



FY 2009-10
APPROPRIATIONS REPORT
Part I - Governor's Recommendations

March 2009



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2. To provide written analyses of all Senate bills, House bills, and Administrative Rules considered by the Senate.
3. To review and evaluate proposed and existing State programs and services.
4. To provide economic and revenue analysis and forecasting.
5. To review and evaluate the impact of Federal budget decisions on the State.
6. To review and evaluate State issuance of long-term and short-term debt.
7. To review and evaluate the State's compliance with constitutional and statutory fiscal requirements.
8. To prepare special reports on fiscal issues as they arise and at the request of members of the Senate.

The Agency is located on the 8th floor of the Victor Office Center. The Agency is an equal opportunity employer.



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OVERVIEW

Governor Jennifer Granholm, on February 12, 2009, transmitted her fiscal year (FY) 2009-10 State Budget Message to the Legislature. The Governor's FY 2009-10 Budget Message contains recommendations for \$43.4 billion of Adjusted Gross appropriations. Included in this appropriation total are \$16.1 billion of Federal funds, \$17.9 billion of State Restricted funds, \$469.0 million of local and private funds, and \$9.0 billion of General Fund/General Purpose (GF/GP) appropriations. Table 1 and Figure A provide summaries of the overall makeup of the FY 2009-10 appropriations recommended by the Governor.

Tables 2-4 and Figures B-D provide department-by-department detail of the Governor's appropriation requests for FY 2009-10 compared with FY 2008-09 year-to-date appropriations. The tables and figures present appropriation data in terms of Adjusted Gross, State Spending from State Resources, and GF/GP appropriations. Adjusted Gross appropriations are defined as total appropriations for each department less funds transferred in from other State departments. State Spending from State Resources appropriations are defined as Adjusted Gross appropriations less appropriations funded with Federal and local and private funds. General Fund/General Purpose appropriations are the residual unrestricted portion of the budget over which the Governor and the Legislature have the most flexibility in establishing appropriation policy. The Governor's budget provides for a 0.9% decline in Adjusted Gross appropriations, a 5.0% decline in State Spending from State Resources appropriations, and a 6.3% decline in GF/GP appropriations.

The Governor's Budget Message is based on the consensus revenue estimates agreed to on January 9, 2009. The FY 2009-10 GF/GP consensus revenue estimate is \$7.9 billion. This represents a 4.5% decline from the FY 2008-09 consensus revenue estimate. The FY 2009-10 School Aid Fund (SAF) consensus revenue estimate is \$11.3 billion. This represents a 0.6% decline from the FY 2008-09 consensus revenue estimate.

The Governor's Budget Message includes several recommendations for revenue increases. If enacted into law, these proposed revenue increases will result in \$207.5 million of increased revenue of which \$143.2 million will benefit the GF/GP budget and \$65.2 million will benefit the SAF budget. The proposed revenue increases include changes in the base of the sales and use taxes, an increase in the income tax resulting from a reduction in the scheduled increase of the personal exemption, increases in the excise tax on certain tobacco products, and revenue increases resulting from enhanced tax enforcement and changes in the collections allowances for certain taxes. The consensus revenue estimates and the proposed revenue increases are discussed in more detail in the Economic and Revenue Forecast section of this report.

The Governor's budget also is based on the assumption that the State of Michigan will be receiving at least \$812.6 million of additional Federal funding from the stimulus package recently signed into law by President Barack Obama. Of this Federal stimulus funding assumed in the Governor's budget recommendation, \$312.6 million will be used to close projected FY 2008-09 deficits in the GF/GP and SAF budgets and \$500.0 million will be used as a revenue source to balance FY 2009-10 recommended appropriations with projected revenue.

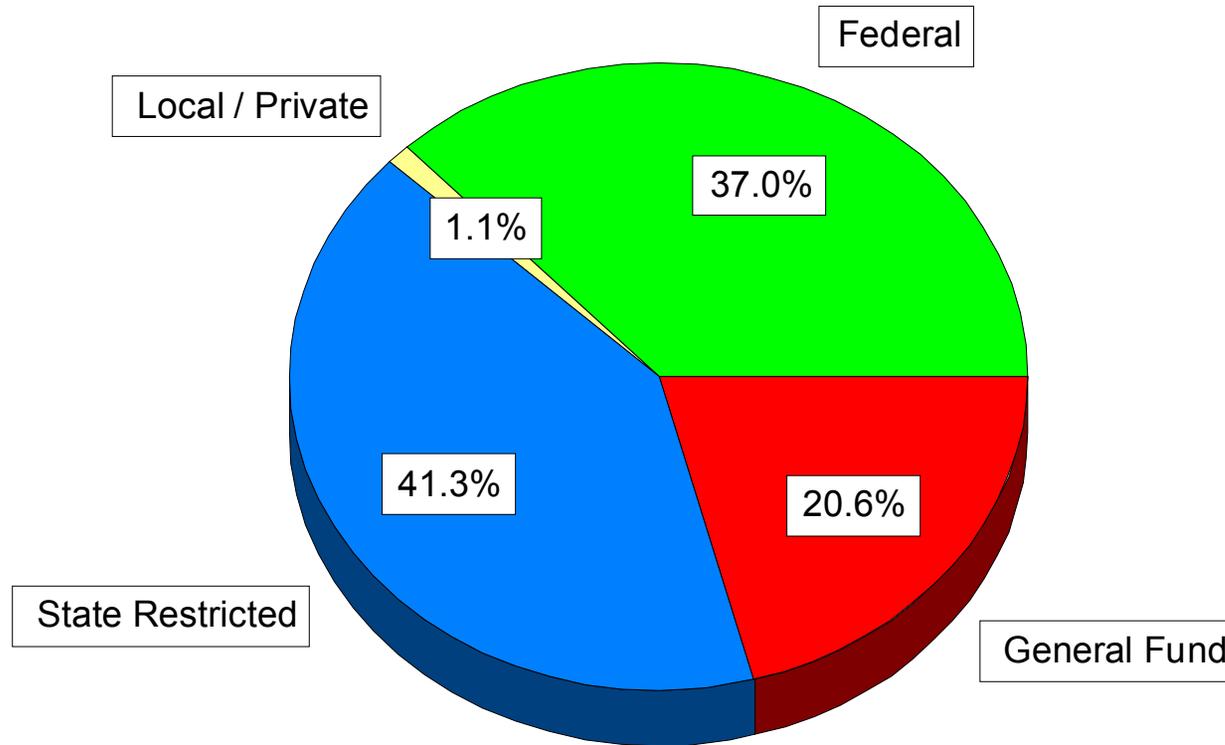
Table 1
FY 2009-10 GOVERNOR'S RECOMMENDATION
BY SOURCE OF FUNDS

Department/Budget Area	Adjusted Gross	Federal Funds	Local & Private Funds	Other State Restricted	General Funds
Agriculture	\$83,064,200	\$14,231,100	\$243,200	\$34,602,800	\$33,987,100
Attorney General	52,227,800	8,177,800	0	12,066,700	31,983,300
Capital Outlay	0	0	0	0	0
Civil Rights	14,377,400	2,057,300	0	0	12,320,100
Community Colleges	299,360,500	0	0	0	299,360,500
Community Health	12,918,289,900	8,323,404,700	299,885,700	1,493,425,200	2,801,574,300
Corrections	1,957,503,000	7,746,100	432,700	50,924,600	1,898,399,600
Education	119,964,000	76,430,200	10,105,200	7,038,900	26,389,700
Energy, Labor, and Economic Growth	1,413,543,200	918,286,200	21,235,300	399,903,500	74,118,200
Environmental Quality (Operations)	333,868,400	129,349,300	658,900	170,732,300	33,127,900
Executive	5,317,300	0	0	0	5,317,300
Higher Education	1,719,405,300	7,400,000	0	166,400,100	1,545,605,200
History, Arts, and Libraries	0	0	0	0	0
Human Services	4,590,028,300	3,455,118,700	51,563,500	56,845,400	1,026,500,700
Information Technology	0	0	0	0	0
Judiciary	259,509,700	5,126,400	6,991,800	88,605,600	158,785,900
Legislative Auditor General	14,026,700	0	0	1,539,900	12,486,800
Legislature	114,504,000	0	400,000	1,109,800	112,994,200
Management and Budget	404,553,800	11,219,800	2,179,500	74,373,900	316,780,600
Military and Veterans Affairs	147,525,000	77,347,300	2,766,300	27,924,200	39,487,200
Natural Resources (Operations)	303,615,300	54,763,700	5,381,100	226,823,900	16,646,600
School Aid	12,963,600,000	1,561,809,400	0	11,360,990,600	40,800,000
State	193,639,000	1,810,000	100	163,614,700	28,214,200
State Police	511,809,600	93,839,000	8,818,800	130,677,300	278,474,500
Transportation	3,268,120,900	1,226,704,500	56,073,400	1,985,343,000	0
Treasury (Debt Service)	82,177,500	0	0	15,514,500	66,663,000
Treasury (Operations)	367,891,600	37,263,100	1,526,400	260,379,400	68,722,700
Treasury (Revenue Sharing)	1,133,672,300	0	0	1,133,460,300	212,000
Treasury (Strategic Fund)	163,606,200	56,316,500	723,700	75,555,300	31,010,700
TOTAL APPROPRIATIONS	\$43,435,200,900	\$16,068,401,100	\$468,985,600	\$17,937,851,900	\$8,959,962,300

Figure A

Appropriations by Source of Funds

FY 2009-10 Governor's Recommendation



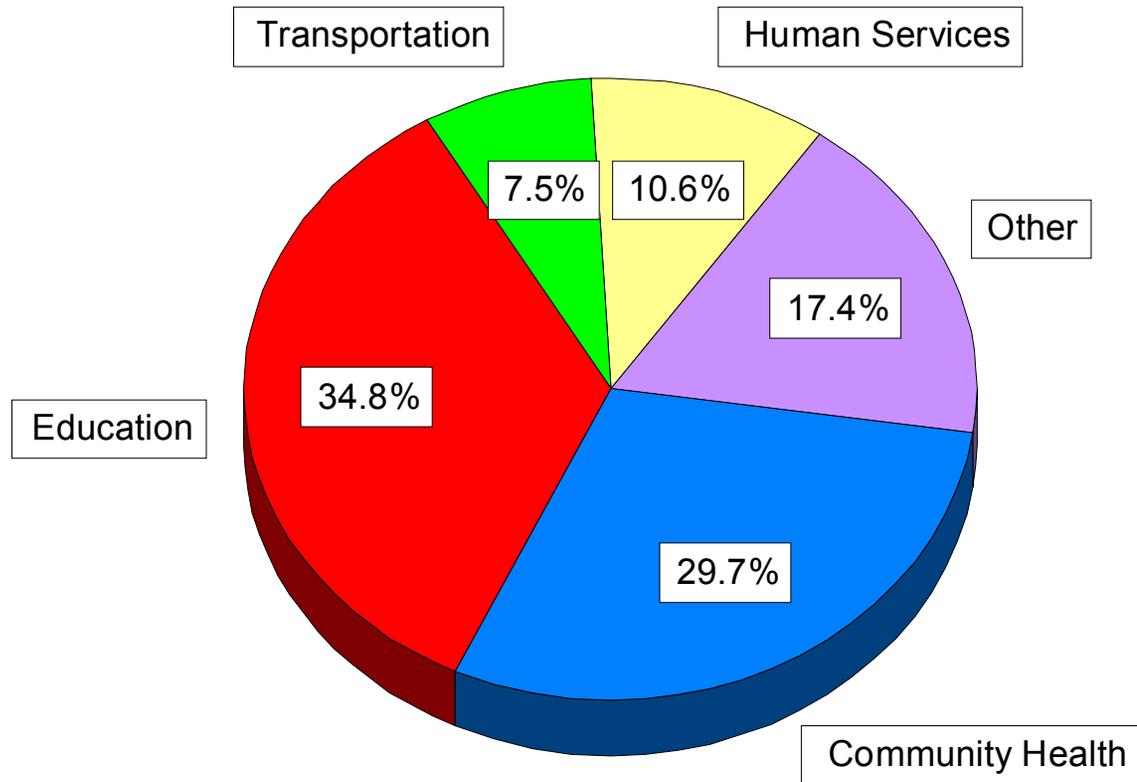
Total = \$ 43,435,200,900

Table 2
ADJUSTED GROSS APPROPRIATIONS
FY 2008-09 VERSUS GOVERNOR'S RECOMMENDATION

Department/Budget Area	FY 2008-09 Year-to-Date Appropriations	FY 2009-10 Governor's Recommendation	Dollar Difference	Percent Change
Agriculture	\$95,316,100	\$83,064,200	(\$12,251,900)	(12.9)%
Attorney General	51,626,400	52,227,800	601,400	1.2
Capital Outlay	0	0	0	0.0
Civil Rights	14,289,000	14,377,400	88,400	0.6
Community Colleges	299,360,500	299,360,500	0	0.0
Community Health	12,468,179,500	12,918,289,900	450,110,400	3.6
Corrections	2,013,787,000	1,957,503,000	(56,284,000)	(2.8)
Education	95,047,100	119,964,000	24,916,900	26.2
Energy, Labor, and Economic Growth	1,371,464,100	1,413,543,200	42,079,100	3.1
Environmental Quality (Operations)	344,276,500	333,868,400	(10,408,100)	(3.0)
Executive	5,317,300	5,317,300	0	0.0
Higher Education	1,759,105,200	1,719,405,300	(39,699,900)	(2.3)
History, Arts, and Libraries	51,855,600	0	(51,855,600)	(100.0)
Human Services	4,624,799,100	4,590,028,300	(34,770,800)	(0.8)
Information Technology	0	0	0	0.0
Judiciary	259,330,500	259,509,700	179,200	0.1
Legislative Auditor General	14,089,700	14,026,700	(63,000)	(0.4)
Legislature	114,504,000	114,504,000	0	0.0
Management and Budget	382,440,600	404,553,800	22,113,200	5.8
Military and Veterans Affairs	181,914,100	147,525,000	(34,389,100)	(18.9)
Natural Resources (Operations)	288,015,500	303,615,300	15,599,800	5.4
School Aid	13,378,906,800	12,963,600,000	(415,306,800)	(3.1)
State	194,378,400	193,639,000	(739,400)	(0.4)
State Police	505,266,200	511,809,600	6,543,400	1.3
Transportation	3,612,229,200	3,268,120,900	(344,108,300)	(9.5)
Treasury (Debt Service)	83,123,000	82,177,500	(945,500)	(1.1)
Treasury (Operations)	400,376,900	367,891,600	(32,485,300)	(8.1)
Treasury (Revenue Sharing)	1,086,919,600	1,133,672,300	46,752,700	4.3
Treasury (Strategic Fund)	149,116,400	163,606,200	14,489,800	9.7
TOTAL APPROPRIATIONS	\$43,845,034,300	\$43,435,200,900	\$(409,833,400)	(0.9)%

Figure B

Adjusted Gross FY 2009-10 Governor's Recommendation



Total = \$ 43,435,200,900

Table 3

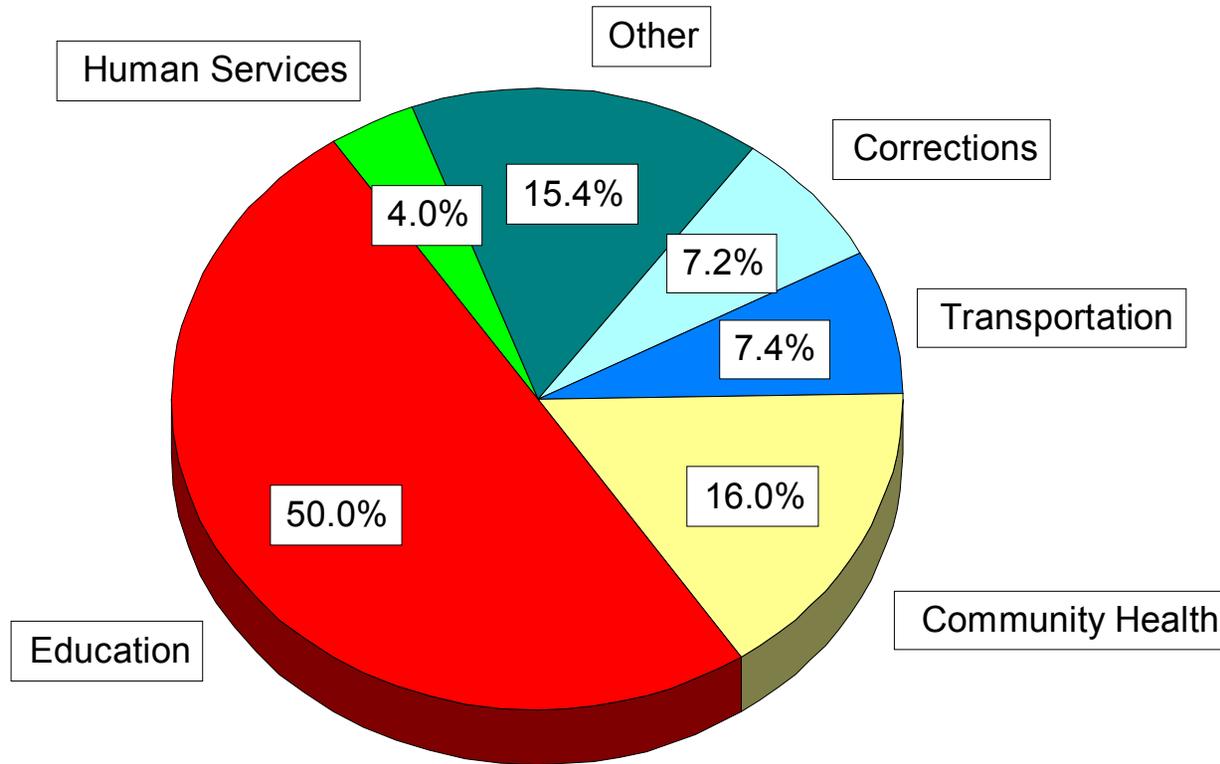
**STATE SPENDING FROM STATE RESOURCES
FY 2008-09 VERSUS GOVERNOR'S RECOMMENDATION**

Department/Budget Area	FY 2008-09 Year-to-Date Appropriations	FY 2009-10 Governor's Recommendation	Dollar Difference	Percent Change
Agriculture	\$78,957,000	\$68,589,900	(\$10,367,100)	(13.1)%
Attorney General	43,575,600	44,050,000	474,400	1.1
Capital Outlay	0	0	0	0.0
Civil Rights	12,231,700	12,320,100	88,400	0.7
Community Colleges	299,360,500	299,360,500	0	0.0
Community Health	4,936,108,300	4,294,999,500	(641,108,800)	(13.0)
Corrections	2,003,006,500	1,949,324,200	(53,682,300)	(2.7)
Education	14,418,900	33,428,600	19,009,700	131.8
Energy, Labor, and Economic Growth	475,318,200	474,021,700	(1,296,500)	(0.3)
Environmental Quality (Operations)	213,184,700	203,860,200	(9,324,500)	(4.4)
Executive	5,317,300	5,317,300	0	0.0
Higher Education	1,751,705,200	1,712,005,300	(39,699,900)	(2.3)
History, Arts, and Libraries	43,585,800	0	(43,585,800)	(100.0)
Human Services	1,282,795,400	1,083,346,100	(199,449,300)	(15.5)
Information Technology	0	0	0	0.0
Judiciary	247,268,500	247,391,500	123,000	0.0
Legislative Auditor General	14,089,700	14,026,700	(63,000)	(0.4)
Legislature	114,104,000	114,104,000	0	0.0
Management and Budget	369,554,000	391,154,500	21,600,500	5.8
Military and Veterans Affairs	69,177,600	67,411,400	(1,766,200)	(2.6)
Natural Resources (Operations)	231,568,400	243,470,500	11,902,100	5.1
School Aid	11,816,898,200	11,401,790,600	(415,107,600)	(3.5)
State	188,704,600	191,828,900	3,124,300	1.7
State Police	401,747,000	409,151,800	7,404,800	1.8
Transportation	2,079,609,200	1,985,343,000	(94,266,200)	(4.5)
Treasury (Debt Service)	83,123,000	82,177,500	(945,500)	(1.1)
Treasury (Operations)	362,402,900	329,102,100	(33,300,800)	(9.2)
Treasury (Revenue Sharing)	1,086,919,600	1,133,672,300	46,752,700	4.3
Treasury (Strategic Fund)	92,962,000	106,566,000	13,604,000	14.6
TOTAL APPROPRIATIONS	\$28,317,693,800	\$26,897,814,200	\$(1,419,879,600)	(5.0)%

