



## MOVING MICHIGAN FORWARD INVESTING IN OUR FUTURE



### **THERE IS LITTLE DOUBT OF THE ECONOMIC CHALLENGE MICHIGAN CITIZENS ARE FACING:**

- ▶ Our **UNEMPLOYMENT RATE IS MORE THAN 15 PERCENT**, compared to the national average of 9.5 percent;
- ▶ Michigan ranks 51st in unemployment, even beyond Puerto Rico;
- ▶ Michigan has **LOST MORE MANUFACTURING JOBS** over the last eight years than any other state;
- ▶ We are the only state to **LOSE PROPERTY VALUE** over the last four years; and
- ▶ Michigan has the highest number of **PEOPLE MOVING OUT OF THE STATE.**

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This is not the direction Michigan should continue to take. Michigan is a proud state, with a rich history and it will have a vibrant future. But in order to achieve that future, the state must take its current economic troubles and use them as a catalyst for change.

Revenue projections for the state continue to fall, creating a climate of uncertainty around government programs. The economic challenges which face the state are similar to those challenges which many of Michigan's citizens and job providers are also facing. These difficult times provide Michigan a unique opportunity to re-examine the services offered by the state and better prioritize the use of taxpayer dollars to help ensure that Michigan moves forward as a more streamlined, efficient government and a stronger, more attractive state.

The members of Michigan's 95th Legislature are being asked to address billion dollar deficits over the next several fiscal years. It is the belief of House Republicans that these issues must be rectified during the current legislative session and not pushed off to future elected officials. The structural deficit which was passed this legislative session cannot be handed off once again. To address the structural deficit facing the state, a combination of cuts, reforms and reinvestment must be achieved.

*THE PROBLEMS FACING MICHIGAN'S BUDGET HAVE NOT SPRUNG UP OVERNIGHT. THERE HAS BEEN EVIDENCE OF STRUCTURAL PROBLEMS FOR THE LAST SEVERAL FISCAL YEARS.*

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## **HISTORICAL TIMELINE: DIGGING THE HOLE**

### **FISCAL YEAR 2006-2007**

During Fiscal Year 2007, a General Fund deficit of over **\$345 MILLION** was identified along with a School Aid Fund deficit of **\$377 MILLION** in January. Over the year, that deficit figure increased to more than **\$500 MILLION IN EXPECTED SHORTFALL**. The governor responded with an Executive Order (EO 2007-03) to reduce spending by \$274 million; of those reductions \$70 million were fund raids and work project fund shifts, while an additional \$100 million was achieved by one-time adjustments to employee retirement rates and other retirement gimmicks. A \$185 million savings was also projected for the School Aid Fund after changes to the actuarial valuation of the Public School Employees Retirement System were assumed. Later in the year the governor further balanced the budget with negative supplemental appropriations and accounting gimmicks. An example of one such gimmick was to withhold the final annual payment to Michigan's Universities and Community Colleges and instead push the payment into the following fiscal year, thereby shifting a \$90 million problem to the future. In all, the Fiscal Year 2007 budget was propped up with **\$1 BILLION IN ONE-TIME FIXES**; fixes which are not carried into the future but instead provide a short term stop-gap.

### **FISCAL YEAR 2007-2008**

This budgeting trend continued into Fiscal Year 2008 and resulted in a tax increase on Michigan's citizens and businesses. The downward revenue trend continued and a \$1.75 billion budget deficit was discovered, predicated on spending increases. The \$1.75 billion deficit included \$150 million for state employee pay increases, nearly \$300 million in program increases for K-12, a 2.5 percent increase in state funding to Universities and Community Colleges, and multiple new programs. Rather than curtail spending, the governor sold the deficit as a chasm which could only be crossed with a tax increase. **IN THE END, TAXES ACROSS THE STATE WENT UP MORE THAN \$1 BILLION**. In exchange, the people of Michigan were promised \$440 million in cuts to a budget that totaled over \$43 billion.

