

STATE OF MICHIGAN
FISCAL YEAR 1999-2000

Appropriations Summary and Analysis



prepared by the



Mitchell E. Bean, Interim Director

August 1999

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August 1999

To: Members of the Michigan House of Representatives

We are pleased to provide you with this **State of Michigan FY 1999-2000 Appropriations Summary and Analysis**, which summarizes the enacted FY 1999-2000 appropriations bills. Please note that appropriations shown in this report for Capital Outlay are FY 1999-2000 year-to-date, as the Capital Outlay budget is incomplete at this time. It is anticipated that the FY 1999-2000 Capital Outlay budget will be completed in September/October 1999.

This report provides an overview to the FY 1999-2000 appropriations process as well as detailed information for specific department/agency FY 1999-2000 budgets. Budget and boilerplate changes from the current fiscal year by department/agency, information on gubernatorial vetoes, and FY 1998-99 supplemental budget action appear in this report, as does a summary of the estimates agreed to by the principals of the May 1999 Consensus Revenue Estimating Conference. Please feel free to photocopy or disseminate portions of this report.

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

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

Mitchell E. Bean, Interim Director

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GLOSSARY

Frequently-Used State Budget Terms

Adjusted Gross

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

Boilerplate

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

Budget Stabilization Fund (BSF)

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

Federal Revenues

Federal grant or matchable revenues dedicated to specific programs

General Fund/General Purpose (GF/GP)

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

Gross Appropriations, Gross

Summation of all applicable line item spending authorizations

Interdepartmental Grant (IDG)

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

Lapses

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

Line Items

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

Local Revenue

Revenues from local units of government

Other State Restricted, or Restricted Funds

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

Private Funds

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

School Aid Fund (SAF)

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

State Restricted, or Restricted Revenue

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

Intradepartmental Transfer (IDT)

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

Work Project

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

**FY 1999-2000
Budget**

OVERVIEW

OVERVIEW

This *Overview* summarizes enacted FY 1999-2000 appropriations and FY 1998-99 supplemental appropriations enacted in 1999. More detailed information for specific department/agency budgets is found in the *Budget Detail* sections of this report. The final section of the report reviews the FY 1998-99 and 1999-2000 revenue estimates adopted at the May 17, 1999 Consensus Revenue Estimating Conference.

The May Consensus Revenue Estimating Conference anticipated continued revenue growth through FY 1999-2000. Compared to the January 1999 estimates, the May consensus estimates provide an additional \$336 (GF/GP) million for FY 1998-99 and an additional \$531 million (GF/GP) for FY 1999-2000. Contributing to the state's positive revenue outlook is an anticipated \$8.1 billion in tobacco settlement revenues to be paid to Michigan through 2025. The Legislature dedicated part of this amount to Michigan Merit Scholarships for qualifying high school graduates, to the Tuition Incentive Program, and to various health initiatives and programs for the aging. About \$90.4 million of the settlement monies remains to be appropriated in FY 1999-2000.

Early in the session, the Legislature passed the Governor's recommended decrease in the personal income tax rate from 4.4% to 3.9% over five years. Later in the session, the Legislature passed the Governor's proposed phase-out of the Single Business Tax (SBT), annually decreasing the SBT rate by .01% per year for 23 years. The SBT phase-out will lower state revenues by \$88 million in FY 1998-99 and \$213 million in FY 1999-2000. Revisions in industrial processing exemptions and bad debt deductions (which affect the sales and use tax) prevent an ongoing loss of GF/GP and School Aid Fund revenue associated with recent court decisions.

The net impact of the SBT phase-outs and sales and use tax revisions is an increase in GF/GP revenues of \$49 million in FY 1998-99 and a decrease of \$195 million in FY 1999-2000. Net FY 1998-99 revenues increase because sales and use tax revisions mitigated the anticipated revenue loss associated with court rulings. In addition, School Aid Fund revenues are expected to increase \$94 million in FY 1998-99 and \$7 million in FY 1999-2000.

The Legislature adopted supplemental appropriations bills for FY 1998-99 which provide funding for capital outlay, information system improvements, and one-time projects in addition to increased day care, foster care, and health services. Note that for several budgets, the FY 1998-99 supplemental appropriations substantially increase current-year outlays, making meaningful comparison between fiscal years more difficult.

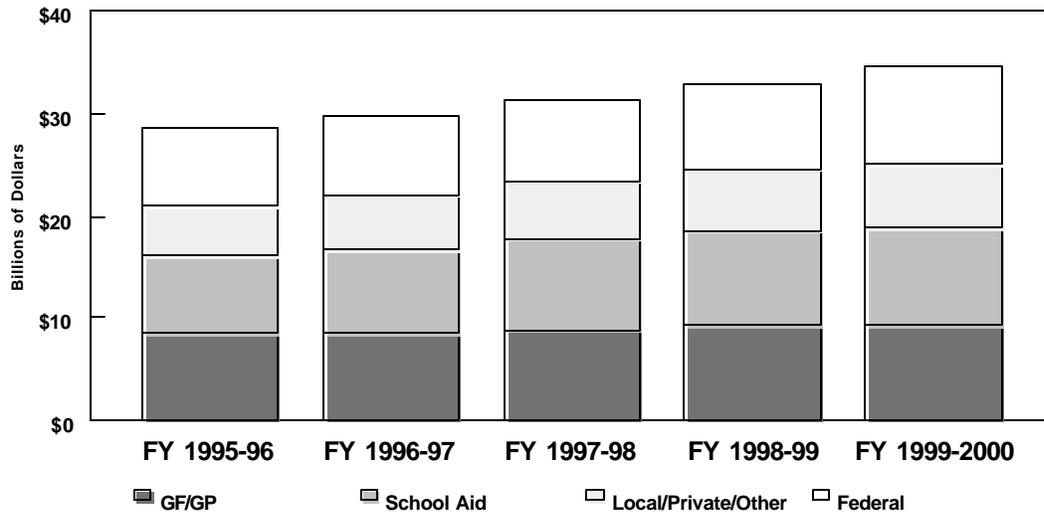
Tables 1 through 5 summarize enacted FY 1999-2000 appropriations by department and major budget area.

Overview

Figure 1 shows year-to-date Adjusted Gross appropriations from FY 1995-96 to FY 1999-2000. Fiscal Year 1999-2000 Adjusted Gross appropriations are allocated from the following sources: school aid fund (27.9%), federal (27.3%), GF/GP (26.7%), and local/private/other restricted (18.0%).

Figure 1

Adjusted Gross Year-to-Date Appropriations History



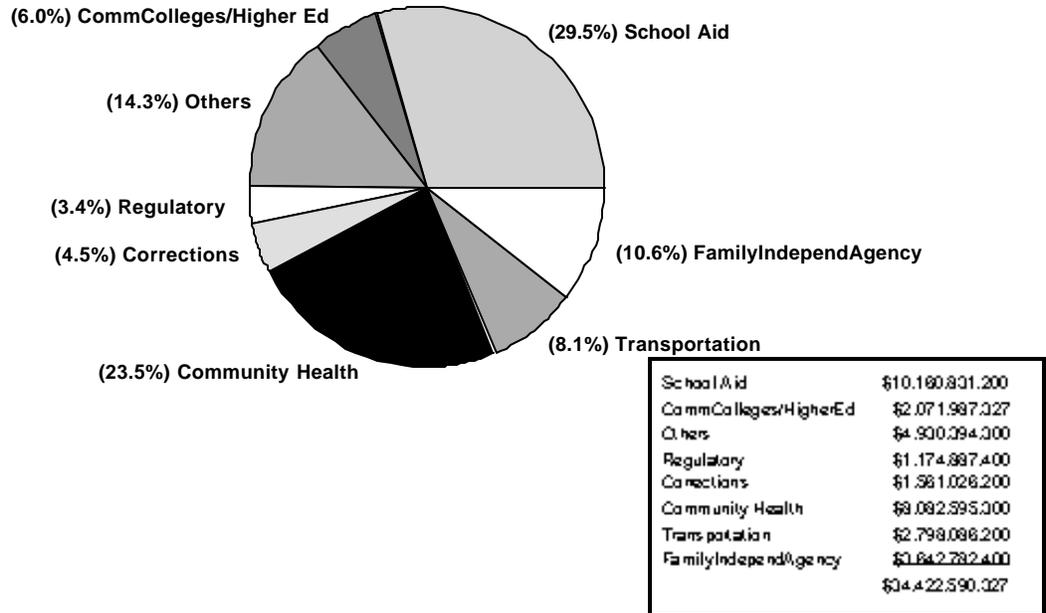
	Billions of Dollars				
	<u>FY 1995-96</u>	<u>FY 1996-97</u>	<u>FY 1997-98</u>	<u>FY 1998-99</u>	<u>FY 1999-2000</u>
GF/GP	\$8.4	\$8.4	\$8.7	\$9.3	\$9.2
School Aid	\$7.6	\$8.3	\$8.9	\$9.1	\$9.6
Local/Private/Other	\$5.0	\$5.3	\$5.9	\$6.0	\$6.2
Federal	\$7.3	\$7.6	\$7.9	\$8.6	\$9.4
Adjusted Gross	\$28.4	\$29.6	\$31.4	\$33.0	\$34.4

NOTE: Capital Outlay budget incomplete at 8/99.

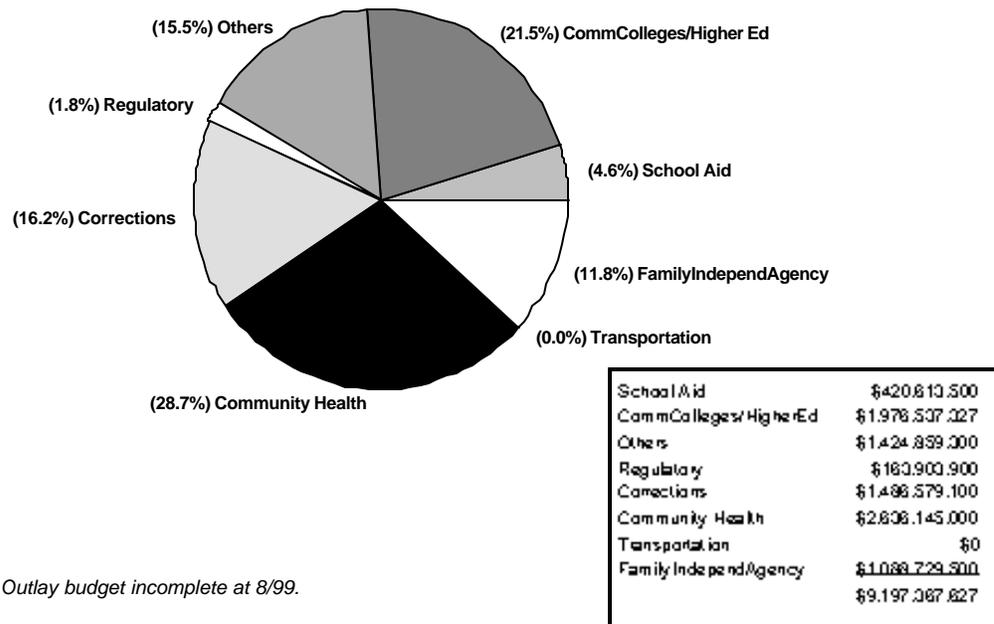
Figure 2 (opposite page) shows the distribution of FY 1999-2000 Adjusted Gross and GF/GP appropriations. For Adjusted Gross appropriations, School Aid (29.5%) and Community Health (23.5%) receive the largest shares. Of GF/GP appropriations, Community Health (28.7%) and Community Colleges/Higher Education (21.5%) receive the largest portions.

Figure 2

Adjusted Gross Appropriations: FY 1999-2000



GF/GP Appropriations: FY 1999-2000



NOTE: Capital Outlay budget incomplete at 8/99.

Overview

Figure 3 illustrates the percentage change from FY 1998-99 to FY 1999-2000 for the budget bills enacted. The upper portion of the chart shows increases and decreases for Adjusted Gross appropriations; the lower portion presents this comparison for GF/GP appropriations. Please note that the Capital Outlay budget for FY 1999-2000 remains to be adopted by both the House and Senate.

To summarize the major changes, Adjusted Gross appropriations increased for:

Education	13.2%	School Aid	5.1%
Family Independence Agency	12.7%	Natural Resources	4.7%
Regulatory	11.0%	General Government	3.8%
Higher Education	10.6%	Military and Veterans Affairs	3.7%
Corrections	8.7%	Judiciary	3.1%
Community Health	5.5%	State Police	2.0%
Community Colleges	5.4%	Transportation	1.2%

Major dollar increases in Adjusted Gross appropriations include:

- \$493.6 million for School Aid;
- \$420.8 million for Department of Community Health, including \$53 million in new health initiatives from tobacco settlement monies;
- \$410.6 million for the Family Independence Agency, incorporating additional federal food stamp spending
- \$170.5 million for Higher Education, including restricted tobacco settlement monies allocated to the Michigan Merit Award and the Tuition Incentive Plan;
- \$125.5 million in Corrections spending; and
- \$116.3 million to the Education Department for increased federal program spending.

GF/GP appropriations increased for:

Corrections	8.6%	State Police	3.3%
Community Colleges	5.4%	Judiciary	2.5%
Higher Education	4.9%	Community Health	1.1%
Environmental Quality	4.0%	Military and Veterans Affairs	0.3%
Natural Resources	3.7%		

The largest GF/GP increases are:

- Corrections (\$118 million),
- Higher Education and Community Colleges (\$94 million), and
- Community Health (\$29.3 million).

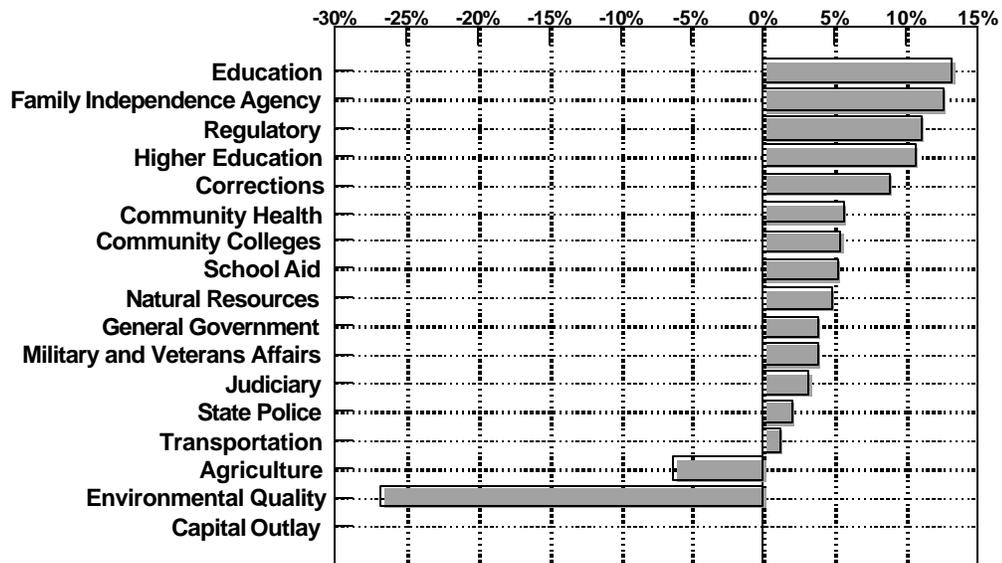
Offsetting some of these increases are:

- Family Independence Agency savings (\$39.6 million),
- General Government savings (\$22.2 million), and
- reductions of \$8.6 million GF/GP for the Michigan Department of Education.

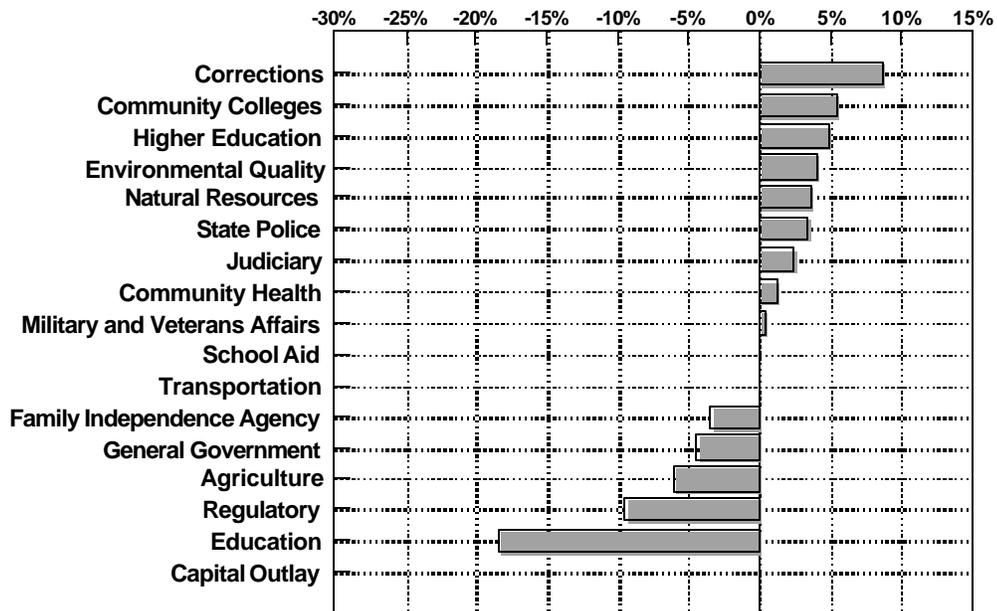
Please note that some of these decreases reflect elimination of FY 1998-99 supplemental appropriations and program transfers.

Figure 3

ADJUSTED GROSS APPROPRIATIONS
FY 1999-2000 Percent of Change from FY 1998-99



GF/GP APPROPRIATIONS
FY 1999-2000 Percent of Change from FY 1998-99



NOTE: Capital Outlay budget incomplete at 8/99.

Overview

MAJOR CHANGES BY BUDGET AREA

Following is a list of FY 1999-2000 major budgetary changes, including a brief explanation of the specific increase or decrease. Also summarized are supplemental appropriations for FY 1998-99.

EDUCATION

Community Colleges

- \$15.4 million (GF/GP) to support base operational costs

Education

- \$750,000 (GF/GP) to develop and implement the Michigan Education Information System
- \$200,000 (federal) to create the Office for Safe Schools
- Transfer Focus: Hope funding to the Department of Career Development; savings of \$981,000 (GF/GP)
- FY 1998-99 Supplemental Budget Items: \$13.5 million (Gross), \$10.0 million (federal) for class size reduction grants; \$1.7 (private) and \$1.7 million (GF/GP) for production of additional reading kits

Higher Education

- \$91.5 million (Restricted) funding for new Michigan Merit Award and existing Tuition Incentive Plan (TIP) programs; these funds will be drawn from the Michigan Merit Award Trust Fund, the recipient of 30% of Michigan's portion of the national tobacco settlement for the FY1999-2000 fiscal year
- \$75.9 million (GF/GP) increase in state university, statewide and regional program, and financial aid support
- Transfer of funding, \$4,092,000 (GF/GP), for Center for Advanced Technology to Department of Career Development

School Aid

- FY 1998-99 Supplemental Budget Item: \$52.1 million (Gross) for higher-than-expected pupil counts and cost of revisions of personal property tax depreciation tables
- FY 1999-2000 Supplemental Budget Item: \$221.9 million (Gross) for higher foundation allowance (\$5,696 per pupil), higher pupil estimates, cost of personal property tax depreciation tables, and new initiatives
- FY 2000-01 Budget Appropriation: \$5,866 foundation allowance; \$10.6 billion (Gross), \$420.0 million (GF/GP), \$32 million (BSF)

GENERAL GOVERNMENT

Attorney General

- \$327,800 (Gross) for additional staff in the Casino Control and Retirement Divisions
- FY 1998-99 Supplemental Budget Item: \$2.3 million (GF/GP) for computer and communication technology enhancements

Civil Service

- Changes in Methods of Funding:
 - Replace \$100,000 interdepartmental grant from the Michigan Transportation Fund with an equal amount of GF/GP to comply with provisions of PA 51
 - Modify funding from 1% sources to better reflect actual assessments; savings of \$2.4 million (GF/GP)
- FY 1998-99 Supplemental Budget Item: \$6.2 million (GF/GP) for continued implementation of the statewide Human Resources Management Network

Legislature

- \$5.4 million (GF/GP) for costs associated with the new House of Representatives Office Building
- \$1.0 million (GF/GP) for new office furniture for the Senate
- \$777,200 (GF/GP) for the Senate Automated Data Processing line item
- \$238,300 (GF/GP) and 4.0 FTE positions for the Legislative Corrections Ombudsman, due to an increase in caseloads as a result of 1998 PA 318
- Reduce funding for the Legislative Session Integration System; savings of \$764,000 (GF/GP)
- Eliminate funding for property management costs associated with the Roosevelt Building; savings of \$564,700 (GF/GP)
- FY 1998-99 Supplemental Budget Item: \$1.0 million (GF/GP) for the House and Senate human resources system (HB 4075)

Library of Michigan

- \$199,600 (GF/GP) for three additional staff positions : programmer, network administrator, and preservation specialist
- \$140,000 (GF/GP) in order to fully fund state aid payments to public libraries

Management and Budget

- \$550,000 (GF/GP) for development and maintenance of an Executive Information System for the Statewide Land Database
- \$150,000 (GF/GP) for maintenance of the Michigan Geographic Framework
- Change in Method of Funding: Eliminate interdepartmental grant funding from the Michigan Transportation Fund and replace with an equal amount of GF/GP funding in order to comply with provisions of Public Act 51; \$340,500 (GF/GP)
- FY 1998-99 Supplemental Budget Items:

Overview

- \$10.0 million (GF/GP) for one-time art and cultural grants (HB 4075)
- \$3.0 million (GF/GP) for statewide information technology assessment (HB 4075)
- \$458,200 (GF/GP) and 3.5 FTE positions to support decennial census coordination and outreach efforts (SB 68)
- FY 1999-2000 Supplemental Budget Item: Boilerplate appropriation of \$488,800 (GF/GP) for statewide unclassified salary increases (HB 4075)

State

- \$2.5 million (GF/GP) for operational costs associated with repeat offender legislation
- \$1.7 million (Gross) to implement provisions of the Federal Illegal Immigration Reform and Immigrant Responsibility Act of 1996 requiring states to collect and verify social security numbers from all drivers license and personal identification card applicants
- \$688,000 (GF/GP) to complete the migration from a paper and film-based record keeping system to a document management system based on imaging technology
- Change in Method of Funding: Replace \$8.0 million (GF/GP) with an equal amount of funding from the Michigan Transportation Fund to comply with provisions of PA 51
- New fee (\$250 per application) for review of state historical marker applications; estimated revenue increase of \$7,500
- FY 1998-99 Supplemental Budget Items:
 - \$3.7 million (GF/GP) for qualified voter file to support software upgrades, maintenance costs, and preparations for 2000 census
 - \$1.7 million (GF/GP) for start-up costs associated with repeat offender legislation.

Treasury

Operations

- \$5.0 million (GF/GP) for tax system technology enhancements
- \$3.9 million (Gross) for oversight and regulatory costs associated with temporary Detroit casinos
- \$2.0 million (Gross) for administrative costs of the Michigan Merit Awards Commission; funding from national tobacco settlement revenue
- \$2.0 million (Gross) for increased lottery advertising and promotion activities
- Changes in Methods of Funding:
 - Eliminate \$6.9 million interdepartmental grant from the Michigan Transportation Fund to comply with provisions of PA 51; replace with GF/GP
 - Replace GF/GP with restricted revenue to support general property tax program; savings of \$3.0 million (GF/GP)
- FY 1998-99 Supplemental Budget Items:
 - \$6.0 million (GF/GP) for reimbursement to local units of government for costs associated with 2000 presidential primary
 - \$5.3 million (GF/GP) for start-up costs associated with tax system technology enhancements
 - \$5.0 million (GF/GP) to secure obligations issued by the Michigan Municipal Bond Authority to make capital or operational loans to public school academies
 - \$1.4 million (GF/GP) for cigarette tax stamp enforcement activities

- \$400,000 (GF/GP) for special census revenue sharing payments

HUMAN SERVICES

Community Health

Mental Health

- \$66.8 million (Gross), \$30.0 million (GF/GP) to address projected expenditures by Community Mental Health Service Programs (CMHSPs) due to Medicaid managed mental health care
- \$55.8 million (Gross), \$0 (GF/GP) for community mental health programs anticipating increased federal Medicaid earnings by CMHSPs in FY 1998-99
- \$18.8 million (Gross), \$9.1 million (GF/GP) for community mental health programs due to the decline in the census at state-operated psychiatric hospitals for persons with mental illness and state-operated centers for persons with developmental disabilities (\$9.1 million of these funds are redirected from state hospitals and centers)
- \$13.7 million (Gross), \$3.3 million (GF/GP) for full-year costs associated with implementing the FY 1998-99 wage pass-through increase of \$0.50 per hour to residential direct care workers and \$0.75 per hour to nonresidential direct care workers
- \$2.1 million (Gross), \$0 (GF/GP) to provide substance abuse treatment for Family Independence Agency recipients

Public Health

- \$41.1 million (Healthy Michigan Fund) to continue most current year appropriations, and additional funding for various public health projects
- \$13.3 million (Gross), \$4.8 million (GF/GP) for the children's waiver home care program to increase the program capacity from approximately 350 to 400 participants and to fund wage cost increases for home care nurses and aides serving children in this program
- \$1.3 million (Gross), \$300,000 (GF/GP) for a cooperative program with the Department of Education and the Family Independence Agency to fund community-based prevention services for families with children 0 to 3 year of age
- \$1.2 million (Gross and GF/GP) for a 3% increase in local public health operations distributions to local public health departments

Aging

- \$5.0 million (tobacco settlement revenue) for senior respite services and \$3.0 million (tobacco settlement revenue) for a new long-term care advisor program
- \$1.0 million (Gross and GF/GP) for improvements to senior citizen centers

Overview

Medical Services

- \$117.7 million (Gross), \$52.8 million (GF/GP) for a 3.1% Medicaid payment rate increase to hospitals and a 4.0% payment rate increase to health plans, nursing homes, physicians, and various other fee-for-service providers
- \$50.0 million (Gross), \$22.4 million (GF/GP) to cover increased Medicaid expenditures for hospital services, pharmaceutical costs, long-term care, and Medicare premium payments
- \$45.0 million (tobacco settlement revenue) for a new senior prescription drug insurance program (\$30.0 million); one-time, long-term care innovations grants (\$10.0 million); and personal needs allowance increase from \$30 to \$60 per month for nursing home residents (\$5.0 million)
- \$33.6 million (Gross), \$15.1 million (GF/GP) for enhanced Medicaid nursing home wages and benefits of up to \$0.75 per employee hour
- \$11.1 million (Gross), \$5.0 million (GF/GP) for Medicaid rural hospital initiatives
- \$10.9 million (Gross), \$5.5 million (GF/GP) to expand Medicaid dental capacity around the state, particularly in rural areas and through federally-qualified health centers
- \$4.9 million (Gross), \$2.2 million (GF/GP) to increase the Medicaid personal care services payment rate in adult foster care facilities by \$30 per month
- FY 1998-99 Supplemental Budget Items:
 - \$105.4 million (Gross), \$49.9 million (GF/GP) to adjust the base for Medicaid and address Medicaid line items that are projected to be underfunded
 - \$104.2 million (Gross), \$19.9 million (GF/GP) for CMHSPs to recognize increased federal Medicaid earnings, change source of financing for the wage increase for direct care workers, and address an anticipated deficit
 - \$20.0 million (Gross) to reflect a one-time special financing payment related to Community Mental Health fee-for-service expenditures which will result in an additional \$10.5 million in federal Medicaid funds and a corresponding GF/GP reduction
 - \$2.0 million (Gross), \$350,000 (GF/GP) for an automated pharmacy claims adjudication system
 - \$6.0 million (GF/GP) funding shift from the Older Michigianians Pharmaceutical Assistance Fund
- FY 2000-2001 Budget Appropriation: \$2.2 billion (Gross), \$957.7 million (GF/GP) which includes a 4% increase in payment rates for qualified health plans, hospital services and therapy, and for physician services — effective October 1, 2000

Corrections

- \$80.4 million (Gross and GF/GP) for partial-year costs of 5,465 beds opening in 13 prisons and camps
- \$7.1 million increase (Gross and GF/GP) for costs of training new corrections officers
- Closure of six corrections centers (“halfway houses”); full-year savings of \$6.0 million (Gross and GF/GP)

Overview

- FY 1999-2000 budget change renames the leased bed line item to “leased beds and alternatives to leased beds” and provides for carry-forward of the \$30.8 million in GF/GP funding for this line item

Family Independence Agency

- \$468.0 million (federal) food stamp funding now appropriated due to federal mandate requiring payment through electronic benefit transfer cash payments instead of food stamp coupons
- \$281.2 million (Gross), \$29.4 million (GF/GP) increase to cover the expanding child day care caseload for welfare clients and low-income families
- \$70.8 million (Gross), \$23.5 million (GF/GP), increase to cover a foster care base shortage and provide a 2.7% foster care provider rate increase beginning January 1, 2000
- \$33.0 million (federal Temporary Assistance to Needy Families - TANF) increase to establish child day care accessibility pool
- \$17.3 million (Gross), \$1.2 million (GF/GP) increase in adoption subsidies to reflect an increasing caseload, improve placement of special needs children into adoptive homes, and provide a 2.7% adoption subsidy rate increase beginning January 1, 2000
- Decrease Family Independence Program caseload by 32,200 from the FY 1998-99 level; savings of \$167.6 million (TANF)
- FY 1998-99 Supplemental Budget Items:
 - \$120.0 million (Gross), \$29.4 million (GF/GP) to cover the increase in projected Day Care Services caseload
 - \$50.0 million (Gross), \$13.0 million (GF/GP), to cover a foster care base shortage
 - \$42.8 million (Gross), \$14.5 million (GF/GP), for Child Support Program automation
 - \$32.8 Million (Gross), \$11.1 million (GF/GP) for Child Support distribution computer system
 - \$12.8 million (GF/GP) for Child Support Enforcement System sanction

REGULATORY

Career Development

- \$75.0 million (Restricted) for Michigan technical education centers provided from tobacco settlement revenue
- \$5.5 million (GF/GP) appropriation for Focus: HOPE consolidated into this budget from Department of Education and Higher Education budgets
- \$288,000 (GF/GP) for grants to centers for independent living; boilerplate makes appropriation increase contingent upon new reporting requirements
- \$200,000 (GF/GP) increase for two pre-college programs in engineering and the sciences located in Detroit and Grand Rapids
- Change in Method of Funding: Replace \$29.4 million in GF/GP for Welfare-to-Work and Work First Programs with Temporary Assistance for Needy Families (TANF) support; GF/GP re-appropriated in Family Independence Agency

Overview

- Boilerplate appropriation: Interest on tobacco settlement revenue not deposited in the Merit Award Trust Fund is appropriated to the Council on Michigan Foundations for distribution to certified community foundations for youth and senior health programs
- FY 1998-99 Supplemental Budget Item: \$500,000 (GF/GP) grant provided to Focus: HOPE

Consumer and Industry Services

- \$10 million (Gross), including \$4.5 million (GF/GP), for Nursing Home Quality Incentive Grants to provide financial incentives for nursing homes to achieve high-quality care
- \$1.6 million (Gross), including \$400,000 (GF/GP), for 16 additional nursing home surveyor/investigator positions
- \$241,000 (Gross) for enhancements to fire safety programs financed by fire safety fee increases
- Change in Method of Funding: Eliminate \$557,600 in GF/GP support for Property Development Group and replace with state restricted revenue

Michigan Jobs Commission

- Executive Order 1999-1 reorganizes the functions previously administered by the Department of Michigan Jobs Commission, creating the Michigan Strategic Fund Agency (an autonomous agency with the Department of Management and Budget) and the Department of Career Development
- FY 1998-99 Supplemental Budget Item: \$30.0 million (GF/GP) for construction of additional technical training centers around the state

Michigan Strategic Fund

- \$50.0 million (Gross) for health and aging research and development initiative involving Michigan universities and private research facilities; financed through tobacco settlement revenue
- \$5.0 million (federal) for the Community Development Block Grant program to reflect increase in federal funding levels
- \$1.0 million (GF/GP) for economic development job training grants

RESOURCE PROTECTION

Agriculture

- \$7.9 million (Gross) for food safety grants to local public health departments (transfer from Department of Community Health budget)
- \$2.1 million (GF/GP) for Project GREEN
- \$285,000 (GF/GP) for a grant to the 4-H Foundation of Michigan to support capital improvements at the Kettenun Center
- \$250,000 (GF/GP) for Migrant Labor Housing Construction Grant Program
- Change in Method of Funding: Replace \$2.4 million in horse racing revenue support for three fair-related programs with equal amount of GF/GP and redirect restricted racing revenue to support horse racing programs

- FY 1998-99 Supplemental Budget Items:
 - \$9.6 million (GF/GP) for bovine tuberculosis monitoring and eradication activities
 - \$250,000 (GF/GP) for Migrant Labor Housing Construction Grant Program

Environmental Quality

- \$11.9 million (Restricted) to reduce cleanup and redevelopment fund support to reflect expected revenue levels
- \$2.4 million (Restricted) to reduce scrap tire regulatory grants to reflect expected revenue level
- FY 1998-99 Supplemental Budget Items:
 - \$120.8 million (Restricted) for the Clean Michigan Initiative as follows:
 - R \$47.8 million for cleanup and redevelopment
 - R \$20.0 million for Waterfront redevelopment grants
 - R \$15.0 million to capitalize pollution prevention revolving funds
 - R \$12.6 million for leaking underground storage tank cleanup sites
 - R \$12.0 million for nonpoint source pollution grants
 - R \$5.0 million has been appropriated for small business loans
 - R \$4.3 million for contaminated river sediment cleanup
 - R \$2.0 million for municipal landfill grants
 - R \$2.0 million for Brownfield grants and loans

Natural Resources

- \$2.3 million (Restricted) to expand State Forest Inventory and Monitoring programs
- \$1.5 million (Restricted) to install computers in Conservation Officer vehicles
- \$1.2 million (Restricted) to assist private landowners manage timber resources
- \$1.2 million (Restricted) for forest fire suppression equipment
- \$1.0 million (Restricted) to hire ten new conservation officers

SAFETY AND DEFENSE

Military and Veterans Affairs

- \$2.8 million (Gross), \$840,000 (GF/GP), for new Challenge Program
- \$2.0 million (GF/GP) for new National Guard Education Assistance Program
- \$1.3 million (Gross) in upward revenue adjustments for Grand Rapids and D.J. Jacobetti Veterans Homes
- Eliminated enlisted per diem payments; savings of \$339,900 (GF/GP)
- FY 1998-99 Supplemental Item: \$2.8 million (GF/GP) to complete enlisted per diem back payments

State Police

- \$2.1 million (Gross) and 10.0 FTEs for Casino Gaming Oversight of temporary Detroit casinos
- \$1.3 million (GF/GP) increase for Secondary Road Patrol grants

Overview

- \$1.2 million (GF/GP) for Michigan Information Processing Center conversion costs
- \$1.0 million (GF/GP) and 12.0 FTEs for additional detectives
- Reduction of \$2.0 million due to delayed phase-in for State Public Safety Communications System, \$682,000 increase for Upper Peninsula communications lines, and \$548,000 increase for radio maintenance shop leases; net reduction of \$770,000 (GF/GP)
- FY 1998-99 Supplemental Item: \$850,000 (GF/GP) for matching funds for Federal Emergency Managements funds associated with southeastern Michigan snow removal

ALL OTHER

Capital Outlay

- FY 1998-99 Supplemental Items:
 - \$92.4 million (GF/GP) for major special maintenance for state agencies (5-year plan)
 - \$60.0 million (GF/GP) Grand Rapids Convention Center expansion
 - \$35.0 million (GF/GP) for Detroit Institute of Arts upgrades
 - \$35.5 million (GF/GP) for Higher Education infrastructure, technology, equipment, and maintenance
 - \$10.0 million (GF/GP) for grant to Detroit Symphony Orchestra
 - \$5.0 million (GF/GP) for grant to Detroit Science Center
 - \$5.0 million (GF/GP) for grant to Henry Ford Museum
 - \$4.0 million (GF/GP) for grant to Windmill Island
 - \$10.0 million (GF/GP) for House of Representatives purchase (rather than lease) equipment and furnishings for new building
 - \$2.0 million (GF/GP) for restoration of Fort Mackinac Stone Wall
 - \$13.4 million (Restricted) for Natural Resources Trust Fund, Round 2 grants
 - \$5.6 million (Restricted) for Farmland and Open Space Development Acquisition
 - \$5.0 million (GF/GP) for local airport improvement projects
 - \$1.0 million (GF/GP) for grant to Museum of African-American History
 - \$1.0 million (GF/GP) for Grand Valley State University Fresh Water Research Center

Judiciary

- \$5.7 million (GF/GP) for justices and judges salaries as recommended by the State Officers Compensation Commission
- \$2.2 million (GF/GP) for defined contribution for judges' retirement
- \$1.0 million (GF/GP) reduction in Appellate Defender's operation line item
- FY 1998-99 Supplemental Budget Items:
 - \$1.0 million for drug courts (HB 4075)
 - \$2.5 million judges' salaries, \$2.3 million for defined contribution for judges' retirement (SB 68)

Transportation

- \$37.7 million (Restricted) increase in Michigan Transportation Fund (MTF) distribution to county road commissions, cities and villages
- \$15.8 million (federal) increase for local roads and bridges to attain the 75:25 federal fund allocation mandated by PA 51 of 1951
- \$13.8 million (Restricted) increase in state trunkline maintenance
- Reduce debt service payments by 18.5% as a result of 1998 debt refinancing and restructuring; savings of \$15.7 million in Restricted revenue
- Reduce the statutory local bus operating assistance line item by 6.7% as a result of a reduction in the amount available for appropriation in the Comprehensive Transportation Fund (CTF) balance; savings of \$10.4 million in state restricted revenue. [Note that the enacted budget included \$6 million in a new separate line item, "Local bus operating: unreserved CTF balance" to provide additional funding support for local bus operating should the Department, the House and Senate fiscal agencies, and the Department of Management and Budget determine that there is sufficient funding available in the CTF to support the appropriation. Conditions for appropriation of this new line item are set forth in new boilerplate Section 729.]

LINE ITEM VETOES

The following summarizes the Governor's vetoes for FY 1999-2000. Individual vetoes are discussed in more detail in the body of the report.

			<u>Gross Amount of Veto</u>
Community Health	HB 4299	1999 PA 114	\$500,000
Higher Education	HB 4302	1999 PA 93	\$150,000
Environmental Quality	SB 364	1999 PA 125	\$400,000
Family Independence Agency	SB 365	1999 PA 135	\$55,000
Judiciary	SB 368	1999 PA 126	\$508,300
Transportation	SB 372	1999 PA 136	\$21,350,000
School Aid	HB 4498	1999 PA 119	\$5,060,000

TAX CHANGES AND INCREASED FEES

The Legislature adopted and the Governor signed two major tax reductions. The first reduces the personal income tax rate from the current 4.4% to a 3.9% rate over five years; this will lower GF/GP revenues by \$126 million in tax year 2000. The second phases out the Single Business Tax by reducing the tax rate 0.1% per year for 23 years; this will lower GF/GP revenues \$87 million in FY 1998-99 and \$213.8 million in FY 1999-2000.

In *Worldbook v. Michigan Department of Treasury* the Supreme Court ruled that the state had improperly denied certain deductions to use tax filers. In *Michigan Bell v. Michigan Department of Treasury*, the Supreme Court let stand a lower court decision that invalidated Treasury's method of apportioning certain sales tax exemptions for businesses. In response to the Supreme Court's rulings, the Legislature passed a package of bills which provides a bad debt reduction for use tax filers and an apportionment method for the industrial processing exemption (sales tax). The net impact of changes in the Single Business Tax, sales, and use taxes is expected to increase FY 1998-99 revenues by \$143 million (because the changes mitigate the effect of the lawsuits) and reduce FY 1999-2000 revenues by \$187 million.

The Legislature also authorized some increases in fees: for application to designate a historical site, for fire safety and construction inspections, and for newborn child screening tests. The newborn child screening fee change, however, was not given immediate effect in the Senate. No action was taken on the Governor's proposals to impose fees on handlers and processors of hazardous waste and to increase fees for law examination participants. **Exhibit 1** (page 19) briefly summarizes these new fees.

CHANGES IN METHODS OF FUNDING PROGRAMS

A new funding source for the state is the tobacco settlement, which will provide \$8.1 billion to be paid to the state in yearly installments over the next 25 years. Fiscal Year 1999-2000 appropriations dedicate \$115 million of tobacco settlement funds received that year to the Michigan Merit Award Trust Fund established pursuant to HB 4666 (1999 PA 94). An additional \$53 million is directed to the Department of Community Health for the senior prescription drug program, increased personal needs for nursing home residents, various programs for the aging, and a one-time, long-term innovation grants program. Also, \$50 million in tobacco settlement monies is set aside for health and aging research and development strategies under the new Strategic Fund Agency, and \$75 million is allocated to the new Department of Career Development for vocational and technical education center expansion. Of the \$383.4 million in total tobacco settlement funds available in calendar year 2000, about \$90 million is unallocated as of July 1999.

Funding shifts implement Executive Order 1999-1. The Michigan Jobs Commission's Work First and Welfare-to-Work programs are conveyed to the new Department of Career Development and converted from GF/GP funding to federal TANF funding. This frees up about \$29.4 million (GF/GP) for programs in the Family Independence Agency. The Executive Order provides that the Department of Community Health transfer \$10 million to the Department of Consumer and Industry Services for grants and to encourage improved care in nursing homes.

Finally, the budget implements last year's Act 51 amendments, phasing out Michigan Transportation Fund interdepartmental grants to several departments, and implements the Wayne County Block Grant.

Exhibit 2 (page 20) summarizes proposed changes in methods of funding state programs by department.

STANDARD BOILERPLATE PROVISIONS

Exhibit 3 (page 21) summarizes standard boilerplate provisions common to all operating department appropriations acts. Last year's provisions relating to contingency funds, hiring freeze, planning prior to a privatization project and evaluation of the project's results, year 2000 progress report, foreign goods or services, and business in deprived or depressed areas are carried over to FY 1999-2000.

New provisions were added in FY 1999-2000. One requires that after April 1, 2000, departments report to the legislature quarterly on any significant Y2K information system problems, systems failures due to noncompliance with Y2K standards, and previously unidentified areas of significant Y2K impact. A second new provision requires departments to report the activities of the department's internal auditor in specific compliance with certain provisions of the Management and Budget Act.

Exhibit 1 NEW AND INCREASED FEES

Consumer and Industry Services

Fire Safety Fee Increase. The Office of Fire Safety charges fees to hospitals and schools for fire safety plan reviews and construction inspections. The fees are increased by boilerplate provision, adding about \$241,000 in new revenue to support the inspection program.

Community Health

Newborn Screening Fee Increase. This fee pays for tests performed on newborn infants to determine congenital conditions that may require immediate treatment. The fee would increase from \$29 to approximately \$45, providing \$1.2 million more for testing, provider services, and public education. Statutory amendment required; SB 592 has passed the Senate and House, but is awaiting immediate effect by the Senate.

Environmental Quality

Hazardous Waste User Charges. The repeal of federal hazardous and liquid waste transportation fees means that Michigan will lose about \$1.6 million in state fee revenue formerly used to fund regulating hazardous waste transportation. A new fee package is proposed including an annual handler charge ranging from \$100 to \$2,000, a \$4 manifest charge, and a one-time \$50 processing charge. These user charge revenues would provide continued support for a hazardous waste management program. Statutory authorization is yet required.

State

Application Fee for State Tax Credit for Historic Markers. A \$250 fee per application to designate a historical site would provide about \$7,500 per year deposited in a revolving fund to be used for correcting, repairing, or replacing historical markers or for related education programs. Boilerplate provision implemented this fee.

Overview

Exhibit 2 CHANGES IN METHODS OF FUNDING STATE PROGRAMS BY DEPARTMENT

Agriculture

Horse racing revenue (\$2.4 million) formerly allocated to fair-related programs is replaced by GF/GP support, and restricted horse racing revenue is redirected to only horse racing programs.

Attorney General

Interdepartmental grants from the State Trunkline Fund and the Comprehensive Transportation Fund to the Attorney General are replaced by a \$2.5 million grant from the Michigan Transportation Fund (MTF). This funding shift makes about \$1.4 million unavailable for MTF formula distribution to local governments.

Career Development

General Fund/General Purpose support for Work First (\$19.4 million) and Welfare-to-Work (\$10 million) programs is eliminated. Pursuant to E.O. 1999-1, these programs will be operated by the new Department of Career Development, and GF/GP funding will be replaced by federal Temporary Assistance to Needy Family (TANF) funding — freeing-up the \$29.4 million (GF/GP) for other Family Independence Agency uses.

Consumer and Industry Services (CIS)

The Department of Consumer and Industry Services will receive \$10 million in federal Medicaid and GF/GP monies transferred from the Department of Community Health. This will be used by CIS for grants to nursing homes and to encourage high-quality care.

Family Independence Agency (FIA)

The FIA bill appropriates \$468 million in food stamps for the first time. Heretofore, the value of food stamp coupons was not appropriated since the client only received food coupons and not a cash payment. Cash payments are now made through an electronic benefit transfer system as a means to deter fraud, prevent theft, and reduce administrative costs.

Under the Wayne County Block Grant, the county will be responsible for delinquency cases and the state will assume the county's abuse and neglect cases. The proposal transfers a net of \$59.2 (GF/GP) to the county to implement the block grant.

State

The Michigan Transportation Fund interdepartmental grant to the Department of State is increased by \$8 million, with offsetting reductions to GF/GP.

Transportation

The 1998 revisions to Act 51 phase out Michigan Transportation Fund interdepartmental grants to the Departments of Civil Service, Management and Budget, State Police, and Treasury. Michigan Transportation Fund grants are retained for the Department of State and Attorney General.

**Exhibit 3
STANDARD BOILERPLATE PROVISIONS**

Contingency Funds

Federal, state restricted, local, and private contingency funds are appropriated via boilerplate provisions again this year. In each category, funds are appropriated not to exceed a dollar ceiling; however, these funds are not available for expenditure until they have been transferred to a line item pursuant to legislative transfer, Section 393(2) of the Management and Budget Act.

Hiring Freeze

State departments and agencies again are prohibited from hiring any new full-time state classified civil service employees and may not fill any vacant classified positions. The State Budget Director may grant exceptions when the freeze will result in failure to deliver basic services. The Director must report to the chairpersons of the House and Senate Appropriations Committees each month on exceptions to the hiring freeze.

Year 2000 Progress Report

Departments are required to submit reports to the Department of Management and Budget (DMB) on departmental efforts to change computer software and hardware as necessary to perform properly in the year 2000 and beyond. Departments may present progress billings for DMB to reimburse costs incurred by the departments in changing computer software and hardware as necessary to assure proper performance. A new section is added this year requiring that after April 1, 2000, departments report Y2K problems experienced. These reports shall be submitted to DMB, legislative appropriations committees, and standing committees having jurisdiction over technology issues.

Privatization Plan

The departments must submit a complete privatization project plan 60 days before any effort to privatize. The plan shall include the criteria under which the privatization initiative will be evaluated. Both the plan and the evaluation are to be completed and submitted to the House and Senate Appropriations Committees and the fiscal agencies.

Foreign Goods or Services

The purchase of foreign goods or services is prohibited if American goods of comparable price and quality are available. Several departments also are required to issue an annual report to DMB, to legislative leaders, to standing and appropriations committee chairs, and to the fiscal agencies on efforts to comply with this section.

Business in Deprived and Depressed Areas

Department directors are required to take all reasonable steps to ensure that businesses in depressed areas compete for and perform contracts to provide services for the department. Also, directors are to strongly encourage firms with which the department contracts to subcontract with certified businesses in depressed and deprived communities.

Internal Auditor Compliance

By March 1, 2000, and biennially thereafter, all departments are to report to the governor, the auditor general, and the Senate and House Appropriations Committees on the activities of the internal auditor pursuant to specific requirements of the Management and Budget Act and the proportion of time spent on all other activities.

STATE WORKFORCE CHANGES

Overview

Table 4 (page 27) compares the number of Full-time Equated or FTE employees (classified and unclassified) between FY 1998-99 and FY 1999-2000 (enacted). It shows that FTE positions will increase to 63,549.4 in FY 1999-2000 — an increase of 1,487.8 FTEs or 2.4% from the current year. It should be noted that the reduction of Legislative FTEs from 140.0 to zero does not represent a loss of positions, but rather a change in the method of reporting.

Each FTE is equivalent to 2,088 hours of employee compensated time (including overtime, annual leave and used sick leave) during the year. The major increase occurs in the Department of Corrections which will hire 1,802 employees to staff new correctional facility beds coming on line. Other increases include: State Police (34.0 FTEs) for additional detectives, gaming oversight, and motor carrier enforcement; State (27.9 FTEs), to implement recently-enacted state and federal legislation; Treasury (24.0 FTEs) mostly for casino gaming oversight activities; and Natural Resources (13.0 FTEs) mostly for new conservation officers. Substantial decreases occur in the Family Independence Agency (-243.0 FTEs) due to dropping caseloads, Community Health (-169.0 FTEs) reflecting reduced patient populations in state-operated facilities, and Judiciary (-19.0 FTEs) due to reduced operations in the State Appellate Defender's Office. The Regulatory budget shows staffing transfers to the new Department of Career Development and the new Michigan Strategic Fund agency and the closure of the Michigan Jobs Commission, implementing Executive Order 1999-1. Other departments and agencies either maintain existing staff levels or gain or lose a few staff.

CONSENSUS REVENUE ESTIMATES

State law requires that the State Treasurer and the Directors of the Senate and House Fiscal Agencies meet at least twice a year to review and revise GF/GP and School Aid Fund revenue forecasts. The Consensus Revenue Estimating Conference was held on May 17, 1999, to revise estimated revenues for FY 1998-99 and reach a consensus on initial FY 1999-2000 revenues.

The consensus agreement anticipates that baseline GF/GP revenues will increase by 3.8% in FY1998-99 and by 4.6% in FY 1999-2000. Actual revenues will provide an additional \$336.1 million in GF/GP fiscal resources in FY 1998-99 and \$530.9 million more in FY 1999-2000. The last section of this report explains these estimates and the assumptions upon which they are based.

STATE SPENDING RETURNED TO LOCAL GOVERNMENTS

Payments 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.

As shown in **Table 5** (page 28), the enacted budget provides for \$14.6 billion in payments to local units of government, 61% of the estimated \$24 billion in state spending from state resources — well within the constitutional requirement.

The two most significant payments to local units of government are state aid to local school districts and state revenue sharing allocated through the Department of the Treasury. State school aid from state revenue sources will rise from \$9.5 billion in FY 1998-99 to approximately \$10 billion in FY 1999-2000.

Revenue Sharing

The budget provides approximately \$1.5 billion for cities, villages, townships, and counties.

ACROSS-THE-BOARD ECONOMIC/INFLATION CHANGES

Across-the-board adjustments are associated with employee wage and fringe benefit increases and inflationary increases in the costs for supplies, materials, equipment, etc.

In accordance with various collective bargaining agreements, salary increases for classified employees are equivalent to about 3.0% of salaries, effective October 1, 1999. Classified and unclassified employees will receive \$159.7 million (Gross) and \$94.4 (GF/GP) for pay and benefit adjustments.

Other economic increases totaling \$7.8 million (Gross) and \$4 million (GF/GP) are provided to offset inflationary cost increases for motor transport, medical services, food, worker's compensation, fuel and utilities, building occupancy, information processing center, and postage services.