Figure C

State Spending From State Resources

FY 2009-10 Governor's Recommendation



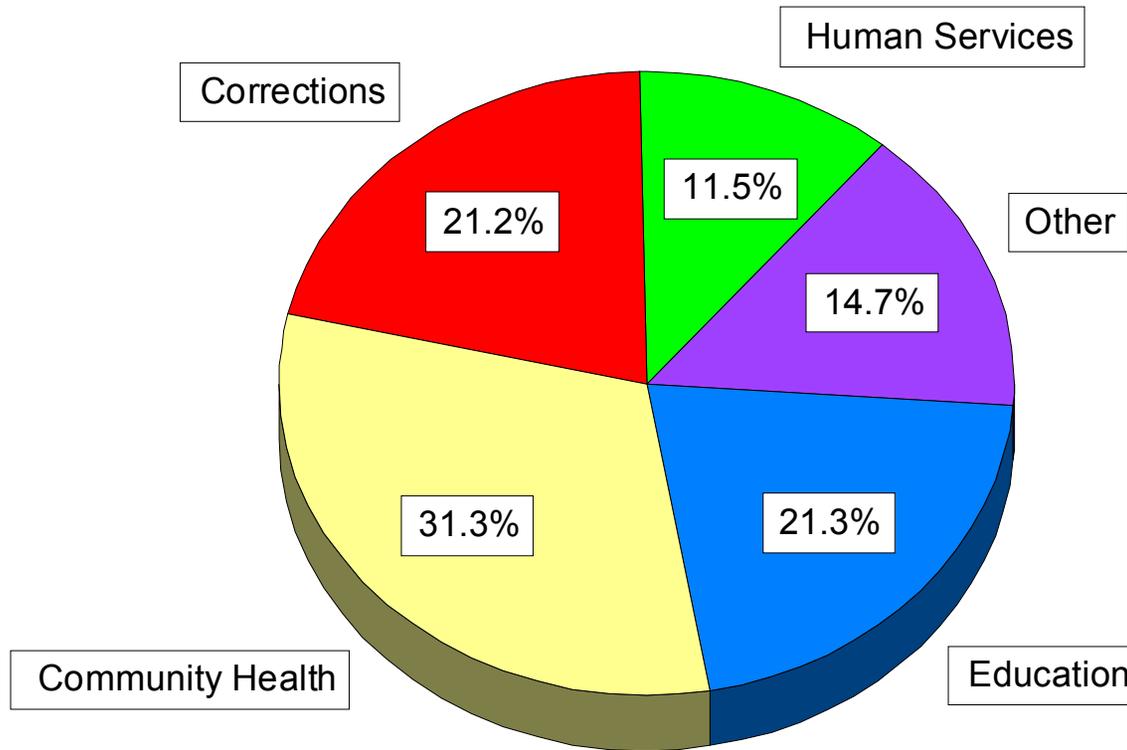
Total = \$ 26,897,814,200

Table 4

GENERAL FUND/GENERAL PURPOSE FY 2008-09 VERSUS GOVERNOR'S RECOMMENDATION				
Department/Budget Area	FY 2008-09 Year-to-Date Appropriations	FY 2009-10 Governor's Recommendation	Dollar Difference	Percent Change
Agriculture	\$32,001,200	\$33,987,100	\$1,985,900	6.2%
Attorney General	31,648,000	31,983,300	335,300	1.1
Capital Outlay	0	0	0	0.0
Civil Rights	12,231,700	12,320,100	88,400	0.7
Community Colleges	299,360,500	299,360,500	0	0.0
Community Health	3,057,671,800	2,801,574,300	(256,097,500)	(8.4)
Corrections	1,948,111,800	1,898,399,600	(49,712,200)	(2.6)
Education	7,438,100	26,389,700	18,951,600	254.8
Energy, Labor, and Economic Growth	72,704,200	74,118,200	1,414,000	1.9
Environmental Quality (Operations)	43,744,800	33,127,900	(10,616,900)	(24.3)
Executive	5,317,300	5,317,300	0	0.0
Higher Education	1,645,605,200	1,545,605,200	(100,000,000)	(6.1)
History, Arts, and Libraries	39,418,000	0	(39,418,000)	(100.0)
Human Services	1,221,206,200	1,026,500,700	(194,705,500)	(15.9)
Information Technology	0	0	0	0.0
Judiciary	159,320,600	158,785,900	(534,700)	(0.3)
Legislative Auditor General	12,549,800	12,486,800	(63,000)	(0.5)
Legislature	112,994,200	112,994,200	0	0.0
Management and Budget	291,888,900	316,780,600	24,891,700	8.5
Military and Veterans Affairs	39,707,500	39,487,200	(220,300)	(0.6)
Natural Resources (Operations)	10,464,800	16,646,600	6,181,800	59.1
School Aid	40,800,000	40,800,000	0	0.0
State	26,130,800	28,214,200	2,083,400	8.0
State Police	284,921,600	278,474,500	(6,447,100)	(2.3)
Transportation	0	0	0	0.0
Treasury (Debt Service)	67,608,500	66,663,000	(945,500)	(1.4)
Treasury (Operations)	75,270,600	68,722,700	(6,547,900)	(8.7)
Treasury (Revenue Sharing)	212,000	212,000	0	0.0
Treasury (Strategic Fund)	29,156,800	31,010,700	1,853,900	6.4
TOTAL APPROPRIATIONS	\$9,567,484,900	\$8,959,962,300	(\$607,522,600)	(6.3)%

Figure D

General Fund/General Purpose FY 2009-10 Governor's Recommendation



Total = \$ 8,959,962,300

SUMMARY OF MAJOR GF/GP APPROPRIATION CHANGES IN FY 2009-10

The Governor's FY 2009-10 GF/GP budget recommendation marks the seventh State budget that Governor Granholm has transmitted to the Legislature. The Governor's budget recommendation, pursuant to constitutional requirements, is balanced between estimated revenue and recommended appropriations.

Table 5 provides a summary of the FY 2009-10 revenue assumptions included in the Governor's budget. The budget recommends total FY 2009-10 GF/GP appropriations of \$8.9 billion. This includes \$7.9 billion of revenue estimated at the January 9, 2009, Consensus Revenue Estimating Conference and \$1.0 billion of revenue from sources not estimated as part of the consensus revenue estimating process. The other revenue sources included in the budget consist of revenue resulting from a proposed freeze in revenue sharing payments to cities, villages, and townships, revenue from enacted tax changes not yet included in the consensus revenue estimate, revenue from proposed tax policy changes, and revenue from proposed fee increases.

Table 5

FY 2009-10 GENERAL FUND/GENERAL PURPOSE REVENUE CONSENSUS REVENUE AND PROPOSED ADJUSTMENTS (Millions of Dollars)	
Consensus Revenue Estimate (January 9, 2009).....	\$7,934.5
<u>Proposed Revenue Adjustments:</u>	
Revenue Sharing Adjustments.....	\$466.8
Charging School Aid Fund for Short-Term Borrowing Costs	45.0
Michigan Business Tax Changes (P.A. 435, 472, 507, and 572 of 2008)	(9.5)
Use Tax on HMOs (P.A. 440 of 2008)	334.8
Liquor Revenue Deposit to General Fund.....	24.1
Enhanced Tax Enforcement.....	13.2
Cybershame (Publicizing Major Delinquent Taxpayers)	5.0
Use Tax on International and Interstate Communications	9.7
Tax on In-State Trucks and Trailers	14.0
Oil and Gas Income Tax Deduction	3.1
Tobacco Products Tax (Doubling Tax Rate on Noncigarettes).....	45.0
Suspension of Personal Income Tax Indexing.....	46.4
Sales Tax Bad Debt Deduction	3.2
Sales Tax Collection Allowance	0.8
Tobacco Tax Collection Allowance	1.9
Subtotal	\$1,003.5
Total GF/GP Revenue in Governor's Budget.....	\$8,938.0

Table 6 provides a comparison of the Governor's recommended level of FY 2009-10 GF/GP appropriations with the year-to-date level of FY 2008-09 appropriations. The Governor's recommendation represents a \$607.5 million decrease in GF/GP appropriations. This net change in GF/GP appropriations can be best characterized by funding increases, funding reductions, and funding shifts. Actual recommended funding increases total \$585.0 million, funding reductions total \$608.5 million, and the funding shifts to and from GF/GP appropriations, and from GF/GP appropriations to other fund sources, result in a \$584.0 million net decrease in GF/GP appropriations. The funding shifts are defined as changes in the level of overall GF/GP appropriations that do not affect the actual level of a program.

Table 6

FY 2009-10 GOVERNOR'S APPROPRIATION RECOMMENDATION MAJOR CHANGES FROM FY 2008-09 YEAR-TO-DATE GF/GP APPROPRIATIONS (Millions of Dollars)	
FY 2008-09 Year-to-Date Appropriations	\$9,567.5
FY 2009-10 Governor's Recommendation	8,960.0
Net Change in GF/GP Appropriations	(\$607.5)
Total Funding Increases	\$585.0
Total Funding Reductions	(608.5)
Total Fund Shifts	(584.0)
Total GF/GP Funding Change.....	(\$607.5)

Table 7 provides the details of the \$585.5 million of GF/GP appropriation increases included in the FY 2009-10 budget. A significant level of the recommended appropriation increases involves caseload and cost adjustments in the Medicaid program in the Department of Community Health (DCH). Other major GF/GP funding increases include base cost increases in the Department of Corrections (DOC), debt service funding increases, child welfare programs in the Department of Human Services (DHS), and economic increases primarily related to salary and fringe benefit cost increases for State government employees. The Higher Education budget recommendation includes the funding of two new programs. The first is the Cooperative State Agricultural Research and Extension Service program and the second is the Michigan College Access Grant program. These new programs replace existing programs recommended for elimination in the Higher Education budget.

Table 7
FY 2009-10 GOVERNOR'S APPROPRIATION RECOMMENDATION
MAJOR GF/GP FUNDING INCREASES
(Millions of Dollars)

<u>Budget Area/Program</u>	
Agriculture	
Economic Adjustments	\$0.8
Attorney General	
Economic Adjustments	0.5
Civil Rights	
Economic Adjustments	0.2
Community Health	
Medicaid Base and Caseload Adjustments	131.2
Actuarial Soundness Adjustments	72.8
Medicaid Special Financing Adjustments	2.6
Provider Increase Due to Use Tax Expansion	10.5
Annualizing Direct Care Worker Wage Increase	1.3
Economic Adjustments	5.9
Other Various Adjustments	1.2
Corrections	
Pharmacy Electronic Records System (New)	1.9
Conversion of Maxey Unit for Mentally Ill Prisoners	16.7
Mental Health Treatment	8.0
Health Care	15.0
Field Operations and Community Corrections	27.3
Michigan Prisoner Re-entry Initiative	22.7
Correctional Facilities	6.3
Substance Abuse Outpatient Treatment	0.5
Information Technology	1.1
Economic Adjustments	34.6
Education	
Oversight Staff for 21st Century Schools Fund (New)	0.3
Assistance for Districts in Deficit	0.1
Economic Adjustments	0.2
Energy, Labor, and Economic Growth	
Economic Adjustments	0.5
Other Various Adjustments	0.2

FY 2009-10 GOVERNOR'S APPROPRIATION RECOMMENDATION	
MAJOR GF/GP FUNDING INCREASES	
(Millions of Dollars)	
Environmental Quality	
Economic Adjustments	0.6
Other Various Adjustments.....	0.2
Higher Education	
Cooperative State Agricultural Research and Extension Service (Combined AES/CES)....	32.0
Michigan College Access Grants (New).....	86.9
Human Services	
Child Welfare Improvements	30.7
Assistance Program Caseload and Cost Adjustment.....	8.6
Administrative Hearings and Rules Staff.....	0.7
Economic Adjustments	8.5
Judiciary	
Economic Adjustments	1.4
Management and Budget	
State Building Authority Debt Service.....	20.0
Economic Adjustments	1.5
Military and Veterans Affairs	
Military Retirement.....	0.2
Economic Adjustments	0.5
Natural Resources	
Economic Adjustments	0.2
State	
Economic Adjustments	2.2
State Police	
Takeover of Detroit Lab Duties.....	4.1
Rental for New Lansing Headquarters	3.7
Economic Adjustments	12.2
Treasury-Debt Service	
Great Lakes Water Quality	2.2
Quality of Life.....	0.4
Treasury-Operations	
Field Collection Services	0.9
Telephone/Telegraph Reappraisals	0.5
Payments in Lieu of Taxes	0.1
Economic Adjustments	0.7

FY 2009-10 GOVERNOR'S APPROPRIATION RECOMMENDATION MAJOR GF/GP FUNDING INCREASES (Millions of Dollars)	
Treasury-Strategic Fund	
Arts and Cultural Institutions Planning Grants (New)	1.0
Economic Adjustments	0.2
Statewide Microsoft Upgrade	2.6
Total GF/GP Funding Increases	\$585.0

Table 8 provides the details of the \$608.5 million of GF/GP appropriation reductions or the elimination of programs in the FY 2009-10 budget. A significant level of the recommended appropriation increases revolves around the closure of facilities in the DOC. The combination of prison and camp closures implemented during FY 2008-09 and the additional closure of prison facilities during FY 2009-10 lead to combined GF/GP savings of \$173.4 million. The Higher Education budget contains significant recommendations to reduce appropriations. These reductions include an average 3.2% reduction in operation funding for universities, reductions in funding for the Agricultural Experiment Station and the Cooperative Extension Service at Michigan State University, and reductions in needs-based financial aid programs. Other significant appropriation reductions include specific program reductions in the DCH and DHS.

Table 8

FY 2009-10 GOVERNOR'S APPROPRIATION RECOMMENDATION MAJOR GF/GP FUNDING ELIMINATIONS/REDUCTIONS (Millions of Dollars)	
<u>Budget Area/Program</u>	
Agriculture	
Water Withdrawal Assessment Program (Eliminate)	(\$0.1)
Reduction of Local Soil Conservation District Grants by 50%	(0.5)
Other Various Adjustments	(0.4)
Attorney General	
Various Administrative Adjustments	(0.2)
Civil Rights	
Various Administrative Adjustments	(0.1)
Community Health	
Special Funding for Hurley Medical Center (Eliminate)	(1.0)
Saginaw Arthur Hill/Detroit Mumford Health Clinics (Eliminate)	(0.2)
Health Information Tech Initiatives (Eliminate)	(5.0)
Closure of Mount Pleasant Center	(3.1)
Multicultural Funding (Eliminate)	(6.8)
Mental Health Courts Pilot Program (Eliminate)	(1.1)
Mental Health Initiatives for Older Persons (Eliminate)	(1.0)

**FY 2009-10 GOVERNOR'S APPROPRIATION RECOMMENDATION
MAJOR GF/GP FUNDING ELIMINATIONS/REDUCTIONS
(Millions of Dollars)**

Community Health (continued)	
Community Mental Health Respite Services (Eliminate)	(1.0)
Traumatic Brain Injury Pilot Programs (Eliminate)	(0.3)
Senior Olympics Funding (Eliminate)	(0.1)
AIDS and Risk Reduction Clearinghouse/Media (Eliminate)	(1.4)
Chlamydia/Gonorrhea Disease Control Program (Eliminate)	(0.8)
Early Childhood Collaborative Program (Eliminate)	(0.5)
Public Health Physician Practice Project (Eliminate)	(0.3)
African American Male Health Initiative (Eliminate)	(0.1)
Helen Nickless Volunteer Clinic in Bay City (Eliminate)	(0.1)
Special Needs Vision Clinic in Saginaw (Eliminate)	(0.1)
Nurse Family Partnership Programs (Eliminate)	(0.8)
Tribal Elders Program Funding (Eliminate)	(0.1)
Methamphetamine Cleanup Fund (Eliminate)	(1.0)
Reduction of Pharmacy Dispensing Fee	(0.5)
Reduction of Ambulance Provider Rate	(0.6)
Nursing Home Transition Savings	(6.2)
Community Mental Health Non-Medicaid Funding	(7.6)
Family Planning Local Agreements	(0.3)
Healthy Michigan Fund	(2.0)
Office of Services to the Aging	(2.0)
Other Various Adjustments	(6.5)
Corrections	
Unspecified Facility Closures	(116.9)
Administrative Reductions Due to Closures	(16.1)
Full-Year Savings from FY 2008-09 Closures	(40.4)
Intensive Detention Re-entry Program	(0.8)
Wayne County Parolee Apprehension Program	(1.2)
Various Administrative Adjustments	(11.2)
Education	
Various Administrative Adjustments	(0.4)
Energy, Labor, and Economic Growth	
Various Administrative Adjustments	(0.3)

**FY 2009-10 GOVERNOR'S APPROPRIATION RECOMMENDATION
MAJOR GF/GP FUNDING ELIMINATIONS/REDUCTIONS
(Millions of Dollars)**

Environmental Quality	
Wetlands Program (Eliminate)	(2.1)
Various Air Quality Programs	(0.9)
Pollution Prevention and Assistance Programs	(0.9)
Removal of GF/GP Match for Federal Capitalization Grant.....	(2.1)
Other Various Adjustments	(1.5)
Higher Education	
Reduction of University Operations by 3.0% Across-the-Board	(43.9)
Agricultural Experiment Station Line Item (Eliminate)	(34.3)
Cooperative Extension Service Line Item (Eliminate).....	(29.6)
King-Chavez-Parks Initiative (Eliminate).....	(5.3)
Bay Mills Tribal College Indian Tuition Funds (Eliminate)	(0.1)
Six Financial Aid Programs (Eliminate).....	(105.6)
History, Arts, and Libraries	
Arts and Cultural Grants (Eliminate)	(7.1)
Book Distribution Centers (Eliminate)	(0.4)
Administrative Reductions Due to Reorganization	(1.1)
Human Services	
Marriage Initiative (Eliminate).....	(2.5)
Fatherhood Initiative (Eliminate)	(1.7)
Teenage Parent Counseling (Eliminate)	(4.0)
Family Group Decision-Making	(2.5)
Family Formation Program (Eliminate)	(0.2)
Before- and After-School Funding (Eliminate)	(5.0)
Zero to Three Secondary Prevention (Eliminate).....	(4.0)
Friend of the Court State Supplement (Eliminate)	(1.0)
Other Grant Programs.....	(1.3)
State SSI Supplement for Independent Living (Eliminate).....	(29.8)
Child Day Care Savings	(20.0)
Reduction of Family Independence Program.....	(6.8)
Juvenile Justice Facility Savings.....	(5.0)
Foster Care and Child Daycare Caseload Adjustments	(5.5)
Bridges Program Development.....	(12.1)
Other Various Adjustments	(15.5)

FY 2009-10 GOVERNOR'S APPROPRIATION RECOMMENDATION MAJOR GF/GP FUNDING ELIMINATIONS/REDUCTIONS (Millions of Dollars)	
Judiciary	
Mental Health Courts Pilot Program (Eliminate)	(0.6)
Other Various Adjustments	(1.4)
Management and Budget	
HR Reductions Due to Corrections/DCH Facility Closures	(1.6)
Various Administrative Adjustments	(0.3)
Military and Veterans Affairs	
Tuition Assistance for Guard Members.....	(0.4)
Other Various Adjustments	(0.1)
Natural Resources	
Various Adjustments	(0.1)
State	
Various Adjustments	(0.1)
State Police	
Closure of Marquette Forensic Lab.....	(0.4)
Security Guard Program at Capitol/State Buildings (Eliminate).....	(0.5)
Trooper/Specialty Teams Overtime Costs	(2.3)
Fleet Leasing Costs	(1.0)
At-Post Trooper Attrition.....	(3.4)
Various Administrative Adjustments	(2.0)
Treasury-Debt Service	
Clean Michigan Initiative	(3.5)
Water Pollution Control	(0.1)
Treasury-Operations	
Various Adjustments	(0.3)
Treasury-Strategic Fund	
Various Adjustments	(0.1)
Total GF/GP Funding Eliminations/Reductions	(\$608.5)

Table 9 provides the details of \$584.0 million of GF/GP appropriation reductions resulting from the shifting of fund sources that have an impact on the level of GF/GP appropriations, but do not have an impact on the overall funding level of a program. The majority of these types of fund shifts occur in the DCH. These fund shifts include the savings from an increase in the Federal Medicaid match rate and the use of \$484.0 million of additional Federal Medicaid match rate funding appropriated in the recently enacted American Recovery and Reinvestment Act of 2009. The DHS budget also proposes to use a significant amount of Temporary Assistance for Needy Families contingency funding to offset GF/GP appropriations.