### **FISCAL YEAR 2008-2009: CURRENT YEAR**

Early in 2009, estimates indicated that the state was facing a \$300 million deficit. The governor planned on using stimulus dollars to patch the problem. Since then, estimates indicate that the state was actually facing a \$1.3 billion revenue problem mid-year. To solve the problem, the governor issued Executive Order 2009-22, a reduction in mid-year spending of \$294 million. The remainder of the problem is expected to be filled with more than **\$1 BILLION OF FEDERAL STIMULUS MONEY**; money which will no longer be able to go towards job creation and economic development.

## LOOKING FORWARD

The pattern has become very predictable. Each year the governor presents a budget which is balanced upon wishful thinking and small revenue increases and requires significant reduction midway through the fiscal year. The time has come to stop this pattern and instead produce budgets during the next two fiscal years to appropriately eliminate the state's structural deficit while reforming the way the state does business. Eliminating government waste, re-evaluating spending priorities and reinvesting where necessary will allow Michigan to stop the annual budget bickering and focus on what is important: growing jobs in Michigan.

Michigan's population is shrinking, which means government should shrink as well. A consistently dwindling revenue stream and struggling business sector do not afford the state the same financial options as had been available in the past. The first step towards righting the state's fiscal ship is to curtail spending. The state must get its spending in line with economic realities.

During the Granholm/Cherry administration, we've seen a significant increase in state spending, which must stop now. Adjusted gross spending levels in FY 2004 were \$39.3 billion. The governor's most recent recommendation spends more than \$43.4 billion. That's more than \$4 billion in recommended spending increases during a time in which Michigan families are leaving and job providers are struggling to keep their doors open.

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*Forward thinking and fiscal conservatism needs to be applied to the upcoming fiscal years as a means of responsible governing. We can no longer wait until next year to do what must be done today, and Michigan's economy cannot withstand another tax increase.*

## **IMMEDIATE COST-SAVING MEASURES: \$1.3 BILLION**

The economic climate facing the state will most certainly require cuts to services; and while this is an unfortunate situation, it is a responsible tone which much be adopted in Lansing. A list of more than \$878 million cuts has been attached to this document to provide a base for the cuts needed in the upcoming year. Many of these cuts can be annualized to assume savings many years down the road. The cuts presented are difficult to make and are not presented lightly, yet making difficult cuts today will help to shrink government over time and prevent the state from facing similar issues again in the near future.

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### **REFORMS**

Immediate cost-saving measures are only one aspect of the House Republican plan to reinvest, reform and restructure Michigan. True government reforms must also be considered as a means of providing a stronger business climate and a friendlier overall state environment. Reforms cannot be considered as an immediate cost-saving measure, as some reforms do not realize savings for several years, but instead as a means of producing a more efficient and stronger Michigan.

To begin, the Legislature must review the suggestions which are forthcoming from the Legislative Commission on Government Efficiency. The commission has been meeting regularly since early 2008 and its findings must be considered to help streamline state government. In addition to the suggestions from the legislative commission, the amount of regulation put forward by state agencies such as the Department of Environmental Quality and MIOASHA needs to be evaluated, benchmarked and compared to those found in other states. Michigan leads the nation in over-regulation. Given the economic situation facing the state, it may be time to consider a moratorium on the construction of state buildings.

In fact, the need for reform should extend to all aspects of the state. A list of the reforms under consideration is attached to this memorandum.

### **STIMULUS SPENDING: INVESTING IN INFRASTRUCTURE, NOT FILLING HOLES**

Rather than continue to use the stimulus money as a patch to ignore the problem, Fiscal Years 2010 and 2011 must be used to make significant reductions in state spending so that the state does not find itself managing a worsening fiscal crisis each year. The cuts and reforms to the upcoming fiscal years must be used to balance the budget without using the federal stimulus money as a crutch. That stimulus money must be spent to create jobs, and improve the economy.

