

# Michigan's Economy and Budget

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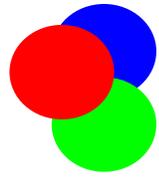
**Prepared for:**

**Representative Vicki Barnett  
District 37 Town Hall Meeting  
Maxfield Training Center, Farmington**

**January 25, 2010**

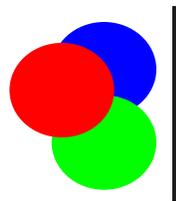


**Mitchell E. Bean, Director**



# **GF/GP and Restricted Cuts (Approximately \$850 million)**

- **FY 2009-10 budget approved by Legislature included roughly \$500 million in GF/GP reductions and another \$350 million in reductions to restricted fund appropriations**
- **Compared to original FY 2008-09 budget, most operational departments saw reductions about 10% in their GF/GP appropriation amounts**
- **Statutory Revenue Sharing for cities/villages/townships reduced by \$73.8 million from FY 2008-09 (19.0% reduction)**
- **Funding for Michigan Promise Grant Program entirely eliminated and additional reductions of \$59.2 million GF/GP to need-based financial aid programs**
- **Medicaid provider rates cut by 8.0% from original FY 2008-09 levels (\$94.9 million GF/GP savings) and non-Medicaid Community Mental Health services reduced by \$40 million GF/GP**
- **Human Services budget reduced by over \$238 million GF/GP, barely sufficient to meet federal maintenance-of-effort spending requirements for federal funds**



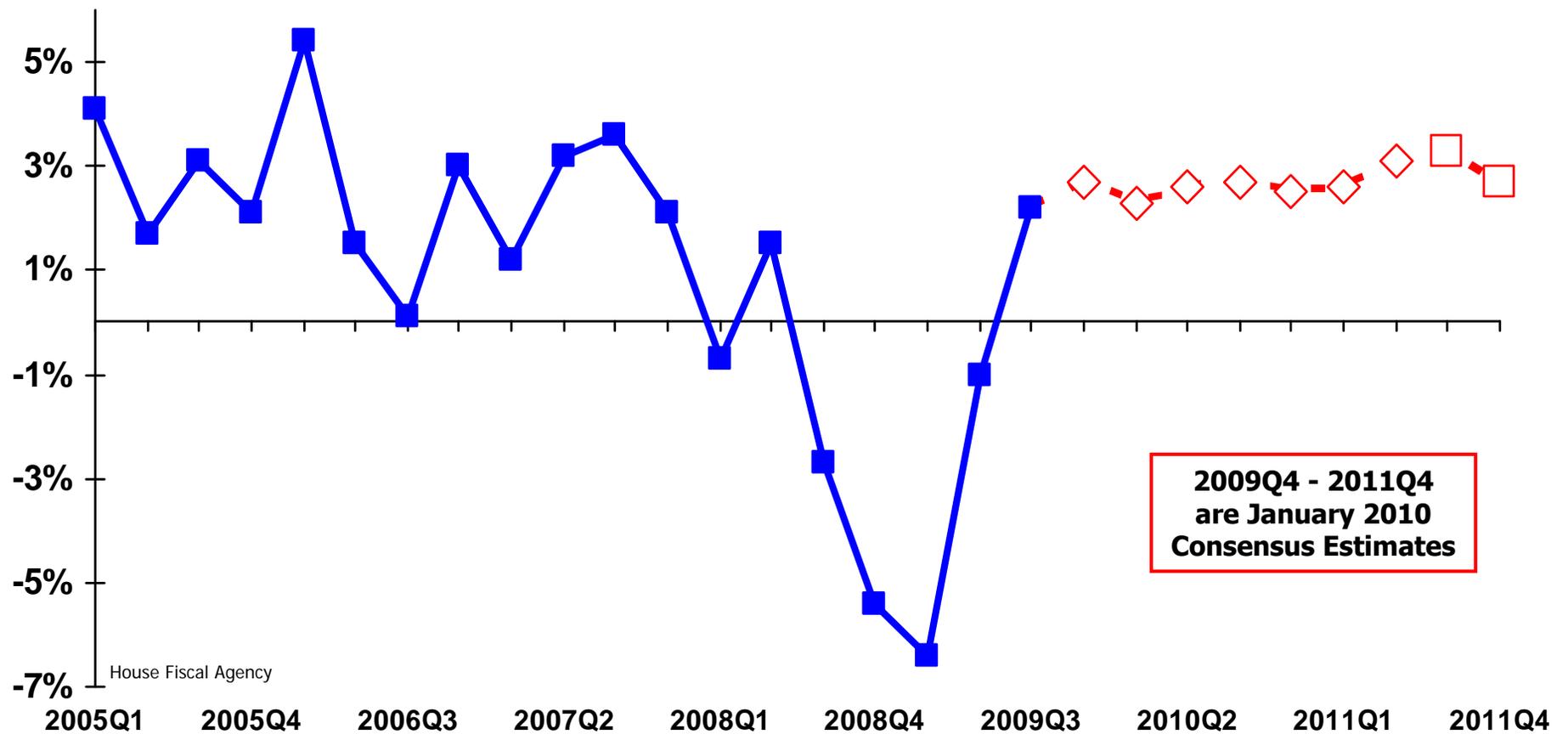
# School Aid FY 2009-10

- **\$165 per pupil reduction (\$263 million)**
- **ISD operation reduction of 20% (\$16.3 million)**
- **Elimination and reduction of specific categorical programs totaling \$32.8 million**
- **Governor vetoed the Sec. 20J payments which reduced funding to 39 districts by a total of \$51.5 million**

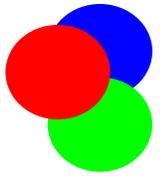


# GDP Forecast

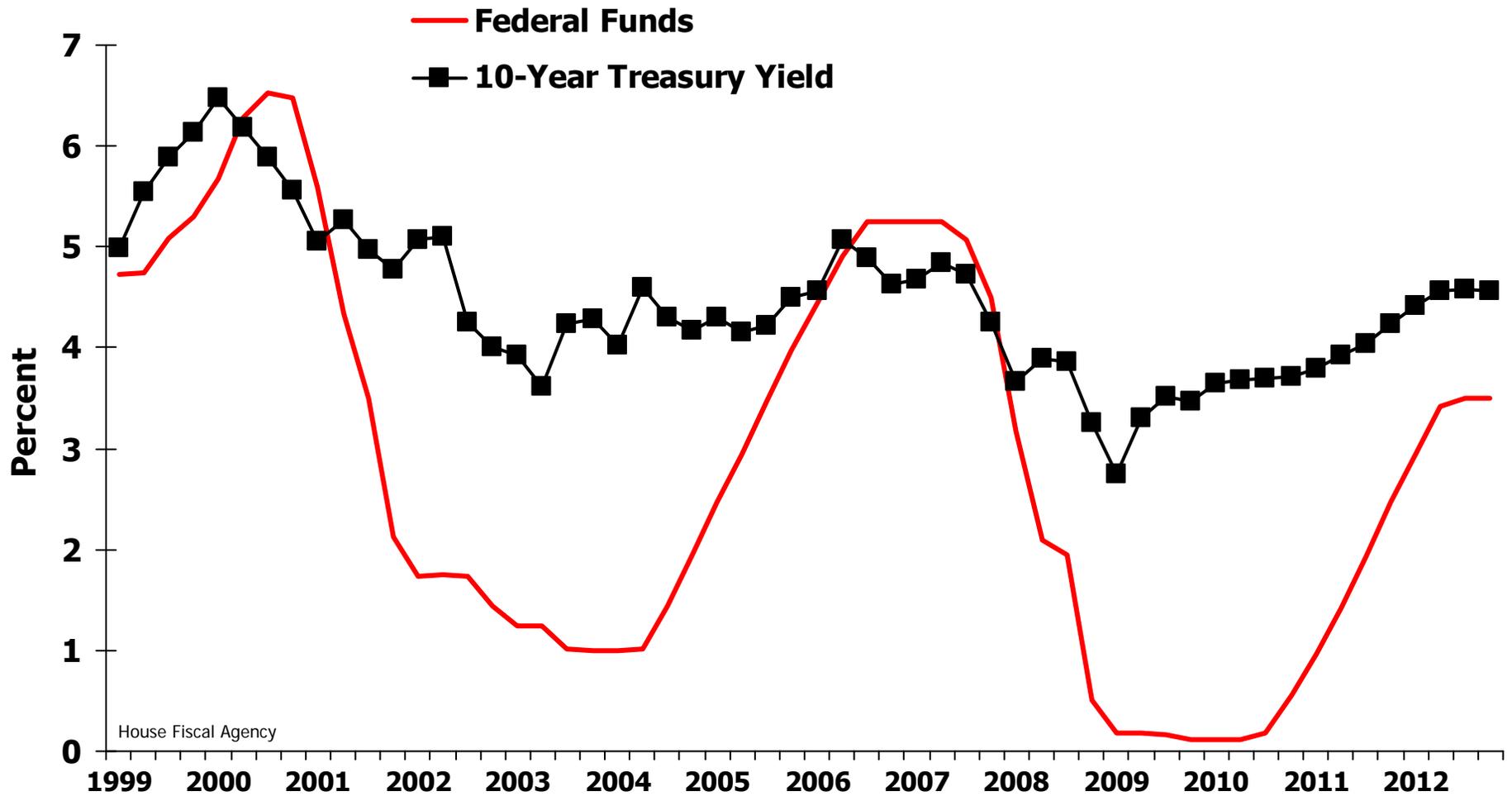
Percent Change



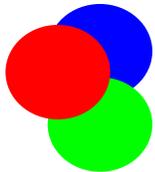
2009Q4 - 2011Q4  
are January 2010  
Consensus Estimates



# Interest Rates

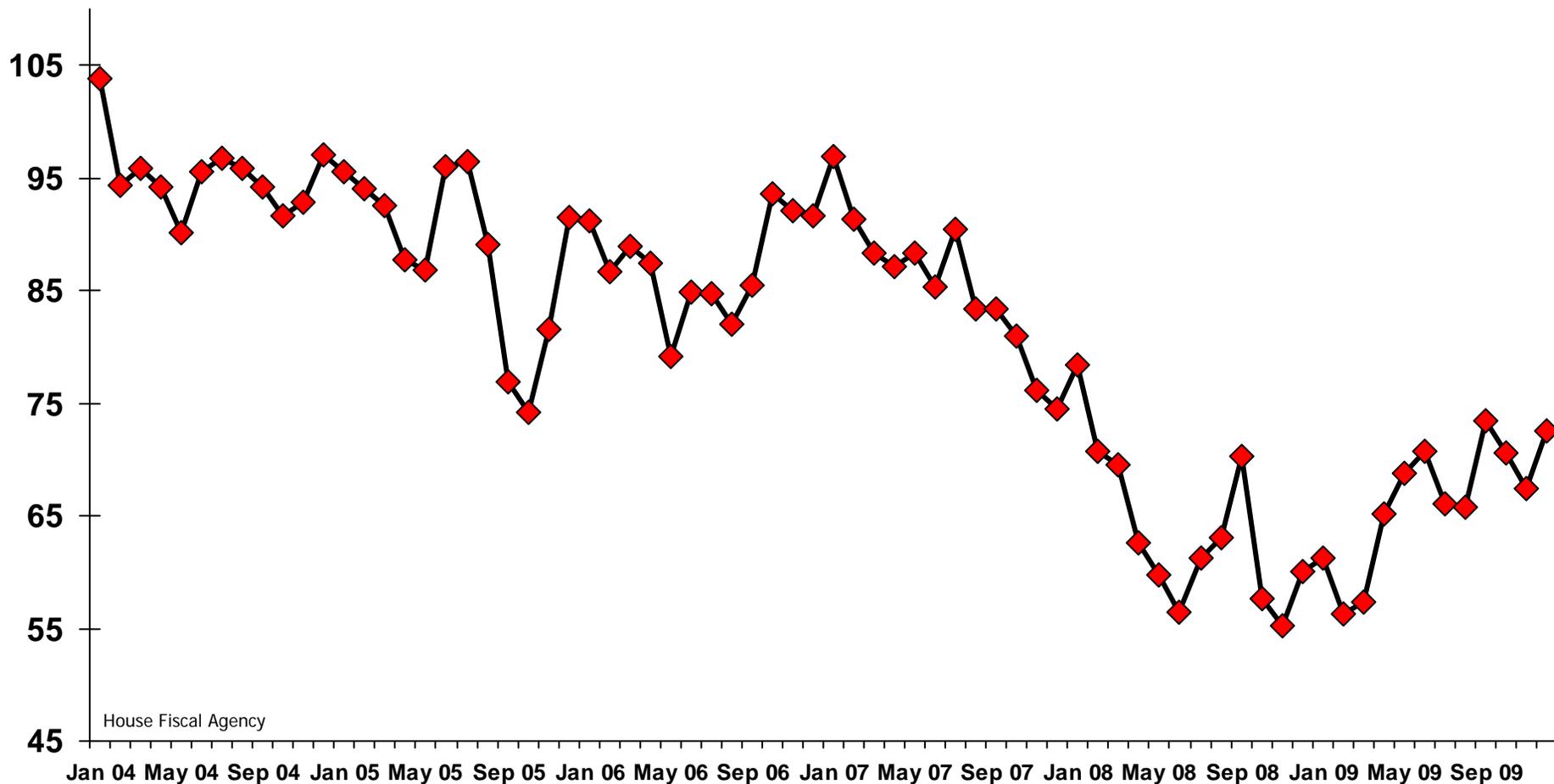


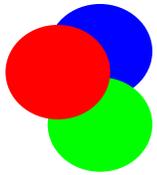
House Fiscal Agency



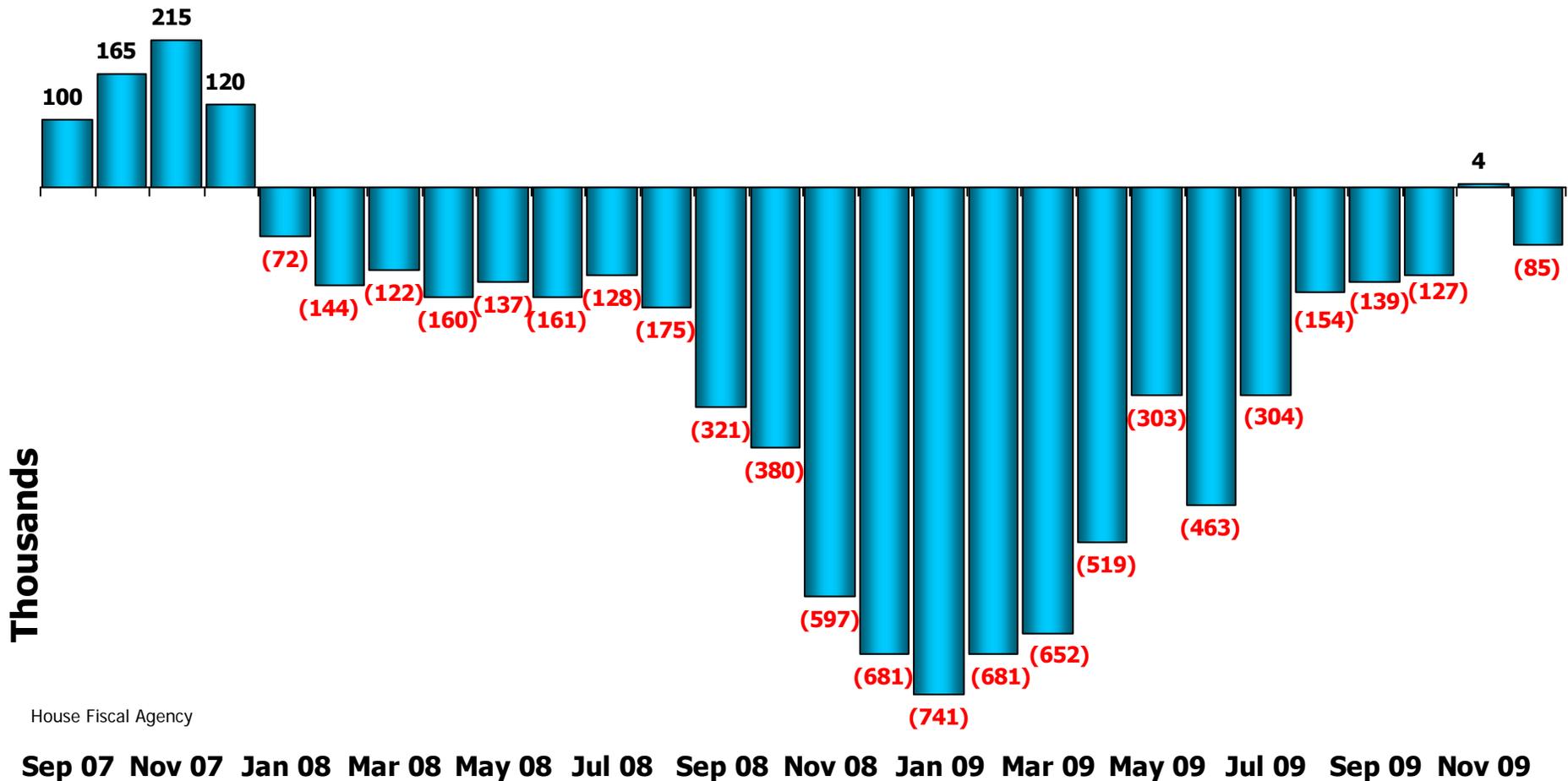
# Index of Consumer Sentiment

January 2004 Through December 2009





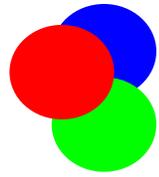
# U.S. Economy Has Lost 7.3 Million Jobs Since Recession Began



