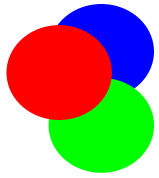
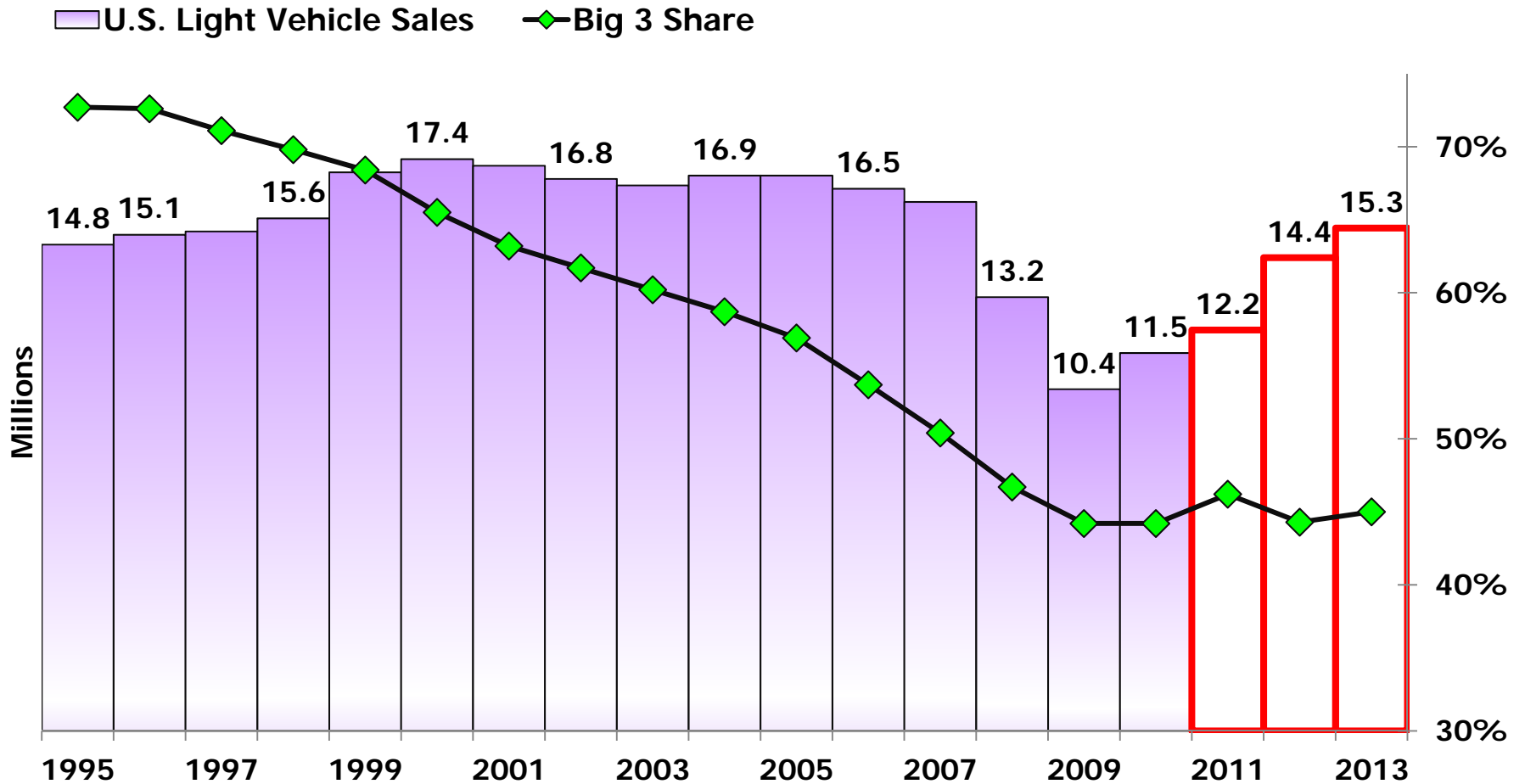


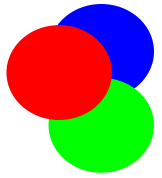
Michigan's 10-Year Recession and State Government Policy Responses