Table 9

FY 2009-10 GOVERNOR'S APPROPRIATION RECOMMENDATION MAJOR FUND SHIFTS TO INCREASE/(REDUCE) GF/GP (Millions of Dollars)	
<u>Department/Program</u>	
Agriculture	
State Services Fee/Ag Equine Fund Adjustments.....	\$3.1
Dairy Inspection Fee	(0.7)
Transfer of Internal Audit Function to DMB	(0.3)
Attorney General	
Transfer of Internal Audit Function to DMB	(0.05)
Civil Rights	
Transfer of Internal Audit Function to DMB	(0.1)
Corrections	
Replacement of One-Time Prisoner Store Surcharge.....	1.8
Elimination of One-Time FY 2008-09 Funding	(0.4)
Reduced Parole Oversight Fee Collection Offset.....	1.0
State Criminal Alien Assistance Program Revenue	(0.4)
Transfer of Internal Audit Function to DMB	(0.7)
Community Health	
Hospital and Nursing Home QAAP Adjustments.....	(16.9)
School-Based Services Adjustments.....	16.5
Pharmaceutical Rebates for HMOs	(44.2)
Addition of Behavioral Drugs to Preferred Drug List.....	(6.9)
Establishment of New Hospital Rate Adjuster	(2.5)
Medicaid Benefits Trust Fund	6.8
Healthy Michigan Fund	3.5
Merit Award Trust Fund	54.5
Federal Medicaid Match Rate	(250.8)
Expansion of Use Tax to Medicaid HMOs/Pre-Paid Plans.....	294.2
Children's Special Health Care Fee.....	(1.1)
Transfer of Internal Audit Function to DMB	(0.5)
Federal Stimulus Funding.....	(484.0)
Education	
Transfer of Library of Michigan from HAL.....	18.8
Energy, Labor, and Economic Growth	
Transfer of Historic Preservation Office from HAL	1.0
Environmental Quality	
Restricted Funds for Contaminated Site Investigation	(2.0)

FY 2009-10 GOVERNOR'S APPROPRIATION RECOMMENDATION	
MAJOR FUND SHIFTS TO INCREASE/(REDUCE) GF/GP	
(Millions of Dollars)	
Environmental Quality (continued)	
Restricted Funds for Waste/Hazardous Materials	(1.9)
Transfer of Internal Audit Function to DMB	(0.04)
History, Arts, and Libraries	
Transfer of Department Functions to Other Agencies	(30.9)
Human Services	
TANF Contingency Fund	(100.0)
Federal Medicaid Match Rate	(8.2)
Federal Revenue for Children and Adult Licensing	(2.0)
Fee Revenue for Child Support Enforcement	(0.2)
Transfer of Internal Audit Function to DMB	(0.3)
Federal Stimulus Funding	(16.2)
Management and Budget	
Internal Audit Function	2.4
Transfer of Records Center/Archives from HAL	2.8
Military and Veterans Affairs	
One-Time Grants (Vets Memorial/Camp Grayling)	(0.5)
Transfer of Internal Audit Function to DMB	(0.1)
Natural Resources	
Transfer of Historical Program from HAL	4.3
Transfer of Mackinac Island State Park Commission from HAL	1.7
Transfer of Internal Audit Function to DMB	(0.04)
State Police	
One-Time Law Enforcement Study	(0.2)
One-Time AFIS Enhancements	(1.0)
Various Restricted Fund Shifts	(17.4)
Lab Operations Shift from Restricted to General Fund	1.9
Transfer of Internal Audit and Carpenters to DMB	(0.3)
Treasury-Operations	
One-Time MBT Implementation	(6.5)
One-Time Blackstone Settlement	(2.0)
Treasury-Strategic Fund	
Transfer of Cultural Economic Development from HAL	0.3
Transfer of Council for Arts & Cultural Affairs from HAL	0.5
Total GF/GP Funding Shifts	(584.0)

SUMMARY OF MAJOR SCHOOL AID FUND APPROPRIATION CHANGES IN FY 2009-10

To maintain the current year's spending level, adjusted for technical baseline changes, the FY 2009-10 K-12 budget faces a shortfall of nearly \$230.0 million. The Governor's budget proposes to address the potential shortfall by using a combination of enhanced revenue totaling \$65.2 million, and spending reductions totaling \$164.2 million.

The Governor's K-12 budget proposes no new programs for FY 2009-10, and reduces foundation allowance funding by \$59 per pupil, saving the State approximately \$94.4 million. This reduction is evenly spread among all districts and charter schools. The Governor also proposes to reduce foundation allowance funding for "20j" districts, by reducing this piece of their foundation allowance by 19.0% statewide, though on a sliding scale that reduces the wealthiest 20j districts the most. This reduction saves the State \$10.0 million, and affects 40 districts.

The Executive proposal eliminates numerous district-specific earmarks, totaling about \$18.1 million, with the two largest being Wayne-Westland's foundation allowance adjustment (\$6.1 million) and Dearborn's At-Risk funding (\$5.9 million). Declining enrollment grants for small, sparsely populated districts are cut in half (\$5.3 million), though declining enrollment grants for the remaining eligible districts are maintained at \$20.0 million.

Other proposed program reductions include a 20.0% cut in operational funding for intermediate school districts (saving \$16.3 million), as well as full elimination of \$5.0 million given to ISDs for early childhood programs. Adult Education is reduced from \$24.0 million to \$20.0 million, and the Governor's budget recommends changing this from a formulary program to a competitive program focused on regional partnerships.

Major items receiving stable funding in the Governor's proposed budget include the School Readiness Program, maintained at \$103.6 million; 21st Century Schools Program (i.e., small high schools), which retains its \$15.0 million appropriation; Small Class Size foundation allowance adjustments, retained at approximately \$22.0 million; millage equalization funds for Special and Vocational Education, maintained at \$45.9 million; and other areas such as debt service, borrowing costs, and reimbursements for court-placed children.

Two items receive increased funding in the budget proposal: Special Education, which increases by \$40.4 million, driven by mandated reimbursement levels, and School Bond Loan Fund costs, which increase by \$1.0 million.

Table 10 outlines the Governor's proposed changes for the K-12 School Aid budget.

Table 10

**FY 2009-10 GOVERNOR'S BUDGET RECOMMENDATION
K-12 SCHOOL AID APPROPRIATION DECREASES
(Millions of Dollars)**

FY 2008-09 Enacted Year-to-Date Appropriations	\$13,378.9
FY 2009-10 Governor's Recommended Appropriations	12,963.6
Net Decrease in Appropriations	(\$415.3)
Recommended Appropriation Decreases in Existing Programs:	
Foundation Allowance Reduction of \$59 Per Pupil (0.81%)	(\$94.4)
Intermediate School District Operations Reduction of 20%	(16.3)
Section 20j Reduction of 19%	(10.0)
Wayne-Westland's Foundation Adjustment (Eliminate)	(6.1)
Dearborn's At-Risk Payment (Eliminate)	(5.9)
Declining Enrollment Grants to Small, Rural Districts 50% Reduction	(5.3)
ISD Funding for Ages 0-5 Programs (Eliminate)	(5.0)
Adult Education Funding 17% Reduction	(4.0)
Bilingual Education Funding (Eliminate)	(2.8)
Ages 0-3 Secondary Prevention Services (Eliminate)	(2.1)
Center for Educational Performance and Information Reduction	(1.5)
Grosse Pointe (\$1.1 million) and Harper Woods (\$0.4 million) Cuts	(1.5)
MBT Hold Harmless Funding for Out-of-Formula Districts (Eliminate)	(1.3)
Transportation Grants for Small Districts (Eliminate)	(1.3)
Garden City and Huron Foundation Allowance Adjustments (Eliminate)	(1.2)
Pre-College Engineering Programs (Eliminate)	(1.0)
Gibraltar Foundation Allowance Adjustment (Eliminate)	(0.9)
Categorical Funding for Isolated Districts (Eliminate)	(0.8)
After-School Math Pilot Program (Eliminate)	(0.7)
MEAP/Michigan Merit Exam Testing Cost Reduction	(0.9)
Elimination of Eight Other Smaller Categoricals	(2.0)
Technical Baseline Cost Adjustments (driven by pupils, taxable values)	(292.2)
Subtotal Appropriation Decreases in Existing Programs	(\$457.2)
Recommended Appropriation Increases:	
Special Education	\$40.9
School Bond Loan Fund Debt Service	1.0
Subtotal Appropriation Increases	\$41.9
Total Recommended Appropriation Changes	(\$415.3)

FEDERAL STIMULUS FUNDING ASSUMED IN THE BUDGET

President Barack Obama signed into law the American Recovery and Reinvestment Act of 2009 on February 17, 2009. The so-called Federal stimulus package was enacted less than one week after the Governor submitted the FY 2009-10 State budget recommendations to the Legislature. The Governor's budget includes the appropriation of a total of \$812.6 million of funding from the Federal stimulus package. Of the total Federal stimulus funding included in the budget, \$312.6 million is used to balance the FY 2008-09 GF/GP budget and \$500.0 million is used to balance the FY 2009-10 GF/GP budget. The \$812.6 million of Federal funding comes from an increase in the Federal Medicaid match rate.

FY 2008-09 SUPPLEMENTAL APPROPRIATIONS

The FY 2009-10 budget includes the recommendation for the enactment of FY 2008-09 supplemental appropriations. The FY 2008-09 supplemental appropriation recommendations total \$319.1 million of Gross appropriations and \$314.0 million of GF/GP appropriations. Table 11 provides a summary of these supplemental appropriation recommendations by department. The recommended supplemental appropriations fall into four broad categories. These are recommendations to address caseload funding issues, recommendations to address overall budget shortfalls, recommendations for program expansions, and recommendations to make adjustments between fund sources.

Table 11
PENDING FY 2008-09 SUPPLEMENTAL APPROPRIATIONS
RECOMMENDATIONS FROM THE OFFICE OF THE STATE BUDGET
(Actual Dollars)

Budget Area/Item	Office of the State Budget	
	Gross	GF/GP
Corrections		
Prisoner Reintegration Programs	\$11,158,700	\$11,158,700
Residential Services	902,600	902,600
Field Operations.....	7,603,900	7,603,900
Electronic Monitoring Center.....	334,800	334,800
Subtotal Corrections	20,000,000	20,000,000
Community Health		
CMH Caseload Adjustment.....	26,819,400	10,536,700
Medicaid Caseload, Inflation, Utilization	118,454,000	51,537,900
Medicaid Special Financing Adjustments	37,446,800	16,500,200
Replacement of CMH QAAP with Use Tax (effective 4-1-09)	4,778,600	52,310,500
Replacement of HMO QAAP with Use Tax (effective 4-1-09).....	9,365,400	100,651,800
One-time Costs Associated with Mt. Pleasant DD Facility Closure.....	7,997,700	7,997,700
Subtotal Community Health	204,861,900	239,534,800

PENDING FY 2008-09 SUPPLEMENTAL APPROPRIATIONS RECOMMENDATIONS FROM THE OFFICE OF THE STATE BUDGET (Actual Dollars)		
Budget Area/Item	Office of the State Budget	
	Gross	GF/GP
History, Arts, and Libraries		
Building Occupancy Charges & Rent	366,000	366,000
Subtotal History, Arts, and Libraries	366,000	366,000
Human Services		
Family Independence Program - Caseload Increases	31,900,000	11,900,000
Subtotal Human Services	31,900,000	11,900,000
Military and Veterans Affairs		
Camp Grayling, Live Fire Shoot House	3,000,000	0
Camp Grayling, Urban Assault Course.....	3,000,000	0
Camp Grayling, Infantry Squad Battle Course.....	3,000,000	0
Subtotal Military and Veterans Affairs	9,000,000	0
Natural Resources		
Mitchell State Park Seawall & Walkway Improvements Cost Increase	562,500	0
Natural Resources Trust Fund Projects.....	48,865,900	0
Subtotal Natural Resources	49,428,400	0
School Aid		
School Aid Fund Shortfall	0	44,200,000
Subtotal School Aid	0	44,200,000
Treasury		
Blackstone Settlement/Funding Shift.....	3,500,000	(2,000,000)
Subtotal Treasury	3,500,000	(2,000,000)
Total Pending Supplemental Appropriations	\$319,056,300	\$314,000,800

Caseload funding adjustments occur in the Departments of Community Health and Human Services. These caseload funding increases involve the Medicaid program and the assistance programs managed by the Department of Human Services. The recommendation to address overall budget shortfalls is a GF/GP supplemental grant increase in the K-12 School Aid budget designed to eliminate a projected budget deficit. The primary recommendations for program expansion are the funding in the DOC designed to increase staffing and services related to the release of prisoners from the prison system. The fund source adjustments are related to the shifting of Medicaid funding from a State Restricted fund source to a GF/GP fund source as a result of a recent statutory change.

FEDERAL FUNDS ASSUMPTIONS

The FY 2009-10 budget recommendation includes the appropriation of \$16.1 billion of Federal funds. This appropriation recommendation is primarily based on the continuation of Federal appropriation policy currently in place. To the extent that the United States Congress adjusts the level of Federal aid to states, the appropriation of these Federal funds will have to be adjusted. The budget recommendation includes the appropriation of \$812.6 million from the American Recovery and Reinvestment Act of 2009. This funding represents only a portion of the funds Michigan is likely to receive from this massive Federal stimulus bill. The remaining Federal funds that Michigan will receive from the Federal stimulus bill will be appropriated at a later date.

STATE REVENUE SHARING

The Governor's budget recommends revenue sharing payments of \$1.13 billion to cities, villages, townships, and counties, an increase of \$46.8 million (4.3%) above the current year-to-date appropriation for FY 2008-09. An increase in payments to counties accounts for all of the increase in revenue sharing payments. These payments are made to counties that have exhausted their revenue sharing reserve funds created by the acceleration of county property tax collections under the FY 2004-05 budget. In FY 2008-09, seven counties received these payments, while in FY 2009-10, 19 counties, including Calhoun, Jackson, and Wayne Counties, are expected to receive payments.

Other local units (cities, villages, and townships) are recommended to receive in FY 2009-10 the same combined total of constitutional and statutory revenue sharing payments each of them received during FY 2008-09. Because constitutional payments are expected to decline 1.5% in FY 2009-10, all units again will receive statutory payments and the statutory appropriation to keep them at the FY 2008-09 level will need to increase by \$1.7 million.

During FY 2008-09, local units that had received a statutory revenue sharing payment during FY 2006-07 received a "bonus" payment equal to 2.0% of their FY 2006-07 statutory payment. These "bonuses" totaled \$8.1 million and are retained in the FY 2009-10 recommendation.

Unlike in the previous two fiscal years, the "freeze" does not include a guarantee to hold local units harmless if sales tax collections are below expectations. Instead, the recommendation proposes to use an adjustment factor consistent with the approach used in FY 2002-03 through FY 2006-07 to adjust payments if collections are below the forecast. The "bonus" payments are not affected by this adjustment factor.

Table 12 provides a summary of revenue sharing payments as recommended for FY 2009-10 versus FY 2008-09 year-to-date payments.

Table 12

REVENUE SHARING APPROPRIATION SUMMARY			
	FY 2008-09 Year-to-Date	FY 2009-10 Gov's Rec.	Change
Constitutional.....	\$671,045,119	\$661,220,239	(\$9,824,880)
<u>Statutory</u>			
Base (FY 2007-08).....	388,002,719	388,002,719	0
Hold Harmless for Constitutional Declines.....	17,166,769	26,991,649	9,824,880
Bonus (2.0% of FY 2006-07 Statutory).....	8,098,312	8,098,312	0
Payments to Counties.....	2,394,500	49,147,200	46,752,700
Subtotal Statutory.....	415,662,300	472,239,880	56,577,580
Total.....	\$1,086,707,419	\$1,133,460,119	\$46,752,700
Cities.....	730,220,809	730,220,809	0
Detroit.....	276,881,400	276,881,400	0
Other.....	453,339,409	453,339,409	0
Townships.....	327,238,762	327,238,762	0
Villages.....	26,853,361	26,853,361	0
Counties.....	2,394,500	49,147,200	46,752,700

PROPOSED FEE INCREASES

The FY 2009-10 budget recommendation includes \$177.0 million in fee revenue generated largely from the proposed extension of fees scheduled to sunset. Fees that support the Transportation Administration Collection Fund and the Traffic Law Enforcement and Safety Fund will sunset on October 1, 2009. Removing these sunsets accounts for \$141.1 million of the proposed fee adjustments. Of the \$31.3 million in actual fee increases or new fees, \$24.1 million would be generated from proposed liquor license fees. Table 13 summarizes the fee increases and the elimination of fee sunsets included in the budget recommendation.

Table 13

FEE INCREASES INCLUDED IN GOVERNOR'S FY 2009-10 BUDGET

Department/Budget Area	Type of Fee	Estimate of FY 2009-10 Revenue
Agriculture	Dairy Farm Licensing and Inspection Fee Increase	\$700,000
Community Health	Children's Special Health Care Services Parent Participation Fee Increase	1,100,000
	Nurse Licensure Fee Increase.....	720,000
Energy, Labor, and Economic Growth	Liquor License Fees - Retail License Fee Increase.....	10,400,000
	Liquor License Fees - Extended Hours	4,600,000
	Liquor License Fees - Extended Sunday Hours	9,100,000
Environmental Quality	Air Emission Fees Increase	2,600,000
	National Pollutant Discharge Elimination System Fees - Remove Sunset and Allow for CPI Increases.....	3,074,000
	Storm Water Fee - Remove Sunset and Allow for CPI Increases	1,881,500
Natural Resources	Motor Vehicle Permit Fee Increase	1,800,000
State	Transportation Administration Collection Fund - Remove Sunset.....	111,956,000
State Police	Traffic Law Enforcement & Safety Fund/Transportation Administration Collection Fund Revenue Sunset	29,100,000
Treasury-Michigan Strategic Fund	Arts and Cultural Institution Planning Grants - Application Fee.....	N/A
	Total.....	\$177,031,500
	New Fees	\$13,700,000
	Increases of Existing Fees.....	17,600,500
	Extensions of Sunsets	145,731,000
	Total.....	\$177,031,500

EMPLOYEE RETIREMENT CONTRIBUTION RATES

A financial aspect of the budget that is significant to the State, as well as local school districts, involves the level of payments to be made by employers into the major retirement accounts for State employees and employees of local school districts. The Governor's budget recommendation contains the required contribution rates to the State Employees Retirement System (SERS) and the Public School Employees Retirement System (PSERS). Table 14 provides a summary of these contribution rates for FY 2009-10 along with the contribution rates paid in FY 2007-08 and FY 2008-09. The FY 2009-10 contribution rates to SERS represent a significant increase on behalf of employees in the defined benefit retirement plan. The FY 2009-10 contribution rates for State employees in the defined contribution retirement plan and employees in PSERS represent modest increases from FY 2008-09. Table 15 provides a summary of the estimated employer contribution rates into SERS and PSERS during FY 2009-10. The total combined cost of these contributions exceeds \$2.5 billion.

Table 14

RETIREMENT CONTRIBUTION RATES AS A PERCENTAGE OF PAYROLL				
	FY 2007-08	FY 2008-09	FY 2009-10	FY 2009-10 Change
<u>State Employees Retirement System</u>				
Defined Benefit Pension	18.72%	18.84%	21.36%	2.52%
Defined Benefit Health Care	11.40%	11.80%	11.90%	0.10%
Total Defined Benefit Costs	30.12%	30.64%	33.26%	2.62%
Defined Contribution Pension	5.91%	5.91%	5.91%	0.00%
Defined Contribution Health Care	11.40%	11.80%	11.90%	0.10%
Total Defined Contribution Costs	17.31%	17.71%	17.81%	0.10%
<u>Public School Employees Retirement System</u>				
Defined Benefit Pension	10.17%	9.73%	10.13%	0.40%
Defined Benefit Health Care	6.55%	6.81%	6.81%	0.00%
Total Defined Benefit Costs	16.72%	16.54%	16.94%	0.40%

Table 15

FY 2009-10 ESTIMATED CONTRIBUTIONS TO TWO LARGEST RETIREMENT SYSTEMS	
	Millions of Dollars
<u>State Employee Retirement System</u>	
Defined Benefit Pension	\$ 390.0
Defined Contribution State Share.....	72.2
Health Care	<u>362.6</u>
Subtotal State Employees Retirement System	\$ 824.8
<u>Public School Employees Retirement System</u>	
Defined Benefit Pension	\$1,059.0
Health Care	<u>711.9</u>
Subtotal Public School Employees Retirement System.....	\$1,770.9

STATE CLASSIFIED EMPLOYEE FUNDING INCREASES

The budget recommendation includes the funding for the FY 2009-10 increases for the cost of State employees. These funding increases are related to changes in wages, insurance costs, retirement contributions, worker's compensation, and other employee-related costs including the rental and lease cost for buildings that house State employees. Table 16 provides a summary of these cost increases that have been built into the FY 2009-10 budget. The budget includes \$129.1 million of Gross appropriation increases and \$74.5 million of GF/GP appropriation increases to reflect these employee costs. The wage and salary cost increase results primarily from a 1.0% salary increase that State employees will receive on October 1, 2009.

