



Governor Snyder's FY2015 Budget Proposal

Citizens Research Council of Michigan Webinar
February 14, 2014

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Outline

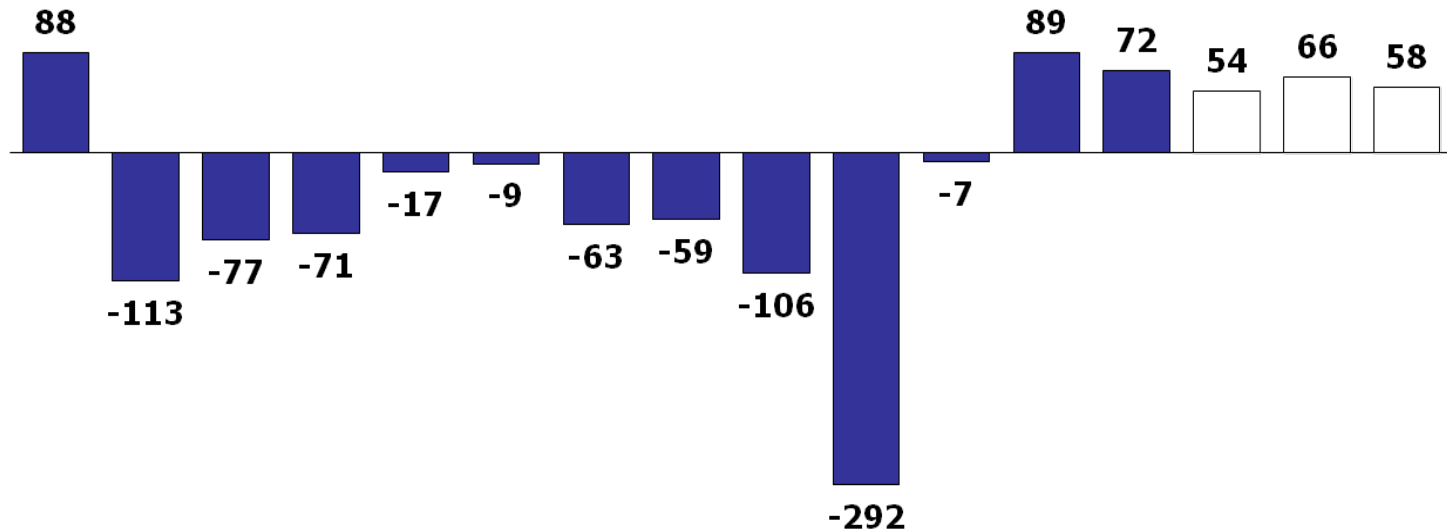
- Economic outlook and state revenue picture
- FY2015 Governor's budget: spending and tax proposals
- Highlights of major changes
- Assessment of the proposal: What's left of the surplus?



Economic Outlook and State Revenues: "The Surplus"



Solid Job Growth Forecast For Michigan



Avg. 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015
92 to
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Good News on Revenue Front: January Forecasts Predict Gains

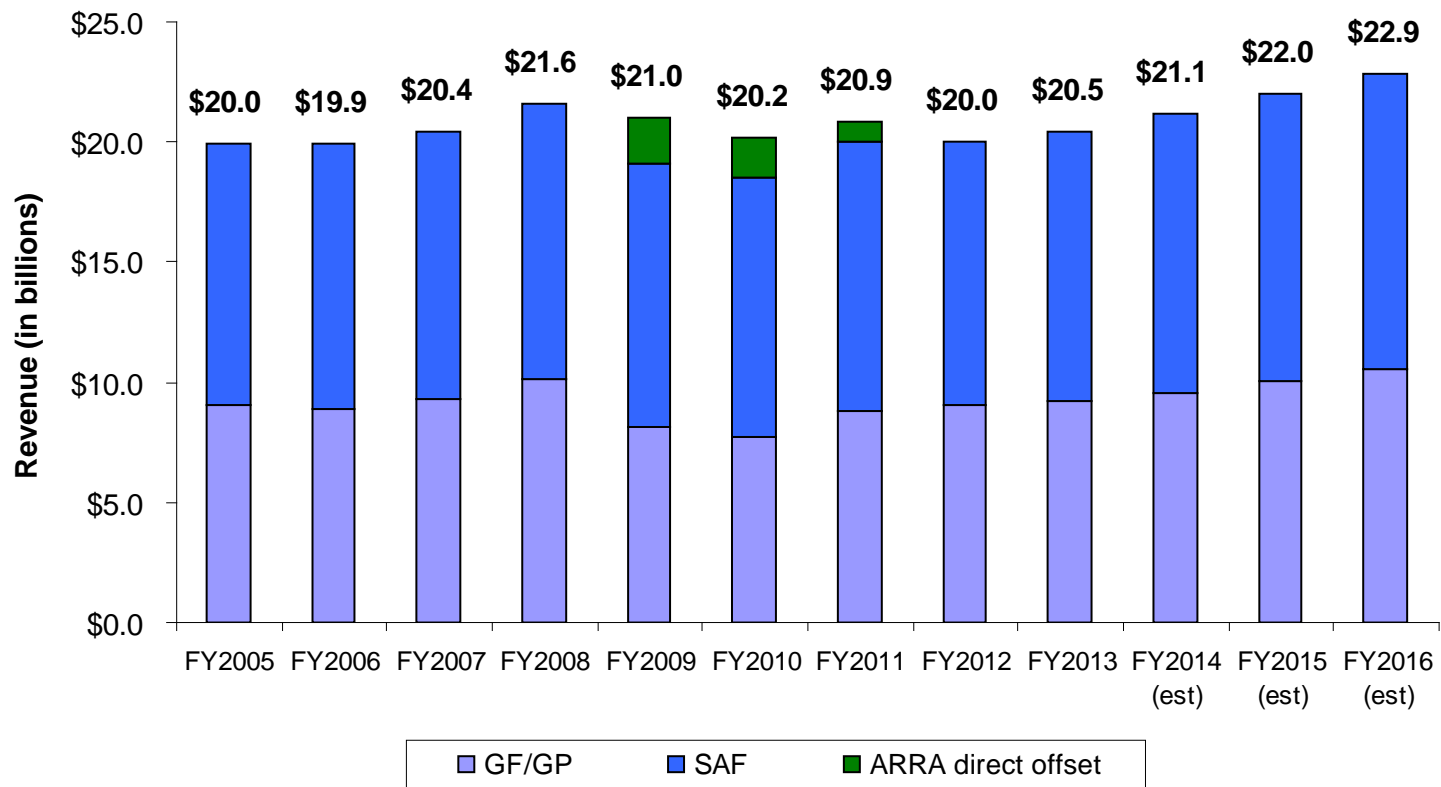
January Revenue Projections: Gains from May Forecast

