

REVIEW AND ANALYSIS
OF THE
FY 2010-11
EXECUTIVE BUDGET
RECOMMENDATION



prepared by the

HOUSE
FISCAL
AGENCY

Mitchell E. Bean, Director

March 2010

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March 2010

TO: Members of the Michigan House of Representatives

We are pleased to provide you with this ***Review and Analysis of the FY 2010-11 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 2010-11, 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

TABLE OF CONTENTS

OVERVIEW

Director's Overview	1
---------------------------	---

BUDGET DETAIL

EDUCATION

Community Colleges	18
Education (Department)	20
Higher Education.....	23
School Aid/K-12	26

GENERAL GOVERNMENT

Overview	32
Attorney General	33
Civil Rights	35
Executive Office	37
Legislative Auditor General	38
Legislature.....	39
State	40
Technology, Management and Budget	42
Treasury	48

HUMAN SERVICES

Community Health (includes Medicaid, Public Health, Mental Health, and Aging).....	56
Corrections.....	63
Human Services (Department).....	68

RESOURCE PROTECTION

Agriculture	78
Natural Resources and Environment	82

SAFETY AND DEFENSE

Military and Veterans Affairs	88
State Police	91

ALL OTHERS

Capital Outlay.....	98
Energy, Labor and Economic Growth	99
Judiciary	104
Transportation	107

<u>CONSENSUS REVENUE</u>	112
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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 2010-11 Budget Detail

DIRECTOR'S OVERVIEW

Overview
Resources Used in Executive Budget
Proposed Retirement System Changes
Proposed Tax Changes
Economic Changes
Summary Information and Tables

OVERVIEW

FY 2010-11 Executive Recommendation DIRECTOR'S OVERVIEW

The FY 2010-11 Executive Budget Recommendation calls for \$46,636.3 million in adjusted gross appropriations. This includes \$7,986.7 million in General Fund/General Purpose (GF/GP) funds, \$18,097.6 million in restricted funds, \$475.6 million in local/private funds, and \$20,076.4 million in federal funds.

Of the \$26,084.3 million in state resources recommended for appropriation in FY 2010-11, \$15,170.7 million (58.2% 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 11, 2010, Consensus Revenue Estimating Conference revenue estimates, the Executive Recommendation incorporates the following, which address the estimated \$1.5 billion FY 2010-11 budget shortfall:

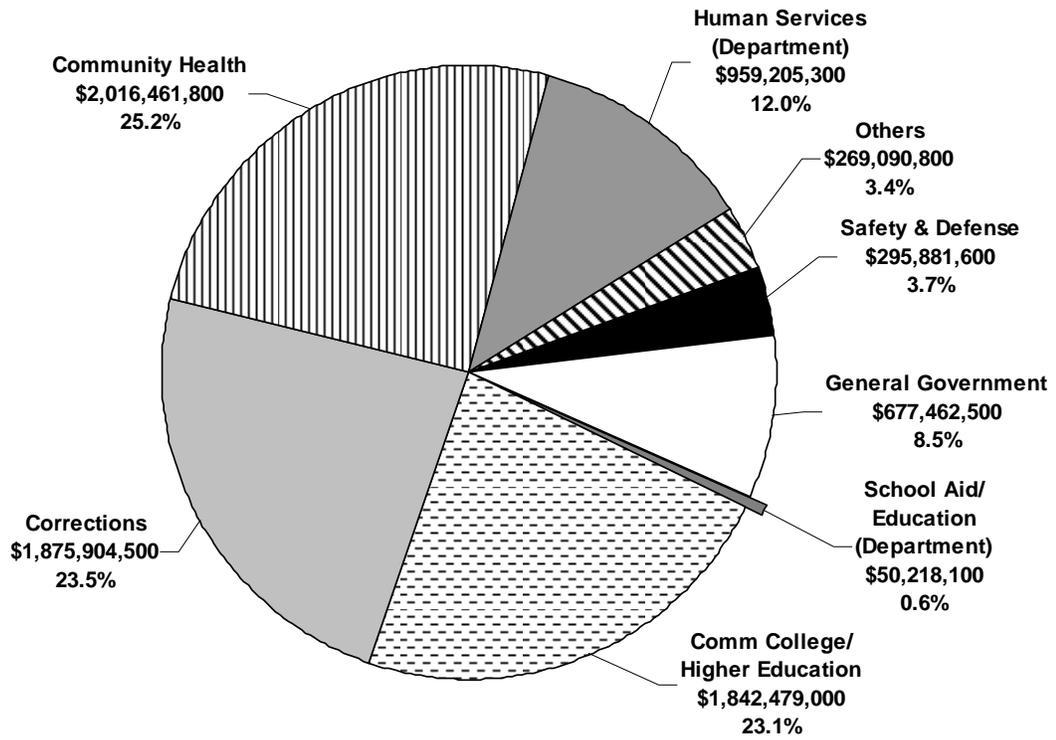
- GF/GP budget reductions totaling \$566 million:
 - \$140 million in reductions in the Department of Corrections budget tied to reforms that would reduce the state's prison population.
 - \$133 million tied to a proposed physician provider assessment.
 - \$39 million in reductions in the Department of Community Health budget.
 - \$39 million in reductions in the Department of Human Services budget.
 - \$39 million in reductions in the Higher Education budget.
 - \$60 million in reductions to programs in other budgets.
 - \$116 million in GF/GP reductions from proposed changes to state employee retirement and other benefits (not yet reflected in individual department budget amounts).
- The use of \$567.6 million in additional federal funds anticipated to be available to reduce Medicaid costs under pending Federal legislation.
- A proposed state tax restructuring plan that would result in a net revenue increase of \$554.3 million for FY 2010-11, which would be used to eliminate the projected shortfall in the School Aid budget (and yield an estimated year-end balance of \$151.8 million). Major revenue impacts of the restructuring proposal for FY 2010-11 are as follows (see page 8 for more information)
 - Reduction of \$170.8 million for 50% phase-out of Michigan Business Tax surcharge.
 - Net increase of \$728.7 million from lowering sales/use tax rate to 5.5% and expanding tax base to include most consumer services and some business-to-business services.
 - Reduction of \$3.5 million for administrative costs of tax restructuring.

This Overview includes:

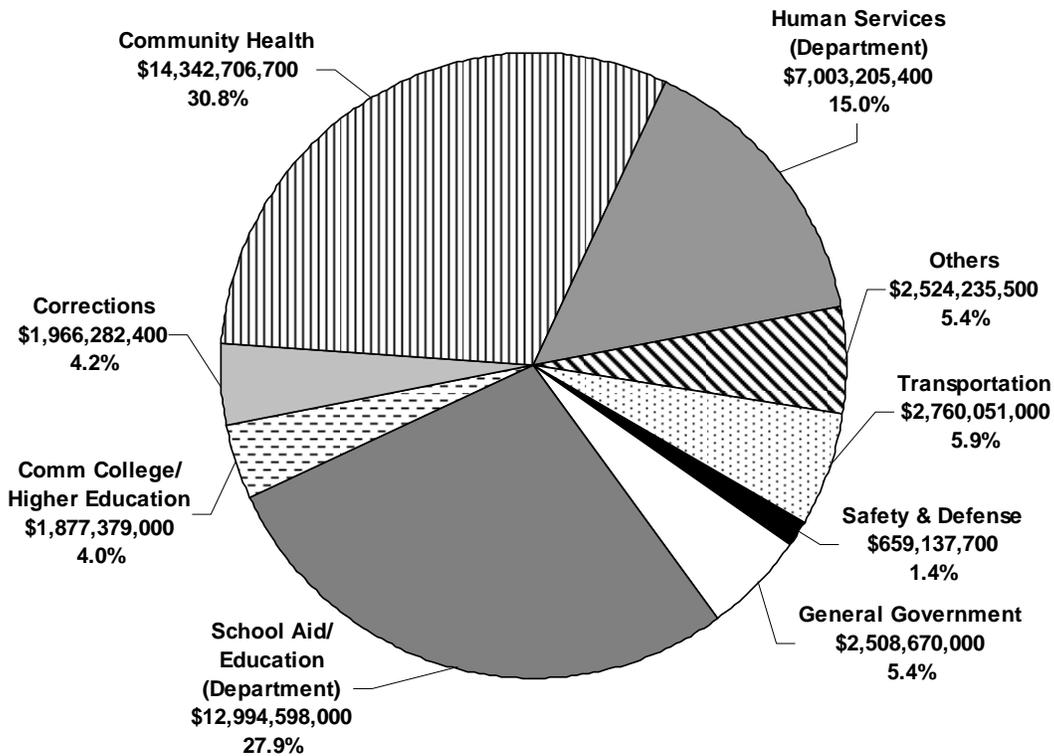
- Graphs of Executive Recommendation GF/GP and Adjusted Gross distribution by budget area.
- Review of resources used in the Executive Recommendation.
- Summaries of proposed retirement system and tax changes.
- Summary of the overall content of the budget (Tables 1 through 5).

Following this Overview, individual sections explain appropriations by department or major budget area. Each section includes a comparison of FY 2009-10 year-to-date appropriations with the FY 2010-11 Executive Recommendation and an analysis and discussion of major budget and boilerplate issues.

**FY 2010-11 Executive Recommendation
General Fund/General Purpose (GF/GP) = \$7,986,703,600**



**FY 2010-11 Executive Recommendation
Adjusted Gross = \$46,636,265,700**



OVERVIEW

RESOURCES USED IN FY 2010-11 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 2010-11 Executive Recommendation General Fund/General Purpose (GF/GP) (Millions of Dollars)		FY 2010-11 Executive Recommendation School Aid Fund (SAF) (Millions of Dollars)	
<u>Resources</u>		<u>Resources</u>	
Beginning Balance	\$33.1	Beginning balance	\$78.5
Initial revenue estimate (1/11/10)	6,968.4	Initial revenue estimate (1/11/10)	10,480.5
Revenue sharing savings	427.3	Proposed tax restructuring plan	554.3
Charge SAF for short-term borrowing cost	45.0	Tax enforcement	2.3
Use tax base change	354.6	Lottery reform	5.0
Use tax - Proposed physician assessment	34.3	GF/GP subsidy	30.2
Proposed Promise Tax Credit	(6.8)	Federal funds	1,680.1
Eliminate College Tuition Tax Credit	8.8	Federal ARRA	<u>184.3</u>
Proposed Venture Investment Tax Credit	(5.0)	Total Resources	\$13,015.1
Tax enforcement	<u>15.0</u>		
Total Resources	\$7,874.7		
<u>Expenditures</u>		<u>Expenditures</u>	
FY 2010-11 Executive Recommendation	\$7,870.1	FY 2010-11 Executive Recommendation	\$12,863.3
Estimated Year-End Balance	\$4.6	Estimated Year-End Balance	\$151.8

FY 2010-11 Consensus Revenue Estimate: Revenue estimates agreed to at the January 2010 consensus revenue estimating conference.

Revenue sharing savings: Additional GF/GP sales tax revenue as the result of revenue sharing freeze.

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

Use tax base change: Impact of 2008 PA 440, which applied the use tax to Medicaid managed care organizations.

Use tax - Proposed physician assessment: Additional use tax which would be generated from increased Medicaid managed care payments for physician services due to proposed assessment.

Proposed Promise Tax Credit: Proposed income tax credit for students who would have been eligible for Promise Grant Program and remain in state for one year after earning a college degree (see page 8 for more information).

Eliminate College Tuition Tax Credit: Proposed elimination of current income tax credit for students attending colleges/universities that hold their tuition increases to level of inflation.

Venture Investment Tax Credit: Proposed expansion of Angel and Venture Capital Investment Tax Credit.

Tax enforcement: Impact of proposed enhanced enforcement.

Proposed tax restructuring plan: Net revenue increase for FY 2010-11 from proposed changes to sales/use taxes and Michigan Business Tax (see page 8 for more information).

Lottery reform: Increased advertising, reducing the number of days lottery winners can claim prizes, and placing self-service machines in Wayne County Metropolitan Airport would increase net lottery revenue by an estimated \$5.0 million.

Federal ARRA: Remaining funds available for K-12 funding from State Fiscal Stabilization Fund under American Recovery and Reinvestment Act (ARRA).

OVERVIEW

FY 2010-11 Executive Recommendation Merit Award Trust Fund (Millions of Dollars)	
Beginning balance	\$6.1
Master Settlement Agreement payment	328.5
Assume no withheld/disputed funds	0.0
Interest	0.9
Payment on 2006 securitization bonds	(43.8)
Payment on 2007 securitization bonds	(35.4)
Deposit to 21st Century Jobs Trust Fund	<u>(75.0)</u>
Available Resources	\$181.3
Proposed Expenditures:	
Tuition Incentive Program (TIP)	(30.1)
TIP Administration	(0.9)
State Police tobacco tax enforcement	(0.6)
Medicaid base	(144.8)
Aging-respite care	(4.5)
Attorney General administration	<u>(0.4)</u>
Total Proposed Expenditures	(\$181.3)
Estimated Ending Balance	\$0.0

FY 2010-11 Executive Recommendation MEDICAID Benefits Trust Fund (Millions of Dollars)	
Beginning balance	\$17.9
Interest	1.0
Estimated deposits:	
Revenue from cigarette tax	307.0
Revenue from other tobacco products	43.5
Medicaid settlement revenue	1.3
GM pension fix (one-time revenue)	<u>160.0</u>
Available Resources	\$530.7
Withdrawal (one-time)	(\$160.0)
Withdrawal	<u>(370.7)</u>
Total Withdrawals	(\$530.7)
Estimated Ending Balance	\$0.0

Summary: One-Time Resources

The table below shows major one-time resources utilized in the FY 2010-11 Executive Budget Recommendation. In sum, the budget recommendation relies on \$1.4 billion in resources that will not be available in FY 2011-12 to help balance the state's budget.

FY 2010-11 Executive Recommendation Major One-Time Resources Utilized (Millions of Dollars)	
Enhanced Medicaid matching funds under ARRA	\$283.8
Enhanced Medicaid matching funds under anticipated federal legislation	567.6
One-time revenue for Medicaid Benefits Trust Fund (GM pension fix)	160.0
TANF contingency funds and enhanced FMAP revenue in DHS (GF/GP offset)	178.5
Remaining ARRA State Fiscal Stabilization Fund revenue for School Aid	<u>184.3</u>
Total One-Time Resources	\$1,374.2

PROPOSED RETIREMENT SYSTEM CHANGES

Summary of Proposed Changes to State Employees Retirement System

The Governor assumes a savings of \$98.2 million GF/GP and \$253.0 million Gross in FY 2010-11 from changes to state employee pension benefits that include both retirement incentives and disincentives to remaining in state employment for those employees who are eligible for retirement. Much of the savings from these proposed changes are based on an assumed 85% rate of retirement of those eligible and replacement ratios of 1:2 in positions other than direct service, for a statewide average replacement rate of 2:3. The proposed retirement changes include the following:

- Increase pension multiplier from 1.5% to 1.6% for employees who retire by October 1.
- Eliminate employer paid retiree dental/vision benefits for any employees who retire after October 1.
- Require a 3% employee contribution toward pension costs for all employees who remain in the defined benefit system after October 1.
- Cap actual years of service for pension calculation at 30 years, and shift from a pension to a 401k plan for subsequent years of service. (This would not apply to purchased service credit, and for employees who already exceed 30 years of service, it would apply only to years accrued after October 1.)
- Allow a phased retirement for a limited number of employees who could retire but continue working up to 50% of their current hours for up to 3 years.

For a more detailed summary of the proposal and a breakdown of the Executive estimates of the costs and savings associated with each reform, see the House Fiscal Agency website.

Summary of Proposed Changes to Public School Employees Retirement System

The Governor estimates savings for local school districts of approximately \$700 million statewide in FY 2010-11 from changes to school employee pension benefits that include both retirement incentives and disincentives to remaining in school employment for those employees who are eligible for retirement. The proposal would create local savings but would have no fiscal impact on the School Aid budget. Much of the savings from these proposed changes are based on an assumed 75% rate of retirement of those eligible and replacement of 90% of retirees. The proposed retirement changes include the following:

- Increase pension multiplier from 1.5% to 1.6% for employees who retire by September 1.
- Eliminate employer paid retiree dental/vision benefits for any employees who retire after October 1.
- Increase the employee contribution toward pension costs for all employees by 3.0% of salaries and wages, except for those employees who were hired after July 1, 2008, whose increase would be 0.9% for a maximum contribution rate of 7.3%.
- Cap actual years of service for pension calculation at 30 years, and shift from a pension to a 401k plan for subsequent years of service. (This would not apply to purchased service credit, and for employees who already exceed 30 years of service, it would apply only to years accrued after October 1.)
- Allow a phased retirement for a limited number of employees who could retire but continue working up to 50% of their hours for up to 3 years.
- Create a hybrid pension/defined contribution plan for new employees hired after July 1. The pension would maintain a 1.5% multiplier but change final average compensation to an average of 9 years instead of 3 and implement a minimum retirement age of 65. Under this plan, pensions would not have an annual cost of living increase. Additionally, employees could receive a 50% employer match on employee contributions of up to 2% of their salary into a 401k account.

For a more detailed summary of the proposal and a breakdown of the Executive estimates of the costs and savings associated with each reform, see the House Fiscal Agency website.

OVERVIEW

FY 2010-11 EXECUTIVE-PROPOSED TAX CHANGES

Tax Restructuring Plan

- Reduces the sales/use tax (and use tax on HMOs) rates from 6.0% to 5.5% beginning December 1, 2010.
- Extends the 5.5% sales tax to services (includes a collection allowance) beginning December 1, 2010.
 - All consumer services, except for health care, social assistance, education, new construction and remodeling, real estate and insurance commissions, would be subject to the sales tax on services.
 - Business services that are directly connected to the business operation or the sales of the end product would be excluded. As an example, advertising and marketing would be exempt from the tax, but landscaping would not. Also, legal and accounting services provided to a business would be exempt.
- Eliminates the Michigan Business Tax (MBT) Surcharge over two years: reduced 50% effective January 1, 2011 and eliminated effective January 1, 2012.
- Reduces the Gross Receipts (MBT) tax rate from 0.8% to 0.6%: reduced to 0.7% effective January 1, 2012 and reduced to 0.6% effective January 1, 2013.
- The estimated net revenue change would be an increase of \$554.3 million in FY 2010-11, \$327.3 million in FY 2011-12, \$48.6 million in FY 2012-13 and \$10.2 million in FY 2013-14. The Tax Restructuring Plan is essentially revenue neutral beginning in FY 2013-14.
- Earmarking of the sales tax on services is designed to hold harmless the GF/GP, revenue sharing, and the Comprehensive Transportation fund (CTF). All new net revenue would be earmarked to the SAF.

Executive-Proposed Tax Restructuring Plan: FY 2010-11 through FY 2013-14
(Millions of Dollars)

Proposed Changes:	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>
<u>Revenue Changes:</u>				
Sales and Use Tax Changes				
Reduce Sales Tax Rate to 5.5% (eff. 12/1/10)	(\$422.1)	(\$521.7)	(\$537.4)	(\$553.5)
Reduce Use Tax Rate to 5.5% (eff. 12/1/10)	(\$80.6)	(\$99.6)	(\$102.6)	(\$105.6)
Reduce HMO Use Tax Rate to 5.5% (eff. 12/1/10)	(\$25.3)	(\$31.8)	(\$33.4)	(\$35.1)
Extend 5.5% Sales Tax to Services (eff. 12/1/10)	\$1,261.8	\$1,567.2	\$1,622.0	\$1,695.0
Collection Allowance for Service Tax	<u>(\$5.2)</u>	<u>(\$6.4)</u>	<u>(\$6.6)</u>	<u>(\$6.9)</u>
Subtotal	\$728.6	\$907.7	\$942.0	\$993.9
Michigan Business Tax Changes				
Surcharge 2 Year Phase Out: 50% 1/1/2011 & 50% 1/1/2012	(\$170.8)	(\$455.8)	(\$572.4)	(\$583.9)
Gross Receipts Rate Cut: 0.1% 1/1/2012 & 0.1% 1/1/2013	<u>\$0.0</u>	<u>(\$120.6)</u>	<u>(\$316.2)</u>	<u>(\$395.0)</u>
Subtotal	(\$170.8)	(\$576.4)	(\$888.6)	(\$978.9)
Administrative Costs	(\$3.6)	(\$3.9)	(\$4.8)	(\$4.8)
Net Revenue Change	\$554.3	\$327.4	\$48.6	\$10.2

Revenue Enforcement Proposal

- Business Property Tax Appeals. Under the MBT 2008 legislation, a portion of commercial property and 100% of industrial personal property became exempt from school operating taxes. As a result, thousands of personal property reclassifications have occurred, some of which may be improperly classified. The Department of Treasury would file appeals to have the property to the appropriately reclassification.
- MBT Unitary Business Groups. Hire field auditors to determine the tax liability of unitary business groups. A unitary business group includes a group of businesses controlled by one of the businesses with activities or operations that flow between businesses, and as such, are required to file combined tax returns. This proposal is estimated to increase revenue by \$7.7 million (all GF/GP) for FY 2010-11; on a full-year basis the revenue increase would be between \$10 and \$15 million.
- Individual Income Tax Accelerated Paid Error Returns. Hire staff to eliminate backlog of individual income tax error returns (returns with a tax liability due to the state). Currently, the Department of Treasury has a backlog of 30,000 paid error returns. This proposal is estimated to increase revenue by \$10.0 million (\$2.3 million for SAF and \$7.7 million for GF/GP) for FY 2010-11.

Higher Education Michigan Promise Tax Credit Proposal

- Restructure the Michigan Promise grants as a \$4,000 (adjusted for any Promise Grant award previously received) refundable income tax credit beginning with TY 2010. To be eligible for the credit, recipients must be a Michigan high school graduate from the class of 2007 or beyond; attend a Michigan college or university; receive a degree or certificate; work in Michigan for one year after receiving the degree and be required to claim themselves as a dependent on their own tax return; and file a Michigan tax return with documentation.
- The estimated cost of this proposal would be \$6.8 million for FY 2010-11, \$31.0 million for FY 2011-12, and over time would increase to approximately \$150 million per year.
- Repeal the college Tuition Tax Credit beginning with tax year (TY) 2010, which would increase FY 2010-11 revenue by an estimated \$8.8 million.

Income Tax Angel Investor Credit

- Income tax credit for qualified investment in a qualified business equal to 25% of the qualified investment for TY 2010 through TY 2013. This credit is not to exceed \$10.0 million per CY (unless under \$10.0 million in the prior CY). A qualified business is 1) a seed or early stage business; 2) is headquartered in this state, is domiciled in this state, and has a majority of its employees working in this state; 3) has a preinvestment valuation of less than \$10.0 million and has less than 100 full time equivalent employees; 4) has been in existence less than 5 years; and 5) is a qualified high-technology business as defined by the MEGA act. A qualified investment is an investment of at least \$15,000 that is made along side of or through a seed venture capital or angel investor group.
- This proposal is estimated to reduce income tax revenue by \$5.0 million (all GF/GP) for FY 2010-11; on a full-year basis the revenue decrease would be \$10.0 million.

OVERVIEW**FY 2010-11 ECONOMIC CHANGES BY DEPARTMENT/AGENCY**

(Thousands of Dollars)

	Employee-Related Economics		Building Occupancy Charges & Rent		Food & Fuel at 24-Hour Institutions		Total	
	Gross	GF/GP	Gross	GF/GP	Gross	GF/GP	Gross	GF/GP
Agriculture	\$2,620.2	\$1,156.8	\$621.1	\$0.0	\$0.0	\$0.0	\$3,241.3	\$1,156.8
Attorney General	3,315.8	1,559.2	(65.5)	(65.5)	0.0	0.0	3,250.3	1,493.7
Auditor General	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Civil Rights	661.6	661.6	(37.6)	(37.6)	0.0	0.0	624.0	624.0
Civil Service	3,062.1	1,230.0	0.0	0.0	0.0	0.0	3,062.1	1,230.0
Community Health	30,279.2	13,249.1	84.4	(72.0)	299.3	148.7	30,663.2	13,325.8
Corrections	84,334.1	82,931.4	139.3	139.3	1,671.5	1,671.5	86,144.9	84,742.2
Education	2,326.5	344.5	61.7	36.8	0.0	0.0	2,388.2	381.3
Environmental Quality	7,912.5	1,076.4	(300.3)	(67.1)	0.0	0.0	7,612.2	1,009.3
Executive Office	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Human Services	44,918.2	14,561.9	(1,246.1)	(386.2)	42.3	21.7	43,714.4	14,197.4
Information Technology	9,435.5	3,209.2	(22.6)	(22.6)	0.0	0.0	9,412.9	3,186.6
Judiciary	2,523.5	2,310.3	116.2	116.2	0.0	0.0	2,639.7	2,426.5
Energy, Labor & Economic Growth	23,056.7	530.0	228.6	122.4	0.0	0.0	23,285.3	652.4
Legislature	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Management and Budget	4,309.4	1,848.0	(206.5)	597.1	0.0	0.0	4,102.9	2,445.1
Michigan Strategic Fund	812.8	658.3	0.0	0.0	0.0	0.0	812.8	658.3
Military and Veterans Affairs	4,282.6	1,153.2	0.0	0.0	90.2	27.1	4,372.8	1,180.3
Natural Resources	9,262.6	611.2	(30.0)	(13.2)	0.0	0.0	9,232.6	598.0
State	7,982.3	500.7	(248.6)	(396.1)	0.0	0.0	7,733.7	104.6
State Police	12,581.6	9,412.0	209.9	187.5	0.0	0.0	12,791.5	9,599.5
Transportation	17,144.1	0.0	(887.5)	0.0	0.0	0.0	16,256.6	0.0
Treasury	9,188.6	1,218.6	131.4	(135.6)	0.0	0.0	9,320.0	1,083.0
TOTAL	\$280,009.9	\$138,222.4	(\$1,452.1)	\$3.4	\$1,988.2	\$1,869.0	\$280,661.4	\$140,094.8

Notes: (1) Recently-combined departments shown separately. (2) Figures do not reflect estimated savings from (a) proposed changes to retirement and other benefits for state employees and (b) recent Civil Service Commission action to not provide 3.0% salary/wage increase for Not Exclusively Represented Employees. Those savings total \$296.7 million Gross and \$116.6 million GF/GP for FY 2010-11.

FY 2010-11 EXECUTIVE RECOMMENDATION SUMMARY/TABLES

The Executive Budget Recommendation for FY 2010-11 increases adjusted gross appropriations by \$2,143.4 million (4.8%) from FY 2009-10 year-to-date amounts, as a result of these changes in appropriations from major fund sources:

- GF/GP appropriations are decreased by \$141.3 million (1.7%).
- State restricted appropriations are increased by \$1,063.0 million (6.2%).
- Federal appropriations are increased by \$1,209.7 million (6.4%).

Total state spending from state sources (GF/GP plus state restricted) in the FY 2010-11 Executive Budget Recommendation increases by \$921.6 million (3.7%) from FY 2009-10 year-to-date amounts.

The following should be noted regarding the appropriation amounts in the table below.

- These appropriation amounts do not reflect estimated savings of \$296.7 million Gross and \$116.6 million GF/GP tied to (1) proposed changes to retirement and other benefits for state employees (\$98.2 million) and (2) recent Civil Service Commission action to not provide a 3.0% salary/wage increase for Not Exclusively Represented Employees (\$18.4 million).
- The federal appropriation amounts below include appropriations from temporary funds received under the American Recovery and Reinvestment Act (ARRA). FY 2009-10 year-to-date federal appropriations includes \$2,075.6 million in ARRA funds. The FY 2010-11 amount for federal appropriations includes \$1,834.8 million in funds to be received under ARRA or under pending Federal legislation.

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 2009-10 to FY 2010-11 for specific budget areas can be easily identified.

	Millions of Dollars			
	<u>Year-to-Date FY 2009-10</u>	<u>Executive Recommendation FY 2010-11</u>	<u>Change Amounts</u>	
General Fund/General Purpose	\$8,128.0	\$7,986.7	(\$141.3)	(1.7%)
State Restricted	17,034.6	18,097.6	1,063.0	6.2%
Total State Spending from State Sources	\$25,162.7	\$26,084.3	\$921.6	3.7%
Federal	18,866.7	20,076.4	1,209.7	6.4%
Local	362.5	365.9	\$3.5	1.0%
Private	101.1	109.7	8.6	8.5%
Total Adjusted Gross	\$44,492.8	\$46,636.3	\$2,143.4	4.8%

OVERVIEW

**TABLE 1
FY 2010-11 EXECUTIVE BUDGET RECOMMENDATION BY SOURCE OF FUNDS**

<u>Department/Budget Area</u>	<u>Gross</u>	<u>IDG/IDT</u>	<u>Adjusted Gross</u>	<u>Federal</u>	<u>Local</u>	<u>Private</u>	<u>State Restricted</u>	<u>GF/GP</u>
Community Colleges	299,100,500	0	299,100,500	0	0	0	0	299,100,500
Education	131,286,000	0	131,286,000	93,936,700	7,220,000	3,124,500	6,992,900	20,011,900
Higher Education	1,578,278,500	0	1,578,278,500	4,500,000	0	0	30,400,000	1,543,378,500
School Aid	12,863,312,000	0	12,863,312,000	1,864,328,900	0	0	10,968,776,900	30,206,200
EDUCATION	\$14,871,977,000	\$0	\$14,871,977,000	\$1,962,765,600	\$7,220,000	\$3,124,500	\$11,006,169,800	\$1,892,697,100
Attorney General	74,877,100	21,762,300	53,114,800	8,656,000	0	0	15,290,800	29,168,000
Civil Rights	13,082,100	0	13,082,100	1,750,000	0	0	53,000	11,279,100
Executive Office	4,630,800	0	4,630,800	0	0	0	0	4,630,800
Legislative Auditor General	14,496,400	1,801,500	12,694,900	0	0	0	1,539,900	11,155,000
Legislature	102,084,100	0	102,084,100	0	0	400,000	1,109,800	100,574,300
State	212,567,300	20,000,000	192,567,300	1,810,000	0	100	176,578,000	14,179,200
Tech, Management & Budget	983,064,200	589,368,200	393,696,000	2,917,800	1,380,400	170,800	84,881,000	304,346,000
Treasury: MI Strategic Fund	169,019,400	81,200	168,938,200	56,414,900	0	852,200	88,582,900	23,088,200
Treasury: Operations	414,825,300	13,978,700	400,846,600	38,061,700	2,066,500	0	301,071,200	59,647,200
Treasury: Debt/Revenue Sharing	1,167,015,200	0	1,167,015,200	0	0	0	1,047,620,500	119,394,700
GENERAL GOVERNMENT	\$3,155,661,900	\$646,991,900	\$2,508,670,000	\$109,610,400	\$3,446,900	\$1,423,100	\$1,716,727,100	\$677,462,500
Community Health	14,396,931,000	54,224,300	14,342,706,700	9,833,450,600	232,374,700	80,272,500	2,180,147,100	2,016,461,800
Corrections	1,967,197,800	915,400	1,966,282,400	7,868,500	443,100	0	82,066,300	1,875,904,500
Human Services	7,004,335,700	1,130,300	7,003,205,400	5,933,478,000	35,251,800	9,491,500	65,778,800	959,205,300
HUMAN SERVICES	\$23,368,464,500	\$56,270,000	\$23,312,194,500	\$15,774,797,100	\$268,069,600	\$89,764,000	\$2,327,992,200	\$4,851,571,600
Agriculture	77,677,800	289,100	77,388,700	14,769,900	0	260,100	33,530,000	28,828,700
Natural Resources & Environ	720,653,900	12,517,700	708,136,200	261,331,500	0	6,509,100	398,191,300	42,104,300
RESOURCE PROTECTION	\$798,331,700	\$12,806,800	\$785,524,900	\$276,101,400	\$0	\$6,769,200	\$431,721,300	\$70,933,000
Military & Veterans Affairs	151,045,400	1,154,700	149,890,700	82,203,800	653,200	1,422,200	28,660,400	36,951,100
State Police	533,690,500	24,443,500	509,247,000	104,487,200	7,677,600	273,300	137,878,400	258,930,500
SAFETY AND DEFENSE	\$684,735,900	\$25,598,200	\$659,137,700	\$186,691,000	\$8,330,800	\$1,695,500	\$166,538,800	\$295,881,600
Capital Outlay	0	0	0	0	0	0	0	0
Energy/Labor/Economic Growth	1,496,943,800	13,503,500	1,483,440,300	1,008,535,800	16,020,400	6,085,000	407,372,400	45,426,700
Judiciary	258,823,800	3,553,500	255,270,300	5,376,500	6,340,400	842,500	89,979,800	152,731,100
Transportation	2,760,929,300	878,300	2,760,051,000	752,480,600	56,496,000	0	1,951,074,400	0
ALL OTHERS	\$4,516,696,900	\$17,935,300	\$4,498,761,600	\$1,766,392,900	\$78,856,800	\$6,927,500	\$2,448,426,600	\$198,157,800
TOTAL APPROPRIATIONS	\$47,395,867,900	\$759,602,200	\$46,636,265,700	\$20,076,358,400	\$365,924,100	\$109,703,800	\$18,097,575,800	\$7,986,703,600

TABLE 2
GENERAL FUND/GENERAL PURPOSE APPROPRIATIONS
FY 2010-11 Executive Recommendation Compared with FY 2009-10 Year-to-Date

<u>Department/Budget Area</u>	<u>Year-To-Date FY 2009-10</u>	<u>Executive Recommendation FY 2010-11</u>	<u>Difference FY 2010-11 vs. FY 2009-10</u>	
Community Colleges	299,360,500	299,100,500	(260,000)	(0.1%)
Education	19,429,600	20,011,900	582,300	3.0%
Higher Education	1,507,705,200	1,543,378,500	35,673,300	2.4%
School Aid	30,206,200	30,206,200	0	0.0%
EDUCATION	\$1,856,701,500	\$1,892,697,100	\$35,995,600	1.9%
Attorney General	28,785,000	29,168,000	383,000	1.3%
Civil Rights	11,706,400	11,279,100	(427,300)	(3.7%)
Executive Office	4,823,700	4,630,800	(192,900)	(4.0%)
Legislative Auditor General	11,619,800	11,155,000	(464,800)	(4.0%)
Legislature	104,764,900	100,574,300	(4,190,600)	(4.0%)
State	17,955,400	14,179,200	(3,776,200)	(21.0%)
Tech, Management & Budget	293,574,300	304,346,000	10,771,700	3.7%
Treasury: MI Strategic Fund	27,135,700	23,088,200	(4,047,500)	(14.9%)
Treasury: Operations	60,166,000	59,647,200	(518,800)	(0.9%)
Treasury: Debt/Revenue Sharing	64,663,000	119,394,700	54,731,700	84.6%
GENERAL GOVERNMENT	\$625,194,200	\$677,462,500	\$52,268,300	8.4%
Community Health	2,304,602,500	2,016,461,800	(288,140,700)	(12.5%)
Corrections	1,903,641,900	1,875,904,500	(27,737,400)	(1.5%)
Human Services	852,297,600	959,205,300	106,907,700	12.5%
HUMAN SERVICES	\$5,060,542,000	\$4,851,571,600	(\$208,970,400)	(4.1%)
Agriculture	30,050,500	28,828,700	(1,221,800)	(4.1%)
Natural Resources & Environment	43,949,400	42,104,300	(1,845,100)	(4.2%)
RESOURCE PROTECTION	\$73,999,900	\$70,933,000	(\$3,066,900)	(4.1%)
Military & Veterans Affairs	36,425,500	36,951,100	525,600	1.4%
State Police	267,259,200	258,930,500	(8,328,700)	(3.1%)
SAFETY AND DEFENSE	\$303,684,700	\$295,881,600	(\$7,803,100)	(2.6%)
Capital Outlay	0	0	0	--
Energy, Labor, & Economic Growth	54,784,100	45,426,700	(9,357,400)	(17.1%)
Judiciary	153,132,800	152,731,100	(401,700)	(0.3%)
Transportation	0	0	0	--
ALL OTHERS	\$207,916,900	\$198,157,800	(\$9,759,100)	(4.7%)
TOTAL APPROPRIATIONS	\$8,128,039,200	\$7,986,703,600	(\$141,335,600)	(1.7%)

Notes: (1) FY 2009-10 amounts for Department of Technology, Management & Budget and Department of Natural Resources & Environment are totals for previously separate departments. (2) FY 2010-11 amounts do not reflect estimated savings from (a) proposed changes to retirement and other benefits for state employees and (b) recent Civil Service Commission action to not provide 3.0% salary/wage increase for Not Exclusively Represented Employees. Those savings total \$296.7 million Gross and \$116.6 million GF/GP for FY 2010-11.

