

# **OVERVIEW OF GOVERNOR GRANHOLM'S FY 2009-10 BUDGET**



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## **Governor Granholm's FY 2009-10 Budget Overview of Recommendations**

The Governor's FY 2009-10 budget recommendation can be best characterized as a budget that is balanced through a combination of revenue increases, appropriation reductions, and one-time Federal revenue. The combination of these three factors leads to a balance between revenue and appropriations in the General Fund/General Purpose (GF/GP) and School Aid Fund (SAF) budgets.

The Governor's FY 2009-10 budget recommendation 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 SAF revenue estimate is \$11.3 billion. This represents a decline of 0.6% from the FY 2008-09 consensus revenue estimate. The budget includes several major tax policy changes resulting in increases in GF/GP and SAF revenue totaling \$185.8 million. The largest of these proposed tax policy changes include the suspension of the indexed increase for the personal exemption under the income tax and an increase in the excise tax on tobacco products other than cigarettes.

The Governor's budget contains major reductions in GF/GP and SAF appropriations. These include substantial funding reductions in the Department of Corrections, the Department of Community Health, the Department of Human Services, the Higher Education budget, and K-12 School Aid. The funding reductions proposed in the budget total \$773.5 million.

The Governor is recommending that Michigan use \$312.6 million of Federal revenue to be received as part of the Federal stimulus package to balance the FY 2008-09 GF/GP and SAF budgets. In addition, the budget includes the use of \$500.0 million of Federal revenue from the stimulus package to assist in balancing the FY 2009-10 GF/GP budget.

The Governor's FY 2009-10 budget recommendation contains the following level of appropriations:

Adjusted Gross.....	\$43.4 billion
State Spending from State Resources .....	\$26.9 billion
General Fund/General Purpose .....	\$9.0 billion

Adjusted Gross appropriations represent a \$296.1 million or 0.7% decrease from the FY 2008-09 year-to-date appropriations. State Spending from State Resources appropriations represent a \$1.4 billion or 5.0% decrease from the FY 2008-09 year-to-date appropriations. General Fund/General Purpose appropriations represent a \$607.5 million or 6.3% decrease from the FY 2008-09 year-to-date appropriations.

**FY 2008-09  
State Budget Update**

**Table 1**

<b>FY 2008-09 General Fund/General Purpose Revenue, Expenditures, and Year-End Balance (Millions of Dollars)</b>	
	<b>Governor's Recommendation</b>
Beginning Balance .....	\$457.9
<b>Ongoing Revenue:</b>	
Consensus Revenue Estimate .....	8,306.1
Revenue Sharing Freeze.....	536.6
Use Tax on HMOs (P.A. 440 of 2008).....	161.5
Michigan Business Tax (P.A. 435, 472, 507 and 572 of 2008).....	(15.2)
Shift of Short-Term Borrowing Costs to School Aid Fund .....	<u>45.0</u>
Subtotal Ongoing Revenue .....	9,034.0
<b>One-Time Revenue:</b>	
Treasury-Insurance Escheats Revenue.....	25.0
Treasury-Secondary Collections.....	6.0
21st Century Fund Transfer to General Fund .....	10.0
Tourism Borrowing Transfer to General Fund.....	10.0
TEDF Transfer to General Fund .....	<u>6.0</u>
Subtotal One-Time Revenue.....	57.0
<b>Total Estimated Revenue .....</b>	<b>\$9,548.9</b>
<b>Expenditures:</b>	
Initial Appropriations .....	\$9,701.4
<b>Enacted Supplemental Appropriations:</b>	
Public Act 279 of 2008.....	0.0
Public Act 286 of 2008.....	0.0
Public Act 553 of 2008.....	0.0
<b>Pending Supplemental Appropriations:</b>	
Records Center Lease Funding (OSB Request, 8-18-08).....	0.4
Corrections Parole Increases .....	20.0
Community Health (QAAP to Use Tax).....	152.9
Community Health (Caseload/Utilization) .....	62.1
Community Health (School-Based Health Services).....	16.5
Community Health (One-Time Facility Closure Costs).....	8.0
Human Services (Caseload/Utilization) .....	11.9
School Aid (Increased GF/GP Grant) .....	44.2
Treasury (Blackstone Settlement Funding Shift).....	<u>(2.0)</u>
Subtotal Pending Supplemental Appropriations .....	314.0
Executive Order 2008-21 .....	(134.0)
Lapse from Contract Savings.....	<u>(20.0)</u>
<b>Total Projected Expenditures .....</b>	<b>\$9,861.4</b>
<b>Projected Year-End Balance .....</b>	<b>\$(312.5)</b>
<b>Proposal to Eliminate Projected Deficit:</b>	
<b>Federal Stimulus Revenue .....</b>	<b>\$312.6</b>

**Table 2**

**FY 2008-09 School Aid Fund  
Revenue, Expenditures, and Year-End Balance  
(Millions of Dollars)**

	<b>Governor's Recommendation</b>
Beginning Balance .....	\$247.1
Consensus Revenue Estimate .....	11,368.7
GF/GP Grant.....	40.8
Federal Aid .....	1,562.0
<b>Total Estimated Revenue .....</b>	<b>\$13,218.6</b>
<b>Expenditures:</b>	
Initial Appropriations .....	\$13,378.9
<u>Formula Funding Adjustments:</u>	
Taxable Values/MBT/TIFA .....	(53.6)
Reduced Pupil Counts .....	(40.0)
Renaissance Zone Reimbursements .....	(22.0)
CEPI Reductions.....	(1.5)
School Bond Loan Fund Adjustment.....	1.0
Subtotal Formula Funding Adjustments .....	(116.1)
<b>Total Projected Expenditures .....</b>	<b>\$13,262.8</b>
<b>Projected Year-End Balance .....</b>	<b>\$(44.2)</b>
<u>Proposal to Eliminate Projected Deficit:</u>	
<b>Increased GF/GP Grant to SAF .....</b>	<b>\$44.2</b>

**Table 3**

**Pending Fiscal Year 2008-09 Supplemental Appropriations  
Recommendations from the Office of the State Budget  
(Actual Dollars)**

<b>Budget Area/Item</b>	<b>Office of the State Budget</b>	
	<b>Gross</b>	<b>GF/GP</b>
<b>Corrections</b>		
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
<b>Community Health</b>		
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
<b>History, Arts, and Libraries</b>		
Building Occupancy Charges & Rent.....	366,000	366,000
Subtotal History, Arts, & Libraries.....	366,000	366,000
<b>Human Services</b>		
Family Independence Program - Caseload Increases.....	31,900,000	11,900,000
Subtotal Human Services.....	31,900,000	11,900,000
<b>Military Affairs</b>		
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 Affairs.....	9,000,000	0
<b>Natural Resources</b>		
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
<b>School Aid</b>		
School Aid Fund Shortfall.....	0	44,200,000
Subtotal School Aid.....	0	44,200,000
<b>Treasury</b>		
Blackstone Settlement/Funding Shift.....	3,500,000	(2,000,000)
Subtotal Treasury.....	3,500,000	(2,000,000)
<b>Total Pending Supplemental Appropriations.....</b>	<b>\$319,056,300</b>	<b>\$314,000,800</b>

**FY 2009-10**  
**Budget Recommendation**  
**Overall Budget Issues**

**Table 4**

<b>FY 2009-10 General Fund/General Purpose Consensus Revenue and Proposed Adjustments (Millions of Dollars)</b>	
<b>Consensus Revenue Estimate (January 9, 2009)</b> .....	<b>\$7,934.5</b>
<b>Proposed Revenue Adjustments:</b>	
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 Instate 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
<b>Total GF/GP Revenue in Governor's Budget</b> .....	<b>\$8,938.0</b>
<b>Expenditures:</b>	
Governor's Appropriation Recommendations .....	\$8,932.5
<b>Total Projected Expenditures</b> .....	<b>\$8,932.5</b>
<b>Governor's Projected Year-End Balance</b> .....	<b>\$5.5</b>

**Table 5**

<b>FY 2009-10 School Aid Fund Revenue, Expenditures, and Year-End Balance (Millions of Dollars)</b>	
	<b>Gov's Rec.</b>
<b>Revenue:</b>	
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
<b>Total Estimated Revenue</b> .....	<b>\$12,963.6</b>
<b>Expenditures:</b>	
Governor's Appropriation Recommendation .....	\$12,963.6
<b>Total Potential Expenditures</b> .....	<b>\$12,963.6</b>
<b>Projected Year-End Balance</b> .....	<b>\$0.0</b>

