

**OVERVIEW OF
GOVERNOR SNYDER'S
FY 2012-13 and FY 2013-14
BUDGET**



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Summary

Governor Snyder's FY 2012-13 and FY 2013-14 Budget Summary of Recommendations

On February 9, 2012, Governor Rick Snyder presented his fiscal year (FY) 2012-13 State Budget Message and his budget projections for FY 2013-14. Pursuant to an Attorney General's letter opinion issued on February 9, 2011, the Governor is allowed to propose a two-year budget and the Legislature can enact a two-year budget but the second year would be only an expression of an "intent to appropriate", not binding or legally enforceable. This overview will focus on Governor Snyder's FY 2012-13 appropriation recommendations.

The FY 2012-13 budget recommendation from the Governor is based on the consensus revenue estimates agreed to on January 13, 2012. The FY 2012-13 General Fund/General Purpose (GF/GP) consensus revenue estimate is \$9.0 billion. This represents a 0.04% increase from the FY 2011-12 GF/GP consensus revenue estimate. The School Aid Fund (SAF) consensus revenue estimate is \$11.1 billion, a 2.7% increase from the FY 2011-12 consensus revenue estimate. There are no new taxes proposed as part of the FY 2012-13 budget but there are fee adjustments totaling approximately \$86.5 million.

The Governor recommended FY 2012-13 Adjusted Gross appropriations of \$48.1 billion. Included in this appropriation total are \$20.0 billion of Federal funds, \$513.2 million of local and private funds, \$18.5 billion of State Restricted revenue, and \$9.0 billion of State GF/GP revenue. Table 1 and Figure A outline the sources of funding for each department and budget area included in the Governor's recommendation. Compared with FY 2011-12 year-to-date appropriations, the Governor's FY 2012-13 budget includes an Adjusted Gross appropriation increase of \$919.6 million or 2.0%, an increase in State Spending from State Resources appropriations of \$480.4 million or 1.8%, and an increase in GF/GP appropriations of \$393.5 million or 4.6%.

One of the reasons for the year-over-year increases in most budget areas is that the FY 2011-12 appropriation base does not include the pending supplemental appropriation for Other Post-Employment Benefit (OPEB) costs that was part of the budget agreement for FY 2011-12. The approximately \$200.0 million FY 2011-12 OPEB appropriation would begin to prefund retiree health care costs for the State Employees' Retirement System. If this supplemental is enacted, the total recommended FY 2012-13 Adjusted Gross, State Spending from State Resources, and GF/GP appropriation percentage increases over FY 2011-12 with OPEB appropriations in the base, are 1.4%, 1.1%, and 2.9%, respectively. Tables 2 - 4 compare the Governor's FY 2012-13 recommendation for Adjusted Gross, State Spending from State Resources, and GF/GP appropriations with the FY 2011-12 appropriations that have been adjusted for the OPEB supplemental funding.

The funding increases for FY 2012-13 include appropriations that the Governor has designated as either "ongoing" or "one-time". Table 5 outlines the one-time appropriations recommended by the Governor for FY 2012-13. In addition to \$449.4

million in one-time Adjusted Gross appropriations for State departments, there is a one-time appropriation of \$130.0 million for the Budget Stabilization Fund, for total one-time Adjusted Gross appropriations of \$579.4 million, or 1.2% of the total Adjusted Gross appropriations. The Governor's recommendation of \$525.2 million for one-time GF/GP appropriations equates to 5.8% of the total GF/GP spending proposed for the FY 2012-13 budget.

The total GF/GP dollar change from FY 2011-12 to the Governor's recommendation for FY 2012-13 is an increase of \$393.5 million. This \$393.5 million increase is the sum of \$584.4 million in funding for new or expanded programs, funding reductions of \$656.3 million, funding shifts that increase GF/GP by \$97.5 million, and the recognition of \$367.9 million in OPEB appropriations as a combination of "cash basis" for current retirees and prefunding for future retirees. The largest GF/GP funding increases in the FY 2012-13 Governor's budget include \$119.0 million in the Department of Transportation to enable the State to meet its Federal match requirements, followed by \$50.0 million in the Department of Technology, Management, and Budget for targeted technology upgrades based on information from a study currently being conducted to provide an inventory of risks. The Governor's budget also includes \$23.2 million in new GF/GP funding in the Departments of Attorney General, Corrections, and State Police for his soon-to-unveiled public safety initiative. Both the Department of Community Health and the K-12 School Aid recommendations reflect essentially continuation budgets, while 3.0% increases are provided for community colleges and universities.

The FY 2012-13 recommended level of full-time equated (FTE) positions is 53,178.7, which is 1,651.0 positions or 3.0% lower than FY 2011-12.

Similar to the first budget that Governor Snyder presented in February 2011, the Governor's second budget message includes performance measures for State programs. The Governor again proposes to roll-up many line items in each budget area and to eliminate most legislatively initiated boilerplate language. The consolidation of line items and the elimination of boilerplate language would provide more flexibility for the Executive branch but also would greatly reduce the Legislature's oversight role.

Table 1

FY 2012-13 GOVERNOR'S RECOMMENDATION BY SOURCE OF FUNDS					
Department/Budget Area	Adjusted Gross	Federal Funds	Local and Private Funds	Restricted	General Funds
Agriculture & Rural Development	\$74,195,300	\$11,199,600	\$175,800	\$28,659,400	\$34,160,500
Attorney General	60,865,100	9,932,600	0	17,242,000	33,690,500
Capital Outlay	0	0	0	0	0
Civil Rights	14,332,600	2,641,300	18,700	151,900	11,520,700
Community Colleges	294,130,500	0	0	197,614,100	96,516,400
Community Health	15,085,456,300	9,740,485,300	350,544,100	2,146,562,200	2,847,864,700
Corrections	2,063,505,800	8,784,400	264,300	72,271,500	1,982,185,600
Education	330,952,900	246,894,300	8,389,100	7,626,300	68,043,200
Environmental Quality	422,507,000	161,687,500	533,200	230,881,300	29,405,000
Executive	4,887,900	0	0	0	4,887,900
Higher Education	1,399,981,500	97,026,400	0	200,565,700	1,102,389,400
Human Services	6,561,645,100	5,394,076,700	49,925,000	88,847,000	1,028,796,400
Judiciary	263,586,800	6,017,100	7,971,100	88,582,200	161,016,400
Legislative Auditor General	14,895,600	0	0	1,890,700	13,004,900
Legislature	109,522,500	0	400,000	1,109,800	108,012,700
Licensing & Regulatory Affairs	819,016,700	390,840,600	12,587,700	380,017,500	35,570,900
Military & Veterans Affairs	166,672,700	99,239,400	2,272,900	30,427,000	34,733,400
Natural Resources	339,734,900	66,603,000	7,239,200	244,254,800	21,637,900
School Aid	12,687,014,800	1,701,041,400	0	10,785,973,400	200,000,000
State	200,822,500	1,810,000	100	184,971,100	14,041,300
State Police	547,908,800	104,911,000	7,100,700	119,005,700	316,891,400
Technology, Management, & Budget	503,408,700	9,464,300	1,511,000	90,517,200	401,916,200
Transportation	3,448,558,400	1,221,830,100	52,180,200	2,055,548,100	119,000,000
Treasury (Debt Service)	140,554,900	0	0	5,514,500	135,040,400
Treasury (Operations)	460,713,200	40,365,300	2,252,700	350,163,400	67,931,800
Treasury (Revenue Sharing)	1,071,719,700	0	0	1,071,719,700	0
Treasury (Strategic Fund)	967,211,500	658,020,600	9,813,500	145,675,800	153,701,600
TOTAL APPROPRIATIONS	\$48,053,801,700	\$19,972,870,900	\$513,179,300	\$18,545,792,300	\$9,021,959,200

Figure A

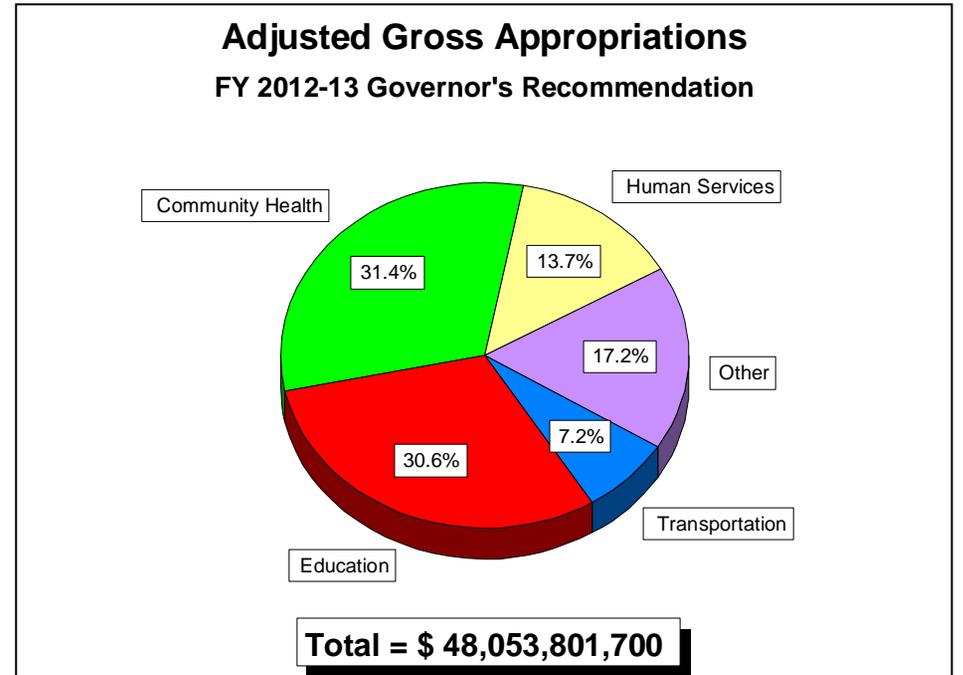
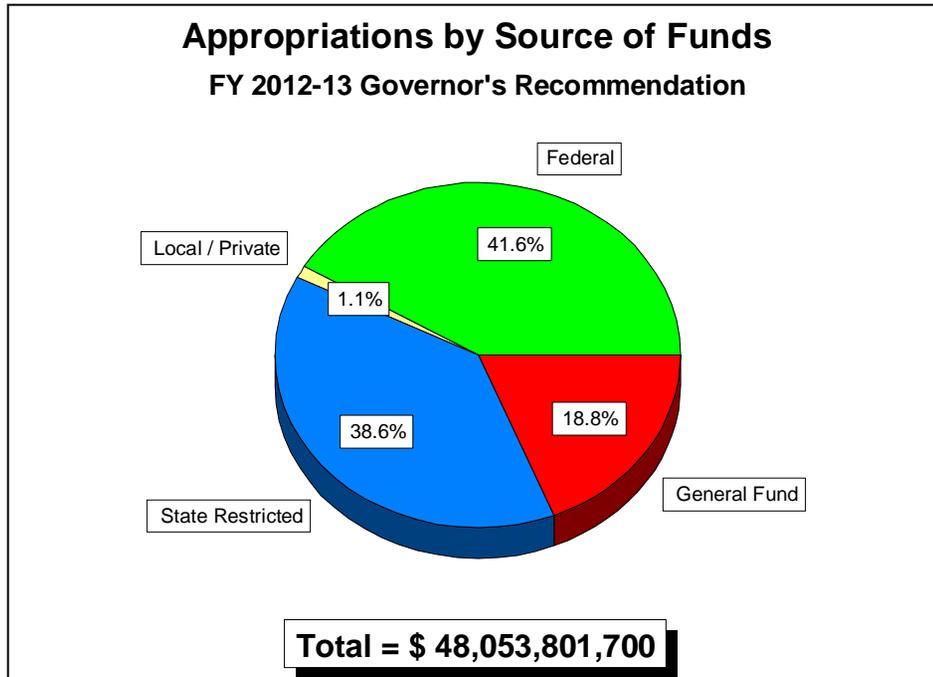