**TABLE 3
ADJUSTED GROSS APPROPRIATIONS
FY 2010-11 Executive Recommendation Compared with FY 2009-10 Year-to-Date**

<u>Department/Budget Area</u>	<u>Year-To-Date FY 2009-10</u>	<u>Executive Recommendation FY 2010-11</u>	<u>Difference FY 2010-11 vs. FY 2009-10</u>	
Community Colleges	299,360,500	299,100,500	(260,000)	(0.1%)
Education	114,826,500	131,286,000	16,459,500	14.3%
Higher Education	1,612,243,300	1,578,278,500	(33,964,800)	(2.1%)
School Aid	12,823,571,000	12,863,312,000	39,741,000	0.3%
EDUCATION	\$14,850,001,300	\$14,871,977,000	\$21,975,700	0.1%
Attorney General	52,583,800	53,114,800	531,000	1.0%
Civil Rights	13,763,700	13,082,100	(681,600)	(5.0%)
Executive Office	4,823,700	4,630,800	(192,900)	(4.0%)
Legislative Auditor General	13,159,700	12,694,900	(464,800)	(3.5%)
Legislature	106,274,700	102,084,100	(4,190,600)	(3.9%)
State	189,130,200	192,567,300	3,437,100	1.8%
Tech, Management & Budget	379,174,100	393,696,000	14,521,900	3.8%
Treasury: MI Strategic Fund	114,181,200	168,938,200	54,757,000	48.0%
Treasury: Operations	417,659,300	400,846,600	(16,812,700)	(4.0%)
Treasury: Debt/Revenue Sharing	1,071,777,000	1,167,015,200	95,238,200	8.9%
GENERAL GOVERNMENT	\$2,362,527,400	\$2,508,670,000	\$146,142,600	6.2%
Community Health	13,028,686,600	14,342,706,700	1,314,020,100	10.1%
Corrections	1,955,230,900	1,966,282,400	11,051,500	0.6%
Human Services	5,914,494,400	7,003,205,400	1,088,711,000	18.4%
HUMAN SERVICES	\$20,898,411,900	\$23,312,194,500	\$2,413,782,600	11.6%
Agriculture	79,656,700	77,388,700	(2,268,000)	(2.8%)
Natural Resources & Environment	699,605,200	708,136,200	8,531,000	1.2%
RESOURCE PROTECTION	\$779,261,900	\$785,524,900	\$6,263,000	0.8%
Military & Veterans Affairs	144,463,300	149,890,700	5,427,400	3.8%
State Police	506,297,600	509,247,000	2,949,400	0.6%
SAFETY AND DEFENSE	\$650,760,900	\$659,137,700	\$8,376,800	1.3%
Capital Outlay	0	0	0	--
Energy, Labor & Economic Growth	1,437,038,700	1,483,440,300	46,401,600	3.2%
Judiciary	255,208,800	255,270,300	61,500	0.0%
Transportation	3,259,638,000	2,760,051,000	(499,587,000)	(15.3%)
ALL OTHERS	\$4,951,885,500	\$4,498,761,600	(\$453,123,900)	(9.2%)
TOTAL APPROPRIATIONS	\$44,492,848,900	\$46,636,265,700	\$2,143,416,800	4.8%

Notes: (1) FY 2009-10 amounts for Department of Technology, Management & Budget and Department of Natural Resources & Environment are totals for previously separate departments. (2) FY 2010-11 amounts do not reflect estimated savings from (a) proposed changes to retirement and other benefits for state employees and (b) recent Civil Service Commission action to not provide 3.0% salary/wage increase for Not Exclusively Represented Employees. Those savings total \$296.7 million Gross and \$116.6 million GF/GP for FY 2010-11.

TABLE 4
FULL-TIME EQUATED (FTE) POSITIONS*
FY 2010-11 Executive Recommendation Compared with FY 2009-10 Year-to-Date

<u>Department/Budget Area</u>	<u>Year-To-Date FY 2009-10</u>	<u>Executive Recommendation FY 2010-11</u>	<u>Difference FY 2010-11 vs. FY 2009-10</u>	
Community Colleges	0.0	0.0	0.0	--
Education	544.5	552.5	8.0	1.5%
Higher Education	1.0	1.0	0.0	0.0%
School Aid	0.0	0.0	0.0	
EDUCATION	545.5	553.5	8.0	1.5%
Attorney General	543.0	520.0	(23.0)	(4.2%)
Civil Rights	130.0	118.0	(12.0)	(9.2%)
Executive Office	84.2	84.2	0.0	0.0%
Legislative Auditor General	0.0	0.0	0.0	--
Legislature	0.0	0.0	0.0	--
State	1,815.0	1,815.0	0.0	0.0%
Tech, Management & Budget	3,038.0	2,971.5	(66.5)	(2.2%)
Treasury: MI Strategic Fund	155.0	155.0	0.0	0.0%
Treasury: Operations	1,712.5	1,730.5	18.0	1.1%
Treasury: Debt/Revenue Sharing	0.0	0.0	0.0	--
GENERAL GOVERNMENT	7,477.7	7,394.2	(83.5)	(1.1%)
Community Health	4,380.6	4,362.8	(17.8)	(0.4%)
Corrections	15,767.1	14,630.3	(1,136.8)	(7.2%)
Human Services	10,911.5	11,767.5	856.0	7.8%
HUMAN SERVICES	31,059.2	30,760.6	(298.6)	(1.0%)
Agriculture	573.0	459.9	(113.1)	(19.7%)
Natural Resources & Environ	3,712.0	3,675.0	(38.0)	(1.0%)
RESOURCE PROTECTION	4,285.0	4,134.4	(150.6)	(3.5%)
Military & Veterans Affairs	992.0	977.0	(15.0)	(1.5%)
State Police	2,868.0	2,758.0	(110.0)	(3.8%)
SAFETY AND DEFENSE	3,860.0	3,735.0	(125.0)	(3.2%)
Capital Outlay	0.0	0.0	0.0	--
Energy, Labor, & Economic Growth	4,739.0	4,701.0	(38.0)	(0.8%)
Judiciary	491.0	491.0	0.0	0.0%
Transportation	3,014.3	3,022.3	8.0	0.3%
ALL OTHERS	8,244.3	8,214.3	(30.0)	(0.4%)
TOTAL FTE APPROPRIATIONS	55,471.7	54,792.0	(679.7)	(1.2%)

*Includes classified, unclassified, and nonlegislative exempt positions

**TABLE 5
STATE SPENDING FROM STATE SOURCES PAID TO LOCAL GOVERNMENTS
FY 2010-11 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	299,100,500	299,100,500	100.0%
Education	27,004,800	5,850,000	21.7%
Higher Education	1,573,778,500	0	0.0%
School Aid	10,998,983,100	10,869,499,800	98.8%
EDUCATION	\$12,898,866,900	\$11,174,450,300	86.6%
Attorney General	44,458,800	0	0.0%
Civil Rights	11,332,100	0	0.0%
Executive Office	4,630,800	0	0.0%
Legislative Auditor General	12,694,900	0	0.0%
Legislature	101,684,100	0	0.0%
State	190,757,200	1,360,800	0.7%
Tech, Management & Budget	389,227,000	0	0.0%
Treasury: MI Strategic Fund	111,671,100	1,000,000	0.9%
Treasury: Operations	360,718,400	152,218,400	42.2%
Treasury: Debt/Revenue Sharing	1,167,015,200	1,032,106,000	88.4%
GENERAL GOVERNMENT	\$2,394,189,600	\$1,186,685,200	49.6%
Community Health	4,196,608,900	1,214,931,400	29.0%
Corrections	1,957,970,800	92,562,700	4.7%
Human Services	1,024,984,100	111,792,500	10.9%
HUMAN SERVICES	\$7,179,563,800	\$1,419,286,600	19.8%
Agriculture	62,358,700	1,500,000	2.4%
Natural Resources & Environment	440,295,600	9,491,600	2.2%
RESOURCE PROTECTION	62,358,700	1,500,000	2.4%
Military & Veterans Affairs	65,611,500	120,000	0.2%
State Police	396,808,900	17,266,900	4.4%
SAFETY AND DEFENSE	\$462,420,400	\$17,386,900	3.8%
Capital Outlay	0	0	--
Energy, Labor, & Economic Growth	452,799,100	40,050,100	8.8%
Judiciary	242,710,900	121,582,400	50.1%
Transportation	1,951,074,400	1,200,248,900	61.5%
ALL OTHER	\$2,646,584,400	\$1,361,881,400	51.5%
TOTALS APPROPRIATED	\$26,084,279,400	\$15,170,682,000	58.2%

**FY 2010-11
Budget Detail
for
EDUCATION**

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

**Summary: FY 2010-11 Executive Budget Recommendation
COMMUNITY COLLEGES**

Analyst: Mark Wolf

	FY 2009-10 Year-to-Date	FY 2010-11 Executive	Difference: Exec from FY 2009-10 YTD	
			Amount	%
IDG/IDT	\$0	\$0	\$0	--
Federal	0	0	0	--
Local	0	0	0	--
Private	0	0	0	--
Restricted	0	0	0	--
GF/GP	299,360,500	299,100,500	(260,000)	(0.1)
Gross	\$299,360,500	\$299,100,500	(\$260,000)	(0.1)
FTEs	0.0	0.0	0.0	0.0

Note: FY 2009-10 appropriation figures do not reflect the impact of executive order, supplemental, or transfer adjustments made after the release of the FY 2010-11 Executive Budget on February 11, 2010.

Overview

The Community Colleges budget includes funds for operational support of the state's 28 community colleges, the At-Risk Student Success Program, and the renaissance zone tax reimbursement to the colleges. Community colleges also receive operating revenue from local property taxes and student tuition and fees.

Major Budget Changes from FY 2009-10 YTD		Year-to-Date FY 2009-10	Executive Change
1. Community College Operations	Gross	\$292,557,800	\$0
Maintained FY 2009-10 operational funding levels for each community college. FY 2009-10 funding was the same as FY 2008-09 funding.	GF/GP	\$292,557,800	\$0
2. Renaissance Zone Reimbursements	Gross	\$3,480,000	(\$260,000)
Reduces funding by \$260,000 for statutorily-required reimbursements. Appropriation reimburses college districts for lost property tax revenue due to renaissance zones in district. The reduction reflects excess authorization for this line. The payments to colleges are not expected to decrease.	GF/GP	\$3,480,000	(\$260,000)
3. At-Risk Student Success Program	Gross	\$3,322,700	\$0
Maintained FY 2009-10 funding levels for the program. Appropriation amounts to individual colleges were adjusted based on updated at-risk student data. Overall FY 2009-10 fund was the same as FY 2008-09 funding.	GF/GP	\$3,322,700	\$0

Major Boilerplate Changes from FY 2009-10

Sec. 211. At Risk Funding Payment Schedule – DELETED

The **Executive** deletes language that required that the payments for the At Risk program be paid in full by November 1. Existing language concerning payment of state aid in 11 monthly installments, and the accrual of the July and August state aid payments is retained.

Sec. 217. Compliance With JCOS Policy – DELETED

The **Executive** deletes a requirement on the community colleges to comply with the use and finance requirements of the joint capital outlay subcommittee (JCOS) for any construction, renovation, or other capital projects.

Sec. 224. Legislative Summit on Employment Needs – DELETED

The **Executive** deletes language that encourages the colleges to organize and participate in a legislative summit on meeting the employment needs of the state.

Major Boilerplate Changes from FY 2009-10

Sec. 242. Payment in Lieu of Taxes – DELETED

The **Executive** deletes intent language that the legislature, the Michigan Community College Association (MCCA), and other interested parties “continue the discussion regarding payments in lieu of taxes, especially for those community college districts that contain significant portions of nontaxable land.”

Sec. 248. Tuition Restraint Policy – DELETED

The **Executive** deletes intent language encouraging community colleges to not raise tuition more than 0.5% above the United States consumer price index in the immediately preceding year.

Sec. 249. Consolidation or Dissolution – DELETED

Intent language encouraging community colleges to achieve efficiencies through joint ventures, collaborations, adjusting the size and frequency of classes, web-based instruction, consolidation of services, and coordinating and sharing proposed capital outlay improvements. The **Executive** deletes a reporting requirement imposed on the MCCA.

Sec. 304. Performance Indicator Formula – DELETED

The **Executive** deletes intent language that the formula developed by performance indicator task force be used for funding distribution in future years.

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

At-risk students are those identified as being enrolled in developmental courses or fail to make satisfactory academic progress, those that are diagnosed as having a learning disability, or those requiring English as a second language (ESL) assistance. Funding is allocated to the colleges by formula using a base award of \$40,000 to each college, and the number of student contact hours in developmental/preparatory education. The **Executive** alters the distribution of at-risk student success grant funds, based on updated program data.

Sec. 501. Activities Classification Structure – DELETED

The activities classification structure (ACS) collects data on tuition, enrollment, expenditures, revenue, and other program data. The Department of Energy, Labor, and Economic Growth compiles the data and submits a report. The **Executive** deletes the reporting requirement and inserts it into the DELEG budget.

Sec. 506. North American Indian Tuition Waiver Program Report – DELETED

The NAITW program waives tuition at the colleges for eligible North American Indian students. The **Executive** deletes the DELEG reporting requirement and inserts it into the DELEG budget.

Sec. 509. Report on Associate’s Degrees and Certificates – DELETED

Current law requires the colleges to submit to DELEG data on the types of associate degrees and other certificates in the prior fiscal year. The **Executive** retains the reporting requirement on the colleges, but deletes the reporting requirement on DELEG, and inserts it into the DELEG budget.

Sec. 511. Perkins State Plan Report – DELETED

The **Executive** deletes a requirement that if the state submits a new Perkins Act state plan, it must also submit a copy of the plan to the legislature at least 30 days before submitting the plan to the U.S. Department of Education.

Sec. 513. Tax Increment Financing Authority Report – DELETED

The **Executive** deletes a requirement on the Department of Treasury to collect data on the tax revenue foregone by community colleges from TIFAs and other tax abatements.

**Summary: FY 2010-11 Executive Budget Recommendation
EDUCATION (Department)**

Analysts: Mary Ann Cleary and Bethany Wicksall

	FY 2009-10 Year-to-Date	FY 2010-11 Executive	Difference: Exec from FY 2009-10 YTD Amount	%
IDG/IDT	\$0	\$0	\$0	--
Federal	76,297,900	93,936,700	17,638,800	23.1
Local	7,008,700	7,220,000	211,300	3.0
Private	3,096,500	3,124,500	28,000	0.9
Restricted	7,038,900	6,992,900	(46,000)	(0.7)
GF/GP	19,429,600	20,011,900	582,300	3.0
Gross	\$112,871,600	\$131,286,000	18,414,400	16.3
FTEs	544.5	552.5	8.0	1.5

Note: FY 2009-10 appropriation figures do not reflect the impact of executive order, supplemental, or transfer adjustments made after the release of the FY 2010-11 Executive Budget on February 11, 2010.

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 providing technical assistance to school districts.

Major Budget Changes from FY 2009-10 YTD

1. Race to the Top Education Reforms - Federal

Includes \$17.0 million and 14.0 FTEs supported by potential Federal Race to the Top funding to implement changes in the education reform package including developing assessments to measure students' knowledge growth in each grade, correlation of student achievement to individual teachers, creation of an alternative teacher certification process, and oversight of the school administrator certification program. (The Executive also requested a FY 2009-10 supplemental of \$25.5 million in assumed Federal Race to the Top funds.)

	Year-to-Date FY 2009-10	Executive Change
FTEs	0.0	14.0
Gross	\$0	\$17,000,000
Federal	0	17,000,000
GF/GP	\$0	\$0

2. Race to the Top Education Reforms - State

Includes \$1.7 million GF/GP and 13.0 FTEs to implement additional activities required in the State's education reform package that are not eligible for support from Federal Race to the Top funding. The new MDE responsibilities include the school reform/redesign officer, oversight of the new schools of excellence, and processing claims submitted to the basic instructional materials hotline. (The Executive also requested a FY 2009-10 supplemental of \$492,800 GF/GP.)

FTEs	0.0	13.0
Gross	\$0	\$1,715,900
GF/GP	\$0	\$1,715,900

<u>Major Budget Changes from FY 2009-10 YTD</u>		<u>Year-to-Date FY 2009-10</u>	<u>Executive Change</u>
3. Library of Michigan	FTEs	59.0	(29.0)
Decreases the budget for the Library of Michigan operations by \$1.1 million and reduces FTEs by 13.0 positions to find savings pursuant to EO 2009-36 and EO 2009-43. The reductions include eliminating maintenance and oversight of the non-Michigan Genealogy Collection, the Federal Documents Collection, and the Regional Depository Program; eliminating circulation of the remaining Library of Michigan collection materials; ending participation in the interlibrary loan program; and recognizing savings from reductions in collection purchases. Also revises FTEs further by 16.0 positions to adjust the authorization to recognize the actual number of positions transferred in under the EO.	Gross	\$4,601,400	(\$1,070,300)
	GF/GP	\$4,601,400	(\$1,070,300)
4. State Aid to Libraries	Gross	\$6,000,000	(\$150,000)
Decreases funding for state aid to local libraries by 2.5% to \$5,850,000.	GF/GP	\$6,000,000	(\$150,000)
5. Book Distribution Centers	Gross	\$200,000	(\$200,000)
Eliminates \$200,000 in funding for book distribution centers.	GF/GP	\$200,000	(\$200,000)
6. Economic Adjustments	Gross	N/A	\$2,532,400
Provides an increase of \$2.5 million Gross and \$431,500 GF/GP for economic changes in salaries and wages, retirement, insurance, workers compensation, and building occupancy charges.	Federal	N/A	1,707,600
	Local	N/A	211,300
	Private	N/A	28,000
	Restricted	N/A	154,000
	GF/GP	N/A	\$431,500

Major Boilerplate Changes from FY 2009-10

Sec. 207. Office of Safe Schools – DELETED

Earmarks \$225,000 out of the federal drug-free grant for the safe school program and establishes program guidelines.

Sec. 210. Information Technology Work Projects – DELETED

Allows for funds appropriated in part 1 for information technology to be designated as work projects and carried forward into future fiscal years to support technology projects subject to the management and budget act.

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

Requires that the department allow districts to appeal a determination of failure of AYP, consider and act upon each appeal within 30 days, and wait to publish a list of districts that failed AYP until all such appeals have been decided.

Sec. 213. Hiring Freeze – DELETED

Establishes a hiring freeze for state civil service positions, allows for certain exceptions, and requires quarterly reports of the number of exceptions granted and their justification.

Sec. 215. Travel for Professional Development or Training – DELETED

Allows for only 1 departmental employee to attend a professional development conference or training seminar outside Michigan unless it is funded with federal and private funds and requires that more than 1 person attend or unless it includes multiple issues in which 1 employee does not have expertise.

Sec. 216. Communication with the Legislature – DELETED

Prohibits disciplinary action against an employee for communicating truthfully and factually with a member of the legislature or his or her staff.

Sec. 220. Information Requested by the Legislature – DELETED

Requires that MDE provide data requested by a member of the legislature, his or her staff, or the fiscal agencies in a timely manner.

Sec. 222. Policy Changes, Preparation of Regulatory Plans and Rule Promulgation – DELETED

Requires a report of policy changes made to implement enacted legislation; prohibits MDE from spending funds to prepare regulatory plans or promulgate rules that fail to reduce the disproportionate economic impact on small businesses.

EDUCATION (DEPARTMENT)

Major Boilerplate Changes from FY 2009-10

Sec. 223. FTE Quarterly Reports – DELETED

Requires the department to report quarterly the number of FTEs in pay status by civil service classification.

Sec. 225. Pupil Membership Fraud – DELETED

Provides intent that the State Superintendent of Public Instruction investigate and report on issues of pupil membership fraud, including the incidence of students being counted in membership but not remaining in the district.

Sec. 226. Lapse Report – DELETED

Requires a report of the projected year-end General Fund Lapse amount for FY 2009-10 by Oct. 15, 2010.

Sec. 802. Book Distribution Centers – DELETED

Requires that the funds appropriated for book distribution centers be distributed equally to the public enrichment foundation and the Michigan friends of education.

Sec. 803. Keep Library Functions Together – DELETED

Provides intent that the Library of Michigan and its related programs be kept together in a state department.

Sec. 903. Cyberschools – DELETED

Requires MDE report on barriers to cyberschools for special student populations including dropouts and expelled students.

Summary: FY 2010-11 Executive Budget Recommendation HIGHER EDUCATION

Analyst: Kyle I. Jen

	FY 2009-10 Year-to-Date	FY 2010-11 Executive	Difference: Exec from FY 2009-10 YTD	
			Amount	%
IDG/IDT	\$0	\$0	\$0	--
Federal				
ARRA	68,238,000	0	(68,238,000)	(100.0)
Non-ARRA	5,900,000	4,500,000	(1,400,000)	(23.7)
Local	0	0	0	--
Private	0	0	0	--
Restricted	30,400,100	30,400,000	(100)	(0.0)
GF/GP	1,507,705,200	1,543,378,500	35,673,300	2.4
Gross	\$1,612,243,300	\$1,578,278,500	(\$33,964,800)	(2.1)
FTEs	1.0	1.0	0.0	0.0

Notes: (1) FY 2009-10 appropriation figures include the results of supplementals, Executive Order (EO) actions, and transfer adjustments through February 11, 2010. (2) "ARRA" represents temporary funds received under the federal American Recovery and Reinvestment Act.

Overview

The Higher Education budget contains funding for operational support of the state's 15 public universities, various financial aid programs for students attending public and independent colleges and universities in the state, and several other higher education-related programs. Appropriations for the 15 public universities are separated into two separate subparts: Research Universities (Michigan State, UM-Ann Arbor, and Wayne State) and State Universities (remaining 12 universities).

Major Budget Changes from FY 2009-10 YTD

1. University Operations

Replaces \$40.5 million in funding available for FY 2009-10 only from the State Fiscal Stabilization Fund (SFSF) under the American Recovery and Reinvestment Act (ARRA) with an equal amount of GF/GP funding. Total appropriation amount for each of the 15 public universities is held flat from FY 2009-10.

	Year-to-Date FY 2009-10	Executive Change
Gross	\$1,461,182,600	\$0
ARRA	40,483,100	(40,483,100)
GF/GP	\$1,420,699,500	\$40,483,100

2. Agricultural Experiment Station

Replaces \$16.1 million in funding available for FY 2009-10 only from the SFSF under ARRA with an equal amount of GF/GP funding. Total appropriation for Agricultural Experiment Station is held flat from FY 2009-10 at \$34.2 million.

Gross	\$34,198,900	\$0
ARRA	16,082,900	(16,082,900)
GF/GP	\$18,116,000	\$16,082,900

3. Cooperative Extension Service

Replaces \$11.7 million in funding available for FY 2009-10 only from the SFSF under ARRA with an equal amount of GF/GP funding. Total appropriation for Cooperative Extension Service is held flat from FY 2009-10 at \$29.5 million.

Gross	\$29,497,000	\$0
ARRA	11,672,000	(11,672,000)
GF/GP	\$17,825,000	\$11,672,000

4. State Competitive Scholarship Program

Removes \$1.4 million in federal funds no longer available for the program due to overall reductions in need-based state financial aid funding. Remaining appropriation for combination need-/merit-based program is \$16.2 million (\$14.7 million GF/GP; \$1.5 million federal).

Gross	\$17,608,500	(\$1,400,000)
Federal	2,900,000	(1,400,000)
GF/GP	\$14,708,500	\$0

HIGHER EDUCATION

<u>Major Budget Changes from FY 2009-10 YTD</u>		<u>Year-to-Date FY 2009-10</u>	<u>Executive Change</u>
5. Tuition Grant Program Eliminates \$31.7 million GF/GP appropriation for Tuition Grant Program, a need-based program for students attending independent colleges and universities.	Gross GF/GP	\$31,664,700 \$31,664,700	(\$31,664,700) (\$31,664,700)
6. Merit Award Program Removes \$100 placeholder included in FY 2009-10 budget for any remaining costs of program, which ended with students graduating from high school in 2006.	Gross Restricted	\$100 100	(\$100) (100)
7. Tuition Incentive Program Projected cost increase for program is \$6.2 million due to continued increase in number of Medicaid-eligible students graduating from high school and enrolling in associate's degree programs. Proposed policy changes to (1) limit reimbursed costs for associate's degree students at public universities to average community college tuition rate and (2) eliminate second phase of program (up to \$2,000 toward bachelor's degree) would save an estimated \$7.3 million. Net reduction in program funding is \$1.1 million GF/GP; remaining appropriation of \$30.1 million is funded entirely from Merit Award Trust Fund revenue.	Gross Restricted GF/GP	\$31,200,000 30,100,000 \$1,100,000	(\$1,100,000) 0 (\$1,100,000)
8. Children of Veterans and Officer's Survivor Tuition Program Includes increase of \$200,000 GF/GP for (1) transfer of Officer's Survivor Tuition Program funding from State Police budget (\$48,500 in FY 2009-10) and (2) anticipated increase in costs for Children of Veterans Tuition Grant Program. A portion of this line item (\$300,000) is funded from income tax check-off contributions.	Gross Restricted GF/GP	\$1,000,000 300,000 \$700,000	\$200,000 0 \$200,000
9. Other Higher Education Programs Appropriations for remaining programs in the Higher Education budget are all maintained at current FY 2009-10 levels: King-Chavez-Parks grant programs, Higher Education Database (HEIDI), Midwestern Higher Education Compact dues, Robert C. Byrd Honors Scholarship Program, and Project GEAR UP.	Gross Federal GF/GP	\$5,891,500 3,000,000 \$2,891,500	\$0 0 \$0

Major Boilerplate Changes from FY 2009-10

Sec. 211. Deprived and Depressed Communities – NEW

Directs universities to ensure that businesses in deprived and depressed communities compete for and perform contracts.

Sec. 212. Payments to Universities – MODIFIED

Provides for 11 monthly payments to universities. Revisions: (1) Allows, rather than requires, withholding of payment if university fails to submit HEIDI data. (2) Eliminates requirement of fiscal agency report on appropriation procedures.

Sec. 214. Tuition Tax Credit – DELETED

Requires universities to submit Tuition Tax Credit notification to fiscal agencies.

Sec. 217. Conflicts of Interest – DELETED

States intent that state university governing boards examine university operations for potential conflicts of interest.

Sec. 302. Tuition Grants – DELETED

Provides for distribution of funds appropriated for Tuition Grants. (Funding for program eliminated under Executive.)

Sec. 310. Tuition Incentive Program (TIP) – MODIFIED

Provides for TIP eligibility/awards. Proposed revisions would (1) limit reimbursed costs for associate's degree students at public universities to average community college in-district tuition rate and (2) eliminate second phase of program (up to \$2,000 toward bachelor's degree). Adds prohibition on eligibility for incarcerated individuals.

Major Boilerplate Changes from FY 2009-10

Sec. 316. Financial Aid Workgroup – DELETED

States intent for workgroup to examine and make recommendations regarding state financial aid programs.

Sec. 317. Intent Regarding Tuition Grants – DELETED

States intent that, if economy improves and state revenues increase, funding of Tuition Grants is one of foremost priorities in Higher Education budget.

Sec. 318. Intent Regarding Promise Grants – DELETED

States intent that, if economy improves and state revenues increase, funding of Promise Grants is one of foremost priorities in Higher Education budget.

Sec. 319. Intent Regarding Financial Aid Programs – DELETED

States intent that, if economy improves and state revenues increase, funding of Competitive Scholarship, Nursing Scholarship, Work Study, Part-Time Independent Student, and Michigan Education Opportunity Grant Programs are among foremost priorities in Higher Education budget.

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 regarding private bookstore access to required textbook lists and university-administered financial accounts; states intent regarding university review process for textbook requirements.

Sec. 433. Project GREEN – MODIFIED

Allocates funds from Agricultural Experiment and Cooperative Extension line items for Project GREEN (Generating Research and Extension to meet Environmental and Economic Needs). Executive deletes subsection stating intent for additional funding for bioeconomy research.

Sec. 434. Future Farmers of America – DELETED

Requires Michigan State University to allocate \$80,000 from its appropriation to the Future Farmers of America Association.

Sec. 436. ARRA Funding – DELETED

Requires that funds appropriated from SFSF of ARRA be used to mitigate tuition/fee increases or modernize/renovate/repair facilities, consistent with ARRA provisions. (ARRA funds for Higher Education available in FY 2009-10 only.)

Sec. 450. Per-Student Funding Floor – DELETED

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

Sec. 451. Indian Tuition Waiver Costs – DELETED

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

Sec. 463. Students from Macomb County – DELETED

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

Sec. 471. Timely Graduation – DELETED

States intent that universities limit changes to general graduation requirements during a student's enrollment and provide counseling to facilitate timely graduation.

Sec. 480. Veterans Policies – MODIFIED

States intent for universities to participate in the Yellow Ribbon GI Education Enhancement Program and implement other veterans-related policies. Executive deletes reporting requirement.

Sec. 701a. New Degree Programs – DELETED

Lists new degree programs established by state universities for which credit hours may be reported to HEIDI. (New list pending from Presidents Council.)

**Summary: FY 2010-11 Executive Budget Recommendation
SCHOOL AID**

Analysts: Mary Ann Cleary and Bethany Wicksall

	FY 2009-10 Year-to-Date	FY 2010-11 Executive	Difference: Exec from FY 2009-10 YTD	
			Amount	%
IDG/IDT	\$0	\$0	\$0	--
Federal				
ARRA	450,000,000	184,256,600	(265,743,400)	(59.1)
Non-ARRA	1,601,759,400	1,680,072,300	78,312,900	4.9
Local	0	0	0	--
Private	0	0	0	--
Restricted	10,741,605,400	10,968,776,900	227,171,500	2.1
GF/GP	30,206,200	30,206,200	0	0.0
Gross	\$12,823,571,000	\$12,863,312,000	\$39,741,000	0.3
FTEs	0.0	0.0	0.0	0.0

Notes: (1) FY 2009-10 appropriation figures include the results of supplementals, Executive Order (EO) actions, and transfer adjustments through February 11, 2010. (2) "ARRA" represents temporary funds received under the federal American Recovery and Reinvestment Act.

Overview

The School Aid budget makes appropriations to the state's 551 local school districts, 240 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.

Major Budget Changes from FY 2009-10 YTD		Year-to-Date FY 2009-10	Executive Change
1. Per Pupil Reduction of \$165 (Sec. 11d)	Gross	(\$263,000,000)	\$2,300,000
Maintains the FY 2009-10 reduction of \$165 per pupil. Continues to allow districts to absorb the cut by reducing or eliminating any other funded program except Secs. 11g (Durant bond payment), 22a (Proposal A portion of the foundation allowance), 31d (school lunch program), 51a(12) (foundation allowance for special education students), 51c (special education 28% cost requirement), 53a (added costs for special education students) and adds Sec. 32d (school readiness district and competitive grants) to the protected list. (See major boilerplate for additional language changes.)	Restricted	(263,000,000)	2,300,000
2. Proposal A Obligation Payment (Sec. 22a)	Gross	\$5,882,000,000	(\$90,000,000)
Reduces funding by \$90.0 million to incorporate estimates in taxable values and pupil memberships.	Restricted	5,882,000,000	(90,000,000)
3. Discretionary Payment (Sec. 22b)	Gross	\$3,722,300,000	\$44,956,600
Appropriates \$3,583.0 million in state funds and \$184.3 in Federal ARRA funds for a total increase in overall funding of \$45.0 million from the current year to adjust for estimated decreases in taxable values and declining pupil estimates. Includes \$1.0 million for litigation costs related to property tax appeals that impact School Aid Fund revenues.	FedARRA	450,000,000	(265,743,400)
	Restricted	3,272,300,000	310,700,000
4. School Bond Loan Fund (Sec. 11j)	Gross	\$40,000,000	\$5,134,000
Increases by \$5.1 million to pay increased interest payments.	Restricted	40,000,000	5,134,000
5. Juvenile Detention Facilities (Sec. 24a)	Gross	\$2,523,200	(\$997,000)
Decrease costs due to facility closures and therefore fewer pupils.	Restricted	2,253,200	(997,000)

SCHOOL AID

<u>Major Budget Changes from FY 2009-10 YTD</u>		<u>Year-to-Date FY 2009-10</u>	<u>Executive Change</u>
6. School Lunch Programs (Sec. 31d)	Gross	\$395,001,100	\$30,000,000
Appropriates increased available Federal funds for free and reduced lunch reimbursements.	Federal	372,506,000	30,000,000
	Restricted	22,495,100	0
7. Special Education Payment (Sec. 51a)	Gross	\$1,485,983,000	\$34,400,000
Increases funding by \$34.4 million to recognize increased available Federal funding.	Federal	424,700,000	35,000,000
	Restricted	1,061,283,000	(600,000)
8. School Bus Inspections (Sec. 74)	Gross	\$0	\$453,600
Restores this section at a significantly reduced appropriation. Inspections would be done by school districts, with random audits conducted by the Michigan State Police.	Restricted	0	453,600
9. ISDs General Operations (Sec. 81)	Gross	\$65,376,800	\$0
Maintains FY 2009-10 funding of \$65.4 million.	Restricted	65,376,800	0
10. CEPI (Sec. 94a)	Gross	\$6,279,300	\$4,646,800
Increases the budget for the Center for Education Performance and Information (CEPI) in anticipation of federal grants to fund additional data requirements associated with the Race to the Top education reform package. (See major boilerplate for additional language changes.)	Federal	2,793,200	4,476,800
	Restricted	3,486,100	170,000

Major Boilerplate Changes from FY 2009-10

Sec. 6(6)(O). Requiring Permission of a Resident District to Count a Nonresident Pupil in Membership – NEW

Exempts a district from seeking permission from the resident district if the pupil transfers as a requirement of the resident district not making Adequate Yearly Progress (AYP) under No Child Left Behind.

