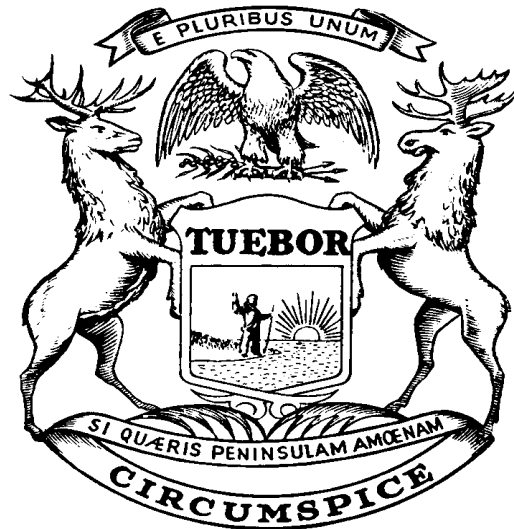


**State of Michigan**

**THE GOVERNOR'S**  
**FY 2003-04**  
**BUDGET PROPOSAL**

**Review and Analysis**



prepared by the

HOUSE  
**FISCAL**  
AGENCY

**Mitchell E. Bean, Director**  
**March 2003**

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STATE OF MICHIGAN

HOUSE OF REPRESENTATIVES



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March 2003

TO: Members of the Michigan House of Representatives

We are pleased to provide you with this ***Review and Analysis of the Governor's FY 2003-04 Budget Proposal***.

House Fiscal Agency analysts prepared the budget summaries and analyses for each department/agency with assistance from our budget assistants. The Consensus Revenue section was prepared by HFA's economists. Production of this report was coordinated by Jeanne Dee, Administrative Assistant.

House Fiscal Agency staff and their areas of responsibility are listed on the inside back cover of this publication. Please feel free to contact them, or me, if you have questions or need further information.

Mitchell E. Bean, Director



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# GLOSSARY

## Frequently-Used State Budget Terms

**Adjusted Gross**

Total net amount of all line item appropriations; gross appropriations less (or minus) interdepartmental grants (IDGs) and intradepartmental transfers (IDTs)

**Boilerplate**

Specific language sections contained in an appropriations act which direct, limit or restrict line item expenditures, and/or require reports

**Budget Stabilization Fund (BSF)**

The countercyclical economic and budget stabilization fund -- also known as the "rainy day" fund

**Federal Revenues**

Federal grant or matchable revenues dedicated to specific programs

**General Fund/General Purpose (GF/GP)**

The state's primary operating fund; the portion of the state's General Fund that does not include restricted revenues

**Gross Appropriations, Gross**

Summation of all applicable line item spending authorizations

**Interdepartmental Grant (IDG)**

Revenue or funds received from another state department (usually for a service the receiving department provides)

**Intradepartmental Transfer (IDT)**

Transfers or funds being provided from one appropriation unit to another in the same department

**Lapses**

Unspent/unobligated funds remaining in line item accounts at the end of the fiscal year

**Line Items**

Notations in an appropriations bill which establish spending authorities for a particular program or function (may be for a single purpose or for multiple purposes)

**Local Revenue**

Revenues from local units of government

**Other State Restricted, or Restricted Funds**

State revenue dedicated to a specific fund; revenue which results from state mandates or initiatives

**Private Funds**

Revenues from non-public entities such as rents, royalties or interest payments, payments from hospitals, payments from individuals, and gifts and bequests

**School Aid Fund (SAF)**

The primary funding source for K-12 schools and Intermediate School Districts (ISDs)

**State Restricted, or Restricted Revenue**

Non-general fund monies used for specific programs pursuant to the Constitution or statute; revenues dedicated to a specific fund; also known as deducts

**Work Project**

An account established to allow for certain specific unspent funds to be carried over from one fiscal year to the next





**FY 2003-04**

**OVERVIEW**

**Executive Recommendation**



# FY 2003-04 OVERVIEW Executive Recommendation

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The Fiscal Year (FY) 2003-04 Executive Recommendation includes \$37.9 billion in adjusted gross appropriations. Funding sources for the Executive Recommendation include \$17.1 billion in state restricted funds, \$11.2 billion in federal funds, \$8.6 billion in General Fund/General Purpose (GF/GP) revenues, and \$1.0 billion in local and private sources.

This Executive Recommendation would decrease adjusted gross appropriations 1.4% and decrease GF/GP appropriations 2.4% from the FY 2002-03 year-to-date (YTD) level. Figure 1 (following) shows the distribution of GF/GP and Adjusted Gross as recommended by the Executive for FY 2003-04. Detail is provided on page 7 for appropriations to be made from tobacco settlement funds (\$307 million) as recommended by the Executive.

This Executive Recommendation is based on consensus revenue estimates agreed to at the January 14, 2003, Consensus Revenue Conference. These estimates included GF/GP net revenue of \$8,191.5 million and School Aid Fund (SAF) net revenue of \$10,854.7 million. Consensus revenue estimates are discussed briefly in this Overview (page 18) and in detail in the Consensus Revenues section of this document.

In addition to available resources identified by the Consensus Revenue Estimating Conference, the Executive recommends that fees be increased \$119 million to replace GF/GP spending. Changes to the tax code are also recommended which the Executive estimates would eliminate 15 unintended tax loopholes. Michigan Department of Treasury estimates that the recommended changes to the tax code would increase GF/GP revenue \$108.6 million and increase SAF revenue \$20.3 million.

An Executive-recommended funding shift would replace a \$198.4 million transfer from GF/GP to the SAF with a one-time balance of \$198.6 million from a revenue sharing reserve account. Total revenue sharing appropriations would be 3% below FY 2002-03 levels. This proposal would increase available GF/GP revenue \$268.8 million.

Distribution of tobacco settlement revenue received from the national settlement would change as well. The current distribution to the Merit Award Trust Fund would decrease from 75% of the total to 34% and distribution to the Tobacco Settlement Trust Fund would increase from 25% to 66%.

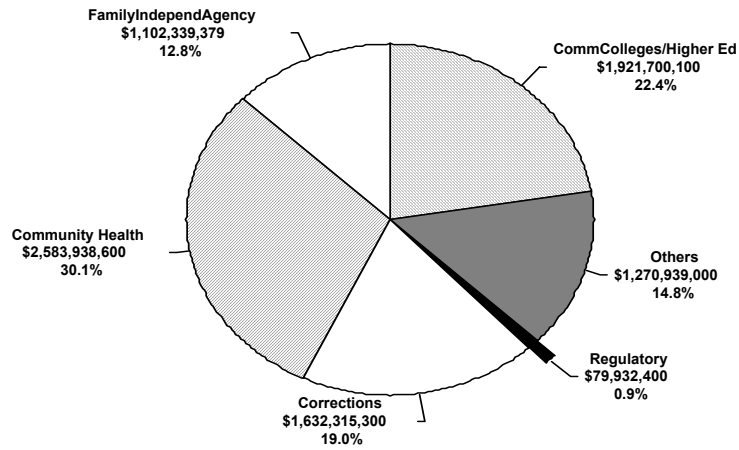
Another important component of the Executive recommendation is wage and benefit concessions from state employees. Increases in department budgets to fund wage increases from contractual obligations are not recommended. The Executive is asking for concessions of approximately \$250 million from state employees in lieu of layoffs.

This Overview includes a review of resources used in the Executive recommendation and proposed appropriations from tobacco settlement funds. It also includes a brief review of consensus revenue estimates, new/increased fees proposed by the Governor, and boilerplate provisions. Details are contained in the individual budget sections that follow. Overall content of the budget is summarized on page 18, and reported in Tables 1 through 5 (pages 19 through 23) of this publication.

Following this Overview, individual sections explain spending proposals by department or major budget area. Each section includes a comparison of FY 2002-03 YTD appropriations with the FY 2003-04 Executive recommendation, a brief overview, and an analysis and discussion of major budget and boilerplate issues.

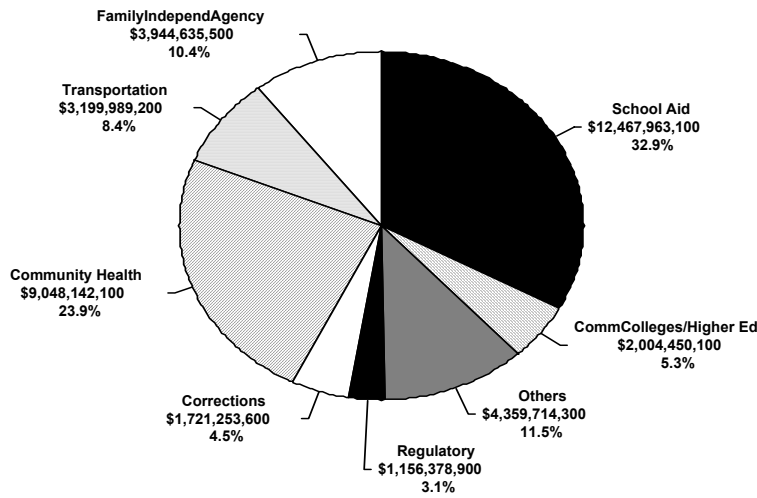
Figure 1

**Executive Recommendation  
FY 2003-04 GF/GP**



**Total GF/GP: \$8,591,164,779**

**Executive Recommendation  
FY 2003-04 Adjusted Gross**



**Total Adjusted Gross: \$37,902,526,800**

"Others" includes:

Capital Outlay  
Judiciary

Education  
Safety & Defense

Resource Protection  
General Government

## **RESOURCES USED IN EXECUTIVE BUDGET RECOMMENDATION**

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Resources used to fund General Fund/General Purpose, and School Aid Fund expenditures in the executive budget recommendation are reported below. An explanation of each source is included.

### **GENERAL FUND/GENERAL PURPOSE (MILLIONS OF DOLLARS)**

---

FY 2003-04 Consensus Revenue Estimate	\$8,191.5
Closing Tax Loopholes	\$108.6
Sale of Plaza Building, Detroit	\$2.0
Michigan Employment Security Contingent Fund Withdrawal	\$10.0
Decrease Local Revenue Sharing Payments 3% Below FY 2002-03 Level	\$268.8
Reduce Sales Tax Revenue directed to Comprehensive Transportation Fund	\$10.6
<b>Total</b>	<b>\$8,591.5</b>

**FY 2003-04 Consensus Revenue Estimate:**

Revenue estimates agreed to by the Consensus Conference in January 2003.

**Closing Tax Loopholes:**

The Administration proposes 15 changes to the tax code that they characterize as: unintended tax exemptions, out-of-state business tax shelters, tax loopholes created by choice of business form or filing status, or issues of non-resident tax fairness.

**Sale of the Plaza Building:**

State owned property in Detroit with an estimated value of \$2.0 million.

**Michigan Employment Security Contingent (MESC) Fund Withdrawal:**

Primarily penalty and interest charges imposed on employers delinquent in making unemployment contributions.

**Decrease Local Revenue Sharing Payments 3% below FY 2002-03 Level:**

Total combined constitutional and statutory payments to local units based on sales tax collections would be 3% below current appropriated level.

**Reduce Sales Tax Percentage to Comprehensive Transportation Fund:**

By changing the percentage of sales tax revenue collected from the sale of auto related items, GF/GP would receive approximately \$10.6 million in additional revenue in FY 2003-04.

**SCHOOL AID BUDGET  
(MILLIONS OF DOLLARS)**

---

Beginning Fund Balance	\$0.0
FY 2003-04 Consensus Revenue Estimate	\$10,854.7
Transfer \$198.6 Million Surplus From Revenue Sharing Reserve	\$198.6
Increased Lottery Revenue From New Games	\$50.0
Closing Tax Loopholes	\$20.3
Federal Aid	\$1,244.3
Refinance School Bond Loan Fund	<u>\$100.0</u>
<b>Total</b>	<b>\$12,467.9</b>

**FY 2003-04 Consensus Revenue Estimate:**

Revenue estimates agreed to by the Consensus Conference in January 2003.

**Transfer \$198.6 Million Surplus From Revenue Sharing Reserve:**

Transfer \$198.6 million of one-time surplus created by a statutory change in the way constitutional revenue sharing payments are accrued.

**Increased Lottery Revenue From New Games:**

The administration proposes two new lottery games: video keno and break-open tickets.

**Closing Tax Loopholes:**

The Administration proposes 15 changes to the tax code that they characterize as: unintended tax exemptions, out-of-state business tax shelters, tax loopholes created by choice of business form or filing status, or issues of non-resident tax fairness.

**Federal Aid:**

Primarily federal grants and federal money appropriated by the (federal) Elementary and Secondary Education Act.

**Refinance School Bond Loan Fund:**

With the cooperation of school districts, the administration proposes to refinance existing School Bond Loan Fund debt at lower interest rates that are expected to generate \$100 million for the School Aid Fund.

## EXECUTIVE RECOMMENDATION: PROPOSED APPROPRIATIONS FROM TOBACCO SETTLEMENT FUNDS

<u>Department and Program</u>	<u>Trust Fund</u>	<u>Amount</u>
<b><u>Attorney General</u></b>		
<b>Legal Services:</b>	Tobacco Settlement	\$400,000
<b><u>Career Development</u></b>		
<b>Council of Michigan Foundations:</b> Grant to the Council is redistributed to community foundations across the state for local initiatives dealing with youth and senior health issues.	Tobacco Settlement	\$1,000,000
<b><u>Community Health</u></b>		
<b>Office of Services to the Aging - Respite Care:</b> Respite services provide temporary companionship, care or assistance to an elderly person who needs constant attention, there by providing respite to the regular at-home caregiver.	Tobacco Settlement	5,000,000
<b>Medical Services - EPIC Program:</b> Provides coverage for prescription medications to senior citizens with incomes up to 200% of the poverty level.	Tobacco Settlement	30,000,000
<b>Medical Services - Long-Term Care Services:</b> Supports the personal needs allowance increase from \$30 to \$60 per month for Medicaid patients in nursing homes.	Tobacco Settlement	5,000,000
<b>Medicaid Base Funding:</b> Replaces state GF/GP match required for ongoing Medicaid program funding needs.	Tobacco Settlement	157,500,000
<b><u>Higher Education</u></b>		
<b>Michigan Merit Award Program:</b> Provides merit scholarships to high school graduates with a high qualifying score on the MEAP test.	Merit Award	65,100,000
<b>Tuition Incentive Program:</b> Two-phase program to encourage low-income student to graduate from high school; phase I provides qualifying students with up to two years of free tuition at a community college; phase II provides qualifying students with up to \$2,000 toward tuition at a community college or four-year university.	Merit Award	9,300,000
<b>Nursing Scholarship Program:</b> New program to be administered by Michigan Higher Education Assistance Authority to provide awards to nursing students who agree to work in Michigan after licensure.	Merit Award	4,000,000
<b><u>Michigan Strategic Fund</u></b>		
<b>Health and Aging Research and Development Initiative:</b> Provide grants to Michigan universities and private research facilities to conduct research (including collaborative research) in the area of life sciences; commercialize innovations discovered or developed through the research.	Tobacco Settlement	10,000,000

OVERVIEW

<u>Department and Program</u>	<u>Trust Fund</u>	<u>Amount</u>
<u>Treasury</u>		
<b>Michigan Merit Awards Commission/Michigan Educational Assessment Program (MEAP) Test Administration:</b> Administration of the Michigan Merit Award Scholarship provided to eligible high school students. Administration of the MEAP test given to 4th, 5th, 7th, 8th, and 11th grades as required by the revised school code.	Merit Award	18,134,200
<b>Department of Information Technology</b>	Merit Award	393,000
<b>Tuition Incentive Program:</b> Administration of the Tuition Incentive Program.	Merit Award	363,400
<b>Michigan Education Savings Plan:</b> Create a savings plan to give Michigan families an incentive to save for higher education through a combination of tax deductions and state matching grants.	Merit Award	<u>800,000</u>
<b>TOTAL Tobacco Settlement Appropriations</b>		<b>\$306,990,600</b>



**EXECUTIVE RECOMMENDATION: PROPOSED FEE CHANGES FOR FY 2003-04**

<u>Fee</u>	<u>Current Rate</u>	<u>Proposed Rate</u>	<u>Legislation Required?</u>	<u>Comments</u>
<b>AGRICULTURE</b>				
Nursery Stock Inspections			Yes	
Commercial Pesticide Application Fees	\$10	\$50	Yes	Applicator certification from \$10 to \$50; Private registered applicator \$10 to \$50
Pet Shop License Fees	\$150	\$200; \$100 renewal	Yes	Renewal
Animal Control and Animal Protection Shelters Registration Fees	New	\$25	Yes	
Cervidae Facility Registration Fees	\$500; \$150	\$600; \$210	Yes	Ranch (Class III) from \$500 to \$600 Registration from \$150 to \$210
Dead Animal Handlers License Fees			Yes	
Horse Riding Stables and sales Barn License Fees	\$25	\$100	Yes	
Right to Farm Inspection Fees	New	Cost of Inspection	Yes	
Metrology Lab Fees			No	Commission action required
Analytical Testing Fees			No	Commission action required
Livestock Dealer/ Broker/ Agent License Fees	\$5	\$50 – \$800	Yes	New 4-class license structure
<b>CONSUMER AND INDUSTRY SERVICES</b>				
<b>Health Systems Fees and Collections</b>				Fees are imposed on various health facilities to help cover the costs of licensing/ registration activities
Hospitals - Per Bed	\$8.28	\$10	Yes	
Nursing Home - Per Bed	\$2.20	\$10	Yes	
Freestanding Surgical Outpatient Facilities	\$238	\$450	Yes	
Psychiatric Hospitals-Per Application	\$600	\$600	Yes	
Psychiatric Hospitals-Per Bed	\$7.50	\$10	Yes	
Construction Permit Opening Surveys	Capped at \$30,000	Capped at \$60,000	Yes	
Substance Abuse	\$0	\$100	Yes	
EMS Vehicles	\$25	\$35	Yes	

OVERVIEW

<u>Fee</u>	<u>Current Rate</u>	<u>Proposed Rate</u>	<u>Legislation Required?</u>	<u>Comments</u>
<b>Corporation Fees</b>				Annual report filing fees imposed on different types of business organizations.
Domestic Non-Profit Corporations, Annual Report Fee	\$10	\$20	Yes	
Foreign Non-Profit Corporations, Annual Report Fee	\$10	\$20	Yes	
Limited Liability Corporations (LLC), Annual Report Fee	\$15	\$25	Yes	
Foreign LLC, Annual Report Fee	\$15	\$25	Yes	
Foreign Professional LLC, Annual Report Fee	\$65	\$75	Yes	
Professional LLC, Annual Report Fee	\$65	\$75	Yes	
Domestic Profit Corporations, Annual Report Fee	\$15	\$25	Yes	
Foreign Profit Corporations, Annual Report Fee	\$15	\$25	Yes	
<b>Securities Fees</b>				Fees imposed on securities agents, broker/dealers, and investment advisors who are required to register with the state.
Broker Dealer Registration	\$250	\$300	Yes	
Agent Registration	\$30	\$65	Yes	
Investment Advisor Registration	\$150	\$200	Yes	
Registration for Unexpired Port of the Year	\$100	\$125	Yes	
Agent Transfer Fee	\$10	\$20	Yes	
<b>Licensing and Regulation Fees:</b> Imposed on individuals practicing in a number of occupational and professional fields which are regulated under statute.			<i>Traditionally, funding has been used to support licensing/registration costs and monitoring/enforcement activities handled through the relevant professional board in the department.</i>	
<i>Public Accounting</i>				
License Fee, per year	\$25	\$40	Yes	
Registration, per year:				
Individual	\$10	\$15	Yes	
Firm, Corporation or Branch Office	\$25	\$35	Yes	

<u>Fee</u>	<u>Current Rate</u>	<u>Proposed Rate</u>	<u>Legislation Required?</u>	<u>Comments</u>
<i>Professional Engineer</i>				
Application Processing Fee	\$30	\$35	Yes	
License Fee, per year	\$20	\$40	Yes	
<i>Land Surveyor</i>				
Application Processing Fee	\$30	\$35	Yes	
<i>Landscape Architect</i>				
Application Processing Fee	\$30	\$35	Yes	
<i>Barber Examiners</i>				
Application Processing Fee	\$15	\$20	Yes	Student Barber, Barber, Student Instructor, Barber Instructor
Barbershop	\$40	\$50	Yes	
Barber College	\$50	\$75	Yes	
License Fees, per year:				
Barber	\$15	\$30	Yes	
Student Instructor (Limited Instructor)	\$15	\$30	Yes	
Barber Instructor	\$25	\$40	Yes	
Barbershop	\$30	\$40	Yes	
Student Barber	\$15	\$30	Yes	
Demonstrator's or Demonstration Temporary Permit	\$10	\$15	Yes	
<i>Collection Agency</i>				
Application Processing Fees: Agency Nonowner Manager	\$25	\$35	Yes	
<i>Professional Community Planner</i>				
Application Processing Fee	\$30	\$35	Yes	
<i>Cosmetology</i>				
Application Processing Fees	\$10	\$15	Yes	Cosmetologist, Manicurist, Natural Hair Culturist, Esthetician, Electrologist, Instructor
License Fees, per year:				
Cosmetologist	\$12	\$24	Yes	
Manicurist	\$12	\$24	Yes	

OVERVIEW

<u>Fee</u>	<u>Current Rate</u>	<u>Proposed Rate</u>	<u>Legislation Required?</u>	<u>Comments</u>
Natural Hair Culturist	\$12	\$24	Yes	
Esthetician	\$12	\$24	Yes	
Electrologist	\$12	\$24	Yes	
Instructor	\$12	\$24	Yes	
Student Registration or Transfer Fee	\$5	\$15	Yes	
<i>Personnel Agency</i>				
License Fees, per year	\$30	\$40	Yes	Employment or Consulting Agent
<i>Forester</i>				
Registration Fee, per year	\$25	\$40	Yes	
<i>Hearing Aid Dealer</i>				
License Fees, per year	\$20	\$40	Yes	Trainee
<i>Real Estate Broker</i>				
Application Processing Fees	\$20	\$35	Yes	Brokers and Associate Brokers
License Fees, per year:				
Brokers and Associate Brokers	\$18	\$36	Yes	
Salespersons	\$13	\$26	Yes	
Branch Office Fee	\$10	\$20	Yes	
<i>Real Estate Appraiser</i>				
Application Processing Fees	\$25	\$35	Yes	Certified General Real Estate Appraiser, Certified Residential Real Estate Appraiser, State Licensed Real Estate Appraiser, Limited Real Estate Appraiser
<i>Residential Builder</i>				
License Fee, per year:				
Builder, M&A Contractor	\$30	\$40	Yes	
Sales, Branch Office	\$30	\$40	Yes	
<i>Mortuary Science</i>				
License Fees, per year:				
Mortuary Science	\$30	\$40	Yes	
Embalmer or Funeral Director	\$30	\$40	Yes	
Resident Trainee	\$15	\$30	Yes	
<i>Nursing Home Administrator</i>				

<u>Fee</u>	<u>Current Rate</u>	<u>Proposed Rate</u>	<u>Legislation Required?</u>	<u>Comments</u>
Temporary License	\$25	\$40	Yes	
<i>Athletic Board of Control</i>				
Application Processing Fees:				
Prof. Boxer License and Passport	\$25	\$35	Yes	
All Other Licenses	\$15	\$30	Yes	
License Fee, per year:				
Prof. Boxer, Prof. Wrestler, Second	\$10	\$20	Yes	
Judge, Physician, Announcer, Timekeeper	\$15	\$30	Yes	
Boxing Club	\$25	\$40	Yes	
Duplicate Boxer Passport Fee	\$15	\$30	Yes	
<i>Ocularist</i>				
Application Processing Fee	\$15	\$35	Yes	
Registration Fee, per year:				
Ocularist	\$20	\$40	Yes	
Apprentice	\$10	\$20	Yes	
<b>COMMUNITY HEALTH</b>				
Hospital Quality Assurance Assessment Fee	1.2% of each hospital's non-Medicare revenues	Unknown	Yes	Enacted in 2002 PA 562, but still awaiting federal approval; amendments may be necessary; fee amount is not yet determined
Nursing Home Assurance Assessment Fee	\$2.36 per bed/day	Unknown	Yes	Enacted in 2002 PA 303, but still awaiting federal approval; amendments may be necessary; fee amount is not yet determined
Health Maintenance Organization Quality Assurance Assessment Fee	6.0 % of each HMO's non-Medicare revenues	6.0 % of non-Medicare revenues	Maybe	Enacted in 2002 PA 304, and amended by 2002 PA 621, but still awaiting federal approval; no change proposed in Executive Budget, but legislation may be needed to gain federal approval
Pharmacy Quality Assurance Assessment Fee	New		Yes	Fee amount is not yet determined

OVERVIEW

<u>Fee</u>	<u>Current Rate</u>	<u>Proposed Rate</u>	<u>Legislation Required?</u>	<u>Comments</u>
Crime Victims Rights Fund See Judiciary budget fee changes for complete information on proposed consolidation of multiple court-imposed assessments.	See Comments *	See Comments	Yes	Impact on Crime Victims Rights Fund is intended to be revenue neutral *Persons Convicted of a: Felony \$60; Serious Misdemeanor \$50; Specified Misdemeanor: \$50; Juvenile Offense: \$20

**ENVIRONMENTAL QUALITY**

Stormwater Discharge Fees	New Fee	\$260 to \$6,000	Yes	New fee on public and private discharges into the subsurface
National Pollution Discharge Elimination Permit Fees (NPDES Fees)	New Fee	Variable: See Comments	Yes	New fee would be assessed on facilities producing and discharging liquid wastes into Michigan surface waters. Increase would provide nearly \$6.9 million in new revenue. Funds would be provided for proposed compliance program improvements; depends on nature and volume of discharge
Solid Waste Fees	New Fee	Variable	Yes	New fee structure for Michigan landfills will generate \$3.8 million in new revenue
Laboratory User Fees	Variable	Variable: See Comments	No	Revised fee structure for laboratory services would require payment for sample follow-up testing, cleanup site sample tests, and other activities subsidized by GF/GP appropriations. Depends on types of tests run and volume of material tested

*Note: Justice System Assessment/State Minimum Costs proposals initiated by Judiciary, but incorporates assessments funding programs in several other budgets (see comments)*

**JUDICIARY**

**Assessments/Costs: Traffic Civil Infractions**

Michigan Justice Training Fund Assessment	\$5		Yes	State Police budget; proposed for consolidation into new Justice System Assessment
Secondary Road Patrol and Training Fund Assessment	\$10	See comments	Yes	State Police budget; proposed for consolidation into new Justice System Assessment
Highway Safety Fund Assessment	\$5	See comments	Yes	State Police budget; proposed for consolidation into new Justice System Assessment

<u>Fee</u>	<u>Current Rate</u>	<u>Proposed Rate</u>	<u>Legislation Required?</u>	<u>Comments</u>
Jail Reimbursement Program Assessment	\$5	See comments	Yes	Corrections budget; proposed for consolidation into new Justice System Assessment
State Minimum Costs: Traffic Civil Infractions	\$9	See comments	Yes	Proposed for consolidation into new Justice System Assessment
Justice System Assessment: Traffic Civil Infractions	New	\$35.00	Yes	Net \$1 increase from \$34 in existing assessments/state costs (minimal revenue increase); local units could possibly raise local costs by up to \$9
<b>Costs: Non-Traffic Civil Infractions</b>				
Justice System Assessment: Non-Traffic Civil Infractions	\$9	\$10.00	Yes	\$1 increase corresponding to increase for traffic civil infractions
<b>Assessments/Costs: Criminal Offenses</b>				
Forensic Laboratory Fund Assessment	\$150	See comments	Yes	Assessed on criminal offenders in cases involving forensic test or CSC offense; State Police budget; proposed for consolidation into State Minimum Costs
DNA Assessment	\$60	See comments	Yes	Assessed on criminal offenders required to submit DNA sample for database entry; State Police budget; proposed for consolidation into State Minimum Costs
Crime Victims Rights Assessment	\$20; \$50; \$60	See comments	Yes	Categories: \$20 (juvenile), \$50 (serious/specified misdemeanor), \$60 (felony); Community Health budget; proposed for consolidation into State Minimum Costs
State Minimum Costs: Misdemeanors	\$9	See comments	Yes	Proposed for consolidation into larger State Minimum Costs amounts
State Minimum Costs: Misdemeanor (non-crime victims rights offense)	New	\$45.00	Yes	Substantial revenue increase expected from consolidation; increased funding to Court Equity Fund, Drug Court Grant Program, and forensic/DNA costs
State Minimum Costs: Misdemeanor (crime victim rights offense)	New	\$60.00	Yes	Substantial revenue increase expected from consolidation; increased funding to Court Equity Fund, Drug Court Grant Program, and forensic/DNA costs

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<u>Fee</u>	<u>Current Rate</u>	<u>Proposed Rate</u>	<u>Legislation Required?</u>	<u>Comments</u>
State Minimum Costs: Felony	New	\$100.00	Yes	Substantial revenue increase expected from consolidation; increased funding to Court Equity Fund, Drug Court Grant Program, and forensic/DNA costs
<b>Court Filing Fees</b>				
Supreme Court filing fee	\$250	\$375	Yes	Increase to General Fund (not retained in Judiciary budget)
Court of Appeals filing fee	\$250	\$375	Yes	Increase to Court of Appeals operations
Circuit Court filing fee	\$100	\$150	Yes	Increase to Court Equity Fund (CEF), Judicial Technology Improvement Fund (JTIF), Community Dispute Resolution Program (CDRP), Court Fee Fund (CFF), and court funding units
Probate Court filing fee	\$100	\$150	Yes	Increase to CEF, JTIF, and CFF
District Court filing fee: Small claims (under \$600)	\$17	\$20	Yes	Increase to JTIF and court funding units
District Court filing fee: Small claims (\$600-\$1,750)	\$32	\$40	Yes	Increase to JTIF, CDRP, CFF, and court funding units
District Court filing fee: Small claims (\$1,751-\$3,000)	\$32	\$60	Yes	Increase to JTIF, CDRP, CFF, State Court Fund, and court funding units
District Court filing fee: General civil and summary disposition (under \$600)	\$17	\$20	Yes	Increase to JTIF and court funding units
District Court filing fee: General civil and summary disposition (\$600-\$1,750)	\$32	\$40	Yes	Increase to JTIF, CDRP, CFF, and court funding units
District Court filing fee: General civil and summary disposition (\$1,751-\$10,000)	\$52	\$60	Yes	Increase to JTIF, CDRP, CFF, and court funding units
District Court filing fee: General civil and summary disposition (\$10,001-\$25,000)	\$100	\$150	Yes	Increase to CEF, JTIF, CDRP, CFF, and court funding units

*NOTE for filing fee increases: Listed fee increases are those with significant revenue impacts; various other fee adjustments are proposed, largely with intent of equalizing fee structure/earmarking (contact House Fiscal Agency for complete list).*



<u>Fee</u>	<u>Current Rate</u>	<u>Proposed Rate</u>	<u>Legislation Required?</u>	<u>Comments</u>
<b><i>NATURAL RESOURCES</i></b>				
State Park Motor Vehicle Permits	\$4 Daily \$20 Annual	\$6 Daily \$24 Annual	Yes	The Natural Resources Commission would be authorized to establish park fees. Current law gives this authority to the Legislature
State Park Camping Fees	Variable	Variable Increase	No	Natural Resources Commission is authorized to establish camping fees and amounts charged to concession operators at state parks
<b><i>STATE</i></b>				
Commercial Look-up Fee	\$6.55	\$7	Yes	Executive Recommendation for FY 2003-04 includes this fee increase in the boilerplate of the General Government appropriation bill. MCL 28.297(2) allows the fee to be specified by the Legislature annually
<b><i>STATE POLICE</i></b>				
Driver's License: Operator (New/Renewal)	\$13	\$25	Yes	Increase to fund trooper costs
Driver's License: Chauffeur (New/Renewal)	\$21	\$35	Yes	Increase to fund trooper costs
Driver's License: Commercial (New/Renewal)	\$20	\$35	Yes	Increase to fund trooper costs
Insurance Assessment	New	0.35% of insurance premiums	Yes	Assessment would apply to homeowners, farm owners, and commercial property insurance; assessment to fund Fire Marshal, Fire Fighters Training Council, and related costs

## **CONSENSUS REVENUE ESTIMATES**

State law requires that the State Treasurer or the State Budget Director and the Directors of the Senate and House Fiscal Agencies meet at least twice a year to review and revise GF/GP and School Aid Fund revenue forecasts. A Consensus Revenue Estimating Conference was held on January 14, 2003, to revise estimated revenues for FY 2002-03 and reach a consensus on initial FY 2003-04 revenues. Executive Budget recommendations for FY 2003-04 are based on this consensus agreement which anticipates that net GF/GP and SAF revenues will increase by 0.55% between fiscal years 2002-03 and 2003-04.

## **BOILERPLATE PROVISIONS**

The Executive proposal eliminates a large number of nonstandard boilerplate provisions which are part of current-year appropriations acts. These nonstandard provisions generally are included from year to year to convey legislative intent to Administrative officials implementing the appropriations acts. Many omitted nonstandard boilerplate provisions are noted in the budget summaries that appear in the body of this report.

## **EXECUTIVE RECOMMENDATION: SUMMARY TABLES**

**Table 1** (page 19) details the Executive Recommendation by source of funds. When interdepartmental grants and intradepartmental transfers are deducted, Gross appropriations of \$38.6 billion reduce to \$37.9 billion in Adjusted Gross appropriations.

State Restricted	\$17,095,643,300
GF/GP	\$8,591,164,779
Federal	\$11,184,389,871
Local and Private	<u>\$1,031,328,850</u>
<b>Adjusted Gross</b>	<b>\$37,902,526,800</b>

**Table 2** (page 20) compares Adjusted Gross appropriations for FY 2002-03 YTD to the FY 2003-04 Executive Recommendation. Appropriations decrease from \$38.4 billion in FY 2002-03 to \$37.9 billion in FY 2003-04—a \$522.9 million or 1.4% decrease.

**Table 3** (page 21) compares GF/GP appropriations for FY 2002-03 YTD to the FY 2003-04 Executive Recommendation. Appropriations decrease from \$8.8 billion in FY 2002-03 to \$8.6 billion in FY 2003-04—a decrease of \$209.9 million or 2.4%.

**Table 4** (page 22) compares the number of Full-time Equated (FTE) employees (classified and unclassified) for FY 2002-03 to the FY 2003-04 Executive Recommendation. The Executive Recommendation decreases total FTE positions from 62,927.7 in FY 2002-03 to 59,472.5 in FY 2003-04—a decrease of 3,455.2 FTEs or 5.5% from the current year. Each FTE is equivalent to 2,088 hours of employee compensated time (including overtime, annual leave, and used sick leave) during the year.

**Table 5** (page 23) shows the Executive Recommendation for payments to local units of government compared to the amount of spending from state sources provided in each budget. Pursuant to Article IX, Section 30 of the *Constitution of the State of Michigan of 1963*, at least 48.97% of state spending from state resources must be paid to all units of local government. The Executive Recommendation provides for \$16.0 billion in state spending to local units of government, 62.2% of the estimated \$25.7 billion in state spending from state resources—well within the constitutional requirement.

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**TABLE 1**  
**FY 2003-04 EXECUTIVE RECOMMENDATION BY SOURCE OF FUNDS**

Department/Major Budget Area	Gross	IDGs and IDTs	Adjusted Gross	Federal Funds	Local Revenue	Private Revenue	State Restricted	General Fund/ General Purpose
Community Colleges	289,013,100	0	289,013,100	0	0	0	0	289,013,100
Education	112,825,000	1,000,000	111,825,000	64,479,400	4,744,200	701,400	12,507,500	29,392,500
Higher Education	1,715,437,000	0	1,715,437,000	4,400,000	0	0	78,350,000	1,632,687,000
School Aid*	12,467,963,100	0	12,467,963,100	1,244,363,100	0	0	11,223,600,000	0
<b>EDUCATION</b>	<b>\$14,585,238,200</b>	<b>\$1,000,000</b>	<b>\$14,584,238,200</b>	<b>\$1,313,242,500</b>	<b>\$4,744,200</b>	<b>\$701,400</b>	<b>\$11,314,457,500</b>	<b>\$1,951,092,600</b>
Attorney General	59,638,600	11,119,200	48,519,400	7,564,400	0	0	9,945,100	31,009,900
Civil Rights	13,117,200	0	13,117,200	934,000	0	0	0	12,183,200
Civil Service	33,853,900	4,300,000	29,553,900	4,779,100	1,700,000	150,000	14,872,200	8,052,600
Executive Office	4,859,500	0	4,859,500	0	0	0	0	4,859,500
Information Technology	355,689,300	355,689,300	0	0	0	0	0	0
Legislature	123,441,500	1,662,900	121,778,600	0	0	400,000	2,495,100	118,883,500
Management and Budget	171,687,800	103,716,800	67,971,000	440,800	0	0	31,201,300	36,328,900
State	175,501,000	94,752,300	80,748,700	1,319,500	0	100	66,447,400	12,981,700
Treasury: Operations	366,453,900	14,278,600	352,175,300	44,196,100	910,800	0	257,411,700	49,656,700
Treasury: Debt/Revenue Sharing	1,485,366,400	0	1,485,366,400	0	0	0	1,412,958,000	72,408,400
<b>GENERAL GOVERNMENT</b>	<b>\$2,789,609,100</b>	<b>\$585,519,100</b>	<b>\$2,204,090,000</b>	<b>\$59,233,900</b>	<b>\$2,610,800</b>	<b>\$550,100</b>	<b>\$1,795,330,800</b>	<b>\$346,364,400</b>
Community Health	9,117,346,900	69,204,800	9,048,142,100	4,890,865,600	806,552,500	59,458,000	707,327,400	2,583,938,600
Corrections	1,724,507,200	3,253,600	1,721,253,600	27,798,400	391,100	0	60,748,800	1,632,315,300
Family Independence Agency	3,945,691,300	1,055,800	3,944,635,500	2,697,630,071	65,097,100	9,472,150	70,096,800	1,102,339,379
<b>HUMAN SERVICES</b>	<b>\$14,787,545,400</b>	<b>\$73,514,200</b>	<b>\$14,714,031,200</b>	<b>\$7,616,294,071</b>	<b>\$872,040,700</b>	<b>\$68,930,150</b>	<b>\$838,173,000</b>	<b>\$5,318,593,279</b>
Consumer and Industry Services	590,197,700	111,100	590,086,600	283,831,500	0	770,000	285,815,300	19,669,800
Career Development	466,880,000	0	466,880,000	418,100,400	15,011,900	2,396,300	6,664,700	24,706,700
Michigan Strategic Fund Agency	99,513,200	100,900	99,412,300	52,953,300	0	853,100	10,050,000	35,555,900
<b>REGULATORY</b>	<b>\$1,156,590,900</b>	<b>\$212,000</b>	<b>\$1,156,378,900</b>	<b>\$754,885,200</b>	<b>\$15,011,900</b>	<b>\$4,019,400</b>	<b>\$302,530,000</b>	<b>\$79,932,400</b>
Agriculture	89,244,000	10,857,400	78,386,600	6,801,700	0	1,127,600	39,053,300	31,404,000
Environmental Quality	343,957,400	14,142,900	329,814,500	129,169,500	0	435,700	147,153,500	53,055,800
Natural Resources	242,142,900	3,437,900	238,705,000	27,806,600	0	1,871,400	180,203,500	28,823,500
<b>RESOURCE PROTECTION</b>	<b>\$675,344,300</b>	<b>\$28,438,200</b>	<b>\$646,906,100</b>	<b>\$163,777,800</b>	<b>\$0</b>	<b>\$3,434,700</b>	<b>\$366,410,300</b>	<b>\$113,283,300</b>
Military and Veterans Affairs	103,097,500	200,000	102,897,500	40,627,900	0	1,870,700	23,800,100	36,598,800
State Police	412,286,600	17,882,800	394,403,800	55,292,300	4,506,600	0	103,363,400	231,241,500
<b>SAFETY AND DEFENSE</b>	<b>\$515,384,100</b>	<b>\$18,082,800</b>	<b>\$497,301,300</b>	<b>\$95,920,200</b>	<b>\$4,506,600</b>	<b>\$1,870,700</b>	<b>\$127,163,500</b>	<b>\$267,840,300</b>
Capital Outlay	595,083,700	2,000,000	593,083,700	202,652,000	42,789,600	0	41,340,000	306,302,100
History, Arts, and Libraries	58,786,300	137,500	58,648,800	9,322,600	0	577,400	2,308,800	46,440,000
Judiciary	252,492,900	4,633,500	247,859,400	3,806,500	2,898,700	842,500	78,995,300	161,316,400
Transportation	3,199,989,200	0	3,199,989,200	965,255,100	5,800,000	0	2,228,934,100	0
<b>ALL OTHERS</b>	<b>\$4,106,352,100</b>	<b>\$6,771,000</b>	<b>\$4,099,581,100</b>	<b>\$1,181,036,200</b>	<b>\$51,488,300</b>	<b>\$1,419,900</b>	<b>\$2,351,578,200</b>	<b>\$514,058,500</b>
<b>TOTAL APPROPRIATIONS</b>	<b>\$38,616,064,100</b>	<b>\$713,537,300</b>	<b>\$37,902,526,800</b>	<b>\$11,184,389,871</b>	<b>\$950,402,500</b>	<b>\$80,926,350</b>	<b>\$17,095,643,300</b>	<b>\$8,591,164,779</b>

\*School Aid figures include previously enacted amounts.

