

State Of Michigan

**THE GOVERNOR'S
FY 2005-06
BUDGET PROPOSAL**

Review and Analysis



prepared by the



Mitchell E. Bean, Director

March 2005

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March 2004

TO: Members of the Michigan House of Representatives

We are pleased to provide you with this ***Governor's FY 2005-06 Budget Proposal Review and Analysis.***

In this publication, the *Director's Overview* provides information on revenue sources proposed in the Executive Recommendation for FY 2005-06, including tobacco settlement funds. It also provides summary charts and tables of proposed budget funds and sources.

Budget summaries and analyses in this report were prepared for each department/agency by House Fiscal Agency analysts; the Consensus Revenue section was prepared by HFA's economists. Report production 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.

A handwritten signature in black ink that reads "Mitchell E. Bean".

Mitchell E. Bean, Director

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GLOSSARY

Frequently-Used State Budget Terms

MAJOR STATE FUNDS

Budget Stabilization Fund (BSF)

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

School Aid Fund (SAF)

A restricted fund which is the primary funding source for K-12 schools and Intermediate School Districts (ISDs)

General Fund

The General Fund (funded from taxes and other general revenues) is used to account for the ordinary operations of a governmental unit that are not accounted for in another fund.

REVENUE SOURCES

General Fund/General Purpose (GF/GP)

Unrestricted General Fund revenue that is available to fund any activity accounted for in the General Fund. Unused GF/GP revenue lapses to the General Fund at the end of each fiscal year.

State Restricted (Restricted)

State revenue restricted by state law or by outside restriction that is available only for specified purposes. Unused restricted revenues, at year-end, remain in the restricted fund and do not lapse to the General Fund.

Federal Revenue

Federal grant or matchable revenue dedicated to specific programs

Local Revenue

Revenue from local units of government

Private Revenue

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

Interdepartmental Grant (IDG)

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

Intrdepartmental Transfer (IDT)

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

STATE BUDGET TERMS

Gross Appropriations (Gross)

The total of all applicable appropriations (statutory spending authorizations) in a budget bill

Adjusted Gross Appropriations (Adjusted Gross)

The net amount of all gross appropriations after subtracting interdepartmental grants (IDGs) and intradepartmental transfers (IDTs)

Lapses

Appropriation amounts that are unspent/unobligated at the end of a fiscal year.. Appropriations are automatically terminated at the end of a fiscal year unless otherwise provided by law

Work Project

A statutorily-authorized account which allows a spending authorization to be carried over from one fiscal year to a succeeding fiscal year or years— i.e., allows funds to be spent over a period of years

APPROPRIATION BILL TERMS

Line Item

Specific funding amount in an appropriation bill which establishes spending authorization for a particular program or function (may be for a single purpose or for multiple purposes)

Boilerplate

Specific language sections in an appropriation bill which direct, limit or restrict line item expenditures, express legislative intent, and/or require reports

FY 2005-06 Budget Detail

DIRECTOR'S OVERVIEW

Overview

Resources Used in Executive Budget

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FY 2005-06 Executive Recommendation DIRECTOR'S OVERVIEW

The FY 2005-06 Executive Budget Recommendation calls for \$40.5 billion in adjusted gross appropriations. This includes \$8.9 billion in General Fund/General Purpose (GF/GP), \$18.4 billion in restricted funds, and \$12.8 billion in federal funds. It should be noted that FY 2005-06 adjusted gross and GF/GP figures do not reflect the \$32.1 million in "contract and IT purchase reductions" mentioned in the Executive Recommendation but not distributed to specific budgets. Of the total adjusted gross amount, \$15.8 billion is designated for payments to local units of government and \$1.1 billion is designated for revenue sharing payments. (Article IX, Section 30 of Michigan's *Constitution* requires that at least 48.97% of spending from state resources must be paid to local government.)

The \$40.5 billion used to fund adjusted gross expenditures includes \$542.9 million in revenue enhancements. The Executive Recommendation includes proposals that increase federal, local, state restricted, and GF/GP revenue. Details of these proposals are discussed in this Overview and later in this publication as they pertain to various departmental budgets. Refer to Table 1, page 16 for a summary of the overall content of the Executive Recommendation adjusted for revenue enhancements.

The Executive recommends increasing state resources by restructuring the existing School Bond Loan Fund to be a revolving fund, which eliminates state costs currently associated with this school construction lending program. Under the proposal, the Michigan Municipal Bond Authority would lend money for interest on construction loans to school districts, which would then repay the loans to the revolving fund. The re-payments would then be lent to other school districts for interest on construction loans.

In addition, Executive recommendations for both this year and next would authorize \$239 million in State Building Authority (SBA) bond proceeds to finance special maintenance projects for higher educational institutions and state agencies. These are typically financed from operational reserves or direct appropriations of general fund or restricted fund monies. The recommendation would proportionately distribute \$100 million of SBA bond funds—both this year and next—to each state university and community college for special maintenance projects on existing academic facilities. An additional \$125.2 million would be authorized for state agency special maintenance projects, and \$13.8 million would be authorized for Public Safety radio tower upgrades.

The Executive Recommendation for FY 2005-06 is based on consensus revenue estimates agreed to at the January 13, 2005, Consensus Revenue Estimating Conference. Consensus revenue estimates are discussed in detail in the Consensus Revenues section of this publication.

This Overview includes:

- Comparison of FY 2004-05 year-to-date and FY 2005-06 Executive Recommendation Adjusted Gross.
- Review of resources used in the Executive Recommendation.
- Proposed appropriations from tobacco settlement funds.
- Review of Executive-proposed tax expenditures to be eliminated.
- Review of the Executive-proposed Single Business Tax plan.
- List of Executive Recommendation funding by result area.
- Graphs of Executive Recommendation GF/GP and Adjusted Gross distributed by budget area and by result area.
- Summary of the overall content of the budget including Table 1, which shows the Executive Recommendation adjusted for revenue enhancements, and Tables 2 through 6, which provide budget data.

Following the Overview, individual sections explain appropriations by department or major budget area. Each section includes a comparison of FY 2004-05 appropriations with the FY 2005-06 Executive Recommendation, a list of funding allocated by result area as recommended by the Executive, a budget overview, and an analysis and discussion of major budget and boilerplate issues.

OVERVIEW

**CHANGE IN ADJUSTED GROSS APPROPRIATIONS
FY 2004-05 YEAR-TO-DATE AND FY 2005-06 EXECUTIVE RECOMMENDATION**

The FY 2005-06 Executive Budget Recommendation would increase adjusted gross appropriations by \$1,285.4 million (3.3%), GF/GP appropriations by \$56.5 million (0.6%), and state restricted funding by \$1,065.3 million (6.2%) from year-to-date FY 2004-05 levels. Total state spending from state sources increases \$1,121.8 million (4.3%).

It should be noted that FY 2005-06 adjusted gross and GF/GP figures do not reflect the \$32.1 million in “contract and IT purchase reductions” mentioned in the Executive Recommendation but not distributed to specific budgets.

Appropriations in Millions of Dollars

	Year-to-Date FY 2004-05	Executive Recommendation FY 2005-06	Amount Change	% Change
General Fund/General Purpose	\$8,850.7	\$8,907.2	\$56.5	0.6%
State Restricted	<u>17,306.3</u>	<u>18,371.6</u>	<u>1,065.3</u>	6.2%
Total State Spending from State Sources	\$26,157.0	\$27,278.8	\$1,121.8	4.3%
Federal	12,351.5	12,817.9	466.4	3.8%
Local	652.4	346.1	(306.3)	-46.9%
Private	<u>75.8</u>	<u>79.3</u>	<u>3.5</u>	4.6%
Total Adjusted Gross	\$39,236.7	\$40,522.1	\$1,285.4	3.3%

RESOURCES USED IN FY 2005-06 EXECUTIVE BUDGET RECOMMENDATION

Resources used to fund General Fund/General Purpose, School Aid Fund, Medicaid Benefits Trust Fund, Merit Award Trust Fund, and Tobacco Settlement Trust Fund expenditures in the Executive Budget Recommendation are reported below.

**FY 2005-06 EXECUTIVE RECOMMENDATION ESTIMATES
GENERAL FUND/GENERAL PURPOSE
(Millions of Dollars)**

FY 2005-06 consensus revenue estimate	\$8,156.2
Proposed elimination of tax expenditures	\$64.0
Proposed CVT revenue sharing freeze	\$396.1
County revenue sharing savings	\$182.3
Reduce inter-fund borrowing rates	\$20.0
Proposed increase in liquor license fee	\$13.1
Proposed reduction of sales tax to CTF	\$11.1
Increase in escheats revenue	\$10.0
Proposed land sales	\$10.0
Proposed elimination of pharmaceutical credit	\$10.0
Proposal to deposit AG Equine Industry Fund in GF/GP	<u>\$6.1</u>
Total Resources	\$8,878.8

Due to rounding, numbers may not add exactly.

FY 2005-06 Consensus Revenue Estimate: Revenue estimates agreed to by the Consensus Conference in January 2005.

Proposed Elimination of Tax Expenditures: The Executive Recommends that nine tax subsidies be eliminated. See page 8 for details.

Proposed Increase in Liquor License Fee: Proposed increase in the annual fees license holders pay would be used to allow a \$13.1 million lapse from the Liquor Purchase Fund to GF/GP.

Proposed Reduction Increase of Sales Tax to Comprehensive Transportation Fund: Would freeze sales tax transfers at FY 2004-05 level and increase GF/GP revenue.

Increase in Escheats Revenue: Accomplished through implementation of an unclaimed property enforcement audit program to generate an estimated \$10 million.

Proposed Land Sales: York Township (Washtenaw County), Western Wayne (Plymouth), School for the Blind (Lansing), Ottawa Street (Lansing).

Proposed Elimination of Pharmaceutical Credit: Accomplished through proposed SBT reform.

Proposal to Deposit AG Equine Industry Fund in GF/GP: Redirects \$6.1 million from increased casino tax to GF/GP.

OVERVIEW

**FY 2005-06 EXECUTIVE RECOMMENDATION ESTIMATES
SCHOOL AID FUND
(Millions of Dollars)**

Beginning fund balance	\$23.7
FY 2005-06 consensus revenue estimate	\$11,300.9
Proposed elimination of tax expenditures	\$47.9
School Bond Loan Fund proposal	\$44.5
Payment in lieu of taxes (2004 PA 513)	(\$2.0)
Federal aid	\$1,374.1
General Fund transfer	<u>\$20.0</u>
Total Resources	\$12,809.1

Due to rounding, numbers may not add exactly.

FY 2005-06 Consensus Revenue Estimate: Revenue estimates agreed to by the Consensus Conference in January 2005.

Proposed elimination of tax expenditures: The Executive Recommends that nine tax subsidies be eliminated. See page 8 for details.

School Bond Loan Fund proposal: Restructures the existing School Bond Loan Fund to be a revolving fund, eliminating the state costs currently associated with this school construction lending program. Under the proposal, the Michigan Municipal Bond Authority would lend money for interest on construction loans to school districts, which would then repay the loans to the revolving fund. The re-payments would then be lent to other school districts for interest on construction loans.

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

**FY 2005-06 EXECUTIVE RECOMMENDATION ESTIMATES
MEDICAID BENEFITS TRUST FUND
(Millions of Dollars)**

Beginning balance	\$0.0
Estimated interest	0.0
Estimated deposit:	
Revenue from Cigarette Tax	362.1
Revenue from OTP tax	<u>24.5</u>
Subtotal: Available Funds	386.6
Withdrawal in FY 2005-06 Executive Recommendation	(386.6)
FY 2005-06 Total Ending Balance	\$0.0

**FY 2005-06 EXECUTIVE RECOMMENDATION
TOBACCO SETTLEMENT REVENUE/EXPENDITURES**

MERIT AWARD TRUST FUND

<u>Tobacco Settlement Revenue</u> (includes fund balance from prior year and interest)	\$216.5 million
<u>Tobacco Settlement Expense</u>	
Community Health – Medicaid Base Funding Replaces state GF/GP match required for ongoing Medicaid program funding needs.	\$50.3 million
Education – Michigan Educational Assessment Program (MEAP) Test Administration Administration of the MEAP test given to 4th, 5th, 7th, 8th, and 11th grades as required by the revised school code.	\$16.3 million
Higher Education – University Operations Provides funds to establish per-student funding floor for state universities.	\$9.5 million
Higher Education – Michigan Merit Award Program Provides merit scholarships to high school graduates with a qualifying score on the MEAP test.	\$121.0 million
Higher Education – Tuition Incentive Program Two-phase program to encourage low-income students 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 four-year university.	\$12.0 million
Higher Education – Nursing Scholarships Provides awards to nursing students who agree to work in Michigan after licensure.	\$4.0 million
Treasury – Michigan Merit Award/Tuition Incentive Program Administration Administration of the Michigan Merit Award Scholarship and Tuition Incentive programs.	\$2.4 million
Treasury – Michigan Education Savings Plan Provides state match to accounts of qualified beneficiaries, giving Michigan families an incentive to save for higher education through a combination of tax deductions and state matching grants.	\$1.0 million
Expense Total	\$216.5 million

TOBACCO SETTLEMENT TRUST FUND

Tobacco Settlement Revenue (includes interest)	\$72.4 million
<u>Tobacco Settlement Expense</u>	
Attorney General – Administration Funds 3.0 FTE positions to perform ongoing legal work and activities related to the Tobacco Master Settlement Agreement.	\$0.4 million
Community Health – EPIC Program Provides coverage for prescription medications to senior citizens with incomes up to 200% of the poverty level.	\$3.9 million
Community Health – Long-Term Care Services Supports the personal needs allowance at \$60 per month for Medicaid patients in nursing homes.	\$5.0 million
Community Health – Medicaid Base Funding Replaces state GF/GP match required for ongoing Medicaid program funding needs.	\$58.1 million
Community Health – Office of Services to the Aging, Respite Care Provides temporary companionship, care, or assistance to an elderly person who needs constant attention, thereby providing respite to the regular at-home caregiver.	\$5.0 million
Expense Total	\$72.4 million

OVERVIEW

FY 2005-06 EXECUTIVE RECOMMENDATION: TAX EXPENDITURES TO BE ELIMINATED

	Fiscal Impact (Millions of Dollars)	
	<u>GF/GP</u>	<u>SAF</u>
Marginal Wells Natural gas producers pay a 5.0% severance tax rate on the gross cash value of their production; oil producers pay a 6.6% tax rate. Marginal wells that produce lesser amounts (typically about 35 or fewer barrels of oil per day) are taxed at a reduced rate of 4.0%. Eliminating the preferential tax treatment would increase GF/GP revenue.	\$2.2	\$0.0
International and Certain Interstate Communications International and certain interstate telecommunications (e.g., toll free calls, WATTS lines, etc.) are currently exempt from the use tax. Making such telecommunications subject to the use tax would increase revenue by about \$22.0 million.	14.6	7.3
Interstate Trucks and Trailers Purchases of trucks, trailers, and parts by interstate motor companies are exempt from sales taxes as long as at least 10% of the company's total mileage driven occurs outside of Michigan. Eliminating this condition would mean subjecting a percentage of these purchases to the same percentage as the number of miles driven in Michigan relative to total miles. That is, if 30% of the carrier's total miles are in Michigan, 30% of its previously exempt purchases would be taxable. This would increase sales tax revenue by an estimated \$16.4 million.	5.6	10.8
Water Softener and Water Cooler Exemption Currently, water coolers and water softeners that are leased are exempt from the personal property tax. Eliminating this exemption would subject this property to the 6-mill State Education Tax (SET) as well as the 18-mill non-homestead millage. The 6-mill SET would directly increase the SAF; the 18-mill non-homestead millage would be dedicated to pupil funding at the local level.	0.0	0.5
Railroad Credit Railroad companies that maintain or improve railroad cars and/or rights-of-way are eligible for a credit against the state utility property tax. Eliminating these credits would increase GF/GP revenue.	20.0	0.0
Copyrighted Motion Pictures Copyrighted motion pictures that are purchased or leased for public viewing by either theaters or individuals are exempt from sales and use taxes. Taxing this activity would increase sales tax revenue by about \$6.8 million and use tax revenue by about \$13.2 million. Approximately 72% of sales tax revenue and one-third of use tax revenue is constitutionally dedicated to the SAF; the remaining revenue would increase GF/GP.	10.7	9.3
Oil and Gas Royalty Oil and gas production are subject to a severance tax. As such, royalty income, which is taxable at the federal level, is subtracted from federal adjusted gross income (AGI) on the MI-1040, Schedule 1. Court rulings have permitted additional subtractions for certain indirect costs (such as depreciation) from the federal AGI—in essence, providing for a double exclusion. Eliminating the explicit subtraction on Schedule 1 would eliminate this double exemption and increase income tax revenue by an estimated \$5.0 million.	4.0	1.0
Food Sold Through Vending Machines Most food sold for immediate consumption is subject to sales taxes. Hot or cold foods dispensed from vending machines are also subject to the sales tax—except for some foods sold through vending machines (non-alcoholic beverages, milk, and food products at or near room temperature) which are specifically exempt. Eliminating this exemption to put vended foods on a par with other foods sold for immediate consumption would increase sales tax revenue by an estimated \$25.2 million	6.7	18.5
Purchases Made by Department of Corrections Inmates Under current law, purchases made by inmates at prison stores are exempt from sales taxes. Eliminating this exemption would increase sales tax revenue by an estimated \$0.7 million.	<u>0.2</u>	<u>0.5</u>
TOTAL	\$64.0	\$47.9

**FY 2005-06 EXECUTIVE RECOMMENDATION
PROPOSED SINGLE BUSINESS TAX PLAN: THE MICHIGAN JOBS AND INVESTMENT ACT**

According to the Department of Treasury, the fiscal impact of the Michigan Jobs and Investment Act is revenue neutral. The estimated fiscal impact of the components listed below is linked to the fiscal impact of other components in the package; therefore the fiscal impact of one change should be view as an accurate estimate only if the other changes are also adopted. Some of the figures below are from the *Executive Budget Appendix on Tax Credits, Deductions, and Exemptions FY 2005*.

Rate Changes

Rate Cut **Fiscal Impact: -\$739 million**
Reduces the Single Business Tax (SBT) rate from 1.9% to 1.2%

Rate Cut **Fiscal Impact: included in fiscal for #1**
Reduces the alternative tax rate for small businesses from 2.0% to 1.2%. The alternative tax rate, which is used by small, low-profit firms, is based on adjusted business income or profits.

Insurance Tax Increase **Fiscal Impact: +\$255 million**
Increases the tax on insurance companies from the current 1.0735% of adjusted receipts (primarily premiums) to 2.0%. This change would not apply to Blue Cross/Blue Shield, HMOs, or self-insurance plans. Foreign companies are subject to the retaliatory tax, which requires them to pay the same tax that a Michigan-based insurance company would have to pay in the company's home state. Foreign insurers pay the SBT or the retaliatory tax, whichever is greater.

New Credits

Create Manufacturing and R&D Personal Property Tax Credit **Fiscal Impact: -\$272 million**
New credit for manufacturing and research and development (R&D) companies would be equal to 35% of personal property taxes only on property used directly in the manufacturing or research and development process. This credit would be refundable.

Create a Research and Development Credit **Fiscal Impact: -\$15 million**
New credit would be equal to 1.2% of compensation paid to employees engaged in research and development. This credit would be non-refundable.

Eliminating Deductions, Credits, Other

Eliminate Excess Compensation Reduction **Fiscal Impact: +\$220 million**
Filing method reduces the tax for labor-intensive businesses. It reduces the adjusted tax base by the percent that labor compensation exceeds 63% of the total tax base. Reduction affects approximately 45,000 taxpayers—approximately 55% are in the retail trade and services sector.

Eliminate Gross Receipts Reduction **Fiscal Impact: +\$160 million**
Filing method reduces the adjusted tax base by the amount the tax base exceeds 50% of the adjusted gross receipts. Adjusted gross receipts equal apportioned gross receipts plus any capital acquisition deduction (CAD) recapture. Reduction affects approximately 17,000 taxpayers—primarily in the services and finance, insurance, and real estate sectors.

Eliminate Unincorporated/S-Corporation Business Credit..... **Fiscal Impact: +\$80 million**
Credit to provide more equal treatment of business income (salaries, dividends, retained earnings) between SBT and income tax. If business income is less than \$20,000, the credit is equal to 20% of the SBT liability. If business income is between \$20,000 and \$40,000, the credit is equal to 15% of the SBT liability. If business income is greater than \$40,000, the credit is equal to 10% of the SBT liability. Credit affects approximately 51,000 taxpayers—primarily in retail trade and services sectors.

Eliminate Utility Property Tax Credit..... **Fiscal Impact: +\$4 million**
Credit equal to 5% of the state utility property tax up to a maximum of the total SBT liability for telegraph and telephone companies. Credit affects approximately 45 communications and utility companies.

Eliminate Insurance Company Tax Credits **Fiscal Impact: ?**
Credit for payments into insurance funds. Insurance companies are required to make payments into funds to protect existing insurance policies in case of a company bankruptcy.

OVERVIEW

FY 2005-06 Executive Recommendation

Proposed Single Business Tax Plan: The Michigan Jobs and Investment Act continued

Other Changes to Tax Provisions

Eliminate SBT Repeal

Under current law, the SBT is scheduled to be repealed for tax years that begin after December 31, 2009. The Executive proposal would eliminate this repeal.

Apportionment Factor Fiscal Impact: -\$40 million

Changes the apportionment factor from 90% sales, 5% payroll, and 5% property to 100% sales. Multi-state businesses apportion a fraction of their total business activity to Michigan. As an example, under current law, a business with 20% of its sales, 70% of its payroll, and 70% of its property in Michigan would apportion 25% $[(.90*.20)+(.05*.70)+(.05*.70)]$ of its total tax base to Michigan. Under the proposed changes, this business would apportion 20% $[(1.00*.20)]$ of its total tax base to Michigan. This proposal would not affect Michigan-only businesses; it would only apply to multi-state businesses. In general, it would reduce liabilities of businesses that have a high level of out-of-state sales relative to their sales in-state, and increase liabilities of out-of-state businesses that have a relatively high level of sales in Michigan.

Increases the Weight of Profits in the Tax Base Fiscal Impact: ?

Corporate profits would receive an additional weighting of 2.0. Profits or business income, which is defined a federal taxable income, is the starting point of calculating the SBT base. Added to business income are compensation, depreciation, and the net operating loss. Under the Executive proposal, businesses in which the sum of business income and the net operating loss were positive would add on profits multiplied by 2.0 to their tax base. If the sum of business income and the net operating loss were negative, then there would be no additional add-on. This proposed change would only apply to corporations that are not S-corporations.

PEO Compensation Fiscal Impact: +\$4 million

Treats compensation of employees leased from a professional employer organization as compensation of the client business. Professional employer organizations (PEOs) manage the employment and human resource functions of other businesses.

Small Business Credit Fiscal Impact: ?

Expands eligibility to any business organization form and to out-of-state affiliation. Under current law, for businesses owned by another company, the small business credit is calculated based only on the associated business with a taxable presence in Michigan. As a result, small businesses owned or controlled completely by out-of-state businesses are more likely to qualify for the credit than small businesses controlled by a business with a Michigan presence. The Executive proposal would make the requirements uniform for all small businesses.

Eliminates Special Property Tax Treatment for Commercial Rental Property Fiscal Impact: +\$30 million

Treats changes in value like all other value changes are treated for assessment purposes. Under current law, decreases in occupancy rates for commercial rental property are treated as losses, which reduces the taxable value. However, increases in occupancy rates are not treated as additions and are, therefore, subject to the annual taxable value cap. The Executive proposal would eliminate declines in occupancy rates from being treated as losses.

Websites for additional SBT Information:

<http://www.house.mi.gov/hfa/alpha.html>

Background and History: Michigan's Single Business Tax

http://www.michigan.gov/treasury/1,1607,7-121-1750_2122---.00.html

Single Business Tax 1999-2000

Executive Budget Appendix on Tax Credits, Deductions, and Exemptions Fiscal Year 2005

**FY 2005-06 EXECUTIVE RECOMMENDATION
FUNDING BY RESULT AREA**

FY 2005-06 EXECUTIVE RECOMMENDATION FUNDING BY RESULT AREA

	<u>GF/GP</u>	<u>All Funds</u>
<u>ENVIRONMENT: Enhance the Quality of Michigan's Natural Environment</u>		
Agriculture	\$17,610,500	\$77,403,700
Capital Outlay	0	37,755,000
Environmental Quality	27,431,500	337,876,600
History, Arts, and Libraries	0	3,138,900
Information Technology	0	14,436,300
Natural Resources	<u>15,535,600</u>	<u>209,374,900</u>
TOTAL ENVIRONMENT	\$60,577,600	\$679,985,400
<u>BETTER GOVERNMENT: Make Government in Michigan More Cost Effective and Efficient</u>		
Attorney General	\$32,710,200	\$65,880,300
Capital Outlay	135,488,600	139,283,600
Civil Rights	12,285,300	13,335,100
Civil Service	7,449,300	36,288,500
Executive	5,205,500	5,205,500
History, Arts, and Libraries	7,970,600	8,367,800
Information Technology	0	96,983,500
Labor and Economic Growth	0	1,447,700
Legislature	122,173,900	126,731,900
Management and Budget	35,093,600	231,789,800
Natural Resources	9,771,900	13,821,700
State	14,265,100	196,885,700
Treasury	<u>83,864,600</u>	<u>1,445,204,400</u>
TOTAL BETTER GOVERNMENT	\$466,278,600	\$2,381,225,500
<u>HEALTH AND HUMAN SERVICES: Make Michigan's People Healthier and Our Families Stronger</u>		
Agriculture	\$9,923,000	\$24,707,900
Community Health	2,920,639,500	10,190,526,200
Environmental Quality	3,077,600	35,007,600
Family Independence Agency	930,438,600	3,939,566,800
Information Technology	0	157,540,800
Labor and Economic Growth	3,537,100	118,525,700
Management and Budget	1,357,000	1,357,000
Military and Veterans Affairs	23,643,000	68,745,300
Treasury	<u>17,900,000</u>	<u>19,936,800</u>
TOTAL HEALTH AND HUMAN SERVICES	\$3,910,515,800	\$14,555,914,100
<u>ECONOMY: Sustain and Create Business Investment and Jobs in Michigan</u>		
Capital Outlay	\$100	\$170,907,400
Agriculture	273,600	1,585,900
Environmental Quality	0	15,000
Family Independence Agency	775,100	16,429,100
History, Arts, and Libraries	20,541,200	23,675,800
Information Technology	0	64,967,300
Labor and Economic Growth	66,842,900	1,253,561,800
Natural Resources	1,000	10,975,700
Transportation	<u>0</u>	<u>3,417,708,500</u>
TOTAL ECONOMY	\$88,433,900	\$4,959,826,500

OVERVIEW

FY 2005-06 EXECUTIVE RECOMMENDATION FUNDING BY RESULT AREA

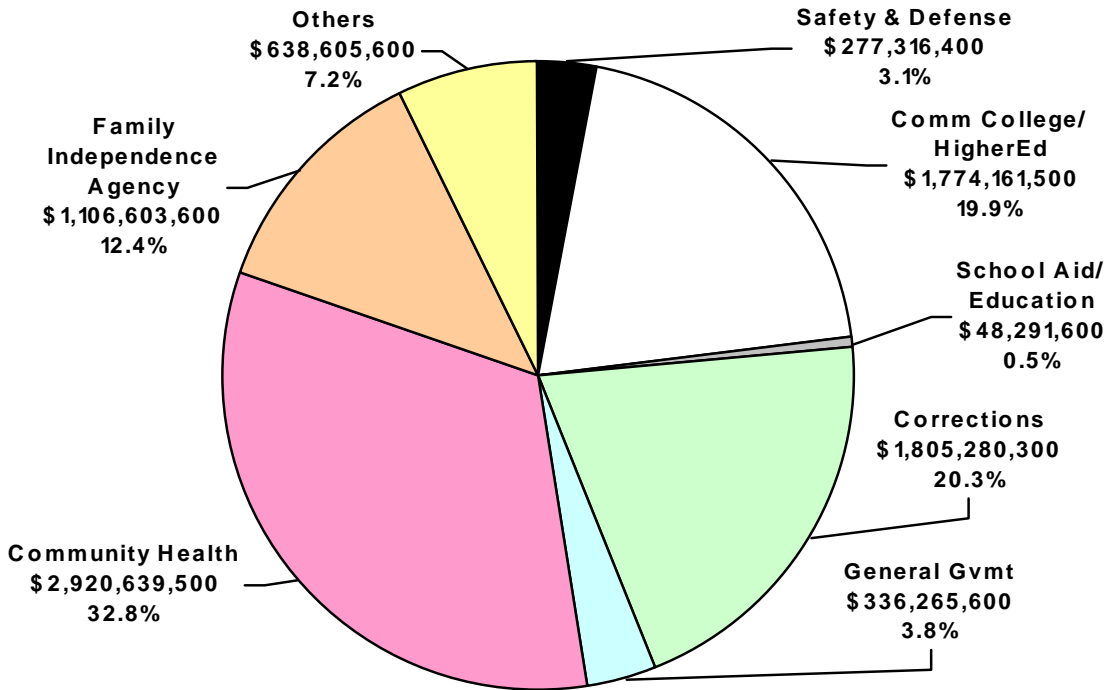
HOMETOWN SECURITY: Protect Our Citizens and Make Michigan's Communities Safer

Agriculture	\$765,500	\$9,356,400
Capital Outlay	0	23,700,000
Community Health	0	50,357,000
Corrections	1,805,280,300	1,883,642,600
Environmental Quality	1,200	406,800
Information Technology	0	36,821,000
Judiciary	159,987,900	257,728,800
Labor and Economic Growth	0	11,326,100
Military and Veterans Affairs	13,952,100	42,136,800
Natural Resources	1,093,700	25,811,900
State Police	238,968,200	544,081,500
Treasury	<u>100,000</u>	<u>35,336,000</u>
TOTAL HOMETOWN SECURITY	\$2,220,148,900	\$2,920,704,900

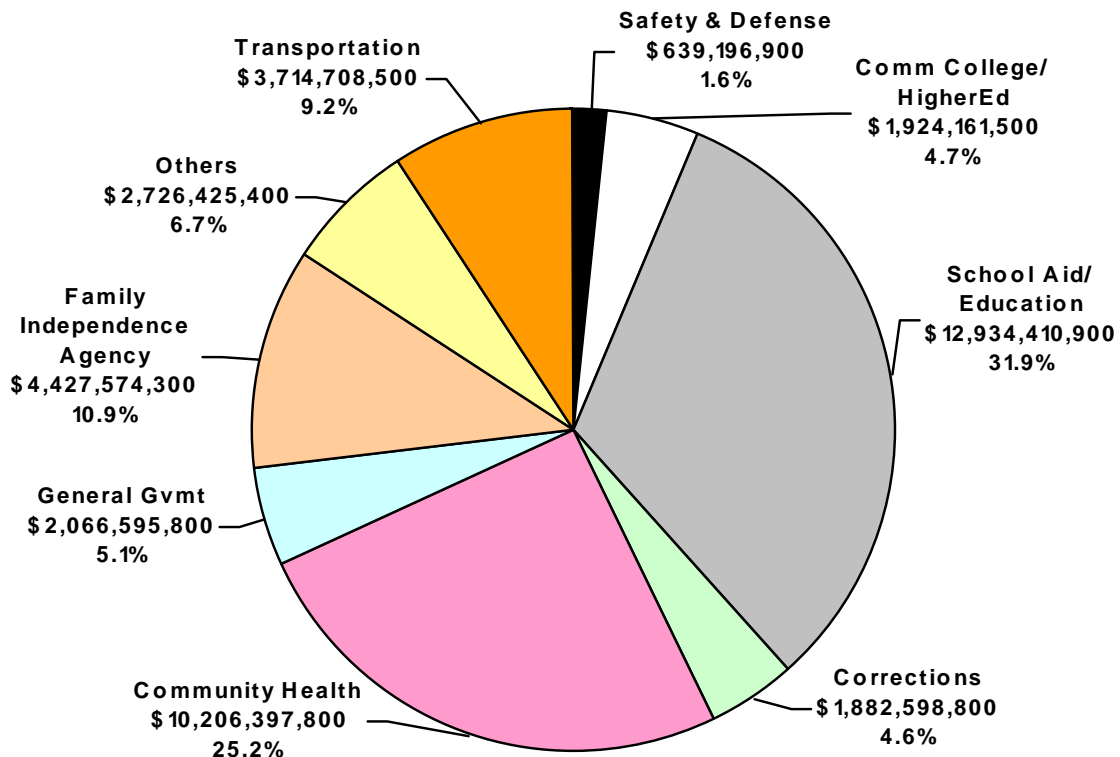
EDUCATION: Improve Student Achievement

Capital Outlay	\$140,513,500	\$140,513,500
Community Colleges	281,327,400	281,327,400
Education	28,091,600	125,141,800
Family Independence Agency	175,389,900	472,979,300
Higher Education	1,492,834,100	1,642,834,100
History, Arts, and Libraries	14,639,000	20,996,400
Information Technology	0	2,656,200
Labor and Economic Growth	3,468,500	91,277,100
Military and Veterans Affairs	753,100	6,226,400
Natural Resources	131,100	11,184,900
School Aid	20,200,000	12,809,269,100
Treasury	<u>3,861,100</u>	<u>96,719,700</u>
TOTAL EDUCATION	\$2,161,209,300	\$15,701,125,900
TOTAL ALL RESULTS	\$8,907,164,100	\$41,198,782,300