Sec. 11(d). Implementation of Service Consolidation Plans – REVISED

Requires districts to implement service consolidation plans beginning with the 2011-2012 school year. The plans shall contain agreements to implement the most cost-effective method of providing the following services: purchasing, payroll, financial accounting, facilities maintenance, pupil transportation, human resources, technology, and food services. Requires each district and ISD to calculate a per pupil cost for each of the above services in the most cost-effective method possible.

If the district method is the most cost efficient, they may use it, but if not, it would require districts to use the ISD for those services for 2011-2012 or forfeit 1% of its foundation allowance. ISDs shall provide the most cost-effective method and may charge districts for the service. An ISD shall have 10% of its funding under Sec. 81 reduced if it does not offer any of the above services.

Per pupil costs shall be reported to the ISD by March 1, 2011 and all reports shall be made public at the next ISD board meeting.

Sec. 18. Pupil Accounting Field Audits – REVISED

Allows for districts operating a single building with less than 700 pupils to have field audit conducted biennially. An eligible district must have a stable pupil count and their previous two pupil count field audits must have had less than a 2% error rate.

Sec. 19. Required Annual Progress Reports – REVISED

Eliminates the annual progress report to the department on the continued implementation of the following sections in the school code; Sec. 1204a (annual education report), Sec. 1277 (school improvement plan), Sec. 1278 (core academic curriculum), and Sec. 1280 (accreditation). This does not eliminate the reporting requirement under No Child Left Behind.

SCHOOL AID

Major Boilerplate Changes from FY 2009-10

Sec. 20. PSA Foundation Allowance – REVISED

Corrects a technical issue impacting foundation allowances for PSAs located in a district that is funded with 100% local revenue. Current formula allows for an increase in the foundation allowance for PSAs to be based on total state and local revenue and not actual foundation allowance. All future increases to PSA foundation allowances shall be calculated on increases to the foundation allowance of the school district the PSA is located in.

Sec. 22e. MBT Impact on Out of Formula Districts – REVISED

Changes eligibility requirements such that a district must have received a grant in FY 2008-09 to receive further funding. Caps the amount a district may receive to the lesser of the amount they received in FY 2008-09 or the calculated amount in the current year.

Sec. 32d. Great Start School Readiness - District and Competitive Grants – REVISED

Eliminates the Parents Involved in Education (PIE) option as an allowable use for the grants. Changes the requirement that programs serve at least 75% of students (up from 50%) from families with a household income of 300% or less of the federal poverty level.

Sec. 32I. Great Start School Readiness - Competitive Grants – NEW

Gives priority for continued funding in FY 2011-12 and FY 2012-13 to programs that receive a new grant in FY 2010-11.

Sec. 51a(7)(c). Special Education Lapse for Itinerant Staff Reimbursement– ELIMINATED

Provides language that allows Sec. 51a funds unspent at bookclosing to be allocated as additional reimbursements in certain situations for FY 2009-10.

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

Clarifies and adds language stating the main functions of CEPI are to: (1) coordinate data collection, (2) create, maintain and enhance the statewide longitudinal data system, (3) collect data in the most efficient manner possible including the electronic transcript services, and (4) create, maintain and enhance the web-based educational portal.

Sec. 101. Professional Development Requirement – REVISED

Clarifies implementation date of language that was added in 2009 that allows a district to count up to 38 hours of professional development as instructional hours only if at least 5 of those hours are provided online either my Michigan Virtual University or by another department-approved intermediate district provider of online professional development.

It would take effect for school year 2010-11 or, if this subsection conflicts with a current bargaining agreement, after that agreement expires.

Sec. 104. Assessment Testing and Funding – REVISED

Strikes language which requires the Department to replace the MEAP social studies test with the “Explore” exam if it is as robust as the MEAP test, and to apply for a federal waiver if replacing the MEAP. The Department sent a letter to the Legislature (February 11, 2010) stating that the “Explore” test is not more robust than the MEAP. Also strikes language requiring the Department to seek a federal waiver to replace the 3rd through 8th grade MEAP test with an “off the shelf” test.

Sec. 147. MPSERS Retirement Rate – REVISED

Estimates percentage of payroll districts must pay for public school employee retirement at 19.41% which is a 2.47% increase over FY 2009-10’s rate of 16.94%. Also decreases the amortization period from 28 years to 27.

Enacting Section 2 – REPEALS SECTIONS

Repeals the following: Sec. 32c (early childhood grants), Sec. 32n (before- and after-school program), Sec. 57 (advanced and accelerated program), Sec. 98a (intent language to fund 21st century learning initiatives), Sec. 99p (cultural access grants) and Sec. 166 (5% penalty if providing family planning drugs or abortion referrals).

<u>Supplemental Budget Request For FY 2009-10</u>		<u>Year-to-Date</u>	<u>Executive</u>
		<u>FY 2009-10</u>	<u>Change</u>
1. Cash Flow Borrowing Costs (Sec. 11m)	Gross	\$45,000,000	(\$15,000,000)
Reduces the FY 2009-10 appropriation for School Aid Fund borrowing costs due to lower interest costs.	Restricted	45,000,000	(15,000,000)

SCHOOL AID

<u>Supplemental Budget Request For FY 2009-10</u>		<u>Year-to-Date FY 2009-10</u>	<u>Executive Change</u>
2. Proposal A Obligation Payment (Sec. 22a)	Gross	\$5,882,000,000	(\$85,000,000)
Reduces funding by \$85.0 million to incorporate estimates in taxable values and pupil memberships.	Restricted	5,882,000,000	(85,000,000)
3. Discretionary Payment (Sec. 22b)	Gross	\$3,722,300,000	\$19,700,000
Increases funding by \$19.7 million to adjust for changes in taxable value and pupil estimates.	FedARRA	450,000,000	0
	Restricted	3,272,300,000	19,700,000
4. Juvenile Detention Facilities (Sec. 24a)	Gross	\$2,523,200	(\$771,900)
Decrease costs due to facility closures and therefore fewer pupils.	Restricted	2,253,200	(771,900)
5. Special Education Payment (Sec. 51a)	Gross	\$1,485,983,000	(\$42,700,000)
Decreases funding by \$42.7 million to reflect changes in special education cost estimates.	Federal	424,700,000	0
	Restricted	1,061,283,000	(42,700,000)
6. CEPI (Sec. 94a)	Gross	\$6,279,300	\$15,864,200
Increases the budget for the Center for Education Performance and Information (CEPI) in anticipation of federal grants to fund additional data requirements associated with the Race to the Top education reform package.	Federal	2,793,200	15,864,200
	Restricted	3,486,100	0

**FY 2010-11
Budget Detail
for
GENERAL GOVERNMENT**

**Attorney General
Civil Rights**

Executive Office

Legislative Auditor General

Legislature

State

Technology, Management and Budget

Treasury

**Summary: FY 2010-11 Executive Budget Recommendation
GENERAL GOVERNMENT OVERVIEW**

Analysts: Robin R. Risko and Ben Gielczyk

	FY 2009-10 Year-to-Date	FY 2010-11 Executive	Difference: Exec from FY 2009-10 YTD	
			Amount	%
IDG/IDT	\$645,839,400	\$646,991,900	\$1,152,500	0.2
Federal	133,337,400	109,610,400	(23,727,000)	(17.8)
Local	3,089,200	3,446,900	357,700	11.6
Private	1,265,700	1,423,100	157,400	12.4
Restricted	1,664,754,900	1,716,727,100	51,972,200	3.1
GF/GP	647,300,400	677,462,500	30,162,100	4.7
Gross	\$3,095,587,000	\$3,155,661,900	\$60,074,900	1.9
FTEs	7,513.7	7,394.2	(119.5)	(1.6)

Note: FY 2009-10 appropriation figures do not reflect the impact of executive order, supplemental, or transfer adjustments made after the release of the FY 2010-11 Executive Budget on February 11, 2010.

Overview

The following departmental and agency budgets are included in this budget 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 Treasury (including Lottery, Gaming Control Board, and Michigan Strategic Fund). The Department of Treasury budget also includes revenue sharing payments to local units of government and general obligation debt service. A summary of major budget issues are listed by department on the following pages.

Major Boilerplate Changes from FY 2009-10

GENERAL SECTIONS OF BOILERPLATE

Sec. 205. Hiring Freeze – DELETED

Imposes a hiring freeze on the state classified civil service, authorizes the Attorney General, Secretary of State, and State Budget Director to grant exceptions, and requires a quarterly report on the number of exceptions approved.

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

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

Sec. 215. Disciplinary Action Against State Employees – DELETED

Prohibits departments from taking disciplinary action against employees for communicating with members of the Legislature and their staffs.

Sec. 217. General Fund Restrictions – DELETED

Prohibits the use of GF/GP funding when federal funding is available.

Sec. 221. Policy Changes to Implement Public Acts – DELETED

Requires departments to report on policy changes made in order to implement public acts and prohibits funding from being used for adopting rules that apply to small businesses and have disproportionate economic impact on small businesses.

Sec. 227. No-Bid Contracts – DELETED

Prohibits departments from entering into no-bid contracts for greater than \$500,000 unless there are no other bidders; for bundled contracts, the \$500,000 limit applies to the individual contracts within the bundle.

Sec. 228. General Fund Lapses – DELETED

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

Summary: FY 2010-11 Executive Budget Recommendation

ATTORNEY GENERAL

Analyst: Robin R. Risko

	FY 2009-10 Year-to-Date	FY 2010-11 Executive	Difference: Exec from FY 2009-10 YTD	
			Amount	%
IDG/IDT	\$21,289,800	\$21,762,300	\$472,500	2.2
Federal	8,277,800	8,656,000	378,200	4.6
Local	0	0	0	--
Private	0	0	0	--
Restricted	15,521,000	15,290,800	(230,200)	(1.5)
GF/GP	28,785,000	29,168,000	383,000	1.3
Gross	\$73,873,600	\$74,877,100	\$1,003,500	1.4
FTEs	543.0	520.0	(23.0)	(4.2)

Note: FY 2009-10 appropriation figures do not reflect the impact of executive order, supplemental, or transfer adjustments made after the release of the FY 2010-11 Executive Budget on February 11, 2010.

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 offering justice to victims of crime and delivering excellent legal services at a minimum cost to taxpayers.

Major Budget Changes from FY 2009-10 YTD

		Year-to-Date FY 2009-10	Executive Change
1. SOCC Reduction	Gross	\$124,900	(\$9,100)
Reflects a savings due to a 10% reduction in the Attorney General's salary, effective January 1, 2011, as recommended by SOCC and approved by the Legislature (SCR 11 of 2009).	GF/GP	\$124,900	(\$9,100)
2. GF/GP Budget Reductions	FTEs	500.0	(15.0)
Reflects a savings to be achieved by reducing department staff by 15.0 FTE positions and applying administrative rate reductions to information technology costs.	Gross	\$68,300,800	(\$1,142,300)
	GF/GP	\$26,237,000	(\$1,142,300)
3. Eliminate Homeowner Construction Lien Fund	FTEs	4.0	(4.0)
Reflects a reduction of 4.0 FTE positions and a savings due to elimination of the Homeowner Construction Lien Fund.	Gross	\$566,100	(\$566,100)
	Restricted	566,100	(566,100)
4. Eliminate Auto Theft Prevention Grant	FTEs	4.0	(4.0)
Reflects a reduction of 4.0 FTE positions and a savings due to elimination of the Auto Theft Prevention grant from the Department of State Police.	Gross	\$420,000	(\$420,000)
	IDG	420,000	(420,000)
5. Eliminate Funding for Defense of Game and Fish Protection Fund	Gross	\$150,000	(\$150,000)
Reflects a savings due to elimination of funding for defense of the Game and Fish Protection Fund.	Restricted	150,000	(150,000)

ATTORNEY GENERAL

<u>Major Budget Changes from FY 2009-10 YTD</u>		<u>Year-to-Date FY 2009-10</u>	<u>Executive Change</u>
6. DTMB Consolidation	Gross	N/A	(\$2,300)
Reflects a savings due to the consolidation of the Departments of Management and Budget and Information Technology pursuant to EO 2009-55.	GF/GP	N/A	(\$2,300)
7. Economics	Gross	N/A	\$3,293,300
Includes additional funding to cover costs of a 3% salary and wage increase, as well as increases in insurance, retirement, and workers' compensation premium costs; reduces funding for building occupancy charges.	IDG	N/A	892,500
	Federal	N/A	378,200
	Restricted	N/A	485,900
	GF/GP	N/A	\$1,536,700

Major Boilerplate Changes from FY 2009-10

None

Summary: FY 2010-11 Executive Budget Recommendation

CIVIL RIGHTS

Analyst: Robin R. Risko

	FY 2009-10 Year-to-Date	FY 2010-11 Executive	Difference: Exec from FY 2009-10 YTD Amount	%
IDG/IDT	\$0	\$0	\$0	--
Federal	2,057,300	1,750,000	(307,300)	(14.9)
Local	0	0	0	--
Private	0	0	0	--
Restricted	0	53,000	53,000	100.0
GF/GP	11,706,400	11,279,100	(427,300)	(3.7)
Gross	\$13,763,700	\$13,082,100	(\$681,600)	(5.0)
FTEs	130.0	118.0	(12.0)	(9.2)

Note: FY 2009-10 appropriation figures do not reflect the impact of executive order, supplemental, or transfer adjustments made after the release of the FY 2010-11 Executive Budget on February 11, 2010.

Overview

The Michigan Civil Rights Commission is charged with investigating alleged discrimination against any person because of religion, race, color, or national origin, and 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 provides 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 2009-10 YTD

		Year-to-Date FY 2009-10	Executive Change
1. GF/GP Budget Reductions	FTEs	125.0	(10.0)
Reflects a savings to be achieved by carrying forward a reduction of 10.0 FTE positions from FY 2009-10 and applying administrative rate reductions to information technology costs.	Gross	\$13,496,600	(\$936,500)
	GF/GP	\$11,439,300	(\$936,500)
2. Federal Funding Contract Decrease	Gross	\$2,057,300	(\$307,300)
Reduces federal Equal Employment Opportunity Commission grant funding by \$195,000 and United States Department of Housing and Urban Development funding by \$112,300 based on projections of anticipated revenue.	Federal	2,057,300	(307,300)
3. Accounting Service Consolidation	FTEs	125.0	(2.0)
Reflects a reduction of 2.0 FTE positions and a savings due to the transfer of accounting functions from the Department of Civil Rights to the Department of Technology, Management, and Budget.	Gross	\$12,728,600	(\$88,600)
	GF/GP	\$10,686,300	(\$88,600)
4. Fund Source Shift	Gross	N/A	\$0
Reflects an increase in state restricted funding and a decrease in GF/GP funding by a like amount.	Restricted	N/A	53,000
	GF/GP	N/A	(\$53,000)
5. DTMB Consolidation	Gross	N/A	(\$700)
Reflects a savings due to the consolidation of the Departments of Management and Budget and Information Technology pursuant to EO 2009-55.	GF/GP	N/A	(\$700)

CIVIL RIGHTS

Major Budget Changes from FY 2009-10 YTD

6. *Economics*

Includes additional funding to cover costs of a 3% salary and wage increase, as well as increases in insurance, retirement, and workers' compensation premium costs; reduces funding for building occupancy charges.

	<u>Year-to-Date FY 2009-10</u>	<u>Executive Change</u>
Gross	N/A	\$651,500
GF/GP	N/A	\$651,500

Major Boilerplate Changes from FY 2009-10

None

Summary: FY 2010-11 Executive Budget Recommendation

EXECUTIVE OFFICE

Analyst: Robin R. Risko

	FY 2009-10 Year-to-Date	FY 2010-11 Executive	Difference: Exec from FY 2009-10 YTD Amount	%
IDG/IDT	\$0	\$0	\$0	--
Federal	0	0	0	--
Local	0	0	0	--
Private	0	0	0	--
Restricted	0	0	0	--
GF/GP	4,823,700	4,630,800	(192,900)	(4.0)
Gross	\$4,823,700	\$4,630,800	(\$192,900)	(4.0)
FTEs	84.2	84.2	0.0	0.0

Note: FY 2009-10 appropriation figures do not reflect the impact of executive order, supplemental, or transfer adjustments made after the release of the FY 2010-11 Executive Budget on February 11, 2010.

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. Divisions within the Governor's Office include: Executive, Cabinet Affairs and Management, Chief Operating Officer, External Affairs, Legal, Operations, Appointments, Constituent Services, Policy, Communications, Legislative Affairs, Scheduling, and the Governor's offices in Washington D.C., Southeastern Michigan, and the Upper Peninsula.

Major Budget Changes from FY 2009-10 YTD

1. SOCC Reduction

Reflects a savings due to a 10% reduction in the salaries and expense allowances of the Governor and Lieutenant Governor, effective January 1, 2011, as recommended by SOCC and approved by the Legislature (SCR 11 of 2009).

Gross	\$3,973,900	(\$18,600)
GF/GP	\$3,973,900	(\$18,600)

2. GF/GP Budget Reductions

Reflects a savings to be achieved through administrative reductions.

Gross	\$3,673,000	(\$174,300)
GF/GP	\$3,673,000	(\$174,300)

Major Boilerplate Changes from FY 2009-10

There is no boilerplate for the Executive Office.

**Summary: FY 2010-11 Executive Budget Recommendation
LEGISLATIVE AUDITOR GENERAL**

Analyst: Robin R. Risko

	FY 2009-10 Year-to-Date	FY 2010-11 Executive	Difference: Exec from FY 2009-10 YTD Amount	%
IDG/IDT	\$1,801,500	\$1,801,500	\$0	0.0
Federal	0	0	0	--
Local	0	0	0	--
Private	0	0	0	--
Restricted	1,539,900	1,539,900	0	0.0
GF/GP	11,619,800	11,155,000	(464,800)	(4.0)
Gross	\$14,961,200	\$14,496,400	(\$464,800)	(3.1)
FTEs	0.0	0.0	0.0	0.0

Note: FY 2009-10 appropriation figures do not reflect the impact of executive order, supplemental, or transfer adjustments made after the release of the FY 2010-11 Executive Budget on February 11, 2010.

Overview

The Office of 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 Office of the Legislative Auditor General is to improve accounting and financial reporting practices and promote effectiveness, efficiency, and economy in state government. Its 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 2009-10 YTD

1. GF/GP Budget Reductions

Reflects a savings to be achieved through administrative reductions.

	Year-to-Date FY 2009-10	Executive Change
Gross	\$14,647,700	(\$464,800)
GF/GP	\$11,306,300	(\$464,800)

Major Boilerplate Changes from FY 2009-10

None

Summary: FY 2010-11 Executive Budget Recommendation

LEGISLATURE

Analyst: Robin R. Risko

	FY 2009-10 Year-to-Date	FY 2010-11 Executive	Difference: Exec from FY 2009-10 YTD Amount	%
IDG/IDT	\$0	\$0	\$0	--
Federal	0	0	0	--
Local	0	0	0	--
Private	400,000	400,000	0	0.0
Restricted	1,109,800	1,109,800	0	0.0
GF/GP	104,764,900	100,574,300	(4,190,600)	(4.0)
Gross	\$106,274,700	\$102,084,100	(\$4,190,600)	(3.9)
FTEs	0.0	0.0	0.0	0.0

Note: FY 2009-10 appropriation figures do not reflect the impact of executive order, supplemental, or transfer adjustments made after the release of the FY 2010-11 Executive Budget on February 11, 2010.

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.

Major Budget Changes from FY 2009-10 YTD

1. SOCC Reduction

Reflects a savings due to a 10% reduction in the salaries, supplemental salaries, and expense allowances of members of the Legislature, effective January 1, 2011, as recommended by SOCC and approved by the Legislature (SCR 11 of 2009).

Gross	\$69,007,800	(\$1,249,500)
GF/GP	\$69,007,800	(\$1,249,500)

2. GF/GP Budget Reductions

Reflects a savings to be achieved through administrative reductions.

Gross	\$106,274,700	(\$2,941,100)
GF/GP	\$104,764,900	(\$2,941,100)

Major Boilerplate Changes from FY 2009-10

Sec. 610. Health Insurance Benefits – DELETED

Prohibits funding from being used to pay for health insurance benefits for unmarried domestic partners of legislators or legislative employees.

Summary: FY 2010-11 Executive Budget Recommendation

STATE

Analyst: Ben Gielczyk

	FY 2009-10 Year-to-Date	FY 2010-11 Executive	Difference: Exec from FY 2009-10 YTD	
			Amount	%
IDG/IDT	\$20,000,000	\$20,000,000	\$0	0.0
Federal	1,810,000	1,810,000	0	0.0
Local	0	0	0	--
Private	100	100	0	0.0
Restricted	169,364,700	176,578,000	7,213,300	4.3
GF/GP	17,955,400	14,179,200	(3,776,200)	(21.0)
Gross	\$209,130,200	\$212,567,300	\$3,437,100	1.6
FTEs	1,815.0	1,815.0	0.0	0.0

Note: FY 2009-10 appropriation figures do not reflect the impact of executive order, supplemental, or transfer adjustments made after the release of the FY 2010-11 Executive Budget on February 11, 2010.

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.

<u>Major Budget Changes from FY 2009-10 YTD</u>		<u>Year-to-Date FY 2009-10</u>	<u>Executive Change</u>
1. GF/GP Reductions	Gross	N/A	(\$1,182,300)
Reduces GF/GP funding for the following line items: Regulatory Services Operations by \$287,600; Customer Delivery Branch Operations by \$277,900; Central Operations by \$277,500; Department Services Operations by \$272,300; Executive Direction Operations by \$7,000; and Information Technology Administrative reductions of \$60,000.	GF/GP	N/A	(\$1,182,300)
2. Department of Technology, Management and Budget Savings	Gross	N/A	(\$22,500)
Includes consolidated savings from the merger of Department of Management and Budget (DMB) and Department of Information Technology (DIT) under Executive Order 2009-55.	Restricted	N/A	(20,700)
	GF/GP	N/A	(\$1,800)
3. Business Application Modernization (BAM)	Gross	(\$4,550,000)	(\$4,550,000)
Eliminates total funding for BAM due to the completion of the project by DIT. BAM program is an end-to-end review of business processes which will allow for more online transactions, reduce error, expand form of payment, and other electronic and online upgrades.	Restricted	(1,800,000)	(1,800,000)
	GF/GP	(\$2,750,000)	(\$2,750,000)
4. Credit and Debit Card Service Assessment	Gross	N/A	\$1,000,000
Includes additional funding for credit and debit card service assessment. Funding was formerly a boilerplate appropriation in Sec. 816 of the FY 2009-10 Department of State budget.	Restricted	N/A	1,000,000
	GF/GP	N/A	\$0
5. Organ Donor Program	Gross	\$104,100	(\$25,000)
Reduced funding for organ donor program with targeted reductions for department.	Private	100	0
	GF/GP	\$104,000	(\$25,000)

<u>Major Budget Changes from FY 2009-10 YTD</u>		<u>Year-to-Date FY 2009-10</u>	<u>Executive Change</u>
6. State Officers Compensation Commission (SOCC) Adjustment	Gross	\$124,900	(\$9,100)
Reduces funding for Secretary of State salary as part of SOCC adopted salary reductions. Reductions will be applied to nine months of salary as SOCC recommendations do not take effect until January 1, 2011.	GF/GP	\$124,900	(\$9,100)
7. Economic Adjustments	Gross	N/A	\$8,226,000
Includes additional funding for salary and wage, insurance, retirement, and rent (\$8.2 million Gross; \$505,900 million GF/GP); reduces funding for worker's compensation and building occupancy costs (\$464,300 Gross; \$401,300 GF/GP). Also includes DIT economic adjustment increases of \$492,300 Gross and \$87,400 GF/GP.	Restricted	N/A	8,034,000
	GF/GP	N/A	\$192,000

Major Boilerplate Changes from FY 2009-10

Sec. 705a. Help America Vote Act (HAVA) Report – DELETED

Requires the Department to report on the activities and success of enforcement and compliance with the Help America Vote Act of 2002.

Sec. 715. Branch Office Closings or Consolidations – DELETED

Requires 180 days advance notice of branch office closures and consolidations and 60 days advance notice for relocations.

Sec. 716. Credit and Debit Card Service Assessment – REVISED

Stipulates that service assessments collected by the department of state from the user of a credit or debit card is appropriated to the department for necessary expenses related to that service. Removes language indicating that funds are allocated for expenditure when they are received by the Department of Treasury because funding was moved to Part 1 appropriation.

Sec. 718. Motorcycle Safety Education Program – DELETED

Requires funds appropriated for Motorcycle Safety Education Grants and Administration to be used for program operation; requires funding to come from license endorsements and registration and testing fees; requires funds to be used to subsidize safety training courses provided by local units of government and agencies; allows Department to use funds for administration costs associated with Motorcycle Safety Education Program.

Sec. 719. Business Application Modernization (BAM) Project – DELETED

Appropriates \$4.6 million funding for the BAM Project to be used for development, implementation, and maintenance of BAM.

Sec. 724. Buena Vista Township Branch Office – DELETED

Requires Department to maintain a full service branch office in the Buena Vista Township.

Sec. 725. General Fund Expenditures – DELETED

Requires the Department to use available restricted funds for expenditures before using general fund dollars.

Sec. 727. Branch Office Locations in Urban Areas – DELETED

Encourages branch offices to be located in downtown areas, town centers, central business districts, and brownfield sites rather than Greenfield and open space sites.

Sec. 728. Performance Audit Report – DELETED

Requires the Department to submit a report on improvements and changes made with regard to issues identified by the Auditor General in the 2009 cash receipts and branch office customer service audit.

Sec. 729. ATM Commission Fees – NEW

Allows the Department to collect ATM commission fees from companies that have ATM's located in Secretary of State branch offices. Requires commission fees collected to be deposited in the Transportation Administration Collection Fund.

**Summary: FY 2010-11 Executive Budget Recommendation
TECHNOLOGY, MANAGEMENT AND BUDGET**

Analyst: Robin R. Risko

	FY 2009-10 Year-to-Date	FY 2010-11 Executive	Difference: Exec from FY 2009-10 YTD	
			Amount	%
IDG/IDT	\$584,509,400	\$589,368,200	\$4,858,800	0.8
Federal	11,219,800	2,917,800	(8,302,000)	(74.0)
Local	2,027,600	1,380,400	(647,200)	(31.9)
Private	151,900	170,800	18,900	12.4
Restricted	72,200,500	84,881,000	12,680,500	17.6
GF/GP	293,574,300	304,346,000	10,771,700	3.7
Gross	\$963,683,500	\$983,064,200	\$19,380,700	2.0
FTEs	3,038.0	2,971.5	(66.5)	(2.2)

Note: FY 2009-10 appropriation figures do not reflect the impact of executive order, supplemental, or transfer adjustments made after the release of the FY 2010-11 Executive Budget on February 11, 2010.

Overview

The Department of Technology, Management and Budget was recently created pursuant to Executive Order 2009-55. The EO merges the former Departments of Information Technology and Management and Budget. 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 2009-10 YTD

MANAGEMENT AND BUDGET

1. SBA Rent Increase

Includes additional funding for State Building Authority rent payments. 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 finance needs for planned projects.

	Year-to-Date FY 2009-10	Executive Change
Gross	\$235,370,600	\$10,000,000
GF/GP	\$235,370,600	\$10,000,000

2. Gubernatorial Transition

Includes additional funding for costs associated with the gubernatorial transition. Funding is used for both the outgoing and the incoming governor and covers expenses associated with staff, leave payments, unemployment benefits, office space, supplies, moving, and other related costs.

Gross	N/A	\$1,500,000
GF/GP	N/A	\$1,500,000

3. Accounting Service Consolidation

Includes an additional 8.0 FTE positions and funding to reflect the transfer of accounting functions from the Department of Civil Rights, the Civil Service Commission, and the Office of the State Employer to Management and Budget.

FTEs	N/A	8.0
Gross	N/A	\$859,600
IDG	N/A	859,600

<u>Major Budget Changes from FY 2009-10 YTD</u>		<u>Year-to-Date FY 2009-10</u>	<u>Executive Change</u>
4. New Building Operations and Private Rent Adjustment	Gross	N/A	\$861,600
Includes an additional \$785,200 to cover utility and maintenance costs at the State Police headquarters building and an additional \$76,400 for private rent adjustments at One Division and Rickle Road Lab buildings.	IDG	N/A	861,600
5. Audits of Public School Employer Units	FTEs	N/A	2.0
Includes an additional 2.0 FTE positions and funding for costs associated with conducting audits of retirement data submitted by public school employer reporting units. This data includes wages, hours, and contributions of public school employees.	Gross	N/A	\$180,500
	Restricted	N/A	180,500
6. SWCAP-related Fund Source Shifts	Gross	N/A	\$0
Adjusts IDG, federal, 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	(48,300)
	Federal	N/A	(266,700)
	Restricted	N/A	2,706,000
	GF/GP	N/A	(\$2,391,000)
7. Building Operations Reductions	FTEs	253.0	(2.0)
Reflects a reduction of 2.0 FTE positions and funding due to building contract reductions (\$601,000), savings from reorganization (\$500,000), and further staff restructuring (\$156,900).	Gross	\$87,784,000	(\$1,257,900)
	IDG	87,784,000	(1,257,900)
8. Eliminate Professional Development Funds	Gross	\$200,000	(\$200,000)
Reflects a savings due to elimination of professional development funds for NEREs and MSCs.	IDG	200,000	(200,000)
9. DTMB Consolidation	FTEs	N/A	(0.5)
Reflects a reduction in FTE positions and a savings due to the consolidation of the Departments of Management and Budget and Information Technology pursuant to EO 2009-55.	Gross	N/A	(\$304,100)
	IDG	N/A	(114,600)
	Restricted	N/A	(22,800)
	GF/GP	N/A	(\$166,700)
10. Federal Funding Authorization	Gross	N/A	\$100
Includes authorization for the department to receive federal funding if it becomes available. The Records Management Services program which was transferred to Management and budget from the former Department of History, Arts, and Libraries has received federal grant funding in the past.	Federal	N/A	100
11. Budget Reductions	FTEs	N/A	(41.0)
Reflects a reduction of 41.0 FTE positions and a savings due to a reduction of staff and support services provided, a reduction of on call hours and system maintenance for MAIN, a reduction in funding for the Center for Education Performance Information, from applying administrative rate reductions to information technology costs, from not filling vacant FTE positions, and from adjusting FTE authorization to reflect actual funded positions.	Gross	N/A	(\$772,000)
	Restricted	N/A	(156,800)
	GF/GP	N/A	(\$615,200)
12. Management and Budget Economics	Gross	N/A	\$4,869,200
Includes additional funding to cover costs of a 3% salary and wage increase, as well as increases in insurance, retirement, and workers' compensation premium costs; reduces funding for building occupancy charges.	IDG	N/A	927,000
	Restricted	N/A	909,700
	GF/GP	N/A	\$3,032,500

TECHNOLOGY, MANAGEMENT AND BUDGET

<u>Major Budget Changes from FY 2009-10 YTD</u>	<u>Year-to-Date FY 2009-10</u>	<u>Executive Change</u>
TECHNOLOGY SERVICES		
13. Base Adjustments		
Reduces line items within the Technology Services budget to reflect actual appropriations in FY 2010 for information technology services and projects in other state department budgets:	Gross	\$423,323,100 (\$8,244,500)
<ul style="list-style-type: none"> • Agriculture - \$178,600 • Civil Rights - \$85,700 • Civil Service Commission - \$400,000 • Corrections - \$402,300 • Education - \$14,300 • Environmental Quality - \$2,700 • Human Services - \$4,381,100 • Management and Budget - \$1,855,600 • Military and Veterans Affairs - \$100,000 • State - \$137,200 • Treasury - \$687,000 	IDG	423,323,100 (8,244,500)
14. Program Enhancements		
Makes the following adjustments to reflect appropriations for program enhancements made in other state department budgets:	FTEs	1,635.0 1.0
<ul style="list-style-type: none"> • Human Services - \$14.2 million for increased costs due to Children's Rights Settlement (development of Statewide Automated Child Welfare Information System and need for new child welfare and other staff) • Corrections - \$102,600 for desktop maintenance • Gaming - 1.0 FTE position and \$94,000 for increased workload • Education - \$85,000 for implementation of Race to the Top education reform • State Police - \$36,200 for Automated Fingerprint Identification System • Management and Budget - \$4,000 for audits of public school employer units 	Gross	\$423,323,100 \$14,534,800
	IDG	423,323,100 14,534,800
15. Budget Reductions		
Reflects a savings to be achieved in the various department budgets through staff reductions, administrative efficiencies, administrative rate reductions, contract reductions, server and license reductions, reductions in CSS&M and maintenance costs, and delaying equipment purchases:	FTEs	1,635.0 (1.0)
<ul style="list-style-type: none"> • Technology Services - \$549,900 • Civil Rights - \$58,900 • Civil Service Commission - \$17,400 • Corrections - \$359,100 • Education - \$50,000 • Environmental Quality - 1.0 FTE position and \$100,600 • Human Services - \$1.0 million • Management and Budget - \$459,600 • Military and Veterans Affairs - \$30,000 • Natural Resources - \$103,900 • State - \$16,600 • State Police - \$248,700 • Transportation - \$1.4 million • Treasury - \$616,300 	Gross	\$423,323,100 (\$5,017,500)
	IDG	423,323,100 (5,017,500)

Major Budget Changes from FY 2009-10 YTD

16. Eliminate Program Funding

Reflects elimination of funding in various department budgets for programs no longer needing funding or as a result of funding not being available:

- Community Health - \$400,000 for Newborn Screening program and \$971,300 for WIC program
- Natural Resources - \$27,100 in excess authorization
- State - \$4.6 million for Business Application Modernization project
- Treasury - \$415,100 for Michigan Merit Award Trust Fund

	Year-to-Date FY 2009-10	Executive Change
Gross	\$423,323,100	(\$6,363,500)
IDG	423,323,100	(6,363,500)

17. Transfers

Reflects the transfer of FTE positions and funding within various department budgets from IT programs to non-IT programs:

- Corrections - 1.0 FTE position and \$110,000; IT staff person moved to analyst position within department
- Human Services - \$557,200; portion of Bridges funding moved to non-IT program
- State Police - \$538,900; aligns funding for one-time IT expenditures between IT and non-IT line items within department
- Treasury - 1.0 FTE position and \$104,000; IT staff person moved to non-IT program

FTEs	N/A	(2.0)
Gross	N/A	(\$1,310,100)
IDG	N/A	(1,310,100)

18. DTMB Consolidation

Reflects a reduction of 3.0 FTE positions and a savings due to the consolidation of the Departments of Management and Budget and Information Technology pursuant to EO 2009-55.

