



State of Michigan

**Revenue Estimates,
State and Local Spending Pressures,
and the FY 2006-07 Budget**

January 22, 2007



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Consensus Revenue Agreements


Revenue Estimates (Millions of Dollars)

<u>FY 2006</u>		<u>FY 2007</u>	
GF/GP Reduced	\$90.4	GF/GP Reduced	\$233.7
SAF Reduced	<u>\$115.9</u>	SAF Reduced	<u>\$322.4</u>
Total Reduction	\$206.3	Total Reduction	\$556.1

Shortfalls

FY 2007 Revenue Shortfalls (Millions of Dollars)

GF/GP		SAF	
Resources	\$8,877.3	Resources	\$12,676.2
YTD Appropriations	<u>\$9,222.8</u>	YTD Appropriations	<u>\$13,053.5</u>
Balance	(\$345.5)	Balance	(\$377.3)



FY 2006-07 AND FY 2007-08

STATE SPENDING

PRESSURES

Potential FY 2006-07 GF/GP Spending Pressures

	<u>(Millions)</u>
Medicaid budget adjustments from unrealized savings	\$100
Reduced April 2006/April 2007 Tobacco Settlement payments	\$84.6
Higher DHS caseload	\$20 – \$40
Lower DHS Jobs, Education, and Training (JET) savings	\$10 – \$20
Increased prison population; increased health care costs	<u>\$25 – \$35</u>
TOTAL	\$240 – \$280

FY 2008 Consensus Agreement

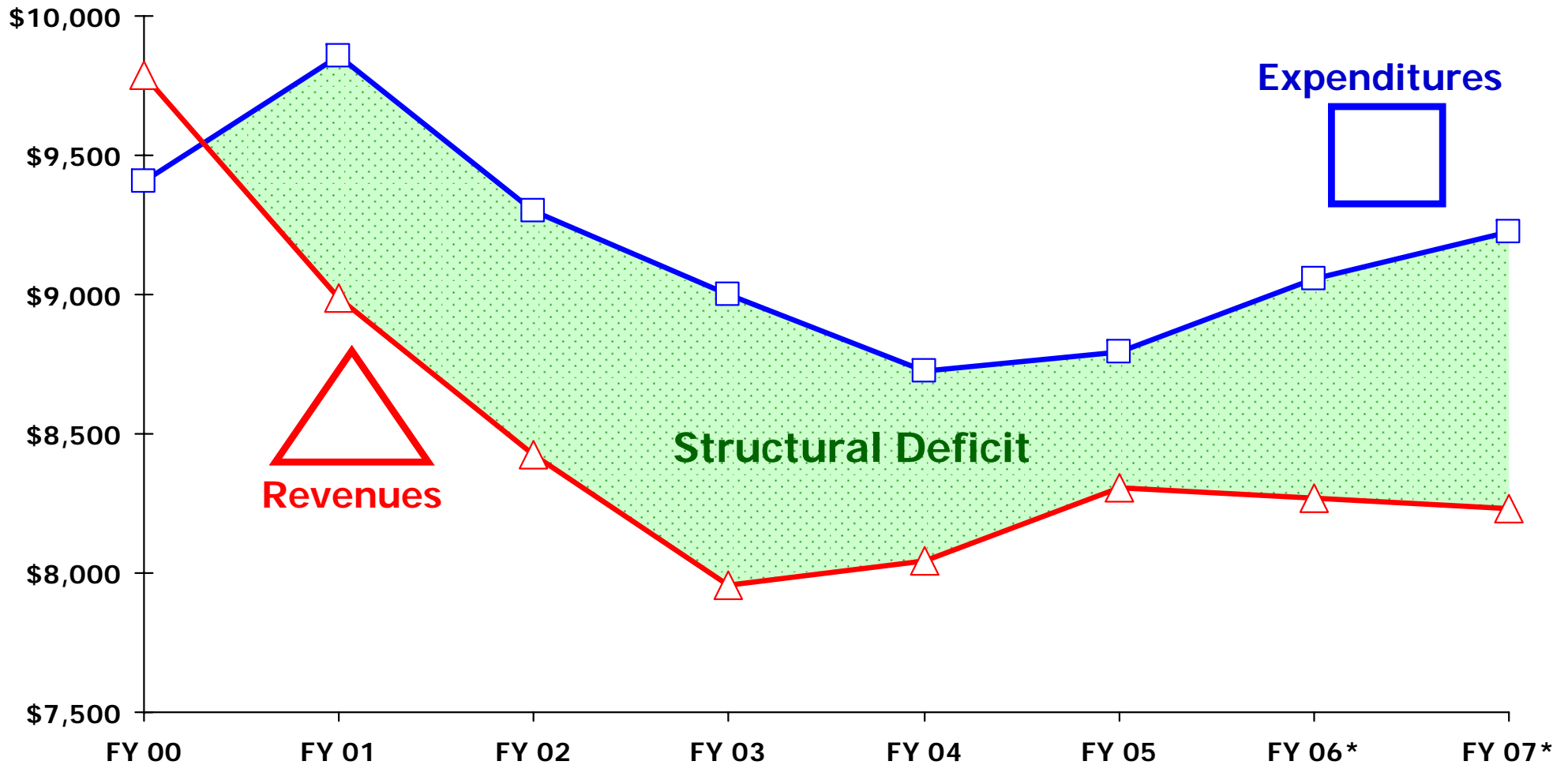
FY 2008 Revenue Estimates (Millions of Dollars)

	<u>January Consensus</u>	<u>Change from FY 2007 Consensus</u>	
Net GF/GP Revenue Growth	\$7,010.0	(14.8%)	(\$1,220.0)
Net SAF Revenue Growth	<u>\$11,532.9</u>	2.7%	<u>\$302.9</u>
Combined GF/GP and SAF Growth	\$18,542.9	(4.7%)	(\$917.1)

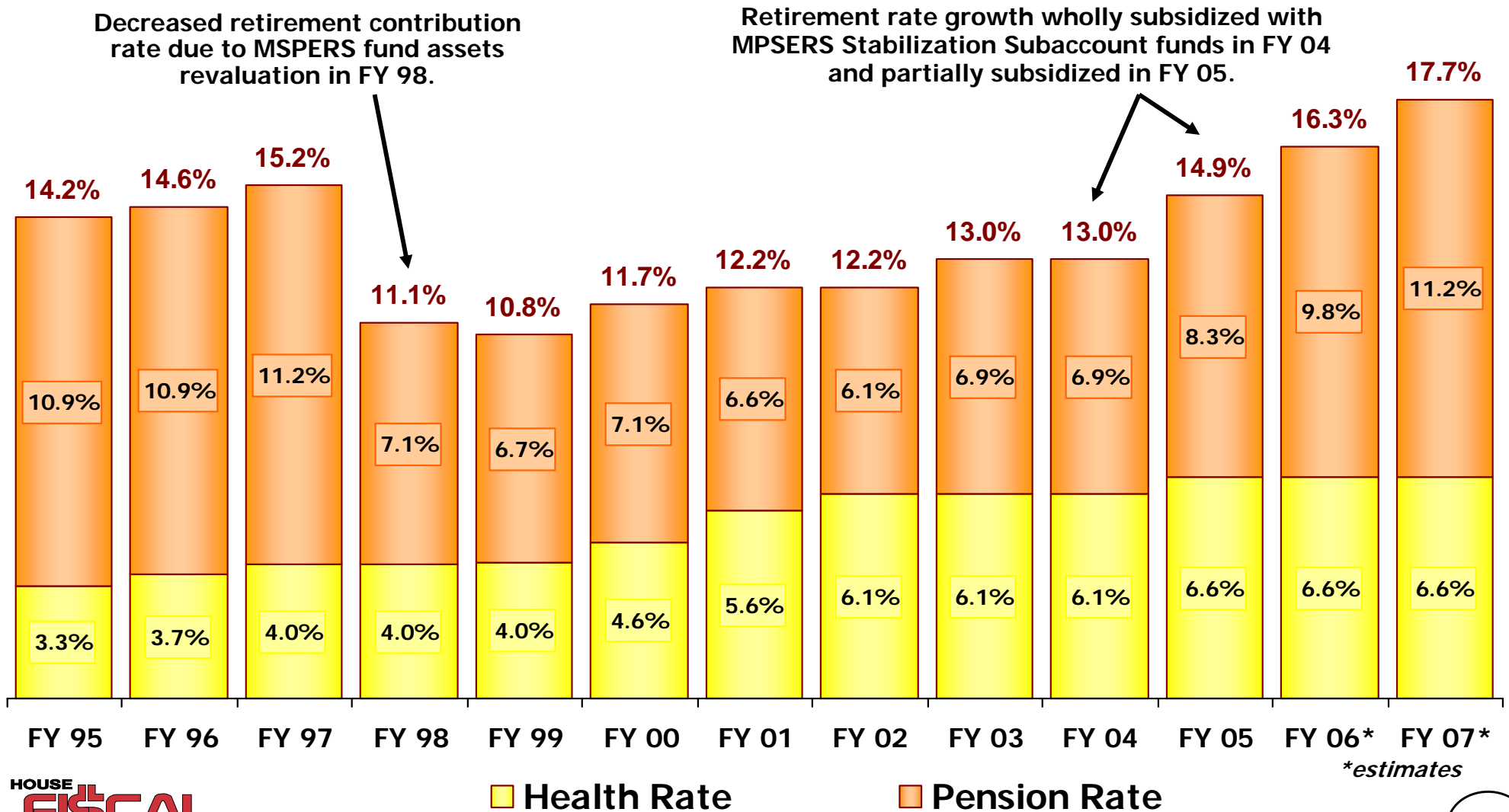
Potential FY 2007-08 GF/GP Spending Pressures

	<u>(Millions)</u>
Medicaid budget adjustments	\$190
Increased debt service	\$10
Tobacco securitization debt service	\$46
Economics for Executive departments (contractual obligations)	\$138
Transfer to 21st Century Jobs Fund	\$75
Human Services: child support enforcement shortfall	\$20
Increased prison costs and replacing one-time revenue used in FY 2006-07	<u>\$203</u>
TOTAL	\$682

