FISCAL SENATE AGENCY

SENATE FISCAL AGENCY
MEMORANDUM

DATE: May 23, 2011

TO: Members of the Senate

FROM: Ellen Jeffries, Director

RE: Summary of the Republican Leadership Target Agreement

The Republican Leadership of the House and Senate, along with the Governor, announced a Fiscal Year (FY) 2011-12 budget target agreement on May 19, 2011. This memo provides a summary of that agreement.

The budget agreement includes FY 2011-12 General Fund/General Purpose (GF/GP) appropriation targets of $8,274.4 million and FY 2011-12 one-time GF/GP appropriations of $457.2 million. When these GF/GP appropriations are compared to FY 2011-12 estimated GF/GP revenue that has been adjusted for the May 16, 2011, consensus revenue estimates, there is a projected FY 2011-12 ending balance of $1.9 million. Table 1 summarizes the FY 2011-12 GF/GP proposed appropriations and estimated revenue.

Table 1

FY 2011-12 General Fund/General Purpose (GF/GP) Budget
Revenue Assumptions Used to Balance Appropriation Targets
(Millions of Dollars)

	Target Agreement
FY 2011-12 GF/GP Appropriation Targets	**$8,274.4**
FY 2011-12 GF/GP One-Time Appropriations	**$457.2**
Revenue Assumptions:	
Beginning Balance	$254.5
May 2011 Consensus Revenue Estimate	7,651.0
Estimated Impact of Tax Code Reforms	154.7
Revenue Sharing Savings	652.5
Shift 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	6.5
Total Estimated GF/GP Revenue	**$8,733.5**
Projected Year-End Balance	**$1.9**

Table 2 lists the FY 2011-12 GF/GP appropriation targets by department and budget area. Included in Table 2 are adjustments to the appropriations for Other Post-Employment Benefits (OPEB). The target agreement recommends $140.0 million for ongoing OPEB payments and $60.0 million in one-time appropriations for OPEB. The FY 2011-12 target proposal also decreases the savings for State employee concessions from $180.0 million to $145.0 million. The $457.2 million in one-time GF/GP appropriations are displayed in Table 3. Of the $457.2 million in one-time GF/GP appropriations, $255.8 million is earmarked for the Budget Stabilization Fund.

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Table 2

FY 2011-12 General Fund/General Purpose Appropriation Targets	
	FY 2011-12 GF/GP Target
Agriculture and Rural Development	$28,702,700
Attorney General	28,367,600
Civil Rights	10,679,000
Community Health	2,771,183,500
Corrections	1,874,836,200
Education	22,013,900
Environmental Quality	21,491,600
Executive	4,399,200
Human Services	1,070,934,500
Judiciary	152,534,300
Legislative Auditor General	10,597,000
Legislature	98,573,400
Licensing and Regulatory Affairs	31,072,800
Military and Veterans Affairs	33,044,900
Natural Resources	13,831,200
State	11,286,200
State Police	264,676,000
Technology, Management, and Budget	310,857,800
Transportation	0
Treasury-Debt Service	125,413,500
Treasury-Operations	65,598,900
Treasury-Revenue Sharing	0
Treasury-Strategic Fund Agency	58,963,700
Subtotal State Departments	**$7,009,057,900**
Community Colleges	88,000,000
Higher Education	1,063,732,500
School Aid	118,600,000
Subtotal Education	**$1,270,332,500**
Total State Departments and Education	**$8,279,390,400**
Other Post-Employment Benefits Payment	140,000,000
Employee Concessions	(145,000,000)
Total GF/GP Appropriations	**$8,274,390,400**

