

STATE BUDGET UPDATE

**Presented to the
Michigan Community College
Association**



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Consensus Economic Forecast

Real GDP

- 1.9% decline forecast for 2009, followed by 1.6% increase in 2010.
- Since the Great Depression, only 1946 and 1982 exhibited larger declines in GDP than the forecast for 2009.
- The expected decline in real GDP of four to six consecutive quarters would be longer than the previous record of three quarters, set in both 1953-54 and 1974-75.

Consumer Confidence

- November reading third lowest in 50+-year history of Index.
- Majority of consumers expect inflation-adjusted income declines in 2009.

Light Vehicle Sales

- 2009 forecast of 10.8 million units would be the worst year since 1982.
- 2009 forecast is down 18.0% from 2008, and down 35.0% from the 2002-2007 average of 16.6 million units.
- In the mid-1990s, the Detroit 3 sold 73.0% of total U.S. light vehicle sales (about 11 million units), compared with 48.0% (about six million units) in 2008.

Retail Sales

- Retail sales fell 11.6% between June 2008 and December, the largest drop since records started in 1947 (the second largest drop was 9.6%).
- The six-consecutive-month decline in retail sales ties the 1953 record for the longest continuous decline.

U.S. Housing Starts

- December housing starts were at their lowest level since records began in 1959.
- December housing starts were down 76.0% from the January 2006 peak, and were down 49.0% since June 2008.

Michigan Housing Activity

- New housing authorizations through November 2008 were down 89.0% from the 2004 level in the Detroit metropolitan area and 81.0% statewide.

U.S. Labor Market

- The economy has lost 2.6 million payroll jobs in the last 12 months, the third largest drop since modern records began in 1939.
- The 1.9 million jobs lost in the last four months ranks as the second largest four-month decline, only 900,000 jobs behind the June-September 1945 decline when the wartime production was halted.
- Payroll employment has declined for 12 consecutive months, the third longest decline since modern records began in 1939.

Michigan Labor Market

- Since peaking in June 2000, payroll employment has declined in 74 of the last 102 months.
- On an annual basis, payroll employment has declined for eight consecutive years -- the longest decline on record, and is expected to continue declining through both 2009 and 2010.

Michigan Labor Market (continued)

- Payroll employment is expected to drop by 4.6% in 2009 and 2.0% in 2010.
- As of December 2008, Michigan had lost 637,000 payroll jobs from the June 2000 peak -- a decline of 14%.
- Michigan's payroll employment has declined for six consecutive months, the third longest decline since before 1990.
- Michigan's payroll employment decline of more than 163,000 in the last six months exceeds the 129,000 jobs lost during the 11- month- consecutive decline during 2001 and accounts for 26.0% of the jobs lost over the last eight years.
- By the fourth quarter of 2010, Michigan payroll employment is expected to be down 779,000 jobs (17.0%) from the peak in the 2000:Q2 and down 197,000 jobs (5.0%) from 2008:Q4.
- Transportation equipment manufacturing employment in Michigan is down 54.0% from its July 2000 peak, a decline of 192,000 jobs.
- Job losses in transportation equipment manufacturing account for 30.0% of total Michigan job losses.
- Michigan transportation equipment manufacturing employment is expected to continue declining in 2009 and 2010, with 2010:Q4 employment down 72.0% (253,000 jobs) from the 2000 level.

Michigan Personal Income

- Michigan personal income is expected to decline 1.3% in 2009 (without adjustment for inflation) and rise only 0.8% in 2010.
- The 1.3% decline in nominal personal income in 2009 would be the first decline since 1958 and the third worst drop since World War II.

Consensus Revenue Estimates

Consensus Revenue Estimates

General Fund/General Purpose (GF/GP)

- **FY 2008-09:** Revenue from ongoing sources will total an estimated \$8.3 billion, which is down 11.3% or \$1.0 billion from FY 2007-08.
- **FY 2009-10:** Revenue will decline another 4.5% or \$371.6 million to an estimated \$7.9 billion.
- The major reasons for these declines are the economic recession (which is expected to have a particularly negative impact on income tax revenue) and the new earned income and film credits.

