STATE BUDGET UPDATE

Presented to the Senate Appropriations Committee

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Balancing the FY 2006-07 State Budget

And the Implications For the FY 2007-08 Budget

Table 1

FY 2006-07 Budget
General Fund/General Purpose
Revenue, Expenditures, and Year-End Balance
(millions of dollars)

	Initial Enacted	August 2007 SFA Est.	Dollar Difference
Revenue:			
Beginning Balance	$ 109.6	$ 2.5	$(107.1)
Ongoing Revenue Estimate	8,435.4	8,187.5	(247.9)
Revenue Sharing Freeze	585.0	544.6	(40.4)
Other Revenue Adjustments	93.1	77.3	(15.8)
Total Revenue	**$9,223.1**	**$8,811.9**	**$(411.2)**
Expenditures:			
Initial Enacted Appropriations	$9,222.8	$9,222.8	$ 0.0
Supplemental Appropriations:			
Supplemental Appropriations (PA 3 of 2007)	0.0	17.6	17.6
Supplemental Appropriations (PA 17 of 2007)	0.0	209.2	209.2
Supplemental Appropriations (PA 41 of 2007)	0.0	218.7	218.7
Subtotal Supplemental Appropriations	0.0	445.5	445.5
Total Appropriations	**$9,222.8**	**$9,668.3**	**$445.5**
Potential Year-End Deficit	**$0.3**	**$(856.4)**	**$(856.7)**

Table 2

FY 2006-07 Budget
General Fund/General Purpose
Actions Taken to Eliminate Potential Budget Deficit
(millions of dollars)

Potential Year-End Budget Deficit	**$(856.4)**
Actions Taken to Eliminate Potential Year-End Deficit:	
Tobacco Securitization Borrowing	207.2
Community College and Higher Education Funding Delays	164.6
Retirement Contribution Accounting Adjustments	104.1
Restricted Revenue Transfers to GF/GP:	
Higher Education Authority Transfer to General Fund	70.0
Refined Petroleum Fund Transfer to General Fund	90.0
21st Century Jobs Fund Transfer to General Fund	50.0
Conservation Corps Transfer to General Fund	20.0
Subtotal Restricted Revenue Transfers to GF/GP	230.0
Fund Source Shifts	47.7
Refinancing State Debt	15.1
Reductions in State Programs	90.0
Subtotal Actions Taken to Eliminate Deficit	**$858.7**
Projected Year-End Balance	**$2.3**

Table 3

FY 2006-07 Budget School Aid Fund Revenue, Expenditures, and Year-End Balance (millions of dollars)	Initial Enacted	August 2007 SFA Est.	Dollar Difference
Revenue:			
Beginning Balance	$ 95.2	$ 0.0	$ 95.2
Ongoing Revenue Estimate	11,552.4	11,077.2	(475.2)
GF/GP Grant	35.0	35.0	0.0
Federal Aid	1,411.2	1,411.2	0.0
Total Revenue	**$13,093.8**	**$12,523.4**	**$(570.4)**
Expenditures:			
Initial Enacted Appropriations	$13,093.8	$13,093.8	$ 0.0
Midland Property Tax Case Funding Adjustment	0.0	24.8	24.8
Projected Appropriation Lapses	0.0	(80.0)	(80.0)
Total Appropriations	**$13,093.8**	**$13,038.6**	**$(55.2)**
Potential Year-End Deficit	**$0.0**	**$(515.2)**	**$(515.2)**

Table 4

FY 2006-07 Budget School Aid Fund Actions Taken to Eliminate Potential Budget Deficit (millions of dollars)	
Potential Year-End Budget Deficit	**$(515.2)**
Actions Taken to Eliminate Potential Year-End Deficit:	
Retirement Contribution Accounting Adjustments	262.0
Tobacco Securitization Borrowing	207.8
Refinancing of Outstanding Debt (PA 6 of 2007)	40.4
Categorical Grant Funding Reductions (PA 6 of 2007)	5.0
Subtotal Actions Taken to Eliminate Deficit	**$515.2**
Projected Year-End Balance	**$0.0**