	<u>FY2013</u>	<u>FY2014</u>	<u>FY2015</u>	<u>Total Gain</u>
GF/GP	\$373.6	\$126.3	\$206.2	\$706.1
Percent Change	4.1%	1.3%	2.1%	
SAF	\$56.0	\$89.9	\$119.1	\$265.0
Percent Change	0.5%	0.8%	1.0%	
			Combined Gain:	\$971.1



Recent History of Major Revenue Funds

Forecasts Include Stable Revenue Growth



Source: Michigan Comprehensive Annual Financial Reports



Revenues Going Forward

Uncertainty with Regard to Business Tax Revenue

FY2013 GF/GP REVENUE	May 2013 Estimate	Jan 2014 Estimate	Revenue Gain
Michigan Business Tax Credits	(\$490.0)	(\$75.8)	\$414.2
Corporate Income Tax	\$920.0	\$783.1	(\$136.9)
Personal Income Tax	\$5,843.9	\$5,931.1	\$87.2
Other Revenues	\$2,915.3	\$2,924.4	\$9.1
		TOTAL GF/GP GAIN:	\$373.6



Governor's Budget Recommendation: Spending and Tax Proposals

Situation Facing Governor

- Available fund balances coming into FY2015 in both GF/GP and SAF thanks in part of January forecast revisions
- Promise of healthy revenue growth in future years
- Stability shifts decision-making from “how to cut” to “how to spend”
 - Restore previous budget cuts?
 - Revise budget priorities with new programs?
 - Save dollars today to invest in the future?
 - Reduce revenues through tax reductions?
- Retirement legacy costs are still an issue, but state close to clearing the hurdle caused by 2008 financial crisis
- Challenges remain, including a permanent solution to the state’s road funding issues



Governor's Proposal

Summary of Governors Proposal Ongoing and One-Time Funding Changes

	<u>FY2014 YTD</u>	<u>FY 2015</u>	<i>% Chg</i>	<u>FY 2016 Planning</u>	<i>% Chg</i>
Adjusted Gross	\$50,225.2	\$51,303.9	2.1%	\$51,086.8	-0.4%
GF/GP Appropriations	\$9,193.7	\$9,843.4	7.1%	\$9,558.0	-2.9%
Ongoing	\$8,862.4	\$9,448.9	6.6%	\$9,534.7	0.9%
One-Time Transportation	\$121.3	\$254.0	109.4%	\$0.0	-100.0%
One-Time General	\$210.0	\$140.5	-33.1%	\$23.3	-83.4%
Budget Stabilization Fund	\$140.0	\$120.0		\$0.0	
Health Savings Subfund	\$0.0	\$122.0		\$122.0	



Governor's Proposal

Large Fund Balances Drawn Down During FY2015

	GF/GP		School Aid Fund	
	<u>FY2015</u>	<u>FY2016</u>	<u>FY2015</u>	<u>FY2016</u>
Beginning Balance	\$666.9	\$41.2	\$351.6	\$84.2
<u>Revenues</u>				
Consensus Revenue Estimates	\$10,046.5	\$10,535.6	\$11,931.8	\$12,338.2
Revenue Sharing Adjustment	(\$488.0)	(\$459.2)		
Tax Reforms (PPT, Homestead Credit)	(\$102.7)	(\$144.4)	(\$10.0)	(\$20.9)
Other Revenues/Adjustments	\$4.0	\$5.0	\$2,006.2	\$1,988.2
Total Adjusted Revenues	\$9,459.8	\$9,937.0	\$13,928.0	\$14,305.5
<u>Expenditures</u>				
Ongoing Appropriations	\$9,449.0	\$9,648.2	\$13,478.8	\$13,790.7
One-Time Transportation Allocation	\$254.0			
Other One-Time Recommendations	\$140.5	\$23.3	\$268.5	
BSF/Health Savings/MPERS deposits	\$242.0	\$122.0	\$50.0	
SAF: Higher Education			\$398.1	\$398.1
Total Expenditures	\$10,085.5	\$9,793.5	\$14,195.4	\$14,188.8
Ending Balance	\$41.2	\$184.7	\$84.2	\$200.9

All figures in millions

Homestead Property Tax Credit

Governor Proposes Expanded Eligibility for Credit

- Credit against the state income tax for households with property tax bills that are relatively high compared to household income
- Governor's proposal expands eligibility in two ways beginning in tax year 2013:
 - Household resources: cap raised from \$50,000 to \$60,000
 - Income threshold: credit would equal a portion of property tax payment minus 3.0% of household resources (down from 3.5%)
- Revenue impact: estimated at \$102.7 million annually
- 2014 challenge: Reaching those not currently eligible for the credit who won't file for it on 2013 return



Homestead Property Tax Credit

Proposal Only Partially Restores 2012 Limitations

What doesn't change?: Credit remains capped at \$1,200. General households receive credit equal to 60% of difference between property taxes and a fixed percentage of "total household resources". Senior and disabled households with resources of up to \$21,000 receive 100% of the difference; credit is phased down to 60% as resources increase to \$30,000.

