SENATE FISCAL AGENCY
MEMORANDUM

DATE: May 26, 2011

TO: Members of the Senate

FROM: Ellen Jeffries, Director

RE: Summary of the FY 2011-12 Conference Reports

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 budget agreement was included in two FY 2011-12 conference reports that were adopted by the House and Senate on May 26, 2011: House Bill 4325, a State education omnibus bill, and House Bill 4326, a general State government omnibus bill. This memo provides a summary of the conference reports.

The budget agreement includes FY 2011-12 ongoing General Fund/General Purpose (GF/GP) appropriations of $8,274.4 million and FY 2011-12 one-time GF/GP appropriations of $457.4 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 $1.7 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 Appropriations
(Millions of Dollars)

	Conference Reports
FY 2011-12 GF/GP Appropriation Targets	**$8,274.4**
FY 2011-12 GF/GP One-Time Appropriations	**$457.4**
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	**$1.7**

Table 2 lists the FY 2011-12 GF/GP conference report appropriations by department and budget area. Included in Table 2 are adjustments to the appropriations for Other Post-Employment Benefits (OPEB). The budget agreement recommends $140.0 million for ongoing OPEB payments and $60.0 million in one-time appropriations for OPEB. The FY 2011-12 budget agreement also decreases the savings for State employee concessions from $180.0 million to $145.0 million.

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The $457.4 million in one-time GF/GP appropriations are displayed in Table 3. Of the $457.4 million in one-time GF/GP appropriations, $255.8 million is earmarked for the Budget Stabilization Fund.

Table 2

FY 2011-12 General Fund/General Purpose Conference Report Appropriations

	FY 2011-12 GF/GP
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	118,642,400
Subtotal Education	**$1,270,374,900**
Total State Departments and Education	**$8,279,432,800**
Other Post-Employment Benefits Payment	140,000,000
Employee Concessions	(145,000,000)
Total GF/GP Appropriations	**$8,274,432,800**

Table 3

FY 2011-12: 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
WMU Economic Development and Commercialization	0.2
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	**$457.4**

The K-12 School Aid Fund (SAF) conference report 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 $84.6 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 conference report also includes $455.5 million in one-time funding adjustments. The one-time funding adjustments include $13.5 million to partially restore small class size grants, $154.0 million for school district best practices, $155.0 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 agreement.

Table 4

FY 2011-12 School Aid Fund (SAF) Budget Conference Report (Millions of Dollars)	
	Conference Report
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	(84.6)
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	(528.0)
Subtotal Ongoing School Aid Appropriations	**$12,203.6**
One-Time Policy Changes	
Partially Restore Small Class Size Grants - One-Time	13.5
Best Practices - One-Time	154.0
MPSERS Payments - One-Time	155.0
Reserve for MPSERS Retirement Liabilities	133.0
Subtotal One-Time Policy Changes	455.5
Subtotal Total School Aid Appropriations	**$12,659.1**
Community Colleges	195.9
University Operations	200.0
Subtotal Higher Ed Appropriations	**$395.9**
Projected Year-End Balance	**$0.2**

Table 5 compares the conference reports' ongoing Adjusted Gross appropriations (these are appropriations from all fund sources) to FY 2010-11 Adjusted Gross appropriations. As Table 5 indicates, the conference reports' FY 2011-12 ongoing Adjusted Gross appropriations are $1.2 billion below the current year level.

