

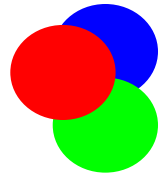
Michigan's Economy and Budget

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

November 16 & 17, 2009

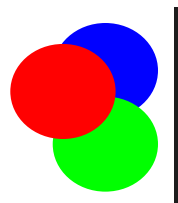


Mitchell E. Bean, Director



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**



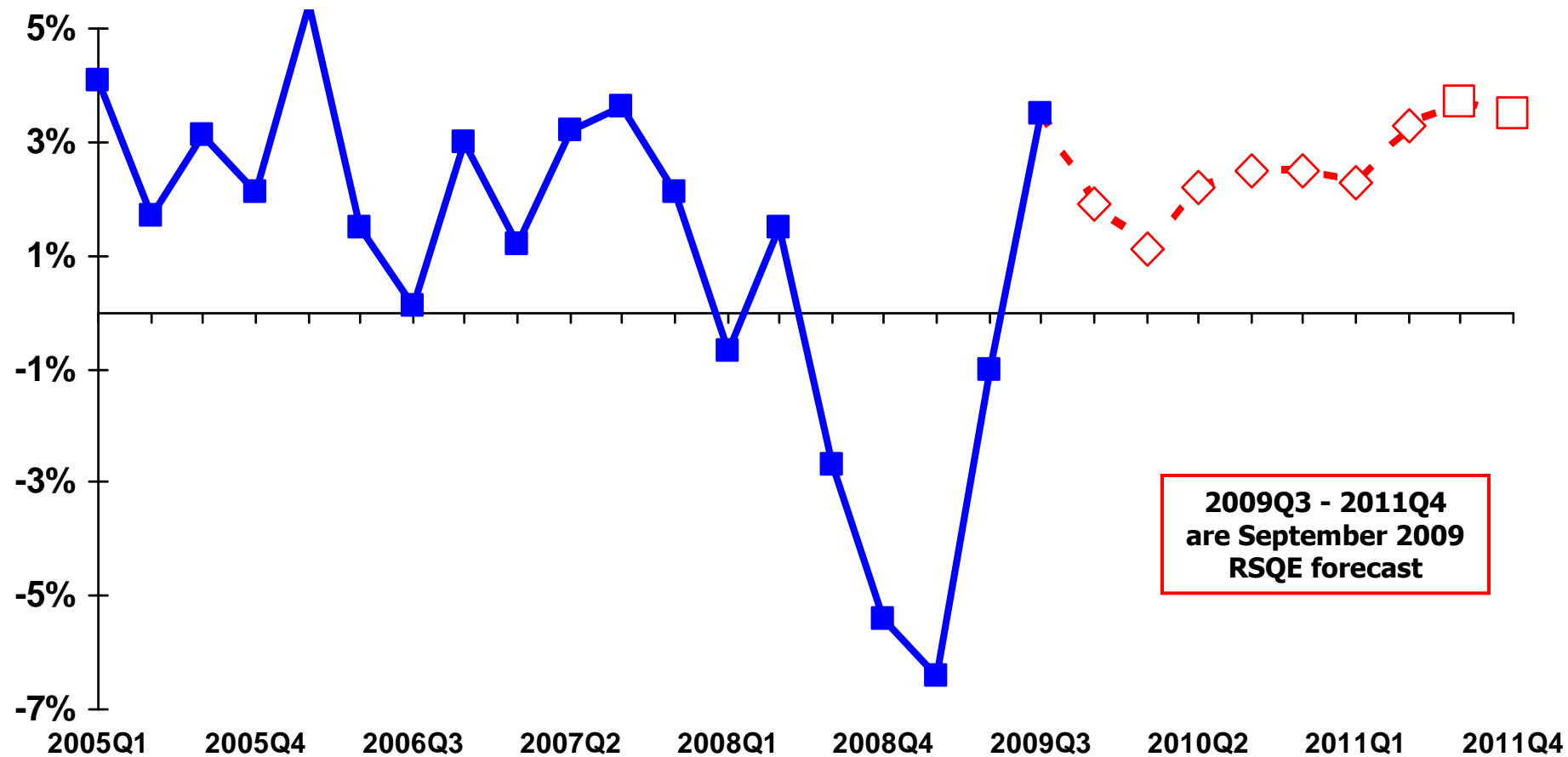
School Aid FY 2009-10

- **\$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**

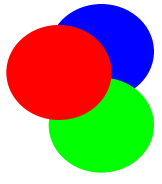


GDP Forecast

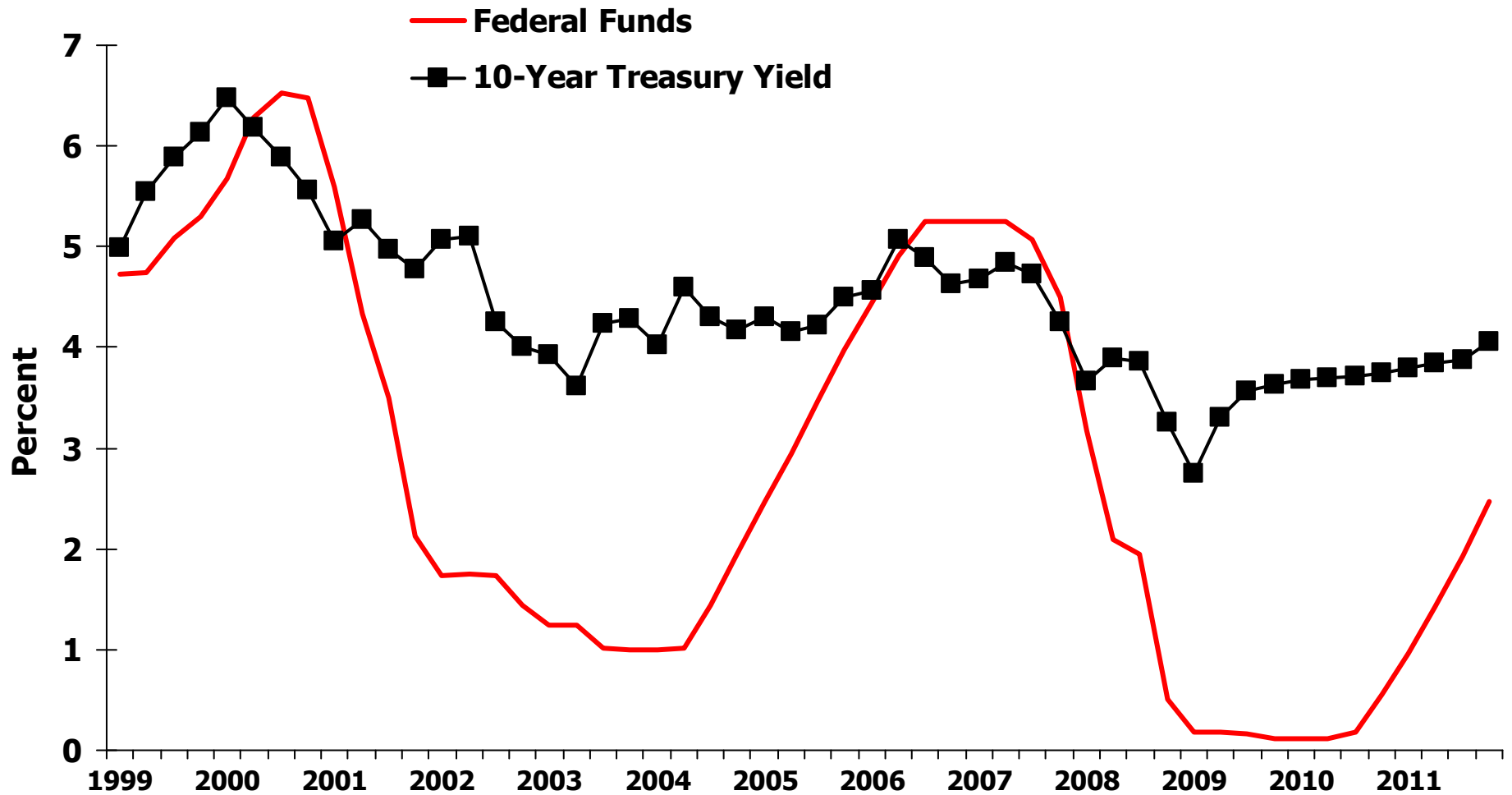
Percent Change

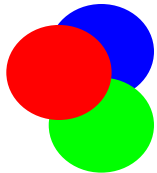


2009Q3 - 2011Q4
are September 2009
RSQE forecast



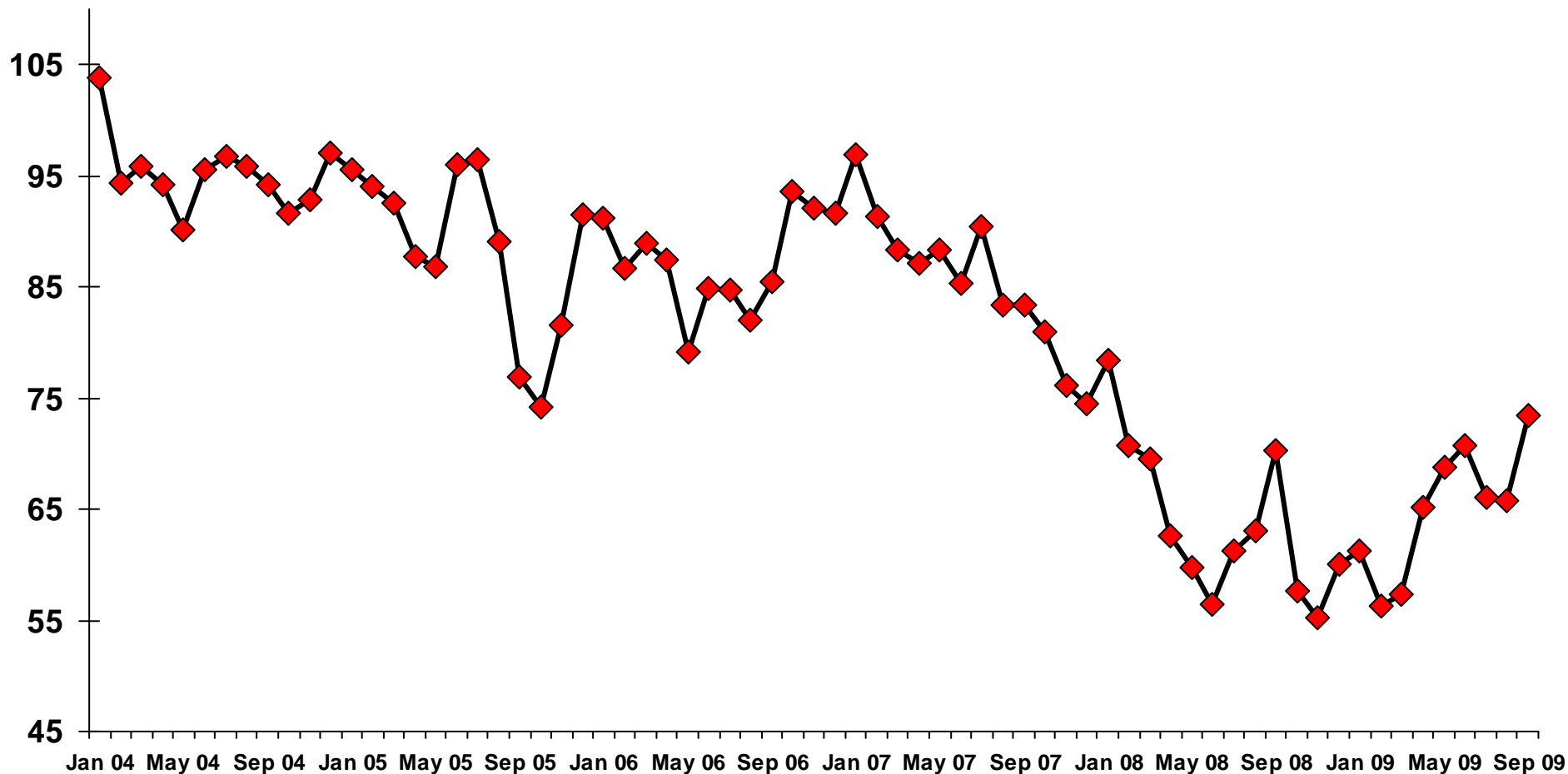
Interest Rates

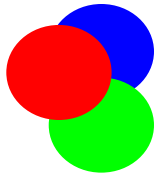




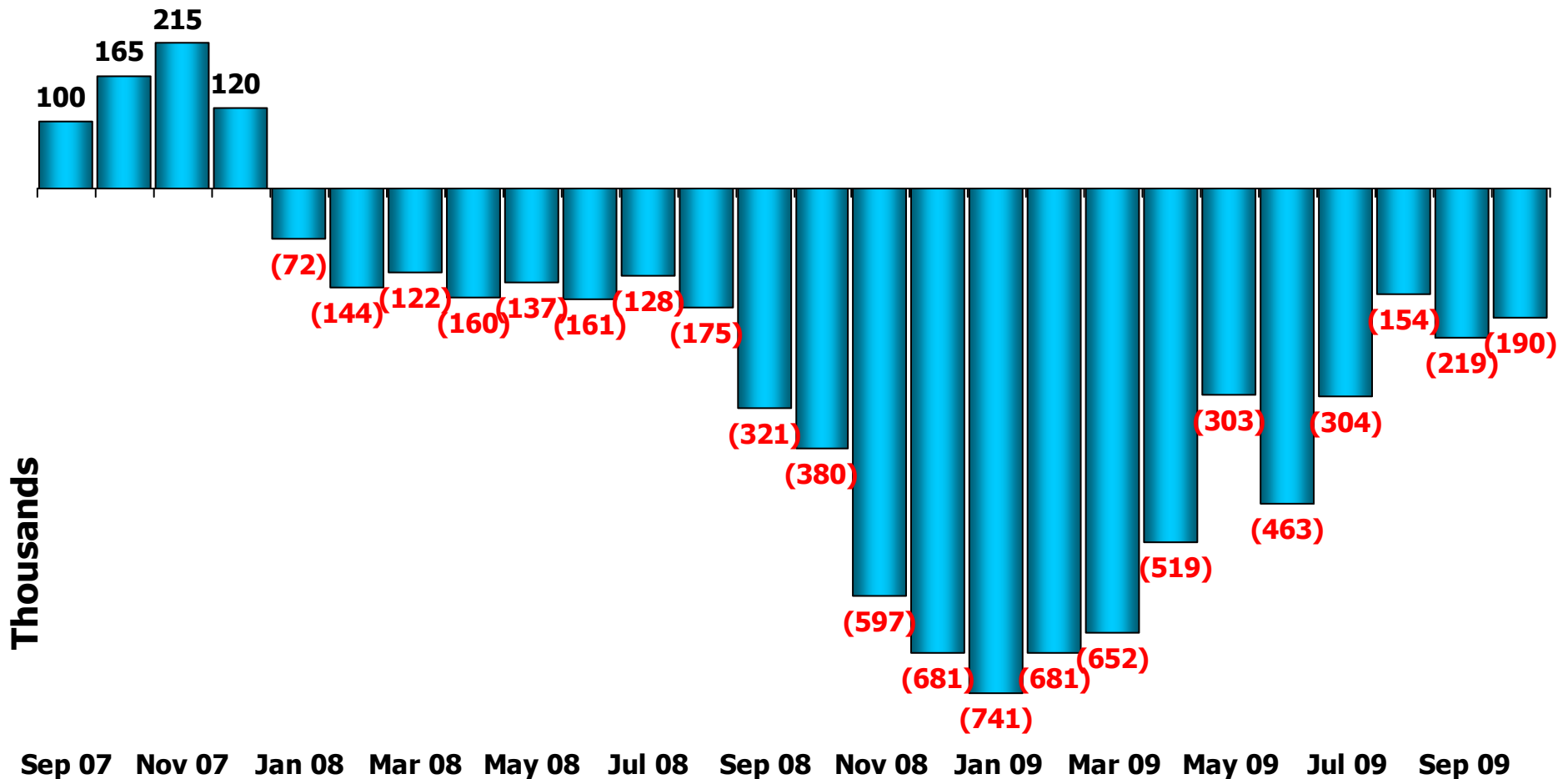
Index of Consumer Sentiment

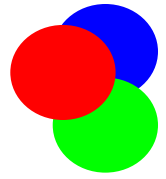
January 2004 Through September 2009





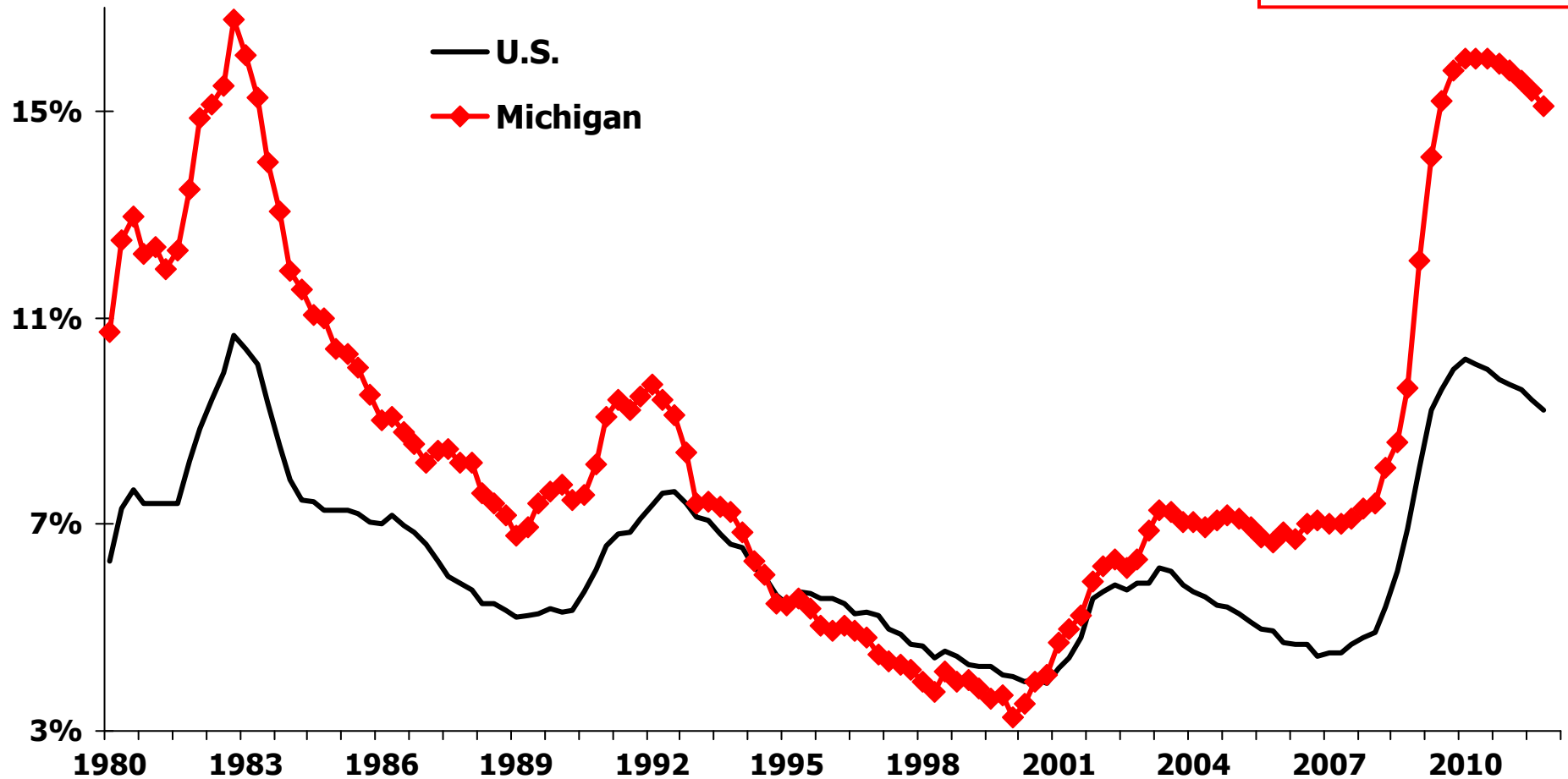
U.S. Economy Has Lost 1.6 Million Jobs in Six Months