Overview

**TABLE 1
FY 1999-2000 APPROPRIATIONS BY SOURCE OF FUNDS**

Department/Major Budget Area	Gross	IDGs and IDTs	Adjusted Gross	Federal Funds	Local Revenue	Private Revenue	Other State Restricted	General Fund/ General Purpose
Community Colleges	297,228,019	0	297,228,019	0	0	0	0	297,228,019
Education	1,001,506,100	1,084,700	1,000,421,400	928,508,200	6,244,300	587,300	27,264,600	37,817,000
Higher Education	1,774,759,308	0	1,774,759,308	3,900,000	0	0	91,550,000	1,679,309,308
School Aid	10,160,831,200	0	10,160,831,200	120,000,000	0	0	9,620,217,700	420,613,500
EDUCATION	\$13,234,324,627	\$1,084,700	\$13,233,239,927	\$1,052,408,200	\$6,244,300	\$587,300	\$9,739,032,300	\$2,434,967,827
Attorney General	55,132,300	8,686,800	46,445,500	6,401,700	0	1,106,800	6,858,200	32,078,800
Civil Rights	14,623,300	0	14,623,300	1,634,000	0	0	0	12,989,300
Civil Service	28,585,500	2,300,000	26,285,500	4,779,100	1,700,000	150,000	8,859,200	10,797,200
Executive Office	5,425,100	0	5,425,100	0	0	0	0	5,425,100
Legislative Auditor General	14,343,400	1,527,100	12,816,300	0	0	0	293,800	12,522,500
Legislature	103,153,500	0	103,153,500	0	0	400,000	1,041,800	101,711,700
Library of Michigan	38,977,400	0	38,977,400	4,557,400	0	75,000	86,900	34,258,100
Management and Budget	137,400,800	52,476,200	84,924,600	536,400	0	0	39,579,000	44,809,200
State	181,515,300	56,830,800	124,684,500	3,112,100	0	500,100	60,983,300	60,089,000
Treasury: Operations	302,598,100	8,810,600	293,787,500	39,800,000	2,247,200	0	188,441,900	63,298,400
Treasury: Debt/Revenue Sharing	1,563,117,500	0	1,563,117,500	0	700,000	0	1,462,500,000	99,917,500
GENERAL GOVERNMENT	\$2,444,872,200	\$130,631,500	\$2,314,240,700	\$60,820,700	\$4,647,200	\$2,231,900	\$1,768,644,100	\$477,896,800
Community Health	8,152,205,200	69,609,900	8,082,595,300	4,188,318,300	814,567,500	61,442,000	382,122,500	2,636,145,000
Corrections	1,567,641,800	6,615,600	1,561,026,200	25,686,400	412,800	0	48,347,900	1,486,579,100
Family Independence Agency	3,642,932,400	150,000	3,642,782,400	2,374,089,800	48,539,500	7,858,100	123,565,500	1,088,729,500
HUMAN SERVICES	\$13,362,779,400	\$76,375,500	\$13,286,403,900	\$6,588,094,500	\$863,519,800	\$69,300,100	\$554,035,900	\$5,211,453,600
Consumer & Industry Services	495,233,500	4,020,900	491,212,600	219,090,000	0	791,900	193,473,200	77,857,500
Michigan Jobs Commission	0	0	0	0	0	0	0	0
Career Development	515,904,700	1,047,000	514,857,700	400,323,300	10,867,900	2,607,000	79,920,300	21,139,200
Michigan Strategic Fund Agency	168,917,100	100,000	168,817,100	53,203,200	0	656,700	50,050,000	64,907,200
REGULATORY	\$1,180,055,300	\$5,167,900	\$1,174,887,400	\$672,616,500	\$10,867,900	\$4,055,600	\$323,443,500	\$163,903,900
Agriculture	91,750,000	8,571,900	83,178,100	5,249,900	0	871,900	31,172,400	45,883,900
Environmental Quality	393,588,600	16,778,700	376,809,900	126,831,500	1,195,600	333,700	152,202,700	96,246,400
Natural Resources	241,911,300	4,643,100	237,268,200	22,268,200	0	1,698,600	161,806,400	51,495,000
RESOURCE PROTECTION	\$727,249,900	\$29,993,700	\$697,256,200	\$154,349,600	\$1,195,600	\$2,904,200	\$345,181,500	\$193,625,300
Military and Veterans Affairs	94,962,000	0	94,962,000	32,477,400	0	375,000	22,409,100	39,700,500
State Police	368,850,300	22,307,800	346,542,500	32,216,400	3,479,800	0	42,126,400	268,719,900
SAFETY AND DEFENSE	\$463,812,300	\$22,307,800	\$441,504,500	\$64,693,800	\$3,479,800	\$375,000	\$64,535,500	\$308,420,400
Capital Outlay	252,636,900	0	252,636,900	1,700,000	0	0	4,820,000	246,116,900
Judiciary	226,622,000	2,287,400	224,334,600	3,077,800	2,496,600	1,702,400	56,074,900	160,982,900
Transportation	2,808,545,700	10,459,500	2,798,086,200	815,921,000	5,300,000	0	1,976,865,200	0
ALL OTHERS	\$3,287,804,600	\$12,746,900	\$3,275,057,700	\$820,698,800	\$7,796,600	\$1,702,400	\$2,037,760,100	\$407,099,800
TOTALS	\$34,700,898,327	\$278,308,000	\$34,422,590,327	\$9,413,682,100	\$897,751,200	\$81,156,500	\$14,832,632,900	\$9,197,367,627

*NOTE: Capital Outlay Budget incomplete as August 1999

TABLE 2
FY 1999-2000 APPROPRIATIONS
FY 1998-99 Year-To-Date Compared with FY 1999-2000

DEPARTMENT/ MAJOR BUDGET AREA	FY 1998-99 YEAR-TO-DATE	FY 1999-2000 YEAR-TO-DATE	FY 1999-2000 vs 1998-99	
			AMOUNT DIFFERENT	PERCENT DIFFERENT
Community Colleges	282,000,000	297,228,019	15,228,019	5.4%
Education	884,144,200	1,000,421,400	116,277,200	13.2%
Higher Education	1,604,252,000	1,774,759,308	170,507,308	10.6%
School Aid	9,667,206,600	10,160,831,200	493,624,600	5.1%
EDUCATION	\$12,437,602,800	\$13,233,239,927	\$795,637,127	6.4%
Attorney General	48,086,800	46,445,500	(1,641,300)	-3.4%
Civil Rights	14,104,800	14,623,300	518,500	3.7%
Civil Service	32,156,600	26,285,500	(5,871,100)	-18.3%
Executive Office	5,117,300	5,425,100	307,800	6.0%
Legislative Auditor General	12,277,200	12,816,300	539,100	4.4%
Legislature	94,003,400	103,153,500	9,150,100	9.7%
Library of Michigan	37,249,100	38,977,400	1,728,300	4.6%
Management and Budget	95,982,600	84,924,600	(11,058,000)	-11.5%
State	129,185,700	124,684,500	(4,501,200)	-3.5%
Treasury: Operations	281,299,800	293,787,500	12,487,700	4.4%
Treasury: Debt/RevenueShare	1,480,717,500	1,563,117,500	82,400,000	5.6%
GENERAL GOVERNMENT	\$2,230,180,800	\$2,314,240,700	\$84,059,900	3.8%
Community Health	7,661,822,200	8,082,595,300	420,773,100	5.5%
Corrections	1,435,498,400	1,561,026,200	125,527,800	8.7%
Family Independence Agency	3,232,181,300	3,642,782,400	410,601,100	12.7%
HUMAN SERVICES	\$12,329,501,900	\$13,286,403,900	\$956,902,000	7.8%
Consumer and Industry Services	463,351,000	491,212,600	27,861,600	6.0%
Michigan Jobs Commission	594,136,400	0	(594,136,400)	-100.0%
Career Development	500,000	514,857,700	514,357,700	n/a
Michigan Strategic Fund Agency		168,817,100	168,817,100	n/a
REGULATORY	\$1,057,987,400	\$1,174,887,400	\$116,900,000	11.0%
Agriculture	88,684,900	83,178,100	(5,506,800)	-6.2%
Environmental Quality	515,419,800	376,809,900	(138,609,900)	-26.9%
Natural Resources	226,565,900	237,268,200	10,702,300	4.7%
RESOURCE PROTECTION	\$830,670,600	\$697,256,200	(\$133,414,400)	-16.1%
Military and Veterans Affairs	91,543,300	94,962,000	3,418,700	3.7%
State Police	339,786,900	346,542,500	6,755,600	2.0%
SAFETY AND DEFENSE	\$431,330,200	\$441,504,500	\$10,174,300	2.4%
Capital Outlay*	722,643,808	252,636,900	n/a	n/a
Judiciary	217,616,800	224,334,600	6,717,800	3.1%
Transportation	2,765,936,900	2,798,086,200	32,149,300	1.2%
ALL OTHERS	\$3,706,197,508	\$3,275,057,700	\$38,867,100	1.0%
TOTALS	\$33,023,471,208	\$34,422,590,327	\$1,869,126,027	5.7%

*NOTE: Capital Outlay budget incomplete at August 1999

EXCLUDING CAPITAL OUTLAY				
TOTALS	\$32,300,827,400	\$34,169,953,427	\$1,869,126,027	5.8%

Overview

TABLE 3

FY 1999-2000 APPROPRIATIONS
FY 1998-99 Year-To-Date Compared with FY 1999-2000

GENERAL FUND / GENERAL PURPOSE

DEPARTMENT/ MAJOR BUDGET AREA	FY 1998-99 YEAR-TO-DATE	FY 1999-2000 YEAR-TO-DATE	FY 1999-2000 vs 1998-99	
			AMOUNT DIFFERENT	PERCENT DIFFERENT
Community Colleges	282,000,000	297,228,019	15,228,019	5.4%
Education	46,393,800	37,817,000	(8,576,800)	-18.5%
Higher Education	1,600,500,000	1,679,309,308	78,809,308	4.9%
School Aid	420,613,500	420,613,500	0	0.0%
EDUCATION	\$2,349,507,300	\$2,434,967,827	\$85,460,527	3.6%
Attorney General	33,187,200	32,078,800	(1,108,400)	-3.3%
Civil Rights	12,504,800	12,989,300	484,500	3.9%
Civil Service	19,659,400	10,797,200	(8,862,200)	-45.1%
Executive Office	5,117,300	5,425,100	307,800	6.0%
Legislative Auditor General	11,983,400	12,522,500	539,100	4.5%
Legislature	92,561,600	101,711,700	9,150,100	9.9%
Library of Michigan	32,977,400	34,258,100	1,280,700	3.9%
Management and Budget	58,138,200	44,809,200	(13,329,000)	-22.9%
State	67,974,400	60,089,000	(7,885,400)	-11.6%
Treasury: Operations	66,701,900	63,298,400	(3,403,500)	-5.1%
Treasury: Debt/Revenue	99,317,500	99,917,500	600,000	0.6%
GENERAL GOVERNMENT	\$500,123,100	\$477,896,800	(\$22,226,300)	-4.4%
Community Health	2,606,893,700	2,636,145,000	29,251,300	1.1%
Corrections	1,368,557,100	1,486,579,100	118,022,000	8.6%
Family Independence Agency	1,128,357,900	1,088,729,500	(39,628,400)	-3.5%
HUMAN SERVICES	\$5,103,808,700	\$5,211,453,600	\$107,644,900	2.1%
Consumer and Industry Services	71,500,000	77,857,500	6,357,500	8.9%
Michigan Jobs Commission	109,109,800	0	(109,109,800)	-100.0%
Career Development	500,000	21,139,200	20,639,200	n/a
Michigan Strategic Fund Agency		64,907,200	64,907,200	n/a
REGULATORY	\$181,109,800	\$163,903,900	(\$17,205,900)	-9.5%
Agriculture	48,887,000	45,883,900	(3,003,100)	-6.1%
Environmental Quality	92,501,300	96,246,400	3,745,100	4.0%
Natural Resources	49,650,000	51,495,000	1,845,000	3.7%
RESOURCE PROTECTION	\$191,038,300	\$193,625,300	\$2,587,000	1.4%
Military and Veterans Affairs	39,581,300	39,700,500	119,200	0.3%
State Police	260,023,000	268,719,900	8,696,900	3.3%
SAFETY AND DEFENSE	\$299,604,300	\$308,420,400	\$8,816,100	2.9%
Capital Outlay*	520,355,000	246,116,900	n/a	n/a
Judiciary	157,099,300	160,982,900	3,883,600	2.5%
Transportation	0	0	0	0.0%
ALL OTHERS	\$677,454,300	\$407,099,800	\$3,883,600	0.6%
TOTALS	\$9,302,645,800	\$9,197,367,627	\$168,959,927	1.8%
<i>*NOTE: Capital Outlay budget incomplete at August 1999</i>				
EXCLUDING CAPITAL OUTLAY				
TOTALS	\$8,782,290,800	\$8,951,250,727	\$168,959,927	1.9%

TABLE 4
FULL-TIME EQUATED POSITIONS*
FY 1998-99 Year-to-Date Compared with FY 1999-2000

DEPARTMENT/ MAJOR BUDGET AREA	FY 1998-99 YEAR-TO-DATE	FY 1999-2000 ENACTED	FY 1999-2000 vs. FY 1998-99	
			AMOUNT DIFFERENT	PERCENT DIFFERENT
Community Colleges	0.0	0.0	0.0	0.0%
Education	548.6	548.6	0.0	0.0%
Higher Education	1.0	1.0	0.0	0.0%
School Aid	0.0	0.0	0.0	0.0%
EDUCATION	549.6	549.6	0.0	0.0%
Attorney General	574.0	575.0	1.0	0.2%
Civil Rights	171.5	171.5	0.0	0.0%
Civil Service	230.5	230.5	0.0	0.0%
Executive Office	85.0	85.0	0.0	0.0%
Legislative Auditor General	0.0	0.0	0.0	0.0%
Legislature	0.0	0.0	0.0	0.0%
Library of Michigan**	140.0	0.0	n/a	n/a
Management and Budget	951.5	950.0	(1.5)	-0.2%
State	2,022.1	2,050.0	27.9	1.4%
Treasury: Operations	1,918.0	1,942.0	24.0	1.3%
Treasury: Debt/Revenue Sharing	0.0	0.0	0.0	0.0%
GENERAL GOVERNMENT	6,092.6	6,004.0	51.4	0.8%
Community Health	6,305.3	6,136.3	(169.0)	-2.7%
Corrections***	17,387.9	19,190.3	1,802.4	10.4%
Family Independence Agency	13,471.3	13,228.3	(243.0)	-1.8%
HUMAN SERVICES	37,164.5	38,554.9	1,390.4	3.7%
Consumer and Industry Services	4,194.9	4,212.9	18.0	0.4%
Michigan Jobs Commission	1,316.0	0.0	(1,316.0)	-100.0%
Career Development	0.0	1,072.0	1,072.0	n/a
Michigan Strategic Fund	0.0	241.0	241.0	n/a
REGULATORY	5,510.9	5,525.9	15.0	0.3%
Agriculture	604.5	605.5	1.0	0.2%
Environmental Quality	1,614.7	1,616.7	2.0	0.1%
Natural Resources	2,230.5	2,243.5	13.0	0.6%
RESOURCE PROTECTION	4,449.7	4,465.7	16.0	0.4%
Military and Veterans Affairs	1,088.0	1,088.0	0.0	0.0%
State Police	3,562.0	3,596.0	34.0	1.0%
SAFETY AND DEFENSE	4,650.0	4,684.0	34.0	0.7%
Capital Outlay	0.0	0.0	0.0	0.0%
Judiciary	602.0	583.0	(19.0)	-3.2%
Transportation	3,182.3	3,182.3	0.0	0.0%
ALL OTHERS	3,784.3	3,765.3	(19.0)	-0.5%
TOTALS	62,201.6	63,549.4	1,487.8	2.4%

*Includes classified, unclassified, and nonlegislative exempt positions.

**No loss of positions; FTE notation eliminated to be consistent with the treatment of other Legislative entities.

***Increase to accommodate addition of over 5,000 new prison beds.

Overview

Table 5

**STATE SPENDING FROM STATE SOURCES PAID TO LOCAL GOVERNMENTS
FY 1999-2000 Year-To-Date**

DEPARTMENT/ MAJOR BUDGET AREA	Spending from State Sources	State Spending to Local Government Units	% of State Spending from State Sources as Payment to Locals
Community Colleges	297,228,019	297,228,019	100.0%
Education	65,081,600	27,492,600	42.2%
Higher Education	1,770,859,308	4,566,584	0.3%
School Aid	10,040,831,200	9,997,907,200	99.6%
EDUCATION	\$12,174,000,127	\$10,327,194,403	84.8%
Attorney General	38,937,000	0	0.0%
Civil Rights	12,989,300	0	0.0%
Civil Service	19,656,400	0	0.0%
Executive Office	5,425,100	0	0.0%
Legislative Auditor General	12,816,300	0	0.0%
Legislature	102,753,500	0	0.0%
Library of Michigan	34,345,000	21,661,000	63.1%
Management and Budget	84,388,200	0	0.0%
State	121,072,300	69,800	0.1%
Treasury: Operations	251,740,300	81,098,900	32.2%
Treasury: Debt/Revenue Sharing	1,562,417,500	1,469,000,000	94.0%
GENERAL GOVERNMENT	\$2,246,540,900	\$1,571,829,700	70.0%
Community Health	3,018,267,500	1,086,316,500	36.0%
Corrections	1,534,927,000	80,858,600	5.3%
Family Independence Agency	1,212,295,000	172,154,500	14.2%
HUMAN SERVICES	\$5,765,489,500	\$1,339,329,600	23.2%
Consumer & Industry Services	271,330,700	33,773,700	12.4%
Michigan Jobs Commission	0	0	0.0%
Career Development	101,059,500	75,000,000	74.2%
Michigan Strategic Fund Agency	114,957,200	31,000,000	27.0%
REGULATORY	\$487,347,400	\$139,773,700	28.7%
Agriculture	77,056,300	1,400,000	1.8%
Environmental Quality	248,449,100	6,619,900	2.7%
Natural Resources	213,301,400	21,985,100	10.3%
RESOURCE PROTECTION	\$538,806,800	\$30,005,000	5.6%
Military and Veterans Affairs	62,109,600	111,900	0.2%
State Police	310,846,300	19,384,100	6.2%
SAFETY AND DEFENSE	\$372,955,900	\$19,496,000	5.2%
Capital Outlay*	250,936,900	n/a	n/a
Judiciary	217,057,800	113,484,700	52.3%
Transportation	1,976,865,200	1,105,317,700	55.9%
ALL OTHER	\$2,444,859,900	\$1,218,802,400	49.9%
TOTALS	\$24,030,000,527	\$14,646,430,803	61.0%
<i>*NOTE: Capital Outlay budget incomplete at August 1999. Amount of state spending to local government units will be determined with passage of Capital Outlay budget bill for FY 1999-2000.</i>			
EXCLUDING CAPITAL OUTLAY			
TOTALS	\$23,779,063,627	\$14,646,430,803	61.6%

**FY 1999-2000
Budget Detail
for**

EDUCATION

Community Colleges
Education
Higher Education
School Aid / K-12

COMMUNITY COLLEGES

PUBLIC ACT 109 OF 1999

Fiscal Analyst: Caven West

	FY 1998-99 YEAR-TO-DATE APPROPRIATIONS	FY 1999-2000 ENACTED APPROPRIATIONS	FY 1999-2000 ENACTED CHANGE FROM FY 1998-99	
			AMOUNT	PERCENT
FTE POSITIONS	n/a	n/a	n/a	n/a
GROSS	\$282,000,000	\$297,228,019	\$15,228,019	5.4
IDG/IDT	0	0	0	n/a
ADJUSTED GROSS	\$282,000,000	\$297,228,019	\$15,228,019	5.4
FEDERAL	0	0	0	0.0
LOCAL	0	0	0	0.0
PRIVATE	0	0	0	0.0
OTHER	0	0	0	0.0
GF/GP	\$282,000,000	\$297,228,019	\$15,228,019	5.4

HB 4298

Referred to Appropriations
2/23/99

Passed House
3/18/99

Passed Senate
5/27/99

Conference Approved
by House
6/9/99

Conference Approved
by Senate
6/10/99

Effective
7/8/99

OVERVIEW - COMMUNITY COLLEGES

The Fiscal Year (FY) 1999-2000 budget calls for a \$15.2 million (Gross) or 5.4% increase over FY 1998-99 appropriations to support the At-risk Student Success Program, the Renaissance Zone Tax Reimbursement Program, and Base Operational Costs.

When compared to FY 1998-99 operational funding, Michigan's 28 community colleges will receive an estimated \$15.4 million or 5.55% in discretionary revenues. Operational increase ranges from more than 5% down to 2.55%. Of the 5.55% operational increase, 2.55% is distributed across-the-board and the additional 3% is allocated via the Gast-Mathieu Fairness in Funding Formula.

The FY 1999-2000 budget retains current-year funding level for the At-risk Student Success Program. The allocation for each college varied from FY 1998-99 due to the number of at-risk students served. The distribution of the at-risk funds is based on the number of student contact hours generated in developmental and preparatory courses. Each college will receive a base grant of \$40,000 (\$1,120,000) and the remainder of the funds (\$2,464,566) is distributed using a three-year average of the number of student contact hours for a total of \$3,584,566.

The legislature ties appropriations to tuition and fee increases. Under the Tuition Restraint Incentive Grant Program, colleges are rewarded for holding tuition and fee increases at or below 3% for the 1999-2000 academic school year. The Legislature rolled the funding for this program into the operational line; and includes new language which would reduce a college's FY 2000-01 appropriations by 1.5% if it raised tuition and fees above 3%.

For the FY 1998-99 school year, 23 of the 28 community colleges qualified under the Tuition Tax Credit Plan (M.C.L. 206.274(8)). The current act provides residents with a gross income of \$200,000 or less with a tuition tax credit of \$375 for tuition and fees paid to colleges and universities that held tuition and fee rate increases at or below 3%.

The Legislature also reduced the Renaissance Zone Tax Reimbursement categorical grant by \$184,542 (GF/GP) to more accurately reflect reimbursement levels for the last two fiscal years. Renaissance Zone development reduces a college's property tax base against which community colleges levy operational millage. Grant awards under the Renaissance Zone Tax Reimbursement Program are calculated by assessing the taxable value of ad valorem homestead and non-homestead properties located within the confines of the developments. The total taxable value is adjusted for other tax exemptions, then the adjusted taxable value is multiplied by a college's millage rate to determine the reimbursement amount.

Finally, students attending community colleges are eligible for up to \$2,500 in scholarships from the Michigan Merit Award Trust Fund. High school students must attain proficiency ratings on the reading, writing, mathematics, and science components of the Michigan Educational Assessment High School Test Program. The funding source for this program is the tobacco lawsuit settlement revenue. The funding for the Michigan Merit Awards Program is allocated in the higher education budget.

Operational Funding

<u>College</u>	FY 1999-2000 Operations <u>Appropriations</u>
ALPENA	\$4,888,284
BAY DE NOC	\$4,632,634
DELTA	\$13,833,091
GLEN OAKS	\$2,202,658
GOGEBIC	\$4,133,732
GRAND RAPIDS	\$17,825,016
HENRY FORD	\$20,840,833
JACKSON	\$11,976,753
KALAMAZOO VALLEY	\$11,379,143
KELLOGG	\$9,107,407
KIRTLAND	\$2,921,692
LAKE MICHIGAN	\$4,891,111
LANSING	\$29,830,816
MACOMB	\$32,525,228
MID-MICHIGAN	\$4,121,108
MONROE	\$4,008,744
MONTCALM	\$3,035,945
MOTT	\$15,239,321
MUSKEGON	\$8,672,227
NORTH CENTRAL	\$2,925,285
NORTHWESTERN	\$8,641,489
OAKLAND	\$20,747,107
ST. CLAIR	\$6,804,650
SCHOOLCRAFT	\$11,786,439
SOUTHWESTERN	\$6,028,283
WASHTENAW	\$11,563,090
WAYNE COUNTY	\$16,476,511
WEST SHORE	<u>\$2,236,399</u>
Total	\$293,274,995

MAJOR BUDGET CHANGES: FY 1999-2000

<u>Budget Issue</u>	<u>Change from FY 1998-99</u>
<p>1. Base Operational Increase - 5.55% The Legislature increases operational funding by 5.55% over current year: 2.55% is distributed across-the-board and 3% by the Gast-Mathieu Fairness in Funding Formula.</p>	<p>FTEs 0.0 Gross \$15,412,561 GF/GP \$15,412,561</p>
<p>2. At-risk Student Success Program The Legislature retains current-year funding of \$3.5 million for the At-risk Student Success Program. Allocation for each college varied due to the number of At-risk students reported by the colleges to the Department of Education.</p>	<p>FTEs 0.0 Gross \$0 GF/GP \$0</p>
<p>3. Tuition Restraint Incentive Grant The Legislature rolled the funding for this program into the operations line. New language is included to reduce FY 2000-01 appropriations by 1.5%, if a college increased tuition and fees above 3%.</p>	<p>FTEs 0.0 Gross (\$4,200,000) GF/GP (\$4,200,000)</p>
<p>4. Renaissance Zone Tax Reimbursement Grant The Legislature reduced this line by \$184,542 (GF/GP) to align appropriation and reimbursement amounts for the last two fiscal years. This program reimburses community colleges that incurred property tax revenue loss in 1999 due to Renaissance Zone tax abatement.</p>	<p>FTEs 0.0 Gross (\$184,542) GF/GP (\$184,542)</p>

ECONOMICS: FY 1999-2000

None

MAJOR BOILERPLATE CHANGES: FY 1999-2000

- 1. Sec. 218. Co-terminus Task Force Report**
 The Budget includes new language stating legislative intent to review and analyze the findings of the Co-terminus Task Force.
- 2. Sec. 231. Tuition Restraint Incentive Program**
 The Legislature includes language which would reduce a college's FY 2000-01 appropriation by 1.5%, if a college increased tuition and fees above 3%.
- 3. Sec. 232. MI Virtual Learning Collaborative Pilot Program**
 The Legislature exempt tuition and fees collected under the pilot program from the 3% tuition and fee requirement.

VETOES: FY 1999-2000

None

Community Colleges

REVENUE INCREASES: FY 1999-2000

None

SUPPLEMENTAL APPROPRIATIONS: FY 1998-99

The FY 1998-99 supplemental budget (1999 PA 69) earmarks \$5.6 million in one-time discretionary funds to support infrastructure, technology, equipment, and special maintenance needs for the colleges.

FTEs	0.0
Gross	\$5,600,000
GF/GP	\$5,600,000

EDUCATION

PUBLIC ACT 113 OF 1999

Fiscal Analyst: Caven West

	FY 1998-99 YEAR-TO-DATE APPROPRIATIONS	FY 1999-2000 ENACTED APPROPRIATION	FY 1999-2000 ENACTED CHANGE FROM FY 1998-99	
			AMOUNT	PERCENT
FTE POSITIONS	548.6	548.6	0.0	0.0
GROSS	\$885,517,200	\$1,001,506,100	\$115,988,900	13.1
IDG/IDT	1,373,000	1,084,700	(288,300)	(21.0)
ADJUSTED GROSS	\$884,144,200	\$1,000,421,400	\$116,277,200	13.2
FEDERAL	815,385,900	928,508,200	113,122,300	13.9
LOCAL	6,119,600	6,244,300	124,700	2.0
PRIVATE	2,788,200	587,300	(2,200,900)	(78.9)
OTHER	13,456,700	27,264,600	13,807,900	102.6
GF/GP	\$46,393,800	\$37,817,000	(\$8,576,800)	(18.5)

HB 4301

Referred to Appropriations
2/23/99

Passed House
3/23/99

Passed Senate
5/27/99

Conference Approved
by House
6/10/99

Conference Approved
by Senate
6/10/99

Effective
7/12/99

OVERVIEW - EDUCATION

The State Board of Education exercises authority over all public education, including adult education and instructional programs in state institutions, except for institutions of higher education granting baccalaureate degrees. The State Board also advises the Legislature on the financial requirements for higher education and K-12 institutions.

The Michigan Department of Education is the administrative arm of the State Board of Education. The Department has many oversight responsibilities and duties in connection with local school districts and community colleges and indirect coordinating duties with state colleges and universities. The Department distributes state and federal grant funds to local school districts.

For Fiscal Year (FY) 1999-2000, the Legislature appropriates approximately \$1 billion, or just over \$116 million (Adjusted Gross) over FY 1998-99 year-to-date figures, to support the Department of Education. Approximately 93% of the budget consists of federal revenues. The additional 7% is derived from restricted revenue, GF/GP revenue, private revenue, and local revenue. These funds are awarded to local school districts and local educational agencies on a competitive or formula basis.

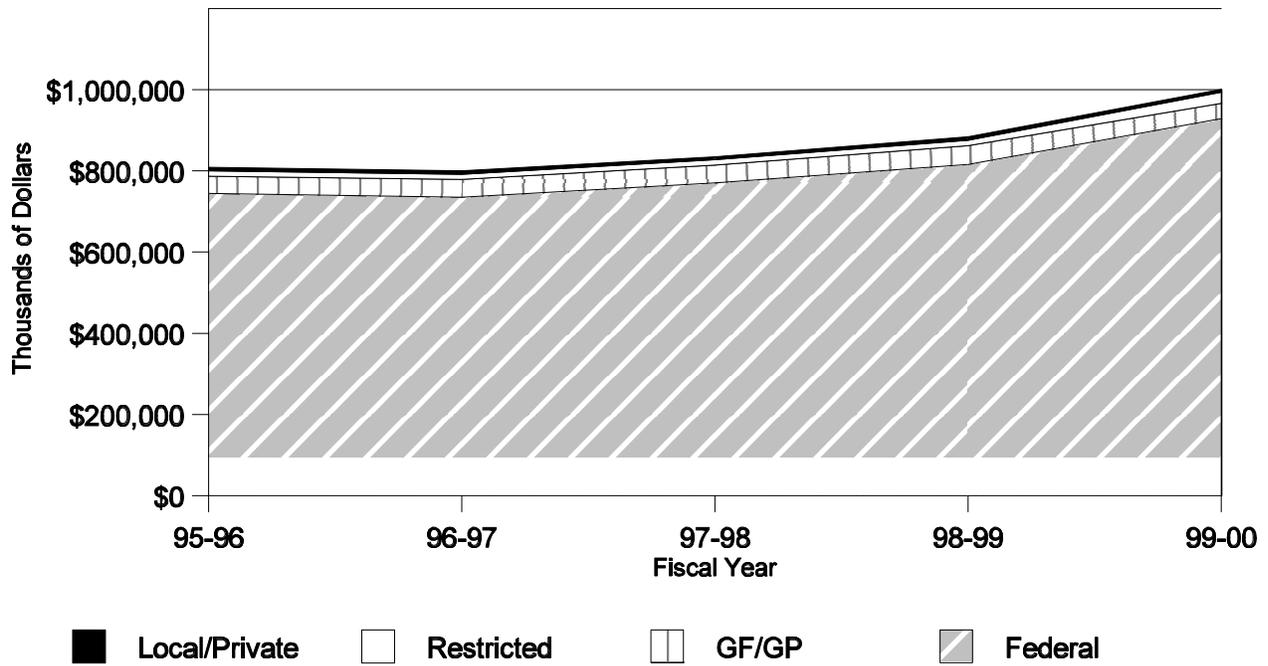
The approximately \$116 million increase is attributable to several new federal grant programs: \$34 million for the Reading Excellence Act program and the Reading Plan for Michigan program, \$3 million for teacher development, \$2 million to encourage students to stay in school (Gear-Up program), \$200,000 and 2.0 FTEs funded from the Drug-Free Schools grant line to establish the Office for Safe Schools, and \$50 million to recruit and hire teachers in grades 1 through 3. The formulas for distributing the funds to local school districts are as follows: 80% is based on child poverty data and 20% is calculated on pupil enrollment. The rationale behind this method is that high-poverty areas often have limited resources, high teacher turnover, fewer well-trained teachers, and a greater need for school improvement. The estimated number of teachers to be hired in Michigan is 1,293, at an estimated cost of \$40,000 per teacher.

In addition, the Legislature shifts the revenue source for the Michigan Educational High School Test program from GF/GP revenue (\$7,388,400) to restricted revenue from the Michigan Merit Award Trust Fund at \$13 million. This represents a 76% or \$6 million increase over FY 1998-99 appropriations. Of the \$6 million increase, \$3.7 million is earmarked for hand-scoring the writing section, \$802,300 for contract administration, \$1.3 million to align the mathematics, science, and English courses with State Board of Education approved curriculum standards.

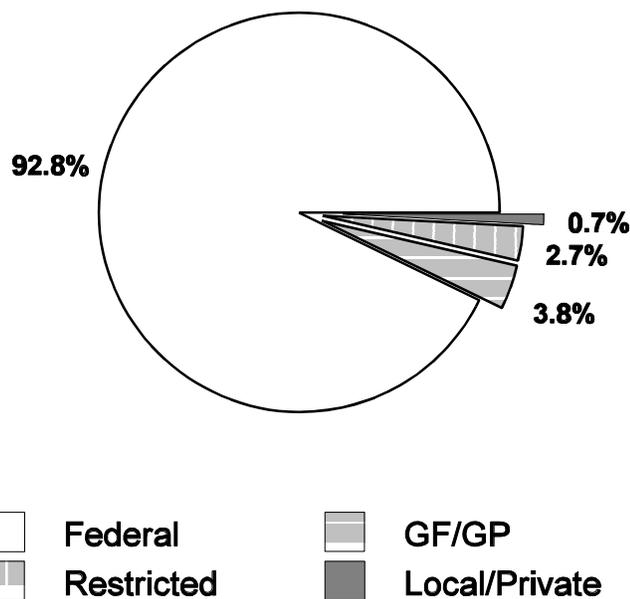
The budget also includes \$750,000 in GF/GP revenue for Michigan Educational Information Network; and \$12,500 (federal) and \$12,500 GF/GP revenue for administrative costs associated with the Emergency Food Assistance Program. This program provides food to needy families throughout the state.

Charts following this Overview highlight a five-year trend of federal, GF/GP and restricted year-to-date appropriations and depict the Department of Education's FY 1999-2000 Adjusted Gross appropriation by funding source.

Michigan Department of Education Five-Year Appropriation Trend



Michigan Department of Education FY 1999-2000 Adjusted Gross Revenue Sources



Education

MAJOR BUDGET CHANGES: FY 1999-2000

<u>Budget Issue</u>	<u>Change from FY 1998-99</u>	
1. Grants and Distributions: Class Size Reduction Grants For FY 1999-2000, the state anticipates receipt of more than \$50 million in new federal funds to reduce class sizes. Public Act 69 of 1999 authorizes the Department to award \$10 million of the \$50 million to local school districts in FY 1998-99.	FTEs	0.0
	Gross	\$50,275,700
	Federal	50,275,700
	GF/GP	\$0
2. Grants and Distributions: Reading Excellence Act Grants The goal of this program is to teach every child to read by the end of the third grade. The Reading Excellence Act support four primary activities: professional development for teachers, tutoring for students, family literacy, and additional support programs for students having difficulty making the transition from kindergarten to first grade — especially students with reading deficiencies.	FTEs	0.0
	Gross	\$29,000,000
	Federal	29,000,000
	GF/GP	\$0
3. Innovation and Community Services: Office for Safe Schools The Legislature allocates \$200,000 (federal) and 2.0 FTEs to establish the Office for Safe Schools within the Innovation and Community Services appropriation unit. This Office will be a statewide clearinghouse for school violence information. The unit will also develop model programs and policies to promote school safety.	FTEs	2.0
	Gross	\$200,000
	Federal	\$200,000
	GF/GP	\$0
4. Funding Shift: Michigan Educational Assessment High School Test Program The Legislature shifts the revenue source for the Michigan Educational Assessment High School Test Program from GF/GP revenue to restricted revenue from the tobacco lawsuit. This line supports operational costs to print, score, and distribute the tests to local school districts.	FTEs	0.0
	Gross	\$13,000,000
	Restricted	13,000,000
	GF/GP	(\$7,388,400)
5. Professional Preparation Services: Teacher Quality Improvement These grants will be awarded on a competitive basis to implement Statewide reforms which would improve the quality of the teaching force. These reforms may include efforts to strengthen teacher certification standards; to establish or strengthen alternative teaching methods; or to recruit teachers for high-poverty urban and rural areas. This program will be funded for up to three fiscal years.	FTEs	0.0
	Gross	\$2,500,000
	Federal	2,500,000
	GF/GP	\$0
6. Standards, Assessment, and Accreditation Services: Teacher Preparation Study The Legislature added \$237,500 (GF/GP) to conduct a teacher preparation study. This study would poll new teachers regarding the quality of education received prior to teaching.	FTEs	0.0
	Gross	\$237,500
	GF/GP	\$237,500
7. Grant to Focus: Hope for the Machinist Training Program The Legislature transferred \$300,000 (GF/GP) of the proposed \$981,000 (GF/GP) to the Department of Career Development.	FTEs	0.0
	Gross	(\$981,000)
	GF/GP	(\$981,000)

MAJOR BUDGET CHANGES: FY 1999-2000

<u>Budget Issue</u>	<u>Change from FY 1998-99</u>	
<p>8. MI School for the Deaf and Blind: Technical Resource Center</p> <p>This program provides assistive devices to local school districts for disabled students. Both large print and Braille books for visually impaired students are made available to local school districts at no cost.</p>	<p>FTEs 0.0 Gross \$1,100,000 Federal 1,100,000 GF/GP \$0</p>	
<p>9. School Support Services: The Emergency Food Assistance Program</p> <p>The Legislature increased this line by \$25,000: \$12,500 federal and \$12,500 (GF/GP) to offset administrative cost for the Emergency Food Assistance Program. This program provides food to needy families throughout the state.</p>	<p>FTEs 0.0 Gross \$25,000 Federal 12,500 GF/GP \$12,500</p>	
<p>10. Innovation and Community Services: Adult Basic Education Program</p> <p>The Legislature transferred nearly \$1.2 million and 11.0 FTEs for the Adult Basic Education Program from the Career, Curriculum, Adult, and Postsecondary Services appropriations unit to the Innovation and Community Services unit.</p>	<p>FTEs 11.0 Gross \$1,165,700 Federal 1,025,700 GF/GP \$140,000</p>	

ECONOMICS: FY 1999-2000

None

MAJOR BOILERPLATE CHANGES: FY 1999-2000

- 1. Sec. 217. Office for Safe Schools**
The Legislature includes new language and funding to establish the Office for Safe Schools within the Innovation and Community Services appropriation unit.
- 2. Sec. 221. Single Records Student Database**
The Legislature deletes language requiring the Department to consult with the Attorney General's Office regarding information collected for the single records student database.
- 3. Sec. 222. Retention of Teacher Personnel Records**
The Legislature adds new language requiring school districts to retain teacher personnel records related to sexual misconduct.
- 4. Sec. 503. and Sec. 504. Supplemental Funds: MI Educational Assessment High School Test Program**
These sections provide a mechanism to appropriate GF/GP revenue for the MEAP, if revenue from the tobacco lawsuit settlement is untimely.

Education

VETOES: FY 1999-2000

None

REVENUE INCREASES: FY 1999-2000

None

SUPPLEMENTAL APPROPRIATIONS: FY 1998-99

Reading Plan for MI and Class Size Reduction Grants

Public Act 69 of 1999 appropriates \$13.5 million for the following programs: \$3.5 million to purchase additional reading kits and \$10 million for class size reduction grants.

FTEs	0.0
Gross	\$13,500,000
Federal	10,000,000
Private	1,750,000
GF/GP	\$1,750,000

HIGHER EDUCATION

PUBLIC ACT 93 OF 1999

Analyst: Hank Prince

	FY 1998-99 YEAR-TO-DATE APPROPRIATIONS	FY 1999-2000 ENACTED APPROPRIATIONS	FY 1999-2000 ENACTED CHANGE FROM FY 1998-99	
			AMOUNT	PERCENT
FTE POSITIONS	1.0	1.0	0.0	0.0
GROSS	\$1,604,252,000	\$1,774,759,308	\$170,507,308	10.6
IDG/IDT	0	0	0	0.0
ADJUSTED GROSS	\$1,604,252,000	\$1,774,759,308	\$170,507,308	10.6
FEDERAL	3,752,000	3,900,000	148,000	3.9
LOCAL	0	0	0	0.0
PRIVATE	0	0	0	0.0
OTHER	0	91,550,000	91,550,000	n/a
GF/GP	\$1,600,500,000	\$1,679,309,308	\$78,809,308	4.9

HB 4302

Referred to Appropriations
2/23/99

Passed House
3/25/99

Passed Senate
5/27/99

Conference Approved
by House
6/9/99

Conference Approved
by Senate
6/10/99

Effective
6/30/99

OVERVIEW - HIGHER EDUCATION

The Executive Budget for higher education proposed four new initiatives: (a) creation of four tiers of state universities to begin allocation of funds on a formula basis; (b) application of an instructional-cost formula to allocate \$14.5 million to seven state universities in the four "tiers" that the formula identified as underfunded; (c) tuition restraint incentive grants to state and independent colleges and universities that hold tuition increases to no more than 3%; and (d) Michigan Merit Awards to high school students who pass the renamed high school proficiency test.

Before consideration of the contingent tuition restraint grants, the proposed increases in state university operating appropriations ranged from 1.5% to 6.6%, depending on the institution's prior-year funding per fiscal-year equated students (FYES). For each state university that qualifies for a tuition restraint grant, the Executive Budget recommends a FY1999-2000 funding increase of an additional 1.5% of its prior-year base appropriations.

The total appropriation in the Governor's budget would be at least \$1.672 billion. For every proposed Michigan Merit Award made, the appropriation total would increase by \$1,500 (the limit for first-year awards).

In House Bill 4302, the Legislature approved a funding plan that provided a 10.4% increase in overall funding (4.7% General Fund increase); \$86 million of the \$167 million increase is attributable to the Michigan Merit Award program, which was slightly modified from the Executive proposal. Rather than adopting the concept of four "tiers" of state universities, the enacted version identifies five "groupings." The appropriation increases for the state universities reflect, to an unspecified extent, these groupings. The average base increase for university operations was 5.4%, with a range of 3.3% to 8.6%.

Also, the Legislature included intent language related to tuition restraint. If a state university raises its 1999-2000 resident undergraduate tuition and fee rate by more than 3%, the legislature recommends that its 1999-2000 base for calculating 2000-2001 appropriations be reduced by 1.5% of that base. A similar provision applies to financial aid allocated to independent colleges and universities.

As a portion of this legislation, for FY1998-1999 the Legislature adopted a \$300,000 supplemental to support infrastructure, technology, equipment, and maintenance needs at Northern Michigan University; the Governor vetoed this provision.

MAJOR BUDGET CHANGES: FY 1999-2000

Budget Issue

Change from FY 1998-99

1. University Operations Base Funding

The Executive Budget proposes to allocate some funds to reduce the funding disparity per resident Fiscal-Year-Equated Students among state universities in four “tiers” of institutions. The tiers of institutions were created by calculating projected institutional instructional cost per student credit hour. Seven state universities would be recipients of “new money” allocated according to this formula.

FTEs	0.0
Gross	\$73,827,341
GF/GP	\$73,827,341

The Governor also recommended that each university receive a base increase of 1.5% in state funding support for FY 1999-2000. (As a point of reference, the January Consensus Revenue Conference projected a 2.5% increase in the Detroit Consumer Price Index for FY 1999-2000).

The Legislature did not align the state universities into four “tiers;” instead, it divided the institutions into five “groupings.” It also did not use the formula proposed by the Governor to determine the operational allocations. Rather, appropriation increases reflected university groupings and other programmatic adjustments.

2. Michigan Merit Awards

The Executive Budget included a proposal to issue Michigan Merit Awards as \$2,500 postsecondary education scholarships for use within Michigan to outstanding high school students. The recipients would need to achieve a level 1 or level 2 score on each of the reading, mathematics, science, and writing portions of the high school competency test, or an outstanding composite qualifying score on the American College Test (ACT). Of the scholarship amount, \$1,500 may be used in the first year of postsecondary education.

FTEs	0.0
Gross	\$86,300,000
GF/GP	\$0
Restricted	\$86,300,000

The funding source is the proposed Michigan Merit Award Trust Fund, to be established to receive Michigan’s portion of the tobacco lawsuit settlement.

The Legislature appropriated \$86.3 million to fund this new program and added some reporting provisions in this amendatory act. The details of the Merit Award program are contained in a separate statute.

**3. Agriculture Experiment Station (AES)
Cooperative Extension Service (CES)**

These two statewide programs are operated by Michigan State University. FY 1998-99 funding for the AES is \$30.3 million and the CES is \$26 million. The Governor proposed a 2.5% increase in each. The Legislature approved increases of 4.6% and 4.1%, respectively. The difference was attributable to extra funding for a Michigan-Latvian economic development project; this provision was vetoed by the Governor.

FTEs	0.0
Gross	\$2,287,958
GF/GP	\$2,287,958

MAJOR BUDGET CHANGES: FY 1999-2000

Budget Issue

Change from FY 1998-99

4. Tuition Incentive Program (TIP)

This program provides an incentive of college education funding for Medicaid-eligible students who complete high school. In FY1998-99, \$1.75 million in General Funds (GF) along with carryover funds from the prior fiscal year were used for this program. The Governor recommended elimination of all GF funding and instead proposed to allocate \$5.25 million in proposed Michigan Merit Award Trust Fund monies (received from the national tobacco settlement) to support this program. The Legislature concurred with the Governor's proposal.

FTEs	0.0
Gross	\$3,500,000
GF/GP	(\$5,250,000)
Restricted	\$5,250,000

5. State Student Financial Aid Programs and State Support for Independent Colleges

For FY 1998-99, the state appropriated \$115.7 million in General Funds for student financial aid programs and support for independent colleges and universities. The Governor recommended a 2.5% increase in the General Fund portion of these programs.

FTEs	0.0
Gross	\$5,443,596
Federal	\$148,000
GF/GP	\$5,295,596

The Executive Budget also included \$1.6 million for Tuition Restraint incentive grants for independent colleges, contingent on repeal of the tuition tax credit. Institutions would be required to hold tuition increases to 3% or less. The eligibility requirement matches that for the state universities. These grants would be allocated through the general degree reimbursement program.

The Legislature approved a 3.3% increase in state support for financial aid and added language regarding reallocation of a portion of general degree reimbursement funding if 1999-2000 independent college or university resident tuition increases exceeded 3%.

6. Higher Education Database

In the current budget, \$165,000 is allocated for the Higher Education Institutional Data Inventory (HEIDI). The Governor proposed an increase of \$110,000 to permit integration of additional institutional data collected by the federal government and to develop Internet access for data submission and retrieval. The Legislature concurred.

FTEs	0.0
Gross	\$110,000
GF/GP	\$110,000

7. King-Chavez-Parks Initiative

The Executive Budget recommended a 2.5% increase in funding for the four programs aimed at increasing the college graduation rates of underrepresented minority students.

FTEs	0.0
Gross	(\$76,756)
GF/GP	(\$76,756)

The Legislature transferred the Visiting Professors component to each state university's base funding and provided a 3.3% increase for the other three programs.

MAJOR BUDGET CHANGES: FY 1999-2000

<u>Budget Issue</u>	<u>Change from FY 1998-99</u>	
<p>8. Michigan Molecular Institute The Executive Budget did not recommend an increase in funding for the Michigan Molecular Institute. The Michigan Molecular Institute is a private nonprofit research organization located in Midland, Michigan, which conducts research in complex polymers and has cooperative ties with some of the state's public universities. Since FY 1984-85, the state has provided more than \$9.2 million in funding support for the institute.</p> <p>The Legislature added \$152,310 in funding for this program.</p>	FTEs 0.0 Gross \$152,310 GF/GP \$152,310	
<p>9. Center for Advanced Technologies-Engineering Program The Executive Budget recommended a 2.5% increase in funding for the Center for Advanced Technologies-Engineering Program conducted by Focus:HOPE. The Legislature transferred funding for this program to the Department of Career Development.</p>	FTEs 0.0 Gross (\$4,092,000) GF/GP (\$4,092,000)	

ECONOMICS: FY 1999-2000

None

MAJOR BOILERPLATE CHANGES: FY 1999-2000

- 1. Tuition Restraint Intent Language**
 The Executive recommendation proposed tuition restraint incentive grants that would be contingent on repeal of the Michigan college tuition and fees tax credit. Each state university that met the criterion of a tuition/fee increase for resident undergraduates of no more than 3% would receive a funding increase of 1.5% of base funding.

The Legislature included intent language that indicated, for the FY2000-2001 appropriations calculations, the 1999-2000 budget base would be adjusted downward by 1.5% for each state university which raised 1999-2000 resident undergraduate tuition and fee rates by more than 3%.
- 2. "Groupings" of Public Universities**
 The Executive recommendation proposed four "tiers" of universities, with separate funding floors. The Department of Management and Budget derived the tiers from projected system-wide average expenditures for each instructional program for each student level.

The Legislature approved language reflecting five "groupings" of state universities, with separate funding floors.
- 3. Michigan Merit Award Program**
 The legislature included reporting requirements for the Michigan Merit Award Commission until such time as a permanent statute creating the Commission is enacted.

Higher Education

MAJOR BOILERPLATE CHANGES: FY 1999-2000

4. Provision of Charter School Oversight Information

A provision authorizing the state budget director to withhold funds from a state university that does not provide relevant information to the state Auditor General during an audit of charter school authorizing activities of the state university has been deleted.

5. Provision of Academic Programs Outside a Region

A new provision requires a report from the Presidents Council of State Universities concerning guidelines for offering academic programs outside a state university's immediate region.

6. Crime Awareness and Campus Security Information

Language has been inserted to require each state university to provide crime awareness information to the Michigan Department of Education and to also post such information on its Internet web site.

VETOES: FY 1999-2000

Michigan-Latvian Economic Development Project

The Legislature allocated \$150,000 for a Michigan-Latvian project to be conducted by the Agricultural Experiment Station statewide program based at Michigan State University.

FTEs	0.0
Gross	\$150,000
GF/GP	\$150,000

REVENUE INCREASES: FY 1999-2000

None

SUPPLEMENTAL APPROPRIATIONS: FY 1998-99

1. Senate Bill 68 Supplemental

The Legislature approved a \$3 million supplemental for the operational funding of a diabetes center at Wayne State University. For comparison purposes, this amount is not included in the Higher Education summary figures but is instead displayed in the Capital Outlay section of this budget analysis. This supplemental was vetoed by the Governor.

FTEs	0.0
Gross	\$3,000,000
GF/GP	\$3,000,000

2. House Bill 4302 Supplemental

The Legislature approved a \$300,000 supplemental for Northern Michigan University for infrastructure, technology, equipment, and maintenance (ITEM) improvements. For comparison purposes, this amount is not included in the Higher Education summary figures but is shown instead in the Capital Outlay section of this budget analysis. This supplemental was vetoed by the Governor.

FTEs	0.0
Gross	\$300,000
GF/GP	\$300,000

SCHOOL AID/K-12 PUBLIC ACT 119 OF 1999

Analysts: Mary Ann Cleary and Laurie Cummings

	FY 1998-99 YEAR-TO-DATE APPROPRIATIONS	FY 1999-2000 ENACTED APPROPRIATIONS	FY 1999-2000 ENACTED CHANGE FROM FY 1998-99	
			AMOUNT	PERCENT
FTE POSITIONS	0.0	0.0	\$0.00	0.0
GROSS	\$9,667,206,600	\$10,160,831,200	\$493,624,600	5.1
IDG/IDT	0	0	0	0.0
ADJUSTED GROSS	\$9,667,206,600	\$10,160,831,200	\$493,624,600	5.1
FEDERAL	120,000,000	120,000,000	0	0.0
LOCAL	0	0	0	0.0
PRIVATE	0	0	0	0.0
OTHER	9,126,593,100	9,620,217,700	493,624,600	5.4
GF/GP	\$420,613,500	\$420,613,500	\$0	0.0

HB 4498

Referred to Appropriations
4/20/99

Passed House
6/2/99

Passed Senate
6/10/99

Concur with Senate
Amendments
6/10/99

Concur with House
Amendments
6/16/99

Effective
7/20/99

OVERVIEW - SCHOOL AID/K-12

The Legislature enacted and the Governor signed 1999 PA 119, which made supplemental appropriations to the previously enacted budget for FY 1998-99 and FY 1999-2000 for K-12 education. It also appropriated the FY 2000-01 budget. The supplemental was enacted because (a) pupil estimates have been raised since FY 1998-99 and FY 1999-2000 budgets were first enacted, and (2) revisions to the personal property tax depreciation tables created the need for additional funding. The personal property tax tables were revised due to a Michigan Tax Tribunal ruling. Because of this revision, businesses will be able to depreciate the value of their property at an accelerated rate, and local schools will receive less property tax revenue, requiring the state to make up the difference.

Public Act 119 allocates \$9.7 billion in FY 1998-99 School funding, an additional \$52.1 million or 0.5% over the previously enacted FY 1998-99 amount. Most of this increase will cover the cost of higher pupil counts and the state cost of the personal property tax depreciation table revisions. Also, \$13.2 million of the \$52.1 million was added to enable the state to meet its obligation to pay 6.0127% of the cost of school lunch programs, as required under the *Durant v. State of Michigan* decision.

For FY 1999-2000, PA 119 allocates \$10.2 billion for schools, an additional \$226.9 million or 2.3% over the previously-enacted amount. The foundation allowance for FY 1999-2000 was raised to \$5,696 per pupil from \$5,652, the amount in the previously-enacted budget. This is an increase of \$234 or 4.3% over FY 1998-99. The foundation increase brings 86% of the state's districts up to the basic foundation allowance. About half of the increase will cover the cost of higher pupil estimates and the personal property tax table revisions. Also included is a one-time grant of \$15 million for Detroit Public Schools to improve student performance. The supplemental changed the pupil membership definition upon which schools are paid to 75% of the current September pupil count plus 25% of the prior February pupil count (from 60% of the current pupil count plus 40% of the prior pupil count).

The supplemental includes the state's first FY 2000-01 School Aid budget, appropriating \$10.6 billion to schools. It sets the foundation allowance at \$5,866, which is \$170 or 2.9% higher than in FY 1999-2000. FY 2000-01 marks the first year since voter adoption of Proposal A in 1994 that all districts will receive at least the basic foundation allowance.

SUPPLEMENTAL APPROPRIATIONS: FY 1998-99

Budget Issue

Change from Current Law

1. Foundation Allowance

The FY 1998-1999 supplemental includes an additional \$37.6 million for higher pupil estimates and \$26.1 million for increased state costs from the revisions to the personal property tax depreciation tables.

FTEs	0.0
Gross	\$63,727,100
GF/GP	\$0

2. Special Education State Appropriation

The supplemental reduced the FY 1998-99 appropriation for special education by \$25.1 million to reflect updated special education costs. No programmatic changes were made.

