

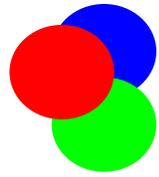
Michigan's Economy and Budget

**Prepared for:
District 93 Town Hall Meetings**

November 16 & 17, 2009

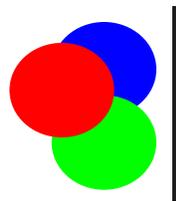


Mitchell E. Bean, Director



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**



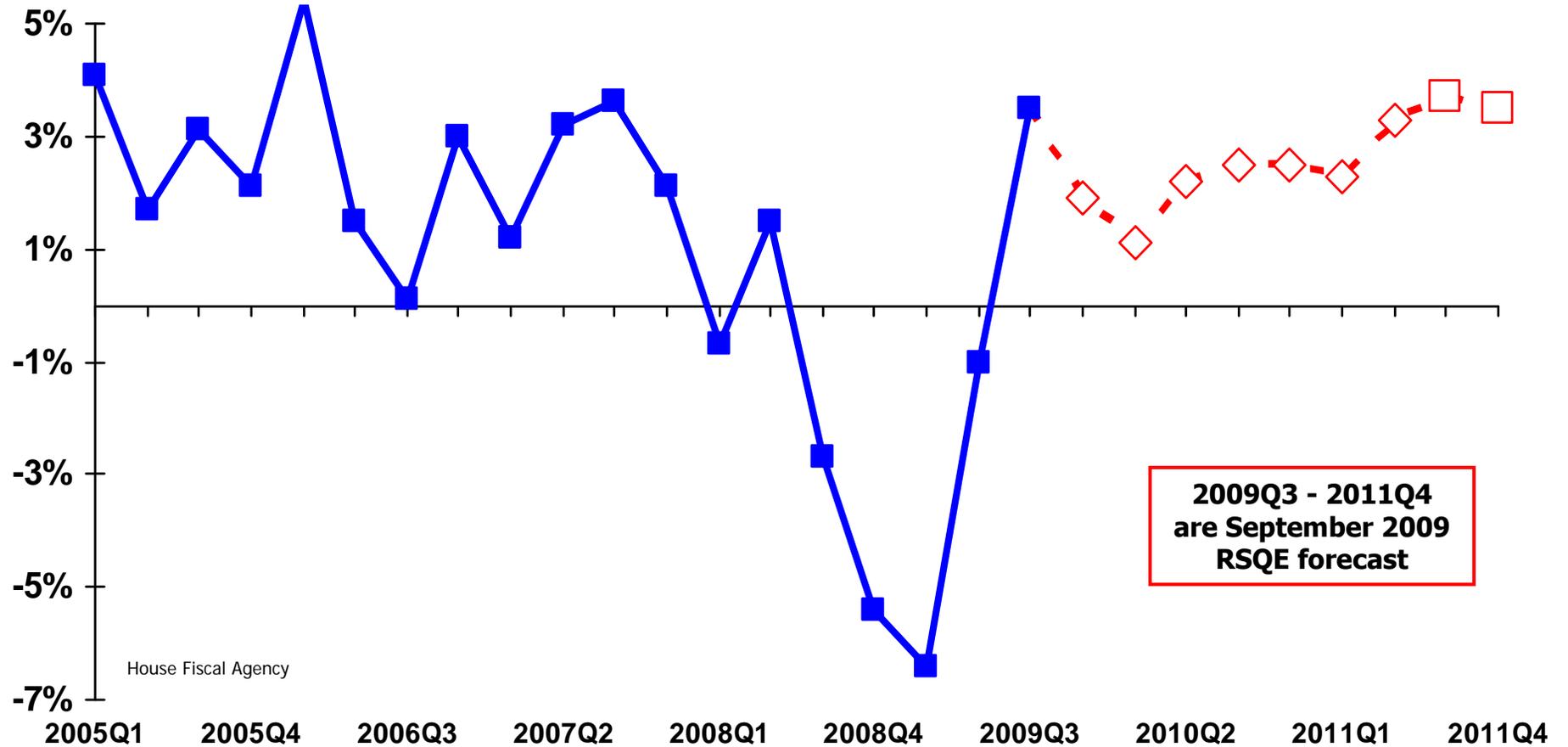
School Aid FY 2009-10

- **\$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**
- **Governor issued proration letter to further reduce payments to districts by an additional \$127 per pupil and \$8.8 million to ISDs**



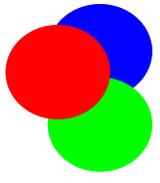
GDP Forecast

Percent Change

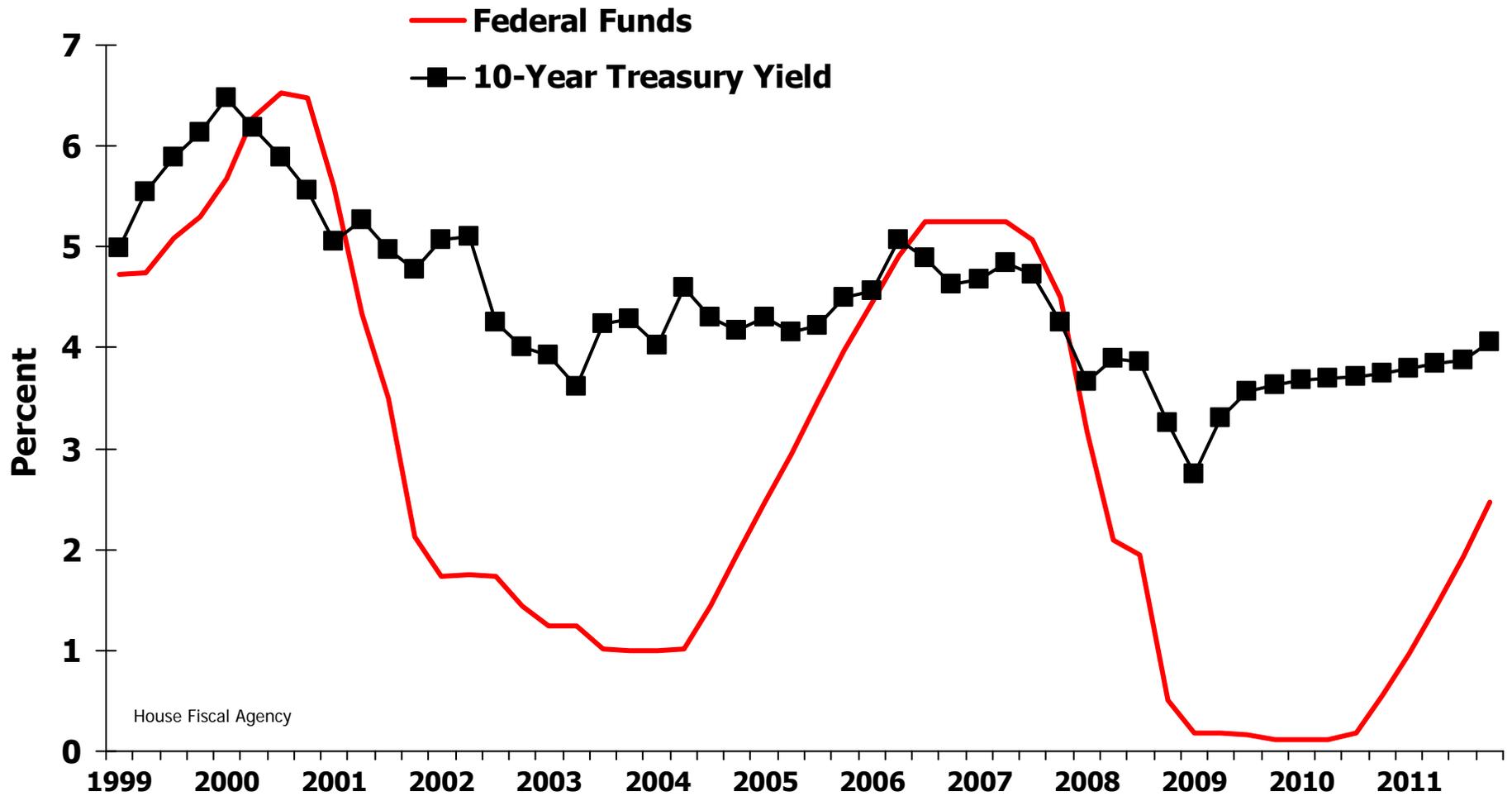


House Fiscal Agency

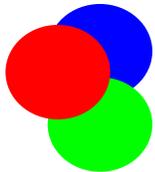
2009Q3 - 2011Q4
are September 2009
RSQE forecast



Interest Rates

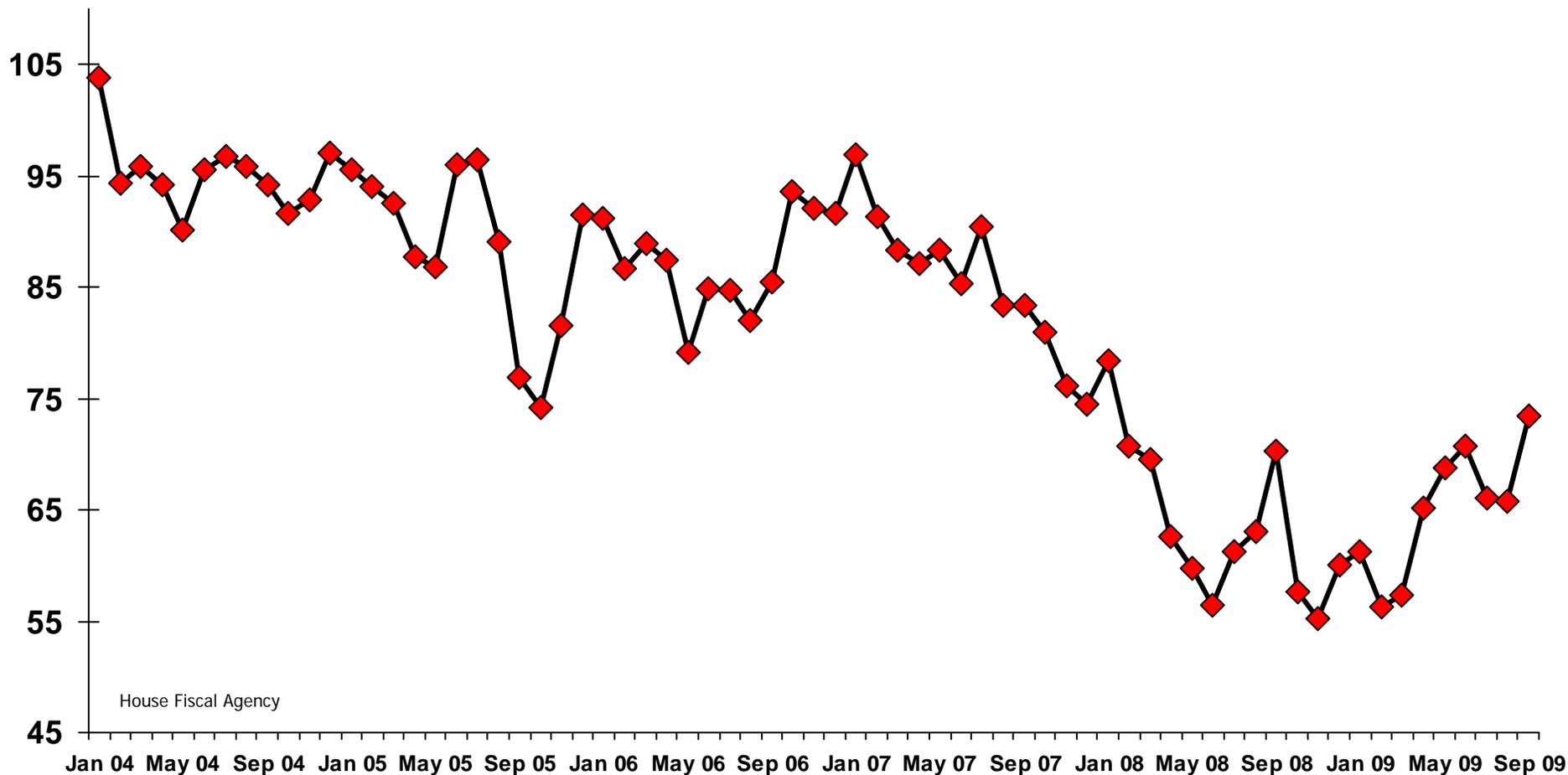


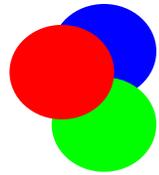
House Fiscal Agency



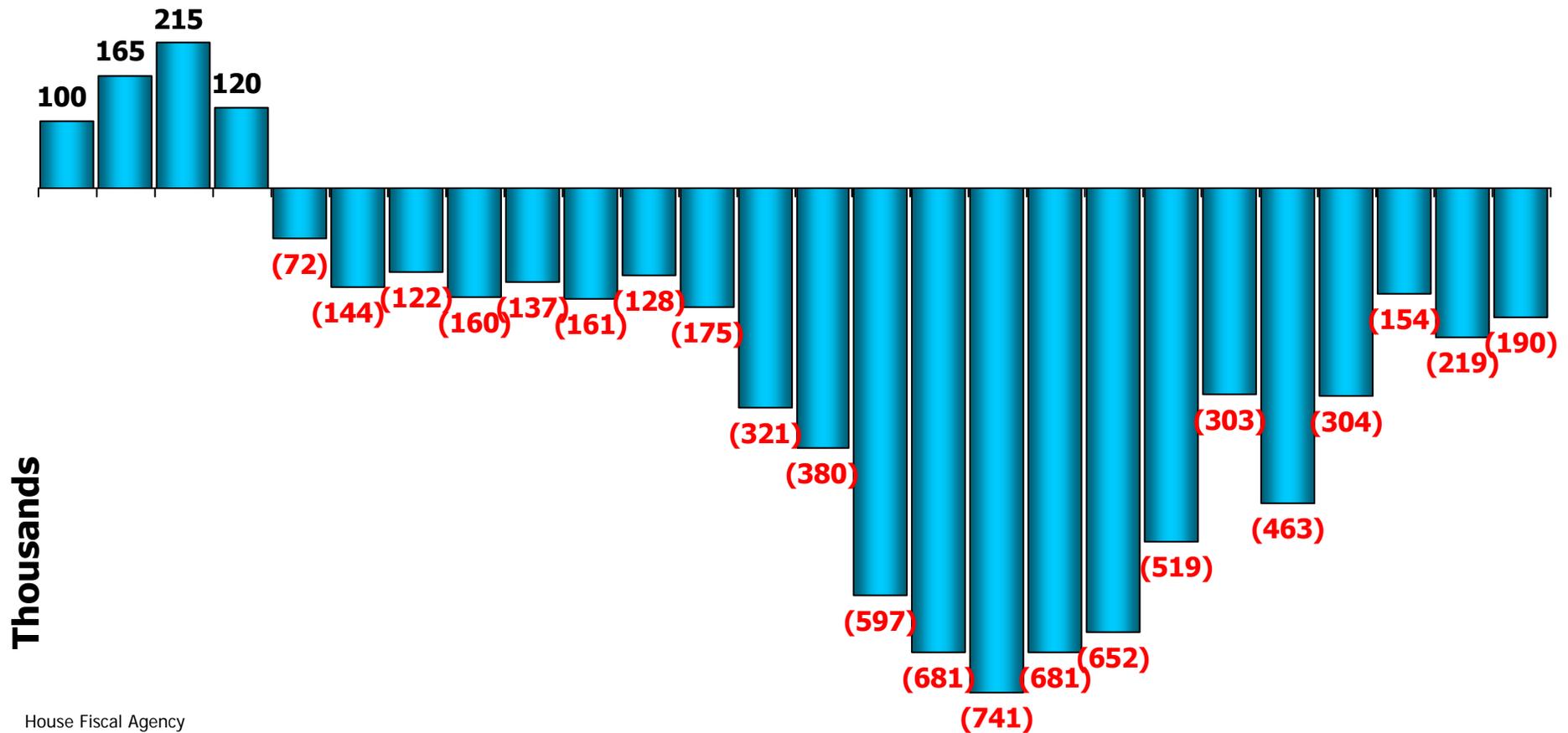
Index of Consumer Sentiment

January 2004 Through September 2009



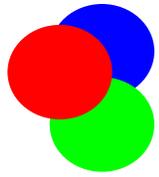


U.S. Economy Has Lost 1.6 Million Jobs in Six Months



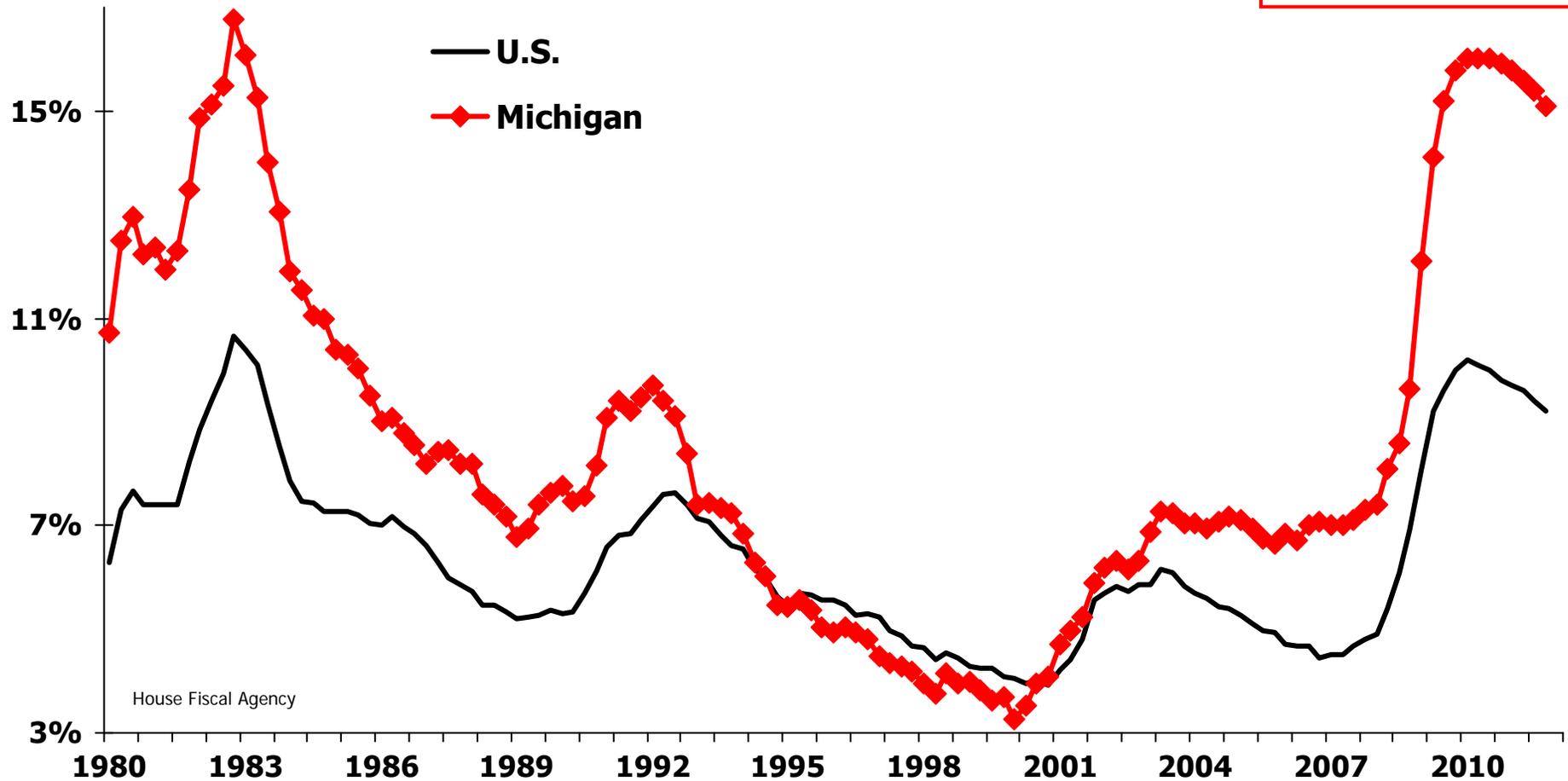
House Fiscal Agency

Sep 07 Nov 07 Jan 08 Mar 08 May 08 Jul 08 Sep 08 Nov 08 Jan 09 Mar 09 May 09 Jul 09 Sep 09