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TABLE 2

**FY 2003-04 APPROPRIATIONS**

*FY 2003-04 Executive Recommendation Compared with FY 2002-03 Year-to-Date*

**ADJUSTED GROSS**

DEPARTMENT/ MAJOR BUDGET AREA	FY 2002-03 YEAR-TO-DATE	FY 2003-04 EXECUTIVE RECOMMEND	FY 2003-04 vs 2002-03	
			AMOUNT DIFFERENT	PERCENT DIFFERENT
Community Colleges	309,808,094	289,013,100	(20,794,994)	-6.7%
Education	215,154,016	111,825,000	(103,329,016)	-48.0%
Higher Education	1,831,501,735	1,715,437,000	(116,064,735)	-6.3%
School Aid*	12,583,380,100	12,467,963,100	(115,417,000)	-0.9%
<b>EDUCATION</b>	<b>\$14,939,843,945</b>	<b>\$14,584,238,200</b>	<b>(\$355,605,745)</b>	<b>-2.4%</b>
Attorney General	50,435,483	48,519,400	(1,916,083)	-3.8%
Civil Rights	13,623,900	13,117,200	(506,700)	-3.7%
Civil Service	25,554,000	29,553,900	3,999,900	15.7%
Executive Office	5,021,500	4,859,500	(162,000)	-3.2%
Information Technology	0	0	0	0.0%
Legislature	123,657,100	121,778,600	(1,878,500)	-1.5%
Management and Budget	75,679,811	67,971,000	(7,708,811)	-10.2%
State	82,469,961	80,748,700	(1,721,261)	-2.1%
Treasury: Operations	353,164,397	352,175,300	(989,097)	-0.3%
Treasury: Debt/RevenueShare	1,530,086,400	1,485,366,400	(44,720,000)	-2.9%
<b>GENERAL GOVERNMENT</b>	<b>\$2,259,692,552</b>	<b>\$2,204,090,000</b>	<b>(\$55,602,552)</b>	<b>-2.5%</b>
Community Health	9,140,237,648	9,048,142,100	(92,095,548)	-1.0%
Corrections	1,682,348,331	1,721,253,600	38,905,269	2.3%
Family Independence Agency	4,036,185,600	3,944,635,500	(91,550,100)	-2.3%
<b>HUMAN SERVICES</b>	<b>\$14,858,771,579</b>	<b>\$14,714,031,200</b>	<b>(\$144,740,379)</b>	<b>-1.0%</b>
Consumer and Industry Services	549,069,264	590,086,600	41,017,336	7.5%
Career Development	458,111,700	466,880,000	8,768,300	1.9%
Michigan Strategic Fund Agency	136,782,500	99,412,300	(37,370,200)	-27.3%
<b>REGULATORY</b>	<b>\$1,143,963,464</b>	<b>\$1,156,378,900</b>	<b>\$12,415,436</b>	<b>1.1%</b>
Agriculture	83,088,800	78,386,600	(4,702,200)	-5.7%
Environmental Quality	390,669,361	329,814,500	(60,854,861)	-15.6%
Natural Resources	251,359,347	238,705,000	(12,654,347)	-5.0%
<b>RESOURCE PROTECTION</b>	<b>\$725,117,508</b>	<b>\$646,906,100</b>	<b>(\$78,211,408)</b>	<b>-10.8%</b>
Military and Veterans Affairs	103,128,808	102,897,500	(231,308)	-0.2%
State Police	386,690,548	394,403,800	7,713,252	2.0%
<b>SAFETY AND DEFENSE</b>	<b>\$489,819,356</b>	<b>\$497,301,300</b>	<b>\$7,481,944</b>	<b>1.5%</b>
Capital Outlay	605,557,300	593,083,700	(12,473,600)	-2.1%
History, Arts, and Libraries	69,225,636	58,648,800	(10,576,836)	-15.3%
Judiciary	239,884,000	247,859,400	7,975,400	3.3%
Transportation	3,093,591,400	3,199,989,200	106,397,800	3.4%
<b>ALL OTHERS</b>	<b>\$4,008,258,336</b>	<b>\$4,099,581,100</b>	<b>\$91,322,764</b>	<b>2.3%</b>
<b>TOTAL APPROPRIATIONS</b>	<b>\$38,425,466,740</b>	<b>\$37,902,526,800</b>	<b>(\$522,939,940)</b>	<b>-1.4%</b>

\*School Aid figures include previously reported amounts

TABLE 3

**FY 2003-04 APPROPRIATIONS**

*FY 2003-04 Executive Recommendation Compared with FY 2002-03 Year-to-Date*

**GENERAL FUND / GENERAL PURPOSE**

DEPARTMENT/ MAJOR BUDGET AREA	FY 2002-03	FY 2003-04	FY 2003-04 vs 2002-03	
	YEAR-TO-DATE	EXECUTIVE RECOMMEND	AMOUNT DIFFERENT	PERCENT DIFFERENT
Community Colleges	307,512,112	289,013,100	(18,499,012)	-6.0%
Education	29,018,216	29,392,500	374,284	1.3%
Higher Education	1,741,466,933	1,632,687,000	(108,779,933)	-6.2%
School Aid*	198,413,500	0	(198,413,500)	-100.0%
<b>EDUCATION</b>	<b>\$2,276,410,761</b>	<b>\$1,951,092,600</b>	<b>(\$325,318,161)</b>	<b>-14.3%</b>
Attorney General	32,363,383	31,009,900	(1,353,483)	-4.2%
Civil Rights	12,689,900	12,183,200	(506,700)	-4.0%
Civil Service	9,285,700	8,052,600	(1,233,100)	-13.3%
Executive Office	5,021,500	4,859,500	(162,000)	-3.2%
Information Technology	0	0	0	0.0%
Legislature	120,726,700	118,883,500	(1,843,200)	-1.5%
Management and Budget	39,247,311	36,328,900	(2,918,411)	-7.4%
State	15,876,161	12,981,700	(2,894,461)	-18.2%
Treasury: Operations	55,723,597	49,656,700	(6,066,897)	-10.9%
Treasury: Debt/Revenue	19,586,400	72,408,400	52,822,000	269.7%
<b>GENERAL GOVERNMENT</b>	<b>\$310,520,652</b>	<b>\$346,364,400</b>	<b>\$35,843,748</b>	<b>11.5%</b>
Community Health	2,416,210,412	2,583,938,600	167,728,188	6.9%
Corrections	1,599,803,231	1,632,315,300	32,512,069	2.0%
Family Independence Agency	1,115,085,079	1,102,339,379	(12,745,700)	-1.1%
<b>HUMAN SERVICES</b>	<b>\$5,131,098,722</b>	<b>\$5,318,593,279</b>	<b>\$187,494,557</b>	<b>3.7%</b>
Consumer and Industry Services	32,900,464	19,669,800	(13,230,664)	-40.2%
Career Development	26,572,800	24,706,700	(1,866,100)	-7.0%
Michigan Strategic Fund Agency	40,426,100	35,555,900	(4,870,200)	-12.0%
<b>REGULATORY</b>	<b>\$99,899,364</b>	<b>\$79,932,400</b>	<b>(\$19,966,964)</b>	<b>-20.0%</b>
Agriculture	36,773,700	31,404,000	(5,369,700)	-14.6%
Environmental Quality	66,653,161	53,055,800	(13,597,361)	-20.4%
Natural Resources	41,624,447	28,823,500	(12,800,947)	-30.8%
<b>RESOURCE PROTECTION</b>	<b>\$145,051,308</b>	<b>\$113,283,300</b>	<b>(\$31,768,008)</b>	<b>-21.9%</b>
Military and Veterans Affairs	38,328,308	36,598,800	(1,729,508)	-4.5%
State Police	277,389,448	231,241,500	(46,147,948)	-16.6%
<b>SAFETY AND DEFENSE</b>	<b>\$315,717,756</b>	<b>\$267,840,300</b>	<b>(\$47,877,456)</b>	<b>-15.2%</b>
Capital Outlay	289,166,900	306,302,100	17,135,200	5.9%
History, Arts, and Libraries	58,451,636	46,440,000	(12,011,636)	-20.5%
Judiciary	174,721,000	161,316,400	(13,404,600)	-7.7%
Transportation	0	0	0	0.0%
<b>ALL OTHERS</b>	<b>\$522,339,536</b>	<b>\$514,058,500</b>	<b>(\$8,281,036)</b>	<b>-1.6%</b>
<b>TOTAL APPROPRIATIONS</b>	<b>\$8,801,038,099</b>	<b>\$8,591,164,779</b>	<b>(\$209,873,320)</b>	<b>-2.4%</b>

\*School Aid figures include previously reported amounts.

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TABLE 4

FULL-TIME EQUATED POSITIONS\*  
 FY 2003-04 Executive Recommendation Compared with FY 2002-03 Year-to-Date

DEPARTMENT/ MAJOR BUDGET AREA	YEAR-TO-DATE FY 2002-03	FY 2003-04 EXECUTIVE RECOMMEND	FY 2003-04 vs. FY 2002-03	
			AMOUNT DIFFERENT	PERCENT DIFFERENT
Community Colleges	0.0	0.0	0.0	0.0%
Education	442.1	433.1	(9.0)	-2.0%
Higher Education	1.0	0.0	(1.0)	0.0%
School Aid	0.0	0.0	0.0	0.0%
<b>EDUCATION</b>	<b>443.1</b>	<b>433.1</b>	<b>(10.0)</b>	<b>-2.0%</b>
Attorney General	592.5	588.5	(4.0)	-0.7%
Civil Rights	163.5	163.5	0.0	0.0%
Civil Service	201.5	201.5	0.0	0.0%
Executive Office	84.2	84.2	0.0	0.0%
Information Technology	1,771.4	1,769.4	(2.0)	0.0%
Legislature	0.0	0.0	0.0	0.0%
Management and Budget	854.5	819.0	(35.5)	-4.2%
State	1,853.8	1,853.8	0.0	0.0%
Treasury: Operations	1,861.5	1,876.5	15.0	0.8%
Treasury: Debt/Revenue Sharing	0.0	0.0	0.0	0.0%
<b>GENERAL GOVERNMENT</b>	<b>7,382.9</b>	<b>7,356.4</b>	<b>(26.5)</b>	<b>-0.4%</b>
Community Health	5,672.3	4,672.2	(1,000.1)	-17.6%
Corrections	18,843.9	18,308.7	(535.2)	-2.8%
Family Independence Agency	12,501.1	10,771.6	(1,729.5)	-13.8%
<b>HUMAN SERVICES</b>	<b>37,017.3</b>	<b>33,752.5</b>	<b>(3,264.8)</b>	<b>-8.8%</b>
Consumer and Industry Services	4,012.4	4,001.0	(11.4)	-0.3%
Career Development	1,095.0	1,089.0	(6.0)	-0.5%
Michigan Strategic Fund	231.5	231.5	0.0	0.0%
<b>REGULATORY</b>	<b>5,338.9</b>	<b>5,321.5</b>	<b>(17.4)</b>	<b>-0.3%</b>
Agriculture	635.5	569.0	(66.5)	-10.5%
Environmental Quality	1,596.7	1,622.7	26.0	1.6%
Natural Resources	2,081.5	2,088.5	7.0	0.3%
<b>RESOURCE PROTECTION</b>	<b>4,313.7</b>	<b>4,280.2</b>	<b>(33.5)</b>	<b>-0.8%</b>
Military and Veterans Affairs	1,079.0	1,079.0	0.0	0.0%
State Police	3,448.5	3,337.5	(111.0)	-3.2%
<b>SAFETY AND DEFENSE</b>	<b>4,527.5</b>	<b>4,416.5</b>	<b>(111.0)</b>	<b>-2.5%</b>
Capital Outlay	0.0	0.0	0.0	0.0%
History, Arts, and Libraries	247.5	254.5	7.0	2.8%
Judiciary	582.5	582.5	0.0	0.0%
Transportation	3,074.3	3,075.3	1.0	0.0%
<b>ALL OTHERS</b>	<b>3,904.3</b>	<b>3,912.3</b>	<b>8.0</b>	<b>0.2%</b>
<b>TOTAL FULL-TIME EQUATED POSITIONS</b>	<b>62,927.7</b>	<b>59,472.5</b>	<b>(3,455.2)</b>	<b>-5.5%</b>

\*Includes classified, unclassified, and nonlegislative exempt positions.

Table 5

**STATE SPENDING FROM STATE SOURCES PAID TO LOCAL GOVERNMENTS**  
**FY 2003-04 Executive Recommendation**

<b>DEPARTMENT/ MAJOR BUDGET AREA</b>	<b>Spending from State Sources</b>	<b>State Spending to Local Government Units</b>	<b>% of State Spending from State Sources as Payment to Locals</b>
Community Colleges	289,013,100	289,013,100	100.0%
Education	41,900,000	19,597,000	46.8%
Higher Education	1,711,037,000	0	0.0%
School Aid	11,223,600,000	11,220,737,000	100.0%
<b>EDUCATION</b>	<b>\$13,265,550,100</b>	<b>\$11,529,347,100</b>	<b>86.9%</b>
Attorney General	40,955,000	0	0.0%
Civil Rights	12,183,200	0	0.0%
Civil Service	22,924,800	0	0.0%
Executive Office	4,859,500	0	0.0%
Information Technology	0	0	0.0%
Legislature	121,378,600	0	0.0%
Management and Budget	67,530,200	0	0.0%
State	79,429,100	69,800	0.1%
Treasury: Operations	307,068,400	99,931,700	32.5%
Treasury: Debt/Revenue Sharing	1,485,366,400	1,412,080,000	95.1%
<b>GENERAL GOVERNMENT</b>	<b>\$2,141,695,200</b>	<b>\$1,512,081,500</b>	<b>70.6%</b>
Community Health	3,291,266,000	1,187,922,600	36.1%
Corrections	1,693,064,100	84,723,800	5.0%
Family Independence Agency	1,172,436,179	192,628,700	16.4%
<b>HUMAN SERVICES</b>	<b>\$6,156,766,279</b>	<b>\$1,465,275,100</b>	<b>23.8%</b>
Consumer & Industry Services	305,485,100	17,187,400	5.6%
Career Development	31,371,400	0	0.0%
Michigan Startegic Fund Agency	45,605,900	0	0.0%
<b>REGULATORY</b>	<b>\$382,462,400</b>	<b>\$17,187,400</b>	<b>4.5%</b>
Agriculture	70,457,300	3,461,200	4.9%
Environmental Quality	200,209,300	16,920,500	8.5%
Natural Resources	209,027,000	15,723,100	7.5%
<b>RESOURCE PROTECTION</b>	<b>\$479,693,600</b>	<b>\$36,104,800</b>	<b>7.5%</b>
Military and Veterans Affairs	60,398,900	120,000	0.2%
State Police	334,604,900	20,302,758	6.1%
<b>SAFETY AND DEFENSE</b>	<b>\$395,003,800</b>	<b>\$20,422,758</b>	<b>5.2%</b>
Capital Outlay	347,642,100	20,060,000	5.8%
History, Arts, and Libraries	48,748,800	19,495,200	40.0%
Judiciary	240,311,700	124,506,800	51.8%
Transportation	2,228,934,100	1,234,759,000	55.4%
<b>ALL OTHER</b>	<b>\$2,865,636,700</b>	<b>\$1,398,821,000</b>	<b>48.8%</b>
<b>TOTALS</b>	<b>\$25,686,808,079</b>	<b>\$15,979,239,658</b>	<b>62.2%</b>





**FY 2003-04**

**Executive Recommendation  
for EDUCATION**

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**Community Colleges  
Education  
Higher Education  
School Aid / K-12**



**Summary: Executive Budget Recommendation  
COMMUNITY COLLEGES  
FY 2003-04 House Bill 4388**

**Analyst: Marilyn Peterson**

**FY 2003-04 Appropriation Recommendations**

	FY 2002-03 YTD (as of 3/6/03)	FY 2003-04 Executive	Difference: Exec to FY 2002-03 YTD	
			Amount	%
IDG/IDT	\$0	\$0	\$0	0.0
Federal	0	0	0	0.0
Local	0	0	0	0.0
Private	0	0	0	0.0
Restricted	2,295,982	0	(2,295,982)	(100.0)
GF/GP	307,512,112	289,013,100	(18,499,012)	(6.0)
<b>Gross</b>	<b>\$309,808,094</b>	<b>\$289,013,100</b>	<b>(\$20,794,994)</b>	<b>(6.7)</b>
FTEs	0.0	0.0	0.0	0.0

**Overview**

The Constitution charges the Legislature with enacting laws to provide for the establishment and financial support of community colleges; twenty-eight community colleges have been established under statutes that provided for the creation of community college districts coinciding with the boundaries of counties, school districts, or intermediate school districts. Community colleges are funded from several revenue streams: state aid, student tuition and fees, local property taxes, private donations, and federal grants.

Community colleges are located throughout the state and offer a full range of programs of two years or less in duration, including traditional transfer programs (for students moving on to four-year institutions), technical training programs, certificate programs, and customized training or retraining for employees in skilled positions. In recognition of the role that community colleges play in workforce development, various statutory powers and responsibilities pertaining to community colleges were transferred from the Department of Education to the Department of Career Development under Executive Reorganization Order No. 1999-7.

**Summary of Major Budget Issues**

***Reduce Operations Funding***

Executive recommends an operations funding reduction totaling \$20.5 million for the 28 community colleges; each college would experience a 6.7% reduction.

***Eliminate PASS Program***

Executive recommends elimination of the Postsecondary Access Student Success (PASS) program, which is fully supported by the Michigan Merit Award Trust Fund. Current-year funding for the 700 participants is \$700,000.

***At-Risk Student Success Program***

Executive proposes a reduction of 6.7% for the At-Risk Student Success Program. This formula grant program supports colleges' efforts to address the special needs of at-risk students and funds equipment and technology upgrades that may be (but need not be) used by such students.

**Renaissance Zone Tax Reimbursement**

Executive Recommendation includes a \$652,800 increase for renaissance zone reimbursement payments. These payments reimburse colleges for property tax revenues lost through the establishment of renaissance zones.

**MPSERS Contribution Subsidy**

Contribution rate increases to the Michigan Public School Employees Retirement System (MPSERS) are estimated to total \$7.0 million for the community colleges that participate in MPSERS. The Executive proposes to fund the increase through a MPSERS stabilization subaccount, thus enabling MPSERS payments to be frozen at their current-year levels.

<b>Major Budget Changes from FY 2002-03 YTD Appropriations:</b>		<b>YTD FY 2002-03</b>	<b>Executive Change</b>
<b>1. Across-the-Board Operations Reduction</b>			
Executive recommends that operations funding for Michigan's 28 community colleges be reduced by 6.7% (\$20,507,788) from the current year-to-date (YTD). The Executive distributes these reductions proportionally based on each college's current YTD amount.	<b>Gross</b>	<b>\$309,180,888</b>	<b>(\$20,507,788)</b>
	Restricted	1,577,522	(1,577,522)
	GF/GP	\$302,870,666	(\$18,930,266)
<b>2. Eliminate PASS Program</b>			
Executive recommends elimination of the Postsecondary Access Student Scholarship (PASS) program, citing low participation rates (fewer than 700 students received awards last year). The PASS program is fully supported by the Michigan Merit Award Trust Fund.	<b>Gross</b>	<b>\$700,000</b>	<b>(\$700,000)</b>
	Restricted	700,000	(700,000)
<b>3. At-Risk Student Success Program</b>			
Executive proposes a 6.7% reduction in the at-risk student success program, which provides funding for college students who are academically at risk to help them overcome a wide range of obstacles and ensure college success.	<b>Gross</b>	<b>\$3,562,706</b>	<b>(\$240,006)</b>
	Restricted	18,461	(18,461)
	GF/GP	\$3,544,245	(\$221,546)
<b>4. Renaissance Zone Tax Reimbursements</b>			
Executive Recommendation includes a \$652,800 increase for Renaissance Zone Reimbursement payments. These payments hold harmless community colleges that lose money from their property tax levies due to the presence of a Renaissance Zone within their taxing authority.	<b>Gross</b>	<b>\$1,097,200</b>	<b>\$652,800</b>
	GF/GP	\$1,097,200	\$652,800

**Major Boilerplate Changes from FY 2002-03:**

**Sec. 211. Payment of At-Risk Funding - MODIFIED**

Current-year section requires the state to pay each community college its full at-risk pupil program allocation by November 1, 2002. The Executive proposes to pay 50% of each allocation in the state's first fiscal quarter and 50% in the second fiscal quarter.

**Sec. 212. Performance Audits - MODIFIED**

Current-year section requires that at least three performance audits of community colleges be conducted. The Executive would make the provision permissive, allowing but not requiring the performance audits.

**Sec. 218. Statistical Report on Minorities and Women Employees - DELETED**

The Executive recommends deletion of a section that provides for development and distribution of a statistical report on minority and female employees.

**Sec. 219. TIFA Report - DELETED**

The Executive recommends deletion of a section that requires the Department of Treasury to report on the amount of property tax revenue forgone by community colleges due to Tax Increment Financing Authorities (TIFAs) and tax abatements.

**Sec. 403. Economic Development Job Training (EDJT) - DELETED**

The Executive recommends deletion of a section that provides for at least 70% of EDJT grant money to be awarded to community colleges.

**Sec. 404. Michigan Postsecondary Access Student Scholarship (PASS) - DELETED**

The Executive recommends elimination of the PASS program, which supports costs of tuition and fees for eligible community college students.

**Summary: Executive Budget Recommendation  
DEPARTMENT OF EDUCATION  
FY 2003-04 House Bill 4391**

**Analysts: Mary Ann Cleary, Laurie Cummings**

**FY 2003-04 Appropriation Recommendations**

	FY 2002-03 YTD <u>(as of 3/6/03)</u>	FY 2003-04 <u>Executive</u>	Difference: Exec to FY 2002-03 YTD	
			<u>Amount</u>	<u>%</u>
<b>IDG/IDT</b>	\$1,000,000	\$1,000,000	\$0	0.0
<b>Federal</b>	166,260,200	64,479,400	(101,780,800)	(0.6)
<b>Local</b>	4,744,200	4,744,200	0	0.0
<b>Private</b>	701,400	701,400	0	0.0
<b>Restricted</b>	14,430,000	12,507,500	(1,922,500)	(0.1)
<b>GF/GP</b>	29,018,216	29,392,500	374,284	0.0
<b>Gross</b>	<b>\$216,154,016</b>	<b>\$112,825,000</b>	<b>(\$103,329,016)</b>	<b>(0.5)</b>
<b>FTEs</b>	442.1	433.1	(9.0)	0.0

**Overview**

The State Board of Education is an eight-member elected board constitutionally mandated to provide leadership and supervision for public education in Michigan. The Department of Education (DOE) is the administrative arm of the Board charged with implementing state and federal educational mandates and administering programs. Major responsibilities of the DOE include developing and overseeing the K-12 school system, certifying teachers, collecting and reporting educational data, disbursing funds to educational organizations, and providing technical assistance to local school districts.

**Summary of Major Budget Issues**

***School Breakfast Program***

The Executive recommends an increase of \$2,595,200 in GF/GP to maintain the School Breakfast Program.

***Cost Reductions from EO 2003-03***

The Governor would continue GF/GP reductions made through Executive Order 2003-03. This includes reducing costs for travel, contracted services, materials and supplies, worker's compensation, and state vehicle leases; a total savings of \$1,039,700.

***Federal Program Eliminations***

Several grants are no longer funded by the federal government; the appropriations for those grants have, therefore, been eliminated.

***State Program Eliminations***

The Executive recommended terminating the Motorcycle Safety Education Program and Off-Road Vehicle Safety Training programs, funded with restricted fees—resulting in a combined \$1,951,300 reduction.

***Administrative Savings***

The recommended budget would reduce GF/GP funding for administration by \$975,900 or 14.4%.

***Education Commission and State Tenure Commission***

The Governor would eliminate membership in the Education Commission of the States (\$99,300), and eliminate State Tenure Commission per diem payments (\$11,100).

<b><u>Major Budget Changes from FY 2002-03 YTD Appropriations:</u></b>		<b>YTD FY 2002-03</b>	<b>Executive Change</b>
<b>1. School Breakfast Program</b>	<b>Gross</b>	<b>\$7,774,900</b>	<b>\$2,595,200</b>
Executive recommends an increase of 33% in GF/GP to fully fund this program. The increase of \$2.6 million covers the cost of additional students participating in the program and higher per-student costs.	GF/GP	\$7,774,900	\$2,595,200
<b>2. Elimination of Federal Grants</b>	<b>Gross</b>	<b>\$120,904,100</b>	<b>(\$100,904,100)</b>
Elimination of federal funding for the following grant programs: Class Size Reduction, Eisenhower Math and Science, Goals 2000, and Technology Literacy Challenge Grants. Funding for Urgent School Renovation was reduced by \$25 million to \$20 million at the federal level. Administration for all the above programs is also eliminated.	Federal	120,904,100	(100,904,100)
<b>3. Elimination of Motorcycle and Off-Road Vehicle Safety Programs</b>	<b>Gross</b>	<b>\$1,951,300</b>	<b>(\$1,951,300)</b>
Executive recommends elimination of these two safety programs: the Motorcycle Safety Education program at \$1.5 million and Off-Road Vehicle Safety Training program at \$421,100. Fees that currently fund these programs would be reduced accordingly.	Restricted	1,951,300	(1,951,300)
	GF/GP	\$0	\$0
<b>4. Technology Program Transfers</b>	<b>Gross</b>	<b>\$2,906,900</b>	<b>(\$685,100)</b>
Executive proposes to transfer all funding for Information Technology FTEs to the Department of Information and Technology and funding for the Center for Educational Performance and Information (CEPI) FTEs to the Department of Management and Budget. These transfers place funding for the FTE in the departments that have direct oversight of these employees.	Federal	1,045,500	(13,500)
	Restricted	168,200	0
	GF/GP	\$1,693,200	(\$671,600)
<b>5. Building Occupancy Charge Changes</b>	<b>Gross</b>	<b>\$1,439,600</b>	<b>(\$93,600)</b>
Executive recommends reducing GF/GP by \$200,000 and replacing it with federal funds (\$161,700) and restricted funds (\$38,300). Negative adjustments of (\$93,600) to the building occupancy charges were also recommended to reflect the actual number of FTEs utilizing the space.	Federal	715,700	115,000
	Restricted	172,000	27,200
	GF/GP	\$551,900	(\$235,800)
<b>6. Administration Law Funding Changes</b>	<b>Gross</b>	<b>\$723,500</b>	<b>(\$142,600)</b>
Executive recommends a reduction of 19.7% in this program and a funding shift of \$32,000 from GF/GP to restricted revenues.	Restricted	0	32,000
	GF/GP	\$519,900	(\$174,600)
<b>7. Reduction in Funding for Administration</b>	<b>Gross</b>	<b>N/A</b>	<b>(\$662,300)</b>
Executive recommends reducing general funds for administration by \$801,300 by reducing travel and CSS&M, not filling vacant positions, and making fund shifts throughout the Department.	Federal	N/A	94,000
	Restricted	N/A	45,000
	GF/GP	N/A	(\$801,300)
<b>8. Education Commission of the States Membership</b>	<b>Gross</b>	<b>\$99,300</b>	<b>(\$99,300)</b>
Executive recommends elimination of the dues for the state's membership in the national organization—Education Commission of the States.	GF/GP	\$99,300	(\$99,300)
<b>9. Early Retirement and Terminal Leave Adjustments</b>	<b>Gross</b>	<b>N/A</b>	<b>(\$173,300)</b>
Savings from early retirement savings for FY 2003-04 of \$93,600 and adjustments to the terminal leave payments of \$79,700.	GF/GP	N/A	(\$173,300)

<u>Major Budget Changes from FY 2002-03 YTD Appropriations:</u>		<u>YTD</u>	<u>Executive</u>
		<u>FY 2002-03</u>	<u>Change</u>
<b>10. Eliminate State Tenure Commission Per Diems</b>	<b>Gross</b>	<b>\$11,100</b>	<b>(\$11,100)</b>
Executive recommends elimination of the per diem of \$50 per meeting to the State Tenure Commission members.	GF/GP	\$11,100	(\$11,100)

**Major Boilerplate Changes from FY 2002-03:**

**Sec. 215. Unexpended General Funds - NEW**

Executive recommends allowing the Department to keep half of their unexpended GF/GP at the end of FY 2002-03 to be used in FY 2003-04 instead of lapsing back to the general fund.

**Sec. 216. Privatization Language - DELETED**

The Department must give a 60-day notice and a detailed report to the Legislature before it can privatize any program. The Executive recommends deleting this language.

**Sec. 218. Buy American Language - DELETED**

Prohibits the purchase of foreign goods or services if competitively priced and comparable quality American goods are available. The Executive recommends deleting this language.

**Sec. 403(3). Former Michigan School for Blind Surplus Property - DELETED**

Mandates that the Department must get the approval of the subcommittee before renting, leasing, or declaring surplus property at the superintendent's house on the former Michigan School for the Blind site. The Executive recommends deleting this language.

**Sec. 601. Charter School Office - MODIFIED**

Requires the Department to staff the charter school office with 3.5 FTEs and \$350,000. The Executive strikes the 3.5 FTEs and \$350,000 and requires the Department to allocate sufficient funds to administer charter school legislation.

**Various Legislative Reports - DELETED**

Executive recommends deleting language throughout the bill that requires reports to the Legislature.



**Summary: Executive Budget Recommendation  
HIGHER EDUCATION  
FY 2003-04 House Bill 4396**

**Analyst: Hank Prince**

**FY 2003-04 Appropriation Recommendations**

	FY 2002-03 YTD <u>(as of 3/6/03)</u>	FY 2003-04 <u>Executive</u>	Difference: Exec to FY 2002-03 YTD	
			<u>Amount</u>	<u>%</u>
<b>IDG/IDT</b>	\$109,548,100	\$103,716,800	(\$5,831,300)	(5.3)
<b>Federal</b>	358,600	440,800	82,200	22.9
<b>Local</b>	0	0	0	0.0
<b>Private</b>	0	0	0	0.0
<b>Restricted</b>	36,073,900	31,201,300	(4,872,600)	(13.5)
<b>GF/GP</b>	38,047,311	36,328,900	(1,718,411)	(4.5)
<b>Gross</b>	<b>\$184,027,911</b>	<b>\$171,687,800</b>	<b>(\$12,340,111)</b>	<b>(6.7)</b>
<b>FTEs</b>	854.5	819.0	(35.5)	(4.2)

**Overview**

The higher education budget currently provides funding for the operational needs of state universities, need-based and merit-based financial aid programs for college students, grants for independent colleges and universities, and support for statewide programs. General Fund/General Purposes monies account for 95% of the funding sources for this budget.

**Summary of Major Budget Issues**

**State University Operational Funds**

The Executive budget proposes \$1.45 billion, a reduction of 6.7 % from current-year levels. The governor's budget applies the reduction uniformly across the FY 2002-03 funding levels for the fifteen state universities.

**Statewide Programs**

Included in the Executive budget is \$64.7 million, a reduction of nearly \$7 million in support of these programs. Among the cuts recommended is elimination of the FY 2002-03 one-time funding for the MSU Rare Isotope Accelerator grant.

**Michigan Merit Awards**

Funding for this program is recommended at \$65.1 million to support awards for graduating high-school seniors from the classes of 2000 through 2003 who achieved qualifying scores on the Michigan Educational Assessment Program (MEAP) test or on the ACT or SAT college-entrance tests. Awards for recipients from the class of 2004 would be funded in the FY 2004-05 budget.

**Tuition Incentive Program (TIP)**

The Executive recommends an increase of \$4 million in this program targeted at low-income Medicaid-eligible students by providing financial assistance to attend college. The additional funding addresses increased participation rates and higher college costs.

**Other Financial Aid Programs**

The Executive proposes elimination of seven financial aid and grant programs and the creation of a new needs-based Michigan Opportunity Scholarship program, which would absorb nearly all of the funding currently directed to five of the seven programs proposed for termination.

**MPERS Contribution Subsidy**

The Executive proposes to use funds in a Michigan Public School Employee Retirement System (MPERS)

EDUCATION - HIGHER EDUCATION

stabilization subaccount to offset the required contribution rate increase for the seven state universities who have employees in the MPSERS system.

<b>Major Budget Changes from FY 2002-03 YTD Appropriations:</b>		<b>YTD FY 2002-03</b>	<b>Executive Change</b>
<b>1. State Universities - Operations</b>			
The Executive proposes elimination of Merit Award Trust Fund monies to support base state appropriations and reduces the total appropriation by 6.7%. GF/GP monies are cut by 6.3%.	<b>Gross</b>	<b>\$1,558,942,342</b>	<b>(\$105,006,842)</b>
	Restricted	8,077,436	(8,077,436)
	GF/GP	\$1,550,864,906	(\$96,929,406)
<b>2. Statewide Programs</b>	<b>Gross</b>	<b>\$71,633,375</b>	<b>(\$6,973,775)</b>
Three statewide programs (Rare Isotope Accelerator, the Japan Center, and the Midwest Higher Education Compact dues) would not be supported in FY 2003-04.	Restricted	2,260,887	(2,260,887)
The one-time Accelerator grant was awarded to MSU for architectural design of such a facility, which would be built at MSU only if the federal government decides to fund such an endeavor and if MSU were selected as the location.	GF/GP	\$69,372,488	(\$4,712,888)
The Agricultural Experiment Station (AES), the Cooperative Extension Service (CES), and Project GREEN (whose funding is partially included in AES and partially in CES) would receive 93.3% of FY 2002-03 funding.			
Support for the higher education database (HEIDI), housed in the Center for Geographic Information, would be trimmed by 17.1% as part of state agency administrative savings.			
<b>3. Michigan Merit Award Program</b>	<b>Gross</b>	<b>\$64,323,850</b>	<b>\$776,150</b>
This program would receive a 1.2% increase in restricted-dollar funding to support residual payments for the classes of 2000 through 2003.	Restricted	64,323,850	776,150
The Executive has also proposed that these awards be reduced from \$2,500 to \$500 for high school graduation classes beginning with the class of 2004. Payment of awards for that class would be funded in the FY 2004-05 budget.			
<b>4. Michigan Opportunity Scholarships</b>	<b>Gross</b>	<b>\$0</b>	<b>\$112,444,900</b>
The Governor has proposed a new scholarship program that would replace five of the seven financial aid and grant programs (described below). The new program would be needs-based and provide support for in-state use of these scholarships at a public or independent college or university.	Federal	0	2,900,000
Under a phase-out plan, current recipients of state competitive scholarships and tuition grant programs would continue to receive funding as long as they remain eligible.	GF/GP	\$0	\$109,544,900
FY 2003-04 funding for this initiative would be slightly less than the FY 2002-03 aggregate of the five financial aid programs.			
<b>5. State Competitive Scholarships</b>	<b>Gross</b>	<b>\$35,993,486</b>	<b>(\$35,993,486)</b>
This program, which provides support to students attending a public or independent college or university and which is needs- and merit-based, would be eliminated, and the funding transferred to the Michigan Opportunity Scholarship program.	Federal	3,600,000	(3,600,000)
	GF/GP	\$32,393,486	(\$32,393,486)
<b>6. Tuition Grants</b>	<b>Gross</b>	<b>\$64,778,121</b>	<b>(\$64,778,121)</b>
This program, which provides support to students attending only an independent college or university and which is needs-based, would be eliminated and the funding transferred to the proposed Michigan Opportunity Scholarship program.	GF/GP	\$64,778,121	(\$64,778,121)

<u>Major Budget Changes from FY 2002-03 YTD Appropriations:</u>		<u>YTD</u>	<u>Executive</u>
		<u>FY 2002-03</u>	<u>Change</u>
<b>7. Michigan Work-Study Program</b>	<b>Gross</b>	<b>\$7,855,475</b>	<b>(\$7,855,475)</b>
Financial support for this program, which provides support to students attending a public or independent college or university at least half-time and which is needs-based, would be eliminated, and monies would be transferred to the proposed Michigan Opportunity Scholarship program.	GF/GP	\$7,855,475	(\$7,855,475)
<b>8. Adult Part-time Grant</b>	<b>Gross</b>	<b>\$2,844,937</b>	<b>(\$2,844,937)</b>
The Executive proposes the termination of funding for this program, which provides support to students attending a public or independent college or university and which is needs-based, and the transfer of funding to the proposed Michigan Opportunity Scholarship program.	GF/GP	\$2,844,937	(\$2,844,937)
<b>9. Michigan Education Opportunity Grants</b>	<b>Gross</b>	<b>\$2,234,692</b>	<b>(\$2,234,692)</b>
Funding for this program, which provides support to students attending a Michigan public community college or university and which is needs-based, would be eliminated, and monies transferred to the proposed Michigan Opportunity Scholarship program.	GF/GP	\$2,234,692	(\$2,234,692)
<b>10. Degree Reimbursement Grants</b>	<b>Gross</b>	<b>\$6,870,008</b>	<b>(\$6,870,008)</b>
The Executive proposes termination of this program, which provides funds to independent colleges and universities based on the number of prior academic-year graduates.	GF/GP	\$6,870,008	(\$6,870,008)
<b>11. Tuition Incentive Program (TIP)</b>	<b>Gross</b>	<b>\$5,250,000</b>	<b>\$4,000,000</b>
The Executive recommends an increase of \$4 million in this program targeted at low-income Medicaid-eligible students by providing financial assistance to attend college. The additional funding addresses increased participation rates and higher college costs.	Restricted	5,250,000	4,000,000
<b>12. MPSERS Contribution Subsidy</b>	<b>Gross</b>	<b>N/A</b>	<b>N/A</b>
The Executive proposes to use funds in a Michigan Public School Employee Retirement System (MPSERS) stabilization subaccount to offset the required contribution rate increase for the seven state universities who have employees in the MPSERS system. There is no appropriation required for this action to occur.			

**Major Boilerplate Changes from FY 2002-03:**

**Sec. 301. State Competitive Scholarships - DELETED**

Language related to competitive scholarships is deleted, since the Executive proposes repeal of the statute and enactment of the Michigan Opportunity Scholarship program..

**New Sec. 301. Michigan Opportunity Scholarships - NEW**

A new needs-based scholarship program that consolidates the funding from seven current financial aid programs and grants is proposed by the Executive.

**Sec. 302. Tuition Grants - DELETED**

The Executive proposes repeal of the underlying statute and enactment of the Michigan Opportunity Scholarship program. Hence, language related to the tuition grant program is recommended for deletion.

**Sec. 303. Michigan Work-Study Program - DELETED**

Language related to the Michigan work-study program is deleted, since the Executive proposes repeal of the statute and enactment of the Michigan Opportunity Scholarship program.

**Major Boilerplate Changes from FY 2002-03:**

**Sec. 304. General Degree Reimbursement Grant - DELETED**

The Executive proposes repeal of the statute and enactment of the Michigan Opportunity Scholarship program. Therefore, language related to the tuition grant program is proposed for deletion.

**Sec. 305. Allied Health Degree Reimbursement Grant - DELETED**

Language related to the allied health degree reimbursement grant program is deleted, since the Executive proposes repeal of the statute and enactment of the Michigan Opportunity Scholarship program.

**New Sec. 305. Michigan Merit Award Program - NEW**

The Executive proposes language that indicates that the FY 2003-04 appropriation provides support for awards for the classes of 2000 through 2003. Awards for the class of 2004 would be paid from the FY 2004-05 appropriation.

**New Sec. 308. Dental Clinics Grant - NEW**

The Executive adds language to specify that funds provided to the University of Detroit Mercy and previously listed as a dental degree reimbursement line item is intended to support dental clinical services (as the current appropriation does).

**New Sec. 404 (former Sec. 436). Tuition Restraint - REVISED**

Current law specifies a maximum resident undergraduate tuition and fee increase for FY 2002-03 of the greater of \$425 or 8.5%. The Executive proposes "reasonable" tuition increases without stating a limit either in dollar increase or in percent increase.

**Summary: Executive Budget Recommendation  
SCHOOL AID  
FY 2003-04 House Bill 4401**

**Analysts: Mary Ann Cleary  
Laurie Cummings**

**FY 2003-04 Appropriation Recommendations**

There is currently a school aid budget in place for FY 2003-04.  
The numbers in the table below reflect the change from FY 2002-03 after proration.

	FY 2002-03 YTD <u>(as of 3/6/03)</u>	FY 2003-04 <u>Executive</u>	Difference: Exec to FY 2002-03 YTD	
			<u>Amount</u>	<u>%</u>
IDG/IDT	\$0	\$0	\$0	0.0
Federal	1,219,825,200	1,244,363,100	24,537,900	0.0
Local	700,000	0	(700,000)	(1.0)
Private	0	0	0	0.0
Restricted	11,164,441,400	11,223,600,000	59,158,600	0.0
GF/GP	198,413,500	0	(198,413,500)	(1.0)
<b>Gross</b>	<b>\$12,583,380,100</b>	<b>\$12,467,963,100</b>	<b>(\$115,417,000)</b>	<b>0.0</b>
FTEs	0.0	0.0	0.0	0.0

**Overview**

The School Aid budget makes appropriations to the state's 554 local school districts, 184 public school academies, and 57 intermediate school districts for operations and certain categorical programs. It also appropriates funds to the Departments of Education, Career Development, and other departments to implement certain grants and other programs related to K-12 education.

**Summary of Major Budget Issues**

***Foundation Allowances***

Per-pupil foundation allowances, which are used to support day-to-day school operations, were recommended to remain at the FY 2002-03 level.

***Revenue Sources***

The budget assumes \$100 million in new revenue from refinancing the School Bond Loan Fund debt, \$50 million in new money from two new lottery games, and \$20.3 million from closing tax loopholes. Also, the Executive transfers \$198.6 million from Revenue Sharing to replace the General Fund contribution to the School Aid Fund.

***Retirement Rate Freeze***

The percentage of payroll contribution rate that districts are required to pay for school retirement would remain at the FY 2002-03 level of 12.99%, saving districts an estimated \$133 million in FY 2003-04.

***Adult Education***

This program was recommended to be reduced by \$57.5 million to \$20 million.

***Membership Blend***

The membership blend, used to calculate districts' foundation allowance payments, would change, saving an estimated \$40 million. Currently, pupil memberships are a blend of 80% of the current fall pupil count plus 20% of the previous February's count. This would change to a 50/50 blend.

EDUCATION - SCHOOL AID

**Categorical Programs Eliminated**

The following are programs recommended to be eliminated from the School Aid budget: Career Preparation System, the Partnership for Adult Learning (the "PAL" program), Math and Science Centers, Gifted and Talented Programs, School Health Curriculum grants, Accreditation Assistance to the Department, Interagency Grants, Golden Apple Awards, and the Autism grant to Grand Valley State University.