Table 16

FY 2009-10 STATE BUDGET RECOMMENDATION ECONOMIC INCREASES INCLUDED IN BUDGET (Millions of Dollars)		
	Gross	GF/GP
Wages and Salaries	\$31.9	\$17.5
Employee Insurance Costs	21.1	11.7
Retirement Contributions	67.6	36.7
Worker's Compensation	0.1	1.1
All Other Economics	8.4	7.5
Total Economics	\$129.1	\$74.5

TOBACCO SETTLEMENT APPROPRIATIONS AND REVENUE

The budget recommendation provides for \$191.7 million of FY 2009-10 appropriations supported by tobacco settlement revenue deposited into the Merit Award Trust Fund. Table 17 provides a summary of tobacco settlement appropriations and revenue during FY 2009-10. The State of Michigan should receive \$347.9 million of total revenue from the tobacco settlement during FY 2009-10. This includes \$324.0 million of annual payments due on April 15, 2010, and \$23.0 million of disputed payments that are scheduled to be released to Michigan. Pursuant to statutory requirements, \$75.0 million of the total revenue is transferred to the 21st Century Jobs Trust Fund, \$43.2 million is transferred to provide debt service payments on the original \$400.0 million of borrowing to support the seed money for the 21st Century Jobs Trust Fund, and \$35.0 million will be used to make the first scheduled debt service payments on the \$415.0 million of borrowing that was used to help balance the FY 2006-07 State budget. This leaves \$191.7 million for appropriation from the Merit Award Trust Fund. The largest of the recommended appropriations from the Merit Award Trust Fund is \$140.0 million to finance the cost of the Michigan Promise Grant scholarship program.

Table 17

TOBACCO SETTLEMENT APPROPRIATIONS AND REVENUE	
(Actual Dollars)	
	FY 2009-10
Appropriations	Gov's Rec.
<u>Budget Area/Program</u>	
Attorney General	
Administration	\$408,600
Community Health	
Medicaid Base	17,900,000
Medicaid Nursing Home Personal Needs Allowance	0
Aging: Respite Care	<u>5,000,000</u>
Total Community Health	22,900,000
Higher Education	
Merit Award Scholarships	100
Promise Grants	140,000,000
Tuition Incentive Program	26,100,000
Nursing Scholarship Program	<u>0</u>
Total Higher Education	166,100,100
Department of Treasury	
Merit Award Administration	1,480,000
Michigan Education Savings Plan	0
Tuition Incentive Program Administration	435,700
Information Technology	<u>415,100</u>
Total Treasury	2,330,800
Total Merit Award Trust Fund Appropriations	<u>\$191,739,500</u>
Tobacco Settlement Revenue Estimates	
Balance From Prior Fiscal Year	\$0
Annual Payments	324,000,000
Release of Disputed Payments	23,000,000
Interest Earnings	<u>900,000</u>
Total Tobacco Settlement Revenue	347,900,000
<u>Less Transfers Out For:</u>	
Transfer to 21 st Century Jobs Trust Fund	(75,000,000)
Payment on Bond Securitization (13.34% of Revenue)	(43,221,600)
Payment on Bond Securitization (10.77% of Revenue)	(34,894,800)
Payment on Bond Securitization (13.34% of Disputed Payment)	<u>(3,068,200)</u>
Net Revenue to Merit Award Trust Fund	<u>\$191,715,400</u>
Projected Year-End Balance	<u>(\$24,100)</u>

DEPARTMENT/BUDGET AREAS

Agriculture: The recommendation includes the reduction of \$9.2 million in funding from the State Services Fee Fund and a \$2.9 million reduction in funding from the Agricultural Equine Industry Development Fund. These reductions in State Restricted revenue are partially offset by an additional \$3.1 million of GF/GP appropriations. The result of these funding changes is a \$7.1 million reduction in the support for purses and awards for horse racing and other various programs in the Department. The recommendation also includes the elimination of funding for the Upper Peninsula State Fair.

Attorney General: The recommendation is primarily a continuation budget from the current fiscal year.

Capital Outlay: The recommendation does not include the funding of any State Building Authority-financed construction projects. Capital Outlay funding for the Departments of Agriculture, Management and Budget (DMB), Military Affairs, Natural Resources (DNR), and Transportation was transferred from the Capital Outlay budget in FY 2008-09 to the operating budgets of the respective departments. The recommendation maintains this funding arrangement for FY 2009-10.

Civil Rights: The recommendation is primarily a continuation budget from the current fiscal year.

Community Colleges: The recommendation maintains funding for community colleges at the FY 2008-09 appropriation level. New recommended boilerplate language requests that community colleges freeze tuition and fees for the remainder of FY 2008-09 and for FY 2009-10. Table 18 summarizes the funding recommendation for each community college.

Community Health: The FY 2009-10 DCH recommendation reflects an increase of \$457.9 million in Gross funding and a decrease of \$256.0 million in GF/GP funding compared with year-to-date FY 2008-09 appropriations.

The main reason for the increase in Gross funding is the continued growth in the Medicaid base (\$366.8 million Gross; \$131.2 million GF/GP) and the annual adjustments for actuarially sound rates for Medicaid managed care (\$197.7 million Gross; \$72.8 million GF/GP). These two items alone account for a Gross increase well in excess of the net Gross increase between FY 2008-09 and FY 2009-10.

The main reasons for the net decrease in GF/GP funding despite the Gross increase are the increases in the Federal Medicaid match rate (the FMAP), both the "regular" increase (\$250.8 million GF/GP savings) and the assumed increase from the Federal stimulus package (\$484.0 million GF/GP savings). Another factor that has a major GF/GP impact is the elimination of the Health Maintenance Organization (HMO) and Prepaid Inpatient Health Plan (PIHP) Quality Assurance Assessment Programs (QAAPs). These two QAAPs will expire on April 1, 2009. The restricted QAAP revenue will be replaced by GF/GP revenue from extension of the use tax to Medicaid HMOs and PIHPs. This effectively leads to the replacement of \$294.2 million in restricted revenue with GF/GP revenue and thus increases GF/GP costs.

These are not the only major issues in the DCH budget, however. The budget reflects a number of other fund source shifts relating to tobacco tax and Tobacco Settlement shortfalls and a significant amount of assumed savings, totaling \$188.3 million Gross and \$105.5 million GF/GP.

These savings fall into three categories: 1) The first category is savings from the assumed passage of legislation on the Federal and State levels (\$138.7 million Gross; \$51.0 million GF/GP). This includes assumed passage of Federal legislation allowing the State to collect rebates for drugs prescribed by Medicaid HMOs. 2) The second category is savings from continuation of policy changes or implementation of new policies (savings of \$8.0 million GF/GP but with an increase of \$6.0 million Gross due to QAAP changes). This includes expansion of the hospital QAAP to the Federal upper payment limit and transition of nursing home residents to the community. 3) The third category is savings from reduction or elimination of ongoing programs (\$55.6 million Gross; \$48.5 million GF/GP). Among the latter items is the closure of the Mt. Pleasant Center for the Developmentally Disabled, the only remaining State-operated facility for the developmentally disabled. Other reductions include elimination of earmarked funding for mental health respite services, multicultural services, and mental health courts. Among the reductions are a 2.3% cut to Community Mental Health non-Medicaid funding, removal of past rate increases for pharmacists and ambulance services, and \$2.0 million in reductions to Healthy Michigan Fund programming.

Corrections: The recommendation for the Department of Corrections includes a 2.8% decrease in the Gross appropriation and a 2.6% decrease in the GF/GP appropriation. Primarily, the savings come from the closure of unspecified facilities, which results in a \$118.0 million savings and a 1,077.2 reduction in FTEs (full-time equated positions). Additional savings of \$40.0 million include those realized through full-year savings from the FY 2008-09 closure of Scott and Deerfield correctional facilities and Camp Branch as well as administrative and program savings related to the FY 2008-09 closures and the FY 2009-10 unspecified closures. In order to save \$118.0 million through facility closures, the recommendation reduces the prison population by 3,886. Approximately three or four prisons and one or two camps would be closed. To reduce the prison population to this level, the Governor proposes to add five additional Parole Board members and three Parole Board employees at a cost of \$1.0 million. Current law states that the Parole Board consists of 10 members. On February 12, 2009, the Governor issued Executive Order (EO) 2009-5, Creation of Michigan Parole and Commutation Board, Department of Corrections Executive Reorganization. The EO would abolish the Parole Board in MCL 791.231a and create a Michigan Parole and Commutation Board. This body would be equivalent to the Parole Board, except it would consist of 15 members instead of 10 members. The Legislature has until April 13, 2009, to disapprove of the EO, or it will go into effect on April 19, 2009.

Also, to supervise the additional parolees, the recommendation includes an additional \$24.2 million for parole/probation staff and global positioning system (GPS) monitoring. The recommendation also includes \$22.7 million for re-entry programming. For FY 2008-09, \$20.0 million in supplemental funding has been requested for partial-year supervision and re-entry programming costs.

The Governor proposes to house 200 of the male prisoners in mental health treatment programs at the Huron Valley Complex (HVC) at the DHS Maxey facility. Due to the closure of Scott Correctional Facility in May 2009 and the consolidation of female prisoners at the HVC, all male prisoners at the HVC are being transferred to other facilities. The Woodland unit at Maxey would be converted to a facility for prisoners with mental illness. Mental health treatment services would be provided by the DCH as they were at the HVC. The

\$16.7 million in operating costs for this facility would be covered by a portion of the remaining savings from closing Scott. Renovations at Maxey would be funded with existing capital outlay funds that had been appropriated in FY 2007-08.

The recommendation also includes an additional \$8.0 million for prison mental health treatment and \$15.0 million for several prison health care adjustments. The Governor recommends other increases totaling \$16.3 million Gross and \$12.4 million GF/GP, as well as \$35.1 million Gross and \$34.6 million GF/GP for economic increases. Other savings and efficiencies total \$14.2 million. The proposed budget also adjusts several sources of restricted and Federal funds to match the amount collected, resulting in a Gross reduction of \$7.6 million.

Education: The recommendation includes a \$24.9 million increase in Gross appropriations and a \$19.0 million increase in GF/GP appropriations. The overwhelming majority of this increase is a result of the transfer of the Library of Michigan to the Department of Education. The remainder of the recommendation is primarily a continuation budget from the current fiscal year.

Energy, Labor, and Economic Growth: The recommendation includes a number of restricted and Federal fund increases that are the result of the deteriorating economy in the State, specifically increases in staffing and funding for the Unemployment Agency, Low Income Housing Vouchers, and the State Office of Administrative Hearings and Rules to cover increased DHS case referrals. The Governor also is recommending a doubling of retail liquor license fees and the creation of a new permit program for extended hours at stores, bars, and restaurants. This additional revenue would be used to replace revenue from the Liquor Purchase Revolving Fund (LPRF) to cover the cost of administration and licensing enforcement. Revenue from the LPRF automatically lapses to the General Fund if not appropriated. The Governor's proposal estimates that an additional \$24.1 million in revenue would be generated under this fee increase.

The budget also contains former and proposed Executive Order changes including the relocation of all the energy programs from other departments such as the Departments of Environmental Quality and Agriculture into the Department of Energy, Labor, and Economic Growth (formerly named the Department of Labor and Economic Growth). Additionally, the budget includes the proposed transfer of the State Office of Historic Preservation and State Archeologist to the Michigan State Housing Development Authority from the Department of History, Arts, and Libraries (HAL), which is expected to be eliminated in a forthcoming Executive Order.

Environmental Quality: The recommendation includes the elimination of the wetlands regulatory program, which would be returned to the United States Army Corps of Engineers for administration. This would result in savings of \$2.1 million GF/GP and \$4.0 million Gross and the removal of 30.0 FTEs. The Governor also proposes fee increases for air emissions and both the stormwater and nonstormwater portions of the National Pollutant Discharge Elimination System. The fees would increase revenue a total of \$2,880,500, of which \$2.6 million would be from air emissions fees for the Renewable Operating Permit program. Statutory charges are necessary to eliminate the wetlands program and increase fees. General Fund reductions of \$10,616,900 are included in the budget, with significant reductions coming from elimination of the State match to Federal grants for the State Revolving Fund, the use of restricted funds for cleanup project oversight in place of GF/GP revenue, and other smaller reductions across many divisions.

Executive Office: The recommendation includes no funding adjustments for economic cost increases. The overall level of funding is at the current fiscal year level.

Higher Education: The recommendation includes a \$39.7 million reduction in Gross appropriations and a \$100.0 million reduction in GF/GP appropriations for this budget which includes appropriations for State universities as well as grants and financial aid. The funding for universities is reduced by a total of \$46.6 million with decreases ranging from 3.1% to 4.2% or an average of 3.2%. The budget achieves the university operations decrease by eliminating the base funding of \$5.3 million for the Martin Luther King, Jr.-Cesar Chavez-Rosa Parks programs and then reducing each university by 3.0%.

The recommendation also combines and then reduces by 50.0%, the funding for the Agricultural Experiment Station (AES) and the Cooperative Extension Service (CES). In FY 2008-09, the AES and CES are funded at \$34.3 million and \$29.6 million, respectively. The FY 2009-10 budget eliminates the AES and CES line items and creates a new Cooperative State Agricultural Research and Extension Service line item funded at \$32.0 million. Within this \$32.0 million line item, there are earmarkings of \$8.0 million each for Project GREEN and the Animal Agriculture Initiative. In FY 2008-09, there is a \$5.6 million earmark for Project GREEN and no earmark for the Animal Agriculture Initiative.

In the financial aid portion of the proposed Higher Education budget, funding of \$108.5 million for six current programs is eliminated, and a new \$89.8 million Michigan College Access Grants Program is created, resulting in a net reduction in need-based financial aid programs of \$18.8 million. The merit-based Michigan Promise Grant Program is increased by \$59.5 million or 73.9%. Table 19 summarizes the funding recommendation for universities and financial aid.

History, Arts, and Libraries: Under the recommendation for FY 2009-10, HAL is abolished. The budget recommendation includes the transfer of major functions of the Department to various other departments throughout State government. In order to fully implement this proposal, the Governor will need to issue an Executive Order effecting these transfers. Under the proposal, some line items are eliminated or reduced, generating savings to the General Fund of approximately \$9,284,400. The eliminations include the Book Distribution Programs and the Department Administration line. The major reduction is in the Arts and Cultural Grants program where the Governor is proposing a change from the current competitive program available to arts and cultural institutions to a smaller one in the Strategic Fund budget that would award planning grants to local governments, nonprofits, and community foundations for developing plans for renovation or construction projects for arts and cultural institutions. The projects could receive State funding in future years through a bonding program with State-paid debt service.

Abolishing the Department could result in 23 layoffs of classified Civil Service employees. Under the Civil Service rules, however, the affected employees may be eligible to continue employment with the State and force layoffs of employees with less seniority in other departments under the existing "bumping" procedure available to Civil Service employees.

Table 20 identifies the General Fund savings that will result from the elimination of the Department and the Arts and Cultural Grants program. Table 21 provides an outline of where the major programs and functions are proposed to be transferred, along with staffing and funding amounts.

Human Services: The recommendation proposes GF/GP expenditures more than \$194.0 million below the current year-to-date appropriation. Reductions in GF/GP appropriation are achieved through a proposed initiative to obtain additional Federal Temporary Assistance for Needy Families (TANF) dollars, changes in rates paid to assistance recipients, and the elimination or reduction of support for a number of small- and medium-sized DHS-administered programs. Increases are largely confined to policy changes associated with the Children's Rights legal settlement reached in October 2008.

The majority of GF/GP savings included in the Executive proposal are associated with anticipated carry-forward of \$100.0 million from a TANF contingency grant assumed to be provided to Michigan in the current fiscal year. The State will have to identify over \$370.0 million in current expenditures to meet Federal Maintenance of Effort (MOE) and match requirements to receive the contingency grant. Michigan obtained these funds in FY 2007-08.

The Governor further recommends eliminating State supplementation payments to Federal Supplemental Security Income (SSI) recipients living independently, reducing GF/GP support by \$29.8 million. The State will need a Federal waiver to make this payment change and achieve the budgeted savings. The budget proposes additional cuts in payment rates for Child Day Care providers and Family Independence Program (FIP) recipients.

The recommended FY 2009-10 appropriation includes the reduction and elimination of a number of grant programs. The Governor proposes elimination of 18 programs, leading to an ultimate reduction in GF/GP expenditure of over \$24.5 million. Additionally, the Governor proposes a number of program reductions to achieve another \$11.7 million in GF/GP savings.

The Governor proposes a number of changes to meet the requirements imposed upon the State in the legal settlement Michigan reached with the advocacy group Children's Rights. The Executive budget proposal includes an additional 850.0 FTEs and \$113.4 million Gross/\$30.7 GF/GP to meet the standards of the legal settlement.

The FY 2009-10 budget proposal includes an additional \$51.5 million Gross to support anticipated increases in the FIP program. Caseloads in FIP have consistently declined over the past year and a half but recent caseload reports suggest significant growth in the near future. The FY 2009-10 appropriation assumes an average annual caseload of 75,000 cases.

While the proposed DHS appropriation achieves savings from a number of program reductions and eliminations, it should be noted that a significant proportion of the GF/GP savings assumed in this proposal (about \$130.0 million) is associated with carry-forward TANF contingency funds and payment reductions in State supplementation. Michigan will need to achieve Federal approval to make both of these changes. If, for any reason, Michigan is unable to garner the necessary Federal approval associated with these changes, the DHS budget will be significantly underfunded.

Information Technology: The recommendation reflects a Gross decrease of \$7,181,200 or 1.66%, all of which is interdepartmental grant (IDG) funding, and a reduction of 25.0 FTEs. The DHS information technology budget includes a reduction of \$17,293,400 to reflect the scheduled completion of the implementation of the Bridges project. The removal of funding for one-time projects totals \$4,008,800. Information technology costs associated with the State Fair are eliminated. A statewide upgrade to a supported version of Microsoft Office totals \$6.9 million. The implementation of the Michigan Business One Stop Portal will cost \$963,200 across various departments. The recommendation also transfers in \$216,500 for the Demographics and Census Data program from HAL. Employee economics total \$3,722,100, all IDG funding.

Judiciary: The recommendation represents a Gross increase of \$179,200 or 0.07% and a GF/GP decrease of \$534,700 or 0.34%. That includes increases in restricted funds for the judicial technology improvement fund and the drunk driving case-flow program, due to increases in fee revenue. The recommendation also includes the elimination of pilot mental health court funding of \$550,000 (all GF). Treatment funding for this program also is eliminated from the DCH budget. Additional GF/GP reductions totaling \$1,424,300 (2% of total GF excluding judicial compensation) are included in all line items containing General Fund dollars, with the exception of branchwide appropriations. These reductions will be achieved by a combination of furlough days and the elimination of up to 12.0 FTEs. The recommendation also includes standard defined contribution and OASI (Social Security Old-Age and Survivor Insurance) increases for judgeships, totaling \$338,800 GF/GP, and funds economics of \$1,164,700 Gross, \$1,100,800 GF/GP.

Legislative Auditor General: The recommendation includes no funding adjustments for economic cost increases. The \$63,000 reduction in Gross and GF/GP funding reflects the elimination of a one-time project in the FY 2008-09 budget.

Legislature: The recommendation includes no funding adjustments for economic cost increases. The overall level of funding is at the current fiscal year level.

Management and Budget: The recommendation includes funding increases of \$17.0 million Gross (\$24.9 million GF/GP) primarily due to the increase in funding for the State Building Authority rent line and the transfer of the Records Center and Archives from HAL. The GF/GP increase is higher than the increase in Gross spending due to the transfer of internal audit functions from the various State departments, resulting in an increase in GF/GP revenue for the DMB. There is a corresponding decrease in the Department's IDG revenue of over \$6.0 million due to the transfer of audit functions. The budget also maintains the reductions made in EO 2008-21 at the full annual amounts with additional savings being realized from the anticipated closure of additional corrections facilities (yet to be determined), resulting in human resources staff cost savings.

Military and Veterans Affairs: The recommendation is primarily a continuation budget, with adjustments for some increases in available Federal and restricted revenue, some other cost adjustments, a sizable reduction for one-time capital outlay projects from FY 2008-09, and the maintenance of the existing level of grant support for Veterans Service Organizations.

Natural Resources: The recommendation includes the transfer of a significant portion of the current Department of History, Arts, and Libraries into the DNR. The Mackinac Island State Park Commission and the Historical Program add a total of \$6.0 million GF/GP, \$9.4 million Gross to the DNR budget. This transfer accounts for the bulk of the increase in the Department's appropriations. Funding for State parks also would increase with an additional \$1.0 million from the State Parks Endowment Fund and a proposed increase in motor vehicle permit fees, which would generate approximately \$1.8 million in FY 2009-10 to more fully support the current appropriation.

State: The recommendation is primarily a continuation budget from the current fiscal year.

State Police: The recommendation includes additional funds for the continued assumption of forensic lab services previously performed by the City of Detroit, whose lab is now closed. The budget also reflects several reductions in services resulting in cost savings, including the closure of the regional forensic lab in Marquette and the elimination of the security guard program for the Capitol and other State-owned buildings, and further savings from the elimination of several vacant positions, reductions in CSS&M (costs, services, supplies and material), savings in Fleet Leasing, and a shift of more than \$17.4 million in funding from GF/GP to non-GF/GP sources. The Department's economic increase includes \$3.7 million in rent costs for FY 2009-10 for the new downtown headquarters it will occupy beginning in January 2010.

Transportation: The recommendation for FY 2009-10 is a decrease of \$344.1 million (9.5%) from the current year-to-date level. This difference is attributable to adjustments made to align expenditures with anticipated State and Federal revenue.