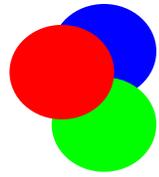


U.S. and Michigan Unemployment Rates

2009Q2 – 2010Q4
are September 2009
RSQE Forecast

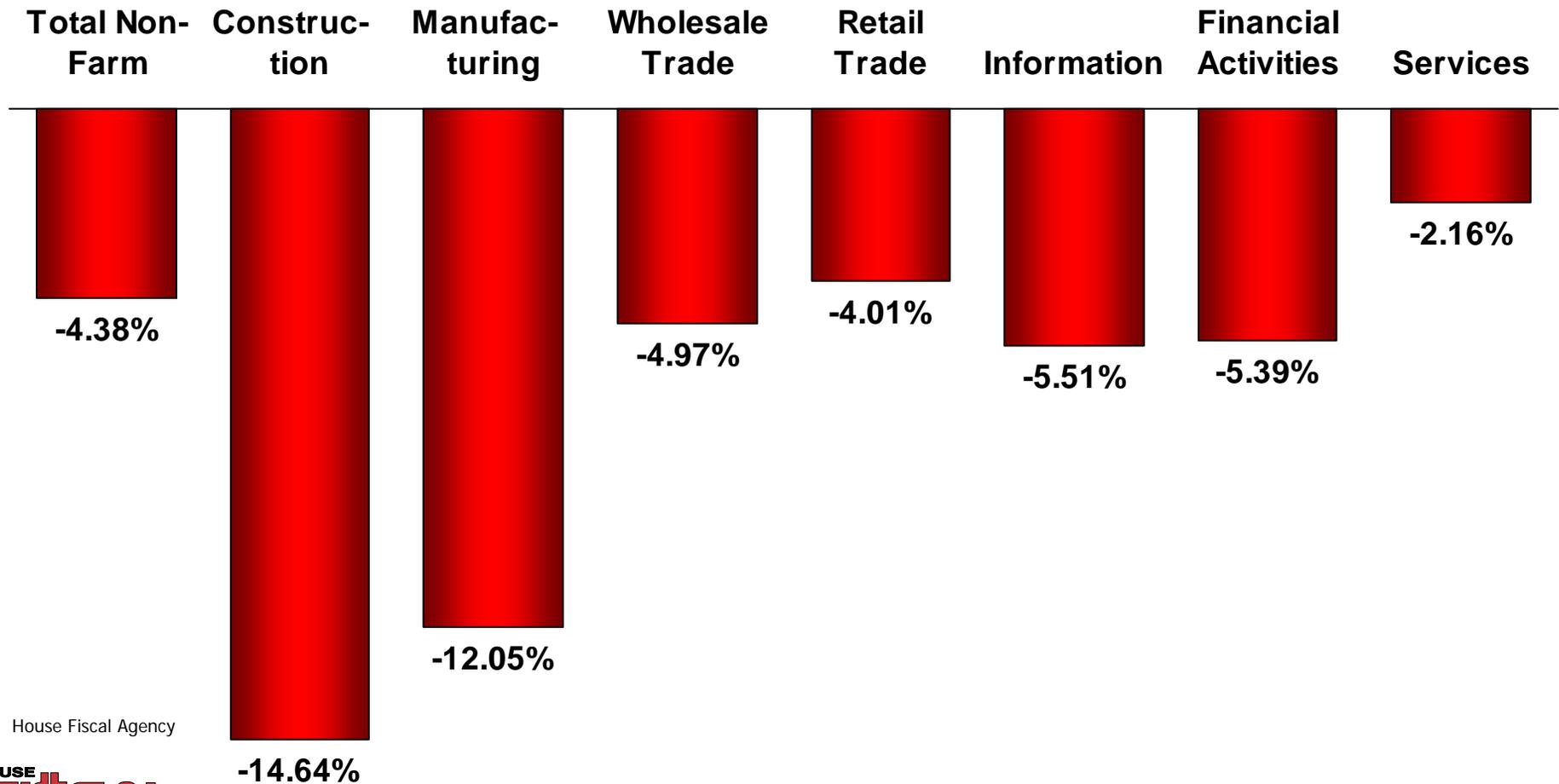


House Fiscal Agency

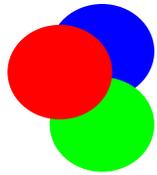


U.S. % Change in Employment

August 2008 Through August 2009

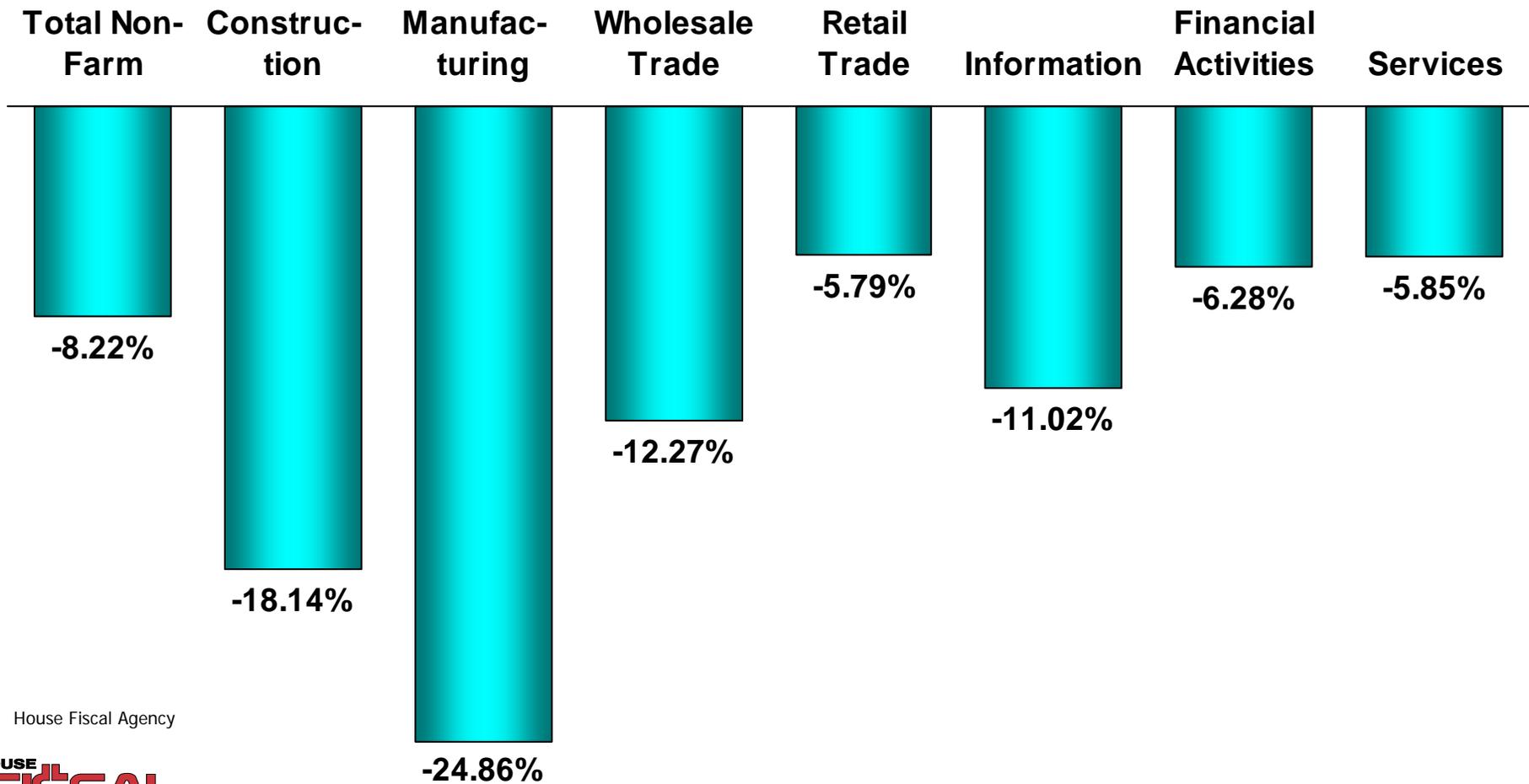


House Fiscal Agency



Michigan % Change in Employment

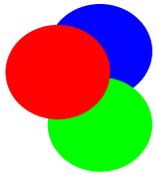
August 2008 Through August 2009



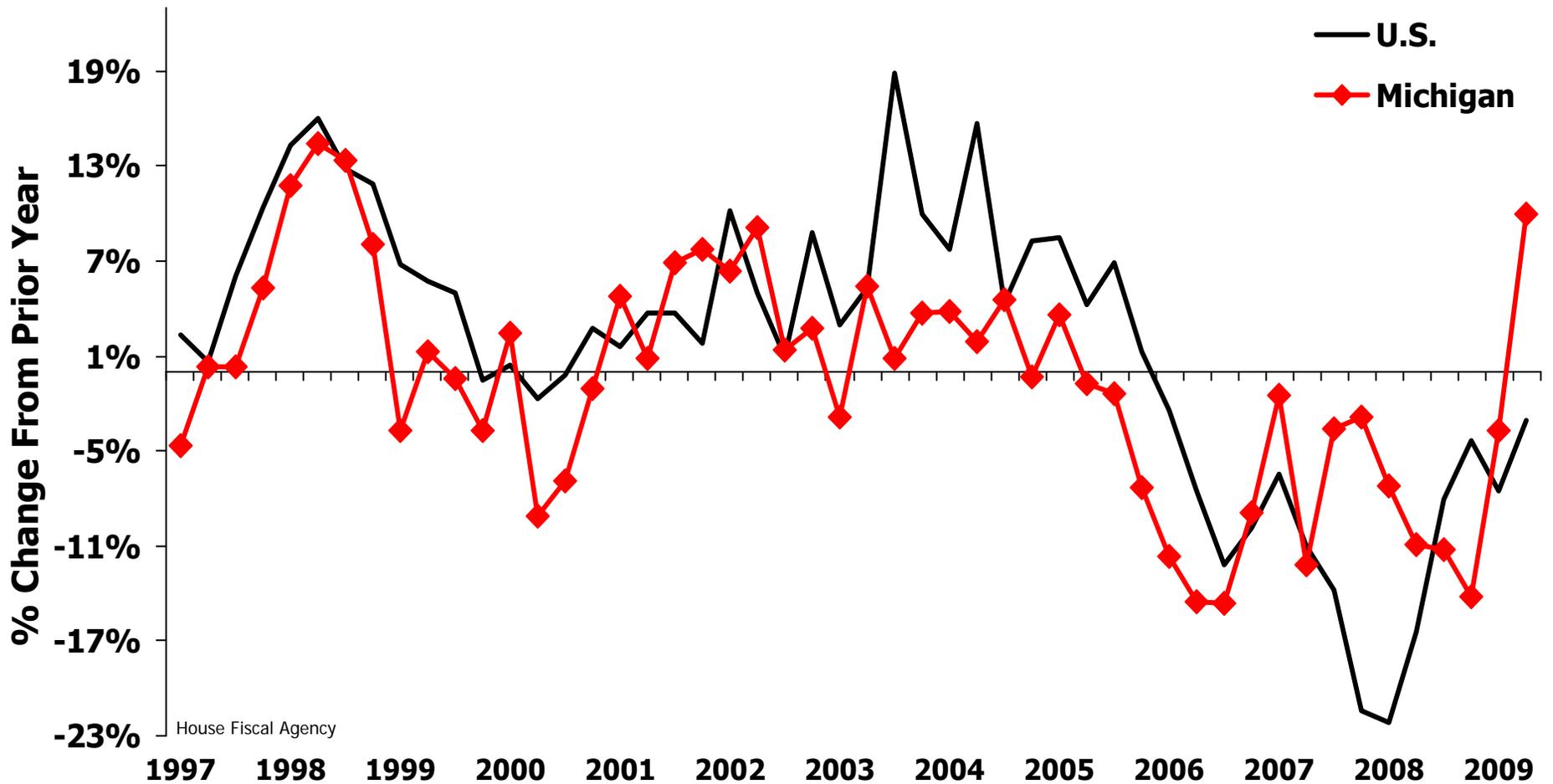
House Fiscal Agency



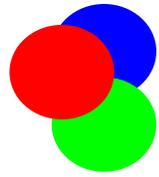
Source: U.S. Bureau of Labor Statistics



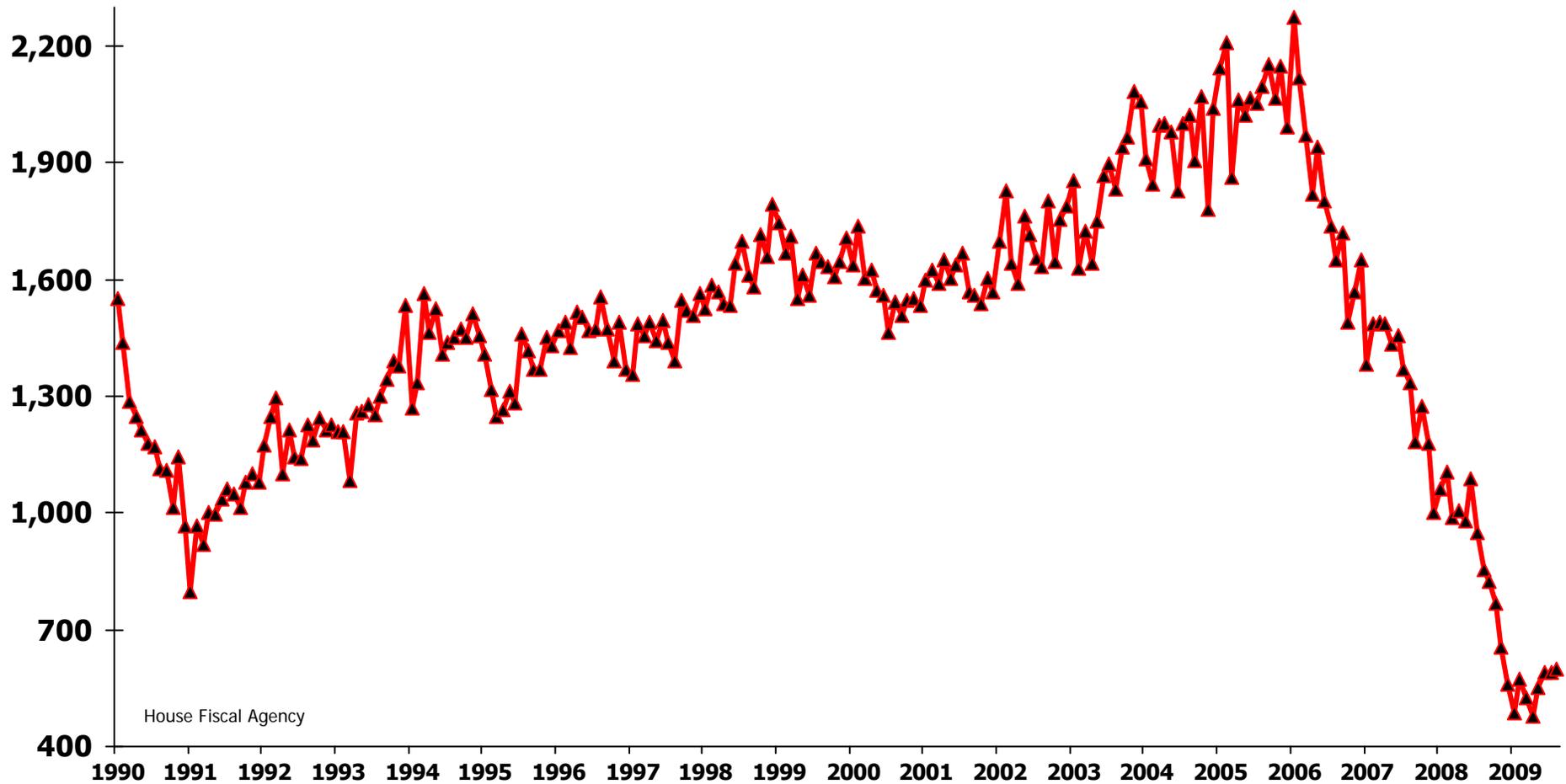
Total Existing Home Sales

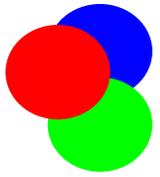


House Fiscal Agency

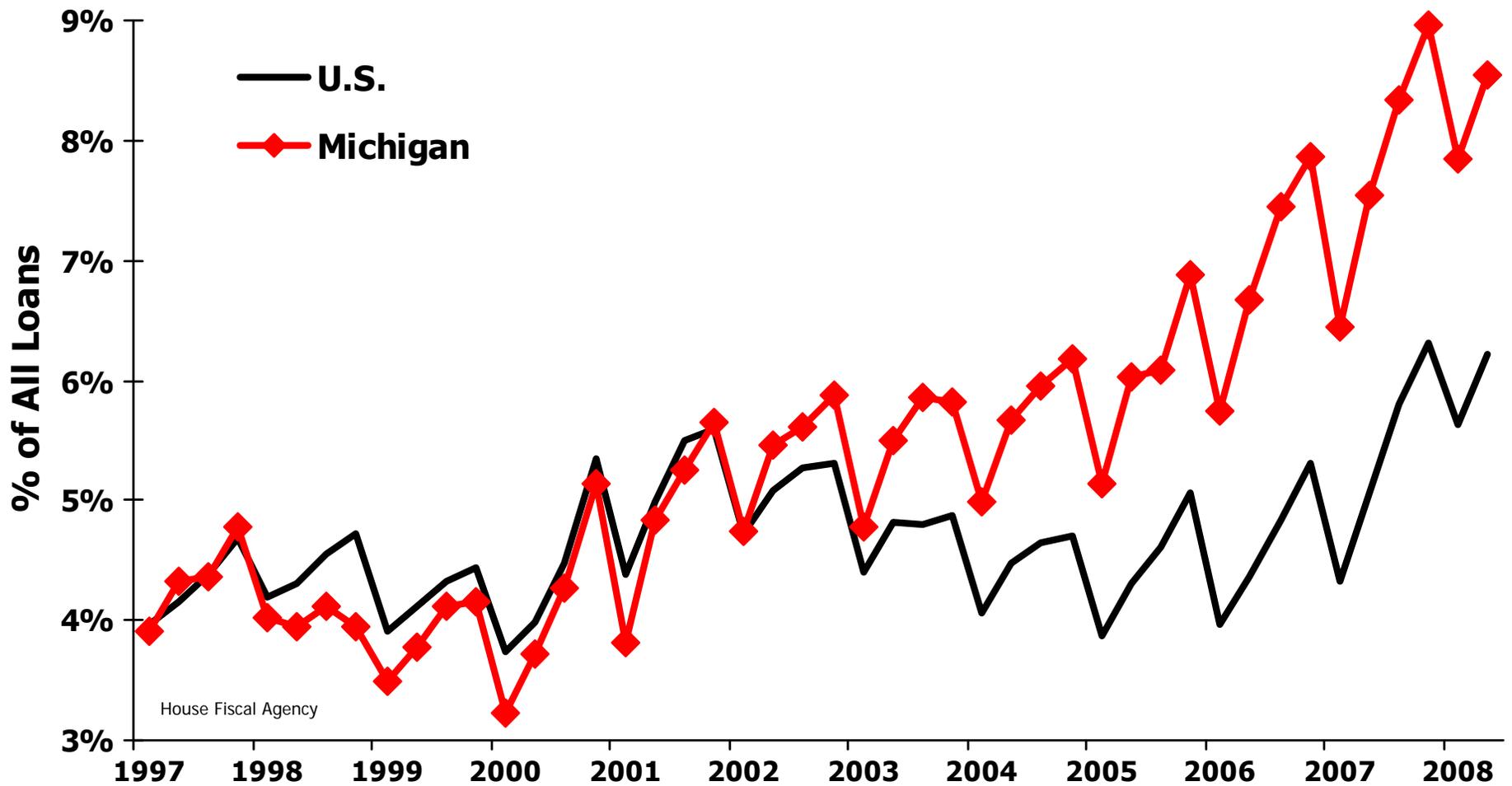


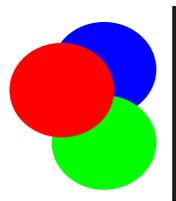
U.S. Housing Starts Drop 74% January 2006 Through August 2009