	PRE-2012	CURRENT LAW	GOVERNOR'S PROPOSAL
Taxable Value Limit	none	\$135,000	\$135,000
Maximum Household Income	\$82,650	\$50,000	\$60,000
Income Threshold for Credit	3.5%	3.5%	3.0%
Phase Out of Credit			
Begins at income of:	\$73,650	\$41,000	\$41,000
Details:	10% per \$1,000	10% per \$1,000	10% per \$1,000 for \$40K - \$48K 20% of full credit retained until \$60K



Homestead Property Tax Credit

Examples of Impact on Individual Filers

	Senior	Senior	Senior	General	General	General
Household Resources	\$15,000	\$35,000	\$45,050	\$40,000	\$45,050	\$55,500
Property Tax	\$1,500	\$2,200	\$2,500	\$2,500	\$2,500	\$2,500
Credit:						
Pre-2012	\$975	\$975	\$923	\$660	\$554	\$335
Current Law	\$975	\$585	\$277	\$660	\$277	\$0
Governor's Plan	\$1,050	\$690	\$345	\$780	\$345	\$100
Gain from Current Law	\$75	\$105	\$68	\$120	\$68	\$100
Gain/(Loss) from Pre-2012	\$75	(\$285)	(\$579)	\$120	(\$209)	(\$234)

- All current recipients under the \$1,200 cap would gain under the proposed changes
- Some currently ineligible for the credit become eligible once again.
- Many lower income filers will be better off under the proposal than they were under the pre-2012 credit provisions because of the change in the income threshold from 3.5% to 3.0%; others will fall short of pre-2012 credit levels



Budget Risk Factors

Pending Issues with Significant Budgetary Implications

- Transportation Funding – FY2015 recommendation continues to use GF/GP revenue as temporary stopgap for permanent reforms to transportation financing
- Health Insurance Claims Assessment – estimated shortfall of around \$110M, no long-term fix proposed
- Personal Property Tax Reform – August 2014 ballot question is pending; significant GF/GP revenue implications going forward



Education Highlights

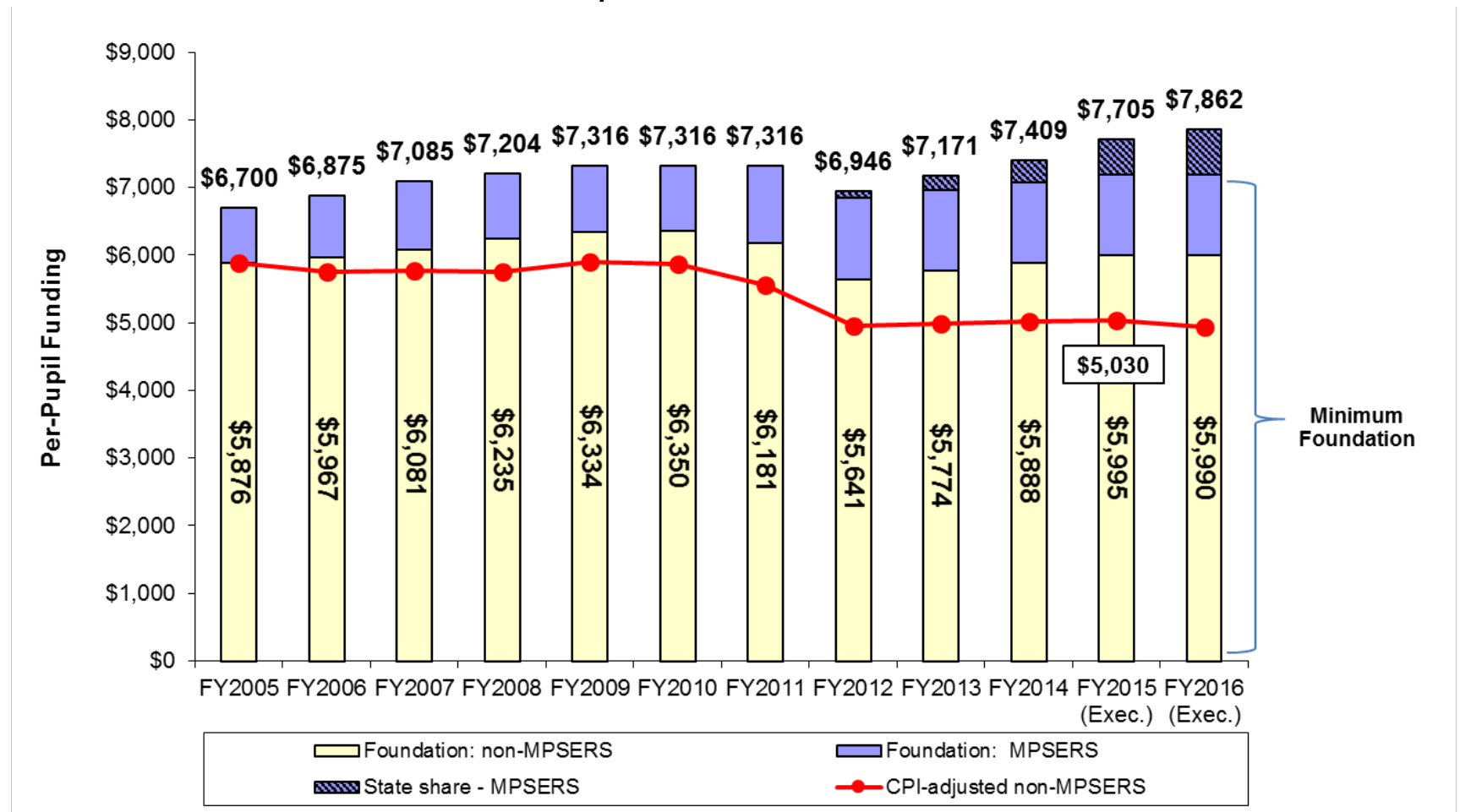


K-12 School Aid

- Total spending increase of 3.2% from FY2014
 - \$13,479M in ongoing appropriations (e.g., foundation grant, special ed., MPSERS)
 - \$268M in one-time (e.g., best practices, technology grants, performance funding)
- **Foundation grant** increase between \$83 and \$111 per pupil using a “modified 2x” formula – \$150M million
 - Minimum grant – increase from \$7,076 to \$7,187 per pupil
 - Maximum grant – increase from \$8,049 to \$8,132 per pupil
 - Each district receives add'l \$55 per pupil
 - 2x formula (sliding scale: \$28 - \$56 per pupil)
- Significant increase for **MPSERS unfunded liability costs** - \$270M (note: add'l \$234M required in FY2016)
 - Uses \$109M (existing) to reduce employer rate 1.2 pts.
 - Sets aside \$50M for future state costs