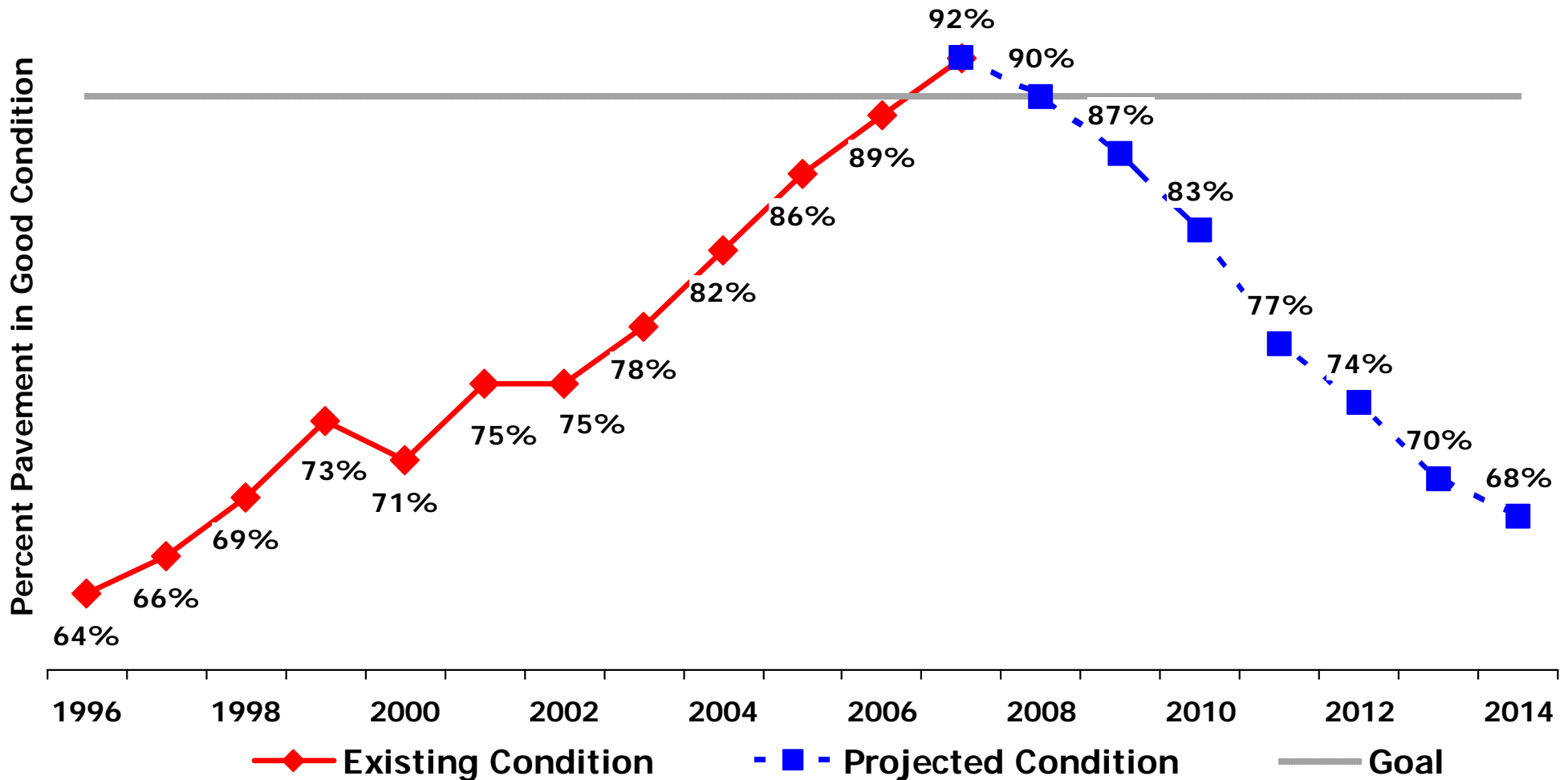
GF/GP Dedicated Revenue vs. Expenditures



School Retirement Contribution Rate



Statewide Pavement Condition Combined Freeway and Non-Freeway

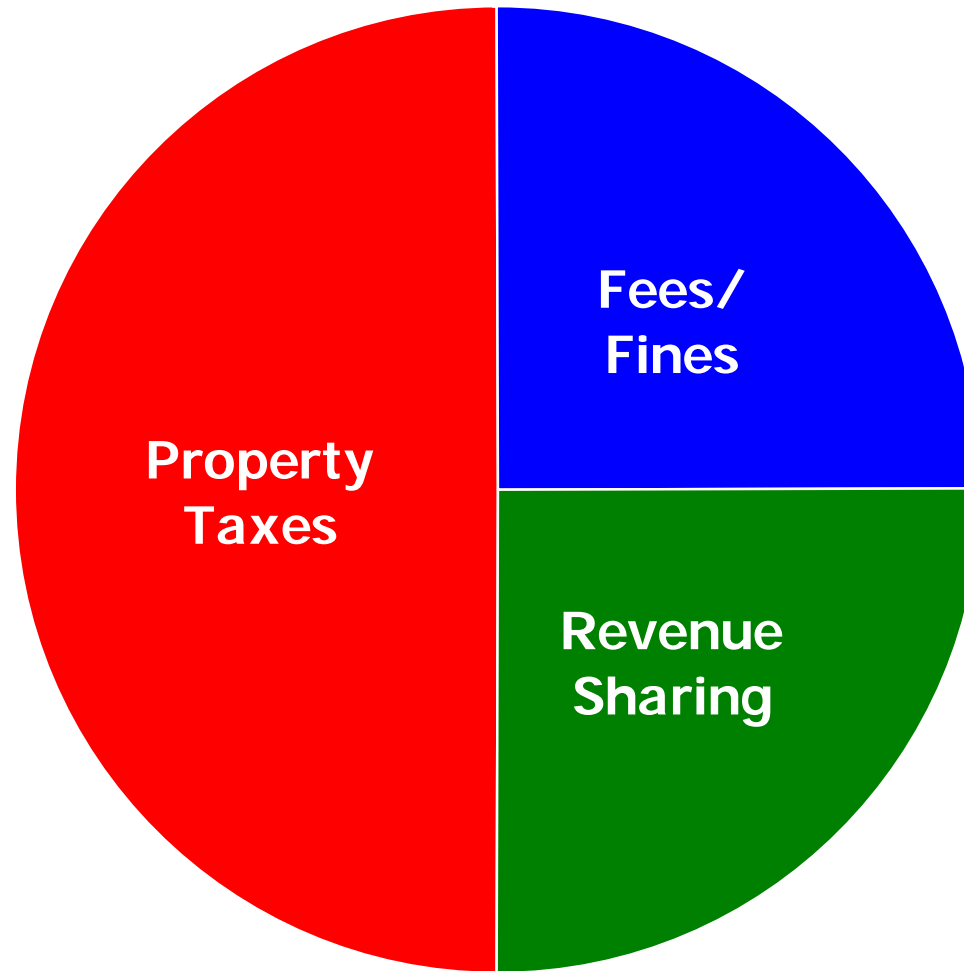


Source: Michigan Department of Transportation website, from November 2006 MDOT presentation



LOCAL GOVERNMENT SPENDING PRESSURES

Local Government General Fund Revenue



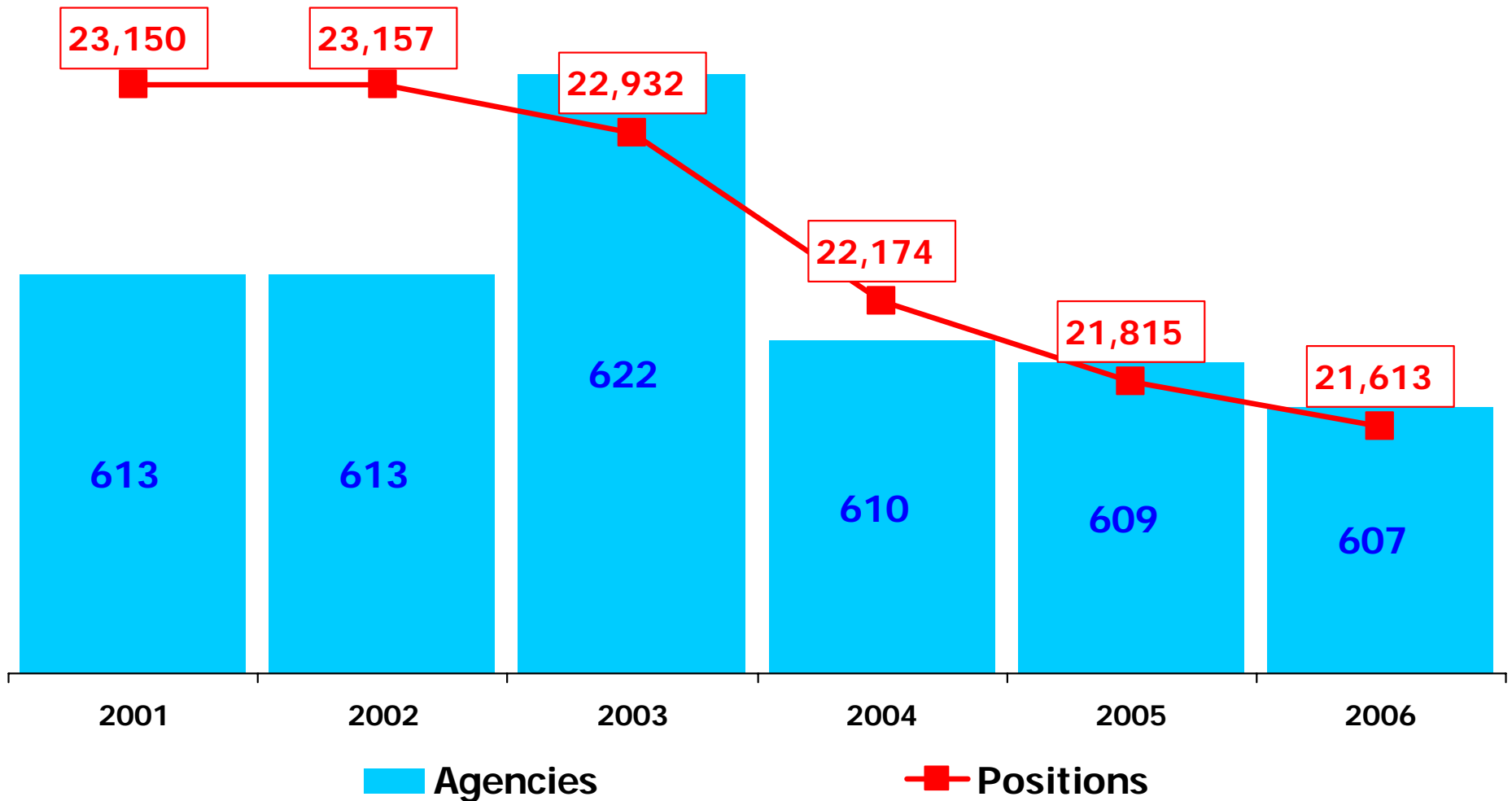
Source: Michigan Municipal League presentation (January 10, 2007)

