Managing Economic Development in Times of Fiscal Uncertainty

Session #1: Fiscal Distress and Economic Development

Moderator: Alicia Berg, Columbia College Chicago

Panelists: Mitch Bean, Great Lakes Economic Consulting
The Honorable Tom Tait, City of Anaheim, California
Session #1: Fiscal Distress and Economic Development

Panelist: Mitch Bean
Great Lakes Economic Consulting
Michigan’s 10-Year Recession

Federal Reserve Bank of Chicago: April 4th, 2013
Sales Up; Big 3 Market Share Stabilizes

Source: Automotive News and May 2011 Consensus Estimates
Michigan Vehicle Employment


Thousands

322.6 332.3 341.5 346.1 317.0 296.9 274.0 259.3 241.2 221.4 202.5 171.4 127.0 131.1 140.1 145.5 150.1

2011 - 2013 are May 2011 Consensus Estimates
Michigan Unemployment Rate

% of Unemployed Workers in Michigan

Source: U.S. Bureau of Labor Statistics
Structural Problems Began in Earnest in 2001

<table>
<thead>
<tr>
<th>Funding Source</th>
<th>$ Amount in Millions</th>
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<tbody>
<tr>
<td>Withdrawn from the BSF</td>
<td>$1,264.0</td>
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<tr>
<td>SAF surplus</td>
<td>$870.0</td>
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<tr>
<td>One-time revenue from changing SET collection dates</td>
<td>$454.0</td>
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<tr>
<td>Other one-time revenue from various fund shifts and property sales</td>
<td>$689.0</td>
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Total One-Time Revenue June 2001 to December 2002 $3,277.0
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.
Michigan Business Tax History

• Corporate Franchise Fee: 1921 – 1957

• BAT a modified “subtractive” VAT: 1957 – 1967

• Business income Tax and Financial Institutions Tax 1967 – 1975

• Single Business Tax 1975 – 2007

• Michigan Business Tax 2007 – 2012

• Corporate Income Tax 2012 - ?