FTEs	N/A	(3.0)
Gross	N/A	(\$662,500)
IDG	N/A	(662,500)

19. Technology Services Economics

Includes additional funding to cover costs of a 3% salary and wage increase, as well as increases in insurance and retirement; reduces funding for workers' compensation premium costs and building occupancy charges.

Gross	N/A	\$9,412,900
IDG	N/A	9,412,900

CIVIL SERVICE COMMISSION

20. Budget Reductions

Reflects a reduction of 20.0 FTE positions and a savings to be achieved through retirement, attrition, possible layoffs, and by applying administrative rate reductions to information technology costs.

FTEs	469.5	(20.0)
Gross	\$49,555,700	(\$1,766,300)
Federal	10,293,900	(800)
Restricted	16,521,500	(1,000)
GF/GP	\$19,943,900	(\$1,764,500)

21. Accounting Service Consolidation

Reflects a reduction of FTE positions and a savings due to the transfer of accounting functions from the Civil Service Commission to Management and Budget.

FTEs	N/A	(8.0)
Gross	N/A	(\$93,200)
GF/GP	N/A	(\$93,200)

22. Fund Source Shifts

Adjusts IDG, federal, local, private, and state restricted fund sources in order to more accurately reflect where expenditures occur. The net effect on the total budget is \$0.

Gross	N/A	\$0
IDG	N/A	1,338,700
Federal	N/A	(8,453,200)
Local	N/A	(727,600)
Private	N/A	8,100
Restricted	N/A	7,834,000

TECHNOLOGY, MANAGEMENT AND BUDGET

<u>Major Budget Changes from FY 2009-10 YTD</u>	<u>Year-to-Date FY 2009-10</u>	<u>Executive Change</u>	
23. Civil Service Commission Economics	Gross	N/A	\$3,153,600
Includes additional funding to cover costs of a 3% salary and wage increase, as well as increases in insurance and retirement; reduces funding for workers' compensation premium costs.	IDG	N/A	143,100
	Federal	N/A	418,600
	Local	N/A	80,400
	Private	N/A	10,800
	Restricted	N/A	1,230,900
	GF/GP	N/A	\$1,269,800

Major Boilerplate Changes from FY 2009-10

MANAGEMENT AND BUDGET

Sec. 710. Revisions to Computer Contracts – DELETED

Requires report on any revisions that increase or decrease current computer contracts by more than \$500,000 at least 14 days prior to finalization of revisions.

Sec. 715 (3). Motor Vehicle Fleet Assignment – DELETED

Expresses legislative intent that the department has the authority to determine appropriateness of vehicle assignment.

Sec. 715 (4). Motor Vehicle Fleet Plan – DELETED

Requires the department to maintain a plan regarding operation of the state's motor vehicle fleet and lists specific information to be included in the plan.

Sec. 716. Purchasing From Michigan-Based Firms – DELETED

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

Sec. 717. Purchasing – DELETED

Establishes guidelines for the department to follow when determining whether purchasing, contracting for, and/or providing supplies, materials, services, insurance, utilities, third party financing, equipment, printing, and other items needed by state departments are in the best interests of the state.

Sec. 718. Collection of Vendor Disclosure Information – DELETED

Lists information the department is authorized to collect from vendors to ensure compliance with procurement of goods and services from Michigan-based providers.

Sec. 724. Document and Data Imaging – DELETED

Appropriates funding collected by the department for document and data imaging services, copies, media, storage, conferences, workshops, and training classes.

Sec. 725. Unclassified Salaries – DELETED

Requires report on salaries of all unclassified employees and gubernatorial appointees.

Sec. 727. Contract Savings – DELETED

Requires the department to take measures to reduce existing contractual expenditures by \$20 million, lists required measures to be followed, and requires annual report on the amount of contract savings achieved.

Sec. 873. Capital Outlay Projects for Community Colleges – NEW (Standard Capital Outlay Language)

Details certain administrative requirements for a community college with a partially state-funded capital outlay project and limits state funds for a project to 50% of the total cost.

Sec. 874. Matching Fund Requirements for Capital Outlay Projects – NEW (Standard Capital Outlay Language)

Authorizes reducing the amount of state funds required for a capital outlay project if the amount of matching funds from the university or community college are reduced.

Sec. 875. Documentation for Authorized Capital Outlay Projects – NEW (Standard Capital Outlay Language)

Authorizes the department to require documentation from universities and community colleges that have authorization for capital outlay projects.

Major Boilerplate Changes from FY 2009-10

TECHNOLOGY SERVICES

Sec. 820. (4) (Current Sec. 577) Michigan Public Safety Communications System – DELETED

Requires report on the amount of revenue collected and expended for support and maintenance of the system.

Sec. 578. Technology-Related Appropriations and Expenditures – DELETED

Requires report on amounts appropriated by fund source for each department and listing of expenditures made from those appropriations.

Sec. 579. Life-Cycle of IT Hardware and Software – DELETED

Requires report that analyzes and makes recommendations on the life-cycle of information technology-related hardware and software.

Sec. 580. Business Application Modernization Project – DELETED

Specifies the amount of funding appropriated for BAM project, lists what funding can be used for, designates funding as a work project account, and authorizes unexpended funding to be carried forward.

Sec. 582. Michigan.gov – DELETED

Requires report on improvements made to Michigan.gov.

Sec. 583. Contracts – DELETED

Requires report on all change orders and follow-on contracts greater than \$25,000.

Sec. 584. Information and Referral Services Using 2-1-1 – DELETED

Requires report on existing 2-1-1 capacities and how they will be utilized by each state department with community resource information and referral services and the potential cost savings through the shared use of a 2-1-1 system.

Sec. 585. 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. 754. Office of Great Workplace Development – DELETED

Prohibits funding to be used for the Office of Great Workplace Development.

**Summary: FY 2010-11 Executive Budget Recommendation
TREASURY**

Analyst: Ben Gielczyk

	FY 2009-10 Year-to-Date	FY 2010-11 Executive	Difference: Exec from FY 2009-10 YTD	
			Amount	%
IDG/IDT	\$11,120,700	\$14,059,900	\$2,939,200	26.4
Federal	95,782,000	94,476,600	(1,305,400)	(1.4)
Local	1,526,400	2,066,500	540,100	35.4
Private	723,700	852,200	128,500	17.8
Restricted	1,353,620,700	1,437,274,600	83,653,900	6.2
GF/GP	151,964,700	202,130,100	50,165,400	33.0
Gross	\$1,614,738,200	\$1,750,859,900	\$136,121,700	8.4
FTEs	1,867.5	1,885.5	18.0	1.0

Note: FY 2009-10 appropriation figures do not reflect the impact of executive order, supplemental, or transfer adjustments made after the release of the FY 2010-11 Executive Budget on February 11, 2010.

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), 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 2009-10 YTD

TREASURY OPERATIONS

		<u>Year-to-Date FY 2009-10</u>	<u>Executive Change</u>
1. GF/GP Budget Reductions	FTEs	N/A	(9.0)
Reduces funding \$1.8 million GF/GP and eliminates 9.0 FTE positions.	Gross	N/A	(\$1,787,700)
Reductions are achieved through consolidated staff reductions, DIT rate and administrative reductions, and targeted program reductions by the department.	GF/GP	N/A	(\$1,787,700)
2. Contractual Services for Other Departments	Gross	N/A	\$3,684,200
Increases funding to various line items for contractual services provided by the Department for other departments and state agencies. Spending authorization was previously provided for in boilerplate Sec. 928 of the FY 2010 General Government budget.	IDG	N/A	1,930,300
	Restricted	N/A	1,753,900
	GF/GP	N/A	\$0
3. Tax Compliance	FTEs	338.0	9.0
Includes \$1.0 million Gross and 9.0 FTEs in additional audit staff to meet obligations of MBT business filings. Program will generate \$4.0 million in FY 2011 and \$10.0 million in FY 2012. Will be implemented as part of FY 2010 supplemental.	Gross	\$34,988,700	\$1,000,000
	Restricted	33,103,900	1,000,000
	GF/GP	1,884,800	0
4. Tax Processing	FTEs	151.0	4.0
Increases funding by \$400,000 Gross and 4.0 FTEs to eliminate backlog of paid error returns to be processed. Program will generate \$10.0 million in revenue beginning in FY 2011. Also proposed as part of FY 2009-10 supplemental.	Gross	\$14,075,100	\$400,000
	IDG	2,298,200	0
	Restricted	11,776,900	400,000

Major Budget Changes from FY 2009-10 YTD		Year-to-Date FY 2009-10	Executive Change
5. Bottle Bill Supplemental	Gross	\$1,500,000	(\$1,500,000)
Removes one-time reverse bottle bill redemption antifraud fund supplemental in FY 2009-10 budget.	Restricted	1,500,000	(1,500,000)
6. College Access Challenge Grant Program	Gross	\$2,202,400	(\$2,202,400)
Removes funding for College Access Challenge Grant Program. Funding for program was available for two years and is established as a work project to be used through FY 2010-11.	Federal	2,202,400	(2,202,400)
7. Tax and Economic Policy	FTEs	81.0	1.0
Includes \$150,000 and 1.0 FTE position for implementation of additional duties associated with Emergency 911 administration.	Gross	\$9,279,900	\$150,000
	Restricted	7,432,000	150,000
	GF/GP	\$1,847,900	\$0
8. Michigan Transportation Fund Adjustment	Gross	N/A	\$647,500
Increases IDG from MDOT Michigan Transportation Fund by \$647,500 Gross. Mandated MTF adjustment. Funding increases are distributed as follows: Customer Contact (\$284,900); Tax and Economic Policy (\$155,400); and Tax Processing (\$207,200).	IDG	N/A	\$647,500
9. Fund Shifts	Gross	N/A	\$0
Reduces GF/GP funding levels due to shift in funding to restricted funds. Supervision of General Property Tax Law shifts \$635,000 in GF/GP funding to restricted funding by using available reserve balances in assessor training fees and land reutilization fees. Banking and Management Services shifts \$258,500 in GF/GP funding to restricted indirect funds based on common activities within department similar to SWCAP.	Local	N/A	485,000
	Restricted	N/A	408,500
	GF/GP	N/A	(\$893,500)
10. Department of Technology, Management, and Budget (DTMB) Consolidation	Gross	N/A	(\$32,700)
Reduces funding due to savings from consolidation of the Department of Management and Budget and the Department of Information Technology.	Restricted	N/A	(27,700)
	GF/GP	N/A	(\$5,000)
11. Michigan Merit Award Administration	FTEs	6.0	(6.0)
Eliminates funding for Michigan Merit Award Administration. Program is eliminated due to elimination of Michigan Promise Grant program.	Gross	\$1,430,800	(\$1,430,800)
	Restricted	1,430,800	(1,430,800)
12. Business Property Tax Appeal	FTEs	N/A	7.0
Includes \$900,000 in GF/GP funding and 7.0 FTE positions for new Business Property Tax Appeal program. Program will provide assessment review for property tax appeals that affect School Aid Fund.	Gross	N/A	\$900,000
	GF/GP	N/A	\$900,000
13. Economic Adjustments	Gross	N/A	\$10,153,900
Increases funding by \$9.3 million Gross and \$1.1 GF/GP for economics, which includes salaries and wages, retirement, building occupancy charges, workers' compensation, and insurance costs; includes Lottery and Michigan Gaming Control Board. Also includes DIT economic adjustments of \$833,900 Gross and \$184,400 GF/GP.	IDG	N/A	361,400
	Federal	N/A	798,600
	Local	N/A	55,100
	Restricted	N/A	7,671,400
	GF/GP	N/A	\$1,267,400

TREASURY

<u>Major Budget Changes from FY 2009-10 YTD</u>		<u>Year-to-Date FY 2009-10</u>	<u>Executive Change</u>
DEBT SERVICE			
14. Debt Service Payments			
Increases funding by \$54.7 million based on principal and interest requirements of general obligation bond issues and new issues. Reduces Water Pollution Control Board (\$62,400) and Great Lakes Water Quality (\$10.9 million). Increases funding for Quality of Life Bond (\$32.5 million) and Clean Michigan Initiative (\$33.2 million). Between FY 2007-08 and FY 2009-10 debt service payments were refinanced and pushed into the future for a planned savings of \$100 million. Increase in FY 2010-11 is due to new issues and scheduled required increases.	Gross	\$80,177,500	\$54,731,700
	Restricted	15,514,500	0
	GF/GP	\$64,663,000	\$54,731,700
GRANTS			
15. Convention Facility Development Distribution			
Eliminates \$9.0 million in one-time convention facility development funding associated with Public Act 62 of 2009.	Gross	\$83,850,000	(\$9,000,000)
	Restricted	83,850,000	(9,000,000)
CASINO GAMING			
16. Office of Racing Commissioner			
Includes \$1.9 million Gross and 10.0 FTE (1.0 FTE unclassified) positions for the Office of Racing Commission that was transferred from the Department of Agriculture as part of Executive Orders 2009-45, 2009-54.	FTEs	N/A	9.0
	Gross	N/A	\$1,905,000
	Restricted	N/A	1,905,000
17. Casino Gaming Control Administration/Information Technology			
Includes \$1.6 million in restricted funds for casino gaming laboratory services and background investigations. Funding was previously appropriated in boilerplate Section 972 of FY 2010-11 General Government budget. Also includes \$86,500 in restricted funding and 1.0 FTE position under the Casino Gaming Control Administration for Indian Gaming Auditor to audit new casinos along with \$94,000 in restricted funding for Casino Gaming DIT staff person to audit new Indian Casinos.	FTEs	115.0	1.0
	Gross	\$21,011,900	\$1,783,500
	Restricted	21,011,900	1,783,500
STATE LOTTERY			
18. Promotion and Advertising			
Eliminates \$18.6 million in funding for promotion and advertising. Moves spending authorization to boilerplate section to allow up to one percent of sales revenue to go to promotion and advertising.	Gross	\$18,622,000	(\$18,622,000)
	Restricted	18,622,000	(18,622,000)
19. Lottery Operations			
Includes \$78,000 Gross and 1.0 FTE position for assistance in the introduction of Powerball.	FTEs	181.0	1.0
	Gross	\$20,847,800	\$78,000
	Restricted	20,847,800	78,000
REVENUE SHARING			
20. Constitutional Revenue Sharing			
Reduces revenue sharing payments by \$19.1 million. Fiscal Year 2009-10 YTD amounts were based on the January 2009 Consensus Revenue Estimating Conference (CREC) figures. Executive recommended amounts are based on January 2010 CREC.	Gross	\$622,137,900	(\$19,094,300)
	Restricted	622,137,900	(19,094,300)
21. Statutory Revenue Sharing			
Increases statutory revenue sharing payments by \$151,800 from FY 2009-10 YTD amounts. Executive recommended amounts are based on January 2010 CREC.	Gross	\$314,169,900	\$151,800
	Restricted	314,169,900	151,800
22. County Revenue Sharing			
Increases county revenue sharing payments by \$59.4 million to fund the additional counties anticipated to be eligible again for state payments. Counties become eligible when they exhaust their revenue sharing reserve funds.	Gross	\$55,291,700	\$59,449,000
	Restricted	55,291,700	59,449,000

<u>Major Budget Changes from FY 2009-10 YTD</u>		<u>Year-to-Date FY 2009-10</u>	<u>Executive Change</u>
MICHIGAN STRATEGIC FUND			
23. 21st Century Jobs Program Funding	Gross	\$28,500,000	\$46,500,000
Increases funding by \$46.5 million in restricted funding to restore FY 2009-10 transfer to general fund. Statute provides for \$75 million.	Restricted	28,500,000	46,500,000
24. Economic Development Job Training (EDJT) Program	Gross	\$4,705,800	(\$4,705,800)
Eliminates funding for the Economic Development Job Training Program. The EDJT program provides employee training grants to maintain or attract permanent jobs for Michigan residents. The grants are for high-skill/high-wage jobs in 21st century industries, such as advanced manufacturing, life sciences, technology, homeland security, and alternative energy.	GF/GP	\$4,705,800	(\$4,705,800)
25. Michigan Promotion Program	Gross	\$5,402,800	\$13,000,000
Includes \$13.0 million in restricted funds from proposed assessment on select vehicle rentals for promotion of tourism and business. Assessments would be deposited in Michigan Promotion Fund.	Restricted	0	13,000,000
	GF/GP	\$5,402,800	\$0
26. Arts and Cultural Grants	Gross	N/A	\$100,000
Includes \$100,000 in restricted funds for Arts and Cultural Grants. New funding would come from a voluntary income tax check off beginning in tax year 2009 that would be deposited in the arts fund.	Private	N/A	100,000
27. Business Incubator Program	Gross	\$950,000	(\$950,000)
Eliminates one-time funding for business incubator program.	Restricted	950,000	(950,000)
28. MSF Economic Adjustments	Gross	N/A	\$812,800
Includes \$812,800 Gross and \$658,300 GF/GP funding for economics, which include increased funding for salaries and wages, retirement, workers' compensation, and insurance costs.	Federal	N/A	98,400
	Private	N/A	28,500
	Restricted	N/A	27,600
	GF/GP	N/A	\$658,300

Major Boilerplate Changes from FY 2009-10

DEPARTMENT OF TREASURY

Sec. 905. Sale of Tax Manuals – DELETED

Requires Department to provide copies of the state tax manual via the Department's website or provide for sale copies of the tax manuals on CD or other electronic media.

Sec. 906. State Audits – DELETED

Requires that the Department charge for state compliance audits and report on the audits performed and audit charges for the immediately preceding fiscal year. Appropriation in part 1 for state compliance audits shall be used to cover the cost of state audits performed by independent CPA or Department auditors.

Sec. 922. Public-Private Partnership Fund – REVISED

Authorizes a Public-Private Partnership Investment Fund for use in public-private partnerships. Directs the state treasurer and state budget director to determine. Revision authorizes unencumbered balance at the end of the year to be carried forward for appropriation in future years.

Sec. 929. Data and Collection Services – DELETED

Authorizes Department to enter into agreements to supply data or collection services to other executive principal departments or state agencies, the US Department of Treasury, or local units of government. Deleted due to the inclusion of funding in part 1.

Sec. 938. PILT Payments – DELETED

States legislative intent that Department work with local units to improve PILT system on purchased lands; requires report by January 1.

TREASURY

Major Boilerplate Changes from FY 2009-10

Sec. 939. Public Employee Pension Fund Investment – DELETED

States legislative intent that the state treasurer give appropriate consideration to life science companies in Michigan, or investments in venture capital funds that invest in those companies to the extent they offer the safety and rate or return comparable to other investments permitted and available at the time the investment decision is made.

Sec. 942. Field Collection Report – DELETED

Requires Department to report on additional revenue collection related to increased field staff.

Sec. 943. Form 1099-G Mailings – DELETED

Directs the Department to not include complete social security numbers in form 1099-G mailings to taxpayers.

Sec. 944. Pension Plan Consultant Report – REVISED

Requires Department to forward any report from a pension plan consultant to the Legislature and state budget director. Revises language to require report be forwarded annually.

Sec. 945. Fourteen-Point Review – DELETED

Authorizes Department to conduct a review of local unit assessment administration practices, procedures, and records in at least one assessment jurisdiction per county.

Sec. 946. Coordinated Assessment and Training Activities – DELETED

Authorizes members of state tax commission and management level staff of the assessment and certification division to meet with statewide assessment organizations quarterly to coordinate assessment and training activities.

Sec. 947. Revenue Enhancement Program – DELETED

Stipulates that funding in part 1 may be used for principal residence exemption compliance program. Requires quarterly reports for personal property tax audit and Principal Residence Audit programs.

Sec. 948. Electronic Income Tax Filing – DELETED

Directs Department to report the number of tax returns, including state income and single business tax returns, filed on-line in the preceding fiscal year.

Sec. 949. Tobacco Stamp Program – DELETED

Directs Department to explore the possibility of a public-private partnership for new tobacco stamp technology; requires report.

Sec. 950. Revenue Sharing – REVISED

Directs distribution of constitutional and statutory revenue sharing payments to cities, villages and townships. Allows cities, villages, and townships to receive less than 100% of their FY 2009-10 total revenue sharing payment if constitutional revenue sharing funding is reduced.

Sec. 955. County Revenue Sharing – REVISED

Directs payments to counties to be equal to the amount distributed to each county in FY 2004 adjusted by the inflation rate through the date of restoration and reduced by the amount each county is authorized to annually expend in that county's fiscal year beginning after FY 2004 from its revenue sharing reserve fund.

LOTTERY

Sec. 962. Promotion and Advertising – NEW

Authorizes appropriation of one percent of the prior fiscal year's lottery ticket sales for promotion and advertising. Formerly funded through line-item appropriation.

Sec. 963. Department of Human Services (DHS) Bridge Cards – DELETED

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

CASINO GAMING

Sec. 972. Gaming Oversight – DELETED

Appropriates funds distributed by the Michigan Gaming Control Board to the Department for oversight of casino gaming upon receipt. Directs the funds to be used to pay for costs incurred for casino gaming oversight activities. Deleted due to inclusion of funding in part 1.

Major Boilerplate Changes from FY 2009-10

Sec. 975. State Services Fee Fund Balance – DELETED

New language stating that \$1.6 million of the state services fee fund balance at the close of FY 2008-09 be transferred to the general fund.

Sec. 976. Horse Racing Industry Crimes – NEW

Authorizes the racing commissioner to pay rewards of not more than \$5,800 to a person who provides information that results in the arrest and conviction for a crime that involves the horse racing industry. Awards are paid from the Office of Racing Commissioner line-item.

MICHIGAN STRATEGIC FUND (MSF)

Sec. 1002. Economic Development Job Training (EDJT) Grants – DELETED

Provides description and direction for Economic Development Job Training Grant program. Program is eliminated.

Sec. 1003. Michigan Growth Capital Fund – DELETED

Provides description and direction for Michigan Growth Capital Fund; requires annual report from Michigan Economic Development Corporation (MEDC).

Sec. 1007. Grants and Investment Programs – DELETED

Requires MSF to provide a report on the grants and investment programs financed using investment or Indian gaming revenues.

Sec. 1008. Interlocal Agreements – DELETED

Requires any interlocal agreement entered into by MSF to include language stating that if a local unit of government has a contract or memorandum of understanding with a private economic development agency, the MEDC will work cooperatively with that private organization in that area.

Sec. 1010. Advertising Material – DELETED

Requires that no MSF funding is spent on premiums or advertising material involving personal effects or apparel except Travel Michigan.

Sec. 1014. Michigan Core Communities Fund – REVISED

Provides language outlining the purposes and uses of the fund and procedures for grant distribution. Revises to eliminate annual report requirement.

Sec. 1023. Tourism Promotion – DELETED

Provides guidelines on what Michigan tourism destinations and activities Michigan should emphasize in promoting tourism in all 4 seasons.

Sec. 1024. Small Business Technology and Development Centers (SBTDC) – REVISED

Revises to remove allocation of \$1.4 million from the 21st Century Jobs Trust Fund to Small Business Technology and Development Centers for Small Business Innovation Research/Small Business Technology Transfer Research grant or matching loan programs.

Sec. 1027. Lakeshore Advantage – DELETED

Stipulates that funds appropriated for the jobs for Michigan investment program: 21st Century Jobs Fund, \$3.0 million may be allocated to Lakeshore Advantage for the same purposes as the fiscal year 2007-2008 allocation.

Sec. 1033. Michigan Film Office Advisory Council – DELETED

Requires the MSF to make available to the public the minutes of the Michigan Film Office Advisory Council.

Sec. 1034. Business Incubator Program – DELETED

Stipulates funding be awarded competitively to operational business incubators in five counties. Includes 10 incubators. Funding for program was eliminated.

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

Requires MCACA to develop and administer targeted arts and cultural grant programs. MCACA is required to develop and publish application criteria and may charge non-refundable application fee that shall be deposited in the Council for the Arts Fund to be used for expenses necessary to administer the programs.

TREASURY

Major Boilerplate Changes from FY 2009-10

Sec. 1036. Arts and Cultural Institutions Project Program – NEW

Authorizes MCACA to offer an Arts and Cultural Institutions Project Program to remodel, repair, renovate, or construct certain arts and cultural institutions. Requires application process to be developed and allows for application fee to offset costs associated with reviewing the proposals. Projects recommended are not to exceed \$50.0 million in total.

**FY 2010-11
Budget Detail
for
HUMAN SERVICES**

**Community Health
Corrections
Human Services**

**Summary: FY 2010-11 Executive Budget Recommendation
COMMUNITY HEALTH**

Analysts: Margaret Alston, Susan Frey, Steve Stauff

	FY 2009-10 Year-to-Date	FY 2010-11 Executive	Difference: Exec from FY 2009-10 YTD	
			Amount	%
IDG/IDT	\$48,946,000	\$54,224,300	\$5,278,300	10.8
Federal				
ARRA	1,080,092,400	851,400,600	(228,691,800)	(21.2)
Non-ARRA	7,857,901,800	8,982,050,000	1,124,148,200	14.3
Local	225,972,600	232,374,700	6,402,100	2.8
Private	72,308,500	80,272,500	7,964,000	11.0
Restricted	1,487,808,800	2,180,147,100	692,338,300	46.5
GF/GP	2,304,602,500	2,016,461,800	(288,140,700)	(12.5)
Gross	\$13,077,632,600	\$14,396,931,000	\$1,319,298,400	10.1
FTEs	4,380.6	4,362.8	(17.8)	(0.4)

Notes: (1) FY 2009-10 appropriation figures include the results of supplementals, Executive Order (EO) actions, and transfer adjustments through February 11, 2010. (2) "ARRA" represents temporary funds received under the federal American Recovery and Reinvestment Act.

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.

Major Budget Changes from FY 2009-10 YTD

1. Economic Adjustments

Includes \$31.4 million gross (\$13.5 million GF/GP) to fund 3.0% salary and wage increase for non-bargaining and unionized employees and economic adjustments for defined benefit and contribution retirement, insurance, worker's compensation, building occupancy, food, and gas, fuel, and utility costs for FY 2010-11. Economic adjustments include 3.0% salary increase and related fringe benefit costs for not exclusively represented employees (NERE) that was recently rejected by the Civil Service Commission.

	Year-to-Date FY 2009-10	Executive Change
Gross	N/A	\$31,396,700
IDG	N/A	2,543,300
Federal	N/A	6,293,400
Restricted	N/A	2,071,600
Local	N/A	6,989,000
Private	N/A	4,900
GF/GP	N/A	\$13,494,500

2. Family Support Subsidy Program Caseload Increase

Projecting a 2.6% caseload increase in the Family Support Subsidy Program which provides \$222.11 monthly payment to income-eligible families with a child under 18 living at home who is severely mentally impaired, severely multiply impaired, or autistic, TANF funds for this program are increased by \$871,300.

Gross	\$18,599,200	\$871,300
Federal	18,599,200	871,300
GF/GP	\$0	\$0

3. Actuarially Sound Capitation Payment Rates Adjustment

Increases capitation payment rates for Health Plan Services and Medicaid Mental Health and Substance Abuse Services by 3.0% (\$133.2 million gross, \$45.6 million GF/GP) to ensure rates are actuarially sound in FY 2010-11.

Gross	\$5,495,522,200	\$133,170,300
Federal	4,033,672,800	87,612,800
Local	32,531,200	0
Restricted	751,990,500	0
GF/GP	\$677,327,700	\$45,557,500

<u>Major Budget Changes from FY 2009-10 YTD</u>		<u>Year-to-Date FY 2009-10</u>	<u>Executive Change</u>
4. Elimination of State Disability Assistance Program	Gross	\$2,243,100	(\$2,243,100)
Eliminates funding of \$2.2 million for the State Disability Assistance Program Substance Abuse Services line item which supports per diem room and board payments for needy persons 18 years of age or older or emancipated minors who reside in substance abuse residential facilities and persons who do not qualify for SSI. (Sec. 406)	GF/GP	\$2,243,100	(\$2,243,100)
5. Multicultural Services Funding Reduction	Gross	\$6,823,800	(\$1,364,800)
Includes 20% reduction (\$1.4 million GF/GP) for mental health services provided to multicultural 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.	GF/GP	\$6,823,800	(\$1,364,800)
6. CMH Non-Medicaid Services Administrative Reduction	Gross	\$287,468,000	(\$3,797,900)
Administrative funding included in the CMH Non-Medicaid Services appropriation is reduced by \$3.8 million GF/GP which represents a 1.3% reduction from the year-to-date authorization.	GF/GP	\$287,468,000	(\$3,797,900)
7. Hospital Rate Adjustor Increase for PIHPs	Gross	\$1,970,775,800	\$15,957,400
Adds \$16.0 million gross (\$257,300 GF/GP) to Medicaid Mental Health Services due to an increase in the hospital rate adjustor for Prepaid Inpatient Health Plans (PIHPs) which was established in FY 2009-10. As is the case for Medicaid Health Plans, estimated payments from private inpatient hospitals for mental health services are passed through PIHPs.	Federal	1,443,987,500	11,669,600
	Restricted	8,019,000	4,030,500
	Local	25,228,900	0
	GF/GP	\$493,540,400	\$257,300
8. Freeze on Enrollment in Community-Based Services Waiver	Gross	\$1,970,775,800	(\$8,634,600)
Includes a reduction of \$8.6 million gross (\$2.3 million GF/GP) for Medicaid Mental Health Services as enrollment in the federal Home- and Community-Based Services Habilitation/Supports Program would be frozen and/or reduced by 300. Under this Medicaid waiver, PIHPs provide services to persons with developmental disabilities who would otherwise need the level of care provided in an Intermediate Care Facility for Mental Health Retardation.	Federal	1,443,987,500	(6,314,500)
	Restricted	8,019,000	0
	Local	25,228,900	0
	GF/GP	\$493,540,400	(\$2,320,100)
9. Community Substance Abuse Prevention, Education, and Treatment Programs Funding Reduction	Gross	\$82,292,200	(\$1,636,100)
Includes a reduction of \$1.6 million GF/GP for the community substance abuse prevention, education, and treatment programs line item. Also, one-time carryforward substance abuse licensing/fine revenue of \$950,000 for this line item is replaced with GF/GP.	Federal	65,777,500	0
	Restricted	2,734,200	(950,000)
	GF/GP	\$13,780,500	(\$686,100)
10. Annualize Forensic Mental Health Services to DOC Costs	Gross	\$45,489,700	\$2,735,000
Adds \$2.7 million to the interdepartmental grant from the Department of Corrections (DOC) to annualize the FY 2009-10 phase-in costs for six outpatient and one residential treatment programs.	IDG	45,489,700	2,735,000
	GF/GP	\$0	\$0
11. Primary Care Services Funding Reduction	Gross	\$4,268,800	(\$100,000)
Eliminates \$100,000 GF/GP allocation for Beaver, Drummond, and Mackinac Island clinics.	Federal	3,031,400	0
	GF/GP	\$1,237,400	(\$100,000)

COMMUNITY HEALTH

<u>Major Budget Changes from FY 2009-10 YTD</u>		<u>Year-to-Date FY 2009-10</u>	<u>Executive Change</u>
12. Criminal Background Check Program	Gross	\$2,681,000	(\$2,133,800)
Includes savings of \$2.1 million gross (\$1.7 million GF/GP) by shifting the costs of criminal background checks for employees to adult foster care facilities and homes for the aged.	Federal	538,000	(426,800)
	GF/GP	\$2,143,000	(\$1,707,000)
13. Public Health Program State Funding Reductions	Gross	N/A	(\$1,429,300)
Includes \$1.4 million of public health administration and program reductions for GF/GP savings affecting epidemiology functions, tuberculosis funding, donated dental program and others.	Restricted	N/A	(39,900)
	GF/GP	N/A	(\$1,389,400)
14. Local Public Health Operations Funding	Gross	\$40,082,800	(\$2,703,100)
Reduces GF/GP funding to local public health departments by \$2,703,100 or 7.7%, for most state-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 are not affected.	Local	5,150,000	0
	GF/GP	\$34,932,800	(\$2,703,100)
15. Public Health Laboratory Services and Facilities	FTEs	122.0	(13.0)
Reductions are made to public health laboratory services including \$711,800 GF/GP and 7.0 FTEs with elimination of certain testing services for parasitology and mycology (fungal infections), and \$600,000 GF/GP and 6.0 FTEs with closure of the Houghton laboratory, one of 5 regional public health laboratories. This is a reduction of 18% of the GF/GP for laboratory services.	Gross	\$18,439,100	(\$1,311,300)
	IDG	447,100	0
	Federal	1,683,600	0
	Restricted	9,048,100	0
	GF/GP	\$7,260,300	(\$1,311,300)
16. Public Health and Family Health Grants	Gross	N/A	(\$1,414,100)
Recognizes grant adjustments from federal and private sources for public health and family health programs, including new grants of \$1.2 million, grants that have ended totaling \$7.9 million, and net adjustments to ongoing grants and revenue of \$5.3 million.	Federal	N/A	(3,463,200)
	Private	N/A	2,049,100
	GF/GP	N/A	\$0
17. Women, Infants, and Children (WIC) Food Program	Gross	\$246,061,500	\$21,143,800
Recognizes net increase of \$21.1 million for the WIC special supplemental food and nutrition program for food and administration costs related to continued increases in program participation and food costs and increased rebate revenue from infant formula manufacturers. A federal nutrition grant of \$175,000 is completed.	Federal	192,815,400	15,783,900
	Private	53,246,100	5,359,900
	GF/GP	\$0	\$0
18. Crime Victim's Rights Fund	Gross	\$2,353,300	(\$2,353,300)
Eliminates state restricted Crime Victim's Rights Fund interdepartmental grant appropriations of \$1,053,300 to Michigan State Police and \$1,300,000 to Department of Human Services to support certain programs, due to declining balance in the Fund and prioritization of expenditures of the Fund per statute. The Fund has supported these IDGs since FY 2006-07. The lost funds are partially restored in the FY 2010-11 Executive Recommendation for MSP and DHS budgets, with GF and TANF funds.	Restricted	2,353,300	(2,353,300)
	GF/GP	\$0	\$0
19. Aging Program GF/GP Reductions	FTEs	44.5	(1.0)
Reduces GF/GP funding for senior community services programs by \$1,073,200, senior nutrition services and meals by \$763,200, and three senior volunteer programs by \$387,900. Reductions represent 8% of the GF/GP funding for these programs. GF/GP funding of \$120,000 for Tribal Elders programs is eliminated. Administration and Commission funding is reduced \$92,500 GF/GP and one FTE.	Gross	\$91,889,400	(\$2,436,800)
	Federal	55,203,900	0
	Private	537,000	0
	Merit Awd	4,468,700	0
	Restricted	1,800,000	0
	GF/GP	\$29,879,800	(\$2,436,800)