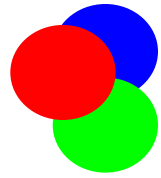




U.S. and Michigan Unemployment Rates

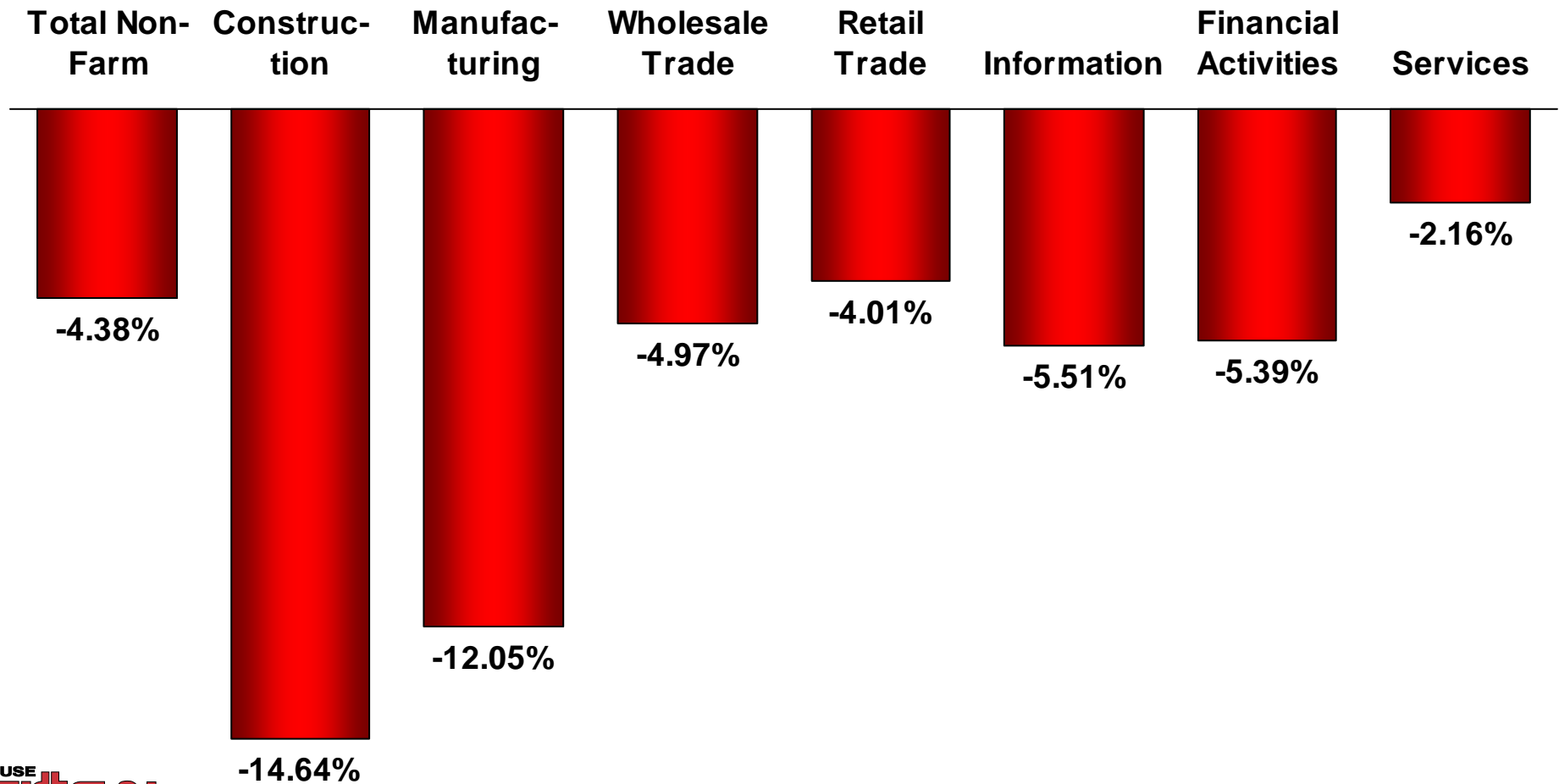
2009Q2 – 2010Q4
are September 2009
RSQE Forecast

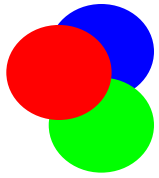




U.S. % Change in Employment

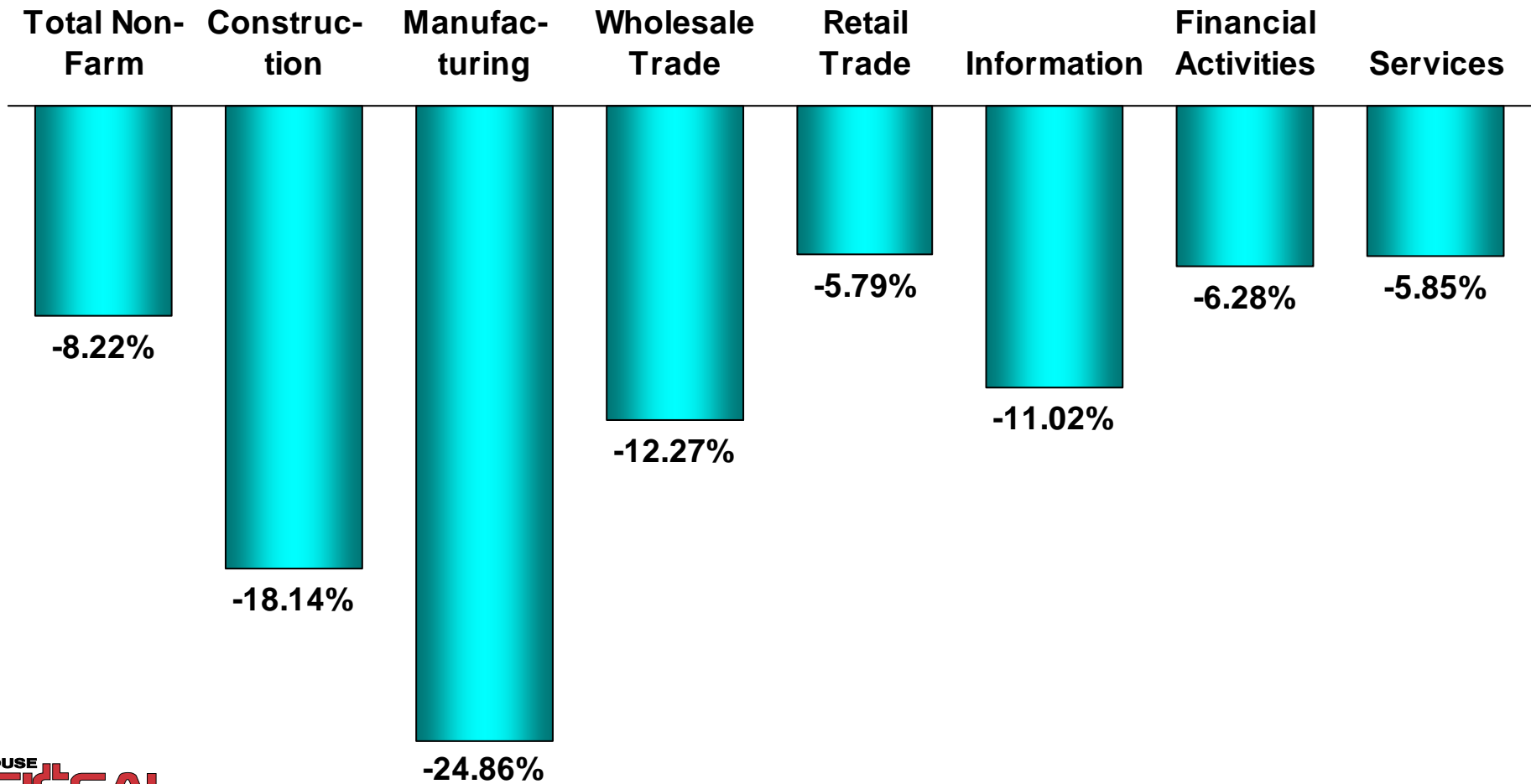
August 2008 Through August 2009

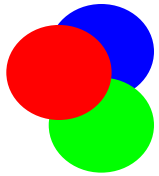




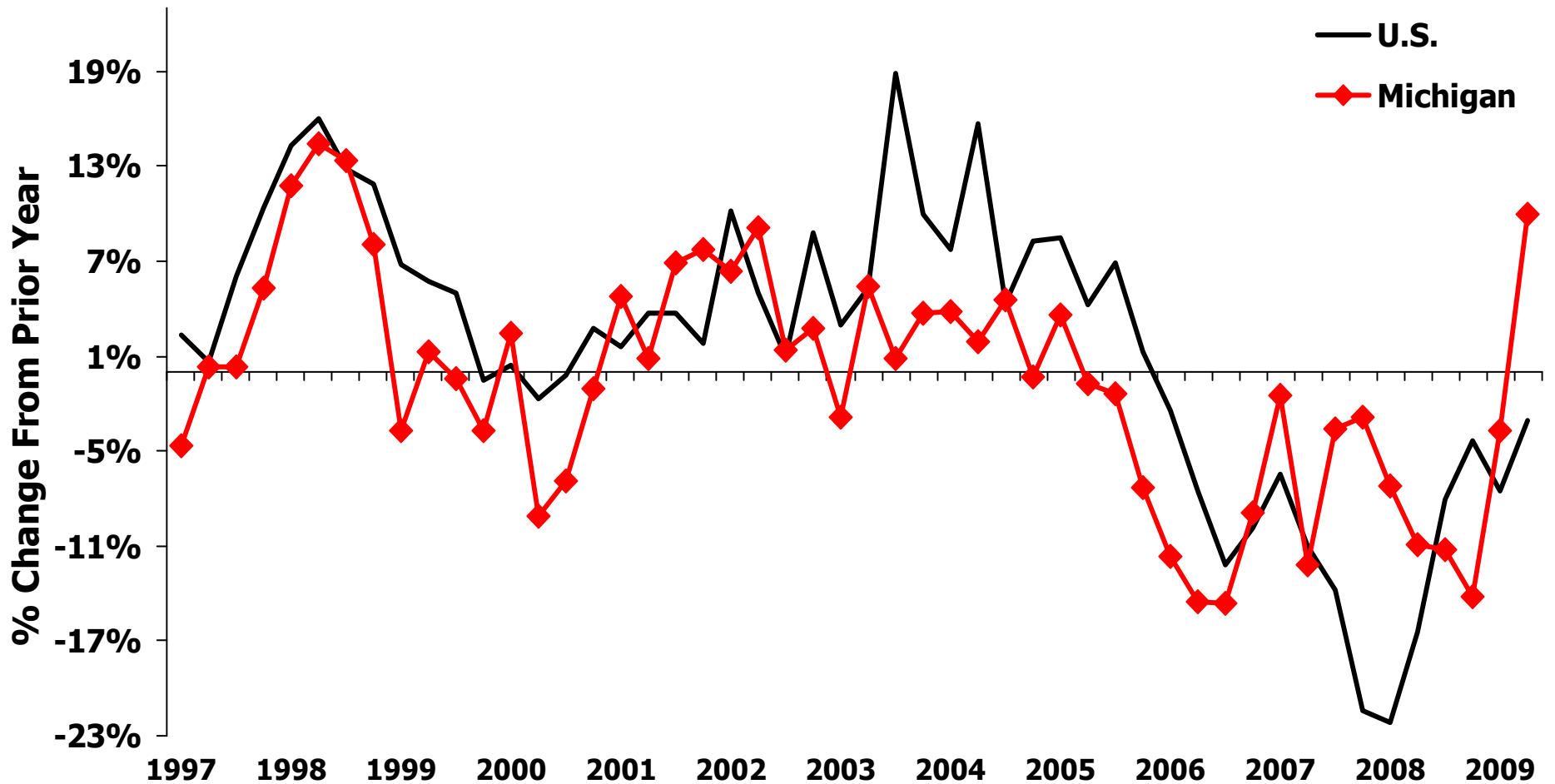
Michigan % Change in Employment

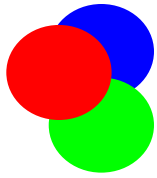
August 2008 Through August 2009



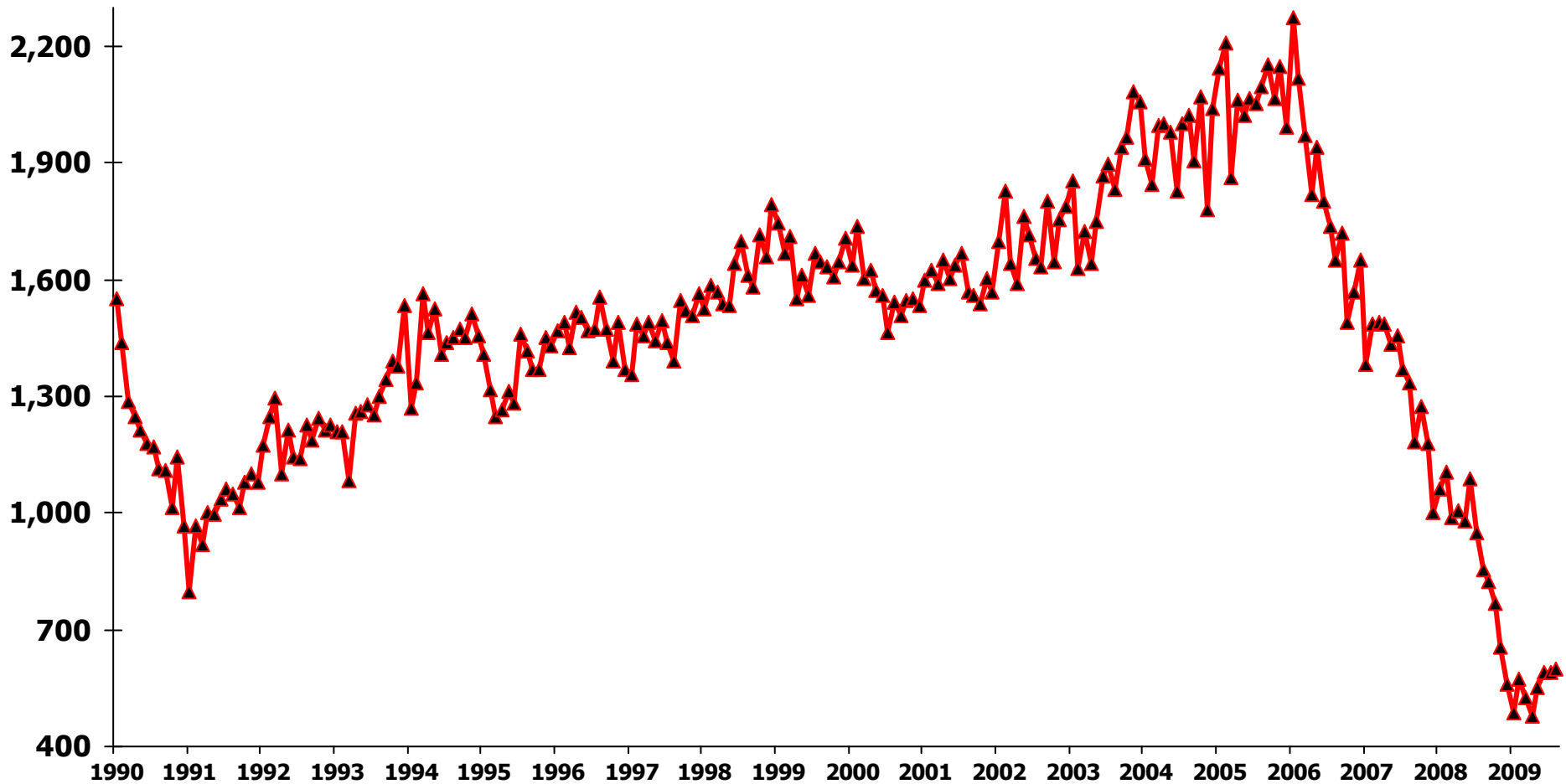


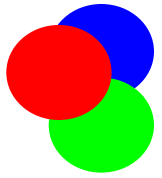
Total Existing Home Sales



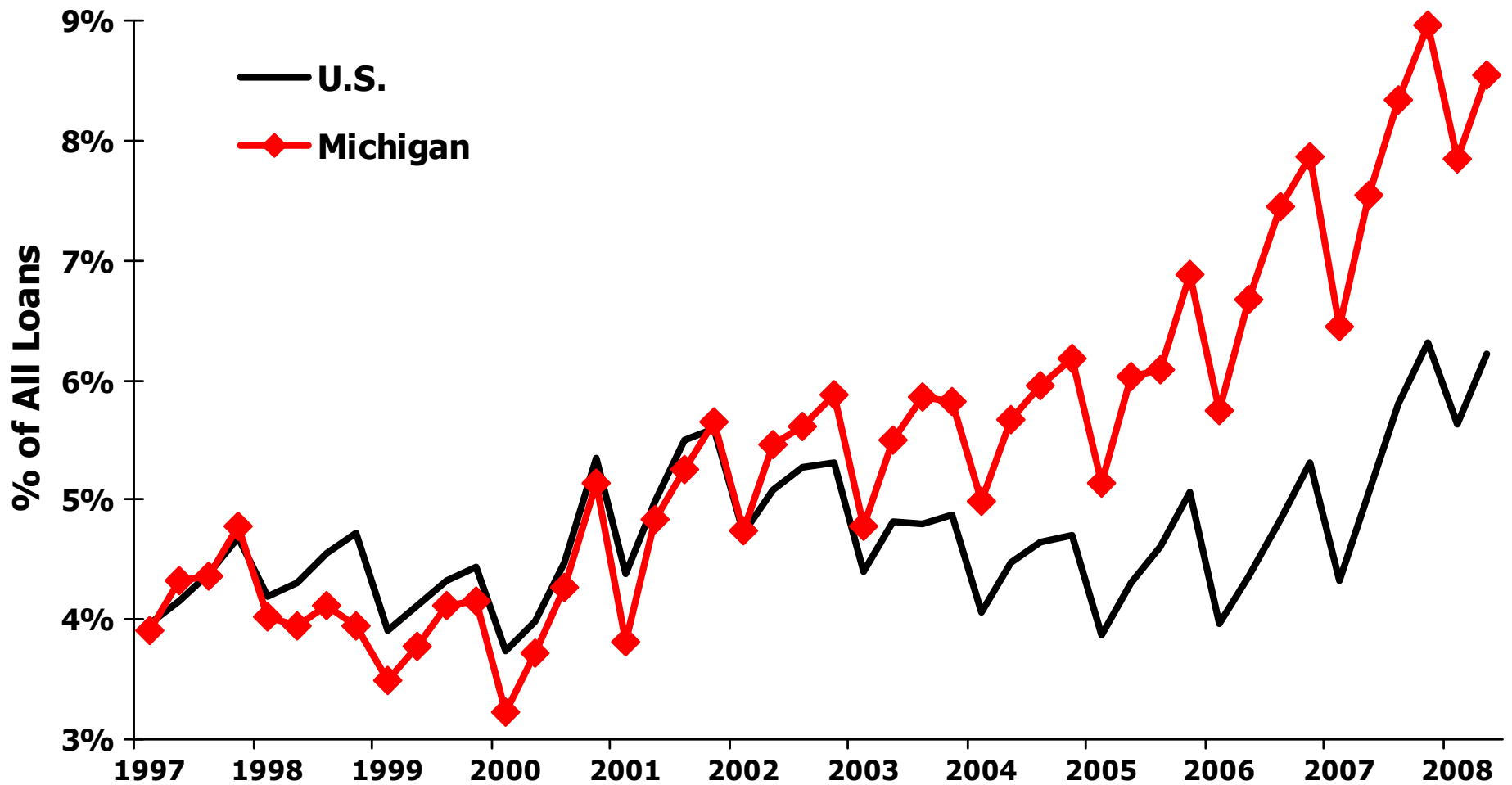


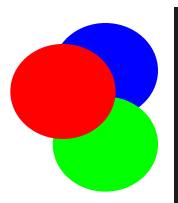
U.S. Housing Starts Drop 74% January 2006 Through August 2009





