

# Revenue and Budget Update

Prepared for:  
MDE/MBSO Workshop  
Kellogg Center

November 2, 2011

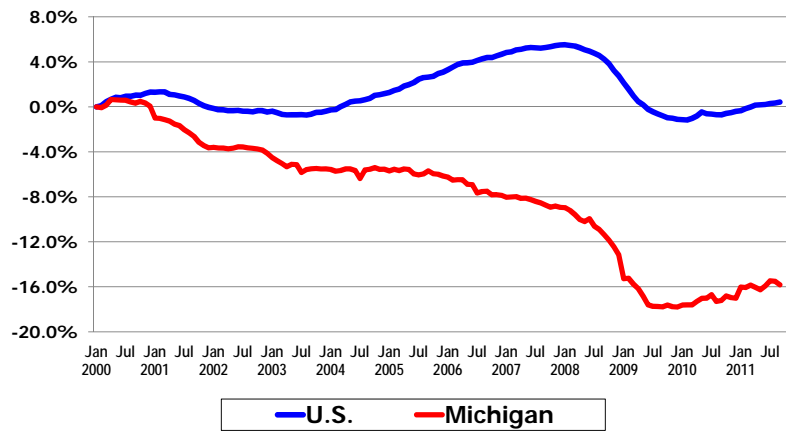


Mary Ann Cleary, Director



## Percent Change in Total Non-Farm Employment

January 2000 through September 2011

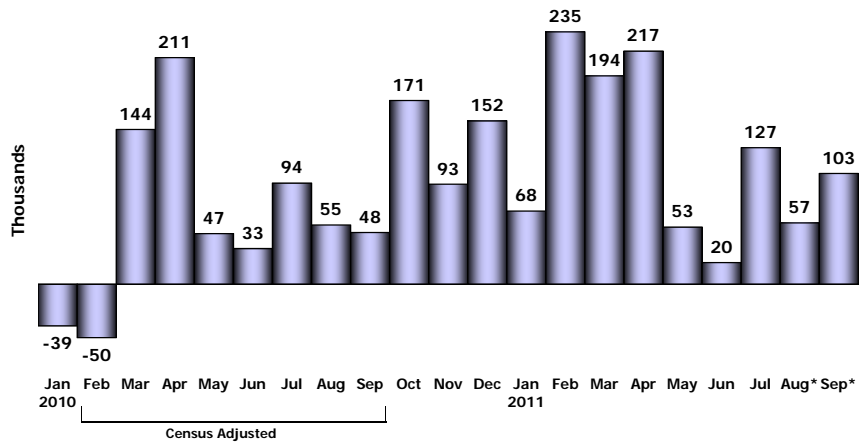


Source: U.S. Department of Labor, Bureau of Labor Statistics

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## U.S. Non-Farm Employment Monthly Net Change



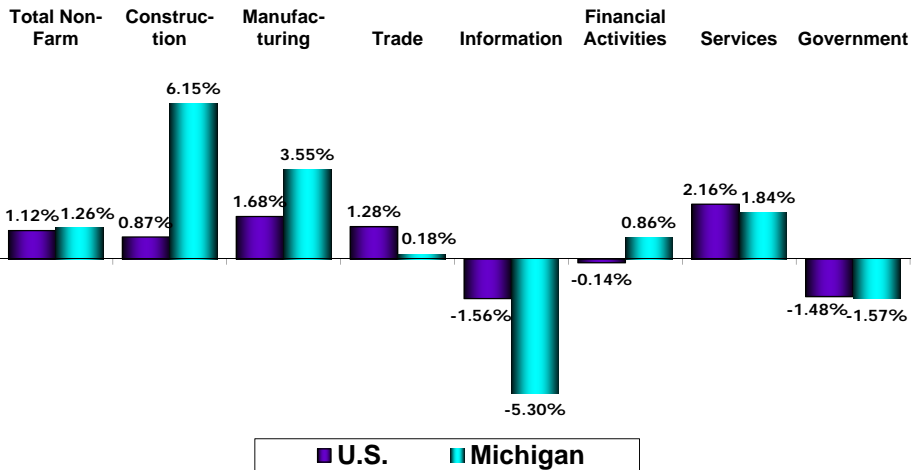
Source: U.S. Department of Labor, Bureau of Labor Statistics

\* = preliminary numbers

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## Percent Change in Employment September 2010 Through September 2011