June 14, 2013

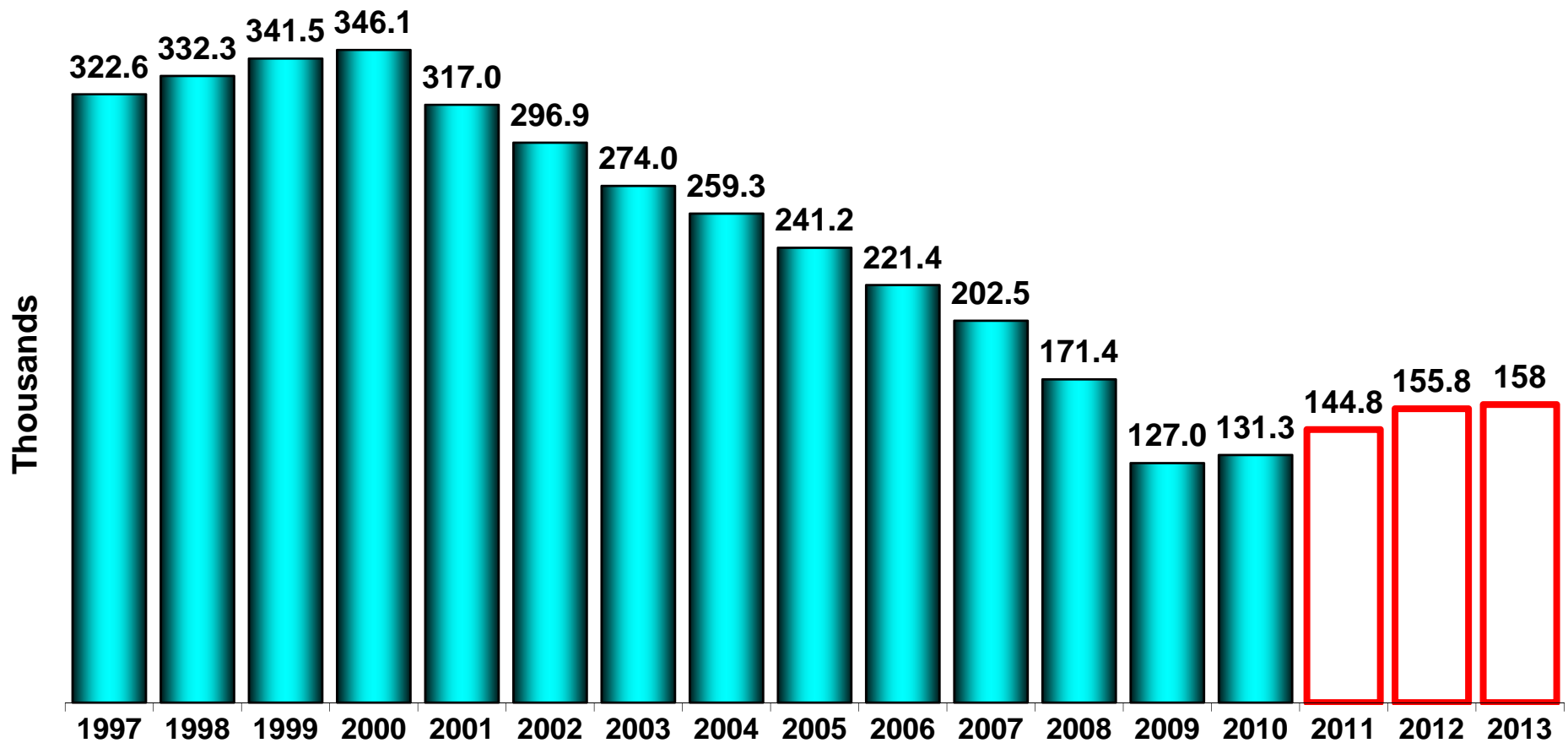


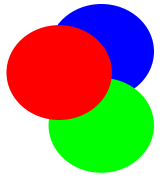
Sales Up; Big 3 Market Share Stabilizes



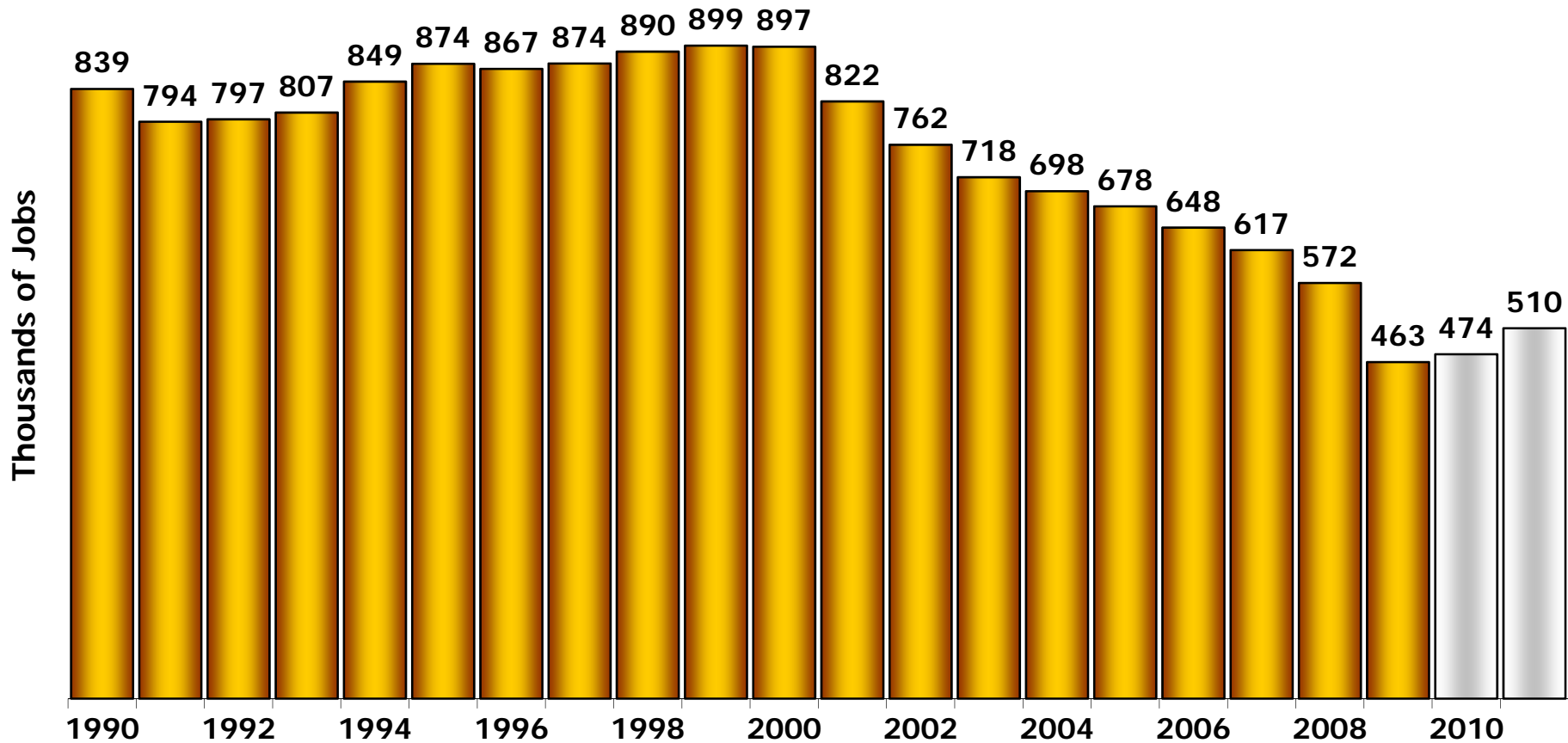


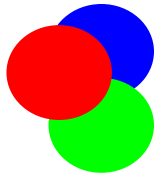
Michigan Vehicle Employment



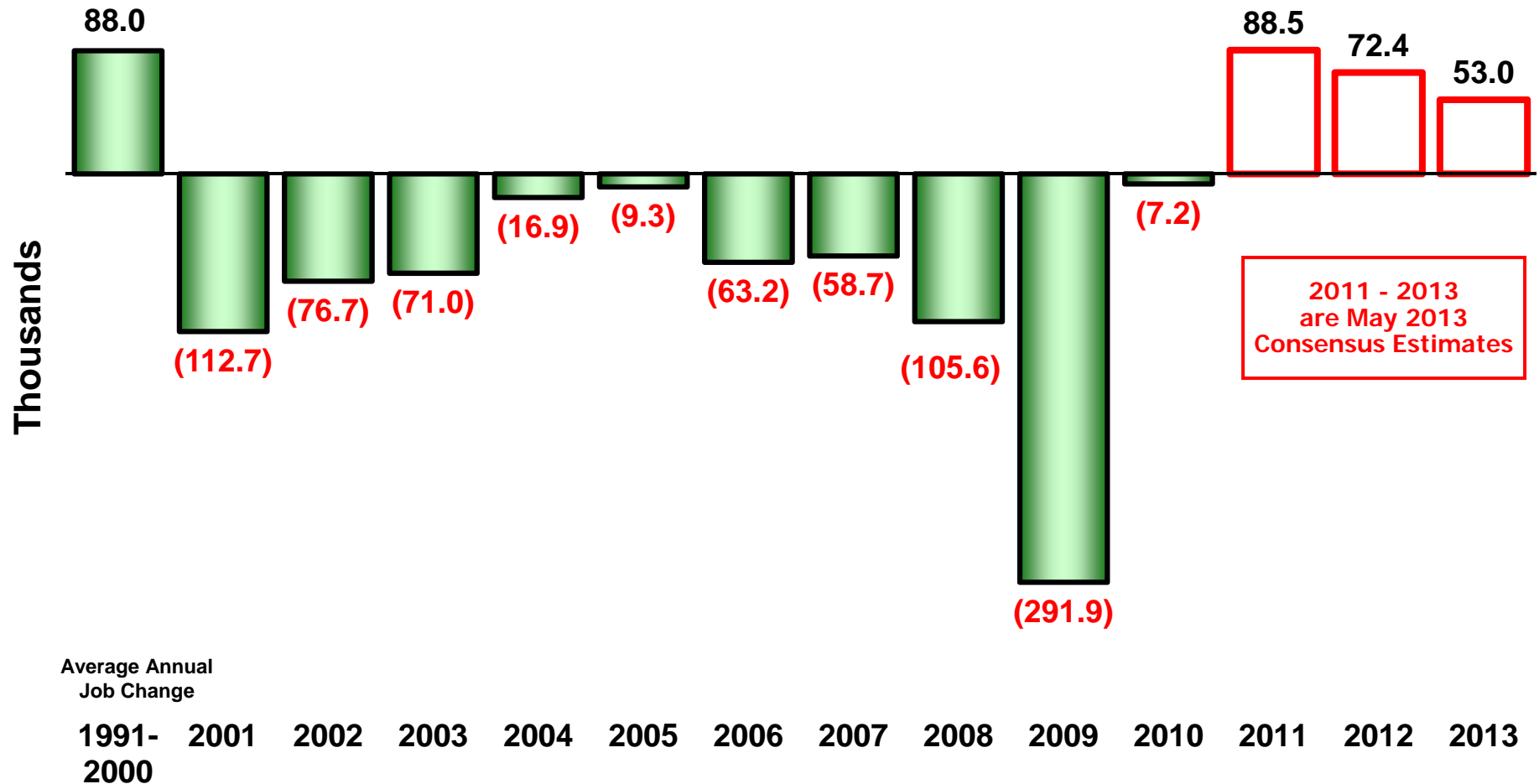


Michigan Manufacturing Employment



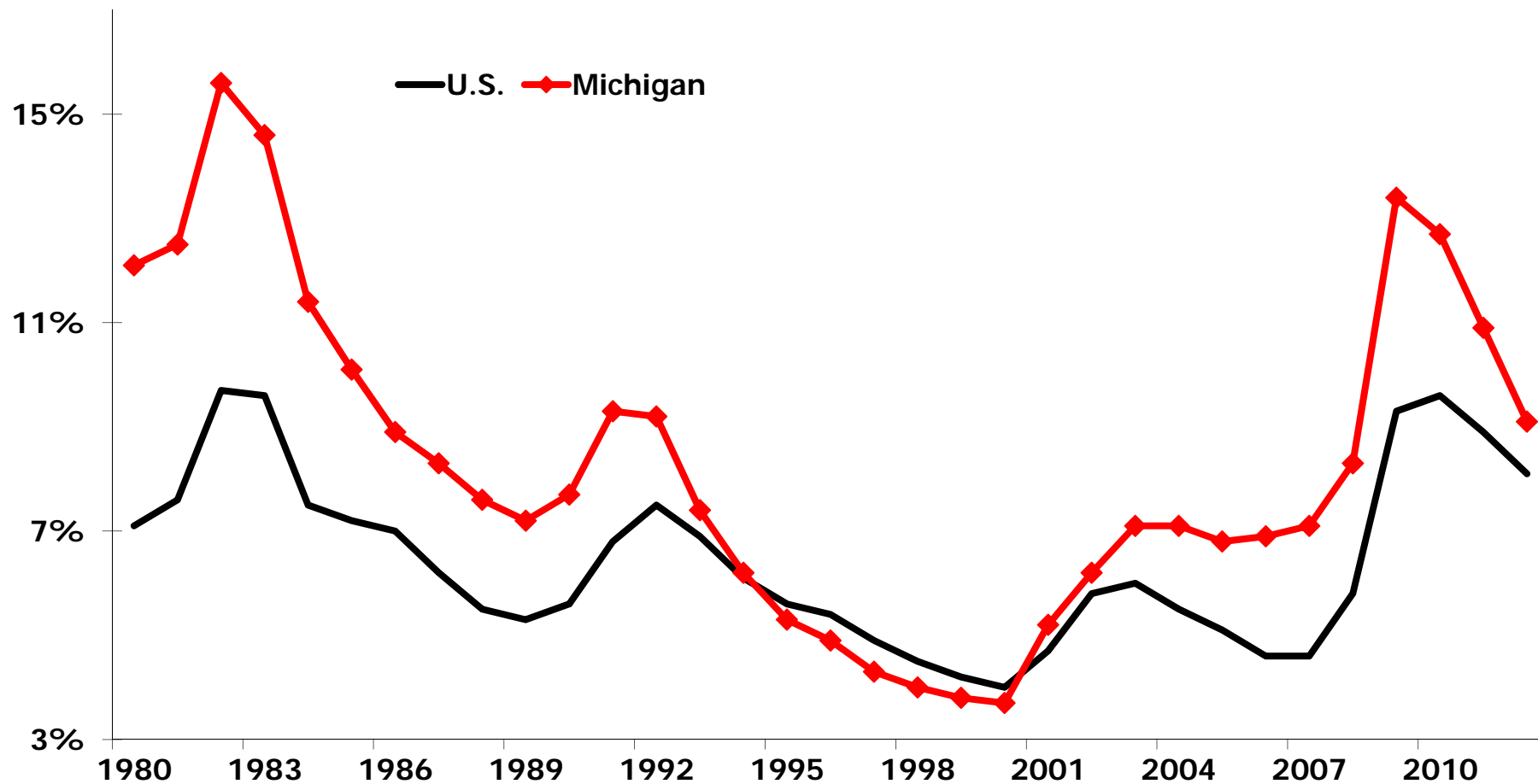


Job Change in Michigan





