

**OVERVIEW OF
GOVERNOR GRANHOLM'S
FY 2008-09 BUDGET**



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Governor Granholm's FY 2008-09 Budget Overview of Recommendations

The Governor's FY 2008-09 budget recommendation can be best characterized as a continuation type of budget. The budget is developed utilizing current law tax revenue and fees and contains modest funding increases for State governmental programs. The budget contains very few recommendations for new programs or substantial reductions of existing programs.

The Governor's FY 2008-09 budget recommendation is based on the consensus revenue estimate agreed to on January 11, 2008. The FY 2008-09 General Fund/General Purpose (GF/GP) consensus revenue estimate is \$9.2 billion. This represents a 0.6% decline from the FY 2007-08 consensus estimate. The FY 2008-09 School Aid Fund (SAF) revenue estimate is \$11.9 billion. This represents a 4.6% increase from the FY 2007-08 consensus estimate. The budget includes one recommended tax policy change. The recommendation is for a Michigan Business Tax reduction for certain businesses that expand employment in Michigan. This proposed tax reduction is expected to reduce FY 2008-09 GF/GP revenue by \$34.8 million.

The Governor's FY 2008-09 budget recommendation contains the following level of appropriations:

Adjusted Gross	\$44.0 million
State Spending from State Resources	\$28.8 billion
General Fund/General Purposes.....	\$9.8 billion

Adjusted Gross appropriations represent a \$1.2 billion or a 2.9% increase from the FY 2007-08 year-to-date appropriations. State Spending from State Resources appropriations represents a \$410.2 million or a 1.4% increase from the FY 2007-08 year-to-date appropriations. GF/GP appropriations represent a \$6.9 million or a 0.1% decline from the FY 2007-08 year-to-date appropriations.

**FY 2007-08
State Budget Update**

Table 1

FY 2007-08 General Fund/General Purpose Revenue, Expenditures, and Year-End Balance (Millions of Dollars)	
	Feb. 2008 Gov's Rec.
Revenue:	
Beginning Balance	\$ 259.1
<u>Ongoing Revenue:</u>	
Ongoing Consensus Revenue Estimate	9,246.5
Revenue Sharing Freeze	557.6
Michigan Job Creation Credit.....	(6.2)
Shift Short-Term Borrowing Costs to School Aid Fund	<u>22.8</u>
Subtotal Ongoing Revenue.....	9,820.7
<u>One-Time Revenue:</u>	
Sale of Northville State Property	22.9
Juror Compensation Fund Transfer to General Fund	2.3
Comprehensive Transportation Fund Transfer to General Fund.....	5.0
Transportation Economic Development Fund Transfer to General Fund	13.0
Financial Institutions Fund Shift to General Fund	<u>2.0</u>
Subtotal One-Time Revenue	45.2
Total Revenue	\$10,125.0
Expenditures:	
Initial Enacted Appropriations	\$9,856.3
<u>Recommended Supplemental Appropriations:</u>	
Presidential Primary Costs	10.0
Environmental Quality GF/GP Supplemental.....	11.0
Medicaid School Health Disallowance	36.0
Natural Resources Wildfire Protection/Forest Trails	1.0
State Police Laboratories.....	2.0
State Police Trooper School	1.0
Human Services Day Care Provider Rate Increase.....	10.0
Human Services Child Placing Administrative Rate.....	2.0
Human Service Adoption Rate Increase.....	0.2
Debt Service Refinancing Reduction	(30.0)
Deposit to Budget Stabilization Fund.....	<u>100.0</u>
Subtotal Pending Supplemental Appropriations.....	143.2
Total Expenditures.....	\$9,999.5
Projected Year-End Balance	\$ 125.5

Table 2

**FY 2007-08 School Aid Fund
Revenue, Expenditures, and Year-End Balance
(Millions of Dollars)**

	Feb. 2008 Gov's Rec.
Revenue:	
Beginning Balance	\$ 82.4
Ongoing Consensus Revenue Estimate	11,353.1
GF/GP Grant to School Aid Fund	34.9
Federal Revenue	1,476.0
Total Revenue	\$12,946.4
Expenditures:	
Initial Enacted Appropriations	\$13,006.0
Revised Funding Cost Estimates	(117.0)
Adjusted Appropriations	12,889.0
<u>Recommended Supplemental Appropriations:</u>	
Great Start Preschool Program	4.7
Grants to Sparsely Populated U.P. Districts	1.3
Student Testing Prototypes	0.6
First Robotics Program.....	0.3
Student Testing (School Aid Replaces Federal Funds).....	3.3
Student Testing (Federal Funds Transferred to Education).....	(3.3)
School Bond Debt Service.....	2.0
Subtotal Pending Supplementals.....	8.9
Total Expenditures.....	\$12,897.9
Projected Year-End Balance	\$ 48.5

Table 3

**Pending Fiscal Year 2007-08 Supplemental Appropriation
Recommendations from the Office of the State Budget
(Actual Dollars)**

Department/Item	Office of the State Budget	
	Gross Appropriation	GF/GP Appropriation
Capital Outlay		
Farmland and Open Space Development Acquisition.....	\$3,750,000	\$ 0
State Building Maintenance	2,000,000	0
Military Affairs-Special Maintenance	15,000,000	0
Military Affairs-Camp Grayling Construction.....	11,500,000	0
Natural Resources-State Parks Maintenance	2,000,000	0
Natural Resources-Forest Roads	500,000	0
Natural Resources-Waterways Boating Programs.....	12,577,400	0
Natural Resources-Trust Fund Acquisition and Development Projects	35,266,200	0
Transportation-Maintenance and Renovations.....	14,305,000	0
Transportation-Airport Projects.....	183,191,300	0
State Building Authority Planning Authorization-23 projects	2,300	2,300
State Building Authority Construction Authorization-six projects.....	600	600
Subtotal Capital Outlay.....	280,092,800	2,900
Community Health		
Federal Medicaid Disallowance Settlement.....	35,939,600	35,939,600
Medicaid Funding-Quality Assurance Assessment Adjustments	101,204,900	0
Subtotal Community Health	137,144,500	35,939,600
Education		
Education Assessment Operations	3,322,400	0
Subtotal Education.....	3,322,400	0
Environmental Quality		
Air Quality Fund Shift.....	0	3,527,400
Environmental Science Fund Shift	0	552,800
Water Fund Shift.....	0	2,302,400
Waste and Hazardous Materials Fund Shift.....	0	1,577,400
Land and Water Management Fund Shift.....	0	2,965,000
Office of Geological Survey Fund Shift.....	0	75,000
Subtotal Environmental Quality	0	11,000,000
Higher Education		
Michigan Merit Award Program	(7,700,000)	0
Michigan Promise Grant Program	(2,000,000)	0
Subtotal Higher Education	(9,700,000)	0
Human Services		
Nutrition Education	9,688,400	0
Foster Care Payment Funding Shortfall	2,281,200	1,175,500
Adoption Subsidy Funding Shortfall	374,600	236,000
Child Care Fund.....	838,600	838,600
Day Care Provider Rate Increases.....	10,000,000	10,000,000
Subtotal Human Services	23,182,800	12,250,100

