

DATE: December 9, 2003
TO: Members of the Michigan House of Representatives
FROM: Mitchell E. Bean, Director
RE: Executive Order 2003-23

The attached tables provide information explaining Executive Order 2003-23 and related budget changes necessary to implement reduction of the \$483.6 million GF/GP deficit for FY 2003-04.

Table 1

Summary: EO 2003-23 and Related Items

provides detail for reduction of the \$483.6 million projected GF/GP deficit for FY 2003-04.

Table 2

GF/GP Reductions in Executive Order 2003-23

shows reductions from appropriated FY 2003-04 GF/GP.

Table 3

Executive Order 2003-23 GF/GP Administrative Savings

itemizes reductions from appropriated FY 2003-04 GF/GP.

Accompanying notes provide further explanation of some items.

Table 4

Statutory Changes Needed to Support Executive Order 2003-23

explains proposed statutory changes and notes the Public Acts that would be affected.

Please do not hesitate to contact Agency staff if you have questions regarding the items noted on the attached.

Table 1
SUMMARY: EO 2003-23 and RELATED ITEMS

(millions of dollars)

FY 2003-04 GF/GP Projected Deficit	(\$483.6)
 <u>Proposed Revenue Changes:</u>	
Increase Tax Collection Enforcement in Treasury	\$47.0
Nonparticipating Cigarette Manufacturer Bills (SBs 781-782)	\$2.6
FIA: Replace GF with CSES Penalty Revenue	\$8.8
Lapse Teacher Certification Fees to GF	\$1.0
Cell Phone Surcharge for State Police Towers	\$12.0
Escheats Law Change	\$15.0
Personal Income Tax Pause (\$77.0 million total; \$45.5 million to SAF)	<u>\$31.5</u>
Total Revenue Changes	\$117.9
 <u>Accounting Changes:</u>	
Merit Award Scholarship Accounting Change	\$63.0
 Remaining FY 2003-04 GF/GP Budget Deficit	 (\$302.7)
 <u>Appropriation Reductions:</u>	
Departmental Reductions/Administrative Savings	\$31.9
Corrections Reductions	\$18.9
Capital Outlay Refinancing of Debt	\$35.1
Cancellation of Work Projects and Encumbrances	\$23.2
Department of Career Development - Reduce Work Force Development Boards	\$5.0
Department of Career Development:- Eliminate Council of MI Foundations	\$1.0
Community Colleges - 5% Reduction	\$12.4
Department of Education Reduction - Eliminate Driver Education	\$6.1
Department of Environmental Quality Use Waste Water Reduction Fee in lieu of GF	\$2.2
Family Independence Agency - Eliminate Before and After School Pilots	\$6.0
Family Independence Agency - Child Support Enforcement System Savings	\$0.8
Higher Education - 5% Reduction	\$73.2
Judiciary Reductions	\$1.1
Legislature Reductions	\$1.2
State Police - Delay Trooper School	\$2.5
Revenue Sharing - 5% Reduction	\$70.5
Treasury Debt Service Savings	<u>\$17.0</u>
Total Appropriation Reductions	\$308.1
 Projected Year-End Balance	 \$5.4

Table 2
GF/GP REDUCTIONS IN EXECUTIVE ORDER 2003-23

<u>Budget Area</u>	<u>FY 2003-04 GF/GP</u>	<u>GF/GP Reductions</u>	<u>Percent Change</u>
Agriculture	31,379,000		3.6
Administrative Savings		1,119,800	
Attorney General	31,009,900		2.4
Administrative Savings		750,000	
Capital Outlay	281,302,100		10.3
Reduce State Building Authority Rent - debt refinancing		17,000,000	
Shift portion of SBA rent from GF to Emergency Telephone Fund		12,000,000	
Career Development	24,706,700		1.5
Administrative Savings		371,726	
Civil Rights	12,183,200		3.8
Administrative Savings		463,042	
Civil Service	8,052,600		2.7
Administrative Savings		220,063	
Community Colleges	289,013,100		4.3
Reduce community college operations appropriations 5% (with parity adjustment)		12,434,500	
Community Health	2,558,570,700		0.2
Administrative Savings		5,090,400	
Consumer and Industry Services	19,669,800		3.6
Administrative Savings		704,382	
Corrections	1,632,205,300		0.4
Administrative Savings		6,044,819	
Education	29,392,500		1.1
Administrative Savings		332,800	
Environmental Quality	56,716,300		5.5
Administrative Savings		935,525	
Replace GF/GP with waste reduction fee revenue		2,200,000	
Family Independence Agency	1,133,739,400		2.8
Administrative Savings		11,660,400	
Eliminate Before/After School pilot programs		6,000,000	
Replace GF/GP with CSES penalty refund		9,600,000	
TANF replacement of GF/GP		5,000,000	
Higher Education	1,632,604,500		4.5
Reduce state university operations appropriations 5%		73,172,000	