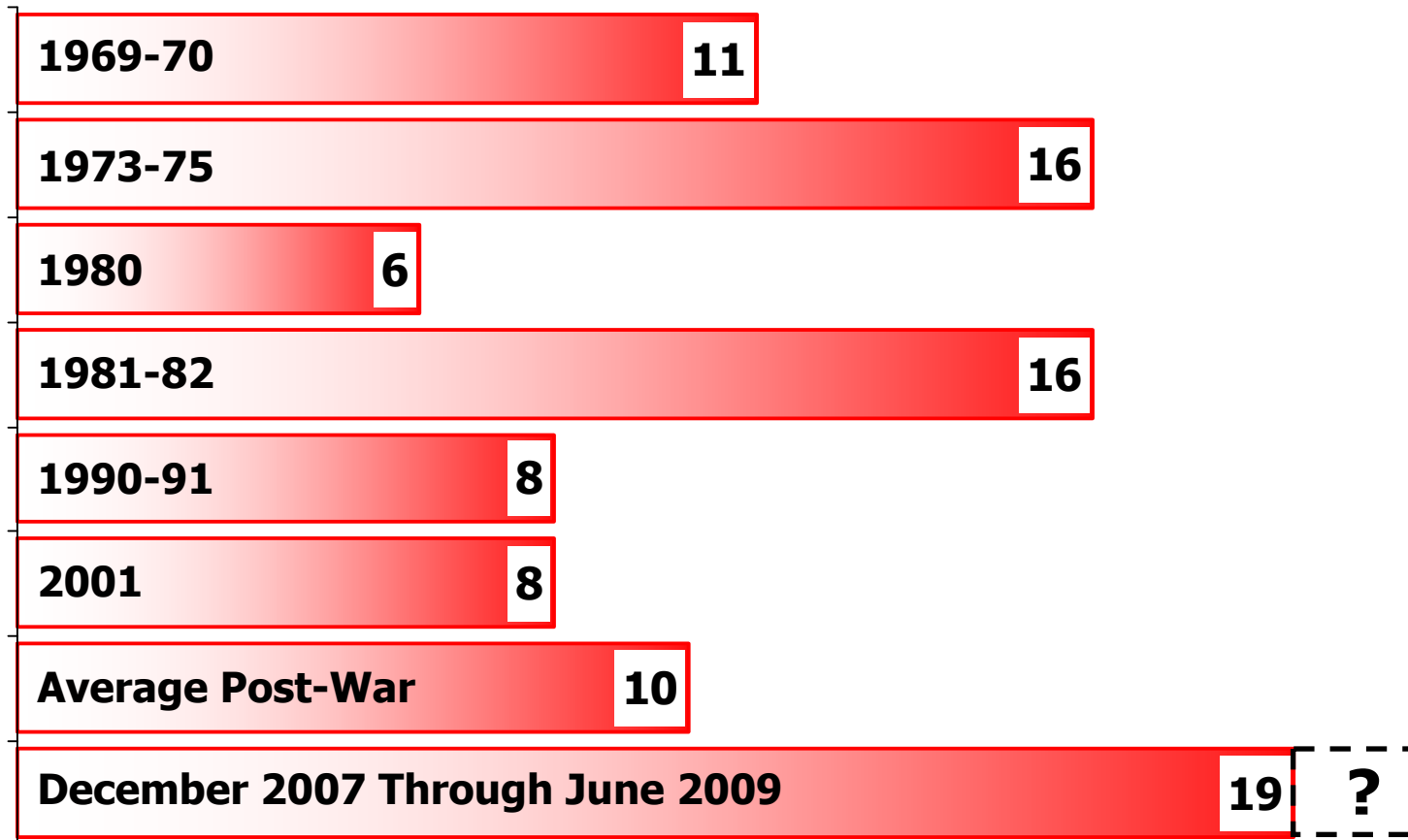
Total Delinquencies

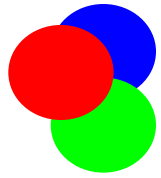




Length of U.S. Recessions

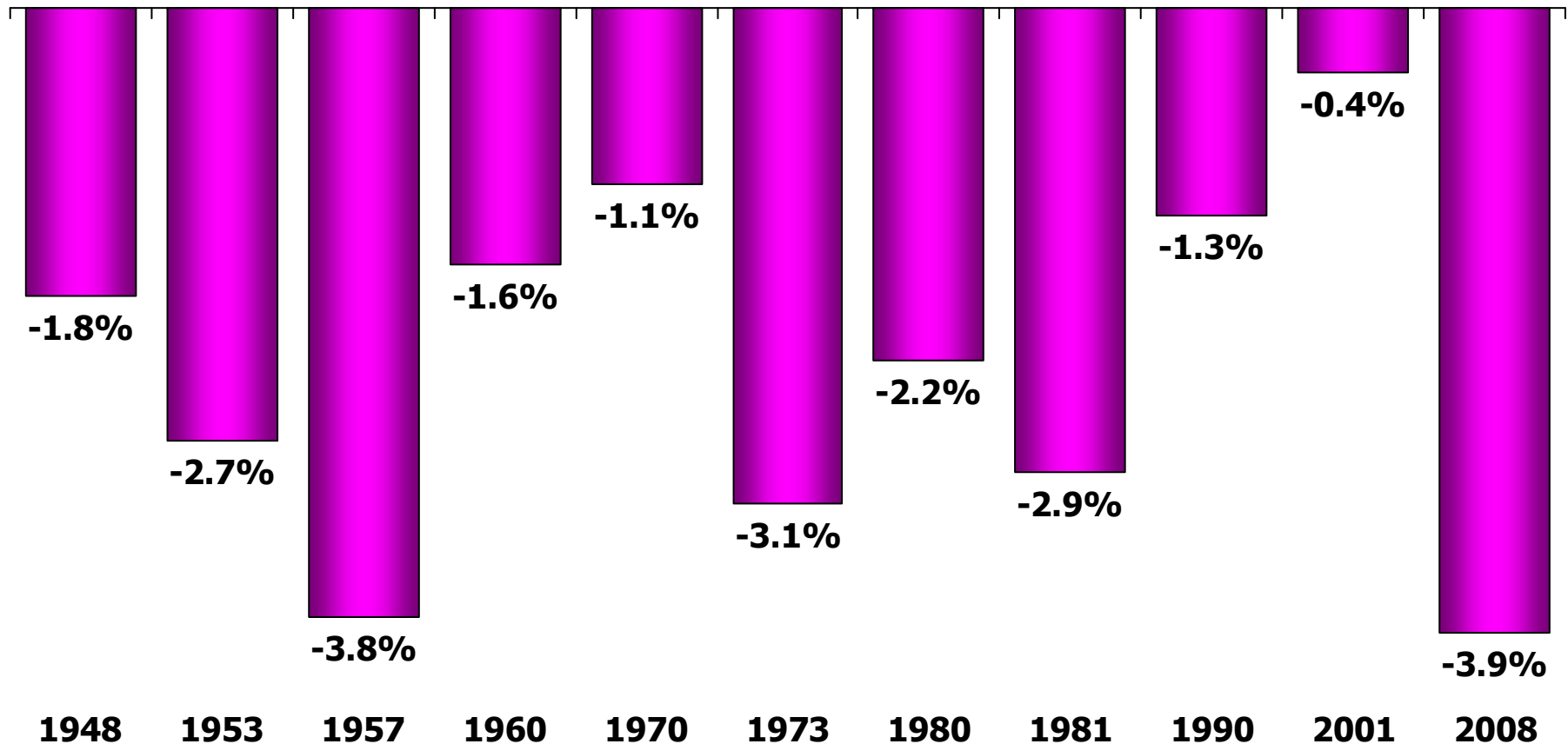
of Months From Peak to Trough

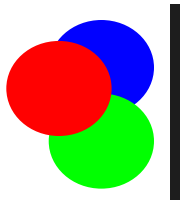




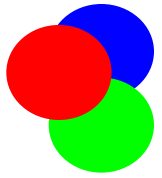
Decline in GDP Steep Compared to Recent Recessions

Peak to Trough GDP Decline

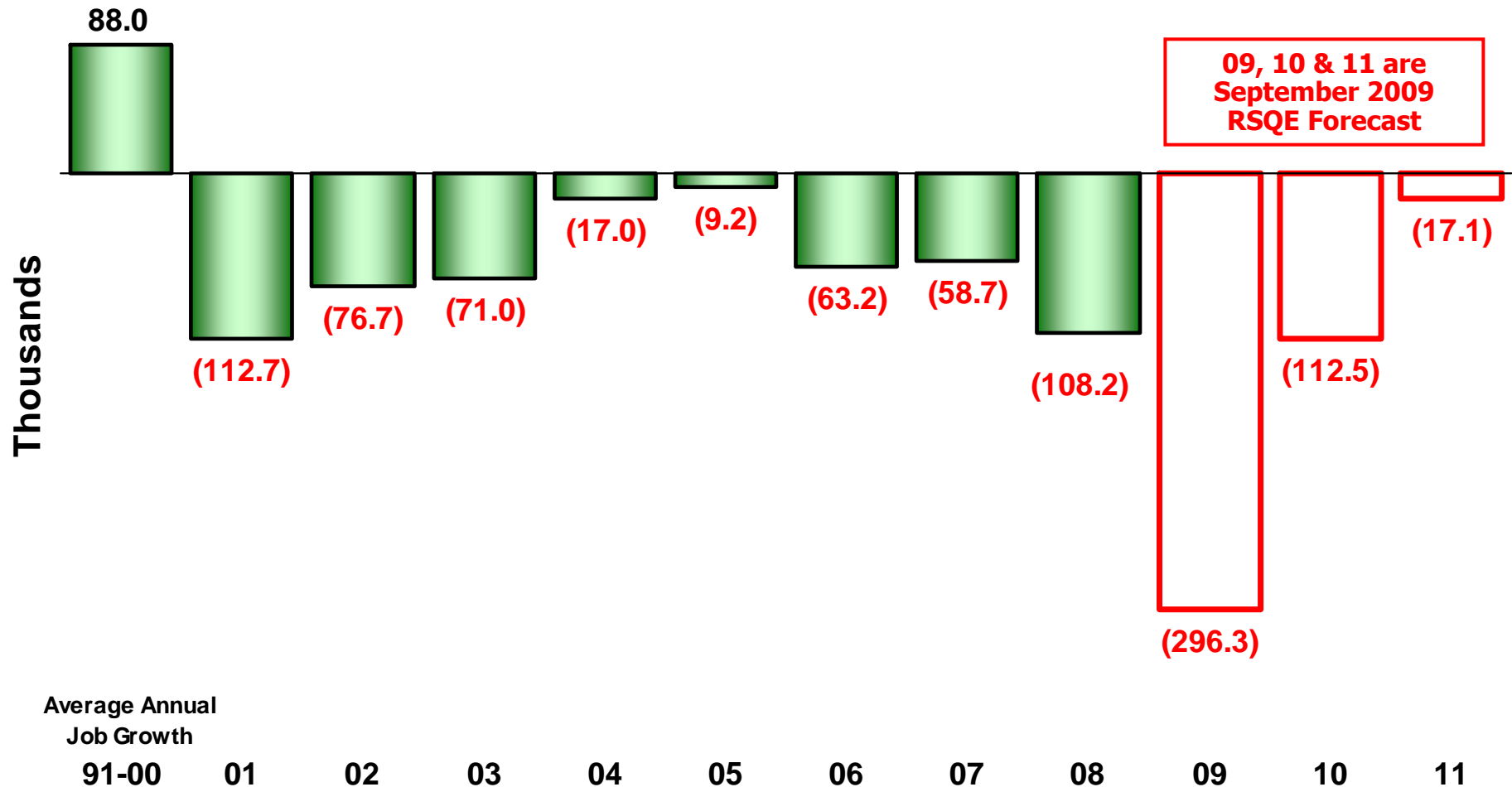




MICHIGAN FORECAST



Job Growth in Michigan

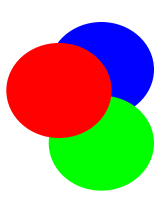




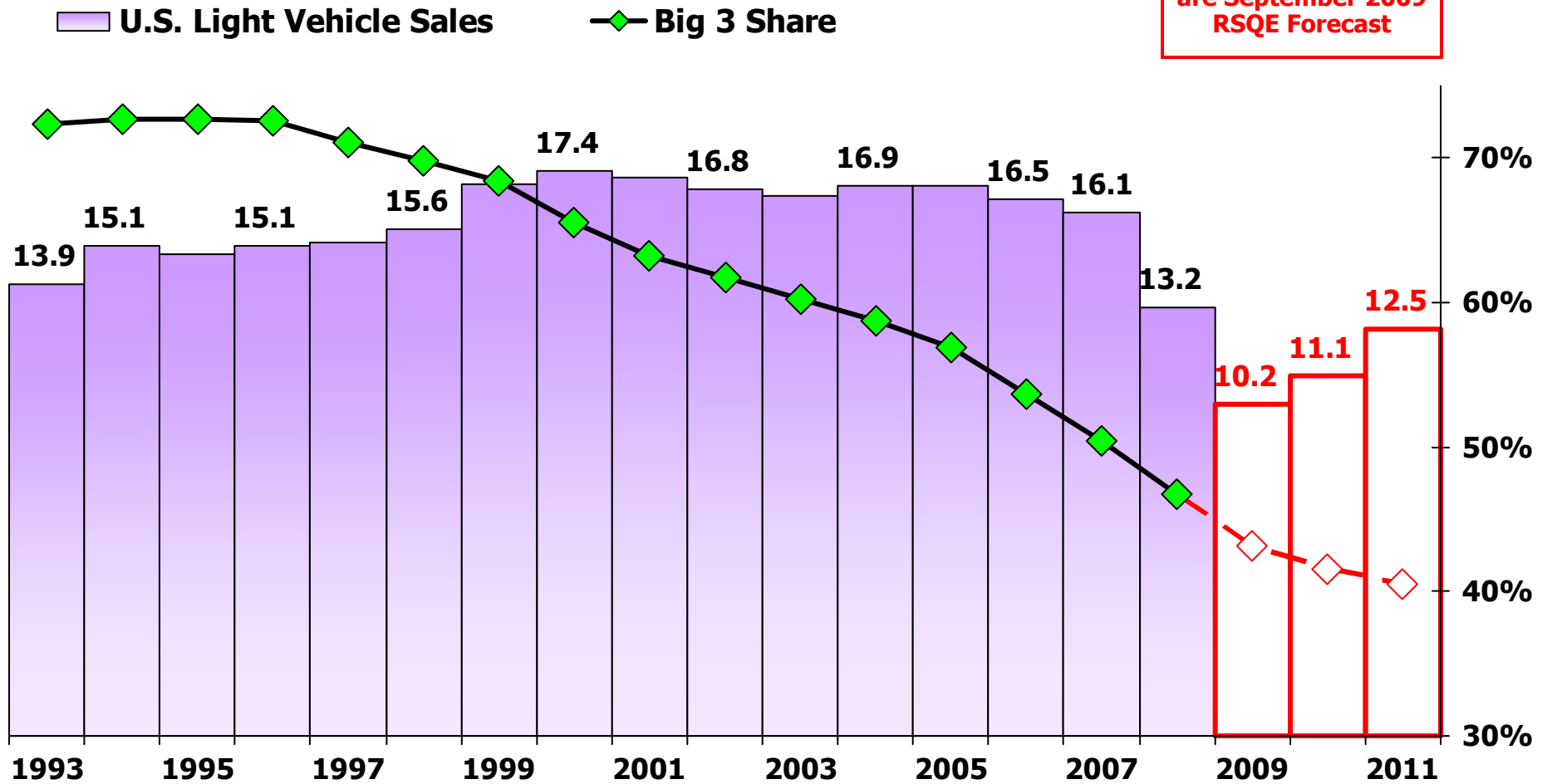
Employment Location Quotients by Industry

