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GOVERNOR

STATE OF MICHIGAN
OFFICE OF THE STATE BUDGET
LANSING

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Governor Granholm's 2010 Executive Budget Addresses Structural Deficit, Protects Families

LANSING – State Budget Director Robert Emerson today presented Governor Jennifer M. Granholm's 2010 executive budget recommendation to a joint session of the Senate and House Appropriations Committees. The governor's budget is a combination of spending cuts and government reforms necessary to address both the on-going structural deficit in Michigan's budget and the cyclical challenges caused by the national recession.

"The budget I present today addresses the reality that Michigan's economy is likely to get worse before it gets better," said Granholm. "The cuts and reforms I propose will be painful, but they are critical to help us weather this current economic storm and to enable us to invest in the things that matter most to our citizens."

The fiscal year 2010 budget recommendation reaffirms the governor's commitment to creating jobs, providing the education and training citizens need to fill them, and protecting families in this time of economic challenge. The No Worker Left Behind program, the 21st Century Jobs Fund, funding for community colleges – key partners in expanded job training – and revenue sharing are all maintained. Additional investments in the state's unemployment insurance system, child welfare system, and State Police crime labs are recommended. Health care for vulnerable citizens is also protected. No Medicaid program cuts are recommended and health care coverage is expanded to 4,000 disabled children at no additional state cost.

The overall budget totals \$44.2 billion and includes \$8.9 billion in general fund spending, \$11.4 billion from the School Aid Fund, and recognizes \$13.3 billion in federal revenues.

To address the state's on-going structural deficit, Granholm's proposal recommends \$670 million in spending reductions and government reforms, including elimination of the Department of History, Arts, and Libraries. In addition, the budget recommends \$230 million in revenue adjustments through tax loophole closures, increased liquor license fees and permit revenues, lottery investments, and tax enforcement actions. As many as 1,500 employee layoffs are expected by the end of fiscal year 2010.

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To address the short-term cyclical challenges created by the on-going national recession, the governor's recommendation includes the use of \$500 million in increased federal funding for Medicaid. The additional funding is expected through the federal economic recovery package currently being debated in Congress. Forecasts for fiscal year 2011 anticipate sufficient revenue growth to more than account for this one-time spending.

"Impending action by Congress on a federal economic recovery package will create a strong temptation to put off difficult budget decisions," said Granholm. "But we cannot allow one-time funding from Washington to weaken our resolve to get our fiscal house in order. Taking difficult steps now to reform our government will ensure that Michigan is prepared to meet our economic needs long after those one-time funds are gone."

Government reforms included in Governor Granholm's 2010 budget include:

- Closing several additional correctional facilities;
- Closing the Department of Community Health's Mount Pleasant Center for Persons with Developmental Disabilities, transferring the patients to community-care settings, as appropriate;
- Closing the Department of Human Services' Maxey Woodland Training Center, transferring youth offenders to a smaller, more cost-effective facility on the Maxey campus, to allow the Department of Corrections to use that facility to house male inmates;
- Closing the Michigan State Police crime lab in Marquette;
- Ending financial support for the state fairs in Detroit and Upper Peninsula;
- Eliminating supplemental financial support for the horse-racing industry;
- Returning responsibility for wetlands protection to the federal Environmental Protection Agency;
- Overhauling the state's higher education scholarship programs to create a single merit-based scholarship – Michigan Promise Grants – and a single needs-based scholarship – Michigan College Access Grants – open to all students attending public or private institutions,
- Combining the Cooperative Extension Service and Agricultural Experiment Station;
- Consolidating energy programs in the Department of Energy, Labor and Economic Growth;
- Eliminating the Department of History, Arts, and Libraries and funding for state arts grants;
- Opening a one-stop-shop for business – a simple Web portal where hundreds of business transactions come together seamlessly on-line;
- Seeking employee concessions;
- Expanding investment in community-based monitoring for parolees;
- Accelerating transition of seniors and the disabled from nursing homes to community-care settings.

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Spending cuts included in Governor Granholm's 2010 budget include:

- Eliminating more than \$50 million in earmarks, including pilot programs and programs which serve single school districts, communities or regions;
- \$120 million in cuts in the Department of Corrections, including the closure of additional facilities;
- \$106 million in cuts in the Department of Community Health, including reductions in the Office of Services to the Aging, elimination of the Office of Drug Control Policy and changes in prescription drug purchasing;
- \$100 million in cuts in the Department of Human Services, including eliminating funding for before and after school programs and the state supplemental payment for Supplemental Security Income recipients;
- \$164 million in cuts to K-12 spending, which includes a reduction in per-pupil foundation allowance of \$59 per student; and
- \$100 million in cuts to higher education funding, including a three-percent reduction to university operations.

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A copy of the governor's recommended budget and related materials are available at www.michigan.gov/budget