



FY 2011-12

APPROPRIATIONS REPORT

Part I - Governor's Recommendations

March 2011



THE SENATE FISCAL AGENCY

The Senate Fiscal Agency is governed by a board of five members, including the majority and minority leaders of the Senate, the Chairperson of the Appropriations Committee of the Senate, and two other members of the Appropriations Committee of the Senate appointed by the Chairperson of the Appropriations Committee with the concurrence of the Majority Leader of the Senate, one from the minority party.

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1. To provide technical, analytical, and preparatory support for all appropriations bills.
2. To provide written analyses of all Senate bills, House bills, and Administrative Rules considered by the Senate.
3. To review and evaluate proposed and existing State programs and services.
4. To provide economic and revenue analysis and forecasting.
5. To review and evaluate the impact of Federal budget decisions on the State.
6. To review and evaluate State issuance of long-term and short-term debt.
7. To review and evaluate the State's compliance with constitutional and statutory fiscal requirements.
8. To prepare special reports on fiscal issues as they arise and at the request of members of the Senate.

The Agency is located on the 8th floor of the Victor Office Center. The Agency is an equal opportunity employer.



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OVERVIEW

Governor Rick Snyder, on February 17, 2011, presented his fiscal year (FY) 2011-12 State Budget Message and his budget projections for FY 2012-13. The Governor's intent is to pursue budget process reforms as well as performance measures for State programs. One of the proposed process reforms is a biennial budget. Pursuant to an Attorney General's letter opinion issued on February 9, 2011, the Governor is allowed to propose a two-year budget and the Legislature can enact a two-year budget but the second year would be only an expression of an "intent to appropriate", not binding or legally enforceable. This report will focus primarily on Governor Snyder's FY 2011-12 appropriation recommendations.

The Governor recommended FY 2011-12 Adjusted Gross appropriations of \$45.9 billion. Included in this appropriation total are \$19.0 billion of Federal funds, \$497.6 million of local and private funds, \$18.2 billion of State restricted revenue, and \$8.1 billion of State General Fund/General Purpose (GF/GP) revenue. Table 1 and Figure A outline the sources of funding for each department and budget area included in the Governor's recommendation. There are two other GF/GP appropriation recommendations proposed by the Governor that are not included in the departmental totals: a negative \$180.0 million for undisclosed employee compensation reductions and a positive \$200.0 million for partial payment of retiree health care liabilities. The net effect of these two proposals adds \$20.0 million to the Governor's Adjusted Gross and GF/GP appropriation recommendations, and the proposals will be shown as balance sheet items until specific departmental amounts are identified.

Tables 2-4 and Figures B-D compare FY 2011-12 departmental appropriations to those of FY 2010-11 for three of the major fund source categories: Adjusted Gross, State Spending from State Resources, and GF/GP. Adjusted Gross appropriations are defined as total appropriations for each department less funds transferred in from other departments. State Spending from State Resources appropriations are defined as appropriations from State Restricted revenue and State GF/GP revenue. State GF/GP appropriations are those funded from State GF/GP revenue, which is the residual unrestricted portion of State revenue over which the Governor and the Legislature have the most flexibility in establishing appropriation policy. Compared with FY 2010-11, the Governor's FY 2011-12 budget includes an Adjusted Gross appropriation reduction of \$1.17 billion or 2.5%, an increase in State Spending from State Resources appropriations of \$261.8 million or 1.0%, and a decline in GF/GP appropriations of \$191.2 million or 2.3%.

The FY 2011-12 budget recommendation from the Governor is based on the consensus revenue estimates agreed to on January 14, 2011. The FY 2011-12 GF/GP consensus revenue estimate is \$7.3 billion. This represents a 0.9% increase from the FY 2010-11 GF/GP consensus revenue estimate. The FY 2011-12 School Aid Fund (SAF) consensus revenue estimate is \$11.2 billion, a 2.0% increase from the FY 2010-11 consensus revenue estimate. The State Treasurer developed the revenue estimate that the Governor uses for his FY 2012-13 budget recommendation.

The Governor's FY 2011-12 budget is balanced through tax reform, revenue adjustments, spending reductions, and employee concessions. The Governor's FY 2011-12 recommendation projects a year-end GF/GP balance of \$159.8 million, and an SAF balance of \$95.5 million. These ending balances are carried forward into FY 2012-13. The Governor's proposal for FY 2012-13 projects a year-end balance of \$12.0 million for the GF/GP budget and a zero balance for the SAF. In general, the Governor's recommendation for FY 2012-13 represents an adjustment of the FY 2011-12 base for caseload, costs, and economic factors.

Full-time equated positions (FTEs) in the Governor's FY 2011-12 budget total 54,996.8, a decline of 1,105.5 FTEs or 2.0%. The largest reductions are in the Departments of Community Health, Corrections, and Human Services. The largest percentage decrease in FTEs is 15.6% or 151.0 FTEs in the Department of Military and Veterans Affairs, due to the proposed privatization of care aides at the Grand Rapids Veterans' Home. Table 5 and Figure E list the FTE changes for each department.

A major assumption in the Governor's budget is his proposal to eliminate the Michigan Business Tax (MBT) and replace it with a flat 6.0% Corporate Income Tax. The Governor also proposes to eliminate most of the credits and deductions related to the Michigan individual income tax. The combination of these tax changes results in a net increase for the FY 2011-12 GF/GP budget of \$339.8 million and a net decrease for the SAF of \$593.9 million. The Governor's budget recommendation includes \$16.1 million of revenue from proposed fee increases.

The Governor's proposed individual income tax changes also include creating a new Tax and Fee Reform Reserve Fund which would receive a portion of income tax revenue beginning in FY 2012-13. The Fund would receive approximately \$170.0 million in FY 2012-13, but due to the expansion of the tax base under the Governor's proposal, the earmarks in later years would be larger. The portion of individual income tax revenue directed to the Fund would increase each year through FY 2015-16, when approximately \$880.0 million would be directed to the Reform Fund rather than the General Fund.

The Governor's FY 2011-12 recommendation proposes to roll-up many line items in each budget area and to eliminate most legislatively initiated boilerplate language. The Governor also proposes to consolidate the appropriations for all departments and budget areas into two appropriation bills: an education bill that would include funding for community colleges, universities, financial aid, and K-12 school districts; and another bill that would include funding for everything else. The consolidation of line items and the elimination of boilerplate language would provide greater flexibility for the Governor but also would greatly reduce the Legislature's oversight role.

Table 1

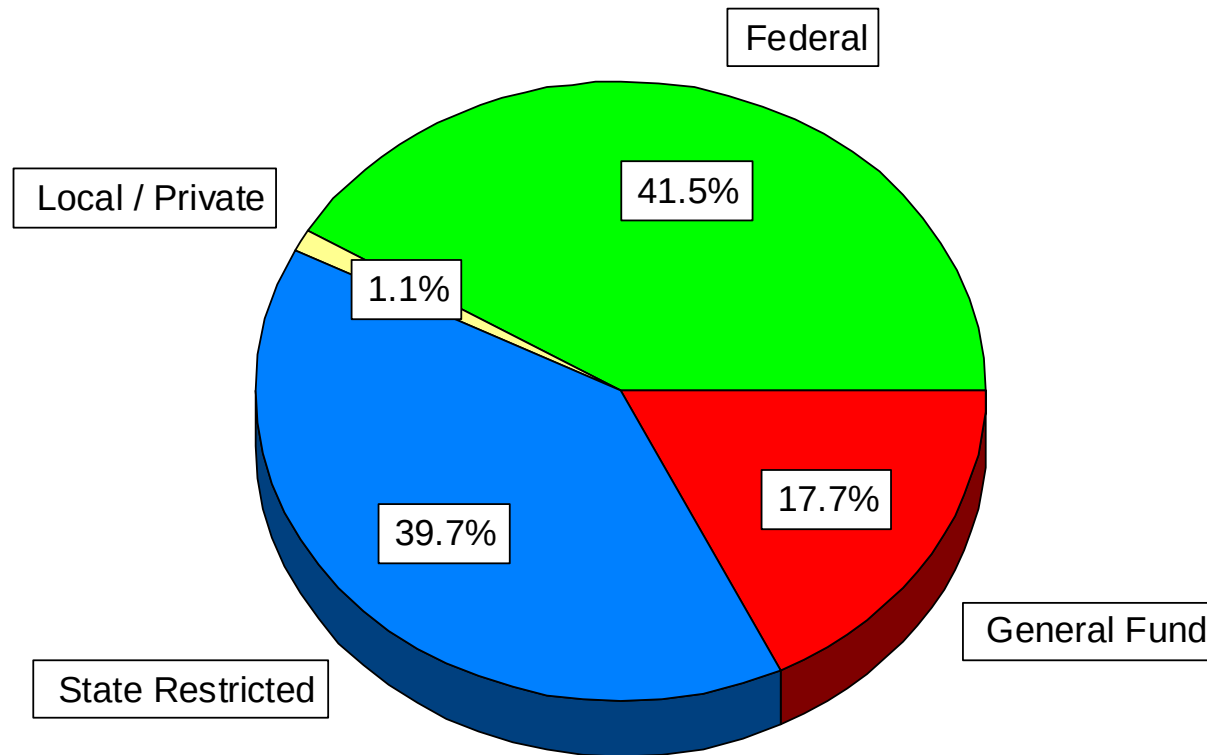
**FY 2011-12 GOVERNOR'S RECOMMENDATION
BY SOURCE OF FUNDS**

Department/Budget Area	Adjusted Gross	Federal Funds	Local & Private Funds	Other State Restricted	General Funds
Agriculture	\$71,171,700	\$14,184,700	\$171,300	\$29,713,000	\$27,102,700
Attorney General	52,455,500	8,848,800	0	15,489,100	28,117,600
Capital Outlay	0	0	0	0	0
Civil Rights	12,098,900	2,213,200	0	58,500	9,827,200
Community Colleges	295,880,500	0	0	195,880,500	100,000,000
Community Health	13,960,780,300	8,758,307,700	345,052,500	2,156,335,200	2,701,084,900
Corrections	2,011,462,600	7,995,100	447,300	73,184,000	1,929,836,200
Education	113,943,300	77,929,200	10,203,600	7,166,300	18,644,200
Energy, Labor, and Economic Growth	1,259,469,000	839,727,100	16,869,900	359,335,700	43,536,300
Environmental Quality	396,921,100	159,851,500	711,800	214,866,200	21,491,600
Executive	4,399,200	0	0	0	4,399,200
Higher Education	1,362,278,400	98,326,400	0	699,919,500	564,032,500
Human Services	6,890,281,600	5,649,786,500	46,909,700	97,107,200	1,096,478,200
Judiciary	257,701,900	5,539,500	7,185,200	92,100,300	152,876,900
Legislative Auditor General	12,136,900	0	0	1,539,900	10,597,000
Legislature	100,083,200	0	400,000	1,109,800	98,573,400
Military and Veterans Affairs	151,230,700	87,678,000	2,068,100	28,439,700	33,044,900
Natural Resources	328,260,800	69,319,800	2,842,400	242,382,400	13,716,200
Natural Resources (Trust Fund)	0	0	0	0	0
School Aid	12,173,559,100	1,653,331,800	0	10,107,684,900	412,542,400
State	191,885,000	1,810,000	100	178,788,700	11,286,200
State Police	497,936,400	106,251,500	6,672,800	123,336,100	261,676,000
Technology, Management, and Budget	403,172,800	2,803,400	1,637,200	85,374,400	313,357,800
Transportation	3,374,319,200	1,241,195,200	53,968,500	2,079,155,500	0
Treasury (Debt Service)	140,928,000	0	0	15,514,500	125,413,500
Treasury (Operations)	656,317,100	206,721,500	2,099,200	387,225,100	60,271,300
Treasury (Revenue Sharing)	958,979,300	0	0	958,979,300	0
Treasury (Strategic Fund)	199,288,100	50,652,800	350,000	75,568,600	72,716,700
TOTAL APPROPRIATIONS	\$45,876,940,600	\$19,042,473,700	\$497,589,600	\$18,226,254,400	\$8,110,622,900

Figure A

Appropriations by Source of Funds

FY 2011-12 Governor's Recommendation



Total = \$ 45,876,940,600

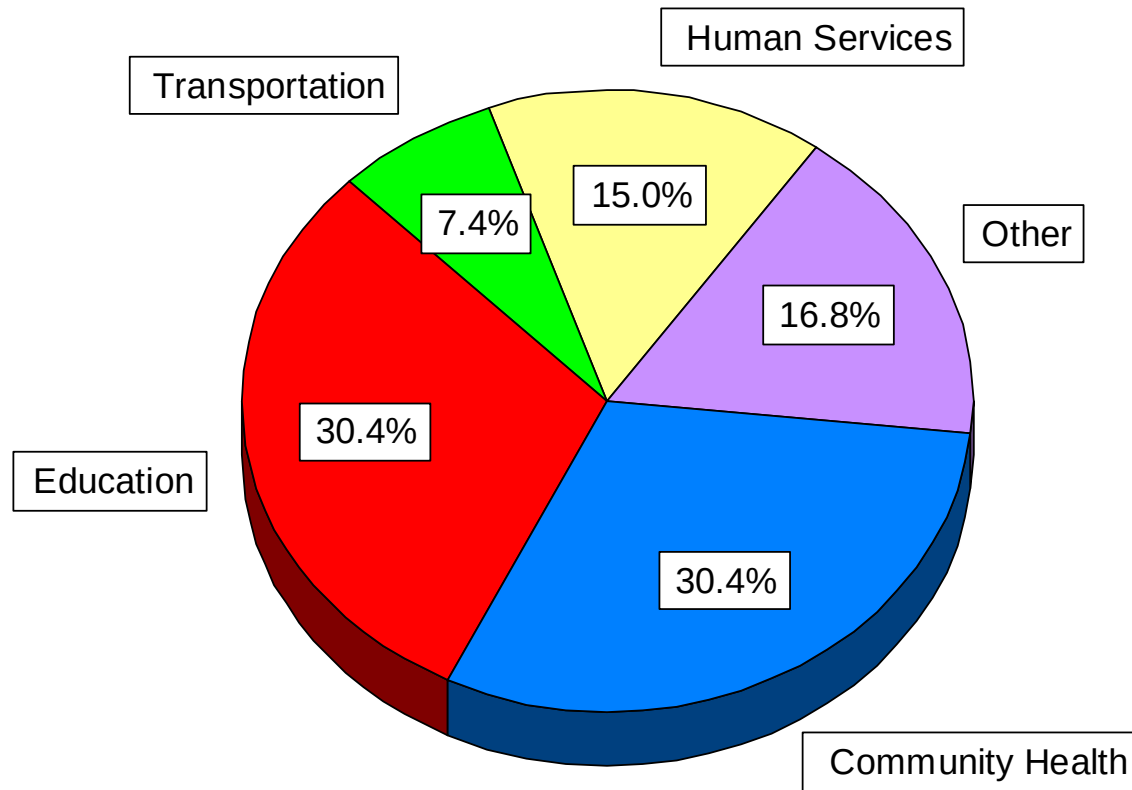
Table 2

**ADJUSTED GROSS APPROPRIATIONS
FY 2010-11 VERSUS GOVERNOR'S RECOMMENDATION**

Department/Budget Area	FY 2010-11 Year-to-Date Appropriations	FY 2011-12 Governor's Recommendation	Dollar Difference	Percent Change
Agriculture	\$76,159,200	\$71,171,700	(\$4,987,500)	(6.5%)
Attorney General	52,112,800	52,455,500	342,700	0.7
Capital Outlay	2,500	0	(2,500)	(100.0)
Civil Rights	12,778,700	12,098,900	(679,800)	(5.3)
Community Colleges	295,880,500	295,880,500	0	0.0
Community Health	14,070,083,800	13,960,780,300	(109,303,500)	(0.8)
Corrections	2,006,518,200	2,011,462,600	4,944,400	0.2
Education	126,959,900	113,943,300	(13,016,600)	(10.3)
Energy, Labor, and Economic Growth	1,264,576,900	1,259,469,000	(5,107,900)	(0.4)
Environmental Quality	386,973,900	396,921,100	9,947,200	2.6
Executive	4,630,800	4,399,200	(231,600)	(5.0)
Higher Education	1,578,278,500	1,362,278,400	(216,000,100)	(13.7)
Human Services	6,947,685,400	6,890,281,600	(57,403,800)	(0.8)
Judiciary	256,785,300	257,701,900	916,600	0.4
Legislative Auditor General	12,694,900	12,136,900	(558,000)	(4.4)
Legislature	102,084,100	100,083,200	(2,000,900)	(2.0)
Military and Veterans Affairs	148,890,000	151,230,700	2,340,700	1.6
Natural Resources	321,472,600	328,260,800	6,788,200	2.1
Natural Resources (Trust Fund)	0	0	0	0.0
School Aid	13,134,236,200	12,173,559,100	(960,677,100)	(7.3)
State	193,520,400	191,885,000	(1,635,400)	(0.8)
State Police	508,487,600	497,936,400	(10,551,200)	(2.1)
Technology, Management, and Budget	387,809,300	403,172,800	15,363,500	3.9
Transportation	3,234,941,000	3,374,319,200	139,378,200	4.3
Treasury (Debt Service)	57,632,800	140,928,000	83,295,200	144.5
Treasury (Operations)	654,166,000	656,317,100	2,151,100	0.3
Treasury (Revenue Sharing)	1,059,391,500	958,979,300	(100,412,200)	(9.5)
Treasury (Strategic Fund)	155,765,000	199,288,100	43,523,100	27.9
TOTAL APPROPRIATIONS	\$47,050,517,800	\$45,876,940,600	(\$1,183,577,200)	(2.5%)

Figure B

Adjusted Gross FY 2011-12 Governor's Recommendation



Total = \$ 45,876,940,600

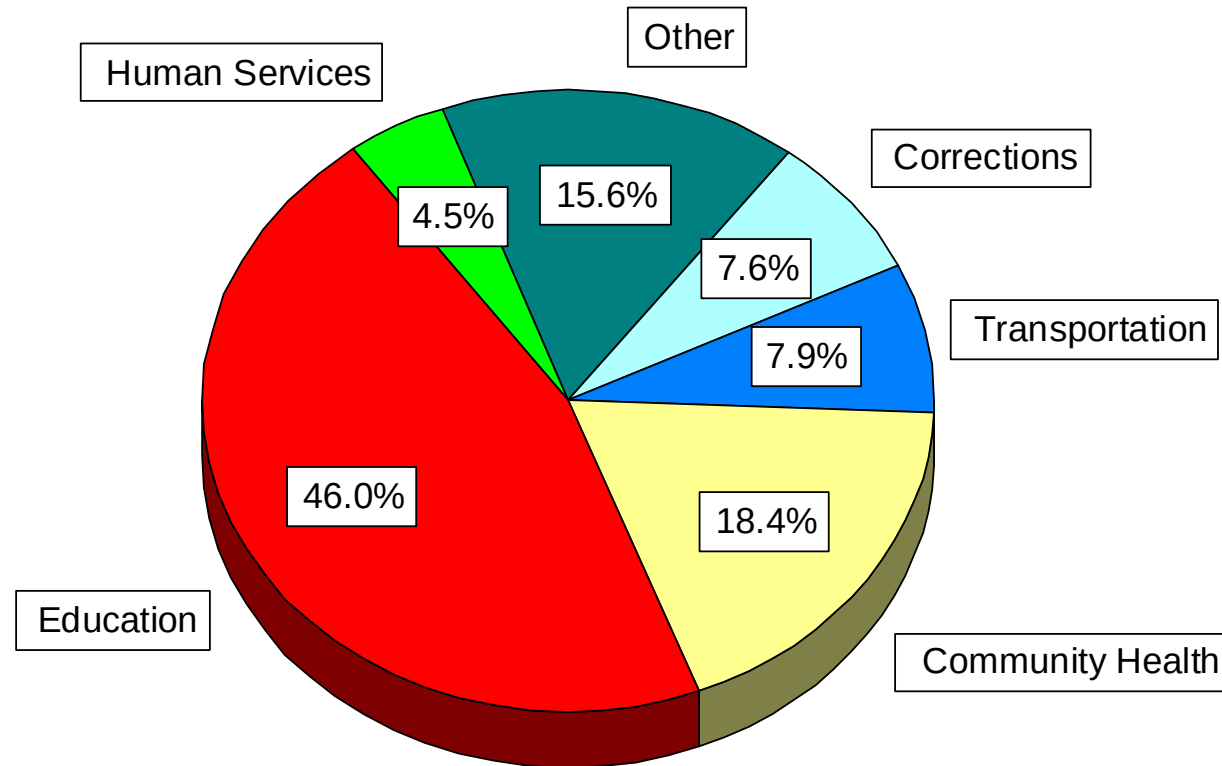
Table 3

STATE SPENDING FROM STATE RESOURCES FY 2010-11 VERSUS GOVERNOR'S RECOMMENDATION				
Department/Budget Area	FY 2010-11 Year-to-Date Appropriations	FY 2011-12 Governor's Recommendation	Dollar Difference	Percent Change
Agriculture	\$60,976,500	\$56,815,700	(\$4,160,800)	(6.8%)
Attorney General	43,547,100	43,606,700	59,600	0.1
Capital Outlay	2,500	0	(2,500)	(100.0)
Civil Rights	11,028,700	9,885,700	(1,143,000)	(10.4)
Community Colleges	295,880,500	295,880,500	0	0.0
Community Health	4,272,830,800	4,857,420,100	584,589,300	13.7
Corrections	1,998,206,600	2,003,020,200	4,813,600	0.2
Education	28,863,900	25,810,500	(3,053,400)	(10.6)
Energy, Labor, and Economic Growth	397,454,000	402,872,000	5,418,000	1.4
Environmental Quality	203,387,500	236,357,800	32,970,300	16.2
Executive	4,630,800	4,399,200	(231,600)	(5.0)
Higher Education	1,573,778,500	1,263,952,000	(309,826,500)	(19.7)
Human Services	984,451,600	1,193,585,400	209,133,800	21.2
Judiciary	244,151,100	244,977,200	826,100	0.3
Legislative Auditor General	12,694,900	12,136,900	(558,000)	(4.4)
Legislature	101,684,100	99,683,200	(2,000,900)	(2.0)
Military and Veterans Affairs	64,658,100	61,484,600	(3,173,500)	(4.9)
Natural Resources	236,934,700	256,098,600	19,163,900	8.1
Natural Resources (Trust Fund)	0	0	0	0.0
School Aid	10,955,902,900	10,520,227,300	(435,675,600)	(4.0)
State	191,710,300	190,074,900	(1,635,400)	(0.9)
State Police	396,326,100	385,012,100	(11,314,000)	(2.9)
Technology, Management, and Budget	383,576,100	398,732,200	15,156,100	3.9
Transportation	1,950,974,400	2,079,155,500	128,181,100	6.6
Treasury (Debt Service)	57,632,800	140,928,000	83,295,200	144.5
Treasury (Operations)	445,987,300	447,496,400	1,509,100	0.3
Treasury (Revenue Sharing)	1,059,391,500	958,979,300	(100,412,200)	(9.5)
Treasury (Strategic Fund)	98,354,500	148,285,300	49,930,800	50.8
TOTAL APPROPRIATIONS	\$26,075,017,800	\$26,336,877,300	\$251,859,500	1.0%