**Table 6**

<b>Governor's Proposed Tax and Revenue Increases: FY 2009-10 (Millions of Dollars)</b>			
<b>Proposed Tax/Revenue Increase</b>	<b>State Government Fiscal Impact</b>		
	<b>GF/GP</b>	<b>School Aid Fund</b>	<b>Total</b>
<b>Sales and Use Taxes</b>			
Eliminate exemptions for international calls, WATS, 800 call centers, and 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
<b>Subtotal Sales &amp; Use Taxes</b> .....	<b>\$29.4</b>	<b>\$23.7</b>	<b>\$53.1</b>
<b>Income Tax</b>			
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
<b>Subtotal Income Tax</b> .....	<b>\$53.2</b>	<b>\$12.0</b>	<b>\$65.2</b>
<b>Tobacco Tax</b>			
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
<b>Subtotal Tobacco Tax</b> .....	<b>\$46.9</b>	<b>\$1.3</b>	<b>\$48.2</b>
<b>Liquor Revenue</b>			
Double the retail license fee.	\$10.4	\$0.0	\$10.4
Create new permit to allow liquor sales from 2 a.m. to 4 a.m.	4.6	0.0	4.6
Create new permit to allow liquor sales before noon on Sunday.	9.1	0.0	9.1
<b>Subtotal Liquor Revenue</b> .....	<b>24.1</b>	<b>0.0</b>	<b>24.1</b>
<b>Other Tax &amp; Revenue Increases</b>			
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
<b>Subtotal Other</b> .....	<b>\$12.8</b>	<b>\$28.2</b>	<b>\$41.0</b>
<b>Total Proposed Tax Increases</b> .....	<b>\$166.4</b>	<b>\$65.2</b>	<b>\$231.6</b>

## Structural Budget Imbalance?

There was considerable discussion at the February 12, 2009, presentation of the Governor's budget regarding a structural imbalance between ongoing General Fund/General Purpose (GF/GP) revenue and appropriations. Table 7 presents the Senate Fiscal Agency (SFA) analysis of the GF/GP budget over the recent years in an attempt to quantify the structural imbalance. The first column of the table provides data on GF/GP revenue and appropriations for the period FY 2007-08 through FY 2009-10. The revenue numbers are ongoing revenue and exclude any revenue from prior-year balances, one-time revenue sources, and one-time Federal stimulus funding. The expenditure data are actual expenditures for FY 2007-08 and projected appropriations for FY 2008-09. The FY 2009-10 expenditure number is the current service appropriation base referred to in the Governor's budget message.

The current law data lead to a \$1.2 billion imbalance between FY 2009-10 ongoing GF/GP revenue and a current law spending base. Whether this imbalance is a result of a structural problem in the State budget or the impact of the national recession and tax policy changes enacted by the State is explored in the column labeled "Assumes No Recession". These data assume that a national recession has not had an impact on State revenue growth in FY 2008-09 and FY 2009-10 and also assume that the State did not enact an expansion of the earned income tax credit and the film credit. These tax cuts combined result in a reduction of actual FY 2009-10 GF/GP revenue of \$446.5 million. The data assume 3.0% growth in GF/GP revenue in FY 2008-09 and FY 2009-10. On the appropriation side of the "Assumes No Recession" analysis, it is assumed that GF/GP appropriations will increase by 4.0% in both FY 2008-09 and FY 2009-10.

This analysis demonstrates that the \$1.2 billion imbalance between FY 2009-10 GF/GP ongoing revenue and a current service spending base is entirely attributable to the combination of the impact of the national recession on State revenue growth and the significant tax reductions that recently have been enacted. The bottom line is that a significant imbalance exists in the FY 2009-10 GF/GP budget, but whether it is a so-called structural imbalance is not clear.

**Table 7**

<b>Structural Budget Imbalance? General Fund/General Purpose Ongoing Revenue and Expenditures (Millions of Dollars)</b>		
	<b>Current Law</b>	<b>Assumes No Recession</b>
<b>Fiscal Year 2007-08</b>		
Ongoing Revenue .....	\$9,971.8	\$9,971.8
Actual Expenditures .....	9,720.3	9,720.3
Balance .....	\$251.5	\$251.5
<b>Fiscal Year 2008-09</b>		
Ongoing Revenue .....	\$9,034.0	\$10,270.1
Expenditures .....	9,861.4	10,109.1
Balance .....	\$(827.4)	\$161.0
<b>Fiscal Year 2009-10 (Current Estimate)</b>		
Ongoing Revenue .....	\$8,772.0	\$10,578.0
Appropriations .....	9,938.0	10,513.5
Balance .....	\$(1,166.0)	\$64.5
<b>Assumptions:</b> The "Assumes No Recession" scenario uses the assumption of 3.0% annual growth in revenue without implementation of the State Earned Income Tax Credit and the film credit, and 4.0% growth in appropriations using FY 2007-08 as the base.		

**Table 8**

<b>FY 2009-10 Governor's Appropriation Recommendation Major Changes from FY 2008-09 Year-to-Date General Fund/General Purpose Appropriations (Millions of Dollars)</b>	
FY 2008-09 Year-to-Date Appropriations.....	\$9,567.5
FY 2009-10 Governor's Recommendation.....	8,960.0
<b>Net Change in GF/GP Appropriations .....</b>	<b>\$(607.5)</b>
Total Funding Increases .....	\$585.0
Total Funding Reductions .....	(608.5)
Total Fund Shifts.....	(584.0)
<b>Total GF/GP Funding Change.....</b>	<b>\$(607.5)</b>

**Table 9**

<b>FY 2009-10 Governor's Appropriation Recommendation Major GF/GP Funding Increases (Millions of Dollars)</b>	
<b><u>Budget Area/Program</u></b>	
<b>Agriculture</b>	
Economic Adjustments.....	\$0.8
<b>Attorney General</b>	
Economic Adjustments.....	0.5
<b>Civil Rights</b>	
Economic Adjustments.....	0.2
<b>Community Health</b>	
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
<b>Corrections</b>	
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
<b>Education</b>	
Oversight Staff for 21st Century Schools Fund (New).....	0.3
Assistance for Districts in Deficit.....	0.1
Economic Adjustments.....	0.2
<b>Energy, Labor, and Economic Growth</b>	
Economic Adjustments.....	0.5
Other Various Adjustments .....	0.2
<b>Environmental Quality</b>	
Economic Adjustments.....	0.6
Other Various Adjustments .....	0.2
<b>Higher Education</b>	
Combined AES/CES Line Item .....	32.0
Michigan College Access Grants (New) .....	86.9

**FY 2009-10 Governor's Appropriation Recommendation  
Major GF/GP Funding Increases  
(Millions of Dollars)**

<b>Human Services</b>	
Child Welfare Improvements.....	30.7
Assistance Program Caseload and Cost Adjustment.....	8.6
Administrative Hearings and Rules Staff .....	0.7
Economic Adjustments.....	8.5
<b>Judiciary</b>	
Economic Adjustments.....	1.4
<b>Management and Budget</b>	
State Building Authority Debt Service .....	20.0
Economic Adjustments.....	1.5
<b>Military and Veterans Affairs</b>	
Military Retirement .....	0.2
Economic Adjustments.....	0.5
<b>Natural Resources</b>	
Economic Adjustments.....	0.2
<b>State</b>	
Economic Adjustments.....	2.2
<b>State Police</b>	
Takeover of Detroit Lab Duties .....	4.1
Rental for New Lansing Headquarters.....	3.7
Economic Adjustments.....	12.2
<b>Treasury-Debt Service</b>	
Great Lakes Water Quality.....	2.2
Quality of Life .....	0.4
<b>Treasury-Operations</b>	
Field Collection Services.....	0.9
Telephone/Telegraph Reappraisals.....	0.5
Payments in Lieu of Taxes.....	0.1
Economic Adjustments.....	0.7
<b>Treasury-Strategic Fund</b>	
Arts and Cultural Institutions Planning Grants (New) .....	1.0
Economic Adjustments.....	0.2
Statewide Microsoft Upgrade .....	2.6
<b>Total GF/GP Funding Increases .....</b>	<b>\$585.0</b>

**Table 10**

<b>FY 2009-10 Governor's Appropriation Recommendation Major GF/GP Funding Eliminations/Reductions (Millions of Dollars)</b>	
<b><u>Department/Program</u></b>	
<b>Agriculture</b>	
Water Withdrawal Assessment Program (Eliminate).....	(\$0.1)
Reduction of Local Soil Conservation District Grants by 50% .....	(0.5)
Other Various Adjustments .....	(0.4)
<b>Attorney General</b>	
Various Administrative Adjustments.....	(0.2)
<b>Civil Rights</b>	
Various Administrative Adjustments.....	(0.1)
<b>Community Health</b>	
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)
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)

