

REVIEW AND ANALYSIS
OF THE
FY 2011-12 AND
FY 2012-13
EXECUTIVE BUDGET
RECOMMENDATION



prepared by the



Mitchell E. Bean, Director

March 2011

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March 2011

TO: Members of the Michigan House of Representatives

We are pleased to provide you with this ***Review and Analysis of the FY 2011-12 and FY 2012-13 Executive Budget Recommendation***.

In this publication, the *Director's Overview* provides information on revenue sources and appropriations proposed in the Executive Budget Recommendation for FY 2011-12 and FY 2012-13, as well as information on proposed changes to the state's retirement systems and tax structure. It also provides summary charts and tables of appropriations and fund sources in the proposed budget.

Budget summaries and analyses in this report were prepared for each department/agency by House Fiscal Agency analysts; the Consensus Revenue section was prepared by Agency economists.

House Fiscal Agency staff and their areas of responsibility are listed on the inside back cover of this publication. Please feel free to contact them, or me, if you have questions or need additional information.

A handwritten signature in black ink that reads "Mitchell E. Bean".

Mitchell E. Bean, Director

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GLOSSARY
Frequently-Used State Budget Terms

STATE BUDGET TERMS

Gross Appropriations (Gross): The total of all applicable appropriations (statutory spending authorizations) in a budget bill.

Adjusted Gross Appropriations (Adjusted Gross): The net amount of all gross appropriations after subtracting interdepartmental grants (IDGs) and intradepartmental transfers (IDTs).

Lapses: Appropriation amounts that are unspent/unobligated at the end of a fiscal year. Appropriations are automatically terminated at the end of a fiscal year unless otherwise provided by law.

Work Project: A statutorily-authorized account which allows a spending authorization to be carried over from one fiscal year to a succeeding fiscal year or years—i.e., allows funds to be spent over a period of years.

APPROPRIATION BILL TERMS

Line Item: Specific funding amount in an appropriation bill which establishes spending authorization for a particular program or function (may be for a single purpose or for multiple purposes).

Boilerplate: Specific language sections in an appropriation bill which direct, limit or restrict line item expenditures, express legislative intent, and/or require reports.

REVENUE SOURCES

General Fund/General Purpose (GF/GP): Unrestricted General Fund revenue available to fund any activity accounted for in the General Fund; unused GF/GP revenue lapses to the General Fund at the end of a fiscal year.

State Restricted (Restricted): State revenue restricted by state law or outside restriction that is available only for specified purposes; at year-end, unused restricted revenue remains in the restricted fund; includes School Aid Fund.

Federal Revenue: Federal grant or matchable revenue generally dedicated to specific programs.

Local Revenue: Revenue from local units of government.

Private Revenue: Revenue from non-government entities: rents, royalties or interest payments, payments from hospitals or individuals, and gifts and bequests.

Interdepartmental Grant (IDG): Revenue or funds received by one state department from another state department (usually for a service provided by the receiving department).

Intradepartmental Transfer (IDT): Transfers or funds being provided from one appropriation unit to another in the same department.

MAJOR STATE FUNDS

Budget Stabilization Fund (BSF): The countercyclical economic and budget stabilization fund; also known as the “rainy day” fund.

School Aid Fund (SAF): A restricted fund; the primary funding source for K-12 schools and Intermediate School Districts (ISDs).

General Fund: The General Fund (funded from taxes and other general revenue) is used to account for the ordinary operations of a governmental unit that are not accounted for in another fund.

FY 2011-12 AND FY 2012-13 Budget Detail

DIRECTOR'S OVERVIEW

Overview
Resources Used in the Executive Budget
Proposed Fees
Proposed Tax Changes
Economic Changes
Summary Information and Tables

OVERVIEW

FY 2011-12 AND FY 2012-13 Executive Recommendation DIRECTOR'S OVERVIEW

The Executive Recommendation addresses an estimated \$1.4 billion budget shortfall by recommending a combined \$1.5 billion in cuts for General Fund/General Purpose (GF/GP) and School Aid Fund (SAF). A SAF fund shift of \$1.1 billion is also incorporated into the proposal. The Recommendation also proposes a net business tax cut of \$1.7 billion, or 86%. The business tax cut is paid for by increasing income tax collections \$1.8 billion, or 30%, and by eliminating various income tax expenditures.

A new component of the Executive Recommendation, contained in House Bill 4361, as introduced, would phase in a permanent earmark of 0.35% of income tax revenue for a new Tax and Fee Reform Reserve Fund. Per the bill, this reserve fund shall be used for fee and tax relief upon appropriation. The value of the earmark is estimated to be \$719 million when fully phased in FY 2015-16. The earmark would increase in value as taxable income increases.

The FY 2011-12 Executive Budget Recommendation calls for \$45,876.8 million in adjusted gross appropriations. This includes \$8,110.6 million in GF/GP funds, \$18,226.2 million in restricted funds, \$497.6 million in local/private funds, and \$19,042.5 million in federal funds.

Of the \$26,336.8 million in state resources recommended for appropriation in FY 2011-12, \$14,717.8 million (55.9% of the total) is designated for payments to local units of government. Article IX, Section 30 of Michigan's *Constitution* requires that at least 48.97% of spending from state resources must be paid to local government.

In addition to the January 14, 2011, Consensus Revenue Estimating Conference revenue estimates, **the Executive Recommendation incorporates the following proposed budget adjustments, which address the estimated \$1.4 billion FY 2011-12 budget shortfall:**

- GF/GP budget reductions totaling \$982.8 million. The reductions include:
 - \$51.2 million in reductions in the Department of Corrections budget.
 - \$212.6 million in reductions in the Department of Community Health budget.
 - \$109.5 million in reductions in the Department of Human Services budget.
 - \$222.4 million in reductions in the Higher Education budget.
 - \$143.9 million in reductions in statutory revenue sharing.
 - \$180.0 million in state employee concessions.
 - \$63.2 million in reductions in other budget areas.
- School Aid reductions of \$538.1 million.

A more detailed summary of proposed changes by department begins on page 21.

The Executive Budget Recommendation is contingent upon a comprehensive tax restructuring plan that would result in a net tax cut of \$270.6 million for FY 2011-12. The proposal would replace the Michigan Business Tax with a 6 percent business income tax and eliminate or reduce numerous tax expenditures.

A detailed summary of the tax proposal can be found on page 8.

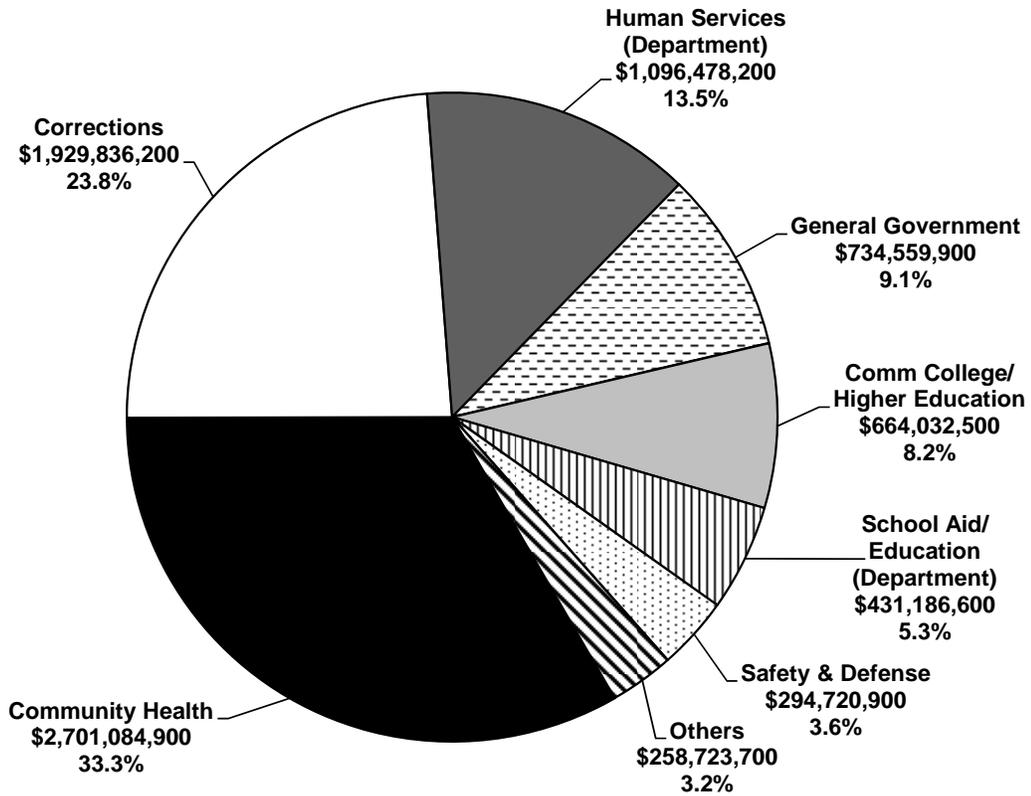
This Overview includes:

- Graphs of Executive Recommendation GF/GP and Adjusted Gross distribution by budget area.
- Review of resources used in the Executive Recommendation.
- Summaries of proposed retirement system and tax changes.
- Summary of the overall content of the budget (Tables 1 through 5).

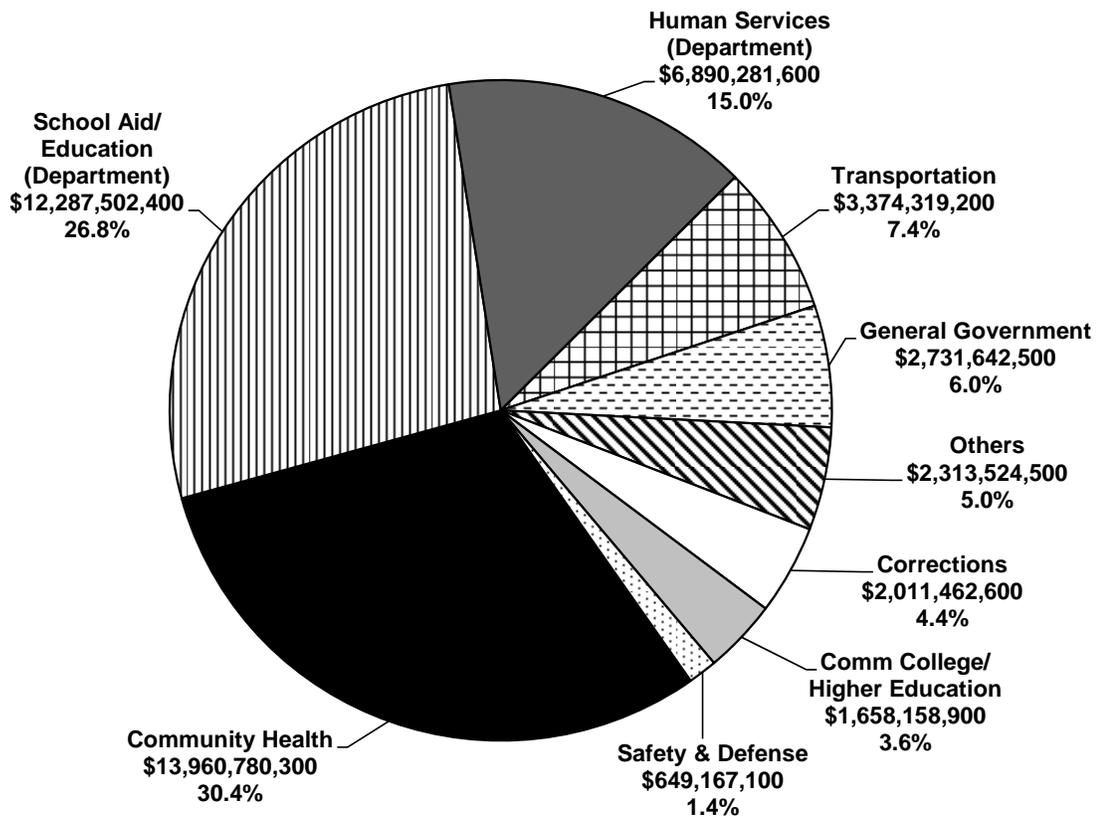
Following this Overview, individual sections explain appropriations by department or major budget area. Each section includes a comparison of FY 2010-11 year-to-date appropriations with the FY 2011-12 and FY 2012-13 Executive Recommendation and an analysis and discussion of major budget and boilerplate issues.

**FY 2011-12 Executive Recommendation
General Fund/General Purpose (GF/GP) = \$8,110,622,900**

OVERVIEW



**FY 2011-12 Executive Recommendation
Adjusted Gross = \$45,876,839,100**



OVERVIEW

RESOURCES USED IN THE FY 2011-12 AND FY 2012-13 EXECUTIVE BUDGET RECOMMENDATION

Resources used to fund General Fund/General Purpose, School Aid Fund, Merit Award Trust Fund, and Medicaid Benefits Trust Fund expenditures in the Executive Budget Recommendation are reported below.

FY 2011-12 and FY 2012-13 Executive Recommendation General Fund/General Purpose (GF/GP) Millions of Dollars		
	FY 2011-12	FY 2012-13
<u>Resources</u>		
Beginning balance*	\$0.0	\$146.5
Initial revenue estimate	7,294.1	7,111.7
Revenue sharing savings	635.7	655.6
Charge SAF for short-term borrowing cost	20.0	30.0
Tax amnesty	(49.8)	0.0
Unclaimed property reform	35.0	(35.0)
Liquor reforms	9.1	9.1
Northville property balloon payment	6.5	0.0
Proposed tax restructuring	326.5	617.4
Reserve for future tax cuts**	<u>0.0</u>	<u>(171.0)</u>
Total Resources	\$8,277.1	\$8,364.3
<u>Expenditures</u>		
Executive Recommendation	\$8,130.6	\$8,477.9
Estimated Ending Balance	\$146.5	(\$113.6)
* Projected FY 2010-11 ending balance reserved for potential expenditure risks.		
** Based on estimates for introduced version of proposed tax policy legislation; Executive Budget had originally show lower amount of \$100.0 million of reserve for future cuts.		

Initial revenue estimate: FY 2011-12 revenue estimates agreed to at the January 2011 consensus revenue estimating conference; FY 2012-13 revenue estimate from Department of Treasury.

Revenue sharing savings: Additional GF/GP sales tax revenue resulting from revenue sharing freeze and additional proposed reductions for FY 2011-12.

Charge SAF for short-term borrowing cost: Savings that accrue to GF/GP by shifting short-term borrowing costs to the SAF,

Tax amnesty: Projected FY 2011-12 revenue loss due to tax amnesty program enacted to increase FY 2010-11 revenue.

Unclaimed property reform: Projected FY 2011-12 gain and FY 2012-13 loss resulting from unclaimed property reforms enacted in 2010.

Liquor reforms: Additional revenue resulting from liquor reforms enacted in 2010.

Northville property balloon payment: One-time payment due to state for sale of property.

Proposed tax restructuring: Net increase in GF/GP revenue under Executive-proposed tax restructuring (fully or partially offset by projected School Aid Fund revenue reduction).

Reserve for future tax cuts: Unspecified future tax reductions.

FY 2011-12 and FY 2012-13 Executive Recommendation School Aid Fund (SAF) Millions of Dollars		
	FY 2011-12	FY 2012-13
<u>Resources</u>		
Beginning balance	\$507.4	\$92.6
Initial revenue estimate	11,193.7	11,468.4
Proposed tax restructuring plan	(597.1)	(530.3)
Other revenue adjustments	(8.0)	3.2
GF/GP contribution	412.5	345.2
Federal funds	<u>1,653.3</u>	<u>1,653.3</u>
Total Resources	\$13,161.8	\$13,032.5
<u>Expenditures</u>		
School Aid appropriations	\$12,173.6	\$12,143.5
Community College appropriations	195.9	195.9
Higher Education appropriations	<u>699.7</u>	<u>699.7</u>
Total Expenditures	\$13,069.2	\$13,039.1
Estimated Ending Balance	\$92.6	(\$6.6)

Initial revenue estimate: FY 2011-12 revenue estimates agreed to at the January 2011 consensus revenue estimating conference; FY 2012-13 revenue estimate from Department of Treasury.

Proposed tax restructuring: Net reduction in School Aid Fund revenue under Executive-proposed tax restructuring (partially or fully offset by projected GF/GP revenue increase).

Other revenue adjustments: Miscellaneous adjustments to School Aid Fund revenue.

GF/GP contribution: Proposed increase in GF/GP revenue appropriated to School Aid Fund.

Federal funds: Federal revenue available for School Aid programs.

School Aid appropriations: Executive Recommendation for School Aid budget.

Community College appropriations: Proposed use of School Aid Fund revenue to replace portion of GF/GP funding for Community Colleges budget.

Higher Education appropriations: Proposed use of School Aid Fund revenue to replace portion of GF/GP funding for Higher Education budget.

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FY 2011-12 and FY 2012-13 Executive Recommendation Merit Award Trust Fund Millions of Dollars		
	FY 2011-12	FY 2012-13
<u>Resources</u>		
Beginning balance	\$0.0	\$0.0
Master Settlement Agreement payment	280.7	280.7
Assume withheld/disputed payments	(26.3)	(26.3)
Payment on 2006 securitization bonds (13.34%)	(33.9)	(33.9)
Payment on 2007 securitization bonds (10.77%)	(27.4)	(27.4)
Deposit to 21st Century Jobs Trust Fund	(75.0)	(75.0)
Interest	<u>0.9</u>	<u>0.9</u>
Available Resources	\$118.9	\$118.9
<u>Expenditures</u>		
DHS: Family Independence Program	\$30.1	\$30.1
Treasury: Tuition Incentive Program admin	1.0	1.0
State Police: Tobacco tax enforcement	0.7	0.7
DCH: Medicaid base funding	82.3	82.3
DCH: Aging-respite care	4.5	4.5
Attorney General: Administration	<u>0.4</u>	<u>0.4</u>
Total Expenditures	\$118.9	\$118.9
Estimated Ending Balance	\$0.0	\$0.0

FY 2011-12 and FY 2012-13 Executive Recommendation Medicaid Benefits Trust Fund Millions of Dollars		
	FY 2011-12	FY 2012-13
<u>Resources</u>		
Beginning balance	\$0.0	\$0.0
Interest	0.5	0.5
<u>Estimated deposits:</u>		
Revenue from cigarette tax	\$331.8	\$325.4
Revenue from other tobacco products	0.0	0.0
Medicaid settlement revenue	<u>3.4</u>	<u>3.4</u>
Available Resources	\$335.7	\$329.3
<u>Expenditures</u>		
Withdrawal	\$335.7	\$329.3
Estimated Ending Balance	\$0.0	\$0.0

FY 2012 PROPOSED FEES

FY 2012 Proposed Fees

<u>Department</u>	<u>Fee Title</u>	<u>Current Fee Amount</u>	<u>Proposed Fee Amount</u>	<u>Estimated Increase Revenue</u>	<u>Associated GF/GP Reduction</u>
Agriculture/Rural Development	Intercounty Drain Assessment	None	\$550 per intercounty drain district	\$550,000	(\$432,300)
	Grain Dealer License fees	Details not available		\$300,000	(\$300,000)
Community Health	<u>Hospital and nursing home fees</u>			\$5,229,500	(\$4,490,300)
	Psychiatric Hospital, Psychiatric Unit, or Psychiatric Partial Hospitalization Program	\$600.00 plus \$7.50 per patient bed or treatment position. Total license fee shall not exceed \$5,000.00	\$70.00 per patient bed or treatment position annually		
	Construction Permit Application for Psychiatric Hospital, Psychiatric Unit, or Psychiatric Partial Hospitalization Program	\$300.00	Construction Permit required for any project which exceeds \$100,000.00		
	Freestanding Surgical Outpatient Facilities	\$238.00 per facility	\$1,500.00 per facility		
	Hospitals	\$8.28 per licensed bed	\$70.00 per licensed bed		
	Nursing Homes, County Medical Care Facilities, and Hospital Long-Term Care Units	\$2.20 per licensed bed	\$70.00 per licensed bed		
	Hospice Residences	\$200.00 per license survey and \$20.00 per licensed bed	\$70.00 per licensed bed		
	Hospice Programs	N/A	\$1,500.00 per program		
	Hospital Certification Survey for Title XVIII or Title XIX Purposes	\$23.00 per bed	\$70.00 per bed		
	Construction Project Involving New Construction, Additions, Modernizations, or Conversions of Health Facility with a Capital Expenditure Threshold of	\$1,000,000.00 or more	\$100,000.00 or more		
Environmental Quality	Air quality fees	By formula	Revised formula	\$900,000	\$0
	Solid Waste Surcharge	\$0.07 / cubic yd.	\$0.12 / cubic yd.	\$1,900,000	\$0
	Wastewater Operator Certification Exam and Renewal fees	\$0	\$30 to \$95	\$356,000	(\$200,000)
Human Services	Child Support fee	\$0	\$25	\$3,400,000	(\$3,400,000)
	Child Support fee	\$0	\$25	\$340,000	(\$340,000)
Natural Resources	Privately Owned Cervidae Industry Registration fees	Class III and Full Ranch, \$750/ 3 years	Class III and Full Ranch, \$2,250/ 3 years	\$115,000	(\$115,000)
State Police	Fingerprint fees	\$30	\$40	\$3,000,000	(\$3,000,000)
Total				\$16,090,500	(\$12,277,600)

OVERVIEW

FY 2011-12 AND FY 2012-13 EXECUTIVE-PROPOSED TAX CHANGES

Tax Restructuring Plan

The Executive Recommendation for tax changes would reduce revenue by an estimated \$270.6 million in FY 2011-12 and decrease revenue by an estimated \$64.0 million in FY 2012-13. These tax changes would increase General Fund/General Purpose (GF/GP) revenue by an estimated \$326.5 million in FY 2011-12 and \$446.4 million in FY 2012-13; it would also reduce School Aid Fund (SAF) revenue by an estimated \$597.1 million in FY 2011-12 and \$530.3 million in FY 2012-13. Table 1 includes the estimated fiscal impact of the Executive Recommendation for tax changes, which would be effective January 1, 2012. The details of the plan are described below.

Detail on Potential Tax Changes Under the Executive Recommendation
Effective Date January 1, 2012
(Millions of Dollars)

	FY 2011-12 Estimates			FY 2012-13 Estimates		
	GF/GP	SAF	Total	GF/GP	SAF	Total
Business Tax Related						
Repeal MBT	(1,419.8)	(750.2)	(2,170.0)	(1,260.7)	(763.7)	(2,024.4)
Partial Year MBT	900.2	0.0	900.2	0.0	0.0	0.0
6% Corporate Income Tax (Only C Corps)	460.1	0.0	460.1	748.8	0.0	748.8
Financial Institutions Tax	27.7	0.0	27.7	43.9	0.0	43.9
Honor Existing Firm-Specific Credits	(293.0)	0.0	(293.0)	(500.0)	0.0	(500.0)
Net Business Tax Change	(324.8)	(750.2)	(1,075.0)	(968.0)	(763.7)	(1,731.7)
Income Tax Related						
Freeze Income Tax Rate at 4.25%	0.0	0.0	0.0	171.0	0.0	171.0
Eliminate Private Pension Exemption	363.5	95.4	459.0	553.0	146.5	699.5
Eliminate Public Pension Exemption	121.6	31.3	153.0	184.4	48.8	233.2
Retain Military Pension Exemption	(12.3)	(3.2)	(15.4)	(19.8)	(3.7)	(23.5)
Eliminate Investment Income Exemption By Seniors	28.1	7.2	35.4	42.9	11.0	53.9
Eliminate Some Special Exemptions	6.7	2.1	8.8	40.9	0.0	40.9
Phase-Out Personal Exemption	41.4	13.0	54.4	63.2	19.7	82.9
Eliminate Child Deduction	0.0	0.0	0.0	57.0	0.0	57.0
Eliminate Miscellaneous Subtractions	28.1	7.2	35.4	42.9	11.0	53.9
Eliminate Non-refundable Credits						
City Income Tax Credit	26.3	0.0	26.3	36.7	0.0	36.7
Public Contributions Credit	20.3	0.0	20.3	28.1	0.0	28.1
Community Foundations Credit	3.0	0.0	3.0	4.1	0.0	4.1
Homeless Shelter/Food Bank Credit	16.5	0.0	16.5	22.8	0.0	22.8
Historic Preservation Credit	0.0	0.0	0.0	0.0	0.0	0.0
College Tuition Credit	7.1	0.0	7.1	9.8	0.0	9.8
Vehicle Donation Credit	0.8	0.0	0.8	1.0	0.0	1.0
Individual or Family Development Credit	0.0	0.0	0.0	0.0	0.0	0.0
Eliminate Refundable Credits						
Adoption Credit	0.0	0.0	0.0	1.0	0.0	1.0
Stillbirth Credit	0.0	0.0	0.0	0.0	0.0	0.0
Eliminate EITC	0.0	0.0	0.0	373.7	0.0	373.7
Changes to Homestead Property Tax Credits	0.0	0.0	0.0	(7.2)	0.0	(7.2)
Eliminate All Voluntary Contributions	0.0	0.0	0.0	0.0	0.0	0.0
Tax and Fee Reform Reserve Fund	0.0	0.0	0.0	(171.0)	0.0	(171.0)
Net Income Tax Change	651.2	153.1	804.4	1,434.4	233.4	1,667.8
Total Tax Changes	\$326.5	(\$597.1)	(\$270.6)	\$446.4	(\$530.3)	(\$64.0)

Source: Michigan Department of Treasury and House Fiscal Agency

Michigan Business Tax (MBT) and Corporate Income Tax Changes

Combined, the MBT and corporate income tax changes under the Executive Recommendation would reduce business taxes by an estimated \$1.08 billion in FY 2011-12 and \$1.73 billion in FY 2012-13:

- Repeal the MBT, which is a tax based on business income or net profit and modified gross receipts (gross receipts less purchases from other firms).

- Impose a 6.0% corporate income or profits tax with no credits, except for the small business credit. Qualified small businesses are eligible to pay an alternate tax equal to 1.8% of adjusted business income. The business tax on insurance companies and financial institutions would not be fundamentally changed from current law. The corporate income tax would only apply to C corporations and not other business types as is the case with the MBT. Credits that have already been awarded, such as MEGA, brownfield redevelopment, renaissance zone, film production, battery/photovoltaic, and other credits would be retained for the duration of the agreements, but no additional credits would be awarded. Credits could also be awarded through 2011.

Income Tax Changes

The income tax changes proposed by the Governor would increase the income tax by an estimated \$804.4 million in FY 2011-12 and \$1.67 billion in FY 2012-13. The proposed changes are as follows:

- Freeze the income tax rate at 4.25%. Under current law, the income tax rate is 4.35%. Beginning October 1, 2011 the rate will be reduced by 0.1 percentage points each year until the rate reaches 3.95%; then the rate will be reduced to 3.9% effective October 1, 2015.
- Eliminate the pension exemption. Under current law, social security, military, federal, state, and local government pension/retirement income is fully exempt. Private pensions are exempt up to \$45,120 single/\$90,240 joint (Tax Year 2010) – these levels are indexed to inflation. In Michigan, defined benefit plans, IRAs, and annuities are fully exempt. Also, 401(k) distributions attributable to employer contributions or to employee contributions that are matched by the employer are exempt, but distributions attributable to employee contributions that are not matched by the employer are currently subject to the State income tax, subject to the private pension limits. In addition, 401(k)s with no employer match are not considered pensions and therefore are completely subject to the income tax. The Executive Recommendation would eliminate these exemptions but would retain the military pension exemption and the exemption for social security.
- Eliminate the dividends, interest, capital gains exemption received by seniors. Under current law, senior investment income up to \$10,058 single/\$20,115 joint (Tax Year 2010, indexed to inflation) is exempt.
- Eliminate the \$2,300 (Tax Year 2010, indexed to inflation) special exemptions for seniors and individuals with unemployment compensation equal to or greater than 50% of their AGI.
- Personal exemption phase-out. Under current law, \$3,700 (Tax Year 2011, indexed to inflation) is exempt from AGI (adjusted gross income) for each personal exemption claimed on the federal income tax return. The personal exemption increases in \$100 increments based on inflation. The Executive Recommendation would phase-out the personal exemption for single taxpayers between the income range of \$75,000 and \$100,000 and for married taxpayers between the income range of \$150,000 and \$200,000. Taxpayers with incomes above the upper bound would receive no personal exemption.
- Eliminate the child deduction. The child deduction provides a \$600 subtraction from AGI for each dependent child age 18 or younger.
- Eliminate miscellaneous subtractions. The Executive Recommendation would eliminate subtractions for political contributions; prizes won from bingo, raffle, or charity games; losses from the disposal of property; income from gas and oil royalty interest; certain distributions from IRAs used to pay higher education expenses; and qualifying distributions from a pension or retirement plan that is contributed to a charitable organization.
- Eliminate the Earned Income Tax Credit (EITC). The EITC is a refundable credit for working low income households equal to 20% of the federal EITC. This would increase revenue by an estimated \$373.7 million for FY 2012-13. In recent years, a portion of the state earned income tax credit has been used to meet maintenance of effort (MOE) requirements for federal Temporary Assistance for Needy Families (TANF) dollars. Elimination of the credit would also eliminate this TANF MOE claim generated by the state EITC. Thus, other eligible state spending would need to be identified to ensure that MOE requirements were met.
- Eliminate most refundable and non-refundable income tax credits. These credits include the city income tax credit, the public contributions credit, the community foundations credit, the homeless shelter/food bank credit, the historic preservation credit, the college tuition and fees credit, the vehicle donation credit, the individual or family development credit, the adoption credit, and the stillbirth credit.
- Homestead property tax credit (HPTC) changes. For Tax Year 2008, Michigan taxpayers with household income less than \$82,650 may claim a property tax credit, and the computed credit is reduced by 10% for every \$1,000 that household income exceeds \$73,650. Under current law, the credit is equal to 60% of the amount by which property taxes (or 20% of rent for renters) exceed 3.5% of household income, up to a maximum of \$1,200. For seniors and disabled filers, the credit is equal to 100% of the difference. The proposed changes would adjust the percentage by which property taxes exceed 3.5% of

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household income to 80% for all filers except disabled taxpayers, who remain at 100%. In addition, the credit will begin to phase-out at an income level of \$60,000.

- Eliminate all designated voluntary contributions.
- Reserve for future tax and fee reform. The Executive Recommendation would set aside a portion of income tax revenue in a Tax and Fee Reform Reserve Fund; the Executive budget has indicated that this is to be used for future tax cuts. This amount would total an estimated \$171 million in FY 2012-13, \$380 million in FY 2013-14, \$593 million in FY 2014-15, and \$719 million in FY 2015-16.

FY 2011-12 ECONOMIC CHANGES BY DEPARTMENT/AGENCY

(Thousands of Dollars)

	Salaries and Wages		Insurance, Retirement, and Worker's Comp		Building Occupancy Charges, Rent, Other		Total	
	<u>GF/GP</u>	<u>Gross</u>	<u>GF/GP</u>	<u>Gross</u>	<u>GF/GP</u>	<u>Gross</u>	<u>GF/GP</u>	<u>Gross</u>
Agriculture/Rural Development	\$0.0	\$0.0	\$788.6	\$1,754.7	(\$2.5)	(\$164.1)	\$786.1	\$1,590.6
Attorney General	0.0	0.0	994.4	2,628.3	(9.2)	-25.0	985.2	2,603.3
Civil Rights	0.0	0.0	460.5	460.5	25.0	25.0	485.5	485.5
Civil Service	0.0	0.0	980.6	2,539.3	0.9	6.4	981.5	2,545.7
Community Health	0.0	0.0	10,101.2	22,063.5	39.0	(172.1)	10,140.2	21,891.4
Corrections	0.0	0.0	53,859.5	56,212.3	2,130.8	1,849.5	55,990.3	58,061.8
Education	0.0	0.0	375.8	1,486.8	2.9	4.8	378.7	1,491.6
Energy, Labor & Economic Growth	0.0	0.0	746.0	16,005.9	(3.8)	294.7	742.2	16,300.6
Environmental Quality	0.0	0.0	785.7	6,943.3	(85.6)	(383.7)	700.1	6,559.6
Executive Office	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Human Services	0.0	0.0	7,775.5	23,178.2	(13.2)	(151.9)	7,762.3	23,026.3
Judiciary	0.0	0.0	1,681.0	1,791.6	154.3	156.5	1,835.3	1,948.1
Legislature	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Legislative Auditor General	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Military and Veterans Affairs	0.0	0.0	820.4	2,824.9	0.0	0.0	820.4	2,824.9
Natural Resources	0.0	0.0	420.9	6,583.7	(33.7)	(76.7)	387.2	6,507.0
State	0.0	0.0	326.5	6,292.4	(257.1)	(5,311.8)	69.4	980.6
State Police	1,558.4	2,139.6	16,683.8	24,355.0	84.5	(3,862.7)	18,326.7	22,631.9
Tech, Management & Budget	0.0	0.0	2,184.9	8,013.3	434.1	358.1	2,619.0	8,371.4
Treasury	0.0	0.0	829.8	8,980.0	(65.2)	(95.4)	764.6	8,884.6
Treasury: MI Strategic Fund	0.0	0.0	881.0	968.9	0.0	0.0	881.0	968.9
Transportation	0.0	0.0	0.0	13,292.9	0.0	410.4	0.0	13,703.2
TOTAL	\$1,558.4	\$2,139.6	\$100,696.1	\$206,375.5	\$2,401.2	(\$7,138.0)	\$104,655.7	\$201,377.0

Note: Does not reflect assumed state employee concessions totaling \$180.0 million GF/GP.

OVERVIEW

FY 2011-12 AND FY 2012-13 EXECUTIVE RECOMMENDATION SUMMARY/TABLES

The Executive Budget Recommendation for FY 2011-12 decreases adjusted gross appropriations by \$1,158.0 million (2.5%) from FY 2010-11 year-to-date amounts, as a result of these changes in appropriations from major fund sources:

- GF/GP appropriations are decreased by \$191.2 million (2.3%).
- State restricted appropriations are increased by \$473.7 million (2.7%).
- Federal appropriations are decreased by \$1,449.8 million (7.1%).
- Local and private appropriations are increased by \$9.3 million (1.9%).

Total state spending from state sources (GF/GP plus state restricted) in the FY 2011-12 Executive Budget Recommendation is increased by \$282.5 million (1.1%) from FY 2010-11 year-to-date amounts.

Projected appropriation amounts for FY 2012-13 under the Executive Budget (which will not be legally binding) reflect a 4.3% increase in GF/GP appropriations, a 1.8% in total state spending from state sources, and a 1.4% increase in adjusted gross appropriations.

The following should be noted regarding the appropriation amounts in the tables below and throughout the report:

- The appropriation figures do not reflect an assumed GF/GP appropriation increase of \$200.0 million for prefunding a portion of the state's long-term retiree health care liability or an assumed GF/GP appropriation reduction of \$180.0 million GF/GP for state employee concessions. These appropriation amounts, which result in a net increase of \$20.0 million GF/GP to the budget, are assumed in the Executive Budget for both FY 2011-12 and FY 2012-13 but have not yet been allocated to specific budget areas.
- The reduction in federal appropriations from FY 2010-11 to FY 2011-12 is driven by the removal of approximately \$1.4 billion in appropriations funded from sources related to the federal American Recovery and Reinvestment Act (ARRA) that are no longer available in FY 2011-12. In some cases, increased appropriations from state-level sources are recommended to maintain baseline funding for ongoing programs that were temporarily funded by ARRA-related funds.

Where relevant, federal ARRA amounts are shown separately from other federal funds in the budget-by-budget highlight tables found later in this document, so that the impact of changes in ARRA funding from FY 2010-11 to FY 2011-12 for specific budget areas can be easily identified.

**FY 2011-12 and FY 2012-13
Executive Budget Appropriation Changes
Millions of Dollars**

	<u>Year-to-Date FY 2010-11</u>	<u>Executive Recommendation FY 2011-12</u>	<u>Change Amounts</u>		<u>Executive Recommendation FY 2012-13</u>	<u>Change Amounts</u>	
General Fund/General Purpose	\$8,301.8	\$8,110.6	(\$191.2)	-2.3%	\$8,457.9	\$347.2	4.3%
State Restricted	<u>17,752.5</u>	<u>18,226.2</u>	<u>473.7</u>	2.7%	<u>18,363.1</u>	<u>137.0</u>	0.8%
Total State Spending from State Sources	\$26,054.2	\$26,336.8	\$282.5	1.1%	\$26,821.0	\$484.2	1.8%
Federal	\$20,492.3	\$19,042.5	(\$1,449.8)	-7.1%	\$19,220.7	\$178.2	0.9%
Local	365.8	370.0	4.2	1.2%	369.8	(0.2)	-0.1%
Private	122.5	127.6	5.1	4.2%	127.8	0.2	0.2%
Total Adjusted Gross	\$47,034.8	\$45,876.8	(\$1,158.0)	-2.5%	\$46,539.2	\$662.4	1.4%

Note: Numbers may not add due to rounding.

General Fund/General Purpose: The state's primary operating fund; the portion of the state's General Fund that does not include restricted revenue

State Restricted: State revenue dedicated to a specific fund; revenue which results from state mandates or initiatives; includes state School Aid Fund

Adjusted Gross: Total of all line item appropriations; gross appropriations minus interdepartmental grants (IDGs) and intradepartmental transfers (IDTs)

OVERVIEW

**TABLE 1
FY 2011-12 EXECUTIVE BUDGET RECOMMENDATION BY SOURCE OF FUNDS**

Department/Budget Area	Gross	IDG/IDT	Adjusted Gross	Federal	Local	Private	State Restricted	GF/GP
Community Colleges	295,880,500	0	295,880,500	0	0	0	195,880,500	100,000,000
Education	113,943,300	0	113,943,300	77,929,200	7,159,200	3,044,400	7,166,300	18,644,200
Higher Education	1,362,278,400	0	1,362,278,400	98,326,400	0	0	699,919,500	564,032,500
School Aid	12,173,559,100	0	12,173,559,100	1,653,331,800	0	0	10,107,684,900	412,542,400
EDUCATION	\$13,945,661,300	\$0	\$13,945,661,300	\$1,829,587,400	\$7,159,200	\$3,044,400	\$11,010,651,200	\$1,095,219,100
Attorney General	74,340,900	21,885,400	52,455,500	8,848,800	0	0	15,489,100	28,117,600
Civil Rights	12,098,900	0	12,098,900	2,213,200	0	0	58,500	9,827,200
Executive Office	4,399,200	0	4,399,200	0	0	0	0	4,399,200
Legislative Auditor General	15,638,400	3,501,500	12,136,900	0	0	0	1,539,900	10,597,000
Legislature	100,333,200	250,000	100,083,200	0	0	400,000	1,109,800	98,573,400
State	211,885,000	20,000,000	191,885,000	1,810,000	0	100	178,788,700	11,286,200
Tech, Management & Budget	1,012,141,700	609,070,400	403,071,300	2,803,400	1,456,600	180,600	85,272,900	313,357,800
Treasury: MI Strategic Fund	199,325,700	37,600	199,288,100	50,652,800	0	350,000	75,568,600	72,716,700
Treasury: Operations	670,701,100	14,384,000	656,317,100	206,721,500	2,099,200	0	387,225,100	60,271,300
Treasury: Debt/Revenue Sharing	1,099,907,300	0	1,099,907,300	0	0	0	974,493,800	125,413,500
GENERAL GOVERNMENT	\$3,400,771,400	\$669,128,900	\$2,731,642,500	\$273,049,700	\$3,555,800	\$930,700	\$1,719,546,400	\$734,559,900
Community Health	13,965,309,000	4,528,700	13,960,780,300	8,758,307,700	248,557,800	96,494,700	2,156,335,200	2,701,084,900
Corrections	2,012,406,400	943,800	2,011,462,600	7,995,100	447,300	0	73,184,000	1,929,836,200
Human Services	6,891,524,700	1,243,100	6,890,281,600	5,649,786,500	30,573,600	16,336,100	97,107,200	1,096,478,200
HUMAN SERVICES	\$22,869,240,100	\$6,715,600	\$22,862,524,500	\$14,416,089,300	\$279,578,700	\$112,830,800	\$2,326,626,400	\$5,727,399,300
Agriculture/Rural Development	71,469,300	297,600	71,171,700	14,184,700	0	171,300	29,713,000	27,102,700
Environmental Quality	405,839,300	8,918,200	396,921,100	159,851,500	0	711,800	214,866,200	21,491,600
Natural Resources	330,195,800	1,935,000	328,260,800	69,319,800	0	2,842,400	242,382,400	13,716,200
RESOURCE PROTECTION	\$807,504,400	\$11,150,800	\$796,353,600	\$243,356,000	\$0	\$3,725,500	\$486,961,600	\$62,310,500
Military & Veterans Affairs	152,383,500	1,152,800	151,230,700	87,678,000	644,800	1,423,300	28,439,700	33,044,900
State Police	521,482,600	23,546,200	497,936,400	106,251,500	6,456,700	216,100	123,336,100	261,676,000
SAFETY AND DEFENSE	\$673,866,100	\$24,699,000	\$649,167,100	\$193,929,500	\$7,101,500	\$1,639,400	\$151,775,800	\$294,720,900
Capital Outlay	0	0	0	0	0	0	0	0
Energy/Labor/Economic Growth	1,272,142,500	12,673,500	1,259,469,000	839,727,100	12,293,400	4,576,500	359,335,700	43,536,300
Judiciary	260,275,400	2,573,500	257,701,900	5,539,500	6,342,700	842,500	92,100,300	152,876,900
Transportation	3,377,770,700	3,451,500	3,374,319,200	1,241,195,200	53,968,500	0	2,079,155,500	0
ALL OTHERS	\$4,910,188,600	\$18,698,500	\$4,891,490,100	\$2,086,461,800	\$72,604,600	\$5,419,000	\$2,530,591,500	\$196,413,200
TOTAL APPROPRIATIONS	\$46,607,231,900	\$730,392,800	\$45,876,839,100	\$19,042,473,700	\$369,999,800	\$127,589,800	\$18,226,152,900	\$8,110,622,900

**TABLE 2
GENERAL FUND/GENERAL PURPOSE APPROPRIATIONS
FY 2011-12 and FY 2012-13 Executive Recommendation Compared with FY 2010-11 Year-to-Date**

<u>Department/Budget Area</u>	<u>Year-To-Date FY 2010-11</u>	<u>Executive Recommendation FY 2011-12</u>	<u>Difference FY 2011-12 vs. FY 2010-11</u>		<u>Executive Recommendation FY 2012-13</u>	<u>Difference FY 2012-13 vs. FY 2011-12</u>	
Community Colleges	295,880,500	100,000,000	(195,880,500)	-66.2%	100,000,000	0	0.0%
Education	21,914,100	18,644,200	(3,269,900)	-14.9%	18,883,500	239,300	1.3%
Higher Education	1,543,378,500	564,032,500	(979,346,000)	-63.5%	564,032,500	0	0.0%
School Aid	18,642,400	412,542,400	393,900,000	2112.9%	345,242,400	(67,300,000)	-16.3%
EDUCATION	\$1,879,815,500	\$1,095,219,100	(\$784,596,400)	-41.7%	\$1,028,158,400	(\$67,060,700)	-6.1%
Attorney General	28,559,400	28,117,600	(441,800)	-1.5%	28,828,100	710,500	2.5%
Civil Rights	10,975,700	9,827,200	(1,148,500)	-10.5%	10,096,100	268,900	2.7%
Executive Office	4,630,800	4,399,200	(231,600)	-5.0%	4,399,200	0	0.0%
Legislative Auditor General	11,155,000	10,597,000	(558,000)	-5.0%	10,597,000	0	0.0%
Legislature	100,574,300	98,573,400	(2,000,900)	-2.0%	98,573,400	0	0.0%
State	13,910,800	11,286,200	(2,624,600)	-18.9%	11,586,000	299,800	2.7%
Tech, Management & Budget	299,748,800	313,357,800	13,609,000	4.5%	325,708,200	12,350,400	3.9%
Treasury: MI Strategic Fund	22,781,500	72,716,700	49,935,200	219.2%	73,093,300	376,600	0.5%
Treasury: Operations	56,038,000	60,271,300	4,233,300	7.6%	50,957,400	(9,313,900)	-15.5%
Treasury: Debt/Revenue Sharing	42,118,300	125,413,500	83,295,200	197.8%	125,413,500	0	0.0%
GENERAL GOVERNMENT	\$590,492,600	\$734,559,900	\$144,067,300	24.4%	\$739,252,200	\$4,692,300	0.6%
Community Health	2,421,483,700	2,701,084,900	279,601,200	11.5%	2,930,413,700	229,328,800	8.5%
Corrections	1,917,879,500	1,929,836,200	11,956,700	0.6%	2,012,313,800	82,477,600	4.3%
Human Services	924,018,100	1,096,478,200	172,460,100	18.7%	1,184,714,900	88,236,700	8.0%
HUMAN SERVICES	\$5,263,381,300	\$5,727,399,300	\$464,018,000	8.8%	\$6,127,442,400	\$400,043,100	7.0%
Agriculture/Rural Development	30,297,100	27,102,700	(3,194,400)	-10.5%	27,715,100	612,400	2.3%
Environmental Quality	25,322,500	21,491,600	(3,830,900)	-15.1%	22,075,300	583,700	2.7%
Natural Resources	15,986,900	13,716,200	(2,270,700)	-14.2%	14,064,500	348,300	2.5%
RESOURCE PROTECTION	\$71,606,500	\$62,310,500	(\$9,296,000)	-13.0%	\$63,854,900	1,544,400	2.5%
Military & Veterans Affairs	36,424,700	33,044,900	(3,379,800)	-9.3%	33,692,200	647,300	2.0%
State Police	260,383,200	261,676,000	1,292,800	0.5%	266,966,700	5,290,700	2.0%
SAFETY AND DEFENSE	\$296,807,900	\$294,720,900	(\$2,087,000)	-0.7%	\$300,658,900	\$5,938,000	2.0%
Capital Outlay	2,500	0	(2,500)	-100.0%	0	0	--
Energy, Labor, & Economic	47,607,900	43,536,300	(4,071,600)	-8.6%	44,110,700	574,400	1.3%
Judiciary	152,073,100	152,876,900	803,800	0.5%	154,387,400	1,510,500	1.0%
Transportation	0	0	0	--	0	0	--
ALL OTHERS	\$199,683,500	\$196,413,200	(\$3,270,300)	-1.6%	\$198,498,100	\$2,084,900	1.1%
TOTAL APPROPRIATIONS	\$8,301,787,300	\$8,110,622,900	(\$191,164,400)	-2.3%	\$8,457,864,900	\$347,242,000	4.3%

Notes: (1) FY 2010-11 amounts for Departments of Environmental Quality and Natural Resources reflected estimated split from original FY 2010-11 budget for combined department. (2) Figures do not reflect assumed appropriation of \$200.0 million GF/GP for prefunding retiree health care liability and assumed savings of \$180.0 million GF/GP from state employee concessions.