Figure C

State Spending From State Resources

FY 2011-12 Governor's Recommendation



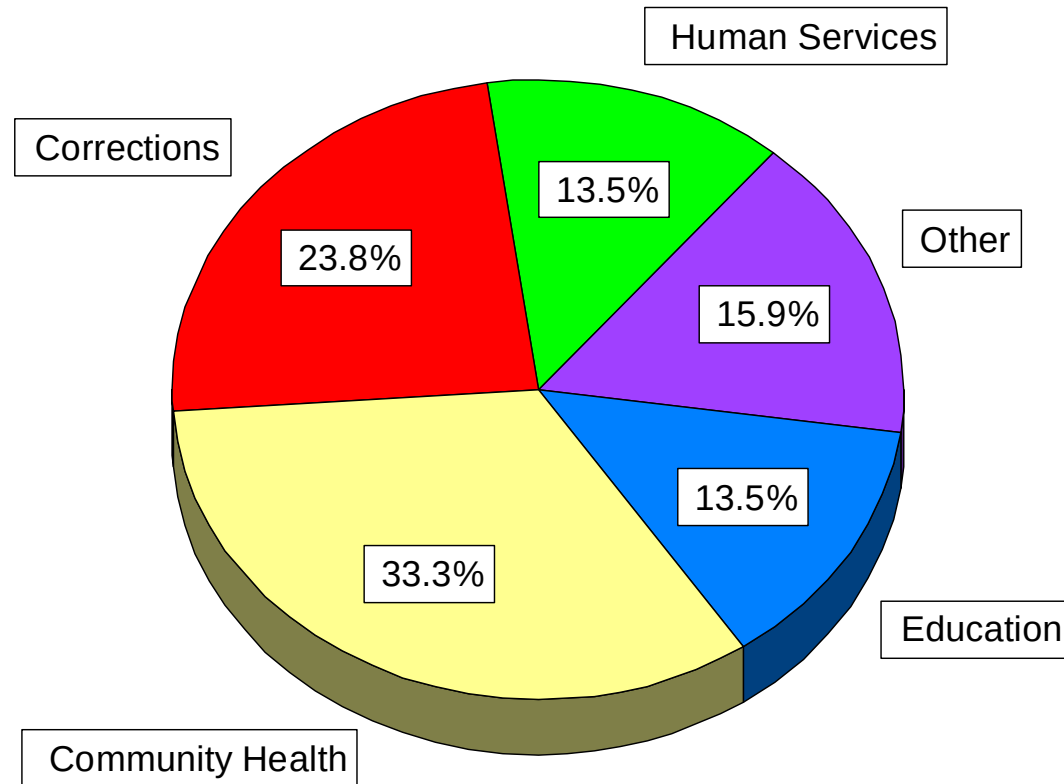
Total = \$ 26,336,877,300

Table 4

GENERAL FUND/GENERAL PURPOSE FY 2010-11 VERSUS GOVERNOR'S RECOMMENDATION				
Department/Budget Area	FY 2010-11 Year-to-Date Appropriations	FY 2011-12 Governor's Recommendation	Dollar Difference	Percent Change
Agriculture	\$30,297,100	\$27,102,700	(\$3,194,400)	(10.5%)
Attorney General	28,559,400	28,117,600	(441,800)	(1.5)
Capital Outlay	2,500	0	(2,500)	(100.0)
Civil Rights	10,975,700	9,827,200	(1,148,500)	(10.5)
Community Colleges	295,880,500	100,000,000	(195,880,500)	(66.2)
Community Health	2,421,483,700	2,701,084,900	279,601,200	11.5
Corrections	1,917,879,500	1,929,836,200	11,956,700	0.6
Education	21,914,100	18,644,200	(3,269,900)	(14.9)
Energy, Labor, and Economic Growth	47,607,900	43,536,300	(4,071,600)	(8.6)
Environmental Quality	25,322,500	21,491,600	(3,830,900)	(15.1)
Executive	4,630,800	4,399,200	(231,600)	(5.0)
Higher Education	1,543,378,500	564,032,500	(979,346,000)	(63.5)
Human Services	924,018,100	1,096,478,200	172,460,100	18.7
Judiciary	152,073,100	152,876,900	803,800	0.5
Legislative Auditor General	11,155,000	10,597,000	(558,000)	(5.0)
Legislature	100,574,300	98,573,400	(2,000,900)	(2.0)
Military and Veterans Affairs	36,424,700	33,044,900	(3,379,800)	(9.3)
Natural Resources	15,986,900	13,716,200	(2,270,700)	(14.2)
Natural Resources (Trust Fund)	0	0	0	0.0
School Aid	18,642,400	412,542,400	393,900,000	2,112.9
State	13,910,800	11,286,200	(2,624,600)	(18.9)
State Police	260,383,200	261,676,000	1,292,800	0.5
Technology, Management, and Budget	299,748,800	313,357,800	13,609,000	4.5
Transportation	0	0	0	0.0
Treasury (Debt Service)	42,118,300	125,413,500	83,295,200	197.8
Treasury (Operations)	56,038,000	60,271,300	4,233,300	7.6
Treasury (Revenue Sharing)	0	0	0	0.0
Treasury (Strategic Fund)	22,781,500	72,716,700	49,935,200	219.2
TOTAL APPROPRIATIONS	\$8,301,787,300	\$8,110,622,900	(\$191,164,400)	(2.3%)

Figure D

General Fund/General Purpose FY 2011-12 Governor's Recommendation



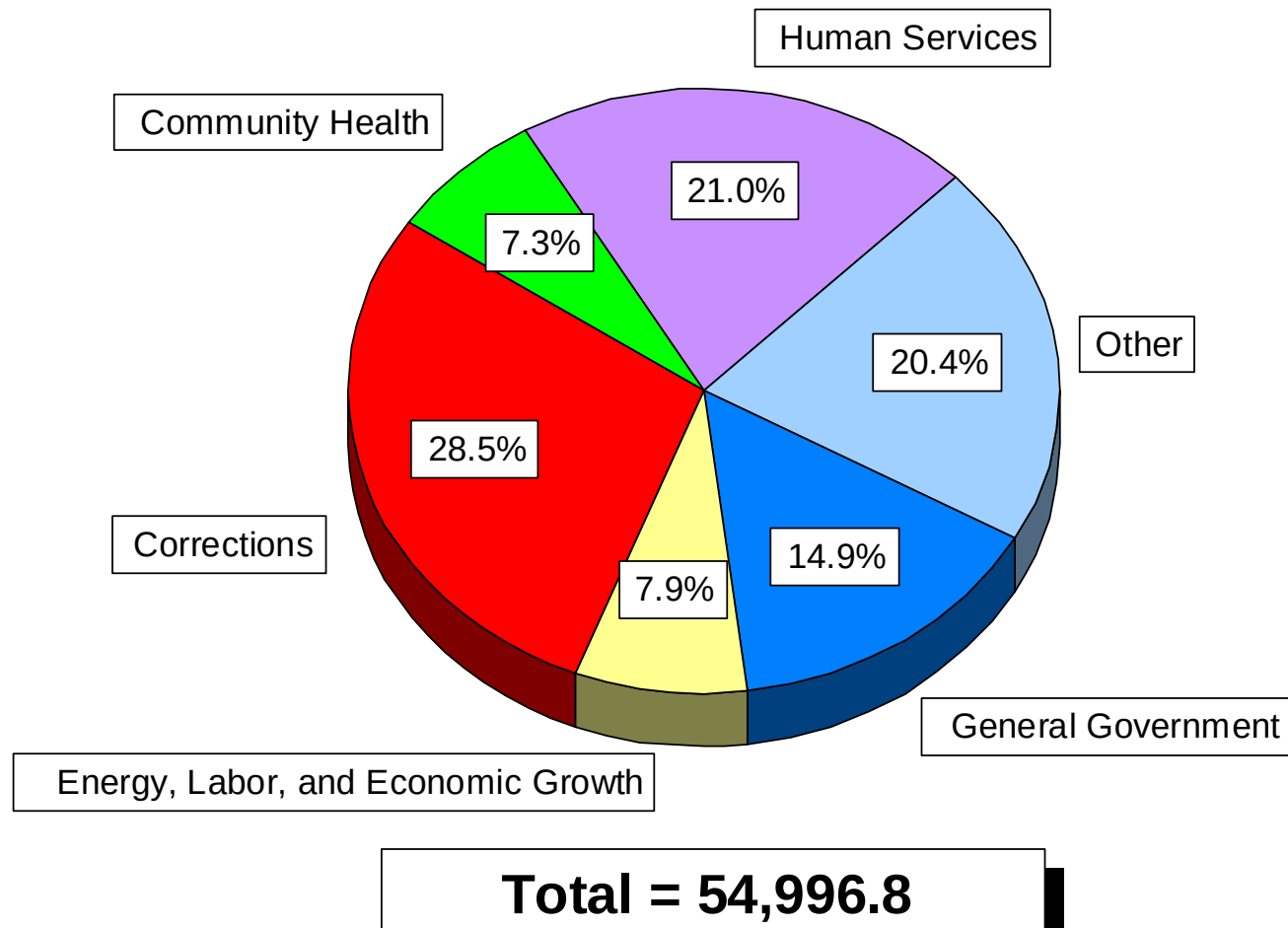
Total = \$ 8,110,622,900

Table 5

FULL-TIME EQUATED CLASSIFIED POSITIONS FY 2010-11 VERSUS GOVERNOR'S RECOMMENDATION				
Department/Budget Area	FY 2010-11 Year-to-Date Appropriations	FY 2011-12 Governor's Recommendation	Position Change	Percent Change
Agriculture	456.5	436.0	(20.5)	(4.5%)
Attorney General	514.0	514.0	0.0	0.0
Civil Rights	113.0	113.0	0.0	0.0
Community Health	4,392.8	4,025.0	(367.8)	(8.4)
Corrections	15,877.5	15,656.8	(220.7)	(1.4)
Education	562.5	559.0	(3.5)	(0.6)
Energy, Labor, and Economic Growth	4,359.5	4,362.5	3.0	0.1
Environmental Quality	1,483.1	1,447.1	(36.0)	(2.4)
Executive	74.2	74.2	0.0	0.0
Higher Education	1.0	1.0	0.0	0.0
Human Services	11,863.5	11,548.5	(315.0)	(2.7)
Judiciary	491.0	491.0	0.0	0.0
Military and Veterans Affairs	970.0	819.0	(151.0)	(15.6)
Natural Resources	2,192.4	2,173.4	(19.0)	(0.9)
State	1,809.0	1,809.0	0.0	0.0
State Police	2,764.0	2,745.0	(19.0)	(0.7)
Technology, Management, and Budget	2,966.5	2,980.5	14.0	0.5
Transportation	3,016.3	3,043.3	27.0	0.9
Treasury (Operations)	2,034.5	2,040.5	6.0	0.3
Treasury (Strategic Fund)	155.0	158.0	3.0	1.9
TOTAL POSITIONS	56,096.3	54,996.8	(1,099.5)	(2.0%)

Figure E

Full-Time Equated Classified Positions FY 2011-12 Governor's Recommendation



SUMMARY OF MAJOR FY 2011-12 GF/GP APPROPRIATION CHANGES

The Governor's budget message includes \$8.3 billion in GF/GP revenue for FY 2011-12 and recommends \$8.5 billion GF/GP for FY 2012-13. The FY 2011-12 budget includes \$7.3 billion of GF/GP revenue estimated at the January 14, 2011, Consensus Revenue Estimating Conference and \$996.3 million of GF/GP revenue from proposed adjustments. These adjustments include a change in the amount of revenue sharing paid to cities, villages, townships, and counties; revenue from changes in tax policy; a continuation of shifting some short-term borrowing costs to the School Aid Fund; the revenue impact of tax amnesty and unclaimed property reforms; and other minor revenue adjustments. Table 6 provides a summary of the FY 2011-12 and FY 2012-13 revenue and appropriation assumptions in the Governor's budget. These assumptions result in ending balances of \$159.8 million for FY 2011-12, and \$12.0 million for FY 2012-13. It should be noted that the Governor's FY 2011-12 total GF/GP revenue does not include a beginning balance carried forward from FY 2010-11 that is projected to be \$313.6 million. Instead, the Governor reserves any ending balance for potential funding risks during FY 2010-11.

Table 6

FY 2011-12 AND FY 2012-13 GF/GP REVENUE AND APPROPRIATION SUMMARY CONSENSUS REVENUE AND PROPOSED ADJUSTMENTS (Millions of Dollars)		
	FY 2011-12	FY 2012-13
Beginning Balance	\$0.0	\$159.8
January 2011 Consensus Revenue Estimate	\$7,294.1	\$7,111.7
(Treasurer's Estimate for FY 2012-13)		
<u>Proposed Revenue Adjustments:</u>		
Revenue Sharing Savings	\$635.7	\$655.6
Tax Code Reforms	339.8	658.7
Reserve for Future Tax Cuts.....	0.0	(100.0)
Shift of Short-Term Borrowing Costs to School Aid Fund ..	20.0	30.0
Tax Amnesty	(49.8)	0.0
Unclaimed Property Reforms.....	35.0	(35.0)
Liquor Reforms.....	9.1	9.1
Northville Sale (Balloon Payment, Oct. 14, 2011)	6.5	0.0
Subtotal Other Revenue Adjustments	\$996.3	\$1,218.4
Total GF/GP Revenue	\$8,290.4	\$8,489.9
Total GF/GP Appropriations	\$8,130.6	\$8,477.9
Projected GF/GP Year-End Balance	\$159.8	\$12.0
Note: The Governor does not recommend carrying forward the FY 2010-11 projected year-end balance of \$313.6 million into FY 2011-12.		

Table 7 provides a comparison of the Governor's recommended FY 2011-12 GF/GP appropriations to the FY 2010-11 year-to-date levels. The Governor's recommendation represents a \$171.2 million decrease in GF/GP appropriations. This net change in GF/GP appropriations can be categorized as funding increases of \$850.6 million, funding reductions of \$973.1 million, and fund shifts resulting in a \$48.7 million decrease in GF/GP appropriations. These fund shifts are generally defined as changes in the fund sources for a program that do not affect the overall appropriation level of the program.

Table 7

FY 2011-12 GOVERNOR'S APPROPRIATION RECOMMENDATION MAJOR CHANGES FROM FY 2010-11 YEAR-TO-DATE GENERAL FUND/GENERAL PURPOSE APPROPRIATIONS (Millions of Dollars)	
FY 2010-11 Year-to-Date Appropriations	\$8,301.8
FY 2011-12 Governor's Recommendation	8,130.6
Change in GF/GP Appropriations.....	(\$171.2)
Total Funding Increases.....	\$850.6
Total Funding Reductions	(973.1)
Total Fund Shifts	(48.7)
Total GF/GP Funding Change.....	(\$171.2)

Table 8 outlines the details of the \$850.6 million of GF/GP funding increases included in the Governor's FY 2011-12 budget. A significant level of the recommended appropriation increases can be attributed to caseload and cost adjustments in the Medicaid program in the Department of Community Health, and the assistance programs and child welfare programs in the Department of Human Services. Debt service appropriations for general obligation bonds and bonds issued by the State Building Authority result in large GF/GP appropriation increases. Statewide employee economic costs, primarily for retirement, account for nearly \$105.0 million. The largest single GF/GP increase is a \$200.0 million payment for employee health insurance liabilities, often referred to as other post-employment benefits or OPEB.

Table 8

FY 2011-12 GOVERNOR'S APPROPRIATION RECOMMENDATION MAJOR GF/GP FUNDING INCREASES (Millions of Dollars)	
<u>Budget Area/Program</u>	
Community Health	
Medicaid Base and Caseload Adjustments	\$160.3
Medicaid Special Financing Adjustments	6.2
Corrections	
Neal Lawsuit Settlement Cost Increase	5.0
Health Care Contract Inflation	4.0
New Employee Training Cost Increase	3.5
Utility/Rent Costs at Facilities	1.6
Education	
eLibrary Funding	1.0
Higher Education	
Tuition Restraint Incentive	83.0
New Pathway to Higher Education Scholarship Program	50.0
Tuition Incentive Program Caseload Adjustments.....	6.4
Human Services	
Annualize Child Welfare Improvement Efforts	49.7
Medical/Psychological Evaluations for Juvenile Justice Clients	2.5
Legislature	
House Office Building Funding	0.9
Military/Veterans Affairs	
Military Retirement Costs	0.2
Technology, Management, and Budget	
Information Technology Innovations Fund.....	5.0
State Building Authority Rent.....	15.0

Table 8 (continued)

FY 2011-12 GOVERNOR'S APPROPRIATION RECOMMENDATION MAJOR GF/GP FUNDING INCREASES (Millions of Dollars)	
Treasury - Debt Service	
General Obligation Bond Debt Service Payments	83.4
Treasury - Operations	
2012 Presidential Primary	10.0
Treasury - Strategic Fund	
Talent Enhancement Program	5.0
Economic Gardening	25.0
Film Incentive Program	25.0
Statewide Employee Economics.....	104.8
Other Funding Increases in Budget Recommendation	3.1
Payment for Retiree Health Insurance Liability	200.0
Total GF/GP Funding Increases	\$850.6

Table 9 provides the details of the \$973.1 million of GF/GP funding reductions in the Governor's FY 2011-12 budget. The major appropriation reduction is for the 15 public universities which are each reduced by 15.0% and could incur additional reductions (ranging from 4.3% to 8.3%) if undergraduate tuition and fee levels increase by more than 7.1% this fall. In the Department of Community Health budget, the Governor proposes to replace the current Medicaid Community Mental Health (CMH) and Health Maintenance Organization (HMO) use tax with a 1.0% tax on all health insurance paid claims, which eliminates the need to reimburse \$131.5 million GF/GP to CMH entities and HMOs for their use tax expenditures. Another significant GF/GP reduction is in the Department of Human Services where a 48-month lifetime limit on cash welfare assistance payments is proposed. In the Department of Corrections, the closure of one prison is recommended. Most of the remainder of the recommended appropriation reductions are modest funding decreases for State departments, the legislative branch, and the judiciary. However, there is also a recommendation by the Governor to reduce employee compensation by \$180.0 million GF/GP; details of this proposal have not been finalized but would have a significant impact on State employees' salaries and/or benefits.

Table 10 lists the details of the \$48.7 million in fund shifts that increase and decrease GF/GP appropriations. The most significant reductions in GF/GP appropriations occur in the Community Colleges and Higher Education budgets where \$895.6 million in GF/GP funding is replaced with School Aid Fund revenue (\$195.9 million in Community Colleges and \$699.7 in Higher Education) and \$63.6 million in GF/GP funding for financial aid programs is replaced with Federal Temporary Assistance for Needy Families revenue. The Department of Community Health budget reflects two major fund shifts: \$585.3 million in Federal American Recovery and Reinvestment Act (ARRA) funding is replaced with GF/GP support, and the proposed new 1.0% tax on health insurance paid claims would be a State Restricted revenue fund source of \$396.9 million instead of a GF/GP appropriation from use tax revenue. The Department of Human Services reflects the loss of \$176.4 million of one-time TANF funding that is replaced by GF/GP support. Due to the Governor's proposal to repeal the Michigan Business Tax (MBT), the budget for School Aid includes partial replacement (\$393.9 million) of the \$750.2 million of lost MBT revenue.

Table 9

FY 2011-12 GOVERNOR'S APPROPRIATION RECOMMENDATION MAJOR GF/GP FUNDING ELIMINATIONS/REDUCTIONS (Millions of Dollars)	
Agriculture	
Transfer Dairy Farm and Nursery Stock Inspection Costs to Industry	(\$1.1)
Reduce Administrative Funding	(0.5)
Attorney General	
Reduce Administrative Funding	(0.1)
Reduce Information Technology Funding	(0.1)
Civil Rights	
Reduce Operations Funding	(0.4)
Reduce Information Technology Funding	(0.2)
Community Health	
Remove One-Time Detroit Substance Abuse Program Funding	(1.0)
Transfer Background Check Program Costs to Providers	(2.2)
Remove Funding for Michigan Quality Care Council	(0.5)
Reduce Medicaid Graduate Medical Education Funding by 40.0%	(22.8)
Reduce Community Mental Health (CMH) Non-Medicaid by 3.0%	(8.5)
Reduce Local Public Health by 5.0%	(1.7)
Reduce Aging Programs by 8.2%	(2.2)
Reduce Healthy Michigan Fund Programming	(1.0)
Reduce Children's Waiver Home Care Program by 10.0%	(0.7)
Limit Access to Adult Home Help Services	(6.0)
Recognize Children's Special Health Care Services Mandatory Managed Care Savings ..	(3.7)
Remove Preferred Drug List Exemption for Behavioral Health Drugs	(6.3)
Transfer Dual Medicare/Medicaid-Eligible Recipients to Managed Care	(10.0)
Increase Third-Party Liability Savings from Auto Insurers	(5.0)
Enhance Estate Recovery Program	(3.4)
Reduce Earmark Programs by 15.0%	(1.4)
Eliminate State Reimbursement to CMHs and HMOs for Use Tax	(131.5)
Corrections	
Eliminate Public Works Program	(2.2)
Close One Prison	(18.9)
Transform Supply Chain	(10.0)
Consolidate Lieutenant Positions	(8.5)
Privatize Prison Food Service	(7.0)
Renegotiate GPS Tether Contract	(2.5)
Reduce Parole Board	(0.8)
Consolidate Business Office	(0.7)
Education	
Remove Race to the Top General Fund Funding	(2.0)
Reduce State Aid to Libraries by 40.0%	(2.3)
Energy, Labor, and Economy Growth	
Eliminate Worker's Compensation Appellate Commission	(1.2)
Reduce Fire Protection Grants by 15.0%	(1.6)
Environmental Quality	
Remove Funding from Unfilled Vacancies	(0.7)
Reduce Groundwater Discharge Program	(0.1)
Executive Office	
Reduce Funding by 5.0%	(0.2)
Higher Education	
Eliminate State Competitive Scholarships	(18.4)
Eliminate Tuition Grants	(31.7)
Reduce University Operations	(305.4)

Table 9 (continued)

FY 2011-12 GOVERNOR'S APPROPRIATION RECOMMENDATION MAJOR GF/GP FUNDING ELIMINATIONS/REDUCTIONS (Millions of Dollars)	
Human Services	
Make Caseload and Cost Adjustments.....	(11.8)
Impose 48-Month Lifetime Limit on Cash Welfare Payments.....	(65.0)
Treat Adoption Subsidies as Income for Eligibility Purposes	(1.2)
Close Shawono Center	(0.5)
Remove One Unit from Maxey Facility	(0.5)
Remove Excess Guardianship Funding	(0.5)
Reduce Foster Care Administration Rates for Specialized Older Youth Care	(0.2)
Eliminate 300 Field Staff through Attrition	(8.3)
Reduce Earmark Programs	(1.2)
Judiciary	
Eliminate Judgeships	(0.9)
Temporarily Eliminate Macomb and Oakland Judgeships	(0.1)
Legislative Auditor General	
Reduce Funding by 5.0%.....	(0.6)
Legislature	
Reduce Funding.....	(2.9)
Military and Veterans Affairs	
Privatize Care Aides at Grand Rapids Veterans' Home	(4.2)
Natural Resources	
Reduce Historical Programs	(0.3)
Reduce Law Enforcement on State Land	(0.1)
Reduce Administrative Funding.....	(0.2)
School Aid	
Reduce State Aid to Libraries	(1.5)
State	
Assume Operational Efficiencies	(2.1)
State Police	
Restructure Field Services.....	(3.2)
Eliminate Collins Road Lease	(0.8)
Close Rockford Dispatch Center	(1.0)
Assume Deferred Retirement Savings	(2.8)
Assume Administrative Savings (Overtime and Attrition)	(8.7)
Technology, Management, and Budget	
Remove One-Time Gubernatorial Transition Funding.....	(1.5)
Reduce Administrative Funding.....	(3.8)
Treasury - Operations	
Reduce Business Property Tax Appeal Funding.....	(0.6)
Reduce Payment in Lieu of Taxes (PILT) by 15.0%.....	(1.6)
Reduce Administrative Funding.....	(0.9)
Recognize Senior Cooperative Housing Tax Exemption Savings.....	(2.5)
Statewide Early Retirement Savings	(27.9)
Other Funding Decreases in Budget Recommendation	(11.2)
Employee Compensation Reductions	(180.0)
Total GF/GP Funding Eliminations/Reductions	(\$973.1)

Table 10

FY 2011-12 GOVERNOR'S APPROPRIATION RECOMMENDATION MAJOR FUND SHIFTS TO INCREASE/(REDUCE) GF/GP (Millions of Dollars)	
<u>Department/Program</u>	
Agriculture	
Increase Licensing Fees.....	(\$0.7)
Civil Rights	
Replace GF/GP with Housing and Urban Development Revenue	(0.5)
Community Colleges	
Replace GF/GP with School Aid Fund Revenue	(195.9)
Community Health	
Fix Medicaid Benefits Trust Fund Shortfall.....	0.8
Recognize Healthy Michigan Fund Surplus Revenue	(0.2)
Increase in Base Medicaid Match Rate	(29.9)
Remove One-Time Match Rate Adjustment.....	160.0
Implement New 1% Tax on Health Insurance Paid Claims	(396.9)
Increase Health Licensure Fees	(4.5)
Increase Use of Tobacco Settlement Dollars	(0.3)
Recognize Expiration of Federal ARRA Match Rate Funding	585.3
Corrections	
Fix Parole/Probation Fee Shortfalls.....	3.0
Environmental Quality	
Shift Critical Dunes Fund Source	(0.4)
Make Hazardous Waste Management Program Fund Shift.....	(0.7)
Make Air Program Fund Shift	(1.2)
Impose New Fee for Wastewater Operator Exams.....	(0.2)
Higher Education	
Replace GF/GP with School Aid Fund Revenue	(699.7)
Replace GF/GP with TANF.....	(63.6)
Human Services	
Increase in Base Medicaid Match Rate	(1.2)
Shift TANF Fund Sources.....	39.7
Adjust Juvenile Justice Fund Sourcing.....	0.9
Recognize Expiration of TANF ARRA Carryforward	143.0
Recognize Expiration of Federal ARRA Match Rate Funding	6.5
Recognize Loss of ARRA Food Assistance Administration Funding	4.0
Recognize Loss of ARRA Child Support Incentive Payment Funding	17.5
Judiciary	
Eliminate IDG from Corrections.....	1.0
Natural Resources	
Replace GF/GP with Restricted Funds for Mackinac Island State Park Commission.....	(1.6)
Increase Captive Cervid Facility Fee	(0.1)
School Aid	
Partially Replace Lost Tax Revenue	393.9
Foundation Allowance Fund Shift.....	1.4
State Police	
Reverse One-Time Fund Shifts	5.2
Shift Funded Vacancies.....	(0.9)
Increase Fingerprint Fees.....	(3.0)
Treasury - Strategic Fund	
Shift Pure Michigan Fund Source	(5.4)
Other Fund Source Shifts in Budget Recommendation	(4.0)
Total GF/GP Fund Shifts	(\$48.7)

SUMMARY OF K-12 SCHOOL AID FUND APPROPRIATIONS

The Governor's FY 2011-12 and FY 2012-13 School Aid budget includes nearly \$900.0 million in spending from the School Aid Fund (SAF) to support community colleges and universities, and also sees a net tax revenue loss of \$200.0 million, for a total loss of revenue available for K-12 purposes of nearly \$1.1 billion each year. In order to pay for and sustain this loss of revenue for K-12 purposes, the budget proposes a total of \$538.1 million in State reductions in School Aid/K-12 programs, along with spending down the projected SAF surplus. The Governor's recommendation also does not replace \$316.3 million in expiring Federal Education Jobs Fund support, for total operational reductions proposed in the K-12 budget of \$854.4 million compared to the current year. The proposed reduction and redirection of SAF revenue, along with a summary of proposed K-12 cuts, are shown in [Table 11](#). As seen in [Table 12](#), if these proposals are enacted and SAF revenue grows 2.5%, the SAF is estimated to be balanced through the end of FY 2012-13.

