Michigan's Budget and Education Funding

Prepared for:

MASB / MASA Legislative Conference

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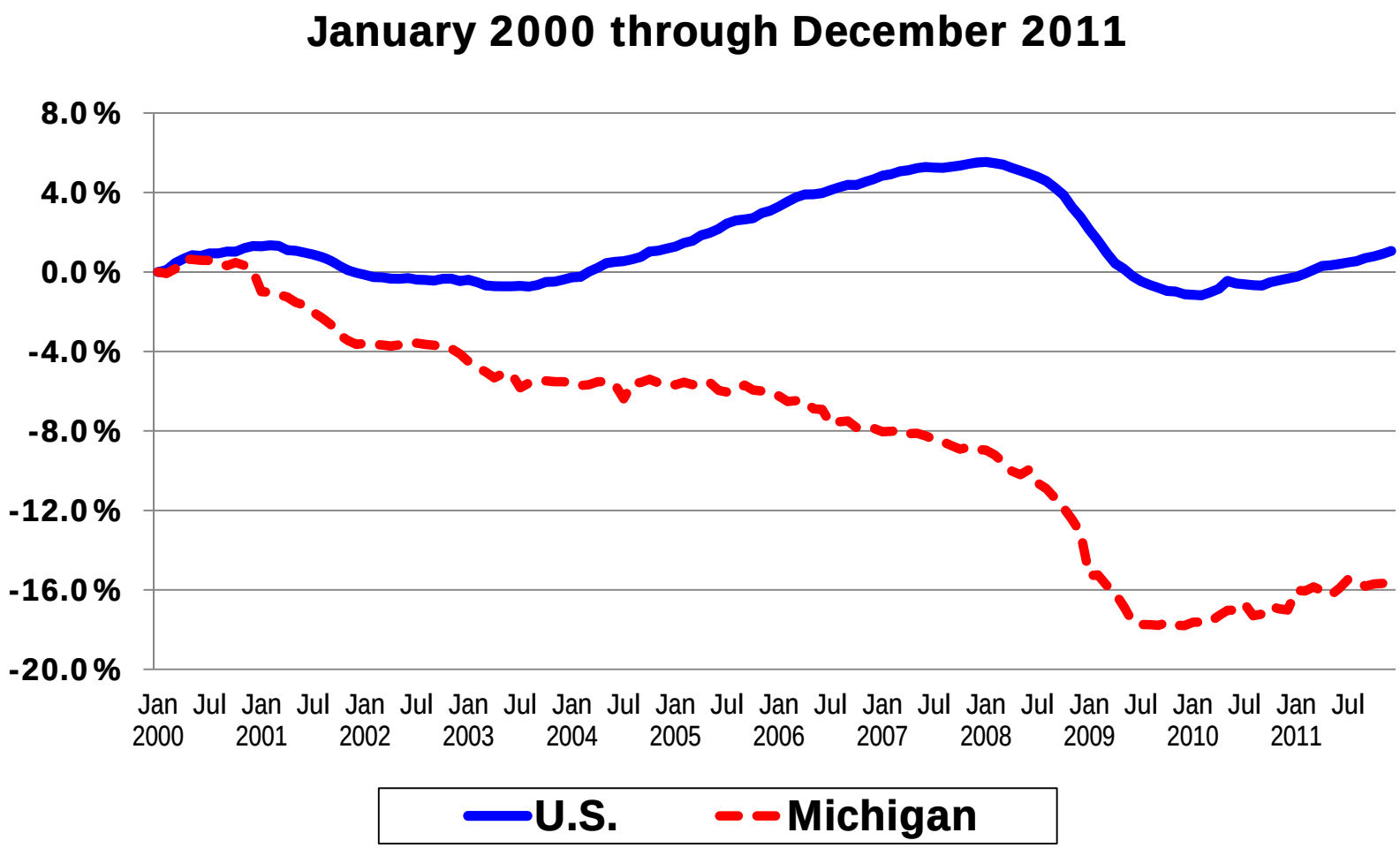
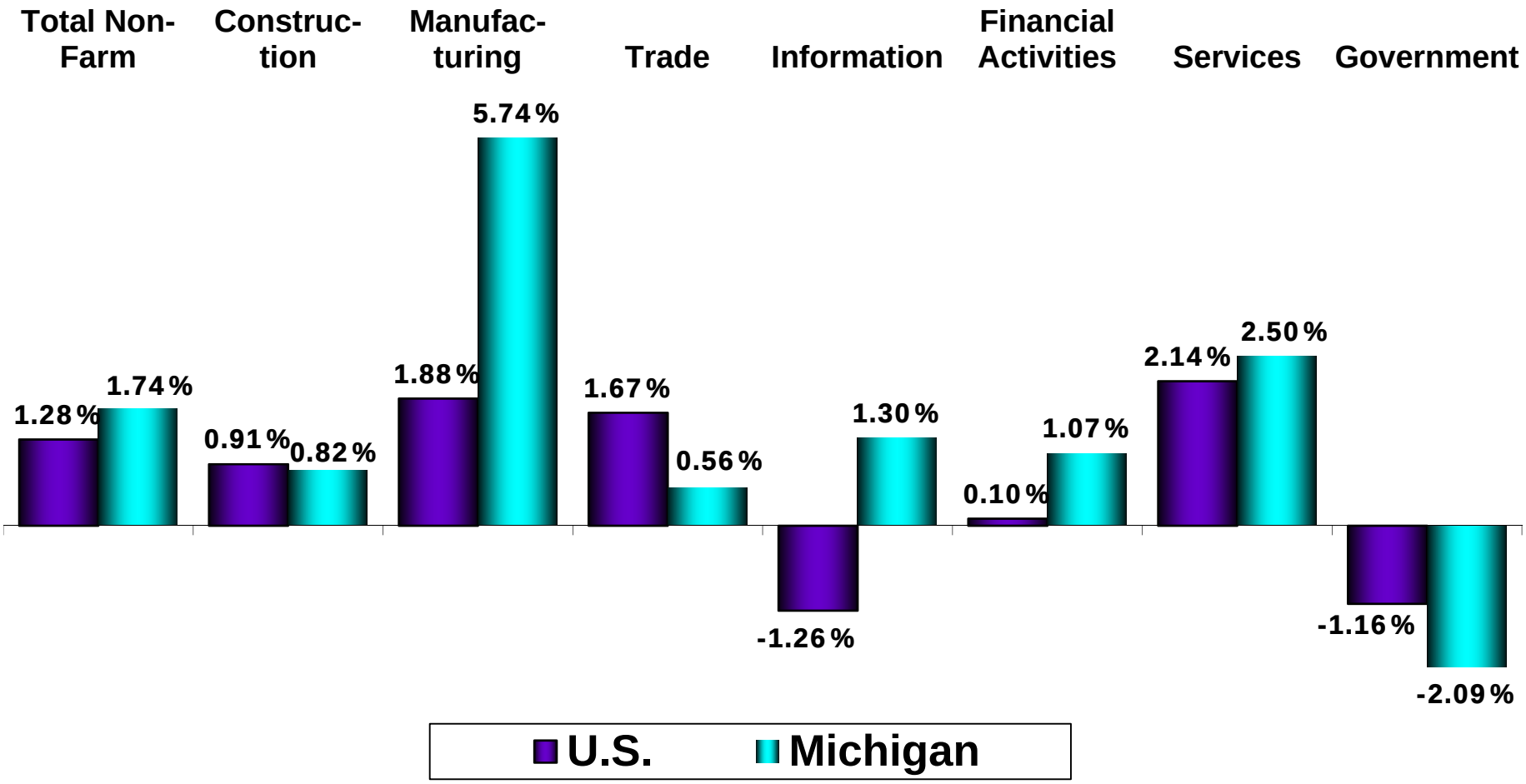
Percent Change in Total Non-Farm Employment