REVIEW AND ANALYSIS OF FY 2011-12 AND FY 2012-13 EXECUTIVE RECOMMENDATION

OVERVIEW

**TABLE 3
ADJUSTED GROSS APPROPRIATIONS
FY 2011-12 and FY 2012-13 Executive Recommendation Compared with FY 2010-11 Year-to-Date**

<u>Department/Budget Area</u>	<u>Year-To-Date FY 2010-11</u>	<u>Executive Recommendation FY 2011-12</u>	<u>Difference FY 2011-12 vs. FY 2010-11</u>		<u>Executive Recommendation FY 2012-13</u>	<u>Difference FY 2012-13 vs. FY 2011-12</u>	
Community Colleges	295,880,500	295,880,500	0	0.0%	295,880,500	0	0.0%
Education	126,959,900	113,943,300	(13,016,600)	-10.3%	115,389,400	1,446,100	1.3%
Higher Education	1,578,278,500	1,362,278,400	(216,000,100)	-13.7%	1,371,038,400	8,760,000	0.6%
School Aid	13,134,236,200	12,173,559,100	(960,677,100)	-7.3%	12,143,462,500	(30,096,600)	-0.2%
EDUCATION	\$15,135,355,100	\$13,945,661,300	(\$1,189,693,800)	-7.9%	\$13,925,770,800	(\$19,890,500)	-0.1%
Attorney General	52,112,800	52,455,500	342,700	0.7%	53,781,600	1,326,100	2.5%
Civil Rights	12,778,700	12,098,900	(679,800)	-5.3%	12,424,300	325,400	2.7%
Executive Office	4,630,800	4,399,200	(231,600)	-5.0%	4,399,200	0	0.0%
Legislative Auditor General	12,694,900	12,136,900	(558,000)	-4.4%	12,136,900	0	0.0%
Legislature	102,084,100	100,083,200	(2,000,900)	-2.0%	100,083,200	0	0.0%
State	193,520,400	191,885,000	(1,635,400)	-0.8%	196,538,500	4,653,500	2.4%
Tech, Management & Budget	387,809,300	403,071,300	15,262,000	3.9%	418,989,300	15,918,000	3.9%
Treasury: MI Strategic Fund	155,765,000	199,288,100	43,523,100	27.9%	199,738,700	450,600	0.2%
Treasury: Operations	642,566,000	656,317,100	13,751,100	2.1%	652,810,900	(3,506,200)	-0.5%
Treasury: Debt/Revenue Sharing	1,112,917,000	1,099,907,300	(13,009,700)	-1.2%	1,132,008,300	32,101,000	2.9%
GENERAL GOVERNMENT	\$2,676,879,000	\$2,731,642,500	\$54,763,500	2.0%	\$2,782,910,900	\$51,268,400	1.9%
Community Health	14,070,083,800	13,960,780,300	(109,303,500)	-0.8%	14,408,677,300	447,897,000	3.2%
Corrections	2,006,518,200	2,011,462,600	4,944,400	0.2%	2,093,314,800	81,852,200	4.1%
Human Services	6,947,685,400	6,890,281,600	(57,403,800)	-0.8%	6,932,613,400	42,331,800	0.6%
HUMAN SERVICES	\$23,024,287,400	\$22,862,524,500	(\$161,762,900)	-0.7%	\$23,434,605,500	\$572,081,000	2.5%
Agriculture/Rural Development	76,159,200	71,171,700	(4,987,500)	-6.5%	72,567,900	1,396,200	2.0%
Environmental Quality	386,973,900	396,921,100	9,947,200	2.6%	401,500,700	4,579,600	1.2%
Natural Resources	321,472,600	328,260,800	6,788,200	2.1%	334,594,400	6,333,600	1.9%
RESOURCE PROTECTION	\$784,605,700	\$796,353,600	\$11,747,900	1.5%	\$808,663,000	\$12,309,400	1.5%
Military & Veterans Affairs	148,890,000	151,230,700	2,340,700	1.6%	152,321,200	1,090,500	0.7%
State Police	508,487,600	497,936,400	(10,551,200)	-2.1%	506,989,300	9,052,900	1.8%
SAFETY AND DEFENSE	\$657,377,600	\$649,167,100	(\$8,210,500)	-1.2%	\$659,310,500	\$10,143,400	1.6%
Capital Outlay	2,500	0	(2,500)	-100.0%	0	0	--
Energy, Labor & Economic Growth	1,264,576,900	1,259,469,000	(5,107,900)	-0.4%	1,272,110,900	12,641,900	1.0%
Judiciary	256,785,300	257,701,900	916,600	0.0%	259,342,300	1,640,400	0.6%
Transportation	3,234,941,000	3,374,319,200	139,378,200	4.3%	3,396,492,000	22,172,800	0.7%
ALL OTHERS	\$4,756,305,700	\$4,891,490,100	\$135,184,400	2.8%	\$4,927,945,200	\$36,455,100	0.7%
TOTAL APPROPRIATIONS	\$47,034,810,500	\$45,876,839,100	(\$1,157,971,400)	-2.5%	\$46,539,205,900	\$662,366,800	1.4%

Notes: (1) FY 2010-11 amounts for Departments of Environmental Quality and Natural Resources reflected estimated split from original FY 2010-11 budget for combined department. (2) Figures do not reflect assumed appropriation of \$200.0 million GF/GP for prefunding retiree health care liability and assumed savings of \$180.0 million GF/GP from state employee concessions.

**TABLE 4
FULL-TIME EQUATED (FTE) POSITIONS*
FY 2011-12 and FY 2012-13 Executive Recommendation Compared with FY 2010-11 Year-to-Date**

<u>Department/Budget Area</u>	<u>Year-To-Date FY 2010-11</u>	<u>Executive Recommendation FY 2011-12</u>	<u>Difference FY 2011-12 vs. FY 2010-11</u>		<u>Executive Recommendation FY 2012-13</u>	<u>Difference FY 2012-13 vs. FY 2011-12</u>	
Community Colleges	0.0	0.0	0.0	--	0.0	0.0	--
Education	562.5	559.0	(3.5)	-0.6%	559.0	0.0	0.0%
Higher Education	1.0	1.0	0.0	0.0%	1.0	0.0	0.0%
School Aid	0.0	0.0	0.0	--	0.0	0.0	--
EDUCATION	563.5	560.0	(3.5)	-0.6%	560.0	0.0	0.0%
Attorney General	520.0	520.0	0.0	0.0%	520.0	0.0	0.0%
Civil Rights	118.0	118.0	0.0	0.0%	118.0	0.0	0.0%
Executive Office	84.2	84.2	0.0	0.0%	84.2	0.0	0.0%
Legislative Auditor General	0.0	0.0	0.0	--	0.0	0.0	--
Legislature	0.0	0.0	0.0	--	0.0	0.0	--
State	1,815.0	1,815.0	0.0	0.0%	1,815.0	0.0	0.0%
Tech, Management & Budget	2,972.5	2,986.5	14.0	0.5%	2,986.5	0.0	0.0%
Treasury: MI Strategic Fund	155.0	158.0	3.0	1.9%	158.0	0.0	0.0%
Treasury: Operations	2,044.5	2,050.5	6.0	0.3%	2,050.5	0.0	0.0%
Treasury: Debt/Revenue Sharing	0.0	0.0	0.0	--	0.0	0.0	--
GENERAL GOVERNMENT	7,709.2	7,732.2	23.0	0.3%	7,732.2	0.0	0.0%
Community Health	4,398.8	4,031.0	(367.8)	-8.4%	4,031.0	0.0	0.0%
Corrections	15,877.5	15,656.8	(220.7)	-1.4%	15,179.8	(477.0)	-3.0%
Human Services	11,869.5	11,554.5	(315.0)	-2.7%	11,554.5	0.0	0.0%
HUMAN SERVICES	32,145.8	31,242.3	(903.5)	-2.8%	30,765.3	(477.0)	-1.5%
Agriculture/Rural Development	458.5	438.0	(20.5)	-4.5%	438.0	0.0	0.0%
Environmental Quality	1,483.1	1,450.1	(33.0)	-2.2%	1,450.1	0.0	0.0%
Natural Resources	2,192.4	2,176.4	(16.0)	-0.7%	2,176.4	0.0	0.0%
RESOURCE PROTECTION	4,134.0	4,064.5	(69.5)	-1.7%	4,064.5	0.0	0.0%
Military & Veterans Affairs	977.0	826.0	(151.0)	-15.5%	826.0	0.0	0.0%
State Police	2,765.0	2,747.0	(18.0)	-0.7%	2,747.0	0.0	0.0%
SAFETY AND DEFENSE	3,742.0	3,573.0	(169.0)	-4.5%	3,573.0	0.0	0.0%
Capital Outlay	0.0	0.0	0.0	--	0.0	0.0	--
Energy, Labor, & Economic Growth	4,418.0	4,416.0	(2.0)	0.0%	4,416.0	0.0	0.0%
Judiciary	491.0	491.0	0.0	0.0%	491.0	0.0	0.0%
Transportation	3,022.3	3,049.3	27.0	0.9%	3,049.3	0.0	0.0%
ALL OTHERS	7,931.3	7,956.3	25.0	0.3%	7,956.3	0.0	0.0%
TOTAL FTE APPROPRIATIONS	56,225.8	55,128.3	(1,097.5)	-2.0%	54,213.3	(915.0)	-1.7%

*Includes classified, unclassified, and nonlegislative exempt positions

Note: FY 2010-11 amounts for Departments of Environmental Quality and Natural Resources reflected estimated split from original FY 2010-11 budget for combined department.

**TABLE 5
STATE SPENDING FROM STATE SOURCES PAID TO LOCAL GOVERNMENTS
FY 2011-12 Executive Recommendation**

<u>Department/Budget Area</u>	<u>Spending from State Sources</u>	<u>State Spending to Local Government Units</u>	<u>% of State Spending from State Sources as Payment to Locals</u>
Community Colleges	295,880,500	295,880,500	100.0%
Education	25,810,500	3,445,700	13.3%
Higher Education	1,263,952,000	0	0.0%
School Aid	10,520,227,300	10,364,473,300	98.5%
EDUCATION	\$12,105,870,300	\$10,663,799,500	88.1%
Attorney General	43,606,700	0	0.0%
Civil Rights	9,885,700	0	0.0%
Executive Office	4,399,200	0	0.0%
Legislative Auditor General	12,136,900	0	0.0%
Legislature	99,683,200	0	0.0%
State	190,074,900	1,360,800	0.7%
Tech, Management & Budget	398,630,700	0	0.0%
Treasury: MI Strategic Fund	148,285,300	0	0.0%
Treasury: Operations	447,496,400	153,993,500	34.4%
Treasury: Debt/Revenue Sharing	1,099,907,300	958,979,300	87.2%
GENERAL GOVERNMENT	\$2,454,106,300	\$1,114,333,600	45.4%
Community Health	4,857,420,100	1,376,601,500	28.3%
Corrections	2,003,020,200	90,193,500	4.5%
Human Services	1,193,585,400	100,760,900	8.4%
HUMAN SERVICES	\$8,054,025,700	\$1,567,555,900	19.5%
Agriculture/Rural Development	56,815,700	0	0.0%
Environmental Quality	236,357,800	2,175,000	0.9%
Natural Resources	256,098,600	6,550,000	2.6%
RESOURCE PROTECTION	\$549,272,100	\$8,725,000	1.6%
Military & Veterans Affairs	61,484,600	120,000	0.2%
State Police	385,012,100	19,056,000	4.9%
SAFETY AND DEFENSE	\$446,496,700	\$19,176,000	4.3%
Capital Outlay	0	0	--
Energy, Labor, & Economic Growth	402,872,000	37,090,500	9.2%
Judiciary	244,977,200	122,835,200	50.1%
Transportation	2,079,155,500	1,182,737,000	56.9%
ALL OTHER	\$2,727,004,700	\$1,342,662,700	49.2%
TOTALS APPROPRIATED	\$26,336,775,800	\$14,716,252,700	55.9%

Note: FY 2010-11 amounts for Departments of Environmental Quality and Natural Resources reflected estimated split from original FY 2010-11 budget for combined department.

**FY 2011-12 AND FY 2012-13
Budget Detail
for
EDUCATION**

**Community Colleges
Education
Higher Education
School Aid/K-12**

**Summary: Executive Budget Recommendation
for Fiscal Years 2011-12 and 2012-13
COMMUNITY COLLEGES**

Analyst: Mark Wolf

	FY 2010-11	FY 2011-12 Executive	Difference: FY 2011-12 Vs. FY 2010-11		FY 2012-13 Executive	Difference: FY 2012-13 Vs. FY 2011-12	
	Year-to-Date as of 2/17/11		Amount	%		Amount	%
IDG/IDT	\$0	\$0	\$0	--	\$0	\$0	--
Federal	0	0	0	--	0	0	--
Local	0	0	0	--	0	0	--
Private	0	0	0	--	0	0	--
Restricted	0	195,880,500	195,880,500	--	195,880,500	0	0.0
GF/GP	295,880,500	100,000,000	(195,880,500)	(66.2)	100,000,000	0	0.0
Gross	\$295,880,500	\$295,880,500	\$0	0.0	\$295,880,500	\$0	0.0
FTEs	0.0	0.0	0.0	--	0.0	0.0	--

Notes: (1) FY 2010-11 appropriation figures include the results of supplementals, Executive Order (EO) actions, and transfer adjustments through February 17, 2011. (2) FY 2012-13 figures are projected or proposed budget amounts only and would not be legally-binding appropriations. (3) Budget changes described below are based on the "Schedule of Program" sections included in the Executive Budget; amounts listed in those schedules are informational in nature and could be potentially adjusted administratively, without legislative approval, within the larger line items into which programs have been rolled up.

Overview

The Community Colleges budget supports the 28 community colleges located throughout the state. The colleges are governed by locally-elected boards of trustees. The colleges offer numerous educational programs including traditional transfer, career and technical education, developmental and remedial education, and continuing education courses. The colleges are funded through a combination of state aid, local property tax revenue, tuition and fees revenue, and other sources of revenue such as federal grants and investment earnings. State aid makes up about 19% of total community college general fund operating revenue, although the revenue mix varies considerably among the colleges.

Major Budget Changes From FY 2010-11 YTD Appropriations		Executive Changes		
		FY 2010-11 YTD (as of 2/17/11)	FY 2010-11 to FY 2011-12	FY 2011-12 to FY 2012-13

1. Operations Grants

Funding for community college operations is unchanged. Each community college would receive the same amount for funding for operations (\$292.6 million) as it did in FY 2011. Operations funding has not changed since FY 2009.

Gross	\$292,557,800	\$0	\$0
Restricted	0	195,880,500	0
GF/GP	\$292,557,800	(\$195,880,500)	\$0

The community colleges budget would now be incorporated into the School Aid Act - renamed the State Education Funding Act - with the colleges now receiving the majority of their state aid funded through the School Aid Fund.

2. At Risk Student Success Program

Funding for the At Risk program (developmental education) remains unchanged. This funding (\$3.3 million) has not changed since FY 2004. Following historical practice, the distribution of this funding is directed in boilerplate, and is based on student contact hours for developmental and remedial education. The amount for each college is adjusted based on the most recent data.

Gross	\$3,322,700	\$0	\$0
GF/GP	\$3,322,700	\$0	\$0

Major Boilerplate Changes From FY 2010-11

NOTES: (1) No new boilerplate language is proposed for FY 2012-13. (2) Under the Executive Recommendation, boilerplate sections are renumbered as sections of the School Aid Act; standard sections are consolidated to apply to all appropriations within the act.

Executive Boilerplate Deletions

In general, the Executive Budget deletes a large majority of boilerplate language included in the FY 2010-11 budget. This includes many legislative reporting requirements, sections providing guidance and placing conditions on appropriations, and earmarks of funding for specific purposes. The list below includes major changes to boilerplate, but is not a comprehensive list of all sections deleted.

Sec. 211. Payment of Appropriations – REVISED

Provides for 11 payments per year to community colleges; directs Department of Treasury to withhold appropriation if the colleges fail to submit Activities Classification Structure (ACS) data. The Executive deletes language allowing funds to be expended to match career and technical education programs under the federal Perkins Act. (Sec. 173A)

Sec. 217. Capital Outlay Funding – REVISED

Prohibits colleges from using state funds for construction or maintenance of a self-liquidating project; requires colleges to comply with Joint Capital Outlay Subcommittee use and finance policy for any capital outlay projects. The Executive deletes language requiring the colleges to comply with the use and finance requirements of the Joint Capital Outlay Subcommittee. (Sec. 173C)

Sec. 224. Collaboration With Four-Year Universities, Local Employers, and Each Other – DELETED

Encourages colleges to collaborate with four-year universities, particularly in areas of training, instruction, program articulation, and meeting local employment needs; encourages colleges to collaborate with local employers and each other to identify local employment needs.

Sec. 242. Payments in Lieu of Taxes – DELETED

States legislative intent that discussion regarding payments in lieu of taxes concerning community colleges be continued.

Sec. 249. Cost Containment Initiatives – DELETED

Encourages colleges to evaluate and pursue efficiency and cost-containment measures, including joint ventures, consolidating services, program collaboration, increasing web-based instruction, improving energy efficiency, eliminating low-volume/high-cost instructional programs, self-insurance, and group purchasing.

Sec. 304. Performance Indicator Formula – DELETED

States intent that formula developed by performance indicator task force be used for funding distribution in future years.

Sec. 401. At-Risk Student Success Program – REVISED

Specifies distribution of at-risk student success grant money. The Executive revises the distribution of At-Risk payments based on updated student contact hour data. (Sec. 175A)

Sec. 510. Crime Statistics – DELETED

Requires colleges to make materials prepared in accordance with federal crime and campus security reporting requirements available through the Internet.

Sec. 195. School Aid Proration – NEW

Subjects portion of community college appropriations funded from the School Aid Fund revenue to proration process currently in place for School Aid budget.

**Summary: Executive Budget Recommendation
for Fiscal Years 2011-12 and 2012-13
EDUCATION (Department)**

Analysts: Mary Ann Cleary and Bethany Wicksall

	FY 2010-11 Year-to-Date as of 2/17/11	FY 2011-12 Executive	Difference: FY 2011-12 Vs. FY 2010-11		FY 2012-13 Executive	Difference: FY 2012-13 Vs. FY 2011-12	
			Amount	%		Amount	%
IDG/IDT	\$0	\$0	\$0	--	\$0	\$0	--
Federal	87,772,100	77,929,200	(9,842,900)	(11.2)	78,869,000	939,800	1.2
Local	7,199,400	7,159,200	(40,200)	(0.6)	7,269,600	110,400	1.5
Private	3,124,500	3,044,400	(80,100)	(2.6)	3,053,700	9,300	0.3
Restricted	6,949,800	7,166,300	216,500	3.1	7,313,600	147,300	2.1
GF/GP	21,914,100	18,644,200	(3,269,900)	(14.9)	18,883,500	239,300	1.3
Gross	\$126,959,900	\$113,943,300	(\$13,016,600)	(10.3)	\$115,389,400	\$1,446,100	1.3
FTEs	562.5	559.0	(3.5)	(0.6)	559.0	0.0	0.0

Notes: (1) FY 2010-11 appropriation figures include the results of supplementals, Executive Order (EO) actions, and transfer adjustments through February 17, 2011. (2) FY 2012-13 figures are projected or proposed budget amounts only and would not be legally-binding appropriations. (3) Budget changes described below are based on the "Schedule of Program" sections included in the Executive Budget; amounts listed in those schedules are informational in nature and could be potentially adjusted administratively, without legislative approval, within the larger line items into which programs have been rolled up.

Overview

The State Board of Education is an eight-member elected board constitutionally mandated to provide leadership and supervision for public education in Michigan. The Michigan Department of Education (MDE) is the administrative arm of the Board charged with implementing state and federal educational mandates and administering programs. Major responsibilities of the MDE include developing and overseeing the K-12 school system, certifying teachers, disbursing funds to educational organizations and libraries, and providing technical assistance to school districts and libraries.

Major Budget Changes From FY 2010-11 YTD Appropriations	Executive Changes		
	FY 2010-11 YTD (as of 2/17/11)	FY 2010-11 to FY 2011-12	FY 2011-12 to FY 2012-13
1. State Aid to Libraries Reduces the Department of Education appropriation for state aid to libraries by \$2.3 million to \$3.4 million. In addition, the \$1.5 million appropriation in the School Aid budget was eliminated under the Executive budget, for a total reduction equal to 52.4% of current state support to libraries.	Gross \$5,750,000 GF/GP \$5,750,000	(\$2,304,300) (\$2,304,300)	\$0 \$0
2. Michigan eLibrary (MeL) Provides additional GF/GP support for the MeL due to the potential loss of federal funds which are likely to decrease based on diminishing state maintenance of effort (MOE) levels from recent reductions in state aid to libraries.	Gross \$0 GF/GP \$0	\$950,000 \$950,000	\$0 \$0
3. 2009 State Education Reform Activities Eliminates three pieces of the recent education reform which required new activities for the Department. This includes eliminating the State Reform/Redesign Office, which was supposed to identify and propose reforms for the bottom 5% of districts, to save \$1.4 million. It also eliminates the online testing platform to save \$500,000 and eliminates the basic instructional supplies hotline and appeals process to save \$76,000.	FTEs 25.0 Gross \$8,977,800 Federal 5,063,700 GF/GP \$3,914,100	(10.0) (\$1,945,700) 0 (\$1,945,700)	0.0 \$0 0 \$0

		<u>Executive Changes</u>			
<u>Major Budget Changes From FY 2010-11 YTD Appropriations</u>		<u>FY 2010-11 YTD (as of 2/17/11)</u>	<u>FY 2010-11 to FY 2011-12</u>	<u>FY 2011-12 to FY 2012-13</u>	
4. Excess Federal and Private Spending Authorization		FTEs	N/A	(3.5)	0.0
Decreases spending authorization in several units of the bill to reflect the anticipated availability of funds. This includes \$3,967,800 in Special Education, \$1,500,000 in Professional Preparation, \$346,000 and 3.5 FTEs in School Finance/School Law, and \$198,700 in Early Childhood.		Gross	N/A	(\$6,012,500)	\$0
		Federal	N/A	(5,813,800)	0
		Private	N/A	(198,700)	0
		GF/GP	N/A	\$0	\$0
5. Office of Education Assessment and Accountability (OEAA)		Gross	\$9,652,300	(\$5,000,000)	\$0
Removes the one-time federal funds used for the rewrite of the OEAA secure site.		Federal	9,652,300	(5,000,000)	0
		GF/GP	\$0	\$0	\$0
6. Recognize Savings from 2010 Early Retirement		Gross	N/A	(\$370,900)	\$0
Recognizes the GF/GP savings throughout the department associated with the early retirement.		GF/GP	N/A	(\$370,900)	\$0
7. Michigan Schools for the Deaf and Blind		Gross	\$90,000	\$110,000	\$0
Increases spending authorization for private gifts for blind services in order to allow expenditure of carry forward funds that were not spent in FY 2009-10.		Private	90,000	110,000	0
		GF/GP	\$0	\$0	\$0
8. Reorganize School Finance/School Law Unit		FTEs	16.5	1.0	0.0
Reorganizes this unit into three new units and shifts \$106,000 and 1.0 FTE to the existing Grants Administration unit. Creates a net change of 1.0 FTE. The transfers would include the following:		Gross	\$2,844,100	\$0	\$0
		Federal	1,335,600	0	0
		Restricted	493,400	0	0
		GF/GP	\$1,015,100	\$0	\$0
State Aid and School Finance Services: \$854,500 and 7.5 FTEs					
Audit Services: \$481,300 and 3.5 FTEs					
Administrative Law Services: \$1,056,300 and 2.0 FTEs					
9. FTE Adjustments		FTEs	N/A	9.0	0.0
Requests positive FTE adjustments for four units:		Gross	N/A	\$0	\$0
		GF/GP	N/A	\$0	\$0
Grants Administration: 2.0 FTEs					
Field Services: 3.0 FTEs					
Education Improvement/Innovation: 3.0 FTEs					
Career/Technical Education: 1.0 FTE					
10. Economic Adjustments		Gross	N/A	\$1,556,800	\$1,446,100
Includes economic adjustments for retirement, insurances, workers' compensation, and building occupancy charges.		Federal	N/A	902,500	939,800
		Local	N/A	103,200	110,400
		Private	N/A	8,600	9,300
		Restricted	N/A	141,500	147,300
		GF/GP	N/A	\$401,000	\$239,300

Major Boilerplate Changes From FY 2010-11

NOTE: No boilerplate language is proposed for FY 2012-13.

Sec. 204. Civil Service Fee – DELETED

Specifies administrative fee charged to each state department for personnel services.

Sec. 206. State Board of Education Information – DELETED

Requires the department to forward board agendas and documents to various governmental agencies electronically.

EDUCATION (DEPARTMENT)

Major Boilerplate Changes From FY 2010-11

Sec. 208. Personnel Records – DELETED

Directs the department require districts to retain teacher personnel records regarding sexual misconduct.

Sec. 209. Information Technology User Fees – DELETED

Directs the department to pay user fees to Department of Technology, Management and Budget for technology-related services and projects.

Sec. 211. Adequate Yearly Progress (AYP) – DELETED

Requires that the department allow districts to appeal a determination of failure to meet AYP prior to the department publishing AYP reports.

Sec. 212. Purchase of Foreign Goods – DELETED

Prohibits the purchase of foreign-made goods if comparable American or Michigan goods are available. Gives preference to Michigan businesses owned or operated by veterans.

Sec. 213. Hiring Freeze – DELETED

Establishes a hiring freeze for state civil service with exceptions under certain circumstances.

Sec. 214. Out-of-State Travel – DELETED

Limits out-of-state travel for certain circumstances and requires reporting on all out-of-state travel.

Sec. 215. Out-of-State Professional Development – DELETED

Limits out-of-state travel for professional development conferences or training seminars.

Sec. 216. Communication with the Legislature – DELETED

Prohibits the department from taking disciplinary action against an employee for communicating with a legislator or his/her staff.

Sec. 217. Economically Distressed Areas – DELETED

Encourages the department to contract with businesses in economically distressed areas.

Sec. 220. Providing the Legislature with Timely Data – DELETED

Requires the department to provide data requested by legislature, staff, and fiscal agencies in a timely manner.

Sec. 221. Hire of Outside Legal Counsel – DELETED

Prohibits the department from hiring a person to provide legal services that are the responsibility of the Attorney General but exempts legal services for bonding or other activities authorized by the Attorney General.

Sec. 222. Impact of New Legislation and Administrative Rules – DELETED

Requires a report on specific policy changes adopted to implement new public acts. Prohibits the department from adopting administrative rules that have a disproportionate impact on small business.

Sec. 225. Pupil Membership Fraud – DELETED

Requires the State Superintendent of Public Instruction to investigate and report on issues of pupil membership fraud, and report on the scope of and proposed solutions to the problem.

Sec. 226. Lapse Report – DELETED

Requires the department to report on the projected year-end General Fund Lapse amount for a given year by Oct. 15 of the next fiscal year.

Sec. 301. State Board of Education Expenses – REVISED

Authorizes the department to make per diem payments to members of the State Board of Education and report quarterly on Board of Education member expenses. Eliminates the reporting requirement.

Sec. 401. Michigan Schools for the Deaf and Blind Employees – DELETED

Stipulates that employees who work on a school year basis shall be considered annual employees for purposes of service credits, retirement, and insurance benefits.

Sec. 405. Federal Medicaid Program – DELETED

Allows the department to assist other departments and school districts to secure reimbursement for eligible services provided in Michigan schools from the federal Medicaid program.

Sec. 501. Felony Conviction Files – DELETED

Requires that the department maintain professional personnel registry and certificate revocation/felony conviction files.

Major Boilerplate Changes From FY 2010-11

Sec. 601. Administration of the Charter School Office – DELETED

Earmarks funds to operate the charter school office.

Sec. 701. Collaboration with Center for Education Performance and Information (CEPI) – DELETED

Directs the department to work collaboratively with CEPI to support data collection.

Sec. 803. Keep Library Functions Together – DELETED

Provides intent that the State maintain the Library of Michigan and its component programs together in a state department.

Sec. 804. Library Collections – DELETED

Requires that the department and the Library of Michigan maintain custody of the non-Michigan genealogy and all Michigan-specific collections and continue to make these collections available to the public.

Sec. 901. Federal and Private Grants – DELETED

Requires that the department notify House and Senate Appropriations subcommittee chairs with ten days of receipt of a grant appropriated in the federal and private grants line item including funding source, purpose, and amount of grant.

Sec. 903. Cyber Schools – DELETED

Directs the department to work with districts that operate a cyber school or an alternative education program with a seat-time waiver to provide a report by March 1, detailing enrollments resident districts, per pupil operating costs, and online education providers.

Sec. 904. Federal Education Jobs – DELETED

Designated a portion of Federal Education Jobs funds for administration of the Education Jobs funds distributed to districts in the School Aid budget.

**Summary: Executive Budget Recommendation
for Fiscal Years 2011-12 and 2012-13
HIGHER EDUCATION**

Analyst: Kyle I. Jen

	FY 2010-11 Year-to-Date as of 2/17/11	FY 2011-12 Executive	Difference: FY 2011-12 Vs. FY 2010-11		FY 2012-13 Executive	Difference: FY 2012-13 Vs. FY 2011-12	
			Amount	%		Amount	%
IDG/IDT	\$0	\$0	\$0	--	\$0	\$0	--
Federal	4,500,000	98,326,400	93,826,400	2,085.0	107,086,400	8,760,000	8.9
Local	0	0	0	--	0	0	--
Private	0	0	0	--	0	0	--
Restricted	30,400,000	699,919,500	669,519,500	2,202.4	699,919,500	0	0.0
GF/GP	1,543,378,500	564,032,500	(979,346,000)	(63.5)	564,032,500	0	0.0
Gross	\$1,578,278,500	\$1,362,278,400	(\$216,000,100)	(13.7)	\$1,371,038,400	\$8,760,000	0.6
FTEs	1.0	1.0	0.0	0.0	1.0	0.0	0.0

Notes: (1) FY 2010-11 appropriation figures include the results of supplementals, Executive Order (EO) actions, and transfer adjustments through February 17, 2011. (2) FY 2012-13 figures are projected or proposed budget amounts only and would not be legally-binding appropriations. (3) Budget changes described below are based on the "Schedule of Program" sections included in the Executive Budget; amounts listed in those schedules are informational in nature and could be potentially adjusted administratively, without legislative approval, within the larger line items into which programs have been rolled up.

Overview

The Higher Education budget contains funding for operational support of the state's 15 public universities, the Agricultural Experiment Station and Cooperative Extension Service operated by Michigan State University, various financial aid programs for students attending public and independent colleges and universities in the state, and several other smaller higher education-related programs.

Major Budget Changes From FY 2010-11 YTD Appropriations	Executive Changes		
	FY 2010-11 YTD (as of 2/17/11)	FY 2010-11 to FY 2011-12	FY 2011-12 to FY 2012-13
1. University Operations	Gross \$1,420,344,900	(\$213,110,200)	\$0
Makes the following adjustments to FY 2011-12 operations appropriations for the 15 public universities:	Restricted 0	699,719,500	0
	GF/GP \$1,420,344,900	(\$912,829,700)	\$0

- Reduces each university's appropriation by 15.0%, for a total reduction of \$213.1 million GF/GP.
- From remaining appropriations, sets aside a total of \$83.0 million in tuition restraint incentive funding (separate line items). Under proposed boilerplate language, these funds would be paid only if a university held its FY 2011-12 resident undergraduate tuition/fee rate increase below the prior-five-year state average of 7.1%. Individual university incentive amounts are based on that university's average tuition/fee rate increase over the last five years, ranging from 5.1% to 9.8% of proposed FY 2011-12 appropriation amounts.
- Replaces \$699.7 million in GF/GP funds with School Aid Fund revenue; School Aid Fund revenue makes up 58.0% of each university's proposed FY 2011-12 appropriation amount. Under the FY 2011-12 and FY 2012-13 Executive Budget, the Higher Education budget is merged into the School Aid Act.

For FY 2012-13, the Executive Budget proposes to roll university operations funding into a single funding amount of \$1,207.2 million

HIGHER EDUCATION

<u>Major Budget Changes From FY 2010-11 YTD Appropriations</u>	<u>Executive Changes</u>			
	<u>FY 2010-11 YTD (as of 2/17/11)</u>	<u>FY 2010-11 to FY 2011-12</u>	<u>FY 2011-12 to FY 2012-13</u>	
(no change from FY 2011-12 total); proposed boilerplate language would provide for funding to be allocated to the universities using an incentive-based formula to be developed by the state budget director and enacted by the Legislature.				
2. Agricultural Experiment Station and Cooperative Extension Service	Gross	\$61,915,700	(\$9,289,900)	\$0
	GF/GP	\$61,915,700	(\$9,289,900)	\$0
Combines two existing appropriations into a single appropriation for Agricultural Experiment and Cooperative Extension Activities, with a 15.0% reduction in total funding (\$9.3 million GF/GP). Proposed FY 2011-12 funding of \$52.6 million; no further change proposed for FY 2012-13.				
3. Need-Based Financial Aid	Gross	\$51,526,400	\$0	\$0
	Federal	1,500,000	50,026,400	0
	GF/GP	\$50,026,400	(\$50,026,400)	\$0
Combines funding for existing State Competitive Scholarship (\$19.9 million) and Tuition Grant (\$31.7 million) programs into new appropriation of \$51.5 million for a proposed Pathway to Higher Education Program. New program would provide need-based financial aid awards to students attending either public or private colleges and universities who have an Expected Family Contribution (EFC) of \$3,800 or less (roughly corresponding to an Adjusted Gross Income of \$50,000); projected maximum award amount would be \$875 per year, with awards made to roughly 55,000 students. No change in proposed funding from FY 2011-12 to FY 2012-13.				
Replaces state-level funding for major state financial aid programs with federal TANF funding in order to improve the state's ability to meet federal TANF maintenance-of-effort (MOE) requirements, consistent with supplemental adjustments made in the FY 2007-08, FY 2008-09, and FY 2009-10 budgets. Offsetting adjustments are proposed in the Human Services budget. Use of TANF funds for financial aid programs also proposed for FY 2012-13.				
4. Tuition Incentive Program (TIP)	Gross	\$37,400,000	\$6,400,000	\$8,760,000
	Federal	0	43,800,000	8,760,000
	Restricted	30,100,000	(30,100,000)	0
	GF/GP	\$7,300,000	(\$7,300,000)	\$0
Increases funding for TIP by \$6.4 million for FY 2011-12 (17.1%) to fund projected increase in program participation and costs. TIP pays associate's degree tuition/fee costs for Medicaid-eligible middle- and high-school students who go on to graduate from high school and enroll in college. Additional projected cost increase of \$8.8 million for FY 2012-13 (20.0%).				
See final paragraph under item 3 above regarding proposed TANF fund shift.				
5. Children of Veterans and Officer's Survivor Tuition Programs	Gross	\$1,200,000	\$0	\$0
	Restricted	300,000	(100,000)	0
	GF/GP	\$900,000	\$100,000	\$0
Replaces \$100,000 in state restricted funding with GF/GP funding to reflect that collections from the state income tax form check-off box for the Children of Veterans Tuition Program have been below the currently-appropriated amount of \$300,000. No further change proposed for FY 2012-13.				
6. Other Higher Education Programs	Gross	\$5,891,500	\$0	\$0
	Federal	3,000,000	0	0
	GF/GP	\$2,891,500	\$0	\$0
Maintains appropriations for King-Chavez-Parks grant programs, Robert C. Byrd Honors Scholarship (federal), Project GEAR UP (federal), Higher Education database costs, and Midwest Higher Education Compact dues at current-year levels for both FY 2011-12 and FY 2012-13.				

REVIEW AND ANALYSIS OF FY 2011-12 AND FY 2012-13 EXECUTIVE RECOMMENDATION

HIGHER EDUCATION

Major Boilerplate Changes From FY 2010-11

NOTES: (1) No boilerplate language is proposed for FY 2012-13. (2) Under Executive Budget, boilerplate sections are renumbered as sections of School Aid Act; standard sections are consolidated to apply to all appropriations in act. New sections proposed under the Executive Budget are inserted below based on current-year section ordering by topic.

Executive Boilerplate Deletions

In general, the Executive Budget deletes a large majority of boilerplate language included in the FY 2010-11 budget. This includes many legislative reporting requirements, sections providing guidance and placing conditions on appropriations, and earmarks of funding for specific purposes. The list below includes major changes to boilerplate, but is not a comprehensive list of all sections deleted.

Sec. 218. Posting of Expenditures – DELETED

States intent that universities maintain a publicly-accessible website containing all expenditures made within a fiscal year, along with the purpose of each expenditure; prohibits university from expending more than \$100 to implement the website.

Sec. 301. State Competitive Scholarship Program – DELETED

Provides for distribution of funds appropriated for State Competitive Scholarships; specifies maximum grant amount of at least \$1,300, unless insufficient funds are available, in which case a report is required. (Program eliminated, with funding rolled into new program, under Executive Budget.)

Sec. 302. Tuition Grant Program – DELETED

Provides for distribution of funds appropriated for Tuition Grants; specifies maximum grant amount of at least \$2,100, unless insufficient funds are available, in which case a report is required; limits award eligibility to undergraduate students; provides that unexpended funds at close of FY 2010-11 remain available for expenditure in FY 2011-12; caps awards received by students at a single institution at \$3.0 million. (Program eliminated, with funding rolled into new program, under Executive Budget.)

Sec. 182A. Pathway to Higher Education Program – NEW

Specifies provisions for new program proposed under Executive Budget. Program would provide need-based financial aid awards to students attending either public or private colleges and universities who have an Expected Family Contribution (EFC) of \$3,800 or less. Students receiving TIP assistance would not be eligible for program.

Sec. 183A. Tuition Restraint Incentive – NEW

Provides for tuition restraint incentive funds appropriated to universities to be paid only if a university certifies that it did not adopt an increase in FY 2010-11 resident undergraduate tuition/fees after February 1, 2011, and that it will not adopt an increase in FY 2011-12 resident undergraduate tuition/fees that is greater than the prior-five-year statewide average tuition/fee increase (7.1%).

Sec. 183B. University Funding Formula – NEW

States that, beginning in FY 2012-13, university operations funding shall be allocated to each university using an incentive-based formula developed by the state budget director, with the advice of relevant stakeholders, and enacted by the Legislature.

Sec. 402. Douglas Lake Biological Station – DELETED

Designates University of Michigan Douglas Lake Biological Station as a unique resource.

Sec. 426. Private Bookstores – DELETED

States intent that each university develop policies for minimizing the costs of textbooks and course materials and submit a report on those policies.

Sec. 436. Tuition Increases – DELETED

States intent for universities to increase general fund financial aid expenditures by at the least the same percentage as resident undergraduate tuition/fees, with an emphasis on need-based awards; requires a report on increases in those amounts, as well as other key financial indicators.

Sec. 450. Per-Student Floor Funding – DELETED

States legislative intent to allocate funds for funding floor of \$3,775 per fiscal year equated student from year-end GF/GP unreserved balance.

Sec. 451. Unfunded Indian Tuition Waiver Costs – DELETED

States legislative intent to allocate funds for unfunded Indian Tuition Waiver costs from year-end GF/GP unreserved balance.

Sec. 463. Students from Macomb County – DELETED

Requires universities to report regarding outreach efforts to enroll students from Macomb County.

Sec. 464. Research Commercialization – DELETED

Requires universities to submit plan to inform private/public sectors regarding research that could be commercialized.

Major Boilerplate Changes From FY 2010-11

Sec. 466. Consolidation of Services – DELETED

Requires universities to coordinate purchases of goods and services, including use of MiDEAL and MHEC.

Sec. 480. Veterans Policies – DELETED

States intent for universities to participate in the Yellow Ribbon GI Education Enhancement Program; requires report on program participation.

Sec. 195 School Aid Proration – NEW

Subjects portion of university appropriations funded from School Aid Fund revenue to proration process currently in place for School Aid budget.

**Summary: Executive Budget Recommendation
for Fiscal Years 2011-12 and 2012-13
SCHOOL AID**

Analysts: Mary Ann Cleary and Bethany Wicksall

	FY 2010-11 Year-to-Date as of 2/17/11	FY 2011-12 Executive	Difference: FY 2011-12 Vs. FY 2010-11		FY 2012-13 Executive	Difference: FY 2012-13 Vs. FY 2011-12	
			Amount	%		Amount	%
IDG/IDT	\$0	\$0	\$0	--	\$0	\$0	--
Federal							
ARRA/EdJobs	500,526,900	0	(500,526,900)	(100.0)	0	0	--
Non-ARRA	1,677,806,400	1,653,331,800	(24,474,600)	(1.5)	1,653,331,800	0	0.0
Local							
Private	0	0	0	--	0	0	--
Restricted	10,937,260,500	10,107,684,900	(829,575,600)	(7.6)	10,144,888,300	37,203,400	0.4
GF/GP							
GF/GP	18,642,400	412,542,400	393,900,000	2,112.9	345,242,400	(67,300,000)	16.3
Gross	\$13,134,236,200	\$12,173,559,100	(\$960,677,100)	(7.3)	\$12,143,462,500	(\$30,096,600)	(0.2)
FTEs	0.0	0.0	0.0	--	0.0	0.0	--

Notes: (1) FY 2010-11 appropriation figures include the results of supplementals, Executive Order (EO) actions, and transfer adjustments through February 17, 2011. (2) "ARRA" represents temporary funds received under the federal American Recovery and Reinvestment Act or related sources. (3) FY 2012-13 figures are projected or proposed budget amounts only and would not be legally-binding appropriations. (4) Budget changes described below are based on the "Schedule of Program" sections included in the Executive Budget; amounts listed in those schedules are informational in nature and could be potentially adjusted administratively, without legislative approval, within the larger line items into which programs have been rolled up.

Overview

The School Aid budget makes appropriations to the state's 551 local school districts, 247 public school academies, and 57 intermediate school districts (ISDs) for operations and certain categorical programs. It also appropriates funds to the Center for Education Performance and Information, Department of Energy, Labor and Economic Growth, and other entities to implement certain grants and other programs related to K-12 education.