Department/Item	Office of the State Budget	
	Gross Appropriation	GF/GP Appropriation
Judiciary		
Trial Court Automation Support	489,500	0
Subtotal Judiciary	489,500	0
Labor and Economic Growth		
Office of Financial and Insurance Services	1,429,600	0
Subtotal Labor and Economic Growth	1,429,600	0
Natural Resources		
Forest Recreation and Trails	500,000	500,000
Wildfire Protection	500,000	500,000
Subtotal Natural Resources	1,000,000	1,000,000
School Aid Fund		
Great Start Preschool Program	4,700,000	0
Grants to Rural School Districts	1,275,100	0
Student Testing Prototypes	600,000	0
First Robotics Program	300,000	0
Student Testing-School Aid Replaces Federal Funding	3,322,400	0
Student Testing-Federal Funds Transferred to Education	(3,322,400)	0
School Bond Loan Fund Debt Service	2,000,000	0
Subtotal School Aid Fund	8,875,100	0
State Police		
At-Post Troopers	1,000,000	1,000,000
Laboratory Operations	2,000,000	2,000,000
Subtotal State Police	3,000,000	3,000,000
Strategic Fund Agency		
Michigan Promotion Program-21 st Century Jobs Fund	60,000,000	0
Subtotal Strategic Fund Agency	60,000,000	0
Treasury		
Quality of Life Bond Debt Service	(8,000,000)	(8,000,000)
Clean Michigan Initiative Debt Service	(18,000,000)	(18,000,000)
Great Lakes Water Quality Bond Debt Service	(4,000,000)	(4,000,000)
Presidential Primary Costs	10,000,000	10,000,000
Subtotal Treasury	(20,000,000)	(20,000,000)
Total Pending Supplemental Appropriations	\$488,836,700	\$43,192,600

FY 2008-09
Budget Recommendation
Overall Budget Issues

Table 4

FY 2008-09 General Fund/General Purpose Revenue, Expenditures, and Year-End Balance (Millions of Dollars)	
	Feb. 2008 Gov's Rec.
Revenue:	
Beginning Balance	\$ 125.5
Ongoing Consensus Revenue	9,193.7
Revenue Sharing Freeze	540.5
Statutory Revenue Sharing 4.0% Increase	(16.2)
Michigan Job Creation Credit	(34.8)
Shift Short-Term Borrowing Costs to School Aid Fund.....	45.5
Sale of Surplus State Property-Northville	6.5
Total Estimated Revenue.....	\$9,860.2
Expenditures:	
Governor's Appropriation Recommendations.....	9,849.3
Total Projected Expenditures.....	\$9,849.3
Projected Year-End Balance	\$ 10.9

Table 5

FY 2008-09 School Aid Fund Revenue, Expenditures, and Year-End Balance (Millions of Dollars)	
	Feb. 2008 Gov's Rec.
Revenue:	
Beginning Balance	\$ 48.5
Ongoing Consensus Revenue Estimate.....	11,870.6
GF/GP Grant	43.0
Federal Aid.....	1,562.0
Total Estimated Revenue.....	\$13,524.1
Expenditures:	
Governor's Appropriation Recommendation.....	\$13,515.2
Total Projected Expenditures.....	\$13,515.2
Projected Year-End Balance	\$ 8.9

Governor's Job Creation Incentive Proposal

Two new Michigan Business Tax credits related to job growth would be created. To claim either of these proposed credits, a business would have to be part of the 50 fastest growing business sectors in the U.S.

1. Enhanced MBT Compensation Credit

- Currently, the MBT provides businesses a credit equal to 0.37% of the compensation paid to workers in Michigan.
- The Governor is proposing a new credit equal to double the current compensation credit for the compensation paid to new jobs created by businesses that are on the list of the fastest growing business sectors.
- This new credit would be in addition to the existing compensation credit.
- The credit would be based on the jobs created from May 1, 2008, to April 30, 2009, and would be able to be claimed for the tax year in which the jobs are created plus in each of the three succeeding tax years.

2. New Business Credit

- A new MBT credit would be created for businesses that are newly formed in or move to Michigan from May 1, 2008, through December 31, 2011.
- The credit could be claimed for four years.
- The credit would equal 100% of a qualifying business' MBT liability in the first year, 75% in the second year, 50% in the third year, and 25% in the fourth year.

These credits would reduce MBT revenue going into the General Fund by an estimated \$6.2 million in FY 2007-08 and \$34.8 million in FY 2008-09.

Federal Stimulus Package Impact on Michigan Budget

The United States Congress has approved and the President has signed into law a comprehensive stimulus package. This Federal stimulus package will provide one-time tax rebates to individuals and increased levels of depreciation expensing for business taxpayers, in an effort to strengthen the United States economy.

The passage of this Federal stimulus package will have an impact on Michigan tax revenue in both FY 2007-08 and FY 2008-09. The Michigan revenue impact is a combination of increased State sales tax revenue and gaming revenue offset by reductions in Michigan Business Tax revenue.

According to estimates by the Michigan Department of Treasury, the Federal stimulus package will result in increases in net State revenue in both FY 2007-08 and FY 2008-09 compared with the January 2008 consensus revenue estimates. The net State revenue impact in FY 2007-08 is a \$36.5 million increase and the net State revenue impact in FY 2008-09 is a \$0.9 million increase. This analysis does not take into account any secondary impacts of the Federal stimulus package that could occur such as increases in employment.

The Federal stimulus package will result in increased sales tax collections as individuals receiving the rebate checks spend a portion of these rebates on taxable items. The estimate also assumes that a portion of the rebates will be spent on gaming activities resulting in increases in lottery and casino tax revenue. The Federal stimulus package will reduce Michigan Business Tax revenue as the increased depreciation expenses for business impact on the Michigan Business Tax base.

State Borrowing Increases

The budget recommendation of the Governor includes several proposals to increase the level of outstanding State debt to finance a variety of programs. The Governor is requesting that the level of State debt be increased by \$771.9 million. The expected annual debt service payments on this borrowing will be approximately \$70.0 million.

State Building Authority-Higher Education: The FY 2007-08 Capital Outlay budget includes \$314.7 million of borrowing for construction projects at 10 universities. The total cost of these construction projects is \$771.9 million.

State Building Authority-Community Colleges: The FY 2007-08 Capital Outlay budget includes \$105.2 million of borrowing for construction projects at 15 community colleges. The total cost of these construction projects is \$210.5 million.

State Building Authority-State Agencies: The FY 2007-08 Capital Outlay budget includes \$100.0 million of borrowing for construction costs at State of Michigan buildings.

State Building Authority-Energy Initiatives: The FY 2007-08 Capital Outlay budget includes \$42.0 million of borrowing for energy conservation features associated with the university and community college construction projects.

Transportation: The FY 2008-09 Transportation budget includes the recommendation to borrow \$150.0 million for the acceleration of road and bridge construction projects.