Rather than using all the available stimulus dollars to fill budget holes, House Republicans argue that cuts and reforms must be used to balance the budget in order to stimulate the economy in the state. There is no shortage of ideas with regard to how the stimulus money should be spent. The following list of ideas takes nearly \$620 million of stimulus dollars and directs them back into the state economy rather than using them to prop up the state's fiscal troubles.

▶ **ROAD AND BRIDGE AID (\$419 MILLION)**

Create a legislative package to designate \$419 million of General Fund revenue (freed up due to the federal stimulus) for a state and local road and bridge aid initiative. A total of \$213 million would be deposited into the State Trunkline Fund, prohibited from being used for any other purpose than assisting MDOT in meeting its federal matching requirements in 2011 and 2012. A total of \$6 million would be deposited into a newly created Grade Crossing Surface Account within the State Trunkline Fund. These funds are intended to repair hundreds of deteriorated railroad grade crossing surfaces used by motorists throughout the state. Railroads will still provide the majority of funding for these projects, but this \$6 million will provide much-needed financial assistance to ensure that these projects can be completed, while generating new construction jobs at the same time.

The remaining \$200 million would be deposited into a newly created Local Road Improvement Fund under MDOT. Local road agencies could apply for project funding for local road improvements. The grants would cover 80 percent of the project cost, and the local agency would be required to provide a 20-percent match. The projects must be under construction or let for bid no later than Oct. 1, 2011.

▶ **REINVEST IN SMALL BUSINESS JOBS (\$50 MILLION)**

The Capital Access Program (CAP) is a direct bank-to-business transaction and as such a private transaction between banks and borrowers. Neither the state nor the MEDC plays any role in the lending decision or setting the terms and conditions of the loan. Modify the program so that instead of each institution holding its own reserve account through the Michigan Economic Development Corporation, the MEDC instead manages a consolidated account on behalf of all of the institutions that participate in the CAP program. Further, that account would initially be funded with \$50 million in stimulus funds for lending institutions to draw against in case of a loss. However, as opposed to CAP's current policy, which a lending institution to recover 100 percent of its loss, a participating lender would only be able to recover 80 percent of its loss. There is a built-in incentive for a lender to be prudent in making the loan, but the guarantee is substantive enough that it will enable a lender to prudently make riskier loans as it allows a lender to withstand a substantially higher loss rate than it could tolerate under its conventional loan portfolio.

▶ **LOWERING HEALTH CARE COSTS THROUGH HEALTH IT IMPROVEMENTS (\$100 MILLION)**

According to researchers at the Rand Institute, an effective Health IT system adopted by 90 percent of the healthcare industry could result in an annual savings of \$77 billion nationwide through increased efficiency alone. The Kaiser Family Foundation reported that Michigan spent about \$51 billion on healthcare in 2004. This represents approximately 4 percent of total healthcare spending nationwide. Therefore, if at least 90 percent of healthcare providers in Michigan adopted fully functional HIT systems, the state could see a savings in healthcare spending of at least \$3 billion. The importance of implementing a fully functional HIT system has not gone unnoticed by the federal government. As part of the American Recovery and Reinvestment Act (ARRA), \$19 billion was allocated specifically for HIT expansion. Approximately \$2 billion will be distributed to states through a grant process; most state-level professionals realize that once divided among each other, this is a relatively small amount of money, so are focusing on using these funds to establish statewide information exchange systems.

House Republicans would like to dedicate \$100 million of ARRA funds to healthcare providers in order to assist them in acquiring the technology they need to participate in the HIT. Of this, \$80 million would be available for the following, in order or priority: family physicians, general practitioners and pediatricians working in rural areas followed by those same professionals in urban areas whose patient caseload includes at least 25 percent Medicaid patients. The remaining \$20 million would be available for hospitals with priority given to those serving rural areas. If each provider used the full allowable amount and these funds were completely exhausted, over 5,300 physician practices and 130 hospitals could be made electronic. This represents almost two-thirds of practicing family physicians, general practitioners and pediatricians in the state. Assisting these providers in transitioning to electronic record keeping and medical practice would be a major accomplishment in realizing the implementation of a functional HIT system, something that is so vital in continuing to deliver quality healthcare while working to keep the cost of healthcare affordable to our citizens.