	FY 2010-11 YTD (as of 2/17/11)	Executive Changes	
		FY 2010-11 to FY 2011-12	FY 2011-12 to FY 2012-13
Major Budget Changes From FY 2010-11 YTD Appropriations			
1. Per Pupil Reduction of \$170 (Sec. 11d)	Gross (\$268,590,300)	\$268,590,300	\$0
Rolls the per pupil reduction under this section into a permanent reduction of each district's foundation allowance under Sec. 20.	Restricted (268,590,300)	268,590,300	0
2. Proposal A Obligation Payment (Sec. 22a)	Gross \$5,764,000,000	(\$81,500,000)	(\$92,000,000)
Reduces funding by \$81.5 million to incorporate estimates in taxable values and pupil memberships. Also reflects the elimination of Sec. 6(4)(y), a declining enrollment grant which allows certain districts to use a 3-year average membership count for foundation payment purposes as opposed to the statutory one-year blend. Assumes taxable value changes and further pupil declines of 18,000 for FY 2012-13, which saves an additional \$92.0 million.	Restricted 5,764,000,000	(81,500,000)	(92,000,000)

<u>Major Budget Changes From FY 2010-11 YTD Appropriations</u>		<u>FY 2010-11 YTD (as of 2/17/11)</u>	<u>Executive Changes</u>	
			<u>FY 2010-11 to FY 2011-12</u>	<u>FY 2011-12 to FY 2012-13</u>
3. Discretionary Payment (Sec. 22b)	Gross	\$3,757,756,600	(\$748,043,600)	\$10,000,000
Reduces funding by \$563.8 million in state funds and \$184.3 in Federal ARRA funds for a total decrease in overall funding of \$748.0 million from the current year to adjust for the \$470 per pupil reduction in foundation allowance payments, the elimination of district specific foundation allowance adjustments (which range from an additional \$88 to \$1,173 per pupil, See <i>Major Boilerplate Changes, Section 20, Below</i>) and for estimated changes in taxable values and pupil estimates. FY 2012-13 estimates adjust for estimated taxable value and pupil changes in the following year.	ARRA	184,256,600	(184,256,600)	0
	Restricted	3,573,500,000	(563,787,000)	10,000,000
4. School Bond Redemption Fund (Sec. 11j)	Gross	\$5,167,800	\$88,407,500	(\$3,996,600)
Increases by \$88.4 million to pay for increased interest payments. (FY 2010-11 costs were reduced from \$45.1 million due to one-time refinancing savings.) FY 2012-13 figures reflect estimated cost changes for the following year.	Restricted	5,167,800	88,407,500	(3,996,600)
5. Cash Flow Borrowing Costs (Sec. 11m)	Gross	\$45,000,000	(\$25,000,000)	\$10,000,000
Decreases costs to reflect anticipated lower interest rates for short-term borrowing costs related to the State School Aid Fund. FY 2012-13 costs are adjusted for anticipated increases.	Restricted	45,000,000	(25,000,000)	10,000,000
6. Federal Education Jobs (EdJobs) Funds (Sec. 11p)	Gross	\$316,270,300	(\$316,270,300)	\$0
Eliminates one-time federal EdJobs funding which was distributed to districts based on the 2x formula with amounts ranging from \$111 to \$222 per pupil and to intermediate school districts based on a percentage of their Sec. 81 payments.	Federal	316,270,300	(316,270,300)	0
7. Isolated and Rural District Grants (Sec. 22d)	Gross	\$2,025,000	(\$2,025,000)	\$0
Eliminates funding for the two grant programs targeted at small, rural districts.	Restricted	2,025,000	(2,025,000)	0
8. Michigan Business Tax (MBT) Impact on Out of Formula District Grants (Sec. 22e)	Gross	\$1,800,000	(\$1,800,000)	\$0
Eliminates funding which held out-of-formula districts harmless from local personal property tax exemptions when the MBT was created.	Restricted	1,800,000	(1,800,000)	0
9. DHS Juvenile Detention Facilities (Sec. 24a)	Gross	\$1,440,000	(\$242,500)	\$0
Decrease costs of education for students held in Department of Human Service (DHS) juvenile detention facilities due to facility closures and therefore fewer pupils.	Restricted	1,440,000	(242,500)	0
10. Youth Challenge Program (Sec. 24c)	Gross	\$742,300	(\$97,500)	\$0
Decreases by \$97,000 to reflect actual FY 2010-11 grant award for the Youth Challenge program, a residential disciplinary program for at-risk youth, run by the Department of Military and Veterans Affairs department in Battle Creek.	Restricted	742,300	(97,500)	0
11. Payment in Lieu of Taxes Reimbursement (Sec. 26b)	Gross	\$3,400,000	(\$510,000)	\$0
Decreases payments to reflect lower property values.	Restricted	3,400,000	(510,000)	0
12. Declining Enrollment Grants (Sec. 29)	Gross	\$20,000,000	(\$20,000,000)	\$0
Eliminates funding for this grant program which provides additional funds based on a three-year average membership for districts with two consecutive years of declining enrollment	Restricted	20,000,000	(20,000,000)	0

REVIEW AND ANALYSIS OF FY 2011-12 AND FY 2012-13 EXECUTIVE RECOMMENDATION

SCHOOL AID

		FY 2010-11 YTD (as of 2/17/11)	Executive Changes	
			FY 2010-11 to FY 2011-12	FY 2011-12 to FY 2012-13
<u>Major Budget Changes From FY 2010-11 YTD Appropriations</u>				
13. At-Risk Grants (Sec. 31a)	Gross	\$308,988,200	\$0	\$0
Maintains total funding for At-risk pupil support to districts, but eliminates exceptions which currently allow Dearborn and Baldwin to qualify for funding despite language that otherwise prohibits out-of-formula funded districts from qualifying. Dearborn would lose an estimated \$4.9 million and Baldwin would lose an estimated \$243,400. The funds would be distributed among all other qualifying districts.	Restricted	308,988,200	0	0
14. Bilingual Education Grants (Sec. 41)	Gross	\$2,800,000	(\$2,800,000)	\$0
Eliminates funding that provides districts additional funds for educating students of limited English-speaking ability.	Restricted	2,800,000	(2,800,000)	0
15. Special Education Payments (Sec. 51a)	Gross	\$1,500,869,100	(\$88,400,000)	\$54,400,000
Reflects estimated federal funding decrease of \$22.3 million and reduces required state payments by \$66.1 million based on cost estimates. Adjusts FY 2012-13 funding for estimated cost increases.	Federal	459,700,000	(22,300,000)	0
	Restricted	1,041,169,100	(66,100,000)	54,400,000
16. Special Education Hold-Harmless Payment (Sec. 51a(3))	Gross	\$1,400,000	(\$1,400,000)	\$0
Eliminates funding for ISDs that receive a hold-harmless payment that guarantees their funding will not fall below 1996-97 funding levels under former sec. 52 and 58.	Restricted	1,400,000	(1,400,000)	0
17. Special Education Intermediate School District (ISD) Center FICA (Sec. 51a(8))	Gross	\$15,313,900	(\$15,313,900)	\$0
Eliminates funding for payments which are based on previous state allocations for retirement and Social Security costs attributable to center program employees.	Restricted	15,313,900	(15,313,900)	0
18. Middle College Program (Sec. 64)	Gross	\$2,000,000	(\$2,000,000)	\$0
Eliminates funding for this program which helps districts develop a middle college with a 5th year of high school in conjunction with a career college or university program.	Restricted	2,000,000	(2,000,000)	0
19. Precollege Engineering and Science Grants (Sec. 65)	Gross	\$905,100	(\$905,100)	\$0
Eliminates funding for this program in Detroit, Grand Rapids, and Bay-Arenac, Huron and Tuscola ISDs.	Restricted	905,100	(905,100)	0
20. School Bus Inspections (Sec. 74)	Gross	\$433,800	\$1,095,800	\$0
Increases funding to reflect current law, which requires the Michigan State Police to conduct all safety inspections, rather than simply doing random audits of school district safety inspections.	Restricted	433,800	1,095,800	0
21. ISD General Operations Support (Sec. 81)	Gross	\$65,376,800	(\$3,268,800)	\$0
Reduces funding by \$3.3 million or 5.0% from current year levels.	Restricted	65,376,800	(3,268,800)	0
22. Postsecondary Agriculture Education Grant (Sec. 92)	Gross	\$300,000	(\$300,000)	\$0
Eliminates funding for a new program added in FY 2010-11 at Saginaw Valley State University.	Restricted	300,000	(300,000)	0

		FY 2010-11 YTD (as of 2/17/11)	Executive Changes	
			FY 2010-11 to FY 2011-12	FY 2011-12 to FY 2012-13
<u>Major Budget Changes From FY 2010-11 YTD Appropriations</u>				
23. State Aid to Libraries for Michigan Electronic Library Catalog (MeLCat) Support (Sec. 93)	Gross	\$1,500,000	(\$1,500,000)	\$0
	Restricted	1,500,000	(1,500,000)	0
Eliminates funding for State Aid to Libraries. In addition, the Executive recommendation eliminates \$2.3 million in the Department of Education budget for State Aid to Libraries.				
24. Center for Educational Performance and Information (CEPI) (Sec. 94a)	Gross	\$23,928,900	(\$15,534,000)	\$0
	Federal	10,067,800	(7,174,600)	0
	Restricted	8,440,000	(8,440,000)	0
	GF/GP	\$5,421,100	\$80,600	\$0
Shifts \$8.4 million in School Aid Funds, which were added in FY 2010-11 to support the efforts of districts in linking individual teachers to student achievement data, to Section 152a, which reimburses districts for data collection and reporting costs. Also removes \$7.2 million in Federal funding authorization which was increased in anticipation of a Federal Race to the Top award which the state did not receive. Also includes \$80,600 in GF/GP to fund economic increases at CEPI.				
25. Positive Behavioral Support Program (Sec. 99j)	Gross	\$300,000	(\$300,000)	\$0
	Restricted	300,000	(300,000)	0
Eliminates funding for this program in the Pontiac school district.				
26. Michigan Educational Assessment Program (MEAP) Program (Sec. 104)	Gross	\$43,444,400	\$0	(\$8,500,000)
	Federal	3,250,000	5,000,000	0
	Restricted	40,194,400	(5,000,000)	(8,500,000)
Shifts federal Title VI funds, which were used in the FY 2010-11 Department of Education budget for a one time rewrite of the secure site for the Office of Education Assessment and Accountability, back to the MEAP program, allowing for a reduction in School Aid Fund support. Adjusts FY 2012-13 to remove two-year funding for FY 2010-11 and FY 2011-12 related to implementation of assessment changes required under recent state education reforms.				
27. ADAIR - Database Payment (Sec. 152a)	Gross	\$25,624,500	\$8,440,000	\$0
	Restricted	25,624,500	8,440,000	0
Shifts \$8.4 million in School Aid Funds from CEPI, which were added in FY 2010-11 to support the efforts of districts in linking individual teachers to student achievement data, to this section which provides funds to districts for data collection and reporting costs.				

Major Boilerplate Changes From FY 2010-11

NOTE: Unless otherwise noted, all FY 2011-12 boilerplate items would also apply to the FY 2012-13 budget.

Sec. 6(7). Fall Count Day – REVISED

Revises the fall pupil membership count day from the fourth Wednesday in September to the first Wednesday in October.

Sec. 6(19). Definition of Textbook – REVISED

Revises to add "electronic book, or other instructional print or electronic resource" to the definition of a textbook.

Sec. 11. Proration Language (Section 195) – REVISED

Moves the language currently in Section 11, which provides for a method for prorating school aid funds in the event that the appropriations exceed the available school aid fund revenue, to Section 195. Under the bill, the proration language would now also apply to school aid funds appropriated to community colleges and universities.

SCHOOL AID

Major Boilerplate Changes From FY 2010-11

Sec. 18(5). District Financial Data – REVISED

Eliminates a requirement that the department make district financial data available online and shall include per pupil amounts spent on instruction and instructional support service functions, and the portion of costs attributable to salaries. Also eliminates the requirement that districts post a link on their websites to the department website where the financial information is posted.

Sec. 20. Foundation Allowances – REVISED

Revises the calculation of district foundation allowances to reduce each districts foundation allowance to reflect the \$470 per pupil reduction. Also eliminates foundation allowance adjustments based on small class size and adjustments for specific districts including Wayne-Westland, Gibraltar, Garden City and Huron.

Sec. 22b. Discretionary Payment of the Foundation Allowance for FY 2012-13 – REVISED

Includes new language that would earmark \$300 million out of the appropriation for foundation allowances in FY 2012-13 for only districts that charge those employees eligible for health care benefits at least the same percentage of costs as that being paid by state employees.

Sec. 31a. At-Risk Payment – REVISED

Eliminates exceptions made for Dearborn and Baldwin which would otherwise prohibit districts whose combined state and local revenue per pupil exceeds the basic foundation allowance from receiving At-risk funds. The exception for Dearborn is because more than 25% and at least 4,500 of its students qualify for free or reduced food programs. The exception for Baldwin is because more than 75% of its students qualify for free or reduced food programs. The current allocation for Dearborn is reduced to 75% of its allocation as would otherwise be calculated under the formula.

Sec. 32b. Early Childhood Investment Cooperation (ECIC) Collaborative Report – REVISED

Eliminates the required Department report due by December 1 of each year to the appropriations subcommittees, the state budget director, and the fiscal agencies a detailed report of the grants awarded under this section and an analysis of each grant recipients success in addressing the development of a comprehensive system of early childhood services and supports.

Sec. 32d. Great Start School Readiness Program (GSRP) – REVISED

Eliminates the option that districts may use their GSRP funds for parenting education programs. Currently only districts that were using funds for such programs in 2006-07 may continue to do so and may not spend more than they spent in 2006-07 on parenting education programs.

Allows additional early childhood endorsements to qualify for early childhood teachers, but would require that teachers who do not yet have the required qualifications, must complete them within 2 years of being employed instead of the 4 years currently required. Would eliminate the exemption to these requirements for teaching staff in subcontracted programs, who were allowed to continue teaching if they had at least 90 credit hours and 4 years' teaching experience.

Revises the definitions of a full-day program and a school-day program, such that a school-day program would be one that operates for the same length of day as the district's first grade, for a minimum of 4 days a week, 30 weeks a year. A full-day program would only be those that provide supplementary child care so that the program totals at least 10 hours per day. Only a full-day program would still be given priority in the allocation of funds (Section 39(8)).

Sec. 32j. Great Parents Great Start Report – REVISED

Eliminates the required Department report due by December 1 of each year to the state budget director, and the fiscal agencies a report summarizing the data collected by each ISD on the number of children in families under 200% of the federal poverty level receiving services under this section and the total number of children receiving services under this section.

Sec. 40. GSRP report – REVISED

Eliminates the biennial report of the department's review of alternative methods for determining number of children construed to be in need of school readiness programs.

Sec. 51a(15). Public School Academy (PSA) Special Education – DELETED

Provides rules for the provision of special education programs and services and the payment for the added costs of special education for PSA pupils who live outside of the intermediate school district in which the PSA is located. Requires the responsibility and costs to remain with the district or ISD in which the pupil lives unless the PSA and the district or ISD in which it is located in have a written agreement with the resident district or ISD that specifies the responsibility for those costs.

Sec. 56. Special Education Millage Equalization – REVISED

Revises the per pupil millage equalization levels to \$174,700 for reimbursements made in FY 2011-12 and \$173,000 for reimbursements made in FY 2012-13, to adjust for taxable value estimates.

Sec. 62. Vocational Education Millage Equalization – REVISED

Revises the per pupil millage equalization levels to \$190,400 for reimbursements made in FY 2011-12 and \$188,300 for reimbursements made in FY 2012-13, to adjust for taxable value estimates.

Major Boilerplate Changes From FY 2010-11

Sec. 81(6). Intermediate School Districts (ISDs) General Operations – DELETED

Eliminates language which would protect from future reductions the portion of an ISD's allocation under Sec. 81 equal to the amount transferred into Section 81 for each ISD in 1994-95 from former section 146 and section 147 related to (Federal Insurance Contributions Act) FICA and retirement.

Sec. 94a. Center for Educational Performance and Information (CEPI) – REVISED

Eliminates the CEPI advisory board language which was eliminated pursuant to Executive Order 2010-16.

Sec. 98. Michigan Virtual School – REVISED

Eliminates the requirement that Michigan Virtual University (MVU) report each December 1 to the appropriations subcommittees, the fiscal agencies, and the state budget director information including a list of Michigan school served by MVU, a list of available online courses offered to Michigan schools, the total number of online course enrollments and completions, overall course completion rate, a summary of federal grant expenditures, and a summary of unmet educational needs that could be addressed by MVU.

Sec. 99. Math and Science Centers – NEW

Adds a reporting requirement that by July 1, each center receiving funds shall report to the Department performance measures including the statistical change in pre- and post-assessment scores for students enrolled in math and science activities at the center and the statistical change in pre- and post-assessment scores for teachers enrolled in professional development provided by the center.

Sec. 107(6). Adult Education Program Community College Program – DELETED

Eliminates a \$200,000 grant for expanding an innovative community college program that focuses on educating adults, which currently goes to Grand Rapids Community College.

Sec. 109. Instructional services for students in hospitalized or confined to home – REVISED

Eliminates the requirement that the department provide a written explanation of a district's responsibilities under this section to each district and to persons upon request and only requires the department to post them online.

Sec. 147. Michigan Public School Employees Retirement System (MPERS) Employer Contribution Rates – REVISED

Estimates the MPERS employer contribution rates for FYs 2011-12 and 2012-13 as follows:

	FY 2010-11		FY 2011-12		FY 2012-13	
	Employees Pre-July 1, 2010	Employees on or after July 1, 2010	Employees Pre-July 1, 2010	Employees on or after July 1, 2010	Employees Pre-July 1, 2010	Employees on or after July 1, 2010
Pension Rate	12.16%	10.66%	15.96%	14.73%	18.62%	17.39%
Retiree Health Rate	8.50%	8.50%	8.50%	8.50%	8.75%	8.75%
Total Rate	20.66%	19.16%	24.46%	23.23%	27.37%	26.14%

**FY 2011-12 AND FY 2012-13
Budget Detail
for
GENERAL GOVERNMENT**

**Attorney General
Civil Rights
Executive Office
Legislature
Legislative Auditor General
State
Technology, Management and Budget
Treasury**

**Summary: Executive Budget Recommendation
for Fiscal Years 2011-12 and 2012-13
GENERAL GOVERNMENT OVERVIEW**

Analysts: Robin R. Risko and Ben Gielczyk

	FY 2010-11	FY 2011-12 Executive	Difference: FY 2011-12 Vs. FY 2010-11		FY 2012-13 Executive	Difference: FY 2012-13 Vs. FY 2011-12	
	Year-to-Date as of 2/17/11		Amount	%		Amount	%
IDG/IDT	\$644,781,100	\$669,128,900	\$24,347,800	3.8	\$672,284,600	\$3,155,700	0.5
Federal	277,499,300	273,049,700	(4,449,600)	(1.6)	273,736,400	686,700	0.3
Local	3,434,400	3,555,800	121,400	3.5	3,604,000	48,200	1.4
Private	1,414,500	930,700	(483,800)	(34.2)	936,900	6,200	0.7
Restricted	1,804,038,200	1,719,546,400	(84,491,800)	(4.7)	1,765,381,400	45,835,000	2.7
GF/GP	590,492,600	734,559,900	144,067,300	24.4	739,252,200	4,692,300	0.6
Gross	\$3,321,660,100	\$3,400,771,400	\$79,111,300	2.4	\$3,455,195,500	\$54,424,100	1.6
FTEs	7,709.2	7,732.2	23.0	0.3	7,732.2	0.0	0.0

Notes: (1) FY 2010-11 appropriation figures include the results of supplementals, Executive Order (EO) actions, and transfer adjustments through February 17, 2011. (2) FY 2012-13 figures are projected or proposed budget amounts only and would not be legally-binding appropriations. (3) Budget changes described below are based on the "Schedule of Program" sections included in the Executive Budget; amounts listed in those schedules are informational in nature and could be potentially adjusted administratively, without legislative approval, within the larger line items into which programs have been rolled up.

Overview

Currently, the following departmental and agency budgets are included in the General Government appropriations bill: Executive Office, Legislature, Legislative Auditor General, and the Departments of Attorney General, Civil Rights, State, Technology, Management, and Budget (including the former Departments of Civil Service and Information Technology, and State Building Authority rent costs), and Treasury (including Bureau of State Lottery, Michigan Gaming Control Board, Michigan Strategic Fund, Revenue Sharing, and Debt Service). The FY 2011-12 and 2012-13 Executive budget recommendations include each of the departments/agencies in individual articles. **Budget issues are listed by department on the following pages.**

Major Boilerplate Changes From FY 2010-11

NOTE: No boilerplate language is proposed for FY 2012-13.

GENERAL SECTIONS OF BOILERPLATE

Sec. 204. Civil Service 1% Charges – DELETED

Requires Civil Service Commission to bill departments at end of first fiscal quarter for 1% charge authorized by State Constitution; requires departments to pay billings by end of second fiscal quarter.

Sec. 205. Hiring Freeze – Executive Branch Departments – DELETED

Imposes hiring freeze on state classified civil service; authorizes Attorney General and Secretary of State to grant exceptions for their departments; authorizes state budget director to grant exceptions for all other Executive branch departments; requires quarterly reports on exceptions, to include justification for exceptions.

Sec. 209. Purchase of Foreign Goods – DELETED

Prohibits purchase of foreign goods or services if competitively priced and of comparable quality American goods or services are available; requires preference be given to goods and services manufactured by Michigan businesses and Michigan businesses owned and operated by veterans.

Sec. 210. Businesses in Deprived and Depressed Communities – DELETED

Requires department directors to take all reasonable steps to ensure businesses in deprived and depressed communities compete for and perform contracts.

Sec. 212. Receipt and Retention of Required Reports – DELETED

Requires departments to receive and retain copies of all reports required in the bill; requires federal and state guidelines to be followed for short-term and long-term retention of records.

Major Boilerplate Changes From FY 2010-11

Sec. 213. *Purchase of Ownership Interest In a Casino* – DELETED

Prohibits use of appropriations to purchase an ownership interest in a casino enterprise or gambling operation.

Sec. 214. *Information Technology Services* – DELETED

Requires departments to pay user fees to DTMB for technology-related services and projects.

Sec. 215. *Disciplinary Action Against State Employees* – DELETED

Prohibits departments from taking disciplinary action against employees for communicating with legislators or their staff.

Sec. 216. *Out-of-State Travel Restrictions* – DELETED

Limits out-of-state travel; requires annual report of all out-of-state travel funded with department appropriations.

Sec. 217. *General Fund Restrictions* – DELETED

Prohibits using general fund appropriations where federal funds are available for the same purpose.

Sec. 221. *Reporting Requirement on Policy Changes* – DELETED

Requires departments to report on policy changes made in order to implement enacted legislation.

Sec. 226. *Use of Funding for Legal Services* – DELETED

Prohibits using appropriations to hire a person to provide legal services that are the responsibility of the attorney general; prohibition does not apply to legal services for bonding activities and for those activities that the attorney general authorizes.

Sec. 228. *General Fund Lapses* – DELETED

Requires departments to report on estimates of general fund lapses at the close of the fiscal year.

Sec. 229. *Initiatives and Recommendations Related to Savings Identified in Audit Reports* – DELETED

Requires state departments and agencies to report on their efforts and progress made toward achieving savings and efficiencies identified by the auditor general in audit reports.

Sec. 230. *FTE Positions and Transparency Websites* – DELETED

Requires reports from executive branch departments on number of FTE positions in pay status by civil service classification; requires executive branch departments to develop, post, and maintain Internet sites showing all expenditures.

Sec. 231. *Transparency Website Expenditure* – DELETED

Prohibits departments from expending more than \$10,000 to implement transparency websites.

**Summary: Executive Budget Recommendation
for Fiscal Years 2011-12 and 2012-13
ATTORNEY GENERAL**

Analysts: Robin R. Risko

	FY 2010-11 Year-to-Date as of 2/17/11	FY 2011-12 Executive	Difference: FY 2011-12 Vs. FY 2010-11		FY 2012-13 Executive	Difference: FY 2012-13 Vs. FY 2011-12	
			Amount	%		Amount	%
IDG/IDT	\$21,300,300	\$21,885,400	\$585,100	2.7	\$22,539,600	\$654,200	3.0
Federal	8,565,700	8,848,800	283,100	3.3	9,073,800	225,000	2.5
Local	0	0	0	--	0	0	--
Private	0	0	0	--	0	0	--
Restricted	14,987,700	15,489,100	501,400	3.3	15,879,700	390,600	2.5
GF/GP	28,559,400	28,117,600	(441,800)	(1.5)	28,828,100	710,500	2.5
Gross	\$73,413,100	\$74,340,900	\$927,800	1.3	\$76,321,200	\$1,980,300	2.7
FTEs	520.0	520.0	0.0	0.0	520.0	0.0	0.0

Notes: (1) FY 2010-11 appropriation figures include the results of supplementals, Executive Order (EO) actions, and transfer adjustments through February 17, 2011. (2) FY 2012-13 figures are projected or proposed budget amounts only and would not be legally-binding appropriations. (3) Budget changes described below are based on the "Schedule of Program" sections included in the Executive Budget; amounts listed in those schedules are informational in nature and could be potentially adjusted administratively, without legislative approval, within the larger line items into which programs have been rolled up.

Overview

The Attorney General serves as legal counsel for state departments, agencies, boards, and commissions, and their officers, brings actions and intervenes in cases on the state's behalf, and represents legislators and judges who may be sued while acting in their official capacities. The Attorney General issues opinions on questions of law submitted by members of the Legislature and others, serves as chief law enforcement officer of the state, and has supervisory powers over all local prosecuting attorneys. The Department's mission is to protect the common legal rights of citizens, defend the Constitution and the laws of the state, and represent the legal interests of government. Its goals include making the state a safe place for its citizens, offering justice to victims of crime, defending common natural resources and monetary assets of the state, and delivering excellent legal services at a minimum cost to taxpayers.

Major Budget Changes From FY 2010-11 YTD Appropriations		FY 2010-11 YTD (as of 2/17/11)	Executive Changes	
			FY 2010-11 to FY 2011-12	FY 2011-12 to FY 2012-13
1. Line Item Roll-Ups	The current year budget contains 6 line items. The Executive budget contains 2 line items.			
2. GF/GP Reductions	Reflects a savings to be achieved by not filling vacant positions and through attrition.	Gross GF/GP	N/A N/A	(\$142,400) (\$142,400)
3. Early Retirement Savings	Includes a reduction to reflect the amount of full-year savings anticipated to occur as a result of the FY 2010-11 early retirement program.	Gross GF/GP	N/A N/A	(\$1,285,600) (\$1,285,600)
4. SOCC Reduction	Reflects a savings due to the 10% reduction in the Attorney General's salary implemented January 1, 2011. This figure is the amount of savings that will occur in the first three months of FY 2011-12.	Gross GF/GP	\$115,800 \$115,800	(\$3,300) (\$3,300)

<u>Major Budget Changes From FY 2010-11 YTD Appropriations</u>		<u>FY 2010-11 YTD (as of 2/17/11)</u>	<u>Executive Changes</u>	
			<u>FY 2010-11 to FY 2011-12</u>	<u>FY 2011-12 to FY 2012-13</u>
5. PACC Grant Award Reduction	Gross	\$325,000	(\$186,000)	\$0
Includes a reduction from the Michigan Justice Training Fund as a result of reduced training services being provided by the Prosecuting Attorneys Coordinating Council.	IDG	325,000	(186,000)	0
6. State Claims Unit Reduction	Gross	\$1,417,100	(\$62,500)	\$0
Includes a reduction from the Risk Management Revolving Fund as a result of reduced services related to Workers' Compensation cases being provided by the Department of Attorney General.	IDG	1,417,100	(62,500)	0
7. Economics	Gross	N/A	\$2,607,600	\$1,980,300
Includes additional funding for economic adjustments to be made for insurance, retirement, and workers' compensation costs and for building occupancy charges in FY 2011-12. Also includes additional funding for economic adjustments to be made in FY 2012-13.	IDG	N/A	833,600	654,200
	Federal	N/A	283,100	225,000
	Restricted	N/A	501,400	390,600
	GF/GP	N/A	\$989,500	\$710,500

Major Boilerplate Changes From FY 2010-11

NOTE: No boilerplate language is proposed for FY 2012-13.

**Summary: Executive Budget Recommendation
for Fiscal Years 2011-12 and 2012-13
CIVIL RIGHTS**

Analyst: Robin R. Risko

	FY 2010-11 Year-to-Date as of 2/17/11	FY 2011-12 Executive	Difference: FY 2011-12 Vs. FY 2010-11		FY 2012-13 Executive	Difference: FY 2012-13 Vs. FY 2011-12	
			Amount	%		Amount	%
IDG/IDT	\$0	\$0	\$0	--	\$0	\$0	--
Federal	1,750,000	2,213,200	463,200	26.5	2,269,700	56,500	2.6
Local	0	0	0	--	0	0	--
Private	0	0	0	--	0	0	--
Restricted	53,000	58,500	5,500	10.4	58,500	0	0.0
GF/GP	10,975,700	9,827,200	(1,148,500)	(10.5)	10,096,100	268,900	2.7
Gross	\$12,778,700	\$12,098,900	(\$679,800)	(5.3)	\$12,424,300	\$325,400	2.7
FTEs	118.0	118.0	0.0	0.0	118.0	0.0	0.0

Notes: (1) FY 2010-11 appropriation figures include the results of supplementals, Executive Order (EO) actions, and transfer adjustments through February 17, 2011. (2) FY 2012-13 figures are projected or proposed budget amounts only and would not be legally-binding appropriations. (3) Budget changes described below are based on the "Schedule of Program" sections included in the Executive Budget; amounts listed in those schedules are informational in nature and could be potentially adjusted administratively, without legislative approval, within the larger line items into which programs have been rolled up.

Overview

The Michigan Civil Rights Commission is charged with investigating alleged discrimination against any person because of religion, race, color, national origin, sex, age, marital status, height, weight, arrest record, or physical and mental disabilities. The Commission is directed to "secure the equal protection of such civil rights without such discrimination." The Michigan Department of Civil Rights serves as the administrative arm charged with implementing policies of the Commission. The Department works to prevent discrimination through educational programs that promote voluntary compliance with civil rights laws, investigates and resolves discrimination complaints, disseminates information on the rights and responsibilities of Michigan citizens as provided by law, and provides information and services to businesses on diversity initiatives, equal employment law, procurement opportunities, feasibility studies, and joint venture/strategic alliance matchmaking.

Major Budget Changes From FY 2010-11 YTD Appropriations	Executive Changes		
	FY 2010-11 YTD (as of 2/17/11)	FY 2010-11 to FY 2011-12	FY 2011-12 to FY 2012-13
1. Line Item Roll-Ups The current year budget contains 3 line items. The Executive budget contains 1 line item.			
2. GF/GP Reductions Reflects a savings to be achieved by reducing information technology user charges and downsizing technology equipment and building space as a result of the decrease in staff over the past few years, and by not filling vacant positions.	Gross GF/GP	N/A N/A	(\$1,033,200) (\$1,033,200)
			\$0 \$0
3. Early Retirement Savings Includes a reduction to reflect the amount of full-year savings anticipated to occur as a result of the FY 2010-11 early retirement program.	Gross GF/GP	N/A N/A	(\$608,000) (\$608,000)
			\$0 \$0

<u>Major Budget Changes From FY 2010-11 YTD Appropriations</u>		<u>FY 2010-11 YTD (as of 2/17/11)</u>	<u>Executive Changes</u>	
			<u>FY 2010-11 to FY 2011-12</u>	<u>FY 2011-12 to FY 2012-13</u>
4. Increased Federal Grant Funding	Gross	\$850,000	\$463,200	\$0
Reflects an increase in federal Department of Housing and Urban Development funding based on projections of anticipated revenue in FY 2011-12. Also, increases the same federal grant funding in FY 2012-13, but decreases GF/GP funding by a like amount.	Federal	850,000	463,200	56,500
	GF/GP	\$0	\$0	(\$56,500)
5. Fund Source Shift	Gross	N/A	\$0	\$0
Increases state restricted funding and decreases GF/GP funding in order to more accurately reflect the financing of expenditures.	Restricted	N/A	5,500	0
	GF/GP	N/A	(\$5,500)	\$0
6. Economics	Gross	N/A	\$498,200	\$325,400
Includes additional funding for economic adjustments to be made for insurance, retirement, and workers' compensation costs and for building occupancy charges in FY 2011-12. Also includes additional funding for economic adjustments to be made in FY 2012-13.	GF/GP	N/A	\$498,200	\$325,400

Major Boilerplate Changes From FY 2010-11

NOTE: No boilerplate language is proposed for FY 2012-13.

Sec. 401. Private Contingency Funds – NEW Executive Sec. 3-301(b)

Appropriates up to \$500,000 in private contingency funds for the Department.

Sec. 402. Receipt and Expenditure of Local and Private Funds – REVISED Executive Sec. 3-302

Authorizes the Department to receive and expend local and private funding for a variety of reasons. Executive adds that funding can be used for staffing costs and deletes the reporting requirement.

Summary: Executive Budget Recommendation for Fiscal Years 2011-12 and 2012-13 EXECUTIVE OFFICE

Analyst: Robin R. Risko

	FY 2010-11 Year-to-Date as of 2/17/11	FY 2011-12 Executive	Difference: FY 2011-12 Vs. FY 2010-11		FY 2012-13 Executive	Difference: FY 2012-13 Vs. FY 2011-12	
			Amount	%		Amount	%
IDG/IDT	\$0	\$0	\$0	--	\$0	\$0	--
Federal	0	0	0	--	0	0	--
Local	0	0	0	--	0	0	--
Private	0	0	0	--	0	0	--
Restricted	0	0	0	--	0	0	--
GF/GP	4,630,800	4,399,200	(231,600)	(5.0)	4,399,200	0	0.0
Gross	\$4,630,800	\$4,399,200	(\$231,600)	(5.0)	\$4,399,200	\$0	0.0
FTEs	84.2	84.2	0.0	0.0	84.2	0.0	0.0

Notes: (1) FY 2010-11 appropriation figures include the results of supplementals, Executive Order (EO) actions, and transfer adjustments through February 17, 2011. (2) FY 2012-13 figures are projected or proposed budget amounts only and would not be legally-binding appropriations. (3) Budget changes described below are based on the "Schedule of Program" sections included in the Executive Budget; amounts listed in those schedules are informational in nature and could be potentially adjusted administratively, without legislative approval, within the larger line items into which programs have been rolled up.

Overview

The Executive Office budget provides funding for the Governor, the Lieutenant Governor, and their staffs. Major constitutionally-specified responsibilities include organization and supervision of the Executive branch and annual preparation and submission of the Executive budget.

<u>Major Budget Changes From FY 2010-11 YTD Appropriations</u>	<u>Executive Changes</u>		
	<u>FY 2010-11 YTD (as of 2/17/11)</u>	<u>FY 2010-11 to FY 2011-12</u>	<u>FY 2011-12 to FY 2012-13</u>
1. Line Item Roll-Ups The current year budget contains 4 line items. The Executive budget contains 1 line item.			
2. GF/GP Reductions Reflects a savings to be achieved through administrative reductions.	Gross GF/GP	N/A N/A	(\$212,200) (\$212,200)
			\$0 \$0
3. SOCC Reduction Reflects a savings due to the 10% reduction in the Governor's and Lieutenant Governor's salaries implemented January 1, 2011. This figure is the amount of savings that will occur in the first three months of FY 2011-12.	Gross GF/GP	\$288,300 \$288,300	(\$19,400) (\$19,400)
			\$0 \$0

Major Boilerplate Changes From FY 2010-11

There is no boilerplate for the Executive Office.

Summary: Executive Budget Recommendation for Fiscal Years 2011-12 and 2012-13 LEGISLATURE

Analyst: Robin R. Risko

	FY 2010-11	FY 2011-12 Executive	Difference: FY 2011-12 Vs. FY 2010-11		FY 2012-13 Executive	Difference: FY 2012-13 Vs. FY 2011-12	
	Year-to-Date as of 2/17/11		Amount	%		Amount	%
IDG/IDT	\$250,000	\$250,000	\$0	0.0	\$250,000	\$0	0.0
Federal	0	0	0	--	0	0	--
Local	0	0	0	--	0	0	--
Private	400,000	400,000	0	0.0	400,000	0	0.0
Restricted	1,109,800	1,109,800	0	0.0	1,109,800	0	0.0
GF/GP	100,574,300	98,573,400	(2,000,900)	(2.0)	98,573,400	0	0.0
Gross	\$102,334,100	\$100,333,200	(\$2,000,900)	(2.0)	\$100,333,200	\$0	0.0
FTEs	0.0	0.0	0.0	--	0.0	0.0	--

Notes: (1) FY 2010-11 appropriation figures include the results of supplementals, Executive Order (EO) actions, and transfer adjustments through February 17, 2011. (2) FY 2012-13 figures are projected or proposed budget amounts only and would not be legally-binding appropriations. (3) Budget changes described below are based on the "Schedule of Program" sections included in the Executive Budget; amounts listed in those schedules are informational in nature and could be potentially adjusted administratively, without legislative approval, within the larger line items into which programs have been rolled up.

Overview

This budget provides funding for the Legislative branch of state government, including the Legislative Council and agencies it governs, the Legislative Retirement System, and Property Management. The Legislature enacts the laws of Michigan, levies taxes, and appropriates funding from revenue collected for the support of public institutions and the administration of the affairs of state government. The Legislative Council provides a wide variety of essential services to members and staff of the Legislature. The Michigan Legislative Retirement System provides retirement allowances, survivors' allowances, and other benefits for members of the Legislature and their spouses, dependents, survivors, and beneficiaries. Property Management employees maintain, operate, and repair the Capitol Building, House of Representatives Office Building, and Farnum Building.

<u>Major Budget Changes From FY 2010-11 YTD Appropriations</u>	FY 2010-11 YTD (as of 2/17/11)	Executive Changes	
		FY 2010-11 to FY 2011-12	FY 2011-12 to FY 2012-13
1. Line Item Roll-Ups			
The current year budget contains 15 line items. The Executive budget contains 1 line item.			
2. GF/GP Reductions	Gross	N/A	(\$2,000,900)
Reflects a savings to be achieved through administrative reductions.	GF/GP	N/A	(\$2,000,900)
			\$0
			\$0

*Please note: The Legislative Auditor General budget is rolled in with the Legislature budget in the FY 2011-12 and FY 2012-13 Executive budget recommendations, but appears separate in this document.

Major Boilerplate Changes From FY 2010-11

NOTE: No boilerplate language is proposed for FY 2012-13.

None

REVIEW AND ANALYSIS OF FY 2011-12 AND FY 2012-13 EXECUTIVE RECOMMENDATION

**Summary: Executive Budget Recommendation
for Fiscal Years 2011-12 and 2012-13
LEGISLATIVE AUDITOR GENERAL**

Analyst: Robin R. Risko

	FY 2010-11	FY 2011-12 Executive	Difference: FY 2011-12 Vs. FY 2010-11		FY 2012-13 Executive	Difference: FY 2012-13 Vs. FY 2011-12	
	Year-to-Date as of 2/17/11		Amount	%		Amount	%
IDG/IDT	\$2,301,500	\$3,501,500	\$1,200,000	52.1	\$3,501,500	\$0	0.0
Federal	0	0	0	--	0	0	--
Local	0	0	0	--	0	0	--
Private	0	0	0	--	0	0	--
Restricted	1,539,900	1,539,900	0	0.0	1,539,900	0	0.0
GF/GP	11,155,000	10,597,000	(558,000)	(5.0)	10,597,000	0	0.0
Gross	\$14,996,400	\$15,638,400	\$642,000	4.3	\$15,638,400	\$0	0.0
FTEs	0.0	0.0	0.0	--	0.0	0.0	--

Notes: (1) FY 2010-11 appropriation figures include the results of supplementals, Executive Order (EO) actions, and transfer adjustments through February 17, 2011. (2) FY 2012-13 figures are projected or proposed budget amounts only and would not be legally-binding appropriations. (3) Budget changes described below are based on the "Schedule of Program" sections included in the Executive Budget; amounts listed in those schedules are informational in nature and could be potentially adjusted administratively, without legislative approval, within the larger line items into which programs have been rolled up.

Overview

The Legislative Auditor General is responsible for conducting post financial and performance audits of state government operations. Audit reports provide a continuing flow of information to assist the Legislature in its oversight of approximately 100 individual state funds. Audit reports provide citizens with a measure of accountability and assist state departments and agencies in improving financial management of their operations. The goal of the Legislative Auditor General is to improve accounting and financial reporting practices and promote effectiveness, efficiency, and economy in state government. The mission is to improve the accountability of public funds and to improve the operations of state government for the benefit of the citizens of the state.

Major Budget Changes From FY 2010-11 YTD Appropriations		FY 2010-11 YTD (as of 2/17/11)	Executive Changes		
			FY 2010-11 to FY 2011-12	FY 2011-12 to FY 2012-13	
1. Line Item Roll-Ups	The current year budget contains 2 line items. The Executive budget contains 1 line item.				
2. GF/GP Reductions	Reflects a savings to be achieved through administrative reductions.	Gross GF/GP	N/A N/A	(\$558,000) (\$558,000)	\$0 \$0
3. Fund Source Adjustment	Includes additional funding to reflect actual expenditures for conducting single audits.	Gross IDG	\$958,600 958,600	\$1,700,000 1,700,000	\$0 0
4. Technical Adjustment	Reduces funding authorized to be received from the Department of Corrections. This funding was included in the FY 2010-11 budget, but was vetoed by the Governor.	Gross IDG	\$500,000 500,000	(\$500,000) (500,000)	\$0 0

***Please note: The Legislative Auditor General budget is rolled in with the Legislature budget in the FY 2011-12 and FY 2012-13 Executive budget recommendations, but appears separate in this document.**

Major Boilerplate Changes From FY 2010-11

NOTE: *No boilerplate language is proposed for FY 2012-13.*

Executive Sec. 12-405. Statewide Single Audit – NEW

Requires a report regarding the feasibility of converting to a statewide single audit; report to include costs involved, required statutory changes, and a recommendation on implementation.

Summary: Executive Budget Recommendation for Fiscal Years 2011-12 and 2012-13 STATE

Analyst: Ben Gielczyk

	FY 2010-11 Year-to-Date as of 2/17/11	FY 2011-12 Executive	Difference: FY 2011-12 Vs. FY 2010-11		FY 2012-13 Executive	Difference: FY 2012-13 Vs. FY 2011-12	
			Amount	%		Amount	%
IDG/IDT	\$20,000,000	\$20,000,000	\$0	0.0	\$20,000,000	\$0	0.0
Federal	1,810,000	1,810,000	0	0.0	1,810,000	0	0.0
Local	0	0	0	--	0	0	--
Private	100	100	0	0.0	100	0	0.0
Restricted	177,799,500	178,788,700	989,200	0.6	183,142,400	4,353,700	2.4
GF/GP	13,910,800	11,286,200	(2,624,600)	(18.9)	11,586,000	299,800	2.7
Gross	\$213,520,400	\$211,885,000	(\$1,635,400)	(0.8)	\$216,538,500	\$4,653,500	2.2
FTEs	1,815.0	1,815.0	0.0	0.0	1,815.0	0.0	0.0

Notes: (1) FY 2010-11 appropriation figures include the results of supplementals, Executive Order (EO) actions, and transfer adjustments through February 17, 2011. (2) FY 2012-13 figures are projected or proposed budget amounts only and would not be legally-binding appropriations. (3) Budget changes described below are based on the "Schedule of Program" sections included in the Executive Budget; amounts listed in those schedules are informational in nature and could be potentially adjusted administratively, without legislative approval, within the larger line items into which programs have been rolled up.

Overview

The Department of State administers programs in eight areas: Driver Licensing and Vehicle Registration, which includes titling and registering vehicles; Elections and Campaign Finance Administration, which includes training local election officials and monitoring campaign finance; Regulatory and Consumer Protection, which includes inspecting and licensing automotive repair facilities; Traffic Safety, which includes driver testing; Office of the Great Seal; Assigned Claims Facility; Uniform Commercial Code; and Executive Direction and Central Support.

Major Budget Changes From FY 2010-11 YTD Appropriations		FY 2010-11 YTD (as of 2/17/11)	Executive Changes	
			FY 2010-11 to FY 2011-12	FY 2011-12 to FY 2012-13
1. Line Item Roll-Ups				
The current year budget contains 22 line items. The Executive budget contains 4 line items.				
2. State Officers Compensation Commission Adjustment	Gross	\$115,800	(\$3,300)	\$0
Reflects savings of \$3,300 Gross and GF/GP due to the 10.0% reduction in the Secretary of State's salary implemented on January 1, 2011. This amount reflects savings that will occur in first three months of FY 2011-12. No changes recommended in FY 2012-13.	GF/GP	\$115,800	(\$3,300)	\$0
3. Early Retirement Savings	Gross	N/A	(\$621,300)	\$0
Includes reduction of \$631,300 Gross and GF/GP to reflect full-year savings anticipated as a result of the FY 2010-11 early retirement program. No changes recommended in FY 2012-13.	GF/GP	N/A	(\$621,300)	\$0
4. General Fund Reduction	Gross	N/A	(\$2,100,000)	\$0
Reduction of \$2.1 million Gross and GF/GP to be achieved through cost savings within the department. No changes recommended in FY 2012-13.	GF/GP	N/A	(\$2,100,000)	\$0

<u>Major Budget Changes From FY 2010-11 YTD Appropriations</u>		FY 2010-11 YTD (as of 2/17/11)	Executive Changes	
			FY 2010-11 to FY 2011-12	FY 2011-12 to FY 2012-13
5. Economic Adjustments	Gross	N/A	\$1,089,200	\$4,653,500
Reflects increased costs of \$1.1 million Gross and \$100,000 Restricted GF/GP associated with employee benefit costs and other economic adjustments. Additional increase of \$4.7 million Gross and \$299,800 GF/GP for FY 2012-13.	Restricted	N/A	989,200	4,353,700
	GF/GP	N/A	\$100,000	\$299,800

Major Boilerplate Changes From FY 2010-11

NOTE: No boilerplate language is proposed for FY 2012-13.

Sec. 705 (5). Department Publications Report – DELETED

Requires report on gifts, donations, contributions, and grants used to underwrite departmental publications along with information on the total revenue received from paid advertising in those publications.

Sec. 706. Help America Vote Act – DELETED

Requires Department of State (DOS) to report on activities and successes of department's enforcement and compliance with provisions contained in Help America Vote Act of 2002.

Sec. 714. Branch Office Closings or Consolidations – DELETED

Directs DOS (at least 180 days prior to closing or consolidation, and at least 60 days prior to relocation) to inform appropriations committees and legislators who represent affected areas of closing and/or consolidation; requires announcement to be in written form and to include analyses on criteria used for changes in branch location, including branch transactions, revenue, impact on citizens affected, and costs and savings that would result; requires report on savings from closing, consolidating, relocating offices, and costs of new leased facilities and expanded current space.

Sec. 716. Motorcycle Safety Education Program – DELETED

Requires appropriation for Motorcycle Safety Education Grants and Administration to be used for program operation; requires funding to be derived from license endorsements and registration and testing fees; requires funding to be used to help subsidize safety training courses for individuals interested in operating motorcycles. (Funding maintained for program.)

Sec. 716b. Business Application Modernization Project Report – DELETED

Requires the DOS to report on funding expended for the BAM project since its inception.

Sec. 716c. Network Connectivity – DELETED

Requires a report that includes an assessment of the optimal network connectivity in branch offices and makes recommendations on how to best meet the demands of increased online transactions.

Sec. 717 (3). Accept Gifts to Support Department Activities Report – DELETED

Requires report of gifts, donations, and contributions received in the prior year to support licensing, regulation, and safety functions.

Sec. 718. Buena Vista Township Branch Office – DELETED

Requires DOS to maintain a full-service branch office in Buena Vista Township.

Sec. 719. General Fund Expenditures – DELETED

Requires DOS to use available restricted funding for expenditures before using general fund dollars.

Sec. 720. Branch Office Relocation in Urban Areas – DELETED

Encourages DOS to locate branch offices in urban areas rather than greenfield sites.

**Summary: Executive Budget Recommendation
for Fiscal Years 2011-12 and 2012-13
TECHNOLOGY, MANAGEMENT AND BUDGET**

Analyst: Robin R. Risko

	FY 2010-11	FY 2011-12 Executive	Difference: FY 2011-12 Vs. FY 2010-11		FY 2012-13 Executive	Difference: FY 2012-13 Vs. FY 2011-12	
	Year-to-Date as of 2/17/11		Amount	%		Amount	%
IDG/IDT	\$586,552,900	\$609,070,400	\$22,517,500	3.8	\$611,571,900	\$2,501,500	0.4
Federal	2,682,000	2,803,400	121,400	4.5	3,134,600	331,200	11.8
Local	1,380,400	1,456,600	76,200	5.5	1,504,800	48,200	3.3
Private	170,800	180,600	9,800	5.7	186,800	6,200	3.4
Restricted	83,827,300	85,272,900	1,445,600	1.7	88,454,900	3,182,000	3.7
GF/GP	299,748,800	313,357,800	13,609,000	4.5	325,708,200	12,350,400	3.9
Gross	\$974,362,200	\$1,012,141,700	\$37,779,500	3.9	\$1,030,561,200	\$18,419,500	1.8
FTEs	2,972.5	2,986.5	14.0	0.5	2,986.5	0.0	0.0

Notes: (1) FY 2010-11 appropriation figures include the results of supplementals, Executive Order (EO) actions, and transfer adjustments through February 17, 2011. (2) FY 2012-13 figures are projected or proposed budget amounts only and would not be legally-binding appropriations. (3) Budget changes described below are based on the "Schedule of Program" sections included in the Executive Budget; amounts listed in those schedules are informational in nature and could be potentially adjusted administratively, without legislative approval, within the larger line items into which programs have been rolled up.

Overview

The Department of Technology, Management, and Budget is an interdepartmental service and management agency responsible for ensuring proper financial record keeping for state agencies; managing capital outlay projects, state property, state buildings, state purchasing programs, and the state's retirement systems; supervising the state's motor vehicle fleet; providing office and building support services to state agencies; and acting as a general contractor between the state's information technology users and private sector providers of information technology products and services. The Department houses the Office of the State Budget, which prepares, presents, and executes the state budget on behalf of the Governor, and several other autonomous units: Office of the State Employer, Office of the Children's Ombudsman, Office of Regulatory Reform, State Building Authority, and Civil Service Commission.