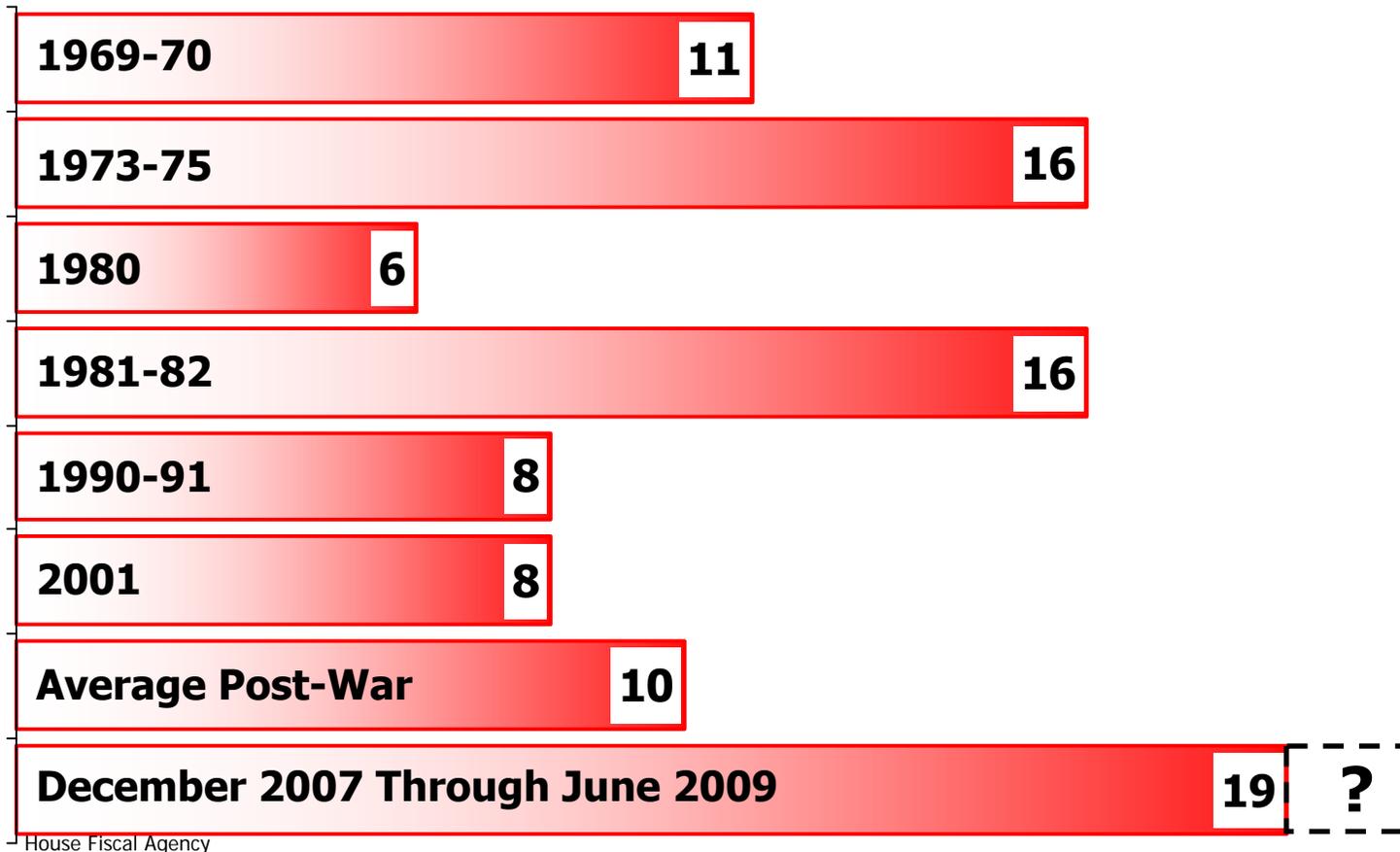
Total Delinquencies



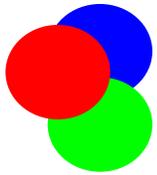


Length of U.S. Recessions

of Months From Peak to Trough

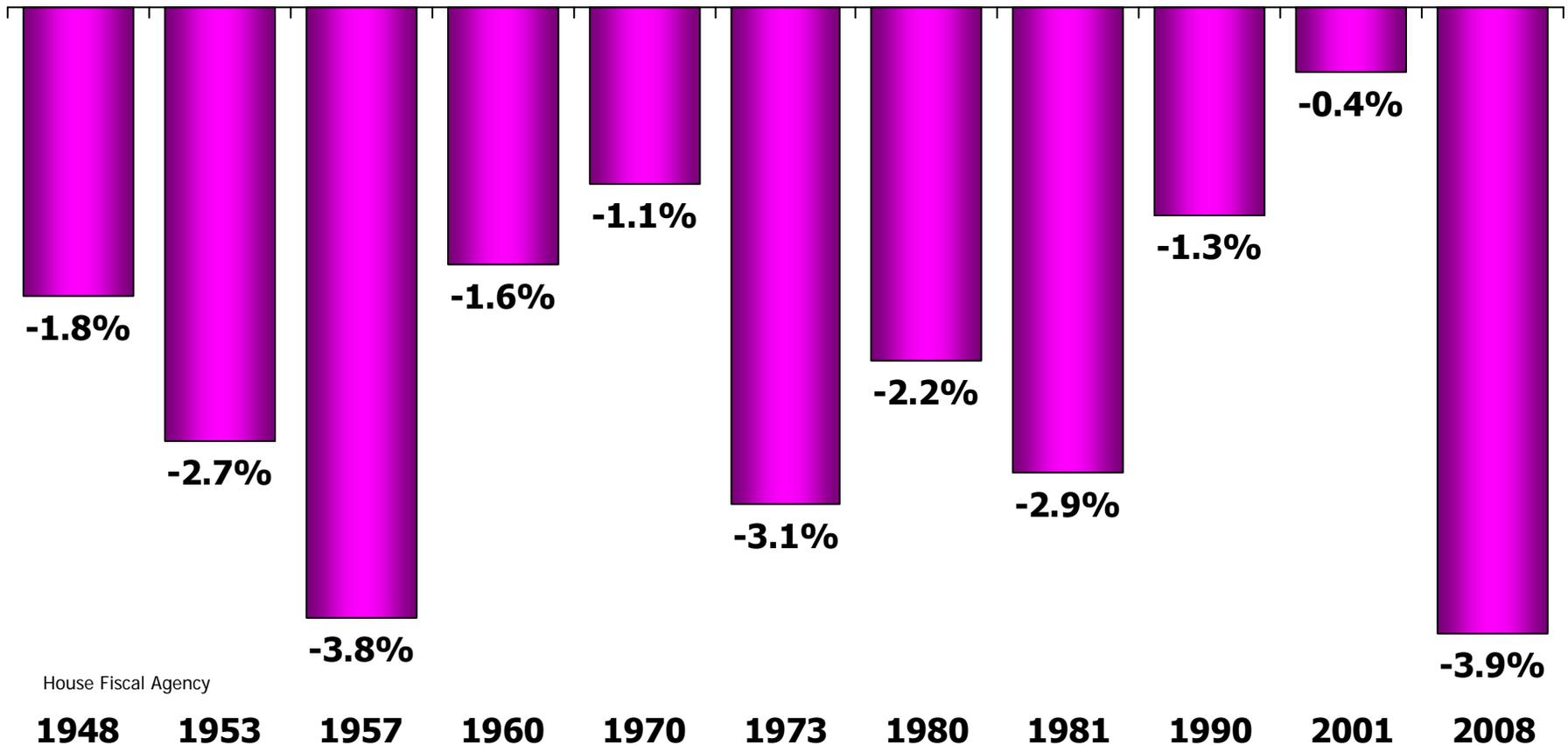


House Fiscal Agency

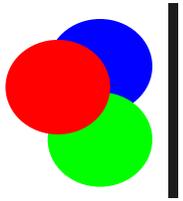


Decline in GDP Steep Compared to Recent Recessions

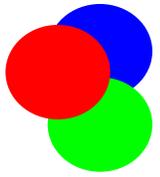
Peak to Trough GDP Decline



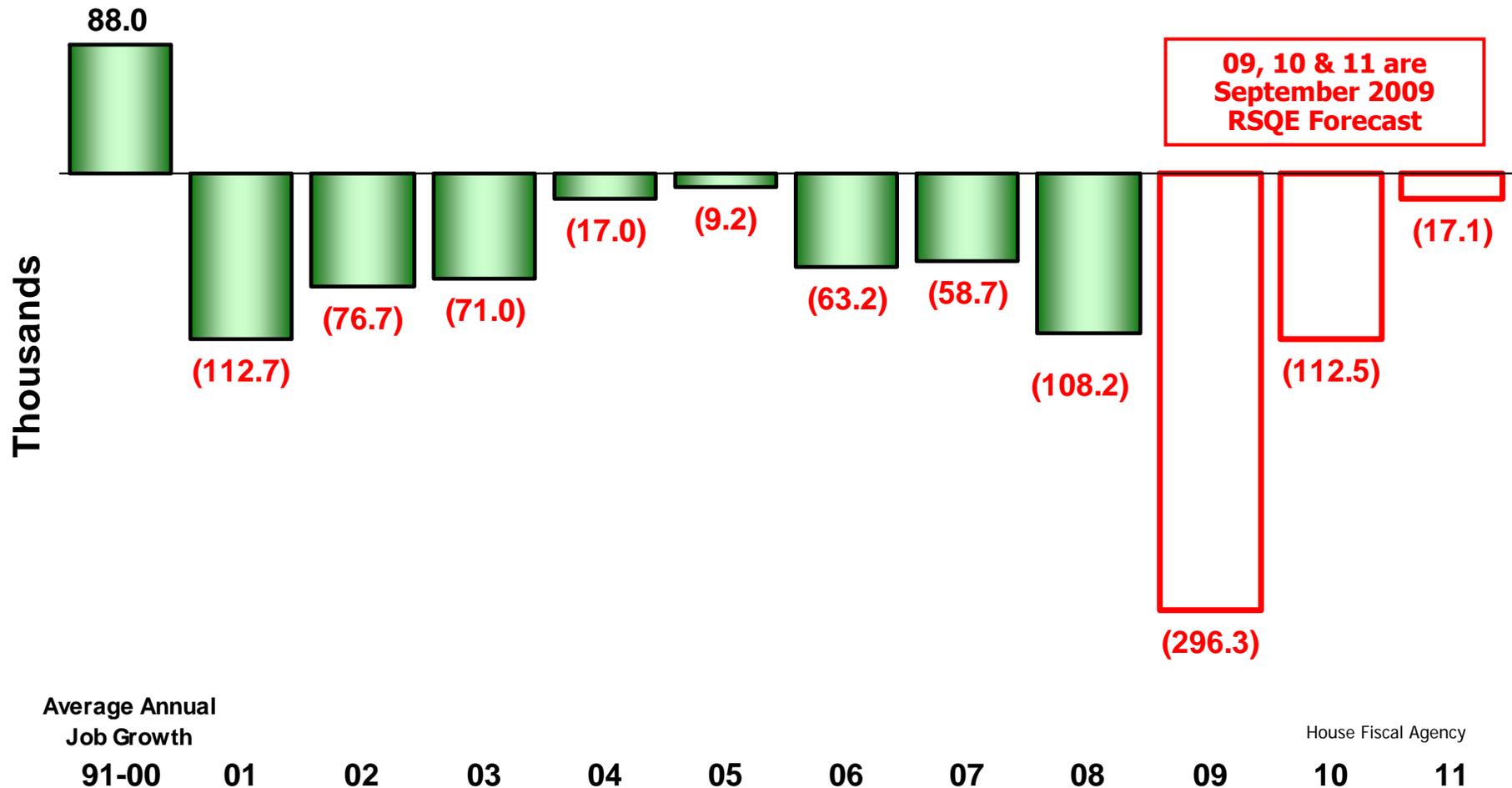
House Fiscal Agency



MICHIGAN FORECAST

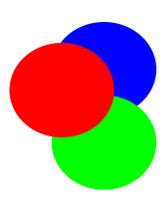


Job Growth in Michigan



Average Annual
Job Growth
91-00

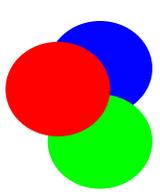
House Fiscal Agency



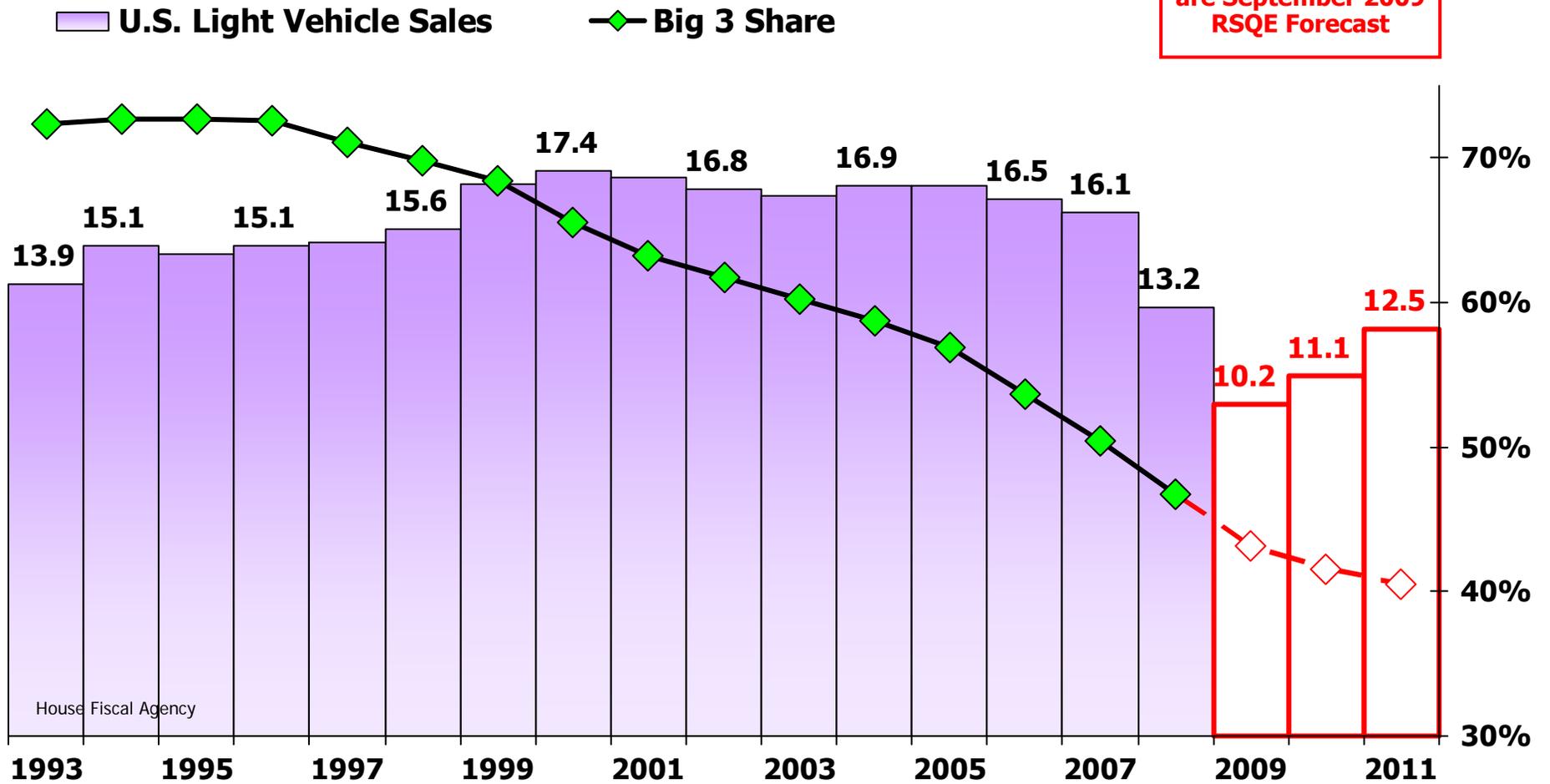
Employment Location Quotients by Industry