Table 5

FY 2011-12 Ongoing Adjusted Gross Appropriations Conference Reports Compared to FY 2010-11 Year-to-Date			
Department/Budget Area	**FY 2010-11 Year-to-Date**	**FY 2011-12 Conference Reports**	**Conference Change to FY 2010-11**
Agriculture and Rural Development	$76,159,200	$71,921,700	($4,237,500)
Attorney General	52,041,600	52,705,500	663,900
Civil Rights	12,778,700	13,730,200	951,500
Community Health	14,089,346,300	14,234,747,000	145,400,700
Corrections	2,006,518,200	1,935,630,000	(70,888,200)
Education	126,959,900	117,313,000	(9,646,900)
Environmental Quality	386,973,900	405,476,800	18,502,900
Executive	4,630,800	4,399,200	(231,600)
Human Services	6,947,685,400	6,830,461,800	(117,223,600)
Judiciary	256,785,300	253,399,700	(3,385,600)
Legislative Auditor General	12,694,900	12,136,900	(558,000)
Legislature	102,084,100	100,083,200	(2,000,900)
Licensing and Regulatory Affairs	1,264,576,900	798,196,900	(466,380,000)
Military and Veterans Affairs	148,890,000	151,330,700	2,440,700
Natural Resources	321,472,600	328,260,800	6,788,200
State	193,720,400	191,885,000	(1,835,400)
State Police	508,487,600	500,736,500	(7,751,100)
Technology, Management and Budget	387,809,300	408,215,400	20,406,100
Transportation	3,234,941,000	3,324,319,200	89,378,200
Treasury-Debt Service	57,632,800	140,928,000	83,295,200
Treasury-Operations	654,166,000	435,690,600	(218,475,400)
Treasury-Revenue Sharing	1,059,391,500	958,979,300	(100,412,200)
Treasury-Strategic Fund Agency	165,765,000	909,461,400	743,696,400
Subtotal State Departments	**$32,071,511,400**	**$32,180,008,800**	**$108,497,400**
Community Colleges	295,880,500	283,880,500	(12,000,000)
Higher Education	1,578,278,500	1,362,278,400	(216,000,100)
School Aid	13,134,236,200	12,203,572,900	(930,663,300)
Subtotal Education	**$15,008,395,200**	**$13,849,731,800**	**($1,158,663,400)**
Total State Departments and Education	**$47,079,906,600**	**$46,029,740,600**	**($1,050,166,000)**
Other Post-Employment Benefits Payment	0	140,000,000	140,000,000
Employee Concessions	0	(145,000,000)	(145,000,000)
Capital Outlay/Natural Resources Trust Fund	102,100,900	0	(102,100,900)
Total Ongoing Adjusted Gross Approps	**$47,182,007,500**	**$46,024,740,600**	**($1,157,266,900)**

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

Table 6 compares the conference reports' ongoing GF/GP appropriations to FY 2010-11 GF/GP appropriations. The GF/GP budget agreement is $37.4 million below the FY 2010-11 GF/GP amount. The conference reports shift $195.9 million in SAF revenue to the Community Colleges budget (the Governor's recommendation) but only shift $200.0 million in SAF revenue to the Higher Education budget (the Governor had recommended $699.7 million). Although the Adjusted Gross conference 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.

Table 6

FY 2011-12 Ongoing General Fund/General Purpose (GF/GP) Appropriations Conference Reports Compared to FY 2010-11 year-to-Date			
Department/Budget Area	**FY 2010-11 Year-to-Date**	**FY 2011-12 Conference Reports**	**Conference Change to FY 2010-11**
Agriculture and Rural Development	$30,297,100	$28,702,700	($1,594,400)
Attorney General	28,559,400	28,367,600	(191,800)
Civil Rights	10,975,700	10,679,000	(296,700)
Community Health	2,421,483,700	2,771,183,500	349,699,800
Corrections	1,917,879,500	1,874,836,200	(43,043,300)
Education	21,914,100	22,013,900	99,800
Environmental Quality	25,322,500	21,491,600	(3,830,900)
Executive	4,630,800	4,399,200	(231,600)
Human Services	924,018,100	1,070,934,500	146,916,400
Judiciary	152,073,100	152,534,300	461,200
Legislative Auditor General	11,155,000	10,597,000	(558,000)
Legislature	100,574,300	98,573,400	(2,000,900)
Licensing and Regulatory Affairs	47,607,900	31,072,800	(16,535,100)
Military and Veterans Affairs	36,424,700	33,044,900	(3,379,800)
Natural Resources	15,986,900	13,831,200	(2,155,700)
State	13,910,800	11,286,200	(2,624,600)
State Police	260,383,200	264,676,000	4,292,800
Technology, Management and Budget	299,748,800	310,857,800	11,109,000
Transportation	0	0	0
Treasury-Debt Service	42,118,300	125,413,500	83,295,200
Treasury-Operations	56,038,000	65,598,900	9,560,900
Treasury-Revenue Sharing	0	0	0
Treasury-Strategic Fund Agency	32,781,500	58,963,700	26,182,200
Subtotal State Departments	**$6,453,883,400**	**$7,009,057,900**	**$555,174,500**
Community Colleges	295,880,500	88,000,000	(207,880,500)
Higher Education	1,543,378,500	1,063,732,500	(479,646,000)
School Aid	18,642,400	118,642,400	100,000,000
Subtotal Education	**$1,857,901,400**	**$1,270,374,900**	**($587,526,500)**
Total State Departments and Education	**$8,311,784,800**	**$8,279,432,800**	**($32,352,000)**
Other Post-Employment Benefits Payment	0	140,000,000	140,000,000
Employee Concessions	0	(145,000,000)	(145,000,000)
Capital Outlay	2,500	0	(2,500)
Total Ongoing GF/GP Approps	**$8,311,787,300**	**$8,274,432,800**	**($37,354,500)**

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

The FY 2011-12 budget 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.

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