Major Budget Changes From FY 2010-11 YTD Appropriations		FY 2010-11 YTD (as of 2/17/11)	Executive Changes	
			FY 2010-11 to FY 2011-12	FY 2011-12 to FY 2012-13
1. Line Item Roll-Ups				
The current year budget contains 36 line items. The Executive budget contains 6 line items.				
MANAGEMENT AND BUDGET	Gross	\$241,870,600	\$15,000,000	\$8,600,000
2. SBA Rent Increase	GF/GP	\$241,870,600	\$15,000,000	\$8,600,000
Includes additional funding for State Building Authority rent payments to be made for state financed capital outlay projects for state agencies, universities, and community colleges. Adjustments are made based on a number of factors including project start and end dates, delays, refinancing, refunding, the number of current projects underway, and assumptions of upcoming financing needs for planned projects.				
3. IT Innovation - State Agency Reforms	Gross	N/A	\$5,000,000	\$0
Establishes a new Information Technology Innovations Fund. The fund will be used to competitively select and invest in high-priority, low-cost state agency innovation projects which demonstrate significant return on investment.				
	GF/GP	N/A	\$5,000,000	\$0

Major Budget Changes From FY 2010-11 YTD Appropriations	Executive Changes			
		FY 2010-11 YTD (as of 2/17/11)	FY 2010-11 to FY 2011-12	FY 2011-12 to FY 2012-13
4. Management and Budget GF/GP Reductions	Gross	N/A	(\$3,137,400)	\$0
Reflects a savings to be achieved by eliminating vacant positions; identifying and reducing duplicate functions; allocating more administrative costs to IDG and restricted fund sources resulting in GF/GP savings; reducing contractual services, rent, overtime and administrative support costs; and eliminating the Detroit mail substation.	IDG	N/A	(612,300)	0
	Rest	N/A	(732,600)	0
	GF/GP	N/A	(\$1,792,500)	\$0
5. Management and Budget Early Retirement Savings	Gross	N/A	(\$1,529,300)	\$0
Includes a reduction to reflect the amount of full-year savings anticipated to occur as a result of the FY 2010-11 early retirement program.	GF/GP	N/A	(\$1,529,300)	\$0
6. Gubernatorial Transition	Gross	\$1,500,000	(\$1,500,000)	\$0
Eliminates the one-time appropriation included in the FY 2010-11 budget for costs associated with the gubernatorial transition. Funding was used for both the outgoing and incoming governors and covered expenses associated with staff, leave payments, unemployment benefits, office space, supplies, moving, and other related costs.	GF/GP	\$1,500,000	(\$1,500,000)	\$0
7. DMB/DIT Consolidation	FTE	N/A	39.0	0.0
Reflects the transfer of FTE positions and associated funding from the former Department of Information Technology as a result of consolidating the Departments of Management and Budget and Information Technology pursuant to EO 2009-55.	Gross	N/A	\$1,400,000	\$0
	IDG	N/A	1,400,000	0
8. Accounting Service Consolidation	FTE	N/A	14.0	0.0
Includes additional FTE positions and associated funding to reflect the transfer of accounting functions from the Departments of Military and Veterans Affairs and State Police to the Department of Technology, Management, and Budget.	Gross	N/A	\$1,593,200	\$0
	IDG	N/A	1,593,200	0
9. Building Operations Reductions	Gross	\$88,347,300	(\$1,250,000)	\$0
Reflects a savings from reorganizing and restructuring building operations staff and not filling vacant positions.	IDG	88,347,300	(1,250,000)	0
10. Eliminate Professional Development Funds	Gross	\$225,000	(\$225,000)	\$0
Reflects a savings due to elimination of professional development funds for the AFSCME and MPE-SEIU bargaining units.	IDG	225,000	(225,000)	0
11. SWCAP-related Fund Source Shifts	Gross	N/A	\$0	\$0
Adjusts IDG, state restricted, and GF/GP fund sources in order to reflect how departmental and statewide overhead costs should be financed according to the most recent Statewide Cost Allocation Plan (SWCAP). The plan allocates the costs of providing central support services to other state departments and their respective fund sources.	IDG	N/A	101,100	0
	Rest	N/A	293,600	0
	GF/GP	N/A	(\$394,700)	\$0
12. Fund Source and Technical Adjustments	Gross	N/A	(\$1,100)	\$0
Adjusts fund sources and makes technical adjustments to reflect where expenditures are anticipated to occur.	IDG	N/A	59,700	0
	Rest	N/A	(111,000)	0
	GF/GP	N/A	\$50,200	\$0

TECHNOLOGY, MANAGEMENT AND BUDGET

Major Budget Changes From FY 2010-11 YTD Appropriations		FY 2010-11 YTD (as of 2/17/11)	Executive Changes	
			FY 2010-11 to FY 2011-12	FY 2011-12 to FY 2012-13
13. Management and Budget Economics				
Includes additional funding for economic adjustments to be made for insurance, retirement, and workers' compensation costs and for building occupancy charges in FY 2011-12. Also includes additional funding for economic adjustments to be made in FY 2012-13. (The change from FY 2011 to FY 2012 represents economics for Management and Budget only. The change from FY 2012 to FY 2013 represents total economics for Management and Budget, Technology Services, and Civil Service Commission.)				
	Gross	N/A	\$3,175,100	\$9,819,500
	IDG	N/A	1,340,900	2,501,500
	Fed	N/A	0	331,200
	Local	N/A	0	48,200
	Private	N/A	0	6,200
	Rest	N/A	730,100	3,182,000
	GF/GP	N/A	\$1,104,100	\$3,750,400
TECHNOLOGY SERVICES				
14. Align IDGs with FY 2011 Enacted				
Adjusts the Technology Services budget to reflect FY 2011 enacted appropriations in other state department budgets:				
<ul style="list-style-type: none"> Increases Agriculture by \$32,000 Decreases DOC by \$600,000 Decreases DOE by \$85,000 Increases DHS by \$8.9 million Decreases DMVA by \$153,200 Decreases DNRE by \$18,700 Increases DSP by \$196,800 Decreases MDOT by \$356,000 				
	Gross	\$415,136,100	\$7,907,900	\$0
	IDG	415,136,100	7,907,900	0
15. Program Enhancements				
Makes the following adjustments to reflect appropriations for program enhancements made in other state department budgets:				
<ul style="list-style-type: none"> DCH - \$8.9 million for the HIPPA Electronic Transaction Standards and International Classification of Diseases projects DHS - \$2.7 million for the Statewide Automated Child Welfare Information System DELEG - \$1.8 million for Michigan Business One Stop, an integrated approach to simplifying business-to-government transactions DHS - \$792,300 for new IT staff as a result of the Children's Rights lawsuit 				
	Gross	\$415,136,100	\$14,234,900	\$0
	IDG	415,136,100	14,234,900	0
16. Eliminate Program Funding				
Reflects elimination of funding in various department budgets for programs no longer needing funding:				
<ul style="list-style-type: none"> DCH - \$401,000 for Electronic Death Registry DHS - \$255,000 one-time funding for development of the LEIN/Bridges interface 				
	Gross	\$415,136,100	(\$656,000)	\$0
	IDG	415,136,100	(656,000)	0
17. Technology Services Early Retirement Savings				
Includes a reduction to reflect the amount of full-year savings anticipated to occur as a result of the FY 2010-11 early retirement program.				
	Gross	N/A	(\$2,795,500)	\$0
	IDG	N/A	(2,795,500)	0
18. DMB/DIT Consolidation				
Reflects the transfer of FTE positions and associated funding to the former Department of Management and Budget as a result of consolidating the Departments of Management and Budget and Information Technology pursuant to EO 2009-55.				
	FTE	N/A	(39.0)	0.0
	Gross	N/A	(\$1,431,100)	\$0
	IDG	N/A	(1,431,100)	0

<u>Major Budget Changes From FY 2010-11 YTD Appropriations</u>		FY 2010-11 YTD (as of 2/17/11)	Executive Changes	
			FY 2010-11 to FY 2011-12	FY 2011-12 to FY 2012-13
19. Technology Services Budget Reductions	Gross	N/A	(\$1,256,900)	\$0
Reflects a savings to be achieved in various department budgets by aligning the number of desktops with the number of agency IT staff, closing worksites and reducing IT connectivity, not filling vacant IT positions, reducing server and other equipment purchases, and reducing contractual services.	IDG	N/A	(1,256,900)	0
<ul style="list-style-type: none"> • Civil Rights savings of \$150,000 • DEQ savings of \$270,000 • DTMB savings of \$257,400 • DNR savings of \$80,600 • DSP savings of \$359,900 • Treasury savings of \$139,000 				
20. Fund Source Adjustments	Gross	N/A	(\$1,500,400)	\$0
Aligns fund sources to reflect funding actually received:	IDG	N/A	(1,500,400)	0
<ul style="list-style-type: none"> • Agriculture - \$160,000 • DNR - \$32,100 • DSP - \$1.3 million 				
21. Technology Services Economics	Gross	N/A	\$5,477,600	\$0
Includes additional funding for economic adjustments to be made for insurance, retirement, and workers' compensation costs and for building occupancy charges in FY 2011-12. (FY 2012-13 economic adjustments are included in #13 above.)	IDG	N/A	5,477,600	0
CIVIL SERVICE COMMISSION	Gross	N/A	(\$2,000,000)	\$0
22. Civil Service Commission GF/GP Reductions	GF/GP	N/A	(\$2,000,000)	\$0
Reflects a savings to be achieved by not filling vacant positions.				
23. Civil Service Commission Early Retirement Savings	Gross	N/A	(\$1,616,400)	\$0
Includes a reduction to reflect the amount of full-year savings anticipated to occur as a result of the FY 2010-11 early retirement program.	GF/GP	N/A	(\$1,616,400)	\$0
24. Human Resources Consolidation	Gross	N/A	\$277,800	\$0
Includes funding from the Department of Corrections for FTE positions that were transferred as a result of human resources consolidation efforts.	GF/GP	N/A	\$277,800	\$0
25. Civil Service Commission Economics	Gross	N/A	\$2,612,100	\$0
Includes additional funding for economic adjustments to be made for insurance, retirement, and workers' compensation costs and for building occupancy charges in FY 2011-12. (FY 2012-13 economic adjustments are included in #13 above.)	IDG	N/A	129,400	0
	Federal	N/A	121,400	0
	Local	N/A	76,200	0
	Private	N/A	9,800	0
	Restricted	N/A	1,265,500	0
	GF/GP	N/A	\$1,009,800	\$0

Major Boilerplate Changes From FY 2010-11

NOTE: No boilerplate language is proposed for FY 2012-13.

MANAGEMENT AND BUDGET

Sec. 809. Computer Contracts – DELETED

Requires DTMB to report revisions that increase or decrease, by more than \$500,000, current contracts for computer software development, hardware acquisition, or quality assurance, at least 14 days prior to revision finalization.

REVIEW AND ANALYSIS OF FY 2011-12 AND FY 2012-13 EXECUTIVE RECOMMENDATION

TECHNOLOGY, MANAGEMENT AND BUDGET

Major Boilerplate Changes From FY 2010-11

Sec. 813.(3) and (4) Motor Vehicle Fleet – DELETED

States legislative intent authorizing DTMB to assign motor vehicles to state agencies and institutions of higher education; requires MVF operation plan; specifies data required; authorizes plan adjustment to achieve maximum value and efficiency; and requires plan and changes to be reported within 60 days after year end.

Sec. 814. Purchasing From Michigan-Based Firms – DELETED

Requires DTMB to adopt policies and procedures necessary to provide a purchasing preference for products manufactured or services offered by Michigan-based firms.

Sec. 815. Purchasing Decisions – DELETED

Sets guidelines for determining whether a purchase, contract, or provision of supplies, materials, services, insurance, utilities, third-party financing, equipment, printing, and other items for state departments is in the best interest of the state.

Sec. 816. Vendor Disclosure (Information to Collect) – DELETED

Lists information DTMB is required to collect from vendors to ensure compliance with procuring goods and services from Michigan-based providers.

Sec. 817. Vendor Disclosure (Call Centers) – DELETED

Authorizes DTMB to require a vendor or subcontractor who provides call or contact center services to the state to disclose the location from which the call or contact center services are being provided.

Sec. 822. Report on Unclassified Salaries – DELETED

Requires DTMB to prepare a report on all salaries of unclassified employees and gubernatorial appointees within state departments.

TECHNOLOGY SERVICES

Sec. 823.(4) Sale of Paid Advertising – DELETED

Requires report on DTMB website of revenue received and number of advertising transactions.

Sec. 824. Spatial Information and Technical Services – REVISED Executive Sec. 17-317

Authorizes DTMB to receive and expend funds for supplying spatial information and technical services to other state departments, local units of government, and other organizations; deletes requirement to report fund sources and expenditures.

Sec. 827.(4) Michigan Public Safety Communications (MPSC) System – REVISED Executive Sec. 17-320

Requires approval by state budget director for expending MPSC System appropriation; requires DTMB to assess reasonable access and maintenance fees to system subscribers and use revenue for system support and maintenance; deletes requirement to report on receipts and expenditures for each six-month period of the fiscal year.

Sec. 828. IT-Related Appropriations and Expenditures – DELETED

Requires DTMB to report total funding appropriated for IT services and projects, by funding source, for all state departments; requires list of expenditures made from amounts received by DTMB.

Sec. 829. Life-Cycle of Hardware and Software – DELETED

Requires report which analyzes and makes recommendations on life-cycle of IT hardware and software.

Sec. 830. Change Orders and Follow-Up On Contracts – DELETED

Requires report on change orders and contract extensions for contracts greater than \$25,000 entered into by DTMB.

Sec. 832. Child Support Enforcement System – DELETED

Requires report on amount expended for Child Support Enforcement System, revisions made to spending plans, and amount of penalties paid to federal government.

CIVIL SERVICE COMMISSION

Sec. 853. Office of Great Workplace Development – DELETED

Prohibits appropriations from being used for funding Office of Great Workplace Development.

STATE BUILDING AUTHORITY (SBA)

Sec. 843. Status of Construction Projects – DELETED

Requires DTMB to provide annual report on status of construction projects associated with SBA bonds.

CAPITAL OUTLAY

Sec. 860. Acronym Definitions – DELETED

Describes capital outlay-related acronym definitions contained in the bill.

Major Boilerplate Changes From FY 2010-11

Sec. 861. Capital Outlay Processes, Procedures, and Reports – DELETED

Subjects capital outlay projects to procedures outlined in Management and Budget Act, 1984 PA 431.

Sec. 862. Required Reports – DELETED

Requires DTMB to provide various detailed reports to JCOS and fiscal agencies with status of each planning or construction project financed by the SBA.

Sec. 865. Site Preparation Economic Development Fund – DELETED

Establishes Site Preparation Economic Development Fund in DTMB; requires proceeds from sale of designated sites to be deposited into fund; authorizes \$25.0 million cash advance from GF; requires annual report.

CAPITAL OUTLAY - UNIVERSITIES AND COMMUNITY COLLEGES

Sec. 870. Statement of Proposed Operating Cost – DELETED

Requires operating costs to be included with submitted planning documents.

Sec. 871. Final Planning and Construction – DELETED

Outlines certain administrative procedures required to be followed in order for community college or university projects to proceed to final planning and construction.

Sec. 872. Match Requirements – DELETED

Requires a state agency, community college, or university to use available federal or other money to satisfy matching requirements.

Sec. 873. Community College Projects – DELETED

Lists provisions related to authorizations for community college capital outlay projects.

Sec. 874. Reduced State Funds – DELETED

Authorizes reduction of state appropriations if matching revenues received are less than anticipated.

Sec 875. Required Documentation – DELETED

Authorizes DTMB to require documentation regarding project match and board approval from community colleges and universities with authorized capital outlay projects.

Sec. 876. Joint Capital Outlay Subcommittee (JCOS) Authorization – DELETED

Requires JCOS approval of self-funded projects estimated to cost at least \$3.0 million for universities and \$2.0 million for community colleges; exempts U of M hospital and health center; and requires reports on projects commenced.

**Summary: Executive Budget Recommendation
for Fiscal Years 2011-12 and 2012-13
TREASURY**

Analyst: Ben Gielczyk

	FY 2010-11	FY 2011-12 Executive	Difference: FY 2011-12 Vs. FY 2010-11		FY 2012-13 Executive	Difference: FY 2012-13 Vs. FY 2011-12	
	Year-to-Date as of 2/17/11		Amount	%		Amount	%
IDG/IDT	\$14,376,400	\$14,421,600	\$45,200	0.3	\$14,421,600	\$0	0.0
Federal	262,691,600	257,374,300	(5,317,300)	(2.0)	257,448,300	74,000	0.0
Local	2,054,000	2,099,200	45,200	2.2	2,099,200	0	0.0
Private	843,600	350,000	(493,600)	(58.5)	350,000	0	0.0
Restricted	1,524,721,000	1,437,287,500	(87,433,500)	(5.7)	1,475,196,200	37,908,700	2.6
GF/GP	120,937,800	258,401,500	137,463,700	113.7	249,464,200	(8,937,300)	(3.8)
Gross	\$1,925,624,400	\$1,969,934,100	\$44,309,700	2.3	\$1,998,979,500	\$29,045,400	1.5
FTEs	2,199.5	2,208.5	9.0	0.4	2,208.5	0.0	0.0

Notes: (1) FY 2010-11 appropriation figures include the results of supplementals, Executive Order (EO) actions, and transfer adjustments through February 17, 2011. (2) FY 2012-13 figures are projected or proposed budget amounts only and would not be legally-binding appropriations. (3) Budget changes described below are based on the "Schedule of Program" sections included in the Executive Budget; amounts listed in those schedules are informational in nature and could be potentially adjusted administratively, without legislative approval, within the larger line items into which programs have been rolled up.

Overview

The Department of Treasury is the chief fiscal agency of the state and the primary source of advice to the Governor on tax and fiscal policy issues. The Department's mission is to collect state taxes, to invest, control, and disburse state monies, and to protect the state's credit rating and that of its cities. The Department manages one of the nation's largest pension funds, administers revenue sharing, and administers the student financial aid programs. It also investigates fraudulent financial activity, provides assistance on all property tax-related issues and advises issuers of municipal obligations. The Bureau of State Lottery, the Michigan Gaming Control Board (MGCB), Michigan State Housing and Development Authority (MSHDA), and the Michigan Strategic Fund (MSF) are autonomous agencies housed within the Department of Treasury. Funds and programs of the MSF are administered by the Michigan Economic Development Corporation (MEDC), which also administers the 21st Century Jobs Fund.

Major Budget Changes From FY 2010-11 YTD Appropriations		FY 2010-11 YTD (as of 2/17/11)	Executive Changes	
			FY 2010-11 to FY 2011-12	FY 2011-12 to FY 2012-13
1. Line Item Roll-Ups				
The current year budget contains 63 line items. The Executive budget contains 11 line items.				
2. Debt Service Requirements	Gross	\$57,632,800	\$83,295,200	\$0
Reflects increased debt service costs of \$83.3 million GF/GP due to scheduled payment requirements and new issues based on short-term restructuring to achieve FY 2010-11 savings. No changes recommended for FY 2012-13.	GF/GP	\$42,118,300	\$83,295,200	\$0
3. Presidential Primary Costs	Gross	N/A	\$10,000,000	(\$10,000,000)
Includes \$10.0 million GF/GP for anticipated costs associated with the next presidential primary. Funds are eliminated in FY 2012-13.	GF/GP	N/A	\$10,000,000	(\$10,000,000)
4. Payment in Lieu of Taxes	Gross	\$12,956,400	(\$2,379,400)	\$0
Reflects 15.0% reduction in payment in lieu of taxes (PILT) to local governments. Reduction totals \$2.4 million Gross and \$1.6 million GF/GP. Gross figure includes additional \$513,000 Restricted fund reduction to reflect current year reduction to general fund. No changes recommended for FY 2012-13.	Restricted	2,450,000	(803,400)	0
	GF/GP	\$10,506,400	(\$1,576,000)	\$0

		Executive Changes		
		FY 2010-11 YTD (as of 2/17/11)	FY 2010-11 to FY 2011-12	FY 2011-12 to FY 2012-13
Major Budget Changes From FY 2010-11 YTD Appropriations				
5. Land Bank Fast Track Authority Revolving Fund Loan	Gross	N/A	\$1,000,000	\$0
Includes \$1.0 million Federal from the USA Environmental Protection Agency Revolving Loan Fund for cleanup activities at eligible Brownfield sites.	Federal	N/A	1,000,000	0
6. Unclaimed Property Legislation Costs	FTE	N/A	5.0	0.0
Includes \$700,000 Gross and 5.0 FTEs for continuing staff costs associated with FY 2010-11 legislation (PA 197 of 2010) altering period of years after which unclaimed property escheats to the state.	Gross	N/A	\$700,000	\$0
	Restricted	N/A	700,000	0
7. Senior Citizen Cooperative Housing	Gross	\$14,520,000	(\$2,500,000)	\$0
Reduces funding by \$2.5 million GF/GP to reflect required scheduled payment amount.	GF/GP	\$14,520,000	(\$2,500,000)	\$0
8. Department General Fund Reduction	Gross	N/A	(\$905,500)	\$0
Reflects 3.0% across-the-board reduction to Department of Treasury administrative functions. Reduction totals \$905,500 GF/GP.	GF/GP	N/A	(\$905,500)	\$0
9. Business Property Tax Appeal	Gross	\$900,000	(\$600,000)	\$0
Reduces by \$600,000 GF/GP for expected savings associated with proposed legislation that will adjust concerns on definition of personal property and thereby reduce appeals.	GF/GP	\$900,000	(\$600,000)	\$0
10. Fund Source Shifts	Gross	N/A	\$0	\$0
Reflects \$1.4 million in fund source shifts from various fund sources to state restricted funds.	IDG/IDT	N/A	(169,000)	0
	Federal	N/A	(1,184,200)	0
	Restricted	N/A	1,353,200	0
CASINO GAMING				
11. Michigan Gaming Control Board Auditor	FTE	N/A	1.0	0.0
Includes \$90,200 Gross and 1.0 FTE to staff one new auditor required for audits for recently opened tribal casinos.	Gross	N/A	\$90,200	\$0
	Restricted	N/A	90,200	0
REVENUE SHARING				
12. Constitutional Revenue Sharing	Gross	\$633,481,800	\$25,497,500	\$21,456,800
Reflects projected increase of \$25.5 million Gross in Constitutional revenue sharing from FY 2010-11 appropriation. The FY 2011-12 figure is based on January 2011 Consensus Revenue Estimating Conference (CREC) estimates. Includes projected increase of \$21.5 million Gross for FY 2012-13.	Restricted	633,481,800	\$25,497,500	\$21,456,800
13. Statutory Revenue Sharing/Local Government Incentive Program	Gross	\$307,061,700	(\$107,061,700)	\$0
Eliminates Statutory Revenue Sharing and replaces with Local Government Incentives Program for CVTs. Details of program have not been released. Reflects a net reduction of \$107.1 million Gross for FY 2011-12. No changes recommended for FY 2012-13.	Restricted	307,061,700	(107,061,700)	0
14. County Revenue Sharing	Gross	\$114,740,700	(\$14,740,700)	\$10,644,200
Reduces county revenue sharing payments by \$14.7 million Gross from FY 2010-11 appropriation for the 50 counties that will have exhausted reserve funds in FY 2011-12. Includes increase of \$10.6 million Gross for FY 2012-13.	Restricted	114,740,700	(14,740,700)	10,644,200

TREASURY

<u>Major Budget Changes From FY 2010-11 YTD Appropriations</u>	FY 2010-11 YTD (as of 2/17/11)	Executive Changes		
		FY 2010-11 to FY 2011-12	FY 2011-12 to FY 2012-13	
MICHIGAN STRATEGIC FUND				
15. Michigan Strategic Fund Source Adjustments	FTE	N/A	3.0	0.0
Reduces by \$6.5 million Gross to reflect adjustments to various fund source revenue by aligning restricted fund sources with anticipated collections in those funds.	Gross	N/A	(\$6,543,600)	\$0
	IDG/IDT	N/A	(\$50,000)	0
	Federal	N/A	(6,000,000)	0
	Private	N/A	(493,600)	0
16. Michigan Promotion Program	Gross	\$5,402,800	(\$5,402,800)	\$0
Reflects \$5.4 million GF/GP reduction due to the elimination of the Michigan Promotion Program line-item. Executive changed program to Pure Michigan and funded with 21st Century Jobs Trust Fund (see below).	GF/GP	\$5,402,800	(\$5,402,800)	\$0
17. 21st Century Jobs Trust Fund Programmatic Changes	Gross	\$75,000,000	\$25,000,000	\$0
Reflects programmatic and funding changes for 21st Century Jobs Trust Fund appropriations. The following programs will be funded with the \$75.0 million 21st Century Jobs Trust Fund allocation:	Restricted	75,000,000	0	0
	GF/GP	\$0	\$25,000,000	\$0
<ul style="list-style-type: none"> • Pure Michigan: \$25.0 million Gross • Innovation and Entrepreneurship: \$25.0 million Gross • Business Attraction and Economic Gardening: \$50.0 million Gross, \$25.0 million GF/GP. GF/GP funding will come from planned elimination of various economic tax credits (MEGA). 				
18. Film Incentives	Gross	N/A	\$25,000,000	\$0
Includes \$25.0 million Gross and GF/GP for film incentives. Program is currently a tax credit program. Line-item appropriation reflects cap of \$25.0 million in film incentives in FY 2011-12 and FY 2012-13.	GF/GP	N/A	\$25,000,000	\$0
19. Quality of Place and Talent Enhancement	Gross	N/A	\$5,000,000	\$0
Includes \$5.0 million GF/GP to provide incentives to enhance urban and rural communities as well as attract talent to the state.	GF/GP	N/A	\$5,000,000	\$0
DEPARTMENTWIDE ADJUSTMENTS				
20. Early Retirement Savings	Gross	N/A	(\$1,565,400)	\$0
Includes reduction of \$1.6 million GF/GP to reflect full-year savings anticipated as a result of the FY 2010-11 early retirement program. No changes recommended for FY 2012-13.	GF/GP	N/A	(\$1,565,400)	\$0
21. Economics	Gross	N/A	\$10,425,900	\$6,944,400
Reflects increased costs of \$10.4 million Gross and \$1.7 million GF/GP associated with employee benefit costs and other economic adjustments. Additional increase of \$6.9 million Gross and \$1.1 million GF/GP for FY 2012-13.	IDG/IDT	N/A	264,200	0
	Federal	N/A	866,900	74,000
	Local	N/A	45,200	0
	Restricted	N/A	7,531,400	0
	GF/GP	N/A	\$1,718,200	\$1,062,700

Major Boilerplate Changes From FY 2010-11

NOTE: No boilerplate language is proposed for FY 2012-13.

Executive Boilerplate Deletions

In general, the Executive Budget deletes a large majority of boilerplate language included in the FY 2010-11 budget. This includes many legislative reporting requirements, sections providing guidance and placing conditions on appropriations, and earmarks of funding for specific purposes. The list below includes major changes to boilerplate, but is not a comprehensive list of all sections deleted.

Major Boilerplate Changes From FY 2010-11**Sec. 925. Public Private Partnership Investment – REVISED**

Creates Public Private Partnership Investment Fund to fund investments such as capital asset improvements, energy resource exploration, financial and investment incentives, infrastructure construction, and public-private sector joint ventures. Eliminates reporting requirement. Eliminates language barring public private investment activities related to the Detroit River international crossing. (New Sec. 19-320.)

Sec. 925a. Public Private Partnership Appropriations – DELETED

Prohibits the funds appropriated for the public private partnership investment program from being used for activities related to the Detroit River international crossing.

Sec. 938. Payment in Lieu of Taxes (PILT) – DELETED

Specifies legislative intent that Department work with local units of government to improve the system for payments in lieu of taxes on purchased lands; requires report.

Sec. 949. Beverage Container Redemption Antifraud Fund – DELETED

Requires that any funding for the beverage container redemption antifraud fund be used for the purposes described in the beverage redemption antifraud act. Specifies that any available funding after the distribution to the border counties be distributed to the next tier of counties north of the border counties.

Sec. 950. Revenue Sharing – REVISED

Specifies distribution of constitutional revenue sharing payments to cities, villages, and townships. Eliminates subsection outlining distribution of statutory revenue sharing payments due to elimination of statutory revenue sharing payments in FY 2011-12. (New Sec. 19-401)

LOTTERY**Sec. 963. Department of Human Services Bridge Cards – DELETED**

Requires Lottery to notify lottery retailers that DHS bridge cards are not to be used to purchase lottery tickets.

CASINO GAMING**Sec. 973. Local Revenue Sharing Boards – REVISED**

Authorizes using funds for local government programs to assist local revenue sharing boards; requires those boards to comply with Open Meetings and Freedom of Information acts; authorizes county treasurers to receive and administer revenue on behalf of boards; authorizes directors of State Police and Michigan Gaming Control Board to help local boards allocate funds to local public safety organizations; requires Treasury to report on revenue receipt and distribution. Includes new subsection requiring local revenue sharing boards to comply with all applicable provisions of any agreement authorized by the Indian Gaming Regulatory Act, including, but not limited to, provisions dealing with the disbursal of tribal casino payments received. (New Sec. 19-802)

Sec. 979. Thoroughbred Purses – DELETED

Provides for the use of purse funds in the event that no live thoroughbred race meet is held in 2010 or 2011. Provides for funds to be escrowed and specifies purse pool distribution order.

MICHIGAN STRATEGIC FUND**Sec. 1003. Michigan Growth Capital Fund – DELETED**

Requires Michigan Growth Capital Fund to be used to develop the technology business sector in Michigan.

Sec. 1014. Michigan Core Communities Fund – DELETED

Outlines purposes and authorized uses of the fund; establishes policies and procedures for disseminating grants from the fund; requires notification before grant distribution.

Sec. 1023. Tourism Promotion – DELETED

Requires Michigan Strategic Fund (MSF) to coordinate tourism promotion with the tourism industry. Requires annual report which lists places included in tourism promotion.

Sec. 1024. Small Business Innovation Research/Small Business Technology Transfer Programs – DELETED

Allocates not less than \$1.4 million from 21st Century Jobs Fund to Michigan Small Business and Technology Development Centers to be used for matching grants for Small Business Innovation Research and Small Business Technology Transfer programs.

Sec. 1025. Michigan Aerospace Manufacturers Association Allocation – DELETED

Requires \$250,000 of 21st Century Jobs Fund to be allocated to the Michigan Aerospace Manufacturers Association for organizational assistance and to advance and promote the aerospace manufacturing community in the state of Michigan.

Sec. 1027. Lakeshore Advantage Project – DELETED

Allocates \$3.0 million from 21st Century Jobs Fund to Lakeshore Advantage Project.

REVIEW AND ANALYSIS OF FY 2011-12 AND FY 2012-13 EXECUTIVE RECOMMENDATION

TREASURY

Major Boilerplate Changes From FY 2010-11

Sec. 1028. 21st Century Jobs Trust Fund Limit on Spending – DELETED

Caps amount that can be awarded or committed to \$25.0 million during the first quarter of the fiscal year.

Sec. 1030. Grant to Detroit Institute of Arts – DELETED

Appropriates up to \$10.0 million from the unreserved general fund general purpose balance to the MSF as a grant to the Detroit Institute of Arts.

Sec. 1034. Business Incubator Program – DELETED

Stipulates funding be awarded competitively to business incubators in ten counties or cities. Requires that \$1.3 million in 21st Century Jobs Trust Fund funding be used to fund business incubators.

Sec. 1035. Michigan Council for the Arts and Cultural Affairs (MCACA) Arts and Cultural Grants – REVISED

Requires MCACA to maintain fair and equitable geographic distribution of funding for the arts and cultural grant program; specifies that monies awarded but returned shall be carried forward. (New Sec. 19-708)

Sec. 19-707. 21st Century Jobs Funds Spending Reauthorization – NEW

Provides for a continuation of authorization for 21st Century Jobs Trust funds authorized by PA 127 of 2007. Fund are made available until September 30, 2016 and work project will not exceed \$75.0 million.

**FY 2011-12 AND FY 2012-13
Budget Detail
for
HUMAN SERVICES**

**Community Health
Corrections
Human Services**

**Summary: Executive Budget Recommendation
for Fiscal Years 2011-12 and 2012-13
COMMUNITY HEALTH**

Analysts: Margaret Alston, Susan Frey, Steve Stauff

	FY 2010-11 Year-to-Date as of 2/17/11	FY 2011-12 Executive	Difference: FY 2011-12 Vs. FY 2010-11		FY 2012-13 Executive	Difference: FY 2012-13 Vs. FY 2011-12	
			Amount	%		Amount	%
IDG/IDT	\$54,020,800	\$4,528,700	(\$49,492,100)	(91.6)	\$4,528,700	0	0
Federal							
ARRA	650,327,000	0	(650,327,000)	(100.0)	0	0	--
Non-ARRA	8,823,718,200	8,758,307,700	(65,410,500)	(0.7)	8,976,727,400	218,419,700	2.5
Local	235,104,200	248,557,800	13,453,600	5.7	250,359,100	1,801,300	0.7
Private	88,103,600	96,494,700	8,391,100	9.5	96,494,700	0	0
Restricted	1,851,347,100	2,156,335,200	304,988,100	16.5	2,154,682,400	(1,652,800)	(0.1)
GF/GP	2,421,483,700	2,701,084,900	279,601,200	11.6	2,930,413,700	229,328,800	8.5
Gross	\$14,124,104,600	\$13,965,309,000	(\$158,795,600)	(1.1)	\$14,413,206,000	\$447,897,000	3.2
FTEs	4,398.8	4,031.0	(367.8)	(8.4)	4,031.0	0.0	0

Notes: (1) FY 2010-11 appropriation figures include the results of supplementals, Executive Order (EO) actions, and transfer adjustments through February 17, 2011. (2) "ARRA" represents temporary funds received under the federal American Recovery and Reinvestment Act or related sources. (3) FY 2012-13 figures are projected or proposed budget amounts only and would not be legally-binding appropriations. (4) Budget changes described below are based on the "Schedule of Program" sections included in the Executive Budget; amounts listed in those schedules are informational in nature and could be potentially adjusted administratively, without legislative approval, within the larger line items into which programs have been rolled up.

Overview

The Department of Community Health (DCH) budget provides funding for a wide range of mental health, substance abuse, public health, and medical services programs, including Medicaid. Established in 1996, the Department also includes the Office of Services to the Aging, the Crime Victim Services Commission, and health regulatory functions.

Executive Part 1 Appropriations: The Executive proposes to roll-up the budget into 6 appropriation line items, a reduction from 143 line items in the current year budget.

Major Budget Changes From FY 2010-11 YTD Appropriations		FY 2010-11 YTD (as of 2/17/11)	Executive Changes	
			FY 2010-11 to FY 2011-12	FY 2011-12 to FY 2012-13
1. Economic Adjustments	Gross	N/A	\$22,464,200	\$0
Includes a net increase of \$22.5 million gross (\$10.3 million GF/GP) to finance economic adjustments for pension and retiree insurance (defined benefit and contribution), insurance, workers' compensation, building occupancy, and gas, fuel, and utility costs for FY 2011-12. Does not include economic adjustments for employees' salaries and wages and food provided to clients in state-operated facilities for individuals with mental illness and developmental disabilities.	IDG	N/A	35,700	0
	Federal	N/A	4,511,800	0
	Restricted	N/A	1,501,500	0
	Local	N/A	6,118,900	0
	Private	N/A	2,800	0
	GF/GP	N/A	\$10,293,500	\$0
2. Retirement Adjustments	Gross	N/A	(\$5,024,300)	\$13,031,100
Projects FY 2011-12 early retirement savings of \$5.0 million gross (\$3.5 million GF/GP). Proposes FY 2012-13 active and retiree insurance and pension adjustment of \$13.0 million gross (\$7.6 million GF/GP). Non-GF/GP fund sourcing is not yet available for FY 2012-13.	Federal	N/A	(899,100)	N/A
	Local	N/A	(607,800)	N/A
	GF/GP	N/A	(\$3,517,400)	\$7,619,900

<u>Major Budget Changes From FY 2010-11 YTD Appropriations</u>		<u>FY 2010-11 YTD (as of 2/17/11)</u>	<u>Executive Changes</u>	
			<u>FY 2010-11 to FY 2011-12</u>	<u>FY 2011-12 to FY 2012-13</u>
3. Community Health Automated Medical Processing System (CHAMPS) Funding	Gross	N/A	\$8,922,600	\$0
Adds \$8.9 million gross (\$1.2 million GF/GP) for the Medicaid automated claims processing system, referred to as CHAMPS, to meet federal requirements for enhancements related to the Health Insurance Portability and Accountability Act (HIPAA).	Federal	N/A	7,768,000	0
	GF/GP	N/A	\$1,154,600	\$0
4. Actuarially Sound Capitation Payment Rates Adjustment	Gross	\$6,088,703,100	\$0	\$0
Does not recommend actuarial soundness adjustments in FY 2011-12 for Health Plans and Prepaid Inpatient Health Plans as it has been determined, at this time, no funding adjustments are necessary to ensure capitation payment rates are actuarially sound. These types of adjustments have been included in the DCH budget since FY 2004-05.	Federal	4,004,215,300	0	0
	ARRA	328,031,800	0	0
	Restricted	971,718,500	0	0
	Local	34,887,900	0	0
	GF/GP	\$749,849,600	\$0	\$0
5. Mental Health Services for Special Populations Program Reduction	Gross	\$6,873,800	(\$1,031,000)	\$0
Reduces funding for mental health services for special populations and groups such as Chinese American, Asian American, Hispanics, Arab/Chaldean, ACCESS, Michigan Inter-Tribal Council, Jewish Federation, Chaldean Community Foundation, and Vietnam Veterans by \$1,031,000 GF/GP. This budgetary adjustment represents a 15.0% reduction from current funding for this program.	GF/GP	\$6,873,800	(\$1,031,000)	\$0
6. Community Mental Health (CMH) Non-Medicaid Services and Administrative Reduction	Gross	\$282,275,100	(\$8,483,300)	\$0
Reduces non-Medicaid services provided to persons with mental illness and developmental disabilities by community mental health services programs (CMHSPs) and related administrative costs by \$8.5 million GF/GP, a budgetary change which represents a 3.0% reduction from current funding for the CMH non-Medicaid line item.	GF/GP	\$282,275,100	(\$8,483,300)	\$0
7. Substance Abuse Services and Administrative Funding	Gross	\$85,758,300	(\$1,377,200)	\$0
Reduces administrative costs for coordinating agencies and reduces and/or eliminates funding for substance abuse service programs by \$1.4 million GF/GP. Included in this adjustment are the following: elimination of one-time funding of \$1.0 million GF/GP for a community health outreach program provided by Self-Help Addiction Rehabilitation (SHAR) Inc.; \$224,300 GF/GP reduction for the Substance Abuse State Disability Assistance Program; and administrative system savings of \$152,900 GF/GP for coordinating agencies.	Federal	65,893,900	0	0
	ARRA	277,700	0	0
	Restricted	3,051,100	0	0
	GF/GP	\$16,535,600	(\$1,377,200)	\$0
8. Children's Waiver Home Care Program Reduction	Gross	\$21,049,800	(\$2,105,000)	\$0
Includes a reduction of \$2,105,000 gross (\$712,800 GF/GP) for the Children's Waiver Home Care Program that provides home and community-based services for 464 eligible children with developmental disabilities.	Federal	14,361,800	(1,392,200)	0
	ARRA	1,066,000	0	0
	GF/GP	\$5,622,000	(\$712,800)	\$0
9. Forensic Mental Health Services Provided to the Department of Corrections (DOC) Transfer	FTE	396.3	(396.3)	0.0
Transfers almost 400 staff positions associated with \$50.5 million interdepartmental grant from the DOC as the Department of Community Health will no longer be responsible for providing mental health services to prisoners under the jurisdiction of DOC. Michigan's Mental Health Code allows DOC to contract with DCH or third-party providers to operate the mental health program.	Gross	\$50,527,800	(\$50,527,800)	\$0
	IDG	50,527,800	(50,527,800)	0
	GF/GP	\$0	\$0	\$0

COMMUNITY HEALTH

<u>Major Budget Changes From FY 2010-11 YTD Appropriations</u>		FY 2010-11 YTD (as of 2/17/11)	Executive Changes	
			FY 2010-11 to FY 2011-12	FY 2011-12 to FY 2012-13
10. Criminal Background Check Program Funding	FTE	5.5	(5.5)	0.0
Eliminates funding of \$2.7 million gross (\$2.2 million GF/GP) for the Criminal Background Check Program for employees of homes for the aged and adult foster care homes by assuming that these facilities will be required to pay the costs for this program. Statutory changes to the Public Health Code and Adult Foster Care Facility Licensing Act are required in order to realize the proposed savings. (FTE-related economics adjustments are included in Item 1).	Gross	\$2,705,400	(\$2,705,400)	\$0
	Federal	542,900	(542,900)	0
	GF/GP	\$2,162,500	(\$2,162,500)	\$0
11. Health Facility Licensure Fees	Gross	\$21,322,200	\$817,900	\$0
Assumes savings of \$4.4 million GF/GP by increasing the licensure fees for health facilities such as nursing homes, freestanding surgical outpatient facilities, and hospitals. Statutory changes to the Mental Health Code and Public Health Code are required in order to realize the proposed savings. (FTE-related economics adjustments are included in Item 1).	Federal	15,010,700	0	0
	Restricted	1,699,900	5,229,500	0
	Private	200,000	0	0
	GF/GP	\$4,411,600	(\$4,411,600)	\$0
12. Essential Local Public Health Services Reduction	Gross	\$39,082,800	(\$1,696,700)	\$0
Reduces GF/GP funding to the state's 45 local public health departments by \$1.7 million (5%), affecting most state and local cost-shared services: immunizations, infectious disease control, sexually transmitted disease control and prevention, food protection, public water supply, private groundwater supply, and on-site sewage management. Hearing and vision screening programs funded by this line item are not affected.	Local	5,150,000	0	0
	GF/GP	\$33,932,800	(\$1,696,700)	\$0
13. Healthy Michigan Prevention Funding Reduction	Gross	\$33,981,700	(\$1,000,000)	\$0
Shifts \$1.0 million of Healthy Michigan Fund allocations from public health cancer, smoking, and pregnancy prevention projects to Medicaid match, for GF/GP savings. Public health project allocations from the Fund are reduced to \$9.9 million. Medicaid program also receives \$194,200 in additional Fund revenue, for additional GF/GP savings. Healthy Michigan Fund appropriations total \$34.2 million.	Restricted	33,981,700	194,200	0
	GF/GP	\$0	(\$1,194,200)	\$0
14. Public Health Laboratory Services and Facilities	Gross	\$250,000	(\$250,000)	\$0
Eliminates final year funding of \$250,000 GF/GP for the Upper Peninsula regional public health laboratory in Houghton.	GF/GP	\$250,000	(\$250,000)	\$0
15. Public Health and Family Health Grants	Gross	N/A	\$5,275,300	\$0
Recognizes net adjustments of \$5,275,300 from federal grants for public health and family health programs, including new grants of \$4.5 million, completed grants totaling \$0.5 million, and net adjustments to ongoing grants of \$1.3 million.	Federal	N/A	5,275,300	0
	GF/GP	N/A	\$0	\$0
16. ARRA Federal Public Health Grants	Gross	\$5,000,000	(\$5,000,000)	\$0
Eliminates one-time \$5.0 million appropriation for federal ARRA public health grants including public health laboratory infrastructure, and information sharing between electronic medical records and the state immunization registry.	Federal	5,000,000	(5,000,000)	0
	GF/GP	\$0	\$0	\$0
17. Crime Victim Services and Program Increases	FTEs	11.0	2.0	0.0
Recognizes increased funds of \$10.4 million gross (\$0 GF/GP) available for local services to crime victims, victim compensation, and funding to local prosecutors and victim notification network system. Increase is related to additional revenue to the state restricted Crime Victim's Rights Fund due to statutory changes, and consequent increase in federal grant funds. (FTE-related economics adjustments are included in Item 1).	Gross	\$27,039,800	\$10,381,000	\$0
	Federal	16,563,700	6,881,000	0
	Restricted	10,476,100	3,500,000	0
	GF/GP	\$0	\$0	\$0

<u>Major Budget Changes From FY 2010-11 YTD Appropriations</u>		<u>FY 2010-11 YTD (as of 2/17/11)</u>	<u>Executive Changes</u>	
			<u>FY 2010-11 to FY 2011-12</u>	<u>FY 2011-12 to FY 2012-13</u>
18. Aging Program State Funding Reductions	Gross	\$90,829,700	(\$1,892,700)	\$0
Reduces GF/GP funding to programs for seniors by \$2.2 million including \$1,025,500 (8.3%) of GF/GP funds for community services, \$791,000 (9.0%) of GF/GP funds for home-delivered and congregate meals, and \$401,800 (9%) of GF/GP funds for 3 senior volunteer programs. Tribal Elders' funding is reduced \$18,000 (15%). Early retirement GF/GP adjustment is also reflected. Federal grant adjustments total to a net \$321,000 increase. (FTE-related economics adjustments are included in Item 1).	Federal	56,707,800	321,000	0
	Private	607,500	70,000	0
	Merit Awd	4,468,700	0	0
	Restricted	1,400,000	0	0
	GF/GP	\$27,645,700	(\$2,283,700)	\$0
19. Medicaid FMAP Federal Stimulus Adjustment	Gross	N/A	\$20,877,000	\$0
Includes an increase of \$564.7 million GF/GP to offset the final year of enhanced federal FMAP Medicaid funding from the American Recovery and Reinvestment Act (ARRA) and related extension.	ARRA	N/A	(627,327,000)	0
	Local	N/A	4,516,200	0
	Restricted	N/A	79,018,600	0
	GF/GP	N/A	\$564,669,200	\$0
20. Medicaid Caseload, Utilization and Inflation Increase	Gross	\$11,397,017,900	\$437,522,800	\$334,468,400
Includes a base adjustment increase for FY 2010-11 of \$115.5 million gross (\$47.8 million GF/GP) to cover caseload/utilization/inflation changes within Medicaid, Mental Health/Substance Abuse, Children's Special Health Care Services and Federal Medicare Prescription programs. The increase included for FY 2011-12 is \$322.0 million Gross (\$133.2 million GF/GP) and for FY 2012-13 the increase is projected to be \$334.5 million Gross (\$117.5 million GF/GP).	Federal	7,568,396,600	256,582,200	217,000,900
	Local	52,469,400	0	0
	Private	2,100,000	0	0
	Merit Awd	82,275,800	0	0
	Restricted	1,846,351,100	0	0
	GF/GP	\$1,845,425,000	\$180,940,600	\$117,467,500
21. Dual Eligibles to Managed Care	Gross	N/A	(\$29,828,700)	\$0
Reflects a shifting of individuals who are eligible for both Medicare and Medicaid (dual eligibles) from fee-for-service to an integrated managed care system. Savings of \$29.8 million gross (\$10.1 million GF/GP) are estimated given a start date of April 1, 2012. A federal waiver would be required to allow the State to receive the Medicare funds to manage the care of the dual eligibles.	Federal	N/A	(19,728,700)	0
	GF/GP	N/A	(\$10,100,000)	\$0
22. Other Medicaid Fund Source Adjustments	Gross	N/A	\$431,600	\$397,500
Reflects an increase of federal Medicaid and Children's Health Insurance Program Reauthorization Act (CHIPRA) funds for FY 2011-12 would offset \$29.9 million of GF/GP due to regular changes in federal match rates. An additional \$160.0 million GF/GP is necessary to offset one-time CHIPRA FMAP correction revenue included in the FY 2010-11 budget. In FY 2012-13, a decrease of federal Medicaid and SCHIP funds would require an additional \$97.8 million of GF/GP due to regular changes in federal match rates.	Federal	N/A	40,613,500	(97,841,400)
	Local	N/A	(457,800)	0
	Restricted	N/A	(169,810,500)	397,500
	GF/GP	N/A	\$130,086,400	\$97,841,400
23. Graduate Medical Education Reduction	Gross	\$168,160,800	(\$67,264,300)	\$0
Applies a 40% reduction to the Graduate Medical Education (GME) payments resulting in savings of \$67.3 million gross (\$22.8 million GF/GP). GME payments are made to Michigan hospitals which provide clinical training and education to individuals in approved residency programs. This funding is provided in recognition of the higher costs incurred by the teaching hospitals.	Federal	110,633,000	(44,488,600)	0
	ARRA	9,164,800	0	0
	GF/GP	\$48,363,000	(\$22,775,700)	\$0
24. Include Behavioral Health Drugs In Preferred Drug List	Gross	\$401,414,600	(\$18,700,000)	\$0
Funding of \$18.7 million gross (\$6.3 million GF/GP) is removed from the Pharmaceutical Services line as a result of including behavioral health drugs on the preferred drug list. A statutory change would be required to realize these savings.	Federal	262,930,300	(12,368,200)	0
	ARRA	21,788,500	0	0
	GF/GP	\$116,695,800	(\$6,331,800)	\$0

REVIEW AND ANALYSIS OF FY 2011-12 AND FY 2012-13 EXECUTIVE RECOMMENDATION

COMMUNITY HEALTH

<u>Major Budget Changes From FY 2010-11 YTD Appropriations</u>		FY 2010-11 YTD (as of 2/17/11)	Executive Changes	
			FY 2010-11 to FY 2011-12	FY 2011-12 to FY 2012-13
25. Medicaid Estate Recovery Program	Gross	\$1,687,362,700	(\$10,000,000)	\$0
Reduces the Long-Term Care Services line by \$10.0 million gross (\$4.2 million GF/GP) representing savings generated by statutory changes strengthening the existing Medicaid long-term care estate recovery law. Michigan currently is the only state in the nation without a federally approved estate recovery program.	Federal	1,128,268,000	(6,614,000)	0
	ARRA	93,769,300	0	0
	Restricted	328,363,700	0	0
	Local	6,618,800	0	0
	GF/GP	\$130,342,900	(\$3,386,000)	\$0
26. Adult Home Help Service Limits	Gross	\$304,928,900	(\$17,720,000)	\$0
Reduces the Adult Home Help line by \$17.7 million gross (\$6.0 million GF/GP) by excluding individuals from the Adult Home Help program who qualify only for assistance with instrumental activities of daily living (IADL). IADLs include shopping, laundry, housework, meal preparation and money management.	Federal	202,644,500	(11,720,000)	0
	ARRA	16,794,600	0	0
	GF/GP	\$85,489,800	(\$6,000,000)	\$0
27. Health Insurance Paid Claims Assessment	Gross	N/A	(\$388,352,900)	\$0
Assumes enactment of a 1% assessment on all health insurance claims generating approximately \$396.9 million of state restricted revenue which will offset a like amount of GF/GP in the DCH budget. Of the \$396.9 million GF/GP savings, \$256.9 million reflects use tax revenue generated by a 6% tax on Medicaid HMOs that would be replaced with this broader assessment. An additional \$140.0 million of assessment revenue would offset a like amount of GF/GP to maintain base Medicaid program expenditures. The DCH budget is reduced \$388.4 million gross (\$131.5 million GF/GP) representing funds used to keep HMOs and PIHPs whole under the use tax. This replacement of the 6% use tax with a 1% assessment is based on anticipated federal action that will result in the phase-out of the use tax. To realize these savings, statutory changes will be necessary.	Federal	N/A	(256,856,600)	0
	Restricted	N/A	396,856,600	0
	GF/GP	N/A	(\$528,352,900)	\$0
28. Third Party Liability Recovery Savings	Gross	N/A	(\$14,766,700)	\$0
Reduces the Health Plan Services line item by \$14.8 million gross (\$5.0 million GF/GP) reflecting savings generated by broadening the Sharing Health Care Information Act to require auto insurers who are legally responsible for payment of a health care claim to report to the Department of Community Health. This will enable the State to better identify Medicaid eligible persons with other health care coverage and avoid or recover payments for services provided by the Medicaid program. This requires a change in Michigan law.	Federal	N/A	(9,766,700)	0
	GF/GP	N/A	(\$5,000,000)	\$0
29. Primary Care Physician Rate Increase FY 2012-13	Gross	N/A	\$0	\$100,000,000
Anticipates the availability of \$100.0 million federal funds in FY 2012-13 to increase the reimbursement rates of primary care physicians up to 100% of Medicare rates. This reimbursement level is a requirement of the Affordable Care Act of 2010 and the rate increase is fully federally funded.	Federal	N/A	0	100,000,000
	GF/GP	N/A	\$0	\$0

Major Boilerplate Changes From FY 2010-11

NOTE: No boilerplate language is proposed for FY 2012-13.