Michigan Promotion: The FY 2007-08 Strategic Fund budget includes additional 21st Century Jobs Fund borrowing of \$60.0 million for Michigan promotion efforts. This additional borrowing would be distributed equally between tourism promotion and business marketing.

Debt Service Refinancing Changes in Governor's FY 2008-09 Budget Recommendation

State Building Authority Bonds

The budget does not reflect any debt service savings from the current appropriated levels on these bonds. The potential savings from refinancing outstanding State Building Authority bonds would be offset by recent increases in the costs of insurance that is used to ensure a high quality rating on these types of bonds.

General Obligation Bonds

The budget reduces the enacted FY 2007-08 appropriation for debt service by \$30.0 million. The savings assumed in the FY 2008-09 debt service payments is \$40.0 million. These savings result from the restructuring of currently outstanding Quality of Life and Clean Michigan Initiative.

Tobacco Securitization Bonds

During FY 2005-06 the 21st Century Jobs Fund received \$400.0 million of revenue from the issuance of a variety of bonds. The debt service payments on these bonds are funded by earmarking a certain percentage of tobacco settlement revenue received by the State. During FY 2007-08, the first \$45.7 million of tobacco settlement revenue is earmarked for debt service on these bonds. The Governor's budget includes a restructuring of the outstanding bonds. The impact of this restructuring will be to provide an additional \$60.0 million of borrowing for the 21st Century Jobs Fund. This additional borrowing is done as an alternative to reducing the \$45.7 million annual debt service payments on the existing outstanding 21st Century Jobs Fund bonds. The restructuring of the 21st Century Jobs Fund bonds includes shifting a portion of the original bonds from a taxable status to a tax-exempt status and extending the debt services payments on the bonds by an additional four years.

Table 6

Retirement Contribution Rates as a Percentage of Payroll				
	FY 2006-07	FY 2007-08	FY 2008-09	FY 2008-09 Change
<u>State Employees Retirement System</u>				
Defined Benefit Pension	10.26% ^{a)}	18.72%	18.84%	0.12%
Defined Benefit Health Care	12.20%	11.40%	11.80%	0.40%
Total Defined Benefit Costs	22.46%	30.12%	30.64%	0.52%
Defined Contribution Pension	5.30%	5.91%	5.91%	0.00%
Defined Contribution Health Care	12.20%	11.40%	11.80%	0.40%
Total Defined Contribution Costs	17.50%	17.31%	17.71%	0.40%
<u>Public School Employees Retirement System</u>				
Defined Benefit Pension	11.19%	10.17%	9.73%	-0.44%
Defined Benefit Health Care	6.55%	6.55%	6.81%	0.26%
Total Defined Benefit Costs	17.74%	16.72%	16.54%	-0.18%
^{a)} Rate was lower than originally estimated due to the re-valuation of assets to their market value as of September 30, 2006.				

Table 7

FY 2008-09 Estimated Contributions to Two Largest Retirement Systems	
	Millions of Dollars
<u>State Employee Retirement System</u>	
Defined Benefit Pension	\$ 348.1
Defined Contribution State Share	64.3
Health Care.....	346.4
Subtotal State Employees Retirement System	<u>\$ 758.8</u>
<u>Public School Employees Retirement System</u>	
Defined Benefit Pension	\$1,002.9
Health Care.....	701.9
Subtotal Public School Employees Retirement System.....	<u>\$1,704.8</u>

Source: Senate Fiscal Agency estimates

Table 8

Michigan Merit Award Trust Fund Appropriations		
Department/Budget Area	FY 2007-08 Initial Appropriation	FY 2008-09 Governor's Recommendation
Attorney General		
Administration	\$ 406,700	\$ 408,600
Community Health		
Medicaid Base	134,000,000	88,700,000
Medicaid Nursing Home Personal Needs Allowance....	5,000,000	5,000,000
Aging: Respite Care	<u>5,000,000</u>	<u>5,000,000</u>
Total Community Health.....	144,000,000	98,700,000
Higher Education		
Merit Award Scholarships.....	60,000,000	5,200,000
Promise Grants	43,500,000	90,500,000
Tuition Incentive Program	15,850,000	15,850,000
Nursing Scholarship Program.....	<u>4,250,000</u>	<u>4,250,000</u>
Total Higher Education.....	123,600,000	115,800,000
Department of Treasury		
Merit Award Administration	1,468,900	1,453,000
Michigan Education Savings Plan	800,000	800,000
Tuition Incentive Program Administration	424,400	426,700
Information Technology.....	<u>415,300</u>	<u>415,900</u>
Total Treasury	3,108,600	3,095,600
Total Merit Award Trust Fund Appropriations	<u>\$271,115,300</u>	<u>\$218,004,200</u>
Tobacco Settlement Revenue Estimates		
Balance From Prior Fiscal Year.....	\$ 5,123,700	\$ 15,000,000
Annual Payments	321,400,000	321,700,000
Favorable Settlement of FY 2005-06 Disputed Revenue	33,000,000	0
Favorable Settlement of FY 2006-07 Disputed Revenue	31,600,000	0
Interest Earnings.....	<u>1,008,600</u>	<u>900,000</u>
Total Tobacco Settlement Revenue	\$392,132,300	\$337,600,000
Less Transfers Out For:		
Payment on Bond Securitization	\$(45,700,000)	\$(44,600,000)
Deposit to 21st Century Jobs Fund	(75,000,000)	(75,000,000)
Net Revenue to Merit Award Trust Fund	<u>\$271,432,300</u>	<u>\$218,000,000</u>

State Employee and State Retired Employee Savings

The FY 2008-09 budget is built on the new Civil Service contracts that will apply beginning on October 1, 2008. These new contracts will represent significant savings from the employment contracts in place during FY 2007-08. The projected FY 2008-09 savings will total \$194.2 million. The major components of this savings are:

State Employee Pay Raises: State employees will receive no general salary increases during FY 2008-09. Certain employees will be eligible to receive pay increases based on step adjustments. The net savings compared with the increased cost built into the FY 2007-08 budget amounts to \$91.6 million.

State Employee Health Care: The new employment contracts provide for increased premiums, deductibles, and copays in the various health insurance plans available to State employees. These changes will reduce FY 2008-09 health care insurance costs by \$55.4 million.

State Retirees Health Care: The premiums, deductibles, and copays paid by retired State employees will increase in FY 2008-09. These changes will reduce FY 2008-09 health care insurance costs by \$47.2 million.

