



The Budget is Balanced; the Crisis Remains

INTRODUCTION

With three days to spare before the new fiscal year began on October 1, the Legislature completed its work on the 2011 budget. It is a budget that is propped up heavily with federal funds and relies on other one-time fixes. Over the summer the state learned that it would be receiving about \$650 million in additional federal funds for Medicaid and education. Given the reluctance of the Legislature to make hard choices during this election year, it is hard to comprehend how the budget could have been passed without these federal funds.

Although the cuts in the budget are not nearly as deep as the cuts made in the 2010 budget, the new budget continues most of those painful cuts from a year ago. A significant part of the new cuts come from a 2.8 percent reduction to the 15 public colleges and universities. A \$42 million cut to the Department of Corrections is likely to lead to the closure of more prisons. Further cuts were made to non-Medicaid Community Mental Health funding, public health and aging programs. State funding was eliminated for the Transitional Medical Assistance Plus program, impacting about 950 individuals who have completed their 12 months of Transitional Medicaid.

Continued cuts in the Department of Human Services will undermine the capacity of that department to deliver critical services in times of increased need. Further, the heavy reliance on one-time federal funds should signal serious concern regarding the ability to maintain programs and services in 2012.

On the bright side, there were no additional cuts to Medicaid providers, and Medicaid dental and podiatric services to adults were restored. Revenue sharing, which funds services such as police and fire in local communities, was not cut any further. The new budget includes a 10 percent increase in financial

aid programs. The School Aid Budget, passed in July, contained a \$11 per pupil increase for students.

Taking a “kick the can down the road” approach, the Legislature did not address the ongoing budget gap and did nothing to modernize Michigan’s tax structure. With this failure to act and with the one-time federal dollars drying up, the new governor and new Legislature will be faced with a \$1.6 billion budget gap for the fiscal year 2012 budget. The gap could be larger if revenues do not rebound.

Also of concern is the passage of an early retirement package for state employees. Although significant savings are assumed from the retirements, the tradeoff is diminished capacity and expertise throughout state government.

Although state revenues have fallen dramatically and the state budget is smaller than it once was, demand for safety net services remains high as the state is slow to recover from the recession. The next administration and the Legislature must take a balanced approach to addressing the pending budget gap, acknowledging the deep cuts that have already been made.

Human Services Budget Highlights

Budget highlights include increased staff for child welfare programs by 684, and some caseload increases. As presented to the governor before vetoes, the budget totaled \$6.96 billion gross, up 17.7 percent over FY10. This included regular federal funds of \$5.1 billion, restricted funds of \$60.4 million, General Funds of \$ 930.1 million, up 9.1 percent, and American Recovery and Reinvestment Act (ARRA) funds of \$774.8 million.

The Department of Human Services was the department receiving the highest amount of Recovery Act funds. ARRA funds within DHS increased from \$406.4 million in FY10 to \$774.8 million in FY11, up 90.6%. The Food Assistance Program (FAP) received nearly two-thirds of this ARRA increase, or \$223.3 million. These funds were needed to support the dramatic increase in FAP caseloads, up nearly 195,000 cases from FY09 to FY11. Recovery Funds were also used to finance programs with Emergency TANF funds. However, these funds will become at risk beginning in FY12 unless action is taken to extend the program which sunsetted on September 30, 2010.

| FY 2010 DHS Cuts (dollars in millions) |
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| <ul style="list-style-type: none"> • \$19.0 for FIP • \$15.2 for Child Day Care • \$14.5 for Employment and Training • \$20.2 Juvenile Justice cuts • \$47.9 Caseload • \$154.1 TANF and federal fund shifts • \$ 4.5 Field Staff Cuts |

Vetoed:

- Earned Income Tax Credit (EITC): Vetoed \$500,000 in TANF for education and outreach targeted to new filers and families, eligible for their low-income tax credit. This marks the second year the governor has vetoed these funds after the Legislature restored financing for the neediest families.
- Provider Payments: Vetoed a boilerplate requirement to pay providers with General Funds when they no longer qualify for federal funds due to time restrictions on claims.
- Adoption Agencies: Vetoed \$1 million for adoption contracts focusing on long-term permanent wards. A 36% increase in rate payments and \$16,000 in payments for final adoptions were also vetoed in FY10
- Child Care Fund In-Home Care Incentive: Vetoed \$5 million in TANF after being vetoed in FY10.
- After School Partnership: Vetoed \$25,000 federal.