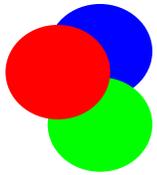
Michigan: February 2009

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

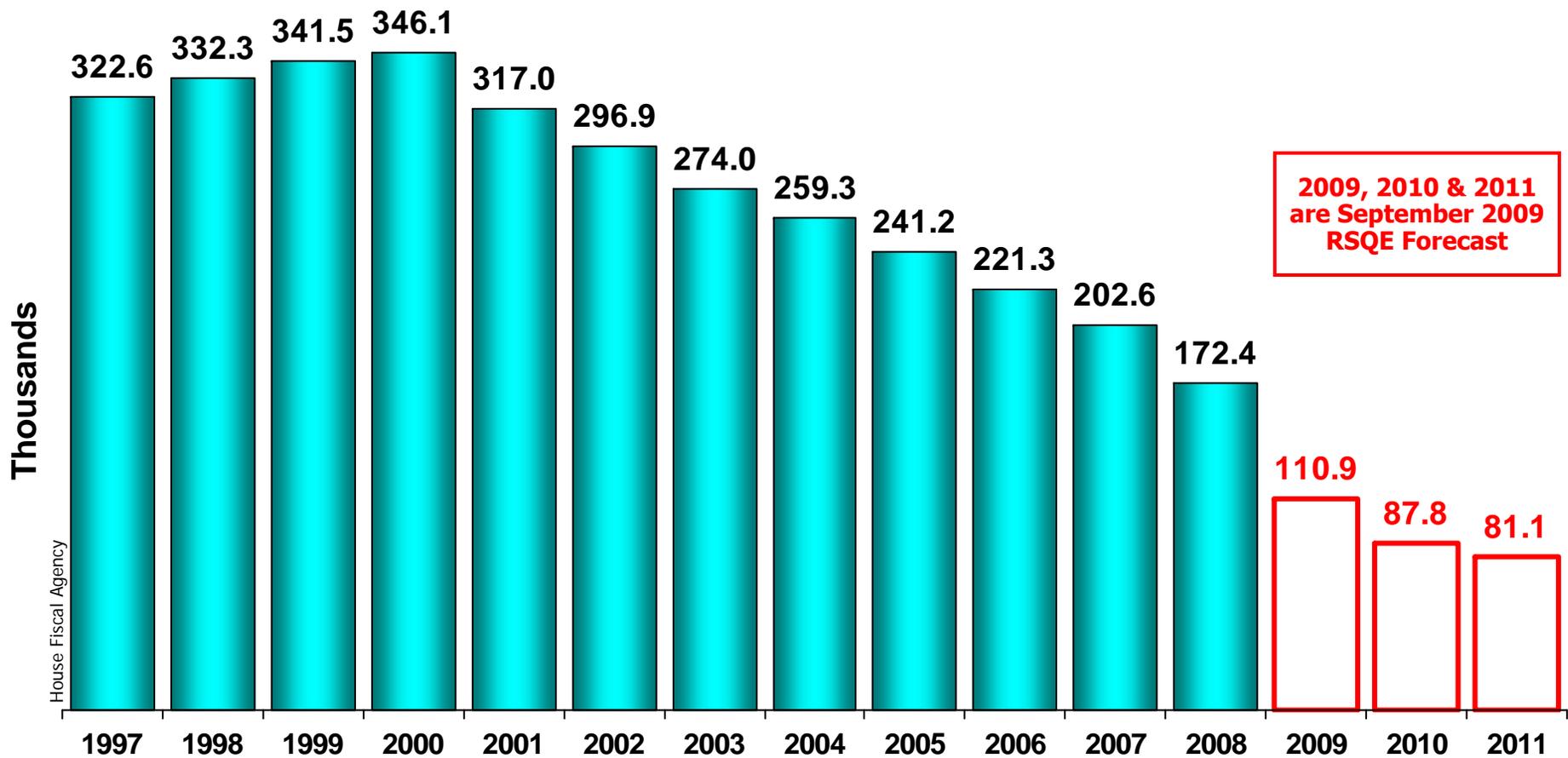


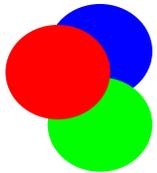
Big 3 Losing Market Share



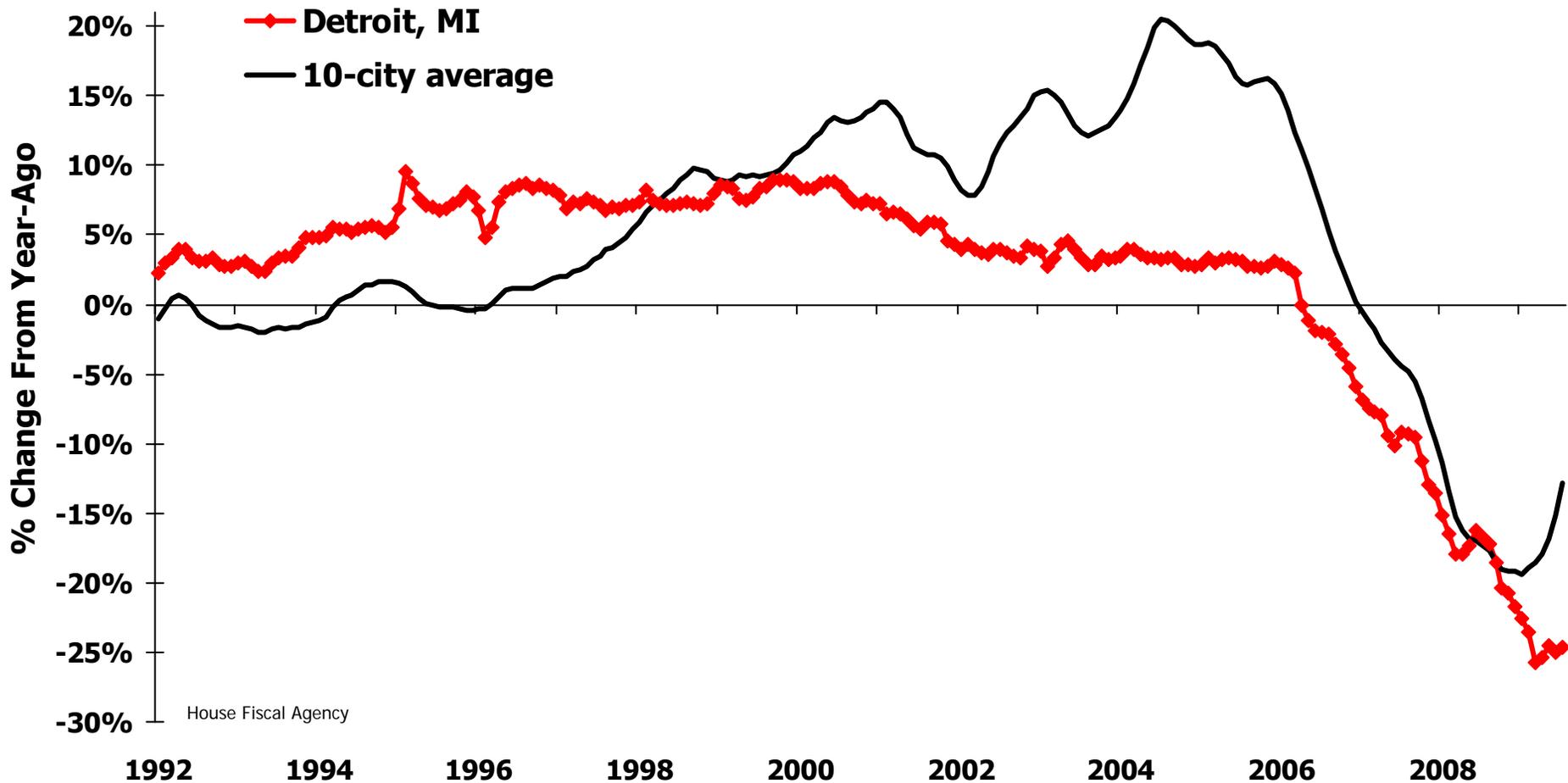


Michigan Vehicle Employment

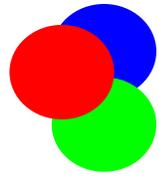




Home Prices Fall Sharply

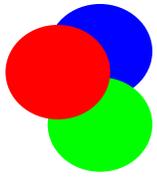


House Fiscal Agency

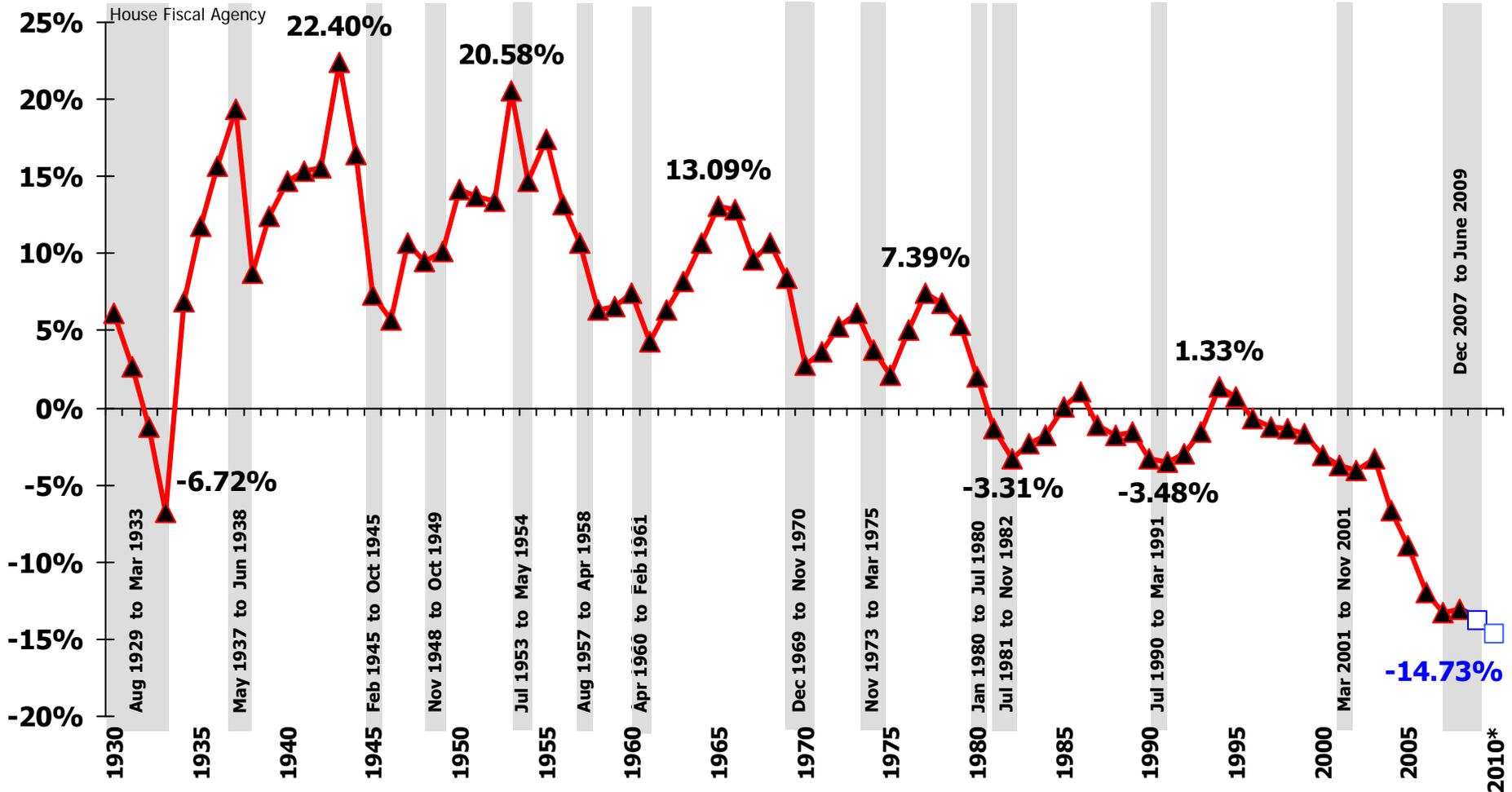


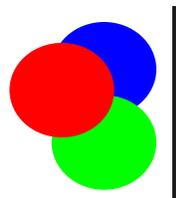
Property Value Growth Slowing

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



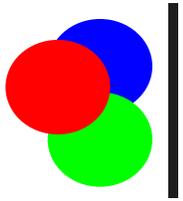
Michigan Per Capita Income Deviation from National Average



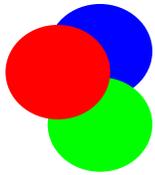


Conclusion

- **U.S. in the worst recession in decades**
- **What will eventually end the recession?**
 - **Lower oil prices**
 - **Financial bailout**
 - **Government stimulus**
 - **Time**
- **Michigan has been in a long-term recession due to the auto sector**
- **Michigan recovery will require**
 - **U.S. recovery**
 - **Stability in the auto sector**

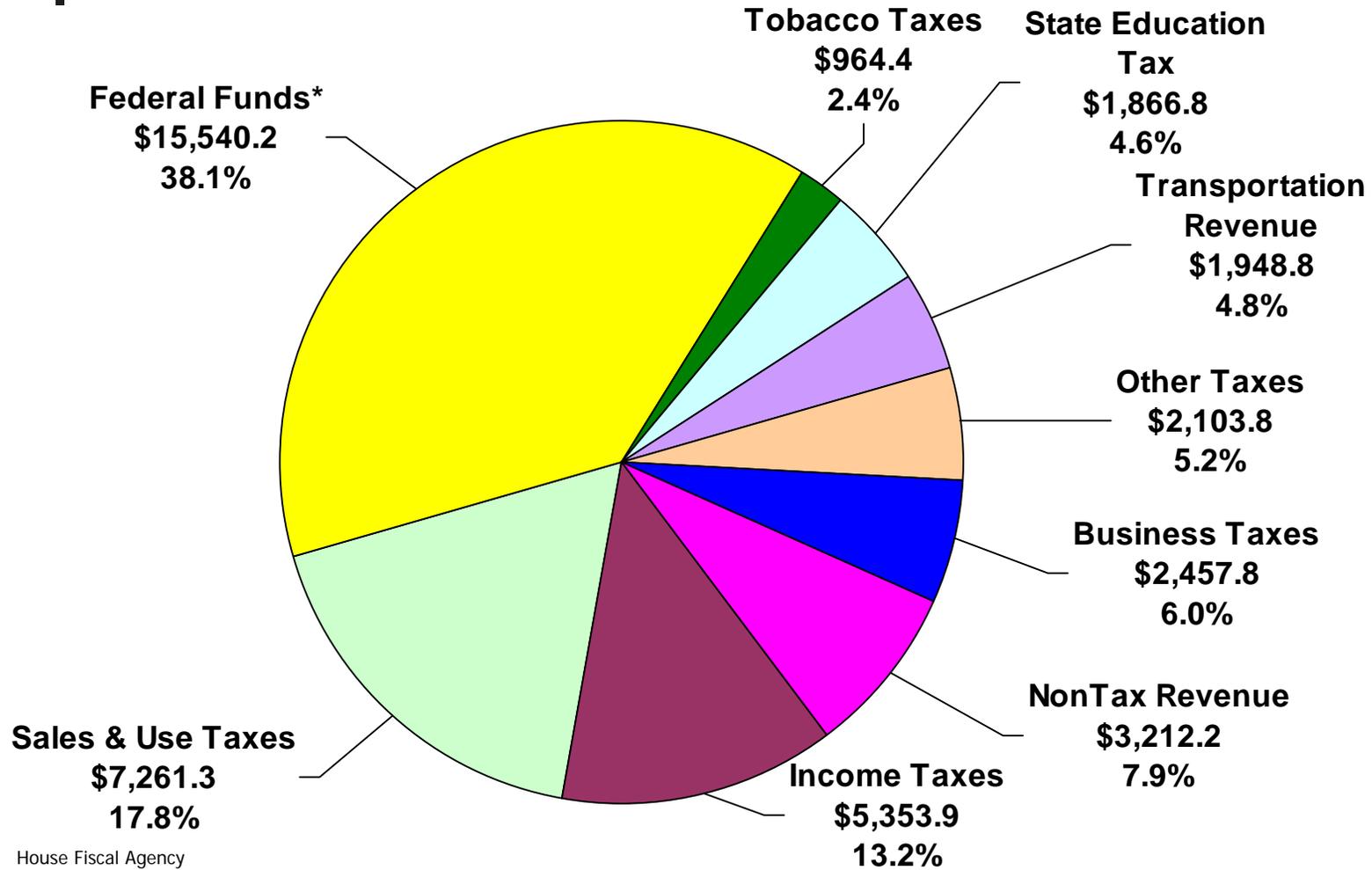


MICHIGAN REVENUE

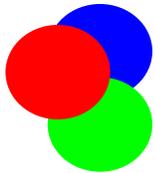


State of Michigan Revenue Sources

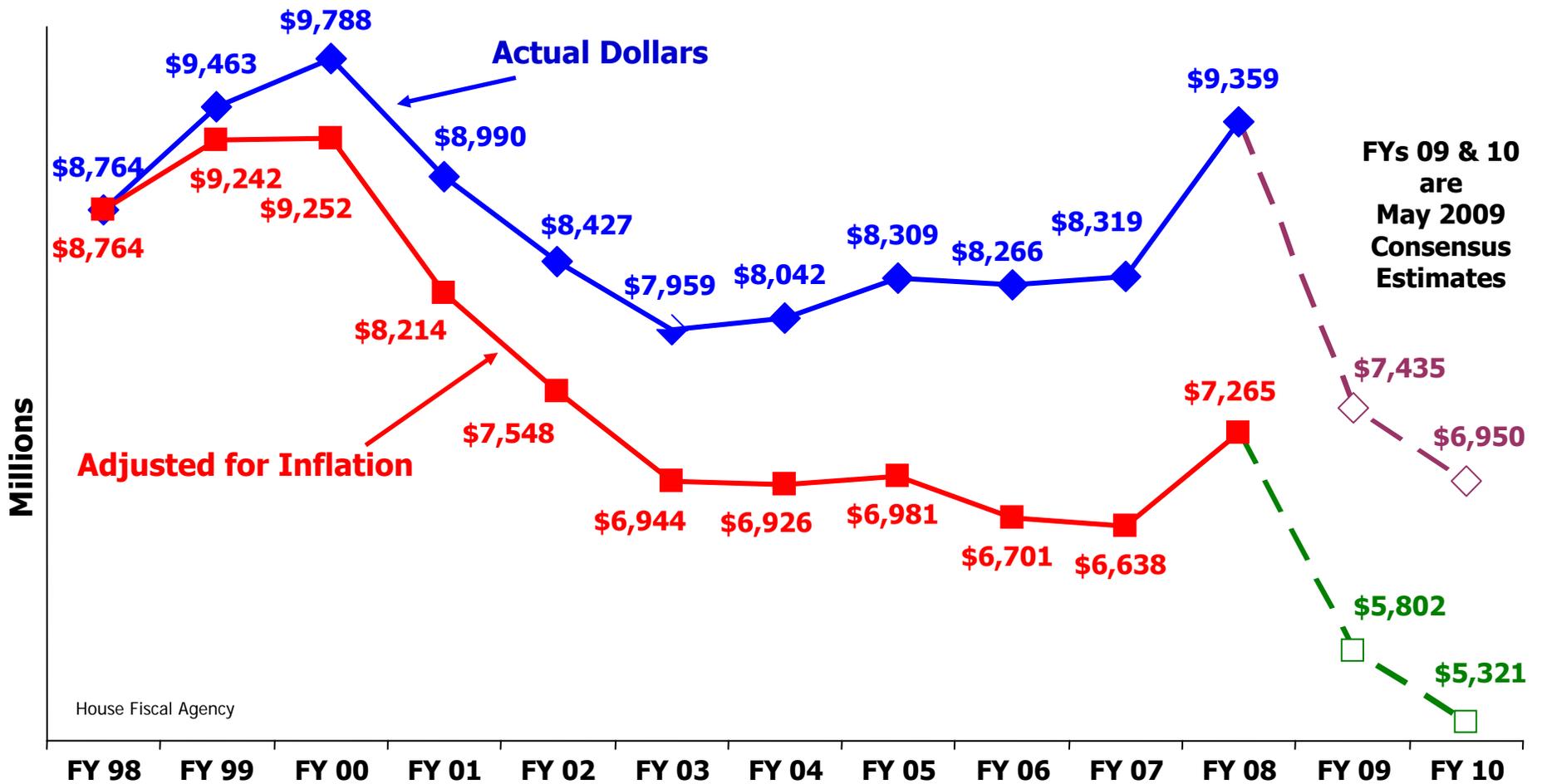
FY 2009-10 Total = \$40,709.1 million



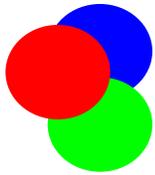
House Fiscal Agency



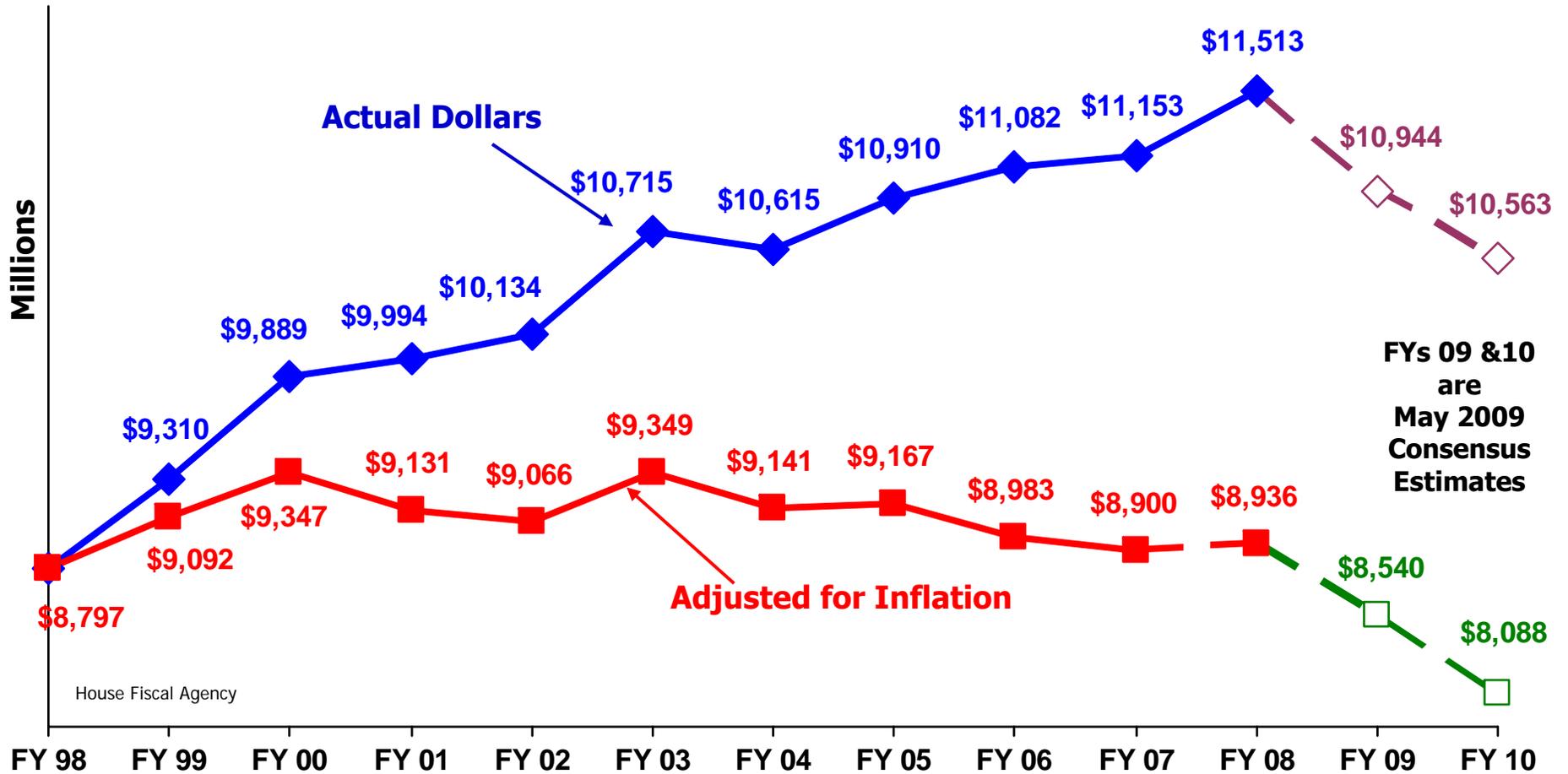
Inflation Adjusted GF/GP Revenue Down 42.5% Since FY 2000



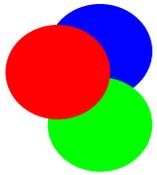
House Fiscal Agency



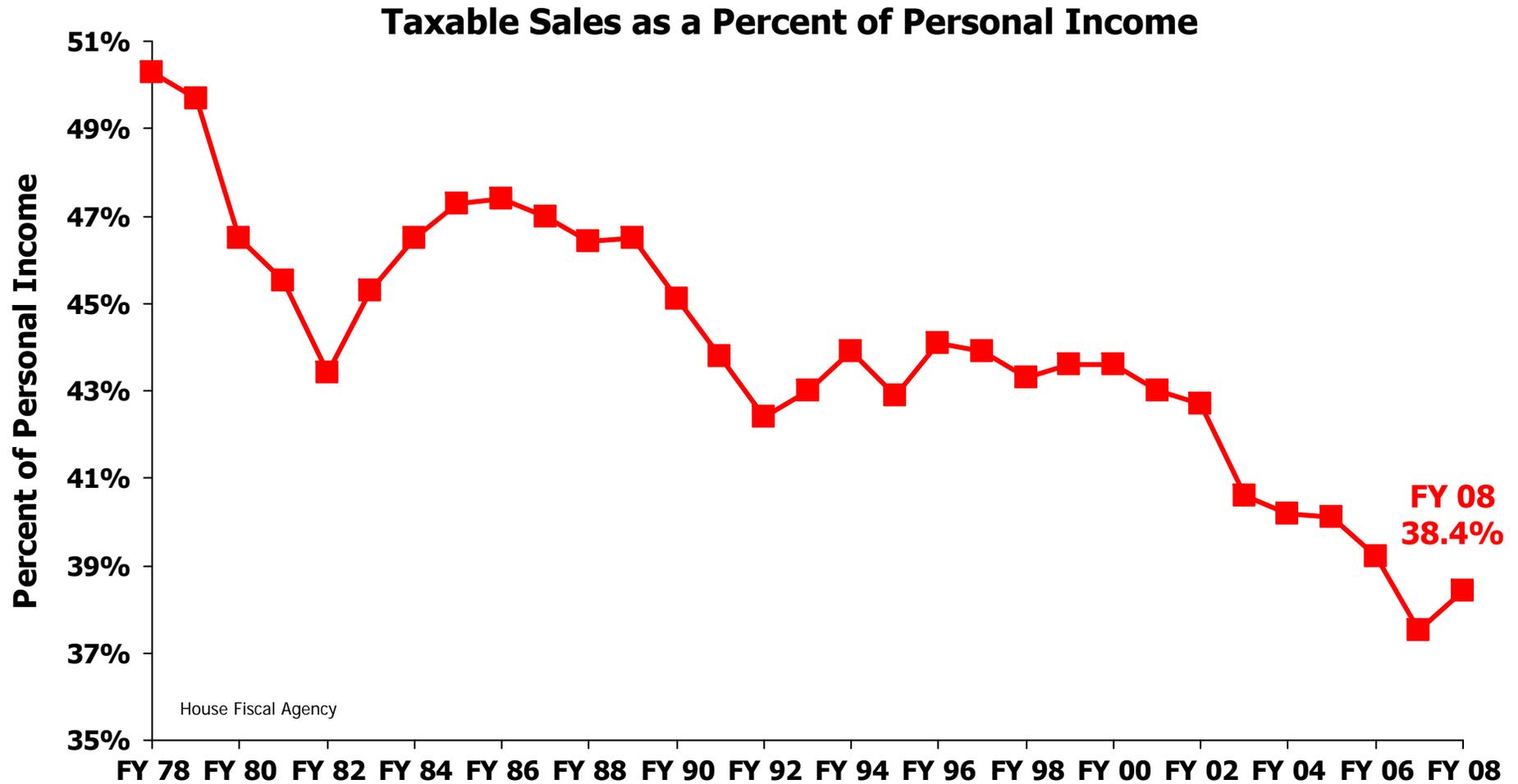
Inflation Adjusted SAF Net Revenue Down 13.5% Since FY 2000