Table 2

ADJUSTED GROSS APPROPRIATIONS FY 2011-12 VERSUS GOVERNOR'S RECOMMENDATION				
Department/Budget Area	FY 2011-12 Adjusted for OPEB	FY 2012-13 Governor's Rec.	Dollar Change	Percent Change
Agriculture & Rural Development	\$74,245,300	\$74,195,300	(\$50,000)	(0.1%)
Attorney General	55,418,900	60,865,100	5,446,200	9.8
Capital Outlay	0	0	0	na
Civil Rights	14,238,300	14,332,600	94,300	0.7
Community Colleges	283,880,500	294,130,500	10,250,000	3.6
Community Health	14,635,346,100	15,085,456,300	450,110,200	3.1
Corrections	2,013,524,700	2,063,505,800	49,981,100	2.5
Education	326,559,800	330,952,900	4,393,100	1.3
Environmental Quality	416,371,900	422,507,000	6,135,100	1.5
Executive	4,599,200	4,887,900	288,700	6.3
Higher Education	1,364,178,400	1,399,981,500	35,803,100	2.6
Human Services	6,712,267,900	6,561,645,100	(150,622,800)	(2.2)
Judiciary	256,184,500	263,586,800	7,402,300	2.9
Legislative Auditor General	13,198,900	14,895,600	1,696,700	12.9
Legislature	104,394,600	109,522,500	5,127,900	4.9
Licensing & Regulatory Affairs	843,947,900	819,016,700	(24,931,200)	(3.0)
Military & Veterans Affairs	153,762,300	166,672,700	12,910,400	8.4
Natural Resources	337,553,600	339,734,900	2,181,300	0.6
School Aid	12,659,072,900	12,687,014,800	27,941,900	0.2
State	193,445,400	200,822,500	7,377,100	3.8
State Police	507,629,200	547,908,800	40,279,600	7.9
Technology, Management, & Budget	476,742,900	503,408,700	26,665,800	5.6
Transportation	3,325,019,400	3,448,558,400	123,539,000	3.7
Treasury (Debt Service)	140,928,000	140,554,900	(373,100)	(0.3)
Treasury (Operations)	448,361,300	460,713,200	12,351,900	2.8
Treasury (Revenue Sharing)	1,027,500,500	1,071,719,700	44,219,200	4.3
Treasury (Strategic Fund)	987,989,800	967,211,500	(20,778,300)	(2.1)
TOTAL APPROPRIATIONS	\$47,376,362,200	\$48,053,801,700	\$677,439,500	1.4%

Table 3

STATE SPENDING FROM STATE RESOURCES APPROPRIATIONS FY 2011-12 VERSUS GOVERNOR'S RECOMMENDATION				
Department/Budget Area	FY 2011-12 Adjusted for OPEB	FY 2012-13 Governor's Rec.	Dollar Change	Percent Change
Agriculture & Rural Development	\$59,479,200	\$62,819,900	\$3,340,700	5.6%
Attorney General	46,119,000	50,932,500	4,813,500	10.4
Capital Outlay	0	0	0	na
Civil Rights	11,339,000	11,672,600	333,600	2.9
Community Colleges	283,880,500	294,130,500	10,250,000	3.6
Community Health	5,006,702,900	4,994,426,900	(12,276,000)	(0.2)
Corrections	2,004,809,400	2,054,457,100	49,647,700	2.5
Education	72,082,800	75,669,500	3,586,700	5.0
Environmental Quality	254,888,700	260,286,300	5,397,600	2.1
Executive	4,599,200	4,887,900	288,700	6.3
Higher Education	1,265,852,000	1,302,955,100	37,103,100	2.9
Human Services	1,171,031,500	1,117,643,400	(53,388,100)	(4.6)
Judiciary	243,059,300	249,598,600	6,539,300	2.7
Legislative Auditor General	13,198,900	14,895,600	1,696,700	12.9
Legislature	103,994,600	109,122,500	5,127,900	4.9
Licensing & Regulatory Affairs	453,844,600	415,588,400	(38,256,200)	(8.4)
Military & Veterans Affairs	62,490,100	65,160,400	2,670,300	4.3
Natural Resources	265,265,800	265,892,700	626,900	0.2
School Aid	11,005,741,100	10,985,973,400	(19,767,700)	(0.2)
State	191,635,300	199,012,400	7,377,100	3.8
State Police	394,636,300	435,897,100	41,260,800	10.5
Technology, Management, & Budget	464,381,600	492,433,400	28,051,800	6.0
Transportation	2,029,855,700	2,174,548,100	144,692,400	7.1
Treasury (Debt Service)	140,928,000	140,554,900	(373,100)	(0.3)
Treasury (Operations)	407,070,100	418,095,200	11,025,100	2.7
Treasury (Revenue Sharing)	1,027,500,500	1,071,719,700	44,219,200	4.3
Treasury (Strategic Fund)	277,203,100	299,377,400	22,174,300	8.0
TOTAL APPROPRIATIONS	\$27,261,589,200	\$27,567,751,500	\$306,162,300	1.1%

Table 4

GENERAL FUND/GENERAL PURPOSE (GF/GP) APPROPRIATIONS FY 2011-12 VERSUS GOVERNOR'S RECOMMENDATION				
Department/Budget Area	FY 2011-12 Adjusted for OPEB	FY 2012-13 Governor's Rec.	Dollar Change	Percent Change
Agriculture & Rural Development	\$29,878,700	\$34,160,500	\$4,281,800	14.3%
Attorney General	29,836,300	33,690,500	3,854,200	12.9
Capital Outlay	0	0	0	na
Civil Rights	11,187,100	11,520,700	333,600	3.0
Community Colleges	88,000,000	96,516,400	8,516,400	9.7
Community Health	2,975,227,400	2,847,864,700	(127,362,700)	(4.3)
Corrections	1,950,939,100	1,982,185,600	31,246,500	1.6
Education	64,643,900	68,043,200	3,399,300	5.3
Environmental Quality	28,378,300	29,405,000	1,026,700	3.6
Executive	4,599,200	4,887,900	288,700	6.3
Higher Education	1,065,632,500	1,102,389,400	36,756,900	3.4
Human Services	1,047,330,500	1,028,796,400	(18,534,100)	(1.8)
Judiciary	154,740,300	161,016,400	6,276,100	4.1
Legislative Auditor General	11,624,100	13,004,900	1,380,800	11.9
Legislature	102,884,800	108,012,700	5,127,900	5.0
Licensing & Regulatory Affairs	42,024,100	35,570,900	(6,453,200)	(15.4)
Military & Veterans Affairs	33,983,700	34,733,400	749,700	2.2
Natural Resources	18,326,700	21,637,900	3,311,200	18.1
School Aid	118,642,400	200,000,000	81,357,600	68.6
State	11,750,600	14,041,300	2,290,700	19.5
State Police	270,166,000	316,891,400	46,725,400	17.3
Technology, Management, & Budget	374,553,100	401,916,200	27,363,100	7.3
Transportation	500,000	119,000,000	118,500,000	23,700.0
Treasury (Debt Service)	125,413,500	135,040,400	9,626,900	7.7
Treasury (Operations)	68,919,100	67,931,800	(987,300)	(1.4)
Treasury (Revenue Sharing)	0	0	0	na
Treasury (Strategic Fund)	134,696,300	153,701,600	19,005,300	14.1
TOTAL APPROPRIATIONS	\$8,763,877,700	\$9,021,959,200	\$258,081,500	2.9%

Table 5

FY 2011-12 AND FY 2012-13 ONE-TIME ADJUSTED GROSS APPROPRIATIONS		
Budget Area/Program	FY 2011-12 One-Time Appropriation	FY 2012-13 One-Time Appropriation
Agriculture and Rural Development		
Healthy Food Program	0	\$1,500,000
Private Forestry Program	0	500,000
Community Health		
Graduate Medical Education	17,129,400	0
Rural Hospitals.....	29,533,400	0
Healthy Michigan Fund	3,000,000	0
Community Mental Health Special Populations	3,000,000	0
Island Health Clinics.....	300,000	0
CHAMPS Diagnostic Coding Project	0	40,000,000
Health and Wellness Initiatives.....	0	5,000,000
State Laboratory Equipment and Supplies	0	200,000
Elder Abuse Training and Prevention Initiatives	0	250,000
Corrections		
Information Technology Adjustments	0	1,129,500
Environmental Quality		
Muskegon Cleanup Site	6,000,000	0
Drinking Water Revolving Fund.....	0	2,500,000
Wetlands Program	0	1,500,000
Higher Education		
Eastern Michigan University Autism Collaborative Center	500,000	0
Michigan State University Facility for Rare Isotope Beams (FRIB)	1,200,000	0
Western Michigan University Economic Development.....	200,000	0
Human Services		
Child Welfare Enhancements	0	5,700,000
Military and Veterans Affairs		
Armory Special Maintenance	0	2,400,000
Natural Resources		
Capital Outlay: Grand Marais Harbor	4,000,000	0
Dam Management Grant Program	0	2,000,000

FY 2011-12 AND FY 2012-13 ONE-TIME ADJUSTED GROSS APPROPRIATIONS

Budget Area/Program	FY 2011-12 One-Time Appropriation	FY 2012-13 One-Time Appropriation
School Aid		
Public School Employees Retirement System (PSERS) Payments.....	155,000,000	0
Best Practices and Performance Funding	154,000,000	140,000,000
PSERS Retirement Obligation Reform Reserve Fund.....	133,000,000	0
Partial Restoration of Small Class Size Grants.....	13,500,000	0
Best Practices Innovation Grants	0	10,000,000
State		
ExpressSOS Marketing	0	150,000
State Police		
Michigan International Speedway Traffic Control	800,000	0
Replacement of Outdated Equipment/Protective Gear	0	1,623,700
Rent and Building Occupancy Charges.....	0	750,000
Technology, Management, and Budget		
Asbestos Abatement at Former State Police Headquarters.....	1,250,000	0
Other Post-Employment Benefits Payment Adjustment.....	60,000,000	0
Special Maintenance for State Buildings	0	10,000,000
Space Consolidation Fund	0	7,000,000
Transportation		
Swing Bridge Maintenance.....	500,000	0
General Fund for Federal Match	0	119,000,000
Treasury-Revenue Sharing		
County Revenue Sharing	15,000,000	0
Cities, Villages, Townships Economic Vitality Incentive Program	15,000,000	0
Competitive Grant Assistance Program.....	0	20,000,000
Treasury-Strategic Fund		
Economic Development	50,000,000	0
Film Incentive Funding	25,000,000	25,000,000
State Employee Lump Sum Payments	0	53,213,500
Subtotal One-Time Appropriations	\$687,912,800	\$449,416,700
Appropriation to the Budget Stabilization Fund	255,800,000	130,000,000
TOTAL ONE-TIME APPROPRIATIONS	\$943,712,800	\$579,416,700