House Fiscal Agency

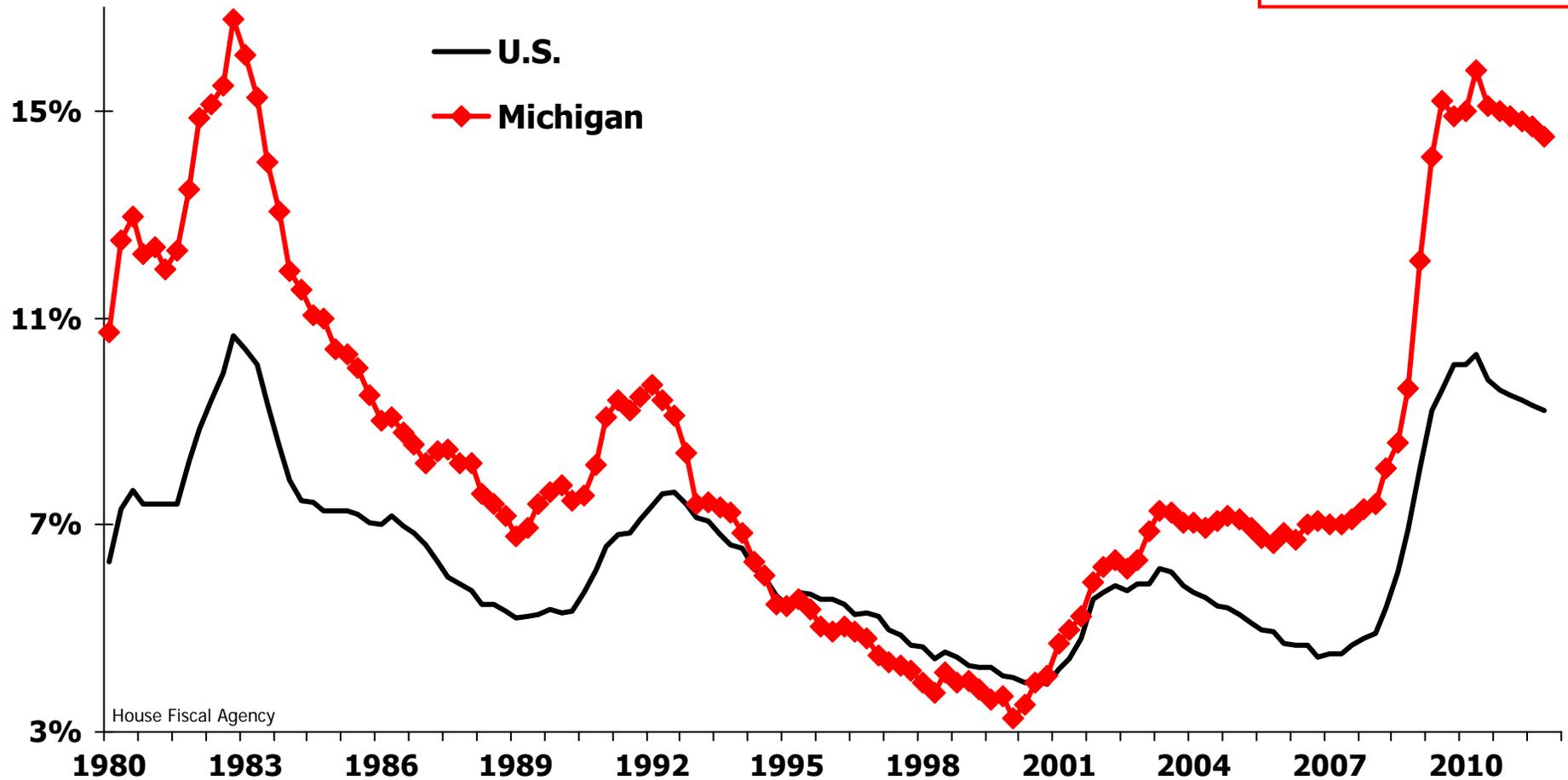


Source: U.S. Bureau of Labor Statistics, U.S. Department of Labor

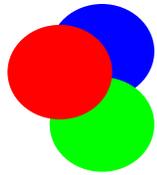


# U.S. and Michigan Unemployment Rates

2009Q3 – 2010Q4  
are January 2010  
Consensus Estimates

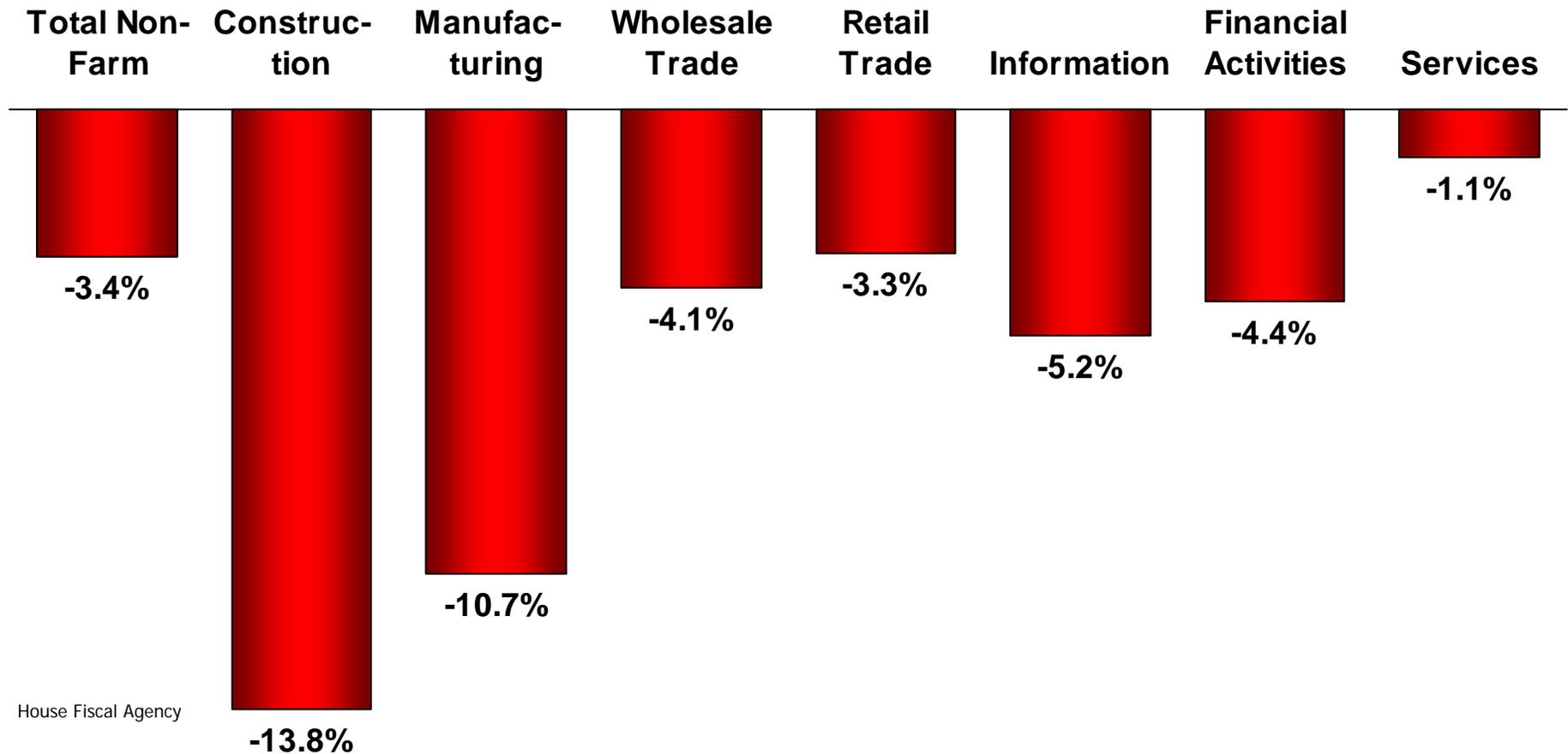


House Fiscal Agency

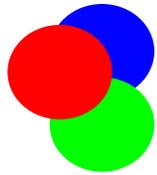


# U.S. % Change in Employment

November 2008 Through November 2009

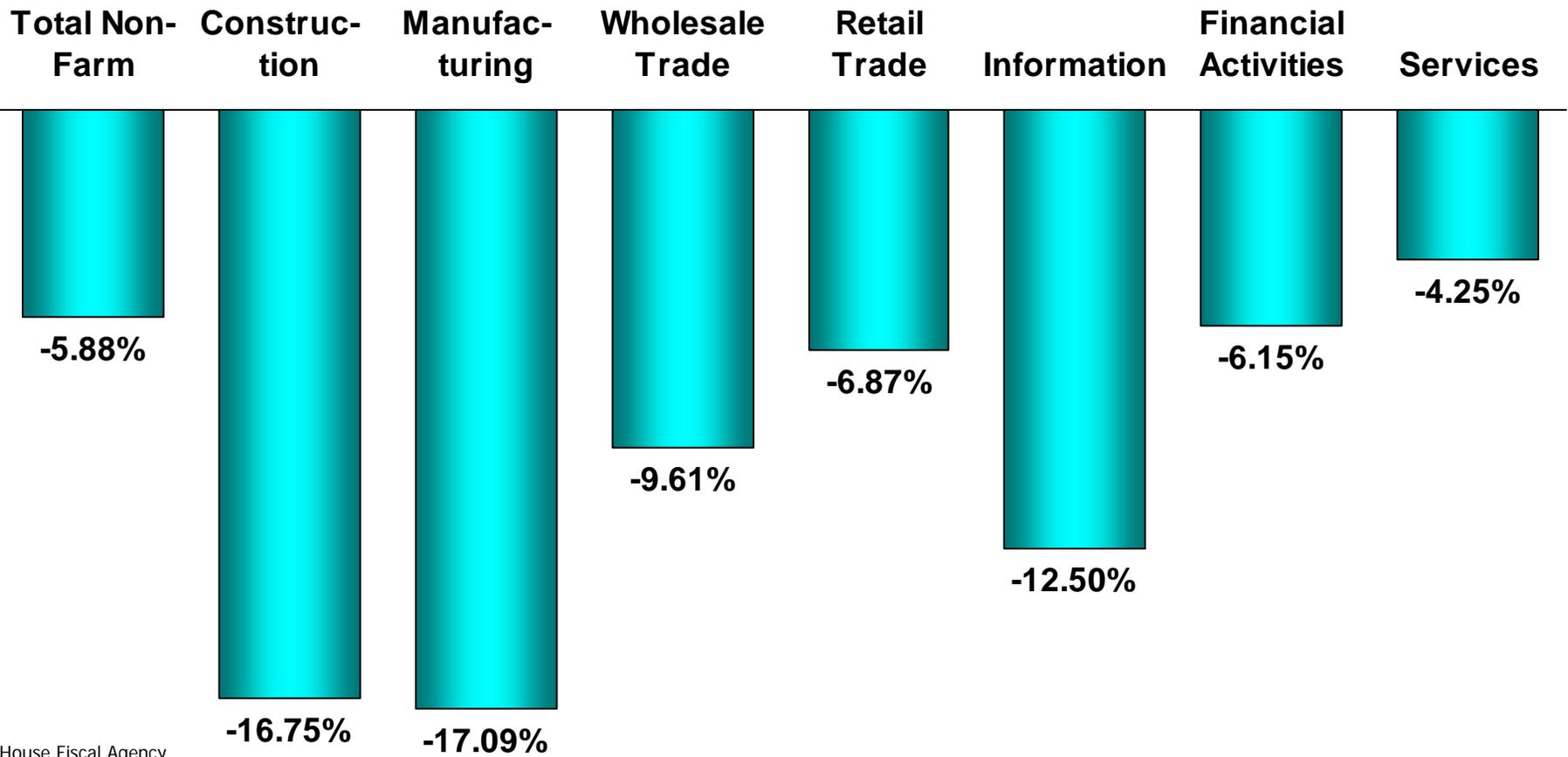


House Fiscal Agency

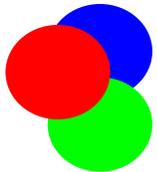


# Michigan % Change in Employment

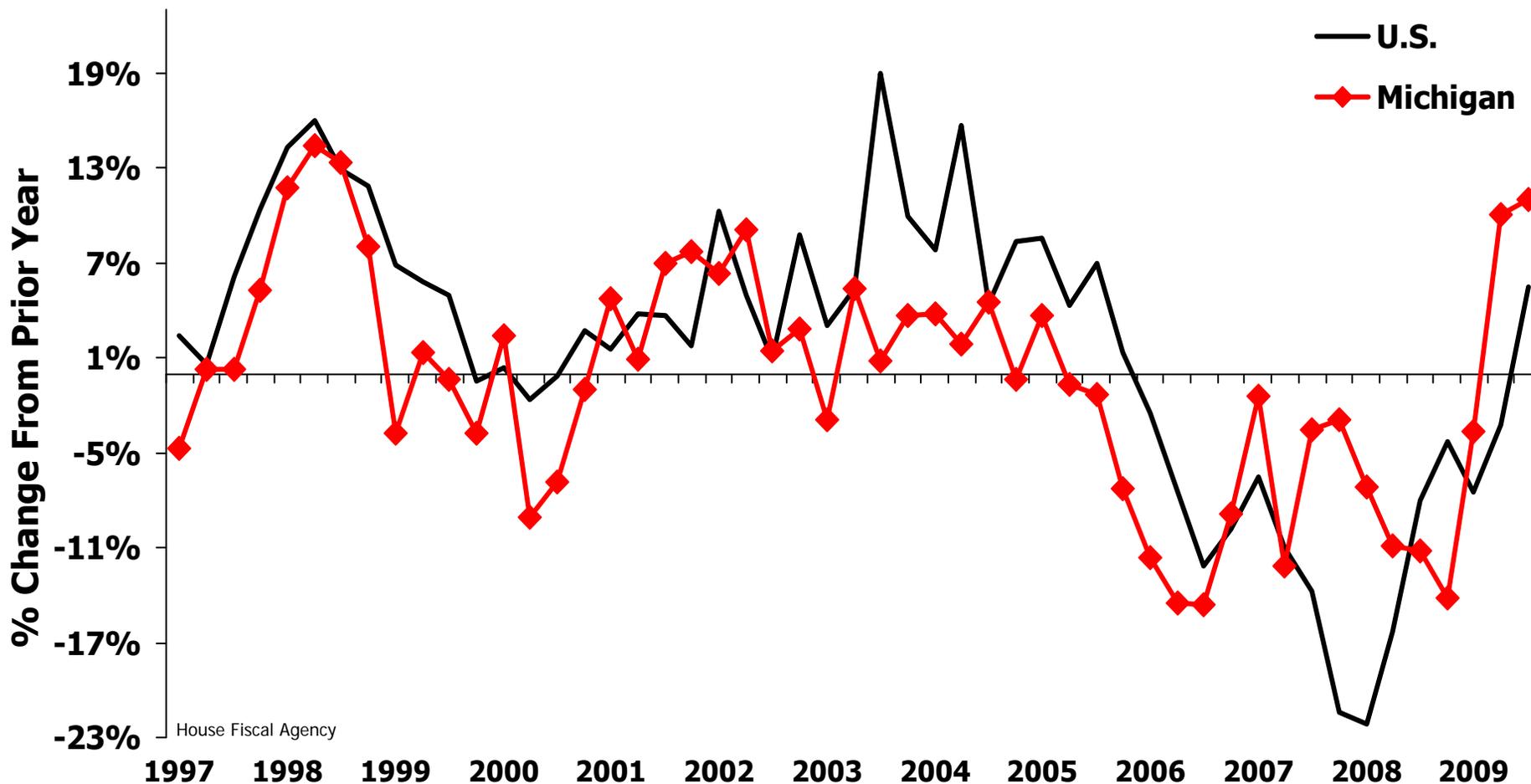
November 2008 Through November 2009



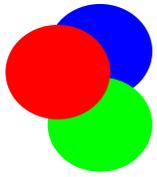
House Fiscal Agency



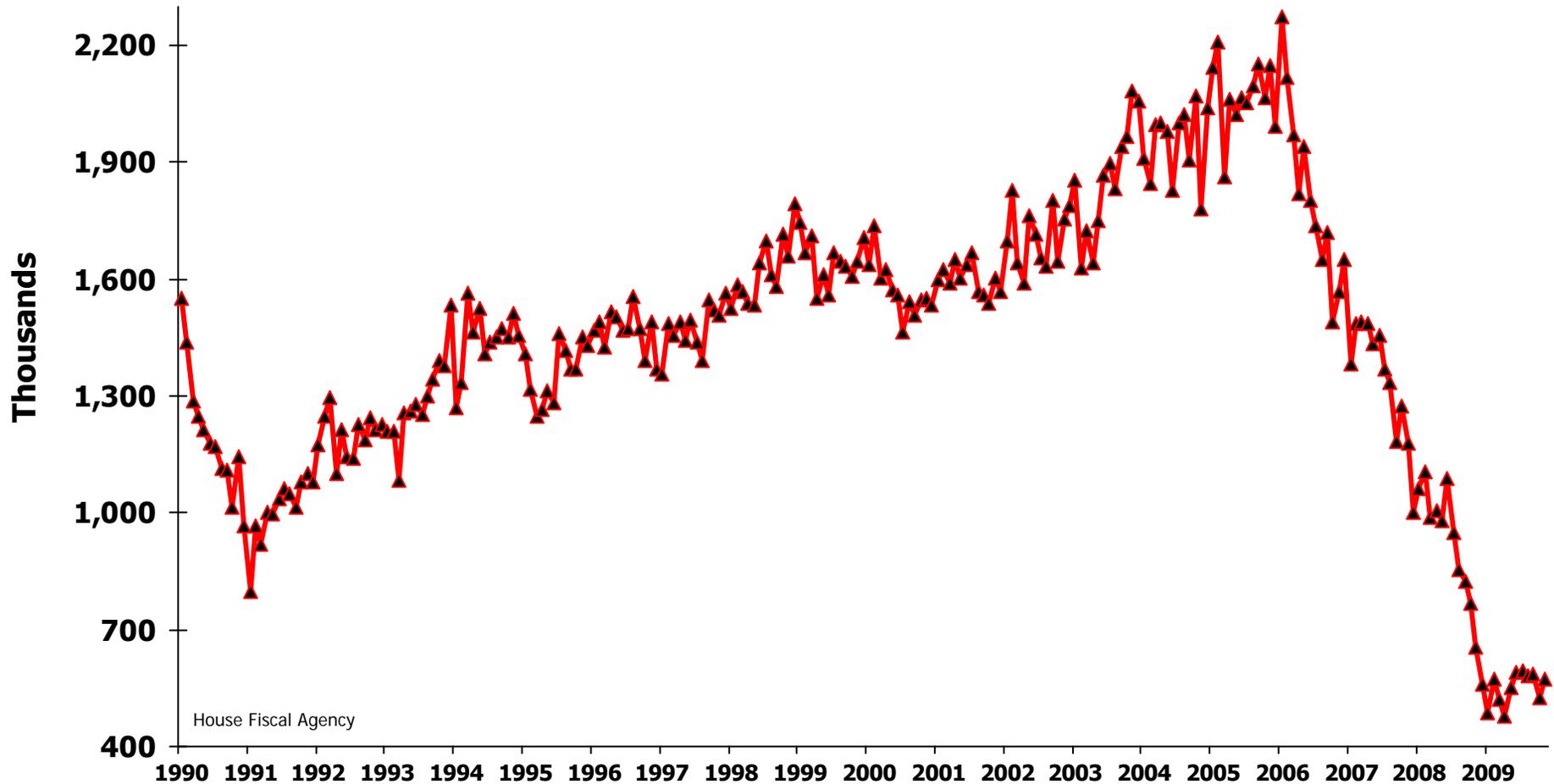
# Total Existing Home Sales

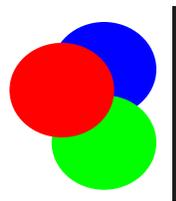


House Fiscal Agency



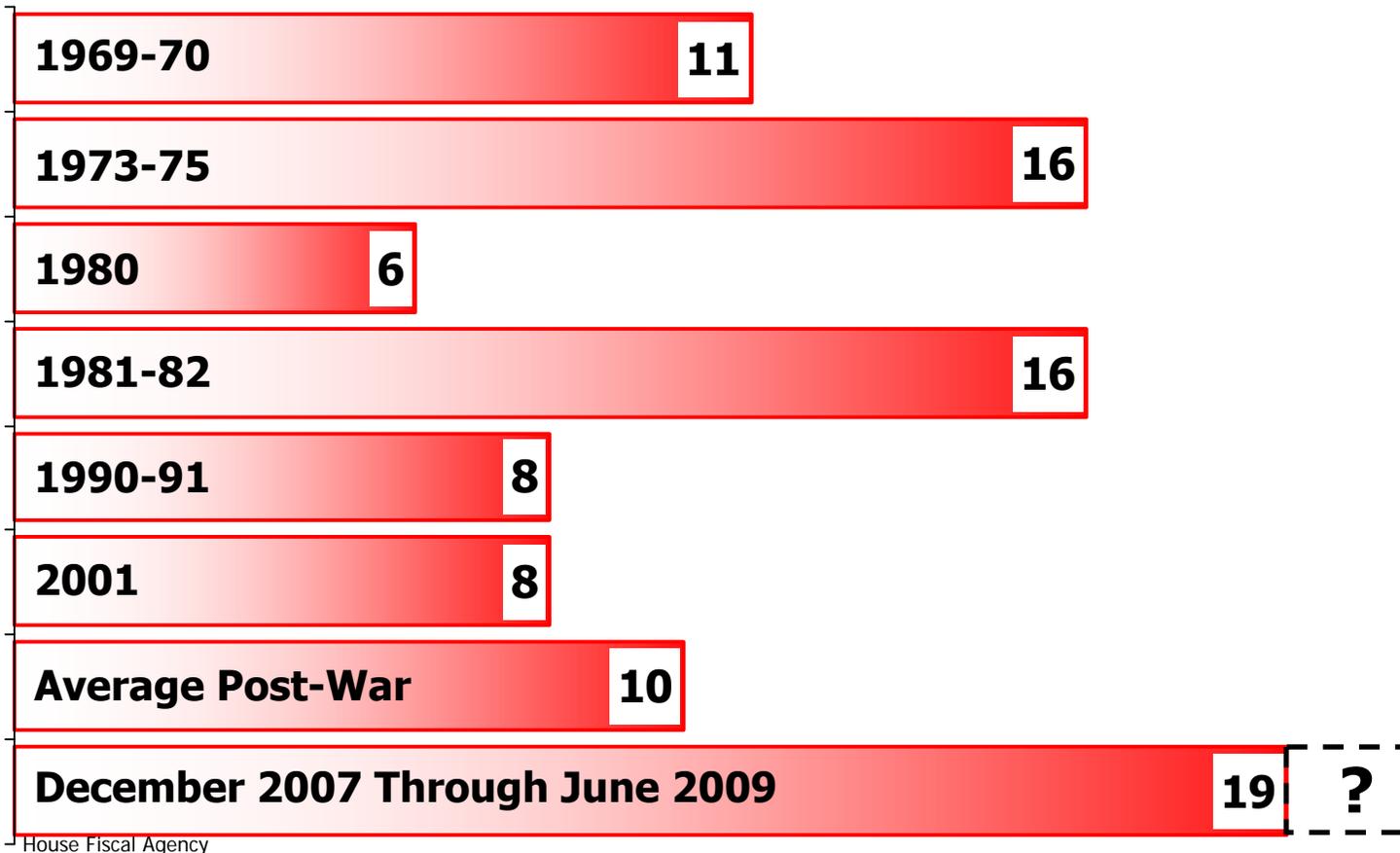
# U.S. Housing Starts Drop 75% January 2006 Through November 2009