Major Boilerplate Changes From FY 2010-11

Executive Boilerplate Deletions

In general, the Executive Budget deletes a large majority of boilerplate language included in the FY 2010-11 budget. This includes many legislative reporting requirements, sections providing guidance and placing conditions on appropriations, and earmarks of funding for specific purposes. The list below includes major changes to boilerplate, but is not a comprehensive list of all sections deleted. For the Department of Community Health, the Executive deletes 210 of 251 boilerplate sections.

GENERAL SECTIONS

Sec. 206. Contingency Funds – REVISED

Appropriates and makes available for expenditure up to \$200 million federal contingency funds, up to \$40 million state restricted contingency funds, up to \$20 million local contingency funds, and up to \$20 million private contingency funds if transferred according to provisions of Section 393(2) of the Management and Budget Act.

Sec. 213. Report on Tobacco Tax and Healthy Michigan Funds – DELETED

Requires state departments, agencies, and commissions receiving tobacco tax and Healthy Michigan funds to report on programs utilizing these funds.

Sec. 219. DCH Contracts with the Michigan Public Health Institute – DELETED

Allows DCH to contract with the Michigan Public Health Institute for the design and implementation of projects and other public health related activities. Requires DCH to report on each funded project and provide copies of all reports, studies, and publications produced by the Institute.

Sec. 220. Audits of Michigan Public Health Institute – DELETED

Requires all contracts with the Michigan Public Health Institute funded with Part 1 appropriations to include a provision requiring financial and performance audits by the state Auditor General of funded projects with state appropriations.

Sec. 292. Civil Service Classification Pay Status and Publicly Accessible Internet Website – DELETED

Requires the Department to report on the number of full-time equated positions in pay status by civil service classification on a quarterly basis. Requires DCH to develop, post, and maintain on a publicly accessible Internet website all expenditures made by DCH within a fiscal year which includes the purpose for which expenditures are made.

COMMUNITY MENTAL HEALTH/SUBSTANCE ABUSE SERVICES PROGRAMS

Sec. 401. Comprehensive System of CMH Services – DELETED

Provides that Part 1 appropriated funds are to support a comprehensive system of CMH services under the full authority and responsibility of local community mental health services programs (CMHSPs) or prepaid inpatient health plans (PIHPs). Requires that DCH ensure each CMHSP or PIHP provide a complete array of mental health services, coordination of inpatient and outpatient hospital services, individualized plans of services, a case or care management system, and a system that serves at-risk and delinquent youth pursuant to provisions of the Mental Health Code.

Sec. 404. Report on CMHSPs – DELETED

Requires DCH to report on the following for CMHSPs or PIHPs: expenditures and services data, information about access to CMHSPs, lapses and carry-forwards, information on the CMH Medicaid managed care program, performance indicator required to be submitted to DCH in contracts with CMHSPs or PIHPs, and an estimate of the number of mental health direct care workers.

Sec. 407. Substance Abuse Prevention, Education, and Treatment Grants – DELETED

Requires that appropriations for substance abuse prevention, education, and treatment grants be expended for contracting with coordinating agencies. Requires coordinating agencies work with CMHSPs or PIHPs to coordinate care and services provided to individuals with severe and persistent mental illness and substance abuse diagnoses.

Sec. 408. Report on Substance Abuse Prevention, Education, and Treatment Programs – DELETED

Requires DCH to report on expenditures and services data on substance abuse prevention, education, and treatment programs from the prior fiscal year.

Sec. 414. Medicaid Substance Abuse Services – DELETED

Requires Medicaid substance abuse services to be managed by PIHPs pursuant to the Centers for Medicare and Medicaid Services' approval of Michigan's 1915(b) waiver request to implement a managed care plan for specialized substance abuse services. Authorizes PIHPs to receive a capitated payment on a per eligible per month basis to assure the provision of medically necessary substance abuse services.

COMMUNITY HEALTH

Major Boilerplate Changes From FY 2010-11

STATE PSYCHIATRIC HOSPITALS, CENTERS FOR PERSONS WITH DEVELOPMENTAL DISABILITIES , AND FORENSIC AND PRISON MENTAL HEALTH SERVICES

Sec. 605. Closures or Consolidations of State Hospitals and Centers – REVISED

Eliminates subsections that prohibits the DCH from implementing any closures or consolidations of state hospitals, centers, or agencies until CMHSPs or PIHPs have programs and services in place for those persons currently in the facilities, and requires DCH to provide a closure plan four months after closure certification to the House and Senate Appropriations Subcommittees on Community Health, House and Senate Fiscal Agencies, and State Budget Director.

PUBLIC HEALTH ADMINISTRATION

Sec. 650. Fish Consumption Advisory – DELETED

Directs DCH to communicate the annual public health consumption advisory for sport fish; at a minimum, post the advisory on the Internet and provide it to Women, Infants, and Children special supplemental nutrition program participants.

INFECTIOUS DISEASE CONTROL

Sec. 801. Priority for Adolescents for AIDS Prevention Services – DELETED

Requires DCH and its subcontractors to ensure that high-risk children ages 9 through 18 receive priority for AIDS prevention, education, and outreach services.

LOCAL HEALTH ADMINISTRATION AND GRANTS

Sec. 904. Essential Local Public Health Services – REVISED

Eliminates requirement for DCH to report on planned allocations of essential local public health services line item funds.

CHRONIC DISEASE AND INJURY PREVENTION AND HEALTH PROMOTION

Sec. 1006. Priority for Smoking Prevention Funding and Allocation for Quit Kits – DELETED

Requires DCH to give priority to prevention and smoking cessation programs for pregnant women, women with young children, and adolescents in spending smoking prevention program line item funds. Allocates \$100,000 for the Quit Kit program that includes the nicotine patch or nicotine gum, for purposes of complying with Act 164 of 2004.

FAMILY, MATERNAL, AND CHILDREN'S HEALTH SERVICES

Sec. 1105. Contract with Local Agencies Best Able to Serve Clients – DELETED

Requires DCH to contract for family, maternal, and children's health services with local agencies best able to serve clients. Describes factors to be used by DCH to evaluate a local agency's ability to serve clients.

Sec. 1129. Report of Elevated Blood Lead Levels in Children – DELETED

Directs DCH to annually report to the Legislature on the number of children with elevated blood lead levels by county, including blood lead level and source of reported information.

Sec. 1135. School Health Education Curriculum – DELETED

Establishes that provision of a school health education curriculum shall be in accordance with health education goals of the Michigan Model for Comprehensive School Health Education State Steering Committee; establishes steering committee membership; and requires curriculum materials be made available upon request.

CHILDREN'S SPECIAL HEALTH CARE SERVICES

Sec. 1204. CSHCS and Medicaid HMOs – DELETED

Requires the Department to work with the Michigan Association of Health Plans to identify and report on a Medicaid HMO reimbursement methodology for Children's Special Health Care Services (CSHCS) eligibles.

CRIME VICTIM SERVICES COMMISSION

Sec. 1302. Allocation of Funds for Forensic Nurse Examiner Programs – DELETED

Allocates up to \$200,000 of justice assistance grants line item funds for forensic nurse examiner programs to facilitate training for improved evidence collection for the prosecution of sexual assault. Funds shall be used for program coordination and training.

OFFICE OF SERVICES TO THE AGING

Sec. 1401. Eligibility for Senior Community Services and Nutrition Services Programs – DELETED

Eligibility for community services and nutrition services programs shall be restricted to individuals at least 60 years of age who fail to qualify for home care services under Titles XVIII, XIX, or XX of the Social Security Act.

Sec. 1406. Use of Respite Care Tobacco Settlement Funds for Direct Care – DELETED

Requires that the \$4,468,700 respite care appropriation of Merit Award Trust Fund monies be used only for direct respite care or adult respite care center services, and be allocated according to a long-term care plan; limits allocation for administration.

Major Boilerplate Changes From FY 2010-11

MEDICAL SERVICES

Sec. 1661. Access to Maternal Infant Health Program (MIHP) Services – DELETED

Requires timely access to Maternal Infant Health Program (MIHP) services and coordination with other state or local programs; requires HMOs to be responsible for MIHP as described in Medicaid policy; coordination of MIHP services with other state services focusing on the prevention of adverse birth outcomes, child abuse and neglect; DCH to provide, annually, budget neutral incentives to Medicaid HMOs and local health departments to improve performance on measures related to the care of pregnant women.

Sec. 1691. Adult Home Help Worker Wage Increase – DELETED

Provides that all adult home help workers receive the wage increase provided in previous years.

Sec. 1740. Graduate Medical Education Funds Distribution – DELETED

Requires assurance from DCH that all GME funds continue to be promptly distributed to hospitals using a methodology developed in consultation with the graduate medical education advisory group during FY 2006-07.

Sec. 1757. Medicaid Applicants, Legal Residence, and Fugitive Felon Status – DELETED

Requires DCH to direct Department of Human Services to require Medicaid applicants to prove that they are residing legally in the United States and that they are residents of Michigan. Establishes intent that DCH seek clarification from federal government on whether states can deny Medicaid eligibility to fugitive felons through a state plan amendment or waiver, and to report to the Legislature.

Sec. 1764. Actuarial Soundness Certification of Medicaid Health Plan Rates – DELETED

Requires DCH to annually certify that rates paid to Medicaid health plans are actuarially sound and to notify the House, Senate, and fiscal agencies immediately upon rate certification and approval.

Sec. 1804. Identification of Medicaid Beneficiaries Who Are War Veterans – DELETED

Requires DCH, in cooperation with Department of Human Services, to work with the federal government's public assistance reporting information system to identify Medicaid recipients who are veterans and may be eligible for federal veteran's health care benefits.

Sec. 1817. Medicaid and Preventable Medical Errors – DELETED

Directs DCH to report to the Legislature on implementation of a policy to prohibit billing for care made necessary by preventable medical errors or adverse health events.

Sec. 1824. Residents of Homes for the Aged and Adult Foster Care and HCBS Program – DELETED

Provides that individuals living in homes for the aged or adult foster care facilities shall be eligible to apply for enrollment for services from the Home- and Community-Based Services (HCBS) waiver program.

Sec. 1837. Telemedicine Use in Underserved Areas – DELETED

Requires that DCH explore the use of telemedicine as a means to increase Medicaid recipients who reside in underserved areas access to primary care services.

Sec. 1838. Reimbursement Changes for Long-Term Care Facilities – DELETED

Requires that DCH work with relevant parties to convene a workgroup to identify possible budget-neutral changes in reimbursement for long-term care facilities. An update of the findings will be presented at respective Executive budget subcommittee presentations to the Legislature.

Sec. 1841. Health Care Reform Fiscal Impact – DELETED

Requires the Department to report on the fiscal impact of federal health care reform legislation on the Department by April 1 of the current fiscal year.

**Summary: Executive Budget Recommendation
for Fiscal Years 2011-12 and 2012-13
CORRECTIONS**

Analyst: Bob Schneider

	FY 2010-11	FY 2011-12 Executive	Difference: FY 2011-12 Vs. FY 2010-11		FY 2012-13 Executive	Difference: FY 2012-13 Vs. FY 2011-12	
	Year-to-Date as of 2/17/11		Amount	%		Amount	%
IDG/IDT	\$915,400	\$943,800	\$28,400	3.1	\$947,800	\$4,000	0.4
Federal	7,868,500	7,995,100	126,600	1.6	8,045,800	50,700	0.6
Local	443,100	447,300	4,200	0.9	447,300	0	0.0
Private	0	0	0	--	0	0	--
Restricted	80,327,100	73,184,000	(7,143,100)	(8.9)	72,507,900	(676,100)	(0.9)
GF/GP	\$1,917,879,500	\$1,929,836,200	\$11,956,700	0.6	\$2,012,313,800	\$82,477,600	4.3
Gross	\$2,007,433,600	\$2,012,406,400	\$4,972,800	0.2	\$2,094,262,600	\$81,856,200	4.1
FTEs	15,877.5	15,656.8	(220.7)	(1.4)	15,179.8	(477.0)	(3.0)

Notes: (1) FY 2010-11 appropriation figures include the results of supplementals, Executive Order (EO) actions, and transfer adjustments through February 17, 2011. (2) FY 2012-13 figures are projected or proposed budget amounts only and would not be legally-binding appropriations. (3) Budget changes described below are based on the "Schedule of Program" sections included in the Executive Budget; amounts listed in those schedules are informational in nature and could be potentially adjusted administratively, without legislative approval, within the larger line items into which programs have been rolled up.

Overview

The Department of Corrections is responsible for the operation and maintenance of the state's 34 correctional facilities that house felony offenders sentenced to prison. This includes the provision of physical and mental health care, education and other prisoner programs, and reintegration programs. The Department is also responsible for the supervision of all parolees and probationers under Department jurisdiction and has oversight over community corrections programs and other programs designed to encourage alternatives to prison placement for appropriate offenders. As of September 30, 2010, the Department was responsible for 125,231 Michigan offenders: 58,497 probationers, 44,092 prisoners, and 22,642 parolees.

Major Budget Changes From FY 2010-11 YTD Appropriations	FY 2010-11 YTD (as of 2/17/11)	Executive Changes	
		FY 2010-11 to FY 2011-12	FY 2011-12 to FY 2012-13
1. Prison Closure	FTE 10,869.9	(300.0)	0.0
Assumes closure of one state correctional facility late in FY 2010-11 resulting in net savings of \$18.9 million for FY 2011-12. The facility to be closed has not yet been identified. The budget includes the net elimination of 300.0 FTE positions related to the closure, and assumes a net reduction of 1,200 prisoner beds. The savings reflect the direct savings from the facility closure net of funds proposed to be reinvested in prisoner re-entry programs and increased custody staff costs.	Beds 44,181	(1,200)	0
	Gross \$1,096,308,300	(\$18,900,000)	\$0
	Federal 1,481,400	0	0
	Restricted 32,155,800	0	0
	GF/GP \$1,062,671,100	(\$18,900,000)	\$0

<u>Major Budget Changes From FY 2010-11 YTD Appropriations</u>	<u>Executive Changes</u>			
	<u>FY 2010-11 YTD (as of 2/17/11)</u>	<u>FY 2010-11 to FY 2011-12</u>	<u>FY 2011-12 to FY 2012-13</u>	
2. Prison Food Service Privatization and Efficiencies	FTE	414.0	0.0	(402.0)
Reduces appropriations for Prison Food Service by 14% for FY 2011-12 in anticipation of savings resulting from bidding out food service functions to a private vendor and from continued supply chain cost savings. Budget assumes \$7.0 million GF/GP savings for FY 2011-12 from implementation of competitively bid food service contract, which would result in the elimination of 402 FTE positions. Another \$2.5 million GF/GP savings is expected to be achieved through supply chain reforms, including the statewide standardization of food menus in correctional facilities which has helped lower food and warehousing costs. Additional privatization savings are projected for FY 2012-13.	Gross	\$67,632,700	(\$9,500,000)	(\$2,300,000)
	IDG	617,000	0	0
	GF/GP	\$67,015,700	(\$9,500,000)	(\$2,300,000)
3. Privatizing Prisoner Store Operations	FTE	110.0	(35.0)	(75.0)
Includes savings to be generated through competitive bidding of prisoner store operations. Currently, direct prisoner store operational costs are financed through store-generated revenues. However, the private contract will utilize kiosk technology to interface with the accounting system, which will allow for some consolidation in accounting operations and result in GF/GP savings. The action will eliminate 75 prisoner store storekeeper positions and another 35 accounting/procurement positions within prison facilities and MDOC central office. Implementation of a private contract is expected by January 2012.	Gross	\$7,520,000	(\$6,252,500)	(\$1,467,100)
	Restricted	5,070,000	(3,802,500)	(1,467,100)
	GF/GP	\$2,450,000	(\$2,450,000)	\$0
4. Elimination of Lieutenant Positions	FTE	10,869.9	(81.0)	0.0
Proposes elimination of one lieutenant position from each shift at each state correctional facility, resulting in a net reduction of 81 FTE positions and savings of \$8.5 million GF/GP statewide.	Gross	\$1,096,308,300	(\$8,491,800)	\$0
	Federal	1,481,400	0	0
	Restricted	32,155,800	0	0
	GF/GP	\$1,062,671,100	(\$8,491,800)	\$0
5. Neal Settlement Agreement	Gross	\$10,000,000	\$5,000,000	\$5,000,000
Provides increase of \$5.0 million GF/GP for FY 2011-12 and another \$5.0 million GF/GP for FY 2012-13 to cover payments arising out of a settlement agreement related to a lawsuit brought by female inmates alleging sexual harassment within MDOC facilities. Annual settlement payment of \$15.0 million for FY 2011-12 will increase to \$20.0 million for FY 2012-13 and FY 2013-14, with a final payment of \$25.0 million in FY 2014-15.	GF/GP	\$10,000,000	\$5,000,000	\$5,000,000
6. New Custody Staff Training	Gross	\$3,623,800	\$3,500,000	\$0
Increases funding for New Custody Staff Training by \$3.5 million GF/GP. Increased funding should allow for the training of 400 new corrections officers during FY 2011-12. The MDOC indicates normal attrition for corrections officers varies from 600-800 officers per year.	GF/GP	\$3,623,800	\$3,500,000	\$0
7. Prisoner Health Care Services	Gross	\$90,095,500	\$4,000,000	\$0
Provides increase of \$4.0 million GF/GP to cover an estimated prisoner health care cost increase associated with an inflationary adjustment contained in the Department's managed care contract with Prison Health Services, Inc.	GF/GP	\$90,095,500	\$4,000,000	\$0

CORRECTIONS

<u>Major Budget Changes From FY 2010-11 YTD Appropriations</u>	Executive Changes			
		FY 2010-11 YTD (as of 2/17/11)	FY 2010-11 to FY 2011-12	FY 2011-12 to FY 2012-13
8. Early Retirement Incentive Savings	FTE	N/A	(103.0)	0.0
Removes funding associated with 103 FTE positions that will remain unfilled after being vacated by state employees who accepted the early retirement incentive offered last year. The Department of Corrections saw 434 employees retire as a result of the incentives. Positions that involve prisoner contact (e.g. corrections officers, nurses, teachers, parole officers) will be replaced on a one-for-one basis. However, most positions will be replaced on a one-for-two basis, which is the source of these savings.	Gross	N/A	(\$8,821,900)	\$0
	GF/GP	N/A	(\$8,821,900)	\$0
9. Prisoner Transportation - Supply Chain Savings	Gross	\$19,201,300	(\$750,000)	\$0
Reduces appropriations for Prisoner Transportation by \$750,000 GF/GP, a 3.9% reduction from the current funding level. Savings are expected to result from continued supply chain transformation efforts to move towards a regular statewide schedule for transportation runs and the use of video conferencing to reduce transportation costs for court appearances.	GF/GP	\$19,201,300	(\$750,000)	\$0
10. Prison Facilities - Supply Chain Savings	Gross	\$1,096,308,300	(\$6,750,000)	\$0
Assumes savings spread across all correctional facilities related to supply chain transformation efforts. Logistics savings are expected in areas such as prison laundry services, fleet vehicle usage, and clothing costs.	Federal	1,481,400	0	0
	Restricted	32,155,800	0	0
	GF/GP	\$1,062,671,100	(\$6,750,000)	\$0
11. Elimination of Public Works Programs	FTE	N/A	(56.0)	0.0
Removes funding for public works programs at all MDOC facilities except for the Special Alternative Incarceration Program; savings of \$4.4 million gross and \$2.2 million GF/GP. Proposal would eliminate 45 FTE positions across the nine correctional facilities that currently administer public works programs along with 11 additional FTE positions within community re-entry centers.	Gross	N/A	(\$4,448,300)	\$0
	GF/GP	N/A	(\$2,188,000)	\$0
12. Corrections Mental Health Program Administration	FTE	149.7	396.3	0.0
Adds 396.3 FTE positions to reflect the transfer of mental health personnel previously employed by the Department of Community Health (DCH) to the MDOC. Oversight over the Corrections Mental Health Program will be shifted from DCH to MDOC. Funding for these mental health personnel was already in the MDOC budget, so only FTE authorization changes are needed.	Gross	\$58,365,600	\$0	\$0
	GF/GP	\$58,365,600	\$0	\$0
13. Savings from Parole Board Reorganization	FTE	N/A	(7.0)	0.0
Assumes savings related to recent Executive Order revisions to the Parole and Commutations Board. Executive Order 2011-3 abolished the current 15-member board and creates a new 10-member Michigan Parole Board within the MDOC effective April 15, 2011. Budget removes funding for the five unclassified Board positions eliminated in the reorganization along with two support staff positions for the Board.	Gross	N/A	(\$747,900)	\$0
	GF/GP	N/A	(\$747,900)	\$0
14. Parole/Probation and Tether Fee Revenue Shortfall	Gross	\$178,661,200	\$0	\$0
Shifts \$3.0 million in financing for Field Operations programs from restricted revenue to GF/GP revenue to account for current restricted revenue shortfalls. Appropriations from parole/probation oversight fees and tether participant contributions are reduced by \$2.0 million and \$1.0 million, respectively, to better reflect expected revenue in these areas. These reductions are offset by increasing GF/GP appropriations by \$3.0 million to maintain base funding.	Restricted	11,333,800	(3,000,000)	0
	GF/GP	\$167,327,400	\$3,000,000	\$0

Major Budget Changes From FY 2010-11 YTD Appropriations		FY 2010-11 YTD (as of 2/17/11)	Executive Changes	
			FY 2010-11 to FY 2011-12	FY 2011-12 to FY 2012-13
15. Interdepartmental Grants	Gross	\$1,350,000	(\$1,350,000)	\$0
Eliminates funding for interdepartmental grants to the Judiciary to support drug treatment courts (\$1.0 million GF/GP), to the Legislative Corrections Ombudsman for oversight functions (\$250,000 GF/GP), and to the Department of State Police for mental health awareness training (\$100,000 GF/GP). Direct funding is proposed in the Judiciary and State Police budgets to replace the MDOC funding. No replacement funding is included for the Corrections Ombudsman.	GF/GP	\$1,350,000	(\$1,350,000)	\$0
16. GPS Tether Contract Savings	Gross	\$17,156,400	(\$750,000)	\$0
Reduces Electronic Monitoring Center appropriation by \$750,000 GF/GP to reflect a reduction in contract costs related to GPS tether monitoring. The daily contract rate for this service will be reduced from \$6.00 to \$5.50 effective July 1, 2011.	Local	443,100	0	0
	GF/GP	\$16,713,300	(\$750,000)	\$0
17. Regional Business Office Consolidation	FTE	266.0	(10.0)	0.0
Eliminates 10 FTE positions and \$700,000 from the Northern Region and Southern Region administration line items to reflect consolidations in business office staffing that handle accounting and procurement functions.	Gross	\$29,951,600	(\$700,000)	\$0
	GF/GP	\$29,951,600	(\$700,000)	\$0
18. Jackson County Incinerator Savings Adjustment	Gross	(\$1,500,000)	\$700,000	\$0
Adjusts savings assumptions included in FY 2010-11 budget related to MDOC's contract with Jackson County for the purchase of steam generated through a county incinerator. Current year budget assumes \$1.5 million savings, but MDOC indicates revised agreement with county will generate fewer savings. Budget proposal restores the difference.	GF/GP	(\$1,500,000)	\$700,000	\$0
19. Other Budget Reductions and Transfers	Gross	N/A	\$922,200	\$0
Includes other budget adjustments and transfers, including:	GF/GP	N/A	\$922,200	\$0
<ul style="list-style-type: none"> \$800,000 GF/GP increase to account for increased utility costs at four prisons \$400,000 GF/GP increase for parole office rent costs \$277,800 GF/GP transfer to Department of Technology, Management and Budget to correct prior budget adjustments related to human resources staff 				
20. FY 2012-13 Spending Adjustment	Gross	N/A	\$0	\$30,000,000
Provides an estimated \$30.0 million GF/GP for FY 2012-13 as a contingency to cover unknown potential needs in areas such as medical services inflation, information technology, and physical plant spending.	GF/GP	N/A	\$0	\$30,000,000
21. Economic Adjustments	Gross	N/A	\$58,312,200	\$50,623,300
Includes \$58.3 million gross (\$56.2 million GF/GP) for FY 2011-12 and another \$50.6 million (\$49.8 million GF/GP) for FY 2012-13 to cover economic increases. For FY 2011-12, the increase is related to employee and retiree insurance, retirement costs, building occupancy charges, worker's compensation, food and fuel. The FY 2012-13 adjustments include only projected cost increases for employee and retiree insurance and retirement costs. Budget does not include an increase for salaries and wages for either fiscal year.	IDG	N/A	28,400	4,000
	Federal	N/A	126,600	50,700
	Local	N/A	4,200	0
	Restricted	N/A	1,919,700	791,000
	GF/GP	N/A	\$56,233,300	\$49,777,600

CORRECTIONS

Major Boilerplate Changes From FY 2010-11

NOTE: No boilerplate language is proposed for FY 2012-13

Executive Boilerplate Deletions

In general, the Executive Recommendation deletes a large majority of boilerplate language included in the FY 2010-11 budget. This includes many legislative reporting requirements, sections providing guidance and placing conditions on appropriations, and earmarks of funding for specific purposes. The list below includes major changes to boilerplate, but is not a comprehensive list of all sections deleted.

Sec. 204a. Health Care Professional Compensation Study – DELETED

Requires comparison of compensation rates for health care professionals providing service within corrections system and comparable professionals in private sector with recommendations regarding any changes needed to compensation plan.

Sec. 205. Hiring Freeze – DELETED

Imposes a hiring freeze for state civil service positions. State Budget Director is given authority to grant exceptions to the hiring freezes if specific criteria are met.

Sec. 211. Authority to Collect and Spend Certain Reimbursement Revenue – REVISED

Allows MDOC to collect revenue in excess of appropriations and to use the revenue to offset expenses associated with related programs such as parolee loans or academic/vocational services. Executive language adds public works programs and services provided to local units of government to list of programs. Executive also deletes language placing restrictions on use of money collected from parolees and probationers for restitution.

Sec. 219. Prisoner Telephone Calls – DELETED

Requires MDOC to ensure that prisoner telephone charges under any contract for telephone services be the same as those applying outside of correctional institutions.

Sec. 235. Corrections Expenditure Reductions – DELETED

Expresses intent that MDOC reduce expenditures by following specified Auditor General recommendations and by continuing the supply chain transformation process.

Sec. 301. Offender Tracking Information System (OTIS) – DELETED

Requires felony offender files generally to be maintained and publicly accessible for three years after the offender is released from MDOC jurisdiction, and requires fee-based access to older files.

Sec. 403. Michigan Prisoner Re-entry Initiative (MPRI) Reporting – DELETED

Requires reports on actual prior-year and planned current-year MPRI expenditures and allocations.

Sec. 403a. Dashboard Tracking and Response System – DELETED

Requires development and utilization of "dashboard" indicators of offender success or failure in collaboration with technical committee of stakeholders; requires report on data.

Sec. 407. Annual Statistical Reports – DELETED

Requires annual statistical reports with court disposition, prison commitment, prison population and other corrections data and information to be placed online.

Sec. 410. Community Corrections Comprehensive Plans and Services – DELETED

Specifies purpose and requirements for local comprehensive corrections plans, and limits residential services per diems to \$47.50 for non-accredited and \$48.50 for accredited providers.

Sec. 414. County Jail Reimbursement Program – REVISED

Provides for reimbursements under the County Jail Reimbursement Program, which offers counties per diem payments for housing certain offenders in jail, and allows counties to choose between two sets of reimbursement criteria and rates. Executive language maintains the county option to choose between alternative reimbursement methodologies, but eliminates the provision for a reimbursement committee of Subcommittee Chairs and other stakeholders to review payments of all eligible reimbursement claims.

Sec. 416. Felony Drunk Driver Program – DELETED

Establishes purposes of the felony drunk driver jail reduction and community treatment program, outlines process for development of program standards, and lists allowable program expenditures.

Sec. 418. State Identification and Birth Certificates for Returning Prisoners – DELETED

Requires MDOC to collaborate with other state entities to develop processes to assist prisoners in obtaining state identification and their birth certificates.

Major Boilerplate Changes From FY 2010-11

Sec. 419. Offender Data Reports – REVISED

Requires regular electronic mail reports on offender populations by location, facility capacities, prison intake and returns, and parole board activity. Executive proposes change in requirement for prisoner, parole and probation population data from monthly to quarterly reports.

Sec. 424. High-Risk Probationers Project – DELETED

Provides for implementation of a high-risk probationer demonstration project, utilizing evidence-based practices for reducing criminal behavior. Specifies collaboration with the judiciary and the local community corrections advisory board.

Sec. 426. Employment in Recycling Programs for Parolees – DELETED

Allocates \$500,000 to non-profit agencies with established public utility asset recovery recycling programs, and requires hiring at least 45% returning citizens through the funded program.

Sec. 429. Follow-up on Council of State Governments Recommendations – DELETED

Expresses legislative intent for MDOC to work with other state departments and agencies to implement the policy options identified by the Council of State Governments in January 2009.

Sec. 434. Programs for At-Risk Young Adults and Children of Incarcerated Parents – DELETED

Expresses intent that MDOC collaborate with other state and local entities to implement employment projects targeting at-risk young adults in high-crime neighborhoods and support programs for children of incarcerated parents. In her signing letter, Governor Granholm indicated requirement on other non-MDOC state entities may be unconstitutional.

Sec. 603. Electronic Tether Costs – REVISED

Requires tether participants to reimburse MDOC for program costs, and allows MDOC to require community service work for those unable to pay. Provides for a community tether program for counties and allows tether rentals to local units of government. Executive proposal deletes language allowing MDOC to require community service work in lieu of payment, and requires participant reimbursement for tether costs only "where possible".

Sec. 604. Reimbursement for Community Placement Costs – DELETED

Requires community placement prisoners and parolees to reimburse for program costs or perform community service.

Sec. 614. Post-Conviction Bonds – DELETED

Includes language providing for court-ordered post-conviction bonds as a condition of probation, community control, restitution payment plan, or any other court-ordered supervision.

Sec. 615. Parole Board Review of Inmates Sentenced to Life with Possibility of Parole – DELETED

Requires Parole and Commutations Board, after case review of all inmates sentenced to life imprisonment with the possibility of parole, to provide explanation as to why those who score "high probability of release" are not being paroled.

Sec. 802. Health Care Timeliness and Expenditures – DELETED

Requires reports on time elapsed between diagnosis and treatment, and on expenditures, allocations, and projected expenditures from accounts for prisoner health care.

Sec. 803. Mental Health Services for Prisoners – DELETED

Requires MDOC to use recognized performance standards and measures of quality to conduct periodic performance reviews of all mental health contracts. Requires renegotiation of contracts at least once every 3 years.

Sec. 807. Provision of Medications Upon Prison Transfer or Release – DELETED

Requires medications to be transferred with a prisoner between facilities; requires 30-day supply of medications and prescription for refills be provided to prisoners upon release.

Sec. 814. Availability of Psychotropic Drugs – DELETED

Requires that MDOC assure that psychotropic medications are available, when deemed medically necessary by a physician to prisoners who have mental illness diagnoses but are not enrolled in the Corrections Mental Health Program.

Sec. 815. Health Care Quality Assurance Unit – DELETED

Allocates \$520,000 of appropriation for Health Care Administration to operate a Health Care Quality Assurance Unit.

Sec. 911. Facility Safety and Security – DELETED

Requires MDOC to ensure sufficient number of correctional officers to maintain safety and security of the institution, to report on critical incidents and assaults, and to generally maintain or exceed October 1, 2008 custody staffing ratios.

CORRECTIONS

Major Boilerplate Changes From FY 2010-11

Sec. 912. Institutional Staffing – DELETED

Requires staffing report on corrections officer-to-prisoner ratio, shift command-to-line custody staff ratio, and non-custody staff-to-prisoner ratio for each correctional institution.

Sec. 913. Completion of Programs Mandated as Condition of Parole – DELETED

Expresses legislative intent that MDOC transfer prisoners as necessary to facilitate timely participation and completion of assaultive offender, sex offender, and other mandated programs prior to parole eligibility hearings.

Sec. 918. Transportation Services Request for Information – DELETED

Requires MDOC to issue a request for information on the possible bidding of all prisoner transportation services, following receipt of an auditor general performance audit on offender transportation.

Sec. 919. Food Service Contract – DELETED

Specifies conditions and criteria to be met prior to expenditure of funds on private food service contract.

Sec. 924. Evaluation and Placement of Prisoners With Mental Illness – REVISED

Requires prisoners to be evaluated at intake for certain disorders and serious mental illness, and generally requires therapeutic seclusion as opposed to administrative segregation for prisoners with serious mental illness. Executive proposal modifies requirement that prisoner in therapeutic seclusion be evaluated by a mental health professional “every 12 hours” to a “frequency defined in the mental health code”.

Sec. 929. Youthful Offenders – DELETED

Guides treatment of offenders less than 19 years of age by requiring specialized training for staff and separate housing, limiting administrative segregation for those with mental health issues, and requiring specialized re-entry program.

Sec. 934. Prison Industries Clothing and Textiles Pilot Program – DELETED

Requires MDOC to establish a pilot program for the manufacturing of textiles and clothing in at least one state prison.

**Summary: Executive Budget Recommendation
for Fiscal Years 2011-12 and 2012-13
HUMAN SERVICES (Department)**

Analysts: Kevin Koorstra and Bob Schneider

	FY 2010-11	FY 2011-12 Executive	Difference: FY 2011-12 Vs. FY 2010-11		FY 2012-13 Executive	Difference: FY 2012-13 Vs. FY 2011-12	
	Year-to-Date as of 2/17/11		Amount	%		Amount	%
IDG/IDT	\$1,230,300	\$1,243,100	\$12,800	1.0	\$1,256,200	\$13,100	1.1
Federal							
ARRA	774,767,800	549,632,400	(225,135,400)	(29.1)	549,632,400	0	0.0
Non-ARRA	5,140,056,800	5,100,154,100	(39,902,700)	(0.8)	5,054,145,000	(46,009,100)	(0.9)
Local	33,925,700	30,573,600	(3,352,100)	(9.9)	30,473,200	(100,400)	(0.3)
Private	14,483,500	16,336,100	1,852,600	12.8	16,485,600	149,500	0.9
Restricted	60,433,500	97,107,200	36,673,700	60.7	97,162,300	55,100	0.1
GF/GP	924,018,100	1,096,478,200	172,460,100	18.7	1,184,714,900	88,236,700	8.0
Gross	\$6,948,915,700	\$6,891,524,700	(\$57,391,000)	(0.8)	\$6,933,869,600	\$42,344,900	0.6
FTEs	11,869.5	11,554.5	(315.0)	(2.7)	11,554.5	0.0	0.0

Notes: (1) FY 2010-11 appropriation figures include the results of supplementals, Executive Order (EO) actions, and transfer adjustments through February 17, 2011. (2) "ARRA" represents temporary funds received under the federal American Recovery and Reinvestment Act or related sources. (3) FY 2012-13 figures are projected or proposed budget amounts only and would not be legally-binding appropriations. (4) Budget changes described below are based on the "Schedule of Program" sections included in the Executive Budget; amounts listed in those schedules are informational in nature and could be potentially adjusted administratively, without legislative approval, within the larger line items into which programs have been rolled up.

Overview

The Department of Human Services (DHS) administers a wide range of programs and services to assist Michigan's most vulnerable families, including public assistance programs that provide direct cash support as well as assistance with food, child care and other emergency needs. The DHS is also charged with protecting children and assisting families by administering foster care, adoption and family preservation programs, and by enforcing child support laws. The DHS is also responsible for delivering juvenile justice services and for licensing day care, adult foster care, and child welfare agencies in the state.

Major Budget Changes From FY 2010-11 YTD Appropriations		Executive Changes		
		FY 2010-11 YTD (as of 2/17/11)	FY 2010-11 to FY 2011-12	FY 2011-12 to FY 2012-13
1. Child Welfare Services: Annualize Staff Added during FY11	FTE	684.0	0.0	0.0
	Gross	\$47,838,600	\$29,723,600	\$0
	Federal	10,727,600	7,534,200	0
	GF/GP	\$37,111,000	\$22,189,400	\$0

Annualizes funding for 335 child welfare staff to be hired during FY 2010-11. Fiscal Year 2010-11 budget increased child welfare staffing by \$47.8 million for 684 additional FTEs. However, only partial-year funding was provided for 335 of these positions. These FTEs are appropriated to meet the caseload to worker ratios as required in the Children's Rights settlement agreement. By October 1, 2011 direct foster care staff can have a caseload to worker ratio of no more than 15:1.

