

STATE BUDGET UPDATE

**Presented to the
Wayne County Association of
School Boards**



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Consensus Economic Forecast

Real GDP

- 1.9% decline forecast for 2009, followed by 1.6% increase in 2010.
- Since the Great Depression, only 1946 and 1982 exhibited larger declines in GDP than the forecast for 2009.
- The expected decline in real GDP of four to six consecutive quarters would be longer than the previous record of three quarters, set in both 1953-54 and 1974-75.

Consumer Confidence

- November reading third lowest in 50+-year history of Index.
- Majority of consumers expect inflation-adjusted income declines in 2009.

Light Vehicle Sales

- 2009 forecast of 10.8 million units would be the worst year since 1982.
- 2009 forecast is down 18.0% from 2008, and down 35.0% from the 2002-2007 average of 16.6 million units.
- In the mid-1990s, the Detroit 3 sold 73.0% of total U.S. light vehicle sales (about 11 million units), compared with 48.0% (about six million units) in 2008.
- February 2009 light vehicle sales were the second worst since modern records started in January 1976. The 9.1 million unit annual rate was only 250,000 units above the record low in December 1981.
- January 2009 motor vehicle production was down 68.2% from January 2008 and down 72.6% from the recent peak in July 2008. January 2009 production was down 56.1% from the previous record low set in December 2008.
- In Michigan, light vehicle production in January 2009 was down 55.8% from the previous record low set in November 2008 and 72.7% below the 2007 average. Automobile production was down 81.2% from the previous record low set in September 2007 and 86.8% below the averages in 2007 and 2008.

Retail Sales

- Retail sales fell 11.6% between June 2008 and December, the largest drop since records started in 1947 (the second largest drop was 9.6%).
- The six-consecutive-month decline in retail sales ties the 1953 record for the longest continuous decline.

U.S. Housing Starts

- January 2009 housing starts were at their lowest level since records began in 1959, 16.8% below the previous record low set in December 2008.
- January 2009 housing starts were down 79.5% from the January 2006 peak, and were down 57.2% since June 2008.

Michigan Housing Activity

- New housing authorizations in 2008 were down 87.9% from the 2004 level in the Detroit metropolitan area and 80.6% statewide.

U.S. Labor Market

- The economy has lost 4.2 million payroll jobs in the last 12 months, the largest drop since modern records began in 1939.
- The 2.6 million jobs lost in the last four months ranks as the second largest four-month decline, only 220,000 jobs behind the June-September 1945 decline when the wartime production was halted.
- Payroll employment has declined for 14 consecutive months, the third longest decline since modern records began in 1939.

Michigan Labor Market

- Since peaking in June 2000, payroll employment has declined in 79 of the last 103 months.

Michigan Labor Market (continued)

- On an annual basis, payroll employment has declined for eight consecutive years -- the longest decline on record, and is expected to continue declining through both 2009 and 2010.
- Payroll employment is expected to drop by 4.6% in 2009 and 2.0% in 2010.
- As of January 2009, Michigan had lost 714,600 payroll jobs from the June 2000 peak -- a decline of 15.2%.
- Michigan's payroll employment has declined for seven consecutive months, the third longest decline since before 1990. The loss of 182,900 jobs over that period accounts for 28.9% of all jobs lost over the last eight years.
- Michigan's payroll employment decline of more than 145,300 in the last three months exceeds the 129,000 jobs lost during the 11- month-consecutive decline during 2001 and accounts for 20.3% of the jobs lost since June 2000.
- By the fourth quarter of 2010, Michigan payroll employment is expected to be down 779,000 jobs (17.0%) from the peak in the second quarter of 2000 and down 197,000 jobs (5.0%) from the fourth quarter of 2008.
- As of January 2009, transportation equipment manufacturing employment in Michigan was down 65.1% from its July 2000 peak, a decline of 230,000 jobs.
- Job losses in transportation equipment manufacturing account for 32.2% of total Michigan job losses.
- Michigan transportation equipment manufacturing employment is expected to continue declining in 2009 and 2010, with employment in the fourth quarter of 2010 down 72.0% (253,000 jobs) from the 2000 level.