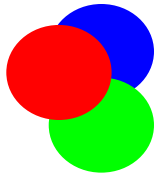
Michigan: February 2009

<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

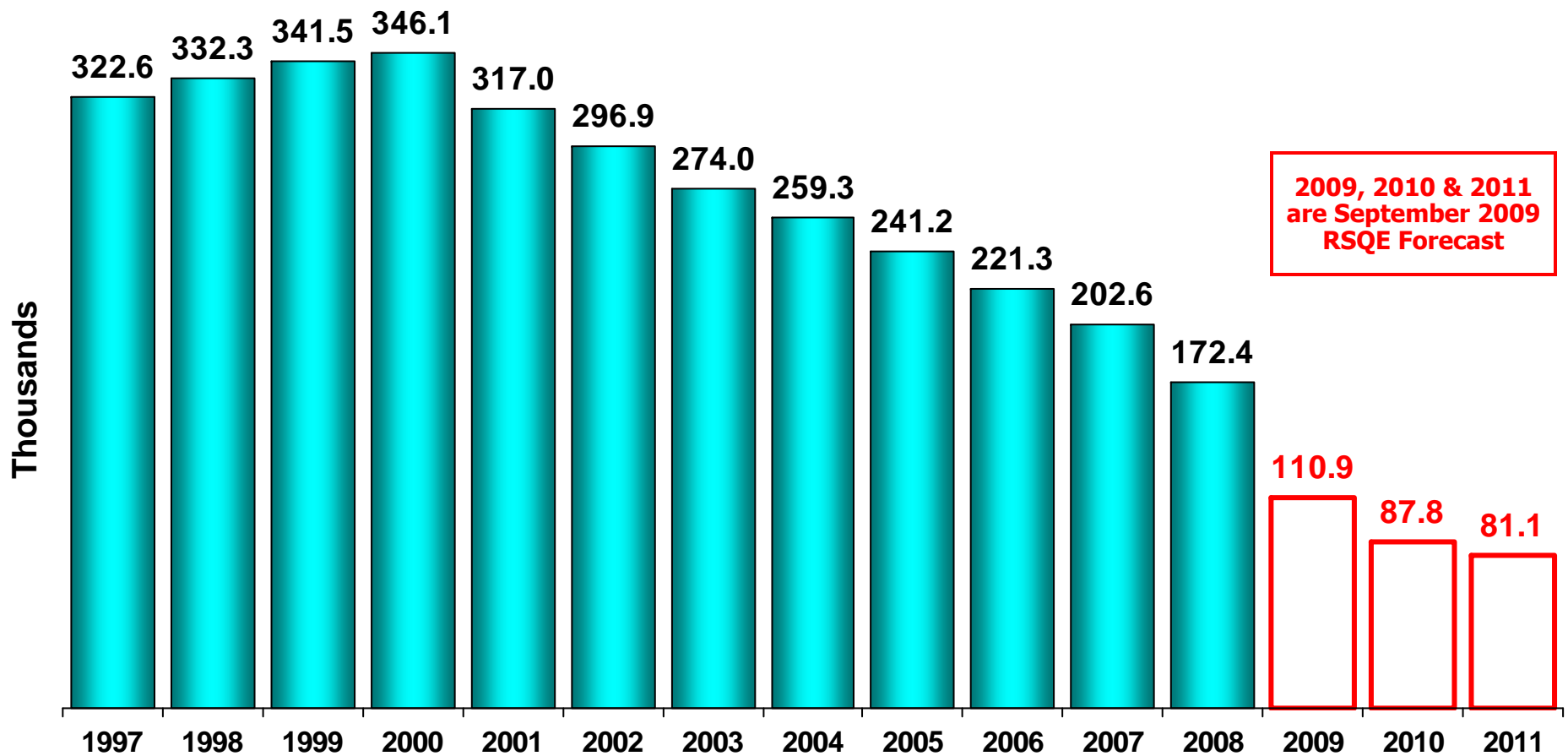


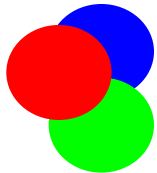
Big 3 Losing Market Share



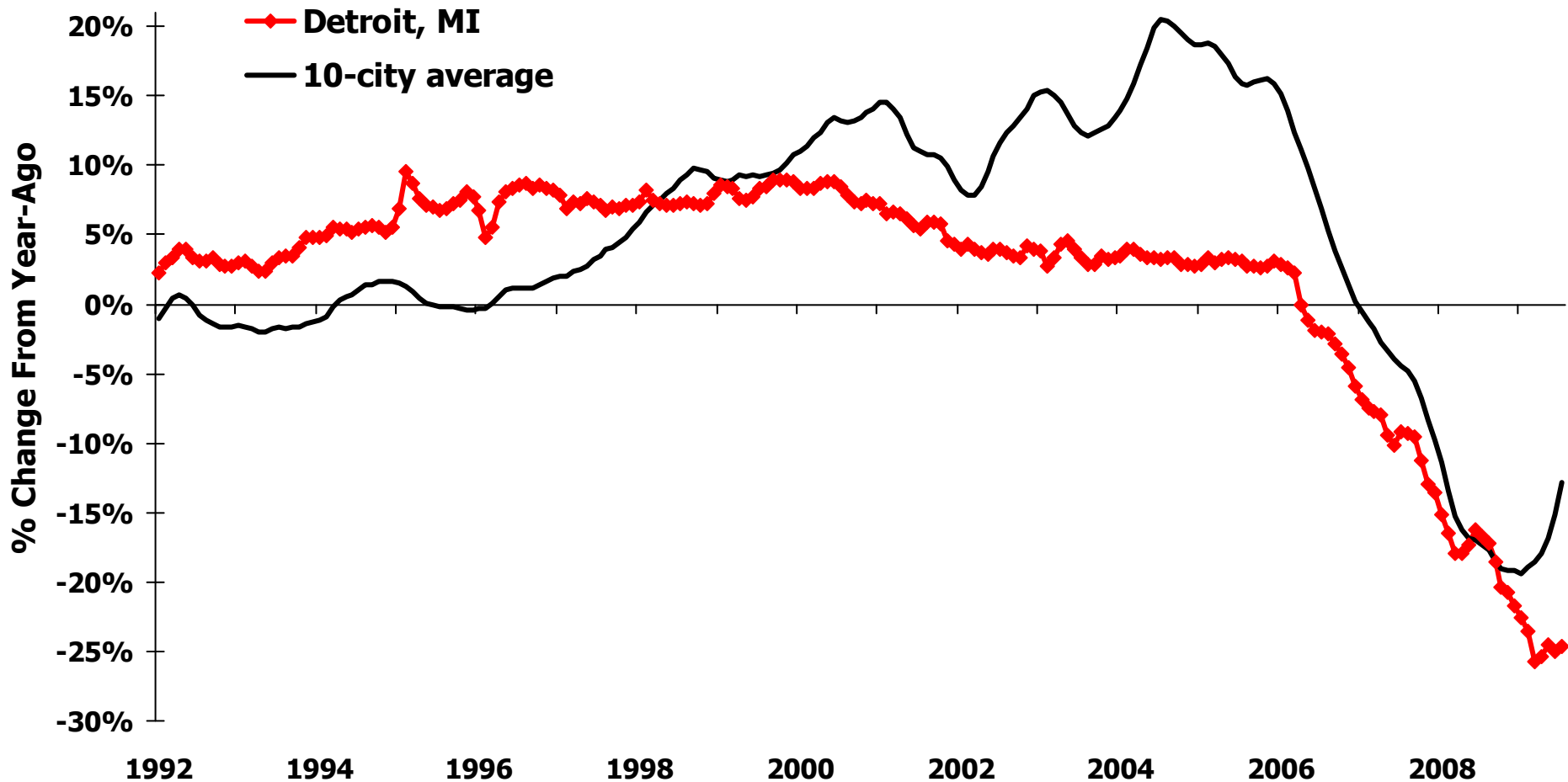


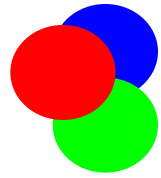
Michigan Vehicle Employment





Home Prices Fall Sharply

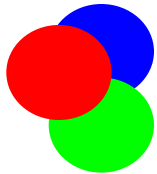




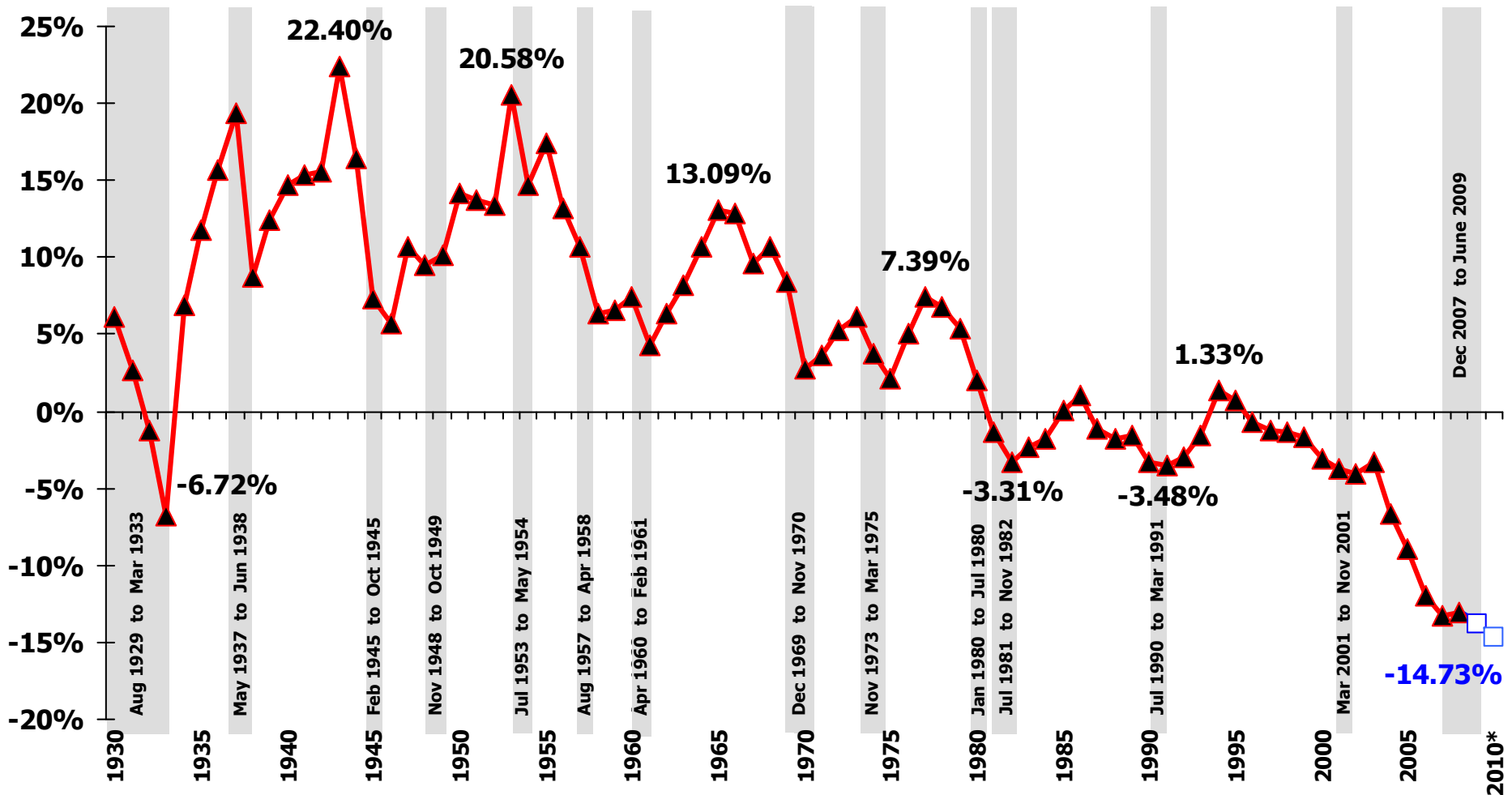
Property Value Growth Slowing

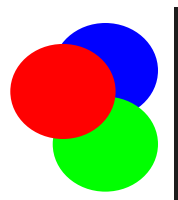
Yearly Change

	<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 %



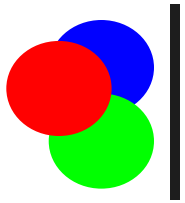
Michigan Per Capita Income Deviation from National Average



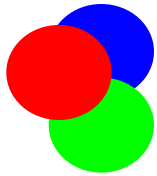


Conclusion

- **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**

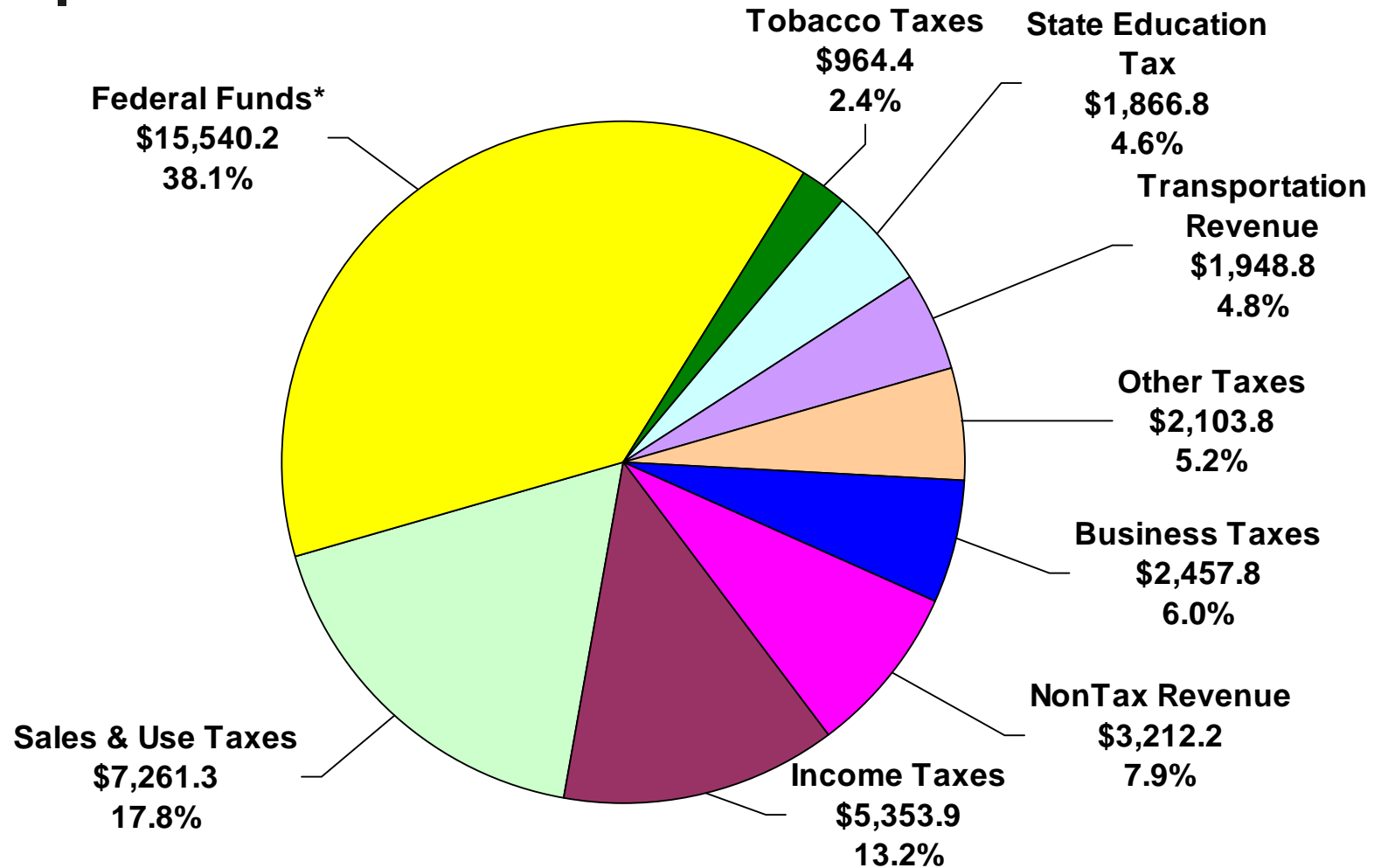


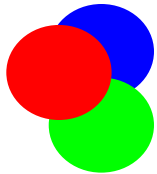
MICHIGAN REVENUE



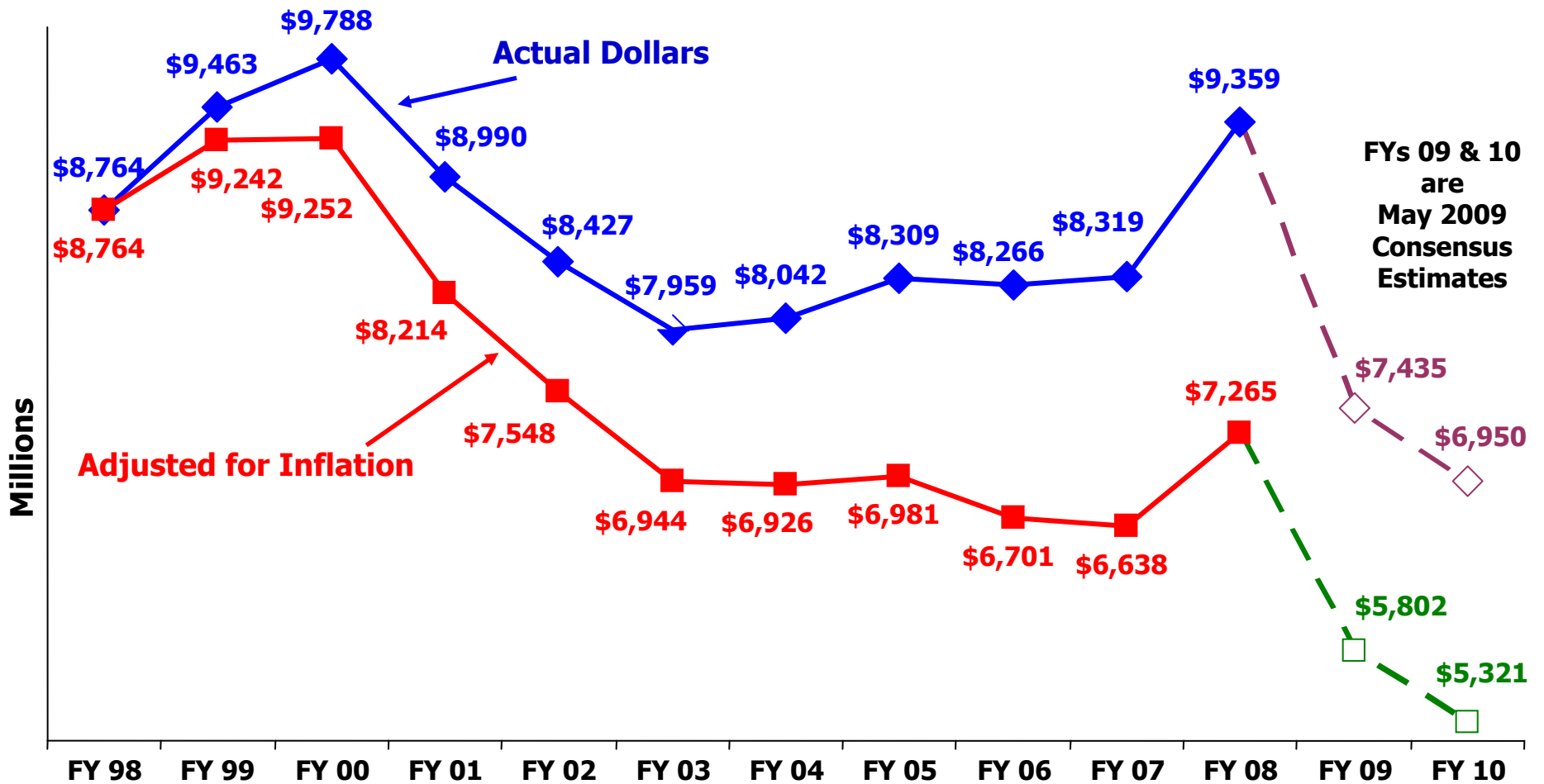
State of Michigan Revenue Sources

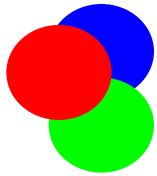
FY 2009-10 Total = \$40,709.1 million



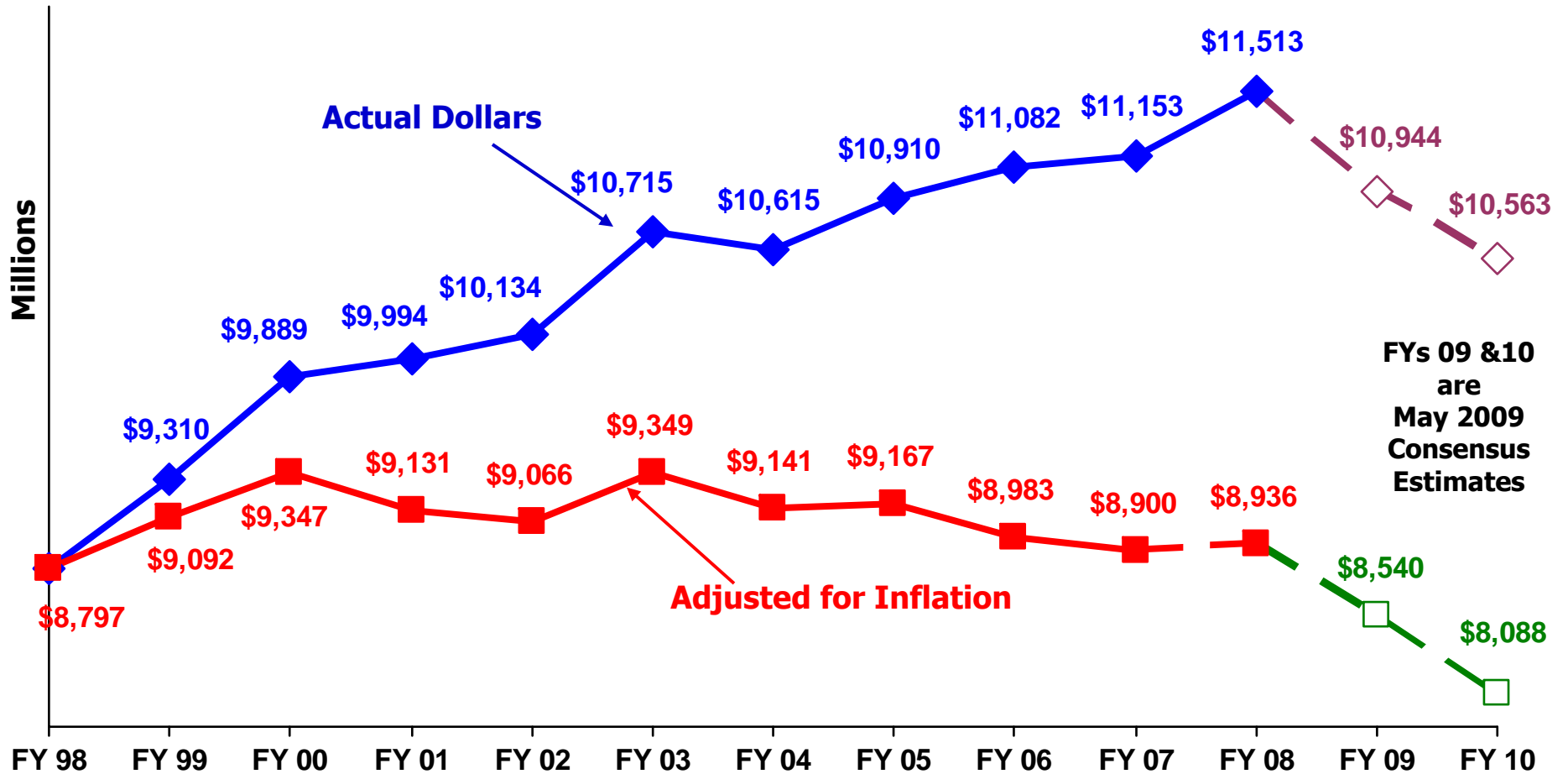


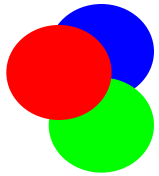
Inflation Adjusted GF/GP Revenue Down 42.5% Since FY 2000



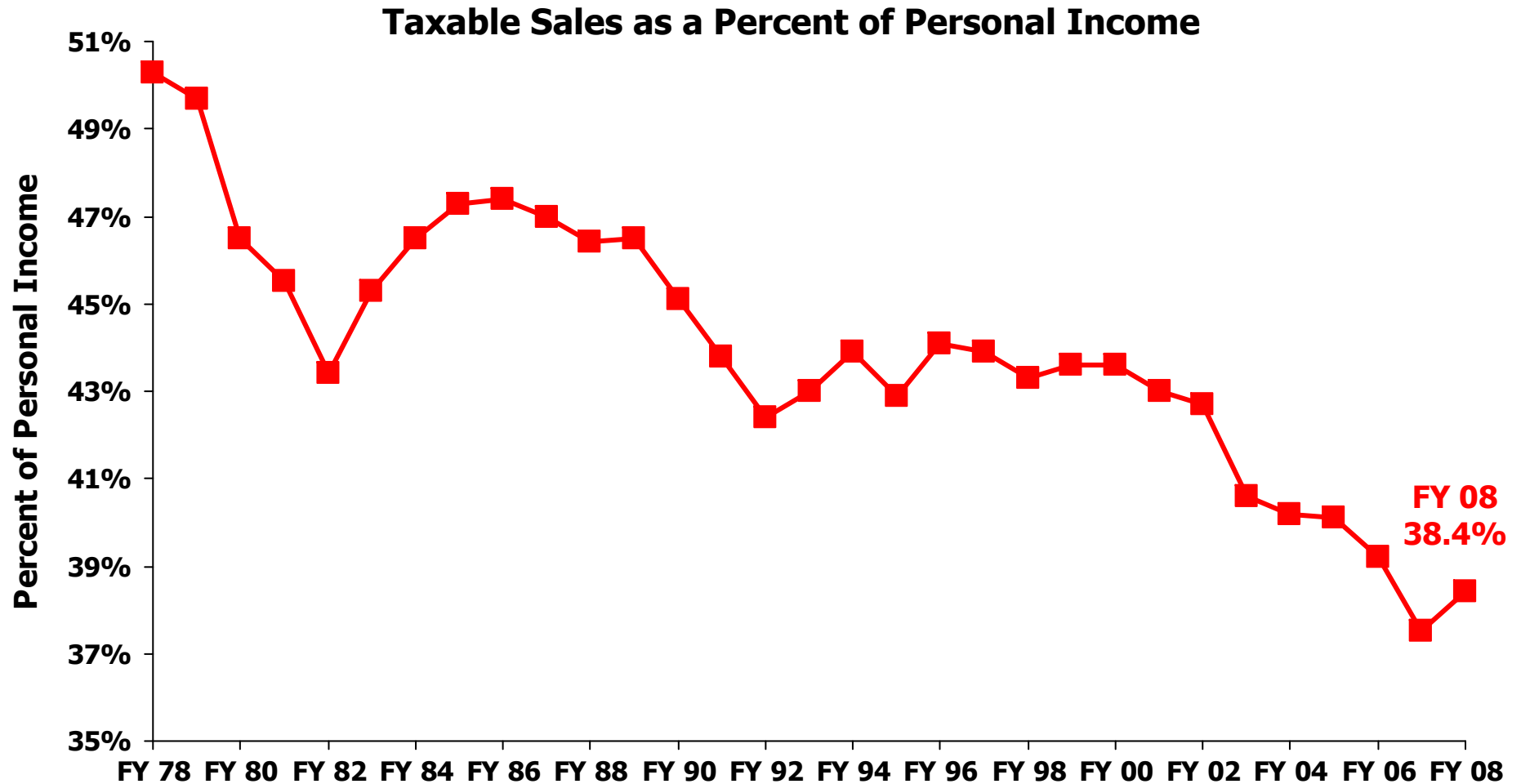


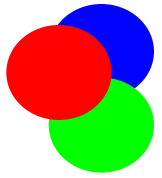
Inflation Adjusted SAF Net Revenue Down 13.5% Since FY 2000



