

**OVERVIEW OF
GOVERNOR SNYDER'S
FY 2011-12 and FY 2012-13
BUDGET**



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February 23, 2011

<http://www.senate.michigan.gov/sfa/>

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Summary

Governor Snyder's FY 2011-12 and FY 2012-13 Budget Summary of Recommendations

The Governor proposes to reinvent Michigan by pursuing budget process reforms and performance measures for each program area. One of the proposed process reforms would be a biennial budget and the Governor has recommended FY 2011-12 appropriations and anticipated appropriations for FY 2012-13 in his budget message. Pursuant to an Attorney General's letter opinion issued on February 9, 2011, the Governor may 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.

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 General Fund/General Purpose (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 also proposes to invest \$200.0 million to partially offset retiree health insurance liabilities. The Governor's FY 2011-12 budget 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 and economic factors.

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 FY 2011-12 GF/GP revenue of \$339.8 million and a net decrease for the SAF of \$593.9 million. The Governor's budget recommendation also includes \$16.1 million of revenue from proposed fee increases.

The major appropriation reductions included in the Governor's budget are a \$222.4 million reduction in State university operations; a 48-month lifetime limit for Family Independence Program participants, which is projected to save \$65.0 million, a \$22.8 million reduction for Graduate Medical Education payments in the

Department of Community Health; and the closure of one prison for savings of \$18.9 million. The Governor also proposes to eliminate statutory State Revenue Sharing (\$292.1 million) for cities, villages, and townships, and replace it with a \$200.0 million incentive-based program; the Governor's proposal would reduce county Revenue Sharing by \$51.8 million. These changes produce a net State Revenue Sharing reduction of \$143.9 million.

Other major proposed reductions include a \$470-per-pupil reduction in K-12 State aid and an \$85.6 million reduction in categorical spending. The Governor also proposes to use nearly \$900.0 million of SAF revenue to fund Community Colleges and Universities.

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 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.

The Governor's FY 2011-12 budget recommendation contains the following level of appropriations:

Adjusted Gross	\$45.9 billion
State Spending from State Resources	\$26.3 billion
General Fund/General Purpose	\$8.1 billion
Full-Time Equated Positions.....	54,996.8

If employee concessions and the payment for retiree health care liability are not included, Adjusted Gross appropriations are down by \$1.17 billion or 2.5%, State Spending from State Resources appropriations are increased by \$261.8 million or 1.0%, and General Fund/General Purpose appropriations are down by \$191.2 million or 2.3%. If FY 2010-11 General Fund/General Purpose appropriations were adjusted for early retirement savings, FY 2011-12 appropriations would be down by \$131.0 million or 1.6%. The FY 2011-12 recommended level of Full-Time Equated (FTE) positions is 1,105.5 FTEs lower than the FY 2010-11 level, a reduction of 2.0%.

FY 2010-11
State Budget Update

Table 1

FY 2010-11 General Fund/General Purpose Revenue, Expenditures, and Year-End Balance (Millions of Dollars)	
	Feb. 2011 Gov's Rec.
Beginning Balance	\$187.2
Ongoing Revenue:	
Consensus Revenue Estimate	\$7,227.8
Shift of Short-Term Borrowing Costs to School Aid Fund	15.0
Revenue Sharing Freeze Cities, Villages, and Townships	613.2
County Revenue Sharing-Payment Restoration	(114.7)
Use Tax on Health Maintenance Organizations	368.4
Enhanced Tax Enforcement Revenue	15.0
Liquor Reforms	9.1
Subtotal Ongoing Revenue	\$8,133.8
One-Time Revenue:	
Tax Amnesty	\$61.8
Unclaimed Property Reforms	166.0
Lawsuit Settlements (Dannon and DirecTV)	0.4
Lapse of Secretary of State Work Project to General Fund	6.0
Subtotal One-Time Revenue	\$234.2
Total Estimated Revenue	\$8,555.2
Expenditures:	
Initial Appropriations	\$8,301.8
State Employees Retirement Savings	(60.2)
Total Projected Expenditures	\$8,241.6
Projected Year-End Balance	\$313.6

Source: Governor's Budget Message

Table 2
FY 2010-11 School Aid Fund
Revenue, Expenditures, and Year-End Balance
(Millions of Dollars)

	Feb. 2011 Gov's Rec.
Revenue:	
Beginning Balance	\$255.9
Consensus Estimate of Restricted SAF Revenue	\$10,979.1
<u>Revenue Adjustments:</u>	
GF/GP Grant to School Aid Fund	18.6
Ongoing Federal Aid	1,677.8
American Recovery and Reinvestment Act Funding	184.3
Federal Education Jobs Fund of 2010	316.3
Enhanced Tax Enforcement Revenue	2.3
Lottery Reform	0.0
Tax Amnesty	26.1
Liquor Reforms	0.9
Subtotal Revenue Adjustments	\$2,226.2
Total Estimated School Aid Fund Revenue	\$13,461.2
Expenditures:	
Enacted Initial Appropriations - PA 110 of 2010	\$12,838.5
Race to the Top State Funding - PA 110 of 2010	26.2
Supplemental Appropriations - PA 204 of 2010	(46.8)
Supplemental Appropriations - PA 205 of 2010	70.3
Supplemental Appropriations - PA 217 of 2011	246.0
<u>Projected Year-End Appropriation Lapses:</u>	
Pupil Estimates	(65.0)
Special Education Costs	(80.0)
Taxable Value Estimates	(5.0)
Cash-flow Borrowing Costs	(30.0)
Total Projected Expenditures	\$12,954.2
Projected Year-End School Aid Fund Balance	\$507.0