Effects of MPSERS Costs on Foundation Grant

Estimated Impact on Minimum Grant





K-12 School Aid (cont'd)

- \$28M (add'l \$6M in Education) to begin implementation of **teacher evaluation** tools and systems (\$22M for FY2016)
 - \$22M to districts and ISDs (per teacher basis) to implement teacher evaluation tools prescribed in state law
 - \$5.7M for data collection and measurement of student growth; develop value-added tools for student growth; pilot alternative student growth evaluation systems
- Add'l \$7M (\$34M total) for multi-year development of new computer-based **student assessments**
- New incentive program (\$1.8M) for **dual enrollment** (\$60 per pupil/course) in postsecondary school or career tech. program
- Maintains funding for following "one-time" items:
 - District and ISD **best practices** using same criteria (\$80M)
 - **Technology infrastructure grants** (\$50M)
 - District **performance-based** funding (\$46M)

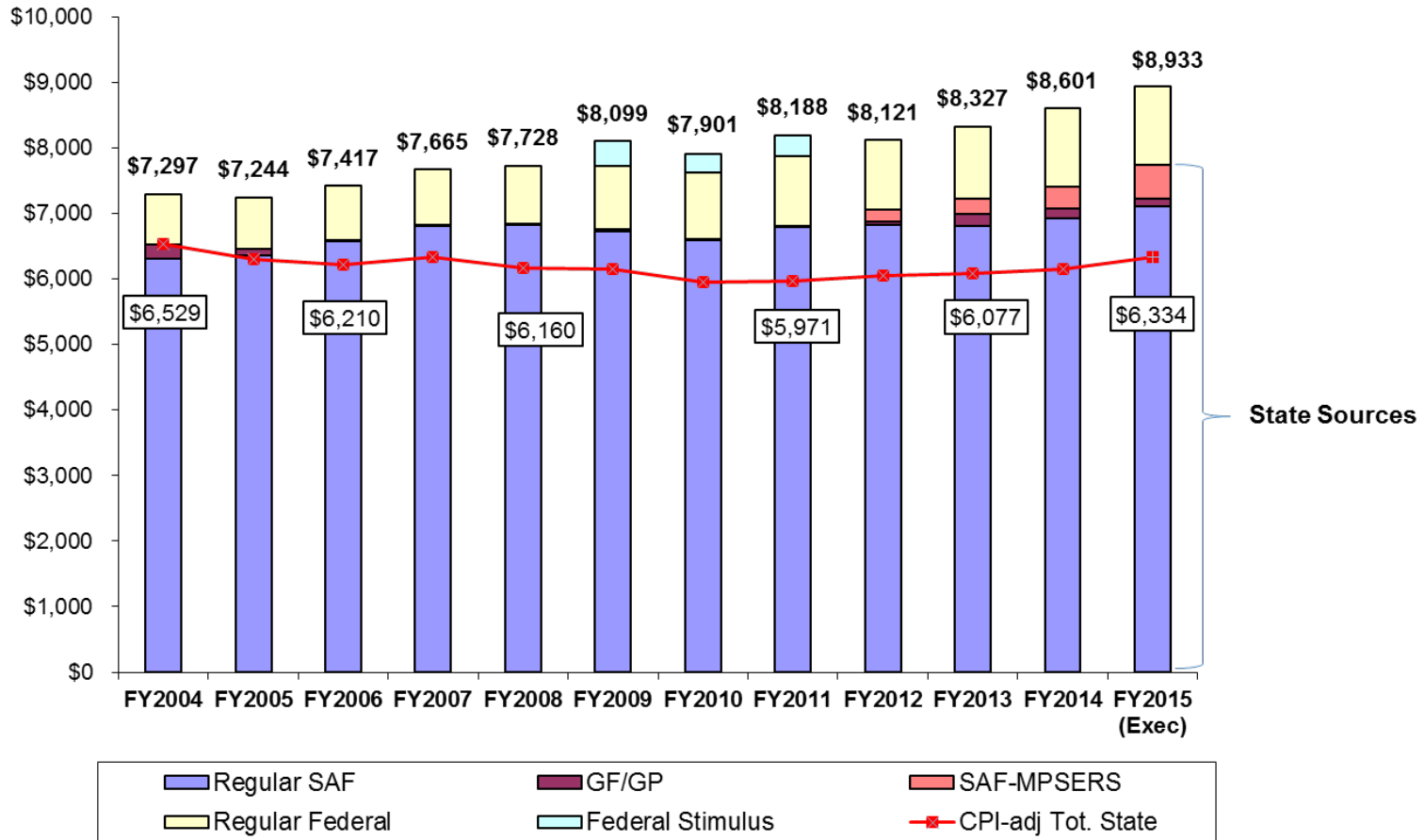


Fiscally Distressed School Districts

Additional Funding and Technical Expertise Proposed

- Attention and new funding provided to school districts in **financial distress**
 - \$7.7M for inter-agency team (Treasury and MDE) and develop “early warning system” to help struggling districts
 - \$10M for **Fiscal Emergency Contingency Fund** available to districts going through the voluntary dissolution process (e.g., Buena Vista) or school district that receives students from a dissolved district
- Proposed legislative changes dealing with school fiscal distress:
 - Develop “early warning system”
 - Modify Deficit Elimination Process, including new “preplan”
 - Accelerate FID reporting (from Nov. 15th to Oct. 15th)
 - Authorize “stability bonds” to eliminate deficit
 - Increase state emergency loan cap from \$50M to \$100M

Total Appropriations for K-12* Education (per pupil)



* Excludes early childhood and adult education funding.

