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January 1999

One of the challenges to our term-limited Legislature is understanding Michigan's governmental finances. This quest is particularly important for freshman members who also need to learn about Michigan's legislative process, public policy issues, and state governmental organization. Michigan government's size and complexity is illustrated by its $31.8 billion budget, by its variety of tax and revenue sources, by its 18 state departments, and by its employment of 61,000 residents to run the vast state governmental infrastructure.

Fiscal Fundamentals 1999 is designed to explain the key elements of Michigan's governmental financing. The focus is on those significant financial aspects of state government which are seldom fully explained and rarely covered in a single text.

I want to thank the following House Fiscal Agency staff who compiled the information for ***Fiscal Fundamentals 1999***: Associate Directors Hank Prince and Al Valenzio; Senior Economist Mitch Bean; Economist Steve Marasco; Senior Fiscal Analysts Mary Ann Cleary and Kirk Lindquist; and Fiscal Analysts Kathryn Summers-Coty, Craig Thiel, and Bill Hamilton. Jeanne Dee, Administrative Assistant, prepared the report for publication.

We hope this report will be helpful as you face the challenge of understanding the complexities of Michigan's state governmental finance. If you have any questions regarding this report, please do not hesitate to contact us.

James J. Haag, Director

TABLE OF CONTENTS

LIST OF TABLES

LIST OF CHARTS

State Aid to School Districts

Mary Ann Cleary, Fiscal Analyst
Kathryn Summers-Coty, Fiscal Analyst

Article IX, Section 11, of the *Constitution of the State of Michigan of 1963* establishes the School Aid Fund (SAF) exclusively to apportion monies to school districts, higher education, and school employees retirement, as provided by law.

In practice, the SAF has been used primarily for support of elementary/secondary education. Thus, the monies in the SAF are distributed to the 600 local and intermediate school districts. There are nearly 1.7 million public grade school and high school students in Michigan.

The *Constitution* dedicates 60% of the 4% sales tax and 100% of the additional 2% sales and use tax to the SAF. Also, the personal income tax, the state education tax, and the cigarette and non-cigarette tobacco taxes provide additional state revenues to the SAF as detailed below.

Earmarked Tax Revenues

- Sales Tax (60% of original 4% and 100% of additional 2%)
- Personal Income Tax (23% of gross proceeds in FY 1998-99)
- State Education Property Tax (100%)
- Use Tax (100% of additional 2%)
- Cigarette Tax (63.4%)
- Non-cigarette Tobacco Products Tax (94%)
- Liquor Excise Tax (100% of 4%)
- Real Estate Transfer Tax (100%)
- Industrial and Commercial Facility Tax (school district share)
- Commercial Facilities (school district share)

Nontax Revenues

- Lottery (100% of net fund income from lottery operations after dealers' commissions, payouts, administrative expenses, and game-related expenses)

The *State Tax Sources* section of this report provides detailed information on these and other state revenues.

Table 1 shows that SAF tax revenues increased from $7 billion in FY 1994-95 to $8.6 billion in FY 1997-98, and will increase to $9.0 billion in FY 1998-99. Sales, state education, and personal income taxes will comprise over 80% of the SAF total in FY 1998-99.

Table 1

DEDICATED SCHOOL AID FUND REVENUES*
(Millions of Dollars)

Revenue Source	FY 1994-95	FY 1995-96	FY 1996-97	FY 1997-98	FY 1998-99
Sales	$3,564.6	$3,778.9	$3,934.2	$4,114.4	$4,234.3
State Education	1,064.5	1,110.6	1,156.1	1,214.0	1,270.0
Personal Income	882.5	918.2	1,582.9	1,645.2	1,788.3
Lottery	547.8	546.6	587.7	603.0	618.0
Cigarette	387.6	360.3	338.6	327.8	314.5
Use	318.9	341.6	362.0	380.0	385.0
Real Estate Transfer	91.1	161.2	192.8	194.0	205.0
Industrial and Commercial Facilities	108.1	121.4	117.5	117.5	118.5
Liquor Excise	21.9	22.6	22.4	23.0	23.0
Tobacco Products	9.6	11.1	11.1	11.3	11.3
Other Taxes**	5.8	19.0	19.3	17.2	13.9
TOTAL	**$7,002.4**	**$7,391.5**	**$8,324.6**	**$8,647.4**	**$8,981.8**

* Does not include BSF transfer or GF/GP transfer.
** Private Forest Tax, Technological Facilities Tax, Commercial Housing Facilities Tax, Neighborhood Enterprise Zone Tax, Mobile Home Tax, Iron Ore Specific Tax.

Source: Consensus Revenue Estimating Conference, May 1998.

Michigan Foundation Grant for School Districts

With the passage of school finance reform legislation in December 1993, Michigan changed to a foundation grant approach to pay for K-12 education. The foundation grant affords each district a minimum combined state/local revenue amount per pupil:

$4,200 in FY 1994-95,
$4,506 in FY 1995-96,
$4,816 in FY 1996-97,
$5,124 in FY1997-98, and
$5,170 in FY1998-99.

To qualify for the full amount of the guaranteed base revenue per pupil, a district must levy 18 mills (or the amount levied in

FY 1993-94, whichever is less) on non-homestead property value (i.e., commercial, industrial, and nonresidential property). In FY 1998-99, the state will make up the difference between locally-raised millage and the district's foundation allowance, up to a maximum of $6,962 per pupil foundation allowance. Revenue above $6,962 is derived solely from "hold harmless" local property tax.

Each district's foundation allowance is an annually-adjusted revenue amount per pupil, based upon 1993-94 school district base revenue funding from state and local sources. The normal adjustment to the district foundation allowance is a sliding scale, allowing districts with relatively low foundation allowances to obtain annual increases at a rate greater than those with high foundation allowances.

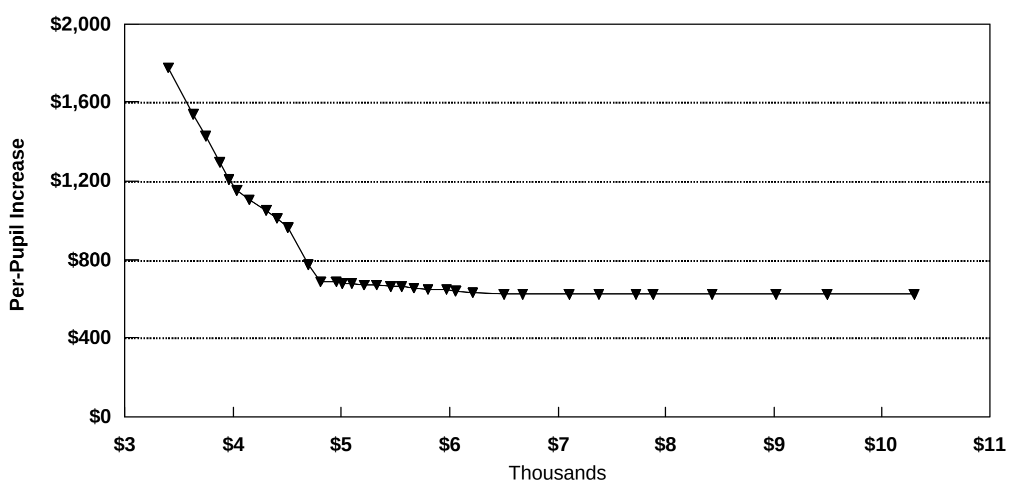
This graduated adjustment of the districts' foundation allowance occurs between the district with the lowest foundation allowance and the $5,462 statewide foundation grant level for FY 1998-99; districts above this statewide reference point usually receive a flat increase in their foundation allowances.