Source: Governor's Budget Message

FY 2011-12
Budget Recommendation
Overall Budget Issues

Table 3

FY 2011-12 Budget Recommendation General Fund/General Purpose (Millions of Dollars)	
	Feb. 2011 Gov's Rec.
Revenue:	
Beginning Balance	\$0.0
Consensus Revenue Estimate	7,294.1
Other Revenue Adjustments:	
Revenue Sharing Freeze Cities, Villages and Townships	643.6
County Revenue Sharing Payments	(151.8)
Use Tax on Health Maintenance Organizations	389.8
Shift of Short-Term Borrowing Costs to School Aid Fund	20.0
Tax Amnesty	(49.8)
Unclaimed Property Reforms	35.0
Liquor Reforms	9.1
Northville Sale (Balloon Payment, Oct. 14, 2011)	6.5
Subtotal Other Revenue Adjustments	\$902.4
Current Law GF/GP Revenue	\$8,196.5
Appropriations:	
FY 2010-11 Current Law Spending	\$8,301.8
Appropriation Adjustments:	
Enhanced ARRA Medicaid Match Rate	564.7
Medicaid One-Time VEBA Payment	160.0
Human Services ARRA Emergency TANF Funds	172.8
Medicaid Caseload/Costs	157.0
Human Services Caseload/Costs/Full-Year Staffing Levels	36.3
General Obligation Bond Debt Restructuring	98.3
State Employee Economic Costs	105.0
Other One-Time Adjustments	12.2
Total Current Services Spending Base	\$9,608.1
Projected State Budget Funding Gap	(\$1,411.6)
Administration Proposal to Close Funding Gap:	
Tax Reform and Revenue Adjustments	\$848.6
Spending Reductions Proposed in Budget	658.9
Structural Reforms	323.9
Investments	(260.0)
Total Recommended Proposals to Close Funding Gap	\$1,571.4
Projected Year-End Balance	\$159.8

Source: Governor's Budget Message

Table 4

FY 2011-12 Budget Recommendation Proposed GF/GP Tax Reform and Revenue Adjustments (Millions of Dollars)	
Tax Reform:	
Elimination of Michigan Business Tax	(\$1,419.8)
Partial-Year MBT Revenue	607.2
New 6.0% Corporate Income Tax	460.1
Financial Institutions Tax Changes	27.7
Individual Income Tax Changes	664.6
Subtotal Tax Reform	\$339.8
Other Revenue Adjustments:	
General Fund Contribution to School Aid Due To MBT Loss	(\$393.9)
Eliminate Use Tax on HMOs	(389.8)
Impose New Health Care Insurance Claims Assessment	396.9
Shift of School Aid Fund Revenue to Fund Community Colleges	195.9
Shift of School Aid Fund Revenue to Fund Universities	699.7
Subtotal Other Revenue Adjustments	\$508.8
Total Proposed Tax Reform and Revenue Adjustments	\$848.6

Source: Governor's Budget Message

Table 5

FY 2011-12 Budget Recommendation Major Proposed GF/GP Appropriation Reductions and Structural Reform (Millions of Dollars)	
Major Reductions:	
University Operations Reduction of 15.0%	(\$222.4)
48-Month Lifetime Limit for Family Independence Program	(65.0)
40.0% Reduction in Graduate Medical Education Payments	(22.8)
Closure of One Prison (Unidentified) in FY 2010-11	(18.9)
State Police Post Closures and Other Reductions	(16.5)
Other Community Health, Corrections, Human Services Reductions	(102.9)
All Other Funding Reductions	(210.4)
Total Proposed Appropriation Reductions	(\$658.9)
Restructuring:	
Eliminate Statutory Revenue Sharing for Cities, Villages, Townships	(\$292.1)
Create Incentive-Based Program for Cities, Villages, Townships	200.0
Reduce County Revenue Sharing	(51.8)
Employee Compensation Reductions	(180.0)
Total Proposed Restructuring	(\$323.9)

Source: Governor's Budget Message

Table 6

FY 2011-12 Budget Recommendation Major Proposed New GF/GP Investments (Millions of Dollars)	
Film Incentive Program	\$25.0
Business Attraction and Economic Gardening	25.0
Information Technology Innovations Fund	5.0
Quality of Place and Talent Enhancement	5.0
Payment for Retiree Health Insurance Liability	200.0
Total Proposed Investments	\$260.0

Source: Governor's Budget Message

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	8,110.6
Change in GF/GP Appropriations.....	(\$191.2)
Total Funding Increases.....	\$650.6
Total Funding Reductions	(793.1)
Total Fund Shifts	(48.7)
Total GF/GP Funding Change.....	(\$191.2)

Source: Senate Fiscal Agency analysis of Governor's Budget Message

Table 8

FY 2011-12 Governor's Appropriation Recommendation Major GF/GP Funding Increases (Millions of Dollars)	
Budget Area/Program	
Community Health	
Medicaid Base and Caseload Adjustments	\$160.3
Medicaid Special Financing Adjustments	6.2
Corrections	
Neal Case 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	
Annualization of Child Welfare Improvement Efforts	49.7
Medical/Psych 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
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
Total GF/GP Funding Increases	\$650.6

Source: Senate Fiscal Agency analysis of Governor's Budget Message

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)
Administrative Reductions	(0.5)
Attorney General	
Administrative Reduction	(0.1)
Information Technology Reduction	(0.1)
Civil Rights	
Operations Reduction	(0.4)
Information Technology Reduction	(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)
40.0% Reduction in Medicaid Graduate Medical Education Funding	(22.8)
3.0% Reduction to Community Mental Health (CMH) non-Medicaid	(8.5)
5.0% Reduction to Local Public Health	(1.7)
8.2% Reduction to Aging Programs	(2.2)
Reduce Healthy Michigan Fund Programming	(1.0)
10.0% Reduction to Children's Waiver Home Care Program	(0.7)
Limitations on Access to Adult Home Help Services	(6.0)
Children's Special Health Care Services Mandatory Managed Care	(3.7)
Remove Preferred Drug List Exemption for Behavioral Health Drugs	(6.3)
Transfer Dual Medicare/Medicaid Eligibles to Managed Care	(10.0)
Increased Third Party Liability Savings from Auto Insurers	(5.0)
Enhancement of Estate Recovery Program	(3.4)
15.0% Reduction in Earmark Programs	(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)
Supply Chain Transformation	(10.0)
Consolidate Lieutenant Positions	(8.5)
Privatize Prison Food Service	(7.0)
GPS Tether Contract Renegotiation	(2.5)
Reduce Parole Board	(0.8)
Consolidate Business Office	(0.7)
Education	
Remove Race to the Top General Fund Funding	(2.0)
40.0% Reduction of State Aid to Libraries	(2.3)
Energy, Labor, and Economy Growth	
Eliminate Worker's Compensation Appellate Commission	(1.2)
15.0% Reduction of Fire Protection Grants	(1.6)
Environmental Quality	
Remove Funding from Unfilled Vacancies	(0.7)
Reduce Groundwater Discharge Program	(0.1)
Executive Office	
5.0% Reduction	(0.2)