Source: U.S. Department of Labor, Bureau of Labor Statistics

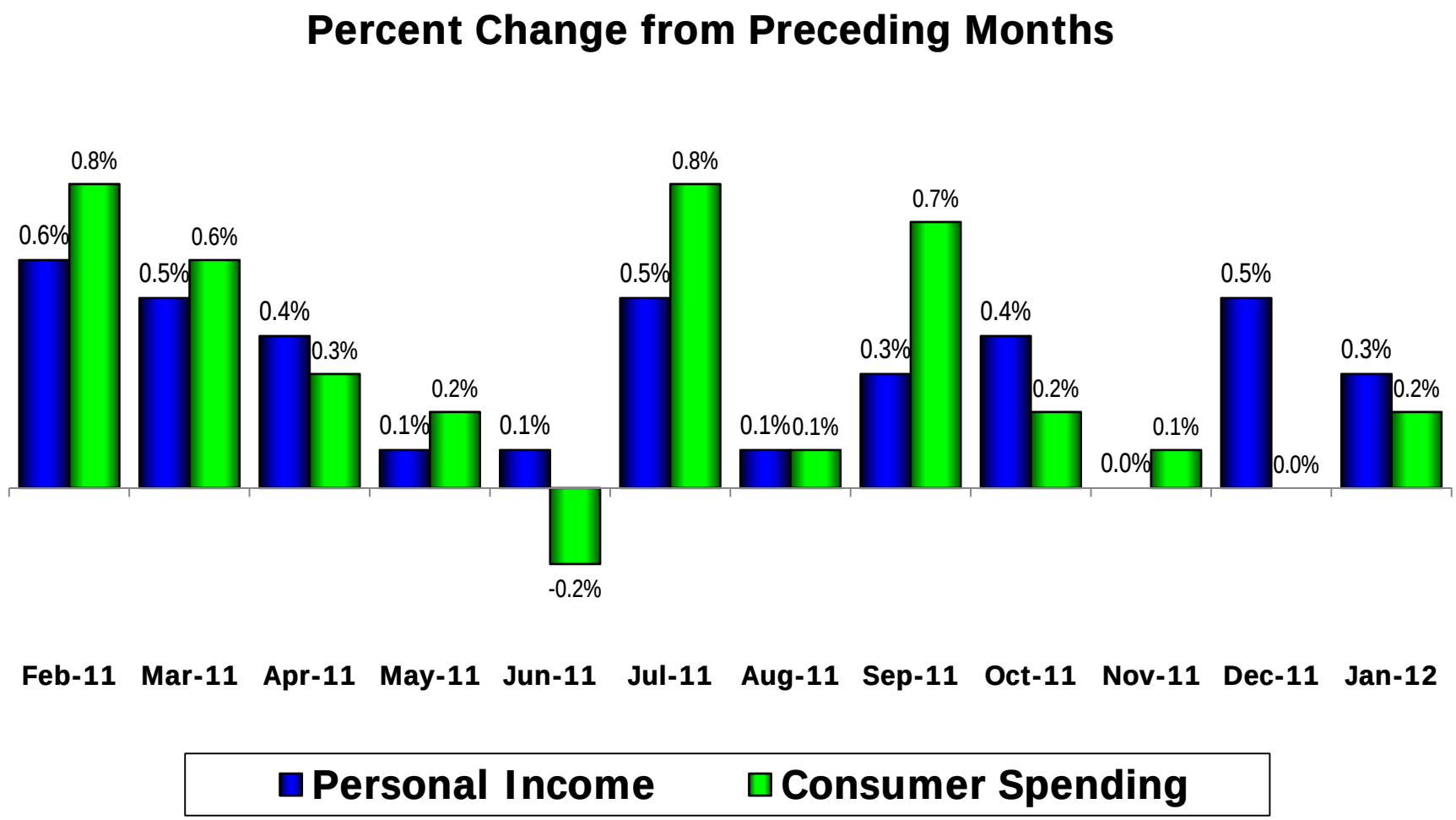
Percent Change in Employment

December 2010 Through December 2011



Source: U.S. Department of Labor, Bureau of Labor Statistics