FTEs	0.0
Gross	(\$25,089,200)
GF/GP	\$0

SUPPLEMENTAL APPROPRIATIONS: FY 1998-99

<p>3. School Lunch Program</p> <p>The budget includes \$13.2 million to meet the funding percentages for the school lunch program mandated in the <i>Durant v. State of Michigan</i> case. The appropriation is to pay for \$6.5 million of FY 1997-98 school lunch costs and \$6.7 million of FY 1997-98 costs and will be allocated according to methods adopted by the Supreme Court in the <i>Durant</i> case.</p>	<p>FTEs</p> <p>Gross</p> <p>GF/GP</p>	<p>0.0</p> <p>\$13,227,500</p> <p>\$0</p>
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SUPPLEMENTAL APPROPRIATIONS: FY 1999-2000

<u>Budget Issue</u>	<u>Change from Current Law</u>
<p>1. Foundation Allowance</p> <p>The FY 1999-2000 executive budget increases the foundation allowance to \$5,696 from the previously-enacted amount of \$5,652, an increase of \$234 or 4.3% per pupil. It also includes an additional \$79 million for higher pupil estimates and \$38.3 million for increased state costs from the revised personal property tax depreciation tables.</p>	<p>FTEs 0.0</p> <p>Gross \$201,946,600</p> <p>GF/GP \$0</p>
<p>2. Special Education State Appropriation</p> <p>The supplemental reduced the FY 1999-2000 appropriation for special education by \$30.0 million to reflect updated special education costs. No programmatic changes were made.</p>	<p>FTEs 0.0</p> <p>Gross (\$28,957,000)</p> <p>GF/GP \$0</p>
<p>3. One-time Grant for Detroit Public Schools</p> <p>The supplemental added a \$15.0 million one-time grant for the Detroit school district for measures to improve student performance. Public Act 119 does not specify what these measures should be, but indicates that they may include enhanced school security or reading readiness programs.</p>	<p>FTEs 0.0</p> <p>Gross \$15,000,000</p> <p>GF/GP \$0</p>
<p>4. School Lunch Program</p> <p>The budget includes \$7.0 million to meet the funding percentages for the school lunch program mandated in the <i>Durant v. State of Michigan</i> case.</p>	<p>FTEs 0.0</p> <p>Gross \$6,963,000</p> <p>GF/GP \$0</p>
<p>5. Millage Rollback Adjustment</p> <p>Public Act 119 contains \$5.0 million for school districts that levied at least 35 school operating mills in 1993 and received more than \$3.5 million in revenue from enhancement millages in 1996-97. (Vetoed)</p>	<p>FTEs 0.0</p> <p>Gross \$5,000,000</p> <p>GF/GP \$0</p>
<p>6. Pilot Reading Improvement Programs</p> <p>The FY 1999-2000 supplemental added \$5.0 million for competitive grants to be awarded to school districts for providing pilot reading improvement programs for pupils in grades K to 3.</p>	<p>FTEs 0.0</p> <p>Gross \$5,000,000</p> <p>GF/GP \$0</p>

School Aid

ECONOMICS AND RETIREMENT: FY 1999-2000

Retirement

For FY 1999-2000, the annual percentage rate of payroll contribution was increased from 11.12% to 11.66% for the Public School Employment Retirement System.

MAJOR BOILERPLATE CHANGES: FY 1999-2000

1. Pupil Membership Definition

In FY 1999-2000 the pupil membership definition changes from 60% of the current September pupil count plus 40% of the prior February supplemental pupil count to 75% of the current pupil count plus 25% of the supplemental pupil count.

2. Days of Instruction

Public Act 119 requires each school district and public school academy to provide a minimum of 180 days of instruction each year. Retained the requirement to provide an increasing number of instruction hours each year until FY 2007-08.

3. Schools of Choice

The enacted legislation allows schools of choice beyond intermediate school district (ISD) lines for school districts with shared boundaries.

VETOES: FY 1999-2000

Millage Rollback Adjustment

The Governor vetoed this section which appropriated \$5.0 million for school districts that levied at least 35 school operating mills in 1993 and received more than \$3.5 million in revenue from enhancement millages in 1996-97.

REVENUE INCREASES: FY 1999-2000

None

APPROPRIATIONS: FY 2000-01

Budget Issue

Change from FY 1999-2000

FY 2000-01 Appropriations

Public Act 119 sets the basic foundation allowance at \$5,866, which is a \$170 or 2.9% increase over FY 1999-2000 and which brings all districts up to at least the basic foundation allowance. The budget also increases at-risk funding by \$7.9 million, adds \$56.7 million for special education, and increases ISD operational funding by \$2.4 million. Most other appropriation items remain at FY 2000-01 levels.

FTEs	0.0
Gross	\$438,543,400
GF/GP	\$0

**FY 1999-2000
Budget Detail
for**

**GENERAL
GOVERNMENT**

**Attorney General
Civil Rights
Civil Service
Executive
Legislative Auditor General
Legislature
Library
Management and Budget
State
Treasury-Operations
Lottery
Treasury-Revenue Sharing/Debt Service**

ATTORNEY GENERAL

PUBLIC ACT 124 OF 1999

Analyst: Craig Thiel

	FY 1998-99 YEAR-TO-DATE APPROPRIATIONS	FY 1999-2000 ENACTED APPROPRIATIONS	FY 1999-2000 ENACTED CHANGE FROM FY 1998-99	
			AMOUNT	PERCENT
FTE POSITIONS	574.0	575.0	1.0	0.2
GROSS	\$56,264,600	\$55,132,300	(\$1,132,300)	(2.0)
IDG/IDT	8,177,800	8,686,800	509,000	6.2
ADJUSTED GROSS	\$48,086,800	\$46,445,500	(\$1,641,300)	(3.4)
FEDERAL	7,390,400	6,401,700	(988,700)	(13.4)
LOCAL	0	0	0	0.0
PRIVATE	1,068,900	1,106,800	37,900	3.5
OTHER	6,440,300	6,858,200	417,900	6.5
GF/GP	\$33,187,200	\$32,078,800	(\$1,108,400)	(3.3)

SB 366

Referred to Appropriations
2/23/99

Passed Senate
3/25/99

Passed House
5/26/99

2nd Conference
Approved by Senate
6/16/99

2nd Conference
Approved by House
6/17/99

Effective
7/23/99

OVERVIEW - ATTORNEY GENERAL

The Attorney General is an elected constitutional officer and serves as the chief law enforcement officer of the state. The Attorney General's powers are prescribed in the Constitution, statute, and court decisions. The Attorney General serves as the legal counsel for state departments, agencies, boards, commissions, and the Legislature. The Attorney General defends the state in court and brings actions and intervenes in cases on the state's behalf. The Attorney General also has supervisory powers over local prosecuting attorneys. The Department of Attorney General has 42 legal and three administrative divisions. Unlike other state agencies, the Department of Attorney General does not operate or initiate programs, and thus the basic mission and objective of the Department does not change from year to year.

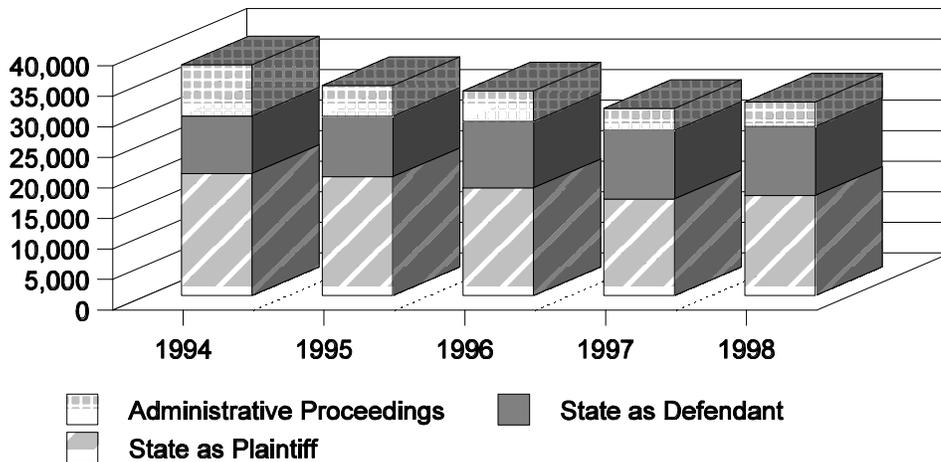
The Department also houses the Prosecuting Attorneys Coordinating Council (PACC), an autonomous (Type I) agency. The PACC provides services to prosecutors, their assistants, and other staff. These services include providing continuing professional education, publishing legal documents, providing legal research assistance, coordinating office automation efforts, and coordinating statewide prosecution activities.

Public Act 124 represents an overall decrease of 2.0% for Department operations and a 3.3% decrease in GF/GP support from current year-to-date appropriation levels. The decrease in Gross and GF/GP levels is the result of one-time supplemental appropriations provided in FY 1998-99. Discounting the supplemental appropriations, the Department realized a 4.6% increase in Gross appropriations and 4.3% increase in GF/GP appropriations.

The FY 1999-2000 budget contains additional state restricted revenue funding and position authorizations in the Casino Control and Retirement Divisions to meet an increase in demand for services. The budget also contains a funding shift between transportation funds to support the Department's legal services provided to the Department of Transportation.

The Department is in the process of upgrading its technology to meet the increasing demands for legal services from client agencies. To facilitate this upgrade, a \$2.3 million supplemental appropriation is provided for FY 1998-99 to upgrade computer hardware and software and to enhance communications. Also, FY 1998-99 funding (\$132,800 GF/GP) is provided to support expansion of a federal Byrne Grant to combat money laundering in southeast Michigan.

**Department of Attorney General Pending Cases
1994 through 1998**



Source: Department of Attorney General

MAJOR BUDGET CHANGES: FY 1999-2000

Budget Issue

Change from FY 1998-99

1. Program Enhancement - Casino Control Division

The budget provides funding and FTE authorizations for two additional positions within the Casino Control Division due to increased work associated with the temporary casinos in Detroit. The FY 1998-99 budget includes four attorney and two support positions for the work of this Division. The additional funding would come through an interdepartmental grant from the Michigan Gaming Control Board.

FTEs 2.0
Gross \$163,900
 GF/GP \$0

2. Program Enhancement - Retirement Division

The budget provides funding and FTE authorizations for two additional positions within the Retirement Division, which provides legal services on various issues involving the state retirement systems.

FTEs 2.0
Gross \$163,900
 GF/GP \$0

3. Funding Shift - Transportation Funding

The budget reflects a \$2.5 million funding shift between transportation funds to support the Department's legal services provided to the Department of Transportation on state highway negligence cases and legal work associated with state trunkline roads. Grants from the State Trunkline Fund (\$2,353,600) and the Comprehensive Transportation Fund (\$121,600) are replaced with a single grant from the Michigan Transportation Fund.

FTEs 0.0
Gross \$0
 GF/GP \$0

MAJOR BUDGET CHANGES: FY 1999-2000

<u>Budget Issue</u>	<u>Change from FY 1998-99</u>	
4. Federal Match Requirement - Byrne Grants	Gross	\$0
The Department has been a recipient of a number of Bryne Grants from the U.S. Department of Justice over the past years. Two of the grants will require a change to the state matching level. The budget includes additional GF/GP funding to meet the revised state match requirement.	GF/GP	\$95,200

ECONOMICS: FY 1999-2000

1. Standard Economic Increases	Gross	\$2,029,400
The budget provides funding for standard economic increases associated with salaries and wages, insurances, retirement, motor transport, building occupancy, and worker's compensation.	GF/GP	1,137,600
2. Unclassified Salaries	Gross	\$12,900
Funding is included to provide the Department's five unclassified employees with a 3.0% salary increase. The Attorney General's salary is set for each four-year term by the Legislature and is currently \$124,900.	GF/GP	12,900

MAJOR BOILERPLATE CHANGES: FY 1999-2000

Casino Gaming Employees
 Current-year language prohibiting employees assigned to casino gaming oversight activities from working for a licensed gaming establishment for two years after termination of state employment is removed (Section 304 of current year). This language appears in 1997 PA 69, amendments to the Michigan Gaming Control and Revenue Act.

VETOES: FY 1999-2000

None

REVENUE INCREASES: FY 1999-2000

None

SUPPLEMENTAL APPROPRIATIONS: FY 1998-99

1. Technology Enhancements	Gross	\$2,300,000
A \$2.3 million GF/GP supplemental appropriation is provided for technology enhancements. The funding will support computer software and hardware upgrades and communication enhancements.	GF/GP	\$2,300,000

SUPPLEMENTAL APPROPRIATIONS: FY 1998-99

2. Bryne Grant

The Department has received authorization from the U.S. Department of Justice to create a Southeast Michigan Section under its Bryne Grant to combat money laundering. The grant will require a 25% state match.

Gross	\$531,100
GF/GP	\$132,800

CIVIL RIGHTS

PUBLIC ACT 124 OF 1999

Analyst: Craig Thiel

	FY 1998-99 YEAR-TO-DATE APPROPRIATIONS	FY 1999-2000 ENACTED APPROPRIATIONS	FY 1999-2000 ENACTED CHANGE FROM FY 1998-99	
			AMOUNT	PERCENT
FTE POSITIONS	171.5	171.5	0.0	0.0
GROSS	\$14,104,800	\$14,623,300	\$518,500	3.7
IDG/IDT	0	0	0	0.0
ADJUSTED GROSS	\$14,104,800	\$14,623,300	\$518,500	3.7
FEDERAL	1,600,000	1,634,000	34,000	2.1
LOCAL	0	0	0	0.0
PRIVATE	0	0	0	0.0
OTHER	0	0	0	0.0
GF/GP	\$12,504,800	\$12,989,300	\$484,500	3.9

SB 366

Referred to Appropriations
2/23/99

Passed Senate
3/25/99

Passed House
5/26/99

2nd Conference
Approved by Senate
6/16/99

2nd Conference
Approved by House
6/17/99

Effective
7/23/99

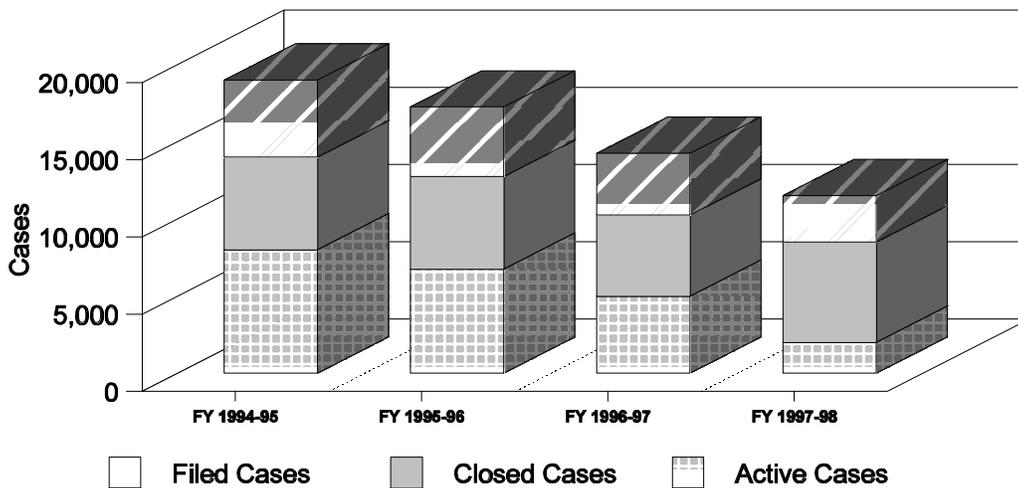
OVERVIEW - CIVIL RIGHTS

The Department of Civil Rights serves as the administrative arm charged with implementing the policies of the constitutionally-established Michigan Civil Rights Commission. The Civil Rights Commission is responsible for securing the civil rights of citizens guaranteed by the Constitution and the laws of Michigan. The Department of Civil Rights investigates discrimination allegations in the areas of employment, public accommodation and services, education, and housing. The Department promotes equal opportunity through education and training activities, minority business certification, contract compliance, and affirmative action programs.

The FY 1999-2000 budget provides for an overall increase of 3.7% and an increase of 3.9% in General Fund support for the Department. The FY 1999-2000 funding level represents a continuation budget with no major program revisions.

The chart below highlights the efforts of the Department's backlog reduction initiative over the last four fiscal years.

**Michigan Department of Civil Rights Case Profile
FY 1994-95 through FY 1997-98**



Source: Department of Civil Rights

MAJOR BUDGET CHANGES: FY 1999-2000

<u>Budget Issue</u>	<u>Change from FY 1998-99</u>	
<i>Program Enhancement - Discrimination Investigations</i>	FTEs	0.0
The budget includes authorization to receive an additional \$34,000 in available federal revenue in FY 1999-2000 through the U.S. Department of Housing and Urban Development for housing discrimination investigations.	Gross	\$34,000
	GF/GP	\$0

ECONOMICS: FY 1999-2000

1. <i>Standard Economic Adjustments</i>	Gross	\$474,800
The budget includes a net increase for standard economic increases associated with salaries and wages, insurances, retirement, building occupancy, and worker's compensation.	GF/GP	\$474,800
2. <i>Unclassified Salaries</i>	Gross	\$9,700
The budget includes funding to provide 3% salary increases to the Department's five unclassified positions.	GF/GP	\$9,700

MAJOR BOILERPLATE CHANGES: FY 1999-2000

None

VETOES: FY 1999-2000

None

REVENUE INCREASES: FY 1999-2000

None

SUPPLEMENTAL APPROPRIATIONS: FY 1998-99

None

CIVIL SERVICE

PUBLIC ACT 124 OF 1999

Analyst: Craig Thiel

	FY 1998-99 YEAR-TO-DATE APPROPRIATIONS	FY 1999-2000 ENACTED APPROPRIATIONS	FY 1999-2000 ENACTED CHANGE FROM FY 1998-99	
			AMOUNT	PERCENT
FTE POSITIONS	230.5	230.5	0.0	0.0
GROSS	\$34,290,300	\$28,585,500	(\$5,704,800)	(16.6)
IDG/IDT	2,133,700	2,300,000	166,300	7.8
ADJUSTED GROSS	\$32,156,600	\$26,285,500	(\$5,871,100)	(18.3)
FEDERAL	1,279,100	4,779,100	3,500,000	273.6
LOCAL	500,000	1,700,000	1,200,000	240.0
PRIVATE	49,100	150,000	100,900	205.5
OTHER	10,669,000	8,859,200	(1,809,800)	(17.0)
GF/GP	\$19,659,400	\$10,797,200	(\$8,862,200)	(45.1)

SB 366

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OVERVIEW - CIVIL SERVICE

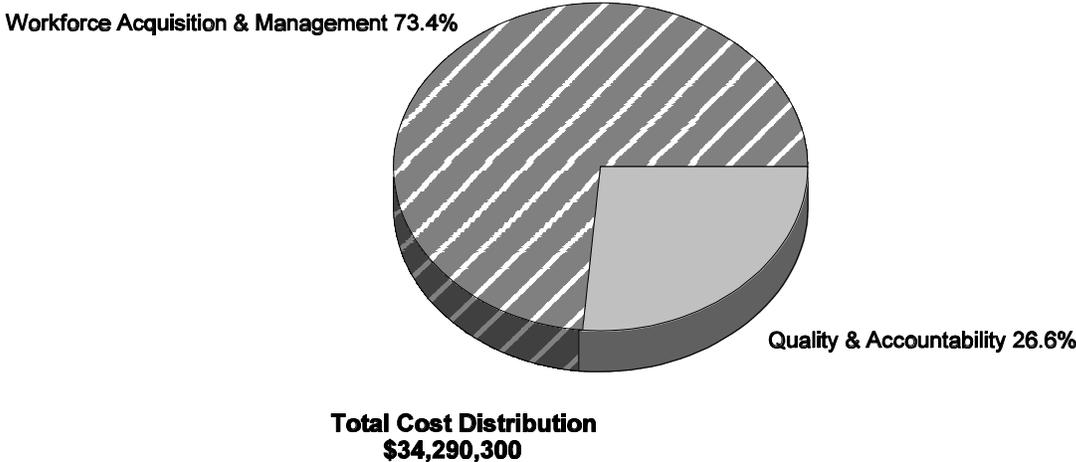
At the direction of the constitutionally-established Civil Service Commission, the Department of Civil Service implements all policies, rules, and procedures dealing with the state's classified workforce. The Department examines candidates for state jobs, classifies all positions, and establishes rates of pay for all positions.

Public Act 124 provides for an overall decrease of 16.6% below current-year appropriated levels, with a decrease of 45.1% in GF/GP support. The decrease in GF/GP funding for FY 1999-2000 partially results from application of the 1% assessment to certain federal funds that were not previously assessed, thereby replacing GF/GP support. Also, the FY 1998-99 year-to-date GF/GP appropriation level contains \$6.9 million in one-time supplemental funding, contributing further to the percentage decrease in GF/GP support from FY 1998-99 to FY 1999-2000.

A FY 1998-99 supplemental appropriation of \$6.2 million GF/GP is included for continued implementation of the Human Resources Management Network system. This system will provide integrated personnel, payroll, and employee benefits functionality and data exchange with the state retirement systems.

The chart below highlights the distribution of total costs for the Department by major program outcome for FY 1998-99.

**Total Cost Distribution by Major Program Outcome
FY 1998-99**



Source: Department of Civil Service

General Government - Civil Service

MAJOR BUDGET CHANGES: FY 1999-2000

Budget Issue

Change from FY 1998-99

1. Program Increase - Employee Training

The budget provides funding for the Department to supply other state agencies and departments with requested training. Funding for this increase will come from user charges paid by the agencies and departments requesting the training.

FTEs	0.0
Gross	\$425,000
GF/GP	\$0

2. Public Act 51 Compliance

Statutory language in 1951 PA 51, as amended, requires the phase-out of Michigan Transportation Fund-supported interdepartmental grants to certain agencies by FY 2000-01. The Department of Civil Service receives funding from the Michigan Transportation Fund through its 1% assessment. The budget replaces the phased-out funding with an equal amount of GF/GP.

FTEs	0.0
Gross	\$0
GF/GP	\$100,000

3. 1% Assessment Adjustments

The budget makes technical changes to the funding sources for Department operations based on estimated 1% assessments. There is a significant increase in federal funding as a result of certain federal funds being eligible for the 1% assessment which were previously thought to be ineligible. A corresponding reduction in the GF/GP appropriation is associated with this technical change. These changes do not impact the gross appropriation level.

FTEs	0.0
Gross	\$0
GF/GP	(\$2,436,500)

ECONOMICS: FY 1999-2000

Standard Economic Increases

The budget provides funding for standard economic increases associated with salaries and wages, insurances, retirement, motor transport, building occupancy, and worker's compensation.

Gross	\$744,900
GF/GP	\$349,000

MAJOR BOILERPLATE CHANGES: FY 1999-2000

1% Assessments of Restricted Funds

The budget includes new language regarding the 1% assessments of restricted funds which are unable to accept the civil service charge. For restricted funds with carry-forward authorization, civil service charges shall be taken from carry-forward balances. For restricted funds that do not have carry-forward authority, priority is granted to satisfying departmental operating deducts first and civil service obligations second. For such funding sources, any shortfall shall be covered by General Fund dollars, subject to approval by the State Budget Director (Section 503).

VETOES: FY 1999-2000

None

REVENUE INCREASES: FY 1999-2000

None

SUPPLEMENTAL APPROPRIATIONS: FY 1998-99

1. Human Resources Management Network System	Gross	\$6,200,000
A one-time FY 1998-99 supplemental appropriation of \$6.2 million GF/GP is provided to continue implementation of the new Human Resources Management Network.	GF/GP	\$6,200,000
2. Technology Enhancements	Gross	\$560,000
Funding is provided in a one-time FY 1998-99 supplemental to support targeted program improvements and modifications to accomodate changes required by implementation of the new Human Resources Management Network.	GF/GP	\$560,000
3. Computer Workstations	Gross	\$114,700
Funding is provided in a one-time FY 1998-99 supplemental to support computer workstation upgrades.	GF/GP	\$114,700

EXECUTIVE OFFICE

PUBLIC ACT 124 OF 1999

Analyst: Robin R. Risko

	FY 1998-99 YEAR-TO-DATE APPROPRIATIONS	FY 1999-2000 ENACTED APPROPRIATIONS	FY 1999-2000 ENACTED CHANGE FROM FY 1998-99	
			AMOUNT	PERCENT
FTE POSITIONS	85.0	85.0	0.0	0.0
GROSS	\$5,117,300	\$5,425,100	\$307,800	6.0
IDG/IDT	0	0	0	0.0
ADJUSTED GROSS	\$5,117,300	\$5,425,100	\$307,800	6.0
FEDERAL	0	0	0	0.0
LOCAL	0	0	0	0.0
PRIVATE	0	0	0	0.0
OTHER	0	0	0	0.0
GF/GP	\$5,117,300	\$5,425,100	\$307,800	6.0

SB 366

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Passed Senate
3/25/99

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5/26/99

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6/16/99

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6/17/99

Effective
7/23/99

OVERVIEW - EXECUTIVE OFFICE

The Executive Office provides funding for the Governor, the Lieutenant Governor, their staffs, and for the Office of Regulatory Reform. The Governor is elected by the people to a four-year term and, as Chief Executive Officer of the state, does the following:

- Provides program and policy direction for the Executive branch;
- Supervises the principal departments of the Executive branch;
- Reviews and recommends statutory changes for legislative action;
- May direct an investigation of any department/agency of state government and may require written information from executive and administrative state officers on any subject relating to the performance of their duties;
- May remove elective and appointive officers of the Executive branch for cause, as well as elective county, city, township, and village officers;
- Submits messages to the Legislature and recommends measures considered necessary or desirable;
- Appoints directors of departments and members to state boards and commissions;
- Submits an annual state budget to the Legislature, recommending sufficient revenues to meet proposed expenditures;
- May convene the Legislature in extraordinary session;
- May call special elections to fill vacancies in the Michigan House and Senate;
- May fill vacancies in the U.S. Senate by appointment;
- May grant reprieves, commutations of sentences, and pardons;
- May seek extradition of fugitives from justice who have left the state and may issue warrants at the request of other governors for fugitives who may be found within the state;
- Signs all commissions, patents for state lands, and appoints notaries public and commissioners in other states to take acknowledgments of deeds for this state;
- Serves as Chairperson of the State Administrative Board, which supervises and approves certain state expenditures, and has veto power over its actions; and
- Serves as Commander-in-Chief of the state's armed forces.

The Lieutenant Governor is nominated at party convention and is elected with the Governor. The term of office, beginning in 1966, changed from two years to four years. The Lieutenant Governor:

- Performs gubernatorial functions in the Governor's absence;
- Serves as President of the Michigan Senate, but may vote only in the case of a tie;
- May perform duties requested by the Governor, but no power vested in the Governor by the State Constitution of 1963 may be delegated to the Lieutenant Governor;
- Serves as a member of the State Administrative Board;
- Represents the Governor at a variety of functions; and
- Succeeds the Governor in case of death, impeachment, removal from office, or resignation.

The Office of Regulatory Reform (ORR) is charged with removing unnecessary regulations which impact the business community and with simplifying complex rules where possible. Also, the ORR provides citizens with better and easier access to proposed changes in administrative rules, with information on the rules process, and with the status of new rules.

Public Act 124 provides \$5,425,100 in Gross and GF/GP appropriations for the Executive Office. This reflects an increase in Gross and GF/GP appropriations of \$307,800, or 6.0%, over the current-year appropriated levels.

General Government - Executive Office

MAJOR BUDGET CHANGES: FY 1999-2000

Budget Issue

Change from FY 1998-99

1. State Officers Compensation Commission (SOCC) Adjustments

Included is an additional \$18,100 (Gross and GF/GP) to cover the costs of the salary and expense allowance increases provided by SOCC for the Governor and the Lieutenant Governor. The Governor received a 9% salary increase and the Lieutenant Governor a 3.5% salary increase. Both received a 25% expense allowance increase. (\$14,400 Governor; \$3,700 Lieutenant Governor)

FTEs	0.0
Gross	\$18,100
GF/GP	\$18,100

2. Adjustment to Fund Vacancy

Included is an additional \$100,000 (Gross and GF/GP) in order to fully fund the Unclassified Positions line item. The State Constitution permits eight unclassified positions in the Executive Office.

FTEs	0.0
Gross	\$100,000
GF/GP	\$100,000

ECONOMICS: FY 1999-2000

Economic Adjustments

Included is an additional \$189,700 (Gross and GF/GP) for a 3% salary increase for the unclassified positions, and for standard economic adjustments associated with classified salaries and wages, insurances for employees, retirement plans, and postage.

FTEs	0.0
Gross	\$189,700
GF/GP	\$189,700

MAJOR BOILERPLATE CHANGES: FY 1999-2000

There are no boilerplate provisions for the Executive Office.

VETOES: FY 1999-2000

None

REVENUE INCREASES: FY 1999-2000

None

SUPPLEMENTAL APPROPRIATIONS: FY 1998-99

State Officers Compensation Commission (SOCC) Adjustments

Included in 1999 PA 69 (SB 68) is \$16,900 (Gross and GF/GP) to cover the costs of the salary and expense allowance increases provided by SOCC for the Governor and the Lieutenant Governor. The Governor received a 9% salary increase and the Lieutenant Governor a 3.5% salary increase. Both received a 25% expense allowance increase. (\$13,800 Governor; \$3,100 Lieutenant Governor)

FTEs	0.0
Gross	\$16,900
GF/GP	\$16,900

LEGISLATIVE AUDITOR GENERAL

PUBLIC ACT 124 OF 1999

Analyst: Robin R. Risko

	FY 1998-99 YEAR-TO-DATE APPROPRIATIONS	FY 1999-2000 ENACTED APPROPRIATIONS	FY 1999-2000 ENACTED CHANGE FROM FY 1998-99	
			AMOUNT	PERCENT
FTE POSITIONS	0.0	0.0	n/a	n/a
GROSS	\$13,804,300	\$14,343,400	\$539,100	3.9
IDG/IDT	1,527,100	1,527,100	0	0.0
ADJUSTED GROSS	\$12,277,200	\$12,816,300	\$539,100	4.4
FEDERAL	0	0	0	0.0
LOCAL	0	0	0	0.0
PRIVATE	0	0	0	0.0
OTHER	293,800	293,800	0	0.0
GF/GP	\$11,983,400	\$12,522,500	\$539,100	4.5

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Approved by House
6/17/99

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7/23/99

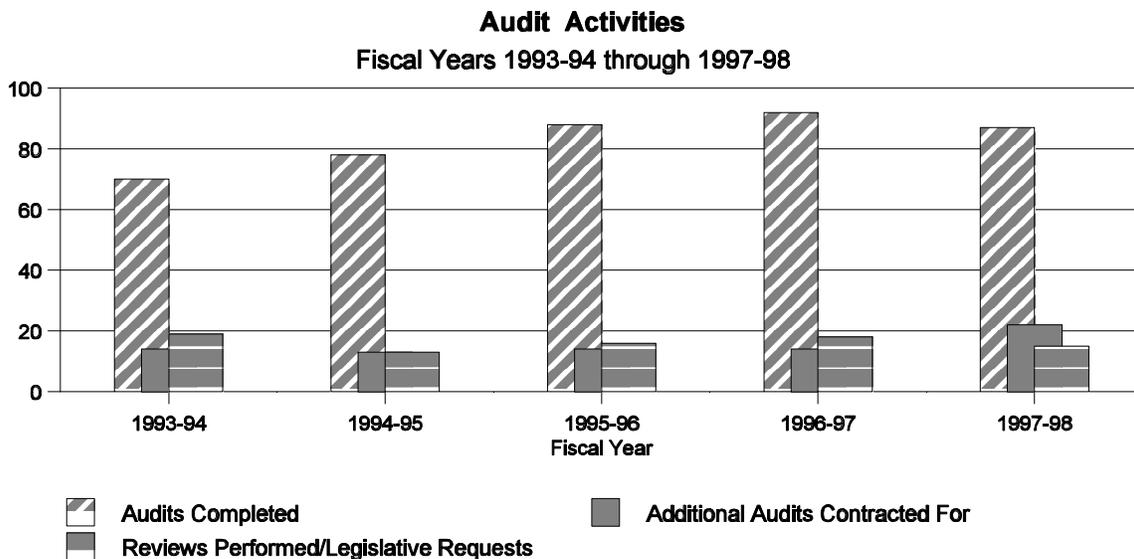
OVERVIEW - LEGISLATIVE AUDITOR GENERAL

The audit function for the State of Michigan is vested in the Legislative branch of government, pursuant to the State Constitution. The Legislative Auditor General is appointed to serve an eight-year term by a majority vote of the members of the House and Senate.

The mission of the Office of the Auditor General is to improve the accountability for public funds and to improve the operations of state government for the benefit of the citizens of the State of Michigan.

The Office of the Auditor General is responsible for conducting financial and performance audits of state government operations. These include financial audits of the State of Michigan Comprehensive Annual Financial Report, federal funds subject to the Federal Single Audit Act of 1984, and individual departments and agencies. Additionally, performance audits are conducted of selected state programs and operations, and individual projects and reports are completed in response to legislative requests. The resulting audit reports provide a continuing flow of information to assist the Legislature in its oversight of state government; provide citizens with a measure of accountability, ensuring that all receipts and expenditures are in accordance with the State Constitution, laws, rules, and procedures; and assist state departments and agencies in improving the financial management and the effectiveness, efficiency, and economy of the activities and programs approved by the Legislature. Below is a chart which depicts the number of audits completed, the number of additional audits contracted for, and the number of reviews performed of specific topics in response to legislative requests for Fiscal Years 1993-94 through 1997-98.

Public Act 124 provides \$14,343,400 in Gross appropriations and \$12,522,500 in GF/GP appropriations for the Office of the Auditor General. This reflects an increase in the Gross appropriation of \$539,100, or 3.9%, with an accompanying GF/GP appropriation increase of \$539,100, or 4.5%, over the current-year appropriated levels.



Source: FY 1994 - FY 1998 Annual Reports of the Michigan Office of the Auditor General

General Government - Legislative Auditor General

MAJOR BUDGET CHANGES: FY 1999-2000

<u>Budget Issue</u>	<u>Change from FY 1998-99</u>	
1. Salary Adjustment for the Auditor General Included is an additional \$12,000 (Gross and GF/GP) for an 11.3% salary increase for the Auditor General.	FTEs	0.0
	Gross	\$12,000
	GF/GP	\$12,000
2. Salary Adjustment for the Unclassified Positions Included is an additional \$13,000 (Gross and GF/GP) for an 11.3% salary increase for the two unclassified positions.	FTEs	0.0
	Gross	\$13,000
	GF/GP	\$13,000

ECONOMICS: FY 1999-2000

Economic Adjustments Included is an additional \$514,100 (Gross and GF/GP) for standard economic adjustments associated with classified salaries and wages, insurances for employees, retirement plans, and motor transport.	FTEs	0.0
	Gross	\$514,100
	GF/GP	\$514,100

MAJOR BOILERPLATE CHANGES: FY 1999-2000

None

VETOES: FY 1999-2000

None

REVENUE INCREASES: FY 1999-2000

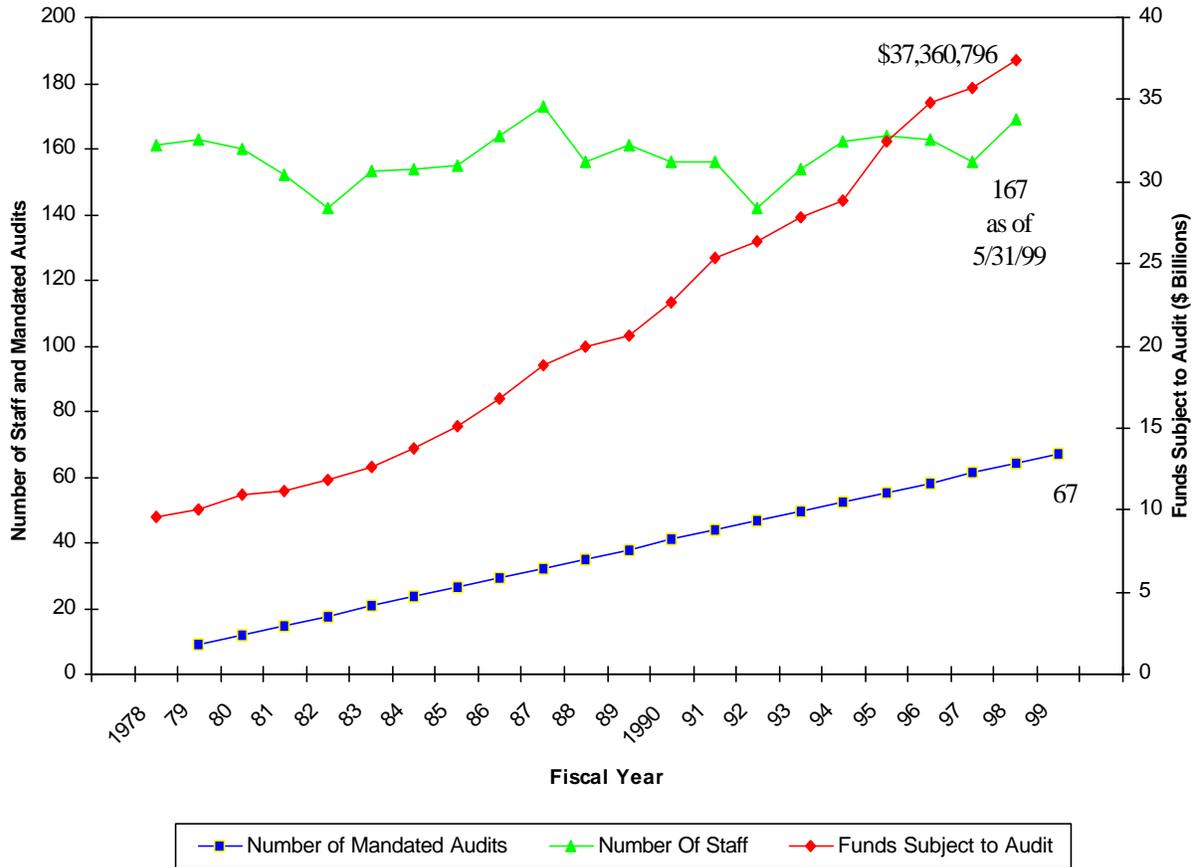
None

SUPPLEMENTAL APPROPRIATIONS: FY 1998-99

None

Office of the Auditor General

Comparison of Staff Levels, Funds Subject to Audit (in Billions), and Number of Mandated Audits



Source: Office of the Auditor General

LEGISLATURE

PUBLIC ACT 124 OF 1999

Analyst: Robin R. Risko

	FY 1998-99 YEAR-TO-DATE APPROPRIATIONS	FY 1999-2000 ENACTED APPROPRIATIONS	FY 1999-2000 ENACTED CHANGE FROM FY 1998-99	
			AMOUNT	PERCENT
FTE POSITIONS	0.0	0.0	n/a	n/a
GROSS	\$94,003,400	\$103,153,500	\$9,150,100	9.7
IDG/IDT	0	0	0	0.0
ADJUSTED GROSS	\$94,003,400	\$103,153,500	\$9,150,100	9.7
FEDERAL	0	0	0	0.0
LOCAL	0	0	0	0.0
PRIVATE	400,000	400,000	0	0.0
OTHER	1,041,800	1,041,800	0	0.0
GF/GP	\$92,561,600	\$101,711,700	\$9,150,100	9.9

SB 366

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6/17/99

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OVERVIEW - LEGISLATURE

The legislative power of the State of Michigan is vested in a bicameral (two-chamber) body comprised of a House of Representatives and a Senate. The House of Representatives consists of 110 members who are elected by the qualified electors of districts having approximately 77,000 to 91,000 residents. Representatives are elected in even-numbered years to two-year terms. The Senate consists of 38 members who are elected by the qualified electors of districts having approximately 225,000 to 265,000 residents. Senators are elected at the same time as the Governor and serve four-year terms concurrent with the Governor's term of office. Legislative districts are drawn on the basis of population figures obtained through the federal decennial census. Terms for Representatives and Senators begin on January 1 following the November general election.

The budget for the Legislature provides funding for the legislative branch of state government, the Legislative Council and agencies it governs, the Legislative Retirement System, and for Property Management.

The Legislature enacts the laws of Michigan; levies taxes; appropriates funds from revenues collected for the support of public institutions and the administration of the affairs of state government; initiates and considers amendments to the State Constitution; considers legislation proposed by initiatory petitions; exercises legislative oversight over the Executive branch of government through the administrative rules and audit processes; and advises and consents through the Senate on gubernatorial appointments. The majority of the Legislature's work, however, entails lawmaking. Through a process defined by the State Constitution, statute, and legislative rules, the Legislature considers thousands of bills (proposed laws) during each two-year session. Following the Overview is a chart which depicts the number of bills introduced by lawmakers in the past five legislative sessions.

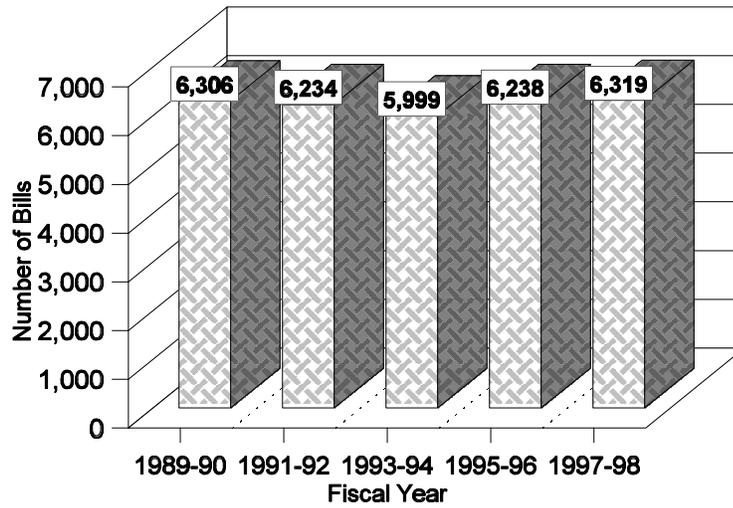
The Legislative Council is a constitutional body that provides a wide variety of essential services to members and staff of the Legislature. As established in the Constitution, the Council is responsible for maintaining bill drafting, research, and other services. Also, the Legislative Council is the governing body of the following agencies: Legislative Service Bureau, Library of Michigan, Legislative Council Facilities Agency, Legislative Corrections Ombudsman, Joint Committee on Administrative Rules staff, Michigan Sentencing Commission staff, Michigan Law Revision Commission, and the Michigan Commission on Uniform State Laws.

The Legislative Retirement System, established by 1957 PA 261, provides retirement allowances, survivor's allowances, and other benefits for members of the Legislature, their presiding officers, and their survivors and beneficiaries. The system is funded through the following four mechanisms: state appropriations, member contributions, certain court filing fees, and investment income.

Property Management has full responsibility for care and upkeep of the Capitol Building, the Roosevelt Building, the Farnum Building, and the new House of Representatives Office Building.

Public Act 124 provides \$103,153,500 in Gross appropriations and \$101,711,700 in GF/GP appropriations for the Legislature. This reflects an increase in the Gross appropriation of \$9,150,100, or 9.7%, with an accompanying GF/GP appropriation increase of \$9,150,100, or 9.9%, over the current-year appropriated levels.

**Number of Bills Introduced by Lawmakers
1989-90 through 1997-98**



Source: House of Representatives Clerk's Office

MAJOR BUDGET CHANGES: FY 1999-2000

Budget Issue

Change from FY 1998-99

1. State Officers Compensation Commission (SOCC) Adjustments

Included is an additional \$274,700 (Gross and GF/GP) to cover the costs of the 3.5% salary and 12% expense allowance increases provided by SOCC for the Legislators. (\$202,500 House of Representatives; \$72,200 Senate)

FTEs	0.0
Gross	\$274,700
GF/GP	\$274,700

2. House of Representatives Office Building

Included is an additional \$5.4 million (Gross and GF/GP) to cover costs associated with the new House of Representatives Office Building. The funding is provided for rental costs, taxes and insurances, utilities, general maintenance, and janitorial services.

FTEs	0.0
Gross	\$5,412,500
GF/GP	\$5,412,500

3. Roosevelt Building

Funding for property management costs associated with the Roosevelt Building is eliminated. The Capital Outlay budget includes \$500,000 for demolition of the building.

FTEs	0.0
Gross	(\$564,700)
GF/GP	(\$564,700)

4. Capitol Building

Included is an additional \$65,100 (Gross and GF/GP) for property management costs associated with the Capitol Building.

FTEs	0.0
Gross	\$65,100
GF/GP	\$65,100

MAJOR BUDGET CHANGES: FY 1999-2000

<u>Budget Issue</u>	<u>Change from FY 1998-99</u>
5. Farnum Building Included is an additional \$100,000 (Gross and GF/GP) for property management costs associated with the Farnum Building.	FTEs 0.0 Gross \$100,000 GF/GP \$100,000
6. Legislative Corrections Ombudsman Included is an additional \$238,300 (Gross and GF/GP) and 4.0 FTE positions for the Legislative Corrections Ombudsman, due to an increase in caseloads as a result of 1998 PA 318. The Act permits the Ombudsman to receive complaints directly from prisoners versus prisoners having to file their complaints with Legislators, who in turn refer the complaints to the Ombudsman.	FTEs 0.0 Gross \$238,300 GF/GP \$238,300
7. Trial Court Assessment Commission Funding for the Trial Court Assessment Commission is eliminated pursuant to 1998 PA 298, which abolished the Commission effective January 1, 1999.	FTEs 0.0 Gross (\$279,900) GF/GP (\$279,900)
8. Legislative Service Bureau Automated Data Processing Included is an additional \$326,600 (Gross and GF/GP) to fund current costs and costs for additional responsibilities associated with the Legislative Session Integration System.	FTEs 0.0 Gross \$326,600 GF/GP \$326,600
9. Legislative Session Integration System Funding for the Legislative Session Integration System line item is reduced by \$764,000, leaving an appropriation of \$900.	FTEs 0.0 Gross (\$764,000) GF/GP (\$764,000)
10. Legislative Retirement System Included is an additional \$388,900 (Gross and GF/GP) for the Michigan Legislative Retirement System based on estimates of defined contribution savings. This amount is appropriated to the Health Insurance Reserve Fund, as required pursuant to 1996 PA 486.	FTEs 0.0 Gross \$388,900 GF/GP \$388,900
11. Adjustments for the Senate Included is an additional \$1.7 million (Gross and GF/GP) for the Senate. Of that amount, \$1.0 million is for the purchase of new office furniture, and \$777,200 is for automated data processing.	FTEs 0.0 Gross \$1,777,200 GF/GP \$1,777,200

ECONOMICS: FY 1999-2000

Economic Adjustments Included is an additional \$3.3 million (Gross and GF/GP) for standard economic adjustments associated with salaries and wages, insurances for employees, retirement plans, and motor transport. Of that amount, \$1.1 million is appropriated for the House, \$1.7 million for the Senate, and \$454,600 for the Legislative Council.	FTEs 0.0 Gross \$3,316,200 GF/GP \$3,316,200
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General Government - Legislature

MAJOR BOILERPLATE CHANGES: FY 1999-2000

Access to Legislative Offices

Included is new language which prohibits the restriction of public access to legislative offices during normal business hours (Sec. 632).

VETOES: FY 1999-2000

None

REVENUE INCREASES: FY 1999-2000

None

SUPPLEMENTAL APPROPRIATIONS: FY 1998-99

1. State Officers Compensation Commission (SOCC) Adjustments

Included in 1999 PA 69 (SB 68) is \$166,400 (Gross and GF/GP) to cover the costs of the 3.5% salary and 12% expense allowance increases provided by SOCC for the Legislators. (\$122,500 House of Representatives; \$43,900 Senate)

FTEs	0.0
Gross	\$166,400
GF/GP	\$166,400

2. Human Resources System

Included in 1999 PA 124 (HB 4075) is \$1.0 million (Gross and GF/GP) for implementation of the Human Resources Management Network system for the Legislature. This system will provide integrated personnel, payroll, and employee benefits data exchange, in a secure fashion, with the state's systems.

FTEs	0.0
Gross	\$1,000,000
GF/GP	\$1,000,000

<h1 style="margin: 0;">LIBRARY OF MICHIGAN</h1> <h2 style="margin: 0;">PUBLIC ACT 124 OF 1999</h2>
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Analyst: Robin R. Risko

	FY 1998-99 YEAR-TO-DATE APPROPRIATIONS	FY 1999-2000 ENACTED APPROPRIATIONS	FY 1999-2000 ENACTED CHANGE FROM FY 1998-99	
			AMOUNT	PERCENT
FTE POSITIONS	140.0	*0.0	(140.0)	(100.0)
GROSS	\$37,249,100	\$38,977,400	\$1,728,300	4.6
IDG/IDT	0	0	0	0.0
ADJUSTED GROSS	\$37,249,100	\$38,977,400	\$1,728,300	4.6
FEDERAL	4,109,800	4,557,400	447,600	10.9
LOCAL	0	0	0	0.0
PRIVATE	75,000	75,000	0	0.0
OTHER	86,900	86,900	0	0.0
GF/GP	\$32,977,400	\$34,258,100	\$1,280,700	3.9

*The *notation* of FTE position authorization, *not actual position authorization*, is eliminated from the budget. To conform with nothation shown for other Legislative entities, the notation is not included in the bill structure for the Library of Michigan.

SB 366

Referred to Appropriations
2/23/99

Passed Senate
3/25/99

Passed House
5/26/99

2nd Conference
Approved by Senate
6/16/99

2nd Conference
Approved by House
6/17/99

Effective
7/23/99

OVERVIEW - LIBRARY OF MICHIGAN

The Library of Michigan, formerly known as the State Library, became a part of the Legislative branch of government in 1983. It is governed by the Legislative Council for policy purposes. The Council appoints, in consultation with the 15-member Board of Trustees of the Library of Michigan, the State Librarian. The State Librarian is the chief administrator of the Library.

The Library of Michigan is primarily charged with providing reference services to the Legislative branch of state government, to the Executive and Judicial branches, and to the general public. As the fourth largest state library in the nation, the Library maintains a collection of over three million books, millions of state and federal government publications, Michigan newspapers on microfilm, magazines and other periodicals, and one of the country's leading collections on family history.

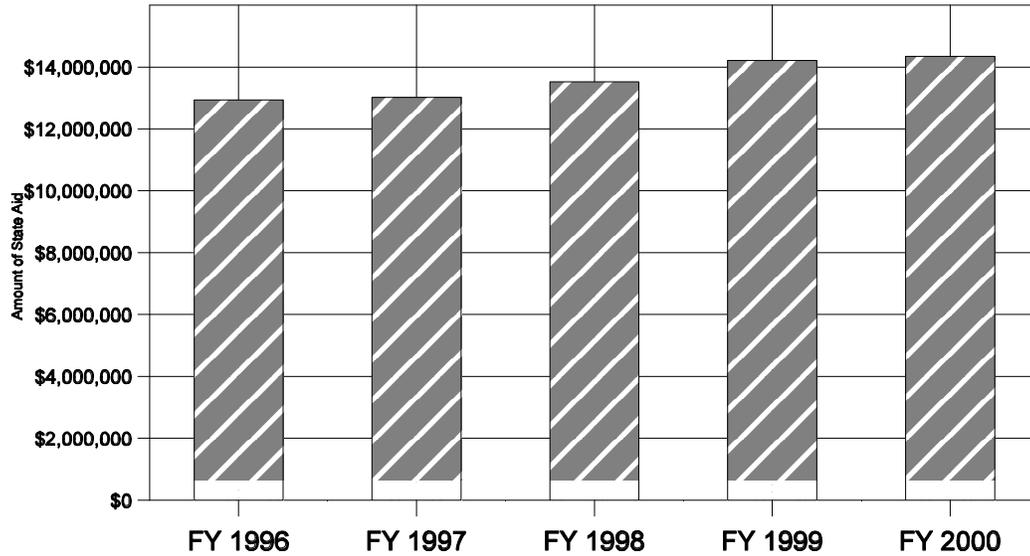
The Library of Michigan assists public libraries statewide. Workshops and training seminars are conducted by Library of Michigan staff to train librarians and library trustees in the areas of technology, administration, finance, and patron services. As the administrative agency, the Library distributes more than \$14.0 million in state aid annually to Michigan public libraries and to 14 public library cooperatives. State aid funding provides books and materials, staff training, interlibrary loan services, and document delivery services in order to link libraries together. Below are two charts which detail state sources of funding paid to public libraries for Fiscal Years 1995-96 through 1999-2000.

More than \$4.1 million in federal funds is distributed annually to support Michigan libraries through statewide projects, competitive grant projects, and subgrant projects dedicated to a specific area of statewide interest. The federally-funded projects include basic library technology, advanced technology projects, and improving library and information services to individuals.

The Library is linked to the Library of Congress, and is the state agency responsible for library services to the blind and to persons with disabilities. These services are used widely by students and senior citizens through the Library of Michigan and through a network of 11 subregional libraries and one regional library.