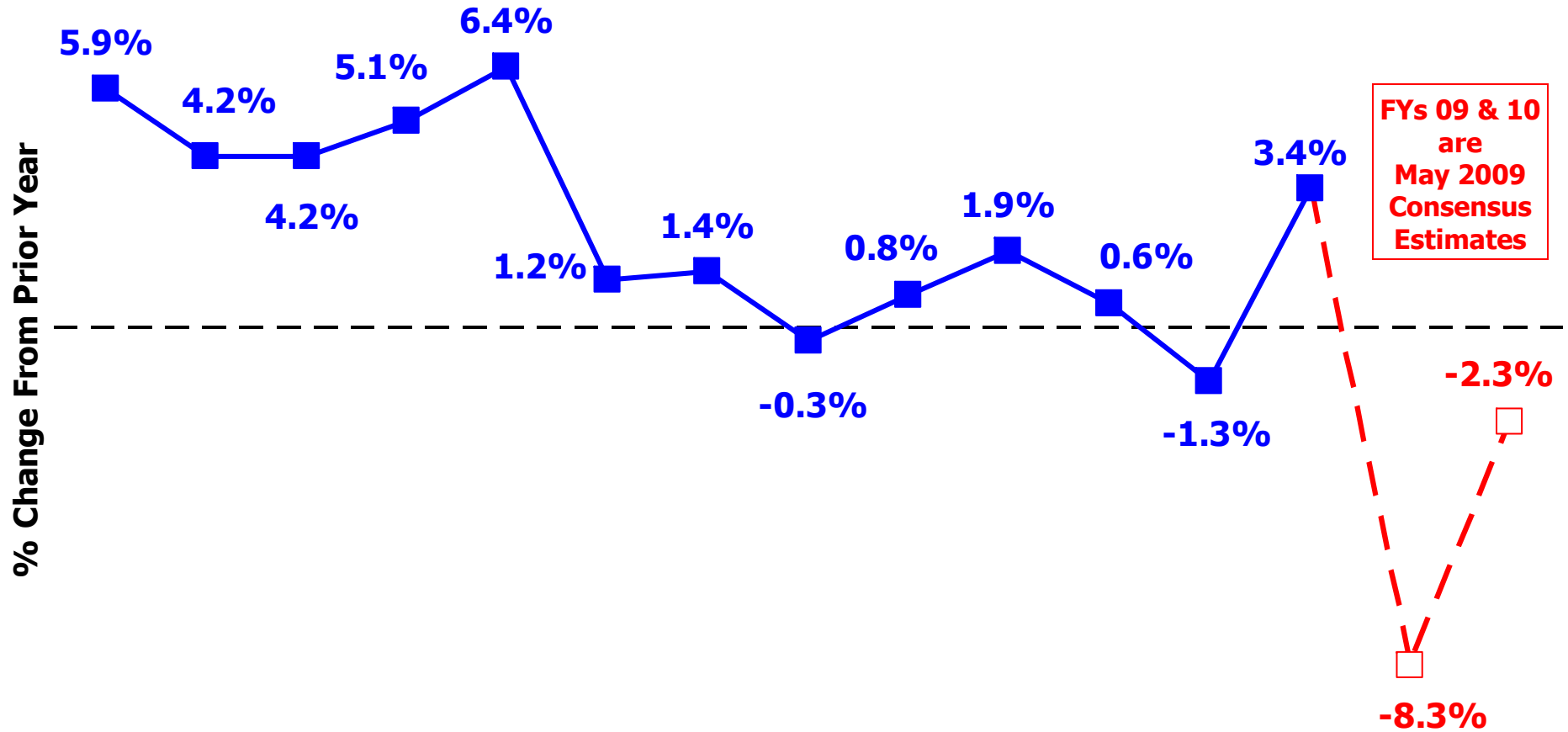


Sales/Use Tax Share Declining

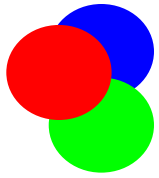




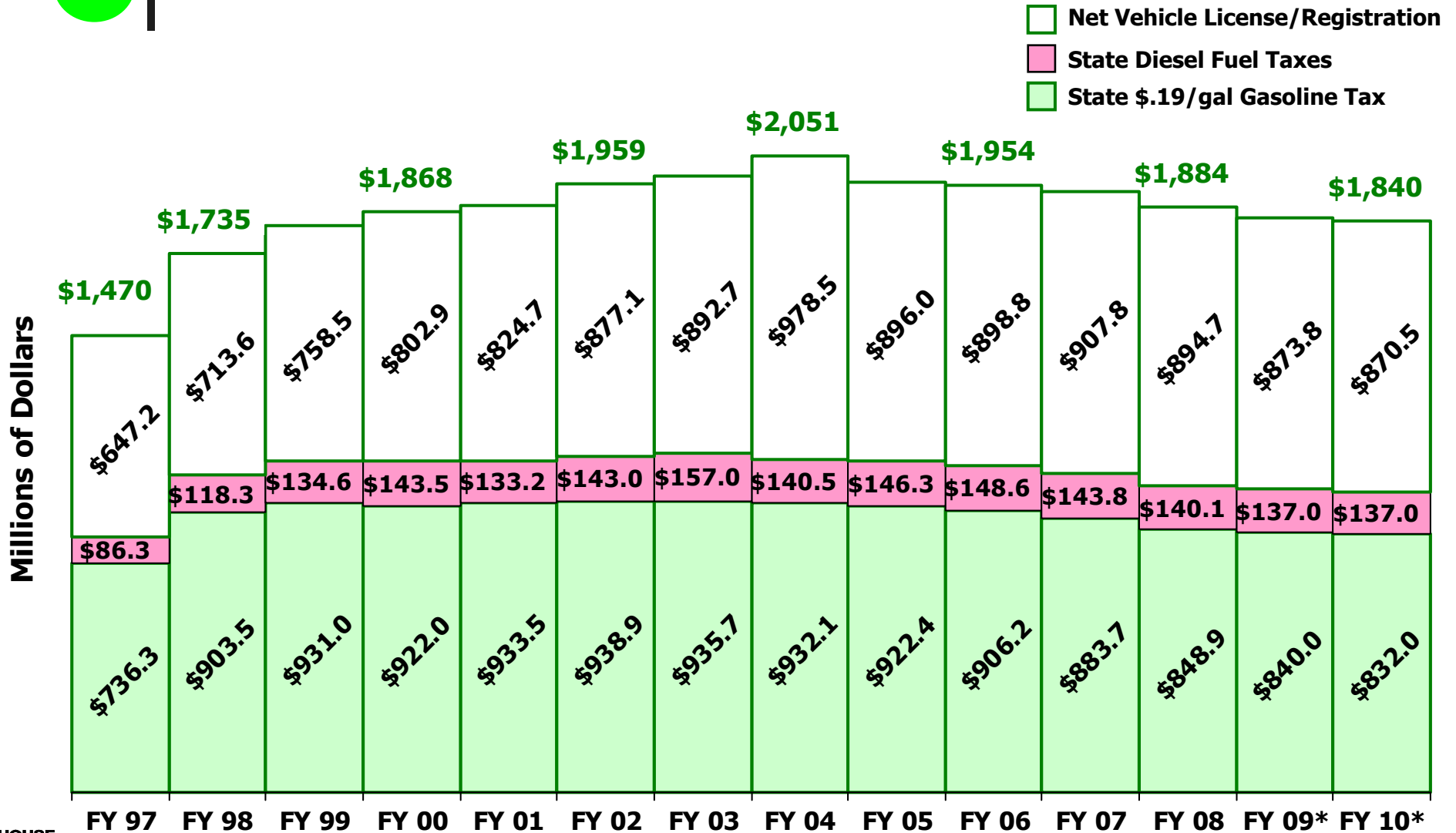
Sales Tax Revenue

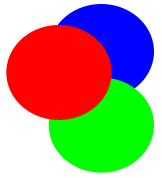


FY 96 FY 97 FY 98 FY 99 FY 00 FY 01 FY 02 FY 03 FY 04 FY 05 FY 06 FY 07 FY 08 FY 09 FY 10

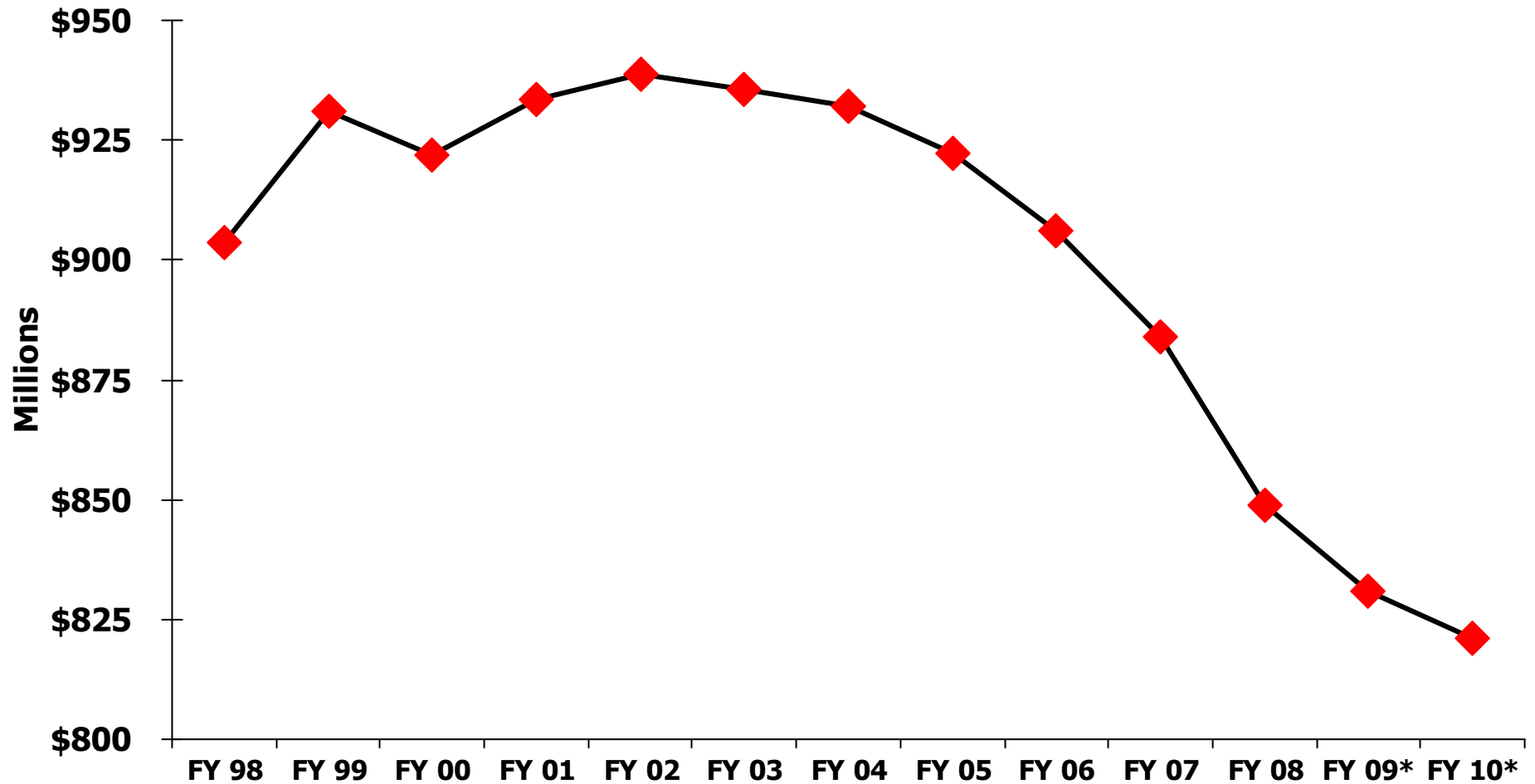


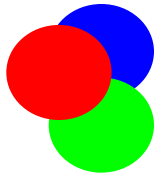
Transportation Revenue



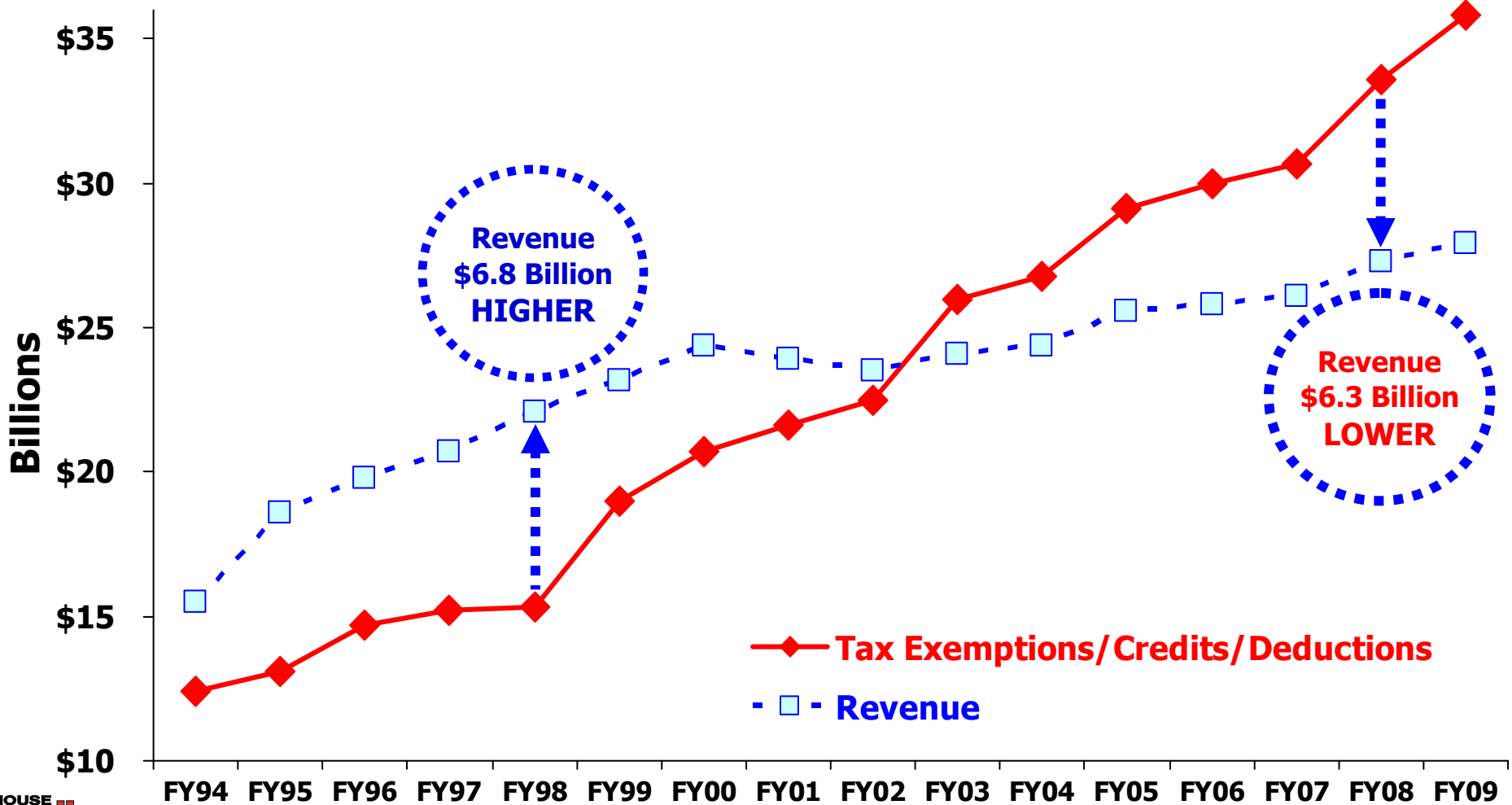


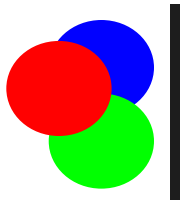
Michigan Gasoline Tax Revenue



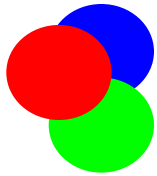


Impact of Tax Exemptions/Credits/Deductions





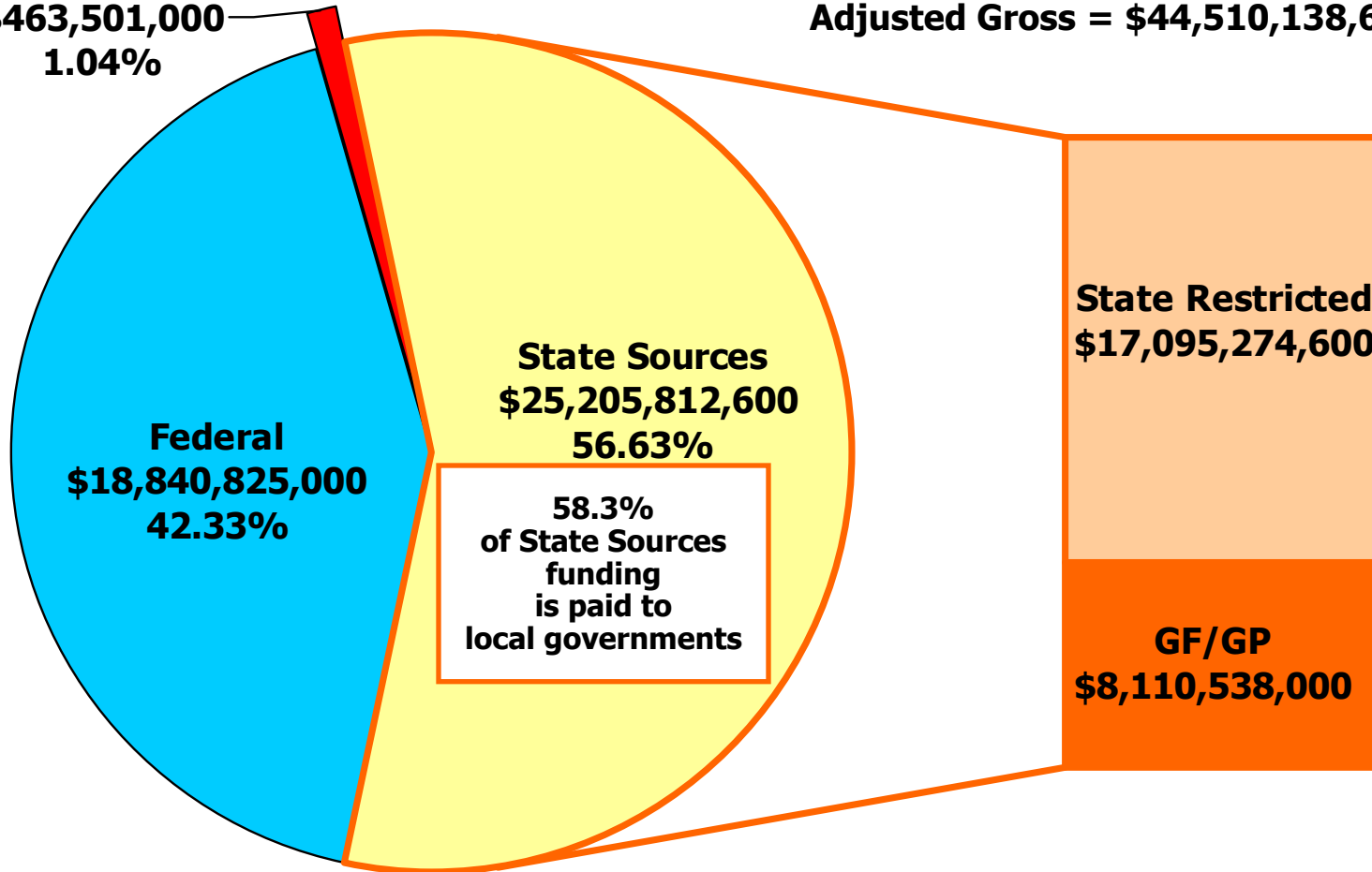
MICHIGAN'S BUDGET

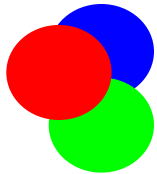


FY 2009-10 Budget Adjusted Gross Funding Sources

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

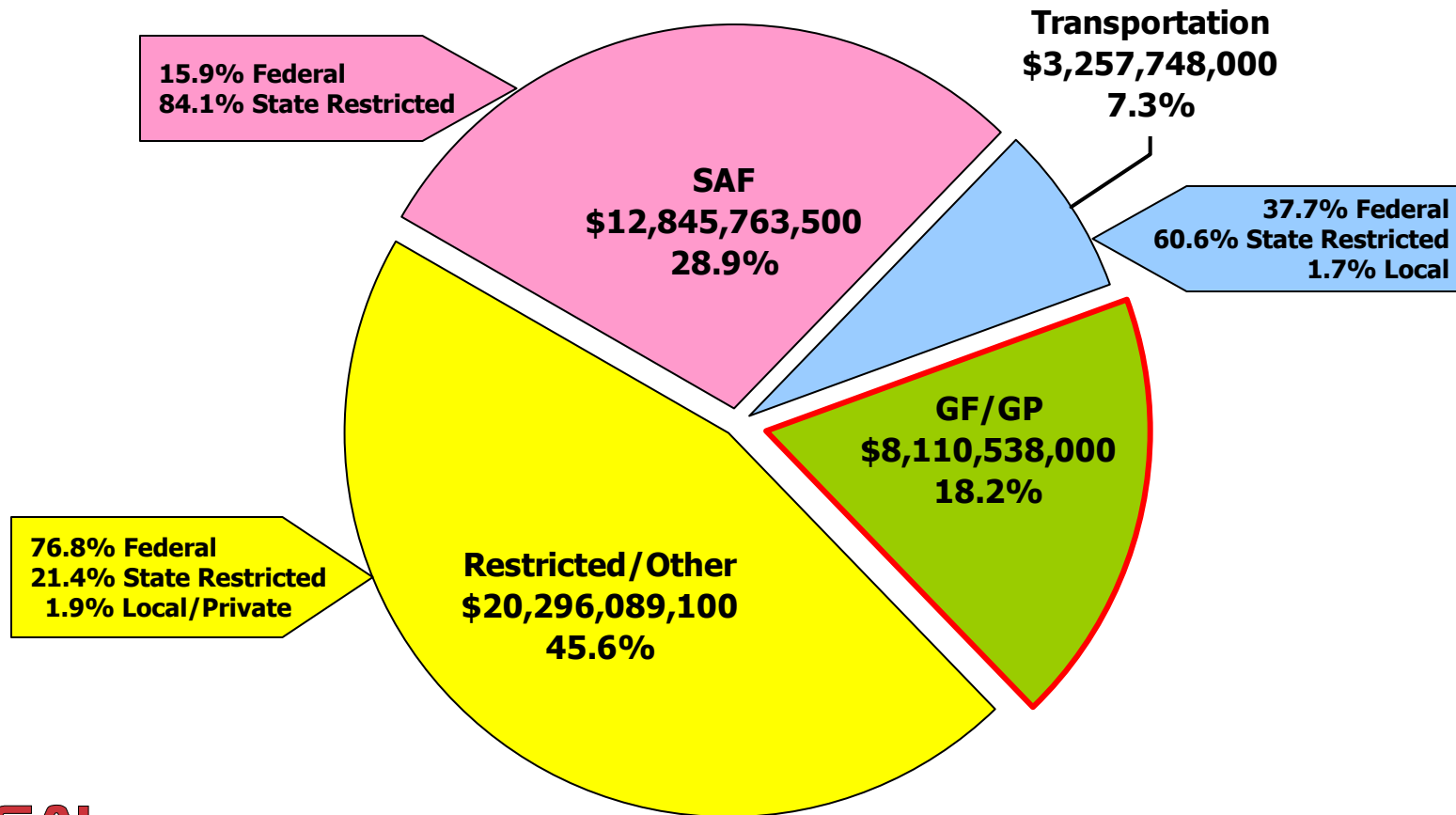
Adjusted Gross = \$44,510,138,600*

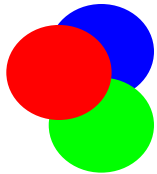