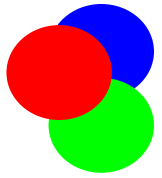
U.S. and Michigan Unemployment Rates



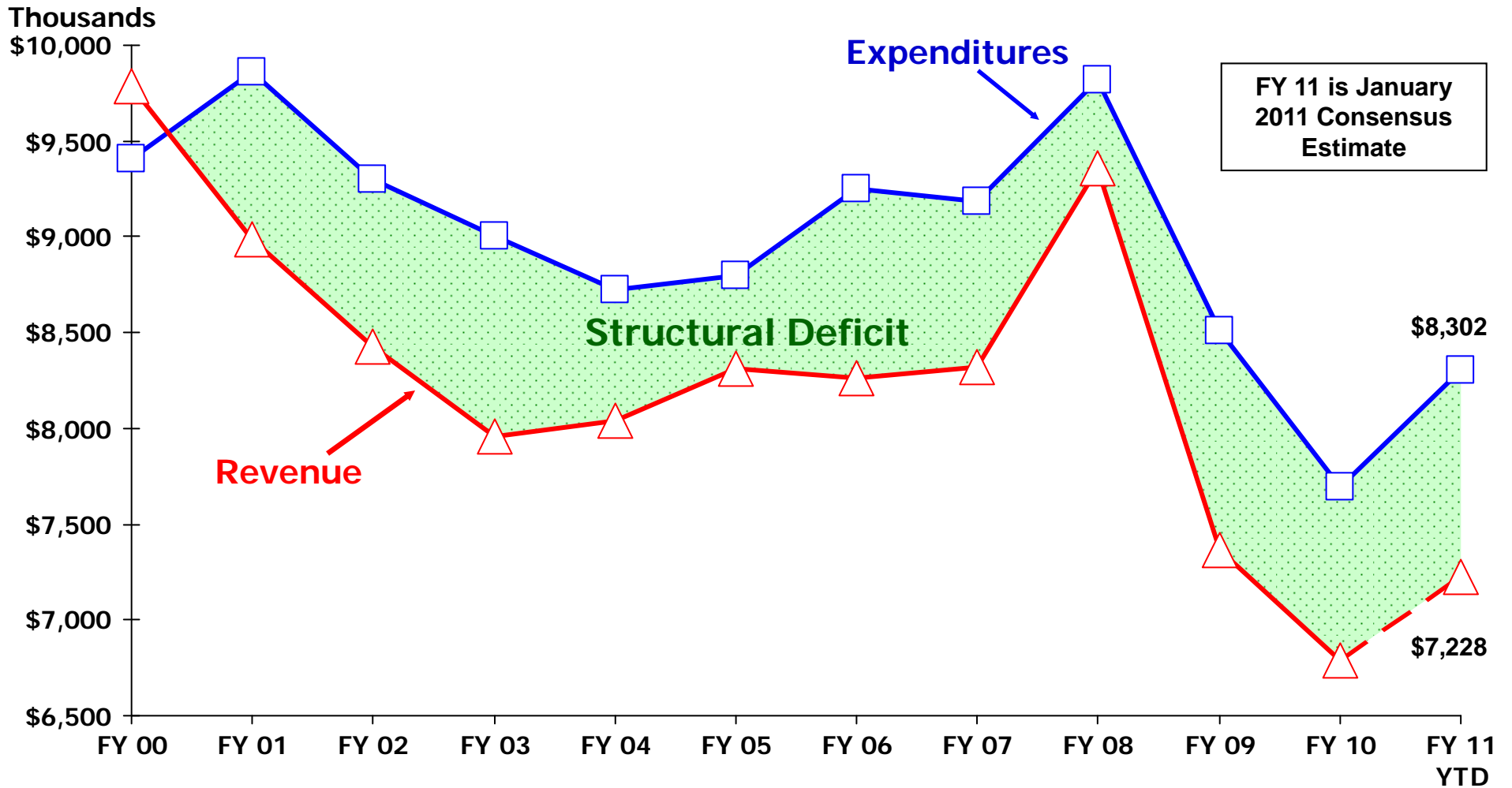


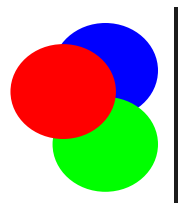
Structural Problems Began in Earnest in 2001

<u>Funding Source</u>	<u>\$ Amount in Millions</u>
■ Withdrawn from the BSF	\$1,264.0
■ SAF surplus	\$870.0
■ One-time revenue from changing SET collection dates	\$454.0
■ Other one-time revenue from various fund shifts and property sales	\$689.0