- Chaldean Community Foundations: Vetoed \$100 placeholder because it is too little funding.
- Crisis prevention and Senior Food Aid: Vetoed \$25,000 each in Muskegon County and Kent County, and \$75,000 for Barry County.
- SSI Advocacy: Vetoed \$300,000 legal services.

Cut:

- FIP, Child Development and Care & Food Assistance: Cut \$3.9 million and added 36 inspector general staff to identify those ineligible for benefits up front.
- Child Welfare Cases: Reduced projected caseload funding by \$23.4 million gross with a cut of \$42.6 million federal and an increase of \$15.3 million in General Fund. Cases were cut by \$21.3 million for Foster Care and reduced by \$5.7 million gross for adoption subsidy cases. The Child Care Fund increased by \$3.6 million.
- Employment and Training: Cut by \$3.5 million gross for Michigan Rehabilitation Services as the added \$11.4 million federal TANF is offset by a cut of \$14.9 million General Fund.
- Food Stamps Reinvestment: Cut \$2.35 million General Fund and 31.8 staff no longer required as DHS is in compliance with the food assistance program error rate. Transferred \$150,000 General Fund and 2.8 staff to local field office.
- Juvenile Justice Facilities: Cut \$3.9 million gross and \$1.0 million General Fund to include the full year savings from the FY10 closures of the Nokomis Center for a savings of \$1.2 million gross and community juvenile justice centers for a savings of \$687,000 gross. Maxey Training School funding was reduced by \$2 million gross with 24 less staff. School Aid funds were cut by \$771,900 recognizing a decline in the number of youth in all three facilities and replaced with General Fund.
- Other: Reduced \$5.5 million gross and \$3.1 million General Fund with gross reductions of \$2.9 million gross from Child Support Enforcement State Disbursements, \$1.6 million General Fund in guardianship assistance and \$500,000 from child care training and oversight, \$258,800 gross from volunteer services. Eliminated MSU kinship care of \$200,000 gross.

Added:

- Public Assistance Caseload: Added \$600.3 million federal and \$32.9 million General Fund for public assistance caseload for Food Assistance Program (FAP), Family Independence Program (FIP) and State Disability Assistance (SDA). Cases fell for both SSI Supplementation and the Child Development and Care caseload.
- ARRA for Child Care Development: Added \$16.7 million to offset one-time Child Care and Development (CCDF) funds.
- Administration of Electronic Benefits: Added \$6.4 million federal and \$149,600 General Fund for growth in transactions related to cash and food assistance.
- Child Welfare Staffing: Added 684 staff and \$47.8 million gross for the Children's Rights Settlement.
- Food Assistance: Added \$266.3 million in federal funds for food assistance to groups not eligible to claim the standard utility allowance, for an added \$88 average benefit increase per month.
- Child Welfare Other: Added \$3.4 million for a combination of services, including information technology for child welfare information technology systems, extending foster care adoption and guardianship benefits to age 20, increased funds for the Strong Families/Safe Children program, and increased funds for legal expenses of lawsuit plaintiffs. The budget includes General Fund cuts gained by eliminating Needs Assessment funding for \$4 million, and by reducing the use of child caring institutions as a result of the mental health in-home waiver program for a reduction of \$1.8 million.
- Federal Funding: Added federal funds of \$9 million for weatherization, \$1.4 million for Community Services Block Grant with 2 staff and \$191,300 to administer these two programs, \$6.5 million for Refugee Services and 1 staff and \$95,700 for the Office of Inspector General.
- Rape Prevention Services: Added \$700,000 gross, a net increase after adding \$1 million General Fund and \$1 million restricted to offset the loss of \$1.3 million from the Crime Victim's Rights Fund.
- Child Advocacy Centers: Added \$1 million in restricted funds and 0.5 FTEs to support victims of child sexual abuse.
- Disability Determination, SSI Advocacy, and SSI Recoveries: Added \$18.6 million gross, resulting from increased \$21.8 million federal and \$2.4 million restricted but cut \$5.6 million General Fund. Staff increased by 175 for disability determinations for backlog of final determinations. Cuts of \$975,000 for SSI advocacy, \$2 million in SDA cases and \$2.5 million in SSI recoveries.
- Information Technology: Added \$2.3 million for Bridges and integration of Law Enforcement Information. Offset with cuts from Child Support IT and child support fee revenue, administrative and Michigan Department of Technology, Management & Budget cuts.
- FMAP: Added \$1.2 million General Fund due to federal match rate adjustment.
- Economic Increases: Added \$12.7 million General Fund.
- Other: Added \$5 million private funding and \$1.8 million General Fund including \$850,000 for Bridges for customer service, \$531,900 for medical/psychiatric evaluations, \$300,000 for Conductive Learning Center, \$100,000 for Youth Ville Detroit, and \$50,000 for 2-1-1.