GF/GP REDUCTIONS IN EXECUTIVE ORDER 2003-23

<u>Budget Area</u>	<u>FY 2003-04 GF/GP</u>	<u>GF/GP Reductions</u>	<u>Percent Change</u>
History, Arts, and Libraries	44,784,800		1.3
Administrative Savings		583,100	
Management and Budget	36,328,900		1.4
Administrative Savings		500,000	
Michigan Strategic Fund	40,555,900		5.4
Administrative Savings		2,175,791	
Military and Veterans Affairs	37,198,800		2.6
Administrative Savings		970,000	
Natural Resources	28,801,400		2.5
Administrative Savings		712,000	
State	16,731,700		1.7
Administrative Savings		288,249	
State Police	247,641,500		5.2
Administrative Savings		4,276,271	
Delay trooper school until late in FY 2003-04		2,500,000	
Replace GF/GP in At-Post Trooper line with Traffic Safety Law Enforcement and Safety Fund revenue		6,100,000	
Treasury: Operations	58,296,700		1.3
Administrative Savings		732,714	
Debt service refinancing of Clean Michigan Initiative bonds		17,000,000	
TOTAL	\$8,610,202,700	\$200,937,582	2.3

Table 3
EXECUTIVE ORDER 2003-23
GF/GP ADMINISTRATIVE SAVINGS

<u>Budget Area</u>	<u>FY 2003-04 GF/GP</u>	<u>Vacancy Savings</u>	<u>Contractual Savings</u>	<u>Travel Reductions</u>	<u>CSS & M Reductions</u>	<u>Training Reductions</u>	<u>Other Admin</u>	<u>Information Technology</u>	<u>Fund Shifts</u>	<u>Total Savings</u>
Agriculture	31,379,000	545,000	35,000	59,300	48,300	60,900	173,300		198,000	1,119,800
Attorney General	31,009,900	722,100					27,900			750,000
Career Development	24,706,700			29,412	278,306	20,000			44,008	371,726
Civil Rights	12,183,200				51,000	180,442	231,600			463,042
Civil Service	8,052,600				220,063					220,063
Community Health	2,558,570,700	700,000	554,000	36,400	564,600		2,820,900		414,500	5,090,400
Consumer and Industry Services	19,669,800	354,382							350,000	704,382
Corrections	1,632,205,300	13,988,205	924,400		1,900,000		1,922,119		198,300	18,933,024
Education	29,392,500								332,800	332,800
Environmental Quality	56,716,300								935,525	935,525
Executive Office	4,859,500									0
Family Independence Agency	1,133,739,400	3,696,600		40,800	3,547,500		2,125,500	2,250,000		11,660,400
History, Arts, and Libraries	44,784,800	31,300	100,000		249,300		103,500	99,000		583,100
Judiciary	161,316,400									0
Legislature	115,322,400									0
Management and Budget	36,328,900	127,500	135,000					237,500		500,000
MEDC/Michigan Strategic Fund	40,555,900	279,301			375,590		1,420,900		100,000	2,175,791
Military and Veterans Affairs	37,198,800						200,000		770,000	970,000
Natural Resources	28,801,400	527,000				160,000			25,000	712,000
State	16,731,700	47,221		15,000	143,675			82,353		288,249
State Police	247,641,500	1,692,000		700,000	501,771		1,382,500			4,276,271
Treasury: Operations	58,296,700			300,000	300,000		132,714			732,714
TOTAL	\$6,329,463,400	\$22,710,609	\$1,748,400	\$1,180,912	\$8,180,105	\$421,342	\$10,540,933	\$2,668,853	\$3,368,133	\$50,819,287