**FY 2005-06 GF/GP Executive Recommendation
\$8,907,164,100**



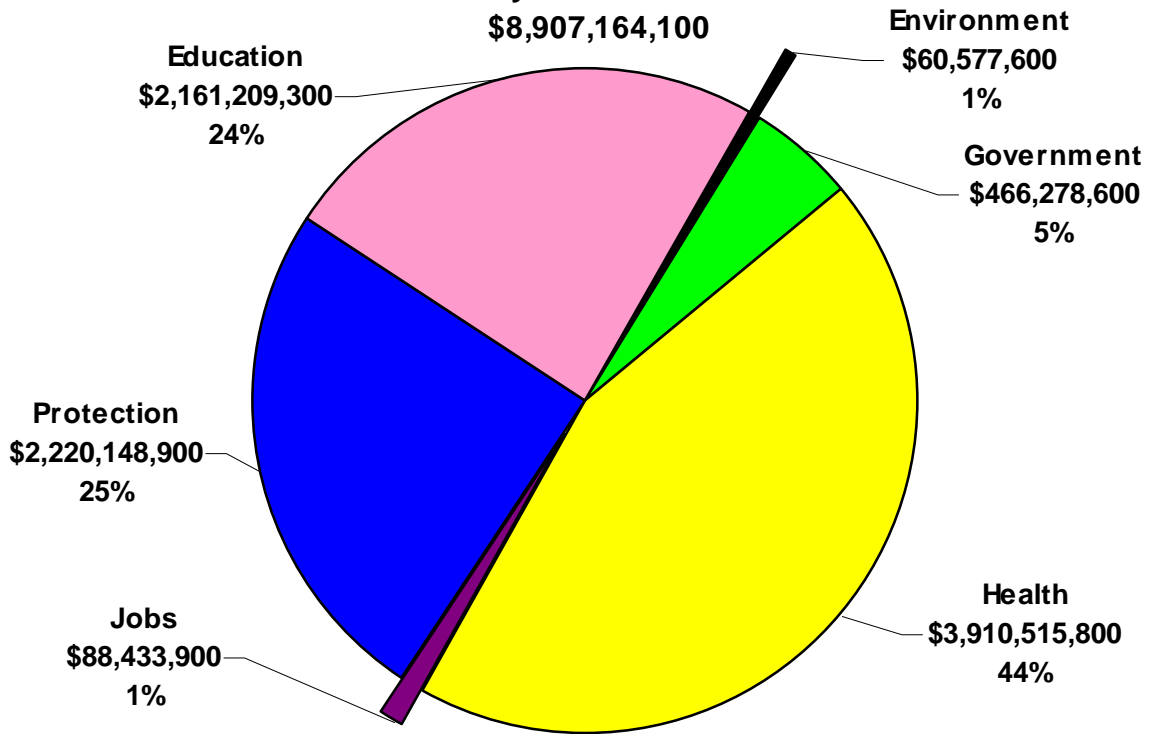
**FY 2005-06 Adjusted Gross Executive Recommendation
\$40,522,069,900**



FY 2005-06 GF/GP Executive Recommendation

By Result Area

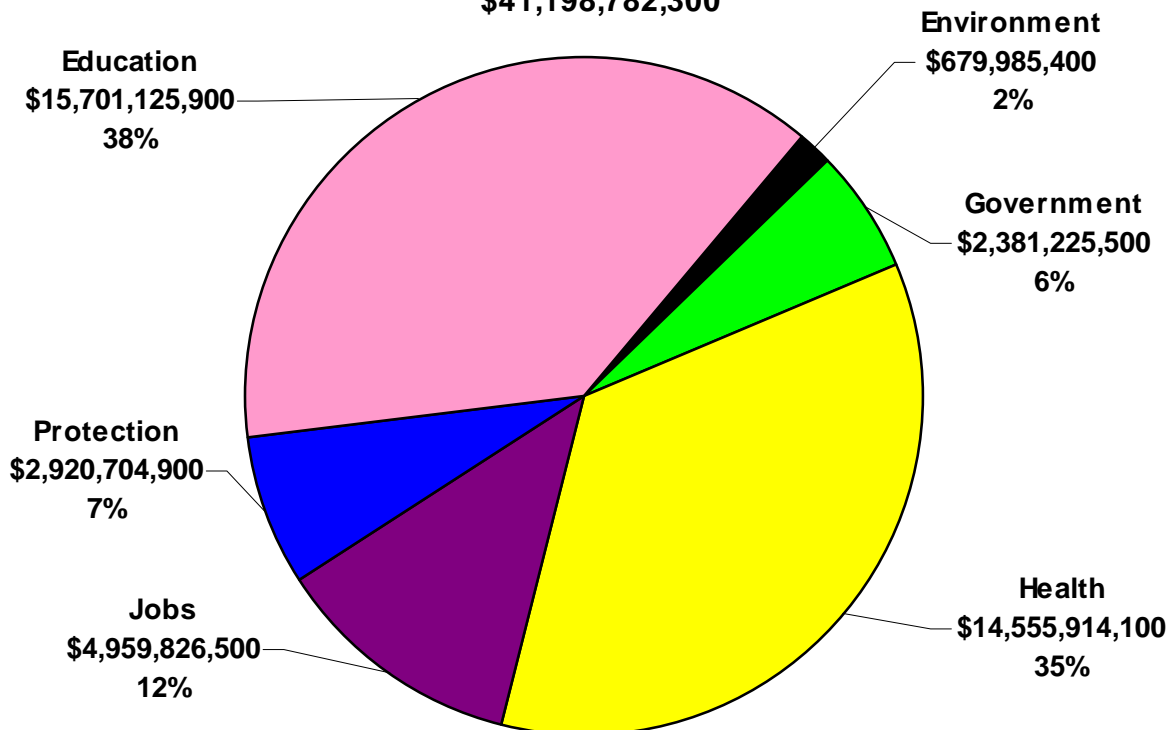
\$8,907,164,100



FY 2005-06 Gross Executive Recommendation

By Result Area

\$41,198,782,300



FY 2005-06 EXECUTIVE RECOMMENDATION: SUMMARY TABLES

The tables on the following pages summarize the overall content of the FY 2005-06 Executive Recommendation.

Table 1 provides a summary of the overall content of the Executive Recommendation adjusted for revenue enhancements.

Table 2 details the FY 2005-06 Executive Recommendation by **Source of Funds**. When interdepartmental grants and intradepartmental transfers are deducted, Gross appropriations of \$41.2 billion reduce to \$40.5 billion in Adjusted Gross appropriations.

State Restricted	\$18,371,622,700
GF/GP	\$8,907,164,100
Federal	\$12,817,865,800
Local and Private	<u>\$425,417,300</u>
Adjusted Gross	\$40,522,069,900

Table 3 compares **Adjusted Gross Appropriations** for FY 2004-05 YTD to the FY 2005-06 Executive Recommendation. Appropriations increase from \$39.2 billion in FY 2004-05 YTD to \$40.5 billion in FY 2005-06—a \$1.3 billion or 3.3% increase.

Table 4 compares **GF/GP Appropriations** for FY 2004-05 YTD to the FY 2005-06 Executive Recommendation. Appropriations increase from \$8.85 billion in FY 2004-05 YTD to \$8.90 billion in FY 2005-06—a \$56.4 million or 0.6% increase.

Table 5 compares the number of **Full-Time Equated (FTE) Positions** (classified and unclassified) for FY 2004-05 YTD to the FY 2005-06 Executive Recommendation. The Executive Recommendation decreases total FTE positions from 57,171.3 in FY 2004-05 YTD to 56,461.9 in FY 2005-06—a decrease of 709.4 FTEs or 1.2%. Each FTE is equivalent to 2,088 hours of employee compensated time (including overtime, annual leave, and used sick leave) during the year.

Table 6 shows the Executive Recommendation for FY 2005-06 **State Spending from State Sources Paid to Local Governments**. 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 \$15.8 billion in state spending to local units of government in FY 2005-06, which is 57.8% of the estimated \$27.3 billion in state spending from state resources—well within the constitutional requirement.

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The Executive Recommendation is based on revenue enhancements, most of which require legislative action. In the table below, revenue enhancements are listed along with estimates of the impact on the Executive Recommendation if the Legislature chooses not to act.

**TABLE 1
EXECUTIVE RECOMMENDATION ADJUSTED FOR REVENUE ENHANCEMENTS**

	<u>Federal</u>	<u>Local</u>	<u>Private</u>	<u>Restricted</u>	<u>GF/GP</u>	<u>Total</u>
<u>FY 2005-06 Executive Recommendation</u>	\$12,817,865,800	\$346,103,300	\$79,314,000	\$18,371,622,700	\$8,878,800,000	\$40,493,705,800
<u>Revenue Enhancements</u>						
Elimination of Tax Expenditures: Executive Recommends that nine tax subsidies be eliminated. See page XX for details.				(\$47,900,000)	(\$64,000,000)	(\$111,900,000)
Increase Liquor License Fee: Proposed increase in the annual fees license holders pay would be used to allow a \$13.1 million lapse from the Liquor Purchase Fund to GF/GP.					(\$13,100,000)	(\$13,100,000)
Land Sales: York Township (Washtenaw County), Western Wayne (Plymouth), School for the Blind (Lansing), Ottawa Street (Lansing).					(\$10,000,000)	(\$10,000,000)
Eliminate Pharmaceutical Credit: Accomplished through proposed SBT reform.					(\$10,000,000)	(\$10,000,000)
School Bond Loan Fund Proposal: Restructures existing School Bond Loan Fund to be a revolving fund, eliminating state costs currently associated with this program. Michigan Municipal Bond Authority would lend money for interest on construction loans to school districts, districts would repay loans to the revolving fund and re-payments would be lent to other school districts for interest on construction loans.				(\$44,500,000)		(\$44,500,000)
Mental Health Provider Tax: Accomplished with 6% provider tax on specialty prepaid health plans; funds would replace GF/GP for Mental Health/Substance Abuse programs and be used to draw down additional federal Medicaid.	(\$70,069,000)			(\$88,749,700)		(\$158,818,700)
Physicians Services Tax (Quality Assurance Assessment Program): Accomplished through 1% tax on physician practice revenue; restricted revenue generated would offset \$40.0 million GF/GP and provide increased federal Medicaid match.	(\$70,395,500)			(\$94,000,200)		(\$164,395,700)
Third Share Plan: Proposes creating health care coverage program to provide medical insurance for low-income families not eligible for Medicaid; employers, employees, and counties to share premium costs; state to contribute federal DSH that will be matched by counties.	(\$5,659,000)	(\$4,341,000)				(\$10,000,000)
University Disproportionate Share (DSH) Payments: DSH used to fund dental and mental health services for low-income adults through University of Detroit dental and Wayne State psychiatric programs; payments also used for health care training through community colleges and universities.	(\$11,404,500)	(\$8,748,400)				(\$20,152,900)
Adjusted Total	\$12,660,337,800	\$333,013,900	\$79,314,000	\$18,096,472,800	\$8,781,700,000	\$39,950,838,500
Difference From Executive Recommendation	(\$157,528,000)	(\$13,089,400)	\$0	(\$275,149,900)	(\$97,100,000)	(\$542,867,300)

**TABLE 2
FY 2005-06 EXECUTIVE RECOMMENDATION BY SOURCE OF FUNDS**

<u>Department/Major Budget Area</u>	<u>Gross</u>	<u>IDGs and IDTs</u>	<u>Adjusted Gross</u>	<u>Federal Funds</u>	<u>Local Revenue</u>	<u>Private Revenue</u>	<u>State Restricted</u>	<u>General Fund/ General Purpose</u>
Community Colleges	281,327,400	0	281,327,400	0	0	0	0	281,327,400
Education	125,141,800	0	125,141,800	67,519,400	5,444,000	898,600	23,188,200	28,091,600
Higher Education	1,642,834,100	0	1,642,834,100	3,500,000	0	0	146,500,000	1,492,834,100
School Aid	12,809,269,100	0	12,809,269,100	1,374,074,500	0	0	11,414,994,600	20,200,000
EDUCATION	\$14,858,572,400	\$0	\$14,858,572,400	\$1,445,093,900	\$5,444,000	\$898,600	\$11,584,682,800	\$1,822,453,100
Attorney General	65,880,300	13,359,300	52,521,000	8,799,400	0	0	11,011,400	32,710,200
Civil Rights	13,335,100	0	13,335,100	1,049,800	0	0	0	12,285,300
Civil Service	36,288,500	5,670,900	30,617,600	4,779,100	1,700,000	150,000	16,539,200	7,449,300
Executive Office	5,205,500	0	5,205,500	0	0	0	0	5,205,500
Information Technology	373,405,100	373,405,100	0	0	0	0	0	0
Legislature	126,731,900	1,801,500	124,930,400	0	0	400,000	2,356,500	122,173,900
Management and Budget	233,146,800	153,786,800	79,360,000	0	0	0	42,909,400	36,450,600
State	196,885,700	20,000,000	176,885,700	2,333,300	0	100	160,287,200	14,265,100
Treasury: Operations	387,095,500	13,456,400	373,639,100	35,405,400	1,025,400	0	284,369,500	52,838,800
Treasury: Debt/Revenue Sharing	1,210,101,400	0	1,210,101,400	0	0	0	1,157,214,500	52,886,900
GENERAL GOVERNMENT	\$2,648,075,800	\$581,480,000	\$2,066,595,800	\$52,367,000	\$2,725,400	\$550,100	\$1,674,687,700	\$336,265,600
Community Health	10,240,883,200	34,485,400	10,206,397,800	5,467,496,800	235,430,800	59,470,100	1,523,360,600	2,920,639,500
Corrections	1,883,642,600	1,043,800	1,882,598,800	10,316,800	411,700	0	66,590,000	1,805,280,300
Family Independence Agency	4,428,975,200	1,400,900	4,427,574,300	3,190,468,600	51,189,300	8,938,900	70,373,900	1,106,603,600
HUMAN SERVICES	\$16,553,501,000	\$36,930,100	\$16,516,570,900	\$8,668,282,200	\$287,031,800	\$68,409,000	\$1,660,324,500	\$5,832,523,400
Labor and Economic Growth	1,476,138,400	489,700	1,475,648,700	842,527,600	15,738,200	3,990,600	539,543,800	73,848,500
LABOR AND ECONOMIC GROWTH	\$1,476,138,400	\$489,700	\$1,475,648,700	\$842,527,600	\$15,738,200	\$3,990,600	\$539,543,800	\$73,848,500
Agriculture	113,053,900	10,318,200	102,735,700	32,581,700	0	138,700	41,442,700	28,572,600
Environmental Quality	373,306,000	17,096,900	356,209,100	142,995,700	0	450,000	182,253,100	30,510,300
Natural Resources	271,169,100	3,691,200	267,477,900	38,790,200	0	2,090,100	200,064,300	26,533,300
RESOURCE PROTECTION	\$757,529,000	\$31,106,300	\$726,422,700	\$214,367,600	\$0	\$2,678,800	\$423,760,100	\$85,616,200
Military and Veterans Affairs	117,108,500	1,256,800	115,851,700	49,537,200	0	1,355,800	26,610,500	38,348,200
State Police	544,081,500	20,736,300	523,345,200	170,821,000	5,597,900	11,200	107,946,900	238,968,200
SAFETY AND DEFENSE	\$661,190,000	\$21,993,100	\$639,196,900	\$220,358,200	\$5,597,900	\$1,367,000	\$134,557,400	\$277,316,400
Capital Outlay	512,159,500	2,000,000	510,159,500	155,075,000	20,000,000	0	59,082,300	276,002,200
History, Arts, and Libraries	56,178,900	149,700	56,029,200	8,218,300	0	577,400	4,082,700	43,150,800
Judiciary	257,728,800	2,563,500	255,165,300	3,933,900	3,466,000	842,500	86,935,000	159,987,900
Transportation	3,417,708,500	0	3,417,708,500	1,207,642,100	6,100,000	0	2,203,966,400	0
ALL OTHERS	\$4,243,775,700	\$4,713,200	\$4,239,062,500	\$1,374,869,300	\$29,566,000	\$1,419,900	\$2,354,066,400	\$479,140,900
TOTAL APPROPRIATIONS	\$41,198,782,300	\$676,712,400	\$40,522,069,900	\$12,817,865,800	\$346,103,300	\$79,314,000	\$18,371,622,700	\$8,907,164,100

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TABLE 3
FY 2005-06 ADJUSTED GROSS APPROPRIATIONS
FY 2005-06 Revised Executive Recommendation Compared with FY 2004-05 Year-to-Date

<u>MAJOR BUDGET AREA</u>	<u>FY 2004-05 YEAR-TO-DATE</u>	<u>FY 2005-06 EXECUTIVE RECOMMEND</u>	<u>FY 2005-06 vs 2004-05</u>	
			<u>AMOUNT DIFFERENT</u>	<u>PERCENT DIFFERENT</u>
Community Colleges	294,268,200	281,327,400	(12,940,800)	-4.4%
Education	112,476,900	125,141,800	12,664,900	11.3%
Higher Education	1,733,158,700	1,642,834,100	(90,324,600)	-5.2%
School Aid	12,527,440,100	12,809,269,100	281,829,000	2.2%
EDUCATION	\$14,667,343,900	\$14,858,572,400	\$191,228,500	1.3%
Attorney General	50,290,200	52,521,000	2,230,800	4.4%
Civil Rights	12,693,000	13,335,100	642,100	5.1%
Civil Service	29,775,800	30,617,600	841,800	2.8%
Executive Office	5,205,500	5,205,500	0	0.0%
Information Technology	0	0	0	0.0%
Legislature	124,930,400	124,930,400	0	0.0%
Management and Budget	70,334,900	79,360,000	9,025,100	12.8%
State	167,179,500	176,885,700	9,706,200	5.8%
Treasury: Operations	355,344,700	373,639,100	18,294,400	5.1%
Treasury: Debt/RevenueShare	1,225,618,900	1,210,101,400	(15,517,500)	-1.3%
GENERAL GOVERNMENT	\$2,041,372,900	\$2,066,595,800	\$25,222,900	1.2%
Community Health	10,103,162,800	10,206,397,800	103,235,000	1.0%
Corrections	1,782,818,400	1,882,598,800	99,780,400	5.6%
Family Independence Agency	4,297,056,900	4,427,574,300	130,517,400	3.0%
HUMAN SERVICES	\$16,183,038,100	\$16,516,570,900	\$333,532,800	2.1%
Labor and Economic Growth	1,241,350,400	1,475,648,700	234,298,300	
LABOR AND ECONOMIC GROWTH	\$1,241,350,400	\$1,475,648,700	\$234,298,300	18.9%
Agriculture	115,299,600	102,735,700	(12,563,900)	-10.9%
Environmental Quality	326,336,300	356,209,100	29,872,800	9.2%
Natural Resources	260,806,700	267,477,900	6,671,200	2.6%
RESOURCE PROTECTION	\$702,442,600	\$726,422,700	\$23,980,100	3.4%
Military and Veterans Affairs	109,670,900	115,851,700	6,180,800	5.6%
State Police	455,929,100	523,345,200	67,416,100	14.8%
SAFETY AND DEFENSE	\$565,600,000	\$639,196,900	\$73,596,900	13.0%
Capital Outlay	250,989,800	510,159,500	259,169,700	103.3%
History, Arts, and Libraries	56,944,600	56,029,200	(915,400)	-1.6%
Judiciary	248,583,200	255,165,300	6,582,100	2.6%
Transportation	3,279,058,100	3,417,708,500	138,650,400	4.2%
ALL OTHERS	\$3,835,575,700	\$4,239,062,500	\$403,486,800	10.5%
TOTAL APPROPRIATIONS	\$39,236,723,600	\$40,522,069,900	\$1,285,346,300	3.3%

TABLE 4
FY 2005-06 GENERAL FUND/GENERAL PURPOSE APPROPRIATIONS
FY 2005-06 Revised Executive Recommendation Compared with FY 2004-05 Year-to-Date

<u>MAJOR BUDGET AREA</u>	<u>FY 2004-05 YEAR-TO-DATE</u>	<u>FY 2005-06 EXECUTIVE RECOMMEND</u>	<u>FY 2004-05 vs 2003-04</u>	
			<u>AMOUNT DIFFERENT</u>	<u>PERCENT DIFFEREN I</u>
Community Colleges	294,268,200	281,327,400	(12,940,800)	-4.4%
Education	26,394,700	28,091,600	1,696,900	6.4%
Higher Education	1,643,508,700	1,492,834,100	(150,674,600)	-9.2%
School Aid	264,700,000	20,200,000	(244,500,000)	-92.4%
EDUCATION	\$2,228,871,600	\$1,822,453,100	(\$406,418,500)	-18.2%
Attorney General	31,503,900	32,710,200	1,206,300	3.8%
Civil Rights	11,759,000	12,285,300	526,300	4.5%
Civil Service	7,672,100	7,449,300	(222,800)	-2.9%
Executive Office	5,205,500	5,205,500	0	0.0%
Information Technology	0	0	0	0.0%
Legislature	122,173,900	122,173,900	0	0.0%
Management and Budget	36,684,200	36,450,600	(233,600)	-0.6%
State	23,909,900	14,265,100	(9,644,800)	-40.3%
Treasury: Operations	53,704,800	52,838,800	(866,000)	-1.6%
Treasury: Debt/Revenue	42,448,600	52,886,900	10,438,300	24.6%
GENERAL GOVERNMENT	\$335,061,900	\$336,265,600	\$1,203,700	0.4%
Community Health	2,557,910,600	2,920,639,500	362,728,900	14.2%
Corrections	1,708,161,100	1,805,280,300	97,119,200	5.7%
Family Independence Agency	1,109,682,800	1,106,603,600	(3,079,200)	-0.3%
HUMAN SERVICES	\$5,375,754,500	\$5,832,523,400	\$456,768,900	8.5%
Labor and Economic Growth	94,538,000	73,848,500	(20,689,500)	
LABOR AND ECONOMIC GROWTH	\$94,538,000	\$73,848,500	(\$20,689,500)	-21.9%
Agriculture	30,091,400	28,572,600	(1,518,800)	-5.0%
Environmental Quality	28,671,800	30,510,300	1,838,500	6.4%
Natural Resources	28,885,000	26,533,300	(2,351,700)	-8.1%
RESOURCE PROTECTION	\$87,648,200	\$85,616,200	(\$2,032,000)	-2.3%
Military and Veterans Affairs	37,370,700	38,348,200	977,500	2.6%
State Police	244,380,200	238,968,200	(5,412,000)	-2.2%
SAFETY AND DEFENSE	\$281,750,900	\$277,316,400	(\$4,434,500)	-1.6%
Capital Outlay	243,194,800	276,002,200	32,807,400	13.5%
History, Arts, and Libraries	45,803,500	43,150,800	(2,652,700)	-5.8%
Judiciary	158,093,300	159,987,900	1,894,600	1.2%
Transportation	0	0	0	0.0%
ALL OTHERS	\$447,091,600	\$479,140,900	\$32,049,300	7.2%
TOTAL APPROPRIATIONS	\$8,850,716,700	\$8,907,164,100	\$56,447,400	0.6%

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TABLE 5
FULL-TIME EQUATED POSITIONS*
FY 2005-06 Revised Executive Recommendation Compared with FY 2004-05 Year-to-Date

<u>MAJOR BUDGET AREA</u>	<u>FY 2004-05 YEAR-TO-DATE</u>	<u>FY 2005-06 EXECUTIVE RECOMMEND</u>	<u>FY 2005-06 vs 2004-05</u>	
			<u>AMOUNT DIFFERENT</u>	<u>PERCENT DIFFERENT</u>
Community Colleges	0.0	0.0	0.0	0.0%
Education	413.0	425.0	12.0	2.9%
Higher Education	1.0	1.0	0.0	0.0%
School Aid	0.0	0.0	0.0	0.0%
EDUCATION	414.0	426.0	12.0	2.9%
Attorney General	564.0	566.0	(2.0)	-0.4%
Civil Rights	141.0	141.0	0.0	0.0%
Civil Service	240.5	240.5	0.0	0.0%
Executive Office	84.2	84.2	0.0	0.0%
Information Technology	1,762.4	1,766.4	4.0	0.2%
Legislature	0.0	0.0	0.0	0.0%
Management and Budget	731.0	751.0	20.0	2.7%
State	1,857.8	1,857.8	0.0	0.0%
Treasury: Operations	1,662.5	1,647.5	(15.0)	-0.9%
Treasury: Debt/Revenue Sharing	0.0	0.0	0.0	0.0%
GENERAL GOVERNMENT	7,043.4	7,054.4	(11.0)	0.2%
Community Health	5,118.6	4,699.1	(419.5)	-8.2%
Corrections	17,769.8	17,545.2	(224.6)	-1.3%
Family Independence Agency	10,302.0	10,290.0	(12.0)	-0.1%
HUMAN SERVICES	33,190.4	32,534.3	(656.1)	-2.0%
Labor and Economic Growth	4,302.0	4,325.0		
LABOR AND ECONOMIC GROWTH	4,302.0	4,325.0	23.0	0.5%
Agriculture	749.0	700.0	(49.0)	-6.5%
Environmental Quality	1,570.2	1,568.2	(2.0)	-0.1%
Natural Resources	2,070.5	2,074.2	3.7	0.2%
RESOURCE PROTECTION	4,389.7	4,342.4	(47.3)	-1.1%
Military and Veterans Affairs	1,023.0	1,023.0	0.0	0.0%
State Police	2,951.0	2,900.0	(51.0)	-1.7%
SAFETY AND DEFENSE	3,974.0	3,923.0	(51.0)	-1.3%
Capital Outlay	0.0	0.0	0.0	0.0%
History, Arts, and Libraries	238.0	238.0	0.0	0.0%
Judiciary	582.5	582.5	0.0	0.0%
Transportation	3,037.3	3,036.3	(1.0)	0.0%
ALL OTHERS	3,857.8	3,856.8	(1.0)	0.0%
TOTAL FULL-TIME EQUATED POSITIONS	57,171.3	56,461.9	(709.4)	-1.2%

*Includes classified, unclassified, and nonlegislative exempt positions.

Table 6
STATE SPENDING FROM STATE SOURCES PAID TO LOCAL GOVERNMENTS
FY 2005-06 Executive Recommendation

<u>DEPARTMENT/ MAJOR BUDGET AREA</u>	<u>SPENDING FROM STATE SOURCES</u>	<u>STATE SPENDING TO LOCAL GOVERNMENT UNITS</u>	<u>% OF STATE SPENDING FROM STATE SOURCES AS PAYMENT TO LOCALS</u>
Community Colleges	281,327,400	281,327,400	100.0%
Education	51,279,800	11,242,000	21.9%
Higher Education	1,639,334,100	0	0.0%
School Aid	11,435,194,600	11,372,594,600	99.5%
EDUCATION	\$13,407,135,900	\$11,665,164,000	87.0%
Attorney General	43,721,600	0	
Civil Rights	12,285,300	0	
Civil Service	23,988,500	0	
Executive Office	5,205,500	0	
Information Technology	0	0	
Legislature	124,530,400	0	
Management and Budget	79,360,000	0	
State	174,552,300	993,800	0.6%
Treasury: Operations	337,208,300	119,451,500	35.4%
Treasury: Debt/Revenue Sharing	1,210,101,400	1,121,100,000	92.6%
GENERAL GOVERNMENT	\$2,010,953,300	\$1,241,545,300	61.7%
Community Health	4,444,000,100	1,022,374,900	23.0%
Corrections	1,871,870,300	93,233,300	5.0%
Family Independence Agency	1,176,977,500	174,650,400	14.8%
HUMAN SERVICES	\$7,492,847,900	\$1,290,258,600	17.2%
Labor and Economic Growth	613,392,300	65,519,700	
LABOR AND ECONOMIC GROWTH	\$613,392,300	\$65,519,700	10.7%
Agriculture	70,015,300	3,316,800	4.7%
Environmental Quality	212,763,400	4,575,000	2.2%
Natural Resources	226,597,600	27,729,600	12.2%
RESOURCE PROTECTION	\$509,376,300	\$35,621,400	7.0%
Military and Veterans Affairs	64,958,700	50,000	0.1%
State Police	346,915,100	20,451,900	5.9%
SAFETY AND DEFENSE	\$411,873,800	\$20,501,900	5.0%
Capital Outlay	335,084,500	12,625,000	3.8%
History, Arts, and Libraries	47,233,500	17,863,400	37.8%
Judiciary	246,922,900	124,962,500	50.6%
Transportation	2,203,966,400	1,281,328,900	58.1%
ALL OTHER	\$2,833,207,300	\$1,436,779,800	50.7%
TOTALS	\$27,278,786,800	\$15,755,390,700	57.8%

**FY 2005-06
Budget Detail
for
EDUCATION**

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

**Summary: Executive Budget Recommendation
COMMUNITY COLLEGES
FY 2005-06**

Analyst: Kyle I. Jen

	FY 2004-05 Year-to-Date as of 2/10/05	FY 2005-06 Executive	Difference: Exec to FY 2004-05 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	285,747,000	281,327,400	(4,419,600)	(1.5)
Gross	\$285,747,000	\$281,327,400	(\$4,419,600)	(1.5)
FTEs	0.0	0.0	0.0	0.0

Note: FY 2004-05 YTD figures exclude 3.0% tuition restraint funds originally appropriated in FY 2003-04 but actually paid in FY 2004-05 and do not include the results of supplementals or Executive Order actions that occurred after February 10, 2005.

Overview

The Community Colleges budget includes funds for operations of the state's 28 community colleges, the At-Risk Student Success Program, and renaissance zone tax reimbursement to the colleges. Community colleges also receive operating revenue from local property tax revenue and student tuition and fees.

<u>Priority</u>	<u>GF/GP</u>	<u>All Funds</u>
Improve Student Achievement		
Community College Operations	\$275,104,700	\$275,104,700
At-Risk Program, Renaissance Zone Reimbursement	6,222,700	6,222,700
TOTAL FY 2005-06 Executive Recommendation	\$281,327,400	\$281,327,400

Major Budget Changes from FY 2004-05 YTD Appropriations

1. Operations Funding

Reduces each college's operations appropriation by 1.76% (including funds appropriated for tuition restraint in FY 2004-05). Capital Outlay budget recommendation authorizes \$16.4 million to colleges for campus special maintenance, proportional to each college's operations appropriation. No tuition restraint policy is proposed for community colleges in FY 2005-06; funding for tuition restraint in FY 2004-05 is rolled into colleges' operations appropriations.

	FY 2004-05 YTD (as of 2/10/04)	Executive Change
Gross	\$280,024,300	(\$4,919,600)
GF/GP	\$280,024,300	(\$4,919,600)

2. Renaissance Zone Tax Reimbursement

Increases funds by 20.8% for reimbursement to colleges with renaissance zones in their districts pursuant to Michigan Renaissance Zone Act (MCL 125.2692), to reflect expected increases in taxable value in those zones.

Gross	\$2,400,000	\$500,000
GF/GP	\$2,400,000	\$500,000

Major Boilerplate Changes from FY 2004-05

Sec. 207. Tuition Restraint – DELETED

Sets conditions for receipt of funds appropriated to colleges contingent on tuition restraint; Executive proposes no tuition restraint policy for community colleges in FY 2005-06.

COMMUNITY COLLEGES

Major Boilerplate Changes from FY 2004-05

Sec. 211. *Payment Schedule* – REVISED

Sets payment schedule for funds appropriated. Executive eliminates provision requiring full payment of At-Risk Student Success Program funds by November 1; payments would be made on same schedule as operations funding (11 monthly payments).

Sec. 216(3). *Reports to MPSERS* – DELETED

Limits number of reports colleges can be required to submit to Michigan Public School Employees Retirement System (MPSERS).

Sec. 220. *ITEM Funding* – DELETED

States legislative intent to restore funding for infrastructure, technology, equipment, and maintenance (ITEM) provided in previous years.

Sec. 224. *Collaboration with Four-Year Universities* – DELETED

Encourages colleges to increase collaboration with four-year universities.

Sec. 230. *Abortion Services* – DELETED

Prohibits expenditure of funds appropriated to provide health care coverage for abortion services, with certain exclusions.

Sec. 231. *Benefits for Unmarried Partners* – DELETED

States legislative intent that funding under act not be used to extend benefits to unmarried partners of college employees.

Sec. 235. *State University Admission Policies* – DELETED

States legislative intent for workgroup to evaluate state university admission and enrollment policies.

Sec. 236. *Tuition Reciprocity Agreements* – DELETED

States legislative intent that tuition reciprocity agreements be submitted for approval by appropriations committees once every three years and that, under such agreements, out-of-state students pay the in-state, out-of-district rate at Michigan community colleges.

Sec. 237. *Payments in Lieu of Taxes* – DELETED

States legislative intent for workgroup to evaluate the possibility of making payments in lieu of taxes to community colleges whose districts contain state-owned land.

Sec. 238. *Optional Retirement Plan* – DELETED

States legislative intent for workgroup to evaluate impact of expanding eligibility for Optional Retirement Plan to include part-time faculty.

Sec. 239. *Subsequent Appropriations Increases* – DELETED

States legislative intent that any executive or legislative action to increase appropriations to state universities be accompanied by similar action for community colleges.

Sec. 240. *Economic Development Job Training Grants* – DELETED

States legislative intent that 70% of Economic Development Job Training Grants be awarded to community colleges.

Sec. 304. *Gast-Mathieu Formula* – DELETED

States legislative intent to fully fund Gast-Mathieu Formula.

Sec. 401. *At-Risk Student Success Program* – REVISED

Provides for distribution and expenditure of At-Risk Student Success Program funds. Executive proposes to restrict use of funds to addressing special needs of at-risk students at community colleges; under current language, funds can also be used for acquisition or upgrade of technology-related equipment and software.

Sec. 511. *On-Site Visits* – DELETED

States legislative intent that frequency of on-site visits to monitor performance of community colleges be limited.

Sec. 513. *Tax Revenue Losses* – DELETED

Requires Treasury to collect data on tax revenue losses to colleges resulting from tax increment financing authorities and tax abatements.

**Summary: Executive Budget Recommendation
DEPARTMENT OF EDUCATION
FY 2005-06**

Analysts: Mary Ann Cleary and Laurie Cummings

	FY 2004-05 Year-to-Date as of 2/10/05	FY 2005-06 Executive	Difference: Exec to FY 2004-05 YTD	
			Amount	%
IDG/IDT	\$1,072,100	\$0	(\$1,072,100)	(100.0)
Federal	60,796,800	67,519,400	6,722,600	11.1
Local	5,208,800	5,444,000	235,200	4.5
Private	606,600	898,600	292,000	48.1
Restricted	19,470,000	23,188,200	3,718,200	19.1
GF/GP	26,394,700	28,091,600	1,696,900	6.4
Gross	\$113,549,000	\$125,141,800	\$11,592,800	10.2
FTEs	413.0	425.0	12.0	2.9

<u>Priority</u>	<u>GF/GP</u>	<u>All Funds</u>
<i>Improve Student Achievement</i>		
Services to Schools	\$1,230,700	\$35,853,000
Grants to Schools	21,875,000	21,875,000
Educational Assessment Services	0	32,196,600
Michigan School for the Deaf and Blind	0	12,942,800
Administrative Support Services	4,985,900	22,274,400
TOTAL FY 2005-06 Executive Recommendation	\$28,091,600	\$125,141,800

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, disbursing funds to educational organizations, and providing technical assistance to school districts.