Fund Shift:

- Emergency TANF Funds: Added \$196.3 million in Emergency TANF contingency fund (ETCF) to offset the reduction of \$197.1 million in regular TANF funds and increase of \$801,100 in General Fund. Over 96 percent of the savings, or \$189.8 million, went directly to the General Fund. General Fund savings were used to finance \$5.7 million for limited-term field staff and \$770,900 for the Bridges program printing and postage. ETCF was used to restore programs vetoed in FY10 such as \$3 million in Before and After School grants and \$25,000 for Michigan After School Partnership. While the Child Care In-Home Incentive program was slated to receive \$5 million in ETCF, it was vetoed again in FY11.
- Employment and Training: Reduction of \$4.8 million to the General Fund and an increase to ETCF by the same amount. The Legislature agreed with the General Fund savings but did

not concur with the Executive Recommendation to use these funds for 197 field staff.

- **Local Funding:** Restored \$6.1 million in General Fund to replace uncollectible local revenue. This reverses a FY10 fund shift requiring locals to pay a new \$40 public per diem for DHS child welfare administrative cost which was not enforceable.
- **Limited-Term Staff:** Added \$5.7 million in General Fund to maintain 200 limited-term eligibility specialists positions added in F10 from one-time ARRA funds required for high caseload and application levels and an added 100 limited-term field staff.
- **Child Development and Care:** Reduced \$12.1 million in General Fund as some providers will be disenrolled for not completing the one-time federal training requirement.
- **Child Caring and Child Support:** Cut \$657,200 gross although \$2.7 million General Fund was added to offset FY10 fee increases not implemented. This includes a \$7 per diem licensing fee for Child Caring Organizations and a \$25 child support administrative fee paid by custodial parents which can't be implemented without model legislation.
- **Zero to Three:** Cut \$5.8 million in General Fund and replaced with one-time lapsed TANF funds and federal Title VI-B carry forward to restructure the program focusing on high need families in urban areas.

**FY 2010 DCH Budget Cuts
(General Fund dollars in millions)**

- \$40 Reduce Non-Medicaid Mental Health Services
- \$94.9 Reduce Provider Payment rates by 8 percent
- \$10.3 Reduce Healthy Michigan programs
- \$3.0 Public health/local public health operations cuts
- \$5.1 Office of Services to Aging
- \$3 Eliminate other mental health programs
- \$1.9 Reduce Substance Abuse by 5 percent General Fund
- \$3.1 Close Mt. Pleasant for Developmentally Disabled
- \$5 Preferred Provider List for Behavior Health Drugs
- \$ 0.8 Eliminate chlamydia and gonorrhea programs
- \$0.6 Protection and Advocacy Services
- \$0.3 Michigan Essential Provider program
- \$1.2 Eliminate remaining funds for Office of Long Term Care and Drug Control Policy funding

Decisions impacting the budget starting October 1, 2010 are listed below in General Fund dollars unless noted otherwise.

Community Health Budget Highlights

Noteworthy in this budget is the restoration of Medicaid coverage for adult dental, podiatry and limited vision services and the elimination of state funding for Transitional Medical Assistance Plus for those no longer eligible for regular Transitional Medicaid.