Table 3

FY 2011-12 Targets: One-Time Appropriations (Millions of Dollars)	
Department/Budget Area/Program	**One-Time Amount**
Community Health	
Graduate Medical Education	$5.8
Rural Hospitals	10.0
Healthy Michigan Fund	3.0
Community Mental Health Special Populations	3.0
Island Health Clinics	0.3
Environmental Quality	
Muskegon Cleanup Site	6.0
Higher Education	
MSU Facility for Rare Isotope Beams (FRIB)	1.2
EMU Autism Program Funding	0.5
Natural Resources	
Capital Outlay: Grand Marais Harbor	4.0
State Police	
Michigan International Speedway Traffic Control	0.8
Technology, Management and Budget	
Asbestos Abatement at Former State Police Headquarters	1.3
Transportation	
Swing Bridge Maintenance	0.5
Treasury-Revenue Sharing	
County Revenue Sharing	15.0
Economic Vitality Incentive Program for Cities, Villages, Townships	15.0
Treasury-Strategic Fund	
Economic Development	50.0
Film Incentive Funding	25.0
Other Post-Employment Benefits Payment Adjustment	60.0
Appropriation to the Budget Stabilization Fund	255.8
Total One-Time Appropriations	**$457.2**

The proposed School Aid Fund (SAF) target agreement includes estimated SAF revenue of $13,055.2 million. Ongoing policy changes include a per-pupil reduction of $300 which saves $452.5 million, categorical grant reductions of $85.6 million, the restoration of $7.0 million for rural districts' declining enrollment, restoration of $2.0 million for isolated districts, and $100,000 to restore a cut to the Youth ChalleNGe Program. The Leadership agreement also includes $456.5 million in one-time funding adjustments. The one-time funding adjustments include $13.5 million to partially restore small class size grants, $150.0 million for school district best practices, $160.0 million for Michigan Public School Employees Retirement Systems (MPSERS) payments, and $133.0 million to create a reserve for MPSERS retirement obligation reforms. Table 4 outlines the SAF budget target agreement.

Table 4

FY 2011-12 School Aid Fund (SAF) Budget Target Agreement (Millions of Dollars)	Target Agreement
Revenue Assumptions:	
Beginning Balance - One-Time	$645.9
Current Year Revenue (May 2011 consensus)	11,335.3
Tax Changes (May 2011 Consensus Revenue Estimating Conference estimate)	(689.9)
Other Revenue Adjustments	(8.0)
General Fund	118.6
Federal Revenue	1,653.3
Total Estimated School Aid Revenue	**$13,055.2**
Appropriations:	
Public Act 217 of 2010	$12,954.2
Cost Adjustments	(222.6)
Ongoing Policy Changes	
Per-pupil reduction - $300 per pupil	(452.5)
Categorical reductions	(85.6)
Restore Sec 6(4)(y) rural districts declining enrollment	7.0
Restore Sec 22d isolated districts	2.0
Restore Youth Challenge	0.1
Subtotal Ongoing Policy Changes	(529.0)
Subtotal Ongoing School Aid Appropriations Target	**$12,202.6**
One-Time Policy Changes	
Partially Restore Small Class Size Grants - One-Time	13.5
Best Practices - One-Time	150.0
MPSERS Payments - One-Time	160.0
Reserve for MPSERS Retirement Liabilities	133.0
Subtotal One-Time Policy Changes	456.5
Subtotal Total School Aid Appropriations Target	**$12,659.1**
Community Colleges	195.9
University Operations	200.0
Subtotal Higher Ed Appropriations Target	**$395.9**
Projected Year-End Balance	**$0.2**

Table 5 compares the target agreement ongoing Adjusted Gross appropriations (these are appropriations from all fund sources) to FY 2010-11 Adjusted Gross appropriations and to the FY 2011-12 Governor's recommended Adjusted Gross appropriations. As Table 5 indicates, the estimated target-proposed FY 2011-12 ongoing Adjusted Gross appropriations are $1.3 billion below the current year level and $32.9 million below the Governor's FY 2011-12 recommendation.

Table 6 compares the target agreement ongoing GF/GP appropriations to FY 2010-11 GF/GP appropriations and to the FY 2011-12 Governor's revised recommendation for GF/GP appropriations. The GF/GP target agreement is $37.4 million below the FY 2010-11 GF/GP amount, and $143.8 million above the Governor's FY 2011-12 recommendation. The target agreement shifts $195.9 million in SAF revenue to the Community Colleges budget (the Governor's recommendation) but only shifts $200.0 million in SAF revenue to the Higher Education budget (the Governor had recommended $699.7 million). Although the Adjusted Gross target amount for Higher Education is the same as the Governor's ($1.36 billion), the fund sources are different: $1.06 billion GF/GP, $200.0 million SAF, and $98.3 million Federal revenue, compared to the Governor's recommendation of $564.0 million GF/GP, $699.9 million SAF, and $98.3 million Federal revenue.