Source: Senate Fiscal Agency and House Fiscal Agency reports



Great Start Readiness Program

Second of Two Planned \$65M Annual Increases

	FY2013 Funding	FY 2014 Funding	% Chg from FY2013	FY2015 Funding	% Chg from FY2013
Great Start Readiness Program	\$109,275,000	\$174,275,000	59.5%	\$239,275,000	119.0%
Allotment per Half-Day Placement	\$3,400	\$3,625	6.6%	\$3,725	9.6%
Estimated Half-Day Placements	32,140	48,200	50.0%	64,300	100.1%

- Total \$130M added since FY2013 to address waiting list for state-funded preschool programs for low-income children (4 yr. olds living in a household at or below 250% of federal poverty level)
- Estimated 16,000 additional half-day positions
- Increases half-day allotment to \$3,725/position (2.7% increase)

Higher Education

Significant Increase to Partially Restore FY2012 Cuts

- \$82M added to support operations and financial aid programs
 - \$77M designated for operations, using formula distribution (6% increase over FY2014)
 - One-half (\$38M) distributed in proportion to FY2011 operations funding levels
 - One-half distributed through three performance metrics previously used and one new metric (Pell Grants)
- Individual school operational funding increases range from 4.0% to 9.5%
- Tuition restraint language (cap of 3.2% increase for 2014-15)
- School Aid Fund supports \$200M of university operations (no change from previous year)



Higher Education *Performance Funding Formula*

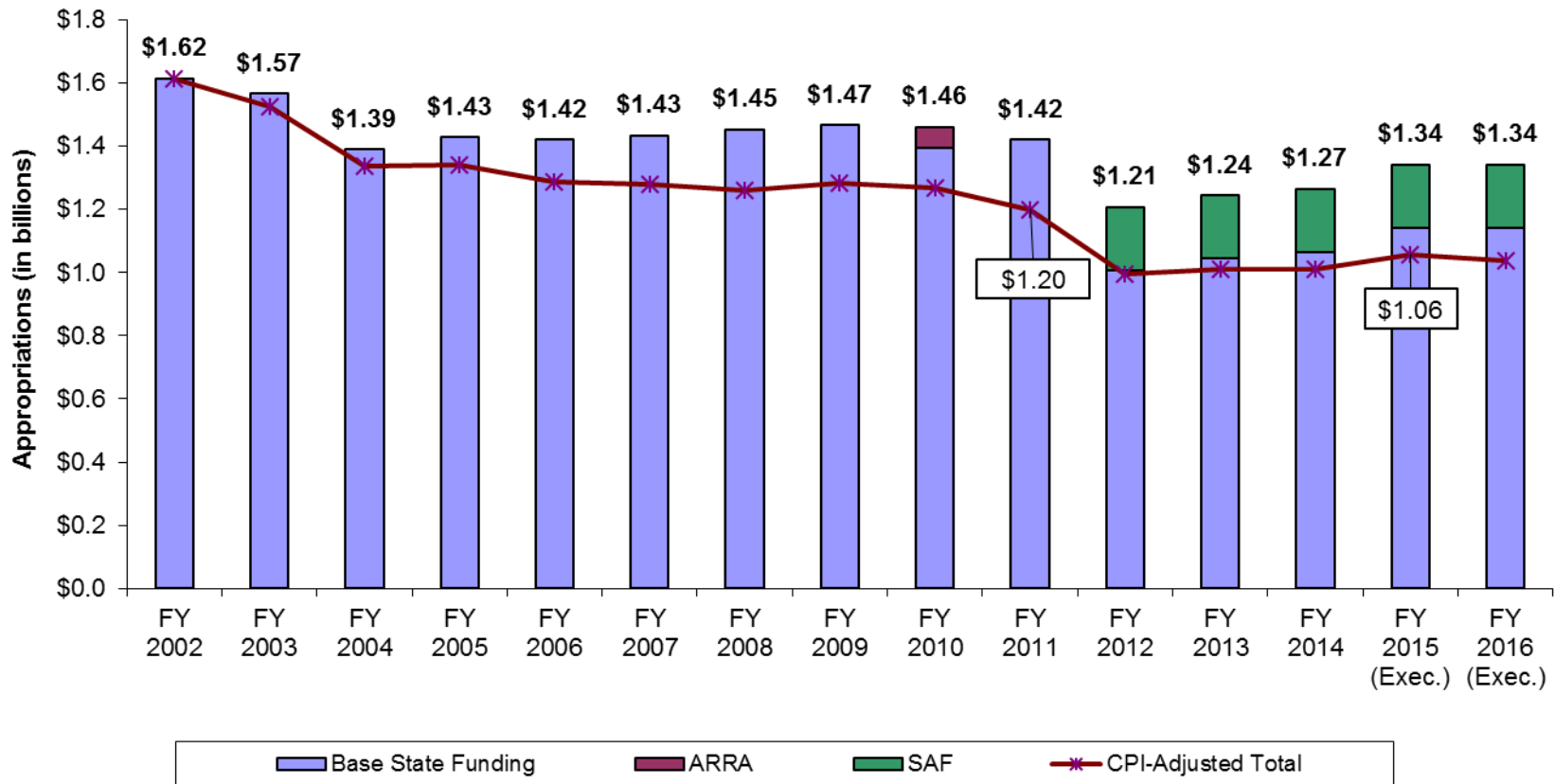
<u>Performance Funding Formula Categories</u>	<u>% Total Funding</u>	
1) Proportional to FY2011 Operations Appropriation Schools' distributions equal to their shares of the total FY2011 operating appropriation	50.0%	\$38.4M
2) In Comparison to other Michigan Schools		
Weighted Undergraduate Critical Skill Awards Two-year average of degree and certificate completions in critical skill areas	11.1%	\$8.5M
Weighted Research and Development Expenditures Limited to universities ranked in Carnegies classifications as at least "Research University (High Research)"	5.6%	\$4.3M
3) In Comparison to National Carnegie Peers For each category, institutions receive 0-3 points based on rank and/or improvement versus national Carnegie peers	33.3%	\$25.6M
Total Degree Completions		
Six-Year Graduation Rate		
Institutional Support as Percentage of Core Expenditures		
Students Receiving a Pell Grant		
TOTAL PERFORMANCE FUNDING	100.0%	\$76.9