Michigan Personal Income

- Michigan personal income is expected to decline 1.3% in 2009 (without adjustment for inflation) and rise only 0.8% in 2010.
- The 1.3% decline in nominal personal income in 2009 would be the first decline since 1958 and the third worst drop since World War II.

Consensus Revenue Estimates

Consensus Revenue Estimates

General Fund/General Purpose (GF/GP)

- **FY 2008-09:** Revenue from ongoing sources will total an estimated \$8.3 billion, which is down 11.3% or \$1.0 billion from FY 2007-08.
- **FY 2009-10:** Revenue will decline another 4.5% or \$371.6 million to an estimated \$7.9 billion.
- The major reasons for these declines are the economic recession (which is expected to have a particularly negative impact on income tax revenue) and the new earned income and film credits.

School Aid Fund (SAF)

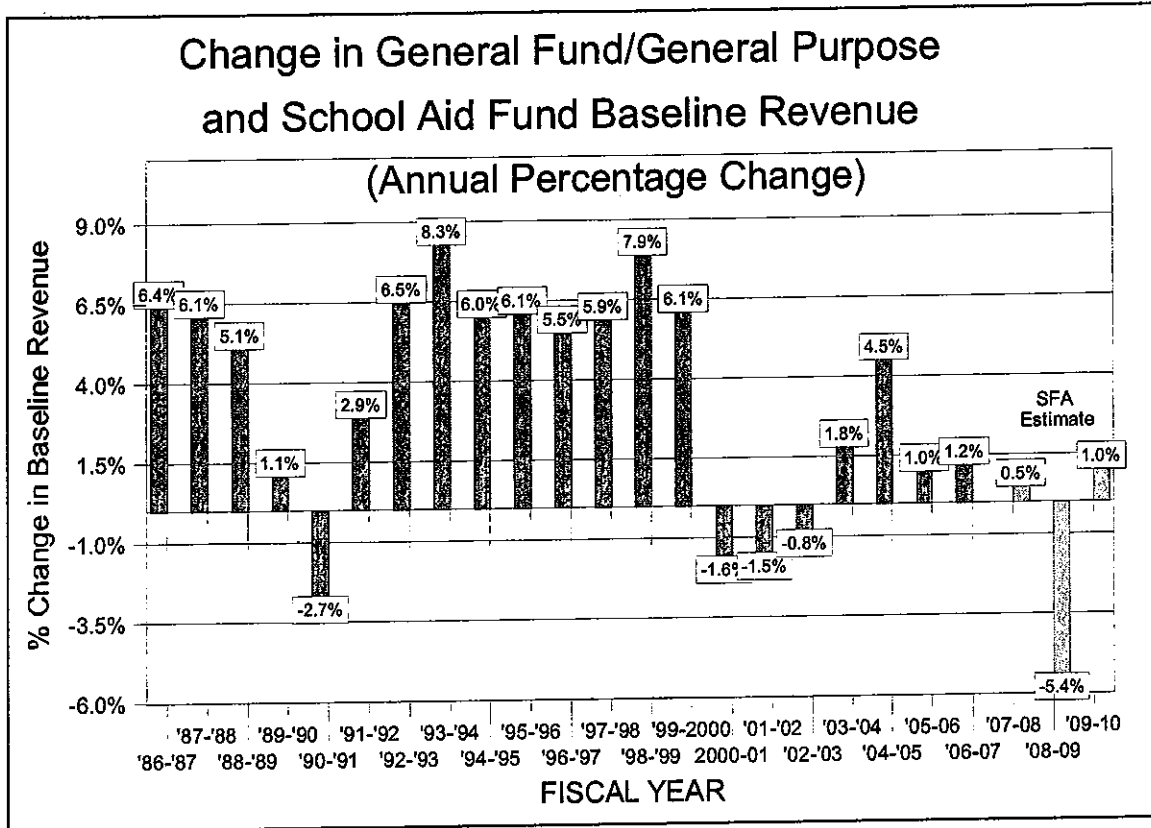
- **FY 2008-09:** Earmarked tax and lottery revenue will total an estimated \$11.4 billion, which is down 1.3% or \$144 million from FY 2007-08.
- **FY 2009-10:** SAF revenue will decline 0.6%, or \$73.0 million, to an estimated \$11.3 billion.
- The economic recession will reduce sales, use, income, State Education, and real estate transfer tax revenue in FY 2008-09, but much of these declines in revenue will be offset by a statutory increase in the Michigan Business Tax earmark to the SAF.