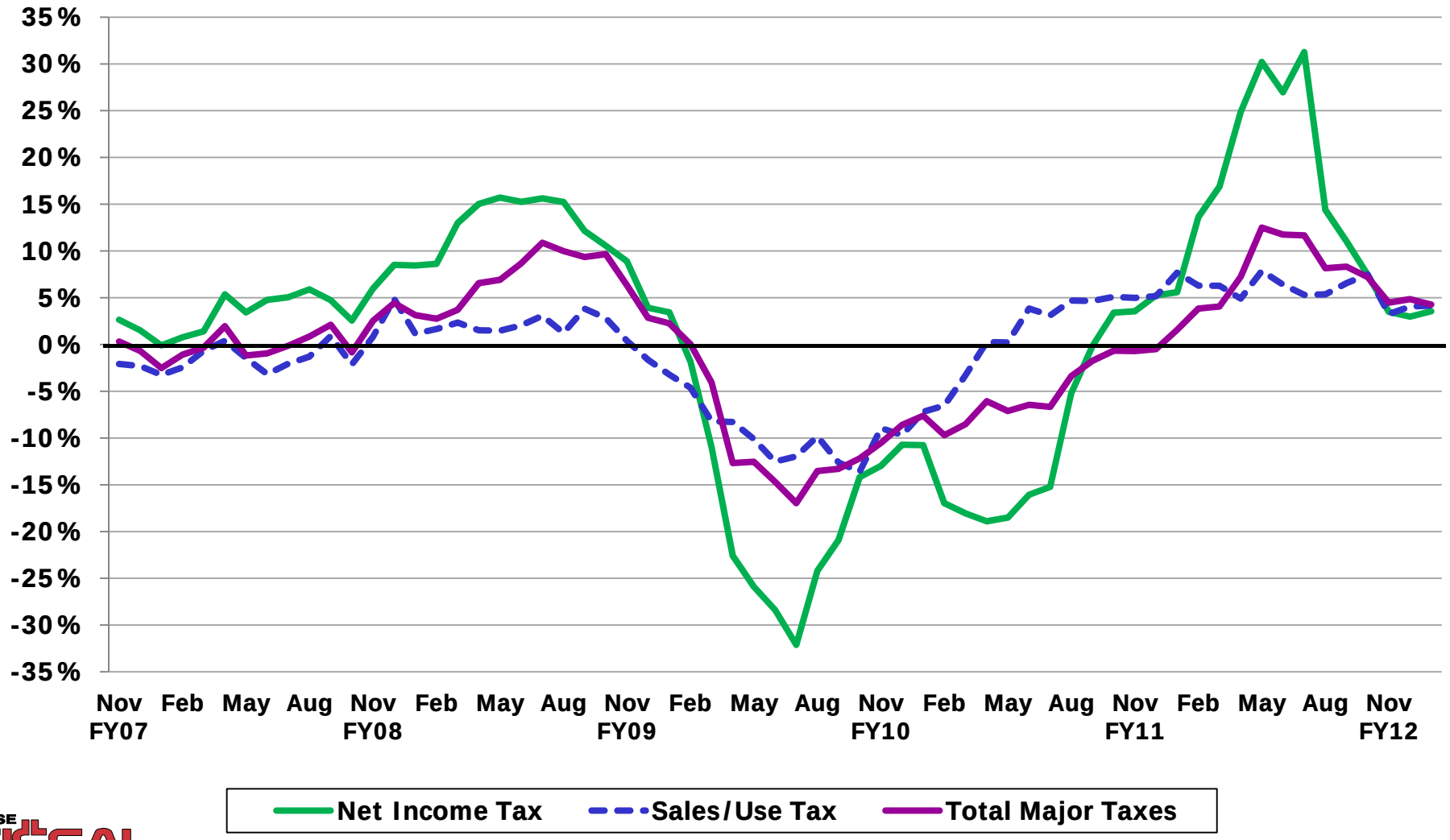
Personal Income and Consumer Spending



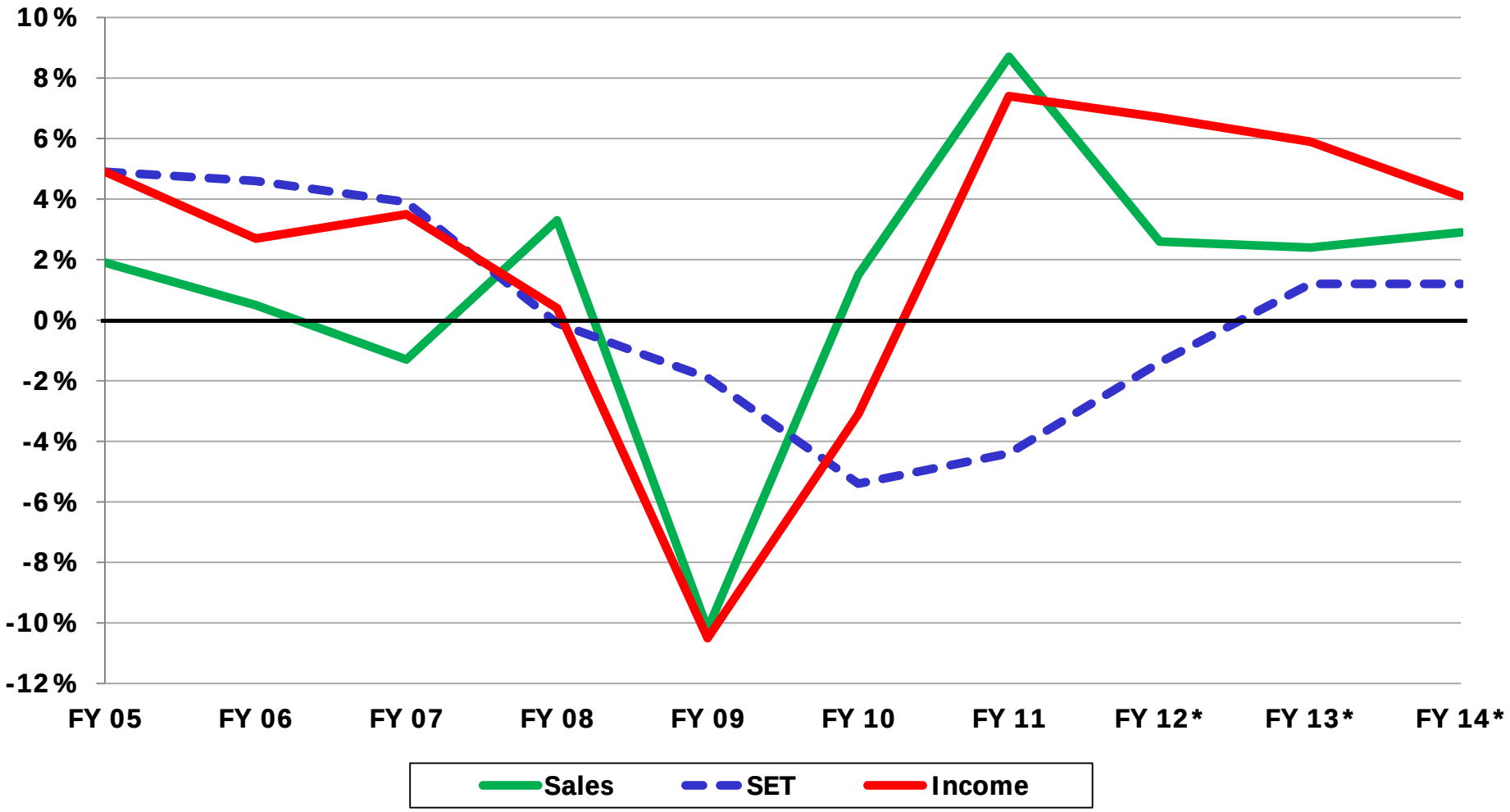
Source: U.S. Department of Commerce, Bureau of Economic Analysis