In FY 1998-99, however, as part of the state's response to the outcomes in the *Durant* case, no increases were built in to the foundation allowances. Instead, districts were compensated via two other methods: 1) districts paid 3% less into the Public School Employees Retirement System; and 2) districts received between $51 and $102 per pupil, as one-time grants.

Chart 1 illustrates the relationship between foundation allowances and per-pupil increases. Note that districts with FY 1993-94 base revenue at the $3,500-per-pupil level have received increases of over $1,600 per pupil during the five-year period shown. Districts having FY 1993-94 base revenues of $5,000 and above have received flat rate increases averaging $622 per pupil over the five-year period.

Chart 1

FOUNDATION ALLOWANCES
Five-Year Increase: FY 1993-94 to FY 1998-99



FY 1993-94 Base Revenue in Thousands Per Pupil

Table 2 compares the per-pupil revenue impact of Michigan's school finance reform on the lowest-, median-, and highest-revenue districts in the FY 1993-94 base year. It shows that the district with the lowest per-pupil revenue in the FY 1993-94 base year increased its per-pupil foundation allowance by $1,772, or 52.1%, during the five ensuing years. Conversely, the district with the highest revenue per pupil in the base year increased its per-pupil foundation allowance by $622, or 6.0%, by FY 1998-99. The highest-revenue district received flat dollar increases each year, while the lowest-revenue district received substantially higher school aid apportionments, amounting to the difference between the district's locally-raised millage and its foundation allowance.

How has Michigan's school finance reform affected the financing of K-12 education?

The state's proportion of school district funding now averages 80% of combined state/local revenue to school districts. In comparison, prior to school finance reform, in FY 1993-94 the state paid for about 45% of the combined state/local revenue to school districts.

Table 2

FIVE-YEAR, PER-PUPIL FOUNDATION ALLOWANCE INCREASES

K-12 Districts	FY 1993-94	FY 1998-99	Change ($)	Change (%)
Lowest-Revenue District	$3,398	$5,170	$1,772	52.1%
Median-Revenue District	$4,669	$5,462	$793	17.0%
Highest-Revenue District	$10,294	$10,916	$622	6.0%

Financing Transportation

William Hamilton, Fiscal Analyst

Public Act 51 of 1951 governs the distribution of Michigan's transportation funds for both road and bridge and public transportation programs. Major transportation programs include road construction and maintenance, public bus transportation, rail passenger and freight, public transit services for welfare recipients, senior citizens, and persons with disabilities, and statewide transportation planning. The $2.8 billion transportation budget is funded from dedicated transportation revenues such as fuel taxes, vehicle registration taxes, and a portion of automotive-related sales tax — as well as with federal funds.

The Michigan Transportation Fund (MTF) is the main collection point for state transportation revenue. Public Act 51 allocates MTF resources by formula to specific transportation purposes. The state's $0.19 per gallon gasoline excise tax is the source of approximately 50% of MTF revenue. The transportation funding package passed by the Legislature in July 1997 increased the gasoline tax from $0.15 per gallon and dedicated the $0.04 per gallon increase to state and local road and bridge programs. The $0.15 per gallon balance of the gasoline tax, diesel fuel taxes, and vehicle registration fees, are deposited to the MTF and then distributed by formula to other state transportation funds (described below) and to county, city, and village road agencies.

After deductions for administrative expense, debt service, and other statutory distributions, Public Act 51 allocates 10% of the net MTF balance to the Comprehensive Transportation Fund (CTF - described below). The remaining MTF balance is then allocated as follows: 39.1% to the State Transportation Fund (STF), 39.1% to county road commissions, and 21.8% to cities and villages. The MTF funding of county road commissions and cities and villages is for local road construction and maintenance. The STF finances the administration and implementation of the Michigan Department of Transportation's (MDOT) state trunkline construction and maintenance programs.

Funding for the Comprehensive Transportation Fund (CTF) is comprised of 10% of the net MTF balance as noted above, as well as a 4.65% share of automobile-related sales taxes. The CTF is used to finance local bus and transit systems and other state public transportation programs.

In addition to state revenue, federal grants support 80% of most state highway construction projects and also fund a portion of local road construction, public transit bus purchases, non-urban bus system operations, and rail improvements.

The Michigan Aeronautics Code governs aviation activities within the state. Aviation fuel taxes and aircraft registration fees are deposited in the State Aeronautics Fund (SAF) and provide funding for state aeronautics administration, airport design engineering, and aviation services and safety.

Chart 2 presents the major sources of transportation revenues for FY1998-99. **Table 3** indicates the major allocations and distributions of transportation funds.

Separately, the FY 1998-99 Capital Outlay appropriations bill (Senate Bill 906) includes federal airport construction grants ($65.5 million), state matching funds ($4 million Aeronautics Fund and $5 million GF/GP) and local construction match ($23.1 million) for specific airport construction projects. Aviation capital outlay is not included in **Chart 2** or **Table 3**. **Table 3** shows a breakdown by major program group of MDOT's FY 1998-99 appropriation. Administrative costs for highway and public transportation programs (including grants to other departments) amount to 7.6% of total transportation appropriations. Debt service costs, primarily for bonded highway construction, comprise 3.1% of the total. State road and bridge construction outlays account for 33.5% of transportation expenditures, while state trunkline maintenance costs represent 7.7% of the total.

Significant levels of transportation funding are allocated to local jurisdictions and authorities. County road commissions receive 20.1% and cities and villages receive 11.2% of total transportation funding respectively through formula distribution from MTF revenues. In addition, a portion of federal road and bridge construction grants, amounting to 6.5% of the overall transportation budget, is appropriated for local road projects. Local public transit authorities receive 5.9% of transportation funds for bus operating assistance. Also, most Transportation Economic Development (TED) funds are spent for local road projects that contribute to economic expansion. TED appropriations account for 1.6% of all transportation funding.