Major Budget Changes from FY 2009-10 YTD

		<u>Year-to-Date FY 2009-10</u>	<u>Executive Change</u>
20. Eliminate Human Growth Hormone Therapy Funding	Gross	\$2,006,400	(\$2,006,400)
Human growth hormone therapy funding for non-Medicaid Children's Special Health Care Services (CSHCS) eligibles is eliminated saving \$2,006,400 GF/GP. An estimated 231 individuals would be affected.	GF/GP	\$2,006,400	(\$2,006,400)
21. Eliminate Transitional Medical Assistance Plus Program	Gross	\$3,735,200	(\$3,735,200)
Funding of \$3.7 million GF/GP is reduced by eliminating the Transitional Medical Assistance (TMA) Plus program. TMA Plus provides adults in families with income up to 185% of the federal poverty level (FPL) who are transitioning off from Medicaid, and are no longer eligible for regular TMA, to extend health care coverage for 12 months. Monthly premiums from \$50 to \$110 are paid by the individuals. Approximately 950 eligibles would be affected.	GF/GP	\$3,735,200	(\$3,735,200)
22. General Motors Pension FMAP Fix	Gross	N/A	\$0
An additional \$160.0 million of Medicaid Benefits Trust Fund revenue offsets a like amount of GF/GP based upon an anticipated deposit to the fund related to the correction of a historical calculation of the FMAP. The creation by General Motors of a Voluntary Employee Benefits Association (VEBA) in 2006 resulted in artificially low FMAP rates in subsequent years. This payment is authorized by the Children's Health Insurance Program Reauthorization Act (CHIPRA) of 2009, but the final amount is still yet to be determined.	Restricted	N/A	160,000,000
	GF/GP	N/A	(\$160,000,000)
23. Medicaid Caseload, Utilization and Inflation Increase	Gross	\$10,662,313,300	\$141,906,300
Includes an increase of \$141.9 million gross (\$58.5 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.	Federal	7,872,832,400	83,415,800
	Local	46,068,800	0
	Private	2,100,000	0
	Merit Awd	18,431,200	0
	Restricted	1,279,543,500	0
	GF/GP	\$1,443,337,400	\$58,490,500
24. Medicaid FMAP Federal Stimulus Bill Adjustment	Gross	\$10,662,313,300	\$1,227,300
An increase of \$245.1 million GF/GP is necessary to offset the change from 4 quarters of federal Medicaid funds resulting from the American Recovery and Reinvestment Act (ARRA) in FY 2009-10 to one quarter of ARRA and an anticipated two additional quarters of the enhanced FMAP rate in FY 2010-11.	Federal	7,872,832,400	(338,018,800)
	Local	46,068,800	(1,150,700)
	Private	2,100,000	377,100
	Merit Awd	18,431,200	0
	Restricted	1,279,543,500	94,936,500
	GF/GP	\$1,443,337,400	\$245,083,200
25. Other Medicaid Fund Source Adjustments	Gross	\$10,662,313,300	(\$732,200)
An increase of federal Medicaid and SCHIP funds would offset \$224.5 million of GF/GP due to regular changes in federal match rates. An increase of Merit Award Trust Fund revenue offsets \$126.3 million of GF/GP.	Federal	7,872,832,400	225,289,600
	Local	46,068,800	(732,200)
	Private	2,100,000	0
	Merit Awd	18,431,200	126,320,600
	Restricted	1,279,543,500	(780,000)
	GF/GP	\$1,443,337,400	(\$350,830,200)
26. Pharmacy Dispensing Fee Decrease	Gross	\$1,258,400	(\$1,258,400)
Elimination of the FY 2009-10 pharmacy dispensing fee increase of 25¢ per script results in a \$1.3 million gross (\$463,200 GF/GP) reduction in the Pharmaceutical Services line. (Sec. 1620)	Federal	922,000	(795,200)
	GF/GP	\$336,400	(\$463,200)

COMMUNITY HEALTH

<u>Major Budget Changes from FY 2009-10 YTD</u>		<u>Year-to-Date FY 2009-10</u>	<u>Executive Change</u>
27. Implement Physician Quality Assurance Assessment Program	Gross	N/A	\$749,676,900
A reduction of \$98.6 million GF/GP results from the implementation of a proposed physician QAAP. Assessment revenue of \$300.0 million would be generated by a 3% tax on physician services gross revenues, with a net amount of \$548.2 million of new federal Medicaid funding available to the State. Funds will be used to increase Medicaid physician payments up to Medicare payment rates. (Sec. 1830)	Federal	N/A	548,238,700
	Restricted	N/A	300,000,000
	GF/GP	N/A	(\$98,561,800)
28. Nursing Home Transition Savings	Gross	\$2,071,356,400	(\$19,710,000)
A net reduction of \$19.7 million gross (\$5.3 million GF/GP) resulting from transitioning 300 nursing home occupants to the MIChoice program.	Federal	1,559,697,400	(14,413,900)
	Local	6,883,800	0
	Private	2,100,000	0
	Merit Awd	18,431,200	0
	Restricted	200,781,800	0
	GF/GP	\$283,462,200	(\$5,296,100)
	FTEs	379.0	10.0
29. Medicaid Reforms	Gross	N/A	(\$3,427,600)
Medicaid reform proposals provide net savings of \$3.4 million gross (\$2.0 million GF/GP). The creation of 1.0 FTE position for a Medicaid Inspector General and 4.0 additional FTEs for recovery activities reduces GF/GP by \$1.0 million and increases gross by \$574,600. Repealing drug manufacturer immunity law would provide savings of \$1.3 million gross (\$342,100 GF/GP). An additional 5.0 FTEs dedicated to Medicaid payment recoveries and revenue maximization would yield savings of \$2.7 million gross (\$616,900 GF/GP).	Federal	N/A	(2,755,900)
	Restricted	N/A	1,287,300
	GF/GP	N/A	(\$1,959,000)

Major Boilerplate Changes from FY 2009-10

GENERAL

Sec. 286. Financial Transparency Information – DELETED

Directs DCH to expend no more than \$10,000 to develop, post, and maintain on a publicly accessible Internet site all expenditures made by the agency within a fiscal year. Prohibits DCH from hiring additional employees to comply with this section.

Sec. 287. General Fund/General Purpose Lapses – DELETED

Requires DCH to report on the estimated general fund/general purpose appropriation lapses at the close of the fiscal year by no later than December 1, 2010.

COMMUNITY MENTAL HEALTH/SUBSTANCE ABUSE SERVICES PROGRAMS

Sec. 462. CMH Non-Medicaid Funding Formula – DELETED

Requires DCH to report on the funding formula and allocations for all CMHSPs that receive funds appropriated under the CMH non-Medicaid Services line. The report shall include a comparison of the current fiscal year allocation to the prior fiscal year allocation, and a description of the factors used in the funding formula to achieve an equitable distribution of funds.

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

Sec. 610. Closure of State Facilities – DELETED

Requires DCH to make every effort to minimize job losses due to any reductions in force or closing of facilities by placing those employees displaced by the reduction or closure within other state positions and encouraging CMHSPs to hire those displaced employees.

Major Boilerplate Changes from FY 2009-10

CHRONIC DISEASE AND INJURY PREVENTION AND HEALTH PROMOTION

Sec. 1003. Alzheimer's Information Network – DELETED

Requires DCH to use Alzheimer's information network line item funds to provide information and referral services through regional networks for persons with Alzheimer's disease or related disorders, their families, and health care providers.

Sec. 1006. Allocation for Smoking Quit Kits – REVISED

Language prioritizing use of smoking prevention program funds is modified to reduce the allocation for the quit kit program from \$365,000 to \$100,000.

Sec. 1007. Violence Prevention Program – REVISED

Language directing the use of violence prevention funds is modified to be permissive, and to strike prevention of workplace violence as priority programming. Language allowing DCH to provide funds to local school districts for family violence prevention programs is eliminated.

CRIME VICTIM SERVICES COMMISSION

Sec. 1304. Sexual Assault Evidence Collection Procedures – DELETED

Requires DCH to work with Department of State Police and certain statewide organizations to ensure that recommended standard procedures for emergency treatment of sexual assault victims are followed in the collection of evidence in cases of sexual assault.

MEDICAL SERVICES

Sec. 1633. Healthy Kids Dental Coverage in Cities – DELETED

Requires DCH to report on the feasibility of providing Healthy Kids dental coverage in cities rather than entire counties.

Sec. 1652. Health Plan Service Area Expansion – DELETED

Requires that any new or renegotiated Medicaid health plan contracts shall include the following conditions regarding service area expansion: 1) not sell or transfer any portion of the HMO's assets or business for a period of three years, and 2) the HMO that expands into a county with a population of at least 1,500,000 shall also expand its coverage to a county with a population of less than 100,000 which has one or fewer HMOs participating in the Medicaid program.

Sec. 1687. Health Insurance for Direct Care Workers – DELETED

Requires DCH to study the feasibility, impact, and cost of supporting a Medicaid rate enhancement to be used exclusively to fund health care insurance for direct care workers in nursing homes, adult foster care homes, homes for the aged, and home- and community-based services programs.

Sec. 1695. Nursing Facility Case Mix Reimbursement – DELETED

Requires DCH to evaluate the impact of implementing a case mix reimbursement system for nursing facilities. DCH is to consult with Health Care Association of Michigan, Michigan County Medical Care Facilities Council, and Association of Homes and Services for the Aging, with a progress report due by August 1 of the current fiscal year.

Sec. 1712. Rural Health Initiative – DELETED

Subject to availability of funds, requires DCH to implement a rural health initiative with funds to be first allocated to a rural outpatient hospital adjustor, and remaining funds for defibrillator grants, EMT training, or other similar programs.

Sec. 1732. Nursing Home QAAP Modification Assurance – DELETED

Assures that nursing home reimbursement rates will not be reduced to achieve GF/GP savings if proposed modifications to the quality assurance assessment program for nursing homes are not implemented.

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.

Sec. 1813. Program of All-Inclusive Care for the Elderly (PACE) – DELETED

Directs DCH to inform county boards of commissioners in counties not presently served by PACE of the possibility of expansion of the program to their county.

COMMUNITY HEALTH

Major Boilerplate Changes from FY 2009-10

Sec. 1817. Medicaid and Preventable Medical Errors – DELETED

Directs DCH to convene a workgroup of stakeholders to discuss implementing policy to prohibit billing for care made necessary by preventable medical errors or adverse health events and to report on findings and recommendations.

Sec. 1821. Performance Standards for Medicaid Health Plans – DELETED

Requires DCH to establish appropriate performance standards for Medicaid health plans at least one year in advance of the application of those standards. Determination of performance shall include recognized concepts such as one-year continuous enrollment and HEDIS audited data.

Sec. 1826. Expansion and Improvement of Beneficiary Monitoring Program – DELETED

Requires DCH to develop a plan to expand and improve the beneficiary monitoring program to reduce unnecessary health care services, improve coordination of services, and improve compliance with prescribed medical management.

Sec. 1830. Physician Quality Assurance Assessment Program – NEW

Requires the Department to implement a physician quality assurance assessment program (QAAP) during the FY 2010-11 Legislative session that will include a state retainer to fund Medicaid program expenditures. Conditional language stipulates that if the physician QAAP is not implemented or does not generate sufficient funds, Medicaid service providers that were included in EO 2009-22 could have reimbursement rates reduced accordingly.

Summary: FY 2010-11 Executive Budget Recommendation CORRECTIONS

Analyst: Bob Schneider

	FY 2009-10 Year-to-Date	FY 2010-11 Executive	Difference: Exec from FY 2009-10 YTD	
			Amount	%
IDG/IDT	\$891,900	\$915,400	\$23,500	2.6
Federal	7,746,100	7,868,500	122,400	1.6
Local	432,700	443,100	10,400	2.4
Private	0	0	0	--
Restricted	43,410,200	82,066,300	38,656,100	89.0
GF/GP	1,903,641,900	1,875,904,500	(27,737,400)	(1.5)
Gross	\$1,956,122,800	\$1,967,197,800	\$11,057,000	0.6
FTEs	15,767.1	14,630.3	(1,136.8)	(7.2)

Note: FY 2009-10 appropriation figures include the results of supplementals, Executive Order (EO) actions, and transfer adjustments through January 31, 2010.

Overview

The Michigan Department of Corrections (MDOC) operates under the codification of correctional statutes established under Public Act 232 of 1953. The MDOC budget funds operation of the state prison system, supervision of parolees and felony probationers, and a variety of offender programs both in prison and in the community. It also funds training of corrections officers and centralized functions of administration, research, and financial operations. Prison construction is funded through the Capital Outlay budget.

Major Budget Changes from FY 2009-10 YTD

1. Good Time & Community Residential Program Proposal: Prison Operation Savings

Assumes \$187.4 million in direct savings attributable to the enactment of proposed legislation (House Bills 4497 - 4499) that would re-establish "good time" credits against their sentences for prisoners who avoid major misconducts and would eliminate current restrictions on community placement of prisoners. The bills would essentially eliminate the "Truth-in-Sentencing" provisions in current law which require convicted felons to serve at least their minimum prescribed sentence before being eligible for parole or community placement. It is estimated the legislation would result in a reduction of 7,529 prisoners on average for FY 2010-11. This would lead to the closure of 4 to 5 state prisons by October 2010 and the elimination of 1,745 state custody staff positions.

	Year-to-Date FY 2009-10	Executive Change
Beds	45,433	(7,529)
FTEs	10,696.0	(1,745.1)
Gross	\$1,066,365,800	(\$187,409,700)
Federal	1,409,200	0
Restricted	2,180,500	0
GF/GP	\$1,062,776,100	(\$187,409,700)

2. Good Time & Community Residential Program Proposal: Program Reinvestments

Increases funding and staffing to facilitate the reintegration of prisoners that would become eligible for parole under the "good time" credits and community residential program legislation. Includes \$27.9 million and 233.0 FTE positions for global positioning system (GPS) tether monitoring, \$7.4 million and 85.0 FTE positions for parole agents and field operations staffing, and \$22.7 million for Michigan Prisoner Re-entry Initiative (MPRI) programming.

FTEs	N/A	318.0
Gross	N/A	\$57,939,400
GF/GP	N/A	\$57,939,400

CORRECTIONS

<u>Major Budget Changes from FY 2009-10 YTD</u>		<u>Year-to-Date FY 2009-10</u>	<u>Executive Change</u>
3. County Jail Reimbursement Program	Gross	\$0	\$12,272,100
Restores \$12.3 million GF/GP for county jail reimbursement program which provides state reimbursement to counties that house convicted felons who meet boilerplate criteria in their county jails. Program funding was vetoed in FY 2010, and is restored at the FY 2009 appropriation level for FY 2011.	Restricted	0	7,514,400
	GF/GP	\$0	\$4,757,700
4. New Custody Staff Training	Gross	\$250,500	\$5,691,800
Increases funding by \$5.7 million GF/GP to finance training for new correctional officers. The Department anticipates at least 600 corrections officers will retire between now and the end of FY 2011 based on normal attrition rates. The funding increase will allow 305 new officers to complete training. The remaining 295 retirements will be absorbed through staff reductions linked to the "good time" credits proposal. Funding for training had been reduced in recent years from \$11.2 million in FY 2007-08 to \$3.5 million in FY 2008-09 and finally to \$250,500 in FY 2009-10 as facility closures limited the need for new custody staff hiring.	GF/GP	\$250,500	\$5,691,800
5. New Parole/Probation Officers for High-Risk Caseloads	FTEs	1,992.6	40.0
Supports 40 new parole/probation officer positions with \$3.2 million GF/GP in order to allow for lower caseload volumes for agents who handle high-risk sex offender caseloads that require greater investigative work and specialized training.	Gross	\$171,935,100	\$3,154,600
	GF/GP	\$171,935,100	\$3,154,600
6. Community Corrections	Gross	\$12,758,000	\$1,200,000
Increases funding by \$1.2 million GF/GP to provide a 9.4% increase in appropriations for local community corrections programs, which provide local courts with alternative sentencing options to prison and jail.	GF/GP	\$12,758,000	\$1,200,000
7. Pennsylvania Inmates at Muskegon Correctional Facility	Beds	0	1,320
Includes \$29.9 million in new state restricted revenue to come from fees paid by the State of Pennsylvania to operate the Muskegon Correctional Facility to house inmates from that state. New revenue allows Michigan to continue to operate the 1,320-bed facility and retain the 238 staff employed there. Finalized contract calls for Pennsylvania to make \$62 per diem payments to Michigan for each prisoner housed. In addition, Pennsylvania is responsible for the costs of out-of-prison health care.	FTEs	0.0	238.0
	Gross	\$0	\$29,871,600
	Restricted	0	29,871,600
	GF/GP	\$0	\$0
8. Prisoner Health Care: Managed Care Contract Increase	Gross	\$95,881,400	\$4,854,000
Increases authorization by 5.1% for prisoner health care services delivered through the Department's managed care contract with Prison Health Services Inc. Most of the increase is related to a 4% inflationary adjustment included in the contract. In addition, the recent decline in prisoner population also triggered an increase in the monthly per prisoner payment rate paid to the vendor under the contract.	GF/GP	\$95,881,400	\$4,854,000

<u>Major Budget Changes from FY 2009-10 YTD</u>		<u>Year-to-Date FY 2009-10</u>	<u>Executive Change</u>
9. Mental Health Services: Outpatient Mental Health Teams	FTEs	149.7	0.0
Provides \$4.5 million in additional funding to annualize a \$2.7 million budget increase included in the FY 2009-10 which covered partial-year costs for six additional outpatient mental health teams. Team staff are provided through the Department of Community Health, and teams have an average caseload of 175 prisoners. This also includes funding for MDOC custody and support staff assigned to units. FTE authorization for these staff were already added to last year's budget.	Gross	\$60,112,200	\$4,487,200
	GF/GP	\$60,122,200	\$4,487,200
10. Mental Health Services: Residential Treatment	FTEs	149.7	0.0
Provides \$913,900 in additional funding to annualize a \$1.2 million budget increase included in the FY 2009-10 which covered partial-year costs for an additional Residential Treatment Program unit. In addition to mental health staff provided through the Department of Community Health, this also includes funding for MDOC custody and support staff assigned to units. FTE authorization for these staff were already added to last year's budget.	Gross	\$60,112,200	\$913,900
	GF/GP	\$60,122,200	\$913,900
11. Parnell Correctional Facility Funding Adjustment	Beds	1,712	0
Adds \$500,000 in funding and 8.4 FTE positions for Parnell Correctional Facility to recognize additional staffing need at the facility. MDOC indicates that full staffing needs were not provided to the facility when beds were added in a prior budget.	FTEs	260.8	8.4
	Gross	\$26,377,800	\$500,000
	GF/GP	\$26,377,800	\$500,000
12. Michigan Reformatory Funding Adjustment	Beds	1,338	0
Increases funding for Michigan Reformatory by just over \$1.0 million to account for increased seniority levels for facility staff. Recent closures of Camp Branch and Deerfield Correctional Facility resulted in senior staff from those facilities bumping newer hires at Michigan Reformatory. This has increased salary and retirement costs for within the facility's line item.	FTEs	311.1	0.0
	Gross	\$26,179,100	\$1,045,300
	GF/GP	\$26,179,100	\$1,045,300
13. Parole Probation Specialist at Jackson County Jail	FTEs	N/A	1.0
Includes funding for a parole probation specialist to facilitate parole violator hearings at the Jackson County Jail, which is being used to house some parole violators given the increase in the parole population in general.	Gross	N/A	\$94,800
	GF/GP	N/A	\$94,800
14. Pharmaceutical Savings	Gross	N/A	(\$4,600,000)
Assumes \$4.6 million in prescription drug savings through a review of the pharmacy formulary and greater internal oversight over pharmaceutical expenditures and prescriber practices.	GF/GP	N/A	(\$4,600,000)
15. Transportation: Supply Chain Efficiency Savings	FTEs	215.6	0.0
Includes \$2.5 million in assumed savings through supply chain management efforts related to transportation services. MDOC expects to achieve these savings through moving toward a regular statewide schedule for transportation runs rather than scheduling runs on a case-by-case basis in response to specific needs.	Gross	\$23,351,600	(\$2,500,000)
	GF/GP	\$23,351,600	(\$2,500,000)
16. Food Service: Supply Chain Efficiency Savings	FTEs	423.0	0.0
Includes \$1.5 million in assumed savings through supply chain management efforts related to prison food services. MDOC has established a standardized statewide food menu for the prison population using uniform recipes and portion sizes. These changes are expected to result in reduced storage needs and better leverage in making purchases from vendors.	Gross	\$72,611,800	(\$1,500,000)
	IDG	593,500	0
	GF/GP	\$72,018,300	(\$1,500,000)

CORRECTIONS

<u>Major Budget Changes from FY 2009-10 YTD</u>		<u>Year-to-Date FY 2009-10</u>	<u>Executive Change</u>
17. Contract Savings	Gross	N/A	(\$1,000,000)
Imposes \$1.0 million GF/GP in contract savings in various program areas, including central records (\$600,000), inmate legal services (\$289,000), and prison reintegration programs (\$111,000).	GF/GP	N/A	(\$1,000,000)
18. Information Technology	Gross	\$22,582,000	(\$318,700)
Provides a net reduction in funding for information technology services and projects. Funding is increased by \$102,600 to support IT services for new parole/probation staff and annualized mental health program increases. However, this is offset by \$400,000 in assumed contract savings and another \$21,300 in savings related to the departmental reorganizations creating the new Department of Technology, Management and Budget.	Restricted	761,200	0
	GF/GP	\$21,820,800	(\$318,700)
19. Economic Adjustments	Gross	N/A	\$86,849,100
Includes economic adjustments of:	IDG/IDT	N/A	23,400
• \$27.2 million gross, \$26.8 million GF/GP for salaries and wages.	Federal	N/A	122,400
• \$18.8 million gross, \$18.7 million GF/GP for insurance.	Local	N/A	10,400
• \$37.2 million gross, \$36.5 million GF/GP for retirement.	Restricted	N/A	1,270,200
• \$1.8 million gross and GF/GP for worker's compensation.	GF/GP	N/A	\$85,422,700
• \$139,300 gross and GF/GP for building occupancy charges.			
• \$941,800 gross and GF/GP for food.			
• \$729,700 gross and GF/GP for fuel and utilities.			
Those adjustments include funding for a 3% salary and wage increase for not exclusively represented employees (NEREs) that was recently rejected by the State Civil Service Commission.			

Major Boilerplate Changes from FY 2009-10

Sec. 205. Hiring Freeze – DELETED

Specifies details of a hiring freeze on state classified civil service employees, provides exceptions to the hiring freeze only with the State Budget Director's approval, and requires a quarterly report on the number of exceptions.

Sec. 207. Privatization Project Plans – DELETED

Requires project plan to be submitted to Legislature at least 90 days before beginning any effort to privatize; incorporates exception for *mental* health services contracts as provided by 2009 PA 334.

Sec. 207a. Privatization Cost-Benefit Analyses and Criteria – DELETED

Requires cost-benefit analyses and legislative approval prior to privatizing activities provided by state employees; requires cost savings meeting civil service standards to be identified, and incorporates exception for mental health services contracts as provided by 2009 PA 334.

Sec. 219. Prisoner Telephone Calls – DELETED

Specifies that any contract for prisoner telephone services include a condition that fee schedules for prisoner telephone calls be the same as fee schedules for calls placed from outside of correctional facilities.

Sec. 225. Displaced Employees – DELETED

Requires MDOC to work to place in other positions employees displaced by any reductions in force. Employees not placed in other positions in MDOC are to be given priority in state programs for job retraining or education.

Sec. 403. Offender Re-entry Performance Indicators – DELETED

Requires MDOC to collaborate with the Legislature and the Council of State Governments on development of "dashboard" tracking and reporting system that establishes indicators of success and failure of offenders upon re-entry.

Major Boilerplate Changes from FY 2009-10

Sec. 409. Office of Community Corrections Programs – REVISED

Outlines the duties and purposes of the Office of Community Corrections. Executive deletes definition of “success” for offenders re-entering the community that was added in FY 2009-10 budget act.

Sec. 414. County Jail Reimbursement Program (CJRP) – RESTORED

Restores language guiding the CJRP program. Language was vetoed in FY 2009-10 budget. Language is revised from version in FY 2009-10 enrolled bill to emulate language included in FY 2009-10 House-passed budget bill, including the provision of a three-tiered reimbursement rate with a \$60 per diem for diverted offenders with presumptive prison guideline scores, a \$50 per diem for those with a straddle cell guideline for a group one crime, and a \$35 per diem for those with a straddle cell guideline for a group two crime.

Sec. 416. Felony Drunk Driver Jail Reduction and Community Treatment – REVISED

Expands eligible purposes for the use of funds to include jail diversion for felony drunk drivers who would have been sentenced to jail and whose lower limit of the minimum sentencing guideline range is one year or less, whose upper limit of the range is more than 18 months, and whose prior record variable is less than 35 points.

Sec. 430. Transition Team Meeting Prior to Prisoner Release – DELETED

Requires that MDOC ensure each prisoner has opportunity to meet with transition team and, if applicable, community providers prior to release from prison.

Sec. 431. Identification and Clothing at Prisoner Release – DELETED

Requires MDOC to ensure that offenders have documents necessary to obtain a driver’s license or state ID card and have clothing suitable for a job interview prior to their release from prison.

Sec. 604. Reimbursement for Community Placement Costs – DELETED

Requires community placement prisoners and parolees to reimburse the Department for the total costs of the program, and allows for the establishment of a community service work schedule as an alternative method of re-payment.

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. 906. Public Works Program – REVISED

Deletes language expressing legislative intent for program to be maintained at FY 2006-07 levels, and for rates to be maintained at half the rates in effect on September 30, 2008. Deletes language expressing legislative intent that prisoner pay be increased by 50 cents per day.

Sec. 911. Custody Staffing Levels – REVISED

Eliminates requirement that custody staff-to-prisoner ratio at all correctional facilities be maintained at least at levels that existed on October 1, 2008 controlling for security level.

Sec. 919. Food Service Contract – DELETED

Specifies conditions for expenditure of funds on food service contract, including completion of privatization project plan and cost-benefit analysis, identification of threshold savings from existing costs, and explanation of impact on use of local and Michigan vendors, growers, and processors.

**Summary: FY 2010-11 Executive Budget Recommendation
HUMAN SERVICES (Department)**

Analysts: Kevin Koorstra and Robert Schneider

	FY 2009-10 Year-to-Date	FY 2010-11 Executive	Difference: Exec from FY 2009-10 YTD Amount	%
IDG/IDT	\$2,426,600	\$1,130,300	(\$1,296,300)	(53.4)
Federal				
ARRA	406,411,700	799,179,900	392,768,200	96.6
Non-ARRA	4,551,061,200	5,134,298,100	583,236,900	12.8
Local	37,498,800	35,251,800	(2,247,000)	(6.0)
Private	10,209,700	9,491,500	(718,200)	(7.0)
Restricted	57,015,400	65,778,800	8,763,400	15.4
GF/GP	852,297,600	959,205,300	106,907,700	12.5
Gross	\$5,916,921,000	\$7,004,335,700	\$1,087,414,700	18.4
FTEs	10,911.5	11,767.5	856.0	7.8

Notes: (1) FY 2009-10 appropriation figures include the results of supplementals, Executive Order (EO) actions, and transfer adjustments through February 11, 2010. (2) "ARRA" represents temporary funds received under the federal American Recovery and Reinvestment Act.

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, day care and other emergency needs. The Department 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 2009-10 YTD

1. Child Welfare Improvements: Staffing Increases

Increases child welfare staffing levels to meet more stringent caseload to worker ratios as required in the Children's Rights settlement agreement. By the beginning of FY 2011-12, child welfare cases to direct care staff have to be at a ratio of 15:1. Funding added to fund new staff for only last quarter of FY 2010-11.

	Year-to-Date FY 2009-10	Executive Change
FTEs	N/A	495.0
Gross	N/A	\$15,530,900
Federal	N/A	3,727,500
GF/GP	N/A	\$11,803,400

Positions	Change from FY10
Child protective services workers	87
Foster care workers	228
Adoption workers	25
First-line supervisors	96
Second-line supervisors	10
Technical staff	4
Administrative support staff	45
TOTAL STAFF	495

Major Budget Changes from FY 2009-10 YTD

Year-to-Date
FY 2009-10

Executive
Change

2. Child Welfare Improvements: Other Services

Increases IT costs to upgrade the child welfare information systems (\$10.5 million), extends foster care, adoption and guardianship benefits to the age of 20 (\$7.2 million), increases strong families/safe children by \$5.9 million in one-time federal funds, and increases GF/GP by \$300,000 to fund the legal expenses of the lawsuit plaintiffs. Also assumes program savings by reducing adoption support services by \$4.2 million to reflect projected usage of private agencies for adoption services, and reduces use of residential placements to reflect savings from mental health in-home waiver (\$3.6 million).

Gross	N/A	\$16,049,000
Federal	N/A	11,777,700
Local	N/A	(142,900)
GF/GP	N/A	\$4,414,200

3. Private Child Welfare Agencies

Decreases funding \$3.9 million by not implementing a \$7 per diem increase to child caring institutions, removes \$2.5 million by eliminating contract to child placing agencies to help license relative foster placements, and decreases the administrative rate for both general and specialized independent living (\$2.0 million).

Gross	N/A	(\$8,370,400)
Federal	N/A	(3,765,000)
Local	N/A	(412,800)
GF/GP	N/A	(\$4,192,600)

4. Public Per Diem Fund Shift

Replaces \$6.1 million in local funding with GF/GP as a result of not implementing the new \$40 public per diem for DHS child welfare administrative costs included by the in the FY 2009-10 budget. Related boilerplate proposed 75% State and 25% county cost sharing for all relevant public and private child welfare administrative costs in an effort to make the action cost neutral to counties. To account for the new cost sharing, \$6.1 million in GF/GP was added to the foster care payments line item and \$6.1 million in local funds was added for local field staff. However, the Governor deemed the proposal to be unenforceable and reverses the fund shift.

Gross	\$0	\$0
Local	0	(6,112,400)
GF/GP	\$0	\$6,112,400

5. Emergency TANF Funding: Family Independence Program

Budget assumes the availability of \$280.4 million in one-time Temporary Assistance for Needy Families (TANF) revenue for FY 2009-10 and FY 2010-11 from a prior-year carry-forward and from the projected receipt of \$232.6 million in Emergency TANF Contingency Fund (ETCF) revenue from the federal government through ARRA. Executive proposes to utilize the revenue for both program enhancements and to offset GF/GP funding in FY 2010-11 as well as in a FY 2009-10 supplemental request (2/11/10 SBO letter). FY 2010-11 allocations are outlined in the next several items.

Gross	\$379,058,900	\$0
TANF	328,870,100	(197,064,900)
ETCF	0	186,181,000
Restricted	34,870,000	0
GF/GP	\$15,318,800	\$10,883,900

First, the available ETCF revenue would help to avoid further GF/GP costs within the Family Independence Program, which provides cash assistance to low-income families with children. Around \$186.2 million in ETCF revenue will replace regular TANF carryforward in the program, avoiding the need to add \$186.2 million in GF/GP to maintain the program. This cost avoidance results in \$169.6 million in direct GF/GP savings to the budget, while another \$16.6 million in GF/GP is redirect to the other priority areas reviewed in the next budget items.

HUMAN SERVICES (DEPARTMENT)

<u>Major Budget Changes from FY 2009-10 YTD</u>		<u>Year-to-Date FY 2009-10</u>	<u>Executive Change</u>
6. Emergency TANF Funding: JET-Plus Program	Gross	N/A	\$20,000,000
Utilizes additional Emergency TANF Contingency Fund (ETCF) revenue to restore funding for the Jobs, Education, and Training Plus (JET-Plus) program. The program would provide support services, basic education, specialized training programs, and subsidized employment opportunities with the goal of moving persons receiving public assistance into self-sufficiency. Executive proposes \$13.0 million in ETCF funding in a FY 2009-10 supplemental (2/11/10 SBO letter), and then \$20.0 million for FY 2010-11. Initial funding for the program in the Department of Energy, Labor and Economic Growth budget was eliminated through previous Executive Order budget reductions.	ETCF	N/A	20,000,000
	GF/GP	N/A	\$0
7. Redirected Emergency TANF Savings: Field Staff Increases	FTE	200.0	197.0
Shifts GF/GP savings created through the use of Emergency TANF Contingency Fund revenue in the FIP line item (see item 3 above) to support the maintenance of 200 limited-term eligibility specialist positions added in the FY 2010 budget to assist with high caseload and application levels and to support an additional 197 field staff positions that were part of the FY 2010 Executive budget recommendation but were not included by the Legislature in the final enrolled budget. The 200 eligibility specialist positions were funded partially with one-time non-matched federal food assistance revenues from the ARRA stimulus. Thus, additional GF/GP is needed to maintain the positions for FY 2010-11.	Gross	\$11,516,200	\$15,363,200
	Federal	8,887,800	1,560,600
	GF/GP	\$2,628,400	\$13,802,600
8. Emergency TANF Funding: Other Budget Items	Gross	N/A	\$10,106,800
Provides \$4.1 million in Emergency TANF Contingency Fund (ETCF) revenues to fund additional rent costs and facility maintenance needs. The availability of ETCF revenue removes the need to add GF/GP funding for these purposes. Additionally, almost \$2.8 million in GF/GP savings created through the use of ETCF revenue in the FIP line item (see item 3 above) is used for increased printing and postage costs related to the Bridges eligibility system and to higher public assistance caseload levels.	ETCF	N/A	4,068,400
	Other Fed	N/A	3,288,400
	GF/GP	N/A	\$2,750,000
9. Public Assistance Caseloads	Gross	\$3,416,000,000	\$673,503,600
Increases funding for public assistance programs by \$673.5 million over year-to-date levels. By far the largest increase (\$630.0 million) is provided for the Food Assistance Program (FAP) to fund an average caseload of 1,029,000. FAP benefits are 100% federally funded so there is no GF/GP impact. The Family Independence Program (FIP) increases by \$56.5 million to fund an average caseload of 85,000. State Disability Assistance (SDA) increases \$3.4 million to fund an average caseload of 11,300. SSI supplementation decreases \$579,700 to fund 241,700 cases. Child Development and Care decreases \$15.7 million to fund 33,000 cases.	Federal	3,230,408,200	621,969,700
	Restricted	47,298,300	0
	GF/GP	\$138,293,500	\$51,533,900
10. Food Assistance Program Benefit Increase	Gross	\$2,696,807,000	\$266,331,900
Increases FAP benefits for groups not eligible to claim the standard utility allowance by adding \$1.00 in federal LIHEAP funds to their EBT cards. On average, this group of FAP cases will see a monthly benefit increase of \$88.	Federal	2,694,207,000	266,331,900
	Restricted	2,600,000	0
	GF/GP	\$0	\$0

Major Budget Changes from FY 2009-10 YTD

11. Child Welfare Caseloads

Reduces overall appropriations for child welfare program caseloads by \$16.7 million. Foster care payments decrease by \$20.1 million to fund an average caseload of 7,424. Adoption subsidy payments decrease \$5.7 million to fund an average caseload of 28,105. Child care fund increases by \$9.1 million (or 4.2%) to reflect caseload projection.

