

Michigan's FY 12-13 Budget: A Vertical Analysis

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New Governor Rick Snyder and Utah convert turned Budget Director/Director of the Michigan Department of Technology, John Nixon released the Michigan Executive Budget for FY 12 and FY 13 on February 17, 2011. The new team was greeted with 10 years of \$0 revenue growth, one of the highest unemployment rates in the country, and a projected \$1.4 billion budget deficit in FY 12. While this may sound bleak and unfortunately representative of many states grappling with major revenue disruptions, it turns out Michigan is a little different. Budget deficits and hard times stretch back to the last recession in Michigan and in some ways give the state's government a competitive advantage in making tough decisions to right-side the state's financials. Two weeks before releasing this budget, John Nixon indicated that "...everything is on the table in Michigan" when it comes to building a balanced and strategic budget to move the state towards solvency.

Table 1: Michigan Budget Comparison Across FY 11-13

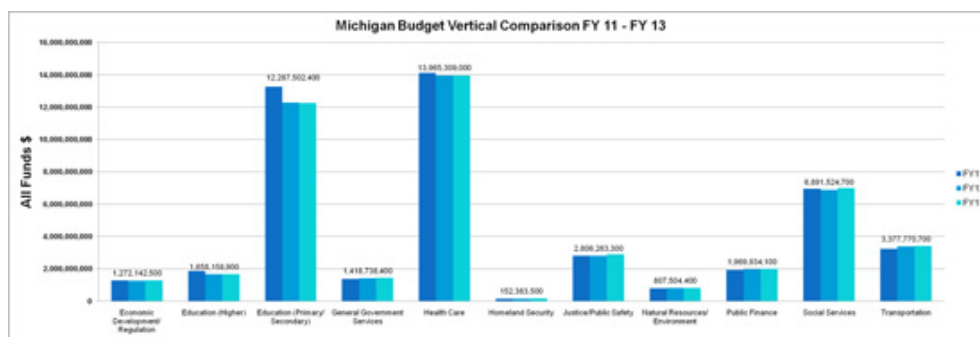
	FY 11 \$	FY 12 \$	% Δ FY 11 to FY 12	FY 13 \$	% Δ FY 12 to FY 13
Budget	47,801,151,400	46,807,231,900	-2.57%	46,896,065,900	0.00%
Estimated IT Budget	664,345,500	624,223,400	-39.12%	623,223,400	-0.11%
Transportation (Vert. w/Meet Goal)	3,377,770,700	3,377,770,700	4.39%	2,899,807,200	-3.33%
Education (Higher) (Vert. w/Meet Loss)	1,658,158,900	1,458,158,900	-11.53%	12,258,851,900	-0.23%
Justice/Public Safety (Vert. w/Meet Goal)					
Education (Primary/Secondary) (Vert. w/Meet Loss)					

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The new administration has identified long term spending plans, program-specific adjustments, performance metrics, and government transparency as strategies to move from a reactive, crisis management mode of fiscal policy to a proactive spend management approach with a desired result of fiscal solvency.

Michigan's current fiscal year (FY 11) is balanced, but, the administration is closely watching changes in Medicaid and unemployment insurance loan interest. In addition, 14% of the FY 11 general fund budget is comprised of one-time budget fixes, like ARRA funding. The funding cliff after ARRA funding expires is fast approaching for all states and is one reason for Michigan's projected \$1.4 billion budget gap in FY 12. Other factors include flat tax revenues exacerbated by rising health (Medicaid), family service demands during this economic downturn, and baby boomers shifting toward older age and retirement.

Figure 1: Michigan Budget Vertical Comparison Across FY 11-13



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The education vertical will experience some of the deepest cuts in the coming fiscal years. All fund totals for higher education drop -11.53% from FY 11 - FY 12. Over the same period, primary and secondary education vertical spending decreases -7.34% to \$12.3 billion. The gaps are being met by reductions in funding to PK-12, focusing community college funding on historically successful systems, and other administrative and miscellaneous cost savings methods.

Health care and social service verticals share the "biggest buckets to cut" award with education and will close gaps by reducing the lifetime limit for the Family Independence Program to 48 months and by closing detention centers.

[Read here for more analysis, including an IT vertical breakdown.](#)

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