Transportation Revenues **Chart 2**

FY 1998-99 Estimated

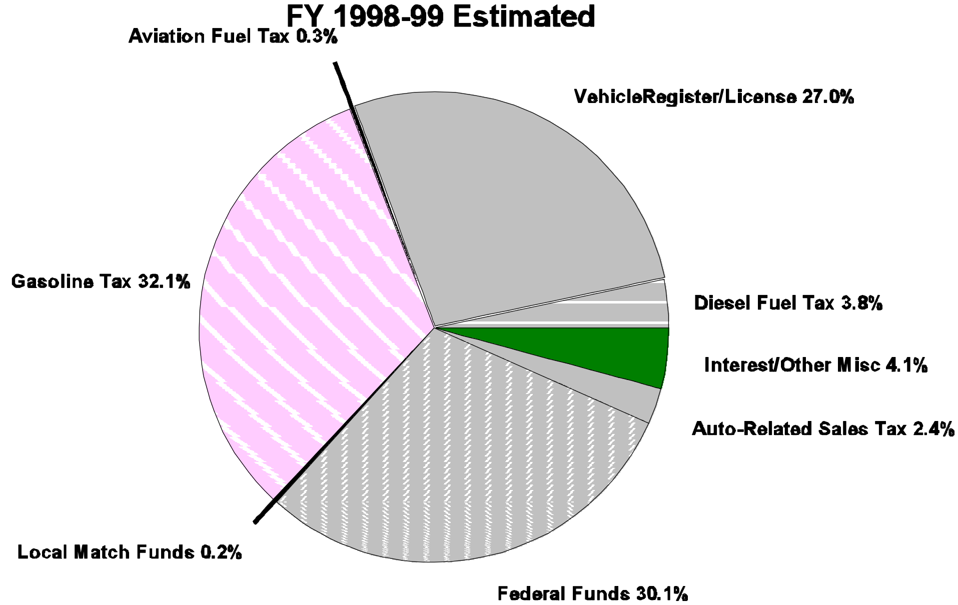


Table 3

TRANSPORTATION EXPENDITURES

Transportation Category	*FY 1998-99 Funding*	*% of Budget*	*Statutory/Funding Provisions*
ADMINISTRATIVE/DEBT SERVICE			
Administrative/Staff Costs[1]	$140,349,900	5.1%	Annual appropriations
Grants to other State Departments [2]	$68,002,200	2.5%	Annual appropriations
Debt Service	$86,463,800	3.1%	Annual appropriations
ROAD AND BRIDGE CONSTRUCTION/MAINTENANCE			
Road and Bridge Construction[3]	$926,942,700	33.5%	STF[4] and federal highway grants
Federal Aid for Local Road and Bridge Construction	$180,000,000	6.5%	Federal highway grants appropriated for local federal-aid eligible projects
Highway Maintenance	$213,216,000	7.7%	Appropriated from STF for maintenance of state trunkline highways
Transportation Economic Development	$45,307,600	1.6%	Allocation from MTF and drivers license fees. Additional federal funds to be allocated from funds in Road and Bridge Construction.
County Road Commissions	$555,275,600	20.1%	39.1% of net MTF revenues plus Local Program grant funds
Cities and Villages	$309,592,900	11.2%	21.8% of net MTF revenues plus Local Program grant funds
PUBLIC TRANSPORTATION PROGRAMS			
Public Bus Operating Assistance	$161,596,200	5.9%	Appropriated from CTF[5] and federal non-urban system grants
Intercity Passenger and Freight	$26,719,100	1.0%	10% of CTF and federal railroad grants
Public Transportation Development	$40,922,400	1.5%	Appropriated from CTF and Federal Transit Act grants
Aeronautics	$9,048,500	0.3%	Aeronautics Code, aviation fuel taxes and aircraft registration fees
Adjusted Gross Appropriation	**$2,763,436,900**	**100.0%**	

[1] Administrative Costs include: a) MDOT's executive, administrative, financial services, and planning divisions, b) highway engineering and maintenance operations and program services staff, and c) public transportation staff.

[2] Appropriations from the transportation funds are provided to the Departments of Attorney General, Civil Service, Environmental Quality, Management and Budget, Natural Resources, State, State Police, and Treasury, and to the Legislative Auditor General for collection, enforcement, legal, and administrative services provided to programs financed through the funds.

[3] This category includes funding for construction and renovation of state highways, critical bridges, and railroad grade crossings.

[4] The State Trunkline Fund (STF) is derived from a 39.1% share of net MTF revenues. This share provides the primary funding for MDOT administration; highway maintenance; and highway construction funds, typically funded with 20% State funds and 80% federal funds.

[5] The Comprehensive Transportation Fund (CTF) is primarily derived from a 10% share of net MTF revenues, plus a portion of sales tax revenues from the sale of automotive-related goods (automobiles, auto parts and accessories, gasoline and diesel

fuels). The CTF is dedicated for public transportation purposes.

Revenue Sharing

Stephen Marasco, Economist

Michigan's revenue sharing program originated in the 1930s as an effort to reimburse local units of government for lost revenues due to changes in state tax policy. Restrictions on local tax bases and tax rate caps included in the 1932 *Constitution* led local units of government to push for further state support, culminating in a constitutional amendment dedicating one-half cent of each dollar in sales tax revenue to local units on a population basis.

Today's revenue sharing program extends significantly beyond the original provisions. In FY 1998-99, nearly $1.4 billion will be distributed to cities, townships, villages, and counties to be used at the discretion of the unit of local government. The distribution of these funds was the subject of much debate in the Legislature; the resulting legislation (1996 PA 342 and 1998 PA 532) made significant changes to the revenue sharing program. **Table 4** summarizes the revenue sharing program prior to these changes.

Table 4

REVENUE SHARING PRIOR TO PUBLIC ACT 1996 PA 342

Statutory Basis	Dedication of Funds	Distribution of Funds
State Constitution	15% of gross sales tax collections at 4% rate to cities, villages, and townships (CVTs)	Per capita
Income Tax Act 1967 PA 281	7.3% of gross collections 35% to counties; 65% to CVTs	Per capita to counties; relative tax effort to CVTs
State Revenue Sharing Act 1971 PA 140	N/A	Establishes relative tax effort (RTE) formula*
Single Business Tax Act 1975 PA 228	13% of gross collections	Distribution for inventory reimbursement based on 1975 SEV of inventories and local millage rates to counties and CVTs; remaining funds distributed by relative tax effort to CVTs
Intangibles Tax Act 1939 PA 301	$9.5 million to CVTs	Per capita

** The relative tax effort formula is actually a weighted population distribution. Tax effort for each local unit is computed from local operating millage revenues, and revenues from income taxes and local utility taxes, where applicable. Total revenues from these sources are converted into a millage rate, then the ratio of this rate to the computed state average is multiplied by* *the local unit's population to arrive at a distribution factor for revenue sharing payments.*

Public Acts:
1996 PA 342 and 1998 PA 532

The 1996 PA 342 was designed to be a transition from the previous distribution method to a new distribution method which was eventually enacted in 1998 PA 532. The tax revenue sources of funds for revenue sharing were consolidated by 1996 PA 342, a provision retained in 1998 PA 532. Rather than payments based on income, sales, and single business tax revenues, all payments are now based on collections from the sales tax.

The following changes to the statutory revenue sharing structure were made by 1998 PA 532:

Counties: The share that counties receive of total statutory revenue sharing funding increases from 24.5% to 25.06%. In addition, the inventory replacement distribution to counties is frozen at the FY 1997-98 level. The remaining portion of the counties' share of the total available funding will be distributed on a per capita basis.

Detroit: Total annual revenue sharing payments (statutory and constitutional) to the City of Detroit are frozen at $333.9 million through June 30, 2007. For fiscal years in which sales tax collections decrease from the previous fiscal year, the City of Detroit's statutory payments will be reduced by the same percent as the constitutional payments decline.

All Other Cities, Villages, and Townships (CVTs): The share of statutory monies earmarked for all CVTs, including Detroit, decreases from 75.5% to 74.94% of total statutory revenue sharing funding. The inventory reimbursement component is eliminated. After the statutory payment to the City of Detroit, the remaining portion of the total statutory amount would be distributed to all other cities, villages, and townships by a formula based on three new components: (a) taxable property value per capita, (b) unit type and population, and (c) yield equalization. These three components adjust the population of each city, village, and township and then distribute the statutory payments based on these adjusted populations.

Implementation: The 1998 PA 532 installed a pure phase in for statutory distributions to all CVTs (with the exception of Detroit) beginning in FY 1998-99 and continuing until June 30, 2007 (at which point the formula sunsets).

In addition to the phase in, there is an 8% aggregate cap on the total (constitutional plus statutory) revenue sharing payment increase that a unit can realize from one year to the next. This cap will not apply to those local units whose population increases by more than 10% as a result of the year 2000 federal decennial census.

Hold Harmless: Also contained in 1998 PA 532 is a one-year hold harmless provision which prevents any unit from receiving a smaller total revenue sharing payment in FY 1998-99 than in FY 1997-98.

Finally, the Revenue Sharing Act previously allowed local units to receive special census payments if a special census finds their population has increased by at least 15% from the prior decennial census. The new plan lowers this growth threshold to 10%.

Constitutional Versus Statutory Revenue Sharing

The constitutional dedication of 15% of sales tax collections to local units of government represents about 40% of total revenue sharing payments to local units of government. These payments are made to cities, villages, and townships on a per capita basis, and were unaffected by the passage of 1996 PA 342 or 1998 PA 532.

