



State of Michigan Financial Highlights Fiscal Years 2017 through 2021

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Introduction:

The Management and Budget Act requires a report to be published annually to communicate the state's basic financial condition in an easy-to-understand format (MCL 18.1495). Detailed information about Michigan's financial condition can be found in the State of Michigan Annual Comprehensive Financial Report, which is highly technical and not easily understood by most non-accountants. What follows is intended to be more accessible to residents.

Fiscal year 2021 financial activity illustrates Michigan's rebound from the initial economic shocks caused by the pandemic, with strong growth in personal income, payroll, and state revenues.

Ideas about how to improve this report are welcome. Please send any suggestions or questions to **Contact-SBO@Michigan.gov**.

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Total State Revenue and Expenditures - Governmentwide

Fiscal year 2021 marked the second year of higher than typical baseline in revenues and expenditures following substantial increases in 2020 driven by federal COVID-19 stimulus funding. Before 2020, revenues and expenditures from all sources had increased on average 3.5% in each year since 2016.

In a typical year, Michigan's total budget is made up of three broad categories of funding:

Federal funds

In a typical year approximately 45% of the state budget is funded by grants and other revenue Michigan receives from the federal government for specific purposes. This includes funding for the State's Medicaid program, funding for specific education programs like special education, and Michigan's share of federal road funding.

State restricted funds

Approximately 40% of state revenue is restricted for specific purposes by the State's constitution and laws. This includes the School Aid Fund, the Michigan Transportation Fund, and Constitutional revenue sharing payments to local governments.

General fund

Roughly 15% of total revenue is available for basic state operations and discretionary programs in a typical year.

Total State Revenue and Expenditures - Governmentwide

(\$ in Millions)

	Fiscal Year (October 1 - September 30)				
	2017	2018	2019	2020	2021
Total Revenues	\$58,866.5	\$61,073.7	\$64,146.1	\$88,274.1	\$91,299.4
Change from prior year		3.7%	5.0%	37.6%	3.4%
Total Expenditures	\$55,995.5	\$59,357.9	\$62,670.3	\$90,012.3	\$84,575.1
Change from prior year		6.0%	5.6%	43.6%	(6.0%)

Descriptions:

Revenue Income of government collected through taxes, fees, grant funds from federal agencies, etc. and used to fund public services.

Expenditures Funds spent to provide public services and grants.

Note: Totals are reported using the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Also, the governmentwide amounts include all governmental fund (General Fund, Special Revenue funds, Debt Service funds, Capital Projects funds, and Permanent funds) and proprietary fund (Enterprise and Internal Service funds) activity. Not all funds are budgeted (ex. proprietary funds, fiduciary funds). Amounts reported on the next page reflect only totals for general and special revenue funds.

Revenues by Major Source - General and Special Revenue Funds

The State receives revenue from a variety of sources, but Sales, Use, and Individual Income tax revenues represent nearly 70% of tax revenue collected in Michigan.

Revenues by Major Source - General and Special Revenue Funds (\$ in Millions)