**FY 2009-10 Governor's Appropriation Recommendation  
Major GF/GP Funding Eliminations/Reductions  
(Millions of Dollars)**

<b>Corrections</b>	
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)
<b>Education</b>	
Various Administrative Adjustments.....	(0.4)
<b>Energy, Labor, and Economic Growth</b>	
Various Administrative Adjustments.....	(0.3)
<b>Environmental Quality</b>	
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)
<b>Higher Education</b>	
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)
<b>History, Arts, and Libraries</b>	
Arts and Cultural Grants (Eliminate).....	(7.1)
Book Distribution Centers (Eliminate) .....	(0.4)
Administrative Reductions Due to Reorganization .....	(1.1)
<b>Human Services</b>	
Marriage Initiative (Eliminate).....	(2.5)
Fatherhood Initiative (Eliminate) .....	(1.7)
Teenage Parent Counseling (Eliminate).....	(3.8)
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)

**FY 2009-10 Governor's Appropriation Recommendation  
Major GF/GP Funding Eliminations/Reductions  
(Millions of Dollars)**

<b>Human Services (continued)</b>	
Juvenile Justice Facility Savings .....	(5.0)
Foster Care and Child Daycare Caseload Adjustments .....	(5.5)
Bridges Program Development .....	(12.1)
Other Various Adjustments .....	(15.7)
<b>Judiciary</b>	
Mental Health Courts Pilot Program (Eliminate) .....	(0.6)
Other Various Adjustments .....	(1.4)
<b>Management and Budget</b>	
HR Reductions Due to Corrections/DCH Facility Closures .....	(1.6)
Various Administrative Adjustments .....	(0.3)
<b>Military and Veterans Affairs</b>	
Tuition Assistance for Guard Members .....	(0.4)
Other Various Adjustments .....	(0.1)
<b>Natural Resources</b>	
Various Adjustments .....	(0.1)
<b>State</b>	
Various Adjustments .....	(0.1)
<b>State Police</b>	
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)
<b>Treasury-Debt Service</b>	
Clean Michigan Initiative .....	(3.5)
Water Pollution Control .....	(0.1)
<b>Treasury-Operations</b>	
Various Adjustments .....	(0.3)
<b>Treasury-Strategic Fund</b>	
Various Adjustments .....	(0.1)
<b>Total GF/GP Funding Eliminations/Reductions .....</b>	<b>\$(608.5)</b>

**Table 11**

<b>FY 2009-10 Governor's Appropriation Recommendation Major Fund Shifts to Increase/(Reduce) GF/GP (Millions of Dollars)</b>	
<b><u>Department/Program</u></b>	
<b>Agriculture</b>	
State Services Fee/Ag Equine Fund Adjustments .....	\$3.1
Dairy Inspection Fee .....	(0.7)
Transfer of Internal Audit Function to DMB .....	(0.3)
<b>Attorney General</b>	
Transfer of Internal Audit Function to DMB .....	(0.05)
<b>Civil Rights</b>	
Transfer of Internal Audit Function to DMB .....	(0.1)
<b>Corrections</b>	
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)
<b>Community Health</b>	
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)
<b>Education</b>	
Transfer of Library of Michigan from HAL .....	18.8
<b>Energy, Labor, and Economic Growth</b>	
Transfer of Historic Preservation Office from HAL .....	1.0
<b>Environmental Quality</b>	
Restricted Funds for Contaminated Site Investigation .....	(2.0)
Restricted Funds for Waste/Hazardous Materials .....	(1.9)
Transfer of Internal Audit Function to DMB .....	(0.04)

**FY 2009-10 Governor's Appropriation Recommendation  
Major Fund Shifts to Increase/(Reduce) GF/GP  
(Millions of Dollars)**

<b>History, Arts, and Libraries</b>	
Transfer of Department Functions to Other Agencies .....	(30.9)
<b>Human Services</b>	
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 of Stimulus Funding .....	(16.2)
<b>Management and Budget</b>	
Internal Audit Function .....	2.4
Transfer of Records Center/Archives from HAL .....	2.8
<b>Military and Veterans Affairs</b>	
One-Time Grants (Vets Memorial/Camp Grayling).....	(0.5)
Transfer of Internal Audit Function to DMB .....	(0.1)
<b>Natural Resources</b>	
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)
<b>State Police</b>	
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 Internal Audit and Carpenters to DMB .....	(0.3)
<b>Treasury-Operations</b>	
One-Time MBT Implementation .....	(6.5)
One-Time Blackstone Settlement.....	(2.0)
<b>Treasury-Strategic Fund</b>	
Transfer of Cultural Economic Development from HAL .....	0.3
Transfer of Council for Arts & Cultural Affairs from HAL.....	0.5
<b>Total GF/GP Funding Shifts .....</b>	<b>\$(584.0)</b>

**FY 2009-10  
School Aid Fund  
Budget Recommendation**

## School Aid Major Highlights

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 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 would affect 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; 21<sup>st</sup> 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 12**

<b>Governor's FY 2009-10 Budget Recommendations                      K-12 School Aid Appropriation Decreases                      (Millions of Dollars)</b>	
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 .....	<u>\$(415.3)</u>
<b>Recommended Appropriation Decreases in Existing Programs:</b>	
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 .....	<u>\$(457.2)</u>
<b>Recommended Appropriation Increases:</b>	
Special Education .....	\$40.9
School Bond Loan Fund Debt Service .....	1.0
Subtotal Appropriation Increases .....	<u>\$41.9</u>
<b>Total Recommended Appropriation Changes .....</b>	<b><u>\$(415.3)</u></b>

**Table 13**

<b>School Aid Fund Appropriation History (Millions of Dollars)</b>			
<b>Fiscal Year</b>	<b>State-Funded Appropriations</b>	<b>Dollar Change</b>	<b>Percent Change</b>
1997-98	\$9,307.4	\$749.1	8.8%
1998-99	9,495.1	187.7	2.0
1999-2000	9,957.6	462.5	4.9
2000-01	10,732.3	774.7	7.8
2001-02	11,220.6	488.3	4.5
2002-03	11,334.6	114.0	1.0
2003-04	11,059.3	(275.3)	(2.4)
2004-05	11,113.5	54.2	0.5
2005-06	11,308.1	194.6	1.8
2006-07	11,597.0	288.9	2.6
2007-08	11,526.7	(70.3)	(0.6)
2008-09	11,816.9	395.1	3.5
2009-10 Gov's Rec.	11,401.8	(415.1)	(3.5)

Senate Fiscal Agency, February 18, 2009

**Table 14**

<b>K-12 Schools Minimum Foundation Allowance (Millions of Dollars)</b>			
<b>Fiscal Year</b>	<b>Enacted Per Pupil</b>	<b>After Proration</b>	<b>Percent Change</b>
1999-2000	\$5,700	\$5,700	N/A
2000-01	6,000	6,000	5.3%
2001-02	6,500	6,500	8.3
2002-03	6,700	6,626	1.9
2003-04	6,700	6,626	0.0
2004-05	6,700	6,700	1.1
2005-06	6,875	6,875	2.6
2006-07	7,108	7,085	3.4
2007-08	7,204	7,204	1.4
2008-09	7,316	7,316	1.6
2009-10 Gov's Rec. <sup>1)</sup>	7,257	7,257	(0.8)
10-Year Change	\$1,557	\$1,557	
10-Year % Change	27.3%	27.3%	
10-Year Detroit CPI % Change	24.6%	24.6%	

<sup>1)</sup> Governor recommends a \$59 per-pupil reduction in foundation allowance funding.

**Table 15**

<b>Pupil Membership History FY 1994-95 to FY 2009-10</b>				
<b>Blend Calculation</b>	<b>Fiscal Year</b>	<b>Local Districts</b>	<b>Charter Schools</b>	<b>Total</b>
50/50	1994-95	1,593,306	0	1,593,306
50/50	1995-96	1,610,130	4,790	1,614,920
50/50	1996-97	1,634,074	11,520	1,645,594
60/40	1997-98	1,651,011	19,202	1,670,213
60/40	1998-99	1,656,186	31,109	1,687,295
75/25	1999-2000	1,651,300	45,290	1,696,590
80/20	2000-01	1,649,085	55,072	1,704,157
80/20	2001-02	1,647,459	62,113	1,709,572
80/20	2002-03	1,647,531	67,336	1,714,867
80/20	2003-04	1,640,929	73,473	1,714,402
75/25	2004-05	1,626,289	81,491	1,707,780
75/25	2005-06	1,607,880	89,654	1,697,534
75/25	2006-07	1,585,750	96,850	1,682,600
75/25	2007-08	1,554,634	99,221	1,653,855
75/25	2008-09	1,518,357	102,174	1,620,531
75/25	2009-10	1,484,600	106,500	1,591,100

# Major Budget Areas Appropriation Summaries

## Department of Community Health Recommendations

The FY 2009-10 Department of Community Health (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.