Specifically, the reductions proposed for K-12 include not replacing the \$316.3 million in Federal Education Jobs Fund revenue that is being used in the current year to backfill the \$170-per-pupil cut in State aid, and reducing the foundation allowance a further \$300 per pupil. The additional per-pupil State cut equates to \$452.5 million in State savings. Further, \$85.6 million in categorical spending is proposed for reduction or elimination. The largest of these eliminations includes \$27.0 million for declining enrollment, \$19.7 million for small class size grants, \$8.6 million in district-specific adjustments to foundation allowances, \$15.3 million in Special Education intermediate school district (ISD) Center Program FICA payments, and a \$3.3 million reduction to ISD operational funding.

A large increase in required debt service for the School Bond Loan Fund is proposed, reflecting the refinancing that occurred in the current year. Debt service will increase from \$5.2 million to \$93.6 million in FY 2011-12. [Table 13](#) itemizes the proposed reductions and technical cost increases.

The Michigan Public School Employees' Retirement System (MPERS) retirement rate will increase from 20.66% of payroll to 24.46% of payroll, for employees hired before July 1, 2010. For employees hired on or after July 1, 2010, the retirement rate will be 23.23% of payroll. The increase in retirement rates equates to additional school district costs of an estimated \$245 per pupil.

FY 2012-13

The recommendation for FY 2012-13 includes approximately \$30.1 million in technical cost adjustments, but all other spending remains the same as proposed for FY 2011-12. However, the FY 2012-13 budget earmarks and restricts \$300.0 million in foundation allowance payments to be provided to eligible districts on a per-pupil basis. Eligible districts would be those that charged their employees the same percentage of health care costs as State employees will pay in FY 2012-13. It should be noted that this would not be a restoration of cut funding, but rather an earmark of existing foundation allowance payments that would be available to eligible districts. Districts that did not charge their employees the required percentage of health care costs would see further reductions in foundation allowance payments in FY 2012-13 beyond the cuts proposed for FY 2011-12.

The State School Aid Act is proposed to become the "State Education Funding Act" due to the inclusion of Community Colleges and Higher Education budgets in the statutory K-12 budget bill.

Table 11

Summary of FY 2011-12 and FY 2012-13 School Aid Budget		
Revenue Cuts to Schools	Impact on K-12 Budget in FY 2011-12 (compared to FY 2010-11)	Impact on K-12 Budget in FY 2012-13 (compared to FY 2010-11)
Elimination of MBT and other tax changes – Impact on School Aid Fund (SAF)	(\$593.9) million	(\$526.6) million
Additional GF/GP to partially offset tax changes	393.9 million	326.6 million
Subtotal: Net SAF loss from tax changes	(\$200.0) million	(\$200.0) million
Funding portion of Community Colleges from SAF	(195.9) million	(195.9) million
Funding portion of Higher Education from SAF	(699.7) million	(699.7) million
Subtotal: Net loss from funding Community Colleges and Higher Education. This represents the amount of SAF used to shore up the General Fund.	(\$895.6) million	(\$895.6) million
Total SAF revenue loss from tax changes and funding postsecondary. This represents the total SAF either diverted to shore up the General Fund or lost due to tax changes.	(\$1.1) billion	(\$1.1) billion
In order to have a structurally balanced "Education Funding Act" that is able to pay \$895.6 million for postsecondary education and absorb \$200.0 million in lost revenue, the following K-12 cuts are proposed, totaling \$538.1 million in State spending. Combining these cuts with SAF money available on the balance sheet and out-year growth in the SAF revenue base, the budget is projected to be balanced at the end of FY 2012-13.		
Expenditure Cuts to Schools	Impact on K-12 Budget in FY 2011-12 (compared to FY 2010-11)	Impact on K-12 Budget in FY 2012-13 (compared to FY 2010-11)
Foundation Allowance:	(\$695.0) million	(\$695.0) million
Statutorily rolled back \$470 per pupil. This is a combination of the existing \$170-per-pupil cut in State aid (\$266.8 million) plus a further \$300 reduction (\$452.5 million). At the present time, the \$170-per-pupil cut in State aid is being backfilled with unrestricted Federal Education Jobs Fund; however, the Executive Recommendation does not replace this expiring money, and therefore the gross cut compared to the current year is \$719.3 million. Baseline cost adjustments are included.		
Categoricals Eliminated:		
Declining Enrollment (\$20 million)	(85.6) million	(85.6) million
Class Size Reduction (\$19.7 million)		
Special Education FICA ISDs (\$15.3 million)		
Declining Enrollment in Rural (\$7.0 million)		
District Specials (\$8.6 million)		
5% Cut ISD Operations (\$3.3 million)		
Bilingual Education (\$2.8 million)		
MBT Impact (\$1.8 million)		
State Aid to Libraries (\$1.5 million)		
Other (\$5.6 million)		
Total Gross Expenditure Cuts.....	(\$780.6) million	(\$780.6) million

Table 12

FY 2011-12 and FY 2012-13 SAF REVENUE AND APPROPRIATION SUMMARY CONSENSUS REVENUE AND PROPOSED ADJUSTMENTS (Millions of Dollars)		
	FY 2011-12	FY 2012-13
Beginning Balance	\$507.0	\$95.5
January 2011 Consensus Revenue Estimate (Treasurer's Estimate for FY 2012-13)	\$11,193.7	\$11,468.4
<u>Proposed Revenue Adjustments:</u>		
Loss of MBT Revenue	(\$593.9)	(\$526.6)
Partial Replacement of MBT Loss with GF/GP	393.9	326.6
Ongoing General Fund Grant	18.6	18.6
Federal Revenue	1,653.3	1,653.3
Replace GF/GP in Community Colleges with SAF	(195.9)	(195.9)
Replace GF/GP in Higher Education with SAF	(699.7)	(699.7)
Other	(8.0)	3.3
Subtotal Proposed Revenue Adjustments	\$568.3	\$579.6
Total School Aid Fund Revenue	\$12,269.0	\$12,143.5
K-12 School Aid Fund Appropriation	\$12,954.2	\$12,173.6
<u>Proposed Appropriation Adjustments:</u>		
Cost Adjustments	(\$242.6)	(\$30.1)
Per-Pupil Reduction	(452.5)	0.0
Categorical Grant Reductions	(85.6)	0.0
Subtotal Proposed Appropriation Adjustments	(\$780.7)	(\$30.1)
Total SAF Appropriations for K-12	\$12,173.5	\$12,143.5
Projected SAF Year-End Balance	\$95.5	\$0.0

Table 13

GOVERNOR'S FY 2011-12 BUDGET RECOMMENDATIONS K-12 SCHOOL AID APPROPRIATION CHANGES (Millions of Dollars)	
FY 2010-11 Appropriations (with Technical Cost Adjustments)	\$12,954.2
FY 2011-12 Governor's Recommended Appropriations.....	12,173.6
Change in School Aid Fund Appropriations	(\$780.6)
Recommended Appropriation Reductions in Existing Programs:	
Nonrestoration of Expiring Federal Education Jobs Fund.....	(\$316.3)
Additional \$300-Per-Pupil Reduction in Foundation Allowance	(452.5)
Eliminate Declining Enrollment Grants	(27.0)
Eliminate Class Size Reduction Grants	(19.7)
Eliminate ISD Special Education FICA Payments	(15.3)
Eliminate Various District-Specific Foundation Adjustments.....	(8.6)
Reduce ISD Operations 5.0%.....	(3.3)
Eliminate Bilingual Education.....	(2.8)
Eliminate Health Science Middle Colleges	(2.0)
Eliminate Isolated District Funding.....	(2.0)
Eliminate MBT Hold Harmless Funding (Out-of-Formula).....	(1.8)
Eliminate State Aid to Library Payments	(1.5)
Eliminate Precollege Engineering	(0.9)
Eliminate ISD Special Education Hold Harmless Payments	(0.9)
Reduce PILT	(0.5)
Other Categorical Reductions.....	(0.9)
Reduce Federal Special Education and CEPI Funding.....	(29.5)
Subtotal Appropriation Reductions in Existing Programs.....	(\$885.5)
Recommended Appropriation Increases:	
School Bond Loan Fund Debt Service.....	\$88.4
Technical Foundation Allowance/Special Education Costs.....	10.2
School Aid Cash Flow Borrowing Costs	5.0
Economics: DHS Juvenile Justice Facilities and CEPI	0.2
School Bus Inspections (Restore to MSP).....	1.1
Subtotal Appropriation Increases.....	\$104.9
Total School Aid Fund Appropriation Changes	(\$780.6)

STATE REVENUE SHARING

The Governor's budget includes revenue sharing payments of \$959.0 million to cities, villages, townships, and counties in FY 2011-12, a decrease of \$100.4 million (9.5%) from the current year-to-date appropriation for FY 2010-11, as shown in Table 14. The reduction reflects the net impact of four components: 1) elimination of traditional statutory revenue sharing payments to cities, villages, and townships (CVTs), 2) creation of a new incentive-based program for CVTs, 3) increased expenditures for additional counties depleting their revenue sharing reserve funds during FY 2011-12, combined with full-year payments for counties that depleted their funds during FY 2010-11, and 4) a reduction in county payments from what would otherwise be statutorily required.

Since FY 2003-04, revenue sharing payments to CVTs have been distributed with the intent that each local unit receive, in combined constitutional and statutory revenue sharing payments, some specified percentage of combined constitutional and statutory payments received during the prior fiscal year. The payments represent unrestricted revenue to local units and, as long as constitutional payments do not exceed the total specified in the formula, all local units receive statutory payments. However, as a result of the growth of constitutional revenue sharing payments, combined with reductions reflected in the allowable percentage, approximately 1,240 local units are not expected to receive a statutory payment during FY 2010-11. The Governor's recommendation eliminates any distribution of statutory revenue payments under these types of provisions.

The recommendation replaces traditional statutory payments to CVTs with an incentive-based revenue sharing program. Details on the program are not known at this time but will be presented by the Governor in a special message. Generally, CVTs would be required to meet specific standards and adopt certain types of best practices to be eligible to receive payments under the program. Details have not been provided regarding how payments would be distributed across eligible local units. Counties do not appear to be eligible for the payments, but all CVTs, whether or not they have received a statutory payment in prior years, would be eligible to receive a payment assuming they met the requirements regarding standards and practices. The \$200.0 million recommended for the program represents a 33.5% decrease in statutory payments compared to the current year-to-date forecast for FY 2010-11.

Under current statutory requirements, payments to counties would be required to increase \$37.0 million in FY 2011-12. These payments are made to counties that have exhausted the revenue sharing reserve funds created by the acceleration of county property tax collections under the FY 2004-05 budget. An estimated 38 counties will receive payments during FY 2010-11. In FY 2011-12, another 12 counties, including Allegan, Eaton, and Macomb Counties, are expected to receive payments. However, the recommendation does not fund the full increase in payments to the additional counties, or fully fund payments to the counties already receiving payments. The recommendation reduces payments to counties by 34.1% (\$51.8 million) below the level indicated by the statutory formula. The reduced appropriation is prorated across all counties that have exhausted (or will exhaust during FY 2011-12) their revenue sharing reserve fund. The recommended FY 2011-12 appropriation represents a 12.8% decrease from the year-to-date FY 2010-11 appropriation to counties.

The recommendation does not address issues that will arise when the new population figures from the 2010 Census are implemented, which will likely occur sometime in April 2011. If the "freeze" currently appropriated for FY 2010-11 is to be maintained, the new Census figures will likely require a supplemental appropriation.

Table 14

REVENUE SHARING APPROPRIATION SUMMARY			
	FY 2010-11 Year-to-Date	FY 2011-12 Gov's Rec.	Change
Total Constitutional Payments	\$643,746,900	\$658,979,300	\$15,232,400
Statutory (Cities/Villages/Townships)			
Base (FY 2010-11)	\$300,903,906	\$300,903,906	\$0
Offset for Increase in Constitutional Payments Under Freeze	N/A	(\$8,785,900)	(\$8,785,900)
Subtotal CVT Statutory Under Freeze	\$300,903,906	\$292,118,000	(\$8,785,906)
<u>Governor's Recommendations:</u>			
Elimination of Traditional Statutory Program	N/A	(\$292,118,000)	(\$292,118,000)
New Incentive-Based Program	N/A	\$200,000,000	\$200,000,000
Total Statutory Payments to CVTs	\$300,903,906	\$200,000,000	(\$100,903,906)
Statutory (County)			
County Base (FY 2010-11)	\$114,740,700	\$114,740,700	\$0
Increase Due to New Counties in FYs 2010-11 and 2011-12	N/A	\$37,014,500	\$37,014,500
Subtotal County Statutory	\$114,740,700	\$151,755,200	\$37,014,500
<u>Governor's Recommendations:</u>			
County Reduction	N/A	(\$51,755,200)	(\$51,755,200)
Total Statutory Payments to Counties	\$114,740,700	\$100,000,000	(\$14,740,700)
Total Statutory Payments	\$415,644,606	\$300,000,000	(\$115,644,606)
Total Revenue Sharing Payments	\$1,059,391,506	\$958,979,300	(\$100,412,206)
Net Impact of Governor's Rec.		(\$143,873,200)	

PROPOSED FEE INCREASES

The FY 2011-12 budget proposes \$16.1 million of increased revenue from new fees and the proposed increase of existing fees. Although the fee changes are projected to increase total revenue by \$16.1 million, only \$12.3 million of that total is used to offset GF/GP funding in the FY 2011-12 budget. Table 15 provides a summary of the proposed fee increases.

Table 15

FY 2011-12 STATE BUDGET RECOMMENDATION PROPOSED FEE INCREASES (Millions of Dollars)		
Department	Fee Type	Revenue
Agriculture and Rural Development	Intercounty Drain Assessment (New)	\$550,000
Agriculture and Rural Development	Grain Dealer Licenses	300,000
Community Health	Hospitals and Nursing Homes	5,229,500
Environmental Quality	Wastewater Operator Exams Renewal (New)	356,000
Environmental Quality	Air Quality	840,000
Environmental Quality	Solid Waste Surcharge	1,900,000
Human Services	Child Support Administration (New)	3,400,000
Human Services	Child Support Tax Return (New)	340,000
Natural Resources	Cervidae Industry Registration	150,000
State Police	Fingerprint	3,000,000
Total Proposed Fee Increases.....		\$16,065,500

STATE CLASSIFIED EMPLOYEE FUNDING INCREASES

Article XI, Section 5, of the Michigan Constitution provides that increases in the rates of compensation authorized by the Civil Service Commission require prior notice to the Governor, who then transmits the increases to the Legislature as part of the overall budget recommendation. Within 60 calendar days following such transmission, the Legislature, by a two-thirds vote of the members elected and serving in each house, may reject or reduce increases in the rate of compensation authorized by the Civil Service Commission. Reductions made by the Legislature must apply uniformly to all classes of employees and cannot adjust pay differentials already established by the Civil Service Commission. Rates of compensation also cannot be reduced below those in effect at the time the increases are transmitted to the Legislature.

The FY 2011-12 recommendation does not include any increase for salary and wages for State classified employees as there are no contracts in place for the majority of represented employees. The only represented employees with an approved contract are State Troopers, and a \$2.1 million Gross (\$1.6 million GF/GP) increase for salary and wages for those employees is included. A letter included as a part of Governor Snyder's budget message indicates his support for the 2.0% pay increase for State Police Troopers but urges the Legislature to reject the Civil Service Commission's recommendation to extend health care benefits to the unrelated live-in companions of State employees and their dependents. The budget message estimates this new health care cost to be \$8.0 million for FY 2011-12. Funding for this new benefit is not included in the economic increases added to the budget, so if the Legislature does not reject the benefit, additional funds may be needed.

The FY 2011-12 budget recommendation also assumes GF/GP savings of \$180.0 million associated with anticipated employee concessions. The GF/GP portion of salary and wages averages an estimated 50.0% of total salary and wages, meaning that the total amount of concessions necessary to achieve GF/GP savings of \$180.0 million could be upwards of \$360.0 million of Gross appropriation reductions.

Table 16 provides a summary of the incremental State employee cost increases included in the Governor's budget recommendation. In addition to employee salary increases, the cost of employee health insurance is estimated to decrease by 3.0% due to newly hired employees paying 20.0% of their premiums. This employee insurance cost decrease saves an estimated \$21.9 million Gross and \$10.7 million GF/GP appropriations. The amount that needs to be contributed to the State employee retirement systems in FY 2011-12 results in significant cost increases in the FY 2011-12 budget. Retirement contribution increases will total \$223.1 million Gross and \$111.4 million GF/GP appropriations. The total GF/GP impact would be an increase of \$104.7 million.

Table 16

FY 2011-12 STATE BUDGET RECOMMENDATION ECONOMIC INCREASES INCLUDED IN BUDGET (Millions of Dollars)		
	Gross	GF/GP
Wages and Salaries	\$2.1	\$1.6
Employee Insurance Costs	(21.9)	(10.7)
Retirement Contributions	223.1	111.4
Workers' Compensation	(0.1)	0.0
All Other Economics	(7.3)	2.4
Total Economics	\$195.9	\$104.7

STATE EMPLOYEE RETIREMENT CONTRIBUTION RATES

A significant financial aspect of the State budget, as well as the budgets of K-12 school districts and public community colleges, is the amount employers are required to pay into the retirement accounts of their employees. The Governor's budget includes the required employer contribution rates to the State Employees' Retirement System (SERS) and the Public School Employees' System (PSERS). Table 17 provides a three-year summary of the contribution rates for defined benefit pensions and defined contribution pensions for both systems. The FY 2010-11 and FY 2011-12 retirement rates for both SERS and PSERS include the 3.0% employee health care contribution that is currently in litigation. The PSERS rates for FY 2010-11 and FY 2011-12 are the rates for employees hired before July 1, 2010; rates for employees hired on or after July 1, 2010, are lower because those employees are required to contribute more for their health care costs. Table 18 outlines the FY 2011-12 estimated contributions to SERS and PSERS. The total combined cost of the estimated employer contributions is \$3.5 billion.

The Governor's budget also recognizes the issue of long-term employee compensation costs by focusing on what are referred to as "other post-employment benefits" (OPEB) provided to retirees. A major OPEB cost is for retiree health care which the State pays for on a cash basis. For FY 2008-09, the State Office of Retirement Services estimated the SERS unfunded health liability to be \$12.6 billion. Although it would not affect the retirement rates for FY 2011-12, the Governor recommends a payment of \$200.0 million to a reserve account to address the growing fiscal obligation to actuarially fund the required contribution.

Table 17

RETIREMENT CONTRIBUTION RATES AS A PERCENTAGE OF PAYROLL				
	FY 2009-10	FY 2010-11	FY 2011-12	FY 2011-12 Change
<u>State Employees' Retirement System</u>				
Defined Benefit Pension	21.36%	23.98%	37.15%	13.17%
Defined Benefit Health Care	11.90%	13.40%	13.70%	0.30%
Total Defined Benefit Costs	33.26%	37.38%	50.85%	13.47%
Defined Contribution Pension	5.91%	6.00%	6.25%	0.25%
Defined Contribution Health Care	11.90%	13.40%	13.70%	0.30%
Total Defined Contribution Costs	17.81%	19.40%	19.95%	0.55%
<u>Public School Employees' Retirement System¹⁾</u>				
Defined Benefit Pension	10.13%	12.16%	15.96%	3.80%
Defined Benefit Health Care	6.81%	5.50%	5.50%	0.00%
Surcharge Due to Injunction	---	3.00%	3.00%	0.00%
Total Defined Benefit Costs	16.94%	20.66%	24.46%	3.80%
¹⁾ FY 2010-11 and FY 2011-12 rates for employees hired before July 1, 2010.				
Note: The FY 2011-12 Total Defined Benefit costs for employees hired on or after July 1, 2010, are 23.23% of payroll.				

Source: Office of the State Budget

Table 18

FY 2011-12 ESTIMATED CONTRIBUTIONS TO TWO LARGEST RETIREMENT SYSTEMS	
	Millions of Dollars
<u>State Employees' Retirement System (SERS)</u> ¹⁾	
Defined Benefit Pension.....	\$579.9
Defined Contribution State Share	82.7
Health Care	<u>395.1</u>
Subtotal State Employees' Retirement System	\$1,057.7
<u>Public School Employees' Retirement System (PSERS)</u>	
Defined Benefit Pension.....	\$1,593.2
Health Care	<u>848.5</u>
Subtotal Public School Employees' Retirement System.....	\$2,441.7
Additional FY 2011-12 Estimated Cost Per Pupil	\$245
¹⁾ PA 185 of 2010 offered a retirement incentive. In SERS, 4,755 employees retired during the incentive window, with estimated State savings at \$60.2 million GF/GP in FY 2010-11.	

TOBACCO SETTLEMENT APPROPRIATIONS AND REVENUE

Total tobacco settlement revenue for FY 2011-12 is estimated to be \$255.3 million. Pursuant to statute, the Governor recommends the transfer of \$75.0 million of tobacco settlement revenue to the 21st Century Jobs Fund and the diversion of \$61.3 million of tobacco settlement revenue to pay debt service requirements on outstanding tobacco securitization bonds. The remaining \$118.9 million of tobacco settlement revenue is deposited in the Merit Award Trust Fund and the Governor recommends appropriations of \$118.9 million from the Merit Award Trust Fund for five budget areas. Table 19 provides a summary of tobacco settlement appropriations and revenue included in the Governor's FY 2011-12 budget.