FY 2012-13
Overall Budget Issues

Table 6

FEBRUARY 2012 GOVERNOR'S RECOMMENDATION GENERAL FUND/GENERAL PURPOSE (GF/GP) REVENUE, EXPENDITURES, AND YEAR-END BALANCE (Millions of Dollars)			
	FY 2011-12	FY 2012-13	FY 2013-14
Revenue:			
Beginning Balance	\$566.6	\$541.9	\$73.9
<u>Ongoing Revenue:</u>			
Consensus Revenue Estimate (January 13, 2012)	\$9,030.5	\$9,034.6	\$9,236.0
Revenue Sharing Payments	(300.0)	(340.6)	(350.1)
One-Time Appropriation for Revenue Sharing	(30.0)	(20.0)	0.0
Shift of Short Term Borrowing Costs to School Aid Fund	8.5	10.0	20.0
Subtotal Ongoing Revenue	\$8,709.0	\$8,684.0	\$8,905.9
<u>Non-ongoing Revenue:</u>			
Use Tax on Health Maintenance Organizations	\$201.1	\$0.0	\$0.0
Total Estimated GF/GP Revenue	\$9,476.7	\$9,225.9	\$8,979.8
Expenditures:			
<u>Ongoing Appropriations:</u>			
Initial Ongoing Appropriations	\$8,175.5	\$8,626.8	\$8,881.9
Enacted Supplementals	181.4	0.0	0.0
Pending OPEB Supplemental	135.4	0.0	0.0
Employee Concessions/Alternative Contingency Plans	(91.3)	0.0	0.0
Subtotal Ongoing Appropriations	\$8,401.0	\$8,626.8	\$8,881.9
<u>One-Time Appropriations:</u>			
Initial One-Time Appropriations	\$171.6	\$213.8	\$13.6
One-Time Appropriation to School Aid Fund	100.0	181.4	0.0
One-Time Appropriation to Budget Stabilization Fund	255.8	130.0	0.0
Savings from One-Time OPEB Appropriation (\$60 million - \$42.5 million)	(17.5)	0.0	0.0
Proposed Supplementals (February 9, 2012)	23.9	0.0	0.0
Subtotal One-Time Appropriations	\$533.8	\$525.2	\$13.6
Total Estimated GF/GP Expenditures	\$8,934.8	\$9,152.0	\$8,895.5
Projected Year-End GF/GP Balance	\$541.9	\$73.9	\$84.3

Table 7

FEBRUARY 2012 GOVERNOR'S RECOMMENDATION SCHOOL AID FUND REVENUE, EXPENDITURES, AND YEAR-END BALANCE (Millions of Dollars)			
	FY 2011-12	FY 2012-13	FY 2013-14
Revenue:			
Beginning Balance	\$724.7	\$129.0	\$0.0
Consensus Revenue Estimate (January 13, 2012)	\$10,763.6	\$11,055.0	\$11,359.5
Other Revenue Adjustments:			
General Fund/General Purpose Grant	118.6	200.0	18.6
Federal Ongoing Aid.....	<u>1,658.0</u>	<u>1,701.0</u>	<u>1,701.0</u>
Subtotal Ongoing Revenue	\$12,540.2	\$12,956.0	\$13,079.1
Total Estimated School Aid Fund Revenue.....	\$13,264.9	\$13,085.0	\$13,079.1
Expenditures:			
Ongoing Appropriations:			
Initial Ongoing K-12 Appropriations.....	\$12,203.6	\$12,537.0	\$12,603.6
K-12 Cost Adjustments (Consensus Estimate, Jan. 2012)	63.3	0.0	0.0
SBO Cost Adjustments.....	5.1	0.0	0.0
Partial Funding of Community Colleges with School Aid Fund	195.9	197.6	197.6
Partial Funding of Higher Education with School Aid Fund.....	<u>200.0</u>	<u>200.4</u>	<u>200.4</u>
Subtotal Ongoing Appropriations	\$12,667.9	\$12,935.0	\$13,001.6
One-Time Appropriations:			
Public School Employees Retirement System (MPSERS) Payments	\$155.0	\$0.0	\$0.0
K-12 Best Practices/Performance Grants	154.0	140.0	0.0
MPSERS Retirement Obligation Reform Reserve Fund	133.0	0.0	0.0
Partial Restoration of K-12 Small Class Size Grants	13.5	0.0	0.0
Consolidation Innovation Grants	<u>0.0</u>	<u>10.0</u>	<u>0.0</u>
Subtotal One-Time Appropriations.....	\$455.5	\$150.0	\$0.0
Pending Supplemental: H.B. 4445 (As Passed the Senate).....	\$12.5	\$0.0	\$0.0
Total Estimated School Aid Fund Expenditures.....	\$13,135.9	\$13,085.0	\$13,001.6
Projected Year-End School Aid Fund Balance	\$129.0	\$0.0	\$77.5

Table 8

FY 2012-13 BUDGET RECOMMENDATION MAJOR CHANGES FROM FY 2011-12 YEAR-TO-DATE GENERAL FUND/GENERAL PURPOSE (GF/GP) APPROPRIATIONS (Millions of Dollars)	
FY 2011-12 Year-to Date Appropriations	\$8,628.5
FY 2012-13 Governor's Recommendation	9,022.0
Change in GF/GP Appropriations	\$393.5
Total New Programs.....	\$83.1
Total Funding Increases	501.3
Total Funding Reductions.....	(656.3)
Total Funding Shifts	97.5
Total OPEB Funding	367.9
Total GF/GP Funding Change.....	\$393.5

Table 9

FY 2012-13 GOVERNOR'S APPROPRIATION RECOMMENDATION NEW GF/GP PROGRAMS (Millions of Dollars)	
<u>Budget Area/Program</u>	
Attorney General	
Public Safety Initiative.....	\$0.9
Civil Rights	
Asian Pacific American Affairs Commission	0.1
Corrections	
Public Safety Initiative - Jail Space	4.5
Human Services	
Paternity Testing for Child Support.....	0.6
Natural Resources	
Summer Youth Initiative.....	5.0
Dam Management (ongoing)	0.5
Dam Management (one-time).....	2.0
Technology, Management, and Budget	
Enterprise-wide IT Investment Project	50.0
Treasury - Operations	
Office of Fiscal Responsibility	4.5
Treasury - Strategic Fund	
Talent Fund for Job Training.....	15.0
Total GF/GP Funding for New Programs	\$83.1

Table 10

FY 2012-13 GOVERNOR'S APPROPRIATION RECOMMENDATION MAJOR GF/GP FUNDING INCREASES (Millions of Dollars)	
<u>Budget Area/Program</u>	
Agriculture and Rural Development	
Agricultural Environmental Assurance.....	\$1.0
Migrant Housing Regulation	0.4
Rural Development.....	0.6
Attorney General	
Tobacco Tax Enforcement	0.5
Community Colleges	
3% Funding Increase.....	8.5
Community Health	
Medicaid Base and Caseload Adjustments.....	45.8
Actuarially Sound Rates for Medicaid HMOs/PIHPs	25.3
Technology Projects	5.7
Autism Spectrum Disorders Coverage	10.1
Healthy Kids Dental Expansion	8.4
Health and Wellness and Other Initiatives.....	2.4
Corrections	
Closed Facility Maintenance.....	3.5
Neal Case Lawsuit Settlement Cost Increase	5.0
Unrealized Savings from Cost Effective Housing Initiative.....	10.4
Facility Closure Adjustments	5.4
New Employee Training School Funding	4.5
IT System Maintenance.....	2.4
Parole Fees Shortfall	0.8
Education	
New Staff	0.4
Early Childhood Programs/ECIC	1.2
Support for Persistently Low Achieving Schools.....	0.8
Charter School Unit Staff.....	0.5
ELibrary Funding	0.8
Environmental Quality	
Great Lakes Compact Council.....	0.1
Drinking Water Revolving Loan Fund.....	2.5
Executive Office	
Funding Increase.....	0.2
Higher Education	
Performance Funding	36.2
MSU FRIB Funding	2.3
Human Services	
Foster Parent Pay \$3/day Increase	6.3
Adult Services Outreach.....	0.9
Michigan Youth Opportunity Initiative	1.8
SSI Caseload Increase.....	1.6
Security at Local County Offices	0.4

**FY 2012-13 GOVERNOR'S APPROPRIATION RECOMMENDATION
MAJOR GF/GP FUNDING INCREASES
(Millions of Dollars)**

Judiciary	
New Staff.....	0.4
Mental Health Courts.....	1.0
Legislature	
Funding Increase.....	4.9
Licensing and Regulatory Affairs	
Centers for Independent Living.....	1.5
Military and Veterans Affairs	
Military Retirement Costs	0.2
Special Maintenance	2.4
Veterans Affairs Directorate	0.3
State Police	
Public Safety Initiative - Law Enforcement Enhancement.....	15.0
Public Safety Initiative - Distressed Cities.....	2.8
Forensic Sciences Staff.....	3.2
Fleet Leasing.....	2.7
Tobacco Tax Enforcement	0.2
Replacement of Outdated Equipment.....	1.1
Regional Policing Communications	1.3
Technology, Management, and Budget	
Information Technology Adjustments	2.5
Capital Outlay Maintenance	15.0
Treasury-Operations	
Tobacco Tax Enforcement	1.5
Treasury-Strategic Fund	
Arts/Culture Grants.....	3.6
Ongoing Business Attraction	50.0
Other Funding Increases in Budget Recommendation.....	6.2
One-Time Funding Increases	163.5
One-Time Lump Sum Payments	25.3
Total GF/GP Funding Increases	\$501.3

Table 11

FY 2012-13 GOVERNOR'S APPROPRIATION RECOMMENDATION MAJOR GF/GP FUNDING ELIMINATIONS/REDUCTIONS (Millions of Dollars)		
<u>Budget Area/Program</u>		
Attorney General		
Redistricting Lawsuit	(\$0.3)	
Community Health		
Increased Special Financing Savings	(29.8)	
Replacement of Use Tax with Full Year of Health Claims Tax	(167.3)	
Savings from Medicaid Reimbursement Initiatives	(9.4)	
Savings from Enrolling Urgent Care Centers as Providers.....	(0.3)	
Savings from Increased Inspector General Staffing	(1.3)	
Pharmaceutical Savings Initiatives.....	(2.2)	
Education		
Reduction in Child Care Caseload	(3.0)	
Human Services		
Caseload and Cost Adjustments.....	(23.1)	
Drug Testing Net Savings	(0.6)	
Savings from EBT for SSI Checks	(0.3)	
Judiciary		
Elimination of Judgeships	(0.1)	
Licensing and Regulatory Affairs		
Elimination of Vulnerable Household Warmth Fund	(10.0)	
Military and Veterans Affairs		
Headquarters and Armories	(0.2)	
Veterans Service Organization	(0.1)	
Technology, Management, and Budget		
Removal of Boilerplate Funding	(2.5)	
Treasury-Operations		
Removal of Presidential Primary Funding	(10.0)	
Removal of Unemployment Deficit Bonds Issuance Funding.....	(1.0)	
Removal of Tax Plan Implementation Funding.....	(1.0)	
Other Funding Decreases in Budget Recommendation.....		(2.4)
Statewide Contingency Plan Savings		(85.6)
Savings on Employee Economics		(159.2)
One-Time Funding Reductions/Eliminations		(146.6)
Total GF/GP Funding Eliminations/Reductions		(\$656.3)

