

# **PRELIMINARY REVIEW**

of the

## **FY 2003-04**

# **Executive Budget Recommendation**



**Mitchell E. Bean, Director  
March 10, 2003**

The FY 2003-04 executive budget recommendation includes \$38.6 billion in proposed expenditures: \$8.6 billion in General Fund/General Purpose (GF/GP) expenditures, \$11.2 billion in School Aid Fund (SAF) expenditures, \$1.41 billion in revenue sharing payments to local units of government, \$3.2 billion in transportation spending, and \$11.5 billion in General Fund/ Special Purpose spending from federal revenue sources.

To support proposed spending levels, the executive recommendation includes 15 changes to the state tax code to close what the administration believes are inappropriate tax loopholes. The administration estimates that these changes would increase GF/GP resources \$108.6 million and SAF resources \$20.3 million. In addition, the executive recommendation includes \$119 million in funding shifts made possible by fee increases and proposes to use \$198.6 million of one-time resources from a revenue sharing reserve account to replace the GF/GP transfer to the School Aid Fund in the current FY 2003-04 budget.

This preliminary review of the Executive Budget Recommendation for FY 2003-04 includes:

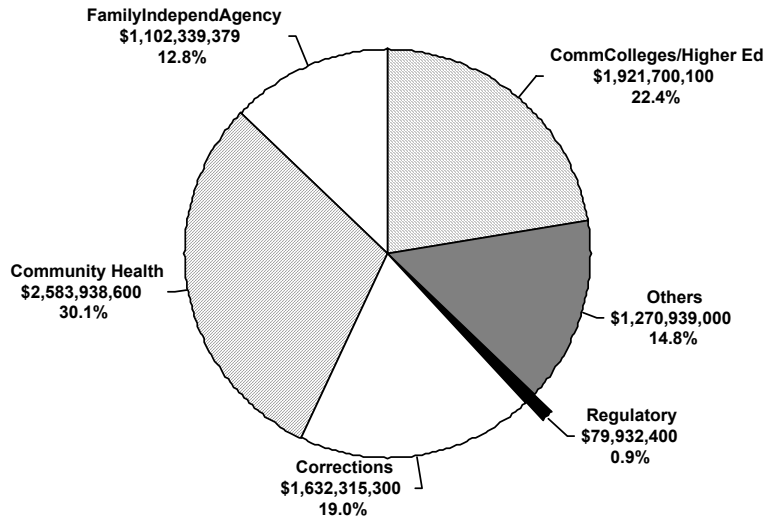
- Charts:
  - Distribution of Adjusted Gross and GF/GP funds for FY 2003-04 Executive Recommendation
  - Comparison of sources of Adjusted Gross funds for FY 2002-03 Year-to-Date and Executive Recommendation for FY 2003-04
- Overview of resources used in Executive Recommendation
- Highlights: Major features and changes proposed in the FY 2003-04 Executive Recommendation
- Tables summarizing the FY 2003-04 Executive Recommendation by department and major budget area:
  - Table 1 Source of Funds
  - Table 2 Comparison of Adjusted Gross Appropriations
  - Table 3 Comparison of GF/GP Appropriations
  - Table 4 Comparison of Full-Time Equated Positions
  - Table 5 State Spending from State Sources Paid to Local Governments
- A list of House Fiscal Agency staff, noting Fiscal Analysts' specific budget assignments

The House Fiscal Agency's *Review and Analysis* of the Governor's FY 2003-04 Budget Proposal will be available in approximately two weeks. The *Review and Analysis* will contain a detailed analysis and discussion, by budget area, of major budget and boilerplate changes proposed in the Governor's FY 2003-04 budget.

We hope this preliminary information will be useful to Members of the House of Representatives. Please do not hesitate to call me, or the Fiscal Analyst responsible for a specific budget area, if you have questions regarding this information.

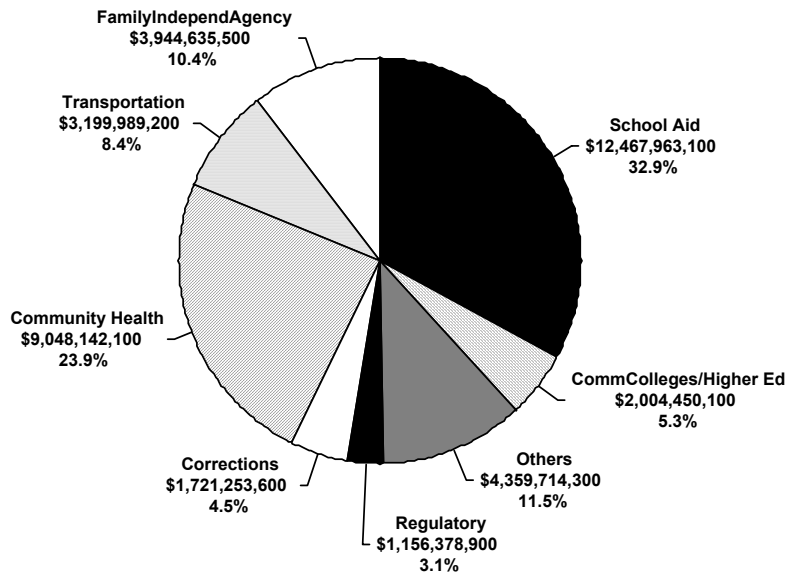
Mitchell E. Bean  
Director

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



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

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

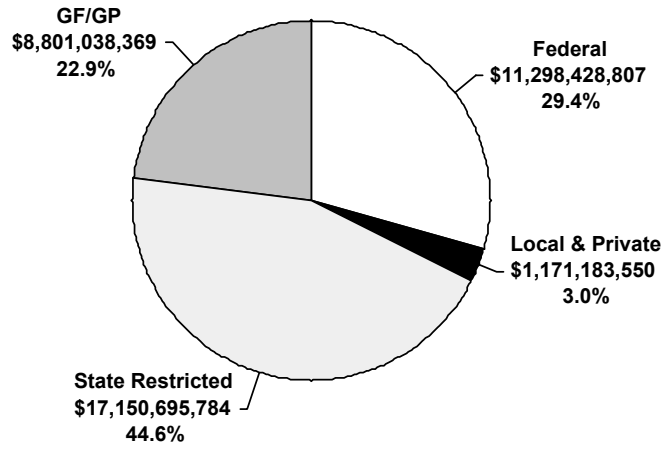


**Total Adjusted Gross: \$37,902,526,800**

"Others" includes:

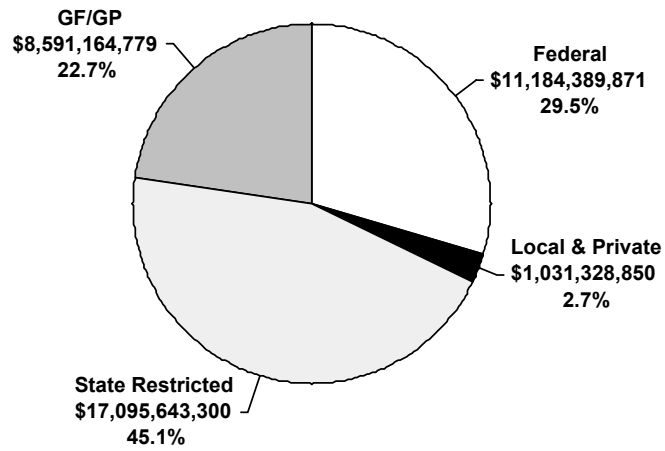
- Capital Outlay
- Education
- Resource Protection
- Judiciary
- Safety & Defense
- General Government

**Sources of Funding  
FY 2002-03 Year-To-Date**



**Total Adjusted Gross = \$38,421,346,210**

**Sources of Funding  
FY 2003-04 Executive Recommendation**



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

**OVERVIEW:  
RESOURCES USED IN THE EXECUTIVE BUDGET RECOMMENDATION**

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	<u>\$10.6</u>
<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)**

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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.

## FY 2003-04 EXECUTIVE BUDGET HIGHLIGHTS

### Major Features and Changes Proposed in the Governor's FY 2003-04 Executive Budget

<b>BUDGET AREA: EDUCATION</b>
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#### **Community Colleges**

*FY 2003-04 House Bill*

*Analyst: Steve Stauff*

	FY 2002-03 Year-to-Date	FY 2003-04 Executive	Difference: Exec to FY 2002-03 YTD	
	as of 3/6/03		Amount	%
<b>IDG/IDT</b>	\$0	\$0	\$0	0.0%
<b>Federal</b>	0	0	0	0.0%
<b>Local</b>	0	0	0	0.0%
<b>Private</b>	0	0	0	0.0%
<b>Restricted</b>	2,295,982	0	(2,295,982)	-100.0%
<b>GF/GP</b>	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>
<b>FTEs</b>	0.0	0.0		

**Operations Funding for Michigan's 28 Community Colleges:** Reduced by 6.7% (\$20,507,788), from YTD FY 2002-03 funding, a cumulative reduction of 10% (\$25,240,488) from the 2003 enacted budget bill.

**Renaissance Zone Tax Reimbursement Increase:** The 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.

**MPSERS Contribution Subsidy:** The Executive proposes to use funds in a Michigan Public School Employee Retirement System (MPSERS) stabilization sub account to offset the required contribution rate increase for the 28 community colleges that have employees in the MPSERS system. The Executive estimates savings to the colleges to be \$7.0 million by freezing MPSERS rates at the FY 2002-03 levels.

**Postsecondary Access Student Scholarship (PASS) program:** Recommended for elimination as participation in the program has been low. This reflects a \$2.0 million reduction from the FY 2002-03 enacted appropriation bill.

**At-Risk Student Success Program:** Reduced by 6.7%. This program provides funding to college students who are academically at-risk to help them overcome a wide range of obstacles and ensure college success.

## Education

FY 2003-04 House Bill

Analysts: Laurie Cummings and Mary Ann Cleary

	FY 2002-03	FY 2003-04	Difference:	
	Year-to-Date		Exec to FY 2002-03 YTD	
	as of 3/6/03	Executive	Amount	%
<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)	-61.2%
<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)	-13.3%
<b>GF/GP</b>	29,018,216	29,392,500	374,284	1.3%
<b>Gross</b>	<b>\$216,154,016</b>	<b>\$112,825,000</b>	<b>(\$103,329,016)</b>	<b>-47.8%</b>
<b>FTEs</b>	442.1	433.1	(9.0)	-2.0%

**School Breakfast Program:** Increase of \$2,595,200 in GF/GP to pay for School Breakfast Program.

**GF/GP Reductions:** Continue the GF/GP reductions made through EO 2003-03, such as reducing costs for travel, contracted services, materials and supplies, worker's compensation, and state vehicle leases; a savings of \$1,039,700.

**Eliminate programs funded with restricted fees:** Eliminating the Motorcycle Safety Education Program and Off-Road Vehicle Safety Training Program results in a combined \$1,951,300 reduction.

**Administration Funding: Reduce GF/GP funding for administration** by 10.3%, a reduction of \$698,000 in GF/GP spending.

**Memberships and Per Diem Payments:** Eliminate membership in the Education Commission of the States (\$99,300); eliminate State Tenure Commission per diem payments (\$11,100).