Table 5

FY 2006-07 Budget Balancing Summary General Fund/General Purpose and School Aid Fund (millions of dollars)	August 2007 SFA Est.	Percent of Total Actions
Potential Year-End Deficits:		
General Fund/General Purpose	$ (856.4)	
School Aid Fund	(515.2)	
Combined Projected Year-End Deficit	**$(1,371.6)**	
Actions Taken to Eliminate Deficits:		
Tobacco Securitization Borrowing	$415.0	30.2%
Retirement Accounting Changes	366.1	26.6
Restricted Revenue Transfers to GF/GP	230.0	16.7
Funding Delays to Universities and Community Colleges	164.6	12.0
Programmatic Appropriation Reductions	95.0	6.9
Refinancing State Debt	55.5	4.0
Fund Source Shifts	47.7	3.5
Total Actions Taken to Eliminate Deficit	**$1,373.9**	**100.0%**

FY 2007-08
Current Services
Budget

Table 6

FY 2007-08 Current Services Appropriations Summary General Fund/General Purpose (millions of dollars)	
FY 2006-07 Year-to-Date Appropriations Base	**$9,134.5**
FY 2007-08 Current Services Adjustments:	
Departmental Base Spending Adjustments	$352.3
Revised Caseload Estimates	240.9
Employee Cost Adjustments	150.7
Higher Education Funding Delay Repayment	138.8
Community College Funding Delay Repayment	25.8
Higher Education Funding Increase (2.5%)	35.9
Community College Funding Increase (2.5%)	7.1
Subtotal Adjustments	$951.5
FY 2007-08 Current Services Spending Base	**$10,086.0**

Table 7

FY 2007-08 Current Services Appropriations Major Departmental Base Spending Adjustments (millions of dollars)	
Department/Issue	
Community Health	
Caseload/Utilization Adjustments	$102.3
Medicaid Actuarial Funding	52.0
Medicaid Benefits Trust Fund Shortfall	45.4
Tobacco Settlement Fund Shortfall	13.9
Medicaid Assessment Adjustments	21.4
Federal Medicaid Match Rate Adjustment	(155.1)
Other Adjustments	(5.5)
Subtotal Community Health	**74.4**
Corrections	
Prisoner Re-Entry Expansion	20.6
Facility Prison Bed Expansions	10.1
Pharmaceutical Costs Adjustments	10.4
Minimum Security Bed Expansion	7.1
Macomb Prison Expansion	4.8
Other Adjustments	27.8
Subtotal Corrections	**80.8**
Human Services	
Caseload Adjustments	93.8
TANF Funding Shortfall	26.3
JET Expansion Statewide	16.1
Child Support Operations State Match	16.7
Assistance Payments Technology Project	9.3
Other Adjustments	(6.8)
Subtotal Human Services	**155.4**
Treasury	
General Obligation Bond Debt Service	19.8
Other Adjustments	(1.6)
Subtotal Treasury	**18.2**
All Other Departmental Base Spending Adjustments	23.5
Total Base Spending Adjustments	**$352.3**

Table 8

FY 2007-08 Current Services Budget Summary
General Fund/General Purpose
(millions of dollars)

Revenue:	
Consensus Revenue Estimate (May 2007)	$6,919.7
Michigan Business Tax (Ongoing Revenue)	1,189.5
Revenue Sharing Freeze	555.9
Other Revenue Adjustments	37.8
Total Current Services Revenue	$8,702.9
Expenditures:	
Current Services Spending Base	$10,086.0
Projected Current Services Budget Imbalance	**$(1,383.1)**