The statutory portion of revenue sharing payments represents the remaining 60% of total revenue sharing, and includes payments to counties as well as cities, villages, and townships. This category of payments includes the former income tax distributions, single business tax distributions, and single business tax inventory reimbursement, now collectively paid from the dedication of sales tax collections as established in 1996 PA 342.

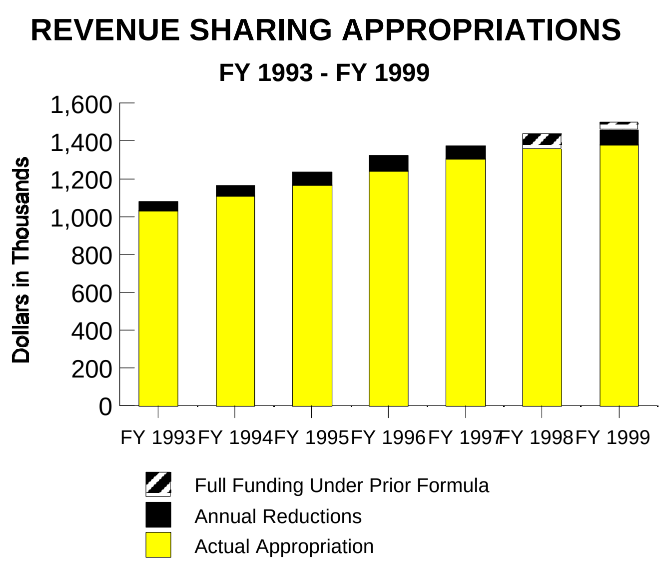
Statutory Revenue Sharing Reductions

The dedication of 21.3% of sales tax revenues to fund statutory revenue sharing payments was opposed by some because it made permanent a series of controversial annual reductions in revenue sharing appropriations from the levels established in the revenue sharing statutes prior to 1996. This practice began as a one-year lag in revenue sharing growth during a recessionary period in the early 1990s, but was continued through FY 1996-97. The 21.3% statutory provision from the sales tax was calculated based on the FY 1996-97 appropriation with the annual reduction. Thus, 1996 PA 342 incorporated these reductions into the new formula, and 1998 PA 532 retained these dedication amounts.

The FY 1998-99 appropriation for revenue sharing — enacted prior to 1998 PA 532 — is $1,380.7 million. This represents a further reduction of approximately $35.0 million from the full statutory provision under 1996 PA 342.

Despite the reductions, state revenue sharing payments have increased at an annual rate of 5.6% over the six-year period of FY 1993-94 through FY 1998-99. The amounts of these annual reductions are included in the six-year history of revenue sharing payments shown in **Chart 3**.

Chart 3



Funding Postsecondary Education

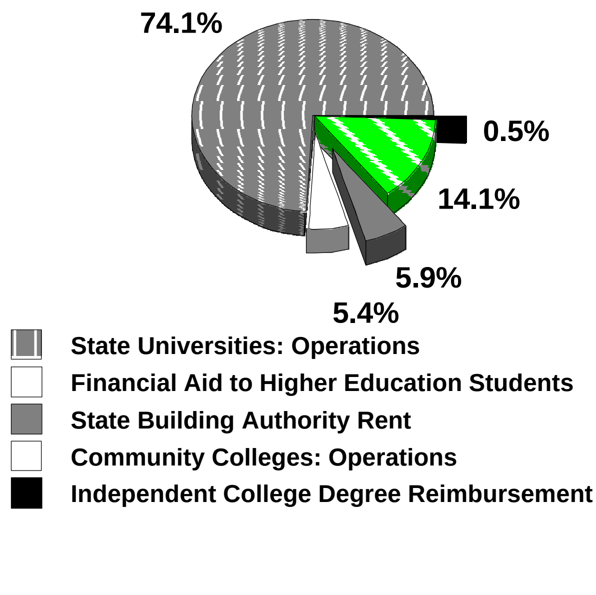
Hank Prince, Associate Director

In 1996, almost 550,000 people attended public and private colleges and universities in Michigan. To place this in perspective, there are approximately 1.7 million people of what is generally considered college-attending age (19 to 30 years old) residing in the state. In some fashion, the State of Michigan helped finance the college education of each of those students, either directly through need-based student financial aid or through support of the institutions they attended.

For FY 1998-99, the State of Michigan has appropriated nearly $2.0 billion in state funding support of postsecondary education. This is directed to community colleges, to public universities, to independent colleges and universities, for need-based student financial aid, and for State Building Authority rent for state-funded college and university buildings.

Chart 4

POSTSECONDARY EDUCATION FUNDING SHARES



Postsecondary education is funded through two separate appropriation bills: the Community Colleges bill supports the 28 public community colleges in the state, while the Higher Education bill supports the 15 state universities, the independent colleges and universities, and student financial aid. Rent payments to the State Building Authority for state-funded buildings is appropriated in the Capital Outlay bill.

In addition, the state provides financial support for postsecondary education through the tax code, which offers an income tax credit to students attending any college or university that keeps the rate of increase in tuition below the rate of inflation for any given year. In calendar 1996, the second year in which this credit was made available, $12.2 million in state revenues were foregone to offset the cost of tuition for approximately 115,000 resident students attending four public universities, 21 public community colleges, and two independent colleges qualifying for the tuition tax credit. For calendar 1998, the Michigan Department of Treasury estimates the amount of this tax credit to reach $35 million.

Community Colleges

Funding for the state's 28 public community colleges is determined in part by the Gast-Mathieu Fairness-in-Funding formula. First used in FY 1984-85, the formula continues to be applied when the total increase available for community colleges exceeds the projected rate of inflation. An across-the-board increase is typical when the total increase in funding for community colleges is less than the projected rate of inflation. Beginning in FY 1996-97, and continued in FY 1997-98, an explicit policy of setting the minimum increase for each individual college equal to the rate of inflation was adopted by the Legislature in agreement with the colleges. Any funds remaining after the initial across-the-board allocation would then be distributed according to the Gast-Mathieu formula calculation.

The formula calculation is based on need, as reflected by enrollment, physical plant, and local resources. The greatest weight is given to the enrollment factors — in particular, instructional contact hours. Net need is determined by taking deductions for tuition, property tax collections, and other revenue generated at the local level. Since its inception, the resources to fully fund the formula net need have not been available, and so actual appropriations are determined by distributing available resources in proportion to each institution's formula net need.

The Community Colleges budget also contains a separate appropriation for grants to each college in support of academically at-risk students. The at-risk grants provide a minimum of $40,000 to each school, with additional funds distributed in proportion to the hours of developmental and preparatory instruction offered at each institution. The grants are used for equipment and services in support of students who do not perform satisfactorily on placement exams, are diagnosed as learning disabled, or require English-as-a-second-language assistance.

Table 5 summarizes appropriations for community colleges for the current and last four fiscal years. Fiscal years 1994-95 and 1995-96 include supplemental appropriations not appearing in the enacted budget bills; FY 1996-97 is the first year that total funding does not include any state appropriation for Highland Park Community College; FY 1997-98 included an appropriation for Renaissance Zone tax reimbursement funding ($288,500). FY 1998-99 allocated about one-half of the funding increase across the board and one-half through the Gast-Mathieu formula. It also doubled the amount of funds provided for Renaissance Zone reimbursement.