As presented to the governor before vetoes, the budget totaled \$14.1 billion gross, up 8 percent from FY10. This included American Recovery and Reinvestment Act (ARRA) funds of \$650.3 million, regular federal funds of \$8.8 billion, restricted funds of \$1.8 billion, local funds of \$235.1 million, private funds of \$88.1 million, interdepartmental grant \$54.0 million and General Funds of \$2.4 billion, up 5.1 percent.

Vetoed:

- **Prenatal Care Outreach:** Vetoed boilerplate allowing department to allocate up to \$1 million for outreach and service delivery in areas with high infant mortality rates, as well as funding for the Nurse Family Partnership program.
- **Prescription Drug Website:** Vetoed expansion of the prescription drug website.
- **Early Childhood Collaborative Secondary Prevention (0-3 Program):** Vetoed \$100 as being too little money for the Early Childhood Collaborative Secondary Prevention. However, funding for this program is also in the Department of Human Services budget.

Cut:

- Transitional Medical Assistance Plus: Medical Assistance Plus: Cut \$3.7 million, impacting 950 adults with dependent children who have transitioned off the cash assistance program due to employment and have completed their 12 months of regular Transitional Medicaid.
- Community-Based Services Habilitation/ Supports Waiver: Reduced \$2.5 million by freezing enrollment in Home and Community Based Services waiver program with a waiting list, impacting 300 people with developmental disabilities
- Non-Medicaid Community Mental Health: Cut \$5.4 million.
- Community Substance Abuse: Cut \$1.6 million for Community Substance Abuse, Prevention, Education and Treatment Programs and fund source shift of \$950,000 in General Funds for licensing and fine revenue.
- Public Health Lab Services and Facilities: Cut \$1.1 million and 13 Full Time Equivalents (FTEs).
- Public Health Epidemiology and Tuberculosis: Cut \$453,000 and 3.5 FTEs.
- Local Public Health: Cut \$1 million for immunizations, infectious disease control, sexually transmitted disease control and prevention, food protection, public water supply, private groundwater supply and on-site sewage management.
- Aging Programs: Cut \$2.2 million for senior community services, nutrition and meals, and senior volunteers. Maintained \$120,000 for Tribal Elders.
- Nursing Home Transition: Savings of \$8.5 million achieved by transitioning 450 nursing home residents to MI Choice community-based services.

Proposals Not Included:

- Background Checks: The governor's recommendation to shift the cost of employee background checks to adult foster homes and homes for the aged was not adopted.
- Healthy Michigan Fund: Senate proposal to reduce Healthy Michigan Fund by \$5 million gross was not adopted. A reduction of \$39,900 for pregnancy prevention was included.

- Reduction in Selected Medicaid Physician Payments: Reduction of \$12.7 million gross, \$3.4 million General Fund, representing a reduction of 4 percent for physician payment rates, excluding pediatrics, well-child visits, obstetrics, primary care and emergency services was not adopted.
- Medicaid for Group 2 Caretaker Relatives and 19 and 20 Year Olds: Elimination of these federally-defined option Medicaid groups was not adopted. Elimination would have violated provisions in the Patient Protection and Affordable Care Act.
- MI Child: Responsibility for the MI Child program was not transferred from Blue Cross to the Medicaid HMOs.
- State Disability Assistance Substance Abuse: Continued at \$2.2 million, rejecting the governor's recommendation for elimination.

Restored:

- Medicaid Adult Dental, Low-Vision and Podiatric Services: Restored \$22.8 million gross, \$6.6 million General Fund.
- Vision Clinic and Traumatic Brain Injury Pilot Programs: Retained \$50,000 General Fund for special needs vision clinic, and restored \$200,000 gross, \$100,000 General Fund for traumatic brain injury pilot programs vetoed in FY10.
- Nonemergency Transportation: Restored \$1.1 million for nonemergency transportation eliminated in FY10 for Children's Special Health Care Services recipients.
- Disproportionate Share Hospital (DSH): Restored 2nd DSH pool with \$7.5 million from federal and restricted, no General Fund. This funding was vetoed in FY10.

Added:

- Outpatient Services: Provided \$27 million gross for a one-time pool, to adjust outpatient hospital rates for qualifying hospitals, if federal funds are available.
- Family Support Subsidy Cases: Added \$871,300 gross, \$0 General Fund to fund projected caseload increases.