Earned Income Tax Credit will reduce GF/GP revenue an estimated \$140.0 million in FY 2008-09 and \$315.0 million in FY 2009-10.

Film Credit will result in a net revenue loss of an estimated \$88.0 million in FY 2008-09 and \$131.0 million in FY 2009-10.

Actual revenue collections in January and February of 2009 have fallen approximately \$200.0 million below the level assumed in the January 2009 consensus estimate.

Figure 1



**FY 2009-10
Governor's Budget
Recommendation**

Governor Granholm's FY 2009-10 Budget Overview of Recommendations

The Governor's FY 2009-10 budget recommendation can be best characterized as a budget that is balanced through a combination of revenue increases, appropriation reductions, and one-time Federal revenue. The combination of these three factors leads to a balance between revenue and appropriations in the General Fund/General Purpose (GF/GP) and School Aid Fund (SAF) budgets.

The Governor's FY 2009-10 budget recommendation is based on the consensus revenue estimates agreed to on January 9, 2009. The FY 2009-10 GF/GP consensus revenue estimate is \$7.9 billion. This represents a 4.5% decline from the FY 2008-09 consensus revenue estimate. The FY 2009-10 SAF revenue estimate is \$11.3 billion. This represents a decline of 0.6% from the FY 2008-09 consensus revenue estimate. The budget includes several major tax policy changes resulting in increases in GF/GP and SAF revenue totaling \$185.8 million. The largest of these proposed tax policy changes include the suspension of the indexed increase for the personal exemption under the income tax and an increase in the excise tax on tobacco products other than cigarettes.

The Governor's budget contains major reductions in GF/GP and SAF appropriations. These include substantial funding reductions in the Department of Corrections, the Department of Community Health, the Department of Human Services, the Higher Education budget, and K-12 School Aid. The funding reductions proposed in the budget total \$773.5 million.

The Governor is recommending that Michigan use \$312.6 million of Federal revenue to be received as part of the Federal stimulus package to balance the FY 2008-09 GF/GP and SAF budgets. In addition, the budget includes the use of \$500.0 million of Federal revenue from the stimulus package to assist in balancing the FY 2009-10 GF/GP budget.

The Governor's FY 2009-10 budget recommendation contains the following level of appropriations:

Adjusted Gross	\$43.4 billion
State Spending from State Resources.....	\$26.9 billion
General Fund/General Purpose.....	\$9.0 billion

Adjusted Gross appropriations represent a \$296.1 million or 0.7% decrease from the FY 2008-09 year-to-date appropriations. State Spending from State Resources appropriations represent a \$1.4 billion or 5.0% decrease from the FY 2008-09 year-to-date appropriations. General Fund/General Purpose appropriations represent a \$607.5 million or 6.3% decrease from the FY 2008-09 year-to-date appropriations.