Table 5

COMMUNITY COLLEGES BUDGET SUMMARY
FY 1994-95 - FY 1998-99

Fiscal Year	Public Act Number	Year-to-Date Appropriations	% Change from Prior Year
1994-95	285 of 1994	$251,647,914	2.7%
1995-96	128 of 1995	$253,009,787	0.5%
1996-97	293 of 1996	$262,186,716	3.6%
1997-98	85 of 1997	$274,977,600	4.9%
1998-99	295 of 1998	$282,000,000	2.6%

State Universities

Funding for the 15 state universities is provided in the Higher Education appropriation act. While 90% of the funding is for the support of the state university system, funding is also provided for need-based student financial aid, support of the state's independent colleges and universities, and programs to promote campus diversity.

Unlike community college funding, there is no recognized funding formula for the public universities. This budget is sometimes called a "negotiated budget," where competing interests in the legislative and executive branches and the state universities negotiate an amount for the budget. As a negotiated budget, the Legislature consistently has considered several factors in arriving at funding amounts for each university. These include the effects of general price inflation, changes in enrollment, differing institutional role and mission, per-student funding rates, and university tuition policies. For FY 1998-99, the Legislature continued the concept of a per-student funding floor of state support. The funding floor adopted for FY 1998-99 is $4,296 per fiscal year equated student (FYES). While only a 0.14 % increase from the FY 1997-98 funding floor of $4,290 per student, this change resulted in an allocation of $2.4 million because of increased student enrollment at the four campuses affected by the funding floor.

Table 6 summarizes appropriations for the Higher Education Act for the current and last four fiscal years.

Table 6

HIGHER EDUCATION BUDGET SUMMARY
FY 1994-95 - FY 1998-99

Fiscal Year	Public Act Number	Year-to-Date Appropriations	% Change from Prior Year
1994-95	312 of 1994	$1,364,176,935	3.0%
1995-96	154 of 1995	$1,429,037,100	4.8%
1996-97	295 of 1996	$1,499,937,200	5.0%
1997-98	84 of 1997	$1,561,531,791	4.1%
1998-99	271 of 1998	$1,604,100,000	2.7%

State Spending to Local Governments

James J. Haag, Director

Article IX, Section 30 of the Michigan Constitution mandates that state payments to all units of local government not fall below the proportion in effect in FY 1978-79. State spending from state sources is "the sum of state operating fund expenditures, not including transfers for financing between funds, federal aid, and restricted local and private sources of financing."[1] State funding is, in effect, all revenues raised from state tax and non-tax revenues.

Units of local government are political subdivisions of the state. They include: school districts, community college districts and intermediate school districts, cities, villages, townships, counties and authorities.[2]

The minimum proportion of state revenues that must be returned to local governments is 48.97%, computed pursuant to statute.[3]

Table 7 shows that state spending from state sources paid to local governments has increased from 59% of total state source revenues in FYs 1994-95 and 1995-96 to nearly 62% in FY 1997-98. This largely is attributed to increasing amounts of funding going to school districts as a result of educational financing reform in 1994.

In FY 1998-99, Michigan's Legislature will return $13.9 billion to localities out of an estimated $22.6 billion in state source tax and non-tax revenues. Most of this — $9.5 billion — will be apportioned to school districts through the state school aid formula. Another $1.4 billion will go to cities, townships, counties, and villages as revenue sharing. The remaining $2.8 billion in FY 1997-98 appropriations will be distributed to local governments through program expenditures, formulas, and grants-in-aid.

Michigan awards grants to local governments for specific purposes authorized by statute. The Legislature annually appropriates grants-in-aid within the various appropriations acts. For a listing and description of 180 grants-in-aid, see the House Fiscal Agency's **Directory of State-Administered Grants**, September 1998.

Table 8 details FY 1997-98 state spending from state sources by department or major budget area. Almost 95% of state spending is distributed as school aid, revenue sharing, transportation, community health, and family independence programs.

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[1] M.C.L., Section 18.1305(1).

[2] M.C.L., Section 18.1115(6).

[3] M.C.L., Section 18.1497 and DMB, "Statement of the Proportion of Total State Spending from State Sources Paid to Units of Local Government," June 29,1998.

Table 7

STATE SPENDING FROM STATE SOURCES (SPSS) PAID TO LOCAL GOVERNMENTS (Thousands)			
Fiscal Year	**Total SPSS**	**Paid to Local Government Units**	**Percent Paid to Local Government Units**
1994-95	19,525,399	11,431,457	58.5%
1995-96	20,011,897	11,855,398	59.2%
1996-97	20,339,562	12,397,206	60.8%
1997-98	22,320,338	13,517,894	60.6%
1998-99	22,645,506	13,915,344	61.4%
Percent Increase 94-95 to 98-99	16.0%	21.7%	

Sources: FY(s) 1994-95,1995-96,1996-97: DMB "Statement of the Proportion of Total State Spending from State Sources Paid to Units of Local Government - Legal Basis"; FY 1997-98 through FY 1998-99: Appropriations Acts

Table 8

STATE SPENDING FROM STATE SOURCES (SPSS) PAID TO LOCAL GOVERNMENTS
FY 1998-99 YEAR-TO-DATE (Actual Dollars)

DEPARTMENT/ MAJOR BUDGET AREA	Spending from State Sources	State Spending to Local Government Units	Percent of SPSS	Percent of Total State Spending to Local Government Base
Community Colleges	282,000,000	282,000,000	100.0%	2.03%
Education	57,809,500	27,492,600	47.6%	0.20%
Higher Education	1,600,500,000	4,667,700	0.3%	0.03%
School Aid	9,495,075,400	9,489,329,400	99.9%	68.19%
EDUCATION	**$11,435,384,900**	**$9,803,489,700**	**85.7%**	**70.45%**
Attorney General	37,194,700	0	0.0%	0.00%
Civil Rights	12,504,800	0	0.0%	0.00%
Civil Service	23,453,700	0	0.0%	0.00%
Executive Office	5,100,400	0	0.0%	0.00%
Legislative Auditor General	12,277,200	0	0.0%	0.00%
Legislature	92,437,000	0	0.0%	0.00%
Library of Michigan	33,064,300	21,392,200	64.7%	0.15%
Management and Budget	81,933,700	0	0.0%	0.00%
State	121,709,200	69,800	0.1%	0.00%
Treasury: Operations	221,229,900	76,281,500	34.5%	0.55%
Treasury: Debt/Revenue Sharing	1,479,617,500	1,386,200,000		9.96%
GENERAL GOVERNMENT	**$2,120,522,400**	**$1,483,943,500**	**70.0%**	**10.66%**
Community Health	2,838,321,000	1,066,782,700	37.6%	7.67%
Corrections	1,415,105,800	75,029,100	5.3%	0.54%
Family Independence Agency	1,134,832,500	136,418,400	12.0%	0.98%
HUMAN SERVICES	**$5,388,259,300**	**$1,278,230,200**	**23.7%**	**9.19%**
Consumer & Industry Services	258,034,800	33,773,700	13.1%	0.24%
Michigan Jobs Commission	113,428,900	58,645,300	51.7%	0.42%
REGULATORY	**$371,463,700**	**$92,419,000**	**24.9%**	**0.66%**
Agriculture	72,481,800	1,713,100	2.4%	0.01%
Environmental Quality	265,016,600	8,969,000	3.4%	0.06%
Natural Resources	199,951,700	23,590,800	11.8%	0.17%
RESOURCE PROTECTION	**$537,450,100**	**$34,272,900**	**6.4%**	**0.25%**
Military Affairs	57,872,000	60,000	0.1%	0.00%
State Police	299,701,900	18,124,800	6.0%	0.13%
SAFETY AND DEFENSE	**$357,573,900**	**$18,184,800**	**5.1%**	**0.13%**
Capital Outlay	301,210,000	17,311,300	5.7%	0.12%
Judiciary	207,402,400	112,044,200	54.0%	0.81%
Transportation	1,926,319,100	1,075,448,700	55.8%	7.73%
ALL OTHER	**$2,434,931,500**	**$1,204,804,200**	**49.5%**	**8.66%**
TOTALS	**$22,645,585,800**	**$13,915,344,300**	**61.45%**	**100.00%**

Budget Stabilization Fund

Mitchell E. Bean, Senior Economist

Michigan is one of 45 states which has established a budget stabilization fund to save money when state finances are healthy for use when the state's economy takes a downturn.