Table 12

FY 2012-13 GOVERNOR'S APPROPRIATION RECOMMENDATION MAJOR FUND SHIFTS TO INCREASE/(REDUCE) GF/GP (Millions of Dollars)	
<u>Budget Area/Program</u>	
Civil Rights	
Replacement of Uncollectible Federal Funds.....	\$0.1
Community Health	
Medicaid Benefits Trust Fund Shortfall	6.4
Healthy Michigan Fund Shortfall	2.5
Increase in Base Medicaid Match Rate	(25.7)
Health Claims Tax Revenue	(1.2)
Tobacco Tax Shortfall	1.4
Tobacco Settlement Dollars	5.5
Education	
College Access Network Grant Revenue	2.0
Higher Education	
Children of Veterans Tuition Grants	0.1
Human Services	
Increase in Base Medicaid Match Rate	(0.2)
Juvenile Justice Fund Sourcing	(0.5)
Judiciary	
Swift and Sure Sanctions Fund Source.....	1.0
Licensing and Regulatory Affairs	
Adult Foster Care Background Checks	1.0
Military and Veterans Affairs	
Veterans Home Federal Funds	(0.4)
School Aid	
Shift to General Fund.....	81.4
State	
Shift from Michigan Transportation Fund to General Fund.....	1.7
State Police	
Replacement of Federal Funds.....	0.7
Public Safety Communications System.....	7.0
Homeland Security Federal Funds.....	1.4
Treasury Debt Service	
Refined Petroleum Fund Shift to General Fund	10.0
Treasury Operations	
PILT Fund Source.....	(0.3)
Tax Planning General Fund Replacement with Delinquent Tax Revenue ..	(2.1)
Reduction of IDG from Michigan Transportation Fund	6.4
Other Fund Source Shifts in Budget Recommendation	0.3
Total GF/GP Fund Shifts	\$97.5

Fee Proposals

Proposed Fee Adjustments

The FY 2012-13 budget proposes \$86.5 million in total fee adjustments. Of the total fee changes proposed, \$4.1 million would be derived from new fees or fee increases, while \$82.4 million would come from the delay of 59 sunsets in fee legislation that would allow fees to be maintained at their current levels. The bulk of the fee adjustments are in the Departments of Environmental Quality, Licensing and Regulatory Affairs, Natural Resources, and State Police. Table 13 provides a summary of the proposed fee changes.

Table 13

FY 2012-13 GOVERNOR'S RECOMMENDATION PROPOSED FEE ADJUSTMENTS INCLUDED IN BUDGET (Actual Dollars)		
Department	Fee Type	Estimated Revenue
<u>Fee Increases and New Fees</u>		
Environmental Quality	Non-Agric. Large Water Withdrawal	\$119,500
Environmental Quality	Agric. Large Water Withdrawal (New)	528,800
Licensing & Regulatory Affairs	Fire Service Fee - Ops. & Maintenance	40,000
Licensing & Regulatory Affairs	Fire Service Fee - Plan Review	545,000
Natural Resources	Off-Road Vehicle License	2,000,000
Natural Resources	Duplicate Safety Certificate (New)	70,400
Natural Resources	Shooting Range Fees (New)	50,000
State	Commercial Driver License	750,000
Subtotal New and Increased Fees		<u>\$4,103,700</u>
<u>Maintenance of Current Fee Levels</u>		
<u>Fee Sunsets - Fee Reductions</u>		
Agriculture & Rural Development	Nursery/Plant Growers Fees (two fees)	250,000
Agriculture & Rural Development	Pesticide Applicator Fees (two fees)	100,000
Agriculture & Rural Development	Livestock Dealer Fees (four fees)	21,000
Licensing & Regulatory Affairs	Corporation Fees (three fees)	5,166,100
Licensing & Regulatory Affairs	Securities Fees (five fees)	5,803,300
Licensing & Regulatory Affairs	Construction Code Exam Fees (four fees)	899,700
Licensing & Regulatory Affairs	Construction Code License Fees (14 fees)	1,843,600
Licensing & Regulatory Affairs	Occupational Licensing Fees (22 fees)	<u>2,517,700</u>
Subtotal Fee Sunsets		<u>\$16,601,400</u>
<u>Fee Sunsets - Fee Eliminations</u>		
Environmental Quality	Refined Petroleum Fund	51,800,000
State Police	Fingerprint Fee	9,000,000
State Police	Name-Based Criminal Record Check	<u>5,000,000</u>
Subtotal Fee Sunsets		<u>\$65,800,000</u>
Subtotal Maintenance of Current Fee Levels		<u>\$82,401,400</u>
TOTAL ALL FEE ADJUSTMENTS		<u>\$86,505,100</u>

Major Budget Areas Appropriation Summaries

Community Colleges and Higher Education Recommendations

Community Colleges

The Governor's FY 2012-13 recommendation includes a 3.0% increase, \$8,516,400 GF/GP, distributed through a new formula based on a three-year average of student degree completions in critical skill areas (science, technology, engineering, mathematics, and health fields). The budget also includes an additional \$1,733,600 from the School Aid Fund to partially offset Michigan Public School Employee Retirement System retiree health care cost increases.

Higher Education

The Governor's FY 2012-13 recommendation includes a 3.0% funding increase, \$36.2 million GF/GP, allocated through four formulas based on successful outcomes and tuition restraint. To be eligible for the performance funding, public universities would have to participate in the Michigan Transfer Network. Metrics include the three-year average growth of undergraduate completions, three-year average completions in critical skill areas (science, technology, engineering, mathematics, and health fields), the number of undergraduates receiving Pell Grants, and tuition restraint. The budget removes \$1.9 million GF/GP in one-time FY 2011-12 appropriations. Funding for the MSU Facility for Rare Isotope Beams is included in ongoing appropriations instead of one-time funding at \$2.3 million GF/GP. The Governor includes an additional \$446,200 from the School Aid Fund to partially offset Michigan Public School Employee Retirement System retiree health care cost increases. For student financial aid, the Governor includes new reporting requirements for private colleges to be eligible for Tuition Grant funding and reduces funding for the Tuition Incentive Program and Tuition Grants by \$1.0 million (Federal) each, to fund a \$2.0 million (Federal) increase for State Competitive Scholarships.

Capital Outlay

The Governor's FY 2012-13 budget includes construction authorizations for 18 of the 20 college and university projects that received planning authorizations under Public Act 329 of 2010. The two excluded were Macomb County Community College and Lake Superior State University. Neither institution was ready to proceed at this point in time.

The Governor's recommendation also includes major changes to the capital outlay process that will require amendments to the Management and Budget Act (1984 PA 431) and the State Building Authority Act (1964 PA 183). The proposed process reforms include consolidating the planning authorization, construction authorization, and State Building Authority lease approval into a single bill. Institutions would be required to submit professionally developed schematic plans as the basis for capital outlay requests. A new evaluation process would recognize the merits of projects that support statewide economic development goals, focus on core academic and critical skill programs, re-invest or adaptively re-use existing facilities, demonstrate efficient utilization of existing facilities and support sustainable design.

Table 14

FY 2012-13 COMMUNITY COLLEGE APPROPRIATIONS: GOVERNOR'S RECOMMENDATION						
FY 2012-13 Governor's Recommendation						
College	FY 2011-12 Year-to-Date	Three-Year Average CSA Completions*	Other Changes	Total Adjustments	Governor's Recommendation	Percent Change
Alpena	\$4,984,300	\$168,400		\$168,400	\$5,152,700	3.4%
Bay de Noc	5,040,200	139,900		139,900	5,180,100	2.8%
Delta	13,336,200	583,100		583,100	13,919,300	4.4%
Glen Oaks	2,320,900	72,800		72,800	2,393,700	3.1%
Gogebic	4,140,500	103,400		103,400	4,243,900	2.5%
Grand Rapids	16,649,700	333,400		333,400	16,983,100	2.0%
Henry Ford	20,145,000	430,200		430,200	20,575,200	2.1%
Jackson	11,219,700	331,600		331,600	11,551,300	3.0%
Kalamazoo Valley	11,522,700	399,300		399,300	11,922,000	3.5%
Kellogg	9,047,900	279,200		279,200	9,327,100	3.1%
Kirtland	2,872,900	155,400		155,400	3,028,300	5.4%
Lake Michigan	4,937,700	100,200		100,200	5,037,900	2.0%
Lansing	28,651,900	919,800		919,800	29,571,700	3.2%
Macomb	30,490,300	693,800		693,800	31,184,100	2.3%
Mid Michigan	4,266,800	189,800		189,800	4,456,600	4.4%
Monroe	4,094,000	118,500		118,500	4,212,500	2.9%
Montcalm	2,946,800	103,200		103,200	3,050,000	3.5%
Mott	14,526,400	416,300		416,300	14,942,700	2.9%
Muskegon	8,256,700	155,200		155,200	8,411,900	1.9%
North Central	2,886,500	76,600		76,600	2,963,100	2.7%
Northwestern	8,430,300	112,100		112,100	8,542,400	1.3%
Oakland	19,455,900	478,900		478,900	19,934,800	2.5%
St. Clair	6,534,100	192,200		192,200	6,726,300	2.9%
Schoolcraft	11,477,300	559,500		559,500	12,036,800	4.9%
Southwestern	6,143,700	90,400		90,400	6,234,100	1.5%
Washtenaw	11,827,300	990,900		990,900	12,818,200	8.4%
Wayne County	15,425,900	277,400		277,400	15,703,300	1.8%
West Shore	2,248,900	44,900		44,900	2,293,800	2.0%
Subtotal Operations:	\$283,880,500	\$8,516,400	\$0	\$8,516,400	\$292,396,900	3.0%
MPSERS Retiree Health Care	\$0	\$0	\$1,733,600	1,733,600	1,733,600	---
Total Appropriations	\$283,880,500	\$8,516,400	\$1,733,600	10,250,000	\$294,130,500	3.6%
State School Aid Fund	195,880,500	0	1,733,600	1,733,600	197,614,100	0.9%
GF/GP	\$88,000,000	\$8,516,400	\$0	\$8,516,400	\$96,516,400	9.7%

¹⁾ CSA = Critical Skills Areas (science, technology, engineering, mathematics, and health fields)