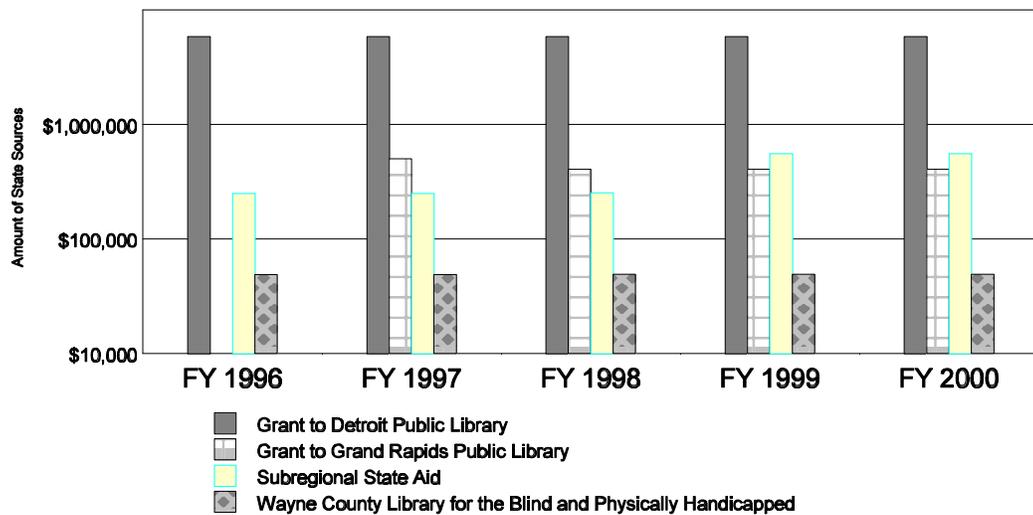
Public Act 124 provides \$38,977,400 in Gross appropriations and \$34,258,100 in GF/GP appropriations for the Library of Michigan. This reflects an increase in Gross appropriations of \$1,728,300, or 4.6%, with an accompanying GF/GP appropriation increase of \$1,280,700, or 3.9%, over the current-year appropriated levels.

FIVE-YEAR HISTORY OF STATE AID TO LIBRARIES



Source: House Fiscal Agency

FIVE-YEAR HISTORY OF OTHER STATE SOURCES PAID TO PUBLIC LIBRARIES



Source: House Fiscal Agency

General Government - Library of Michigan

MAJOR BUDGET CHANGES: FY 1999-2000

<u>Budget Issue</u>	<u>Change from FY 1998-99</u>	
1. Additional Staff Positions Included is an additional \$199,600 (Gross and GF/GP) for 3.0 FTE positions - a programmer, a network administrator, and a preservation specialist.	FTEs	0.0
	Gross	\$199,600
	GF/GP	\$199,600
2. State Aid to Libraries Included is an additional \$140,000 (Gross and GF/GP) to fully fund estimated payments pursuant to the State Aid to Libraries Act, 1977 PA 89.	FTEs	0.0
	Gross	\$140,000
	GF/GP	\$140,000
3. Federal Grant Funding Adjustment Budgeted is an additional \$447,600 (Gross) in federal grant funding made available to the Library through the federal Library Services and Technology Act.	FTEs	0.0
	Gross	\$447,600
	GF/GP	\$0
4. Technology Improvements Included is an additional \$191,800 (Gross and GF/GP) for the following technology improvements: additional Internet connection, computer backup system, database programming, and maintenance of hardware and software.	FTEs	0.0
	Gross	\$191,800
	GF/GP	\$191,800
5. Internet Subscriptions Included is an additional \$150,000 (Gross and GF/GP) for Internet subscriptions for public libraries participating in the Gates Library Foundation Grants program.	FTEs	0.0
	Gross	\$150,000
	GF/GP	\$150,000
6. Renaissance Zone Reimbursement Included is an additional \$128,800 (Gross and GF/GP) for reimbursements to be made to public libraries pursuant to the Renaissance Zone Act, 1996 PA 376. The Act provides for reimbursement of tax revenues lost due to the exemption of property under the Act.	FTEs	0.0
	Gross	\$128,800
	GF/GP	\$128,800
7. Overhead Costs Adjustment Included is an additional \$82,700 (Gross and GF/GP) to offset the rising cost of books, subscriptions, database services, binding services, and printing services.	FTEs	0.0
	Gross	\$82,700
	GF/GP	\$82,700

ECONOMICS: FY 1999-2000

Economic Adjustments Included is an additional \$316,100 (Gross and GF/GP) for standard economic adjustments associated with salaries and wages, insurances for employees, retirement plans, and motor transport.	FTEs	0.0
	Gross	\$316,100
	GF/GP	\$316,100

MAJOR BOILERPLATE CHANGES: FY 1999-2000

None

VETOES: FY 1999-2000

None

REVENUE INCREASES: FY 1999-2000

None

SUPPLEMENTAL APPROPRIATIONS: FY 1998-99

None

MANAGEMENT AND BUDGET

PUBLIC ACT 124 OF 1999

Analyst: Robin R. Risko

	FY 1998-99 YEAR-TO-DATE APPROPRIATIONS	FY 1999-2000 ENACTED APPROPRIATIONS	FY 1999-2000 ENACTED CHANGE FROM FY 1998-99	
			AMOUNT	PERCENT
FTE POSITIONS	951.5	950.0	(1.5)	(0.2)
GROSS	\$147,098,400	\$137,400,800	(\$9,697,600)	(6.6)
IDG/IDT	51,115,800	52,476,200	1,360,400	2.7
ADJUSTED GROSS	\$95,982,600	\$84,924,600	(\$11,058,000)	(11.5)
FEDERAL	590,700	536,400	(54,300)	(9.2)
LOCAL	0	0	0	0.0
PRIVATE	0	0	0	0.0
OTHER	37,253,700	39,579,000	2,325,300	6.2
GF/GP	\$58,138,200	\$44,809,200	(\$13,329,000)	(22.9)

NOTE: Year-To-Date Appropriations include one-time supplemental items contained in 1999 PA 69 (SB 68) and 1999 PA 137 (HB 4075).

SB 366

Referred to Appropriations
2/23/99

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3/25/99

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7/23/99

OVERVIEW - MANAGEMENT AND BUDGET

The Department of Management and Budget is an interdepartmental service and management agency responsible for all of the following: ensuring proper financial record keeping for state agencies; developing, upgrading, and maintaining data and communications systems; negotiating collective bargaining agreements; managing capital outlay projects; managing property for the state; executing cost-effective purchasing programs; managing the state's retirement systems; and providing office support services to state agencies. In addition, the Department prepares, presents, and executes the state budget on behalf of the Governor.

The Director of the Department is appointed by the Governor. The Director provides program and policy direction for all state departments and monitors program execution to ensure efficiency and effectiveness of departmental operations. The State Budget Director is also appointed by the Governor and is responsible for coordinating all executive budget activities, including development and presentation.

Public Act 124 provides \$137,400,800 in Gross appropriations and \$44,809,200 in GF/GP appropriations for the Department of Management and Budget. This reflects a decrease in Gross appropriations of \$9,697,600, or a 6.6% reduction, and a decrease in GF/GP appropriations of \$13,329,000, or a 22.9% reduction, from the current-year appropriated levels.

MAJOR BUDGET CHANGES: FY 1999-2000

<u>Budget Issue</u>	<u>Change from FY 1998-99</u>
1. Statewide Land Database	FTEs 0.0
Included is an additional \$550,000 (Gross and GF/GP) to develop and maintain an Executive Information System for the Statewide Land Database.	Gross \$550,000
	GF/GP \$550,000
2. Building Occupancy Charges for Former YWCA	FTEs 0.0
Included is an additional \$645,500 (Gross) for rent payments to be made for the former YWCA building in downtown Lansing. The building is to be renovated and will house the Department of Agriculture, which will provide the funding through an interdepartmental grant to DMB.	Gross \$645,500
	GF/GP \$0
3. Sale of Hosmer Warehouse	FTEs 0.0
Funding for the Hosmer Warehouse is eliminated due to the sale of the building.	Gross (\$606,600)
	GF/GP (\$303,300)
4. Public Act 51 Compliance	FTEs 0.0
Statutory language contained in 1951 PA 51, as amended, requires the phase-out of interdepartmental grants which are supported by Michigan Transportation Fund (MTF) dollars by FY 2000-2001. The MTF funding is phased out and replaced with an equal amount of GF/GP.	Gross \$0
	GF/GP \$340,500

General Government - Management and Budget

MAJOR BUDGET CHANGES: FY 1999-2000

<u>Budget Issue</u>	<u>Change from FY 1998-99</u>	
5. Michigan Geographic Framework	FTEs	0.0
Included is an additional \$150,000 (Gross and GF/GP) to cover DMB's share of operational costs of the Michigan Geographic Framework (MGF). The Michigan Information Center administers the MGF, which is the base map used for various demographic-related activities.	Gross	\$150,000
	GF/GP	\$150,000
6. Retirement Services	FTEs	0.0
Included is an additional \$92,300 (Gross) for increased costs associated with hearing officers and actuarial services, and for additional mailing costs due to an increase in the number of retirees.	Gross	\$92,300
	GF/GP	\$0
7. Statewide Cost Allocation Plan (SWCAP) Adjustments	FTEs	0.0
Adjustments were made to reflect the most recent SWCAP. The SWCAP is a mechanism by which the state identifies and allocates indirect costs, and is necessary in order for the state to obtain reimbursement from the federal government for costs of central support services provided to operating departments.	Gross	\$0
	GF/GP	(\$1,470,000)

ECONOMICS: FY 1999-2000

Economic Adjustments	FTEs	0.0
Included is an additional \$2.8 million (Gross) and \$911,500 (GF/GP) for standard economic adjustments associated with salaries and wages, insurances for employees, retirement plans, building occupancy charges, fuel and utilities, motor transport, and worker's compensation.	Gross	\$2,813,400
	GF/GP	\$911,500

MAJOR BOILERPLATE CHANGES: FY 1999-2000

DEPARTMENT OF MANAGEMENT AND BUDGET BOILERPLATE

- 1. MAIN - Quarterly Billing Statements**
Current-year Sec. 712, which requires DMB to submit quarterly billing statements, specifying the number of users, to the Legislature and to each department/agency that benefits from or incurs costs from the use of MAIN, is not included.
- 2. Notice of Invitations for Bids and Requests for Proposals**
Included is new language which requires DMB to maintain an Internet website that contains notice of all invitations for bids and requests for proposals over \$50,000 and prohibits DMB's acceptance of an invitation for bid or request for proposal in less than 14 days after the notice is made available on the Internet website, except in situations where it would be in the best interest of the state and documented by the department (Sec. 716).
- 3. Emergency First Responder Kits**
Included is new language which requires DMB to conduct a feasibility study regarding the placement of emergency first responder kits on each floor of each building utilized by a state agency that houses state employees or is open to the public for state business (Sec. 718).

MAJOR BOILERPLATE CHANGES: FY 1999-2000

GENERAL SECTIONS OF BOILERPLATE

1. Budget Stabilization Fund - Unreserved GF/GP Balances

Current-year Sec. 208, which appropriates all GF/GP unreserved balances at the final close of the fiscal year and transfers them into the Countercyclical Budget and Economic Stabilization Fund, is not included.

2. Budget Stabilization Fund - Appropriation

Included is new language which appropriates \$37.1 million into the Countercyclical Budget and Economic Stabilization Fund (Sec. 212).

3. Internet Availability of Reports

Included is new language which requires DMB to pilot the placement of all reports which are required in the General Government appropriations act on the Internet, and to continue to distribute the reports in printed format in FY 2000 (Sec. 213).

4. Receive/Retain Copies of all Reports

Included is new language which states that all departments/agencies receiving appropriations in the General Government appropriations act are to receive and retain copies of all reports funded from appropriations in the act, and that federal and state guidelines for short-term and long-term retention of records are to be followed (Sec. 214).

VETOES: FY 1999-2000

None

REVENUE INCREASES: FY 1999-2000

None

SUPPLEMENTAL APPROPRIATIONS: FY 1998-99

1. Decennial Census

Included in 1999 PA 69 (SB 68) is \$458,200 (Gross and GF/GP) and authorization for 3.5 FTE positions to support decennial census coordination and outreach efforts.

FTEs	3.5
Gross	\$458,200
GF/GP	\$458,200

2. Art and Cultural Grants

Included in 1999 PA 124 (HB 4075) is \$10.0 million (Gross and GF/GP) to support applications for art and cultural grants. This discretionary grant program will be administered by the Office of the State Budget Director. Specific criteria and deadlines for submission of grant applications have yet to be determined.

FTEs	0.0
Gross	\$10,000,000
GF/GP	\$10,000,000

3. Statewide Information Technology Assessment

Included in 1999 PA 124 (HB 4075) is \$3.0 million (Gross and GF/GP) to support an assessment of best practices regarding application software maintenance, LAN/PC desktop services, and client server operations.

FTEs	0.0
Gross	\$3,000,000
GF/GP	\$3,000,000

SUPPLEMENTAL APPROPRIATIONS: FY 1998-99

4. (Boilerplate) Budget Stabilization Fund - GF/GP Lapses

Included in 1999 PA 124 (HB 4075) is language which appropriates all net GF/GP appropriation lapses at the final close of the fiscal year and transfers them into the Countercyclical Budget and Economic Stabilization Fund (Sec. 203).

5. (Boilerplate) Budget Stabilization Fund - Appropriation

Included in 1999 PA 124 (HB 4075) is language which appropriates and transfers \$55.2 million into the Countercyclical Budget and Economic Stabilization Fund (Sec. 204).

SUPPLEMENTAL APPROPRIATIONS: FY 1999-2000

Statewide Unclassified Salaries

Included in 1999 PA 124 (HB 4075) is boilerplate language which appropriates amounts not to exceed \$548,800 (Gross), \$60,000 (State Restricted), and \$488,800 (GF/GP) to DMB for unclassified salaries. Amounts are authorized to support unclassified positions in various executive departments/agencies for FY 1999-2000. Also, the language requires DMB to report on the amounts spent by each executive department/agency on unclassified salaries (Sec. 1204).

STATE PUBLIC ACT 124 OF 1999

Analyst: Craig Thiel

	FY 1998-99 YEAR-TO-DATE APPROPRIATIONS	FY 1999-2000 ENACTED APPROPRIATIONS	FY 1999-2000 ENACTED CHANGE FROM FY 1998-99	
			AMOUNT	PERCENT
FTE POSITIONS	2,022.1	2,050.0	27.9	1.4
GROSS	\$175,790,300	\$181,515,300	\$5,725,000	3.3
IDG/IDT	46,604,600	56,830,800	10,226,200	21.9
ADJUSTED GROSS	\$129,185,700	\$124,684,500	(\$4,501,200)	(3.5)
FEDERAL	1,099,600	3,112,100	2,012,500	183.0
LOCAL	0	0	0	0.0
PRIVATE	884,500	500,100	(384,400)	(43.5)
OTHER	59,227,200	60,983,300	1,756,100	3.0
GF/GP	\$67,974,400	\$60,089,000	(\$7,885,400)	(11.6)

SB 366

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6/17/99

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7/23/99

OVERVIEW - STATE

The mission of the Department of State is to provide the most efficient and effective services to residents of Michigan through the licensing of drivers and the registration and titling of vehicles; the regulation of automobile dealers and repair facilities; the registration of voters and administration of elections; the preservation of Michigan's history; and the collection of revenue.

Public Act 124 includes an overall increase of 3.3% over current-year appropriated levels and a decrease of 11.6% in General Fund support. The FY 1999-2000 budget focuses on a continuation of technology enhancements to improve the Department's customer service. Funding is provided to implement recently-enacted legislation at the state and federal levels. The budget also includes a funding shift of nearly \$8.0 million, replacing GF/GP support throughout the budget with an equal amount of funding from the Michigan Transportation Fund. This funding shift accounts for the majority of the General Fund support decrease from current-year levels. The FY 1998-99 appropriation amounts include one-time funding of almost \$5.5 million, accounting for a large portion of the General Fund decrease in the FY 1999-2000 budget.

The FY 1999-2000 budget includes \$1.6 million (\$688,000 GF/GP) to complete the final two phases of the Department's implementation of a document management system based on imaging technology. The first phase was funded through a FY 1997-98 supplemental appropriation of \$1.0 million (\$500,000 GF/GP).

Nearly \$2.5 million in General Fund support is included for increased operational costs associated with the recently-enacted repeat offender legislation. Another new initiative arising from recent changes in state law will require the Department of State to review applications for state tax credits associated with state historical sites. The FY 1999-2000 budget contains \$70,000 GF/GP to support this new program.

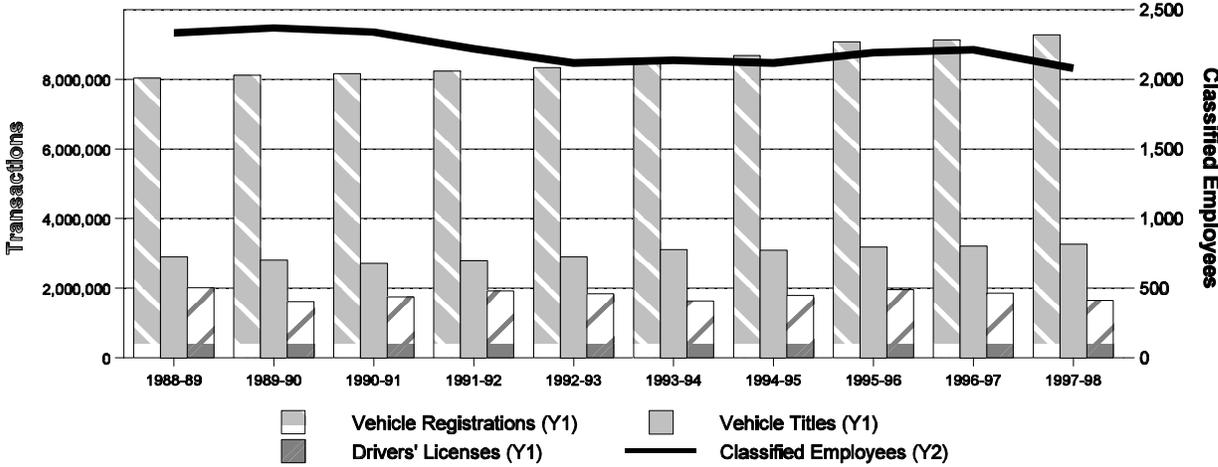
In response to passage of the 1996 Federal Illegal Immigration Reform and Immigrant Responsibility Act, 1998 PA 330 was enacted to require the state to collect and verify social security numbers from all drivers and personal identification card applicants, beginning October 1, 2000. The budget includes over \$1.7 million in Federal Temporary Assistance for Needy Families (TANF) funds to cover the start-up costs of collecting and verifying social security numbers.

The FY 1999-2000 budget also contains \$150,000 (GF/GP) for a new program to help preserve Michigan lighthouses that are being decommissioned by the federal government. This funding will support local grants and program coordination.

Two FY 1998-99 supplemental appropriations for the Department of State total \$5.5 million (GF/GP). First, \$1.7 million is provided for start-up costs associated with the repeat offender legislation. Second, \$3.7 million in additional funding is provided for software upgrades, interim maintenance costs, and preparation of the Qualified Voter File system for redistricting due to the 2000 census. The Qualified Voter File is a statewide voter registration and elections management system.

The chart below compares the amount of driver and vehicle transactions with the number of classified employees over the past ten-year period.

**Transactions Compared to Classified Employees
FY 1988-89 through FY 1997-98**



Source: Department of State

MAJOR BUDGET CHANGES: FY 1999-2000

Budget Issue

1. Program Enhancement - Document Management

The Bureau of Driver and Vehicle Records currently handles over 27 million paper documents annually where certain information is extracted and stored in computer mainframe files and the documents transferred to microfilm for future retrieval. The Bureau receives requests for approximately six million record look-ups yearly which are handled through the current paper/electronic/microfilm-based system. This system, however, is extremely labor intensive and time consuming. The budget includes \$1.6 million (\$688,000 GF/GP) for the Department to complete implementation of a new document management storage and retrieval system based on imaging technology. The first phase of the new system was funded through a \$1.0 million (\$500,000 GF/GP) FY 1997-98 supplemental.

Change from FY 1998-99

FTEs	0.0
Gross	\$1,600,000
GF/GP	\$688,000

MAJOR BUDGET CHANGES: FY 1999-2000

Budget Issue

Change from FY 1998-99

2. New Program - Repeat Offender

Repeat offender legislation was signed into law October 1998, and most provisions are effective October 1, 1999. Repeat offenders are persons with multiple alcohol-related convictions or persons who continually drive despite a suspended/revoked/denied license. The new legislation provides courts, law enforcement, and the Department of State with new tools such as vehicle immobilization, plate confiscation, and registration denial to address this traffic safety problem. Funding is included in FY 1999-2000 to cover the first year on-going costs for this program.

FTEs	30.7
Gross	\$2,479,000
GF/GP	\$2,479,000

The FY 1999-2000 funding will support on-going costs such as increased mailing, increased hearings, staff time to answer questions, record maintenance, processing licensing sanctions, and computer programming. Workload for the Department is expected to increase in several areas, especially in the number of persons receiving a license revocation who will require a hearing prior to re-licensing.

3. New Program - Social Security Number Verification

Public Act 330 of 1998 was enacted in response to the Federal Illegal Immigration Reform and Immigrant Responsibility Act of 1996 which requires states to collect and verify social security numbers from all driver and personal identification card applicants starting October 1, 2000. The FY 1999-2000 budget contains \$1.7 million in Federal Temporary Assistance for Needy Families (TANF) funds to support the start-up costs for implementing this legislation. Funding is required to develop methods for collecting and verifying social security numbers in both the branch offices and the central record renewal-by-mail area. There will also be costs associated with programming and equipment enhancements and changes in applications and procedures.

FTEs	3.2
Gross	\$1,712,200
GF/GP	\$0

4. Public Act 51 Compliance

Statutory language contained in 1951 PA 51, as amended, requires the phase-out of Michigan Transportation Fund (MTF)-supported interdepartmental grants (IDGs) by FY 2000-2001. The FY 1999-2000 budget complies with the statutory phase-out of MTF IDGs. The FY 1999-2000 budget replaces MTF in various departments with GF/GP and shifts GF/GP to MTF within the Department of State. The funding shift within the Department of State's budget totals almost \$8.0 million. Total funding from the MTF for the Department of State in the FY 1999-2000 budget increases by \$10.2 million to \$56.8 million.

FTEs	0.0
Gross	\$0
GF/GP	(\$7,962,900)

5. New Program - Lighthouse Preservation

Funding is included to preserve those Michigan lighthouses being decommissioned by the federal government. A portion of the funding will support local grants to assist with preservation efforts.

FTEs	1.0
Gross	\$150,000
GF/GP	\$150,000

6. New Program - Historical Tax Credits

The budget includes funding for administration of a program to determine eligibility for state tax credits for historic sites.

FTEs	1.0
Gross	\$70,000
GF/GP	\$70,000

MAJOR BUDGET CHANGES: FY 1999-2000

<u>Budget Issue</u>	<u>Change from FY 1998-99</u>	
7. New Program - Snowmobile Decals	FTEs	0.0
Public Act 297 of 1998 requires that effective July 1, 1999, Michigan snowmobile owners display their snowmobile registration numbers on the snowmobile. The Department of State is working with the Department of Natural Resources to design a new decal that will be placed on both sides of the snowmobile. Current decal material costs are \$18,000, while the costs of the new decals are estimated at \$60,000 per year. The budget includes \$42,000 for the added costs of the new decals. Funding for this increase will be provided through snowmobile registration fees.	Gross	\$42,000
	GF/GP	\$0
8. Program Elimination - Snowmobile Annual Permits	FTEs	0.0
The Department has discontinued selling annual snowmobile trail permits as an agent for the Department of Natural Resources. Correspondingly, the FY 1999-2000 budget reflects the elimination of the funding associated with this program.	Gross	(\$127,800)
	GF/GP	\$0

ECONOMICS: FY 1999-2000

1. Standard Economic Adjustments	FTEs	0.0
The budget includes a net increase for standard economic adjustments associated with salaries and wages, insurances for employees, retirement, building occupancy charges, private rent, and worker's compensation.	Gross	\$5,211,100
	GF/GP	\$2,154,400
2. Unclassified Salaries	FTEs	0.0
Funding is included to provide the Department's five unclassified employees with a 3.0% salary increase. The Secretary of State's salary is set for each four-year term by the Legislature and is currently \$124,900.	Gross	\$12,900
	GF/GP	\$12,900
3. Postage Increase	FTEs	0.0
The budget contains \$248,200 Gross (\$86,900 GF/GP) to cover postage and DMB processing charges due to projected volume increases for FY 1999-2000.	Gross	\$248,200
	GF/GP	\$86,900

MAJOR BOILERPLATE CHANGES: FY 1999-2000

- Lighthouse Program**
The budget includes new language authorizing the Department to award grants to assist in the transfer of lighthouses from federal ownership. Grants are limited to \$20,000 and may be used for the purposes of stabilization and rehabilitation of Michigan lighthouses, but not operational purposes (Sec. 813).
- Organ Donor Public Information Campaign**
The budget includes new language authorizing the Department to develop and administer, in collaboration with the Gift of Life Transplantation Society, a public information campaign for the organ donor program and to solicit funds from public and private parties to underwrite the campaign (Sec. 820).

MAJOR BOILERPLATE CHANGES: FY 1999-2000

3. Commemorative and Speciality License Plates

The budget eliminates current-year language restricting funds appropriated for commemorative or specialty license plates from being expended unless legislation is enacted to establish a commemorative or specialty license plate fee (current-year Sec. 813).

VETOES: FY 1999-2000

None

REVENUE INCREASES: FY 1999-2000

New Fee - Historical Marker Application

The budget includes new language authorizing the Department to collect an application fee of \$250 for each application submitted for inclusion of a historical site on the state historical registry. The language requires the fee revenue to be deposited in a separate revolving fund and to be used for the purpose of correcting, repairing, or replacing historical markers. The Department estimates that it receives approximately 30 applications for historical marker designation each year (Sec. 819).

SUPPLEMENTAL APPROPRIATIONS: FY 1998-99

1. Repeat Offender

A \$1.7 million GF/GP supplemental appropriation is provided to cover start-up costs associated with the recently-enacted repeat offender legislation which was signed into law October 1998 with most provisions effective October 1, 1999. Repeat offenders are persons with multiple alcohol-related convictions or persons who continually drive with a suspended/revoked/denied license. The new legislation provides courts, law enforcement, and the Department of State with new tools such as vehicle immobilization, plate confiscation, and registration denial to address this traffic safety problem.

FTEs	5.0
Gross	\$1,748,600
GF/GP	\$1,748,600

2. Qualified Voter File

A \$3.7 million GF/GP supplemental appropriation is provided to support computer software upgrades for the Qualified Voter File. The request will cover the upgrades, interim maintenance costs, and preparation for redistricting due to the 2000 census.

FTEs	3.0
Gross	\$3,743,800
GF/GP	\$3,743,800

<h1 style="margin: 0;">TREASURY - OPERATIONS</h1> <h2 style="margin: 0;">PUBLIC ACT 124 OF 1999</h2>
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Analyst: Craig Thiel

	FY 1998-99 YEAR-TO-DATE APPROPRIATIONS	FY 1999-2000 ENACTED APPROPRIATIONS	FY 1999-2000 ENACTED CHANGE FROM FY 1998-99	
			AMOUNT	PERCENT
FTE POSITIONS	1,715.0	1,739.0	24.0	1.4
GROSS	\$263,049,900	\$266,446,000	\$3,396,100	1.3
IDG/IDT	15,603,700	8,810,600	(6,793,100)	(43.5)
ADJUSTED GROSS	\$247,446,200	\$257,635,400	\$10,189,200	4.1
FEDERAL	39,370,100	39,800,000	429,900	1.1
LOCAL	2,237,000	2,247,200	10,200	0.5
PRIVATE	175,000	0	(175,000)	(100.0)
OTHER	138,962,200	152,289,800	13,327,600	9.6
GF/GP	\$66,701,900	\$63,298,400	(\$3,403,500)	(5.1)

SB 366

Referred to Appropriations
2/23/99

Passed Senate
3/25/99

Passed House
5/26/99

2nd Conference
Approved by Senate
6/16/99

2nd Conference
Approved by House
6/17/99

Effective
7/23/99

OVERVIEW - DEPARTMENT OF TREASURY - OPERATIONS

Under the direction of the State Treasurer, the Department of Treasury collects, invests, and disburses state monies; administers state tax laws; safeguards the credit of the state and local governments and provides support to various authorities.

The Bureau of State Lottery and the debt service/revenue sharing areas of the Department of Treasury's budget are not included here, rather these areas appear separately in this document. The budgetary areas covered here include Executive Direction, Departmentwide Services, Local Government, Tax Programs, Management Services, Financial/Investment Services, Casino Oversight, and Local Grants.

PA 124 provides an increase of 1.3% in Gross appropriations for FY 1999-2000, with a decrease in GF/GP spending of 5.1% compared to current-year appropriated levels. The decrease in GF/GP appropriations for FY 1999-2000 partially results from inclusion of \$14.7 million in one-time appropriations in the FY 1998-99 figures. Discounting these one-time spending items in the current-year figures, the Department received a 21.7% increase in its FY 1999-2000 GF/GP budget.

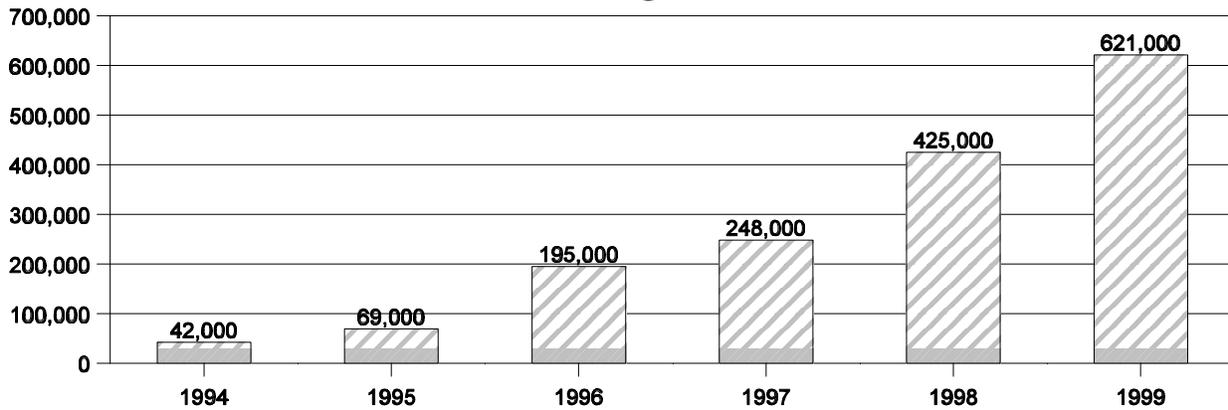
The budget contains a \$6.9 million funding shift, replacing the interdepartmental grant from the Michigan Transportation Fund with an equal amount of GF/GP support. General Fund support (\$5.0 million) is also included for the Department's Tax Technology Investment Plan designed to improve customer service and enhance state tax collections. Another funding shift included in the FY 1999-2000 budget replaces \$3.0 million in GF/GP with an equal amount of restricted delinquent property tax revenue to support the Department's property tax program. An additional \$900,000 GF/GP is appropriated to cover state payments to locals for lost property tax revenue associated with the exemption of senior citizens cooperative housing facilities from local tax rolls.

The budget contains \$2.0 million Gross for administration of the Michigan Merit Award Board. The Board will provide post secondary scholarships to high school students who have demonstrated academic achievement. Funding for administration of this program will come from the state's portion of the national tobacco settlement. Additional funding (\$3.9 million Gross) and 10 FTE positions are provided to cover the costs of state licensing and regulation of temporary casinos in Detroit by the Departments of Attorney General, State Police, and Treasury. The budget also includes funding and FTE authorizations to continue administration and enforcement of the cigarette tax stamping program initiated under 1997 PA 187.

A number of FY 1998-99 GF/GP supplemental appropriations are provided to the Department under 1998 PA 69 and 1998 PA 137. Public Act 69 includes \$5.3 million for start-up costs of the Department's Tax Technology Investment Plan and \$6.0 million to reimburse locals for the costs of conducting the 2000 presidential primary. Public Act 69 also includes a funding shift, replacing \$3.0 million GF/GP with delinquent property tax revenue, to support the property tax program in FY 1998-99. The FY 1999-2000 budget contains a similar funding shift.

Public Act 124 includes \$6.4 million in FY 1998-99 GF/GP supplemental appropriations. Of the total, \$5.0 million is provided to create a reserve fund to secure obligations issued by the Michigan Municipal Bond Authority to make capital or operational loans to public school academies. An additional \$1.4 million is appropriated in FY 1998-99 to support the costs of the cigarette tax stamping program, including stamp purchases, distribution, and reconciliation activities, as well as some enforcement activities.

**Number of State Income Tax Returns Processed Electronically
1994 through 1999**



Source: Michigan Department of Treasury

MAJOR BUDGET CHANGES: FY 1999-2000

Budget Issue

Change from FY 1998-99

1. New Program - Tax Technology Investment Plan

The budget provides \$5.0 million GF/GP to enhance the state's tax administration system. The existing system is labor-intensive and technologically outdated; as a result, revenue collection, tax consistency and fairness, and customer service have suffered. The total cost of the program is projected to be \$73.0 million over the next five years, which includes a FY 1998-99 supplemental appropriation of \$5.3 million in 1998 PA 69 and the \$5.0 million for FY 1999-2000. This investment is expected to achieve greater consistency and fairness, improve customer service, and add over \$250.0 million in new revenue over the five-year period and over \$100.0 million annually thereafter.

FTEs	0.0
Gross	\$5,000,000
GF/GP	\$5,000,000

2. New Program - Michigan Merit Award Board

The budget appropriates \$2.0 million for administration of the Michigan Merit Award Board, created under 1999 PA 94. The overall goal of the Board is to increase access to post secondary education and reward recent Michigan high school graduates who have demonstrated academic achievement. The Board will award Michigan Merit Award scholarships to students who meet certain academic criteria to pay for tuition and related post secondary educational costs. Funding would be from the Michigan Merit Award Trust Fund, which will receive revenue from the recent tobacco settlement.

FTEs	0.0
Gross	\$2,000,000
GF/GP	\$0

MAJOR BUDGET CHANGES: FY 1999-2000

Budget Issue

Change from FY 1998-99

3. Public Act 51 Compliance

Statutory language in 1951 PA 51, as amended, requires the phase-out of Michigan Transportation Fund-supported interdepartmental grants to certain agencies by FY 2000-01. The Department of Treasury currently receives funding from the Michigan Transportation Fund to support its transportation revenue collection efforts. The FY 1999-2000 budget complies with PA 51 and phases out all MTF grants by replacing this funding with an equal amount of GF/GP.

FTEs	0.0
Gross	\$0
GF/GP	\$6,877,400

4. Program Enhancements - Casino Gaming

The FY 1999-2000 budget includes full-year costs associated with oversight and regulation of Detroit and Indian casinos. Included in the budget for FY 1999-2000 is an increase of \$3.7 million and 10.0 FTEs for the increased workloads of the Departments of Attorney General, State Police, and Treasury associated with the licensing and regulation of temporary casinos in Detroit. Also included in the FY 1999-2000 budget is an increase of \$200,000 and 4.0 FTEs for work related to the four recently-approved Tribal-State Gaming Compacts.

FTEs	14.0
Gross	\$3,906,500
GF/GP	\$0

5. Program Enhancement - Convention Facility Development Fund Distributions

The budget includes a \$4.0 million increase for distributions from the Convention Facility Development Fund. The revenue received in this fund and available for distribution has been increasing. Revenue is generated by a tax on hotel room charges in Wayne, Oakland, and Macomb Counties and a statewide 4% tax on the retail selling price of spirits. The revenue is first used to satisfy the debt service on the Cobo Hall expansion with the remainder being distributed to counties on a per capita basis. Total recommended funding for this program in FY 1999-2000 is \$40.0 million.

FTEs	0.0
Gross	\$4,000,000
GF/GP	\$0

6. Program Enhancement - Tobacco Tax Stamp

The FY 1999-2000 budget includes an increase of \$325,000 and 4.0 FTE positions to implement the remaining portions of the cigarette tax stamping program. In an effort to curb the smuggling of untaxed cigarettes from outside of Michigan, the Tobacco Products Tax Act was amended by 1997 PA 187 to mandate that wholesalers affix a tax stamp to each cigarette pack beginning May 1, 1998. The Department is responsible for printing and distributing "Michigan" cigarette tax stamps, reconciling the issued stamps with taxable pack sales, and performing civil inspections. Funding for this increase would come from tobacco tax penalty revenue, pursuant to statute.

FTEs	4.0
Gross	\$325,000
GF/GP	\$0

7. Program Enhancement - Senior Citizen Cooperative Housing

The FY 1999-2000 budget includes a 7% increase in the Senior Citizen Cooperative Housing Tax Program to support new facilities and assessment increases. This program provides local governments with lost property tax revenue resulting from the exemption of senior citizen cooperative housing facilities from local tax rolls. Total recommended funding for this program in FY 1999-2000 is \$13.7 million GF/GP.

FTEs	0.0
Gross	\$900,000
GF/GP	\$900,000

MAJOR BUDGET CHANGES: FY 1999-2000

<u>Budget Issue</u>	<u>Change from FY 1998-99</u>	
8. Health Insurance Reserve Fund Payment	FTEs	0.0
Section 52 of 1996 PA 487 requires the Department of Management and Budget to annually calculate the savings from implementation of the new Defined Contribution retirement plan. Once estimated, these savings must be appropriated in the next succeeding fiscal year to the health insurance reserve fund of the State Employees Retirement System (SERS). Savings are what the state would have paid had these employees become members of the old defined benefit plan versus the new defined contribution plan. The FY 1999-2000 budget appropriates a total of \$573,600 for FY 1999-2000 to the SERS health insurance reserve fund.	Gross	\$403,000
	GF/GP	\$403,000
9. Program Enhancements - Retirement Investments	FTEs	3.0
The budget provides \$500,000 and authorization for 3.0 FTEs for enhancements to the Department's retirement investments program. Of the total, \$300,000 and 3.0 FTEs would support additional asset managers to effectively maintain investment service performance. The remaining \$200,000 would support a software maintenance contract within the Bureau of Investments. Funding for the increases would be from retirement funds.	Gross	\$500,000
	GF/GP	\$0
10. New Program - County Road Commission Audits	FTEs	3.0
The budget provides \$310,000 and authorization for 3.0 FTEs to implement recent revisions to 1951 PA 51 requiring the Department to conduct performance audits of county road commissions and city and villages regarding the use of state transportation funds.	Gross	\$310,000
	GF/GP	\$310,000
11. Funding Shifts	FTEs	0.0
The budget contains two funding shifts, totaling \$3.3 million, which reduce the GF/GP appropriation. For FY 1999-2000, \$3.0 million in delinquent property tax revenue replaces GF/GP support for administration of the property tax program. Also, \$310,000 in federal revenue replaces GF/GP support for the tax enforcement program line. These adjustments do not affect the Gross appropriation level.	Gross	\$0
	GF/GP	(\$3,349,700)

ECONOMICS: FY 1999-2000

1. Standard Economic Adjustments	Gross	\$4,423,000
The budget includes a net increase for standard economic adjustments associated with salaries and wages, insurances for employees, retirement, building occupancy charges, private rent, motor transport, and worker's compensation.	GF/GP	\$1,216,000
2. Unclassified Salaries	Gross	\$22,400
The budget includes an additional \$21,800 to provide a 3% salary increase for the Department's unclassified employees.	GF/GP	\$22,400

General Government - Treasury operations

MAJOR BOILERPLATE CHANGES: FY 1999-2000

1. Money Managers

Modified language eliminates the restriction of using outside money managers only for the management of the retirement funds' international portfolios. Revised language permits the State Treasurer to use outside managers for the management of all retirement portfolios. The modified language also requires a report on the performance of each outside money manager (Sec. 903).

2. Federal Fuel Dye Program Report

New language requires the Department to submit a report on state implementation of the federal Fuel Dye System program (Sec. 934).

3. Casino Gaming Employees

The budget removes current-year language prohibiting casino gaming oversight employees from being employed by a licensed gaming establishment until at least two years after termination of employment with the Department (current-year Sec. 959).

VETOES: FY 1999-2000

None

REVENUE INCREASES: FY 1999-2000

None

SUPPLEMENTAL APPROPRIATIONS: FY 1998-99

1. Tax Technology Investment Plan

A \$5.3 million GF/GP supplemental appropriation is provided for the Department's Tax Technology Investment Plan, designed to enhance the state's tax administration system. The total project cost for the plan is \$73.0 million over the next five years. This investment is expected to achieve greater consistency and fairness, improve customer service, and add over \$250.0 million in new revenue over the five-year period and over \$100.0 million annually thereafter.

FTEs	0.0
Gross	\$5,300,000
GF/GP	\$5,300,000

2. Presidential Primary

A \$6.0 million GF/GP supplemental appropriation is provided to reimburse local units of government for costs incurred administering the 2000 presidential primary.

FTEs	0.0
Gross	\$6,000,000
GF/GP	\$6,000,000

3. Funding Shift

Contained within a FY 1998-99 supplemental appropriation is a \$3.0 million funding shift, replacing GF/GP with an equal amount of restricted delinquent property tax revenue to support the Department's property tax program. A permanent funding shift is recommended for the FY 1999-2000 budget. This shift does not affect the Gross appropriation level.

FTEs	0.0
Gross	\$0
GF/GP	(\$3,000,000)

SUPPLEMENTAL APPROPRIATIONS: FY 1998-99

4. Public School Academy Loan Reserve Fund

A \$5.0 million GF/GP supplemental appropriation is provided to secure obligations issued by the Michigan Municipal Bond Authority to make capital and operational loans to public school academies.

FTEs	0.0
Gross	\$5,000,000
GF/GP	\$5,000,000

5. Cigarette Tax Stamps

Funding and FTE authorizations are provided in a FY 1998-99 supplemental appropriation for the cigarette tax stamping program. The funding will support tax stamp purchases, distribution, and reconciliation activities, as well as some enforcement activities.

FTEs	2.0
Gross	\$1,400,000
GF/GP	\$1,400,000

<h1 style="margin: 0;">BUREAU OF STATE LOTTERY</h1> <h2 style="margin: 0;">PUBLIC ACT 124 OF 1999</h2>
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Analyst: Craig Thiel

	FY 1998-99 YEAR-TO-DATE APPROPRIATIONS	FY 1999-2000 ENACTED APPROPRIATIONS	FY 1999-2000 ENACTED CHANGE FROM FY 1998-99	
			AMOUNT	PERCENT
FTE POSITIONS	203.0	203.0	0.0	0.0
GROSS	\$33,853,600	\$36,152,100	\$2,298,500	6.8
IDG/IDT	0	0	0	0.0
ADJUSTED GROSS	\$33,853,600	\$36,152,100	\$2,298,500	6.8
FEDERAL	0	0	0	0.0
LOCAL	0	0	0	0.0
PRIVATE	0	0	0	0.0
OTHER	33,853,600	36,152,100	2,298,500	6.8
GF/GP	\$0	\$0	\$0	0.0

SB 366

Referred to Appropriations
2/23/99

Passed Senate
3/25/99

Passed House
5/26/99

2nd Conference
Approved by Senate
6/16/99

2nd Conference
Approved by House
6/17/99

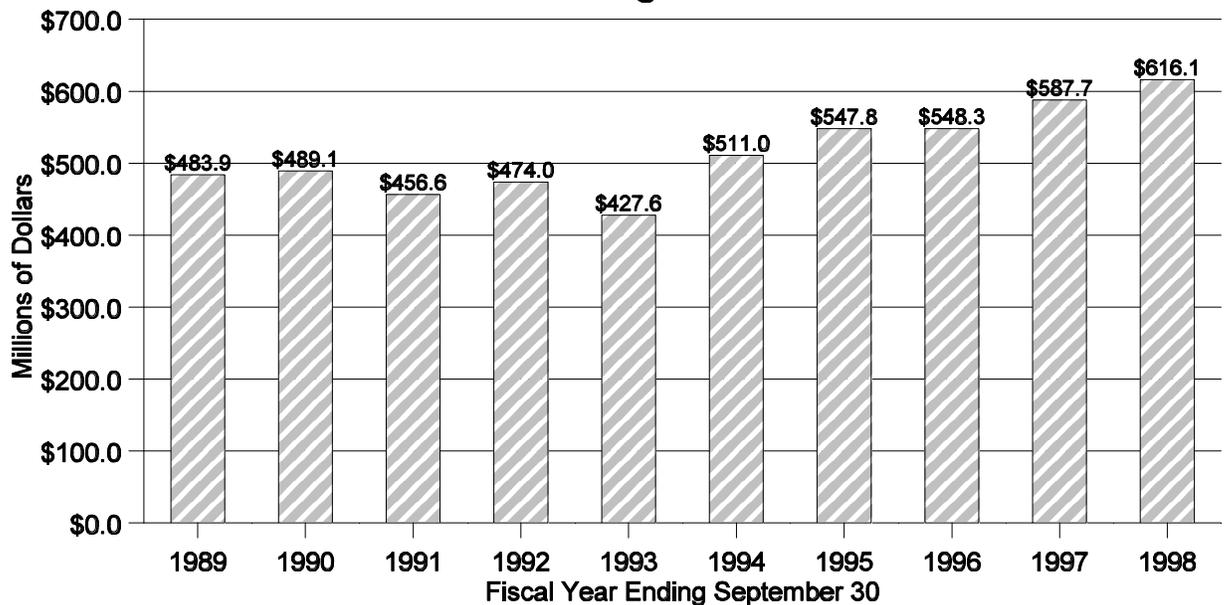
Effective
7/23/99

OVERVIEW - BUREAU OF STATE LOTTERY

The Bureau of State Lottery is a Type 1 agency within the Department of Treasury. Under the direction of the Lottery Commissioner, the Bureau administers all state lottery games and regulates bingo and forms of charitable gaming. The mission of the Bureau is to maximize net revenues for the School Aid Fund for K-12 education.

The FY 1999-2000 budget provides an increase of 6.8% over current-year appropriation levels for the Bureau of State Lottery. All operations of the Bureau are financed by revenues from lottery game sales without any General Fund support.

**Net Lottery Revenues to the School Aid Fund
FY 1988-89 through FY 1997-98**



Source: Bureau of State Lottery

MAJOR BUDGET CHANGES: FY 1999-2000

Budget Issue

Lottery Advertising and Promotion

The FY 1999-2000 budget increases the advertising and promotion allocation by \$2.0 million. Total advertising and promotion budget appropriated for FY 1999-2000 is \$18.4 million.

Change from FY 1998-99

FTEs	0.0
Gross	\$2,000,000
GF/GP	\$2,000,000

General Government - State Lottery

ECONOMICS: FY 1999-2000

Standard Economic Adjustments

The budget includes a net increase for standard economic adjustments associated with salaries and wages, insurances for employees, retirement, building occupancy charges, motor transport, and worker's compensation.

FTEs	0.0
Gross	\$319,100
GF/GP	\$0

MAJOR BOILERPLATE CHANGES: FY 1999-2000

None

VETOES: FY 1999-2000

None

REVENUE INCREASES: FY 1999-2000

None

SUPPLEMENTAL APPROPRIATIONS: FY 1998-99

None

<h1 style="margin: 0;">TREASURY - REVENUE SHARING/DEBT SERVICE</h1> <h2 style="margin: 0;">PUBLIC ACT 124 OF 1999</h2>
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Analyst: Craig Thiel

	FY 1998-99 YEAR-TO-DATE APPROPRIATIONS	FY 1999-2000 ENACTED APPROPRIATIONS	FY 1999-2000 ENACTED CHANGE FROM FY 1998-99	
			AMOUNT	PERCENT
FTE POSITIONS	0.0	0.0	0.0	0.0
GROSS	\$1,480,717,500	\$1,563,117,500	\$82,400,000	5.6
IDG/IDT	0	0	0	0.0
ADJUSTED GROSS	\$1,480,717,500	\$1,563,117,500	\$82,400,000	5.6
FEDERAL	0	0	0	0.0
LOCAL	700,000	700,000	0	0.0
PRIVATE	0	0	0	0.0
OTHER	1,380,700,000	1,462,500,000	81,800,000	5.9
GF/GP	\$99,317,500	\$99,917,500	\$600,000	0.6

SB 366

Referred to Appropriations
2/23/99

Passed Senate
3/25/99

Passed House
5/26/99

2nd Conference
Approved by Senate
6/16/99

2nd Conference
Approved by House
6/17/99

Effective
7/23/99

**OVERVIEW - DEPARTMENT OF TREASURY
REVENUE SHARING/DEBT SERVICE**

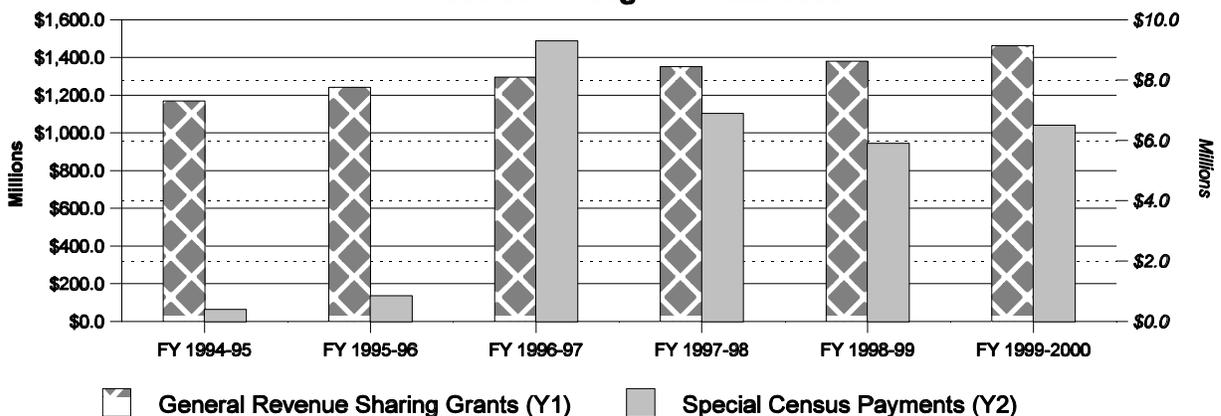
The Department of Treasury administers the various revenue sharing programs to local units of government. The FY 1999-2000 budget provides for three distinct revenue sharing programs: (1) constitutional state general revenue sharing grants, (2) statutory state general revenue sharing grants, and (3) special census revenue sharing payments. The FY 1998-99 budget reflected the first comprehensive revision to the statutory revenue sharing distribution formula in nearly 30 years. Beginning with the FY 1998-99 budget, the City of Detroit's payments are frozen at \$333.9 million and other local jurisdictions receive payments based on three formula components; size and type of community, tax value, and tax yield. The new formula caps annual increases at an aggregate growth rate of 8%, except those communities who experience a population increase of 10% or more in the 2000 census.

The FY 1999-2000 payments will be distributed using the new statutory formula put in place during FY 1998-99. Over \$1.4 billion is appropriated for constitutional/statutory general revenue sharing payments. The budget includes an additional \$81.8 million for these payments, representing an increase of 5.9% over FY 1998-99 levels. It is estimated that this appropriation is sufficient to fund all qualifying local jurisdictions at the statutory 8% aggregate cap.

The budget increases the appropriation for special census revenue sharing payments for the fastest growing communities by \$1.0 million. This increase, combined with a \$400,000 FY 1998-99 supplemental appropriation, fully funds special census revenue sharing payments in FY 1999-2000.

Debt service for three general obligation bond programs also appears in the Department of Treasury's budget: Water Pollution Control Bonds, School Bond Loans, and Quality of Life Bonds. Aggregate debt service is unchanged from FY 1998-99 levels under these three programs.

**Revenue Sharing Payments
FY 1994-95 Through FY 1999-2000**



Source: House Fiscal Agency

MAJOR BUDGET CHANGES: FY 1999-2000

Budget Issue

Change from FY 1998-99

1. Constitutional Revenue Sharing Grants

The FY 1999-2000 budget increases aggregate constitutional/statutory revenue sharing payments by 5.9%, or \$81.8 million, over current-year levels. It is estimated that this funding level is sufficient to provide all qualifying local jurisdictions with the statutory maximum increase of 8% in total revenue sharing payments in FY 1999-2000. Based on the total increase for revenue sharing, constitutional payments are increased by \$27.8 million to reflect the most recent payment estimates under this component. The total appropriation for constitutional payments to cities, villages, and townships is \$607.2 million.

FTEs 0.0
Gross \$27,830,000
 GF/GP \$0

2. Statutory General Revenue Sharing Grants

Of the total \$81.8 million increase, nearly \$54.0 million will be distributed under the statutory component. The FY 1999-2000 budget marks the second year in which statutory revenue sharing payments will be distributed based on the revised formula. Under this formula, the City of Detroit's total revenue sharing payments are frozen at \$333.9 million and all other cities, villages, and townships receive statutory payments based on the size and type of community, taxable value, and tax yield. It is estimated that the total revenue sharing appropriation is sufficient to fully fund all jurisdictions up to the 8% cap provided in law. The total appropriation for statutory revenue sharing grants to counties, cities, villages, and townships is \$855.3 million in FY 1999-2000.

FTEs 0.0
Gross \$53,970,000
 GF/GP \$0

3. Special Census Revenue Sharing Grants

The FY 1999-2000 budget includes an additional \$1.0 million (GF/GP) to satisfy special census revenue sharing payments to qualified local units. June 30, 1997, was the last day local units could qualify for special census payments; therefore, this increase represents the expected growth in payments for those units that have qualified. Total funding recommended for this program in FY 1999-2000 is \$6.5 million. It is estimated that this additional funding in FY 1999-2000, combined with a \$400,000 FY 1998-99 supplemental appropriation, will be sufficient to fully fund payments under this program.