Table 1

**FY 2008-09 General Fund/General Purpose
Revenue, Expenditures, and Year-End Balance
(Millions of Dollars)**

	Governor's Recommendation
Beginning Balance	\$457.9
Ongoing Revenue:	
Consensus Revenue Estimate	8,306.1
Revenue Sharing Freeze	536.6
Use Tax on HMOs (P.A. 440 of 2008).....	161.5
Michigan Business Tax (P.A. 435, 472, 507 and 572 of 2008)	(15.2)
Shift of Short-Term Borrowing Costs to School Aid Fund	45.0
Subtotal Ongoing Revenue	9,034.0
One-Time Revenue:	
Treasury-Insurance Escheats Revenue	25.0
Treasury-Secondary Collections	6.0
21st Century Fund Transfer to General Fund	10.0
Tourism Borrowing Transfer to General Fund	10.0
TEDF Transfer to General Fund.....	6.0
Subtotal One-Time Revenue	57.0
Total Estimated Revenue	\$9,548.9
Expenditures:	
Initial Appropriations	\$9,701.4
Enacted Supplemental Appropriations:	
Public Act 279 of 2008	0.0
Public Act 286 of 2008	0.0
Public Act 553 of 2008	0.0
Pending Supplemental Appropriations:	
Records Center Lease Funding (OSB Request, 8-18-08).....	0.4
Corrections Parole Increases	20.0
Community Health (QAAP to Use Tax)	152.9
Community Health (Caseload/Utilization).....	62.1
Community Health (School-Based Health Services).....	16.5
Community Health (One-Time Facility Closure Costs).....	8.0
Human Services (Caseload/Utilization).....	11.9
School Aid (Increased GF/GP Grant).....	44.2
Treasury (Blackstone Settlement Funding Shift).....	(2.0)
Subtotal Pending Supplemental Appropriations	314.0
Executive Order 2008-21	(134.0)
Lapse from Contract Savings.....	(20.0)
Total Projected Expenditures	\$9,861.4
Projected Year-End Balance	\$(312.5)
Proposal to Eliminate Projected Deficit:	
Federal Stimulus Revenue	\$312.6

Table 2

FY 2008-09 School Aid Fund Revenue, Expenditures, and Year-End Balance (Millions of Dollars)	
	Governor's Recommendation
Beginning Balance	\$247.1
Consensus Revenue Estimate.....	11,368.7
GF/GP Grant.....	40.8
Federal Aid.....	1,562.0
Total Estimated Revenue	\$13,218.6
Expenditures:	
Initial Appropriations	\$13,378.9
Formula Funding Adjustments:	
Taxable Values/MBT/TIFA	(53.6)
Reduced Pupil Counts	(40.0)
Renaissance Zone Reimbursements	(22.0)
CEPI Reductions.....	(1.5)
School Bond Loan Fund Adjustment.....	1.0
Subtotal Formula Funding Adjustments	(116.1)
Total Projected Expenditures	\$13,262.8
Projected Year-End Balance	\$(44.2)
Proposal to Eliminate Projected Deficit:	
Increased GF/GP Grant to SAF	\$44.2

Table 3

FY 2009-10 General Fund/General Purpose Consensus Revenue and Proposed Adjustments (Millions of Dollars)	
Consensus Revenue Estimate (January 9, 2009)	\$7,934.5
Proposed Revenue Adjustments:	
Revenue Sharing Adjustments	\$466.8
Charging School Aid Fund for Short-Term Borrowing Costs	45.0
Michigan Business Tax Changes (P.A. 435, 472, 507, and 572 of 2008)	(9.5)
Use Tax on HMOs (P.A. 440 of 2008)	334.8
Liquor Revenue Deposit to General Fund	24.1
Enhanced Tax Enforcement	13.2
Cybershame (Publicizing Major Delinquent Taxpayers)	5.0
Use Tax on International and Interstate Communications	9.7
Taxation of Instate Trucks and Trailers	14.0
Oil and Gas Income Tax Deduction	3.1
Tobacco Products Tax (Doubling Tax Rate on Noncigarettes)	45.0
Suspension of Personal Income Tax Indexing	46.4
Sales Tax Bad Debt Deduction	3.2
Sales Tax Collection Allowance	0.8
Tobacco Tax Collection Allowance	1.9
Total GF/GP Revenue in Governor's Budget	\$8,938.0
Expenditures:	
Governor's Appropriation Recommendations	\$8,932.5
Total Projected Expenditures	\$8,932.5
Governor's Projected Year-End Balance	\$5.5