Major Budget Changes from FY 2004-05 YTD Appropriations		FY 2004-05 YTD (as of 2/10/05)	Executive Change
1. MEAP Enhancement Costs	Gross	\$0	\$2,600,000
Adds \$2.6 million Merit Award Trust Funds for contractual services to revise high school Michigan Education Assessment Program (MEAP) test to also be a college entrance exam, pursuant to 2004 PA 596.	Restricted	0	2,600,000
2. School Breakfast Program	Gross	\$8,025,000	\$1,600,000
Adds \$1.6 million General Funds to reflect anticipated increase in meal costs and in number of breakfasts served.	GF/GP	8,025,000	1,600,000
3. Special Education Assessment	Gross	\$0	\$3,380,000
Adds \$3.4 million federal Individuals with Disabilities in Education Act (IDEA) funding to support alternative assessments for students with disabilities.	Federal	0	3,380,000
4. Corrections Training Academy	Gross	\$1,072,100	(\$1,072,100)
Eliminates IDG from Corrections training academy in anticipation of academy discontinuing its lease at School for the Blind's former site in Lansing.	IDG	1,072,100	(1,072,100)

EDUCATION

<u>Major Budget Changes from FY 2004-05 YTD Appropriations</u>		FY 2004-05 YTD (as of 2/10/05)	Executive Change
5. Michigan Afterschool Partnership	Gross	\$0	\$200,000
Adds \$175,000 private funds from Mott Foundation and Robert Wood Johnson Foundation and \$25,000 federal for Michigan After School Partnership Grant.	Federal	0	25,000
	Private	0	175,000
6. Limited License/Alternative Route to Certification Programs	Gross	\$150,000	(\$150,000)
Eliminates Limited License to Instruct program to help teachers meet certification requirements in Detroit Public Schools; eliminates Alternative Route to Certification Program, which helps teachers in rural areas to become certified in math and science. Programs currently funded at \$75,000 each.	Restricted	150,000	(150,000)
7. National Board Certification Grants	Gross	\$100,000	(\$100,000)
Eliminates grant which pays for 50% of fee to become certified by National Board for Professional Teaching Standards.	Restricted	100,000	(100,000)

Major Boilerplate Changes from FY 2004-05

Sec. 206. Contingency Funds – NEW

Provides federal, state restricted, local, and private contingency funds which could be transferred by the Legislature to another line item to cover shortfalls.

Sec. 214. Hiring Freeze – NEW

Imposes a hiring freeze for state classified civil service workers.

Sec. 214. Personal Services Contracts – DELETED

Requires monthly report of all personal service contracts awarded without competitive bidding and prohibits Department from awarding personal service contracts valued at more than \$10,000 without competitive bidding.

Sec. 218. Payments to the Auditor General – DELETED

Requires Department to pay full amount of any bills submitted by Auditor General within 60 days of submission.

Sec. 302. State Board Travel – REVISED

Eliminates prohibition on out-of-state travel for members of the Board of Education.

Sec. 901. Educational Assessment – REVISED

Deletes requirement that Department release MEAP test results at the same time to all private schools and public school districts taking the tests.

**Summary: Executive Budget Recommendation
HIGHER EDUCATION
FY 2005-06**

Analyst: Kyle I. Jen

	FY 2004-05 Year-to-Date as of 2/10/05	FY 2005-06 Executive	Difference: Exec to FY 2004-05 YTD	
			Amount	%
IDG/IDT	\$0	\$0	\$0	0.0
Federal	4,500,000	3,500,000	(1,000,000)	(22.2)
Local	0	0	0	0.0
Private	0	0	0	0.0
Restricted	85,150,000	146,500,000	61,350,000	72.0
GF/GP	1,600,500,500	1,492,834,100	(107,666,400)	(6.7)
Gross	\$1,690,150,500	\$1,642,834,100	(\$47,316,400)	(2.8)
FTEs	1.0	1.0	0.0	0.0

Note: FY 2004-05 YTD figures exclude 3.0% tuition restraint funds originally appropriated in FY 2003-04 but actually paid in FY 2004-05 and do not include the results of supplementals or Executive Order actions that occurred after February 10, 2005.

Priority	GF/GP	All Funds
Improve Student Achievement		
State University Operations	\$1,303,218,800	\$1,312,718,800
Michigan Merit Award Program	0	121,000,000
Tuition Restraint Incentive	87,806,000	87,806,000
Agricultural Experiment Station, Cooperative Extension Service	51,768,100	51,768,100
Scholarships, Grants, Work Study, Other Student Programs, Database	50,041,200	69,541,200
TOTAL FY 2005-06 Executive Recommendation	\$1,492,834,100	\$1,642,834,100

Overview

The Higher Education budget provides funding for operations of the 15 state universities; need-based and merit-based financial aid programs for students attending state universities, community colleges, and independent colleges and universities; and support for several grant and statewide programs—including Michigan State University’s Agriculture Experiment Station and Extension Service.

Major Budget Changes from FY 2004-05 YTD Appropriations

1. Shifts to Community Health Budget

Removes \$5.6 million GF/GP earmarked from Wayne State’s Joseph F. Young, Sr. Psychiatric Research and Training Program and \$4.5 million GF/GP Dental Clinics Grant to University of Detroit-Mercy for dental clinic services provided to residents of Southeast Michigan. Community Health budget recommends funds for same purpose from federal Disproportionate Share Hospital (DSH) revenue.

	FY 2004-05 YTD (as of 2/10/05)	Executive Change
Gross	\$10,152,900	(\$10,152,900)
GF/GP	\$10,152,900	(\$10,152,900)

2. University Operations

Reduces each university's operations appropriation 1.76% (based on operations and tuition restraint appropriation); Wayne State reduced after removing psychiatric research and training program funds. Capital Outlay budget recommends \$83.6 million for campus special maintenance, proportional to university's operations appropriation. Retains funds tied to tuition restraint compliance; amount is flat from FY 2004-05 and equals 6.3% to 6.4% of total proposed operations funding for each university. Executive assumes all universities will comply with tuition restraint provisions. (Sec. 436 under Major Boilerplate Changes.)

Gross	\$1,434,166,500	(\$25,080,400)
Restricted	9,500,000	0
GF/GP	\$1,424,666,500	(\$25,080,400)

HIGHER EDUCATION

Major Budget Changes from FY 2004-05 YTD Appropriations

		FY 2004-05 YTD (as of 2/10/05)	Executive Change
3. King-Chavez-Parks Consolidation	Gross	\$4,998,300	\$0
Consolidates current appropriations of \$2.5 million GF/GP for King-Chavez-Parks programs in 15 universities' operations appropriations and \$2.5 million GF/GP in separate line items into \$5.0 million for competitive grants to increase participation of underrepresented minority students in postsecondary education. The Morris Hood, Jr. Educator Development Program (\$148,600 GF/GP) remains as a separate line item.	GF/GP	\$4,998,300	\$0
4. National Charter Schools Institute	Gross	\$500,000	(\$500,000)
Removes funds for National Charter Schools Institute from Central Michigan's appropriation; funds were added to FY 1995-96 Central Michigan appropriation.	GF/GP	\$500,000	(\$500,000)
5. Agriculture Experiment Station and Cooperative Extension	Gross	\$61,768,100	(\$10,000,000)
Reduces Agriculture Experiment Station by \$3.3 million (10.0%) and Cooperative Extension Service by \$6.7 million (23.4%).	GF/GP	\$61,768,100	(\$10,000,000)
6. Midwestern Higher Education Compact	Gross	\$165,000	(\$165,000)
Eliminates funding state's dues (\$82,500 annually) to Midwest Higher Education Compact, which seeks savings for educational and other governmental entities in Midwest states through collective negotiations for various goods and services; FY 2004-05 includes \$165,000 GF/GP for FY 2003-04 and FY 2004-05 dues. Michigan entered compact pursuant to 1990 PA 195.	GF/GP	\$165,000	(\$165,000)
7. State Competitive Scholarships	Gross	\$35,630,500	(\$1,000,000)
Reduces federal funds for State Competitive Scholarship Program to reflect Special Leveraging Educational Assistance Partnership funds no longer available to state.	Federal	3,000,000	(1,000,000)
	GF/GP	\$32,630,500	\$0
8. Tuition Grants	Gross	\$61,768,100	(\$61,768,100)
Eliminates funding for Tuition Grant Program—a need-based financial aid program for students attending independent universities and colleges. Program established by 1966 PA 313.	GF/GP	\$61,768,100	(\$61,768,100)
9. Michigan Merit Award Program	Gross	\$61,400,000	\$59,600,000
Increases Merit Award Program total to \$121.0 million (Merit Trust Fund) for \$2,500 awards to students attending in-state institutions. Adjustment necessitated by statutory change in program's schedule of appropriations that allowed approximately \$60.0 million savings in both FY 2003-04 and FY 2004-05. Executive does not include funds for either \$1,000 awards to students attending out-of-state institutions or awards of up to \$500 for performance on middle school MEAP examinations; both awards currently required by Michigan Merit Award Scholarship Act; FY 2005-06 is first year in which middle school awards are scheduled to be paid. Out-of-state awards would require approximately \$4.4 million; middle school awards would require approximately \$9.8 million. Proposes replacing existing Merit Award Program with a new Merit Scholarship Program beginning for high school students graduating in class of 2007. New scholarship program costs would not be incurred until FY 2008-09 or FY 2009-10, depending on program details.	Restricted	61,400,000	59,600,000
10. Tuition Incentive Program (TIP)	Gross	\$10,250,000	\$1,750,000
Increases appropriation for Tuition Incentive Program—a need-based financial aid program for Medicaid-eligible individuals—by 17.1% to reflect projected increase in costs.	Restricted	10,250,000	1,750,000

Major Boilerplate Changes from FY 2004-05

Sec. 212(3). Fiscal Agency Report – DELETED

Requires fiscal agencies to submit detailed description of procedures used to arrive at appropriations amounts.

Sec. 214. Tuition Tax Credit – DELETED

Requires notification to Legislature regarding Tuition Tax Credit eligibility.

Sec. 302. Tuition Grant Program – DELETED

Provides for distributing Tuition Grant Program funds. (Major Budget Changes #8.)

Sec. 308. Financial Aid Payment Schedule – REVISED

Sets payment schedules for financial aid programs. Executive shifts quarterly schedules for most programs from 40%/40%/10%/10% to 25%/25%/25%/25%.

Sec. 310(11). Tuition Incentive Program Carry-Forward – DELETED

Requires unexpended Tuition Incentive Program appropriation funds to be carried forward into subsequent fiscal year.

Sec. 315. Dental Clinics Grant – DELETED

Directs Dental Clinics Grant to University of Detroit Mercy to support dental clinic services to low-income residents in southeastern Michigan. (Major Budget Changes #1.)

Sec. 401. Joseph F. Young, Sr. Psychiatric Research and Training Program – DELETED

Earmarks \$5.6 million of Wayne State's appropriation for psychiatric research and training program at university. (Major Budget Changes #1.)

Sec. 402. Douglas Lake Biological Station – DELETED

Recognizes University of Michigan Biological Station at Douglas Lake as unique resource.

Sec. 405. HEIDI Advisory Committee – DELETED

Provides for appointment of representatives from House and Senate Fiscal Agency, State Budget Office, and three universities to Higher Education Institutional Data Inventory (HEIDI) Advisory Committee.

Sec. 421. National Charter Schools Institute – DELETED

Requires report from Central Michigan University on National Charter Schools Institute. (Major Budget Changes #4.)

Sec. 426. Private Bookstores – DELETED

States legislative intent that private bookstores have access to universities' required textbook lists.

Sec. 433. Project GREEN – RETAINED

Earmarks Project GREEN funds from appropriations for Agriculture Experiment Station (\$3.0 million) and Cooperative Extension Service (\$2.6 million). Executive retains current-year earmark amounts. (Major Budget Changes #5.)

Sec. 436. Tuition Restraint – REVISED

Revises current tuition restraint language: to receive tuition restraint funding, universities would have to restrain increases in resident undergraduate tuition and fee rates to 5.0% or \$307, whichever is greater. Prohibits adopting new types of student fees and requires universities to show that any fee increase applied to specific subsets of students or courses would not cause the increase in average tuition and fees paid to exceed the specified limit. Universities also required to increase institutional financial aid for resident undergraduate students by at least the same percentage as tuition and fee increase.

Sec. 437. Retirement System Stabilization Subaccount – DELETED

States legislative intent for subsidy from Michigan Public School Employee Retirement System stabilization subaccount to reduce contribution rate for seven universities with employees in system.

Sec. 450. Per-Student Funding Floor – DELETED

States legislative intent for funding floor of \$4,000 per fiscal year-equated student.

Sec. 460. Student and Presidential Housing – DELETED

Requires report from each university regarding student and presidential housing facilities.

Secs. 501 to 507. King-Chavez-Parks Programs – REVISED

Consolidates King-Chavez-Parks programs sections into Sec. 501 that provides for competitive grants to increase participation of underrepresented minority students in postsecondary education system. (Major Budget Changes #3.)

Sec. 701a. New Degree Programs – DELETED

Lists new degree programs for which enrollment data can be submitted to HEIDI.

SCHOOL AID

**Summary: Executive Budget Recommendation
SCHOOL AID
FY 2005-06 Senate Bill**

Analyst: Mary Ann Cleary and Laurie Cummings

	FY 2004-05 Year-to-Date as of 2/10/05	FY 2005-06 Executive	Difference: Exec to FY 2004-05 YTD	
			Amount	%
IDG/IDT	\$0	\$0	\$0	0.0
Federal	1,353,540,100	1,374,074,500	20,534,400	1.5
Local	0	0	0	0.0
Private	0	0	0	0.0
Restricted	10,909,200,000	11,414,994,600	505,794,600	4.6
GF/GP	264,700,000	20,200,000	(244,500,000)	(92.4)
Gross	\$12,527,440,100	\$12,809,269,100	\$281,829,000	2.2
FTEs	0.0	0.0	0.0	0.0

NOTES: FY 2004-05 YTD figures do not include the Governor's revised recommendations and do not include the results of any supplementals or Executive Order actions that occurred after February 10, 2005.

Priority	GF/GP	All Funds
Improve Student Achievement		
Foundation Allowance Payments	\$2,216,000	\$9,683,000,000
Other State Programs	17,984,000	1,761,487,800
Federal Programs	0	1,364,781,300
TOTAL FY 2005-06 Executive Recommendation	\$20,200,000	\$12,809,269,100

Overview

The School Aid budget makes appropriations to the state's 552 local school districts, 216 public school academies, and 57 intermediate school districts for operations and certain categorical programs. It also appropriates funds to the Center for Education Performance, Department of Labor and Economic Growth, and other entities to implement certain grants and other programs related to K-12 education.

Major Budget Changes from FY 2004-05

	FY 2004-05 YTD (as of 2/10/05)	Executive Change
1. School Bond Redemption Fund	Gross \$41,100,000	\$3,400,000
Restructures school bond loan fund by creating a revolving loan fund beginning FY 2004-05; all future borrowing for bonds and all new debt service from those bonds would be incorporated within the revolving fund. Payment of \$41.1 million in FY 2004-05 and \$44.5 million in FY 2005-06 from the revolving would be realized, however payments from the old debt would resume in FY 2006-07.	Restricted 0	44,500,000
	GF/GP \$41,100,000	(\$41,100,000)
2. Proposal A Obligation Payment	Gross \$6,633,600,000	(\$162,600,000)
Reduces appropriation to reflect changes in taxable values, pupil membership blends, and anticipated savings from personal property tax audits.	Restricted 6,633,600,000	(162,600,000)
3. Discretionary Payment	Gross \$2,921,200,000	\$290,800,000
Provides \$290.8 million increase to reflect foundation allowance increase of \$175 per pupil.	Restricted 2,921,200,000	290,800,000
4. High School Curriculum Cost Support	Gross \$0	\$26,300,000
Proposes \$26.3 million to create a new \$50 per pupil grant for each student in grades 9 through 12.	Restricted 0	26,300,000

Major Budget Changes from FY 2004-05

		FY 2004-05 YTD (as of 2/10/05)	Executive Change
5. Renaissance Zone Reimbursement	Gross	\$36,200,000	\$8,800,000
Increases funding by \$8.8 million for anticipated costs associated with renaissance zones. Allocation is to reimburse school districts, ISDs and state education tax for property tax losses associated with the Zones.	Restricted	36,200,000	8,800,000
6. Payment In Lieu of Taxes (PILT) Reimbursement	Gross	\$0	\$2,400,000
Provides reimbursement to districts, ISDs, and community colleges for PILT obligations pursuant to 2004 PA 513.	Restricted	0	2,400,000
7. At Risk Program	Gross	\$314,200,000	\$33,000,000
Increases funding for at risk students \$33.0 million, to a total of \$347.2 million.	Restricted	314,200,000	33,000,000
8. Special Education Funding	Gross	\$899,783,000	\$61,000,000
Provides \$61.0 million increase for anticipated costs associated with special education costs.	Restricted	899,783,000	61,000,000
9. Intermediate School Districts (ISDs) General Operations	Gross	\$77,702,100	\$2,253,400
Provides \$80.0 million for ISDs, a \$2.3 million or 2.2% increase; adds \$200,000 for strategic planning grant to a consortium or association of ISDs. (See Major Boilerplate Changes Section 81(5).)	Restricted	77,702,100	2,253,400
10. Center for Education Performance and Information	Gross	\$3,546,300	\$3,696,900
Increases state appropriation \$2.7 million, to a total of \$4.2 million, for operations; increases federal by \$1.0 million for development and implementation of a new pre-K to 20 tracking system.	Federal	2,046,300	996,900
	GF/GP	1,500,000	2,700,000
11. Michigan Virtual High School	Gross	\$3,000,000	\$5,000,000
Increases state appropriation \$1.0 million for development of the Michigan scholar curriculum (See Major Boilerplate Changes Section 103); increases federal Title II funds \$4.0 million to support e-learning and virtual school initiatives in the U.S. National Educational Technology Plan.	Federal	2,250,000	4,000,000
	GF/GP	750,000	1,000,000
12. Freedom to Learn Grants	Gross	\$21,043,200	(\$21,043,200)
Eliminates all funding for 6th grade laptop program.	Federal	17,343,200	(17,343,200)
	Restricted	3,700,000	(3,700,000)

Major Boilerplate Changes from FY 2004-05

Sec. 6(4) (AA). Pre-Primary Special Education Pupils – NEW

Defines calculation for pre-primary special education pupil memberships.

Sec. 6(8). Expelled Pupils – NEW

Allows expelled students to be counted in membership if they resume attendance within 45 days following the count day.

Sec. 11(1). Revenue Sources/Cost Savings – NEW

Assumes \$47.9 million revenue from closing seven tax expenditures; reduces General Fund amount to \$20.2 million.

Sec. 11a. School Aid Stabilization Fund Transfer – MODIFIED

Transfers \$23.7 million from School Aid Stabilization Fund balance to the School Aid Fund.

Sec. 20(1). Basic Foundation Allowance – MODIFIED

Increases basic per-pupil foundation allowances by \$175 to \$6,875 for FY 2005-06.

Sec. 20(18). Reform Board Allocation – MODIFIED

Maintains funding of \$15.0 million for a school district that had a reform board in place where the district has fewer pupils in membership than the previous school year.

Sec. 24. Court Place Students – MODIFIED

Incorporates Task Force recommendation to pay juvenile facilities based on a per-pupil allocation; phases out the current funding method of paying facilities for their added costs of education over four years.

SCHOOL AID

Major Boilerplate Changes from FY 2004-05

Sec. 51a. Special Education Itinerant Staff – MODIFIED

Amends current language to restrict districts and PSAs from shifting their itinerant employees (speech therapists, physical therapists, school psychologists etc.) to the ISD for purposes of claiming the special education reimbursement when there was no actual change in the delivery of service being provided within the district or PSA.

Sec. 81(5). Intermediate School Districts ISD – NEW

Provides strategic planning grant to a consortium or association of ISDs to conduct a study and make recommendations on best practices to more efficiently perform district functions. Beginning FY 2006-07, districts must be in a consortium with at least one ISD to start implementing best practices or lose 5% of their state aid payment.

Sec. 103. High School Eligibility – NEW

Sets an outline for future years for providing monetary incentives as follows: from FY 2006-07 to FY 2009-10, an additional per pupil amount for each student that graduates from grade 12; beginning FY 2007-08, districts and PSAs that implement the Michigan Scholar Curriculum would be eligible for an additional per pupil amount for each student in grades 9 to 12; beginning FY 2010-11, an additional per pupil amount for each student that successfully meets the minimum requirements of the Michigan Scholar Curriculum.

Sec. 107b. Adult Learning Pilot Programs – NEW

Authorizes Department of Labor and Economic Growth to implement a pilot adult learning system in two regions starting FY 2005-06 and to establish an advisory committee to assist in development of pilot projects; does not authorize a specific funding amount for pilots, but specifies that funding be equal to the amount that otherwise would have been received under the adult education program.

Sec. 147. MPSERS Contribution Subsidy – MODIFIED

Estimates the percentage of payroll that districts must allocate for public school employee retirement at 16.34%.

**FY 2005-06
Budget Detail
for
GENERAL GOVERNMENT**

**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
ALL GENERAL GOVERNMENT DEPARTMENTS
FY 2005-06**

Analyst: Robin Risko

	FY 2004-05 Year-to-Date as of 2/10/05	FY 2005-06 Executive	Difference:	
			Exec to FY 2004-05 YTD Amount	%
IDG/IDT	\$556,704,500	\$581,480,000	\$24,775,500	4.5
Federal	50,531,800	52,367,000	1,835,200	3.6
Local	20,532,800	2,725,400	(17,807,400)	(86.7)
Private	550,100	550,100	0	0
Restricted	1,634,696,300	1,674,687,700	39,991,400	2.4
GF/GP	335,061,900	336,265,600	1,203,700	0.4
Gross	\$2,598,077,400	\$2,648,075,800	\$49,998,400	1.9
FTEs	7,043.4	7,054.4	11.0	0.2

Overview of All General Government Departments

The Executive recommendation totals \$2.6 billion gross and \$336.3 million GF/GP.

The Executive recommendation is \$50.0 million gross (1.9%) and \$1.2 million GF/GP (0.4%) over current-year appropriated levels.

**Summary: Executive Budget Recommendation
ATTORNEY GENERAL
FY 2005-06**

Analyst: Robin Risko

	FY 2004-05 Year-to-Date as of 2/10/05	FY 2005-06 Executive	Difference: Exec to FY 2004-05 YTD	
			Amount	%
IDG/IDT	\$12,545,500	\$13,359,300	\$813,800	6.5
Federal	8,301,300	8,799,400	498,100	6.0
Local	0	0	0	0.0
Private	0	0	0	0.0
Restricted	10,485,000	11,011,400	526,400	5.0
GF/GP	31,503,900	32,710,200	1,206,300	3.8
Gross	\$62,835,700	\$65,880,300	\$3,044,600	4.8
FTEs	564.0	566.0	2.0	0.4

<u>Priority</u>	<u>GF/GP</u>	<u>All Funds</u>
<i>Make Government in Michigan More Cost Effective and Efficient</i>		
Attorney General Operations	\$29,811,900	\$60,575,100
Child Support Enforcement, Prosecuting Attorneys Coordinating Council, Information Technology	2,898,300	5,305,200
TOTAL FY 2005-06 Executive Recommendation	\$32,710,200	\$65,880,300

Overview

The Attorney General serves as legal counsel for state departments, agencies, boards, commissions, and their officers, brings actions and intervenes in cases on the state's behalf, and 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's 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 tax payers.

Major Budget Changes from FY 2004-05 YTD Appropriations

	FY 2004-05 YTD (as of 2/10/05)	Executive Change
1. Legal Representation for Tax Reverted Land		
Includes 2.0 FTEs and \$240,000 IDG to provide legal representation for cases involving tax-reverted land. Services will be paid for by Treasury from the Land Reutilization Fund.	FTEs Gross IDG	N/A \$240,000 240,000
2. Byrne Grant Funding	Gross	\$93,000
Authorizes Department to receive \$93,000 additional federal Byrne Grant funding.	Federal	132,000 93,000
3. Employee-Related Economics	Gross	\$3,165,200
Provides \$1.8 million gross (\$776,800 GF/GP) to restore employee-related savings included in FY 2004-05, and \$1.4 million gross (\$883,100 GF/GP) to fund employee-related economic increases for retirement and insurance costs in FY 2005-06.	IDG Federal Restricted GF/GP	N/A 573,800 405,100 526,400 \$1,659,900
4. Administrative Efficiency Reductions	Gross	(\$379,500)
Reduces administrative expenses funding by \$379,500 GF/GP; savings anticipated to be from administrative efficiencies.	GF/GP	N/A (\$379,500)

Major Budget Changes from FY 2004-05 YTD Appropriations

**FY 2004-05 YTD
(as of 2/10/05)** **Executive
Change**

5. Information Technology (IT) Reductions

Reduces information technology-related services and projects funding by \$74,100 GF/GP; savings to be achieved by rate reductions for contracts, enterprise administration, data center operations, and telecommunications, and by a reduction in overhead costs.

Gross	\$845,100	(\$74,100)
GF/GP	\$845,100	(\$74,100)

Major Boilerplate Changes from FY 2004-05

Sec. 301. Contingency Funding – NEW

Appropriates federal, state restricted, local, and private contingency funding that can be expended only upon legislative transfer to a specific line item.

Sec. 307. Carry Forward of Recovery Revenues – NEW

Authorizes unobligated antitrust enforcement revenue, securities fraud revenue, consumer protection or class action enforcement revenues, or attorney fees recovered by Department, up to \$250,000, to be carried forward and available in the next fiscal year.

Sec. 310. Child Support Enforcement Funding – DELETED

Requires Family Independence Agency to maintain a cooperative agreement with the Attorney General for federal Title IV-D funding to support child support enforcement activities within Department of Attorney General.

**Summary: Executive Budget Recommendation
CIVIL RIGHTS
FY 2005-06**

Analyst: Robin Risko

	FY 2004-05 Year-to-Date as of 2/10/05	FY 2005-06 Executive	Difference: Exec to FY 2004-05 YTD	
			Amount	%
IDG/IDT	\$0	\$0	\$0	0.0
Federal	934,000	1,049,800	115,800	12.4
Local	0	0	0	0.0
Private	0	0	0	0.0
Restricted	0	0	0	0.0
GF/GP	11,759,000	12,285,300	526,300	4.5
Gross	\$12,693,000	\$13,335,100	\$642,100	5.1
FTEs	141.0	141.0	0.0	0.0

<u>Priority</u>	<u>GF/GP</u>	<u>All Funds</u>
<i>Make Government in Michigan More Cost Effective and Efficient</i>		
Civil Rights Operations and Information Technology	\$12,285,300	\$13,335,100
TOTAL FY 2005-06 Executive Recommendation	\$12,285,300	\$13,335,100

Overview

The Michigan Civil Rights 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." The Michigan Department of Civil Rights serves as the administrative arm charged with implementing policies of the Commission. The Department provides educational programs that promote voluntary compliance with civil rights laws, investigates and resolves discrimination complaints, and provides information and services to businesses on equal employment laws and other civil rights areas.

Major Budget Changes from FY 2004-05 YTD Appropriations

		FY 2004-05 YTD (as of 2/10/05)	Executive Change
1. Increased Federal Funding	Gross	\$934,000	\$115,800
Authorizes receipt of \$65,800 federal grant funds from U.S. Department of Housing and Urban Development and \$50,000 from Equal Employment Opportunity Commission.	Federal	934,000	115,800
2. Employee-Related Economics	Gross	N/A	\$760,300
Provides \$346,900 GF/GP to restore employee-related savings included in FY 2004-05, and \$413,400 GF/GP for employee-related economic increases for retirement and insurance costs in FY 2005-06.	GF/GP	N/A	\$760,300
3. Other Economics	Gross	N/A	\$136,300
Provides \$150,300 GF/GP for building occupancy and rent charges and reduces budget by \$14,000 for workers' compensation premium costs.	GF/GP	N/A	\$136,300
4. Administrative Efficiency Reductions	Gross	N/A	(\$356,700)
Reduces administrative expense funds by \$356,700 GF/GP; savings to be from program reductions in quality control and office services, reductions in Contact Management System project, and not filling vacant positions.	GF/GP	N/A	(\$356,700)
5. Information Technology Reductions	Gross	\$821,900	(\$38,300)
Reduces IT-related services and projects funds by \$38,300 GF/GP; savings to be achieved with rate reductions for contracts, enterprise administration, data center operations, and telecommunications, and by reducing overhead costs.	GF/GP	\$821,900	(\$38,300)

Major Boilerplate Changes from FY 2004-05

Sec. 401. Contingency Funding – NEW

Appropriates federal contingency funding that can be expended only upon legislative transfer to a specific line item.

**Summary: Executive Budget Recommendation
CIVIL SERVICE
FY 2005-06**

Analyst: Robin Risko

	FY 2004-05 Year-to-Date as of 2/10/05	FY 2005-06 Executive	Difference: Exec to FY 2004-05 YTD	
			Amount	%
IDG/IDT	\$5,370,900	\$5,670,900	\$300,000	5.6
Federal	4,779,100	4,779,100	0	0.0
Local	1,700,000	1,700,000	0	0.0
Private	150,000	150,000	0	0.0
Restricted	15,474,600	16,539,200	1,064,600	6.9
GF/GP	7,672,100	7,449,300	(222,800)	(2.9)
Gross	\$35,146,700	\$36,288,500	\$1,141,800	3.2
FTEs	240.5	240.5	0.0	0.0

<u>Priority</u>	<u>GF/GP</u>	<u>All Funds</u>
<i>Make Government in Michigan More Cost Effective and Efficient</i>		
Agency Services, Human Resources/Administrative Support	\$5,623,700	\$20,570,700
Benefits, Audit, Training, HR Optimization, Information Technology	1,825,600	15,717,800
TOTAL FY 2005-06 Executive Recommendation	\$7,449,300	\$36,288,500

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, including administering competitive examinations for classified positions, setting pay scales, administering employee benefits, and administering the Civil Service Commission's Employment Relations Policy. The Department also maintains ongoing statewide recruitment.

Major Budget Changes from FY 2004-05 YTD Appropriations

		FY 2004-05 YTD (as of 2/10/05)	Executive Change
1. Increased Funding for Training	Gross	\$1,000,000	\$300,000
Provides \$300,000 IDG for training programs provided by Civil Service to state employees. State departments with employees who participate in the training programs will reimburse Civil Service.	IDG	1,000,000	300,000
2. Employee-Related Economics	Gross	N/A	\$1,469,300
Allocates \$588,600 gross (\$203,800 GF/GP) to restore employee-related savings included in FY 2004-05, and \$880,700 gross (\$269,400 GF/GP) for employee-related economic increases for retirement and insurance costs in FY 2005-06.	Restricted	N/A	996,100
	GF/GP	N/A	\$473,200
3. Other Economics	Gross	N/A	\$81,500
Provides \$40,500 gross (\$13,800 GF/GP) for building occupancy and rent charges and \$41,000 gross (\$13,900 GF/GP) for workers' compensation premium costs.	Restricted	N/A	53,800
	GF/GP	N/A	\$27,700
4. Administrative Efficiency Reductions	Gross	N/A	(\$658,300)
Reduces funding for administrative expenses by \$658,300 GF/GP; savings to be generated by program reductions in human resources administrative support, audit and compliance, and agency services, by not filling vacant positions, and by reducing CSS&M costs.	GF/GP	N/A	(\$658,300)

Major Budget Changes from FY 2004-05 YTD Appropriations

5. Information Technology Reductions

Reduces information technology-related services and projects funding by \$65,400 GF/GP; savings to be from a reduction in overhead costs and rate reductions for contracts, enterprise administration, data center operations, and telecommunications.

	FY 2004-05 YTD (as of 2/10/05)	Executive Change
Gross	\$3,852,200	(\$65,400)
IDG	1,070,900	0
Federal	1,142,000	0
Restricted	884,100	0
GF/GP	\$755,200	(\$65,400)

Major Boilerplate Changes from FY 2004-05

Sec. 501. Contingency Funding – NEW

Appropriates federal, state restricted, local, and private contingency funding that can be expended only upon legislative transfer to a specific line item.

EXECUTIVE

**Summary: Executive Budget Recommendation
EXECUTIVE
FY 2005-06**

Analyst: Robin Risko

	FY 2004-05 Year-to-Date as of 2/10/05	FY 2005-06 Executive	Difference: Exec to FY 2004-05 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	5,205,500	5,205,500	0	0.0
Gross	\$5,205,500	\$5,205,500	\$0	0.0
FTEs	84.2	84.2	0.0	0.0

Priority	GF/GP	All Funds
<i>Make Government in Michigan More Cost Effective and Efficient</i>		
Salaries, Operations	\$5,205,500	\$5,205,500
TOTAL FY 2005-06 Executive Recommendation	\$5,205,500	\$5,205,500

Overview

The Executive Office budget provides funding for the Governor, the Lieutenant Governor, and their staffs. 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.

Major Budget Changes from FY 2004-05 YTD Appropriations

None.

Major Boilerplate Changes from FY 2004-05

None.

