



Michigan Update

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Citizens Research Council

- Founded in 1916
- Statewide
- Non-partisan
- Private not-for-profit
- Promotes sound policy for state and local governments through factual research – accurate, independent and objective
- Relies on charitable contributions of Michigan foundations, businesses, and individuals
- *www.crcmich.org*



First the Bad News



The Last Decade Was an Economic Disaster for Michigan

	Growth 2000 to 2010		Michigan Rank
	U.S.	Michigan	
Population	9.5%	-0.2%	51
Real Per Capita GDP*	6.7%	-6.4%	50
Employment	-1.5%	-17.4%	51
Real Per Capita Income* *	5.7%	-4.4%	50

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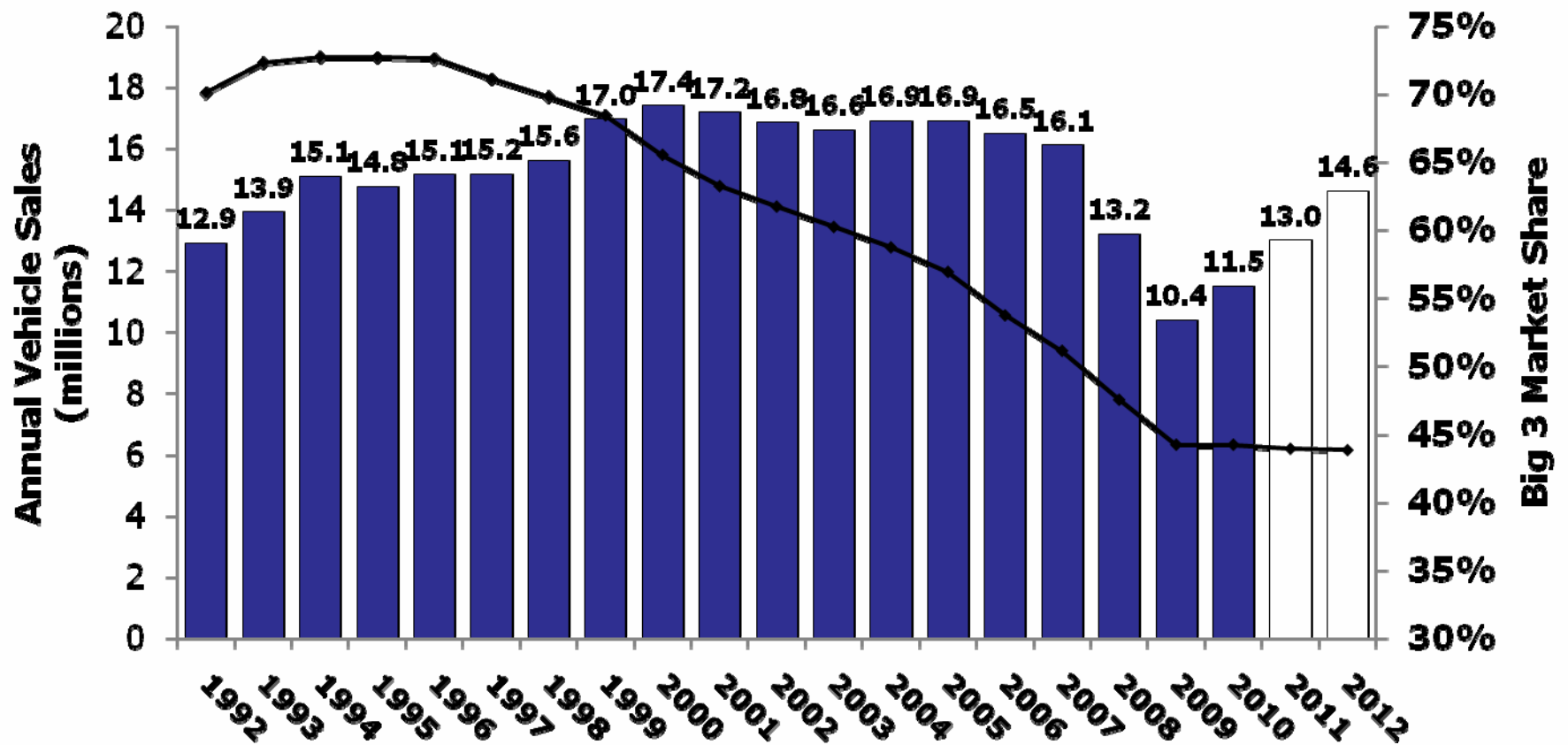
*Georgia is 51st with a decline of 6.7%.

**Nevada is 51st with a real decline of 5.7%

Source: BEA and CRC calculations.