<b>Major Budget Changes from FY 2002-03 YTD Appropriations:</b>		<b>YTD FY 2002-03</b>	<b>Executive Change</b>
<b>1. Foundation Allowance</b>	<b>Gross</b>	<b>\$9,739,820,800</b>	<b>(\$134,000,000)</b>
Executive retains per-pupil foundation allowances at the same level as FY 2002-03. The total cost estimate has been revised to reflect changes in statewide pupil counts, taxable values, and a proposed change in the pupil membership blend. (See "Major Boilerplate Changes for FY 2003-04" below.)	Restricted	9,739,820,800	(134,000,000)
<b>2. Adult Education Reduction</b>	<b>Gross</b>	<b>\$74,555,000</b>	<b>(\$57,500,000)</b>
Executive reduces the Adult Education program by \$57.5 million and reduces the per participant amount from \$2,850 to \$880.	Restricted	74,555,000	(57,500,000)
<b>3. Intermediate School District Operations</b>	<b>Gross</b>	<b>91,417,000</b>	<b>(\$6,306,300)</b>
Appropriation for ISD operations is reduced by 6.6% to \$88.7 million.	Restricted	91,417,000	(6,306,300)
<b>4. Center for Education Performance and Information</b>	<b>Gross</b>	<b>\$6,686,600</b>	<b>(\$4,062,700)</b>
Executive reduces the state appropriation for the Center for Education Performance and Information by 80% to \$863,400.	Federal	2,357,600	(426,100)
	Restricted	N/A	863,400
	GF/GP	\$4,329,000	(\$4,500,000)
<b>5. Michigan Virtual University</b>	<b>Gross</b>	<b>\$11,394,700</b>	<b>(\$3,000,000)</b>
Executive reduces the state appropriation for the Michigan Virtual University by 33% to \$1.0 million. The allocation for Learning Without Limits grants, which is funded from this line item, is reduced from \$3.5 million to \$1.0 million.	Federal	6,584,700	0
	Restricted	N/A	2,000,000
	GF/GP	\$4,810,000	(\$5,000,000)
<b>6. Vocational Education</b>	<b>Gross</b>	<b>\$29,848,600</b>	<b>(\$1,008,400)</b>
Recommendation reduces the appropriation for vocational education 3.25% from current law.	Restricted	29,848,600	(1,008,400)
<b>7. Career Preparation System</b>	<b>Gross</b>	<b>\$21,356,400</b>	<b>(\$22,200,000)</b>
Executive eliminates the Career Preparation System, which incorporates curriculum with work-based learning programs to help students make career choices.	Restricted	21,356,400	(22,200,000)
<b>8. Partnership for Adult Learning</b>	<b>Gross</b>	<b>\$19,240,000</b>	<b>(\$20,000,000)</b>
Executive eliminates the Partnership for Adult Learning program, which provides English as a second language, GED preparation, and high school completion programs.	Restricted	19,240,000	(20,000,000)
<b>9. Math and Science Centers</b>	<b>Gross</b>	<b>\$9,843,500</b>	<b>(\$10,232,300)</b>
Executive eliminates state funding for the 33 Math and Science Centers throughout the state.	Restricted	9,316,297	(9,684,300)
	GF/GP	\$527,176	(\$548,000)
<b>10. Gifted and Talented Programs</b>	<b>Gross</b>	<b>\$4,810,000</b>	<b>(\$5,000,000)</b>
Executive eliminates Gifted and Talented Programs.	Restricted	4,810,000	(5,000,000)
<b>11. School Health Curriculum Grants</b>	<b>Gross</b>	<b>\$3,059,200</b>	<b>(\$3,180,000)</b>
Executive eliminates School Health Curriculum grants to districts and ISDs.	Restricted	3,059,200	(3,180,000)
<b>12. Accreditation Assistance</b>	<b>Gross</b>	<b>\$1,924,000</b>	<b>(\$2,000,000)</b>
Executive eliminates Accreditation Assistance to the Department of Education.	GF/GP	\$1,924,000	(\$2,000,000)

<b><u>Major Budget Changes from FY 2002-03 YTD Appropriations:</u></b>		<b>YTD</b>	<b>Executive</b>
		<b>FY 2002-03</b>	<b>Change</b>
<b>13. Early Childhood Grants</b>	<b>Gross</b>	<b>\$1,924,000</b>	<b>(\$2,000,000)</b>
Recommendation eliminates Early Childhood Grants to community-based programs.		GF/GP \$1,924,000	(\$2,000,000)
<b>14. Golden Apple Awards</b>	<b>Gross</b>	<b>\$1,269,800</b>	<b>(\$1,320,000)</b>
Executive eliminates the Golden Apple Program, which awards \$10,000 to schools with high or improving MEAP scores.		Restricted 1,269,800	(1,320,000)
<b>15. Parenting Programs</b>	<b>Gross</b>	<b>N/A</b>	<b>\$3,326,000</b>
Executive provides grants to ISDs that provide programs for preschool children and their parents to improve school readiness and encourage positive parenting skills.		Restricted N/A	3,326,000

**Major Boilerplate Changes from FY 2002-03:**

***Sec. 6(4). Membership Blend - MODIFIED***

Executive recommends changing the membership blend upon which foundation allowance payments are based from a "80/20" blend—a sum of 80% of the current fall pupil count plus 20% of the previous February's count—to a 50/50 pupil membership blend—a sum of 50% of the current fall pupil count plus 50% of the previous February's count. This change would result in an estimated \$40 million cost savings to the state.

***Sec. 147. MPSEERS Contribution Subsidy - MODIFIED***

Executive proposes to reduce the estimated percentage of payroll that districts pay for public school employee retirement from 14.37% to 12.99% contingent upon all districts in the state refinancing their School Bond Load Fund loans. The Executive proposes to use funds in a Michigan Public School Employee Retirement System (MPSEERS) stabilization subaccount to offset the difference in the contribution rates.

***Sec. 20(L). School District Consolidation - MODIFIED***

Governor replaces current language that gives consolidating districts a new foundation allowance equal to the highest foundation allowance among the consolidating districts plus \$50. The new language would give consolidating districts a pupil-weighted average foundation allowance plus \$10.

***Sec. 6(4)(y). Three-Year Average for Declining Enrollment Districts - ELIMINATED***

Current law states that pupil memberships for certain districts with declining enrollment shall be a three-year average membership, giving these districts additional pupil members to count towards their foundation allowance payments. The Executive would eliminate this provision.

***Throughout Bill. Reporting Requirements - MODIFIED***

Governor revised reporting requirements to specify that districts must report data to the Center for Education Performance and Information rather than to the Department of Education.

***Throughout Bill. Previous-Year Appropriations and Language - DELETED***

Executive deletes appropriations and language pertaining to years prior to FY 2003-04.

**New Revenue Sources for FY 2003-04**

***Revenue Sharing Reserve Funds***

Executive recommends transferring \$198.6 million from a Revenue Sharing reserve fund to replace the General Fund contribution to the School Aid Fund. This is a one-time revenue source.

***School Bond Loan Fund Refinance***

Executive recommends transferring to the School Aid Fund approximately \$100 million from an anticipated refinance of School Bond Loan Fund debt. This is a one-time revenue source.

***New Lottery Revenues***

Two new games were recommended which would generate an estimated \$50 million in FY 2003-04 for deposit into the School Aid Fund.

***Closing Tax Loopholes***

Executive recommended closing various tax loopholes to raise an estimated additional \$20.3 million in revenue for schools.





**FY 2003-04**

**GENERAL GOVERNMENT**

**Executive Recommendation**

**Attorney General**

**Civil Rights**

**Civil Service**

**Executive**

**Information Technology**

**Legislature**

**Management and Budget**

**State**

**Treasury-Operations**

**Treasury-Revenue Sharing/Debt Service**



**Summary: Executive Budget Recommendation  
ATTORNEY GENERAL  
FY 2003-04 Senate Bill 270**

**Analyst: Robin Risko**

**FY 2003-04 Appropriation Recommendations**

	FY 2002-03 YTD <u>(as of 3/6/03)</u>	FY 2003-04 <u>Executive</u>	Difference: Exec to FY 2002-03 YTD	
			<u>Amount</u>	<u>%</u>
<b>IDG/IDT</b>	\$9,917,900	\$11,119,200	\$1,201,300	12.1
<b>Federal</b>	7,672,700	7,564,400	(108,300)	(1.4)
<b>Local</b>	0	0	0	0.0
<b>Private</b>	1,183,000	0	(1,183,000)	(100.0)
<b>Restricted</b>	9,216,400	9,945,100	728,700	7.9
<b>GF/GP</b>	32,363,383	31,009,900	(1,353,483)	(4.2)
<b>Gross</b>	<b>\$60,353,383</b>	<b>\$59,638,600</b>	<b>(\$714,783)</b>	<b>(1.2)</b>
<b>FTEs</b>	592.5	588.5	(4.0)	(0.7)

**Overview**

The Attorney General's powers are prescribed in the State Constitution, in statute, and in court decisions. Serving as legal counsel for state departments, agencies, boards, commissions, and their officers, the Attorney General defends the state in court and brings actions and intervenes in cases on the state's behalf. In addition to defending state agencies, the Attorney General represents legislators and judges who may be sued while acting in their official capacities. The Attorney General issues opinions on questions of law submitted by members of the Legislature and others, serves as chief law enforcement officer of the state, and has supervisory powers over all local prosecuting attorneys.

The Department of Attorney General is organized into five bureaus: Child and Family Services, Criminal Justice, Economic Development and Oversight, Consumer Protection, and Governmental Affairs. In general, each bureau represents certain state agencies, boards, and commissions, and practices in specialized legal areas. Also, the Department includes the Prosecuting Attorneys Coordinating Council, an autonomous entity which provides services to Michigan's prosecutors, their assistants, and other office staff.

Unlike other state agencies, the Department of Attorney General does not operate or initiate programs, and thus the basic mission and goals of the Department do not change from one year to the next. The mission is to protect the common legal rights of citizens, defend the Constitution and the laws of the state, and represent the legal interests of government. The Department's goals are to make the state a safe place for its citizens, offer justice to the victims of crime, defend common natural resources and monetary assets of the state, and deliver excellent legal services at a minimum cost to taxpayers.

**Summary of Major Budget Issues**

***Prisoner Reimbursement Revenue***

Includes an additional \$800,000 in state restricted prisoner reimbursement revenue to be used to partially offset GF/GP reductions and to defend the state in prisoner litigation cases. Receipt of this funding will require an amendment to the State Correctional Facility Reimbursement Act.

***Early Retirement Savings***

GENERAL GOVERNMENT - ATTORNEY GENERAL

Reflects a savings of \$450,900 GF/GP due to early retirement of state employees.

**Eliminate MUSTFA Funding**

Eliminates 2.0 FTE positions and \$161,300 in State Restricted Michigan Underground Storage Tank Financial Assurance funding due to the scheduled 2003 sunset of the statutory fee which supports this revenue source.

<b>Major Budget Changes from FY 2002-03 YTD Appropriations:</b>		<b>YTD FY 2002-03</b>	<b>Executive Change</b>
<b>PROGRAM REVISIONS</b>			
<b>1. Prisoner Reimbursement Revenue</b>	<b>Gross</b>	<b>\$301,700</b>	<b>\$0</b>
Executive recommendation includes an additional \$800,000 in state restricted prisoner reimbursement revenue and reduces GF/GP by a like amount. This authorizes the Department to collect additional revenue and to recoup up to \$800,000 of the GF/GP reduction. Increased collections would be used to offset costs incurred under the State Correctional Facilities Reimbursement Act (SCFRA) and for legal services provided to the Department of Corrections. Since this involves an appropriation that is otherwise required to be deposited into the general fund pursuant to the SCFRA, it will require an amendment to the Act. (1935 PA 253)	Restricted	301,700	800,000
	GF/GP	\$0	(\$800,000)
<b>2. Accident Fund Company Revenue</b>	<b>Gross</b>	<b>\$1,183,000</b>	<b>\$0</b>
Executive recommendation replaces Private accident fund company revenue with an IDG from DMB, risk management revolving fund revenue. The Accident Fund no longer serves as the third party administrator for workers' compensation insurance to the state. However, the Attorney General continues to provide representation to the state on workers' compensation claims related to state employees.	IDG	0	1,183,000
	Private	1,183,000	(1,183,000)
<b>3. Eliminate MUSTFA Funding</b>	<b>FTE</b>	<b>2.0</b>	<b>(2.0)</b>
Executive recommendation eliminates 2.0 FTE positions and \$161,300 in State Restricted Michigan Underground Storage Tank Financial Assurance funding due the scheduled 2003 sunset of the statutory fee which supports this revenue source. The 7/8 cent fee on motor fuels will no longer be collected, as bonding requirements will be met in FY 2002-03.	<b>Gross</b>	<b>\$161,300</b>	<b>(\$161,300)</b>
	Restricted	161,300	(161,300)
<b>4. Reduced Funding for Information Technology</b>	<b>Gross</b>	<b>\$769,500</b>	<b>(\$87,300)</b>
Executive recommendation reduces funding for information and technology-related services and projects. Specifically, reductions will be taken in the areas of equipment and infrastructure.	GF/GP	\$769,500	(\$87,300)
<b>TRANSFERS AND OTHER ADJUSTMENTS</b>			
<b>5. Transfer to Department of Information Technology</b>	<b>FTE</b>	<b>2.0</b>	<b>(2.0)</b>
Executive recommendation transfers 2.0 FTE positions to the Department of Information Technology budget, and transfers the associated funding, \$145,100, from the Attorney General Operations line item to the Information Technology Services and Projects line item within the Department of Attorney General budget.	<b>Gross</b>	<b>\$0</b>	<b>\$0</b>
<b>6. Early Retirement Savings</b>	<b>Gross</b>	<b>\$0</b>	<b>(\$450,900)</b>
Executive recommendation reflects a savings of \$450,900 due to the early retirement of state employees.	GF/GP	\$0	(\$450,900)
<b>7. Economic Adjustments</b>	<b>Gross</b>	<b>\$0</b>	<b>(\$15,300)</b>
Executive recommendation reflects a savings of \$15,300 due to economic adjustments made for rent, building occupancy charges, and workers' compensation.	GF/GP	\$0	(\$15,300)

**Major Boilerplate Changes from FY 2002-03:**

***Sec. 305. Proceeds from Lawsuits Against Manufacturers of Tobacco Products - DELETED***

Subjects proceeds from lawsuits or settlement agreements initiated by the state against manufacturers of tobacco products to the appropriations process. The Executive deletes this section.

***Sec. 308. Attorney General Salary - DELETED***

Requires the Attorney General's annual salary to be \$135,500 unless an amendment to the state Constitution gives the State Officers Compensation Commission the authority to determine the salary. The Executive deletes this section.

***Sec. 308. Prisoner Reimbursement Revenue - NEW***

Authorizes the Department to spend up to \$301,700 of prisoner reimbursement revenue on activities related to the State Correctional Facilities Reimbursement Act; authorizes the Department to spend up to \$800,000 of excess collections, if the Department collects in excess of \$1,131,000, on defense of litigation against the state, its departments, or employees in civil actions filed by prisoners. The Executive includes the new language.

***Sec. 309. Administrative Efficiencies - NEW***

Appropriates an amount not to exceed one-half of the unexpended, unreserved general fund portions of FY 2002-03 appropriations for salaries and wages expenses, contractual services, supplies, and materials expenses, information technology expenses, and program operations costs, in an effort to encourage administrative efficiencies; subjects the appropriation to approval by the State Budget Director; requires the appropriation to be spent for the same purposes for which the original appropriation was made in FY 2002-03. The Executive includes the new language.

**Summary: Executive Budget Recommendation  
CIVIL RIGHTS  
FY 2003-04 Senate Bill 270**

**Analyst: Robin Risko**

**FY 2003-04 Appropriation Recommendations**

	FY 2002-03 YTD <u>(as of 3/6/03)</u>	FY 2003-04 <u>Executive</u>	Difference: Exec to FY 2002-03 YTD	
			<u>Amount</u>	<u>%</u>
IDG/IDT	\$0	\$0	0	0.0
Federal	934,000	934,000	0	0.0
Local	0	0	0	0.0
Private	0	0	0	0.0
Restricted	0	0	0	0.0
GF/GP	12,689,900	12,183,200	(506,700)	(4.0)
Gross	<b>\$13,623,900</b>	<b>\$13,117,200</b>	<b>(\$506,700)</b>	<b>(3.7)</b>
FTEs	163.5	163.5	0.0	0.0

**Overview**

The Michigan Civil Rights Commission was established in 1963 pursuant to Article I, Section 2 of the State Constitution to carry out guarantees against discrimination. In Article V, Section 29, the Commission is charged with investigating alleged discrimination against any person because of religion, race, color, or national origin and is directed to "secure the equal protection of such civil rights without such discrimination." Public Acts 453 and 220 of 1976, the Elliot-Larsen Civil Rights Act and the Handicappers' Civil Rights Act respectively, and subsequent amendments have added sex, age, marital status, height, weight, arrest record, and physical and mental disabilities to the original four protected categories.

The Michigan Department of Civil Rights was established in 1965 to serve as the administrative arm charged with implementing the policies of the Commission. The Department works to prevent discrimination through educational programs that promote voluntary compliance with civil rights laws; investigates and resolves discrimination complaints in the areas of employment, public accommodations and service, education, housing, and law enforcement; and disseminates information that explains the rights and responsibilities of Michigan citizens as provided by law. Also, the Department provides information and services to businesses on diversity initiatives, equal employment laws, contract compliance, coordination of certification programs for enterprises owned by persons with disabilities, and joint venture/strategic alliance matchmaking. A discrimination complaint may be filed at any of the Department's offices if the alleged discrimination has occurred within the past 180 days.

**Summary of Major Budget Issues**

***Early Retirement Savings***

Reflects a savings of \$401,300 GF/GP due to the early retirement of state employees.

<u>Major Budget Changes from FY 2002-03 YTD Appropriations:</u>		<u>YTD</u>	<u>Executive</u>
		<u>FY 2002-03</u>	<u>Change</u>
<b>TRANSFERS AND OTHER ADJUSTMENTS</b>			
<b>1. <i>Reduced Funding for Information and Technology</i></b>	<b>Gross</b>	<b>\$894,529</b>	<b>(\$90,500)</b>
Executive recommendation reduces funding for information and technology-related services and projects. This reduction will affect the intended scope of the Document Imaging Initiative, but it is unclear at this time to what extent. The Department had intended to begin a project that would convert written correspondence, contract compliance, and other contracts to electronic storage from the current paper storage filing system.	GF/GP	\$894,529	(\$90,500)
<b>2. <i>Early Retirement Savings</i></b>	<b>Gross</b>	<b>\$0</b>	<b>(\$401,300)</b>
Executive recommendation reflects a savings of \$401,300 due to the early retirement of state employees.	GF/GP	\$0	(\$401,300)
<b>3. <i>Economic Adjustments</i></b>	<b>Gross</b>	<b>\$0</b>	<b>(\$14,900)</b>
Executive recommendation reflects a savings of \$14,900 due to economic adjustments made for rent, building occupancy charges, and workers' compensation.	GF/GP	\$0	(\$14,900)

**Major Boilerplate Changes from FY 2002-03:**

***Sec. 401(2). Funding from Local and Private Sources - MODIFIED***

Authorizes the Department to receive and expend funding from local or private sources for training and information dissemination purposes, participating in mediation processes, and for workshops, seminars, and recognition or award programs; requires a report on the amount of funding received and expended. The Executive deletes the reporting requirement.

***Sec. 404. Administrative Efficiencies - NEW***

Appropriates an amount not to exceed one-half of the unexpended, unreserved general fund portions of FY 2003 appropriations for salaries and wages expenses, contractual services, supplies, and materials expenses, information technology expenses, and program operations costs, in an effort to encourage administrative efficiencies; subjects the appropriation to approval by the State Budget Director; requires the appropriation to be spent for the same purposes for which the original appropriation was made in FY 2003. The Executive includes the new language.

**Summary: Executive Budget Recommendation  
CIVIL SERVICE  
FY 2003-04 Senate Bill 270**

**Analyst: Robin Risko**

**FY 2003-04 Appropriation Recommendations**

	FY 2002-03 YTD <u>(as of 3/6/03)</u>	FY 2003-04 <u>Executive</u>	Difference: Exec to FY 2002-03 YTD	
			<u>Amount</u>	<u>%</u>
<b>IDG/IDT</b>	\$5,300,000	\$4,300,000	(\$1,000,000)	(18.9)
<b>Federal</b>	4,779,100	4,779,100	0	0.0
<b>Local</b>	1,700,000	1,700,000	0	0.0
<b>Private</b>	150,000	150,000	0	0.0
<b>Restricted</b>	9,639,200	14,872,200	5,233,000	54.3
<b>GF/GP</b>	9,285,700	8,052,600	(1,233,100)	(13.3)
<b>Gross</b>	<b>\$30,854,000</b>	<b>\$33,853,900</b>	<b>\$2,999,900</b>	<b>9.7</b>
<b>FTEs</b>	201.5	201.5	0.0	0.0

**Overview**

The Department of Civil Service is responsible for implementing policies established by the Civil Service Commission. The Department administers a statewide merit system that provides classified job opportunities within state government. This system includes classifying positions, administering competitive examinations for all classified positions, setting pay scales, developing rules governing personnel transactions and conditions of employment, and administering employee benefits, the quality recognition system, and the Civil Service Commission's Employment Relations Policy. In addition, the Department maintains ongoing statewide recruitment.

**Summary of Major Budget Issues**

***Employee Benefits Program Transfer***

Executive Recommendation includes a \$5.4 million transfer from the Department of Management and Budget (DMB) for the employee benefits program. Executive Order 2002-13 mandated this programmatic transfer.

***Elimination of the State Employee Quality Recognition System***

The Governor recommends elimination of the State Employee Quality Recognition System, which was included in the above transfer from DMB, saving \$191,800 of GF/GP.

***Employee Training Reduction***

Recommendation includes a \$1.0 million reduction of IDG revenue for training and development programs. The Department of Civil Service estimates a drop in the use of basic training programs as well as a decline in use of the leadership development and executive training curriculums which had been planned for the current fiscal year.



**Major Budget Changes from FY 2002-03 YTD Appropriations:**

**1. Employee Benefits Program Transfer**

Executive includes a \$5.4 million transfer from the Department of Management and Budget of the employee benefits program. Executive Order 2002-13 mandated this programmatic transfer.

	YTD FY 2002-03	Executive Change
<b>Gross</b>	<b>\$0</b>	<b>\$5,425,900</b>
Restricted	0	5,234,100
GF/GP	\$0	\$191,800

**2. State Employee Quality Recognition System**

The Governor recommends elimination of the State Employee Quality Recognition System saving \$191,800 of GF/GP.

<b>Gross</b>	<b>\$0</b>	<b>(\$191,800)</b>
GF/GP	\$0	(\$191,800)

**3. Employee Training Reduction**

Recommendation includes a \$1.0 million reduction of IDG revenue for training and development programs. The Department of Civil Service estimates a drop in the use of basic training programs as well as a decline in use of the leadership development and executive training curriculums which had been planned for the current fiscal year.

<b>Gross</b>	<b>\$4,000,000</b>	<b>(\$1,000,000)</b>
IDG	4,000,000	(1,000,000)

**4. Administrative Savings Reduction**

Executive includes an 11% reduction of GF/GP from YTD FY 2002-03. This reduction will be accomplished through not filling current vacancies and decreased contractual services, supplies and materials expenses.

<b>Gross</b>	<b>\$9,285,700</b>	<b>(\$1,018,200)</b>
GF/GP	\$9,285,700	(\$1,018,200)

**Major Boilerplate Changes from FY 2002-03:**

**Sec. 504. Flexible Spending Accounts - NEW**

Describes fund sourcing for the flexible spending account program; specifies how unspent employee contributions are to be used. This language was transferred from the DMB boilerplate pursuant to Executive Order 2002-13 which transferred the state employee benefits program.

**Sec. 505. Appropriation of Unexpended General Funds - NEW**

In order to encourage administrative efficiencies, appropriates up to one-half of the un-expended, unreserved portions of the FY 2002-03 general fund appropriations, subject to the approval of the budget director.

**Summary: Executive Budget Recommendation  
EXECUTIVE  
FY 2003-04 Senate Bill 270**

**Analyst: Robin Risko**

**FY 2003-04 Appropriation Recommendations**

	FY 2002-03 YTD (as of 3/6/03)	FY 2003-04 Executive	Difference: Exec to FY 2002-03 YTD	
			Amount	%
IDG/IDT	\$0	\$0	\$0	0.0
Federal	0	0	0	0.0
Local	0	0	0	0.0
Private	0	0	0	0.0
Restricted	0	0	0	0.0
GF/GP	5,021,500	4,859,500	(162,000)	(3.2)
Gross	<b>\$5,021,500</b>	<b>\$4,859,500</b>	<b>(\$162,000)</b>	<b>(3.2)</b>
FTEs	84.2	84.2	0.0	0.0

**Overview**

The budget for the Executive Office provides funding for the Governor, the Lieutenant Governor, and their staffs. The Governor is elected by the people to a four-year term, is the Chief Executive Officer of the state, the Commander-In-Chief of the state's military establishment, and the Chairperson of the State Administrative Board. Major constitutionally specified responsibilities include organization and supervision of the Executive branch and annual preparation and submission of the Executive budget. The Lieutenant Governor is nominated at party convention, is elected with the Governor to a four-year term, performs gubernatorial functions in the Governor's absence, and serves as President of the Michigan Senate.

Divisions within the Governor's Office include: Legal, Operations, Community-Based Initiatives, Appointments, Constituent Services, Policy, Communications, Legislative Affairs, Scheduling, Special Projects, and the Governor's Washington D.C. Office, Southeastern Michigan Office, and Upper Peninsula Office.

**Summary of Major Budget Issues**

**Operational Reductions**

Reflects a savings of \$136,900 GF/GP to be achieved through implementation of administrative efficiencies.

**Early Retirement Savings**

Reflects a savings of \$25,000 GF/GP due to the early retirement of state employees.

**Major Budget Changes from FY 2002-03 YTD Appropriations:**

**TRANSFERS AND OTHER ADJUSTMENTS**

**1. Operational Reductions**

Executive reflects a savings of \$136,900 to be achieved through implementation of administrative efficiencies. More specifically, one copy machine will be eliminated, and costs for travel, cell phones, subscriptions, copying, and supplies will be reduced significantly.

	<b>YTD FY 2002-03</b>	<b>Executive Change</b>
<b>Gross</b>	<b>\$3,870,700</b>	<b>(\$136,900)</b>
GF/GP	\$3,870,700	(\$136,900)

**2. Early Retirement Savings**

Executive reflects a savings of \$25,000 due to the early retirement of state employees.

<b>Gross</b>	<b>\$0</b>	<b>(\$25,000)</b>
GF/GP	\$0	(\$25,000)

**Major Boilerplate Changes from FY 2002-03:**

**Sec. 550. Office of Regulatory Reform - TRANSFERRED**

Authorizes collection of funding to cover costs associated with publication and distribution of the Michigan Register and the Michigan Administrative Code; appropriates funding and specifies that the funding will not lapse to the general fund at the end of the fiscal year. The Executive transfers the language to the DMB boilerplate section of the bill due to the transfer of the Office of Regulatory Reform from the Executive Office to DMB, pursuant to Executive Order 2002-11.

**Summary: Executive Budget Recommendation  
INFORMATION TECHNOLOGY  
FY 2003-04 Senate Bill 270**

**Analyst: Robin Risko**

**FY 2003-04 Appropriation Recommendations**

	FY 2002-03 YTD <u>(as of 3/6/03)</u>	FY 2003-04 <u>Executive</u>	Difference: Exec to FY 2002-03 YTD	
			<u>Amount</u>	<u>%</u>
IDG/IDT	\$424,006,800	\$355,689,300	(\$68,317,500)	(16.1)
Federal	0	0	0	0.0
Local	0	0	0	0.0
Private	0	0	0	0.0
Restricted	0	0	0	0.0
GF/GP	0	0	0	0.0
<b>Gross</b>	<b>\$424,006,800</b>	<b>\$355,689,300</b>	<b>(\$68,317,500)</b>	<b>(16.1)</b>
FTEs	1,771.4	1,769.4	(2.0)	0.1

**Overview**

The Department of Information Technology was created pursuant to Executive Order 2001-3 for the purposes of improving the delivery of services to citizens by utilizing advancements in technology, improving the management of state information and technology resources, and assuring the reliability, security, and confidentiality of state data and computer facilities. The Department acts as a general contractor between the state's information technology users and private sector providers of information technology products and services.

"Information Technology Services" is defined to mean services involving all aspects of managing and processing information including, but not limited to, all of the following: application development and maintenance; desktop computer support and management; mainframe computer support and management; server support and management; local area network support and management; information technology contract, project, and procurement management; information technology planning and budget management; and telecommunication services, security, infrastructure, and support.

The Department utilizes existing technology funding and state employees from within the other 19 executive branch departments and agencies to support the long-term technology needs of the state, and to find solutions and identify more effective ways to achieve missions. Each state department and agency requests spending authority to fund information technology-related activities and pays for technology services rendered by the Department of Information Technology through an interdepartmental grant. The administration of fund sources remains with each agency. Funding is organized into the following broad theme areas which are based on agency missions: Enterprisewide Services, Health and Human Services, Education Services, Public Protection, Resources Services, Transportation Services, and General Services.

**Summary of Major Budget Issues**

***Reduced Funding for CSES***

Reflects a savings of \$20.6 million due to reduced funding for the Child Support Enforcement System; funding will cover costs associated with maintenance of the system.

***Executive Order Reductions***

Reflects a savings of \$19.4 million due to Executive Orders 2002-22 and 2003-03 which had not been realized in the DIT budget, but in the various state department and agency budgets only.

***Operational Reductions***

Reflects a savings of \$10.4 million to be achieved through administrative efficiencies.

<b><u>Major Budget Changes from FY 2002-03 YTD Appropriations:</u></b>		<b>YTD FY 2002-03</b>	<b>Executive Change</b>																																		
<b>PROGRAM REVISIONS AND OTHER ADJUSTMENTS</b>	<b>Gross</b>	<b>\$424,006,800</b>	<b>(\$19,401,100)</b>																																		
<b>1. <i>Executive Order Reductions</i></b>	IDG	424,006,800	(19,401,100)																																		
Executive recommendation reflects a savings of \$19.4 million due to implementation of Executive Orders 2002-22 and 2003-03. These savings were reflected in the various state department budgets for FY 2002-03, but were not reflected in the Department of Information Technology budget.																																					
<b>2. <i>Reduced Funding for CSES</i></b>	<b>Gross</b>	<b>N/A</b>	<b>(\$20,571,000)</b>																																		
Executive recommendation reflects a savings of \$20.6 million due to reduced funding for the Child Support Enforcement System. Available funding will cover costs associated with maintenance of the system.																																					
	IDG	N/A	(20,571,000)																																		
<b>3. <i>Funding Adjustments</i></b>	<b>Gross</b>	<b>N/A</b>	<b>(\$18,975,900)</b>																																		
Executive recommendation reflects a savings of \$19.0 million due to numerous funding adjustments made in 17 state department budgets. In general, funding adjustments are made for the following reasons: fund source shifts, early retirement savings, revenue not able to be earned, transfers of staff, fee adjustments, rent adjustments, reorganizations, and removal of one-time funding appropriations. Totals by department are as follows:																																					
	IDG	N/A	(18,975,900)																																		
<table border="0"> <tr><td>Agriculture</td><td align="right">. . . . . \$33,200</td></tr> <tr><td>Attorney General</td><td align="right">. . . . . \$142,400</td></tr> <tr><td>Civil Service</td><td align="right">. . . . . (\$332,800)</td></tr> <tr><td>Community Health</td><td align="right">. . . . . (\$1,553,800)</td></tr> <tr><td>Consumer and Industry Services</td><td align="right">. . . . . (\$45,000)</td></tr> <tr><td>Corrections</td><td align="right">. . . . . (\$418,900)</td></tr> <tr><td>Education</td><td align="right">. . . . . \$299,600</td></tr> <tr><td>Environmental Quality</td><td align="right">. . . . . (\$39,100)</td></tr> <tr><td>Family Independence Agency</td><td align="right">. . . . . (\$9,115,100)</td></tr> <tr><td>History, Arts, and Libraries</td><td align="right">. . . . . \$40,000</td></tr> <tr><td>Management and Budget</td><td align="right">. . . . . (\$38,100)</td></tr> <tr><td>Military and Veterans Affairs</td><td align="right">. . . . . \$82,700</td></tr> <tr><td>Natural Resources</td><td align="right">. . . . . (\$5,564,500)</td></tr> <tr><td>State</td><td align="right">. . . . . (\$941,100)</td></tr> <tr><td>State Police</td><td align="right">. . . . . \$434,000</td></tr> <tr><td>Transportation</td><td align="right">. . . . . (\$260,600)</td></tr> <tr><td>Treasury</td><td align="right">. . . . . (\$1,698,800)</td></tr> </table>				Agriculture	. . . . . \$33,200	Attorney General	. . . . . \$142,400	Civil Service	. . . . . (\$332,800)	Community Health	. . . . . (\$1,553,800)	Consumer and Industry Services	. . . . . (\$45,000)	Corrections	. . . . . (\$418,900)	Education	. . . . . \$299,600	Environmental Quality	. . . . . (\$39,100)	Family Independence Agency	. . . . . (\$9,115,100)	History, Arts, and Libraries	. . . . . \$40,000	Management and Budget	. . . . . (\$38,100)	Military and Veterans Affairs	. . . . . \$82,700	Natural Resources	. . . . . (\$5,564,500)	State	. . . . . (\$941,100)	State Police	. . . . . \$434,000	Transportation	. . . . . (\$260,600)	Treasury	. . . . . (\$1,698,800)
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<u>Major Budget Changes from FY 2002-03 YTD Appropriations:</u>		<u>YTD</u>	<u>Executive</u>
		<u>FY 2002-03</u>	<u>Change</u>
<b>4. Operational Reductions</b>	<b>Gross</b>	<b>N/A</b>	<b>(\$10,443,400)</b>
	<b>IDG</b>	<b>N/A</b>	<b>(10,443,400)</b>

The Executive recommendation reflects a savings of \$10.4 million to be achieved through implementation of administrative efficiencies. Each department's budget reflects reduced funding for information and technology-related services and projects, totaling \$10.4 million. It is anticipated that these savings will occur as a result of the following: canceling or delaying projects; changing the scope of projects; eliminating contractual employees and consultants; other changes in staffing; reductions in rates, infrastructure, and hardware and software maintenance; reductions in equipment, training, travel, and contractual services, supplies, and materials expenses; and shifting of fund sources.

**Major Boilerplate Changes from FY 2002-03:**

**Sec. 572. e-Michigan Office - MODIFIED / DELETED**

Authorizes the e-Michigan office to sell and accept paid advertising; requires review and approval of each advertisement; authorizes the office to refuse advertising or to require modifications based on criteria determined by the office; requires revenue received to be used for operating costs and for future technology enhancements; limits the amount of revenue that can be received from the sale of paid advertising to \$250,000.

- Authorizes the receipt of gifts, donations, contributions, bequests, and grants of money from any public or private sources.
- Authorizes the e-Michigan office to supply services and to receive and expend funding in addition to that which is appropriated for providing such services.
- Appropriates and allots funding received.
- Designates funding for e-Michigan as a work project account.
- Requires the e-Michigan office to develop a search function of all state departments and agencies which is easily accessible to visitors.
- Requires a privacy policy be adopted by the e-Michigan office which includes instructions on how visitors can set their browsers to be warned before each cookie is written to a visitor's computer, and instructions for visitors on how to view and remove cookies on their computers.
- Requires a report on all of the following: the amount of gifts, donations, contributions, bequests, and grants of money received; expenditures made from amounts received; a listing of gifts, donations, contributions, etc. other than funding received; total revenue received from the sale of paid advertising; and total number of advertising transactions.

The Executive changed all references to "e-Michigan office", in subsections 1, 2, 4, and 5, to read "department of information technology" or "department". Also, the Executive deleted subsections 3, 6, 7, and 8.

**Sec. 575. Transfer of DIT Employees - DELETED**

Expresses that it is the intent of the Legislature that the Department will transfer their employees from the other state departments and agencies within a reasonable time frame. The Executive deletes this section.

**Sec. 577. Michigan Public Safety Communications System - NEW**

Requires appropriation for the Michigan Public Safety Communications System to be expended upon approval by the State Budget Director of an expenditure plan; requires the Department to assess reasonable access and maintenance fees to all subscribers of the system. The Executive includes the new language.

**Summary: Executive Budget Recommendation  
LEGISLATURE  
FY 2003-04 Senate Bill 270**

**Analyst: Robin Risko**

**FY 2003-04 Appropriation Recommendations**

	FY 2002-03 YTD <i>(as of 3/6/03)</i>	FY 2003-04 <u>Executive</u>	Difference: Exec to FY 2002-03 YTD	
			<u>Amount</u>	<u>%</u>
<b>IDG/IDT</b>	\$1,627,600	\$1,662,900	\$35,300	2.2
<b>Federal</b>	0	0	0	0.0
<b>Local</b>	0	0	0	0.0
<b>Private</b>	400,000	400,000	0	0.0
<b>Restricted</b>	2,530,400	2,495,100	(35,300)	(1.4)
<b>GF/GP</b>	120,726,700	118,883,500	(1,843,200)	(1.5)
<b>Gross</b>	<b>\$125,284,700</b>	<b>\$123,441,500</b>	<b>(\$1,843,200)</b>	<b>(1.5)</b>
<b>FTEs</b>	0.0	0.0	0.0	0.0

**Overview**

The budget for the Legislature provides funding for the Legislative branch of state government, to include the Legislative Council and agencies it governs, the Office of the Auditor General, the Legislative Retirement System, and Property Management. The Legislature enacts the laws of Michigan, levies taxes, appropriates funding from revenues collected for the support of public institutions and the administration of the affairs of state government, initiates and considers amendments to the State and U.S. Constitutions, and exercises legislative oversight over the Executive branch of government. The Legislative Council provides a wide variety of essential services to members and staff of the Legislature and is responsible for maintaining bill drafting, research, and other services. Carpenters, painters, maintenance mechanics, and electricians provide maintenance, operation, and repair of the Capitol Building, House of Representatives Office Building, and Farnum Building.

The Office of the Auditor General is responsible for conducting financial and performance audits of state government operations. The resulting audit reports provide a continuing flow of information to assist the Legislature in its oversight of state government, provide citizens with a measure of accountability, and assist state departments and agencies in improving financial management.

The Michigan Legislative Retirement System provides retirement allowances, survivors' allowances, and other benefits for members of the Legislature and their spouses, dependents, survivors, and beneficiaries. The system is funded through state appropriations, member contributions, certain court filing fees, and investment income.

**Summary of Major Budget Issues**

**NO CHANGES** from current year-to-date appropriations. (Note: The FY 2003-04 Executive recommendation assumes the \$1.8 million reduction referred to in Executive Order 2003-03. The \$1.8 million reduction has yet to occur, but is anticipated via the proposed negative supplemental bill.)

GENERAL GOVERNMENT - LEGISLATURE

<u>Major Budget Changes from FY 2002-03 YTD Appropriations:</u>		<b>YTD</b>	<b>Executive</b>
		<b>FY 2002-03</b>	<b>Change</b>
<b>No Change from Year-to-Date Appropriations</b>	<b>Gross</b>	<b>\$125,284,700</b>	<b>(\$1,843,200)</b>
Executive recommendation assumes that the \$1.8 million reduction which was referred to in Executive Order 2003-03 has already occurred. However, the \$1.8 million reduction has not yet occurred, but is anticipated to occur via the proposed negative supplemental bill.	IDG	1,627,600	35,300
	Private	400,000	0
	Restricted	2,530,400	(35,300)
	GF/GP	\$120,726,700	(\$1,843,200)

**Major Boilerplate Changes from FY 2002-03:**

**Sec. 604. National Association Dues - MODIFIED**

Specifies distribution of funding appropriated for payment of National Association Dues. Executive modified the payment amounts to reflect actual appropriations.



**Summary: Executive Budget Recommendation  
MANAGEMENT AND BUDGET  
FY 2003-04 Senate Bill 270**

**Analyst: Robin Risko**

**FY 2003-04 Appropriation Recommendations**

	FY 2002-03 YTD <i>(as of 3/6/03)</i>	FY 2003-04 <i>Executive</i>	Difference: Exec to FY 2002-03 YTD	
			<i>Amount</i>	<i>%</i>
<b>IDG/IDT</b>	\$109,548,100	\$103,716,800	(\$5,831,300)	(5.3)
<b>Federal</b>	358,600	440,800	82,200	22.9
<b>Local</b>	0	0	0	0.0
<b>Private</b>	0	0	0	0.0
<b>Restricted</b>	36,073,900	31,201,300	(4,872,600)	(13.5)
<b>GF/GP</b>	39,247,311	36,328,900	(2,918,411)	(7.4)
<b>Gross</b>	<b>\$185,227,911</b>	<b>\$171,687,800</b>	<b>(\$12,340,111)</b>	<b>(6.7)</b>
<b>FTEs</b>	854.5	819.0	(35.5)	(4.2)

**Overview**

The Department of Management and Budget (DMB) has legal authority under the Management and Budget Act, 1984 PA 431, and is the central management element of the Executive branch of state government. The Department is an interdepartmental service and management agency responsible for all of the following: ensuring proper financial record keeping for state agencies, managing capital outlay projects, managing property for the state (i.e., managing state leases, selling surplus property), executing cost-effective purchasing programs, managing the state's retirement systems, supervising the state motor vehicle fleet, administering travel policies, and providing office support services to state agencies. In addition, the Office of the State Budget prepares, presents, and executes the state budget on behalf of the Governor.

The Department has several autonomous units, including the following: Office of the State Employer, which is primarily responsible for central labor relations as the employer of the state classified work force; Office of the Children's Ombudsman, which investigates the actions, decisions, policies, and protocols of the Family Independence Agency and child placing agencies as they relate to children in Michigan's child welfare system; and Office of Regulatory Reform, which is responsible for reviewing proposed rules, coordinating the processing of rules by state agencies, and working with agencies to streamline the rule-making process and to improve public access.

**Summary of Major Budget Issues**

***Transfer of Programs***

Reduces FTE positions by 39.5 and reflects a savings of \$6.8 million Gross due to transfer of the Employee Benefits program from DMB to the Department of Civil Service (31.0 FTE positions and \$5.4 million), and transfer of the forms and records management program and demographics from DMB to the Department of History, Arts, and Libraries (8.5 FTE positions and \$1.4 million).

***Building Occupancy Adjustments***

Reflects a savings of \$6.0 million in IDG from Building Occupancy and Parking Charges to be achieved through administrative efficiencies (i.e. reduced security, janitorial services, and parking leases at Cadillac Place in Detroit and Constitution Hall in Lansing).

**Reduced Funding for IT Services**

Reduces funding for MAIN contracts and other information and technology-related services and projects by \$646,200 GF/GP.