Table 4

FY 2009-10 School Aid Fund Revenue, Expenditures, and Year-End Balance (Millions of Dollars)	
	Gov's Rec.
Revenue:	
Beginning Balance	\$0.0
FY 2009-10 Consensus Revenue Estimate	11,295.8
GF/GP Grant	40.8
Revenue Enhancements	45.8
Tax Enforcement	4.4
Lottery Revenue Increase	15.0
Federal Aid	1,561.8
Total Estimated Revenue	\$12,963.6
Expenditures:	
Governor's Appropriation Recommendation	\$12,963.6
Total Potential Expenditures	\$12,963.6
Projected Year-End Balance	\$0.0

Table 5

Governor's Proposed Tax and Revenue Increases: FY 2009-10 (Millions of Dollars)			
Proposed Tax/Revenue Increase	State Government Fiscal Impact		
	GF/GP	School Aid Fund	Total
<u>Sales and Use Taxes</u>			
Eliminate exemptions for international calls, WATS, 800 call centers, and interstate private networks.	\$9.7	\$4.8	\$14.5
Reduce exemption for interstate truck and trailer purchases.	14.0	7.0	21.0
Reduce the sales tax bad debt deduction by 20%.	3.2	8.8	12.0
Reduce sales tax collection allowance by 20%.	0.8	2.3	3.1
Send letters reminding businesses use tax is due on out-of-state purchases.	<u>1.7</u>	<u>0.8</u>	<u>2.5</u>
Subtotal Sales & Use Taxes.....	\$29.4	\$23.7	\$53.1
<u>Income Tax</u>			
Eliminate oil and gas expense double deduction.	\$3.1	\$1.0	\$4.1
Create auto correction system to identify common errors on income tax returns, freeing staff to identify additional errors.	3.7	0.4	4.1
Suspend the indexed increase in the personal exemption for tax years 2009 and 2010.	<u>46.4</u>	<u>10.6</u>	<u>57.0</u>
Subtotal Income Tax.....	\$53.2	\$12.0	\$65.2
<u>Tobacco Tax</u>			
Double the other tobacco products tax from 32% to 64% of the wholesale price to make tax comparable with cigarette tax.	\$45.0	\$0.0	\$45.0
Reduce the tobacco tax collection allowance by 20%.	<u>1.9</u>	<u>1.3</u>	<u>3.2</u>
Subtotal Tobacco Tax	\$46.9	\$1.3	\$48.2
<u>Liquor Revenue</u>			
Double the retail license fee.	\$10.4	\$0.0	\$10.4
Create new permit to allow liquor sales from 2 a.m. to 4 a.m.	4.6	0.0	4.6
Create new permit to allow liquor sales before noon on Sunday.	<u>9.1</u>	<u>0.0</u>	<u>9.1</u>
Subtotal Liquor Revenue	24.1	0.0	24.1
<u>Other Tax & Revenue Increases</u>			
Commercial rental property: Exempt from property tax and assess new specific tax.	\$0.0	\$10.0	\$10.0
Tax enforcement: Increase effort to make sure businesses comply with tax filing requirements.	7.8	3.2	11.0
Lottery: Increase ticket terminals and advertising.	0.0	15.0	15.0
"Cybershame": Publicize names of major delinquent taxpayers.	<u>5.0</u>	<u>0.0</u>	<u>5.0</u>
Subtotal Other.....	\$12.8	\$28.2	\$41.0
Total Proposed Tax Increases.....	\$166.4	\$65.2	\$231.6

School Aid Major Highlights

To maintain the current year's spending level, adjusted for technical baseline changes, the FY 2009-10 K-12 budget faces a shortfall of nearly \$230.0 million. The Governor's budget proposes to address the potential shortfall using a combination of enhanced revenue totaling \$65.2 million, and spending reductions totaling \$164.2 million.