Table 9

FY 2007-08 Current Services Appropriation Summary School Aid Fund (millions of dollars)	
FY 2006-07 Year-to-Date Appropriations	**$13,008.2**
FY 2007-08 Current Services Adjustments:	
Foundation Allowance Economic Increase of 2.5%	$289.7
Federal Funds Increase	68.1
Pupil Count and Taxable Value Adjustments	(192.7)
Restructured Debt Service Payments	(40.6)
Special Education Cost Adjustments	35.2
MEAP Testing Cost Increases	10.7
Renaissance Zone Cost Increases	3.0
Miscellaneous Adjustments	(0.8)
Subtotal of Adjustments	$172.6
FY 2007-08 Current Services Spending Base	**$13,180.8**

Table 10

FY 2007-08 Current Services Budget Analysis School Aid Fund (millions of dollars)	**SFA Estimate**
Revenue:	
Projected May 2007 Consensus Revenue Estimate	$11,285.0
Other Revenue Adjustments	15.0
Federal Revenue	1,479.3
GF/GP Grant to School Aid Fund	35.0
Total Current Services Revenue	**$12,814.3**
Expenditures:	
Base Spending Adjusted for Caseload and Other Costs	$12,891.1
Foundation Allowance Economic Increase of 2.5%	289.7
Total Current Services Spending Base	**$13,180.8**
Projected Current Services Budget Imbalance	**$(366.5)**

Eliminating the FY 2007-08 Current Services Funding Shortfall

Table 11

FY 2007-08 General Fund/General Purpose Appropriations Summary (thousands of dollars)			
Department/Budget Area	**FY 2007-08 Current Services**	**House-Passed Change from Current Services**	**Senate-Passed Change from Current Services**
Agriculture	$30,316.0		$(1,517.8)
Attorney General	32,858.1		(664.6)
Capital Outlay	0.0		
Civil Rights	12,812.2		(1,106.9)
Civil Service	6,815.2		(205.7)
Community Colleges	323,128.8	$10,710.8	
Community Health	3,177,794.5	22,787.5	
Corrections	2,051,684.5	(18,784.5)	
Education	7,164.1	1,023.8	
Environmental Quality	32,577.5	17,043.6	
Executive Office	5,453.6		(148.0)
Higher Education	1,783,275.7	70,167.6	
History, Arts, and Libraries	40,299.5		(6,949.0)
Human Services	1,392,931.7		(140,664.3)
Judiciary	159,740.2		(374.9)
Labor and Economic Growth	47,182.3		(546.7)
Legislative Auditor General	12,681.0		614.5
Legislature	114,088.8		(3,022.2)
Management and Budget	267,617.6		(2,109.0)
Military and Veterans Affairs	41,422.1		(1,466.6)
Natural Resources	24,352.0	2,011.5	
School Aid	35,000.0	130,500.0[a)]	
State	29,535.6		(3,540.5)
State Police	276,739.8		(10,234.7)
Strategic Fund Agency	30,249.6		(2,126.3)
Transportation	0.0		0.0
Treasury	150,251.3		(2,161.4)
Total	**$10,085,971.7**	**$235,460.3**	**$(176,224.1)**

[a)] House-passed K-12 School Aid bill over current services level.

Table 12

FY 2007-08 Current Services Budget Proposal
General Fund/General Purpose and School Aid Fund
Senator Bishop Proposal
(millions of dollars)

Current Services GF/GP Budget Shortfall	$(1,383.2)
Current Services School Aid Fund Budget Shortfall	(366.5)
Total Current Services Shortfall	**$(1,749.7)**
Options to Reduce Current Services Shortfall	
Current Services Appropriation Reductions:	
Reduce Department of Human Services	$(116.8)
Reduce Department of Community Health	(78.6)
Reduce Department of Corrections	(50.0)
Other Departmental Reductions (2.5% Reductions)	(23.4)
Reduce State Employee Economic Funding (50.0% Reduction)	(75.4)
K-12 School Aid (Eliminate 2.5% Increase in Foundation Allowance)	(289.7)
Higher Education (Eliminate 2.5% Funding Increase)	(35.9)
Community Colleges (Eliminate 2.5% Funding Increase)	(7.1)
Comprehensive Transportation Funding Reduction	(5.0)
Early Retirement Adjustments (Assume 25% Replacement)	(192.0)
Subtotal Appropriation Reductions	$(873.9)
Subtotal Current Services Shortfall	$(875.8)
Utilize One-Time Michigan Business Tax Revenue	219.4
Remaining Current Services Funding Shortfall	**$(656.4)**