HUMAN SERVICES (DEPARTMENT)

<u>Major Budget Changes From FY 2010-11 YTD Appropriations</u>		<u>FY 2010-11 YTD (as of 2/17/11)</u>	<u>Executive Changes</u>	
			<u>FY 2010-11 to FY 2011-12</u>	<u>FY 2011-12 to FY 2012-13</u>
2. <i>Child Welfare Services: Annualize Shift to Private Agency Administration</i>	Gross	\$5,924,600	\$30,106,700	\$0
Increases funding for private foster care administration by \$30.1 million. Fiscal Year 2010-11 budget increased funding by \$5.9 million to transfer 2,625 (or 15%) publicly administered foster care cases to private child placing agencies during the last quarter. The intent of the transfer of foster care cases to the private agencies is to help the local DHS offices meet the 15:1 case to worker ratio as mandated by the Children's Rights settlement agreement.	Federal	1,777,400	9,662,500	0
	GF/GP	\$4,147,200	\$20,444,200	\$0
3. <i>Child Welfare Services: Private Agency Administrative Rate Changes</i>	Gross	N/A	\$1,894,400	\$0
Increases appropriations \$2.8 million to increase private adoption rates by 15%. Also reduces specialized independent living administrative rates by 50% of the difference between the current specialized rates and the general independent living administrative rate saving \$877,600.	Federal	N/A	351,300	0
	GF/GP	N/A	\$1,543,100	\$0
4. <i>Child Welfare Services: Other Changes</i>	Gross	N/A	\$4,701,400	(\$4,000,000)
Increases funding \$4.0 million for the second needs assessment as required by the Children's Rights Settlement Agreement and increases appropriations \$2.7 million for IT upgrades. Also reduces guardianship assistance \$1.0 million recognizing prior year lapses and eliminates the partial tuition reimbursement for a savings of \$998,600. FY 2012-13 Executive recommendation removes the \$4.0 million for the needs assessment.	Federal	N/A	665,300	0
	GF/GP	N/A	\$4,036,100	(\$4,000,000)
5. <i>Child Welfare Caseloads</i>	Gross	\$633,047,400	(\$26,444,800)	\$956,300
Reduces overall appropriations for child welfare program caseloads \$26.4 million. Foster care payments decrease \$12.4 million to fund an average caseload of 7,200. Adoption subsidy payments decrease \$2.1 million to fund an average caseload of 28,200. Child care fund decreases \$12.0 million (or 5.5%) to reflect caseload projection. Executive projects an additional \$1.0 million to fund FY 2012-13 child welfare caseloads.	Federal	358,943,300	3,565,000	4,593,100
	Local	19,247,100	(3,233,200)	(623,800)
	Private	1,800,000	0	0
	GF/GP	\$253,057,000	(\$26,776,600)	(\$3,013,000)
6. <i>Temporary Assistance for Needy Families (TANF) Funding Adjustments</i>	Gross	N/A	\$0	\$0
Increases GF/GP by \$181.8 million to offset one-time federal TANF revenues appropriated in FY 2010-11 that are no longer available. GF/GP is partially offset with \$38.8 million in new one-time TANF contingency funds. FY 2012-13 Executive recommendation includes an additional \$62.6 million GF/GP to offset the one-time TANF revenue used to support FY 2011-12 programs and services.	Federal	N/A	(143,006,600)	(62,645,900)
	GF/GP	N/A	\$143,006,600	\$62,645,900
7. <i>TANF Fund Shift with Higher Education</i>	Gross	\$0	\$0	\$0
Transfers out federal TANF to Higher Education budget to fund financial aid programs and transfers in GF/GP and Merit Award Restricted Trust Funds from Higher Education to fund the Family Independence Program (FIP). This transfer improves the state's ability to meet federal TANF maintenance of effort (MOE) requirements and is consistent with supplemental adjustments made in previous fiscal years. Offsetting adjustments are made in the Higher Education budget. FY 2012-13 Executive recommendation adjusts fund shift to meet anticipated financial aid spending.	Federal	0	(93,826,400)	(8,760,000)
	Restricted	0	30,100,000	0
	GF/GP	\$0	\$63,726,400	\$8,760,000

		Executive Changes			
<u>Major Budget Changes From FY 2010-11 YTD Appropriations</u>		FY 2010-11 YTD (as of 2/17/11)	FY 2010-11 to FY 2011-12	FY 2011-12 to FY 2012-13	
8. Public Assistance Caseloads		Gross	\$706,383,700	\$18,801,800	\$8,700,000
Increases funding for public assistance programs \$18.8 million. The Family Independence Program (FIP) increases \$10.3 million to fund an average caseload of 84,000. State Disability Assistance (SDA) decreases \$67,300 to fund an average caseload of 10,850. SSI supplementation increases \$4.1 million to fund 258,500 cases. Child Development and Care (CDC) increase \$4.5 million to fund 27,000 cases. Executive projects an additional \$8.7 million to fund FY 2012-13 public assistance caseloads.		Federal	519,313,100	2,027,500	0
		Restricted	45,062,400	0	0
		GF/GP	\$142,008,200	\$16,774,300	\$8,700,000
9. Family Independence Program: 48 Month Lifetime Limit		Gross	\$428,835,100	(\$77,400,000)	\$0
Executive proposes a 48 month lifetime limit for FIP recipients saving \$77.4 million. Exemptions to the lifetime limit would include having a physical or mental incapacity, caring for a disabled family member, being a victim of domestic violence, certain periods of pregnancy, or after giving birth. Assumes 12,600 cases (15% of the caseload) would have their benefits expire.		Federal	374,130,200	(12,400,000)	0
		Restricted	32,784,100	0	0
		GF/GP	\$21,920,800	(\$65,000,000)	\$0
10. Family Independence Program: Other Reductions		Gross	\$428,835,100	(\$1,243,800)	\$0
Reduces FIP \$1.2 million as a result of counting adoption subsidies as family income during the FIP benefit calculation. Also discontinues the policy of passing through the first \$50 in child support to the FIP recipients, increasing restricted revenues \$1.7 million and offsetting \$1.7 million in GF/GP.		Federal	374,130,200	0	0
		Restricted	32,784,100	1,700,000	0
		GF/GP	\$21,920,800	(\$2,943,800)	\$0
11. Enrolled Child Development and Care Rate Reduction		Gross	\$81,397,100	(\$13,900,000)	\$0
Reduces base child care subsidies from \$1.60 per child per hour to \$1.35 per child per hour for enrolled providers saving \$13.9 million in federal TANF funds. The TANF funds are redirected elsewhere in the budget to offset GF/GP. The enrolled providers would remain eligible to receive \$1.85 per child per hour if they complete additional training annually.		Federal	66,845,700	0	0
		GF/GP	\$14,551,400	(\$13,900,000)	\$0
12. Local Office: Staff Reduction		FTE	N/A	(300.0)	0.0
Reduces local office staff by 300 FTE positions with the assumption that the savings can be realized through attrition rather than layoffs. Executive states that increases in workload for remaining local office staff can be mitigated through IT improvements and the other local office adjustments outlined in item 13 below.		Gross	N/A	(\$19,534,800)	\$0
		Federal	N/A	(7,178,400)	0
		GF/GP	N/A	(\$12,356,400)	\$0
13. Local Office: Other Adjustments		FTE	N/A	57.0	0.0
Appropriates 50 additional outstationed eligibility specialists to determine Medicaid eligibility in nursing homes, hospitals and mental health facilities (\$4.3 million, no GF/GP cost), \$2.6 million for medical/psychiatric child welfare evaluations, \$1.7 million to annualize the costs of 100 limited-term eligibility specialists hired during FY 2010-11, \$850,000 to annualize the cost for a customer services center, and \$633,500 for 7 additional Supplemental Security Income (SSI) advocates that are projected to increase SSI recoveries by \$2.1 million. The \$2.1 million in restricted SSI recoveries is used to offset GF/GP.		Gross	N/A	\$10,037,900	\$0
		Federal	N/A	3,562,200	0
		Local	N/A	1,066,400	0
		Private	N/A	1,066,400	0
		Restricted	N/A	2,100,000	0
		GF/GP	N/A	\$2,242,900	\$0

HUMAN SERVICES (DEPARTMENT)

		Executive Changes		
<u>Major Budget Changes From FY 2010-11 YTD Appropriations</u>		FY 2010-11 YTD (as of 2/17/11)	FY 2010-11 to FY 2011-12	FY 2011-12 to FY 2012-13
14. Juvenile Justice Facility Closure and Reduction				
Closes the Shawono Juvenile Justice Center saving \$4.7 million gross, \$1.8 million GF/GP, and reduces one of the four sections at the Maxey Training School saving \$900,000 gross, \$450,000 GF/GP. These savings are partially offset with costs to house the youth in private facilities (\$2.6 million gross, \$1.3 million GF/GP) and additional re-entry program costs (\$200,000 GF/GP) for a net savings of \$2.8 million gross, \$786,700 GF/GP. FY 2012-13 Executive recommendation removes \$696,500 GF/GP in one-time closing costs appropriated in FY 2011-12.		FTE 180.0	(58.0)	0.0
		Gross \$23,210,300	(\$2,822,000)	(\$696,500)
		Federal 1,715,900	(36,000)	0
		Local 11,476,700	(1,999,300)	0
		GF/GP \$10,017,700	(\$786,700)	(\$696,500)
15. Program Eliminations				
Eliminates appropriation funding for Jobs Education and Training Plus (JET Plus) (\$8.5 million federal), Zero to Three (\$3.8 million federal), Before- and After-School (\$3.0 million GF/GP), Conductive Learning Center (\$300,000 GF/GP), Michigan Home Based Child Care Council (MHBCCC) (\$200,000 GF/GP), University of Detroit Mercy legal services (\$200,000 GF/GP), and YouthVille Detroit (\$100,000 GF/GP).		Gross N/A	(\$16,143,800)	\$0
		Federal N/A	(12,343,800)	0
		GF/GP N/A	(\$3,800,000)	\$0
16. Program Reductions				
Reduces appropriation levels for employment and training support services (\$4.8 million federal), child protection and permanency (\$2.8 million gross, \$2.6 million GF/GP), state disbursement unit contract savings (\$1.8 million gross, \$626,700 GF/GP), strong families/safe children (\$1.5 million federal), children's trust fund grants (\$1.0 million restricted), executive operation staff (\$712,000 gross, \$226,300 GF/GP), child support enforcement staff (\$588,300 gross, \$200,000 GF/GP), families first (\$500,000 federal), multicultural integration funding (\$300,000 gross, \$100,000 GF/GP), LEIN start-up costs (\$255,000 GF/GP), and domestic violence (\$250,000 GF/GP).		FTE N/A	(12.0)	0.0
		Gross N/A	(\$14,602,800)	\$0
		Federal N/A	(9,344,800)	0
		Restricted N/A	(1,000,000)	0
		GF/GP N/A	(\$4,258,000)	\$0
17. Federal Funding Increases				
Increases federal funding available for Refugee Assistance Program (\$3.7 million), Michigan Community Services Commission (\$3.0 million), Community Services Block Grant (\$750,000), Bureau of Child and Adult Licensing (\$632,400), Weatherization (\$250,000), and Attorney General legal services for child cases in Wayne County (\$200,000).		Gross N/A	\$8,486,400	\$0
		Federal N/A	8,486,400	0
		GF/GP N/A	\$0	\$0
18. Child Support Fees				
FY 2010-11 budget removed boilerplate language authorizing DHS to collect an annual \$25 support fee from the custodial parent. Executive reinstates the \$25 annual fee, offsetting \$3.4 million in GF/GP with fee revenue. Executive also institutes a new \$25 fee to intercept tax return refunds through the IRS, offsetting \$340,000 in GF/GP with fee revenue.		Gross \$0	\$0	\$0
		Restricted (2,625,000)	3,740,000	0
		GF/GP \$2,625,000	(\$3,740,000)	\$0
19. Child Support Incentive Payments Replacement				
Changes enacted through ARRA allowed the state to temporarily use federal child support incentive revenues to draw down additional regular federal IV-D funds. \$17.5 million in GF/GP is appropriated to offset potential revenue shortfalls for both the state and counties as a result of the re-instated prohibition from using child support incentive revenues to draw down additional federal funds.		Gross \$0	\$0	\$0
		Federal 17,489,900	(17,489,900)	0
		GF/GP (\$17,489,900)	\$17,489,900	\$0

<u>Major Budget Changes From FY 2010-11 YTD Appropriations</u>		FY 2010-11 YTD (as of 2/17/11)	Executive Changes	
			FY 2010-11 to FY 2011-12	FY 2011-12 to FY 2012-13
20. ARRA Funding	FTEs	2.0	(2.0)	0.0
Removes \$11.7 million in federal ARRA funding no longer available in FY 2011-12. \$9.5 million in food assistance administration ARRA funds is partially offset with \$4.0 million federal and \$4.0 million GF/GP. \$2.0 million in transitional supportive housing and \$250,000 and 2 FTEs for faith-based grants are not offset.	Gross	\$11,745,200	(\$3,759,500)	\$0
	ARRA	11,745,200	(11,745,200)	0
	Federal	0	3,992,900	0
	GF/GP	\$0	\$3,992,800	\$0
21. Annualize Front End Eligibility Savings	FTEs	36.0	0.0	0.0
Reduces Family Independence Program (FIP) and Child Development and Care Subsidies (CDC) \$4.3 million due to projected cost avoidances as a result of the January 1, 2011 expansion of the Front End Eligibility (FEE) program. FEE inspector general staff will review applications to identify persons ineligible before an application is approved or denied by local office staff.	Gross	(\$7,753,400)	(\$4,274,200)	\$0
	Federal	(3,788,600)	(3,646,700)	0
	GF/GP	(\$3,964,800)	(\$627,500)	\$0
22. Early Retirement Savings	Gross	N/A	(\$5,664,000)	\$0
Recognizes \$5.7 million in full year net savings from the retirement incentive program enacted in FY 2010-11. Around 1,300 DHS employees retired as a result of the retirement incentive program. Net savings include the added costs from a 5-year banked leave time payout.	IDG	N/A	5,000	0
	Federal	N/A	(3,365,200)	0
	Private	N/A	33,300	0
	Restricted	N/A	(800)	0
	GF/GP	N/A	(\$2,336,300)	\$0
23. Federal Medical Assistance Percentage Adjustments	Gross	N/A	\$0	\$0
Increases GF/GP by \$6.5 million to replace the ARRA FMAP increase no longer available for FY 2011-12. Reduces GF/GP by \$1.2 million from the base FMAP federal match rate adjustment from 65.79% to 66.14%. Executive projects an additional GF/GP need of \$2.4 million from a FMAP adjustment from 66.14% to 65.06% in FY 2012-13. This rate is used to determine federal cost sharing for several DHS programs, specifically foster care, adoption subsidies, and day care subsidies funded with federal Title IV-E.	ARRA	N/A	(6,499,700)	0
	Federal	N/A	1,162,500	(2,436,700)
	GF/GP	N/A	\$5,337,200	\$2,436,700
24. Economic Adjustments	Gross	N/A	\$24,646,500	\$37,385,100
Increases economic costs related to retirement, insurances, workers' compensation, and building occupancy charges by \$24.6 million gross, \$8.5 million GF/GP. Executive projects \$37.4 million gross, \$13.4 million GF/GP in economic adjustments for FY 2012-13.	IDG	N/A	7,800	13,100
	Federal	N/A	15,472,000	23,240,400
	Local	N/A	542,600	523,400
	Private	N/A	65,400	149,500
	Restricted	N/A	34,500	55,100
	GF/GP	N/A	\$8,524,200	\$13,403,600

Major Boilerplate Changes From FY 2010-11

NOTE: No boilerplate language is proposed for FY 2012-13

Executive Boilerplate Deletions

In general, the Executive Recommendation deletes a large majority of boilerplate language included in the FY 2010-11 budget. This includes many legislative reporting requirements, sections providing guidance and placing conditions on appropriations, and earmarks of funding for specific purposes. The list below includes major changes to boilerplate, but is not a comprehensive list of all sections deleted.

GENERAL SECTIONS

Sec. 217. Limits on Out-of-State Travel – DELETED

Limits out-of-state travel to specific conditions; requires report on out-of-state travel.

HUMAN SERVICES (DEPARTMENT)

Major Boilerplate Changes From FY 2010-11

Sec. 223. Medicaid Determination Requirements – DELETED

Requires DHS to determine Medicaid eligibility within 60 days when disability is an eligibility factor and within 45 days for all other applicants.

Sec. 224. Medicaid Applications for Nursing Home Patients – DELETED

Requires DHS to approve or deny Medicaid applications for nursing home patients within 45 days of receipt of necessary information.

Sec. 264. DHS Employee Communication with Legislature – DELETED

Prohibits disciplinary action by DHS against employees for communicating with a legislator or legislative staff.

Sec. 287. Child Death Reviews and Communication – DELETED

Directs DHS to work collaboratively with the courts and child death review board improve communication and coordination on child death reviews; requires DHS to notify the Children's Ombudsman in certain instances.

CHILD AND FAMILY SERVICES

Sec. 502. Indian Tribal Government Foster Care Reimbursement – DELETED

Requires reimbursement to Indian Tribal governments for 50% of foster care expenditures not otherwise eligible for federal funding.

Sec. 503. Adoption Subsidy Payment Continuance – DELETED

Requires for continuance of adoption subsidy payments after the 18th birthday under certain criteria.

Sec. 513. Child Placements in Out-of-State Facilities – DELETED

Restricts placement of children in out-of-state facilities unless specified criteria are met as determined by the interstate compact office; includes reporting requirement on number of children in out-of-state placements and costs of these placements.

Sec. 546. Foster Care Agency Administrative Rates – DELETED

Establishes administrative rate of \$37.00 for private child placing agencies under contract with DHS; establishes general independent living administrative rate of \$28.00; prohibits specialized independent living administrative rates from being less than rates provided in FY 2008-09; requires DHS to calculate and report on the per-diem cost of care for services delivered by DHS.

Sec. 565. Family Preservation Funding for Wayne County – DELETED

Allocates \$1.6 million of family preservation funding to Wayne County to support home-based programs as part of county expansion of community-based services for delinquent and abused/neglected youth.

Sec. 574. Contracts to License Relative Caregivers – DELETED

Allocates \$2.5 million to private child placing agencies to facilitate licensure of relative caregivers as foster parents and allows private agencies to retain supervision of at least 50% of the newly licensed cases; provides \$375,000 for family incentive grants to help with home improvements needed by foster families.

Sec. 578. Mental Health Assessment – DELETED

Requires DHS and child placing agencies to utilize a standardized assessment tool to determine the mental health needs of children placed with DHS.

Sec. 585. Private Agency Staff Training – DELETED

Allows private nationally accredited foster care and adoption agencies to conduct their own staff training provided that training and materials are accredited by DHS; DHS required to provide access to training materials.

PUBLIC ASSISTANCE

Sec. 601. Shelter Vendor Payments – DELETED

Allows termination of shelter vendor payments if the rental unit is not in compliance with local housing codes, or when the landlord is delinquent on property taxes; requires landlord cooperation with weatherization and conservation efforts.

Sec. 603. Energy Provider Agreements and Standard Utility Allowance Adjustments – DELETED

Allows DHS to make direct payments to energy providers; establishes energy caps based on available federal funds; requires DHS to review and adjust the state food assistance standard utility allowance based on current energy costs.

Sec. 608. Adult Foster Care Facility Payment Limits – DELETED

Prohibits adult foster care facilities and homes for the aged from requiring payments by SSI recipients above legislatively-authorized rates; allows facilities and homes to receive certain third-party payments in addition to SSI.

Major Boilerplate Changes From FY 2010-11

Sec. 613. *Indigent Burial Payment Rates and Pilot Project* – DELETED

Establishes provider reimbursement rates of \$455 for funeral directors, \$145 for cemeteries/crematoriums, and \$100 for vault providers; allows DHS to work with funeral directors on a statewide pilot program for direct cremations of unclaimed bodies.

Sec. 615. *Illegal Alien Public Assistance Prohibition* – DELETED

Prohibits providing public assistance to illegal aliens except as required by federal regulations or for emergency food and shelter services.

Sec. 617. *FIP Minor Parent Household Restriction* – DELETED

Prohibits a minor parent from receiving family independence program (FIP) benefits if the supervising adult is his or her partner.

Sec. 619. *Title IV-A and Food Assistance Benefit Exemption* – DELETED

Exempts individuals convicted of a drug felony after August 22, 1996 from the federal prohibition on receiving Title IV-A and food assistance benefits; requires benefits be paid to a third party for these cases.

Sec. 635. *Child Development and Care (CDC) Provider Central Registry Notification* – DELETED

Requires DHS to determine whether a child care provider is listed on the Child Abuse and Neglect Central Registry; if a provider is listed, requires DHS to immediately deny applicant's request for CDC payments.

Sec. 675. *Child Development and Care Services Rate Structure* – DELETED

Establishes rate structure for child development and care subsidies; requires enrolled providers complete one-time basic training; allows enrolled providers to receive higher rate if complete 10 hours of additional annual training.

JUVENILE JUSTICE SERVICES

Sec. 706. *Alternative Regional Detention Services County Charge-Back* – DELETED

Requires a county charge-back for 50% of costs of alternative regional detention services in certain circumstances.

Sec. 719. *Legislative Notification of Juvenile Justice Changes* – DELETED

Requires DHS to notify Legislature at least 30 days before closing or making any change in the status of a state juvenile justice facility, including licensed bed capacity and operating bed capacity.

Sec. 726. *Residential Provider Contracts and Rate Floor* – DELETED

Prohibits DHS from entering or maintaining a contract with for-profit provider of residential services or a provider that uses a for-profit management group unless provider was licensed or management group was under contract on or before August 1, 2007. Establishes floor funding of \$137 per day for these providers.

CHILD SUPPORT ENFORCEMENT

Sec. 911. *Child Support Annual Fee* – NEW

Allows DHS to implement a \$25 annual fee to be deducted from support collected on behalf of individuals served by the program.

**FY 2011-12 AND FY 2012-13
Budget Detail
for
RESOURCE PROTECTION**

Agriculture and Rural Development

Environment Quality

Natural Resources

**Summary: Executive Budget Recommendation
for Fiscal Years 2011-12 and 2012-13
AGRICULTURE AND RURAL DEVELOPMENT**

Analyst: William E. Hamilton

	FY 2010-11 Year-to-Date as of 2/17/11	FY 2011-12 Executive	Difference: FY 2011-12 Vs. FY 2010-11		FY 2012-13 Executive	Difference: FY 2012-13 Vs. FY 2011-12	
			Amount	%		Amount	%
IDG/IDT	\$289,100	\$297,600	\$8,500	2.9	\$297,600	\$0	0.0
Federal	14,922,600	14,184,700	(737,900)	(4.9)	14,386,700	202,000	1.4
Local	0	0	0	--	0	0	--
Private	260,100	171,300	(88,800)	(34.1)	171,300	0	0.0
Restricted	30,679,400	29,713,000	(966,400)	(3.2)	30,294,800	581,800	2.0
GF/GP	30,297,100	27,102,700	(3,194,400)	(10.5)	27,715,100	612,400	2.3
Gross	\$76,448,300	\$71,469,300	(\$4,979,000)	(6.5)	\$72,865,500	\$1,396,200	2.0
FTEs	458.5	438.0	(20.5)	(4.5)	438.0	0.0	0.0

Notes: (1) FY 2010-11 appropriation figures include the results of supplementals, Executive Order (EO) actions, and transfer adjustments through February 17, 2011. (2) FY 2012-13 figures are projected or proposed budget amounts only and would not be legally-binding appropriations. (3) Budget changes described below are based on the "Schedule of Program" sections included in the Executive Budget; amounts listed in those schedules are informational in nature and could be potentially adjusted administratively, without legislative approval, within the larger line items into which programs have been rolled up.

Overview

The Department's key programs and priorities include ensuring food safety and security, protecting animal health and welfare, managing invasive exotic species, regulating pesticide use, certifying agricultural commodities, ensuring environmental stewardship, protecting consumers, and promoting the state's agricultural economy.

Major Budget Changes From FY 2010-11 YTD Appropriations	FY 2010-11 YTD (as of 2/17/11)	Executive Changes	
		FY 2010-11 to FY 2011-12	FY 2011-12 to FY 2012-13
1. Emergency Management	FTEs 6.5	(4.5)	0.0
Reflects anticipated end of a \$500,000 US Food and Drug Administration Rapid Response Team grant; economic adjustments.	Gross \$741,800	(\$498,200)	\$0
	Federal 500,000	(500,000)	0
	GF/GP \$241,800	\$1,800	\$0
2. Departmentwide – Rent and Building Occupancy	Gross \$1,042,200	(\$50,300)	\$0
Appropriation for estimated building occupancy costs of \$991,900 includes \$442,000 in federal funds; however federal grants do not generally participate in cost of state buildings and facility rental. As a result, only restricted and GF/GP funds are actually available for use by the department; costs not supported by actual revenue are charged to department program lines.	Federal 464,400	(22,400)	0
	Restricted 577,800	(78,800)	0
	GF/GP \$0	\$50,900	\$0
3. Information Technology	Gross \$1,500,400	(\$197,000)	\$0
Recognizes \$20,600 in economic increases, \$57,600 GF/GP decrease for early retirement savings, and restricted revenue decrease of \$160,000 to better reflect actual revenue.	IDG 2,800	0	0
	Restricted 307,800	(157,700)	0
	GF/GP \$1,189,800	(\$39,300)	\$0

Executive Changes

Major Budget Changes From FY 2010-11 YTD Appropriations

4. Food and Dairy – Food/Milk Safety and Quality Assurance
 Recognizes \$458,700 in economic increases, and \$493,300 GF/GP decrease for early retirement savings. In addition, the Governor recommends transfer of some elements of dairy inspection program to the dairy industry through use of industry-employed, department-certified field inspectors. This program change would result in GF/GP savings of \$600,000.

	FY 2010-11 YTD (as of 2/17/11)	FY 2010-11 to FY 2011-12	FY 2011-12 to FY 2012-13
FTEs	107.0	(6.0)	0.0
Gross	\$13,004,100	(\$634,600)	\$0
Federal	658,700	27,800	0
Restricted	3,163,500	133,300	0
GF/GP	\$9,181,900	(\$795,700)	\$0

The \$8.4 million in GF/GP revenue is the largest use of GF/GP revenue in this budget.

Unrolled Line Items		FY 2010-11 Appropriation
<i>Food and Dairy – Food Safety and Quality Assurance</i>	FTEs	81.0
	Gross	\$9,744,900
	Federal	624,200
	Restr.	3,003,500
	GF/GP	\$6,117,200
<i>Milk Safety and Quality Assurance</i>	FTEs	26.0
	Gross	\$3,259,200
	Federal	34,500
	Restr.	160,000
	GF/GP	\$3,064,700

5. Animal Industry – Animal Health and Disease Response
 Recognizes \$137,000 in economic increases, and \$35,400 decrease in federal revenue to reflect actual anticipated federal grants. Reduces GF/GP baseline by \$536,700 to reflect advances in Bovine TB Program, specifically the elimination of the inspection station at the Mackinac Bridge (\$332,000), and other unspecified program reductions, (\$204,700).

FTEs	68.0	(4.0)	0.0
Gross	\$9,474,200	(\$434,800)	\$0
Federal	1,291,200	(17,100)	0
Restricted	253,800	3,800	0
GF/GP	\$7,929,200	(\$421,500)	\$0

The \$7.5 million in GF/GP revenue is the second largest use of GF/GP revenue in this budget.

6. Pesticide and Plant Pest Management – PPPM
 Recognizes \$430,600 in economic increases, \$199,200 GF/GP decrease for early retirement savings, and adjustments of restricted and federal revenue sources to actual, (\$496,400), and (\$19,300). Also recommends elimination of Department inspections of nursery stock intended for in-state sale; Department inspections would be limited to those needed for out-of-state export. This program change would result in GF/GP savings of \$500,000.

FTEs	94.0	(6.0)	0.0
Gross	\$11,347,000	(\$1,034,300)	\$0
Federal	2,019,500	(52,000)	0
Private	166,400	(83,100)	0
Restricted	5,134,200	(104,900)	0
GF/GP	\$4,026,900	(\$794,300)	\$0

Proposes elimination of Department animal feed content label sampling/testing (for protein/fat/fiber content), resulting in a GF/GP savings of \$250,000. Department would continue health/safety related inspections.

7. Emerald Ash Borer Program
 Appropriation of \$1.8 million reflects continuing reduction in federal support for this program; appropriation had been as much as \$25.0 million in FYs 2003-04 and 2004-05.

FTEs	10.0	(3.0)	0.0
Gross	\$2,138,500	(\$316,000)	\$0
Federal	2,138,500	(316,000)	0

AGRICULTURE AND RURAL DEVELOPMENT

<u>Major Budget Changes From FY 2010-11 YTD Appropriations</u>		Executive Changes			
		<u>FY 2010-11 YTD (as of 2/17/11)</u>	<u>FY 2010-11 to FY 2011-12</u>	<u>FY 2011-12 to FY 2012-13</u>	
8. <i>Producer Security/Grain Dealer Licensing</i>		FTEs	4.0	0.0	0.0
Recognizes \$23,400 in economic increases, and net \$32,600 reduction to reflect actual anticipated restricted revenue. Proposes a \$300,000 increase in annual grain dealer fees to offset \$300,000 GF/GP reduction.		Gross	\$552,600	(\$9,200)	\$0
	Restricted	252,600	290,800	0	
	GF/GP	\$300,000	(\$300,000)	\$0	
9. <i>Environmental Stewardship</i>		Gross	\$94,400	(\$94,400)	\$0
The unrolling of program lines results in the current year appropriation as simply a placeholder with no GF/GP funding and no FTEs. The department anticipates lapsing the entire current year appropriation; the line would be eliminated in FY 2011-12.		Federal	41,700	(41,700)	0
	Restricted	52,700	(52,700)	0	
	GF/GP	\$0	\$0	\$0	
10. <i>Michigan Agriculture Environmental Assurance Program (MAEAP)</i>		FTEs	3.0	0.0	0.0
Reflects economic adjustment. In the current year the department is using \$288,000 in restricted funds from the Groundwater program (below) to supplement GF/GP funding.		Gross	\$262,000	\$2,600	\$0
	GF/GP	\$262,000	\$2,600	\$0	
11. <i>Groundwater/Freshwater Protection Program</i>		FTEs	15.0	3.0	0.0
Provides technical assistance grants through local conservation districts to implement conservation programs. Recognizes \$73,200 in economic increases; reduces restricted revenue by \$100,000 to better reflect actual revenue.		Gross	\$5,354,100	(\$26,800)	\$0
	Federal	314,500	5,000	0	
	Restricted	5,039,600	(31,800)	0	
12. <i>Intercounty Drain Program</i>		FTEs	3.0	0.0	0.0
Proposes new \$500 assessment on intercounty drainage districts; proposed fee would generate \$550,000 in restricted revenue to support program and offset GF/GP reduction; also reflects economic increase of \$16,200.		Gross	\$416,100	\$133,900	\$0
	Restricted	0	550,000	0	
	GF/GP	\$416,100	(\$416,100)	\$0	
13. <i>Laboratory Services</i>		FTEs	45.0	(3.0)	0.0
Recognizes \$162,100 economic increase; \$256,100 GF/GP reduction for early retirement savings; baseline GF/GP reduction of \$427,000.		Gross	\$6,085,600	(\$521,000)	\$0
	IDG	189,100	5,700	0	
	Federal	916,200	27,300	0	
	Restricted	2,476,000	61,900	0	
	GF/GP	\$2,504,300	(\$615,900)	\$0	
14. <i>United States Department of Agriculture (USDA) Monitoring</i>		FTEs	13.0	0.0	0.0
Reflects economic increase of \$26,300; and \$166,700 anticipated increase in federal revenue.		Gross	\$2,259,000	\$193,000	\$0
	Federal	2,259,000	193,000	0	
15. <i>Agriculture Development</i>		FTEs	4.0	0.0	0.0
Reflects economic adjustments of \$17,100; adjusts federal and restricted revenue to actual anticipated revenue.		Gross	\$2,056,700	(\$141,400)	\$0
	Private	11,100	(11,100)	0	
	Federal	1,605,000	(91,500)	0	
	Restricted	142,400	(41,500)	0	
	GF/GP	\$298,200	\$2,700	\$0	

Executive Changes

Major Budget Changes From FY 2010-11 YTD Appropriations

16. Horse Racing Programs

The fund source for this line item is the Agriculture Equine Industry Development Fund (AEIDF). The Governor's budget proposal reflects on-going reduction in AEIDF revenue.

	FY 2010-11 YTD (as of 2/17/11)	FY 2010-11 to FY 2011-12	FY 2011-12 to FY 2012-13
FTEs	3.0	0.0	0.0
Gross	\$3,820,100	(\$698,200)	\$0
Restricted	3,820,100	(698,200)	0

	FY 2010-11	FY 2011-12
Horse racing administration	394,400	331,300
Purses & supplements-fairs/licensed tracks	764,300	611,400
Licensed tracks - light horse racing	42,600	34,100
Standardbred (SB) breeders' awards	312,500	250,000
SB purses/supplements-licensed tracks	577,000	461,600
SB sire stakes	261,200	209,000
SB training and stabling	11,600	9,300
Thoroughbred owners' awards	39,900	31,900
Thoroughbred supplements-licensed tracks	387,000	309,600
Thoroughbred breeders awards	387,000	309,600
Thoroughbred sire stakes	267,600	214,100
Distribution of outstanding winning tickets	375,000	350,000
Total	\$3,820,100	\$3,121,900

17. Capital Outlay - Farmland/Open Space Acquisition

Adjusts state restricted Agriculture Preservation Fund revenue to better align with actual revenue estimates.

Gross	\$3,300,000	(\$1,000,000)	\$0
Federal	1,250,000	0	0
Restricted	2,050,000	(1,000,000)	0

18. Economics

The State Budget Office computed net economic increases of \$1.6 million: \$1,914,400 increase related to retirement contributions; \$172,400 decrease for employee insurance; \$12,700 increase for workers compensation; \$50,300 decrease for building occupancy charges; and \$20,600 increase related to information technology. Because of capped fund sources, the State Budget Office only recognized \$1.6 million of these increases in the budget – a difference of \$113,800.

Gross	N/A	\$1,611,200	\$1,396,200
IDG	N/A	8,500	0
Federal	N/A	202,900	202,000
Private	N/A	8,700	0
Restricted	N/A	586,700	581,800
GF/GP	N/A	\$804,400	\$612,400

The executive budget shows a \$1,396,200 increase in FY 2012-13 for "active and retiree insurance and pension adjustment."

Major Boilerplate Changes From FY 2010-11

NOTE: No boilerplate language is proposed for FY 2012-13.

Executive Boilerplate Deletions

In general, the Executive Recommendation deletes a large majority of boilerplate language included in the FY 2010-11 budget. This includes many legislative reporting requirements, sections providing guidance and placing conditions on appropriations, and earmarks of funding for specific purposes. The list below includes major changes to boilerplate, but is not a comprehensive list of all sections deleted.

AGRICULTURE AND RURAL DEVELOPMENT

Major Boilerplate Changes From FY 2010-11

Sec. 205. Hiring Freeze – DELETED

Imposes a hiring freeze for state civil service positions.

Sec. 209. Purchase of Foreign Goods – DELETED

Prohibits the purchase of foreign-made goods if comparable American or Michigan goods are available. Gives preference to Michigan businesses owned or operated by veterans.

Sec. 210. Economically Distressed Areas – DELETED

Encourages the department to contract with businesses in economically distressed areas.

Sec. 212. Indemnification Payments – DELETED

Authorizes Department to provide for indemnity pursuant to Animal Industry Act; limits indemnification orders to \$100,000 per order; provides for report. Subsection (2) authorizes Department to indemnify for livestock killed by wolves, coyotes, or cougars.

Sec. 214. Grant Notification – DELETED

Requires report on grants made to local units of government, institutions of higher education, or non-profit organizations.

Sec. 215. Transparency Report – DELETED

Directs department to use funds not to exceed \$10,000 to develop, post, and maintain on a publically accessible website expenditures made during the fiscal year.

Sec. 223. Out-of-State Travel – DELETED

Limits out-of-state travel for certain circumstances and requires reporting on all out-of-state travel.

Sec. 224. Communication with the Legislature – DELETED

Prohibits the department from taking disciplinary action against an employee for communicating with a legislator or his/her staff.

Sec. 229. Impact of New Legislation and Administrative Rules – DELETED

Requires a report on specific policy changes adopted to implement new public acts. Prohibits the department from adopting administrative rules that have a disproportionate impact on small business.

Sec. 230. Hire of Outside Legal Counsel – DELETED

Prohibits the department from hiring a person to provide legal services that are the responsibility of the Attorney General but exempts legal services for bonding or other activities authorized by the Attorney General.

Sec. 402. Food-borne Illness Report – DELETED

Requires Department to provide reports on food-borne outbreaks and emergencies related to food safety.

Sec. 451. Bovine Tuberculosis Split State Status – DELETED

Requires Department to pay for all whole-herd and individual-animal testing costs to maintain split-state status, including indemnity.

Sec. 456. Electronic Animal Identification – DELETED

Prohibits use of funds to enforce electronic ID program for domestic animals other than cattle without specific authorization in statute.

Sec. 551. Fruit and Vegetables Industry Inspections – DELETED

States legislative intent that the Department work with fruit and vegetable industry to ensure development of a sustainable system of third-party inspections of fruits and vegetables.

Sec. 553. Earmark for Export Inspections – DELETED

Earmarks \$200,000 in PPM to ensure commodity export inspections.

Sec. 706. Agricultural Development – DELETED

Requires Department to report on agricultural development and export market development activities.

Sec. 709. Grape and Wine Industry Council – DELETED

Requires Department to provide report describing activities of the council.

Summary: Executive Budget Recommendation for Fiscal Years 2011-12 and 2012-13 ENVIRONMENTAL QUALITY

Analyst: Viola Bay Wild

	FY 2010-11	FY 2011-12 Executive	Difference: FY 2011-12 Vs. FY 2010-11		FY 2012-13 Executive	Difference: FY 2012-13 Vs. FY 2011-12	
	Year-to-Date as of 2/17/11		Amount	%		Amount	%
IDG/IDT	\$8,691,800	\$8,918,200	\$226,400	2.6	\$9,075,700	\$157,500	1.8
Federal	182,901,700	159,851,500	(23,050,200)	(12.6)	161,200,300	1,348,800	0.8
Local	0	0	0	--	0	0	--
Private	684,700	711,800	27,100	4.0	731,000	19,200	2.7
Restricted	178,065,000	214,866,200	36,801,200	20.7	217,494,100	2,627,900	1.2
GF/GP	25,322,500	21,491,600	(3,830,900)	(15.1)	22,075,300	583,700	2.7
Gross	\$395,665,700	\$405,839,300	\$10,173,600	2.6	\$410,576,400	\$4,737,100	1.2
FTEs	1483.1	1,450.1	(33.0)	(2.2)	1,450.1	0.0	0.0

Notes: (1) FY 2010-11 appropriation figures include the results of supplementals, Executive Order (EO) actions, and transfer adjustments through February 17, 2011. Year-to-Date numbers are estimates of DEQ's funding after separated from the DNRE by E.O. 2011-1. (2) FY 2012-13 figures are projected or proposed budget amounts only and would not be legally-binding appropriations. (3) Budget changes described below are based on the "Schedule of Program" sections included in the Executive Budget; amounts listed in those schedules are informational in nature and could be potentially adjusted administratively, without legislative approval, within the larger line items into which programs have been rolled up.

Overview

The Department of Environmental Quality (DEQ) supports environmental protection, conservation, and cleanup and redevelopment programs and regulatory efforts established to protect, restore, and reuse Michigan's air, water, and land resources.

	FY 2010-11 YTD (as of 2/17/11)	Executive Changes	
		FY 2010-11 to FY 2011-12	FY 2011-12 to FY 2012-13
Major Budget Changes From FY 2010-11 YTD Appropriations			
1. Office of Pollution Prevention and Compliance and Assistance (OPPCA)	FTE	N/A	0.0
Decreases funding by \$1.2 million Gross and GF/GP and eliminates 9.0 FTEs for the OPPCA program which provides environmental regulation assistance and education to businesses and the public.	Gross	(9.0)	\$0
	GF/GP	(\$1,200,000)	\$0
2. GF/GP Reductions	FTE	N/A	0.0
Reduces funding by \$1.5 million Gross and \$1.7 million GF/GP and eliminates 11.0 FTEs in various programs such as Air Quality, Environmental Investigations, Critical Dunes, and Groundwater Discharge, among others; eliminates High Risk Erosion Program; savings realized from program elimination, reductions, and administrative cost savings. Includes \$400,000 fund source shift for Critical Dunes Program from GF/GP to Environmental Protection Fund.	Gross	(11.0)	\$0
	Federal	(76,700)	0
	Restricted	202,200	0
	GF/GP	(\$1,662,000)	\$0
3. Early Retirement Savings	Gross	N/A	\$0
Includes \$738,100 Gross and GF/GP savings realized from the FY 2010-11 early retirement incentive program.	GF/GP	(\$738,100)	\$0

ENVIRONMENTAL QUALITY

<u>Major Budget Changes From FY 2010-11 YTD Appropriations</u>		Executive Changes		
		<u>FY 2010-11 YTD (as of 2/17/11)</u>	<u>FY 2010-11 to FY 2011-12</u>	<u>FY 2011-12 to FY 2012-13</u>
4. Accounting Consolidation	FTE	13.0	(13.0)	0.0
Transfers 13.0 FTEs to the Department of Transportation to consolidate accounting staff from various departments. The \$1.2 million Gross and \$162,800 GF/GP funding associated with the FTEs will remain in the DEQ budget to fund an Accounting Service Center.	Gross	\$1,224,700	\$0	\$0
	IDG	127,200	0	0
	Restricted	934,700	0	0
	GF/GP	\$162,800	\$0	\$0
5. Restricted Funds Authorization Reduction	Gross	N/A	(\$6,413,200)	\$0
Reduces authorization for 17 restricted funds by \$6.4 million to align with anticipated revenues. Funds include Air Emission Fees, Great Lakes Protection Fund, NPDES fees, and Solid Waste Management Fund Staff Account, among others.	Restricted	N/A	(6,413,200)	0
6. Great Lakes Restoration Initiative (GLRI) Reduction	Gross	\$50,000,000	(\$25,000,000)	\$0
Reduces authorization for GLRI federal competitive grant by \$25.0 million to align with anticipated grant awards.	Federal	50,000,000	(25,000,000)	0
7. Nonmetallic Mine Reclamation Program Elimination	Gross	\$23,800	(\$23,800)	\$0
Eliminates Nonmetallic Mining Reclamation Program within the Office of Geologic Survey and the \$23,800 restricted funding associated with the program.	Restricted	23,800	(23,800)	0
8. Geologic Mapping and Information Program Elimination	Gross	\$208,000	(\$208,000)	\$0
Eliminates program funding of \$208,000; recommends that the mapping and evaluation duties of program and the federal funding be reassigned to the Geosciences Department of WMU.	Federal	60,500	(60,500)	0
	Restricted	147,500	(147,500)	0
9. Air Quality Program - Renewable Operating Permits	Gross	N/A	\$840,000	\$0
Includes \$840,000 additional restricted funding authorization to be realized through an increase in fees by a formula change to current fee structure in the Air Quality Program; increase expected to generate sufficient funding to adequately implement the program under the Clean Air Act.	Restricted	N/A	840,000	0
10. Strategic Water Quality Initiative Funds - Nonpoint Source Contamination Cleanups	Gross	N/A	\$30,000,000	\$0
Includes \$30.0 million additional restricted funding to implement PA 232 of 2010 and appropriate funds for cleanups; authorized bonding would generate an estimated \$900,000 in annual General Obligation debt service for the State.	Restricted	N/A	30,000,000	0
11. Solid Waste Surcharge Fee Proposal	Gross	N/A	\$0	\$0
Funding anticipates an increase in the solid waste surcharge fee from 7 cents per cubic yard to 12 cents in order to support the program. Because revenues have been declining, no additional funding authorization is needed.	Restricted	N/A	0	0
12. Wastewater Operator Certification Fees	Gross	N/A	\$156,000	\$0
Increases restricted fund authorization by \$356,000 based on a new increased fee structure for wastewater operator certification exams and renewals; includes a \$200,000 GF/GP reduction.	Restricted	N/A	356,000	0
	GF/GP	N/A	(\$200,000)	\$0
13. Coastal and Inland Waters Permit Program Information System Replacement	Gross	N/A	\$3,200,000	\$0
Includes \$3.2 million available land and water permit fee revenue to replace obsolete software needed for the program.	Restricted	N/A	3,200,000	0

<u>Major Budget Changes From FY 2010-11 YTD Appropriations</u>		FY 2010-11 YTD (as of 2/17/11)	Executive Changes	
			FY 2010-11 to FY 2011-12	FY 2011-12 to FY 2012-13
14. State-Owned Sites Cleanup Program	Gross	N/A	\$4,400,000	\$0
Appropriates \$4.4 million in remaining funding from the State Sites Cleanup Fund to address the cleanup of high risk sites where the State is responsible for the contamination.		Restricted	4,400,000	0
15. Environmental Pollution Prevention Fund (EPPF) - Fund Source Shift	Gross	N/A	\$0	\$0
Increases restricted funding from EPPF for Hazardous Waste Management Program by \$738,000 and reduces GF/GP funding by same amount.		Restricted	738,000	0
	GF/GP	N/A	(\$738,000)	\$0
16. Oil and Gas Regulatory Fund - Fund Source Shift	Gross	N/A	\$0	\$0
Reduces restricted funding from the Oil and Gas Regulatory Fund for Oil, Gas and Mineral Services Program by \$150,000 and increases federal funding by same amount.		Federal	150,000	0
	Restricted	N/A	(150,000)	0
17. Economics	Gross	N/A	\$6,697,200	\$4,737,100
Increases funding in FY 2011-12 by \$6.7 million Gross and \$707,200 GF/GP for economic increases in retirement costs and Worker's Compensation costs. Total includes \$137,600 Gross and \$7,100 GF/GP for DIT economics. For FY 2012-13, proposed funding for economics is increased by an additional \$4.7 million Gross and \$583,700 GF/GP.		IDG	226,400	157,500
	Federal	N/A	1,937,000	1,348,800
	Private	N/A	27,100	19,200
	Restricted	N/A	3,799,500	2,627,900
	GF/GP	N/A	\$707,200	\$583,700

Major Boilerplate Changes From FY 2010-11

NOTE: No boilerplate language is proposed for FY 2012-13.

Executive Boilerplate Deletions

In general, the Executive Budget deletes a large majority of boilerplate language included in the FY 2010-11 budget. This includes many legislative reporting requirements, sections providing guidance and placing conditions on appropriations, and earmarks of funding for specific purposes. The list below includes major changes to boilerplate, but is not a comprehensive list of all sections deleted.

Sec. 212. Disciplinary Action Against State Employees – DELETED

Prohibits Department from disciplining state employees for communicating with members of the Legislature and their staffs.

Sec. 214. Legal Services – DELETED

Department may not hire attorneys to provide legal services provided by the Attorney General.

Sec. 215. Contingency Fund Transfer Authority – REVISED

Provides authority for contingency fund transfers: up to \$30.0 million federal, \$5.0 million restricted, \$100,000 local, and \$500,000 private; transfers must be approved by both the House and Senate appropriations committees.

Sec. 218. Pending Permits – DELETED

Any permit application pending after a 2-year period shall be considered administratively complete on January 1, 2011.

Sec. 221. Future Use of Refined Petroleum Fund (RPF) Revenues – DELETED

States legislative intent that after FY 2010-11, RPF revenues shall be used solely for leaking underground storage tanks.

Sec. 222. Restricted Fund Revenue, Expenditures, Fund Balances, and FTE Information – DELETED

Requires report of revenue, spending, and estimated year-end balance for each restricted fund appropriated; requires report on number and funding of FTE positions that are supported by each line item.

Sec. 233. FTE Report and Expenditure Report – DELETED

Requires report on the number of FTEs in pay status; report required quarterly; requires expenditures to be reported on a publicly accessible internet site, including the purpose for which the expenditures were made.

ENVIRONMENTAL QUALITY

Major Boilerplate Changes From FY 2010-11

Sec. 234. Website Expenditure Posting Cost – DELETED

Directs Department to spend less than \$10,000 to post expenditures on the website.

Sec. 405. Refined Petroleum Fund – DELETED

States legislative intent to restore \$70.0 million Refined Petroleum Fund transferred to General Fund in FY 2006-07.

Sec. 407. Solid Waste Management Fund – DELETED

Appropriates \$2.0 million from solid waste management fund perpetual care account to solid waste management fund staff account.

Sec. 408. Refined Petroleum Fund Cleanup Site List – DELETED

Lists cleanup projects funded through the Refined Petroleum Product Cleanup Program.

Sec. 651. Aquatic Nuisance Control (ANC) – DELETED

Requires \$100,000 be allocated to fund up to one additional FTE for ANC program; requires report.

Sec. 652. Groundwater Dispute Resolution Process – DELETED

Directs Department to fund an aquifer dispute resolution process if funds are available.

Sec. 8-305. Restricted Fund Transfer to Environmental Pollution Prevention Fund (EPPF) – NEW

Authorizes transfer of \$2.0 million from the Small Business Pollution Prevention Fund to the EPPF.

Sec. 8-306. Restricted Fund Transfer to Environmental Protection Fund (EPF) – NEW

Authorizes transfer of \$1.3 million from the Small Business Pollution Prevention Fund to the EPF.

**Summary: Executive Budget Recommendation
for Fiscal Years 2011-12 and 2012-13
NATURAL RESOURCES**

Analyst: Viola Bay Wild

	FY 2010-11	FY 2011-12 Executive	Difference: FY 2011-12 Vs. FY 2010-11		FY 2012-13 Executive	Difference: FY 2012-13 Vs. FY 2011-12	
	Year-to-Date as of 2/17/11		Amount	%		Amount	%
IDG/IDT	\$1,830,100	\$1,935,000	\$104,900	5.7	\$1,935,000	\$0	0.0
Federal	78,713,500	69,319,800	(9,393,700)	(11.9)	68,668,800	(651,000)	(0.9)
Local	0	0	0	--	0	0	--
Private	5,824,400	2,842,400	(2,982,000)	(51.2)	2,842,400	0	0.0
Restricted	220,947,800	242,382,400	21,434,600	9.7	249,018,700	6,636,300	2.7
GF/GP	15,986,900	13,716,200	(2,270,700)	(14.2)	14,064,500	348,300	2.5
Gross	\$323,302,700	\$330,195,800	\$6,893,100	2.1	\$336,529,400	\$6,333,600	1.9
FTEs	2,192.4	2,176.4	(16.0)	(0.7)	2,176.4	0.0	0.0

Notes: (1) FY 2010-11 appropriation figures include the results of supplementals, Executive Order (EO) actions, and transfer adjustments through February 17, 2011. Year-to-Date numbers are estimates of DNR's funding after separated from the DNRE by E.O. 2011-1. (2) FY 2012-13 figures are projected or proposed budget amounts only and would not be legally-binding appropriations. (3) Budget changes described below are based on the "Schedule of Program" sections included in the Executive Budget; amounts listed in those schedules are informational in nature and could be potentially adjusted administratively, without legislative approval, within the larger line items into which programs have been rolled up.

Overview

The Department of Natural Resources (DNR) manages, conserves, and protects Michigan's resources. Programs include forest management, land and minerals management, wildlife and fisheries management, conservation law enforcement, state parks and forest campgrounds, and Michigan's historical programs.