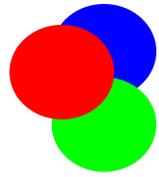


# Length of U.S. Recessions

# of Months From Peak to Trough

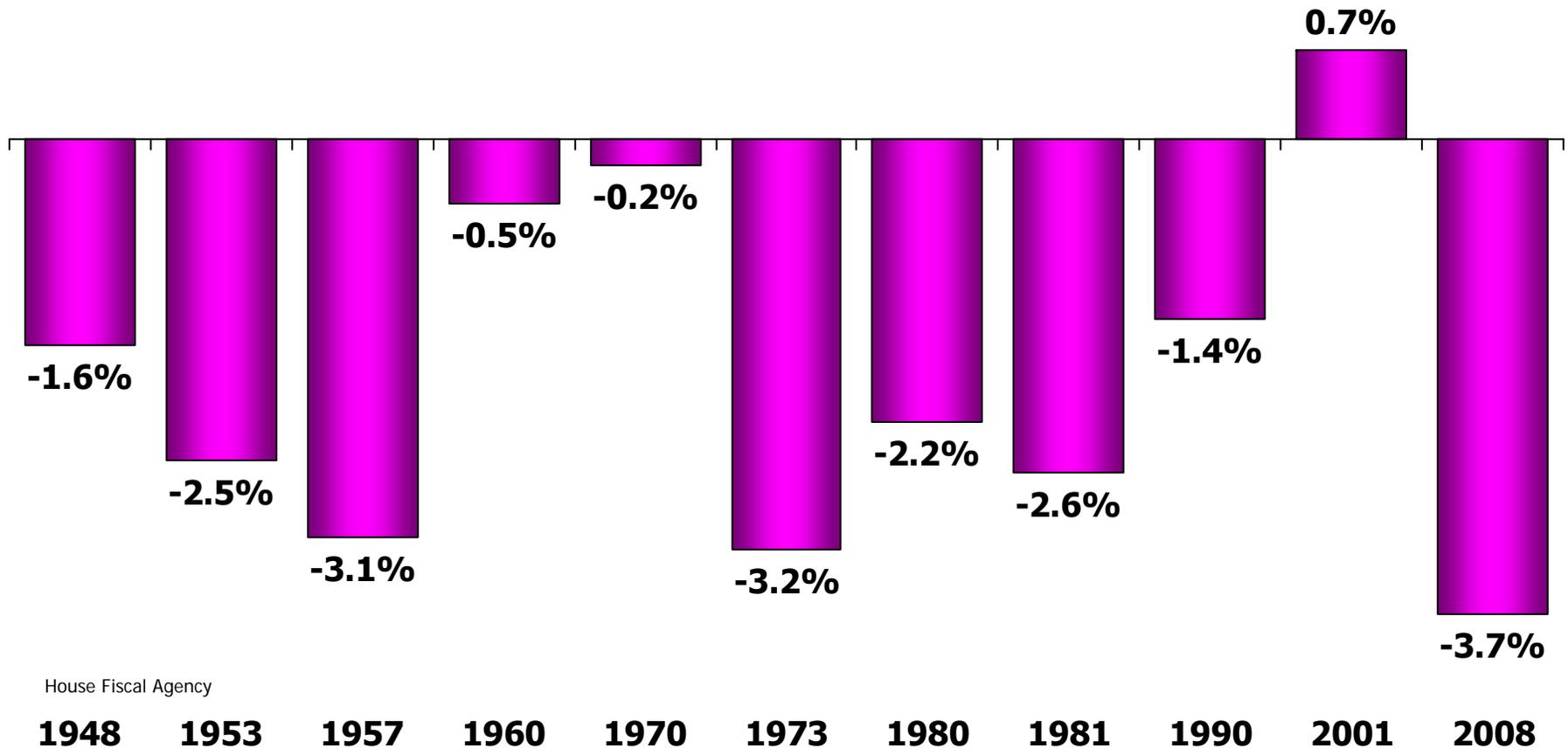


House Fiscal Agency

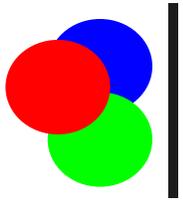


# Decline in GDP Steep Compared to Recent Recessions

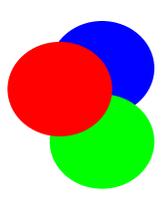
Peak to Trough GDP Decline



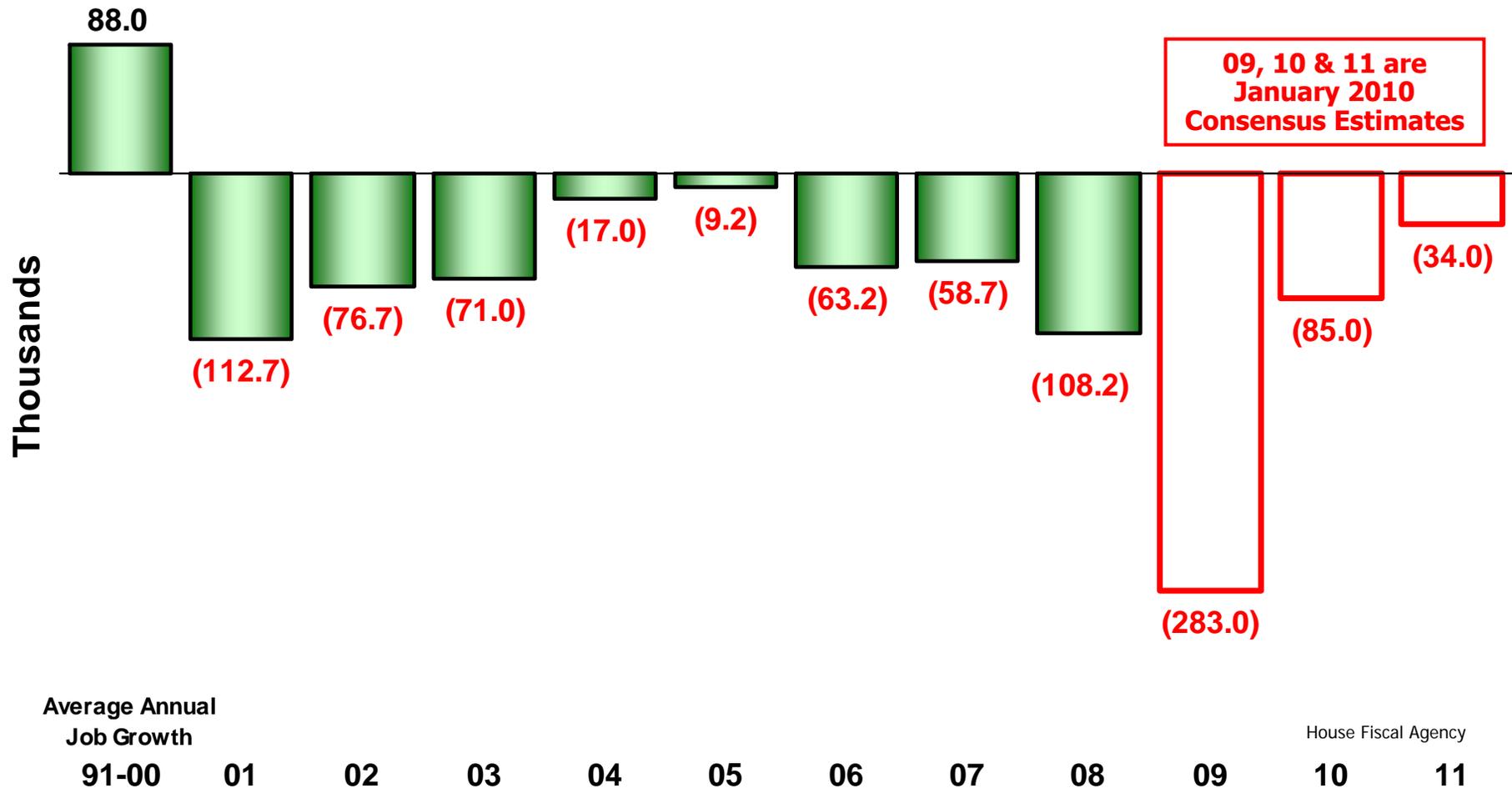
House Fiscal Agency

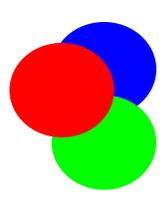


# MICHIGAN FORECAST



# Job Growth in Michigan



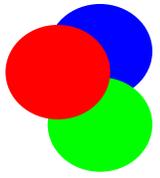


# Employment Location Quotients by Industry

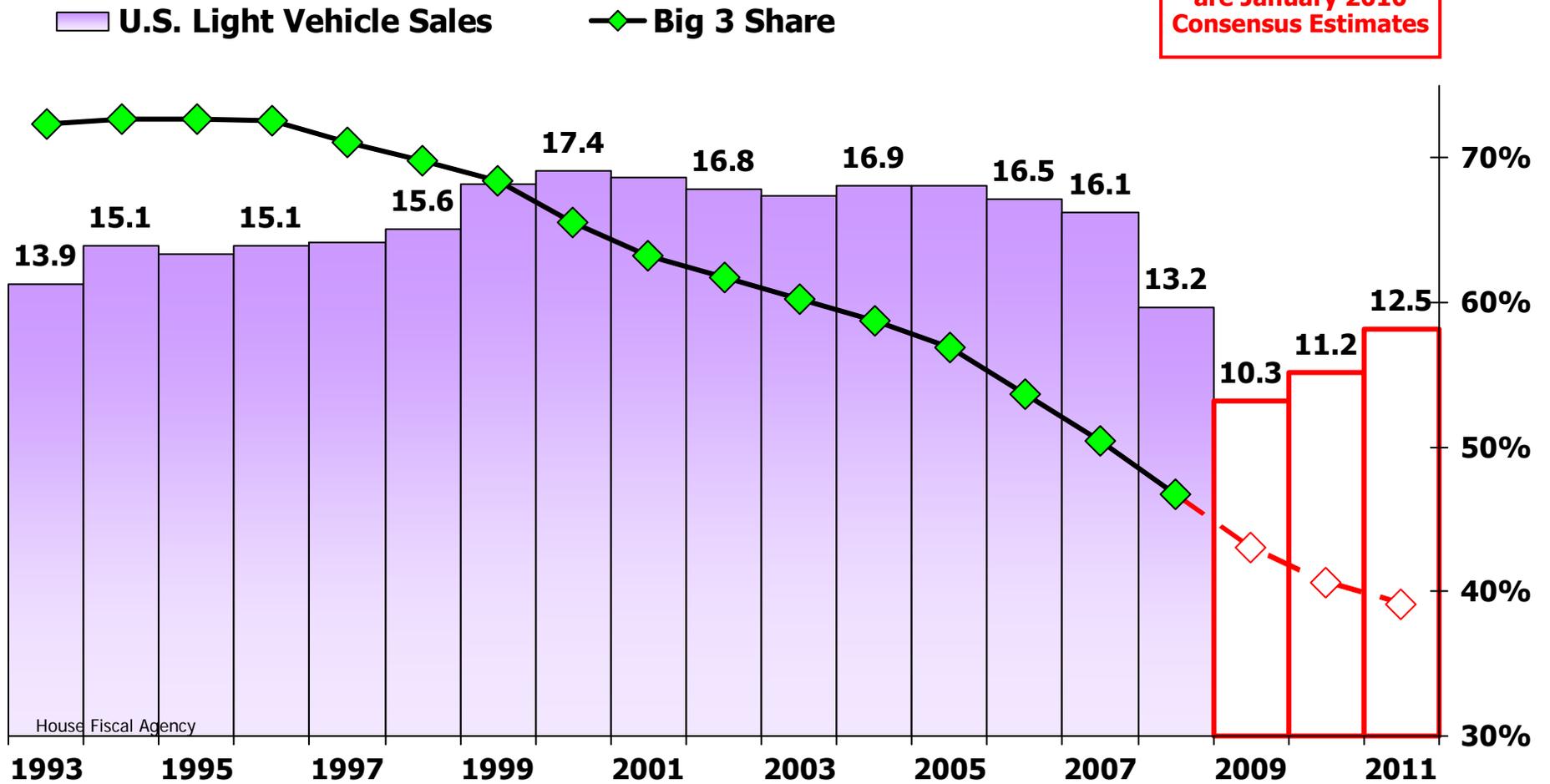
**Michigan: February 2009**

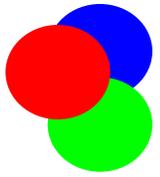
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<b><u>Industry</u></b>	<b><u>Location Quotient</u></b>
<b>Detroit 3 vehicle and parts manufacturing</b>	<b>16.20</b>
<b>Manufacturing except Detroit 3</b>	<b>1.18</b>
<b>Private non-manufacturing</b>	<b>0.96</b>

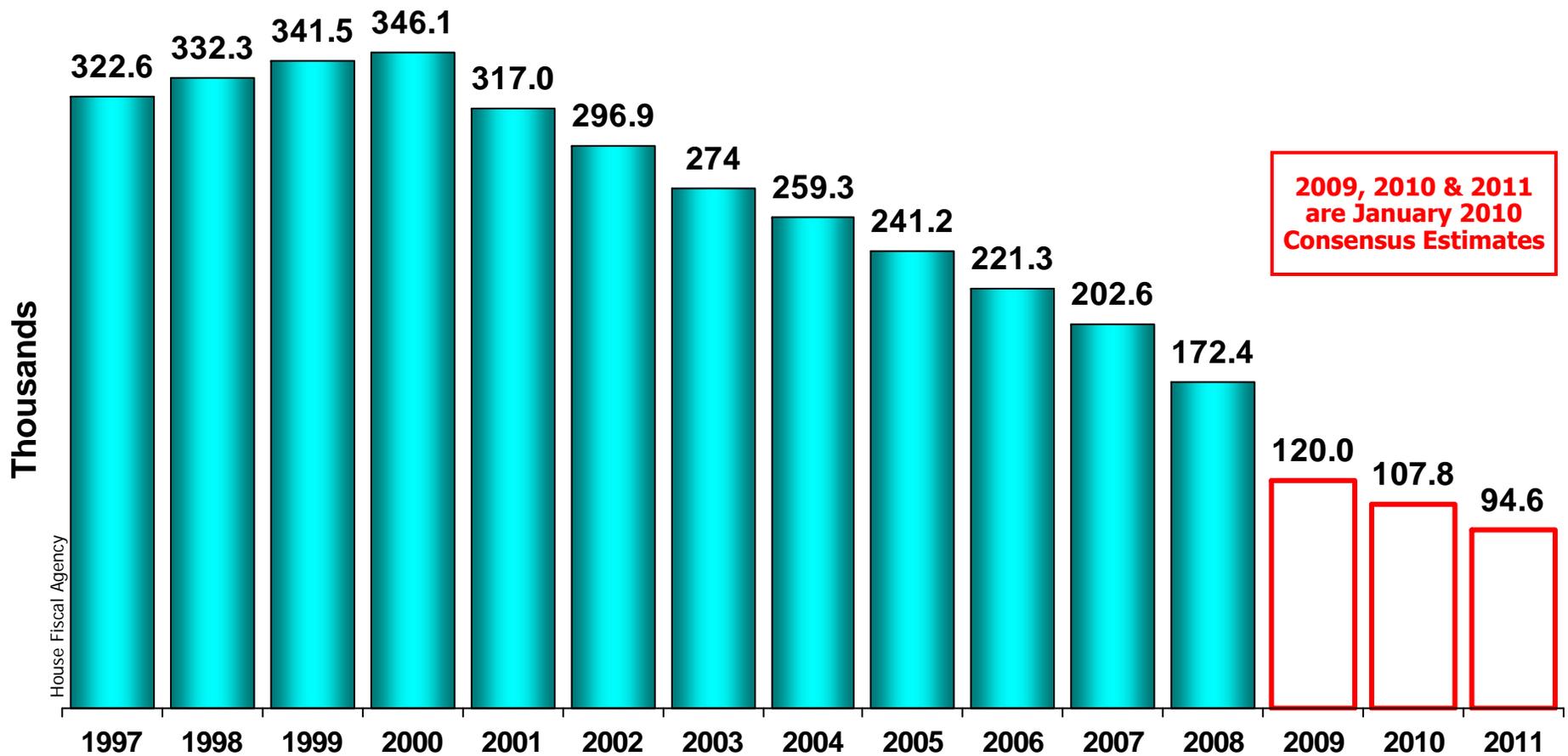


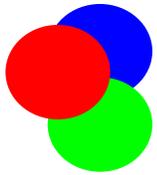
# Big 3 Losing Market Share



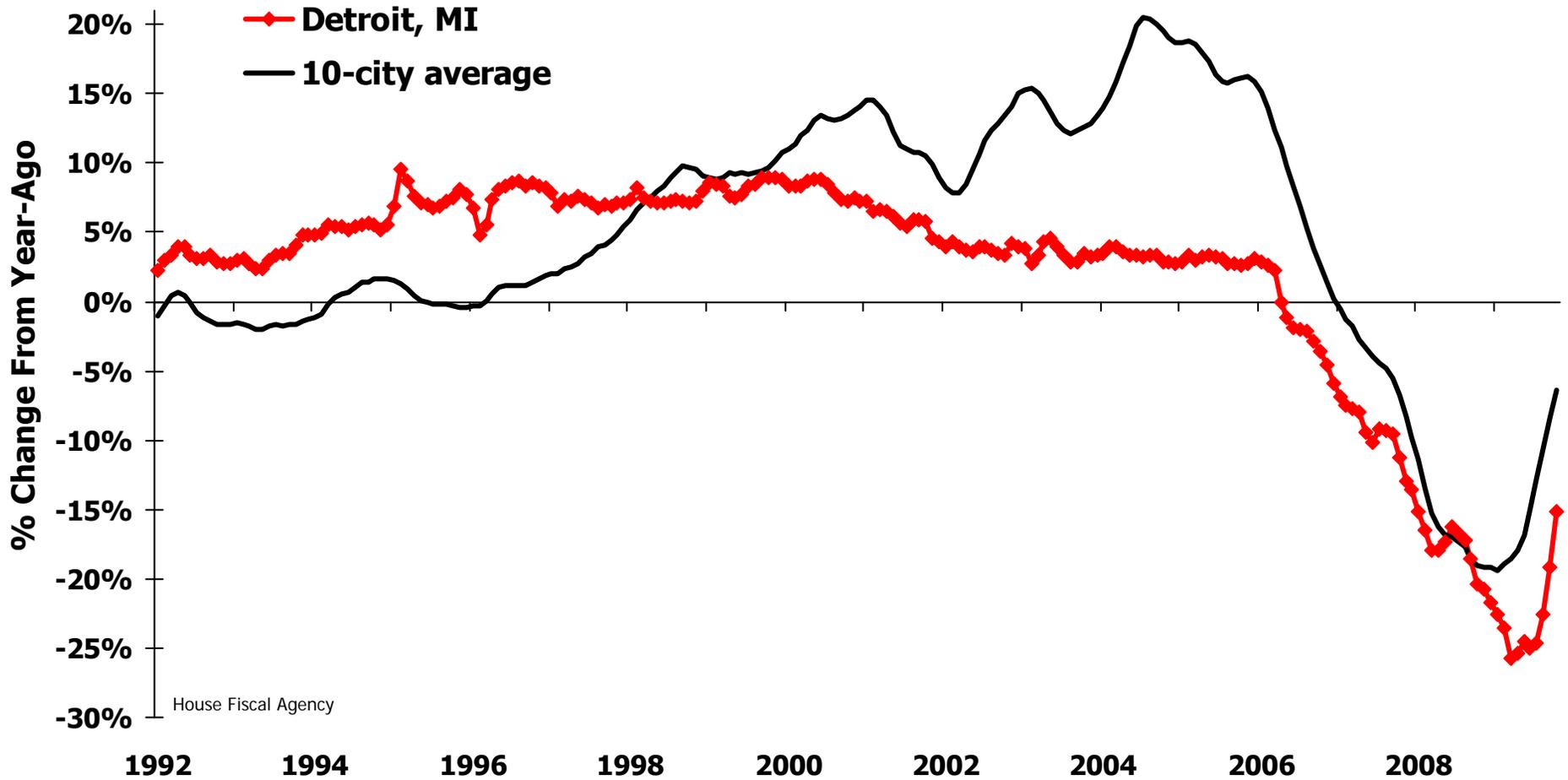


# Michigan Vehicle Employment

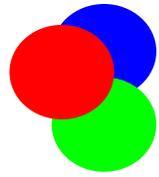




# Home Prices Fall Sharply



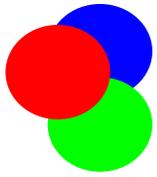
House Fiscal Agency



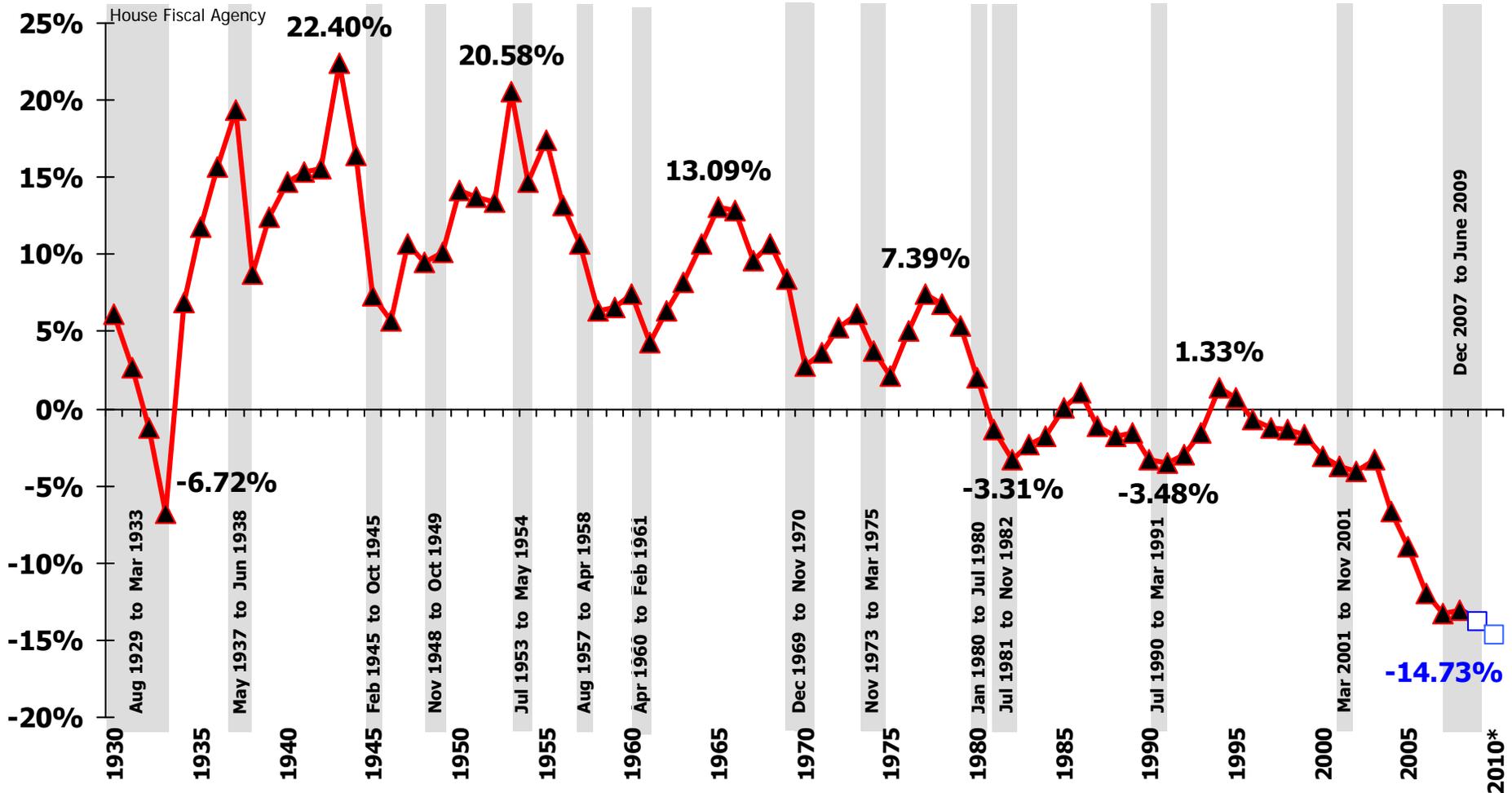
# Property Value Growth Slowing

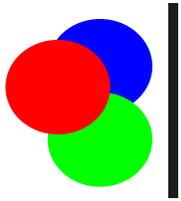
## Yearly Change

	<u>Inflation Rate Multiplier for Property</u>	<u>Total SEV Growth</u>	<u>Total Taxable Value Growth</u>
<b>1996</b>	<b>2.8 %</b>	<b>7.5 %</b>	<b>5.1 %</b>
<b>1997</b>	<b>2.8 %</b>	<b>8.2 %</b>	<b>5.7 %</b>
<b>1998</b>	<b>2.7 %</b>	<b>9.5 %</b>	<b>6.1 %</b>
<b>1999</b>	<b>1.6 %</b>	<b>9.9 %</b>	<b>6.0 %</b>
<b>2000</b>	<b>1.9 %</b>	<b>9.0 %</b>	<b>5.5 %</b>
<b>2001</b>	<b>3.2 %</b>	<b>10.0 %</b>	<b>7.1 %</b>
<b>2002</b>	<b>3.2 %</b>	<b>9.8 %</b>	<b>6.7 %</b>
<b>2003</b>	<b>1.5 %</b>	<b>7.5 %</b>	<b>4.8 %</b>
<b>2004</b>	<b>2.3 %</b>	<b>6.3 %</b>	<b>5.7 %</b>
<b>2005</b>	<b>2.3 %</b>	<b>5.9 %</b>	<b>5.6 %</b>
<b>2006</b>	<b>3.3 %</b>	<b>5.0 %</b>	<b>5.8 %</b>
<b>2007</b>	<b>3.7 %</b>	<b>3.8 %</b>	<b>5.2 %</b>
<b>2008</b>	<b>2.3 %</b>	<b>-1.3 %</b>	<b>1.4 %</b>
<b>2009</b>	<b>4.4 %</b>	<b>-5.4 %</b>	<b>-0.8 %</b>