FTEs 0.0
Gross \$1,000,000
 GF/GP \$1,000,000

ECONOMICS: FY 1999-2000

None

MAJOR BOILERPLATE CHANGES: FY 1999-2000

None

General Government - Treasury Revenue Sharing/Debt Service

VETOES: FY 1999-2000

None

REVENUE INCREASES: FY 1999-2000

None

SUPPLEMENTAL APPROPRIATIONS: FY 1998-99

Special Census Revenue Sharing Grants

A \$400,000 GF/GP supplemental is provided to fund payments to qualifying local units. This appropriation, combined with the increase provided in the FY 1999-2000 budget, will fully fund special census revenue sharing payments.

FTEs	0.0
Gross	\$400,000
GF/GP	\$400,000

**FY 1999-2000
Budget Detail
for**

HUMAN SERVICES

**Community Health
Corrections**

Family Independence Agency

COMMUNITY HEALTH PUBLIC ACT 114 OF 1999

Analysts:
Margaret Alston, Bill Fairgrieve, and Susan Higinbotham

	FY 1998-99 YEAR-TO-DATE APPROPRIATIONS	FY 1999-2000 ENACTED APPROPRIATIONS	FY 1999-2000 ENACTED CHANGE FROM FY 1998-99	
			AMOUNT	PERCENT
FTE POSITIONS	6,305.3	6,136.3	(169.0)	(2.7)
GROSS	\$7,731,533,800	\$8,152,205,200	\$420,671,400	5.4
IDG/IDT	69,711,600	69,609,900	(101,700)	(0.1)
ADJUSTED GROSS	\$7,661,822,200	\$8,082,595,300	\$420,773,100	5.5
FEDERAL	3,850,305,700	4,188,318,300	338,012,600	8.8
LOCAL	866,448,200	814,567,500	(51,880,700)	(6.0)
PRIVATE	47,029,700	61,442,000	14,412,300	30.6
OTHER	291,144,900	382,122,500	90,977,600	31.2
GF/GP	\$2,606,893,700	\$2,636,145,000	\$29,251,300	1.1

HB 4299

Referred to Appropriations
2/23/99

Passed House
3/24/99

Passed Senate
5/27/99

Conference Approved
by House
6/10/99

Conference Approved
by Senate
6/10/99

Effective
7/13/99

OVERVIEW - COMMUNITY HEALTH

The Department of Community Health (DCH) budget provides funding for a wide range of Mental Health, Public Health, and Medicaid services. Also included in the budget are funds for the Office of Drug Control Policy, the Office of Services to the Aging, and the Crime Victim Services Commission. Gross appropriations for FY 1999-2000 are \$8.2 billion, of which \$2.6 billion is from GF/GP revenues. This represents a 5.4% increase in Gross appropriations and a 1.1% increase in GF/GP appropriations over the FY 1998-99 year-to-date funding. The lower growth rate of GF/GP is largely due to \$133.1 million in GF/GP savings from an increase in the federal Medicaid match rate from 52.72% to 55.11%.

Mental health initiatives in the budget include: an additional \$66.8 million to address projected expenditures by Community Mental Health Service Programs (CMHSPs) due to Medicaid managed mental health care, \$55.8 million in anticipated increased federal Medicaid earnings to CMHSPs, \$18.8 million for community-based programs due to the decline in the number of patients treated in state-operated psychiatric hospitals for persons with mental illness and centers for persons with developmental disabilities, \$13.7 million to recognize the full-year costs of wage increases to residential and nonresidential direct care workers, and an additional \$2.1 million to provide substance abuse treatment for Family Independence Agency recipients.

In the public health area, an additional \$1.2 million is appropriated to local health departments for increased costs associated with basic public health services. Healthy Michigan Fund appropriations are reduced by \$2.8 million overall, including increases of \$4.1 million and reductions of \$6.9 million for various projects; most of the reductions are imposed on projects that had received one-time increases in FY 1998-99. Federal funding increases are included for AIDS drug assistance, smoking prevention, family planning, abstinence programs, the WIC program, and housing and shelter projects. A \$947,500 increase is provided for the newborn screening program that is financed by an increase in the fees charged for newborn screening services.

The Children's Waiver Home Care program is consolidated into a single line item with additional funding of \$13.3 million to enable the program to serve more disabled children and to support a wage increase for home health agency workers serving these children. The Office of Services to the Aging appropriations are increased by \$5.1 million for respite care, \$3.0 million for a new long-term advisor, and \$1.0 million for physical improvements to senior citizen center facilities. There are no major funding changes for the Office of Drug Control Policy, and the Crime Victim Services Commission.

Medicaid cost increases of \$225.1 million are included to reflect health care inflation and for expenditures above the appropriated level in FY 1998-99 that are expected to continue in FY 2000. An additional \$117.7 million is appropriated for rate increases to qualified health plans, hospitals, nursing homes, and other medical services providers. A nursing home wage pass-through of \$0.75 per employee hour is funded at a cost of \$33.6 million. The personal needs allowance for Medicaid patients in nursing homes is also increased from \$30 to \$60 per month at a cost of \$11.1 million. Allocated for a new senior prescription drug insurance program, Elder Prescription Insurance Coverage (EPIC), is \$45.0 million in Tobacco Settlement Revenue and private premiums. Tobacco funds are also distributed for one-time, long-term care innovation grants. An increase of \$11.1 million is provided for Medicaid rural hospital initiatives, and \$10.9 million is allocated to expand Medicaid dental capacity around the state.

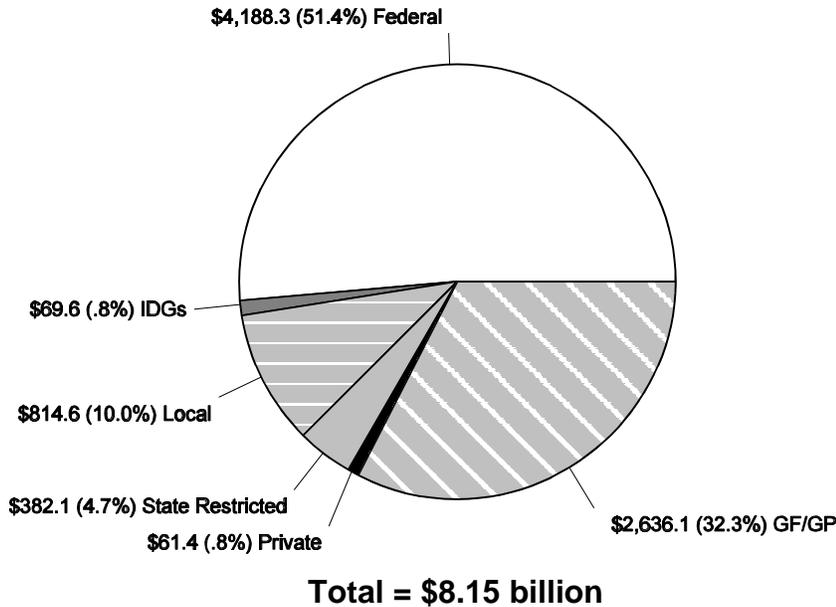
Fiscal Year 1998-99 supplemental appropriations include: \$104.2 million for Medicaid mental health managed care; \$20.0 million for a special financing payment related to community mental health fee-for-service expenditures; \$105.4 million to address Medicaid underfunding; \$2.0 million for an

Community Health

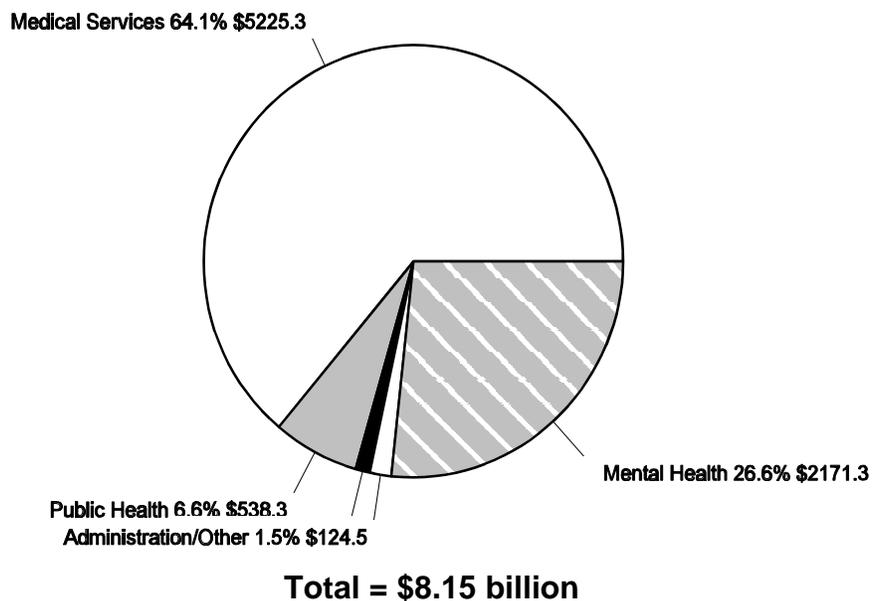
automated pharmacy claims adjudication system; and a \$6.0 million funding shift for the Michigan Pharmaceutical Program from state restricted revenues to GF/GP.

For FY 2000-01, \$2.2 billion is appropriated for Medicaid hospital, physician, and health plan services — which includes a 4% increase in payment rates.

**Department of Community Health
FY 1999-2000 Sources of Funding (Millions)**



**Department of Community Health
FY 1999-2000 Appropriations (Millions)**



MAJOR BUDGET CHANGES: FY 1999-2000

<u>Budget Issue</u>	<u>Change from FY 1998-99</u>
DEPARTMENTWIDE ADMINISTRATION	
1. Departmental Administration and Management	
<p>The budget includes an additional \$2.6 million Gross and \$850,000 GF/GP for expanding the disaster recovery plan and capacity of the Medicaid Management Information System (MMIS) and the Women, Infant, and Children (WIC) Management Information System.</p>	<p>FTEs \$0 Gross \$2,600,000 GF/GP \$850,000</p>
MENTAL HEALTH	
2. Southwest Community Partnership	
<p>The budget includes a \$997,200 reduction for a FY 1998-99 initiative entitled the "Southwest Community Partnership" to remove the excess federal authorization for this five-year grant. The Detroit-Wayne Community Mental Health Services Program, through the Southwest Detroit Mental Health Center, is responsible for developing an integrated mental health system for children with serious emotional disturbances and their families in the Southwest Detroit community.</p>	<p>FTEs 0.0 Gross (\$997,200) GF/GP \$0</p>
3. Program Enhancement, Evaluation, and Data Services	
<p>The budget includes elimination of the Program Enhancement, Evaluation, and Data Services line item appropriation due to the removal of federal excess authorization for this program. This line item appropriation has supported grants to the 15 coordinating substance abuse agencies for evaluating the effectiveness of treatment programs and case management services through statewide prevention initiatives and research projects.</p>	<p>FTEs 0.0 Gross (\$1,137,600) GF/GP \$0</p>
4. Children's Waiver Home Care Program	
<p>The budget includes the transfer of funds, totaling \$2.6 million Gross and \$2.4 million GF/GP, from community residential and support services and community mental health programs to a newly-created line item entitled "Children's Waiver Home Care Program." This program provides funds for home- and community-based services for children with developmental disabilities who live in the homes of their birth or legally adoptive parents.</p>	<p>FTEs 0.0 Gross \$0 GF/GP \$0</p>
5. Federal Medicaid Earnings by Community Mental Health Service Programs (CMHSPs)	
<p>An additional \$55.8 million Gross (\$0 GF/GP) is included in the budget for community mental health programs anticipating increased federal Medicaid earnings by CMHSPs in FY 1998-99.</p>	<p>FTEs 0.0 Gross \$55,842,500 GF/GP \$0</p>
6. Census Decline at State Hospitals and Centers	
<p>The budget includes an additional \$18.8 million Gross, and \$9.1 million GF/GP for CMHSPs due to the decline in the census at state-operated psychiatric hospitals for persons with mental illness and state-operated centers for persons with developmental disabilities. Of these funds, \$9.1 million has been redirected from state hospitals and centers.</p>	<p>FTEs 0.0 Gross \$18,770,400 GF/GP \$9,070,000</p>
7. Community Mental Health Medicaid Managed Care	
<p>An additional \$66.8 million Gross and \$30.0 million GF/GP is included in the budget to address projected expenditures by CMHSPs due to Medicaid managed mental health care.</p>	<p>FTEs 0.0 Gross \$66,830,000 GF/GP \$30,000,000</p>

MAJOR BUDGET CHANGES: FY 1999-2000

<u>Budget Issue</u>	<u>Change from FY 1998-99</u>	
8. Direct Care Workers An additional \$13.7 million Gross and \$3.2 million GF/GP is included in the budget for community mental health programs for the full-year costs associated with implementing the FY 1998-99 wage increase of \$0.75 per hour (including FICA) for direct care workers in day programs, supported employment, and other vocational services programs and the FY 1998-99 wage increase of \$0.50 per hour (including FICA) for direct care workers in local residential settings.	FTEs	0.0
	Gross	\$13,742,500
	GF/GP	\$3,280,100
9. Multi-cultural Services The budget includes an additional \$100,000 for the Arab-American and Chaldean council, and an additional \$100,000 for ACCESS.	FTEs	0.0
	Gross	\$200,000
	GF/GP	\$200,000
10. Unrolling of CMH Program Line Items The budget unrolls the community mental health program line item into the following: community mental health Medicaid managed care, community mental health non-Medicaid services, Multi-cultural services, and Medicaid substance abuse services.	FTEs	0.0
	Gross	\$0
	GF/GP	\$0
11. Substance Abuse Treatment for FIA Recipients An additional \$2.1 million Gross, \$0 GF/GP is included in the budget to provided substance abuse treatment for recipients of the Family Independency Agency who failed drug tests.	FTEs	0.0
	Gross	\$2,100,000
	GF/GP	\$0
12. Forensic Center An additional \$562,200 Gross and GF/GP is included in the budget for the Forensic Center to reflect increased staff and drug costs.	FTEs	0.0
	Gross	\$562,200
	GF/GP	\$562,200
PUBLIC HEALTH		
13. Local Public Health Operations Increase The budget includes a 3% increase of \$1.2 million Gross and GF/GP for local public health operations distributions to share the cost of providing basic local public health services.	FTEs	0.0
	Gross	\$1,161,400
	GF/GP	\$1,161,400
14. Public Health and Family Health Program Federal Grant Increases The budget includes \$19.4 million in additional federal funds to reflect increased or new grant awards. The increases include \$2.0 million for AIDS drug assistance, \$814,600 for smoking prevention, \$707,400 for family planning, \$2.7 million for abstinence programs, \$8.7 million for the WIC program, and \$2.0 million for housing and shelter.	FTEs	0.0
	Gross	\$19,413,600
	GF/GP	\$0

MAJOR BUDGET CHANGES: FY 1999-2000

<u>Budget Issue</u>	<u>Change from FY 1998-99</u>
<p>15. Healthy Michigan Fund Appropriations</p> <p>The budget includes \$41.1 million in appropriations from the Healthy Michigan Fund, a net reduction of \$2.8 million from FY 1998-99. The appropriations include \$4.1 million in new or additional funding to 15 projects and reductions totaling \$6.9 million affecting nine projects that had received increases in FY1998-99, many of which were considered one-time increases. Funding increases include early childhood prevention program grants, AIDS/HIV risk pool for qualified health plans, Youth Commonwealth, Lutheran Home and Bay Women's Center. Funding reductions include Hepatitis B testing and vaccination, Safe Kids childhood injury prevention programs, MI Child outreach, and sudden infant death syndrome.</p>	<p>FTEs 0.0</p> <p>Gross (\$2,814,800)</p> <p>GF/GP \$0</p>
<p>16. Elimination of Excess Federal Authorization in Public Health and Family Health Programs</p> <p>The budget includes reductions in federal funding authorizations totaling \$12.9 million to reflect actual federal grants and funding received. Excess authorizations recommended to be eliminated include \$4.7 million in immunization local agreements, \$3.1 million in the lead abatement program, and \$1.4 million in maternal and child health EPSDT outreach.</p>	<p>FTEs 0.0</p> <p>Gross (\$12,872,900)</p> <p>GF/GP \$0</p>
<p>17. Newborn Screening Fee Increase</p> <p>The budget includes an increase in appropriations of \$947,500 Gross supported by a fee increase for the newborn screening program. The revenue will support the existing program, expanded public education, fee increases to service providers, and laboratory equipment and processing improvements. The Legislature passed Senate Bill 592 which increased the fee set in the Public Health Code. Senate Bill 592 awaits a fall Senate vote on immediate effect.</p>	<p>FTEs 0.0</p> <p>Gross \$947,500</p> <p>GF/GP \$0</p>
<p>18. Children's Waiver Home Care Program Increases</p> <p>The budget includes a \$13.3 million increase in funding to the Children's Waiver Home Care Program. Of this increase, \$9.5 million expands the program capacity from approximately 350 to 400 participants, and \$3.7 million funds wage increases, first effective January 1, 1999, for home care nurses and aides serving these children.</p>	<p>FTEs 0.0</p> <p>Gross \$13,279,900</p> <p>GF/GP \$4,756,400</p>
<p>19. Roll-up of Public Health Line Items</p> <p>The Early and Periodic Screening, Diagnosis and Treatment (EPSDT) Blood Lead Screening appropriation line and the Newborn Screening Services appropriation line were added to the Laboratory Services line. The Disease Surveillance line was added to the Epidemiology Administration line, and the Training and Evaluation line was added to the Local Health Services line.</p>	<p>FTEs 0.0</p> <p>Gross \$0</p> <p>GF/GP \$0</p>
<p>20. Early Childhood Community Based Services Grants</p> <p>The budget includes an additional \$1.3 million Gross, \$300,000 GF/GP, for a cooperative program with the Department of Education and the Family Independence Agency to fund community-based prevention services for families with children 0 to 3 years of age.</p>	<p>FTEs 0.00</p> <p>Gross \$1,300,000</p> <p>GF/GP \$300,000</p>

MAJOR BUDGET CHANGES: FY 1999-2000

<u>Budget Issue</u>	<u>Change from FY 1998-99</u>	
OFFICE OF SERVICES TO THE AGING		
21. Senior Citizen Center Improvements	FTEs	0.0
The budget includes an additional \$1.0 million Gross and GF/GP for physical improvements to senior citizen center facilities.	Gross	\$1,000,000
	GF/GP	\$1,000,000
22. Respite Care Increase	FTEs	0.0
The budget includes an increase of \$5.0 million Gross using Tobacco Settlement funds to be used exclusively for direct respite care. The funds are to be allocated in accordance with a long-term care plan being developed by a working group authorized in the FY 1998-99 Community Health budget.	Gross	\$5,000,000
	Tobacco	5,000,000
	GF/GP	\$0
23. Long-Term Care Advisor	FTEs	3.0
The budget includes an additional 3.0 FTEs and \$3.0 million Gross using Tobacco Settlement funds to establish a new long-term care advisor. The funds are to be allocated in accordance with a long-term care plan being developed by a working group authorized in the FY 1998-99 Community Health budget.	Gross	\$3,000,000
	Tobacco	3,000,000
	GF/GP	\$0
24. Respite Care Fund Source Shift	FTEs	0.0
The budget includes a shift in funding for the respite care program of \$1,500,000 based on an anticipated reduction in the escheats funds that are directed to respite care. An increase in federal funds adjusts for the shortfall.	Gross	\$0
	GF/GP	\$0
MEDICAL SERVICES		
25. Senior Prescription Insurance Program	FTEs	0.0
A new Elder Prescription Insurance Coverage (EPIC) plan is established with Tobacco Settlement revenue and anticipated premium payments. The program will offer subsidized insurance for prescription medications to senior citizens with incomes up to 200% of the poverty level.	Gross	\$45,000,000
	Tobacco	\$30,000,000
	Private	\$15,000,000
	GF/GP	\$0
26. Rural Hospital Initiative	FTEs	0.0
Appropriated for Medicaid-funded rural hospital initiatives is \$11.1 million to be distributed based on a plan developed by a work group consisting of the DCH Director and the Chairpersons of the House and Senate Appropriations Subcommittees on Community Health.	Gross	\$11,138,300
	GF/GP	\$5,000,000
27. Medicaid Dental Services Expansion	FTEs	0.0
Additional funding is provided for projects to increase Medicaid dental capacity, especially in rural areas of the state and through federally qualified health centers.	Gross	\$10,913,100
	GF/GP	\$5,450,000
28. Medicaid Provider Rate Increases	FTEs	0.0
A 3.1% Medicaid rate increase is provided for hospital services, and a 4% Medicaid rate increase is included for health plans (HMOs), nursing homes, physicians, dentists, and most other fee-for-service providers. The personal care services rate paid to adult foster care homes is increased by \$30 per month, and \$2.2 million is added to further increase the payment rate for home health services.	Gross	\$124,784,900
	GF/GP	\$56,024,400

MAJOR BUDGET CHANGES: FY 1999-2000

<u>Budget Issue</u>	<u>Change from FY 1998-99</u>
<p>29. Nursing Home Quality Incentive Payments Funding for continuous quality improvement payments to nursing homes totaling \$25.0 million is eliminated. A new Quality Incentive Grant program is established in the Department of Consumer and Industry Services with funding of \$10.0 million to reward nursing homes which consistently maintain health and safety standards.</p>	<p>FTEs 0.0 Gross (\$25,000,000) GF/GP (\$11,222,500)</p>
<p>30. Personal Care Allowance Increase \$11.1 million Gross, including \$5.0 million in Tobacco Settlement revenue, is allocated for an increase in the personal care needs allowance from \$30 to \$60 per month for Medicaid patients in nursing home facilities. The allowance helps to cover the costs of incidental needs of nursing home residents that are not included in Medicaid reimbursement to the nursing homes.</p>	<p>FTEs 0.0 Gross \$11,138,400 Tobacco \$5,000,000 GF/GP \$0</p>
<p>31. Long-Term Care Innovations Grants One-time funding of \$22.3 million in Tobacco Settlement revenue and federal Medicaid funds is provided for long-term care innovations grants. The funds are to be allocated in accordance with a long-term care plan being developed by a working group authorized in the FY 1998-99 Community Health budget.</p>	<p>FTEs 0.0 Gross \$22,276,700 Tobacco \$10,000,000 GF/GP \$0</p>
<p>32. Base Expenditure Adjustments Anticipated higher costs for hospital, nursing home, physician, pharmaceutical, health plan, adult home help, and other medical services above the original appropriated level in FY 1998-99 are added to the base Medicaid funding.</p>	<p>FTEs 0.0 Gross \$128,654,300 GF/GP \$57,707,900</p>
<p>33. Inflation and Utilization A 4.0% increase for anticipated inflation, caseload, and utilization growth is added in various Medicaid program line items.</p>	<p>FTEs 0.0 Gross \$96,400,000 GF/GP \$43,273,900</p>
<p>34. Medicaid Special Financing Payments The budget includes a series of Medicaid special financing adjustments to maximize the earning of federal matching funds and reduce the amount of state funds needed for the Medicaid program. These are special Medicaid payments made in addition to the regular Medicaid reimbursement to certain providers. The state claims federal match on the special payments, and then all or most of the original payment is returned to the state through an intergovernmental transfer or similar mechanism.</p>	<p>FTEs 0.0 Gross \$26,746,800 GF/GP \$7,608,600</p>
<p>35. Financing Change - Federal Match Increase Federal funding is increased by \$133.1 million and GF/GP is decreased by the same amount to reflect an increase in the federal Medicaid matching rate (FMAP) from 52.72% to 55.11%. The FMAP rate is based on a formula related to per capita income in the state.</p>	<p>FTEs 0.0 Gross \$0 GF/GP (\$133,085,900)</p>

MAJOR BUDGET CHANGES: FY 1999-2000

<u>Budget Issue</u>	<u>Change from FY 1998-99</u>	
36. Roll-up of Line Items - Medical Services	FTEs	0.0
The Executive Budget proposal to consolidate the Hospital, Physician, Home Health, Pharmaceutical, Auxiliary Medical, Home Health, and Transportation line items into a new "Medical Services Non-Capitated" line was rejected. Adult Home Help and Personal Care Services are also maintained as separate line items. The Indigent Medical Program is added to the Special Adjustor Payments line item. Salaries and Wages, Contractual Services, Supplies & Materials, and Travel Equipment are rolled up into a new "Medical Services Administration" line item.	Gross	\$0
	GF/GP	\$0

ECONOMICS AND RETIREMENT: FY 1999-2000

ECONOMICS

1. Unclassified Positions	FTEs	0.0
An increase of \$16,200 is included in the budget for the Director and other unclassified positions. This recommendation represents an increase of 3.0% from the FY 1998-99 appropriation.	Gross	\$16,200
	GF/GP	\$16,200
2. Salaries and Wages	FTEs	0.0
An additional \$11.4 million Gross and \$5.3 million GF/GP is included in the budget for classified employees' salaries and wages.	Gross	\$11,361,500
	GF/GP	\$5,331,600
3. Insurance	FTEs	0.0
An additional \$6.9 million Gross and \$3.3 million GF/GP is included in the budget for state employees' insurance costs.	Gross	\$6,906,000
	GF/GP	\$3,251,800
4. Other	FTEs	0.0
An additional \$1.2 million Gross and \$605,300 GF/GP is included in the budget for inflationary adjustments on items such as motor transport, medical services, food, fuel and utilities, building occupancy, and postage.	Gross	\$1,239,900
	GF/GP	\$605,300
5. Worker's Compensation	FTEs	0.0
The budget includes a \$1.3 million reduction for worker's compensation costs.	Gross	(\$1,298,100)
	GF/GP	(\$1,298,100)

RETIREMENT ISSUES

6. Defined Benefits	FTEs	0.0
An additional \$3.0 million Gross and \$1.3 million GF/GP is included in the budget for state employees' defined benefits retirement costs.	Gross	\$3,047,200
	GF/GP	\$1,322,600
7. Defined Contributions	FTEs	0.0
An additional \$635,000 Gross and \$306,200 GF/GP is included in the budget for state employees' defined contributions retirement costs.	Gross	\$635,000
	GF/GP	\$306,200

MAJOR BOILERPLATE CHANGES: FY 1999-2000

GENERAL

1. Equal Opportunity for Contractors

Sec. 216 (3) requires the Director to take reasonable steps to ensure equal opportunity for those who compete and perform contracts to provide services or supplies, or both.

2. Report on Medicaid Managed Mental Health Care Program

Sec. 218 (2) requires the Department to report on the amount of funding paid to CMHSPs to support the Medicaid managed mental health care program in each month.

3. External Review of the Michigan Public Health Institute

Sec. 225 requires the Department to make available up to \$100,000 to the State Budget Director for contracting for an external review of the Michigan Public Health Institute.

4. Audits of the Michigan Public Health Institute

Sec. 226 requires that all contracts with the Michigan Public Health Institute that are funded with Part 1 appropriations submit to financial and performance audits by the state's Auditor General.

5. Fees for Publications , Videos, and Related Materials

Sec. 236 modifies current-year language by allowing the Department of Community Health, rather than the Office of Services to the Aging, to establish and collect fees for publications, videos and related materials, conferences, and workshops.

MENTAL HEALTH

6. Contracts with CMHSPs

Sec. 402 (1) modifies current-year language by requiring that a contract between each CMHSP and the Department is not valid unless the total dollar obligations of all contracts entered into does not exceed the funds appropriated in part 1, and Sec. 402 (2)(3) requires the Department to immediately report on any new contracts with CMHSPs that affect rates and expenditures.

7. Multi-cultural Services

Sec. 406 requires the Department to ensure that contracts with CMHSPs continue contracts with Multi-cultural service providers, and specifies that the FY 1999-2000 increase in funding be allocated in equal amounts to ACCESS and the Arab-American and Chaldean council.

8. Direct Care Workers

Sec. 409 provides that it is the intent of the Legislature that the FY 1998-1999 wage increase to direct care workers continue to be paid in FY 1999-2000.

9. Managed Care Mental Health Services Contracts

Sec. 424 authorizes the Department to develop a plan that conforms to the federal Health Care Finance Administration for competitive procurement of contracts to manage Medicaid mental health, developmental disabilities, and substance abuse services. The Department may implement a competitive bid pilot program that complies with the approved plan. However, the Department is prohibited from implementing a statewide competitive bid process for FY 1999-2000.

10. Semiannual Reports by CMHSPs

Sec. 604 requires semiannual reports on the following: the number of days of care purchased from state hospitals and centers, the number of days of care purchased from private hospitals in lieu of purchasing days of care from state hospitals and centers, the number and type of alternative placements to state hospitals and centers other than private hospitals, and waiting lists for placements in state hospitals and centers.

MAJOR BOILERPLATE CHANGES: FY 1999-2000

PUBLIC HEALTH

11. Local Public Health Department Dissolution Penalty

Sec. 905 modifies current-year language to reduce local public health operations funding to a county that ceases participation in a district health department arrangement by up to 3%.

12. Local Public Health Operations Funding for Food and Water Protection

Sec. 909 modifies current-year language and authorizes that local public health department operations allocations for food protection will be provided under contract with the Department of Agriculture, and allocations for public water supply, private groundwater supply, and on-site sewage management will be provided under contract with the Department of Environmental Quality.

13. Prostate Cancer Prevention Demonstration Project Allocations

Sec. 1004 modifies current-year language to allow for the allocation of funds to the Hurley and Harper hospitals' prostate cancer demonstration projects.

14. Guidelines for the Use of Federal Abstinence Funds

Sec. 1106a establishes specific items of instruction as requirements for programs expending federal abstinence education funds; gives priority in allocation of funds to programs that do not provide contraceptives to minors and that strive to include parental involvement. Qualifying programs may receive funds directly from the Department.

15. Newborn Screening Fee Increase

Sec. 1119 requires that the availability of \$909,300 in additional appropriations for newborn screening and related laboratory services is contingent upon enactment of an amendment to the Public Health Code of a fee increase, effective prior to October 1, 1999.

16. State Infant Mortality Review Network

Sec. 1121 allocates \$450,000 as one-time funding to Michigan State University, College of Human Medicine, to establish the state infant mortality review network.

17. Healthy Michigan Fund Allocations Boilerplate

Sec. 702 allocates \$100,000 for an Asian women health project as one-time funding and as a work project.

Sec. 807 modifies current-year language to provide \$100,000 for the final year of a project to vaccinate young children in Calhoun County with Hepatitis A vaccine.

Sec. 850 allocates \$150,000 for the behavioral risk factor survey project.

Sec. 1014 appropriates \$500,000 as a work project to the Bay County Women's Center for domestic violence prevention services programs.

Sec. 1015 appropriates \$300,000 in one-time funding for an interactive health education center.

Sec. 1124 allocates \$500,000 each to the Youth Commonwealth (Grand Rapids) and the Lutheran Home (Bay City).

Sec. 1017 directs \$200,000 in violence prevention funds to be available through the Office of Drug Control Policy for transfer to the Department of Education for the Office of Safe Schools. Sec. 1252 directs the Office of Drug Control Policy to transfer the funds.

OFFICE OF SERVICES TO THE AGING

18. Respite Project Funding

Sec. 1409 allocates \$100,000 from unallocated escheat revenue to fund the Human Development Commission Senior Respite Project.

19. Direct Respite Care Funding

Sec. 1411 specifies that \$5,000,000 in additional funds for direct respite care is to be allocated in accordance with the long-term care plan being developed.

MAJOR BOILERPLATE CHANGES: FY 1999-2000

20. Long-Term Care Advisor

Sec. 1412 specifies that \$3,000,000 in funding for a new long-term care advisor office is to be allocated in accordance with the long-term care plan being developed.

MEDICAL SERVICES

21. Pharmacy Dispensing Fee and Copayments

Sec. 1603 maintains the pharmacy dispensing fee at \$3.72 and recipient copayments at \$1.00 for prescription drugs. The section also requires a study of the savings to providers from implementation of an automated pharmaceutical claims adjudication system and allows the Department to recommend an adjustment to the pharmacy dispensing fee based on the study.

22. Preauthorization for Single-Source Pharmaceutical Products

Sec. 1612 allows preauthorization for single source pharmaceutical products under certain conditions. The section also authorizes drug utilization review and disease management systems, and continued development and implementation of the automated pharmacy claims adjudication system.

23. Mail Order Pharmacy

Sec. 1613 authorizes implementation of a mail order pharmacy program if the state law prohibiting Michigan firms from operating a mail order pharmacy is repealed.

24. Nursing Home Wage Pass-Through

Sec. 1618 provides for a \$0.75 per employee hour nursing home wage pass-through for new or enhanced wages and employee benefits.

25. Long-Term Care Plan and Working Group

Sec. 1657 authorizes continuation of the Long-Term Care Working Group established in FY 1998-99 and prohibits implementation of the long-term care plan until at least 24 days after the plan is developed (and while at least one house of the Legislature is in session).

26. Reimbursement for Emergency Room Services

Sec. 1690 requires reimbursement for certain emergency room services without prior authorization by a health plan.

27. Uniform Medicaid Billing Form and Prompt Payment Standards

Sec. 1691 expresses intent that a uniform Medicaid billing form be developed and sets time frames for payment by health plans to providers.

28. EPSDT and MSS/ISS Standards

Sec. 1692 requires uniform service definitions and standards for Early and Periodic Screening, Diagnosis and Treatment (EPSDT) and Maternal/Infant Support services (MSS/ISS).

29. EPSDT and MSS/ISS Outreach Funds

Sec. 1693 requires EPSDT and MSS/ISS outreach funds to be allocated to health plans for contracting with local health departments.

30. Dental Claims Procedures

Sec. 1694 requires the Department to implement revised dental claims procedures including a standard scannable claim form and provides for submission of claims electronically.

31. Elder Prescription Insurance Program

Sec. 1695 expresses legislative intent to establish an Elder Prescription Insurance Program (EPIC) for persons aged 65 or older with income up to 200% of the poverty level. The section specifies that EPIC cannot be implemented until an automated pharmacy claims adjudication system is implemented and the existing senior prescription tax credit program is repealed.

MAJOR BOILERPLATE CHANGES: FY 1999-2000

32. Medicaid Rural Health Initiatives

Sec. 1696 requires the Department to convene a work group to develop a plan for allocating the funds appropriated for rural health initiatives.

33. Hospital Payment Increase

Sec. 1697 specifies that the funds appropriated for hospital services increases are to be distributed as an outpatient fee adjustor payment and creates a rural hospital pool and an urban hospital pool for the distribution of the funds.

34. Medicaid Dental Capacity Expansion

Sec. 1698 directs funds for auxiliary medical services to be allocated for a 4.0% increase in dental fees. The section also authorizes an additional \$9.9 million for projects to expand the Medicaid dental services capacity in the state, and \$1.0 million for dental capacity expansion by federally qualified health centers.

35. Physician Fee Increase

Sec. 1699 requires physician fee increases to be distributed to primary care providers serving a disproportionate share of Medicaid patients.

36. Long-Term Care Innovation Grants

Sec. 1700 specifies that funding for long-term care innovation grants is to be allocated as one-time funding in accordance with the long-term care plan being developed.

VETOES: FY 1999-2000

Sec. 1124: Lutheran Home in Bay City

The Governor vetoed part of this section which allocates \$500,000 of housing and support services funds for the Lutheran Home in Bay City. See Item #15 under Major Budget Issues and Item #17 under Major Boilerplate Issues.

FTEs	0.0
Gross	\$500,000
GF/GP	\$0

REVENUE INCREASES: FY 1999-2000

None

SUPPLEMENTAL APPROPRIATIONS: FY 1998-99

1. Senate Bill No. 68

Senate Bill No. 68 includes a supplemental appropriation of \$61.3 million for Medicaid hospital, long-term care, and pharmaceutical services expenditures which are anticipated to be above the current-year appropriated level.

FTEs	0.0
Gross	\$61,336,700
GF/GP	\$29,000,000

2. House Bill No. 4075

House Bill No. 4075 includes a supplemental appropriation of \$44.1 million for additional Medicaid base adjustments in various line items where spending is expected to exceed the appropriated level. This includes \$2.0 million authorized to develop and implement an automated pharmacy claims adjudication system.

FTEs	0.0
Gross	\$46,100,000
GF/GP	\$21,200,500

SUPPLEMENTAL APPROPRIATIONS: FY 1998-99

3. House Bill No. 4299

House Bill No. 4299 authorizes \$104.2 million as a supplemental appropriation for community mental health services related to the implementation of Medicaid mental health managed care and increased federal Medicaid earnings. Also included is \$20.0 million for additional Medicaid special adjustor payments.

FTEs	0.0
Gross	\$124,212,800
GF/GP	\$9,440,600

APPROPRIATIONS FOR FY 2000-2001

House Bill No. 4299

House Bill No. 4299 appropriates over \$1.2 billion for Medicaid Hospital, Physician, and Health Plan Services which includes a 4.0% increase in payment rates to medical providers in these areas.

FTEs	0.0
Gross	\$1,243,732,800
GF/GP	\$967,740,800

CORRECTIONS PUBLIC ACT 92 OF 1999

Analyst: Marilyn Peterson

	FY 1998-99 YEAR-TO-DATE APPROPRIATIONS	FY 1999-2000 ENACTED APPROPRIATIONS	FY 1999-2000 ENACTED CHANGE FROM FY 1998-99	
			AMOUNT	PERCENT
FTE POSITIONS	17,387.9	19,190.3	1,802.4	10.4
GROSS	\$1,442,097,700	1,567,641,800	\$125,544,100	8.7
IDG/IDT	6,599,300	6,615,600	16,300	0.2
ADJUSTED GROSS	\$1,435,498,400	1,561,026,200	\$125,527,800	8.7
FEDERAL	19,991,500	25,686,400	5,694,900	28.5
LOCAL	401,100	412,800	11,700	2.9
PRIVATE	0	0	0	0.0
OTHER	46,548,700	48,347,900	1,799,200	3.9
GF/GP	\$1,368,557,100	\$1,486,579,100	\$118,022,000	8.6

HB 4300

Referred to Appropriations
2/23/99

Passed House
3/23/99

Passed Senate
5/27/99

Concur with Senate
Amendments
6/2/99

Concur with House
Amendments
6/8/99

Effective
6/30/99

OVERVIEW - CORRECTIONS

The Michigan Department of Corrections operates under the codification of correctional statutes achieved by 1953 PA 232. As articulated in a departmental policy directive, the Department's mission is to enhance public safety by recommending sanctions to the courts and, as directed by the courts, carrying out the sentences given to convicted adult felons in a humane, cost-efficient manner which is consistent with sound correctional principles and constitutional standards.

The basic elements of the state correctional system are probation, prison, and parole. As of June 30, 1998, the Department was responsible for the supervision of 112,159 felony offenders; 52,448 probationers; 46,253 prisoners in prisons, camps, and community placement; and 13,458 parolees.

To manage these offenders, and to implement programs aimed at minimizing recidivism and commitments to prison, the FY 1999-2000 budget provides the Department with a gross appropriation of about \$1.57 billion, an increase of 8.7 percent over the prior year. The GF/GP appropriation of \$1.49 billion represents an increase of 8.6 percent over the prior year.

The increases largely reflect costs associated with rising numbers of prisoners, including partial-year costs of \$80.4 million associated with the opening of 5,465 beds commencing in late FY 1998-99 and continuing on through FY 1999-2000. (Another approved construction project, that of a 1,500-bed prison in Ionia, is scheduled to be completed in August 2001.) New bed openings would be partially offset by \$6.0 million saved through closure of an estimated 404 community placement beds, the result of declining utilization of "halfway houses."

Also helping to offset cost increases is the virtual elimination of the leased bed line item (\$35.8 million Gross, \$30.8 million GF/GP), reflecting plans to phase out beds leased in out-of-state facilities as new beds in Michigan facilities are opened. A minimal line item of \$100 is retained for leased beds, thereby enabling bed leasing to be funded through legislative transfers, should the need arise.

The FY 1999-2000 budget act also addresses needs for additional beds through changes to the FY 1998-99 budget. A line item formerly providing funding only for leased beds was renamed "leased beds and alternatives to leased beds," with associated boilerplate language providing for funding to be carried forward into subsequent fiscal years. Additional beds funded under the \$30.8 million work project account include 432 beds being temporarily developed in day rooms of existing facilities, and an additional 607 beds through development of a new prison in St. Louis as a double-bunked Level IV facility, rather than a single-bunked Level V facility. (The FY 1999-2000 portion of the act follows the Executive recommendation, funding St. Louis as a 672-bed Level V facility.)

Still to be determined is the combined impact of truth-in-sentencing and sentencing guidelines on prison bed space needs in FY 1999-2000 and beyond. Truth-in-sentencing requires certain offenders to serve their entire minimum sentences in prisons or camps; truth-in-sentencing applies to certain serious offenses committed on or after December 15, 1998, and to all other felonies committed on or after December 15, 2000. Newly-enacted sentencing guidelines establish a recommended range for an offender's minimum sentence, and apply to offenses committed on or after January 1, 1999. A study is underway that will identify sentencing patterns occurring during the initial period of sentencing guidelines implementation.

As shown in the Figures following this Overview: 1) over the past 20 years, corrections expenditures consumed an ever-growing share of the state's General Fund, although the proportion has held steady in the last few years; 2) the main cause of that budgetary growth — a burgeoning prison population; 3) the Department's January 1999 prison population projection — plotted against current and approved

Corrections

capacity — suggests that the state may again be facing a shortage of prison beds sometime in 2002. Still unknown is the extent to which sentencing reforms and other efforts — or perhaps factors as yet unforeseen — will affect state and local correctional needs.

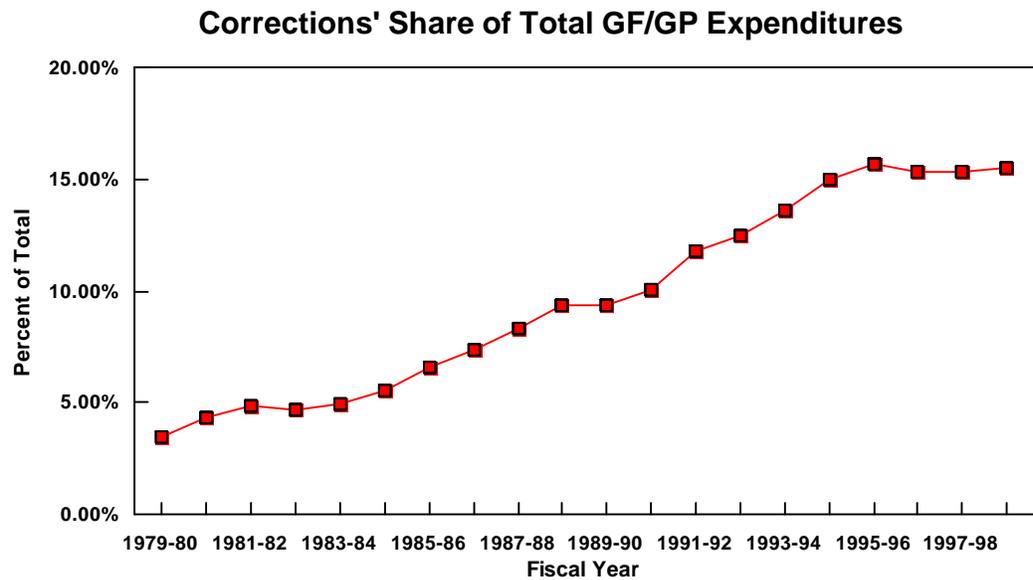


Figure 1

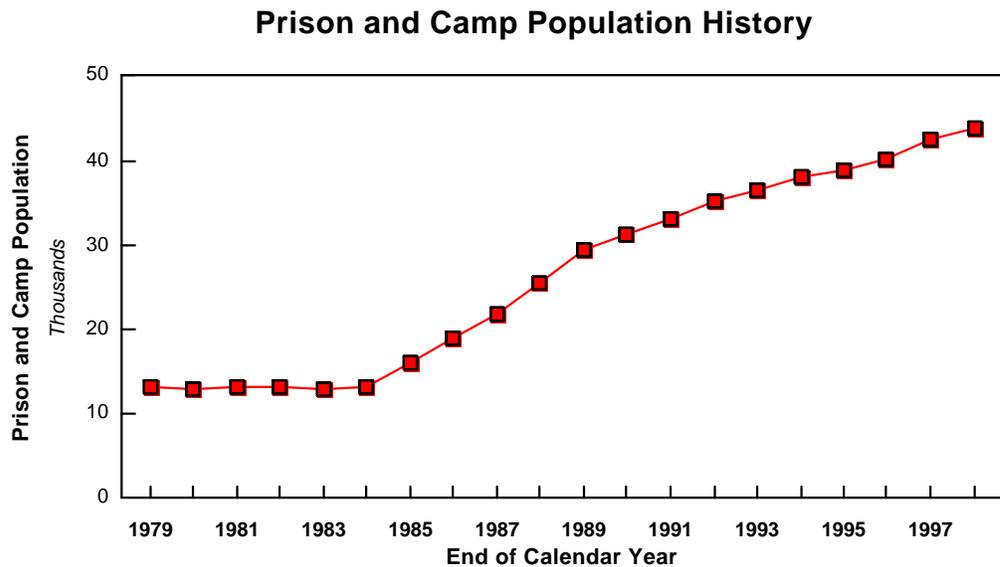
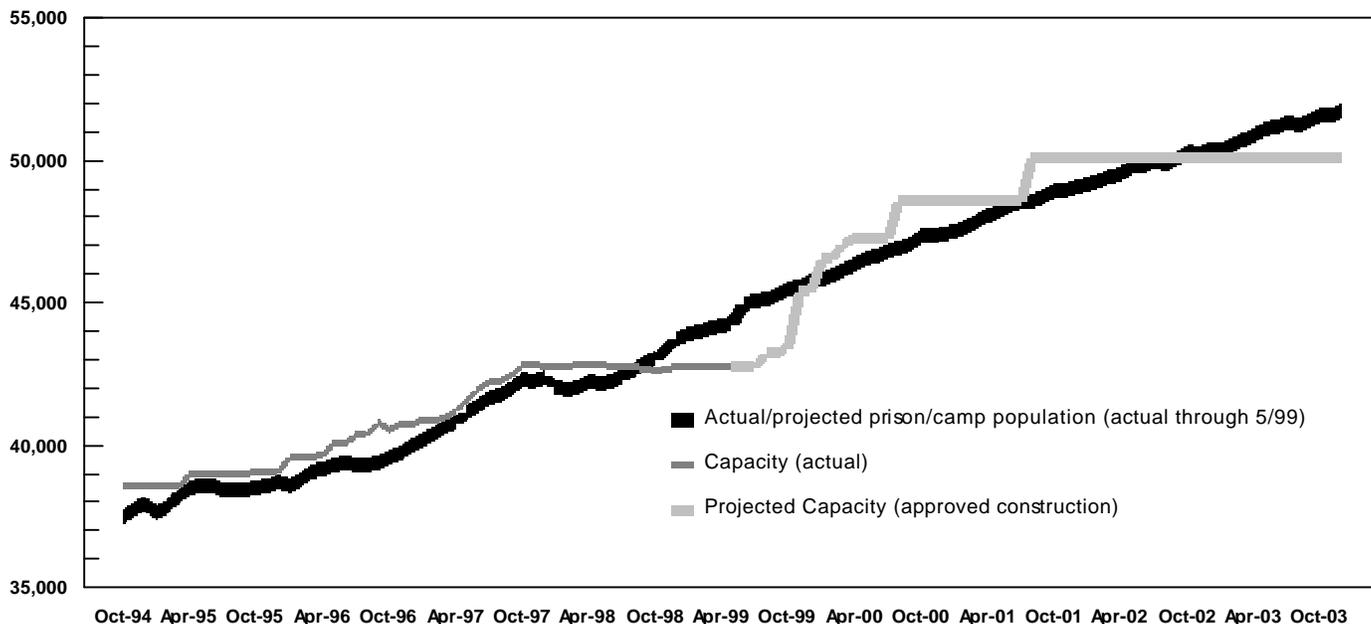


Figure 2

Actual/Projected Prison and Camp Population with Current and Approved Capacity



Sources: MDOC Data Fact Sheets, January 1999 Prison Population Projection, FY 2000 Executive Budget document

Figure 3

MAJOR BUDGET CHANGES: FY 1999-2000

<u>Budget Issue</u>	<u>Change from FY 1998-99</u>	
BED SPACE EXPANSIONS		
1. St. Louis Maximum Correctional Facility	FTEs	394.1
St. Louis Maximum Correctional Facility was approved for construction under 1996 PA 321 (a capital outlay budget act), and is expected to open in November 1999. The FY 1999-2000 budget act funds the facility as a 672-bed Level V facility, although current plans are to develop the facility as a 1,279-bed Level IV facility. Additional funds needed as a result of this increase in capacity are provided through a work project account set up with FY 1998-99 funds formerly allocated only for leased beds. The FY 1999-2000 budget provides \$21.8 million and 394.1 FTEs in connection with this facility, which includes personnel and operational costs, educational programming, health care, and administrative costs.	Gross	\$21,788,800
	GF/GP	\$21,788,800

Corrections

MAJOR BUDGET CHANGES: FY 1999-2000

<u>Budget Issue</u>	<u>Change from FY 1998-99</u>	
<p>2. St. Louis Secure Level I: Pine River Correctional Facility Approved for construction under 1998 PA 273 (a 1998 capital outlay budget act), Pine River Correctional Facility will be a 960-bed secure Level I (minimum security) facility. It is expected to open in January 2000. The FY 1999-2000 budget provides \$14.3 million and 256.6 FTEs for this facility, which includes personnel and operational costs, educational programming, and health care.</p>	FTEs	256.6
	Gross	\$14,321,400
	GF/GP	\$14,321,400
<p>3. Macomb Correctional Facility - Level IV Housing Unit Level IV (close security) housing at Macomb Correctional Facility was approved for construction under 1998 PA 273 (a 1998 capital outlay budget act). The double-bunked, 240-bed unit is expected to open March 2000. The FY 1999-2000 budget provides \$2.1 million and 49.0 FTEs for this unit, which includes personnel and operational costs, educational programming, and health care.</p>	FTEs	49.0
	Gross	\$2,120,800
	GF/GP	\$2,120,800
<p>4. Baraga Maximum - Level I Housing Unit Level I (minimum security) housing at Baraga Maximum Correctional Facility was approved for construction under 1998 PA 273 (a 1998 capital outlay budget act). The 240-bed, double-bunked unit will be separated from the Level V housing already on site, and will house Level I prisoners who will provide facility maintenance and public work crews. The unit is scheduled to open January 2000. The FY 1999-2000 budget provides \$2.5 million and 43.8 FTEs for this unit, which includes personnel and operational costs, educational programming, and health care.</p>	FTEs	43.8
	Gross	\$2,516,400
	GF/GP	\$2,516,400
<p>5. Cooper Street Correctional Facility - Level I Housing Units Additional Secure Level I housing at Jackson's Cooper Street Correctional Facility was approved under 1998 PA 273 (a 1998 capital outlay budget act). The two 240-bed, double-bunked units are scheduled to open November 1999. The FY 1999-2000 budget provides \$5.4 million and 80.4 FTEs for the units, which includes personnel and operational costs, educational programming, and health care.</p>	FTEs	80.4
	Gross	\$5,413,700
	GF/GP	\$5,413,700
<p>6. Florence Crane Women's Facility - Level II Housing Unit Construction of additional housing at Crane, in Coldwater, was approved under 1998 PA 273 (a 1998 capital outlay budget act). The double-bunked, 240-bed Level II housing unit is expected to open in November 1999. The FY 1999-2000 budget provides \$3.0 million and 43.8 FTEs for the unit, which includes personnel and operational costs, educational programming, and health care.</p>	FTEs	43.8
	Gross	\$3,013,600
	GF/GP	\$3,013,600
<p>7. Saginaw Correctional Facility - Level IV Housing Unit Construction of additional housing at Saginaw Correctional Facility was approved under 1998 PA 273 (a 1998 capital outlay budget act). The double-bunked, 240-bed Level IV housing unit is scheduled to open April 2000. The FY 1999-2000 budget provides 48.2 FTEs and \$1.8 million for this unit, which includes personnel and operational costs, educational programming, and health care.</p>	FTEs	48.2
	Gross	\$1,815,900
	GF/GP	\$1,815,900

MAJOR BUDGET CHANGES: FY 1999-2000

<u>Budget Issue</u>	<u>Change from FY 1998-99</u>
<p>8. Thumb Correctional Facility - Level IV Housing Unit Construction of additional housing at Thumb Correctional Facility was approved under 1998 PA 273 (a 1998 capital outlay budget act). The double-bunked, 240-bed Level IV housing unit is scheduled to open March 2000. The FY 1999-2000 budget provides 49.5 FTEs and \$2.2 million for this unit, which includes personnel and operational costs, educational programming, and health care.</p>	<p>FTEs 49.5 Gross \$2,155,600 GF/GP \$2,155,600</p>
<p>9. Ojibway Correctional Facility The expansion and conversion of Camp Ojibway into a secure Level I facility was approved by 1998 PA 273 (a 1998 capital outlay budget act). In addition to the staffing and security changes necessitated by a conversion to a secure facility, construction of two 240-bed, open-bay Level I housing units is being undertaken. The new units are expected to open in August 2000. The FY 1999-2000 budget provides 191.4 FTEs and \$3.5 million for this facility, which includes personnel and operational costs, educational programming, and health care.</p>	<p>FTEs 191.4 Gross \$3,542,000 GF/GP \$3,542,000</p>
<p>10. Pugsley Correctional Facility The expansion and conversion of Camp Pugsley into a secure Level I facility was approved by 1998 PA 273 (a 1998 capital outlay budget act). The camp will be expanded by 800 beds, as well as undergo the staffing and security changes necessary to convert it to a secure facility. Construction is expected to be completed in August 2000. The FY 1999-2000 budget provides 206.6 FTEs and \$4.0 million for this facility, which includes personnel and operational costs, educational programming, and health care.</p>	<p>FTEs 206.6 Gross \$4,016,200 GF/GP \$4,016,200</p>
<p>11. Expansion at Camp Branch Renovations at the women's camp, Camp Branch, are to expand its capacity by 120 beds during FY 1998-99, with the new beds becoming operational in October 1999. The FY 1999-2000 budget provides 32.4 FTEs and \$2.0 million for the first-year operating costs of the new beds.</p>	<p>FTEs 32.4 Gross \$1,953,300 GF/GP \$1,953,300</p>
<p>12. Jackson Prison Reorganization The hallmark feature of the <u>Hadix v. Johnson</u> consent decree is a requirement to split the former State Prison of Southern Michigan in Jackson into separate, smaller prisons. Renovations at former cell blocks 6, 11, and 12 are nearing completion, with 753 beds projected to reopen in January 2000. The 265 Level IV beds developed from the upper three tiers of cell block 6 will be added to Southern Michigan Correctional Facility. The FY 1999-2000 budget provides 134.2 FTEs and \$6.7 million for these beds. An additional 488 Level V beds developed from cell blocks 11 and 12 will be added to Jackson Maximum Correctional Facility. The FY 1999-2000 budget provides 201.7 FTEs and \$11.0 million for the Jackson Maximum expansion.</p>	<p>FTEs 335.9 Gross \$17,720,000 GF/GP \$17,720,000</p>

Corrections

MAJOR BUDGET CHANGES: FY 1999-2000

<u>Budget Issue</u>	<u>Change from FY 1998-99</u>	
13. Youth Correctional Facility The 480-bed Michigan Youth Correctional Facility, owned and operated by Wackenhut Corporation, is scheduled to open July 1999. Partial-year costs associated with leasing and operational contracts for this facility were built into the budget for FY 1998-99. The FY 1999-2000 budget provides an additional \$10.2 million to provide for the full-year costs of using the facility, which is expected to be fully occupied within a few months of opening. Except for monitoring costs, which have already been funded under the FY 1998-99 budget, costs associated with the Youth Correctional Facility will be fully met with federal funds provided under the Violent Offender Incarceration and Truth in Sentencing (VOI/TIS) grant program.	FTEs	0.0
	Gross	\$10,212,900
	GF/GP	\$0
14. Leased Beds With the virtual elimination of the leased bed line item, the budget reflects an assumption that beds leased in out-of-state facilities will be phased out during FY 1999-2000. A token appropriation of \$100 is retained, which would enable a continued need for leased beds to be funded through legislative transfers. The leased bed line item previously has been supported with \$5.0 million in federal VOI/TIS funds.	FTEs	0.0
	Gross	(\$35,807,400)
	GF/GP	(\$30,807,400)
15. Employee Training The budget provides an increase of about \$7.0 million to train new corrections officers. Total cost of the new employee schools planned for FY 1999-2000 would be about \$15.9 million. The funding would cover 16-week training and uniform costs for about 500 turnover positions, plus about 465 positions associated with new bed openings. Training costs are \$11,645 per officer.	FTEs	0.0
	Gross	\$7,070,600
	GF/GP	\$7,070,600
PRISON OPERATIONS		
16. Cain v. MDOC - Prisoner Clothing Requirement An April 1998 order in <u>Cain v. MDOC</u> specified requirements for state-issued clothing that exceeded those previously in place. The budget provides an additional \$4.2 million to fund the additional clothing costs anticipated under <u>Cain</u> .	FTEs	0.0
	Gross	\$4,208,400
	GF/GP	\$4,208,400
17. 1998 PA 376 - Prisoner Uniform Requirement Under 1998 PA 376, prisoners in Levels IV, V, and VI will have to wear identifying uniforms provided by the Department. The budget provides \$666,300 for the cost of providing striped uniforms in FY 1999-2000.	FTEs	0.0
	Gross	\$666,300
	GF/GP	\$666,300
18. Project RESTART In an effort to stem increasing needs for expensive Level V administrative segregation beds, the Department has implemented a pilot "boot camp" type program at Oaks Correctional Facility in Eastlake. Although the Department anticipates that eventually such programming will reduce costs by promoting better prisoner behavior, the intensive nature of the program requires additional staffing. The budget provides an additional 17.0 FTEs and \$753,200 for this project.	FTEs	17.0
	Gross	\$753,200
	GF/GP	\$753,200

MAJOR BUDGET CHANGES: FY 1999-2000

<u>Budget Issue</u>	<u>Change from FY 1998-99</u>
<p>19. Project CHANGE A pilot program in cognitive restructuring has been underway at the Michigan Reformatory in Ionia, where offenders with a high incidence of misconduct have been able to volunteer for a program that teaches them to think differently, behave differently, and ultimately qualify for lower-security placement. Early reports have been encouraging enough for the Executive to recommend that the program no longer be operated on a purely voluntary basis. Like Project RESTART, the intensive nature of the program requires additional staffing. To ensure adequate staffing for the program, the budget provides an additional 14.7 FTEs and \$703,200.</p>	<p>FTEs 14.7 Gross \$703,200 GF/GP \$703,200</p>
<p>20. Mental Health Care The budget provides an increase of \$1,031,200 for mental health services, which are provided by the Department of Community Health. The Executive originally recommended a \$2.1 million increase that would have funded an additional 80-bed residential treatment unit (\$1,025,000), an additional outpatient treatment team (\$605,000), and increased costs of psychotropic medications (\$443,200). One of the federal consent decrees governing mental health care, <u>USA v. Michigan</u>, was terminated on February 3, 1999. The legislature reduced the Executive's proposal by \$1,042,000, which was the amount necessary to fund an increase in per diem payments to probation residential centers (see below).</p>	<p>FTEs 0.0 Gross \$1,031,200 GF/GP \$1,031,200</p>
<p>21. HIV/AIDS Pharmaceuticals New drug therapies to treat HIV and AIDS have increased the costs of treating the roughly 550 HIV-positive and 200 active AIDS cases within the prison system. The Department reports that the number of prisoners with active AIDS has dropped almost 20 percent with the drug treatment now in use. The budget provides additional funding to meet increased costs due to the combined effect of new, more expensive treatments and increasing numbers of prisoners needing those treatments.</p>	<p>FTEs 0.0 Gross \$480,700 GF/GP \$480,700</p>
SUBSTANCE ABUSE TREATMENT AND TESTING	
<p>22. Employee Drug Testing As part of the random drug testing to be required of certain state employees, the Department estimates that it will be testing approximately 5% of its employees each month, for a total of about 11,100 tests per year. Most of the affected staff would be custody officers whose positions would have to be covered during absences for off-site testing, but data to develop estimates on any additional overtime costs was lacking. The Executive therefore recommended an increase only for the estimated costs of the tests themselves, and this is what was enacted in the budget.</p>	<p>FTEs 0.0 Gross \$525,000 GF/GP \$525,000</p>

MAJOR BUDGET CHANGES: FY 1999-2000

Budget Issue

Change from FY 1998-99

23. Residential Treatment - Per Diem Increase

The Department contracts for residential substance abuse treatment at facilities across the state under two-year contracts specifying per diem rates that vary according to the contract. These rates, which generally range from around \$30 per day to around \$65 per day, are reported to have increased an average of about \$2 per day over the previous two-year contract period. The budget provides increased funding to accommodate this need.