Major Budget Changes From FY 2010-11 YTD Appropriations		FY 2010-11 YTD (as of 2/17/11)	Executive Changes	
			FY 2010-11 to FY 2011-12	FY 2011-12 to FY 2012-13
1. Early Retirement Savings	Gross	N/A	(\$283,900)	\$0
Includes \$283,900 Gross and GF/GP savings realized from the FY 2010-11 early retirement incentive program.	GF/GP	N/A	(\$283,900)	\$0
2. GF/GP Reductions	FTE	N/A	(2.0)	0.0
Reduces funding by \$838,100 Gross and GF/GP by decreasing funding for various programs. Savings realized from a \$92,400 reduction in Law Enforcement, the elimination of 2.0 FTEs and \$253,100 GF/GP funding for Historical Programs, \$184,700 administrative cost savings, and \$307,900 reduction in Wildlife Division programs which includes \$115,000 reduction in funding for captive cervid program.	Gross	N/A	(\$838,100)	\$0
	GF/GP	N/A	(\$838,100)	\$0
3. Mackinac Island State Park Commission	Gross	N/A	\$0	\$0
Reduces GF/GP funding by \$1.6 million and recommends a funding shift of \$1.6 million from GF/GP to Michigan State Park Endowment Fund (MSPEF); MSPEF restricted funding remains in State Parks line item and the Commission will work cooperatively with State Parks to share MSPEF funding, resources and services.	Restricted	N/A	1,561,900	0
	GF/GP	N/A	(\$1,561,900)	\$0
4. Recreation Passport Revenue	Gross	N/A	\$3,114,000	\$0
Increases restricted funding to numerous programs by \$3.1 million to reflect additional revenue from Recreation Passport program.	Restricted	N/A	3,114,000	0

NATURAL RESOURCES

		Executive Changes			
<u>Major Budget Changes From FY 2010-11 YTD Appropriations</u>		FY 2010-11 YTD (as of 2/17/11)	FY 2010-11 to FY 2011-12	FY 2011-12 to FY 2012-13	
5. Great Lakes Restoration Initiative (GLRI)		Gross	\$15,000,000	(\$5,000,000)	\$0
Reduces federal funding authorization by \$5.0 million for the GLRI competitive grant program to align with anticipated grant awards.		Federal	15,000,000	(5,000,000)	0
6. Funding Authorization Reductions		Gross	N/A	(\$3,039,200)	\$0
Reduces federal, state restricted, and private funding authorizations by \$3.0 million to align with anticipated revenues. Reduced restricted funds include Game and Fish Fund - Turkey Permit Fees, Game and Fish Fund - Wildlife Resources Protection Fund, History Fees, Cervidae Licensing Fees, Public Use Deed Fees, and ORV Trail Improvement Fund, among others.		Federal	N/A	(1,000)	0
		Private	N/A	(1,050,000)	0
		Restricted	N/A	(1,988,200)	0
7. Accounting Consolidation Changes		FTE	14.0	(14.0)	0.0
Transfers 14.0 FTEs to MDOT to consolidate accounting staff from various departments. The \$1.3 million Gross and \$155,000 GF/GP funding associated with the FTEs will remain in the DNR budget and fund an Accounting Service Center.		Gross	\$1,348,500	\$0	\$0
		Restricted	1,193,500	0	0
		GF/GP	\$155,000	\$0	\$0
8. Captive Cervid Fee Proposal		Gross	N/A	\$115,000	\$0
Includes \$115,000 additional restricted funding to the Cervidae Licensing & Inspection Fees Fund to be realized through an increase in fees on private captive cervid facilities so that fee revenue will support the program. (\$115,000 GF/GP reduced – see item 2.)		Restricted	N/A	115,000	0
9. Capital Outlay Projects		Gross	\$18,978,600	\$6,101,400	\$570,000
Increases funding in FY 2011-12 for parks, forestry and waterways capital outlay projects by \$6.1 million Gross. Proposed Capital Outlay funding totals \$25.1 million. For FY 2012-13, proposed Capital Outlay funding is increased by \$570,000 Gross.		Federal	9,075,000	(5,325,000)	(1,500,000)
		Private	2,000,000	(2,000,000)	0
		Restricted	7,903,600	13,426,400	2,070,000
10. Economics		Gross	N/A	\$6,723,900	\$5,763,600
Increases funding in FY 2011-12 by \$6.7 million Gross and \$413,200 GF/GP for economic increases in retirement costs and Worker's Compensation costs. Total includes \$216,900 Gross and \$26,000 GF/GP for DIT economics. For FY 2012-13, proposed funding for economics is increased by an additional \$5.8 million Gross and \$348,300 GF/GP.		IDG	N/A	104,900	0
		Federal	N/A	932,300	849,000
		Private	N/A	68,000	0
		Restricted	N/A	5,205,500	4,566,300
		GF/GP	N/A	\$413,200	\$348,300

Major Boilerplate Changes From FY 2010-11

NOTE: No boilerplate language is proposed for FY 2012-13.

Executive Boilerplate Deletions

In general, the Executive Budget deletes a large majority of boilerplate language included in the FY 2010-11 budget. This includes many legislative reporting requirements, sections providing guidance and placing conditions on appropriations, and earmarks of funding for specific purposes. The list below includes major changes to boilerplate, but is not a comprehensive list of all sections deleted.

Sec. 212. Disciplinary Action Against State Employees – DELETED

Prohibits Department from disciplining state employees for communicating with members of the Legislature and their staffs.

Sec. 213. Rule Promulgation – DELETED

Requires report on policy changes made to implement a public act; Department is not allowed to adopt a rule that will apply to a small business if it has a disproportionate economic impact.

Major Boilerplate Changes From FY 2010-11

Sec. 214. Legal Services – DELETED

Department may not hire attorneys to provide legal services provided by the Attorney General.

Sec. 215. Contingency Fund Transfer Authority – REVISED

Provides authority for contingency fund transfers: up to \$3.0 million federal, \$10.0 million restricted, \$100,000 local, and \$1.0 million private; transfers must be approved by both House and Senate appropriations committees. (Renumbered Sec. 14-205.)

Sec. 218. Pending Permits – DELETED

Any permit application pending after a 2-year period shall be considered administratively complete on January 1, 2011.

Sec. 222. Restricted Fund Revenue, Expenditures, Fund Balances, and FTE Information – DELETED

Requires report of revenue, spending, and estimated year-end balance for each restricted fund appropriated; requires report on number and funding of FTE positions that are supported by each line item.

Sec. 223. Waterways Fund Projects – DELETED

Requires report on activities of Waterways Commission during the previous fiscal year; list of completed waterways fund projects to be provided to Legislature and State Budget Director by January 31, 2011.

Sec. 233. FTE Report and Expenditure Report – DELETED

Requires report on the number of FTEs in pay status; report required quarterly; requires expenditures to be reported on a publicly accessible internet site, including the purpose for which the expenditures were made.

Sec. 234. Website Expenditure Posting Cost – DELETED

Directs Department to spend less than \$10,000 to post expenditures on the website.

Sec. 306. Historical Program Fees – REVISED

Allows DNRE to charge fees for historical program services and museum admissions; **Executive** eliminates language that requires children under 18 be admitted free to the Michigan Historical Museum.

Sec. 307. Freedom Trail Funding – DELETED

Requires \$22,500 funding for historical administration and services be appropriated for the Freedom Trail Commission.

Sec. 308. Land Transactions – DELETED

Requires detailed report to Legislature on land purchases, sales and exchanges.

Sec. 501. Bovine TB Eradication Efforts – DELETED

Requires annual report on enforcement actions taken to eradicate bovine TB, relevant scientific studies and the number of deer found to be infected.

Sec. 502. Livestock Loss Indemnification – DELETED

Requires Department to reimburse Department of Agriculture for livestock losses caused by wolves, coyotes, or cougars.

Sec. 702. State Park Campground Closures – DELETED

Requires Department to notify Legislature if reduced operations or recreation opportunities are planned at any state park or recreation area.

Sec. 703. Porcupine Mountain Ski Hill – DELETED

Prohibits Department from altering or stopping operations of the ski hill or demolishing any buildings related to the ski hill in Porcupine Mountains Wilderness State Park.

Sec. 802. Timber Marking – DELETED

Directs Department to mark and prescribe treatment on 63,000 acres, prepare for harvest 58,000 acres at an average rate of 12.5 to 15.0 cords per acre; requires quarterly report.

Sec. 804. Horseback Riding Opportunities – DELETED

Directs Department to work cooperatively with horseback riding interests to increase horseback riding opportunities.

Sec. 805. Contract Foresters – DELETED

Allows Department to hire sufficient contract foresters to mark timber.

Sec. 807. Timber Industry Meetings – DELETED

Directs Department Director to meet semiannually with timber industry representatives to discuss timber industry issues.

NATURAL RESOURCES

Major Boilerplate Changes From FY 2010-11

Sec. 808. State Forest Campgrounds Mini-State Parks Pilot Program – DELETED

Requires a strategic plan be developed to incorporate selected state forest campgrounds into the state park system as mini-state parks and develop a pilot program using 6 of the state forest campgrounds closed by E.O. 2009-22; requires report.

Sec. 901. Snowmobile Law Enforcement Grants – DELETED

Provides snowmobile law enforcement grants to county law enforcement agencies in counties with state snowmobile trails.

Sec. 1003. Off Road Vehicle (ORV) Trail Improvement Grants – DELETED

Requires the expenditure of not less than \$980,000 for the development of new ORV trails.

Sec. 1101. Capital Outlay Appropriations for the Harbors and Docks Grants in Aid – DELETED

Provides for disbursement of Waterways Fund appropriation to the federal government and local governmental units.

**FY 2011-12 AND FY 2012-13
Budget Detail
for
SAFETY AND DEFENSE**

**Military and Veterans Affairs
State Police**

**Summary: Executive Budget Recommendation
for Fiscal Years 2011-12 and 2012-13
MILITARY AND VETERANS AFFAIRS**

Analyst: Jan Wisniewski

	FY 2010-11 Year-to-Date as of 2/17/11	FY 2011-12 Executive	Difference: FY 2011-12 Vs. FY 2010-11		FY 2012-13 Executive	Difference: FY 2012-13 Vs. FY 2011-12	
			Amount	%		Amount	%
IDG/IDT	\$1,152,900	\$1,152,800	\$0	0.0	\$1,152,800	\$0	0.0
Federal	82,203,800	87,678,000	5,474,200	6.7	87,600,400	(77,600)	(0.1)
Local	645,400	644,800	(600)	(0.1)	644,800	0	0.0
Private	1,382,700	1,423,300	40,600	2.9	1,423,300	0	0.0
Restricted	28,233,400	28,439,700	206,300	0.7	28,960,500	520,800	1.8
GF/GP	36,424,700	33,044,900	(3,379,800)	(9.3)	33,692,200	647,300	2.0
Gross	\$150,042,900	\$152,383,500	\$2,340,600	1.6	\$153,474,000	\$1,090,500	0.7
FTEs	970.0	819.0	(151.0)	(15.6)	819.0	0.0	0.0

Notes: (1) FY 2010-11 appropriation figures include the results of supplementals, Executive Order (EO) actions, and transfer adjustments through February 17, 2011. (2) FY 2012-13 figures are projected or proposed budget amounts only and would not be legally-binding appropriations. (3) Budget changes described below are based on the "Schedule of Program" sections included in the Executive Budget; amounts listed in those schedules are informational in nature and could be potentially adjusted administratively, without legislative approval, within the larger line items into which programs have been rolled up.

Overview

The Department of Military and Veterans Affairs is responsible for the training and administration of Army and Air National Guard forces, providing combat-ready military forces during times of national emergency, and performing civil relief operations under the command of the Governor during state emergencies. The Department's budget includes administrative and maintenance costs associated with these responsibilities as well as National Guard-related programs such as the Challenge Program. The Department has oversight over the following veterans-related programs: state-licensed nursing care at veterans homes in Grand Rapids and Marquette, grant funding to veterans service organizations, and the Michigan Veterans Trust Fund.

Major Budget Changes From FY 2010-11 YTD Appropriations		FY 2010-11 YTD (as of 2/17/11)	Executive Changes	
			FY 2010-11 to FY 2011-12	FY 2011-12 to FY 2012-13
1. Military Training Sites Firefighters	FTEs	181.0	24.0	0.0
Increases \$2.5 million in federal funds for FY 2011-12 for 18 additional firefighters at the Alpena Air National Guard Base and 6 additional firefighters at Fort Custer in Battle Creek. No changes recommended for FY 2012-13.	Gross	\$25,358,500	\$2,500,000	\$0
	Federal	23,988,400	2,500,000	0
	GF/GP	\$1,370,100	\$0	\$0
2. Capital Outlay - Camp Grayling Light Demolition Range	Gross	\$0	\$1,700,000	(\$1,700,000)
Increases \$1.7 million in federal funds for FY 2011-12 for construction of a light demolition range at Camp Grayling. Also removes these funds for the FY 2012-13 budget after the construction is complete.	Federal	0	1,700,000	(1,700,000)
3. Military Retirement	Gross	\$3,584,100	\$200,000	\$0
Increases \$200,000 GF/GP for FY 2011-12 for increased retirement costs as mandated in the Michigan Military Act. No changes recommended for FY 2012-13.	GF/GP	\$3,584,100	\$200,000	\$0

		FY 2010-11 YTD (as of 2/17/11)	Executive Changes	
			FY 2010-11 to FY 2011-12	FY 2011-12 to FY 2012-13
Major Budget Changes From FY 2010-11 YTD Appropriations				
4. Capital Outlay - Land Acquisitions and Appraisals	Gross	\$500,000	(\$500,000)	\$0
Decreases \$500,000 in restricted funds for FY 2011-12 for land acquisitions and appraisals at Camp Grayling that were included in FY 2010-11. No changes recommended for FY 2012-13.	Restricted	500,000	(500,000)	0
5. Grand Rapids Veterans' Home Resident Care Aides	Gross	\$50,891,300	(\$4,200,000)	\$0
Decreases \$4.2 million GF/GP for FY 2011-12 as projected savings for moving to competitive bidding for Resident Care Aide positions at the Grand Rapids Veterans' Home. No changes recommended for FY 2012-13.	Federal	20,335,400	0	0
	Restricted	15,701,500	0	0
	GF/GP	\$14,854,400	(\$4,200,000)	\$0
6. Early Retirement Savings	Gross	NA	(\$204,000)	\$0
Decreases \$204,000 GF/GP across several lines as savings associated with the early retirements. Also includes Information Technology related employee retirements. No changes recommended for FY 2012-13.	GF/GP	NA	(\$204,000)	\$0
7. Economics	Gross	NA	\$2,844,600	\$2,790,500
Increases \$824,200 GF/GP and \$2.8 million Gross for FY 2011-12 for department economics (adjustments for insurance, pension, retiree health care, building occupancy charges, worker's compensation, food, and fuel). Also increases \$647,300 GF/GP and \$2.8 million Gross for FY 2012-13.	IDG	NA	(100)	0
	Federal	NA	1,274,200	1,622,400
	Restricted	NA	706,300	520,800
	Private	NA	40,600	0
	Local	NA	(600)	0
	GF/GP	NA	\$824,200	\$647,300

Major Boilerplate Changes From FY 2010-11

NOTES: (1) No boilerplate language is proposed for FY 2012-13. (2) In general, the Executive Budget deletes a large majority of boilerplate language included in the FY 2010-11 budget. This includes many legislative reporting requirements, sections providing guidance and placing conditions on appropriations, and earmarks of funding for specific purposes. The list below includes major changes to boilerplate, but is not a comprehensive list of all sections deleted.

Sec. 213. Armory Closures and Consolidations – DELETED

Deletes requirement for the Department to consult with the appropriations subcommittees for armory closures and consolidations.

Sec. 235. Partnerships With Armed Forces Reserve Units – DELETED

Deletes requirement for increased partnerships with reserve units concerning the use of facilities and other activities.

Sec. 301. Armory Rental Fees – DELETED

Deletes allowing the Department to charge rental fees for armory rentals.

Sec. 501. Veterans Service Organizations – MODIFIED

Deletes various sections requiring veterans counseling programs and reporting requirements.

Sec. 601. Veterans' Home Appropriations – DELETED

Deletes mandating that funds appropriated for the two veterans' home only be used for veterans and their families.

Sec. 602. Veterans' Home Reporting Requirements – DELETED

Deletes requirement for the Department and veterans' homes to provide a report to the appropriations subcommittees on various information involving the members of the two homes.

Sec. 605. Board of Managers Post and Posthumous Funds – DELETED

Deletes the reporting requirement for the Department to notify the appropriations subcommittees 30 days prior to altering the Post and Posthumous funds spending plans.

MILITARY AND VETERANS AFFAIRS

Major Boilerplate Changes From FY 2010-11

Sec. 703. Veterans' Trust Fund Report – DELETED

Deletes reporting requirement providing grant distribution and other expenditures from the Veterans' Trust Fund.

Sec. 704. County Veterans Counselors Training – DELETED

Deletes requirement for the veterans' affairs directorate and the Michigan Veterans Trust Fund administration to assist county veterans' counselors with receiving training to execute their duties.

Sec. 705. Funding County Veterans' Counselors – DELETED

Deletes legislative intent for the Department providing incentives for each county to fund at least one full-time county veterans counselor.

Sec. 801. Capital Outlay Projects – DELETED

Deletes language specifying that the Department's design and construction projects are contingent upon the availability of federal and state restricted funds.

Summary: Executive Budget Recommendation for Fiscal Years 2011-12 and 2012-13 STATE POLICE

Analyst: Jan Wisniewski

	FY 2010-11	FY 2011-12 Executive	Difference: FY 2011-12 Vs. FY 2010-11		FY 2012-13 Executive	Difference: FY 2012-13 Vs. FY 2011-12	
	Year-to-Date as of 2/17/11		Amount	%		Amount	%
IDG/IDT	\$24,143,800	\$23,546,200	(\$597,600)	(2.5)	\$24,215,200	\$669,000	2.8
Federal							
ARRA	2,000,000	0	(2,000,000)	(100.0)	0	0	--
Non-ARRA	103,634,200	106,251,500	2,617,300	2.5	107,098,000	846,500	0.8
Local	6,257,500	6,456,700	199,200	3.2	6,509,100	52,400	0.8
Private	269,800	216,100	(53,700)	(19.9)	224,700	8,600	4.0
Restricted	135,942,900	123,336,100	(12,606,800)	(9.3)	126,190,800	2,854,700	2.3
GF/GP	260,383,200	261,676,000	1,292,800	0.5	266,966,700	5,290,700	2.0
Gross	\$532,631,400	\$521,482,600	(\$11,148,800)	(2.1)	\$531,204,500	\$9,721,900	1.9
FTEs	2,765.0	2,747.0	(18.0)	(0.7)	2,747.0	0.0	0.0

Notes: (1) FY 2010-11 appropriation figures include the results of supplementals, Executive Order (EO) actions, and transfer adjustments through February 17, 2011. (2) "ARRA" represents temporary funds received under the federal American Recovery and Reinvestment Act or related sources. (3) FY 2012-13 figures are projected or proposed budget amounts only and would not be legally-binding appropriations. (4) Budget changes described below are based on the "Schedule of Program" sections included in the Executive Budget; amounts listed in those schedules are informational in nature and could be potentially adjusted administratively, without legislative approval, within the larger line items into which programs have been rolled up.

Overview

The Department of State Police provides a wide range of law enforcement services—including highway patrol, criminal investigations, forensic sciences, motor carrier enforcement, emergency management, highway safety planning, fire investigation, criminal justice data processing, and various specialized law enforcement services. The Department's responsibilities also include oversight of law enforcement standards in the state through the Michigan Commission on Law Enforcement Standards (MCOLES) and administration of several law enforcement-related grant programs.

Major Budget Changes From FY 2010-11 YTD Appropriations		FY 2010-11 YTD (as of 2/17/11)	Executive Changes	
			FY 2010-11 to FY 2011-12	FY 2011-12 to FY 2012-13
1. Field Services Restructuring	Gross	NA	(\$3,208,500)	\$0
Decreases \$3.2 million GF/GP for FY 2011-12 for modifying police services to accommodate various public safety needs which may result in the reduction of posts in the state but will also expand investigative services to these areas. The department is currently developing this restructuring plan. No additional changes for FY 2012-13.	GF/GP	NA	(\$3,208,500)	\$0
2. Rockford Regional Dispatch Center Closure	FTEs	12.0	(12.0)	0.0
Decreases \$1.0 million GF/GP and 12.0 FTEs for FY 2011-12 for the closure of the Rockford Regional Dispatch Center, which will reduce the number of dispatch centers from five to four. This will not result in a reduction of dispatch services to this area of the state. No additional changes for FY 2012-13.	Gross	\$1,000,000	(\$1,000,000)	\$0
	GF/GP	\$1,000,000	(\$1,000,000)	\$0

STATE POLICE

<u>Major Budget Changes From FY 2010-11 YTD Appropriations</u>		FY 2010-11 YTD (as of 2/17/11)	Executive Changes	
			FY 2010-11 to FY 2011-12	FY 2011-12 to FY 2012-13
3. Eliminate Collins Road Facility Lease	Gross	\$750,000	(\$750,000)	\$0
Decreases \$750,000 GF/GP for FY 2011-12 for moving the remaining functions at the Collins Road Facility to the Lansing Township Annex building. No additional changes for FY 2012-13.	GF/GP	\$750,000	(\$750,000)	\$0
4. Early Retirement Savings	Gross	NA	(\$1,859,800)	\$0
Decreases \$1.9 million GF/GP for early retirement savings in FY 2011-12. No additional changes for FY 2012-13.	GF/GP	NA	(\$1,859,800)	\$0
5. Deferred Retirement Option Plan (DROP) Savings	Gross	\$2,757,100	(\$2,757,100)	(\$1,400,000)
Decreases \$2.8 million GF/GP for FY 2011-12 as projected savings for an assumed 64 enlisted staff entering the DROP program. Also decreases \$1.4 million GF/GP for FY 2012-13 as projected savings for an assumed 67 enlisted staff entering the DROP program.	GF/GP	\$2,757,100	(\$2,757,100)	(\$1,400,000)
6. Economics	Gross	NA	\$22,940,400	\$13,021,900
Increases \$18.5 million GF/GP and \$22.0 million Gross for FY 2011-12 for department economics (adjustments for insurance, pension, retiree health care, building occupancy charges, worker's compensation, food, and fuel). Also increases \$8.6 million GF/GP and \$13.0 million Gross for FY 2012-13 for department economics. Enlisted troopers will receive a 2.0% salary increase based on the current collective bargaining agreement.	IDG	NA	1,075,800	669,000
	Federal	NA	1,394,000	846,500
	Local	NA	131,700	52,400
	Private	NA	16,100	8,600
	Restricted	NA	1,795,500	2,854,700
	GF/GP	NA	\$18,527,300	\$8,590,700
7. Various Administrative Savings	Gross	NA	(\$8,739,300)	(\$1,900,000)
Decreases \$8.7 million GF/GP and for various administrative savings including reducing trooper overtime costs and anticipated retirement attrition of 34.0 FTEs. Also decreases \$1.9 million GF/GP for anticipated savings in FY 2012-13.	GF/GP	NA	(\$8,739,300)	(\$1,900,000)
8. Fingerprint Fee Increase	Gross	\$3,000,000	\$0	\$0
Decreases \$3.0 million GF/GP and replaces with restricted funds from a \$10 increase for fingerprint fees. The state cost of fingerprints is \$30 and would increase to \$40. This fund shift would pay for latent print scientist costs. The current fingerprint fee structure sunsets on October 1, 2012 and requires a statutory change to be extended. No additional changes for FY 2012-13.	Restricted	0	3,000,000	0
	GF/GP	\$3,000,000	(\$3,000,000)	\$0
9. School Bus Inspections	FTEs	4.0	11.0	0.0
Increases \$1.0 million in Local - School Bus Revenue (from School Aid funds) and 11.0 FTEs for FY 2011-12 to fully reinstate school bus inspections for all school buses in the state. For FY 2010-11, the school bus inspection program was reduced by \$1.0 million and 11.0 FTEs resulting in random and intermittent inspections and audits of school buses. No additional changes for FY 2012-13.	Gross	\$421,000	\$1,047,400	\$0
	Local	421,000	1,047,400	0
10. Reversal of One-Time Fund Shifts	Gross	\$5,248,800	\$0	\$0
Increases a total of \$5.2 million GF/GP and decreases the same amount in federal and restricted funds for various lines that were funded with non -GF/GP funds in FY 2010-11. Includes \$510,200 in federal funds and \$1.7 million in restricted funds for Laboratory Operations, \$1.0 million in restricted funds for At-Post Troopers, and \$2.0 million in federal ARRA funds for Federal Anti-Drug Initiatives. No additional changes for FY 2012-13.	Federal	2,510,200	(2,510,200)	0
	Restricted	2,738,600	(2,738,600)	0
	GF/GP	\$0	\$5,248,800	\$0

Major Boilerplate Changes From FY 2010-11

NOTES: (1) No boilerplate language is proposed for FY 2012-13. (2) In general, the Executive Budget deletes a large majority of boilerplate language included in the FY 2010-11 budget. This includes many legislative reporting requirements, sections providing guidance and placing conditions on appropriations, and earmarks of funding for specific purposes. The list below includes major changes to boilerplate, but is not a comprehensive list of all sections deleted. (3) Unless otherwise noted, all FY 2011-12 boilerplate items would also apply to the FY 2012-13 budget.

Sec. 216. State Accident Data Collection – MODIFIED

Modifies language requiring entering vehicle identification numbers into a state accident data collection system and making the information available at a reasonable cost. Renumbered as Sec. 16-203 in the Exec. Rec.

Sec. 217. School Violence Hotline – DELETED

Deletes requirement for the Department to maintain a school violence hotline.

Sec. 218. At-Post Troopers – DELETED

Deletes requiring that appropriations designated for At-Post Troopers only be spent on direct trooper costs; deletes legislative intent for maintaining a minimum trooper strength of 1,075 and for a required quarterly trooper strength report.

Sec. 219. Post Closure Notification – DELETED

Deletes requirement for the Department to provide a 180-day notification of planned post closures or consolidations.

Sec. 220. General Law Enforcement Assistance to Communities – DELETED

Deletes requirement for the Department to provide general law enforcement services to communities without local law enforcement services.

Sec. 221. Marshall Post Replacement – DELETED

Deletes allowing the Department to enter into an agreement with Calhoun County to build a new post in Marshall.

Sec. 232. Recruitment of MCOLES Certified Police Officers for Trooper Schools – DELETED

Deletes placing emphasis on MCOLES certified police officers for trooper schools.

Sec. 239. Michigan International Speedway Traffic Control – DELETED

Deletes legislative intent for using any available funds for traffic control purposes at the Michigan International Speedway.

Sec. 245. LEIN System/DHS Bridges System Coordination – DELETED

Deletes requiring coordination between the LEIN system and the Bridges case management system in DHS.

Sec. 301. LEIN User Fees Waiver – DELETED

Deletes waiving LEIN user fees for FY11 if an agency does not have an outstanding LEIN balance in previous years.

Sec. 304. LEIN Departmental Policies Report – DELETED

Deletes requirement to use funds for a report detailing the Department's LEIN policies.

Sec. 305. Unauthorized Use of the LEIN System – DELETED

Deletes encouraging law enforcement agencies with finding ways to discourage possible abuse of the LEIN system.

Sec. 306. LEIN System Probation Information – DELETED

Deletes requiring the creation of procedures for entering probation related information on the LEIN system.

Sec. 307. MPSCS Use By Local Police Agencies – DELETED

Deletes requiring the Department acting as a liaison between DIT and local public safety agencies to facilitate the use of the MPSCS.

Sec. 308. LEIN Fee Increase – DELETED

Deletes requiring the Department to report any LEIN fee increases to the Legislature 60 days prior to the effective date of the increase.

Sec. 309. Electronic Real Time Auto Insurance System – DELETED

Deletes allowing the Department to develop an electronic real time auto insurance enforcement system.

Sec. 501. DNA Analysis Samples and Records – DELETED

Deletes notifying police agencies when changes are made to the Department's DNA analysis samples and records retention protocol.

STATE POLICE

Major Boilerplate Changes From FY 2010-11

Sec. 502. Emergency Treatment of Sexual Assault Victims Procedures – DELETED

Deletes requiring the Department to work with various health organizations to ensure that standard procedures are followed in collecting evidence for emergency treatment of sexual assault victims.

Sec. 603. Mental Health Awareness Training – DELETED

Deletes requiring that the appropriations for mental health awareness training be used for training law enforcement and other personnel with people experiencing mental disorders or mental illness.

Sec. 902. Security Guards – DELETED

Deletes requiring the expenditure of security services only for the Capitol Building.

Sec. 1002. Private Donations – MODIFIED

Deletes legislative intent that private donation not supplant general fund appropriations.

Sec. 1201. School Bus Inspections – DELETED

Deletes reporting requirement for the Department's school bus inspections.

**FY 2011-12 AND FY 2012-13
Budget Detail
for
ALL OTHERS**

Energy, Labor and Economic Growth

Judiciary

Transportation

**Summary: Executive Budget Recommendation
for Fiscal Years 2011-12 and 2012-13
ENERGY, LABOR AND ECONOMIC GROWTH**

Analyst: Mark Wolf

	FY 2010-11	FY 2011-12 Executive	Difference: FY 2011-12 Vs. FY 2010-11		FY 2012-13 Executive	Difference: FY 2012-13 Vs. FY 2011-12	
	Year-to-Date as of 2/17/11		Amount	%		Amount	%
IDG/IDT	\$13,246,300	\$12,673,500	(\$572,800)	(4.3)	\$13,037,900	\$364,400	2.9
Federal	845,017,500	839,727,100	(5,290,400)	(0.6)	846,545,000	6,817,900	0.8
Local	16,020,400	12,293,400	(3,727,000)	(23.3)	12,293,400	0	0.0
Private	6,085,000	4,576,500	(1,508,500)	(24.8)	4,576,500	0	0.0
Restricted	349,846,100	359,335,700	9,489,600	2.7	364,585,300	5,249,600	1.5
GF/GP	47,607,900	43,536,300	(4,071,600)	(8.6)	44,110,700	574,400	1.3
Gross	\$1,277,823,200	\$1,272,142,500	(\$5,680,700)	(0.4)	\$1,285,148,800	\$13,006,300	1.0
FTEs	4,418.0	4,416.0	(2.0)	0.0	4,416.0	0.0	0.0

Notes: (1) FY 2010-11 appropriation figures include the results of supplementals, Executive Order (EO) actions, and transfer adjustments through February 17, 2011. (2) FY 2012-13 figures are projected or proposed budget amounts only and would not be legally-binding appropriations. (3) Budget changes described below are based on the "Schedule of Program" sections included in the Executive Budget; amounts listed in those schedules are informational in nature and could be potentially adjusted administratively, without legislative approval, within the larger line items into which programs have been rolled up.

Overview

The Department of Energy, Labor, and Economic Growth (DELEG) is the primary business regulatory agency in the state. The department's activities center around business and occupational licensing and regulation, workplace safety and regulation, and workforce development efforts. On February 23, 2011 Governor Snyder issued Executive Order 2011-4 renaming DELEG as the Department of Licensing and Regulatory Affairs (LARA). The new department would include functions performed by the DCH Bureau of Health Systems and the Bureau of Health Professions, but would no longer include the DELEG Bureau of Workforce Transformation, the Bureau of Labor Market Information and Strategic Initiatives, the Commission on Disability Concerns, the Hispanic/Latino Commission, the Bureau of Energy Systems, and certain responsibilities of the Wage and Hour Division. The executive order and EO 2011-5 also reorganize the State Office of Administrative Hearings and Rules. The Executive Recommendation presented here does not account for the reorganization of the department; a revised Executive Recommendation will be issued.

Major Budget Changes From FY 2010-11 YTD Appropriations		Executive Changes		
		FY 2010-11 YTD (as of 2/17/11)	FY 2010-11 to FY 2011-12	FY 2011-12 to FY 2012-13
1. Workers Compensation Appellate Commission	FTE	12.0	(12.0)	0.0
Eliminates the Workers Compensation Appellate Commission. The 5-member WCAC is a quasi-judicial body that hears appeals of disputed workers compensation claims decisions rendered by the Workers Compensation Board of Magistrates. Decisions by the Board of Magistrates will be appealed directly to the Court of Appeals. The caseload for the WCAC has dropped significantly over the last decade from about 500-600 cases/year to fewer than 200 the last few years.	Gross	\$1,173,100	(\$1,173,100)	\$0
	Restricted	447,300	(447,300)	0
	GF/GP	\$725,800	(\$725,800)	\$0

<u>Major Budget Changes From FY 2010-11 YTD Appropriations</u>		<u>FY 2010-11 YTD (as of 2/17/11)</u>	<u>Executive Changes</u>	
			<u>FY 2010-11 to FY 2011-12</u>	<u>FY 2011-12 to FY 2012-13</u>
2. Workers Compensation Agency	Gross	\$9,417,400	(\$400,000)	\$0
Shifts \$447,300 (Corporations Fees) saved from the elimination of the WCAC to the Workers Compensation Agency, offsetting GF/GP funds. Also reduces funding for the WCA by an additional \$400,000 through the elimination of unfilled vacancies and lapsed spending authority. The WCA has seen fewer worker's compensation claims over the past decade (coinciding with the downturn in the state economy), allowing the agency to consolidate hearing sites, and operate with fewer staff and financial resources.	Restricted	2,790,400	447,300	0
	GF/GP	\$6,627,000	(\$847,300)	\$0
3. OFIR – Credit Union Examinations	FTE	370.0	2.0	0.0
Increases funding and staffing for the Office of Financial and Insurance Regulation (OFIR) to maintain the statutorily-required 18-month examination cycle for credit unions in light of an increase in the number of state chartered credit unions. The increased appropriation is supported by existing credit union regulatory fees.	Gross	\$58,416,800	\$175,000	\$0
	Federal	2,050,400	0	0
	Restricted	56,366,400	175,000	0
4. OFIR – Securities	FTE	370.0	4.0	0.0
The supplemental request increases funding for the Office of Financial and Insurance Regulation, supported by existing securities fees revenue and Insurance Bureau Fund revenue, to implement additional responsibilities placed on the office under the Dodd-Frank Wall Street Reform and Consumer Protection Act. The Dodd-Frank Act shifts regulatory oversight over investment advisors with assets under management between \$25 million and \$100 million from SEC oversight to state oversight. States previously regulated smaller investment firms with less than \$25 million - \$30 million in investments under management. These additional firms, totaling about 170, are very large firms from a state regulatory standpoint. OFIR indicates that most of these firms haven't had an SEC examination.	Gross	\$58,416,800	\$300,000	\$0
	Federal	2,050,400	0	0
	Restricted	56,366,400	300,000	0
5. OFIR – Life Insurance	FTE	370.0	1.0	0.0
The Dodd-Frank Act also makes many other changes affecting the regulation of insurance companies (historically a state, rather than federal, regulatory function). The changes affect the regulation of annuities and derivatives, provide enhanced regulation of nonbank financial institutions, and introduce federal involvement in insurance regulation. OFIR indicates that these changes will have particularly significant implications on domestic life insurance companies.	Gross	\$58,416,800	\$81,000	\$0
	Federal	2,050,400	0	0
	Restricted	56,366,400	81,000	0
6. Tax Tribunal – Hearings Officers	Gross	\$2,867,900	\$150,000	\$0
Increases funding for the Michigan Tax Tribunal (MTT) to enable the MTT to contract with additional hearings officers in order to assist the MTT in reducing its backlog of cases. The hearings officers (administrative law judges) hear cases on behalf of the tribunal and issue proposed opinions resolving a dispute. Those proposed opinions are affirmed (or altered) by the tribunal through the MTT's issuance of a final opinion.	Restricted	2,867,900	150,000	0

ENERGY, LABOR AND ECONOMIC GROWTH

<u>Major Budget Changes From FY 2010-11 YTD Appropriations</u>		FY 2010-11 YTD (as of 2/17/11)	Executive Changes	
			FY 2010-11 to FY 2011-12	FY 2011-12 to FY 2012-13
7. Proprietary Schools Regulation	Gross	\$3,038,300	\$145,700	\$0
Increases funding to the Bureau of Workforce Transformation allowing the bureau of increase its regulatory activities concerning private trade/career schools. The agency is required to annually license proprietary schools and solicitors, to approve program and course changes, and to respond consumer complaints. The number, location, and programs of proprietary schools have been increasing in recent years. Along with that increase there is a concomitant increase in consumer complaints.	Federal	1,556,200	0	0
	Restricted	762,000	145,700	0
	GF/GP	\$720,100	\$0	\$0
<i>Note: Under EO 2011-4, the Bureau of Workforce Transformation would be transferred to the Michigan Strategic Fund. Regulation of proprietary schools would, however, remain within DELEG/LARA.</i>				
8. Fire Protection Grants	Gross	\$10,910,500	(\$1,636,600)	\$0
Reduces funding for Fire Protection Grants by \$1.6 million in funding from the Liquor Purchase Revolving Fund (LPRF). Grant funds are distributed to local governments (cities, villages, and townships) with state property based on the value of the state property, the SEV of the local unit of government, and the expenses of the local unit's fire services. Grant amounts are prorated based on the available appropriation.	Restricted	10,910,500	(1,636,600)	0
9. Bureau of Fire Services	Gross	\$5,559,000	\$0	\$0
Transfers the \$1.6 million LPRF saved with the reduction in fire protection grants to the Bureau of Fire Services. The \$1.6 million offsets GF/GP support for the bureau.	IDG	100,000	0	0
	Federal	788,000	0	0
	Restricted	2,071,000	1,636,600	0
	GF/GP	\$2,600,000	(\$1,636,600)	\$0
10. Michigan Nursing Corps	Gross	\$500,000	(\$500,000)	\$0
Eliminates the specific line item (and related boilerplate) for the Michigan Nursing Corps program. The program makes grants available to universities and health systems to provide financial assistance to students earning advanced nursing degrees, with the receipt of grant assistance by individual students contingent on the student staying in Michigan to teach nursing students. Funding for the program (federal Workforce Investment Act funds) is moved into the Workforce Programs Subgrantees line item.	Federal	500,000	(500,000)	0
11. Michigan Business One-Stop Web Portal	Gross	N/A	\$1,820,000	\$0
Provides additional authorization for DELEG to support its share of the Michigan Business One-Stop Web portal. The website provides a single website for businesses and professionals to locate licensing and regulatory information, with assistance offered through a customer call center. The FY 2010 budget included a partial adjustment for this purpose, with DELEG absorbing the remaining cost within existing appropriations. DELEG accounts for nearly 2/3 of the cost of the Business One-Stop, based on the volume of licensing and permitting activity of it and other departments.	Restricted	N/A	1,820,000	0
12. Real Estate Continuing Education	Gross	\$18,384,600	\$28,000	\$0
Increases spending authority for the Bureau of Commercial Services to properly ensure compliance with the statutorily-imposed continuing education requirements for real estate licensees. As a condition of license renewal, real estate licenses must meet certain continuing education requirements in every year of a triennial license period.	Restricted	18,384,600	28,000	0

Major Budget Changes From FY 2010-11 YTD Appropriations		FY 2010-11 YTD (as of 2/17/11)	Executive Changes	
			FY 2010-11 to FY 2011-12	FY 2011-12 to FY 2012-13
13. Wage and Hour Division (WHD)	Gross	\$3,346,800	(\$110,000)	\$0
Reduces funding for the division through the elimination of lapsed GF/GP funds. By law, GF/GP funds are to be the last spent. GF/GP funding only accounts for 10.7 percent of the FY 2011 Gross Appropriation for the division.	Restricted	2,991,800	0	0
	GF/GP	\$355,000	(\$110,000)	\$0
<i>Note: Under EO 2011-4, WHD oversight over laws pertaining to youth employment would be moved to the Department of Education and prevailing wages on state-funded projects would be moved to the Michigan Strategic Fund.</i>				
14. Workforce Programs Administration	Gross	\$13,176,000	(\$529,200)	\$0
Reduces funding for the Bureau of Workforce Transformation through the elimination of lapsed funds. The workforce programs administration line supports the administration and program support for WIA (No Worker Left Behind), Trade Adjustment Assistance, and Jobs, Education, and Training programs delivered through the Michigan Works! Agencies.	Federal	12,646,800	0	0
	GF/GP	\$529,200	(\$529,200)	\$0
<i>Note: Under EO 2011-4, the Bureau of Workforce Transformation would be reorganized as the Workforce Development Agency within the Michigan Strategic Fund.</i>				
15. Commission on Disability Concerns (CDC)	Gross	\$1,190,500	(\$10,700)	\$0
Takes an administrative reduction through the elimination of lapsed appropriations.	Federal	666,200	0	0
	Private	18,700	0	0
	Restricted	93,400	0	0
	GF/GP	\$412,200	(\$10,700)	\$0
<i>Note: Under EO 2011-4, the CDC would be transferred to the Department of Civil Rights.</i>				
16. Hispanic/Latino Commission (HLC)	FTE	2.0	(1.0)	0.0
Reduces funding for the HLC through the re-assignment of the administrative support staff to elsewhere within the department.	Gross	\$267,300	(\$80,000)	\$0
	GF/GP	\$267,300	(\$80,000)	\$0
<i>Note: Under EO 2011-4, the HLC would be transferred to the Department of Civil Rights.</i>				
17. Michigan Rehabilitation Service	Gross	\$73,641,400	(\$4,012,800)	\$0
Reduces spending authorization from local cash-match sources to align spending authorization with actual resources available to the department. An additional reduction of \$250,000 GF/GP is realized with the removal of one-time funding available to the MRS to support a project providing recreational facilities to persons with disabilities.	Federal	60,859,400	0	0
	Local	2,684,500	(3,762,800)	0
	Private	816,000	0	0
	Restricted	1,401,800	0	0
	GF/GP	\$7,879,700	(\$250,000)	\$0
18. Welfare to Work	Gross	\$96,923,800	(\$3,765,000)	\$0
Reduces funding for the Welfare to Work line item (the JET program) to align federal TANF authorization with available funding provided by the Department of Human Services.	Federal	81,699,000	(3,765,000)	0
	GF/GP	\$15,224,800	\$0	\$0
19. Unemployment Insurance Agency (UIA)	Gross	\$144,923,200	(\$4,494,500)	\$0
Reduces funding by \$4.5 million in available Reed Act funds unexpended by the UIA. Reed Act funds were made available to the states in 2002, with Michigan's share totaling \$291.5 million. Over the years, the state expended those funds for IT improvements to the UIA and employment service initiatives. The UIA does not use these funds to support UIA administrative costs.	Federal	143,423,200	(4,494,500)	0
	Restricted	1,500,000	0	0

ENERGY, LABOR AND ECONOMIC GROWTH

<u>Major Budget Changes From FY 2010-11 YTD Appropriations</u>		FY 2010-11 YTD (as of 2/17/11)	Executive Changes	
			FY 2010-11 to FY 2011-12	FY 2011-12 to FY 2012-13
20. State Office of Administrative Hearings and Rules	Gross	\$24,910,100	(\$1,057,100)	\$0
Reduces funding for SOAHR from interdepartmental grants (IDGs) provided by the Department of Corrections and the Department of Environmental Quality to support SOAHR conducted administrative hearings (contested case hearings) on behalf of those agencies. This change simply aligns the DELEG budget with funding provided through the Corrections and Environmental Quality budgets.	IDG	12,846,300	(1,057,100)	0
	Federal	7,296,900	0	0
	Restricted	4,766,900	0	0
21. Economics Adjustments	Gross	N/A	\$17,283,900	\$13,006,300
Accounts for increases in retirement costs. Other employee economic components (salaries and wages, insurance, worker's compensation claims) and rent and building occupancy charges are reduced or held flat.	IDG	N/A	484,300	364,400
	Federal	N/A	9,060,200	6,817,900
	Local	N/A	35,800	0
	Private	N/A	1,500	0
	Restricted	N/A	6,959,900	5,249,600
For FY 2013, economics adjustments (insurance and retirement costs) are added as a separate line item, rather than being spread among the several line items or the schedule of programs.	GF/GP	N/A	\$742,200	\$574,400
22. Retirement Savings	Gross	N/A	(\$1,824,900)	\$0
Realizes some cost savings relative to the recent retirement of employees through the elimination of unfilled vacancies.	Federal	N/A	(1,200,700)	0
	Restricted	N/A	(624,200)	0
23. Fund Shifts	Gross	N/A	\$0	\$0
Shifts authorization among various fund sources to more accurately reflect expenditure needs. Most of these shifts net out to zero within the same fund source category (e.g. federal, restricted, etc.) One shift, concerning the Public Service Commission, decreases the MPSC's authorization from Public Utility Assessments (PUA) and increases the authorization from federal gas pipeline safety inspection funds. Recent years have seen the federal government pick up a higher share of the cost.	Federal	N/A	170,000	0
	Restricted	N/A	(170,000)	0

Major Boilerplate Changes From FY 2010-11

NOTES: (1) No new boilerplate language is proposed for FY 2012-13. (2) Under the Executive Recommendation, standard boilerplate sections appear in Article 20 of the proposed omnibus bill. The descriptions below are based on the current-year ordering.

Executive Boilerplate Deletions

In general, the Executive Budget deletes a large majority of boilerplate language included in the FY 2010-11 budget. This includes many legislative reporting requirements, sections providing guidance and placing conditions on appropriations, and earmarks of funding for specific purposes. The list below includes major changes to boilerplate, but is not a comprehensive list of all sections deleted.

Sec. 201. State Spending From State Resources and Payments to Local Units of Government – RETAINED

Specifies the amount of state spending from state resources, and the amount to be paid to local units of government. (Sec. 7-201)

Sec. 228. Increased Payment Options – DELETED

Allows DELEG to receive payments for licenses, permits, and fees via credit card and other electronic means of payment.

Sec. 301. Fire Protection Grants – DELETED

Requires that these grants be distributed in accordance with 1977 PA 289.

Sec. 301a. Fire Protection Grant Report – DELETED

Requires local units receiving fire protection grant funds to report to DELEG how those funds are expended and to report the fire-related expenditures on state property; requires DELEG report to Legislature.

Major Boilerplate Changes From FY 2010-11

Sec. 302a. Fire Safe Cigarette Fine Revenue – DELETED

Appropriates revenue received by the Cigarette Fire Safety Standard and Firefighter Protection Act Fund created by 2009 PA 56. The fund receives civil fine revenue and is to be expended for fire safety and prevention programs.

Sec. 321. Real Estate Red Book Publishing – DELETED

Allocates up to \$50,000 to resume printing of a reference book of real estate laws and rules known as the Red Book.

Sec. 323. Administration and Enforcement of Unarmed Combat – DELETED

Requires use of \$200,000 from funds in part 1 for the administration and enforcement of unarmed combat (boxing and mixed martial arts) regulations.

Sec. 333. UI Internet Claims – DELETED

Requires DELEG to work to increase the number of Internet-filed unemployment benefit claims.

Sec. 340. Workplace Deaths and Injuries – DELETED

Requires report to the Legislature on the number of persons killed or injured on the job in regulated industries.