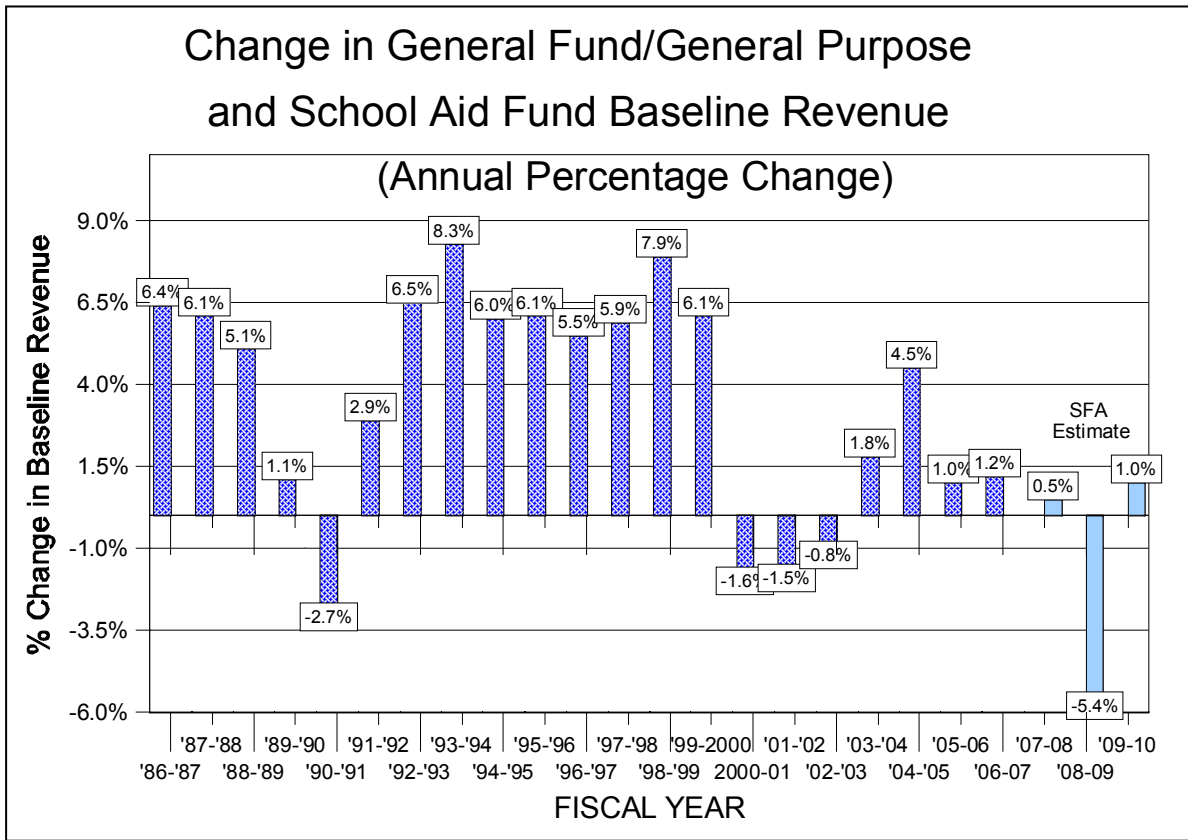
School Aid Fund (SAF)

- **FY 2008-09:** Earmarked tax and lottery revenue will total an estimated \$11.4 billion, which is down 1.3% or \$144 million from FY 2007-08.
- **FY 2009-10:** SAF revenue will decline 0.6%, or \$73.0 million, to an estimated \$11.3 billion.
- The economic recession will reduce sales, use, income, State Education, and real estate transfer tax revenue in FY 2008-09, but much of these declines in revenue will be offset by a statutory increase in the Michigan Business Tax earmark to the SAF.