Total One-Time Revenue June 2001 to December 2002	\$3,277.0



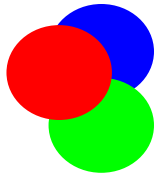
GF/GP Revenue and Expenditures



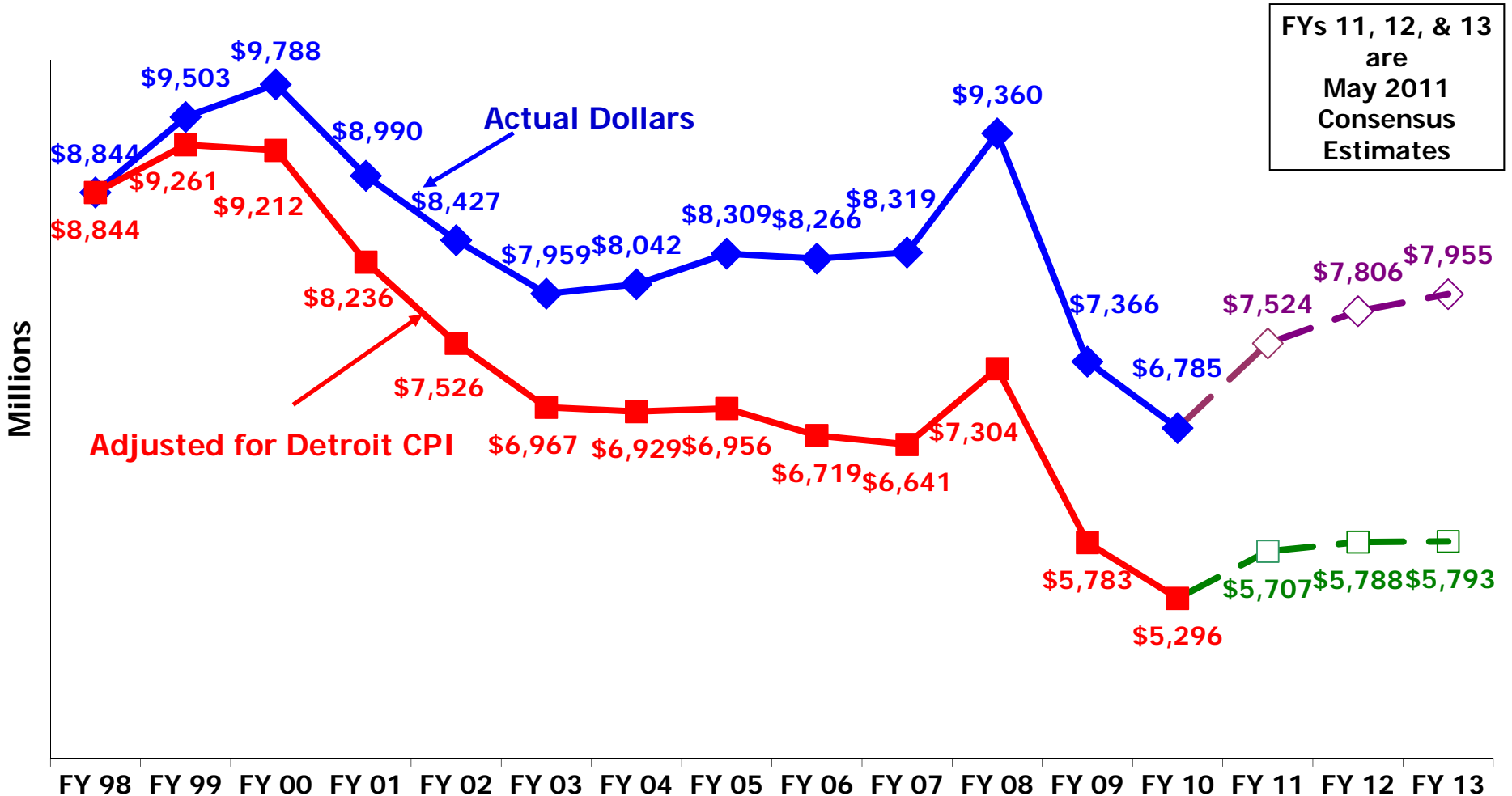


State Budget Shortfalls Caused By

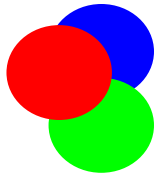
- Severe economic contraction led by domestic auto industry
- State tax policy
- Chronic use of one-time fixes
- Increasing cost of Medicaid and corrections