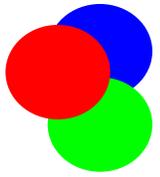


House Fiscal Agency

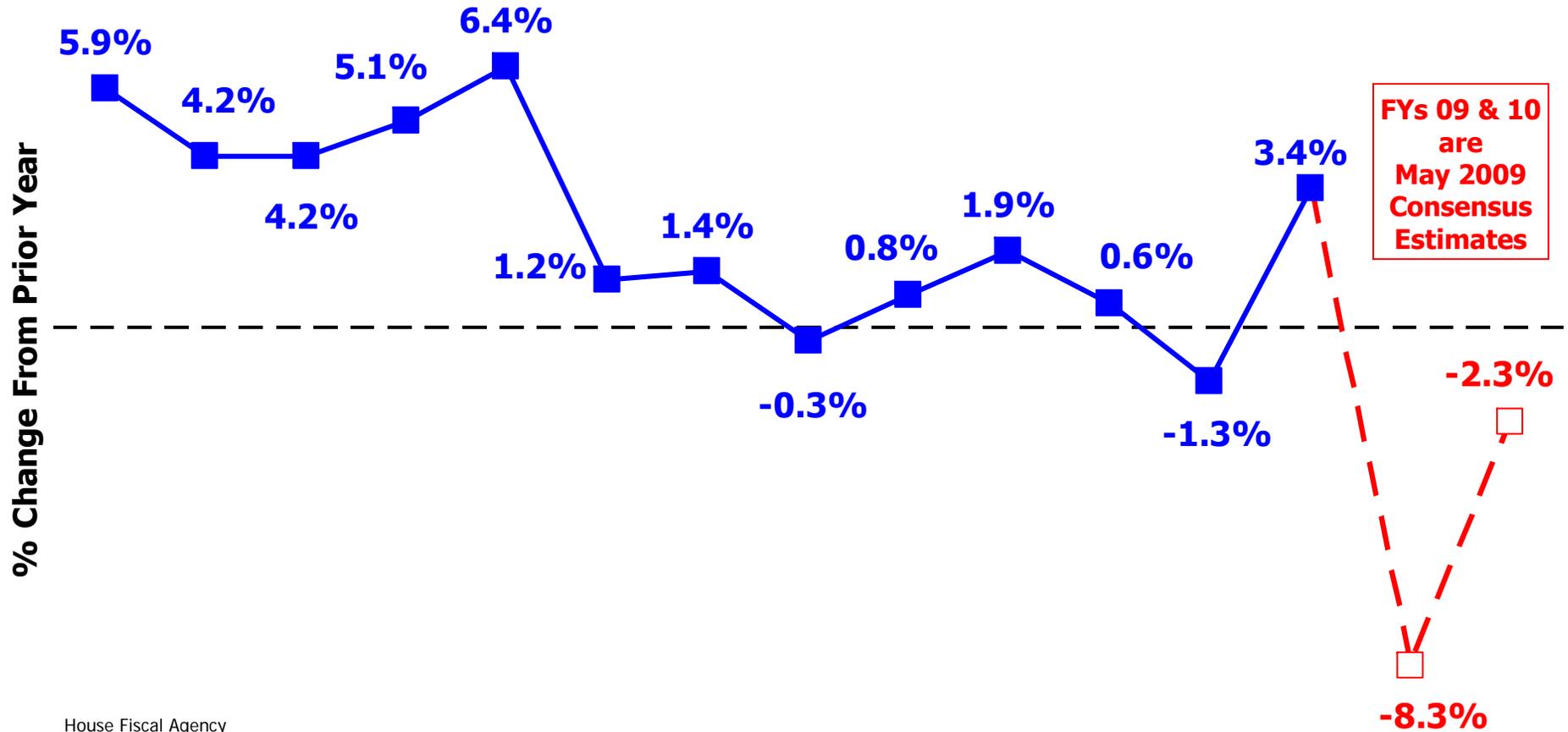


Sales/Use Tax Share Declining



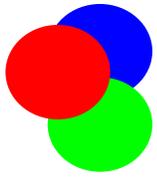


Sales Tax Revenue

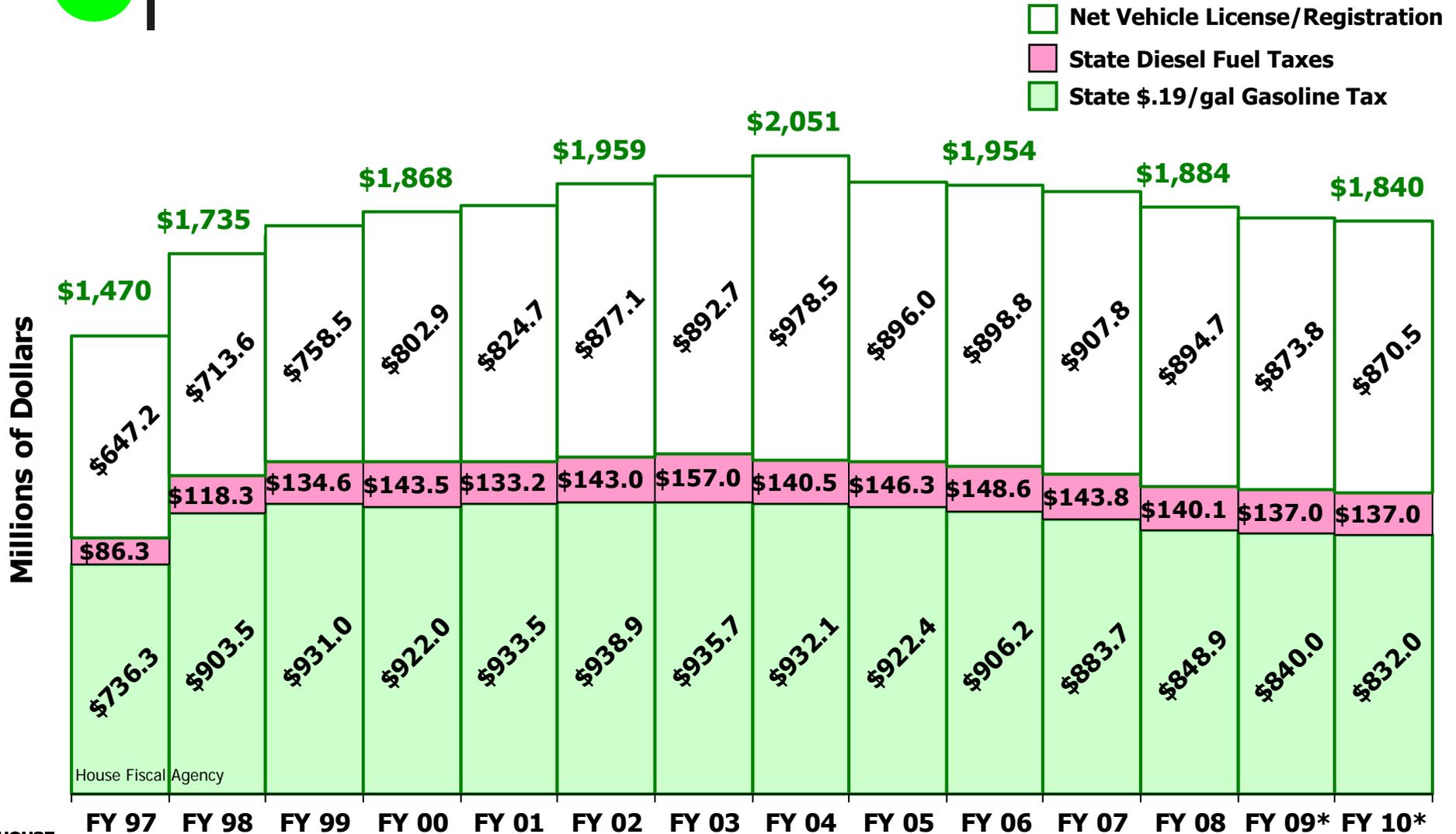


House Fiscal Agency

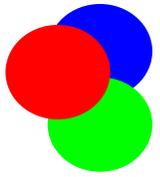
FY 96 FY 97 FY 98 FY 99 FY 00 FY 01 FY 02 FY 03 FY 04 FY 05 FY 06 FY 07 FY 08 FY 09 FY 10



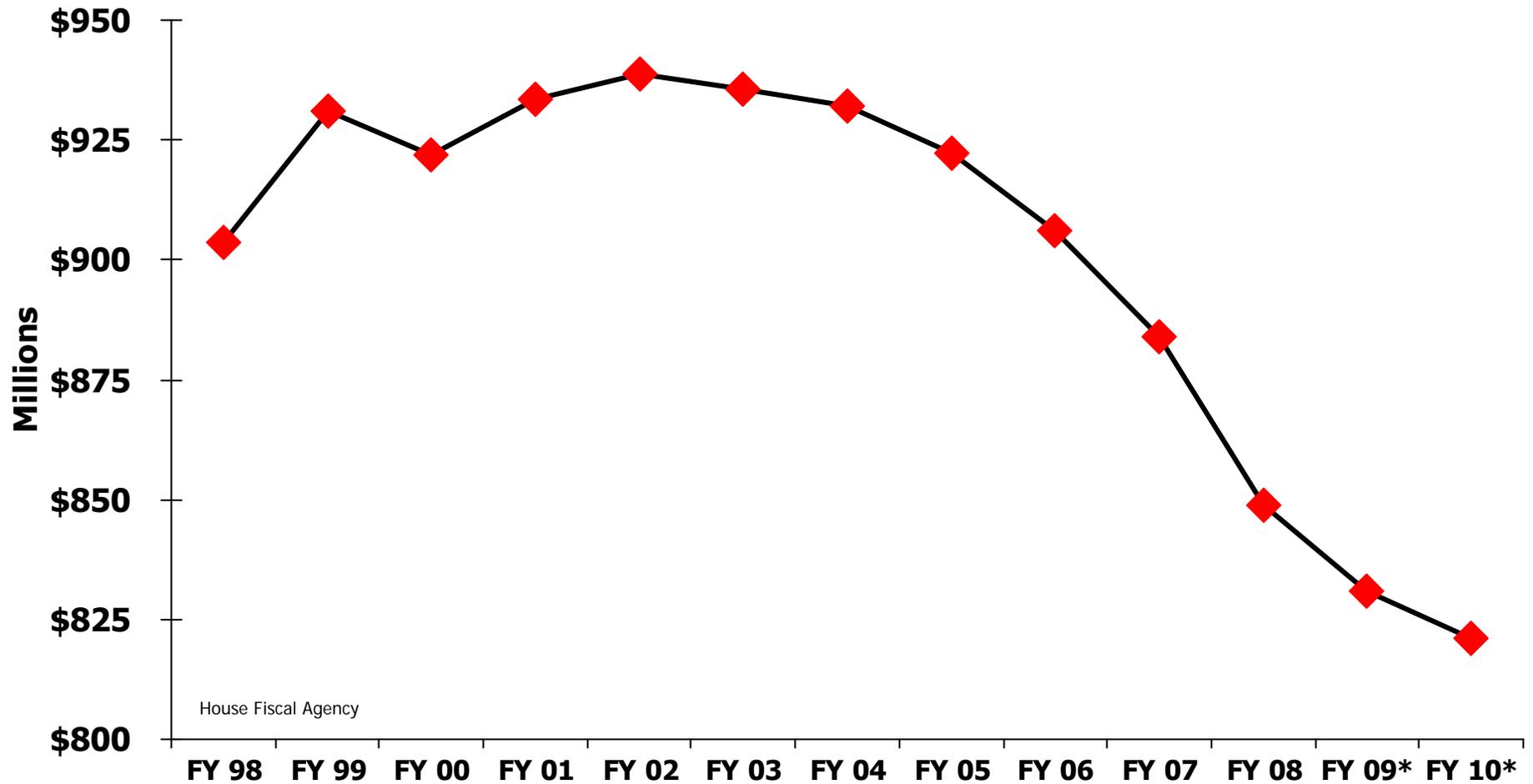
Transportation Revenue



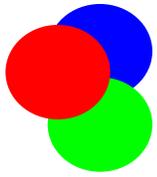
House Fiscal Agency



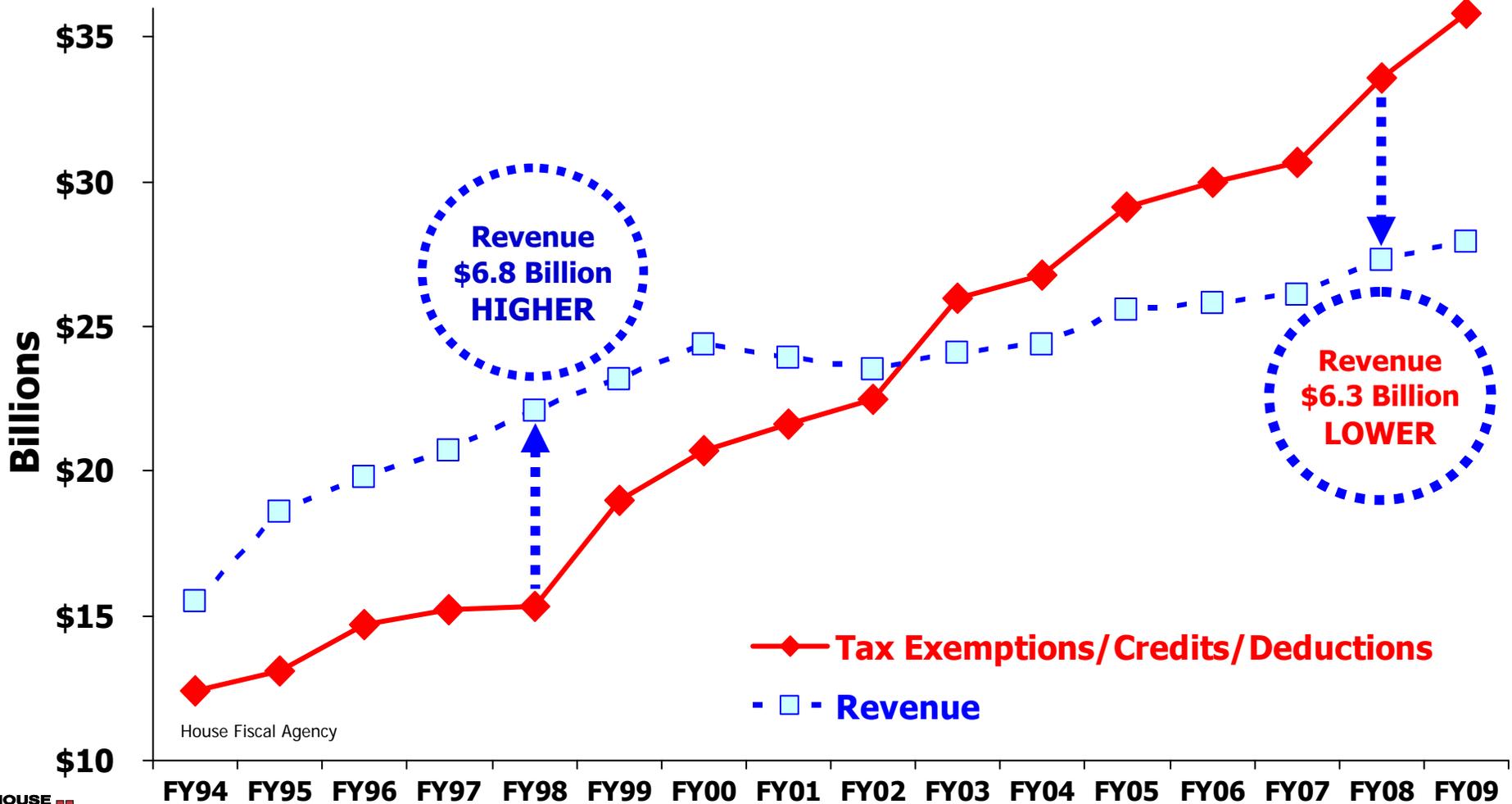
Michigan Gasoline Tax Revenue

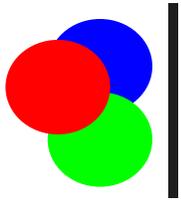


House Fiscal Agency

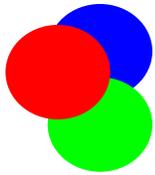


Impact of Tax Exemptions/Credits/Deductions





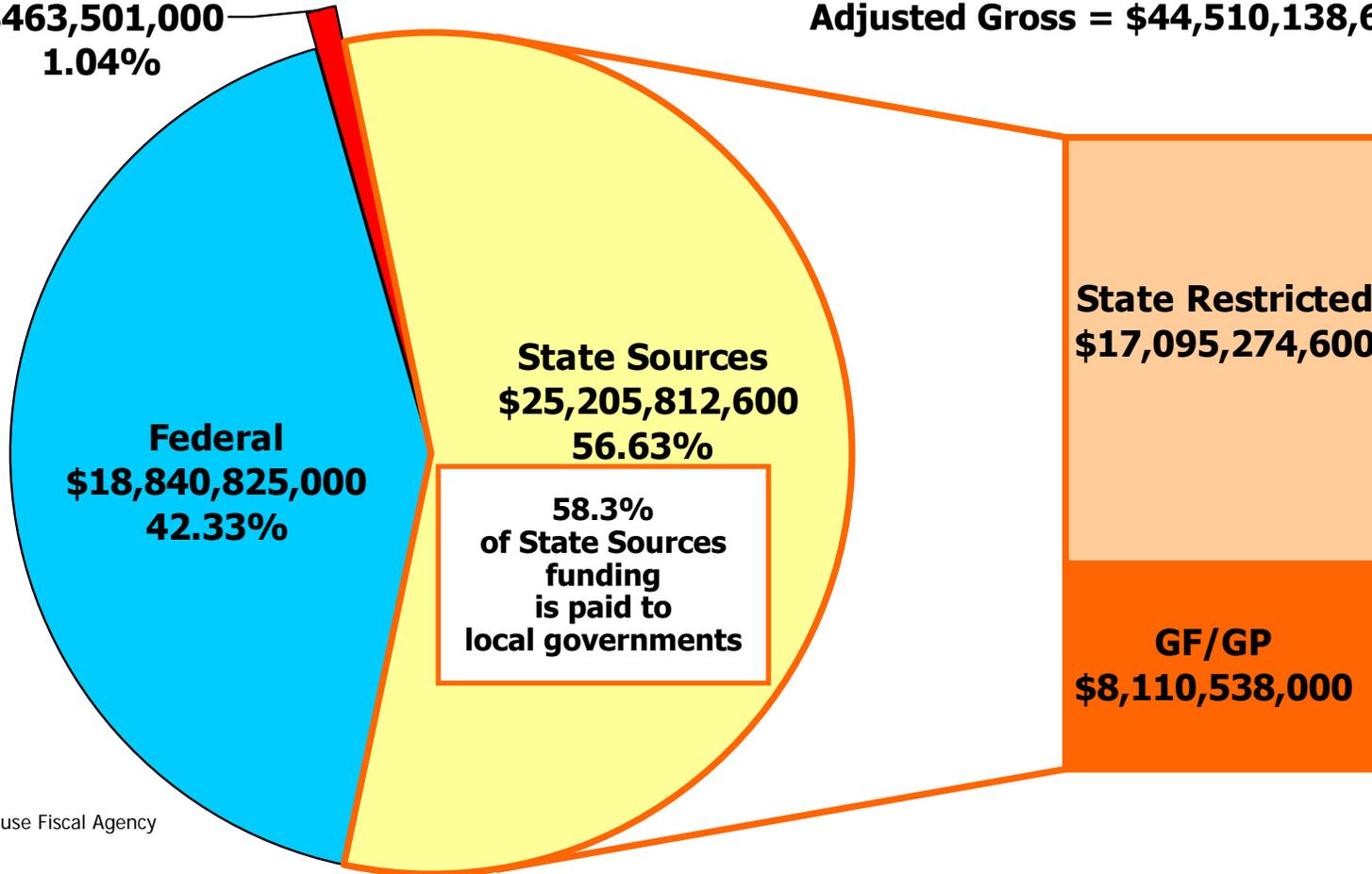
MICHIGAN'S BUDGET



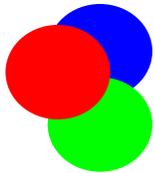
FY 2009-10 Budget Adjusted Gross Funding Sources