<b><u>Major Budget Changes from FY 2002-03 YTD Appropriations:</u></b>		<b>YTD FY 2002-03</b>	<b>Executive Change</b>
<b>PROGRAM REVISIONS</b>	<b>Gross</b>	<b>\$0</b>	<b>(\$5,949,000)</b>
<b>1. Building Occupancy Adjustments</b>	IDG	0	(5,949,000)
<p>Executive recommendation reflects a savings of \$6.0 million to be achieved through implementation of administrative efficiencies. More specifically, adjustments will be made for private rent and lease costs; operating costs for leased buildings will be reduced; costs for security, janitorial services, and other service contracts will be reduced; reductions in shuttle bus services will reduce overall state costs; and more efficient use of state parking will save money.</p>			
<b>2. Retirement System - Vision ORS</b>	<b>Gross</b>	<b>\$0</b>	<b>\$1,290,000</b>
<p>Executive recommendation includes funding for implementation of Vision ORS. When Vision ORS is complete, members of the State Employees, Public School Employees, Judges, and State Police retirement systems will be able to access their retirement information via telephone, Internet, fax, interactive voice response, or in person. As the new system becomes functional in FY 2003-04, ongoing operational costs will change from those experienced under the old automated systems. The Executive recommendation includes \$450,000 for equipment hosting and licensing charges, and \$840,000 for additional costs associated with application support.</p>			
	Restricted	0	1,290,000
<b>3. Severance Pay Funds</b>	<b>Gross</b>	<b>\$600,000</b>	<b>(\$600,000)</b>
<p>Executive recommendation reduces severance pay funds for AFSCME by \$500,000 and for UAW by \$100,000 in accordance with collective bargaining agreements. The amounts appropriated for severance pay funds are required to be available as of the first date covered by the collective bargaining agreement and for three years following that. The appropriations in FY 2002-03 for these two bargaining units satisfied the requirements for the next three years, thus the appropriations are no longer necessary.</p>			
	IDG	600,000	(600,000)
<b>4. Operational Reductions</b>	<b>Gross</b>	<b>\$0</b>	<b>(\$130,000)</b>
<p>Executive recommendation reflects a savings of \$130,000 to be achieved through implementation of administrative efficiencies. Contractual services, temporary staff, and other support costs will be reduced by \$110,000. Also budgeted is a reduction of \$20,000 in major projects funding which will eliminate resources for strategic initiatives within the Department.</p>			
	GF/GP	\$0	(\$130,000)
<b>TRANSFERS AND OTHER ADJUSTMENTS</b>	<b>FTE</b>	<b>31.0</b>	<b>(31.0)</b>
<b>5. Transfer of Employee Benefits to Civil Service</b>	<b>Gross</b>	<b>\$5,425,900</b>	<b>(\$5,425,900)</b>
<p>Executive Order 2002-13 transferred the Employee Benefits and Quality Recognition programs from DMB to the Department of Civil Service. Also transferred were accounting staff that supported the programs. The Executive recommendation reflects this transfer by reducing FTE position authorization and the associated funding levels.</p>			
	Restricted	5,234,100	(5,234,100)
	GF/GP	\$191,800	(\$191,800)

**Major Budget Changes from FY 2002-03 YTD Appropriations:**

		YTD FY 2002-03	Executive Change
<b>6. Transfer of Demographics and Records Management Center to History, Arts, and Libraries</b>	FTE	8.5	(8.5)
Executive Order 2002-17 transferred the demographics program, the state data center program, and the records management and records center programs from DMB to the Department of History, Arts, and Libraries. The Executive recommendation reflects this transfer by reducing FTE position authorization and the associated funding levels.	Gross	\$1,402,000	(\$1,402,000)
	IDG	137,500	(137,500)
	Restricted	102,900	(102,900)
	GF/GP	\$1,161,600	(\$1,161,600)
<b>7. Transfer CEPI from the Department of Education</b>	Gross	\$0	\$685,100
Executive recommendation reflects the transfer of funding for the Center for Educational Performance and Information from the Department of Education to DMB. The Center was created pursuant to Executive Order 2000-9 and was charged with improving the quality and availability of educational data for use by educators, administrators, taxpayers, and state and local policymakers. The Center collects data and other mandated information for the Departments of Education, Treasury, Career Development, and Consumer and Industry Services, and is housed in the Office of the State Budget.	Federal	0	13,500
	GF/GP	\$0	\$671,600
<b>8. Transfer of Mail and Delivery Services from FIA</b>	FTE	0.0	4.0
Executive recommendation reflects the transfer of mail distribution services and the associated FTE positions and funding from the Family Independence Agency to DMB. Previously, FIA staff performed these services for the Wayne County FIA offices. In order to accommodate early retirements of FIA staff, DMB has agreed to take over the responsibility since DMB currently provides these same services to the vast majority of state departments and agencies.	Gross	\$0	\$311,800
	GF/GP	\$0	\$311,800
<b>9. Reduced Funding for Information Technology</b>	Gross	\$24,886,100	(\$646,200)
Executive recommendation reduces funding for information and technology-related services and projects by \$646,200. These savings will be realized through decreased use of contractors for maintenance of the Michigan Administrative Information Network, renegotiation of contract costs, data center rate decreases, and other support cost reductions.	IDG	915,500	0
	Federal	58,600	0
	Restricted	7,499,800	0
	GF/GP	\$16,412,200	(\$646,200)

**Major Boilerplate Changes from FY 2002-03:**

**DEPARTMENT OF MANAGEMENT AND BUDGET**

**Sec. 704. Supply of Census Information and Technical Services - TRANSFERRED**

Authorizes the Department to supply census information and technical services to other state departments and agencies, local units of government and other organizations; authorizes the Department to receive and expend funding for providing such services. The Executive transfers the language to the Department of History, Arts, and Libraries bill due to the transfer of the demographics program from DMB to History, Arts, and Libraries, pursuant to Executive Order 2002-17.

**Sec. 707. Per Diems for Retirement Boards - DELETED**

Authorizes per diem amounts for the Judges, Public School Employees, State Police, and State Employees retirement boards. The Executive deletes this section.

**Sec. 712. Health Insurance Reserve Fund - DELETED**

Specifies the amount of funding to be appropriated into the Health Insurance Reserve Fund pursuant to Section 52 of the State Employees' Retirement Act, 1943 PA 240. The Executive deletes this section.

**Sec. 713. Revisions to Computer Contracts - DELETED**

Requires the Department to report on any revisions to current computer contracts exceeding \$500,000 at least 14 days prior to finalization of the revisions. The Executive deletes this section.

**Sec. 713. Office of Regulatory Reform - TRANSFERRED (NEW to DMB)**

Authorizes the collection of funding to cover costs associated with publication and distribution of the Michigan Register and the Michigan Administrative Code; appropriates the funding and specifies that the funding will not lapse to the general fund at the end of the fiscal year. The Executive transfers the language from the Executive Office boilerplate section of the bill due to the transfer of the Office of Regulatory Reform from the Executive Office to DMB pursuant to Executive Order 2002-11.

**Sec. 714. Administrative Efficiencies - NEW**

Appropriates an amount not to exceed one-half of the unexpended, unreserved general fund portions of FY 2002-03 appropriations for salaries and wages expenses, contractual services, supplies, and materials expenses, information technology expenses, and program operations costs, in an effort to encourage administrative efficiencies; subjects the appropriation to approval by the State Budget Director; requires the appropriation to be spent for the same purpose for which the original appropriation was made in FY 2002-03. The Executive includes the new language.

**Sec. 718. Reference to Townships on Forms - DELETED**

Prohibits the Department from printing, or authorizing the printing of, forms that reference a city or village unless the form also references a township in the same size print and in the same font. The Executive deletes this section.

**Sec. 719. Gubernatorial Transition Process - DELETED**

Transfers up to \$1,200,000 from the general fund for costs associated with the gubernatorial transition process. The Executive deletes this section.

**GENERAL SECTIONS OF BOILERPLATE**

**Sec. 207. Privatization - DELETED**

Requires departments to submit a complete project plan 60 days prior to beginning any effort to privatize; requires an evaluation of the privatization initiative within 30 months. The Executive deletes this section.

**Sec. 209. Buy American - DELETED**

Prohibits the purchase of foreign goods or services if competitively priced and of comparable quality American goods or services are available. The Executive deletes this section.

**Sec. 210. Businesses in Deprived and Depressed Communities - DELETED**

Requires the directors of departments to take all reasonable steps to ensure businesses in deprived and depressed communities compete for and perform contracts. The Executive deletes this section.

**Sec. 210. Designate Information Technology Appropriations as Work Projects - NEW**

Designates appropriations for information technology as work projects and authorizes them to be carried forward to support technology projects under the direction of the Department of Information Technology. The Executive includes the new language.

**Sec. 212. Receipt and Retention of Reports - DELETED**

Authorizes departments to receive, and requires them to retain, copies of all reports required in the bill; requires departments to follow federal and state guidelines for short-term and long-term retention of records. The Executive deletes this section.

**Sec. 215. Disciplinary Action Against Executive Branch Employees - DELETED**

Prohibits state departments and agencies from taking disciplinary action against employees for communicating with members of the Legislature or their staff. The Executive deletes this section.

**Sec. 216. Negative Appropriation for Early Retirement and Budgetary Savings - DELETED**

Requires negative appropriations for early retirement savings to be satisfied by savings realized from not filling all of the positions lost due to the early retirement of state employees; requires negative appropriations for budgetary savings to be satisfied by savings from the hiring freeze, efficiencies, and other savings identified by department directors and approved by the State Budget Director; requires approval of transfers by the Legislature in order to apply the early retirement and budgetary savings to appropriated line items. The Executive deletes this section.

**Summary: Executive Budget Recommendation  
STATE  
FY 2003-04 Senate Bill 270**

**Analyst: Robin Risko**

**FY 2003-04 Appropriation Recommendations**

	FY 2002-03 YTD <u>(as of 3/6/03)</u>	FY 2003-04 <u>Executive</u>	Difference: Exec to FY 2002-03 YTD	
			<u>Amount</u>	<u>%</u>
<b>IDG/IDT</b>	\$96,493,000	\$94,752,300	(\$1,740,700)	(1.8)
<b>Federal</b>	1,319,500	1,319,500	0	0.0
<b>Local</b>	0	0	0	0.0
<b>Private</b>	100	100	0	0.0
<b>Restricted</b>	65,274,200	66,447,400	1,173,200	1.8
<b>GF/GP</b>	15,876,161	12,981,700	(2,894,461)	(18.2)
<b>Gross</b>	<b>\$178,962,961</b>	<b>\$175,501,000</b>	<b>(\$3,461,961)</b>	<b>(1.9)</b>
<b>FTEs</b>	1,853.8	1,853.8	0.0	0.0

**Overview**

The Department of State administers programs in four major areas: motor vehicle transactions, which includes titling and registration of automobiles, watercraft, and recreational vehicles; traffic safety, which includes testing drivers for ability and the suspension of license privileges when laws are broken or incompetence is judged; consumer protection, which includes inspection and licensing of automotive repair facilities; and regulation and administration of the state's electoral process, which entails training local election officials and monitoring campaign finance.

**Summary of Major Budget Issues**

***Administrative Savings***

The Governor proposes that the Department of State provide an additional \$612,600 GF/GP savings through administrative and operational improvements. These savings will come from various appropriation lines.

***Commercial Look-Up Fee Revenue and Fund Shift***

Executive Recommendation includes additional revenue from commercial look-up fees due to an anticipated fee increase from \$6.55 to \$7.00. This user fee is paid by insurance companies for information about a driver's record, which assists the companies in determining insurance premiums. This fee has not been increased since 1990. It is projected that the fee increase will generate \$2.1 million of commercial look-up fee revenue. A like amount of GF/GP revenue is removed from the Department of State budget.

***Vertical Driver License Funding Removed***

Executive Recommendation removes one-time FY 2002-03 State Service Fee funding of \$1.0 million associated with development and implementation of a vertical driver license and personal identification card for persons under the age of 21.

<b>Major Budget Changes from FY 2002-03 YTD Appropriations:</b>		<b>YTD FY 2002-03</b>	<b>Executive Change</b>
<b>1. Additional Commercial Look-Up Fee Revenue and Fund Shift</b>	<b>Gross</b>	<b>N/A</b>	<b>\$0</b>
Executive Recommendation includes additional revenue from commercial look-up fees due to an anticipated fee increase from \$6.55 to \$7.00. This user fee is paid by insurance companies for information about a driver's record, which assists the companies in determining insurance premiums. This fee has not been increased since 1990. It is projected that the fee increase will generate \$2.1 million of commercial look-up fee revenue. A like amount of general fund/general purpose revenue is removed from the Department of State budget.	Restricted	N/A	2,100,000
	GF/GP	N/A	(\$2,100,000)
<b>2. Vertical Driver License Funding Removed</b>	<b>Gross</b>	<b>\$1,000,000</b>	<b>(\$1,000,000)</b>
Executive Recommendation removes one-time FY 2002-03 State Service Fee funding of \$1.0 million associated with development and implementation of a vertical driver license and personal identification card for persons under the age of 21.	Restricted	1,000,000	(1,000,000)
<b>3. Administrative Savings Reduction</b>	<b>Gross</b>	<b>\$15,876,161</b>	<b>(\$612,600)</b>
Executive Recommendation includes a 3.9% reduction of GF/GP from YTD FY 2002-03. This reduction will be accomplished through not filling current vacancies and decreased contractual services, supplies, and materials expenses.	GF/GP	\$15,876,161	(\$612,600)

**Major Boilerplate Changes from FY 2002-03:**

**Sec. 803. Commercial Look-Up Fees - MODIFIED**

Allows the Department to sell copies of records for various conveyances; allows the Department to use the revenue to finance necessary expenses; requires the balance of the fee revenue at the end of the fiscal year to revert to the general fund. The Executive increases the charge per record from \$6.55 to \$7.00.

**Sec. 813. Organ Donor Program - DELETED**

Directs funding for production of an organ donor informational pamphlet that will be distributed with driver licenses and personal identification cards.

**Sec. 814. Qualified Voter File Reimbursements - DELETED**

Requires the Department to reimburse municipalities with voting populations over 5,000 in any calendar year for qualified voter file systems, subject to the appropriation of those funds.

**Sec. 814. Credit or Debit Service Card Assessment - NEW**

Language proposed by the Executive provides that credit or debit service card assessments are immediately appropriated to the Department for use, how much the service assessment may be and that unused service assessment balances may be carried forward.

**Sec. 815. Appropriation of Unexpended General Funds - NEW**

In order to encourage administrative efficiencies, appropriates up to one-half of the unexpended, unreserved portions of FY 2002-03 GF/GP appropriations, subject to the approval of the budget director.

**Sec. 816. Branch Closing/Consolidation - DELETED**

Requires the Department to consult with the House and Senate Subcommittees on General Government regarding projected closings or consolidations of branch offices.

**Sec. 816. Use of Unlicensed Dealer Fines - NEW**

The Executive proposes including language that allows the Department of State to use unlicensed dealer fines to offset expenses of administering Chapter 11 of the Michigan Vehicle Code, 1949 PA 300. The funds would be available for expenditure after approval by the Senate and House appropriations committees.

**Sec. 817. Secretary of State Salary - DELETED**

Sets the annual salary of the Secretary of State at \$135,500 as of January 1, 2003, unless a constitutional amendment gives the State Officers Compensation Commission that authority.

**Sec. 818. Vertical Driver License and Personal Identification Card - DELETED**

Specifies that the corresponding \$1.0 million in part 1 from the State Services Fee Fund be used to develop and implement a vertical driver license and personal identification card for a person under the age of 21.

**Summary: Executive Budget Recommendation**  
**TREASURY**  
**FY 2003-04 Senate Bill 270**

**Analyst: Robin Risko**

**FY 2003-04 Appropriation Recommendations**

	FY 2002-03 YTD <u>(as of 3/6/03)</u>	FY 2003-04 <u>Executive</u>	Difference: Exec to FY 2002-03 YTD	
			<u>Amount</u>	<u>%</u>
IDG/IDT	\$19,445,300	\$14,278,600	(\$5,166,700)	(26.6)
Federal	44,296,100	44,196,100	(100,000)	(.2)
Local	910,800	910,800	0	0.0
Private	0	0	0	0.0
Restricted	1,762,733,900	1,670,369,700	(92,365,200)	(5.2)
GF/GP	75,309,997	122,065,100	46,775,103	62.1
<b>Gross</b>	<b>\$1,902,696,097</b>	<b>\$1,851,820,300</b>	<b>(\$50,875,797)</b>	<b>(2.7)</b>
FTEs	1,861.5	1,876.5	15.0	0.8

**Overview**

The Department of Treasury is the chief fiscal agency of the state and is the primary source of advice to the Governor on tax and fiscal policy issues. The Department's mission is to collect state taxes; to invest, control, and disburse state monies; and to protect the state's credit rating and that of its cities. In addition, the Department manages one of the nation's largest pension funds, and administers revenue sharing and the student financial aid program. The Department also investigates fraudulent financial activity; provides recommendations and assistance on all property tax-related issues; trains and gives advice concerning accounting, auditing, budgeting, and financial management to local units of government; advises issuers of municipal obligations; and lends funds to local units in fiscal distress through the Emergency Loan Board.

**Summary of Major Budget Issues**

***Revenue Sharing Reduction***

The Executive Recommendation includes a \$43.7 million reduction to revenue sharing payments, 3% below the FY 2002-03 spending level. The reduction is proposed to be distributed proportionally to all local units of government.

***Administrative Savings***

It is proposed that Treasury will provide an additional \$3.6 million GF/GP savings through administrative and operational improvements in various appropriation lines.

***Qualified Agricultural Loan Payments Reduction***

It is recommended that the Qualified Agricultural Loan payments be reduced by \$800,000 from current year, reflecting anticipated FY 2003-04 needs.

***New Lottery Games***

The Recommendation includes two new Lottery games, Lottery Keno and break-open tickets that are anticipated to generate \$50.0 million of additional revenue in FY 2003-04 for deposit into the School Aid Fund. An appropriation of \$2.7 million is proposed for administration expenses related to the operation of these two games.



**Debt Service Increase and Fund Source Shift**

Debt service for the Clean Michigan Initiative bond issues has increased by \$17.1 million. Also, \$36.6 million of Quality of Life bond debt service that had been replaced with restricted revenue in FY 2002-03 has been restored with a like amount of GF/GP in FY 2003-04.

<b>Major Budget Changes from FY 2002-03 YTD Appropriations:</b>		<b>YTD FY 2002-03</b>	<b>Executive Change</b>
<b>1. Revenue Sharing Reduction</b>	<b>Gross</b>	<b>\$1,470,500,000</b>	<b>(\$58,420,000)</b>
The Executive Recommendation includes a \$58.4 million gross authorization reduction to Constitutional and Statutory revenue sharing. Of that amount, \$43.7 million is a real reduction to revenue sharing payments, or 3% below the FY 2002-03 spending level. The reduction is proposed to be distributed proportionally to all local units of government. The balance of \$14.7 million is excess authorization that has no projected revenue support in FY 2003-04.	Restricted	1,470,500,000	(58,420,000)
<b>2. Administrative Reductions</b>	<b>Gross</b>	<b>N/A</b>	<b>(\$3,577,300)</b>
Executive proposes that Treasury provide an additional \$3.6 million GF/GP savings through administrative and operational changes. These reductions will come from the following appropriation lines.	GF/GP	N/A	(\$3,577,300)
Travel . . . . . (\$100,000)			
Supervision of the General Property Tax Law . . (\$100,000)			
Revenue . . . . . (\$2,500,000)			
Administrative Services (Banking) . . . . . (\$700,000)			
Information Technology Services and Projects . . (177,300)			
<b>3. Qualified Agricultural Loan Payments</b>	<b>Gross</b>	<b>\$6,000,000</b>	<b>(\$800,000)</b>
Executive recommends that Qualified Agricultural Loan payments be reduced by \$800,000 from current year, reflecting anticipated FY 2003-04 needs.	GF/GP	\$6,000,000	(\$800,000)
<b>4. Debt Service Increase and Fund Source Shift</b>	<b>Gross</b>	<b>\$59,586,400</b>	<b>\$13,700,000</b>
Executive includes an increase in debt service for the Clean Michigan Initiative bond issues by \$17.1 million. Also, \$36.6 million of Quality of Life bond debt service that had been replaced with restricted revenue in FY 2002-03 has been restored with a like amount of GF/GP in FY 2003-04. The Executive's revision letter dated Mach 6, 2003, requested that \$878,000 of restricted Recreation Bond resources pay related bond obligations, saving an equal amount of GF/GP.	Restricted	40,000,000	(39,122,000)
	GF/GP	\$19,586,400	\$52,822,000
<b>5. Early Retirement Adjustment</b>	<b>Gross</b>	<b>N/A</b>	<b>(\$693,200)</b>
Reflects two types of adjustments related to 2002 early retirement package: (1) removal of funds for one-time leave payouts and (2) annualization of savings for October 2002 retirees.	GF/GP	N/A	(\$693,200)
Supervision of the General Property Tax Law . . (\$141,700)			
Local Finance . . . . . (\$44,900)			
Revenue . . . . . (\$245,200)			
Administrative Services (Banking) . . . . . (\$118,400)			
Financial Services . . . . . (\$78,300)			
Student Financial Assistance Programs . . . . . (\$29,900)			
Information Technology Services and Projects . . (\$34,800)			

<u>Major Budget Changes from FY 2002-03 YTD Appropriations:</u>		<u>YTD</u>	<u>Executive</u>
		<u>FY 2002-03</u>	<u>Change</u>
<b>6. Administrative Services - Elimination of Warrant Processing Activities</b>	<b>Gross</b>	<b>\$3,000,000</b>	<b>(\$3,000,000)</b>
Executive proposes eliminating funding authorization for the IDG, receipt, warrant and cash processing revenue source within the Administrative Services appropriation line, Banking and Management Services Unit. The Department of Management and Budget is now providing warrant processing activities so this authorization to collect revenue from other state agencies is no longer needed.	IDG	3,000,000	(3,000,000)
<b>7. Commercial Mobile Radio Service Payments Increase</b>	<b>Gross</b>	<b>\$24,000,000</b>	<b>\$2,500,000</b>
Executive proposes increasing restricted Commercial mobile radio service fees authorization due to anticipated increased revenues.	Restricted	24,000,000	2,500,000
<b>8. New Lottery Games</b>	FTE	164.0	19.0
Executive recommendation includes two new Lottery games that are anticipated to generate \$50.0 million of additional revenue in FY 2003-04 for deposit into the School Aid Fund. The games are Lottery Keno and break-open tickets. An appropriation of \$2.7 million and an additional 19.0 FTEs are proposed for administration and operation of these two games.	<b>Gross</b>	<b>\$36,926,900</b>	<b>\$2,724,100</b>
Lottery Operations . . . . . \$1,340,300	Restricted	36,926,900	2,724,100
Promotion and Advertising . . . . . \$1,250,000			
Information Technology Services and Projects . . . \$133,800			

**Major Boilerplate Changes from FY 2002-03:**

**Sec. 915. State Campaign Fund - DELETED**

Appropriates funds from GF/GP to the state campaign fund in an amount equal to the amounts designated for tax year 2001.

**Sec. 916. Technology Investment Plan - DELETED**

Authorizes the Department of Treasury to develop a technology investment plan.

**Sec. 934. Defaulted Student Loan Collections - NEW**

Authorizes Treasury to contract with private collection agencies and law firms to collect defaulted student loans and other accounts due the Michigan Guaranty Agency. Costs to collect may not be greater than 22% of collections and will be paid from the account to which the revenues being collected are recorded or dedicated.

**Sec. 935. Appropriation of Unexpended General Funds - NEW**

In order to encourage administrative efficiencies, appropriates up to one-half of the unexpended, unreserved portions of FY 2002-03 GF/GP appropriations, subject to the approval of the budget director.

**Sec. 982. Prohibition of Sports Personalities in Advertising - DELETED**

Prohibits the Bureau of State Lottery from associating professional or amateur athletes with the lottery.

**FY 2003-04**

**HUMAN SERVICES**

**Executive Recommendation**

**Community Health**

**Corrections**

**Family Independence Agency**



**Summary: Executive Budget Recommendation  
COMMUNITY HEALTH  
FY 2003-04 House Bill 4392**

**Analysts: Margaret Alston, Bill Fairgrieve, Sue Frey**

**FY 2003-04 Appropriation Recommendations**

	FY 2002-03 YTD <u>(as of 3/6/03)</u>	FY 2003-04 <u>Executive</u>	Difference: Exec to FY 2002-03 YTD	
			<u>Amount</u>	<u>%</u>
<b>IDG/IDT</b>	\$69,172,900	\$69,204,800	\$31,900	0.0
<b>Federal</b>	4,915,609,536	4,890,865,600	(24,743,936)	(0.5)
<b>Local</b>	938,759,100	806,552,500	(132,206,600)	(14.1)
<b>Private</b>	64,736,600	59,458,000	(5,278,600)	(8.2)
<b>Restricted</b>	804,921,500	707,327,400	(97,594,100)	(12.1)
<b>GF/GP</b>	2,416,210,412	2,583,938,600	167,728,188	6.9
<b>Gross</b>	<b>\$9,209,410,248</b>	<b>\$9,117,346,900</b>	<b>(\$92,063,348)</b>	<b>(1.0)</b>
<b>FTEs</b>	5,672.3	4,672.2	(1,000.1)	(17.6)

**Overview**

The Community Health budget provides funding for a wide range of mental health, substance abuse, public health, and medical services programs including Medicaid. The Michigan Department of Community Health (DCH) was established by Executive Order in 1996 and consolidated the former Departments of Mental Health and Public Health with Medicaid and the Office of Drug Control Policy. Aging and Crime Victim Services were transferred in later. The Executive Budget recommends \$9.1 billion gross, \$2.6 billion GF/GP in funding.

**Summary of Major Budget Issues**

***Medicaid Adult Benefits Waiver***

The Executive Budget restructures Medicaid coverage, contingent on a federal waiver, to provide a more limited health care benefit for adults on Medicaid who are not elderly or disabled. Anticipated savings are \$111.2 million gross, \$95.3 million GF/GP.

***Pharmaceutical Services Savings***

The Executive Budget includes additional Medicaid savings of \$90.4 million gross, \$40.0 million GF/GP by adjusting MAC prices for generic drugs and lower prescription drug costs through the multi-state purchasing initiative.

***Medicaid Caseload, Utilization, and Inflation Increases***

The Executive Budget adds \$419.2 million gross, \$186.2 million GF/GP to reflect anticipated growth in Medicaid expenditures associated with caseload growth, increased utilization of health care services, and inflation.

***Medicaid Mental Health Increases for CMHSPs***

The Executive Budget recognizes an increase of \$58.9 million for Medicaid mental health services financed in part with local funds from CMHSPs. It also includes \$22.7 million gross, \$10.0 million GF/GP for a 1.6% capitation payment rate increase to CMHSPs.

HUMAN SERVICES - COMMUNITY HEALTH

**Family Planning Waiver**

The Executive Budget proposes a family planning waiver to provide an additional \$2.25 million of federal Medicaid funds for family planning programs.

**Public Health Federal Grant Increases**

The Executive Budget reflects \$55.0 million gross in additional federal grant funds for public health, family and aging programs, including \$25.8 million for public health bioterrorism preparedness programs, \$19.5 million for the Women, Infants, and Children food program, \$3.3 million for senior community and nutrition services, and \$6.5 million for 13 other program areas including asthma, rape prevention, HIV care, and epidemiology and laboratory capacity.

**Medicaid Restricted Revenue Increases**

The Executive Budget allocates \$208.4 million more from provider assessment fees, tobacco settlement funds, and tobacco tax revenue to replace GF/GP for Medicaid.

**Major Budget Changes from FY 2002-03 YTD Appropriations:**

		<b>YTD FY 2002-03</b>	<b>Executive Change</b>
<b>1. Medicaid Adult Benefits Waiver</b>	<b>Gross</b>	<b>N/A</b>	<b>(\$111,217,500)</b>
The Executive Budget proposes Medicaid program changes to limit health care benefits for "healthy" adults on Medicaid through a federal waiver. The limited Medicaid plan would cover caretaker relatives whose benefits were terminated in Executive Order 2002-22, persons now served through state and local indigent care plans, and adults in TANF-eligible households who currently have full Medicaid coverage. The plan also: (1) eliminates Medicaid coverage for chiropractic, podiatric, hearing aid, and non-emergency dental services to adults; (2) reduces Long-Term Care costs through tighter screening requirements, estate recovery, and other changes; and (3) revises spend-down policies to provide a buy-in option for elderly and disabled persons on Medicaid.	GF/GP	N/A	(\$95,309,300)
<b>2. Medicaid Caseload, Utilization, and Inflation Increases</b>	<b>Gross</b>	<b>\$6,071,770,300</b>	<b>\$419,216,900</b>
Additional funding is recommended to reflect Medicaid costs associated with inflation, utilization and caseload growth.	GF/GP	\$1,681,294,100	\$186,156,500
a. Mental Health and Substance Abuse Services	<b>Gross</b>	<b>\$1,350,823,400</b>	<b>\$41,510,100</b>
	GF/GP	\$538,348,400	\$18,310,100
b. Children's Special Health Care Services	<b>Gross</b>	<b>\$151,600,000</b>	<b>\$13,947,200</b>
	GF/GP	\$78,770,100	\$7,392,000
c. Other Medicaid Services	<b>Gross</b>	<b>\$4,569,347,200</b>	<b>\$363,759,600</b>
	GF/GP	\$1,064,175,600	\$160,454,400
<b>3. Medicaid Capitation Payment Rate Increase for CMHSPs</b>	<b>Gross</b>	<b>\$1,324,695,900</b>	<b>\$81,614,200</b>
The Executive Budget recognizes an increase of \$58.9 million for Medicaid Mental Health Services financed in part with local funds from CMHSPs. It also includes \$22.7 million gross, \$10.0 million GF/GP for a 1.6% capitation payment rate increase to CMHSPs. The rate increase is financed by redirecting \$40.0 million from CMH Non-Medicaid Services for the Medicaid Adult Benefits Waiver program.	Federal	797,995,200	45,614,200
	Local	0	26,000,000
	GF/GP	\$526,700,700	\$10,000,000

**Major Budget Changes from FY 2002-03 YTD Appropriations:**

	<b>YTD</b>	<b>Executive</b>
	<b>FY 2002-03</b>	<b>Change</b>
<b>4. Redirection of Funds to CMHSPs</b>	<b>Gross \$1,324,695,900</b>	<b>\$83,233,700</b>
Due to the closure of Northville Psychiatric Hospital for Adults with Mental Illness in FY 2002-03, the Executive Budget proposes to increase funding for Medicaid Mental Health Services by \$83.2 million gross of which \$36.7 million GF/GP has been redirected from CMHSP, Purchase of State Services Contracts. Please note that the \$36.7 million GF/GP should have been redirected to CMH Non-Medicaid Services which would not result in additional federal Medicaid revenue.	Federal 797,995,200	46,519,300
	GF/GP \$526,700,700	\$36,714,400
<b>5. Increased Federal Grants for Substance Abuse Services</b>	<b>Gross \$76,335,400</b>	<b>\$4,213,000</b>
The Executive Budget recognizes \$4.2 million in additional and new federal grant funds for community substance abuse prevention, education and treatment programs. These funds are to be used as required by federal regulations for the Substance Abuse Block Grant and the State Incentive Grant Program.	Federal 57,744,900	4,213,000
	Restricted 1,460,000	0
	GF/GP \$17,130,500	\$0
<b>6. Early Retirement Savings</b>	<b>Gross N/A</b>	<b>(\$11,644,900)</b>
Included in the Executive Budget are early retirement savings totaling \$11.6 million gross and \$6.1 million GF/GP for FY 2003-04 for the Department of Community Health. These savings are in addition to the net early retirement savings achieved during this fiscal year of \$7.5 million gross and \$5.8 million GF/GP.	Federal N/A	(1,069,700)
	Restricted N/A	(202,600)
	Local N/A	(4,276,800)
	GF/GP N/A	(\$6,095,800)
<b>7. Family Planning Waiver</b>	<b>Gross \$14,160,400</b>	<b>\$2,250,000</b>
The Executive Budget proposes an expansion of family planning and pregnancy prevention services to low income women not currently eligible for Medicaid, with a federal family planning waiver request. An additional \$2.25 million of federal Medicaid funds would be provided for family planning programs in FY 2003-04.	Federal 7,615,200	2,250,000
	Restricted 2,985,100	0
	GF/GP \$3,560,100	\$0
<b>8. Public Health Federal Grant Increases</b>	<b>Gross N/A</b>	<b>\$55,016,100</b>
The Executive Budget reflects \$54.6 million gross in additional federal grant funds for public health, family, and aging programs, including \$25.8 million for public health bioterrorism preparedness programs, \$19.5 million for the Women, Infants, and Children food program, \$3.3 million for senior community and nutrition services, and \$6.5 million for 13 other program areas: asthma, rape prevention, HIV care, epidemiology and laboratory capacity, birth outcomes, genetics, newborns, childhood lead poisoning prevention, family planning, tuberculosis, public health tracking, injury, and integrated surveillance (OASIS).	Federal N/A	55,016,100
<b>9. Healthy Michigan Fund Revisions</b>	<b>Gross \$57,765,900</b>	<b>(\$1,148,800)</b>
The Executive Budget recommends replacement of GF/GP funds with Healthy Michigan Fund (HMF) monies for some prevention programs, and continued appropriation of approximately 68% of the HMF for Medicaid programs.	Restricted 57,765,900	(1,148,800)
<b>10. Breast and Cervical Cancer Services</b>	<b>Gross \$1,952,400</b>	<b>\$6,136,000</b>
The Executive Budget recommends additional funding to continue the phase in of Medicaid treatment services for women with breast and cervical cancer who have income up to 250% of the poverty level. The funding will cover the cost of services to another 430 women.	Federal 1,356,000	4,241,200
	GF/GP \$596,400	\$1,894,800

**Major Budget Changes from FY 2002-03 YTD Appropriations:**

		YTD FY 2002-03	Executive Change
<b>11. Pharmaceutical Services Savings</b>	<b>Gross</b>	<b>\$521,491,500</b>	<b>(\$90,443,400)</b>
Additional Medicaid savings are taken related to reducing MAC prices for generic drugs and lowering prescription drug costs as a result of the multi-state purchasing initiative.	Federal	291,528,900	(50,443,400)
	Tobacco	8,000,000	0
	GF/GP	\$221,962,600	(\$40,000,000)
<b>12. Medical Services Restructuring Policy Changes</b>	<b>Gross</b>	<b>N/A</b>	<b>(\$29,799,900)</b>
Several Medicaid, MICHild, and Children's Special Health Care (CSHCS) policy revisions are assumed in the Executive Budget including:	GF/GP	N/A	(\$12,202,200)
a. Implementation of a revised reimbursement methodology for outpatient hospital services.	<b>Gross</b>	<b>N/A</b>	<b>(\$9,068,200)</b>
	GF/GP	N/A	(\$4,000,000)
b. Requiring MICHild eligible children to enroll in Medicaid HMOs (where they are available) or shift to the Medicaid fee-for service program.	<b>Gross</b>	<b>N/A</b>	<b>(\$7,124,400)</b>
	GF/GP	N/A	(\$2,200,000)
c. Enrolling current aged Medicaid spend-down beneficiaries in the EPIC-EX program.	<b>Gross</b>	<b>N/A</b>	<b>(\$4,307,400)</b>
	GF/GP	N/A	(\$1,900,000)
d. Carving out pharmaceutical services from CSHCS managed care payments in order to obtain drug manufacturer rebates.	<b>Gross</b>	<b>N/A</b>	<b>(\$2,040,400)</b>
	GF/GP	N/A	(\$900,000)
e. Requiring CSHCS eligible children to enroll in Medicaid or MICHild if they qualify for either program.	<b>Gross</b>	<b>N/A</b>	<b>(\$7,259,600)</b>
	GF/GP	N/A	(\$3,202,200)
<b>13. Medicaid Special Financing Payments</b>	<b>Gross</b>	<b>\$1,079,094,900</b>	<b>(\$256,662,800)</b>
A series of adjustments are proposed to reflect reductions in Medicaid special financing payments due to federal policies that limit the amount of such payments. As a result, state GF/GP revenues to fund the Medicaid program are increased.	Federal	670,336,700	(153,805,800)
	Local	840,638,900	(232,561,400)
	Restricted	160,429,500	(16,981,500)
	GF/GP	(\$592,310,200)	\$146,685,900
<b>14. Medicaid Financing Adjustments</b>	<b>Gross</b>	<b>N/A</b>	<b>\$0</b>
The Executive Budget proposes to utilize restricted funds from several sources to replace state GF/GP that otherwise would be required for the Medicaid program.	Restricted	N/A	208,400,000
	GF/GP	N/A	(\$208,400,000)
a. \$56.7 million from hospital and nursing home assessment fees and a new pharmacy assessment fee is used to replace GF/GP of the same amount. For each of the provider fee assessments, the state would retain \$18.9 million and utilize the remaining revenue to finance a Medicaid payment increase.	<b>Gross</b>	<b>N/A</b>	<b>\$0</b>
	Restricted	N/A	56,700,000
	GF/GP	N/A	(\$56,700,000)
b. An additional \$126.7 million in revenue from the Merit Award and Tobacco Settlement Trust Funds is proposed to replace the same amount of state GF/GP in support of the Medicaid program.	<b>Gross</b>	<b>N/A</b>	<b>\$0</b>
	Restricted	N/A	126,700,000
	GF/GP	N/A	(\$126,700,000)
c. \$25.0 million in available revenue from the Medicaid Benefits Trust Fund is also utilized to replace state GF/GP.	<b>Gross</b>	<b>N/A</b>	<b>\$0</b>
	Restricted	N/A	25,000,000
	GF/GP	N/A	(\$25,000,000)



**Major Boilerplate Changes from FY 2002-03:**

**Sec. 206. Contingency Funds - MODIFIED**

Appropriates up to \$100.0 million in federal contingency funds, up to \$20.0 million in state restricted contingency funds, up to \$20.0 million in local contingency funds, and up to \$10.0 million in private contingency funds. Specifies that contingency funds are not available for expenditure until transferred according to provisions in Section 393(2) of the Management and Budget Act. The Executive recommends renumbering the section and increasing the ceiling on state restricted contingency funds and local contingency funds to \$50.0 million.

**Sec. 224. Appropriation of Unexpended and Unreserved General Fund - NEW**

The Executive recommends new language to appropriate up to one-half of the unexpended and unreserved GF/GP portions of FY 2002-03 appropriations made to the Department for salaries and wages expenses, contractual services, supplies and material expenses, information technology expenses and program operation costs in order to encourage administrative efficiencies.

**Sec. 262. Expenditure of Appropriated Funds - DELETED**

Requires the Department to provide a written explanation of the reasons why it did not fully expend appropriated funds if any of the following occurs: 1) a proposed legislative transfer removes 10% or more of the funding in a line item; 2) a proposed legislative transfer brings the total of the year-to-date transfers out of that line to 10% or more of the originally appropriated amount; 3) a proposed legislative transfer removes funding in a line item that is the subject of boilerplate language expressing legislative intent for program implementation; 4) 10% or more of a line item will lapse to the general fund at the close of the fiscal year; and 5) 10% or more of a line item will be proposed to be included in a work project.

**Sec. 407. Substance Abuse Prevention, Education, and Treatment Grants - DELETED**

Requires funds appropriations for substance abuse prevention, education, and treatment grants be expended for contracting with coordinating agencies or designated service providers. Provides that is the Legislature's intent that coordinating agencies and designated service providers work with CMHSPs to coordinate services provided to individuals with both mental illness and substance abuse diagnoses. Requires the Department to establish a fee schedule for providing substance abuse services and charge participants in accordance with their ability to pay.

**Sec. 422. Pilot Projects by CMHSPs on Psychotropic Drug Costs - DELETED**

Expresses the Legislature's intent that the Department support pilot projects by CMHSPs to control and manage psychotropic drug costs associated with the Managed Specialty Services and Supports Program. Requires the pilot projects to be completely voluntary and based on projects proposed by CMHSPs. Requires the Department to provide quarterly reports to the House of Representatives and Senate Appropriations Subcommittees on Community Health, the State Budget Office, and the House and Senate Fiscal Agencies as to any activities by CMHSPs to pilot projects.

**Sec. 425. Report on Prisoners Receiving Mental Health and Substance Abuse Services - DELETED**

Requires the Department, in conjunction with the Department of Corrections, to report by April 1, 2003, on the following FY 2001-02 data to the House of Representatives and Senate Appropriations Subcommittees on Community Health and Corrections, the House and Senate Fiscal Agencies, and the State Budget Office: the number of prisoners receiving substance abuse services; the number of prisoners receiving mental health services; and data indicating if prisoners receiving mental health services were previously hospitalized in a state psychiatric hospital for persons with mental illness.

**Sec. 427. Capitation Payments to CMHSPs - DELETED**

Prohibits the Department from enacting any contract changes concerning capitation payments to CMHSPs for Medicaid eligibles unless required by federal law and agreed to by contract with CMHSPs. Does not permit the Department to alter capitation rates in order to offset any increase in costs due to increases in the Medicaid caseload or case mixture. Requires the Department to submit a copy of any state plan amendment to the federal waiver for the Managed Specialty Services and Supports Program to the Legislature before submitting the state plan amendment to the Centers for Medicare and Medicaid Services.

**Sec. 428. Contingency Appropriation of \$100 Million for CMHSPs - DELETED**

Authorizes the Department to establish a separate contingency appropriations account, in an amount not to exceed \$100 million, for the purpose of providing an increase in Medicaid capitation rates for CMHSPs from local funds that can be used as a bona fide source for the state match required under the Medicaid program. Requires the distribution of the rate increase to be based on a formula developed by a Committee established by the Department that includes representatives from CMHSPs or affiliations of CMHSPs and Department staff. Specifies the criteria to be used in developing the distribution formula for the Medicaid capitation rate increase. Requires the Department to report its findings to the House of Representatives and Senate Appropriations Subcommittees on Community Health.

**Sec. 905. Local Public Health Operations Distributions - DELETED**

Requires the Department to provide no less than 100% of FY 2001-02 allocations to local public health departments in implementing the new funding distribution methodology for local public health operations funds.

**Sec. 1129. Report of Elevated Blood Lead Levels - DELETED**

Requires the Department to annually report to the Legislature on the number of children with elevated blood lead levels, by county, and indicating the blood lead level.

**Sec. 1135. Services for Sponsored Aliens - DELETED**

Requires the Department to implement a sponsor-to-alien deeming policy for aliens seeking services under any means-tested state-funded program; and to seek reimbursement from sponsors for nonqualified aliens who have received services.

**Sec. 1300. Interdepartmental Grant to Judiciary for Drug Treatment Courts - NEW**

The Executive recommends new language that provides for \$1.8 million of federal Byrne grant money to be directed as an interdepartmental grant to the Judiciary for local drug treatment courts, in addition to the \$1.8 million funding that the Department currently distributes to local drug treatment courts.

**Sec. 1302. Allocation of Funds for Forensic Nurse Examiner Programs - DELETED**

Allocates up to \$50,000 for expansion of forensic nurse examiner programs to facilitate training for improved evidence collection for the prosecution of sexual assault. Unexpended funds shall be carried forward.

**Sec. 1622. Pharmaceutical Best Practice Initiative - DELETED**

Specifies conditions for the continued implementation of the Department's pharmaceutical initiative related to the prior authorization process, the Pharmacy and Therapeutics Committee, and reporting requirements.

**Sec. 1630. Medicaid Dental, Podiatric, and Chiropractic Services - DELETED**

Continues adult dental, podiatric, and chiropractic services at not less than the level provided on October 1, 1996. Prohibits restrictions on chiropractic services unless the recipient exceeds 18 visits within a year.

**Sec. 1661(2). Prohibition on Prior Authorization for EPSDT and MSS/ISS Services - DELETED**

Prohibits prior authorization for EPSDT and MSS/ISS referrals and up to 3 MSS/ISS service visits.

**Sec. 1677. MIChild Benefits - DELETED**

Specifies the benefits to be covered by the MIChild program based on the state employee insurance plan.

**Sec. 1700. Federal Medicaid Waivers - DELETED**

Prohibits the submission of a Medicaid waiver to the federal government unless it is submitted to the House and Senate Appropriations Subcommittees on Community Health 30 days in advance.

**Sec. 1700. Medicaid Appropriations for Quality Assurance Assessment Revenues - NEW**

The Executive recommends new language to authorize increased appropriations for the Hospital, Long-Term Care, Pharmaceutical, and Health Plan Services line items if quality assurance assessment revenues are available to finance provider rate increases.

**Sec. 1710. MIChoice Home and Community Based Services - DELETED**

Requires the Department to report proposed changes in the MIChoice home and community based services waiver program screening process to the House and Senate Appropriations Subcommittees on Community Health at least 30 days prior to implementation.