	Year-to-Date FY 2009-10	Executive Change
Gross	\$649,711,300	(\$16,705,800)
Federal	388,094,300	(30,271,700)
Local	14,684,500	5,297,400
Private	2,650,000	(850,000)
GF/GP	\$244,282,500	\$9,118,500

12. CCDF ARRA Funds

Increases GF/GP by \$14.7 million to offset one-time Child Care and Development (CCDF) ARRA funds. Michigan is allocated \$58.7 million in CCDF ARRA of which \$7.4 million was appropriated in FY 2008-09 and \$21.1 million was appropriated in FY 2009-10 to offset GF/GP in other areas of the budget. Executive requests \$28.3 million to be used in a FY 2009-10 supplemental request (2/11/10 SBO letter), and the remaining \$1.9 million CCDF ARRA to be used in FY 2010-11.

Gross	\$0	\$0
CCDF (ARRA)	21,076,500	(14,696,100)
GF/GP	(\$21,076,500)	\$14,696,100

13. Electronic Benefit Transfer (EBT)

Increases contractual payments to administer EBT payments for cash and food assistance. FAP transaction activity has increased, resulting in higher costs related to administering EBT payments.

Gross	\$6,433,500	\$6,575,500
Federal	3,402,200	2,632,800
GF/GP	\$3,031,300	\$3,942,700

14. Federal Funding Increases

Increases federal Weatherization funds by \$9.0 million, Community Services Block Grant by \$1.4 million, and adds 3.0 FTEs for administration of those two programs (\$287,000). Also increases refugee services by \$6.5 million.

FTEs	24.0	3.0
Gross	\$62,325,800	\$17,182,800
Federal	62,325,800	17,182,800
GF/GP	\$0	\$0

15. Rape Prevention and Services

Recognizes \$1.0 million in restricted funding from 2008 PA 546 used to support victims of sexual assault. Removes IDG from Department of Community Health in Crime Victim's Rights Fund revenue based on projected needs of programming also funded with Crime Victim's Rights Fund as well as declining revenue in the Fund. \$1.0 million in GF/GP is added to the FIP line item to free up TANF funds that are redirected to rape and prevention services.

FTEs	0.0	0.5
Gross	\$2,600,000	\$700,000
IDG	1,300,000	(1,300,000)
Federal	1,300,000	0
Restricted	0	1,000,000
GF/GP	\$0	\$1,000,000

16. Child Advocacy Centers

Recognizes restricted funding from restricted fund created in 2008 PA 544 to support child advocacy centers throughout the state. The Domestic Violence and Treatment board will administer the funding to support victims of child sexual abuse.

FTEs	N/A	0.5
Gross	N/A	\$1,000,000
Restricted	N/A	1,000,000
GF/GP	N/A	\$0

17. Disability Determination, SSI Advocacy, and SSI Recoveries

Increases federal funding by \$21.8 million to hire 175 FTEs for disability determinations to address backlog of individuals waiting for final determination. Eliminates \$1.3 million in GF/GP for a private contract for SSI legal advocacy and uses half of the savings to fund 7 additional positions within DHS for SSI advocacy. These new FTEs are projected to generate \$2.0 million in GF/GP savings from SDA caseload reductions, and \$3.3 million in GF/GP savings from additional SSI recoveries in the SDA line item.

FTEs	556.9	182.0
Gross	\$86,039,700	\$19,263,100
IDG	291,600	0
Federal	82,755,500	21,813,300
Restricted	702,000	3,311,000
GF/GP	\$2,290,600	(\$5,861,200)

HUMAN SERVICES (DEPARTMENT)

<u>Major Budget Changes from FY 2009-10 YTD</u>		<u>Year-to-Date FY 2009-10</u>	<u>Executive Change</u>
18. Food Assistance Administration	Gross	N/A	\$9,400,000
Increases federal funding by \$18.8 million from additional food assistance administration funding. Half of the funding is used to offset GF/GP.	Federal	N/A	18,800,000
	GF/GP	N/A	(\$9,400,000)
19. Food Stamp Reinvestment	FTEs	31.8	(29.0)
Reduces GF/GP by \$2.5 million and FTEs by 31.8 from food stamp reinvestment line item. Funding is not needed in FY 2010-11 as DHS is in compliance with federal food assistance program error rate thresholds. Executive transfers \$150,000 in GF/GP and 2.8 FTEs from food stamp reinvestment line item to local office field staff.	Gross	\$2,500,000	(\$2,200,000)
	Federal	0	150,000
	GF/GP	\$2,500,000	(\$2,350,000)
20. Child Care Fund	Gross	\$216,872,000	\$1,164,100
Offsets \$7.6 million in GF/GP with TANF cut from the DELEG Executive recommendation from Welfare-to-Work line item. Also increases GF/GP \$1.2 million from a policy change allowing Wayne County to retain all, rather than 50%, of federal Title IV-E earnings related its eligible costs.	Federal	116,569,900	7,600,000
	GF/GP	\$100,302,100	(\$6,435,900)
21. Juvenile Justice Facility Adjustments	Gross	\$25,764,000	(\$1,933,200)
Annualizes savings from the January 2010 closures of Nokomis Challenge Center (\$1.2 million) and the community juvenile justice centers (\$687,000). Also reduces amount of local school aid funding based on continued declines in the number of youth at the facilities (\$771,900). GF/GP is used to offset this reduction to meet other facility operation needs.	Federal	1,943,400	(222,000)
	Local	13,489,200	(1,678,100)
	GF/GP	\$10,331,400	(\$33,100)
22. Zero to Three and IV-B Carryforward	Gross	\$3,843,800	\$0
Assumes Zero to Three line item will lapse \$2.0 million in TANF funding appropriated in FY 2009-10 and uses one-time federal Title IV-B carryforward to fund program in FY 2010-11. The TANF lapse and IV-B carryforward will be used to offset GF/GP elsewhere in the budget. Program will be restructured to focus on high need families in urban areas.	TANF	3,843,800	2,000,000
	IV-B	0	3,843,800
	GF/GP	\$0	(\$5,843,800)
23. Other Program Eliminations and Reductions	Gross	N/A	(\$1,733,800)
Eliminates earmarks for University of Detroit Mercy legal services (\$200,000), MSU Kinship Care (\$200,000), and Barry County domestic violence shelter (\$75,000). Reduces child support automation contract (\$1.0 million) and volunteer services and reimbursement (\$258,800).	Federal	N/A	(817,300)
	GF/GP	N/A	(\$916,500)
24. Medicaid Match Rate Adjustments	Gross	N/A	\$0
Shifts \$3.5 million in GF/GP appropriations to federal funding as a result of projected adjustments to the Federal Medical Assistance Percentage (FMAP) rate. This rate is used to determine federal cost sharing within several DHS programs, including foster care, adoption subsidies, and day care. Around \$7.3 million in GF/GP savings is attributable to the increase in the base FY 2009-10 FMAP rate from 63.19% to 65.79%. These savings are offset by \$3.8 million in new GF/GP costs that result from the ARRA-related FMAP rate increase of 6.2 percentage points being available for only 3 quarters of the year in FY 2010-11. One quarter is available through ARRA and the Executive Recommendation assumes the federal government will extend the enhanced FMAP for two additional quarters.	Federal	N/A	3,461,500
	GF/GP	N/A	(\$3,461,500)

Major Budget Changes from FY 2009-10 YTD

	<u>Year-to-Date FY 2009-10</u>	<u>Executive Change</u>	
25. Economic Adjustments	Gross	N/A	\$45,897,700
Increases funding by \$45.9 million to cover the cost of a 3% salary and wage increase for state employees, as well as adjustments for insurance, retirement, and worker's compensation costs. Increase includes economic adjustments for staff within DTMB for IT support and within DELEG for State Office of Administrative Hearings and Rules. The adjustments include funding to cover a 3% salary and wage increase for not exclusively represented employees (NEREs) which was recently rejected by the State Civil Service Commission.	IDG	N/A	3,700
	Federal	N/A	29,934,300
	Local	N/A	801,800
	Private	N/A	158,000
	Restricted	N/A	26,200
	GF/GP	N/A	\$14,973,700

Major Boilerplate Changes from FY 2009-10

GENERAL SECTIONS

Sec. 205. Hiring Freeze – DELETED

Specifies details of a hiring freeze on state classified civil service employees, provides exceptions to the hiring freeze only with State Budget Director's approval, and requires a quarterly report on the number of exceptions.

Sec. 278. Federal Revenue Maximization Contracts – DELETED

Directs DHS to contract with private consulting firms to evaluate maximization of federal funds for all caseload services by identifying waste, fraud and errors. Payments to contractors capped at 25% of achieved savings; allows DHS to retain additional savings for technology programs and increased staffing; requires report to Legislature.

Sec. 288. Contracting with Non-Profits and Executive Pay – NEW

Prohibits DHS from entering into a contract with a non-profit organization whose Chief Executive Officer or other employee receives financial compensation greater than 150% of the Governor's salary and wages.

EXECUTIVE OPERATIONS

Sec. 311. Performance-Based Licensing System – DELETED

Requires DHS to implement a performance-based licensing model for licensed adult foster care, day care and child welfare facilities; model to prioritize licensing activities based on risks to vulnerable adults and children.

ADULT AND FAMILY SERVICES

Sec. 418. Individual Development Account (IDA) Matched Savings Programs – DELETED

Provides \$200,000 to Michigan IDA partnership to allocate to IDA matched savings programs.

CHILDREN'S SERVICES

Sec. 503. Adoption Subsidy Payment Continuance – REVISED

Revises guidelines for the continuance of adoption subsidy payments for families with adopted children who have not earned a high school diploma or GED, but are making progress toward completion. New language allows payments to continue until the child's twentieth birthday if he or she was adopted at age 16 or later.

Sec. 504. Foster Children Aging out of Foster Care – DELETED

Establishes benchmarks and policy for children aging out of foster care including referral to Michigan Works! and MSHDA, extending foster care eligibility through age 20, and requires the department to hire 14 regional education planners.

Sec. 510. Competitive Bid Exemption – DELETED

Waives requirement for competitive bids on service contracts if a provider is the only provider that exists in the service area.

Sec. 517. Zero to Three Program – REVISED

Revises program criteria for the Zero to Three Program by eliminating references to funding for "multipurpose collaborative bodies", eliminating language specifying the program is to be administered through the Children's Trust Fund, and eliminating various program guidelines.

Major Boilerplate Changes from FY 2009-10

Sec. 532. Licensing and Contract Compliance Review – DELETED

Requires collaboration between DHS and representatives of private child and family agencies in review and improvement of contract compliance and licensing review processes. Restricts licensing reviews to no more than once every two years for nationally-accredited organizations with no outstanding violations; requires developing plan to license caregiver relatives of foster children.

Sec. 536. Guidelines for Out-of-Home Child Placements – DELETED

Establishes criteria requiring the DHS to place children within their own county or within a 75-mile radius of the home from which they entered custody except under certain listed circumstances.

Sec. 546. Foster Care Rates – DELETED

Establishes an administrative rate of \$37.00 per day for foster care services and \$28.00 per day for general independent living services for private child placing agencies, and sets rates for specialized independent living to be at least as high as the rates in FY 2008-09. Per diem costs would be shared between the state and counties at a rate of 75% State and 25% County for children not eligible for Title IV-E funding. Governor's signing letter stated the cost sharing mandated by this section was unenforceable to the degree that it conflicts with existing state statute.

Sec. 547. Foster Care Public Administrative Per-Diem – DELETED

Establishes a \$40.00 administrative rate per day for publicly supervised foster care cases. The per diem would be shared between the state and counties at a rate of 75% state and 25% county for children not eligible for Title IV-E funding. Governor's signing letter stated the cost sharing mandated by this section was unenforceable to the degree that it conflicts with existing state statute.

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

Allocates \$2.0 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. 566. Restrictions on Provision of Direct Foster Care Services by For-Profit Entities – DELETED

Stipulates preferences for direct foster care services. Prohibits DHS from entering into or maintaining contracts with for-profit child placing agencies or agencies using a for-profit management groups unless the agency was licensed on or before August 1, 2007 or the management group relationship existed before August 1, 2007.

Sec. 570. Subsidized Guardianship Program – REVISED

Establishes guidelines for the program, including reporting on the program and recommended modifications. Executive eliminates certain stipulations on the use of funds that were included in FY 2009-10 enacted budget.

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.

Sec. 586. Reports from Children's Rights Lawsuit Settlement Monitor – NEW

Requires DHS to transmit all reports from the court-appointed settlement monitor to the State Budget Office, House and Senate DHS Subcommittees, and fiscal agencies concurrent with their public release. Also requires monthly reporting on subsidized guardianship program and foster care waiver program for children with serious emotional disturbances.

PUBLIC ASSISTANCE

Sec. 620. Federal Food Assistance Authorization Caseload Adjustments – NEW

Allows DHS, with approval of State Budget Director, to increase federal spending authority for food assistance program benefits if caseload spending is projected to exceed current appropriations. Requires 15-day notice to the chairs of the House and Senate DHS Subcommittees and the fiscal agencies before implementation.

Sec. 670. FIP Program Supplement – DELETED

Allocates an additional \$5.6 million for children's clothing expenses; requires DHS to notify FIP recipients that allowance is to be used for clothing. Executive incorporates the special supplement into the standard clothing allowance in section 669.

Major Boilerplate Changes from FY 2009-10

Sec. 675. Day Care Services Rate Structure – REVISED

Outlines the rate structure to be used by DHS in reimbursing child care providers that provide services to eligible families, including two tiers for enrolled providers with the higher tier being available to the enrolled providers who complete annual training. Executive budget eliminates the specific rate levels prescribed in the FY 2009-10 enacted budget.

Sec. 686. Caseworker Policy Changes – DELETED

Requires DHS to ensure that individuals presenting out-of-state identification are not enrolled in benefit programs in other states; to explore changes that would permit caseworkers to confirm resident addresses in FIP and SDA cases; to explore changes that will ensure individuals with homes worth more than \$500,000 cannot access assistance; and to collect up-to-date phone numbers from Medicaid recipients during eligibility determination and provide this information to DCH.

JUVENILE JUSTICE SERVICES

Sec. 720. Funding for Juvenile Justice Services – DELETED

Provides guidelines for distribution of appropriated funding to public and private providers of juvenile justice services based on demonstrated results in specific areas; requires implementation of methodology for measuring goals, objectives and performance standards.

Sec. 732. 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 \$130 per day for these providers.

CHILD SUPPORT ENFORCEMENT

Sec. 904. Prohibition Against Charge-back to Counties for Services – DELETED

Prohibits DHS from charging back to counties any fees paid to Internal Revenue Service or Department of Treasury related to tax intercept and offset programs for child support enforcement.

Sec. 907. Use of Collection Agencies in Collecting Child Support – DELETED

Requires DHS, in cooperation with State Court Administrative Office, to pilot a program to examine effectiveness of using a public or private collection agency. Any revenue generated through program shall not be expended until DHS, Friend of Court and other county representatives agree on recommendations for use.

**FY 2010-11
Budget Detail
for
RESOURCE PROTECTION**

Agriculture

Natural Resources and Environment

**Summary: FY 2010-11 Executive Budget Recommendation
AGRICULTURE**

Analyst: William E. Hamilton

	FY 2009-10 Year-to-Date	FY 2010-11 Executive	Difference: Exec from FY 2009-10 YTD	
			Amount	%
IDG/IDT	\$712,300	\$289,100	(423,200)	(59.4)
Federal				
ARRA	22,300		(22,300)	(100.0)
Non-ARRA	15,531,100	14,769,900	(761,200)	(4.9)
Local	0	0	0	--
Private	243,200	260,100	16,900	6.9
Restricted	33,809,600	33,530,000	(279,600)	(0.8)
GF/GP	30,050,500	28,828,700	(1,221,800)	(4.1)
Gross	\$80,369,000	\$77,677,800	(\$2,691,200)	(3.3)
FTEs	573.0	459.9	(113.1)	(19.7)

Notes: (1) FY 2009-10 appropriation figures include the results of supplementals, Executive Order (EO) actions, and transfer adjustments through February 11, 2010. (2) "ARRA" represents temporary funds received under the federal American Recovery and Reinvestment Act.

Overview

The Department of Agriculture promotes Michigan agricultural products and protects the public from disease and unsanitary conditions in food production and handling; regulates product labeling and producer practices for dairy products, animals, and plants; and enforces consumer protection laws in food, standard weights/measures, animal health, plant pests, and diseases.

Major Budget Changes from FY 2009-10 YTD

		Year-to-Date FY 2009-10	Executive Change
1. Management Services	FTEs	24.0	(12.0)
Increase of \$54,000 reflects economic factors. Offset by shift of 8.0 FTEs and \$878,300 GF/GP to MDOT as part of accounting function consolidation (see item 8 below), additional 4.0 reduction in FTE count to better align with actual.	Gross	\$1,840,900	(\$824,300)
	Restricted	121,000	6,900
	GF/GP	\$1,719,900	(\$831,200)
2. Producer Security/Grain Dealer Licensing	FTEs	5.0	(5.0)
Function transferred to Pesticide and Plant Pest Management Division (see below).	Gross	\$238,500	(\$238,500)
	Restricted	238,500	(238,500)
	GF/GP	\$0	\$0
3. Accounting Service Center	Gross	\$0	\$878,300
Reflects consolidation and transfer of accounting functions and related FTEs and funding to the Michigan Department of Transportation.	GF/GP	\$0	\$878,300
4. Departmentwide – Rent and Building Occupancy	Gross	\$421,100	\$621,100
Recommends \$1,042,200 which better reflects actual department building occupancy costs, however without GF/GP appropriated revenue may not be supported by actual revenue.	Federal	153,400	311,000
	Restricted	267,700	310,100
	GF/GP	\$0	\$0

Major Budget Changes from FY 2009-10 YTD

5. Food and Dairy – Food Safety and Quality Assurance

Proposes to offset a \$500,000 reduction in GF/GP support with restricted revenue from a proposed alternative milk inspection fee. Current year budget recognizes \$100,000 in new milk inspection fee revenue, however bills to effect this increase have not yet been enacted.

	Year-to-Date FY 2009-10	Executive Change
FTEs	115.0	(8.0)
Gross	\$12,539,700	\$620,300
Federal	470,500	23,200
Restricted	3,139,100	655,500
GF/GP	\$8,930,100	(\$58,400)

Budget also reflects economic factors of \$620,200 gross, \$441,600 GF/GP, and reduces FTE count to better align with actual.

6. Animal Industry – Animal Health and Welfare

Reflects the elimination of \$259,400 in baseline GF/GP support, and elimination of 2.1 FTE positions. In some cases, the budget would eliminate program, in other cases the program would be maintained with restricted fund support only. Specific program reductions are as follows:

FTEs	21.5	(9.1)
Gross	\$2,290,800	(\$263,700)
IDG	75,000	(75,000)
Federal	470,100	15,100
Restricted	246,000	7,800
GF/GP	\$1,499,700	(\$211,600)

- Animal Control Shelter program (\$150,000)
- Animal Protection Shelters (\$70,400)
- Aquaculture licensing program (\$20,000)
- Bodies of Dead Animals program (\$750)
- Livestock Marketing (\$2,200)
- Animal Shelters program (\$8,000)
- Animal Welfare program (\$8,000)

Budget also eliminates \$75,000 IDG related to Cervid fees; no actual revenue is available to support this IDG.

Budget also reflects economic factors of \$70,100 gross, \$47,800 GF/GP, and transfer of 7.0 FTE positions to Bovine TB line to better align with actual program funding.

7. Animal Industry – Bovine Tuberculosis

Reflects economic factors and transfer of 7.0 FTE positions to Bovine TB line to better align with actual program funding.

FTEs	48.5	7.0
Gross	\$7,338,300	\$233,400
Federal	781,100	24,900
GF/GP	\$6,557,200	\$208,500

8. Pesticide and Plant Pest Management – PPPM

Reduces GF/GP support for Plant Health and Export program by \$379,400 and eliminates 4.0 FTE positions. This represents a 22% reduction in GF/GP support for this program. Reflects economic adjustments of \$500,900 gross, \$194,300 GF/GP. Reduces FTE count by 12.0 to better align with actual.

FTEs	110.0	(16.0)
Gross	\$11,929,300	(\$562,500)
Federal	2,549,600	(530,100)
Private	152,600	13,800
Restricted	5,211,800	138,900
GF/GP	\$4,015,300	(\$185,100)

9. Emerald Ash Borer Program

Appropriation of \$2.1 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	24.5	(14.5)
Gross	\$3,034,200	(\$895,700)
Federal	3,034,200	(895,700)

10. Producer Security/Grain Dealer Licensing – PPPM

In the current year budget this line item is in the Executive direction appropriations; reflects transfer to PPPM and economic increase.

FTEs	0.0	4.0
Gross	\$0	\$252,600
Restricted	0	252,600
GF/GP	\$0	\$0

AGRICULTURE

Major Budget Changes from FY 2009-10 YTD

11. Environmental Stewardship

Budget would shift authority for the Michigan Agriculture Environmental Assurance Program (MAEAP) from department to Michigan State University's Agriculture Experiment Station, with associated reduction of \$586,400 GF/GP and 5.0 FTE positions. There is no corresponding budgetary increase for MSU in the Higher Education budget. This shift would require the amendment of Section 8707 of the Michigan Natural Resources and Environmental Protection Act which currently gives the department primary authority over the program.

	Year-to-Date FY 2009-10	Executive Change
FTEs	27.0	0.0
Gross	\$2,582,500	(\$929,000)
IDG	445,400	176,800
Federal	39,500	2,200
Restricted	160,400	110,600
GF/GP	\$1,937,200	(\$1,218,600)

Reduces department support for Right to Farm program by \$150,000 GF/GP and 1.0 FTE position.

Shifts Migrant inspection housing program to separate line item, resulting in a reduction of \$537,900 GP/GP in this line and shift of \$110,000 in migrant labor housing inspection fees to the new line.

Eliminates \$351,600 IDG from MDEQ related for MAEAP program; the IDG is not supported by actual revenue.

The proposed budget also reflects economic factors of \$63,500 gross, \$55,600 GF/GP, and elimination of 5.0 FTE positions to better align with actual program funding.

12. Migrant Labor Housing

Consolidates inspection program (transferred from Environmental stewardship line) with grant program. The inspection program in Environmental stewardship had been funded with \$537,900 GF/GP and \$110,000 in restricted funding from a new \$5 per worker migrant labor housing inspection fee.

FTEs	0.0	8.0
Gross	\$425,100	\$717,600
Federal	400,000	63,900
Restricted	25,000	653,800
GF/GP	\$100	(\$100)

Executive would fund the regulatory program with a \$30 per worker inspection fee, estimated to generate \$647,900. Note that although the current year budget recognizes a new \$5 per worker fee, bills to establish the new fee have not yet been enacted.

13. Consumer Protection Program

Reflects economic increases.

This line item supports motor fuel quality program, weights and measures, and metrology laboratory. Restricted revenue includes \$3.0 million from the Refined petroleum fund. The fee that supports the Refined petroleum fund is set to sunset on September 30, 2010. The budget assumes extending the sunset.

FTEs	51.0	0.0
Gross	\$5,237,400	\$260,700
Restricted	5,236,900	260,600
GF/GP	\$500	\$100

14. Agriculture Development

Reflects economic increase of \$35,400. Reduces FTE count to better align with actual. Includes baseline GF/GP reduction of \$27,300.

FTEs	6.0	(2.0)
Gross	\$2,177,000	\$8,100
Private	10,900	200
Federal	1,579,300	25,700
Restricted	259,500	4,200
GF/GP	\$327,300	(\$22,000)

Major Budget Changes from FY 2009-10 YTD

15. Horse Racing Programs

AEIDF funding for horse racing programs at current year levels.

	Year-to-Date FY 2009-10	Executive Change
Gross	\$4,568,000	\$0
Restricted	4,568,000	0

Current YTD

Purses & supplements-fairs/licensed tracks	\$1,019,100
Licensed tracks - light horse racing	56,800
Standardbred (SB) breeders' awards	416,700
SB purses/supplements-licensed tracks	769,400
SB sire stakes	348,300
SB training and stabling	15,500
Thoroughbred owners' awards	53,300
Thoroughbred program	1,032,000
Thoroughbred sire stakes	356,900
Distribution of outstanding winning tickets	500,000
Total	\$4,568,000

29. Office of Racing Commissioner

Reflects the transfer of this office to the Michigan Gaming Control Board (MGCB). The related funding from the AEIDF was also transferred to the MGCB in the General Government budget.

FTEs	10.0	(10.0)
Gross	\$1,785,000	(\$1,785,000)
Restricted	1,785,000	(1,785,000)

30. Information Technology

Reflects transfer of Office of Racing Commission to the MGCB and related transfer of \$120,000 in associated AEIDF revenue. In addition, the budget recognizes \$82,800 in economic increases related to information technology.

Gross	\$1,540,300	(\$39,900)
IDG	2,800	0
Restricted	409,500	(101,700)
GF/GP	\$1,128,000	\$61,800

31. Capital Outlay - Farmland/Open Space Development Acquisition

Adjusts state restricted Agriculture Preservation Fund support to better align with available revenue.

Gross	\$3,750,000	(\$450,000)
Federal	1,250,000	0
Restricted	2,500,000	(450,000)

32. Economics

Reflects \$857,200 for employee salary and wages; \$528,900 for insurances increases; \$1.2 million for retirement contributions; \$31,600 for workers compensation, and \$621,100 for building occupancy charges. The increase in building occupancy better reflects actual department building occupancy costs, which have been under-appropriated. In addition, the budget recognizes \$82,800 in economic increases related to information technology.

Gross	N/A	\$3,241,300
IDG	N/A	3,400
Federal	N/A	917,000
Private	N/A	16,900
Restricted	N/A	1,147,200
GF/GP	N/A	\$1,156,800

Major Boilerplate Changes from FY 2009-10

The Executive budget eliminates a number of legislatively-initiated boilerplate restrictions and reporting requirements.

**Summary: FY 2010-11 Executive Budget Recommendation
NATURAL RESOURCES AND ENVIRONMENT**

Analyst: Viola Bay Wild

	FY 2009-10 Year-to-Date	FY 2010-11 Executive	Difference: Exec from FY 2009-10 YTD	
			Amount	%
IDG/IDT	\$12,322,900	\$12,517,700	\$194,800	1.6
Federal	252,998,700	261,331,500	8,332,800	3.3
Local	0	0	0	--
Private	6,040,000	6,509,100	469,100	7.8
Restricted	396,617,100	398,191,300	1,574,200	0.4
GF/GP	43,949,400	42,104,300	(1,845,100)	(4.2)
Gross	\$711,928,100	\$720,653,900	\$8,725,800	1.2
FTEs	3,712.0	3,674.5	(37.5)	(1.0)

Note: FY 2009-10 appropriation figures do not reflect the impact of executive order, supplemental, or transfer adjustments made after the release of the FY 2010-11 Executive Budget on February 11, 2010.

Overview

The Department of Natural Resources and Environment (DNRE) was created on January 17, 2010 by Executive Order 2009 - 45 which ordered the merger of the Department of Natural Resources and the Department of Environmental Quality. Through its natural resources programs, the DNRE 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 historical programs and museums. The Department's environmental programs support environmental protection, conservation, cleanup and redevelopment programs and regulatory efforts established to protect, restore, and reuse Michigan's air, water, and land resources.

Major Budget Changes from FY 2009-10 YTD

		<u>Year-to-Date FY 2009-10</u>	<u>Executive Change</u>
1. Department Consolidation Savings	FTE	11.0	(5.0)
Reduces funding by \$356,000 Gross and GF/GP for savings from the consolidation of the Department of Natural Resources and the Department of Environmental Quality. Savings of \$200,000 generated from the elimination of 5.0 unclassified FTE positions; rent savings total \$156,000.	Gross	N/A	(\$356,000)
	GF/GP	N/A	(\$356,000)
2. Administrative GF/GP Funding Reductions	FTE	N/A	(16.5)
Reduces GF/GP funding by \$1.0 million and eliminates 16.5 FTEs for anticipated savings from administrative efficiencies and eliminating FTE positions or not filling vacant FTE positions. Major reductions taken in State Historical Programs (\$394,300), Wildlife Division (\$151,000), Mackinac Island Park Commission (\$134,100), General Law Enforcement (\$116,800), and IT (\$103,900).	Gross	N/A	(\$1,036,000)
	GF/GP	N/A	(\$1,036,000)
3. Forest Recreation Program Reduction	FTE	51.0	(3.0)
Includes \$323,900 GF/GP reduction and elimination of 3.0 FTE positions to the forest recreation program. Savings will be realized by keeping 12 state forest campgrounds closed, by reducing the amount of grooming on ski trails, and by decreasing the amount of pathway maintenance work.	Gross	\$4,924,000	(\$323,900)
	Restricted	4,360,100	0
	GF/GP	\$563,900	(\$323,900)
4. Pittman-Robertson Federal Funding Increase	Gross	N/A	\$555,000
Federal funding authorization is increased in Communications and Law Enforcement line items for additional federal Pittman-Robertson funding.	Federal	N/A	555,000

NATURAL RESOURCES AND ENVIRONMENT

<u>Major Budget Changes from FY 2009-10 YTD</u>		<u>Year-to-Date FY 2009-10</u>	<u>Executive Change</u>
5. Restricted Funds Reduction	Gross	N/A	(\$3,460,900)
Restricted funding authorization reduced for Game and Fish Fund – Deer Habitat, Snowmobile Registration Fee revenue, and Marine Safety Fund to align with expected revenues.	Restricted	N/A	(3,460,900)
6. Brownfield Redevelopment Supplemental Funding	Gross	\$5,500,000	(\$5,500,000)
Reduces restricted funding for brownfield redevelopment grants and loans by \$5.5 million to eliminate one-time supplemental funding from previous year.	Restricted	5,500,000	(5,500,000)
7. Water Program GF/GP Reductions	FTE	N/A	(13.0)
Reduction of 13.0 FTEs and \$1.3 million GF/GP support for reductions in the following water programs: water withdrawal assessments, wastewater facility construction permits, soil erosion and sedimentation control, NPDES nonstormwater permits and groundwater discharge permits.	Gross	N/A	(\$1,299,400)
	GF/GP	N/A	(\$1,299,400)
8. Waste and Hazardous Materials Funding Shifts	Gross	N/A	\$0
GF/GP support for Hazardous Waste Management program replaced with restricted funding from the Hazardous Materials Transport Permit Fund.	Restricted	N/A	400,000
	GF/GP	N/A	(\$400,000)
9. Michigan Historical Programs	Gross	N/A	\$698,800
Increases appropriation for Michigan Historical programs by \$698,800 Gross to adjust appropriation to actual expenditures and to recognize anticipated revenue. Programs were transferred to DNRE from DHAL in FY 2009; revenue includes new admission fees to historical museums.	Restricted	N/A	698,800
10. Additional Funding Adjustments	Gross	N/A	\$30,700
Reduces private funding authorization to align with expected revenue (\$75,900); increase restricted authorization for State Parks Improvement bond debt service payment (\$6,600); appropriate \$100,000 for public use and replacement deed program previously appropriated through boilerplate.	Private	N/A	(75,900)
	Restricted	N/A	106,600
11. Information Technology Savings	Gross	N/A	(\$157,800)
Reduces funding to reflect IT savings achieved through a DIT rate reduction, not filling an FTE position vacancy, and Department of Technology, Management, and Budget (DTMB) consolidation savings.	Restricted	N/A	(52,000)
	GF/GP	N/A	(105,800)
12. Capital Outlay	Gross	\$16,991,200	\$1,987,400
Increases funding for state park, forestry, waterways construction and infrastructure projects by \$2.0 million. Reduces State Park Endowment Fund support by \$2.0 million; increases federal funding authorization.	Federal	5,067,100	4,007,900
	Private	2,000,000	0
	Restricted	9,924,100	(2,020,500)
13. Economic Adjustments	Gross	N/A	\$17,587,900
Increases funding by \$17.6 million Gross and \$1.7 million GF/GP for economics which includes salaries and wages, retirement, building occupancy charges, and insurances costs. Total includes \$743,100 Gross and \$68,700 GF/GP for DIT economics.	IDG	N/A	271,200
	Federal	N/A	2,629,300
	Private	N/A	45,000
	Restricted	N/A	12,966,400
	GF/GP	N/A	\$1,676,000

Major Boilerplate Changes from FY 2009-10

Sec. 207. 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. 208. Department Grant and Loan Programs – DELETED

Requires report including description of available grant/loan programs, criteria for awards, and a list of recipients.

NATURAL RESOURCES AND ENVIRONMENT

Major Boilerplate Changes from FY 2009-10

Sec. 210. Waterways Fund Projects – DELETED

Requires DNR to 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, 2010.

Sec. 216. Disciplinary Action Against State Employees – DELETED

Prohibits DEQ and DNR from disciplining state employees for communicating with members of Legislature and their staffs.

Sec. 217. Rule Promulgation – DELETED

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

Sec. 219. Restricted Fund Allocation Plan – DELETED

Requires DEQ and DNR to develop a plan for allocating restricted funds among administrative support and regulatory activities; plan to be submitted to legislative subcommittees by January 30, 2010.

Sec. 221. Out-of-State State Employee Training – DELETED

Prohibits out-of-state travel to attend a conference or seminar for more than one employee unless the travel is funded by a federal or private source, or conference includes multiple issues in which one employee does not have expertise.

Sec. 222. FTE Report – DELETED

Requires DEQ and DNR to report every other month on number of FTEs in pay status on the first day of the month.

Sec. 223. Detailed Appropriated and Supportable FTE Information – DELETED

Requires DEQ and DNR to report on supportable FTEs including salary, wage and benefit costs for FTEs for each line item.

Sec. 227. Restricted Fund Allocation Plan for Administrative Units – DELETED

Requires DEQ to develop cost allocation plan concerning restricted funds for administrative units; requires report.

Sec. 228. Intent to Consolidate DNR/DEQ – DELETED

States legislative intent to re-combine DEQ and DNR, making DNR the successor agency.

Sec. 229. DNR/DEQ Department Consolidation Savings – DELETED

Provides that appropriations in part 1 assume acceptance of an executive order to re-combine DEQ and DNR.

Sec. 230. DEQ Spending Limitation – DELETED

Provides that after November 1, 2009, DEQ may not make expenditures from part 1 unless a notice of intent to spend is provided to the Speaker of the House of Representatives 30 days in advance.

Sec. 231. DEQ Pending Permits – DELETED

Any permit application pending after a 2 year period shall be considered administratively complete on January 1, 2010.

Sec. 232. Expenditure Reports: FY 2008-09 – DELETED

Requires DEQ and DNR to report expenditures on public internet site, including purpose of the expenditures.