Table 9

FY 2008-09 State Budget Recommendation Economic Increases Included in Budget (Millions of Dollars)		
	Gross	GF/GP
Wages and Salaries.....	\$31.6	\$18.8
Employee Insurance Costs.....	(36.2)	(22.3)
Retirement Contributions.....	22.1	12.9
Worker's Compensation.....	(0.9)	(0.5)
All Other Economics.....	2.9	2.8
Total Economics.....	\$19.5	\$11.7

FY 2008-09
General Fund/
General Purpose
Budget Recommendation

Table 10

FY 2008-09 Governor's Appropriation Recommendation Major Changes from FY 2007-08 Year-to-Date General Fund/General Purpose Appropriations (Millions of Dollars)	
FY 2007-08 Year-To-Date Appropriations	\$9,856.3
FY 2008-09 Governor's Recommendations	9,849.3
Net Change in Appropriations	\$ (7.0)
Total Funding Increases	\$ 463.0
Total Funding Reductions	(366.9)
Total Fund Shifts	(103.1)
Total GF/GP Funding Change	\$ (7.0)

Table 11

FY 2008-09 Governor's Appropriation Recommendation GF/GP Major Funding Increases (Millions of Dollars)	
<u>Department/Program</u>	
Agriculture	
Bovine Tuberculosis.....	\$1.7
Capital Outlay	
Armory Repairs.....	0.5
Corrections	
Security/Metal Detectors at Parole Offices.....	0.5
Cell Phones for Parole/Probation Officers.....	0.2
Pardon/Commutation Unit.....	0.4
Local Reinvestment to Achieve Prisoner Reductions.....	9.6
Hepatitis C Testing and Treatment.....	14.9
800 Additional Prison Beds.....	10.8
Mental Health Treatment.....	4.8
Correctional Officer Training School.....	4.0
Health Care Funding.....	2.9
Correctional Facility Staffing.....	1.0
Inmate Legal Services.....	0.4
Field Operations.....	3.9
Equipment and Special Maintenance.....	2.0
Information Technology.....	2.0
Community Colleges	
Operational Funding.....	8.6
Renaissance Zone Tax Reimbursement.....	0.5
Community Health	
Public Health Programming.....	1.6
Pilot Mental Health Courts.....	2.3
Medicaid Caseload/Utilization/Inflation.....	60.6
Actuarially Sound Rates for Medicaid HMOs and Community Mental Health ..	66.5
Community-Based Long Term Care Expansion.....	12.9
Annualization of Prior Year Program Enhancements.....	7.5
Quality Assurance Assessment Adjustments.....	3.8
Physician Adjustor Payments.....	(3.7)
Other Various Adjustments.....	1.7
Education	
Oversight of 21st Century Schools Fund.....	0.5
Higher Education	
Operations Funding.....	43.6
Agricultural Experiment Station.....	1.0
Cooperative Extension Service.....	0.9
Tuition Incentive Program.....	4.1
History, Arts, and Libraries	
Arts and Cultural Grants.....	0.2
Record Center Relocation Costs.....	0.9

**FY 2008-09 Governor's Appropriation Recommendation
GF/GP Major Funding Increases
(Millions of Dollars)**

<u>Department/Program</u>	
Human Services	
Assistance Programs Caseload and Cost Adjustments	59.5
Child Day Care Rate Increase.....	10.0
Family Independence Program Rate Increase	11.4
State Disability Assistance Rate Increase	0.7
Food Stamp Program Federal Sanction	1.3
Rental Cost and Other Miscellaneous	2.6
Judiciary	
Pilot Mental Health Courts.....	1.1
Labor and Economic Growth	
No Worker Left Behind.....	40.0
Michigan Nursing Corps.....	8.5
Management and Budget	
State Building Authority Debt Service.....	5.0
Children's Ombudsman.....	0.1
Military and Veterans Affairs	
Headquarters and Armories	0.2
Military Retirement Costs	0.2
Natural Resources	
Forest Recreation	0.5
Wildfire Protection.....	0.5
School Aid	
GF/GP Grant to School Aid Fund.....	8.1
State Police	
New Trooper School	7.3
Palm Print Collection and Analysis.....	1.0
Forensic Science Laboratory Operations	2.0
Michigan Public Safety Communication System.....	3.0
Treasury-Debt Service	
Great Lakes Water Quality Bond Debt Service.....	9.7
Treasury-Operations	
Michigan Business Tax Implementation	3.4
Renaissance Zone Reimbursements	0.7
Information Technology Costs.....	0.4
<u>Department Wide Economic Adjustments</u>	
Wage and Salary Increases	18.8
Employee Insurance Costs	(22.3)
Retirement Contributions	12.9
All Other Economic Adjustments.....	2.3
All Other Funding Adjustments	1.0
Total Major Funding Increases	\$463.0

Table 12

FY 2008-09 Governor's Appropriation Recommendation Major GF/GP Funding Reductions/Eliminations (Millions of Dollars)	
<u>Department/Program</u>	
Attorney General	
Information Technology	\$(1.4)
Community Colleges	
Payment Delay Reimbursement (Elimination)	(25.8)
Community Health	
Reduction in Federal Disproportionate Share Hospital Cap	3.8
Increased Pharmacy Rebates	(3.3)
Medicaid Long Term Care Rate Reduction	(12.4)
Assumed Savings in Long Term Care	(12.9)
Creation of Mental Health Managed Care Risk Pool	(7.3)
Second Disproportionate Share Hospital Pool (Eliminate)	(2.0)
Increase Hospital and Nursing Home QAAP Gainsharing	(36.2)
Corrections	
Southern Michigan Correctional Facility (Eliminate)	(3.1)
Facility Maintenance (Eliminate)	(0.1)
Mental Health Training (Eliminate)	(0.1)
Regionalization of Facilities	(1.1)
One-Time Funding Adjustments	(0.9)
Facility Operating Efficiencies	(21.4)
Facility Repurposing	(5.0)
Health Care Efficiencies	(4.0)
Program Reconfigurations and Efficiencies	(2.8)
Proposed Policy Changes Leading to Prisoner Reductions	(29.7)
Higher Education	
Payment Delay Reimbursement (Elimination)	(138.7)
Human Services	
Woodland East Juvenile Justice Facility (Elimination)	(2.1)
Child Support Incentive Payments	(5.3)
Foster Care Caseload	(1.9)
Strong Families/Safe Children	(2.0)
Local Office Consolidation	(0.8)
Grant to Grand Rapids Youth Commonwealth (Eliminate)	(0.1)
Other Various Administrative Costs	(3.8)

**FY 2008-09 Governor's Appropriation Recommendation
Major GF/GP Funding Reductions/Eliminations
(Millions of Dollars)**

<u>Department/Program</u>	
Labor and Economic Growth	
Focus HOPE Pilot Project to Implement JET Program (Eliminate).....	(0.1)
Management and Budget	
Administrative Operations	(0.2)
Civil Service Operations	(0.3)
Statewide Administrative Cost Allocations.....	(0.4)
State	
Operational Adjustments	(0.6)
State Police	
Calumet Post Cost Property Purchase (Eliminate).....	(0.5)
Treasury-Debt Service	
Quality of Life Bond Refinancing	(22.9)
Clean Michigan Initiative Bond Refinancing	(20.0)
Treasury-Operations	
Tax on Services Implementation (Eliminate)	(0.4)
Individual Income Tax Implementation	(0.1)
Neighborhood Enterprise Zones (Eliminate).....	(0.2)
Senior Citizen Cooperative Housing Exemption.....	(0.5)
Revenue Enhancement Programs.....	(0.3)
Total Major Funding Reductions/Eliminations.....	\$(366.9)

