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Executive Order Presented to Bring '03 Budget into Balance

Preserves Core Family Programs and Addresses Structural Deficit

LANSING – On behalf of Governor Jennifer M. Granholm, State Budget Director Mary A. Lannoye today presented Executive Order 2003-3 to a joint session of the House and Senate Appropriations Committees in order to balance the fiscal year 2003 budget. The recommended plan will cure the shortfall in the state's General Fund Budget of \$158.3 million.

“This proposal is the first step in addressing our structural deficit in order to become more efficient and effective for our citizens,” said Governor Granholm. “We’ve worked hard to ensure that the things that matter the most – protecting families and children – suffer the least. While we have made no secret of the fact that everyone will unfortunately have to share the pain of cuts, these proposed reductions represent the best of a dark situation.”

Governor Granholm and Director Lannoye acknowledged that while these reductions represent tough decisions, they were tremendously proud of the family-oriented programs they were able to preserve. Initiatives that were preserved from reductions include: Medicaid and mental health services; revenue sharing payments; benefits for needy families and disabled adults on welfare; Welfare-to-Work programs; foster parent rates and payments for child care agencies; child day care benefits; local public health operations funding; services to veterans; environmental protection programs; and many more.

Items contained in the reduction strategy include:

- \$76 million in general fund administrative savings for Executive Branch agencies (which includes \$10 million in information technology savings across state government), bringing the year-to-date general fund reductions for state agencies to 4.2%;
- a 4.8%, or \$252,500, reduction in Executive Office spending, bringing the fiscal year total reduction to 7%, or \$378,000;

(more)

- a 1.5% reduction in spending to universities and community colleges of \$30.3 million, bringing their total fiscal year reduction to 3.5%;
- funding reduction for the Life Sciences Corridor of \$12.5 million;
- reducing a number of state administered grants for the current fiscal year by 5%;
- administrative savings in both the Judiciary and the Legislative branches which equal \$1.1 million and \$2.1 million, respectively (a negative supplemental must be passed by the legislature for this to occur);
- recognizing \$8.9 million in additional state restricted revenue from existing Quality Assurance Assessment on hospital beds; and
- \$4.9 million in a new Medicaid financing initiative with practitioners affiliated with public hospitals.

After adoption of this Executive Order, state general fund spending will have been reduced \$405 million since October 1, 2002.

“While no one relishes the thought of reducing spending this late in the game, we are forced to take this action in order to bring spending in line with our revenues,” said Budget Director Lannoye. “As shown in last month’s Consensus Revenue Estimating Conference, tax revenues in the last two months of 2002 were considerably lower than had been anticipated – requiring this action.”

“I appreciate the hard work and cooperation the leaders of the House and Senate have displayed thus far and hope we can act quickly to approve this proposal and move on to the pressing matters in next year’s budget,” said Governor Granholm.

Under state law, once an Executive Order is presented, the appropriations committees have 10 days to either approve or disapprove by a majority vote (without amendment) the reductions contained within the order.

A copy of the Executive Order and this release are available on the state’s Web site: www.michigan.gov/budget.

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