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

Adjusted Gross = \$44,510,138,600*

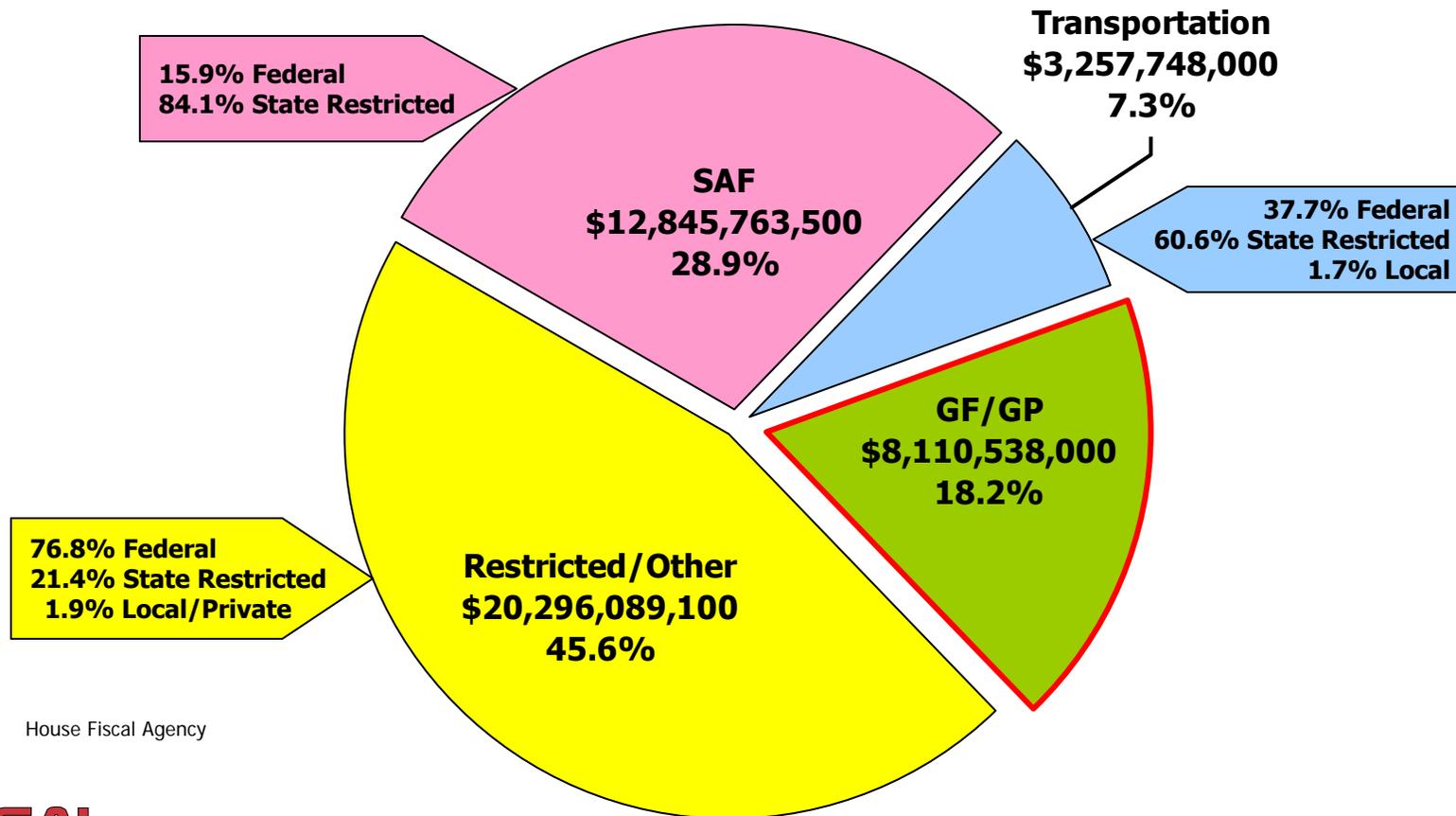


House Fiscal Agency

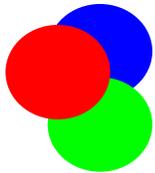


FY 2009-10 Appropriations Funding

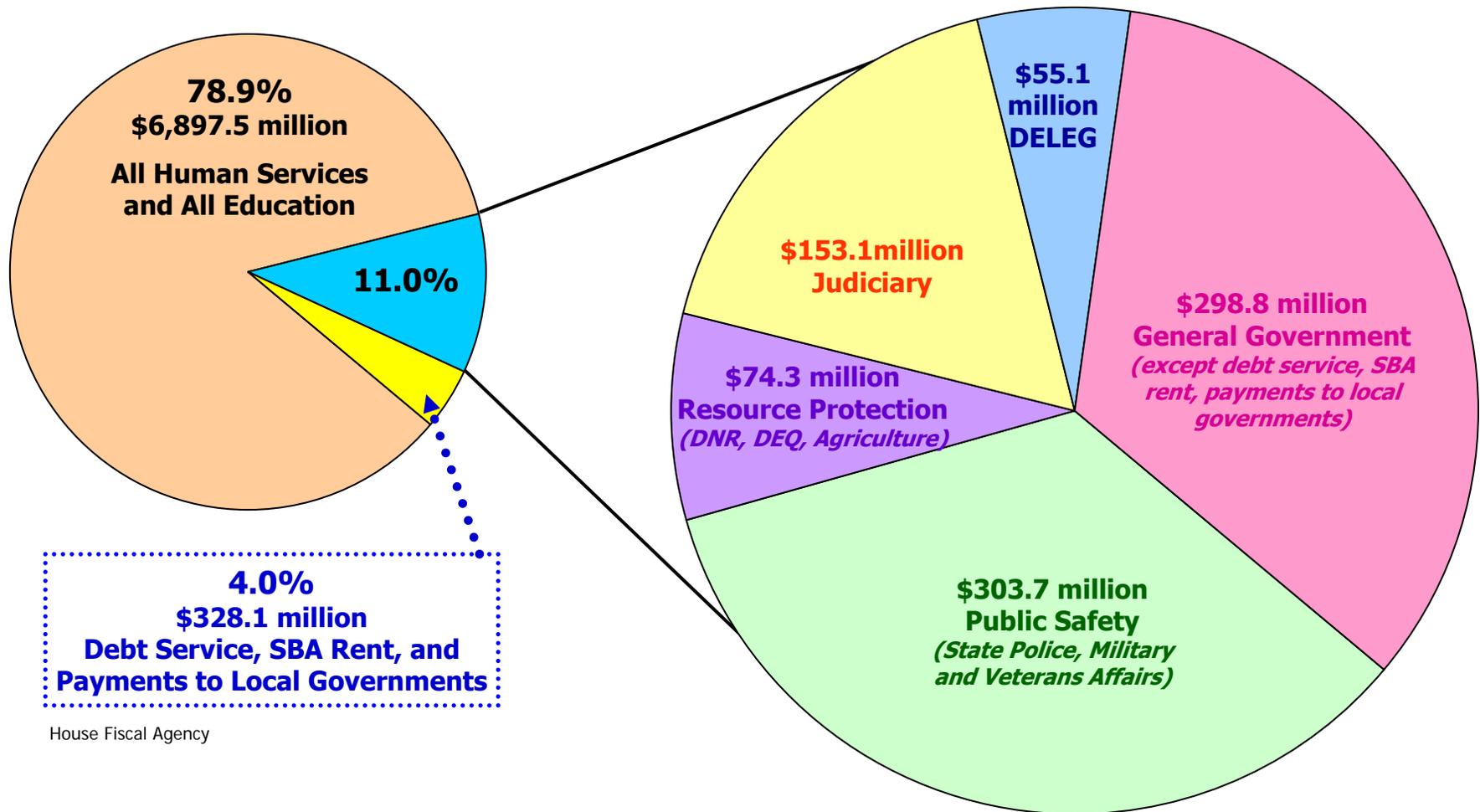
Adjusted Gross = \$44,510,138,600*



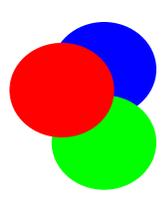
House Fiscal Agency



FY 2009-10 GF/GP*



House Fiscal Agency

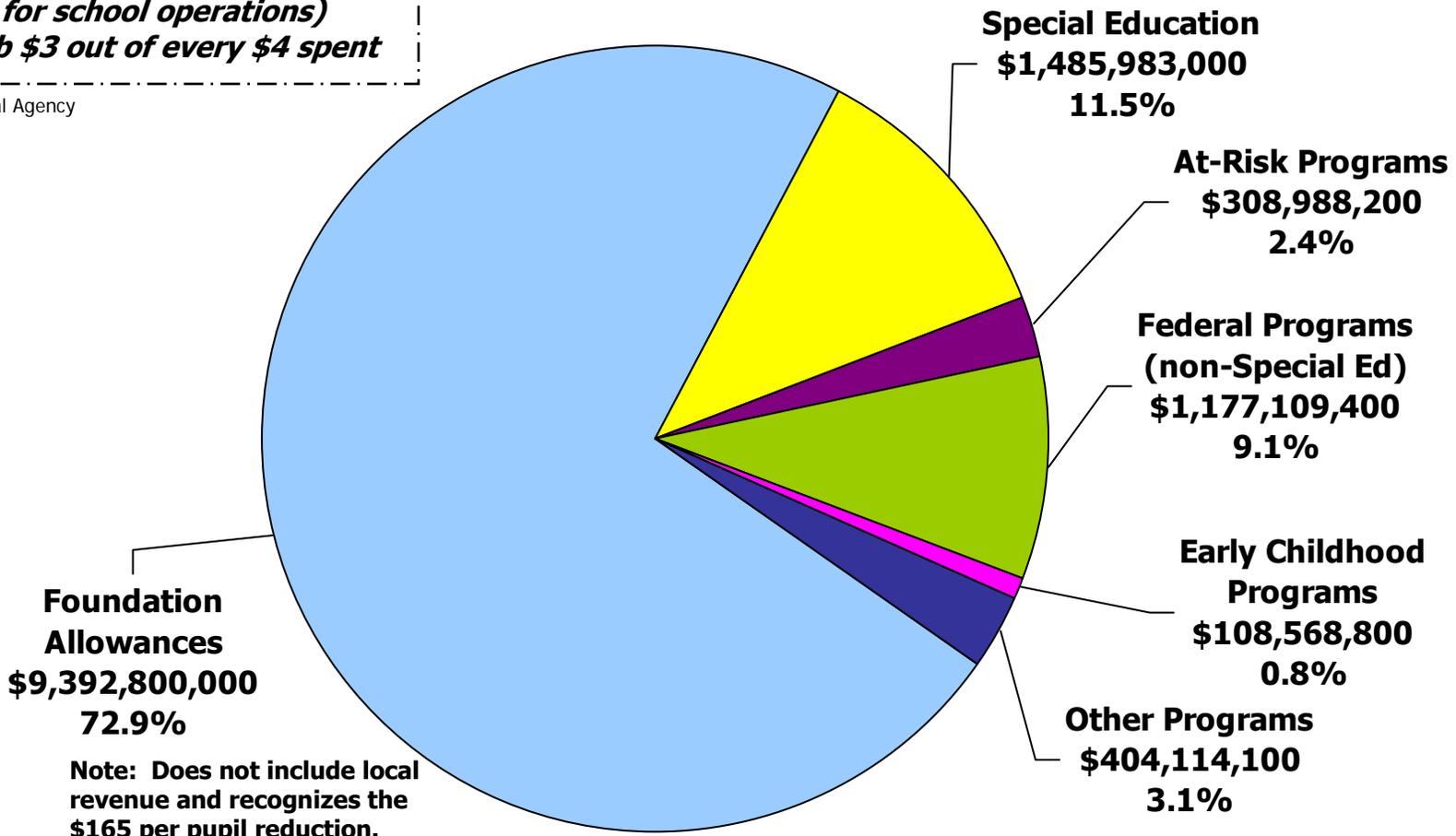


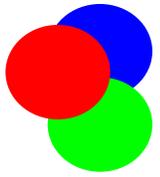
School Aid Major Spending Categories

FY 2009-10 Total = \$12,877,563,500*

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

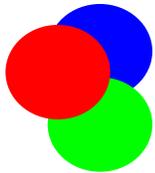
House Fiscal Agency



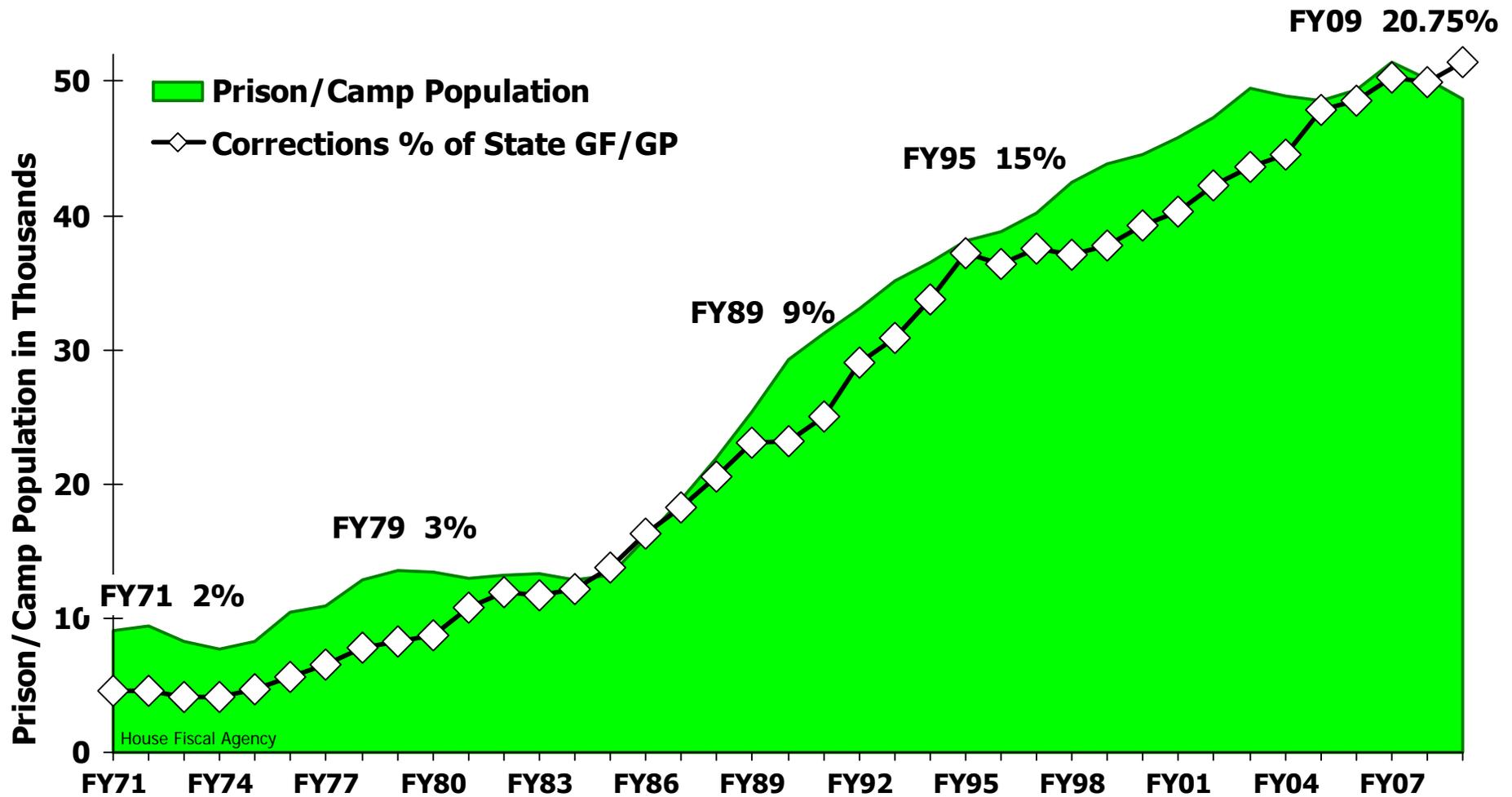


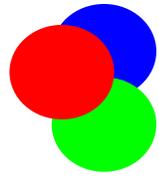
Medicaid Impact on Michigan Budget

- **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)**



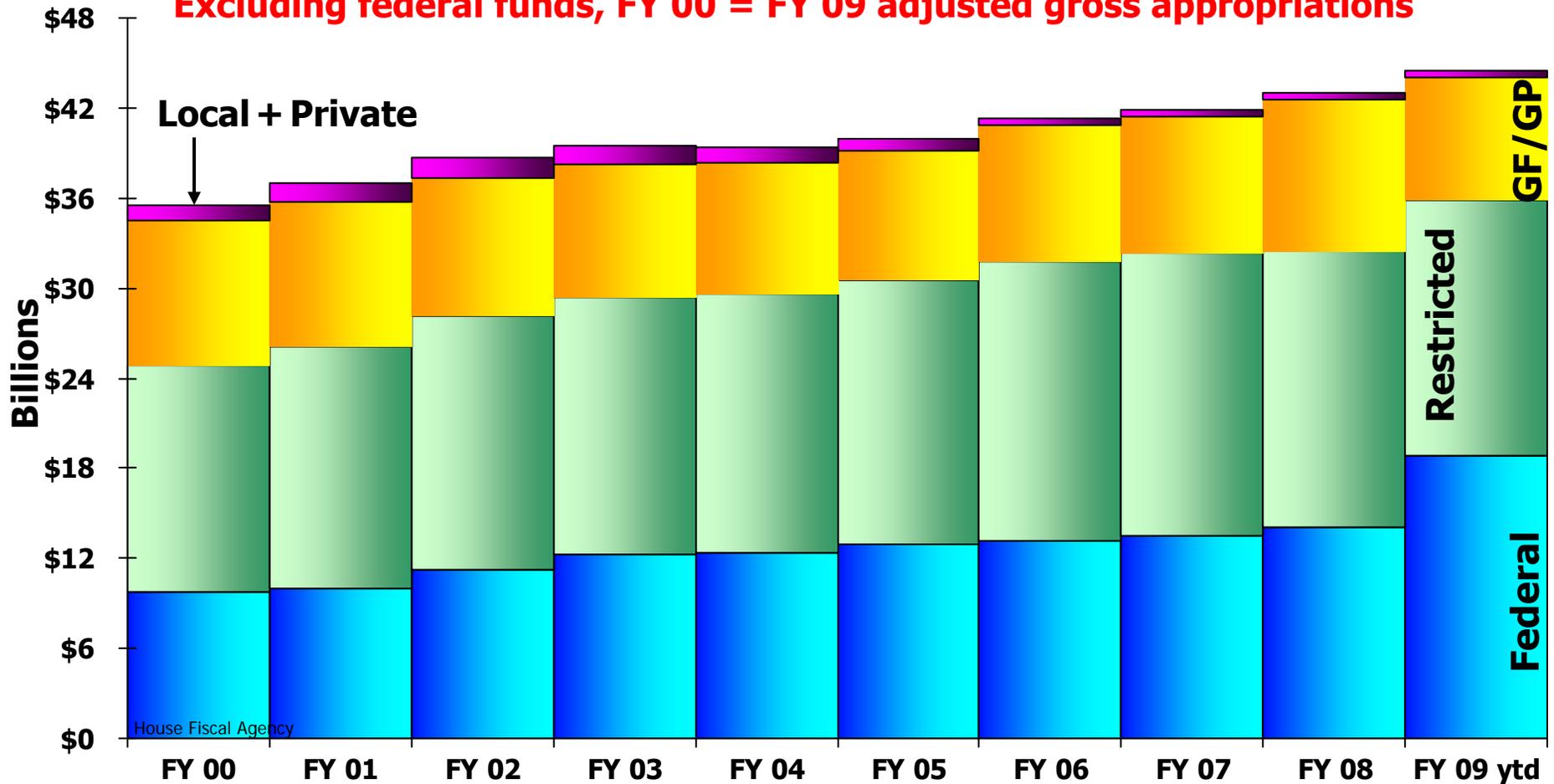
Corrections Budget Increases

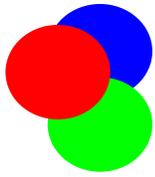




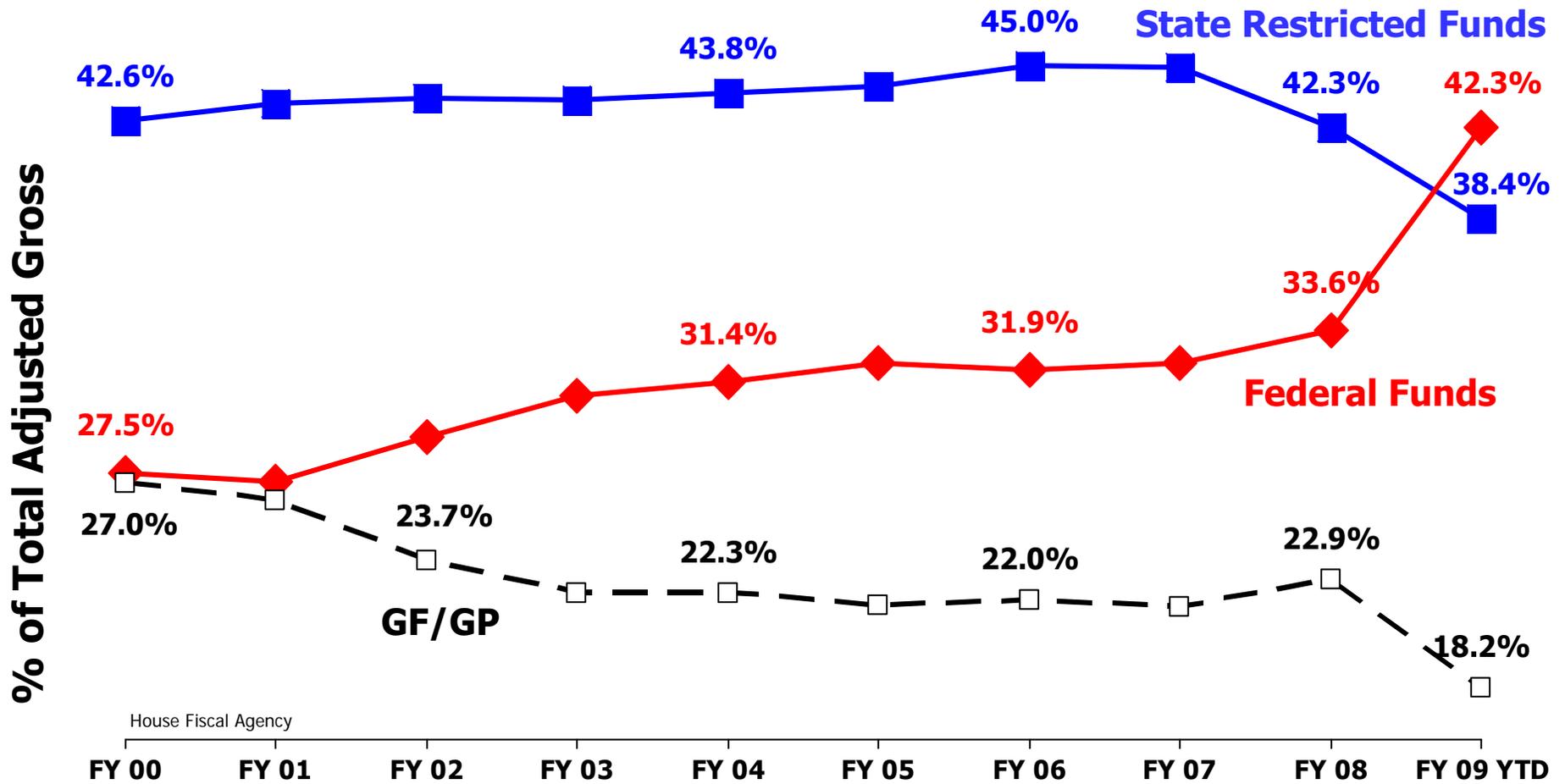
Adjusted Gross Appropriations by Fund Source

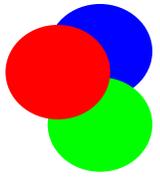
Excluding federal funds, FY 00 = FY 09 adjusted gross appropriations