## Department of Corrections Recommendations

The FY 2009-10 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 result in a \$118.0 million savings and a 1,077.2 FTE reduction. 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.

Additionally, 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 Department of Human Services' 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 Department of Community Health as they were at the HVC. The \$16.7 million 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.

## Higher Education and Community Colleges Recommendations

The FY 2009-10 recommendation continues the disparity in funding treatment between the community colleges and universities. The budget for the community colleges is frozen at the FY 2008-09 level of \$299.4 million. The universities are reduced by a total of \$46.6 million with decreases ranging from 3.1% to 4.2%, or an average of 3.2%. The proposed 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 Program 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%.

On an overall basis, the FY 2009-10 State GF/GP appropriations for Higher Education in the Governor's budget are down \$100.0 million or 6.1%. This continues the downward trend of State appropriations for Higher Education since FY 2001-02, when appropriations for university operations were \$1.6 billion or 12.1% more than the amount recommended for FY 2009-10. Table 16 outlines the Governor's recommendation for Higher Education. Freezing FY 2009-10 appropriations for community colleges at the FY 2008-09 amount maintains a level of funding that is 7.2% below FY 2001-02 appropriations. Table 17 presents the Governor's recommendation for Community Colleges.

Table 16

FY 2009-10 Higher Education Appropriations: Governor's Recommendation

UNIVERSITIES	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	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%	
<b>Total Universities</b>	<b>\$1,534,192,800</b>	<b>\$5,776</b>	<b>(\$5,258,300)</b>	<b>(\$32,051,700)</b>	<b>(\$43,937,700)</b>	<b>\$0</b>	<b>\$1,452,945,100</b>	<b>(\$81,247,700)</b>	<b>-5.3%</b>	<b>\$5,593</b>
<b>State GF/GP</b>	<b>\$1,534,192,800</b>		<b>(\$5,258,300)</b>	<b>(\$32,051,700)</b>	<b>(\$43,937,700)</b>	<b>\$0</b>	<b>\$1,452,945,100</b>	<b>(\$81,247,700)</b>	<b>-5.3%</b>	
<b>Grants and Financial Aid</b>										
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%	
<b>Total Grants/Financial Aid</b>	<b>\$224,912,400</b>		<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$41,547,800</b>	<b>\$266,460,200</b>	<b>\$41,547,800</b>	<b>18.5%</b>	
<b>Federal</b>	<b>7,400,000</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7,400,000</b>	<b>0</b>	<b>0.0%</b>	
<b>Merit Award Trust Fund</b>	<b>105,800,000</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>60,300,100</b>	<b>166,100,100</b>	<b>60,300,100</b>	<b>57.0%</b>	
<b>Veterans Tax Checkoff</b>	<b>300,000</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>300,000</b>	<b>0</b>	<b>0.0%</b>	
<b>State GF/GP</b>	<b>\$111,412,400</b>		<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$18,752,300)</b>	<b>\$92,660,100</b>	<b>(\$18,752,300)</b>	<b>-16.8%</b>	
<b>TOTAL HIGHER ED</b>	<b>\$1,759,105,200</b>		<b>(\$5,258,300)</b>	<b>(\$32,051,700)</b>	<b>(\$43,937,700)</b>	<b>\$41,547,800</b>	<b>\$1,719,405,300</b>	<b>(\$39,699,900)</b>	<b>-2.3%</b>	
<b>TOTAL FEDERAL</b>	<b>7,400,000</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7,400,000</b>	<b>0</b>	<b>0.0%</b>	
<b>TOTAL STATE RESTRICTED</b>	<b>106,100,000</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>60,300,100</b>	<b>166,400,100</b>	<b>60,300,100</b>	<b>56.8%</b>	
<b>TOTAL STATE GF/GP</b>	<b>\$1,645,605,200</b>		<b>(\$5,258,300)</b>	<b>(\$32,051,700)</b>	<b>(\$43,937,700)</b>	<b>(\$18,752,300)</b>	<b>\$1,545,605,200</b>	<b>(\$100,000,000)</b>	<b>-6.1%</b>	

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

Table 17

FY 2009-10 Community College Appropriation: 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
<b>SUBTOTAL OPERATIONS .....</b>	<b>\$292,557,800</b>	<b>0</b>	<b>\$292,557,800</b>
At Risk .....	3,322,700	0	3,322,700
Renaissance Zone .....	3,480,000	0	3,480,000
<b>TOTAL APPROPRIATION .....</b>	<b>\$299,360,500</b>	<b>0</b>	<b>\$299,360,500</b>
<b>GF/GP .....</b>	<b>\$299,360,500</b>	<b>0</b>	<b>\$299,360,500</b>

## Department of Human Services Recommendations

The recommendation for the FY 2009-10 Department of Human Services (DHS) appropriation proposes GF/GP expenditure more than \$194.0 million below the current year-to-date appropriation. Reductions in GF/GP are achieved through a proposed initiative to obtain additional Federal Temporary Assistance for Needy Families (TANF), changes in rates paid to assistance recipients, and the elimination or reduction in 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 expenditure 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 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 been consistently declining 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.

## Elimination of the Department of History, Arts, and Libraries

Under the Governor's recommendation for FY 2009-10, the Department of History, Arts, and Libraries 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 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 a layoffs of employees with less seniority in other departments under the existing "bumping" procedure available to Civil Service employees.

Table 18 identifies the General Fund savings that will result from the elimination of the Department and the Arts and Cultural Grant program.

**Table 18**

<b>General Fund Savings from Line Item and Program Eliminations</b>		
<b>Program</b>	<b>FTEs</b>	<b>GF/GP</b>
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
<b>Total .....</b>	<b>24.0</b>	<b>\$9,284,400</b>

Table 19 provides an outline of where the major programs and functions are proposed to be transferred, along with staffing and funding amounts.

**Table 19**

<b>Governor's Proposed Program Reorganization Due to the Elimination of the Department of History, Arts, and Libraries</b>				
<b>Department</b>	<b>Programs</b>	<b>FTEs</b>	<b>Gross</b>	<b>GF/GP</b>
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
<b>Total</b>		<b>216.0</b>	<b>\$41,987,400</b>	<b>\$30,862,100</b>

## Revenue Sharing Payments

The 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 each receive in FY 2009-10 the same combined total of constitutional and statutory revenue sharing payments they 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 20**  
**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)
<b>Statutory</b>			
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
<b>Total .....</b>	<b>\$1,086,707,419</b>	<b>\$1,133,460,119</b>	<b>\$46,752,700</b>
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

## Debt Service Adjustments

The Governor's recommendation reflects an increase of \$118.2 million in debt service costs, from \$627.1 million to \$745.3 million. The increase for State Building Authority rent (debt service on State Building Authority bonds) is related to projects originally authorized in 2005 and 2006. The increase in the State Trunkline debt service costs is related to an estimated \$280.0 million in additional bonding for road and bridge construction projects. The \$39.0 million of debt service increased costs related to the tobacco securitization bonds is a result of the first payments of principal and interest on the \$415.0 million of borrowing that was used to help balance the FY 2006-07 General Fund/General Purpose and School Aid Fund budgets.