## Higher Education

FY 2003-04 House Bill

Analyst: Hank Prince

	FY 2002-03	FY 2003-04	Difference:	
	Year-to-Date		Exec to FY 2002-03 YTD	
	as of 3/6/03	Executive	Amount	%
<b>IDG/IDT</b>	\$0	\$0	\$0	0.0%
<b>Federal</b>	5,500,000	4,400,000	(1,100,000)	-20.0%
<b>Local</b>	0	0	0	0.0%
<b>Private</b>	0	0	0	0.0%
<b>Restricted</b>	84,534,802	78,350,000	(6,184,802)	-7.3%
<b>GF/GP</b>	1,741,466,933	1,632,687,000	(108,779,933)	-6.2%
<b>Gross</b>	<b>\$1,831,501,735</b>	<b>\$1,715,437,000</b>	<b>(\$116,064,735)</b>	<b>-6.3%</b>
<b>FTEs</b>	1.0	0.0	(1.0)	-100.0%

**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 project.

**Michigan Merit Awards:** Funding for this program is recommended at \$65.1 million to support the pre-Class of 2003 awards, the second-year of the Class of 2003 awards, and the first year of the Class of 2004 awards. The Class of 2004 awards would be reduced from \$2,500 to \$500 under the Executive proposal.

**MPSERS Contribution Subsidy:** The Executive proposes to use funds in a Michigan Public School



Employee Retirement System (MPERS) stabilization subaccount to offset the required contribution rate increase for the seven state universities who have employees in the MPERS system.

**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 programs and the creation of a new needs-based Michigan Opportunity Scholarship program, which would absorb nearly all of the funding currently directed to the seven programs proposed for termination.

### School Aid

*FY 2003-04 House Bill*

*Analysts: Mary Ann Cleary and Laurie Cummings*

	FY 2002-03	FY 2003-04	Difference:	
	Year-to-Date as of 3/6/03	Executive	Exec to FY 2002-03 YTD Amount	%
<b>IDG/IDT</b>	\$0	\$0	\$0	0.0%
<b>Federal</b>	1,219,825,200	1,244,363,100	24,537,900	2.0%
<b>Local</b>	700,000	0	(700,000)	-100.0%
<b>Private</b>	0	0	0	0.0%
<b>Restricted</b>	11,164,441,400	11,223,600,000	59,158,600	0.5%
<b>GF/GP</b>	198,413,500	0	(198,413,500)	-100.0%
<b>Gross</b>	<b>\$12,583,380,100</b>	<b>\$12,467,963,100</b>	<b>(\$115,417,000)</b>	<b>-0.9%</b>
<b>FTEs</b>	0.0	0.0	0.0	

**Foundation Allowances:** Foundation allowances will be fully funded, and the basic foundation allowance remains at \$6,700 per pupil.

**Membership Blend:** The membership blend upon which foundation allowance payments are calculated is changed from an "80/20" blend (a blend of 80% of the current-year Fall enrollment plus 20% of the previous year's February enrollment) to a 50/50 blend, resulting in an estimated savings of \$40 million.

**Revenue Sources:** Budget assumes approximately \$100 million in new revenue from a refinancing of the School Bond Loan Fund, \$50 million in new money from two new lottery games, and \$20 million in new revenue due to closing tax loopholes. It also assumes \$198.6 million in one-time new revenue from a Revenue Sharing reserve 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.

**Programs Eliminated:** Several programs were eliminated, including: Career Preparation; the Partnership for Adult Learning, Math and Science Centers; the Gifted and Talented Program; and School Health Curriculum Grants.

**Programs Reduced:** Several programs were reduced, including: Adult Education, reduced by \$57.5 million to \$20 million; Intermediate School District Operations, reduced by \$6.3 million to 88.7 million; and the Center for Education Performance and Information, reduced from \$4.5 million in state funding to \$863,400.

<b>BUDGET AREA: GENERAL GOVERNMENT</b>
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FY 2003-04 Senate Bill  
Analysts: Robin R. Risko and Steve Stauff

**Attorney General**

Analyst: Robin R. Risko

	FY 2002-03	FY 2003-04	Difference:	
	Year-to-Date	Executive	Exec to FY 2002-03 YTD	
	as of 3/6/03		Amount	%
<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%

**Prisoner Litigation Funding:** Includes an additional \$800,000 in State Restricted prisoner reimbursement revenues to be used to partially offset general fund reductions and to defend the state in prisoner litigation cases.

**Early Retirement:** Reflects a savings of \$450,900 GF/GP due to the early retirement of state employees.

**Underground Storage Tank Funding:** Eliminates 2.0 FTE positions and \$161,300 in State Restricted Michigan Underground Storage Tank Financial Assurance funding due to the funding no longer being available.

**Civil Rights**

Analyst: Robin R. Risko

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

**Early Retirement:** Reflects a savings of \$491,800 GF/GP due to the early retirement of state employees.

## Civil Service

Analyst: Steve Stauff

	FY 2002-03	FY 2003-04	Difference:	
	Year-to-Date	Executive	Exec to FY 2002-03 YTD	
	as of 3/6/03		Amount	%
<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%

**Transfer Benefits Program:** Includes a \$5.2 million transfer of the employee benefits program from the Department of Management and Budget. Executive Order 2002-13 mandated this programmatic transfer.

**Eliminate Employee Quality Recognition System:** Recommends elimination of the State Employee Quality Recognition System, saving \$191,800 of GF/GP.

**Training and Development:** Includes a \$1.0 million reduction of IDG revenue to the training and development program.

## Executive

Analyst: Robin R. Risko

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

**Administrative Efficiencies:** Reflects a savings of \$136,900 GF/GP to be achieved through administrative efficiencies.

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

## Information Technology

Analyst: Robin R. Risko

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

**Child Support Enforcement System:** Reflects a savings of \$20.6 million due to reducing funding for the Child Support Enforcement System to cover costs associated only with maintenance.