	Fiscal Year (October 1 - September 30)				
	2017	2018	2019	2020	2021
Individual Income Tax	\$9,455.0	\$10,162.2	\$11,327.3	\$11,438.3	\$12,744.6
Sales Tax	\$7,791.8	\$8,074.0	\$8,243.2	\$8,299.0	\$9,410.6
State Education Tax	\$1,964.8	\$1,989.5	\$2,114.6	\$2,189.9	\$2,266.0
Use Tax*	\$1,467.6	\$1,844.2	\$1,786.9	\$1,826.4	\$2,625.3
Motor Vehicle Registration Tax	\$1,213.1	\$1,297.9	\$1,357.5	\$1,348.4	\$1,403.5
Gasoline Tax	\$1,142.6	\$1,219.8	\$1,214.7	\$1,086.8	\$1,111.6
Corporate Income Tax	\$1,105.6	\$1,015.9	\$1,278.1	\$1,100.1	\$1,701.7
Michigan Business Tax	(\$704.6)	(\$646.7)	(\$511.5)	(\$553.7)	(\$490.5)
Tobacco Tax	\$946.0	\$918.0	\$890.0	\$904.2	\$890.1
Diesel Tax	\$215.7	\$246.4	\$243.8	\$230.4	\$240.8
Penalties and Interest	\$115.9	\$178.6	\$128.9	\$93.5	\$137.8
Marihuana Excise Tax	-	-	-	\$31.2	\$120.5
Other taxes	\$3,804.1	\$4,048.2	\$3,430.2	\$3,393.4	\$3,674.8
Total Taxes	\$28,517.6	\$30,348.0	\$31,503.7	\$31,388.0	\$35,836.8
Federal	\$19,508.7	\$19,957.1	\$20,827.6	\$24,795.2	\$28,937.1
License & Permits	\$567.6	\$568.4	\$601.6	\$615.6	\$683.2
Other Revenue Sources	\$2,345.3	\$2,434.3	\$4,236.5	\$4,483.6	\$4,470.7
Total - General & Special Revenue Funds	\$52,875.3	\$55,157.1	\$57,169.4	\$61,282.4	\$69,927.8

* Use Tax includes amount distributed to municipalities for personal property tax reimbursement, but excludes HMO Use Tax.

Note: Totals include only the General Fund and Special Revenue funds and are reported using the modified accrual basis of accounting. Revenues are generally recognized when they are both measurable and available, usually within 60 days.

Constitutional State Revenue Limit

In 1978, Michigan voters approved the "Headlee" amendment, which established a number of limits on state and local taxation. Article IX, Section 26 limits the amount of state taxes and fees that can be imposed on taxpayers by the Legislature. Total revenue is limited to 9.49% of total personal income in Michigan. The amount of tax revenue actually collected is significantly lower than the amount allowed.

Constitutional State Revenue Limit

(\$ in Millions)

	Fiscal Year (October 1 - September 30)				
	2017	2018	2019	2020	2021
Section 26 State Revenue Limit	\$40,314.2	\$41,695.4	\$43,679.6	\$45,934.4	\$46,655.9
Total Actual Revenue Subject to Limit	\$31,109.2	\$32,956.1	\$34,011.3	\$34,052.0	\$38,890.0
Amount Over (Under) Limit	(\$9,205.0)	(\$8,739.3)	(\$9,668.3)	(\$11,882.5)	(\$7,765.9)

Expenditures by Major Spending Categories

General and Special Revenue Funds

More than 80% of state spending is devoted to education, health care, child welfare and other human services, and public safety programs.

Expenditures by Major Spending Categories - General and Special Revenue Funds (\$ in Millions)

	Fiscal Year (October 1 - September 30)				
	2017	2018	2019	2020	2021
General Government	\$2,551.5	\$2,761.6	\$2,751.0	\$2,919.7	\$3,163.8
Education	\$16,078.4	\$16,673.6	\$16,995.5	\$17,745.6	\$18,649.3
Health and Human Services	\$23,070.4	\$23,925.0	\$25,269.8	\$26,301.8	\$30,008.8
Public Safety and Corrections	\$2,692.5	\$2,723.5	\$2,798.8	\$2,961.4	\$3,283.7
Conservation, Environment, Recreation and Agriculture	\$748.2	842.4	\$831.2	\$878.0	\$971.1
Labor, Commerce and Regulatory	\$1,270.0	\$1,259.3	\$1,343.6	\$1,071.9	\$1,718.9
Transportation	\$1,703.5	\$1,854.9	\$2,203.7	\$2,046.3	\$2,211.5
Tax Credits	\$696.5	\$696.1	\$895.1	\$936.5	\$884.6
Capital Outlay	\$55.5	\$122.5	\$194.6	\$254.0	\$111.7
Revenue Sharing to Local Units of Government	\$1,259.0	\$1,289.1	\$1,327.7	\$1,241.3	\$1,451.3
Debt Service	\$68.8	\$71.7	\$73.7	\$85.3	\$102.3
Total Expenditures	\$50,194.5	\$52,219.8	\$54,684.7	\$56,441.8	\$62,556.9

Note: The amounts reported for Expenditures by Major Spending Categories – General and Special Revenue Funds are reported using the modified accrual basis of accounting. Expenditures are generally recorded when a liability is incurred. However, expenditures related to debt service, compensated absences, and claims and judgments are recorded only when payment is due and payable.

