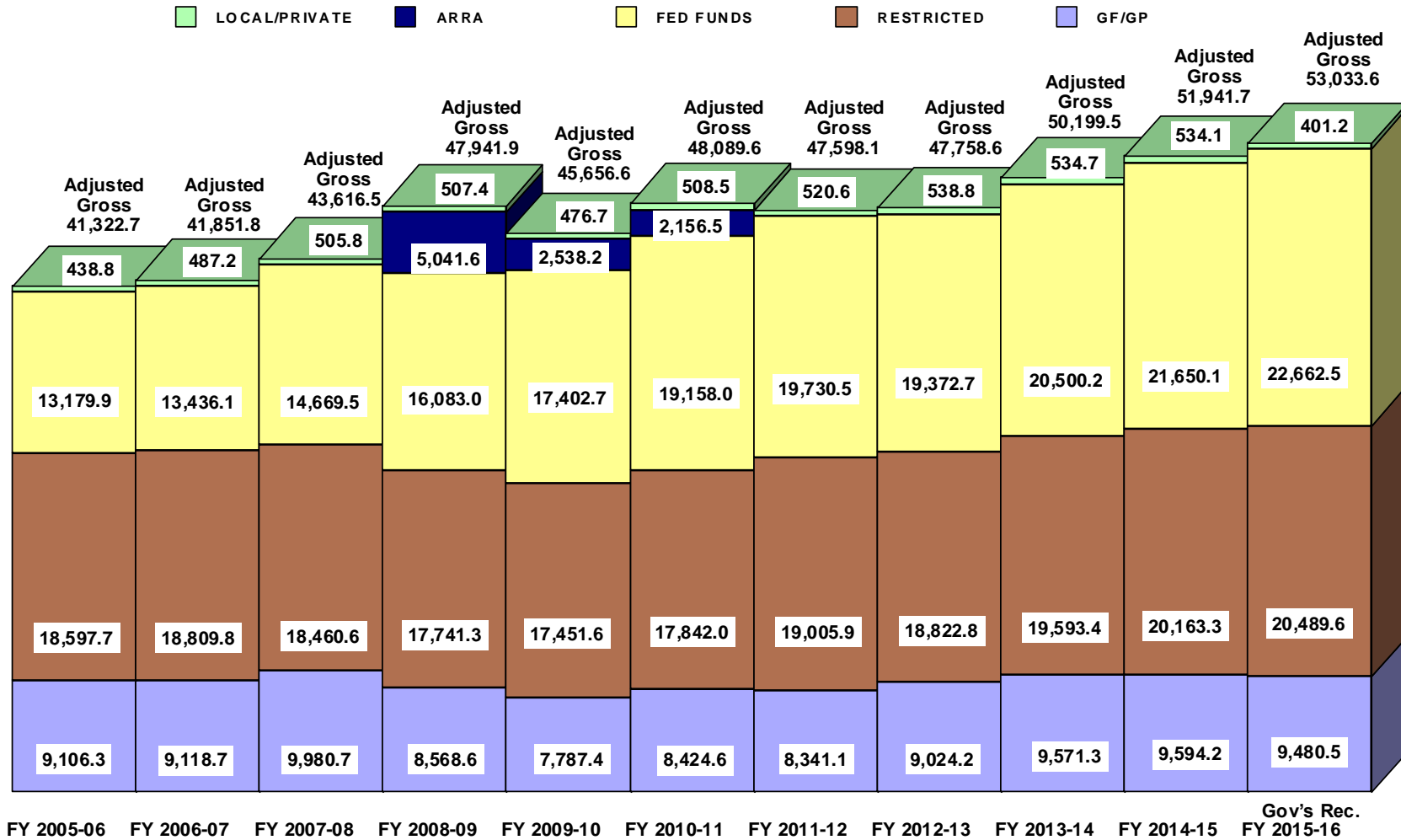
Notes: FY 2011-12 Total Accrued Unfunded Liability for retiree health care equals \$31,327,646,700. The State Employees Retirement System began prefunding retiree health care in FY 2011-12 and the MPSERS and State Police began prefunding in FY 2012-13.

¹⁾ Michigan Public School Employees Retirement System.