Table 15

FY 2012-13 HIGHER EDUCATION APPROPRIATIONS: GOVERNOR'S RECOMMENDATION										
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Universities	FY 2011-12 Year-to-Date Appropriation	Degrees Completion Growth	Critical Skills Area Degree Completions	Pell Grant Students	Total Formula Distribution	Other Changes	FY 2012-13 Governor's Rec.	Dollar Change from FY 2011-12	Percent Change from FY 2011-12	FY 2012-13 Appropriation Per Student ¹⁾
Central	\$68,108,900	\$1,340,946	\$424,681	\$806,137	\$2,571,800		\$70,680,700	\$2,571,800	3.8%	\$3,138
Eastern	64,619,100	200,569	409,384	889,368	1,499,300		66,118,400	1,499,300	2.3%	3,532
Ferris	41,324,300	1,191,952	733,375	656,938	2,582,300		43,906,600	2,582,300	6.2%	3,636
Grand Valley	52,677,400	2,492,783	729,493	773,823	3,996,100		56,673,500	3,996,100	7.6%	2,529
Lake Superior	10,789,500	0	113,248	133,944	247,200		11,036,700	247,200	2.3%	4,606
Michigan State	241,120,800	441,251	1,719,960	1,136,538	3,297,800		244,418,600	3,297,800	1.4%	5,550
Michigan Tech	40,733,600	0	611,792	190,686	802,500		41,536,100	802,500	2.0%	6,310
Northern	38,367,400	578,784	278,554	434,918	1,292,300		39,659,700	1,292,300	3.4%	4,608
Oakland	43,145,000	595,976	540,441	463,212	1,599,600		44,744,600	1,599,600	3.7%	2,759
Saginaw Valley	23,561,500	504,287	225,355	391,369	1,121,000		24,682,500	1,121,000	4.8%	2,733
UM-Ann Arbor	268,803,300	1,690,508	1,670,185	531,446	3,892,200		272,695,500	3,892,200	1.4%	6,457
UM-Dearborn	21,016,300	0	228,552	342,977	571,500		21,587,800	571,500	2.7%	3,273
UM-Flint	17,762,400	17,192	220,104	331,175	568,500		18,330,900	568,500	3.2%	2,739
Wayne State	182,036,900	0	484,959	1,197,403	1,682,400		183,719,300	1,682,400	0.9%	7,409
Western	93,168,300	0	664,193	774,029	1,438,200		94,606,500	1,438,200	1.5%	4,302
Tuition Restraint Incentive						9,054,300	9,054,300	9,054,300	---	
MPERS Retiree Health Care						446,200	446,200	446,200	---	
Ag Exp. and Coop. Exten. Activities	52,625,800						52,625,800	0	0.0%	
MSU Facility for Rare Isotope Beams ²⁾	0					2,339,900	2,339,900	2,339,900	---	
Higher Education Database	105,000						105,000	0	0.0%	
Midwest Higher Ed Compact	95,000						95,000	0	0.0%	
King-Chavez-Parks	2,691,500						2,691,500	0	0.0%	
FY 2011-12 One-time Appropriations	1,900,000					(1,900,000)	0	(1,900,000)	(100.0%)	
Total Universities	\$1,264,652,000	\$9,054,248	\$9,054,276	\$9,053,962	\$27,162,700	\$9,940,400	\$1,301,755,100	\$37,103,100	2.9%	
School Aid Fund	\$200,019,500					\$446,200	200,465,700	\$446,200	0.2%	
State GF/GP	\$1,064,632,500	\$9,054,248	\$9,054,276	\$9,053,962	\$27,162,700	\$9,494,200	\$1,101,289,400	\$36,656,900	3.4%	
Grants and Financial Aid										
State Competitive Scholarships	\$18,361,700					\$2,000,000	\$20,361,700	\$2,000,000	10.9%	
Tuition Grants	31,664,700					(1,000,000)	30,664,700	(1,000,000)	(3.2%)	
Tuition Incentive Program (TIP)	43,800,000					(1,000,000)	42,800,000	(1,000,000)	(2.3%)	
Byrd Scholarship Program	1,300,000					(1,300,000)	0	(1,300,000)	(100.0%)	
Children of Vets' & Officers' Tuition	1,200,000						1,200,000	0	0.0%	
Project Gear-Up	3,200,000						3,200,000	0	0.0%	
Total Grants/Financial Aid	\$99,526,400					(1,300,000)	\$98,226,400	(\$1,300,000)	(1.3%)	
Federal Higher Ed Act	4,500,000					(1,300,000)	3,200,000	(1,300,000)	(28.9%)	
Federal TANF	93,826,400					0	93,826,400	0	---	
Veterans Tax Check-off	200,000					(100,000)	100,000	(100,000)	(50.0%)	
State GF/GP	\$1,000,000					\$100,000	\$1,100,000	\$100,000	10.0%	
TOTAL HIGHER EDUCATION										
TOTAL ALL FUNDS	\$1,364,178,400	\$9,054,248	\$9,054,276	\$9,053,962	\$27,162,700	\$8,640,400	\$1,399,981,500	\$35,803,100	2.6%	
TOTAL FEDERAL	98,326,400	0	0	0	0	(1,300,000)	97,026,400	(1,300,000)	(1.3%)	
TOTAL STATE RESTRICTED	200,219,500	0	0	0	0	346,200	200,565,700	346,200	0.2%	
TOTAL STATE GF/GP	\$1,065,632,500	\$9,054,248	\$9,054,276	\$9,053,962	\$27,162,700	\$9,594,200	\$1,102,389,400	\$36,756,900	3.4%	

¹⁾ FY 2010-11 Fiscal-Year-Equated Students (FYES). ²⁾ Previously included in one-time appropriations at \$1,200,000.

Department of Community Health Recommendations

For the most part, FY 2012-13 is a continuation budget, without the sort of major changes (mostly reductions) proposed in 2011. The GF/GP funding decreases from \$2.94 billion in FY 2011-12 to \$2.84 billion, but that decrease is caused by the expiration of the Health Maintenance Organizations/Prepaid Inpatient Health Plans (HMO/PIHP) Use Tax on April 1, 2012. The State must cover the FY 2011-12 cost of that tax for the HMOs/PIHPs, so removal of that funding in FY 2012-13 and recognition of full year health claims tax revenue reduces GF/GP spending by \$167.3 million, more than the proposed \$104.0 million GF/GP reduction.

The Medicaid match rate will increase from 66.14% to 66.39% in FY 2012-13, saving about \$25.7 million GF/GP.

The overall Medicaid caseload is projected to increase to about 1.9 million cases. The cost of Medicaid due to caseload, utilization, and inflation is projected to increase by \$110.4 million Gross, \$44.7 million GF/GP. The Governor's budget also includes \$75.1 million Gross, \$25.3 million GF/GP to cover the cost of paying actuarially sound rates to Medicaid managed care organizations.

The FY 2011-12 budget included several significant one-time funding items: \$3.0 million for community mental health (CMH) special populations (multicultural), \$3.0 million for the Healthy Michigan Fund, \$300,000 for clinics on Beaver, Drummond, and Mackinac Islands, \$17.1 million to reduce the Graduate Medical Education (GME) cut from 18.9% to 8.7%, and \$29.5 million for a one-time rural and sole community hospital pool.

No funding for these items is included in the Governor's proposed FY 2012-13 budget. This means that the GME funding would be cut by \$17.1 million (\$5.8 million GF/GP), or about 11.2% from the total funding for FY 2011-12. The Governor's FY 2012-13 budget includes total GME funding of \$136.3 million, \$45.8 million GF/GP.

While the FY 2011-12 one-time funding initiatives would not be continued, the Governor's budget would fund new one-time initiatives, including \$5.0 million Gross and GF/GP for health and wellness initiatives and \$40.0 million Gross, \$4.0 million GF/GP for federally mandated updates to the Medicaid computer system.

Other than the removal of one-time funding, there are no significant programmatic cuts in the Governor's proposed budget. There are proposals to hire vendors to help increase recoveries from providers and third party insurers, with assumed savings of \$28.0 million Gross, \$9.4 million GF/GP. There are also initiatives to increase Inspector General staffing and encourage evidence-based prescribing for behavioral health drugs.

The Governor proposes that urgent care centers be enrolled as Medicaid providers to help reduce the use of emergency departments. The Governor also proposes encouraging physicians to administer generic injectable drugs instead of brand name drugs to Medicaid clients. These are usually cancer medications, often chemotherapy, administered in the physicians' offices. Due to Federal and State law, the State cannot mandate the use of generics. Modest savings of \$2.0 million Gross, \$0.7 million GF/GP are assumed.

Under the Federal health reform law, states must increase their primary care payment rates for Medicaid services to 100% of the Medicare payment rate in 2013. Presently Medicaid physician services are reimbursed at about 55% of Medicare. This increase would be totally funded by the Federal government, but would only be required (and funded) during 2013 and 2014. The budget would increase \$281.8 million Gross and Federal to cover this mandate.

The Governor's budget also proposes a four-year phase-in to expand the Healthy Kids Dental program statewide, with 25% of those not covered added each year (about 180,000 children per year). At present the program is not available in 18 counties, including the three metro-Detroit counties. No decisions have been made on which counties to cover. The cost of the first-year expansion would be \$25.0 million Gross, \$8.4 million GF/GP.

The Governor's budget would require that Medicaid and MIChild cover autism therapy services. The budget assumes that 2,000 children under the age of six would be covered, at a cost of \$34.1 million Gross, \$10.1 million GF/GP.

The budget would expand the number of transfers from nursing homes to community-based services by about 100 people and add \$11.0 million to expand the Home and Community-Based Waiver program and remove more people from the program's waiting list. The net cost would be \$7.5 million Gross and \$3.4 million GF/GP.

The Governor's budget includes a proposed FY 2011-12 supplemental to restore a number of programs. These programs are also proposed for funding in the Governor's FY 2012-13 budget and include restoration of the Wayne State Psychiatric Residency disproportionate share hospital (DSH) payment, full restoration of DSH payments to primary care clinics, restoration of Medicaid chiropractic services, and restoration of funding for the traumatic brain injury pilot programs.

Department of Corrections Recommendations

The FY 2012-13 Department of Corrections budget proposed by the Governor provides an increase of 6.6% in Gross appropriations and a 5.7% increase in GF/GP funds relative to the FY 2011-12 budget. Those percentages correspond to absolute increases of \$128.0 million in Gross appropriations and \$107.3 million in GF/GP funding. These amounts include \$14.4 million (\$14.0 GF/GP) in one-time increases, which primarily consist of lump-sum payments of 1% or 2%. Looking at only the ongoing expenditures, the increases in appropriations would be \$113.6 million Gross and \$93.3 million GF/GP.

The primary driver of the increase is economics and Other Post-Employment Benefits (OPEB). Department economics is decreased by \$84.0 million Gross, \$81.7 million GF/GP, while the OPEB FY 2011-12 supplemental and FY 2012-13 OPEB increases add \$198.3 million Gross, \$193.3 million GF/GP. This yields a net increase of \$114.3 million in Gross appropriations, \$111.6 million GF/GP.

The budget calls for a net reduction in FTEs of 644.6. Three major items account for most of this: 115.0 FTEs are removed from Field Operations due to a 9.0% drop in caseload; 114.0 FTEs are removed due to reduced use of Alert Response Vehicles; and the closure of the Mound facility in January 2012 allows for a reduction of approximately 324.0 FTEs (mostly security staff, but also education personnel and nurses).