Treasury-Debt Service: This recommendation represents a Gross and GF/GP decrease of \$945,500 or approximately 1.0%. This is the third and final year of a multiyear restructuring that resulted in \$100.0 million of GF/GP savings. Adjustments include a reduction of \$65,500 GF/GP for Water Pollution Control, an increase of \$430,000 GF/GP for Quality of Life (\$155,000 for current debt and \$275,000 for new issues), an overall decrease of \$3,470,000 for Clean Michigan Initiative (a \$4.9 million decrease for current issues and a \$1.4 million increase to support new issues), and a net increase of \$2,160,000 GF/GP for Great Lakes Water Quality (a \$16.2 million decrease for current debt and an \$18.4 million increase for new issues).

Treasury-Operations: The recommendation represents a Gross decrease of \$32.3 million, or 7.85%, a decrease of \$6.55 million GF/GP, or 8.7%, from FY 2008-09 and an increase of 18.0 FTEs. One-time costs of \$6.5 million for the implementation of the Michigan Business Tax are removed. The recommendation includes a supplemental request for FY 2008-09 for \$5.5 million in restricted funds to pay the Blackstone settlement in full, freeing up \$2.0 million GF/GP per year in the current year and FY 2009-10. Other major restricted fund changes include moving the lottery advertising budget and commercial mobile radio service payments to boilerplate authorization rather than line items. Lottery advertising would be limited to 1.0% of prior-year ticket sales, which could lead to an increase in spending. Commercial mobile radio service payments would be automatically appropriated upon receipt. The recommendation eliminates the Michigan Education Savings Program, which provided a State match of up to \$200 for participants in the program. Program increases in field collection services and lottery sales are included and estimated to bring in additional revenue of \$11.0 million and \$15.0 million, respectively. The recommendation funds employee economics of \$3.7 million Gross, \$0.7 million GF/GP.

Treasury-Strategic Fund: The recommendation includes the appropriation of \$75.0 million from the 21st Century Jobs Trust Fund for 21st Century programs. This would be an increase of \$13.0 million from the current year.

Several programs from HAL would be transferred to the Michigan Strategic Fund. These consist of the Michigan Council for Arts and Cultural Affairs (MCACA) (\$499,900 and 2.0 FTEs) and Cultural Economic Development (\$355,200 and 2.0 FTEs). The Governor recommends a new program, Arts and Cultural Planning Grants, which would receive \$1,822,000 in FY 2009-10 to provide grants to local governments, nonprofit organizations, and community foundations for developing plans for renovating, remodeling, or constructing arts and cultural institutions. The proposed boilerplate for the program indicates that resulting plans would be submitted to the MCACA, which would recommend up to \$100.0 million in projects to the State Budget Director for possible inclusion in a budget recommendation to the Legislature. Construction funding would be provided through a State-supported bonding program, with debt service paid by the State through annual appropriations.

Table 22 provides details of the recommended FY 2009-10 Gross and GF/GP appropriation changes from the year-to-date level of FY 2008-09 appropriations.

Table 18

FY 2009-10 COMMUNITY COLLEGE APPROPRIATIONS: GOVERNOR'S RECOMMENDATION			
College	FY 2008-09 Year-to-Date	Change	FY 2009-10 Governor's Recommendation
Alpena	\$5,126,100	\$0	\$5,126,100
Bay de Noc.....	5,178,400	0	5,178,400
Delta	13,751,600	0	13,751,600
Glen Oaks	2,304,800	0	2,304,800
Gogebic.....	4,275,200	0	4,275,200
Grand Rapids.....	17,219,800	0	17,219,800
Henry Ford	20,898,900	0	20,898,900
Jackson.....	11,542,300	0	11,542,300
Kalamazoo Valley	11,888,600	0	11,888,600
Kellogg	9,311,800	0	9,311,800
Kirtland	2,842,800	0	2,842,800
Lake Michigan	5,012,100	0	5,012,100
Lansing.....	29,762,500	0	29,762,500
Macomb	31,773,900	0	31,773,900
Mid Michigan	4,289,200	0	4,289,200
Monroe	4,142,800	0	4,142,800
Montcalm.....	2,981,600	0	2,981,600
Mott	15,016,400	0	15,016,400
Muskegon.....	8,518,600	0	8,518,600
North Central.....	2,893,600	0	2,893,600
Northwestern.....	8,682,000	0	8,682,000
Oakland.....	20,133,700	0	20,133,700
St. Clair.....	6,729,800	0	6,729,800
Schoolcraft	11,767,000	0	11,767,000
Southwestern	6,276,900	0	6,276,900
Washtenaw	12,149,000	0	12,149,000
Wayne County.....	15,889,900	0	15,889,900
West Shore	2,198,500	0	2,198,500
SUBTOTAL OPERATIONS.....	\$292,557,800	0	\$292,557,800
At Risk.....	3,322,700	0	3,322,700
Renaissance Zone	3,480,000	0	3,480,000
TOTAL APPROPRIATION	\$299,360,500	0	\$299,360,500
GF/GP	\$299,360,500	0	\$299,360,500

Table 19

FY 2009-10 HIGHER EDUCATION APPROPRIATIONS: GOVERNOR'S RECOMMENDATION

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Universities	FY 2008-09 Year-to-Date Appropriation	FY 2008-09 Approp. Per Student*	Eliminate King-Chavez- Parks Program	Eliminate Bay Mills Indian Tuition; Combine & Reduce AES & CES	Across-the- Board Reduction of (3.0)%	Add Funds for Promise & TIP; Eliminate Six Financial Aid Programs	FY 2009-10 Gov's Rec.	Dollar Change From 2008-09	Percent Change From 2008-09	2009-10 Approp. Per Student*
Central	\$82,760,500	\$3,915	(\$220,100)		(\$2,476,200)		\$80,064,200	(\$2,696,300)	-3.3%	\$3,787
Eastern	78,551,800	4,365	(236,700)		(2,349,500)		75,965,600	(2,586,200)	-3.3%	4,221
Ferris	50,228,100	4,409	(102,500)		(1,503,800)		48,621,800	(1,606,300)	-3.2%	4,268
Grand Valley	64,021,400	3,056	(84,900)		(1,918,100)		62,018,400	(2,003,000)	-3.1%	2,960
Lake Superior	13,111,700	5,594	(61,300)	(100,000)	(388,500)		12,561,900	(549,800)	-4.2%	5,359
Michigan State	293,041,200	6,769	(351,500)		(8,780,700)		283,909,000	(9,132,200)	-3.1%	6,558
Michigan Tech	49,518,500	7,916	(167,200)		(1,480,500)		47,870,800	(1,647,700)	-3.3%	7,653
Northern	46,633,200	5,533	(87,900)		(1,396,400)		45,148,900	(1,484,300)	-3.2%	5,357
Oakland	52,452,200	3,527	(193,700)		(1,567,800)		50,690,700	(1,761,500)	-3.4%	3,409
Saginaw Valley	28,639,800	3,578	(72,700)		(857,000)		27,710,100	(929,700)	-3.2%	3,462
UM-Ann Arbor	326,674,300	7,950	(311,400)		(9,790,900)		316,572,000	(10,102,300)	-3.1%	7,704
UM-Dearborn	25,548,000	4,201	(80,400)		(764,000)		24,703,600	(844,400)	-3.3%	4,062
UM-Flint	21,593,700	3,924	(76,500)		(645,500)		20,871,700	(722,000)	-3.3%	3,793
Wayne State	221,237,000	8,963	(283,000)		(6,628,600)		214,325,400	(6,911,600)	-3.1%	8,683
Western	113,243,200	5,149	(237,000)		(3,390,200)		109,616,000	(3,627,200)	-3.2%	4,984
Ag Experiment Station (AES)	34,336,200			(34,336,200)			0	(34,336,200)	-100.0%	
Cooperative Extension (CES)	29,615,500			(29,615,500)			0	(29,615,500)	-100.0%	
Coop Ag Research/Extension	0			32,000,000			32,000,000	32,000,000	na	
Higher Education Database	200,000						200,000	0	0.0%	
Midwest Higher Ed Compact	95,000						95,000	0	0.0%	
King-Chavez-Parks	2,691,500		(2,691,500)				0	(2,691,500)	-100.0%	
Total Universities	\$1,534,192,800	\$5,776	(\$5,258,300)	(\$32,051,700)	(\$43,937,700)	\$0	\$1,452,945,100	(\$81,247,700)	-5.3%	\$5,593
State GF/GP	\$1,534,192,800		(\$5,258,300)	(\$32,051,700)	(\$43,937,700)	\$0	\$1,452,945,100	(\$81,247,700)	-5.3%	
Grants and Financial Aid										
Competitive Scholarships	\$35,530,500					(\$35,530,500)	\$0	(\$35,530,500)	-100.0%	
Tuition Grants	56,668,100					(56,668,100)	0	(56,668,100)	-100.0%	
Work Study	7,326,300					(7,326,300)	0	(7,326,300)	-100.0%	
Part-time Independent	2,653,300					(2,653,300)	0	(2,653,300)	-100.0%	
Ed. Opportunity Grants (MEOG)	2,084,200					(2,084,200)	0	(2,084,200)	-100.0%	
Michigan College Access Grants	0					89,760,100	89,760,100	89,760,100	na	
Byrd Scholarship Program	1,500,000					0	1,500,000	0	0.0%	
Nursing Scholarship Program	4,250,000					(4,250,000)	0	(4,250,000)	-100.0%	
Michigan Merit Award Program	5,200,000					(5,199,900)	100	(5,199,900)	-100.0%	
Michigan Promise Grant Program	80,500,000					59,500,000	140,000,000	59,500,000	73.9%	
Tuition Incentive Program (TIP)	25,200,000					6,000,000	31,200,000	6,000,000	23.8%	
Children of Veterans Tuition	1,000,000					0	1,000,000	0	0.0%	
Project Gear-Up	3,000,000					0	3,000,000	0	0.0%	
Total Grants/Financial Aid	\$224,912,400		\$0	\$0	\$0	\$41,547,800	\$266,460,200	\$41,547,800	18.5%	
Federal	7,400,000		0	0	0	0	7,400,000	0	0.0%	
Merit Award Trust Fund	105,800,000		0	0	0	60,300,100	166,100,100	60,300,100	57.0%	
Veterans Tax Checkoff	300,000		0	0	0	0	300,000	0	0.0%	
State GF/GP	\$111,412,400		\$0	\$0	\$0	(\$18,752,300)	\$92,660,100	(\$18,752,300)	-16.8%	
TOTAL HIGHER ED	\$1,759,105,200		(\$5,258,300)	(\$32,051,700)	(\$43,937,700)	\$41,547,800	\$1,719,405,300	(\$39,699,900)	-2.3%	
TOTAL FEDERAL	7,400,000		0	0	0	0	7,400,000	0	0.0%	
TOTAL STATE RESTRICTED	106,100,000		0	0	0	60,300,100	166,400,100	60,300,100	56.8%	
TOTAL STATE GF/GP	\$1,645,605,200		(\$5,258,300)	(\$32,051,700)	(\$43,937,700)	(\$18,752,300)	\$1,545,605,200	(\$100,000,000)	-6.1%	

* FY 2007-08 Fiscal-Year-Equated Students (FYES)

Table 20

GENERAL FUND SAVINGS FROM HAL LINE ITEM AND PROGRAM ELIMINATIONS		
Program	FTEs	GF/GP
Unclassified Salaries/Director	1.0	\$127,300
Departmental Workers' Compensation.....		8,500
Management Services	23.0	1,642,700
Book Distribution Centers		360,000
Arts and Cultural Grants		7,145,900
Total.....	24.0	\$9,284,400

Table 21

GOVERNOR'S PROPOSED PROGRAM REORGANIZATION DUE TO THE ELIMINATION OF THE DEPARTMENT OF HISTORY, ARTS, AND LIBRARIES				
Department	Programs	FTEs	Gross	GF/GP
Education	Library of Michigan State Aid to Libraries Library Services & Technology Program Subregional State Aid	72.0	\$24,164,800	\$18,607,400
Energy, Labor, & Economic Growth/Michigan State Housing Development Authority	Archeology State Historic Preservation Office	20.0	2,137,500	1,187,500
Information Technology	State Demographer State Census Program	2.0	224,000	224,000
Management & Budget	State Archives State Record Center Internal Audit	21.0	3,360,900	2,987,300
Michigan Strategic Fund	Michigan Arts & Cultural Grants Admin. Arts & Cultural Planning Grants Cultural & Economic Development	7.0	2,657,100	1,807,100
Natural Resources	Mackinac Island Park Operations Historical Facilities Systems Lighthouse Programs Museum Stores Heritage Publications Thunder Bay National Marine Sanctuary Freedom Trail Commission Historical Museums	94.0	9,443,100	6,048,800
Total		216.0	\$41,987,400	\$30,862,100

Table 22

GOVERNOR'S FY 2009-10 GROSS AND GF/GP CHANGES TO FY 2008-09

Budget Area/Line Items	Governor's Changes	
	Gross	GF/GP
Agriculture		
State services fee fund/Ag equine fund/General Fund fund shift.....	(\$9,095,400)	\$3,125,800
Dairy inspection fees fund shift	0	(700,000)
Eliminate UP State fair (6.0 FTEs)	(1,382,500)	0
Emergency management Federal grant (4.0 FTEs).....	500,000	0
Reduce local conservation grants	(458,400)	(458,400)
Eliminate water withdrawal assessment funding (1.0 FTE)	(130,000)	(130,000)
Eliminate local public health IDG.....	(8,878,700)	0
Reduce rent/building occupancy charges	(200,000)	(200,000)
Eliminate unfunded revenue streams.....	(2,938,600)	0
Transfer of internal audit function to DMB.....	(263,700)	(263,700)
Other changes	73,500	(139,500)
Economic adjustments	1,418,400	751,700
Total Agriculture	(\$21,355,400)	\$1,985,900
Attorney General		
Transfer of internal audit function to DMB.....	(47,900)	(47,900)
Statewide microsoft upgrade	80,800	80,800
Private rent adjustments.....	32,000	32,000
Annualize Executive Order 2008-21 reductions	(160,700)	(160,700)
Statewide DIT reduction	(12,100)	(12,100)
Economic adjustments	1,152,400	443,200
Total Attorney General.....	\$1,044,500	\$335,300
Civil Rights		
Transfer of internal audit function to DMB.....	(68,700)	(68,700)
Statewide microsoft upgrade	22,600	22,600
Annualize Executive Order 2008-21 reductions	(62,100)	(62,100)
Economic adjustments	196,600	196,600
Total Civil Rights	\$88,400	\$88,400
Community Colleges		
No changes recommended	0	0
Total Community Colleges	\$0	\$0

GOVERNOR'S FY 2009-10 GROSS AND GF/GP CHANGES TO FY 2008-09

Budget Area/Line Items	Governor's Changes	
	Gross	GF/GP
Community Health		
Changes in Federal grants	960,400	(100,000)
Increase in base Medicaid match rate from 60.27% to 63.19%.....	0	(246,526,000)
Increase in SCHIP/MiChild match rate from 72.19% to 74.23%.....	0	(4,337,500)
Increase in Medicaid match rate due to stimulus (to 68.415%)	0	(483,963,500)
Replacement of savings from Executive Order 2008-21.....	1,684,600	1,492,300
Merit award trust fund shortfall.....	0	53,764,400
Medicaid benefits trust fund shortfall.....	0	6,800,000
Healthy Michigan fund revenue shortfall	0	3,541,400
Healthy Michigan fund program reductions.....	(2,630,600)	(1,991,400)
Transfer of internal audit function to DMB.....	(646,600)	(517,300)
Fund source shift related to Executive Order 2008-21.....	299,200	0
Convert CMH/PIHP QAAP to use tax.....	0	99,365,200
Make PIHPs whole for increase in tax from 5.5% to 6.0%.....	9,814,800	3,612,800
Medicaid mental health/substance abuse base adjustment	47,354,400	17,431,100
4.0% rate increase for PIHPs to meet actuarial soundness.....	73,163,400	26,931,500
Annualize 1% direct care worker increase	3,009,000	1,290,200
Transfer risk pool to hospitals/centers.....	1,565,800	0
Transfer purchase of medical services to hospitals/centers	712,200	0
Transfer severance pay surplus to hospitals/centers.....	132,100	0
Adjust purchase of State services for FMAP changes	(3,229,200)	0
Create new psychiatric hospital payment through PIHPs	31,914,900	(2,530,600)
Pharmaceutical inflation for State hospitals and centers	772,700	388,500
Adjust hospital funding to actual expected revenue.....	(624,400)	0
Increased IDG from Corrections for forensic mental health	5,318,300	0
New vital records contracts with MSU.....	230,500	0
Increase IDG from Human Services for vital records.....	131,600	0
New IDG from Department of State for birth certification.....	500,000	0
Establish vital records fraud unit	174,000	0
Fund source adjustments in health systems administration.....	(2,631,400)	0
Radiation safety fee revenue increase	149,100	0
Add staff for background checks on professionals.....	200,000	0
Replace carryforward background check funding with GF/GP	(1,277,600)	2,143,000
Additional Attorney General costs in certificate of need.....	150,000	0
Medical marijuana registration program.....	259,000	0
Nurse licensure program (\$6 fee increase).....	720,000	0
Increase private AIDS drug rebate revenue.....	2,875,700	0

GOVERNOR'S FY 2009-10 GROSS AND GF/GP CHANGES TO FY 2008-09

Budget Area/Line Items	Governor's Changes	
	Gross	GF/GP
Increase newborn screening fee revenue	136,100	0
Revenue from preparation of data files for research.....	50,000	0
New body art facility fee revenue	85,000	0
Increase in Federal funding for WIC program	35,161,200	0
Children's special health care services (CSHCS) base	8,289,900	4,420,200
Increase in mileage reimbursement for CSHCS	1,219,000	856,500
Assume savings due to mileage reimbursement increase.....	(1,468,600)	(856,500)
Obtain rebates for Title V CSHCS pharmaceuticals	(2,083,300)	(2,083,300)
Expand CSHCS services up to 300% of poverty	11,373,200	0
Increase CSHCS parent participation fee from \$12/month to \$15/month.....	0	(1,100,000)
Reduction in Federal Byrne drug grant	(4,169,300)	0
Use carry-forward substance abuse revenue	500,000	0
Transfer office of drug control policy into mental health unit.....	(413,800)	(413,800)
Additional costs paid by Crime Victims' Rights Fund	1,580,000	0
Increase in Project FRESH	25,000	0
Remove placeholder funding for Michigan first healthcare	(100,000,000)	0
Correct financing of FY 2008-09 medical services adjustments	7,054,300	0
Recognize costs of January 1, 2009 physician rate increase	5,800,000	2,134,900
Assume drug rebate savings to cover physician rate increase.....	(5,800,000)	(2,134,900)
Increase in Medicaid mileage reimbursement.....	5,341,100	2,670,600
Assume less hospital utilization due to mileage reimbursement.....	(7,255,100)	(2,670,600)
Increase in physician "SNAF" payments	26,605,100	0
Increase hospital QAAP payments flowed through HMOs.....	33,227,500	0
Reflect increased HMO school health payments	2,863,200	0
Convert school-based payments to cost-based payments	(24,750,400)	16,500,200
Special financing adjustments	49,528,900	2,456,500
Remove excess authorization for FY 2008-09 personal care increase	(672,000)	(247,400)
Medicaid base adjustment.....	292,693,700	100,511,400
Adult benefits waiver utilization/inflation.....	4,033,800	1,039,500
MIChild base adjustment.....	8,842,600	2,278,700
Medicare part D base adjustment	5,556,000	5,556,000
Convert Medicaid HMO QAAP to use tax	0	194,822,700
Make Medicaid HMOs whole for 5.5% to 6.0% tax increase	18,754,800	6,903,600
Eliminate office of long-term care and integrate elsewhere	(1,644,500)	(809,900)
4.5% rate increase for HMOs to meet actuarial soundness.....	124,547,600	45,846,000
Adjust hospital QAAP gainshare to 13.2% of Federal gain.....	0	(10,084,500)
Adjust nursing home QAAP gainshare to 13.2% of Federal gain	0	(6,862,700)

