

SENATE REPUBLICAN

FY 2006-07 BUDGET BALANCING PROPOSAL



**Prepared by the
SENATE FISCAL AGENCY
March 23, 2007**

**Proposal to Balance FY 2006-07
General Fund/General Purpose Budget
(millions of dollars)**

	<u>Senate Proposal</u> (\$565.0)
Projected Year-End Balance	
Appropriation Reductions	
Governor's Recommended Reductions:	
Executive Order 2007-3(GF/GP Reductions)	(\$274.2)
Executive Order 2007-3 (Revenue Items)	<u>(35.6)</u>
Subtotal Executive Order 2007-3	(\$309.8)
Remaining Year-End Balance	(\$255.2)
Senate Republican Proposal: Senate Bill 220 (S-4)	
State Police (Supplemental Appropriation to Avoid Layoffs)	\$2.5
Community Health Reductions (Attachment A)	(65.3)
Comprehensive Transportation Fund Reductions (Attachment B)	(14.7)
Corrections Reductions (Attachment C)	(5.8)
Human Services Reductions (Attachment D)	(35.0)
County Funding from Convention Facilities Fund (50.0% Reduction)	(18.4)
Statutory Revenue Sharing (9.9% Reduction)	(39.9)
Transfer Unspent 21st Century Jobs Funding from MEDC to GF*	(34.1)
Transfer Unspent 21st Century Jobs \$ from DNR Forest Authority to GF*	(6.0)
State Police: Reduce Auto Theft Prevention Grants*	(4.0)
Eliminate 50.0% of Remaining Arts and Cultural Grants	(3.6)
Transfer Balance of State Campaign Fund to GF/GP*	(7.2)
Reduction for Legislature (4.0%)	(4.0)
Legislative Retirement Adjustment	(2.1)
Judiciary Retirement Adjustment	(0.9)
Judiciary Administrative Savings	(0.4)
Other Departmental Reductions (4.0%) (Attachment E)	(8.4)
Year-End Lapse Estimate	<u>(8.1)</u>
Subtotal Senate Changes	(\$255.4)
Total Appropriation Reductions	(\$565.2)
Year-End Balance	\$0.1

* One-time reductions

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**Proposal to Balance FY 2006-07
School Aid Fund Budget
(millions of dollars)**

	<u>Senate Proposal</u>
Projected Year-End Balance	(\$377.4)
Senate Republican Proposal: Senate Bill 221 (S-3)	
PSERS Assets: Mark to Market	(175.6)
PSERS: Interest Only on Accrued Liability	(86.4)
Eliminate Various Categorical Grants	(5.0)
Refinance Durant and School Bond Loan Debt	(40.5)
Reduce Lottery Advertising and Shift Revenue to School Aid	(10.0)
Reduce School Districts' Per Pupil Funding by \$34	(57.4)
Reduce ISDs and Other Entities	(2.5)
Subtotal Appropriation Reductions	(\$377.4)
Year-End Balance	\$0.0

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Attachment A

Recommended Reductions to FY 2006-07 Department of Community Health (DCH) Budget

FY 2006-07 Year to Date DCH GF/GP Appropriation	\$2,940,082,700
Assume Increases in Proposed Supplemental	109,166,200
Assume Reductions in Executive Order 2007 - 3	(33,160,000)
Assumed FY 2006-07 DCH GF/GP Appropriation	\$3,016,088,900

Proposed Reductions

1. Eliminate some of the payment increases enacted in FY 2005-06 and FY 2006-07, including increases to Adult Home Help, physician services, ambulance services, CMH 2.0% wage increase including elimination of related supplemental item (effective May 1, 2007) (this would eliminate the 50 cent/hour Adult Home Help wage increase for those already above minimum wage, would eliminate the 2.0% wage increase for CMH direct care workers, and would eliminate provider increases given to Medicaid ambulance and physician services). (\$10,901,800)
2. Eliminate Healthy Michigan Fund (except for tobacco tax enforcement and poison control grant) (effective April 1, 2007 -- this would end funding for programs on this date) (14,171,400)
3. Increase gainsharing through Hospital/Nursing Home Quality Assurance Assessment Programs; gainsharing would increase by \$3,229,700 GF/GP for Hospitals and Nursing Homes (this would reduce Gross funding to these provider groups by about \$7.4 million apiece) (6,459,400)
4. Increase use of Cost-Sharing. Recent Federal legislation has given States more leeway in implementing cost-sharing measures such as copayments, deductibles, and premiums. Federal law, however, does restrict to whom these cost-sharing measures may be applied. Assuming elimination of Medicaid eligibility for caretaker relatives and Group 2 19-20 year olds, a limited amount of savings from expanded cost-sharing could be realized in FY 2006-07. (1,500,000)
5. Set uniform Adult Home Help wage. Presently some counties pay Adult Home Help workers more than the minimum wage (Alger, Antrim, Benzie, Chippewa, Delta, Gogebic, Grand Traverse, Jackson, Kalkaska, Lenawee, Livingston, Menominee, Muskegon, Ontonagon, and Ottawa). Reducing the wages paid in those counties to equal the wages paid other Adult Home Help workers, effective April 1, 2007, would save \$300,000 GF/GP in FY 2006-07. (300,000)