The FY 2011-12 target agreement is balanced between revenue and expenditures for both the GF/GP and SAF budgets. Although the FY 2010-11 projected ending balances for GF/GP ($254.5 million) and SAF ($645.9 million) are carried forward into FY 2011-12, these dollar amounts are allocated only for one-time expenditures.

If you have any questions about this information, please contact me.

/kjh

Table 5

FY 2011-12 Ongoing Adjusted Gross Appropriations
Targets Compared to FY 2010-11 Year-to-Date and FY 2011-12 Governor's Recommendation

Department/Budget Area	FY 2010-11 Year-to-Date	FY 2011-12 Governor's Rec.	Estimated Final Target	Target Change to FY 2010-11	Target Change to Governor
Agriculture and Rural Development	$76,159,200	$71,171,700	$72,771,700	($3,387,500)	$1,600,000
Attorney General	52,041,600	52,455,500	52,705,500	663,900	250,000
Civil Rights	12,778,700	13,530,200	13,730,200	951,500	200,000
Community Health	14,089,346,300	13,902,005,500	13,972,164,100	(117,182,200)	70,158,600
Corrections	2,006,518,200	2,011,462,600	1,956,462,600	(50,055,600)	(55,000,000)
Education	126,959,900	114,058,300	117,313,000	(9,646,900)	3,254,700
Environmental Quality	386,973,900	405,733,800	405,733,800	18,759,900	0
Executive	4,630,800	4,399,200	4,399,200	(231,600)	0
Human Services	6,947,685,400	6,890,281,600	6,864,737,900	(82,947,500)	(25,543,700)
Judiciary	256,785,300	257,701,900	257,359,300	574,000	(342,600)
Legislative Auditor General	12,694,900	12,136,900	12,136,900	(558,000)	0
Legislature	102,084,100	100,083,200	100,083,200	(2,000,900)	0
Licensing and Regulatory Affairs	1,264,576,900	796,425,500	800,915,800	(463,661,100)	4,490,300
Military and Veterans Affairs	148,890,000	151,230,700	151,230,700	2,340,700	0
Natural Resources	321,472,600	328,260,800	328,375,800	6,903,200	115,000
State	193,720,400	191,885,000	191,885,000	(1,835,400)	0
State Police	508,487,600	497,936,400	500,936,400	(7,551,200)	3,000,000
Technology, Management and Budget	387,809,300	410,715,400	408,215,400	20,406,100	(2,500,000)
Transportation	3,234,941,000	3,374,319,200	3,374,319,200	139,378,200	0
Treasury-Debt Service	57,632,800	140,928,000	140,928,000	83,295,200	0
Treasury-Operations	654,166,000	427,520,500	432,848,100	(221,317,900)	5,327,600
Treasury-Revenue Sharing	1,059,391,500	958,979,300	958,979,300	(100,412,200)	0
Treasury-Strategic Fund Agency	165,765,000	938,460,300	908,460,300	742,695,300	(30,000,000)
Subtotal State Departments	**$32,071,511,400**	**$32,051,681,500**	**$32,026,691,400**	**($44,820,000)**	**($24,990,100)**
Community Colleges	295,880,500	295,880,500	283,880,500	(12,000,000)	(12,000,000)
Higher Education	1,578,278,500	1,362,278,400	1,362,278,400	(216,000,100)	0
School Aid	13,134,236,200	12,173,559,100	12,202,600,000	(931,636,200)	29,040,900
Subtotal Education	**$15,008,395,200**	**$13,831,718,000**	**$13,848,758,900**	**($1,159,636,300)**	**$17,040,900**
Total State Departments and Education	**$47,079,906,600**	**$45,883,399,500**	**$45,875,450,300**	**($1,204,456,300)**	**($7,949,200)**
Other Post-Employment Benefits Payment	0	200,000,000	140,000,000	140,000,000	(60,000,000)
Employee Concessions	0	(180,000,000)	(145,000,000)	(145,000,000)	35,000,000
Capital Outlay/Natural Resources Trust Fund	102,100,900	0	0	(102,100,900)	0
Total Ongoing Adjusted Gross Approps	**$47,182,007,500**	**$45,903,399,500**	**$45,870,450,300**	**($1,311,557,200)**	**($32,949,200)**

Note: Targets are adjusted for Licensing and Regulatory Affairs Executive Order.