Local Impact of Revenue Sharing Cuts

REDUCED OR ELIMINATED

- ▶▶ Capital projects
- ▶▶ Road and sidewalk maintenance
- ▶▶ Personnel

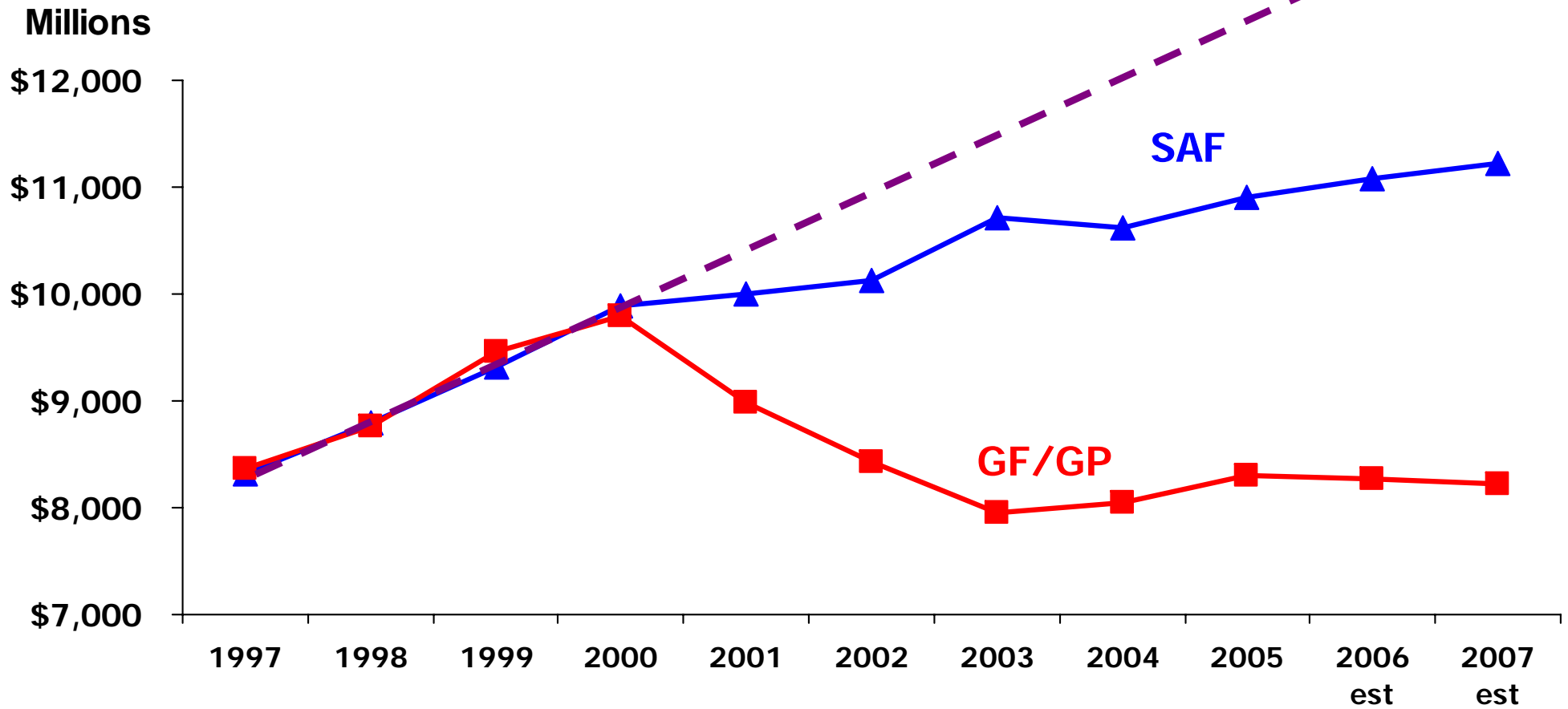
Law Enforcement





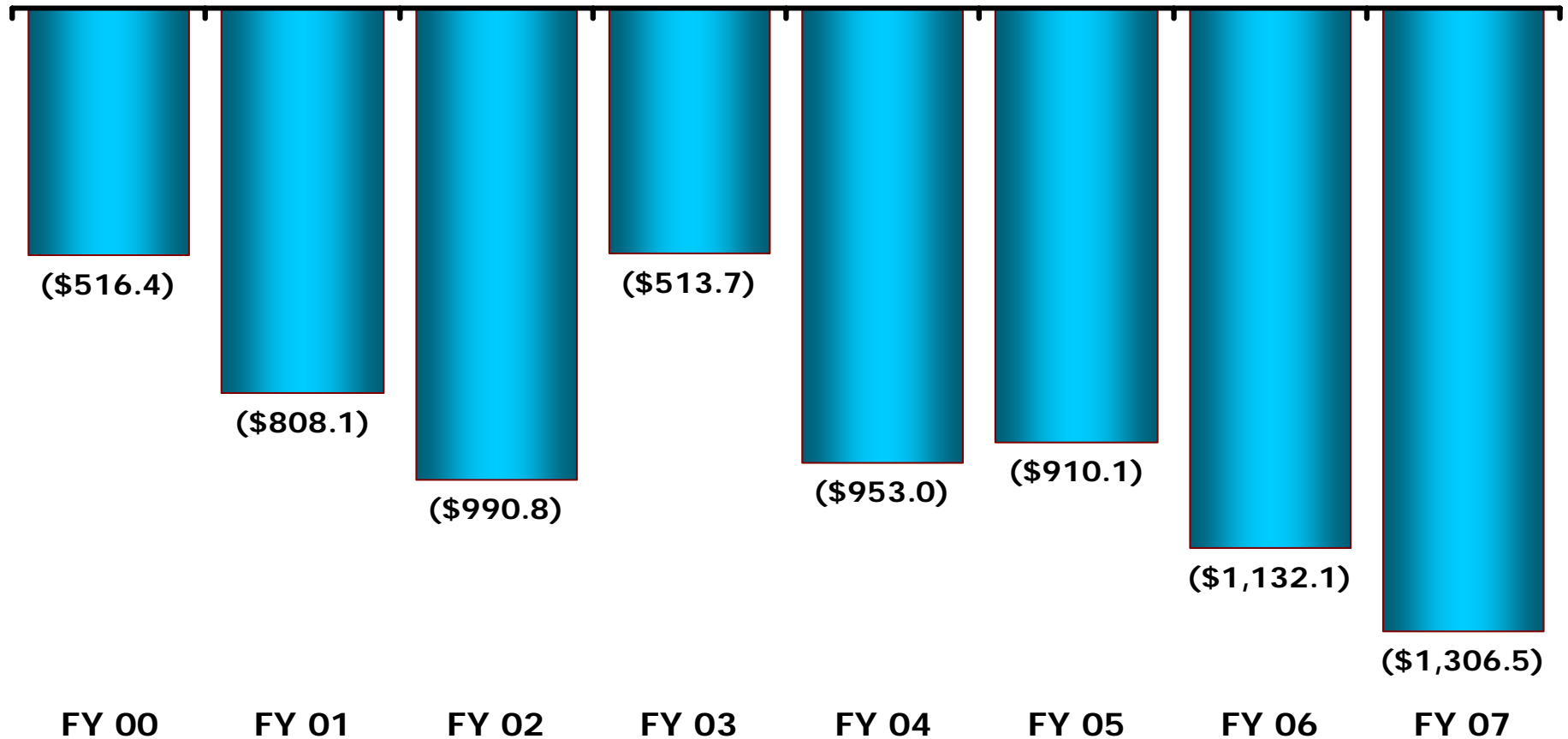
MICHIGAN'S BUDGET

GF/GP and SAF Net Revenue



Estimated Fiscal Impact of Major Revenue Changes

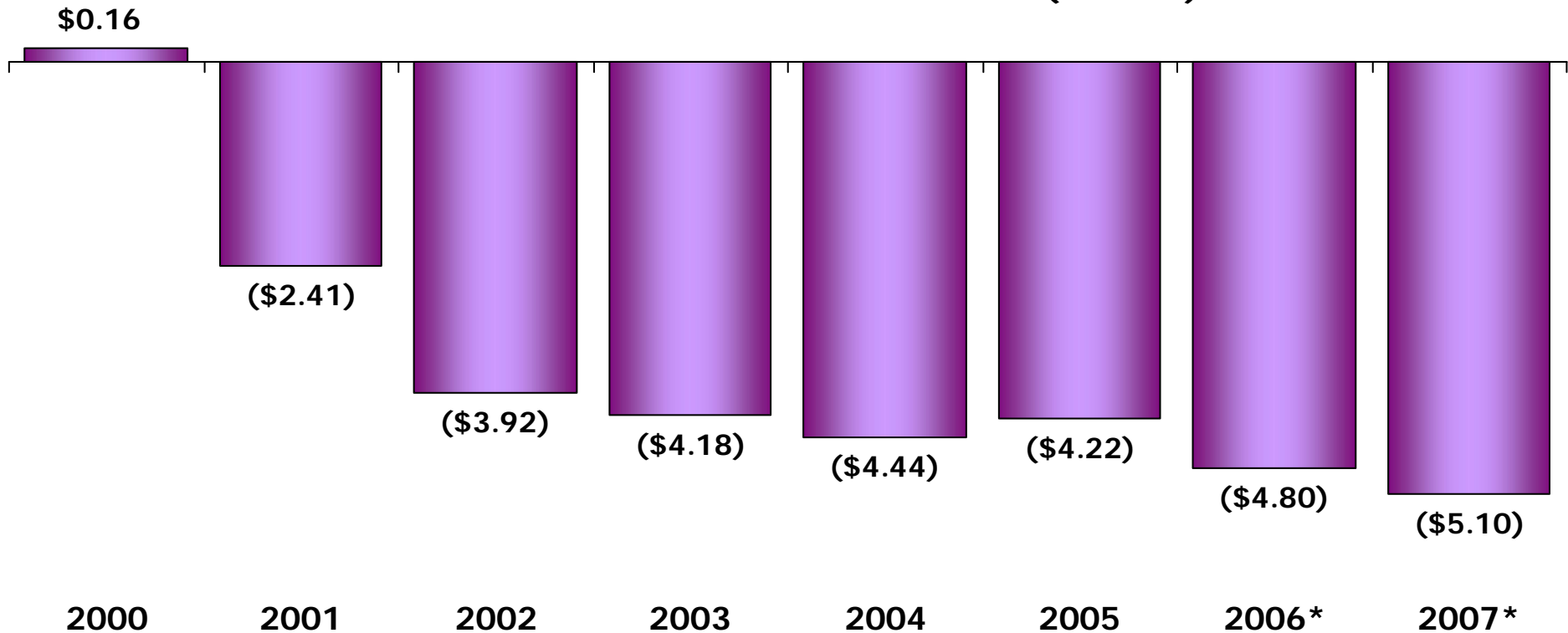
(Millions)