Table 19

TOBACCO SETTLEMENT APPROPRIATIONS AND REVENUE			
(Actual Dollars)			
Budget Area/Program	FY 2010-11 Year-to-Date	FY 2011-12 Gov's Rec.	Appropriation Dollar Change
Attorney General			
Administration	\$408,600	\$408,600	\$0
Community Health			
Medicaid Base	81,988,900	82,275,800	286,900
Aging: Respite Care	4,468,700	4,468,700	0
Higher Education			
Tuition Incentive Program	30,100,000	0	(30,100,000)
Human Services			
Family Independence Program (FIP)	0	30,100,000	30,100,000
State Police			
Tobacco Tax Enforcement	630,900	682,000	51,100
Department of Treasury			
Tuition Incentive Program Administration	959,600	996,400	36,800
Total Merit Award Trust Fund Approps.	\$118,556,700	\$118,931,500	\$374,800

Table 19 (continued)

TOBACCO SETTLEMENT APPROPRIATIONS AND REVENUE (Actual Dollars)			
Budget Area/Program	FY 2010-11 Year-to-Date	FY 2011-12 Gov's Rec.	Revenue Dollar Change
<u>Tobacco Settlement Revenue Estimates</u>			
Balance From Prior Fiscal Year.....	\$0	\$0	\$0
Total Annual Payments.....	253,900,000	254,356,900	456,900
Interest Earnings.....	900,000	900,000	0
Total Tobacco Settlement Revenue	\$254,800,000	\$255,256,900	\$456,900
Transfer to 21 st Century Jobs Fund	(75,000,000)	(75,000,000)	0
2006 Bond Securitization (13.34% of Revenue)	(33,870,300)	(33,931,200)	(60,900)
2007 Bond Securitization (10.77% of Revenue)	(27,345,000)	(27,394,200)	(49,200)
Net Revenue Merit Award Trust Fund	\$118,584,700	\$118,931,500	\$346,800
Projected Year-End Balance.....	\$28,000	\$0	(\$28,000)

PAYMENTS TO LOCAL UNITS OF GOVERNMENT

The FY 2011-12 appropriation recommendation includes \$14.7 billion of estimated payments to local units of government. This exceeds the required level of payments pursuant to Article IX, Section 30 of the State Constitution by \$1.8 billion. [Table 20](#) provides a summary of the estimate, and [Table 21](#) lists the payments to local units by department.

Table 20

STATE PAYMENTS TO LOCAL UNITS OF GOVERNMENT ARTICLE IX, SECTION 30 REQUIREMENT (Millions of Dollars)	
	FY 2011-12 Estimate
State Spending from State Resources ¹⁾	\$26,307.8
Required Payments to Local Units of Government (48.97%).....	12,882.9
Estimated Payments to Locals.....	14,717.8
Payments Percentage of Total State Spending.....	55.94%
Surplus of Section 30 Payments.....	\$1,834.8
¹⁾ Does not include \$29.0 million of Federal aid counted as GF/GP revenue.	

Table 21

STATE PAYMENTS TO LOCAL UNITS OF GOVERNMENT FY 2010-11 VERSUS GOVERNOR'S RECOMMENDATION				
Department/Budget Area	FY 2010-11 Year-to-Date Appropriations	FY 2011-12 Governor's Recommendation	Dollar Difference	Percent Change
Agriculture	\$1,500,000	\$1,500,000	\$0	0.0%
Attorney General	0	0	0	0.0
Capital Outlay	1,200	0	(1,200)	(100.0)
Civil Rights	0	0	0	0.0
Community Colleges	295,880,500	295,880,500	0	0.0
Community Health	1,259,130,700	1,376,601,500	117,470,800	9.3
Corrections	92,562,700	90,193,500	(2,369,200)	(2.6)
Education	5,750,000	3,445,700	(2,304,300)	(40.1)
Energy, Labor, and Economic Growth	39,850,100	37,090,500	(2,759,600)	(6.9)
Environmental Quality	2,300,000	2,175,000	(125,000)	(5.4)
Executive	0	0	0	0.0
Higher Education	0	0	0	0.0
Human Services	102,301,900	100,760,900	(1,541,000)	(1.5)
Judiciary	120,832,300	122,835,200	2,002,900	1.7
Legislative Auditor General	0	0	0	0.0
Legislature	0	0	0	0.0
Military and Veterans Affairs	120,000	120,000	0	0.0
Natural Resources	7,191,600	6,550,000	(641,600)	(8.9)
Natural Resources (Trust Fund)	0	0	0	0.0
School Aid	10,824,041,900	10,364,473,300	(459,568,600)	(4.2)
State	1,360,800	1,360,800	0	0.0
State Police	19,466,900	19,056,000	(410,900)	(2.1)
Technology, Management, and Budget	0	0	0	0.0
Transportation	1,143,995,100	1,182,737,000	38,741,900	3.4
Treasury (Debt Service)	0	0	0	0.0
Treasury (Operations)	151,426,400	153,993,500	2,567,100	1.7
Treasury (Revenue Sharing)	1,059,391,500	958,979,300	(100,412,200)	(9.5)
Treasury (Strategic Fund)	0	0	0	0.0
TOTAL APPROPRIATIONS	\$15,127,103,600	\$14,717,752,700	(\$409,350,900)	(2.7%)

DETAILS FOR DEPARTMENTS AND BUDGET AREAS

This section of the report provides a table that summarizes the Governor's FY 2011-12 Gross and GF/GP appropriation changes to FY 2010-11 for each department and budget area. Following Table 22 are highlight sheets for individual departments and budget areas that summarize the Gross appropriation changes from FY 2010-11 to the Governor's recommendation for FY 2011-12.

Table 22

GOVERNOR'S FY 2011-12 GROSS AND GF/GP CHANGES TO FY 2010-11		
Budget Area/Line Items	Governor's Changes	
	Gross	GF/GP
Agriculture		
Shift dairy farm inspections to industry	(\$600,000)	(\$600,000)
Shift intrastate nursery inspections to industry	(500,000)	(500,000)
Eliminate animal feed nutrition analysis and monitoring	(250,000)	(250,000)
Increase fees for grain inspection	0	(300,000)
Intercounty drain district administration assessment	117,700	(432,300)
Capital outlay adjustment	(1,000,000)	0
Federal adjustment for funds received	(898,500)	0
Restricted adjustment for funds received	(1,403,100)	0
Private adjustment for funds received	(86,400)	0
Eliminate Mackinac Bridge bovine TB inspections	(332,000)	(332,000)
Shift animal shelter inspection to education and outreach	(100,000)	(100,000)
Laboratory reduction due to workload reduction	(427,000)	(427,000)
Administrative reduction	(104,700)	(104,700)
Departmentwide fund shift from restricted to GF/GP	0	53,400
Early retirement savings	(1,006,200)	(1,006,200)
Economic adjustments	1,611,200	804,400
Total Agriculture	(\$4,979,000)	(\$3,194,400)
Attorney General		
State officers compensation commission AG salary reduction	(3,300)	(3,300)
Operations reduction	(142,400)	(142,400)
Restricted revenue adjustment in state claims unit	(62,500)	0
Prosecuting attorneys coordinating council grant decrease	(186,000)	0
Information technology reduction	(98,800)	(98,800)
Early retirement savings	(1,186,800)	(1,186,800)
Economic adjustments	2,607,600	989,500
Total Attorney General	\$927,800	(\$441,800)
Capital Outlay		
No recommendation for FY 2011-12	(2,500)	(2,500)
Total Capital Outlay	(\$2,500)	(\$2,500)
Civil Rights		
Operations reduction	(420,000)	(420,000)
Operations fund shift from GF/GP to Federal	0	(463,200)
Operations fund shift from GF/GP to restricted indirect	0	(5,500)
Building occupancy charges (BOC)	25,000	25,000
Workers' compensation	8,600	8,600
Information technology reduction	(150,000)	(150,000)
Early retirement savings	(605,900)	(605,900)
Economic adjustments	462,500	462,500
Total Civil Rights	(\$679,800)	(\$1,148,500)

Table 22 (continued)

GOVERNOR'S FY 2011-12 GROSS AND GF/GP CHANGES TO FY 2010-11		
Budget Area/Line Items	Governor's Changes	
	Gross	GF/GP
Community Colleges		
Replace GF/GP with School Aid Fund	0	(195,880,500)
Total Community Colleges	\$0	(\$195,880,500)
Community Health		
Eliminate one-time ARRA grants	(23,000,000)	0
Changes in Federal grants	9,520,300	0
Elimination of ARRA match rate increase	20,877,000	585,241,600
Increase in FMAP from 65.79% to 66.14%	431,600	(29,902,500)
Medicaid caseload, inflation, utilization	453,053,400	160,229,600
MICChild match rate increase from 76.05% to 76.30%	0	(144,600)
Healthy Michigan Fund reductions	(1,000,000)	(1,000,000)
Healthy Michigan Fund surplus revenue	0	(194,200)
Increased costs for DELEG administrative hearings	73,500	36,700
Loss of Federal funds from redirection of mental health resources	(1,251,300)	0
IDG increase from DHS for severely emotionally impaired	1,000,000	0
Eliminate one-time funding for Detroit substance abuse program	(1,000,000)	(1,000,000)
Reduce CMH non-Medicaid by 3.0%	(8,483,300)	(8,483,300)
Reduce children's waiver home care program by 10.0%	(2,105,000)	(712,800)
Reduce state disability assistance substance abuse by 10.0%	(224,300)	(224,300)
Reduce substance abuse administrative reimbursement	(317,900)	(317,900)
Reduce CMH special populations funding by 15.0%	(1,031,000)	(1,031,000)
Facility pharmaceutical inflation costs	793,400	401,300
Transfer responsibility for forensic mental health to Corrections	(50,527,800)	0
Increased staff for provider pharmacy investigations	239,700	0
New staff for dietetics, massage therapy, acupuncture licensing	254,600	0
Establish statewide trauma system	3,500,000	0
Increase health facility fees and funding, eliminate GF support	739,200	(4,490,300)
Cut Bronson disproportionate share hospital (DSH) funds by 15.0%	(330,200)	(111,800)
Cut Beaver, Drummond, and Mackinac Island clinics by 15.0%	(15,000)	(15,000)
Cut Helen M. Nickless clinic in Bay City by 15.0%	(11,300)	(11,300)
Cut Ashley clinic by 15.0%	(9,000)	(9,000)
Eliminate subsidy to AFC/homes for aged background checks	(2,720,500)	(2,174,500)
Increase in AIDS drug manufacturer rebates	5,000,000	0
Adjust newborn screening fee revenue to actual	805,000	0
Eliminate Houghton lab transitional funding	(250,000)	(250,000)
Increase in lead enforcement activity	193,200	0
Cut local public health departments by 5.0%	(1,696,700)	(1,696,700)
Reduce traumatic brain injury pilots by 15.0%	(30,000)	(15,000)
Reduce Henry Ford Hospital colon project by 15.0%	(18,800)	(18,800)
Reduce Saginaw special needs vision clinic by 15.0%	(7,500)	(7,500)
Reduce stillbirth program by 15.0%	(7,500)	(7,500)
Children's special health care savings due to Federal health reform ..	(500,000)	(500,000)
Implement managed care for CSHCS Medicaid clients	(11,000,000)	(3,724,600)
Recognize increased crime victims Federal/restricted revenue	4,070,000	0
Increase Project FRESH private funding	70,000	0
Reduce tribal elders program by 15.0%	(18,000)	(18,000)
Reduce aging community services by 8.2%	(1,025,500)	(1,025,500)
Reduce aging nutrition services by 8.2%	(791,000)	(791,000)
Reduce senior volunteer services by 9.0%	(401,800)	(401,800)

Table 22 (continued)

GOVERNOR'S FY 2011-12 GROSS AND GF/GP CHANGES TO FY 2010-11		
Budget Area/Line Items	Governor's Changes	
	Gross	GF/GP
Community Health (continued)		
Reduce adult benefits waiver to freeze GF costs	(16,941,600)	0
Remove CMH/HMO use tax reimbursement	(388,352,900)	(131,496,300)
Institute 1.0% health claims tax to support Medicaid.....	0	(396,856,600)
Remove one-time special DSH payment.....	(27,000,000)	0
Eliminate \$7.5 million DSH pool	(7,500,000)	0
Medicaid special financing adjustments	(9,052,000)	5,242,000
Recognize Medicaid Trust Fund revenue	0	800,000
Adjust Merit Award Trust Fund to actual	0	(286,900)
Increase funding for public clinic physician adjustor payments	59,824,900	711,500
Remove one-time GM pension FMAP adjustment	0	160,000,000
Remove U-M's healthy kids dental contribution	(1,600,000)	0
Reduce regular DSH payments to fit Federal allotment	(18,116,300)	0
Remove health promotion waiver line item.....	(10,000,000)	0
Add behavioral health drugs to preferred drug list.....	(18,700,000)	(6,331,800)
Implement managed care for dual eligibles 4/1/2012	(29,628,700)	(10,000,000)
Implement third-party liability auto insurer legislation.....	(14,766,700)	(5,000,000)
Enhance estate recovery program.....	(10,000,000)	(3,386,000)
Apply limits to adult home help (AHH)	(17,720,000)	(6,000,000)
Eliminate funding for AHH quality care council.....	(1,000,000)	(500,000)
Reduce Mumford and Arthur Hill clinics by 15.0%	(90,000)	(30,500)
Implement traumatic brain injury waiver	(98,000)	(49,500)
Reduce graduate medical education (GME) payments by 40.0%.....	(67,264,300)	(22,775,700)
Adjust Medicaid computer to meet HIPAA requirements	8,922,600	1,154,600
Early retirement savings	(5,024,300)	(3,517,400)
Economic adjustments.....	22,464,200	10,293,500
Total Community Health	(\$158,795,600)	\$279,601,200
Corrections		
Neal lawsuit settlement increase	5,000,000	5,000,000
Health care contract inflation increase	4,000,000	4,000,000
Custody staff training	3,500,000	3,500,000
Utility and rent costs	1,622,200	1,622,200
Parole and probation fee shortfalls	0	3,000,000
Eliminate IDG to Judiciary	(1,000,000)	(1,000,000)
Eliminate IDG to Corrections ombudsman	(250,000)	(250,000)
Eliminate IDG to State Police	(100,000)	(100,000)
Eliminate public works program.....	(4,448,300)	(2,188,000)
Close one prison	(18,900,000)	(18,900,000)
Supply chain transformation savings	(10,000,000)	(10,000,000)
Consolidate lieutenant positions	(8,491,000)	(8,491,000)
Privatize food service.....	(7,000,000)	(7,000,000)
Privatize prison stores	(6,252,500)	(2,450,000)
GPS tether contract savings	(750,000)	(750,000)
Parole board reduction	(747,900)	(747,900)
Consolidate business office	(700,000)	(700,000)
Early retirement savings	(8,821,900)	(8,821,900)
Economic adjustments.....	58,312,200	56,233,300
Total Corrections	\$4,972,800	\$11,956,700

Table 22 (continued)

GOVERNOR'S FY 2011-12 GROSS AND GF/GP CHANGES TO FY 2010-11		
Budget Area/Line Items	Governor's Changes	
	Gross	GF/GP
Education		
Reduce State aid to library payments by 40.0%	(2,304,300)	(2,304,300)
Redirect portion of library payments cut to eLibrary	950,000	950,000
Eliminate State reform/redesign office (requires statute change).....	(1,369,700)	(1,369,700)
Reduce spending for online testing (rent instead of purchase)	(500,000)	(500,000)
Eliminate basic instructional supplies hotline	(76,000)	(76,000)
Adjust Federal and private spending authority to reflect actual	(6,012,500)	0
Increase private gifts for blind scholarships	110,000	0
Remove one-time cost of database linking teachers and students	(5,000,000)	0
Early retirement savings.....	(370,900)	(370,900)
Economic adjustments	1,556,800	401,000
Total Education	(\$13,016,600)	(\$3,269,900)
Energy, Labor, and Economic Growth		
Reduce fire protection grants	(1,636,600)	(1,636,600)
Eliminate workers compensation appellate commission	(1,173,100)	(1,173,100)
Administrative reduction	(1,129,900)	(1,129,900)
Increase development of Michigan business one-stop portal	1,820,000	0
Implement Federal Dodd-Frank requirements (OFIR).....	381,000	0
Increase for credit union examinations (OFIR)	175,000	0
Increase caseload for tax tribunal	150,000	0
Increase for private occupational school licensure program.....	145,700	0
Increase enforcement for real estate continuing ed. requirements....	28,000	0
Reduce spending authorizations to match revenue.....	(9,057,700)	0
Remove one-time appropriations	(6,020,000)	(250,000)
Reduce admin. hearings/rules office IDG to match appropriations	(1,057,100)	0
Reduce TANF to match available revenue	(3,765,000)	0
Early retirement savings.....	(1,824,900)	(624,200)
Economic adjustments	17,283,900	742,200
Total Energy, Labor, and Economic Growth	(\$5,680,700)	(\$4,071,600)
Environmental Quality		
Reduce office of pollution prevention and compliance assistance	(1,200,000)	(1,200,000)
Eliminate nonmetallic mine reclamation program	(23,800)	0
Eliminate high-risk erosion program	(268,000)	(250,000)
Send mapping and information program to WMU	(208,000)	0
Increase air emissions fees.....	840,000	0
Increase solid waste management fees.....	0	0
Establish wastewater operator certification exam fees	156,000	(200,000)
Fund nonpoint cleanups from strategic water quality initiatives fund .	30,000,000	0
Appropriate balance of State site cleanup fund for State cleanups	4,400,000	0
Upgrade coastal and inland water permit computer system	3,200,000	0
Administrative reduction	(1,268,500)	(1,012,000)
Replace GF for critical dunes program with restricted revenue.....	0	(400,000)
Replace GF for hazardous waste program with restricted revenue ...	0	(738,000)
Reduce spending authorizations to match revenue.....	(31,413,200)	0
Early retirement savings.....	(738,100)	(738,100)
Economic adjustments	6,697,200	707,200
Total Environmental Quality	\$10,173,600	(\$3,830,900)

Table 22 (continued)

GOVERNOR'S FY 2011-12 GROSS AND GF/GP CHANGES TO FY 2010-11		
Budget Area/Line Items	Governor's Changes	
	Gross	GF/GP
Executive		
State officers compensation commission (SOCC) reductions	(19,400)	(19,400)
Non-SOCC adjustments.....	(212,200)	(212,200)
Total Executive	(\$231,600)	(\$231,600)
Higher Education		
Reduce university operations, AES, CES by 15.0%	(222,400,100)	(222,400,100)
Replace GF/GP with School Aid Fund	0	(699,719,500)
Reduce university operations line items	(82,996,900)	(82,996,900)
Add new tuition restraint incentive line items	82,996,900	82,996,900
Eliminate State competitive scholarships.....	(19,861,700)	(18,361,700)
Eliminate tuition grants.....	(31,664,700)	(31,664,700)
Create new pathway to higher education grant program.....	51,526,400	50,026,400
Increase for tuition incentive program (TIP) caseload/costs	6,400,000	6,400,000
Replace GF/GP and Merit Trust Fund with TANF	0	(63,626,400)
Total Higher Education	(\$216,000,100)	(\$979,346,000)
Human Services		
Annualize costs of the customer service call center	850,000	0
Annualize limited-term field staff (100.0 FTEs).....	1,653,100	1,226,300
Annualize donated funds staff positions	2,132,800	0
Eliminate JET-plus program due to loss of ARRA	(8,500,000)	0
Eliminate transitional housing for domestic violence due to ARRA	(2,000,000)	0
Eliminate zero to three program due to loss of ARRA	(3,843,800)	0
Other ARRA shifts and program reductions.....	(6,582,500)	10,492,500
Caseload adjustments.....	(7,771,300)	3,217,600
Attorney general contract increase	200,000	0
Child support state disbursement unit (SDU) contract savings	(1,843,100)	(626,700)
Eliminate earmark for conductive learning center.....	(300,000)	(300,000)
Eliminate earmark for University of Detroit-Mercy	(200,000)	(200,000)
Eliminate earmark for youthville	(100,000)	(100,000)
Eliminate before- and after-school programs.....	(3,000,000)	0
Eliminate LEIN interface program	(255,000)	(255,000)
Eliminate Michigan home-based child care council	(200,000)	(200,000)
Eliminate partial tuition reimbursement program	(998,600)	(575,200)
Eliminate Shawono Center juvenile detention facility	(2,122,000)	(536,700)
Eliminate \$50 monthly pass-through for child support/FIP clients	0	(1,700,000)
Eliminate Federal caseworker grant	(1,512,800)	0
Federal grant increases	7,654,000	0
Restore Federal funding for licensing fees	632,400	0
New \$25 fee for non-custodial parents for child support admin.	0	(600,000)
New \$25 fee for non-custodial parents for IRS processing	0	(2,025,000)
Increase in FMAP from 65.70% to 66.14%.....	0	(855,200)
Adjust funds to reduce/realign programs	(120,200)	0
Reduce family preservation program allocations.....	(718,600)	0
Annualize the shift to private foster care agencies	30,106,700	20,444,200
Align funds for base financing needs	(5,419,500)	(1,496,800)
Replace Title IV-D funding with GF/GP	0	17,489,900
Swap TANF funding in Higher Ed. with GF/GP for the TANF MOE ...	0	63,726,400
Other GF/GP fund shift increases.....	80,100	6,275,300

Table 22 (continued)

GOVERNOR'S FY 2011-12 GROSS AND GF/GP CHANGES TO FY 2010-11		
Budget Area/Line Items	Governor's Changes	
	Gross	GF/GP
Human Services (continued)		
Replace State disability assistance GF with SSI recovery revenue ...	0	(2,100,000)
Increase SSI advocates staff by 7.0 FTEs.....	633,500	633,500
Replace GF by shifting TANF carryforward to FIP	0	(38,767,600)
Other fund shifts with GF/GP savings	0	(40,682,600)
Increase day care.....	2,773,100	1,875,800
Increase for donated funds positions (Medicaid eligibility)	2,132,800	0
Increase for medical/psychological evaluations.....	2,635,700	2,483,100
Increase for payments to private adoption providers	2,772,000	1,718,600
Increase to recognize funding for needs assessment	4,000,000	4,000,000
Increase for youth re-entry initiative	200,000	200,000
Increase for child welfare tech. improvements.....	2,700,000	1,350,000
Reduce central administration	(712,000)	(226,300)
Calculate adoption subsidies for FIP income eligibility determination...	(1,243,800)	(1,243,800)
Reduce unlicensed child care rates and costs per case.....	(14,075,800)	(175,800)
Reduce child protection and permanency.....	(2,600,000)	0
Reduce domestic violence prevention administration.....	(250,000)	(100,000)
Reduce FIP lifetime limits (12,623 cases @ \$511 per month).....	(77,400,000)	(65,000,000)
Reduce guardianship assistance	(1,000,000)	(500,000)
Reduce Maxey training school	(900,000)	(450,000)
Reduce medical subsidies for adoption	(3,000,000)	(3,000,000)
Reduce multicultural program spending by 15.0%	(300,000)	(61,000)
Reduce payments to independent living providers	(877,600)	(175,500)
Reduce children's trust fund	(1,000,000)	0
Annualize child welfare staff added in FY 2010-11.....	31,782,400	23,909,200
Reduce operations staff	(588,300)	(200,000)
Consolidate 100 limited-term field staff.....	0	0
Eliminate 300.0 FTE field staff	(19,534,800)	(8,312,700)
Staff transfers	(462,600)	0
Replace one-time TANF contingency funds with GF/GP.....	0	177,695,700
Transfer funds from youth in transition to foster care (\$1,956,200)....	0	0
Transfer funds to adult and family services for printing	0	0
Economic adjustments	19,102,700	6,187,900
Total Human Services.....	(\$57,391,000)	\$172,460,100
Judiciary		
Eliminate six trial court judgeships	(942,100)	(942,100)
Temporarily eliminate Oakland/Macomb judgeships	(69,900)	(69,900)
Eliminate IDG from Corrections for drug courts	0	1,000,000
Early retirement savings.....	(1,019,500)	(1,019,500)
Economic adjustments	1,948,100	1,835,300
Total Judiciary.....	(\$83,400)	\$803,800
Legislative Auditor General		
Adjust IDG expenditure credits	1,700,000	0
Remove unfunded IDG due to Governor's veto	(500,000)	0
Reduce operations by 5.0%	(558,000)	(558,000)
Total Legislative Auditor General.....	\$642,000	(\$558,000)
Legislature		
State officers compensation commission (SOCC) adjustment	(416,600)	(416,600)
Non-SOCC adjustment	(1,584,300)	(1,584,300)
Total Legislature	(\$2,000,900)	(\$2,000,900)

Table 22 (continued)