► **DEPOSIT \$50 MILLION IN ARRA FUNDS INTO THE AGRICULTURAL INNOVATION FUND FOR VALUE ADDED GRANTS**

The Agricultural Innovation Fund was created under the Julian-Stille Value-Added Act in 2000 to encourage the development of value-added agricultural processing and production in the state. A portion of the fund is designated for grants, which may be awarded to individuals, farmer-owned cooperatives, businesses and local units of government to be used for land, buildings or equipment; improvements to physical infrastructure; marketing research; business plan development; and other purposes.

There have been two rounds of grants issued under the program; the first was in 2000, and was funded by federal block grants. The second round of grants was in 2006, funded by money from the 21st Century Jobs Trust Fund. Because money for the program was appropriated only from one-time sources, amendments were enacted in 2006 to require the Michigan Department of Agriculture (MDA) to establish a low-interest loan or loan guarantee program, to stretch the Agricultural Innovation Fund's limited resources. A portion of the allocation from the 21st Century Jobs Trust Fund was designated for low-interest loans or loan guarantees, although the MDA has not yet implemented such a program. Demand for grants far exceeds the amount of money available.

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In order for Michigan to come out of its recession as a national leader, the state must first stop spending money it does not have. The Legislature and governor must be responsible stewards of the public's money and of the public's trust. An honest assessment of the services that can be afforded must be considered, rather than continue to attempt to offer a wish-list of services. The state must address its current problems without passing them to the future. Cuts must be made. Reforms must be enacted today, to achieve long-term savings. Action must be taken today to put an immediate stop to the hemorrhaging of jobs and to start creating a climate in which jobs can grow. The problems inherited by the 95th Legislature should not be allowed to continue. The time to act is now.



# HOUSE GOP LONG-TERM GOVERNMENT REFORM PROPOSAL



## REFORMS

### ATTORNEY GENERAL

- ▶ Create an independent Medicaid Inspector General to root out fraud with an estimated savings of \$90 million annually.



### CORRECTIONS

- ▶ Examine opportunities for privatization of services in prisons.



### HUMAN SERVICES

#### WELFARE REFORM

- ▶ Implement an actual four year limit to able-bodied, work eligible FIP recipients in the state. By making the timeline retroactive, the state could save \$51.0 million GF in the first year of implementation.

#### RATE UNIFORMITY FOR DAY CARE SUBSIDIES (SOURCE: HFA ESTIMATES)

- ▶ Adjust relative providers rate down to non-relative level.
- ▶ Projected estimates assume a full year savings of \$27 million.

#### PRIVATIZE JUVENILE JUSTICE

- ▶ Projected savings (Source: HFA estimates)
- ▶ \$2.05M GF/GP savings and \$1.49M School Aid savings (first year)
- ▶ \$5.54M GF/GP savings and \$1.49M School Aid savings (long term)

**IMPLEMENT “THREE STRIKES AND OUT” POLICY FOR DAYCARE SERVICE PROVIDERS THAT RECEIVE DAYCARE SUBSIDY PAYMENTS FOR FILING FRAUDULENT CLAIMS.**

**REQUIRE DAYCARE PROVIDERS TO PAY BACK ANY FRAUDULENT PAYMENTS BEFORE FUTURE SUBSIDY CLAIMS PAID.**

**FREEZE ENROLLMENT IN THE EARNED INCOME TAX CREDIT PROGRAM AT FY ‘09 LEVELS. \$180 MILLION SAVINGS EXPECTED.**

**PRIVATIZE LOCAL HUMAN SERVICES OFFICES: UTILIZE LOCAL COMMUNITY BASED ORGANIZATIONS TO ADMINISTER SERVICES.**

**INCREASE CO-PAYS FOR INDIVIDUALS ON STATE ASSISTANCE.**

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## **LOCAL AND STATE GOVERNMENT**