The Governor's K-12 budget proposes no new programs for FY 2009-10, and reduces foundation allowance funding by \$59 per pupil, saving the State approximately \$94.4 million. This reduction is evenly spread among all districts and charter schools. The Governor also proposes to reduce foundation allowance funding for "20j" districts, by reducing this piece of their foundation allowance by 19.0% statewide, though on a sliding scale that reduces the wealthiest 20j districts the most. This reduction saves the State \$10.0 million, and would affect 40 districts.

The Executive proposal eliminates numerous district-specific earmarks, totaling about \$18.1 million, with the two largest being Wayne Westland's foundation allowance adjustment (\$6.1 million) and Dearborn's At-Risk funding (\$5.9 million). Declining enrollment grants for small, sparsely populated districts are cut in half (\$5.3 million), though declining enrollment grants for the remaining eligible districts are maintained at \$20.0 million.

Other proposed program reductions include a 20.0% cut in operational funding for intermediate school districts (saving \$16.3 million), as well as full elimination of \$5.0 million given to ISDs for early childhood programs. Adult Education is reduced from \$24.0 million to \$20.0 million, and the Governor's budget recommends changing this from a formulary program to a competitive program focused on regional partnerships.

Major items receiving stable funding in the Governor's proposed budget include the School Readiness Program, maintained at \$103.6 million; 21st Century Schools Program (i.e., small high schools), which retains its \$15.0 million appropriation; Small Class Size foundation allowance adjustments, retained at approximately \$22.0 million; millage equalization funds for Special and Vocational Education, maintained at \$45.9 million; and other areas such as debt service, borrowing costs, and reimbursements for court-placed children.

Two items receive increased funding in the budget proposal: Special Education, which increases by \$40.4 million, driven by mandated reimbursement levels, and School Bond Loan Fund costs, which increase by \$1.0 million.

Table 6

Governor's FY 2009-10 Budget Recommendations K-12 School Aid Appropriation Decreases (Millions of Dollars)	
FY 2008-09 Enacted Year-to-Date Appropriations	\$13,378.9
FY 2009-10 Governor's Recommended Appropriations	12,963.6
Net Decrease in Appropriations	<u>\$(415.3)</u>
 Recommended Appropriation Decreases in Existing Programs:	
Foundation Allowance Reduction of \$59 Per Pupil (0.81%)	\$(94.4)
Intermediate School District Operations Reduction of 20%	(16.3)
Section 20j Reduction of 19%.....	(10.0)
Wayne-Westland's Foundation Adjustment (Eliminate)	(6.1)
Dearborn's At-Risk Payment (Eliminate)	(5.9)
Declining Enrollment Grants to Small, Rural Districts 50% Reduction.....	(5.3)
ISD Funding for Ages 0-5 Programs (Eliminate).....	(5.0)
Adult Education Funding 17% Reduction	(4.0)
Bilingual Education Funding (Eliminate)	(2.8)
Ages 0-3 Secondary Prevention Services (Eliminate)	(2.1)
Center for Educational Performance and Information Reduction.....	(1.5)
Grosse Pointe (\$1.1 million) and Harper Woods (\$0.4 million) Cuts	(1.5)
MBT Hold Harmless Funding for Out-of-Formula Districts (Eliminate).....	(1.3)
Transportation Grants for Small Districts (Eliminate).....	(1.3)
Garden City and Huron Foundation Allowance Adjustments (Eliminate).....	(1.2)
Pre-College Engineering Programs (Eliminate).....	(1.0)
Gibraltar Foundation Allowance Adjustment (Eliminate).....	(0.9)
Categorical Funding for Isolated Districts (Eliminate).....	(0.8)
After-School Math Pilot Program (Eliminate)	(0.7)
MEAP/Michigan Merit Exam Testing Cost Reduction	(0.9)
Elimination of Eight Other Smaller Categoricals	(2.0)
Technical Baseline Cost Adjustments (driven by pupils, taxable values).....	(292.2)
Subtotal Appropriation Decreases in Existing Programs	<u>\$(457.2)</u>
 Recommended Appropriation Increases:	
Special Education	\$40.9
School Bond Loan Fund Debt Service.....	1.0
Subtotal Appropriation Increases.....	<u>\$41.9</u>
 Total Recommended Appropriation Changes.....	 <u>\$(415.3)</u>