Earned Income Tax Credit will reduce GF/GP revenue an estimated \$140.0 million in FY 2008-09 and \$315.0 million in FY 2009-10.

Film Credit will result in a net revenue loss of an estimated \$88.0 million in FY 2008-09 and \$131.0 million in FY 2009-10.

Figure 1



**FY 2009-10
Governor's Budget
Recommendation**

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

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

The Governor's FY 2009-10 budget recommendation is based on the consensus revenue estimates agreed to on January 9, 2009. The FY 2009-10 GF/GP consensus revenue estimate is \$7.9 billion. This represents a 4.5% decline from the FY 2008-09 consensus revenue estimate. The FY 2009-10 SAF revenue estimate is \$11.3 billion. This represents a decline of 0.6% from the FY 2008-09 consensus revenue estimate. The budget includes several major tax policy changes resulting in increases in GF/GP and SAF revenue totaling \$185.8 million. The largest of these proposed tax policy changes include the suspension of the indexed increase for the personal exemption under the income tax and an increase in the excise tax on tobacco products other than cigarettes.

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

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

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

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

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

Table 1

**FY 2008-09 General Fund/General Purpose
Revenue, Expenditures, and Year-End Balance
(Millions of Dollars)**

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

Table 2
FY 2008-09 School Aid Fund
Revenue, Expenditures, and Year-End Balance
(Millions of Dollars)

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

Table 3

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

Table 4

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

Table 5

Governor's Proposed Tax and Revenue Increases: FY 2009-10 (Millions of Dollars)			
Proposed Tax/Revenue Increase	State Government Fiscal Impact		
	GF/GP	School Aid Fund	Total
<u>Sales and Use Taxes</u>			
Eliminate exemptions for international calls, WATS, 800 call centers, and interstate private networks.	\$9.7	\$4.8	\$14.5
Reduce exemption for interstate truck and trailer purchases.	14.0	7.0	21.0
Reduce the sales tax bad debt deduction by 20%.	3.2	8.8	12.0
Reduce sales tax collection allowance by 20%.	0.8	2.3	3.1
Send letters reminding businesses use tax is due on out-of-state purchases.	1.7	0.8	2.5
Subtotal Sales & Use Taxes	\$29.4	\$23.7	\$53.1
<u>Income Tax</u>			
Eliminate oil and gas expense double deduction.	\$3.1	\$1.0	\$4.1
Create auto correction system to identify common errors on income tax returns, freeing staff to identify additional errors.	3.7	0.4	4.1
Suspend the indexed increase in the personal exemption for tax years 2009 and 2010.	46.4	10.6	57.0
Subtotal Income Tax.....	\$53.2	\$12.0	\$65.2
<u>Tobacco Tax</u>			
Double the other tobacco products tax from 32% to 64% of the wholesale price to make tax comparable with cigarette tax.	\$45.0	\$0.0	\$45.0
Reduce the tobacco tax collection allowance by 20%.	1.9	1.3	3.2
Subtotal Tobacco Tax	\$46.9	\$1.3	\$48.2
<u>Liquor Revenue</u>			
Double the retail license fee.	\$10.4	\$0.0	\$10.4
Create new permit to allow liquor sales from 2 a.m. to 4 a.m.	4.6	0.0	4.6
Create new permit to allow liquor sales before noon on Sunday.	9.1	0.0	9.1
Subtotal Liquor Revenue	24.1	0.0	24.1
<u>Other Tax & Revenue Increases</u>			
Commercial rental property: Exempt from property tax and assess new specific tax.	\$0.0	\$10.0	\$10.0
Tax enforcement: Increase effort to make sure businesses comply with tax filing requirements.	7.8	3.2	11.0
Lottery: Increase ticket terminals and advertising.	0.0	15.0	15.0
"Cybershame": Publicize names of major delinquent taxpayers.	5.0	0.0	5.0
Subtotal Other.....	\$12.8	\$28.2	\$41.0
Total Proposed Tax Increases.....	\$166.4	\$65.2	\$231.6