- Medicaid Mental Health Services Hospital Rate Adjustor: Increased \$11.4 million federal, \$4.3 million restricted and \$275,300 General Funds.
- Forensic Mental Health Services For Corrections: Added a \$2.7 million grant to Department of Corrections to annualize forensic mental health costs.
- Primary Care Clinic Services: Added \$175,000.
- Medical Marijuana: Added \$450,000 gross and 5 FTE for licensing backlog.
- Community Health Outreach Program: Allocated \$1 million to Self-Help Addiction Rehabilitation programs.
- Caseload Changes: Added \$161.5 million for Medicaid, Mental Health/Substance Abuse, Children's Special Health Care and Federal Medicare Prescription programs.

Fund Shift:

- Healthy Michigan Fund: Increased General Fund by \$3.4 million to offset the reduced Healthy Michigan fund revenue.
- Medicaid FMAP Federal Stimulus: Shifted \$439.4 million from federal to General Fund to recognize phase-out of stimulus funding.
- General Motors Pension Payment FMAP Adjustment: Shifted \$160 million from the General Fund to restricted Medicaid Benefits Trust Fund due to receipt of additional funds from the adjustment of prior year FMAP rates that were artificially low due to the pension payments.
- Medicare Part D Federal Stimulus FMAP: Higher FMAP resulted in \$28.8 million General Fund savings from federal stimulus FMAP rates being applied to the state's share of Medicare Part D payments.
- Other: General Fund increased by \$108.9 million to fill holes of \$63.6 million in Merit Award Trust Fund and \$40.3 million in Medicaid Benefits Trust Fund.

Department of Energy, Labor, and Economic Growth (DELEG) Budget Highlights

The FY11 budget for the Department of Energy, Labor, and Economic Growth (includes Unemployment Insurance, No Worker Left Behind, and a portion of the Jobs, Education, and Training program) totals \$1.3 billion. Of this, \$47.6 million is general fund. The budget includes no federal Recovery Act funds. The total appropriation is just under 17 percent less than FY10 and the General Fund portion is approximately 13 percent below that of last year.

The 2011 DELEG budget includes a cut to the No Worker Left Behind Program and additions to the Low Income Energy Efficiency Fund. The Michigan State Housing Development Authority (MSHDA) was moved to the Department of Treasury (originally stated in Executive Order 2010-2).

FY 2010 DELEG Cuts

- \$10.5 million reduction in the General Fund portion of No Worker Left Behind.
- \$3 million cut to the Jobs, Education, and Training (JET) Program.
- \$4.2 million cut to the Michigan Nursing Corps.

Decisions impacting the budget starting October 1, 2010 are listed below with the dollars in general fund unless otherwise noted.

Vetoed:

- Various program areas: Occupational safety and health consultation and training, the Michigan After-School Partnership, and workforce development subgrantees totaling \$355,000.

Cut:

- No Worker Left Behind: Eliminated the remaining \$4.5 million general fund appropriation to the program. The majority of the program is funded through federal Workforce Investment Act (WIA) funds, which total approximately \$120 million.

- Michigan Rehabilitation Services (MRS)-Jobs, Education, and Training (JET): Eliminated this portion of the JET program by removing \$15.4 million in gross funding.
- Welfare-to-Work: Reduced welfare-to-work programs by \$2.8 million general fund, \$10.4 million gross.
- Workforce Training Program Subgrantees: \$500,000 gross was removed from these programs and transferred to the Michigan Nursing Corps.
- Workers Compensation Agency: Removed \$321,500 from the agency.

Transferred:

- Michigan State Housing Development Authority (MSHDA): Removed \$211.2 million gross for MSHDA and shifted this to the Department of Treasury, reflecting Executive Order 2010-2. In Treasury, MSHDA is funded at \$223.7 million gross with the majority of this increase coming from federal funds through Housing and Urban Development (HUD) for low-income housing assistance.