Recent State Appropriation History

Figure 31

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. Does not include GF/GP BSF appropriations of \$362.7 million, \$140 million, \$75 million, \$94 million, and \$95 million for FYs 2011-12, 2012-13, 2013-14, 2014-15, and 2015-16 respectively, or \$230 million in FY 2013-14 for Roads and Risks Reserve Fund. Senate Fiscal Agency, March 20, 2015

Table 14

ADJUSTED GROSS APPROPRIATION HISTORY			
(Millions of Dollars)			
Fiscal Year	Appropriations	Dollar Change	Percent Change
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	47,758.6	160.6	0.3
2013-14	50,199.5	2,440.9	5.1
2014-15	51,941.7	1,742.2	3.5
2015-16 (Gov's Rec.)	53,033.6	1,091.9	2.1
Change FY 2005-06 to FY 2015-16		\$11,710.9	28.3%
Detroit CPI 10-Year Percent Change			15.7%
Note: Does not include Budget Stabilization Fund appropriations of \$362.7 million, \$140.0 million, \$75.0 million, \$94.0 million, and \$95.0 million for FYs 2011-12, 2012-13, 2013-14, 2014-15, and 2015-16, respectively; includes \$147.1 million FY 2013-14 appropriation and \$60.9 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
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	27,847.1	500.2	1.8
2013-14	29,164.7	1,317.6	4.7
2014-15	29,757.5	592.8	2.0
2015-16 (Gov's Rec.)	29,970.0	212.5	0.7
Change FY 2005-06 to FY 2015-16		2,266.0	8.2%
Detroit CPI 10-Year Percent Change			15.7%
Note: Does not include Budget Stabilization Fund appropriations of \$362.7 million, \$140.0 million, \$75.0 million, \$94.0 million, and \$95.0 million for FYs 2011-12, 2012-13, 2013-14, 2014-15, and FY 2015-16, respectively; includes \$147.1 million FY 2013-14 appropriation and \$60.9 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
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	9,571.3	547.1	6.1
2014-15	9,594.2	22.9	0.2
2015-16 (Gov's Rec.)	9,480.5	(113.8)	(1.2)
Change FY 2005-06 to FY 2015-16		\$374.2	4.1%
Detroit CPI 10-Year Percent Change			15.7%
Note: Does not include Budget Stabilization Fund appropriations of \$362.7 million, \$140.0 million, \$75.0 million, \$94.0 million, and \$95.0 million for FYs 2011-12, 2012-13, 2013-14, 2014-15, and 2015-16, respectively; does not include \$230.0 million FY 2013-14 appropriation for the Roads and Risks Reserve Fund.			

Table 17

SCHOOL AID APPROPRIATION HISTORY (Millions of Dollars)			
Fiscal Year	State-Funded Appropriations	Dollar Change	Percent Change
1999-2000	\$10,075.8	\$528.6	5.5%
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	11,308.1	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	11,506.1	295.1	2.6
2014-15	11,878.8	372.7	3.2
2015-16 (Gov's Rec.)	12,183.2	304.4	2.6
Change FY 2005-06 to FY 2015-16		\$875.1	7.7%
Detroit CPI 10-Year Percent Change			15.7%

Table 18

PUPIL MEMBERSHIP HISTORY FY 1994-95 to FY 2016-17				
Blend Calculation	Fiscal Year	Local Districts	Charter Schools	Total
50/50	1994-95	1,593,306	0	1,593,306
50/50	1995-96	1,610,130	4,790	1,614,920
50/50	1996-97	1,634,074	11,520	1,645,594
60/40	1997-98	1,651,011	19,202	1,670,213
60/40	1998-99	1,656,186	31,109	1,687,295
75/25	1999-2000	1,651,300	45,290	1,696,590
80/20	2000-01	1,649,085	55,072	1,704,157
80/20	2001-02	1,647,459	62,113	1,709,572
80/20	2002-03	1,647,531	67,336	1,714,867
80/20	2003-04	1,640,929	73,473	1,714,402
75/25	2004-05	1,626,289	81,491	1,707,780
75/25	2005-06	1,607,880	89,654	1,697,534
75/25	2006-07	1,584,435	96,627	1,681,062
75/25	2007-08	1,553,568	98,987	1,652,555
75/25	2008-09	1,517,714	102,030	1,619,744
75/25	2009-10	1,487,297	108,425	1,595,722
75/25	2010-11	1,457,160	112,276	1,569,436
90/10	2011-12	1,432,200	119,900	1,552,100
90/10	2012-13	1,405,599	130,390	1,535,989
90/10 CY	2013-14	1,374,800	147,828	1,522,628
90/10 CY	2014-15 Est.	1,356,700	151,300	1,508,000
90/10 CY	2015-16 Est.	1,336,000	159,000	1,495,000
90/10	2016-17 Est.	1,317,000	164,000	1,481,000

Table 19

K-12 SCHOOLS MINIMUM FOUNDATION ALLOWANCE				
Fiscal Year	Enacted Per Pupil	After Reductions	Percent Change	
2000-01	\$6,000	\$6,000	N/A	
2001-02	6,500	6,500	8.3%	
2002-03	6,700	6,626	1.9	
2003-04	6,700	6,626	0.0	
2004-05	6,700	6,700	1.1	
2005-06	6,875	6,875	2.6	
2006-07	7,108	7,085	3.4	
2007-08	7,204	7,204	1.4	
2008-09	7,316	7,316	1.6	
2009-10	7,316	7,151	(2.3)	
2010-11	7,316	7,146	0.0	
2011-12	6,846	6,846	(4.2)	
2012-13	6,966	6,966	1.8	
2013-14	7,076	7,076	1.6	
2014-15 ^{a)}	7,251	7,251	2.5	
2015-16 (Gov's Rec.)	7,326	7,326	1.0	
10-Year Change	451	451		
10-Year % Change	6.6%	6.6%		
10-Year Detroit CPI % Change	15.7%	15.7%		

^{a)} Includes \$125 equity payment.