**Executive Order Savings:** Reflects a savings of \$17.4 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/agency budgets instead.

**Administrative Efficiencies:** Reflects a savings of \$10.4 million to be achieved through administrative efficiencies.

## Legislature

Analyst: Robin R. Risko

	FY 2002-03	FY 2003-04	Difference:	
	Year-to-Date as of 3/6/03	Executive	Exec to FY 2002-03 YTD Amount	%
<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%

NO CHANGES from current year-to-date appropriations. (Note: FY 2004 Executive recommendation assumes the \$1.8 million reduction referred to in Executive Order 2003-03. The \$1.8 million reduction is to occur via the proposed negative supplemental bill.)

## Management and Budget

Analyst: Robin R. Risko

	FY 2002-03	FY 2003-04	Difference:	
	Year-to-Date as of 3/6/03	Executive	Exec to FY 2002-03 YTD Amount	%
<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%

**Program Transfers:** Reduces FTE positions by 39.5 and reflects a savings of \$6.8 million Gross due to the transfer of the Employee Benefits program from DMB to the Department of Civil Service (31.0 FTE positions and \$5.4 million), and the 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).

**Administrative Efficiencies:** 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).

**Rolls Up Line Items:** Rolls up the three administrative and support services line items into one “operations” line item with a total of \$126.7 million in Gross funding.

**Information Technology:** Reduces information and technology services and project funding by \$646,200 GF/GP.

**State**

*Analyst: Steve Stauff*

	FY 2002-03 Year-to-Date as of 3/6/03	FY 2003-04 Executive	Difference: Exec to FY 2002-03 YTD	
			Amount	%
<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%

**Administrative and Operational Improvements:** Recognizes an additional \$500,000 GF/GP savings through administrative and operational improvements. These will come from various appropriation lines.

**Commercial Look-Up Fees:** 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 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 fees. A like amount of GF/GP revenue is removed from the Department of State budget.

**State Service Fee Funding:** Removal of 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 is recommended.

## Treasury

Analyst: Steve Stauff

	FY 2002-03	FY 2003-04	Difference:	
	Year-to-Date	Executive	Exec to FY 2002-03 YTD	
	as of 3/6/03		Amount	%
<b>IDG/IDT</b>	\$19,445,300	\$14,278,600	(\$5,166,700)	-26.6%
<b>Federal</b>	44,296,100	44,196,100	(100,000)	-0.2%
<b>Local</b>	910,800	910,800	0	0.0%
<b>Private</b>		0	0	0.0%
<b>Restricted</b>	1,762,733,900	1,669,491,700	(93,242,200)	-5.3%
<b>GF/GP</b>	75,309,997	122,943,100	47,633,103	63.2%
<b>Gross</b>	<b>\$1,902,696,097</b>	<b>\$1,851,820,300</b>	<b>(\$50,875,797)</b>	<b>-2.7%</b>
<b>FTEs</b>	1,861.5	1,867.5	6.0	0.3%

**Revenue Sharing:** Includes a \$43.7 million reduction to revenue sharing payments, or 3% below the FY 2002-03 spending level. The reduction is proposed to be distributed proportionally to all communities.

**Administrative and Operational Improvements:** Provides an additional \$500,000 GF/GP savings through administrative and operational improvements. These will come from various appropriation lines.

**Qualified Agricultural Loan Payments:** Reduces the Qualified Agricultural Loan payments by \$800,000 from current year, reflecting anticipated FY 2003-04 needs.

**Lottery Games:** 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 is proposed for administration expenses related to the operation of these two games.

**Debt Service:** Debt service for the Clean Michigan Initiative bond issues is increased to \$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 is with a like amount of GF/GP in FY 2003-04.

## BUDGET AREA: HUMAN SERVICES

### Community Health

FY 2003-04 House Bill

Analysts: Margaret Alston, Bill Fairgrieve, Sue Frey

	FY 2002-03	FY 2003-04	Difference:	
	Year-to-Date	Executive	Exec to FY 2002-03 YTD	
	as of 3/6/03		Amount	%
<b>IDG/IDT</b>	\$69,172,900	\$69,204,800	\$31,900	0.0%
<b>Federal</b>	4,915,610,036	4,890,865,600	(24,744,436)	-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>\$9,209,410,548</b>	<b>\$9,117,346,900</b>	<b>(\$92,063,648)</b>	<b>-1.0%</b>
<b>FTEs</b>	5,672.3	4,672.2	(1,000.1)	-17.6%

**Medicaid Adult Benefits Waiver:** 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. This would also restore some benefits to caretaker relatives whose Medicaid eligibility was terminated in Executive Order 2003-3 and extend the limited Medicaid benefit package to persons currently served through the State Medical Program, and county indigent care plans. Anticipated savings are \$158.5 million gross, \$109.9 million GF/GP.

**Pharmaceutical Services Savings:** Includes additional Medicaid savings \$68.8 million gross, \$30.0 million GF/GP adjusting the price paid for generic drugs and lower prescription drug costs through a multi-state purchasing initiative. Savings are in addition to the \$22.4 million gross \$10.0 million GF/GP savings in Executive Order 2003-3.

**Provider Assessment Fees:** Replaces \$57.6 million GF/GP with revenues from hospitals, nursing homes, pharmacies, and provider assessment fees.

**Additional Tobacco Settlement Revenues:** An additional \$126.7 million in revenues from the Merit Award and Tobacco Settlement Trust Funds are proposed to replace the same amount of state GF/GP in support of the Medicaid program.

**Medicaid Caseload, Utilization, and Inflation Increases:** 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 Capitation Payment Rate Increase for CMHSPs:** Recognizes an increase of \$58.9 million for Medicaid Mental Health Services financed in part with local funds from CMHSPs. It also includes an additional \$22.7 million gross and \$10.0 million GF/GP for a 1.6% capitation payment rate increase for CMHSPs.