FY 2011-12 Governor's Appropriation Recommendation Major GF/GP Funding Eliminations/Reductions (Millions of Dollars)	
Higher Education	
Eliminate State Competitive Scholarships.....	(18.4)
Eliminate Tuition Grants	(31.7)
Reduce University Operations	(305.4)
Human Services	
Caseload and Cost Adjustments.....	(11.8)
48-Month Time Limit on Cash Welfare Payments	(65.0)
Treat Adoption Subsidies as Income for Eligibility Purposes	(1.2)
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)
Reduce 300 Field Staff through Attrition	(8.3)
Reductions to Earmark Programs	(1.2)
Judiciary	
Elimination of Judgeships	(0.9)
Temporary Elimination of Macomb and Oakland Judgeships.....	(0.1)
Legislative Auditor General	
5.0% Field Operations Reduction	(0.6)
Legislature	
Funding Reduction	(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)
Administrative Cost Reductions	(0.2)
School Aid	
State Aid to Libraries	(1.5)
State	
Operational Efficiencies	(2.1)
State Police	
Field Services Restructuring	(3.2)
Eliminate Collins Road Lease	(0.8)
Close Rockford Dispatch Center.....	(1.0)
Deferred Retirement Savings.....	(2.8)
Administrative Savings (Overtime and Attrition)	(8.7)
Technology, Management, and Budget	
Remove One-Time Gubernatorial Transition Funding.....	(1.5)
Administrative Reductions	(3.8)
Treasury-Operations	
Reduce Business Property Tax Appeal Funding.....	(0.6)
15.0% Reduction to Payment in Lieu of Taxes (PILT).....	(1.6)
Administrative Reduction	(0.9)
Recognize Senior Cooperative Housing Tax Exemption Savings	(2.5)
Statewide Early Retirement Savings	
Early Retirement Savings	(27.9)
Other Funding Decreases in Budget Recommendation	(11.7)
Total GF/GP Funding Eliminations/Reductions.....	(\$793.1)

Source: Senate Fiscal Agency analysis of Governor's Budget Message

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 in 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	
Medicaid Benefits Trust Fund Shortfall	0.8
Healthy Michigan Fund Surplus Revenue	(0.2)
Increase in Base Medicaid Match Rate.....	(29.9)
Remove One-Time Match Rate Adjustment.....	160.0
Implementation of new 1% Tax on Health Insurance Paid Claims	(396.9)
Increase in Health Licensure Fees	(4.5)
Increase Use of Tobacco Settlement Dollars	(0.3)
Expiration of Federal ARRA Match Rate Funding	585.3
Corrections	
Fix Parole/Probation Fee Shortfalls	3.0
Environmental Quality	
Critical Dunes Fund Source Shift.....	(0.4)
Hazardous Waste Management Program Fund Source.....	(0.7)
Permit to Install Waste Reduction Fee.....	(1.2)
Wastewater Operator Exam Fees.....	(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)
TANF Fund Source Shifts.....	39.7
Juvenile Justice Fund Sourcing	0.9
Expiration of TANF ARRA Carryforward	143.0
Expiration of Federal ARRA Match Rate Funding	6.5
Loss of ARRA Food Assistance Administration Funding.....	4.0
Loss of ARRA Child Support Incentive Payment Funding	17.5
Judiciary	
Eliminate IDG from Corrections	1.0
Natural Resources	
Mackinac Island State Park Fund Source Shift.....	(1.6)
Captive Cervid Facility Fee Increase	(0.1)
School Aid	
Partial Replacement of Lost MBT Tax Revenue	395.3
State Police	
Reverse One-time Fund Shifts	5.2
Funded Vacancy Shift	(0.9)
Increase in Fingerprint Fees	(3.0)
Treasury Strategic Fund	
Fund Source Shift in Pure Michigan Funding.....	(5.4)
Other Fund Source Shifts in Budget Recommendation.....	(4.0)
Total GF/GP Funding Eliminations/Reductions.....	(\$48.7)

Source: Senate Fiscal Agency analysis of Governor's Budget Message

Revenue and Fee Proposals

Governor's Proposed Tax Reform Plan

Business Taxes

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, renaissance zones, etc.).

Implement Corporate Income Tax

- 6.0% tax rate, similar to MBT rate (4.95% rate + 21.99% surcharge = 6.04%)
- 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 required to file combined returns.
- No return needs 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.
- Businesses lose \$126.2 million in industrial/utility personal property tax credits.
- Certain businesses lose operating subsidies: media production companies, Michigan International Speedway, grocery stores (bottle deposit administration), etc. although some provisions could be handled on the appropriation side (for example, \$25.0 million is appropriated to encourage media production)
- Approximately 100,000 businesses would no longer need to file a business tax return.

Individual Income Taxes

Expand Individual Income Tax Base

- Eliminate special exemptions for seniors and those receiving unemployment compensation.
- Eliminate many subtractions from income: pension income; 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.
- Freeze personal exemption amount in 2012.
- Equalize Homestead Property Tax Credit provisions for most filers (increase allowable amount for general filers, lower it for seniors -- the credit is unchanged for disabled individuals).
- Phase-out Homestead Property Tax Credit at lower income levels.
- 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 1.1 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 personal exemption.
- Approximately 800,000 families affected by elimination of the Earned Income Tax Credit.