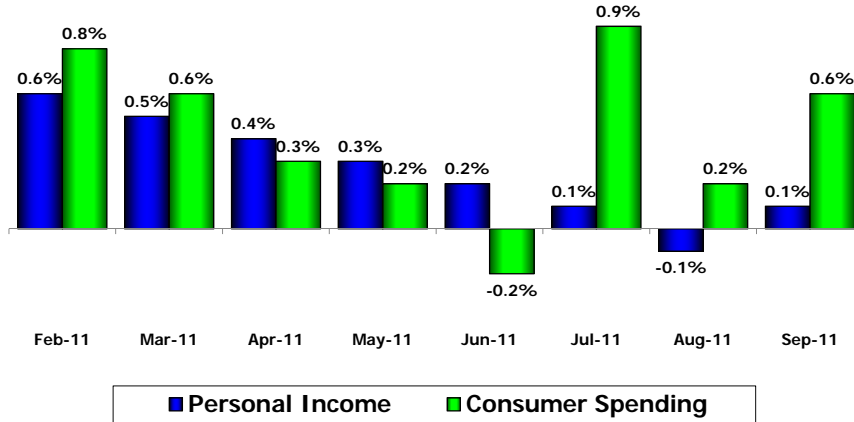
Source: U.S. Department of Labor, Bureau of Labor Statistics

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## Personal Income and Consumer Spending

Percent Change from Preceding Months

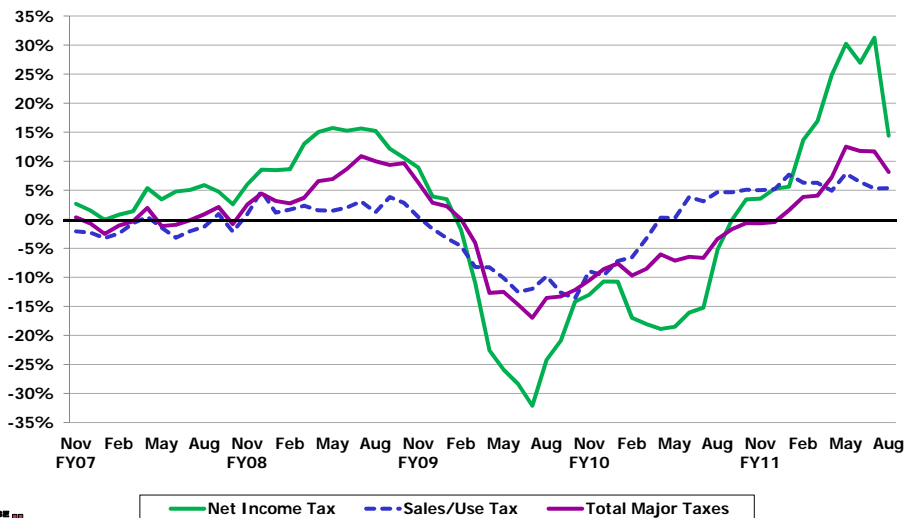


Source: U.S. Department of Commerce, Bureau of Economic Analysis

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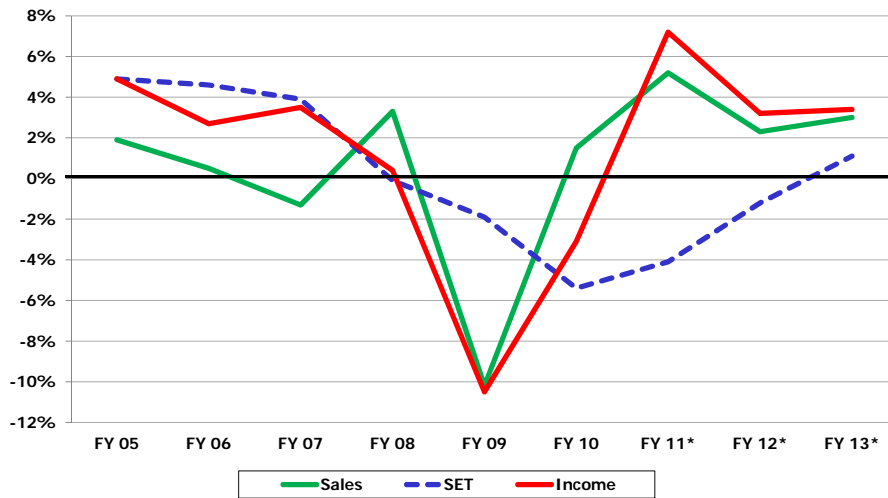
## Percent Change in Net Income, Sales/Use, and Total Major Taxes 6 Month Average



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## Trend of Major Taxes Earmarked to the SAF