Constitutional Revenue Limit

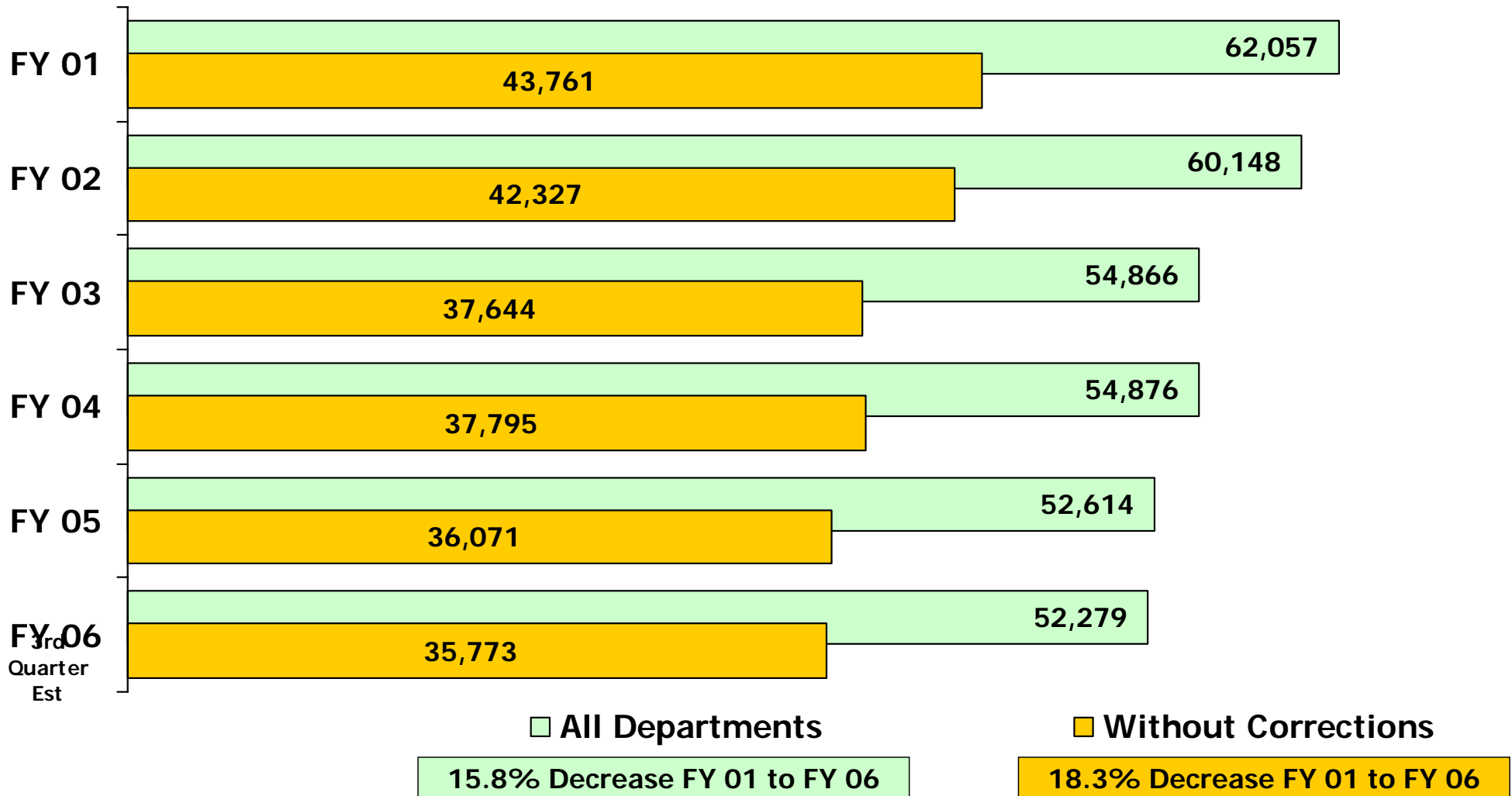
State government takes \$5.1 billion less from the state economy

Amount Under/Over Limit (Billions)