Sec. 233. Report Retention – DELETED

Requires DEQ and DNR to retain copies of all funded reports; reports are to be received and provided for public use.

Sec. 235. Criminal and Civil Fine Revenue – DELETED

Requires DEQ and DNR to annually report the amount of criminal and civil fine revenue collected during FY 2008-09.

Sec. 236. General Fund Lapse – DELETED

Requires DEQ and DNR to report by September 30, 2010 the estimated amount of general fund lapse by program area.

Sec. 237. Best Available Retrofit Technologies (BART) – DELETED

Requires Department to use BART standards in actions taken on air pollution permits.

Sec. 238. Great Lakes Water Quality Bond – DELETED

Requires Department to submit report outlining the implementation of the Great Lakes Water Quality bond.

Major Boilerplate Changes from FY 2009-10

Sec. 239. Program Comparisons With Other States – DELETED

Requires Department to compare its regulatory programs with similar activities in other Great Lakes states.

Sec. 240. Permit Program Efficiencies – DELETED

Requires Department to study its air permitting program to determine efficiencies; requires report.

Sec. 241. Beverage Container Fraud – DELETED

Requires Department to implement 2008 PA 389 concerning reverse vending machines and beverage container standards.

Sec. 242. Freedom of Information Requests – DELETED

Requires Department to report semiannually on requests made to Department under the Freedom of Information Act.

Sec. 301. Wetlands Protection Program Supplemental – DELETED

Gives legislative intent to address funding needs for the wetlands regulatory program through supplemental appropriation.

Sec. 306. Refined Petroleum Fund – DELETED

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

Sec. 306. Historical Program Fees – NEW

Allows Department to charge fees for various historical program services such as historical markers, document production, conferences, admissions, workshops and use of facilities; allows Michigan Historical Museum to charge admission fees.

Sec. 308. Operational Memoranda – DELETED

Prohibits DEQ from expending funds if using operational memoranda or similar documents to impose regulations on individuals or businesses conducting environmental cleanup projects without written consent.

Sec. 401. Restricted Fund Transfer: Solid Waste Management Fund – DELETED

Transfers \$1.5 million from the Solid Waste Management Fund to the Solid Waste Management Fund Staff Account.

Sec. 501. Water Quality Enforcement Report – DELETED

Requires report on enforcement and program activities funded from National Pollution Discharge Elimination System (NPDES) Fund.

Sec. 601. Scrap Tire Fire Suppression – DELETED

Provides \$100,000 for grants to communities for scrap tire suppression costs, if other funding is not available.

Sec. 704. Fishing Advisories – DELETED

Directs DNR to include website address in fishing guide for advisory information from Department of Community Health.

Sec. 705. Land Transactions – DELETED

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

Sec. 801. Livestock Loss Indemnification – DELETED

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

Sec. 901. Water Control Structure Certification – DELETED

Directs Fisheries Division to not interfere with the certification process for dams and other water control structures.

Sec. 1002. State Park Campground Closures – DELETED

Requires DNR to notify Legislature before operation reductions at any state park or recreation area.

Sec. 1003. Porcupine Mountain Ski Hill – DELETED

Prohibits DNR from altering ski hill operations or related buildings in Porcupine Mountains Wilderness State Park.

Sec. 1004. Defibrillators in State Parks – DELETED

Directs DNR to maintain defibrillators placed in state parks.

NATURAL RESOURCES AND ENVIRONMENT

Major Boilerplate Changes from FY 2009-10

Sec. 1101. Mackinac Island State Park – DELETED

Requires that revenue from admission fees and store sales at Mackinac Island State Park be deposited into the Mackinac Island State Park operation fund; remaining funds at end of year shall not lapse to the general fund.

Sec. 1202. Contract Foresters – DELETED

Allows DNR to hire contract foresters to mark timber.

Sec. 1203. Timber Marking – DELETED

Directs DNR, subject to forest certification process, to mark for harvest, 58,000 acres at an average rate of 12.5 to 15.0 cords per acre; DNR must consider impact of timber harvest on wildlife habitat and recreation; requires quarterly report.

Sec. 1206. Horseback Riding Opportunities – DELETED

Directs DNR to explore opportunities to increase horseback riding opportunities.

Sec. 1207. Timber Sale Bidding Process – DELETED

Requires DNR to work with stakeholders to review bidding process and implement needed changes; requires report.

Sec. 1301. Snowmobile Law Enforcement Grants – DELETED

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

Sec. 1302. Island Lake Shooting Range Concession Contract – DELETED

Requires public notice of expiration date or amendments to concession contract for Island Lake Shooting Range.

Sec. 1402. 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. 1601. Federal Historic Preservation Grants: Work Project Designation – DELETED

Provides work project status to federal grants for local historic preservation projects.

Sec. 1602. Michigan Heritage Fund – DELETED

Revenues collected through the Michigan Heritage Fund are appropriated, and available for expenditure upon receipt.

**FY 2010-11
Budget Detail
for
SAFETY AND DEFENSE**

**Military and Veterans Affairs
State Police**

**Summary: FY 2010-11 Executive Budget Recommendation
MILITARY AND VETERANS AFFAIRS**

Analyst: Jan Wisniewski

	FY 2009-10 Year-to-Date	FY 2010-11 Executive	Difference: Exec from FY 2009-10 YTD	
			Amount	%
IDG/IDT	\$1,686,500	\$1,154,700	(\$531,800)	(31.5)
Federal	77,347,300	82,203,800	4,856,500	6.3
Local	1,295,100	653,200	(641,900)	(49.6)
Private	1,471,200	1,422,200	(49,000)	(3.3)
Restricted	27,924,200	28,660,400	736,200	2.6
GF/GP	36,425,500	36,951,100	525,600	1.4
Gross	\$146,149,800	\$151,045,400	\$4,895,600	3.3
FTEs	992.0	977.0	(15.0)	(1.5)

Note: FY 2009-10 appropriation figures do not reflect the impact of executive order, supplemental, or transfer adjustments made after the release of the FY 2010-11 Executive Budget on February 11, 2010.

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 2009-10 YTD

		Year-to-Date FY 2009-10	Executive Change
1. Capital Outlay - Land Acquisitions and Appraisals	Gross	\$15,000,000	\$500,000
Increases \$500,000 in restricted funds for land acquisition at Camp Grayling.	Federal	15,000,000	0
	Restricted	\$0	\$500,000
2. Military Retirement Cost-of-Living Increase	Gross	\$3,407,800	\$176,300
Provides \$176,300 GF/GP for a federally-mandated cost-of-living increase.	GF/GP	\$3,407,800	\$176,300
3. Special Maintenance - State Elimination	Gross	\$651,200	(\$651,200)
Eliminates the Special Maintenance - State line, which provides \$651,200 GF/GP in FY 2009-10 for state armory maintenance.	GF/GP	\$651,200	(\$651,200)
4. Military Training Sites and Support Facilities - Administrative Reductions	Gross	\$1,946,500	(\$84,000)
Decreases \$84,000 GF/GP in the Departmentwide Accounts line for various administrative reductions.	Federal	1,666,100	0
	GF/GP	\$280,400	(\$84,000)
5. Veterans Advice, Advocacy, and Assistance	Gross	\$3,029,600	\$0
Maintains current year funding for the Veterans Service Organizations, but eliminates the individual VSO lines and places all funding in a new Veterans Advice, Advocacy, and Assistance Grants line.	GF/GP	\$3,029,600	\$0

<u>Major Budget Changes from FY 2009-10 YTD</u>		<u>Year-to-Date FY 2009-10</u>	<u>Executive Change</u>
6. Challenge Program	FTEs	40.0	(15.0)
Decreases total funding by \$665,800 (increase of \$625,800 in federal funds, decrease of \$534,400 in IDG funds, decrease of \$104,400 in private funds, and decrease of \$652,800 in Local - School Aid funds). Additional federal revenue will allow the Challenge Program to continue operating with smaller classes of participants. Also decreases 15.0 FTEs.	Gross	\$4,737,000	(\$665,800)
	IDG	686,500	(534,400)
	Federal	1,824,200	625,800
	Local	1,295,100	(652,800)
	Private	931,200	(104,400)
7. Economic Adjustments	Gross	NA	\$4,434,500
Provides funds for economic adjustments; includes economic adjustments for information technology.	IDG	NA	2,600
	Federal	NA	2,181,100
	Private	NA	55,400
	Local	NA	10,900
	Restricted	NA	986,600
	GF/GP	NA	\$1,197,900
8. Grand Rapids Veterans' Home	Gross	\$48,767,300	\$1,000,000
Increases \$1.0 million in available federal funds.	Federal	18,472,600	1,000,000
	Restricted	15,316,900	0
	GF/GP	\$14,977,800	\$0
9. D.J. Jacobetti Veterans' Home	Gross	\$15,656,100	\$300,000
Increases \$1,050,000 in available federal funds and decreases \$750,000 in restricted funds.	Federal	5,177,100	1,050,000
	Restricted	5,741,100	(750,000)
	GF/GP	\$4,737,900	\$0
10. Veterans' Affairs Directorate	Gross	\$276,700	(\$83,000)
Decreases \$83,000 GF/GP in administrative reductions in the Veterans' Affairs Directorate Administration line.	GF/GP	\$276,700	(\$83,000)
11. Information Technology	Gross	\$1,154,300	(\$31,200)
Decreases \$400 in federal funds, \$400 in restricted funds, and \$400 GF/GP for Department of Technology, Management, and Budget consolidation savings and decreases \$30,000 GF/GP in administrative reductions.	Federal	472,900	(400)
	Restricted	351,800	(400)
	GF/GP	\$329,600	(\$31,200)

Major Boilerplate Changes from FY 2009-10

Sec. 205. Civil Service Hiring Freeze – DELETED

Deletes hiring freeze requirement for agencies and departments.

Sec. 211. Report and Record Retention – DELETED

Deletes requirement for departments to retain copies of reports funded from appropriations in part 1.

Sec. 213. Armory Closures and Consolidations – DELETED

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

Sec. 214. Military Cemeteries in Crawford and Dickinson Counties – DELETED

Deletes legislative intent for appropriating funds for military cemeteries in Crawford and Dickinson counties if funds become available.

Sec. 223. Information Technology Work Projects – DELETED

Deletes allowing information technology projects to be designated as work projects.

Sec. 226. Disciplinary Action Against Department Employees – DELETED

Deletes prohibiting disciplinary actions against Department employees for communicating with the Legislature.

MILITARY AND VETERANS AFFAIRS

Major Boilerplate Changes from FY 2009-10

Sec. 227. Sale of Department Property – DELETED

Deletes requirement for the Department to notify the appropriations subcommittees and the fiscal agencies 60 days prior to announcing the sale of Department property.

Sec. 233. GF/GP Lapse Estimates – DELETED

Deletes requirement for a report by the Department for GF/GP lapse estimates at the close of the fiscal year.

Sec. 234. Unused GF/GP – DELETED

Deletes requirement for any lapsed GF/GP funds to be transferred to the Special Maintenance - State line item for repairing and maintaining armories.

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 sections detailing how grant funds are to be distributed to the VSOs; deletes reporting requirement for efforts to provide more effective and efficient veterans' services.

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.

Sec. 606. Grand Rapids Veterans' Home Feasibility Study – DELETED

Deletes requirement for the Department to prepare a feasibility study for increasing operational efficiencies.

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.

Summary: FY 2010-11 Executive Budget Recommendation STATE POLICE

Analyst: Jan Wisniewski

	FY 2009-10 Year-to-Date	FY 2010-11 Executive	Difference: Exec from FY 2009-10 YTD Amount	%
IDG/IDT	\$26,108,400	\$24,443,500	(\$1,664,900)	(6.4)
Federal	98,932,300	104,487,200	5,554,900	5.6
Local	8,545,500	7,677,600	(867,900)	(10.2)
Private	273,300	273,300	0	0.0
Restricted	131,287,300	137,878,400	6,591,100	5.0
GF/GP	267,259,200	258,930,500	(8,328,700)	(3.1)
Gross	\$532,406,000	\$533,690,500	\$1,284,500	0.2
FTEs	2,868.0	2,758.0	(110.0)	(3.8)

Note: FY 2009-10 appropriation figures do not reflect the impact of executive order, supplemental, or transfer adjustments made after the release of the FY 2010-11 Executive Budget on February 11, 2010.

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 2009-10 YTD

		Year-to-Date FY 2009-10	Executive Change
1. Transfer Office of Drug Control Policy from DCH	Gross	\$0	\$8,488,900
Transfers the Office of Drug Control Policy from DCH due to Executive Order 2009-42. Creates a new line in the Support Services unit titled Office of Justice Program Grants with 4.0 FTEs and \$8.5 million in federal funds from the Department of Justice.	GF/GP	\$0	\$8,488,900
2. Crime Victims Rights Fund - Replace With GF/GP	Gross	\$1,053,500	\$0
Eliminates restricted Crime Victims Rights Fund and replaces with GF/GP in Management Services, Criminal Justice Information Center Division, Laboratory Operations, Operational Support, and Information Technology Services and Projects. The statutory sunset date has expired and the Exec. Rec. does not propose changing the statute.	Restricted	1,053,500	(1,053,500)
	GF/GP	\$0	\$1,053,500
3. Capitol Security Guards	Gross	\$518,000	(\$518,000)
Eliminates 7.0 FTEs and \$518,000 GF/GP for security services at the Capitol Building.	GF/GP	\$518,000	(\$518,000)
4. Secondary Road Patrol and Training Fund	Gross	\$14,034,500	(\$2,200,000)
Decreases \$2.2 million from the Secondary Road Patrol and Training Fund used for the Secondary Road Patrol Program and transfers to the At-Post Troopers line. A statutory change is required for this fund shift.	Restricted	14,034,500	(2,200,000)

STATE POLICE

<u>Major Budget Changes from FY 2009-10 YTD</u>		<u>Year-to-Date FY 2009-10</u>	<u>Executive Change</u>
5. At-Post Troopers		Gross	\$143,803,900 (\$1,371,800)
Increases \$2.2 million from the Secondary Road Patrol and Training Fund and decreases \$2.2 million GF/GP as a fund shift to pay for trooper costs; decreases \$836,000 GF/GP to delay the backfill of troopers in the Deferred Retirement Option Plan (DROP); decreases 16.0 FTEs and \$2.0 million GF/GP and transfers to the Federal Anti-drug Initiatives line as a one-time shift for funding multi-jurisdictional drug task forces; decreases \$1.0 million GF/GP for attrition savings; decreases \$1.2 million GF/GP to reduce trooper overtime costs; decreases 65.0 FTEs as an FTE adjustment; decreases \$1.1 million GF/GP for various administrative reductions.	Restricted	46,280,200	2,258,900
	GF/GP	\$97,523,700	(\$3,630,700)
6. Fleet Leasing Reduction		Gross	\$14,037,500 (\$856,800)
Decreases \$856,800 GF/GP in the Fleet Leasing line, which may result in mileage restrictions or the use of fewer patrol vehicles.	GF/GP	\$14,037,500	(\$856,800)
7. School Bus Inspection Reduction		FTEs	15.0 (11.0)
Decreases 11.0 FTEs and \$1.0 million from the Local - School Aid Fund to decrease the school bus inspection program. Schools would certify their own mechanics or private mechanics; and the State Police would perform random and intermittent audits of inspections. A statutory change is required for this proposal.	Gross	\$1,432,900 (\$1,047,400)	
	GF/GP	\$1,432,900	(\$1,047,400)
8. Multi-Jurisdictional Drug Task Forces One-Time Funding		Gross	\$6,650,100 \$2,000,000
Increases \$2.0 million in ARRA Byrne Grant funds as one-time funding for multi-jurisdictional drug task forces in the Federal Antidrug Initiatives line.	Federal	3,774,300	2,000,000
	Restricted	694,500	0
	GF/GP	\$2,181,300	\$0
9. IDG, Federal, Restricted, and Local Funds Authorization - Various Adjustments		Gross	N/A (\$2,370,800)
Reflects anticipated revenues and expenditures by decreasing \$214,200 in Federal Department of Transportation funds, decreasing \$644,700 in Federal Department of Homeland Security funds, decreasing \$1.5 million in IDG funds, decreasing \$80,000 in restricted funds, and increasing \$36,200 in local funds.	IDG	N/A	(1,468,100)
	Federal	N/A	(858,900)
	Restricted	N/A	(80,000)
	Local	N/A	\$36,200
10. Various Administrative Reductions		Gross	N/A (\$8,105,300)
Decreases 20.0 FTEs and \$5.2 million GF/GP as attrition savings; decreases \$1.5 million GF/GP for reduced trooper and forensic staff overtime costs; decreases \$279,300 for vacancy savings; decreases 5.0 FTEs and \$333,000 GF/GP for administrative support staff reductions; decreases \$208,600 GF/GP for MCOLES administration reductions; decreases \$250,000 GF/GP for a revised administrative cost allocation plan; decreases \$383,200 GF/GP for Information Technology rate reductions and operational efficiencies; decreases \$13,000 GF/GP for Department of Technology, Management and Budget consolidation savings.	GF/GP	N/A	(\$8,105,300)
11. I-CHAT Fee Increase		Gross	N/A \$0
Increases Internet Criminal History Access Tool (I-CHAT) fees from \$10 to \$15 for name-based criminal records checks. This would offset \$1.8 million GF/GP for Law Enforcement Information Network (LEIN) costs for the State Police. A statutory change is required for this fee increase.	Restricted	N/A	1,763,000
	GF/GP	N/A	(\$1,763,000)
12. Fingerprint Fee Increase		Gross	N/A \$0
Increases the state share of fingerprint fees from \$30 to \$40 to be used for latent-print forensic scientists' costs, offsetting \$3.15 million GF/GP. A statutory change is required for this fee increase.	Restricted	N/A	3,150,000
	GF/GP	N/A	(\$3,150,000)

Major Budget Changes from FY 2009-10 YTD

	Year-to-Date FY 2009-10	Executive Change
13. Economic Adjustments	Gross	N/A \$13,581,900
Increases funding for employee economic adjustments; including	IDG	N/A 791,300
Department of Information Technology economic adjustments.	Federal	N/A 938,200
	Local	N/A 158,500
	Private	N/A 0
	Restricted	N/A 1,573,300
	GF/GP	N/A \$10,120,600

Major Boilerplate Changes from FY 2009-10

Sec. 203. Definitions – MODIFIED

Adds ARRA meaning American recovery and reinvestment act.

Sec. 205. Civil Service Hiring Freeze – DELETED

Deletes a hiring freeze requirement on the state classified civil service, with the exception of authorization from the state budget director.

Sec. 207. Privatization Plans – DELETED

Deletes 60 day requirement for submitting a privatization plan to the appropriations subcommittees and the fiscal agencies.

Sec. 211. Employee Expenses Reimbursement – DELETED

Deletes legislative intent for allowing department personnel to request eligible reimbursement expenses related to department operations.

Sec. 213. Contractual Services Subsidy – DELETED

Deletes legislative intent for not allowing the department to provide a subsidy for contractual services it provides.

Sec. 214. Report and Records Retention – DELETED

Deletes requirement for department to retain copies of all reports funded under appropriations in part 1.

Sec. 215. Casino Gaming Oversight Report – DELETED

Deletes the Department's annual reporting of casino gaming oversight activities.

Sec. 216. State Accident Data Collection – DELETED

Deletes requirement for entering vehicle identification numbers into a state accident data collection system.

Sec. 217. School Violence Hotline – DELETED

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

Sec. 218. At-Post Troopers – MODIFIED

Deletes subsections (2) and (3) for 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. 223. Out of State Travel – MODIFIED

Deletes subsection (2) allowing the state budget director to grant travel exceptions if out of state travel is necessary.

Sec. 224. Employee Disciplinary Action – DELETED

Deletes requirement for the Department not to take disciplinary action for an employee that communicates with the Legislature or legislative staff.

STATE POLICE

Major Boilerplate Changes from FY 2009-10

Sec. 226. *Interoperable Communications Plans* – DELETED

Deletes requirement for the Department to encourage regional tactical interoperable communications plans between all levels of government agencies.

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

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

Sec. 235. *Special Operations and Events Spending Plans* – DELETED

Deletes restrictions for using funds appropriated for Post Uniform Services and Forensic Sciences for Special Operations and Events.

Sec. 238. *Building Operations and Leasing Costs* – DELETED

Deletes requirement for the Department to work with DMB to reduce building operations and leasing costs for all of the Departments facilities.

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. 241. *IDG To Judiciary For Byrne Grant Funds* – NEW

Adds new language specify that the Department provide a \$1.8 million IDG from Byrne justice assistance grant funds to the Judiciary.

Sec. 242. *GF/GP Lapse Report* – DELETED

Deletes requiring an end-of-year GF/GP lapse report by the Department.

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. 253. *Transparency of Funds Expended* – DELETED

Deletes requiring the posting of expenditures on a publicly accessible website.

Sec. 254. *FTE Report* – DELETED

Deletes requiring the department to submit a bimonthly report to the appropriations subcommittees and the fiscal agencies concerning the number of FTEs in pay status by Civil Service classification.

Sec. 255. *State Lease Contracts* – DELETED

Deletes legislative intent for the state to honor its lease contracts to uphold credit ratings and credibility with business relationships.

Sec. 256. *New Headquarters Acquisition* – DELETED

Deletes allowing the state to purchase the new State Police headquarters building.

Sec. 303. *Work Projects for Information Technology* – DELETED

Deletes allowing technology projects as work projects

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.

Major Boilerplate Changes from FY 2009-10

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

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

Sec. 310. MPSCS Expansion For More Local Users – DELETED

Deletes legislative intent for expansion of the MPSCS to allow more local users on the system.

Sec. 501. DNA Analysis Samples and Records – MODIFIED

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

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. 604. MCOLES Certification For Motor Carrier Officers and Capitol Security Officers – DELETED

Deletes allowing MCOLES funds to provide training for MCOLES certification for motor carrier officers and Capitol security officers.

Sec. 803. Homeland Security Grant Restrictions – DELETED

Deletes restricting Homeland Security funds for first responders and the City of Detroit.

Sec. 902. Security Guards – DELETED

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

Sec. 1101. State Police Services Near Prisons – DELETED

Deletes ensuring that no downgrades in State Police services are experienced in the vicinity of state prisons.

Sec. 1102. Methamphetamine Reports – DELETED

Deletes reporting requirement for methamphetamine related criminal activities.

Sec. 1201. School Bus Inspections – DELETED

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

**FY 2010-11
Budget Detail
for
ALL OTHERS**

**Capital Outlay
Energy, Labor and Economic Growth
Judiciary
Transportation**

CAPITAL OUTLAY

**Summary: FY 2010-11 Executive Budget Recommendation
CAPITAL OUTLAY**

Analyst: Robin R. Risko

	FY 2009-10 Year-to-Date	FY 2010-11 Executive	Difference: Exec from FY 2009-10 YTD	
			Amount	%
IDG/IDT	\$0	\$0		
Federal	0	0		
Local	0	0		
Private	0	0		
Restricted	0	0		
GF/GP	0	0		
Gross	\$0	\$0		
FTEs	0.0	0.0		

Note: FY 2009-10 appropriation figures do not reflect the impact of executive order, supplemental, or transfer adjustments made after the release of the FY 2010-11 Executive Budget on February 11, 2010.

Overview

The Michigan Capital Outlay process encompasses the budgetary and administrative functions devoted to financing and planning for the acquisition, construction, renovation, and maintenance of facilities used by state agencies, public universities, and community colleges. General operational practices and procedures are contained in the Management and Budget Act (1984 PA 431), the State Building Authority Act (1964 PA 183), the annual Capital Outlay appropriations acts, and the formal policies of the Legislative Joint Capital Outlay Subcommittee. Public Act 431 contains numerous oversight and approval action steps that define the respective roles of the Executive and Legislative branches.

The State Building Authority (SBA) finances most major state-owned facility renovations and new construction projects through issuance of revenue bonds. Debt service on these bonds is provided annually in the General Government budget bill, SBA rent line items. Rent is often referred to as “true” rent because it is based on the facility’s economic or market value. The SBA has a statutory bonded indebtedness ceiling.

FY 2009-10 appropriations for Capital Outlay items appear in department budgets for the Departments of Agriculture, Management & Budget, Natural Resources, Military & Veterans Affairs, and Transportation.

FY 2010-11 appropriations for Capital Outlay were made for federal and state restricted state agency projects for the Departments of Agriculture, Energy, Labor and Economic Growth, Technology, Management and Budget, Military and Veterans Affairs, Natural Resources and Environment, and Transportation. The appropriations were included in the respective operating budget bills.

**Summary: FY 2010-11 Executive Budget Recommendation
ENERGY, LABOR AND ECONOMIC GROWTH**

Analyst: Mark Wolf

	FY 2009-10 Year-to-Date	FY 2010-11 Executive	Difference: Exec from FY 2009-10 YTD	
			Amount	%
IDG/IDT	\$29,465,100	\$13,503,500	(15,961,600)	(54.2)
Federal				
ARRA	38,040,000	0	(38,040,000)	(100.0)
Non-ARRA	922,757,800	1,008,535,800	85,778,000	9.3
Local	15,921,000	16,020,400	99,400	0.6
Private	5,314,300	6,085,000	770,700	14.5
Restricted	400,221,500	407,372,400	7,150,900	1.8
GF/GP	54,784,100	45,426,700	(9,357,400)	(17.1)
Gross	\$1,466,503,800	\$1,496,943,800	\$30,440,000	2.1
FTEs	4,739.0	4,701.0	(38.0)	(0.8)

Notes: (1) FY 2009-10 appropriation figures include the results of supplementals, Executive Order (EO) actions, and transfer adjustments through February 11, 2010. (2) "ARRA" represents temporary funds received under the federal American Recovery and Reinvestment Act.

Overview

The Department of Energy, Labor, and Economic Growth has the primary responsibility for the regulatory functions that relate specifically to commercial, business, and workers' issues.

Major Budget Changes from FY 2009-10 YTD

		Year-to-Date FY 2009-10	Executive Change
1. Michigan Nursing Corps	Gross	\$300,000	\$4,700,000
Eliminates the remaining GF/GP appropriation for the program, and redirects federal Workforce Investment Act-Statewide Activities funds to the program.	Federal	0	5,000,000
	GF/GP	\$300,000	(\$300,000)
2. No Worker Left Behind – GF/GP Appropriation	Gross	\$4,500,000	(\$4,500,000)
Eliminates the remaining GF/GP appropriation for the program. The program is funded predominantly with federal funds (primarily WIA funds), which have totaled about \$120 million for each of the past 3 years (not including ARRA).	GF/GP	\$4,500,000	(\$4,500,000)
3. Bureau of Fire Services - State Fire Service Fund	FTEs	57.0	0.0
Eliminates the remaining GF/GP appropriation for the bureau offsetting it with new fees to be established by the Fire Safety Board pursuant to HB 4026. Also adds \$40,000 related to BFS enforcement of the Fire Safety Standard and Firefighter Protection Act, requiring cigarettes to be self extinguishing.	Gross	\$60,52,700	\$40,000
	IDG	809,800	0
	Federal	788,000	0
	Restricted	1,854,900	2,640,000
	GF/GP	\$2,600,000	(\$2,600,000)
4. OFIR – Securities and Insurance Regulation	FTEs	349.0	15.0
Adds the Securities Investor Education and Training Fund created by 2008 PA 551; adds 10.0 FTE positions for a regular examination cycle for broker-dealers and investment advisors; and increases FTE authorization by 5.0 positions for additional staff for insurance rate and form reviews.	Gross	\$53,703,400	\$1,646,500
	Federal	50,400	0
	Restricted	53,653,000	1,646,500
5. Michigan Rehabilitation Service – Jobs, Education, and Training	FTEs	57.0	(57.0)
Eliminates the JET program. Within the DELEG budget, the JET line item refers to JET program participants referred to the MRS. DHS has already stopped referring new JET participants to the MRS.	Gross	\$15,445,000	(\$15,445,000)
	IDG	15,445,000	(15,445,000)

ENERGY, LABOR AND ECONOMIC GROWTH

<u>Major Budget Changes from FY 2009-10 YTD</u>		<u>Year-to-Date FY 2009-10</u>	<u>Executive Change</u>
6. Welfare-to-Work	Gross	\$107,333,600	(\$10,209,800)
Reduces funding for the welfare-to-work line item by \$10.2 million, with TANF authorization utilized in DHS budget.	Federal	89,299,000	(7,600,000)
	GF/GP	\$18,034,600	(\$2,609,800)
7. Housing Choice Voucher Rental Assistance	Gross	\$156,000,000	\$10,860,000
Increases authorization for the HCV rental assistance program, based on increased use of vouchers and available federal authorization.	Federal	156,000,000	10,860,000
8. Public Service Commission - Intrastate Access Charge Restructuring	FTEs	186.0	4.0
Adds 4.0 FTE positions (\$440,000) for the MPSC costs related to the restructuring of intrastate access charges, as provided in 2009 PA 182 (HB 4257). The act specifically provides that the MPSC "shall recover its actual costs of administering the restructuring mechanism from assessments collected for the operation of the restructuring mechanism."	Gross	\$25,291,900	\$440,000
	Federal	439,000	0
	Restricted	24,852,900	440,000
9. Homeowner Construction Lien Recovery Fund	Gross	\$1,846,500	(\$1,846,500)
Eliminates the Homeowner Construction Lien Recovery Fund, established in the Construction Lien Act, which is funded by a small fee on building trades licensees, and is used to pay subcontractors, suppliers, and laborers for the work they performed and for which they were not compensated, in lieu of placing a construction lien on the property of the homeowner. Since 2006, the number and value of claims against the fund, and the number and value of payments from the fund has increased significantly, depleting the resources of the fund and its ability to meet the demand of claims. Legislation repealing the fund is pending introduction.	Restricted	1,846,500	(1,846,500)
10. Unemployment Insurance Agency	FTEs	1,302.7	0.0
Increases federal spending authorization from the U.S. Department of Labor (Employment and Training Administration) for the administration of the state unemployment insurance program. Boilerplate authorizes the expenditure of funds received in excess of the amount appropriated in Part 1 (the line items). The additional authorization added here is intended to "true-up" the Part 1 appropriation with actual resources available.	Gross	\$116,264,400	\$13,400,000
	Federal	116,264,400	13,400,000
11. Trade Adjustment Assistance	Gross	\$30,000,000	\$57,000,000
Increases federal spending authorization in Trade Adjustment Assistance funds, available from the U.S. Department of Labor, (Employment and Training Administration).	Federal	30,000,000	57,000,000
12. Michigan Commission for the Blind	FTEs	107.0	0.0
Increases spending authorization for the MCB based on additional revenue under Title 1 of the federal Rehabilitation Act; and adds \$770,000 in private grant funds received by the Michigan Commission for the Blind from the Kalamazoo Community Foundation for renovations at the MCB's Kalamazoo Training Center.	Gross	\$25,287,000	\$1,800,000
	Federal	19,011,300	1,030,000
	Local	521,000	0
	Private	110,300	770,000
	Restricted	545,200	0
	GF/GP	\$5,099,200	\$0
13. Bureau of Fire Service - Fire Safe Cigarettes	Gross	N/A	\$40,000
Adds a new fund source - the Fire Safety Standard and Enforcement Fund - related to the bureau's enforcement of the Fire Safety Standard and Firefighter Protection Act - 2009 PA 56 (SB 264) - establishing a requirement that cigarettes be self extinguishing ("fire-safe").	Restricted	N/A	40,000

<u>Major Budget Changes from FY 2009-10 YTD</u>		<u>Year-to-Date FY 2009-10</u>	<u>Executive Change</u>
14. MSHDA - Program Support/Contractual Obligations/IT	Gross	\$40,327,700	\$8,339,500
Provides increased spending authorization (MSHDA Fees and Charges) related to increased contractual costs for Section 8 housing agents; increased program costs for several new initiatives concerning the prevention of foreclosure and homeownership and other federal programs; increased IT costs; and additional support for SHPO, OSA, and lighthouse programs.	Federal	950,000	203,000
	Restricted	39,377,700	8,136,500
15. Fund Shifts, Excess Authorization, and One-time Appropriations	Gross	N/A	(\$54,947,300)
Contains a number of fund shifts, reduces excess spending authorization for line items/fund sources not expended in recent years, and eliminates one-time federal funding.	IDG	N/A	(709,800)
	Federal	N/A	(39,967,900)
	Restricted	N/A	(14,269,600)
16. Economic Adjustments	Gross	N/A	\$24,689,400
Includes funding increases related to employee salaries and wages (3% increase for classified employees); changes in FICA, retirement, and insurance; adjustments for expected workers' compensation claims; as well as changes in costs of rental payments for state-leased properties and building occupancy charges for state-owned properties. This does not account for recent rejection of increases for NEREs, nor proposed changes to the state employees' retirement system.	IDG	N/A	671,600
	Federal	N/A	12,861,300
	Local	N/A	99,400
	Private	N/A	700
	Restricted	N/A	10,404,000
	GF/GP	N/A	\$652,400

Major Boilerplate Changes from FY 2009-10

Sec. 205. Hiring Freeze – DELETED

Prohibits DELEG from hiring new full-time classified civil service employees and from filling vacant state classified civil service positions unless exceptions to the freeze is granted by the state budget director.

Sec. 217. Out-of-State Travel Restrictions – MODIFIED

Imposes restrictions on out of state travel by departmental employees, except when necessary by law, for the protection of health and safety, to realize budgetary savings or increase state revenue, to comply with federal requirements, to secure specialized training, or when financed by non-state funds. The Executive deletes a provision allowing the state budget director to grant exceptions to the limitations on out-of-state travel ban and requiring a report to the Legislature.

Sec. 220. Appropriation of Federal Pass-Through Funds – NEW

Allows DELEG to carry forward unexpended federal pass-through funds to local institutions that do not require additional state matching funds, and appropriated federal pass-through funds that do not require a state match. This language is typically included in all departmental budgets, but was removed from the FY 2010 DELEG budget by the Conference Committee.

Sec. 223. Contingency Appropriations – MODIFIED

Provides for contingency appropriations of \$45.0 million Federal (increased from \$31.0 million), \$31.0 million Restricted (increased from \$26.0 million), \$8.0 million Local (decrease from \$8.2 million), and \$600,000 Private.

Sec. 224. Restrictions on Out-of-State Travel for Professional Development – DELETED

Prohibits more than one DELEG employee traveling out-of-state for training conferences unless funded by federal or private funds.

Sec. 225. Report on Private Grants Received – DELETED

Requires DELEG to notify the Legislature of any private grant funds received within 10 days after receiving such funds.

Sec. 226. General Fund/General Purpose Lapse Report – DELETED

Requires the department to submit a report, not later than October 15th, providing estimates of GF/GP lapses for departmental programs.

ENERGY, LABOR AND ECONOMIC GROWTH

Major Boilerplate Changes from FY 2009-10

Sec. 302a. Fire Service Fees – MODIFIED

Provides that the State Fire Services Fund, created in House Bill 4026, shall be used to support the operations of the Bureau of Fire Services.