FTEs 0.0
Gross \$351,400
GF/GP \$351,400

24. Expiration of Federal "Sweat Patch" Grant

The Executive recommended an increase to the Substance Abuse Administration and Testing line item to accommodate the combined effects of increasing prisoner population and the loss of a \$587,000 federal grant for a pilot program to implement the use of "sweat patch" drug testing (that is, the use of adhesive patches that are worn to continuously monitor for drug use). The Executive recommended increasing the line item and GF/GP support so that the current level of testing and treatment may be maintained. The budget echoes the Executive recommendation.

FTEs 0.0
Gross \$190,000
GF/GP \$777,000

ALTERNATIVES TO PRISON INCARCERATION

25. Closing of Six Corrections Centers

The FY 1999-2000 budget assumes the closure of six corrections centers ("halfway houses"), with a resulting loss of an estimated 404 community placement beds. Two of the centers, in Jackson and Monroe, closed in June 1999, and the other four, in Battle Creek, Port Huron, Flint, and Detroit, are to be closed by August 21, 1999. Declining utilization and the anticipated impact of truth-in-sentencing are factors behind the closures. (Truth-in-sentencing requires that minimum sentences be served in full and in a prison or camp. Truth-in-sentencing applies to certain serious felonies committed on or after December 15, 1998 and to all other felonies committed on or after December 15, 2000.)

FTEs (65.0)
Gross (\$6,000,000)
GF/GP (\$6,000,000)

26. Community Corrections Probation Residential Centers

The probation residential center line item funds grants for residential and support services to offenders who normally would be sentenced to prison or given a long-term jail sentence. It includes funding for the probation detention center in Wayne County, which serves as an alternative to sending probation violators to prison and also houses a boot camp aftercare program. The budget funds a \$3 (from \$40 to \$43) increase in the maximum allowable per diem payments to probation residential centers.

FTEs 0.0
Gross \$1,042,000
GF/GP \$1,042,000

MAJOR BUDGET CHANGES: FY 1999-2000

<u>Budget Issue</u>	<u>Change from FY 1998-99</u>
<p>27. Community Corrections Comprehensive Plans and Services The Comprehensive Plans and Services line item supports development and implementation of local comprehensive corrections plans under the Community Corrections Act, 1988 PA 511. These plans form the foundation for local efforts to maximize the use of community-based sanctions and services for targeted offenders, so that offenders who otherwise would be sent to prison can be dealt with locally. Based on an expectation that an additional six counties will be participating in PA 511, the Executive proposed a \$553,000 increase to accommodate their efforts. The legislature increased the funding by an additional \$1,000,000, which was obtained through an increase in federal funds supporting Jackson Maximum, thereby freeing additional GF/GP.</p>	<p>FTEs 0.0 Gross \$1,553,000 GF/GP \$1,553,000</p>
<p>28. Regional Jail Program The Executive proposed to eliminate the appropriation and associated boilerplate language for the Regional Jail Program, which was established and funded at \$2.0 million in FY 1998-99. The Regional Jail Program offers funding for multicounty construction or remodeling projects that directly or indirectly increase regional capacity to house offenders who otherwise would be occupying prison beds. The enacted budget preserves the line item at a minimal \$100.</p>	<p>FTEs 0.0 Gross (\$1,999,900) GF/GP (\$1,999,900)</p>
MISCELLANEOUS ADMINISTRATIVE ADJUSTMENTS	
<p>29. New Training Academy Almost all new employee training for the Department is provided at the DeMarse Training Academy, which operates in space at the former School for the Blind in Lansing. At the time the budget was developed, an agreement between the Department of Corrections and the Department of Education called for Corrections to vacate the space in 1999. Discussions have been underway on whether the training academy will have to move as previously planned. However, the budget reflects the Executive Recommendation for an increase to accommodate earlier estimates of operating cost increases. Actual operating costs would depend on the terms under which the training academy either remains at the old School for the Blind or relocates to new quarters.</p>	<p>FTEs 0.0 Gross \$1,181,000 GF/GP \$1,181,000</p>
<p>30. Leap Year Adjustments The budget reflects an Executive-recommended, one-time funding increase to cover estimated costs associated with funding the Department for the extra day that occurs during FY 1999-2000. The proposed adjustment is spread across a variety of institutional and central office line items.</p>	<p>FTEs 0.0 Gross \$3,741,300 GF/GP \$3,741,300</p>

Corrections

ECONOMICS: FY 1999-2000

Economics FTEs 0.0
The budget incorporates economic increases of \$53,803,100 Gross, **Gross \$53,839,100**
\$52,617,300 GF/GP, representing economic increases for: **GF/GP \$52,617,300**

Classified salaries/wages \$25,336,200 Gross, \$24,766,100 GF/GP
Unclassified salaries/wages \$37,600 Gross and GF/GP
Insurance \$17,187,300 Gross, \$16,765,700 GF/GP
Retirement \$8,270,800 Gross, \$8,070,400 GF/GP
Motor transport \$180,600 Gross, \$169,500 GF/GP
Medical services \$628,900 Gross and GF/GP
Food \$590,700 Gross, \$579,400 GF/GP
Workers' compensation \$850,800 Gross and GF/GP
Fuel and utilities \$713,600 Gross, \$706,300 GF/GP
Building occupancy \$38,900 Gross and GF/GP
Postage \$3,700 gross and GF/GP

MAJOR BOILERPLATE CHANGES: FY 1999-2000

1. Universal Precautions

Sec. 222. The act requires the Department to provide annual training in universal precautions for airborne and bloodborne pathogens for all field operations employees who conduct instant drug tests.

2. Prison Population Projections

Sec. 303. The act changes the deadline for issuance of prison population projections from December 1 to February 1.

3. Field Caseload Audit

Sec. 503. The act requires the Department to conduct a statewide caseload audit of field agents (that is, parole and probation agents). The audit must address public protection issues and assess the ability of field agents to complete their professional duties. Audit results have to be submitted to the House and Senate Appropriations subcommittees on corrections and the House and Senate fiscal agencies by September 30, 2000.

4. County Jail Reimbursement Program

Sec. 808. The county jail reimbursement program provides counties with per diem payments for housing certain offenders. Revised language would apply for felons convicted of offenses committed on or after January 1, 1999 (the effective date of new sentencing guidelines); reimbursement would be for third-offense drunk drivers, with other criteria to be determined by the Department, the Michigan Association of Counties, and the Michigan Sheriffs' Association. These criteria would be forwarded to the House and Senate Appropriations Subcommittees on Corrections for review and approval.

5. Prisoner Lawsuits

Sec. 1117. By September 30, 2000, the Department must report on lawsuits brought by prisoners against departmental employees. The report has to include information on the numbers of cases found to meritorious, and on the numbers of meritorious cases involving male versus female employees.

6. Projects RESTART, CHANGE

Sec. 1118. The Department must contract for or perform its own evaluation of Projects RESTART and CHANGE, and report on this study by March 1, 2000.

MAJOR BOILERPLATE CHANGES: FY 1999-2000

7. Regional Jail Program.

In conjunction with the virtual elimination of the regional jail line item (see above), the act eliminates language outlining the regional jail program.

VETOES: FY 1999-2000

None

REVENUE INCREASES: FY 1999-2000

None

SUPPLEMENTAL APPROPRIATIONS: FY 1998-99

Leased Beds

The budget act for FY1999-2000 includes sections applying to FY 1998-99. Under these portions of the act, the leased bed line item is renamed "leased beds and alternatives to leased beds." Associated boilerplate language is added that allows the \$30.8 million in GF/GP funding to be carried forward as a work project account. This would provide continued funding for leased beds, plus 432 beds being temporarily developed in dayrooms, plus the double-bunking of St. Louis Correctional Facility. (The FY 1999-2000 budget funds St. Louis as a single-bunked Level V facility; plans now are to open it as a double-bunked Level IV facility.)

	FTEs	0.0
	Gross	\$0
	GF/GP	\$0

FAMILY INDEPENDENCE AGENCY

PUBLIC ACT 135 OF 1999

Analysts: Erin Black and Myron Freeman

	FY 1998-99 YEAR-TO-DATE APPROPRIATIONS	FY 1999-2000 ENACTED APPROPRIATIONS	FY 1999-2000 ENACTED CHANGE FROM FY 1998-99	
			AMOUNT	PERCENT
FTE POSITIONS	13,471.3	13,228.3	(243.0)	(1.8)
GROSS	\$3,232,331,300	\$3,642,932,400	\$410,601,100	12.7
IDG/IDT	150,000	150,000	0	0.0
ADJUSTED GROSS	\$3,232,181,300	\$3,642,782,400	\$410,601,100	12.7
FEDERAL	1,899,962,600	2,374,089,800	474,127,200	25.0
LOCAL	103,597,200	48,539,500	(55,057,700)	(53.1)
PRIVATE	7,731,100	7,858,100	127,000	1.6
OTHER	92,532,500	123,565,500	31,033,000	33.5
GF/GP	\$1,128,357,900	\$1,088,729,500	(\$39,628,400)	(3.5)

SB 365

Referred to Appropriations
2/23/99

Passed Senate
3/25/99

Passed House
5/27/99

Conference Approved
by Senate
6/16/99

Conference Approved
by House
6/17/99

Effective
7/27/99

OVERVIEW - FAMILY INDEPENDENCE AGENCY

The FY 1999-2000 Family Independence Agency Budget (prior to supplementals SB 68 and HB 4075) reflects an increase in Gross appropriations (over the FY 1998-1999 level) of \$727.9 million (25%), and an increase in General Fund/General Purpose (GF/GP) appropriations of \$46.5 million (4.5%). Most of the increase in Gross expenditures is attributed to \$468 million in federal food stamp money which is recognized as an appropriation for the first time. This new federal mandated function requires states to administer food stamp benefits via the use of an electronic benefit transfer system. Increases in the area of Day Care Services caseload added an additional \$251.8 million of federal funding. Offsetting increased Gross appropriations were savings of \$192.4 million from projected caseload reductions within the Family Independence Program (formerly known as Aid to Families with Dependent Children). Increased GF/GP appropriations are mainly attributed to additional state funding required for Foster Care Services to shore up a base shortage (\$20 million) and a provider rate increase in the area of Foster Care Services and Adoption Subsidy (\$4.6 million).

Significant budget savings are achieved by recognizing a continuing downward trend in the Family Independence Program caseload and average monthly grant payments. This downward trend is due to a combination of emphasis on participation in the Department of Career Development's Work First program (which has led to increased employment) and a generally strong economy. During FY 1999-2000, the Agency will continue to emphasize employment, program simplification, and the increased use of family independence specialists — caseworkers who spend more time with clients in an attempt to reduce a family's length of time on assistance. These efforts are projected to push the average caseload for FY 1999-2000 down to 77,800 cases, a decrease of 32,200 cases from the FY 1998-99 budgeted level. This decrease will result in savings of \$192.4 million in Federal Temporary Assistance to Needy Families (TANF) funding. The TANF funding available but not expended by the state during FY 1999-2000 will remain with the federal government and will be available for state expenditure at a later date; Michigan's reserve with the federal government is expected to total about \$78 million by the end of FY 1999-2000.

In contrast to the decline in cash assistance cases, the Day Care Services caseload is expanding at a rapid pace. The average Day Care Service caseload level for FY 1999-2000 is 87,390 cases, an increase of 28,260 cases from the FY 1998-1999 budgeted level. This increase will result in additional expenditures of \$281.2 million Gross of which \$251.8 million is Federal Temporary Assistance to Needy Families funding. Additionally, expenditures within the Child and Family Services unit continue to rise. The new budget includes significant funding increases for each of the following programs: Foster Care Services (\$70.8 million), Adoption Subsidies (\$17.3 million), and Domestic Violence Prevention and Treatment (\$3.0 million). Funding of \$32.6 million was also added to meet various data processing requirements and initiatives. Other major changes in funding include \$8.8 million of additional federal dollars resulting from an increased federal Medicaid assistance percentage (FMAP) rate and \$40.1 million of additional TANF federal funding used to replace specific GF/GP dollars in certain areas — thus allowing a like amount of GF/GP dollars to be utilized elsewhere in the budget.

The Legislature adopted a number of changes that were not included in the Executive's recommendation. These include: \$33 million (all TANF) was added in the area of Day Care Services to establish a quality care accessibility pool; \$9.4 million was added for a 2.7%, 3/4 year (effective January 1, 2000) rate increase in the area of foster care and adoption subsidy; \$7.7 million in additional funding was earmarked for expansion of the annual \$50 per child clothing allowance to all families and; \$2.8 million appropriated for Kosovo refugees that may be eligible for cash assistance under the Family Independence Program.

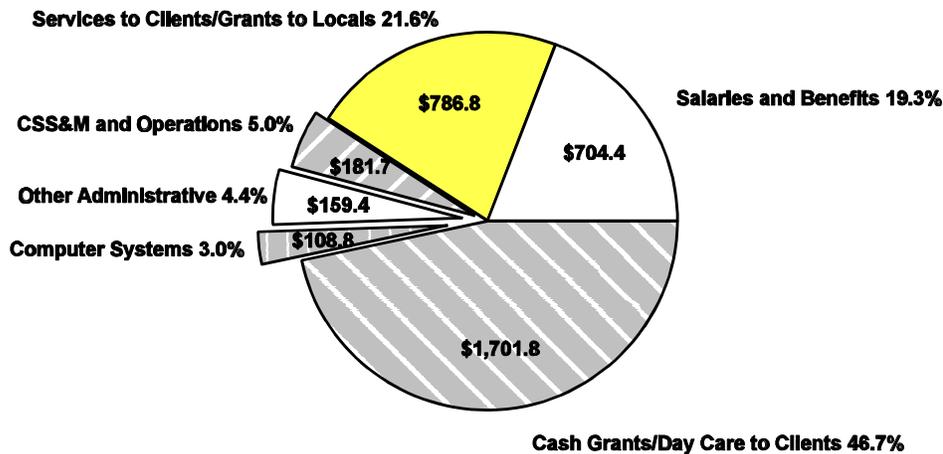
Family Independence Agency

The following graph depicts the composition of the \$3.6 billion FY 1999-2000 budget. Nearly 47% of the funding is allocated for day care services and cash grants including the family independence program, SSI state supplementation payments, energy assistance, and cashing out food stamps.

Services delivered to clients directly through the FIA and local agencies make up another 21.6%. Services include foster care, adoption subsidies, youth in transition, emergency relief, and employment and training services.

Payroll costs comprise 19.3% of the budget. Contracts, supplies, materials and operations constitute another 5%. Computer projects (including child support systems, ASSIST, and Department of Management and Budget computer services) account for 3% of the budget, and other administration costs (rent, child support incentive payments, and funding for commissions) comprise the remaining 4.4%.

**Distribution of Family Independence Agency FY 1999-2000 Budget
Gross Appropriation**

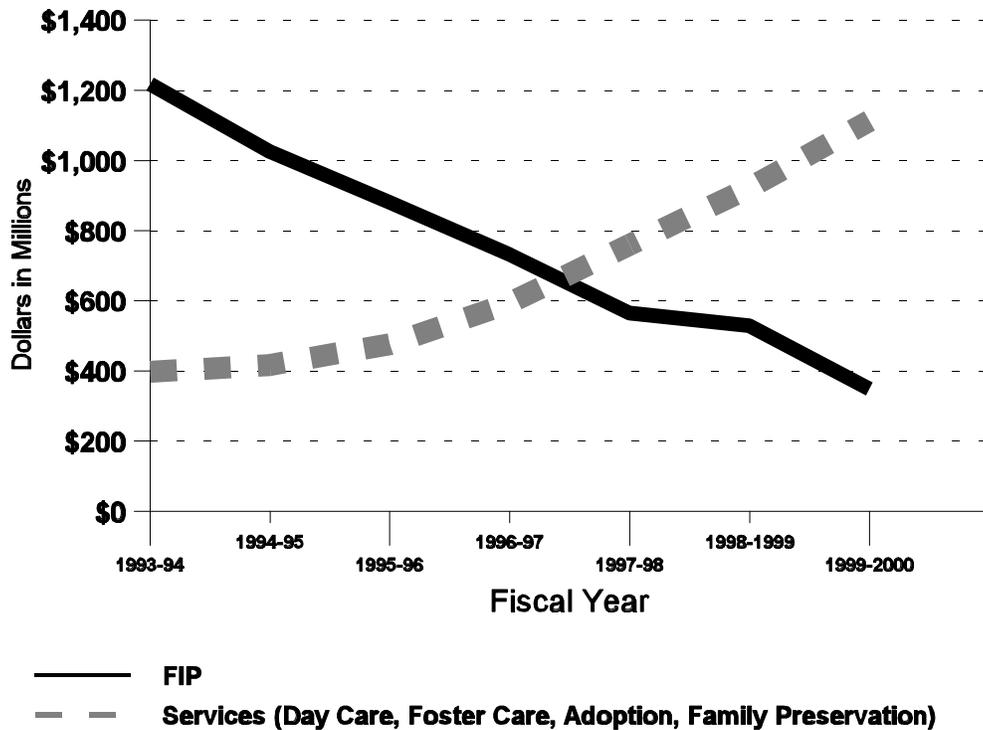


Gross Appropriations = \$3,642,932,400

The following graph illustrates recent funding trends for the Family Independence Program (FIP) and the four largest services administered by the FIA: foster care, day care, adoption subsidies, and family preservation and prevention services. The trend since FY 1993-94 has been a sharp decline in spending on FIP as the caseload decreased from 223,600 to an estimated level of 77,800 in FY 1999-2000. Expenditures in FY 1993-94 were \$1,218 million compared with projected expenditure level in FY 1999-2000 of \$349 million.

Spending on the major services has increased from \$389 million in FY 1993-94 to \$1,112 million in FY 1999-2000. Day care expenditures have risen as families have moved off FIP, foster care expenditures reflect a significant increase in the number of privately-provided delinquency treatment beds, a rising caseload has pushed up adoption subsidies expenditures, and an expansion of services has led to increased spending in the family preservation program.

FIP vs Major Services Expenditures



NOTE: FYs 1993-94 through 1998-99 show Expenditures;
FY 1999-2000 shows Appropriations.

MAJOR BUDGET CHANGES: FY 1999-2000

Budget Issue

Change from FY 1998-99

1. Family Independence Program (FIP) Caseload Decline and Other Adjustments

FIP funding of \$349.0 million Gross, (\$230.0 million GF/GP) is 34% lower than the FY 1998-1999 level of \$528.7 million Gross, (\$230.0 million GF/GP). The decline in the FY 1999-2000 appropriated level is due to a lower average projected caseload of 77,800 — down 32,200 cases from the FY 1998-1999 budgeted level — and a lower projected monthly cost per case of \$360 — down \$38 from the FY 1998-1999 budgeted level. The decline in caseload and monthly cost per case is due to a continued emphasis on client participation in Work First which has led to increased earned income for participants. Offsetting some of the savings noted above were the decisions to: extend the \$50 per child annual clothing allowance to all families, \$7.7 million Gross TANF funding; add a 2.5 percent cost of living increase for selected deferred Family Independence Program cases, \$2.1 million Gross TANF funding; and add \$2.8 million in TANF funding in anticipation of 500 refugees families from Kosovo relocating to Michigan.

FTEs	0.0
Gross	(\$179,771,400)
GF/GP	0

2. Day Care Services Increase

The enacted budget includes a \$314.2 million increase in the Day Care Services program. The budget reflects an increase of 28,260 cases over the 59,130 caseload level budgeted for FY 1998-99. The adjustment also reflects an increase in the average monthly cost per case to \$550 due to growth in hours of care per case and the average cost per unit. This \$281.2 million increase will be paid for with GF/GP and TANF funds targeted at working FIP clients and families who have recently left public assistance. It should be noted that a supplemental bill for FY 1998-99 has been enacted providing a \$120 million increase to cover the estimated shortfall in this area due to the projected caseload of 73,200. In addition, \$33.0 million (TANF) was added allowing the Department to establish a child day care accessibility pool to incorporate recommendations of the child day care report and/or for one-time incentive grants, outreach/technical assistance services, or start-up grants.

FTEs	0.0
Gross	\$314,213,000
GF/GP	\$29,410,000

3. Adoption Subsidies Increase

The enacted budget provides a \$17.3 million Gross increase in Adoption Subsidies. The increase includes a \$1.0 million federal grant to provide supportive services to families who adopt special needs children and \$13.8 million in federal funds to recognize a projected caseload increase from 16,200 cases in FY 1999 to 17,000 cases in FY 2000. Lastly, \$2.5 million Gross (\$1.2 million GF/GP) was added to provide a 2.7% adoption subsidy rate increase beginning January 1, 2000.

FTEs	0.0
Gross	\$17,278,700
GF/GP	\$1,163,200

4. Foster Care Increase

Funding was added to cover a foster care base shortage of \$64.0 million Gross (\$20.0 million GF/GP). It should be noted that a supplemental bill has been enacted providing a similar adjustment for FY 1998-99. In addition, \$6.8 million Gross (\$3.5 million GF/GP) was added to provide a 2.7% foster care provider rate increase beginning January 1, 2000.

FTEs	0.0
Gross	\$70,841,600
GF/GP	\$23,456,800

MAJOR BUDGET CHANGES: FY 1999-2000

<u>Budget Issue</u>	<u>Change from FY 1998-99</u>	
<p>5. Wayne County Block Grant The enacted budget includes \$64.5 million Gross (\$59.2 GF/GP) in a new line item to fund the Wayne County block grant. The block grant total includes a negative adjustment for Wayne County's abuse and neglect population, which is now the responsibility of the state. In October 1999, as provided in statute, Wayne County will take responsibility for its delinquency cases and the state will assume the county's abuse and neglect cases. The appropriation includes \$61.8 million transferred from other line items and appropriation units and \$2.7 million in new state costs due to a 3% FY 1998-1999 contract rate increase, a population adjustment, and fixed rent costs. In addition to the new costs, the net change from FY 1998-99 reflects a \$13.5 million decrease due to an education spending adjustment and projected purchase of services based on the assumption that Wayne County will use local funding to provide more community-based services while purchasing less from the state.</p>	FTEs (243.0) Gross (\$10,792,100) GF/GP \$2,695,600	
<p>6. Increased Funding For Data Processing Initiatives Significant funding was added in this area to meet various data processing requirements and initiatives. Increased funding includes \$8.3 million Gross (\$3.3 GF/GP) for implementation of an Electronic Benefit Transfer System required for the cash-out of food stamps benefit (see item 7 below), \$2.7 million Gross (\$1.3 million GF/GP) was added to upgrade operating systems to Windows NT and to purchase extended warranties for existing personal computers, and \$3.6 million Gross (\$1.7 million GF/GP) was added to cover anticipated increased usage of E-mail and communication lines. The Department is to also incur \$2.0 million Gross (\$1.0 million GF/GP) as its portion of costs associated with the development and implementation of a statewide disaster recovery system. Finally, an additional \$9.5 million Gross (\$2.0 million GF/GP) was allocated to complete the Child Support Enforcement System and \$6.5 million Gross (\$2.2 million GF/GP) added to fund the development and implementation of the federally-mandated Central Child Support Collections and Distribution System.</p>	FTEs 0.0 Gross \$32,591,300 GF/GP \$11,585,700	
<p>7. Implementation of Food Stamps Electronic Benefit Transfers For FY 1999-2000, new funding of \$468 million (all federal) was added to implement the federally-mandated program requiring distribution of food stamp benefits by use of an Electronic Benefit Transfer System. Prior to this mandate, most food stamp benefits were distributed to recipients in the form of a food stamp coupon. This new method should benefit the client in that it will allow for the purchase of food stamp eligible items via the use of an electronic payment method, thus eliminating the need to carry cash, and also should ease the stigma felt by some users of food stamps coupons. The new system should also help prevent fraudulent use of food coupons, prevent theft, and reduce administrative costs at grocery stores.</p>	FTEs 0.0 Gross \$468,000,000 GF/GP \$0	

MAJOR BUDGET CHANGES: FY 1999-2000

<u>Budget Issue</u>	<u>Change from FY 1998-99</u>	
<p>8. Decreased Funding For Automated Social Services Information System (ASSIST)</p> <p>Funding in this area was decreased by \$16.9 million Gross, (\$5.6 million GF/GP) for FY 1999-2000 in anticipation that the <i>work project balance</i> for this line item (\$36.7 million Gross, \$17.6 million GF/GP), together with remaining base funding (\$16.9 million Gross, \$13.0 million GF/GP), will be adequate to support expenditures in this area. Funding level for this program in FY 1998-1999 was \$33.8 million Gross (\$18.6 million GF/GP).</p>	FTEs	0.0
	Gross	(\$16,923,200)
	GF/GP	(\$5,584,700)
<p>9. Domestic Violence Programs</p> <p>The enacted budget includes a \$3.0 million increase in Domestic Violence Prevention and Treatment to provide safe and affordable housing for domestic violence victims and their children. The increase will be paid for with TANF funds.</p>	FTEs	0.0
	Gross	\$3,000,000
	GF/GP	\$0
<p>10. State Supplemental Security Income (SSI) Increase</p> <p>The FY 1999-2000 appropriation includes an additional \$1.1 million in state funding in this area to fund an anticipated 6,300 caseload increase for individuals under independent living arrangements. Additionally, a \$1.5 million increase in state funding was added to reflect a substantial rate change for an anticipated 813 individuals under the personal care (Title XIX) segment of this program. Rates for individuals in the personal care segment of this program increased from \$7 per month to \$157.50 per month.</p>	FTEs	0.0
	Gross	\$2,526,700
	GF/GP	\$2,526,700
<p>11. Expansion of Project Zero</p> <p>The budget increases Project Zero funding by \$3.0 million (all federal TANF dollars) for the purpose of improving existing services to clients and expanding the program to additional sites. Project Zero is a pilot project designed to identify barriers so that all FIP clients will be able to secure employment and ultimately become self-sufficient. Presently, the program has been implemented in 35 locations throughout the state of Michigan. Funding level for this program in FY 1998-1999 is \$9.0 million (all federal TANF dollars).</p>	FTEs	0.0
	Gross	\$3,000,000
	GF/GP	\$0
<p>12. Increased Funding For State Emergency Relief</p> <p>The FY 1999-2000 appropriation includes additional funding of \$555,000 (all state funding) for State Emergency Relief to cover increases in three programs: a) \$350,000 for indigent burials which is composed of a \$25 per burial increase to both funeral directors and to cemeteries or crematoriums, b) \$150,000 for multicultural assimilation and support services contracts, and c) \$55,000 to fund a new citizenship assistance program.</p>	FTEs	0.0
	Gross	\$555,000
	GF/GP	\$555,000

Item c) was subsequently vetoed by the Governor.

ECONOMICS: FY 1999-2000

Economic Changes	FTEs	0.0
Departmentwide economic increases for salaries and wages, health insurance, retirement, postage, supplies and occupancy costs totaled \$21.2 million Gross (\$9.1 million GF/GP). This was partially offset, however, by \$589,900 Gross (\$291,500 GF/GP) in economic savings from lower worker compensation insurance estimates.	Gross	\$20,608,600
	GF/GP	\$8,759,100

MAJOR BOILERPLATE CHANGES: FY 1999-2000

- 1. Adoption Services Report**
 Section 516 requires the Department to complete a study and report on adoption services for special needs children.
- 2. Ten-Day Notice**
 Section 618 requires the Department to provide ten-day notice prior to changing cash assistance.
- 3. Vehicle Donation Study**
 Section 621 requires the Department to conduct a feasibility study and develop a plan for the state to implement a vehicle donation program.
- 4. Child Day Care Funding Report**
 Section 645 requires the Department to conduct an evaluation of child day care funding and submit a report on or before November 15, 1999.
- 5. Training and Education Guidelines**
 Section 646 requires the Department and the Department of Career Development to establish clear, joint guidelines on work first participants eligibility for post-employment training support and application of training and education hours toward federal work requirements. The guidelines shall allow an individual to apply up to ten hours per week of actual classroom seat time plus up to one hour of study time for each hour of classroom seat time toward work requirements. Also, participants may meet work participation requirements through enrollment in a short-term vocational program requiring 30 hours of classroom time per week for a period not to exceed six months, or by enrollment in required full-time practicums.
- 6. Child Day Care Accessibility Pool**
 Section 650 allows the Department to establish a \$33.0 million child day care accessibility pool to implement recommendations of the child day care report (Sec. 645) and/or for one-time incentive grants, outreach/technical assistance services, or start-up grants.
- 7. Child Day Care Provider Central Registry Check and Notification Timeline**
 Section 654 requires the Department, within ten business days of receiving all information necessary to process an application for payments for child day care, to determine whether the child day care provider is listed on the child abuse and neglect central registry. If the provider is listed on the central registry, the Department shall immediately send written notice denying applicant's request for child day care payments.
- 8. Child Day Care Late Payment Report**
 Section 656 requires the Department to submit a report on the subject of late payments to child day care providers for the year of 1999.
- 9. Extended Employment Services Program**
 Section 657 requires the Department and the Department of Career Development to work together to develop a program to provide employment services to former Family Independence Program recipients and to recipients of non-cash public assistance benefits.

MAJOR BOILERPLATE CHANGES: FY 1999-2000

10. Wayne County Block Grant Reporting Requirement & Audit

Section 706 outlines a reporting requirement for Wayne County as a condition of receiving funding under the Wayne County Block Grant contract and requires that an audit be started by the Auditor General.

11. FIA Spending Authorization During Wayne County Block Grant Implementation

Section 707 authorizes the Family Independence Agency to utilize the funds appropriated for the Wayne County Block Grant to pay for costs incurred during the 1999-2000 state fiscal year due to the anticipated transition time required for block grant implementation. The purpose of this language is to provide continuous services and to promote a seamless transition.

VETOES: FY 1999-2000

Citizen Assistance Program

The governor vetoed boilerplate Section 642 and applicable funding for the proposed citizen assistance program which was to assist legal non-citizens to become citizens of the United States. See item #12c under "Major Budget Changes" above.

Gross	\$55,000
GF/GP	\$55,000

REVENUE INCREASES: FY 1999-2000

None

SUPPLEMENTAL APPROPRIATIONS: FY 1998-99

1. Day Care Services Increase

Additional funding of \$120 million Gross (\$29.4 million GF/GP) was appropriated to cover an additional 14,070 child day care cases. The total budgeted cases for FY 1998-1999 have now reached 73,200. Targeted populations are working Family Independence clients and families who have recently left public assistance.

Gross	\$120,000,000
GF/GP	\$29,410,000

2. Foster Care Base Adjustment

Added was \$50 million Gross (\$13 million GF/GP) of base funding to the foster care payments line. Additional base funding is required due to an increasing caseload, including a higher percentage of children who possess greater "difficulty-of-care" characteristics.

Gross	\$50,000,000
GF/GP	\$13,000,000

3. Child Support Enforcement System - Funding

Funding of \$42.8 million Gross (\$14.5 million GF/GP), was added to complete the federally-mandated Child Support Enforcement System. It is the Department's goal to complete this system by September 30, 1999.

Gross	\$42,840,600
GF/GP	\$14,544,100

SUPPLEMENTAL APPROPRIATIONS: FY 1998-99

<p>4. Child Support Enforcement System - Sanction State funding of \$12.8 million was added in this area to replace a like amount of lost federal Title IV-D funding. Lost funding represents a sanction imposed by the federal government due to Michigan's failure to meet federal mandated benchmarks for implementing the Child Support Enforcement System. Specifically, the system implementation deadlines of September 30, 1997, and September 30, 1998, were not met. It is the Department's goal to be in compliance with the federal mandate by September 30, 1999, thus avoiding additional penalties.</p>	<p>Gross GF/GP</p>	<p>\$0 \$12,754,000</p>
<p>5. Child Support Distribution Computer System Additional funding of \$32.8 million Gross (\$11.1 million GF/GP) was appropriated to expedite development of the child support collections centralized collection and distribution system. System creation is mandated under federal welfare reform legislation and is required to be implemented by September 30, 2000.</p>	<p>Gross GF/GP</p>	<p>\$32,793,300 \$11,149,800</p>
<p>6. Funding Shift for Food Stamp Administrative Costs State funding of \$4.7 million was added for local office staff and operations to replace \$4.7 million in federal TANF funding. This funding shift was the result of recently-issued TANF guidelines which prohibits the use of TANF funding as a payment source for administrative activities associated with food stamp only cases.</p>	<p>Gross GF/GP</p>	<p>\$0 \$4,700,000</p>
<p>7. Increased Funding for Community Services Block Grants Funding of \$500,000 GF/GP was added for community services block grants. The additional amount will be allocated to the local community action agencies based on the proration formula in effect for FY 1998-1999.</p>	<p>Gross GF/GP</p>	<p>\$500,000 \$500,000</p>

**FY 1999-2000
Budget Detail
for**

REGULATORY

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

CONSUMER & INDUSTRY SERVICES

PUBLIC ACT 122 OF 1999

Analyst: Robert Schneider

	FY 1998-99 YEAR-TO-DATE APPROPRIATIONS	FY 1999-2000 ENACTED APPROPRIATIONS	FY 1999-2000 ENACTED CHANGE FROM FY 1998-99	
			AMOUNT	PERCENT
FTE POSITIONS	4,194.9	4,212.9	18.0	0.4
GROSS	\$468,026,300	\$495,233,500	\$27,207,200	5.8
IDG/IDT	4,675,300	4,020,900	(654,400)	(14.0)
ADJUSTED GROSS	\$463,351,000	\$491,212,600	\$27,861,600	6.0
FEDERAL	204,389,500	219,090,000	(14,700,500)	7.2
LOCAL	0	0	0	0.0
PRIVATE	926,700	791,900	(134,800)	(14.5)
OTHER	186,534,800	193,473,200	6,938,400	3.7
GF/GP	\$71,500,000	\$77,857,500	\$6,357,500	8.9

SB 361

Referred to Appropriations
2/23/99

Passed Senate
3/25/99

Passed House
5/25/99

Conference Approved
by Senate
6/10/99

Conference Approved
by House
6/10/99

Effective
7/21/99

OVERVIEW - CONSUMER AND INDUSTRY SERVICES

The Department of Consumer and Industry Services (CIS) acts as the primary regulatory agency within state government, having regulatory and administrative responsibilities in a diverse number of policy areas, including the regulation of specific industries (e.g., public utilities, banking and insurance, liquor, construction), the licensing and regulation of certain occupational groups (e.g., doctors, architects, morticians), the monitoring and licensing of statutorily-regulated facilities (e.g., nursing homes, clinical laboratories), as well as the administration of the state's Unemployment Insurance and Workers' Compensation programs. The Department also administers the state's \$21.5 million Arts and Cultural Grants Program through the Michigan Council for Arts and Cultural Affairs. The chart following this overview reviews how the appropriations are divided across these different program areas.

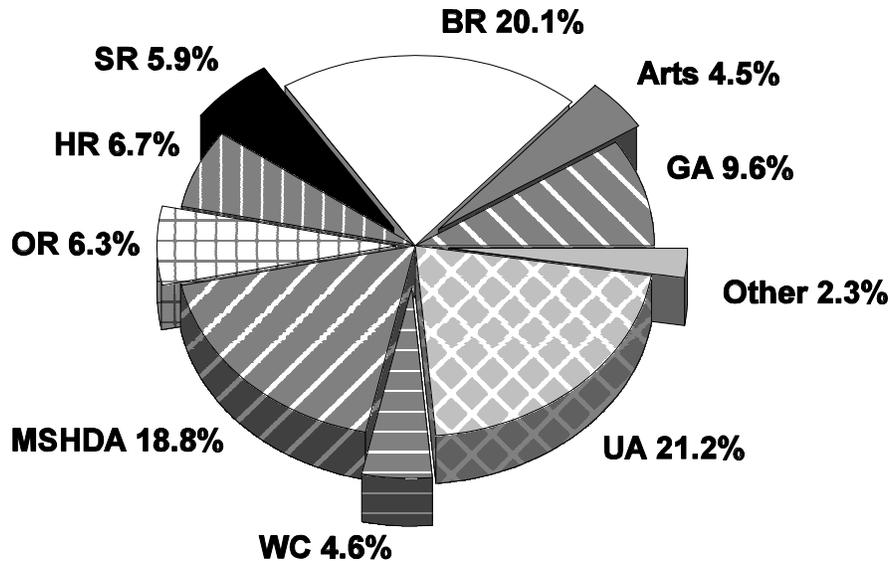
The enacted FY 1999-2000 budget contains a 5.8% increase in gross appropriations for the Department, with GF/GP appropriations increasing by 8.9%. The largest change in the budget involves establishment of a new Nursing Home Quality Incentive Grant Program. The action adds \$10.0 million in federal Medicaid and state GF/GP revenue to the CIS budget for FY 1999-2000. The CIS program would involve disbursing grants to state-licensed nursing homes in an effort to provide financial incentives to encourage high-quality care. A similar program has previously been administered within the Department of Community Health (DCH). Unlike the current DCH program, however, the CIS program would link grant fund usage to the standards utilized by the Department in its licensing and monitoring activities of nursing homes. Also related to nursing homes, the budget includes \$1.6 million in additional funding for 16 new nursing home surveyor/investigator positions. These positions will increase the Department's capacity to conduct annual surveys of nursing homes and to investigate complaints as required by statute. This increase supplements an increase provided in the FY 1998-99 budget which will allow the Department to increase the number of surveyors from 89 in FY 1997-98 to 113 for FY 1999-2000.

The recommendation also includes increases for Fire Safety (\$241,000) and Occupational Safety and Health (\$233,300) programs. The Fire Safety program increases will add staff to conduct architectural reviews and on-site inspections of certain regulated facilities (e.g. schools, hospitals) and will be funded through fire safety fee increases proposed in boilerplate. The Occupational Safety and Health increases would provide two new industrial hygienists for the Safety Education and Training Program as well as additional technology spending.

Appropriations for rent and building occupancy charges would also increase under the Governor's proposal by \$816,800. The increase is primarily attributable to the relocation of Michigan State Housing Development Authority offices. Finally, the act includes a \$4.0 million increase in federal spending authority for the Unemployment Agency in anticipation of additional federal revenue due to the distribution to the states of excess Federal Trust Fund revenues.

The appropriation for Arts and Cultural grants remains at the FY 1998-99 level of \$21.5 million, including \$20.8 million in state GF/GP revenue. In addition, new boilerplate language places limits on the size of grant awards for organizations receiving grants in the Anchor Organization category (made up of the state's largest organizations with broad statewide or regional audiences). The language limits total arts funding to these groups to no more than 19.8% of their operating revenues for FY 1999-2000 and establishes intent that this limit be reduced to 15.0% by FY 2004-05.

FY 1999-2000 CIS Appropriations by Function



MAJOR BUDGET CHANGES: FY 1999-2000

Budget Issue

Change from FY 1998-99

1. Nursing Home Quality Incentive Grants

The act includes \$10.0 million in federal Medicaid and state GF/GP revenue to facilitate a grant program aimed at providing incentives and support to nursing homes to promote performance and quality care. The program replaces a similar program previously funded within the Department of Community Health (DCH) budget. Under the current DCH program, however, grant award criteria are not linked to the criteria used by CIS in its role of monitoring and evaluating nursing homes. Related boilerplate language requires the Department to report to the Legislature on the proposed grant criteria for the awards by October 1, 1999.

FTEs	0.0
Gross	\$10,000,000
GF/GP	\$4,489,000

MAJOR BUDGET CHANGES: FY 1999-2000

<u>Budget Issue</u>	<u>Change from FY 1998-99</u>	
2. Nursing Home Inspectors	FTEs	16.0
The budget includes an additional \$1.6 million to fund 16 new nursing home inspector positions to monitor the state's nursing homes and investigate complaints. Federal funds will cover 75% of the additional costs (\$1.2 million), while state GF/GP revenue will cover the remainder (\$400,000). Appropriation increases provided by the Legislature within the last two budget cycles will allow the Department to increase its total number of inspectors from 89 in FY 1997-98 to 113 for FY 1999-2000.	Gross	\$1,600,000
	GF/GP	\$400,000
3. Increase for Fire Safety Programs	FTEs	4.0
The enacted budget adds funding for four new positions within the Office of Fire Safety. Two FTE positions will be allocated to architectural plan review activities, while two other FTE positions will be utilized for actual on-site fire safety inspections within the Construction Coordination Program. This represents a 5.8% increase to this program area from its FY 1998-99 appropriation of \$4.1 million. Fire safety fee increases are included in boilerplate to finance the program increase (see Boilerplate Item #1).	Gross	\$241,000
	GF/GP	\$0
4. Safety and Regulation Enhancements	FTEs	2.0
The FY 1999-2000 budget includes additional funding for industrial safety and regulation programs. Of the increase, \$181,200 will be utilized to add two industrial hygienists to the Safety and Education Training (SET) program, which aims to work pro-actively with regulated industries to promote workplace safety. Another \$52,100 in GF/GP will support technology expenditures within the Employment Standards Enforcement Unit. The FY 1998-99 appropriation for Safety and Regulation programs was \$24.4 million.	Gross	\$233,300
	GF/GP	\$52,100
5. Rent and Building Occupancy Charges	FTEs	0.0
The appropriations act includes a 8.0% increase for rent and building occupancy charges. The bulk of the increase is related to the recent relocation of the Michigan State Housing Development Authority (MSHDA).	Gross	\$816,800
	GF/GP	\$302,800
6. Elimination of GF/GP Support for Property Development Group	FTEs	0.0
GF/GP support for the Property Development Group, which administers state laws regarding subdivision control, county rural zoning, and survey/remonumentation activities, is eliminated within the budget. The program will instead be supported by Corporation and Securities fee revenue.	Gross	\$0
	GF/GP	(\$557,600)
7. Office of Legal Affairs	FTEs	0.0
The appropriations act consolidates appropriations for most of the Department's Administrative Law Judges as well as their support staffs into a new "Office of Legal Affairs" line item to facilitate a departmentwide consolidation of these activities into a single office. The move does not affect gross appropriations within the bill.	Gross	\$0
	GF/GP	\$0

Consumer and Industry Services

MAJOR BUDGET CHANGES: FY 1999-2000

<u>Budget Issue</u>	<u>Change from FY 1998-99</u>	
8. Federal Unemployment Insurance Revenue	FTEs	0.0
The federal Reed Act requires the federal government to refund Unemployment Insurance (UI) funds to the states if the balance in the federal Unemployment Insurance trust fund exceeds a specified cap. This cap will be exceeded and revenues will be returned to the states as a result. This revenue can be used for administration of the state's UI program. A \$4.0 million appropriation increase for the Unemployment Agency will provide the Department with the necessary spending authority to utilize these funds. The funds will be used to administer the agency's transition into the statewide network of One Stop Centers.	Gross	\$4,000,000
	GF/GP	\$0

ECONOMICS: FY 1999-2000

Economic Increases	FTEs	0.0
The enacted budget includes economic increases of \$11.4 million (\$1.8 million GF/GP) to facilitate salary/fringe increases for personnel (including a 3.0% overall increase in salaries for the Department's 64.5 unclassified positions), as well as for anticipated increases in travel, vehicle, worker's compensation, postage, and other general costs.	Gross	\$11,395,700
	GF/GP	\$1,758,800

MAJOR BOILERPLATE CHANGES: FY 1999-2000

- 1. Arts and Cultural Grants**

The budget act includes new language in Sec. 306(11) limiting the amount of grant funding that can be provided to certain arts and cultural organizations through the Michigan Council for Arts and Cultural Affairs (MCACA). Specifically, the language restricts the total grant amount to organizations receiving grants within the Anchor Organization category to no more than 19.8 percent of the organization's operating revenue. The language also establishes legislative intent that this cap be reduced to 15 percent of operating revenue by FY 2004-05. In addition, Sec. 306(1)(a) amends current law by changing the definition of the state arts anchor organization category to include organizations serving a statewide or regional audience. Current law includes only organizations serving a statewide audience.
- 2. Nursing Home Quality Incentive Grant Program**

The act includes new Sec. 321 which establishes a new Nursing Home Quality Incentive Grant Program within the Department. The section states the program is to "provide financial incentives for nursing homes to develop high quality care services" and specifies that grants be awarded to homes "that can demonstrate an existing commitment to providing high quality care." The section requires the Department to use some measure of resident satisfaction with the level of care as a criterion for grant awards and requires the Department to report to the appropriations committees by October 1, 1999, regarding the exact criteria to be considered. It also requires the Department to notify nursing home care providers of these criteria and to implement the program by January 1, 2000.

MAJOR BOILERPLATE CHANGES: FY 1999-2000

3. Increase in Fire Safety Fees

Current-law language is revised in Sec. 314 of the appropriations act to increase the fees charged to hospitals and schools for fire safety plan reviews and construction inspections administered by the Office of Fire Safety when new construction is undertaken. The fees are authorized by 1941 PA 207 and are assessed according to a schedule based on project cost. The statute allows for fee increases within the appropriations bill. The increases are expected to add approximately \$241,000 in new revenue which will be used to supplement Fire Safety programs (see Budget Item #2 above). Separately, the maximum per bed fee imposed on hospitals for annual operation and maintenance inspections is reduced from \$10 per bed to \$8 per bed. Though current law had allowed a \$10 per bed fee level, the Department had until recently been charging \$5 per bed for each annual inspection. The Department has indicated it will begin assessing the maximum \$8 per bed fee.

4. Plan for Providing Rural Emergency Medical Services Personnel

New Sec. 330 of the act requires the Department to work collaboratively with grantees receiving funds under the "Emergency Medical Services Contracts and Grants" line item to develop a plan to ensure that a sufficient number of qualified emergency medical services personnel exist to serve rural areas of the state. The plan is to be submitted to the appropriations subcommittees by January 15, 2000.