Table 20

FEDERAL FUNDS APPROPRIATED IN MICHIGAN BUDGET (Millions of Dollars)			
Fiscal Year	Federal Funds	Adjusted Gross Appropriations	Federal as Percent of Total Adjusted Gross
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	19,372.7	47,758.6	40.56
2013-14	20,500.2	50,199.5	40.84
2014-15	21,650.1	51,941.7	41.68
2015-16 (Gov's Rec.)	22,662.5	53,033.6	42.73
Change FY 2005-06 to FY 2015-16			
	71.9%	28.3%	

Table 21

APPROPRIATED FULL-TIME EQUATED CLASSIFIED POSITIONS (FTEs) IN MICHIGAN STATE BUDGET			
Fiscal Year	FTEs	Change	Percent Change
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	57,028.3	(788.8)	(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	52,852.5	55.0	0.1
2015-16 (Gov's Rec.)	52,723.9	(128.6)	(0.2)
Change FY 2005-06 to FY 2015-16		(3,712.5)	(6.6)
Note: Includes exempt positions in Judiciary.			

Table 22

STATE SPENDING FROM STATE RESOURCES APPROPRIATIONS TOTAL COMPARED IN SELECTED BUDGET AREAS (Millions of Dollars)				
Department/Budget Area	FY 2004-05 Year-to-Date Appropriation	FY 2014-15 Year-to-Date Appropriation	Dollar Change	Percent Change
Community Health.....	\$4,129.5	\$5,224.4	\$1,094.9	26.5%
Corrections.....	1,756.0	2,008.9	252.9	14.4
Human Services.....	1,146.7	1,098.8	(47.9)	(4.2)
K-12 School Aid.....	11,113.5	11,878.8	765.3	6.9
Community Colleges.....	294.3	364.7	70.5	23.9
Higher Education.....	1,718.5	1,419.5	(299.0)	(17.4)
Revenue Sharing-Constitutional.....	668.7	764.7	96.0	14.3
Revenue Sharing-Nonconstitutional.....	444.2	468.0	23.8	5.4
All Other Programs.....	5,013.9	6,529.8	1,515.9	30.2
Total State Spending.....	\$26,285.3	\$29,757.5	\$3,472.3	13.2%
Addendum:				
Medicaid Caseload.....	1,437,983	1,740,000	302,017	21.0
Prison Population.....	51,503	44,997	(6,506)	(12.6)
K-12 Pupil Count.....	1,707,780	1,508,000	(199,780)	(11.7)
University Students.....	250,030	262,537	12,507	5.0
Community College Students.....	131,150	143,829	12,679	9.7
Michigan Personal Income (millions).....	\$329,729.2	\$415,690.0	\$85,960.8	26.1%
Detroit Consumer Price Index.....	189.0	223.5	34.5	18.2
Notes:				
Medicaid caseload: Number for FY 2014-15 includes the estimated 570,000 individuals who are eligible under the expansion of Medicaid.				
Prison Population: These are "average populations" numbers and do not represent the exact count on any particular date, but demonstrate how many beds are associated with the appropriation; the numbers are taken from the annual appropriation bills.				
K-12 Pupils: FY 2014-15 pupil count is from the January 2015 CREC.				
Community College and University Students: Numbers in FY 2014-15 column reflect the most recent data available, which are FY 2013-14 fiscal-year-equated-students as reported in the Activities Classification Structure (ACS) and the Higher Education Institutional Data Inventory (HEIDI).				
Michigan Personal Income and Detroit CPI: Numbers are fiscal year averages; FY 2014-15 numbers are January 2015 CREC estimates.				

Table 23

STATE SPENDING: HOW MUCH IS DISCRETIONARY? (Actual Dollars)	
FY 2014-15 Adjusted Gross Appropriation.....	\$51,941,713,600
<u>Constitutional/Statutory Earmarking Requirements:</u>	
School Aid Fund.....	(\$12,449,990,200)
Transportation.....	(2,154,985,200)
Regulatory Restricted Revenue.....	(1,404,588,900)
Revenue Sharing.....	(764,654,000)
Federal Funding Requirement.....	(21,650,103,500)
Local and Private Revenue.....	(534,063,900)
Debt Service Payments.....	(389,165,600)
Caseload/Inmate Driven.....	(8,332,049,000)
Balance for Discretionary Spending.....	\$4,262,113,300