**Family Planning Waiver:** Proposes a family planning waiver to provide an additional \$2.25 million of federal Medicaid funds for family planning programs in the first year, using existing family planning program GF/GP for the required 10% state match.

**Public Health Federal Grant Increases:** Reflects \$54.6 million gross in additional and new 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 supplemental food program, \$3.3 million for senior community and nutrition services, and \$6.1 million for 12 other program areas including asthma, rape prevention, HIV care, and epidemiology and laboratory capacity.

### Corrections

*FY 2003-04 House Bill  
Analyst: Marilyn Peterson*

	FY 2002-03	FY 2003-04	Difference:	
	Year-to-Date as of 3/6/03	Executive	Exec to FY 2002-03 YTD Amount	%
<b>IDG/IDT</b>	\$3,318,500	\$3,253,600	(\$64,900)	-2.0%
<b>Federal</b>	26,403,400	27,798,400	1,395,000	5.3%
<b>Local</b>	391,100	391,100	0	0.0%
<b>Private</b>	0	0	0	0.0%
<b>Restricted</b>	55,750,600	60,748,800	4,998,200	9.0%
<b>GF/GP</b>	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>2.3%</b>
<b>FTEs</b>	18,843.9	18,308.7	(535.2)	-2.8%

**Population:** Assumes zero prison population growth during FY 2003-04; growth to be curtailed by a variety of efforts, including a new Conditional Reintegration Program that would place nonviolent prisoners in corrections centers or on tether immediately prior to parole. An estimated 1,375 prisoners could be transferred to the program by the end of FY 2003-04, thus freeing prison bed space. The \$7.9 million cost of the program would be met through \$6.0 million in bed space savings and \$1.9 million in collections from program participants.

**County Jail Reimbursement:** Revises reimbursement criteria for county jail reimbursement program; reimbursement would not be available for felony drunk drivers whose sentencing guidelines scores do not indicate a prison sentence; estimated savings of \$6.9 million.

**Health Care Costs:** Includes \$13.4 million GF/GP for increased health care costs, including \$8.1 million for increased costs under the new contract with Correctional Medical Services, Inc., for off-site hospital and specialty care (provided through a capitated managed care program) and on-site medical service providers

(physicians, physician's assistants, and nurse practitioners). Also included in the \$13.4 million increase is \$5.1 million for increased pharmaceutical costs.

**Prison Beds Open:** Provides additional funding of \$9.8 million to meet the full-year costs of 1,175 prison beds open and receiving partial-year funding in FY 2002-03. Another \$2.3 million funds 271 beds that opened and were unfunded in FY 2002-03.

**Michigan Youth Correctional Facility:** Accommodates operational cost increases of \$2.2 million for the privately-owned and -operated Michigan Youth Correctional Facility (MYCF); about \$1.4 million derives from cost increases anticipated under new operational contract (currently under negotiation) that will take effect in July, while the remainder reflects a 30-bed increase in the offender population. For the first year, MYCF costs will not be fully met using the state's federal VOI/TIS (Violent Offender Incarceration/Truth in Sentencing) grant. The grant is expected to be consumed by year's end, and the FY 2003-04 budget includes \$1.1 million in GF/GP funding for the management contract with Wackenhut Corrections Corporation.

**Retirement:** Consolidates and reduces non-custody staff positions throughout the Department and makes a variety of other adjustments in order to cover increased contributions to the state employees retirement system.

**Family Independence Agency**

*FY 2003-04 Senate Bill*

*Analysts: Erin Black and Myron Freeman*

	FY 2002-03	FY 2003-04	Difference:	
	Year-to-Date		Exec to FY 2002-03 YTD	
	as of 3/6/03	Executive	Amount	%
<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%

**Enhanced Child Care Fund Reimbursement:** 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 will be increased up to 75% from the present level of 50%.

**Reduction in TANF Funded Program:** Recognizes \$25.4 million in savings applicable to the elimination or reduction of spending for various programs funded by Temporary Assistance to Needy Families dollars. Programs include: Before & After School pilot, Teen Parent Counseling, Family Preservation Programs, Fatherhood and Marriage Initiatives, and the Kinship Care pilot.

**Day Care Caseload Increase:** Recognizes \$35.0 million to capture caseload spending increases.

**Family Independence Program Caseload Decrease:** Recognizes \$38.4 million in caseload savings. Caseloads are projected to be at the 69,500 level—down 10,200 cases from the prior year.

**Energy Assistance Increase:** Includes \$35.6 million in new federal dollars for LIHEAP and Weatherization services.

**BUDGET AREA: REGULATORY**

**Career Development**



	FY 2002-03	FY 2003-04	Difference:	
	Year-to-Date as of 3/6/03	Executive	Exec to FY 2002-03 YTD Amount	%
<b>IDG/IDT</b>	\$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	(1,866,100)	-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%

**Council of Michigan Foundations:** 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 2000-01 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:** The current FY 2002-03 appropriation of \$900,000 for “Pre-college Programs in Engineering and the Sciences” is eliminated in the Governor’s FY 2003-04 budget proposal. The current appropriation is allocated to two programs in the Detroit and Grand Rapids areas. The programs provide math and science programs for disadvantaged youth interested in engineering and science careers.

**GF/GP Support for Michigan Works! Service Centers:** 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 Due to Proposed Executive Reorganization:** 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. However, a generic negative GF/GP appropriation of \$539,400 is included in the Career Development budget for “Administrative Savings.” The negative appropriation reflects anticipated savings to be achieved upon consolidation of the departments.