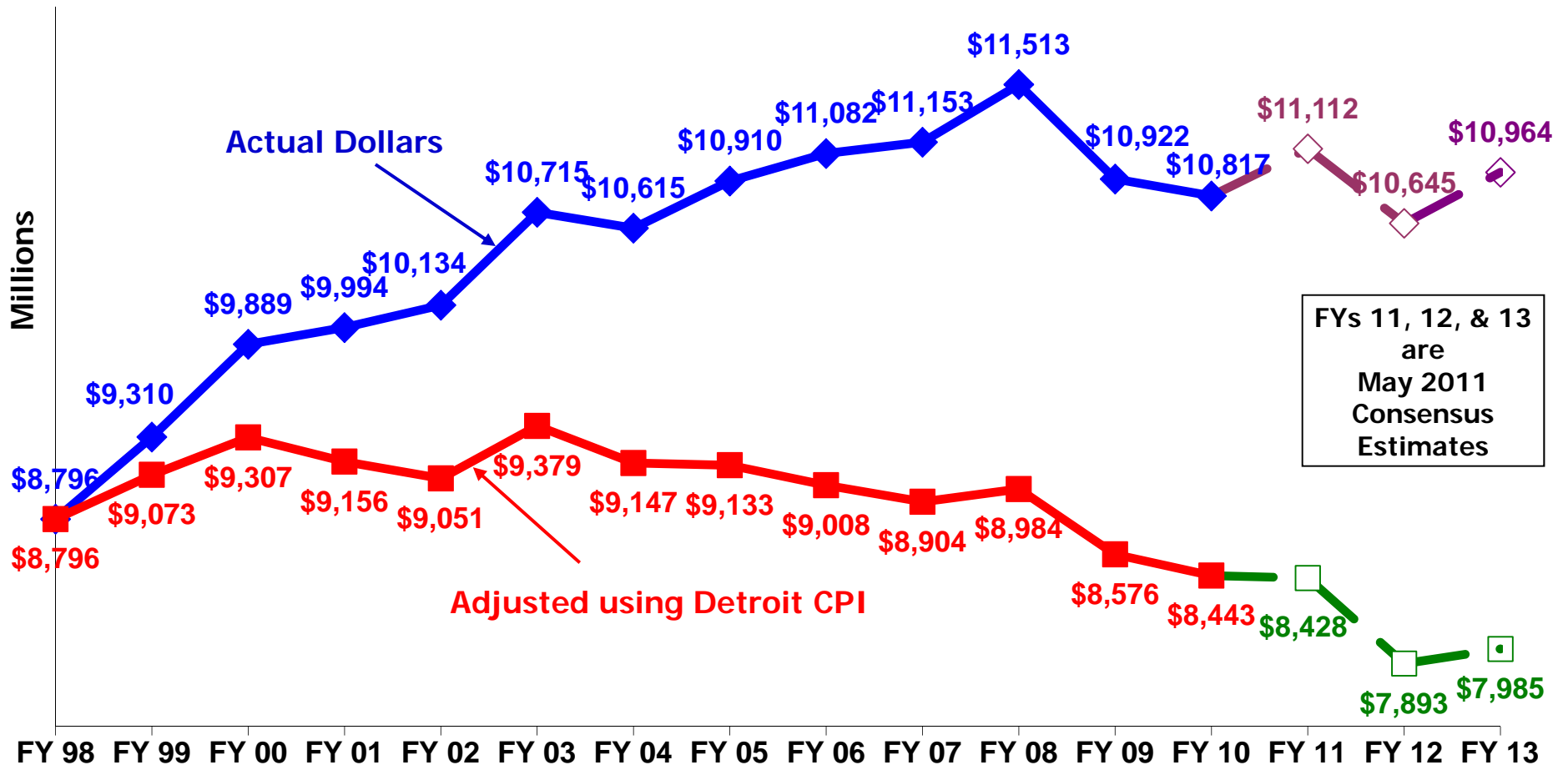
Inflation Adjusted GF/GP Revenue Down 40% Since FY 2000



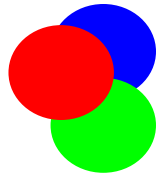
Note: Consensus estimates adjusted to include the tax plan.



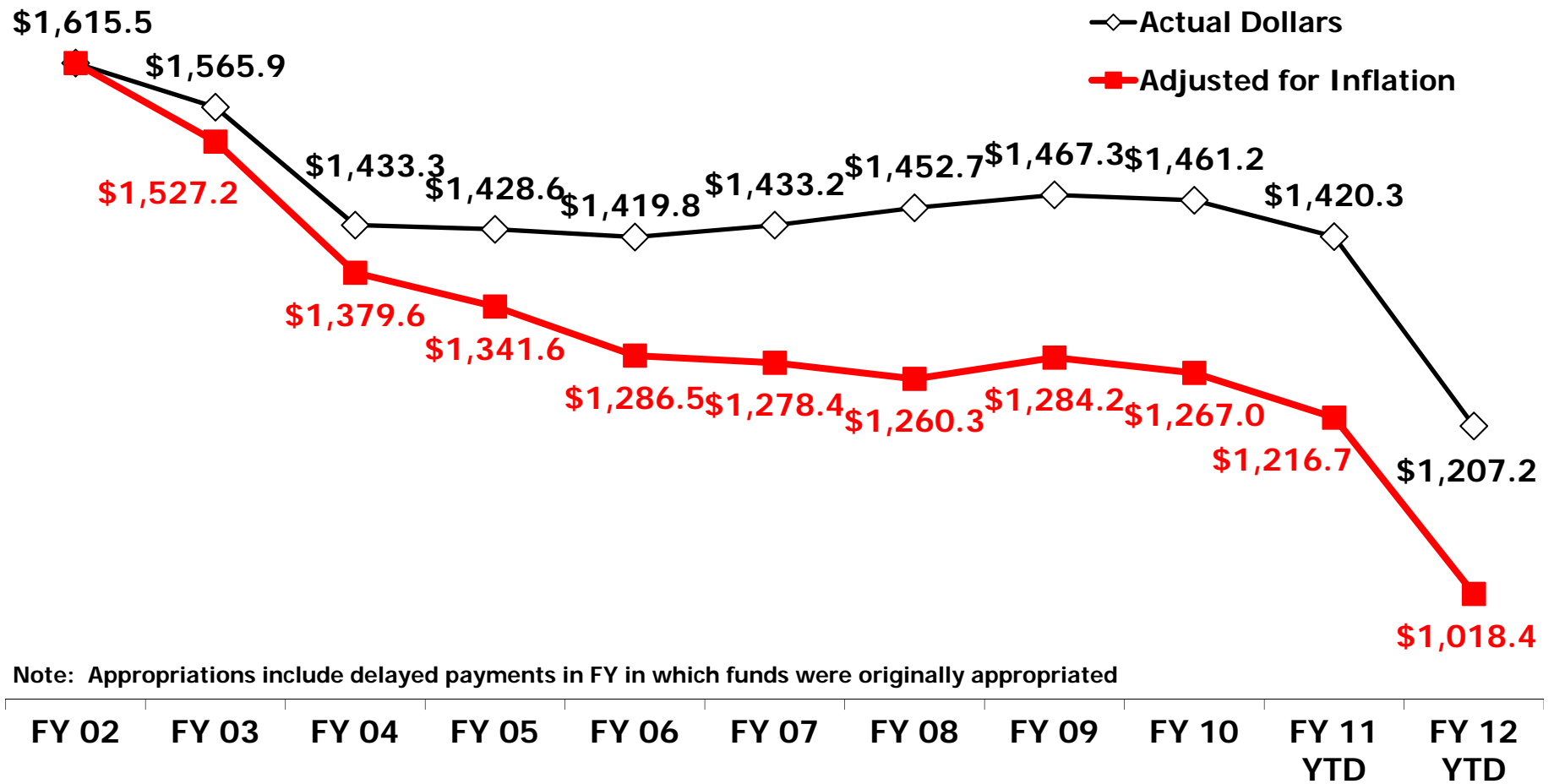
Inflation Adjusted SAF Net Revenue Down 8.7% Since FY 2000



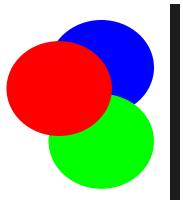
Note: Consensus estimates adjusted to include the tax plan.