Table 13

FY 2007-08 GF/GP Senator Bishop Budget Proposal (thousands of dollars)

Department/Budget Area	FY 2007-08 Current Services	FY 2007-08 Economics	Departmental Reductions	Early Retirement Reductions	Total Reductions	9/7/2007 Sen. Bishop Proposal
Agriculture	$30,316.0	$(539.3)	$(708.3)	$(3,900.0)	$(5,147.6)	$25,168.4
Attorney General	32,858.1	(672.0)	(761.8)	(6,200.0)	($7,633.7)	25,224.4
Capital Outlay	0.0	0.0	0.0	0.0	$0.0	0.0
Civil Rights	12,812.2	(258.8)	(301.1)	(1,200.0)	($1,759.9)	11,052.3
Civil Service	6,815.2	(95.5)	(158.4)	(2,400.0)	($2,653.9)	4,161.3
Community Colleges	323,128.8	(7,089.6)	0.0	0.0	($7,089.6)	316,039.2
Community Health	3,177,794.5	(4,890.9)	(78,633.2)	(33,300.0)	($116,824.1)	3,060,970.4
Corrections	2,051,684.5	(41,440.3)	(50,000.0)	(19,800.0)	($111,240.3)	1,940,444.3
Education	7,164.1	(94.8)	(154.7)	(3,200.0)	($3,449.5)	3,714.6
Environmental Quality	32,577.5	(375.5)	(769.7)	(6,800.0)	($7,945.1)	24,632.4
Executive Office	5,453.6	(68.9)	(131.8)	not available	($200.7)	5,252.9
Higher Education	1,783,275.7	(35,930.4)	0.0	0.0	($35,930.4)	1,747,345.3
History, Arts, and Libraries	40,299.5	(298.4)	(967.2)	(1,600.0)	($2,865.6)	37,433.9
Human Services	1,392,931.7	(11,929.6)	(116,800.0)	(78,800.0)	($207,529.6)	1,185,402.2
Judiciary	159,740.2	(749.9)	(3,912.5)	(2,900.0)	($7,562.4)	152,177.8
Labor and Economic Growth	47,182.3	(213.7)	(1,149.4)	(8,200.0)	($9,563.0)	37,619.3
Legislative Auditor General	12,681.0	(162.6)	(294.1)	(900.0)	($1,356.7)	11,324.3
Legislature	114,088.8	(1,438.4)	(2,744.3)	(3,200.0)	($7,382.7)	106,706.1
Management and Budget[1)]	267,617.6	(620.5)	(850.8)	(500.0)	($1,971.3)	265,646.3
Military and Veterans Affairs	41,422.1	(862.0)	(982.5)	(400.0)	($2,244.4)	39,177.7
Natural Resources	24,352.0	(194.9)	(607.2)	(300.0)	($1,102.1)	23,249.9
School Aid	35,000.0	0.0	0.0	0.0	$0.0	35,000.0
State	29,535.6	(2,584.0)	(444.0)	(11,000.0)	($14,027.9)	15,507.7
State Police	276,739.8	(7,225.5)	(6,079.7)	(4,900.0)	($18,205.2)	258,534.6
Strategic Fund Agency	30,249.6	(177.5)	(736.4)	600.0	($313.9)	29,935.7
Transportation	0.0	0.0	0.0	6,400.0	$6,400.0	6,400.0
Treasury	150,251.3	(477.9)	(1,598.6)	(9,500.0)	($11,576.5)	138,674.9
Total	**$10,085,971.7**	**$(118,390.1)**	**$(268,785.9)**	**$(192,000.0)**	**$(579,176.0)**	**$9,506,795.7**

[1)] Includes $4.2 million cost for Department of Information Technology retirees.