Percent Change in Net Income, Sales/Use, and Total Major Taxes

6 Month Average

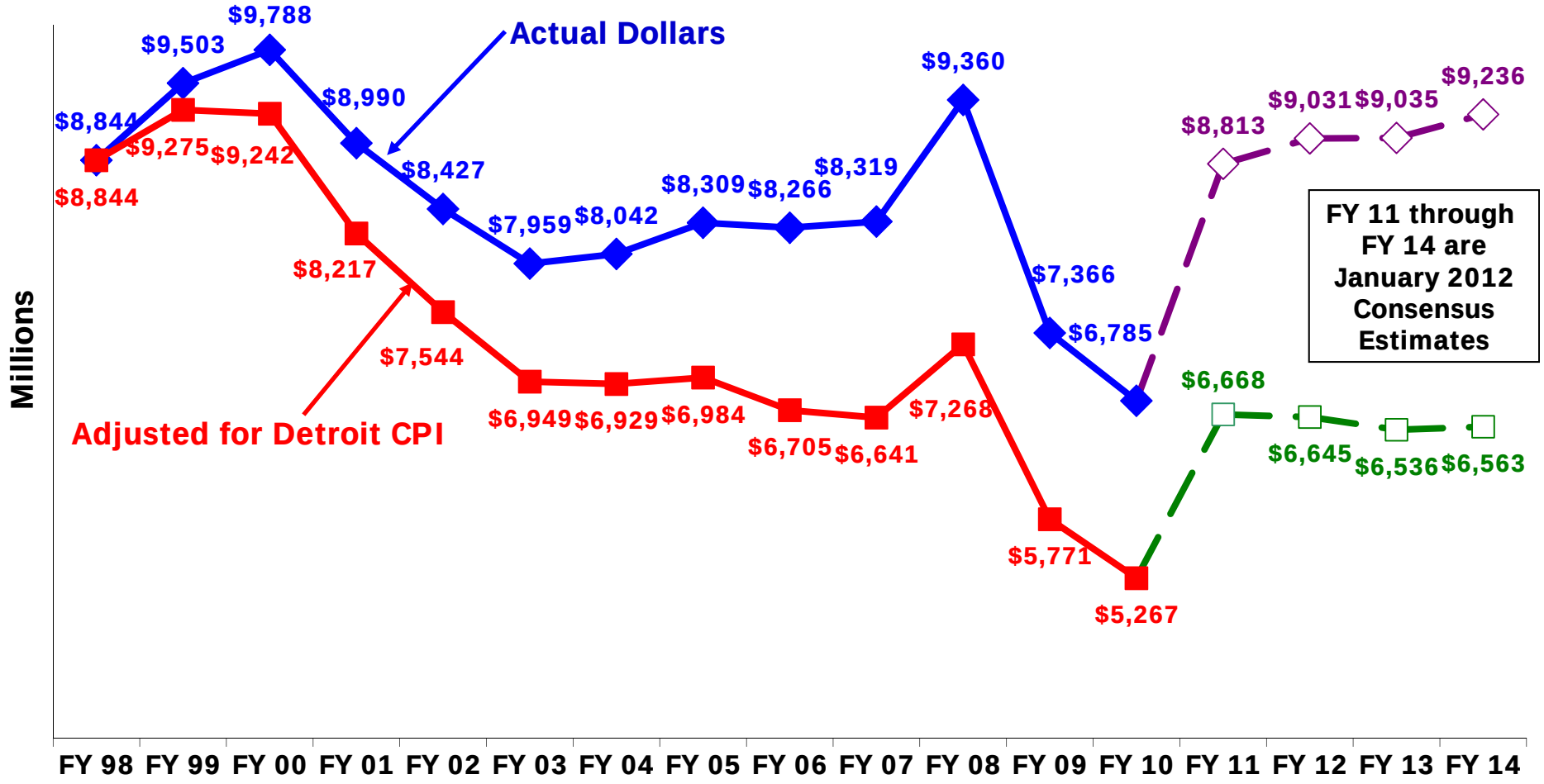


Trend of Major Taxes Earmarked to the SAF

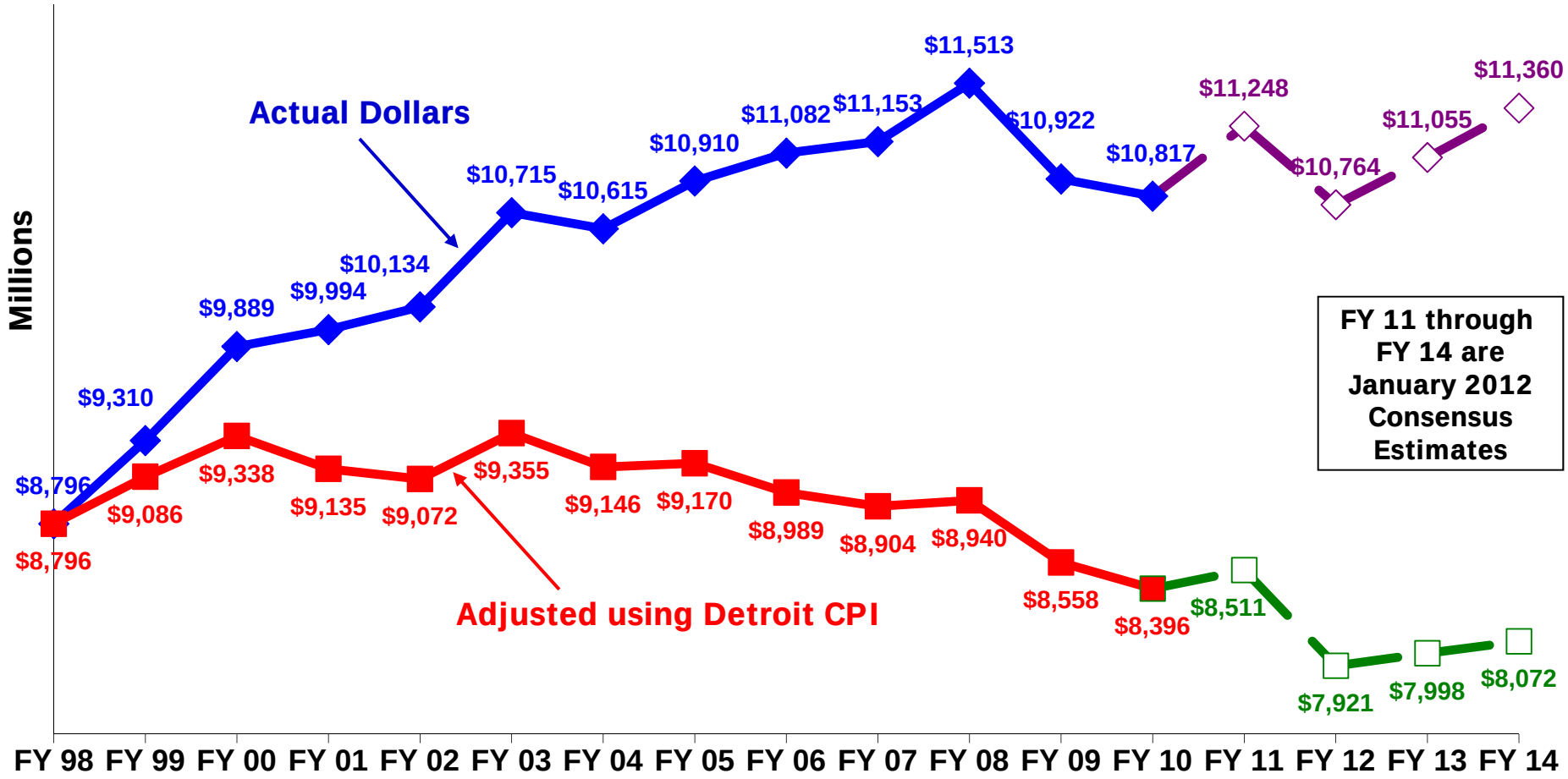


*FY 2012 - FY 2014 are January Consensus Estimates. Includes tax restructuring plan.

Inflation Adjusted GF/GP Revenue Down 29% Since FY 2000



Inflation Adjusted SAF Net Revenue Down 13.6% Since FY 2000



GENERAL FUND AND SCHOOL AID BALANCE SHEETS

General Fund Balance Sheet FY 2011-12 and FY 2012-13

	(Dollars in Millions)	
	FY 2011-12	FY 2012-13
Revenue		
Beginning Balance	$566.6	$537.0
Revenue Estimate Conference (Jan. 2012)	$9,240.1	$9,044.6
EVIP / County Revenue Sharing	($330.0)	($360.6)
Total Revenue	$9,476.7	$9,221.0
Expenditures (Projected / Exec. Rec.)	$8,939.7	$9,152.0
Estimated Year-End General Fund Balance	$537.0	$69.0

FY 2011-12 and FY 2012-13 General Fund Risks

Negatives:

- Caseload increases in Medicaid / FIP
- Passage of SB 34 – Elimination of personal property taxes (PPT)
- Additional supplementals

Positives:

- Higher revenue estimates

School Aid Balance Sheet FY 2011-12 and FY 2012-13

	(Dollars in Millions)	
	FY 2011-12	FY 2012-13
Revenue		
Beginning Balance	$724.7	$125.2
Revenue Estimate Conference (Jan. 2012)	$10,763.8	$11,055.0
General Fund/General Purpose (GF/GP)	$118.6	$200.0
Federal Aid	$1,658.0	$1,701.0
Total Revenue	$13,265.1	$13,081.2
Expenditures		
PA 62 of 2011	$12,744.0	$12,687.0
School Aid Fund Transfers		
Community Colleges	$195.9	$197.6
Higher Education	$200.0	$200.5
Estimated Year-End School Aid Fund Balance	$125.2	($3.9)

FY 2011-12 and FY 2012-13 School Aid Risks

Negatives:

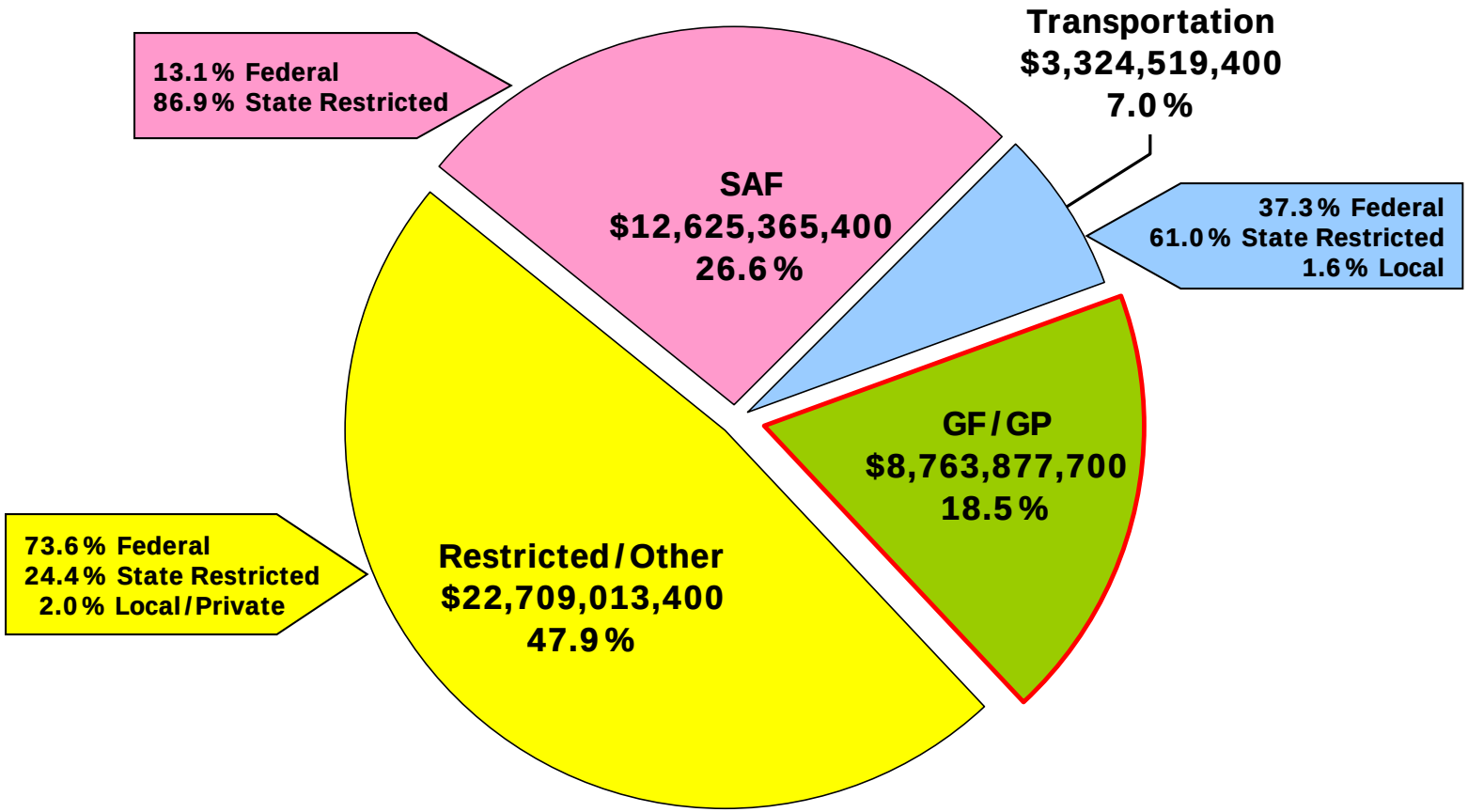
- Changes in taxable value estimates
- Outstanding tax tribunal cases involving property values
- Pupil estimates (
- Passage of SB 34 – Elimination of personal property taxes (PPT)
- Proposed Legislative Changes

Positives:

- Higher revenue estimates

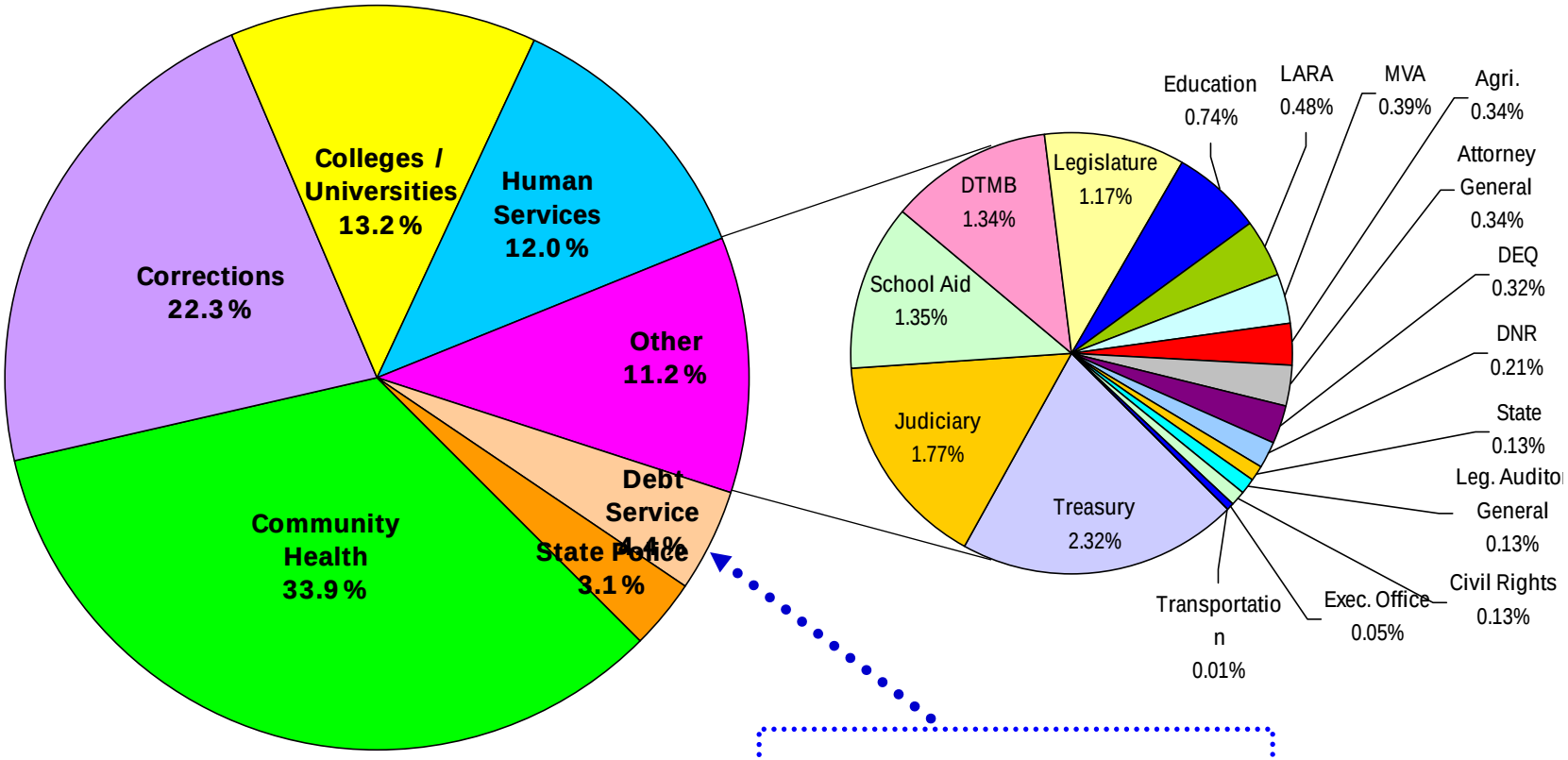
FY 2011-12 Appropriations Funding

Adjusted Gross = $ 47,422,775,900



FY 2011-12 GF/GP

FY 2011-12 Total = $8,763,877,700



4.4%
$382 million
Debt Service and SBA Rent

EXECUTIVE BUDGET RECOMMENDATION

GF/GP and School Aid Fund Adjustments (FY 2012-13)

Ongoing Resources of $533.5 million:

- **$297.3 million of new program increases**
- **$236.2 million of FY 2011-12 one-time funding converted to ongoing programming**

One-time Resources of $513.8 million:

- **$203.8 million of new one-time appropriations**
- **$180.0 million of continued one-time appropriations from FY 2011-12**
- **$130.0 million GF/GP transfer to Budget Stabilization Fund (BSF)**

Ongoing Resources (FY 2012-13)

Program Increases:

- $71.1 million infrastructure related to IT and state building maintenance
- $80 million linked to performance
- $27.7 million for the Office of Fiscal Responsibility and funding distressed cities
- $26.2 million for the increase of health care related to MPSERS rate
- $24.8 million in Health and Human Services

One-time Converted to Ongoing:

- $155 million MPSER offset
- $50 million for economic gardening
- $30 million for EVIP and county revenue sharing

One-time Resources (FY 2012-13)

New One-time Appropriations:

- $119.0 million to MDOT for federal aid match
- $24.2 million infrastructure related to IT and state building maintenance
- $25.3 million for one-time state employee compensation

Continued Funding of One-time Appropriations:

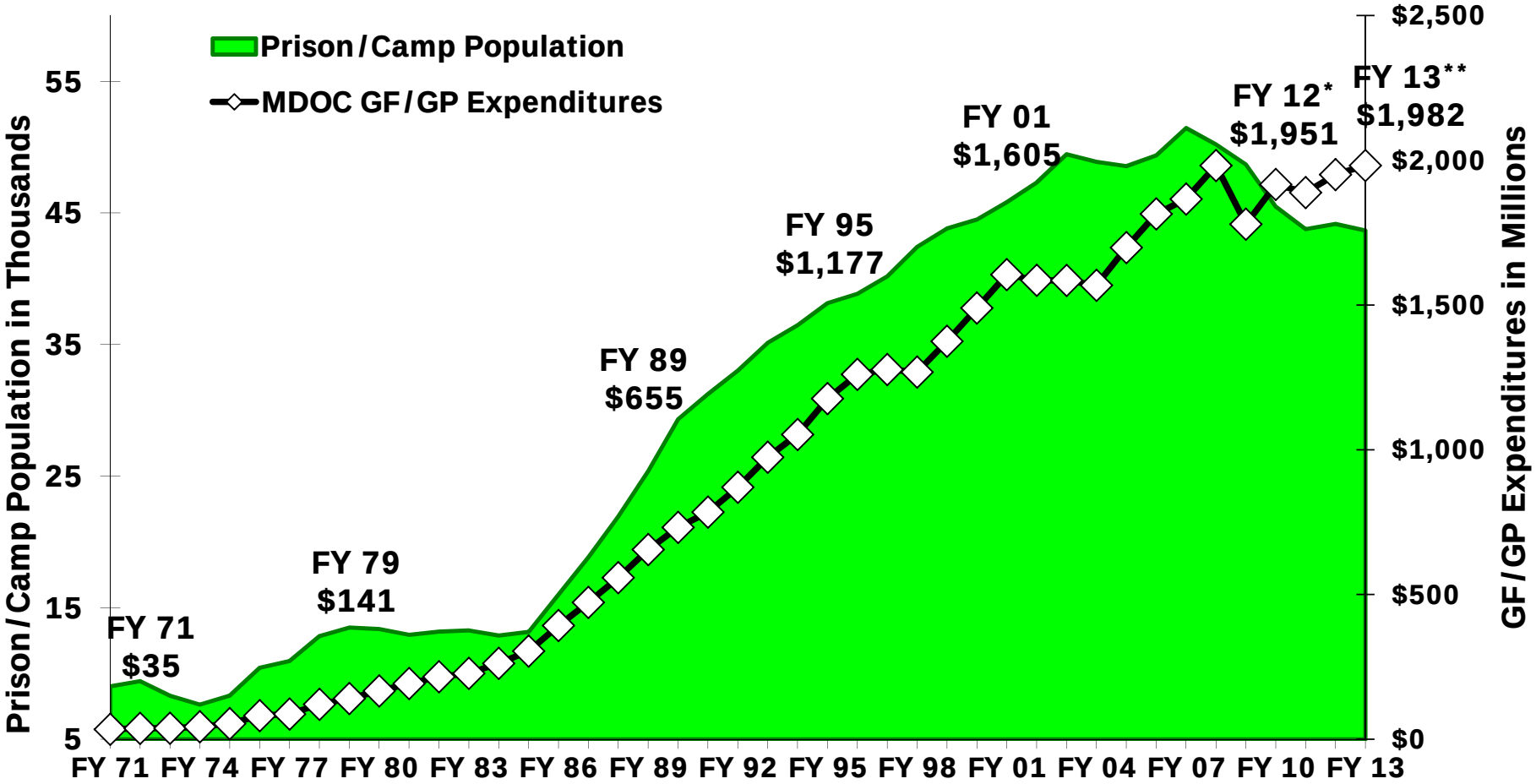
- $150 million for best practice grants within School Aid budget
- $25 million for film incentive funding
- $5 million for health and wellness initiatives
- GF/GP transfer of $130 million to the BSF

CONTINUED STRESS ON THE BUDGET

Medicaid Impact on Michigan Budget

- For FY 12, approximately 33.5% of Michigan GF/GP revenue is appropriated for Medicaid
- 1 of 5 Michigan residents were eligible for Medicaid in April 2009
- 51% of births and 70% of nursing home expenditures in Michigan are financed through Medicaid
- Total state and federal Medicaid appropriation is over $11.9 billion in FY 12
- Since FY 1999-2000
  - 135.0% increase in Medicaid funding
  - 78.4% growth in Medicaid caseload (834,033 cases)

Corrections Budget Increases



*= YTD with OPEB supplemental
** = Executive Recommendation

Fiscal Year 2008-09 includes GF/GP reductions due to appropriation of federal ARRA funds.

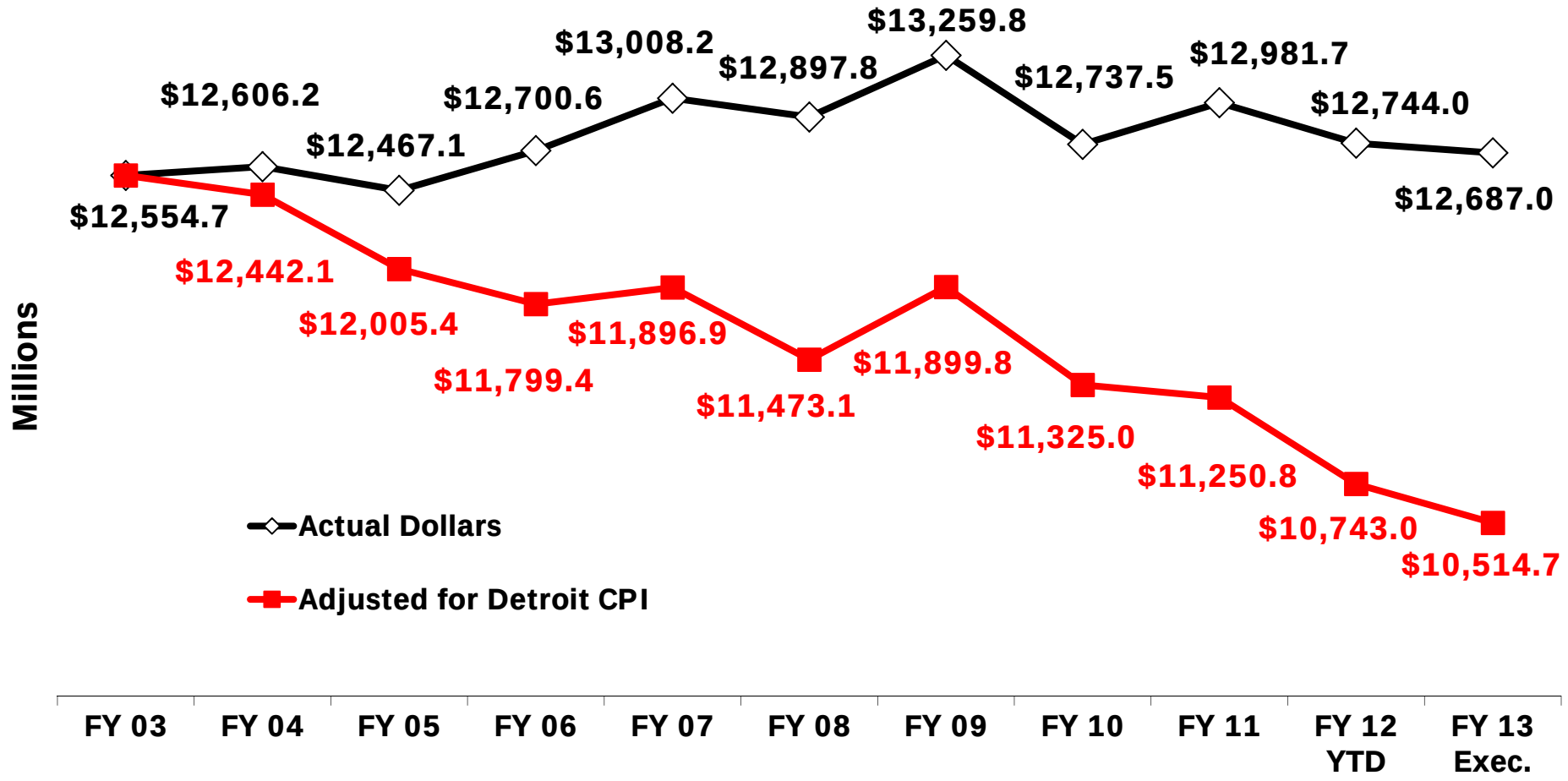
Reduced State Revenue May Lead to Loss of Federal Aid