Table 6

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

Table 7

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

<u>Budget Area/Program</u>	
Agriculture	
Economic Adjustments	\$0.8
Attorney General	
Economic Adjustments	0.5
Civil Rights	
Economic Adjustments	0.2
Community Health	
Medicaid Base and Caseload Adjustments	131.2
Actuarial Soundness Adjustments	72.8
Medicaid Special Financing Adjustments	2.6
Provider Increase Due to Use Tax Expansion	10.5
Annualizing Direct Care Worker Wage Increase	1.3
Economic Adjustments	5.9
Other Various Adjustments	1.2
Corrections	
Pharmacy Electronic Records System (New)	1.9
Conversion of Maxey Unit for Mentally Ill Prisoners	16.7
Mental Health Treatment	8.0
Health Care	15.0
Field Operations and Community Corrections	27.3
Michigan Prisoner Re-entry Initiative	22.7
Correctional Facilities	6.3
Substance Abuse Outpatient Treatment	0.5
Information Technology	1.1
Economic Adjustments	34.6
Education	
Oversight Staff for 21st Century Schools Fund (New)	0.3
Assistance for Districts in Deficit	0.1
Economic Adjustments	0.2
Energy, Labor, and Economic Growth	
Economic Adjustments	0.5
Other Various Adjustments	0.2
Environmental Quality	
Economic Adjustments	0.6
Other Various Adjustments	0.2
Higher Education	
Combined AES/CES Line Item	32.0
Michigan College Access Grants (New)	86.9
Human Services	
Child Welfare Improvements	30.7

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

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

Table 8

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

<u>Department/Program</u>	
Agriculture	
Water Withdrawal Assessment Program (Eliminate)	(\$0.1)
Reduction of Local Soil Conservation District Grants by 50%.....	(0.5)
Other Various Adjustments	(0.4)
Attorney General	
Various Administrative Adjustments	(0.2)
Civil Rights	
Various Administrative Adjustments	(0.1)
Community Health	
Special Funding for Hurley Medical Center (Eliminate).....	(1.0)
Saginaw Arthur Hill/Detroit Mumford Health Clinics (Eliminate).....	(0.2)
Health Information Tech Initiatives (Eliminate)	(5.0)
Closure of Mount Pleasant Center	(3.1)
Multicultural Funding (Eliminate)	(6.8)
Mental Health Courts Pilot Program (Eliminate)	(1.1)
Mental Health Initiatives for Older Persons (Eliminate).....	(1.0)
Community Mental Health Respite Services (Eliminate).....	(1.0)
Traumatic Brain Injury Pilot Programs (Eliminate)	(0.3)
Senior Olympics Funding (Eliminate)	(0.1)
AIDS and Risk Reduction Clearinghouse/Media (Eliminate).....	(1.4)
Chlamydia/Gonorrhea Disease Control Program (Eliminate).....	(0.8)
Early Childhood Collaborative Program (Eliminate).....	(0.5)
Public Health Physician Practice Project (Eliminate)	(0.3)
African American Male Health Initiative (Eliminate)	(0.1)
Helen Nickless Volunteer Clinic in Bay City (Eliminate).....	(0.1)
Special Needs Vision Clinic in Saginaw (Eliminate).....	(0.1)
Nurse Family Partnership Programs (Eliminate).....	(0.8)
Tribal Elders Program Funding (Eliminate).....	(0.1)
Methamphetamine Cleanup Fund (Eliminate)	(1.0)
Reduction of Pharmacy Dispensing Fee	(0.5)
Reduction of Ambulance Provider Rate.....	(0.6)
Nursing Home Transition Savings	(6.2)
Community Mental Health Non-Medicaid Funding.....	(7.6)
Family Planning Local Agreements	(0.3)
Healthy Michigan Fund.....	(2.0)
Office of Services to the Aging	(2.0)
Other Various Adjustments	(6.5)