GOVERNOR'S FY 2009-10 GROSS AND GF/GP CHANGES TO FY 2008-09

Budget Area/Line Items	Governor's Changes	
	Gross	GF/GP
Base adjustment for plan first program	2,182,500	(100)
Increase psych residency graduate medical education	588,400	0
Assume nursing home transition savings.....	(33,544,900)	(12,347,800)
Expand home/community-based waiver and related programs.....	17,427,400	5,814,000
Roll up long-term care line item.....	0	0
Michigan business one-stop portal.....	9,300	0
Statewide microsoft upgrade.....	629,100	144,000
Statewide DIT reduction	(3,200)	(700)
Storage visualization savings (DIT).....	(386,000)	(88,400)
Eliminate mental health initiatives for older persons	(1,049,200)	(1,049,200)
Eliminate mental health court funding	(1,126,900)	(1,126,900)
Eliminate CMH respite care funding.....	(1,000,000)	(1,000,000)
Eliminate CMH multicultural line item.....	(6,823,800)	(6,823,800)
Close Mount Pleasant facility for developmentally disabled	(24,055,000)	(3,081,800)
Remove public health physician practice project funding	(600,000)	(300,000)
Eliminate funding for Nickless Clinic in Bay City.....	(75,000)	(75,000)
Eliminate AIDS/risk reduction campaign funding	(1,351,000)	(1,351,000)
Eliminate methamphetamine cleanup administrative line	(100,000)	(100,000)
Eliminate funding for traumatic brain injury pilot projects.....	(300,000)	(300,000)
Eliminate funding for African-American male health initiative	(106,700)	(106,700)
Eliminate funding for special needs vision clinic in Saginaw.....	(50,000)	(50,000)
Eliminate early childhood collaborative line-item	(524,000)	(524,000)
Eliminate remaining funding for nurse family partnership	(1,622,100)	(811,000)
Eliminate Senior Olympics line-item.....	(100,000)	(100,000)
Eliminate tribal elders funding	(120,000)	(120,000)
Eliminate health information technology initiatives line-item	(5,000,000)	(5,000,000)
Eliminate Hurley Hospital special financing retainer	(1,000,000)	(1,000,000)
Eliminate funding for Arthur Hill and Mumford clinics.....	(572,400)	(210,700)
Reduce protection and advocacy contract by 50%	(388,700)	(388,700)
Reduce CMH non-Medicaid funding	(7,559,300)	(7,559,300)
Cut community substance abuse funding	(870,300)	(870,300)
Eliminate General Fund/Federal from essential health provider program	(1,090,800)	(545,400)
Eliminate General Fund and match for rural health	(168,000)	(126,000)
Eliminate FY 2008-09 increase in STD funding	(750,000)	(750,000)
Reduce State laboratory funding.....	(380,700)	(380,700)
Reduce family planning local agreements line-item.....	(300,000)	(300,000)
Reduce aging community services funding.....	(955,100)	(955,100)

GOVERNOR'S FY 2009-10 GROSS AND GF/GP CHANGES TO FY 2008-09

Budget Area/Line Items	Governor's Changes	
	Gross	GF/GP
Reduce aging nutrition services funding	(697,200)	(697,200)
Reduce foster grandparent, RSVP, senior companion 6.6%	(347,700)	(347,700)
Eliminate State payment of provider fee authorization system	(720,000)	(265,000)
Assume legislation putting mental health drugs on PDL	(18,663,500)	(6,870,100)
Assume Federal legislation on HMO pharmaceutical rebates	(120,000,000)	(44,172,000)
Recognize estate recovery savings	(7,911,200)	(2,912,100)
Remove increase in pharmacy dispensing fee	(629,200)	(231,600)
Remove FY 2005-06 ambulance rate increase funding	(1,519,000)	(559,100)
Economic adjustments	13,464,800	5,914,600
Total Community Health	\$457,903,500	(\$256,097,500)
Corrections		
Savings for Scott correctional facility closure	(19,341,100)	(19,341,100)
Savings through consolidating females at Huron Valley	(936,000)	(936,000)
House 200 male prisoners from Huron Valley at DHS' Maxey	16,659,000	16,659,000
Savings for Deerfield correctional facility closure	(14,085,200)	(13,968,500)
Savings for Camp Branch closure	(7,194,400)	(7,058,200)
Unspecified facility closures	(117,992,800)	(116,898,900)
Custody staff training savings due to facility closures	(9,643,300)	(9,643,300)
Hospital and specialty care savings due to facility closures	(3,705,000)	(3,705,000)
Workers compensation savings due to facility closures	(1,771,200)	(1,771,200)
Information technology savings due to facility closures	(608,000)	(608,000)
Administrative hearings officer savings due to facility closures	(348,000)	(348,000)
Double-bunk parole violators at Egeler reception center	313,000	313,000
Add double bunks at unspecified facilities	4,432,100	4,432,100
Five additional parole board members and 3.0 FTE staff	1,000,500	1,000,500
Additional parole/probation officers	7,299,500	7,299,500
Additional funding for re-entry services	22,682,000	22,682,000
Full-year costs of GPS tethers added in FY 2008-09	5,140,000	5,140,000
2,000 additional GPS tethers	11,749,000	11,749,000
Polygraphs for parolees with a history of sex offenses	750,000	750,000
Additional intensive detention re-entry program beds	376,000	376,000
Reduce length of stay for intensive detention re-entry	(766,500)	(766,500)
Additional probation residential center funding	1,000,000	1,000,000
Prisoner mental health treatment increases	8,000,000	8,000,000
Full funding for hepatitis C testing and treatment	4,185,500	4,185,500
Pharmaceutical cost increase	3,482,200	3,482,200

GOVERNOR'S FY 2009-10 GROSS AND GF/GP CHANGES TO FY 2008-09

Budget Area/Line Items	Governor's Changes	
	Gross	GF/GP
Prisoner health care contract	1,896,400	1,896,400
40 additional Duane Waters health center beds	1,118,700	1,118,700
Full funding for medical service provider salaries	426,400	426,400
24/7 nursing coverage statewide.....	2,149,400	2,149,400
Wayne County parolee apprehension program savings	(1,200,000)	(1,200,000)
Consolidate contiguous facilities	(3,517,100)	(3,517,100)
Contract for prison food purchasing	(3,000,000)	(3,000,000)
Redesign prisoner education programs	(2,000,000)	(2,000,000)
Pharmacy electronic records system	1,880,000	1,880,000
Statewide microsoft upgrade.....	1,457,600	1,404,100
Statewide DIT reduction	(53,300)	(51,300)
Complete migration from CMIS mainframe.....	1,073,300	1,073,300
Support for new electronic medical records system.....	680,300	680,300
Data warehouse for electronic health care claims system.....	1,100,000	1,100,000
Outpatient substance abuse contract.....	515,300	515,300
Fuel and utility rate	1,011,200	1,011,200
Bus lease	27,000	27,000
Water and sewer rate	188,900	188,900
Trash removal contract.....	48,800	48,800
Reappropriate prison store revenue	4,800,000	0
Reappropriate GF/GP to eliminate prison store surcharge	0	1,800,000
Offset supervision fees with GF/GP	0	1,000,000
Offset GF/GP with additional SCAAP Federal funding	0	(400,500)
Adjust overappropriated restricted and IDG revenue.....	(5,518,900)	0
Adjust overappropriated Federal funds	(3,038,000)	0
Eliminate one-time FY 2008-09 funding	(367,400)	(367,400)
Central office reductions.....	(1,723,100)	(1,723,100)
Transfer of internal audit function to DMB.....	(660,400)	(660,400)
Custody staff for dialysis unit at Ryan correctional facility	273,400	273,400
Economic adjustments	<u>35,084,900</u>	<u>34,590,300</u>
Total Corrections	(\$56,669,300)	(\$49,712,200)
Education		
Transfer the Library of Michigan and library grants to Department of Education	24,388,800	18,831,400
Add 3.0 FTEs for 21 st century small high school program	250,000	250,000
Add 1.0 FTE to assist districts in deficit.....	70,000	70,000
Eliminate alternative teaching certification program earmarks.....	(200,000)	0

GOVERNOR'S FY 2009-10 GROSS AND GF/GP CHANGES TO FY 2008-09

Budget Area/Line Items	Governor's Changes	
	Gross	GF/GP
Eliminate subsidy for national board certification	(100,000)	0
Shift funds to address USDE Federal expenditure concerns.....	47,700	47,700
Other internal fund shifts	0	(120,000)
Administrative efficiencies in educational assessment office.....	(247,400)	0
Other adjustments	(113,300)	(184,600)
Economic adjustments	821,100	57,100
Total Education.....	\$24,916,900	\$18,951,600
Energy, Labor, and Economic Growth		
Transfer State historic preservation office from HAL to MSHDA	2,137,500	1,187,500
Transfer retired engineers tech assistance from DEQ.....	1,957,200	0
Unemployment insurance administration	22,587,800	0
State office of administrative hearings and rules	1,081,700	0
Housing choice vouchers	11,000,000	0
Jobs, education, and training (JET) efficiencies.....	(3,000,000)	0
Centers for independent living	(500,000)	0
Remonumentation grants	(5,700,000)	0
Focus: HOPE earmark	(5,860,200)	(860,200)
Workforce training programs subgrantees	5,860,200	860,200
Commission for the blind Federal revenue.....	4,575,000	0
Annualize Executive Order 2008-21 reductions in fire safety	(285,500)	(285,500)
Transfer of internal audit function to DMB.....	(560,100)	0
Tax tribunal caseload adjustment.....	550,000	0
Adjust low-income energy efficiency grants to available revenue.....	(3,200,000)	0
Michigan rehabilitation services revenue adjustments.....	(789,400)	0
Implement uniform securities act.....	59,900	0
Property management savings.....	(9,600)	0
DIT upgrades and cost adjustments.....	1,173,500	0
DIT economics.....	595,600	0
Economic adjustments	8,748,400	512,000
Total Energy, Labor, and Economic Growth	\$40,422,000	\$1,414,000
Environmental Quality		
Eliminate wetlands program (30.0 FTEs).....	(4,000,000)	(2,100,000)
Reduce State match for Federal SRF capitalization	(2,062,500)	(2,062,500)
Environmental cleanup funding shift	0	(2,000,000)
Waste and hazardous materials division funding shift	0	(1,904,500)

GOVERNOR'S FY 2009-10 GROSS AND GF/GP CHANGES TO FY 2008-09

Budget Area/Line Items	Governor's Changes	
	Gross	GF/GP
General Fund reductions in various programs (8.0 FTEs)	(3,031,600)	(3,031,600)
Electronic recycling program	245,000	0
Eliminate local public health IDG	(10,472,500)	0
Transfer RETAP to DELEG (8.0 FTEs)	(1,474,300)	0
Reductions in State restricted and Federal revenue	(2,875,800)	0
Transfer of internal audit function to DMB	(228,500)	(39,900)
Other changes	(798,100)	(95,100)
Economic adjustments	<u>2,833,600</u>	<u>616,700</u>
Total Environmental Quality	(\$21,864,700)	(\$10,616,900)
Executive Office		
No changes recommended	<u>0</u>	<u>0</u>
Total Executive Office	\$0	\$0
Higher Education		
Eliminate King-Chavez-Parks initiative	(5,258,300)	(5,258,300)
Eliminate Indian tuition pass-through to Bay Mills	(100,000)	(100,000)
Consolidate and reduce ag experiment and coop extension	(31,951,700)	(31,951,700)
Reduce university operations by 3.0%	(43,937,700)	(43,937,700)
Eliminate six financial aid programs	(108,512,400)	(105,612,400)
Create new college access grants program	89,760,100	86,860,100
Phase out merit awards	(5,199,900)	0
Increase promise grants	59,500,000	0
Increase tuition incentive program (TIP)	<u>6,000,000</u>	<u>0</u>
Total Higher Education	(\$39,699,900)	(\$100,000,000)
History, Arts, and Libraries		
Eliminate arts and cultural grants	(8,037,900)	(7,145,900)
Eliminate book distribution centers	(360,000)	(360,000)
Adjustments for one-time projects and revenue	(2,861,400)	(850,000)
Administrative reductions due to elimination of department	(1,778,500)	(1,778,500)
Transfer remaining funds to other departments	<u>(39,486,400)</u>	<u>(29,283,600)</u>
Total History, Arts, and Libraries	(\$52,524,200)	(\$39,418,000)

GOVERNOR'S FY 2009-10 GROSS AND GF/GP CHANGES TO FY 2008-09

Budget Area/Line Items	Governor's Changes	
	Gross	GF/GP
Human Services		
Child welfare improvements: staff increases.....	77,275,300	57,362,500
Child welfare improvements: increase adoption services	7,200,000	5,214,200
Child welfare improvements: fund source shifts.....	0	(51,460,500)
Child welfare improvements: private agency rate adjustment	22,403,800	13,670,600
Child welfare improvements: data collection unit	877,500	562,700
Child welfare improvements: mandated needs assessment.....	4,000,000	4,000,000
Child welfare improvements: Federal monitor supervision	1,625,800	1,377,700
Caseload adjustment family independence program (FIP).....	46,932,900	0
Increase FIP licensed relative placement.....	(446,500)	(446,500)
Caseload adjustment foster care payments	(11,117,900)	(4,685,600)
Caseload adjustment adoption subsidy program	6,058,700	2,377,800
Caseload adjustment child day care program.....	(10,821,600)	(10,821,600)
Base adjustment child care fund	13,224,600	13,224,600
Base adjustment State supplementation program	362,700	362,700
Facility savings at Maxey training school	(5,000,000)	(2,500,000)
Eliminate grant to black child and family institute in Lansing	(100,000)	(100,000)
Reduce funding for early childhood investment corporation	(200,000)	(200,000)
Annualize savings Adrian training school.....	(5,000,000)	(2,500,000)
Eliminate TANF for before and after school programs.....	(5,000,000)	0
Eliminate State supplement to independent living SSI.....	(29,776,800)	(29,776,800)
Eliminate child day care rate increase	(10,000,000)	(10,000,000)
Eliminate FIP grant increase	(4,989,600)	(4,989,600)
Renegotiate child support enforcement contract.....	(1,000,000)	(340,000)
Insource child support enforcement project control functions	(2,000,000)	(680,000)
Reduce payment rates to indigent burial providers	(1,700,000)	(1,700,000)
Eliminate FIP work incentive payment	(1,778,300)	0
Eliminate TANF for Michigan after school partnership.....	(25,000)	0
Child day care quality assurance savings	(9,961,600)	(10,000,000)
Eliminate funding for Grand Rapids youth commonwealth	(126,500)	(126,500)
Eliminate funding for boys and girls clubs	(250,000)	(250,000)
Eliminate administrative funding for child day care program.....	(900,000)	(900,000)
Eliminate Kent County child welfare demonstration project.....	(300,000)	(300,000)
Eliminate communities in schools program funding	(200,000)	(200,000)
Virtual storage savings	(327,100)	(101,300)
Eliminate bridges to responsible adulthood	(1,000,000)	(200,000)
Eliminate TANF for family formation grant	(200,000)	0

GOVERNOR'S FY 2009-10 GROSS AND GF/GP CHANGES TO FY 2008-09

Budget Area/Line Items	Governor's Changes	
	Gross	GF/GP
Eliminate Youthville Detroit grant	(100,000)	(100,000)
Eliminate friend of the court State supplement payment.....	(1,000,000)	(1,000,000)
Reduce TANF for community services block grant	(2,600,000)	0
Employment and training IDG reduction	(3,000,000)	(3,000,000)
Eliminate family group decision making	(2,454,700)	0
Eliminate marriage initiative funds.....	(2,475,000)	0
Eliminate TANF for Kent County cascade engineering program	(40,000)	0
Eliminate fatherhood initiative funds.....	(1,725,000)	0
Eliminate funding for zero to three program	(4,000,000)	0
Reduce TANF for community protection and permanency	(4,000,000)	0
Eliminate teenage parent counseling program.....	(3,816,800)	(25,500)
Michigan business one-stop portal.....	17,000	0
Increase IDG to DELEG for administrative hearings/rules.....	1,354,600	677,000
Child support enforcement restricted revenue shift.....	0	(204,000)
Change in Federal Medicaid match rate	0	(8,213,800)
Fund shift bureau of children and adult licensing.....	0	(2,000,000)
Transfer of internal audit function to DMB.....	(810,500)	(336,400)
Statewide microsoft upgrade	1,595,800	561,500
Annualize Executive Order 2008-21 reductions	(1,098,800)	(804,200)
Additional local funding for Medicaid eligibility workers	1,375,000	0
Remove funding for bridges development.....	(17,293,400)	(12,135,100)
Federal stimulus Medicaid match rate savings	0	(16,172,200)
Additional Federal LIHEAP administrative funding	7,800,000	0
Michigan youth opportunity initiative private adjustment.....	(437,500)	0
Reduce food stamp reinvestment funding.....	(1,193,800)	(1,193,800)
Additional Federal authorization for licensing programs	2,800,000	0
Additional Federal administrative funding for TANF.....	9,000,000	0
FIP fund source adjustment	0	(14,477,000)
Foster care payments fund source adjustment.....	(15,690,700)	0
TANF contingency funds for FIP and child day care.....	14,989,600	0
Fund source adjustment for FIP and child day care.....	0	14,989,600
Federal authorization increase prosecuting attorney contracts.....	1,500,000	0
Child care fund source adjustment.....	3,013,500	0
Refugee assistance Federal grant increases	5,000,000	0
Retained child support revenue adjustment.....	0	2,600,000
Administrative adjustment family preservation programs.....	(154,100)	0
Fund shift TANF savings to GF/GP	0	(28,243,400)

GOVERNOR'S FY 2009-10 GROSS AND GF/GP CHANGES TO FY 2008-09

Budget Area/Line Items	Governor's Changes	
	Gross	GF/GP
Fund shift TANF carryforward to GF/GP	0	(100,000,000)
Adjustment in IDG for JET employee economics.....	34,800	10,000
Base adjustment for LIHEAP (contingency fund transfer).....	(122,621,700)	0
Economic adjustments	<u>23,530,400</u>	<u>8,487,400</u>
Total Human Services	\$34,760,900	(\$194,705,500)
Information Technology		
Statewide microsoft upgrade	6,900,000	0
Michigan business one-stop portal	963,200	0
Corrections-system maintenance, new medical records system	1,625,400	0
Corrections-data warehouse for healthcare costs	1,100,000	0
Corrections-savings due to facility closures	(396,000)	0
DHS-child rights settlement costs	3,182,300	0
DHS-child support enforcement system contract changes	(3,000,000)	0
DHS-completion of bridges implementation	(17,293,400)	0
Treasury-secondary collections reduction	(500,000)	0
Remove one-time funding	(210,700)	0
Transfers out	(3,499,600)	0
Administrative reductions and virtual storage savings	(1,568,100)	0
Transfers associated with dissolution of HAL.....	182,700	0
Remove State fair information technology funding	(89,700)	0
Other adjustments	1,700,600	0
Economic adjustments	<u>3,722,100</u>	<u>0</u>
Total Information Technology	(\$7,181,200)	\$0
Judiciary		
Recognize revenue for judicial technology improvement fund.....	350,000	0
Recognize revenue for drunk driving case-flow program.....	300,000	0
Eliminate pilot mental health courts program	(550,000)	(550,000)
2% General Fund reduction (various line-items).....	(1,424,300)	(1,424,300)
Judges' OASI/social security/defined contribution changes.....	338,800	338,800
Economic adjustments	<u>1,164,700</u>	<u>1,100,800</u>
Total Judiciary	\$179,200	(\$534,700)
Legislative Auditor General		
Eliminate one-time technology network migration.....	<u>(63,000)</u>	<u>(63,000)</u>
Total Legislative Auditor General	(\$63,000)	(\$63,000)

GOVERNOR'S FY 2009-10 GROSS AND GF/GP CHANGES TO FY 2008-09

Budget Area/Line Items	Governor's Changes	
	Gross	GF/GP
Legislature		
No changes recommended	<u>0</u>	<u>0</u>
Total Legislature	\$0	\$0
Management and Budget		
Transfer of internal audit function to DMB	(1,223,800)	2,366,400
Statewide microsoft upgrade	279,400	115,900
Annualize Executive Order 2008-21 reductions	(546,800)	(429,600)
Private rent adjustments	266,700	0
State building authority rent adjustments	20,000,000	20,000,000
Transfer of carpenters from State Police	282,700	0
Eliminate State support for State fair	(6,605,300)	0
Transfer of records center and State archives from HAL	3,190,100	2,816,500
Human resources reductions due to corrections facilities closures	(1,170,400)	(1,170,400)
Human resources reductions due to Mt. Pleasant facility closure	(373,900)	(193,200)
Eliminate collections of FOIA fund	(1,100)	0
Statewide cost allocation plan (SWCAP) adjustments	0	(15,200)
Technical adjustments	(252,400)	0
Statewide DIT reduction	(160,000)	(80,400)
Other adjustments	(22,600)	0
Economic adjustments	<u>3,283,600</u>	<u>1,481,700</u>
Total Management and Budget	\$16,946,200	\$24,891,700
Military and Veterans Affairs		
Eliminate one-time War Memorial grant	(5,000)	(5,000)
Eliminate one-time capital outlay projects	(38,400,000)	(450,000)
Medicare authorization increase for veterans homes	900,000	0
Increase for military retirement	190,300	190,300
Increase for starbase program	550,000	0
Increase for training site maintenance	496,000	0
Headquarters and armories communications and personnel	500,000	0
Reduce national guard educational assistance	(350,000)	(350,000)
Increase for Labor Day bridge walk security	10,000	0
Transfer of internal audit function to DMB	(111,700)	(72,500)
Annualize Executive Order 2008-21 reductions	(84,100)	(84,100)
Statewide microsoft upgrade	47,800	16,400
Statewide DIT reduction	(400)	0