**Table 21**

<b>Debt Service Appropriations FY 2009-10 Compared with FY 2008-09</b>				
<b>Department/Program</b>	<b>FY 2008-09 Gross Appropriation</b>	<b>FY 2009-10 Gross Appropriation</b>	<b>Dollar Change</b>	<b>Percent Change</b>
<b>Management and Budget</b>				
State Building Authority Rent	\$231,822,100	\$251,822,100	\$20,000,000	8.6%
<b>School Aid</b>				
<i>Durant</i> Bonds	42,000,000	42,000,000	0	0.0
School Bond Loan Fund	39,000,000	40,000,000	1,000,000	2.6
<b>Transportation</b>				
State Trunkline	139,253,700	203,125,200	63,871,500	45.9
Comprehensive Transportation	29,891,600	29,843,200	(48,400)	(0.2)
Economic Development	14,450,000	9,228,200	(5,221,800)	(36.1)
Airport Safety & Protection Plan	3,430,900	3,472,400	41,500	1.2
Local Bridge Fund	3,000,000	3,318,700	318,700	10.6
Blue Water Bridge Fund	1,977,400	2,149,600	172,200	8.7
<b>Treasury</b>				
Quality of Life Bond	38,000,000	38,430,000	430,000	1.1
Clean Michigan Initiative	26,400,000	22,930,000	(3,470,000)	(13.1)
Great Lakes Water Quality Bond	16,400,000	18,560,000	2,160,000	13.2
Water Pollution Control Bond	2,323,000	2,257,500	(65,500)	(2.8)
<b>Other</b>				
Tobacco Securitization Bonds	39,140,000	78,117,000	38,977,000	99.6
<b>Total</b>	<b>\$627,088,700</b>	<b>\$745,253,900</b>	<b>\$118,165,200</b>	<b>18.8%</b>

## **State Services Fee Fund and Agriculture Equine Fund**

### **State Services Fee Fund**

Annual revenue to the State Services Fee Fund (SSFF) is anticipated to be \$30.0 million with each of the three Detroit casinos paying one-third of that amount. In FY 2008-09, appropriations from the SSFF are included in the budgets of the Michigan Gaming Control Board and the Department of Agriculture. The Governor recommends removing all \$9.2 million of SSFF appropriations from the Agriculture budget and adding that amount to the State Police budget to support the State Police Forensic Science Division, in part to assist with the increased workload of State crime labs due to the recent closure of the Detroit Crime Lab. The closure of the Detroit laboratory increased the workload of the State laboratory by at least 20.0%. In the Agriculture budget, after shifting another restricted fund source or General Fund dollars are shifted to priority operation areas, the removal of the SSFF results in a 70.0% reduction in awards and purses at horse races, an 8.2% reduction in the Office of the Racing Commissioner, and the elimination of premiums at county and State fairs.

### **Agriculture Equine Industry Development Fund**

The Agriculture Equine Industry Development Fund (AEIDF) receives revenue from fees assessed on the temporary Detroit casinos and from simulcast wagering. As the Detroit casinos have opened permanent facilities, that revenue stream has declined sharply. Simulcast wagering revenue also has declined due to the economic slowdown and a reduced rate of gambling. The decline in revenue to this Fund is reflected in reductions totaling \$2.9 million in the Department of Agriculture budget. The potential reductions are offset by General Fund appropriations. However, the Governor's budget shifts the appropriations from the AEIDF within the Agriculture budget to program operations related to equine activities and to activities previously supported by the State Services Fee Fund. This results in significant reductions to horse racing and fair premium funding.

## Other Tax Issues

**Tuition Tax Credit:** The Governor is requesting that State colleges, universities, and community colleges freeze their tuition levels for the upcoming 2009-10 school year. If Michigan's higher education institutions comply with this request, then taxpayers paying tuition to any of these institutions for a resident undergraduate student will be eligible for the Michigan income tax tuition credit. This will increase the cost of the tuition tax credit (decrease income tax revenue) by an estimated \$60.0 million in FY 2009-10. This potential increased cost of the tuition tax credit is not accounted for in the budget recommendation.

**Cigarette Tax Revenue:** After the January 2009 consensus revenue estimates were adopted, the Federal Government increased the Federal tax on cigarettes by \$0.61 per pack. This increase in the price of cigarettes, which goes into effect on April 1, 2009, will reduce the number of packs of cigarettes purchased and therefore have a negative impact on the revenue generated from Michigan's \$2-per-pack cigarette tax. It is estimated that this will reduce Michigan's cigarette tax revenue in the range of \$40.0 million to \$50.0 million in FY 2009-10 and about half this amount in FY 2008-09.

## State Employee Compensation Changes

Article XI, Section 5 of the Michigan Constitution provides that increases in the rates of compensation authorized by the Civil Service Commission require prior notice to the Governor, who then transmits the increases to the Legislature as part of the budget. Within 60 calendar days following such transmission, the Legislature, by a two-thirds vote of the members elected to and serving in each house, may reject or reduce increases in rates of compensation authorized by the Civil Service Commission. Reductions made by the Legislature must apply uniformly to all classes of employees and cannot adjust pay differentials already established by the Commission. Rates of compensation also cannot be reduced below those in effect at the time the increases are transmitted to the Legislature.

The Civil Service Commission previously approved three-year (FY 2008-09, FY 2009-10, and FY 2010-11) agreements for employees who are exclusively represented by employee unions (AFSCME, MCO, MSEA, SEIU, and UAW). The Civil Service Commission adopted a Coordinated Compensation Plan for nonexclusively represented State classified employees for FY 2007-08 on December 10, 2008. The compensation increase to base wages adopted by the Civil Service Commission for FY 2009-10 is 1.0% beginning on October 1, 2009. The cost of the increase in FY 2009-10 is estimated at \$31.9 million.

On January 13, 2009, the Civil Service Commission provided the constitutionally required notice to the Governor regarding FY 2009-10 compensation increases authorized by the Commission. These Commission-approved increases were included in the Governor's FY 2009-10 budget recommendation on February 12, 2009. The Legislature now has 60 calendar days from that date to reject or reduce the increases. To date, the Legislature has not rejected any Civil Service pay adjustments.

**Table 22**

<b>FY 2009-10 State Budget Recommendation Economic Increases Included in Budget (Millions of Dollars)</b>		
	<b>Gross</b>	<b>GF/GP</b>
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
<b>Total Economics .....</b>	<b>\$129.1</b>	<b>\$74.5</b>

## **State Employee Concessions**

The budget recommendation includes assumed appropriation reductions of \$50.0 million of Adjusted Gross appropriations and \$27.5 million of GF/GP appropriation reductions resulting from unspecified concessions from State employees. It is assumed that these employee concessions will take the form of negotiated reductions in salaries, fringe benefits, or other employee concessions. These negotiations will take place between the Executive branch, represented by the Office of State Employer and the Office of State Budget, and the labor unions that represent State employees. If these savings are assumed in the enacted FY 2009-10 State budget, it is critical that the savings are realized to ensure a balance between estimated revenue and enacted appropriations.

One option that could be pursued to reach a large portion of the employee concessions assumed in the Governor's budget is the elimination of the 1.0% general salary increase for State Civil Service employees scheduled to take effect on October 1, 2009. This salary increase will result in a \$31.9 million increase in Adjusted Gross appropriations and a \$21.6 million increase in GF/GP appropriations. Pursuant to Article XI, Section 5 of the State Constitution, this salary adjustment is included in the Governor's budget recommendation. The negotiated salary increase could be eliminated by a two-thirds vote of each house of the Legislature or by negotiations between the State and employee labor unions.

**Table 23**

<b>Retirement Contribution Rates as a Percentage of Payroll</b>				
	<b>FY 2007-08</b>	<b>FY 2008-09</b>	<b>FY 2009-10</b>	<b>FY 2009-10 Change</b>
<b><u>State Employees Retirement System</u></b>				
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%
<b><u>Public School Employees Retirement System</u></b>				
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 24**

<b>FY 2009-10 Estimated Contributions to Two Largest Retirement Systems</b>	
	<b>Millions of Dollars</b>
<b><u>State Employee Retirement System</u></b>	
Defined Benefit Pension .....	\$ 390.0
Defined Contribution State Share .....	72.2
Health Care.....	<u>362.6</u>
Subtotal State Employees Retirement System .....	\$ 824.8
<b><u>Public School Employees Retirement System</u></b>	
Defined Benefit Pension .....	\$1,059.0
Health Care.....	<u>711.9</u>
Subtotal Public School Employees Retirement System.....	\$1,770.9