Prerequisites for Performance Funding:

- 1) Complies with tuition restraint (no tuition increase for 2013-14 **AND** tuition capped at 3.2% for 2014-15)
- 2) Participate (or make good faith effort) in reverse transfer agreements with at least 3 Michigan community colleges
- 3) Determine application of dual enrollment credits toward university degree without considering whether used toward high school requirements
- 4) Participate in Michigan Transfer Network

University Operations Funding

With Increase, Still Below FY2011 Level by 6%





Community Colleges

Performance Funding and Retirement Costs Increases

- \$35.5M added to support operations and state retirement costs
 - \$8.9M designated for operations, using formula distribution (3% increase over FY2014)
 - One-half (\$4.5M) distributed in proportion to FY2014 operations funding levels
 - One-half distributed through performance metrics previously used
- Individual school operational funding increases range from 2.7% to 3.9%
- \$27.7 added for state share of retirement costs (\$61M total)
- Tuition restraint language (cap of 3.2% for 2014-15) - NEW
- School Aid Fund supports \$198M of university operations (no change from previous year)



Community Colleges *Performance Funding Formula*

<u>Performance Category</u>	<u>%</u>	<u>Total Funding</u>
Across-the-board distribution	50.0%	\$4.5M
Weighted Degree and Certificate Completions	17.5%	\$1.6M
Number of Contact Hour-Equated Students	10.0%	\$900K
Percentage of Institutional Expenditures on Administration (ceiling = 23%) Funding proportional to two-year average results within each category.	7.5%	\$700K
Local Strategic Value Proportional to the number of Skilled Trades Program students placed in jobs or apprenticeships in related fields; veteran placements count as two placements	15.0%	\$1.3M
TOTAL PERFORMANCE FUNDING	100.0%	\$8.9M

Prerequisites for Performance Funding:

1) Local Strategic Value: must adhere to 4 of 5 specified best practices in each of 3 categories: Economic development and business/industry partnerships; Educational partnerships; and Community services

2) Complies with tuition restraint (no tuition increase for 2013-14 **AND** tuition capped at 3.2% for 2014-15)



General Budget Highlights



Community Health

Medicaid Expansion and Program Increases

- **Medicaid expansion** under Affordable Care Act (ACA) maintained with full year funding: projected statewide savings of \$242M in FY2015
- **Healthy Kids Dental** program: expanded to Kalamazoo and Macomb Counties under proposal - \$15.6M gross, \$5.4M GF/GP
- **Mental Health** programming: new GF/GP funding to address recommendations regarding gaps in services and jail diversion programs - \$14M ongoing and \$5M one-time
- Smaller increases for **MIChoice** (\$9M GF/GP) and **home visiting programs** (\$2.5M GF/GP)
- Caseloads: \$158.7M GF/GP appropriated to meet **Medicaid caseload costs** (half due to federal match adjustments)



Medicaid Program

Reduction in Primary Care Provider Rates

- Affordable Care Act provisions provided 100% federal funding to states to increase **Medicaid primary care provider rates** to Medicare levels; 100% federal support ends on January 1, 2015
- Annual cost of full rate increase: ~ \$200 million
- To maintain rates at Medicare levels, state contribution would be about \$69 million for a full year
- Proposal: maintain half of the ACA increase
- State GF/GP cost: \$26 million for last 9 months of FY2015; about \$35 million annually thereafter
- Policy question: How will rate reduction affect **access to care** for Medicaid patients, particularly after expansion

Transportation Funding

Governor proposes stop-gap funding for FY2015

- No proposal for permanent new road revenues; FY2014 proposal to raise motor fuel taxes and vehicle registration fees was not acted upon by the legislature
- Governor proposes one-time GF/GP appropriation of \$254M to buffer current dedicated transportation revenues:
 - \$139M to be used to match federal aid
 - \$115M for state trunkline road and bridge needs
- No proposal yet for GF/GP funding in FY2016



GF/GP Support for Transportation

Status of Current Funding

Road Funding Reserves: Last half (\$115 million) of Roads and Risks Reserve Fund remains unappropriated for FY2014; legislative intent language to move FY2014 Medicaid savings to the reserve fund has not been acted upon.

	FY2014 <u>Plan</u>	FY2014 <u>Appropriated</u>	GOVERNOR'S PROPOSAL	
			<u>FY2015</u>	<u>FY2016</u>
GF/GP Contribution	\$121 million	\$121 million	\$254 million	\$0
Roads and Risks Reserve Fund	\$230 million	\$115 million		
Medicaid Savings	\$119 million			
Total GF/GP Support	\$470 million	\$236 million	\$254 million	\$0



Local Revenue Sharing

\$121 Million in additional appropriations, but access will vary

- Constitutional payments (cities, villages, twps) up by 2.6% based on sales tax growth - \$19.4M
- **Economic Vitality Incentive Program (EVIP)** increased by 3.2% for FY2015 - \$7.6M (equals 78.5% of FY10 payment)
- New **one-time appropriation of \$28.8M** would supplement funding for some EVIP-eligible communities
- **County revenue sharing** program increased by 44.9% (\$65.4M) to allow for payments at full funding level; 80/20 split remains between regular and incentive funding
- Eligibility criteria for incentive-based funding is revised to include an **alternative path for eligibility**
- Competitive Grant Assistance Program funding to encourage shared services and consolidations funded at \$5M