Total General Fund/General Purpose Revenue and Expenditures

General Fund/General Purpose (GF/GP) revenues are not earmarked by law for specific purposes, and are therefore available to support core government services and discretionary programs. Revenue have grown over the last 20 years, but growth has not kept pace with inflation.

Spending was reduced or shifted to available federal stimulus funds in fiscal year 2020 based on a projected shortfall in revenue resulting from the impact of the COVID-19 pandemic. Actual revenue collections were much stronger than anticipated, resulting in a significant balance at the end of 2020 that was carried into fiscal year 2021.

Total General Fund/General Purpose Revenue and Expenditures (\$ in Millions)

	Fiscal Year (October 1 - September 30)				
	2017	2018	2019	2020	2021
Total Revenues	\$9,674.6	\$10,309.7	\$10,411.0	\$10,205.9	\$12,112.5
Total Other Financing Sources	\$233.3	\$236.0	\$249.8	\$339.1	\$413.0
Total Revenues and Other Financing Sources	\$9,907.9	\$10,545.8	\$10,660.8	\$10,545.0	\$12,525.5
Change from prior year		6.4%	1.1%	(1.1%)	18.8%
Total Expenditures	\$9,626.9	\$10,183.9	\$10,380.9	\$9,003.4	\$10,221.7
Change from prior year		5.8%	1.9%	(13.3%)	13.5%
Ending Balance (Unrestricted Fund Balance)*	\$622.5	\$788.3	\$916.2	\$2,363.0	\$4,362.8

* The General Fund's unrestricted fund balance in the table is classified in the State of Michigan Annual Comprehensive Financial Report as 'Unassigned.' There are few or no constraints on the use of these funds.

Total School Aid Fund Revenue and Expenditures

The School Aid Fund is established in the Michigan Constitution. Its purpose is to aid in the support of local public schools, intermediate school districts, higher education, and school employee retirement systems of the State.

In fiscal year 2020, spending was reduced based on a projected shortfall in revenue resulting from the economic impact of the COVID-19 pandemic. Actual state revenue collections were much stronger than anticipated, and there was a substantial increase in federal funds revenues for COVID-related support, resulting in a significant balance to carryforward into fiscal year 2021.

In fiscal 2021, nearly 1.5 million pupils attended traditional public schools and public charter schools.

Total School Aid Fund Revenue and Expenditures (\$ in Millions)

	Fiscal Year (October 1 - September 30)				
	2017	2018	2019	2020	2021
Total Revenues	\$13,470.6	\$13,953.2	\$14,188.8	\$14,620.3	\$16,831.6
Total Other Financing Sources	\$980.5	\$819.2	\$947.0	\$1,422.9	\$1,453.2
Total Revenues and Other Financing Sources	\$14,451.1	\$14,772.4	\$15,135.8	\$16,043.2	\$18,284.9
Change from prior year		2.2%	2.5%	6.0%	14.0%
Total Expenditures	\$14,251.8	\$14,826.1	\$15,293.5	\$15,108.8	\$16,533.7
Change from prior year		4.0%	3.2%	(1.2%)	9.4%
Ending Balance - Restricted	\$ 430.3	\$ 433.5	\$ 275.8	\$ 1,220.5	\$ 2,971.6
Reserves/Adjustments	\$ 52.9	\$ 113.0	\$ 81.1	\$ 30.0	\$ 49.3
Ending Balance - School Aid Stabilization Fund *	\$ 377.4	\$ 320.5	\$ 194.7	\$ 1,190.5	\$ 2,922.3

* The School Aid Stabilization Fund is a separate account within the School Aid Fund. Any unexpended or unencumbered state school aid fund revenue is deposited into this fund at the end of each fiscal year. The amounts accumulated in this fund are carried forward and available only for allowable School Aid Fund uses.