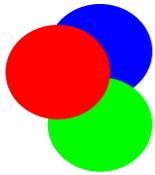


# Michigan Per Capita Income Deviation from National Average



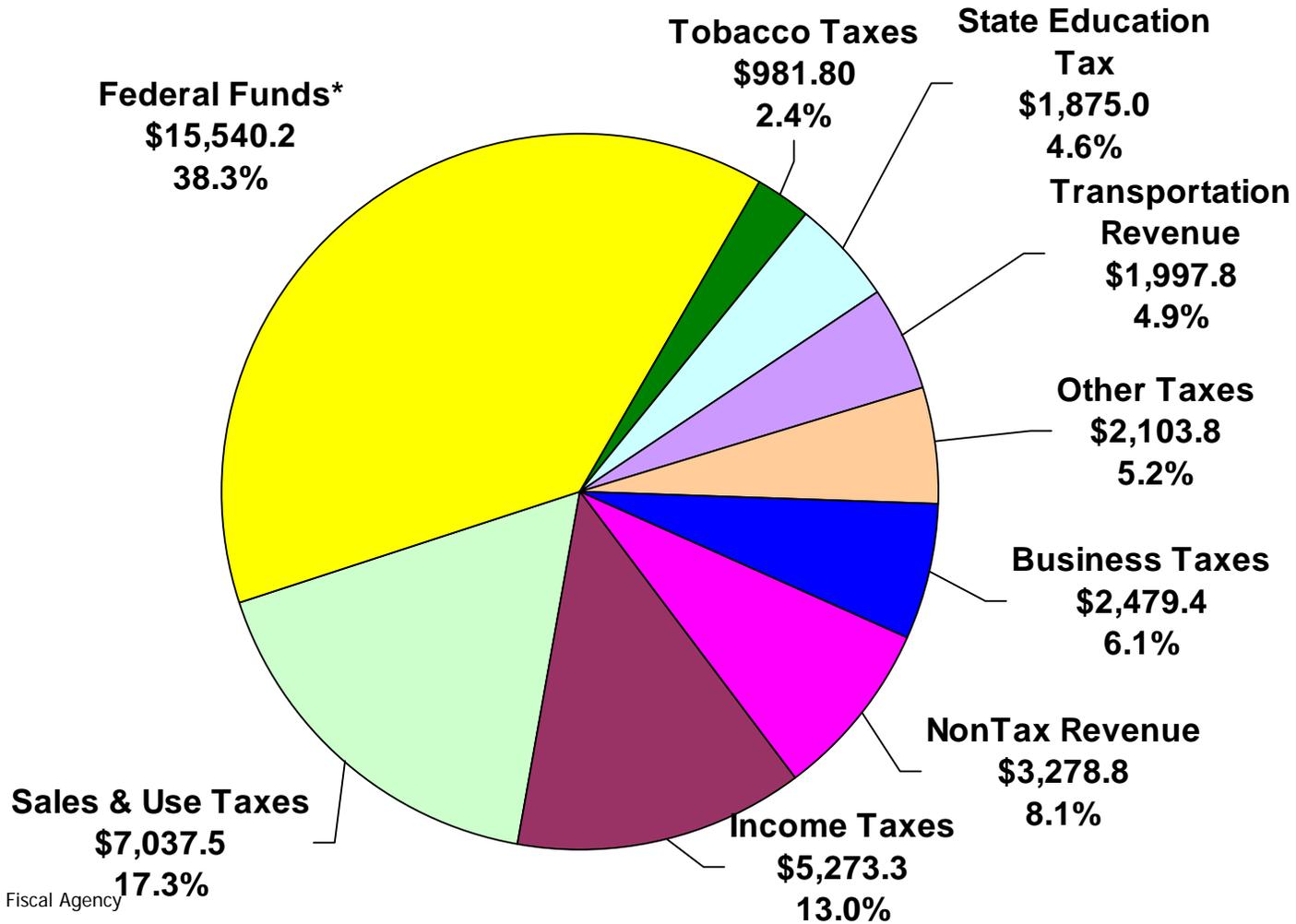


# MICHIGAN REVENUE

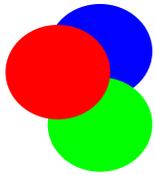


# State of Michigan Revenue Sources

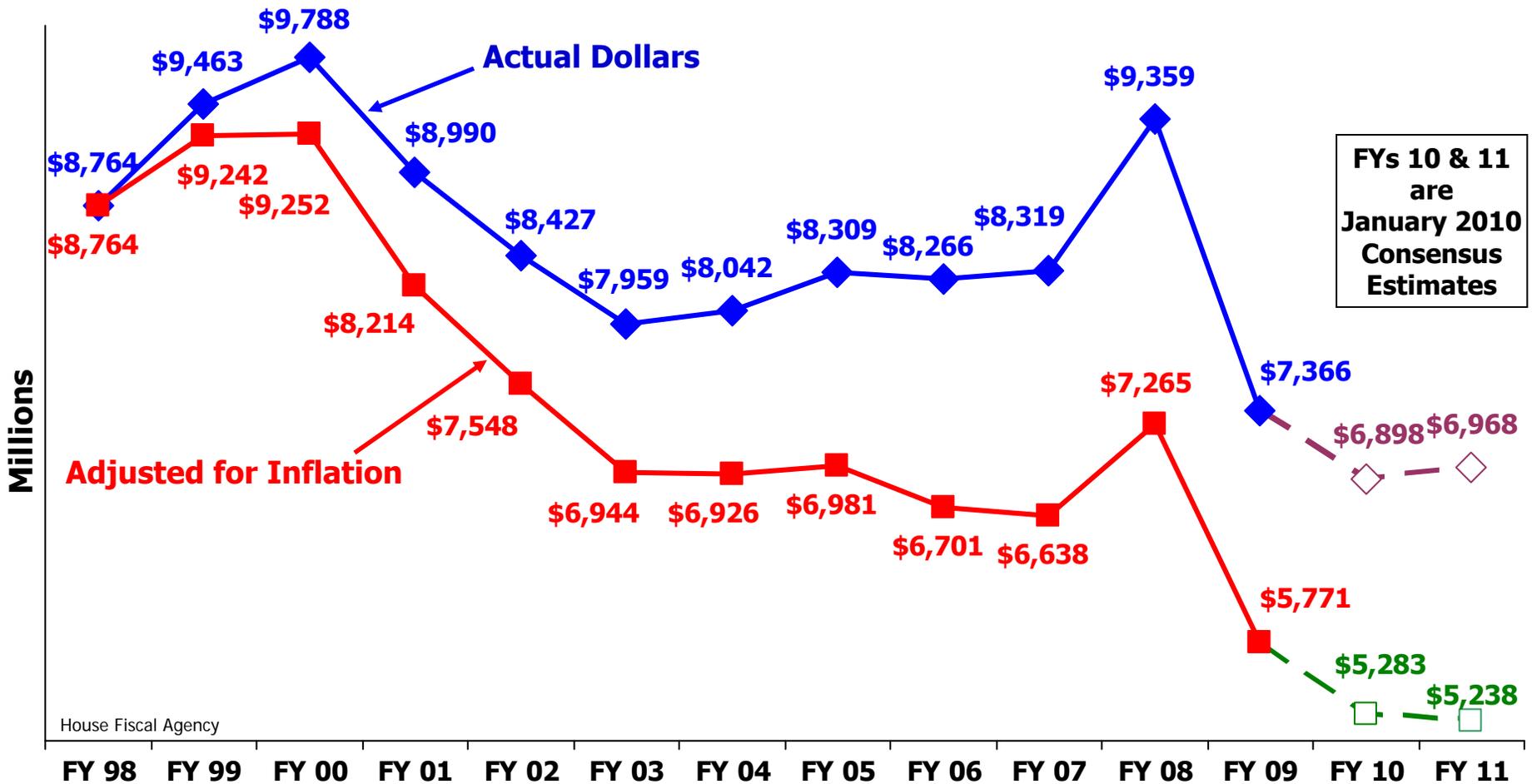
FY 2009-10 Total = \$40,567.6 million



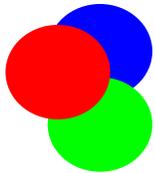
House Fiscal Agency



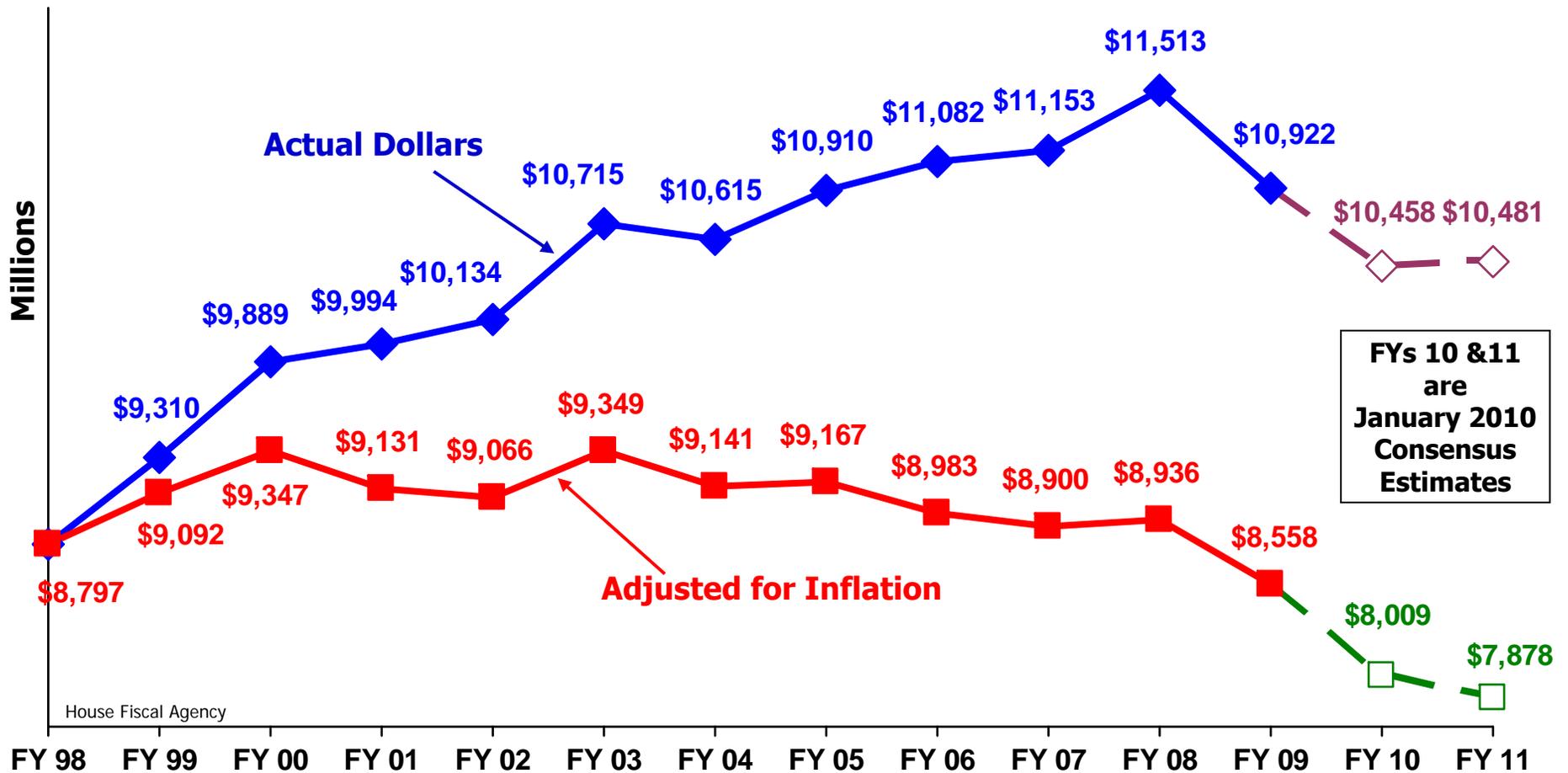
# Inflation Adjusted GF/GP Revenue Down 43.4% Since FY 2000



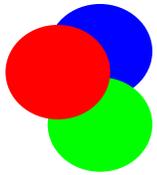
House Fiscal Agency



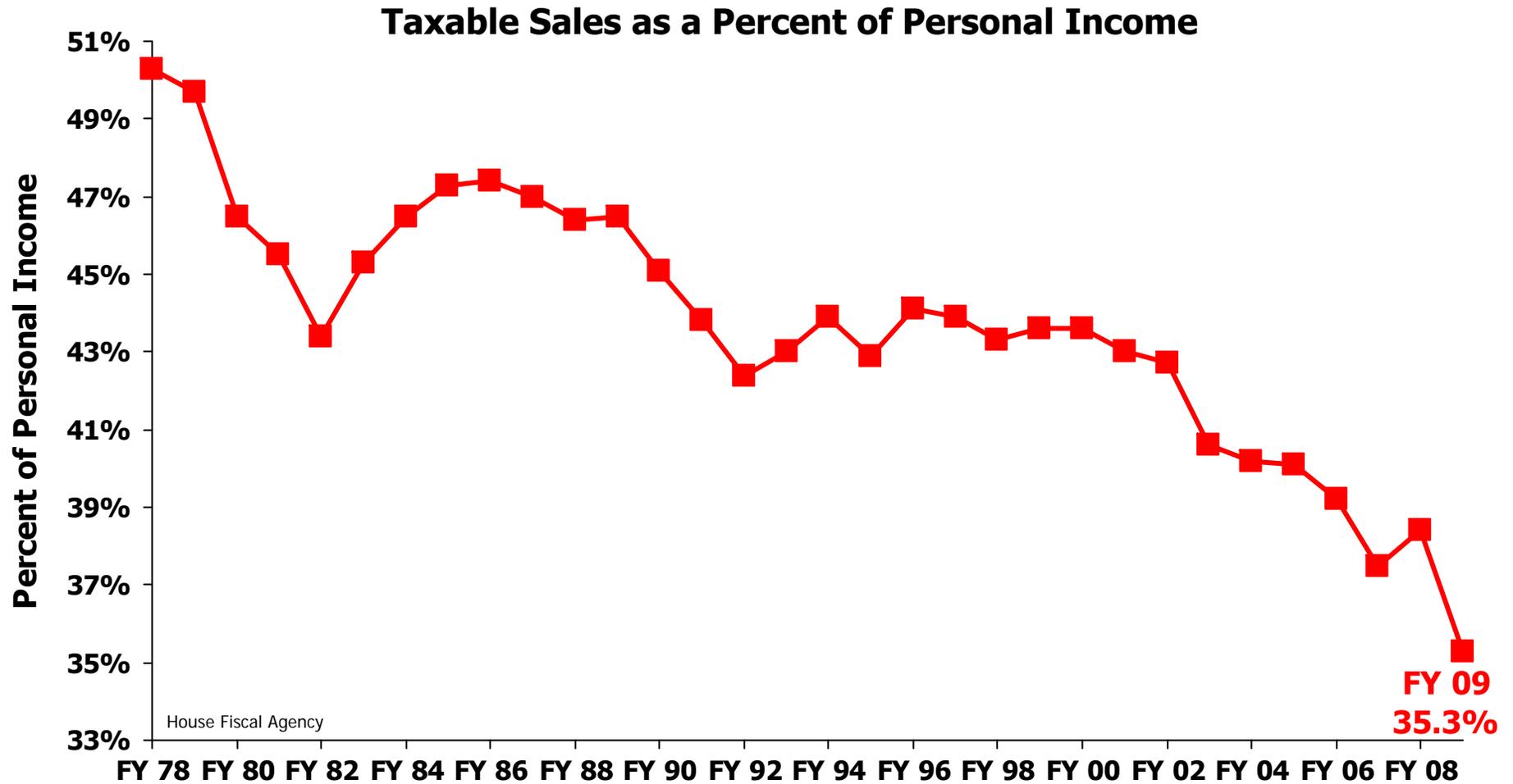
# Inflation Adjusted SAF Net Revenue Down 15.7% Since FY 2000