Table 11

Governor's Tax Restructuring Plan (Millions of Dollars)						
Tax Provision	GF/GP	FY 2011-12	Total	GF/GP	FY 2012-13	Total
		SAF			SAF	
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	\$1,526.7	\$237.1	\$1,863.8
Savings Reserved for Future Tax Cuts	0.0	0.0	0.0	0.0	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

Source: Senate Fiscal Agency

Table 12

Governor's Income Tax Proposal		
Tax Provision	Current Law	Proposed Change
Tax Rate	Phase Down to 3.9%	Stop Phase at 4.25%
<u>Personal Exemption</u>		
Amount	Adjusted for Inflation	Eliminate adjust. in 2012/2013
Phase-out	No phase out	Phase-out starting at \$75k/\$150k
<u>Special Exemptions</u>		
Seniors.....	\$2,300	Eliminate
Disabled.....	\$2,300	No Change
Unemployment Compensation.....	\$2,300	Eliminate
Children	\$600	Eliminate
<u>Subtractions from Income</u>		
Social Security/Military Pay.....	Exempt	No Change
Private Pensions.....	\$45k/\$90k exempt	Taxed as normal income
Public Pensions	Exempt	Taxed as normal income
Interest/Dividends for Seniors.....	\$10k/\$20k exempt	Taxed as normal income
MET/MESP Contributions/Payments/Qual. Withdrawals ...	Exempt	No Change
Income from Renaissance Zones	Exempt	No Change
Benefits, self-insured Med. Reimbursement Plans	Allowed	No Change
Holocaust Victim Payments	Allowed	No Change
Michigan Net Operating Loss Deductions.....	Allowed	No Change
Other Misc. Subtractions.....	Allowed	Taxed as normal income
<u>Nonrefundable Credits</u>		
Taxes Paid to Other States.....	Yes	No Change
Other Nonrefundable Credits	Yes	Eliminate
<u>Refundable Credits</u>		
Homestead Property Tax Credit		
Percent of Tax Eligible for Credit	60%/100%/100%	80%/80%/100%
Income Eligibility Phase-Out Range	\$73,650-\$82,650	\$61,000-\$70,000
Maximum Credit.....	\$1,200	No Change
Other Refundable Credits	Yes	Eliminate

Source: Senate Fiscal Agency

Table 13

FY 2011-12 Governor's Recommendation Proposed Fee Increases Included in Budget (Actual Dollars)		
Department	Fee Type	Estimated Revenue
Agriculture and Rural Development	Intercounty Drain Assessment	\$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 and Renewals	356,000
Environmental Quality	Air Quality	840,000
Environmental Quality	Solid Waste Surcharge	1,900,000
Human Services	Child Support Administration	3,400,000
Human Services	Child Support Tax Return	340,000
Natural Resources	Cervidae Industry Registration	150,000
State Police	Fingerprint	3,000,000
Total Proposed Fee Increases		\$16,065,500

Major Budget Areas Appropriation Summaries

Department of Community Health Recommendations

The Governor's FY 2011-12 Department of Community Health (DCH) budget reflects the loss of over \$740.0 million in Federal Medical Assistance Percentage (FMAP) revenue, offset by an equivalent amount of GF/GP revenue. The budget reflects Medicaid base adjustments of over \$160.0 million GF/GP revenue. The budget does not reflect all potential anticipated costs as there is no adjustment for actuarially sound rates paid for Medicaid community mental health (CMH) services and to health maintenance organizations (HMOs).

The Governor's budget includes over \$80.0 million GF/GP in "hard" program cuts and savings. The largest of these is a 40.0% reduction in Medicaid Graduate Medical Education payments. There are also new reductions to CMH non-Medicaid services, Aging services, and local public health departments. Also of particular note is the shift to managed care for Children's Special Health Care clients and those dually eligible for Medicaid and Medicare, although the savings on these items are dependent on negotiations with managed care organizations to set capitation rates.

The budget does not include any elimination of optional Medicaid services or populations and does not include any Medicaid provider rate reductions.

A number of these reductions and saving items would require passage of legislation and, in at least two instances, passage of the necessary legislation was not possible in past years.

The most notable new initiative in the budget is the Governor's proposal to replace the current Medicaid CMH and HMO Use Tax with a 1.0% tax on all health insurance paid claims. The budget's delicate fiscal balance is greatly dependent on this proposal, because if this proposal is not passed, the budget would be out of balance by hundreds of millions of dollars.

FY 2012-13

The Governor's FY 2012-13 proposed budget reflects a continuation budget from the policies put in place for FY 2011-12, with adjustments related to the Medicaid match rate and the anticipated continued growth in Medicaid costs.

The FY 2012-13 budget assumes a decrease in the Medicaid match rate from 66.14% in FY 2011-12 to 65.06%, leading to a cost increase of \$97.8 million GF/GP. It also assumes a reduction of tobacco tax revenue in the Medicaid Benefits Trust Fund of \$6.4 million, leading to an equal increase in GF/GP costs. The FY 2012-13 budget assumes an increase in Medicaid costs of \$334.5 million Gross and \$117.5 million GF/GP or about 6.0%, about evenly split between caseload growth and inflation/utilization growth. The FY 2012-13 budget assumes an employee economic

cost increase of \$13.0 million Gross and \$7.6 million GF/GP. The net increase from these changes is \$347.5 million Gross and \$229.3 million GF/GP.

Finally, the FY 2012-13 budget assumes January 1, 2013 implementation of an increase for Medicaid primary care physician reimbursement. This increase, required under the Federal health reform law, is estimated to cost \$100.0 million and would, per Federal law, be completely funded with Federal dollars.

Department of Corrections Recommendations

The FY 2011-12 Department of Corrections (DOC) budget represents a 0.3% increase in Gross appropriations and a 0.6% increase in GF/GP funding from FY 2010-11 year-to-date appropriations. The Governor's Recommendation is \$5.0 million Gross and \$12.0 million GF/GP above current-year appropriations.

The Governor's budget anticipates the closure of one correctional facility, which the DOC has not yet identified. The bulk of the other reductions assumed in the budget are driven by continued supply chain efficiencies and the anticipated privatization of prison food services and prison store operations. These changes are expected to generate General Fund savings of approximately \$23.3 million. In addition, the proposed budget calls for the consolidation of lieutenant positions in each State corrections facility, with associated savings of \$8.5 million GF/GP.