Added:

- Michigan Rehabilitation Services (MRS): Increased total funding by \$250,000.
- Michigan Nursing Corps: Added \$200,000 for the program. All \$300,000 in general fund support was eliminated but was replaced with a \$500,000 shift of federal Workforce Investment Act funds from the Workforce Training Program Subgrantees line item.
- Low Income Energy Efficiency Fund: Increased by \$5 million gross.
- Unemployment Insurance Agency: Increased by \$13.4 million from federal U.S. Department of Labor funds.
- Trade Adjustment Assistance: Added \$57 million in federal job training funds from the U.S. Department of Labor, Employment and Training Administration.
- Office of Financial and Insurance Regulation – Securities and Insurance Regulation: Increased funding by \$1.6 million for the Securities Investor Education and Training Fund and established a regular exam cycle for securities broker-dealers and investment advisors.

School Aid Budget Highlights

The bright spot in Michigan’s budget process was the timely passage of the School Aid budget (P.A. 110 of 2010) on July 1, the beginning of the fiscal year for schools. Unlike most recent years, schools at least knew what to expect from the School Aid Fund at the beginning of their new fiscal year. This was the only budget passed prior to the summer legislative recess. No new reductions to the per pupil foundation grant were included, but the budget was built on significant cuts from FY10. Because of a small restoration in the prior cut of the per pupil foundation grant, schools received an additional \$11 per pupil in FY11.

As presented to the governor before vetoes, the budget totaled \$12.8 billion gross. This included American Recovery and Reinvestment Act (ARRA) funds of \$184.3 million, regular federal funds of \$1.7 billion, restricted funds of \$10.9 billion and General Funds of \$30.2 million.

FY 2010 School Aid Cuts

- \$165 per pupil reduction.
- 50 percent reduction (\$7.6 million) in nonschool Great Start Readiness program competitive grants.
- 20 percent reduction (\$16.3 million) in intermediate school district operations.
- 25 percent reduction (\$1.2 million) in adolescent health center funding.
- 8 percent reduction (\$2 million) in adult education funding.
- Elimination by veto of school aid funds for 0-3 Secondary Prevention.
- Elimination by veto of discretionary payments to districts with high foundation allowances.

The May Revenue Estimating Conference projected that the School Aid Fund would be about \$300 million higher than originally estimated. About \$24 million of that money was appropriated in the school aid budget for FY11. Another \$208 million was transferred from the School Aid Fund to the General Fund to be used to fund community colleges.

Legislation that was passed in September appropriated an additional \$316 million in federal money to schools. The governor, however, vetoed the section of the bill that appropriated \$246 million, which

would have restored a \$154 per pupil cut. The governor indicated it was vetoed because the appropriation did not comply with the U.S. Department of Education's rules. The Legislature and governor must now re-visit how the money will be distributed.

Decisions impacting the budget starting October 1, 2010 are listed below.

Vetoed:

- 0 to 3 Secondary Prevention: The governor vetoed \$1.5 million for secondary prevention programs used for community-based collaborative prevention services. This would have been a restoration of prior cuts.
- Cultural Access Grants: The governor vetoed \$100,000 that was recommended for a competitive grant to provide students with access to culture, art, zoos or music resources in order to lessen the impact from a FY10 veto of the section on Cultural Access Grants.
- Discretionary Payments: The governor vetoed the restoration of discretionary payments to districts with high foundation allowances. This was estimated to have cost districts \$51.4 million in FY10.
- Postsecondary Agriculture Education Program: The governor vetoed \$300,000 to begin this Saginaw Valley State University program.

Cut:

- Juvenile Detention Facilities: Cut \$1.1 million due to facility closures and fewer pupils.

Proposals Not Funded:

- Paths to Graduation: The proposal to expand online courses for students challenged in traditional classrooms was not funded.
- Online Administration: \$250,000 was not added to support the Genesee Network for Education Telecommunications (GENnet) for the administration of a statewide online education program.

Restored:

- Per Pupil Reduction: \$20 million of the FY10 per pupil cut was restored. This restored \$11 of the \$165 per pupil cut from 2010.
- School Bus Inspections: Partial restoration by adding \$433,800 with cuts from FY10

remaining. Program continued inspections by school districts and random audits by the Michigan State Police.