- ▶ Revise PA 312;
  - ▶ Establish an absolute freeze to the number of full time state employees;
  - ▶ Establish a hard-line travel ban;
  - ▶ Revise Urban Cooperation Act (House Bill 5090: (Denby) and 4151 (Opsommer)); and
  - ▶ Eliminate prevailing wage on school construction.
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## **REGULATORY REFORM PACKAGE**

**REQUIRE THE DEQ TO EVALUATE AND MEASURE ITS PROGRAMS RELATIVE TO REQUIREMENTS IN OTHER STATES**

- ▶ HB 4898 (Stamas) requires DEQ to benchmark or peer review at least two of their programs annually. These evaluations should help improve implementation of the programs and keep Michigan businesses on a level playing field with competitors in other states. Benchmarking and peer review are common mechanisms to review government programs. In fact, the Michigan Manufacturers Association worked with DEQ several years ago to do a similar review of the air permitting program. It was very successful and produced several important changes that improved the permitting process.

**ESTABLISH A STATUTORY INSPECTION PROTOCOL TO ENSURE STATE GOVERNMENT DOES NOT USE ITS INSPECTION POWER TO UNFAIRLY TARGET OR HARASS JOB PROVIDERS**

- ▶ HB 4902 (Agema) requires that the DEQ, DNR and Department of Agriculture use a stratified random sampling process to select persons (businesses) that are subject to inspection. Stratified sampling is defined by dividing the population to be inspected into distinct non-overlapping subgroups based upon certain characteristics and then a sample is taken from each of the subgroups so there is an equal chance that a business would be chosen for inspection. The size of the sample is proportional to the size of the subgroup. This will help assure that particular businesses are not being

singled out for what should be “random” inspections for compliance.

Establishing an inspection protocol in statute creates certainty for job providers letting any new or existing Michigan business know they cannot be targeted by state government if they raise questions or concerns about how an agency is processing permits or enforcing the law.

### **ALLOW PRIVATE SECTOR REVIEW OF PERMIT APPLICATIONS WITH DEQ SIGN-OFF**

- ▶ HB 4908 (Bolger) establishes a mechanism for licensed professionals in the private sector to review permit applications according to state law and regulations and make a determination on whether the permit should be granted. DEQ then reviews the documentation and approves or denies the permit with a specified timeframe. The private sector professional cannot work for the company applying for the permit.

This addresses two problems raised by the business community. First, it would provide continuity and certainty because it stops the continual requests for information and permit changes as the file moves from one bureaucrat to another. DEQ would receive the determination from the private sector professional and would be required to make a decision based on the information in the file – nothing more and nothing less. Secondly, if a business needed their permits in a specified timeframe they can work with the private sector professional to expedite the process.

This bill puts market incentives into the permit application process but still provides a check and balance with DEQ signoff. If a business is not happy with the service received from the private sector professional it can find a new professional. On the other hand, the private sector professional will work diligently to keep the business as a client.

### **PROHIBIT RULES THAT ARE MORE STRINGENT THAN FEDERAL REQUIREMENTS UNLESS SPECIFICALLY AUTHORIZED BY LAW**

- ▶ HB 4909 (Haines) would inset this requirement into the Administrative Procedures Act (APA). It would keep Michigan on a level playing field with other states. It allows more stringent requirements only if the Legislature decides it's in the best interest of Michigan rather than leaving that decision to unelected bureaucrats. The bill also incorporates a recent attorney general's opinion to ensure that DEQ operational memorandum do not have the force and effect of law.

### **IMPROVE THE ADMINISTRATIVE PROCEDURES ACT (APA)**

- ▶ HB 4988 (Meekhof) would require state agencies to consider exempting small businesses from a proposed rule after considering the number of small businesses effected, the effects on small businesses, whether small business should be treated differently in respect to compliance/reporting, whether they should be exempted from compliance/reporting requirements, and whether they should be regulated through performance standards as opposed to design or operational standards. It also requires a cost / benefit analysis be included within the regulatory impact statement to ensure benefits of a rule outweigh the costs.