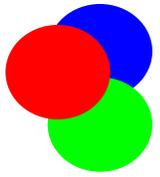


House Fiscal Agency

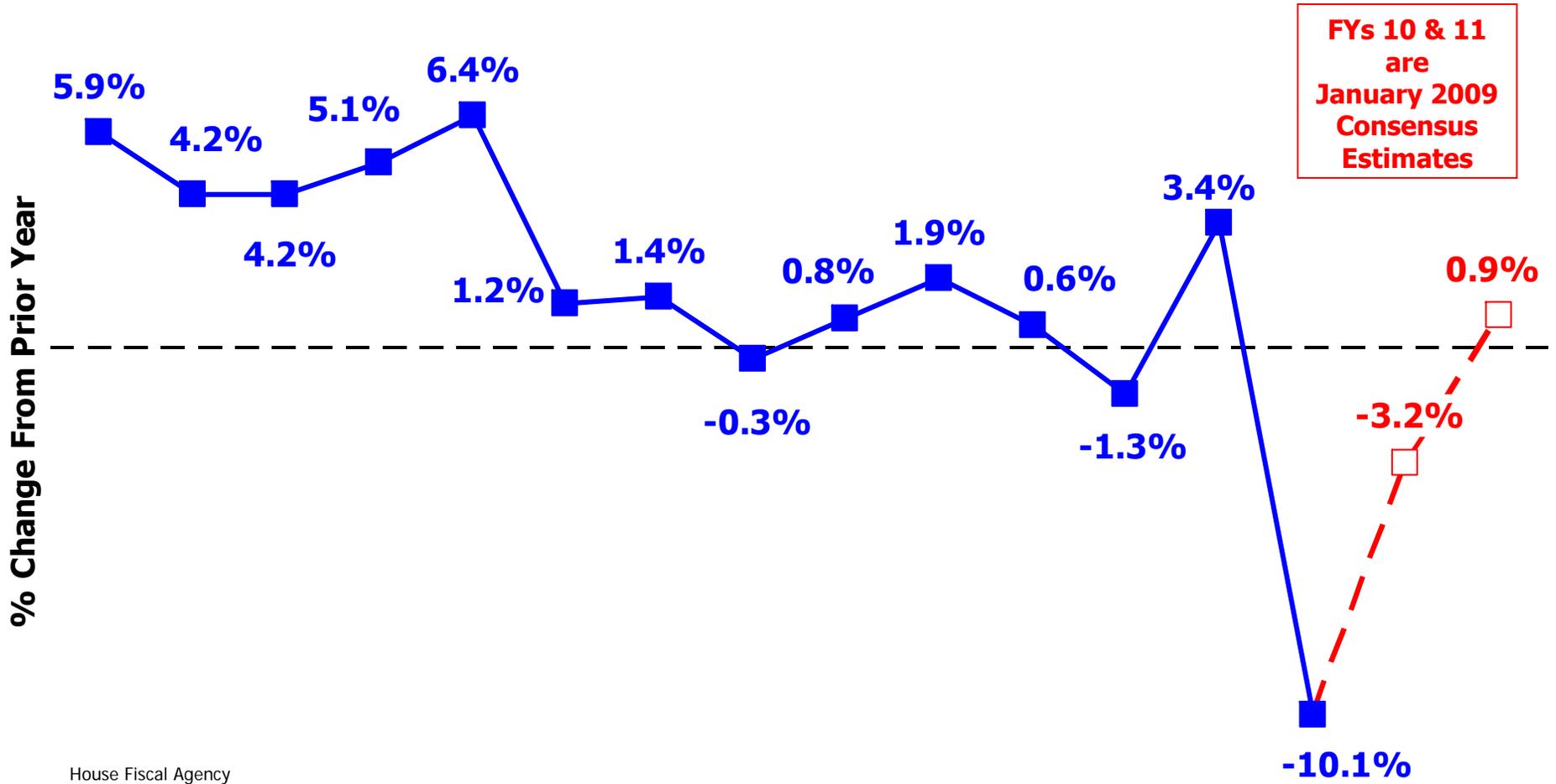


# Sales/Use Tax Share Declining



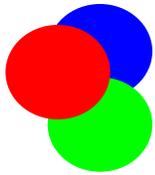


# Sales Tax Revenue

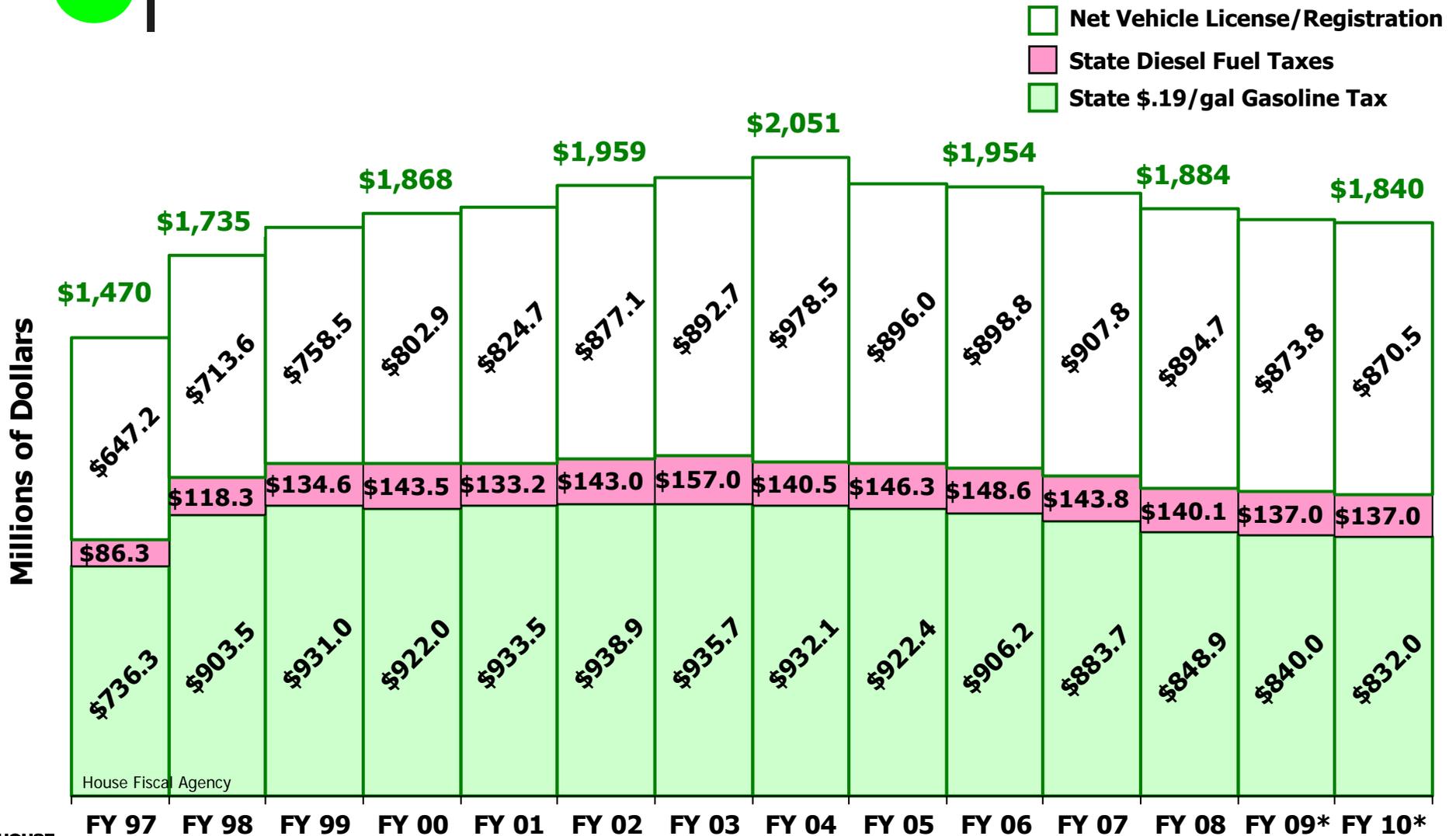


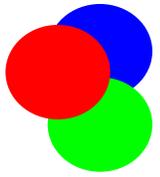
House Fiscal Agency

FY 96 FY 97 FY 98 FY 99 FY 00 FY 01 FY 02 FY 03 FY 04 FY 05 FY 06 FY 07 FY 08 FY 09 FY 10 FY 11

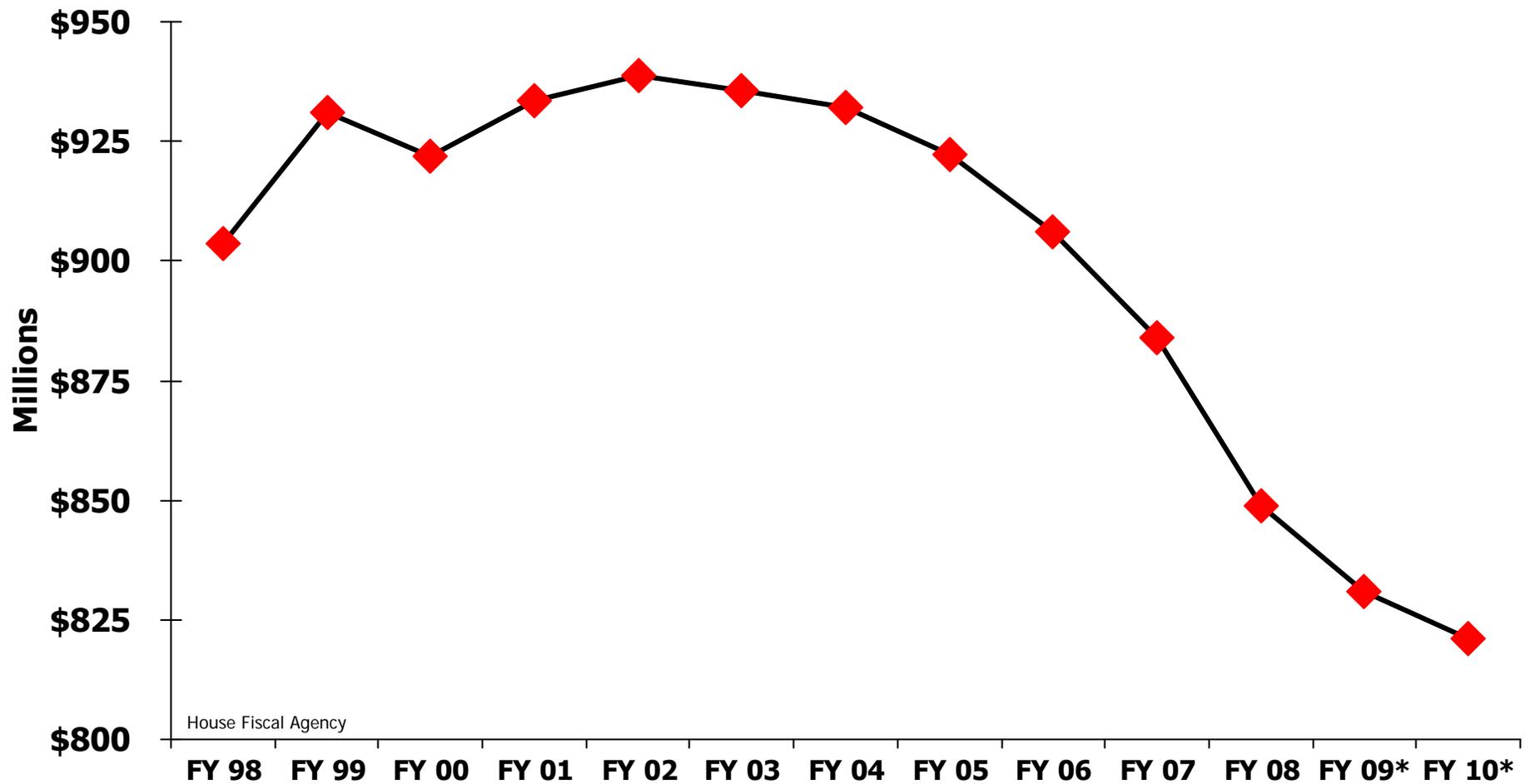


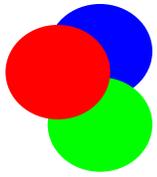
# Transportation Revenue



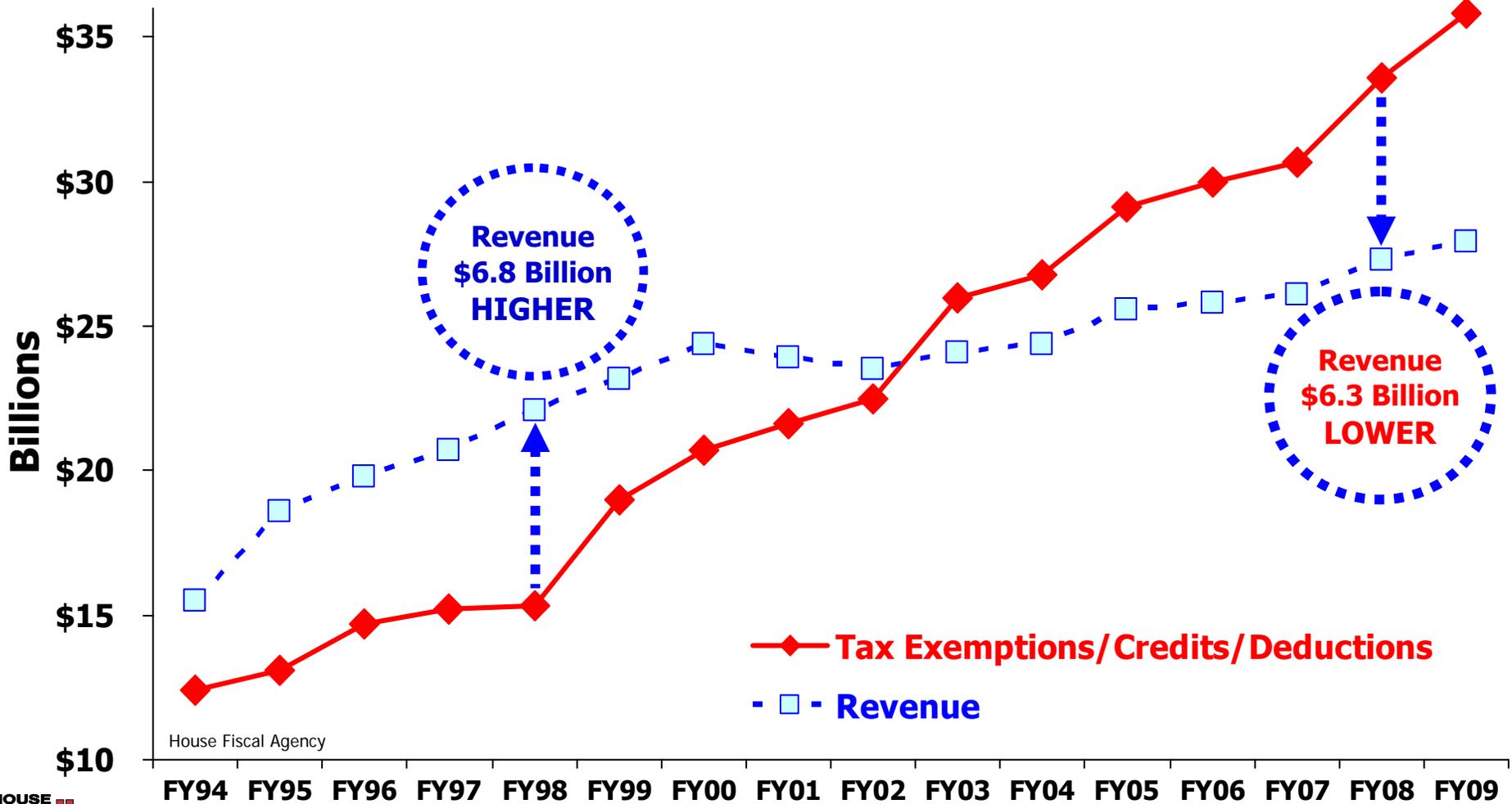


# Michigan Gasoline Tax Revenue

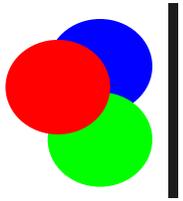




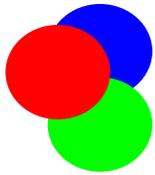
# Impact of Tax Exemptions/Credits/Deductions



House Fiscal Agency



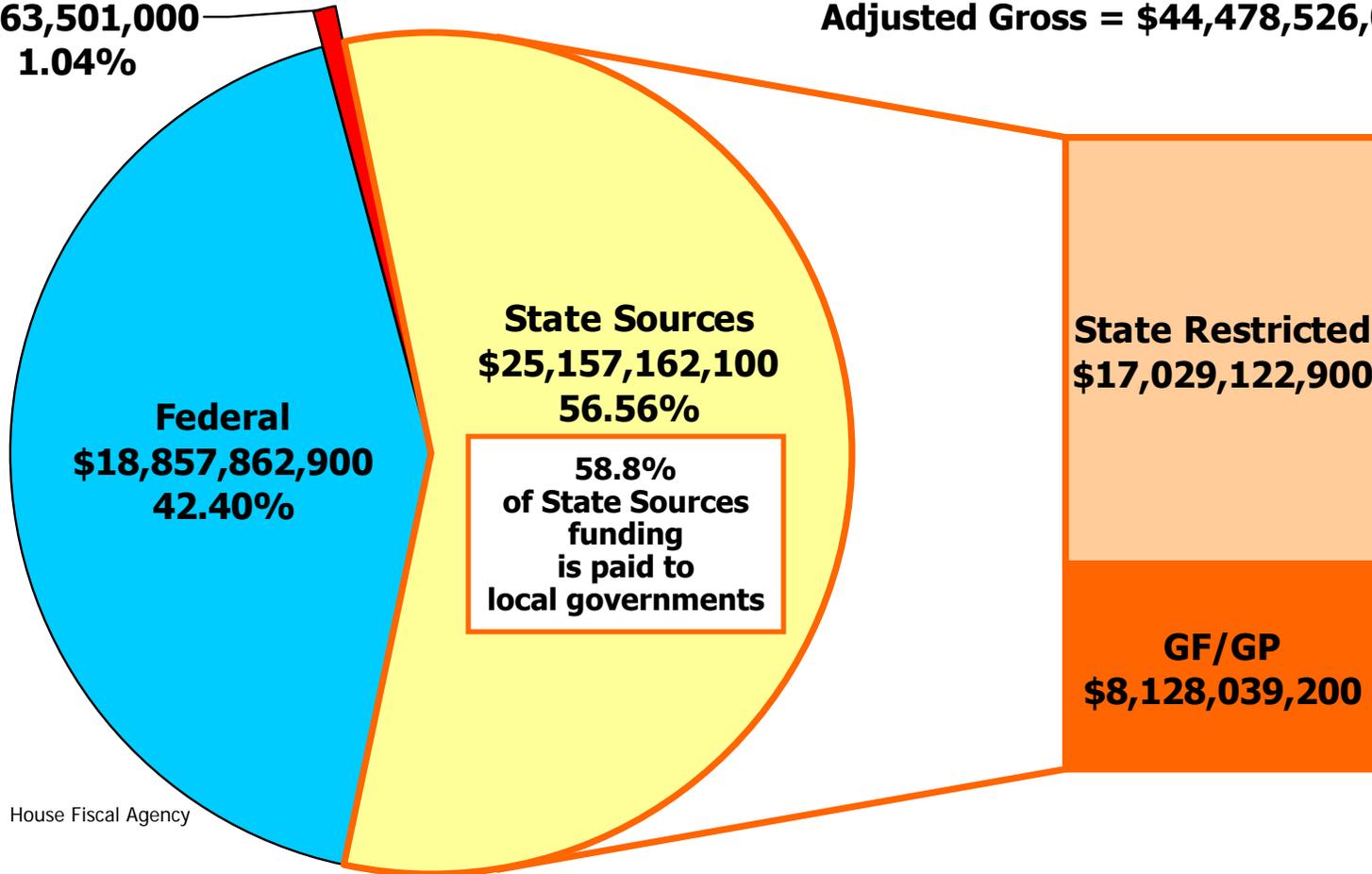
# MICHIGAN'S BUDGET



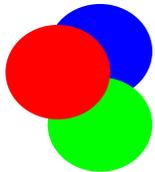
# FY 2009-10 Budget Adjusted Gross Funding Sources