Table 14

Eligible Early Retirees Under Senate Bill 689, By Department							
Department	**Total Employees[1)]**	**Estimated Number Retiring[2)]**	**Share of Total**	**Replacements at 1:4 Ratio**	**Department Losses at 1:4 Ratio**	**Percent of Dept. Not Replaced**	**General Fund Savings (millions)**
Agriculture	500	107	21.4%	27	80	16.1%	$3.9
Attorney General	495	121	24.4%	30	91	18.3%	$6.2
Auditor General	138	17	12.3%	4	13	9.2%	$0.9
Casino Gaming Board	96	14	14.6%	4	11	10.9%	($0.2)
Civil Rights	119	31	26.1%	8	23	19.5%	$1.2
Civil Service	193	61	31.6%	15	46	23.7%	$2.4
Community Health	4,132	1,041	25.2%	260	781	18.9%	$33.3
Corrections	16,215	626	3.9%	157	470	2.9%	$19.8
Education	367	92	25.1%	23	69	18.8%	$3.2
Environmental Quality	1,413	329	23.3%	82	247	17.5%	$6.8
Executive Office[3)]	NA	NA	NA	NA	NA	NA	NA
History, Arts, and Libraries	197	46	23.4%	12	35	17.5%	$1.6
Human Services	9,695	2,710	28.0%	678	2,033	21.0%	$78.8
Information Technology	1,706	381	22.3%	95	286	16.7%	($4.2)
Judiciary	478	73	15.3%	18	55	11.5%	$2.9
Labor and Economic Growth	3,927	992	25.3%	248	744	18.9%	$8.2
Legislature	909	87	9.6%	22	65	7.2%	$3.2
Lottery	158	33	20.9%	8	25	15.7%	($0.4)
Management and Budget	970	262	27.0%	66	197	20.3%	$4.7
Strategic Fund Agency	175	53	30.3%	13	40	22.7%	($0.6)
Michigan State Police	2,642	173	6.5%	43	130	4.9%	$4.9
Military Affairs	911	173	19.0%	43	130	14.2%	$0.4
Natural Resources	1,670	291	17.4%	73	218	13.1%	$0.3
State	1,596	400	25.1%	100	300	18.8%	$11.0
Transportation	2,885	582	20.2%	146	437	15.1%	($6.4)
Treasury	1,273	304	23.9%	76	228	17.9%	$10.1
Total	**52,860**	**8,999**	**17.0%**	**2,250**	**6,749**	**12.8%**	**$192.0**

1) Employees shown include approximately 14,000 "covered positions", which would be exempt from the early retirement provisions in Senate Bill 689. For example, there are 11,707 "covered positions" in Corrections, 1,758 in State Police, and 201 in Natural Resources.

2) Employees with at least 70 points would be eligible to purchase time in order to reach the 75 points required under the bill. Figure assumes that 65.0% of those with 75 points or more retire, plus 40.0% of those eligible to purchase time.

3) Numbers not available.

Table 15

FY 2007-08 Current Services Appropriations Potential Grant Reductions	
Description	**Amount (in thousands)**
Agriculture	
Local Conservation Districts	$ 961.8
Horse Racing	12,500.0
Community Colleges	
Eliminate Delayed Payment Reimbursement	25,759.8
Community Health	
Healthy Michigan Fund	25,000.0
CMH Multicultural Services	5,200.0
Early Childhood Collaborative and Secondary Prevention	524.0
Education	
National Board Certification Grants	100.0
Alternative Teacher Certification	200.0
Higher Education	
Eliminate Delayed Payment Reimbursement	138,736.0
History, Arts, and Libraries	
Art and Cultural Grants	6,544.3
State Aid to Libraries	12,143.0
Book Distribution Centers	350.0
Labor and Economic Growth	
Fire Protection Grants	10,910.5
Workforce Training Programs Subgrantees - General Fund portion	4,350.0
Welfare to Work Programs - General Fund portion	18,499.6
Liquor Law Enforcement Grants	6,000.0
Remonumentation Grants	14,000.0
Military and Veterans Affairs	
Veteran Service Organization Grants	3,912.3
Natural Resources	
PILT - Purchased Lands	2,350.0
- Commercial Forest Reserve	2,662.6
- Swamp and Tax Reverted Lands	7,071.5