FY 2013-2016 Annual Shortfall	
State Revenue Shortfall	$75-100 million per year
Federal Aid Lost to MDOT Highway Capital Program	$440-600 million per year

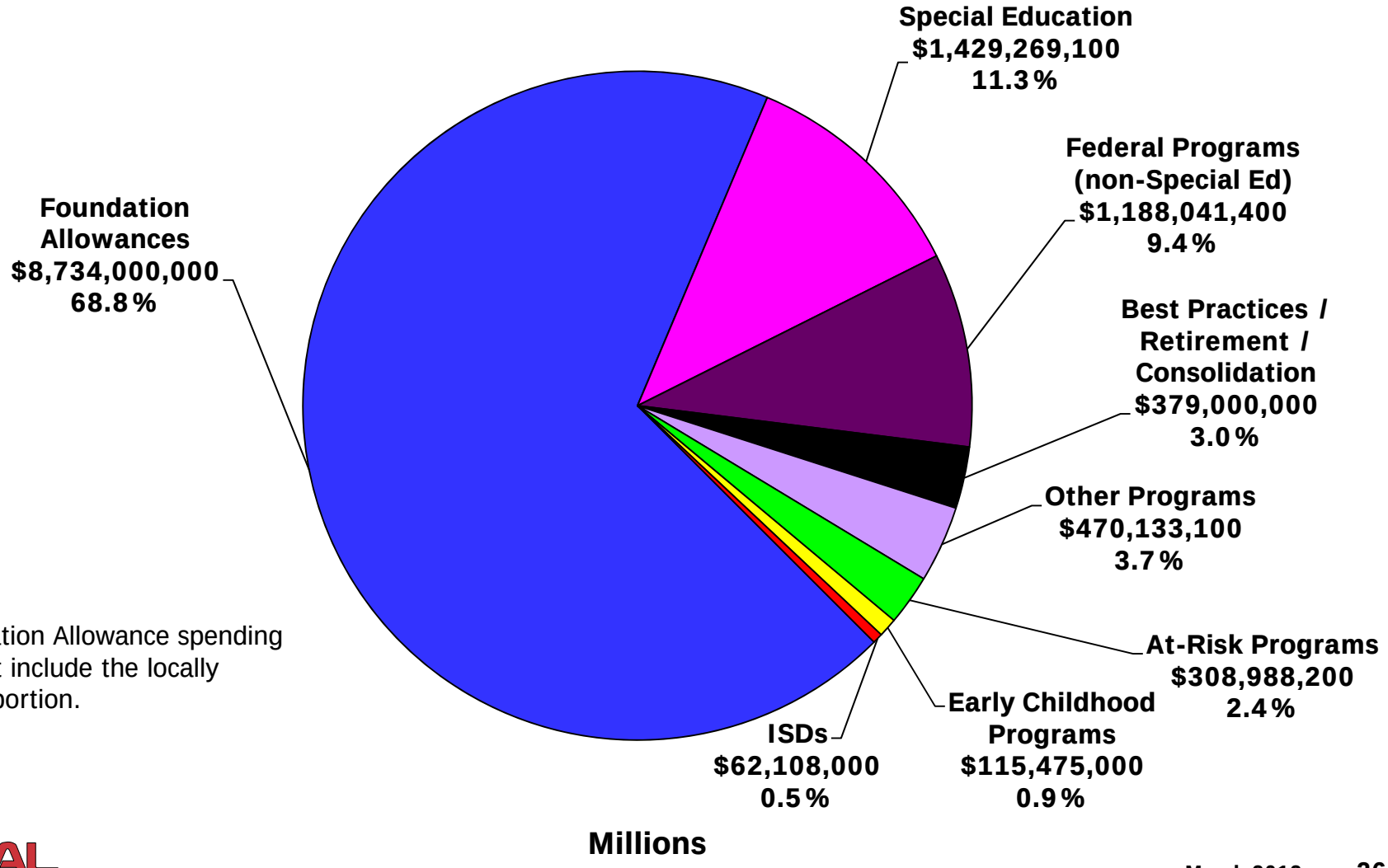
Sources: Michigan Department of Transportation website and 2012-2016 Draft Five-Year Highway Program 1/26/2012

SCHOOL AID BUDGET

School Aid Budget
Adjusted Gross Appropriations



School Aid Appropriations
FY 2012-13 Exec Rec= $12,687.0 million



*Foundation Allowance spending does not include the locally funded portion.

Executive Recommendation for School Aid budget FY 2012-13

- No Foundation Increase
- Best Practices/Performance funding:
  Increase from $155 million to $190 million.
- MPSERS Cost Offset:
  Increase from $154 million to $179 million.
- New $10 million in Consolidation Grants
- New $1.75 million Principal Educator Evaluation Training