GOVERNOR'S FY 2011-12 GROSS AND GF/GP CHANGES TO FY 2010-11		
Budget Area/Line Items	Governor's Changes	
	Gross	GF/GP
Military and Veterans Affairs		
Increase in Federal firefighting resources at training sites	2,500,000	0
Camp Grayling light demolition range	1,700,000	0
Military retirement actual costs	200,000	200,000
Land acquisition completion	(500,000)	0
Contract for resident care aides at Grand Rapids veterans home	(4,200,000)	(4,200,000)
Early retirement savings	(204,000)	(204,000)
Economic adjustments.....	2,844,600	824,200
Total Military and Veterans Affairs.....	\$2,340,600	(\$3,379,800)
Natural Resources		
Mackinac Island state park commission fund shift	0	(1,561,900)
Reduce wildfire protection equipment purchases.....	(68,500)	(68,500)
Eliminate funding for endangered species study with MSU	(124,400)	(124,400)
Reduce general law enforcement activities	(92,400)	(92,400)
Administrative reduction	(184,700)	(184,700)
Reduce spending authorizations to match revenue	(8,039,200)	0
Use recreation passport revenue to increase program support	3,114,000	0
New capital outlay projects	6,101,400	0
Reduce historical programs	(253,100)	(253,100)
Fee increase for captive cervid program	0	(115,000)
Early retirement savings	(283,900)	(283,900)
Economic adjustments.....	6,723,900	413,200
Total Natural Resources	\$6,893,100	(\$2,270,700)
School Aid		
Per-pupil State funding - add'l cut of \$300 on top of existing \$170	(452,500,000)	0
Per-pupil Federal education jobs fund funding	(316,270,300)	0
Eliminate declining enrollment funding	(27,000,000)	0
Eliminate class size reduction adjustments to foundations	(19,700,000)	0
Eliminate other district-specific adjustments to foundations.....	(8,600,000)	0
Reduce ISD operations by 5.0%.....	(3,268,800)	0
Eliminate ISD special education FICA and hold harmless	(16,713,900)	0
Eliminate isolated district/transportation grant funding	(2,025,000)	0
Eliminate MBT hold harmless funding	(1,800,000)	0
Eliminate bilingual education	(2,800,000)	0
Eliminate health/science middle-college grants.....	(2,000,000)	0
Eliminate state aid to libraries payments	(1,500,000)	(1,500,000)
Eliminate SVSU agriculture education grant	(300,000)	0
Elimination Pontiac's antibullying crisis intervention grant	(300,000)	0
Eliminate precollege engineering grants	(905,100)	0
Reduce Federal grants to reflect available funding	(29,474,600)	0
Restore funding for MSP to conduct school bus inspections	1,095,800	0
Technical baseline cost adjustments.....	(76,888,800)	1,419,400
Add GF/GP to partially offset SAF MBT tax revenue loss	0	393,900,000
Economic adjustments.....	273,600	80,600
Total School Aid.....	(\$960,677,100)	\$393,900,000

Table 22 (continued)

GOVERNOR'S FY 2011-12 GROSS AND GF/GP CHANGES TO FY 2010-11		
Budget Area/Line Items	Governor's Changes	
	Gross	GF/GP
State		
State officers compensation commission SOS salary reduction	(3,300)	(3,300)
Reduce regulatory services operations.....	(494,000)	(494,000)
Reduce branch operations	(484,200)	(484,200)
Reduce central operations	(558,800)	(558,800)
Reduce department services	(460,000)	(460,000)
Reduce election administration	(103,000)	(103,000)
Early retirement savings.....	(621,300)	(621,300)
Economic adjustments	1,089,200	100,000
Total State	(\$1,635,400)	(\$2,624,600)
State Police		
Increase fingerprint analysis fee	0	(3,000,000)
Eliminate Collins Road lease	(750,000)	(750,000)
Close Rockford dispatch center	(1,000,000)	(1,000,000)
Restructure field service.....	(3,208,500)	(3,208,500)
Restore school bus inspections to previous level	1,047,400	0
Reduce trooper overtime.....	(4,641,200)	(4,641,200)
Completion of 9-1-1 system upgrade	(3,400,000)	0
Retirement attrition	(4,098,100)	(4,098,100)
Deferred retirement option plan (DROP) savings	(2,757,100)	(2,757,100)
Reverse one-time fund shift	0	5,248,800
Shift funded vacancies from GF/GP to restricted.....	(922,500)	(922,500)
Increase in actual federal/restricted funds received	4,238,300	0
Decrease in actual federal/restricted funds received	(16,737,600)	0
Lab fund shift from GF/GP to restricted	0	(346,000)
Shift mental health training grant from IDG to GF/GP	0	100,000
Early retirement savings.....	(1,859,900)	(1,859,900)
Economic adjustments	22,940,400	18,527,300
Total State Police	(\$11,148,800)	\$1,292,800
Technology, Management, and Budget		
Align IT IDG funding with departments	7,907,900	0
Miscellaneous IT funding adjustments.....	12,079,400	0
Administrative savings due to efficiencies in IT operations	(1,256,900)	0
Funding for new information technology innovations fund.....	5,000,000	5,000,000
Remove funding for gubernatorial transition costs	(1,500,000)	(1,500,000)
State building authority rent adjustments.....	15,000,000	15,000,000
Accounting consolidation related to E.O. 2007-32.....	1,593,200	0
Consolidate building operations functions	(1,250,000)	0
Eliminate professional development funds	(225,000)	0
Adjust Civil Service Commission for MDOC facility closure	277,800	277,800
Administrative reduction.....	(3,137,400)	(1,792,500)
Reduce funding for Civil Service Commission	(2,000,000)	(2,000,000)
Negative adjustments for Statewide cost allocation plan.....	0	(394,700)
Early retirement savings.....	(5,941,200)	(3,145,600)
Economic adjustments	11,231,700	2,164,000
Total Technology, Management, and Budget	\$37,779,500	\$13,609,000

Table 22 (continued)

GOVERNOR'S FY 2011-12 GROSS AND GF/GP CHANGES TO FY 2010-11		
Budget Area/Line Items	Governor's Changes	
	Gross	GF/GP
Transportation		
State trunkline fund (STF) debt service	48,596,700	0
Economic development fund debt service	1,200	0
Local bridge fund debt service	300	0
Blue Water Bridge fund debt service	1,898,600	0
Airport safety and protection plan debt service	17,500	0
Comprehensive transportation fund debt service	(9,853,900)	0
Reduce STF spending to increase amount available for match	(2,911,200)	0
Transfer 27.0 FTEs from DEQ/DNR to combine accounting svcs.	2,573,200	0
IDG payments to other departments to reflect various adjustments ...	1,388,400	0
Increase in Federal highway funds for roads and bridges	23,675,700	0
Increase for public transportation development projects (PA 51 of 1951) ..	11,623,800	0
Statewide cost allocation plan adjustment	77,969,100	0
Reduce State aeronautics funding due to lower revenue	(1,049,800)	0
Remove capital outlay funds for Blue Water Bridge welcome center	(9,889,600)	0
Reduce capital outlay funds for airport safety and improvement	(13,495,800)	0
Reduce intercity bus service	(1,800,000)	0
Remove one-time funding for light rail project in Detroit	(1,000,000)	0
Economic adjustments	14,207,200	0
Total Transportation	\$141,951,400	\$0
Treasury - Debt Service		
Water pollution control bond and interest	(69,600)	(69,600)
Quality of life bond	47,340,200	47,340,200
Clean Michigan initiative	34,748,200	34,748,200
Great Lakes water quality bond	1,276,400	1,276,400
Total Treasury - Debt Service	\$83,295,200	\$83,295,200
Treasury - Operations		
Presidential primary	10,000,000	10,000,000
Reduce payment in lieu of taxes (PILT)	(1,866,400)	(1,576,000)
Reduce PILT excess restricted revenue authority	(513,000)	0
Senior citizens cooperative housing tax exemption (actual cost)	(2,500,000)	(2,500,000)
Administrative reduction	(905,500)	(905,500)
Reduce business property tax appeals funding	(600,000)	(600,000)
Remove FY 2010-11 supplementals	(11,600,000)	0
Increase unclaimed property program funding	700,000	0
Land bank fast track authority federal grant	1,000,000	0
Add auditor for Indian gaming	90,200	0
Workers' compensation/building occupancy/rent	(75,000)	(52,500)
Early retirement savings	(1,022,400)	(1,022,400)
Economic adjustments	9,532,000	889,700
Total Treasury - Operations	\$2,239,900	\$4,233,300
Treasury - Revenue Sharing		
Constitutional payments	15,232,400	0
Eliminate statutory payments to cities, villages, townships (CVTs)	(300,903,900)	0
New incentive-based revenue sharing program for CVTs	200,000,000	0
Reduce county revenue sharing	(14,740,700)	0
Total Treasury - Revenue Sharing	(\$100,412,200)	\$0

Table 22 (continued)

GOVERNOR'S FY 2011-12 GROSS AND GF/GP CHANGES TO FY 2010-11		
Budget Area/Line Items	Governor's Changes	
	Gross	GF/GP
Treasury - Strategic Fund		
Business attraction and economic gardening	50,000,000	25,000,000
Innovation and entrepreneurship	25,000,000	0
Film incentives	25,000,000	25,000,000
Quality of place and talent enhancement	5,000,000	5,000,000
Michigan promotion program/Pure Michigan	9,597,200	(5,402,800)
Eliminate jobs for Michigan investment program	(65,000,000)	0
Revise IDG and private revenue estimate	(543,600)	0
Federal reduction for community development block grant.....	(6,000,000)	0
Early retirement savings	(543,000)	(543,000)
Economic adjustments.....	968,900	881,000
Total Treasury - Strategic Fund.....	\$43,479,500	\$49,935,200
Total All Budget Areas	(\$1,198,039,300)	(\$191,164,400)

HIGHLIGHT SHEETS

AGRICULTURE AND RURAL DEVELOPMENT BUDGET

GOVERNOR'S RECOMMENDATION

Senate Bill 169 (as introduced)
Committee: Appropriations

Vehicle for Governor's Recommendation line items is Senate Bill 199

FY 2010-11 Year-to-Date Gross Appropriation	\$76,448,300
Changes from FY 2010-11 Year-to-Date:	
1. Dairy Farm Inspection Shift to Industry. The Governor transferred on-site dairy farm inspection to industry groups while the State retained inspection duties of processing facilities and general audit functions, saving 6.0 FTEs and \$600,000 GF/GP.	(600,000)
2. Nursery Stock Inspection Shift to Industry. The Governor transferred local and intrastate nursery stock inspection to a third-party group paid for by industry while the State retained inspections required for export, saving 6.0 FTEs and \$500,000 GF/GP.	(500,000)
3. Intercounty Drain District Assessment. The Governor recommended a new \$500 assessment on intercounty drain districts (which number 1,100) to pay for department's role in providing assistance. New revenue would add \$117,700 to the program in addition to supplanting \$432,300 GF/GP (a total of \$550,000 restricted).	117,700
4. Grain Inspection Program Fee Increase. The Governor increased fees charged for grain inspections to offset a total of \$300,000 GF/GP.	0
5. Elimination of Animal Feed Nutritional Analysis. The Governor recommended that the department no longer monitor feed nutrition, but continue all other feed safety activities. This would save \$250,000 GF/GP annually.	(250,000)
6. Animal Shelter Inspection Program Shift to Outreach. The Governor reduced funding for the inspection program, and required a focus on education and outreach, saving \$100,000 GF/GP.	(100,000)
7. Adjustments for Actual Revenue Received. The Governor reduced fund sources to reflect the expected receipt of private (\$86,400), Federal (\$898,500), and restricted (\$1,403,100) funds.	(2,388,000)
8. Administrative Reductions and Other Adjustments. The Governor reduced funding for the lab (\$427,000 GF/GP), other units (\$104,700 GF/GP), and Capital Outlay (\$1.0 million restricted) and shifted \$53,400 from restricted to GF/GP.	(1,531,700)
9. Elimination of Mackinac Bridge Bovine TB Inspections. The Governor reduced bovine TB inspections, saving \$332,000 GF/GP.	(332,000)
10. Early Retirement GF/GP Savings from FY 2010-11.	(1,006,200)
11. Economic Adjustments. The Governor included \$1,590,600 Gross and \$786,100 GF/GP. For DIT, a total of \$20,600 Gross and \$18,300 GF/GP was included.	1,611,200
Total Changes.....	(\$4,979,000)
FY 2011-12 Governor's Recommendation.....	\$71,469,300

The changes show the differences between the schedule of programs proposed by the Governor and the prior-year line items.

ATTORNEY GENERAL BUDGET

GOVERNOR'S RECOMMENDATION

Senate Bill 177 (as introduced)
Committee: Appropriations

Vehicle for Governor's Recommendation line items is Senate Bill 199

FY 2010-11 Year-to-Date Gross Appropriation	\$73,413,100
Changes from FY 2010-11 Year-to-Date:	
1. Attorney General Operations. The Governor recognized early retirement savings of \$1,151,200 GF/GP and made an additional reduction of \$142,400 GF/GP. Together these reduce GF/GP appropriations for operations by 5.0%.	(1,293,600)
2. Attorney General Salary. The Governor reduced the salary for the Attorney General by \$3,300 GF/GP to \$112,500, following the recommendation of the State Officers Compensation Commission.	(3,300)
3. Prosecuting Attorneys Coordination Council. The Governor reduced funding to reflect retirement savings of \$35,600 GF/GP and a reduction of \$186,000 in restricted grant funds for training.	(221,600)
4. Information Technology. The Governor recommended a reduction of \$98,800 GF/GP in the information technology appropriation.	(98,800)
5. Economic Adjustments. The Governor recommended economic adjustments of \$2,603,300, of which \$985,200 is funded by GF/GP revenue.	2,603,300
6. Other Changes. The Governor proposed information technology economics of \$4,300 and a reduction of \$62,500 in restricted fund authority for the State Claims Unit to reflect the level of billings.	(58,200)
Total Changes	\$927,800
FY 2011-12 Governor's Recommendation	\$74,340,900

The changes show the differences between the schedule of programs proposed by the Governor and the prior-year line items.

CIVIL RIGHTS BUDGET

GOVERNOR'S RECOMMENDATION

Senate Bill 177 (as introduced)

Vehicle for Governor's Recommendation line items is Senate Bill 199

Committee: Appropriations

FY 2010-11 Year-to-Date Gross Appropriation	\$12,778,700
Changes from FY 2010-11 Year-to-Date:	
1. Operations Reduction and Fund Shift. The Governor proposed a reduction to operational funding of \$1,020,400 consisting of retirement savings of \$600,400 GF/GP and a reduction of \$420,000 GF/GP.	(1,020,400)
2. Operations Fund Shift, GF/GP to Federal. The Governor recommended a reduction of \$463,200 GF/GP that would be replaced by \$463,200 of increased Federal funds by completing additional cases pursuant to a contract with the U.S. Department of Housing and Urban Development. These cases are dually filed at the State and Federal levels.	0
3. Information Technology (IT). The Governor reduced funding for information technology by \$150,000 GF/GP. Due to fewer staff, the Department expects to realize savings by reducing the number of computers.	(150,000)
4. Economic Adjustments. The Governor recommended economic adjustments of \$451,900.	451,900
5. Other Changes. The Governor recommended a building occupancy charge increase of \$25,000, workers' compensation increase of \$8,600, information technology economics of \$10,600, IT retirement savings of \$7,600, and IT building occupancy charges of \$2,100.	38,700
Total Changes	(\$679,800)
FY 2011-12 Governor's Recommendation	\$12,098,900

The changes show the differences between the schedule of programs proposed by the Governor and the prior-year line items.

COMMUNITY COLLEGES BUDGET

GOVERNOR'S RECOMMENDATION

Senate Bill 171 (as introduced)
Committee: Appropriations

Vehicle for Governor's Recommendation line items is Senate Bill 200

FY 2010-11 Year-to-Date Gross Appropriation	\$295,880,500
Changes from FY 2010-11 Year-to-Date:	
1. Continuation Funding. The Governor maintained funding for community college operations and at-risk funding at the FY 2010-11 level. The following table outlines the amount for each college.	0
2. Funding Shift to School Aid Fund. The Governor shifted \$195,880,500 from the State General Fund to the School Aid Fund.	0
Total Changes	0
FY 2011-12 Governor's Recommendation	\$295,880,500

FY 2011-12 COMMUNITY COLLEGE APPROPRIATIONS: GOVERNOR'S RECOMMENDATION				
College	FY 2010-11 Enacted	Adjustments	Governor's Rec.	Percent Change
Alpena	\$5,126,100	0	\$5,126,100	0.0%
Bay de Noc	5,178,400	0	5,178,400	0.0
Delta	13,751,600	0	13,751,600	0.0
Glen Oaks	2,304,800	0	2,304,800	0.0
Gogebic	4,275,200	0	4,275,200	0.0
Grand Rapids	17,219,800	0	17,219,800	0.0
Henry Ford	20,898,900	0	20,898,900	0.0
Jackson	11,542,300	0	11,542,300	0.0
Kalamazoo Valley	11,888,600	0	11,888,600	0.0
Kellogg	9,311,800	0	9,311,800	0.0
Kirtland	2,842,800	0	2,842,800	0.0
Lake Michigan	5,012,100	0	5,012,100	0.0
Lansing	29,762,500	0	29,762,500	0.0
Macomb	31,773,900	0	31,773,900	0.0
Mid Michigan	4,289,200	0	4,289,200	0.0
Monroe	4,142,800	0	4,142,800	0.0
Montcalm	2,981,600	0	2,981,600	0.0
Mott	15,016,400	0	15,016,400	0.0
Muskegon	8,518,600	0	8,518,600	0.0
North Central	2,893,600	0	2,893,600	0.0
Northwestern	8,682,000	0	8,682,000	0.0
Oakland	20,133,700	0	20,133,700	0.0
St. Clair	6,729,800	0	6,729,800	0.0
Schoolcraft	11,767,000	0	11,767,000	0.0
Southwestern	6,276,900	0	6,276,900	0.0
Washtenaw	12,149,000	0	12,149,000	0.0
Wayne County	15,889,900	0	15,889,900	0.0
West Shore	2,198,500	0	2,198,500	0.0
Subtotal Operations	\$292,557,800	\$0	\$292,557,800	0.0%
At Risk	3,322,700	0	3,322,700	0.0
Total Appropriation	\$295,880,500	\$0	\$295,880,500	0.0%
State School Aid Fund	\$0	\$195,880,500	\$195,880,500	---
GF/GP	\$295,880,500	(\$195,880,500)	\$100,000,000	(66.2)%

COMMUNITY HEALTH BUDGET

GOVERNOR'S RECOMMENDATION

Senate Bill 172 (as introduced)
Committee: Appropriations

Vehicle for Governor's Recommendation line items is Senate Bill 199

FY 2010-11 Year-to-Date Gross Appropriation \$14,124,104,600

Changes from FY 2010-11 Year-to-Date:

1. Impact of the Expiration of the American Recovery and Reinvestment Act (ARRA) Federal Medical Assistance Percentage (FMAP) Provisions. Enhanced Medicaid FMAP, implemented under ARRA, will expire on June 30, 2011; the Governor's budget reflected an increase of \$585.2 million GF/GP due to this expiration.	0
2. Expiration of One-Time Retroactive FMAP Adjustment. The Governor added \$160.0 million GF/GP to reverse a one-time retroactive FMAP adjustment that corrected for the way pension payments by General Motors affected the State's FMAP.	0
3. Increase in Base FMAP Rate. The base Medicaid FMAP will increase from 65.79% in FY 2010-11 to 66.14% in FY 2011-12, leading to savings of \$29.9 million GF/GP.	0
4. Medicaid Base Funding. The Governor included base adjustments for Medicaid, Community Mental Health (CMH) Medicaid services, the Children's Special Health Care Services (CSHCS) program, and the Adult Benefits Waiver, increasing GF/GP costs by \$160.2 million. The Governor also included no actuarial soundness adjustment for Pre-paid Inpatient Health Plans (PIHPs) and Medicaid Health Maintenance Organizations (HMOs).	453,053,400
5. Transfer of Responsibility for Forensic Mental Health Services to Corrections. The Governor transferred funding and staff for forensic mental health services to the Department of Corrections, which previously paid for these services via an IDG.	(50,527,800)
6. Cost Reduction Measures. The Governor included numerous cost reduction measures: Savings from a shift to mandatory managed care for CSHCS Medicaid clients, savings from a proposed waiver to implement managed care for "dual eligibles", a 40.0% reduction in Medicaid graduate medical education payments, a 3.0% reduction to CMH non-Medicaid services, administrative reductions to substance abuse services, a 5.0% reduction to local public health, a 9.0% reduction to many Aging programs, \$1.0 million in reductions to Healthy Michigan Fund programs, eligibility limits for the Adult Home Help program, and 15.0% reductions to many legislative initiated programs. Savings also were assumed from proposed legislation: A requirement that auto insurers provide information to aid in third-party liability recoveries, the inclusion of behavioral health drugs on the Medicaid preferred drug list, and proposed enhancements to the Medicaid estate recovery program. Total GF/GP savings from these measures were assumed to be \$78.2 million.	(186,709,900)
7. Replacement of PIHP and HMO Use Tax with 1.0% Tax on Paid Health Claims. The Governor reflected Gross and GF/GP savings due to the proposed elimination of the 6.0% PIHP and HMO Use Tax. Due to actuarial soundness requirements, the State effectively reimbursed the PIHPs and HMOs for the cost of the \$388.4 million tax via increased Medicaid payments. Eliminating the tax removes the need for these payments and saves the State \$131.5 million GF/GP. The Governor proposed replacing the Use Tax with a 1.0% tax on all paid health claims, which would raise an estimated \$396.9 million in Restricted revenue, which would be used to offset GF/GP in the Medicaid program.	(388,352,900)
8. Economic Adjustments. Total GF/GP costs of these adjustments were \$10,293,500.	22,464,200
9. Other Changes. Other changes resulted in a minor decrease in funding.	(8,722,600)
Total Changes.....	(158,795,600)

FY 2011-12 Governor's Recommendation..... \$13,965,309,000

The changes show the differences between the schedule of programs proposed by the Governor and the prior-year line items.

CORRECTIONS BUDGET

GOVERNOR'S RECOMMENDATION

Senate Bill 173 (as introduced)
Committee: Appropriations

Vehicle for Governor's Recommendation line items is Senate Bill 199

FY 2010-11 Year-to-Date Gross Appropriation	\$2,007,433,600
Changes from FY 2010-11 Year-to-Date:	
1. Unidentified Prison Closure. The Governor anticipated savings from the closure of an as-yet-unidentified prison by the end of FY 2010-11. The estimated savings are based on the closure of a facility with approximately 1,200 beds.	(18,900,000)
2. Supply Chain Transformation. The Governor anticipated additional savings due to the continuation of departmental efforts to improve the efficiency of food service, transportation, and other prison-related programming. These efforts have been ongoing since fall 2009.	(10,000,000)
3. Early Retirement Savings. The Governor recognized full-year savings related to early retirements finalized during the first quarter of FY 2010-11.	(8,821,900)
4. Consolidation of Lieutenant Positions. The Governor called for the consolidation of lieutenant positions at corrections facilities, thus reducing one position from each shift at each facility location. This change in staffing policy would result in a net reduction of 81 positions.	(8,491,000)
5. Privatization of Food Service and Prison Stores. The Governor anticipated a competitive bidding process for prison food service operations and prison store operations.	(13,252,500)
6. Parole Board Reorganization. Executive Order 2011-3 eliminates the existing 15-member parole and commutation board and replaces it with a 10-member parole board (effective April 15, 2011). Savings are anticipated due to the elimination of five parole board positions, as well as the elimination of two support staff positions.	(750,000)
7. Neal, et al. Settlement. The Governor included funding for a scheduled increase in the annual payment required to fulfill the conditions of the Neal case settlement. This is the third in a series of six annual payments.	5,000,000
8. Health Care Contract Adjustment. The Governor included additional appropriations for the Department's health care contract with Prison Health Services, Inc. (PHS) to account for inflationary increases in the overall cost of health care services.	4,000,000
9. Employee Training Adjustment. The Governor included funding for new custody staff training to account for anticipated employee attrition and funding sufficient to train approximately 400 additional corrections officers during FY 2011-12.	3,500,000
10. Economic Adjustments. The Governor included \$56,233,300 GF/GP to cover standard economic adjustment increases in insurance and retirement economics and other related costs.	58,312,200
11. Other Changes. Miscellaneous additional adjustments in the Governor's budget resulted in a net reduction to current-year appropriations.	(5,624,000)
Total Changes	\$4,972,800
FY 2011-12 Governor's Recommendation	\$2,012,406,400

The changes show the differences between the schedule of programs proposed by the Governor and the prior-year line items.