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

Corrections	
Unspecified Facility Closures	(116.9)
Administrative Reductions Due to Closures.....	(16.1)
Full-Year Savings from FY 2008-09 Closures	(40.4)
Intensive Detention Re-entry Program	(0.8)
Wayne County Parolee Apprehension Program	(1.2)
Various Administrative Adjustments	(11.2)
Education	
Various Administrative Adjustments	(0.4)
Energy, Labor, and Economic Growth	
Various Administrative Adjustments	(0.3)
Environmental Quality	
Wetlands Program (Eliminate).....	(2.1)
Various Air Quality Programs	(0.9)
Pollution Prevention and Assistance Programs	(0.9)
Removal of GF/GP Match for Federal Capitalization Grant	(2.1)
Other Various Adjustments	(1.5)
Higher Education	
Reduction of University Operations by 3.0% Across-the-Board	(43.9)
Agricultural Experiment Station Line Item (Eliminate).....	(34.3)
Cooperative Extension Service Line Item (Eliminate).....	(29.6)
King-Chavez-Parks Initiative (Eliminate)	(5.3)
Bay Mills Tribal College Indian Tuition Funds (Eliminate).....	(0.1)
Six Financial Aid Programs (Eliminate)	(105.6)
History, Arts, and Libraries	
Arts and Cultural Grants (Eliminate).....	(7.1)
Book Distribution Centers (Eliminate).....	(0.4)
Administrative Reductions Due to Reorganization.....	(1.1)
Human Services	
Marriage Initiative (Eliminate).....	(2.5)
Fatherhood Initiative (Eliminate).....	(1.7)
Teenage Parent Counseling (Eliminate).....	(3.8)
Family Group Decision-Making	(2.5)
Family Formation Program (Eliminate).....	(0.2)
Before- and After-School Funding (Eliminate)	(5.0)
Zero to Three Secondary Prevention (Eliminate).....	(4.0)
Friend of the Court State Supplement (Eliminate)	(1.0)
Other Grant Programs.....	(1.3)
State SSI Supplement for Independent Living (Eliminate).....	(29.8)
Child Day Care Savings	(20.0)
Reduction of Family Independence Program.....	(6.8)

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

Human Services (continued)	
Juvenile Justice Facility Savings	(5.0)
Foster Care and Child Daycare Caseload Adjustments.....	(5.5)
Bridges Program Development	(12.1)
Other Various Adjustments	(15.7)
Judiciary	
Mental Health Courts Pilot Program (Eliminate)	(0.6)
Other Various Adjustments	(1.4)
Management and Budget	
HR Reductions Due to Corrections/DCH Facility Closures	(1.6)
Various Administrative Adjustments	(0.3)
Military and Veterans Affairs	
Tuition Assistance for Guard Members	(0.4)
Other Various Adjustments	(0.1)
Natural Resources	
Various Adjustments	(0.1)
State	
Various Adjustments	(0.1)
State Police	
Closure of Marquette Forensic Lab	(0.4)
Security Guard Program at Capitol/State Buildings (Eliminate)	(0.5)
Trooper/Specialty Teams Overtime Costs	(2.3)
Fleet Leasing Costs	(1.0)
At-Post Trooper Attrition.....	(3.4)
Various Administrative Adjustments	(2.0)
Treasury-Debt Service	
Clean Michigan Initiative	(3.5)
Water Pollution Control	(0.1)
Treasury-Operations	
Various Adjustments	(0.3)
Treasury-Strategic Fund	
Various Adjustments	(0.1)
Total GF/GP Funding Eliminations/Reductions	\$(608.5)