5. Nursing Home Surveys and Complaint Investigations

New language requires the Department to undertake additional reporting on its nursing home survey/inspections and its complaint investigation activities. Sec. 323 requires CIS to submit semi-annual reports to the appropriations subcommittees on the number of nursing home surveys conducted and on the results of those surveys in terms of the number of citations issued and the number requiring follow-up visits or remediation efforts. The language also requires reporting on the number of surveys conducted on nights and weekends and on the average length of time taken to respond to public complaints regarding nursing homes. Sec. 325 requires the Department to report on the nursing home complaint investigation backlog and recommend steps which will improve the effectiveness and efficiency of this process.

6. Work-Related Deaths and Injuries

The enacted budget contains new language which requires the Department to file an annual report with the appropriations subcommittees listing the number of individuals killed or injured on the job within industries regulated by the Bureau of Safety and Regulation.

VETOES: FY 1999-2000

None

REVENUE INCREASES: FY 1999-2000

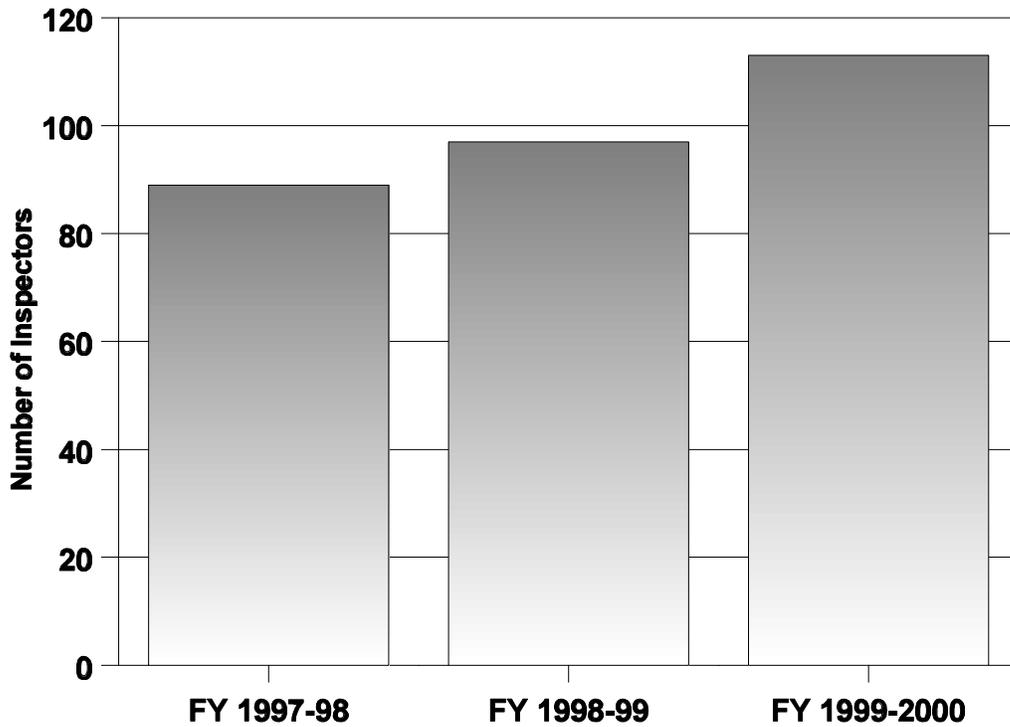
Fire Safety Fees

The act includes the appropriation of \$241,000 in additional Fire Safety Fee revenue attributable to the increase in fees imposed on hospitals and schools for construction plan reviews and inspections. Authorizing these fees, 1941 PA 207 allows fee increases to be implemented within the appropriations bill.

SUPPLEMENTAL APPROPRIATIONS: FY 1998-99

None

Growth in Nursing Home Inspector Positions



MICHIGAN JOBS COMMISSION

Analyst: Robert Schneider

	ACTUAL FY 1998-99 YEAR-TO-DATE APPROPRIATIONS	FY 1998-99 APPROPRIATIONS DMB-ADJUSTED FOR EO 1999-1	FY 1999-2000 ENACTED APPROPRIATIONS	FY 1999-2000 ENACTED CHANGE FROM DMB- ADJUSTED FY 1998-99	
				AMOUNT	PERCENT
FTE POSITIONS	1,316.0	0.0	0.0	n/a	
GROSS	\$595,283,400	\$0	\$0	n/a	
IDG/IDT	1,147,000	0	0	n/a	
ADJUSTED GROSS	\$594,136,400	\$0	\$0	n/a	
FEDERAL	465,997,600	0	0	n/a	
LOCAL	10,867,900	0	0	n/a	
PRIVATE	3,252,000	0	0	n/a	
OTHER	4,909,100	0	0	n/a	
GF/GP	\$109,109,800	\$0	\$0	n/a	

OVERVIEW - MICHIGAN JOBS COMMISSION

Executive Order 1999-1, which became effective on April 5, 1999, reorganized the programs and functions previously administered by the Department of Michigan Jobs Commission (MJC) into the new Department of Career Development (DCD), which will focus on workforce development/job training programs, and the Michigan Strategic Fund Agency (MSF), which will consolidate the state's economic development programs and serve as an autonomous agency within the Department of Management and Budget. The chart below outlines the allocation of the former MJC's Gross and GF/GP appropriations to the two new entities.

While FY 1999-2000 appropriations were split between the two new entities, there were FY 1998-99 appropriations for the MJC within SB 68, which has now been signed by the Governor as 1999 PA 69. In particular, the act contains appropriations to facilitate the construction of new technical training centers around the state (\$30.0 million GF/GP), to replace GF/GP appropriations for Welfare-to-Work programs with federal Temporary Assistance for Needy Families (TANF) funding, and to allow private oil overcharge revenue to be used by the MJC to provide federally-mandated supportive services to Food Stamp recipients participating in employment and training programs.

SUPPLEMENTAL APPROPRIATIONS: FY 1998-99

1. Technology Training Centers

Senate Bill 68, signed by the Governor in July as 1999 PA 69, provides for an appropriation of \$30.0 million in GF/GP revenue for the construction of additional technical training centers around the state. The Michigan Strategic Fund earlier this year awarded \$30.0 million in grants for this purpose to eight of the state's community colleges. The centers will focus on delivering technical training for employment within growth industries.

FTEs	0.0
Gross	\$5,000,000
GF/GP	\$5,000,000

2. Funding Shift for Welfare-to-Work Programs

Provisions in SB 68 transfer all GF/GP support for Welfare-to-Work programs to FIA and replace this funding with Temporary Assistance for Needy Family (TANF) funds. This removes a combined \$29.4 million in GF/GP from the "Employment Training Services" and "Welfare-to-Work Programs" line items. An additional \$20.0 million in TANF funds is transferred to these lines to replace federal Welfare-to-Work grant funds, given the state's decision not to participate in the federal program at this time. Total funding for Welfare-to-Work programs is not affected by the action.

FTEs	0.0
Gross	\$0
GF/GP	(\$29,410,000)

3. Increase for Supportive Services - Employment and Training for Food Stamp Recipients Program

The federal government requires states receiving funds for this program to provide certain supportive services to participants. Senate Bill 68 adds \$250,000 in private Oil Overcharge revenue to the Welfare-to-Work Programs line item to cover the costs of these supportive services.

FTEs	0.0
Gross	\$250,000
GF/GP	\$0

CAREER DEVELOPMENT

PUBLIC ACT 120 OF 1999

Analyst: Robert Schneider

	ACTUAL FY 1998-99 YEAR-TO-DATE APPROPRIATIONS	FY 1998-99 APPROPRIATIONS DMB-ADJUSTED FOR EO 1999-1	FY 1999-2000 ENACTED APPROPRIATIONS	FY 1999-2000 ENACTED CHANGE FROM DMB- ADJUSTED FY 1998-99	
				AMOUNT	PERCENT
FTE POSITIONS	0.0	1,075.0	1,072.0	3.0	(0.3)
GROSS	\$500,000	\$451,804,300	\$515,904,700	64,100,400	14.2
IDG/IDT	0	1,047,000	1,047,000	0	0.0
ADJUSTED GROSS	\$500,000	\$450,757,300	\$514,857,700	64,100,400	14.2
FEDERAL	0	388,419,600	400,323,300	11,903,700	3.1
LOCAL	0	10,867,900	10,867,900	0	0.0
PRIVATE	0	2,350,800	2,607,000	256,200	10.9
OTHER	0	4,859,100	79,920,300	75,061,200	1,544.8
GF/GP	\$500,000	\$44,259,900	\$21,139,200	(23,120,700)	(52.2)

SB 79

Referred to Appropriations
1/26/99

Passed Senate
3/25/99

Passed House
5/26/99

Conference Approved
by Senate
6/16/99

Conference Approved
by House
6/17/99

Effective
7/20/99

OVERVIEW - CAREER DEVELOPMENT

Executive Order 1999-1, which became effective on April 5, 1999, reorganized the programs and functions previously administered by the Department of Michigan Jobs Commission (MJC) into (a) the new Department of Career Development (DCD), which focuses on workforce development/job training programs, and (b) the Michigan Strategic Fund Agency (MSF), which consolidates the state's economic development programs and serves as an autonomous agency within the Department of Management and Budget.

The Department of Career Development essentially obtains the programs previously administered by the MJC's Office of Workforce Development. These include: a) federally-funded employment training programs for displaced workers, adults, and youth; b) the Work First program, which aims to move welfare recipients into the workplace; c) Michigan Rehabilitation Services, which provides employment-related services to disabled individuals and their employers; and d) the Employment Service Agency, which provides job placement, job readiness, and training to individuals looking for work. A large portion of the department's functions involve the state-level administration of various federal programs. As a result, just over 77% of the Department's budget is derived from federal revenue sources.

The FY 1999-2000 budget for the Department of Career Development includes a 14.2% increase in Gross appropriations above the DMB-estimated FY 1998-99 levels adjusted for the executive reorganization. However, GF/GP appropriations take a sharp 52.2% drop below these FY 1998-99 levels.

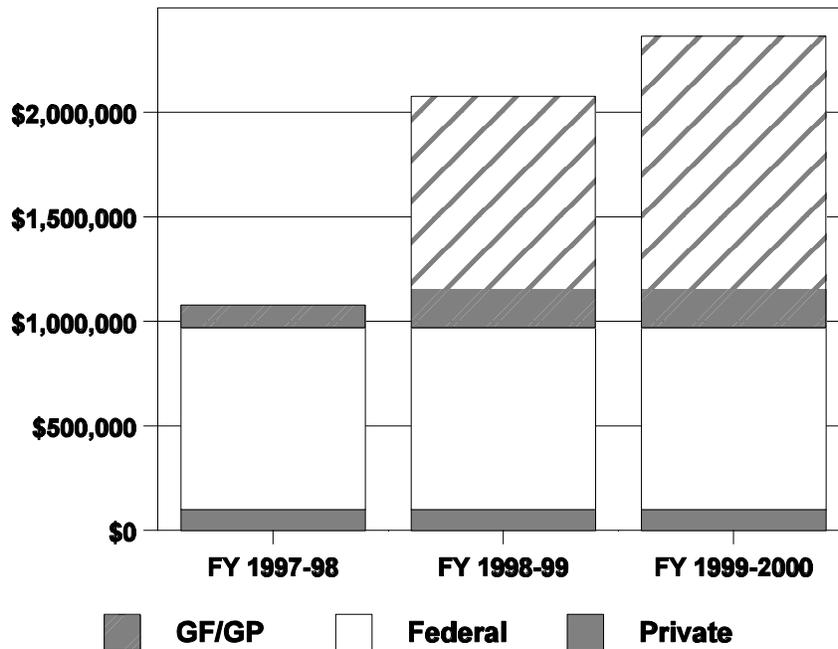
The major change in the FY 1999-2000 budget is the appropriation of \$75.0 million in tobacco settlement revenue for the Michigan Technical Education Center program. Funding for the establishment of eight technical training centers, administered by state community colleges, has already been distributed. This appropriation, along with another \$30.0 million in GF/GP provided in a FY 1998-99 supplemental appropriation to the Michigan Jobs Commission, will allow the state to expand the program.

The Legislature also provided increases in grant funds to the state's Centers for Independent Living and to two state-funded pre-college programs in engineering and the sciences. The state's 12 Centers for Independent Living, which provide assistance to disabled individuals in maintaining an independent lifestyle, will share an additional \$288,000 in funding during FY 1999-2000. As the chart below shows, this program has seen significant increases in state support over the last two budget cycles. During this time, GF/GP appropriations for these grants have increased by 1,300% over FY 1997-98 levels. Grants to the two pre-college programs in engineering and science — one located in Detroit and the other in Grand Rapids — will increase by a combined \$200,000. General Fund/General Purpose grants to the programs have grown by 31 % over FY 1997-98 levels.

The sharp drop in GF/GP appropriations is due primarily to a funding shift for the Welfare-to-Work programs. The GF/GP that had supported these programs was transferred to the Family Independence Agency (FIA) for providing day care support to needy individuals. To replace this GF/GP revenue, an equivalent amount of federal Temporary Assistance for Needy Families (TANF) revenue was transferred from FIA to DCD.

The budget also includes a \$100,000 GF/GP increase for the Michigan Community Service Commission to cover increased administrative costs related to the America's Promise Program and other volunteerism initiatives.

Appropriations for Centers for Independent Living



MAJOR BUDGET CHANGES: FY 1999-2000

Budget Issue

Change from FY 1998-99

1. Michigan Technical Education Centers

The act includes an appropriation of \$75.0 million in tobacco settlement revenue for establishment of Michigan Technical Education Centers around the state. The Legislature also approved an additional \$30.0 million FY 1998-99 supplemental appropriation for this purpose financed through GF/GP revenue. Both of these appropriations are in addition to the \$30.0 million in federal and Indian gaming revenue already committed during the current fiscal year for the construction of eight centers around the state.

FTEs 0.0
Gross \$75,000,000
 GF/GP \$0

2. Centers for Independent Living

Appropriations for grants to the state's ten non-profit Centers for Independent Living, as well as to two new developing centers, are increased by 13.9% from the FY 1998-99 appropriation of just under \$2.1 million. However, this increase is contingent upon the submission and approval of a joint report on the centers' activities as outlined in the "Major Boilerplate Changes" section below (see Item #3). The centers assist disabled individuals in functioning independently in society by teaching them skills useful both at home and in the workplace. The increase represents the second consecutive GF/GP funding increase provided by the Legislature for the centers. As shown in the chart at the beginning of this analysis, GF/GP revenue will make up 59% of the total appropriation for FY 1999-2000, up from 10% in FY 1997-98.

FTEs 0.0
Gross \$288,000
 GF/GP \$288,000

MAJOR BUDGET CHANGES: FY 1999-2000

Budget Issue

Change from FY 1998-99

3. Pre-College Programs in Engineering and the Sciences

The enacted budget contains a 23.7% increase for Pre-college Programs in Engineering and the Sciences. The state currently provides grants to two such programs located in Detroit and Grand Rapids. Boilerplate provisions allocate the increase to the two entities in proportion to FY 1998-99 grant funding levels, thus each entity receives roughly the same 23% increase in overall funding. For FY 1999-2000, the Detroit program will receive a state grant of \$620,000, while the Grand Rapids program will receive \$424,700.

FTEs	0.0
Gross	\$200,000
GF/GP	\$200,000

4. Funding Shift for Welfare-to-Work Programs

The budget act transfers all GF/GP support for Welfare-to-Work programs to the Family Independence Agency and replaces this funding with federal Temporary Assistance for Needy Family (TANF) funds. This removes a combined \$29.4 million in GF/GP from the "Employment Training Services" and "Welfare-to-Work Programs" line items. An additional \$20.0 million in TANF funds is transferred to these lines to replace federal Welfare-to-Work grant funds, given the state's decision not to participate in the federal Welfare-to-Work program at this time. Total funding for Welfare-to-Work programs is not affected by the action.

FTEs	0.0
Gross	\$0
GF/GP	(\$29,410,000)

5. Focus:HOPE

Statewide appropriations for Focus:HOPE, a Detroit-area, non-profit organization offering various job and skills training programs, are consolidated into the DCD budget from the Department of Education and Higher Education budgets. The FY 1998-99 Higher Education budget contained an appropriation of \$4.1 million to support the organization's Center for Advanced Technologies, while \$300,000 was appropriated in the FY 1998-99 Department of Education budget to assist the Fast Track program. The remaining appropriation represents increased funding to the organization.

FTEs	0.0
Gross	\$5,494,000
GF/GP	\$5,494,000

6. Increase for Supportive Services - Employment and Training for Food Stamp Recipients Program

The federal government requires states receiving funds for this program to provide certain supportive services to participants. The appropriations act adds \$250,000 in private Oil Overcharge revenue to the "Welfare-to-Work Programs" line item to cover the costs of these supportive services.

FTEs	0.0
Gross	\$250,000
GF/GP	\$0

7. Federal School-to-Work Grant

The budget begins phasing out authorizations for the federal School-to-Work (STW) grant. Nearly \$8.0 million in federal spending authority is removed from the "School-to-Work Subgrantees" line item. FY 1998-99 is the last full year of the federal grant. Michigan has received a six-month extension of the grant into FY 1999-2000.

FTEs	0.0
Gross	(\$8,083,300)
GF/GP	(\$100,000)

In addition, the act does not include \$100,000 in GF/GP appropriated for STW programs in FY 1998-99.

MAJOR BUDGET CHANGES: FY 1999-2000

<u>Budget Issue</u>	<u>Change from FY 1998-99</u>	
<p>8. Michigan Community Service Commission The budget includes an additional \$100,000 in GF/GP to support administration of the Michigan Community Service Commission's volunteerism programs. In particular, the funding will assist the Commission in financing the America's Promise Program.</p>	<p>FTEs 0.0 Gross \$100,000 GF/GP \$100,000</p>	

ECONOMICS: FY 1999-2000

<p>Economic Increases The appropriations in the act include economic increases of \$1.9 million (\$295,000 GF/GP) to facilitate salary/fringe increases for personnel (including a 3.0% overall increase in salaries for the Department's 6.0 unclassified positions), as well as for anticipated increases in travel, vehicle, worker's compensation, postage, and other general costs.</p>	<p>FTEs 0.0 Gross \$1,910,200 GF/GP \$295,000</p>	
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MAJOR BOILERPLATE CHANGES: FY 1999-2000

- 1. Appropriation of Interest on Tobacco Settlement Earnings for Youth and Senior Health Programs**
 The interest earnings on tobacco settlement revenue not deposited into the Michigan Merit Award Trust Fund are appropriated to the Department and are to be distributed to the Council of Michigan Foundations, a non-profit organization representing community foundations throughout the state. Boilerplate language provides that this funding is to be distributed by the Council to support local community efforts to address youth and senior health needs. The House Fiscal Agency estimates that the interest earnings on the tobacco settlement revenue could generate up to \$15 million for FY 1999-2000 for this purpose.

- 2. Work First and Enhanced Technical Vocational Training Program Data and Reporting**
 New boilerplate language in Sec. 317 requires the Department to begin collecting data on outcomes for participants in the Work First and Enhanced Technical Vocational Training (ETVT) Program. The Department is to collect data on participants' employment status, wages, and benefits at intervals of 30 days, one year, and three years from their completion of the program. The language also requires the Department to submit a report to the relevant appropriations subcommittees using the data collected.

- 3. Report on Centers for Independent Living**
 The \$288,000 increase provided to the state's Centers for Independent Living is made contingent in boilerplate upon the submission and legislative approval of a joint report to be completed by the Michigan Association of Centers for Independent Living (MACIL), the Statewide Independent Living Council, and the Michigan Rehabilitation Services unit within the DCD. This report is to include detailed spending plans for the additional funding, anticipated results of the increased funds, budgetary information from each center, and anticipated taxpayer savings that would directly result from the increased expenditures. Additional language requires the Department to work collaboratively with MACIL and the local workforce development boards to identify other competitive sources of funding for the centers.

MAJOR BOILERPLATE CHANGES: FY 1999-2000

4. Post-Employment Training and Education Support for Work First Participants

The appropriations act includes new language requiring the Department and the Family Independence Agency to develop clear joint guidelines governing the eligibility of participants for post-employment training and for applying education/training hours towards federal work requirements. Additional language specifies that participants may apply up to ten hours of classroom seat time per week towards work participation requirements, as well as one additional hour of study time for each hour of classroom seat time. This education/training time must be accompanied by at least ten hours per week of work. The language also requires the combined number of education/training and work hours to meet the minimum number of hours needed to the federal work participation guidelines for the participant.

5. Eligibility for Work First Program

The budget revises certain provisions of boilerplate regarding eligibility for the Work First program. In particular, the new provisions expand eligibility for Work First employment and training services to former Family Independence Program (FIP) recipients and recipients of non-cash public assistance such as Medicaid or Food Stamps. Previously, boilerplate specified that the program was to provide services only to current FIP recipients.

6. Pre-College Programs in Engineering and the Sciences

New boilerplate language in Sec. 304 requires the Department to submit a report to the appropriations subcommittees evaluating the effectiveness of the existing pre-college programs in engineering and the sciences funded through the Department and to make recommendations on whether state support to expand such programs to other areas of the state is warranted in the future.

7. Local Contingency Fund Increase

The enacted budget increases the Department's local contingency fund appropriation to \$8,000,000 for FY 1999-2000. The increase was implemented to ensure that the Department would have adequate contingency funds to use to finance Employment Service Agency (ESA) contracts awarded to former ESA workers who have placed bids to continue providing services. These funds would not be available for actual expenditures until the House and Senate Appropriations Committees formally approve legislative transfers from this source.

VETOES: FY 1999-2000

None

REVENUE INCREASES: FY 1999-2000

None

SUPPLEMENTAL APPROPRIATIONS: FY 1998-99

Focus:HOPE

HB 4075, signed by into law by the Governor as 1999 PA 137, provides a \$500,000 supplemental FY 1998-99 appropriation for Focus:HOPE, a Detroit-area, non-profit organization offering various job and skills training programs. FY 1999-2000 appropriations for this organization are also consolidated into the DCD budget from the Department of Education and Higher Education budgets.

FTEs	0.0
Gross	\$500,000
GF/GP	\$500,000

MICHIGAN STRATEGIC FUND

PUBLIC ACT 120 OF 1999

Analyst: Robert Schneider

	ACTUAL FY 1998-99 YEAR-TO-DATE APPROPRIATIONS	FY 1998-99 APPROPRIATIONS DMB-ADJUSTED FOR EO 1999-1	FY 1999-2000 ENACTED APPROPRIATIONS	FY 1999-2000 ENACTED CHANGE FROM DMB- ADJUSTED FY 1998-99	
				AMOUNT	PERCENT
FTE POSITIONS	0.0	241.0	241.0	0.0	0.0
GROSS	\$0	\$113,229,100	\$168,917,100	55,688,000	49.2
IDG/IDT	0	100,000	100,000	0	0.0
ADJUSTED GROSS	\$0	\$113,129,100	\$168,817,100	55,688,000	49.2
FEDERAL	0	48,168,000	53,203,200	5,035,200	10.5
LOCAL	0	0	0	0	0.0
PRIVATE	0	651,200	656,700	5,500	0.8
OTHER	0	50,000	50,050,000	50,000,000	100,000.0
GF/GP	\$0	\$64,259,900	\$64,907,200	647,300	1.0

SB 79

Referred to Appropriations
1/26/99

Passed Senate
3/25/99

Passed House
5/26/99

Conference Approved
by Senate
6/16/99

Conference Approved
by House
6/17/99

Effective
7/20/99

OVERVIEW - MICHIGAN STRATEGIC FUND

Executive Order 1999-1, which became effective on April 5, 1999, reorganized the programs and functions previously administered by the Department of Michigan Jobs Commission into the new Department of Career Development, which will focus on workforce development/job training programs, and the Michigan Strategic Fund Agency (MSF), which will consolidate the state's economic development programs and serve as an autonomous agency within the Department of Management and Budget.

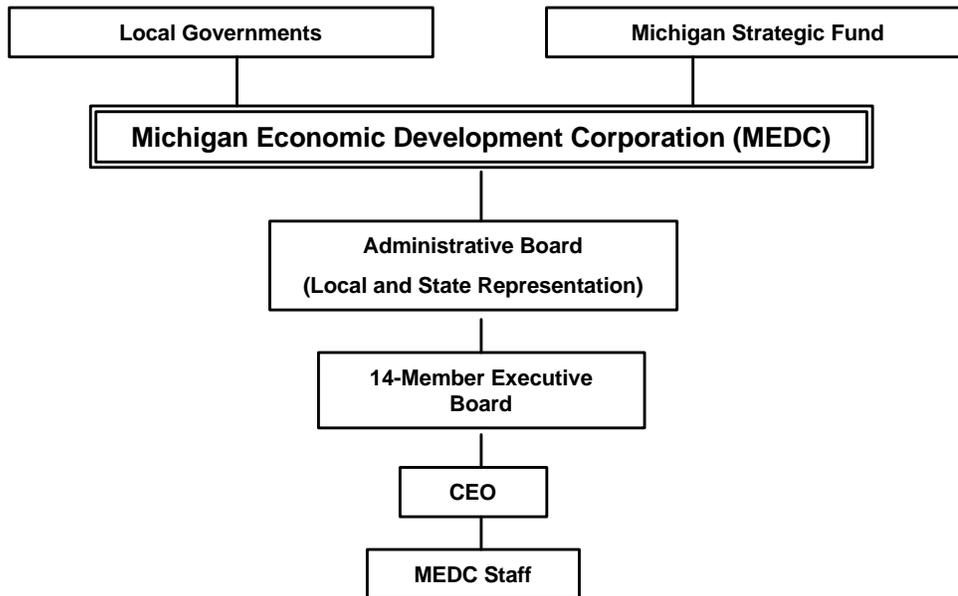
As provided in E.O. 1999-1, the MSF has since entered into interlocal agreements with a number of local units of government to form the new Michigan Economic Development Corporation (MEDC), which will administer the bulk of the state's economic development programs in partnership with these local units of government. Michigan Strategic Fund appropriations and personnel will be transferred to the new corporation. The chart below outlines the organizational structure of the new MEDC. The corporation is governed by a 13-member Executive Board. A larger Administrative Board, which includes members representing state government and each of the participating local units of government, serves an advisory and oversight role. Michigan Economic Development Corporation staff consist of both state employees detailed from the MSF (who retain their state civil service status) and new non-civil service employees hired directly by the MEDC.

The FY 1999-2000 budget for the Michigan Strategic Fund Agency provides for a 68.5% increase in gross appropriations and a 1.0% increase in GF/GP appropriations over FY 1998-99 levels as adjusted for the executive reorganization by the Department of Management and Budget.

The most significant new element of the budget is the appropriation of \$50 million in tobacco settlement revenue for a new Health and Aging Research and Development Initiative. The initiative aims to promote research and development related to health and aging with the goal of commercializing new technologies and discoveries resulting from the research, thereby creating new economic development and industries in the state. The appropriation will be disseminated as grants to Michigan universities and collaborating private research facilities. Related boilerplate language sets up a Health and Aging Steering Committee, which is to consist of representatives of state government, Michigan universities, and the private sector, to oversee the initiative and make grant distribution decisions.

The enacted budget also includes increases for Economic Development Job Training grants (\$1.0 million GF/GP) and the Community Development Block Grant program (\$5.0 million in federal funds).

STRUCTURE OF THE MICHIGAN ECONOMIC DEVELOPMENT CORPORATION



MAJOR BUDGET CHANGES: FY 1999-2000

<u>Budget Issue</u>	<u>Change from FY 1998-99</u>	
<p>1. Health and Aging Research and Development Initiative The Legislature approved an appropriation of \$50.0 million of tobacco settlement revenue for the Health and Aging Research and Development Initiative, which aims to generate collaborative research and development in the life sciences involving Michigan universities and private research facilities. Related boilerplate sets up a Health and Aging Steering Committee to oversee the initiative and make grant decisions. Grants will be awarded for basic research, collaborative research, and the commercialization of new discoveries and technologies developed through this research.</p>	FTEs	0.0
	Gross	\$50,000,000
	GF/GP	\$0
<p>2. Economic Development Job Training Grants The enacted budget contains an increase of \$1.0 million for Economic Development Job Training Grants awarded to eligible job training providers on a competitive basis to assist employers in training current and potential new employees. The FY 1998-99 appropriation for the grants was \$30 million.</p>	FTEs	0.0
	Gross	\$1,000,000
	GF/GP	\$1,000,000
<p>3. Federal Community Development Block Grant (CDBG) Funding The appropriations act includes a \$5.0 million increase in federal spending authority for the CDBG program to be administered by the MSF. The increase is necessary to adjust for anticipated increases in federal funding levels to the state.</p>	FTEs	0.0
	Gross	\$5,000,000
	GF/GP	\$0

MAJOR BUDGET CHANGES: FY 1999-2000

Budget Issue

Change from FY 1998-99

4. Transfer of Grant for the Michigan Civilian Conservation Corps to the DNR

FTEs	0.0
Gross	(\$1,000,000)
GF/GP	(\$1,000,000)

The Legislature eliminates a \$1.0 million appropriation in the FY 1998-99 appropriations act targeted to support operations and recruitment activities of the Michigan Civilian Conservation Corps, which provides job skills and paid work experience to unemployed residents aged 18 to 25. Instead, this GF/GP support for the program is included directly in the Department of Natural Resources (DNR) budget.

ECONOMICS: FY 1999-2000

Economic Increases

FTEs	0.0
Gross	\$688,000
GF/GP	\$647,300

The Executive Budget includes economic increases of \$688,000 (\$647,300 GF/GP) to facilitate salary/fringe increases for personnel, as well as for anticipated increases in travel, vehicle, worker's compensation, postage, and other general costs.

MAJOR BOILERPLATE CHANGES: FY 1999-2000

1. Health and Aging Research and Development Initiative

The budget includes new boilerplate providing for the \$50 million appropriation of tobacco settlement revenue for the Health and Aging Research and Development Initiative. The language states that the program is to "support basic and applied research in health-related areas, with emphasis on aging issues." The boilerplate provisions also set up a Health and Aging Steering Committee to oversee the initiative and to make decisions on the distribution of grant revenues.

The language earmarks 40% of the appropriation to a basic research fund to be distributed on a competitive basis to Michigan universities. Another 50% is allocated to a collaborative research fund to support peer-reviewed collaborative grants among Michigan universities and/or private research facilities to test and develop emerging discoveries. Up to 10% of the appropriation is allocated to a commercial development fund to support commercialization opportunities for life science research. State funds are to be matched by other private, university, or federal funds. Finally, the language provides that up to 1% of the appropriation may be used to cover administrative costs.

2. Reporting on MEDC Programs and Spending

The MSF and the MEDC are required in Sec. 413 of the act to submit an annual report to the appropriations committees concerning the activities of their various programs. The report is to include details on actual spending and FTE positions used within each program area. In addition, a separate provision requires the MSF and MEDC to report on all grants disseminated by the agencies.

3. EDJT Grants for the Development of Distance Learning Training

Sec. 401(6) of the enacted budget bill contains new language which allows any amount (up to \$6.0 million) of the appropriation for Economic Development Job Training (EDJT) grants that is used to develop Internet-based or other distance learning training to be exempt from a boilerplate requirement that 70% of grant funds be distributed to community colleges or a consortium which includes a community college.

MAJOR BOILERPLATE CHANGES: FY 1999-2000

4. Restrictions on Land Purchases and Land Option Purchases

Boilerplate provisions prohibit the MSF and the MEDC from purchasing land or options on land unless either (a) the land is in an “economically distressed area” or (b) the purchase is at the invitation of the local unit of government and local economic development agency. In addition, the language establishes legislative intent that consideration be given to purchases where the proposed use of the land is consistent with a regional land use plan, will result in the redevelopment of an economically distressed area, can be supported by existing infrastructure, and will not cause population shifts.

5. Revenue from “Michigan. Great Lakes. Great Times.” Slogan and Logo

New boilerplate in the Governor’s recommended budget would allow the MSF to receive and expend any private revenue related to the use of the “Michigan. Great Lakes. Great Times” slogan and logo. The revenue would come from contracts with private vendors who sell merchandise bearing the slogan and/or logo. The revenue is earmarked within the boilerplate section for the marketing of the state as a travel destination.

6. Michigan Promotion Program Funding

Sec. 411 of the enacted budget bill earmarks \$200,000 of the FY 1999-2000 appropriation for the Michigan Promotion Program, which aims to promote tourism opportunities in Michigan, to the Northeast region of the state and requires the MSF to work collaboratively with the Sunrise Side organization on determining the distribution of this funding.

In addition, the boilerplate requires that at least 25% of Michigan Promotion Program funds be used to promote cultural tourism opportunities in Michigan.

7. Development Finance Agency Grant and Loan Program

The appropriations act contains new language requiring the agency to submit a report to the appropriations subcommittees on the status of the Development Finance Grant and Loan Program, including information on the remaining balance in the related revolving fund and a proposal on whether to continue with the program or use available funding in another manner.

VETOES: FY 1999-2000

None

REVENUE INCREASES: FY 1999-2000

None

SUPPLEMENTAL APPROPRIATIONS: FY 1998-99

None

**FY 1999-2000
Budget Detail
for**

**RESOURCE
PROTECTION**

**Agriculture
Environmental Quality
Natural Resources**

AGRICULTURE

PUBLIC ACT 112 OF 1999

Analyst: Craig Thiel

	FY 1998-99 YEAR-TO-DATE APPROPRIATIONS	FY 1999-2000 ENACTED APPROPRIATIONS	FY 1999-2000 ENACTED CHANGE FROM FY 1998-99	
			AMOUNT	PERCENT
FTE POSITIONS	604.5	605.5	1.0	0.2
GROSS	\$89,529,200	\$91,750,000	\$2,220,800	2.5
IDG/IDT	844,300	8,571,900	7,727,600	915.3
ADJUSTED GROSS	\$88,684,900	\$83,178,100	(\$5,506,800)	(6.2)
FEDERAL	5,435,100	5,249,900	(185,200)	(3.4)
LOCAL	0	0	0	0.0
PRIVATE	711,000	871,900	160,900	22.6
OTHER	33,651,800	31,172,400	(2,479,400)	(7.4)
GF/GP	\$48,887,000	\$45,883,900	(\$3,003,100)	(6.1)

SB 357

Referred to Appropriations
2/23/99

Passed Senate
3/24/99

Passed House
5/25/99

Conference Approved
by Senate
6/9/99

Conference Approved
by House
6/9/99

Effective
7/9/99

OVERVIEW - AGRICULTURE

The Michigan Department of Agriculture (MDA) is the official state agency charged with serving, promoting and protecting the food, agriculture, and agricultural economic interests of the people of the State of Michigan. MDA programs serve all sectors of agriculture, which is Michigan's second-largest industry.

Public Act 112 of 1999 includes \$91,750,000 in Gross appropriations and \$45,883,900 in GF/GP support to the Department Agriculture for FY 1999-2000. Compared to FY 1998-99 year-to-date appropriation levels, the FY 1999-2000 budget provides for an increase of 2.5% in overall funding and a decrease of 6.1% in GF/GP support. The sizable GF/GP decrease for FY 1999-2000, when compared to current-year appropriation levels, is primarily attributable to a one-time \$9.6 million supplemental appropriation in FY 1998-99 for the MDA's bovine tuberculosis monitoring and eradication efforts. Without this FY 1998-99 supplemental, the FY 1999-2000 budget would show an increase of 16.9% in GF/GP support over FY 1998-99 levels. The FY 1999-2000 budget includes an interdepartmental grant from the Department of Community Health for grants to local health departments for food safety activities (\$7.9 million). In previous years this program was administered under the Department of Community Health.

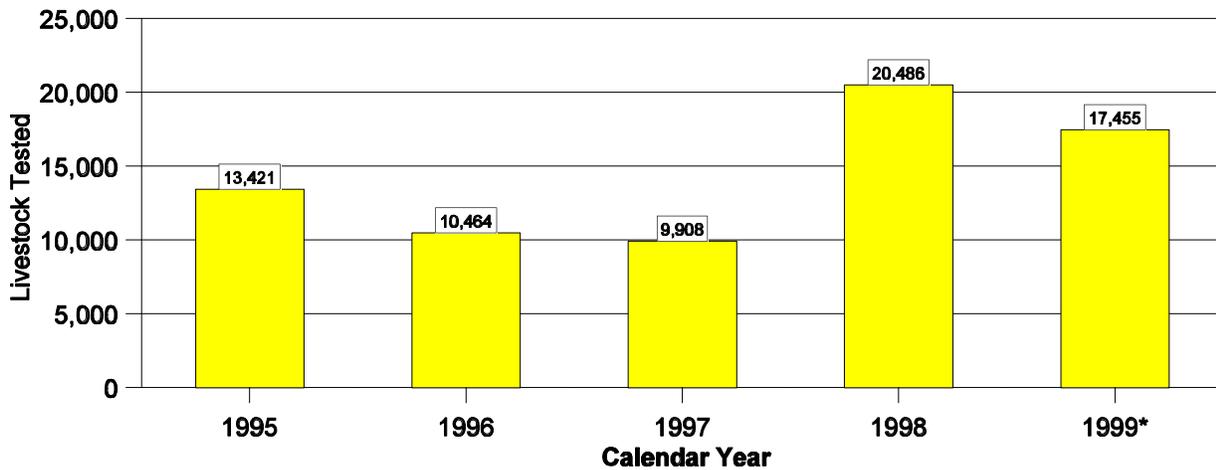
The FY 1999-2000 budget continues funding for a number of programs contained in the FY 1998-99 budget and provides funding for a number of new initiatives. The budget includes a total of \$6.1 million GF/GP, an increase of \$2.1 million over current-year levels, for Project GREEN to address various problems facing plant-based agriculture in Michigan. The FY 1999-2000 budget also provides a \$1.5 million GF/GP grant to the Michigan Biotechnology Institute to develop and commercialize environmentally-friendly technologies — an increase of \$100,000 over the current year. The FY 1999-2000 budget enhances funding for the Migrant Labor Housing Construction Grant Program by \$250,000, bringing the total to \$550,000. A FY 1998-99 supplemental provides a one-time increase of another \$250,000 GF/GP for the construction grant program. The budget contains new funding for an on-farm fuel storage liaison, as well as funds to support state participation in federal agricultural export activities.

The FY 1999-2000 budget contains major funding and policy changes associated with grants/programs financed with horse racing revenue. Under the budget, horse racing revenue supports only horse racing programs/grants — a major change from past practice. The FY 1999-2000 budget replaces horse racing revenue used currently to support three fair-related programs with an equal amount of GF/GP and redirects the revenue, \$2.4 million, to fund horse racing programs. A total of \$11.5 million in horse racing revenue is appropriated for FY 1999-2000 to support horse racing programs/grants. As part of the policy change to fund horse racing programs with horse racing revenue only, the FY 1999-2000 budget re-directs just over \$300,000 in General Fund support from the Office of the Racing Commissioner to enhance MDA food safety activities.

The Department of Agriculture, in cooperation with the Departments of Natural Resources and Community Health, is engaged in an effort to eradicate bovine tuberculosis from Michigan. The disease has been found in the free-ranging deer population in the northeastern Lower Peninsula and has been discovered in a limited number of livestock herds, threatening Michigan's Tuberculosis Accredited Free State status. A \$9.6 million GF/GP FY 1998-99 supplemental appropriation is provided to test herds at state expense, to make indemnification payments for infected herds, and to help farmers reestablish their businesses if herds must be destroyed. The chart below illustrates the extent of testing for bovine tuberculosis in livestock over the past four years.

Bovine Tuberculosis Testing (Quarantine Area)

1995 Through June 1, 1999



* As of June 1

Source: Department of Agriculture

MAJOR BUDGET CHANGES: FY 1999-2000

Budget Issue

Change from FY 1998-99

1. Program Enhancement - Project GREEN

Project GREEN (Generating Research and Extension to Meet Economic and Environmental Needs) is a partnership between Michigan State University, industry, consumers, commodity groups, and state government to address a variety of issues confronting plant-based agriculture. The additional funding continues the support of research at Michigan State University. The budget provides a total of \$6.1 million GF/GP for this project. The FY 1998-99 budget provided \$4.0 million GF/GP and a FY 1997-98 supplemental, which was carried forward, provided another \$1.0 million GF/GP.

FTE	0.0
Gross	\$2,100,000
GF/GP	\$2,100,000

2. Program Transfer - Local Food Safety Grants

Under Executive Order 1996-01, the Governor transferred the Food Service Sanitation Program from the Department of Community Health to the Department of Agriculture. However, the funding for the local cost sharing component of this program remained in the Department of Community Health budget through FY 1998-99. The budget transfers \$7.9 million to the Department of Agriculture via an interdepartmental grant from the Department of Community Health to provide grants to local health departments for food safety activities. This transfer would align funding for all state and local food safety activities within the Department of Agriculture, thereby further consolidating standard setting, monitoring, and inspection activities within a single agency.

FTE	0.0
Gross	\$7,888,300
GF/GP	\$0

MAJOR BUDGET CHANGES: FY 1999-2000

<u>Budget Issue</u>	<u>Change from FY 1998-99</u>	
<p>3. Funding Shifts - Horse Racing Revenue Adjustments Horse racing revenue support for three fair-related programs is replaced with an equal amount of GF/GP (\$2.4 million) and the horse racing revenue is re-directed to fund horse racing programs. Horse racing grants are reduced by 0.7% from current-year levels to reflect estimated revenue in FY 1999-2000 (\$11.5 million). As a result of these funding shifts, the FY 1999-2000 budget only appropriates horse racing revenue to support racing programs and related activities, representing a major policy change from the current-year funding arrangement.</p>	FTE Gross GF/GP	0.0 (\$361,400) \$2,442,500
<p>Additionally, \$303,100 in General Fund support is re-directed from the Office of Racing Commissioner to the Food and Dairy Division to support food safety activities. The funding will support food safety training and technology enhancements to the inspection system.</p>		
<p>4. Program Enhancement - Biotechnology Grant The budget increases the grant to the Michigan Biotechnology Institute by \$100,000 GF/GP to develop new innovative technologies and to stimulate their commercialization in Michigan. Total funding for this grant in FY 1999-2000 is \$1.5 million.</p>	FTE Gross GF/GP	0.0 \$100,000 \$100,000
<p>5. Program Enhancement - Migrant Labor Housing The budget contains an increase of \$250,000 GF/GP to supply matching grants to the agriculture community for the construction and renovation of migrant labor housing. Total recommended funding for FY 1999-2000 is \$550,000 GF/GP. Boilerplate language encourages the Department to seek all available federal funding to augment state support of the program.</p>	FTE Gross GF/GP	0.0 \$250,000 \$250,000
<p>6. New Program - Export Promotion The budget contains \$100,000 GF/GP to coordinate state participation in the Market Access Program through the U.S. Department of Agriculture. The funding will leverage additional federal funds to supply grants to Michigan agricultural producers for the purpose of developing new and enhancing existing export markets for Michigan agricultural products.</p>	FTE Gross GF/GP	0.0 \$100,000 \$100,000
<p>7. New Program - On-Farm Fuel Storage The budget contains \$80,000 (\$40,000 GF/GP) to fund a position to serve as a liaison between industry and the agricultural community regarding on-farm fuel storage issues.</p>	FTE Gross GF/GP	1.0 \$80,000 \$40,000
<p>8. Program Enhancement - Food Bank The budget increases funding by \$49,200 GF/GP for a grant to the Food Bank Council of Michigan to process unwanted surplus agricultural products for distribution to food banks throughout Michigan. Total funding for FY 1999-2000 is \$774,200.</p>	FTE Gross GF/GP	0.0 \$49,200 \$49,200
<p>9. Grant - 4-H Foundation of Michigan The budget contains a one-time grant to the 4-H Foundation of Michigan to assist with capital improvements at the Kettunen Center. The state funding will augment private contributions and funding from the Foundation to assist in the completion of the master plan for the Center.</p>	FTE Gross GF/GP	0.0 \$285,000 \$285,000

Agriculture

MAJOR BUDGET CHANGES: FY 1999-2000

<u>Budget Issue</u>	<u>Change from FY 1998-99</u>	
10. Grant - Apple Juice Concentrate Dumping	FTE	0.0
The budget contains funding to provide a grant to the U.S. Apple Association for the purpose of data collection and legal activities to bring a case before the U.S. Department of Commerce and the International Trade Commission concerning the dumping of below-cost apple juice concentrate in U.S. markets by foreign suppliers.	Gross	\$20,000
	GF/GP	\$20,000

ECONOMICS: FY 1999-2000

1. Standard Economic Adjustments	Gross	\$1,230,700
The budget provides funding for standard economic adjustments associated with salary and wages, insurances, retirement, motor transport, and worker's compensation charges.	GF/GP	\$1,008,400
2. Unclassified Salaries	Gross	\$13,900
The budget provides a 3% increase to the salaries of the Department's unclassified employees.	GF/GP	\$11,900
3. Property Management Charges	Gross	\$445,000
The budget includes \$445,000 GF/GP for increased property management charges associated with the Department's planned move to its new downtown Lansing location.	GF/GP	\$445,000

MAJOR BOILERPLATE CHANGES: FY 1999-2000

- 1. Indemnification Payments**
New language is included authorizing the Department to expend funds received from the Department of Natural Resources to reimburse the Department for indemnification payments made for livestock killed by a wolf (Section 210). Language appears in the Department of Natural Resources budget requiring the reimbursement to Agriculture. Current-year language requires the Department of Agriculture to cover the indemnification payments for livestock killed by a wolf.
- 2. Restaurant Inspection Monitoring**
New language is included requiring the Department to monitor restaurant inspection and licensing functions conducted by local health departments to ensure uniform application and enforcement of state licensing standards (Section 401). The language requires a report to the Legislature.
- 3. Wildlife Testing for Bovine Tuberculosis**
New language is included requiring the Department to reimburse the Department of Natural Resources for mutually agreed-to costs associated with monitoring and testing wildlife for bovine tuberculosis (Section 450). The Department of Agriculture is responsible for testing livestock, while the Department of Natural Resources is responsible for monitoring the disease in wildlife.
- 4. Draft Horse Shows**
Modified language is included designating equal amounts (\$39,100 GF/GP each) to the Great Lakes International Draft Horse Show and the Can-Am Draft Horse Show (Section 806). Current-year language directs all of the funding (\$78,800 restricted) to the Can-Am show.

MAJOR BOILERPLATE CHANGES: FY 1999-2000

5. Horse Racing Plan

New language is included requiring the Department and the racing industry to develop a plan for assuring the viability of the industry in Michigan and to report to the Legislature (Section 902).

VETOES: FY 1999-2000

None

REVENUE INCREASES: FY 1999-2000

None

SUPPLEMENTAL APPROPRIATIONS: FY 1998-99

1. Bovine Tuberculosis Monitoring and Eradication

A \$9.6 million GF/GP supplemental appropriation is provided to support the Department's efforts to eradicate bovine tuberculosis from Michigan. The disease has been found in the free-ranging white-tail deer population and has been recently discovered in a limited number of livestock herds. The presence of the disease in the livestock population threatens Michigan's Tuberculosis Accredited Free State status. The Department has been working with the Departments of Natural Resources and Community Health, local officials and farmers, and private veterinarians to monitor and eradicate this disease. The \$9.6 million will be used to test livestock at state expense, to provide indemnification payments to farmers with infected herds, and to help farmers reestablish their businesses if herds must be destroyed. The appropriation is established through boilerplate as a work project and will be available through FY 2000-2001. The FY 1997-98 budget contained \$1.6 million for the Department's eradication efforts.

Gross	\$9,637,000
GF/GP	\$9,637,000

2. Migrant Labor Housing

A \$250,000 GF/GP supplemental appropriation is provided to support grants to the agricultural community for the construction and renovation of migrant labor housing facilities.

Gross	\$250,000
GF/GP	\$250,000

ENVIRONMENTAL QUALITY

PUBLIC ACT 125 OF 1999

Analyst: Kirk Lindquist

	FY 1998-99 YEAR-TO-DATE APPROPRIATIONS	FY 1999-2000 ENACTED APPROPRIATIONS	FY 1999-2000 ENACTED CHANGE FROM FY 1998-99	
			AMOUNT	PERCENT
FTE POSITIONS	1,614.7	1,616.7	2.0	0.1
GROSS	\$522,540,900	\$393,588,600	(\$128,952,300)	(24.7)
IDG/IDT	7,121,100	16,778,700	9,657,600	135.6
ADJUSTED GROSS	\$515,419,800	\$376,809,900	(\$138,609,900)	(26.9)
FEDERAL	127,020,800	126,831,500	(189,300)	(0.1)
LOCAL	1,177,700	1,195,600	17,900	1.5
PRIVATE	451,700	333,700	(118,000)	(26.1)
STATE RESTRICTED	294,268,300	152,202,700	(142,065,600)	(48.3)
GF/GP	\$92,501,300	\$96,246,400	\$3,745,100	4.0

NOTE: *The Clean Michigan Initiative (CMI) Supplemental (1999 PA 111) included \$120,753,000 for FY 1998-99, but no additional funds for this item are included in FY 1999-2000. The net change in state restricted funding, without the CMI Supplemental, is (\$10,848,500), or a 5.9% decrease from the year-to-date appropriation.*

SB 364

Referred to Appropriations
2/23/99

Passed Senate
3/24/99

Passed House
5/27/99

Conference Approved
by Senate
6/16/99

Conference Approved
by House
6/17/99

Effective
7/23/99

OVERVIEW - ENVIRONMENTAL QUALITY

Overall, the General Fund appropriation for the Department of Environmental Quality (DEQ) is increased by \$3.7 million in FY 1999-2000. The FY 1999-2000 appropriation includes several revenue adjustments. The total funding level from the Cleanup and Redevelopment Fund was reduced by \$11.9 million, and the scrap tire grants program was reduced by \$2.4 million. Programs which traditionally have been funded from Settlement Fund revenue are provided \$1.0 million General Fund to place these activities on a more stable fiscal foundation.

The most significant change in the Department of Environmental Quality budget is a current-year development. The new Clean Michigan Initiative bond program FY 1998-99 supplemental provides \$120.8 million for brownfield cleanup and redevelopment sites, waterfront redevelopment, contaminated lake and river sediment cleanup, and non-point pollution control grants. This supplemental provided funds to start pollution prevention grant and loan programs as well.

The Legislature considered boilerplate language which would have encouraged the Department to consider the compatibility of state projects and programs with local development plans and zoning ordinances; this language is not included in the FY 1999-2000 appropriation act. A new Hazardous Waste Hauling fee was proposed to replace lost hazardous waste hauler permit license revenue, but this new fee was not included in the enacted appropriation.

MAJOR BUDGET CHANGES: FY 1999-2000

<u>Budget Issue</u>	<u>Change from FY 1998-99</u>	
1. Local Public Health Department Operations Funds previously appropriated to the Department of Community Health for local public health department water supply programs and operations support are provided to the DEQ as an interdepartmental grant pursuant to Executive Order 1996-1.	FTEs	0.0
	Gross	\$9,331,200
	GF/GP	\$0
2. Cleanup and Redevelopment Fund Funding levels of programs which are supported by the Cleanup and Redevelopment Fund are reduced to a gross level of \$8,200,000 to reflect expected annual revenue.	FTEs	0.0
	Gross	(\$11,879,400)
	GF/GP	\$0
3. Scrap Tire Regulatory Fund Funding levels of programs supported by the Scrap Tire Regulatory Fund are reduced to \$1,607,000 to reflect expected annual revenue. The enacted budget includes \$100,000 for suppression costs for a tire fire in Benzie County.	FTEs	0.0
	Gross	(\$2,350,000)
	GF/GP	\$0
4. General Fund - Federal Funding Shift: Leaking Underground Storage Tanks General Fund support for Leaking Underground Storage Tanks replaces unrealized federal revenue.	FTEs	0.0
	Gross	\$0
	GF/GP	\$800,000

Environmental Quality

MAJOR BUDGET CHANGES: FY 1999-2000

<u>Budget Issue</u>	<u>Change from FY 1998-99</u>	
5. Settlement Revenue Funding Shifts: Departmentwide General Fund support replaces uncollected Settlement/Responsible Party Payment revenue. Boilerplate language is included creating a Legislative Work Group to study and recommend a method of granting settlement fund revenue to impacted local governmental units.	FTEs	0.0
	Gross	\$0
	GF/GP	\$1,000,000
6. Wetland Permit Assistance and Investigations Funding for field staff for Wetland Permit Assistance and Investigations is included. This increase is supported by the 1996 fee increase.	FTEs	0.0
	Gross	\$225,000
	GF/GP	\$0
7. Floodplain Mapping This federal fund increase enables the state to prepare detailed flood plain maps. Only 1/3 of the state's floodplains have been mapped by the Federal Emergency Management Agency.	FTEs	0.0
	Gross	\$210,000
	GF/GP	\$0
8. Low-Income Community Wastewater Assistance A new grant item for the Michigan Community Action Agency Association is included in the enacted budget to provide a statewide assistance program for rural community assistance programs.	FTEs	0.0
	Gross	\$90,000
	GF/GP	\$90,000
9. Upper Peninsula Environmental Assistance Programs One position is added to the Marquette District office for pollution prevention and other environmental assistance program activities. This position is supported by Waste Reduction Fee Revenue.	FTEs	0.0
	Gross	\$100,000
	GF/GP	\$0

ECONOMICS: FY 1999-2000

Economic Changes Departmentwide increases and decreases are provided to cover a general 3 % Civil Service pay raise, retirement contribution requirements, health plan obligations, and motor transport costs.	FTEs	0.0
	Gross	\$4,775,100
	GF/GP	\$1,979,300

MAJOR BOILERPLATE CHANGES: FY 1999-2000

- Section 220. Internal Auditor Report**
A new biennial report on Department Internal Audit activities is to be provided to the Legislature.
- Section 225. Settlement Fund Work Group**
A Joint Legislative Work Group would be appointed to study and recommend a method of distributing settlement fund revenue to impacted local governmental units.
- Section 226. Nature Conservancy**
The Nature Conservancy involvement with the Natural Resources Heritage Program and permit functions of the Department of Environmental Quality is phased out.