EDUCATION BUDGET

GOVERNOR'S RECOMMENDATION

Senate Bill 174 (as introduced)
Committee: Appropriations

Vehicle for Governor's Recommendation line items is Senate Bill 199

FY 2010-11 Year-to-Date Gross Appropriation	\$126,959,900
Changes from FY 2010-11 Year-to-Date:	
1. State Aid to Libraries 40.0% Reduction. The Governor proposed to reduce State Aid to Libraries payments from \$5.75 million to \$3.4 million, all GF/GP. These funds support local libraries and their participation in the Michigan eLibrary system, and are used for maintenance-of-effort spending to garner \$5.6 million in Federal library funding.	(2,304,300)
2. Elimination of Certain State Education Reform Activities. The Governor proposed to eliminate certain activities that are part of the Race to the Top education reforms, enacted in early 2010. Specifically, the Governor eliminated the \$1.4 million GF/GP State Reform/Redesign Office (charged with identifying the lowest 5.0% of performing schools and working with those districts on turnaround plans, or taking them over if turnaround plans are not approved); proposed to rent an online testing platform rather than developing one (savings of \$500,000 GF); and eliminated the basic instructional supplies hotline and appeals process (savings of \$76,000 GF). These proposals require statutory changes.	(1,945,700)
3. Michigan eLibrary. The Governor proposed to "redirect" \$950,000 GF/GP of the State Aid to Libraries reduction by setting the funding aside in a new line item to support the Michigan eLibrary system, in the event the cut in State Aid to Libraries results in a \$1.0 million loss in Federal Library Services and Technology Act funding.	950,000
4. Early Retirement GF/GP Savings. The Governor reduced by \$370,900 the GF/GP in the budget attributable to employees who retired under the retirement incentive of 2010.	(370,900)
5. Removal of Excess Authorization. The Governor eliminated excess funding authorization of more than \$6.0 million, most of which was excess Federal authorization.	(6,012,500)
6. Removal of One-Time Cost for Database Rewrite. The Governor eliminated \$5.0 million in Federal funding used to establish a database that can link teachers with student achievement data. This database was one of the required education reforms.	(5,000,000)
7. Scholarships for the Blind. Private donations were increased \$110,000 to provide more scholarships for the blind.	110,000
8. Economic Adjustments. Economics totaling \$1,556,800 Gross, \$401,000 GF/GP were included in the recommendation.	1,556,800
Total Changes.....	(\$13,016,600)
FY 2011-12 Governor's Recommendation.....	\$113,943,300

The changes show the differences between the schedule of programs proposed by the Governor and the prior-year line items.

ENERGY, LABOR, AND ECONOMIC GROWTH BUDGET

GOVERNOR'S RECOMMENDATION

Senate Bill 175 (as introduced)
Committee: Appropriations

Vehicle for Governor's Recommendation line items is Senate Bill 199

FY 2010-11 Year-to-Date Gross Appropriation	\$1,277,823,200
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Changes from FY 2010-11 Year-to-Date:

1. Fire Protection Grants. The Governor reduced support for these grants to \$9,273,900. Direct GF/GP savings would be achieved through shifting Liquor Purchase Revolving Funds (LPRF) from this program to Bureau of Fire Services.	(1,636,600)
2. Workers' Compensation Appellate Commission. The Governor eliminated this five-member commission due to the declining number of cases the Commission has been receiving. These cases would be heard in the Court of Appeals. All savings would be GF/GP, and would cause the layoff of 7.0 classified FTEs.	(1,173,100)
3. Administrative Reductions. The Governor reduced five GF/GP program administration areas within the Department: Workforce Programs Administration (\$529,200), Worker's Compensation Agency (\$400,000), Wage and Hour Division (\$110,000), Hispanic/Latino Commission (\$80,000), and Disability Concerns Commission (\$10,700). Savings would be primarily through holding positions vacant and reassigning existing staff.	(1,129,900)
4. Michigan Business One-Stop Portal. The Governor continued support for the development of the website portal. Funding for this would be from available State restricted funds.	1,820,000
5. Office of Financial and Insurance Regulation (OFIR) - Securities Program. The Governor would use 5.0 FTEs and restricted funds to support new Federal requirements that require the State to regulate financial advisors who manage between \$25.0 million and \$100.0 million.	381,000
6. OFIR - Credit Union Examinations. An additional 2.0 FTEs and restricted funding would be used to support increased demand for these examinations. The State Budget Office maintains that this increase is needed to meet statutory examination cycle requirements.	175,000
7. Tax Tribunal. Restricted funds would be used to support increased numbers of tax appeal cases.	150,000
8. Postsecondary Education Program. Restricted funding would support an increasing number of private occupational schools seeking licensure. The funding would also be used for supporting investigations of consumer complaints related to these programs.	145,700
9. Real Estate Education Program. Increased restricted funding would support the enforcement of continuing education requirements for real estate professionals.	28,000
10. Technical Adjustments. Several technical spending reductions would reduce excess spending authorization, remove one-time appropriations, reduce TANF spending to match available revenue, and adjust IDGs to the State Office of Administrative Hearings and Rules.	(19,899,800)
11. Retirement Savings. Savings from the retirement incentive in FY 2009-10 include \$624,200 GF/GP.	(1,824,900)
12. Economic Adjustments. The Governor included \$17,283,900 Gross, \$742,200 GF/GP; DIT \$983,300 Gross, \$0 GF/GP.	17,283,900
Total Changes	(\$5,680,700)

FY 2011-12 Governor's Recommendation	\$1,272,142,500
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The changes show the differences between the schedule of programs proposed by the Governor and the prior-year line items.

ENVIRONMENTAL QUALITY BUDGET

GOVERNOR'S RECOMMENDATION

Senate Bill 176 (as introduced)
Committee: Appropriations

Vehicle for Governor's Recommendation line items is Senate Bill 199

FY 2010-11 Year-to-Date Gross Appropriation	\$395,665,700
Changes from FY 2010-11 Year-to-Date:	
1. Office of Pollution Prevention and Compliance Assistance (OPPCA). The Governor reduced funding for this office, including 9.0 FTEs. Pollution prevention and compliance activities would be reduced as a result of this GF/GP reduction.	(1,200,000)
2. Nonmetallic Mine Reclamation. The Governor eliminated this program as funding and demand for the program have declined.	(23,800)
3. High-Risk Erosion Program. The Governor eliminated this program, resulting in GF/GP savings of \$250,000. Monitoring of high-risk erosion areas would no longer be done by the Department.	(268,000)
4. Geologic Mapping and Information Program. The Governor moved this program to WMU.	(208,000)
5. Administrative Reductions. Various administrative reductions were recommended. Savings would primarily be achieved by holding positions vacant. Also, 9.0 FTEs would be eliminated; \$1,012,000 of Gross savings would be GF/GP.	(1,268,500)
6. Air Emissions Fees Increase. The Governor proposed an unspecified increase in air emissions fees that are expected to raise an additional \$1.0 million for the program. Additional spending authorization of \$840,000 was also recommended.	840,000
7. Solid Waste Management Fee Increase. The Governor proposed raising these fees from 7 cents to 12 cents per cubic yard. This increase is expected to raise \$1.9 million.	0
8. Wastewater Operator Certification Exam Fee. The Governor proposed a new fee structure for certification exams. It is estimated that the fee would raise \$356,000 and would offset \$200,000 in GF/GP funding currently used for the program.	156,000
9. Strategic Water Quality Initiatives Fund. The Governor funded nonpoint source cleanups per PA 232 of 2010. It is estimated that \$900,000 in annual debt service would be incurred as a result.	30,000,000
10. State Sites Cleanup Fund (SSCUP). The Governor recommended spending the remainder of the SSCUP on Part 201 cleanup projects at State-owned sites.	4,400,000
11. Coastal and Inland Water Permit System. The Governor recommended replacement of a 25-year-old system that handles these permits as the old system is no longer supported.	3,200,000
12. Fund Shifts. The Governor recommended two GF/GP to restricted fund shifts: \$400,000 in the Critical Dunes Program and \$738,000 in the Hazardous Waste Management Program. This would result in GF/GP savings of \$1,138,000.	0
13. Excess Spending Authorization. The Governor reduced various programs in an effort to match those appropriations with available revenue, including a \$25.0 million reduction in the Great Lakes Restoration Initiative Federal grant.	(31,413,200)
14. Early Retirement Savings. Savings from retirement incentive in FY 2009-10.	(738,100)
15. Economic Adjustments. The Governor included \$6,697,200 Gross, \$707,200 GF/GP; DIT \$137,600 Gross, \$7,100 GF/GP.	6,697,200
Total Changes	\$10,173,600
FY 2011-12 Governor's Recommendation	\$405,839,300

The changes show the differences between the schedule of programs proposed by the Governor and the prior-year line items.

EXECUTIVE BUDGET

GOVERNOR'S RECOMMENDATION

Senate Bill 177 (as introduced)
Committee: Appropriations

Vehicle for Governor's Recommendation line items is Senate Bill 199

FY 2010-11 Year-to-Date Gross Appropriation	\$4,630,800
Changes from FY 2010-11 Year-to-Date:	
1. State Officers Compensation Commission (SOCC) Adjustment. The salaries and expense allowances for the Governor and the Lt. Governor were further reduced to comply with the March 2009 SOCC decision.	(19,400)
2. Non-SOCC Reduction. The Governor reduced the appropriation for the Executive Office by 5% to save additional GF/GP dollars.	(212,200)
Total Changes	(\$231,600)
FY 2011-12 Governor's Recommendation	\$4,399,200

The changes show the differences between the schedule of programs proposed by the Governor and the prior-year line items.

HIGHER EDUCATION BUDGET

GOVERNOR'S RECOMMENDATION

Senate Bill 178 (as introduced)
Committee: Appropriations

Vehicle for Governor's Recommendation line items is Senate Bill 200

FY 2010-11 Year-to-Date Gross Appropriation	\$1,578,278,500
Changes from FY 2010-11 Year-to-Date:	
1. School Aid Funding Shift. The Governor shifted \$699,719,500 from the State General Fund to the School Aid Fund.	0
2. University Operations Reductions. The Governor reduced university operations funding by \$222,400,100 (15.0%), including the MSU Cooperative Extension Service (CES) and the Agricultural Experiment Station (AES). The Governor also rolled CES and AES into one line item. The following table outlines the reductions.	(222,400,100)
3. Tuition Restraint Incentive - Operations Reduction. The Governor reduced university operations by \$82,996,900 and appropriated that amount in a separate tuition restraint incentive line item.	(82,996,900)
4. Tuition Restraint Incentive - New Line Item. If a university keeps its resident undergraduate tuition and fee increases at or below the recent five-year average of annual statewide tuition and fee increases (7.1%), then the institution would receive its tuition restraint incentive grant.	82,996,900
5. Tuition Grants. The Governor eliminated this program for financially needy undergraduate students at Michigan two-year and four-year private institutions.	(31,664,700)
6. State Competitive Scholarships. The Governor eliminated this program for undergraduate students at Michigan two-year and four-year public and private institutions. Students are eligible for up to 10 semesters if they have financial need and a qualifying ACT score.	(19,861,700)
7. Pathway to Higher Education. The Governor added a new program that would consist of funding previously appropriated for State Competitive Scholarships and Tuition Grants. Funding would support need-based financial aid awards to students attending either public or private colleges and universities who have an Expected Family Contribution (EFC) of \$3,800 or less (which approximately equates to an Adjusted Gross Income of \$50,000 or less). The maximum award would be based on the number of eligible students (FY 2011-12 estimate: \$875 based on 55,000 students qualifying).	51,526,400
8. Tuition Incentive Program (TIP). The Governor increased funding from \$37.4 million to \$43.8 million based on individuals eligible for funding and costs associated with the program. TIP provides an incentive to students to complete high school and go on to college by pledging to pay tuition and fees for an associate degree or certificate programs, as well as up to \$2,000 at a four-year institution. Students in grades 6 through 12 who are Medicaid-eligible for 24 months can qualify for TIP.	6,400,000
9. Federal Funding Shifts. Funding for financial aid programs is shifted to \$93,826,400 in Temporary Assistance for Needy Families (TANF), offsetting a like amount in State General Fund and State Restricted sources of funding. This eliminates all General Fund support for financial aid except \$1.0 million appropriated for Children of Veterans and Officer's Survivor Tuition Programs. Use of TANF Federal funds for financial aid programs improves the State's ability to meet Federal TANF maintenance-of-effort requirements.	0
Total Changes.....	(\$216,000,100)
FY 2011-12 Governor's Recommendation.....	\$1,362,278,400

The changes show the differences between the schedule of programs proposed by the Governor and the prior-year line items.

FY 2011-12 HIGHER EDUCATION APPROPRIATIONS: GOVERNOR'S RECOMMENDATION ¹⁾									
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Universities	FY 2010-11 Year-to-Date Appropriation	15.0% Reduction	Program Changes/ Current Services/ Funding Shifts/ Roll-ups	Tuition Restraint Operations Adjustment	Tuition Restraint Incentive	FY 2011-12 Governor's Recommendation	Dollar Change from 2010-11	Percent Change from 2010-11	2011-12 Appropriation Per Student ²⁾
Central	\$80,132,000	(\$12,023,100)		(\$6,677,800)	\$6,677,800	\$68,108,900	(\$12,023,100)	-15.0%	\$3,112
Eastern	76,026,200	(11,407,100)		(3,299,200)	3,299,200	64,619,100	(11,407,100)	-15.0%	3,521
Ferris	48,619,200	(7,294,900)		(3,352,700)	3,352,700	41,324,300	(7,294,900)	-15.0%	3,505
Grand Valley	61,976,400	(9,299,000)		(4,245,900)	4,245,900	52,677,400	(9,299,000)	-15.0%	2,365
Lake Superior	12,694,200	(1,904,700)		(734,400)	734,400	10,789,500	(1,904,700)	-15.0%	4,707
Michigan State	283,685,200	(42,564,400)		(18,324,600)	18,324,600	241,120,800	(42,564,400)	-15.0%	5,461
Michigan Tech	47,924,200	(7,190,600)		(3,323,900)	3,323,900	40,733,600	(7,190,600)	-15.0%	6,125
Northern	45,140,300	(6,772,900)		(2,142,200)	2,142,200	38,367,400	(6,772,900)	-15.0%	4,468
Oakland	50,761,300	(7,616,300)		(3,831,500)	3,831,500	43,145,000	(7,616,300)	-15.0%	2,719
Saginaw Valley	27,720,700	(4,159,200)		(1,592,200)	1,592,200	23,561,500	(4,159,200)	-15.0%	2,665
UM-Ann Arbor	316,254,500	(47,451,200)		(13,871,500)	13,871,500	268,803,300	(47,451,200)	-15.0%	6,399
UM-Dearborn	24,726,200	(3,709,900)		(1,388,900)	1,388,900	21,016,300	(3,709,900)	-15.0%	3,223
UM-Flint	20,898,000	(3,135,600)		(1,083,000)	1,083,000	17,762,400	(3,135,600)	-15.0%	2,788
Wayne State	214,171,400	(32,134,500)		(12,827,500)	12,827,500	182,036,900	(32,134,500)	-15.0%	7,225
Western	109,615,100	(16,446,800)		(6,301,600)	6,301,600	93,168,300	(16,446,800)	-15.0%	4,269
Ag Experiment Station (AES)	33,243,100	(4,987,800)	(28,255,300)			0	(33,243,100)	-100.0%	
Cooperative Extension (CES)	28,672,600	(4,302,100)	(24,370,500)			0	(28,672,600)	-100.0%	
AES CES Roll-up Line			52,625,800			52,625,800	52,625,800	---	
Higher Education Database	105,000	0				105,000	0	0.0%	
Midwest Higher Ed Compact	95,000	0				95,000	0	0.0%	
King-Chavez-Parks	2,691,500	0				2,691,500	0	0.0%	
Total Universities	\$1,485,152,100	(\$222,400,100)	\$0	(\$82,996,900)	\$82,996,900	\$1,262,752,000	(\$222,400,100)	-15.0%	4,597
School Aid Fund	\$0	\$0	\$699,719,500	\$0	\$0	699,719,500	\$699,719,500	---	
State GF/GP	\$1,485,152,100	(\$222,400,100)	(\$699,719,500)	(\$82,996,900)	\$82,996,900	\$563,032,500	(\$922,119,600)	-62.1%	
Grants and Financial Aid									
State Competitive Scholarships	\$19,861,700		(\$19,861,700)			\$0	(\$19,861,700)	-100.0%	
Tuition Grants	31,664,700		(31,664,700)			0	(31,664,700)	-100.0%	
Pathway to Higher Education	0		51,526,400			51,526,400	51,526,400	---	
Byrd Scholarship Program	1,500,000					1,500,000	0	0.0%	
Tuition Incentive Program (TIP)	37,400,000		6,400,000			43,800,000	6,400,000	17.1%	
Children of Veterans Tuition	1,200,000					1,200,000	0	0.0%	
Project Gear-Up	1,500,000					1,500,000	0	0.0%	
Total Grants/Financial Aid	\$93,126,400	\$0	\$6,400,000	\$0	\$0	\$99,526,400	\$6,400,000	6.9%	
Federal Higher Ed Act	4,500,000	0	0	0	0	4,500,000	0	0.0%	
Federal TANF	0	0	93,826,400	0	0	93,826,400	93,826,400	---	
Merit Award Trust Fund	30,100,000	0	(30,100,000)	0	0	0	(30,100,000)	-100.0%	
Veterans Tax Checkoff	300,000	0	(100,000)	0	0	200,000	(100,000)	-33.3%	
State GF/GP	\$58,226,400	\$0	(\$57,226,400)	\$0	\$0	\$1,000,000	(\$57,226,400)	-98.3%	
TOTAL HIGHER EDUCATION									
TOTAL ALL FUNDS	\$1,578,278,500	(\$222,400,100)	\$6,400,000	(\$82,996,900)	\$82,996,900	\$1,362,278,400	(\$216,000,100)	-13.7%	
TOTAL FEDERAL	4,500,000	0	93,826,400	0	0	98,326,400	93,826,400	2085.0%	
TOTAL STATE RESTRICTED	30,400,000	0	669,519,500	0	0	699,919,500	669,519,500	2202.4%	
TOTAL STATE GF/GP	\$1,543,378,500	(\$222,400,100)	(\$756,945,900)	(\$82,996,900)	\$82,996,900	\$564,032,500	(\$979,346,000)	-63.5%	

¹⁾ Allocations for Governor's Recommendations are based on Schedule of Programs contained in proposed budget bills. ²⁾ FY 2009-10 Fiscal-Year-Equated Students (FYES)

HUMAN SERVICES BUDGET

GOVERNOR'S RECOMMENDATION

Senate Bill 179 (as introduced)
Committee: Appropriations

Vehicle for Governor's Recommendation line items is Senate Bill 199

FY 2010-11 Year-to-Date Gross Appropriation	\$6,948,915,700
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Changes from FY 2010-11 Year-to-Date:

1. One-Time Revenue. The Governor adjusted the budget to reflect the expiration of emergency and one-time funding from American Recovery and Reinvestment Act (ARRA), Temporary Assistance for Needy Families (TANF), Title IV-D child support incentive, and the Federal Medical Assistance Percentage (FMAP). The shift resulted in increased General Fund/General Purpose (GF/GP) spending of \$188,188,200.	(6,582,500)
2. Fund Adjustments and Realignments. The Governor recognized the need to refinance and realign several line items.	(6,178,200)
3. Increase in the Base FMAP Rate. In FY 2011-12, the State's base FMAP rate will increase from 65.70% to 66.14%, providing GF/GP savings of \$855,200.	0
4. Increases in Child Welfare Program Areas. The Governor recognized program improvements to remain in compliance with the Children's Rights, Inc. settlement and other program increases: the annualization of 684.0 FTE child welfare staff positions, increased funding for needs assessment, medical and psychological evaluations, and technological improvements, an increased contract rate of 15.0% for private adoption service providers, and the annualization of the shift to private foster care providers.	73,996,800
5. Increases in Other Program Areas. The Governor authorized increased spending for several program areas, including the youth re-entry program, outstationed eligibility workers, an additional 7.0 FTEs for the SSI recovery unit, and increased rates for licensed child care providers and the contract with the Attorney General. The Governor also recognized increased Federal revenue and grants.	14,225,800
6. Implementation of a 48-Month Lifetime Limit on the Family Independence Program (FIP). The Governor imposed a 48-month lifetime limit for FIP, the cash assistance program. The time limit would be retroactive so that in FY 2011-12, an estimated 12,623 cases at an average cost of \$511 per case per month would be disenrolled from the program. The GF/GP savings totaled \$65,000,000.	(77,400,000)
7. Other Cost Reduction Measures. The Governor realized significant cost savings through the closure of Shawono Center, the reduced capacity of the Maxey Training School, and the elimination of several earmarked programs. Other reductions came from the alignment of budgeted costs with actual spending in several program areas. One-time ARRA funding was not replaced, eliminating JET-Plus, Zero to Three, and transitional housing for victims of domestic violence.	(58,605,800)
8. TANF Maintenance of Effort (MOE) Maximization. The TANF fund shift to Higher Education scholarships was made permanent. This fund shift has been done through mid-year supplementals in the past. In turn, GF/GP funding is transferred from Higher Education to the Department. This shift maximizes MOE spending and results in \$63,726,400 additional GF/GP costs for the Department.	0
9. Economic Adjustments. The total GF/GP costs of these adjustments are \$6,187,900.	19,102,700
10. Other Changes. Staff changes include the elimination of 300.0 FTE field staff positions.	(15,949,800)
Total Changes.....	(\$57,391,000)

FY 2011-12 Governor's Recommendation.....	\$6,891,524,700
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The changes show the differences between the schedule of programs proposed by the Governor and the prior-year line items.

JUDICIARY BUDGET

GOVERNOR'S RECOMMENDATION

Senate Bill 180 (as introduced)
Committee: Appropriations

Vehicle for Governor's Recommendation line items is Senate Bill 199

FY 2010-11 Year-to-Date Gross Appropriation	\$260,358,800
Changes from FY 2010-11 Year-to-Date:	
1. Elimination of Judgeships. The Governor anticipated the elimination of six trial court judgeships around the State. The State Court Administrative Office is still in the process of identifying the judgeships targeted for elimination.	(942,100)
2. Temporary Elimination of Judgeships. Pursuant to PA 228 of 2009, the Governor included savings associated with the temporary elimination of two circuit court judgeships, one in Oakland County, the other in Macomb County. The Oakland County judgeship is scheduled to be reinstated on January 1, 2015; the Macomb County Judgeship is scheduled to be reinstated on January 1, 2017.	(69,900)
3. Early Retirement Savings. The Governor recognized full-year savings related to early retirements finalized during the first quarter of FY 2010-11.	(1,019,500)
4. Elimination of IDG from Corrections. The Governor eliminated a \$1.0 million grant from the Department of Corrections for expenses related to the operation of State drug courts. This funding was replaced with the introduction of an additional \$1.0 million GF/GP.	0
5. Economic Adjustments. The Governor included standard economic adjustments to account for increases in insurance and retirement economics and other related costs.	1,948,100
Total Changes.....	(\$83,400)
FY 2011-12 Governor's Recommendation.....	\$260,275,400

The changes show the differences between the schedule of programs proposed by the Governor and the prior-year line items.

LEGISLATIVE AUDITOR GENERAL BUDGET

GOVERNOR'S RECOMMENDATION

Senate Bill 177 (as introduced)
Committee: Appropriations

Vehicle for Governor's Recommendation line items is Senate Bill 199

FY 2010-11 Year-to-Date Gross Appropriation	\$14,996,400
Changes from FY 2010-11 Year-to-Date:	
1. Interdepartmental Grant (IDG) Credits. The Governor increased funding to address spending in excess of appropriations due to a higher-than-estimated number of audits completed.	1,700,000
2. Unfunded IDG. The Governor removed funding for an unfunded IDG from the Michigan Department of Corrections due to a Governor's veto for the FY 2010-11 enacted budget.	(500,000)
3. Target Reduction. The Governor reduced funding by 5.0% in the Field Operations line item.	(558,000)
Total Changes.....	\$642,000
FY 2011-12 Governor's Recommendation.....	\$15,638,400

The changes show the differences between the schedule of programs proposed by the Governor and the prior-year line items.

LEGISLATURE BUDGET

GOVERNOR'S RECOMMENDATION

Senate Bill 177 (as introduced)
Committee: Appropriations

Vehicle for Governor's Recommendation line items is Senate Bill 199

FY 2010-11 Year-to-Date Gross Appropriation	\$102,334,100
Changes from FY 2010-11 Year-to-Date:	
1. Senate Reductions. The Governor reduced the following Senate appropriations: Senate (\$905,500 or 3.5%); Senate IT (\$46,400 or 2.0%); and Senate Fiscal Agency (\$94,100 or 3.5%).	(1,046,000)
2. House Reductions. The Governor reduced the following House appropriations: House (\$1,153,300 or 2.9%); House IT (\$37,500 or 2.1%); and House Fiscal Agency (\$94,100 or 3.5%).	(1,284,900)
3. Other Legislative Changes. The Governor reduced two other legislative line items: Legislative Council (\$396,600 or 4.7%); and Legislative Retirement (\$164,400). The Cora Anderson House Office Building line was increased by \$871,000 to realize lease cost savings.	330,000
Total Changes	(\$2,000,900)
FY 2011-12 Governor's Recommendation	\$100,333,200

The changes show the differences between the schedule of programs proposed by the Governor and the prior-year line items.