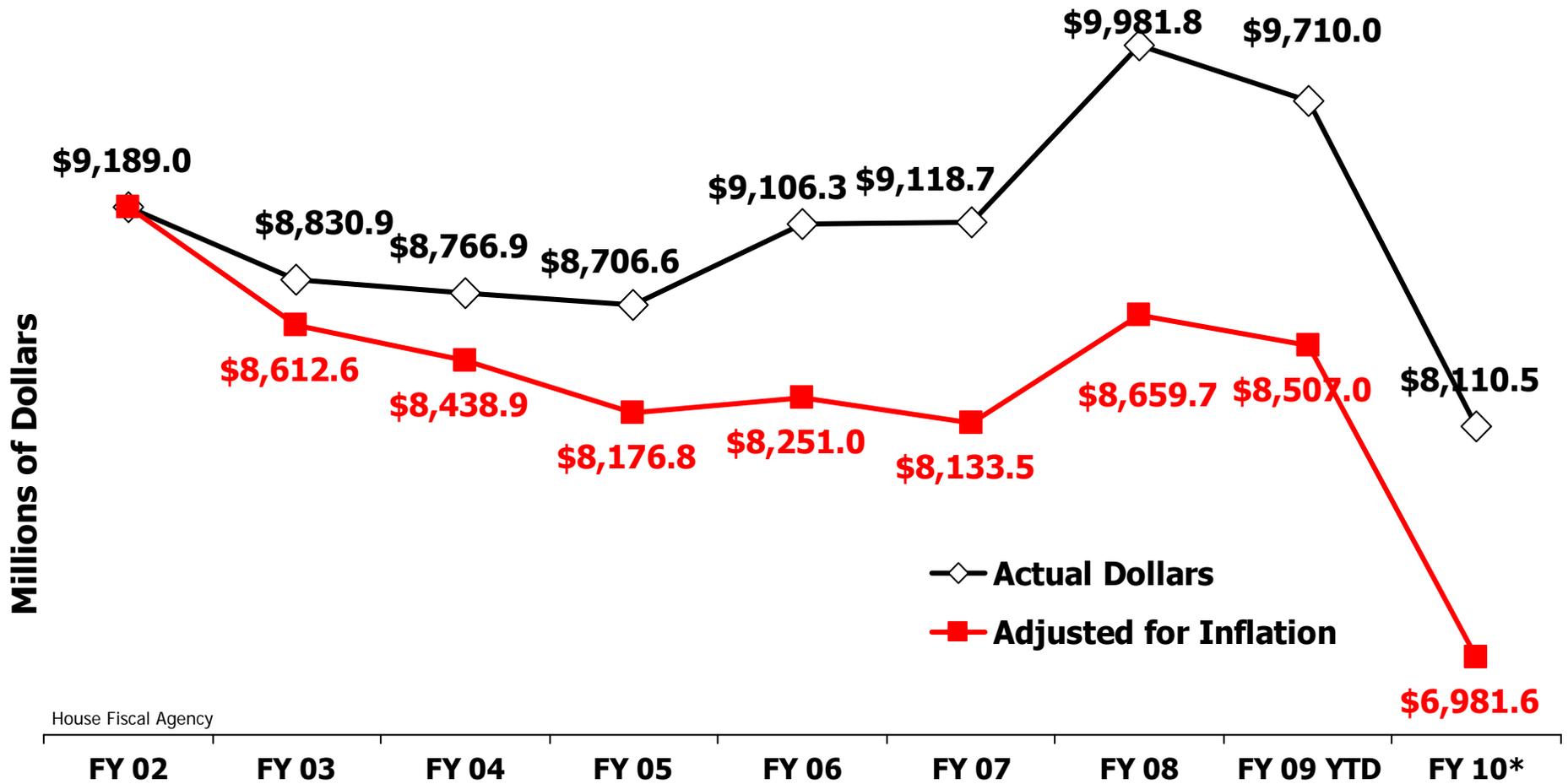


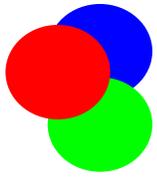
% Change in Source of Adjusted Gross Appropriations



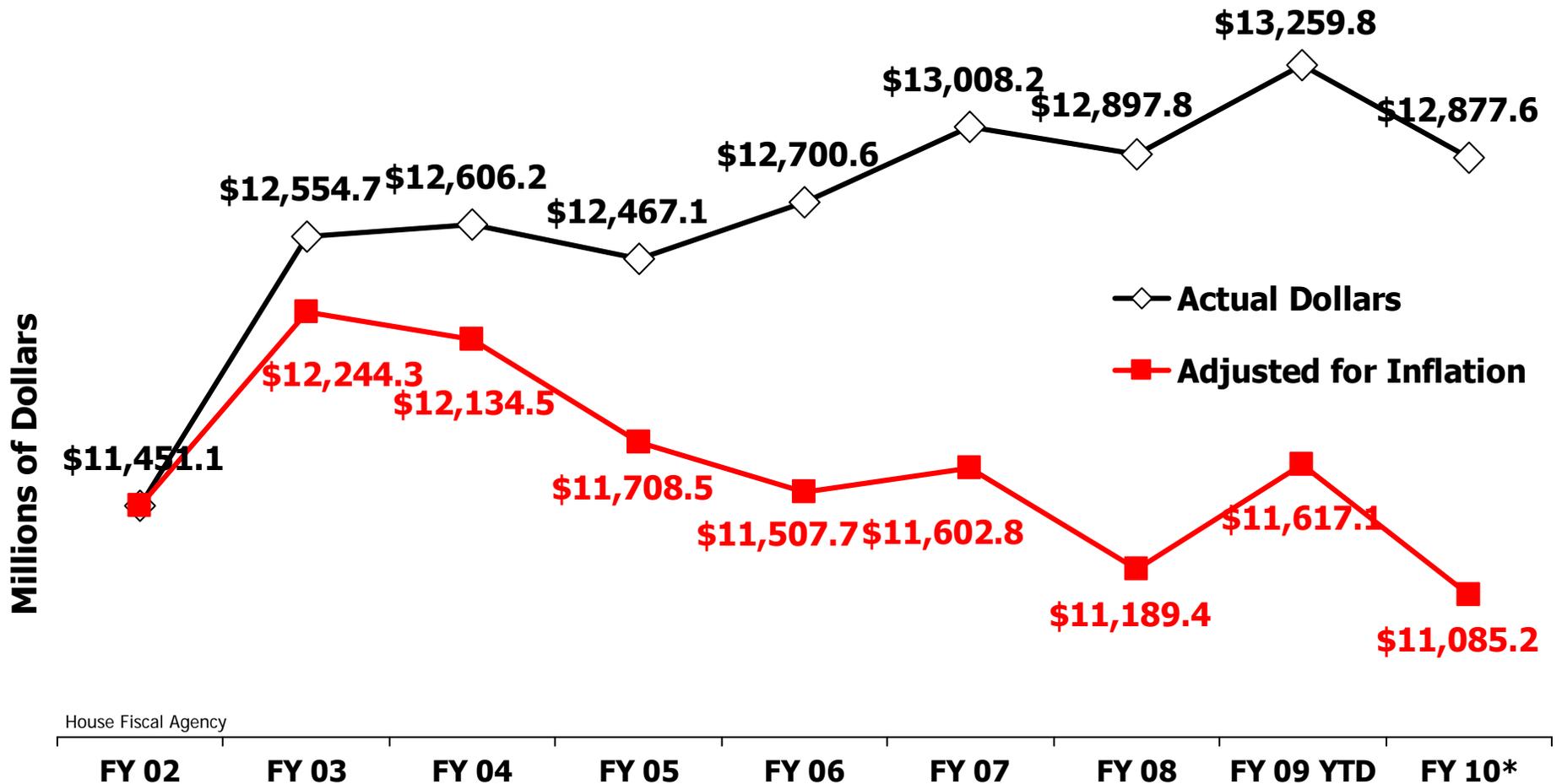


GF/GP Appropriations

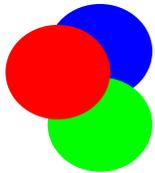




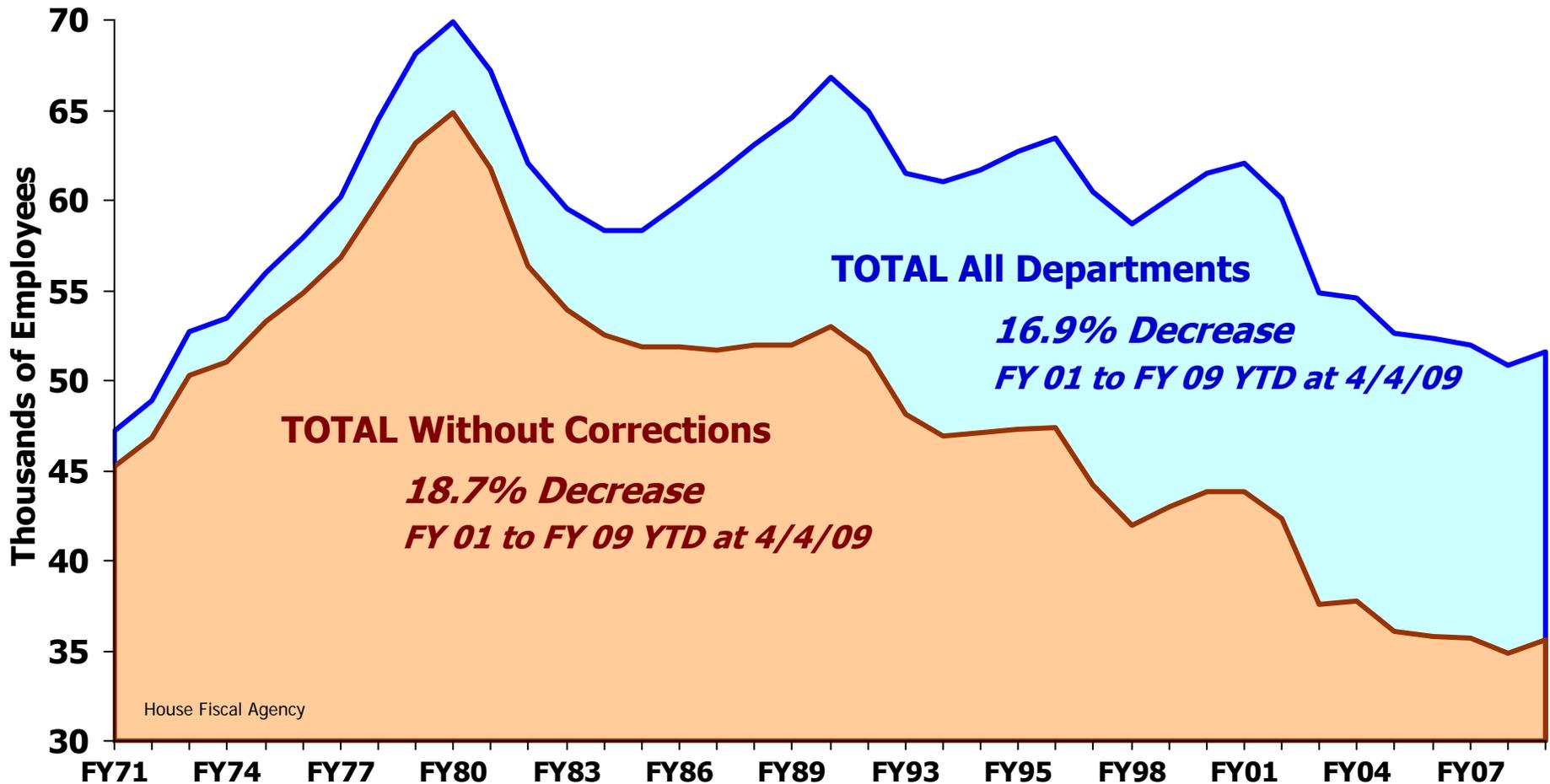
School Aid Budget Adjusted Gross Appropriations

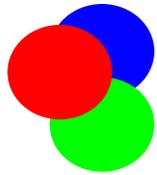


House Fiscal Agency



Average Number of Classified State Employees

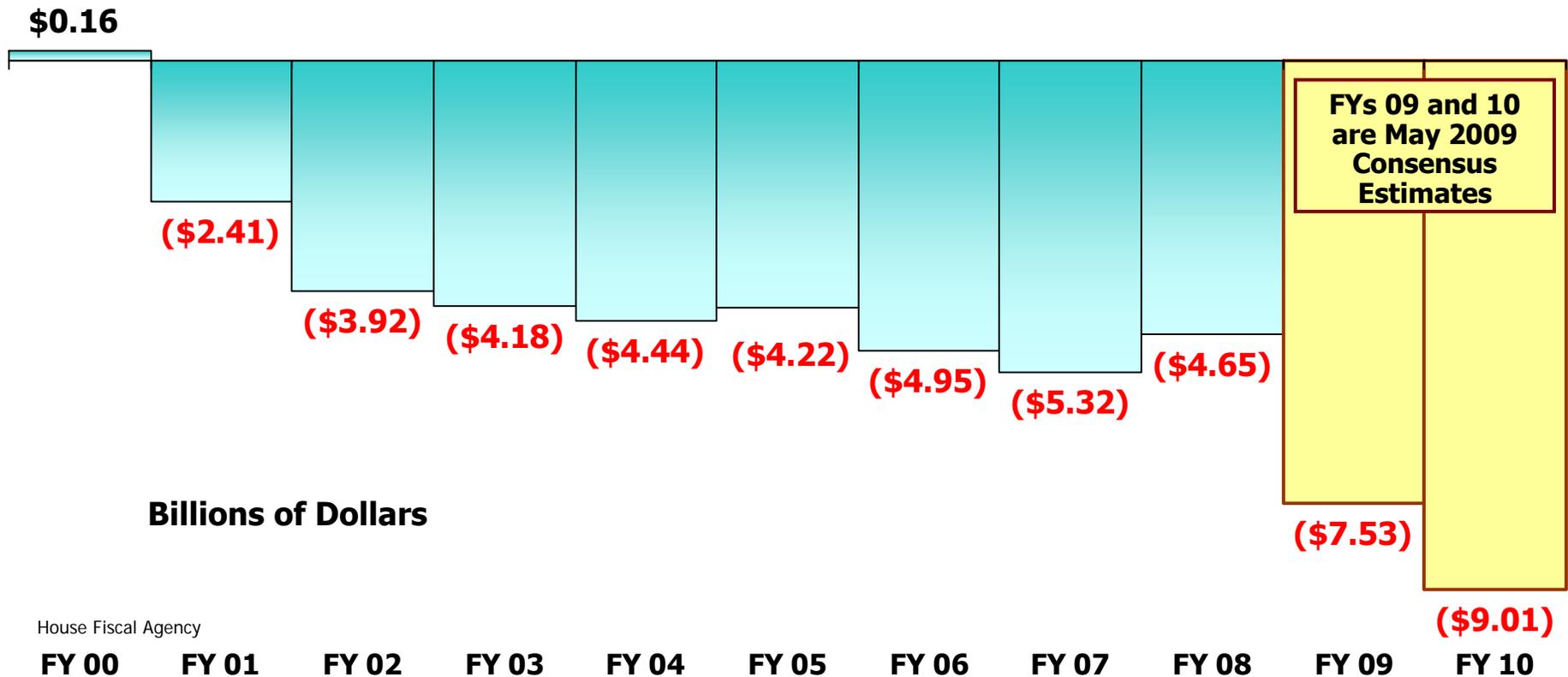




Constitutional Revenue Limit

Average growth of Michigan personal income = 1.5% per year from 2000 through 2010