Changes within the APA simply ensure that an agency has methodically and objectively evaluated the need for a rule and ensures everyone understands the consequences of promulgating the rule. It is hoped that requiring a more in-depth analysis will lead to better decisions.

## **SCHOOL AID BUDGET**

### ***STREAMLINE SCHOOL ELECTIONS TO TWO TIMES PER YEAR***

- ▶ Elections are a very necessary part of the democratic process, but come with a great cost to cash-strapped school districts. Holding two elections per year per district will help ease the cost burden.

### ***PASS “ED-FLEX” LEGISLATION, HB 4979/80 (PAVLOV/BOLGER)***

- ▶ Allows schools to apply to the state superintendent to temporarily suspend a particular mandate. School districts frequently claim that the number of federal and state mandates placed upon them ignores the uniqueness of their circumstances and impedes their ability to educate students.

By giving districts, on a case-by-case basis, the freedom to experiment with different and possibly better ways of serving their students, the state can identify ineffective requirements and replace them with concepts that work and save schools money in the process

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## **GOVERNMENT TRANSPARENCY**

- ▶ Since 2007, House Republicans have advocated for greater government transparency and the creation of an easy-to-use Web site. Our caucus has introduced House Bills 4043 (Meltzer), 4121 (McMillin), and 4150 (Opsommer) to require all state spending for state agencies to be publicly available on a searchable Web site.

House Bills 4628 (DeShazor) and 4609 (Meltzer) put in place the same transparency requirements on public schools and Intermediate School Districts.

A transparent government is compelled to be an honest one, and we are committed to creating a Web site that provides real-time transparent reporting for every dime of taxpayer money.

- ▶ Closely examine number of state employee funded positions with true number of working employees.

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## **UNEMPLOYMENT INSURANCE REFORMS**

### ***PROVIDE COST-SAVINGS TO THE UI TRUST FUND BY ELIMINATING BENEFIT OVERPAYMENTS***

- ▶ Based on U.S. Department of Labor statistics, Michigan overpaid unemployment benefits by at least \$170 million in 2007. Included in this was \$98.3 million paid to UI claimants who were ineligible to receive unemployment benefits.
- ▶ In testimony before the Senate Commerce and Tourism Committee earlier this year, the Michigan Chamber of Commerce contended that other states are using specialized software to prevent UI overpayments and have identified individuals fraudulently receiving unemployment benefits. Michigan could do the very same thing and potentially save the UI trust fund millions in unnecessary benefit payments each year.
- ▶ At least 12 other states and the District of Columbia are using a similar system.
- ▶ This step would ensure that the state’s unemployment funds are being used to assist workers and families truly in need of assistance. It will also assure unemployment taxpayers (employers) that their contributions are being managed as efficiently as possible; hopefully helping to prevent the necessity of a future UI tax increase.



# MOVING MICHIGAN FORWARD

## INVESTING IN OUR FUTURE



## IMMEDIATE COST-SAVING MEASURES

(expected savings in millions)\*

### FY 2010 GENERAL FUND/GENERAL PURPOSE CUTS FOR HOUSE REPUBLICAN BALANCE BUDGET

#### AGRICULTURE

- |  |            |
|--|------------|
| ▶ Eliminate General Fund funding for the MI Agriculture Surplus System | <b>0.5</b> |
| ▶ Eliminate funding for pet shop and riding stable inspections         | <b>0.2</b> |
| ▶ Eliminate funding for seed and fertilizer testing                    | <b>0.4</b> |
| ▶ Reduced GF funding for environmental stewardship                     | <b>0.4</b> |
| ▶ Department wide reduction in funding for rent                        | <b>0.4</b> |
| ▶ Reduction in funding for Agriculture Statistics                      | <b>0.1</b> |
| ▶ Reduction in funding for top-tier administrator positions            | <b>0.1</b> |
| ▶ Reduce funding for Information Technology                            | <b>0.2</b> |
| ▶ Other line reductions and closure of regional offices                | <b>0.6</b> |