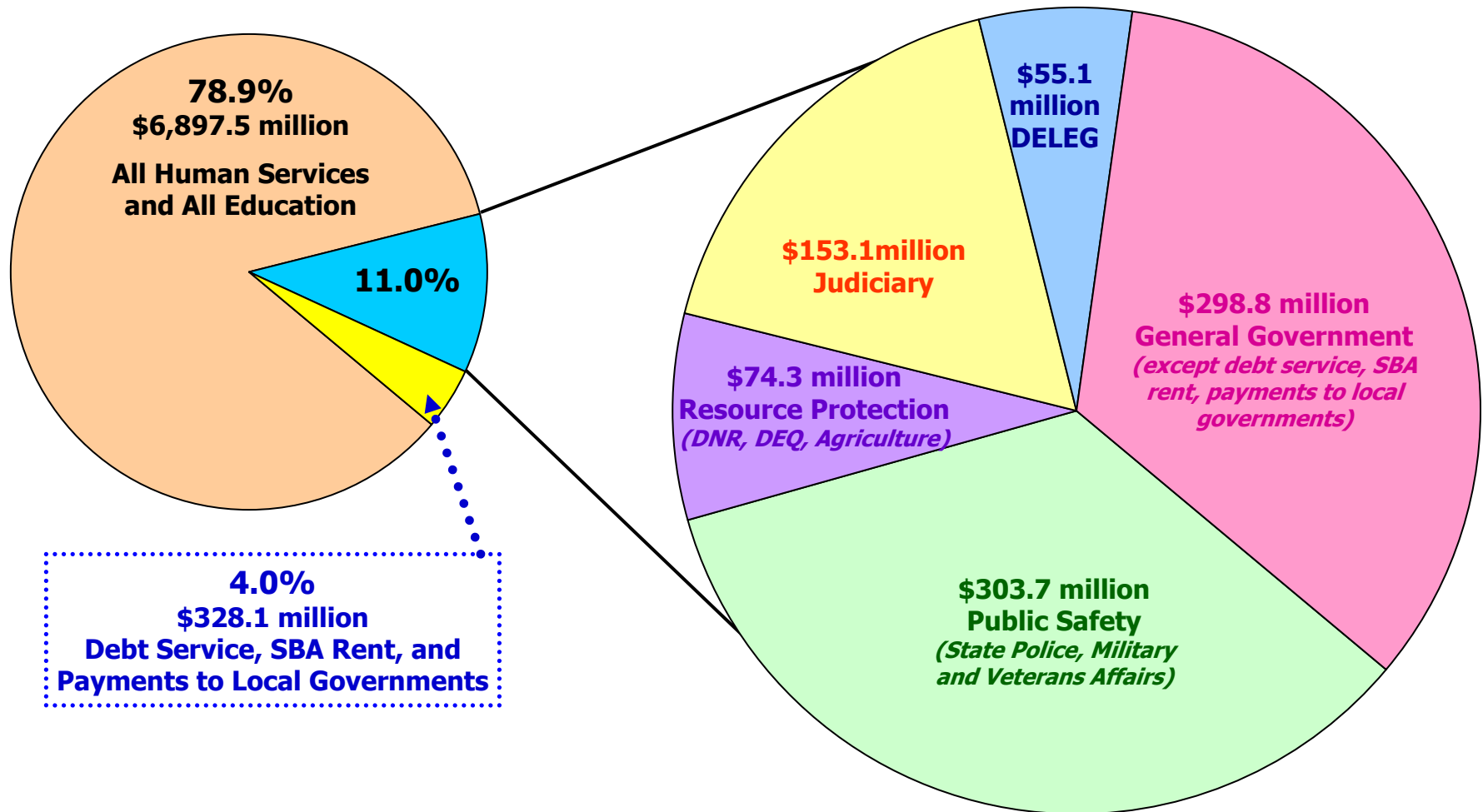
FY 2009-10 Appropriations Funding

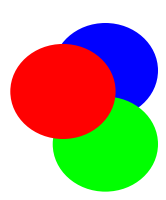
Adjusted Gross = \$44,510,138,600*





FY 2009-10 GF/GP*

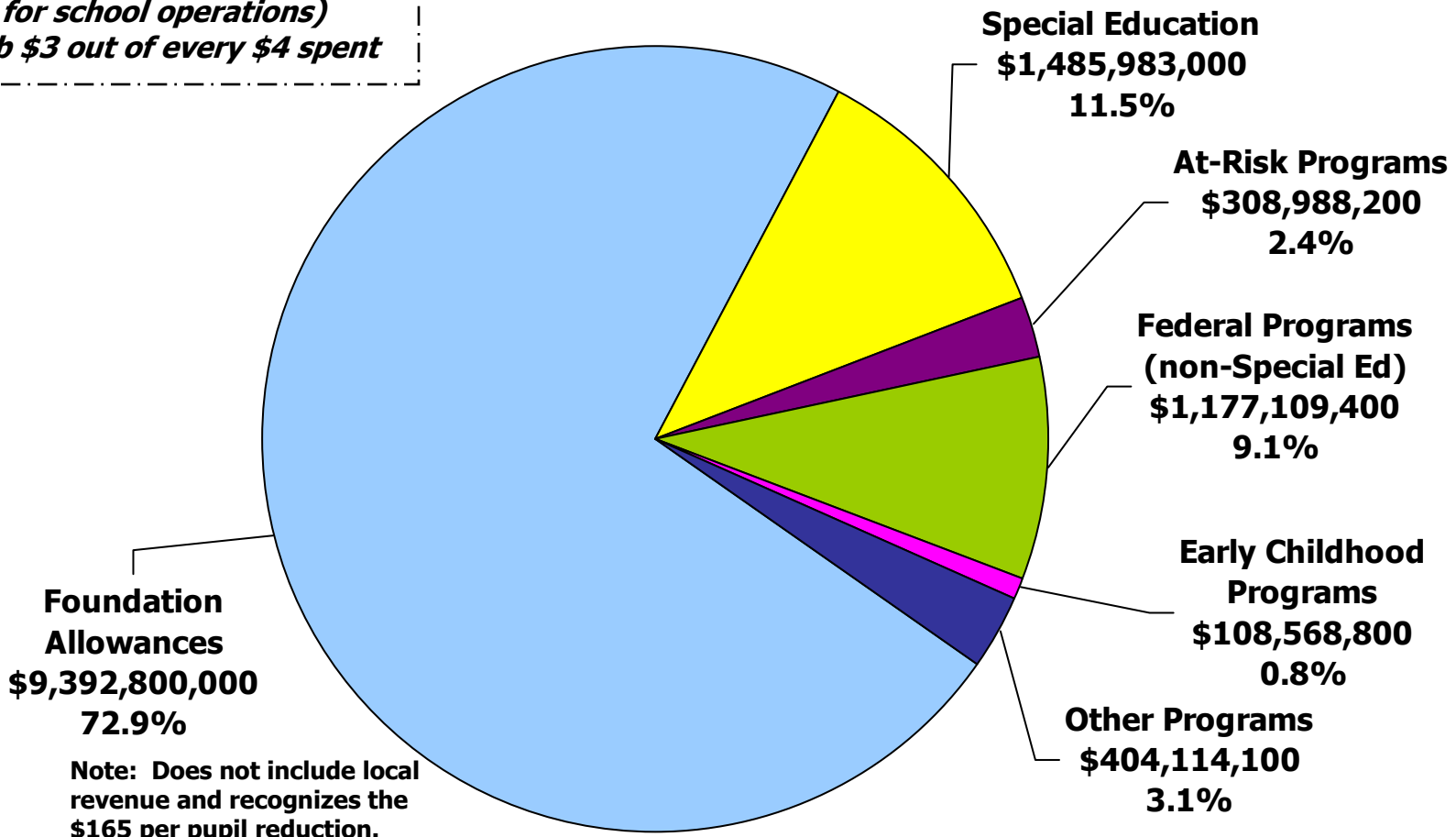


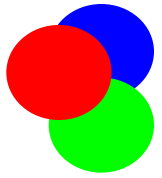


School Aid Major Spending Categories

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

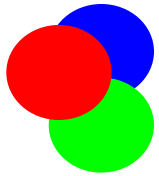
*Foundation allowances
(used for school operations)
absorb \$3 out of every \$4 spent*



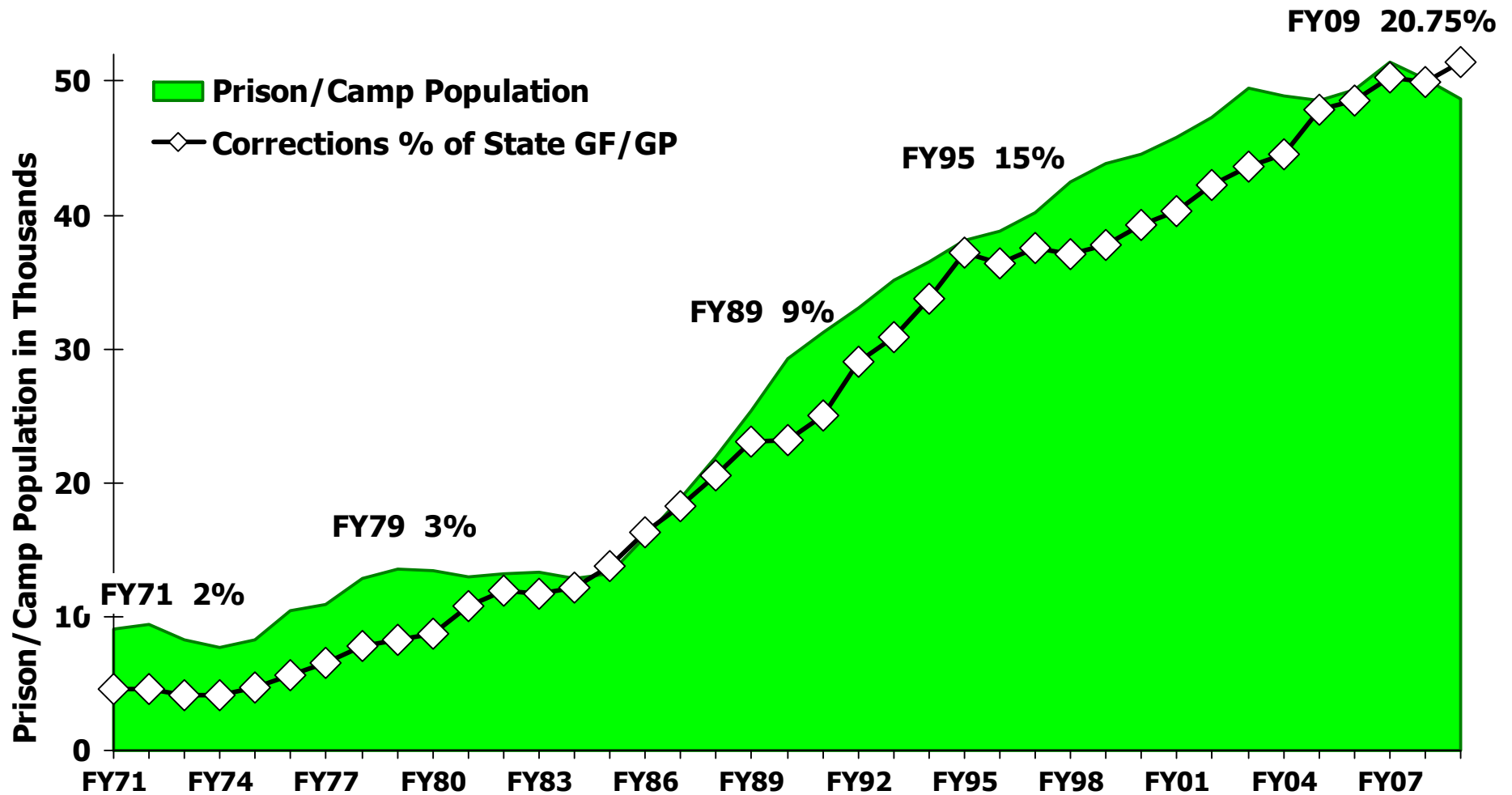


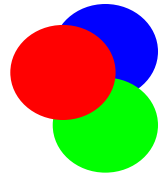
Medicaid Impact on Michigan Budget

- **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)**



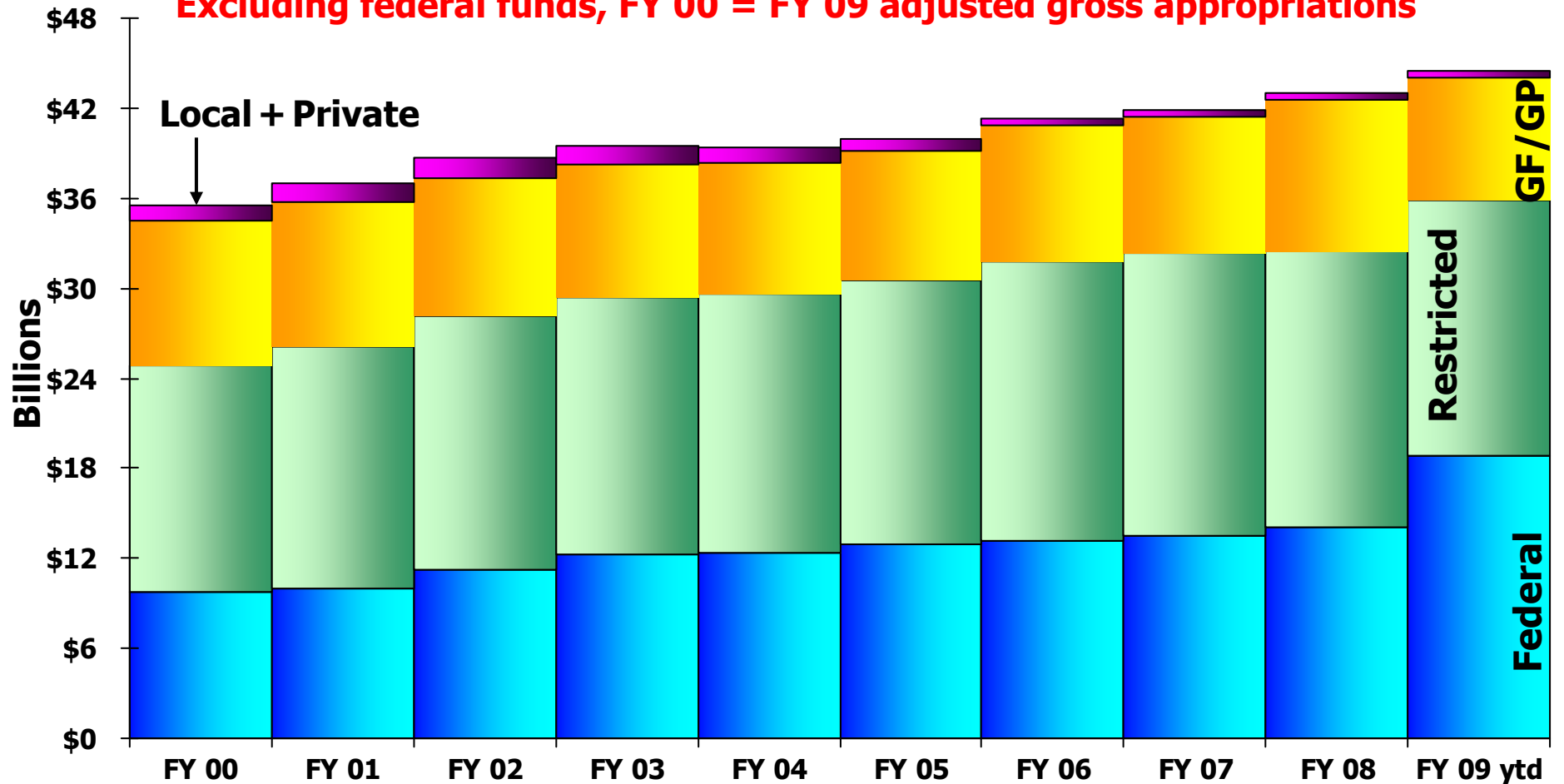
Corrections Budget Increases

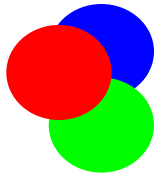




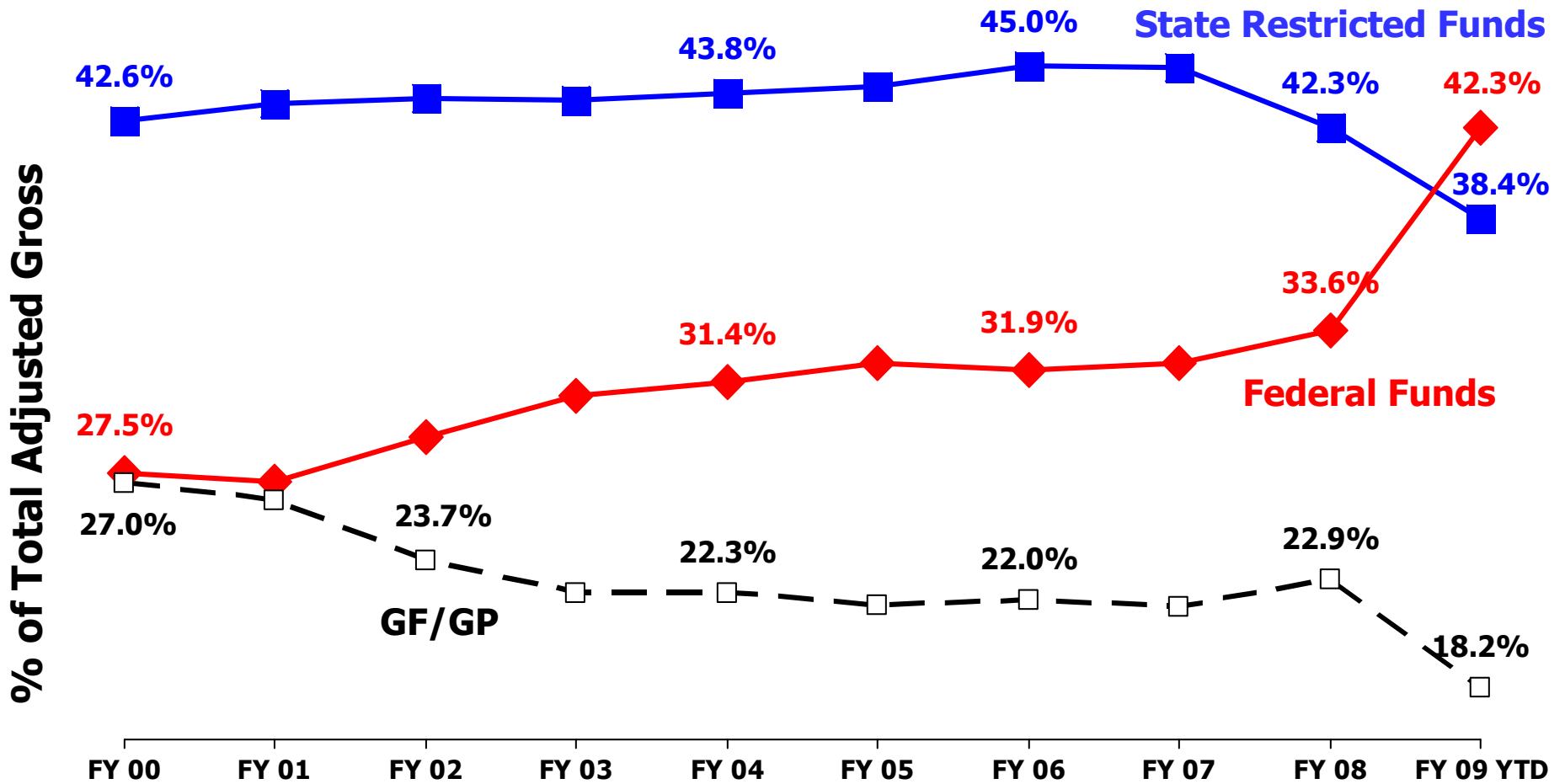
Adjusted Gross Appropriations by Fund Source

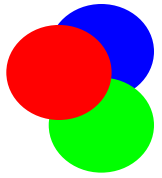
Excluding federal funds, FY 00 = FY 09 adjusted gross appropriations