Table 13

FY 2008-09 Governor's Appropriation Recommendation Major GF/GP Fund Shifts to Increase/(Reduce) GF/GP (Millions of Dollars)	
<u>Department/Program</u>	
Community Health	
Merit Award Trust Fund Adjustment	\$ 45.3
Medicaid Benefits Trust Fund	10.6
Federal Medicaid Match Rate	(176.9)
Corrections	
Telephone Fees and Commissions	(1.6)
Environmental Quality	
Replace Fee Revenue with GF/GP	13.5
Higher Education	
State Competitive Scholarships	1.2
Tuition Grant Program	1.4
Children of Veterans Income Tax Checkoff	0.7
Human Services	
Supplemental Security Income Recoveries	(4.3)
Local Office Field Staff	3.6
Federal Medical Assistance Rate Change	(0.5)
Child Support DNA Testing	0.2
Domestic Violence Protection	(1.0)
Treasury-Debt Service	
Quality of Life Bond Debt Service	4.8
Treasury-Revenue Sharing	
County Revenue Sharing Fund Shift	(0.1)
Total Major Funding Shifts.....	\$(103.1)

**FY 2008-09
School Aid Fund
Budget Recommendation**

School Aid Major Highlights

The Governor's budget for FY 2008-09 provides for a foundation allowance increase between \$108 and \$216 per pupil. School districts whose FY 2007-08 foundation allowances are \$8,433 (the basic foundation allowance) or higher would receive \$108 per pupil, and districts at \$7,204 (the minimum) would receive \$216 per pupil. Districts in between those figures would receive an increase between \$108 and \$216 per pupil, with higher increases provided to districts with lower foundation allowances. However, a new aspect proposed in the budget reduces the per pupil increase 7.5% for each high school grade (9-12) not offered by a local district or charter school. It is estimated that this high school grade proration has a fiscal impact of \$3.0 million.

The Governor also proposes an additional \$31.5 million for early childhood programs. Included in this overall increase is an extra \$24.0 million for filling more slots in the School Readiness Program, which provides preschool for at-risk four-year-olds. Total funding for the School Readiness Program under the Executive Recommendation is \$117.6 million, or 34,573 slots. The Governor also increases Early Childhood Investment Corporation (ECIC) funding from \$1.75 million to \$6.75 million, or an increase of \$5.0 million. These dollars are offered as competitive grants to intermediate school districts (ISDs) for assessing early childhood needs and availability, identifying local resources for children with disabilities, coordinating and expanding early childhood and daycare programs, and evaluating local programs. Finally, within early childhood funding, a new program is proposed: Great Start - Innovative Programs, at \$2.5 million. This program would provide grants to ISDs to identify evidence-based practices that provide children ages 0-5 with quality early learning experiences that promote school readiness, and develop model programs that can be used statewide.

A new 21st Century Schools Fund is included for FY 2008-09, with a cost of \$32.0 million per year, proposed for 20 years. This program would provide startup grants of up to \$2.0 million, facility grants up to \$8.0 million (if matched by private money), or millage equalization funding for each small high school proposed in eligible districts. In order to apply for this funding, a district must have at least one high school not making adequate yearly progress for at least two years. Funding other than startup grants would be used in districts with more than 800 pupils in grades 9-12, to create small high schools of not more than 450 students.

Table 14

Governor's FY 2008-09 Budget Recommendations K-12 School Aid Appropriation Increases (Millions of Dollars)	
FY 2007-08 Enacted Year-to-Date Appropriations	\$13,006.0
FY 2008-09 Governor's Recommended Appropriations	13,515.2
Net Increase in Appropriations	\$ 509.2
Recommended Appropriation Increases in Existing Programs:	
Basic Foundation Allowance Increase \$108/\$216 Per Pupil (1.3%/3.0%)	\$250.8
Federal Funds	86.0
<i>Durant</i> Bonds Debt Service	41.9
School Bond Loan Fund Debt Service	37.1
Michigan School Readiness Program: More Slots Funded	24.0
School Aid Fund Cash Flow Borrowing Costs	22.2
Special Education State Cost Increases	19.8
Renaissance Zone Reimbursement	7.5
Early Childhood Investment Corporation (ECIC)	5.0
Student Data and School Personnel Tracking (CEPI)	4.3
ISD Operational Increase (1.2%) and Technical Assistance Funding	2.9
MEAP/Michigan Merit Exam Testing	2.2
Additional School Based Health Centers	2.0
Gifted and Talented	<u>0.7</u>
Subtotal Appropriation Increases in Existing Programs	\$506.4
Recommended New Categorical Programs:	
Small High School Startup and Facility Grants	\$32.0
Great Start – Innovative Programs	2.5
Grants to Sparsely Populated, Upper Peninsula Districts	1.3
Replacing Lost MBT Revenue in Out-of-Formula Districts	1.3
FIRST Robotics	<u>1.0</u>
Subtotal New Categorical Programs	\$38.1
Recommended Appropriation Reductions:	
<i>Durant</i> Cash Payments (last payment occurs in FY 2007-08)	\$(32.0)
Elimination of Specific District Categorical Grants	(2.8)
Educational Cost Reductions at Juvenile Detention Facilities	(0.3)
Central Michigan University's Lending Library Reduction	<u>(0.2)</u>
Subtotal Appropriation Reductions	\$(35.3)
Total Recommended Appropriation Changes	\$509.2

Table 15

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	11,526.7	(70.3)	(0.6)
2008-09 Gov's Rec.	11,953.2	426.5	3.7

Senate Fiscal Agency, February 8, 2008

Table 16

K-12 Schools Minimum Foundation Allowance (Millions of Dollars)			
Fiscal Year	Enacted Per Pupil	After Proration	Percent Change
1999-2000	\$5,700	\$5,700	N/A
2000-01	6,000	6,000	5.3%
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 Gov's Rec.	7,420	7,420	3.0
Nine-Year Change	\$1,720	\$1,720	
Nine-Year % Change	30.2%	30.2%	

Table 17

Pupil Membership History FY 1994-95 to FY 2008-09				
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	1,585,750	96,850	1,682,600
75/25	2007-08	1,554,634	99,221	1,653,855
75/25	2008-09	1,525,600	103,000	1,628,600

Major Budget Areas Appropriation Summaries

Capital Outlay Appropriations

As of February 7, 2008, the Legislature has not enacted Capital Outlay appropriations for FY 2007-08. On January 14, 2008, the Governor recommended to the Legislature the FY 2007-08 Capital Outlay appropriations. The Governor's FY 2008-09 budget recommendation included Capital Outlay appropriations.

The FY 2007-08 Capital Outlay recommendation totals \$280.1 million of Gross appropriations. Included in this amount is \$35.2 million for Natural Resources Trust Fund projects, \$183.2 million for airport improvement projects, \$26.5 million for maintenance and construction projects in the Department of Military Affairs, \$12.6 million for waterways boating access projects and numerous other special maintenance projects for State buildings.