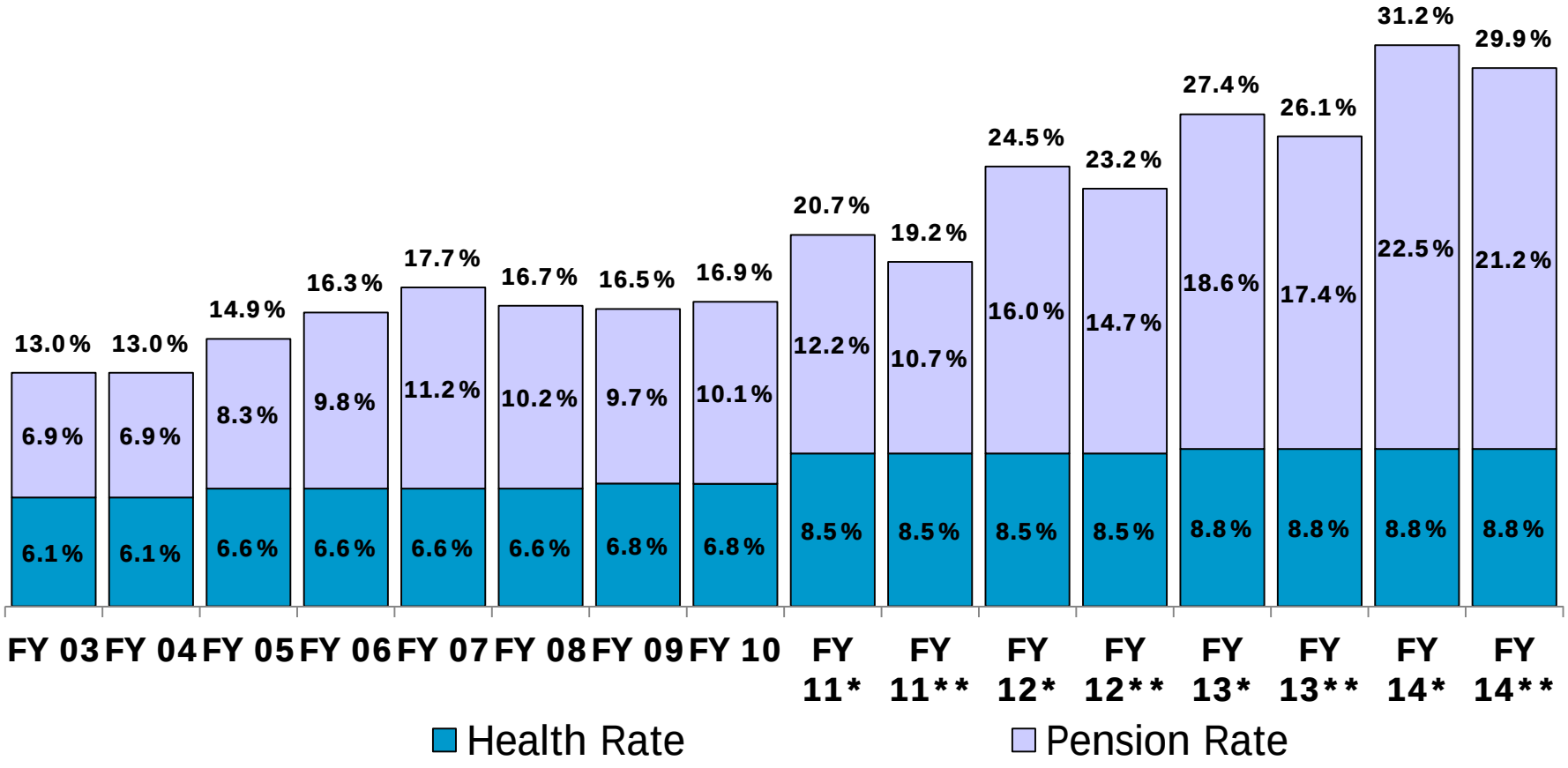
Executive Recommendation for School Aid budget FY 2012-13

- **ISDs Best Practices:**
  5% out of their current Sec. 81 allocation
- **Kindergarten Funding:**
  Reduced foundation allowance if less than full-day
- **Revise Preschool allocations based on ISD-wide formulas and allow ISDs to manage programs and allocate slots.**

Potential MPSERS Reforms

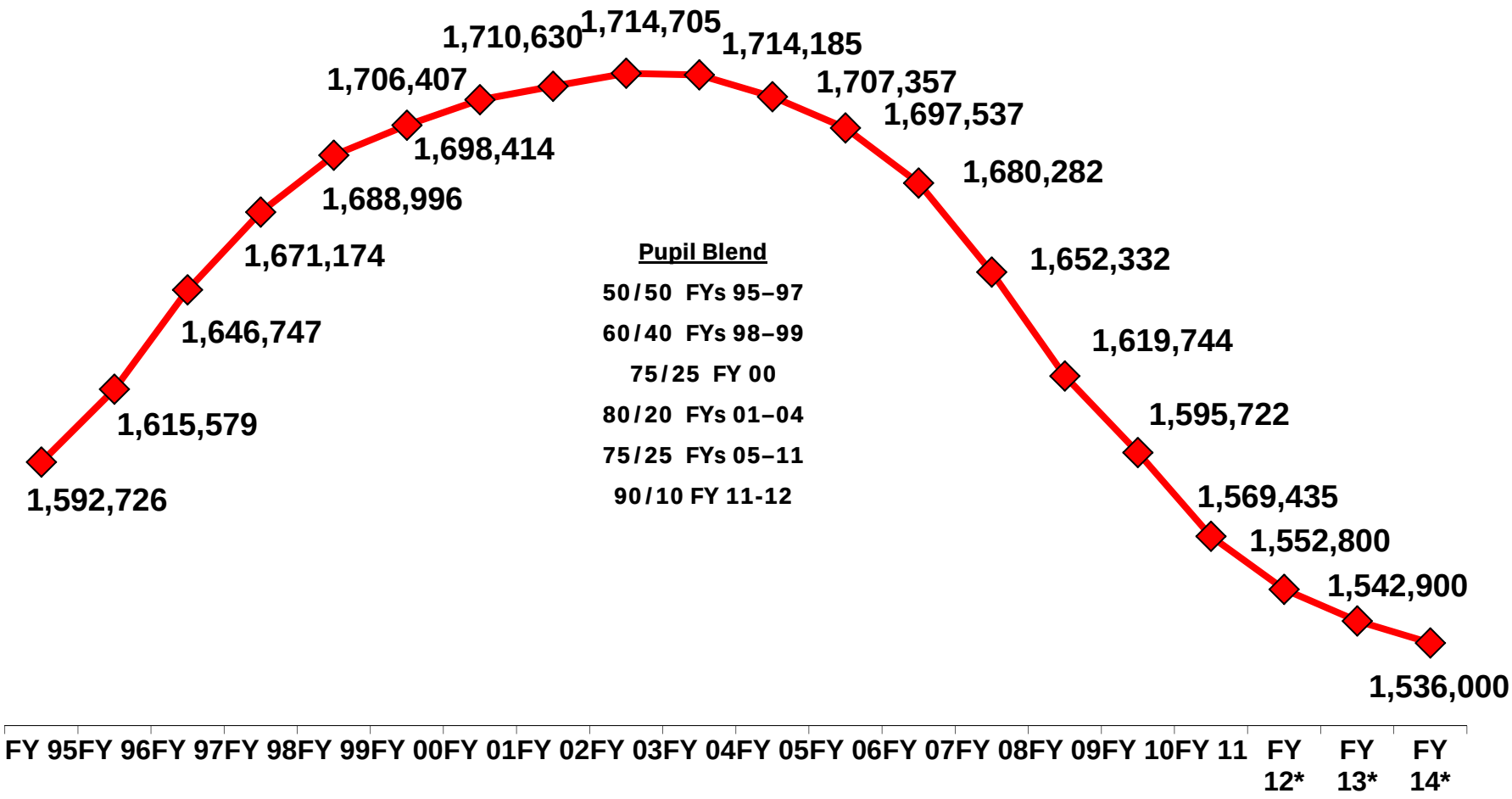
- 3% Retiree Health Contribution?
- Replace Retiree Health with 2% DC matching contribution for new employees?
- Other contribution and/or benefit changes for current employees?
- Redistribution of stranded UAL costs?
- Impact of Proposed Education Reform Legislation?
  - Education Achievement Authority (EAA)
  - Increased Charters
  - Cyber Schools
  - Conversion Schools

MPSERS Contribution Rates



Note: * Rate for Pension for employees hired prior to July 1, 2010.
** Rate for Pension Plus for employees hired after July 1, 2010.
Both rates will be adjusted down by 3 percentage points if the injunction in *McMillan et al. v. MPSERS et al.* preventing the use of the 3% employee contribution is lifted.

Total Membership Pupil Counts



*January 2012 Consensus Estimate

HOUSE FISCAL AGENCY

www.house.mi.gov/hfa