**Source:** Senate Fiscal Agency estimates

**Table 25**

**Tobacco Settlement Appropriations and Revenue  
(Actual Dollars)**

<b>Appropriations</b>	<b>FY 2008-09 Initial Appropriation</b>	<b>FY 2009-10 Gov's Rec.</b>
<b><u>Budget Area/Program</u></b>		
<b>Attorney General</b>		
Administration.....	\$408,600	\$408,600
<b>Community Health</b>		
Medicaid Base.....	66,664,300	17,900,000
Medicaid Nursing Home Personal Needs Allowance .....	5,000,000	0
Aging: Respite Care .....	<u>5,000,000</u>	<u>5,000,000</u>
Total Community Health.....	76,664,300	22,900,000
<b>Higher Education</b>		
Merit Award Scholarships .....	5,200,000	100
Promise Grants .....	80,500,000	140,000,000
Tuition Incentive Program .....	15,850,000	26,100,000
Nursing Scholarship Program .....	<u>4,250,000</u>	<u>0</u>
Total Higher Education.....	105,800,000	166,100,100
<b>Department of Treasury</b>		
Merit Award Administration .....	1,453,000	1,480,000
Michigan Education Savings Plan.....	800,000	0
Tuition Incentive Program Administration .....	426,700	435,700
Information Technology.....	<u>415,900</u>	<u>415,100</u>
Total Treasury .....	3,095,600	2,330,800
<b>Total Merit Award Trust Fund Appropriations.....</b>	<b><u>\$185,968,500</u></b>	<b><u>\$191,739,500</u></b>
<b>Tobacco Settlement Revenue Estimates</b>		
Balance From Prior Fiscal Year .....	\$5,800,000	\$0
Annual Payments .....	293,400,000	324,000,000
Release of Disputed Payments.....		23,000,000
Interest Earnings .....	<u>900,000</u>	<u>900,000</u>
Total Tobacco Settlement Revenue.....	300,100,000	347,900,000
<b>Less Transfers Out For:</b>		
Transfer to 21st Century Jobs Trust Fund .....	(75,000,000)	(75,000,000)
Payment on Bond Securitization (13.34% of Revenue) .....	(39,139,560)	(43,221,600)
Payment on Bond Securitization (10.77% of Revenue) .....	0	(34,894,800)
Payment on Bond Securitization (13.34% of Disputed Payment) ....	0	(3,068,200)
Net Revenue to Merit Award Trust Fund .....	<u>\$185,960,440</u>	<u>\$191,715,400</u>
<b>Projected Year-End Balance .....</b>	<b><u>\$(8,060)</u></b>	<b><u>\$(24,100)</u></b>

# **Federal Stimulus Package**

**Table 26**

<b>American Recovery and Investment Act of 2009 Summary of Major Spending and Revenue Provisions (Billions of Dollars)</b>	
<b>Major Spending Components:</b>	
State Fiscal Stabilization Fund .....	\$53.6
Enhanced Federal Medicaid Match Rate .....	86.6
Transportation Infrastructure .....	48.0
Other Infrastructure Grants .....	72.0
Investments in Health Programs .....	14.2
Energy-Related Programs .....	37.5
Education and Training Programs .....	52.3
Unemployment Insurance Expansion .....	35.8
Health Insurance for Unemployed Workers .....	24.7
All Other Areas of Spending .....	75.7
<b>Total Spending Components .....</b>	<b>\$500.4</b>
<b>Tax Revenue Components:</b>	
Individual Tax Relief .....	\$232.4
Business Tax Relief .....	34.2
Energy-Related Tax Issues .....	20.0
<b>Total Revenue Components .....</b>	<b>\$286.6</b>
<b>Total Federal Stimulus .....</b>	<b>\$787.0</b>

**Table 27**

<b>Federal Stimulus Plan – Tax Reductions (Billions of Dollars)</b>	
	<b>Federal Impact FY 2009 – FY 2019</b>
<b>Individuals</b>	
<b>Income tax credit</b> equal to 6.2% of earned income up to \$400 for single filers and \$800 for joint filers in 2009 and 2010 tax years, refundable, and phased out for taxpayers with Adjusted Gross Income (AGI) in excess of \$75,000 for single filers and \$150,000 for joint filers.	\$(116.2)
<b>Earned income tax credit</b> is increased in 2009 and 2010 for families with three or more children and for married couples.	(4.7)
<b>Child credit</b> is expanded in 2009 and 2010 by making more taxpayers eligible for the refundable portion of the credit.	(14.8)
<b>Hope credit</b> for undergraduate tuition payments is 1) renamed the American Opportunity Tax Credit, 2) increased from a maximum of \$1,800 to \$2,500 in 2009 and 2010, 3) made partially refundable, and 4) phased out at an increased income threshold.	(13.9)
<b>First-time home buyer credit</b> is increased from \$7,500 to \$8,000 and the requirement that the credit must be repaid is waived for those first-time home buyers who purchase a home between January 1, 2009, and November 30, 2009.	(6.6)
<b>Unemployment benefits</b> of up to \$2,400 received in 2009 are exempt from the income tax.	(4.7)
<b>State taxes on the purchase of motor vehicles</b> are deductible for new vehicles purchased after the enactment of this package and before January 1, 2010.	(1.7)
<b>Alternative minimum tax</b> relief is provided to individuals.	<u>(69.8)</u>
<b>Subtotal</b> .....	<b><u>\$(232.4)</u></b>
<b>Businesses</b>	
<b>Bonus depreciation</b> and the increase in the expensing deduction for certain depreciable assets allowed in 2008 are extended through 2009.	(5.9)
<b>Net operating loss</b> carry-back period is expanded from two years to up to five years for net operating losses incurred in 2008 by small businesses.	(0.9)
<b>Work opportunity tax credit</b> is expanded to include unemployed veterans and disconnected youth hired in 2009 and 2010.	(0.2)
<b>Income arising from the discharge of business indebtedness</b> realized in 2009 or 2010 may be deferred to future tax years.	(1.6)
<b>Infrastructure and manufacturing</b> -related bond programs and tax credits are expanded and created to help stimulate economic activity.	(28.0)
<b>Other</b> tax breaks for businesses.	<u>2.4</u>
<b>Subtotal</b> .....	<b><u>\$(34.2)</u></b>
<b>Energy Incentives:</b> Various energy-related tax credits and bond programs are expanded or created; e.g., the renewable electricity credit is extended and the New Clean Renewable Energy Bond program is expanded.	(20.0)
<b>Total</b> .....	<b><u>\$(286.6)</u></b>

**Source:** Joint Tax Committee of the United States Congress

**Table 28**

**American Recovery and Reinvestment Act of 2009  
State of Michigan Estimated Share by Fiscal Year  
(Millions of Dollars)**

	<b>FY 2008-09</b>	<b>FY 2009-10</b>
<b><u>Items with Direct State Budget Impact</u></b>		
<b>State Fiscal Stabilization Fund Components:</b>		
Governor's K-12 Recommendation Restored to FY 2008-09 Level.	\$113.3	\$0.0
University Funding Restored to FY 2008-09 Level .....	81.2	0.0
K-12 Funding Distributed Under Federal At-Risk Formulas.....	1,142.7	0.0
State Share of Education Incentive Grants (Per Capita Assumption) .....	163.5	0.0
General Fiscal Relief to State Budgets.....	293.1	0.0
<b>Subtotal State Fiscal Stabilization Funding .....</b>	<b>1,793.8</b>	<b>0.0</b>
<b>State Education Components:</b>		
Title 1 At-Risk Funding .....	500.7	0.0
Special Education Funding.....	419.5	0.0
Federal Impact Aid .....	0.4	0.0
School Improvement Programs (Education Technology) .....	24.0	0.0
Innovation and Improvements .....	1.0	0.0
Rehabilitation Services.....	16.8	0.0
Homeless Children and Youth.....	2.0	0.0
Math/Science Partnerships .....	1.2	0.0
Teacher Quality Enhancement.....	3.8	0.0
<b>Subtotal Education Components.....</b>	<b>969.4</b>	<b>0.0</b>
<b>Other Components with Direct State Budget Impact:</b>		
Enhanced Medicaid Match Rate (6.2% Increase) .....	539.4	576.6
Medicaid High Unemployment Provision.....	343.2	355.3
Temporary Assistance for Needy Families Contingency Funds .....	28.8	57.5
Edward Byrne Criminal Justice Grants.....	101.8	0.0
<b>Subtotal Other Direct State Budget Impacts.....</b>	<b>1,013.2</b>	<b>989.4</b>
<b>Subtotal Direct State Budget Impact .....</b>	<b>\$3,679.2</b>	<b>\$989.4</b>

**American Recovery and Reinvestment Act of 2009  
State of Michigan Estimated Share by Fiscal Year  
(Millions of Dollars)**