## Consumer and Industry Services

FY 2003-04 Senate Bill

Analyst: Bob Schneider

	FY 2002-03	FY 2003-04	Difference:	
	Year-to-Date as of 3/6/03	Executive	Exec to FY 2002-03 YTD Amount	%
<b>IDG/IDT</b>	\$111,100	\$111,100	\$0	0.0%
<b>Federal</b>	241,911,500	283,831,500	41,920,000	17.3%
<b>Local</b>	0	0	0	0.0%
<b>Private</b>	770,000	770,000	0	0.0%
<b>Restricted</b>	269,366,800	285,815,300	16,448,500	6.1%
<b>GF/GP</b>	32,900,464	19,669,800	(13,230,664)	-40.2%
<b>Gross</b>	<b>\$545,059,864</b>	<b>\$590,197,700</b>	<b>\$45,137,836</b>	<b>8.3%</b>
<b>FTEs</b>	4,012.4	4,001.0	(11.4)	-0.3%

**Fee Increases Used to Offset GF/GP Appropriations:** Contains new restricted revenue appropriations of \$10.6 million to be financed through increased fees. The increased fee appropriations are then used to offset GF/GP appropriations, generating an equivalent \$10.6 million in GF/GP savings. The budget proposal would increase fees in the following areas: a) annual report filing fees imposed on corporations and other business entities (roughly \$4 million in new revenue); b) securities licensing/registration fees imposed on security agents, investment advisors, and security brokers/dealers (\$4 million in revenue); c) occupational licensing fees in a number of fields (\$2 million in revenue); d) licensing and construction review fees on health facilities such as hospitals, nursing homes, and substance abuse programs (\$600,000 in revenue). The budget proposal also incorporates these and other fees currently set in statute into budget boilerplate. Legislative action would be necessary to implement the fee proposals.

**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). The Office's role is similar to the Bureau of Construction Codes, which handles construction inspections and reviews to ensure adequate construction standards are utilized. General fund/general purpose appropriations are reduced by \$856,600 as a result of the consolidation.

**Day Care Licensing Fund Shift:** Available federal revenues are used to replace \$450,000 in GF/GP appropriations supporting the day care licensing program within the Department. The action builds on a similar \$665,200 fund shift implemented by Executive Order 2003-3.

**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 Due to Proposed Executive Reorganization:** The Governor has proposed consolidating the DCIS with the Department of Career Development. However, the Executive Order to implement the consolidation has not yet been finalized. As a result, separate budgets are proposed for each individual department. However, a generic negative GF/GP appropriation of \$200,000 is included in the budget for "Administrative Savings." The negative appropriation reflects anticipated savings to be achieved upon consolidation of the departments.

**Michigan Strategic Fund / Michigan Economic Development Corporation**

FY 2003-04 Senate Bill

Analyst: Bob Schneider

	FY 2002-03	FY 2003-04	Difference:	
	Year-to-Date as of 3/6/03	Executive	Exec to FY 2002-03 YTD Amount	%
<b>IDG/IDT</b>	\$100,900	\$100,900	\$0	0.0%
<b>Federal</b>	62,953,300	52,953,300	(10,000,000)	-15.9%
<b>Local</b>	0	0	0	0.0%
<b>Private</b>	853,100	853,100	0	0.0%
<b>Restricted</b>	32,550,000	10,050,000	(22,500,000)	-69.1%
<b>GF/GP</b>	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>
<b>FTEs</b>	231.5	231.5	0.0	0.0%

**Technology Tri-Corridor:** The Governor recommends replacing 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 Life Sciences Corridor provides funding to universities and private facilities to support research and development in the life sciences as well as support for 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 Michigan Economic Development Corporation is also examining its current funding commitments in an effort to find another \$10.0 million from its internal corporate funds (largely derived from contributions from Indian gaming casinos) that could be re-allocated to support this program.

**Economic Development Job Training Grants:** Grant program is reduced by \$2.3 million in the Executive Budget 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. First, the grant program is restructured into a Business Response Program which aims to retain and attract permanent jobs and a Manufacturing Competitiveness Program which aims to provide collaborative grants benefitting multiple companies. Second, current earmarks for community colleges and private sector training providers are removed. Finally, applicable match requirements for participating businesses are increased from 25% to 30% of the grant amount.

**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 Governor's budget proposal. The program supports tourism advertising campaigns in targeted regional markets as well as tourism publications and market research.

**Michigan Economic Development Corporation (MEDC) Operations:** GF/GP appropriations to the "Administration" and "Job Creation Services" line items are reduced by just under \$1.5 million in the proposed budget. These line items support the general operations of the MEDC, including staffing costs, technology, contractual services, research, and other overhead costs. The reductions will be spread across many of the agency's programs.

## BUDGET AREA: RESOURCE PROTECTION

### **Agriculture**

*FY 2003-04 Senate Bill  
Analyst: Kirk Lindquist*

	FY 2002-03	FY 2003-04	Difference:	
	Year-to-Date as of 3/6/03	Executive	Exec to FY 2002-03 YTD Amount	%
<b>IDG/IDT</b>	\$10,960,400	\$10,857,400	(\$103,000)	-0.9%
<b>Federal</b>	6,851,700	6,801,700	(50,000)	-0.7%
<b>Local</b>	0	0	0	0.0%
<b>Private</b>	1,127,600	1,127,600	0	0.0%
<b>Restricted</b>	38,335,800	39,053,300	717,500	1.9%
<b>GF/GP</b>	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>
<b>FTEs</b>	635.5	569.0	(66.5)	-10.5%

**Restricted Funds:** Replaces and reduces \$275,000 of GF/GP with restricted funds for consumer protection, laboratory and animal health programs.

**User Fees:** Replaces and reduces \$549,000 of GF/GP with increased user fees for nursery stock inspections, pesticide applicator fees, metrology lab fees, animal industry program fees, and right-to-farm fees.