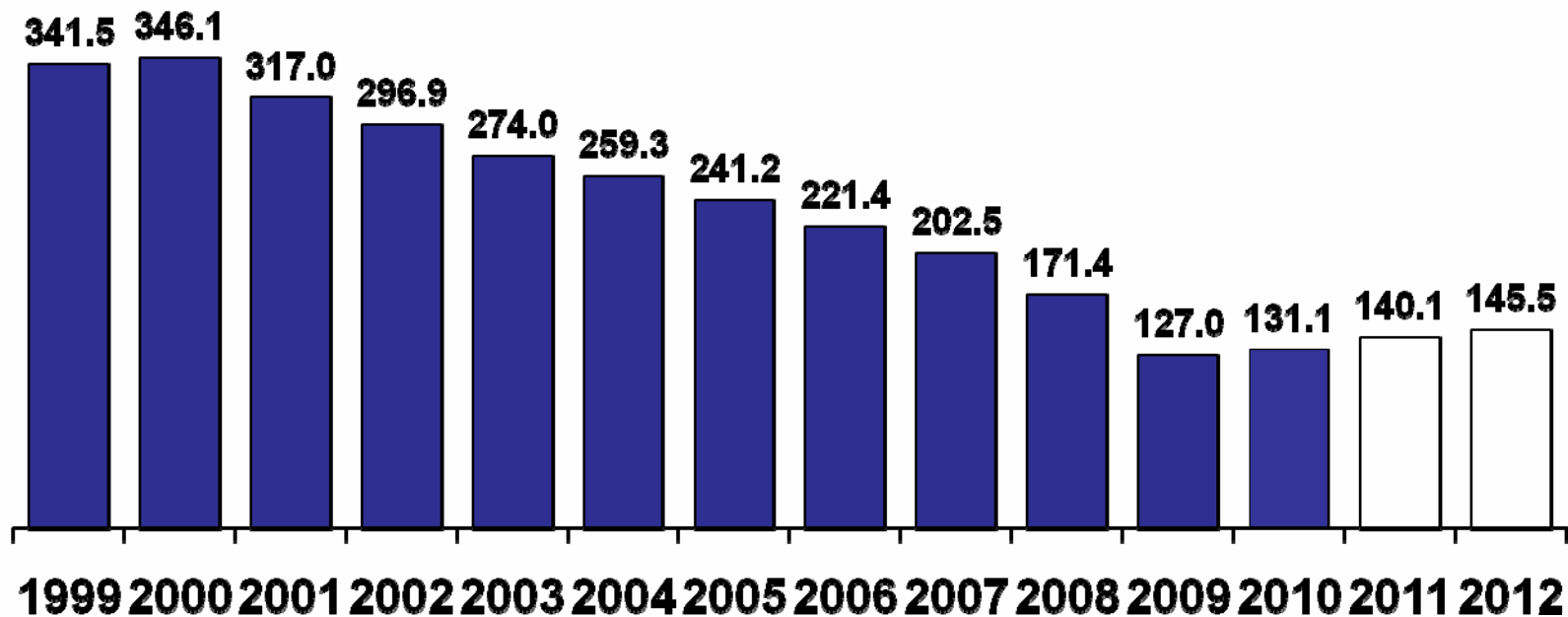
Big 3 Market Share Plummet





2 in 3 Auto Jobs Lost

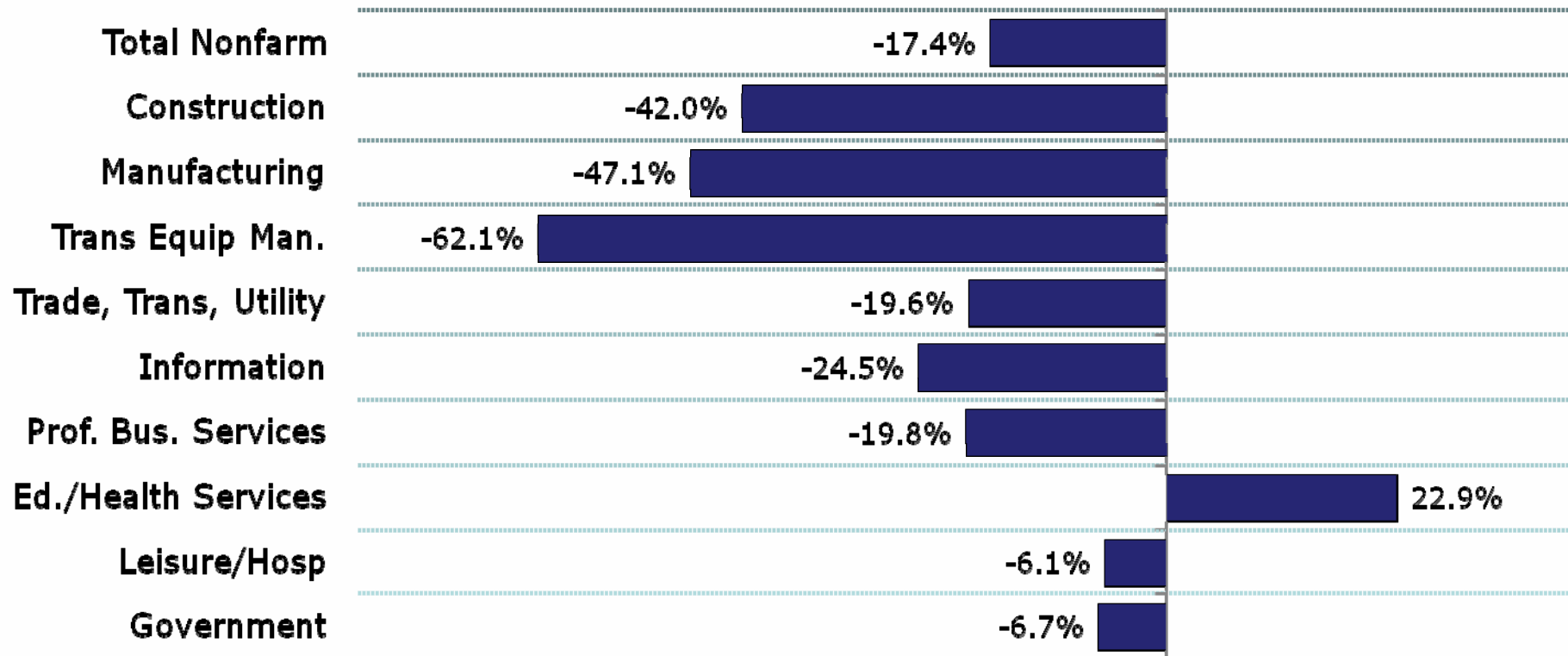
Michigan Transportation Equipment Employment
(In Thousands)