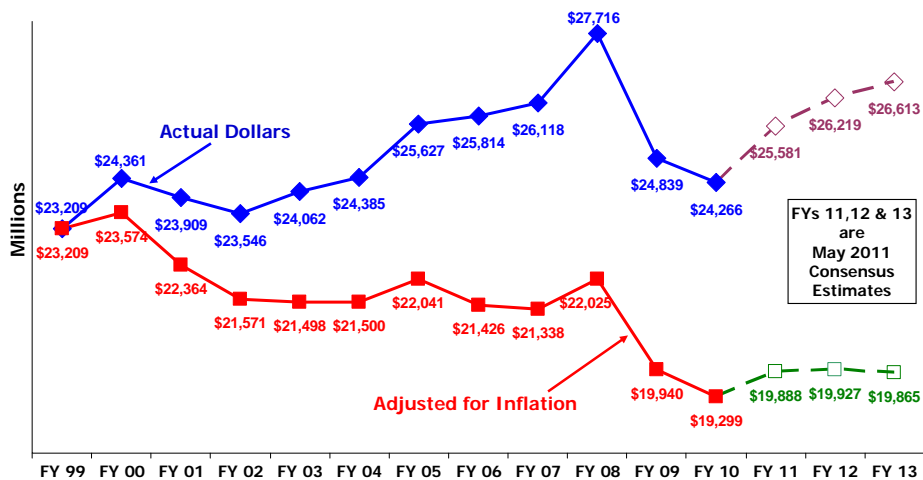


\*FY 2011 - FY 2013 are May Consensus Estimates. Does not include tax restructuring plan.

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## Total State Revenue Collections Down 15.7% Adjusted for Inflation Since FY 2000



Note: Includes all revenue subject to constitutional revenue limit.

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# GENERAL FUND AND SCHOOL AID BALANCE SHEETS



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

	(Dollars in Millions)	
	<u>FY 2011-12</u>	<u>FY 2012-13</u>
<b>Revenue</b>		
Beginning Balance	\$300.9	\$84.5
Revenue Estimate Conference (May 2011)	\$7,651.0	\$7,517.2
PA 38 & 39 Tax Reform Changes (NET)	\$154.7	\$438.0
Other Revenue	<u>\$844.4</u>	<u>\$658.2</u>
Total Revenue	\$8,951.0	\$8,697.9
<b>Expenditures</b>	\$8,866.5	\$8,579.4
Estimated Year-End General Fund Balance	\$84.5	\$118.5



## FY 2011-12 General Fund Risks

### Negatives:

- Unemployment Insurance (UI) loan payment
- Passage of SB 331 – Repeal of 1.85% liquor tax
- Passage of SB 166 – Repeal of driver responsibility fees
- Possible DHS TANF work participation penalty
- Passage of SB 34 – Elimination of personal property taxes (PPT)
- State employee concessions
- Supreme Court decision on Income Tax change

### Positives:

- Higher revenue estimates



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

	(Dollars in Millions)	
	<u>FY 2011-12</u>	<u>FY 2012-13</u>
<b>Revenue</b>		
Beginning Balance	\$645.9	\$0.2
Revenue Estimate Conference (May 2011)	\$11,335.3	\$11,626.4
General Fund/General Purpose (GF/GP)	\$118.6	\$18.6
PA 38 & 39 Tax Reform Changes (NET)	(\$689.9)	(\$662.1)
Other Revenue	(\$8.0)	\$3.2
Federal Aid	<u>\$1,653.3</u>	<u>\$1,653.3</u>
<b>Total Revenue</b>	<b>\$13,055.2</b>	<b>\$12,639.6</b>
<b>Expenditures</b>		
PA 62 of 2011	\$12,659.1	\$12,194.4
<b>School Aid Fund Transfers</b>		
Community Colleges	\$195.9	\$195.9
Higher Education	\$200.0	\$200.0
<b>Estimated Year-End School Aid Fund Balance</b>	<b>\$0.2</b>	<b>\$49.3</b>



## FY 2011-12 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)

### Positives:

- Higher revenue estimates



## Economic & Forecast Risks

- Given recent discouraging economic data, several economic forecasters have significantly reduced their outlook for the national economy since May; probability of a national recession: 30 – 50%.
- Europe: debt crisis and economic slowdown
  - Financial sector & stock markets are internationally connected -> liquidity / credit crunch
  - Reduce U.S./MI exports
- Federal Fiscal Policy...very uncertain



## Economic & Forecast Risks

- **Medium-to-Long term:**
  - **November 23** – deficit reduction recommendations reported by the “supercommittee” – both tax and spending changes
  - **December 23** – Congress is to vote (up or down, no amendments) on the recommendations
  - **January 2013** – an automatic sequester will implement spending cuts equally divided between defense & non-defense spending & spread evenly across FY 2013 – FY 2021, if at least \$1.2 trillion in deficit savings are not produced by Congress in December