**Summary: Executive Budget Recommendation
INFORMATION TECHNOLOGY
FY 2005-06**

Analyst: Robin Risko

	FY 2004-05 Year-to-Date as of 2/10/05	FY 2005-06 Executive	Difference: Exec to FY 2004-05 YTD	
			Amount	%
IDG/IDT	\$360,738,600	\$373,405,100	\$12,666,500	3.5
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
Gross	\$360,738,600	\$373,405,100	\$12,666,500	3.5
FTEs	1,762.4	1,766.4	4.0	0.2

<u>Priority</u>	<u>GF/GP</u>	<u>All Funds</u>
<i>Improve Student Achievement</i> Education and History, Arts, and Libraries IT	\$0	\$2,656,200
<i>Sustain and Create Business Investment and Jobs in Michigan</i> Transportation and Labor and Economic Growth IT	0	64,967,300
<i>Make Michigan's People Healthier and Our Families Stronger</i> FIA, Child Support Enforcement, Community Health IT	0	157,540,800
<i>Make Government in Michigan More Cost Effective and Efficient</i> DIT Operations	0	44,206,200
Secretary of State, Treasury, DMB, Civil Rights, Civil Service, Attorney General IT	0	52,777,300
<i>Protect Our Citizens and Make Michigan's Communities Safer</i> Corrections, State Police, Public Safety Communications, Military and Veterans IT	0	36,821,000
<i>Enhance the Quality of Michigan's Natural Environment</i> DNR, DEQ, Agriculture IT	0	14,436,300
TOTAL FY 2005-06 Executive Recommendation	\$0	\$373,405,100

Overview

The Department of Information Technology (DIT) acts as a general contractor between the state's information technology (IT) users and private sector providers of IT products and services. Department services include application development and maintenance; desktop, mainframe, server and local area network computer support and management; contract, project, and procurement planning; telecommunication services; security; and software and software licensing. The Department utilizes existing technology funding and state employees from within the other 19 executive branch departments and agencies; each state department and agency requests spending authority to fund IT-related activities and pays for technology services from DIT by interdepartmental grant. Administration of fund sources remains with each agency.

Major Budget Changes from FY 2004-05 YTD Appropriations

1. Employee-Related Economics

Provides \$4.5 million gross and IDG to restore FY 2004-05 employee-related savings, and \$4.3 million for FY 2005-06 employee-related economic increases for retirement and insurance costs.

	FY 2004-05 YTD (as of 2/10/05)	Executive Change
Gross	N/A	\$8,800,100
IDG	N/A	8,800,100

INFORMATION TECHNOLOGY

Major Budget Changes from FY 2004-05 YTD Appropriations

	FY 2004-05 YTD (as of 2/10/05)	Executive Change
2. Base Adjustments	Gross	N/A
Makes adjustments to more accurately reflect appropriations for information technology services and projects in other state department budgets:	IDG	\$1,538,900
<ul style="list-style-type: none"> • Adds \$716,900 for Corrections for software licenses and server maintenance. • Adds \$905,800 for State Police for two security-related information technology positions, two developer/trainer positions, and to recognize additional LEIN fees available for the LEIN system. • Adds \$735,900 for Community Health to recognize available federal WIC revenue and additional Health Professions Regulatory Fee revenue. • Adds \$428,000 for Family Independence Agency to properly reflect information technology service costs. • Removes \$1.0 million from Labor and Economic Growth, \$164,400 from Community Health, \$57,800 from Military and Veterans Affairs, \$22,500 from Transportation, and \$3,000 from Treasury to accurately reflect available revenues. 		1,538,900
3. Information Technology Reductions in Other State Departments	Gross	N/A
Provides reduction of \$7.6 million to reflect reduced funding from various state departments as a result of rate reductions for contracts, enterprise administration, data center operations, and telecommunications, and reductions in overhead costs.	IDG	(\$7,649,300)
4. Program Reductions	Gross	N/A
Removes \$1.2 million to reflect reduced funding from state department budgets as a result of program reductions.	IDG	(\$1,193,300)
5. Program Enhancements	Gross	N/A
Makes adjustments to reflect appropriations for program enhancements made in other state department budgets:	IDG	\$11,170,000
<ul style="list-style-type: none"> • Adds \$5.5 million for Family Independence Agency for Integrated Service Delivery Project. • Adds \$3.0 million for Family Independence Agency for Caseworker Relief Project. • Adds \$1.5 million for Civil Service for Human Resources Optimization Project. • Adds \$1.2 million for Management and Budget for e-Procurement Project. 		11,170,000

Major Boilerplate Changes from FY 2004-05

Sec. 573. Sale of Paid Advertising – MODIFIED

Authorizes Department to sell and accept paid advertising; requires revenue received to be used for operating costs and future technology enhancements; limits revenue that can be received from sale of paid advertising to \$250,000; appropriates and allots funding received by Department; requires a privacy policy to be adopted; and requires a report on revenue received from sale of paid advertising and the total number of advertising transactions. Executive deletes \$250,000 limit; deletes requirement that a privacy policy be adopted; deletes the reporting requirement; authorizes receipt of gifts, donations, contributions, bequests, and grants; and authorizes unexpended funding to be carried forward.

Sec. 578. Report on Appropriations and Expenditures – DELETED

Requires Department to submit a report on the total amount appropriated for information technology services and projects, by funding source, for all state departments; requires a list of expenditures made from amounts received.

Sec. 579. Report on Life-Cycle of Hardware and Software – DELETED

Requires Department to submit a report which analyzes and makes recommendations on the life-cycle of information technology hardware and software.

Major Boilerplate Changes from FY 2004-05

Sec. 581. Contingency Funding – NEW

Appropriates IDG funding that can be expended only upon legislative transfer to a specific line item.

Sec. 582. Master Computing Contract – NEW

Requires Department to reduce Michigan Master Computing Contract general fund expenditures by \$2.1 million.

**Summary: Executive Budget Recommendation
LEGISLATURE
FY 2005-06**

Analyst: Robin Risko

	FY 2004-05 Year-to-Date as of 2/10/05	FY 2005-06 Executive	Difference: Exec to FY 2004-05 YTD	
			Amount	%
IDG/IDT	\$1,801,500	\$1,801,500	\$0	0.0
Federal	0	0	0	0.0
Local	0	0	0	0.0
Private	400,000	400,000	0	0.0
Restricted	2,356,500	2,356,500	0	0.0
GF/GP	122,173,900	122,173,900	0	0.0
Gross	\$126,731,900	\$126,731,900	\$0	0.0
FTEs	0.0	0.0	0.0	0.0

Priority	GF/GP	All Funds
<i>Make Government in Michigan More Cost Effective and Efficient</i> House of Representatives, Senate, Legislative Auditor General, Property Management, Legislative Council, Retirement, Fiscal Agencies	\$122,173,900	\$126,731,900
TOTAL FY 2005-06 Executive Recommendation	\$122,173,900	\$126,731,900

Overview

The Legislature budget provides funding for the Legislative branch of state government, including the Legislative Council and agencies it governs, Office of the Auditor General, Legislative Retirement System, and Property Management. The Legislative Council provides a wide variety of essential services to members and staff of the Legislature; the Office of the Auditor General is responsible for conducting financial and performance audits of state government operations; 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; and Property Management employees maintain, operate, and repair the Capitol Building, House of Representatives Office Building, and Farnum Building.

Major Budget Changes from FY 2004-05 YTD Appropriations

**FY 2004-05 YTD
(as of 2/10/05)** **Executive
Change**

None.

Major Boilerplate Changes from FY 2004-05

None.

**Summary: Executive Budget Recommendation
MANAGEMENT AND BUDGET
FY 2005-06**

Analyst: Robin Risko

	FY 2004-05 Year-to-Date as of 2/10/05	FY 2005-06 Executive	Difference: Exec to FY 2004-05 YTD	
			Amount	%
IDG/IDT	\$143,075,200	\$153,786,800	\$10,711,600	7.5
Federal	444,600	0	(444,600)	(100.0)
Local	0	0	0	0.0
Private	0	0	0	0.0
Restricted	33,206,100	42,909,400	9,703,300	29.2
GF/GP	36,684,200	36,450,600	(233,600)	(0.6)
Gross	\$213,410,100	\$233,146,800	\$19,736,700	9.2
FTEs	731.0	751.0	20.0	2.7

Priority	GF/GP	All Funds
<i>Make Government in Michigan More Cost Effective and Efficient</i>		
State Owned and Leased Buildings	\$0	\$86,644,700
Motor Vehicle Fleet	0	56,574,800
Retirement, Administration, Information Technology, Professional Development, Design and Construction	32,353,300	77,923,100
State Fair, Office of State Employer, State Building Authority, Buildings for Legislative and Executive	2,740,300	10,647,200
<i>Make Michigan's People Healthier and Our Families Stronger</i>		
Office of Children's Ombudsman	1,357,000	1,357,000
TOTAL FY 2005-06 Executive Recommendation	\$36,450,600	\$233,146,800

Overview

The Department of Management and Budget (DMB) is the interdepartmental service and management agency responsible for ensuring proper financial record keeping for state agencies; managing capital outlay projects, state property, state purchasing programs, and the state's retirement systems; supervising the state motor vehicle fleet, and providing office support services to state agencies. The Office of the State Budget, housed within DMB, prepares, presents, and executes the state budget on behalf of the Governor. The Department has several autonomous units, including Office of the State Employer, Office of the Children's Ombudsman, and Office of Regulatory Reform.

Major Budget Changes from FY 2004-05 YTD Appropriations

	FY 2004-05 YTD (as of 2/10/05)	Executive Change
1. Cadillac Place Lease		
Restores \$10.7 million gross for lease payments on the Cadillac Place building in Detroit. Funding was reduced from the prior two fiscal years as a result of restructuring lease payments; funding must be restored in FY 2006 so lease obligations can be met.	Gross IDG	N/A N/A \$10,700,000 10,700,000
2. Transfer of the State Fair		
Reflects transfer of State Fair, 9.0 FTEs, and \$5.5 million gross, from Agriculture to DMB, pursuant to 2004 PA 468.	FTEs Gross Restricted	N/A N/A N/A \$5,486,100 5,486,100
3. Property Tax Reduction for Constitution Hall		
Reflects savings of \$1.5 million gross resulting from the state's purchase of Constitution Hall and not having to pay property taxes due to state ownership.	Gross IDG	\$1,500,000 1,500,000 (\$1,500,000) (1,500,000)

MANAGEMENT AND BUDGET

Major Budget Changes from FY 2004-05 YTD Appropriations

	FY 2004-05 YTD (as of 2/10/05)	Executive Change
4. e-Procurement System	FTEs	N/A 3.0
Provides 3.0 FTEs and \$1.5 million gross for the new e-Procurement system which will provide an online, statewide, "one-stop-shop" marketplace for purchasers. System will enable the state to gather purchasing information for reporting purposes, collect and review government spending patterns for the purposes of leveraging better pricing, increase vendor competition in the bidding process, and consolidate workloads.	Gross	N/A \$1,450,000
	Restricted	N/A 1,450,000
5. Retirement Disaster Recovery Plan	Gross	N/A \$500,000
Includes \$500,000 gross to develop and implement the new Retirement Business Continuity/Disaster Recovery Plan, which will ensure that the call center is functional and operating within 48 hours of a disaster happening and that pension payments are made to members within one week of a disaster.	Restricted	N/A 500,000
6. Employee-Related Economics	Gross	N/A \$4,773,500
Adds \$2.3 million gross (\$1.4 million GF/GP) to restore employee-related savings included in FY 2004-05, and \$2.5 million gross (\$957,300 GF/GP) for employee-related economic increases for retirement and insurance costs in FY 2005-06.	IDG	N/A 1,116,000
	Restricted	N/A 1,307,100
	GF/GP	N/A \$2,350,400
7. Other Economic Increases	Gross	N/A \$870,000
Provides \$870,000 gross (\$220,800 GF/GP) for building occupancy and rent charges for the state space occupied by DMB, private rent, Legislative and Executive Office space that DMB oversees, and Office of the Children's Ombudsman space in both Lansing and Detroit.	IDG	N/A 475,400
	Restricted	N/A 173,800
	GF/GP	N/A \$220,800
8. Administrative Efficiency Reductions	Gross	N/A (\$605,700)
Reduces funding available for administrative expenses by \$605,700 GF/GP; savings to be generated by staffing eliminations and support cost reductions.	GF/GP	N/A (\$605,700)
9. Other Reductions in Operating Costs	Gross	N/A (\$582,800)
Reflects savings of \$582,800 gross (\$337,800 GF/GP) as a result of reductions in operating costs:	IDG	N/A (245,000)
<ul style="list-style-type: none"> • Eliminates ID mail routes and reduces the number of ID mail runs (\$337,800 gross and GF/GP). • Installs high-speed gates on parking ramps in Lansing, reducing the need for security guard services (\$180,000 gross and IDG). • In-sources a portion of contract with Honeywell for maintenance of building energy controls and central monitoring systems (\$65,000 gross and IDG). 	GF/GP	N/A (\$337,800)
10. Information Technology Reductions	Gross	\$25,506,100 (\$1,267,000)
Reduces funding for information technology-related services and projects by \$1.3 million GF/GP; savings to be achieved by reducing overhead costs; rate reductions for contracts, enterprise administration, data center operations, and telecommunications; and reducing costs for maintenance of the MAIN accounting system.	IDG	893,200 0
	Federal	14,100 0
	Restricted	9,179,100 0
	GF/GP	\$15,419,700 (\$1,267,000)

Major Boilerplate Changes from FY 2004-05

DEPARTMENT OF MANAGEMENT AND BUDGET

Sec. 701. Contingency Funding – NEW

Appropriates federal, state restricted, and local contingency funding that can be expended only upon legislative transfer to a specific line item.

Major Boilerplate Changes from FY 2004-05

Sec. 710. Revisions to Computer Contracts – DELETED

Requires DMB to report on any revisions that increase or decrease current computer contracts by more than \$500,000 at least 14 days prior to finalization of revisions.

Sec. 715. Motor Vehicle Fleet – MODIFIED

Requires motor vehicle fleet appropriation to be used for administration and acquisition, lease, operation, maintenance, repair, replacement, and disposal of state motor vehicles; requires appropriation to be funded by revenue from rates charged to state departments for utilizing vehicle travel services provided by DMB; authorizes carry-forward of excess revenue to Motor Transport Fund; expresses legislative intent that DMB have authority to determine appropriateness of vehicle assignment, gives DMB authority to assign motor vehicles, either permanently or temporarily, to state agencies and to institutions of higher education; expresses legislative intent that DMB complete a project plan which results in reducing expenditures related to vehicle travel services, to include reducing the number of state vehicles; requires a quarterly report on the status of the project plan; and expresses legislative intent that DMB determine the feasibility of using driver record information upon issuing state cars to state employees to ensure responsibility and safety. Executive deletes expression of legislative intent that DMB have the authority to determine appropriateness of vehicle assignment and that DMB have authority to assign motor vehicles; deletes expression of legislative intent that DMB complete a project plan; deletes project plan reporting requirement; and deletes expression of legislative intent that DMB determine feasibility of using driver record information to ensure responsibility and safety.

Sec. 716. Purchasing from Michigan-Based Firms – DELETED

Requires DMB to adopt policies and procedures necessary to provide a purchasing preference for products manufactured or services offered by Michigan-based firms.

Sec. 717. Purchasing Decisions in the Best Interest of the State – DELETED

Establishes guidelines for DMB to follow when determining whether purchasing or contracting for supplies, materials, services, insurance, utilities, third party financing, equipment, printing, and other items needed by state departments is in the best interest of the state.

Sec. 718. Vendor Disclosure (Information to Collect) – DELETED

Lists information DMB is authorized to collect from vendors to ensure compliance with procurement of goods and services from Michigan-based providers.

Sec. 719. Vendor Disclosure (Call Centers) – DELETED

Authorizes DMB to require any vendor or subcontractor who provides call or contact center services to the state to disclose to the inbound caller the location from which the call or contact center services are being provided.

Sec. 720. Building Occupancy Expenditures – DELETED

Requires DMB to reduce building occupancy general fund expenditures by \$700,000.

Sec. 722. Ronald Wilson Reagan Memorial Monument Fund – NEW

Authorizes DMB to receive and expend funding from Ronald Wilson Reagan Memorial Monument Fund for design and construction of a memorial monument.

GENERAL SECTIONS

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, and requires departments to follow federal and state guidelines for short-term and long-term retention of records.

Sec. 215. Disciplinary Action Against Employees – DELETED

Prohibits departments from taking disciplinary action against employees for communicating with legislators or their staff.

Sec. 217. General Fund Restrictions – DELETED

Prohibits use of general fund appropriations where federal funding is available for the same purpose.

Sec. 218. Information Technology Appropriations as Work Projects – NEW

Designates appropriations for information technology as work project accounts and authorizes balances to be carried forward.

Sec. 219. Reduction in Statewide Contractual Expenditures – NEW

Requires DMB to reduce statewide contractual general fund expenditures by \$30.0 million.

Summary: Executive Budget Recommendation
STATE
FY 2005-06

Analyst: Robin Risko

	FY 2004-05 Year-to-Date as of 2/10/05	FY 2005-06 Executive	Difference: Exec to FY 2004-05 YTD	
			Amount	%
IDG/IDT	\$20,000,000	\$20,000,000	\$0	0.0
Federal	1,391,000	2,333,300	942,300	67.7
Local	0	0	0	0.0
Private	100	100	0	0.0
Restricted	141,878,500	160,287,200	18,408,700	13.0
GF/GP	23,909,900	14,265,100	(9,644,800)	(40.3)
Gross	\$187,179,500	\$196,885,700	\$9,706,200	5.2
FTEs	1,857.8	1,857.8	0.0	0.0

<u>Priority</u>	<u>GF/GP</u>	<u>All Funds</u>
<i>Make Government in Michigan More Cost Effective and Efficient</i>		
Branch/Central Operations, Information Technology, Department Expenses	\$8,539,000	\$142,064,100
Regulatory Services, Election Regulation, Executive and Department Services	<u>5,726,100</u>	<u>54,821,600</u>
TOTAL FY 2005-06 Executive Recommendation	\$14,265,100	\$196,885,700

Overview

The Department of State administers programs in four major areas: motor vehicle transactions (includes titling and registering vehicles), traffic safety (includes driver testing); consumer protection (includes inspecting and licensing automotive repair facilities); and regulation and administration of the state's electoral process (includes training local election officials and monitoring campaign finance).

<u>Major Budget Changes from FY 2004-05 YTD Appropriations</u>	<u>FY 2004-05 YTD (as of 2/10/05)</u>	<u>Executive Change</u>
1. Branch Operations Fund Source Shift	Gross	\$0
Adds \$10.0 million state restricted Transportation Administration Collection Fund (TACF) revenue and reduces GF/GP by the same amount. Legislation is necessary to redirect collection fee revenue from Michigan Transportation Fund to TACF for this appropriation.	IDG	0
	Federal	0
	Restricted	10,000,000
	GF/GP	(\$10,000,000)
2. Motor Carrier Safety Improvement Act	Gross	\$850,000
Authorizes Department to receive \$850,000 federal grant funding available from U. S. Department of Transportation-National Highway Traffic Safety Administration to be used to assist with implementing federal requirements of Motor Carrier Safety Improvements Act, to include improving licensing standards and the state's ability to accept, correct, move, and withdraw conviction data electronically from the courts.	Federal	850,000
3. Employee-Related Economics	Gross	\$9,472,200
Provides \$4.0 million gross (\$242,300 GF/GP) to restore employee-related savings included in FY 2004-05, and \$5.5 million gross (\$728,100 GF/GP) for employee-related economic increases for retirement and insurance costs in FY 2005-06. Increases are partially offset by reduction in funding for workers' compensation premium costs.	Federal	(45,100)
	Restricted	8,546,900
	GF/GP	\$970,400

<u>Major Budget Changes from FY 2004-05 YTD Appropriations</u>		FY 2004-05 YTD (as of 2/10/05)	Executive Change
4. Administrative Efficiency Reductions	Gross	N/A	(\$540,000)
Reduces funding for administrative expenses by \$540,000 GF/GP; savings to be generated through administrative efficiencies.	GF/GP	N/A	(\$540,000)
5. Information Technology Reductions	Gross	\$21,954,700	(\$75,200)
Reduces funding for information technology-related services and projects by \$75,200 GF/GP; savings to be from rate reductions for contracts, enterprise administration, data center operations, and telecommunications, and a reduction in overhead costs.	Restricted	20,077,300	0
	GF/GP	\$1,877,400	(\$75,200)

Major Boilerplate Changes from FY 2004-05

Sec. 801. Contingency Funding – NEW

Appropriates federal, state restricted, local, and private contingency funding that can be expended only upon legislative transfer to a specific line item.

Sec. 812.(4) Organ and Tissue Donation Education Fund – NEW

Authorizes Department to receive and expend funding from Organ and Tissue Donation Education Fund for administrative expenses.

Sec. 818. Motorcycle Safety Education Program – DELETED

Requires funds appropriated for Motorcycle Safety Education Grants and Administration program to be used for operating the program; requires funds for program to be derived from original and renewal motorcycle license endorsements, annual registration fees, and operator driving test fees; authorizes funding for grants to help subsidize safety training courses for individuals interested in operating motorcycles; and requires funds appropriated for motorcycle safety equipment to be used to purchase equipment for use by public instructional providers of motorcycle safety education courses.

Sec. 819. Business Application Modernization Project – DELETED

Provides \$3.5 million for development, implementation, and maintenance of Business Application Modernization Project and designates unexpended funding as a work project appropriation with carry-forward authorization.

**Summary: Executive Budget Recommendation
TREASURY
FY 2005-06**

Analyst: Robin Risko and Viola Bay Wild

	FY 2004-05 Year-to-Date as of 2/10/05	FY 2005-06 Executive	Difference: Exec to FY 2004-05 YTD	
			Amount	%
IDG/IDT	\$13,172,800	\$13,456,400	\$283,600	2.2
Federal	34,681,800	35,405,400	723,600	2.1
Local	18,832,800	1,025,400	(17,807,400)	(94.6)
Private	0	0	0	0.0
Restricted*	1,431,295,600	1,441,584,000	10,288,400	0.7
GF/GP	96,153,400	105,725,700	9,572,300	10.0
Gross*	\$1,594,136,400	\$1,597,196,900	\$3,060,500	0.2
FTEs	1,662.5	1,647.5	(15.0)	(0.9)

<u>Priority</u>	<u>GF/GP</u>	<u>All Funds</u>
Make Government in Michigan More Cost Effective and Efficient		
Revenue Sharing	\$0	\$1,121,100,000
Debt Service, Grants to Locals, Tax Programs	59,696,500	239,562,000
Department Operations and Services, Information Technology	24,168,100	84,542,400
Improve Student Achievement		
Lottery/Gaming	0	56,940,100
Student Financial Assistance	1,593,100	34,874,800
Other Programs	2,268,000	4,904,800
Make Michigan's People Healthier and Our Families Stronger		
Senior Housing Exemption, Home Heating Assistance	17,900,000	19,936,800
Protect Our Citizens and Make Michigan's Communities Safer		
Commercial Mobile Radio Service, Others	100,000	35,336,000
TOTAL FY 2005-06 Executive Recommendation	\$105,725,700	\$1,597,196,900

Overview

The Department of Treasury is the chief fiscal agency of the state and 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. The Department manages one of the nation's largest pension funds, administers revenue sharing, and administers the student financial aid programs. It also investigates fraudulent financial activity, provides assistance on all property tax-related issues, advises issuers of municipal obligations, and lends funds to local units of government in fiscal distress through the Emergency Loan Board.

<u>Major Budget Changes from FY 2004-05 YTD Appropriations</u>	<u>FY 2004-05 YTD (as of 2/10/05)</u>	<u>Executive Change</u>
OPERATIONS	FTEs	N/A (23.0)
1. Personal Property Tax Audits	Gross	N/A (\$2,500,000)
Eliminates 23.0 FTEs and \$2.5 million GF/GP for Grants to Local Units of Government as reimbursement for conducting personal property tax assessments of businesses.	GF/GP	N/A (\$2,500,000)
2. Unclaimed Property Audit Enforcement Program	FTEs	19.0 2.0
Adds funding for escheats enforcement program under the unclaimed property act.	Gross	\$2,810,600 \$500,000

<u>Major Budget Changes from FY 2004-05 YTD Appropriations</u>		<u>FY 2004-05 YTD (as of 2/10/05)</u>	<u>Executive Change</u>
REVENUE SHARING			
3. Constitutional Revenue Sharing	Gross	\$681,000,000	\$21,300,000
Increases funding for constitutional revenue sharing payments to cities, villages, and townships.	Restricted	681,000,000	21,300,000
4. Statutory Revenue Sharing	Gross	\$445,300,000	(\$26,500,000)
Reduces funding for statutory revenue sharing payments to cities, villages, and townships.	Restricted	445,300,000	(26,500,000)
5. County Revenue Sharing	Gross	\$17,868,500	(\$17,868,500)
Eliminates one-time county revenue sharing payments for those counties whose fiscal year ended September 30; payments helped implement county tax shift and were to be repaid to the state.	Local	17,868,500	(17,868,500)
DEBT SERVICE			
6. Debt Service	Gross	\$81,450,400	\$7,551,000
Adds \$6.7 million GF/GP for required debt service payments on Quality of Life bond; reflects a fund source shift of \$2.9 million from the state restricted Cleanup and Redevelopment Funds to GF/GP. Adds \$3.8 million gross and GF/GP for required debt service payments on Clean Michigan Initiative bond. Reduces funding by \$58,000 gross and GF/GP for payments on Water Pollution Control bond.	Restricted	39,001,800	(2,887,300)
	GF/GP	\$42,448,600	\$10,438,300
GRANTS			
7. Grants	Gross	\$127,110,300	\$10,649,700
Provides \$5.4 million gross for Convention Facility Development Distribution based on revenue collections. Adds \$2.3 million gross for Commercial Mobile Radio Service Payments for local wireless 911 emergency response services. Provides \$1.5 million gross for Health and Safety Fund Grants based on revenue collections. Adds \$210,000 GF/GP for Qualified Agricultural Loan payment program. Increases funding for Senior Citizen Cooperative Housing Tax Exemption Program by \$1.2 million GF/GP. Provides \$300,000 GF/GP for Renaissance Zone Reimbursement payments made to libraries for lost property tax revenue associated with renaissance zones. Reduces Special Grants line item by \$230,300 to cities that have an emergency financial manager appointed.	Restricted	106,000,000	9,170,000
	GF/GP	\$21,110,300	\$1,479,700
ECONOMICS			
8. Restoration of Employee Concessions	Gross	N/A	\$4,649,700
Restores \$4.6 million in salary and wage costs deferred from FY 2004-05; additional funding is appropriated in various department operating lines (includes Bureau of State Lottery and Michigan Gaming Control Board staff).	Restricted	N/A	3,965,500
	GF/GP	N/A	\$684,200
9. Other Economic Adjustments	Gross	N/A	\$7,064,600
Reflects \$7.0 million (net) economic increases including \$6.6 million for increased insurance and retirement costs and \$676,700 for increased building occupancy charges. Additional costs are partially offset by \$248,300 reduction in workers compensation and are reflected in various department operating lines (includes Bureau of State Lottery and Michigan Gaming Control Board staff). Negotiated salary and wage increases, 1.5% of base salary and wages including FY 2003-04 employee concessions, were not funded in the Executive budget and are not included in the \$7.0 million noted above; Department must identify approximately \$1.5 million additional reductions in operating costs to offset the increased salary and wage costs.	Restricted	N/A	6,102,100
	GF/GP	N/A	\$962,500

Major Boilerplate Changes from FY 2004-05

Sec. 901. Contingency Funds – NEW

Authorizes Department to receive additional federal, state restricted, local, and private contingency funding; requires that funding can be expended only upon legislative transfer to a specific line item.

Sec. 920. Grants to Counties in Lieu of Taxes – DELETED

Requires Department to reimburse Benzie and Leelanau Counties to offset lost property tax revenue on lands transferred to the federal government (related to Sleeping Bear Dunes National Lakeshore).

Sec. 923. Handbook for Taxpayers – DELETED

Prohibits Department from expending funds on new taxpayer audits until the required taxpayer and tax preparers handbook on audit and collection procedures is published and available to taxpayers and tax preparers.

Sec. 927. Qualified Agricultural Loan Payments - DELETED

Specifies that any unexpended balance from authorized funds for qualified agricultural loan payments are appropriated and may be used as payments.

Sec. 929. Agreements to Supply Data or Collection Services – MODIFIED

Allows Department to charge for supplying tax data and collection services; new language stipulates that unobligated fund balance reverts to the general fund.

Sec. 939. Employee Pension Fund Investment Emphasis – DELETED

Expresses legislative intent that the state treasurer give consideration to investments in early stage, university derived life science companies in Michigan.

Sec. 940. Personal Property Tax Auditors – MODIFIED

Authorizes state classified civil service employees or contractors under Department's supervision to be hired to perform personal property tax audits; new language allows Department to receive increased appropriation for additional audits if collection exceeds \$12.0 million.

Sec. 951. County Treasurer Compliance with State School Aid Act - DELETED

Requires county treasurers to comply with provisions of the state school aid act in order to receive statutory state general revenue sharing grant payments.

Sec. 953. County Restricted Reserve Accounts – DELETED

Requires county revenue sharing payments be distributed on a one-time basis to counties with a fiscal year ending September 30. The state is to be reimbursed from the counties' revenue sharing reserve funds.

Sec. 962. Sports Figures in Lottery Advertising (NASCAR) – DELETED

Prohibits funding from being used for associating professional or amateur athletes with lottery or its products, but authorizes State Lottery to use NASCAR drivers in conjunction with promotion of instant ticket products.

Sec. 963. FIA Bridge Cards – DELETED

Requires State Lottery to notify lottery retailers that FIA bridge cards are not to be used to purchase lottery tickets.

Sec. 970. Casino Wagering Tax – DELETED

Requires wagering tax revenue from licensed gaming under the Michigan gaming control and revenue act at the rate of 8.15% to be appropriated to the school aid fund.

**FY 2005-06
Budget Detail
for
HUMAN SERVICES**

**Community Health
Corrections
Family Independence Agency**

**Summary: Executive Budget Recommendation
COMMUNITY HEALTH
FY 2005-06**

Analysts: Margaret Alston, Sue Frey, Steve Stauff

	FY 2004-05 Year-to-Date as of 2/10/05	FY 2005-06 Executive	Difference: Exec to FY 2004-05 YTD	
			Amount	%
IDG/IDT	\$70,037,000	\$34,485,400	(\$35,551,600)	(50.8)
Federal	5,502,478,700	5,467,496,800	(34,981,900)	(0.6)
Local	523,452,400	235,430,800	(288,021,600)	(55.0)
Private	55,476,400	59,470,100	3,993,700	7.2
Restricted	1,463,844,700	1,523,360,600	59,515,900	4.1
GF/GP	2,557,910,600	2,920,639,500	362,728,900	14.2
Gross	\$10,173,199,800	\$10,240,883,200	\$67,683,400	0.7
FTEs	5,118.6	4,699.1	(419.5)	(8.2)

<u>Priority</u>	<u>GF/GP</u>	<u>All Funds</u>
<i>Make Michigan's People Healthier and Our Families Stronger</i>		
Medicaid	\$1,634,421,400	\$6,905,845,800
Mental Health	1,125,969,600	2,567,182,400
Public Health	61,781,000	448,776,600
Administration	55,423,200	120,323,600
Other	43,044,300	148,397,800
<i>Protect Our Citizens and Make Michigan's Communities Safer</i>		
Bioterrorism preparedness	0	50,357,000
TOTAL FY 2005-06 Executive Recommendation	\$2,920,639,500	\$10,240,883,200

Overview

The Department of Community Health (DCH) budget provides funding for a wide range of mental health, substance abuse, public health, and medical services programs including Medicaid. Established in 1996, the Department also includes the Office of Drug Control Policy, the Office of Services to the Aging, and the Crime Victim Services Commission.

Major Budget Changes from FY 2004-05 YTD Appropriations

1. Economic Adjustments

Adds \$30.3 million gross (\$12.6 million GF/GP) to restore employee-related savings included in FY 2004-05, and fund employee-related economic increases for defined benefit and contribution retirement and insurance. Does not include funds for negotiated employees' salary and wage increases for FY 2005-06.

	FY 2004-05 YTD (as of 2/10/05)	Executive Change
Gross	N/A	\$30,313,800
IDG	N/A	3,381,700
Federal	N/A	6,217,700
Restricted	N/A	1,202,800
Local	N/A	6,923,900
Private	N/A	5,200
GF/GP	N/A	\$12,582,500

2. Family Support Subsidy Program

Adds \$1.3 million gross (all TANF) for Family Support Subsidy Program. Adjustment assumes an average monthly caseload of 6,555 and monthly payment of \$222.11.