Michigan's Counter-Cyclical Budget and Economic Stabilization Fund, more commonly referred to as the Budget Stabilization Fund (BSF), was established in 1977. Its statutory purpose is to stabilize state revenue and employment during periods of economic recession or high unemployment. MCL 18.1352 through 18.1356 define the conditions (i.e., economic growth) requiring deposit into the fund, and the triggers (i.e., high unemployment, lack of economic growth) for BSF withdrawals.

To illustrate, when adjusted[4] state personal income grows more than 2% over the prior year, the percentage excess over 2% is multiplied by General Fund/General Purpose (GF/GP) revenues to determine the statutory BSF deposit. On the other hand, when adjusted personal income growth falls below 0%, the percentage below 0% is multiplied by GF/GP revenues to determine the required BSF transfer to the General Fund. However, only the amount of BSF monies to achieve GF/GP balance is withdrawn from the BSF.

[4] Adjusted for inflation and governmental transfer payments (e.g., social security payments to individuals).

The Legislature also may appropriate BSF monies when the quarterly state employment rate exceeds 8%. Statute provides criteria for these quarterly withdrawals; appropriations may be made only for the following economic stabilization purposes:

- Capital outlay,
- Public works and public service jobs,
- Refundable investment or employment tax credits against state business taxes for new outlays and hiring in this state, and
- Any other purpose the legislature may provide, by law, which provides employment opportunities counter to the state's economic cycle.

Table 9 details the deposits, withdrawals, interest earnings and year-end balances over the BSF's 21 years. The act was amended each year from 1993 to 1996 to require that year-end GF/GP balances be deposited into the BSF. Over $1.09 billion was deposited in the BSF during those four years. Because this proviso was not included for FY 1996-97, year end GF/GP balances were carried over to FY 1997-98.

During the BSF's life, withdrawals have occurred as a result of the triggers (1980, 1981, 1991, and 1992) as well as for specific authorizations made by the Legislature (prison construction, 1986-1989;

school aid, 1990; Nordhouse Dunes settlement, 1995; state and local roads, 1997; and Durant school aid settlement, 1998).

As part of the Durant agreement, there will be future withdrawals from the BSF. In FY 1998-99, $73.7 million will be withdrawn from the BSF and deposited in the School Aid Fund (SAF) for cash and debt service needs. For FY 1999-00, and for each of the subsequent nine years, $32 million will be withdrawn annually from the BSF and deposited in the SAF for cash payments to non-plaintiff school districts in each of those years. Also, as part of the Durant agreement, GF/GP year-end balances for FY 1997-98 and subsequent years will be transferred to the BSF.

Over the last several years the BSF has been a resource for interfund borrowing. While the BSF has had a balance of well over $1 billion, virtually the entire amount has been borrowed during most of the year to meet the state's cash needs (e.g., to pay school aid, revenue sharing, higher education and community college funding, as well to offset normal variations in revenue flow).

Recognizing the substantial commitment of BSF resources needed to meet state cash flow needs, as well as the ongoing interest expense to the GF/GP[5] as part of the Durant agreement, the Legislature extended both the school aid payments cycle and the higher education payments cycle. The payment schedule will increase school aid payments from nine to ten months in FY 1997-98, and will increase school aid and higher education payments to 11 monthly payments in FY 1998-99 and thereafter. This will alleviate a significant part of the cash flow deficit and will save about $50 million in interest payments in FY 1998-99 and thereafter.

[5] Under P.A. 55, Laws of 1967, the GF/GP pays interest to funds for cash borrowed to meet the state's cash flow needs.

Table 9

BUDGET STABILIZATION FUND
HISTORY OF DEPOSITS, WITHDRAWALS, AND BALANCES
(Dollars in Millions)

Fiscal Year	Deposits	Withdrawals		Interest Earnings	Year-End Balance
1978	$108.7	$0.0		$6.2	$114.9
1979	$104.1	$0.0		$22.1	$241.1
1980	$0.0	$263.7	*(1)*	$32.1	$9.5
1981	$0.0	$16.3	*(2)*	$9.2	$2.4
1982	$0.0	$0.0		$0.6	$3.0
1983	$0.0	$0.0		$0.2	$3.2
1984	$0.0	$0.0		$0.2	$3.4
1985	$340.9	$34.2	*(3)*	$30.8	$341.0
1986	$30.6	$14.7	*(4)*	$28.2	$385.1
1987	$0.0	$24.7	*(4)*	$24.1	$384.5
1988	$0.0	$20.4	*(4)*	$29.2	$393.2
1989	$0.0	$11.9	*(4)*	$38.0	$419.2
1990	$0.0	$69.9	*(5)*	$35.8	$385.1
1991	$0.0	$230.0	*(6)*	$27.1	$182.2
1992	$0.0	$170.1	*(7)*	$8.1	$20.1
1993	$282.6	$0.0		$0.8	$303.4
1994	$460.2	$0.0		$11.9	$775.5
1995	$260.1	$90.4	*(8)*	$57.7	$1,003.0
1996	$91.3	$0.0		$59.3	$1,153.6
1997	$0.0	$69.0	*(9)*	$67.8	$1,152.4
1998	$48.6	$212.0	*(10)*	$65.0	$1,054.0
1999	$0.0	$73.7	*(10)*	$63.2	$1,043.5

1) 1979 PA 111; transfer $59.1 million to General Fund
2) 1981 PA 30; withdrawal via trigger
3) HB 5327 of 1984 (p 51); appropriation for prison construction
4) 1986 PA 205; permits withdrawals under economic stabilization formula for prison construction
5) 1989 PA 181; permits withdrawals to cover additional school aid formula requirements resulting from local school millage increases
6) 1991 PA 114 and PA 72; withdrawal via trigger
7) 1992 PA 66; withdrawal via trigger
8) 1995 PA 195; withdrawal for Nordhouse Dunes settlement
9) 1997 PA 110; supplemental appropriation for CTF
10) 1997 PA 144; transfer to SAF for Durant decision

Long-Term Debt Obligations

Al Valenzio, Associate Director

There are two types of long-term (i.e., more than one year) debt options available to state government. The first is general obligation debt and the second is revenue dedicated bonds. Article IX, Section 15 of the *Michigan Constitution* authorizes general obligation debt subject to approval by both the Legislature and a majority of the voters at a general election. This debt is secured by the "full faith and credit" of the state (also referred to as the state's taxing power). Examples of this debt are: Water Pollution Control Bonds and Recreation and Environmental Protection Bonds. As shown on **Table 10**, the state's outstanding general obligation debt is $677.3 million as of September 30, 1997.

A second type of long-term indebtedness is revenue dedicated bonds. These bonds are not secured by the state's general taxation power, but by specific dedicated revenue sources. The Legislature enacts laws to set maximum amounts which can be borrowed, the purpose(s) for which the funds can be used, and the repayment revenue source. Examples of this debt are: State Building Authority (SBA) Bonds, Transportation Bonds, and Michigan Underground Storage Tank Financial Assurance (MUSTFA) Bonds. As shown on **Table 10**, outstanding debt, as of September 30, 1997, for revenue dedicated debt is $2.7 billion.