Almost Every Sector in Michigan Has Lost Jobs

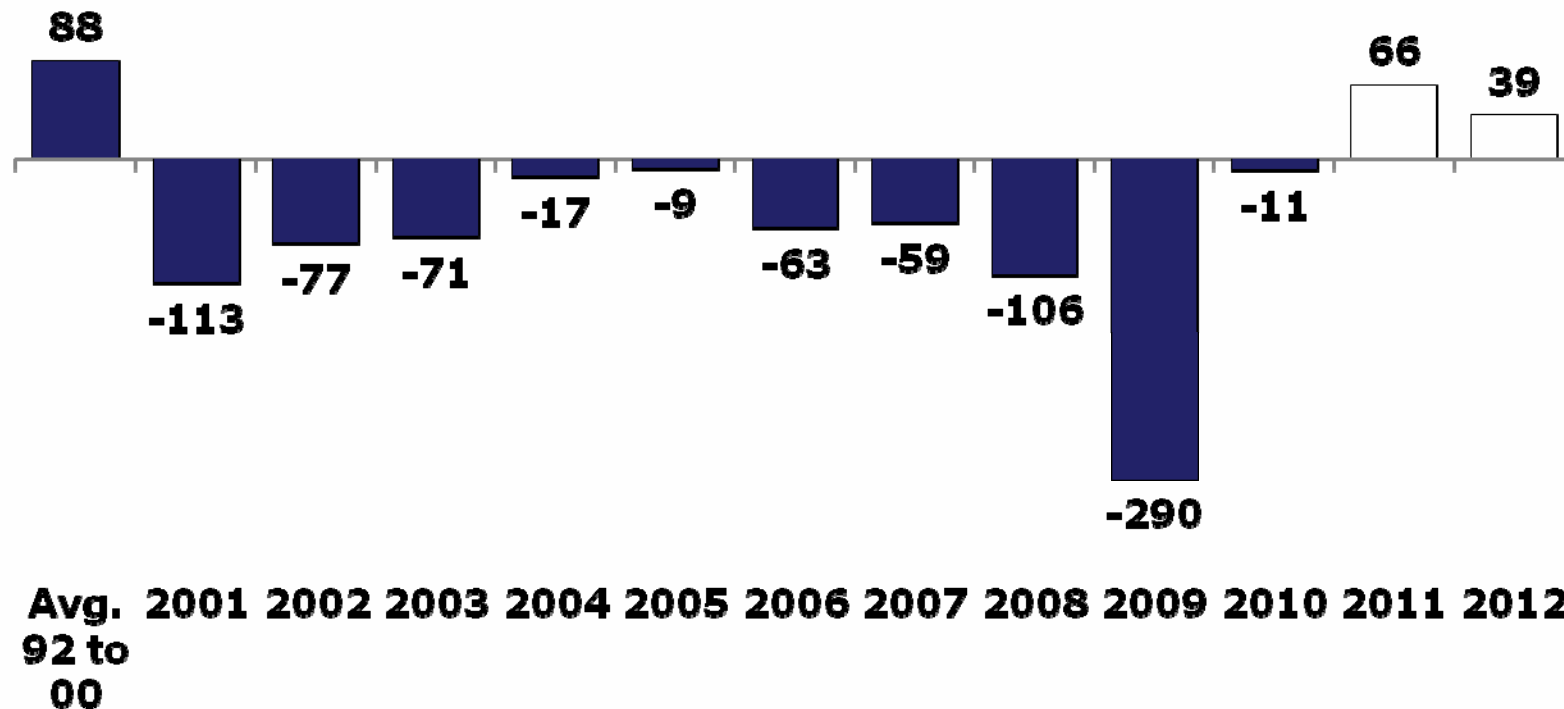
2000 to 2010





Michigan Employment Fell For 10 Straight Years

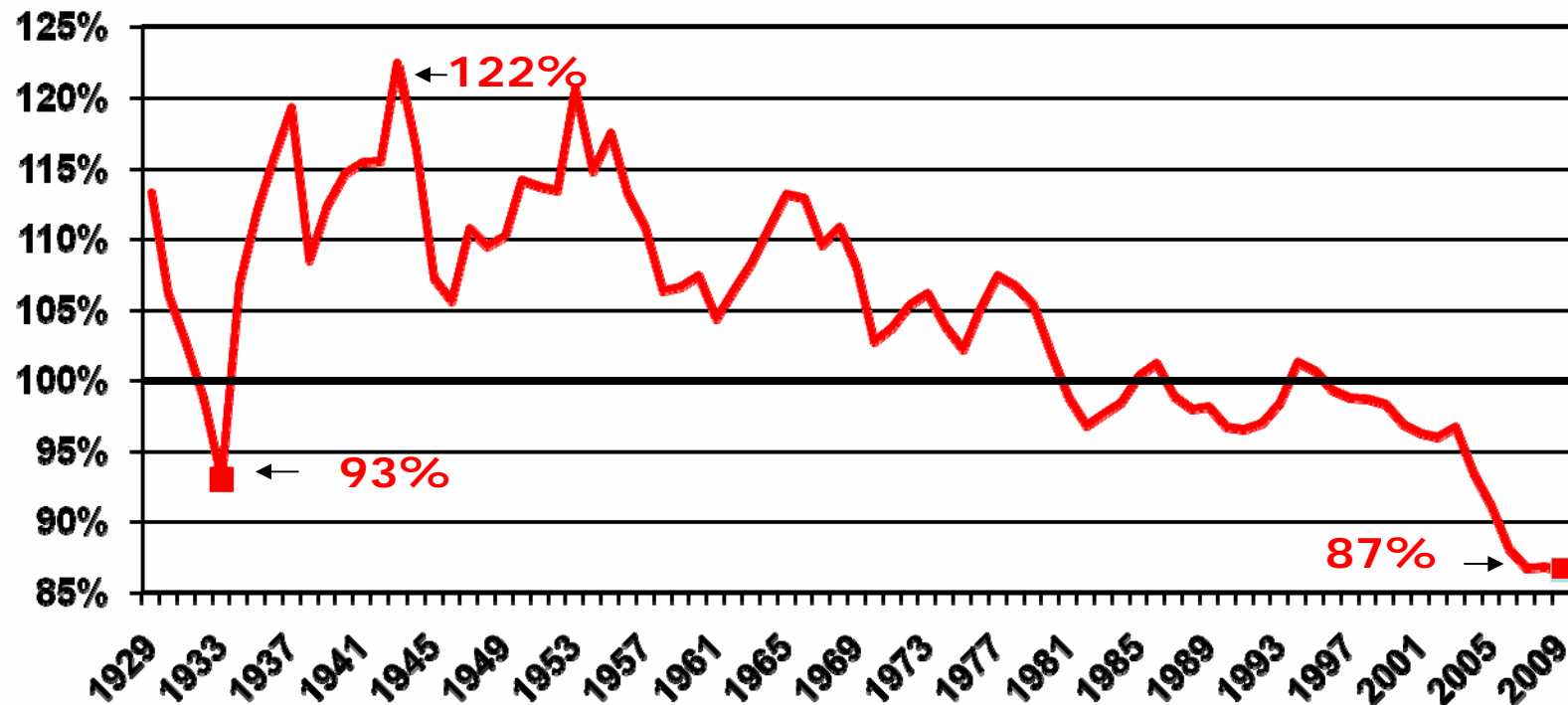
Annual Change in Wage and Salary Employment (000)





Michigan Has Become Poorer Relative to Other States

Michigan per Capita Income as a Percent of U.S. Per Capita Income Rank has fallen from 20th in 2001 to 37th in 2010