The budget adjusts for unrealized savings of approximately \$10.0 million, which is the result of the Department's being able to save \$21.0 million in association with the Cost Effective Housing Initiative, but not the full \$31.0 million in savings called for in the FY 2011-12 budget. Other noteworthy increases include \$3.5 million for postclosure facility maintenance; \$4.5 million from the Public Safety Initiative to alleviate jail crowding in high-crime areas, and the Neal, et al. legal settlement, which increases by \$5.0 million under the structure of the agreement.

Several other smaller spending items represent investments in technology, either to increase safety or for administrative efficiency. Examples include \$2.4 million for information technology system maintenance, \$0.6 million for digital x-ray machines, and \$19.2 million for cell phone detectors and jammers, security cameras, and personal protection devices.

Public Safety Initiative

During the Governor's FY 2012-13 budget presentation, Governor Snyder announced that he will present a special message on public safety in March 2012. Included in the Governor's FY 2012-13 budget is total funding of \$23.2 million that appears to be related to this public safety initiative. New public safety appropriations are recommended for the following departments:

- **Attorney General:** \$900,000 to contract for special attorneys general to prosecute outstanding warrants in distressed cities.
- **Corrections:** \$4.5 million to alleviate the need for jail space in high crime areas by purchasing jail space in other counties.
- **State Police:** \$15.0 million for law enforcement enhancement (which would provide sufficient funds to train and hire over 100 new State troopers) and \$2.8 million for patrol and investigative services in high-risk urban areas.

Revenue Sharing Payments

The Governor recommended \$1,071.7 million in funding for revenue sharing payments in FY 2012-13, an increase of \$44.2 million or 4.3% over estimated FY 2011-12 funding. Of the total for Revenue Sharing, approximately \$711.1 million is for constitutionally required per-capita payments to cities, villages, and townships; \$210.0 million continues funding for the Economic Vitality Incentive Program (EVIP) for eligible cities, villages, and townships at the FY 2011-12 level; \$125.6 million is for a new incentive-based program for eligible counties; and \$25.0 million includes a \$20.0 million expansion of the Competitive Grant Assistance Program for local governments involved in cooperation or consolidation projects.

Constitutional revenue sharing is projected to increase from \$697.5 million in FY 2011-12 to \$711.1 million in FY 2012-13, an increase of \$13.6 million or 2.0%. The Constitution requires that 15.0% of the revenue from the sales tax levied at 4.0% be distributed to cities, villages, and townships on a per-capita basis.

The Governor recommended continuing EVIP at \$210.0 million. In FY 2011-12, this program was funded by \$195.0 million in ongoing appropriations and \$15.0 million in one-time funding. For FY 2012-13 the Governor's proposal would appropriate all funding for EVIP as ongoing. Eligibility for EVIP payments would be the same as in FY 2011-12, although incentive requirements would be revised.

For FY 2012-13, the Governor recommended eliminating statutory revenue sharing for counties and replacing it with an incentive program similar to EVIP. Total funding available to eligible counties would increase from \$115.0 million in FY 2011-12 to \$125.6 million in FY 2012-13, an increase of \$10.6 million or 9.0%; however, the total funding available would be less than that required by the Glenn Steil State Revenue Sharing Act and FY 2012-13 funding would be distributed on an incentive basis instead of through the formula. Under the Act, counties fall into two groups: 1) those that have exhausted their revenue sharing reserve funds (funds that were created by the acceleration of property tax payments in FY 2004-05) and are eligible for State payments; and 2) those that are still drawing the allowable amounts from their revenue sharing reserve accounts. Whether a county is still drawing from its revenue sharing reserve account depends on the county's reliance on revenue sharing relative to property taxes as a part of its budget in FY 2003-04. In FY 2011-12, 50 counties received county revenue sharing payments. In FY 2012-13, an additional 11 counties are projected to exhaust their reserve accounts and re-enter the revenue sharing formula. Under the formula, those 61 counties would receive an estimated \$167.6 million in FY 2012-13. The appropriation recommended by the Governor would be \$42.0 million under the formula amount. Counties that met all of the incentive requirements would receive approximately 74.9% of the formula amount, compared to an estimated 75.8% of the formula amount in FY 2011-12.

In FY 2011-12, \$5.0 million was available for consolidation grants that were awarded to eligible cities, villages, townships, and counties through a competitive process. The Governor recommended increasing funding for the program to \$25.0 million in FY 2012-13, with the addition of \$20.0 million in one-time funding.

Table 16

REVENUE SHARING APPROPRIATION SUMMARY				
	FY 2011-12	FY 2012-13 Gov's Rec.	Dollar Change	Percent Change
Constitutional Revenue Sharing	\$697,500,500	\$711,119,700	\$13,619,200	2.0%
Econ. Vitality Incentive Program	210,000,000	210,000,000	0	0.0%
County Revenue Sharing	115,000,000	0	(115,000,000)	-100.0%
County Incentive Program	0	125,600,000	125,600,000	na
Competitive Grant Assis. Program	5,000,000	25,000,000	20,000,000	400.0%
Total	\$1,027,500,500	\$1,071,719,700	\$44,219,200	4.3%

School Aid Recommendations

Table 17 illustrates the various ways the Governor's School Aid budget recommendations for FY 2011-12 and FY 2012-13 may be viewed. The bolded figures correspond to the figures presented by the Governor during the briefing on February 9, 2012.

Table 17

Fiscal Year	Gross Appropriation	State Spending
FY 2011-12 Initial including one-time	\$12,659,072,900	\$11,005,741,100
FY 2011-12 Initial excluding the \$133 million for MPSERS reforms	12,526,072,900	10,872,741,100
FY 2011-12 Revised for CREC	12,740,007,800	11,081,976,000
FY 2011-12 Revised for CREC excluding the \$133 million for MPSERS reforms.....	12,607,007,800	10,948,976,000
FY 2012-13 Governor's Rec. including one-time ...	12,687,014,800	10,985,973,400
Change to FY 2011-12 Initial.....	\$27.9 million or 0.2%	-\$19.8 million or -0.2%
Change to FY 2011-12 Initial excluding the \$133 million for MPSERS reforms.....	\$160.9 million or 1.3%	\$113.2 million or 1.0%
Change to FY 2011-12 Revised Rec.	-\$53.0 million or -0.4%	-\$96.0 million or -0.9%
Change to FY 2011-12 Revised Rec. excluding the \$133 million for MPSERS reforms	\$80.0 million or 0.6%	\$37.0 million or 0.3%

Overall, Gross spending in the Governor's recommendation for the FY 2012-13 budget is \$53.0 million less than the Consensus Revenue Estimating Conference (CREC)-adjusted level for FY 2011-12, or, if compared to initial levels, the budget is \$27.9 million above year-to-date appropriations, excluding the CREC supplemental. The FY 2012-13 budget includes no change for the foundation allowance. The budget does, however, reclassify as ongoing funding \$205.0 million in what had previously been one-time funding. Specifically, \$155.0 million in reimbursement for retirement costs is continued, along with \$50.0 million of the \$154.0 million set aside in FY 2011-12 for best practices grants. A further \$140.0 million in best practices and performance funding is included for FY 2012-13, but it is classified as one-time funding. An additional \$24.0 million in Michigan Public School Employees' Retirement System (MPSERS) reimbursement is included, and intended as ongoing funding. The budget also includes two new programs: \$10.0 million for consolidation innovation grants (one-time funding) and \$1.75 million for training of principals in the area of teacher evaluations. The \$133.0 million appropriation in FY 2011-12 for MPSERS reforms is not continued in FY 2012-13.

To put the above numbers in perspective for schools, Table 18 focuses only on the net programmatic changes. As shown in Table 18, the budget includes \$36.0 million in additional best practices/performance funding grants (above FY 2011-12 levels), \$24.0 million in additional MPSERS reimbursement, \$3.9 million in additional reimbursement for data reporting costs, and a new one-time \$10.0 million appropriation for competitive consolidation grants, for a total of \$73.9 million in enhanced programmatic funding

compared to FY 2011-12. There are also some offsets to these programmatic increases. Items identified in FY 2011-12 as one-time that are discontinued in FY 2012-13 include the myriad district-specific foundation adjustments and class-size grants (which had been funded at 50% levels in FY 2011-12), totaling \$17.5 million in reductions. Also eliminated for FY 2012-13 is a \$700,000 appropriation to reimburse districts that experienced reductions in local revenue when the Michigan Business Tax was enacted and tax breaks were given on industrial and commercial personal property, scheduled for elimination after FY 2011-12. Finally, the budget includes \$50.0 million in State savings from the already-enacted change in FY 2012-13 for kindergarten funding. For districts that continue to operate half-day programs in the upcoming year, funding will be one-half of a foundation allowance, rather than full-foundation funding as previous law had provided. Combining both the programmatic enhancements and the reductions, the net programmatic changes total a positive \$5.7 million.

Table 18

CHANGES IN ONE-TIME FUNDING AND OTHER PROGRAMMATIC FUNDING CHANGES GOVERNOR'S RECOMMENDED STATE SPENDING FOR K-12 (Dollars in Millions)							
	FY 2011-12 One-Time	FY 2011-12 Ongoing	FY 2011-12 Total	FY 2012-13 One-Time	FY 2012-13 Ongoing	FY 2012-13 Total	Change from FY 2011-12
<u>One-Time and Conversion to Ongoing</u>							
MPERS Payments to Districts	\$155.0	\$0.0	\$155.0	\$0.0	\$179.0	\$179.0	\$24.0
Best Practices	154.0	0.0	154.0	140.0	50.0	190.0	36.0
MPERS Reforms	133.0	0.0	133.0	0.0	0.0	0.0	(133.0)
Class-Size Reduction Grants	13.5	0.0	13.5	0.0	0.0	0.0	(13.5)
Consolidation Innovation Grants	0.0	0.0	0.0	10.0	0.0	10.0	10.0
Subtotal of One-Time/Ongoing Changes	\$455.5	\$0.0	\$455.5	\$150.0	\$229.0	\$379.0	(\$76.5)
<u>Other Programmatic Changes Proposed for FY 2012-13</u>							
Reimbursement for Data Collection/Reporting Costs	\$0.0	\$34.1	\$34.1	\$0.0	\$38.0	\$38.0	\$3.9
Kindergarten Funding - 1/2 Foundation for 1/2 Day	0.0	0.0	0.0	0.0	(50.0)	(50.0)	(50.0)
Foundation Allowance Adjustments	4.0	0.0	4.0	0.0	0.0	0.0	(4.0)
MBT Hold Harmless Funding	0.7	0.0	0.7	0.0	0.0	0.0	(0.7)
All Other State Spending (Adj. for Technical Cost Chgs) ...	0.0	10,587.7	10,587.7	0.0	10,619.0	10,619.0	31.3
Subtotal of Other Spending and Adjustments	\$4.7	\$10,621.8	\$10,626.5	\$0.0	\$10,607.0	\$10,607.0	(\$19.5)
Total State Spending Revised for CREC, Supplemental	\$460.2	\$10,621.8	\$11,082.0	\$150.0	\$10,836.0	\$10,986.0	(\$96.0)
Total Change from FY 2011-12 if Excluding MPERS Reform Funding from Base							\$37.0
Total Programmatic Funding Changes Excluding \$31.3 million in Technical Adjustments							(\$127.3)
Total Programmatic Funding Changes Excluding \$31.3 million in Technical Adjustments and Excluding MPERS Reform Funding							\$5.7

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 overall budget recommendation. Within 60 calendar days following such transmission, the Legislature, by a two-thirds vote of the members elected and serving in each house, may reject or reduce increases in the rate 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 Civil Service Commission. Rates of compensation also cannot be reduced below those in effect at the time the increases are transmitted to the Legislature.