May 2006 Consensus Estimate

Average # of Classified State Employees





Solutions to Structural Deficit

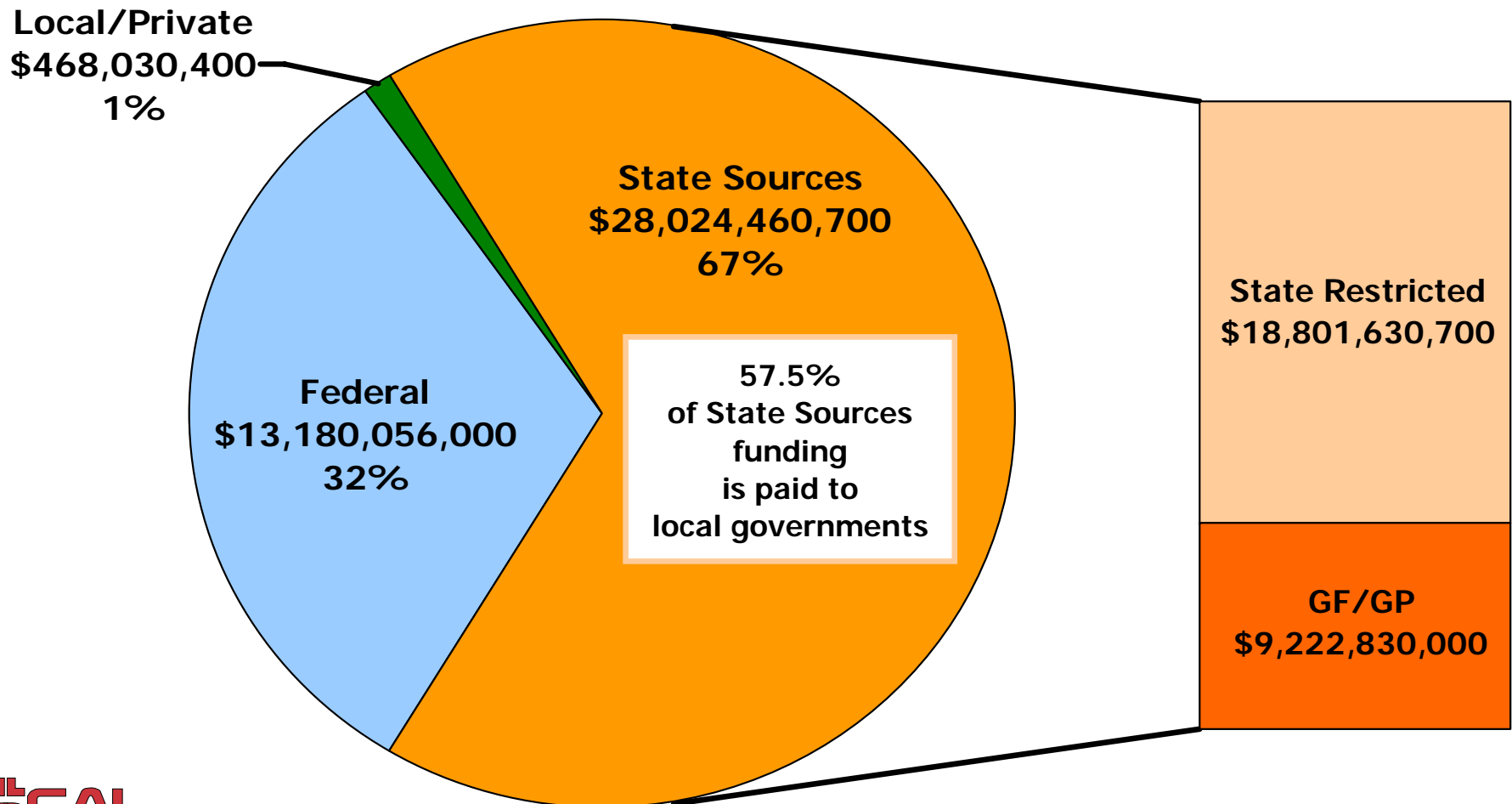
REDUCTIONS in State Services

INCREASED State Revenue

REDUCTIONS in State Services + **INCREASED** State Revenue

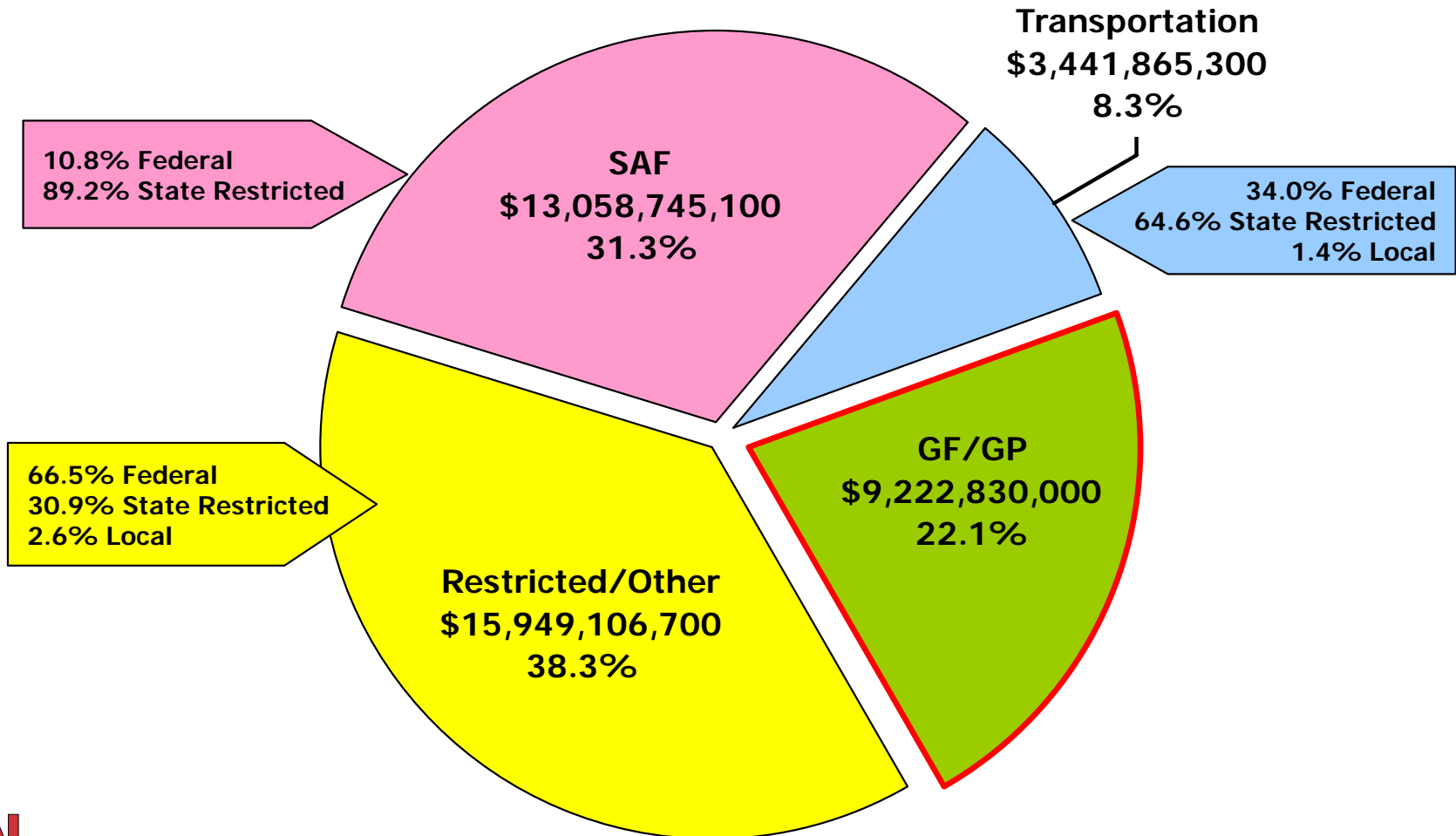
FY 2006-07 Budget Adjusted Gross Funding Sources

FY 2006-07 Adjusted Gross = \$41,672,547,100

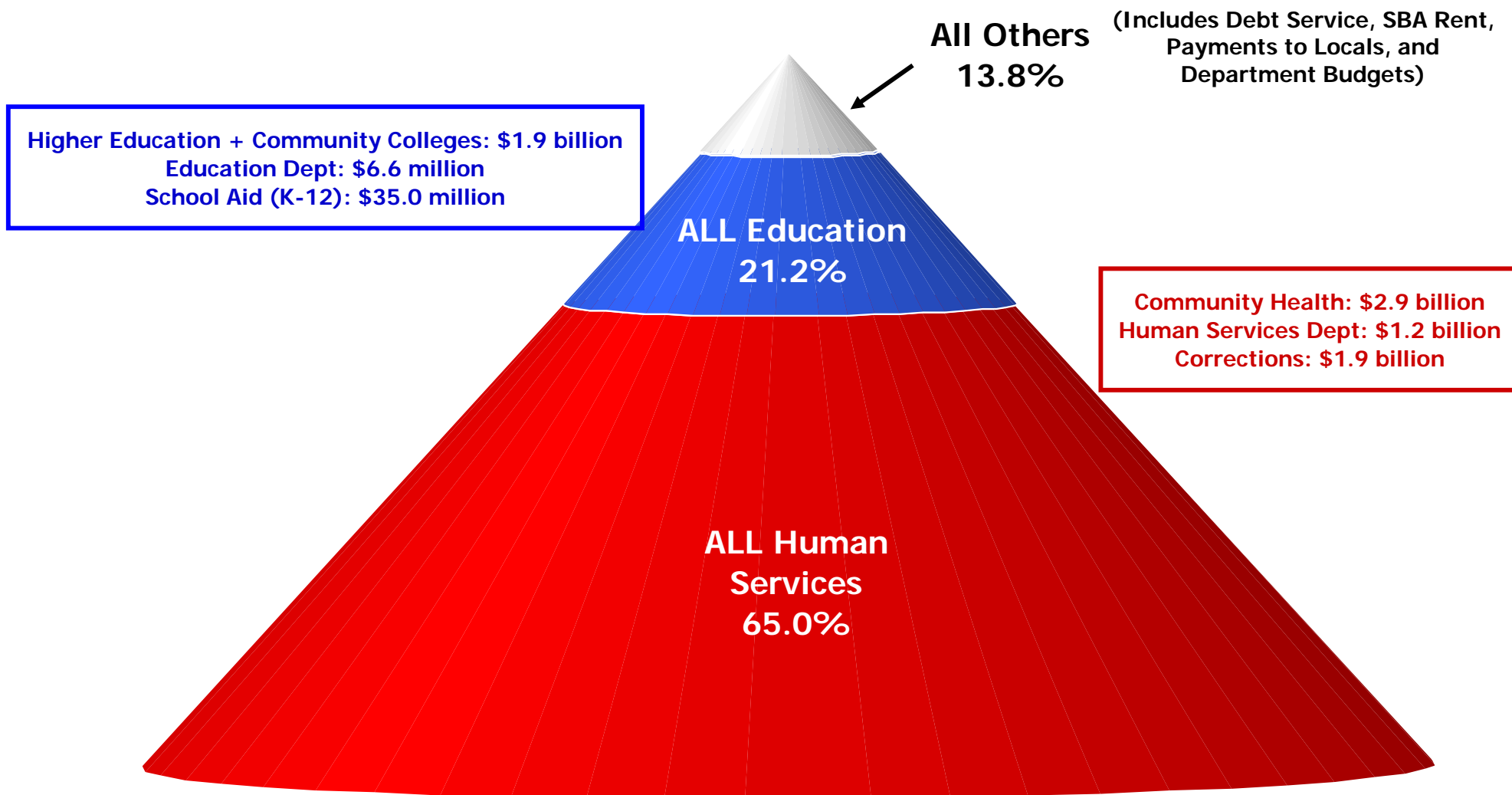


FY 2006-07 Appropriations Funding

FY 2006-07 Adjusted Gross = \$41,672,547,100



FY 2006-07 GF/GP Appropriations





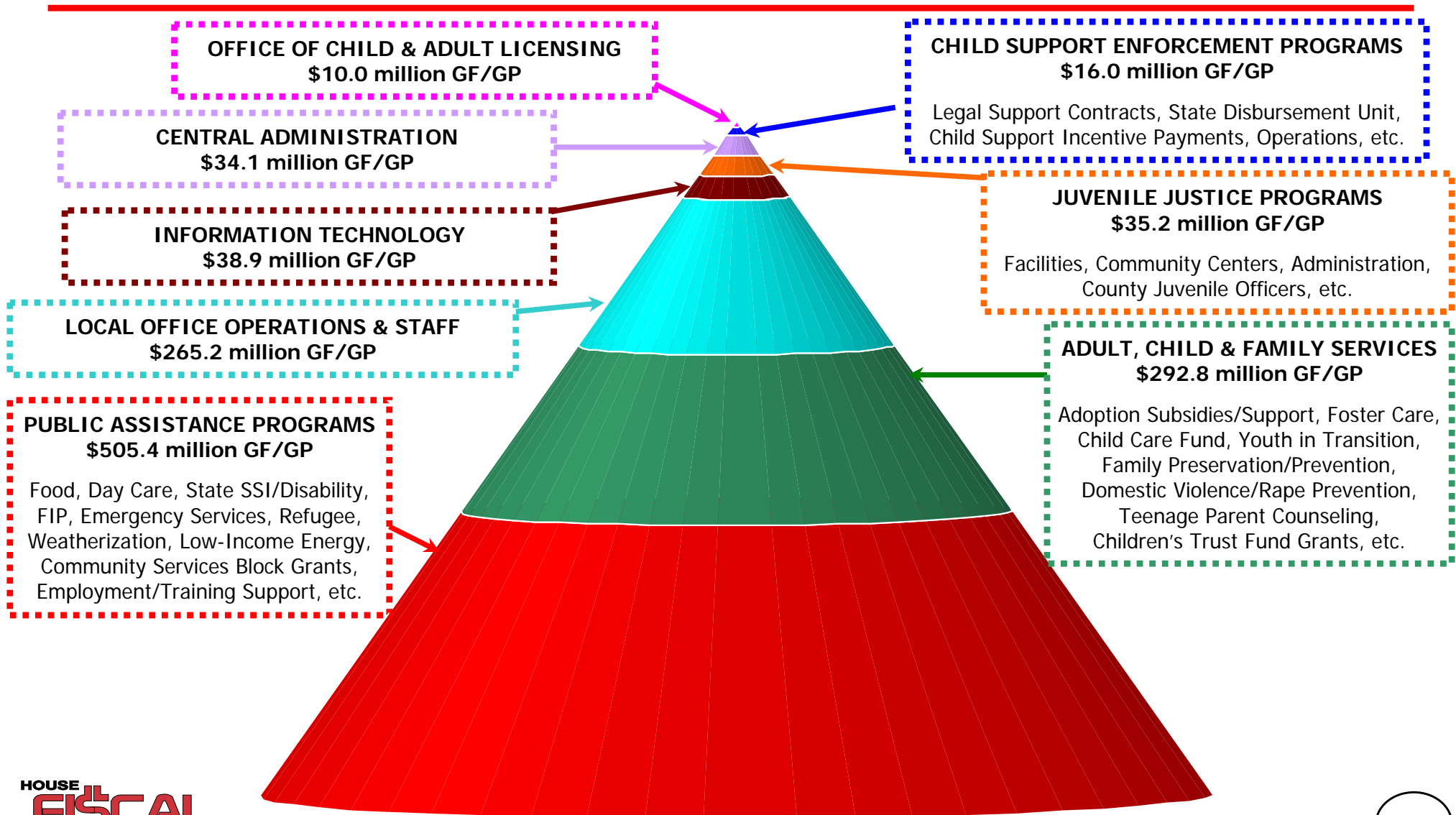
Medicaid Impact on Michigan's Budget

- Almost 25% of Michigan GF/GP revenue is appropriated by Medicaid
- 1 of 7 Michigan residents were eligible for Medicaid in September 2006
- 37% of births and 70% of nursing home expenditures in Michigan are financed through Medicaid
- Total state and federal Medicaid spending is over \$8.6 billion in FY 2006-07
- Since FY 1999-2000
 - 70.5% increase in Medicaid funding
 - 40.3% growth in Medicaid caseload (427,700 cases)