MILITARY AND VETERANS AFFAIRS BUDGET
GOVERNOR'S RECOMMENDATION

Senate Bill 181 (as introduced)
Committee: Appropriations

Vehicle for Governor's Recommendation line items is Senate Bill 199

FY 2010-11 Year-to-Date Gross Appropriation	\$150,042,900
Changes from FY 2009-10 Year-to-Date:	
1. Grand Rapids Home Contractual Employees. The Governor recommended the contracting out of 171 resident care aide positions currently under State employee status, an action estimated to save \$4.2 million GF/GP for FY 2011-12.	(4,200,000)
2. Increase in Firefighting Resources at Military Training Sites. The Governor included Federal funds (along with 18.0 FTEs) to increase firefighting readiness at the Alpena and Battle Creek training sites.	2,500,000
3. Military Retirement. The Governor added GF/GP funds to make anticipated payments to retired Michigan Army and Air National Guard per PA 150 of 1967.	200,000
4. Camp Grayling Demolition Range. The Governor recommended additional Federal funds to create a light demolition range at the Camp Grayling National Guard training site.	1,700,000
5. Land Acquisition Adjustment. The Governor reduced funding to reflect actual required restricted revenue.	(500,000)
6. Early Retirement Savings from FY 2010-11.	(204,000)
7. Economic Adjustments. The Governor included \$2,824,900 Gross and \$820,400 GF/GP; for DIT, a total of \$19,700 Gross and \$3,800 GF/GP.	2,844,600
Total Changes.....	\$2,340,600
FY 2011-12 Governor's Recommendation.....	\$152,383,500

The changes show the differences between the schedule of programs proposed by the Governor and the prior-year line items.

NATURAL RESOURCES BUDGET

GOVERNOR'S RECOMMENDATION

Senate Bill 182 (as introduced)
Committee: Appropriations

Vehicle for Governor's Recommendation line items is Senate Bill 199

FY 2010-11 Year-to-Date Gross Appropriation	\$323,302,700
Changes from FY 2010-11 Year-to-Date:	
1. Historical Programs. The Governor rolled these programs into a single "schedule of programs" line as well as reducing GF/GP funding and 2.0 FTEs.	(253,100)
2. Mackinac Island State Park. The Governor removed GF/GP support for this program and replaced it with Park Endowment Fund revenue, which would save \$1,561,900 GF/GP. Park Endowment Fund money for this program would be appropriated in the same line as the other State parks.	0
3. Increase in Captive Cervid Fees. The Governor recommended increasing license fees for captive cervidae (deer, elk, etc.) facilities. This increase would allow the program to fund itself and no longer require a \$115,000 GF/GP appropriation.	0
4. Wildfire Equipment Purchases. The Governor reduced GF/GP support for Wildfire Protection and Forest Fire Equipment. Savings would result from decreased equipment purchases.	(68,500)
5. Natural Resources Heritage. The Governor eliminated GF/GP support for the endangered species studies conducted by the MSU Extension.	(124,400)
6. General Law Enforcement. The Governor reduced GF/GP support for law enforcement activities on State land.	(92,400)
7. Administrative Reductions. The Governor reduced GF/GP support for various administrative programs.	(184,700)
8. Recreation Passport Revenue. The Governor increased spending for various recreation programs due to expected new revenue from the Recreation Passport. These programs include: State Parks, Forest Recreation, and local grants. New revenue estimates are based on an assumed 30.0% participation rate in the Passport program.	3,114,000
9. Excess Spending Authorization. The Governor reduced various programs in an effort to match those appropriations with available restricted revenue.	(8,039,200)
10. Capital Outlay. The Governor increased funding for capital outlay projects. Revenue is available from the large amount of revenue collected from mineral auctions last year.	6,101,400
11. Early Retirement Savings. Savings from retirement incentive in FY 2009-10.	(283,900)
12. Economic Adjustments. The Governor included \$6,723,900 Gross, \$413,200 GF/GP; DIT \$216,900 Gross, \$26,000 GF/GP.	6,723,900
Total Changes.....	\$6,893,100
FY 2011-12 Governor's Recommendation.....	\$330,195,800

The changes show the differences between the schedule of programs proposed by the Governor and the prior-year line items.

SCHOOL AID BUDGET

GOVERNOR'S RECOMMENDATION

Senate Bill 183 (as introduced)
Committee: Appropriations

Vehicle for Governor's Recommendation line items is Senate Bill 200

FY 2010-11 Year-to-Date Gross Appropriation \$13,134,236,200

Changes from FY 2010-11 Year-to-Date:

1. **Per-Pupil Funding.** The Governor proposed to statutorily reduce foundation allowances \$470 per pupil. This is an additional \$300-per-pupil cut in State aid, on top of the existing \$170 per pupil cut already in place for FY 2010-11, for total State reductions of \$452.5 million. Also, one-time Federal Education Jobs Fund operational funding of \$316.3 million is not replaced with State funds. Expiring ARRA funds of \$184.3 million were replaced with School Aid Fund money. (768,770,300)
2. **Declining Enrollment.** The Governor proposed to eliminate two declining enrollment adjustments: a \$20.0 million categorical to provide a three-year smoothing, and an adjustment in small, rural districts' pupil counts (\$7.0 million). (27,000,000)
3. **Elimination of District-Specific Adjustments to Foundation Allowances.** The Governor proposed elimination of all adjustments to specific district's foundation allowances that have occurred since the implementation of Proposal A in FY 1994-95 (with the exception of the six "20j" districts whose foundation allowances were adjusted under PA 216 of 2010). Specifically, the eliminations included class size reduction adjustments and adjustments for Wayne-Westland, Gibraltar, Huron, Garden City, and Bois Blanc. (28,300,000)
4. **Intermediate School District (ISD) Reductions.** The Governor eliminated FICA special education payments to ISDs (\$15.3 million), eliminated special education hold harmless payments to ISDs (\$1.4 million), and reduced ISD general operations funding by 5% (\$3.3 million). (19,982,700)
5. **Categoricals Eliminated.** The Governor eliminated the following: Isolated District/Transportation Funding (\$2.0 million); MBT Hold Harmless to Out-of-Formula Districts (\$1.8 million); Bilingual Education (\$2.8 million); Health/Science Middle College Grants (\$2.0 million); Precollege Engineering (\$900,000); SVSU Agriculture Education Program (\$300,000); State Aid to Libraries (\$1.5 million); and Pontiac's Crisis Intervention (\$300,000). (11,630,100)
6. **Technical Cost Adjustments.** Adjustments in per-pupil funding and special education were included, to account for pupil declines, taxable value estimates, and special education cost estimates. Further, a large positive adjustment was proposed for debt service costs on the School Bond Loan Fund program (\$88.4 million), and other technical adjustments in cash flow borrowing costs, Youth Challenge, DHS educational costs, and Payments in Lieu of Taxes (PILT) were included. (76,888,800)
7. **School Bus Inspections.** The Governor proposed to restore the school bus inspections to the Michigan State Police (MSP) as found in current statute. A change had been proposed for the current year (FY 2010-11) whereby the MSP would conduct random audits and reduce staff; the proposal for FY 2011-12 restores funding for the MSP to conduct all inspections. 1,095,800
8. **Adjustments in Federal Funds.** Federal special education and data collection funds were reduced \$29.5 million to reflect estimates in funding to be received. (29,474,600)
9. **Economic Adjustments.** Economics for CEPI, Juvenile Justice Facilities, Youth Challenge, and MSP Bus Inspections totaled \$273,600 Gross, \$80,600 GF/GP. 273,600

Total Changes..... (\$960,677,100)

FY 2011-12 Governor's Recommendation..... \$12,173,559,100

The changes show the differences between the schedule of programs proposed by the Governor and the prior-year line items.

STATE BUDGET

GOVERNOR'S RECOMMENDATION

Senate Bill 177 (as introduced)
Committee: Appropriations

Vehicle for Governor's Recommendation line items is Senate Bill 199

FY 2010-11 Year-to-Date Gross Appropriation	\$213,520,400
Changes from FY 2010-11 Year-to-Date:	
1. State Officers Compensation Commission (SOCC) Adjustment. The salaries and expense allowances for the Secretary of State were reduced to comply with the March 2009 SOCC decision.	(3,300)
2. Early Retirement Savings. Administrative savings were realized due to early retirements.	(621,300)
3. Governor's Target Reduction. Several line items in the budget were reduced to achieve overall GF/GP savings. Savings were realized from efficiencies in operations in several line items, including: Regulatory Services (\$494,000); Branch Operations (\$484,200); Central Operations (\$558,800); Dept. Services (\$460,000); and Election Administration (\$103,000).	(2,100,000)
4. Economic Adjustments. The Department's economic adjustments total \$980,600 while the economic adjustment for Information Technology total \$108,600.	1,089,200
Total Changes.....	(\$1,635,400)
FY 2011-12 Governor's Recommendation.....	\$211,885,000

The changes show the differences between the schedule of programs proposed by the Governor and the prior-year line items.

STATE POLICE BUDGET

GOVERNOR'S RECOMMENDATION

Senate Bill 184 (as introduced)
Committee: Appropriations

Vehicle for Governor's Recommendation line items is Senate Bill 199

FY 2011-12 Year-to-Date Gross Appropriation	\$532,631,400
Changes from FY 2010-11 Year-to-Date:	
1. Field Services Restructure. The Governor recommended a restructuring of post services delivery, possibly eliminating posts, withdrawing some patrols from areas adequately covered by locals, and reducing supervisory personnel to save \$3.2 million GF/GP.	(3,208,500)
2. Closure of Rockford. The Governor recommended closure of the center with dispatch assistance being shifted to other sites, reducing 12.0 FTE positions and saving \$1.0 million GF/GP.	(1,000,000)
3. Elimination of Collins Road Lease. The Governor included a plan to move the Emergency Management Division out of a private lease situation and onto State property, saving \$750,000 GF/GP in rent costs.	(750,000)
4. Trooper Overtime. The Governor included a GF/GP reduction in overtime appropriations for troopers.	(4,641,200)
5. Increase in Fingerprint Analysis Fee. The Governor increased the fingerprint analysis fee from \$30 to \$40, saving \$3.0 million GF/GP.	0
6. School Bus Inspection Funding Restoration. The Governor restored the inspection unit to previous years' levels from 4.0 to 15.0 FTEs, and added \$1,047,400 in School Aid revenue.	1,047,400
7. Adjustment for Federal/Restricted Funds Received. The Governor reduced certain Federal (\$400,000), restricted (\$13,817,800), IDG (\$1,450,000), local (\$1.0 million), and private (\$69,800) fund support and in other instances increased Federal (\$3,722,300), restricted (\$450,000), and IDG (\$66,000) funds.	(12,499,300)
8. Early Retirement Savings from FY 2010-11.	(1,859,900)
9. Other Reductions. The Governor recommended reductions to reflect completion of a 9-1-1 system upgrade (\$3.4 million restricted), retirement attrition (\$4,098,100 GF/GP), and anticipated savings from the Deferred Retirement Option Plan (\$2,757,100 GF/GP).	(10,255,200)
10. Fund Shifts The Governor proposed a fund shift of \$2,510,200 Federal and \$2,738,600 restricted to GF/GP, a shift of \$100,000 from IDG to GF/GP, a shift of \$346,000 from GF/GP to restricted, and a shift of \$922,500 in funded vacancies to GF/GP for a net GF/GP reduction.	(922,500)
11. Economic Adjustments. The Governor included \$22,631,300 Gross and \$18,326,700 GF/GP; for DIT, a total of \$308,500 Gross and \$200,600 GF/GP.	22,940,400
Total Changes.....	(\$11,148,800)
FY 2011-12 Governor's Recommendation.....	\$521,482,600

The changes show the differences between the schedule of programs proposed by the Governor and the prior-year line items.

TECHNOLOGY, MANAGEMENT, AND BUDGET

GOVERNOR'S RECOMMENDATION

Senate Bill 177 (as introduced)
Committee: Appropriations

Vehicle for Governor's Recommendation line items is Senate Bill 199

FY 2010-11 Year-to-Date Gross Appropriation	\$974,362,200
Changes from FY 2010-11 Year-to-Date:	
1. Technology Innovations Fund. The Governor provided new GF/GP funding for competitive grants for innovations in technology.	5,000,000
2. State Building Authority Rent Adjustments. The Governor made adjustments to the "rent" the State pays for State-financed building projects based on projected payments.	15,000,000
3. Accounting Consolidation. The Governor increased funding to finalize the consolidation of accounting services resulting from the previous merger of Civil Service and DMB, resulting in the addition of 14.0 FTEs.	1,593,200
4. Information Technology (IT) - Alignment of IDG Funding. In the IT portion of the budget, the Governor aligned IDG funding with enacted FY 2011 appropriations for all departments.	7,907,900
5. Gubernatorial Transition. One-time funding provided in FY 2010-11 for transition costs associated with the election of a new Governor was eliminated.	(1,500,000)
6. Building Operations. Consolidation of functions and reduction in funded FTE positions resulted in savings for FY 2011-12.	(1,250,000)
7. Early Retirement Savings. Administrative savings were realized due to early retirements. Management and Budget saved \$1.5 million, the Civil Service Commission saved \$1.6 million, and IT saved \$2.8 million.	(5,941,200)
8. Professional Development. The Governor eliminated all remaining funding for professional development activities for State classified employees.	(225,000)
9. Civil Service Commission Adjustment. The Governor adjusted funding for the Civil Service Commission for accounting costs saved as a result of a Department of Corrections facility closure in 2010.	277,800
10. Governor's Target Reduction. Several line items in the budget were reduced to achieve overall GF/GP savings. Management and Budget reduced costs by \$3.1 million, the Civil Service Commission reduced costs by \$2.0 million, and IT reduced costs by \$1.3 million.	(6,394,300)
11. IT Miscellaneous Adjustments. Several items related to IT for several departments were adjusted. Positive adjustments totaled \$13.6 million (the largest being \$8.9 million for DCH's HIPAA project) while negative adjustments totaled \$1.5 million (the largest being \$700,000 for the Department of State Police).	12,079,400
12. Economic Adjustments. Management and Budget's economic adjustments totaled \$10,917,100 while the economic adjustment for IT totaled \$314,600.	11,231,700
Total Changes.....	\$37,779,500
FY 2011-12 Governor's Recommendation.....	\$1,012,141,700

The changes show the differences between the schedule of programs proposed by the Governor and the prior-year line items.

TRANSPORTATION BUDGET

GOVERNOR'S RECOMMENDATION

Senate Bill 185 (as introduced)
Committee: Appropriations

Vehicle for Governor's Recommendation line items is Senate Bill 199

FY 2010-11 Year-to-Date Gross Appropriation	\$3,235,819,300
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Changes from FY 2010-11 Year-to-Date:

- | | |
|--|--------------|
| 1. Debt Service. The Governor increased funding for scheduled debt service payments. | 40,660,400 |
| 2. Interdepartmental Grants (IDGs). The Governor adjusted funding for grants to other departments to adjust for variations in revenue. | 1,388,400 |
| 3. State Restricted Revenue. The Governor increased expenditures for road and bridge programs to align them with anticipated revenue. The increases were State Trunkline Roads - \$96,083,800; County Road Commissions - \$19,245,700; Cities and Villages - \$10,730,400; and Local Bridge Program - \$452,700. | 126,512,600 |
| 4. Capital Outlay and Related. The Governor reduced payments for Airport Safety, Protection, and Improvement programs by \$13.5 million. The Governor removed funding of \$9.9 million that was to be used for facilities associated with the Blue Water Bridge expansion as that project is on hold. | (23,385,400) |
| 5. Federal Match Funding. The Governor reduced State Trunkline Funding in several line items to increase the amount available for Federal match requirements. | (20,222,000) |
| 6. Other Revenue-Based Adjustments. The Governor reduced expenditures from various funds to reflect anticipated revenue, including \$1.0 million in decreases in several line items due to lower-than-anticipated State Aeronautics Fund revenue and a decrease of \$1.8 million in restricted funds for intercity bus services. | (2,849,800) |
| 7. Economic Adjustments. The Governor included \$14,207,200 Gross and no GF/GP. | 14,207,200 |
| 8. Other Changes. The Governor recommended miscellaneous adjustments in several line items to reflect changes in restricted and Federal revenue estimates. The largest items included the transfer of \$2.6 million and 27.0 FTEs from DNR/DEQ for accounting services, a reduction of \$2.9 million in the State Trunkline Fund to increase the amount available for Federal match, and the removal of \$1.0 million for one-time funding for the Light Rail project in Detroit. | 5,640,000 |

Total Changes.....	\$141,951,400
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FY 2011-12 Governor's Recommendation.....	\$3,377,770,700
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The changes show the differences between the schedule of programs proposed by the Governor and the prior-year line items.

TREASURY BUDGET

GOVERNOR'S RECOMMENDATION

Senate Bill 177 (as introduced)
Committee: Appropriations

Vehicle for Governor's Recommendation line items is Senate Bill 199

FY 2010-11 Year-to-Date Gross Appropriation	\$1,941,331,700
Changes from FY 2010-11 Year-to-Date:	
1. Debt Service. The Governor increased debt service appropriations for general obligation environmental bond issues by \$83,295,200 GF/GP. The increase reflects the current payment structure including the impact of prior-year debt restructuring.	83,295,200
2. Presidential Primary. The Governor provided \$10.0 million GF/GP for the 2012 presidential primary.	10,000,000
3. Payments in Lieu of Taxes (PILT). The Governor proposed a 15.0% reduction consisting of \$351,500 from Commercial Forest Reserve, \$580,800 from Purchased Lands, and \$934,100 from Swamp and Tax Reverted Lands. This would save \$1,576,000 GF/GP and \$290,400 State Restricted funds.	(1,866,400)
4. Administrative Reductions. The Governor reduced all GF/GP-funded administrative lines by 3.0%. Savings total \$905,500 GF/GP.	(905,500)
5. Retirement Savings. The Governor recognized \$1,022,400 of savings from retirements.	(1,022,400)
6. Business Property Tax Appeal. The Governor reduced funding for this program from \$900,000 GF/GP to \$300,000 GF/GP.	(600,000)
7. Unclaimed Property. The Governor increased funding by \$700,000 and 5.0 FTEs for ongoing administrative costs.	700,000
8. Senior Citizens' Cooperative Housing Tax Exemption. The Governor adjusted funding based on the projected cost of the program, realizing savings of \$2,500,000 GF/GP.	(2,500,000)
9. Michigan Gaming Control Board. The Governor increased funding by \$90,200 and 1.0 FTE for an additional Indian gaming auditor.	90,200
10. Remove Supplemental Funding. The Governor eliminated FY 2009-10 supplemental funding of \$4.8 million for unclaimed property and \$6.8 million for tax amnesty programs.	(11,600,000)
11. Revenue Sharing. Changes total a negative \$100,412,200. A revenue sharing highlight sheet follows.	(100,412,200)
12. Michigan Strategic Fund (MSF). Changes total \$43,479,500. See Strategic Fund highlight sheet.	43,479,500
13. Economic Adjustments. Treasury economics (excluding MSF) total \$9,168,600.	9,168,600
14. Other Changes. The Governor's budget included a reduction of information technology economics, \$363,400; reduction in excess restricted fund authority in PILT, \$513,000; workers' compensation, building occupancy charges, and rent adjustments, \$75,000; Land Bank Federal grants, \$1,000,000.	775,400
Total Changes.....	\$28,602,400
FY 2011-12 Governor's Recommendation.....	\$1,969,934,100

The changes show the differences between the schedule of programs proposed by the Governor and the prior-year line items.

TREASURY - REVENUE SHARING BUDGET

GOVERNOR'S RECOMMENDATION

Senate Bill 177 (as introduced)

Vehicle for Governor's Recommendation line items is Senate Bill 199

Committee: Appropriations

FY 2010-11 Year-to-Date Gross Appropriation	\$1,059,391,500
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Changes from FY 2010-11 Year-to-Date:

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|---|---------------|
| 1. Constitutional Revenue Sharing. The Governor estimated that revenue sharing payments to cities, villages, and townships (CVTs) pursuant to the Constitution will total \$658,979,300 in FY 2011-12, an increase of \$15,232,400 from the January consensus estimate for FY 2010-11 payments. Constitutional revenue sharing totals 15.0% of sales tax collections at a 4% rate. These funds are distributed to CVTs in an equal amount per capita, adjusted so that institutional populations are counted at 50.0%. When 2010 census figures become available in April 2011, FY 2010-11 payments will be adjusted based on the new population data, causing changes in local unit payments. | 15,232,400 |
| 2. Statutory Revenue Sharing for CVTs. The Governor eliminated this program for CVTs. Prior-year appropriation reductions have eliminated statutory revenue sharing payments to 1,240 CVTs for FY 2010-11. The year-to-date estimate for the cost of this program is \$300,903,900. Since FY 2007-08, boilerplate formulas have determined payments. | (300,903,900) |
| 3. County Revenue Sharing. The Governor proposed funding revenue sharing payments to counties at \$100.0 million in FY 2011-12, an amount that is \$51,800,000 or 34.1% below the amount required by the statutory formula. Under current law, total payments to counties would increase in FY 2011-12 due to additional counties exhausting their revenue sharing reserve funds and re-entering the county revenue sharing program and other counties receiving full-year funding under the program. When compared with FY 2010-11, the Governor's proposal is \$14,740,700 below the year-to-date appropriation. | (14,740,700) |
| 4. Incentive-Based Revenue Sharing Program. The Governor recommended a new revenue sharing program for CVTs with eligibility based on adoption of best practices. Details of this program are expected in March 2011. | 200,000,000 |

Total Changes.....	(\$100,412,200)
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FY 2011-12 Governor's Recommendation.....	\$958,979,300
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The changes show the differences between the schedule of programs proposed by the Governor and the prior-year line items.

TREASURY - STRATEGIC FUND BUDGET

GOVERNOR'S RECOMMENDATION

Senate Bill 177 (as introduced)
Committee: Appropriations

Vehicle for Governor's Recommendation line items is Senate Bill 199

FY 2010-11 Year-to-Date Gross Appropriation	\$165,846,200
Changes from FY 2010-11 Year-to-Date:	
1. Business Attraction and Economic Gardening. The Governor proposed replacing business tax credits with this new incentive program funded by \$25.0 million GF/GP and \$25.0 million from the 21 st Century Jobs Trust Fund.	50,000,000
2. Innovation and Entrepreneurship. The Governor proposed using \$25.0 million from the 21 st Century Jobs Trust Fund for this new program.	25,000,000
3. Pure Michigan. The Governor recommended funding tourism promotion at \$25.0 million solely from the 21 st Century Jobs Trust Fund. This would reduce GF/GP support for tourism by \$5,402,800 and provide an overall increase of \$9,597,200 from the 21 st Century Jobs Trust Fund.	9,597,200
4. Film Incentive Program. The Governor recommended using \$25.0 million GF/GP to provide incentives for the film industry and replace the existing Michigan Film Tax Credit. Currently, the cost of the Michigan Film Tax Credit is not appropriated.	25,000,000
5. Quality of Place and Talent Enhancement. The Governor proposed using \$5.0 million GF/GP for a program to retain young adults in Michigan.	5,000,000
6. Jobs for Michigan Investment Program: 21st Century Jobs Fund. The Governor eliminated this line item for 21 st Century programs and redirected the funds to increase tourism promotion and fund proposed new programs for Business Attraction and Economic Gardening and Innovation and Entrepreneurship.	(65,000,000)
7. Community Development Block Grant. The Governor reduced the appropriation from \$53.0 million to \$47.0 million to reflect anticipated Federal funding.	(6,000,000)
8. Detroit Institute of Arts. The Governor removed a one-time \$10.0 million GF/GP grant to the Detroit Institute of Arts. This was an FY 2009-10 contingency appropriation from the unreserved GF/GP closing balance.	(10,000,000)
9. Retirement Savings. The Governor reduced Job Creation Services funding by \$543,000 due to retirement savings.	(543,000)
10. Economic Adjustments. The Governor recommended economics of \$968,900 Gross including \$881,000 GF/GP.	968,900
11. Other Changes. The Governor adjusted revenue estimates for private revenue and an IDG. Only economic adjustments were made to appropriations for the Michigan Film Office and Arts and Cultural Grants.	(543,600)
Total Changes.....	\$33,479,500
FY 2011-12 Governor's Recommendation.....	\$199,325,700

The changes show the differences between the schedule of programs proposed by the Governor and the prior-year line items.

ECONOMIC AND REVENUE FORECAST

The Governor's proposed budget for FY 2011-12 is based on the consensus economic forecast adopted at the January 14, 2011 Consensus Revenue Estimating Conference. This economic forecast is summarized in Table 23.