The FY 2012-13 recommendation includes the Civil Service Commission-approved FY 2012-13 agreement for employees who are exclusively represented by employee unions (AFSCME, MCO, MSEA, SEIU, and UAW). The Commission approved a 1.0% general wage increase and a 1.0% lump-sum payment effective October 1, 2012, for represented employees. Additionally, the contracts require represented employees to pay 20.0% of their health care premiums, up from the current 10.0% requirement.

The Civil Service Commission also adopted a Coordinated Compensation Plan for non-exclusively represented State classified employees (NEREs) for FY 2012-13. Beginning on October 1, 2012, NEREs will receive a 3.0% general wage increase and a 2.0% lump-sum payment. NEREs also will be required to pay an employee share of health insurance premiums of 20.0%, rather than 10%, of total premium cost.

Table 19 provides a summary of the incremental State employee cost increases recommended in the Governor's budget, including employee salary increases. In addition, the State's portion of the cost of employee health insurance is estimated to decrease by 5.0% due to the new requirement for all State employees to pay 20.0% of their premiums. This employee insurance cost decrease saves an estimated \$33.8 million Gross and \$16.8 million GF/GP. The amount that needs to be contributed to the State employee retirement systems in FY 2012-13 results in significant cost decreases in the FY 2012-13 budget. Retirement contribution decreases will total \$308.7 million Gross and \$162.2 million GF/GP. The total GF/GP impact is an increase of \$97.5 million.

Table 19

FY 2012-13 STATE BUDGET RECOMMENDATION ECONOMIC INCREASES INCLUDED IN BUDGET (Millions of Dollars)		
	Gross	GF/GP
Wages and Salaries	\$91.4	\$41.6
Employee Insurance Costs	(33.8)	(16.8)
Retirement Contributions.....	(308.7)	(162.2)
OPEB	464.7	233.4
Workers' Compensation	0.04	0.6
All Other Economics.....	2.4	0.9
Total Economics.....	\$216.0	\$97.5

Employer Retirement Contribution Rates

A significant financial aspect of the State budget, as well as the budgets of K-12 school districts and public community colleges, is the amount employers are required to pay into the retirement accounts of their employees. The Governor's budget includes the required employer contribution rates to the State Employees' Retirement System (SERS) and the Public School Employees' Retirement System (PSERS). Table 20 provides a three-year summary of the contribution rates for defined benefit pensions and defined contribution retirement for both systems. The FY 2011-12 and FY 2012-13 retirement rates for PSERS include the 3.0% employee health care contribution that is currently in litigation. The PSERS rates shown are the rates for employees hired before July 1, 2010; rates for employees hired on or after July 1, 2010, are 1.2 percentage points lower because those employees are part of the hybrid "Pension Plus" plan. Table 21 outlines the FY 2012-13 estimated contributions to SERS and PSERS. The total combined cost of the estimated employer contributions is \$4.2 billion.

The Governor's budget also recognizes the continuing issue of long-term employee compensation costs by focusing on what are referred to as "other post-employment benefits" (OPEB) provided to retirees. A major OPEB cost is for retiree health care, which the State is beginning to pay on a prefunded basis.

Table 20

RETIREMENT CONTRIBUTION RATES AS A PERCENTAGE OF PAYROLL				
	FY 2010-11	FY 2011-12	FY 2012-13	FY 2012-13 Change
<u>State Employees' Retirement System</u> ¹⁾				
Defined Benefit Pension	23.98%	37.15%	23.94%	(13.21%)
Defined Benefit Health Care	13.40%	23.00%	23.60%	0.60%
Total Defined Benefit Costs	37.38%	60.15%	47.54%	(12.61%)
Defined Contribution Retirement	6.00%	6.25%	25.55%	19.30%
Defined Contribution Health Care	13.40%	23.00%	23.60%	0.60%
Total Defined Contribution Costs	19.40%	29.25%	49.15%	19.90%
<u>Public School Employees' Retirement System</u> ²⁾				
Defined Benefit Pension	12.16%	15.96%	18.62%	2.66%
Defined Benefit Health Care	5.50%	5.50%	5.75%	0.24%
Surcharge Due to Injunction	3.00%	3.00%	3.00%	0.00%
Total Defined Benefit Costs	20.66%	24.46%	27.37%	2.91%
¹⁾ Public Act 264 of 2011 required the unfunded accrued liability to be spread across both DB and DC payroll. Also, FY 2012-13 will be the second year of prefunding retiree health. ²⁾ Rates for employees hired before July 1, 2010.				
Note: The FY 2012-13 Total Defined Benefit costs for employees hired on or after July 1, 2010, are 26.14% of PSERS payroll.				

Table 21

FY 2012-13 ESTIMATED CONTRIBUTIONS TO TWO LARGEST RETIREMENT SYSTEMS	
	Millions of Dollars
<u>State Employees' Retirement System (SERS)</u> ¹⁾	
Defined Benefit Pension.....	\$376.0
Defined Contribution.....	424.0
Health Care	<u>744.5</u>
Subtotal State Employees' Retirement System	\$1,543.5
<u>Public School Employees' Retirement System (PSERS)</u> ²⁾	
Defined Benefit Pension.....	\$1,830.0
Health Care	<u>860.0</u>
Subtotal Public School Employees' Retirement System.....	\$2,690.0
Additional FY 2012-13 Estimated Cost Per Pupil	\$160
¹⁾ Public Act 264 of 2011 required the unfunded accrued liability to be spread across both DB and DC payroll. Also, FY 2012-13 will be the second year of prefunding retiree health. ²⁾ FY 2012-13 is the first of five years of additional payments for the Early Retirement Incentive Program of 2010, adding 2.66% of payroll costs.	

Debt Service Adjustments

The Governor's recommendation reflects an overall reduction of \$20.8 million in debt service costs below FY 2011-12 levels, as shown in Table 22. This amount does not include debt service costs for bonds issued to pay off Federal unemployment insurance loans. The increase in debt service costs for the school bond loan reflects additional costs related to refinancing. The reduction for State Trunkline bonds reflects actual bonding costs. The \$41.0 million planned for short-term Trunkline bonding was instead covered by long-term borrowing, which reduced the need for debt service appropriations. The adjustment for environmental bonds is based on the expectation of additional bond issuances in the 2012 spring and fall.

Table 22

DEBT SERVICE APPROPRIATIONS FY 2012-13 COMPARED WITH FY 2011-12				
Department/Program	FY 2011-12 Gross Appropriation	FY 2012-13 Gross Appropriation	Dollar Change	Percent Change
School Aid				
Durant Bonds	\$39,000,000	\$39,000,000	0	0.0
School Bond Loan	93,575,300	120,390,000	\$26,814,700	28.7%
Subtotal Education	132,575,300	159,390,000	26,814,700	20.2
State Building Authority (SBA) Rent				
State Agencies	68,305,800	68,305,800	0	0.0
Department of Corrections	47,379,900	47,379,900	0	0.0
Universities	117,225,300	117,225,300	0	0.0
Community Colleges	23,959,600	23,959,600	0	0.0
Subtotal SBA	256,870,600	256,870,600	0	0.0
Transportation				
State Trunkline	247,449,700	199,473,700	(47,976,000)	(19.4)
Economic Development	9,174,600	9,115,900	(58,700)	(0.6)
Local Bridge Fund	3,261,800	3,261,700	(100)	(0.0)
Blue Water Bridge Fund	4,115,000	5,950,200	1,835,200	44.6
Aeronautics	3,473,500	3,892,600	419,100	12.1
Comprehensive Transportation	19,998,800	18,580,400	(1,418,400)	(7.1)
Subtotal Transportation	287,473,400	240,274,500	(47,198,900)	(16.4)
Treasury				
Water Pollution Control Bond	2,125,500	2,054,000	(71,500)	(3.4)
Quality of Life Bond	75,278,500	77,694,800	2,416,300	3.2
Clean Michigan Initiative	59,373,100	54,300,900	(5,072,200)	(8.5)
Great Lakes Water Initiative	4,150,900	6,505,200	2,354,300	56.7
Subtotal Treasury	140,928,000	140,554,900	(373,100)	(0.3%)
TOTAL	\$817,847,300	\$797,090,000	(\$20,757,300)	(2.5%)

Table 23

TOBACCO SETTLEMENT APPROPRIATIONS AND REVENUE			
(Actual Dollars)			
Budget Area/Program	FY 2011-12 Year-to-Date	FY 2012-13 Gov's Rec.	Dollar Change
<u>Tobacco Settlement Revenue Estimates:</u>			
Balance From Prior Fiscal Year	\$56,100	\$0	(\$56,100)
Total Annual Payments	286,639,100	283,873,600	(2,765,500)
Assumed Withheld Payments	(35,423,700)	(35,416,600)	7,100
Interest Earnings	<u>20,000</u>	<u>20,000</u>	<u>0</u>
Total Tobacco Settlement Revenue	\$251,291,500	\$248,477,000	(\$2,814,500)
Transfer to 21st Century Jobs Fund	(75,000,000)	(75,000,000)	0
2006 Bond Securitization (13.34% of Revenue).	(33,512,100)	(33,144,200)	367,900
2007 Bond Securitization (10.77% of Revenue).	(27,055,900)	(26,758,800)	297,100
Net Revenue To Merit Award Trust Fund	\$115,723,500	\$113,574,000	(\$2,149,500)
<u>Merit Award Trust Fund Appropriations:</u>			
Attorney General			
Administration	\$408,600	\$463,100	\$54,500
Community Health			
Medicaid Base	82,275,800	76,733,500	(5,542,300)
Aging: Respite Care	4,468,700	4,468,700	0
Human Services			
Family Independence Program (FIP)	30,100,000	30,100,000	0
State Police			
Tobacco Tax Enforcement	682,000	716,200	34,200
Department of Treasury			
Tuition Incentive Program Administration	996,400	1,092,500	96,100
Total Merit Award Trust Fund Approps	\$118,931,500	\$113,574,000	(\$5,357,500)
Projected Year-End Balance	(\$3,208,000)	\$0	\$3,208,000

Recent State Appropriation History

Table 24

ADJUSTED GROSS APPROPRIATION HISTORY (Millions of Dollars)			
Fiscal Year	Appropriations	Dollar Change	Percent Change
1997-98	\$31,472.8	\$1,816.3	6.1%
1998-99	33,160.3	1,687.5	5.4
1999-2000	35,417.7	2,257.4	6.8
2000-01	36,953.3	1,535.6	4.3
2001-02	38,751.3	1,798.0	4.9
2002-03	39,553.1	801.8	2.1
2003-04	39,115.3	(437.8)	(1.1)
2004-05	39,908.5	793.2	2.0
2005-06	41,322.7	1,414.2	3.5
2006-07	41,851.8	529.1	1.3
2007-08	43,616.5	1,764.7	4.2
2008-09	47,941.9	4,325.4	9.9
2009-10	45,656.6	(2,285.3)	(4.8)
2010-11	48,089.6	2,433.0	5.3
2011-12 ^{a)}	47,134.6	(955.0)	(2.0)
2012-13 Gov's Rec. ^{b)}	48,053.8	919.2	2.0
Change FY 2002-03 to FY 2012-13		\$8,500.7	21.5%

^{a)} Includes one-time appropriations of \$687.9 million. ^{b)} Includes one-time appropriations of \$449.4 million.