6. Restrict Adult Home Help hours. Presently the program has limits of 5 hours per month for shopping, 6 hours per month for light housework, 7 hours per month for laundry, and 25 hours per month for meal preparation. Reducing these limits by, on average, 10%, effective May 1, 2007, would result in about \$4.0 million in GF/GP savings in FY 2006-07.	(4,000,000)
7. Reduce non-Medicaid funding for Detroit-Wayne CMH. The Attorney General has ruled that Sec. 459 of the FY 2006-07 DCH appropriation bill is unconstitutional. That language would have reduced the non-Medicaid allocation for Detroit-Wayne CMH by \$3.5 million for each month the board was not constituted as a mental health authority. Implementing this cut explicitly in a supplemental appropriations bill, effective April 1, 2007, would save \$3.5 million/month, or \$21.0 million through the end of FY 2006-07.	(21,000,000)
8. 1.0% Medicaid provider rate cut. A 1.0% cut in Medicaid provider rates, effective May 1, 2007, when applied to payments made by the State and by Medicaid HMOs to providers, would save \$7.0 million GF/GP. Increasing the size of this reduction would save \$7.0 million GF/GP for each percent.	(7,000,000)
Total of All DCH Reductions	(\$65,332,600)

Attachment B

Recommended Reductions to FY 2006-07 Comprehensive Transportation Fund (CTF)

The appropriation for the Department of Transportation is funded with constitutionally earmarked motor fuel taxes and vehicle registration fees, with the exception of programs funded from the Comprehensive Transportation Fund (CTF). The CTF is funded from a combination of constitutionally earmarked revenue and sales tax revenue dedicated by statute. The programs funded with CTF revenue can be reduced up to the level of the sales tax included in the CTF, and the savings result in increased GF/GP revenue.

Proposed Reductions

1. Reduce Local Bus Operating Subsidies by 2.0% (this returns funding to the FY 2005-06 level; this program provides grants to local transit agencies of up to 50% of eligible operating costs for cities with a population greater than 100,000 and up to 60% for cities with a population less than 100,000)	(\$3,347,900)
2. Reduce Intercity Passenger and Freight Programs by 15.7% (this returns funding to the FY 2005-06 level; Intercity Bus Equipment (\$1,000,000) funds operating grants to intercity bus carriers that provide service on routes that face potential abandonment; Freight Preservation and Development (\$1,700,000) funds capital improvements on state-owned rail infrastructure and grants for economic development projects to local government agencies, other state agencies, and private companies; Rail Infrastructure Loans (\$1,000,000) provide interest-free loans for improvements of privately-owned rail freight infrastructure)	(2,700,000)
3. Reduce Bus Capital Grants to Locals by 31.2% (funding level is still above the statutory minimum; provides grants for capital expenditures of local transit systems and specialized services systems)	(7,237,900)
4. Reduce Specialized Services by 4.5% (this returns funding to the FY 2005-06 level; provides grants to local transit agencies for service for the elderly and persons with disabilities)	(170,200)
5. Reduce Transportation-to-Work by 25.7% (this returns funding to the FY 2005-06 level; provides grants to local transit agencies for transportation services targeting public assistance recipients)	(1,244,000)
Total of All CTF Reductions	(\$14,700,000)