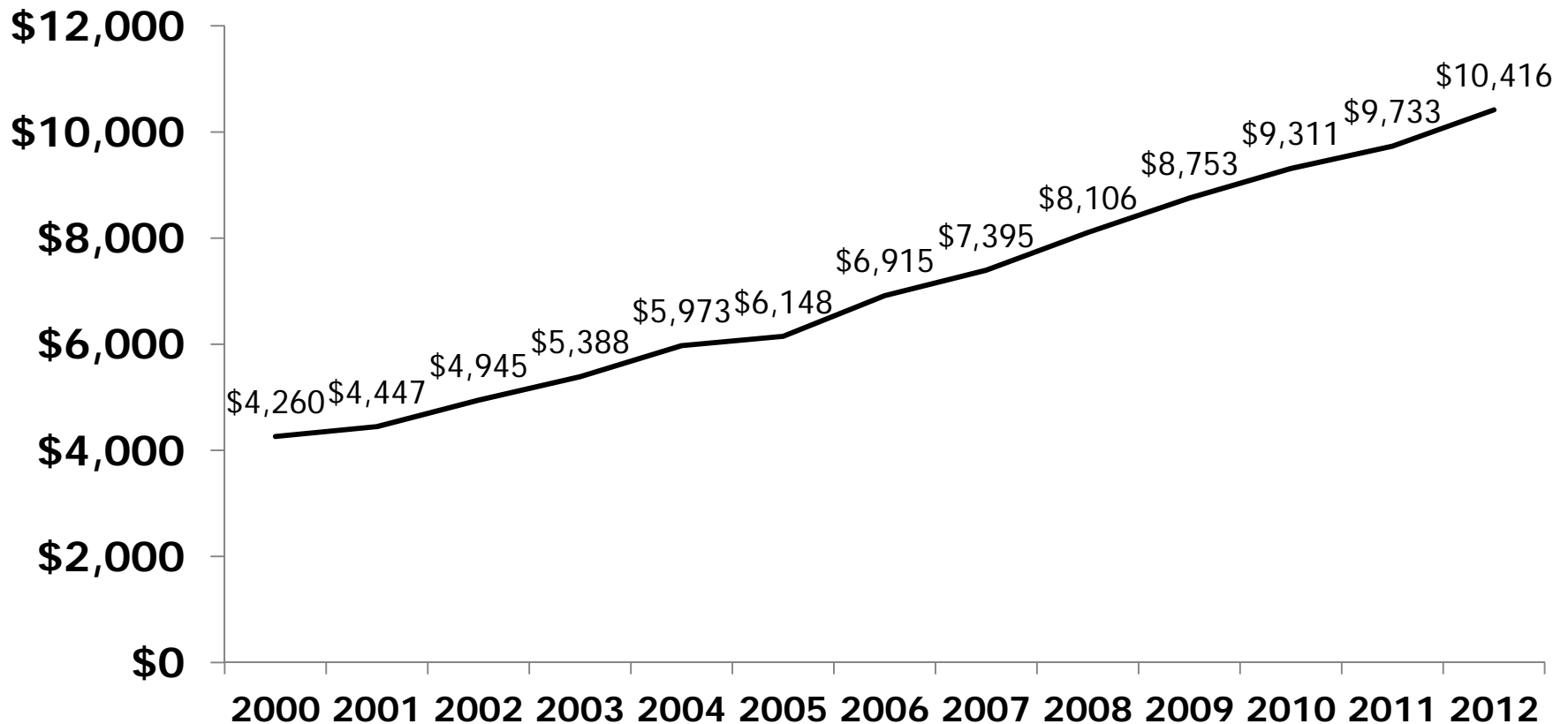
Total Appropriations for University Operations Down 25% Since 2002

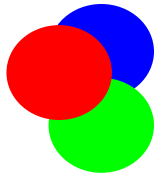


Note: Appropriations include delayed payments in FY in which funds were originally appropriated