Table 25

STATE SPENDING FROM STATE RESOURCES APPROPRIATION HISTORY (Millions of Dollars)			
Fiscal Year	Appropriations	Dollar Change	Percent Change
1997-98	\$22,493.6	\$941.3	4.4%
1998-99	23,276.8	783.2	3.5
1999-2000	24,579.0	1,302.2	5.6
2000-01	25,761.6	1,182.6	4.8
2001-02	26,086.8	325.2	1.3
2002-03	26,020.5	(66.3)	(0.3)
2003-04	25,802.5	(218.0)	(0.8)
2004-05	26,285.3	482.8	1.9
2005-06	27,704.0	1,418.7	5.4
2006-07	27,928.6	224.6	0.8
2007-08	28,441.3	512.7	1.8
2008-09	26,309.8	(2,131.5)	(7.5)
2009-10	25,239.0	(1,070.8)	(4.1)
2010-11	26,266.7	1,027.7	4.1
2011-12 ^{a)}	27,087.8	821.1	3.1
2012-13 Gov's Rec. ^{b)}	27,567.8	480.0	1.8
Change FY 2002-03 to FY 2012-13		\$1,547.3	5.9%

^{a)} Includes one-time appropriations of \$657.0 million. ^{b)} Includes one-time appropriations of \$397.6 million.

Table 26

GENERAL FUND/GENERAL PURPOSE APPROPRIATION HISTORY (millions of dollars)			
Fiscal Year	Appropriations	Dollar Change	Percent Change
1997-98	\$8,735.1	\$366.0	4.4%
1998-99	9,415.0	679.9	7.8
1999-2000	9,607.7	192.7	2.0
2000-01	9,744.4	136.7	1.4
2001-02	9,189.3	(555.1)	(5.7)
2002-03	8,830.9	(358.4)	(3.9)
2003-04	8,770.1	(60.8)	(0.7)
2004-05	8,702.8	(67.3)	(0.8)
2005-06	9,106.3	403.5	4.6
2006-07	9,118.7	12.4	0.1
2007-08	9,980.7	862.0	9.5
2008-09	8,568.6	(1,412.1)	(14.1)
2009-10	7,787.4	(781.2)	(9.1)
2010-11	8,424.6	637.2	8.2
2011-12 ^{a)}	8,628.5	203.9	2.4
2012-13 Gov's Rec. ^{b)}	9,022.0	393.5	4.6
Change FY 2002-03 to FY 2012-13		\$191.1	2.2%

^{a)} Includes one-time appropriations of \$171.6 million. ^{b)} Includes one-time appropriations of \$395.2 million.

Table 27

SCHOOL AID FUND APPROPRIATION HISTORY (Millions of Dollars)			
Fiscal Year	State-Funded Appropriations	Dollar Change	Percent Change
1997-98	\$9,307.4	\$749.1	8.8%
1998-99	9,495.1	187.7	2.0
1999-2000	9,957.6	462.5	4.9
2000-01	10,732.3	774.7	7.8
2001-02	11,220.6	488.3	4.5
2002-03	11,334.6	114.0	1.0
2003-04	11,059.3	(275.3)	(2.4)
2004-05	11,113.5	54.2	0.5
2005-06	11,308.1	194.6	1.8
2006-07	11,597.0	288.9	2.6
2007-08	11,421.8	(175.2)	(1.5)
2008-09	11,097.8	(324.0)	(2.8)
2009-10	10,675.1	(422.7)	(3.8)
2010-11	10,803.4	128.3	1.2
2011-12	11,005.7	202.3	1.9
2012-13 Gov's Rec.	10,986.0	(19.7)	(0.2)
Change FY 2002-03 to FY 2012-13		(\$348.6)	(3.1%)

Table 28

PUPIL MEMBERSHIP HISTORY FY 1994-95 to FY 2012-13				
Blend Calculation	Fiscal Year	Local Districts	Charter Schools	Total
50/50	1994-95	1,593,306	0	1,593,306
50/50	1995-96	1,610,130	4,790	1,614,920
50/50	1996-97	1,634,074	11,520	1,645,594
60/40	1997-98	1,651,011	19,202	1,670,213
60/40	1998-99	1,656,186	31,109	1,687,295
75/25	1999-2000	1,651,300	45,290	1,696,590
80/20	2000-01	1,649,085	55,072	1,704,157
80/20	2001-02	1,647,459	62,113	1,709,572
80/20	2002-03	1,647,531	67,336	1,714,867
80/20	2003-04	1,640,929	73,473	1,714,402
75/25	2004-05	1,626,289	81,491	1,707,780
75/25	2005-06	1,607,880	89,654	1,697,534
75/25	2006-07	1,584,435	96,627	1,681,062
75/25	2007-08	1,553,568	98,987	1,652,555
75/25	2008-09	1,517,714	102,030	1,619,744
75/25	2009-10	1,487,297	108,425	1,595,722
75/25	2010-11	1,457,160	112,276	1,569,436
90/10	2011-12	1,432,900	119,900	1,552,800
90/10	2012-13 Est.	1,414,900	128,000	1,542,900

Table 29

STATE SPENDING PER PUPIL				
Fiscal Year	State-Funded		Pupils (Millions)	Appropriations Per Pupil
	Appropriations (Millions of Dollars)			
1997-98	\$9,307.4	1.6702	\$5,572	
1998-99	9,495.1	1.6873	5,627	
1999-2000	9,957.6	1.6966	5,869	
2000-01	10,732.3	1.7042	6,297	
2001-02	11,220.6	1.7096	6,563	
2002-03	11,334.6	1.7149	6,609	
2003-04	11,059.3	1.7144	6,450	
2004-05	11,113.5	1.7078	6,507	
2005-06	11,308.1	1.6975	6,661	
2006-07	11,597.0	1.6811	6,898	
2007-08	11,421.8	1.6526	6,911	
2008-09	11,097.8	1.6197	6,851	
2009-10	10,675.1	1.5957	6,690	
2010-11	10,803.4	1.5694	6,884	
2011-12	11,005.7	1.5528	7,088	
2012-13 Gov's Rec.	10,986.0	1.5429	7,120	

Table 30

K-12 SCHOOLS MINIMUM FOUNDATION ALLOWANCE			
Fiscal Year	Enacted Per Pupil	After Reductions	Percent Change
2000-01	\$6,000	\$6,000	N/A
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	7,316	7,151	(2.3)
2010-11	7,316	7,146	0.0
2011-12	6,846	6,846	(4.2)
2012-13 Gov's Rec.	6,846	6,846	(0.0)
10-Year Change	146	146	
10-Year % Change	2.2%	2.2%	
10-Year Detroit CPI % Change	20.7%	20.7%	

Table 31

APPROPRIATED FULL-TIME EQUATED POSITIONS (FTEs) IN MICHIGAN STATE BUDGET			
Fiscal Year	FTEs	Change	Percent Change
1997-98	64,119.8	(1,500.2)	(2.3)%
1998-99	62,082.6	(2,037.2)	(3.2)
1999-2000	63,630.9	1,548.3	2.5
2000-01	64,601.5	970.6	1.5
2001-02	64,190.1	(411.4)	(0.6)
2002-03	62,760.2	(1,429.9)	(2.2)
2003-04	57,817.1	(4,943.1)	(7.9)
2004-05	57,034.3	(782.8)	(1.4)
2005-06	56,442.4	(591.9)	(1.0)
2006-07	56,766.3	323.9	0.6
2007-08	57,041.7	275.4	0.5
2008-09	56,491.1	(550.6)	(1.0)
2009-10	55,603.2	(887.9)	(1.6)
2010-11	56,095.3	492.1	0.9
2011-12	54,829.7	(1,265.6)	(2.2)
2012-13 Gov's Rec.	53,178.7	(1,651.0)	(3.0)
Change FY 2002-03 to FY 2012-13		(9,581.5)	(15.3%)

Table 32

FEDERAL FUNDS APPROPRIATED IN MICHIGAN BUDGET			
(Millions of Dollars)			
Fiscal Year	Federal Funds	Adjusted Gross Appropriations	Federal as Percent of Total Adjusted Gross
1997-98	\$7,931.5	\$31,472.8	25.20%
1998-99	8,623.4	33,160.3	26.01
1999-2000	9,765.6	35,417.7	27.57
2000-01	10,002.2	36,953.3	27.07
2001-02	11,242.9	38,751.3	29.01
2002-03	12,226.7	39,553.1	30.91
2003-04	12,361.6	39,115.3	31.60
2004-05	12,855.5	39,908.5	32.21
2005-06	13,179.9	41,322.7	31.89
2006-07	13,436.1	41,851.8	32.10
2007-08	14,669.5	43,616.5	33.63
2008-09	21,124.7	47,941.9	44.06
2009-10	19,940.9	45,656.6	43.68
2010-11	21,314.5	48,089.6	44.32
2011-12	19,549.9	47,134.6	41.48
2012-13 Gov's Rec.	19,972.9	48,053.8	41.56
Percentage Change FY 2002-03 to FY 2012-13	63.4%	21.5%	

Table 33

STATE SPENDING FROM STATE RESOURCES APPROPRIATIONS				
TOTAL COMPARED IN SELECTED BUDGET AREAS				
(Millions of Dollars)				
Department/Budget Area	FY 2002-03 Appropriations	FY 2012-13 Gov's Rec.	Dollar Change	Percent Change
Community Health	\$3,259.4	\$4,994.4	\$1,735.0	53.2%
Corrections	1,655.6	2,054.5	398.9	24.1
Human Services	1,199.6	1,117.6	(82.0)	(6.8)
K-12 School Aid	11,334.6	10,986.0	(348.6)	(3.1)
Community Colleges	310.9	294.1	(16.8)	(5.4)
Higher Education	1,839.4	1,303.0	(536.4)	(29.2)
Revenue Sharing	1,451.4	1,071.7	(379.7)	(26.2)
All Other Programs	4,969.6	5,746.4	776.8	15.6
Total State Spending	\$26,020.5	\$27,567.8	\$1,547.3	5.9%
Addendum:				
Medicaid Caseload	1,296,000	1,900,000	604,000	46.6%
Prison Population	48,929	43,663	(5,266)	(10.8%)
K-12 Pupil Count	1,714,867	1,542,900	(171,967)	(10.0%)
University Students	246,205	264,903	18,698	7.6%
Community College Students	125,608	176,356	50,748	40.4%
Michigan Personal Income (millions)	\$314,285.0	\$382,781.0	\$68,496.0	21.8%
Detroit Consumer Price Index	182.0	219.6	37.6	20.7%