From a broader perspective, the Governor's budget largely represents a continuation of existing policies. The budget recommends an additional \$3.5 million in funding for the training of new custody staff. This increase reflects the Department's need to replace corrections officers who elected to retire under the incentive program offered in 2010. The single largest increase in the Governor's budget is an additional \$56.0 million GF/GP for employee economic costs (salaries, benefits, pension costs, etc.).

FY 2012-13

In looking forward to FY 2012-13, the two-year budget presented by the Governor anticipates small increases in costs related to medical care, technology needs, and physical plant challenges. The initial recommendation for FY 2012-13 is \$2.09 billion Gross/\$2.01 billion GF/GP and represents a General Fund increase of \$82.5 million from FY 2011-12.

Department of Human Services Recommendations

The Governor's recommended FY 2011-12 Department of Human Services (DHS) appropriation increases GF/GP expenditures by \$172,460,100 above the current year and reduces total expenditures by \$57,391,000 below the current year. Increases in GF/GP expenditures in the Executive Recommendation are primarily due to the requirements of the Children's Rights settlement agreement, the need to replace one-time Federal emergency funding and other adjustments needed to correctly align the funding structure.

The recommendation includes increases for child welfare programs and funding shifts. Child welfare increases related to the Children's Rights settlement include the annualization of 684.0 FTE staff (\$29.7 million Gross/\$22.2 million GF/GP), increased medical and psychiatric evaluations (\$2.6 million Gross/\$2.5 million GF/GP), needs assessment (\$4.0 million Gross/\$4.0 million GF/GP), and information technology improvements (\$2.7 million Gross/\$1.4 million GF/GP). Other increases are the annualization of the shift of foster care management to private agencies (\$30.1 million Gross/\$20.4 million GF/GP) and increased rates for private adoption service providers (\$2.8 million Gross/\$1.7 million GF/GP). Adjustments for the loss of emergency funding and matching funds for Title IV-D money result in increased GF/GP (\$171.0 million GF/GP).

The recommendation's most substantial savings come from program reductions, policy changes, and reduced staff. The implementation of a life time limit of 48 months for cash assistance (Family Independence Program, or FIP) is retroactive to October 1, 2011, and will result in initial savings of \$77.4 million Gross and \$65.0 million GF/GP. A reduction in the base rate paid to unlicensed child care providers will provide savings of \$13.9 million in the Temporary Assistance for Needy Families (TANF) block grant, which is treated as GF/GP equivalent. The closure of Shawono Center and reduced capacity of Maxey Training School -- both for youth offenders -- result in projected savings of \$3.0 million Gross and \$986,700 GF/GP. The recommendation also eliminates 300.0 FTE staff positions in Field Operations, assuming that these positions will be lost due to attrition. Additionally, several administrative and earmarked programs are eliminated or reduced.

The State's FMAP rate increases from 65.79% to 66.14%, resulting in assumed savings of \$1.2 million GF/GP. The recommendation adjusts caseload costs in a number of assistance programs so that a base adjustment of \$11.9 million Gross and \$11.8 million GF/GP is realized. Payments for FIP, child care, and the Social Security Income (SSI) State supplementation increase, while caseload payments for State disability, foster care, adoption, and the Child Care Fund decrease.

The Department of Human Services budget has recognized a balance of TANF Maintenance of Effort (MOE) that accounts for the proposed elimination of the

Earned Income Tax Credit (EITC), but does not allow for any reductions in other MOE-eligible programs in the Department of Education, School Aid, or the Department of Energy, Labor, and Economic Growth. The projected excess MOE for FY 2011-12 is estimated to be a marginal \$208,000 above the minimum requirement. Penalties for failing to meet the MOE requirement are a dollar-for-dollar reduction in the State's TANF grant and the requirement to spend additional GF/GP dollars to make up the difference in the following year.

FY 2012-13

The Governor's recommended FY 2012-13 DHS appropriation increases GF/GP expenditures by \$88,236,700 above the FY 2011-12 recommendation and increases total expenditures by \$42,344,900. Increases in the Governor's budget are primarily due to a projected decline in the FMAP rate from 66.14% to 65.06% (\$65.0 million GF/GP), increased caseload payments, and increased projected Department economics. The projected TANF MOE in FY 2012-13 accounts for \$71.6 million excess MOE above the minimum requirement.

Community Colleges and Higher Education Recommendations

The Governor's Recommendation maintains funding for community college operations at the FY 2010-11 funding level. The Governor's Budget Message states that maintaining current State support is necessary due to the loss of \$65.0 million in local support over the last four years. The budget recommendation shifts \$195,880,500 from the General Fund to the School Aid Fund. The Governor's recommendation maintains funding at the FY 2010-11 and FY 2011-12 level in FY 2012-13 for community colleges.

The Governor's Recommendation reduces university operations funding by \$222,400,100 (15.0%), including the MSU Cooperative Extension Service and the Agricultural Experiment Station. The budget also removes an additional \$82,996,900 from university operations and moves the funding to a separate tuition restraint incentive line item for each university. The tuition restraint incentive will be paid to a university only if the university holds its FY 2011-12 resident undergraduate tuition and fee rate increase below the prior five-year State average percent increase of 7.1%. The budget shifts \$699,719,900 for university operations from the State General Fund to the School Aid Fund. Funding for the State Competitive Scholarships and Tuition Grant Programs is transferred to a new "Pathway to Higher Education" line item. 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 \$875 per year. Funding for the Tuition Incentive Program is increased by \$6.4 million based on projections of the number of students who will qualify and costs. Funding for financial aid programs is shifted to \$93.8 million 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 for the 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.

FY 2012-13

The only funding adjustment for FY 2012-13 is an increase of \$8,760,000 for the Tuition Incentive Program based on projections of the number of students who will qualify for the grant. The Governor included a new boilerplate section stating the intent that beginning with FY 2012-13, university operations funding will be allocated to each university using a formula developed by the State Budget Director, with the advice of relevant stakeholders and enacted by the Legislature. The formula would encourage universities to provide educational opportunities for students that are both accessible and affordable and result in a highly educated workforce. The formula would also reward universities that contribute to the economic well-being of the State.