State Payments to Local Governments from State Sources

Article IX section 30 of the Michigan Constitution was added in 1978 as one of the "Headlee" amendments, and established a minimum proportion of State revenue from state sources that must be paid to local governments, including municipalities, counties, school districts, and community colleges. Currently, local governments receive more than \$2 billion in excess of the required amount based on 48.97% of state spending from state sources.

State Payments to Local Governments from State Sources

(\$ in Millions)

	Fiscal Year (October 1 - September 30)				
	2017	2018	2019	2020	2021
Totals State Spending from State Sources	\$31,057.4	\$32,833.2	\$34,170.4	\$32,116.9	\$34,746.2
Total Required to be Paid to Local Governments (48.97%)	\$15,208.8	\$16,078.4	\$16,733.2	\$15,727.6	\$17,015.2
Payments to Local Governments from State Spending	\$17,355.2	\$18,140.4	\$18,933.3	\$18,782.0	\$19,076.9
Amount Over (Under) Requirement	\$2,146.4	\$2,062.0	\$2,200.0	\$3,054.3	\$2,061.7

Average Number of Active Classified Employees by Department

The State of Michigan workforce is about 47,000 employees, which has remained constant over the last five years. This level is significantly lower than 2000, when the state had more than 62,000 employees.

Average Number of Active Classified Employees by Department					
Fiscal Year (October 1 - September 30)					
	2017	2018	2019	2020	2021
Agriculture and Rural Development	439	458	463	462	456
Attorney General	491	498	501	515	521
Auditor General	149	143	153	152	151
Civil Rights	84	86	88	86	76
Civil Service Commission	418	432	433	442	430
Corrections	12,278	11,967	11,944	11,795	11,204
Education	504	505	503	498	494
Environment, Great Lakes & Energy	1,126	1,129	1,150	1,208	1,216
Executive Office	60	57	59	74	71
Insurance and Financial Services	296	300	302	302	318
Labor & Economic Opportunity	1,199	1,163	1,288	2,216	2,598
Licensing & Regulatory Affairs	1,895	1,943	1,947	1,577	1,535
Health and Human Services	14,083	14,273	14,406	14,241	14,067
Military and Veterans Affairs	745	765	772	755	752
Natural Resources	1,683	1,719	1,757	1,693	1,661
State	1,309	1,332	1,371	1,380	1,322
State Police	2,893	2,984	3,027	3,008	2,962
Technology, Management & Budget	2,960	2,992	2,973	2,933	2,835
Transportation	2,594	2,597	2,583	2,574	2,566
Treasury	1,619	1,616	1,603	1,613	1,585
Total	46,825	46,956	47,323	47,524	46,820

Total Outstanding Debt by Major Type

Michigan's general obligation debt burden is low relative to other states, and has been declining over the last several years.

The increase in debt for revenue bonds is largely a result of bonding to raise revenue necessary for transportation infrastructure investments.

Total Outstanding Debt by Major Type (\$ in Millions)

	Fiscal Year (October 1 - September 30)				
	2017	2018	2019	2020	2021
General Obligation Bonds	\$1,634.4	\$1,607.0	\$1,422.3	\$1,439.5	\$1,268.9
Revenue Bonds	\$1,623.7	\$1,446.9	\$1,262.2	\$2,088.3	\$2,914.3
State Building Authority Bonds	\$3,303.1	\$3,199.5	\$3,170.1	\$3,191.4	\$3,322.1
Other	\$565.1	\$548.8	\$502.1	\$662.5	\$870.8
Total	\$7,126.3	\$6,802.2	\$6,356.7	\$7,381.7	\$8,376.1
Per Capita Debt	\$715	\$681	\$637	\$733	\$833
Debt as % personal income	1.6%	1.4%	1.3%	1.4%	1.5%

Description of Debt Types:

General Obligation Bonds	Long-term borrowing backed by the full faith and credit of the state. Except for loans to school districts, general obligation bonds must be approved by voters. Currently, general obligation debt is primarily for environmental programs.
Revenue Bonds	Long-term borrowing for specific purposes that must be repaid from specifically designated sources, rather than the state's general credit. Transportation bonds are in this category.
State Building Authority Bonds	Long-term borrowing to construct and acquire facilities for use by the state or by community colleges and public universities.