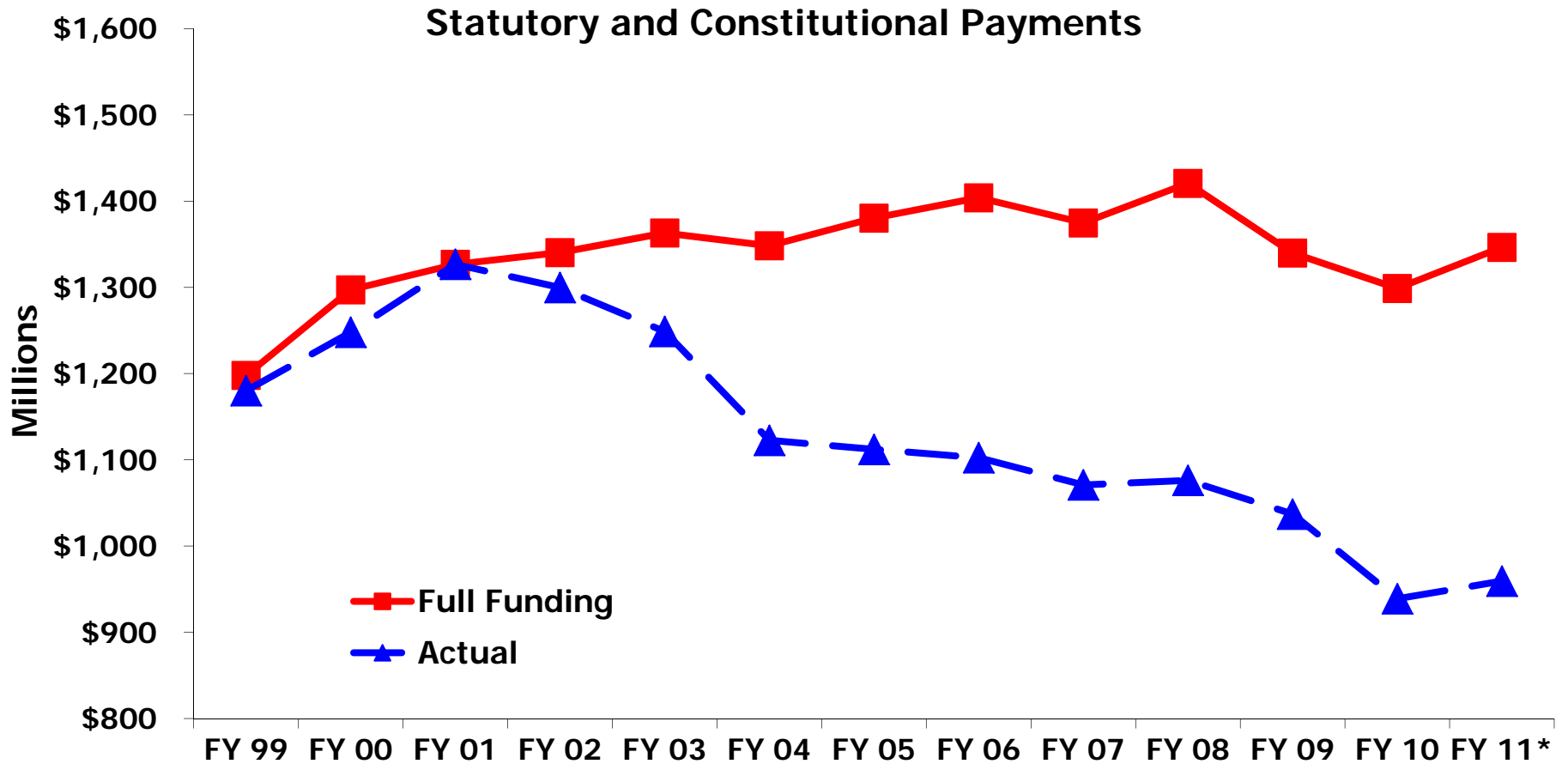


Avg. Resident Undergrad Tuition & Fees Up 145% Since 2000



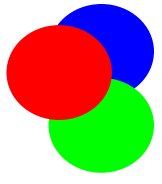


Revenue Sharing Payments to Cities, Villages, and Townships



*FY 11 Amounts are Estimates

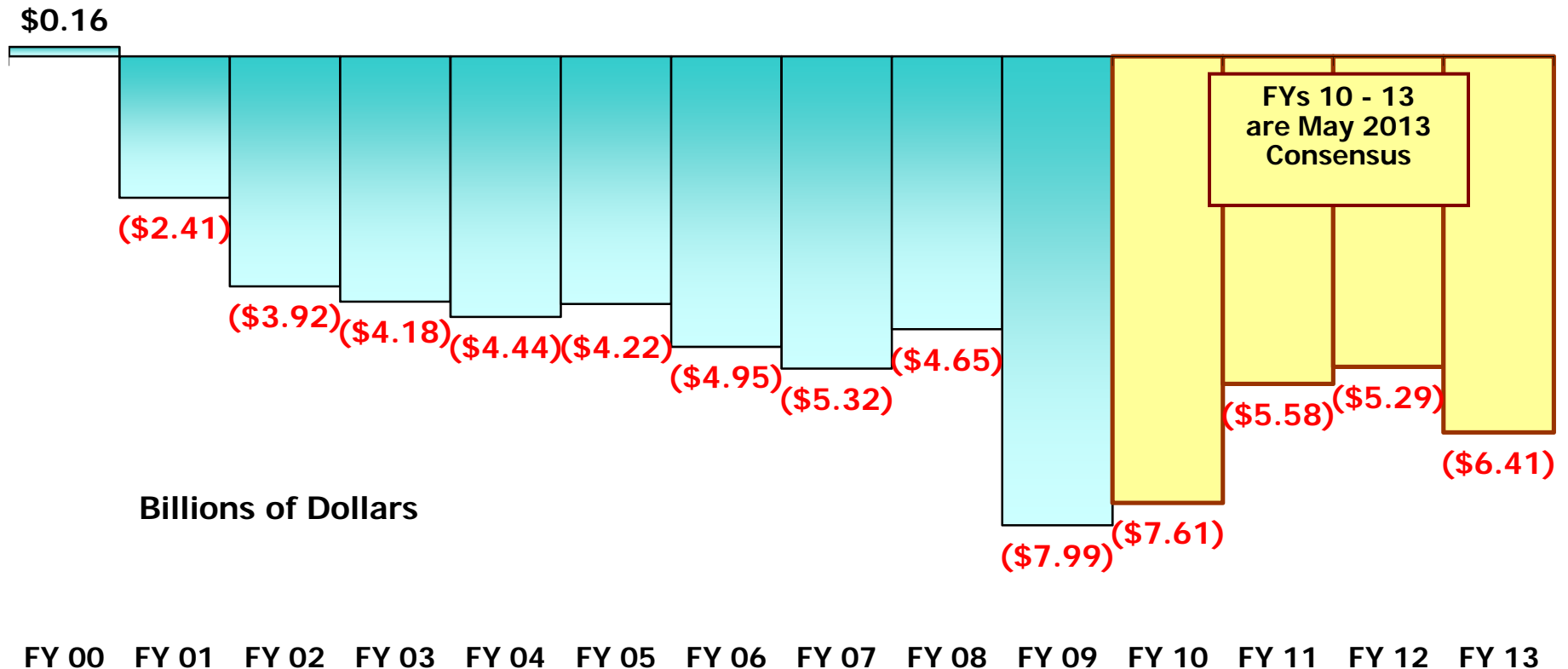
June 2011

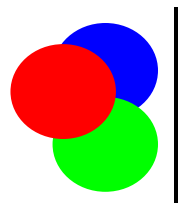


Constitutional Revenue Limit

Average growth of Michigan personal income = 2.0% per year from 2000 through 2012

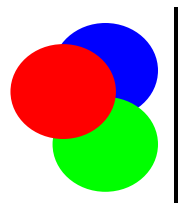
Average increase of Michigan revenue = 0.4% per year from 2000 through 2012





Total Base Cuts \$1,585.1 Million

- Corrections (\$110.8 million)
- Community Health (\$219.9 million)
- Human Services (\$149.8 million)
- Higher Education (\$222.4 million)
- Community Colleges (\$12.0 million)
- Statutory Revenue Sharing (\$145.6 million)
- State employee concessions (\$145.0 million)
- Other (\$50.6 million)
- School Aid reductions (\$529.0 million)



School Aid Cuts

- Reduces Foundation Allowances by \$470 Per Pupil
- Eliminate Categorical Funding programs – totaling \$76.5 million
- Cut Intermediate School District (ISD) Operations - 5% or \$3.3 million
- School Aid Fund (SAF) Revenue Shifts Totaling \$1.0 Billion
- Business Tax Cut reduced SAF revenue (\$689.9) million and shifted to GF/GP
- SAF revenue shifted into Community College budget (\$195.9) million and Higher Education budget (\$200.0) million



Other Cuts

- Each university's appropriation is reduced by 15% (\$222.4 million GF/GP)
- Retroactive 48 month lifetime limit for cash assistance recipients (FIP). Will close 12,600 FIP cases generating \$77.4 million gross, \$65.0 million GF/GP, in savings.
- Graduate Medical Education (GME) reduced 2%, \$31.8 million Gross (\$10.8 million GF/GP)
- Reduce Fire Protection Grant reduces grant payments to local units with state property (\$1.6 million)



Tax Plan as Enacted

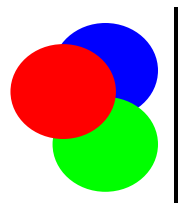
- Net Revenue Reductions

- Reduce total revenue \$551.7 million in FY 2011-12 [GF/GP up \$157.3 million, **SAF down \$709.1 million**]

- Reduce total revenue \$308.9 million in FY 2012-13 [GF/GP up \$394.4 million, **SAF down \$658.3 million**]