Table 14

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)%

Table 15

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)

Revenue Sharing Payments

The budget recommends 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. 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 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 are expected in March 2011. 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 are expected to receive payments, including Allegan, Eaton, and Macomb Counties. However, the recommendation does not fund the full increase in payments to the additional counties, nor 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 near March-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 16

Revenue Sharing Appropriation Summary			
	FY 2010-11 Year-to-Date	FY 2011-12 Gov's Rec.	Change
Constitutional	\$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)	

Source: Senate Fiscal Agency

State Employee Compensation Changes

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.

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 would be upwards of \$360.0 million Gross.

Table 17 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 \$104.8 million.

Table 17

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)	0.08
All Other Economics	(7.3)	2.4
Total Economics	\$195.9	\$104.8

Table 18

Retirement Contribution Rates as a Percentage of Payroll				
	FY 2009-10	FY 2010-11	FY 2011-12	FY 2011-12 Change
State Employees Retirement System				
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%
Public School Employees Retirement System¹⁾				
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 19

FY 2011-12 Estimated Contributions to Two Largest Retirement Systems	
	Millions of Dollars
State Employee Retirement System (SERS)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
Public School Employees Retirement System	
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.	

Source: Senate Fiscal Agency estimates

Debt Service Adjustments

The Governor's Recommendation reflects an increase of \$227.5 million in debt service costs above FY 2010-11 levels. The major increase in debt service payments involves School Bond Loan Fund, environmental bonds, and State Trunkline. Debt service payments on School Bond Loan Fund increase by \$88.4 million, payments on environmental bonds appropriated in the Department of Treasury increase by \$83.3 million, and payments on State Trunkline increase by \$48.6 million. These large increases in debt service payments result from previous refinancing of existing bonds, which provided cost savings in prior fiscal years but lead to larger costs beginning in FY 2011-12.

Table 20
Debt Service Appropriations
FY 2011-12 Compared with FY 2010-11

Department/Program	FY 2010-11 Gross Appropriation	FY 2011-12 Gross Appropriation	Dollar Change	Percent Change
Management and Budget				
State Building Authority Rent	\$241,870,600	\$256,870,600	\$15,000,000	6.2%
School Aid				
<i>Durant</i> Bonds	39,000,000	39,000,000	0	0.0
School Bond Loan Fund	5,167,800	93,575,300	88,407,500	1,710.7
Transportation				
State Trunkline	198,853,000	247,449,700	48,596,700	24.4
Comprehensive Transportation	29,852,700	19,998,800	(9,853,900)	(33.0)
Economic Development	9,173,400	9,174,600	1,200	0.0
Airport Safety & Protection Plan	3,456,000	3,473,500	17,500	0.5
Local Bridge Fund	3,261,500	3,261,800	300	0.0
Blue Water Bridge Fund	2,216,400	4,115,000	1,898,600	85.7
Treasury				
Quality of Life Bond	27,938,100	75,278,300	47,340,200	169.4
Clean Michigan Initiative	24,625,100	59,373,300	34,748,200	141.1
Great Lakes Water Quality Bond	2,874,500	4,150,900	1,276,400	44.4
Water Pollution Control Bond	2,195,100	2,125,500	(69,600)	(3.2)
Tobacco Securitization Bonds				
Capitalize 21 st Century Jobs				
Fund Debt Service	33,870,300	33,931,200	60,900	0.2
FY 2006-07 Balancing State				
Budget Debt Service	27,345,000	27,394,200	49,200	0.2
Total	\$651,699,500	\$879,172,700	\$227,473,200	34.9%

Table 21

Tobacco Settlement Appropriations and Revenue (Actual Dollars)			
Budget Area/Program	FY 2010-11 Year-to-Date	FY 2011-12 Gov's Rec.	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
<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	<u>\$254,800,000</u>	<u>\$255,256,900</u>	<u>\$456,900</u>
Transfer to 21st 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)

Source: State Budget Office

FY 2011-12
School Aid Fund
Budget Recommendation

School Aid Major Highlights

The 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.

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.

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. Note that this is not a restoration of cuts, but rather an earmark of existing foundation allowance payments that would be available to eligible districts. If districts did not charge their employees the required percentage of health care costs, then those districts would see further reductions in foundation allowance payments in FY 2012-13 beyond the cuts proposed for FY 2011-12.

Summary of FY 2011-12 and FY 2012-13 School Aid Budget

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 22

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 being 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 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 23

FY 2011-12 Governor's Budget Recommendation School Aid Fund (Millions of Dollars)	
	Feb. 2011 Gov's Rec.
Revenue:	
Beginning Balance	\$507.0
Consensus Revenue Estimate (January 14, 2011).....	11,193.7
General Fund/General Purpose Grant	18.6
Non-tax Revenue Adjustments	(8.0)
Federal Ongoing Aid	1,653.3
Current Law Revenue	\$13,364.6
Expenditures:	
FY 2010-11 Current Law Spending (with technical adjustments)	\$12,954.2
FY 2011-12 Baseline Spending Adjustments.....	73.7
Current Services Base Expenditures	\$13,027.9
Projected State Budget Funding Surplus	\$336.7
Administration Proposal for FY 2011-12:	
Nonreplacement of Education Jobs Fund	\$316.3
Reductions to Foundation Allowance.....	452.5
Reductions to Categoricals	85.6
Tax Restructuring Plan	(593.9)
Additional GF/GP to Partially Offset Tax Restructuring.....	393.9
Partially Fund Community Colleges with SAF.....	(195.9)
Partially Fund Higher Education with SAF	(699.7)
Subtotal Proposed Adjustments to Funding Surplus.....	(\$241.2)
Projected Year-End Balance	\$95.5