Community Health Optional Services

	<u>GF/GP</u> <u>(millions)</u>
Optional Medicaid eligibility groups Estimated 301,100 persons affected	\$175.2
Optional Medicaid services Pharmacy, MIChoice home- and community-based, adult home help/personal care, hospice	\$438.0
1% provider reductions Mental health and substance abuse services, hospitals, physicians, nursing homes, health plans	\$25.4
Other CMH non-Medicaid services, multicultural services, local public health operations, non-Medicaid Healthy Michigan Fund, substance abuse services, aging services	<u>\$394.0</u>
TOTAL	\$1,032.6

Department of Human Services (DHS) FY 2006-07 GF/GP



OFFICE OF CHILD & ADULT LICENSING
\$10.0 million GF/GP

CENTRAL ADMINISTRATION
\$34.1 million GF/GP

INFORMATION TECHNOLOGY
\$38.9 million GF/GP

LOCAL OFFICE OPERATIONS & STAFF
\$265.2 million GF/GP

PUBLIC ASSISTANCE PROGRAMS
\$505.4 million GF/GP

Food, Day Care, State SSI/Disability, FIP, Emergency Services, Refugee, Weatherization, Low-Income Energy, Community Services Block Grants, Employment/Training Support, etc.

CHILD SUPPORT ENFORCEMENT PROGRAMS
\$16.0 million GF/GP

Legal Support Contracts, State Disbursement Unit, Child Support Incentive Payments, Operations, etc.

JUVENILE JUSTICE PROGRAMS
\$35.2 million GF/GP

Facilities, Community Centers, Administration, County Juvenile Officers, etc.

ADULT, CHILD & FAMILY SERVICES
\$292.8 million GF/GP

Adoption Subsidies/Support, Foster Care, Child Care Fund, Youth in Transition, Family Preservation/Prevention, Domestic Violence/Rape Prevention, Teenage Parent Counseling, Children's Trust Fund Grants, etc.



DHS Issues

- **Maintenance of Effort (MOE) for Temporary Assistance to Needy Families (TANF) block grant**
- **Federal matching funds**
- **New federal work requirements**

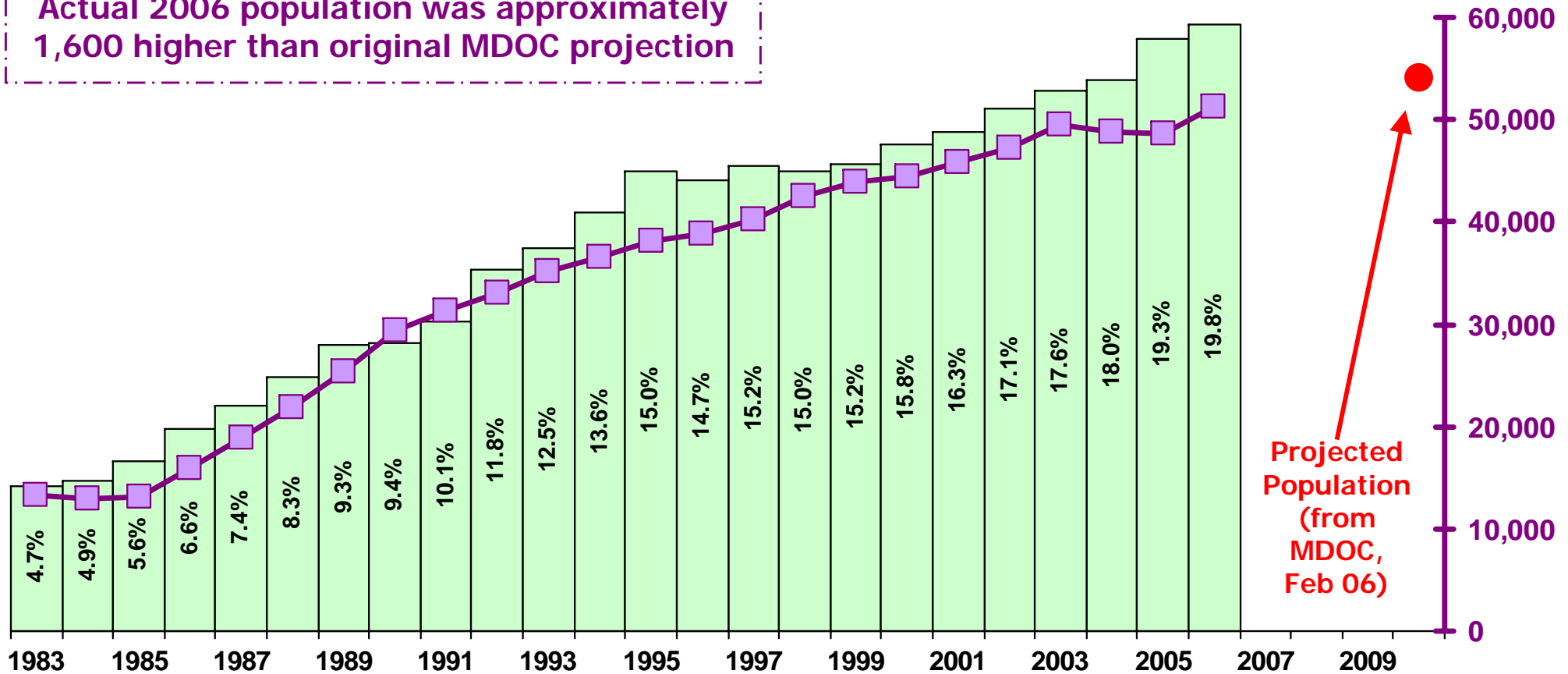
Corrections Spending

- Corrections budget allots approximately 84% for prison operations and 16% for administration, parole/probation, and community corrections
- Prison growth factors include higher prison intake, longer sentences, and decreased parole rates
- Corrections optional programs:
 - Academic vocational programs: \$37 million GF/GP
 - Substance abuse testing/treatment: \$16.5 million GF/GP
 - Prisoner reintegration programs: \$11.5 million GF/GP
 - Community corrections: \$28.9 million GF/GP

GF/GP and MDOC Prison/Camp Population

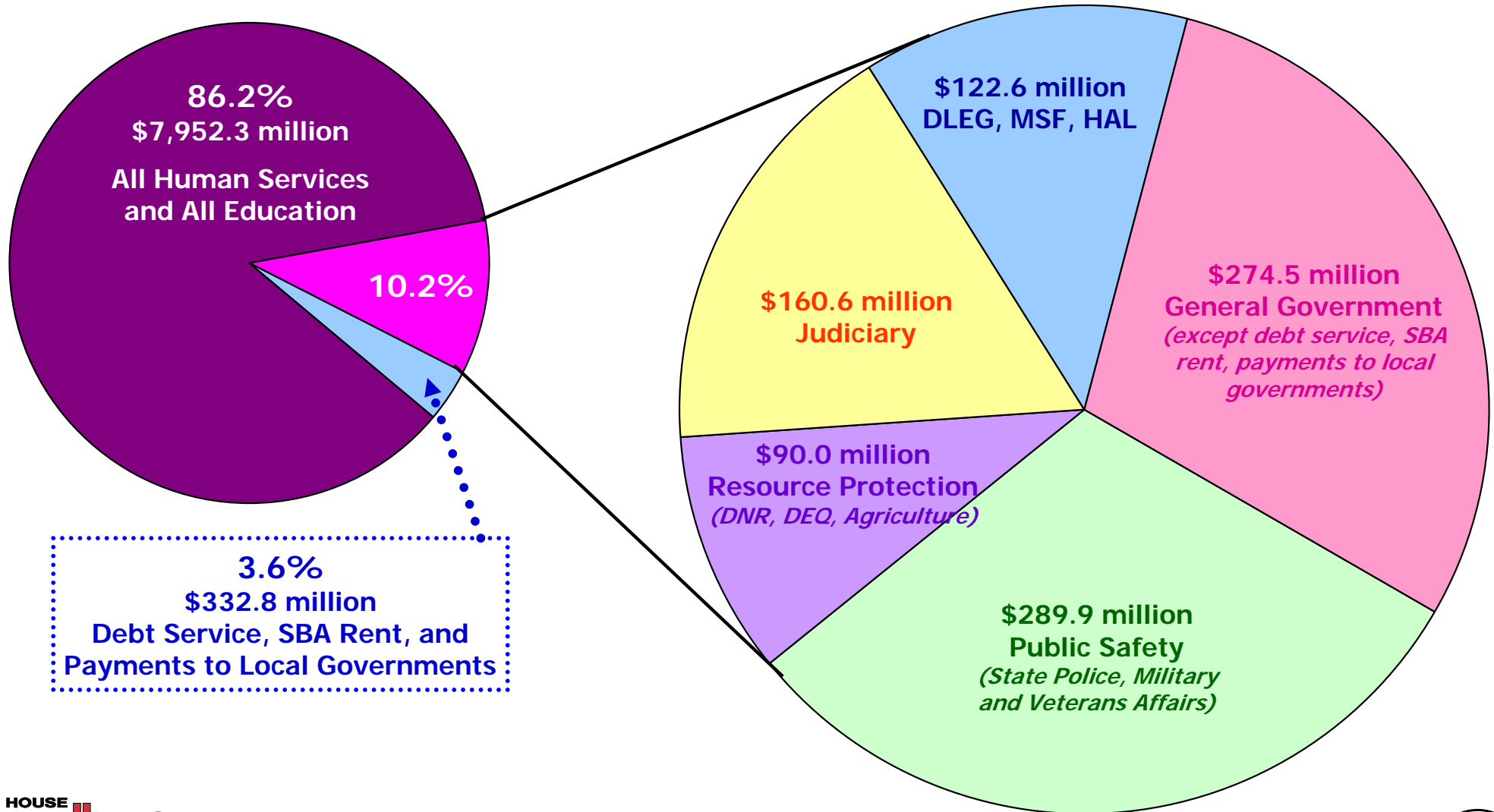
NOTE:

Actual 2006 population was approximately 1,600 higher than original MDOC projection



Projected Population (from MDOC, Feb 06)

FY 2006-07 GF/GP





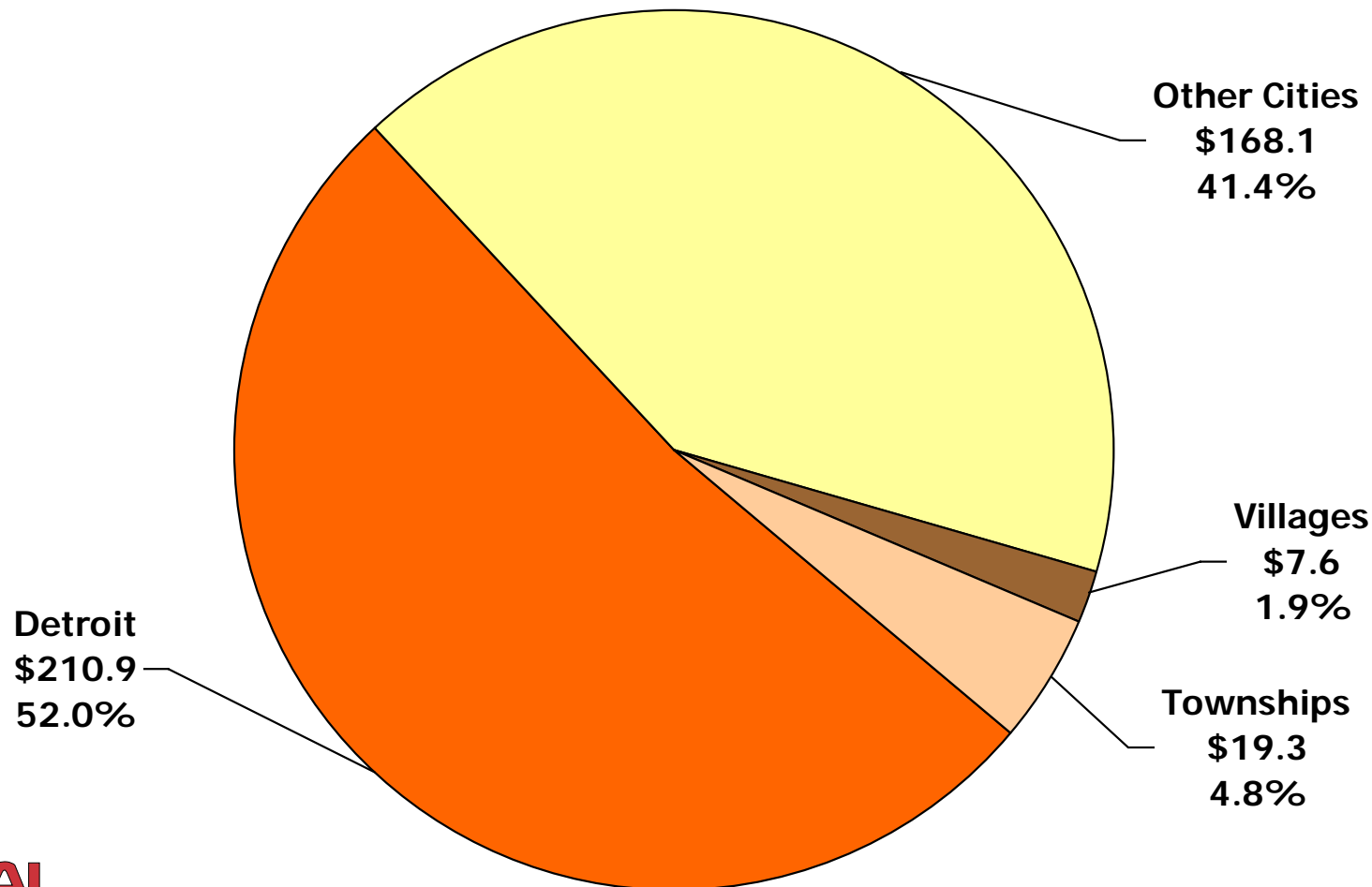
FY 2006-07

STATE RESTRICTED

APPROPRIATIONS

Statutory Revenue Sharing Payments

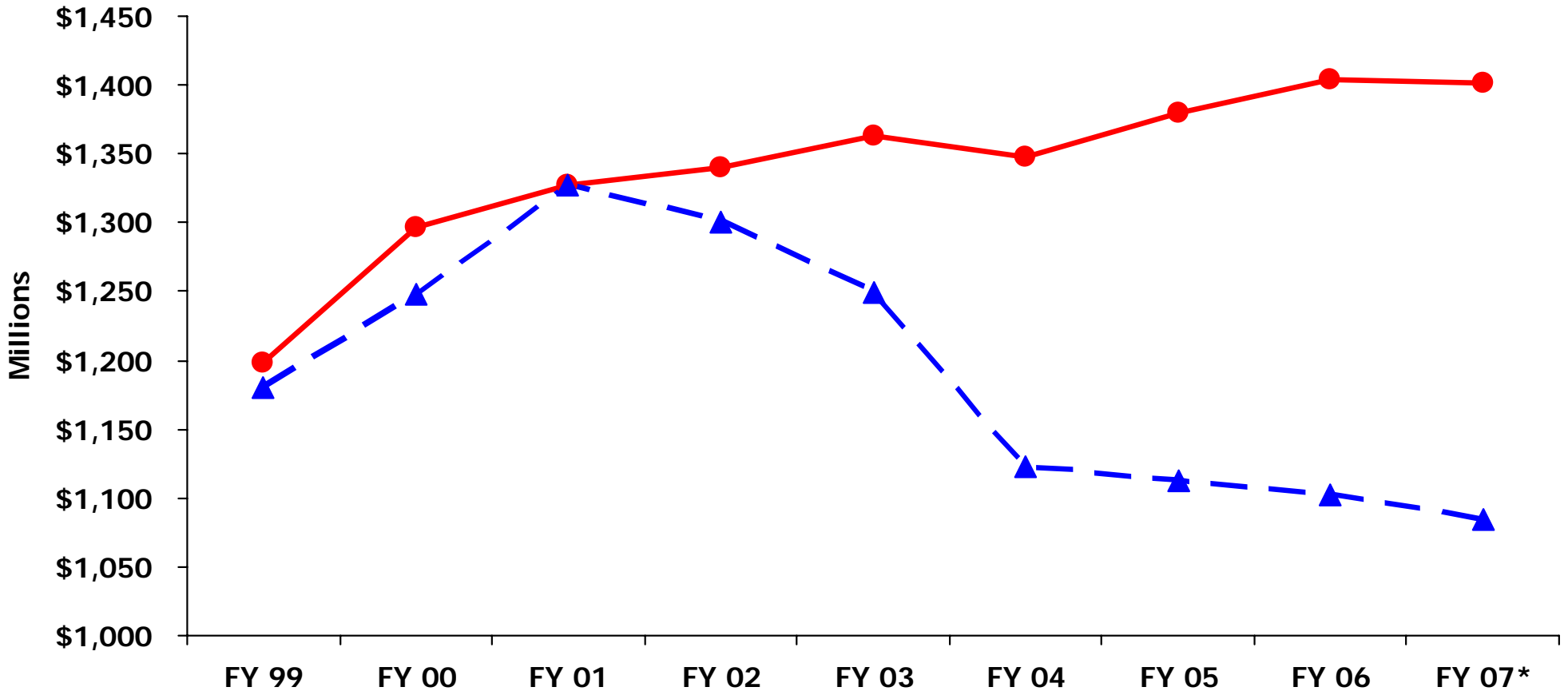
FY 2006-07 Total Statutory Revenue Sharing Payments = \$405.9 million*



*HFA January estimate

Revenue Sharing Payments to Cities, Villages, and Townships (CVTs)