	FY 2008-09	FY 2009-10
<b>Major Infrastructure Funding:</b>		
Highway Infrastructure Investment (State Share).....	\$634.5	\$0.0
Highway Infrastructure Investment (Local Share).....	211.5	0.0
Transit Capital Assistance Grants .....	165.0	0.0
Clean Water Projects .....	171.0	0.0
Drinking Water Projects .....	68.0	0.0
Weatherization Projects .....	279.9	0.0
Subtotal Major Infrastructure Funding .....	<u>\$1,529.9</u>	<u>\$0.0</u>
<b>Other Major Programs to State and Local Governments:</b>		
Workforce Investment Act .....	105.9	0.0
Unemployment State Administrative Assistance .....	16.1	0.0
Child Care Development Block Grant.....	58.7	0.0
Community Services Block Grant.....	36.8	0.0
Head Start Programs .....	22.0	0.0
Public Housing Capital Fund .....	43.0	0.0
Homeless Prevention .....	53.4	0.0
Dislocated Workers .....	87.1	0.0
HOME Program (Low-Income Housing Assistance).....	49.8	0.0
Emergency Food and Shelter.....	5.3	0.0
Commodity Assistance.....	4.1	0.0
Elderly Nutrition.....	3.4	0.0
Low Income Energy Assistance Program.....	0.0	0.0
Subtotal Other Major Programs to State and Local Governments...	<u>485.6</u>	<u>0.0</u>
<b>Total Funding Impacting State and Local Government .....</b>	<b><u>\$5,694.7</u></b>	<b><u>\$989.4</u></b>

**Source:** Federal Funds Information for States and Senate Fiscal Agency estimates

## **Summary of Major Components with Direct Michigan State Budget Impact**

**State Fiscal Stabilization Fund:** The stimulus package includes the appropriation of \$53.6 billion for a State Fiscal Stabilization Fund. This funding is distributed to states and is to be used to assist them in balancing state budgets and avoiding the necessity for significant state appropriation reductions or tax increases. The bulk of the State Fiscal Stabilization Funding is distributed to states under three separate provisions. The first is a total of \$5.0 billion for education incentive grants. These grants will be distributed by the United States Secretary of Education based on a state's progress in four areas of K-12 education. These areas are: 1) equitable distribution of quality teachers between high- and low-poverty school districts, 2) the state's collection of and use of education data, 3) the use of assessments to collect data on students' educational progress, and 4) the support of struggling schools. Assuming Michigan receives a per-capita share of these education incentive grants, Michigan's share will total \$163.5 million. The remainder of the State Fiscal Stabilization Fund is distributed to states for two programs. The first program provides general fiscal relief to states. This general fiscal relief can be used by states for any purpose. Michigan's share of this general fiscal relief is \$293.1 million. The final component of the State Fiscal Stabilization Fund is funding for K-12 education and universities and community colleges. Michigan will receive an estimated \$1.3 billion of this funding. The first use of these funds is to ensure that FY 2009-10 state funding formula appropriations to K-12 school districts and universities and community colleges are not reduced below the FY 2008-09 levels. This means that the Governor's recommended foundation allowance reductions in K-12 and the average 3.2% reduction in university funding will have to be restored. The cost of this restoration is estimated at \$113.3 million in K-12 and \$81.2 million for universities. The balance of the funding, \$1.1 billion, is then distributed to K-12 school districts based on Federal at-risk funding formulas.

**Enhanced Medicaid Match Rate:** The stimulus package includes the appropriation of \$86.6 billion for enhanced Medicaid match rates for states. This funding is divided over FY 2008-09 and FY 2009-10 and will continue into the first quarter of FY 2010-11. The Medicaid funding is distributed to states based on three separate criteria. The first is to ensure that no states have a reduction in their Federal Medicaid match rate during FY 2008-09 and FY 2009-10. The State of Michigan does not benefit from this provision. The second is an increase in the state's Federal Medicaid match rate of 6.2 percentage points. The third is additional Federal Medicaid match rate funding based on changes in the state's unemployment rate from the beginning of calendar year 2006. The larger the state's increase in the unemployment rate is, the larger the funding under this provision will be. The SFA is estimating that the State of Michigan will receive \$882.6 million of additional Federal Medicaid funding during FY 2008-09, \$931.9 million of additional Federal Medicaid funding during FY 2009-10, and \$238.0 million of additional Federal Medicaid funding in FY 2010-11.

## Summary of Major Components of K-12 Education Funding

**Education for the Disadvantaged:** The stimulus package includes the appropriation of \$13.0 billion to carry out Title I of the Elementary and Secondary Education Act of 1965 (ESEA). Of the total, \$5.0 billion is available for targeted Title I grants, another \$5.0 billion is available for education finance incentive grants, and the remaining \$3.0 billion is for school improvement grants. Both the targeted and the education finance incentive grants are formula-driven grants, as prescribed by formulas in Federal law, using poverty measures as the basis for the formulas. The school improvement grant piece focuses the dollars on Title I schools not making Adequate Yearly Progress for multiple years. The Senate Fiscal Agency is estimating that the State of Michigan will receive a total of \$500.7 million of Title I funds during FY 2008-09, and these funds will be restricted to the purposes set out in Federal law for Title I grants.

**Special Education:** The stimulus package includes the appropriation of \$12.2 billion to carry out Section 611, Section 619, and Part C of the Individuals with Disabilities Education Act (IDEA). Of the total, \$11.3 billion is available for Section 611, which provides formula grants to assist states in meeting the excess costs of providing special education and related services to children with disabilities; \$500.0 million is for Part C, which provides formula grants to states to assist them in implementing systems and making early intervention services available to children ages birth through two with disabilities; and \$400.0 million is for Section 619 of IDEA. The SFA is estimating that the State of Michigan will receive a total of \$419.5 million of Special Education funds, and these funds will be restricted to the purposes set out in Federal law for the specified parts of IDEA.

**Other Grants:** The stimulus package includes the appropriation of supplemental funding for several other grants. School Improvement Programs (primarily Education Technology funding at \$630.0 million, and funds for educating homeless children at \$70.0 million) are appropriated, Rehabilitation and Disability Research is funded at \$680.0 million, Improving Teacher Quality is funded at \$100.0 million, Math and Science Centers are funded at \$40.0 million, and other smaller grants are funded. The SFA is estimating that the State of Michigan will receive a total of \$49.2 million from these other grants. Recipients of the grants must use the funds as prescribed in Federal law for these programs.

## Summary of Major Infrastructure Spending to Benefit Michigan

**Highway Infrastructure:** The stimulus package includes the appropriation of \$27.5 billion for highway infrastructure grants. The funding is distributed to states by on existing Federal highway distribution formulas. Michigan's total share of the highway infrastructure funding will total \$846.0 million. Based on current state distribution formulas of this total amount to be received by Michigan, \$634.5 million will be for State projects and \$211.5 million will be passed along for local road projects. In addition, the stimulus package includes \$1.5 billion in surface transportation discretionary grants. One criteria of these grants is that the project will have a significant impact on the nation, a metropolitan area, or a region.

**Transit Capital Assistance Grants:** The stimulus package includes the appropriation of \$6.9 billion for transit capital assistance grants. The funding is distributed to states based on the existing Federal distribution formulas. The State of Michigan then will allocate the funds to local transit agencies based on Federal requirements. The SFA is estimating that the State of Michigan will receive a total of \$165.0 million of these funds during FY 2008-09.

**Clean Water State Revolving Fund:** The stimulus package includes the appropriation of \$3.9 billion for Clean Water State Revolving Funds. The funding is distributed to states based on existing Federal funding formulas. The State of Michigan then will use these funds to provide loans or grants for water projects to local units of government. The SFA is estimating that the State of Michigan will receive a total of \$171.1 million of these funds during FY 2008-09.

**Drinking Water Projects:** The stimulus package includes the appropriation of \$5.0 billion for drinking water projects. The funding is distributed to states based on existing Federal funding formulas. The State of Michigan then will use these funds to provide loans or grants to local units of government. The SFA is estimating that the State of Michigan will receive a total of \$68.0 million of these funds during FY 2008-09.

**Weatherization Funding:** The stimulus package includes the appropriation of \$5.0 billion for weatherization assistance for low-income homeowners. The funding will be distributed to states based on existing Federal funding formulas. The State of Michigan then will use these funds to increase existing weatherization programs. The SFA is estimating that the State of Michigan will receive \$279.9 million of these funds during FY 2008-09.

## Other Major Spending Components

**Reliable, Efficient Electricity Grid:** \$11.0 billion to modernize the nation's electrical grid.

**Local Government Energy Efficiency Block Grants:** \$6.9 billion to help state and local governments make investments to make them more energy efficient.

**Advanced Battery Loans and Grants:** \$2.0 billion to support United States manufacturers develop advanced batteries for vehicles.

**Wireless and Broadband Grants:** \$7.2 billion for broadband grants to underserved areas.

**Airport Improvement Grants:** \$1.3 billion for airport improvement grants that will increase safety and reduce congestion.