Total Unfunded Liabilities for Retirement Systems

Over the last decade, Michigan has instituted fiscal practices to address unfunded liabilities. A major reform was moving from pay-as-you-go to pre-funding of retiree health costs, which has increased long-term stability of the retirement systems.

Total Unfunded Liabilities for Retirement Systems (\$ in Millions)

		Fiscal Year (October 1 - September 30)				
		2017	2018	2019	2020	2021
State Employee Retirement System						
	Pension	\$5,996.8	\$6,500.9	\$6,547.1	\$6,446.3	\$6,109.3
	Health	\$7,548.2	\$8,068.7	\$6,144.7	\$5,011.4	\$3,755.6
Public School Employee Retirement System						
	Pension	\$29,438.2	\$32,745.0	\$33,779.7	\$33,750.3	\$34,423.6
	Health	\$8,409.9	\$7,659.4	\$6,051.8	\$3,706.1	\$1,829.1
Judges Retirement System						
	Pension	\$1.9	\$6.1	\$10.7	\$10.1	(\$0.8)
	Health	\$6.5	\$7.3	\$1.5	(\$0.1)	(\$3.3)
State Police Retirement System						
	Pension	\$749.0	\$771.8	\$800.7	\$829.1	\$857.1
	Health	\$576.4	\$586.0	\$524.6	\$448.5	\$408.2
Legislative Retirement System						
	Pension	\$59.9	\$67.9	\$67.5	\$69.4	NA
	Health	\$165.0	\$140.6	\$111.8	\$103.1	NA
Total Liabilities						
	Pension	\$36,245.8	\$40,091.7	\$41,205.7	\$41,105.2	NA
	Health	\$16,706.0	\$16,462.0	\$12,834.4	\$9,269.0	NA

Description:

Government Accounting Standards Board requires governments to measure and report amounts owed for retiree pension and health benefits. The unfunded actuarial accrued liability is the difference between the long-term benefits owed under the plan and the amount of assets in the plan.

The Legislative Retirement System reports with a one-year lag relative to other retirement systems listed.

Budget Stabilization Fund/Rainy Day Fund

Michigan's "Rainy Day Fund" was established in 1977 to assist in stabilizing revenue during periods of recession. The total has grown from \$2 million in 2005 to about \$1.4 billion in 2021, and rebuilding the fund continues to be a priority. Deposits of \$535 million in FY21 more than offset a withdrawal of \$350 million made in FY20 when it appeared that there was a significant budget shortfall after the start of the public health epidemic.

Budget Stabilization Fund/ Rainy Day Fund (\$ in Millions)

	Fiscal Year (October 1 - September 30)				
	2017	2018	2019	2020	2021
Beginning Balance	\$612.4	\$710.0	\$1,006.0	\$1,148.6	\$829.1
Interest income	\$5.1	\$13.5	\$25.1	\$13.0	\$0.8
Tobacco settlement proceeds	\$17.5	\$17.5	\$17.5	\$17.5	\$17.5
Deposits	\$75.0	\$265.0	\$100.0	\$0.0	\$535.0
Withdrawal	\$0.0	\$0.0	\$0.0	(\$350.0)	\$0.0
Ending Balance	\$710.0	\$1,006.0	\$1,148.6	\$829.1	\$1,382.4

Economic Indicators

Per capita income has grown significantly in the past 2 years, and employment has rebounded since the pandemic began in 2020.

Economic Indicators

	Fiscal Year (October 1 - September 30)				
	2017	2018	2019	2020	2021
Annual unemployment rate, seasonally adjusted	4.6%	4.2%	4.1%	9.9%	5.9%
Nonfarm payroll employment (number of people in thousands)	4,377	4,426	4,443	4,039	4,194
Michigan per capita income	\$45,648	\$47,314	\$48,820	\$52,724	\$55,551

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