Local/Private  
\$463,501,000  
1.04%

Adjusted Gross = \$44,478,526,000

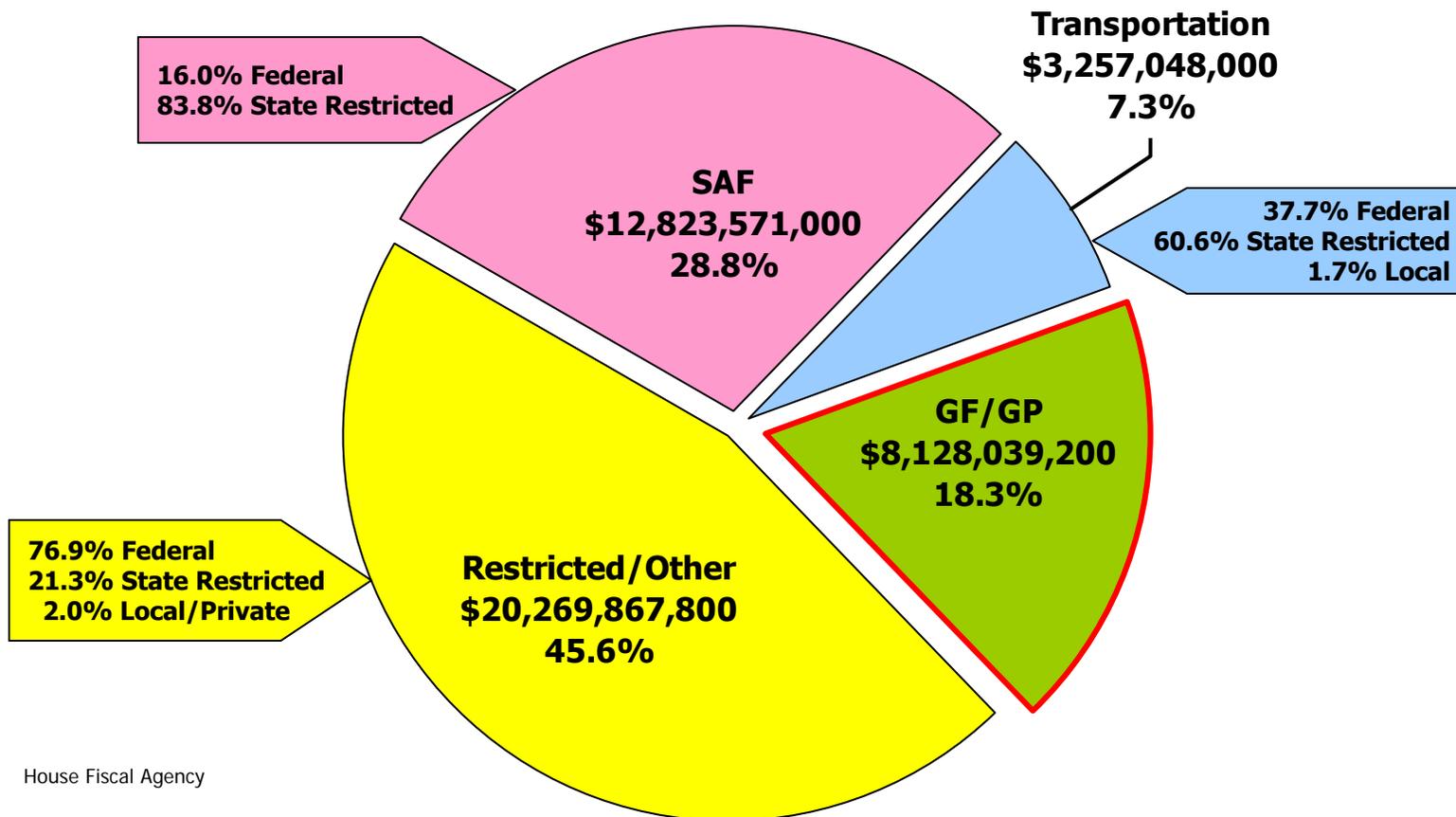


House Fiscal Agency

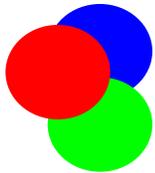


# FY 2009-10 Appropriations Funding

Adjusted Gross = \$44,478,526,000

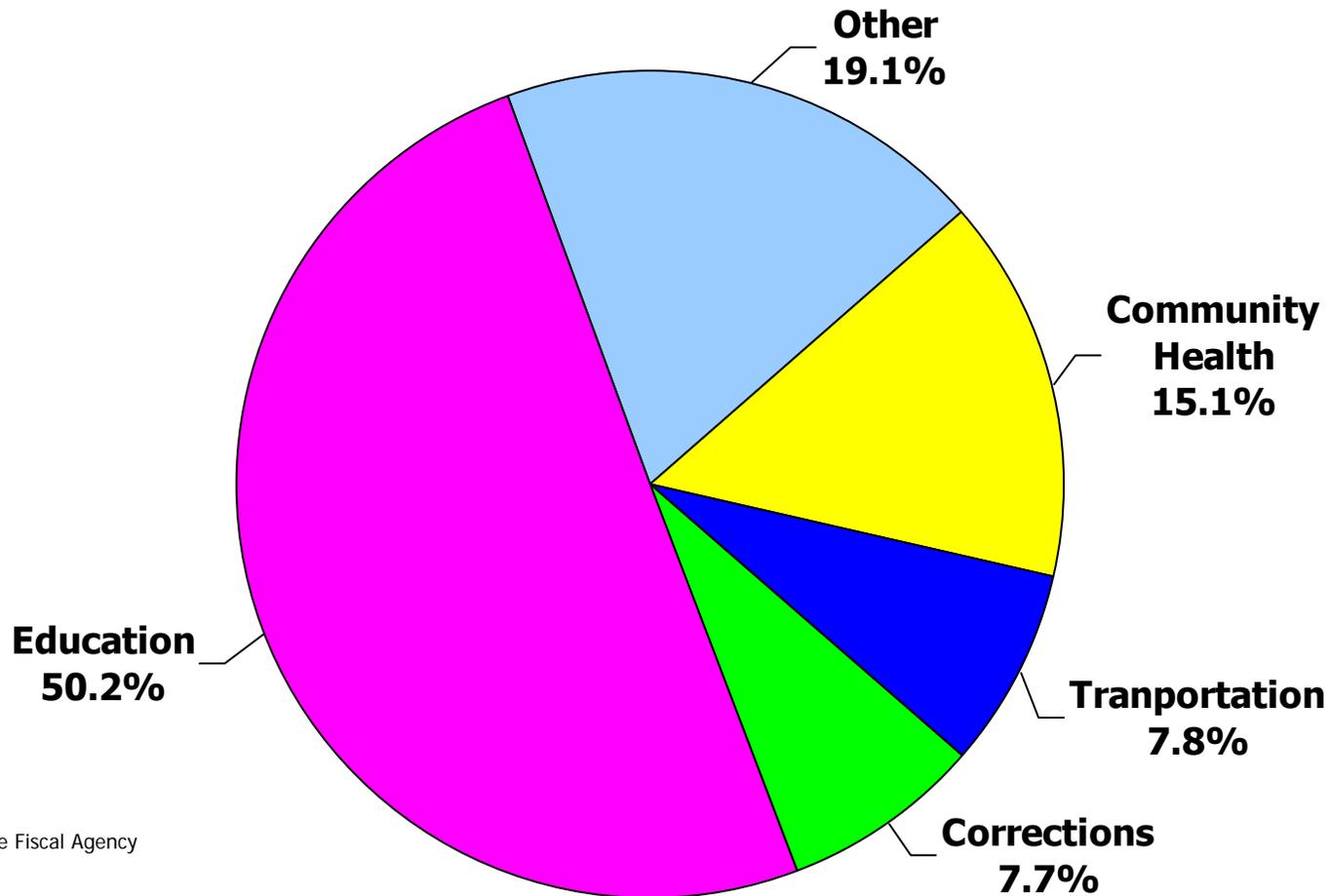


House Fiscal Agency

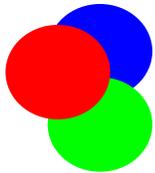


# State Restricted & GF/GP FY 2009-10

FY 2009-10 Total = \$25,157,162,100

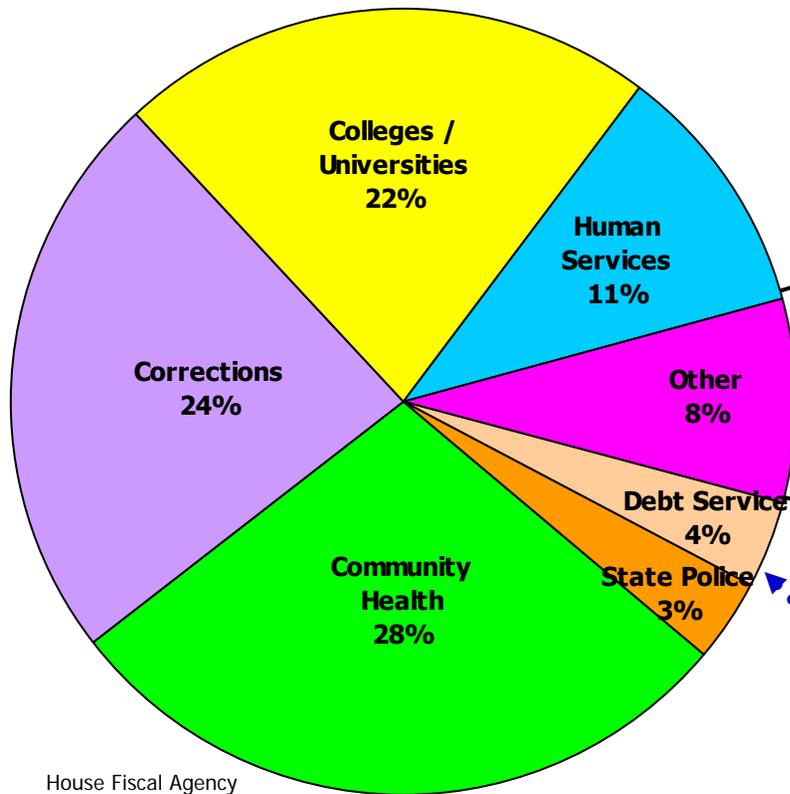


House Fiscal Agency

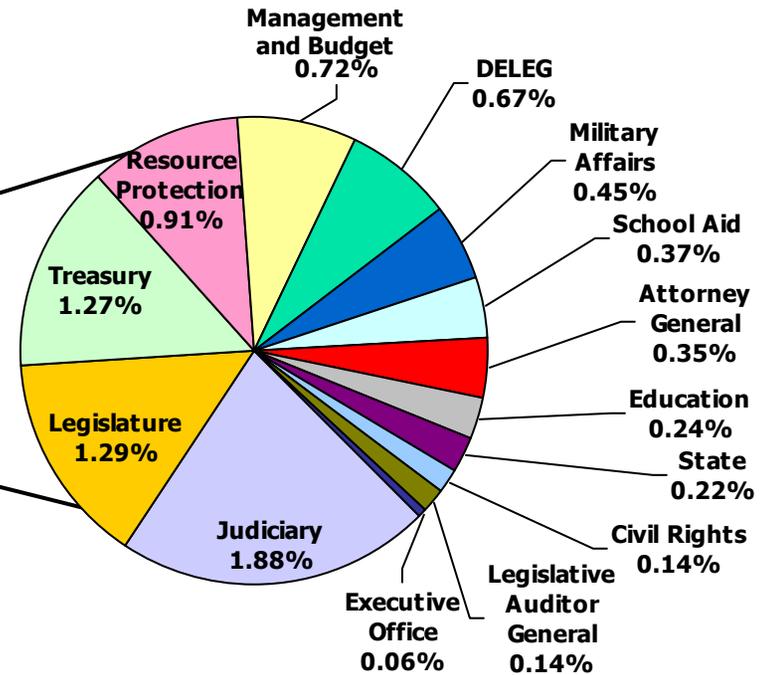


# FY 2009-10 GF/GP

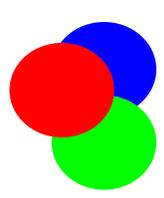
FY 2009-10 Total = \$8,128,039,200



House Fiscal Agency



**4.0%**  
**\$300 million**  
**Debt Service and SBA Rent**

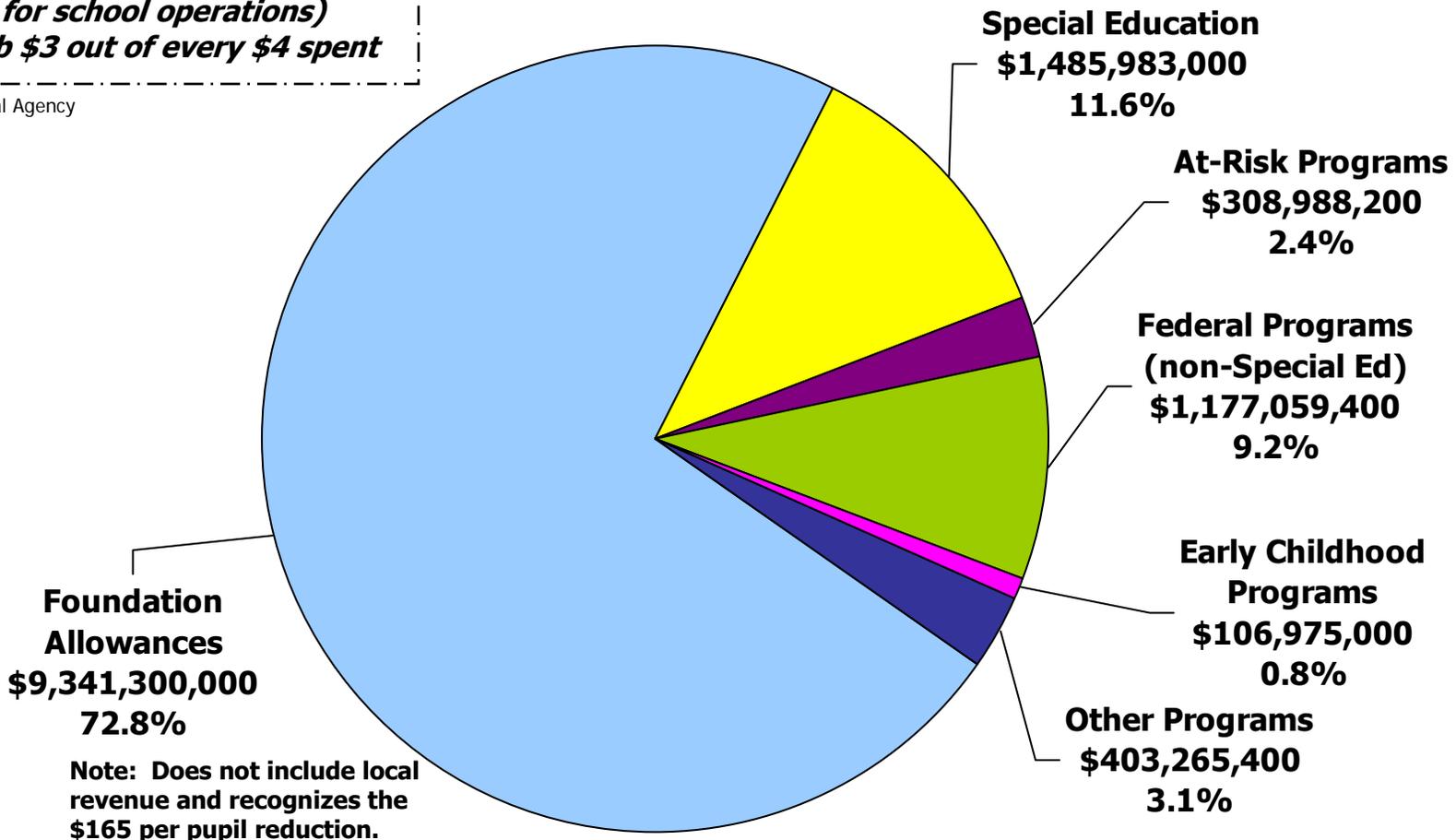


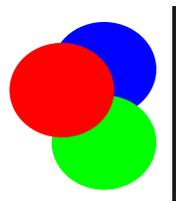
# School Aid Major Spending Categories

FY 2009-10 Total = \$12,823,571,000

*Foundation allowances  
(used for school operations)  
absorb \$3 out of every \$4 spent*

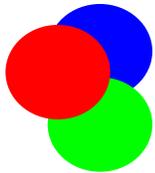
House Fiscal Agency



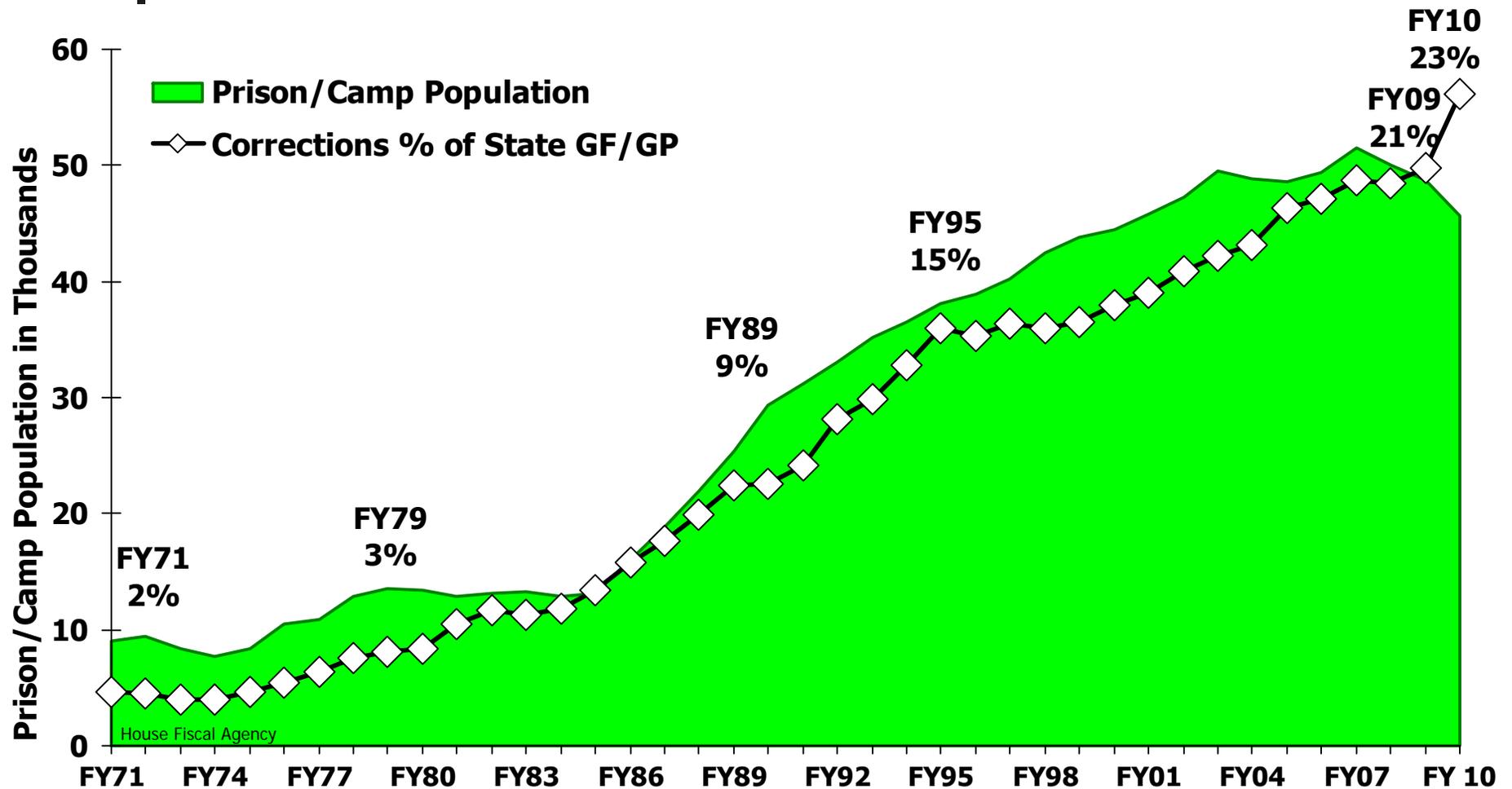


# Medicaid Impact on Michigan Budget

- **For FY 09, approximately 22.4% of Michigan GF/GP revenue is appropriated for Medicaid**
- **1 of 6 Michigan residents were eligible for Medicaid in April 2009**
- **42% of births and 70% of nursing home expenditures in Michigan are financed through Medicaid**
- **Total state and federal Medicaid appropriation is over \$9.9 billion in FY 09**
- **Since FY 1999-2000**
  - **88.4% increase in Medicaid funding**
  - **53.0% growth in Medicaid caseload (564,000 cases)**

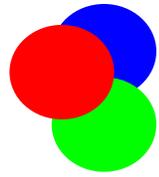


# Corrections Budget Increases



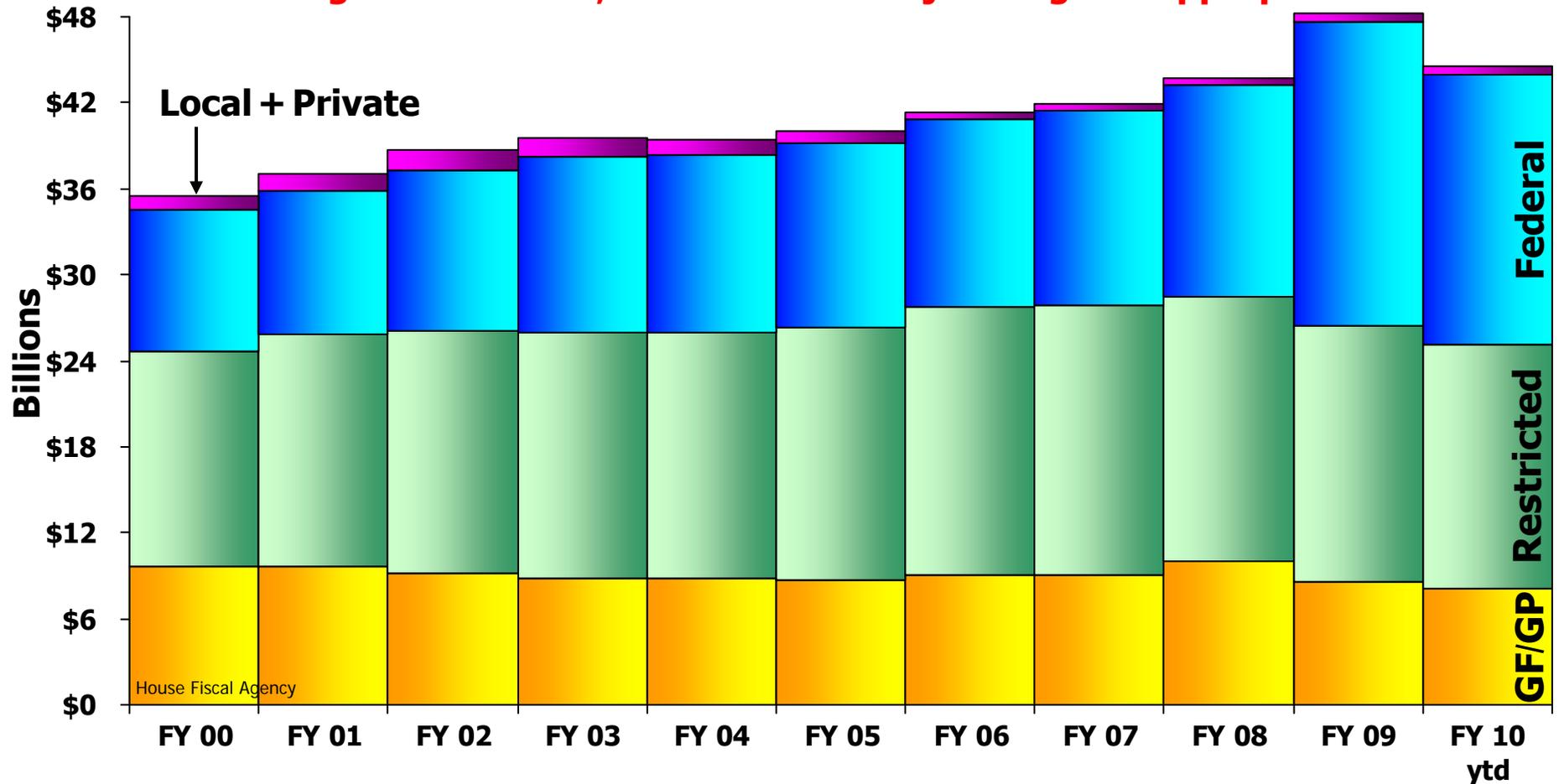
*Fiscal Year 2008-09 includes GF/GP reductions due to appropriation of federal ARRA funds.*

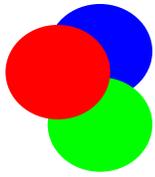
*Fiscal Year 2009-10 includes the impact of gubernatorial vetoes of negative line items in the MDOC budget.*



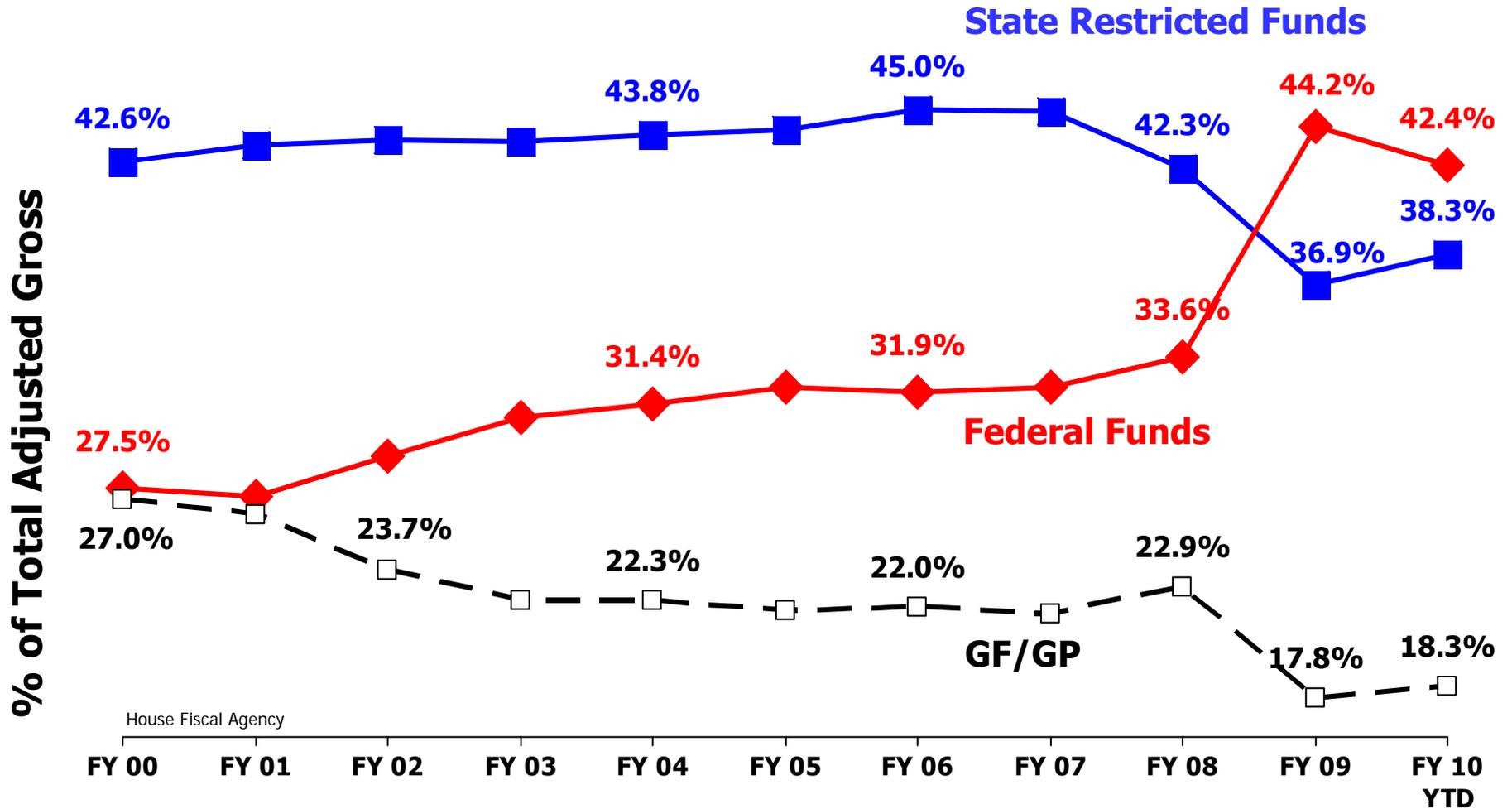
# Adjusted Gross Appropriations by Fund Source

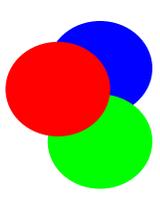
Excluding federal funds, FY 00 = FY 10 adjusted gross appropriations