Now the Good News

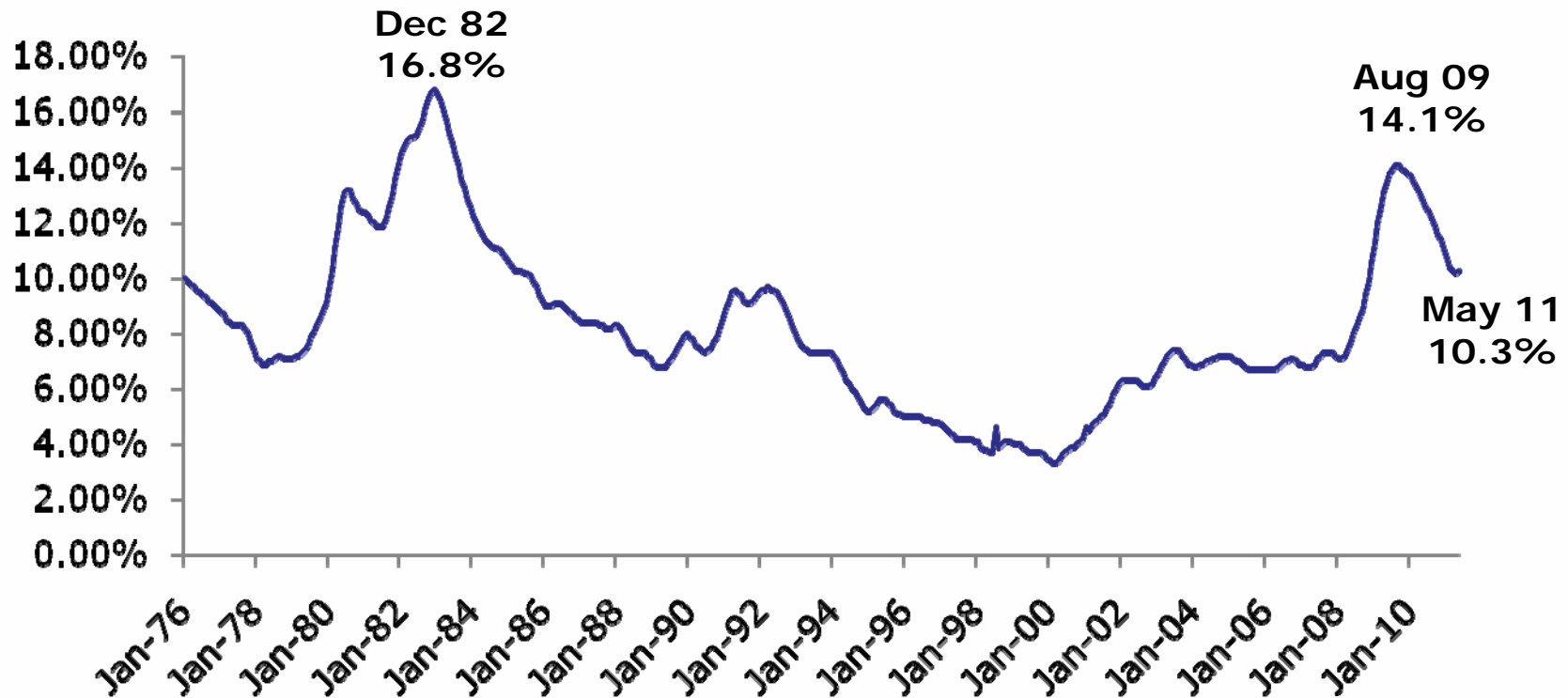


Things Are Starting to Improve

- **Unemployment Rate** – The Y-O-Y drop in Michigan's unemployment rate (2.5 percentage points) was the 2nd highest in the nation
- **Employment** – The Y-O-Y increase in employment is the 18th highest (0.8%)
- **Personal Income** – The Y-O-Y (1st qtr) increase in personal income was the 11th highest (5.4%)



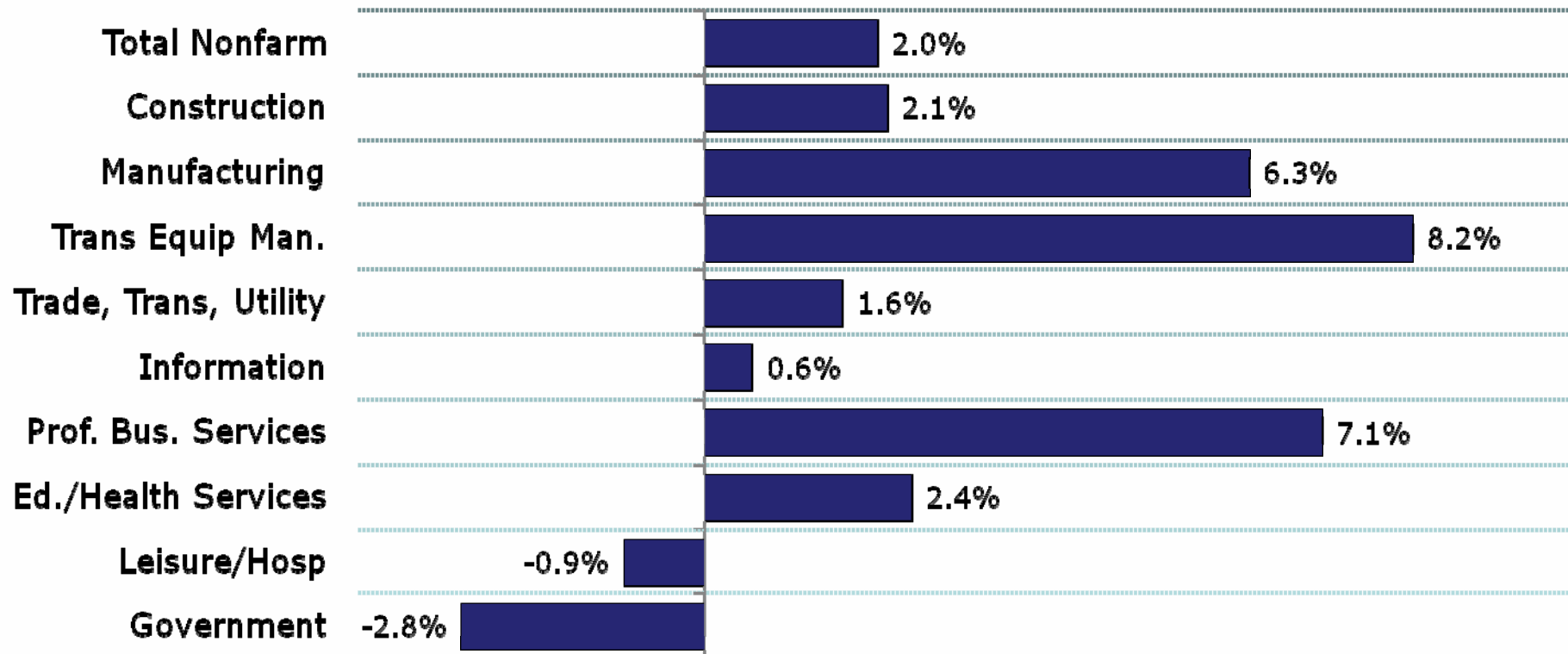
Michigan's Unemployment Rate Steadily Improving