Table 9

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

<u>Department/Program</u>	
Agriculture	
State Services Fee/Ag Equine Fund Adjustments	\$3.1
Dairy Inspection Fee	(0.7)
Transfer of Internal Audit Function to DMB.....	(0.3)
Attorney General	
Transfer of Internal Audit Function to DMB.....	(0.05)
Civil Rights	
Transfer of Internal Audit Function to DMB.....	(0.1)
Corrections	
Replacement of One-Time Prisoner Store Surcharge	1.8
Elimination of One-Time FY 2008-09 Funding.....	(0.4)
Reduced Parole Oversight Fee Collection Offset	1.0
State Criminal Alien Assistance Program Revenue	(0.4)
Transfer of Internal Audit Function to DMB.....	(0.7)
Community Health	
Hospital and Nursing Home QAAP Adjustments	(16.9)
School-Based Services Adjustments.....	16.5
Pharmaceutical Rebates for HMOs	(44.2)
Addition of Behavioral Drugs to Preferred Drug List	(6.9)
Establishment of New Hospital Rate Adjuster	(2.5)
Medicaid Benefits Trust Fund.....	6.8
Healthy Michigan Fund.....	3.5
Merit Award Trust Fund.....	54.5
Federal Medicaid Match Rate.....	(250.8)
Expansion of Use Tax to Medicaid HMOs/Pre-Paid Plans.....	294.2
Children's Special Health Care Fee.....	(1.1)
Transfer of Internal Audit Function to DMB.....	(0.5)
Federal Stimulus Funding	(484.0)
Education	
Transfer of Library of Michigan from HAL.....	18.8
Energy, Labor, and Economic Growth	
Transfer of Historic Preservation Office from HAL.....	1.0
Environmental Quality	
Restricted Funds for Contaminated Site Investigation	(2.0)
Restricted Funds for Waste/Hazardous Materials.....	(1.9)
Transfer of Internal Audit Function to DMB.....	(0.04)

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

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

Higher Education and Community Colleges Recommendations

The FY 2009-10 recommendation continues the disparity in funding treatment between the community colleges and universities. The budget for the community colleges is frozen at the FY 2008-09 level of \$299.4 million. The universities are reduced by a total of \$46.6 million with decreases ranging from 3.1% to 4.2%, or an average of 3.2%. The proposed budget achieves the university operations decrease by eliminating the base funding of \$5.3 million for the Martin Luther King, Jr.-Cesar Chavez-Rosa Parks Program and then reducing each university by 3.0%.

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

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

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

Table 10

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

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

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

Table 11

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

Table 12

Retirement Contribution Rates as a Percentage of Payroll				
	FY 2007-08	FY 2008-09	FY 2009-10	FY 2009-10 Change
<u>State Employees Retirement System</u>				
Defined Benefit Pension	18.72%	18.84%	21.36%	2.52%
Defined Benefit Health Care	11.40%	11.80%	11.90%	0.10%
Total Defined Benefit Costs	30.12%	30.64%	33.26%	2.62%
Defined Contribution Pension	5.91%	5.91%	5.91%	0.00%
Defined Contribution Health Care	11.40%	11.80%	11.90%	0.10%
Total Defined Contribution Costs	17.31%	17.71%	17.81%	0.10%
<u>Public School Employees Retirement System</u>				
Defined Benefit Pension	10.17%	9.73%	10.13%	0.40%
Defined Benefit Health Care	6.55%	6.81%	6.81%	0.00%
Total Defined Benefit Costs	16.72%	16.54%	16.94%	0.40%

Table 13

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

Source: Senate Fiscal Agency estimates

Federal Stimulus Package

Table 14

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

Table 15

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

Source: Joint Tax Committee of the United States Congress

Table 16

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

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

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

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

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

Summary of Major Components with Direct Michigan State Budget Impact

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

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

Recent State Appropriation History

Table 17

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

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

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

Table 18

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

Table 19

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

¹⁾ Excludes Revenue Sharing paid to counties in FY 2002-03.