Attachment C

Recommended Reductions to FY 2006-07 Department of Corrections (DOC) Budget

FY 2006-07 Year to Date DOC GF/GP Appropriation	\$1,858,555,000
Assume Increases in Proposed Supplemental	39,200,000
Assume Reductions in Executive Order 2007 - 3	(67,551,800)
Assumed FY 2006-07 DOC GF/GP Appropriation	\$1,830,203,200

Proposed Reductions

1. Reduce funding for four community corrections programs (total funding for these four programs is \$46.9 million Gross and \$27.2 million GF/GP)	(\$3,800,000)
2. Reduce worker's compensation	(1,036,900)
3. Eliminate Project Joshua for the remainder of the year. Project Joshua is a collaboration among the Department of Corrections, the Detroit Police Department, and the Attorney General's Office that targets parolees and probationers convicted of gun-related offenses. The Attorney General's Office has announced it will be ending its participation in the program.	(441,700)
4. Discontinue loans to parolees	(294,400)
5. Remove Compensatory buyout and union leave bank. Officer contracts allow them to buy out their compensatory time; the leave bank funds overtime costs for officers replacing those attending union meetings.	(275,000)
Total of All DOC Reductions	(\$5,848,000)

Attachment D

Recommended Reductions to FY 2006-07 Department of Department of Human Services (DHS) Budget

FY 2006-07 Year to Date DHS GF/GP Appropriation	\$1,197,447,900
Assume Increases in Proposed Supplemental	66,041,000
Assume Reductions in Executive Order 2007 - 3	(29,375,700)
Assumed FY 2006-07 DHS GF/GP Appropriation	\$1,234,113,200

Proposed Reductions

1. Child Care Fund Reduction (statutory change needed; this \$195.0 million Fund, \$108.4 million GF/GP, provides a 50.0% reimbursement to counties for juvenile justice services)	(\$5,000,000)
2. Reduce Food Stamp Reinvestment (could impact compliance with Federal mandate for Food Assistance Program error reductions; total funding is \$11.3 million Gross and GF/GP)	(1,000,000)
3. Reduce Information Technology Projects (impedes implementation of changes and enhancements for Child Support Enforcement Services collections and for Bridges benefits distribution system; total funding for IT projects is \$136.1 million Gross and \$38.9 million GF/GP)	(3,000,000)
4. Community Juvenile Justice Centers: Delay/Reduce Youth Transition from Facility Placement to Community (total funding is \$3.4 million Gross and \$1.7 million GF/GP; this reduction would end program for remainder of fiscal year and result in layoff of 37.0 FTEs)	(1,000,000)
5. Reduce Child Support Operations (this reduces support for collections and paternity establishment; total funding is \$23.0 million Gross and \$7.3 million GF/GP)	(1,000,000)
6. FIP Reduction (Caseload: January leveled off; JET expansion projections; total funding is \$354.7m Gross)	(5,400,000)
7. Eliminate GF/GP Funding for Michigan Community Service Commission (reduces State match for Federal grants to 83 counties for volunteer and service activities; total funding is \$9.4 million Gross)	(1,000,000)
8. Move Foster Care placements to private providers	(4,607,900)
9. Reduce Day Care service provider number of hours currently allowed from 100 hours to 90 hours per child per pay period. This reduction was in Executive Order 2007-1	(11,800,000)
10. Community Action Agencies funding reduction. This reduction was in Executive Order 2007-1	(1,175,000)
Total of All DHS Reductions	(\$34,982,900)

Attachment E

Other State Departmental Reductions

Department	Reduction Amount
Attorney General: Reduce proportionally all GF line-items	\$309,000
Civil Rights: Reduce proportionally all GF line-items	472,500
Civil Service: Reduce proportionally all GF line-items	103,600
Education: Reduce central support and State Superintendent's office by \$42,700 each	85,400
Executive: Reduce proportionally all GF line-items except constitutionally required salaries and expenses	204,300
Judiciary: Reduce proportionally all GF line-items except judicial salaries	2,572,000
Management and Budget: Reduce proportionally all GF line-items	1,277,500
Natural Resources: Reduce GF funding, including cormorant control	839,400
State: Reduce proportionally all GF line-items	757,900
Treasury: Reduce revenue enhancement and senior citizen coop housing programs by \$902,500 each	1,805,000
Total of Other State Departmental Reductions	\$8,426,600

Note: Excludes constitutional salaries, debt service payments, program reductions included in Executive Order 2007-3, and the Governor's recommended negative supplemental appropriations.