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**Subtotal**

**\$2.8 MILLION**

#### CORRECTIONS

- |  |             |
|--|-------------|
| ▶ Restore phone user fees for prisoners          | <b>5.0</b>  |
| ▶ Eliminate pay increases for FY09-10            | <b>9.3</b>  |
| ▶ Food service contracting/privatization savings | <b>10.0</b> |
| ▶ De-fund regional prison administrative offices | <b>1.4</b>  |
| ▶ Reduction to central offices by \$10 million   | <b>10.0</b> |
| ▶ Reduce overtime                                | <b>15.0</b> |

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**Subtotal**

**\$50.7 MILLION**

## COMMUNITY HEALTH

▶ Reduce funding available to administer mental health, medical services and public health services	12.0
▶ Reduce funding available for mental health services for non-Medicaid persons, and substance abuse services	150.0
▶ Reduce funding available to state psychiatric hospitals and centers	8.9
▶ Health profession and health facilities regulatory GF/GP cuts	7.6
▶ Reduce non-Medicaid special health care services	1.2
▶ Reduce funding available to aging community services and nutrition	24.0
▶ Demand accountability and withhold payments to Wayne CMH until they become an Authority	35.0
▶ Increase Medicaid co-pays	20.0
▶ Institute AG's recommended Office of Medicaid Inspector	90.0
▶ Transfer MI Child to Medicaid Health Plans	1.0
▶ Expand 3rd Party liability information sharing to include auto insurers	10.0
▶ Consolidate services provided by local departments of Community Mental Health, Coordinating Agency, Public Health, Area Agency on Aging	2.0

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### **Subtotal**

**\$361.7 MILLION**

## COMMUNITY COLLEGES

▶ Eliminate Ren Zone Reimbursement	3.5
▶ Eliminate "At-Risk" payments	3.3

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### **Subtotal**

**\$6.8 MILLION**

## DEPARTMENT OF EDUCATION

▶ Eliminate new FTE positions	0.3
▶ Reduce unclassified salaries by 25%	0.1
▶ Reduce operating budget by lump sum	0.5

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### **Subtotal**

**\$0.9 MILLION**

## DEPARTMENT OF ENVIRONMENTAL QUALITY

▶ 18% department wide reduction (in addition to \$7 million Executive Recommendation cuts)	6.0
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### **Subtotal**

**\$6.0 MILLION**

## GENERAL GOVERNMENT

▶ Attorney General Operations Reduction	0.6
▶ Department of Civil Rights Operations Reduction	0.2
▶ Executive Operations Reduction	0.1
▶ Legislature Operations Reduction ( <i>includes Auditor General</i> )	2.5
▶ Management and Budget Operations Reduction	6.3
▶ State Operations Reduction	0.6
▶ Treasury Operations Reduction	1.4
▶ Treasury: Eliminate remaining 21st Century Jobs annual allocation	53.0

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### **Subtotal**

**\$64.7 MILLION**

## HIGHER EDUCATION

▶ Reduce Agriculture Extension Services/Cooperative Extension Services funding	6.4
▶ Eliminate remaining GF for Financial Aid	92.7
▶ Freeze Promise Grant Costs at FY '09 level and transfer Merit Award Trust Fund dollars to GF	67.5

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### **Subtotal**

**\$166.6 MILLION**

## HISTORY, ARTS AND LIBRARIES

▶ State Aid to Libraries reduction	2.5
▶ Privatize State Historical Marker Program	0.1
▶ HAL - Historic Preservation and Archaeology reduction of 50%	0.5
▶ 10% reduction to all other GF programs	2.9

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### **Subtotal**

**\$6.0 MILLION**

## HUMAN SERVICES

▶ Daycare Provider Rate cut 10% ( <i>Federal funds will be redirected to offset GF in DHS</i> )	45.4
▶ Reduce funding to Family Independence Program payment	70.8
▶ State Disability Assistance 20% reduction	6.8
▶ Emergency services 10% reduction	5.9
▶ Partial Tuition Reimbursement	1.0
▶ Eliminate Michigan Home Based Child Care Council	0.8
▶ Eliminate Scheduled Private Agency Daily Administrative Rate Increase	22.4
▶ Eliminate Scheduled Increase to Private Adoption Agencies	7.2
▶ Michigan Community Service Commission elimination	1.3
▶ Salary Reduction	10.0