The FY 2007-08 Capital Outlay recommendation also included the recommendation for the planning of 23 construction projects at universities and community colleges, the authorization of two construction projects at universities and community colleges, and funding for construction projects at State buildings. These projects would be partially financed with bonds issued by the State Building Authority. The total of the State Building Authority financing recommendation is \$561.9 million. The remaining costs of these construction projects would be from contributions made to the projects by universities and community colleges.

The FY 2008-09 Capital Outlay recommendation includes the continuation funding of the FY 2007-08 recommendation submitted on January 14, 2008, excluding the Natural Resources Trust Fund projects. The recommendations for Natural Resources Trust Fund projects will be submitted to the Legislature at a later date. The FY 2008-09 recommendation does not include any additional projects to be financed by the State Building Authority.

Department of Community Health Recommendations

The FY 2008-09 recommendation for the Department of Community Health includes funding for continuing growth in Medicaid costs, although that growth has slowed over the past year. That slowed growth, combined with cost reduction proposals and an increase in the Federal Medicaid match rate, leads to a reduction in GF/GP funding for the Department.

The net savings in the budget is contingent on the acceptance of Medicaid cost reduction proposals, several of which will draw attention from provider groups, particularly hospitals, nursing homes, and community mental health boards. These proposals include reductions in payments to disproportionate share hospitals, nursing home rate reductions, reductions in nursing home admissions, reductions in payments to community mental health boards, and changes in the hospital and nursing home quality assurance assessment funding, which will increase the net of these assessments received by the State. In total, these proposed policy changes will result in GF/GP reductions of \$68.8 million.

Department of Corrections Recommendations

The FY 2008-09 recommendation for the Department of Corrections is highlighted by a small decline in overall appropriations. The last annual decline in appropriations for the Department occurred in FY 2001-02.

Funding increases include \$14.9 million for Hepatitis C testing and treatment for prisoners and \$10.8 million for 800 additional beds. The additional beds include adding eight bunks to seven-bunk open bays as well as opening a 240-bed unit at the Macomb Correctional Facility.

Funding reductions include various operations and program reductions totaling \$5.3 million and the transfer of human resources functions to the Department of Management and Budget reducing appropriations by \$13.4 million.

The budget also includes \$50.0 million of savings through facility operating and health care efficiencies, facility repurposing, program configurations and efficiencies, and a reduction in prisoners due to policy changes. In regard to operational and program efficiencies, the budget proposes to implement health care efficiencies, changes in facility staffing assignments, consolidation of prison operations, adjustments in prisoner housing arrangements, changes in prisoner classification and new parole guidelines, but did not specify how these savings would be achieved.

While the budget did not include any specific proposals for policy changes that would result in a reduction in prison population, the budget proposes to utilize approaches as recommended by a potential initiative with the Council of State Governments. This initiative would work to find policy reforms that would be acceptable to all involved parties.

Department of Human Services Recommendations

The budget recommendation for the Department of Human Services can best be characterized as a continuation of current year funding and service levels. The budget includes a \$68.1 million or a 5.2% in GF/GP funding over current year appropriations. The recommendation does not provide for the funding of new initiatives and leaves current year programs largely untouched from service reduction or elimination.

The GF/GP funding increases are largely driven by program caseload and cost growth. The budget estimates a need of nearly \$60.0 million GF/GP to fund the major income support and child care programs.

The budget identifies about \$17.5 million of GF/GP funding reductions. These savings are mostly driven by recognition of Federal policy changes, fund shifts, and the identification of administrative efficiencies.

Program increases are targeted to rate increases for child care providers and Family Independence Program and State Disability Program recipients. The budget recommends a 2.0% grant increase for Family Independence Program and State Disability Assistance Program recipients. A clothing allowance increase to providers and a \$10.0 million GF/GP rate increase for child day care providers are included in the budget.

Major policy changes included in the FY 2007-08 Human Services appropriation bill, including the closure of the Woodland East juvenile justice facility and rate increases for private agencies providing adoption and foster care services are not modified in the FY 2008-09 budget proposal.

Department of Labor and Economic Growth Recommendations

The FY 2008-09 recommendation for the Department of Labor and Economic Growth includes several proposed funding increases. These proposed funding increases would be funded with a combination of State Restricted revenue and GF/GP revenue.

The regulatory side of the budget contains recommendations to add 71.0 full-time equated positions to be funded by \$7.4 million in State Restricted revenue. The majority of the proposed funding increase would be directed in the areas of insurance, banking, mortgage lending, and pay day lending services. This would provide increased oversight of the financial industry and would be financed by fee schedules currently authorized by statute. The actual level of fees paid by the financial industry are likely to increase, but the increases can be established by the Department under existing law and will not require any further action by the Legislature.

The GF/GP funding increases in the budget are for the expansion of two existing programs. The first would be the appropriation of \$40.0 million of GF/GP funding for the No Worker Left Behind Program, supplementing the \$37.0 million of Federal funds currently dedicated for this program. The second item would provide an additional \$8.5 million of GF/GP funding for the Nursing Corps Program, increasing it from \$1.5 million to \$10.0 million.

Universities and Community Colleges Recommendations

The FY 2008-09 recommendation for universities and community colleges is highlighted by an average 3.0% increase in the operations funding for the universities and community colleges. If approved, the FY 2008-09 recommendation for university operations is still \$119.2 million or 7.4% below the FY 2001-02 peak appropriation for university operations. If approved, the FY 2008-09 recommendation for community college operations is still \$20.5 million or 6.4% below the FY 2001-02 peak appropriation for community college operations.

The university operations increase is distributed based on a formula that takes into account three factors. These factors are the number of undergraduate Pell Grant awards, research and commercial licensing activities, and academic degrees completed, with a higher weight given to math, science, engineering, and health degrees. This formula will lead to increases in university operations ranging from 2.3% to 6.2%. The recommendation for financial aid programs represents a continuation of the policies in place during the current fiscal year. Table 18 outlines the Governor's recommendation for Higher Education.

The community college operations increase is distributed pursuant to the Performance Indicators Task Force Formula. This formula will lead to increases in community college operations ranging from 2.4% to 3.9%. Table 19 presents the Governor's recommendation for Community Colleges.