Gross	\$16,680,700	\$1,254,300
Federal	16,680,700	1,254,300

COMMUNITY HEALTH

<u>Major Budget Changes from FY 2004-05 YTD Appropriations</u>		FY 2004-05 YTD (as of 2/10/05)	Executive Change
3. Mental Health Provider Tax	Gross	\$1,443,717,500	\$123,818,700
Increases funds for Medicaid Mental Health and Substance Abuse Services by \$123.8 million to reflect a 2.4% capitation rate increase, based on a 6% provider tax on specialty prepaid health plans. Of the \$88.7 million in state restricted revenue from the provider tax, \$53.7 million would be used to draw down an additional \$70.1 million in federal Medicaid revenue. The remaining \$35.0 million in tax revenue would be used to replace GF/GP support for Community Mental Health/Substance Abuse Services Programs appropriation unit.	Federal	818,732,300	70,069,000
	Restricted	3,500,000	88,749,700
	Local	26,000,000	0
	GF/GP	\$595,485,200	(\$35,000,000)
4. Multicultural Services	Gross	\$4,963,800	(\$1,300,000)
Eliminates increase of \$1.3 million in FY 2004-05 for multicultural services for ACCESS, Arab American and Chaldean Council, and Jewish Federation.	GF/GP	\$4,963,800	(\$1,300,000)
5. Mental Health Facility Pharmacy Costs	Gross	\$9,413,500	\$2,145,100
Includes \$2.1 million gross (\$319,100 GF/GP) for increased pharmacy costs at state psychiatric hospitals, Mt. Pleasant Center, and Forensic Center. Costs are projected to increase by 22.8% from the current fiscal year.	Federal	1,097,600	335,900
	Restricted	394,600	97,700
	CMHSP	5,892,000	1,254,500
	Local	612,900	138,000
	GF/GP	\$1,416,400	\$319,000
6. Forensic Mental Health Services	Gross	\$68,687,700	(\$38,705,000)
Reduces IDG from Corrections by \$38.7 million due to a change in responsibility for mentally ill prisoners at the Huron Valley Center. Department of Community Health would continue to have responsibility for mental health clinical services; however, Corrections would assume responsibility for non-clinical services. Transition is expected to occur during FY 2004-05.	IDG	68,687,700	(38,705,000)
7. Local Public Health Hearing and Vision Screening	Gross	\$40,618,400	(\$5,150,000)
Eliminates \$5.2 million GF/GP to local public health departments for hearing screening and vision services, a 12.7% reduction of the Local Public Health Operations line item. Services are provided by local public health departments pursuant to Part 93 of the Public Health Code.	GF/GP	\$40,618,400	(\$5,150,000)
8. Healthy Michigan Fund Project Revisions	Gross	\$43,400,000	\$112,700
Reduces Healthy Michigan Fund (HMF) appropriations to seven project areas by \$1.2 million and increases HMF appropriation to Medicaid services by \$1.2 million. A modest projected HMF revenue increase is applied to economic costs of three programs.	Restricted	43,400,000	112,700
9. Aging Program Reductions	Gross	\$47,071,200	(\$1,534,000)
Reduces senior program by \$1.5 million GF/GP, including: eliminating \$1.1 million Senior Citizen Centers Staffing and Equipment funding, \$344,500 reduction to Community Services, \$71,000 reduction to Senior Volunteer Services, and \$49,800 reduction to Office of Services to Aging Administration.	Federal	23,377,000	0
	Private	20,000	0
	GF/GP	\$23,674,200	(\$1,534,000)
10. Medicaid Caseload, Utilization, and Inflation Adjustments	Gross	N/A	\$486,500,000
Adds \$486.5 million gross (\$214.3 million GF/GP) of Medicaid base adjustments for projected expenditure trends related to inflation, caseload and utilization growth. Adjustments occur in the Medical Services, Substance Abuse, Mental Health, Children's Special Health Care Services (CSHCS) and MICHild programs.	Federal	N/A	272,200,000
	GF/GP	N/A	\$214,300,000

Major Budget Changes from FY 2004-05 YTD Appropriations	FY 2004-05 YTD (as of 2/10/05)	Executive Change
11. 4% Medicaid Provider Rate Reductions	Gross	N/A (\$148,705,000)
Removes \$148.7 million gross (\$64.8 million GF/GP) due to a 4% reduction in provider payment rates. Medicaid services affected include hospitals, physicians, home health care, long term care, dental, hearing, vision, speech, HMOs, and children's special health care services.	Federal	(83,958,400)
	GF/GP	(\$64,746,600)
12. Restore Physician 4% Provider Rate Cut	Gross	N/A \$9,580,300
Restores \$9.6 million gross (\$4.2 million GF/GP) representing the 4% provider rate cut to physicians included in the summary item above. This restoration occurs upon establishment of a provider tax on physicians.	Federal	5,421,500
	GF/GP	\$4,158,800
13. Physician Services Tax – Quality Assurance Assessment Program (QAAP)	Gross	N/A \$124,395,700
Recommends implementing a 1% tax on physician practice revenue to generate \$94.0 million restricted revenue for the state. Reduction of \$40.0 million GF/GP in the Physician Services line item offset by the same amount of restricted revenue leaves \$54.0 million restricted revenue to earn federal Medicaid match of \$70.4 million. Actions would provide \$124.4 million (\$30.4 million net to the physician community) to fund a physician rate increase. State legislation would be required to implement a physician tax.	Federal	70,395,500
	Restricted	94,000,200
	GF/GP	(\$40,000,000)
14. Medicare Drug Coverage for Dual Eligibles	Gross	N/A (\$227,944,500)
Reduces Medicaid funding in the Pharmaceutical Services appropriation line by \$227.9 million for all dual Medicaid-Medicare eligibles whose prescription drug coverage will be provided through the Medicare Part D drug benefit taking effect on January 1, 2006. The state will continue to provide GF/GP for duals' prescription coverage at the same level as FY 2004-05 due to the federal "clawback" provision.	Federal	(227,944,500)
15. Elder Prescription Insurance Coverage (EPIC)	Gross	\$19,500,000 (\$13,500,000)
Reduces the EPIC program by \$13.5 million tobacco settlement revenue due to implementing the new Medicare Part D drug program on January 1, 2006. The Medicare benefit will address prescription drug coverage needs of the EPIC eligible population. The remaining \$3.9 million in the EPIC program is expected to support the program for the first quarter of FY 2005-06 with the final three quarters covered by Medicare Part D.	Restricted	19,500,000 (13,500,000)
16. Third Share Plan	Gross	\$0 \$10,000,000
Adds \$10.0 million gross (\$4.3 million local) to create a health care coverage program, called the Third Share Plan, to provide medical insurance for low-income working families who are not eligible for Medicaid. Under the plan, employers, employees, and counties will cover an equal portion of health care premiums for individuals enrolled in qualified health plans. The state will help counties meet their share of the costs by contributing federal disproportionate share (DSH) funding that counties will then match.	Federal	0 5,659,000
	Local	0 4,341,000
17. Elimination of Medicaid Chiropractic Benefit	Gross	\$1,382,200 (\$1,382,200)
Reduces Auxiliary Medical Services line by \$1.4 million gross (\$600,000 GF/GP) due to elimination of Medicaid coverage for chiropractic services.	Federal	782,200 (782,200)
	GF/GP	\$600,000 (600,000)

COMMUNITY HEALTH

<u>Major Budget Changes from FY 2004-05 YTD Appropriations</u>		FY 2004-05 YTD (as of 2/10/05)	Executive Change
18. University Disproportionate Share (DSH) Payments	Gross	\$0	\$20,152,900
Includes \$20.2 million gross (\$8.7 million local) for DSH payments for dental and mental health services for low-income adults through University of Detroit dental clinic and Wayne State University Psychiatric program. DSH payments will also be used for health care training for individuals through community colleges and universities.	Federal	0	11,404,500
	Local	0	8,748,400
19. Graduate Medical Education (GME) Reduction	Gross	\$182,700,000	(\$6,800,000)
Reduces funding for graduate medical education payments in the Hospital Services and Therapy line by 4.0%, resulting in gross savings of \$6.8 million (\$2.9 million GF/GP).	Federal	103,609,200	(3,848,100)
	GF/GP	\$79,090,800	(\$2,951,900)
20. Medicaid Estate Recovery	Gross	\$0	(\$10,000,000)
Removes \$10.0 million gross (\$4.3 million GF/GP) from the Long Term Care appropriation line representing anticipated savings from establishing an estate recovery program. Federal Medicaid rules require states to have an estate recovery program. Legislation will be required to permit the Medicaid program to recoup the assets of Medicaid nursing home residents upon their death.	Federal	0	(5,659,000)
	GF/GP	\$0	(\$4,341,000)
21. Elimination of Retroactive Medicaid Eligibility	Gross	N/A	(\$28,300,000)
Reduces the Hospital Services and Therapy line and Long Term Care Services line by \$11.3 million gross and \$17.0 million gross respectively as a result of eliminating the retroactive eligibility for beneficiaries' three months prior to the date of application. A federal waiver will be required from the Centers for Medicare and Medicaid Services to implement this change.	Federal	N/A	(16,015,000)
	GF/GP	N/A	(\$12,285,000)
22. Medicaid Eligibility Requirements Related to Annuities and Trusts	Gross	\$0	(\$18,428,900)
Removes \$18.4 million gross (\$8.0 million GF/GP) from the Long Term Care appropriation line representing anticipated savings from closing loopholes that allow individuals to shield assets through annuities and other trust asset accounts to gain Medicaid services for long term care. Legislation will be required to implement these changes.	Federal	0	(10,428,900)
	GF/GP	\$0	(\$8,000,000)

Major Boilerplate Changes from FY 2004-05

Sec. 206. Contingency Funds – RESTORED

Appropriates up to \$100.0 million federal contingency funds, up to \$20.0 million state restricted funds, up to \$20.0 million local contingency funds, and up to \$10.0 million private contingency funds; specifies that contingency funds are not available for expenditure until transferred according to provisions in Section 393(2) of Management and Budget Act. Contingency fund language has not been included in the budget for the past two fiscal years.

Sec. 210. Businesses in Deprived and Depressed Communities – NEW

Requires the Director to take all reasonable steps to ensure businesses in deprived and depressed communities compete for and perform contracts to provide services or supplies, or both; requires the Director to strongly encourage firms with which Department contracts to subcontract with certified businesses in depressed and deprived communities for services, supplies, or both. Language was in 2003 PA 159, appropriations act for Department for FY 2003-04.

Sec. 261. Medicaid Management Information System Upgrade – NEW

Provides that Part 1 appropriated funds for Medicaid management information system upgrade are contingent on approval of an advanced planning document from Centers for Medicare and Medicaid Services. Allows appropriation to be designated as a work project and carried forward to support completion of the project.

Major Boilerplate Changes from FY 2004-05

Sec. 264. Submission of Medicaid Waiver – DELETED

Requires Department to notify House and Senate appropriations subcommittees on Community Health and House and Senate fiscal agencies upon submission of a Medicaid waiver, a Medicaid state plan amendment, or similar proposal to Centers for Medicare and Medicaid Services.

Sec. 606. Patient Reimbursement – MODIFIED

Allows Department to collect revenue for patient reimbursement from first/third payers, including Medicaid to cover the cost of placement in state hospitals and centers. Department would also be allowed to collect revenue for patient reimbursement from local county CMHSP payers.

Sec. 709. Health Care Licensees – NEW

Permits Department to establish and collect a reasonable charge for providing customized listings of nonconfidential information in its possession such as names and addresses of licensees.

Sec. 804. Tetanus and Diphtheria Immunization for Seniors – DELETED

Requires tetanus and diphtheria immunizations be offered annually to senior residents of long-term care facilities at the same time that the influenza immunization is offered; language was added in FY 2004-05.

Sec. 1109. Volunteer Dental Services Program for the Uninsured – DELETED

Authorizes a volunteer dental program through the Michigan Dental Association to provide dental services to the uninsured and to require a report by the Department of services provided.

Sec. 1203. Referral of CSHCS Eligibles – DELETED

Requires Department to refer clients of the program to the locally-based services program in their community.

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 prosecution of sexual assault.

Sec. 1416. Support for In-Home Services for Non-Medicaid Seniors – DELETED

Establishes Legislature's commitment to provide in-home services, resources, and assistance for the frail elderly who are not being served by the Medicaid home and community-based services waiver program.

Sec. 1622. Pharmaceutical Best Practice Initiative – DELETED

Specifies conditions for continued implementation of Department's pharmaceutical initiative related to prior authorization process, the pharmacy and therapeutics committee, and reporting requirements.

Sec. 1630. Medicaid Chiropractic Services – MODIFIED

Discontinues chiropractic services as a Medicaid covered service and removes prohibition of restrictions on chiropractic services unless recipient exceeds 18 visits within a year.

Sec. 1647. Graduate Medical Education Payments – DELETED

Requires graduate medical education payments to hospitals be no less than the level of rates and payments in effect on April 1, 2004.

Sec. 1660. Medicaid Managed Care Children's Programs – MODIFIED

Removes requirement that local health departments provide preschool vision and hearing screenings and accept referrals.

Sec. 1663. Use of QAAP Revenue to Offset Rate Reductions – NEW

Provides that if a Medicaid provider participates in the Quality Assurance Assessment Program (QAAP), additional assessment revenues may be used to offset provider rate reductions in effect in FY 2005-06.

Sec. 1664. Physician Quality Assurance Assessment Program (QAAP) – NEW

Allows that upon implementation of a physician QAAP, Medicaid physician rates will increase to those of the Medicare fee screens. This would occur in accordance with legislation passed in the 2005-2006 legislative session.

Sec. 1677. MICHild Program Benefits Insurance Plan Requirement – DELETED

Requires that the benefits provided by the MICHild program be based on the state employee insurance plan.

Major Boilerplate Changes from FY 2004-05

Sec. 1689. Medicaid Home and Community Based Services (HCBS) – DELETED

Requires giving priority in HCBS enrollment to nursing home residents and those eligible for nursing homes, and requires screening to prevent unnecessary nursing home admissions. Requires DCH to transfer funds to the HCBS program for successfully moving persons out of nursing homes if there is a net reduction in the number of Medicaid nursing home days of care and a net cost savings attributable to moving persons out of nursing homes. Requires a quarterly report on HCBS allocations and expenditures by regions and net cost savings. Requires a competitive bid for administration of the new screening and assessment process for long-term care services.

Sec. 1700. Actuarially Sound Capitation Rates – DELETED

Requires Department to request a federal Medicaid waiver to implement actuarially sound capitation rates for managed care organizations over two years, requires Medicaid provider rate reductions if the waiver request is denied; and requires Department to complete a study by January 2005 of alternative approaches to provide Medicaid health care services to those currently enrolled in HMOs.

Sec. 1716. Medicaid Adult Benefits Waiver Hospital Case Rate – DELETED

Requires that the hospital case rate under the Medicaid Adult Benefits Waiver be set at a rate that does not exceed \$108.6 million in gross savings.

Summary: Executive Budget Recommendation
CORRECTIONS
FY 2005-06

Analyst: Marilyn B. Peterson

	FY 2004-05 Year-to-Date as of 2/10/05	FY 2005-06 Executive	Difference: Exec to FY 2004-05 YTD	
			Amount	%
IDG/IDT	\$3,364,200	\$1,043,800	(\$2,320,400)	(69.0)
Federal	8,188,100	10,316,800	2,128,700	26.0
Local	393,600	411,700	18,100	4.6
Private	0	0	0	0.0
Restricted	66,075,600	66,590,000	514,400	0.8
GF/GP	1,708,161,100	1,805,280,300	97,119,200	5.7
Gross	\$1,786,182,600	\$1,883,642,600	\$97,460,000	5.5
FTEs	17,769.8	17,545.2	(224.6)	(1.3)

<u>Priority</u>	<u>GF/GP</u>	<u>All Funds</u>
<i>Protect Our Citizens and Make Michigan's Communities Safer</i>		
Prison and Camp Operations	\$1,523,959,800	\$1,557,535,800
Probation and Parole Oversight	170,600,000	192,588,300
Administration, Community Corrections, Information Technology	110,720,500	133,518,500
TOTAL FY 2005-06 Executive Recommendation	\$1,805,280,300	\$1,883,642,600

Overview

The mission of the Department of Corrections (MDOC) is "to enhance public safety by recommending sanctions to the courts and to carry out the sentences given to convicted felons as directed by the courts in a humane, cost-efficient manner which is consistent with sound correctional principles and constitutional standards." To that end, the MDOC budget 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 through Capital Outlay.

Major Budget Changes from FY 2004-05 YTD Appropriations

	<u>FY 2004-05 YTD</u> <u>(as of 2/10/05)</u>	<u>Executive</u> <u>Change</u>
PRISON AND CAMP CAPACITY CHANGES		
1. Cancel Youth Correctional Facility Contracts		
Assumes cancellation of management and lease contracts for privately-owned and -operated Michigan Youth Correctional Facility in Baldwin. Full-year savings of \$18.8 million: \$13.3 million from management contract, \$5.4 million from lease, and \$160,100 from eliminating on-site contract monitor.		
Beds	480	(480)
FTEs	1.0	(1.0)
Gross	\$18,840,700	(\$18,844,600)
GF/GP	\$18,840,700	(\$18,844,600)
2. Add Beds in Six-bunk Open Bays		
Funds additional 976 Level I (minimum security) beds by adding one bunk to six-bunk open bays in eight lower-peninsula facilities.		
Beds	N/A	976
FTEs	N/A	102.6
Gross	N/A	\$10,321,300
GF/GP	N/A	\$10,321,300
3. Add Beds at Kinross and Ojibway		
Funds additional 376 beds at Kinross Correctional Facility (Kincheloe) and Ojibway Correctional Facility (Marenisco). Increases at Kinross of 296 Level II beds and 22.6 FTEs; increases at Ojibway of 80 Level I beds and 10.8 FTEs.		
Beds	N/A	376
FTEs	N/A	35.4
Gross	N/A	\$4,127,000
GF/GP	N/A	\$4,127,000

CORRECTIONS

<u>Major Budget Changes from FY 2004-05 YTD Appropriations</u>	<u>FY 2004-05 YTD (as of 2/10/05)</u>	<u>Executive Change</u>
4. Jackson Complex A and B Units Eliminates partial-year funding in FY 2004-05 for Egeler's A and B units; beds were constructed as Level V, but funded and used briefly in FY 2004-05 as minimum-to-medium security beds accommodating prisoners processed at Egeler reception center and awaiting transfer to other facilities	Beds 480 FTEs 58.2 Gross \$5,060,100 GF/GP \$5,060,100	(480) (58.2) (\$3,517,900) (\$3,517,900)
5. Full-Year Costs of Beds Added in FY 2004-05 Funds full year for beds opened and funded for part of FY 2004-05. Adds \$1.3 million for 200 beds added at Camp Lehman, \$2.1 million and 31.1 FTEs for 316 beds added by converting Oaks Correctional Facility from Level V to Level IV, and \$506,800 for 96 beds added by converting Oaks segregation unit to general population.	Beds 612 FTEs 23.7 Gross \$3,398,000 GF/GP \$3,398,000	0 31.1 \$3,877,800 \$3,877,800
6. Close Mangum Farm and Camps Tuscola and Sauble Reflects reductions of 475 beds, 108.8 FTEs, \$3.4 million gross, \$3.1 million GF/GP through closing Camps Tuscola and Sauble and the barracks at Marquette's Mangum farm.	Beds N/A FTEs N/A Gross N/A Restricted N/A GF/GP N/A	(475) (108.8) (\$3,370,700) (228,900) (\$3,141,800)
PRISON AND CAMP OPERATIONS		
7. Reduce Security Levels at Five Facilities Reflects reductions in staffing needs due to changes in security levels at five facilities during the first half of FY 2004-05. Bellamy Creek: two units (240 beds) from Level III to Level II; three units (480 beds) from Level IV to Level II. Boyer Road: entire 960-bed facility from Level II to Level I. Ojibway: three units (360 beds) from Level II to Level I. Mound and Ryan: both facilities changed from multilevel facilities to Level II facilities (total of 574 beds).	FTEs N/A Gross N/A GF/GP N/A	(95.3) (\$2,871,900) (\$2,871,900)
8. Seniority Step Increases at Correctional Facilities Provides increases at all correctional facilities due to increasing seniority of staff.	Gross N/A GF/GP N/A	\$8,085,200 \$8,085,200
9. Consolidate Administrative Functions at Eight Facilities Reflects savings generated by consolidating business offices and other administrative functions at: Mound and Ryan, Kinross and Chippewa, Brooks and Muskegon, and Pine River and St. Louis.	FTEs N/A Gross N/A GF/GP N/A	(10.0) (\$445,600) (\$445,600)
10. Food Service Reflects adjustments pertaining to food service. Eliminating coffee from prisoner dining halls saves \$250,000 GF/GP; closing Jackson complex production kitchen saves \$3.5 million, \$2.7 million of which is funded by user fees (IDTs from the various facilities). Adds \$520,000 for food to Community Health's new forensic center; fully funded by IDG from Community Health.	FTEs N/A Gross N/A IDG/IDT N/A GF/GP N/A	(8.4) (\$3,190,300) (2,739,400) (\$970,900)
11. Equipment and Special Maintenance Restores funding shift to Capital Outlay that occurred under target agreements for FY 2004-05.	Gross \$1,667,200 GF/GP \$1,667,200	\$386,800 \$386,800
OFFENDER HEALTH CARE AND TREATMENT		
12. Substance Abuse Testing and Treatment Provides GF/GP to replace federal residential substance abuse testing and treatment (RSAT) grant funding lost in FY 2004-05; adds \$801,700 to accommodate increased numbers of parolees.	Gross \$17,646,000 Federal 729,400 GF/GP \$16,916,600	\$2,040,400 0 \$2,040,400
13. Managed Care Contract Savings Incorporates unspecified efficiencies in prisoner health care provided under a managed care contract for hospital and specialty care.	Gross \$59,875,200 GF/GP \$59,875,200	(\$1,698,200) (\$1,698,200)

Major Budget Changes from FY 2004-05 YTD Appropriations

FY 2004-05 YTD (as of 2/10/05)	Executive Change
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PRISONER REINTEGRATION AND ALTERNATIVES TO PRISON INCARCERATION**14. Prisoner Reintegration Programs**

Creates new line item consolidating programs aimed at improving success on parole and reducing need for additional prison beds. Includes current-year funding for female programs, funding from new federal grant, \$3.0 million for community housing and treatment for reintegration of mentally ill offenders, and \$5.0 million for various re-entry pilot sites.

FTEs	4.0	0.0
Gross	\$3,843,700	\$9,035,000
Federal	0	1,035,000
GF/GP	\$3,843,700	\$8,000,000

15. Jail Capacity Expansion Program

Creates new program to fund renovating or constructing additional jail beds.

Gross	\$0	\$1,000,000
GF/GP	\$0	\$1,000,000

16. Community Corrections Probation Residential Centers

Reduces base by \$500,000 to reflect historical spending, adds \$1.0 million for residential substance abuse treatment programs that ease jail crowding, and renames line item to "Residential Services" to reflect expanded purpose.

Gross	\$15,828,400	\$500,000
Restricted	2,323,500	0
GF/GP	\$13,504,900	\$500,000

17. Community Corrections Comprehensive Plans and Services

Reduces base by \$500,000 to reflect historical spending. Adds \$1.0 million for local efforts to divert mentally ill offenders out of jails, \$1.0 million for pre-trial services to divert detainees from jail, and \$3.0 million for assisting counties with impact of anticipated changes to sentencing guidelines.

Gross	\$13,033,300	\$4,500,000
GF/GP	\$13,033,300	\$4,500,000

18. Parole and Probation Supervision

Offsets \$1.0 million GF/GP with increased collections of parole and probation oversight fees, assumes savings of \$239,500 and 3.0 FTEs through consolidation of field offices, and provides \$454,900 for increased costs of field office rent.

FTEs	N/A	(3.0)
Gross	N/A	(\$188,100)
Restricted	N/A	1,000,000
GF/GP	N/A	(\$1,188,100)

19. Close Two Corrections Centers

Assumes closure of two corrections centers currently leased in Benton Harbor and Saginaw. Centers historically housed low-level offenders placed in community prior to parole. Population eligible for community placement is declining due to truth-in-sentencing, which requires offenders to serve minimum sentences in secure confinement.

Beds	481	(271)
FTEs	70.0	(22.0)
Gross	\$9,283,000	(\$3,532,200)
Restricted	1,486,300	(1,176,100)
GF/GP	\$7,796,700	(\$2,356,100)

20. Eliminate Funding for CRP II

Removes remainder of funding for Conditional Reintegration Program (CRP II; distinguishes it from earlier proposal) first funded in FY 2003-04, under which, offenders past their earliest release date were to be selected and moved to tether. Difficulties identifying sufficient number of offenders suitable for tether led to reduction for FY 2004-05.

FTEs	68.5	(68.5)
Gross	\$5,514,800	(\$5,514,800)
Restricted	1,859,100	(1,859,100)
GF/GP	\$3,655,700	(\$3,655,700)

MISCELLANEOUS ADMINISTRATIVE AND PERSONNEL ADJUSTMENTS**21. Reduce Central Office Staffing**

Eliminates 14.5 FTEs from central office staff in Lansing; savings of \$1.1 million.

FTEs	N/A	(14.5)
Gross	N/A	(\$1,118,700)
GF/GP	N/A	(\$1,118,700)

22. Close DeMarse Academy

Closes DeMarse training academy, located on grounds of former Michigan School for the Blind in Lansing. New classes of corrections officers to utilize state police training facility; savings of \$1.0 million offset by increased food costs of \$303,800.

Gross	N/A	(\$696,800)
GF/GP	N/A	(\$696,800)

CORRECTIONS

<u>Major Budget Changes from FY 2004-05 YTD Appropriations</u>	<u>FY 2004-05 YTD (as of 2/10/05)</u>	<u>Executive Change</u>
23. Eliminate Jail Services Unit Eliminates jail services unit, which reviews jail plans and inspects jails for compliance with jail standards; responsibilities would be shifted to Labor and Economic Growth. Associated position that administers county jail reimbursement program would be transferred to Office of Community Corrections. (County jail reimbursement program provides counties with per-diem payments for housing felons who otherwise likely would be sentenced to prison.)	FTEs 5.0 Gross \$654,500 IDG/IDT 165,000 GF/GP \$489,500	(4.0) (\$581,200) (165,000) (\$416,200)
24. Statewide Consolidation of Human Resources Assumes additional savings through human resources optimization project, initiated in FY 2004-05.	FTEs N/A Gross N/A GF/GP N/A	(7.0) (\$558,200) (\$558,200)
25. Department of Information Technology (DIT) Adds \$644,400 for human resources optimization project computer costs. Includes \$400,000 reduction recognizing that computers used for prisoner education are not supported by DIT, and \$612,300 reduction in connection with statewide DIT reductions.	Gross \$14,789,900 Restricted 509,500 GF/GP \$14,280,400	(\$367,900) 0 (\$367,900)
26. Restoration of FY 2004-05 Concessions Restores FY 2004-05 wage and salary concessions.	Gross N/A IDG/IDT N/A Federal N/A Local N/A Restricted N/A GF/GP N/A	\$46,342,500 56,200 42,300 7,400 1,180,600 \$45,056,000
27. Economic Adjustments Includes economic increases for: • Insurances (\$24.2 million gross, \$23.5 million GF/GP) • Retirement (\$30.5 million gross, \$29.6 million GF/GP) • Building occupancy (\$152,700 gross and GF/GP) Includes economic decrease of \$1.4 million (gross and GF/GP) for worker's compensation. Does not fund 1.5% wage and salary increase in FY 2005-06 (total for MDOC employees estimated at \$13.8 million). Does not fund economic increases in food or fuel and utilities, or increases under new guards' contract that increased dry cleaning allowance paid to corrections officers.	Gross N/A IDG/IDT N/A Federal N/A Local N/A Restricted N/A GF/GP N/A	\$53,414,200 5,900 51,400 10,700 1,499,800 \$51,846,400

Major Boilerplate Changes from FY 2004-05

Sec. 205. Hiring Freeze – NEW

Incorporates historical language specifying hiring freeze on the state classified civil service.

Sec. 207. Privatization Project Plans – DELETED

Requires Department to submit project plan to Legislature at least 120 days before beginning any effort to privatize.

Sec. 212. Contingency Fund Appropriations – NEW

Incorporates historical language providing for authorization and appropriation of state, local, and federal contingency funds (funds that become available during the course of the fiscal year).

Sec. 216. Revenue Report – DELETED

Requires report on historical and anticipated collections of non-general-fund revenue.

Sec. 302. Substance Abuse Testing and Treatment – DELETED

Requires report on expenditures under substance abuse testing and treatment line item.

Sec. 403. County Jail Services Staff – DELETED

Mandates continuing to maintain county jail services staff.

Major Boilerplate Changes from FY 2004-05

Sec. 404. Staffing Ratios – DELETED

Requires report on facility staffing ratios.

Sec. 405(4). Technical Violators of Parole and Probation – DELETED

Requires Department to report to Legislature on impact of recommended policy changes regarding technical violators of parole and probation.

Sec. 406. Sheriffs' Coordinating and Training Office – DELETED

Specifies purpose of line item for sheriffs' coordinating and training office.

Sec. 902. Health Care Contracts – DELETED

Requires reports on status of payments to vendors under contracts for health care for prisoners and on quality of prisoner health care.

Sec. 904. Privatization of Pharmaceutical Services – DELETED

Requires a one-year cost-benefit analysis of privatizing pharmacy services be conducted prior to any effort to privatize pharmacy services.

Sec. 1009. Academic/Vocational Report – DELETED

Requires report on academic/vocational programs, including GED completion.

Sec. 1010. GED and Recidivism Report – DELETED

Requires report on percent of offenders in prison intake with a high school diploma or GED certificate, and statistical report on efficacy of department-provided prison vocational education programs in reducing offender recidivism rates.

**Summary: Executive Budget Recommendation
FAMILY INDEPENDENCE AGENCY
FY 2005-06**

Analysts: Robert Schneider, Bill Fairgrieve

	FY 2004-05 Year-to-Date as of 2/10/05	FY 2005-06 Executive	Difference: Exec to FY 2004-05 YTD	
			Amount	%
IDG/IDT	\$1,084,400	\$1,400,900	\$316,500	29.2
Federal	3,033,969,000	3,190,468,600	156,499,600	5.2
Local	73,326,100	51,189,300	(22,136,800)	(30.2)
Private	9,757,600	8,938,900	(818,700)	(8.4)
Restricted	70,321,400	70,373,900	52,500	0.1
GF/GP	1,109,682,800	1,106,603,600	(3,079,200)	(0.3)
Gross	\$4,298,141,300	\$4,428,975,200	\$130,833,900	3.0
FTEs	10,302.0	10,290.0	(12.0)	(0.1)

<u>Priority</u>	<u>GF/GP</u>	<u>All Funds</u>
<i>Make Michigan's People Healthier and Our Families Stronger</i>		
Income Assistance	\$288,418,400	\$1,890,087,700
Individual and Family Services	310,782,600	871,851,500
Field Staff and Administration	225,970,800	646,397,500
Child Support Enforcement	11,840,500	205,744,300
Information Technology, Administration and Support	80,882,700	232,422,100
Disability Determination, Licensing	12,543,600	93,063,700
<i>Improve Student Achievement</i>		
Day Care Services, Licensure	175,389,900	472,979,300
<i>Sustain and Create Business Investment and Jobs in Michigan</i>		
Employment Training and Support Services	775,100	16,429,100
TOTAL FY 2005-06 Executive Recommendation	\$1,106,603,600	\$4,428,975,200

Overview

The Family Independence Agency (FIA) administers a wide range of programs and services to help improve the quality of life in Michigan. The Department assists Michigan's most vulnerable families through public assistance programs that provide direct cash support as well as assistance with food, day care and other emergency needs. It helps protect children and strengthen families by administering foster care, adoption and family preservation programs and by enforcing child support laws. The FIA is also responsible for delivering juvenile justice services and for licensing day care, adult foster care, and child welfare agencies in the state. Executive Order 2004-38 proposes to change the name of the agency to the Department of Human Services effective March 15, 2005.

Major Budget Changes from FY 2004-05 YTD Appropriations

1. Day Care Services Caseload and Waiting Period

Reduces funds by \$27.3 million (5.6% of FY 2004-05 appropriation), reflecting reduction of \$6.3 million due to anticipated decrease in caseload to 67,600, down 200 cases from FY 2004-05 budgeted caseload. Includes anticipated savings of \$21.0 million by implementing a waiting period for day care subsidies for recipients who do not receive cash welfare benefits, but still qualify for day care subsidy due to low-income. This recipient group would be required to wait two pay periods (up to 28 days) before their state subsidy payment would begin.