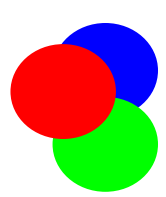
- Cut business taxes \$1.66 billion (FY 2012-13)

- Increase personal income tax \$1.35 billion (FY 2012-13)



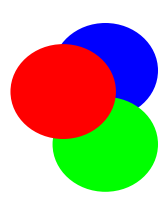
Business Tax Changes

- **Cut business taxes \$1.66 billion**
- **Repeal the Michigan Business Tax**
- **Institute a 6% tax on business income for C corps only**
- **Honor existing firm-specific credits including MEGA, film, next energy, battery credits, etc.**
- **Any additional credits or business benefits will be subjected to appropriation**



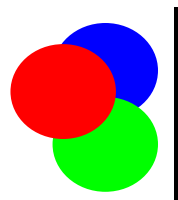
Tax Increases on Seniors, Families, and the Working Poor

- Increase personal income tax \$1.35 billion
- Suspend rate reduction from 4.35% to 4.25% - \$225 million
- Modify public/private pension exemption - \$344.0 million
- Reduces state earned income tax credit (EITC) - \$261.6 million
- Reduce homestead property tax credits - \$257.0 million



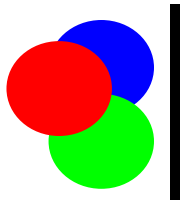
Tax Increases on Seniors, Families, and the Working Poor

- **Reduce homestead property tax credits - \$257.0 million**
- **Repeal senior exemption & UI special exemption - \$41 million**
- **Repeal senior interest and dividend deduction - \$6.2 million**
- **Repeal child deduction - \$57.1 million**
- **Eliminate charitable and other deductions - \$103.5 million**



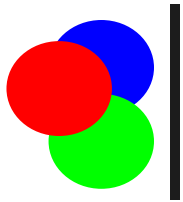
Summary of The First Snyder Budget

- **Cut services \$1.6 billion to address the budget shortfall**
- **Provide a \$1.66 billion net tax cut for business**
- **Replace business tax revenue with \$1.35 billion increased taxes on seniors – families – the working poor**
- **The shift of state tax burden from business to individuals was unprecedented in state history**



Other Important Issues

- **Student Debt Loads**
- **Local Government Funding**
- **Redistricting and Primaries**
- **Economic Development Funding**



Increase Higher Ed. Funding and Reduce Student Debt Load

In 2010, MI college students borrowed \$1.8 billion

Total value of college loans in MI probably exceeds \$30 billion

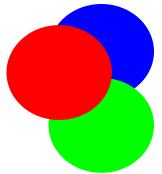
Average graduate in 2010 with bachelor's degree owed \$25,645

MI resident undergrad tuition and fees in 2009 5th highest in nation

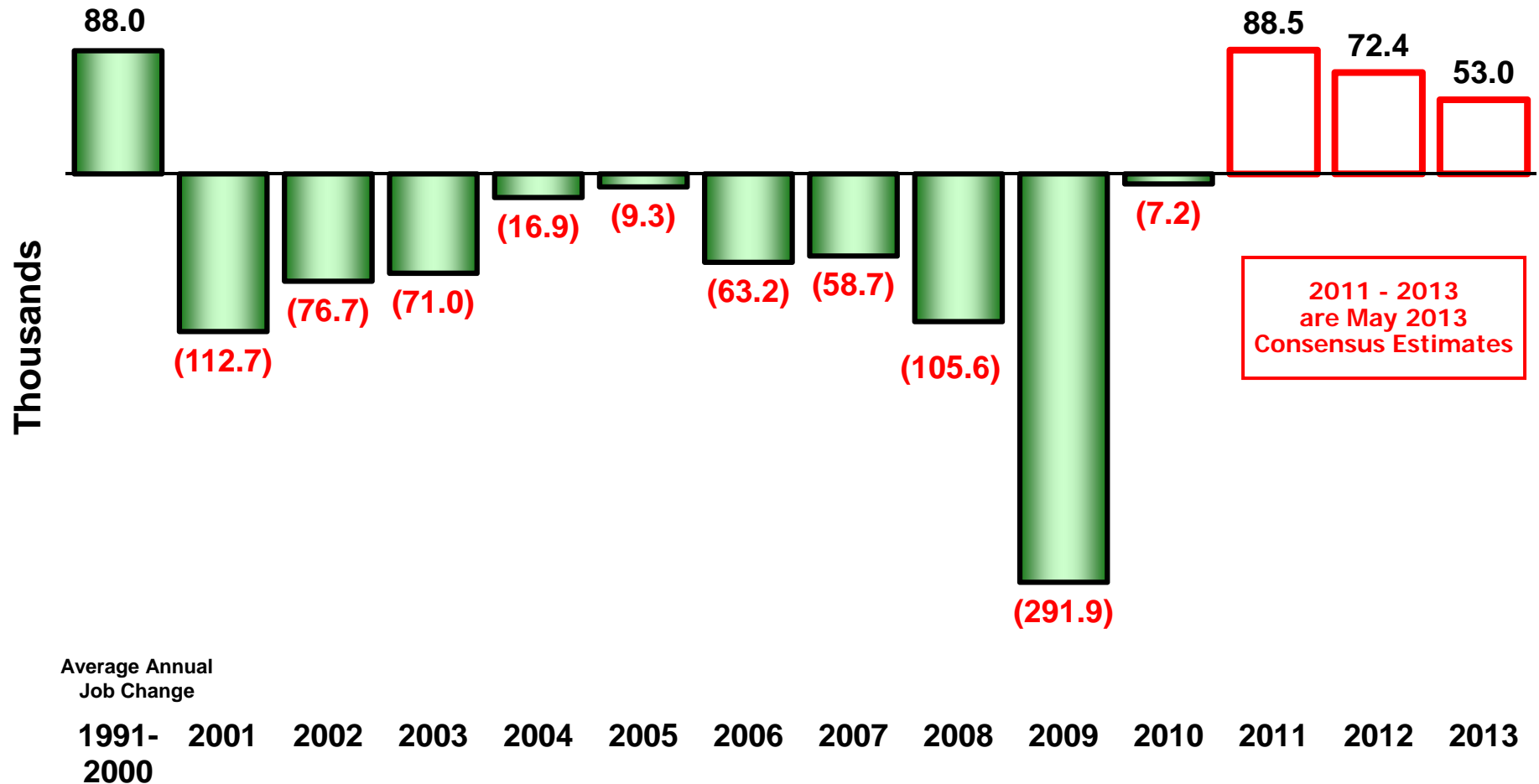
MI resident undergrad tuition and fees up 110% 2002 to 2012

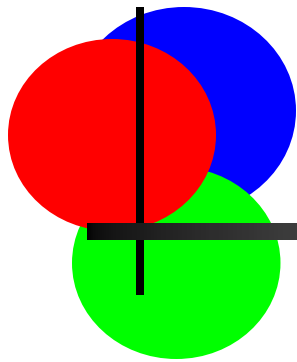
In 2009, tuition and fees 44% above national average

University funding declined 25.3% 2002 to 2012, or 40% inflation adjusted



We Spent How Much on Economic Development????





Mitch Bean: Great Lakes Economics Consulting

Greatlakeseconomics.com
beanmitch@gmail.com