Added:

- School Lunch Programs: Increased by \$30 million, using federal funds.
- Great Start: Added \$1.3 million for school readiness district programs and \$1.3 million for school readiness competitive programs.
- Great Start Readiness Program: New language was added to require a significantly greater share of the children come from low-income families. It mandated that more than 75 percent of children participating must come from families with incomes of 300 percent of poverty or less. The prior requirement was 50 percent.
- Federal Grants - No Child Left Behind: Added \$9 million in new federal funds.
- Special Education: Added \$35 million in new federal funds.
- CEPI: Added funds for the Center for Education Performance and Information (CEPI) of \$135,000 GF-GP and \$7.3 million federal to meet data requirements in the Race to the Top education reform.
- Migrant Children Programs: Funding for these programs was increased from \$7.8 million to \$8.8 million.

Retained:

- Declining Enrollment Grants: Renewed funding aimed to ease the impact of declining student enrollment in some school districts at the current year \$20 million.
- At-Risk Pupil Support: Continued at \$309 million.
- Adolescent Health Centers: Continued at \$3.6 million.
- Hearing and Vision: Continued at \$5.15 million.
- Intermediate School District (ISDs) General Operations: Preserved \$65.4 million at the FY10 funding level.
- Michigan Virtual School: Continued FY10 appropriation of \$4.4 million.
- Youth Challenge Grants: Continued at \$642,300.
- Great Parents/Great Start: Continued at \$5 million.

- Great Start Collaboratives: Funding of \$6 million continued for these collaboratives through the Early Childhood Investment Corporation.
- Adult Education, State: Continued at \$22 million.
- Math/Science Centers: Continued at \$7.8 million.

Retirement Changes:

MPERS Retirement Rate: Public school employee retirement rate was increased from 16.94 percent in FY09-10 to 19.41 percent in FY10-11, and the amortization period was decreased from 28 years to 27. The contribution rate may be reduced if reforms are enacted and in effect by the end of calendar year 2010. This will cost schools statewide an estimated \$255 million from the school district foundation allowance.

- School Employee Cost Cutting: An early retirement package was offered to encourage employees with at least 30 years of service to retire, providing schools with the opportunity to lower cost by replacing higher seniority employees with those earning less. The gross savings was estimated at \$679.6 million for FY11 but, due to legal challenges to the increase in the employee contribution rate, the savings could be significantly less.

Higher Education Budget Highlights

FY 2010 Higher Education Cuts

- \$6.1 million operating support reduction.
- \$59.2 million reduction to financial aid programs.
- 44.1 percent reduction to the Tuition Grant Program.
- 50.4 percent reduction to state Competitive Scholarships.
- Nearly 50 percent reduction to the Kings-Chavez-Parks Program.

The budget for Michigan's 15 public four-year colleges and universities totals \$1.63 billion, \$1.59 billion of which is general fund. This is an overall reduction of 2.1 percent from the 2010 fiscal year, but a 2.4 percent increase in general fund spending.

The Higher Education budget reduced general operating support for all public institutions by 2.8 percent and also cut funding by 2.8 percent from both the Agricultural Experiment Station and the Cooperative Extension Service, some of the most significant cuts made in the 2011 budget.

The budget includes \$2.3 million to restore the \$140.4 million cut to financial aid programs in FY10. In that budget, the Michigan Promise Scholarship was eliminated, along with the Michigan Work-Study Program, Part-Time Independent Student Grants, Education Opportunity Grants, and the Nursing Scholarship Program. Funding for the Tuition Grant Program was drastically reduced and funding for State Competitive Scholarships was cut by just over 50 percent.

Cut:

- University Operations: Reduced funding across the board to all 15 public colleges and universities by 2.8 percent per school for a total reduction of 40.8 million. This recognizes the loss of \$40.5 million in Recovery Act funds and an additional \$354,600 general fund reduction.
- Cooperative Extension Service: A gross cut of 2.8 percent. This reflects the loss of \$16.1 million in federal Recovery Act funds which were replaced by \$15.1 million from the state's General Fund for a net loss of just under \$1 million.
- Agricultural Experiment Station: Included a gross reduction of 2.8 percent mostly due to the loss of \$11.7 million in Recovery Act funds which were partially restored with \$10.8 million from the General Fund. This resulted in a cut of just under \$825,000.
- Merit Award Program: Removed the \$100 placeholder which was left in previous budgets to cover any remaining costs of the program which ended with the high school graduating class of 2006.