Average growth of Michigan revenue = 0.79% per year from 2000 through 2010



Billions of Dollars

House Fiscal Agency

FY 00

FY 01

FY 02

FY 03

FY 04

FY 05

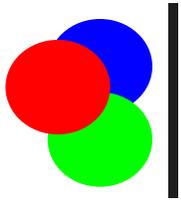
FY 06

FY 07

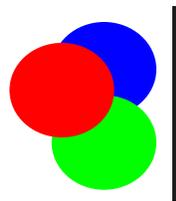
FY 08

FY 09

FY 10

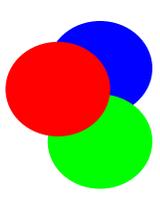


CURRENT ISSUES

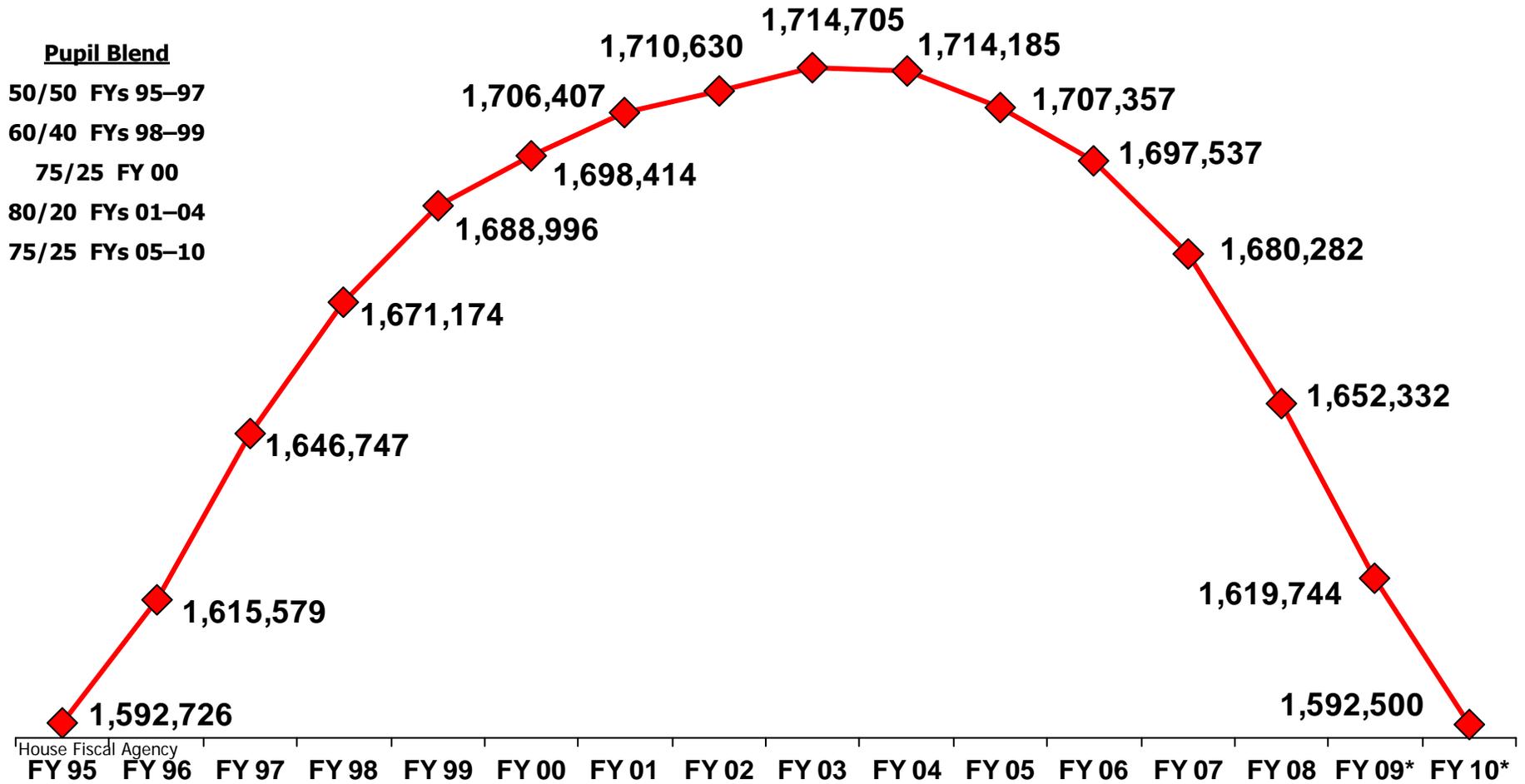


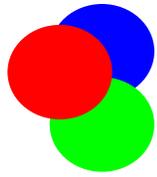
Major School Aid Issues

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

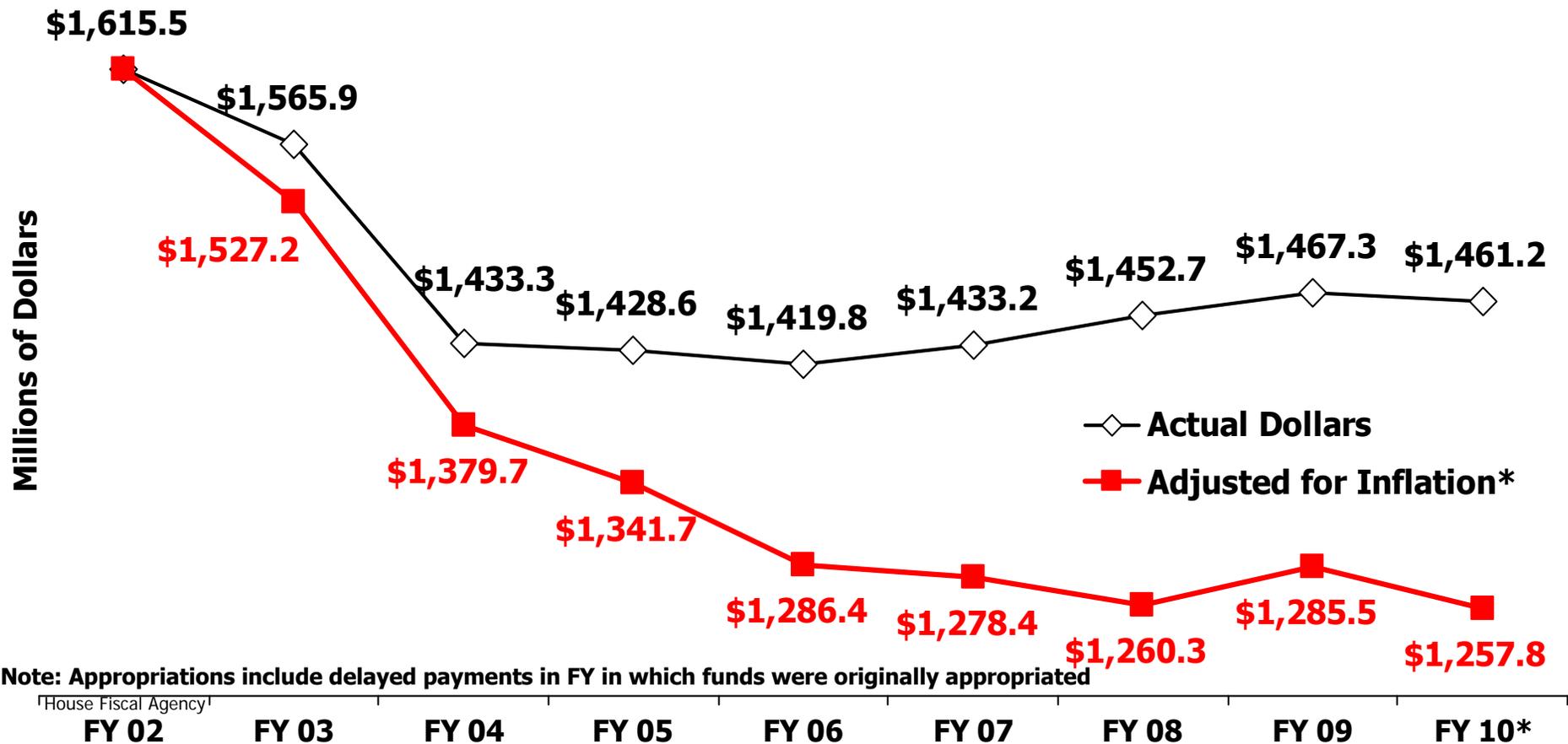


Total Membership Pupil Counts



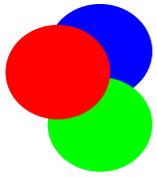


Total Appropriations for State University Operations

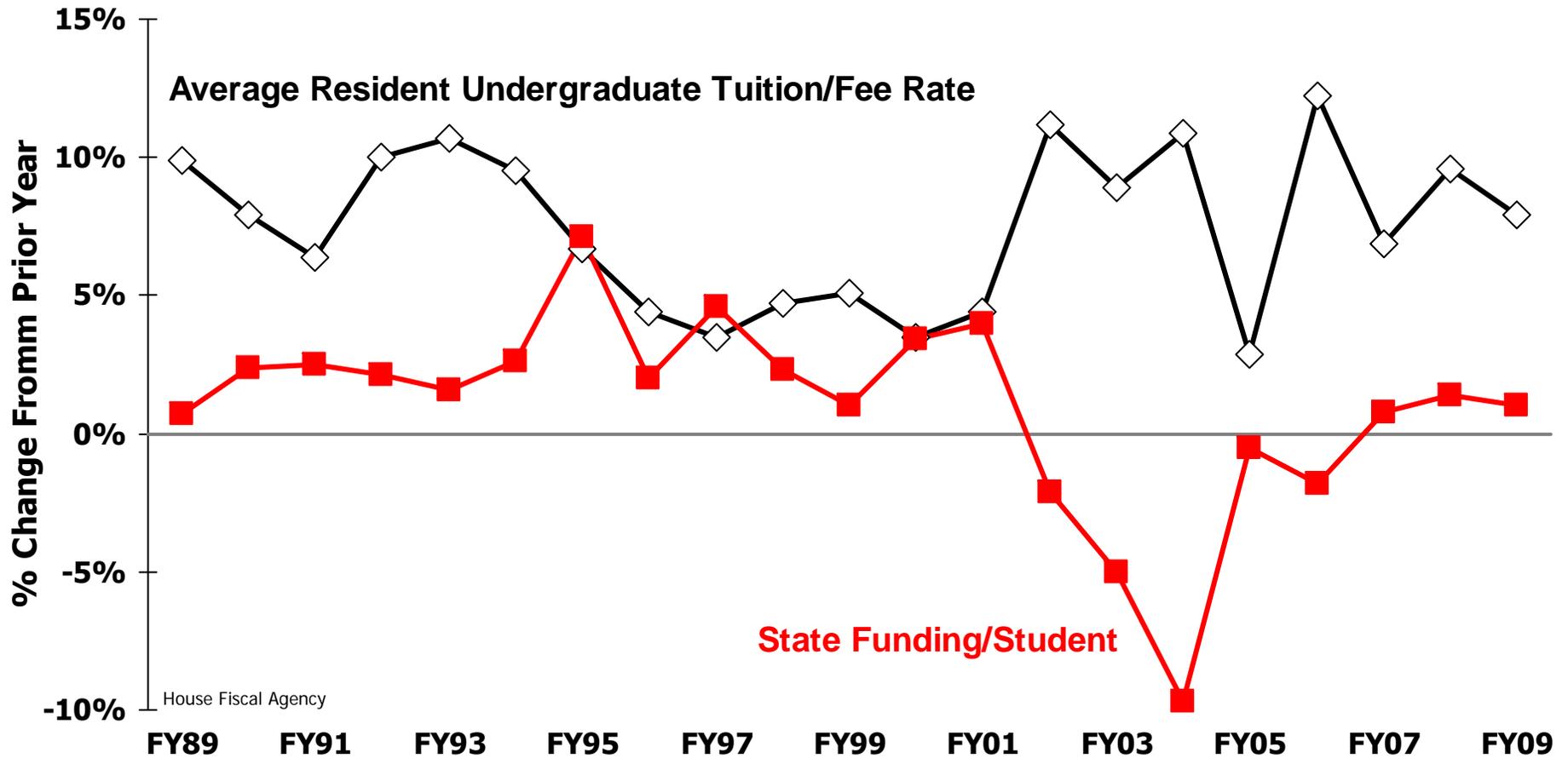


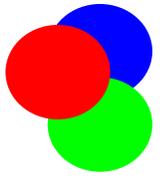
Note: Appropriations include delayed payments in FY in which funds were originally appropriated

^{House Fiscal Agency}

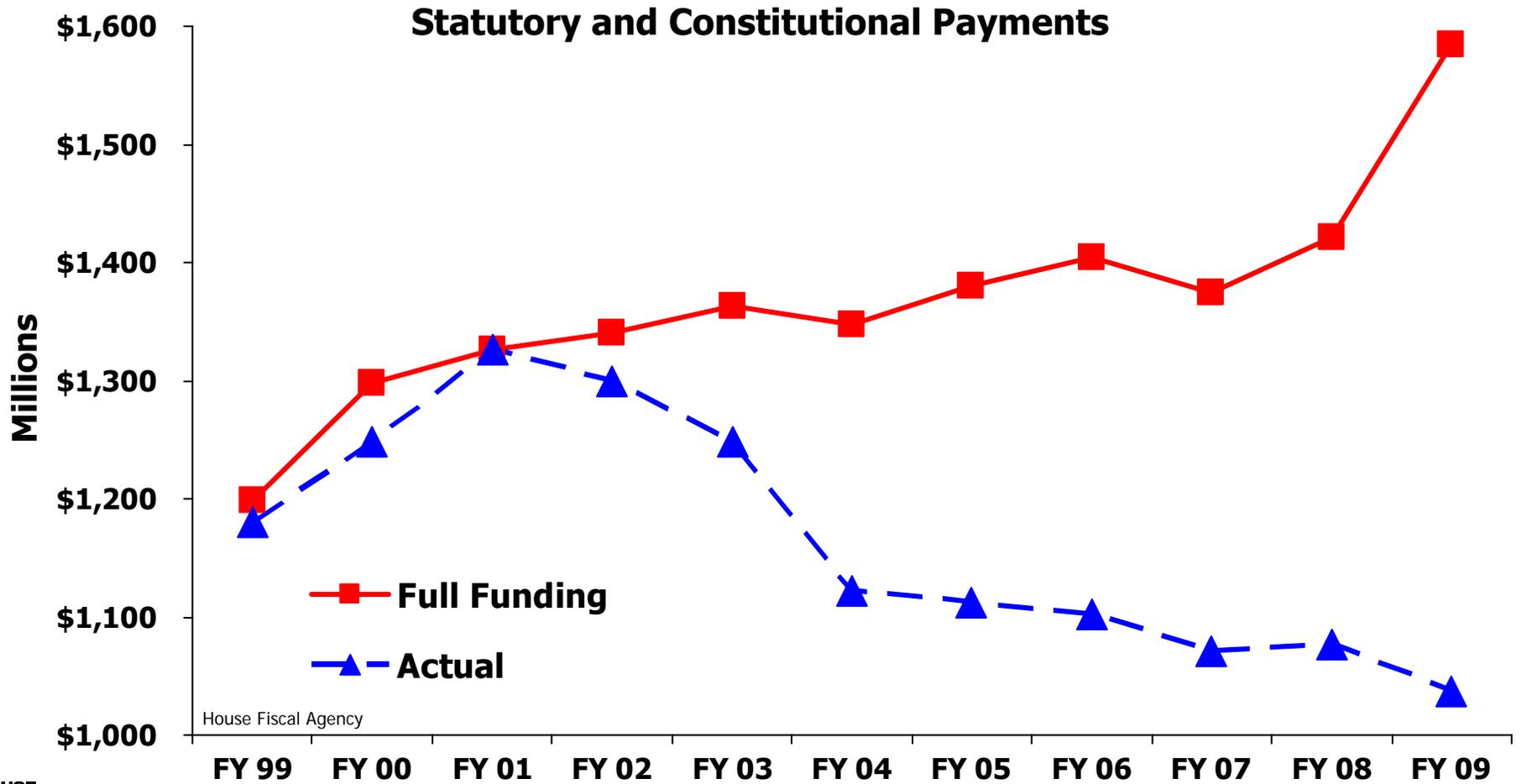


State University Tuition Rates and State Funding

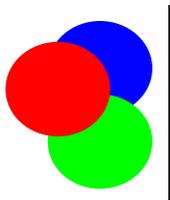




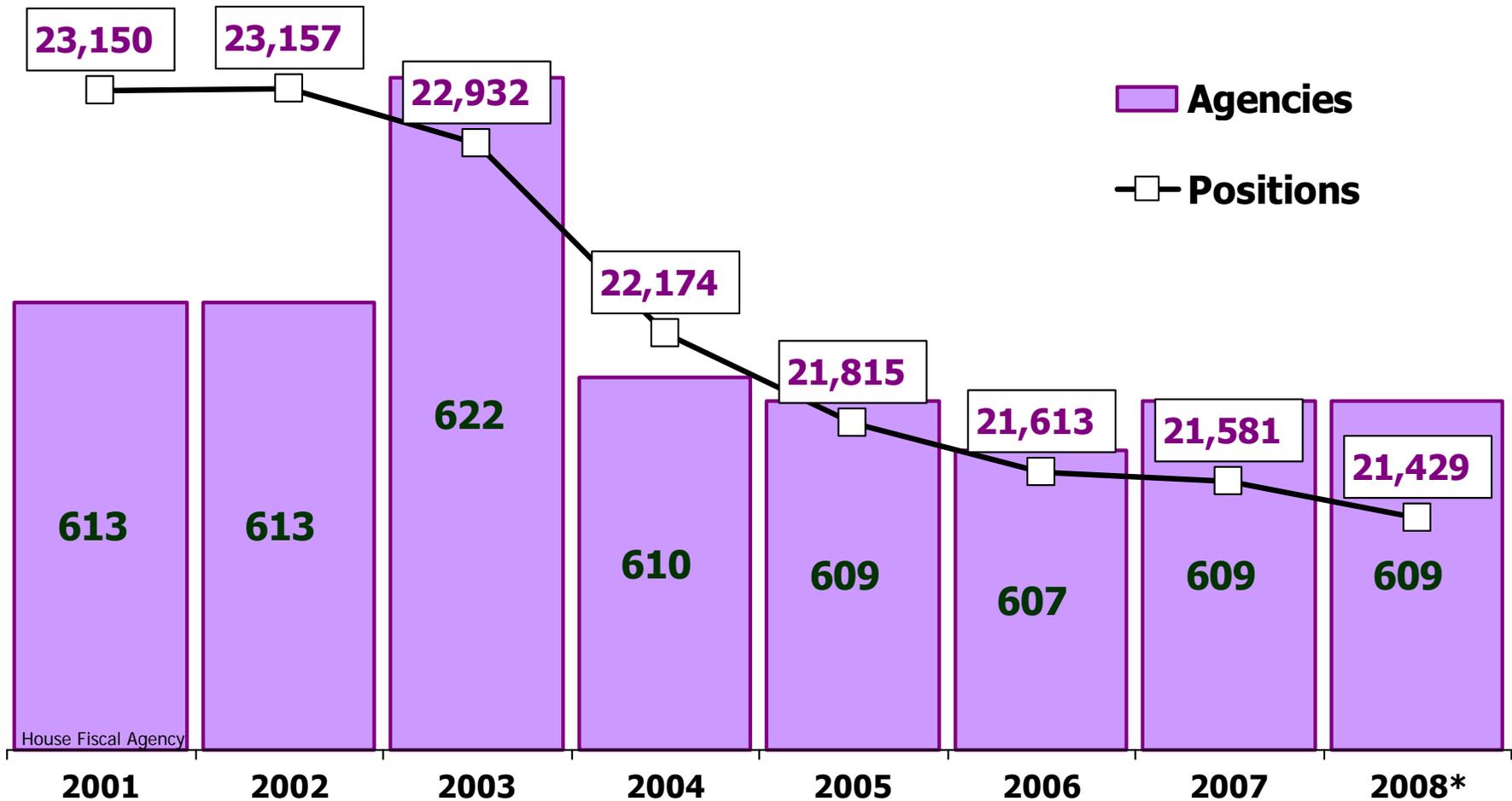
Revenue Sharing Payments to Cities, Villages, and Townships

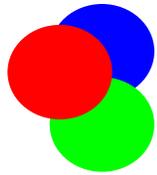


House Fiscal Agency

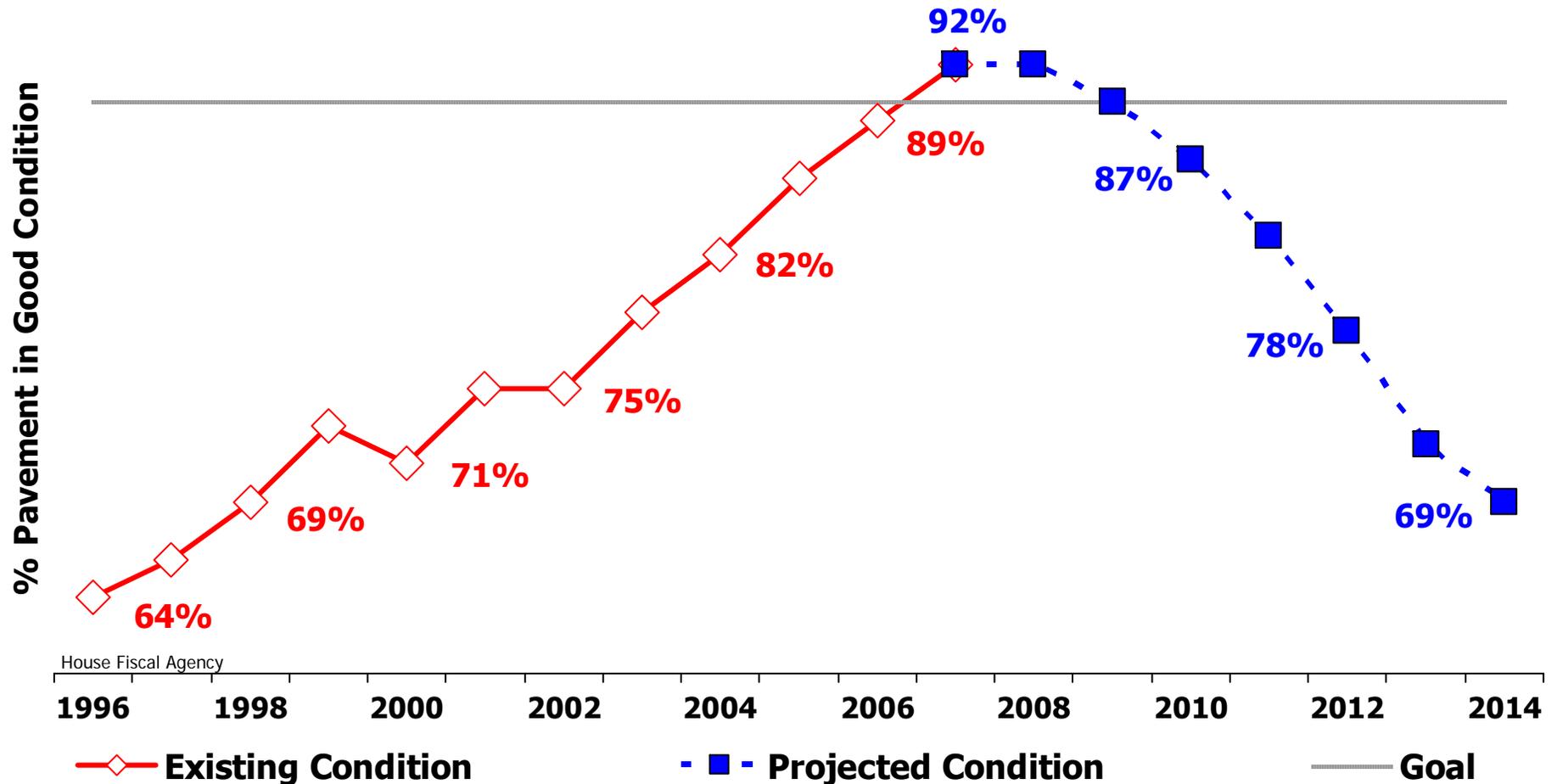


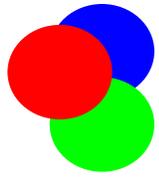
Law Enforcement



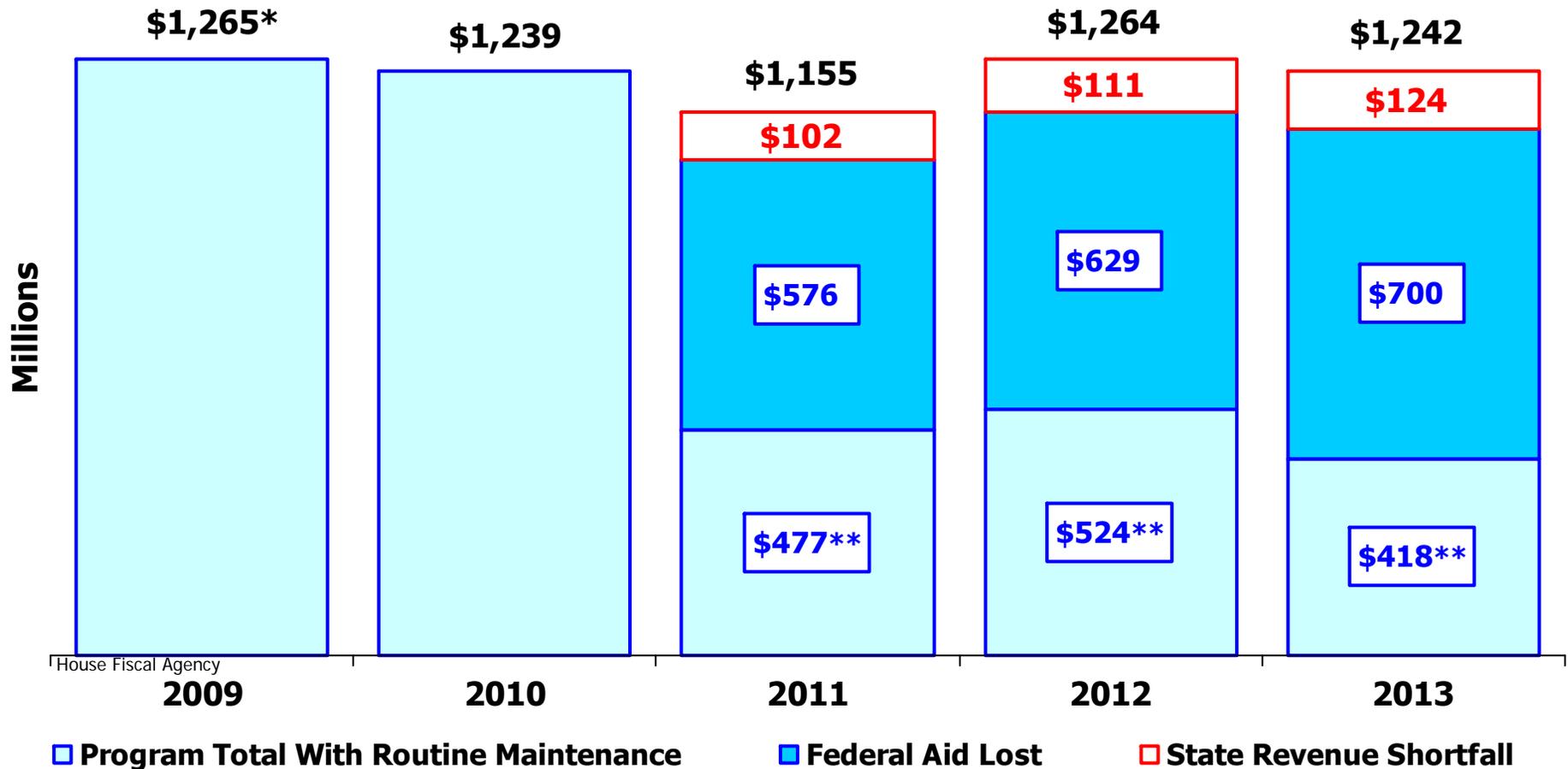


Statewide Pavement Condition Combined Freeway and Non-Freeway





Reduced State Revenue May Lead to Loss of Federal Aid



House Fiscal Agency

**2009 Announced Highway and Maintenance Capital Program*

***Resulting Program Amount (with declining state revenue and inability to match available federal aid)*

HOUSE
FISCAL
AGENCY

www.house.mi.gov/hfa