GOVERNOR'S FY 2009-10 GROSS AND GF/GP CHANGES TO FY 2008-09

Budget Area/Line Items	Governor's Changes	
	Gross	GF/GP
DIT economic adjustments	23,300	7,800
Economic adjustments	1,850,000	526,800
Total Military and Veterans Affairs	(\$34,383,800)	(\$220,300)
Natural Resources		
Transfer of historical programs from HAL (55.0 FTEs)	5,965,900	4,387,800
Transfer of Mackinac Island State park from HAL (39.0 FTEs)	3,477,200	1,661,000
Motor vehicle permit fee increase	0	0
Snowmobile easement grants	700,000	0
Increase in State park endowment funding	1,000,000	0
Capital outlay increase	850,400	0
National recreation trails Federal increase	1,800,000	0
Transfer of internal audit function to DMB	(489,300)	(40,900)
Other changes	(1,676,200)	(13,100)
Economic adjustments	3,971,800	187,000
Total Natural Resources	\$15,599,800	\$6,181,800
School Aid		
Technical baseline cost adjustments	(251,065,200)	0
\$59 per pupil reduction in operational funding	(94,400,000)	0
Reduce ISD operations by 20.0%	(16,344,200)	0
Reduce grants to section 20j districts by 19.0%	(10,000,000)	0
Adjust Wayne-Westland/Gibraltar/Huron/Garden City foundation	(8,218,300)	0
Eliminate Dearborn's at-risk payment	(5,875,000)	0
50% cut in declining enrollment grants for small/rural districts	(5,300,000)	0
Eliminate ISD ages 0-5 program	(5,000,000)	0
Reduce adult education	(4,000,000)	0
Eliminate bilingual education	(2,800,000)	0
Eliminate great start ages 0-3 child abuse prevention	(2,125,000)	0
Eliminate Grosse Pointe and Harper Woods payments	(1,500,000)	0
Eliminate Michigan Business Tax hold harmless funding	(1,300,000)	0
Eliminate small district transportation grants	(1,275,000)	0
Eliminate pre-college engineering funds	(980,100)	0
Reduce testing costs	(941,300)	0
Reduce Redford Union, Chippewa Valley, Clintondale	(850,000)	0
Eliminate isolated district funding	(750,000)	0
Eliminate after-school math	(725,000)	0
Eliminate supplemental payments in lieu of levying mills	(704,000)	0

GOVERNOR'S FY 2009-10 GROSS AND GF/GP CHANGES TO FY 2008-09

Budget Area/Line Items	Governor's Changes	
	Gross	GF/GP
Eliminate Pontiac crisis intervention, gifted/talented	(585,000)	0
Eliminate cultural access, newslines, voc ed at Oakland ISD.....	(568,700)	0
Total School Aid	(\$415,306,800)	\$0
State		
Transfer of internal audit function to DMB.....	(148,600)	0
Statewide microsoft upgrade.....	266,700	47,200
Michigan business one-stop portal.....	54,000	0
Annualize Executive Order 2008-21 reductions.....	(132,600)	(132,600)
Statewide DIT reduction.....	(35,400)	(3,200)
Eliminate Help America Vote Act Federal funding	(3,863,700)	0
Economic adjustments	3,120,200	2,172,000
Total State	(\$739,400)	\$2,083,400
State Police		
Trooper attrition savings.....	(3,400,000)	(3,400,000)
Reduce trooper and specialty teams overtime.....	(2,327,400)	(2,327,400)
Eliminate Capitol security guard unit.....	(1,124,800)	(476,400)
Increase forensic science for Detroit caseloads.....	5,021,600	4,232,600
MSP post lease reductions.....	(600,000)	(600,000)
Reduce uniform services CSS&M.....	(600,000)	(600,000)
Reduce fleet leasing costs	(1,000,000)	(1,000,000)
Closure of Marquette forensic lab	(360,000)	(360,000)
Completion of AFIS upgrade	(1,000,000)	(1,000,000)
Eliminate vacant positions	(1,028,000)	(1,028,000)
Revenue adjustments for Federal and restricted funds	(4,927,100)	0
Fund shifts from GF/GP to restricted revenue.....	0	(17,427,100)
Fund shift from restricted revenue to GF/GP	0	1,900,000
Eliminate one-time police allocation grant.....	(200,000)	(200,000)
Increase Michigan justice training fund grant to MSP	400,000	0
Statewide microsoft upgrade.....	439,400	291,600
Transfer of internal audit function to DMB.....	(68,900)	(47,900)
Transfer of carpenter unit to DMB	(282,700)	(282,700)
Statewide DIT reduction	(34,200)	(22,800)
DIT economic adjustments.....	303,900	220,000
Economic adjustments (included \$3.7 million for new HQ rent).....	17,728,100	15,681,000
Total State Police.....	\$6,939,900	(\$6,447,100)

GOVERNOR'S FY 2009-10 GROSS AND GF/GP CHANGES TO FY 2008-09

Budget Area/Line Items	Governor's Changes	
	Gross	GF/GP
Transportation		
Adjust scheduled debt service payments	59,133,700	0
Adjust IDG amounts	(234,600)	0
Decrease Federal aid road construction	(246,049,300)	0
Decrease road and bridge programs - revenue adjustment.....	(110,288,200)	0
Decrease airport grants and capital outlay - revenue adjustment.....	(50,910,000)	0
Adjust CTF expenditures - revenue adjustment.....	(9,871,800)	0
Increase safe routes to schools.....	2,500,000	0
Eliminate forest roads earmark	(40,000)	0
Expand intelligent transportation systems operations.....	612,600	0
Adjust other expenditures - revenue adjustment.....	3,624,500	0
Other adjustments	542,800	0
Economic adjustments	6,872,000	0
Total Transportation.....	(\$344,108,300)	\$0
Treasury-Debt Service		
Water pollution control bond adjustment.....	(65,500)	(65,500)
Quality of life bond adjustment	430,000	430,000
Clean Michigan initiative adjustment.....	(3,470,000)	(3,470,000)
Great lakes water quality bond adjustment	2,160,000	2,160,000
Total Treasury-Debt Service.....	(\$945,500)	(\$945,500)
Treasury-Operations		
Telephone/telegraph reappraisals	500,000	500,000
PILT adjustment	200,000	100,000
State tax commission updated assessors' manual	400,000	0
Attorney general charges	375,900	21,600
Statewide microsoft upgrade.....	240,700	46,300
Michigan business one-stop portal.....	14,600	0
Investment oversight	300,000	0
Increase for tobacco stamp contract	200,000	0
Principal residence exemption hearings referee	160,000	0
Completion of Michigan business tax implementation	(6,500,000)	(6,500,000)
Senior citizen cooperative housing exemption adjustment	(316,500)	(316,500)
Renaissance zone program adjustment.....	(11,500)	(11,500)
Move lottery advertising authorization to boilerplate	(18,622,000)	0

GOVERNOR'S FY 2009-10 GROSS AND GF/GP CHANGES TO FY 2008-09

Budget Area/Line Items	Governor's Changes	
	Gross	GF/GP
Move commercial mobile radio service payments to boilerplate.....	(11,100,000)	
Insource secondary collection activities	(1,100,000)	
Transfer of lottery internal audit function to DMB.....	(132,700)	
Michigan transportation fund adjustment	128,200	0
Eliminate Michigan education savings program	(800,000)	
Unclassified position funding shift	5,000	(60,000)
Blackstone settlement to be paid in full FY 2008-09	(2,000,000)	(2,000,000)
Field collection services.....	895,000	895,000
Income tax processing automation.....	150,000	150,000
Lottery sales representatives	835,000	0
Casino gaming auditor for new casino	88,500	0
IT adjustments and travel reduction	(240,900)	(112,500)
Economic adjustments	4,070,600	739,700
Total Treasury-Operations	(\$32,260,100)	(\$6,547,900)
Treasury-Revenue Sharing		
Increase for county revenue sharing	46,752,700	0
Total Treasury-Revenue Sharing	\$46,752,700	\$0
Treasury-Strategic Fund		
Annualize EDJT grants Executive Order 2008-21 reduction.....	(149,000)	(149,000)
Restore vetoed funding for 21 st century jobs fund	13,000,000	0
Transfer cultural and economic development from HAL	335,200	335,200
Transfer arts grants administration from HAL	499,900	471,900
Establish new arts and cultural institution planning grants.....	1,822,000	1,000,000
Eliminate business incubator line-item	(1,250,000)	0
Economic adjustments	232,600	195,800
Total Treasury-Strategic Fund	\$14,490,700	\$1,853,900
Total All Budget Areas	\$(436,578,700)	\$(607,522,600)

PAYMENTS TO LOCAL UNITS OF GOVERNMENT

The FY 2009-10 appropriation recommendation includes \$15.8 billion of estimated payments to local units of government. This exceeds the required level of payments to local units of government pursuant to Article IX, Section 30 of the State Constitution by \$2.7 billion. Table 23 provides a summary of this estimate.

Table 23

STATE PAYMENTS TO LOCAL UNITS OF GOVERNMENT ARTICLE IX, SECTION 30 REQUIREMENT (Millions of Dollars)	
	FY 2009-10 Estimate
State Spending from State Resources	\$26,880.8 ^{a)}
Required Payments to Local Units of Government (48.97%)	13,163.5
Actual or Estimated Payments to Locals	15,831.2
Actual Percentage of Total State Spending.....	58.89%
Surplus of Section 30 Payments.....	2,667.7
^{a)} Does not include \$17.0 million of Federal aid counted as GF/GP revenue.	

STATE EMPLOYMENT

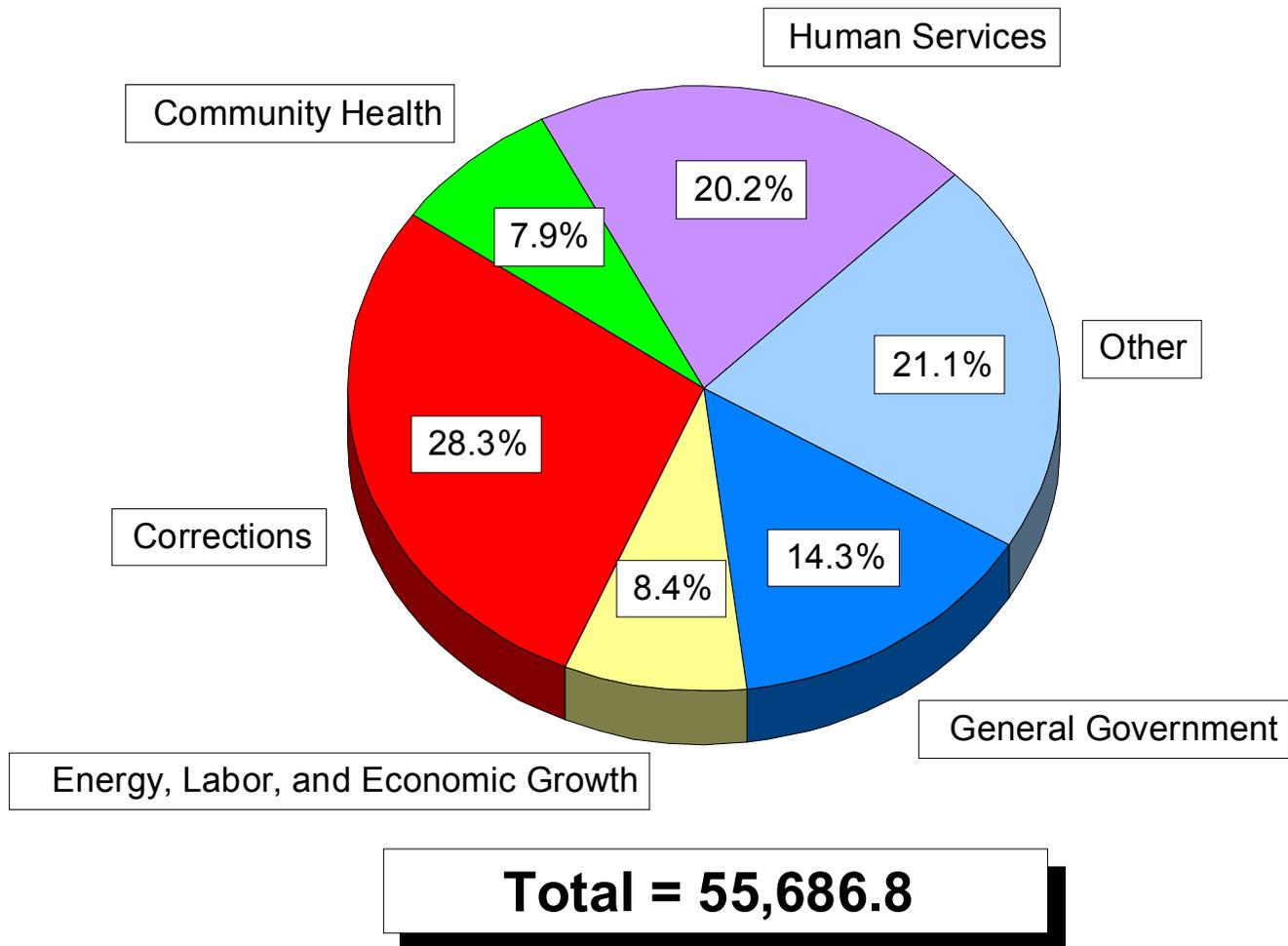
Table 24 and Figure E provide a comparison of the classified full-time equated positions (FTEs) recommended by the Governor for FY 2009-10 with the appropriated level of FTEs during FY 2008-09. The recommendation includes the funding of 55,686.8 FTEs during FY 2009-10. This represents a decrease of 596.3 FTEs from the current fiscal year. Many of the departmental FTE numbers are affected by the proposed elimination of HAL and the shifting of these employees to other departments. The major increase in recommended FTEs involves increased staffing in the DHS, where 850 new FTEs are recommended as a result of the settlement between the State and children's rights groups regarding child protection programs in the Department. The major reduction in FTEs is a 1,340.9 FTE decrease in the DOC. This reduction is the result of proposals to close unspecified State prisons and or prison camps.

Table 24
FULL-TIME EQUATED POSITIONS
FY 2008-09 VERSUS GOVERNOR'S RECOMMENDATION

Department/Budget Area	FY 2008-09 Year-to-Date Appropriations	FY 2009-10 Governor's Recommendation	Position Change	Percent Change
Agriculture	594.5	591.5	(3.0)	(0.5)%
Attorney General	537.0	537.0	0.0	0.0
Civil Rights	127.0	125.0	(2.0)	(1.6)
Community Health	4,602.7	4,380.1	(222.6)	(4.8)
Corrections	17,087.0	15,746.1	(1,340.9)	(7.8)
Education	482.5	552.5	70.0	14.5
Energy, Labor, and Economic Growth	4,325.0	4,664.5	339.5	7.8
Environmental Quality	1,520.7	1,474.7	(46.0)	(3.0)
Executive	74.2	74.2	0.0	0.0
Higher Education	1.0	1.0	0.0	0.0
History, Arts, and Libraries	226.0	0.0	(226.0)	(100.0)
Human Services	10,401.8	11,221.5	819.7	7.9
Information Technology	1,657.0	1,632.0	(25.0)	(1.5)
Judiciary	491.0	491.0	0.0	0.0
Management and Budget	1,424.0	1,410.0	(14.0)	(1.0)
Military and Veterans Affairs	985.0	985.0	0.0	0.0
Natural Resources	2,167.9	2,261.9	94.0	4.3
State	1,809.0	1,809.0	0.0	0.0
State Police	2,924.0	2,859.0	(65.0)	(2.2)
Transportation	3,008.3	3,008.3	0.0	0.0
Treasury (Operations)	1,684.5	1,702.5	18.0	1.1
Treasury (Strategic Fund)	153.0	160.0	7.0	4.6
TOTAL POSITIONS	56,283.1	55,686.8	(596.3)	(1.1)%

Figure E

Full-Time Equated Positions FY 2009-10 Governor's Recommendation



PROJECTED YEAR-END BALANCES

Combining the Governor's FY 2009-10 appropriation recommendations with the consensus revenue estimates and the recommended revenue policy changes included in the budget leads to updated estimates of the FY 2009-10 GF/GP and SAF year-end balances. Assuming all of the Governor's revenue and appropriation recommendations are enacted, the FY 2009-10 GF/GP budget will close the fiscal year with a \$5.5 million balance. The FY 2009-10 SAF budget, as recommended by the Governor, will close the fiscal year with a \$0.0 balance. Tables 25 and 26 provide a summary of these estimates.

Table 25

FY 2009-10 GENERAL FUND/GENERAL PURPOSE CONSENSUS REVENUE AND PROPOSED ADJUSTMENTS (Millions of Dollars)	
Consensus Revenue Estimate (January 9, 2009)	\$7,934.5
Proposed Revenue Adjustments:	
Revenue Sharing Adjustments	\$466.8
Charging School Aid Fund for Short-Term Borrowing Costs.....	45.0
Michigan Business Tax Changes (P.A. 435, 472, 507, and 572 of 2008).....	(9.5)
Use Tax on HMOs (P.A. 440 of 2008).....	334.8
Liquor Revenue Deposit to General Fund	24.1
Enhanced Tax Enforcement	13.2
Cybershame (Publicizing Major Delinquent Taxpayers).....	5.0
Use Tax on International and Interstate Communications.....	9.7
Taxation of In-state Trucks and Trailers	14.0
Oil and Gas Income Tax Deduction.....	3.1
Tobacco Products Tax (Doubling Tax Rate on Noncigarettes)	45.0
Suspension of Personal Income Tax Indexing	46.4
Sales Tax Bad Debt Deduction.....	3.2
Sales Tax Collection Allowance.....	0.8
Tobacco Tax Collection Allowance.....	1.9
Total GF/GP Revenue in Governor's Budget	\$8,938.0
Expenditures:	
Governor's Appropriation Recommendations.....	\$8,960.0
State Employee Concessions.....	(27.5)
Total Projected Expenditures	\$8,932.5
Governor's Projected Year-End Balance	\$5.5

Table 26
FY 2009-10 SCHOOL AID FUND
REVENUE, EXPENDITURES, AND YEAR-END BALANCE
(Millions of Dollars)

	Gov's Rec.
Revenue:	
Beginning Balance	\$0.0
FY 2009-10 Consensus Revenue Estimate.....	11,295.8
GF/GP Grant.....	40.8
Revenue Enhancements	45.8
Tax Enforcement.....	4.4
Lottery Revenue Increase.....	15.0
Federal Aid.....	1,561.8
Total Estimated Revenue	\$12,963.6
Expenditures:	
Governor's Appropriation Recommendation.....	\$12,963.6
Total Potential Expenditures	\$12,963.6
Projected Year-End Balance	\$0.0

ECONOMIC AND REVENUE FORECAST

ECONOMIC FORECAST

The Governor's proposed budget for FY 2009-10 is based on the consensus economic forecast adopted at the January 9, 2009, Consensus Revenue Estimating Conference. This economic forecast is summarized in [Table 27](#).

U.S. Economy. The U.S. economy fell into a recession in December 2007 and, by the end of 2008, economic conditions had deteriorated considerably. During the first half of 2008, the economy was feeling the ill effects of the ongoing collapse of the housing market. Housing prices, sales of new and existing homes, and construction of new houses all fell to historically low levels. At the same time, the price of oil rose to historically high levels and peaked in July at over \$140 per barrel. Payroll employment declined an average of 137,000 jobs per month from January through August, for a total decline of over 1.0 million jobs.

The combination of falling home values and declining employment, together with the sub-prime mortgage crises, resulted in sharp increases in home foreclosures and home mortgage payment delinquencies. Over the past several years, many mortgage loan originators had bundled and sold mortgages to other financial and investment institutions, and as a result, by 2008 the financial loss associated with the sub-prime mortgages and other bad mortgages was being felt throughout the financial sector. The fear of being negatively affected by bad mortgage-related investments caused financial institutions to severely tighten their credit standards and loans between banks all but stopped. Despite interest rate cuts and large infusions of liquidity into the banking system on the part of the Federal government, the credit crunch and instability in the financial markets grew, which further slowed economic activity. During the final quarter of 2008, real Gross Domestic Product (GDP) declined 6.2%, marking the sharpest quarterly contraction since the first quarter of 1982. The contraction was widespread and included further severe declines in the housing market and motor vehicle sales, and there was a marked acceleration in the decline in employment. During the last four months of 2008, payroll employment declined by 2.0 million jobs, for an average monthly loss of almost 495,000 jobs.

In 2009, overall economic activity is expected to decline at a rate of 1.9%, as measured by real GDP, and then rebound modestly in 2010 with renewed growth at a rate of 1.6%; however, based on this forecast, real GDP in 2010 will remain below the 2008 level. The unemployment rate will increase to an estimated 8.2% in 2009 from 5.7% in 2008, and then will continue to edge up to a level of 8.7% in 2010. Light vehicle sales are expected to remain at historically low levels in 2009 and 2010. After falling from 16.1 million units in 2007 to 13.1 million units in 2008, light vehicle sales are expected to drop to 10.8 million units in 2009 and then increase modestly to 12.2 million units in 2010. Even with this increase in 2010, light vehicle sales will remain below the 2007 level by almost 25.0%.