Michigan Has Added Jobs in Last 12 Months

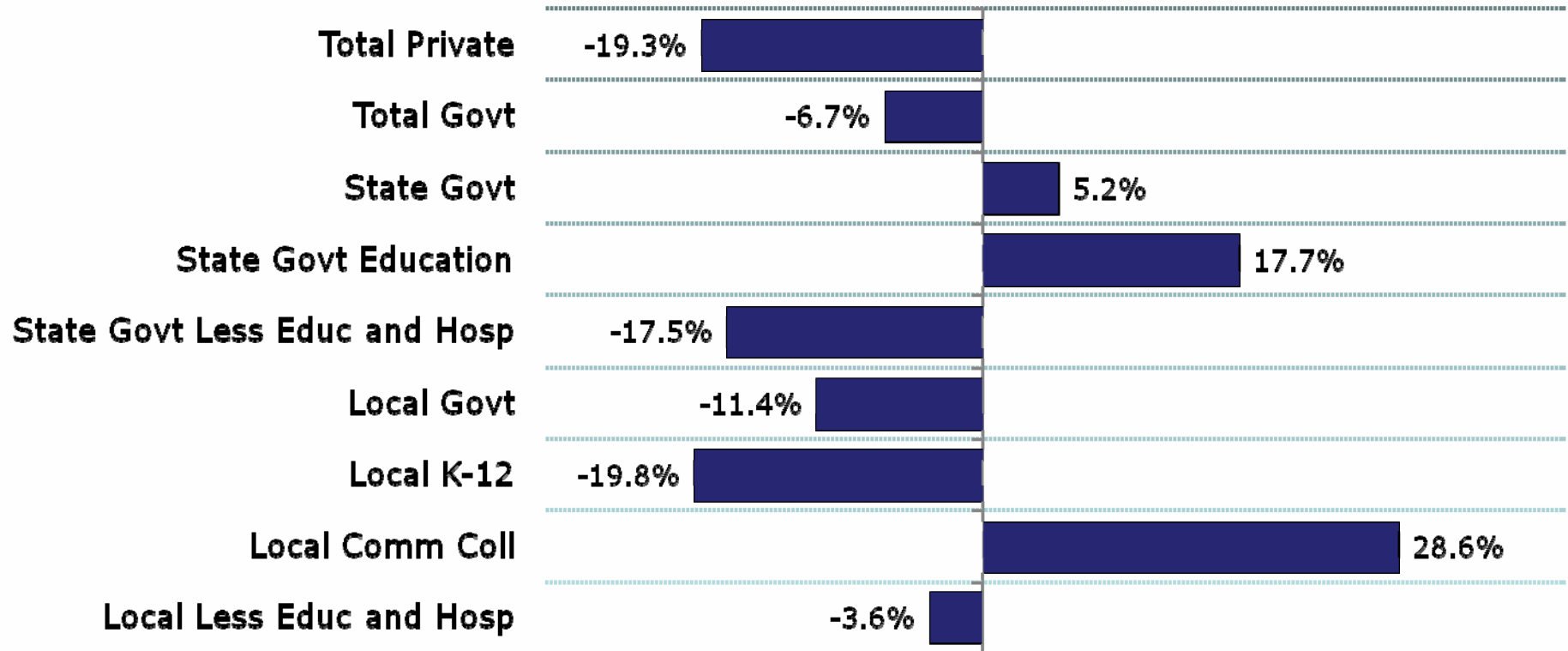
March 2010 to March 2011





Public Sector Employment Changes Vary Significantly By Sector

2000 to 2010



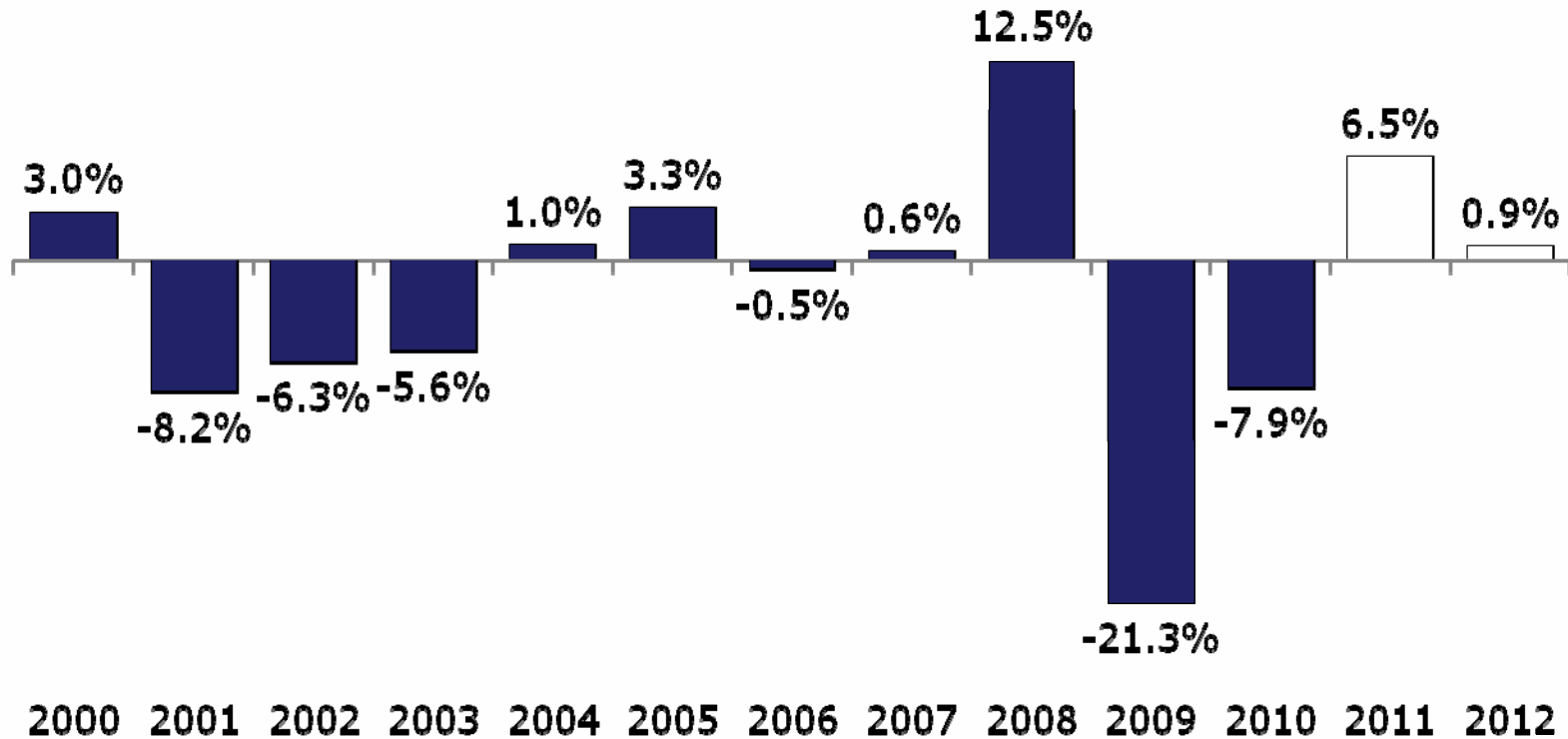


FY 2012 Budget and Tax Plan



GF-GP Revenues Drop Sharply in FY 2009 and FY 2010

GF-GP Revenues
Year-Over-Year Pct. Change





FY 2012 Enacted Budget Provisions

- Tax Restructuring – Repeal MBT and replace most of the revenues with a combination 6% corp income tax and income tax increases (reduce pension exemption and EITC); Business tax down \$1.6B; Individual Income Tax up \$1.4B;
- Higher Education – Cut universities 15% and community colleges 4%



FY 2012 Enacted Budget Provisions

- K-12 Per Pupil Cut – Cut foundation allowance by \$470 per pupil; SAF revenues now being used in part to support higher ed; Can get \$200 per pupil back for FY12 only: \$100 for MPERS offset; and \$100 for meeting best practice criteria
- Corrections – Reduce spending level by \$43 million
- State Employee Concessions – Assumes \$145 million in concessions from state employees (equivalent to wage cut of approximately 9%)