Restored:

- State Competitive Scholarships: A partial net restoration of \$2.3 million from the \$17.9 million cut in FY10, which was a 50.4 percent reduction from FY09. \$3.7 million was added from the General Fund while \$1.4 million in federal funds that are no longer available were removed. With this small restoration, funding is still \$15.7 million below the FY09 allocation.

Added:

- Tuition Incentive Program (TIP): Increased net general fund support by \$6.2 million to reflect the increased costs assumed due to more Medicaid-eligible students completing high school (to receive TIP funding, students must be Medicaid-eligible). The Executive Recommendation to discontinue phase two of the program (which funds bachelor's degrees) was not implemented.
- Children of Veterans/Officer's Survivor Programs: Increased funding by \$200,000.

Retained:

- Tuition Grant Program: Funding was continued at the FY10 level of \$31.7 million, which is 44.1 percent less than what the program was funded at in FY09.
- King-Chavez-Parks Program: Funding remained flat at the FY10 level of \$2.7 million, which is a reduction of \$2.6 million from FY09.

Community Colleges Budget Highlights

The budget for Michigan's 28 community colleges totals \$295.9 million gross, all of which is from the General Fund. This is a \$3.5 million reduction from the FY10 budget. The Community Colleges budget did not reduce college operating support or funding for the At-Risk Student Success Program, but did eliminate Renaissance Zone reimbursements for community colleges in Renaissance Zones.

Cut:

- Renaissance Zone Reimbursements: Cut \$3.5 million, which eliminates all of these payments to colleges in renaissance zones.

Retained:

- Community College Operations: Continued funding at the FY10 level of \$292.6 million.

At-Risk Student Success Program: Maintained funding at the FY10 level of \$3.3 million.

Department of Corrections Budget Highlights

The noteworthy recommendation in the Corrections budget was that \$42.1 million in reductions were taken from the budget without a plan of action. Cuts may be tough to achieve without hurting public safety.

As presented to the governor before vetoes, the budget totaled \$2 billion gross of which \$1.918 billion is from the General Fund.

Decisions impacting the budget starting October 1, 2010 are listed below in general fund dollars.

Vetoed:

- Auditor General: Vetoed a \$500,000 transfer to the auditor general's office, which the governor argued should be funded by the Legislature instead.
- Inmate Learning Pilot: Vetoed \$50,000 for an inmate learning pilot programs for prisoner job skills and GED work.

Cut:

- Prison Operation Cuts: Reduction of \$42.1 million, a 3.8 percent cut for each facility, without identifying specific programs. The department has the responsibility to achieve these reductions but not at the cost of public safety. The order and safety at Michigan's prisons could be harmed with declines of this magnitude, eventually putting the public at risk.
- Consolidate Regional Administration: Cut of \$5.3 million by combining three regional administrations into two and eliminating 54 jobs.
- Mental Health Services: Cut \$10 million by consolidating administration and cutting pharmacy.
- Guard Towers: Cut \$1.8 million and 23.5 staff at Ryan and Mound facilities.
- Prisoner Health Care: Cut \$6.1 million.
- Transportation: Cut \$6.5 million.
- Food Service: Cut \$7.6 million.
- Administration: Cut \$1 million and 12 central staff, tether administration cut of \$2.8 million and 20 staff, law examiners cut \$1.1 million.

Proposals Not Funded:

- Sentencing Guidelines: Did not include sentencing guideline changes.

Added:

- New Custody Staff Training: Added \$3.4 million for 200 new corrections officers.
- New Parole/Probation Officers: Added \$3.1 million for 40 new officers with high-risk cases.
- Operations: Added \$2.8 million to achieve savings in food service, transportation, warehousing, prison store and laundry services.

- Community Corrections: Added \$1.2 million.
- House Pennsylvania Inmates at Muskegon Facility: Added \$29.9 million gross and no General Fund.
- Mental Health Services: Added \$5.4 million for residential treatment and outpatient mental health for six new teams.
- Economic Adjustments: Added \$78.2 million.

Restored:

- County Jail Reimbursement: Restored \$10.7 million to county jails for convicted felons.