U.S. Economy

Between December 2007 and June 2009, the U.S. economy experienced, by most measures, the most severe recession since the Great Depression. Housing prices, sales of new and existing homes, and construction of new houses fell to historically low levels, with housing starts down nearly 80.0% from the 2006 peak at one point during 2009. Payroll employment declined for 25 consecutive months between February 2008 and March 2010, a loss of 8.7 million jobs. Light vehicle sales fell from a 17.2 million unit rate in February 2007 to 9.5 million units in February 2009, and 2009 ranked as the worst year of light vehicle sales in modern records. Inflation-adjusted Gross Domestic Product (GDP) declined in five of the six quarters between the first quarter of 2008 and the second quarter of 2009, including a 6.8% drop in the first quarter of 2009, the sharpest quarterly contraction since the second quarter of 1982.

While the economy, particularly as measured by inflation-adjusted GDP, has increased since the second quarter of 2009, the gains have generally been modest. As of the fourth quarter of 2010, inflation-adjusted GDP was only 4.4% above the level during the second quarter of 2009. While consumption has improved, after six quarters of growth, personal consumption expenditures in the fourth quarter of 2010 were only 3.4% above the level in the second quarter of 2009. Certain areas of consumer spending have shown more growth, with December 2010 retail sales up 11.6% from June 2009 and light vehicle sales 27.6% higher.

Despite the improvements in the economy, a number of fundamental indicators show limited, if any, improvement. Payroll employment has remained weak, falling more than 1.2 million jobs in the eight months after June 2009, and December 2010 employment was down 233,000 jobs from the June 2009 level. Housing starts remain at depressed levels, with starts in the fourth quarter of 2010 8.5% below the level in June 2009. Business inventories have risen, and while some of the increase is likely intended, the increase means that production has exceeded consumption. Since the fourth quarter of 2009, inventories have increased by an inflation-adjusted \$241.4 billion, approximately 68.8% of the \$351.1 billion net increase in total inflation-adjusted GDP.

In 2011, inflation-adjusted GDP is expected to increase at a rate of 2.8%, the same rate as estimated for 2010, and then grow at a 2.7% rate in 2012. Inflation-adjusted GDP had recovered to the 2008 peak level in the fourth quarter of 2010. The unemployment rate is estimated to decrease to 9.5% in 2011, from 9.6% in 2010, and then fall to 9.2% in 2012. Light vehicle sales are expected to exhibit strong growth in 2011 and 2012, rising from 11.5 million units in 2010 to 12.9 million units in 2011 and 14.5 million units in 2012. Even with those increases, light vehicle sales in 2012 will remain below the 2007 level by approximately 9.9%.

Michigan Economy

Like the national economy, Michigan's economic activity also was very weak in 2009 and 2010. Wage and salary employment declined 6.9% from the 2008 level in 2009, marking the ninth consecutive year that wage and salary employment declined from the previous year's level, and the loss of 286,000 jobs represented the largest one-year loss of payroll jobs since the Great Depression. Between June 2000 and September 2010, Michigan lost 858,800 jobs, a decline of 18.3%.

Table 23

**CONSENSUS ECONOMIC FORECAST: 2011 AND 2012
JANUARY 14, 2011**

	Calendar 2009	Calendar 2010	% Change From Prior Year	Calendar 2011 Forecast	% Change From Prior Year	Calendar 2012 Forecast	% Change From Prior Year
United States:							
Real Gross Domestic Product (billions of chained 2005 dollars)	\$12,881	\$13,241	2.8%	\$13,612	2.8%	\$13,980	2.7%
Consumer Price Index (1982-84=100)	214.5	217.9	1.6	221.2	1.5	225.2	1.8
3-Month Treasury Bills (Interest Rate, %)	0.2	0.1		0.2		0.2	
Unemployment Rate (%)	9.3	9.6		9.5		9.2	
Light Vehicle Sales (millions of units)	10.4	11.5	10.6	12.9	12.2	14.5	12.4
Michigan:							
Wage and Salary Employment (thousands)	3,876	3,842	(0.9)	3,850	0.2	3,896	1.2
Unemployment Rate (%)	13.6	13.4		12.3		11.5	
Personal Income (billions of dollars)	\$342,303	\$350,518	2.4	\$359,982	2.7	\$371,862	3.3
Real Personal Income (billions of 1982-84 \$s)	\$168,208	\$170,878	1.6	\$173,235	1.4	\$175,988	1.6
Detroit Consumer Price Index (1982-84=100)	203.5	205.1	0.8	207.8	1.3	211.3	1.7

Source: Consensus Revenue Agreement, Executive Summary, January 14, 2011

However, in late 2010 the Michigan economy appeared to be growing again. Payroll employment increased in five of the 12 months and posted a net gain of 9,600 jobs during the fourth quarter of the year. After falling 3.1% during 2009, personal income is estimated to have increased 2.4% during 2010.

In 2011 and 2012, Michigan's economy is expected to improve at a more rapid pace. Wage and salary employment will rise 0.2% in 2011 and 1.2% in 2012, the first annual increases since 2000. The unemployment rate is expected to decline from 13.4% in 2010 to 12.3% in 2011 and 11.5% in 2012. Personal income, adjusted for inflation, will grow an estimated 1.4% in 2011 and an additional 1.6% in 2012. Inflation, as measured by the Detroit Consumer Price Index, will be 1.3% in 2011 and 1.7% in 2012.

REVENUE ESTIMATES

Based on the economic forecast summarized above, combined with the current tax structure and the Governor's proposed tax policy changes and other proposed revenue adjustments, it is estimated that revenue totaling \$46.8 billion will be available in FY 2011-12 to support Governor Snyder's proposed budget. This represents a 2.7% decrease from the revised estimate of the total revenue that the Governor expects will be available for FY 2010-11. Estimates of the total revenue on which the Governor's proposed budget is based are summarized in Table 24.

Following are summaries of the Governor's proposed tax policy changes, and the revenue estimates on which the Governor's proposed General Fund/General Purpose and School Aid Fund budgets are based.

PROPOSED TAX POLICY CHANGES

The Governor's proposed budget includes a major restructuring of tax policy that would reduce tax revenue by an estimated \$270.6 million in FY 2011-12. The General Fund would receive \$326.4 million under this proposal, while revenue to the School Aid Fund would decline by \$597.1 million. In FY 2012-13, when the full-year effects of the changes would first occur, revenue to the General Fund would increase by \$567.4 million, while School Aid Fund revenue would decline \$530.3 million. These proposed changes would require legislative action and are summarized below, with their respective fiscal impacts presented in Table 25.

Business Taxes

The Governor's proposed tax changes would eliminate the Michigan Business Tax (MBT) and replace it with a corporate income tax. With the exception of a credit that allows certain businesses to pay an alternative income tax at a lower rate, none of the tax credits available under the MBT would be continued. The corporate income tax provisions would generally follow the provisions of the business income tax portion of the MBT. Because the changes would begin on January 1, 2012, FY 2011-12 revenue would not experience the full impact of the changes. Key aspects of the business tax changes are described below:

Eliminate the Michigan Business Tax (effective December 31, 2011)

- Taxpayers with credits that represent "commitments" would retain claims to those credits. (Examples include film credits already approved, MEGA credits (including battery, hybrid tech, photovoltaic, etc.), brownfield credits, and renaissance zone credits.)

Table 24

**GOVERNOR'S PROJECTED TOTAL STATE REVENUE:
FY 2009-10 THROUGH FY 2011-12**

Fund	FY 2009-10 Final	FY 2010-11 Estimate	% Change FY 2010-11/ FY 2009-10	FY 2011-12 Estimate	% Change FY 2011-12/ FY 2010-11
General Fund/General Purpose:					
Beginning Balance	\$177.2	\$187.2	---	\$313.6	---
Revenue From Ongoing Sources ¹⁾	6,785.2	7,227.8	6.5%	7,294.1	0.9%
Proposed Tax/Fee Changes	0.0	0.0	---	339.8	---
One-Time Revenue Adj. & Other	933.5	1,140.2	22.1	656.5	(42.4)
Total GF/GP Revenue	\$7,896.0	\$8,555.2	8.3%	\$8,604.0	0.6%
School Aid Fund:					
Beginning Balance	\$238.2	\$255.9	---	\$507.0	98.1%
Ongoing Earmarked Tax & Lottery Revenue ¹⁾	10,815.5	10,979.1	1.5	11,193.7	2.0
Proposed Tax/Revenue Changes	0.0	0.0	---	(593.9)	---
Federal Aid (including ARRA)	2,392.9	2,178.3	(9.0)	1,653.3	(24.1)
Other Rev. (Gen'l Fund Grant, etc.)	61.4	47.9	(21.9)	404.5	744.1
Total SAF Revenue	\$13,508.0	\$13,461.3	(0.3%)	\$13,164.7	(2.2%)
Other Funds:					
General Fund/Special Purpose & Special Revenue Funds	\$6,332.0	\$5,145.3	(18.7%)	\$5,490.3	6.7%
Federal Aid (not included elsewhere)	15,936.6	17,012.9	6.8	16,099.4	(5.4)
Transportation Funds	4,159.9	4,259.6	2.4	4,215.7	(1.0)
Fund Balances:					
Restricted GF Subfunds Unreserved Balances	381.0	396.9	4.2	396.9	0.0
Special Revenue Fund Balances	188.1	205.2	9.1	205.2	0.0
Total Fund Balances	569.1	602.0	5.8	602.1	0.0
Total Other Funds w/Beginning Balance	26,997.7	27,019.8	0.1	26,407.5	(2.3)
Gross Revenue	\$48,401.6	\$49,036.3	1.3%	\$48,176.1	(1.8%)
Less Interfund Transfers	(1,363.7)	(928.0)	(31.9)	(1,345.6)	45.0
Net Total Revenue	\$47,038.0	\$48,108.3	2.3%	\$46,830.5	(2.7%)

¹⁾ Estimates adopted at the January 14, 2011, Consensus Revenue Estimating Conference.

Source: Governor's Executive Budget for FY 2011-12, Appendix C, State Budget Office Balance Sheets (March 2, 2011), and Senate Fiscal Agency

Table 25

**GOVERNOR'S TAX RESTRUCTURING PLAN
(Millions of Dollars)**

Tax Provision	FY 2011-12			FY 2012-13		
	GF/GP	SAF	Total	GF/GP	SAF	Total
Current Law:						
Michigan Business Tax	\$1,419.8	\$750.2	\$2,170.0	\$1,260.7	\$763.7	\$2,024.4
Proposed Reforms:						
Repeal MBT (12/31/11)	900.2	0.0	\$900.2	\$0.0	\$0.0	\$0.0
Corporate Income Tax (1/1/12)	460.1	0.0	460.1	748.8	0.0	748.8
Financial Institutions Tax	27.7	0.0	27.7	43.9	0.0	43.9
Certified Credits Already Awarded	(293.0)	0.0	(293.0)	(500.0)	0.0	(500.0)
Net Business Tax Revenue After Credits	\$1,095.0	\$0.0	\$1,095.0	\$292.7	\$0.0	\$292.7
Individual Income Tax Changes	\$664.6	\$156.3	\$820.9	\$1,626.7	\$237.1	\$1,863.8
Savings Reserved for Future Tax Cuts	0.0	0.0	0.0	(100.0)	0.0	(\$100.0)
Net Impact of Proposed Reforms	\$1,759.6	\$156.3	\$1,915.9	\$1,819.4	\$237.1	\$2,056.5
Net Change from Current Law	\$339.8	(\$593.9)	(\$254.1)	\$558.7	(\$526.6)	\$32.1
Addendum: Impact by Taxpayer Type						
Businesses			(\$1,075.0)			(\$1,731.7)
Individuals			\$820.9			\$1,863.8

Implement a Corporate Income Tax (effective January 1, 2012)

- 6.0% tax rate, similar to MBT rate (4.95% rate + 21.99% surcharge = 6.04%), would be enacted.
- Credit would allow certain small businesses to continue to pay the 1.8% alternative income tax.
- All other credits under the MBT would be eliminated.
- Only "C corporations" would be included. Sole proprietors and pass-through entities, such as partnerships and S-corporations, would be exempt from the tax.
- Unitary businesses would be required to file combined returns.
- No return would need to be filed if liability under \$100.

Impact

- Net business tax reduction of \$1,075.0 million in FY 2011-12, and \$1,731.7 million in FY 2012-13, would result, excluding the impact of businesses losing \$126.2 million in industrial/utility personal property tax credits.
- Certain businesses would lose operating subsidies: media production companies, Michigan International Speedway, grocery stores (bottle deposit administration), etc., although some provisions would be handled on the appropriation side (for example, \$25.0 million is recommended for appropriation to encourage media production).
- Approximately 100,000 businesses would no longer need to file a business tax return.

Individual Income Taxes

Because the shift from the MBT to the proposed corporate income tax would result in a net loss in revenue, the Governor has proposed significant changes to the individual income tax in order to offset a substantial portion of the revenue loss. Like with the business tax, the proposed changes include eliminating most credits. However, the proposed individual income tax changes also include a wide variety of provisions that would broaden the tax base and modify the credits that would not be eliminated. Key aspects of the individual income tax changes are described below.

Expand Individual Income Tax Base

- Eliminate special additional exemptions for seniors and those receiving unemployment compensation.
- Eliminate many subtractions from income: pension income (for both public and private pensions); interest/dividend exclusion for seniors; reinvested gains from strategic fund investments; political contributions; prizes from bingo, raffles, or charity games; expenses associated with nontaxable income; pension/retirement plan distributions donated to charitable organizations or used for higher education expenses; income from oil/gas royalty interests.
- Phase-out personal exemption at higher income levels.

Other Individual Income Tax Changes

- Stop rate reductions once rate reaches 4.25% on October 1, 2011. (See discussion below regarding the Tax and Fee Reform Reserve Fund.)
- Freeze personal exemption amount in 2012.
- Equalize certain Homestead Property Tax Credit provisions for most filers. (Increase allowable amount for general filers, lower it for seniors, and make no change for disabled individuals.)
- Lower the income level at which the phase-out of the Homestead Property Tax Credit begins.

- Eliminate all nonrefundable credits other than the credit for income taxes paid to other states: City Income Tax, Public Contributions, Community Foundations, Historic Preservation, Homeless Shelter/Food Bank, College Tuition, Vehicle Donation, Individual/Family Development Program, Early Stage Venture Investment, Medical Saving Account Contributions, Withholding by Media Production Companies.
- Eliminate all refundable credits other than the Homestead Property Tax Credit: Earned Income Tax Credit, Farmland Preservation Credit, Adoption Credit, Stillbirth Credit.

Impact

- Net individual income tax increase of \$820.9 million in FY 2011-12 and \$1,863.8 million in FY 2012-13.
- Approximately 1.6 million seniors affected by changes to the personal exemption, the Homestead Property Tax Credit, and treatment of pension/dividend/interest income.
- Approximately 2.4 million children affected by changes to the personal exemption.
- Approximately 800,000 families affected by elimination of the Earned Income Tax Credit.

Other Provisions

The Governor's proposed individual income tax changes also include creating a new Tax and Fee Reform Reserve Fund, which would receive a portion of income tax revenue beginning in FY 2012-13. Expenditures from the Fund would need to be appropriated but the recommendation does not specify the purpose of the Fund beyond what is suggested by its name. Revenue earmarked to the Fund would represent the amount of revenue that would be lost under the rate reductions scheduled under current law, without regard to the impact of any credits. The Fund would receive approximately \$170.0 million in FY 2012-13 but, due to the expansion of the tax base under the proposal, the earmarks in later years would be larger. However, the Governor's proposal recommends a net deposit in the Fund of only \$100.0 million in FY 2012-13 and directs the remaining revenue to the General Fund. The portion of individual income tax revenue directed to the Fund would increase each year through FY 2015-16, when an amount equal to 0.35% of taxable income, or approximately \$880.0 million per year, would be directed to the Fund rather than the General Fund.

GENERAL FUND/GENERAL PURPOSE AND SCHOOL AID FUND

The General Purpose portion of the General Fund (GF/GP) and the School Aid Fund (SAF) portions of the overall State budget account for \$21.8 billion, or 46.5% of the total State government revenue estimated for FY 2011-12. Detailed estimates of GF/GP and SAF revenue for FY 2010-11 and FY 2011-12 are presented in [Table 26](#) and [Table 27](#), respectively. The estimates for GF/GP and SAF revenue derived from ongoing revenue sources and enacted tax policy changes are the consensus estimates adopted by the Administration, Senate Fiscal Agency, and House Fiscal Agency at the January 14, 2011, Consensus Revenue Estimating Conference. In addition to the consensus estimates, the total GF/GP and SAF revenue estimates include the Administration's initial estimates of one-time revenue adjustments, grants and transfers, Federal aid, beginning carry-over balances, and the impact of the Governor's proposed tax changes.

General Fund/General Purpose Revenue

As shown in [Table 26](#), GF/GP revenue is expected to total \$8.29 billion in FY 2011-12, which represents a 3.1% decrease from the FY 2010-11 revised estimate. This decline in total GF/GP revenue is attributable to three major factors: 1) the absence of a projected carry-over balance from FY 2010-11, compared with the carry-over balance of \$187.2 million from FY 2009-10; 2) the use of

one-time revenue sources in FY 2010-11, such as the tax amnesty; 3) the elimination of the use tax on health maintenance organizations due to Federal issues. Revenue from ongoing sources is actually forecast to increase 0.9% in FY 2011-12, from \$7.23 billion in FY 2010-11 to \$7.29 billion, as the U.S. and State economies continue to improve. In addition to the revenue from ongoing sources, the Governor's proposed GF/GP budget for FY 2011-12 includes the following revenue:

- **Revenue Sharing Savings.** The Governor is proposing to eliminate statutory revenue sharing and replace it with an incentive-based payment. The new program would be funded at a much lower level than existing revenue sharing. Similarly, revenue sharing payments to counties would be reduced by approximately 34.0%. These reductions would provide an additional \$635.7 million in sales tax revenue to the General Fund.
- **Proposed Tax Policy Changes.** The Governor is proposing a number of tax changes, as shown in Table 25 and discussed earlier.

School Aid Fund

School Aid Fund revenue available for spending in FY 2011-12 will total an estimated \$13.16 billion, representing a 2.2% decrease from the revised estimate for FY 2010-11. Much of this projected decrease in SAF revenue is due to the proposed elimination of the Michigan Business Tax and the MBT revenue loss not being fully offset by the increased grant from the General Fund. The estimate of SAF revenue in FY 2010-11 is summarized in Table 27. The SAF revenue estimate for FY 2011-12 includes ongoing earmarked tax and lottery revenue totaling an estimated \$11.19 billion, which is 2.0% above the estimate for FY 2010-11 due to the improving economy. In addition, the SAF revenue estimate for FY 2011-12 includes a grant from the GF/GP budget proposed at \$412.5 million (up from \$18.6 million in FY 2010-11) and Federal aid of \$1.65 billion. As indicated below, the Governor's FY 2011-12 School Aid Fund proposed budget reflects the impact of the Governor's proposed restructuring of business and individual income taxes.

- **Elimination of the Michigan Business Tax.** The MBT is forecast to provide \$750.2 million of revenue to the School Aid Fund in FY 2011-12. The proposed elimination of the MBT would eliminate the earmark and the proposed corporate income tax would not direct revenue to the School Aid Fund.
- **Individual Income Tax Changes.** The proposed changes to the individual income tax would generate an additional \$153.1 million in revenue to the School Aid Fund in FY 2011-12, partially offsetting the revenue loss from the proposed elimination of the MBT.
- **Increased General Fund Grant.** In FY 2010-11, School Aid Fund revenue is increased by a grant from the General Fund of \$18.6 million. To partially offset the loss of revenue due to the proposed elimination of the MBT, the Governor proposes increasing the General Fund grant to the SAF by \$393.9 million in FY 2011-12.

Table 26

GENERAL FUND/GENERAL PURPOSE REVENUE ESTIMATES: FY 2010-11 AND FY 2011-12
(Millions of Dollars)

	FY 2010-11	FY 2011-12	Percent Change
Beginning Balance	\$187.2	\$0.0	(100.0%)
Consensus Estimates for Ongoing Revenue Sources ¹⁾			
Taxes:			
Net Income Tax.....	3,833.7	3,790.9	(1.1)
Michigan Business Tax.....	1,370.8	1,419.8	3.6
Sales.....	88.8	102.2	15.1
Use.....	839.6	875.9	4.3
Cigarette.....	196.0	191.7	(2.2)
Beer and Wine/Liquor.....	92.0	94.0	2.2
Insurance Company Premiums.....	271.6	280.0	3.1
Oil/Gas Severance.....	66.0	70.0	6.1
Telephone & Telegraph.....	62.0	62.0	0.0
All Other Taxes.....	22.0	23.0	4.9
Subtotal Taxes.....	6,842.4	6,909.7	1.0
Nontax Revenue.....	385.4	384.4	(0.3)
Total GF/GP Consensus Revenue Estimates	\$7,227.8	\$7,294.1	0.9%
Revenue Sharing Savings.....	\$498.5	\$635.7	27.5%
Use Tax on HMOs.....	368.4	0.0	(100.0)
Other Revenue Adjustments ²⁾	273.3	20.8	(92.4)
Proposed Tax Policy/Enforcement Changes ³⁾	0.0	339.8	---
Total GF/GP Revenue (Current Fiscal Year)	\$8,368.0	\$8,290.4	(0.9%)
TOTAL GF/GP REVENUE WITH BEGINNING BALANCE	\$8,555.2	\$8,290.4	(3.1%)
¹⁾ Estimates adopted at the January 14, 2011, Consensus Revenue Estimating Conference. ²⁾ Includes the following in FY 2010-11: \$15.0 million for SAF payment of short-term borrowing, \$15.0 million in enhanced tax enforcement revenue, \$61.8 million from a tax amnesty, \$9.1 million from changes in liquor laws, \$6.4 from lawsuit settlements, and \$166.0 million due to changes to unclaimed property rules. In FY 2011-12 includes: \$20.0 million for shifting short-term borrowing costs to the SAF, \$9.1 million from liquor law changes, \$6.5 million in other adjustments, \$35.0 million from changes in unclaimed property rules, and a \$49.8 million loss attributable to the FY 2010-11 tax amnesty. ³⁾ Net figure reflecting the proposed elimination of the MBT, which will reduce FY 2011-12 General Fund revenue by \$812.6 million, and various recommended changes to the individual income tax expected to generate \$664.6 million. Also included are \$460.1 million from the proposed corporate income tax and \$27.7 million from proposed changes in the financial institutions tax.			

Table 27

SCHOOL AID FUND REVENUE ESTIMATES: FY 2010-11 AND FY 2011-12
(Millions of Dollars)

	FY 2010-11	FY 2011-12	Percent Change
Beginning Balance	\$255.9	\$507.0	98.1%
Consensus Estimates for Earmarked Tax & Lottery Revenue: ¹⁾			
Sales Tax & Use Tax	5,040.5	5,193.7	3.0
Income Tax	1,905.5	1,968.2	3.3
State Education Property Tax.....	1,860.0	1,835.0	(1.3)
Real Estate Transfer Tax.....	125.0	136.0	8.8
Michigan Business Tax.....	739.2	750.2	1.5
Tobacco Taxes	378.7	370.5	(2.2)
Casino Gaming Tax	112.0	115.0	2.7
Other Tax Revenue.....	104.1	106.1	1.9
Subtotal Taxes	10,265.1	10,474.7	2.0
Lottery	714.0	719.0	0.7
Subtotal Earmarked Tax & Lottery Consensus Estimate	\$10,979.1	\$11,193.7	2.0%
GF/GP Grant.....	\$18.6	\$18.6	0.0%
Federal Aid.....	2,178.3	1,653.3	(24.1)
Proposed Tax Policy/Enforcement Changes ^{2,3)}	0.0	(200.0)	----
Other Revenue Adjustments.....	29.3	(8.0)	----
Total SAF Revenue (Current Fiscal Year)	\$13,205.3	\$12,657.6	(4.1%)
TOTAL SAF REVENUE WITH BEGINNING BALANCE	\$13,461.2	\$13,164.6	(2.2%)
¹⁾ Estimates adopted at the January 14, 2011, Consensus Revenue Estimating Conference. ²⁾ Includes proposed tax changes that would reduce MBT revenue to the SAF by \$593.9 million as well as an additional transfer of \$393.9 million from the General Fund to offset a portion of the loss. ³⁾ No adjustment is made regarding \$195.9 million of revenue that is recommended to fund community colleges, or the \$699.7 million recommended for higher education, because the transactions reflect how SAF revenue is appropriated, not the revenue into the SAF.			



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