FY 2007-08 Current Services Appropriations Potential Grant Reductions	
Description	**Amount (in thousands)**
School Aid	
Eliminate Middle School Math Initiative	20,000.0
Eliminate Declining Enrollment Grants	20,000.0
Eliminate Equity Payments	20,000.0
Reduce At-Risk Funding (5.5%)	17,000.0
State Police	
Secondary Road Patrol Grants	14,019.5
Justice Training Grants	8,872.3
Strategic Fund Agency	
Eliminate Michigan Promotion Funding	5,717.5
Redirect 21st Century Jobs Fund Revenue to GF/GP	75,000.0
Transportation	
CTF Grants (nonconstitutional portion)	78,000.0
Treasury	
Senior Citizen Cooperative Housing Tax Exemption	17,892.9
Commercial Mobile Radio Service Payments	17,900.0
Statutory Revenue Sharing	398,700.0
Total	**$990,877.6**

Table 16

Potential Revenue Sharing Reductions
(actual dollars)

Unit Name	Unit Type	Actual FY 2006-07 Constitutional	Statutory	Total
DETROIT	City	$63,821,736	$208,882,024	$272,703,760
FLINT	City	$8,380,599	$10,578,483	$18,959,082
GRAND RAPIDS	City	$13,264,967	$9,179,774	$22,444,741
LANSING	City	$8,020,218	$8,433,143	$16,453,361
PONTIAC	City	$4,499,513	$7,542,243	$12,041,756
SAGINAW	City	$4,139,671	$6,093,470	$10,233,141
WARREN	City	$9,295,066	$4,885,116	$14,180,182
KALAMAZOO	City	$5,169,916	$4,797,829	$9,967,745
TAYLOR	City	$4,428,648	$3,374,916	$7,803,564
ANN ARBOR	City	$7,680,055	$3,252,443	$10,932,498
DEARBORN	City	$6,573,923	$2,909,315	$9,483,238
JACKSON	City	$2,434,789	$2,739,655	$5,174,444
WESTLAND	City	$5,814,702	$2,640,660	$8,455,362
BAY CITY	City	$2,469,414	$2,518,924	$4,988,338
BATTLE CREEK	City	$3,564,878	$2,488,456	$6,053,334
HIGHLAND PARK	City	$1,125,921	$2,479,576	$3,605,497
EAST LANSING	City	$3,128,118	$2,471,422	$5,599,540
LINCOLN PARK	City	$2,689,945	$2,467,548	$5,157,493
STERLING HTS	City	$8,368,833	$2,306,834	$10,675,667
INKSTER	City	$2,024,789	$2,295,893	$4,320,682
HAMTRAMCK	City	$1,519,919	$2,222,808	$3,742,727
REDFORD	Township	$3,470,816	$2,112,153	$5,582,969
LIVONIA	City	$6,760,163	$2,083,069	$8,843,232
SOUTHFIELD	City	$5,262,163	$1,998,686	$7,260,849
MUSKEGON	City	$2,566,233	$1,909,836	$4,476,069
DEARBORN HEIGHTS	City	$3,917,392	$1,825,797	$5,743,189
PORT HURON	City	$2,167,192	$1,808,362	$3,975,554
OAK PARK	City	$2,098,461	$1,723,362	$3,821,823
ROSEVILLE	City	$3,235,963	$1,611,873	$4,847,836
FERNDALE	City	$1,486,234	$1,597,441	$3,083,675
YPSILANTI	City	$1,495,109	$1,578,540	$3,073,649
Total 31 Largest Local Units			**$312,809,651**	
Total Statutory Payments..			**$398,700,000**	

Note: The 31 largest recipients of statutory revenue sharing payments accounts for 78.5% of total payments.