Sec. 322. Real Estate Education Fund – DELETED

Allows real estate pre- and post-licensure education to be delivered through on-line courses by a community college, university, or private school; allows Real Estate Education Fund to be used for grants to educational providers to establish on-line courses available to students.

Sec. 333. UI Internet Claims – DELETED

Requires the department to work to increase the number of Internet-filed unemployment benefit claims (with a goal of 50% of UI claims being filed via the Internet by July 1, 2010), and requiring a quarterly report on the number of claims filed via the Internet.

Sec. 341. Ergonomics Rules Prohibited – DELETED

Prohibits promulgation of ergonomics rules that are more stringent than voluntary federal guidelines. The section notes that the prohibition is in accordance with Attorney General Opinion No. 7225 (February 27, 2009), which says that the Governor's statement that the section is unenforceable doesn't invalidate it.

Sec. 351. SOAHR Decisions in Public Assistance Cases – DELETED

States legislative intent that the State Office of Administrative Hearings and Rules (SOAHR) develop a system to post administrative hearing decisions regarding public assistance on the Internet.

Sec. 361. Low-Income Energy Efficiency Assistance Program – MODIFIED

Establishes deadlines for application and award announcements; requires the Public Service Commission to report to the Legislature and state budget office on the distribution of funds. The **Executive** adds language specifying that funds from unexpended grants may be carried forward in the subsequent fiscal years.

Sec. 368. Regulatory Costs Report – DELETED

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

Sec. 370. Liquor Law Enforcement Grant Report – DELETED

Requires local units of government receiving liquor law enforcement grant assistance (55% of retail liquor license revenue collected by the LCC returned to locals) to provide a report to the LCC on how those funds are spent, and also a report showing the liquor-related fees imposed and the amount of revenue generated from such fees.

Sec. 372. Michigan Tax Tribunal Fees Report – DELETED

Requires the Michigan Tax Tribunal to develop a proposed schedule of fees to fund the MTT's activities, with the intent of having the fee schedule incorporated into the FY 2010-11 Executive Budget Recommendation. This report is available on the DELEG website at, [http://www.michigan.gov/documents/dleg/deleg_taxtrib_PA130_Sec372_feesched_309455_7.pdf].

Sec. 405. OFIR Expenditures – DELETED

Requires report of actual expenditures for last completed fiscal year for each division within OFIR.

Sec. 406. OFIR Credit Scoring – DELETED

Prohibits expending funds to implement a ban on credit scoring in insurance rate setting until the Legislature has authorized such a prohibition. The section also notes that the prohibition is in accordance with Attorney General Opinion No. 7225 (February 27, 2009), which says that the Governor's statement that the section is unenforceable doesn't invalidate it.

Sec. 615. Library Services for the Blind and Physically Handicapped – NEW

Carried over from language in prior-year HAL budgets, the section permits the department to enter into agreements to provide certain services to other agencies (state and local) and charge fees for these services.

Major Boilerplate Changes from FY 2009-10

Sec. 703. Longitudinal Study of former Work First and JET Participants – MODIFIED

Requires a 3-year longitudinal study of former Work First and JET participants. The **Executive** deletes a requirement that information be collected on (1) the current hourly wage of those employed; (2) the number of individuals that earned certain wages; (3) the number of individual receiving tuition reimbursement from employers; (4) the number of individuals receiving other training benefits from employers; (5) whether the individuals have any children; and (6) whether the individuals feel that they are “better off” now that they are no longer receiving public assistance. Data would still be required on employment and wage characteristics of individuals.

Sec. 721. (Former Sec. 821). Michigan Nursing Corps – MODIFIED

This section directs the operation of the Michigan Nursing Corps program, allowing funds to be used to provide financial assistance to train additional nursing academic and clinical faculty and to provide accelerated nursing education programs for individuals with baccalaureate degrees in science field. The **Executive** provides that MNC funds may be awarded to healthcare research, training, or development agencies to develop and implement programs in educational technologies, including simulation and other virtual educational methods in order to expand the capacity of nursing education programs.

Sec. 733. Activities Classification Structure – NEW

Moved from the Community College budget, this section requires DELEG to publish the Activities Classification Structure data book on or before March 1, 2011. The ACS provides data on tuition, enrollment, revenue, expenditures and other program data at each of the 28 community colleges in the state.

Sec. 734. North American Indian Tuition Waiver Report – NEW

Moved from the Community College budget, this section requires DELEG to compile a report on the NAITW program, which waives the tuition at community colleges for eligible North American Indians.

Sec. 735. Report on Associate’s Degrees and Certificates – NEW

Moved from the Community College budget, this section requires DELEG to compile information on the types and number of associates degrees and other certificates granted by the colleges in the prior fiscal year.

Sec. 815. Workforce Funds for Libraries – DELETED

Provides that funds distributed to local Michigan Works! Agencies may be used by the MWA for services provided to 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 to Focus: HOPE \$5.9 million WIA funds from those appropriated in Part 1 for Workforce Programs Subgrantees.

Sec. 831. No Worker Left Behind GF/GP Funding – DELETED

Directs the GF/GP appropriation for No Worker Left Behind to adult education, community colleges, and worker training. Specifies that local MWAs may place a priority on training programs accessible by individuals displaced from manufacturing and related auto-industry jobs. The GF/GP appropriation for the NWLB program was eliminated in Part 1.

Sec. 801. Capital Outlay Lump-Sum Appropriations – NEW

Directs the allocation of lump-sum appropriations and provides for the availability of lump-sum appropriations for no more than three years.

Sec. 802. Capital Outlay Appropriation Carry-Forward – NEW

Provides for the carry forward of capital outlay funds.

**Summary: FY 2010-11 Executive Budget Recommendation
JUDICIARY**

Analyst: Ben Gielczyk

	FY 2009-10 Year-to-Date	FY 2010-11 Executive	Difference: Exec from FY 2009-10 YTD	
			Amount	%
IDG/IDT	\$3,553,500	\$3,553,500	\$0	0.0
Federal	5,126,500	5,376,500	250,000	4.9
Local	6,149,300	6,340,400	191,100	3.1
Private	842,500	842,500	0	0.0
Restricted	89,957,700	89,979,800	22,100	0.0
GF/GP	153,132,800	152,731,100	(401,700)	(0.3)
Gross	\$258,762,300	\$258,823,800	\$61,500	0.0
FTEs	491.0	491.0	(0.0)	0.0

Note: FY 2009-10 appropriation figures do not reflect the impact of executive order, supplemental, or transfer adjustments made after the release of the FY 2010-11 Executive Budget on February 11, 2010.

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 2009-10 YTD

1. General Fund Reduction

Executive recommends four percent (\$2.6 million) administrative reduction spread to various line items. Supreme Court Administration (\$484,500), Judicial Institute (\$96,400), Supreme Court Administrative Office (\$265,800), Judicial Information Systems (\$113,700), Foster Care Review Board (\$33,700), Drug Treatment Courts (\$31,900), Court of Appeals (\$794,900), Judicial Tenure Commission (\$38,800), Appellate Public Defender (\$176,300), Appellate Assigned Counsel (\$31,700), and Court Equity Reimbursements (\$519,800).

	Year-to-Date FY 2009-10	Executive Change
Gross	N/A	(\$2,587,500)
GF/GP	N/A	(\$2,587,500)

2. Circuit Court Judgeships

Under Public Act 228 of 2009 two circuit court judgeships were temporarily eliminated (Oakland County (1) eliminated from January 1, 2011 to January 1, 2015 and Macomb County (1) eliminated from January 1, 2011 to January 1, 2017). Budget adjusts for savings over 9-month period due to judgeships being eliminated starting January 1, 2011.

Gross	N/A	(\$240,700)
GF/GP	N/A	(\$240,700)

3. State Appellate Defender Office (SADO) Federal Grants

Increases appropriation by \$250,000 due to a continuation of Federal grant awards received by SADO.

Gross	N/A	\$250,000
Federal	N/A	\$250,000

<u>Major Budget Changes from FY 2009-10 YTD</u>	<u>Year-to-Date FY 2009-10</u>	<u>Executive Change</u>	
4. Economics	Gross	N/A	\$2,639,700
Funds economic adjustments as follows:	Federal	N/A	0
• Salaries/wages increase: \$936,300 Gross, \$863,700 GF/GP	Local	N/A	191,100
• Defined Contribution (new judges): \$71,300 Gross and GF/GP	Private	N/A	0
• OASI, social security (judges): (\$76,400) Gross and GF/GP	Restricted	N/A	22,100
• Insurance: \$537,300 Gross, \$488,900 GF/GP	GF/GP	N/A	\$2,426,500
• Retirement increase: \$1,081,900 Gross, \$989,700 GF/GP			
• Rent increase: \$7,500 Gross and GF/GP			
• Workers' compensation decrease: (\$26,900) Gross and GF/GP			
• Building occupancy increase: \$108,700 Gross and GF/GP			

Major Boilerplate Changes from FY 2009-10

Sec. 204. Employee Contact with Legislature – DELETED

Prohibits disciplinary action against a judicial employee for communicating with a Legislator or his or her staff.

Sec. 212. Retention of Reports – DELETED

Directs the judicial branch to comply with federal and state guidelines for short-term and long-term retention of reports funded through appropriations.

Sec. 215. Travel Restrictions – REVISED

Restricts out-of-state travel for judicial branch employees. Revision removes section allowing chief justice to grant exceptions on out-of-state travel restrictions.

Sec. 216. Policy Change Report Requirement – DELETED

Requires judicial branch to report by April 1, 2010, on each policy change made to implement enacted legislation; prohibits funding for regulatory plans or for rules that fail to reduce economic impact on small businesses.

Sec. 218. Out-of-State Professional Development Conference Travel – DELETED

Limits travel to out-of-state professional development conferences to one judicial employee unless conference is funded by federal or private funding source and requires more than once person to attend.

Sec. 219. General Fund Lapses – DELETED

Requires report by September 30, 2010 providing total general fund/general purpose appropriation lapses for the fiscal year.

Sec. 220. Supreme Court Satellite Offices – DELETED

Indicates legislative intent that the Supreme Court retain its satellite offices.

Sec. 221. Expenditures Website – DELETED

Requires the judicial branch to develop and maintain, on a publicly accessible Internet site, all expenditures made by the judicial branch within the fiscal year.

Sec. 304. Auditor General – DELETED

Requires judicial branch to cooperate with the auditor general in audits of judicial branch.

Sec. 305. Expenditure and Revenue Reports – DELETED

Requires quarterly financial reports on judiciary budget revenue and expenditure.

Sec. 309. Pilot Mental Health Courts – DELETED

Requires an update on the status of the pilot courts by April 1, 2010.

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 Parental Rights Restoration Act, and total number of petitions granted.

Sec. 314. Standardized Risk Assessment – DELETED

Requests the State Court Administrative Office to conduct a survey of trial courts to determine best practices for standardized risk assessment.

JUDICIARY

Major Boilerplate Changes from FY 2009-10

Sec. 319. Juvenile Training Pilot Project – DELETED

Establishes a pilot project to train criminal defense attorneys who accept court-appointed cases concerning juvenile delinquency, abuse, neglect, and protective services.

**Summary: FY 2010-11 Executive Budget Recommendation
TRANSPORTATION**

Analyst: William E. Hamilton

	FY 2009-10 Year-to-Date	FY 2010-11 Executive	Difference: Exec from FY 2009-10 YTD Amount	%
IDG/IDT	\$0	\$878,300	\$878,300	100
Federal				
ARRA	2,590,000	0	(2,590,000)	(100)
Non-ARRA	1,226,804,500	752,480,600	(474,323,900)	(38.7)
Local	56,073,400	56,496,000	422,600	0.8
Private	0	0	0	--
Restricted	1,974,170,000	1,951,074,400	(23,095,700)	(1.2)
GF/GP	0	0	0	--
Gross	\$3,259,638,000	\$2,760,051,000	(\$498,708,700)	(15.3)
FTEs	3,014.3	3,021.3	7.0	0.2

Notes: (1) FY 2009-10 appropriation figures include the results of supplementals, Executive Order (EO) actions, and transfer adjustments through February 11, 2010. (2) "ARRA" represents temporary funds received under the federal American Recovery and Reinvestment Act.

Overview

The Transportation budget supports state and local highway programs, public transportation programs, aeronautics programs, and administration of the Michigan Department of Transportation (MDOT). Most of the state restricted revenue in this budget is constitutionally-restricted. Constitutionally-restricted transportation revenue – from motor fuel taxes and vehicle registration taxes – 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. The other major fund source in the budget is federal revenue. There is no state GF/GP revenue in this budget.

Major Budget Changes from FY 2009-10 YTD

1. Debt Service

Recommends \$246.8 million, reflecting anticipated debt service schedules. Budget includes \$7.5 million in a new fund source "IRS rebate" to reflect rebates associated with a new *Build America Bonds* issued by the department in 2009. This new fund source is included the bill and our analysis with other state restricted revenue.

	Year-to-Date FY 2009-10	Executive Change
Gross	\$251,637,300	(\$4,824,300)
Federal	58,163,500	(12,331,400)
Restricted	193,473,800	7,507,100

While the appropriation includes \$29.8 million related to CTF debt service, \$13.2 million of that amount would not be used for debt service; it would instead be transferred to a bond proceeds account for subsequent expenditure on public transportation capital projects. The department was able to reduce CTF debt service for three years by restructuring CTF bonds in May 2009. The \$13.2 million represents the second year of reduced CTF debt service. The transfer of this savings to a bond proceeds account is required by IRS regulations governing tax-free bonds, and would be authorized by proposed boilerplate Section 745.

TRANSPORTATION

Major Budget Changes from FY 2009-10 YTD

	<u>Year-to-Date FY 2009-10</u>	<u>Executive Change</u>
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<p>2. Support Services Provided by Other State Departments</p> <p>The appropriation unit “Collection, enforcement, and other agency support services” includes 20 separate interdepartmental grant (IDG) line items which fund services provided by eight other state departments. Reflects \$721,500 in economic increases, \$747,500 increase in Treasury cost of revenue collection, and \$41,000 for other cost allocation adjustments.</p>	<p>Gross \$49,702,300</p> <p>Restricted 49,702,300</p>	<p>\$1,509,900</p> <p>1,509,900</p>
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MTF IDGs for the cost of collecting transportation taxes would total \$20.0 million to Department of State, and \$8.4 million to Department of Treasury.

<p>3. Finance, Contracts, and Support Services</p> <p>Economic increases of \$1.2 million, offset by \$1.2 million in STF baseline reductions – part of \$20.0 million in STF program reductions to free up STF matching funds for federal-aid road and bridge program. Includes \$878,300 IDG from the Michigan Department of Agriculture (MDA) related to consolidation of accounting functions. This IDG reimburses the department for costs of housing the MDA accounting function.</p>	<p>FTEs 230.5</p> <p>Gross \$25,058,300</p> <p>Restricted 25,058,300</p> <p>IDG</p>	<p>7.0</p> <p>\$1,043,800</p> <p>263,700</p> <p>878,300</p>
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<p>4. State Trunkline Maintenance</p> <p>Economic increases of \$4.1 million partially offset by \$12.8 million in STF baseline reductions – part of \$20.0 million in STF program reductions to free up STF matching funds for federal-aid road and bridge program.</p>	<p>FTEs 834.7</p> <p>Gross \$286,528,100</p> <p>Restricted 286,528,100</p>	<p>2.0</p> <p>(\$8,333,200)</p> <p>(8,333,200)</p>
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<p>5. State Trunkline Road and Bridge Construction</p> <p>Includes \$298.6 million for state trunkline capital construction and reconstruction program. The reduction from the current year appropriation reflects decreasing available state restricted revenue, anticipated loss of \$450.0 million in federal aid due to inability to provide required matching funds, and use of \$6.5 million federal in capital outlay. These reductions would be partially offset by a \$12.3 million reduction in STF debt service.</p>	<p>Gross \$793,918,800</p> <p>Federal 706,812,600</p> <p>Local 30,000,000</p> <p>Restricted 57,106,200</p>	<p>(\$495,282,000)</p> <p>(468,793,100)</p> <p>0</p> <p>(26,488,900)</p>
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The department indicates that it is \$84.0 million short of necessary state revenue to match all available federal funds. The \$84.0 million is the amount of the shortfall after \$20.0 million in other STF program cuts made in other areas of this budget, including the \$12.8 million reduction in *State trunkline maintenance* noted above, to free up STF matching funds. Without these other STF program cuts, the shortfall would have been \$104 million and the loss of federal funds \$575 million.

<p>6. Local Federal Aid Road and Bridge Construction</p> <p>Recognizes \$248.8 million for federal aid programs of local road agencies (county road commissions, and certain cities). The appropriation is based on estimated federal revenue and Act 51 directive that 25% of most federal aid program funds be made available to local road agencies.</p>	<p>Gross \$248,751,000</p> <p>Federal 248,751,000</p>	<p>\$0</p> <p>0</p>
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The appropriation for local road agency federal aid programs is the same as current year, it is not clear to what extent some local road agencies will have trouble meeting federal matching requirements.

TRANSPORTATION

Major Budget Changes from FY 2009-10 YTD

		<u>Year-to-Date FY 2009-10</u>	<u>Executive Change</u>
7. Local Bridge Fund	Gross	\$26,905,000	(\$105,200)
Act 51 earmark; reflects anticipated reduction in gasoline tax revenue.	Restricted	26,905,000	(105,200)
8. MTF Distribution to Local Road Agencies	Gross	\$886,145,400	(\$27,388,900)
The Executive recognizes \$858.8 million MTF (\$551.4 million to county road commissions, \$307.4 million to cities/villages) based on February 2010 revenue estimates and Act 51 formula; final distribution will be based on actual MTF revenue, which may be more or less than appropriations.	Restricted	886,145,400	(27,388,900)
9. Transportation Economic Development Fund (TEDF)	Gross	\$33,767,000	\$9,658,500
Total of \$43.4 million reflects restoration of \$12.0 million in driver's license fee revenue which had been transferred to General Fund in the current year. TEDF program also reflects \$54,800 reduction in TEDF-related debt service; however, that savings is off-set by anticipated \$1.3 million reduction in interest earnings on TEDF fund balance.	Restricted	33,767,000	9,658,500
Executive budget includes a new TEDF line item for "Non-profit street railways" with an initial appropriation of \$1.0 million. This appropriation would require an amendment to the TEDF authorizing legislation.			
10. Bus Transit - Local Bus Operating Assistance	Gross	\$166,624,000	\$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
11. Bus Transit - Non-Urban Operating/Capital	Gross	\$21,800,000	\$987,900
Recognizes anticipated increase in federal non-urban transit grants.	Federal	21,000,000	987,900
	Local	800,000	0
12. Rail Passenger Service	Gross	\$8,667,000	\$3,000,000
Provides operating assistance for AMTRAK Port Huron/Chicago and Grand Rapids/Chicago rail service as well as targeted capital assistance.	Federal	3,000,000	0
	Restricted	5,667,000	3,000,000
Executive would increase CTF funding to \$8.7 million to support a full-year operating contract. Current year only supports a partial year contract, through May 31, 2010. Department anticipates making a supplemental appropriation request to provide full-year funding in current year.			
13. Specialized Services	Gross	\$7,248,100	\$195,700
Recommends \$7.4 million; increase reflects anticipated federal and CTF revenue. Line supports transit programs for elderly and disabled citizens.	Federal	1,700,000	85,000
	Local	1,700,000	0
	Restricted	3,848,100	110,700
14. Municipal Credit Program	Gross	\$1,873,000	\$127,000
Executive recommends a restoration to Act 51 earmark level of not less than \$2.0 million; reflects anticipated CTF revenue.	Restricted	1,873,000	127,000
15. Bus Capital	Gross	\$38,178,200	\$3,121,800
Provides matching funds for federal transit grants to local transit agencies; Executive recommends a restoration to Act 51 earmark floor level of not less than \$8.0 million (CTF).	Federal	28,000,000	300,000
	Local	5,000,000	0
	Restricted	5,178,200	2,821,800

TRANSPORTATION

<u>Major Budget Changes from FY 2009-10 YTD</u>		<u>Year-to-Date FY 2009-10</u>	<u>Executive Change</u>
16. State/Local Capital Facilities Projects	Gross	\$2,288,000	\$12,518,300
Current year limited to "Special maintenance, remodeling, and additions" of department facilities. Executive recommends an increase in line of \$713,500 (STF), adds \$1.0 million for Salt/sand storage buildings at maintenance contract agency locations; adds \$11.5 million for department facilities in Port Huron including Welcome center replacement, inspection station, Blue Water Bridge administration, and maintenance facilities. Port Huron projects funded with combination of state and federal funds.	Federal	0	6,514,800
	Restricted	2,288,000	6,003,500
17. AERO Capital Projects	Gross	\$123,425,700	(\$179,300)
Provides funding for FY 2010-11 Aeronautics Capital program; reflects anticipated federal program funding.	Federal	104,874,700	(1,946,800)
	Local	16,023,400	422,600
	Restricted	2,527,600	1,344,900
18. Economics	Gross	N/A	\$16,256,600
Reflects estimated additional funding needed to provide baseline service levels: \$5.7 million increase for salaries/wages, \$3.6 million increase for health insurance, \$7.8 million increase for retirement contributions, and \$57,900 projected workers compensation increase of. Estimated building occupancy costs would decrease by \$887,500.	Restricted	N/A	16,256,600

Major Boilerplate Changes from FY 2009-10

The Executive budget does not include a number of legislatively-initiated boilerplate directives and reporting requirements in the current year budget bill.

Sec. 398. Non-Profit Street Railway – MODIFIED

Provides for the appropriation for a street railway pursuant to Section 10e(22) of Public Act 51 of 1951. Current year appropriation is \$0; proposed FY 2010-11 budget appropriates \$1.0 million from TEDF and modifies boilerplate section to provide for a quarterly report on street railway construction spending, operating costs, revenue, and ridership.

Sec. 745. Transfer of \$13.2 Million CTF Debt Service Savings to Bond Proceeds Account – NEW

Includes new section that authorizes the transfer of up to \$13.2 million from the CTF debt service line item to a restricted bond proceeds account as required by IRS regulations. This transfer is explained in detail under the "Debt Service" description, above.

FY 2010-11

CONSENSUS REVENUE

Consensus Revenue: FY 2010-11

Senior Economist: Rebecca Ross

This section explains January 2010 Consensus Revenue Estimating Conference estimates for GF/GP and School Aid Fund (SAF) revenue for FY 2009-10 and FY 2010-11 by major revenue sources.

For Michigan:

- ▶▶ Wage and salary employment is expected to decrease 2.2% in 2010 and decrease 0.9% in 2011.
- ▶▶ The unemployment rate is expected to be 15.7% in 2010, then decrease to 15.3% in 2011.

**GF/GP REVENUE ESTIMATES
(Millions of Dollars)**

	<u>Final FY 2008-09</u>	<u>FY 2009-10</u>	<u>FY 2010-11</u>	<u>FY 2010-11 Over FY 2009-10 Change</u>	
Personal Income Tax	\$3,959.2	\$3,494.4	\$3,545.4	\$51.0	1.5%
Sales and Use Taxes	748.2	820.9	852.6	31.7	3.9%
MBT/SBT and Insurance Taxes	1,815.7	1,752.7	1,775.0	22.3	1.3%
Other Taxes	456.0	437.2	433.1	(4.1)	(0.9%)
GF/GP Tax Revenue	\$6,979.1	\$6,505.2	\$6,606.1	\$100.9	1.6%
Non-Tax Revenue	386.5	393.3	362.3	(31.0)	(7.9%)
Net Total GF/GP Revenue	\$7,365.6	\$6,898.5	\$6,968.4	\$69.9	1.0%

General Fund/General Purpose Revenue by Source

Personal Income Tax

Michigan personal income tax revenue is forecast to decrease 11.7% in FY 2009-10, and then increase 1.5% in FY 2010-11.

Sales and Use Taxes

Flat or weak growth in wage and salary income will hold GF/GP sales and use tax revenue at \$820.9 million in FY 2009-10 and \$852.6 million in FY 2010-11.

Michigan Business Tax/Single Business Tax and Insurance Taxes

Net business taxes were \$1,815.7 million in FY 2008-09, and will decrease 3.5% to \$1,752.7 million in FY 2009-10, and increase 1.3% to \$1,775.0 million in FY 2010-11.

GF/GP Tax Revenue

- ▶▶ Final GF/GP tax revenue totaled \$6,979.1 million in FY 2008-09.
- ▶▶ GF/GP tax revenue is expected to decrease in FY 2009-10 to \$6,505.2 million (6.8% decrease) and in FY 2010-11 to \$6,606.1 million (1.6% 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 \$7,365.6 million in FY 2008-09.
- ▶▶ Net total GF/GP revenue is expected to decrease to \$6,898.5 million (6.3% decrease) in FY 2009-10, then increase to \$6,968.4 million (increase of \$69.9 million, or 1.0%) in FY 2010-11.

**SCHOOL AID FUND REVENUE ESTIMATES
(Millions of Dollars)**

<u>Revenue</u>	<u>Final FY 2008-09</u>	<u>FY 2009-10</u>	<u>FY 2010-11</u>	<u>FY 2010-11 Over FY 2009-10</u>	
				<u>Change</u>	
Sales and Use Tax	\$4,793.2	\$4,662.8	\$4,707.6	\$44.8	1.0%
Income Tax Earmark	1,895.3	1,777.4	1,802.8	25.4	1.4%
Lottery and Casinos	845.9	817.7	834.2	16.5	2.0%
MBT	729.0	726.7	746.3	19.6	2.7%
Tobacco Taxes	410.4	384.2	367.0	(17.2)	(4.5%)
State Education Tax	2,040.6	1,875.0	1,800.0	(75.0)	(4.0%)
Real Estate Transfer Tax	125.3	127.0	135.0	8.0	6.3%
Liquor Excise and Specific Taxes	82.4	87.3	87.6	0.3	0.3%
Net SAF Revenue	\$10,922.1	\$10,458.1	\$10,480.5	\$22.4	0.2%
Federal Funds	1,503.6	1,617.3	1,680.1	62.8	3.9%
Net Total SAF Revenue	\$12,425.7	\$12,075.4	\$12,160.6	\$85.2	0.7%

School Aid Fund Revenue by Source

Sales and Use Taxes

Combined sales and use tax revenue dedicated to the SAF equaled \$4,793.2 million in FY 2008-09; it is forecast to decrease to \$4,662.8 million in FY 2009-10 and increase slightly to \$4,707.6 million (1.0% increase) in FY 2010-11.

Income Tax

- ▶▶ Approximately 23% of gross income tax collections are dedicated to the SAF.
- ▶▶ Dedicated income tax revenue is forecast to decrease to \$1,777.4 million (6.2% decrease) in FY 2009-10 and increase to \$1,802.8 million (1.4% increase) in FY 2010-11.

Lottery/Casinos

Lottery and Casino revenue contributed \$845.9 million to the SAF in FY 2008-09, and is projected to decrease \$817.7 million (3.3% decrease) in FY 2009-10, and increase by 2.0% in FY 2010-11.

MBT

MBT revenue contributed \$729.0 million to the SAF in FY 2008-09, and is projected to decrease \$726.7 million (0.3% decrease) in FY 2009-10, and increase by 2.7% in FY 2010-11.

Tobacco Taxes

- ▶▶ Approximately 39% of gross tobacco tax revenue is dedicated to the SAF.
- ▶▶ The SAF received \$424.7 million from tobacco taxes in FY 2007-08.

CONSENSUS REVENUE

- ▶▶ 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 \$415.2 million in FY 2008-09 and \$405.0 million in FY 2009-10.

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 \$2,040.6 million in FY 2008-09, and it is expected to decrease to \$1,875.0 million (8.1% decrease) in FY 2009-10 and decline to \$1,800.0 million (4.0% decrease) in FY 2010-11.
- ▶▶ RET contributed \$125.3 million to the SAF in FY 2008-09, and is forecast to contribute \$127.0 million in FY 2009-10 and \$135.0 million in FY 2010-11.

Net SAF Revenue

- ▶▶ Net SAF revenue was \$10,922.1 million in FY 2008-09.
- ▶▶ Net SAF revenue is expected to decrease to \$10,458.1 million in FY 2009-10 and increase 0.2% to \$10,480.5 million in FY 2010-11.

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 \$12,425.7 million in FY 2008-09; it is expected to decrease 2.8% to \$12,075.4 million in FY 2009-10, then increase 0.7% to \$12,160.6 million in FY 2010-11.

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 2008-09</u>	<u>FY 2009-10</u>
General Fund/General Purpose	\$176.7	\$72.7
School Aid Fund	\$238.2	\$78.5
Budget Stabilization Fund	\$2.3	\$2.4

Year-end estimates notes:

- ▶▶ FY 2008-09 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 2009-10 and FY 2010-11. A complete list of BSF historical data is available from the HFA upon request.

The final BSF fund balance was \$2.3 million for FY 2008-09. The fund balance is forecast to be \$2.4 million for FY 2009-10 and \$2.5 million for FY 2010-11.

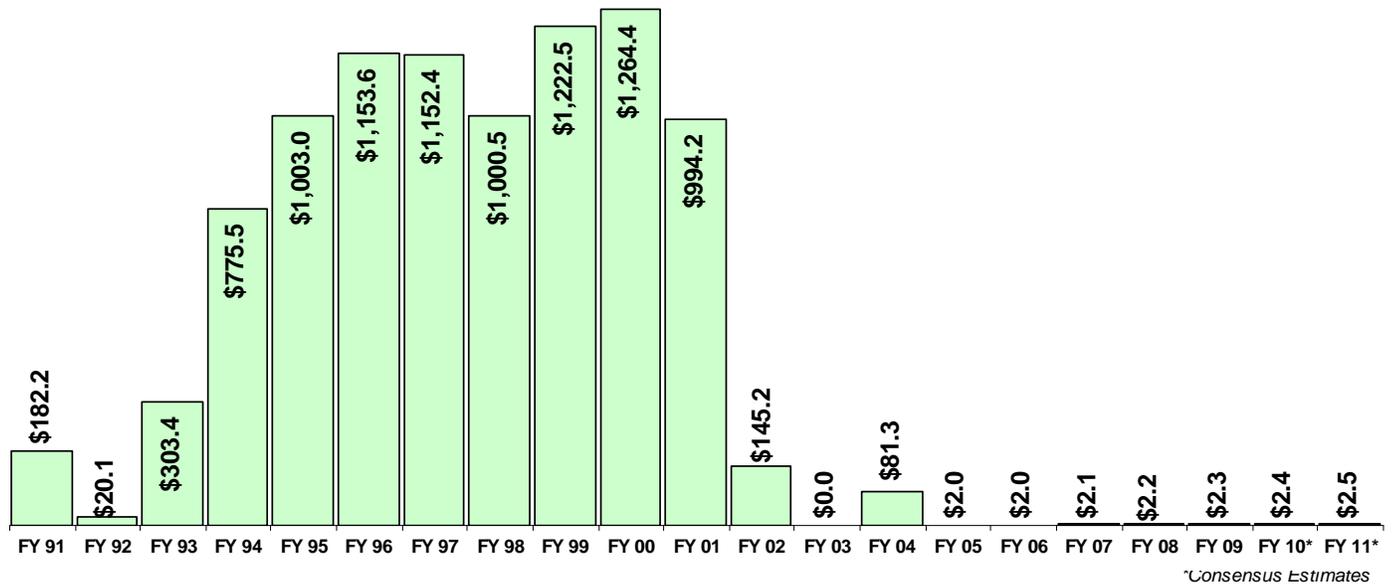
BUDGET STABILIZATION FUND HISTORY
(Millions of Dollars)

<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	2.3
2009-10*	0.0	0.0	0.1	2.4
2010-11*	0.0	0.0	0.1	2.5

* HFA Estimates

NOTE: Numbers may not add due to rounding.

Budget Stabilization Fund (BSF) Balance
(Millions of Dollars)



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)**

Revenue Limit Calculations	FY 2008-09	FY 2009-10	FY 2010-11
Personal Income	CY 2007	CY 2008	CY 2009
Amount	\$345,885	\$349,612	\$340,173
X Limit Ratio	9.49%	9.49%	9.49%
State Revenue Limit	32,824.5	33,178.2	32,282.4
Total Revenue Subject to Revenue Limit	\$25,105.8	\$24,239.0	\$24,498.0
Amount Under (Over) State Revenue Limit	\$7,718.7	\$8,939.2	\$7,784.4

Implications of Exceeding the State Revenue Limit

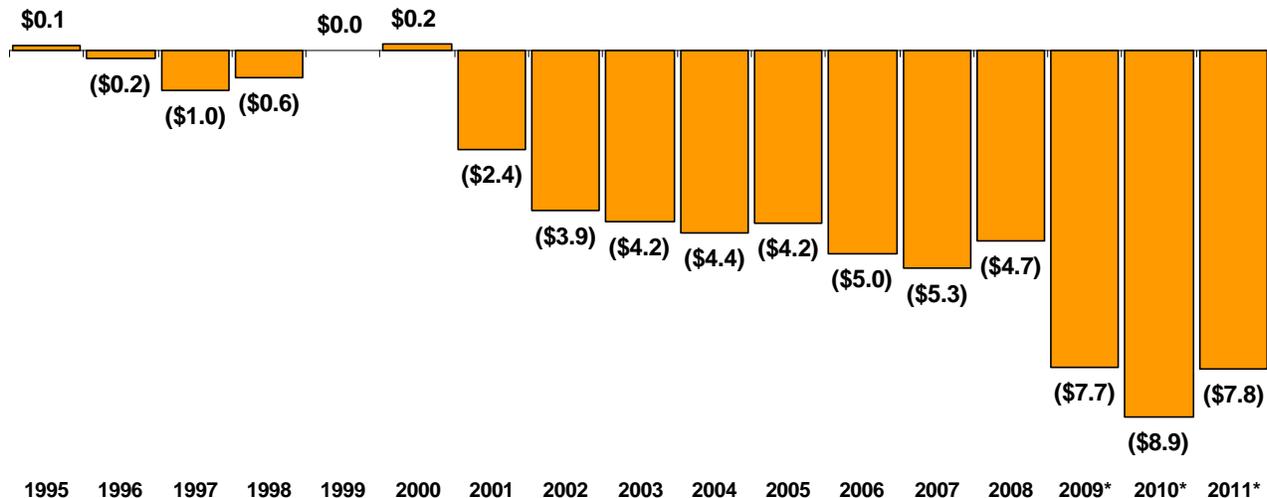
Article IX, Section 26, Constitution of the State of Michigan, provides that:

. . . 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 2008-09 revenue limit calculation indicates that the state revenue collections were well under the revenue limit. For both FY 2009-10 and FY 2010-11, state revenue is estimated to be substantially below the revenue limit—by \$8.9 billion and \$7.8 billion, respectively.

**Constitutional Revenue Limit
(Billions of Dollars)**



*Consensus Estimates



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