**Pell Grants:** \$15.6 billion to increase the maximum Pell Grant by \$500, from \$4,850 to \$5,350.

**Head Start:** \$2.1 billion to provide comprehensive development services to help 124,000 additional children succeed in school.

**Job Training:** \$4.0 billion for increased training for displaced workers, including \$1.2 billion for create 1.0 million summer jobs for youths.

**Health Care for the Unemployed:** \$24.7 billion to extend health care coverage to the unemployed by extending the period of COBRA coverage for older and tenured workers beyond the 18 months currently in law and provide subsidies for the coverage for the first 12 months of unemployment.

**Neighborhood Stabilization:** \$4.0 billion to help communities purchase and rehabilitate foreclosed or vacant properties.

**Food Stamps:** \$19.9 billion to increase the income levels of families or individuals eligible to receive food stamps.

**Unemployment Benefits:** \$38.8 billion to continue the temporary 33-week extension of unemployment benefits and increase the level of benefits paid by \$25 per week.

## **Potential One-Time Uses of Excess Federal Stimulus Funding**

**Provide Funding for Municipalities.** The State could use some of the Federal stimulus revenue to provide grants to cities, villages, townships, or counties to assist these local units in balancing their budgets.

**Establish State Budget Reserves.** The State could use some of the State GF/GP and SAF appropriations that could be freed up with the additional Federal stimulus funds to increase the balances in the Budget Stabilization Fund, the Medicaid Benefits Trust Fund, or the School Aid Stabilization Fund.

**Pay Down Outstanding State Debt.** The State of Michigan currently has approximately \$1.5 billion of General Obligation bonds, \$3.1 billion of State Building Authority bonds, \$2.9 billion of transportation-related bonds, and \$1.1 billion of Tobacco Finance Authority bonds outstanding. Paying down a portion of these debt obligations would result in reduced debt service appropriations in future years.

**Increase Funding of the State's Major Retirement Systems to a Full Level of Pension Obligation Funding.** At the close of FY 2006-07, the State Employees Retirement System had an unfunded liability of \$1.8 billion and the Public School Employees Retirement System had an unfunded liability of \$5.8 billion. Paying down a portion of these unfunded liabilities would result in reduced pension contribution rates in future years.

**Purchase Private Buildings that the State of Michigan is Currently Leasing with a Purchase Option Included in the Lease.** An example is the new Department of State Police Headquarters, \$45.0 million. Purchasing these private buildings would reduce future departmental operating costs.

**Begin Funding Post-Employment Retirement Benefits under the State's Major Retirement Systems.** Governmental accounting standards require the pre-funding of retirement benefits, including health care benefits. The State Employees Retirement System obligation for post-employment benefits is underfunded by \$13.0 billion and the Public School Employees Retirement System obligation for post-employment benefits is underfunded by \$25.0 billion. These unfunded obligations will have to be met by the State in the future.

**Endow Financial Aid Programs for University and Community College Students.** Recently approved legislation created Michigan Promise Zones. These zones are contingent upon local school districts' raising private funds to endow scholarships. One-time Federal stimulus money could partially fund the Michigan Promise Zones.

# Recent State Appropriation History

**Table 29**

<b>Adjusted Gross Appropriation History (Millions of Dollars)</b>			
<b>Fiscal Year</b>	<b>Appropriations</b>	<b>Dollar Change</b>	<b>Percent Change</b>
1997-98	\$31,472.8	\$1,816.3	6.1%
1998-99	33,160.3	1,687.5	5.4
1999-2000	35,417.7	2,257.4	6.8
2000-01	36,953.3	1,535.6	4.3
2001-02	38,751.3	1,798.0	4.9
2002-03	39,553.1	801.8	2.1
2003-04	39,115.3	(437.8)	(1.1)
2004-05	39,909.5	794.2	2.0
2005-06	41,322.7	1,413.2	3.5
2006-07	41,851.8	529.1	1.3
2007-08	43,616.5	1,764.7	4.2
2008-09	43,731.3	114.8	0.3
2009-10 Gov's Rec.	43,435.2	(296.1)	(0.7)
Change FY 2000-01 to FY 2009-10		\$6,481.9	17.5%

<b>State Spending from State Resources Appropriation History (Millions of Dollars)</b>			
<b>Fiscal Year</b>	<b>Appropriations</b>	<b>Dollar Change</b>	<b>Percent Change</b>
1997-98	\$22,493.6	\$941.3	4.4%
1998-99	23,276.8	783.2	3.5
1999-2000	24,579.0	1,302.2	5.6
2000-01	25,761.6	1,182.6	4.8
2001-02	26,086.8	325.2	1.3
2002-03	26,020.5	(66.3)	(0.3)
2003-04	25,802.5	(218.0)	(0.8)
2004-05	26,285.3	482.8	1.9
2005-06	27,704.0	1,418.7	5.4
2006-07	27,928.6	224.6	0.8
2007-08	28,441.7	513.1	1.8
2008-09	28,326.6	(115.1)	(0.4)
2009-10 Gov's Rec.	26,897.8	(1,428.8)	(5.0)
Change FY 2000-01 to FY 2009-10		\$1,136.2	4.4%

<b>General Fund/General Purpose Appropriation History (Millions of Dollars)</b>			
<b>Fiscal Year</b>	<b>Appropriations</b>	<b>Dollar Change</b>	<b>Percent Change</b>
1997-98	\$8,735.1	\$366.0	4.4%
1998-99	9,415.0	679.9	7.8
1999-2000	9,607.7	192.7	2.0
2000-01	9,744.4	136.7	1.4
2001-02	9,189.3	(555.1)	(5.7)
2002-03	8,830.9	(358.4)	(3.9)
2003-04	8,770.1	(60.8)	(0.7)
2004-05	8,690.8	(79.3)	(0.9)
2005-06	9,106.3	415.5	4.8
2006-07	9,118.7	12.4	0.1
2007-08	9,980.7	862.0	9.5
2009-10	9,567.4	(413.3)	(4.1)
2009-10 Gov's Rec.	8,960.0	(607.4)	(6.3)
Change FY 2000-01 to FY 2009-10		\$(784.4)	(8.0)%

**Table 30**

<b>Federal Funds Appropriated in Michigan Budget (Millions of Dollars)</b>			
<b>Fiscal Year</b>	<b>Federal Funds</b>	<b>Adjusted Gross Appropriations</b>	<b>Federal as Percent of Total Adjusted Gross</b>
1997-98	\$7,931.5	\$31,472.8	25.20%
1998-99	8,623.4	33,160.3	26.01
1999-2000	9,765.6	35,417.7	27.57
2000-01	10,002.2	36,953.3	27.07
2001-02	11,242.9	38,751.3	29.01
2002-03	12,226.7	39,553.1	30.91
2003-04	12,361.6	39,115.3	31.60
2004-05	12,855.5	39,909.5	32.21
2005-06	12,885.4	41,322.7	31.18
2006-07	13,436.1	41,851.8	32.10
2007-08	14,669.5	43,616.5	33.63
2008-09	14,908.1	43,731.3	34.09
2009-10 Gov's Rec.	16,068.4	43,435.2	36.99
Percentage Change FY 2009-10/FY 1997-98	102.5%	38.0%	

**Table 31**

<b>State Spending from State Resources Appropriations Total Compared with Selected Budget Areas (Millions of Dollars)</b>				
<b>Department/Budget Area</b>	<b>FY 2002-03 Appropriations</b>	<b>FY 2009-10 Gov's Rec.</b>	<b>Dollar Change</b>	<b>Percent Change</b>
Community Health	\$3,259.4	\$4,295.0	\$1,035.6	31.8%
Corrections	1,655.6	1,949.3	293.7	17.7
Human Services	1,199.6	1,083.3	(116.3)	(9.7)
K-12 School Aid	11,334.6	11,401.8	67.2	0.6
Community Colleges	310.9	299.4	(11.5)	(3.7)
Higher Education	1,839.4	1,712.0	(127.4)	(6.9)
Revenue Sharing <sup>1)</sup>	1,250.0	1,133.7	(116.3)	(9.3)
All Other Programs	5,171.0	5,023.3	(147.7)	(2.9)
Total State Spending	\$26,020.5	\$26,897.8	\$877.3	3.4%
<b>ADDENDUM:</b>				
Federal Government Outlays(millions)	\$2,160,117	\$3,236,000		49.8%
Michigan Personal Income(millions)	313,503	352,379		12.4
Detroit Consumer Price Index	182.0	209.7		15.2

<sup>1)</sup> Excludes Revenue Sharing paid to counties in FY 2002-03.