	<u>FY 2004-05 YTD (as of 2/10/05)</u>	<u>Executive Change</u>
Gross	\$491,672,000	(\$27,319,200)
Federal	306,282,100	(17,319,200)
GF/GP	\$185,389,900	(\$10,000,000)

Major Budget Changes from FY 2004-05 YTD Appropriations

	FY 2004-05 YTD (as of 2/10/05)	Executive Change
2. Foster Care Payments	Gross \$225,364,100	(\$11,391,900)
Reflects \$12.8 million reduction planned savings in foster care payments achieved by statewide implementation of Family to Family pilot program, which emphasizes community-wide collaboration in placing foster youth in their own communities with a stable family rather than institutional settings. Includes caseload-related increase of \$1.4 million reflecting FY 2005-06 caseload projection of 11,400, down 100 cases from budgeted FY 2004-05 caseload. Replaces local and private foster care funds with additional federal and GF/GP to reflect current actual claim levels.	Federal 86,865,900	11,376,000
	Local 45,385,900	(20,104,500)
	Private 5,033,900	(1,193,300)
	GF/GP \$88,078,400	(\$1,470,100)
3. Food Assistance Program	Gross \$1,099,429,300	\$119,311,600
Adds funds to cover projected caseload increase for Food Stamps program (100% federally funded). Projected caseload for FY 2005-06 is 526,800, up 13,700 from FY 2004-05 budgeted caseload. Also provides for a 2.88% federal cost of living adjustment.	Federal 1,099,429,300	119,311,600
4. Family Independence Program	Gross \$386,642,100	\$7,635,500
Adds \$7.6 million for Family Independence Program (FIP) to account for anticipated caseload of 78,500 for FY 2005-06, up 1,500 from budgeted caseload for FY 2004-05. Program provides direct cash assistance to very low income families with dependent children.	Federal 167,939,900	7,635,500
	Restricted 50,210,700	0
	GF/GP \$168,491,500	\$0
5. Adoption Subsidies and Support Services	Gross \$233,549,800	\$9,955,900
Adds \$10.6 million for Adoption Subsidies for an additional 1,400 cases in FY 2005-06; budgeted FY 2005-06 caseload for subsidies is 26,700. Adoption Support Services appropriation is reduced by \$641,500 to reflect elimination of Post-Adoption Support Services program and a 90% reduction in temporary services staffing due to automation of adoption subsidies processing.	Federal 146,475,600	5,973,800
	GF/GP \$87,074,200	\$3,982,100
6. Caseload Adjustments – SDA	Gross \$34,748,700	\$2,540,900
Adds \$2.5 million GF/GP for State Disability Assistance program which provides income support to eligible disabled individuals; caseload is projected to increase to 12,200 in FY 2005-06.	GF/GP \$34,748,700	\$2,540,900
7. Caseload Adjustments – SSI	Gross \$58,868,400	\$966,800
Adds \$996,800 GF/GP SSI supplementation payments which provide income support to eligible disabled individuals; SSI supplementation caseload is projected at 222,800.	GF/GP \$58,868,400	\$966,800
8. Child Support Enforcement – Legal Support Contracts	Gross \$139,819,500	(\$5,596,600)
Reduces child support enforcement funds to County Friend of the Court offices by \$5.6 million. Of this amount, \$4.4 million is federal Child Support Incentive funding redirected to FIA-administered child support enforcement activities (\$1.7 million) and related IT costs (\$2.7 million) replacing current GF/GP appropriations in those areas.	Federal 136,897,100	(4,365,200)
	GF/GP \$2,922,400	(\$1,231,400)
9. Elimination of TANF-Funded Initiatives	Gross \$3,203,500	(\$3,103,500)
Eliminates FY 2004-05 initiatives funded with federal Temporary Assistance for Needy Families (TANF); TANF funds saved are used to replace GF/GP in other areas (see #10 and #11).	Federal 3,153,500	(3,053,500)
<ul style="list-style-type: none"> • MI Housing Community Development Fund (\$2.0 million) • Homeless Prevention/Food for Elderly (\$150,000) • Barry County Domestic Violence Programs (\$75,000) • Marriage Initiative (\$250,000) • Fatherhood Initiative (\$200,000) • Individual Development Accounts (\$100,000) • Pontiac School-Based Crisis Intervention (\$78,500) • Boys and Girls Club Day Care funding (\$250,000) 	GF/GP \$50,000	(\$50,000)

FAMILY INDEPENDENCE AGENCY

<u>Major Budget Changes from FY 2004-05 YTD Appropriations</u>		FY 2004-05 YTD (as of 2/10/05)	Executive Change
10. Strong Families/Safe Children Contracts	Gross	\$14,095,300	(\$700,000)
Reduces allocation to program contractors for administration by 33% for \$700,000 overall TANF savings; current policy allows 15% of contract amount to be expended for administration. Program provides contractual payments to local collaborative organizations to provide family preservation and support services, reunification efforts for children removed from homes, and adoption promotion activities. Savings are redirected to other areas (see #10 and #11).	Federal	14,095,300	(700,000)
11. Child Care Fund – GF/GP Replacement	Gross	\$171,337,900	\$0
Replaces \$3.7 million GF/GP with TANF to finance in-home care placements. Program provides reimbursement to counties for 50% of eligible expenditures for placing abused/neglected and/or delinquent youth that are wards of the court.	Federal	81,137,900	3,653,500
	GF/GP	\$90,200,000	(\$3,653,500)
12. Homeless Shelter Contracts – GF/GP Replacement	Gross	\$11,646,700	\$0
Replaces \$1.7 million GF/GP with federal TANF for Homeless Shelter Contracts to finance contractual payments to Salvation Army for emergency shelter for homeless individuals across the state through subcontracts with homeless shelters. TANF can be used for such services to families with dependent children.	Federal	2,913,400	1,745,300
	GF/GP	\$8,733,300	(\$1,745,300)
13. Juvenile Justice Facilities and Field Staff	Gross	\$65,792,200	(\$7,946,900)
Reduces funds for state's six juvenile justice facilities, community juvenile justice facilities, and juvenile justice field staff by \$7.9 million (about 12%); reduction will be met through operating efficiencies.	Federal	3,559,300	(317,000)
	Local	26,900,100	(3,800,000)
	Private	600,000	0
	GF/GP	\$34,732,800	(\$3,829,900)
14. Information Technology	Gross	\$154,731,200	(\$7,421,100)
Reflects adjustments including new funds for IT enhancements aimed at increasing department efficiency.	Federal	100,646,000	(5,779,700)
	Local	340,000	0
<ul style="list-style-type: none"> \$8.5 million for Caseworker Relief and Integrated Service Delivery projects which will re-engineer and integrate eligibility and case management systems and replace obsolete equipment Saves \$3.9 million from contract and overhead cost reductions Eliminates \$12.3 million for Child Support Distribution Computer System that exceed current costs 	Restricted	11,032,200	0
	GF/GP	\$42,713,000	(\$1,641,400)
15. Indigent Burial Rate Reduction	Gross	\$6,155,500	(\$246,200)
Reduces maximum state payment rates to funeral directors, cemeteries/crematoriums, and vault providers that provide for burial of indigent individuals where no relatives or estate proceeds are available to meet these costs. Maximum to each provider is reduced by 4%, reducing maximum payment per case from \$947 to \$909.	Federal	430,900	0
	GF/GP	\$5,724,600	(\$246,200)
16. Programs Transferred From Other Departments	Gross		\$880,500
Includes \$630,500 GF/GP transfer from Agriculture for Food Banks. Funds are in addition to existing TANF Food Bank funds already administered by FIA. Transfers \$250,000 to Labor and Economic Growth for Volunteer Investment Grants program.	GF/GP		\$880,500
17. Federal Funding Adjustments	Gross		(\$405,100)
Adjusts federal appropriations to reflect funding levels anticipated for FY 2005-06. Includes increased appropriations for Weatherization Program (\$2.7 million), Nutrition Education (\$900,100), and federal education vouchers for youth transitioning from foster care (\$708,700). Federal authority and related GF/GP match are reduced for Juvenile Accountability Incentive Block Grants (\$5.7 million).	Federal		(197,700)
	IDG		291,100
	GF/GP		(\$498,500)

<u>Major Budget Changes from FY 2004-05 YTD Appropriations</u>	FY 2004-05 YTD (as of 2/10/05)	Executive Change
18. Departmentwide Economic Adjustments	Gross	\$56,456,400
Adds \$56.4 million for economic increases; includes restoring FY 2004-05 employee salary/wage concessions and increases for retirement, insurance, and rent/building occupancy increases. Does not include funds for negotiated FY 2005-06 1.5% salary/wage increase for state employees.	Federal	34,693,400
	Other	2,061,800
	GF/GP	\$19,701,200

Major Boilerplate Changes from FY 2004-05

Legislative Reporting Requirements

FIA boilerplate contains policy and budgetary reports required by Legislature to facilitate oversight of FIA programs. Executive removes most report requirements, deferring to Legislature on whether reports should continue in each case.

GENERAL SECTIONS

Sec. 206. Contingency Fund Appropriations – NEW

Provides contingency funds of \$200.0 million federal, \$5.0 million state restricted, and \$20.0 million each for local and private. Appropriations must be transferred to specific line items before expenditures can be made; transfers are subject to approval of appropriations committees. Contingency fund appropriations allow for expedited appropriation of unanticipated funding (e.g., unforeseen additional federal revenues) and serve as an alternative to a full supplemental appropriation bill to recognize these revenues. The FY 2004-05 budget did not include contingency funds.

Sec. 220. Contracting with Faith-Based Organizations – DELETED

Sets policies regarding FIA contracting with faith-based organizations. Provides that Department shall ensure no funds are used for sectarian activities (worship, instruction, proselytization), recipients have the right to reject faith-based services, and FIA follows federal guidelines with regard to faith-based organizations.

FAMILY INDEPENDENCE SERVICES ADMINISTRATION

Sec. 421. Allow Private Foster Care and Adoption Agencies to Conduct Staff Training – DELETED

Directs FIA to allow nationally accredited private foster care and adoption agencies to conduct their own staff training, using current FIA policies and procedures; FY 2004-05 established legislative intent to reduce training and travel costs for Department and private agencies.

CHILD AND FAMILY SERVICES

Sec. 501. Foster Care Goals – MODIFIED

Directs Department to discontinue the Michigan Children’s Institute (MCI) preliminary consent denial review process.

Sec. 515. Wayne County Permanency Pilot Program – DELETED

Requires FIA to implement a performance-based managed care approach to foster care agency contracts in Wayne County, emphasizing incentive payments for permanent placements and for reducing time in foster care.

Sec. 533. Promptness of Foster Care Payments – DELETED

Establishes a 30-day standard of promptness for payments to child placing facilities for federal Title IV-E out-of-home care services and requires exploration of automated payment options.

Sec. 536. Prohibition of Geographically-Based Foster Care Assignment System – DELETED

Prohibits Department from implementing a geographically-based assignment system for foster care unless it is determined to be in the best interest of the foster children.

Sec. 537. Foster Care Placement – First Opportunity – DELETED

Requires FIA to offer private nonprofit licensed foster care agencies first opportunity to provide services when FIA's direct care caseload exceeds 20 cases per caseworker when licensed agencies are able to make certain requirements.

Sec. 547. Foster Care Court Orders – DELETED

Requires FIA to implement a plan to review each court order placing a child in foster care within 60 days to verify federal compliance, and requires a report on results of the reviews.

PUBLIC ASSISTANCE

Sec. 609. SSI Supplementation Levels – DELETED

Prohibits reduction in SSI supplementation levels under SSI program for personal care/adult foster care and home for the aged categories.

Major Boilerplate Changes from FY 2004-05

Sec. 613. Indigent Burial Rate Reduction – MODIFIED

Revises current law to reduce indigent burial rates paid to funeral directors, cemeteries/crematoriums, and vault providers by 4%; new maximum allowable charge for indigent burial to be \$909, down from \$947 in current law.

Sec. 627. Day Care EQUIP Grant Funding – DELETED

Allows FIA to use up to \$1.7 million from Day Care Services line item for Enhance Quality Improvement Program (EQUIP) to expand access to child care and establish new providers; establishes eligibility and program goals.

Sec. 635. Day Care Eligibility Determination Standard – DELETED

Requires FIA to determine within six business days of receiving all necessary application information whether a proposed child care provider is listed on child abuse and neglect central registry.

Sec. 640. Child Care Infant and Toddler Incentive Payment – MODIFIED

Modifies requirement that FIA provide infant and toddler incentive payments to child care providers meeting licensing and training requirements and serving children from 0 to 2 ½ years of age. New language states FIA "may" continue the incentive payment.

Sec. 641. Read, Educate, and Develop Youth (R.E.A.D.Y.) Kits – NEW

Provides that FIA collaborate with Central Michigan University to develop and disseminate R.E.A.D.Y. kits to parents of preschool and kindergarten children to prepare children for reading success.

Sec. 657. Before- and After-School Programs – MODIFIED

Modifies current-law requiring children served under the program to be from families with incomes below 200% of federal poverty guidelines; new language provides that pilot programs focus on "children from families in poverty."

Sec. 673. Notification of Day Care Eligibility Change – DELETED

Requires FIA to immediately send notification to child care clients when the client's eligibility is reduced or eliminated.

Sec. 675. New Day Care Rate Structure – DELETED

Requires FIA to explore cost of a new rate structure for child day care services that more accurately reflects costs by vicinity, based on the most recent market survey.

JUVENILE JUSTICE SERVICES

Sec. 714. Juvenile Justice Information Networks – DELETED

Requires FIA to provide technical assistance and assistance in identifying funding for counties to develop juvenile justice information networks and requires county expenditure reporting to FIA.

Sec. 718. Maxey Training School Property – DELETED

Requires FIA to notify DMB that parcels 1, 3, and 4 of the Maxey Training School property are no longer necessary to support department functions.

Sec. 719. Legislative Intent on Facility Changes – DELETED

Establishes legislative intent that Executive proposal for Adrian Training School be implemented, except that Maxey Sequoyah Center shall be closed and male residents of Adrian relocated to other public or private settings unless a formal solicitation of bids reveals there is insufficient private sector capacity to comply with the requirement.

LOCAL OFFICE SERVICES

Sec. 750. Out-Stationed Eligibility Specialists – DELETED

Requires FIA to maintain out-stationed eligibility specialists in the same community organization and hospital locations as in FY 2003-04.

CHILD SUPPORT ENFORCEMENT

Sec. 901(1). Allocation of Child Support Incentive Funds – MODIFIED

Eliminates language providing that total of Child Support Incentive funding paid to counties be no less than total paid to counties in FY 2000-01 if overall Child Support Incentive payments received from federal government exceeds amount received by the state in FY 1999-2000.

Sec. 901(4). Cooperative Agreement with Attorney General – DELETED

Requires FIA to maintain agreement with Attorney General for federal Title IV-D funding for child support enforcement activities of Attorney General and provide information used in enforcement to Attorney General to the extent possible under federal law.

**FY 2005-06
Budget Detail
for
LABOR
AND ECONOMIC GROWTH**

Summary: Executive Budget Recommendation LABOR AND ECONOMIC GROWTH FY 2005-05

Analyst: Richard Child

	FY 2004-05 Year-to-Date as of 2/10/05	FY 2005-06 Executive	Difference: Exec to FY 2004-05 YTD	
			Amount	%
IDG/IDT	\$515,200	\$489,700	(\$25,500)	(4.9)
Federal	836,502,100	842,527,600	6,025,500	0.7
Local	15,669,600	15,738,200	68,600	0.4
Private	4,140,100	3,990,600	(149,500)	(3.6)
Restricted	290,500,600	539,543,800	249,043,200	85.7
GF/GP	94,538,000	73,848,500	(20,689,500)	(21.9)
Gross	\$1,241,865,600	\$1,476,138,400	\$234,272,800	18.9
FTEs	4,307.0	4,325.0	18.0	0.4

Priority	GF/GP	All Funds
<i>Sustain and Create Business Investment and Jobs in Michigan</i>		
Job Creation and Economic Growth	\$31,561,800	\$280,367,200
Workforce Development	25,025,300	382,471,000
Boards, Commissions, Authorities	5,741,400	191,681,900
Administration, Licensing, Workers Compensation, Information Technology	4,514,400	399,041,700
<i>Improve Student Achievement</i>		
Grants and Education Programs	3,468,500	91,277,100
<i>Make Government in Michigan More Cost Effective and Efficient</i>		
Tax Tribunal	0	1,447,700
<i>Make Michigan's People Healthier and Our Families Stronger</i>		
Energy Efficiency Assistance, Vocational Rehabilitation Services	3,537,100	118,525,700
<i>Protect Our Citizens and Make Michigan's Communities Safer</i>		
Fire Protection Grants and Office of Fire Marshal	0	11,326,100
TOTAL FY 2005-06 Executive Recommendation	\$73,848,500	\$1,476,138,400

Overview

The Department of Labor and Economic Growth (DLEG) has primary responsibility for regulatory functions that relate specifically to commercial, business, and workers' issues. It also includes activities within the former Department of Career Development such as employment training-related programs for displaced workers, adults, and youth, and employment services for the disabled and welfare recipients. The Department also houses the Michigan Strategic Fund, an autonomous agency which reports to the Director of DLEG. The fund's programs are administered by the Michigan Economic Development Corporation, with the primary task of promoting economic development in Michigan.

Major Budget Changes from FY 2004-05 YTD Appropriations

	FY 2004-05 YTD (as of 2/10/05)	Executive Change
1. Michigan 21st Century Jobs Initiative	Gross	\$0
Adds \$2.0 billion from general obligation bond proceeds sold over the next decade; will require two-thirds vote of Legislature to approve special election for Constitutional amendment to authorize bonds.	Restricted	0
		\$200,000,000
2. Michigan Broadband Development Authority	Gross	\$1,296,000
Provides three new FTEs to replace contractual employees.	Restricted	1,296,000
		\$260,400

LABOR AND ECONOMIC GROWTH

<u>Major Budget Changes from FY 2004-05 YTD Appropriations</u>		FY 2004-05 YTD (as of 2/10/05)	Executive Change
3. Fire Protection Grants Adds \$3.7 million gross for fire protection grants from Liquor Purchase Revolving Fund; funded from tripling liquor license fees.	Gross Restricted	\$7,210,500 7,210,500	\$3,700,000 3,700,000
4. Increases in Federal Fund Programs/Grants Adds: \$10.0 million to Michigan State Housing Development Authority (MSHDA) to increase lower income housing assistance, \$3.0 million to Adult Basic Education line to serve more students at local level; \$2.1 million Work Investment Act funds for Regional Skills Alliance programs; \$1.0 million to Michigan Public Service Commission (MPSC) Energy Office to reduce energy costs and develop alternative energy sources, and \$0.1 million to Office of Workforce Development for increased career planning for high school students.	Gross Federal	N/A N/A	\$16,277,600 16,277,600
5. Low Income and Energy Efficiency Fund Adds \$15.0 million to MPSC to provide low income energy efficiency assistance.	Gross Restricted	\$45,000,000 45,000,000	\$15,000,000 15,000,000
6. General Fund Spending Reductions Reduces administrative lines (many carried over from EO 2005-3); decreases achieved by not filling vacancies, not replacing computers, and other administrative efficiencies.	Gross GF/GP	N/A N/A	(\$849,700) (\$849,700)
7. Grant to Wine Industry Council Moves this grant to Department of Agriculture.	Gross Restricted	\$457,200 457,200	(\$457,200) (457,200)
8. Technology Tri-Corridor – Life Sciences Initiative Eliminates this line; some bond proceeds from Michigan 21st Century Jobs initiative will replace this funding.	Gross Restricted GF/GP	\$30,000,000 10,000,000 \$20,000,000	(\$30,000,000) (10,000,000) (\$20,000,000)
9. Economic and Employee-Related Costs Reflects increases due to restoring FY 2004-05 wage concessions, higher pension and insurance costs, building occupancy/rent and worker's compensation.	Gross GF/GP	N/A N/A	\$25,673,100 \$1,676,100
10. Michigan Virtual University Transfers funding for this line from GF/GP to School Aid Fund.	Gross GF/GP	\$1,000,000 \$1,000,000	(\$1,000,000) (\$1,000,000)

Major Boilerplate Changes from FY 2004-05

Sec. 310. Fire Safety Programs – MODIFIED

Increases fees for inspection and plan review, including raising fee to hospitals from \$8 to \$10 per bed.

Sec. 358. Real Estate Education Fund – DELETED

Allows on-line pre-licensure and post-licensure education to be delivered through on-line courses; section added in FY 2004-05.

Sec. 360. Real Estate Continuing Education Credit Tracking System – DELETED

Requires Department to create a tracking system for continuing education credits; section added in FY 2004-05.

Sec. 362. Administration and Enforcement of Boxing Regulation – MODIFIED

Deletes Legislative intent requiring any additional responsibilities associated with boxing regulation to be accompanied by statutory change, which shall include additional fees.

Sec. 364. Michigan Broadband Development Authority Administrative Cost Allocation Report – DELETED

Requires report to Legislature; section added in FY 2004-05.

Sec. 405. Work First Program – MODIFIED

Modifies language to adopt less stringent federal standards; subsection 12 defines weekly work participation requirement for various participant classifications.

Major Boilerplate Changes from FY 2004-05

Sec. 418. Future Faculty Program in King-Chavez-Parks Initiative – MODIFIED

Adds description of Department duties administering Martin Luther King Jr.-Cesar Chavez-Rosa Parks education opportunity competitive grant program (appropriated in Higher Education); modifies content of annual report to the Legislature.

Sec. 510. Technology Tri-Corridor – MODIFIED

Eliminates program and replaces with Michigan 21st Century Jobs Initiative to increase research and development and accelerate commercialization of new ideas in advanced automotive manufacturing technologies, advanced materials and manufacturing, alternative energy technologies, life sciences, and homeland security.

Sec. 521. State Clearinghouse on Entrepreneurship – DELETED

Designates \$100,000 from Indian casino revenue or other available resources to create and administer a state clearinghouse on entrepreneurship available to public through internet.

Sec. 522. Michigan Center for Excellence In Manufacturing – DELETED

Requires feasibility study on creation of a Michigan Center for Excellence; funded at \$100,000 from Administration line of Michigan Strategic Fund.

**FY 2005-06
Budget Detail
for**

RESOURCE PROTECTION

**Agriculture
Environmental Quality
Natural Resources**

**Summary: Executive Budget Recommendation
AGRICULTURE
FY 2005-06**

Analyst: William E. Hamilton

	FY 2005-06 Year-to-Date as of 2/10/05	FY 2005-06 Executive	Difference: Exec to FY 2004-05 YTD	
			Amount	%
IDG/IDT	\$10,831,700	\$10,318,200	(\$513,500)	(4.7)
Federal	33,476,200	32,581,700	(894,500)	(2.7)
Local	0	0	0	0.0
Private	138,700	138,700	0	0.0
Restricted	51,593,300	41,442,700	(10,150,600)	(19.7)
GF/GP	30,091,400	28,572,600	(1,518,800)	(5.1)
Gross	\$126,131,300	\$113,053,900	(\$13,077,400)	(10.4)
FTEs	749.0	700.0	(49.0)	(6.5%)

<u>Priority</u>	<u>GF/GP</u>	<u>All Funds</u>
<i>Sustain and Create Business Investment and Jobs in Michigan</i>		
Agriculture Development	\$273,600	\$1,585,900
<i>Enhance the Quality of Michigan's Natural Environment</i>		
Animal and Plant Health and Protection	7,937,100	43,281,000
Fairs and Expositions	0	12,305,700
Administration, Consumer Protection, Information Technology	9,673,400	21,817,000
<i>Make Michigan's People Healthier and Our Families Stronger</i>		
Food Safety & Security	9,923,000	24,707,900
<i>Protect Our Citizens and Make Michigan's Communities Safer</i>		
Consumer Protection	480,000	4,753,800
Fairs and Expositions	285,500	4,292,200
Administration	0	310,400
TOTAL FY 2005-06 Executive Recommendation	\$28,572,600	\$113,053,900

Overview

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

Major Budget Changes from FY 2004-05 YTD Appropriations

	FY 2004-05 YTD (as of 2/10/05)	Executive Change
1. Executive Direction	FTEs 10.0	0.0
Continues \$145,600 reduction in baseline program (salary and wage in food safety public information/outreach) proposed in EO 2005-3. Net of restored employee concessions and economic increases.	Gross \$1,131,600	(\$81,100)
	Restricted 147,900	(53,400)
	GF/GP \$983,700	(\$27,700)
2. Michigan State Fair	FTEs 9.0	(9.0)
Reflects transfer of Michigan State Fair from Agriculture to Management and Budget pursuant to 2004 PA 468 (SB 1130).	Gross \$5,486,100	(\$5,486,100)
	Federal 5,486,100	(5,486,100)

AGRICULTURE

Major Budget Changes from FY 2004-05 YTD Appropriations

**FY 2004-05 YTD
(as of 2/10/05)** **Executive
Change**

3. *Animal Health and Welfare*

Provides net increase in Cervidae inspection program of \$74,300, adding \$214,300 in Cervidae inspection fees and reducing GF/GP by \$140,000. Includes statutory increase in Cervidae inspection and license fees; also reflects restored employee concessions and economic increases.

FTEs	22.5	3.0
Gross	\$2,299,500	\$108,400
Federal	386,200	0
Restricted	161,300	227,000
GF/GP	\$1,752,000	(\$118,600)

4. *Bovine Tuberculosis (Animal Industry)*

Replaces \$2.0 million GF/GP with Agriculture Equine Industry Development Fund revenue; also reflects restored employee concessions and economic increases.

FTEs	26.5	0.0
Gross	\$5,488,800	\$259,100
Federal	933,600	0
Restricted	250,000	2,047,600
GF/GP	\$4,305,200	(\$1,788,500)

5. *Pesticide and Plant Pest Management*

Reduces baseline GF/GP for animal feed/drug inspection by \$100,000, in addition to \$90,000 reductions proposed in EO 2005-3 carried forward to FY 2005-06.

FTEs	119.8	0.0
Gross	\$12,184,900	\$729,700
Federal	3,492,700	330,400
Private	138,700	0
Restricted	3,964,700	538,700
GF/GP	\$4,588,800	(\$139,400)

6. *Emerald Ash Borer Program*

Eliminates 43.0 limited-term FTEs as a result of change in program methodology. Federal funds support eradication efforts in affected areas of southeast Michigan and other threatened areas in the lower peninsula.

FTEs	155.0	(43.0)
Gross	\$25,197,300	(\$1,536,700)
Federal	25,197,300	(1,536,700)

7. *Agricultural Pollution Prevention Program*

Reflects anticipated federal grants to implement pollution prevention practices' program implements 2001 PA 176.

Gross	\$100	\$400,000
Federal	0	400,000
Restricted	100	0

8. *Migrant Housing*

Eliminates matching grant program; inspection program will continue.

Gross	\$255,000	(\$255,000)
GF/GP	\$255,000	(\$255,000)

9. *Consumer Program*

Eliminates \$1.3 million baseline support for gas pump inspection program (refined petroleum fund) added in FY 2004-05; does not reduce authorized FTE positions, but Department will not hire additional 23.0 inspectors authorized in FY 2004-05. Also reflects restored employee concessions and economic increases.

FTEs	69.5	0.0
Gross	\$4,709,100	(\$825,300)
Restricted	4,709,100	(825,000)

10. *Food Bank Program*

Moves program to Family Independence Agency budget, which currently has some food bank programs.

Gross	\$630,500	(\$630,500)
GF/GP	\$630,500	(\$630,500)

11. *Agriculture Equine Development Fund Revenue*

Removes \$6.1 million Agriculture Equine Industry Development Fund support for local racing programs, which reverses \$6.1 million increase in FY 2004-05 from earmark of Casino Tax increase. Executive proposes amendment of Michigan Gaming Control and Revenue Act.

Gross	\$17,302,200	(\$6,011,700)
Restricted	17,302,200	(6,011,700)

12. *Restoration of Employee Concessions*

Includes approximately \$1.8 million salary and wage costs deferred from FY 2004-05; additional costs reflected in department operating lines.

Gross	N/A	\$1,769,200
Restricted	N/A	861,900
GF/GP	N/A	\$907,300

13. *Economics*

Reflects \$2.3 million (net) economic increases (\$1.5 million retirement contributions and \$791,000 for other employee insurances) ; increases partially offset by reduced workers compensation (\$68,000); increase reflected in department operating lines. Does not fund negotiated salary and wage increases (1.5% of base salary and wages including FY 2003-04 employee concessions); thus Department must identify \$540,000 additional reductions in operating costs to offset additional salary and wage costs.

Gross	N/A	\$2,296,500
Restricted	N/A	1,435,300
GF/GP	N/A	\$861,200

Major Boilerplate Changes from FY 2004-05

Sec. 212. Contingency Funds – NEW

Provides contingency funds of \$5 million federal, \$6 million state-restricted, \$100,000 local, and \$100,000 private; funds are not available for expenditure unless transferred to an expenditure line item as defined in Section 393(2) of the Management and Budget Act.

Sec. 602. Migrant Housing Grants – DELETED

Deletes language regarding grant program.

Sec. 801. Simulcast Revenue Report – DELETED

Strikes reporting requirement.

Secs. 805 and 813 Agriculture Equine Industry Development Fund Reports – DELETED

Strikes reporting requirements.

ENVIRONMENTAL QUALITY

**Summary: Executive Budget Recommendation
ENVIRONMENTAL QUALITY
FY 2005-06**

Analyst: Kirk Lindquist

	FY 2004-05 Year-to-Date as of 2/10/05	FY 2005-06 Executive	Difference: Exec to FY 2004-05 YTD	
			Amount	%
IDG/IDT	\$14,263,000	\$17,096,900	\$2,833,900	19.9
Federal	133,766,800	142,995,700	9,228,900	6.9
Local	0	0	0	0.0
Private	445,900	450,000	4,100	0.9
Restricted	163,451,800	182,253,100	18,801,300	11.5
GF/GP	28,671,800	30,510,300	1,838,500	6.4
Gross	\$340,599,300	\$373,306,000	\$32,706,700	9.6
FTEs	1,570.2	1,562.2	(8.0)	(0.5)

Priority	GF/GP	All Funds
<i>Enhance the Quality of Michigan's Natural Environment</i>		
Investigations and Grants	\$7,908,100	\$132,816,800
Environmental Cleanup Programs	0	62,956,400
Department Operations	4,926,100	30,507,500
Inspections, Air Quality, Land Management, Pollution Prevention, Waste and Hazardous Materials	14,597,300	111,595,900
<i>Make Michigan's People Healthier and Our Families Stronger</i>		
Inspection of Michigan Water Supplies	2,518,300	19,460,400
Grants, Nuclear Power Plant Monitoring, Other	559,300	15,547,200
<i>Protect Our Citizens and Make Michigan's Communities Safer</i>		
Public Drinking Water Supply Security Program	1,200	406,800
<i>Sustain and Create Business Investment and Jobs in Michigan</i>		
Laboratory Recognition Program	0	15,000
TOTAL FY 2005-06 Executive Recommendation	\$30,510,300	\$373,306,000

Overview

The Department of Environmental Quality supports environmental protection, conservation, and cleanup and redevelopment programs and regulatory efforts established to protect, restore, and reuse Michigan's air, water, and land resources. Over half of Department's annual revenue is collected from restricted (permit and license) revenue.

Major Budget Changes from FY 2004-05 YTD Appropriations

		FY 2004-05 YTD (as of 2/10/05)	Executive Change
1. Underground Storage Tank Cleanup	Gross	N/A	\$22,000,000
Adds restricted funds clean up storage tank sites; revenue from Refined Petroleum Fund added to \$80.0 million supplemental recommended for FY 2004-05.	Restricted	N/A	22,000,000
2. Wetland Protection Fee Increase	Gross	\$6,152,000	\$0
Increases fee for replacing \$2,000,000 General Fund; fee increase requires a statutory change.	IDG	199,400	0
	Federal	609,300	0
	Restricted	2,107,300	2,000,000
	GF/GP	\$3,236,000	(\$2,000,000)

<u>Major Budget Changes from FY 2004-05 YTD Appropriations</u>		FY 2004-05 YTD (as of 2/10/05)	Executive Change
3. Water Pollution Control and Drinking Water Revolving Fund Matching Funds	Gross	\$112,153,500	\$900,000
Restores General Fund match for federal grant (\$4.9 million reduced in FY 2004-05); support increased by \$900,000 to earn federal grant.	Federal	85,000,000	0
	Restricted	26,100,000	(4,900,000)
	GF/GP	\$1,053,500	\$5,800,000
4. Scrap Tire Grants	Gross	\$3,500,000	\$1,000,000
Increases restricted funds to clean up scrap tire piles created before 1991.	Restricted	3,500,000	1,000,000
5. Aquifer Protection	Gross	\$650,000	(\$650,000)
Eliminates conflict resolution program which monitors the effect of large-scale irrigation system operations on domestic water use.	Restricted	450,000	(450,000)
	GF/GP	\$200,000	(\$200,000)
6. Dam Safety Program	FTEs	21.0	(2.0)
Eliminates program; funds have been used to inspect and monitor dams not used for power generation.	Gross	\$2,693,400	(\$456,300)
	IDG	708,500	(1,200)
	Federal	884,700	(93,000)
	Restricted	87,500	(14,600)
	GF/GP	\$1,012,700	(\$347,500)
7. Environmental Laboratory	Gross	\$0	\$502,000
Increases program support through intradepartmental charges, reflects anticipated workloads.	IDG	106,200	1,186,000
	Federal	591,900	0
	Restricted	4,738,700	0
	GF/GP	\$684,000	(\$684,000)
8. Executive Order 2005-3	Gross	\$340,599,300	(\$509,900)
Includes General Fund reductions in EO 2005-3; cuts include \$673,000 in administrative efficiencies for a number of administrative units, fund shifts to restricted fund sources of \$938,600, and elimination of matching funds for radon grant program.	IDG	14,263,000	684,000
	Federal	133,766,800	0
	Private	445,900	0
	Restricted	163,451,800	938,600
	GF/GP	\$28,671,800	(\$2,132,500)
9. Economic Adjustments	Gross	N/A	\$9,063,800
Increases Civil Service compensation by 1.5%, contribution rates for defined benefit and defined contribution retirement plans have increased, and employer share of health insurance premiums continues to rise (\$5.0 million). Reduced funds in FY 2004-05 as employee concessions were added back (\$4.1 million).	IDG		99,700
	Federal		1,187,600
	Private		4,100
	Restricted		6,203,400
	GF/GP	N/A	\$1,569,000

Major Boilerplate Changes from FY 2004-05

Sec. 207. Report Retention – DELETED

Requires copies of all reports funded through appropriations act to be retained for public use.

Sec. 208. Deprived and Depressed Communities – NEW

Encourages businesses in economically depressed communities to compete for state contracts.

Sec. 208 (Current Law). Restricted Fund Revenue, Expenditures, and Fund Balances – DELETED

Requires report on fund revenue, spending and estimated year-end balances for each restricted fund.

Sec. 209. Department Grant and Loan Programs – DELETED

Requires report that includes description of available grant and loan programs, criteria used for awards, and a list of recipients.

Sec. 210. Great Lake Water Diversion – DELETED

Requires legislative notice and public hearings on any request received by the state to divert water from Great Lakes basin.

Sec. 212. Contingency Fund Transfer Language – NEW

Allows spending authorization be increased through legislative transfer process.

ENVIRONMENTAL QUALITY

Sec. 213. Michigan Youth Conservation Council – DELETED

Provides \$5,000 from environmental education for MSU Extension Service 4-H programs for Michigan Youth Conservation Council.

Sec. 218. Michigan Great Lakes Areas of Concern – DELETED

Directs Department to develop a strategy, with the Federal EPA and public advisory councils, to remove Michigan's Great Lakes Areas of Concern from the federal list.

Sec. 401. Air Quality Program Revenues and Expenditures – DELETED

Requires report on annual expenditures and revenues by fund source and by program function.

Sec. 602. Stream Habitat Project Fees – DELETED

Allows permit fees be waived for nonprofit organizations conducting approved stream habitat improvement projects.

Sec. 802. Imported Solid Waste Monitoring – DELETED

Directs Department to periodically inspect imported solid waste at disposal facilities to prohibit disposal of unpermitted waste.

Sec. 904. Beach Water Quality Monitoring – DELETED

Provides \$25,000 for water quality monitoring at beaches in Van Buren, Ottawa, and Allegan Counties.

Sec. 1001. Solid Waste Disposal Facility Inspections – DELETED

Requires Environmental Enforcement Officers to inspect shipments of imported solid waste.

Sec. 1101. Septage Waste Compliance Grants – DELETED

Allows Department to provide county septage waste compliance services if a certified health department does not exist, or if county health department fails to fulfill mandated responsibilities.

Sec. 1102. Scrap Tire Fire Suppression – DELETED

Provides \$100,000 for grants to communities to cover scrap tire fire suppression costs, provided that owner liability bonds and other available funding sources have been exhausted.

Sec. 1003. Grant for Fish Weir in Romeoville, Illinois – DELETED

Provides \$100,000 from Environmental Protection Fund for Michigan's share of construction costs of electrical dispersal barrier in the Chicago River.