Table 7

School Aid Fund Appropriation History (Millions of Dollars)			
Fiscal Year	State-Funded Appropriations	Dollar Change	Percent Change
1997-98	\$9,307.4	\$749.1	8.8%
1998-99	9,495.1	187.7	2.0
1999-2000	9,957.6	462.5	4.9
2000-01	10,732.3	774.7	7.8
2001-02	11,220.6	488.3	4.5
2002-03	11,334.6	114.0	1.0
2003-04	11,059.3	(275.3)	(2.4)
2004-05	11,113.5	54.2	0.5
2005-06	11,308.1	194.6	1.8
2006-07	11,597.0	288.9	2.6
2007-08	11,526.7	(70.3)	(0.6)
2008-09	11,816.9	395.1	3.5
2009-10 Gov's Rec.	11,401.8	(415.1)	(3.5)

Senate Fiscal Agency, February 18, 2009

Table 8

K-12 Schools Minimum Foundation Allowance (Millions of Dollars)			
Fiscal Year	Enacted Per Pupil	After Proration	Percent Change
1999-2000	\$5,700	\$5,700	N/A
2000-01	6,000	6,000	5.3%
2001-02	6,500	6,500	8.3
2002-03	6,700	6,626	1.9
2003-04	6,700	6,626	0.0
2004-05	6,700	6,700	1.1
2005-06	6,875	6,875	2.6
2006-07	7,108	7,085	3.4
2007-08	7,204	7,204	1.4
2008-09	7,316	7,316	1.6
2009-10 Gov's Rec. ¹⁾	7,257	7,257	(0.8)
10-Year Change	\$1,557	\$1,557	
10-Year % Change	27.3%	27.3%	
10-Year Detroit CPI % Change	24.6%	24.6%	

¹⁾ Governor recommends a \$59 per-pupil reduction in foundation allowance funding.

Table 9

Pupil Membership History FY 1994-95 to FY 2009-10				
Blend Calculation	Fiscal Year	Local Districts	Charter Schools	Total
50/50	1994-95	1,593,306	0	1,593,306
50/50	1995-96	1,610,130	4,790	1,614,920
50/50	1996-97	1,634,074	11,520	1,645,594
60/40	1997-98	1,651,011	19,202	1,670,213
60/40	1998-99	1,656,186	31,109	1,687,295
75/25	1999-2000	1,651,300	45,290	1,696,590
80/20	2000-01	1,649,085	55,072	1,704,157
80/20	2001-02	1,647,459	62,113	1,709,572
80/20	2002-03	1,647,531	67,336	1,714,867
80/20	2003-04	1,640,929	73,473	1,714,402
75/25	2004-05	1,626,289	81,491	1,707,780
75/25	2005-06	1,607,880	89,654	1,697,534
75/25	2006-07	1,585,750	96,850	1,682,600
75/25	2007-08	1,554,634	99,221	1,653,855
75/25	2008-09	1,518,357	102,174	1,620,531
75/25	2009-10	1,484,600	106,500	1,591,100

Table 10

Retirement Contribution Rates as a Percentage of Payroll				
	FY 2007-08	FY 2008-09	FY 2009-10	FY 2009-10 Change
<u>State Employees Retirement System</u>				
Defined Benefit Pension	18.72%	18.84%	21.36%	2.52%
Defined Benefit Health Care	11.40%	11.80%	11.90%	0.10%
Total Defined Benefit Costs	30.12%	30.64%	33.26%	2.62%
Defined Contribution Pension	5.91%	5.91%	5.91%	0.00%
Defined Contribution Health Care	11.40%	11.80%	11.90%	0.10%
Total Defined Contribution Costs	17.31%	17.71%	17.81%	0.10%
<u>Public School Employees Retirement System</u>				
Defined Benefit Pension	10.17%	9.73%	10.13%	0.40%
Defined Benefit Health Care	6.55%	6.81%	6.81%	0.00%
Total Defined Benefit Costs	16.72%	16.54%	16.94%	0.40%