The proceeds of State Building Authority Bonds are used to construct new buildings or renovate existing buildings for state agencies, public universities, and community colleges. These facilities are conveyed to the SBA when completed. The state is then obligated to pay the SBA a "true market rent," and the SBA, in turn, uses these funds to retire the specific bond issue. Currently, the SBA bond cap ceiling is statutorily authorized at $2.7 billion.

Transportation-related bonding is used to finance state road and bridge construction projects. Debt service payments are provided from both the State Trunkline and Comprehensive Transportation funds. State law does not provide a specific bond cap ceiling, but, rather, a total debt service ceiling. The maximum annual debt service payment from either fund is limited to an amount no greater than 50% of the total fuel tax and vehicle revenues deposited into the respective funds in the preceding fiscal year. Based upon FY 1997-98 fuel and vehicle tax deposits, therefore, the combined debt service payment in FY 1998-99 could not exceed $394 million. The estimated payment for FY 1998-99 is $86 million, well below the maximum authorization.

The MUSTFA Fund is financed by revenue dedicated bonds. A special tax on wholesale petroleum products is the funding source to cover debt service payments. There is no statutory maximum bonding level; however, an annual maximum amount is provided for by an appropriations bill as funds will permit.

Table 10 shows that the state's outstanding long-term debt obligations equate to a per capita amount of **$366.86**. Of this figure, general obligation debt accounts for only **$72.83**, or about 20% of the total. Michigan debt ratios rank very favorably, nationally. For example, the 1996-97 edition of The Book of the States, published by the Council of State Governments (CSG), ranks Michigan 27th in total per capita debt at $1,211. This is more than one-third below the 50-state average of $1,855. The CSG compiles all debt, including nonguaranteed bonds. (An example of a nonguaranteed bond issue is the Michigan State Housing Development Authority.)

Table 10

GENERAL OBLIGATION AND REVENUE DEDICATED BONDS
Gross Amounts Outstanding as of 9/30/97 and by Per Capita
(In millions, except per capita)

	Amounts Issued	Amounts Outstanding	Per Capita
General Obligation Bonds			
Water Pollution Control	$200.0	$9.0	$0.97
Recreation/Environmental Protection	587.7	493.9	53.11
School Loans	180.0	174.4	18.75
Subtotal	$967.7	$677.3	$72.83
Revenue Dedicated Bonds			
State Building Authority	$1,882.7	$1,616.7	$173.84
State Trunkline Fund	784.5	680.9	73.22
Comprehensive Transportation Fund	350.6	230.9	24.83
MUSTFA	216.6	206.0	22.15
Subtotal	$3,234.4	$2,734.5	$294.03
GRAND TOTAL	**$4,202.1**	**$3,411.8**	**$366.86**

Source: State Comprehensive Annual Financial Report, 1997
NOTE: Due to rounding, totals may not add.

State Appropriations History

James J. Haag, Director

This overview summarizes Michigan state government appropriations over the last five years. It shows the amounts spent, the purposes for spending, and the extent that spending has increased or decreased from FY 1994-95 through FY 1998-99.

Table 11 portrays the overall changes in adjusted gross appropriations by department and major budget area. Adjusted gross appropriations include all state, federal, private, local, and other state restricted funds which are available for state spending. The "adjustment" eliminates the effects of double-counting intradepartmental transfers and interdepartmental grants.

Adjusted gross appropriations increased from $27.4 billion in FY 1994-95 to $31.8 billion in FY 1998-99 — a growth of $4.5 billion, or 16.4%, over the five-year period. School Aid increased by $1.56 billion (19.4%), Human Services Programs by $1.1 billion (10.5%), and Transportation grew by $940 million (51.6%).

The table also illustrates the conversion of Department of Social Services to the new Family Independence Agency in FY 1995-96, the shift of the Departments of Mental Health and Public Health and the Medical Services functions to the new Department of Community Health in FY 1996-97, the rearrangement of functions of the former Departments of Commerce and Labor within the new Michigan Jobs Commission and the Department of Consumer and Industry Services in FY 1996-97, and the establishment of the new Department of Environmental Quality along with the reorganization of the Department of Natural Resources in FY 1995-96.

Table 12 focuses on those state monies which are generally considered to be under the most scrutiny and control of the Legislature — the General Fund/General Purpose (GF/GP) and School Aid Fund appropriations. GF/GP monies are appropriated from general tax revenues, i.e., those revenues which are not restricted in their use by statute or Constitution. The proceeds from various tax sources are dedicated to the School Aid Fund and may only be spent for school purposes. (Note that the following section, *State Tax Sources*, discusses how particular taxes are distributed to the General Fund or to restricted funds.)

Excluding restricted funds for School Aid, total GF/GP appropriations increased from $8.2 billion in FY 1994-95 to $8.8 billion in FY 1998-99 — a growth of $653 million, or 8.0%, over the five year period. Substantial GF/GP dollar increases occurred in Higher Education and Community Colleges ($252.7 million), Corrections ($190.9 million), Capital Outlay ($90.7 million), and State ($46.7 million) — together comprising 89% of the net GF/GP growth over the five years.

Table 11

ADJUSTED GROSS APPROPRIATIONS
FISCAL YEARS 1994-95 through 1998-99

(Dollars in Thousands)

	YearToDate FY 1994-95	YearToDate FY 1995-96	YearToDate FY 1996-97	YearToDate FY 1997-98	YearToDate FY 1998-99	Change: FY 98-99 fr 94-95 Dollar Amount	%
Community Colleges	251,648	253,010	262,187	274,978	282,000	30,352	12.1%
Education	769,646	808,615	800,307	834,457	868,724	99,078	12.9%
Higher Education	1,382,982	1,429,037	1,499,937	1,561,532	1,604,100	221,118	16.0%
School Aid/PSER	8,052,349	8,314,396	8,631,275	9,403,340	9,615,075	1,562,726	19.4%
EDUCATION	**$10,456,625**	**$10,805,058**	**$11,193,706**	**$12,074,307**	**$12,369,900**	**$1,913,275**	**18.3%**
Attorney General	39,130	45,432	42,708	41,835	44,506	5,376	13.7%
Civil Rights	14,157	14,033	14,614	13,555	14,105	(52)	-0.4%
Civil Service	24,735	29,877	24,803	32,531	25,282	547	2.2%
Executive	4,449	4,965	4,986	4,932	5,100	652	14.6%
Legislative Auditor General	11,192	12,016	11,477	11,532	12,277	1,086	9.7%
Legislature	85,913	92,770	93,374	91,022	92,837	6,925	8.1%
Library	33,809	33,953	34,788	35,644	37,249	3,440	10.2%
Management and Budget	145,219	185,444	212,365	90,380	82,524	(62,694)	-43.2%
State	73,202	172,890	77,853	118,837	123,553	50,351	68.8%
Treasury (Operations)	199,018	280,464	255,899	268,224	262,718	63,700	32.0%
Treasury (Debt/RevenueSharing)	1,207,885	1,283,501	1,379,985	1,437,643	1,480,318	272,433	22.6%
GENERAL GOVERNMENT	**$1,838,708**	**$2,155,344**	**$2,152,850**	**$2,146,133**	**$2,180,469**	**$341,761**	**18.6%**
2 Community Health			6,831,943	7,296,926	7,413,826		
Corrections	1,214,431	1,308,462	1,344,277	1,383,393	1,435,336	220,905	18.2%
Mental Health	1,458,789	1,534,900					
5 Public Health	635,482	664,354					
1 FamilyIndependenceAgency/SocServ	7,341,517	7,300,086	3,053,227	3,070,972	2,914,938	(4,426,579)	-60.3%
HUMAN SERVICES	**$10,650,220**	**$10,807,802**	**$11,229,447**	**$11,751,290**	**$11,764,100**	**$1,113,880**	**10.5%**
Commerce	399,095	303,646					
3 Consumer and Industry Services			407,240	445,037	462,889		
Labor	213,955	248,082					
Mich Jobs Commission/License&Reg	352,077	529,585	622,695	561,345	563,886	211,809	60.2%
REGULATORY	**$965,126**	**$1,081,312**	**$1,029,934**	**$1,006,383**	**$1,026,775**	**$61,649**	**6.4%**
Agriculture	62,131	67,896	70,220	78,909	78,306	16,175	26.0%
4 Environmental Quality		482,698	464,549	396,845	393,667		
Natural Resources	609,158	210,786	213,927	212,045	220,953	(388,205)	-63.7%
RESOURCE PROTECTION	**$671,289**	**$761,380**	**748,697**	**$687,800**	**$692,926**	**$21,637**	**3.2%**
Military Affairs	82,682	85,873	89,644	85,062	86,611	3,929	4.8%
State Police	316,926	343,739	351,450	329,134	333,195	16,269	5.1%
SAFETY AND DEFENSE	**$399,607**	**$429,611**	**$441,093**	**$414,196**	**$419,806**	**$20,198**	**5.1%**
Capital Outlay	329,407	295,222	368,398	473,725	399,998	70,591	21.4%
Judiciary	220,214	227,926	195,868	208,973	211,861	(8,353)	-3.8%
Transportation	1,823,443	1,872,577	2,186,853	2,629,196	2,763,437	939,994	51.6%
OTHER	**$2,373,065**	**$2,395,725**	**$2,751,119**	**$3,311,894**	**$3,375,296**	**$1,002,231**	**42.2%**
TOTAL APPROPRIATIONS	**$27,354,640**	**$28,436,232**	**$29,546,846**	**$31,392,002**	**$31,829,272**	**$4,474,632**	**16.4%**