**Summary: Executive Budget Recommendation
NATURAL RESOURCES
FY 2005-06**

Analyst: Kirk Lindquist

	FY 2004-05 Year-to-Date as of 2/10/05	FY 2005-06 Executive	Difference: Exec to FY 2004-05 YTD	
			Amount	%
IDG/IDT	\$3,528,700	\$3,691,200	\$162,500	4.6
Federal	37,195,200	38,790,200	1,595,000	4.3
Local	0	0	0	0.0
Private	2,024,300	2,090,100	65,800	3.3
Restricted	192,702,200	200,064,300	7,362,100	3.8
GF/GP	28,885,000	26,533,300	(2,351,700)	(8.1)
Gross	\$264,335,400	\$271,169,100	\$6,833,700	2.6
FTEs	2,064.5	2,068.2	3.7	0.2

<u>Priority</u>	<u>GF/GP</u>	<u>All Funds</u>
Enhance the Quality of Michigan's Natural Environment		
Parks and Recreation, Forest/Mineral/Fire Management, Fisheries and Wildlife Management	\$8,175,700	\$135,451,600
Department Operations and Grants	7,359,900	73,923,300
Protect Our Citizens and Make Michigan's Communities Safer		
Law Enforcement and Other	1,093,700	25,811,900
Make Government in Michigan More Cost Effective and Efficient		
Payments in Lieu of Taxes and Other	9,771,900	13,821,700
Improve Student Achievement		
Safety Education and Educational Programming	131,100	11,184,900
Sustain and Create Business Investment and Jobs in Michigan		
Forest Management, Mineral Lease Sales, Civilian Conservation Corps, Other	1,000	10,975,700
TOTAL FY 2005-06 Executive Recommendation	\$26,533,300	\$271,169,100

Overview

The Department of Natural Resources manages, conserves, and protects Michigan's resources. Programs include forest management, land and minerals management, wildlife and fisheries management, conservation law enforcement, and State Parks and forest campgrounds. Federal funds support game and fish habitat maintenance, emerald ash borer eradication, and hunter safety protection programs.

Major Budget Changes from FY 2004-05 YTD Appropriations

		FY 2004-05 YTD (as of 2/10/05)	Executive Change
1. Conservation Law Enforcement	Gross	\$28,160,500	(\$1,000,000)
Reduces General Fund for general law enforcement activity by \$1.0 million; support for snowmobile and off-road vehicle enforcement to be funded by restricted funds. Off-road vehicle funding authorization requires a statutory change.	Federal	3,676,200	0
	Restricted	20,817,100	600,000
	GF/GP	\$3,667,200	(\$1,600,000)
2. School Assessment Costs (Payment in Lieu of Taxes)	Gross	\$7,800,000	(\$2,400,000)
Includes in School Aid appropriation act.	Restricted	3,900,000	0
	GF/GP	\$3,900,000	(\$2,400,000)

NATURAL RESOURCES

<u>Major Budget Changes from FY 2004-05 YTD Appropriations</u>		FY 2004-05 YTD (as of 2/10/05)	Executive Change
3. State Game Area Maintenance	Gross	\$200,000	\$300,000
Transfers federal Department of Interior funds from Capital Outlay to the State Game and Wildlife Area Maintenance program.	Federal	200,000	300,000
4. Snowmobile Law Enforcement Grants	Gross	\$1,142,000	(\$300,000)
Shifts snowmobile enforcement grant funding for county sheriffs to DNR law enforcement.	Restricted	1,142,000	(300,000)
5. Captive Cervidae Game Farm Inspections	Gross	N/A	\$115,800
Recommends new license-inspection fee for department regulatory efforts; funds to be allocated in appropriations for Wildlife and Law Enforcement programs. New fee requires a statutory change.	Restricted GF/GP		244,900 (\$129,100)
6. Forest Fire Outreach and Assistance	Gross	\$9,491,300	(\$102,300)
Reduces fire loss program; eliminates outreach and public assistance programs.	Federal Restricted GF/GP	760,300 4,003,100 \$4,727,900	0 0 (\$102,300)
7. Economic Adjustments	Gross	N/A	\$10,477,600
Increases Civil Service compensation 1.5%; contribution rates for defined benefit and defined contribution retirement plans have increased, and employer share of health insurance premiums continues to rise (\$5.5 million). Reduced funds in FY 2004-05 as employee concessions were added back: \$5.0 million.	IDG Federal Private Restricted GF/GP		129,300 1,182,100 65,800 8,146,200 \$954,200

Major Boilerplate Changes from FY 2004-05

Sec. 207. Privatization Project Plans – DELETED

Specifies amount of total state spending and expected grants to locals from state revenue sources.

Sec. 208. Deprived and Depressed Communities – NEW

Encouraged businesses in economically depressed communities to compete for state contracts.

Sec. 210. Report Retention – DELETED

Requires that copies of all reports funded through this act be received and provided for public use, following state and federal guidelines.

Sec. 211. Department Grant and Loan Programs – DELETED

Requires report that includes description of available grant and loan programs, criteria used for awards, and list of recipients.

Sec. 212. Contingency Fund Transfer Language – NEW

Allows spending authorization to be increased through legislative transfer process.

Sec. 212. Game and Fish Fund Appropriations – DELETED

Lists appropriations to other state departments from Game and Fish Protection Fund.

Sec. 213. Waterways Fund Projects – DELETED

Requires report on activities of Waterways Commission during previous fiscal year and a list of funded waterways fund projects be provided to Legislature and DMB by January 16, 2005.

Sec. 214. Restricted Fund Allocation Plan – DELETED

Requires a plan for allocating restricted funds among administrative support and regulatory activities on January 30, 2006.

Sec. 301. Habitat Improvement Projects – DELETED

Requires wildlife and fisheries habitat improvement projects be reported to Legislature on June 15, 2004.

Sec. 404. Fish Advisories in the Fishing Guide – DELETED

Directs Department to include website address for information on fishing advisories issued by Community Health.

Sec. 405. Land Transactions – DELETED

Requires quarterly report to Legislature on land purchases, sales, and exchanges.

Sec. 406. Travel Report – DELETED

Requires quarterly report on employee in-state and out-of-state travel.

Sec. 501. Bovine Tuberculosis (TB) Expenditures – DELETED

Directs Department to report amount spent on Bovine TB mitigation activities and at the animal diagnostic laboratory at Michigan State University.

Sec. 502. Livestock Loss Indemnification – DELETED

Specifies reimbursement for livestock losses caused by wolves be provided to Department of Agriculture.

Sec. 702. Stream Habitat Improvement Grants – DELETED

Requires detailed reports for construction projects involving campsite or campground closures; requires notice if Department intends to reduce operations or reduce recreation opportunities at any state park or recreation area.

Sec. 703. Defibrillators in State Parks – DELETED

Directs Department to make an effort to place defibrillators in state parks.

Sec. 706. Privatization of Boating Access Site Maintenance – DELETED

Directs Department to implement a pilot project to demonstrate feasibility of privatization of access site maintenance.

Sec. 707. Porcupine Mountain Ski Hill – DELETED

Requires report on economic impact and financial status of the ski hill at Porcupine Mountains Wilderness State Park; prohibits demolition of buildings related to the ski hill.

Sec. 801. Forest Stewardship Council Certification – DELETED

Requires report on status of its forest management plan, following certification criteria established by the Forest Stewardship council.

Sec. 806. Timber Marking – DELETED

Directs Department to mark 63,000 acres at an average rate of 12.5 to 13.0 cords per acre; consideration shall be given to the impact of timber harvesting on wildlife habitat and recreation uses; requires an annual report.

Sec. 901. Snowmobile Law Enforcement Grants – DELETED

Provides snowmobile law enforcement grant funds to county law enforcement agencies in counties with state snowmobile trails.

Sec. 1101. Local Fire Protection Grants – DELETED

Awards federal rural fire protection grants to eligible local fire protection departments and fire protection districts with populations less than 10,000 and with publicly-owned forested land.

Sec. 1103. Federal Land and Water Conservation Fund Grants – DELETED

Coordinates federal land acquisition grants with Natural Resources Trust Fund grants to minimize matching requirements for local governmental units.

**FY 2005-06
Budget Detail
for**

SAFETY AND DEFENSE

**Military and Veterans Affairs
State Police**

**Summary: Executive Budget Recommendation
MILITARY AND VETERANS AFFAIRS
FY 2005-06**

Analyst: Jan Wisniewski

	FY 2004-05 Year-to-Date as of 2/10/05	FY 2005-06 Executive	Difference: Exec to FY 2004-05 YTD	
			Amount	%
IDG/IDT	\$1,042,500	\$1,256,800	\$214,300	20.6%
Federal	45,418,100	49,537,200	4,119,100	9.1%
Local	0	0	0	0.0%
Private	1,282,300	1,355,800	73,500	5.7%
Restricted	25,599,800	26,610,500	1,010,700	3.9%
GF/GP	37,370,700	38,348,200	977,500	2.6%
Gross	\$110,713,400	\$117,108,500	\$6,395,100	5.8%
FTEs	1,023.0	1,023.0	0.0	0.0%

<u>Priority</u>	<u>GF/GP</u>	<u>All Funds</u>
<i>Make Michigan's People Healthier and Our Families Stronger</i> Veterans' Homes, Service Organizations, Trust Fund Administration	\$23,643,000	\$68,745,300
<i>Protect Our Citizens and Make Michigan's Communities Safer</i> Military Preparedness	13,952,100	42,136,800
<i>Improve Student Achievement</i> Tuition Grants, ChalleNGe Program	753,100	6,226,400
TOTAL FY 2005-06 Executive Recommendation	\$38,348,200	\$117,108,500

Overview

The Department of Military and Veterans Affairs is charged with 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 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.

Major Budget Changes from FY 2004-05 YTD Appropriations

		<u>FY 2004-05 YTD (as of 2/10/05)</u>	<u>Executive Change</u>
1. D.J. Jacobetti Veterans' Home – Medicare and Medicaid	Gross	\$13,600,000	\$128,000
Increases federal revenue at D.J. Jacobetti Veterans' Home due to tightening criteria for providing free prescription drugs to some veterans at the home; results in increased Medicare and Medicaid revenues.	Federal	4,370,000	128,000
2. Grand Rapids Veterans' Home – Board of Managers	Gross	\$300,000	\$40,000
Allows donations from corporations, veterans' organizations, and public.	Private	300,000	40,000
3. Headquarters and Armories – Current Services Baseline Adjustment and Armory Closure	Gross	\$9,562,200	(\$30,000)
Provides \$200,000 federal for security contracts, engineering and environmental services, telecommunication charges, and personnel costs; decreases GF/GP by \$230,000 for Homeland Security workgroup to close armories in Menominee, Manistique, Charlotte, Saginaw, Three Rivers, and the Lansing Maintenance Facility.	Federal	2,311,100	200,000
	Restricted	350,000	0
	GF/GP	\$6,901,100	(\$230,000)

MILITARY AND VETERANS AFFAIRS

<u>Major Budget Changes from FY 2004-05 YTD Appropriations</u>		FY 2004-05 YTD (as of 2/10/05)	Executive Change
4. Military Training Sites – Various	Gross	\$17,478,200	\$1,730,000
Provides \$2.0 million federal available for security contracts and personnel and maintenance costs; decreases GF/GP by \$200,000 for National Guard Tuition Assistance Program due to federal match change; decreases GF/GP by \$70,000 for Homeland Security workgroup (see #3 above).	Federal	14,693,600	2,000,000
	GF/GP	\$2,784,600	(\$270,000)
5. Economic Adjustments	Gross	N/A	\$4,198,100
Restores FY 2004-05 concessions at \$2.2 million (\$1.4 million retirement, \$1.1 million insurance, \$30,800 DIT economics); restores FY 2004-05 DIT concessions (\$31,900); reduces workers compensation (\$565,000).	IDG	N/A	14,300
	Federal	N/A	1,803,400
	Private	N/A	33,500
	Restricted	N/A	991,700
	GF/GP	N/A	\$1,355,200
6. Homeland Security	Gross	\$400,000	\$200,000
Increases grant from State Police for Homeland Security program activities.	IDG	400,000	200,000
7. Military Retirement Payments	Gross	\$2,676,000	\$131,000
Increases annual annuity paid to retired Michigan Army and Air National Guard personnel per Michigan Military Act, 1967 PA 150.	GF/GP	\$2,676,000	\$131,000

Major Boilerplate Changes from FY 2004-05

Sec. 212. Contingency Funds – NEW

Appropriates contingency funds that can only be expended upon adopting a legislative transfer to a specific line item.

Sec. 207. Privatization – DELETED

Requires Department to submit project plan prior to beginning any effort to privatize.

Sec. 210. Deprived and Depressed Communities – DELETED

Requires Director to take all reasonable steps to ensure businesses in deprived and depressed communities compete for and perform contracts.

Sec. 211. Reports – DELETED

Directs departments to receive and retain copies of all reports funded from appropriations in part 1.

Sec. 213. Closing Armories – DELETED

Requires Department to consult with house and senate appropriations subcommittees regarding projected closing or consolidation of any national guard armories.

Sec. 214. Military Cemeteries – DELETED

Expresses legislative intent that funds be appropriated for state military cemeteries in Crawford and Dickinson counties.

Sec. 301. Rental Fees for Armories – DELETED

Specifies that armories may charge for rental services.

Sec. 302. Challenge Program Donations – NEW

Specifies that at least 75% of Challenge Program participants are from families with incomes at or below 200% of the federal poverty level.

Sec. 601. Appropriations for Veterans' Homes – DELETED

Specifies that appropriations for Grand Rapids Veterans' Home and D.J. Jacobetti Veterans' Home shall not be used for any purpose other than for veterans and veterans' families.

Sec. 602. Report on Veterans' Homes – DELETED

Requires annual written report.

Sec. 704. Training for Veterans Counselors – DELETED

Requires veterans affairs directorate and veterans' trust fund to assist county veterans counselors to obtain training.

Sec. 705. Veterans' Trust Fund – DELETED

Expresses legislative intent for legislation to provide dedicated funding source for veterans' survivors tuition program.

Summary: Executive Budget Recommendation
STATE POLICE
FY 2005-06

Analyst: Jan Wisniewski

	FY 2004-05 Year-to-Date as of 2/10/05	FY 2005-06 Executive	Difference: Exec to FY 2004-05 YTD	
			Amount	%
IDG/IDT	\$19,916,800	\$20,736,300	\$819,500	4.1%
Federal	106,255,100	170,821,000	64,565,900	60.8%
Local	4,681,100	5,597,900	916,800	19.6%
Private	10,700	11,200	500	4.7%
Restricted	100,602,000	107,946,900	7,344,900	7.3%
GF/GP	244,380,200	238,968,200	(5,412,000)	(2.2%)
Gross	\$475,845,900	\$544,081,500	68,235,600	14.3%
FTEs	2,951.0	2,900.0	(51.0)	(1.7%)

<u>Priority</u>	<u>GF/GP</u>	<u>All Funds</u>
<i>Protect Our Citizens and Make Michigan's Communities Safer</i>		
Troopers and Motor Carrier Officers	\$120,586,200	\$194,610,600
Criminal Justice Community Services	63,824,700	139,565,400
Homeland Security, Investigative Services, Forensic Lab	54,557,300	209,905,500
TOTAL FY 2005-06 Executive Recommendation	\$238,968,200	\$544,081,500

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, 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

Major Budget Changes from FY 2004-05 YTD Appropriations	FY 2004-05 YTD (as of 2/10/05)	Executive Change
1. Executive Direction	Gross	\$3,467,800
Reduces GF/GP by \$37,200 for the Deferred Retirement Option Plan (DROP) in Uniform Services line; 98 employees are participating in the DROP plan through March 1, 2005. Replaces \$126,300 GF/GP with restricted (Michigan Justice Training Fund) for Michigan Commission on Law Enforcement Standards (MCOLES); this will reduce amount available for grants to local agencies.	Restricted	0
	GF/GP	\$3,467,800
		(\$163,500)
2. Fleet Leasing	Gross	\$14,119,200
Reduces GF/GP by \$200,000 (Fleet Leasing); reflects reduced fleet costs due to greater efficiencies with lower lease rates, fewer vehicles used, and fewer miles driven.	GF/GP	\$14,119,200
		(\$200,000)
3. Human Resources	FTEs	29.0
Deletes 2.0 FTEs (\$171,700 GF/GP) for operational savings; deletes 1.0 FTE (\$68,100 GF/GP) for Human Resources Optimization savings.	Gross	\$2,170,900
	IDG	63,300
	Restricted	410,700
	GF/GP	\$1,696,900
		(\$239,800)

Major Budget Changes from FY 2004-05 YTD Appropriations

**FY 2004-05 YTD
(as of 2/10/05) Executive
Change**

4. Management Services

Adds 2.0 FTEs (\$150,000): transfer from Criminal Justice Information Center Division (1.0 FTE, \$68,200 restricted) and Uniform Services (1.0 FTE, \$81,800 GF/GP). Reflects transfer of 16.0 FTEs (\$1,289,400 GF/GP) to Budget and Financial Services line for Fiscal Manager Consolidation and reduction of 1.0 FTE (\$87,700) from savings for operational reductions. Replaces \$45,600 GF/GP with restricted revenue from new Reimbursed Services line for charging departmental offices for printing shop costs.

FTEs	50.0	(15.0)
Gross	\$3,683,900	(\$1,227,100)
IDT	23,000	0
Local	34,900	0
Restricted	67,900	113,800
GF/GP	\$3,558,100	(\$1,340,900)

5. Training Administration

Reflects reduction of 2.0 FTEs (\$170,100 GF/GP) from operational reductions, \$250,000 GF/GP and 2.0 FTEs from administrative reductions, and \$35,500 GF/GP for DROP in Training Administration line.

FTEs	41.0	(4.0)
Gross	\$4,746,900	(\$455,600)
IDG	2,899,000	0
Restricted	280,800	0
GF/GP	\$1,567,100	(\$455,600)

6. Communications

Reflects 2.0 FTEs reduction for change to new Budget and Financial Services line item; \$369,900 GF/GP and 2.0 FTEs internal transfer to Budget and Financial Services, Information Technology Services and Projects, and Criminal Justice Information Center Division; and \$11,200 GF/GP for DROP in Communications line.

FTEs	12.0	(4.0)
Gross	\$4,661,000	(\$381,100)
GF/GP	\$4,661,000	(\$381,800)

7. Criminal Justice Information Center Division

Adds Criminal Justice Information Center Service Fees (\$250,000 restricted) for training, maintenance, and automation of convicted sex offenders database. Reflects \$143,000 GF/GP and \$68,200 restricted and 2.0 FTEs internal transfers to Management Services and Communications lines; internal transfer of 1.0 FTE (\$73,400 restricted) to Budget and Financial Services line for Fiscal Manager Consolidation; and \$870,100 GF/GP and 2.0 FTEs reduction as part of Department's position reduction plan. Replaces some lost GF/GP with restricted from charging agencies for name searches on Internet Criminal History Access Tool (\$500,000) and local from charging local police agencies for Law Enforcement Information Network training (\$200,000).

FTEs	83.0	(5.0)
Gross	\$7,533,100	(\$204,700)
Local	0	200,000
Restricted	6,201,300	608,400
GF/GP	\$1,331,800	(\$1,013,100)

8. Traffic Safety – Crash Data Repository

Increases federal authorization for Traffic Safety for grant to develop the CRASH module (Michigan's central repository of crash data), and reduces IDG (\$21,500) from Department of State.

FTEs	16.0	0.0
Gross	\$1,537,200	\$978,500
IDG	673,400	(21,500)
Federal	400,400	1,000,000
GF/GP	\$463,400	\$0

9. Laboratory Operations – Increase Casework for Drunk Driving Limit Reduction

Provides new federal grant for 3.0 FTEs and equipment purchases for Laboratory Operations to address increased casework for drunk driving limit reduction.

FTEs	177.0	3.0
Gross	\$17,741,700	\$717,800
Federal	63,600	717,800
Restricted	1,497,100	0
GF/GP	\$16,181,000	\$0

10. DNA Analysis Program

Replaces \$450,000 GF/GP with forensic science reimbursement fees.

FTEs	32.0	0.0
Gross	\$8,529,200	\$0
Federal	3,451,000	0
Restricted	1,779,700	450,000
GF/GP	\$3,298,500	(\$450,000)

11. Standards and Training

Replaces \$1.8 million GF/GP with restricted Michigan Justice Training Grants; replaces GF/GP for FY 2005-06 economics (\$44,000) with restricted (reflected in Economic Adjustments section below).

FTEs	22.0	0.0
Gross	\$2,231,100	\$0
Federal	375,200	0
Restricted	51,900	1,848,000
GF/GP	\$1,804,000	(\$1,848,000)

Major Budget Changes from FY 2004-05 YTD Appropriations	FY 2004-05 YTD (as of 2/10/05)	Executive Change
12. Fire Investigations	FTEs 29.0	(27.0)
Removes Fire Investigations unit and transfers funds to Criminal Investigations unit; criminal investigations officers will be cross-trained to investigate criminal activity associated with fires. Eliminates Fire Investigation Training to Locals line (\$50,500 GF/GP); transfers \$86,800 GF/GP and 1.0 FTE to Budget and Financial Services line for Fiscal Manager Consolidation; reduces Fire Investigations by \$3,381,000 GF/GP and 24.0 enlisted and 2.0 civilian FTEs.	Gross \$3,605,700	(\$3,467,800)
	GF/GP \$3,605,700	(\$3,467,800)
13. Hazardous Materials Programs – Homeland Security Initiatives	FTEs 7.0	0.0
Increases federal authorization for Homeland Security initiatives for Hazardous Materials Programs and Urban Area Security Initiative; transfers \$2,650 GF/GP from At-Post Trooper line to reflect costs for three troopers who work in Homeland Security programs.	Gross \$61,646,050	\$62,002,650
	Federal 59,968,500	60,031,500
	Restricted 1,347,500	(31,500)
	GF/GP \$330,050	\$2,650
14. Uniform Services	FTEs 525.0	(19.0)
Transfers \$81,800 GF/GP and 1.0 FTE to Management Services line and \$105,400 GF/GP and 1.0 FTE to Budget and Financial Services line. Reflects \$822,400 and 17.0 FTEs reduction from operational savings; \$1,050,000 GF/GP reduction from closing three State Police posts in Groveland (Oakland County), Grand Haven (Ottawa County) and Iron River (Iron County) saving lease costs and transferring troopers and staff to other State Police posts; and \$304,300 GF/GP reduction for DROP in Uniform Services line.	Gross \$47,701,300	(\$2,363,900)
	Federal 1,622,900	0
	Restricted 44,000	0
	GF/GP \$46,034,400	(\$2,363,900)
15. At-post Troopers	FTEs 1,144.0	(3.0)
Transfers \$290,700 GF/GP and 3.0 FTEs to Emergency Management Planning and Administration line; replaces \$387,000 GF/GP with Highway Safety Fund revenue. Reflects \$361,800 GF/GP reduction for the DROP in At-post Troopers line.	Gross \$117,432,600	(\$652,500)
	Restricted 44,909,400	387,000
	GF/GP \$72,523,200	(\$1,039,500)
16. Aviation Program	FTEs 5.0	0.0
Reflects \$400,000 GF/GP reduction for sale of Department's two fixed-wing aircraft and \$24,600 GF/GP reduction for DROP in Aviation Program line.	Gross \$1,498,400	(\$424,600)
	Restricted 165,400	0
	GF/GP \$654,500	(\$424,600)
17. Criminal Investigations	FTEs 280.0	(2.0)
Transfers \$101,100 GF/GP and 2.0 FTEs to Budget and Financial Services line for Fiscal Manager Consolidation. Reflects \$1.7 million GF/GP and 47.0 FTEs reduction from operational savings and \$712,700 GF/GP reduction for DROP in Criminal Investigations line.	Gross \$32,558,100	(\$2,386,500)
	IDG 610,000	0
	Federal 265,900	0
	Restricted 352,000	0
	GF/GP \$31,330,200	(\$2,386,500)
18. School Bus Inspections	FTEs 16.0	0.0
Replaces \$1.2 million GF/GP for school bus inspections with Reimbursed Services restricted funds; Department is working on statutory language to no longer require Department to inspect school buses, but will allow school districts the option of paying a fee for Department to inspect school buses.	Gross \$1,200,700	\$84,100
	Restricted 0	1,238,100
	GF/GP \$1,200,700	(\$1,238,100)
19. Safety Projects – Border Grants for Motor Carriers	FTEs 4.0	14.0
Increases federal authorization for Safety Projects from \$1.2 million U.S. Department of Transportation Border grant and \$500,000 for Entrant Program grant, which helps meet federal mandate to perform safety audits on new motor carriers; adds 14.0 FTEs.	Gross \$177,300	\$1,735,900
	Federal 177,300	1,735,900

STATE POLICE

<u>Major Budget Changes from FY 2004-05 YTD Appropriations</u>	<u>FY 2004-05 YTD (as of 2/10/05)</u>	<u>Executive Change</u>	
20. Information Technology Services and Projects	Gross	\$21,236,100	\$355,100
Transfers \$342,800 GF/GP and 2.0 FTEs from Communications line to DIT Michigan Public Safety Communications System; increases local Law Enforcement Information Network (LEIN) fee authorization (\$563,000 local) due to new fee schedule effective April 2004; increases Human Resources Optimization to DIT (\$36,100 GF/GP, \$2,200 federal, \$5,800 local) for capitalizing hardware and software costs; reduces DIT rates to Department (\$594,800 GF/GP).	IDG	108,200	0
	Federal	1,057,900	2,200
	Local	2,806,300	568,800
	Restricted	15,000	0
	GF/GP	\$17,248,700	(\$215,900)
21. Economic Adjustments	Gross	N/A	\$14,486,000
Includes economic adjustments for restoring FY 2004-05 employee concessions (\$8.6 million), retirement costs (\$279,300), insurance costs (\$4.0 million), workers compensation (\$95,000), building occupancy and rent charges (\$669,100), DIT economics (\$449,500), and restoring FY 2004-05 concessions for DIT employees (\$387,300).	IDG	N/A	841,000
	Federal	N/A	1,078,500
	Local	N/A	148,000
	Private	N/A	500
	Restricted	N/A	2,542,700
	GF/GP	N/A	\$9,875,300

Major Boilerplate Changes from FY 2004-05

Sec 212. Contingency Funds – NEW

Appropriates federal, state restricted, local, and private contingency funds that can only be expended upon adopting a legislative transfer to a specific line item.

Sec. 207. Privatization – DELETED

Directs Department to submit project plan prior to beginning any effort to privatize.

Sec. 211. Reimbursement of Department Personnel – DELETED

Directs Department to reimburse personnel for expenses related to departmental operations.

Sec. 212. State Spending Increase – DELETED

Provides authority for Department to match GF/GP revenue for programs contained in Federal Violent Crime Control and Law Enforcement Act of 1994.

Sec. 213. Contractual Services – DELETED

Directs Department to not provide subsidies for contractual services and to be reimbursed for services provided to local government units.

Sec. 214. Report Retention – DELETED

Requires Department to receive and retain copies of all reports funded from appropriations in part 1.

Sec. 215. Casino Gaming Oversight – General Boilerplate Sections – DELETED

Requires Department to provide reports for casino gaming oversight activities.

Sec. 216. Vehicle Identification Numbers – DELETED

Directs Department to collect and computerize vehicle identification numbers of vehicles entered into the state accident data collection system and to make these records available to the public at cost.

Sec. 217. School Violence Hotline – DELETED

Requires Department to maintain a toll-free hotline along with Department of Education to provide assistance for reporting incidences of school violence or criminal conduct by juveniles.

Sec. 218. At-Post Trooper Strength – DELETED

Requires that funds appropriated in part 1 only be expended for costs directly related to state troopers.

Sec. 219. State Police Post Closures – DELETED

Directs Department to provide at least 180 days notice before recommending closure of State Police posts.

Sec. 220. Law Enforcement Assistance – DELETED

Directs Department to provide general law enforcement assistance to communities without adequate law enforcement services.

Major Boilerplate Changes from FY 2004-05

Sec. 221. *Marshall State Police Post Rent* – DELETED

Directs Department to fund rental costs for a State Police post in Marshall near Battle Creek.

Sec. 304. *LEIN System Policies* – DELETED

Requires Department to report LEIN access and information policies.

Sec. 305. *LEIN System Abuses*– DELETED

Requires Criminal Justice Information Systems Policy Council to monitor unauthorized use of the LEIN system.

Sec. 306. *LEIN System Probation Information* – DELETED

Requires Department to implement procedures for placing probation information on the LEIN system.

Sec. 307. *Michigan Public Safety Communication System* – DELETED

Specifies Department is to serve as liaison between Department of Information Technology and local public safety agencies to facilitate use of MPSCS towers.

Sec. 501. *DNA Protocol* – MODIFIED

Requires that when changes are made to Department's protocol for retaining and purging DNA analysis samples and records, an updated copy shall be provided to each police agency in the state.

Sec. 801. *Emergency Management Funds* – MODIFIED

Specifies revenues collected should be appropriated for expenses associated with emergency management services and activities.

Sec. 1001. *Sale of Departmental Aircraft*

Provides Department with authorization to sell its aircraft and to use proceeds to renovate replacement aircraft.

**FY 2005-06
Budget Detail
for
ALL OTHERS**

**Capital Outlay
History, Arts, and Libraries
Judiciary
Transportation**

**Summary: Executive Budget Recommendation
CAPITAL OUTLAY
FY 2005-06**

Analyst: Al Valenzio

	FY 2004-05 Year-to-Date as of 2/10/05	FY 2005-06 Executive	Difference: Exec to FY 2004-05 YTD	
			Amount	%
IDG/IDT	\$0	\$2,000,000	\$2,000,000	0.0
Federal	0	155,075,000	155,075,000	0.0
Local	0	20,000,000	20,000,000	0.0
Private	0	0	0	0.0
Restricted	7,795,000	59,082,300	51,287,300	658.0
GF/GP	243,194,800	276,002,200	32,807,400	13.5
Gross	\$250,989,800	\$512,159,500	\$261,169,700	104.1
FTEs				

<u>Priority</u>	<u>GF/GP</u>	<u>All Funds</u>
<i>Improve Student Achievement</i>		
State Building Authority Rent – Higher Education	\$140,513,500	\$140,513,500
<i>Sustain and Create Business Investment and Jobs in Michigan</i>		
Airport safety and Protection Plan Projects	0	163,193,300
Transportation Buildings/Facilities Projects, Higher Education Major and Special Maintenance Projects	100	7,714,100
<i>Make Government in Michigan More Cost Effective and Efficient</i>		
State Building Authority Rent – State Agencies	133,488,600	135,283,600
State Agency Special Maintenance Projects	2,000,000	4,000,000
<i>Protect Our Citizens and Make Michigan's Communities Safer</i>		
Camp Grayling Company Headquarters Facilities (Phase II)	0	18,500,000
Military Affairs Special Maintenance Projects, Statewide Land Acquisitions	0	5,200,000
<i>Enhance the Quality of Michigan's Natural Environment</i>		
Waterways Harbor and Boating Access Site Projects	0	22,855,000
Various Acquisition, Preservation, and Maintenance Projects	0	14,900,000
TOTAL FY 2005-06 Executive Recommendation	\$276,002,200	\$512,159,500

Overview

The Michigan Capital Outlay process provides the budgetary and administrative functions devoted to financing and planning for 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), State Building Authority Act (1964 PA 183), annual Capital Outlay appropriations act, and 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 through issuance of revenue bonds. 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.

CAPITAL OUTLAY

<u>Major Budget Changes from FY 2004-05 YTD Appropriations</u>	FY 2004-05 YTD (as of 2/10/05)	Executive Change
1. State Building Authority Rent – State Agencies, Corrections, Universities, and Community Colleges Provides an overall 10% gross increase to fully fund projects that will come on-line this year and to partially fund projects coming on-line next year. Due to restricted fund financing from the CMRS Emergency Telephone Fund being shifted to General Fund financing; GF/GP appropriations are up 12.8%. The state pays rent to the SBA so it can pay off bonds used to finance building construction projects for state agencies, universities, and community colleges.	Gross \$250,797,100 Restricted 7,795,000 GF/GP \$243,002,100	\$25,000,000 (6,000,000) \$31,000,000
2. University and Community College Major/Special Maintenance Projects Provides, in addition to FY 2004-05 supplemental request, \$100 million in State Building Authority bond proceeds for major and special maintenance projects. Projects must start and be completed between 10/1/05 and 12/31/07, and must be contracted for; SBA financing of each project cost must be no less than \$100,000 for universities and \$10,000 for community colleges, and must extend the useful life of the facility; SBA funds cannot be used for self-liquidating or self-supporting facilities (e.g., dormitories, parking garages).	Gross \$0 GF/GP \$0	\$100 \$100
3. Transportation – Airport Safety and Protection Plan Provides support for security and general improvement projects at more than 100 local and state airports; FY 2004-05 Executive recommendation for this program is pending.	Gross Incomplete Federal 125,000,000 Local 20,000,000 Restricted 18,193,300	\$163,193,300
4. Natural Resources – Deer Range Habitat Acquisition Provides a lump-sum contingency account to purchase and develop lands as they become available to provide greater deer hunting opportunities; Deer Range Improvement Fund is the financing source.	Gross \$0 Restricted 0	\$3,500,000 3,500,000
5. Natural Resources – Waterways Boating Program Continues several lump-sum contingency accounts and provides new funds for state- and locally-owned marinas, docks, and boating access sites; FY 2004-05 Executive recommendation for this program is pending.	Gross Incomplete Federal 3,075,000 Restricted 19,780,000	\$22,855,000
6. Major Special Maintenance – Remodeling and Additions for State Agencies Provides a lump-sum for major state-owned building maintenance projects for all departments except Transportation and Military Affairs.	Gross Incomplete IDG 2,000,000 GF/GP \$2,000,000	\$4,000,000
7. Major Special Maintenance, Remodeling and Additions for Military and Veterans Affairs Provides a lump-sum for building maintenance projects at primarily federally-owned military facilities.	Gross Incomplete Federal 5,000,000	\$5,000,000
8. Military – New Company Headquarters Building, Phase II Provides cost and construction authorizations for a new facility at Camp Grayling; Phase I is pending before the Legislature.	Gross Incomplete Federal 18,500,000	\$18,500,000

Major Boilerplate Changes from FY 2004-05 YTD Appropriations

LUMP SUMS AND SPECIAL MAINTENANCE

Sec. 602. State Owned Building Demolitions

Directs a state agency to provide notification to Joint Capital Outlay Subcommittee (JCOS) of a planned building demolition. If not disapproved by JCOS within 30 days, the demolition will be deemed authorized.