Source: State Budget Office

Table 24

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
Net Decrease in Appropriations	(\$780.6)
Recommended Appropriation Decreases in Existing Programs:	
Nonrestoration of Expiring Federal Education Jobs Fund	(\$316.3)
Additional \$300-Per-Pupil Reduction in Foundation Allowance	(452.5)
Elimination of Declining Enrollment Grants	(27.0)
Elimination of Class Size Reduction Grants	(19.7)
Elimination of ISD Special Education FICA Payments	(15.3)
Elimination of Various District-Specific Foundation Adjustments	(8.6)
5.0% Reduction to ISD Operations	(3.3)
Elimination of Bilingual Education	(2.8)
Elimination of Health Science Middle Colleges	(2.0)
Elimination of Isolated District Funding	(2.0)
Elimination of MBT Hold Harmless Funding (Out-of-Formula)	(1.8)
Elimination of State Aid to Library Payments	(1.5)
Elimination of Precollege Engineering	(0.9)
Elimination of ISD Special Education Hold Harmless Payments	(0.9)
Reduction in PILT	(0.5)
Other Categorical Reductions	(0.9)
Reduction in Federal Special Education and CEPI Funding	(29.5)
Subtotal Appropriation Decreases 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 Recommended Appropriation Changes	(\$780.6)

Source: Senate Fiscal Agency

Recent State Appropriation History

Table 25

Adjusted Gross Appropriation History (Millions of Dollars)			
Fiscal Year	Appropriations	Dollar Change	Percent Change
1997-98	\$31,472.8	\$1,816.3	6.1%
1998-99	33,160.3	1,687.5	5.4
1999-2000	35,417.7	2,257.4	6.8
2000-01	36,953.3	1,535.6	4.3
2001-02	38,751.3	1,798.0	4.9
2002-03	39,553.1	801.8	2.1
2003-04	39,115.3	(437.8)	(1.1)
2004-05	39,909.5	794.2	2.0
2005-06	41,322.7	1,413.2	3.5
2006-07	41,851.8	529.1	1.3
2007-08	43,616.5	1,764.7	4.2
2008-09	47,942.1	4,325.6	9.9
2009-10	45,656.6	(2,285.5)	(4.8)
2010-11 Y-T-D	47,050.5	1,393.9	3.1
2011-12 Gov's Rec.	45,876.8	(1,173.7)	(2.5)
Change FY 2001-02 to FY 2011-12		\$7,125.5	18.4%

Table 26

State Spending from State Resources Appropriation History (Millions of Dollars)			
Fiscal Year	Appropriations	Dollar Change	Percent Change
1997-98	\$22,493.6	\$941.3	4.4%
1998-99	23,276.8	783.2	3.5
1999-2000	24,579.0	1,302.2	5.6
2000-01	25,761.6	1,182.6	4.8
2001-02	26,086.8	325.2	1.3
2002-03	26,020.5	(66.3)	(0.3)
2003-04	25,802.5	(218.0)	(0.8)
2004-05	26,285.3	482.8	1.9
2005-06	27,704.0	1,418.7	5.4
2006-07	27,928.6	224.6	0.8
2007-08	28,441.7	513.1	1.8
2008-09	26,310.0	(2,131.7)	(7.5)
2009-10	25,239.0	(1,071.0)	(4.1)
2010-11 Y-T-D	26,075.0	836.0	3.3
2011-12 Gov's Rec.	26,336.8	261.8	1.0
Change FY 2001-02 to FY 2011-12		\$250.0	1.0%

Table 27

General Fund/General Purpose Appropriation History (Millions of Dollars)			
Fiscal Year	Appropriations	Dollar Change	Percent Change
1997-98	\$8,735.1	\$366.0	4.4%
1998-99	9,415.0	679.9	7.8
1999-2000	9,607.7	192.7	2.0
2000-01	9,744.4	136.7	1.4
2001-02	9,189.3	(555.1)	(5.7)
2002-03	8,830.9	(358.4)	(3.9)
2003-04	8,770.1	(60.8)	(0.7)
2004-05	8,690.8	(79.3)	(0.9)
2005-06	9,106.3	415.5	4.8
2006-07	9,118.7	12.4	0.1
2007-08	9,980.7	862.0	9.5
2008-09	8,568.7	(1,412.0)	(14.1)
2009-10	7,787.4	(781.3)	(9.1)
2010-11 Y-T-D	8,301.8	514.4	6.6
2011-12 Gov's Rec.	8,110.6	(191.2)	(2.3)
Change FY 2001-02 to FY 2011-12		(\$1,078.7)	(11.7%)

Table 28

School Aid Fund Appropriation History (Millions of Dollars)			
Fiscal Year	State-Funded Appropriations	Dollar Change	Percent Change
1997-98	\$9,307.4	\$749.1	8.8%
1998-99	9,495.1	187.7	2.0
1999-2000	9,957.6	462.5	4.9
2000-01	10,732.3	774.7	7.8
2001-02	11,220.6	488.3	4.5
2002-03	11,334.6	114.0	1.0
2003-04	11,059.3	(275.3)	(2.4)
2004-05	11,113.5	54.2	0.5
2005-06	11,308.1	194.6	1.8
2006-07	11,597.0	288.9	2.6
2007-08	11,421.8	(175.2)	(1.5)
2008-09	11,097.8	(324.0)	(2.8)
2009-10	10,675.1	(422.7)	(3.8)
2010-11 Y-T-D	10,955.9	280.8	2.6
2011-12 Gov's Rec.	10,520.2	(435.7)	(4.0)
Change FY 2001-02 to FY 2011-12		(\$700.4)	(6.2%)