FY 2012 Enacted Budget Provisions

- Revenue Sharing– Statutory revenue sharing repealed (\$300M) and replaced with \$200M that cities can get if they meet best practice criteria: dashboard, plan for consolidation, plan for certain compensation changes



Changes in State Spending From State Sources

	Growth	
	<u>FY 11 to 12</u>	<u>FY 02 to 12</u>
Community Health	14.7%	59.8%
Corrections	-3.6%	16.6%
Human Services	17.8%	-5.7%
K-12 Education	-3.7%	-6.0%
Universities	-19.7%	-34.9%
Community Colleges	-4.1%	-11.3%
Gen. Rev. Sharing	-9.4%	-36.8%
All Other	5.8%	1.6%
Total	0.7%	0.7%
U.S. CPI	2.5%	27.7%



Final Budget Notes

- Budget is balanced without gimmicks and money is set aside for future needs: \$256M to Rainy Day Fund, \$133M set aside to transition school employees from DB to DC, \$200M to start prefunding OPEB; No structural gap for FY 2013
- Income taxes were increased by \$1.4B; revenue used for business tax relief
- Budget puts significant fiscal stress on schools and local governments



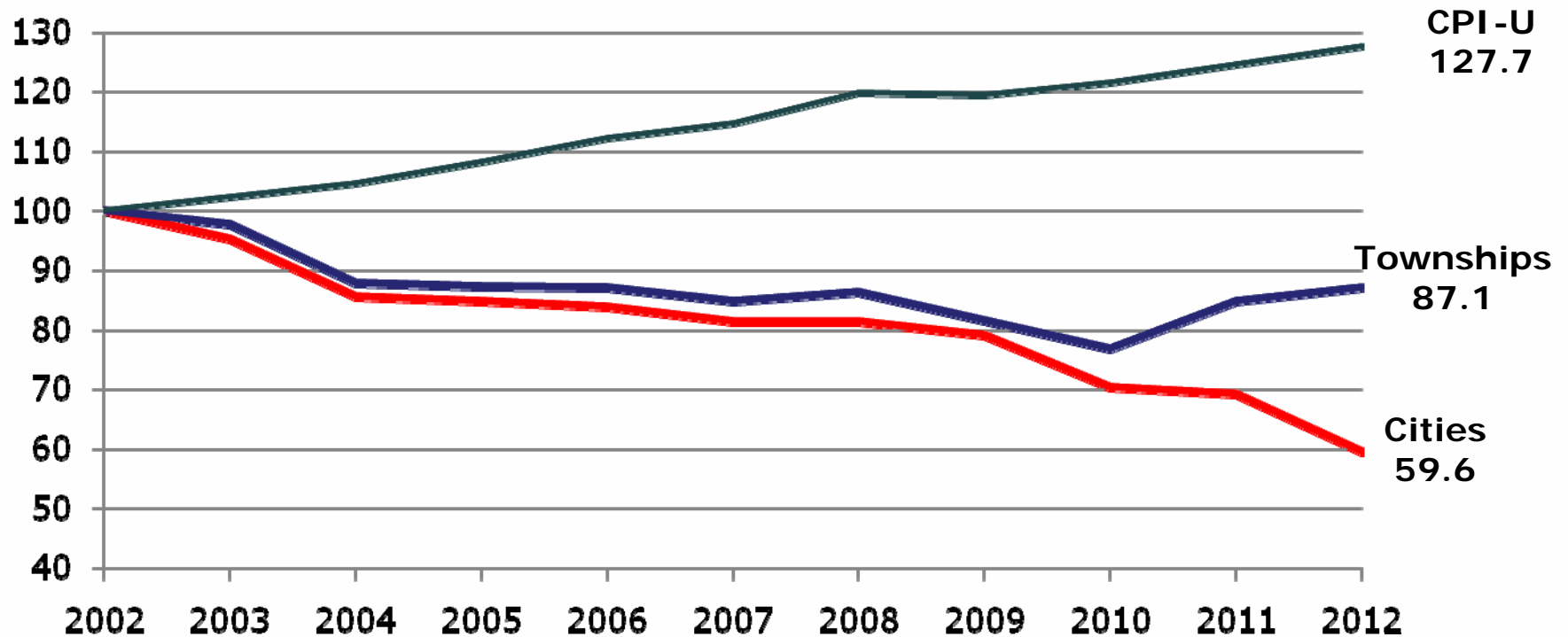
Outlook for Local Governments in SE Michigan is Grim

% Change in Total Taxable Value

<u>County</u>	<u>2000 to 2011</u>	<u>2008 to 2011</u>
Livingston	51%	-14%
Macomb	23%	-19%
Oakland	14%	-22%
St. Clair	25%	-14%
Washtenaw	46%	-10%
Wayne	17%	-18%
CPI	31%	4%



State Revenue Sharing Payments Have Fallen Dramatically





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