Michigan Economy. Michigan's economic activity was also very weak in 2008. Wage and salary employment declined 1.7% from the 2007 level to 4.19 million workers. This marked the eighth consecutive year that wage and salary employment declined from the previous year's level. During these eight years, Michigan lost 637,000 jobs, a decline of 13.6%. As a result of this weakness in the labor market, the unemployment rate increased to 8.4% in 2008 from 7.2% in 2007. Personal income, the total income received by individuals from all sources, rose 2.4% in 2008, but after adjusting for inflation, it was down 0.5%.

In 2009 and 2010, Michigan's economy is expected to remain in a recession. Wage and salary employment will decline another 4.6% in 2009 to an estimated 4.0 million workers, and then decline an estimated 2.0% to 3.9 million workers in 2010. This drop in wage and salary employment will push up the unemployment rate to an estimated 10.9% in 2009 and 11.2% in 2010. Personal income adjusted for inflation will decline an estimated 1.7% in 2009 and then decline an additional 1.2% in 2010. Inflation, as measured by the Detroit Consumer Price Index, will measure only 0.4% in 2009 and 2.0% in 2010.

Table 27

CONSENSUS ECONOMIC FORECAST: 2009 AND 2010							
JANUARY 9, 2009							
	Calendar 2007	Calendar 2008	% Change From Prior Year	Calendar 2009 Forecast	% Change From Prior Year	Calendar 2010 Forecast	% Change From Prior Year
United States:							
Real Gross Domestic Product (billions of chained 2000 dollars)	\$11,524	\$11,662	1.2%	\$11,440	(1.9)%	\$11,623	1.6%
Consumer Price Index (1982-84=100)	207.3	216.0	4.0%	217.5	0.7%	222.9	2.5%
3-Month Treasury Bills (Interest Rate, %)	4.4	1.4	---	0.4	---	1.0	
Unemployment Rate (%)	4.6	5.7	---	8.2	---	8.7	
Light Vehicle Sales (millions of units)	16.1	13.1	(18.6)%	10.8	(17.6)%	12.2	13.0%
Michigan:							
Wage and Salary Employment (thousands)	4,262	4,190	(1.7)%	3,997	(4.6)%	3,917	(2.0)%
Unemployment Rate (%)	7.2	8.4		10.9		11.2	
Personal Income (billions of dollars)	\$345,885	\$354,187	2.4%	\$349,583	(1.3)%	\$352,379	0.8%
Real Personal Income (billions of 1982-84 \$s)	\$172,831	\$171,935	(0.5)%	\$169,044	(1.7)%	\$167,004	(1.2)%
Detroit Consumer Price Index (1982-84=100)	200.1	206.0	2.8%	206.8	0.4%	211	2.0%

Source: Consensus Revenue Agreement, Executive Summary, January 9, 2009

REVENUE ESTIMATES

Based on the economic forecast summarized above, combined with the current tax structure and the Governor's proposed tax policy changes and other proposed revenue adjustments, it is estimated that revenue totaling \$43.9 billion will be available in FY 2009-10 to support Governor Granholm's proposed budget. This represents a 1.0% decrease from the revised estimate of the total revenue that the Governor expects will be available for FY 2008-09. Estimates of the total revenue on which the Governor's proposed budget is based are summarized in Table 28.

Table 28

GOVERNOR'S PROJECTED TOTAL STATE REVENUE: FY 2008-09 AND FY 2009-10

(Millions of Dollars)

	FY 2007-08 Final	FY 2008-09 Estimate	% Change FY '09/FY '08	FY 2009-10 Estimate	% Change FY '10/FY '09
General Fund/General Purpose					
Beginning Balance	\$259.1	\$457.9	---	0.0	---
Revenue From Ongoing Sources ¹⁾	9,359.7	8,306.1	(11.3)%	\$7,934.4	(4.5)%
Proposed Tax/Revenue Changes	0.0	86.8	---	166.4	---
One-Time Revenue Adjustments & Other	754.3	698.1	7.5	837.2	19.9
Total GF/GP Revenue	\$10,373.1	\$9,548.9	(7.9)%	\$8,938.0	(6.4)%
School Aid Fund:					
Beginning Balance	82.4	247.1	---	0.0	(100.0)
Ongoing Earmarked Tax & Lottery Revenue ¹⁾	11,513.2	11,368.7	(1.3)	11,295.8	(0.6)
Proposed Tax/Revenue Changes	0.0	0.0	---	65.2	---
Other Revenue (General Fund Grant, Federal Aid . . .)	1,437.6	1,647.0	14.6	1,602.6	(2.7)
Total SAF Revenue	\$13,033.2	\$13,262.8	1.8%	\$12,963.6	(2.3)%
Other Funds:					
General Fund/Special Purpose & Special Revenue Funds	\$17,245.1	\$17,355.6	0.6%	\$18,324.7	5.6%
Transportation Funds	4,041.8	4,643.0	14.9	4,107.1	(11.5)
<u>Fund Balances:</u>					
Restricted General Fund Subfunds Unreserved Balances	330.6	366.2	10.8	366.2	0.0
Special Revenue Fund Balances	<u>175.5</u>	<u>174.9</u>	<u>(0.3)</u>	<u>174.9</u>	<u>0.0</u>
Total Fund Balances	506.1	541.1	6.9	541.1	0.0
Total Other Funds with Beginning Balance	21,793.0	22,539.7	3.4	22,972.9	1.9
Gross Revenue	\$45,199.3	\$45,351.4	0.3%	\$44,874.5	(1.1)%
Less Interfund Transfers	(1,238.9)	(980.9)	(20.8)	(929.8)	(5.2)
Net Total Revenue	\$43,960.4	\$44,370.5	0.9%	\$43,944.7	(1.0)%

¹⁾ Estimates adopted at the January 9, 2009, Consensus Revenue Estimating Conference.

Source: Governor's Executive Budget for FY 2008-09, Appendix C, State Budget Office Balance Sheets (February 12, 2009), and Senate Fiscal Agency.

Following are summaries of the Governor's proposed tax policy changes, and the revenue estimates on which the Governor's proposed General Fund/General Purpose and School Aid Fund budgets are based.

PROPOSED TAX POLICY CHANGES

The Governor's proposed budget includes a number of tax policy and tax enforcement changes that would generate an estimated \$207.5 million in new revenue beginning in FY 2009-10. The General Fund would receive \$142.3 million of this proposed new revenue and the remaining \$65.2 million would go to the School Aid Fund. Unless otherwise noted, these proposed changes would require legislative action. These proposed tax policy changes are summarized below and their respective fiscal impacts are presented in [Table 29](#).

Table 29

GOVERNOR'S PROPOSED TAX AND REVENUE INCREASES: FY 2009-10			
Proposed Tax/Revenue Increase	State Government Fiscal Impact		
	GF/GP	School Aid Fund	Total
Sales & Use Taxes:			
Eliminate exemptions for international calls, WATS, 800 call centers, & interstate private networks.	\$9.7	\$4.8	\$14.5
Reduce exemption for interstate truck and trailer purchases.	14.0	7.0	21.0
Reduce the sales tax bad debt deduction by 20%.	3.2	8.8	12.0
Reduce sales tax collection allowance by 20%.	0.8	2.3	3.1
Send letters reminding businesses use tax is due on out-of-state purchases.	1.7	0.8	2.5
Subtotal Sales & Use Taxes	\$29.4	\$23.7	\$53.1
Income Tax			
Eliminate oil and gas expense double deduction.	\$3.1	\$1.0	\$4.1
Create auto correction system to identify common errors on income tax returns, freeing staff to identify additional errors.	3.7	0.4	4.1
Suspend the indexed increase in the personal exemption for tax years 2009 and 2010.	46.4	10.6	57.0
Subtotal Income Tax	\$53.2	\$12.0	\$65.2
Tobacco Tax			
Double the other tobacco products tax from 32% to 64% of the wholesale price to make tax comparable with cigarette tax.	\$45.0	\$0.0	\$45.0
Reduce the tobacco tax collection allowance by 20%.	1.9	1.3	3.2
Subtotal Tobacco Tax	\$46.9	\$1.3	\$48.2
Other Tax and Revenue Increases			
Commercial rental property: exempt from property tax and assess new specific tax.	\$0.0	\$10.0	\$10.0
Tax enforcement: Increase effort to make sure businesses comply with tax filing requirements.	7.8	3.2	11.0
Lottery: Increase ticket terminals and advertising.	0.0	15.0	15.0
"Cybershame": Publicize names of major delinquent taxpayers.	5.0	0.0	5.0
Subtotal Other	\$12.8	\$28.2	\$41.0
Total Proposed Tax Increases	\$142.3	\$65.2	\$207.5

Sales and Use Taxes

Telecommunications. Some telecommunication services are exempt from the use tax, while others are taxed. For example, an intrastate call to Sault Ste. Marie, Michigan, is taxed, but an international call to Sault Ste. Marie, Ontario, is not taxed. The Governor is proposing that the use tax be extended to international calls, as well as WATS services, 800 call centers, and interstate private networks.

Interstate Trucks. Trucks, trailers, and parts are exempt from the sales and use taxes if 10.0% or more of the vehicle's miles traveled will occur outside of Michigan. The Governor is proposing to reduce this exemption to the percentage of a vehicle's total miles that will occur outside of Michigan. For example, if 50.0% of a truck's miles are traveled outside Michigan, then it would receive a 50.0% exemption.

Bad Debt Deduction. Retailers must remit to the State the sales tax they charge their customers; however, retailers are allowed to deduct from the sales tax they must remit from current sales the sales tax from previous sales that were subsequently never paid by the customer. The Governor is proposing to reduce these bad debt deductions from 100% of the bad debt amount to 80.0%.

Collections Allowance. To help cover costs incurred in collecting the sales tax, retailers are allowed to keep 0.75% of the sales and use tax they collect in any given month, not to exceed \$20,000, if they remit the tax by the 12th of the following month; or, if they remit the tax from the 13th to the 20th of the following month, they are allowed to retain 0.5%. The Governor is proposing to reduce the collection allowance to 80.0% of the current amount.

Use Tax Letters. The Governor is proposing that the Treasury Department send letters to businesses reminding them that they owe tax on all items they purchase from other states that are then brought into Michigan. This change would not require any new legislation.

Income Tax

Personal Exemption. Currently, the income tax personal exemption is indexed annually to inflation. As a result of this indexing, it increased from \$3,500 in 2008 to \$3,600 on January 1, 2009, and is expected to increase another \$100 to \$3,700 in 2010. The Governor is proposing that all indexed increases be suspended in 2009 and 2010.

Oil and Gas Deduction. Net income from oil and gas production is subject to the severance tax and not Michigan's income tax; however, due to a court decision, oil and gas production companies are still able to deduct certain production expenses when calculating their Michigan income tax. The Governor is proposing that this double deduction be eliminated.

Automation of Income Tax Return Corrections. The Governor is proposing that an auto-correction system be established to review and correct income tax returns.

Tobacco Tax

Other Tobacco Products Tax. Currently, tobacco products other than cigarettes are taxed at 32.0% of their wholesale price, while cigarettes are taxed at \$2 per pack. Given the current range of cigarette prices, the cigarette tax is equivalent to 80.0% to 150.0% of the wholesale price of cigarettes. The proposal is to double the tax on other tobacco products to make the tax more equivalent to the cigarette tax.

Collection Allowance. Businesses licensed to sell tobacco products are allowed to keep 1.5% of the cigarette tax they collect and 1.0% of the other tobacco products tax they collect to cover their collection costs. The Governor's proposal is to reduce these collection allowances to 80.0% of their current levels.

Other Tax & Revenue Increases

Commercial Rental Property. Commercial rental property values tend to vary directly with changes in occupancy levels. Currently, the taxable value of commercial rental property fully reflects the decline in value when occupancy falls, but the true increase in value cannot be realized when occupancy increases due to the restrictions on the annual increase in a property's taxable value. To help remedy this problem, the Governor is proposing that commercial rental property be exempt from the property tax and instead become subject to a new specific tax that would allow commercial property values to be freely adjusted up or down as occupancy changes.

Compliance Enforcement. The Governor is proposing that a recent compliance enforcement pilot project be expanded statewide to make sure all active businesses are registered for sales and withholding taxes and are filing the proper tax returns.

Lottery Revenue Increase. The Governor wants to increase lottery advertising spending to an amount equal to 1.0% of the previous year's ticket sales. This change in combination with a recently signed new gaming system contract, which will increase the number of ticket terminals, would help boost overall lottery ticket sales and net revenue to the State.

"Cybershame". To encourage major delinquent taxpayers to pay their back taxes, the Governor is proposing that the names of taxpayers with delinquent tax liabilities in excess of \$100,000 be published on the internet, but only after the taxpayer has been contacted and given the opportunity to arrange payment of the back taxes.

GENERAL FUND/GENERAL PURPOSE AND SCHOOL AID FUND

Two of the major funds in the overall State budget are the General Purpose portion of the General Fund (GF/GP) and the School Aid Fund (SAF). These two funds account for \$21.9 billion, or 49.9% of the total State government revenue estimated for FY 2009-10. A breakdown of the GF/GP and SAF revenue estimates for FY 2008-09 and FY 2009-10 are presented in Tables 30 and 31, respectively. The estimates for GF/GP and SAF revenue derived from ongoing revenue sources and enacted tax policy changes are the consensus estimates adopted by the Granholm Administration, Senate Fiscal Agency, and House Fiscal Agency at the January 9, 2009, Consensus Revenue Estimating Conference. In addition to the consensus estimates, the total GF/GP and SAF revenue estimates include the

Administration's estimates of one-time revenue adjustments, grants and transfers, Federal aid, beginning carry-over balances, and the impact of the Governor's proposed tax, revenue, and fee increases.

General Fund/General Purpose Revenue

As shown in Table 30, GF/GP revenue is expected to total \$8.94 billion in FY 2009-10, which represents a 6.4% decrease from the FY 2008-09 revised estimate. This significant decline in total GF/GP revenue is attributable to two major factors: 1) FY 2008-09 has a carry-over balance of \$457.9 million, while no carry-over balance is projected for FY 2009-10; and 2) revenue from ongoing revenue sources is expected to decline 4.5% in FY 2009-10 due to continued weakness in economic activity and to the costs of two new enacted tax credits. The earned income tax credit will reduce GF/GP income tax revenue an estimated \$315.0 million in FY 2009-10 and the film tax credit will lower GF/GP revenue a net \$145.9 million. In addition to the revenue from ongoing sources, the Governor's proposed GF/GP budget for FY 2009-10 includes the following revenue:

- **Revenue Sharing Savings.** The Governor is proposing to freeze revenue sharing payments to local governments at their FY 2008-09 levels. This freeze will provide an additional \$466.8 million in sales tax revenue to the General Fund.
- **Medicaid Provider Tax.** The new Medicaid provider tax, which extends the 6.0% use tax to Medicaid managed care organizations, will go into effect on April 1, 2009, and is expected to generate \$161.5 million during the second half of FY 2008-09 and \$334.8 million in FY 2009-10.
- **Proposed Tax Policy/Enforcement Changes.** The Governor is proposing a number of tax increases, tax enforcement enhancements, and other revenue increases that would generate an estimated \$142.3 million in FY 2009-10, as shown in Table 29.
- **Liquor Fees.** Under the Governor's proposed budget, liquor fees would be increased and would generate \$24.1 million in new revenue.

School Aid Fund

School Aid Fund revenue available for spending in FY 2009-10 will total an estimated \$13.0 billion, representing a 2.3% decrease from the revised estimate for FY 2008-09. Much of this projected decline in SAF revenue is due to the fact that FY 2008-09 had \$247.1 million in a beginning balance, while no revenue is expected to be carried over into FY 2009-10. The estimate of SAF revenue in FY 2009-10 is summarized in Table 31. The SAF revenue estimate for FY 2009-10 includes ongoing earmarked tax and lottery revenue totaling an estimated \$11.3 billion. This estimate of ongoing earmarked revenue is down 0.6% from the estimate for FY 2008-09, primarily due to the expectation that economic activity will continue to be weak. In addition, the SAF revenue estimate for FY 2008-09 includes a grant from the GF/GP budget proposed at \$40.8 million and Federal aid of \$1.56 billion. The Governor's FY 2009-10 School Aid Fund proposed budget also includes some new revenue from the following sources:

- **Proposed Tax Policy/Enforcement Changes.** The proposed tax increases and tax enforcement enhancements outlined in Table 29 would generate an estimated \$50.2 million for the SAF in FY 2009-10.

- **Lottery Revenue.** A new computer system contract, together with a proposed increase in advertising spending will generate an estimated \$15.0 million in additional lottery revenue in FY 2009-10.

Table 30
GENERAL FUND/GENERAL PURPOSE REVENUE ESTIMATES
FY 2008-09 AND FY 2009-10
(Millions of Dollars)

	FY 2008-09	FY 2009-10	Percent Change
Beginning Balance	\$457.9	\$0.0	(100.0)%
Consensus Estimates for Ongoing Revenue Sources¹⁾			
Taxes			
Net Income Tax	4,510.2	4,093.7	(9.2)
Single Business Tax	(43.2)	0.0	(100.0)
Michigan Business Tax.....	1,857.7	1,802.8	(3.0)
Sales.....	66.9	93.6	39.9
Use	845.0	888.0	5.1
Cigarette	208.7	203.8	(2.3)
Insurance Company Premiums	238.8	242.4	1.5
Telephone & Telegraph	74.0	73.0	(1.4)
Casino	4.1	0.0	(100.0)
All Other Taxes.....	196.5	196.7	0.1
Subtotal Taxes.....	7,958.7	7,594.0	(4.6)
Nontax Revenue.....	347.4	340.4	(2.0)
Total GF/GP Consensus Revenue Estimates	\$8,306.1	\$7,934.4	(4.5)%
Revenue Sharing Savings	536.6	466.8	(13.0)
Use Tax Medicaid Provider Tax	161.5	334.8	107.3
Other Revenue Adjustments ²⁾	86.8	35.5	(59.1)
Proposed Tax Policy/Enforcement Changes ³⁾	0.0	142.3	---
Proposed Liquor Fee Increases	0.0	24.1	---
Total GF/GP Revenue Current Fiscal Year	\$9,091.0	\$8,938.0	(1.7)%
Total GF/GP Revenue with Beginning Balance.....	\$9,548.9	\$8,938.0	(6.4)%
¹⁾ Estimates adopted at the January 9, 2009, Consensus Revenue Estimating Conference. ²⁾ Includes the following: \$45.0 million for SAF payment of short-term borrowing, \$20.0 million transfer from 21 st Century Jobs Trust Fund, \$25.0 million transfer from the escheats fund, other revenue adjustments totaling \$12.0 million, and the loss of \$15.2 million due to various enacted changes to Michigan Business Tax not included in consensus estimate. ³⁾ Includes proposed tax changes that would increase revenue from the following taxes: sales and use taxes \$29.4 million, income tax \$53.2 million, tobacco tax \$46.9 million, and \$12.8 million from various taxes due to general enforcement improvements and a proposed "cybershame" program.			

Table 31
SCHOOL AID FUND REVENUE ESTIMATES
FY 2008-09 AND FY 2009-10
(Millions of Dollars)

	FY 2008-09	FY 2009-10	Percent Change
Beginning Balance	\$247.1	\$0.0	(100.0)%
Consensus Estimates for Earmarked Tax and Lottery Revenue: ¹⁾			
Sales Tax and Use Tax	5,142.4	5,175.0	0.6
Income Tax.....	1,989.5	1,931.5	(2.9)
State Education Property Tax	2,010.2	1,959.2	(2.5)
Real Estate Transfer Tax	144.3	149.3	3.5
Michigan Business Tax	729.0	734.1	0.7
Tobacco Taxes.....	415.2	405.0	(2.5)
Casino Gaming Tax.....	113.9	115.4	1.3
Other Tax Revenue	<u>124.0</u>	<u>124.3</u>	<u>0.2</u>
Subtotal Taxes.....	10,668.6	10,593.8	(0.7)
Lottery.....	700.1	702.0	0.3
Subtotal Earmarked Tax and Lottery Consensus Estimate	\$11,368.7	\$11,295.8	(0.6)%
GF/GP Grant	85.0	40.8	(52.0)
Federal Aid	1,562.0	1,561.8	(0.0)
Proposed Tax Policy/Enforcement Changes ²⁾	0.0	50.2	---
Proposed Lottery Changes.....	0.0	15.0	---
Total SAF Revenue Current Fiscal Year	\$13,015.7	\$12,963.6	(0.4)%
Total SAF Revenue with Beginning Balance	\$13,262.8	\$12,963.6	(2.3)%
¹⁾ Estimates adopted at the January 9, 2009, Consensus Revenue Estimating Conference. ²⁾ Includes proposed tax changes that would increase revenue from the following taxes: sales and use taxes \$23.7 million, income tax \$12.0 million, tobacco tax \$1.3 million, State Education Tax \$10.0 million, and \$3.2 million from various taxes due to general enforcement improvements.			



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