**Administrative and Program Support:** Diverts more than \$2.0 million in Equine Industry Development Fund to Department administrative and program support line items to replace GF/GP.

**Grants to Soil Conservation Districts:** Grants for training and special programs are reduced by \$195,300. The basic \$20,000 grant for each district are not affected.

**Eliminated Programs:** The "Taste of Michigan," Seed Germination, and Fruit and Vegetable inspection programs are not included in the Governor's recommendations.

### **Environmental Quality**

*FY 2003-04 House Bill  
Analyst: Kirk Lindquist*

	FY 2002-03	FY 2003-04	Difference:	
	Year-to-Date as of 3/6/03	Executive	Exec to FY 2002-03 YTD Amount	%
<b>IDG/IDT</b>	\$14,042,900	\$14,142,900	\$100,000	0.7%
<b>Federal</b>	131,521,400	129,169,500	(2,351,900)	-1.8%
<b>Local</b>	0	0	0	0.0%
<b>Private</b>	435,700	435,700	0	0.0%
<b>Restricted</b>	192,059,100	147,153,500	(44,905,600)	-23.4%
<b>GF/GP</b>	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>
<b>FTEs</b>	1,596.7	1,622.7	26.0	1.6%

**Funding Shifts and Fee Increases:** Three significant fee proposals are offered—National Pollution Discharge Elimination System fees, \$6.9 million; Groundwater Discharge Permit fees, \$3.6 million; Stormwater Discharge Permits, \$1.1 million

**Eliminated Programs:** Septage Program, \$1,874,100; Swimming Pool Inspections, \$651,500; Site planning for manufactured homes, \$621,200

### **Natural Resources**

	FY 2002-03	FY 2003-04	Difference:	
	Year-to-Date as of 3/6/03	Executive	Exec to FY 2002-03 YTD Amount	%
<b>IDG/IDT</b>	\$3,437,900	\$3,437,900	\$0	0.0%
<b>Federal</b>	30,427,300	27,806,600	(2,620,700)	-8.6%
<b>Local</b>	0	0	0	0.0%
<b>Private</b>	1,793,700	1,871,400	77,700	4.3%
<b>Restricted</b>	177,513,900	180,203,500	2,689,600	1.5%
<b>GF/GP</b>	41,624,717	28,823,500	(12,801,217)	-30.8%
<b>Gross</b>	<b>\$254,797,517</b>	<b>\$242,142,900</b>	<b>(\$12,654,617)</b>	<b>-5.0%</b>
<b>FTEs</b>	2,081.5	2,088.5	7.0	0.3%

**State Parks:** General Fund 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 payments in lieu of taxes (PILT). 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.

## BUDGET AREA: SAFETY AND DEFENSE

### **Military Affairs**

FY 2003-04 Senate Bill  
Analyst: Kyle I. Jen

	FY 2002-03	FY 2003-04	Difference:	
	Year-to-Date as of 3/6/03	Executive	Exec to FY 2002-03 YTD Amount	%
<b>IDG/IDT</b>	\$200,000	\$200,000	\$0	0.0%
<b>Federal</b>	40,623,800	40,627,900	4,100	0.0%
<b>Local</b>	0	0	0	0.0%
<b>Private</b>	530,000	1,870,700	1,340,700	253.0%
<b>Restricted</b>	23,646,700	23,800,100	153,400	0.6%
<b>GF/GP</b>	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>
<b>FTEs</b>	1,079.0	1,079.0	0.0	0.0%

**Challenge Program:** \$1.3 million GF/GP for Challenge Program matching funds eliminated, to be replaced by private funds (specific private sources not yet identified)

**Veterans Service Organizations:** \$3.9 million GF/GP for 11 grants to veterans service organizations consolidated into single line item

**Civil Air Patrol:** \$86,000 GF/GP grant to Civil Air Patrol eliminated

**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 early retirement 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 \$453,000, and authorization for restricted income and assessment revenue is increased by a total of \$153,400.

**State Police**

FY 2003-04 Senate Bill

Analyst: Kyle I. Jen

	FY 2002-03	FY 2003-04	Difference:	
	Year-to-Date as of 3/6/03	Executive	Exec to FY 2002-03 YTD Amount	%
<b>IDG/IDT</b>	\$19,282,800	\$17,882,800	(\$1,400,000)	-7.3%
<b>Federal</b>	45,570,500	55,292,300	9,721,800	21.3%
<b>Local</b>	3,913,700	4,506,600	592,900	15.1%
<b>Private</b>	0	0	0	0.0%
<b>Restricted</b>	59,816,900	103,363,400	43,546,500	72.8%
<b>GF/GP</b>	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>
<b>FTEs</b>	3,448.5	3,337.5	(111.0)	-3.2%

**Trooper School:** \$36.4 million in new restricted revenue for trooper costs from proposed increase in drivers license renewal fees and diversion of existing fee revenue; partially offset by \$31.4 million GF/GP reduction; net \$5.0 million increase to be used for 100-recruit trooper school

**Fire Marshal and Fire Fighters Training Council:** \$6.3 million in new restricted revenue for Fire Marshal, Fire Fighters Training Council, and related costs from proposed insurance assessment; offset by \$6.3 million GF/GP reduction

**Vacancies:** \$5.2 million in GF/GP reductions for savings from vacant positions, including \$3.1 million from At-Post Troopers line item

**First Responders:** \$6.4 million increase in federal authorization for first responder equipment grant funding

**DNA Funding:** \$3.0 million increase in federal authorization for potential DNA grant funding

**BUDGET AREA: ALL OTHER**
**Capital Outlay**

FY 2003-04 House Bill

Analyst: Al Valenzio

	FY 2002-03	FY 2003-04	Difference:	
	Year-to-Date as of 3/6/03	Executive	Exec to FY 2002-03 YTD Amount	%
<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>	0.0	0.0	0.0	0.0%

**Funding Reductions:** Gross appropriations are down \$14.5 million, or 2.4% while GF/GP appropriations are up \$17.1 million, or 5.9%. Elimination of one-time restricted fund appropriations totaling \$67.2 million accounts for most of the Gross reduction. State Building Authority Rent accounts entirely for the GF increase.