EVIP and County Incentive Program:

Changes in Eligibility Criteria

- Old path to eligibility based on 3 categories remains in place; both paths limited to current EVIP-eligible units
- New path based on meeting four new standards:
 - Budget reserve – 6% unrestricted GF balance
 - Pensions – meet actuarially required contributions if DB plan exists; or no DB plan
 - OPEB - meet actuarially required contributions if OPEB offered; or no OPEB
 - Bond/Credit Rating – Either no outstanding GO debt, or achieve the following ratings with 2 of 3 agencies: Aa3 (Moody's), AA-(Fitch), or AA1 (S&P)
- Units meeting new path requirements receive full EVIP/CIP payment if certified by October 1

Supplemental EVIP Payments:

\$28.8 Million in One-Time Funding for Eligible Unit

- Funding limited to units that are currently EVIP eligible
- Distribution based on population, but units are eligible for 10% “population adjustments” for meeting any of the following criteria:
 - Meet “new path” requirements outlined above
 - Within top 25% of communities with 5,000+ population based on jobless rate
 - Within top 25% of communities with 20,000+ population based on violent crime rates
 - Have Treasury-approved deficit elimination plan
- In order to receive payment, unit must qualify for at least \$5,000 in supplemental funding



Savings for Future Needs

- Planned FY2014 deposit of \$140M into state's Budget Stabilization Fund adds to current \$506M balance
- Proposal would deposit additional \$120M in FY2015 to bring BSF balance to \$766M by end of FY2015 – about 3.5% of combined GF/GP and SAF revenues
- Renews proposal to deposit one-half of Medicaid expansion savings to Health Savings Subfund: estimated deposits of \$122 million in both FY2015 and FY2016



Other New Funding Proposals

- Statewide information technology investments (\$28M GF/GP)
- Michigan Public Safety Communications System (\$25.3M GF/GP)
- State Police trooper and motor carrier officer recruit schools (\$20.5M GF/GP; \$7.7M one-time)
- Personal Property Tax reimbursement and administration (\$20.8M GF/GP)
- Debt service for university and community college capital improvement programs (\$12.5M GF/GP)
- Michigan Film Incentive Program maintained at \$25M GF/GP (down from \$50M in FY2014)