Sec. 361. Low Income/Energy Efficiency Assistance – REVISED

Allows unexpended Low Income Energy Efficiency Fund revenue to be carried forward into the next fiscal year. Language establishing application and award deadlines and requiring a report to the Legislature is deleted. (Sec. 7-305)

Sec. 368. Regulatory Costs Report – DELETED

Requires DELEG to provide a report to the legislature on the regulatory costs and activities of the Bureau of Commercial Services and the Bureau of Construction Codes.

Sec. 370. Liquor Law Enforcement Grant Report – DELETED

Requires local units receiving liquor law enforcement grant funds (55% of retail liquor license revenue collected by the LCC) to report to the LCC on how those funds are spent, and also provide the amount of liquor-related fees imposed by the local unit, and the revenue generated by such fees; requires LCC report to Legislature.

Sec. 371. LCC Bootlegging Enforcement – DELETED

Requires the Liquor Control Commission to coordinate its bootlegging enforcement activities with the enforcement activities of the Michigan State Police concerning tobacco taxes and other illegal cash transactions.

Sec. 403. Health Care Grievance Process Awareness – DELETED

Directs DELEG to allocate funds to promote awareness of policy holders' right to request external review of adverse determination by a health benefit plan after exhaustion of health carrier's internal grievance process.

Sec. 601. Contributions to Michigan Career and Technical Institute (MCTI) – DELETED

Allows MCTI to receive equipment and in-kind contributions from the Pine Lake Fund and other local or intermediate school districts.

Sec. 602. Sources of Matching Funds for Vocational Rehabilitation Programs – DELETED

Requires Michigan Rehabilitation Services to make every effort to ensure that all possible sources of funds are used to match federal vocational rehabilitation funds.

Sec. 603. Local Match Requirements for Facilities Establishment Grants – DELETED

Requires that local match for vocational rehabilitation facilities establishment grants not exceed 21.3% for the fiscal year ending September 30.

Sec. 604. Centers for Independent Living – DELETED

Distributes grant funds to state's centers for independent living. Funds are to be used by existing centers to provide services in underserved areas or to build capacity to provide independent living services, in accordance with applicable federal law and regulations.

Sec. 611. Michigan Commission for the Blind Matching Funds – DELETED

Establishes legislative intent that Michigan Commission for the Blind work collaboratively with service organizations to identify qualified match dollars to maximize use of available federal funds.

Sec. 612. Youth Low-Vision Program – DELETED

Identifies the Youth Low-Vision Program as the payer of last resort.

Major Boilerplate Changes From FY 2010-11

Sec. 701. Defaulted Future Faculty Program Loan Collections – DELETED

Appropriates up to \$100,000 collected on defaulted loans under Future Faculty Program in the King-Chavez-Parks initiative; states that funds be used to offset cost loan collection administration.

Sec. 710a. WIA Youth Grant Program – DELETED

Allows DELEG to provide grants to non-profit organizations that offer programs to WIA-eligible youth focusing on entrepreneurship, work-readiness skills, job shadowing, and financial literacy.

Sec. 802. Work First Data Reporting – DELETED

Requires a three-year longitudinal study of former Work First and JET participants' employment and salary situations, benefits, job retention, and general welfare; requires notification of study's Internet site location by March 15.

Sec. 810. Workforce Development Boards – DELETED

Requires local workforce development boards to maintain partnerships with governmental agencies, schools, and colleges located within their service delivery areas; specifies membership of education advisory groups.

Sec. 811. Disabled Veterans Outreach Program – DELETED

Stipulates staffing levels for disabled veterans outreach program specialists and local veterans employment representatives to assist veterans within Michigan Works! Employment service centers.

Sec. 813. Workforce Training Funds Allocation – DELETED

Allocates \$100,000 to an existing employer-led public/private workforce development program meeting certain criteria and \$100,000 an existing workforce development program operated collaboratively with local businesses and educational institutions meeting certain criteria.

Sec. 815. Workforce Funds for Libraries – DELETED

Provides that funds distributed to local Michigan Works! Agencies may be used by the MWAs for services provided at local libraries that serve as access points, service centers, or local partners serving high demand or underserved areas.

Sec. 816. Focus: HOPE Allocation – DELETED

Allocates at least \$5.9 million from the workforce training programs subgrantees line item to Focus: HOPE.

Sec. 817. Gang Diversion – DELETED

States legislative intent to set aside some Workforce Investment Act (statewide activities) funds to support gang diversion activities and support services of local law enforcement and MWAs in Wyoming, Detroit, Benton Harbor, and Mt. Morris Charter Township.

Sec. 821. Michigan Nursing Corps – DELETED

Describes purpose and funding for Michigan Nursing Corps program, including accelerated training of both nurses and nursing faculty, and allows matching grants to hospitals providing clinical nursing training.

Sec. 830. No Worker Left Behind Program – DELETED

Outlines report on program outcomes to be provided to the Legislature.

Sec. 832. No Worker Left Behind Eligibility – DELETED

Mandates that DELEG ensure that school districts and career preparation programs operated by school districts are eligible education providers under NWLB and other WIA-funded programs.

**Summary: Executive Budget Recommendation
for Fiscal Years 2011-12 and 2012-13
JUDICIARY**

Analyst: Ben Gielczyk

	FY 2010-11 Year-to-Date as of 2/17/11	FY 2011-12 Executive	Difference: FY 2011-12 Vs. FY 2010-11		FY 2012-13 Executive	Difference: FY 2012-13 Vs. FY 2011-12	
			Amount	%		Amount	%
IDG/IDT	\$3,573,500	\$2,573,500	(\$1,000,000)	(28.0)	\$2,573,500	\$0	0.0
Federal	5,539,500	5,539,500	0	0.0	5,539,500	0	0.0
Local	6,252,200	6,342,700	90,500	1.5	6,446,600	103,900	1.6
Private	842,500	842,500	0	0.0	842,500	0	0.0
Restricted	92,078,000	92,100,300	22,300	0.0	92,126,300	26,000	0.0
GF/GP	152,073,100	152,876,900	803,800	0.5	154,387,400	1,510,500	1.0
Gross	\$260,358,800	\$260,275,400	(\$83,400)	(0.0)	\$261,915,800	\$1,640,400	0.6
FTEs	491.0	491.0	0.0	0.0	491.0	0.0	0.0

Notes: (1) FY 2010-11 appropriation figures include the results of supplementals, Executive Order (EO) actions, and transfer adjustments through February 17, 2011. (2) FY 2012-13 figures are projected or proposed budget amounts only and would not be legally-binding appropriations. (3) Budget changes described below are based on the "Schedule of Program" sections included in the Executive Budget; amounts listed in those schedules are informational in nature and could be potentially adjusted administratively, without legislative approval, within the larger line items into which programs have been rolled up.

Overview

Article VI of the State Constitution of 1963 forms the basis for Michigan's judicial branch of government, which receives funds appropriated through the budget act for the Judiciary. The Judiciary budget provides operational funding for the Michigan Supreme Court, Court of Appeals, and related judicial agencies. The budget also funds the salaries of justices of the Supreme Court and judges of the appeals, circuit, probate, and district courts according to constitutional and statutory requirements. Assistance for local court operations is provided through a variety of grant programs. The largest of these, the Court Equity grant program, reimburses counties for trial court operations based on a statutory formula that recognizes circuit and probate caseloads and the numbers of judgeships.

Major Budget Changes From FY 2010-11 YTD Appropriations	Executive Changes		
	FY 2010-11 YTD (as of 2/17/11)	FY 2010-11 to FY 2011-12	FY 2011-12 to FY 2012-13
1. Line Item Roll-Ups The current year budget contains 31 line items. The Executive budget contains 2 line items.			
2. Elimination of Judgeships Includes savings associated with temporary elimination of two judgeships on January 1, 2011 and recommended elimination of six trial court judgeships in FY 2011-12. Savings totaling \$69,900 GF/GP associated with temporary elimination of two judgeships represent one-quarter of annual savings due to temporary elimination beginning on January 1, 2011. Savings totaling \$942,100 GF/GP associated with elimination of six trial court judgeships represent full year savings.	Gross GF/GP	\$1,012,000 \$1,012,000	(\$1,012,000) (\$1,012,000)
			\$0 \$0
3. Early Retirement Savings Reflects a \$1.0 million Gross and GF/GP reduction which accounts for savings associated with the FY 2010-11 early retirement package.	Gross GF/GP	\$1,019,500 \$1,019,500	(\$1,019,500) (\$1,019,500)
			\$0 \$0

JUDICIARY

<u>Major Budget Changes From FY 2010-11 YTD Appropriations</u>		FY 2010-11 YTD (as of 2/17/11)	Executive Changes	
			FY 2010-11 to FY 2011-12	FY 2011-12 to FY 2012-13
4. Fund Source Transfer	Gross	\$1,000,000	\$0	\$0
Increase of \$1.0 million GF/GP and decrease of \$1.0 million IDG to reflect fund source transfer. Replaces Michigan Department of Corrections IDG with corresponding amount of GF/GP.	IDG	1,000,000	(1,000,000)	0
	GF/GP	\$0	\$1,000,000	\$0
5. Economics	Gross	N/A	\$1,948,100	\$1,640,400
Funds economic adjustments as follows for FY 2011-12:	Local	N/A	90,500	103,900
• Insurance: (\$190,400) Gross, (\$172,800) GF/GP	Restricted	N/A	22,300	26,000
• Retirement: \$1,951,600 Gross, \$1,823,400 GF/GP	GF/GP	N/A	\$1,835,300	\$1,510,500
• Worker's compensation: \$30,400 Gross and GF/GP				
• Building occupancy: \$156,500 Gross, \$154,300 GF/GP				

Major Boilerplate Changes From FY 2010-11

NOTE: No boilerplate language is proposed for FY 2012-13.

Executive Boilerplate Deletions

In general, the Executive Budget deletes a large majority of boilerplate language included in the FY 2010-11 budget. This includes many legislative reporting requirements, sections providing guidance and placing conditions on appropriations, and earmarks of funding for specific purposes. The list below includes major changes to boilerplate, but is not a comprehensive list of all sections deleted.

Sec. 214. Michigan Goods or Services Preference – DELETED

Requires that Michigan goods and services be given priority when purchasing goods or services if competitively priced and of comparable quality.

Sec. 215. Out-of-State Travel Restrictions – DELETED

Limits out-of-state travel in the judicial branch to certain situations. Requires report of out-of-state travel expenses.

Sec. 223. Juror Compensation Reimbursement Fund Transfer – DELETED

Requires \$2.6 million of the juror compensation reimbursement fund balance at the close of FY 2009-10 be transferred to the general fund.

Sec. 309. Mental Health Court Status Report – DELETED

Requires the State Court Administrative Office to provide an update on the status of the pilot mental health courts.

Sec. 310. Drug Treatment Court Performance Report – DELETED

Requires State Court Administrative Office (SCAO) to evaluate and collect data on the performance of the drug treatment court programs. Requires SCAO to provide an annual review of the performance of drug courts.

Sec. 312. Parental Rights Restoration Act Report – DELETED

Instructs state court administrator to report total number of petitions filed by minors seeking court-issued waiver of parental consent under the Parental Rights Restoration Act, and total number of petitions granted.

Sec. 318. Community Court Pilot Project – DELETED

Establishes a community court pilot project and states and funds appropriated in part 1 shall be used for administration of the pilot program.

Summary: Executive Budget Recommendation for Fiscal Years 2011-12 and 2012-13 TRANSPORTATION

Analyst: William E. Hamilton

	FY 2010-11 Year-to-Date as of 2/17/11	FY 2011-12 Executive	Difference: FY 2011-12 Vs. FY 2010-11		FY 2012-13 Executive	Difference: FY 2012-13 Vs. FY 2011-12	
			Amount	%		Amount	%
IDG/IDT	\$878,300	\$3,451,500	\$2,573,200	293.0	\$3,451,500	\$0	0.0
Federal	1,227,470,600	1,241,195,200	13,724,600	1.1	1,228,065,700	(13,129,500)	(1.1)
Local	56,496,000	53,968,500	(2,527,500)	(4.5)	51,711,900	(2,256,600)	(4.2)
Private	0	0	0	--	0	0	--
Restricted	1,950,974,400	2,079,155,500	128,181,100	6.6	2,116,714,400	37,558,900	1.8
GF/GP	0	0	0	--	0	0	--
Gross	\$3,235,819,300	\$3,377,770,700	\$141,951,400	4.4	\$3,399,943,500	\$22,172,800	0.7
FTEs	3,022.3	3,049.3	27.0	0.9	3,049.3	0.0	0.0

Notes: (1) FY 2010-11 appropriation figures include the results of supplementals, Executive Order (EO) actions, and transfer adjustments through February 17, 2011. (2) FY 2012-13 figures are projected or proposed budget amounts only and would not be legally-binding appropriations. (3) Budget changes described below are based on the "Schedule of Program" sections included in the Executive Budget; amounts listed in those schedules are informational in nature and could be potentially adjusted administratively, without legislative approval, within the larger line items into which programs have been rolled up.

Overview

The Transportation budget supports state and local highway programs, public transportation programs, aeronautics programs, and administration of the Michigan Department of Transportation (MDOT). Approximately two-thirds of the revenue in this budget comes from state restricted revenue, with approximately one-third from federal sources. There is no General Fund revenue appropriated in this budget. Almost all the state-restricted revenue in this budget is constitutionally-restricted – from motor fuel taxes and vehicle registration taxes. This revenue is first credited to the Michigan Transportation Fund (MTF) and then distributed in accordance with 1951 PA 51 to other state transportation funds and programs, including the State Trunkline Fund (STF) and the Comprehensive Transportation Fund (CTF), and to local road agencies.

<u>Major Budget Changes From FY 2010-11 YTD Appropriations</u>		FY 2010-11 YTD (as of 2/17/11)	<u>Executive Changes</u>	
			FY 2010-11 to FY 2011-12	FY 2011-12 to FY 2012-13
1. Debt Service	Gross	\$246,813,000	\$40,660,400	(\$41,005,200)
The proposed appropriation of \$287.5 million reflects anticipated debt service schedules. STF debt service would increase by \$48.6 million, of which \$40.0 million relates to the repayment of a short-term note the department may issue in the current year, if necessary, to match federal funds. Debt service related to federal grant anticipation bonds would increase to recognize new bonds which the department may issue for the Blue Water Bridge Plaza project.	Federal	45,832,100	7,602,200	24,000
	Restricted	200,980,900	33,058,200	(41,029,200)

CTF debt service would decline by \$9.9 million reflecting the restructuring of CTF bonds in May 2009.

TRANSPORTATION

<u>Major Budget Changes From FY 2010-11 YTD Appropriations</u>		FY 2010-11 YTD (as of 2/17/11)	Executive Changes	
			FY 2010-11 to FY 2011-12	FY 2011-12 to FY 2012-13
2. Support Services by Other State Departments	Gross	\$51,112,200	\$636,700	\$0
Interdepartmental grants (IDGs) authorize the reimbursement of other state departments from restricted transportation funds for services provided to those transportation funds. There are 21 separate IDG line items in the current year budget including a \$20 million MTF IDG to the Department of State for the cost of collecting registration taxes, and an \$8.3 million MTF IDG to the Department of Treasury for the costs of collecting motor fuel taxes. Increases from current year reflect \$545,000 in economic increases, \$183,000 in cost allocation adjustments, less a \$91,600 technical adjustment.	Restricted	51,112,200	636,700	0
3. Executive Direction	FTEs	37.3	0.0	0.0
Includes <i>Unclassified salaries, Asset Management Council, and Office of Commission Audits</i> ; economic increases of \$161,500 would be offset by \$622,700 baseline reduction – part of \$16.0 million in STF administrative reductions to free up matching funds for federal-aid road and bridge program.	Gross	\$5,662,200	(\$461,200)	\$0
	Restricted	5,662,200	(461,200)	0
4. Business Support	FTEs	58.0	0.0	0.0
Includes <i>Business support, Economic development and enhancement, Property management, and Worker's compensation</i> . Reflects employee retirement-related economic increases, \$394,600; increased building occupancy costs, \$410,400; reduction in workers compensation costs, \$24,000; and baseline reductions of \$426,900 – part of \$16.0 million in STF reductions to free up matching funds for federal-aid road and bridge program.	Gross	\$16,792,400	\$318,900	\$0
	Restricted	16,792,400	318,900	0
5. Information Technology	Gross	\$27,831,000	\$504,000	\$0
Reflects economic adjustments.	Federal	520,500	0	0
	Restricted	27,310,500	504,000	0
6. Finance, Contracts, and Support Services	FTEs	250.5	27.0	0.0
Includes <i>Financial operations, Contract services, Department services, Performance excellence, and Welcome center operations</i> . Reflects economic increases of \$1.0 million, and baseline STF reductions of \$2.0 million – part of \$16.0 million in STF reductions to free up matching funds for federal-aid road and bridge program.	Gross	\$24,621,500	\$1,591,900	\$0
	Restricted	23,743,200	(981,300)	0
	IDG	878,300	2,573,200	0
Increase in IDG funding and FTE positions reflects shift of DNR and DEQ accounting functions to the department. The current year budget includes an \$878,300 IDG from the Michigan Department of Agriculture related to consolidation of accounting functions.				
7. Transportation Planning	FTEs	176.0	0.0	0.0
Reflects economic increases of \$1.5 million; STF baseline reductions of \$927,100 – part of \$16.0 million in STF reductions to free up matching funds for federal-aid road and bridge program. Also restores \$10,000 (federal) spending authority lost when the Governor vetoed boilerplate Sec. 394 in the current year budget.	Gross	\$37,865,200	\$549,800	\$0
	Federal	21,990,000	10,000	0
	Restricted	15,875,200	539,800	0
8. Design and Engineering Services	FTEs	1,492.8	(1.0)	0.0
Reflects economic increases of \$7.1 million; \$80,200 decrease related to position transfers; and STF program reductions of \$7.0 million – part of \$16.0 million in STF reductions to free up matching funds for federal-aid road and bridge program.	Gross	\$116,658,200	\$27,200	\$0
	Federal	23,529,800	0	0
	Restricted	93,128,200	27,200	0

<u>Major Budget Changes From FY 2010-11 YTD Appropriations</u>		<u>FY 2010-11 YTD (as of 2/17/11)</u>	<u>Executive Changes</u>	
			<u>FY 2010-11 to FY 2011-12</u>	<u>FY 2011-12 to FY 2012-13</u>
9. State Trunkline Maintenance	FTEs	836.7	1.0	0.0
Reflects economic increases, \$2.3 million; increase related to position transfers, \$80,200; STF reduction of \$5.0 million – part of \$16.0 million in STF reductions to free up matching funds for federal-aid road and bridge program. Budget includes an additional \$5.0 million decrease in baseline maintenance operations.	Gross	\$274,663,900	(\$7,646,200)	\$5,000,000
	Restricted	274,663,900	(7,646,200)	5,000,000
10. State Trunkline Road and Bridge Construction	Gross	\$796,226,200	\$96,083,800	\$59,417,000
Proposed budget provides sufficient state funds to match all available federal aid. Increase in federal funds reflects department estimates of available federal aid. Increased state restricted funds reflects the net effect of a number of changes to STF revenue and appropriations, including approximately \$20.0 million from increased revenue estimates as compared to the current fiscal year, \$50.0 million from Canadian funds related to a proposed Detroit-Windsor bridge crossing, \$16.0 million from administrative reductions in other areas of the budget, and \$5.0 million from a reduction in baseline maintenance operations.	Federal	713,019,500	29,072,500	1,000
	Local	30,000,000	0	0
	Restricted	53,206,700	67,011,300	59,416,000
Redirection of \$12.0 million in drivers' license fee revenue from Category "A" of Transportation Economic Development Fund (TEDF) to the STF, included in the current year budget, would be continued in FY 2011-12 and FY 2012-13.				
11. Local Federal Aid Road and Bridge Construction	Gross	\$248,751,000	(\$8,308,000)	\$0
A placeholder reflecting estimated federal aid and the Act 51 directive that an average of 25% of most federal aid program funds be made available to local road agencies.	Federal	248,751,000	(8,308,000)	0
12. Local Bridge Fund	Gross	\$26,799,800	\$452,700	(\$52,600)
Act 51 earmark reflects anticipated gasoline tax revenue.	Restricted	26,799,800	452,700	(52,000)
13. MTF Distribution to Local Road Agencies	Gross	\$886,145,400	\$29,976,100	\$4,766,700
Recognizes \$888.7 million MTF (\$570.6 million to county road commissions, \$318.1 million to cities/villages) based on February 2011 revenue estimates and Act 51 formula; actual distribution will be based on actual MTF revenue, which may differ from estimates.	Restricted	886,145,400	29,976,100	4,766,700
14. Transportation Economic Development Fund (TEDF)	Gross	\$32,425,500	(\$199,300)	\$438,900
Reflects net TEDF revenue from MTF and interest on TEDF fund balance, less administrative costs and TEDF-related debt service. Continues into FY 2011-12 and FY 2012-13 the shift of \$12.0 million in driver's license fee revenue from Category "A" to the STF state trunkline road and bridge program to help provide matching funds for federal aid.	Restricted	32,425,500	(199,300)	438,900
Does not include appropriation for "Non-profit street railways." The current year appropriation of \$1.0 million would be shifted to the TEDF Category A program.				
15. Aeronautics and Freight Services	FTEs	84.0	0.0	0.0
Includes three operating line items, <i>Airport improvement services</i> , <i>Aviation services</i> , and <i>Freight and safety services</i> , as well as the <i>Aviation services</i> grant program. Reflects on-going reduction in State Aeronautics Fund revenue.	Gross	\$11,694,400	(\$524,700)	(\$749,200)
	Restricted	11,694,400	(524,700)	(749,200)

TRANSPORTATION

<u>Major Budget Changes From FY 2010-11 YTD Appropriations</u>		FY 2010-11 YTD (as of 2/17/11)	Executive Changes	
			FY 2010-11 to FY 2011-12	FY 2011-12 to FY 2012-13
16. Public Transportation Services	FTEs	46.0	0.0	0.0
Administers passenger public transportation programs. Increase reflects economic adjustments.	Gross	\$5,827,600	\$265,800	\$0
	Federal	862,100	0	0
	Restricted	4,965,500	265,800	0
17. Bus Transit - Local Bus Operating Assistance	Gross	\$166,624,000	\$0	\$0
Recommends \$166.6 million (CTF) for state operating assistance to local public transit agencies – unchanged since FY 2006-07.	Restricted	166,624,000	0	0
18. Bus Transit - Non-Urban Operating/Capital	Gross	\$22,787,900	\$0	\$0
Recognizes federal non-urban transit grants.	Federal	21,987,900	0	0
	Local	800,000	0	0
19. Rail Passenger Service	Gross	\$11,667,000	\$0	\$0
Provides operating assistance to AMTRAK for Port Huron/Chicago and Grand Rapids/Chicago rail service with state restricted funds; federal revenue supports capital assistance.	Federal	3,000,000	0	0
	Restricted	8,667,000	0	0
20. Intercity Services	Gross	\$7,250,000	(\$1,150,000)	\$0
Provides \$650,000 in additional CTF support; reduces authorization from Intercity Bus Equipment Fund by \$1.8 million to reflect actual revenue.	Federal	4,500,000	0	0
	Local	50,000	0	0
	Restricted	2,700,000	(1,150,000)	0
21. Freight Preservation and Development	Gross	\$3,364,200	\$1,735,800	\$0
Provides additional CTF support to program that supports capital improvements to state owned railroads.	Federal	100,000	0	0
	Restricted	3,264,200	1,735,800	0
22. Specialized Services	Gross	\$7,443,800	\$1,470,000	\$0
Supports transit programs for elderly and disabled citizens. Increase to \$8.9 million reflects anticipated federal and CTF revenue.	Federal	1,785,000	700,000	0
	Local	1,700,000	785,000	0
	Restricted	3,958,800	(15,000)	0
23. Municipal Credit Program	Gross	\$2,000,000	\$0	\$0
Reflects Act 51 earmark level of not less than \$2.0 million.	Restricted	2,000,000	0	0
24. Bus Capital/Transit Capital	Gross	\$41,300,000	\$8,748,400	\$0
Provides increased state CTF matching funds for federal transit grants to local transit agencies.	Federal	28,300,000	0	0
	Local	5,000,000	0	0
	Restricted	8,000,000	8,748,400	0
25. State/Local Capital Facilities Projects	Gross	\$12,891,100	(\$9,889,600)	\$0
Provides \$3.0 million for department facilities. Reflects the end of one time funding for new Port Huron Welcome center replacement, and Blue Water Bridge inspection station, administration, and maintenance facilities.	Federal	6,514,800	(6,514,800)	0
	Restricted	6,376,300	(3,374,800)	0
26. AERO Capital Projects	Gross	\$123,246,400	(\$13,495,800)	(\$15,830,100)
Provides funding for federal Airport Improvement Program; reflects anticipated program funding.	Federal	102,927,900	(8,837,300)	(13,154,500)
	Local	16,446,000	(3,312,500)	(2,256,600)
	Restricted	3,872,500	(1,346,000)	(419,000)
27. Economics	Gross	N/A	\$14,207,200	\$10,187,300
Estimated additional funding needed to maintain baseline service levels. Net increase reflects \$14.6 million increase for retirement contributions, \$1.3 million decrease for health insurance, \$24,000 decrease for workers compensation, and \$410,400 increase in building occupancy costs.	Restricted	N/A	14,207,200	10,187,300

Executive budget detail shows a \$10.2 million increase in FY 2012-13 for "Active and retiree insurance and pension adjustment."

Major Boilerplate Changes From FY 2010-11

NOTE: No boilerplate language is proposed for FY 2012-13

Executive Boilerplate Deletions

In general, the Executive Recommendation deletes a large majority of boilerplate language included in the FY 2010-11 budget. This includes many legislative reporting requirements, sections providing guidance and placing conditions on appropriations, and earmarks of funding for specific purposes. The list below includes major changes to boilerplate, but is not a comprehensive list of all sections deleted.

Sec. 205. Hiring Freeze – DELETED

Imposes a hiring freeze for state civil service positions. State Budget Director is given authority to grant exceptions to the hiring freezes if specific criteria are met.

Sec. 207. Privatization – DELETED

Provides for reports on privatization activities and defines privatize and privatization.

Sec. 209. Purchase of Foreign Goods – DELETED

Prohibits the purchase of foreign-made goods if comparable American or Michigan goods are available. Gives preference to Michigan businesses owned or operated by veterans.

Sec. 210. Economically Distressed Areas – DELETED

Encourages the department to contract with businesses in economically distressed areas.

Sec. 214. Out-of-State Travel – DELETED

Limits out-of-state travel for certain circumstances and requires reporting on all out-of-state travel.

Sec. 260. Out-of-State Professional Development – DELETED

Limits out-of-state travel for professional development conferences or training seminars.

Sec. 261. Communication with the Legislature – DELETED

Prohibits the department from taking disciplinary action against an employee for communicating with a legislator or his/her staff.

Sec. 262. Hire of Outside Legal Counsel – DELETED

Prohibits the department from hiring a person to provide legal services that are the responsibility of the Attorney General but exempts legal services for bonding or other activities authorized by the Attorney General.

Sec. 263. Impact of New Legislation and Administrative Rules – DELETED

Requires a report on specific policy changes adopted to implement new public acts. Prohibits the department from adopting administrative rules that have a disproportionate impact on small business.

Sec. 266. Transparency/FTE Report – DELETED

Requires quarterly report on FTE positions; directs department to use funds not to exceed \$10,000 to develop, post, and maintain on a publically accessible website expenditures made during the fiscal year.

Sec. 301. Permit Fees/Bridge Tolls – DELETED

Provides for permit and FOIA processing fees; Governor deletes subsection which provides process for raising bridge tolls.

Sec. 306. Use of Transportation Funds by Other State Agencies/Biennial Audit – MODIFIED

Sets guidelines for use of transportation funds (grants) by other state agencies. The Governor deletes biennial audit and reporting requirement.

Sec. 307. Rolling Five-Year Plan – DELETED

Requires MDOT to provide a rolling five-year highway construction plan by March 1 of each year.

Sec. 308. Contract Compliance – DELETED

Requires that MDOT and local road agencies pursue compliance with contract specifications for construction and maintenance; provides for sanctions for unsatisfactory contractors; requires a report.

Sec. 353. Prompt Payment – DELETED

Directs MDOT to review contractor payment process to ensure that contractors and subs are paid promptly.

Sec. 357. Local Federal Aid Project Review – DELETED

Directs MDOT to complete project reviews within 120 days; requires system for monitoring review process.

Sec. 383. Report on Use of State Airfleet – DELETED

Requires quarterly report on use of MDOT-owned aircraft; restricts use by legislative employees; requires recovery of department costs.

TRANSPORTATION

Major Boilerplate Changes From FY 2010-11

Sec. 384. Detroit River International Crossing (DRIC) – DELETED

Limits spending DRIC; requires legislative report by March 31, 2011; indicates that spending restrictions of the section will not apply if DRIC enabling legislation is enacted.

Sec. 385. Private Facility Toll Credits – DELETED

Restricts use of toll credits earned from private toll facilities.

Sec. 401. Federal Aid Distribution Report – DELETED

Requires Department to notify local agencies, Legislature, and state budget director on proposed distribution of federal funds between state and local units.

Sec. 402. Sale of Local Federal Aid – RETAINED

Authorizes local road agencies to sell federal aid to Department or to other local road agencies.

Sec. 602. Manufactured Pipe – DELETED

Provides standards for use and testing of manufactured pipe.

Sec. 654. Long-term Viability of Mackinac Bridge – DELETED

Indicates legislative intent that the Mackinac Bridge Authority protect long-term viability of the Mackinac Bridge.

Sec. 659. Life Cycle Cost for Pavement Projects – DELETED

Allows the use of historical/comparable data from states with similar climate, soil, and vehicular traffic.

Sec. 660. Use of Alternative Materials – DELETED

Encourages the department to examine the use of alternative road surface materials.

Sec. 711. Seven-Day Rail Passenger Service (AMTRAK) – DELETED

Directs Department to negotiate with a rail carrier to provide seven-day Port Huron/Chicago and Grand Rapids/Chicago service.

FY 2011-12

CONSENSUS REVENUE

Consensus Revenue: FY 2011-12

Senior Economist: Rebecca Ross

This section explains January 2011 Consensus Revenue Estimating Conference estimates for GF/GP and School Aid Fund (SAF) revenue for FY 2010-11 and FY 2011-12 by major revenue sources.

For Michigan:

- ▶▶ Wage and salary employment is expected to increase 0.2% in 2011 and 1.2% in 2012.
- ▶▶ The unemployment rate is expected to be 12.3% in 2011, then decrease to 11.5% in 2012.

**GF/GP REVENUE ESTIMATES
(Millions of Dollars)**

	<u>Final FY 2009-10</u>	<u>FY 2010-11</u>	<u>FY 2011-12</u>	<u>FY 2011-12 Over FY 2010-11</u>	
				<u>Change</u>	
Personal Income Tax	\$3,694.5	\$3,833.7	\$3,790.9	(\$42.8)	(1.1%)
Sales and Use Taxes	891.2	928.4	978.1	49.7	5.4%
MBT/SBT and Insurance Taxes	1,394.2	1,642.4	1,699.8	57.4	3.5%
Other Taxes	433.3	438.0	440.9	2.9	0.7%
GF/GP Tax Revenue	\$6,413.2	\$6,842.5	\$6,909.7	\$67.2	1.0%
Non-Tax Revenue	372.1	385.4	384.4	(1.0)	(0.3%)
Net Total GF/GP Revenue	\$6,785.3	\$7,227.8	\$7,294.1	\$66.3	0.9%

General Fund/General Purpose Revenue by Source

Personal Income Tax

Michigan personal income tax revenue is forecast to increase 3.8% in FY 2010-11, and then decrease 1.1% in FY 2011-12. The decrease in FY 2011-12 is due primarily to a scheduled income tax rate reduction (4.35% to 4.25%) effective October 1, 2011.

Sales and Use Taxes

Improving wage and salary income growth will increase GF/GP sales and use tax revenue from \$928.4 million in FY 2010-11 to \$978.1 million in FY 2011-12.

Michigan Business Tax/Single Business Tax and Insurance Taxes

Net business taxes were \$1,394.2 million in FY 2009-10, and will increase 17.8% to \$1,642.4 million in FY 2010-11, and increase 3.5% to \$1,699.8 million in FY 2011-12.

GF/GP Tax Revenue

- ▶▶ Final GF/GP tax revenue totaled \$6,413.2 million in FY 2009-10.
- ▶▶ GF/GP tax revenue is expected to increase in FY 2010-11 to \$6,842.5 million (6.7% increase) and in FY 2011-12 to \$6,909.7 million (1.0% increase).

Net Total GF/GP Revenue

- ▶▶ Net total GF/GP revenue includes tax revenue and non-tax revenue.
- ▶▶ Non-tax revenue includes revenue from the liquor purchase revolving fund, federal aid, licenses and permits, and investment income and borrowing costs.
- ▶▶ Net total GF/GP revenue was \$6,785.3 million in FY 2009-10.

- ▶ Net total GF/GP revenue is expected to increase to \$7,227.8 million (6.5% increase) in FY 2010-11, then increase to \$7,294.1 million (increase of \$66.3 million, or 0.9%) in FY 2011-12.

**SCHOOL AID FUND REVENUE ESTIMATES
(Millions of Dollars)**

Revenue	Final FY 2009-10	FY 2010-11	FY 2011-12	FY 2011-12 Over FY 2010-11	
				Change	
Sales and Use Tax	\$4,886.6	\$5,040.5	\$5,193.7	\$153.2	3.0%
Income Tax Earmark	1,836.1	1,905.5	1,968.2	62.7	3.3%
Lottery and Casinos	812.4	826.0	834.0	8.0	1.0%
MBT	726.8	739.2	750.2	11.0	1.5%
Tobacco Taxes	392.9	378.7	370.5	(8.2)	(2.2%)
State Education Tax	1,930.5	1,860.0	1,835.0	(25.0)	(1.3%)
Real Estate Transfer Tax	121.6	125.0	136.0	11.0	8.8%
Liquor Excise and Specific Taxes	110.0	104.2	106.0	1.8	1.7%
Net SAF Revenue	\$10,816.9	\$10,979.1	\$11,193.6	\$214.5	2.0%
Federal Funds	1,503.6	1,677.8	1,653.3	(24.5)	(1.5%)
Net Total SAF Revenue	\$12,320.5	\$12,656.9	\$12,846.9	\$190.0	1.5%

School Aid Fund Revenue by Source

Sales and Use Taxes

Combined sales and use tax revenue dedicated to the SAF equaled \$4,886.6 million in FY 2009-10; it is forecast to increase to \$5,040.5 million in FY 2010-11 and increase to \$5,193.7 million (3.0% increase) in FY 2011-12.

Income Tax

- ▶ Approximately 23% of gross income tax collections are dedicated to the SAF.
- ▶ Dedicated income tax revenue is forecast to increase to \$1,905.5 million (3.8% increase) in FY 2010-11 and increase to \$1,968.2 million (3.3% increase) in FY 2011-12.

Lottery/Casinos

Lottery and Casino revenue contributed \$812.4 million to the SAF in FY 2009-10, and is projected to increase \$826.0 million (1.7% increase) in FY 2010-11, and increase by 1.0% in FY 2011-12.

MBT

MBT revenue contributed \$726.8 million to the SAF in FY 2009-10, and is projected to increase \$739.2 million (1.7% increase) in FY 2010-11, and increase by 1.5% in FY 2011-12.

Tobacco Taxes

- ▶ Approximately 39% of gross tobacco tax revenue is dedicated to the SAF.
- ▶ The SAF received \$392.9 million from tobacco taxes in FY 2009-10.
- ▶ The demand for tobacco products is expected to decline over the duration of the forecast; total SAF tobacco tax revenue is expected to decrease to \$378.7 million in FY 2010-11 and \$370.5 million in FY 2011-12.

State Education Tax/Real Estate Transfer Tax

- ▶ All of the 6-mill state education tax (SET) and the real estate transfer tax (RET) is dedicated to the SAF.
- ▶ Revenue from the SET was \$1,930.5 million in FY 2009-10, and it is expected to decrease to \$1,860.0 million (3.7% decrease) in FY 2010-11 and decline to \$1,835.0 million (1.3% decrease) in FY 2011-12.

CONSENSUS REVENUE

- ▶ RET contributed \$121.6 million to the SAF in FY 2009-10, and is forecast to contribute \$125.0 million in FY 2010-11 and \$136.0 million in FY 2011-12.

Net SAF Revenue

- ▶ Net SAF revenue was \$10,816.9 million in FY 2009-10.
- ▶ Net SAF revenue is expected to increase to \$10,979.1 million in FY 2010-11 and increase 2.0% to \$11,193.6 million in FY 2011-12.

Net Total SAF Revenue

- ▶ Actual SAF revenue represents revenue available for expenditure each year; it includes non-ARRA federal funds, but does not include any GF/GP transfers to SAF or beginning balances.
- ▶ Actual SAF revenue was \$12,320.5 million in FY 2009-10; it is expected to increase 2.7% to \$12,656.9 million in FY 2010-11, then increase 1.5% to \$12,846.9 million in FY 2011-12.

HFA Estimates of Year-End Balances

The following table reports House Fiscal Agency estimates of year-end balances for GF/GP, the SAF, and the Budget Stabilization Fund (BSF).

**YEAR-END BALANCE ESTIMATES
(Millions of Dollars)**

	<u>FY 2009-10</u>	<u>FY 2010-11</u>
General Fund/General Purpose	\$187.2	\$313.6
School Aid Fund	\$255.9	\$507.4
Budget Stabilization Fund	\$2.2	\$2.3

Year-end estimates notes:

- ▶ FY 2009-10 estimates for GF/GP and the SAF are based on year-to-date appropriations, projected year-end adjustments, and consensus revenue estimates.
- ▶ SAF revenue is restricted; hence, any year-end balance is carried forward to the subsequent year.
- ▶ BSF estimates are based on current balance estimates and HFA estimates of future deposits and interest earned.

Budget Stabilization Fund Year-End Balances

The following table notes BSF deposits, withdrawals, and interest earnings from FY 1990-91 to FY 2008-09, and HFA estimates of deposits, expected interest earnings, and year-end balances for FY 2010-11 and FY 2011-12. A complete list of BSF historical data is available from the HFA upon request.

The final BSF fund balance was \$2.2 million for FY 2009-10. The fund balance is forecast to be \$2.3 million for FY 2010-11 and \$2.4 million for FY 2011-12.

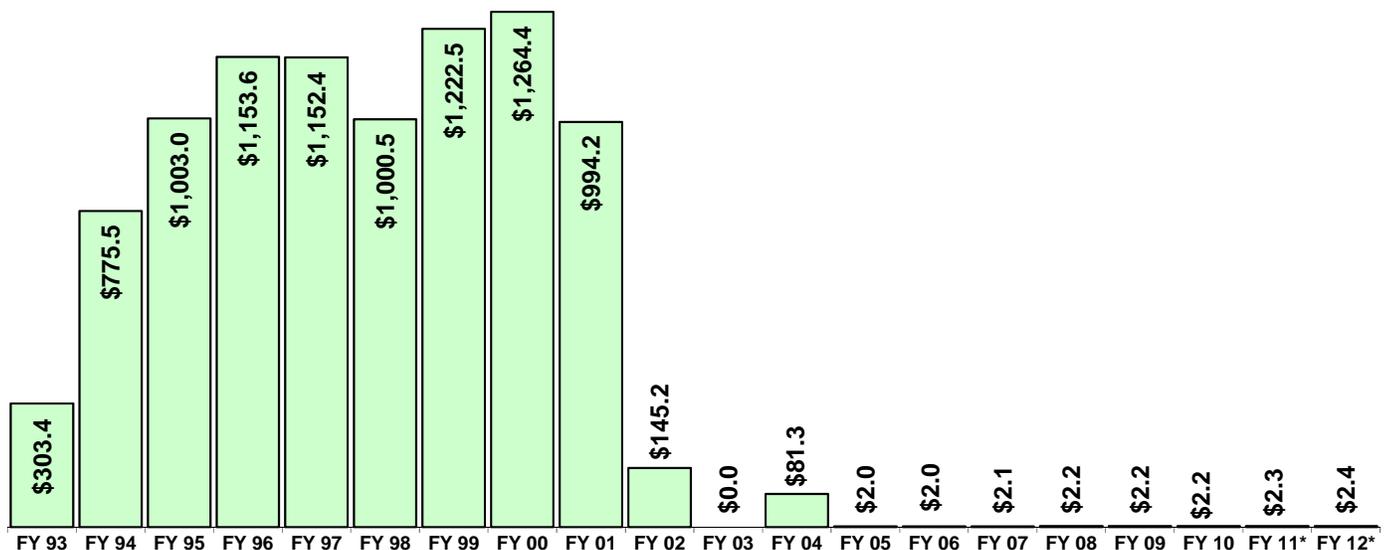
BUDGET STABILIZATION FUND HISTORY
(Millions of Dollars)

<u>Fiscal Year</u>	<u>Deposits</u>	<u>Withdrawals</u>	<u>Interest Earned</u>	<u>Balance</u>
1990-91	0.0	230.0	27.1	182.2
1991-92	0.0	170.1	8.1	20.1
1992-93	282.6	0.0	0.7	303.4
1993-94	460.2	0.0	11.9	775.5
1994-95	260.1	90.4	57.7	1,003.0
1995-96	91.3	0.0	59.2	1,153.6
1996-97	0.0	69.0	67.8	1,152.4
1997-98	0.0	212.0	60.1	1,000.5
1998-99	244.4	73.7	51.2	1,222.5
1999-2000	100.0	132.0	73.9	1,264.4
2000-01	0.0	337.0	66.7	994.2
2001-02	0.0	869.8	20.8	145.2
2002-03	0.0	156.1	10.9	0.0
2003-04	81.3	0.0	0.0	81.3
2004-05	0.0	81.3	2.0	2.0
2005-06	0.0	0.0	0.0	2.0
2006-07	0.0	0.0	0.1	2.1
2007-08	0.0	0.0	0.1	2.2
2008-09	0.0	0.0	0.1	2.2
2009-10	0.0	0.0	0.1	2.2
2010-11*	0.0	0.0	0.1	2.3
2010-12*	0.0	0.0	0.1	2.4

* HFA Estimates

NOTE: Numbers may not add due to rounding.

Budget Stabilization Fund (BSF) Balance
(Millions of Dollars)



*Consensus Estimates

CONSENSUS REVENUE

Compliance With the State Revenue Limit

HFA estimates of the state revenue limit provided for in Article IX, Section 26, *Constitution of the State of Michigan*, and estimates of total state revenue collections subject to the state revenue limit are shown in the following table. As provided for in the *Constitution*, the revenue limit is calculated as 9.49% of total state personal income in the previous full calendar year (CY) prior to the fiscal year in which the revenue is measured, as estimated by the Bureau of Economic Analysis, United States Department of Commerce.

**COMPLIANCE WITH THE STATE REVENUE LIMIT
(Millions of Dollars)**

<u>Revenue Limit Calculations</u>	<u>FY 2009-10</u>	<u>FY 2010-11</u>	<u>FY 2011-12</u>
Personal Income	CY 2008	CY 2009	CY 2010
Amount	\$349,612	\$339,219	\$350,518
X Limit Ratio	9.49%	9.49%	9.49%
State Revenue Limit	33,178.2	32,191.9	33,264.2
Total Revenue Subject to Revenue Limit	\$24,263.8	\$25,065.6	\$25,547.4
Amount Under (Over) State Revenue Limit	\$8,914.4	\$7,126.3	\$7,716.7

Implications of Exceeding the State Revenue Limit

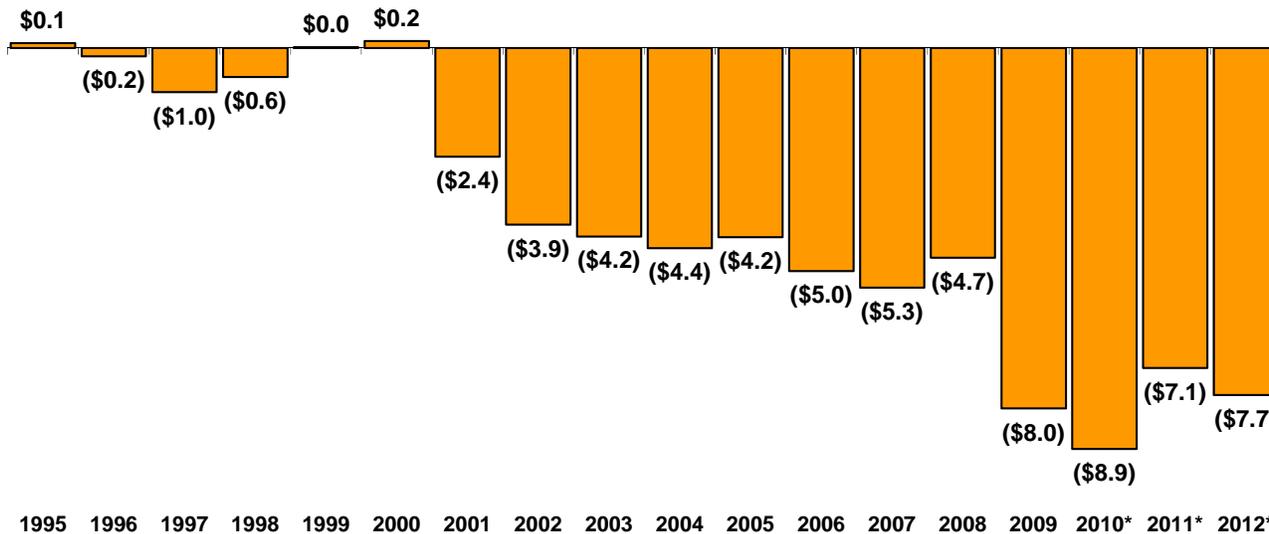
Article IX, Section 26, Constitution of the State of Michigan, provides that:

. . . For any fiscal year in the event that Total State Revenue exceed the limit established in this section by 1% or more, the excess revenues shall be refunded pro rata based on the liability reported on the Michigan income tax and single business tax (or its successor tax or taxes) annual returns filed following the close of such fiscal year. If the excess is less than 1%, this excess may be transferred to the State Budget Stabilization Fund . . .

Furthermore, the state is prohibited from spending any current-year revenue in excess of the limit established in Section 26 by Article IX, Section 28.

The preliminary final FY 2009-10 revenue limit calculation indicates that the state revenue collections were well under the revenue limit. For both FY 2010-11 and FY 2011-12, state revenue is estimated to be substantially below the revenue limit—by \$7.1 billion and \$7.7 billion, respectively.

**Constitutional Revenue Limit
(Billions of Dollars)**



*Consensus Estimates



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