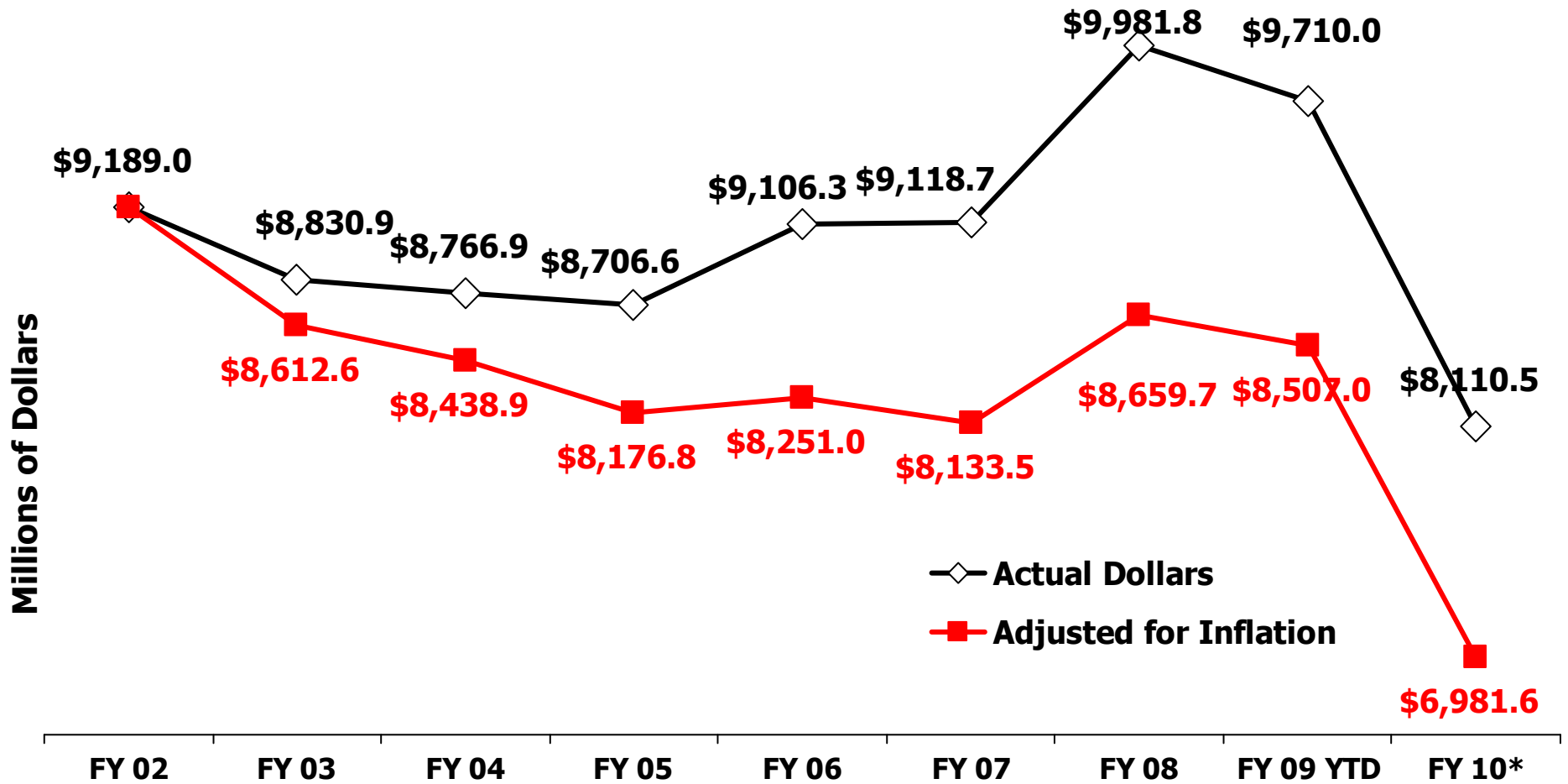


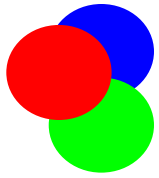
% Change in Source of Adjusted Gross Appropriations



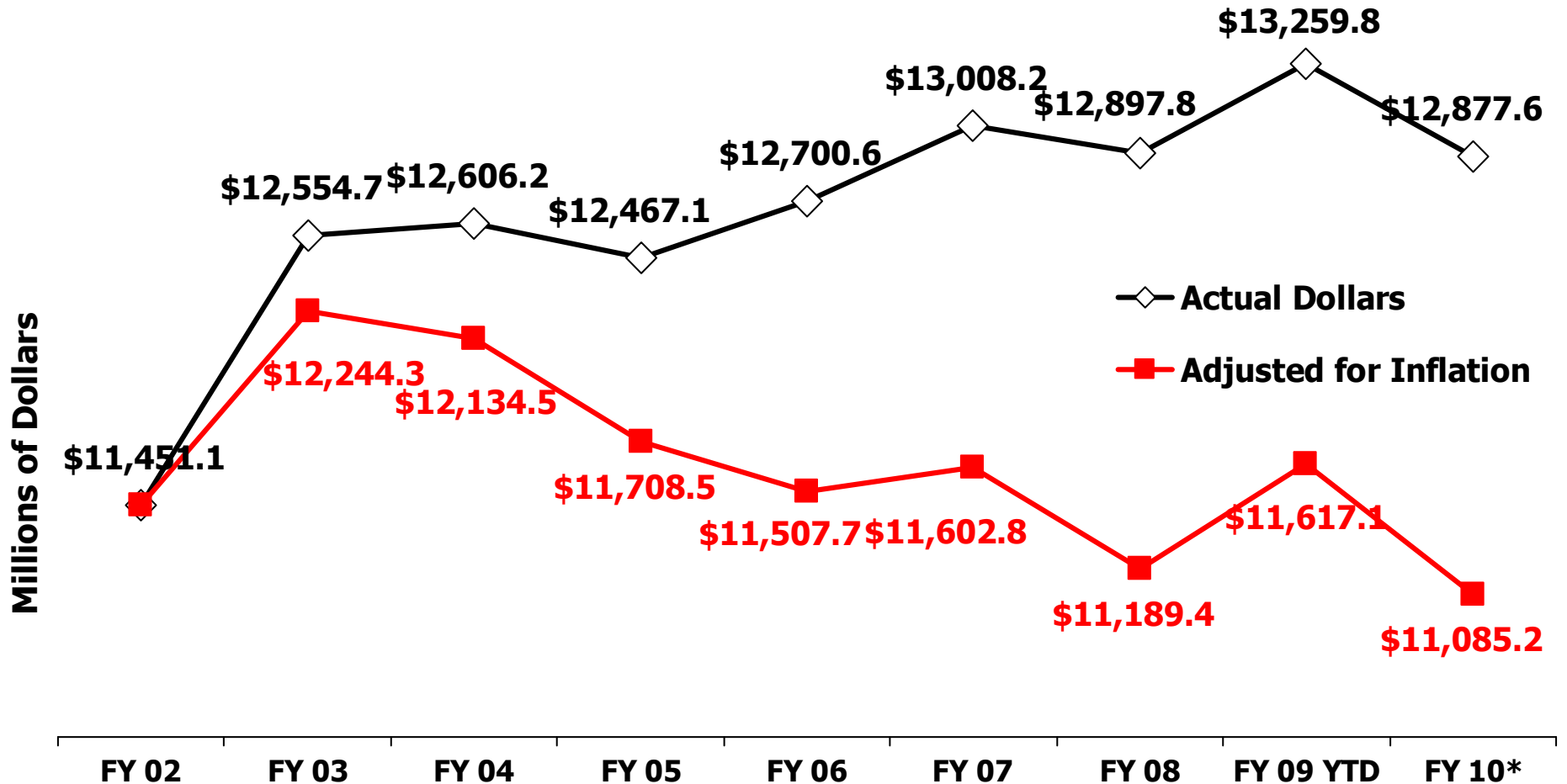


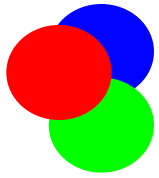
GF/GP Appropriations



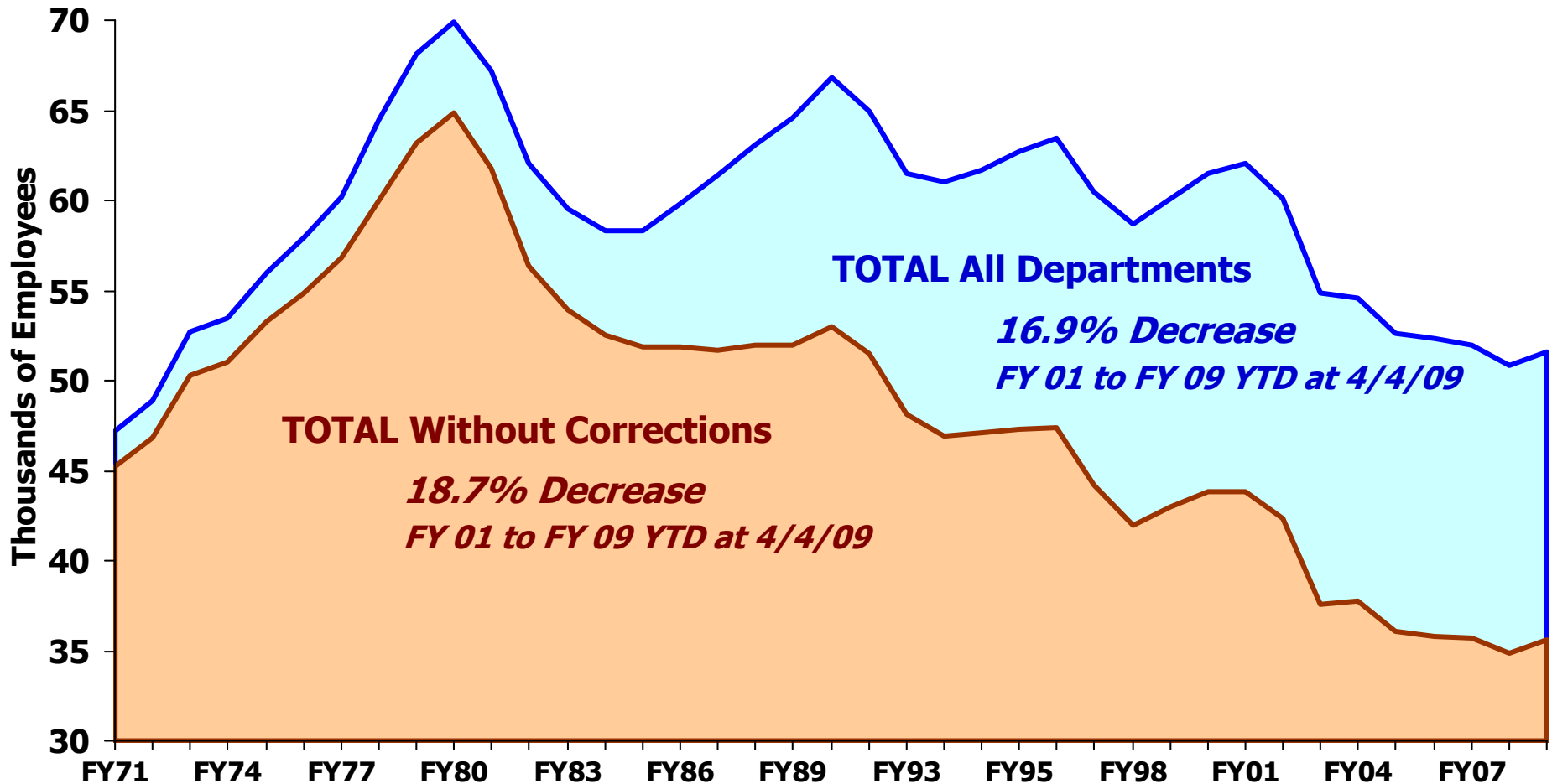


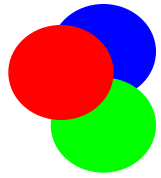
School Aid Budget Adjusted Gross Appropriations





Average Number of Classified State Employees

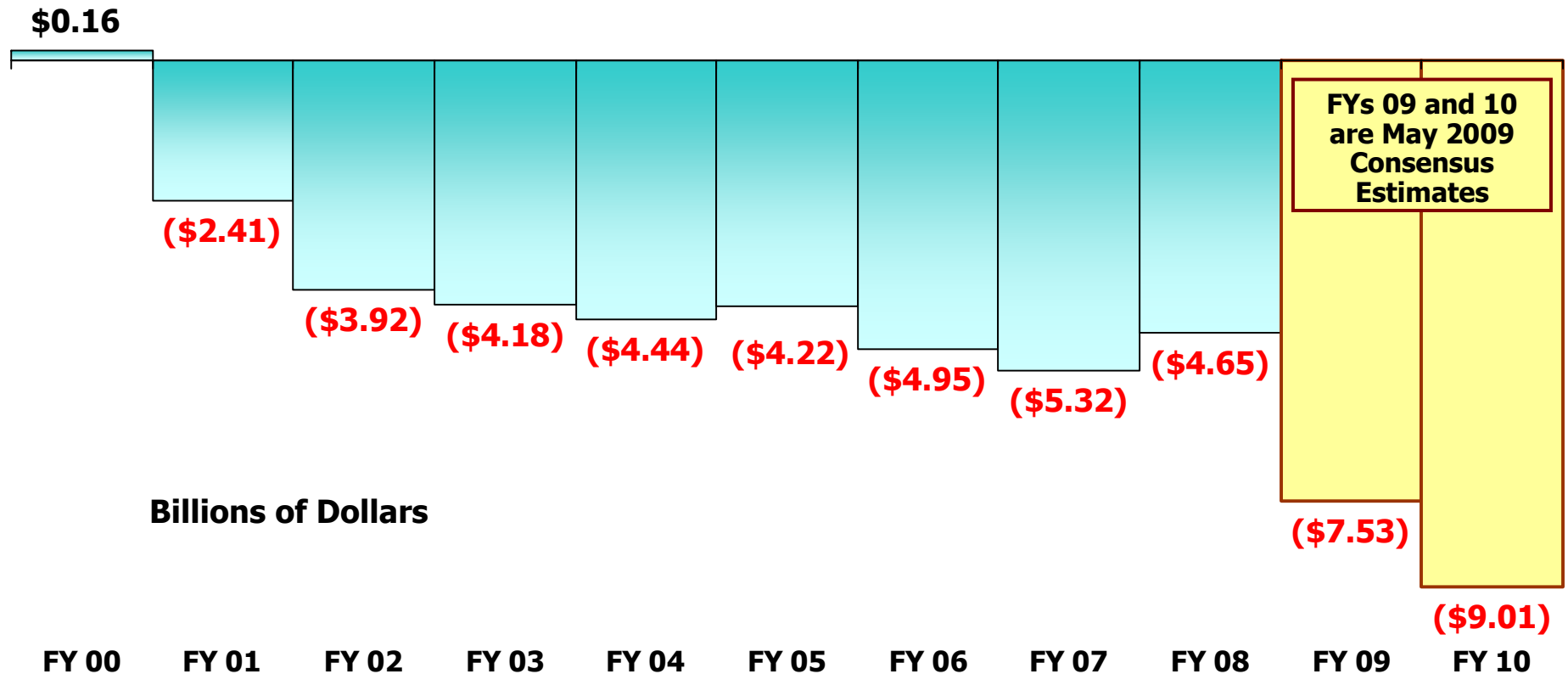




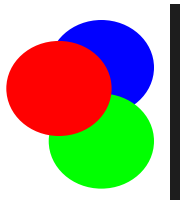
Constitutional Revenue Limit

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

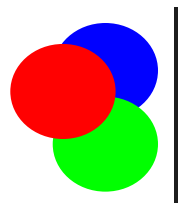
Average growth of Michigan revenue = 0.79% per year from 2000 through 2010