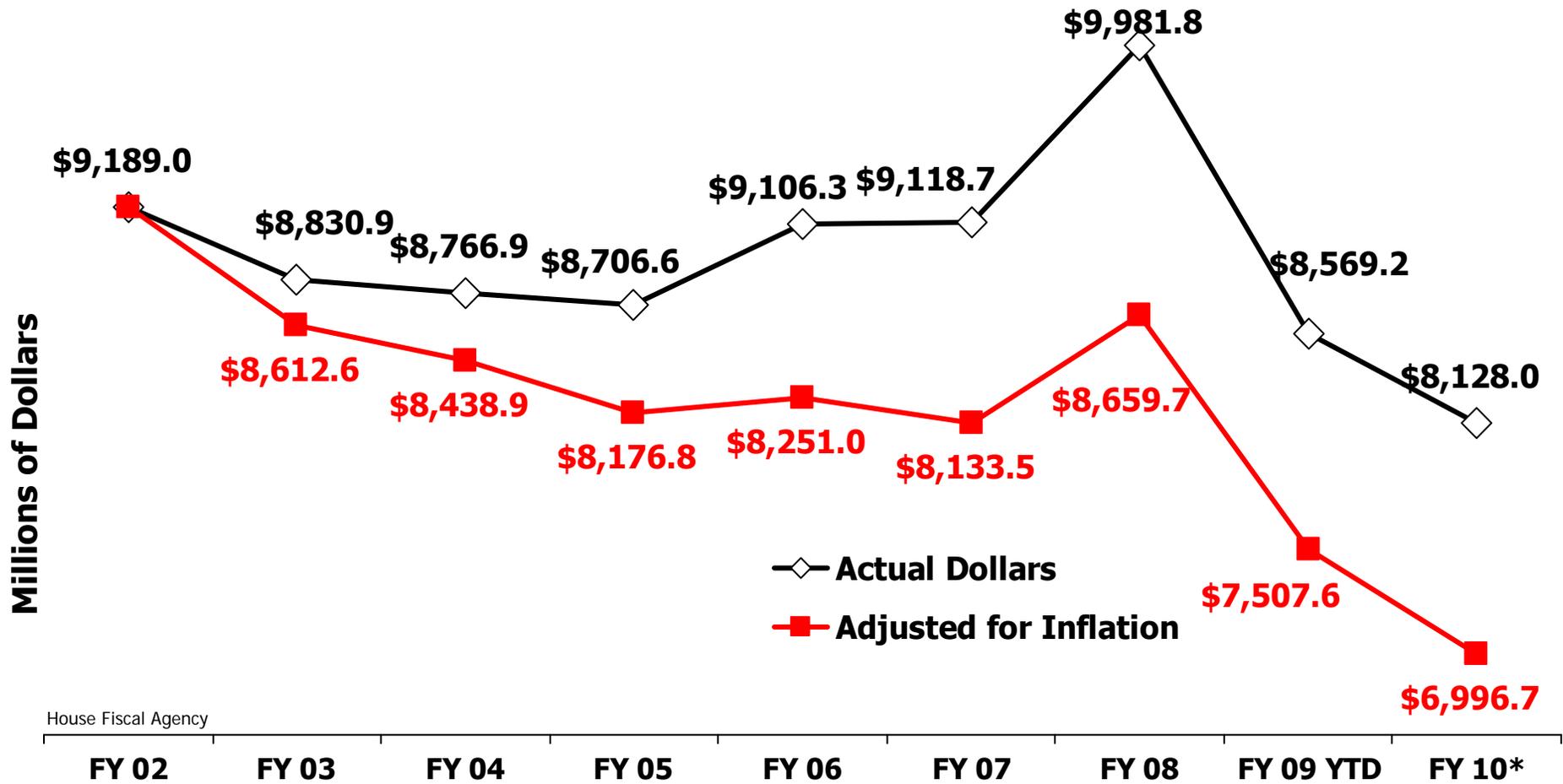


# % Change in Source of Adjusted Gross Appropriations

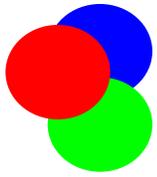




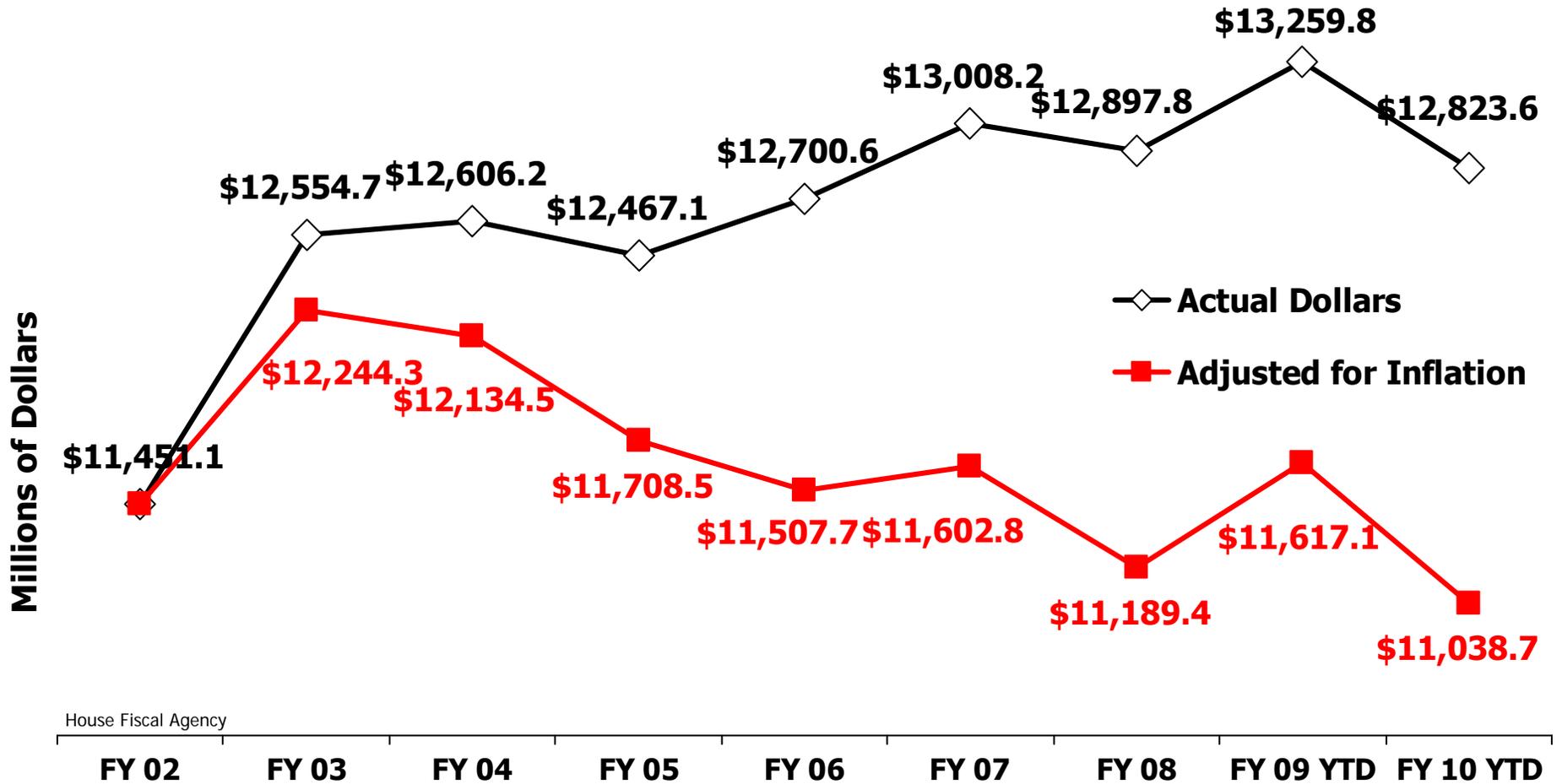
# GF/GP Appropriations



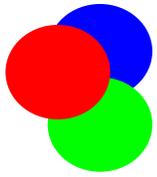
House Fiscal Agency



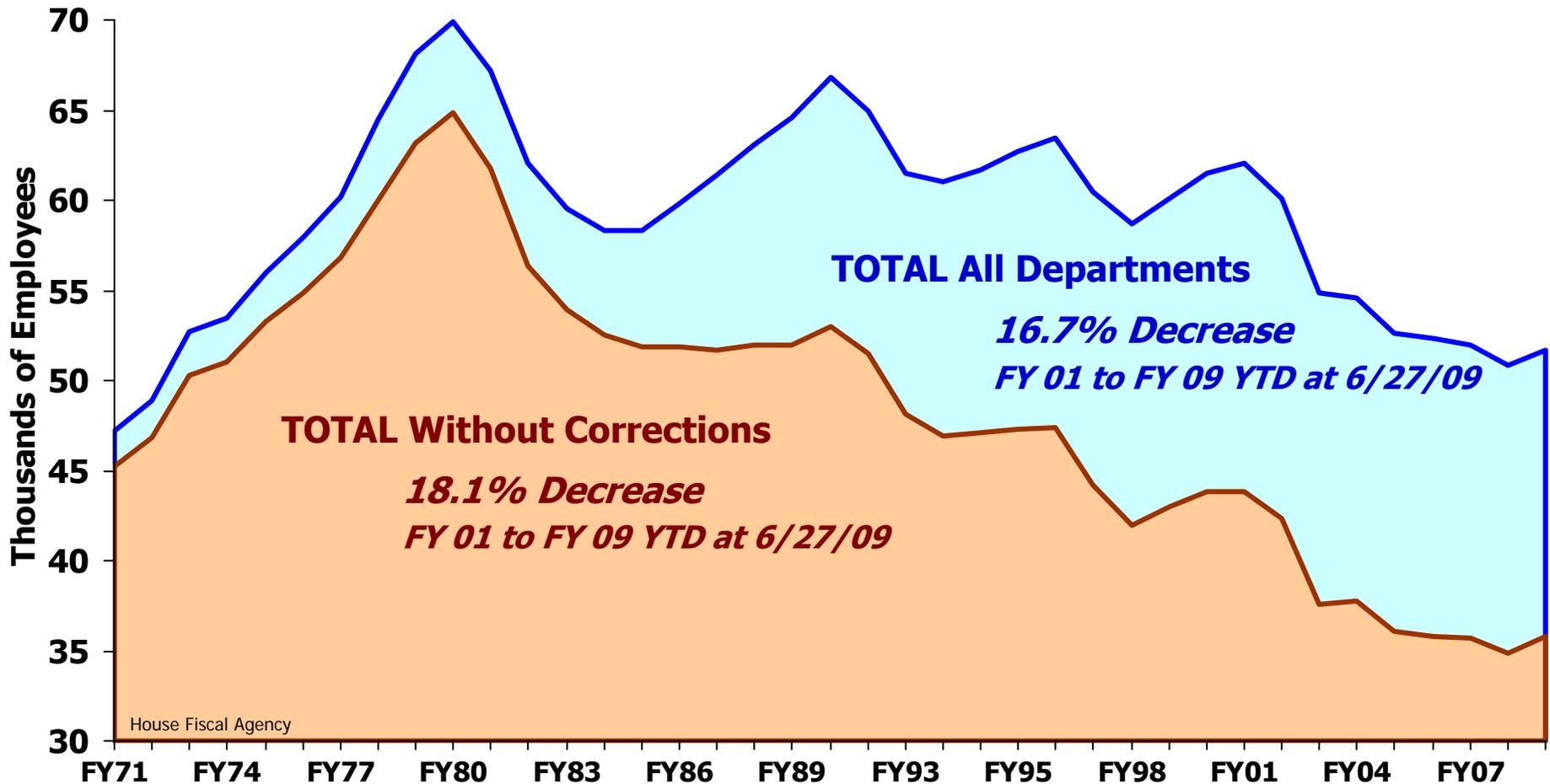
# School Aid Budget Adjusted Gross Appropriations

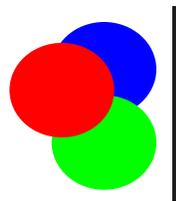


House Fiscal Agency



# Average Number of Classified State Employees

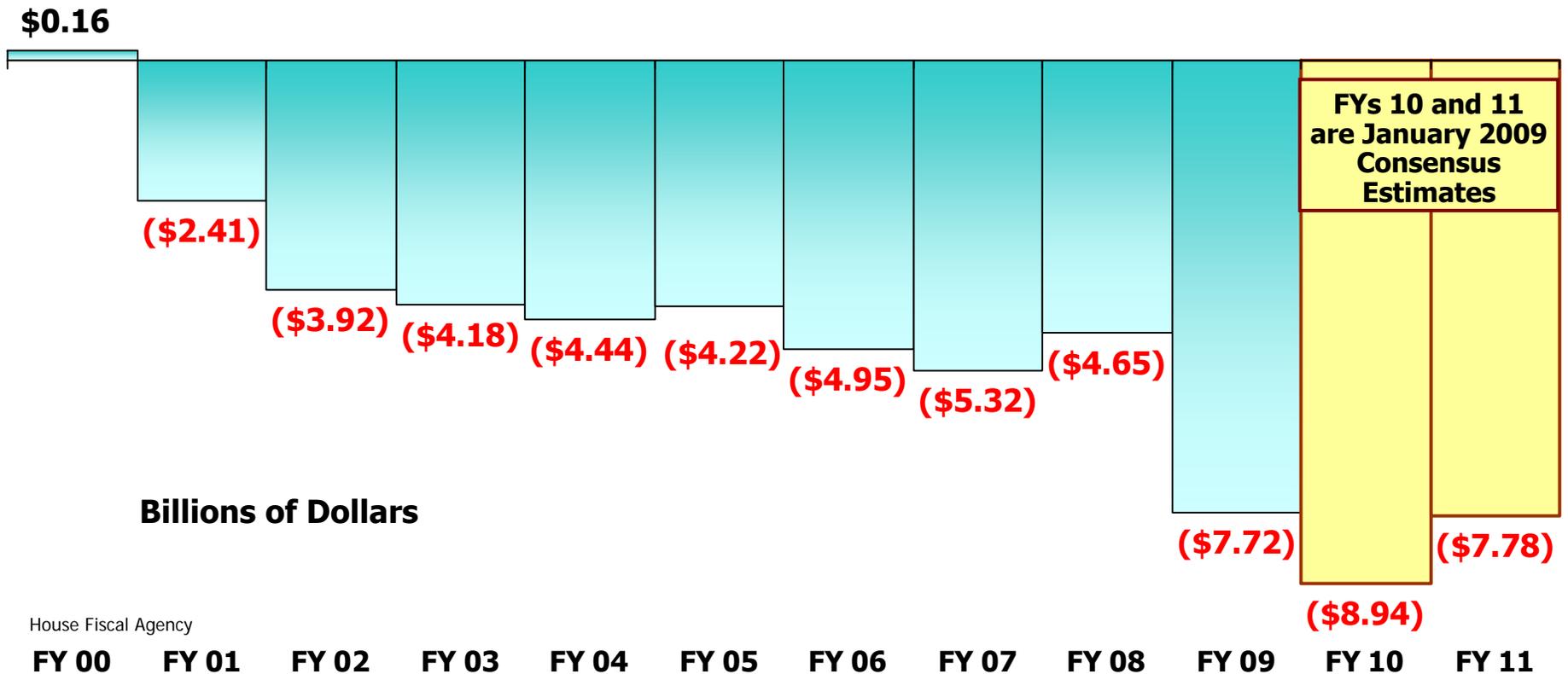




# Constitutional Revenue Limit

Average growth of Michigan personal income = 2.7% per year from 2000 through 2011

Average decline of Michigan revenue = 0.1% per year from 2000 through 2011

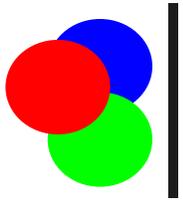


Billions of Dollars

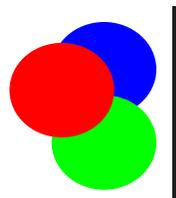
House Fiscal Agency

FY 00    FY 01    FY 02    FY 03    FY 04    FY 05    FY 06    FY 07    FY 08    FY 09    FY 10    FY 11



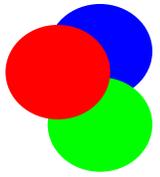


# CURRENT ISSUES

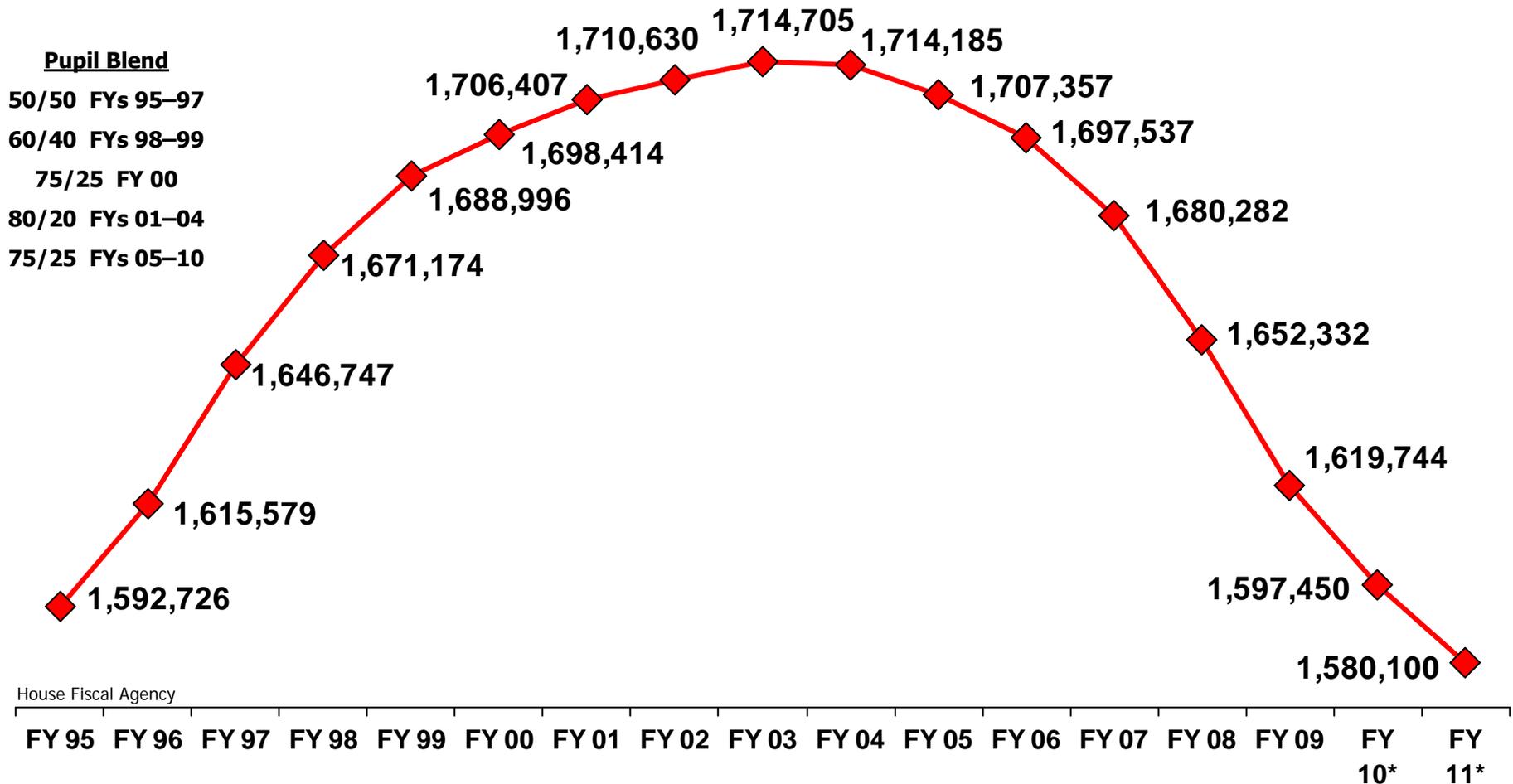


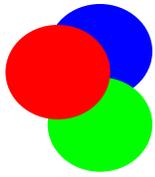
# Major School Aid Issues

- **Funding levels**
- **Declining enrollment**
- **Future issues:**
  - **Retirement costs**
  - **Infrastructure financing**
  - **Local property taxes**