Administrative Savings - Notes

Agriculture	Other Admin. - Reduce seasonal staff for Fruits and Vegetable Inspections (\$154,000), Seed Testing residual balance (\$19,300)
Attorney General	Other Admin. - PACC will absorb general administrative reductions
Civil Rights	Other Admin. - 50% sharing DCR Internal Auditor with State Police; savings from employees on leave of absence
Community Health	Other Admin. - CQI Admin. (\$1,000,000), reduce Closed Site Costs (\$500,000), Workers Compensation (\$1,000,000), and Community Health Advisory Council (\$20,900); Civil Service charges due to Northville closure (\$300,000)
Corrections	CSS&M - Food and pharmacy savings (\$1,150,000), Health care operational efficiencies (\$750,000); Other Admin. - Closure of Camp Tuscola Annex (\$1,000,000) and Miscellaneous bed adjustments (\$922,119)
Environmental Quality	Replace general fund with restricted in the BOC and private rent lines
Education	Fund Shifts - shift \$290,000 to Teacher Certification Fees, and shift \$42,800 of IT costs to federal No Child Left Behind funds
Family Independence Agency	Other Admin. - Equipment (\$325,800); rent and occupancy (\$544,600); overtime (\$557,500); reduce purchasing and contract management positions (\$100,000); reduce wage employment verification reporting (\$197,600); and close underutilized Park Place Community Justice Center (\$400,000)
History, Arts, and Libraries	Other Admin. - Eliminate admin. funds for Freedom Trail Comm. (\$25,000) and lighthouse preservation (\$48,500); eliminate support for National History Day (\$25,000); and discontinue MI Film Office participation in LA trade show, and restrict student hours (\$5,000)
Michigan Strategic Fund	Other Admin. - Eliminate GF used for rent at MEDC's downtown Lansing building
Military and Veterans Affairs	Other Admin. - Special Maintenance (\$200,000); Fund Shifts - Utilize available Veterans Homes rescted revenue fund balance
Natural Resources	Training - Delay conservation office school until Summer/Fall 2004
State Police	Travel Reductions - 100% fleet savings; Other Admin. - Reduce expenditures from Deferred Retirement Option Plan (HB 5279) (\$1,382,500)
Treasury: Operations	Other Admin. - Building occupancy and worker's compensation charges

Table 4
STATUTORY CHANGES NEEDED TO SUPPORT EXECUTIVE ORDER 2003-23

<u>Proposal</u>	<u>Public Act</u>	<u>Explanation of Statutory Change</u>
Cell phone surcharge for Michigan State Police towers	Emergency Telephone Services Enabling Act (1999 PA 78)	Extend sunset on fee and redirect a portion of revenue
Eliminate driver education and shift restricted funds to Michigan State Police	Motor Vehicle Code (1949 PA 300)	Remove Department of Education responsibilities and payment obligations related to driver education programs operated by public schools
	Driver Training Schools Act (1974 PA 369)	Provide for deposit of fee revenue into the Traffic Law Enforcement and Safety Fund
Revenue sharing reduction	Glenn Steil Revenue Sharing Act	Change current 3% cut to 8%
Agricultural administrative reduction; increase administrative cap for Agriculture Preservation Fund	Part 362 of Natural Resources & Environmental Protection Act	Increase administrative cap from \$700,000 to \$900,000
Education administrative reduction; expand use of Teacher Certification Fees	Revised School Code	Authorize use of revenue for teacher and administrator professional development and other quality related activities; transfer \$1,000,000 to the general fund in FY 2003-04
Changes in escheats law	Uniform Unclaimed Property Act (1995 PA 29)	Require that unclaimed property payable in conjunction with demutualization of an insurance company be subject to a two-year escheat period; and permit publication via Internet v. newspaper
Increased tax auditing	Glenn Steil Revenue Sharing Act	Authorize Treasury to withhold revenue sharing payments if local units of government do not remit Industrial Facilities Tax or Tax Increment Financing Tax
Merit Award accounting change	Michigan Merit Award Scholarship Act (1999 PA 94)	Change fiscal year of payment
School Bond Loan Fund	State School Aid Act (1979 PA 94)	Deposit School Bond Loan proceeds into School Aid Fund in FY 2002-03 v. FY 2003-04
Personal property tax amnesty period and penalties	The General Property Tax Act	Create amnesty period and penalties to encourage prompt payment of personal property tax obligations
Michigan State Police administrative cut: implement DROP program	State Police Retirement Act (1986 PA 182)	Implement a DROP retirement program for command officers
Six month pause in Personal Income Tax rollback	Income Tax Act (1967 PA 281)	Delay scheduled January 1, 2004 reduction of the personal income tax from 4.0% to 3.9% until July 1, 2004