Billions of Dollars

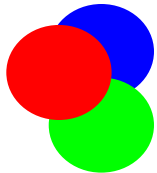


CURRENT ISSUES

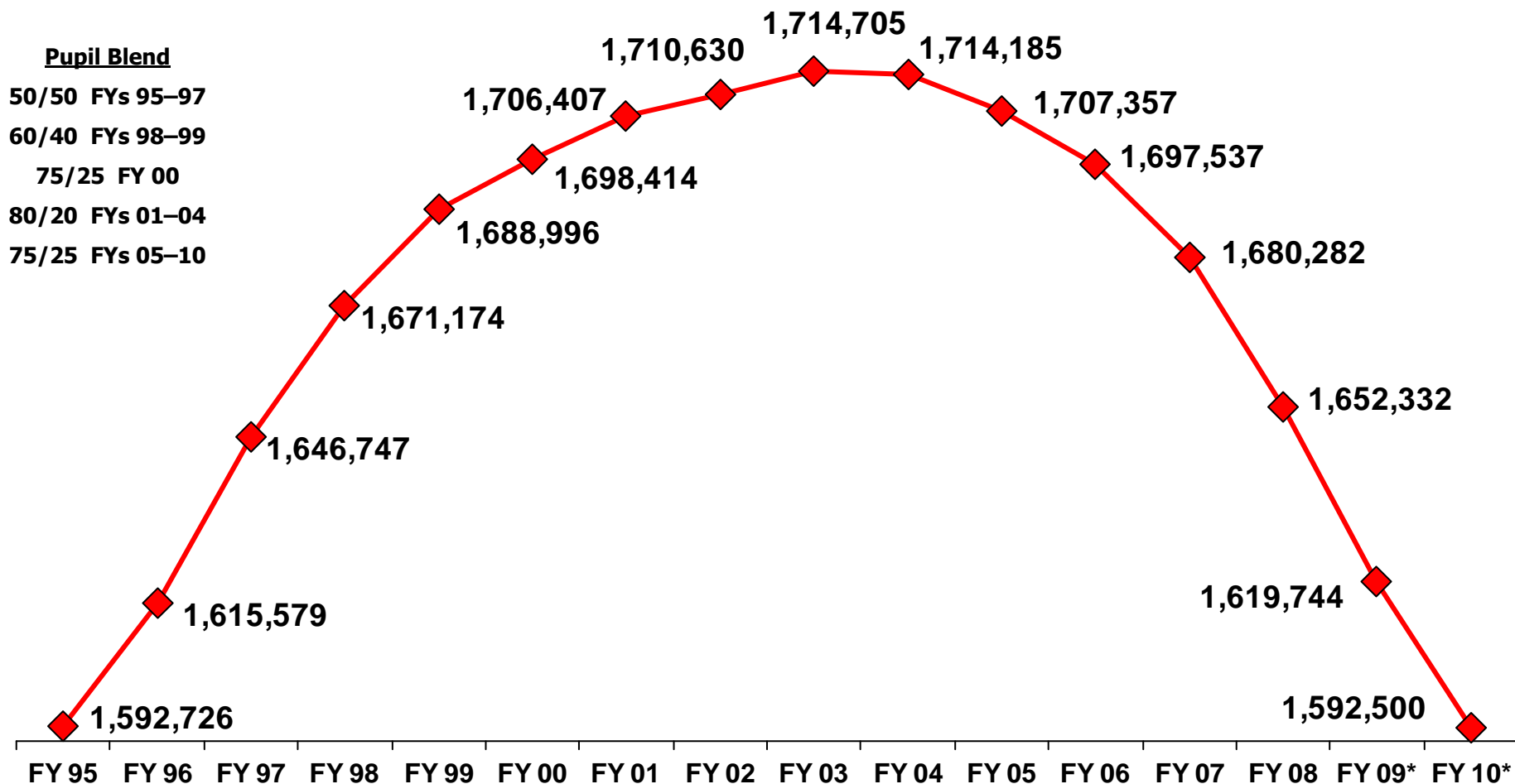


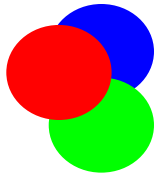
Major School Aid Issues

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

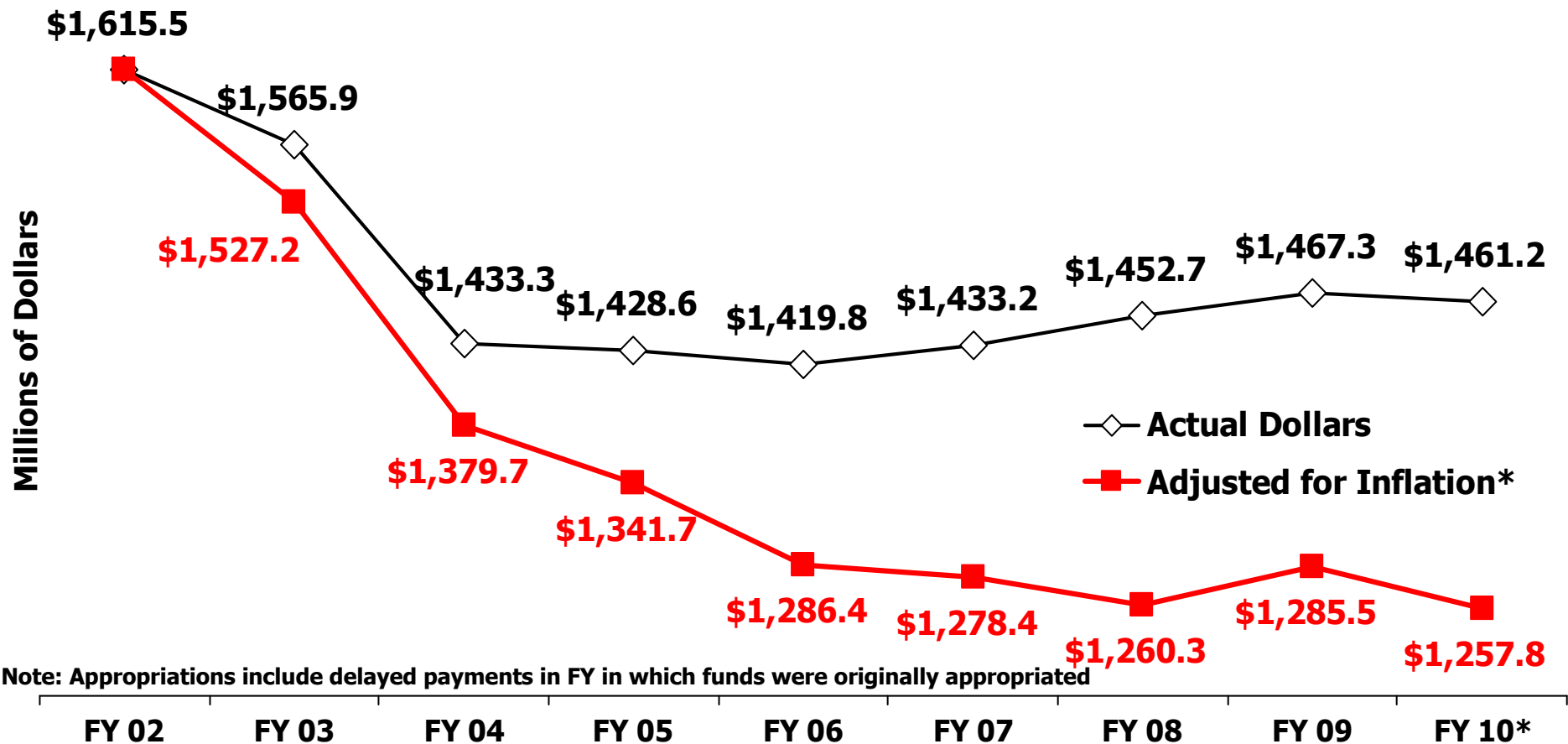


Total Membership Pupil Counts

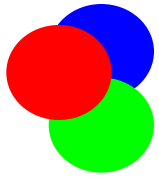




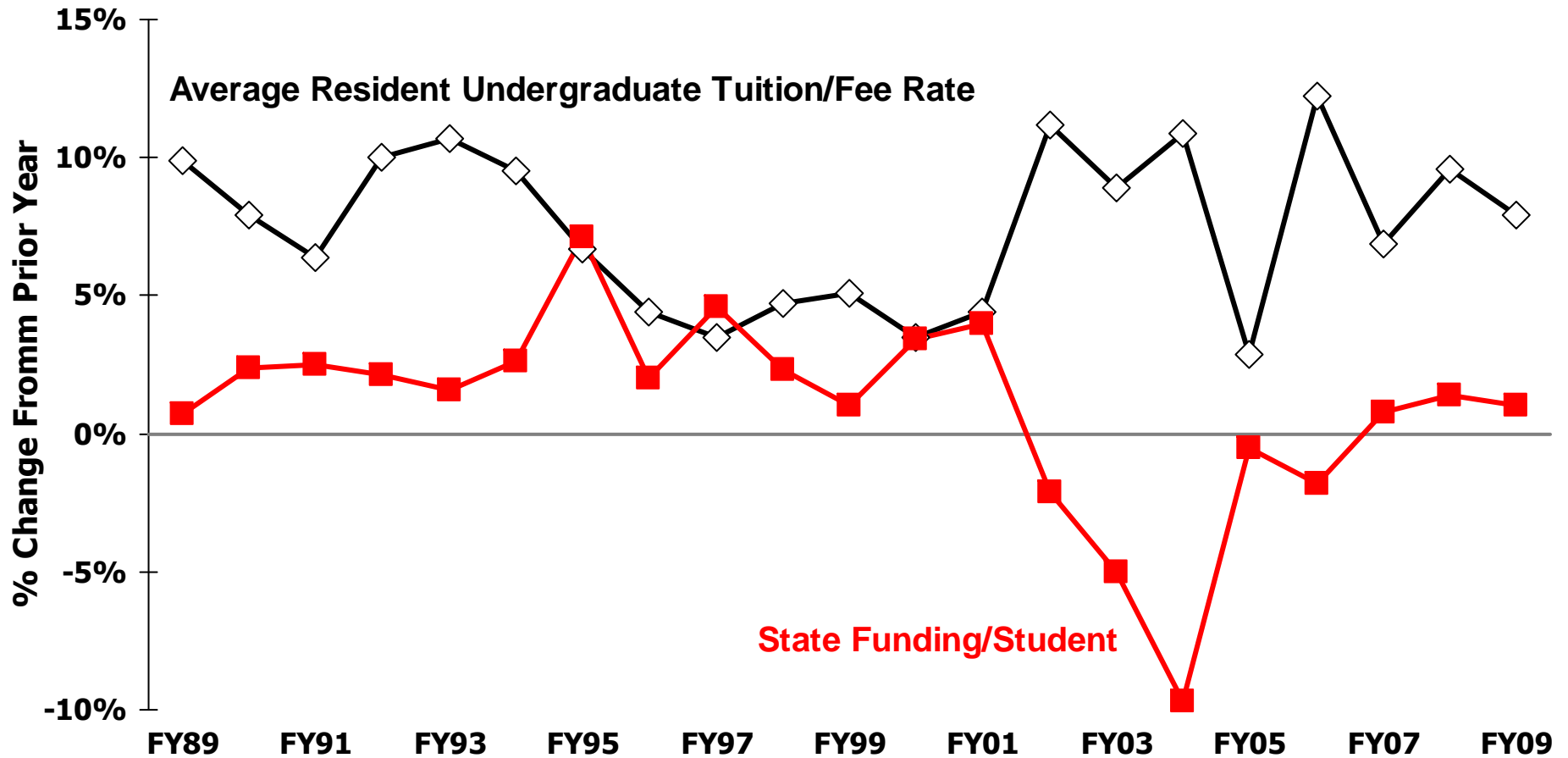
Total Appropriations for State University Operations

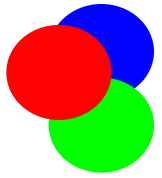


Note: Appropriations include delayed payments in FY in which funds were originally appropriated

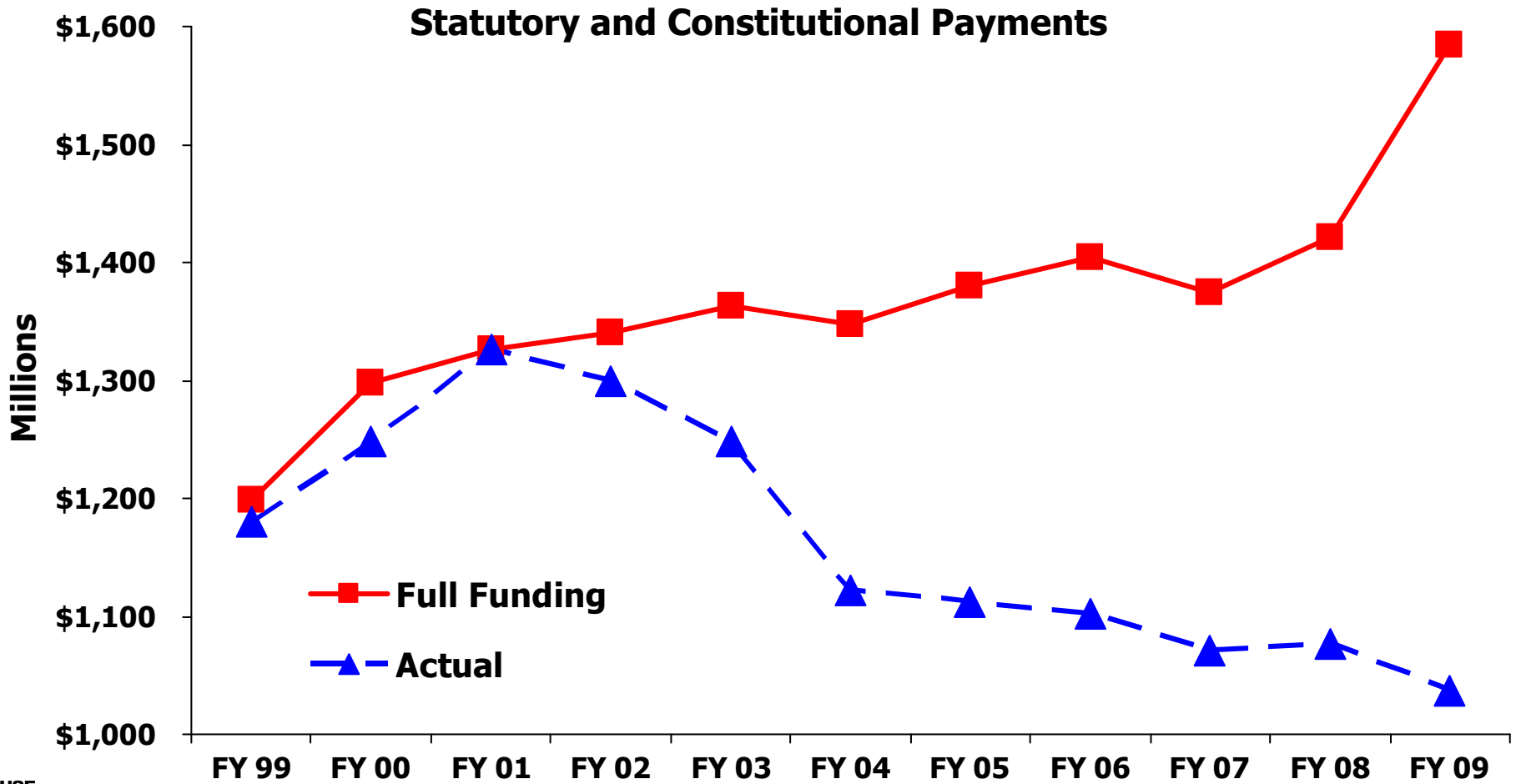


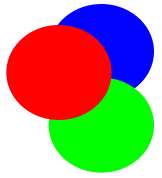
State University Tuition Rates and State Funding



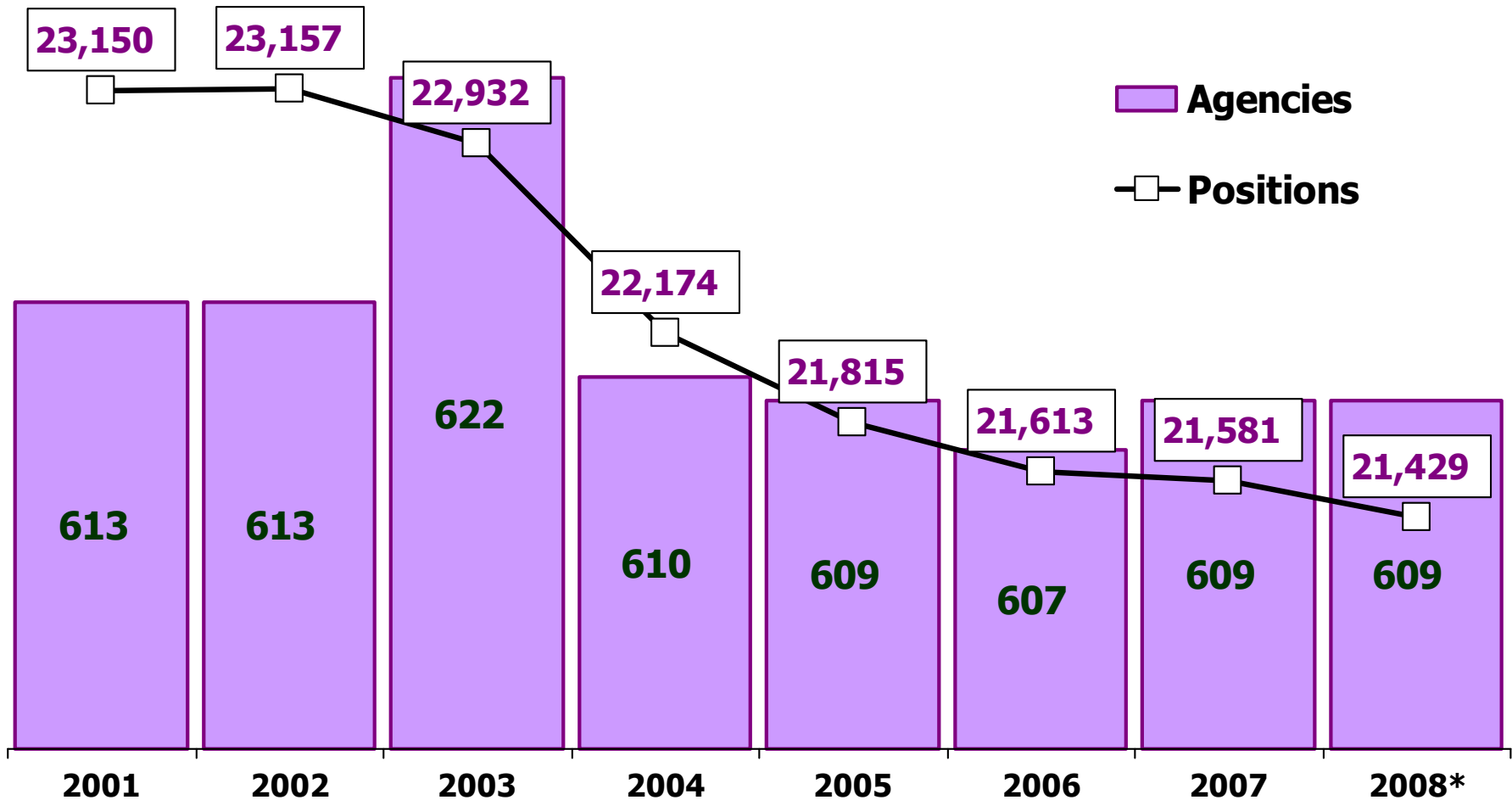


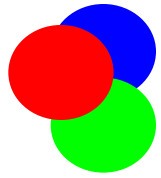
Revenue Sharing Payments to Cities, Villages, and Townships



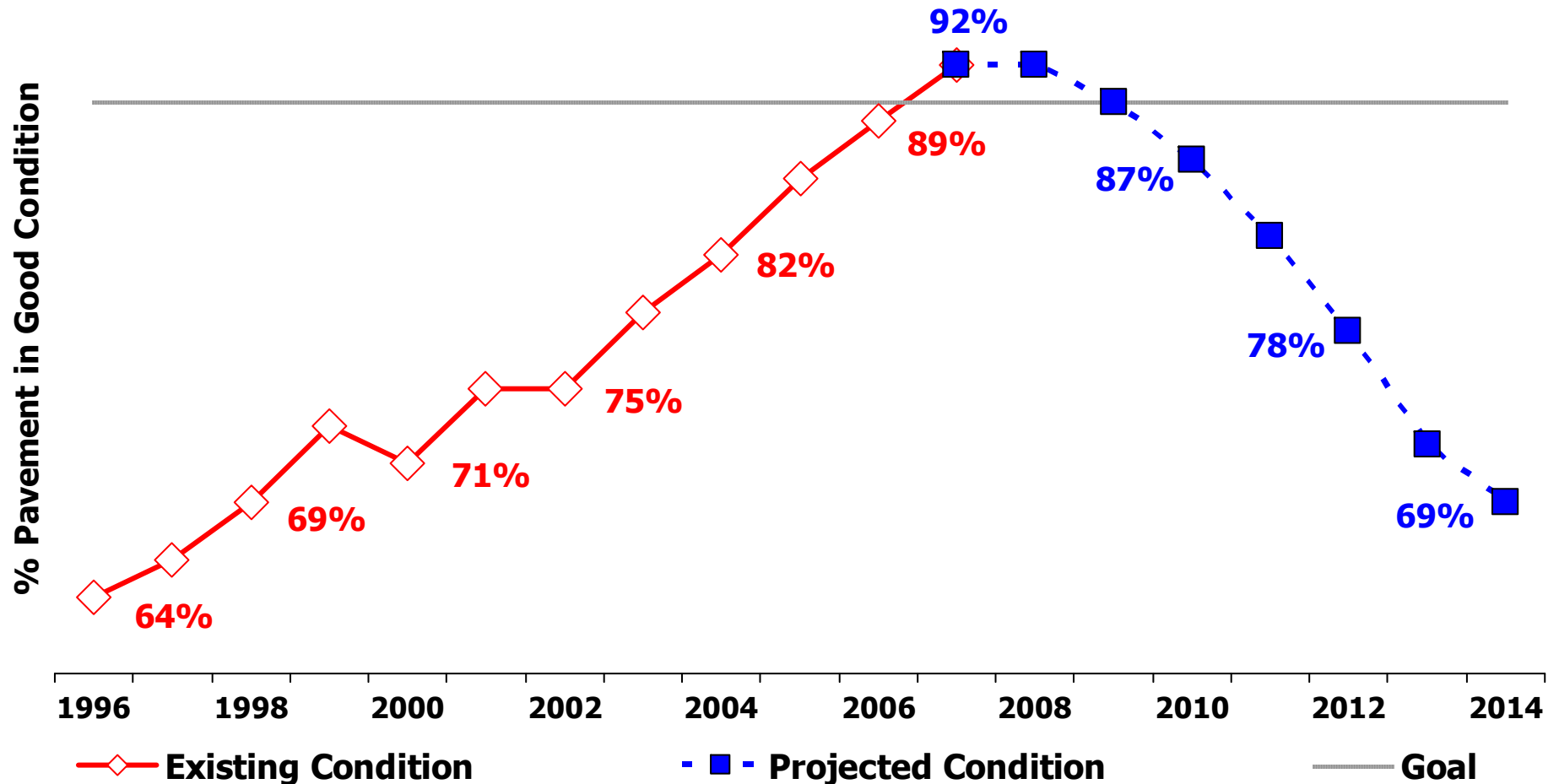


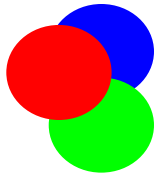
Law Enforcement



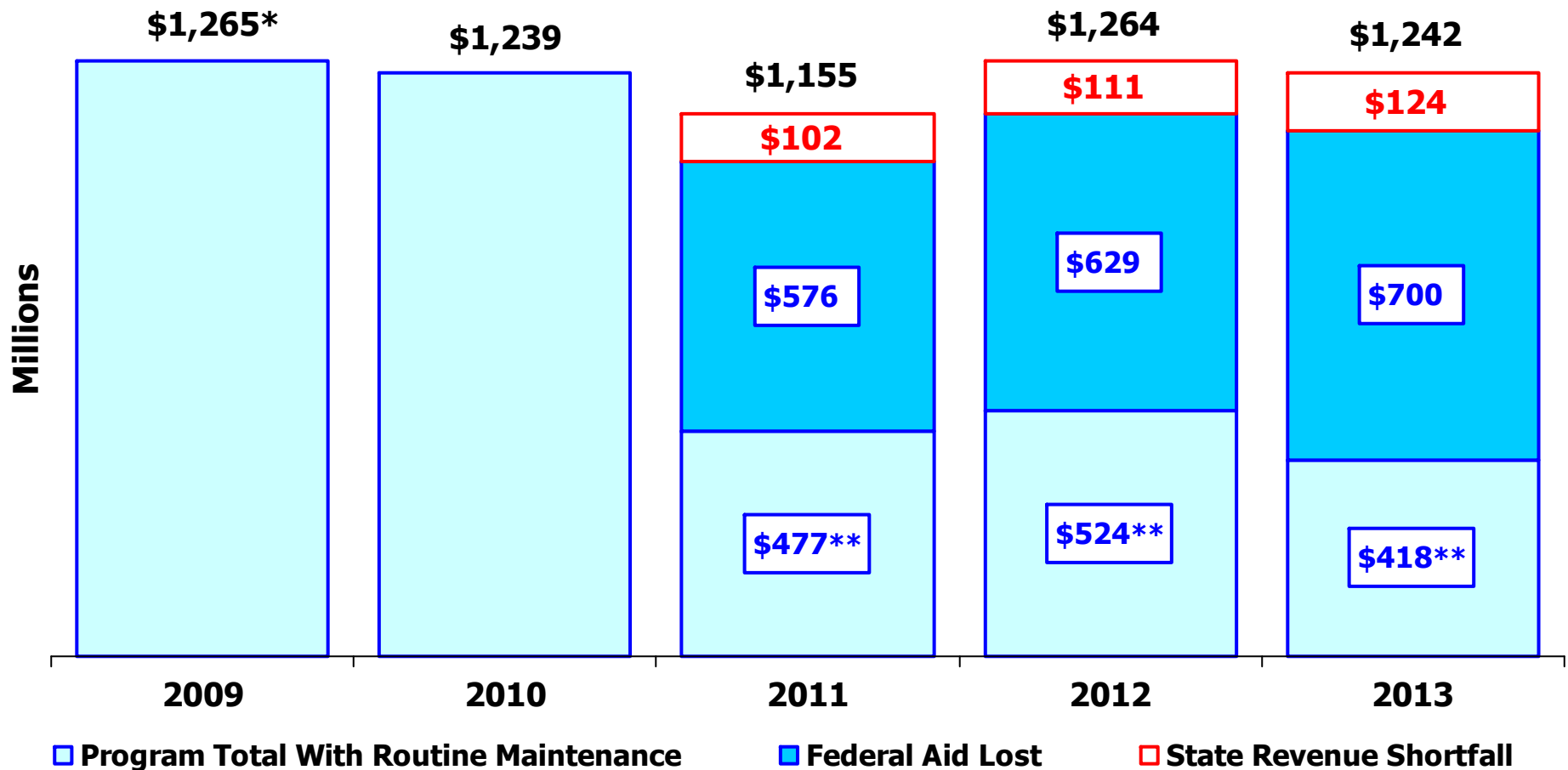


Statewide Pavement Condition Combined Freeway and Non-Freeway





Reduced State Revenue May Lead to Loss of Federal Aid



**2009 Announced Highway and Maintenance Capital Program*

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

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