**Summary: Executive Budget Recommendation  
CORRECTIONS  
FY 2003-04 House Bill 4390**

**Analyst: Marilyn Peterson**

**FY 2003-04 Appropriation Recommendations**

	FY 2002-03 YTD (as of 3/6/03)	FY 2003-04 Executive	Difference: Exec to FY 2002-03 YTD	
			Amount	%
IDG/IDT	\$3,318,500	\$3,253,600	(\$64,900)	(2.0)
Federal	26,403,400	27,798,400	1,395,000	5.3
Local	391,100	391,100	0	0.0
Private	0	0	0	0.0
Restricted	55,750,600	60,748,800	4,998,200	7.2
GF/GP	1,599,803,231	1,632,315,300	32,512,069	2.0
<b>Gross</b>	<b>\$1,685,666,831</b>	<b>\$1,724,507,200</b>	<b>\$38,840,369</b>	<b>2.1</b>
FTEs	18,843.9	18,308.7	(535.2)	(2.8)

**Overview**

The budget for the Department of Corrections (MDOC) funds the state prison system, supervision of parolees and felony probationers, community placement of selected prisoners, and a variety of offender programs, most notably treatment and education. It also funds training of corrections officers and centralized functions of administration, research, and financial operations. Prison construction, however, is not funded through the MDOC budget, but rather through Capital Outlay. Costs of prisoner custody and care currently amount to roughly 85% of the total MDOC budget, and growth in the prison population has been largely responsible for growth in corrections spending, particularly of the state GF/GP revenues that account for about 95% of the current Corrections budget.

Over the past two decades, prison population, inflation-adjusted Corrections GF/GP spending, and Corrections' share of total state GF/GP all have almost quadrupled. As of December 2003, the prison and camp population stood at 49,459, and Corrections' GF/GP authorization was about 18% of total state GF/GP.

**Summary of Major Budget Issues**

***Conditional Reintegration Program***

Proposes new program aimed at curbing prison population growth through placing nonviolent prisoners in corrections centers or tether immediately prior to parole; statutory changes needed. Estimated bed space savings of 1,375 beds by end of FY2003-04. Funded with \$6.0 million prison cost savings and \$1.9 million in collections from program participants.

***County Jail Reimbursement Program***

Revises reimbursement criteria to limit reimbursement to offenders with sentencing guidelines scores indicative of a prison sentence. Estimated savings of \$7.0 million would fund Local Facility Expansion Program (see below).

***Local Facility Expansion Program***

Revives program aimed curbing prison population growth through utilization of local bed space. Funding to be used for reimbursing local units of government for housing state prisoners and/or construction or renovation projects that expand local capacity to house felons.

***Prisoner Health Care***

HUMAN SERVICES - CORRECTIONS

Increases of \$8.1 million for new contract for capitated managed care, \$5.1 million for pharmaceuticals.

**Youth Correctional Facility**

Depletion of federal grant to be met with \$1.1 million GF/GP. Gross increase of \$2.2 million, of which \$1.4 million is for anticipated cost increases under new contract and remainder is for 30-bed increase in offender population.

<b>Major Budget Changes from FY 2002-03 YTD Appropriations:</b>		<b>YTD FY 2002-03</b>	<b>Executive Change</b>
<b>ALTERNATIVES TO PRISON INCARCERATION</b>			
<b>1. Conditional Reintegration Program</b>			
Executive proposes new Conditional Reintegration Program, under which prisoners would be placed in centers or on tether immediately prior to parole. Would necessitate changes to truth-in-sentencing statute. Projected bed space impact of 1,375 prison and camp beds by the end of FY 2003-04. Program to be funded through combination of prison cost savings and offender reimbursement.	<b>Gross</b>	<b>\$0</b>	<b>\$7,897,200</b>
	Restricted	0	1,865,100
	GF/GP	\$0	\$6,032,100
<b>2. County Jail Reimbursement Program (CJRP)</b>			
This program provides counties with per-diem payments for housing certain offenders; reimbursement criteria and rates are set in annual budget act boilerplate. Executive proposes to revise criteria to delete third-offense drunken driving (OUIL3) as a stand-alone criterion. Thus, for an OUIL offender to qualify under the program, he or she would have to have a sentencing guidelines score reflective of a prison sentence. Predicted savings of \$7.0 million redirected to Local Facility Expansion Program (see below). This adjustment partially offset by anticipated \$1.0 million increase in civil infraction revenues.	<b>Gross</b>	<b>\$17,700,000</b>	<b>(\$5,951,000)</b>
	Restricted	17,700,000	(5,951,000)
<b>3. Local Facility Expansion Program</b>			
Savings achieved through change in CJRP criteria used to fund a new local facility expansion program line item. Associated boilerplate language directs this funding to certain local efforts that curb prison population growth. Funding could be used to lease jail beds to house state prisoners, or for construction or renovation projects that increase local bed space capacity.	<b>Gross</b>	<b>\$0</b>	<b>\$6,951,000</b>
	Restricted	0	6,951,000
<b>4. Parole and Probation Services</b>			
Executive proposes to spend down the balance of the statutory 20% set-aside of parole and probation oversight fees. Funding to be used to enhance services in conjunction with the proposed conditional reintegration program (CRP).	<b>Gross</b>	<b>\$2,455,300</b>	<b>\$1,412,000</b>
	Restricted	2,455,300	1,412,000
<b>5. Community Corrections Grant Programs</b>			
Current-year Executive Order reductions to be reversed. Restores \$651,700 to Comprehensive Plans and Services and \$1,312,000 to Probation Residential Centers.	<b>Gross</b>	<b>\$26,066,300</b>	<b>\$1,963,700</b>
	Restricted	1,492,100	0
	GF/GP	\$12,192,100	\$1,963,700
<b>PRISON AND CAMP BED SPACE CHANGES</b>			
<b>6. Youth Correctional Facility</b>			
Current operating contract for the privately-owned-and-operated Michigan Youth Correctional Facility expires July 20, 2003. Executive proposes \$1.4 million for anticipated cost of new contract, \$770,700 to recognize 80-bed increase gained through double-bunking administrative segregation unit. Addition of GF/GP funding offsets depletion of federal grant.	<b>Gross</b>	<b>\$11,400,700</b>	<b>\$2,167,000</b>
	Federal	11,400,700	(1,124,500)
	GF/GP	\$0	\$1,124,500

<b><u>Major Budget Changes from FY 2002-03 YTD Appropriations:</u></b>		<b>YTD</b>	<b>Executive</b>
		<b>FY 2002-03</b>	<b>Change</b>
<b>7. Beds Open and Partially Funded in Prior Year</b>	<b>Gross</b>	<b>\$6,871,700</b>	<b>\$8,217,900</b>
Executive includes funding to meet full-year costs of beds open and receiving partial-year funding in the current fiscal year (485 beds at Egeler's C Unit, 240 beds each at Macomb and Saginaw, 210 beds through double-bunking at Riverside).	GF/GP	\$6,871,700	\$8,217,900
<b>8. Beds Open and Unfunded in Prior Year</b>	<b>Gross</b>	<b>\$0</b>	<b>\$2,255,200</b>
Executive includes funding to meet full-year costs of beds open and receiving no funding in the current fiscal year (56 beds at Lakeland, 42 beds at Cotton, 50 beds at Crane, 24 beds at Egeler, and 99 beds at 11 different locations).	GF/GP	\$0	\$2,255,200
<b>9. Camp Lehman</b>	<b>Gross</b>	<b>\$2,410,600</b>	<b>(\$1,389,200)</b>
Current-year budget included \$2.4 million and 29.4 FTEs to support the planned double-bunking of 240 beds at Camp Lehman. Due to difficulties securing adequate water and sewer service at that site, the Executive recommends a reduction of 200 beds and associated funding support.	GF/GP	\$2,410,600	(\$1,389,000)
<b>PRISONER HEALTH AND MENTAL HEALTH CARE</b>			
<b>10. Managed Care Contract</b>	<b>Gross</b>	<b>\$52,729,100</b>	<b>\$8,138,400</b>
Executive recommends increase to meet costs of new managed care contract for prisoner hospital and specialty care, which takes effect April 1, 2003.	GF/GP	\$52,729,100	\$8,138,400
<b>11. Pharmaceutical Cost Increases</b>	<b>Gross</b>	<b>N/A</b>	<b>\$5,051,700</b>
Executive recommends increase of \$5.1 million for pharmaceutical price and volume increases, including an increase of \$674,900 for psychotropic medications.	GF/GP	N/A	\$5,051,700
<b>MISCELLANEOUS PERSONNEL AND ADMINISTRATIVE MATTERS</b>			
<b>12. New Corrections Officer Training</b>	<b>Gross</b>	<b>\$10,968,600</b>	<b>(\$7,968,400)</b>
Executive assumes no increase in prison capacity, and therefore recommends funding for training only as many new corrections officers as needed to accommodate staff turnover. Result is a decrease from current funding level.	GF/GP	\$10,968,600	(\$7,968,400)
<b>13. FY 2001-02 Early Retirement Program</b>	<b>Gross</b>	<b>N/A</b>	<b>\$23,370,900</b>
Executive recommends additional funding as a result of FY 2001-02 early retirement program. Figure is the net of increased costs due to statewide apportionment of retiree health care (\$28.3 million GF/GP) and savings accruing through retirements that were delayed until current year (\$5.3 million gross and GF/GP).	Restricted	N/A	319,000
	GF/GP	N/A	\$23,051,900
<b>14. Administrative and Support Staffing</b>	<b>Gross</b>	<b>N/A</b>	<b>(\$10,180,800)</b>
Executive recommends reduction of 170.5 FTEs in administrative and support staffing, with associated funding reduction.	GF/GP	N/A	(\$10,180,800)
<b>15. Leap Year Funding</b>	<b>Gross</b>	<b>N/A</b>	<b>\$3,937,900</b>
Calendar year 2004 is a leap year, and thus the Executive recommends one-time additional funding of \$3.9 million to fund costs deriving from having an additional day in FY 2003-04.	Restricted	N/A	55,500
	GF/GP	N/A	\$3,882,400

**Major Boilerplate Changes from FY 2002-03:**

**Sec. 215. Administrative Efficiencies Work Project - NEW**

The Executive recommends language aimed at encouraging administrative efficiencies through boilerplate that would appropriate up to one-half of certain savings achieved in FY 2002-03. The language specifies that the appropriation would be subject to the approval of the state budget director, and would have to be spent for the same purpose for which the original appropriation was made in FY 2002-03.

**Secs. 215, 216, 217. Youth Correctional Facility - DELETED**

The Executive would delete sections that require quarterly reports on the youth correctional facility (Sec. 214), specify certain duties for the contract monitor (Sec. 215), and provide for corrections subcommittee chairs to promptly receive copies of any invitations to bid on the youth correctional facility contract (Sec. 216).

**Sec. 404. Staffing Ratios - DELETED**

The Executive would delete current-year language that requires a report on staffing ratios at the correctional facilities.

**Sec. 706. County Jail Reimbursement Program - MODIFIED**

"For the purpose of reimbursing counties for housing in jails felons who otherwise would have been sentenced to prison," the county jail reimbursement program provides counties with per diem payments using criteria set by boilerplate language. Two sets of criteria exist; one applying to offenders sentenced under comprehensive sentencing guidelines enacted in 1998 (which apply to offenses occurring on or after January 1, 1999), the other to offenders sentenced for offenses occurring prior to January 1, 1999. Each set allows qualification by virtue of a sentencing guidelines score indicative of a prison sentence or by virtue of a conviction for third-offense drunk driving (OUIL 3). The Executive would eliminate OUIL 3 as a stand-alone criterion, thereby conditioning qualification on one of the remaining criteria, thereby generating anticipated savings of \$6,951,000, which would be used to fund the local facility expansion program (see below).

**Sec. 707. Local Facility Expansion Program - NEW/MODIFIED**

The FY 1997-98 budget act funded a local facility expansion program "to allow local units of government to directly or indirectly expand local capacities to house felons who otherwise likely would be prison bound...or who currently are incarcerated in prison." The Executive proposes a new local facility expansion program that would be funded with the \$7.0 million in savings anticipated through the operation of changes in jail reimbursement program criteria (see above). Language establishing the new program would be similar but not identical to language enacted for FY 1997-98. Among other differences: under the Executive recommendation, the funds could be used to "allow local units of government to directly expand local capacities to house felons," and to "reimburse local units of government for housing state prisoners."

**Summary: Executive Budget Recommendation  
FAMILY INDEPENDENCE AGENCY  
FY 2003-04 Senate Bill 270**

**Analysts: Erin Black, Myron Freeman**

**FY 2003-04 Appropriation Recommendations**

	FY 2002-03 YTD <i>(as of 3/6/03)</i>	FY 2003-04 <i>Executive</i>	Difference: Exec to FY 2002-03 YTD	
			<i>Amount</i>	<i>%</i>
<b>IDG/IDT</b>	\$978,800	\$1,055,800	\$77,000	7.9
<b>Federal</b>	2,773,916,471	2,697,630,071	(76,286,400)	(2.8)
<b>Local</b>	66,956,700	65,097,100	(1,859,600)	(2.8)
<b>Private</b>	9,856,850	9,472,150	(384,700)	(3.9)
<b>Restricted</b>	70,370,500	70,096,800	(273,700)	(0.4)
<b>GF/GP</b>	1,115,085,079	1,102,339,379	(12,745,700)	(1.1)
<b>Gross</b>	<b>\$4,037,164,400</b>	<b>\$3,945,691,300</b>	<b>(\$91,473,100)</b>	<b>(2.3)</b>
<b>FTEs</b>	12,501.1	10,771.6	(1,729.5)	(13.8)

**Overview**

The Family Independence Agency's (FIA) mission is, through community leadership, to help improve the quality of life in Michigan by protecting children and vulnerable adults, delivering juvenile justice services, and providing support to strengthen families and individuals striving for independence. The Executive FY 2003-04 proposed budget includes gross appropriations of \$3.9 billion and GF/GP funding of \$1.1 billion. Both are down from the FY 2002-03 year-to-date (YTD) amount by \$91.5 million and \$12.7 million, respectively. The Executive budget proposal increases or maintains funding for a number of major programs while recognizing savings by reducing or eliminating other programs.

**Summary of Major Budget Issues**

***Enhanced Child Care Fund Reimbursement***

Executive budget allocates \$50.0 million in a new line item, Enhanced Child Care Fund Reimbursement for Community Programs. Under this program, counties are encouraged to utilize funding in support of more community-based, in-home services for youth. In return, the county reimbursement rate for alternatives to out-of-home care in participating counties may be increased to 75% from the present level of 50%.

***Reduction in TANF Funded Programs***

Proposal recognizes \$25.4 million in savings applicable to the elimination or reduction of spending for various programs funded by Temporary Assistance to Needy Families (TANF) dollars. Programs reduced or eliminated include: Before and After School pilot; Teenage Parent Counseling; Family Preservation Programs; Fatherhood and Marriage Initiatives; and the Kinship Care pilot.

***Day Care Caseload Increase***

Proposal includes an additional \$35.0 million to cover projected caseload spending increases.

***Family Independence Program Caseload Decrease***

Executive proposal recognizes \$38.4 million in caseload savings. Caseloads are projected to be at the 69,500 level, down 10,200 cases from current year.

***Energy Assistance Increase***

HUMAN RESOURCES - FAMILY INDEPENDENCE AGENCY

Executive proposal includes \$35.6 million in new federal dollars for the Low Income Home Energy Assistance Program (LIHEAP) and Weatherization services.

**Staffing Adjustments**

Executive budget removes FTEs related to early retirement funding adjustments made in FY 2003. This adjustment contributes to the large staffing reduction identified below.

<b>Major Budget Changes from FY 2002-03 YTD Appropriations:</b>	<b>YTD FY 2002-03</b>	<b>Executive Change</b>
<b>1. Family Independence Program Caseload Decrease</b>	<b>Gross \$376,339,600</b>	<b>(\$38,440,000)</b>
Executive recommends TANF savings of \$38.4 million consistent with a lower projected caseload level. Proposal captures a reduction of 10,200 cases from the current fiscal year budget level to a new projected level of 69,500 cases for FY 2003-04.	Federal 168,339,400	(38,440,000)
	Restricted 50,449,300	0
	GF/GP \$157,550,900	\$0
<b>2. Day Care Caseload and Fund Shift Adjustments</b>	<b>Gross \$447,472,300</b>	<b>\$30,568,000</b>
Proposal includes an additional \$35.0 million to cover projected caseload spending increases. Budget recognizes a projected average annual caseload of 66,300 at \$589 per case per month. An adjustment is also included to no longer allow exceptions to the 100 hours of care per pay period (two weeks) limit, saving \$4.4 million gross (\$1.5 million GF/GP). In addition, the proposal recognizes the need to replace federal Child Care Development Fund carry-forward no longer available (\$34.2 million) and related GF/GP (\$21.9 million) with TANF (\$56.1 million). Finally, GF/GP is added and TANF reduced to meet TANF Maintenance of Effort (\$5.0 million).	Federal 244,106,100	48,965,100
	GF/GP \$203,366,200	(\$18,397,100)
<b>3. Reduction in TANF Funded Programs</b>	<b>Gross \$91,844,300</b>	<b>(\$25,374,600)</b>
Executive recommends recognizing \$25.4 million in savings applicable to the elimination or reduction of spending for various programs funded with TANF dollars. Programs eliminated include: Before and After School pilot (\$9.5 million); Teenage Parent Counseling (\$4.2 million); Fatherhood and Marriage Initiatives (\$712,500); and the Kinship Care pilot (\$3.0 million). Program reductions are included in Family Preservation and Prevention Services (\$8.0 million). A portion of the savings (\$12.9 million) reflects an overall budget reduction while the remaining amount (\$12.5 million) is transferred to support the new Enhanced Child Care Fund Reimbursement line item. Under this line item, counties may decide what types of community-based programs to support. See item #5 below.	Federal 91,558,000	(25,374,600)
	GF/GP \$286,300	\$0
<b>4. Child Care Fund</b>	<b>Gross \$139,500,000</b>	<b>\$3,700,000</b>
Proposal transfers the Child Care Fund to the Child and Family Services unit, increases funding by \$28.7 million gross (\$24.5 million GF/GP) in line with projected spending levels, and shifts \$18.7 million in GF/GP funding authorization to federal authority to annualize the TANF claim for state and local in-home services. In turn, \$12.5 million GF/GP is added to reflect the sharing of some of the GF/GP savings from the state and local TANF claim with counties by increasing the in-home reimbursement rate. Finally, the budget transfers \$37.5 million gross (\$7.5 million GF/GP) to the new Enhanced Child Care Fund Reimbursement line item to consolidate in-home services funding. See item #5 below.	Federal 53,100,000	(7,104,400)
	GF/GP \$86,400,000	\$10,804,400



**Major Budget Changes from FY 2002-03 YTD Appropriations:**

**5. Enhanced Child Care Fund Reimbursement for Community Programs**

Executive budget allocates \$50.0 million for this new line item supporting community programs. As referenced in item #4 above, \$37.5 million gross (\$7.5 million GF/GP) was transferred from the Child Care Fund line item to consolidate in-home services within this new line item and \$12.5 million in authority was redirected from various TANF funded programs to the line (see item #3 above). Under the program, counties are encouraged to utilize funding in support of more community-based in-home services for youth. In return, the county reimbursement rate for alternatives to out-of-home care in participating counties may be increased to 75% from the present level of 50%.

	YTD	Executive
	FY 2002-03	Change
<b>Gross</b>	<b>\$0</b>	<b>\$50,000,000</b>
Federal	0	42,500,000
GF/GP	\$0	\$7,500,000

**6. Foster Care Adjustments**

Proposal removes \$250,000 gross (\$125,000 GF/GP) to eliminate the Foster Parent Recruitment Pilots and reduces the total amount authorized for foster care administrative rates by \$453,000 gross (\$236,000 GF/GP), requiring a more uniform rate structure. In addition, the recommendation recognizes a decrease of \$28.1 million gross (\$12.9 million GF/GP) in caseload spending. Budget includes a projected average annual caseload of 10,932, down 1,046 from the FY 2002-03 budgeted caseload. The funding for foster care caseload continues to decrease as many cases are now funded in the Child Care Fund. Shift is reflected in item #4 above.

<b>Gross</b>	<b>\$245,010,600</b>	<b>(\$28,773,500)</b>
Local	34,918,000	0
Private	5,033,900	0
Federal	108,078,000	(15,501,400)
GF/GP	\$96,980,700	(\$13,272,100)

**7. Adoption Subsidy Adjustments**

Budget includes an adjustment to limit continuance of adoption subsidy payments after the 18th birthday under certain criteria to age 19 instead of 21, saving \$3.6 million gross (\$1.5 million GF/GP). In addition, the proposal adds \$18.0 million gross (\$7.3 million GF/GP) for caseload spending increases. Budget recognizes a projected average annual caseload of 26,500.

<b>Gross</b>	<b>\$204,952,800</b>	<b>\$14,433,400</b>
Federal	126,180,200	8,592,100
GF/GP	\$78,772,600	\$5,841,300

**8. State Disability Assistance Caseload Increase**

Executive recommends adding \$1.9 million to cover higher projected SDA caseloads. Caseload level for FY 2003-04 is projected to be 8,400 cases, up 500 cases from the FY 2002-03 budget level. Projected paid amount per case is also increased to \$238.54 per month, up \$5.00 per case from the current year.

<b>Gross</b>	<b>\$22,139,900</b>	<b>\$1,905,200</b>
Restricted	5,104,800	0
GF/GP	\$17,035,100	\$1,905,200

**9. Transitional Work Support**

Executive recommends the elimination of this program, saving \$5.0 million GF/GP. This program provides medical coverage for families who quickly become self-sufficient after applying for assistance and, accordingly, are not ever deemed eligible for Medicaid. The Department is hopeful that a Medicaid waiver can be obtained which would allow former participants of this program the opportunity to buy medical coverage at reasonable rates.

<b>Gross</b>	<b>\$5,000,000</b>	<b>(\$5,000,000)</b>
GF/GP	\$5,000,000	(\$5,000,000)

**10. Decrease in Indigent Burial Rate**

Executive recommends the reduction of indigent burial payments by \$167 per burial, saving \$952,000 gross (\$865,000 GF/GP). Adjusted rate for FY 2003-04 is recommended at \$947 per burial, distributed as follows: \$603 for funeral directors; \$200 for cemeteries or crematoriums; and \$144 for the provider of the vault. See boilerplate sec. 613.

<b>Gross</b>	<b>\$6,400,000</b>	<b>(\$952,000)</b>
Federal	600,000	(87,000)
GF/GP	\$5,800,000	(\$865,000)

<b>Major Budget Changes from FY 2002-03 YTD Appropriations:</b>		<b>YTD FY 2002-03</b>	<b>Executive Change</b>
<b>11. Food Stamp Reinvestment</b>	<b>Gross</b>	<b>\$5,700,000</b>	<b>\$12,726,300</b>
Proposal adds \$12.7 million GF/GP in this area. The majority of the funds are earmarked for increased emphasis toward the reduction of food stamp issuance error rates, while a smaller portion will be set aside in anticipation of food stamp error penalties not yet levied by the federal government.	GF/GP	\$5,700,000	\$12,726,300
<b>12. Information Technology Cost Reductions</b>	<b>Gross</b>	<b>\$165,954,700</b>	<b>(\$28,428,500)</b>
Executive recommends reduced funding of \$28.4 million gross (\$8.7 million GF/GP) in the area of information systems. It is projected that the Child Support Enforcement System will be certified by the end of FY 2002-03 and accordingly, \$20.6 Million gross (\$5.6 GF/GP) of development and implementation costs will no longer be required. In addition, \$7.9 million gross (\$3.0 million GF/GP) in savings are recognized in the areas of information technology services and data enhancement programs.	Federal	108,751,221	0
	Restricted	11,032,200	0
	Other	407,600	0
	GF/GP	\$45,763,679	(\$8,661,200)
<b>13. Increase in Federal Energy Programs</b>	<b>Gross</b>	<b>\$96,903,600</b>	<b>\$35,504,900</b>
Proposal recognizes increased federal funding available for the Low Income Home Energy Assistance Program (\$30.5 million) and the Weatherization Program (\$5.0 million).	Federal	96,903,600	35,504,900
<b>14. Homestead Property Tax</b>	<b>Gross</b>	<b>\$50,000,000</b>	<b>(\$50,000,000)</b>
Executive recommends the discontinued use of TANF funding in paying Homestead Property Tax Credits to qualifying Michigan citizens. This change is in response to a federal regulation (effective January 2002) prohibiting the usage of TANF for this purpose. Please note—the elimination of TANF as a source of funding does not in any way change the program’s purpose and, accordingly, qualified Michigan citizens will continue to receive a tax credit.	Federal	50,000,000	(50,000,000)

**Major Boilerplate Changes from FY 2002-03:**

**Sec. 213. Food Assistance Over-Issuance Collections and Error Rate Status - MODIFIED**

Current year authorizes FIA to retain food assistance over-issuance collections to offset GF/GP costs and requires FIA to report on error rate status. The Executive removes the error rate status reporting requirement.

**Sec. 218. TANF and TANF Maintenance-of-Effort (MOE) Reporting - MODIFIED**

Current year requires a semi-annual report on TANF projected expenditures, carry-forward, and interdepartmental or interagency fund transfers, as well as notification of proposed changes in TANF utilization or distribution or TANF MOE (Initiated, FY 1997-98). The Executive removes requirement for notification of proposed changes in TANF utilization or distribution or TANF MOE.

**Sec. 220. Faith-Based Contracts - DELETED**

Places restrictions on FIA contracts with faith-based organizations. Requires FIA to provide non-sectarian services for clients who object to sectarian-provided services. Further requires FIA to cooperate with faith-based organizations so they can compete for contracts on the same basis as other private contractors and requires FIA to follow federal PRWORA faith-based involvement related guidelines (Initiated, FY 1997-98).

**Sec. 222. Additional Appropriation Authorization - NEW**

Allows the Department, with approval from the State Budget Director, to spend a portion of unexpended or unreserved FY 2002-03 GF/GP funds in identified areas for the same purposes in FY 2003-04. The Executive adds this new section.

**Sec. 223. Medicaid Determination Requirements - DELETED**

Requires FIA to determine Medicaid eligibility within 60 days when disability is an eligibility factor and within 45 days for all other applicants, and requires FIA to report on centralized monthly processing of Medicaid spend-down paperwork for specified clients (Initiated, FY 2000-01).

**Sec. 261. Local Office Restructuring - DELETED**

Requires FIA to consult with members of the Legislature on planned local office restructuring and requires any plan ensure presence in every county (NEW, FY 2002-03).

**Sec. 263. Foster Care Workers and Child Protective Services Workers - DELETED**

Requires FIA to replace all foster care workers and child protective services workers who take an early retirement on a 1-to-1 basis (NEW, FY 2002-03).

**Sec. 415. Fatherhood Initiative - DELETED**

Requires the Department to spend up to \$500,000 in TANF to fund a fatherhood initiative (Initiated, FY 2001-02).

**Sec. 416. Marriage Initiative - DELETED**

Allows the Department to spend up to \$250,000 in TANF to fund a marriage initiative using licensed providers (Initiated, FY 2001-02).

**Sec. 503. Adoption Subsidy Payment Continuance - MODIFIED**

Current year allows for continuance of adoption subsidy payments after the 18th birthday under certain criteria. The Executive lowers the maximum age from 21 to 19.

**Sec. 512. Foster Parent Pilot Projects - DELETED**

Authorizes \$1.5 million for the Department to develop pilots for foster parent recruitment, retention, and training (Initiated, FY 1998-99).

**Sec. 514. Child Protective Services Report - DELETED**

Requires the Department to make a comprehensive report on child protective services to the Legislature by January 1, and states some of the information and statistics to be included in the report (Initiated, FY 1998-99).

**Sec. 517. Child Abuse and Neglect Prevention Programs - MODIFIED**

Current year authorizes allocation of funds to local collaboratives for neglect and abuse prevention programs (Initiated, FY 1997-98). The Executive adjusts language to allow instead of require the allocation to fund secondary prevention programs.

**Sec. 518. Strong Families/Safe Children Funding - DELETED**

Expresses legislative intent that funds appropriated for Family Preservation and Prevention Services be used to maintain local Strong Families/Safe Children allocations at the level in effect on April 1, 1997. Requires FIA to work with multipurpose collaborative bodies (MPCBs) to arrange a reward and/or penalty plan related to out-of-home placement outcomes. Local multipurpose collaboratives and FIA are required to report program usage, goals, and effectiveness (Initiated, FY 1997-98).

**Sec. 521. Foster Care Administrative Rate Adjustment - NEW**

Reduces the total amount authorized for foster care administrative rates and requires a more uniform rate structure. The Executive adds this new section.

**Sec. 524. Prevention Services Report - DELETED**

Requires the Department to submit an annual report on the status of the prevention services program (Initiated, FY 2001-02).

**Sec. 532. Licensing and Contract Compliance Review - DELETED**

Requires collaboration between FIA, Department of Consumer and Industry Services (CIS) and the Michigan Federation of Private Child and Family Agencies in the review of contract compliance and licensing policies, practices, and procedures in attempt to identify duplication. Requires report by April 1, 2003 (NEW, FY 2002-03).

**Sec. 533. Payment Promptness - Title IV-E Services - DELETED**

Requires FIA to make payments to child placing agencies within 30 days after receiving documentation for Title IV-E related services (NEW, FY 2002-03).

**Sec. 536. Foster Care Assignment System - DELETED**

Prohibits FIA from implementing a geographically-based foster care assignment system unless in the best interests of the foster children (NEW, FY 2002-03).

**Sec. 537. Foster Care Placement - First Opportunity - DELETED**

Requires FIA to offer private nonprofit agencies the first opportunity to provide foster care services for new children under specified circumstances (NEW, FY 2002-03).

**Sec. 540. Enhanced Child Care Fund Reimbursement for Community Programs - NEW**

Allows the Department, unless otherwise prohibited by law, to reimburse units of local government for up to 75% (not less than 50%) of the cost of in-home care programs and describes program parameters. The Executive adds this new section.

**Sec. 609. SSI State Supplementation - DELETED**

Prohibits reduction of SSI state supplementation for recipients in institutional settings during the fiscal year.

**Sec. 613. Indigent Burial Charge Limit and Report Requirements - MODIFIED**

Current year establishes a maximum allowable charge limit of \$1,114 for indigent burials and requires reporting. The Executive adjusts maximum charge limit to \$947 per case and removes reporting requirement.

**Sec. 624. Individual Development Accounts (IDA) Plan - DELETED**

Requires the FIA to maintain a plan to provide for the implementation of Individual Development Accounts (Initiated, FY 1997-98).

**Sec. 635. Child Day Care Provider Central Registry Notification - DELETED**

Requires the Department, within six business days of receiving all information necessary to process an application for payments for child day care, to determine whether the child day care provider is listed on the Child Abuse and Neglect Central Registry. If the provider is listed on the Central Registry, the Department shall immediately send written notice denying the applicant's request for child day care payments (Initiated, FY 1999-2000).

**Sec. 657. Before- or After-School Program - DELETED**

Requires the Department to continue to offer a before- or after-school program pilot for school-aged children and provide a report on the pilot (Initiated, FY 2000-01).

**Sec. 704. Juvenile Justice Facility Location - DELETED**

Prohibits new delinquency facilities from being located within 1,500 feet of property in use for a K-12 educational program (Initiated, FY 1998-99).

**Sec. 705. W. J. Maxey Reporting Requirement - DELETED**

Requires the Department to provide an annual report on the W. J. Maxey facility, and outlines required assessment and treatment issues (Initiated, FY 2000-01).

**Sec. 708. School Aid Funding for Juvenile Justice Education - DELETED**

Expresses legislative intent that FIA work with state and local agencies necessary to ensure funding through school aid to educate juveniles in state-operated detention or treatment facilities, and requires facility per diem rates to reflect savings (Initiated, FY 2001-02).

**Sec. 901. Child Support Incentive Payments and Enforcement System Requirements - MODIFIED**

Current year Sec. 401 allows the Department to retain portions of federal child support incentive payments and expend them for various child support collection efforts. Also, provides guidelines counties must follow in order to avoid penalty payment. The Executive rennumbers Sec. 401, increases the incentive payment amount FIA may retain, and identifies minimum payment levels to counties.

**FY 2003-04**

**REGULATORY**

**Executive Recommendation**

**Career Development  
Consumer and Industry Services  
Michigan Strategic Fund**



**Summary: Executive Budget Recommendation  
CAREER DEVELOPMENT  
FY 2003-04 Senate Bill 285**

**Analyst: Steve Stauff**

**FY 2003-04 Appropriation Recommendations**

	FY 2002-03 YTD (as of 3/6/03)	FY 2003-04 Executive	Difference: Exec to FY 2002-03 YTD	
			Amount	%
IDG/IDT	\$0	\$0	\$0	0.0
<b>Federal</b>	406,469,200	418,100,400	11,631,200	2.9
<b>Local</b>	15,011,900	15,011,900	0	0.0
<b>Private</b>	2,396,300	2,396,300	0	0.0
<b>Restricted</b>	7,661,500	6,664,700	(996,800)	(13.0)
<b>GF/GP</b>	26,572,800	24,706,700	(1,886,100)	(7.0)
<b>Gross</b>	<b>\$458,111,700</b>	<b>\$466,880,000</b>	<b>\$8,768,300</b>	<b>1.9</b>
<b>FTEs</b>	1,095.0	1,089.0	(6.0)	(0.5)

**Overview**

The Department of Career Development is charged with fostering the state's workforce development system. A primary duty is administration of various federal funding streams which support job readiness, job search, and employment training programs for various populations. These include the state's Work First program for welfare recipients, the Michigan Rehabilitation Services unit which supports vocational programs for the disabled, and general job search/training programs for adults and youth. Most direct services in these areas are provided through a network of 25 regional Michigan Works! agencies across the state. Almost 90% of the budget is financed through federal revenue.

**Summary of Major Budget Issues**

***Council of Michigan Foundations***

Proposed budget contains a \$1.0 million reduction in the tobacco settlement appropriation for the Council. The overall appropriation stands at \$1.0 million in the proposal—down from \$6.0 million in FY 2001 prior to subsequent Executive Order reductions. Boilerplate revisions earmark all of the remaining appropriation to local smoking prevention and cessation efforts.

***Elimination of Pre-College Program Grants***

Current appropriation of \$900,000 for "Pre-college Programs in Engineering and the Sciences" is eliminated in the Governor's budget proposal. The appropriation is allocated to two programs in the Detroit and Grand Rapids areas which provide math and science programs for disadvantaged youth interested in engineering and science careers.

***GF/GP Support for Michigan Works! Service Centers***

The Executive Budget contains a reduction of \$180,000 in GF/GP support for the state's 104 Michigan Works! Service Centers. The centers house a variety of job training and employment service programs aimed at numerous populations (e.g., unemployed, welfare recipients, disabled individuals). They serve as a single point of contact for individuals interested in accessing state services in these areas. The GF/GP subsidy provided in the current budget assists the centers in meeting general administrative expenses.

***Administrative Savings***

The Governor has proposed consolidating the Department of Career Development with the Department of Consumer and Industry Services. However, the executive order to implement the consolidation has not yet been finalized. As a result, separate budgets are proposed for each individual department. In order to reflect anticipated

**REGULATORY - CAREER DEVELOPMENT**

savings that will result from the consolidation, a generic negative GF/GP appropriation of \$539,400 is included in the Career Development budget.

<b>Major Budget Changes from FY 2002-03 YTD Appropriations:</b>		<b>YTD FY 2002-03</b>	<b>Executive Change</b>
<b>1. Council of Michigan Foundations</b>	<b>Gross</b>	<b>\$2,000,000</b>	<b>(\$1,000,000)</b>
Executive recommendation reduces the grant appropriation to the Council of Michigan Foundations by \$1.0 million. Beginning in FY 1999-2000, tobacco settlement revenue has been allocated to this initiative. The Council re-grants the appropriated dollars to various community foundations around the state. Community foundations then use the funding to support local youth and senior health initiatives. Overall appropriation for the initiative has fallen from \$6.0 million to the currently proposed level through recent Executive Order reductions. New boilerplate proposed by the Executive would earmark all remaining funds to programs related to smoking prevention and cessation.	Restricted	2,000,000	(1,000,000)
<b>2. Pre-College Programs in Engineering and the Sciences</b>	<b>Gross</b>	<b>\$900,000</b>	<b>(\$900,000)</b>
Grant funding for two regional pre-college educational programs would be eliminated under the Governor's budget proposal. For FY 2002-03, the Detroit Area Pre-college Engineering Program (DAPCEP) and the Grand Rapids Area Pre-college Engineering Program (GRAPCEP) received state support through the DCD budget. The Detroit program received an allocation of \$534,100, while the Grand Rapids program received \$365,900. Both programs provide special math and science programs for disadvantaged youth interested in science and engineering careers.	GF/GP	\$900,000	(\$900,000)
<b>3. Michigan Works! Service Centers Administration</b>	<b>Gross</b>	<b>\$1,190,000</b>	<b>(\$180,000)</b>
The Governor's budget removes most the remaining general fund subsidy for operation of the state's Michigan Works! Service Centers. Beginning in FY 2000-01, a GF/GP appropriation of \$1.2 million was provided to support central administrative activities within the centers. Each center houses a variety of workforce development programs, most of which are financed through different federal funding streams. The GF/GP support was provided to help subsidize general administrative activity not specifically related to any one program. Federal funding was used to offset \$1.0 million of the GF/GP support during FY 2002-03 budget deliberations. This action would remove all but \$10,000 of the remaining GF/GP subsidy.	Federal	1,000,000	0
	GF/GP	\$190,000	(\$180,000)
<b>4. Administrative Reductions</b>	<b>Gross</b>	<b>\$7,039,700</b>	<b>(\$539,400)</b>
In anticipation of the proposed consolidation of the DCD with the Department of Consumer and Industry Services, the Executive proposal removes \$539,400 of GF/GP appropriations supporting Department administrative activities. This includes elimination of the remaining FY 2002-03 appropriation of \$110,000 for the DCD's "Unclassified Salaries" line item as well as a reduction of \$429,400 to the Department's "Administration" line item. The Department currently has no filled unclassified positions pending the executive reorganization. The reduction to "Administration" will be met by eliminating administrative costs duplicated in both departments as estimated by the Department of Management and Budget.	Federal	4,501,100	0
	Restricted	417,900	0
	GF/GP	\$2,120,700	(\$539,400)



**Major Budget Changes from FY 2002-03 YTD Appropriations:**

**5. Non-GF/GP Reductions - Executive Order 2003-3**

The Governor's proposal includes a number of non-general fund appropriation reductions related to GF/GP cuts implemented through Executive Order 2003-3. The action reflects a reduction in federal appropriations that were tied to GF/GP matching funds removed in the executive order. Reductions include \$128,400 in federal Perkins Act funding for vocational education programs and \$287,100 in federal vocational rehabilitation dollars.

	<u>YTD</u>	<u>Executive</u>
	<u>FY 2002-03</u>	<u>Change</u>
<b>Gross</b>	<b>N/A</b>	<b>(\$415,500)</b>
Federal	N/A	(415,500)

**6. Federal Trade Adjustment Assistance**

The budget reflects an increase in available federal revenue to assist dislocated workers impacted by the North American Free Trade Agreement (NAFTA). An additional \$11.0 million is included in the budget to cover services provided to program participants. Enrollment in the program has increased in recent years.

<b>Gross</b>	<b>\$5,000,000</b>	<b>\$11,000,000</b>
Federal	5,000,000	11,000,000

**7. Other Federal Funding Changes**

Federal authorization is increased to account for increased federal revenues available to support administration of adult education programs (\$150,000) and to support enhancements to the state's labor market information programs (\$992,300).

<b>Gross</b>	<b>N/A</b>	<b>\$1,142,300</b>
Federal	N/A	1,142,300

**8. Early Retirement Savings**

The proposed budget includes a \$238,500 reduction from FY 2002-03 appropriations to account for the final portion of anticipated savings achieved under the recent state early retirement option. While the bulk of early retirement savings were incorporated into the FY 2002-03 budget, a number of state employees maintained their positions into the early portions of FY 2002-03 and appropriations were adjusted to reflect this. The FY 2003-04 recommendation includes adjustments to recognize these additional savings in various DCD operating line items.

<b>Gross</b>	<b>N/A</b>	<b>(\$238,500)</b>
GF/GP	N/A	(\$238,500)

**Major Boilerplate Changes from FY 2002-03:**

**Sec. 303. Local Matching Rate for Facilities Establishment Grants - DELETED**

Provides that local match requirement for vocational rehabilitation facilities establishment grants not exceed 21.3%. Grants are provided to local community rehabilitation organizations to support activities aimed at assisting disabled individuals to obtain employment. The Executive deletes this section.

**Sec. 305. Work First Program - MODIFIED**

Establishes specific guidelines for administering the Work First program. The Executive modifies the language by eliminating references to "federal work participation requirements" and instead generically referring to work participation requirements in boilerplate. The action is taken to account for recent legislation which allows the Department to increase work requirements in certain situations to levels that exceed the minimum federal requirements.

**Sec. 306. Report on Outcomes for Work First Participants - MODIFIED**

Current law requires the Department to acquire longitudinal data on Work First participants regarding their employment and salary situation, benefits coverage, job retention, and general welfare. The Executive amends the language to provide that the Department "make reasonable efforts" to include the listed data in a report "to the extent of available funding."

**Sec. 311. Disabled Veterans Outreach Program - DELETED**

Requires certain staffing levels for disabled veterans outreach program specialists and local veterans employment representatives to assist veterans within Michigan Works! employment services offices as well as other administrative requirements for serving veterans. The Executive deletes the section.

**Sec. 312. Volunteer Investment Grants - DELETED**

Requires the Department to report to the Legislature on the distribution of Volunteer Investment Grants by the Michigan Community Service Commission. The Executive removes the section.

**Sec. 313. Council of Michigan Foundations - MODIFIED**

Current law provides that the tobacco settlement revenue appropriation to the Council of Michigan Foundations be distributed to support local community efforts to address youth and senior health needs. The appropriation for this purpose was reduced by \$1.0 million in the Executive proposal. The Executive amends the boilerplate language to earmark the remaining appropriation to support local smoking prevention and cessation efforts.

**Sec. 319. Adult Education Program - DELETED**

Establishes legislative intent that at least \$75 million in adult education funding be administered through the existing process outlined in the School Aid Act and limits the amount distributed through any alternative process to \$20.0 million. The Executive deletes this section.

**Sec. 320. Medicaid Buy-In Program - DELETED**

Current law requires the Department to work with the Department of Community Health to establish a Medicaid buy-in program for the working disabled. The Executive deletes the language.

**Sec. 321. King-Chavez-Parks Program - MODIFIED**

Current law requires the Department to market the King-Chavez-Parks program to parents and students and to report to the Legislature on these marketing efforts. The program's aim is to boost graduation rates for populations that have been traditionally under-represented within the higher education system. It also requires that the program be administered in the same manner as it was formerly when it was contained in the Department of Education. The Executive amends the language to remove the reporting requirement and the intent language regarding administration of the program.

**Sec. 325. Support for Michigan Works! Service Centers - DELETED**

Current boilerplate language requires that the Department allocate sufficient funds to the state's 104 Michigan Works! Service Centers to allow the centers to remain fully operational. The Executive deletes the language.