Table 18

FY 2008-09 Higher Education Appropriations: Governor's Recommendation

	Formula Allocations						(7) AES/CES 3.0%; Compact Dues; Fin. Aid Adjust.	(8) FY 2008-09 Gov's Rec.	(9) Dollar Change From Adjusted 2007-08	(10) Percent Change From Adjusted 2007-08	(11) 2008-09 Approp. Per Student*
	(1) FY 2007-08 Adjusted Appropriation	(2) FY 2007-08 Approp. Per Student*	(3) Undergrad Pell Grant Factor	(4) Research/ Commercial- ization Factor	(5) Degree Completion Factor	(6) Minimum Increase Adjustment					
UNIVERSITIES											
Central	\$81,941,100	\$3,837	\$459,800	\$81,500	\$1,231,400	\$111,900		\$83,825,700	\$1,884,600	2.3%	\$3,925
Eastern	77,774,100	4,222	585,500	155,500	997,300	50,500		79,562,900	1,788,800	2.3%	4,319
Ferris	49,730,800	4,484	616,500	0	970,900	(20,300)		51,297,900	1,567,100	3.2%	4,626
Grand Valley	63,387,500	3,057	434,200	19,800	1,116,300	(20,100)		64,937,700	1,550,200	2.4%	3,132
Lake Superior	12,981,900	5,541	635,300	0	182,100	(10,400)		13,788,900	807,000	6.2%	5,885
Michigan State	290,139,800	6,753	1,542,400	1,554,000	4,755,000	0		297,991,200	7,851,400	2.7%	6,936
Michigan Tech	49,028,200	8,160	389,000	1,117,400	671,600	(27,800)		51,178,400	2,150,200	4.4%	8,518
Northern	46,171,500	5,408	631,100	0	439,700	(8,900)		47,233,400	1,061,900	2.3%	5,532
Oakland	51,932,900	3,549	339,000	369,600	847,600	(19,900)		53,469,200	1,536,300	3.0%	3,654
Saginaw Valley	28,356,200	3,603	612,900	3,400	396,100	(12,900)		29,355,700	999,500	3.5%	3,730
UM-Ann Arbor	323,439,900	8,020	1,001,100	3,837,200	5,351,600	0		333,629,800	10,189,900	3.2%	8,272
UM-Dearborn	25,295,000	4,196	626,100	289,800	580,100	(19,100)		26,771,900	1,476,900	5.8%	4,441
UM-Flint	21,379,900	4,065	806,700	85,400	325,100	(15,600)		22,581,500	1,201,600	5.6%	4,293
Wayne State	219,046,500	8,597	3,701,200	853,500	2,382,800	0		225,984,000	6,937,500	3.2%	8,869
Western	112,122,000	5,030	374,800	668,000	1,543,400	(7,400)		114,700,800	2,578,800	2.3%	5,146
Ag Experiment Station (AES)	33,996,200						1,019,900	35,016,100	1,019,900	3.0%	
Cooperative Extension (CES)	29,322,300						879,700	30,202,000	879,700	3.0%	
Payment Delay/Restoration	0							0	0	na	
Higher Education Database	200,000							200,000	0	0.0%	
Midwest Higher Ed Compact	90,000						5,000	95,000	5,000	5.6%	
King-Chavez-Parks	2,691,500							2,691,500	0	0.0%	
Total Universities	\$1,519,027,300	\$5,734	\$12,755,600	\$9,035,100	\$21,791,000	\$0	\$1,904,600	\$1,564,513,600	\$45,486,300	3.0%	\$5,906
State GF/GP	\$1,519,027,300		\$12,755,600	\$9,035,100	\$21,791,000	\$0	\$1,904,600	\$1,564,513,600	\$45,486,300	3.0%	
GRANTS & FINANCIAL AID											
Competitive Scholarships	\$35,530,500							\$35,530,500	\$0	0.0%	
Tuition Grants	56,668,100							56,668,100	0	0.0%	
Work Study	7,326,300							7,326,300	0	0.0%	
Part-time Independent	2,653,300							2,653,300	0	0.0%	
Ed Opportunity Grants (MEOG)	2,084,200							2,084,200	0	0.0%	
Byrd Scholarship Program	1,500,000							1,500,000	0	0.0%	
Nursing Scholarship Program	4,250,000							4,250,000	0	0.0%	
Michigan Merit Award Program	60,000,000						(54,800,000)	5,200,000	(54,800,000)	-91.3%	
Michigan Promise Grant Prog.	43,500,000						47,000,000	90,500,000	47,000,000	108.0%	
Tuition Incentive Program (TIP)	21,100,000						4,100,000	25,200,000	4,100,000	19.4%	
Children of Veterans Tuition	1,000,000							1,000,000	0	0.0%	
Project Gear-Up	3,000,000							3,000,000	0	0.0%	
Total Financial Aid	\$238,612,400		\$0	\$0	\$0	\$0	(\$3,700,000)	\$234,912,400	(\$3,700,000)	-1.6%	
Federal	7,400,000		0	0	0	0	0	7,400,000	0	0.0%	
Merit Award Trust Fund	123,600,000		0	0	0	0	(7,800,000)	115,800,000	(7,800,000)	-6.3%	
MHEAA Revenue	1,200,000		0	0	0	0	(1,200,000)	0	(1,200,000)	-100.0%	
Carry-Forward Funds	1,400,000		0	0	0	0	(1,400,000)	0	(1,400,000)	-100.0%	
Veterans Tax Checkoff	1,000,000		0	0	0	0	(700,000)	300,000	(700,000)	-70.0%	
State GF/GP	\$104,012,400		\$0	\$0	\$0	\$0	\$7,400,000	\$111,412,400	\$7,400,000	7.1%	
TOTAL HIGHER ED	\$1,757,639,700		\$12,755,600	\$9,035,100	\$21,791,000	\$0	(\$1,795,400)	\$1,799,426,000	\$41,786,300	2.4%	
TOTAL FEDERAL	7,400,000		0	0	0	0	0	7,400,000	0	0.0%	
TOTAL STATE RESTRICTED	127,200,000		0	0	0	0	(11,100,000)	116,100,000	(11,100,000)	-8.7%	
TOTAL STATE GF/GP	\$1,623,039,700		\$12,755,600	\$9,035,100	\$21,791,000	\$0	\$9,304,600	\$1,675,926,000	\$52,886,300	3.3%	

Note: FY 2007-08 is adjusted to remove the one-time delayed payment.

* FY 2006-07 Fiscal-Year-Equated Students (FYES)