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### **Subtotal**

**\$171.6 MILLION**

**DEPARTMENT OF LABOR AND ECONOMIC GROWTH**

▶ Reduction of funds to Michigan Nursing Corps	<b>3.5</b>
▶ Eliminate Office of Insurance Advocate and the position of State Automobile and Home Insurance Consumer Advocate	<b>0.3</b>
▶ Balance fund transfer from Bureau of Fire Services	<b>3.0</b>
▶ Reduce funds available to No Worker Left Behind program	<b>10.0</b>
▶ Michigan House and Development Fund reduction	<b>1.0</b>
▶ Eliminate Commission on Spanish Speaking Affairs	<b>0.3</b>

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**Subtotal****\$18.1 MILLION****STATE POLICE**

▶ Cut funding for special operations and events by 50%	<b>1.0</b>
▶ Reduce fleet leasing/mileage another \$1 million	<b>1.0</b>
▶ 15% cut to Support Services	<b>2.0</b>
▶ Eliminate Truck Safety Enforcement Team ( <i>restricted transfer to free up GF</i> )	<b>1.3</b>

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**Subtotal****\$5.3 MILLION****OVERALL CUTS**

▶ Freeze 1% state employee pay raise	<b>17.5</b>
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**Subtotal****\$17.5 MILLION****TOTAL FY'10 GENERAL FUND CUTS****\$878 MILLION**

*\*In addition to governor's recommended cuts for FY'10*



# MOVING MICHIGAN FORWARD INVESTING IN OUR FUTURE

## PROPOSED HOUSE REPUBLICAN BALANCE SHEET

PROPOSED FY 2010 HOUSE REPUBLICAN GENERAL FUND/GENERAL PURPOSE BALANCE SHEET

### GENERAL FUND/GENERAL PURPOSE

- ▶ Revenues
- ▶ Estimated Spending

<b>\$7.71 Billion</b>	<b>\$9.47 Billion</b>
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**Estimated Deficit** **\$ (1.76 Billion)**

<b>PROPOSED HOUSE GOP CUTS:</b>	<b>\$ 878 Million</b>
<b>PRESERVE EITC AT FY09 LEVEL</b>	<b>\$ 180 Million</b>
<b>ANNUALIZED EO 2009-22 AND OTHER ACTIONS</b>	<b>\$ 302 Million</b>
<b>TAX INCREASES</b>	<b>\$ 0</b>

**Total Proposed Solution** **\$ 1.361 Billion**

**PROJECTED BALANCE WITHOUT STIMULUS FUNDS** **\$ (399 Million)**

<b>TOTAL AVAILABLE STIMULUS FUNDS</b>	<b>\$ 1.172 Billion</b>
<b>FEDERAL ARRA USED TO BALANCE</b>	<b>\$ 399 Million</b>

**Projected Ending Balance** **\$ 0**

<b>PROJECTED STIMULUS DOLLARS SPENT ON STIMULUS PROJECTS</b>	<b>\$ 620 Million</b>
<b>PROJECTED UNENCUMBERED STIMULUS DOLLARS</b>	<b>\$ 154 Million</b>

**SCHOOL AID FUND**

▶ Available Revenue	\$ 12.34 Billion
▶ Total Expenditures	\$ 13.16 Billion

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***Estimated Balance*** \$ (821 Million)

***PROPOSED STIMULUS: STATE FISCAL STABILIZATION FUND*** \$ 409 Million

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***Remaining Shortfall*** \$ (412 Million)

***ADDITIONAL CUTS TO SCHOOL AID FUND*** \$ 412 Million

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***Projected Ending Balance*** \$ 0