**Health and Safety Issues:** GF appropriations for major special maintenance for various state agencies have been consolidated into one line item and will only be used for emergency repairs relating to health and safety issues.

**Army Aviation Support Facility:** Authorizes the construction of a new Army Aviation Support Facility at Grand Ledge for the National Guard costing \$20.8 million and financed almost entirely from federal funds.

**New Armory in Shiawassee County:** Authorizes the construction of a new armory in Shiawassee County at a cost of \$5 million, financed 75%/25%, federal/state.

**Transportation Service Center:** Authorizes the construction of a new Transportation Service Center (TSC) in Detroit to house MDOT employees. The total cost is \$2.5 million financed from the State Trunkline Fund.

**New MDOT Office Building:** Authorizes a \$1.8 million project cost increase for the new Gaylord Regional (MDOT) Office Building partly funded by the termination of the \$1 million Grayling TSC project.

**Marina Upgrade Projects:** Provides matching Waterways Fund monies for locally-owned marina upgrade projects at South Haven (\$625,000) and Harrisville (\$600,000).

**Project Delays:** Of the currently authorized, active State Building Authority projects for state agencies, universities, and community colleges the administration is indicating that only those projects "...with direct, measurable economic benefits" will move forward. All others will be delayed. This could adversely affect about two dozen projects for these agencies/institutions.

### **History, Arts, and Libraries**

FY 2003-04 Senate Bill  
Analyst: Steve Stauff

	FY 2002-03	FY 2003-04	Difference:	
	Year-to-Date	Executive	Exec to FY 2002-03 YTD	
	as of 3/6/03		Amount	%
<b>IDG/IDT</b>	\$0	\$137,500	\$137,500	0.0%
<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)	-20.6%
<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%

**Arts and Cultural Grants Reduction:** The Executive Recommendation proposes a 49% (\$10,629,200) general fund 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.

**Reductions to Local Libraries:** The Executive Recommendation includes a \$1,019,000 general fund reduction in grant funding to local libraries from the FY 2002-03 YTD level. Programs affected include State Aid to libraries, Subregional State Aid to the blind and physically handicapped, as well as 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 the expenditure of available revenue through subgrants 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 general fund savings of \$152,700. Past funding provided seed money for planning or restoration work on Michigan lighthouses.

### **Judiciary**

FY 2003-04 Senate Bill

Analyst: Kyle I. Jen

	FY 2002-03	FY 2003-04	Difference:	
	Year-to-Date as of 3/6/03	Executive	Exec to FY 2002-03 YTD Amount	%
<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%

**Filing Fee Increases:** \$8.6 million in increased restricted revenue for Court Equity Fund from proposed filing fee increases and Justice System Assessment; offset by \$9.0 million GF/GP reduction (\$392,300 net reduction)

**Judicial Technology Improvement Fund:** \$4.5 million in new restricted revenue for Judicial Technology Improvement Fund from proposed filing fee increases; partially offset by elimination of \$2.1 million GF/GP appropriation (\$2.4 million net increase)

**Funding increases for Drug Court Grant Program:** \$1.3 million in restricted revenue from proposed Justice System Assessment and \$1.8 million IDG of federal Byrne funding

**Line Item Reductions:** \$730,600 in GF/GP reductions to various operational line items

**Community Dispute Resolution Program:** \$559,200 in increased restricted revenue for Community Dispute Resolution Program from filing fee increases; offset by \$559,200 GF/GP reduction

### Transportation

FY 2003-04 Senate Bill  
Analyst: William E. Hamilton

	FY 2002-03	FY 2003-04	Difference:	
	Year-to-Date as of 3/6/03	Executive	Exec to FY 2002-03 YTD Amount	%
<b>IDG/IDT</b>	\$0	\$0	\$0	0.0%
<b>Federal</b>	963,136,100	965,255,100	2,119,000	0.2%
<b>Local</b>	5,800,000	5,800,000	0	0.0%
<b>Private</b>	0	0	0	0.0%
<b>Restricted</b>	2,124,655,300	2,228,934,100	104,278,800	4.9%
<b>GF/GP</b>	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>
<b>FTEs</b>	3,074.3	3,075.3	1.0	0.0%

**Diesel and LP Gas Motor Fuel Taxes:** 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 Act 51 formula—10% to the Comprehensive Transportation Fund (CTF) for public transportation programs, 35% for state trunkline programs administered by the Michigan Department of Transportation, 35% to County Road Commissions, and 20% to cities and villages.

**Driver's License Fee Revenue:** Redirects \$13.0 million in certain driver's license fee revenue from the Transportation Economic Development Fund to a new Traffic Enforcement and Safety Fund within the Michigan State Police.



**Amend Sales Tax Act:** 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 would redirect an estimated \$10.6 million from the CTF to the state General Fund.

**Michigan Transportation Fund Grants:** Grants from the Michigan Transportation Fund (MTF) to other state departments—primarily to reimburse the departments of State and Treasury for the costs of collecting MTF revenue—have been retained at approximately current-year levels. The Executive proposes \$104.4 million in MTF grants to other state departments, \$1.4 million less than the current-year appropriation.

**Federal Funds:** The budgeted allocation of federal aid to local units of government, \$226.5 million, includes an allocation of 15% of estimated federal bridge funds to local units of government. This is consistent with prior fiscal years. The legislature's attempt to earmark additional federal bridge funds to local units of government in the current year was vetoed by Governor Engler.

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