Sec. 603. Operating Funds for Capital Outlay Purposes

Allows a state agency to expend up to \$1.0 million from operating appropriations for special maintenance, remodeling, additions, or other capital outlay purposes.

Major Boilerplate Changes from FY 2004-05 YTD Appropriations

COLLEGES AND UNIVERSITIES

Sec. 804. Allocation of Special Maintenance Funds/Use Criteria

Allocates State Building Authority funds to be used for special maintenance projects to each institution under this section; funds are pro-rated to each university and community college based on original FY 2005 state operational appropriations for the institutions. Projects must start and be completed between 10/1/05 and 12/31/07, and must be contracted for; SBA financing of each project must be no less than \$100,000 for universities and \$10,000 for community colleges and must extend the useful life of the facility; SBA funding cannot be used for self-liquidating or self-supporting facilities (e.g., dormitories, parking garages).

**Summary: Executive Budget Recommendation
HISTORY, ARTS, AND LIBRARIES
FY 2005-06**

Analyst: Kirk Lindquist

	FY 2004-05 Year-to-Date as of 2/10/05	FY 2005-06 Executive	Difference: Exec to FY 2004-05 YTD	
			Amount	%
IDG/IDT	\$139,000	\$149,700	\$10,700	7.7
Federal	8,151,300	8,218,300	67,000	0.8
Local	0	0	0	0.0
Private	577,400	577,400	0	0.0
Restricted	2,412,400	4,082,700	1,670,300	69.2
GF/GP	45,803,500	43,150,800	(2,652,700)	(5.8)
Gross	\$57,083,600	\$56,178,900	(\$904,700)	(1.6)
FTEs	238.0	232.0	(6.0)	(2.5)

<u>Priority</u>	<u>GF/GP</u>	<u>All Funds</u>
Improve Student Achievement		
Aid to Libraries, Lifelong Learning, Michigan Curriculum Framework	\$14,639,000	\$20,996,400
Sustain and Create Business Investment and Jobs in Michigan		
Cultural Tourism Industry	7,637,500	8,887,400
Economic Development	6,653,900	8,485,600
Operations, Information Technology, Michigan Film Office	6,249,800	6,302,800
Enhance the Quality of Michigan's Natural Environment		
Mackinac Island State Park Commission	0	3,138,900
Make Government in Michigan More Cost Effective and Efficient		
Library of Michigan, State Archives	7,970,600	8,367,800
TOTAL FY 2005-06 Executive Recommendation	\$43,150,800	\$56,178,900

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.

Major Budget Changes from FY 2004-05 YTD Appropriations

		FY 2004-05 YTD (as of 2/10/05)	Executive Change
1. Preservation and Access for Michigan Project	Gross	\$965,000	(\$965,000)
Removes funding to digitize materials currently possessed by libraries in the state and preserve, store, and make these digitized images available via the Michigan Electronic Library (MEL).	GF/GP	\$965,000	(\$965,000)
2. Mackinac Island State Park	Gross	\$2,978,300	\$0
Replaces General Fund support with visitor admission fee revenue; a fee increase would be necessary.	Restricted	1,479,200	1,499,100
	GF/GP	\$1,499,100	(\$1,499,100)

<u>Major Budget Changes from FY 2004-05 YTD Appropriations</u>		<u>FY 2004-05 YTD (as of 2/10/05)</u>	<u>Executive Change</u>
3. Arts and Cultural Grants	Gross	\$11,771,300	(\$442,900)
Reduces grant funding by 4% and recommends boilerplate revisions.	Federal	700,000	0
	GF/GP	\$11,071,300	(\$442,900)
4. Grant to Detroit Public Library	Gross	\$0	\$300,000
Provides an unrestricted grant to the Detroit Public Library.	GF/GP	\$0	\$300,000
5. Book Distribution Centers	Gross	\$327,500	(\$327,500)
Deletes funds used to distribute donated surplus publications to libraries and non-profit organizations.	GF/GP	\$327,500	(\$327,500)
6. Historical and Library Program Support to Curriculum Framework	Gross	\$600,000	(\$300,000)
Reduces support for educators, classroom materials and publications, and website storage of K-12 history lesson plans; support from Mackinac Island State Historical Park Commission is not affected.	Restricted	200,000	0
	GF/GP	\$400,000	(\$300,000)
7. Historical Society Grants - Eliminated	Gross	\$100,000	(\$100,000)
Awards current-year grants for museum collection management and development, capital improvements, regional projects, marketing, and training.	GF/GP	\$100,000	(\$100,000)
8. Michigan Lighthouse Assistance Program Grants - Eliminated	Gross	\$91,500	(\$91,500)
Allows General Fund grants for lighthouse protection and preservation. Funding to be partially offset from "Save Our Lights" specialty license plate revenue.	GF/GP	\$91,500	(\$91,500)
9. Administrative Efficiency Savings	Gross	\$57,083,600	(\$591,100)
Reflects \$128,100 in administrative efficiencies (various units); continues reductions proposed in EO 2005-3, (\$463,000).	IDG	139,000	0
	Federal	8,151,300	0
	Private	577,400	0
	Restricted	2,412,400	0
	GF/GP	\$45,803,500	(\$591,100)
10. Economic Adjustments	Gross	N/A	\$1,559,000
Reinstates \$572,100 in funds removed in FY 2004-05 as employee concessions; increases Civil Service compensation by 1.5%, reflects increased contribution rates for defined benefit and defined contribution retirement plans and for employer share (\$986,900).of health insurance premiums.	IDG		10,500
	Federal		67,000
	Private		300
	Restricted		168,100
	GF/GP	N/A	\$1,313,100

Major Boilerplate Changes from FY 2004-05

Sec. 206. Contingency Fund Transfer Language – NEW

Allows spending authorization to be increased through legislative transfer process.

Sec. 207. Privatization – DELETED

Requires Department to submit complete project plan 60 days prior to beginning any effort to privatize; requires evaluation of privation initiative within 30 months.

Sec. 211. Workforce Planning Council – DELETED

Requires that Department follow guidelines developed by state equal opportunity workforce planning council in order to receive GF/GP funds.

Sec. 401. Arts and Cultural Grants – REVISED

States grant eligibility criteria, award categories, re-granting and reporting requirements, and renumbers sections (401, 403, 404, 405, and 406).

Sec. 504. Michigan Lighthouses – DELETED

Establishes guidelines for grants to transfer from federal ownership and/or preserve Michigan lighthouses.

HISTORY, ARTS, AND LIBRARIES

Major Boilerplate Changes from FY 2004-05

Sec. 507. *Michigan History Magazine* – DELETED

Makes Michigan History Magazine subscriber list available to Historical Society of Michigan at actual cost, unless prohibited by law.

Sec. 508. *Historical Administration and Services* – DELETED

Provides guidance on use of \$100,000 in Historical Administration and Services line for competitive grant program for all state and local historical societies and State Historical Preservation Network.

Sec. 607. *Book Distribution Centers* – DELETED

Allocates Book Distribution Centers funding in part 1 for Public Enrichment Foundation and Michigan Friends of Education at \$163,750 each.

Sec. 609. *Preservation Access for Michigan* – DELETED

Details implementation of Preservation Access for Michigan project; outlines materials to be digitized and accessed through the electronic library, and requests equitable distribution of funds with no grant recipient to receive more than 30% of total appropriation.

**Summary: Executive Budget Recommendation
JUDICIARY
FY 2005-06**

Analyst: Marilyn Peterson

	FY 2004-05 Year-to-Date as of 2/10/05	FY 2005-06 Executive	Difference: Exec to FY 2004-05 YTD	
			Amount	%
IDG/IDT	\$4,633,500	\$2,563,500	(\$2,070,000)	(44.7)
Federal	4,015,600	3,933,900	(81,700)	(2.0)
Local	3,298,100	3,466,000	167,900	5.1
Private	842,500	842,500	0	0.0
Restricted	82,333,700	86,935,000	4,601,300	5.6
GF/GP	158,093,300	159,987,900	1,894,600	1.2
Gross	\$253,216,700	\$257,728,800	\$4,512,100	1.8
FTEs	582.5	582.5	0.0	0.0

<u>Priority</u>	<u>GF/GP</u>	<u>All Funds</u>
<i>Protect Our Citizens and Make Michigan's Communities Safer</i>		
Justices and Judges Compensation	\$85,490,400	\$92,580,600
Trial Court, Local Programs, Indigent Defense, Other Judicial Agencies	26,906,700	105,797,200
Judicial Branch Operations	47,590,800	59,351,000
TOTAL FY 2005-06 Executive Recommendation	\$159,987,900	\$257,728,800

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. The budget also 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. Assistance for local court operations is provided through a variety of grant programs. The largest of these, the Court Equity grant program, reimburses counties for trial court operations based on a statutory formula that recognizes circuit and probate caseloads and the numbers of judgeships.

<u>Major Budget Changes from FY 2004-05 YTD Appropriations</u>	<u>FY 2004-05 YTD (as of 2/10/05)</u>	<u>Executive Change</u>
1. Judgeship Changes	Gross \$92,163,000	\$417,600
Funds recently-enacted changes: \$184,600 for full-year of judgeships added January 1, 2005, and funded in FY 2004-05; and \$233,000 for FY 2005-06 costs of converting part-time probate judges to full-time.	Restricted 7,090,200	0
	GF/GP \$85,072,800	\$417,600
2. Drug Court Grant Program	Gross \$4,635,000	\$100,000
Recognizes increased revenues for drug court fund and deriving from civil infraction assessments and statutory state costs in criminal cases; uses a portion of these revenues to offset GF/GP program support.	IDG 1,800,000	0
	Federal 300,000	0
	Restricted 1,688,300	232,200
	GF/GP \$846,700	(\$132,200)
3. Judicial Information Systems	Gross \$4,608,500	(\$2,130,300)
Reflects elimination of two funding sources for developing and implementing judicial information systems for state judicial agencies. Removes federal funds received through IDG from State Police for nearly-completed project to develop system under which trial courts report criminal dispositions electronically into statewide database; reflects \$115,300 reduction in federal funding from National Highway Traffic Safety Administration used for various projects, remaining \$100,000 to be used for training judges and judicial staff.	IDG/IDT 2,015,000	(2,015,000)
	Federal 115,300	(115,300)
	GF/GP \$2,478,200	\$0

JUDICIARY

<u>Major Budget Changes from FY 2004-05 YTD Appropriations</u>	FY 2004-05 YTD (as of 2/10/05)	Executive Change
4. Court Equity Grant Program Reflects increased revenue for court equity fund, and uses part of that revenue to offset GF/GP. Court equity fund supports a grant program that reimburses counties for trial court operations based on a statutory formula that recognizes circuit and probate caseloads and the numbers of judgeships.	Gross \$68,906,000 Restricted 46,788,800 GF/GP \$22,117,200	\$1,500,000 3,651,200 (\$2,151,200)
5. Justice System Fund, Court Fund Reflects increased revenue for Justice System Fund and Court Fund; revenue comes from various civil infraction assessments and statutory state costs in criminal cases, and supports a variety of programs according to statutory allocations. Portions of increased revenue are diverted into drug court fund (see #2 above) and court equity fund (see #4 above) and used to increase funding for state court administrative office (\$120,000) and civil indigent legal assistance (\$600,000).	Gross N/A Restricted N/A GF/GP N/A	\$720,000 720,000 \$0
6. Restoration of FY 2004-05 Concessions Funds restoration of FY 2004-05 wage and salary concessions.	Gross N/A GF/GP N/A	\$1,496,900 \$1,390,700
7. Economics Includes economic adjustments for insurances (\$645,200 gross, \$593,900 GF/GP), retirement (\$842,100 gross, \$775,200 GF/GP), and building occupancy charges (\$1.2 million gross and GF/GP). Includes decrease (\$153,000 gross and GF/GP) for workers' compensation; does not provide additional revenue for anticipated 1.5% wage and salary increase in FY 2005-06 (approximately \$150,000 for judicial employees).	Gross N/A GF/GP N/A	\$2,498,700 \$2,380,500

Major Boilerplate Changes from FY 2004-05

- Sec. 211. Personal Service Contracts – DELETED**
Requires monthly report on personal service contracts.
- Sec. 216. Contingency Funds – NEW**
Incorporates historical language providing for authorization and appropriation of state, local, and federal contingency funds (funds that become available during the course of the fiscal year).
- Sec. 304. Cooperation with Auditor General – DELETED**
Requires judicial branch to cooperate with auditor general regarding judicial branch audits.
- Sec. 313. Judicial Technology Improvement Fund/Cyber Court – DELETED**
Establishes criteria for use of Judicial Technology Improvement Fund and allows bill's appropriations be used for cyber court.

**Summary: Executive Budget Recommendation
TRANSPORTATION
FY 2005-06**

Analyst: William E. Hamilton

	FY 2004-05 Year-to-Date as of 2/10/05	FY 2005-06 Executive	Difference: Exec to FY 2004-05 YTD	
			Amount	%
IDG/IDT	\$0	\$0	\$0	0
Federal	1,132,701,200	1,207,642,100	74,940,900	6.6
Local	5,800,000	6,100,000	300,000	5.2
Private	0	0	0	0
Restricted	2,140,556,900	2,203,966,400	63,409,500	3.0
GF/GP	0	0	0	0.0
Gross	\$3,279,058,100	\$3,417,708,500	\$138,650,400	4.2
FTEs	3,037.3	3,036.3	(1.0)	(0)

Priority	GF/GP	All Funds
Sustain and Create Business Investment and Jobs in Michigan		
State Road & Bridge Construction/Maintenance	\$0	\$1,395,072,300
Local Road & Bridge Construction/Maintenance	0	1,333,417,100
Economic, Bus, Rail, Aeronautics, Rail Freight, and Port Authority Services	0	333,818,100
Administrative Support, Information Technology, Debt Service	0	355,401,000
TOTAL FY 2005-06 Executive Recommendation	\$0	\$3,417,708,500

Overview

The \$3.4 billion state transportation budget supports state and local highway programs, public transportation programs, aeronautics programs, and administration of the Michigan Department of Transportation. Funding is provided from state-restricted, federal, and local revenue; there is no state GF/GP revenue in this budget. Approximately two-thirds of the state transportation budget (over \$2.2 billion) is from constitutionally-restricted revenue sources—primarily motor fuel taxes and vehicle registration fees—which is credited to the Michigan Transportation Fund (MTF) for subsequent distribution to other state transportation funds and programs, and to local road agencies. Approximately one-third of the budget (over \$1.2 billion) is from federal revenue. The FY 2005-06 budget is based on the Department’s best estimate of available federal revenues. At this time, Congress has not passed a long-term reauthorization of the federal aid transportation program—the Transportation Equity Act for the 21st Century (TEA-21). The amount of federal support for Michigan transportation programs will depend on provisions of the enacted reauthorization bill.

Major Budget Changes from FY 2004-05 YTD Appropriations	FY 2004-05 YTD (as of 2/10/05)	Executive Change
1. Debt Service	Gross	\$167,750,100
Increases appropriation to \$240.7 million to reflect anticipated debt service schedules; approximately \$28.5 million represents estimated debt service on new bond issues. Does not include debt service on Executive’s proposed \$400 million Jobs Today bond initiative.	Federal	44,000,000
	Restricted	123,750,100
		\$72,993,400
2. Michigan Transportation Fund (MTF) Grants to Other State Departments (IDGs)	Gross	\$29,001,300
Provides \$29.6 million in MTF grants to other state departments, including \$20 million to State and \$8.5 million to Treasury for the costs of collecting MTF revenue. Not reflected in the budget is Executive proposal redirecting \$10.9 million in certain vehicle registration fees from MTF to State (Transportation Administration Collection Fund) by amendment of the Michigan Vehicle Code.	Restricted	29,001,300
		\$645,300

TRANSPORTATION

Major Budget Changes from FY 2004-05 YTD Appropriations		FY 2004-05 YTD (as of 2/10/05)	Executive Change
3. Design and Engineering Services	FTEs	1,531.4	2.0
Provides net increase of \$14.7 million (to \$98.5 million) primarily reflecting fund shift for Michigan Intelligent Transportation Systems Center (MITS) from Road and Bridge program, restoration of employee concessions, and economics. Budget provides \$4.0 million reduction in baseline programs, not including \$1.3 million in unfunded salary and wage increases.	Gross	\$83,799,900	\$14,652,800
	Federal	7,000,000	0
	Restricted	76,799,900	14,652,800
4. State Trunkline Maintenance	FTEs	817.6	(2.0)
Provides \$261.1 million (increase of \$7.3 million) reflecting additional state trunkline lane miles (added through new construction and jurisdictional transfers), increased road maintenance material costs, and \$1.0 million for trunkline-related emerald ash borer survey.	Gross	\$253,726,100	\$7,341,800
	Restricted	253,726,100	7,341,800
5. State Trunkline Road and Bridge Construction	Gross	\$1,007,573,800	(\$15,053,900)
Authorizes \$992.5 million for state trunkline road and bridge construction/reconstruction programs; anticipates increased federal aid; reflects shift in MITS Center funding noted above, and redirection of additional 1/4 cent of gasoline tax to local bridges, noted below.	Federal	746,943,100	8,651,900
	Local	5,000,000	0
	Restricted	255,630,700	(23,705,800)
6. Local/Critical Bridge Program	Gross	\$18,539,500	\$12,576,300
Authorizes \$31.1 million Local Bridge Program, reflecting \$12.6 million increase from earmark of additional 1/4 cent of gasoline tax made in PA 384 of 2004 (HB 5319).	Restricted	18,539,500	12,576,300
7. MTF Distribution to Local Road Agencies	Gross	\$987,580,600	\$17,072,500
Appropriates \$1.0 billion: \$645 million to county road commissions and \$359.6 million to cities and villages; actual MTF distributions will be based on actual MTF revenue distributed by 1951 PA 51 formula.	Restricted	987,580,600	17,072,500
8. Transportation Economic Development	Gross	\$39,972,400	\$2,034,800
Appropriates \$42.0 million per statutory formula.	Restricted	39,972,400	2,034,800
9. Aeronautics Programs	Gross	\$8,200,800	\$285,700
Authorizes \$8.5 million reflecting increased State Aeronautics Fund revenue estimate.	Restricted	8,200,800	285,700
10. Public Transportation and Freight Services	FTEs	74.0	0.0
Provides \$7.7 million reflecting net economic increases.	Gross	\$7,214,700	\$499,000
	Restricted	7,214,700	499,000
11. Bus Transit – Local Bus Operating Assistance	Gross	\$161,680,000	\$1,596,100
Allocates \$163.3 million for state operating assistance to state's public transit agencies reflecting anticipated increase in CTF revenue.	Restricted	161,680,000	1,596,100
12. Bus Transit – Non-Urban Operating/Capital	Gross	\$14,600,000	\$0
Anticipates no change in federal support to transit systems in non-urbanized areas (populations less than 50,000).	Federal	14,400,000	0
	Local	200,000	0
13. Rail Passenger Service	Gross	\$8,200,000	\$0
Provides no change in support for AMTRAK service.	Federal	1,000,000	0
	Restricted	7,200,000	0
14. Specialized Services	Gross	\$8,200,100	\$0
Provides no change to support for transit services to the elderly and persons with disabilities.	Federal	4,600,000	0
	Restricted	3,600,100	0
15. Bus Capital	Gross	\$38,500,000	\$10,811,400
Allocates \$49.3 million reflecting anticipated increased CTF revenue.	Federal	30,000,000	0
	Local	500,000	0
	Restricted	8,000,000	10,811,400

<u>Major Budget Changes from FY 2004-05 YTD Appropriations</u>	<u>FY 2004-05 YTD (as of 2/10/05)</u>	<u>Executive Change</u>
16. Restoration of Employee Concessions Includes approximately \$9.0 million in salary and wage costs deferred from FY 2004-05 (reflected in various Department operating lines).	Gross Restricted	N/A N/A \$8,979,300 8,979,300
17. Economics Reflects \$9.4 million net economic increases including \$6.3 million retirement contributions, and \$3.4 million other employee insurances. Increases partially offset by \$382,000 workers compensation reduction; increase reflected in various Department operating lines. Negotiated salary and wage increases, representing 1.5% of base salary and wages including FY 2003-04 employee concessions, are not funded (not part of the \$9.4 million noted above); Department will must identify additional reductions in operating costs (approximately \$2.6 million) to offset additional salary and wage costs.	Gross Restricted	N/A N/A \$9,368,800 9,368,800

Major Boilerplate Changes from FY 2003-04:

Sec. 206. Contingency Funds – NEW

Provides contingency funds (\$300 million federal, \$40 million state-restricted, \$10 million local revenue, and \$1 million private) which would not be available for expenditure unless transferred to an expenditure line item through the process defined in Section 393(2) of the Management and Budget Act.

FY 2005-06

CONSENSUS REVENUES

Consensus Revenues: FY 2005-06

Senior Economist: Rebecca Ross

This section explains January 2005 Consensus Revenue Estimating Conference estimates for GF/GP and School Aid Fund (SAF) revenue for FYs 2004-05 and 2005-06 by major revenue sources. Important assumptions behind the revenue estimates are discussed in the following text. Figures presented include Public Acts issued through January 2005 and do not include the Executive Recommendation.

General Fund/General Purpose Revenue by Source

■ **Personal Income Tax**

Wage and salary employment is expected to increase 0.3% in 2005, then grow 1.0% in 2006. Michigan's unemployment rate is expected to reach 6.9% in 2005, up from 6.7% in 2004, then decline to 6.8% in 2006. As a result, Michigan personal income tax revenue is forecast to increase 2.4% in FY 2004-05 and 4.2% in FY 2005-06. Baseline GF/GP income tax revenue is expected to increase 0.8% to \$4,052.4 million in FY 2004-05, and increase 4.1% to \$4,217.2 million in FY 2005-06.

■ **Sales and Use Taxes**

Improved growth in wage and salary income will increase baseline sales and use tax revenue from \$1,020.0 million in FY 2004-05 to \$1,060.7 million in FY 2004-05.

■ **Single Business and Insurance Taxes**

Single Business Tax (SBT) revenue accrues to the General Fund. Net baseline business taxes (SBT plus insurance taxes) were \$2,071.7 million in FY 2003-04 and will increase 2.2% to \$2,116.5 million in FY 2004-05 and 3.0% to \$2,179.4 million in FY 2005-06. Baseline Single Business Tax revenue alone was \$1,841.4 million in FY 2003-04; it is expected to increase 1.9% to \$1,877.2 million in FY 2004-05 and 3.2% to \$1,936.4 million in FY 2005-06.

■ **GF/GP Baseline Tax Revenue**

Final GF/GP baseline tax revenue totaled \$7,690.1 million in FY 2003-04; it is expected to increase 1.8% to \$7,829.6 million in FY 2004-05 and 3.3% to \$8,085.6 million in FY 2005-06.

■ **Total GF/GP Baseline Revenue**

Total baseline GF/GP revenue includes baseline tax revenue and non-tax revenue. 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 revenue was \$8,015.5 million in FY 2003-04; it is expected to increase 1.1% to \$8,103.2 million in FY 2004-05 and 3.1% to \$8,353.2 million in FY 2005-06.

■ **Actual GF/GP Revenue**

Actual GF/GP revenue represents revenue available for expenditure each year and includes adjustments to the baseline, such as tax changes and one-time revenue. Final total actual GF/GP revenue was \$8,042.0 million in FY 2003-04. Actual GF/GP revenue is expected to decline 2.1% to \$7,869.9 million in FY 2004-05, then increase \$286.3 million or 3.6% to \$8,156.2 million in FY 2005-06.

GF/GP REVENUE ESTIMATES (Millions of Dollars)

	Final FY 2003-04	FY 2004-05	FY 2005-06	FY 2005-06 over FY 2004-05	
				% Change	\$ Change
Personal Income Taxes	\$4,020.2	\$4,052.4	\$4,217.2	4.1%	\$164.8
Sales and Use Taxes	968.7	1,020.0	1,060.7	4.0%	40.7
SBT and Insurance Taxes	2,071.7	2,116.5	2,179.4	3.0%	62.9
Other Taxes	<u>629.5</u>	<u>640.7</u>	<u>628.3</u>	-1.9%	(12.4)
GF/GP Baseline Tax Revenue	\$7,690.1	\$7,829.6	\$8,085.6	3.3%	\$256.0
Non-Tax Revenue	<u>325.4</u>	<u>273.6</u>	<u>267.6</u>	-2.2%	(6.0)
Total GF/GP Baseline Revenue	\$8,015.5	\$8,103.2	\$8,353.2	3.1%	\$250.0
Adjustments to Baseline	<u>26.5</u>	<u>(233.3)</u>	<u>(197.0)</u>		<u>36.3</u>
Actual GF/GP Revenue	\$8,042.0	\$7,869.9	\$8,156.2	3.6%	\$286.3

School Aid Fund Revenue by Source

■ **Sales and Use Taxes**

Combined sales and use tax revenue dedicated to the SAF was \$5,155.8 million in FY 2003-04 and is forecast to increase 3.6% to \$5,340.8 million in FY 2004-05 and 4.3% to \$5,570.8 million in FY 2005-06. Baseline sales tax revenue is forecast to increase 3.5% in FY 2004-05 and 4.3% in FY 2005-06; baseline use tax revenue to the SAF is estimated to increase 4.3% in FY 2004-05 and 4.1% in FY 2005-06.

■ **Income Tax**

Approximately 23.0% of gross income tax collections are dedicated to the SAF. Baseline dedicated income tax revenue is forecast to increase 6.0% to \$1,984.7 million in FY 2004-05 and 4.4% to \$2,071.3 million in FY 2005-06.

■ **Lottery/Casinos**

Lottery revenue contributed \$644.9 million to the SAF in FY 2003-04. Baseline lottery revenue to the SAF is projected to decrease 0.9% to \$639.0 million in FY 2004-05 and increase 0.9% to \$645.0 million in FY 2005-06. Casino revenue contributed \$95.8 million to the SAF in FY 2003-04, and is estimated to be \$98.0 million in FY 2004-05 and \$100.0 million in FY 2005-06.

■ **Tobacco Taxes**

Approximately 40% of gross tobacco tax revenue is dedicated to the School Aid Fund. The School Aid Fund received \$481.3 million from tobacco taxes in FY 2003-04. The demand for tobacco products is expected to decline over the duration of the forecast. Total SAF tobacco tax revenue is expected to decrease to \$474.4 million in FY 2004-05 and \$467.6 million in FY 2005-06.

■ **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 \$1,750.7 million in FY 2003-04; SET revenue is expected to increase 5.6% to \$1,848.6 million in FY 2004-05 and 5.2% to \$1,945.0 million in FY 2005-06. The real estate transfer tax contributed \$317.5 million to the SAF in FY 2003-04 and is forecast to contribute \$310.0 million in FY 2004-05 and \$312.0 million in FY 2005-06.

■ **Total SAF Baseline Revenue**

Final total SAF baseline revenue was \$10,510.9 million in FY 2003-04. Baseline revenue is expected to increase 3.6% to \$10,889.2 million in FY 2004-05 and 3.8% to \$11,305.4 million in FY 2005-06.

■ **Actual SAF Revenue**

Actual SAF revenue represents revenue available for expenditure each year; it includes tax changes, beginning balances, federal funds, and BSF transfers, but does not include any GF/GP transfers to SAF. Actual SAF revenue was \$11,798.2 million in FY 2003-04 and is expected to increase 3.5% to \$12,209.5 million in FY 2004-05, and increase 3.6% to \$12,654.3 million in FY 2005-06.

SCHOOL AID FUND REVENUE ESTIMATES
(Millions of Dollars)

Revenues	Final FY 2003-04	FY 2004-05	FY 2005-06	FY 2005-06 over FY 2004-05	
				% Change	\$ Change
Sales and Use Tax	\$5,155.8	\$5,340.8	\$5,570.8	4.3%	\$230.0
Income Tax Earmark	1,873.0	1,984.7	2,071.3	4.4%	86.6
Lottery and Casinos	740.7	737.0	745.0	1.1%	8.0
Tobacco Taxes	481.3	474.4	467.6	-1.4%	(6.7)
State Education Tax	1,750.7	1,848.6	1,945.0	5.2%	96.4
Real Estate Transfer Tax	317.5	310.0	312.0	0.6%	2.0
Liquor Excise and Specific Taxes	191.9	193.7	193.7	0.0%	0.0
Baseline SAF Revenue	\$10,510.9	\$10,889.2	\$11,305.4	3.8%	\$416.2
Adjustments to Baseline	1,287.3	1,320.3	1,348.9		28.6
Actual SAF Revenue (less GF/GP Transfer)	\$11,798.2	\$12,209.5	\$12,654.3	3.6%	\$444.8

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 BALANCE ESTIMATES
(Millions of Dollars)**

	FY 2003-04	FY 2004-05
General Fund/General Purpose	\$0.0	\$0.0
School Aid Fund	74.1	0.0
Budget Stabilization Fund	81.3	0.0

Notes:

Fiscal year 2003-04 estimates for GF/GP and the SAF are based on year-to-date appropriations, projected year-end adjustments, and consensus revenue estimates.

School Aid Fund revenue is restricted; hence, any year-end balance is carried forward to the subsequent year.

Budget Stabilization Fund (BSF) estimates are based on current balance estimates provided by the Michigan Department of Treasury and HFA estimates of future deposits and interest earned.

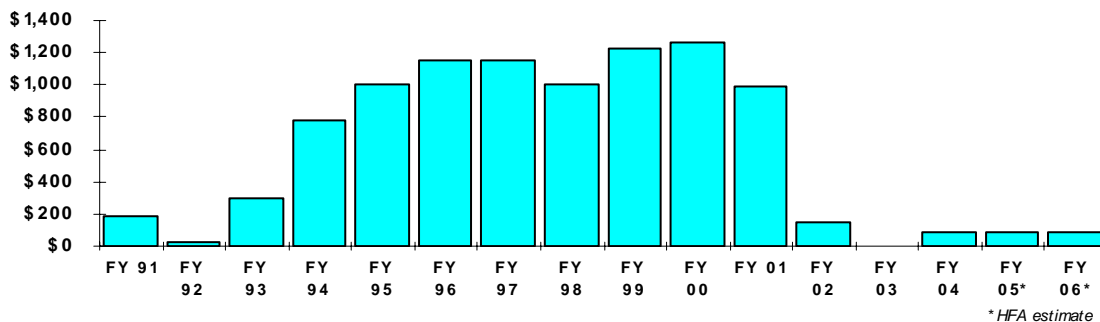
Budget Stabilization Fund Year-End Balances

The following table shows a history of BSF deposits, withdrawals, and interest earnings from FY 1990-91 to FY 2003-04 and HFA estimates of deposits, expected interest earnings, and year-end balances for FY 2004-05 and FY 2005-06. The final BSF fund balance for FY 2003-04 was \$81.3 million, which was the transfer of the year-end balance from GF/GP. The fund balance is forecast to be \$86.1 million for FY 2004-05 and \$92.8 million for FY 2005-06. A complete list of BSF historical data is available from the HFA upon request.

**BUDGET STABILIZATION FUND
(Millions of Dollars)**

Fiscal Year	Deposits	Withdrawals	Interest Earned	Balance
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	0.0	148.8	3.6	0.0
2003-04	81.3	0.0	0.0	81.3
2004-05 <i>Estimate</i>	0.0	0.0	4.8	86.1
2005-06 <i>Estimate</i>	0.0	0.0	6.7	92.8

Budget Stabilization Fund
Millions of Dollars



* HFA estimate

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 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 revenue is measured, as estimated by the Bureau of Economic Analysis, United States Department of Commerce.

COMPLIANCE WITH THE STATE REVENUE LIMIT
(Millions of Dollars)

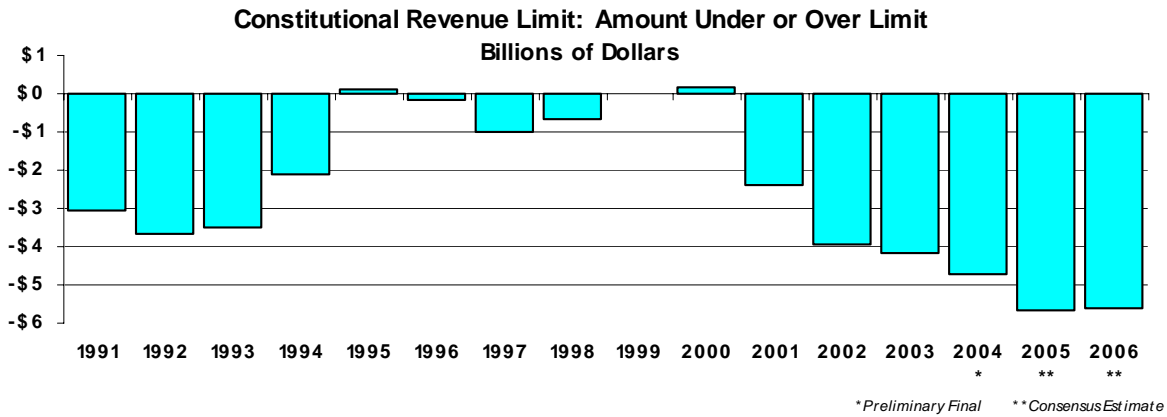
<u>Revenue Limit Calculations</u>	<u>FY 2003-04</u>	<u>FY 2004-05</u>	<u>FY 2005-06</u>
Personal Income			
Calendar Year	CY 2002	CY 2003	CY 2004
Amount	\$303,745	\$314,460	\$322,950
X Limit Ratio	<u>9.49%</u>	<u>9.49%</u>	<u>9.49%</u>
State Revenue Limit	\$28,825.4	\$29,842.2	\$30,648.0
Total Revenues Subject to Revenue Limit	24,087.7	24,159.2	25,031.5
Amount Under (Over) State Revenue Limit	\$4,737.7	\$5,683.0	\$5,616.4

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 ...

The state is prohibited from spending any current-year revenue in excess of the limit established in Section 26 by Article IX, Section 28. The preliminary final FY 2003-04 revenue limit calculation indicates that the state revenue collections were well under the revenue limit. In addition, for both FY 2004-05 and FY 2005-06, state revenue is estimated to be substantially below the revenue limit, by \$5.7 billion and \$5.6 billion respectively.



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