Table 29

Pupil Membership History FY 1994-95 to FY 2011-12				
Blend Calculation	Fiscal Year	Local Districts	Charter Schools	Total
50/50	1994-95	1,593,306	0	1,593,306
50/50	1995-96	1,610,130	4,790	1,614,920
50/50	1996-97	1,634,074	11,520	1,645,594
60/40	1997-98	1,651,011	19,202	1,670,213
60/40	1998-99	1,656,186	31,109	1,687,295
75/25	1999-2000	1,651,300	45,290	1,696,590
80/20	2000-01	1,649,085	55,072	1,704,157
80/20	2001-02	1,647,459	62,113	1,709,572
80/20	2002-03	1,647,531	67,336	1,714,867
80/20	2003-04	1,640,929	73,473	1,714,402
75/25	2004-05	1,626,289	81,491	1,707,780
75/25	2005-06	1,607,880	89,654	1,697,534
75/25	2006-07	1,584,435	96,627	1,681,062
75/25	2007-08	1,553,568	98,987	1,652,555
75/25	2008-09	1,517,714	102,030	1,619,744
75/25	2009-10	1,487,297	108,425	1,595,722
75/25	2010-11	1,457,400	112,100	1,569,500
75/25	2011-12 Est.	1,431,800	117,000	1,548,800

Table 30

School Aid Fund Appropriation History (Millions of Dollars)			
Fiscal Year	State-Funded Appropriations	Pupils (Millions)	Appropriations Per Pupil
1997-98	\$9,307.4	1.6702	\$5,572
1998-99	9,495.1	1.6873	5,627
1999-2000	9,957.6	1.6966	5,869
2000-01	10,732.3	1.7042	6,297
2001-02	11,220.6	1.7096	6,563
2002-03	11,334.6	1.7149	6,609
2003-04	11,059.3	1.7144	6,450
2004-05	11,113.5	1.7078	6,507
2005-06	11,308.1	1.6975	6,661
2006-07	11,597.0	1.6811	6,898
2007-08	11,421.8	1.6526	6,911
2008-09	11,097.8	1.6197	6,851
2009-10	10,771.7	1.5975	6,743
2010-11 Y-T-D	10,955.9	1.5695	6,980
2011-12 Gov's Rec.	10,520.2	1.5488	6,792

Table 31

K-12 Schools Minimum Foundation Allowance			
Fiscal Year	Enacted Per Pupil	After Reductions	Percent Change
2000-01	\$6,000	\$6,000	N/A
2001-02	6,500	6,500	8.3%
2002-03	6,700	6,626	1.9
2003-04	6,700	6,626	0.0
2004-05	6,700	6,700	1.1
2005-06	6,875	6,875	2.6
2006-07	7,108	7,085	3.4
2007-08	7,204	7,204	1.4
2008-09	7,316	7,316	1.6
2009-10	7,316	7,151	(2.3)
2010-11 Y-T-D	7,316	7,146	0.0
2011-12 Gov's Rec	6,846	6,846	(4.2)
10-Year Change	346	346	
10-Year % Change	5.3%	5.3%	
10-Year Detroit CPI % Change	18.5%	18.5%	

Table 32

Appropriated Full-Time Equated Positions (FTEs) In Michigan State Budget			
Fiscal Year	FTEs	Change	Percent Change
1997-98	64,119.8	(1,500.2)	(2.3)%
1998-99	62,082.6	(2,037.2)	(3.2)
1999-2000	63,630.9	1,548.3	2.5
2000-01	64,601.5	970.6	1.5
2001-02	64,190.1	(411.4)	(0.6)
2002-03	62,760.2	(1,429.9)	(2.2)
2003-04	57,817.1	(4,943.1)	(7.9)
2004-05	57,034.3	(782.8)	(1.4)
2005-06	56,442.4	(591.9)	(1.0)
2006-07	56,766.3	323.9	0.6
2007-08	57,041.7	275.4	0.5
2008-09	56,491.1	(550.6)	(1.0)
2009-10	55,603.2	(887.9)	(1.6)
2010-11 Y-T-D	56,102.3	499.1	0.9
2011-12 Gov's Rec.	54,996.8	(1,105.5)	(2.0)
Change FY 2001-02 to FY 2011-12		(9,193.3)	(14.3%)

Table 33

Federal Funds Appropriated in Michigan Budget (Millions of Dollars)			
Fiscal Year	Federal Funds	Adjusted Gross Appropriations	Federal as Percent of Total Adjusted Gross
1997-98	\$7,931.5	\$31,472.8	25.20%
1998-99	8,623.4	33,160.3	26.01
1999-2000	9,765.6	35,417.7	27.57
2000-01	10,002.2	36,953.3	27.07
2001-02	11,242.9	38,751.3	29.01
2002-03	12,226.7	39,553.1	30.91
2003-04	12,361.6	39,115.3	31.60
2004-05	12,855.5	39,909.5	32.21
2005-06	12,885.4	41,322.7	31.18
2006-07	13,436.1	41,851.8	32.10
2007-08	14,669.5	43,616.5	33.63
2008-09	21,124.7	47,942.1	44.06
2009-10	19,940.9	45,656.6	43.68
2010-11 Y-T-D	20,487.2	47,038.9	43.55
2011-12 Gov's Rec.	19,042.5	45,978.9	41.42
Percentage Change FY 2011-12/FY 2001-02	69.4%	18.7%	

Table 34

State Spending from State Resources Appropriations Total Compared with Selected Budget Areas (Millions of Dollars)				
Department/Budget Area	FY 2001-02 Appropriations	FY 2011-12 Gov's Rec.	Dollar Change	Percent Change
Community Health	\$3,066.1	\$4,857.4	\$1,791.3	58.4%
Corrections	1,653.0	2,003.0	350.0	21.2
Human Services	1,230.1	1,193.6	(36.5)	(3.0)
K-12 School Aid	11,220.6	10,520.2	(700.2)	(6.2)
Community Colleges	320.2	295.9	(24.3)	(7.6)
Higher Education	1,940.9	1,264.0	(676.9)	(34.9)
Revenue Sharing	1,517.3	959.0	(558.3)	(36.8)
All Other Programs	5,138.6	5,345.8	207.2	4.0
Total State Spending	\$26,086.8	\$26,438.9	\$352.1	1.4%
ADDENDUM:				
Michigan Personal Income (millions) ...	301,496	368,892		22.4%
Detroit Consumer Price Index	177.5	210.4		18.5%

Table 35

**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	403,071,300	15,262,000	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	\$45,876,839,100	(\$1,173,678,700)	(2.5%)

Table 36

General Fund/General Purpose 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.....	\$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%)