1) FY 1995-96: Social Services = Family Independence Agency

2) FY 1996-97: Medicaid, Mental Health, and Public Health = Community Health

3) FY 1996-97: Commerce and Labor = Consumer and Industry Services

4) FY 1994-95: Natural Resources=Natural Resources & Environmental Quality

5) FY 1994-95 and 1995-96: Includes Michigan Biologic Products

Table 12

GF/GP AND SCHOOL AID RESTRICTED FUND APPROPRIATIONS
FISCAL YEARS 1994-95 through 1998-99

(Dollars in Thousands)

	YearToDate FY 1994-95	YearToDate FY 1995-96	YearToDate FY 1996-97	YearToDate FY 1997-98	YearToDate FY 1998-99	Change: FY 98-99 fr 94-95 Dollar Amount	%
Community Colleges	251,648	253,010	262,187	274,978	282,000	30,352	12.1%
Education	41,967	42,324	42,988	43,737	44,394	2,427	5.8%
Higher Education	1,378,182	1,423,887	1,494,887	1,556,432	1,600,500	222,318	16.1%
School Aid/PSER	654,383	596,352	277,948	377,935	420,614	(233,770)	-35.7%
School Aid Restricted Funds	7,306,292	7,648,044	8,280,327	8,929,472	9,074,462	1,768,170	24.2%
EDUCATION	**$9,632,473**	**$9,963,618**	**$10,358,337**	**$11,182,553**	**$11,421,969**	**$1,789,496**	**18.6%**
Attorney General	26,884	28,488	28,885	29,272	30,754	3,871	14.4%
Civil Rights	12,244	12,120	13,004	12,074	12,505	261	2.1%
Civil Service	11,631	12,269	12,140	19,226	12,785	1,154	9.9%
Executive	4,449	4,965	4,986	4,932	5,100	652	14.6%
Legislative Auditor General	10,653	10,909	10,915	10,992	11,983	1,331	12.5%
Legislature	84,231	91,088	91,932	89,580	91,395	7,165	8.5%
Library	29,545	29,681	30,516	31,372	32,977	3,433	11.6%
Management and Budget	52,316	50,453	102,028	43,284	44,680	(7,636)	-14.6%
State	15,823	23,813	21,967	60,041	62,482	46,659	294.9%
Treasury (Operations)	43,495	70,764	60,217	62,495	52,002	8,507	19.6%
Treasury (Debt/RevenueSharing)	42,285	40,201	76,985	68,543	98,918	56,633	133.9%
GENERAL GOVERNMENT	**$333,555**	**$374,751**	**$453,575**	**$431,809**	**$455,582**	**$122,027**	**36.6%**
2 Community Health			2,370,546	2,475,048	2,541,253	n/a	
Corrections	1,177,616	1,268,796	1,299,302	1,330,269	1,368,557	190,941	16.2%
Mental Health	991,254	1,018,855				n/a	
5 Public Health	182,208	182,548				n/a	
1 FamilyIndependenceAgency/SocServ	2,237,586	2,382,515	1,131,428	1,047,854	1,042,300	(1,195,286)	-53.4%
HUMAN SERVICES	**$4,588,664**	**$4,852,714**	**$4,801,276**	**$4,853,171**	**$4,952,110**	**$363,446**	**7.9%**
Commerce	64,688	24,808				n/a	
3 Consumer and Industry Services			69,977	74,324	71,500	n/a	
Labor	31,118	27,496				n/a	
Mich Jobs Commission/License&Reg	22,037	112,791	110,413	113,366	108,520	86,483	392.4%
REGULATORY	**$117,843**	**$165,095**	**$180,390**	**$187,691**	**$180,020**	**$62,177**	**52.8%**
Agriculture	42,943	43,894	37,125	34,638	39,000	(3,943)	-9.2%
4 Environmental Quality		44,138	88,100	85,073	92,501	n/a	
Natural Resources	188,615	54,294	51,934	47,883	49,650	(138,965)	-73.7%
RESOURCE PROTECTION	**$231,558**	**$142,326**	**$177,158**	**$167,594**	**$181,151**	**($50,406)**	**-21.8%**
Military Affairs	35,939	36,425	40,998	35,154	36,524	585	1.6%
State Police	232,325	253,246	270,181	251,129	258,373	26,049	11.2%
SAFETY AND DEFENSE	**$268,263**	**$289,671**	**$311,180**	**$286,282**	**$294,897**	**$26,634**	**9.9%**
Capital Outlay	157,254	169,957	213,095	316,691	247,962	90,708	57.7%
Judiciary	133,418	139,321	149,385	150,955	151,344	17,926	13.4%
Transportation	0	0	0	0	0	n/a	
OTHER	**$290,672**	**$309,278**	**$362,480**	**$467,646**	**$399,305**	**$108,633**	**37.4%**
TOTAL APPROPRIATIONS	**$15,463,027**	**$16,097,453**	**$16,644,396**	**$17,576,745**	**$17,885,034**	**$2,422,007**	**15.7%**
TOTAL GF/GP APPROPRIATIONS (LESS SCHOOL AID RESTRICTED)	**$8,156,735**	**$8,449,408**	**$8,364,069**	**$8,647,273**	**$8,810,572**	**$653,837**	**8.0%**

1) FY 1995-96: Social Services = Family Independence Agency

2) FY 1996-97: Medicaid, Mental Health, and Public Health = Community Health

4) FY 1996-97: Commerce and Labor = Consumer and Industry Services

5) FY 1995-96: Natural Resources=Natural Resources & EnvironmentalQuality

6) FY 1994-95 and 1995-96: Includes Michigan Biologic Products