**Summary: Executive Budget Recommendation**  
**CONSUMER AND INDUSTRY SERVICES**  
**FY 2003-04 Senate Bill 286**

**Analyst: Steve Stauff**

**FY 2003-04 Appropriation Recommendations**

	FY 2002-03 YTD (as of 3/6/03)	FY 2003-04 Executive	Difference: Exec to FY 2002-03 YTD	
			Amount	%
IDG/IDT	\$111,100	\$111,100	\$0	0.0
Federal	241,911,500	283,831,500	41,920,000	17.3
Local	0	0	0	0.0
Private	770,000	770,000	0	0.0
Restricted	273,487,300	285,815,300	12,328,000	4.5
GF/GP	32,900,464	19,669,800	(13,230,664)	(40.2)
<b>Gross</b>	<b>\$549,180,364</b>	<b>\$590,197,700</b>	<b>\$41,017,336</b>	<b>7.5</b>
FTEs	4,012.4	4,001.0	(11.4)	(0.3)

**Overview**

The Department of Consumer and Industry Services (CIS) is the state's primary regulatory agency. The Department has responsibility for a diverse set of programs, including the state's unemployment and worker's compensation systems, enforcement of industrial and occupational safety laws, regulation of specific industry groups (e.g., banking, public utilities), and licensing and regulation of occupational groups and regulated facilities. Over 90% of the budget is financed through either regulatory fee/assessment revenue or federal funding.

**Summary of Major Budget Issues**

***Fee Increases Offset GF/GP Appropriations***

Contains new restricted revenue appropriations of \$10.6 million to be financed through increased fees. The new fees are then used to offset an equivalent amount of GF/GP appropriations. The proposal would increase corporate annual report filing fees; licensing and registration fees imposed on security agents, investment advisors, and security brokers/dealers; occupational licensing fees in a number of fields; and licensing and construction review fees on health facilities such as hospitals, nursing homes, and substance abuse programs.

***Consolidation of Office of Fire Safety***

Includes a proposal to merge the Office of Fire Safety into the Bureau of Construction Codes. The current Office of Fire Safety administers on-site inspections and construction plan reviews of certain types of facilities protected by state fire safety statutes (e.g., schools, hospitals). General Fund/General Purpose appropriations are reduced by \$856,600 as a result of the consolidation.

***Elimination of the Worker's Compensation Appellate Commission***

Removes \$284,500 in restricted revenue funding for the Worker's Compensation Appellate Commission. The Commission's current duties in handling worker's compensation appeals will be transferred elsewhere within the Department. The restricted fund savings would lapse to the general fund and thus be available for other programming.

***Increased Federal Funding for Section 8 Vouchers***

Additional federal revenues of \$42.0 million are appropriated to support the Section 8 rental subsidy program administered by the Michigan State Housing Development Authority. Funds provide rental assistance to eligible low-income individuals.

**Administrative Savings**

The Governor has proposed consolidating CIS with the Department of Career Development. A generic negative GF/GP appropriation of \$200,000 is included in the budget for administrative savings. This reflects anticipated savings to be achieved with consolidation.

<b>Major Budget Changes from FY 2002-03 YTD Appropriations:</b>		<b>YTD FY 2002-03</b>	<b>Executive Change</b>
<b>1. Fee Increases Offset GF/GP Appropriations</b>	<b>Gross</b>	<b>N/A</b>	<b>\$0</b>
The Executive proposal includes the appropriation of \$10.6 million in state restricted revenue that is to be generated by a number of proposed fee increases. The new appropriations are used to offset GF/GP appropriations within the budget. The Executive proposes increases for corporate annual report and document filing fees, registration fees for investment advisors and securities brokers/agents, licensing-related fees for a number of different occupational fields, and licensing and regulatory fees imposed on different health facilities. It is estimated that the fee increases will generate roughly \$12.7 million in additional revenue annually. The relevant sections of state statute setting these fees are incorporated into the budget's boilerplate sections. This would allow future increases to be determined within the budget bill. Legislative action amending existing statutes would be necessary to implement these increases.	Restricted	N/A	10,600,000
The table below highlights the amount of new revenue offsetting GF/GP by appropriation unit:	GF/GP	N/A	(\$10,600,000)
Executive Direction . . . . .			
Management Services . . . . .			
Health Regulatory Systems . . . . .			
Safety and Regulation . . . . .			
Worker's and Unemployment Compensation . . . . .			
Information Technology Services and Projects . . . . .			
<b>Total . . . . .</b>			
			\$10,600,000
<b>2. Worker's Compensation Appellate Commission</b>	<b>Gross</b>	<b>\$1,514,100</b>	<b>(\$908,700)</b>
The Executive proposes the elimination of the Worker's Compensation Appellate Commission. The commission acts as an appeals body for cases handled by the Worker's Compensation Board of Magistrates. The duties of the Appellate Commission will be transferred to another area within the department, although no specific plan has yet been forwarded on this issue. Within the budget, \$624,200 is removed from the "Unclassified Salaries" line item (reflecting commission salaries) and another \$284,500 is taken from the "Appellate Commission Administration" line item (fringe benefits for the commission). Appropriations of \$605,400 covering support staff for the commission are retained in the budget. These staff will be re-assigned elsewhere within the department.	Restricted	1,514,100	(908,700)
<b>3. Fire Safety / Construction Codes Merger</b>	<b>Gross</b>	<b>\$13,783,300</b>	<b>\$0</b>
The Executive budget includes a proposed consolidation of the Office of Fire Safety (OFS) into the department's Bureau of Construction Codes. The OFS conducts inspections and plan reviews of renovations occurring at certain facilities covered by state fire safety laws. The proposal merges the unit within the Bureau with overall responsibility for the enforcement of state construction standards. Along with the merger, the budget includes a fund shift replacing \$856,600 in GF/GP appropriations with restricted revenue.	Federal	872,300	0
	Restricted	12,046,700	856,600
	GF/GP	\$864,300	(\$856,600)

<b>Major Budget Changes from FY 2002-03 YTD Appropriations:</b>		<b>YTD FY 2002-03</b>	<b>Executive Change</b>
<b>4. Section 8 Rental Subsidies</b>	<b>Gross</b>	<b>\$78,000,000</b>	<b>\$42,000,000</b>
An additional \$42.0 million in federal revenue is appropriated to reflect increased funds for use in providing Section 8 rental vouchers to low-income individuals. The voucher program is administered by the Michigan State Housing Development Authority and helps to subsidize rental costs for eligible individuals. Recent activity in this area has increased due to an "opt out" provision in a non-active Section 8 program. Under the "opt-out", developers are allowed to convert rents to market rates after a fixed period of time (normally 15 years). When developers do choose to opt out, HUD offers low-income tenants an enhanced Section 8 rental subsidy to ease the impact of the switch from the lower mandated rent levels to market-based rents. Since MSHDA administers many of these enhanced Section 8 vouchers, federal funding to MSHDA for Section 8 subsidies has increased substantially.	Federal	78,000,000	42,000,000
<b>5. Restricted Revenue Fund Shifts</b>	<b>Gross</b>	<b>N/A</b>	<b>\$0</b>
In addition to the fee increases in item 1 above, the Governor's budget proposal includes fund shifts replacing GF/GP appropriations in two other areas. First, \$450,000 in additional federal Child Care Development Fund appropriations are added to the budget to offset GF/GP appropriations which had been used to support administrative staff in the day care licensing area. Second, an additional appropriation of \$153,500 in available Health Professions Regulatory Fund proceeds will be used to offset GF/GP in supporting the regulation of health professionals.	Federal	N/A	450,000
	Restricted	N/A	153,500
	GF/GP	N/A	(\$603,500)
<b>6. Early Retirement Adjustments</b>	<b>Gross</b>	<b>N/A</b>	<b>(\$739,800)</b>
The proposed budget includes a \$739,800 reduction from FY 2003 appropriations to account for the final portion of anticipated savings achieved under the recent state early retirement option. While the bulk of early retirement savings were incorporated into the FY 2003 budget, a number of state employees maintained their positions into the early portions of FY 2003 and appropriations were adjusted to reflect this. The FY 2004 recommendation includes adjustments to recognize these additional savings in various CIS operating line items.	GF/GP	N/A	(\$739,800)
<b>7. Administrative Savings</b>	<b>Gross</b>	<b>\$0</b>	<b>(\$200,000)</b>
In anticipation of the proposed consolidation of the CIS with the Department of Career Development, the Executive proposal includes a negative \$200,000 GF/GP appropriation in a generic "Administrative Savings" line item to reflect anticipated savings resulting from the consolidation. The negative appropriation would be eventually be applied to other line items in the budget through the legislative transfer process, although no boilerplate language is included to require such a transfer.	GF/GP	\$0	(\$200,000)

**Major Boilerplate Changes from FY 2002-03:**

**Sec. 211. Re-appropriation of Lapsed FY 2002-03 Funding - NEW**

The Executive includes new language appropriating for FY 2003-04 up to one-half of any GF/GP appropriations lapsed at the end of FY 2002-03. However, this would only apply to GF/GP appropriations made for salary/wage expenses, contractual services, supplies and materials expenses, information technology or program operations. Apparently, it would not include appropriations for non-operational expenses such as grants. The section includes intent language noting that the action is taken to encourage administrative efficiencies during FY 2002-03. The re-appropriation would be contingent upon the approval of the State Budget Director and the new appropriations would have to be used for the same purposes as the original FY 2002-03 appropriations.

**Secs. 332 through 337. Fee Adjustments within Boilerplate - NEW**

The Executive adds six new sections which effectively incorporate within boilerplate a number of fees currently provided for in statute. In addition to moving the fees into boilerplate, most of the fees in these sections are also adjusted upward as part of a revenue enhancement proposal from the Executive. The sections include fee increases for a) annual report and document filings for various types of business organizations; b) registration fees for investment advisors and securities brokers, dealers, and agents; c) application and licensing fees for various professional and occupational groups; and d) licensing and other regulatory fees imposed on health facilities. Overall, the fee increases are expected to generate additional revenue of around \$12.7 million.

**Sec. 305. Eliminate Per Diem Payment Specifications - DELETED**

Current law authorized the use of appropriations for \$50 per diem payments for members of various boards and commissions operating within the Department. The Executive deleted this language.

**Sec. 312. Nursing Home Inspector Levels - DELETED**

Current law requires a minimum staffing level of 113 nursing home inspectors. The section also requires on-site complaint investigations of long-term care facilities on nights and weekends where such off-hour inspections are warranted by the severity of allegations. The Executive eliminates this section.

**Sec. 318. Nursing Home Complaint Investigation Backlog - DELETED**

The Executive deletes this section of current law which requires a report on the status of the Department's nursing home complaint investigation backlog. Recent reports under this section have indicated that no backlog exists.

**Sec. 320. Unemployment Offices in the Upper Peninsula - DELETED**

Current law requires that during the transition to a remote filing system for unemployment benefits, the Department maintain sufficient offices in the Upper Peninsula to ensure that citizens of the Upper Peninsula can access offices without excessive travel and/or long-distance calling charges. The Executive eliminates the section given that the new system is expected to be operational prior to FY 2003-04.

**Sec. 325. Internet Information on Nursing Homes and Day Care Facilities - DELETED**

The Executive eliminates this section of current law which requires the Department to post executive summaries of nursing home inspections on the Internet and that the Department work towards posting summaries of day care inspections on the Internet.

**Sec. 326. MIOSHA Staffing Levels - DELETED**

The Executive deletes language which requires specific staffing levels for general industry and construction industry safety inspectors as well as industrial hygienists. The section also prohibits taking any budgetary savings from the funding for inspection staffing.

**Sec. 327. Hiring Nursing Home Inspectors - DELETED**

Current law requires the Department to make every effort to hire individuals with long-term care industry experience when hiring new nursing home inspectors. The Executive deletes the section.

**Sec. 330. Unemployment Remote Initial Claims System - DELETED**

Current law imposes certain requirements on the Department regarding the phone system developed to take in remote claims for unemployment benefits. Specifically, the Department is required to provide callers with an option within the system to speak with an employee of the Unemployment Agency and to continue to provide training to Unemployment Agency employees affected by implementation of the new system. The Executive deletes the section.

**Sec. 332. Location of Administrative Hearings - DELETED**

The Executive deletes this section which establishes legislative intent that the Department make every effort to hold administrative law hearings within 150 miles of affected individuals or businesses.

**Sec. 334. Day Care Facilities to Inspector Ratio - DELETED**

Current law requires the Department to make every effort to maintain a day care facility to day care inspector ratio of 210 to 1. The Executive deletes the section.

**Sec. 335. Low-Income and Energy Efficiency Assistance Program - DELETED**

Current law requires reporting from the Department on the Low-Income/Energy Efficiency Assistance Program. The Executive deletes the section. The Executive also does not include vetoed language from FY 2002-03 earmarking \$3.0 million from the fund to community action agencies across the state.

**Sec. 338. Center for Nursing - DELETED**

Earmarks \$125,000 in restricted revenue appropriations to a Center for Nursing in an effort to deal with current nursing shortages. The Executive deletes the section.

**Summary: Executive Budget Recommendation**  
**MICHIGAN STRATEGIC FUND**  
**FY 2003-04 Senate Bill 285**

**Analyst: Steve Stauff**

**FY 2003-04 Appropriation Recommendations**

	FY 2002-03 YTD (as of 3/6/03)	FY 2003-04 Executive	Difference: Exec to FY 2002-03 YTD	
			Amount	%
IDG/IDT	\$100,900	\$100,900	\$0	0.0
Federal	62,953,300	52,953,300	(10,000,000)	(15.9)
Local	0	0	0	0.0
Private	853,100	853,100	0	0.0
Restricted	32,550,000	10,050,000	(22,500,000)	(69.1)
GF/GP	40,426,100	35,555,900	(4,870,200)	(12.0)
<b>Gross</b>	<b>\$136,883,400</b>	<b>\$99,513,200</b>	<b>(\$37,370,200)</b>	<b>(27.3)</b>
FTEs	231.5	231.5	0.0	0.0

**Overview**

The Michigan Strategic Fund (MSF) Agency administers the state's economic development programs and initiatives. Currently housed as an autonomous agency within the Department of Management and Budget, the MSF administers most of its programming through the Michigan Economic Development Corporation (MEDC)—which is a public corporation representing a partnership between the state-level MSF and various local economic development agencies. MEDC programs include the Life Sciences Corridor initiative to encourage the commercialization of life sciences research, the state's tourism promotion efforts, business attraction and incentive programs, and general efforts to market the state as a business location.

**Summary of Major Budget Issues**

***Technology Tri-Corridor***

Replaces the current \$32.5 million tobacco settlement appropriation for the Life Sciences Corridor initiative with a \$10.0 million tobacco settlement appropriation for a new "Technology Tri-Corridor." The current program provides funding to universities and private facilities to support research and development in the life sciences as well as the commercialization of innovations that come out of the research. The new Tri-Corridor would broaden this focus to include the areas of automotive technology and homeland security. The MEDC is also examining its current funding commitments in an effort to find another \$10.0 million from its internal corporate funds that could be re-allocated to support this program.

***Economic Development Job Training Grants***

Program is reduced by \$2.3 million in the Executive proposal. The proposed appropriation of \$10.0 million would continue to be granted to eligible training providers who deliver customized job training to Michigan businesses. The Executive Budget also includes significant changes to the related boilerplate language. The program is restructured to allow for collaborative grants to assist multiple businesses; and current earmarks for community colleges and private sector training providers are removed. Finally, match requirements for participating businesses are increased.



**Michigan Promotion Program**

The state's tourism advertising and marketing program is reduced by \$700,000 to a new level of \$5.7 million under the proposal. The program supports tourism advertising campaigns in targeted regional markets as well as tourism publications and market research.

**Reduction in Community Development Block Grant Authorization**

Appropriation is reduced by \$10.0 million under the proposal to a new level of \$50.0 million. The action represents an adjustment to the appropriation to reflect available federal revenue, not an actual reduction in programming.

**Major Budget Changes from FY 2002-03 YTD Appropriations:**

**1. Technology Tri-Corridor**

The Executive recommendation calls for replacement of the \$32.5 million appropriation in FY 2002-03 for the Life Sciences Corridor with a reduced \$10.0 million appropriation for a new Technology Tri-Corridor. The Tri-Corridor would expand the emphasis of the current Life Sciences initiative to include the areas of homeland security and automotive technology. The initiative would seek to encourage research and the eventual commercialization of technologies in these three areas. Both the original program and the newly proposed program are financed with tobacco settlement revenues. The Administration has indicated that the Michigan Economic Development Corporation is working to identify another \$10.0 million of its own internal corporate revenues that could be used to provide additional support to the program. These corporate funds would be re-allocated to this initiative from other existing MEDC commitments.

	<b>YTD FY 2002-03</b>	<b>Executive Change</b>
<b>Gross</b>	<b>\$32,500,000</b>	<b>\$10,000,000</b>
Restricted	32,500,000	10,000,000

**2. Economic Development Job Training Grants**

Appropriations for the grant program would be reduced by 18.6% in the Executive proposal. Funds are utilized to support the development and delivery of customized job training curricula for specific Michigan businesses seeking to retain or attract jobs. The program has seen significant reductions in recent years, with the appropriation falling from a high of \$31.0 million in FY 1999-2000. Significant boilerplate changes also alter the structure of the current program in a number of ways (see Boilerplate Changes below).

<b>Gross</b>	<b>\$12,348,000</b>	<b>\$10,048,000</b>
GF/GP	\$10,048,000	\$10,048,000

**3. Michigan Promotion Program**

The appropriation for the state's tourism promotion activities is reduced by \$700,000 in the Executive Budget (a 10.9% reduction from FY 2002-03). The line item primarily supports advertising campaigns in targeted markets that promote Michigan as a vacation destination. Smaller amounts are used for tourism publications and market research. The appropriation had reached just over \$8.0 million in FY 1999-2000.

<b>Gross</b>	<b>\$6,417,500</b>	<b>\$5,717,500</b>
GF/GP	\$6,417,500	\$5,717,500

**4. Community Development Block Grants**

The budget recommendation includes a \$10.0 million reduction in the federal appropriation for Community Development Block Grants. The reduction is implemented to bring the appropriation down to a level which reflects available funding and historical expenditures. Thus, it does not reflect an actual reduction in programming.

<b>Gross</b>	<b>\$0</b>	<b>(\$10,000,000)</b>
Federal	0	(\$10,000,000)

**5. MEDC Operating Costs**

Appropriations supporting the economic development programs and staff of the Michigan Economic Development Corporation are reduced by just under \$1.5 million. This represents a 6.8% decrease in state GF/GP support for the MEDC's general operations. Reductions will impact both the general administration of the MEDC and MEDC individual economic development programs.

<b>Gross</b>	<b>\$25,617,900</b>	<b>(\$1,480,400)</b>
Federal	2,953,300	0
Restricted	50,000	0
Other	954,000	0
GF/GP	\$21,660,600	(\$1,480,400)

**Major Budget Changes from FY 2002-03 YTD Appropriations:**

	YTD FY 2002-03	Executive Change
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**6. Early Retirement Reduction**

The proposed budget includes a \$389,800 reduction from FY 2002-03 appropriations to account for the final portion of anticipated savings achieved under the recent state early retirement option. While the bulk of early retirement savings were incorporated into the FY 2002-03 budget, a number of state employees maintained their positions into the early portions of FY 2002-03 and appropriations were adjusted to reflect this. The FY 2003-04 recommendation includes adjustments to recognize these additional savings in the MEDC's operating line items.

<b>Gross</b>	<b>\$25,617,900</b>	<b>(\$389,800)</b>
Federal	2,953,300	0
Restricted	50,000	0
Other	954,000	0
GF/GP	\$21,660,600	(\$389,800)

**7. Administrative Savings**

In anticipation of the proposed consolidation of the CIS with the Department of Career Development, the Executive proposal includes a negative \$200,000 GF/GP appropriation in a generic "Administrative Savings" line item to reflect anticipated savings resulting from the consolidation. The negative appropriation would be eventually be applied to other line items in the budget through the legislative transfer process, although no boilerplate language is included to require such a transfer.

<b>Gross</b>	<b>\$0</b>	<b>(\$200,000)</b>
GF/GP	\$0	(\$200,000)

**Major Boilerplate Changes from FY 2002-03:**

**Sec. 211. Re-Appropriation of Lapsed FY 2002-03 Funding - NEW**

The Executive includes new language appropriating for FY 2003-04 up to one-half of any GF/GP appropriations lapsed at the end of FY 2002-03. However, this would only apply to GF/GP appropriations made for salary/wage expenses, contractual services, supplies and materials expenses, information technology or program operations. Apparently, it would not include appropriations for non-operational expenses such as grants. The section includes intent language noting that the action is taken to encourage administrative efficiencies during FY 2002-03. The re-appropriation would be contingent upon the approval of the State Budget Director and the new appropriations would have to be used for the same purposes as the original FY 2002-03 appropriations.

**Sec. 401. Economic Development Job Training (EDJT) Grants - MODIFIED**

Current law provisions outline the process and establish policies and procedures for administration of the EDJT grant program. The program provides grants to training providers (e.g., community colleges) to support development and delivery of customized job training programs for specific Michigan businesses. The Executive makes a number of changes which significantly impact the program. Most significantly, the program is split into two separate components: the Business Response Program and the Manufacturing Competitiveness Program. The Business Response Program, which essentially reflects the existing program, is allocated up to \$7.0 million of the overall appropriation. The new Manufacturing Competitiveness Program will receive an allocation of up to \$4.0 million. This component of the program will seek to encourage collaborative training efforts benefiting multiple companies. Under the current program, a training provider typically receives a grant for job training targeting a single firm.

Other changes include removal of current earmarks of grant funds for community colleges and private sector training providers. Historically, boilerplate has allocated 70% of EDJT grant funds to community colleges or to training consortia led by a community college. This earmark was increased to 90% in FY 2002-03. In addition, existing match requirements for participating businesses are increased from 25% to 30% of the grant award. Limits for administrative costs are increased for the MEDC from 5% of the appropriation to a flat \$800,000 limit (around 8% of the appropriation), while the percentage of grant funds a training provider can expend on administrative costs is reduced from 12% to 10%. Finally, current provisions allowing EDJT funds to be used for worker recruitment and university research matching funds are eliminated.

**Sec. 403. Michigan Strategic Fund Programs - DELETED**

Requires the agency to report on all activities, grants, and investment programs financed from Michigan Strategic Fund revenue generated from investment income or gaming revenues. The Executive deletes the section. However, related language is added to existing Section 407.

**Sec. 405. Promotion Program Funding for Cultural Tourism - DELETED**

The section allocates at least 25% of all Michigan Promotion Program funds for the promotion of cultural tourism. The Executive deletes the language.

**Sec. 407. MEDC Program Reporting Requirements - MODIFIED**

Current law requires the agency to report to the Legislature on the activities of each program administered by the Michigan Strategic Fund Agency or the Michigan Economic Development Corporation, including details on spending and FTEs employed. The Executive amends the language to require reporting on grants and investments financed from Michigan Strategic Fund Indian gaming and investment revenues. However, the new section, as written, appears to limit reporting to activities funded only with investment/gaming revenues, eliminating general reporting on activities financed through state appropriations.

**Sec. 410. Life Sciences Corridor / Technology Tri-Corridor - MODIFIED**

Existing language provides for distribution of the Life Science Corridor appropriation through a 14-member steering committee. It allocates up to \$2.5 million for administering the initiative and not less than \$5.0 million to a commercial development fund to support commercialization opportunities evolving from life sciences research. Of the remaining funds, 45% is earmarked for basic research in the life sciences and 55% is allocated for collaborative life sciences research with an emphasis on testing or developing emerging technologies. Eligibility requirements are outlined for grant category.

The Executive modifies the current language in accordance with the Technology Tri-Corridor proposal, which would expand the scope of the program to include not only life sciences, but also homeland security and automotive research. A new 17-member steering committee is proposed, including new committee designations for the Director of the Department of Consumer and Industry Services and the State Treasurer. The allocation of up to \$2.5 million for administration and not less than \$5.0 for a commercial development fund are retained. Remaining funds are to be allocated competitively for research, testing, and the development of emerging discoveries in each area. Language regarding eligibility requirements is removed.

**Sec. 416. Ethnic Destination Marketing Organizations - DELETED**

Current law requires Travel Michigan to coordinate with ethnic marketing organizations to promote ethnic festivals and events in Michigan target markets. The Executive deletes this language.

**Sec. 419. Port Huron Technical Assistance Center - DELETED**

Allocates \$25,000 of the appropriation for "Job Creation Services" to this Port Huron Technical Assistance Center, one of a number of centers around the state that provides assistance to regional businesses in the areas of government procurement and international trade. The Executive deletes the section.

**FY 2003-04**

**RESOURCE PROTECTION**

**Executive Recommendation**

**Agriculture  
Environmental Quality  
Natural Resources**



**Summary: Executive Budget Recommendation  
AGRICULTURE  
FY 2003-04 Senate Bill 288**

**Analyst: Kirk Lindquist**

**FY 2003-04 Appropriation Recommendations**

	FY 2002-03 YTD <u>(as of 3/6/03)</u>	FY 2003-04 <u>Executive</u>	Difference: Exec to FY 2002-03 YTD	
			<u>Amount</u>	<u>%</u>
IDG/IDT	\$10,960,400	\$10,857,400	(\$103,000)	(0.9)
Federal	6,851,700	6,801,700	(50,000)	(0.7)
Local	0	0	0	0.0
Private	1,127,600	1,127,600	0	0.0
Restricted	38,335,800	39,053,300	717,500	1.9
GF/GP	36,773,700	31,404,000	(5,369,700)	(14.6)
<b>Gross</b>	<b>\$94,049,200</b>	<b>\$89,244,000</b>	<b>(\$4,805,200)</b>	<b>(5.1)</b>
FTEs	635.5	569.0	(66.5)	(10.5)

**Overview**

The Department of Agriculture promotes Michigan agricultural products and protects the public from disease and unsanitary conditions in food production and handling. It regulates product labeling and producer practices for dairy products, animals, and plants, as well as enforcing consumer protection laws in food, standard weights/measures, animal health, plant pests, and diseases.

The Executive Budget recommendation is 5.1% less than FY 2002-03. The GF/GP portion is \$5.4 million less than the year to date appropriation—a 14.6% cut.

**Summary of Major Budget Issues**

***Funding Shifts and User Fee Increases***

Restricted funds, fees, inspection fees and testing revenues are increased. More than \$2.0 million in Equine Industry Development Fund revenue would be diverted from programs traditionally supported from this revenue source into Department administrative and program support line items.

***Grants to Soil Conservation Districts***

Grants for training and special programs were reduced by \$195,300. The basic \$20,000 grant for each district was not affected.

***Eliminated Program***

The Seed Germination program was not included in the Governor's recommendations.

<u>Major Budget Changes from FY 2002-03 YTD Appropriations:</u>	YTD FY 2002-03	Executive Change
<b>1. Restricted Fund Shifts</b>	<b>Gross \$0</b>	<b>\$0</b>
Restricted fund increases would be made in programs where similar GF/GP savings could be realized. License and inspection fees would save \$100,000 in the Food/Dairy and Pesticide/Plant Pest Management programs. The Laboratory would save \$100,000 through testing and weights/measures fees. Groundwater/Freshwater Fund and Agriculture Equine Industry Development Fund increases (\$75,000) would be made in the Environmental Stewardship and Animal Industry, respectively. Building Occupancy Charges would include \$200,000 (federal) as well, replacing reduced GF/GP.	Restricted 0	475,000
	GF/GP \$0	(\$475,000)
<b>2. New Fees and Fee Increases</b>	<b>Gross \$83,800,100</b>	<b>\$0</b>
Executive budget recommendations include new fees and fee increases. Estimated revenue increases from these fees are:	Federal 6,639,500	0
Nursery Stock Inspection Fees . . . . . \$140,000	Private 1,127,600	0
Private Pesticide Applicator Fees . . . . . 130,000	Restricted 38,335,800	549,400
Metrology Laboratory Testing Fees . . . . . 120,000	GF/GP \$36,773,700	(\$549,400)
Laboratory Analysis Fees . . . . . 50,000		
Livestock Dealer/Agent Fees . . . . . 40,200		
Right to Farm Reinspection Fees (NEW) . . . . . 25,000		
Pet Shop Fees (NEW) . . . . . 17,900		
Cervid Facility Registration Fees . . . . . 16,100		
Animal Control/Protection Shelters (NEW) . . . . . 5,200		
Horse Riding Stable Licenses . . . . . 5,000		
<b>3. Redistribution of Equine Industry Development Fund (EIDF)</b>	<b>Gross \$83,800,100</b>	<b>\$0</b>
The Executive budget would reduce EIDF support in equine programs and redistribute funds to Department programs. These programs include:	Federal 6,639,500	0
Animal Industry . . . . . \$500,000	Private 1,127,600	0
Laboratory Program . . . . . 500,000	Restricted 38,335,800	2,025,000
Market Development . . . . . 450,000	GF/GP \$36,773,700	(\$2,025,000)
Executive Direction . . . . . 325,000		
Pesticide and Plant Pest Management . . . . . 250,000		
<b>4. Elimination of the Regulatory Seed Program</b>	<b>Gross \$452,000</b>	<b>(\$452,000)</b>
The Seed Inspection and Testing Program would be eliminated. This program was established to assure that seed for sowing meets label guarantees and is weed free.	GF/GP \$452,000	(\$452,000)
<b>5. Reduce Fruit and Vegetable Inspections</b>	<b>Gross \$1,206,000</b>	<b>(\$300,000)</b>
Funding for fruit and vegetable grading and quality inspections would be reduced. Increased reliance would be placed on buyer/seller quality control and assurance efforts.	Restricted 570,000	0
	GF/GP \$636,000	(\$300,000)
<b>6. Local Conservation District Grants</b>	<b>Gross \$1,856,700</b>	<b>(\$195,500)</b>
Grants to soil conservation districts would be reduced. The Executive recommendation would reduce funds used for training, and formula grants provided in boilerplate. Each district would receive the basic \$20,000 grant.	GF/GP \$1,856,700	(\$195,500)

**Major Boilerplate Changes from FY 2002-03:**

**Sec. 211. Restricted Revenue Carryforward - DELETED**

The Executive deleted provision prohibiting the lapse of restricted fund revenue to the General Fund.

**Sec. 211. Incentive for Administrative Efficiencies - NEW**

The Executive allows re-appropriation of one-half of the realized GF/GP lapse from FY 2002-2003. Funds could be spent if the proposed spending plan is approved by the State Budget Director.

**Sec. 216 and 811. Agriculture Equine Industry Development Fund - DELETED**

The Executive deleted provision appropriating unclaimed ticket revenue to the Agriculture Equine Industry Development Fund.

**Sec. 301. Commissions and Boards - DELETED**

The Executive deleted authorization to make per diem payments to members of Department commissions and boards.

**Sec. 501. Pesticide Personnel Training - DELETED**

The Executive removed \$100,000 set aside to train pesticide applicators.

**Sec. 702. Food Bank - DELETED**

The Executive removed authorization to expend unused funds for direct food purchases.



**Summary: Executive Budget Recommendation  
ENVIRONMENTAL QUALITY  
FY 2003-04 House Bill 4393**

**Analyst: Kirk Lindquist**

**FY 2003-04 Appropriation Recommendations**

	FY 2002-03 YTD <u>(as of 3/6/03)</u>	FY 2003-04 <u>Executive</u>	Difference: Exec to FY 2002-03 YTD	
			<u>Amount</u>	<u>%</u>
IDG/IDT	\$14,042,900	\$14,142,900	\$100,000	0.7
Federal	131,521,400	129,169,500	(2,351,900)	(1.8)
Local	0	0	0	0.0
Private	435,700	435,700	0	0.0
Restricted	192,059,100	147,153,500	(44,905,600)	(23.4)
GF/GP	66,653,161	53,055,800	(13,597,361)	(20.4)
<b>Gross</b>	<b>\$404,712,261</b>	<b>\$343,957,400</b>	<b>(\$60,754,861)</b>	<b>(15.0)</b>
FTEs	1,596.7	1,622.7	26.0	1.6

**Overview**

The appropriations bill for the Department of Environmental Quality supports environmental protection, conservation, cleanup, and redevelopment programs. Appropriated funds support regulatory efforts established to protect, restore and reuse Michigan's air, water, and land resources. State GF/GP revenue for environmental programs represents 18% of the total appropriation. Nearly half of the revenue is provided from restricted (permit and license) revenue.

**Summary of Major Budget Issues**

***Funding Shifts and Fee Increases***

Three significant fee proposals are offered: National Pollution Discharge Elimination System fees, \$7.2 million; Groundwater Discharge Permit fees, \$3.6 million; Stormwater Discharge Permits, \$1.1 million. Each of these proposals requires legislative authorization.

***MUSTFA Appropriation***

The \$ 58.0 million appropriation is not included. Bond payments will be made from the escrow account. The fee (collected at the gas pump) is to sunset in 2003.

***Eliminated Programs***

Septage Grants and Waste Hauler Compliance Program, \$1,874,100; Recreation Resources, \$651,500; Site planning for manufactured homes, \$621,200

<b>Major Budget Changes from FY 2002-03 YTD Appropriations:</b>		<b>YTD FY 2002-03</b>	<b>Executive Change</b>
<b>PROGRAM REDUCTIONS</b>			
<b>1. Septage Waste Grants</b>	<b>Gross</b>	<b>\$1,525,000</b>	<b>(\$1,525,000)</b>
The Septage Waste Hauler License Fee deduct would be eliminated reflecting elimination of the septage program.	Restricted	1,525,000	(1,525,000)
<b>2. Recreational Resources Program</b>	<b>Gross</b>	<b>\$651,500</b>	<b>(\$651,500)</b>
Swimming pool inspections and certifications for public swimming facilities (including public schools and higher educational institutions) would be discontinued. Inspections and plan reviews would be the responsibility of local regulatory organizations.	Restricted	318,100	(318,100)
	GF/GP	\$333,400	(\$333,400)
<b>3. Septage Program</b>	<b>Gross</b>	<b>\$349,100</b>	<b>(\$349,100)</b>
Septage waste haulers would no longer be inspected or monitored. Disposal practices would be regulated through local public water protection programs.	Restricted	227,400	(227,400)
	GF/GP	\$121,700	(\$121,700)
<b>4. Manufactured Housing</b>	<b>Gross</b>	<b>\$621,200</b>	<b>(621,200)</b>
Inspections of manufactured homes and certification of mobile home park water supplies would be handled by local regulatory authorities.	GF/GP	\$621,200	(\$621,200)
<b>5. Environmental Audit Training</b>	<b>Gross</b>	<b>\$295,800</b>	<b>(\$295,800)</b>
The Department-sponsored workshop program will no longer be supported from workshop revenue. This service never materialized.	Restricted	295,800	(295,800)
<b>ONE TIME PROGRAMS AND FUNDING ADJUSTMENTS</b>			
<b>6. Michigan Underground Storage Tank Financial Assurance Fund</b>	<b>Gross</b>	<b>\$0</b>	<b>(\$58,035,700)</b>
The 7/8 cent fee on motor fuels would no longer be collected. Bonding requirements for the Underground Storage Tank cleanup program will be met in FY 2002-2003. Any remaining revenue in the fund will be transferred to the Environmental Response Fund and use to clean up contamination at underground storage tank sites.	Restricted	0	(58,035,700)
<b>7. Superfund Program</b>	<b>Gross</b>	<b>\$7,000,000</b>	<b>(\$3,000,000)</b>
The federal Superfund deduct would be reduced to reflect expected FY 2003-04 revenue.	Federal	7,000,000	(3,000,000)
<b>8. Lake St. Clair Water Quality Monitoring</b>	<b>Gross</b>	<b>\$2,500,000</b>	<b>(\$2,500,000)</b>
Funding for this one time budget item would be eliminated.	Restricted	2,500,000	(2,500,000)
<b>9. Environmental Response Fund</b>	<b>Gross</b>	<b>\$2,439,000</b>	<b>(\$850,000)</b>
The Environmental Response Fund deduct in the Storage Tank Program would be reduced to reflect expected spending requirements and anticipated FY 2003-04 revenue.	Restricted	2,439,000	(850,000)
<b>PROGRAM EXPANSIONS AND FUNDING INCREASES</b>			
<b>10. Scrap Tire Grants</b>	<b>Gross</b>	<b>\$700,000</b>	<b>\$2,800,000</b>
Scrap tire fees were increased from \$.50 to \$1.50 in November, 2002. This revenue increase would be added to the existing grant program for scrap tire recycling and site cleanup.	Restricted	700,000	2,800,000
<b>11. Groundwater Discharge Permit Program</b>	<b>Gross</b>	<b>\$0</b>	<b>\$2,200,000</b>
An expanded permit program would be established. Annual discharge permit fees would be collected from facilities that discharge waste water to the ground or groundwater. Enabling legislation is required.	Restricted	0	2,200,000
<b>12. National Pollution Discharge Elimination Permit Program</b>	<b>Gross</b>	<b>\$0</b>	<b>\$2,200,000</b>
A new fee would be assessed on facilities that produce and discharge liquid wastes. This increase would be provided for compliance and enforcement programs. Enabling legislation is required.	Restricted	0	2,200,000

RESOURCE PROTECTION - ENVIRONMENTAL QUALITY

<b>Major Budget Changes from FY 2002-03 YTD Appropriations:</b>		<b>YTD FY 2002-03</b>	<b>Executive Change</b>
<b>13. Storm Water Discharge Program</b>	<b>Gross</b>	<b>\$900,000</b>	<b>\$1,162,500</b>
This expanded program, funded by an increased fee on municipal storm sewer systems and commercial sites, would enable the Department to meet new federal standards for storm water discharges. Enabling legislation is required.	Restricted	900,000	1,162,500
<b>FEE INCREASES AND FUNDING SHIFTS</b>			
<b>14. National Pollution Discharge Elimination Permit Fees</b>	<b>Gross</b>	<b>\$0</b>	<b>\$2,200,000</b>
A new fee would be assessed on facilities that produce and discharge liquid wastes into Michigan surface waters. This increase would provide nearly \$6.9 million in new revenue. Funds would be provided for proposed compliance program improvements and to realize GF/GP savings.	Restricted	0	7,220,900
	GF/GP	\$0	(\$5,020,900)
<b>15. Groundwater Discharge Fees</b>	<b>Gross</b>	<b>\$1,388,200</b>	<b>\$2,200,000</b>
A new fee on public and private discharges into the subsurface would support proposed program expansions of compliance and enforcement programs and replace reduced GF/GP support for the groundwater permit and solid waste compliance program.	Restricted	0	3,588,200
	GF/GP	\$1,388,200	(\$1,388,200)
<b>16. Solid Waste Fees</b>	<b>Gross</b>	<b>\$3,800,000</b>	<b>\$2,200,000</b>
A new fee structure for Michigan landfills will generate \$3.8 million in new revenue. This change would support proposed program expansions of solid waste regulatory programs and replace reduced GF/GP support for the groundwater permit and solid waste compliance program.	Restricted	1,311,900	2,594,600
	GF/GP	\$1,388,200	(\$1,388,200)
<b>17. Laboratory User Fees</b>	<b>Gross</b>	<b>\$2,750,400</b>	<b>\$89,300</b>
A revised fee structure for laboratory services would require payment for sample follow-up testing, cleanup site sample tests, and other activities subsidized by GF/GP appropriations.	Restricted	2,600,400	239,300
	GF/GP	\$150,000	(\$150,000)

**Major Boilerplate Changes from FY 2002-03:**

**Sec. 210. Incentive for Administrative Efficiencies - NEW SECTION**

The Executive allows re-appropriation of one-half of the realized GF/GP lapse from FY 2002-03. Funds could be spent if the proposed spending plan is approved by the State Budget Director.

**Summary: Executive Budget Recommendation  
NATURAL RESOURCES  
FY 2003-04 House Bill 4400**

**Analyst: Kirk Lindquist**

**FY 2003-04 Appropriation Recommendations**

	FY 2002-03 YTD <i>(as of 3/6/03)</i>	FY 2003-04 <i>Executive</i>	Difference: Exec to FY 2002-03 YTD	
			<i>Amount</i>	<i>%</i>
IDG/IDT	\$3,437,900	\$3,437,900	\$0	0.0
Federal	30,427,300	27,806,600	(2,620,700)	(8.6)
Local	0	0	0	0.0
Private	1,793,700	1,871,400	77,700	4.3
Restricted	177,513,900	180,203,500	2,689,600	1.5
GF/GP	41,624,447	28,823,500	(12,800,947)	(30.8)
<b>Gross</b>	<b>\$254,797,247</b>	<b>\$242,142,900</b>	<b>(\$12,654,347)</b>	<b>(5.0)</b>
FTEs	2,081.5	2,088.5	7.0	0.3

**Overview**

The appropriations bills for the Departments of Natural Resources and Environmental Quality support resource protection, conservation, and management programs. The GF/GP contribution to resource protection programs is only 17% of the total appropriation. Of the \$41.6 million appropriated for FY 2002-03, nearly \$14.0 million is provided to local governments for payments in lieu of taxes.

Like environmental protection programs, nearly all state support comes from license and permit revenue. Federal funds support game and fish habitat maintenance and hunter safety protection programs.

**Summary of Major Budget Issues**

**State Parks**

GF/GP support is replaced by restricted fund revenue (\$8.5 million). Fee support would be provided from motor vehicle fees and from the State Park Endowment Fund (revenue received from oil and gas royalty payments to the Natural Resources Trust Fund).

**Taxes**

The state would no longer make tax payments. Instead, a \$2.00/acre payment would be made to county governments. Restricted funds (Game and Fish Fund, Waterways, and the Natural Resources Trust Fund) would no longer make tax payments.