Table 11

FY 2009-10 Estimated Contributions to Two Largest Retirement Systems	
	Millions of Dollars
<u>State Employee Retirement System</u>	
Defined Benefit Pension.....	\$ 390.0
Defined Contribution State Share.....	72.2
Health Care.....	362.6
Subtotal State Employees Retirement System.....	\$ 824.8
<u>Public School Employees Retirement System</u>	
Defined Benefit Pension.....	\$1,059.0
Health Care.....	711.9
Subtotal Public School Employees Retirement System.....	\$1,770.9

Source: Senate Fiscal Agency estimates

Federal Stimulus Package

Table 12

**American Recovery and Investment Act of 2009
Summary of Major Spending and Revenue Provisions
(Billions of Dollars)**

Major Spending Components:	
State Fiscal Stabilization Fund	\$53.6
Enhanced Federal Medicaid Match Rate.....	86.6
Transportation Infrastructure	48.0
Other Infrastructure Grants.....	72.0
Investments in Health Programs	14.2
Energy-Related Programs	37.5
Education and Training Programs	52.3
Unemployment Insurance Expansion	35.8
Health Insurance for Unemployed Workers.....	24.7
All Other Areas of Spending	75.7
Total Spending Components.....	\$500.4
Tax Revenue Components:	
Individual Tax Relief	\$232.4
Business Tax Relief.....	34.2
Energy-Related Tax Issues	20.0
Total Revenue Components	\$286.6
Total Federal Stimulus	\$787.0

Federal Stimulus Funding for Education Programs

The American Recovery and Reinvestment Act (ARRA) contains significant levels of Federal funding that will have a direct impact on education programs in the states, including funding for K-12 school districts, community colleges, and universities. The major funding for education programs include:

Education for the Disadvantaged. The appropriation of \$13.0 billion to carry out Title 1 of the Elementary and Secondary Education Act of 1965. Of this funding, \$5.0 billion is available for targeted Title 1 grants, another \$5.0 billion is available for education finance incentive grants, and the remaining \$3.0 billion is for school improvement grants. Michigan should receive a total of \$502.7 million of these Federal funds. This funding will be passed on by the State to local school districts.

Special Education. The appropriation of \$12.2 billion to carry out provisions of the Individual with Disabilities Education Act. This special education program funding will be passed on by the State to local school districts. Michigan should receive a total of \$426.3 million of these Federal funds.

State Fiscal Stabilization Fund. The appropriation of \$53.6 billion to provide financial assistance to K-12 school districts, community colleges, universities and general fiscal aid to balance state budgets. Michigan will receive \$1.3 billion of funding that has to be used for K-12 education, community colleges, and universities. This funding must be used to ensure that operating appropriations for K-12 school districts, community colleges, and universities during FY 2008-09, FY 2009-10, and FY 2010-11 are at least at the level appropriated in FY 2007-08. This means that the Governor's recent proposal to reduce the K-12 School Aid foundation allowance funding by \$59 in FY 2009-10 and the average 3.2% reduction in university operation funding in FY 2009-10 cannot be made. Any funds not used to restore funding to the FY 2007-08 levels must be distributed to local school districts based on the number of Title 1 students in each school district.

Medicaid Match Rate. Michigan will receive a total \$2.2 billion in enhanced Medicaid match rates during FY 2008-09, FY 2009-10, and the first quarter of FY 2010-11. This funding will free up existing State funding in the Medicaid program and provide a source of unrestricted Federal aid for the budget.