Statutory and Constitutional Payments



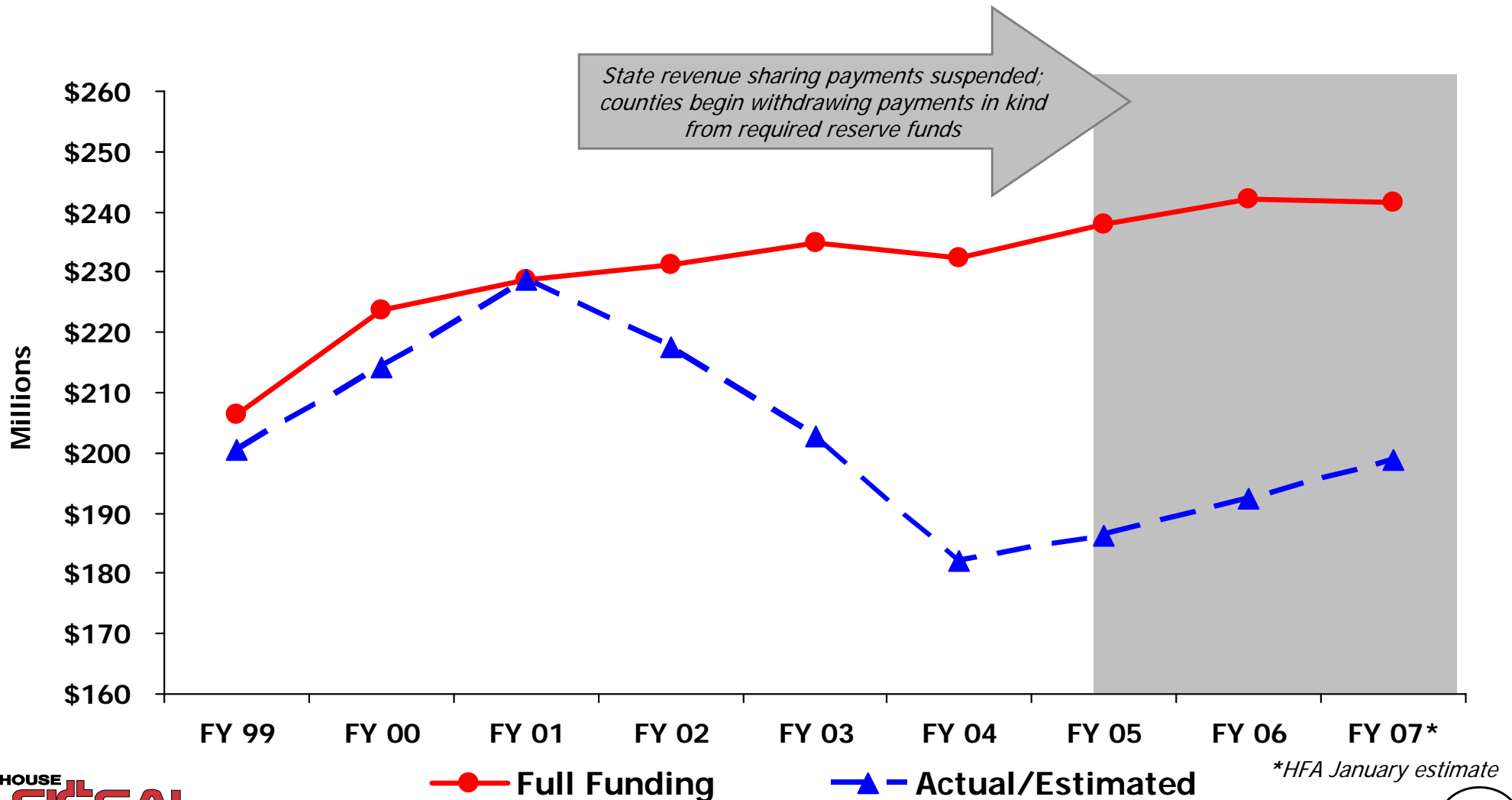
● Full Funding

▲ - Actual/Estimated

**HFA January estimate*

January 2007

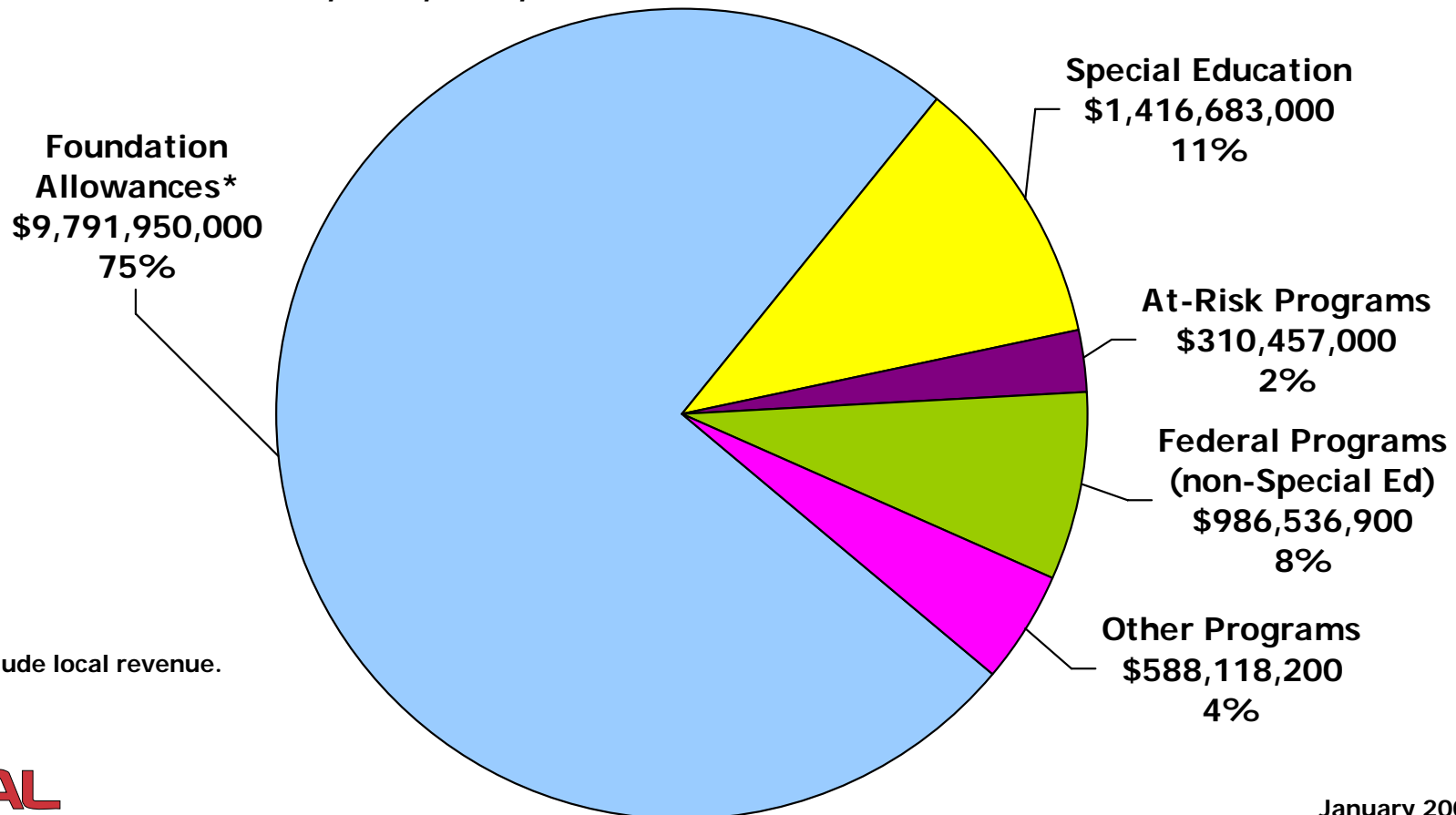
Revenue Sharing Statutory Payments to Counties



School Aid Major Spending Categories

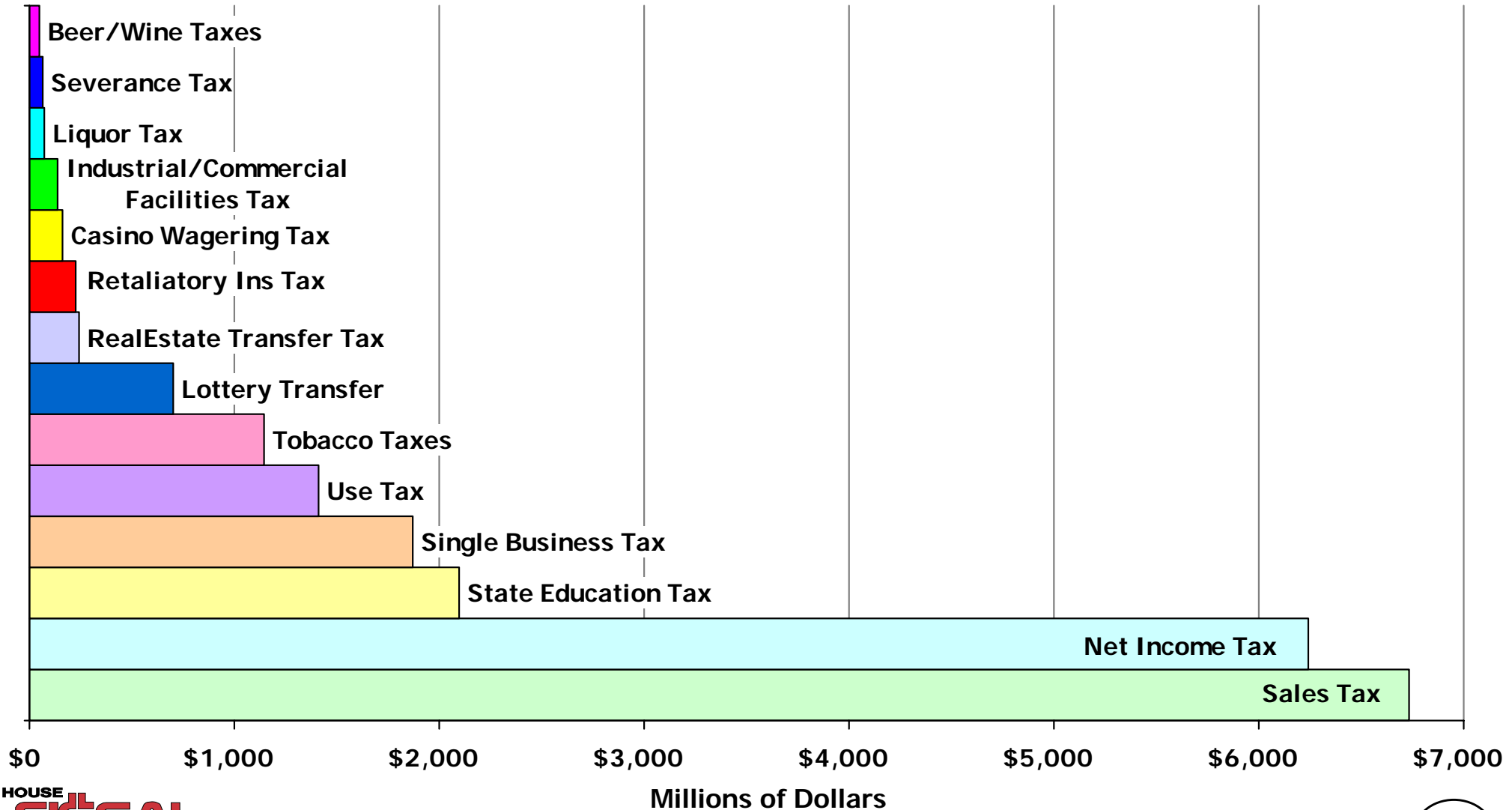
Foundation allowances
(used for school operations)
absorb \$3 out of every \$4 spent

FY 2006-07 Total = \$13,093,745,100



* Does not include local revenue.

Michigan's Major Revenue Sources



HOUSE
FISCAL
AGENCY

www.house.mi.gov/hfa