RESOURCE PROTECTION - NATURAL RESOURCES

<b>Major Budget Changes from FY 2002-03 YTD Appropriations:</b>	<b>YTD</b>	<b>Executive</b>
	<b>FY 2002-03</b>	<b>Change</b>
<b>PROGRAM REDUCTIONS</b>		
<b>1. Payments in Lieu of Taxes</b>	<b>Gross \$9,717,200</b>	<b>(\$7,704,300)</b>
This program would be changed from a payment in lieu of taxes program to a new grant program to counties. Like the Swamp Tax, payments would be made at the rate of \$2 per acre.	Restricted 5,742,200	(5,742,200)
	GF/GP \$3,975,000	(\$1,962,100)
<b>2. Baseline Program Reductions - EO 2002-22</b>	<b>Gross \$252,384,100</b>	<b>(\$1,095,800)</b>
Program reductions would be made to make permanent reductions in the Department's operating budget. Reductions in FY 2002-03 were realized through the use of residual Recreation Bond revenue for debt service on 1988 Quality of Life Bonds (Department of Treasury).	Private 1,793,700	0
	Federal 30,427,300	0
	Restricted 176,338,800	0
	GF/GP \$43,824,300	(\$1,095,600)
<b>3. Marine Safety Grants</b>	<b>Gross \$3,230,000</b>	<b>(\$425,000)</b>
Marine Safety grant funds would be reduced. These grants are provided to county sheriffs to partially support the cost of enforcement of watercraft laws. Annual revenue to the Marine Safety Fund is not sufficient to cover the traditional funding level of the program.	Restricted 3,230,000	(425,000)
<b>4. Department of Information Technology Rate Reduction</b>	<b>Gross \$14,673,100</b>	<b>(\$241,900)</b>
The rates used to charge Department DIT support costs would be reduced.	Restricted 12,949,100	0
	GF/GP \$1,724,000	(\$241,900)
<b>5. Building Occupancy Charges: Rate Reduction</b>	<b>Gross \$2,139,100</b>	<b>(\$139,000)</b>
The rates used to charge Department for state-owned office space would be reduced. Actual budget impact would be realized in the Department of Management and Budget.	Restricted 802,700	0
	GF/GP \$1,336,400	(\$139,000)
<b>ONE-TIME PROGRAMS AND FUNDING ADJUSTMENTS</b>		
<b>6. Federal Land and Water Conservation Fund Grants</b>	<b>Gross \$4,134,000</b>	<b>(\$3,933,000)</b>
The funding level for this grant program would be reduced to \$1,000; \$200,000 would continue to be appropriated for administrative costs of this program. The federal allocation for Michigan projects has not been established for FY 2003-04.	Federal 4,134,000	(3,933,000)
<b>7. Payments In Lieu of Taxes</b>	<b>Gross \$9,717,200</b>	<b>\$517,700</b>
Restricted fund support would be added to this line item to cover the expected tax obligations for lands purchased from restricted fund sources. This program would be changed to a grant program (at the rate of \$2/acre). See item #1 above.	Restricted 5,742,200	517,700
	GF/GP \$3,975,000	\$0
<b>8. Treaty Waters and Natural Rivers Program Funding</b>	<b>Gross \$0</b>	<b>\$204,000</b>
Game and Fish Protection Fund would be provided to replace GF/GP reduced in FY 2002-03.	Restricted 0	204,000
<b>PROGRAM EXPANSIONS AND FUNDING INCREASES</b>		
<b>9. Fish Production: Federal Grant Increase</b>	<b>Gross \$24,322,400</b>	<b>\$900,000</b>
The grant level for fisheries programs from the US Department of Interior would be increased.	Federal 6,699,400	900,000
	Private 22,300	0
	Restricted 17,396,700	0
	GF/GP \$204,000	\$0
<b>10. Marine Safety Training Grants</b>	<b>Gross \$26,770,300</b>	<b>\$0</b>
Additional federal funds are available for watercraft safety programs. This increase would replace GF/GP support reduced in this recommendation.	Federal 2,001,200	400,000
	Restricted 20,611,800	0
	GF/GP \$4,157,300	(\$400,000)
<b>11. Rural Community Fire Protection Grants</b>	<b>Gross \$100,000</b>	<b>\$150,000</b>
Additional federal funds are available for local fire departments.	Federal 100,000	150,000

<u>Major Budget Changes from FY 2002-03 YTD Appropriations:</u>		<u>YTD</u>	<u>Executive</u>
		<u>FY 2002-03</u>	<u>Change</u>
<b>FEE INCREASES AND OTHER ADJUSTMENTS</b>			
<b>12. State Park Funding Adjustments</b>			
	<b>Gross</b>	<b>\$0</b>	<b>\$0</b>
The Natural Resources Commission would be authorized to establish park fees. Motor Vehicle Permits would be increased from \$20 to \$24, and Daily Permits would be increased from \$4 to \$6. Current law gives this authority to the Legislature. Park Endowment Fund support would be increased as well. Enabling legislation is required.	Restricted	0	8,546,900
	GF/GP	\$0	(\$8,546,900)
<b>13. Park Improvement Fund Debt Service Payments</b>			
	<b>Gross</b>	<b>\$1,200,000</b>	<b>(\$133,100)</b>
Debt service requirements for bonds sold for improvements at Sterling State Park would be less in FY 2003-04.	Restricted	1,200,000	(133,100)

**Major Boilerplate Changes from FY 2002-03:**

**Sec. 210. Incentive for Administrative Efficiencies - NEW SECTION**

The Executive allows the re-appropriation of one half of the realized General Fund lapse from FY 2002-2003. Funds could be spent if the proposed spending plan is approved by the State Budget Director.

**Sec. 212. Fish and Wildlife Audit Settlement - NEW SECTION**

The Executive would authorize \$556,000 to cover audit report exceptions identified in the advisory report dated October 11, 2002.

**Sec. 304. Land Transfer Application and Transaction Fees - NEW SECTION**

The Executive would authorize the Department to collect fees to cover costs related to the sale or exchange of State land.

**FY 2003-04**

**SAFETY AND DEFENSE**

**Executive Recommendation**

**Military and Veterans Affairs**

**State Police**





**Summary: Executive Budget Recommendation  
MILITARY AND VETERANS AFFAIRS  
FY 2003-04 Senate Bill 266**

**Analyst: Kyle I. Jen**

**FY 2003-04 Appropriation Recommendations**

	FY 2002-03 YTD (as of 3/6/03)	FY 2003-04 Executive	Difference: Exec to FY 2002-03 YTD	
			Amount	%
IDG/IDT	\$200,000	\$200,000	\$0	0.0
Federal	40,623,800	40,627,900	4,100	0.0
Local	0	0	0	0.0
Private	530,000	1,870,700	1,340,700	253.0
Restricted	23,646,700	23,800,100	153,400	0.6
GF/GP	38,328,308	36,598,800	(1,729,508)	(4.5)
<b>Gross</b>	<b>\$103,328,808</b>	<b>\$103,097,500</b>	<b>(\$231,308)</b>	<b>(0.2)</b>
FTEs	1,079.0	1,079.0	0.0	0.0

**Overview**

The Department of Military and Veterans Affairs is charged with the training and administration of Army and Air National Guard forces, providing combat-ready military forces during times of national emergency, and performing civil relief operations under the command of the governor during state emergencies. The Department's budget includes administrative and maintenance costs associated with these responsibilities, as well as several National Guard-related programs, such as the Challenge Program and the National Guard Education Assistance Program. The Department has oversight over the following veterans-related programs: state-licensed nursing care at veterans homes in Grand Rapids and Marquette, grant funding to veterans service organizations, and the Michigan Veterans Trust Fund. Spending for veterans programs makes up roughly 62 percent of the Department's FY 2002-03 budget.

**Summary of Major Budget Issues**

**Challenge Program**

The Executive Recommendation eliminates \$1.3 million GF/GP in state matching funds for the Challenge Program, a voluntary boot camp-style program for high school dropouts funded by the federal National Guard Bureau on a 60/40, federal/state basis. The GF/GP funds are replaced with authorization for private grant funds. If sufficient private funds are not identified, the program would be discontinued.

**Veterans Homes**

The Executive Recommendation reduces the GF/GP appropriations for the veterans homes in Grand Rapids and Marquette by a total of \$176,700, largely to reflect additional savings from the 2002 early retirement package. Authorization for federal funding from the U.S. Department of Veterans Affairs at the two homes is increased by a total of \$142,300, and authorization for restricted income and assessment revenue is increased by a total of \$134,500.

**Civil Air Patrol**

The Executive Recommendation eliminates an \$86,000 GF/GP grant to the Michigan wing of the Civil Air Patrol, which serves as the official auxiliary of the U.S. Air Force. These funds were appropriated in a FY 2002-03 supplemental budget bill.

**Veterans Service Organization (VSO) Grants**

The Executive Recommendation consolidates the 11 existing VSO grants, which total \$3.9 million GF/GP, into a single line item.

<b>Major Budget Changes from FY 2002-03 YTD Appropriations:</b>	<b>YTD FY 2002-03</b>	<b>Executive Change</b>
<b>1. Challenge Program</b>	<b>Gross \$3,296,900</b>	<b>\$0</b>
Eliminates GF/GP state matching funds for the Challenge Program, a voluntary boot camp-style program for high school dropouts funded by the federal National Guard Bureau on a 60/40, federal/state basis. The GF/GP funds are replaced with authorization for private grant funds. If sufficient private funds are not identified, the program would be discontinued.	IDG 200,000	0
	Federal 1,651,200	0
	Private 105,000	1,340,700
	GF/GP \$1,340,700	(\$1,340,700)
<b>2. Civil Air Patrol</b>	<b>Gross \$86,000</b>	<b>(\$86,000)</b>
Eliminates a grant to the Michigan wing of the Civil Air Patrol, which serves as the official auxiliary of the U.S. Air Force. These funds were appropriated in a FY 2002-03 supplemental budget bill.	GF/GP \$86,000	(\$86,000)
<b>3. Veterans Service Organization (VSO) Grants</b>	<b>Gross \$3,912,300</b>	<b>\$0</b>
Consolidates the 11 existing VSO grants into a single line item. There is no change from the current year in the total funding amount for the grants.	GF/GP \$3,912,300	\$0
<b>4. Early Retirement Adjustments</b>	<b>Gross N/A</b>	<b>(\$259,800)</b>
Reflects two types of adjustments related to the 2002 early retirement package: (1) removal of funds for one-time leave payouts and (2) annualization of savings for October 2002 retirees.	GF/GP N/A	(\$259,800)
<b>5. Information Technology Reduction</b>	<b>Gross \$1,157,408</b>	<b>(\$69,808)</b>
Applies reduction to funds appropriated as IDG to Department of Information Technology. Additional adjustments to this line item (not reflected at right) for information technology-related costs at veterans homes.	Federal 520,100	0
	Restricted 141,600	0
	GF/GP \$495,708	(\$69,808)
<b>6. Economic Adjustments</b>	<b>Gross N/A</b>	<b>\$101,800</b>
Includes economic adjustments for food and utility costs at veterans homes (positive \$113,800) and worker's compensation (negative \$12,000).	Federal N/A	37,300
	Restricted N/A	37,700
	GF/GP N/A	\$26,800
<b>7. Grand Rapids Veterans Home - Medicaid Revenue</b>	<b>Gross \$500,000</b>	<b>(\$150,000)</b>
Decreases appropriation of Medicaid revenue for Grand Rapids Veterans Home to reflect projected collections. Additional adjustment to this line item/funding source (not reflected at right) related to item 6.	Federal 500,000	(150,000)
<b>8. Grand Rapids Veterans Home - VA Payments</b>	<b>Gross \$12,917,400</b>	<b>\$118,000</b>
Increases appropriation of revenue from U.S. Department of Veterans Affairs (VA) per diem payments for Grand Rapids Veterans Home to reflect projected collections and available carry forward revenue. Additional adjustments to this line item/funding source (not reflected at right) related to items 5 and 6.	Federal 12,917,400	118,000
<b>9. D.J. Jacobetti Veterans Home - Income and Assessment Revenue</b>	<b>Gross \$4,068,000</b>	<b>\$115,700</b>
Increases appropriation of revenue from income and assessment payments for D.J. Jacobetti Veterans Home to reflect projected collections and available carry forward revenue. Additional adjustments to this line item/funding source (not reflected at right) related to items 5 and 6.	Restricted 4,068,800	115,700

**Major Boilerplate Changes from FY 2002-03:**

**Sec. 207. Privatization Plan - DELETED**

Requires submission of project plan to Legislature 60 days before beginning any effort to privatize.

**Sec. 209. American Goods and Services - DELETED**

Prohibits purchase of foreign goods and services if comparably priced American goods and services are available.

**Sec. 210. Deprived and Depressed Communities - DELETED**

Requires that reasonable steps be taken to ensure businesses in deprived and depressed communities compete for and perform state contracts.

**Sec. 210. Appropriation of Unexpended GF/GP - NEW**

In order to promote administrative efficiencies, appropriates up to one-half of the unexpended, unreserved portions of FY 2002-03 GF/GP appropriations, subject to the approval of the budget director.

**Sec. 211. Retention of Reports - DELETED**

Requires Department to create and retain reports for funds appropriated.

**Sec. 213. Armory Closures - DELETED**

Requires Department to consult with appropriations subcommittees regarding any projected closing or consolidation of National Guard armories.

**Sec. 301. Armory Rental - DELETED**

Allows Department to charge a reasonable fee for rental of an armory.

**Sec. 303. Oak Park Armory - DELETED**

Provides for reappraisal of Oak Park Armory property; grants City of Oak Park the right to purchase property at appraisal value.

**Sec. 601. Veterans Homes - DELETED**

Prohibits use of veterans homes appropriations for any purpose other than veterans and veterans' families.

**Sec. 602. Veterans Homes Annual Report - DELETED**

Requires annual report containing specified information regarding the two veterans homes.

**Sec. 704. County Veterans Counselors - DELETED**

Directs Veterans Affairs Directorate to assist county veterans counselors in obtaining training.

**Summary: Executive Budget Recommendation  
STATE POLICE  
FY 2003-04 Senate Bill 277**

**Analyst: Kyle I. Jen**

**FY 2003-04 Appropriation Recommendations**

	FY 2002-03 YTD	FY 2003-04	Difference: Exec to FY 2002-03 YTD	
	<u>(as of 3/6/03)</u>	<u>Executive</u>	<u>Amount</u>	<u>%</u>
IDG/IDT	\$19,282,800	\$17,882,800	(\$1,400,000)	(7.3)
Federal	45,570,500	55,292,300	9,721,800	21.3
Local	3,913,700	4,506,600	592,900	15.1
Private	0	0	0	0.0
Restricted	59,816,900	103,363,400	43,546,500	72.8
GF/GP	277,389,448	231,241,500	(46,147,948)	(16.6)
<b>Gross</b>	<b>\$405,973,348</b>	<b>\$412,286,600</b>	<b>\$6,313,252</b>	<b>1.6</b>
FTEs	3,448.5	3,337.5	(111.0)	(3.2)

**Overview**

The Department of State Police provides a wide range of law enforcement services—including highway patrol, criminal investigations, forensic sciences, motor carrier enforcement, emergency management, highway safety planning, fire investigation and education, criminal justice data processing, and various specialized law enforcement services. The Department's responsibilities also include oversight of law enforcement standards in the state through the Michigan Commission on Law Enforcement Standards, and administration of several law enforcement-related grant programs. In FY 2002-03, Uniform Services—which constitutes the Department's road patrol presence—accounts for roughly 40 percent of the Department's gross budget and 54 percent of its GF/GP budget.

**Summary of Major Budget Issues**

***At-Post Troopers***

The Executive Recommendation includes \$36.4 million in new restricted revenue from a proposed increase in driver's license fees (\$23.7 million) and a proposed diversion of fee revenue from the Transportation Economic Development Fund (\$12.7 million). These funds would offset a \$31.4 million GF/GP reduction to the At-Post Troopers line item, leaving a net \$5.0 million increase for the costs of conducting a 100-recruit trooper school beginning in April 2004. Additional adjustments to the At-Post Troopers line item include a \$2.9 million GF/GP reduction to reflect 50 unfilled trooper positions.

***Fire Marshal and Fire Fighters Training Council***

The Executive Recommendation reflects \$6.3 million in new restricted revenue from a proposed assessment on home owners, farm owners, and commercial property insurance. These funds would replace \$6.3 million in GF/GP appropriations for the Fire Marshal, Fire Fighters Training Council, and related costs.

***Annualized Savings***

The Executive Recommendation reduces the budget by \$2.3 million GF/GP to reflect annualized savings from vacant position adjustments and other reductions made in the FY 2002-03 budget as part of EO 2003-3.

***First Responder Grant Funding***

The Executive Recommendation includes a \$6.4 million increase in federal authorization to allow for the expenditure of first responder equipment and training grant funds.

**DNA Grant Funding**

The Executive Recommendation includes a \$3.0 million increase in federal authorization to allow for the expenditure of potential federal DNA grant funding.

**Major Budget Changes from FY 2002-03 YTD Appropriations:**

	<b>YTD FY 2002-03</b>	<b>Executive Change</b>
<b>1. At-Post Troopers - Driver's License Fee Revenue</b>	<b>Gross \$110,120,500</b>	<b>\$5,000,000</b>
Includes new restricted revenue from a proposed increase in driver's license fees (\$23.7 million) and a proposed diversion of fee revenue from the Transportation Economic Development Fund (\$12.7 million). These funds would offset a GF/GP reduction to the At-Post Troopers line item, leaving a net \$5.0 million increase for the costs of conducting a 100-recruit trooper school beginning in April 2004. Additional changes to the At-Post Troopers line item (not reflected at right) include items 2, 4, and 14.	Restricted 8,423,200	36,400,000
	GF/GP \$101,697,300	(\$31,400,000)
<b>2. At-Post Troopers - Unfilled Positions</b>	<b>Gross \$110,120,500</b>	<b>(\$2,872,000)</b>
Reduces the At-Post Troopers line item to reflect 50 unfilled trooper positions. See item 1 for other changes to this line item.	Restricted 8,423,200	0
	GF/GP \$101,697,300	(\$2,872,000)
<b>3. Fire Marshal and Fire Fighters Training Council - Insurance Assessment</b>	<b>Gross N/A</b>	<b>\$0</b>
Includes new restricted revenue from a proposed assessment on home owners, farm owners, and commercial property insurance. These funds would completely replace GF/GP appropriations for the Fire Marshal (\$3.8 million), the Fire Fighters Training Council (\$1.3 million), and Fire Investigation Training to Locals (\$50,500) and partially replace GF/GP appropriations in six other line items, correlating to various costs related to the Fire Marshal and training council (total of \$1.1 million).	Restricted N/A	6,284,700
	GF/GP N/A	(\$6,284,700)
<b>4. Vacancy Savings</b>	<b>Gross N/A</b>	<b>(\$2,317,600)</b>
Reflects annualized savings from vacant position adjustments and other reductions made in the FY 2002-03 budget as part of EO 2003-3.	GF/GP N/A	(\$2,317,600)
<b>5. Early Retirement Adjustments</b>	<b>Gross N/A</b>	<b>(\$1,116,500)</b>
Reflects two types of adjustments related to 2002 early retirement package: (1) removal of funds for one-time leave payouts and (2) annualization of savings for October 2002 retirees.	GF/GP N/A	(\$1,116,500)
<b>6. Information Technology Reduction</b>	<b>Gross \$20,885,748</b>	<b>(\$2,127,148)</b>
Applies reduction to funds appropriated as IDG to Department of Information Technology. Additional changes to this line item (not reflected at right) include items 5 and 11.	IDG 105,300	0
	Federal 29,600	0
	Local 2,068,600	0
	Restricted 14,200	0
	GF/GP \$18,668,048	(\$2,127,148)
<b>7. Economic Adjustments</b>	<b>Gross N/A</b>	<b>(\$30,000)</b>
Includes economic adjustments for worker's compensation (positive \$310,000) and building occupancy charges (negative \$340,000).	GF/GP N/A	(\$30,000)
<b>8. First Responder Grant Funding</b>	<b>Gross \$5,000,000</b>	<b>\$6,400,000</b>
Increases federal authorization to allow for the expenditure of first responder equipment and training grant funds.	Federal 5,000,000	6,400,000
<b>9. Federal DNA Funding</b>	<b>Gross \$383,200</b>	<b>\$3,000,000</b>
Increases federal authorization to allow for the expenditure of potential DNA grant funding.	Federal 383,200	3,000,000
<b>10. Secondary Road Patrol Grants</b>	<b>Gross \$12,506,600</b>	<b>\$1,500,000</b>
Increases authorization for restricted funding from \$10 traffic citation assessment for grant program.	Restricted 12,506,600	1,500,000

<u>Major Budget Changes from FY 2002-03 YTD Appropriations:</u>		YTD FY 2002-03	Executive Change
<b>11. LEIN Fees</b>	<b>Gross</b>	<b>\$2,035,600</b>	<b>\$592,900</b>
Reflects higher collection levels for Law Enforcement Information Network (LEIN) user fees.	Local	2,035,600	592,900
<b>12. Reimbursed Services</b>	<b>Gross</b>	<b>\$2,117,700</b>	<b>\$585,000</b>
Reflects additional revenue from federal and local agencies for reimbursed services.	Federal	519,700	200,000
	Restricted	1,598,000	385,000
<b>13. Forensic Laboratory Fund</b>	<b>Gross</b>	<b>\$1,100,000</b>	<b>\$400,000</b>
Increases authorization for restricted funding from \$150 assessment applied in certain criminal court cases.	Restricted	1,100,000	400,000
<b>14. Highway Safety Fund</b>	<b>Gross</b>	<b>\$8,423,200</b>	<b>(\$1,423,200)</b>
Decreases authorization for restricted funding from \$5 traffic citation assessment for trooper costs; carry forward revenue was expended in FY 2001-02 under the higher authorization amount.	Restricted	8,423,200	(1,423,200)
<b>15. IDG from State Trunkline Fund</b>	<b>Gross</b>	<b>\$7,916,400</b>	<b>(\$1,400,000)</b>
Removes unexpended authorization increase in IDG from State Trunkline Fund for Motor Carrier Enforcement.	IDG	7,916,400	(1,400,000)

Major Boilerplate Changes from FY 2002-03:

**Sec. 207. Privatization Plan - DELETED**

Requires submission of project plan to Legislature 60 days before beginning any effort to privatize.

**Sec. 209. American Goods and Services - DELETED**

Prohibits purchase of foreign goods and services if comparably priced American goods and services are available.

**Sec. 210. Deprived and Depressed Communities - DELETED**

Requires that reasonable steps be taken to ensure businesses in deprived and depressed communities compete for and perform state contracts.

**Sec. 210. Appropriation of Unexpended General Funds - NEW**

In order to encourage administrative efficiencies, appropriates up to one-half of the unexpended, unreserved portions of FY 2002-03 general fund appropriations, subject to the approval of the budget director.

**Sec. 211. Reimbursement of Personnel - DELETED**

States legislative intent that expenses related to departmental operations be reimbursed within 30 days of request by departmental personnel.

**Sec. 216. Contractual Services - DELETED**

States legislative intent that Department not subsidize any contractual services it provides.

**Sec. 218. Retention of Reports - DELETED**

Requires Department to create and retain reports for funds appropriated.

**Sec. 219. Casino Gaming Oversight - DELETED**

Requires reports on Department's Casino Gaming Oversight activities.

**Sec. 220. Vehicle Identification Numbers (VINs) - DELETED**

Requires Department to collect and computerize VINs of vehicles involved in accidents for distribution to public at cost.

**Sec. 221. School Violence Hotline - DELETED**

Requires Department to maintain 24-hour, toll-free hotline, in collaboration with Department of Education, for students and others to report threats of imminent school violence; allows Department to expend funds for promotion of hotline.

**Sec. 222. At-Post Trooper Strength - DELETED**

Restricts expenditure of funds appropriated for At-Post Troopers to specified trooper-related expenses; calls for one or more trooper schools to be conducted during FY 2002-03 with goal of graduating 110 troopers; requires report on Department's plan to accomplish stated goal, including a statement of additional funds necessary if insufficient funding exists.

**Sec. 224. Post Closures - DELETED**

Requires Department to notify subcommittees not less than 180 days before recommending any closure or consolidation of State Police posts.

**Sec. 263. Highland Park - DELETED**

Calls for Department to provide general law enforcement assistance to City of Highland Park until such services can be provided by other means.

**Sec. 264. Marshall Post - DELETED**

Provides for funds to be used for the necessary rental costs of a State Police post in Marshall.

**Sec. 301. Michigan Public Safety Communications System (MPSCS) - DELETED**

Requires expenditure plan for MPSCS, provides for collection and deposit of subscriber fees into General Fund, and requires reports on fee revenue. (Similar language included in Executive Budget bill for Department of Information Technology, which is now responsible for maintenance of the system.)

**Sec. 305. LEIN Policies - DELETED**

Requires report on departmental policies regarding access to and use of information from Law Enforcement Information Network (LEIN).

**Sec. 306. LEIN Misuses - DELETED**

Directs that suspected incidents of improper access to or use of information from LEIN be investigated; requires report if such an incident is determined to be an illegal act.

**Sec. 307. Probation Information - DELETED**

Requires probation information be placed on LEIN; requires submission of any statutory amendments necessary to accomplish that goal.

**Sec. 702. DNA Protocol - DELETED**

Requires Department to distribute its protocol for retaining and purging DNA samples and records to each police agency in state; requires report to Legislature whenever changes are made to protocol.

**Sec. 703. Evidence Collection - DELETED**

Directs Department to work with specified health organizations to ensure that recommendations regarding evidence collection in sexual assault cases are followed.

**Sec. 803. Firearms Laws - DELETED**

Directs that funds be used from training-related appropriations for the purpose of training State Police troopers and other law enforcement officers on federal firearms laws.

**Sec. 901. Fire Marshal Reorganization - DELETED**

Requires report to Legislature, with input from specified fire-related organizations, on quality and adequacy of services provided by Fire Marshal Division under the 1997 reorganization of that division.

**Sec. 1203. Recovery Boat - DELETED**

Requires Department to station at least one recovery boat in the Upper Peninsula.

**Sec. 1301. Areas Near Prisons - DELETED**

States that sufficient money is appropriated to ensure that citizens in the vicinity of a prison not experience a downgrading of State Police criminal investigation services.

**Sec. 1401. School Bus Inspections - DELETED**

Requires report on annual inspections of school buses and other vehicles pursuant to state statute; directs Department to provide certificate to a school system with buses all receiving a 100% successful inspection upon the first inspection of the year.

**Sec. 1402. Motor Carrier Enforcement Funds - DELETED**

States legislative intent that funds appropriated for motor carrier enforcement division be used to the maximum extent possible for enforcement of motor carrier laws and regulations; requires report on allocation plan for funds appropriated, including funds appropriated above Executive Recommendation.

**Sec. 1651. Homeland Security Funds (Adopted in Public Act 746 of 2002) - DELETED**

States legislative intent that up to 10% of federal funds received by the state for homeland security equipment grants be allocated for construction of an upgraded Detroit crime lab.





**FY 2003-04**

**ALL OTHER**

**Executive Recommendation**

**Capital Outlay**

**History, Arts, and Libraries**

**Judiciary**

**Transportation**



**Summary: Executive Budget Recommendation**  
**CAPITAL OUTLAY**  
**FY 2003-04 House Bill 4386**

**Analyst: Al Valenzio**

**FY 2003-04 Appropriation Recommendations**

	FY 2002-03 YTD <u>(as of 3/6/03)</u>	FY 2003-04 <u>Executive</u>	Difference: Exec to FY 2002-03 YTD	
			<u>Amount</u>	<u>%</u>
<b>IDG/IDT</b>	\$4,000,000	\$2,000,000	(\$2,000,000)	(50.0)
<b>Federal</b>	189,892,000	202,652,000	12,760,000	6.7
<b>Local</b>	43,000,000	42,789,600	(210,400)	(0.5)
<b>Private</b>	0	0	0	0.0
<b>Restricted</b>	83,498,400	41,340,000	(42,158,400)	(50.5)
<b>GF/GP</b>	289,166,900	306,302,100	17,135,200	5.9
<b>Gross</b>	<b>\$609,557,300</b>	<b>\$595,083,700</b>	<b>(\$14,473,600)</b>	<b>(2.4)</b>
<b>FTEs</b>	N/A	N/A	N/A	N/A

**Overview**

The Michigan Capital Outlay process is the *budgetary and administrative functions devoted to the financing and planning for the acquisition, construction/renovation, and maintenance of facilities used by a state agency, public university, or community college*. General operational practices and procedures are contained in the Management and Budget Act (1984 PA 431), the State Building Authority Act (1964 PA 183), the annual Capital Outlay appropriations act (2002 PA 518), and the formal policies of the Legislative Joint Capital Outlay Subcommittee. Act 431 contains numerous oversight and approval action steps that define the respective roles of the Executive and Legislative branches.

The State Building Authority (SBA) finances most major state-owned facility renovations and new construction projects. This is accomplished through the issuance of revenue bonds. The debt service on these bonds is provided annually in the Capital Outlay budget bill's SBA rent line items. Rent is often referred to as "true" rent because it is based on the facility's economic or market value. The SBA has a statutory bonded indebtedness ceiling, currently set at \$2.7 billion.

In the Executive budget message, the Governor indicates that of the currently authorized, active SBA projects for state agencies, universities, and community colleges only those projects "...with direct, measurable economic benefits" will continue to proceed to the construction phase. All others will be delayed. This could adversely affect as many as 16 legislatively-authorized projects for agencies/institutions that are not currently under construction.

**Summary of Major Budget Issues**

- Places an indefinite 'hold' on as many as 16 existing SBA project authorizations.
- Increases State Building Authority Rent by 6%, or \$17.1 million.
- Consolidates GF/GP Special Maintenance monies into an 'emergency only' account.
- Contains no new SBA planning or construction authorizations.
- Authorizes construction of a new Army Aviation facility at a cost of \$20.8 million.

ALL OTHER - CAPITAL OUTLAY

<b>Major Budget Changes from FY 2002-03 YTD Appropriations:</b>	<b>YTD FY 2002-03</b>	<b>Executive Change</b>
<b>1. State Building Authority Rent</b>	<b>Gross \$291,311,700</b>	<b>\$16,840,400</b>
The state pays rent to the SBA so it can pay off bonds that are used to finance building construction projects for state agencies, universities, and community colleges. The Governor is recommending a 5.8% gross increase to fully fund projects that will come on line this year and to partially fund projects coming on line next year. Restricted fund shifts are also recommended to reflect anticipated receipt of funds.	Restricted 4,145,000	(295,000)
	GF/GP \$287,166,700	\$17,135,400
<b>2. Major Special Maintenance for State Agencies</b>	<b>Gross \$6,000,000</b>	<b>(\$2,000,000)</b>
The Governor is recommending that GF/GP appropriations for special maintenance for the Departments of Corrections, Community Health, State Police, Military and Veterans' Affairs, and the FIA be transferred to a single line item for the Department of Management and Budget. It would then be policy to only expend funds for emergency repairs that involve health and safety issues. This would be the second year that this policy would be in effect. The appropriation for special maintenance funded from Building Occupancy Charges is reduced by 50% due mainly to staff reductions throughout state government.	IDG 4,000,000	(2,000,000)
	GF/GP \$2,000,000	\$0
<b>3. One-Time Appropriations</b>	<b>Gross \$60,478,400</b>	<b>(\$60,478,400)</b>
The Governor's recommendation reflects elimination of various one-time appropriations for project financing. Continuation funding is not required to complete any of these projects.	Federal 21,250,000	(21,250,000)
	Restricted 39,228,400	(39,228,400)
<b>4. Army Aviation Support Facility</b>	<b>Gross \$0</b>	<b>\$20,800,000</b>
For the Department of Military and Veterans' Affairs, the Governor's budget authorizes construction of a new 110,500 sq. ft. helicopter support/maintenance/storage facility at Grand Ledge. More than 98% of the cost will be funded by federal monies. The Department anticipates receiving up to 22 additional Blackhawk helicopters requiring a new support facility.	Federal 0	20,460,000
	Restricted 0	340,000
<b>5. Replacement Armory - Shiawassee County</b>	<b>Gross \$0</b>	<b>\$5,000,000</b>
For the Department of Military and Veterans' Affairs, the budget authorizes construction of a new Owosso Armory in Shiawassee County. This will be financed on a 75/25, federal/state basis. The current 85-year old, 28,100 sq. ft. facility is located in downtown Owosso on less than one-half acre of land. Electrical and mechanical systems are in-adequate and the building is not ADA compliant. A new facility will be at least 3,000 square feet larger and provide adequate space for vehicle parking and storage. This armory houses a military police company.	Federal 0	3,750,000
	Restricted 0	1,250,000
<b>6. United States Property and Fiscal Office Facility</b>	<b>Gross \$0</b>	<b>\$6,700,000</b>
For the Department of Military and Veterans' Affairs, the budget authorizes construction of a new 28,500 sq. ft. building to house the fiscal and logistical support for the entire Michigan National Guard. Federal funds provide more than 92% of the project's total cost. This replaces a 50-year old facility.	Federal 0	6,200,000
	Restricted 0	500,000
<b>7. Federal Projects - Camp Grayling</b>	<b>Gross \$0</b>	<b>\$3,600,000</b>
For the Department of Military and Veterans' Affairs, the budget authorizes construction of two, 100% federally funded building projects at the camp. One is a new Bachelor Officer Quarters and the other is a new Conference Center.	Federal 0	3,600,000

**Major Budget Changes from FY 2002-03 YTD Appropriations:**

		YTD FY 2002-03	Executive Change
<b>8. Detroit Transportation Service Center (TSC)</b>	<b>Gross</b>	<b>\$0</b>	<b>\$2,500,000</b>
For the Department of Transportation, the Executive budget authorizes a new Detroit TSC office building to house about 60 MDOT employees. It is estimated to cost \$3.3 million. This will replace a leased facility. The previously authorized Brighton TSC project is cancelled with that appropriation of \$800,000 being shifted to this project.	Restricted	0	2,500,000
<b>9. Gaylord Regional (MDOT) Office</b>	<b>Gross</b>	<b>\$1,000,000</b>	<b>(\$200,000)</b>
The Executive budget authorizes a \$1.8 million project cost increase for the Gaylord (Otsego County) Regional Office Building. This facility will house about 80 MDOT employees. Of the increase, \$800,000 is provided by direct appropriation with the remaining \$1 million coming from termination of the previously authorized Grayling TSC project.	Restricted	1,000,000	(200,000)
<b>10. State Parks Maintenance and Infrastructure</b>	<b>Gross</b>	<b>\$7,700,000</b>	<b>(\$6,700,000)</b>
The Executive budget recommendation reduces funding by 87% for state park capital improvements in order to supplant a like amount of General Fund dollars for state parks operations. As a result, only \$1 million will be available to support capital improvement projects at the state's 95 state parks.	Restricted	7,700,000	(6,700,000)
<b>11. State Boating Access Sites</b>	<b>Gross</b>	<b>\$0</b>	<b>\$860,000</b>
For the Department of Natural Resources, the budget authorizes construction of two new state owned boating access sites: Crystal Lake (Benzie County), \$550,000 and Trout Lake (Livingston County), \$310,000.	Restricted	0	860,000
<b>12. Harbors and Docks - Local Facilities</b>	<b>Gross</b>	<b>\$0</b>	<b>\$1,225,000</b>
Through the Department of Natural Resources, the budget provides equal matching funds for specific locally-owned marina improvement projects. These are South Haven (Van Buren County), for \$625,000 and Harrisville (Alcona County), for \$600,000. The South Haven project entails replacing the marina dock system while the Harrisville project is for restroom/shower building improvements.	Restricted	0	1,225,000
<b>13. Boating Access Sites - Local Facilities</b>	<b>Gross</b>	<b>\$0</b>	<b>\$135,000</b>
Through the Department of Natural Resources, the budget provides matching funds to Traverse City (Grand Traverse County) for an upgrade project on a Grand Traverse Bay boating access site. The state will finance 75% of the project's cost that entails replacing the launch ramp, paving the parking lot, and ADA-related modifications.	Restricted	0	135,000

**Major Boilerplate Changes from FY 2002-03:**

**Sec. 203. Michigan Goods and Services - DELETED**

Prohibits purchase of non-Michigan goods and services if comparably priced Michigan goods and services are available. The Executive deletes this language.

**Sec. 208. Filing Reports Required by Boilerplate - NEW**

Reports to the Legislature required under this act must be transmitted electronically, e-mail or on an internet/intranet site. The Executive recommends this language.

**Sec. 301. Watchtowers at Maximum Correctional Facilities - DELETED**

New maximum security prisons are to have manned and operational watchtowers. The Executive deletes this language.

**Sec. 602. State Owned Building Demolitions - MODIFIED**

The Department of Management and Budget may demolish any state owned building as designated by law. The Executive deletes "designated by law" phrase and allows this to be an administrative matter.

**Major Boilerplate Changes from FY 2002-03:**

**Sec. 603. Capital Outlay Expenditures From Operating Accounts - MODIFIED**

State departments and agencies may spend up to \$1 million from operating accounts for capital outlay purposes (e.g., maintenance). Expenditures over \$1 million must be specifically authorized by law. The Executive deletes "authorized by law" phrase and allows the budget director and DMB director to authorize approvals.

**Sec. 704. State Building Authority Reporting Requirements - DELETED**

Twice per year, the SBA is to provide a report to the Joint Capital Outlay Subcommittee and fiscal agencies on the status of active projects and of all bonding activity for completed projects. The Executive deletes this language.

**Sec. 1101(6). Prohibit Expansion of Willow Run Airport - DELETED**

Funds provided for improvement projects at Willow Run Airport (Wayne/Washtenaw counties) under this act cannot be expended for projects that would lead to the expanded usage of the airport. The Executive deletes this language.

**Sec. 1105. Project Funding Shifts (MDOT) - NEW**

Terminates the Brighton and Grayling office project authorizations and re-directs the respective appropriations to the Detroit and Gaylord projects authorized in this act. The Executive recommends this language.

**Sec. 1301. Project Contingency - NEW**

The construction authorizations in this act for the Department of Military and Veterans' Affairs are contingent on availability of both federal and state restricted funds. The Executive recommends this language.

**Summary: Executive Budget Recommendation  
HISTORY, ARTS, AND LIBRARIES  
FY 2003-04 Senate Bill 279**

**Analyst: Steve Stauff**

**FY 2003-04 Appropriation Recommendations**

	FY 2002-03 YTD <i>(as of 3/6/03)</i>	FY 2003-04 <u>Executive</u>	Difference: Exec to FY 2002-03 YTD	
			<u>Amount</u>	<u>%</u>
IDG/IDT	\$0	\$137,500	\$137,500	100.0
<b>Federal</b>	8,295,700	9,322,600	1,026,900	12.4
<b>Local</b>	0	0	0	0.0
<b>Private</b>	577,400	577,400	0	0.0
<b>Restricted</b>	1,900,900	2,308,800	407,900	21.5
<b>GF/GP</b>	58,451,636	46,440,000	(12,011,636)	(20.5)
<b>Gross</b>	<b>\$69,225,636</b>	<b>\$58,786,300</b>	<b>(\$10,439,336)</b>	<b>(15.1)</b>
<b>FTEs</b>	247.5	254.5	7.0	2.8

**Overview**

The Department of History, Arts, and Libraries administers programs in four major areas: arts and cultural affairs, which includes administration of Michigan's Arts and Cultural Grants program; Mackinac Island State Park Commission, which oversees operational activities at the Mackinac Island State Park, the Michilimackinac State Park, and the Mill Creek State Park; historical program, which includes historical museum system, historical publications, archaeological, and lighthouse preservation activities; and library services, providing reference services to the public and Legislative, Executive, and Judicial branches of state government, as well as assisting public libraries statewide.

**Summary of Major Budget Issues**

***Arts and Cultural Grants Reduction***

The Executive Recommendation proposes a 49% (\$10,629,200) GF/GP reduction of Arts and Cultural Grants funding from the FY 2002-03 level. The cumulative reduction is 50% (\$11,771,300) from the 2002-03 enacted budget bill.

***Reductions to Local Libraries***

The Executive Recommendation includes a \$1,019,000 GF/GP reduction in grant funding to local libraries from the FY 2002-03 year-to-date (YTD) level. Programs affected include State Aid to libraries, Subregional State Aid to the blind and physically handicapped, and specific grants to the Detroit Public Library and the Grand Rapids Public Library.

***Increased Federal LSTA Revenue***

It is proposed by the Executive that the federal authorization for Library Services and Technology Act (LSTA) revenue be increased by \$1.0 million. The adjustment allows for expenditure of available revenue through sub grants to encourage the use of technology by Michigan libraries.

***Pause of the Lighthouse Grants***

The Executive Recommendation proposes that the Michigan Lighthouse Assistance Program be paused for FY 2003-04. By pausing the program, the Executive reflects GF/GP savings of \$152,700. Past funding provided seed money for planning or restoration work on Michigan lighthouses.

<b>Major Budget Changes from FY 2002-03 YTD Appropriations:</b>		<b>YTD FY 2002-03</b>	<b>Executive Change</b>
<b>1. Arts and Cultural Grants</b>	<b>Gross</b>	<b>\$22,400,500</b>	<b>(\$10,629,200)</b>
The Executive Recommendation proposes a 49% GF/GP reduction of Arts and Cultural Grants funding from the FY 2002-03 level. The cumulative reduction is 50% (\$11,771,300) from the 2003 enacted budget bill.	Federal	700,000	0
	Restricted	21,700,500	(10,629,200)
<b>2. Administrative Reductions - Programs</b>	<b>Gross</b>	<b>N/A</b>	<b>(\$1,791,300)</b>
The Executive proposes GF/GP reductions ranging from 11% to 15% within the following lines from YTD FY 2003-04. Reduced funding may influence salary and other operating expenses.	GF/GP	N/A	(\$1,791,300)
Administration (Arts) . . . . .		(89,200)	
Mackinac Island State Park Operation . . . . .		(163,300)	
Historical Facilities System . . . . .		(30,000)	
Historical Administration and Services . . . . .		(667,400)	
Thunder Bay National Marine Sanctuary and Underwater . . . . .		(26,500)	
Library of Michigan Operations . . . . .		(667,400)	
<b>3. Records Center and State Demographer Transfer</b>	FTE	0.0	9.5
The Records Center and State Demographer programs are moved from the Department of Management and Budget to the Department of History, Arts and Libraries pursuant to Executive Order 2002-17. The Executive proposes to include funding within the following appropriation lines:	<b>Gross</b>	<b>\$0</b>	<b>\$1,402,000</b>
Management Services . . . . .	GF/GP	\$0	\$1,402,000
Information Technology Services and Projects . . . . .		\$90,000	
Historical Administration and Services . . . . .		\$27,400	
Library of Michigan Operations . . . . .		\$1,119,600	
		\$165,000	
<b>4. Grants to Libraries</b>	<b>Gross</b>	<b>\$16,175,800</b>	<b>(\$1,019,000)</b>
The Executive Recommendation includes a \$1,019,000 GF/GP reduction in grant funding to local libraries from the FY 2002-03 YTD level. This represents a 6.7% reduction from YTD. Regional library funding to the Wayne County Library for the Blind and Physically Handicapped was not reduced. Programs affected include:	Federal	1,000,000	0
State Aid to Libraries . . . . .	GF/GP	\$15,175,800	(\$1,019,000)
Subregional State Aid . . . . .		(\$850,700)	
Grant to the Detroit Public Library . . . . .		(\$35,800)	
Grand Rapids Public Library . . . . .		(\$124,000)	
		(\$8,500)	
<b>5. Library Services Technology Fund</b>	<b>Gross</b>	<b>\$4,557,400</b>	<b>\$1,000,000</b>
It is proposed by the Executive that the federal authorization for Library Services and Technology Act (LSTA) authorization be increased by \$1.0 million. The adjustment allows for the expenditure of available revenue through sub grants to encourage the use of technology by Michigan libraries.	Federal	4,557,400	1,000,000
<b>6. Renaissance Zone Reimbursement</b>	<b>Gross</b>	<b>\$995,600</b>	<b>\$644,400</b>
The Executive Recommendation includes a \$644,400 increase for Renaissance Zone Reimbursement payments. These payments hold harmless libraries that lose money from their property tax levies due to the presence of a Renaissance Zone within their taxing authority.	GF/GP	\$995,600	\$644,400
<b>7. Mackinac Island State Park Commission</b>	<b>Gross</b>	<b>\$1,114,000</b>	<b>\$265,000</b>
The Executive includes increases of restricted fund authorization for the Airport Park Operations Fees, \$30,000; and the Mackinac Island State Park Fund, \$235,000. These increases represent projected available revenues.	Restricted	1,114,000	265,000



<u>Major Budget Changes from FY 2002-03 YTD Appropriations:</u>		<u>YTD</u>	<u>Executive</u>
		<u>FY 2002-03</u>	<u>Change</u>
<b>8. Administrative Reductions - Management</b>	<b>Gross</b>	<b>N/A</b>	<b>(\$389,300)</b>
The Executive proposes GF/GP reductions ranging from 11% to 14% within the following lines from YTD FY 2002-03. Reduced funding may influence salary and other operating expenses.	GF/GP	N/A	(\$389,300)
Management Services . . . . .			(\$231,800)
Office of Film and Television Services . . . . .			(\$15,100)
Information Technology Services and Projects . . . . .			(\$142,400)
<b>9. Lighthouse Grants</b>	<b>Gross</b>	<b>\$152,700</b>	<b>(\$152,700)</b>
The Executive Recommendation proposes that the Michigan Lighthouse Assistance Program be paused for FY 2003-04. By pausing the program, the Executive projects GF/GP savings of \$152,700. Past funding provided seed money for planning or restoration work on Michigan lighthouses.	GF/GP	\$152,700	(\$152,700)

**Major Boilerplate Changes from FY 2002-03:**

- Sec. 207. Privatization Plan - DELETED**  
Requires submission of project plan to Legislature 60 days before beginning any effort to privatize.
- Sec. 209. American Goods and Services - DELETED**  
Prohibits purchase of foreign goods and services if comparably priced American goods and services are available.
- Sec. 210. Deprived and Depressed Communities - DELETED**  
Requires that reasonable steps be taken to ensure businesses in deprived and depressed communities compete for and perform state contracts.
- Sec. 211. Affirmative Action - DELETED**  
Requires that in order to receive GF/GP funding, the Department must follow the guidelines developed by the state equal opportunity workforce planning council.
- Sec. 211. Revolving Fund/Receive and Expend Language - NEW**  
The Department may receive and expend monies related to certain activities. Executive Order 2002-17 transferred services that had traditionally been funded through the use of a revolving fund. Unexpended funds at year-end may be carried forward.
- Sec. 212. Appropriation of Unexpended General Funds - NEW**  
In order to encourage administrative efficiencies, appropriates up to one-half of the unexpended, unreserved portions of FY 2002-03 general fund appropriations, subject to the approval of the budget director.
- Sec. 215. Statewide Database Access Expenditure Tracking - DELETED**  
Requires the Department to maintain accounting structure that will track costs related to the Statewide Database Access expenditures currently contained in the Library of Michigan Operation appropriation line.
- Sec. 301. Per Diem Payments - DELETED**  
Set the per diem payment at \$50 per day for all commissions and boards funded from appropriations in Part 1.
- Sec. 401(7). Arts Grant Application Fees - MODIFIED**  
Allows the Department to collect grant application fees to be used for direct and indirect cost recovery. The Executive increases the fee charged from \$100 or 1% of the grant whichever is less to \$300 or 3% of the grant whichever is less.
- Sec. 504. Lighthouse Program Guidelines - DELETED**  
Established the guidelines for the lighthouse program. The Executive deletes due to a pause in the program.
- Sec. 505. Sale of State Historical Museum Artifacts - NEW**  
Allows that proceeds from the sale of unsuitable Michigan Historic Museum artifacts may be used to purchase additional material for the collection. These revenues are immediately appropriated for expenditure.