Table 6

FY 2011-12 Ongoing General Fund/General Purpose (GF/GP) Appropriations
Targets Compared to FY 2010-11 Year-to-Date and FY 2011-12 Governor's Recommendation

Department/Budget Area	FY 2010-11 Year-to-Date	FY 2011-12 Governor's Rec.	Final Target	Target Change to FY 2010-11	Target Change to Governor
Agriculture and Rural Development	$30,297,100	$27,102,700	$28,702,700	($1,594,400)	$1,600,000
Attorney General	28,559,400	28,117,600	28,367,600	(191,800)	250,000
Civil Rights	10,975,700	10,479,000	10,679,000	(296,700)	200,000
Community Health	2,421,483,700	2,701,024,900	2,771,183,500	349,699,800	70,158,600
Corrections	1,917,879,500	1,929,836,200	1,874,836,200	(43,043,300)	(55,000,000)
Education	21,914,100	18,759,200	22,013,900	99,800	3,254,700
Environmental Quality	25,322,500	21,491,600	21,491,600	(3,830,900)	0
Executive	4,630,800	4,399,200	4,399,200	(231,600)	0
Human Services	924,018,100	1,096,478,200	1,070,934,500	146,916,400	(25,543,700)
Judiciary	152,073,100	152,876,900	152,534,300	461,200	(342,600)
Legislative Auditor General	11,155,000	10,597,000	10,597,000	(558,000)	0
Legislature	100,574,300	98,573,400	98,573,400	(2,000,900)	0
Licensing and Regulatory Affairs	47,607,900	26,582,500	31,072,800	(16,535,100)	4,490,300
Military and Veterans Affairs	36,424,700	33,044,900	33,044,900	(3,379,800)	0
Natural Resources	15,986,900	13,716,200	13,831,200	(2,155,700)	115,000
State	13,910,800	11,286,200	11,286,200	(2,624,600)	0
State Police	260,383,200	261,676,000	264,676,000	4,292,800	3,000,000
Technology, Management and Budget	299,748,800	313,357,800	310,857,800	11,109,000	(2,500,000)
Transportation	0	0	0	0	0
Treasury-Debt Service	42,118,300	125,413,500	125,413,500	83,295,200	0
Treasury-Operations	56,038,000	60,271,300	65,598,900	9,560,900	5,327,600
Treasury-Revenue Sharing	0	0	0	0	0
Treasury-Strategic Fund Agency	32,781,500	88,963,700	58,963,700	26,182,200	(30,000,000)
Subtotal State Departments	**$6,453,883,400**	**$7,034,048,000**	**$7,009,057,900**	**$555,174,500**	**($24,990,100)**
Community Colleges	295,880,500	100,000,000	88,000,000	(207,880,500)	(12,000,000)
Higher Education	1,543,378,500	564,032,500	1,063,732,500	(479,646,000)	499,700,000
School Aid	18,642,400	412,542,400	118,600,000	99,957,600	(293,942,400)
Subtotal Education	**$1,857,901,400**	**$1,076,574,900**	**$1,270,332,500**	**($587,568,900)**	**$193,757,600**
Total State Departments and Education	**$8,311,784,800**	**$8,110,622,900**	**$8,279,390,400**	**($32,394,400)**	**$168,767,500**
Other Post-Employment Benefits Payment	0	200,000,000	140,000,000	140,000,000	(60,000,000)
Employee Concessions	0	(180,000,000)	(145,000,000)	(145,000,000)	35,000,000
Capital Outlay	2,500	0	0	(2,500)	0
Total Ongoing GF/GP Approps	**$8,311,787,300**	**$8,130,622,900**	**$8,274,390,400**	**($37,396,900)**	**$143,767,500**

Note: Targets are adjusted for Licensing and Regulatory Affairs Executive Order.

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