Table 19

FY 2008-09 Community Colleges Appropriations: Governor's Recommendation								
FY 2008-09 Governor's Recommendation (Performance Task Force Distribution)								
College	FY 2007-08 Year-to-Date*	50% Proportionate to Base	17.5% Student Contact Hours	17.5% Weighted Degree Formula	15% Strategic Value Proportionate to Base	Other Adjustments	Total Increase	Percent Change
Alpena	5,034,800	75,500	13,600	25,300	22,700		137,100	2.7%
Bay de Noc	5,084,400	76,300	16,100	25,700	22,900		141,000	2.8%
Delta	13,458,400	201,900	74,000	103,300	60,600		439,800	3.3%
Glen Oaks	2,259,100	33,900	9,500	14,900	10,200		68,500	3.0%
Gogebic	4,207,700	63,100	7,400	11,800	18,900		101,200	2.4%
Grand Rapids	16,879,000	253,200	103,900	78,200	76,000		511,300	3.0%
Henry Ford	20,524,100	307,900	85,400	76,600	92,400		562,300	2.7%
Jackson	11,338,500	170,100	42,700	41,700	51,000		305,500	2.7%
Kalamazoo Valley	11,643,300	174,600	71,600	69,400	52,400		368,000	3.2%
Kellogg	9,129,600	136,900	41,800	53,400	41,100		273,200	3.0%
Kirtland	2,781,000	41,700	12,000	26,500	12,500		92,700	3.3%
Lake Michigan	4,919,800	73,800	24,000	18,500	22,100		138,400	2.8%
Lansing	29,183,800	437,800	124,800	174,200	131,300		868,100	3.0%
Macomb	31,158,600	467,400	156,500	158,700	140,200		922,800	3.0%
Mid Michigan	4,202,200	63,000	24,800	23,900	18,900		130,600	3.1%
Monroe	4,054,300	60,800	28,400	25,400	18,200		132,800	3.3%
Montcalm	2,919,500	43,800	16,400	19,800	13,100		93,100	3.2%
Mott	14,730,200	221,000	73,200	68,900	66,300		429,400	2.9%
Muskegon	8,369,000	125,500	34,100	27,100	37,700		224,400	2.7%
North Central	2,838,000	42,600	15,600	12,400	12,800		83,400	2.9%
Northwestern	8,531,900	128,000	34,100	24,800	38,400		225,300	2.6%
Oakland	19,698,200	295,500	169,300	99,800	88,600		653,200	3.3%
St. Clair	6,600,400	99,000	31,300	34,100	29,700		194,100	2.9%
Schoolcraft	11,516,300	172,700	81,700	69,900	51,800		376,100	3.3%
Southwestern	6,174,000	92,600	17,400	16,700	27,800		154,500	2.5%
Washtenaw	11,841,800	177,600	89,700	140,300	53,300		460,900	3.9%
Wayne County	15,586,500	233,800	96,700	54,300	70,100		454,900	2.9%
West Shore	2,156,900	32,400	9,800	10,300	9,700		62,200	2.9%
FY '07 Delayed Payment Reimbursement	* See Notes							
Subtotal Operations	\$286,821,300	\$4,302,400	\$1,505,800	\$1,505,900	\$1,290,700	\$0	\$8,604,800	3.0%
At Risk	3,322,700	0	0	0	0	0	0	0.0%
Renaissance Zone	3,025,000	0	0	0	0	455,000	455,000	15.0%
Total Appropriation	\$293,169,000	\$4,302,400	\$1,505,800	\$1,505,900	\$1,290,700	\$455,000	\$9,059,800	3.1%
GF/GP	\$293,169,000	\$4,302,400	\$1,505,800	\$1,505,900	\$1,290,700	\$455,000	\$9,059,800	3.1%

Notes: For the purposes of this analysis, the FY 2007-08 \$25,759,800 appropriation related to reimbursement for the August 2007 delayed payment is not included in the adjusted FY 2007-08 base.

Revenue Sharing Payments

The budget recommends revenue sharing payments of \$1.09 billion to cities, villages, townships, and counties. This represents an increase of \$18.4 million or 1.7% above the current fiscal year.

The highlight of the recommendation is a \$16.1 million or a 4.0% increase in the appropriated level of statutory revenue sharing payments. If approved, this will mark the first increase in statutory revenue sharing payments since FY 2000-01.

Under the recommendation, revenue sharing payments to cities, villages and townships would be computed by freezing combined constitutional and statutory revenue sharing payments at the FY 2007-08 levels. Because constitutional payments are forecast to decline by 0.9%, this would require all units to receive a statutory revenue sharing payment. Cities, villages, and townships would then receive an additional amount equal to 4.0% of the local unit's FY 2006-07 statutory revenue sharing payment. The 868 local units, mostly townships, that did not receive a statutory payment during FY 2006-07 thus would not receive an additional amount and would instead receive the same combined payment that they received during FY 2007-08.

The recommendation also includes \$2.4 million for revenue sharing payments to counties. This funding will go to six counties who have exhausted their property tax reserve funds and will now be eligible to again receive State revenue sharing payments.

Table 20

Revenue Sharing Appropriation Summary (Millions of Dollars)			
	FY 2007-08 Appropriation	FY 2008-09 Gov's Rec.	Dollar Difference
Constitutional Payments	\$673,644,384	\$667,564,000	(\$6,080,384)
Statutory Payments:			
Base Statutory Payments ¹⁾	\$398,947,702	\$398,947,702	\$0
Holdharmless to offset Constitutional Decline	0	6,080,384	6,080,384
Statutory Recommended Increase-4.0%	0	16,196,623	16,196,623
Payments to Counties	0	2,394,500	2,394,500
Subtotal Statutory Payments	\$398,947,702	\$423,619,209	\$24,671,507
GF/GP Revenue Sharing Payments:			
Payments to Counties	\$113,600	\$0	(\$113,600)
Cities with Emergency Financial Manager	212,000	212,000	0
Subtotal GF/GP Payments	\$325,600	\$212,000	(\$113,600)
Total Revenue Sharing Payments	\$1,072,917,686	\$1,091,395,209	\$18,477,523

¹⁾ Includes approximately \$234,700 in additional statutory payments required as a result of lowered sales tax estimates under the January 2008 Consensus Revenue Estimating Conference for FY 2007-08 to ensure local units receive at least the same payments as they received in FY 2006-07. If revenue is less than forecasted in the FY 2008-09 budget, additional statutory payments would also be required under the recommended boilerplate.

Recent State Appropriation History

Table 21

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	42,791.8	940.0	2.2
2008-09 Gov's Rec.	44,037.1	1,245.3	2.9
Change FY 2000-01 to FY 2008-09		7,083.8	19.2

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	28,348.5	419.9	1.5
2008-09 Gov's Rec.	28,758.7	410.2	1.4
Change FY 2000-01 to FY 2008-09		2,997.1	11.6

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	9,856.3	737.6	8.1
2008-09 Gov's Rec.	9,849.3	(7.0)	(0.1)
Change FY 2000-01 to FY 2008-09		104.9	1.1%

Table 22

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	13,971.0	42,791.8	32.65
2008-09 Gov's Rec.	14,766.2	44,037.1	33.53
Percentage Change FY 2008-09/FY 1997-98	86.2%	40.0%	

Table 23

State Spending from State Resources Appropriations Total Compared with Selected Budget Areas (Millions of Dollars)				
Department/Budget Area	FY 2002-03 Appropriations	FY 2008-09 Gov's Rec.	Dollar Change	Percent Change
Community Health	\$3,259.4	\$4,976.4	\$1,717.0	52.7%
Corrections	1,655.6	2,050.0	394.4	23.8
Human Services	1,199.6	1,438.0	238.4	19.9
K-12 School Aid	11,334.6	11,953.2	618.6	5.5
Community Colleges	310.9	302.2	(8.7)	(2.8)
Higher Education	1,839.4	1,792.0	(47.4)	(2.6)
Revenue Sharing a)	1,250.0	1,091.4	(158.6)	(12.7)
All Other Programs	5,171.0	5,155.5	(15.5)	(0.3)
Total State Spending	26,020.5	28,758.7	2,738.2	10.5
ADDENDUM				
Federal Government Outlays (millions)	2,160,117	3,015,000		39.6
Michigan Personal Income (millions)	313,503	364,759		16.3
Detroit Consumer Price Index	182.0	208.9		14.8
a) Excludes Revenue Sharing paid to counties in FY 2002-03.				