**Major Boilerplate Changes from FY 2002-03:**

**Sec. 506. Application Fees for State Historic Sites - DELETED**

Describes application fees and their use for each application submitted for property designated as a state historic site; provides for the deposit of fees into a revolving account; limits fund expenditures to correcting, repairing, or replacing historic markers. The Executive deletes due to passage of 2002 PA 488.

**Sec. 601. Subregional State Aid - MODIFIED**

Requires local units of government to maintain their local support for subregional library services in order to receive Subregional State Aid. The Executive modifies the language to include not only local units of government but as well cooperative and district libraries.

**Summary: Executive Budget Recommendation  
JUDICIARY  
FY 2003-04 Senate Bill 281**

**Analyst: Kyle I. Jen**

**FY 2003-04 Appropriation Recommendations**

	FY 2002-03 YTD <i>(as of 3/6/03)</i>	FY 2003-04 <i>Executive</i>	Difference: Exec to FY 2002-03 YTD	
			<i>Amount</i>	<i>%</i>
<b>IDG/IDT</b>	\$2,833,500	\$4,633,500	\$1,800,000	63.5
<b>Federal</b>	3,901,000	3,806,500	(94,500)	(2.4)
<b>Local</b>	2,941,800	2,898,700	(43,100)	(1.5)
<b>Private</b>	842,500	842,500	0	0.0
<b>Restricted</b>	57,477,700	78,995,300	21,517,600	37.4
<b>GF/GP</b>	174,721,000	161,316,400	(13,404,600)	(7.7)
<b>Gross</b>	<b>\$242,717,500</b>	<b>\$252,492,900</b>	<b>\$9,775,400</b>	<b>4.0</b>
<b>FTEs</b>	582.5	582.5	0.0	0.0

**Overview**

Article VI of the State Constitution of 1963 is the basis for Michigan's judicial branch of government. The Judiciary budget includes operational funding for the Michigan Supreme Court, Court of Appeals, and related judicial agencies. Additionally, the budget funds the salaries of justices of the Supreme Court and judges at the appeals, circuit, probate, and district levels according to constitutional and statutory requirements. Grant funding for trial court operations is provided to counties through Court Equity Fund reimbursements based on a statutory formula. Various other grant programs provide funding to trial courts and related organizations. In FY 2002-03, justices' and judges' salaries constitute the largest portion of the Judiciary budget; approximately 37% of the gross budget and 48% of the GF/GP budget.

**Summary of Major Budget Issues**

***Court Equity Fund***

The Executive reflects \$8.6 million in increased restricted revenue for the Court Equity Fund from proposed filing fee increases (\$3.0 million) and the proposed Justice System Fund (\$5.6 million), which would receive revenue from a consolidated assessment on traffic civil infractions and costs paid by criminal offenders. The GF/GP appropriation for Court Equity Fund reimbursements would be reduced by \$9.4 million, resulting in a net reduction of \$750,100.

***Judicial Technology Improvement Fund***

The Executive includes \$4.5 million in new restricted revenue for the Judicial Technology Improvement Fund from proposed filing fee increases. The existing \$2.1 million GF/GP appropriated for judicial technology improvement and court boundary realignment costs would be eliminated, leaving a \$2.4 million net increase.

***Drug Court Grant Program***

The Executive includes \$1.3 million in new restricted revenue for the Drug Court Grant Program from the proposed Justice System Fund. Additionally, a \$1.8 million IDG of federal Byrne grant funding is proposed to fund drug court initiatives. The existing \$1.3 million GF/GP in drug court grant funding is maintained at roughly the current-year level. Also, \$1.9 million currently expended directly by the state Office of Drug Control Policy for drug court grants is retained in the Community Health budget. Total state resources available for drug court grants, then, would roughly double.

**Community Dispute Resolution Program**

The Executive reflects \$559,200 in increased restricted revenue for the Community Dispute Resolution Program from proposed filing fee increases. This increase would roughly offset elimination of the program's current \$565,000 GF/GP appropriation.

<b>Major Budget Changes from FY 2002-03 YTD Appropriations:</b>	<b>YTD FY 2002-03</b>	<b>Executive Change</b>
<b>1. Court Equity Fund</b>		
Reflects increased restricted revenue for the Court Equity Fund from proposed filing fee increases (\$3.0 million) and the proposed Justice System Fund (\$5.6 million). A GF/GP reduction would offset this revenue increase, resulting in a net reduction of \$750,100.	<b>Gross \$70,656,100</b>	<b>(\$750,100)</b>
	Restricted 36,044,000	8,625,900
	GF/GP \$34,612,100	(\$9,376,000)
<b>2. Judicial Technology Improvement Fund</b>		
Includes new restricted revenue for the Judicial Technology Improvement Fund from proposed filing fee increases. Elimination of existing GF/GP funds appropriated for judicial technology improvement and court boundary realignment costs would leave a \$2.4 million net increase.	<b>Gross \$2,072,800</b>	<b>\$2,392,200</b>
	Restricted 0	4,465,000
	GF/GP \$2,072,800	(\$2,072,800)
<b>3. Drug Court Grant Program</b>		
Includes new restricted revenue for the Drug Court Grant Program from the proposed Justice System Fund. An IDG of federal Byrne grant funding from the Community Health budget is proposed to fund drug court initiatives; see new boilerplate section 306(5). (Also, \$1.9 million currently expended directly by the state Office of Drug Control Policy for drug court grants is retained in the Community Health budget.)	<b>Gross \$1,280,800</b>	<b>\$3,054,200</b>
	IDG 0	1,800,000
	Restricted 0	1,267,500
	GF/GP \$1,280,800	(\$13,300)
<b>4. Community Dispute Resolution Program</b>		
Reflects increased restricted revenue for the Community Dispute Resolution Program from proposed filing fee increases. This increase would roughly offset elimination of the current GF/GP appropriation for the program.	<b>Gross \$2,505,600</b>	<b>(\$5,800)</b>
	Federal 275,000	0
	Restricted 1,665,600	559,200
	GF/GP \$565,000	(\$565,000)
<b>5. Operational Reductions</b>		
Contains \$1.3 million GF/GP in reductions across all operational line items in the budget.	<b>Gross N/A</b>	<b>(\$1,328,600)</b>
	GF/GP N/A	(\$1,328,600)
<b>6. Justices' and Judges' Compensation</b>		
Includes three types of positive adjustments: (1) restores funding for costs of one pay period not needed in FY 2002-03 (\$953,500), (2) provides new/annualized funding for additional/converted judgeships (\$500,100), and (3) adjusts for social security and retirement cost increases (\$131,500).	<b>Gross \$90,679,600</b>	<b>\$1,585,100</b>
	Restricted 7,090,200	0
	GF/GP \$83,589,400	\$1,585,100
<b>7. Rent and Building Occupancy Charges</b>		
Projects reductions in private rent (\$295,100) and building occupancy charges (\$772,900) for facilities in which judicial agencies are housed.	<b>Gross N/A</b>	<b>(\$1,068,000)</b>
	GF/GP N/A	(\$1,068,000)
<b>8. Early Retirement Adjustments</b>		
Reflects two types of adjustments related to 2002 early retirement package: (1) removal of funds for one-time leave payouts and (2) annualization of savings for October 2002 retirees.	<b>Gross N/A</b>	<b>(\$566,000)</b>
	GF/GP N/A	(\$566,000)
<b>9. Juror Compensation Reimbursement</b>		
Includes new statutory restricted funding source for juror compensation reimbursement payments to trial courts.	<b>Gross \$0</b>	<b>\$6,600,000</b>
	Restricted 0	6,600,000

**Major Boilerplate Changes from FY 2002-03:**

**Sec. 207. Privatization Plan - DELETED**

Requires submission of project plan to Legislature 60 days before beginning any effort to privatize.

**Sec. 209. American Goods and Services - DELETED**

Prohibits purchase of foreign goods and services if comparably priced American goods and services are available.

**Sec. 210. Deprived and Depressed Communities - DELETED**

Requires that reasonable steps be taken to ensure businesses in deprived and depressed communities compete for and perform state contracts.

**Sec. 211. Personal Service Contracts - DELETED**

Requires reports to Legislature on certain categories of personal services contract.

**Sec. 212. Retention of Reports - DELETED**

Requires Judiciary to create and retain reports according to federal and state guidelines.

**Sec. 304. Cooperation with Auditor General - DELETED**

Directs judicial branch to cooperate with the Auditor General.

**Sec. 305. Appropriations Status Reports - DELETED**

Requires quarterly appropriations status reports to avoid over-expenditure of funds appropriated.

**Sec. 306(5). Byrne Grant Funding - NEW**

Provides for Judiciary to receive \$1.8 million in Byrne formula grant funding for expansion of drug treatment courts, to assist in avoiding prison bed space growth for nonviolent offenders.

**Sec. 310. Community Dispute Resolution Program - DELETED**

Provides for distribution of GF/GP funding for the program (1) to achieve a base level of \$30,000 and (2) for the remainder, based on performance measures (similar language proposed for incorporation into governing statute); encourages distribution of informational brochures regarding program.

**Sec. 312. Parental Rights Restoration Act - DELETED**

Requires statistical report regarding implementation of the Parental Rights Restoration Act.

**Sec. 313. Child Support Enforcement System (CSES) - County Penalties - DELETED**

Provides that counties not be penalized for non-compliance with federal CSES requirements if the Family Independence Agency determines that certain conditions have been met.

**Sec. 316(3). Child Support Enforcement System (CSES) - Refund - DELETED**

Appropriates \$6.0 million to Judicial Technology Improvement Fund, of which \$1.0 million may be used for the cyber court initiative, contingent upon receipt of CSES-related penalties from federal government.

**Sec. 317. Mental Health Court Funding - DELETED**

Directs State Court Administrative Office to assist locals in applying for federal grant funding for mental health courts if such funding becomes available.

**Sec. 318. Child Care Studies - DELETED**

Directs Supreme Court to assist local trial courts with feasibility studies on the provision of child care for parents who must appear in court.

**Sec. 320. Juvenile Justice System - DELETED**

Calls for judicial branch to work with other state agencies to improve delivery of mental health/substance abuse treatment and education/training services for individuals leaving the juvenile justice system.

**Sec. 321. Information Technology - DELETED**

Directs judicial branch to communicate with Department of Information Technology regarding information technology activities.

**Sec. 322. Court Boundary Realignment - DELETED**

Provides for allocation of funds appropriated for court boundary realignment (one-time appropriation; not included in FY 2003-04 Executive Recommendation).

**Summary: Executive Budget Recommendation  
TRANSPORTATION  
FY 2003-04 Senate Bill 265**

**Analyst: William E. Hamilton**

**FY 2003-04 Appropriation Recommendations**

	FY 2002-03 YTD <i>(as of 3/6/03)</i>	FY 2003-04 <i>Executive</i>	Difference: Exec to FY 2002-03 YTD	
			<i>Amount</i>	<i>%</i>
IDG/IDT	\$0	\$0	\$0	0.0
Federal	963,136,100	965,255,100	2,119,000	0.2
Local	5,800,000	5,800,000	0	0.0
Private	0	0	0	0.0
Restricted	2,124,655,300	2,228,934,100	104,278,800	4.9
GF/GP	0	0	0	0.0
<b>Gross</b>	<b>\$3,093,591,400</b>	<b>\$3,199,989,200</b>	<b>\$106,397,800</b>	<b>3.4</b>
FTEs	3,074.3	3,075.3	1.0	0.0

**Overview**

The state transportation budget supports state and local highway programs, public transportation programs, aeronautics programs, and administration of the Michigan Department of Transportation (MDOT). Funding is provided from state restricted, federal, and local revenue. There is no state GF/GP revenue in this budget.

**Summary of Major Budget Issues**

Among other changes, the Executive has identified three statutory changes (first three below) as necessary to implement the proposed budget:

***Diesel Tax Increase***

The Executive proposes a 4-cent per gallon increase in diesel and LP gas motor fuel taxes. The additional revenue from this increase, estimated at \$38.9 million, would be distributed per the current PA 51 of 1951 formula—effectively 10% to the Comprehensive Transportation Fund (CTF) for public transportation programs, 35% for state trunkline programs administered by MDOT, 35% to County Road Commissions, and 20% to cities and villages.

***Driver's License Fees***

The Executive proposes to redirect \$13.0 million in driver's license fee revenue currently earmarked for the Transportation Economic Development Fund to a new Traffic Enforcement and Safety Fund within the Michigan State Police.

***Vehicle-Related Sales Tax***

Under current law, the CTF receives 27.9% of 1/6 of the sales tax assessed on vehicle-related sales. The Executive proposes to amend the Sales Tax Act to instead earmark 24.0% of 1/6 of the vehicle-related sales tax to the CTF. This change would redirect approximately \$11.0 million from the CTF to the state General Fund in FY 2003-04.

***MTF Grants to Other State Departments***

The Executive-proposed budget includes \$104.4 million in Michigan Transportation Fund (MTF) grants to other state departments—\$1.4 million less than the current-year. These grants are used primarily to reimburse the Departments of State and Treasury for the costs of collecting MTF revenue.

**Major Budget Changes from FY 2002-03 YTD Appropriations:**

**1. Debt Service**

Total FY 2003-04 debt service would be \$135.3 million. Debt service increases from new Build Michigan III bonds, federal revenue anticipation bonds, and Comprehensive Transportation Fund bonds sold in 2002 were offset by savings of \$12.6 million realized through refinancing—also in 2002—of State Trunkline bonds. Fiscal Year 2003-04 debt service would include \$1.05 million (CTF) related to a proposed bond sale to complete the Midfield Terminal project at Detroit Wayne County Airport.

	YTD FY 2002-03	Executive Change
<b>Gross</b>	<b>\$137,632,100</b>	<b>(\$2,356,400)</b>
Federal	21,000,000	3,000,000
Restricted	116,632,100	(5,356,400)

**2. Michigan Transportation Fund (MTF) Grants to Other State Departments (IDGs)**

Interdepartmental grants from the MTF, used primarily to reimburse the Departments of State and Treasury for the costs of collecting MTF revenue, would be \$1.4 million less than the current-year appropriation. The reduction is largely due to one-time costs appropriated in the current year for the implementation of an electronic motor fuel tax collection system in the Department of Treasury.

<b>Gross</b>	<b>\$105,747,800</b>	<b>(\$1,368,600)</b>
Restricted	105,747,800	(1,368,600)

**3. State Trunkline Fund (STF) Grant to Michigan State Police (MSP)**

For the current year, the Legislature appropriated \$1.4 million more than the FY 2002-03 Executive recommendation to provide for increased motor carrier enforcement within the MSP. In signing HB 5651, Governor Engler indicated that the Departments of State Police and Transportation were under no mandate to spend the additional funding. The Executive recommendation for FY 2003-04—\$6.9 million—does not include the additional funding for motor carrier enforcement.

<b>Gross</b>	<b>\$8,253,300</b>	<b>(\$1,400,000)</b>
Restricted	8,253,300	(1,400,000)

**4. State Transportation Commission Per Diem**

The Executive proposes to eliminate this line used to pay per diem expense reimbursement to members of the State Transportation Commission for attending meetings.

<b>Gross</b>	<b>\$10,000</b>	<b>(\$10,000)</b>
Restricted	10,000	(10,000)

**5. Highway Maintenance**

Executive recommends the appropriation of \$234.0 million for state trunkline maintenance—an increase of less than 1%. The increase largely reflects costs of additional lane miles added to the state trunkline system through new construction and jurisdictional transfers, and the increased cost of road maintenance materials.

The Executive proposes to roll up the \$135.3 million Contract operations line item into a single State trunkline operations line.

<b>Gross</b>	<b>\$232,911,100</b>	<b>\$1,117,500</b>
Restricted	232,911,100	1,117,500

**6. State Trunkline Road and Bridge Construction**

This line, used to support construction and reconstruction of state trunkline roads and bridges, would be funded at \$961.3 million in the proposed budget—an increase of 5.3% from the current year. This increase is due in part to restoration of \$9.2 million in funds vetoed from the FY 2002-03 budget and to a \$2.0 million increase in Blue Water Bridge project funding.

This line also reflects increased revenue as a result of anticipated increases in motor fuel tax revenue – including revenue from a proposed increase in diesel motor fuel taxes.

Note that the decrease in federal funds shown above does not reflect a decrease in actual available federal funds. It merely adjusts federal revenue in the budget to more closely reflect actual anticipated federal revenues.

<b>Gross</b>	<b>\$912,670,600</b>	<b>\$48,669,800</b>
Federal	656,187,300	(18,687,300)
Local	5,000,000	0
Restricted	251,483,000	67,357,100

ALL OTHER - TRANSPORTATION

<b>Major Budget Changes from FY 2002-03 YTD Appropriations:</b>		<b>YTD FY 2002-03</b>	<b>Executive Change</b>
<b>7. Federal Aid to Local Road Agencies</b>			
The appropriation of federal funds for local road agency construction projects would be \$226.5 million for FY 2003-04—an increase of \$11.4 million over the current year. This allocation of federal aid to local units of government reflects the 75:25 split between MDOT and local road agencies required by Act 51.	<b>Gross</b>	<b>\$215,132,000</b>	<b>\$11,368,000</b>
	Federal	215,132,000	11,368,000
<b>8. MTF Distribution to Local Road Agencies</b>			
Public Act 51 of 1951 (Act 51) provides for a formula distribution of funds from the Michigan Transportation Fund (MTF) to eligible local road agencies (county road commissions, and incorporated cities and villages). The estimated distribution in the Executive budget would be \$993.0 million—\$637.5 million to county road commissions, and \$355.4 million to cities and villages.	<b>Gross</b>	<b>\$931,367,800</b>	<b>\$61,603,400</b>
The actual MTF distribution will be based on actual MTF revenue—which may be more or less than the amount appropriated. The MTF formula distribution to local road agencies for FY 2001-02 was \$919.1 million.	Restricted	931,367,800	61,603,400
<b>9. Transportation Economic Development Fund (TEDF)</b>			
The Executive budget includes \$26.9 million in funding for the TEDF program—a decrease of 37.1% from the current year. The decrease is primarily due to the proposed redirection of \$13.0 million of driver's license fee revenue currently earmarked for the TEDF to a new Traffic Enforcement and Safety Fund within the Michigan State Police. This redirection would require an amendment to the Michigan Vehicle Code. The decrease also reflects a \$2.9 million increase in Build Michigan III /TEDF debt service.	<b>Gross</b>	<b>\$42,848,300</b>	<b>(\$15,915,900)</b>
The Executive budget also recommends elimination of a \$40,000 boilerplate earmark for timber truck inspection stations, included in the Category "F" (Forest Roads) program.	Restricted	42,848,300	(15,915,900)
<b>10. Aeronautics Programs</b>			
Executive recommends the appropriation of \$6.5 million—an increase of 12.2% from the current year based on anticipated increases in State Aeronautics Fund revenue. The proposed budget would fund the Air Service Program at \$600,000—an increase of \$300,000—and would increase funding to the All Weather Airport Access Program by \$539,200. Aeronautics appropriations also reflect the restoration of \$21,000 in funding vetoed from the current year budget, and \$150,900 in early retirement savings.	<b>Gross</b>	<b>\$5,809,600</b>	<b>\$709,300</b>
	Restricted	5,809,600	709,300
<b>11. Bus Transit - Local Bus Operating Assistance</b>			
This line item is used to provide state operating assistance to 75 public transit agencies in Michigan. The Executive proposes \$160.0 million (CTF)—the same as current-year appropriations. Note that the Executive budget includes the appropriation of \$4.02 million from CTF funds lapsed to the fund balance at the end of FY 2002-03.	<b>Gross</b>	<b>\$160,000,000</b>	<b>\$0</b>
	Restricted	160,000,000	0
<b>12. Bus Transit - Non-Urban Operating/Capital</b>			
Provides federal funds (from Federal Transit Act, Section 5311) to transit systems in "non-urbanized" areas (populations less than 50,000). The Executive recommends \$10.9 million for this line based on anticipated increases in FTA revenue.	<b>Gross</b>	<b>\$10,300,000</b>	<b>\$600,000</b>
	Federal	10,100,000	600,000
	Local	200,000	0



**Major Budget Changes from FY 2002-03 YTD Appropriations:**

**13. Bus Capital**

The Executive recommends \$53.0 million based on anticipated increases in federal revenue.

	YTD FY 2002-03	Executive Change
<b>Gross</b>	<b>\$48,849,500</b>	<b>\$4,200,000</b>
Federal	34,650,000	4,200,000
Restricted	13,699,500	0
Local	500,000	0

**14. Early Retirement Savings**

The Executive budget reflects \$4.8 million in savings related to the 2002 early retirement program. This savings are reflected in various Department administrative and operating line items.

<b>Gross</b>	<b>N/A</b>	<b>(\$4,825,800)</b>
Federal	N/A	(84,900)
Restricted	N/A	(4,740,900)

**15. Economics**

The Executive budget reflects \$170,000 in anticipated workers compensation increases which were offset by an anticipated decrease of \$315,800 in building occupancy charges. There were no increases budgeted for state employee salaries or benefits.

<b>Gross</b>	<b>N/A</b>	<b>(\$145,800)</b>
Restricted	N/A	(145,800)

**Major Boilerplate Changes from FY 2002-03:**

**Sec. 206. Contingency Funds - MODIFIED**

The Executive recommends \$200.0 million in federal contingency funds—\$100.0 million more than the current year.

**Sec. 306. Audit of Use of Transportation Funds - MODIFIED**

The Executive proposed to change the audit requirement to a biennial audit, rather than the annual audit currently required.



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**March 2003**



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**FY 2003-04**  
**CONSENSUS REVENUES**

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# FY 2003-04

## CONSENSUS REVENUES

### Executive Recommendation

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This section explains January 2003 consensus revenue estimates for GF/GP and School Aid Fund revenue by major revenue sources. Several important assumptions behind the revenue estimates are discussed in the following text. Executive Recommendation revenue changes are not included in this section.

#### **General Fund/General Purpose Revenue by Source**

##### ***Personal Income Tax***

Wage and salary employment is expected to decline 0.3% in 2003, then grow 1.7% in 2004. Michigan's unemployment rate is expected to reach 6.2% in 2003, then decline to 5.7% in 2004. As a result, Michigan personal income tax revenue is forecast to post only a slight gain of 0.4% in FY 2002-03. Baseline GF/GP income tax revenue declined 8.3% in FY 2001-02, to \$4,234.1 million. Income tax revenue is expected to decrease 0.6% to \$4,208.1 million in FY 2002-03 and increase 5.0% to \$4,416.7 million in FY 2003-04.

##### ***Sales and Use Taxes***

Sustained growth in wage and salary income will increase baseline sales and use tax revenue from \$954.5 million in FY 2001-02 to \$983.8 million in FY 2002-03, and 6.7% to \$1,049.4 million in FY 2003-04.

##### ***Single Business and Insurance Taxes***

Single Business Tax (SBT) revenues accrue to the GF/GP. Net baseline business taxes (SBT plus insurance taxes) were \$2,175.2 million in FY 2001-02 and will increase 5.5% to \$2,295.0 million in FY 2002-03 and 5.1% to \$2,412.0 million in FY 2003-04. Baseline Single Business Tax revenue alone was \$1,948.1 million in FY 2001-02; it is expected to increase 5.2% to \$2,050.0 million in FY 2002-03 and 5.1% to \$2,155.0 million in FY 2003-04.

##### ***GF/GP Baseline Tax Revenue***

In FY 2001-02, GF/GP baseline tax revenue declined 4.7% to \$7,948.9 million. General Fund/General Purpose baseline tax revenue is expected to increase 1.6% in FY 2002-03 and 4.9% in FY 2003-04, to \$8,079.6 million and \$8,477.3 million, respectively.

##### ***Total GF/GP Baseline Revenues***

Total baseline GF/GP revenues include baseline tax revenues and non-tax revenues. Non-tax revenue includes revenue from the liquor purchase revolving fund, federal aid, licenses and permits, and investment income and borrowing costs. Total GF/GP baseline revenues declined 4.2% to \$8,278.4 million in FY 2001-02. General Fund/General Purpose baseline revenues are expected to increase 0.2% to \$8,298.6 million in FY 2002-03 and 4.3% to \$8,653.3 million in FY 2003-04.

##### ***Actual GF/GP Revenue***

Actual GF/GP revenue represents revenue available for expenditure each year. Total GF/GP actual revenue was \$8,425.1 million in FY 2001-02. Actual GF/GP revenue is expected to decline 4.1% to \$8,083.8 million in FY 2002-03. Actual GF/GP revenue is expected to increase 1.3% to \$8,191.5 million in FY 2003-04.

**GF/GP REVENUE ESTIMATES**  
(Millions of Dollars and Fiscal Years)

	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2003-04 over 2002-03</u>	
				<u>%Change</u>	<u>\$Change</u>
Personal Income Taxes	\$4,234.1	\$4,208.1	\$4,416.7	5.0%	\$208.6
Sales and Use Taxes	954.5	983.8	1,049.4	6.7%	65.6
SBT and Insurance Taxes	2,175.2	2,295.0	2,412.0	5.1%	117.0
Other Taxes	<u>585.1</u>	<u>592.7</u>	<u>599.2</u>	1.1%	<u>6.5</u>
<b>GF/GP Baseline Tax Revenue</b>	<b>\$7,948.9</b>	<b>\$8,079.6</b>	<b>\$8,477.3</b>	<b>4.9%</b>	<b>\$397.7</b>
Non-Tax Revenue	329.5	219.0	176.0	-19.6%	(43.0)
<b>Total GF/GP Baseline Revenue</b>	<b>\$8,278.4</b>	<b>\$8,298.6</b>	<b>\$8,653.3</b>	<b>4.3%</b>	<b>\$354.7</b>
Adjustments to Baseline	<u>146.8</u>	<u>(214.8)</u>	<u>(461.7)</u>		<u>(\$246.9)</u>
<b>Actual GF/GP Revenue</b>	<b>\$8,425.1</b>	<b>\$8,083.8</b>	<b>\$8,191.5</b>	<b>1.3%</b>	<b>\$107.7</b>

### School Aid Fund Revenue by Source

#### **Sales and Use Taxes**

Combined sales and use tax revenue dedicated to the SAF equaled \$5,130.0 million in FY 2001-02 and is estimated to increase 2.5% to \$5,255.8 million in FY 2002-03 and 5.3% to \$5,533.5 million in FY 2003-04. Baseline sales tax revenue is estimated to increase 2.5% in FY 2002-03 and 5.3% FY 2003-04; baseline use tax revenue earmarked to the SAF is estimated to increase 2.0% in FY 2002-03 and 5.0% in FY 2003-04.

#### **Income Tax**

Approximately 23% of gross income tax collections are dedicated to the SAF. Baseline dedicated income tax revenue is estimated to decrease 0.2% to \$1,857.4 million in FY 2002-03 and increase 4.4% to \$1,939.8 million in FY 2003-04.

#### **Lottery/Casinos**

Lottery revenue contributed \$613.5 million to the SAF in FY 2001-02. Baseline lottery revenue to the SAF is projected to decrease 4.7% to \$585.0 million in FY 2002-03, and decline 0.9% to \$580.0 million in FY 2003-04. Casino revenue contributed \$91.9 million to the SAF in FY 2001-02, and is estimated to be \$96.0 million in FY 2002-03 and \$99.0 million in FY 2003-04.

#### **Tobacco Taxes**

Approximately 64.0% of baseline gross tobacco tax revenue is dedicated to the School Aid Fund, which received \$379.9 million from tobacco taxes in FY 2001-02. The demand for tobacco products is expected to decline slowly over the duration of the forecast. Total SAF tobacco tax revenue is expected to decrease to \$371.0 million in FY 2002-03, and to \$363.4 million in FY 2003-04.

#### **State Education Tax/Real Estate Transfer Tax**

All of the 6-mill state education tax (SET) and the real estate transfer tax (RET) is dedicated to the SAF. Revenue from the SET was \$1,583.8 million in FY 2001-02; SET revenue is expected to increase 5.1% to \$1,665.0 million in FY 2002-03, and 4.5% to \$1,740.0 million in FY 2003-04. The real estate transfer tax contributed \$253.1 million to the SAF in FY 2001-02, and is estimated to contribute \$253.0 million to the SAF in FY 2002-03 and \$258.0 million in FY 2003-04.



**Total SAF Baseline Revenue**

Total SAF baseline revenue increased 1.3% to \$10,105.4 million in FY 2001-02. Baseline revenue is expected to increase \$174.5 million or 1.7% to \$10,279.9 million in FY 2002-03, and \$434.5 million or 4.2% to \$10,714.4 million in FY 2003-04.

**Actual SAF Revenue**

Actual SAF revenue represents revenue available for expenditure each year. Actual SAF revenue includes tax changes not included in the baseline figures, beginning balances, federal funds, local revenue, and BSF transfers to the SAF, but does not include any GF/GP transfers to SAF. Actual SAF revenue was \$11,416.1 million in FY 2001-02 and is expected to increase 8.2% to \$12,347.1 million in FY 2002-03, then decrease 2.2% to \$12,074.5 million in FY 2003-04.

**SCHOOL AID FUND REVENUE ESTIMATES**  
(Millions of Dollars and Fiscal Years)

<u>Revenue</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2003-04 over 2002-03</u>	
				<u>% Change</u>	<u>\$Change</u>
Sales and Use Tax	\$5,130.0	\$5,255.8	\$5,533.5	5.3%	277.7
Income Tax Earmark	1,860.4	1,857.4	1,939.8	4.4%	82.4
Lottery and Casinos	705.4	681.0	679.0	-0.3%	(2.0)
Tobacco Taxes	379.9	371.0	363.4	-2.0%	(7.6)
State Education Tax	1,583.8	1,665.0	1,740.0	4.5%	75.0
Real Estate Transfer Tax	253.1	253.0	258.0	2.0%	5.0
Liquor Excise and Specific Taxes	<u>192.8</u>	<u>196.7</u>	<u>200.7</u>	2.0%	<u>4.0</u>
<b>Baseline SAF Revenue</b>	<b>\$10,105.4</b>	<b>\$10,279.9</b>	<b>\$10,714.4</b>	<b>4.2%</b>	<b>\$434.5</b>
Adjustments to Baseline	<u>1,310.7</u>	<u>2,067.2</u>	<u>1,360.1</u>		<u>(\$707.1)</u>
<b>Actual SAF Revenue (less GF/GP Transfer)</b>	<b>\$11,416.1</b>	<b>\$12,347.1</b>	<b>\$12,074.5</b>	<b>-2.2%</b>	<b>(\$272.6)</b>

**HFA Estimates of Year-End Balances**

The following table reports House Fiscal Agency estimates of year-end balances for GF/GP, the SAF, and the BSF. Year-end balances do not include supplemental appropriations, tax changes, or other funding shifts recommended in the Executive Budget Recommendation.

Fiscal year FY 2001-02 figures for GF/GP and the SAF are final.

Fiscal year 2002-03 estimates are based on year-to-date appropriations and consensus revenue estimates.

Budget Stabilization Fund estimates are based on current balance estimates provided by the Michigan Department of Treasury and HFA estimates of future deposits and interest earned.

School Aid Fund revenues are restricted; hence, any year-end balance is carried forward to the subsequent year.

**YEAR-END BALANCE ESTIMATES**  
(Millions of Dollars)

	<u>FY 2001-02</u>	<u>FY 2002-03</u>
General Fund/General Purpose	\$114.5	\$0.0
School Aid Fund	237.0	0.0
Budget Stabilization Fund	145.2	0.0

*NOTE: Does not include effects of the Executive Recommendation.*

**Budget Stabilization Fund Year-End Balances**

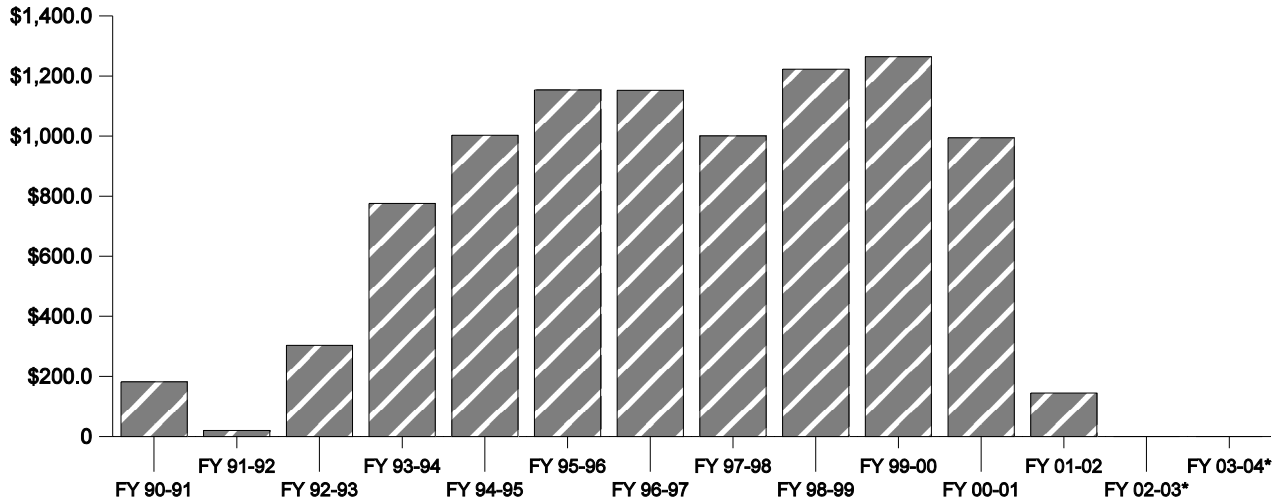
The following table reports a history of BSF deposits, withdrawals, and interest earnings from FY 1990-91 to FY 2001-02. It also includes HFA estimates of deposits, expected interest earnings, and year-end balances for FY 2002-03 and FY 2003-04. A complete list of BSF historical data is available from the HFA upon request.

The BSF fund balance for FY 2001-02 was \$145.2 million. Fiscal year 2001-02 withdrawals consisted of the following: \$382.0 million to the SAF (\$32.0 million for the Durant settlement), \$452.8 million to GF/GP to ensure a zero balance, and \$35.0 million to the State Trunkline fund for transportation purposes. The BSF balance is estimated to be eliminated at the end of FY 2002-03. Under current law, withdrawals consist of the following: \$32.0 million to the SAF for the Durant settlement and \$207.0 million to GF/GP. However, the previous year-end balance plus the interest earnings are estimated to be enough to support only a \$148.8 million withdrawal.

**BUDGET STABILIZATION FUND**  
(Millions of Dollars)

<u>Fiscal Year</u>	<u>Deposits</u>	<u>Withdrawals</u>	<u>Interest Earned</u>	<u>Balance</u>
1990-91	0.0	230.0	27.1	182.2
1991-92	0.0	170.1	8.1	20.1
1992-93	282.6	0.0	0.8	303.4
1993-94	460.2	0.0	11.9	775.5
1994-95	260.1	90.4	57.7	1,003.0
1995-96	91.3	0.0	59.3	1,153.6
1996-97	0.0	69.0	67.8	1,152.4
1997-98	0.0	212.0	60.1	1,000.5
1998-99	244.4	73.7	51.2	1,222.5
1999-2000	100.0	132.0	73.9	1,264.4
2000-01	0.0	337.0	66.7	994.2
2001-02	0.0	869.8	20.8	145.2
2002-03 <i>Estimate</i>	0.0	148.8	3.6	0.0
2003-04 <i>Estimate</i>	0.0	0.0	0.0	0.0

**BUDGET STABILIZATION FUND**  
(Millions of Dollars)



\*FYs 2002-03 and 2003-04 are HFA estimates

**Compliance with the State Revenue Limit**

HFA estimates of the state revenue limit provided for in Article IX, Section 26, *Constitution of the State of Michigan*, and estimates of total state revenue collections subject to the state revenue limit are shown in the following table. As provided for in the *Constitution*, the revenue limit is calculated as 9.49% of total state personal income in the previous full calendar year prior to the fiscal year in which the revenues are measured, as estimated by the Bureau of Economic Analysis, United States Department of Commerce.

**COMPLIANCE WITH THE STATE REVENUE LIMIT**  
(Millions of Dollars)

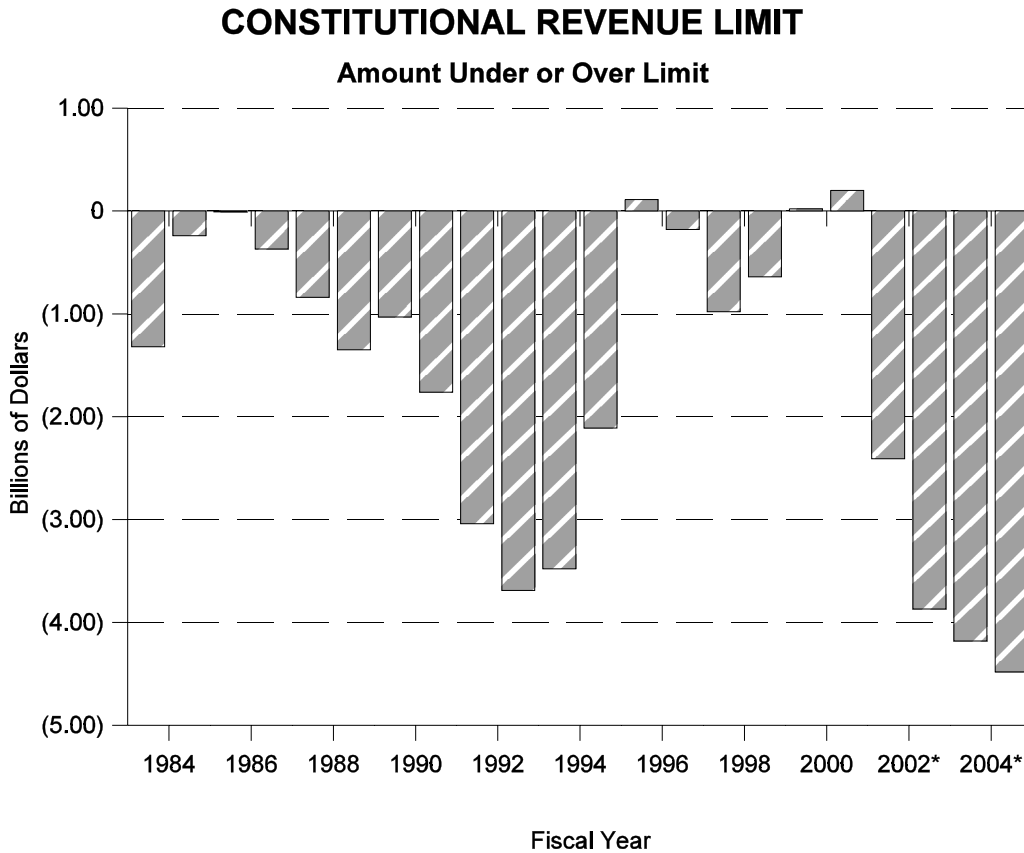
<u>Revenue Limit Calculations</u>	<u>Preliminary FY 2001-02</u>	<u>FY 2002-03</u>	<u>FY 2003-04</u>
Personal Income			
Calendar Year	CY 2000	CY 2001	CY 2002
Amount	\$289,390	\$297,609	\$303,508
X Limit Ratio	9.49%	9.49%	9.49%
<b>State Revenue Limit</b>	<b>\$27,463.1</b>	<b>\$28,243.1</b>	<b>\$28,802.9</b>
Total Revenues Subject to Revenue Limit	23,590.8	24,064.3	24,326.3
<b>Amount Under (Over) State Revenue Limit</b>	<b>\$3,872.3</b>	<b>\$4,178.8</b>	<b>\$4,476.7</b>

### Implications of Exceeding the State Revenue Limit

Article IX, Section 26, *Constitution of the State of Michigan*, provides that:

. . . For any fiscal year in the event that Total State Revenues exceed the limit established in this section by 1% or more, the excess revenues shall be refunded pro rata based on the liability reported on the Michigan income tax and single business tax (or its successor tax or taxes) annual returns filed following the close of such fiscal year. If the excess is less than 1%, this excess may be transferred to the State Budget Stabilization Fund . . .

Furthermore, the state is prohibited from spending any current-year revenue in excess of the limit established in Section 26 by Article IX, Section 28.



*\* FY 01-02 is preliminary; FYs 02-03 and 03-04 are estimates*

The preliminary FY 2001-02 revenue limit calculation indicates that the state revenue collections were well under the revenue limit. In addition, for both FY 2002-03 and FY 2003-04, state revenues are estimated to be substantially below the revenue limit, by \$4.2 billion and \$4.5 billion respectively.