State Workforce and Employee Compensation

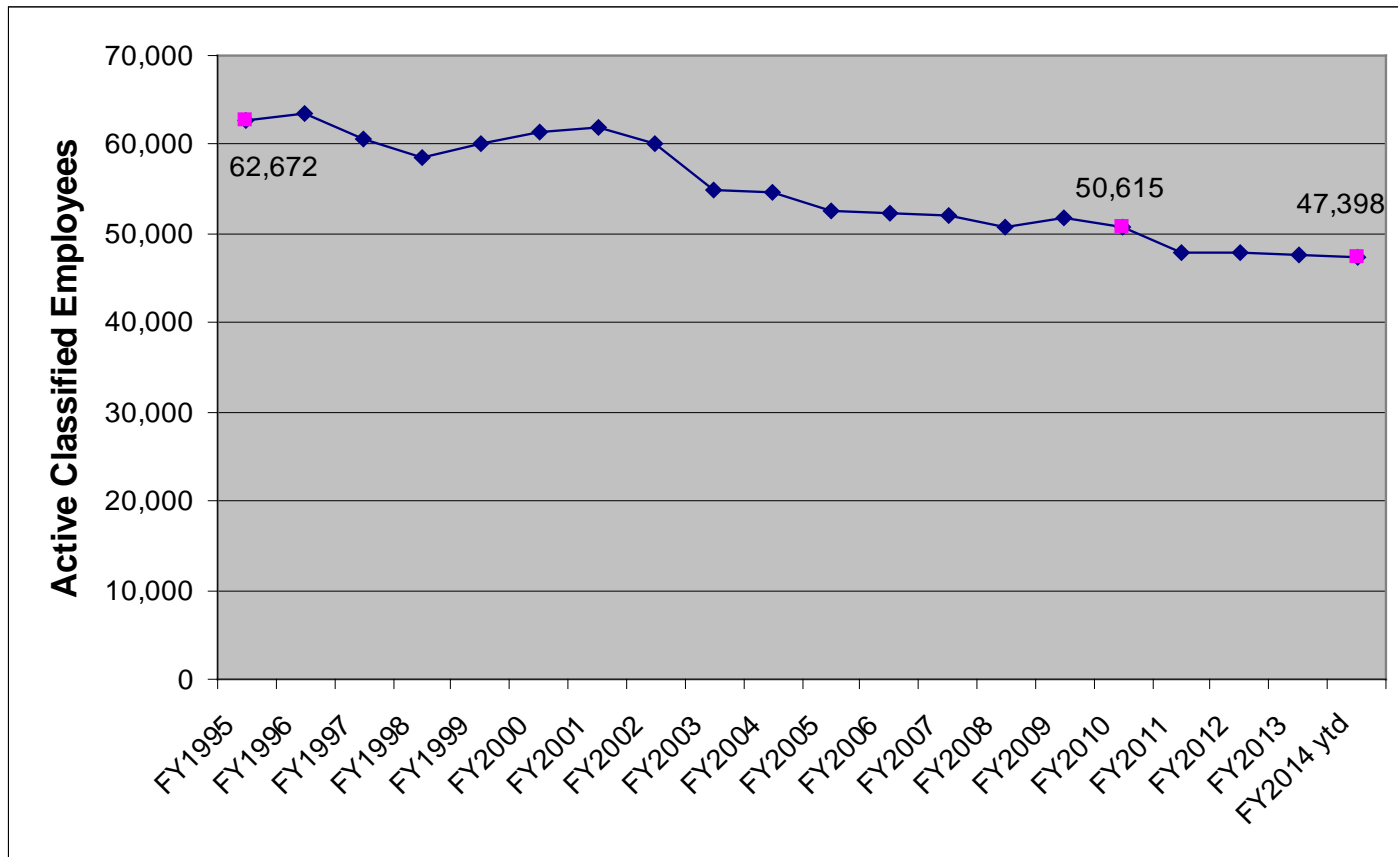
Modest Increases in Appropriated FTEs

- 0.2% in budgeted classified FTEs (53,099): largest gains for State Police (up 139), DNR (up 88), and DCH (up 62)
- Recognizes personnel cost increases of \$108.3 million (\$54.5 million GF/GP) associated with collective bargaining agreements:
 - Permanent 2% increase for all state employees; plus 0.5% one-time lump sum payment - \$57.5 million gross, \$27.9 million GF/GP
 - Continued increases in retirement costs - \$56.6 million gross, \$30.1 million GF/GP
 - 80/20 health care premium sharing effective FY2013 helps to mitigate insurance costs – no budgeted increase
 - Budgeted savings for building and worker's compensation costs



Active Classified State Workforce

Down 24% from FY1995 and 6% from FY2010



Source: Department of Civil Service, Annual Workforce Reports



Assessment of Proposal

Budget Risks Pose Challenges

The Impact of "What Ifs" in Out Years

- Transportation Funding: If no permanent road funding solution is achieved, GF/GP contributions may continue to be needed to fill gaps
- Health Insurance Claims Assessment: Shortfall in Medicaid budget will persist without either a revenue fix or offsetting cuts
- Personal Property Tax Reforms: if approved by voters, GF/GP impacts escalate in out years
- Inflation: even a continuation budget will incur inflationary costs



GF/GP Going Forward

Transportation and HICA bring potential deficits

	<u>FY2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
Beginning Balance	\$1,186.6	\$666.5	(\$59.2)	(\$259.7)	(\$459.8)
<u>Revenues</u>					
Estimated Available Revenues	\$9,175.3	\$9,562.5	\$10,081.4	\$10,457.3	\$10,850.7
Homestead Property Tax Credit adjustment		(\$102.7)	(\$102.7)	(\$102.7)	(\$102.7)
Personal Property Tax Reforms			(\$41.7)	(\$257.5)	(\$277.1)
Total Adjusted Revenues	\$9,175.3	\$9,459.8	\$9,937.0	\$10,097.1	\$10,470.9
<u>Expenditures</u>					
GF/GP Appropriations (except MDOT)	\$9,149.1	\$9,449.0	\$9,648.2	\$9,648.2	\$9,841.2
One-Time Appropriations		\$140.5	\$23.3		
BSF/Health Savings Contributions	\$75.0	\$242.0	\$122.0	\$122.0	\$122.0
Allocation for Transportation	\$351.3	\$254.0	\$254.0	\$254.0	\$254.0
HICA Shortfall	\$120.0	\$100.0	\$90.0	\$80.0	\$70.0
2% Adjustment in FY17 and FY18				\$193.0	\$196.8
Total Projected Expenditures	\$9,695.4	\$10,185.5	\$10,137.5	\$10,297.2	\$10,484.0
Ending Balance with Risks Plus 2%	\$666.5	(\$59.2)	(\$259.7)	(\$459.8)	(\$472.9)
Ending Balance with 2% Only	\$666.5	\$40.8	\$184.3	\$318.2	\$629.1

Note: FY2017 and FY2018 revenue estimates based on long-run estimates from January 2014 Consensus Revenue Estimating Conference.



School Aid Fund Going Forward

Maintaining One-Time Funding Will Prove Challenging

	<u>FY2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
	\$291.7	\$351.5	\$84.1	(\$28.2)	(\$82.7)
<u>Revenues</u>					
Consensus Revenue Estimates	\$11,560.0	\$11,931.8	\$12,338.2	\$12,671.8	\$13,024.8
GF/GP Contribution	\$234.9	\$180.0	\$180.0	\$180.0	\$180.0
MPSERS Reserve Fund	\$156.0	\$18.0	\$0.0	\$0.0	\$0.0
Federal Revenue	\$1,764.4	\$1,808.2	\$1,808.2	\$1,808.2	\$1,808.2
Personal Property Tax Reforms		(\$10.0)	(\$20.9)	(\$20.9)	(\$20.9)
Total Adjusted Revenues	\$13,715.3	\$13,928.0	\$14,305.5	\$14,639.1	\$15,013.0
<u>Expenditures</u>					
School Aid Appropriations	\$13,257.4	\$13,478.8	\$13,790.7	\$13,790.7	\$14,066.5
One-Time Designations		\$268.5	\$229.0	\$229.0	\$229.0
MPSERS Reserve Fund deposit		\$50.0			
Universities and Community Colleges	\$398.1	\$398.1	\$398.1	\$398.1	\$398.1
2% Adjustment in FY17 and FY18				\$275.8	\$281.3
Total Expenditures	\$13,655.5	\$14,195.4	\$14,417.8	\$14,693.6	\$14,974.9
Ending Balance with One-Time plus 2%	\$351.5	\$84.1	(\$28.2)	(\$82.7)	(\$44.7)
Ending Balance with 2% Only	\$351.5	\$84.1	\$200.8	\$375.3	\$642.3

All figures in millions

Note: FY2017 and FY2018 revenue estimates based on long-run estimates from January 2014 Consensus Revenue

Assessment

- Budget is structurally balanced, but challenges remain
- Any budget surplus has largely been accounted for in the short run; little “excess revenues” to spend or give back without offsetting spending cuts or revenue growth
- Continues to build up reserves in both BSF and new Health Savings Subfund, but additional deposits will be needed to achieve goal of 6-8% of revenues
- Looking forward, if economy and revenues cooperate, picture looks much brighter in FY2018 and beyond



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