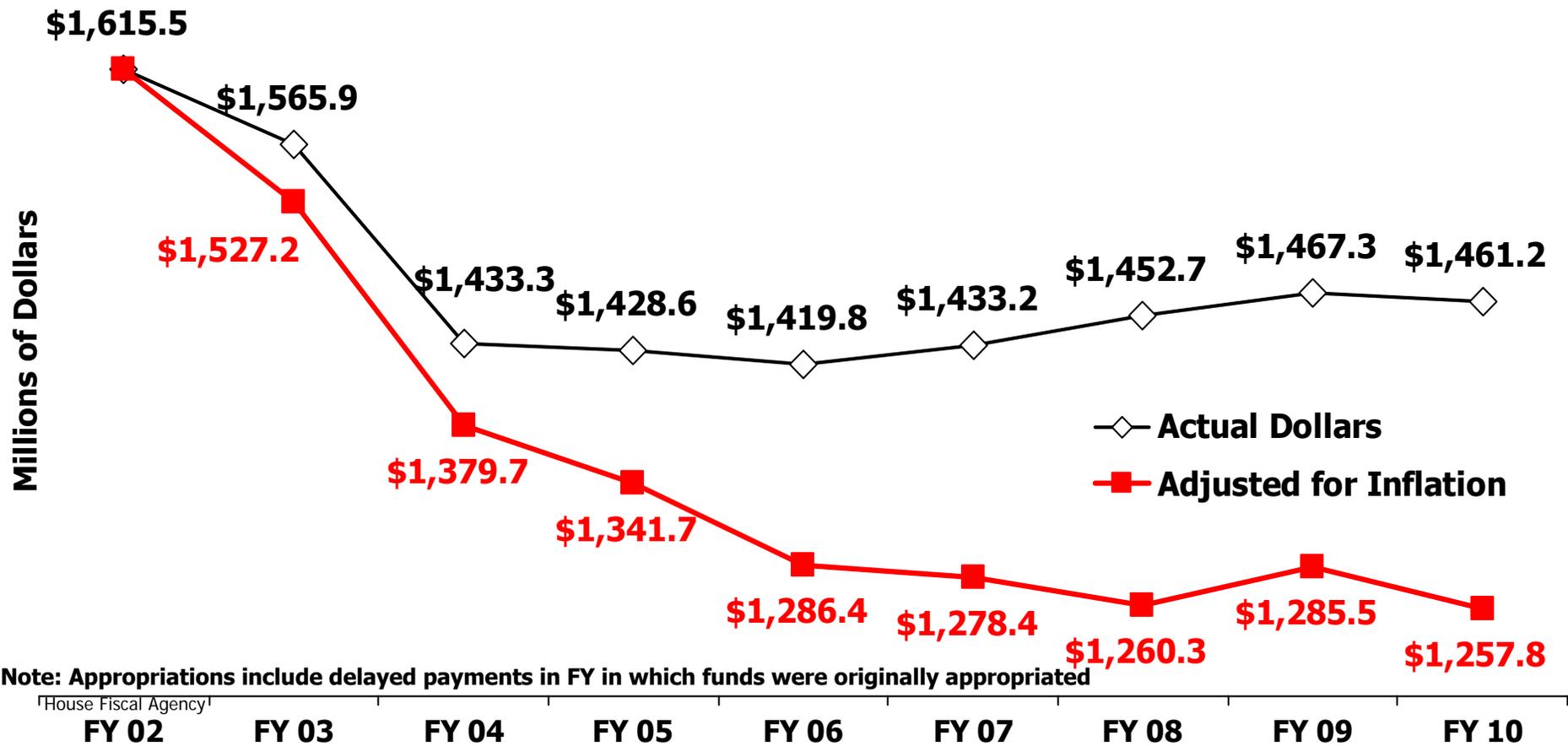


# Total Membership Pupil Counts



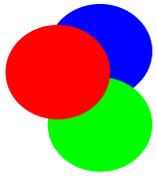


# Total Appropriations for State University Operations

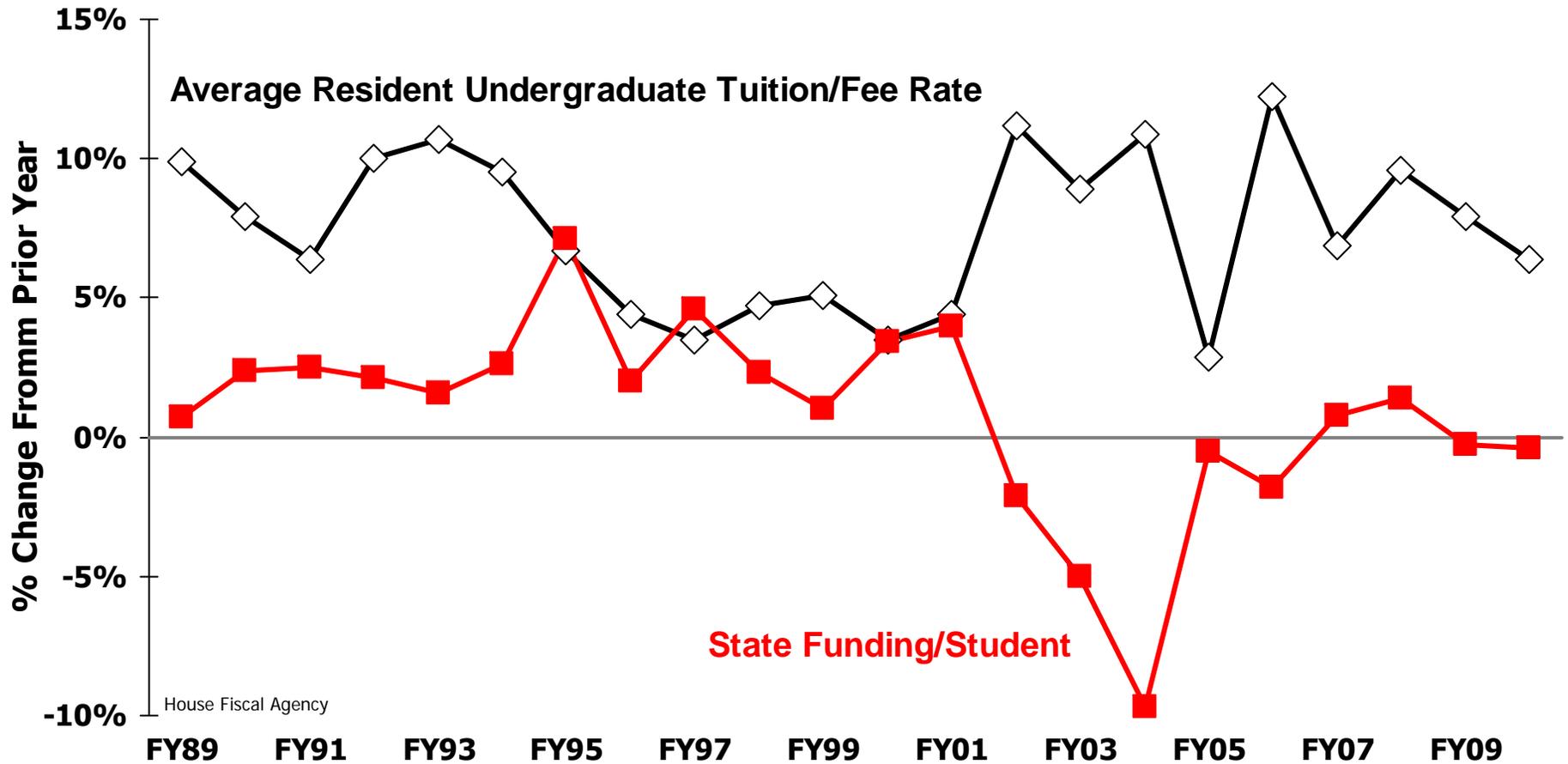


Note: Appropriations include delayed payments in FY in which funds were originally appropriated

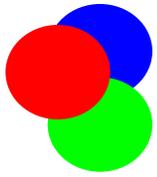
<sup>House Fiscal Agency</sup>



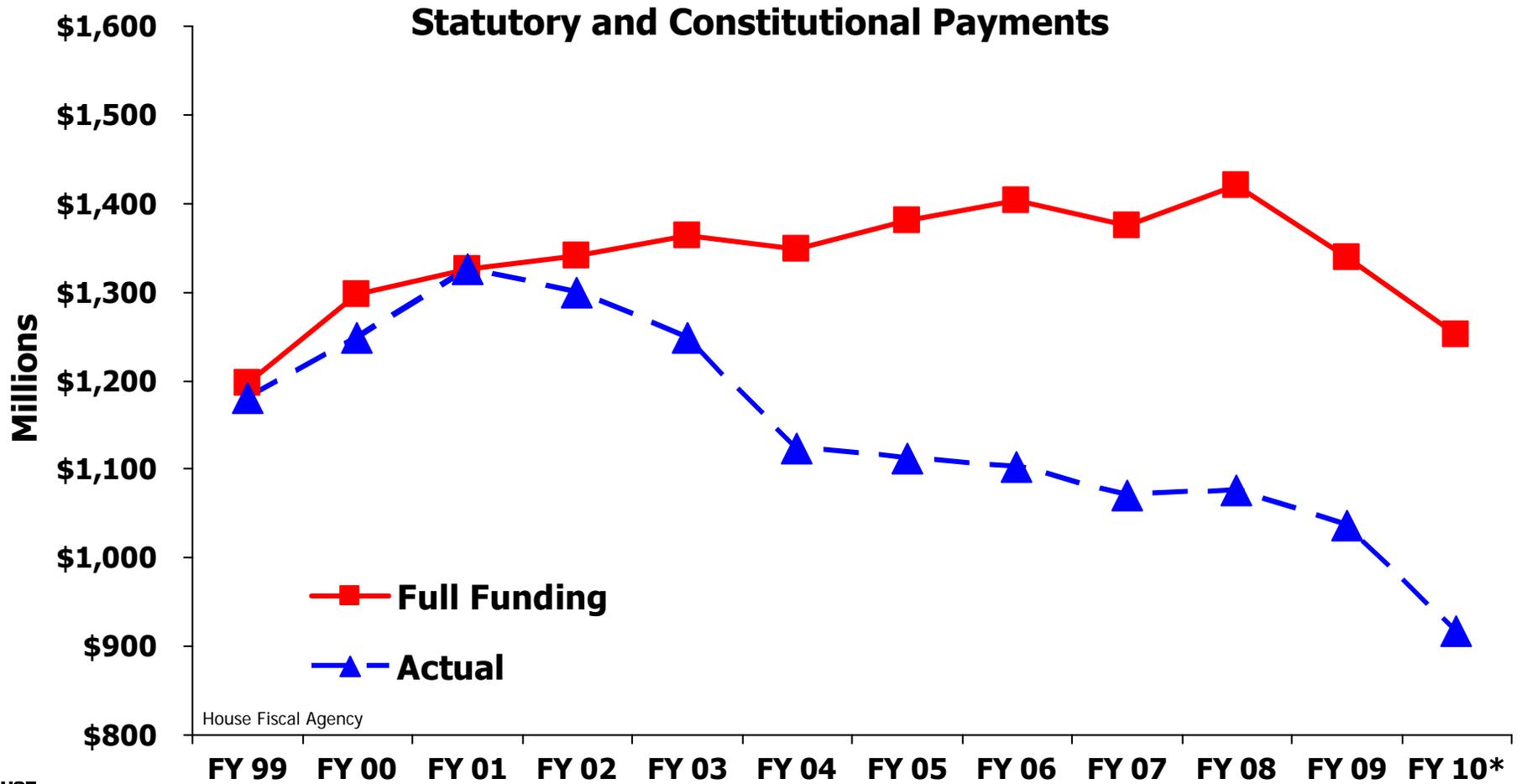
# State University Tuition Rates and State Funding



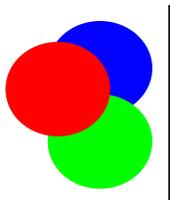
House Fiscal Agency



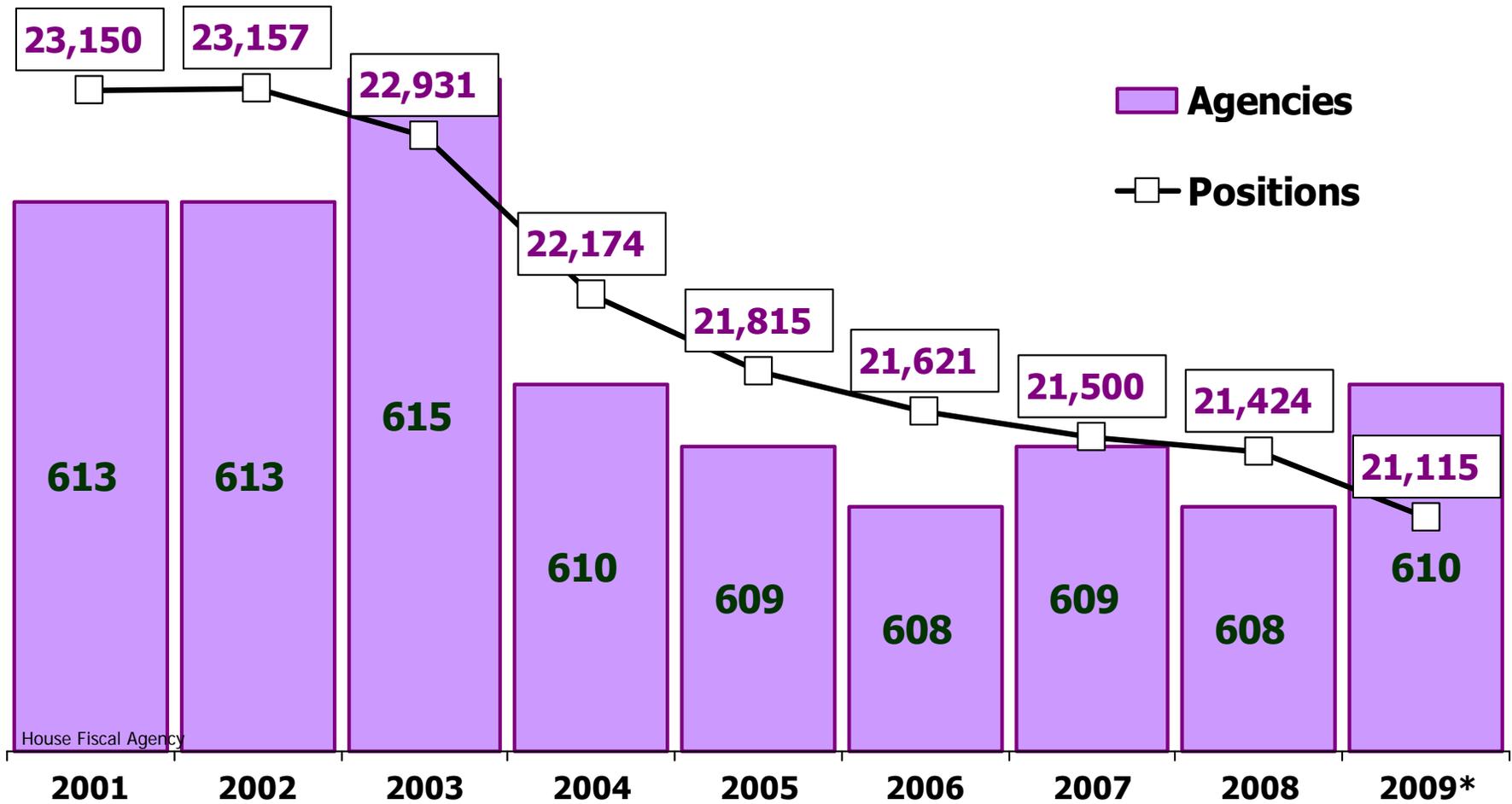
# Revenue Sharing Payments to Cities, Villages, and Townships



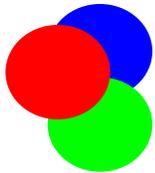
House Fiscal Agency



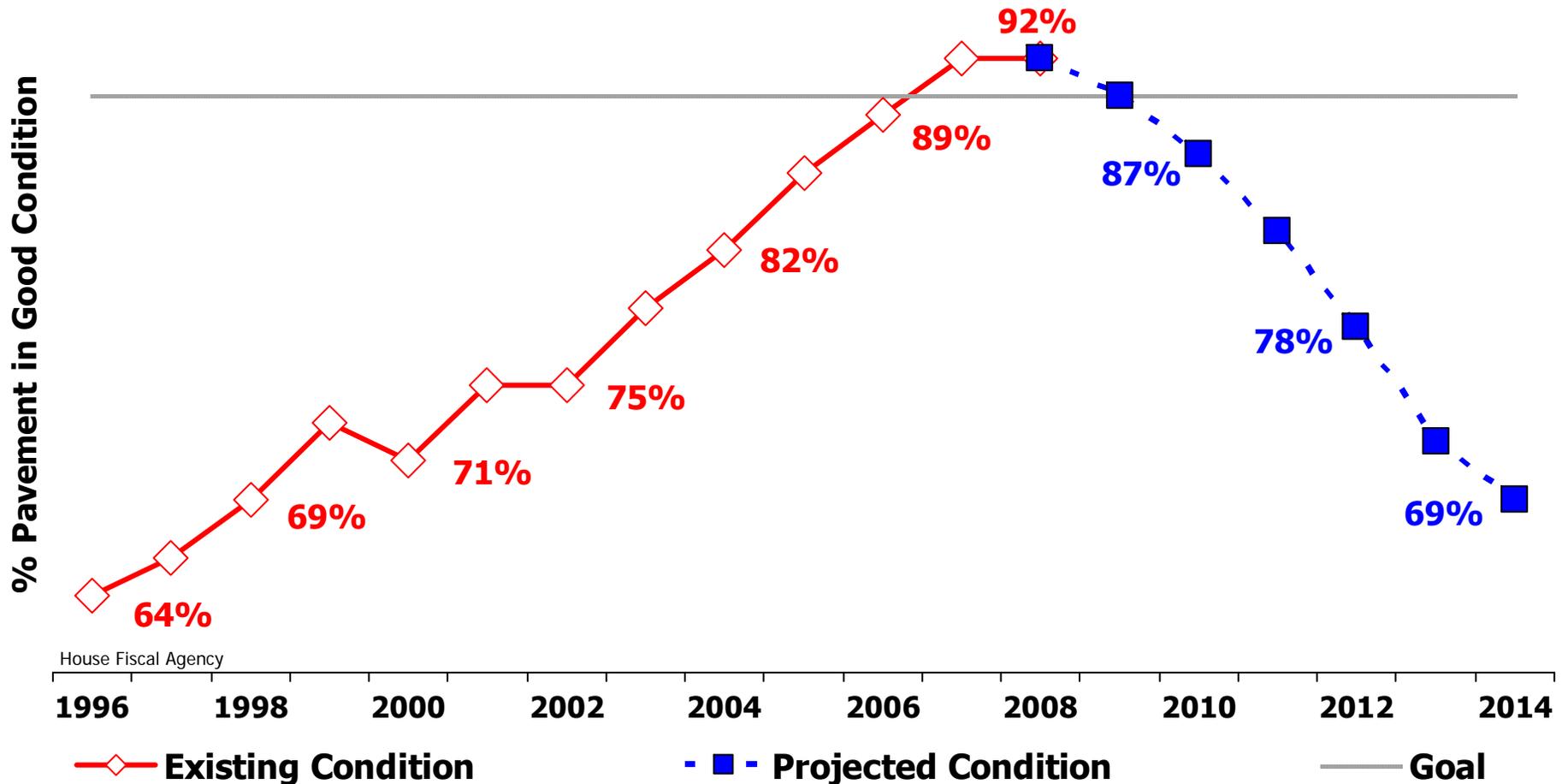
# Law Enforcement



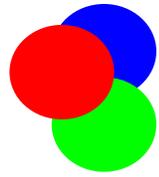
House Fiscal Agency



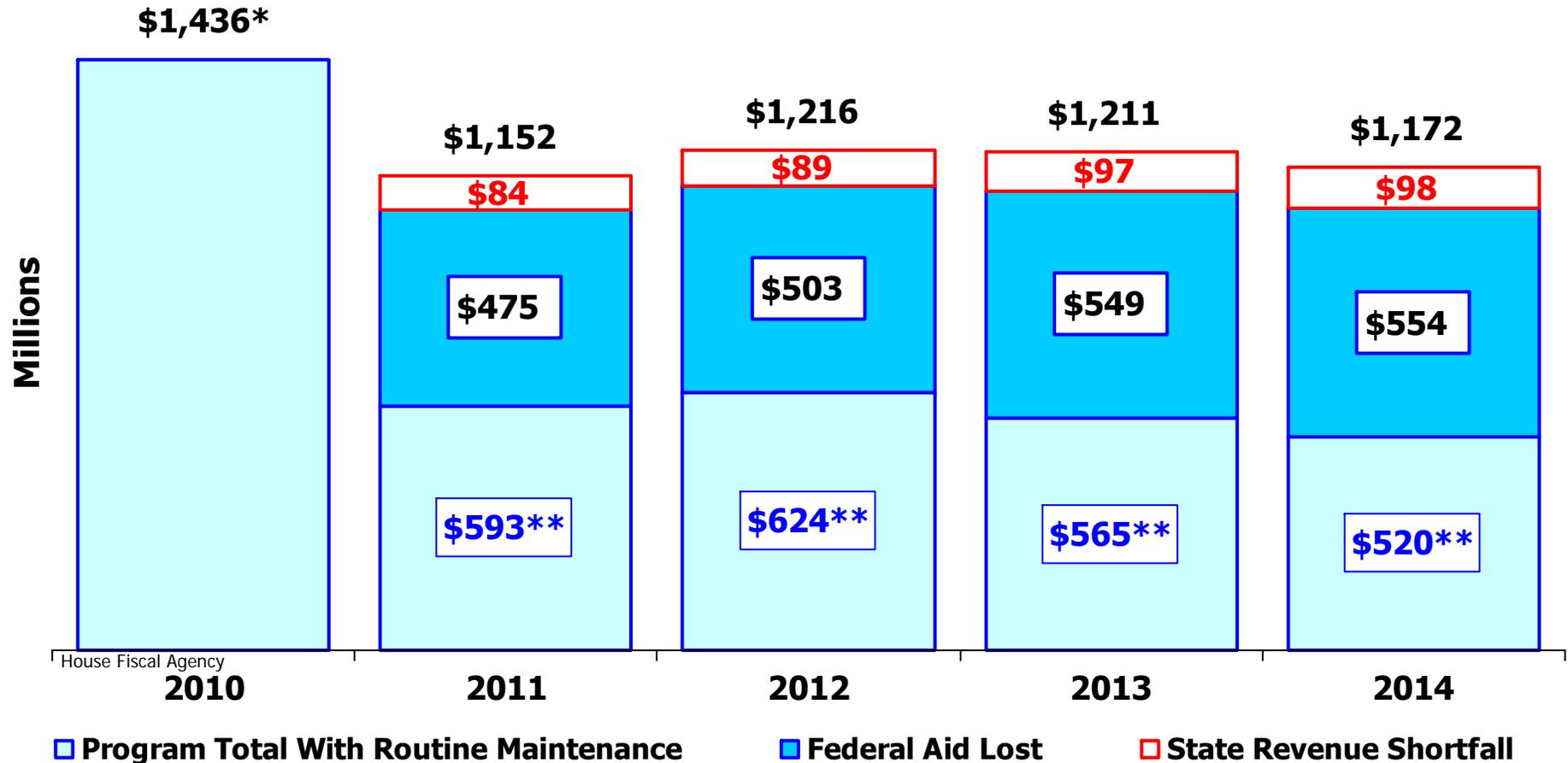
# Statewide Pavement Condition Combined Freeway and Non-Freeway



House Fiscal Agency



# Reduced State Revenue May Lead to Loss of Federal Aid



■ Program Total With Routine Maintenance    
 ■ Federal Aid Lost    
 ■ State Revenue Shortfall  
*\*2010 Proposed Highway and Maintenance Capital Program with anticipated ARRA*  
*\*\*Estimated Resulting Program Amount (with declining state revenue and inability to match available federal aid)*

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**FISCAL**  
**AGENCY**

[www.house.mi.gov/hfa](http://www.house.mi.gov/hfa)