MAJOR BOILERPLATE CHANGES: FY 1999-2000

4. Section 227. Clean Michigan Initiative (CMI)

Any recommended changes in the appropriations for the CMI Program are to be referred to the appropriations committees before any expenditures occur. This section is included out of a concern that the FY 1999-2000 CMI recommendation might be added to another appropriation bill without the involvement of the legislative appropriation committees.

5. Section 605. Redevelopment and Cleanup Project Sites

A detailed list of sites funded through the Cleanup and Redevelopment Fund Program is included in the enacted budget.

6. Section 704. Leaking Underground Storage Tank Sites

A detailed list of sites funded through the Leaking Underground Storage Tank Program is included.

7. Section 803. Rural Community Assistance

New language is included for the rural community assistance program for low-income community wastewater assistance.

8. Section 1101. Great Lakes Bottom Lands Permits

The Department is required to prepare a plan to collect permit fees before requiring users of bottom lands to pay for permits.

VETOES: FY 1999-2000

1. Pollution Prevention Technical Assistance

Boilerplate section 802 provided \$300,000 from the Michigan Retired Engineer Technical Assistance Program to establish a university internship pilot project. Those students would have analyzed hazardous material use and provided training for employees of small- and medium-sized businesses. This program was funded from Waste Reduction fee revenue.

	FTE	0.0
	Gross	\$300,000
	GF/GP	\$0

2. Study of Department Child Protection Standard Adequacy

Boilerplate section 1003 would have required the Department to designate \$100,000 from the Great Lakes Protection Fund to study and recommend changes in air, water, and waste standards. These changes would mitigate against the adverse effects of pollutants on child health.

	FTE	0.0
	Gross	\$100,000
	GF/GP	\$0

REVENUE INCREASES: FY 1999-2000

None

Environmental Quality

SUPPLEMENTAL APPROPRIATIONS: FY 1998-99

<p>1. Brownfield Cleanup and Redevelopment: Environmental Cleanup and Redevelopment Program</p>	<p>FTEs 0.0 Gross \$47,856,000</p>
<p>This appropriation would provide funds for cleanup costs at sites listed in boilerplate section 405. Grants will be awarded to communities for the cost of cleanup activities at municipal landfills. This program was established by 1996 PA 383.</p>	<p>GF/GP \$0</p>
<p>2. Brownfield Cleanup and Redevelopment: National Priority List (NPL) – Municipal Landfill Match Grants Program</p>	<p>FTEs 0.0 Gross \$2,000,000</p>
<p>Funds would be provided for matching grants for sites approved by the Brownfield Redevelopment Board.</p>	<p>GF/GP \$0</p>
<p>3. Brownfield Cleanup and Redevelopment: Grants and Loan Programs</p>	<p>FTEs 0.0 Gross \$2,000,000</p>
<p>Grants and loans are established for local governments and brownfield redevelopment authorities for response activities at known or suspected sites with redevelopment potential. Projects would be scored and selected through the same process used in the 1988 Quality of Life Bond program. The Executive Recommendation included \$10,000,000 for these grants, but the Senate reduced this program because no list of grantees was provided by the Department.</p>	<p>GF/GP \$0</p>
<p>4. Brownfield Cleanup and Redevelopment: Leaking Underground Storage Tank Cleanup Program</p>	<p>FTEs 0.0 Gross \$12,597,000</p>
<p>This appropriation provides funds for underground storage tank sites included in boilerplate section 406.</p>	<p>GF/GP \$0</p>
<p>5. Waterfront Redevelopment Program</p>	<p>FTEs 0.0</p>
<p>This new grant program supports community waterfront cleanup and redevelopment projects. Sites and projects would be determined with the advice of the Michigan Jobs Commission.</p>	<p>Gross \$20,000,000 GF/GP \$0</p>
<p>6. Contaminated Lake and River Sediments Cleanup</p>	<p>FTEs 0.0</p>
<p>This appropriation provides funds for sites included in boilerplate section 407.</p>	<p>Gross \$4,300,000 GF/GP \$0</p>
<p>7. Pollution Prevention: Nonpoint Source Pollution Prevention Assistance</p>	<p>FTEs 0.0 Gross \$12,000,000</p>
<p>Pollution prevention assistance and control projects are to be awarded through a RFP (request for proposal) process.</p>	<p>GF/GP \$0</p>
<p>8. Pollution Prevention: Retired Engineers Technical Assistance Program (RETAP) Fund</p>	<p>FTEs 0.0 Gross \$10,000,000</p>
<p>This appropriation capitalizes the RETAP Fund.</p>	<p>GF/GP \$0</p>
<p>9. Pollution Prevention: Small Business Pollution Prevention Assistance (SBPPA) Revolving Loan Fund</p>	<p>FTEs 0.0 Gross \$5,000,000</p>
<p>This appropriation capitalizes the SBPPA Revolving Loan Fund.</p>	<p>GF/GP \$0</p>

SUPPLEMENTAL APPROPRIATIONS: FY 1998-99

10. Pollution Prevention: Small Business Pollution Prevention Assistance (SBPPA) Revolving Loan Fund

Loans are provided to cover costs associated with their efforts by small businesses to reduce the amount of waste generated by small businesses.

FTEs	0.0
Gross	\$5,000,000
GF/GP	\$0

NATURAL RESOURCES

PUBLIC ACT 121 OF 1999

Analyst: Kirk Lindquist

	FY 1998-99 YEAR-TO-DATE APPROPRIATIONS	FY 1999-2000 ENACTED APPROPRIATIONS	FY 1999-2000 ENACTED CHANGE FROM FY 1998-99	
			AMOUNT	PERCENT
FTE POSITIONS	2,230.5	2,243.5	13.0	0.6
GROSS	\$233,614,500	\$241,911,300	8,296,800	3.6
IDG/IDT	7,048,600	4,643,100	(2,405,500)	(34.1)
ADJUSTED GROSS	\$226,565,900	\$237,268,200	10,702,300	4.7
FEDERAL	19,705,600	22,268,200	2,562,600	13.0
LOCAL	0	0	0	0.0
PRIVATE	1,810,600	1,698,600	(112,000)	(6.2)
STATE RESTRICTED	155,399,700	161,806,400	6,406,700	4.1
GF/GP	\$49,650,000	\$51,495,000	1,845,000	3.7

SB 370

Referred to Appropriations
2/23/99

Passed Senate
3/25/99

Passed House
5/27/99

Conference Approved
by Senate
6/10/99

Conference Approved
by House
6/10/99

Effective
7/21/99

OVERVIEW - NATURAL RESOURCES

The Executive Recommendation for the Department of Natural Resources (DNR) includes increased budget support for forest management programs, youth outreach and outdoor education, and game and fish program support.

Forest planning, cooperative programs, and fire suppression efforts would be increased by more than \$4.0 million, while youth programs would grow by \$650,000. Game and fish protection programs would be increased by \$3.5 million. Nearly half of this increase would support conservation law enforcement and \$840,000 would be added to support game habitat efforts in state forests.

No fee increases are recommended in FY 1999-2000. Several forest management program improvements have been included in the FY 1999-2000 budget: nearly \$3.3 million was added for state forest inventory and private woodlot management programs. An additional \$1.2 million was included to purchase forest fire suppression equipment. The law enforcement program was provided \$1.5 million to put computers in conservation officer vehicles and the Department was authorized to hire ten new conservation officers to address lower peninsula game and fish enforcement priorities.

MAJOR BUDGET CHANGES: FY 1999-2000

<u>Budget Issue</u>	<u>Change from FY 1998-99</u>	
1. Federal Forest Product Royalty Revenue Timber Sale Royalty revenue is provided for grants to local communities for aid to public school districts and for county road improvements.	FTEs	0.0
	Gross	\$2,800,000
	GF/GP	\$0
2. State Forest Inventory and Monitoring Programs An expanded effort in State Forest Inventory and Monitoring Programs, in cooperation with the U.S. Forest Service, places each state forest on a five-year study cycle. This increase is supported by Forest Resource Revenue.	FTEs	0.0
	Gross	\$2,335,000
	GF/GP	\$0
3. In-Car Computers Computers are to be installed in vehicles used by Conservation Officers. This Game and Fish Fund increase was requested by the Department when it discovered a \$10,800,000 fund balance in 1997.	FTEs	0.0
	Gross	\$1,500,000
	GF/GP	\$0
4. Cooperative Forestry Programs Grant funds (through Cooperative Forest Resource Programs to Soil Conservation Districts) assist private landowners in managing timber-producing properties. This increase is supported by Forest Resource and Game and Fish Fund revenue.	FTEs	0.0
	Gross	\$1,250,000
	GF/GP	\$0
5. Fire Suppression Equipment Forest Resource revenue support is provided to purchase fire suppression equipment.	FTEs	0.0
	Gross	\$1,200,000
	GF/GP	\$0

Natural Resources

MAJOR BUDGET CHANGES: FY 1999-2000

<u>Budget Issue</u>	<u>Change from FY 1998-99</u>	
6. Law Enforcement: Conservation Officers The enacted budget provides Game and Fish Fund support for ten new conservation officers.	FTEs	10.0
	Gross	\$1,000,000
	GF/GP	\$0
7. Michigan Civilian Conservation Corps The interdepartment grant from the Michigan Jobs Commission is replaced by a direct \$1.0 million General Fund appropriation.	FTEs	0.0
	Gross	\$0
	GF/GP	\$1,000,000
8. Youth Education Programs Game and Fish Fund support is included for the publication costs for the Department's new "Buck Wilder" youth outreach and resource education program.	FTEs	0.0
	Gross	\$650,000
	GF/GP	\$0
9. Snowmobile Enforcement Additional fee revenue is included to support county sheriff snowmobile enforcement efforts.	FTEs	0.0
	Gross	\$937,000
	GF/GP	\$0
10. State Parks A general increase has been recommended to make up for unfunded program costs incurred in earlier fiscal years (State Park Endowment Fund and GF/GP).	FTEs	0.0
	Gross	\$400,700
	GF/GP	\$162,200
11. Marine Safety Grants The Executive recommendation reduced local watercraft safety enforcement grants by \$400,000 (Marine Safety Fund). These funds were restored in the enacted budget.	FTEs	0.0
	Gross	\$0
	GF/GP	\$0
12. Clean Michigan Initiative Recreation Grants Administration Clean Michigan Initiative Bond Fund support is included to cover DNR administrative costs for three positions to administer the local recreation grants program.	FTEs	0.0
	Gross	\$250,000
	GF/GP	\$0
13. Wildlife Habitat Programs The wildlife habitat maintenance program is increased to reflect expected federal (Pittman/Robinson) grant revenue.	FTEs	0.0
	Gross	\$225,000
	GF/GP	\$0
14. Conservation Officer Radios The one-time Game and Fish Fund appropriation for radios for Conservation Officers was deleted.	FTEs	0.0
	Gross	(\$600,000)
	GF/GP	\$0
15. Legislative Initiatives The following legislative programs were deleted: St. Mary's River Little Rapids Restoration; Inplace Fish Hatchery; Lake Sewer Program; and Aquatic Nuisance Signs.	FTEs	0.0
	Gross	(\$477,300)
	GF/GP	(\$0)
16. Grants to Communities for Maintenance of Tax Reverted Properties A \$1.0 million local grant program was included in the FY 1998-99 budget as a supplemental item. These funds are granted to communities for property cleanup and maintenance. The enacted budget continues this program at the \$250,000 level.	FTEs	0.0
	Gross	(\$750,000)
	GF/GP	(\$750,000)

ECONOMICS: FY 1999-2000

Economic Changes	FTEs	0.0
Departmentwide increases and decreases are made to cover a general 3 % Civil Service pay raise, retirement contribution requirements, health plan obligations, and motor transport costs.	Gross	\$5,791,900
	GF/GP	\$1,152,000

MAJOR BOILERPLATE CHANGES: FY 1999-2000

1. Section 210. Nature Conservancy

The Nature Conservancy involvement with the Natural Resources Heritage program was included in the enacted budget.

2. Section 215. Privatization Project Plan

The Department is to demonstrate that measurable savings and program quality improvements will be realized by the state before a privatization proposal is implemented.

3. Section 222. Internal Auditor Report

This section describes a biennial report to be prepared by the Department's internal auditor on the activities of the internal auditor for the prior fiscal year.

4. Section 223. State Aircraft Maintenance and Scheduling

A report would be required describing a plan to maintain, schedule and use state-owned aircraft.

5. Section 302. Buck Wilder

The enacted budget requires a report on services provided to schools and teachers through the natural resources education and outreach program. This report is to be prepared by an objective third party.

6. Section 303. Habitat Improvement

The Department is required to provide a report to the Legislature on habitat improvement projects.

7. Section 603. Livestock Indemnification

The Department shall reimburse the Department of Agriculture for indemnification payments made to livestock owners if investigators determine that wolves are responsible for livestock losses.

8. Section 605. Captive Cervidae

A work group would be created to develop definitions of captive cervidae (elk and deer) farms and hunting preserves.

9. Section 604. TB Cost Reimbursement

The Department of Agriculture would be requested to pay for monitoring and testing done by the DNR to eradicate TB from the free-ranging deer herd. The Department of Agriculture is not required to pay for this service.

10. Section 702. Dam Recertification

The Department is required to pay for the costs of non-water quality studies or requirements related to the certification of dams and water control structures.

11. Section 1203. Off-road Vehicle Enforcement

Grants to counties impacted by off-road vehicle use at state parks is available. The appropriation of \$35,000 is provided for this purpose.

Natural Resources

VETOES: FY 1999-2000

None

REVENUE INCREASES: FY 1999-2000

None

SUPPLEMENTAL APPROPRIATIONS: FY 1998-99

1. Natural Features Inventory

Additional funds will be used for purchasing tree planting equipment and for increased contractual services provided by the Nature Conservancy. Funding source is the Michigan Nongame Fund income tax check-off.

FTEs	0.0
Gross	\$350,000
GF/GP	\$0

2. Urban Tree Planting Grants

This will enable the DNR to administer an urban tree planting program on behalf of Detroit Edison (who will provide the program's funds).

FTEs	0.0
Gross	\$140,000
GF/GP	\$0

3. Clean Michigan Fund - Recreation Grants

The grants management program is provided Clean Michigan Bond funds to administer the local recreation grants program.

FTEs	0.0
Gross	\$150,000
GF/GP	\$0

**FY 1999-2000
Budget Detail
for**

SAFETY AND DEFENSE

**Military and Veterans Affairs
State Police**

MILITARY AND VETERANS AFFAIRS

PUBLIC ACT 96 OF 1999

Analyst: Kyle I. Jen

	FY 1998-99 YEAR-TO-DATE APPROPRIATIONS	FY 1999-2000 ENACTED APPROPRIATIONS	FY 1999-2000 ENACTED CHANGE FROM FY 1998-99	
			AMOUNT	PERCENT
FTE POSITIONS	1,088.0	1,088.0	0.0	0.0
GROSS	\$91,543,300	\$94,962,000	\$3,418,700	3.7
IDG/IDT	0	0	0	0.0
ADJUSTED GROSS	\$91,543,300	\$94,962,000	\$3,418,700	3.7
FEDERAL	29,659,000	32,477,400	2,818,400	9.5
LOCAL	0	0	0	0.0
PRIVATE	375,000	375,000	0	0.0
OTHER	21,928,000	22,409,100	481,100	2.2
GF/GP	\$39,581,300	\$39,700,500	\$119,200	0.3

SB 369

Referred to Appropriations
2/23/99

Passed Senate
3/24/99

Passed House
5/25/99

Concurrence with
House Amendments
6/8/99

Concurrence with
Senate Amendments
6/8/99

Effective
7/1/99

OVERVIEW - MILITARY AND VETERANS AFFAIRS

The Department of Military and Veterans Affairs is charged with the training and administration of Army and Air National Guard forces, providing combat-ready military forces during times of national emergency, and performing a variety of civil relief operations under the command of the Governor during state emergencies. Approximately 50 percent of the Department's military and administrative operations are funded through federal sources. The Department is also responsible for a number of veterans-related programs that include state-licensed nursing care at veterans homes in Grand Rapids and Marquette, grant funding to veterans service organizations, and administration of the Michigan Veterans Trust Fund.

The enacted FY 1999-2000 budget for the Department includes a gross appropriation of \$95.0 million. This is an increase of \$3.4 million or 3.7% over FY 1998-99 year-to-date appropriations, largely as a result of an increase of \$3.0 million in federal funds. The change from year-to-date GF/GP appropriations is \$119,200 or 0.3%.

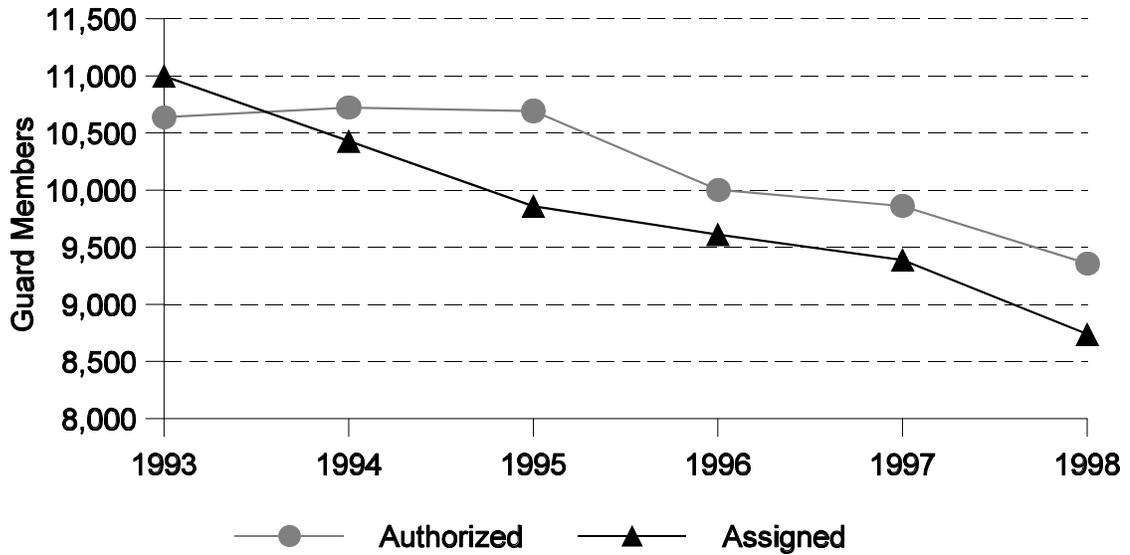
The year-to-date figure includes one-time GF/GP supplemental appropriations of \$2.8 million for enlisted per diem back payments and \$250,000 for the National World War II Memorial, included in Senate Bill 68 and House Bill 4075, respectively. The gross increase from the FY 1998-99 enacted budget is \$9.2 million or 10.7%, and the GF/GP increase from the FY 1998-99 enacted budget is \$3.2 million or 8.7%.

Two new program initiatives are included in the FY 1999-2000 budget. First, \$2.8 million is appropriated for the *Challenge Program*, a voluntary boot camp for high school drop-outs run by National Guard members. Second, \$2.0 million is added to support a *National Guard Education Assistance Program*. Another major issue addressed during the budget process is the elimination of enlisted per diem payments for National Guard members with the enactment of Senate Bill 543 (Public Act 97 of 1999).

The following graphs illustrate a shortfall in National Guard recruiting over the last several years. "Assigned" refers to the actual number of guard members, while "authorized" refers to the number of members approved by the U.S. National Guard Bureau. In 1998, the gap between these two numbers was 618 for the Army National Guard and 419 for the Air National Guard. Improved recruiting is a primary objective of the new education assistance program.

Michigan Army National Guard

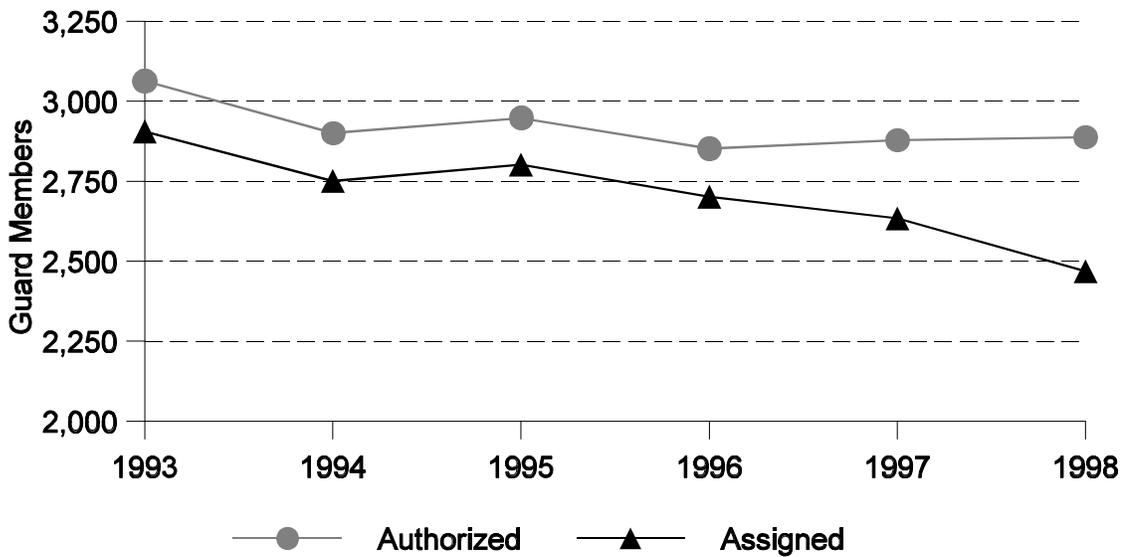
Assigned Versus Authorized Strength, 1993-98



Source: Michigan Department of Military and Veterans Affairs

Michigan Air National Guard

Assigned Versus Authorized Strength, 1993-98



Source: Michigan Department of Military and Veterans Affairs

MAJOR BUDGET CHANGES: FY 1999-2000

<u>Budget Issue</u>	<u>Change from FY 1998-99</u>	
1. Challenge Program	FTEs	39.0
This new preventative at-risk youth program targets 16- to 18-year-old drug-free high school dropouts with no criminal record. The program allows National Guard members to act as mentors to participants in a boot camp setting; a major objective is the completion of a GED by each participant. The program will begin in September 1999 and will consist of two 11-week sessions involving 100 youth each. It will be housed at the Federal Veterans Administration Medical Center in Battle Creek.	Gross	\$2,800,000
	GF/GP	\$840,000
Seventy percent of the costs will be funded by the federal government. The federal portion of the costs will decrease to 65% for FY 2000-01 and to 60% for FY 2001-02 and subsequent years.		
2. National Guard Education Assistance Program	FTEs	0.0
Funding is added to support a tuition assistance program with the objective of increasing National Guard strength through recruiting. (See <i>Boilerplate Changes</i> for provisions of the program.)	Gross	\$2,000,000
	GF/GP	\$2,000,000
3. Enlisted Per Diem Payments	FTEs	0.0
Funding for enlisted per diem payments has been eliminated, although the line item is retained with \$100. These payments are no longer statutorily required with the enactment of Senate Bill 543 as Public Act 97 of 1999.	Gross	(\$339,900)
	GF/GP	(\$339,900)
4. Civil Air Patrol	FTEs	0.0
Funding in the FY 1999-2000 budget for a grant to the Civil Air Patrol has been removed.	Gross	(\$20,000)
	GF/GP	(\$20,000)
5. Grants to Veterans Service Organizations	FTEs	0.0
Funding is increased for grants to veterans service organizations. The base grant for the American Legion is increased by \$72,700, and each organization receives a 3% increase.	Gross	\$179,300
	GF/GP	\$179,300
6. Grand Rapids Veterans Home	FTEs	0.0
The enacted budget anticipates \$1,418,900 in increased federal revenue, income and assessments, and lease revenue for the Grand Rapids home. These increases are partially offset by a shift of \$300,000 from GF/GP.	Gross	\$1,118,900
	GF/GP	(\$300,000)
7. D.J. Jacobetti Veterans Home	FTEs	0.0
The enacted budget anticipates \$361,600 in increased federal revenue and income and assessments for the Marquette home. These increases are partially offset by a shift of \$200,000 from GF/GP.	Gross	\$161,600
	GF/GP	(\$200,000)
8. County Veterans Counselor Training	FTEs	0.0
Funding is added to pay for travel and program costs for county veterans counselor training.	Gross	\$50,000
	GF/GP	\$50,000

Military And Veterans Affairs

ECONOMICS: FY 1999-2000

Economic Change

The enacted budget includes a gross increase of \$2.2 million for standard economic adjustments.

FTEs	0.0
Gross	\$2,182,200
GF/GP	\$748,200

MAJOR BOILERPLATE CHANGES: FY 1999-2000

1. Sec. 208. Nonprofit Group Assistance

Language is included to allow the Department to provide assistance to groups who seek acquisition of surplus military equipment for display or museum purposes.

2. Sec. 216. National Guard Education Assistance Program

Language is included providing for the expenditure of funds for the National Guard Education Assistance Program. Eligible National Guard members may have 50% of tuition costs reimbursed, up to a maximum of \$2,000, upon completion of course work with a passing grade.

3. Sec. 217. State Transportation Air Fleet

Language is included requiring the Department to work with the Department of Transportation to develop plans for the maintenance, scheduling, and use of all state-owned, noncombat aircraft. The section also requires a report on those efforts.

4. Sec. 501. Disclosure of Grant Recipient Expenditures

Language is included requiring veterans service organizations to submit Federal IRS Form 990 to the Department. This form will provide an accounting of the expenditures made by each organization.

VETOES: FY 1999-2000

None

REVENUE INCREASES: FY 1999-2000

None

SUPPLEMENTAL APPROPRIATIONS: FY 1998-99

1. Enlisted Per Diem Back Payments

Funds are appropriated to complete back payments resulting from a class action suit filed by National Guard members. This suit was based on the statutory requirement created in 1917 of a \$2 per diem payment to each member participating in training exercises. The back payments apply to the years 1988 through 1997.

FTEs	0.0
Gross	\$2,807,300
GF/GP	\$2,807,300

SUPPLEMENTAL APPROPRIATIONS: FY 1998-99

2. Challenge Program Start-Up Costs

Federal funds and FTE positions are appropriated for the start-up costs associated with the Challenge program since the program will begin in the current fiscal year. State matching funds are available from existing resources.

FTEs	39.0
Gross	\$470,000
GF/GP	\$0

3. National World War II Memorial

Funds are appropriated as a grant for the National World War II Memorial to be built in Washington D.C. between the Washington Monument and the Lincoln Memorial

FTEs	0.0
Gross	\$250,000
GF/GP	\$250,000

STATE POLICE

PUBLIC ACT 110 OF 1999

Analyst: Kyle I. Jen

	FY 1998-99 YEAR-TO-DATE APPROPRIATIONS	FY 1999-2000 ENACTED APPROPRIATIONS	FY 1999-2000 ENACTED CHANGE FROM FY 1998-99	
			AMOUNT	PERCENT
FTE POSITIONS	3,562.0	3,596.0	34.0	1.0
GROSS	\$358,045,900	\$368,850,300	\$10,804,400	3.0
IDG/IDT	18,259,000	22,307,800	4,048,800	22.2
ADJUSTED GROSS	\$339,786,900	\$346,542,500	\$6,755,600	2.0
FEDERAL	34,596,200	32,216,400	(2,379,800)	(6.9)
LOCAL	3,453,400	3,479,800	26,400	0.8
PRIVATE	0	0	0	0.0
OTHER	41,714,300	42,126,400	412,100	1.0
GF/GP	\$260,023,000	\$268,719,900	\$8,696,900	3.3

SB 371

Referred to Appropriations
2/23/99

Passed Senate
3/24/99

Passed House
5/25/99

Concurrence with
House Amendments
6/8/99

Concurrence with
Senate Amendments
6/8/99

Effective
7/8/99

OVERVIEW - STATE POLICE

The primary mission of the Department of State Police is to protect citizens' lives and property through the enforcement of Michigan's laws. The responsibilities of the Department encompass a full range of police and public safety activities, including responding to citizen complaints through specialized operations such as bomb disposal, canine units, and undercover narcotics enforcement teams. Local law enforcement units have access to these specialized units as well as to the services of the State Police forensic laboratories, criminal record and fingerprint identification programs, computer information networks, and training programs. The Department's public safety activities include fire safety, certification of police officers and fire fighters, approval of police and fire training curricula, highway safety planning, disaster recovery, and hazardous materials training.

The enacted FY 1999-2000 budget for the Department includes a gross appropriation of \$368.8 million. This is an increase of \$10.8 million or 3.0% over FY 1998-99 year-to-date appropriations, largely due to an increase of \$9.8 million or 3.8% in GF/GP appropriations.

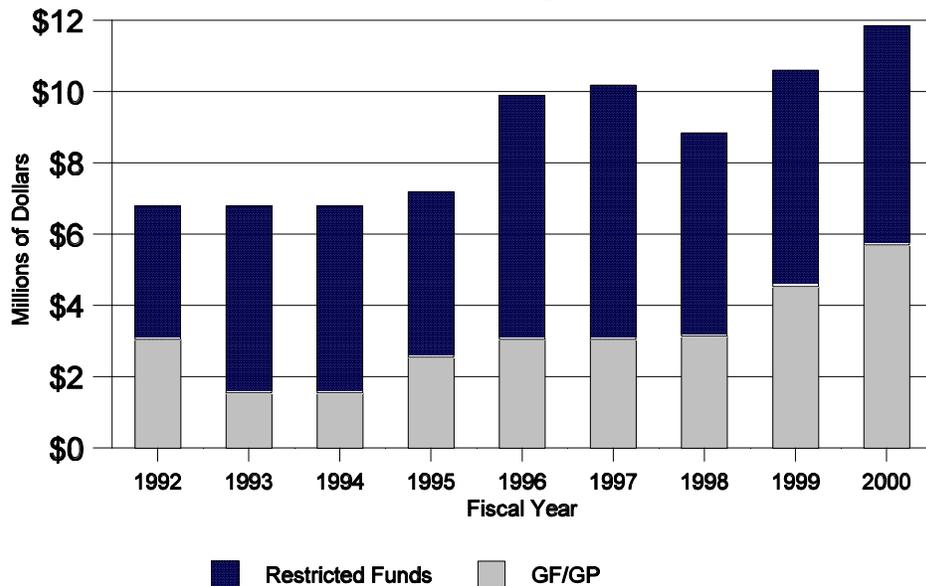
Major funding increases are included for a number of departmental activities, including Casino Gaming Oversight, Michigan Information Processing Center conversion, and Criminal Investigations. Funding is maintained to complete one trooper school (\$6.9 million for the 118th) and start another (\$1.1 million for the 119th). Funds have been appropriated for these schools to train 110 and 100 recruits, respectively; projected trooper strength for 2000 is 1,340. The most significant budget reduction is for the State Public Safety Communication System due to delays in the phase-in of the system.

House Bill 4075 includes a FY 1998-99 supplemental appropriation of \$850,000 for the matching funds necessary for the departments of State Police, Transportation, and Community Health to be reimbursed with Federal Emergency Management funds for costs associated with snow removal in southeast Michigan in December 1998.

As shown in the following graph, appropriations for Secondary Road Patrol grants to counties have increased significantly for both FY 1998-99 and FY 1999-2000. The increase in GF/GP grants for FY 1999-2000 is \$1.25 million, while the restricted fund grants — which are based on a \$5 assessment on certain motor vehicle violations — are projected to remain constant. The overall increase in the FY 1999-2000 appropriations for the grants is 12.7%.

Secondary Road Patrol Grant Appropriations

Fiscal Years 1991-92 through 1999-2000



Source: Michigan Department of State Police

MAJOR BUDGET CHANGES: FY 1999-2000

Budget Issue

Change from FY 1998-99

1. Casino Gaming Oversight

Funding is included for Casino Gaming Oversight activities related to the opening of the temporary casinos in Detroit. This funding increase corresponds to an expected increase in casino gaming fees.

FTEs	10.0
Gross	\$2,123,300
GF/GP	\$0

2. Motor Carrier Enforcement

The IDG from the Department of Transportation for Motor Carrier Enforcement is increased to fund technology improvements, scalehouse infrastructure improvements, and increased portable scale patrols. This funding increase has not been included in the transportation budget, however, leaving this appropriation increase without a funding source.

FTEs	12.0
Gross	\$1,774,600
GF/GP	\$0

3. Secondary Road Patrol and Traffic Accident Basic Grants

The appropriation for GF/GP Secondary Road Patrol grants is increased by 28.1%. Total (GF/GP and restricted) appropriations for the grants are increased by 12.7%.

FTEs	0.0
Gross	\$1,250,000
GF/GP	\$1,250,000

4. MIPC Conversion Costs

Due to confidentiality concerns, the Department of State Police will have a mainframe separate from other state departments involved in the Michigan Information Processing Center. This funding increase includes \$763,600 for the first of an estimated three annual appropriations for the purchase of that mainframe.

FTEs	0.0
Gross	\$1,160,700
GF/GP	\$1,160,700

MAJOR BUDGET CHANGES: FY 1999-2000

<u>Budget Issue</u>	<u>Change from FY 1998-99</u>
<p>5. Additional Detectives Funding is included for twelve additional detective positions in response to increases in prison investigations and child abuse cases.</p>	<p>FTEs 12.0 Gross \$1,023,000 GF/GP \$1,023,000</p>
<p>6. Helicopter Replacement Funding is included for acquisition of a new helicopter by the Department. This appropriation is for the first payment on a seven-year lease.</p>	<p>FTEs 0.0 Gross \$412,300 GF/GP \$412,300</p>
<p>7. Clerical Support Funding is included to increase the number of hours (but not positions) for clerical support to allow troopers more time in the field.</p>	<p>FTEs 0.0 Gross \$339,400 GF/GP \$339,400</p>
<p>8. State Public Safety Communications System Due to delays in the phase-in of the 800 MHZ radio system, funding for the 800 MHZ communications system is decreased by \$2.0 million. This decrease is partially offset by increases of \$548,000 for radio shop maintenance leases and \$682,000 for Upper Peninsula communications lines.</p>	<p>FTEs 0.0 Gross (\$770,000) GF/GP (\$770,000)</p>

ECONOMICS: FY 1999-2000

<p>Economic Increase The enacted budget includes a gross increase of \$8.2 million for standard economic adjustments.</p>	<p>FTEs 0.0 Gross \$8,171,800 GF/GP \$6,891,500</p>
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MAJOR BOILERPLATE CHANGES: FY 1999-2000

- 1. Sec. 214. Contractual Services**
Language is included prohibiting the Department from subsidizing any contractual services it provides.
- 2. Sec. 218. State Transportation Air Fleet**
Language is included requiring the Department to work with the Department of Transportation to develop plans for the maintenance, scheduling, and use of all state-owned aircraft. The section also requires a report on those efforts.
- 3. Sec. 224. CCW Costs**
Language is included requiring a report on the costs of processing the fingerprints of concealed weapon license applicants.
- 4. Sec. 1102. Security Guard Licensure Fees**
Language is included authorizing the Department to receive and expend additional state restricted funds for the support of the private security guard licensure program.
- 5. Sec. 1103. Internet Crime Unit**
Language is included requiring a report on the feasibility of establishing an Internet crime unit.

State Police

MAJOR BOILERPLATE CHANGES: FY 1999-2000

6. Sec. 1202. Weigh Stations Signs

Language is included requiring the Department to post a sign at weigh stations when they are closed stating that enforcement is being maintained through mobile patrols.

VETOES: FY 1999-2000

None

REVENUE INCREASES: FY 1999-2000

Private Security Guard Licensure Fees

An increase in private security guard licensure fee revenue is appropriated, but further legislation will be necessary to increase those fees.

Gross	\$225,000
GF/GP	\$0

SUPPLEMENTAL APPROPRIATIONS: FY 1998-99

1. Emergency Management

Funds are appropriated for matching funds necessary for the departments of State Police, Transportation, and Community Health to receive Federal Emergency Management funds associated with snow removal in southeastern Michigan in December 1998.

FTEs	0.0
Gross	\$850,000
GF/GP	\$850,000

2. Drunk Driving Law Study

Funds are appropriated for the Department to contract with the University of Michigan Transportation Research Institute for a three-year study to evaluate the impact of recently-enacted repeat drunk driving laws.

FTEs	0.0
Gross	\$550,000
GF/GP	\$550,000

3. Firefighters Training Council

Funds are appropriated for the Firefighters Training Council for one-time training and technology expenditures.

FTEs	0.0
Gross	\$250,000
GF/GP	\$250,000

**FY 1999-2000
Budget Detail
for**

ALL OTHER

**Capital Outlay
Judiciary
Transportation**

CAPITAL OUTLAY

PUBLIC ACT 137 OF 1999

Analyst: Al Valenzio

	FY 1998-99 YEAR-TO-DATE APPROPRIATIONS	FY 1999-2000 ENACTED APPROPRIATIONS	FY 1999-2000 ENACTED CHANGE FROM FY 1998-99	
			AMOUNT	PERCENT
FTE POSITIONS	0.0	0.0		
GROSS	\$727,143,808	\$252,636,900	n/a	n/a
IDG/IDT	4,500,000	0		
ADJUSTED GROSS	\$722,643,808	\$252,636,900	n/a	n/a
FEDERAL	73,840,600	1,700,000		
LOCAL	23,129,000	0		
PRIVATE	680,000	0		
OTHER	104,639,208	4,820,000		
GF/GP	\$520,355,000	\$246,116,900	n/a	n/a

NOTE: Year-to-year comparisons are not applicable due to incomplete FY 1999-2000 appropriations.

HB 4075

Referred to Appropriations
1/28/99

Passed House
6/8/99

Passed Senate
6/16/99

Concur with Senate
Amendments
6/17/99

Effective
7/28/99

OVERVIEW - CAPITAL OUTLAY

The Capital Outlay budget and process can be defined as the “budgetary and administrative functions devoted to the financing and planning for the acquisition, construction, renovation, and maintenance of facilities used by a state agency, public university, or community college.” Within the framework of the planning process, it is essential that the executive and legislative branches work cooperatively in order to achieve the timely completion of a building project. Even so, statutory provisions contain numerous oversight and approval action steps which define the respective roles of each branch in the capital outlay process.

The Legislature has, again this year, deferred action on most of the items in this budget until the fall session. Only the funding for State Building Authority Rent has been appropriated for FY 1999-2000. Appropriations for the Departments of Management and Budget, Military Affairs, Natural Resources, and Transportation, and university and community college planning authorizations will be discussed and acted upon this fall. Additional rent obligations to the State Building Authority for facilities that have come on-line in 1999, or will in 2000, result in a GF/GP increase of nearly \$20.5 million. This represents an increase of 9.1% over the prior year.

Numerous FY 1998-99 supplemental Capital Outlay appropriations were contained in Senate Bill 68, House Bill 4065, and House Bill 4075. All of these bills have been enacted. The combined appropriations total \$322.3 million Gross and \$272.1 million GF/GP. On a percentage basis, the supplementals add 80% and 110%, respectively, to current-year appropriations. These funds will be used to improve state-owned, higher educational, cultural, and recreational facilities (these items are highlighted further in this section). Also, the vast majority of the supplemental funds are considered one-time state commitments.

MAJOR BUDGET CHANGES: FY 1999-2000

Budget Issue

Change from FY 1998-99

1. State Building Authority (SBA) Rent

Rent payments to the SBA in order to finance SBA debt obligations will increase again next year as new (or renovated) facilities come on line. The Gross increase represents a 8.8% change from FY 1998-99. The GF/GP increase is 9.1%. Specific FY 1999-2000 appropriations are as follows:

Gross	\$20,482,700
GF/GP	\$20,482,700

-SBA Rent - Universities.....	\$108,030,400
-SBA Rent - Corrections.....	96,435,600
-SBA Rent - State Agencies.....	33,629,500
-SBA Rent - Community Colleges.....	<u>14,541,400</u>
Total.....	\$252,636,900

Capital outlay

ECONOMICS: FY 1999-2000

None

MAJOR BOILERPLATE CHANGES: FY 1999-2000

None

VETOES: FY 1999-2000

None

REVENUE INCREASES: FY 1999-2000

None

SUPPLEMENTAL APPROPRIATIONS: FY 1998-99

1. Convention Center Grants for Development/Expansion	Gross	\$62,000,000
Of this appropriation, \$60 million is dedicated for the expansion of the Grand Rapids Convention Center. Language in the Budget Act stipulates that the funds can only be released to a convention center authority created by state law.	GF/GP	\$62,000,000
2. Major Special Maintenance for State Agencies	Gross	\$75,000,000
This is a new lump sum appropriation managed by the Department of Management and Budget (DMB), but available for all state departments and agencies. Five-year special maintenance plans are to be developed and submitted to DMB for review and allotment of funds.	GF/GP	\$75,000,000
3. Detroit Institute of Arts (DIA)	Gross	\$35,000,000
The DIA is in the midst of a major fund raising campaign to upgrade and modernize its facilities. A significant state commitment is being provided through this appropriation, which must be matched by the DIA on a 2 for 1 basis.	GF/GP	\$35,000,000
4. House of Representatives, Equipment and Furnishings	Gross	\$10,000,000
This appropriation will finance the purchase of new equipment and furnishings for the House Office Building currently under construction.	GF/GP	\$10,000,000
5. Detroit Symphony Orchestra (DSO)	Gross	\$10,000,000
Provide one-time grant to the DSO to help finance facility renovations.	GF/GP	\$10,000,000
6. Henry Ford Museum	Gross	\$5,000,000
Provide one-time grant to the Museum to help finance the IMAX theater project.	GF/GP	\$5,000,000

SUPPLEMENTAL APPROPRIATIONS: FY 1998-99

7. Detroit Science Center (DSC) Provide one-time grant to the DSC to help finance facility renovations.	Gross GF/GP	\$5,000,000 \$5,000,000
8. Windmill Island Provide one-time grant to help finance the Windmill Island Village Project.	Gross GF/GP	\$4,000,000 \$4,000,000
9. Higher Education - ITEM Funds are provided to universities, community colleges, and for the general degree reimbursement program for Infrastructure, Technology, Equipment, and Maintenance.	Gross GF/GP	\$35,500,000 \$35,500,000
10. Major Special Maintenance, Management and Budget This line item provides additional special maintenance and remodeling funds for DMB. These projects would include major items (above \$1 million) such as HVAC system replacements, installation of new sprinkler systems, general building repairs, and emergency repairs at facilities managed by the department.	Gross GF/GP	\$8,900,000 \$8,900,000
11. Major Special Maintenance, Various Departments This would establish or increase lump-sum major special maintenance and remodeling accounts for the Departments of Agriculture, Community Health, Corrections, Education, Natural Resources, and State Police, the Family Independence Agency, and the Capitol Building.	Gross GF/GP	\$9,298,000 \$9,068,000
12. Airport Improvement Program - Michigan Department of Transportation (MDOT) This appropriation doubles state GF/GP support for local airport improvement projects.	Gross GF/GP	\$5,000,000 \$5,000,000
13. Major Special Maintenance, Mackinac Island State Park This provides second-phase funding to repair and replace the stone wall at Fort Mackinac. Additional funds are being recommended under the Governor's FY 1999-2000 budget as well.	Gross GF/GP	\$2,000,000 \$2,000,000
14. Museum of African - American History Provide one-time grant to the Museum to help finance facility renovations.	Gross GF/GP	\$1,000,000 \$1,000,000
15. Fresh Water Research Center - Grand Valley State University Provide one-time grant to help finance facility renovations.	Gross GF/GP	\$1,000,000 \$1,000,000
16. House of Representatives, Demolition of Roosevelt Building Provides funds to tear down this House facility and get the property ready for disposition after Representatives and staff move to new leased facility.	Gross GF/GP	\$500,000 \$500,000
17. Major Special Maintenance, Senate Provides funds for maintenance projects at the Farnum Building.	Gross GF/GP	\$500,000 \$500,000
18. Military Affairs, Land Acquisitions and Appraisals Provides lump-sum contingency account to purchase property as it becomes available and for appraising surplus departmental properties which may be sold. An equal appropriation is also recommended for FY 1999-2000.	Gross GF/GP	\$150,000 \$0

Capital outlay

SUPPLEMENTAL APPROPRIATIONS: FY 1998-99

19. Natural Resources Trust Fund	Gross	\$13,836,108
Provides second round of funding for land acquisitions and public facility development grants as recommended by the Natural Resources Trust Fund Board.	GF/GP	\$0
20. Natural Resources, State Parks Infrastructure	Gross	\$31,480,000
Provides Clean Michigan Initiative funding for upgrading state parks.	GF/GP	\$0
21. Natural Resources, Farmland and Open Space Development	Gross	\$5,556,600
Provides additional funds to purchase development rights of unique and critical farmland pursuant to statute.	GF/GP	\$0
22. Natural Resources, Island Lake Shooting Range	Gross	\$0
Funding shift from federal funds to state GF/GP and restricted.	GF/GP	\$1,000,000
23. Special Grants	Gross	\$825,000
One-time grants to help facility renovations at the Marquette Library/Museum, Artrain, and Frankenmuth Military and Space Museum.	GF/GP	\$825,000
24. Monroe Community College (MCC) Project	Gross	\$100
This provides cost and construction authorizations for MCC's \$2.5 million project entitled Business and Technical Center, Library, and Welding and Fastening. The College will finance 50% of the cost of this project with the State Building Authority financing the balance.	GF/GP	\$100

JUDICIARY

PUBLIC ACT 126 OF 1999

Analyst: Tim Aben

	FY 1998-99 YEAR-TO-DATE APPROPRIATIONS	FY 1999-2000 ENACTED APPROPRIATIONS	FY 1999-2000 ENACTED CHANGE FROM FY 1998-99	
			AMOUNT	PERCENT
FTE POSITIONS	602.0	583.0	(19.0)	(3.2)
GROSS	\$221,188,200	\$226,622,000	\$5,433,800	2.5
IDG/IDT	3,571,400	2,287,400	(1,284,000)	(36.0)
ADJUSTED GROSS	\$217,616,800	\$224,334,600	\$6,717,800	3.1
FEDERAL	1,294,500	3,077,800	1,783,300	137.8
LOCAL	1,946,500	2,496,600	550,100	28.3
PRIVATE	1,217,600	1,702,400	484,800	39.8
OTHER	56,058,900	56,074,900	16,000	0.3
GF/GP	\$157,099,300	\$160,982,900	\$3,883,600	2.5

SB 368

Referred to Appropriations
2/23/99

Passed Senate
3/24/99

Passed House
5/25/99

2nd Conference
Approved by Senate
6/16/99

2nd Conference
Approved by House
6/17/99

Effective
7/23/99

OVERVIEW - JUDICIARY

The FY 1999-2000 enrolled budget for the Judiciary reflects a total increase of \$5,533,800 Gross (or 2.5%) and an increase of \$3,883,600 (or 2.5%) GF/GP from FY 1998-99 year-to-date authorized.

Additional spending includes the Supreme Court Justices' pay increase of 12.5% from the State Officers' Compensation Commission, court reform adjustments, economics, and an increase in judges' defined contribution retirement. Savings of \$1,000,000 are a result of a GF/GP purpose reduction for the State Appellate Defender Office.

MAJOR BUDGET CHANGES: FY 1999-2000

<u>Budget Issue</u>	<u>Change from FY 1998-99</u>	
<p>1. State Officers Compensation Commission (S.O.C.C.) The FY 1998-99 budget for the Judiciary includes an increase of \$5,700,000 in justices' and judges' salaries. The recommendation is a result of increasing the Supreme Court Justices' salaries 8.0% for FY 1998-99 (to \$134,752) and 4.5% for FY 1999-2000 (\$140,816). Increasing the Justices' salaries results in increasing salaries of the judges from the Court of Appeals (92% of Justices' salary level), Circuit and Probate Court (85% of Justices' salary level), and District Court (84% of Justices' salary level). The 1998 salary for a Supreme Court Justice was \$124,770.</p>	FTEs	0.0
	Gross	\$5,696,100
	GF/GP	\$5,696,100
<p>2. General Fund Offset for Judges' Salaries The Judiciary budget includes a GF/GP for judges' salaries as a result of reducing the amount of revenue from the state court fee fund.</p>	FTEs	0.0
	Gross	\$0
	GF/GP	\$318,400
<p>3. Court Equity Fund and Hold Harmless Funds Pursuant to Public Act 374 of 1996, the Hold Harmless Fund is reduced by \$4,000,000 GF/GP and the Court Equity Fund is increased by an equal amount.</p>	FTEs	0.0
	Gross	\$0
	GF/GP	\$0
<p>4. State Appellate Defender Office (SADO) Reduction A reduction of \$1,000,000 to the Appellate Defender program line item is included in the FY 1999-2000 budget.</p>	FTEs	0.0
	Gross	(\$1,000,000)
	GF/GP	(\$1,000,000)
<p>5. State Appellate Defender Office (SADO) Increase A separate line for the Appellate Defender Office is included in the enrolled bill with an appropriation of \$508,000.</p>	FTEs	0.0
	Gross	\$508,300
	GF/GP	\$508,300
<p>6. Community Dispute Resolution Program General fund/general purpose revenue has been added to the current restricted revenue in order to provide each community dispute center with an operating base of \$15,000.</p>	FTEs	0.0
	Gross	\$72,000
	GF/GP	\$72,000

ECONOMICS AND RETIREMENT: FY 1999-2000

1. Economic Adjustments	FTEs	0.0
These adjustments reflect the cost of living allowance recommended for all other departments and agencies statewide. Included in the economics is a 3% increase for salaries and wages.	Gross	\$2,092,300
	GF/GP	\$2,249,800
2. Judges' Retirement System - Defined Contribution	FTEs	0.0
An increase of \$2,204,900 is included for judges participating in the defined contribution plan.	Gross	\$2,204,900
	GF/GP	\$2,204,900

MAJOR BOILERPLATE CHANGES: FY 1999-2000

- 1. Contingency Funds**
Sec. 206 provides for \$500,000 in federal contingency funds, \$500,000 in state restricted contingency funds, and \$100,000 each in private and local contingency funds. Further, it requires transfer approval of both the House and Senate Appropriations Committees in order to spend the additional revenues.
- 2. Required Reports**
Sec. 209 provides that all reports required by this act be made available to the public primarily through Internet access, unless a printed version is requested. All legislative offices will receive electronic notification for specific reports required by the Legislature.
- 3. Community Dispute Resolution Program (CDRP)**
Sec. 315 provides that the \$72,000 GF/GP appropriations for CDRP be used to supplement operations of each CDRP center to ensure at least a \$15,000 base.
- 4. State Appellate Defender Office Audit**
The Legislative Auditor General shall perform an audit to ensure program effectiveness, efficiencies, and compliance with state law.

VETOES: FY 1999-2000

State Appellate Defender Office (SADO) Increase	FTEs	0.0
A separate line for the Appellate Defender Office is included in the enrolled bill with an appropriation of \$508,000.	Gross	\$508,300
	GF/GP	\$508,300

REVENUE INCREASES: FY 1999-2000

None

Judiciary

SUPPLEMENTAL APPROPRIATIONS: FY 1998-99

1. State Officers Compensation Commission Recommendation	FTEs	0.0
Effective January 1, 1998, the Supreme Court Justice salaries are increased 8% from \$124,770 to \$134,752. Increasing the Justices' salaries results in increasing salaries of the judges from the Court of Appeals (92% of Justices' salary level), Circuit and Probate Court (85% of Justices' salary level) and District Court (84% of Justices' salary level). Since the salary increases are provided on a calendar year, the recommended increase reflects the amount necessary for the period January 1, 1999 through September 30, 1999. (SB 68)	Gross	\$2,366,400
	GF/GP	\$2,366,400
2. Judges' Retirement - Defined Contribution	FTEs	0.0
This supplemental provides the Judicial branch's required contribution for the judges' defined contribution retirement program. (SB 68)	Gross	\$1,500,000
	GF/GP	\$1,500,000
3. Drug Courts	FTEs	0.0
This supplemental provides new GF/GP for the drug courts previously funded from federal dollars that have been eliminated for FY 1999-2000. (HB 4075)	Gross	\$1,000,000
	GF/GP	\$1,000,000

TRANSPORTATION

PUBLIC ACT 136 OF 1999

Analyst: William E. Hamilton

	FY 1998-99 YEAR-TO-DATE APPROPRIATIONS	FY 1999-2000 ENACTED APPROPRIATIONS	FY 1999-2000 ENACTED CHANGE FROM FY 1998-99	
			AMOUNT	PERCENT
FTE POSITIONS	3,182.3	3,182.3	0.0	0.0
GROSS	\$2,795,294,400	\$2,808,545,700	\$13,251,300	0.5
IDG/IDT	\$29,357,500	\$10,459,500	(\$18,898,000)	(64.4)
ADJUSTED GROSS	\$2,765,936,900	\$2,798,086,200	\$32,149,300	1.2
FEDERAL	\$834,317,800	\$815,921,000	(\$18,396,800)	(2.2)
LOCAL	\$5,300,000	\$5,300,000	\$0	0.0
PRIVATE	\$0	\$0	\$0	0.0
OTHER	\$1,926,319,100	\$1,976,865,200	\$50,546,100	2.6
GF/GP	\$0	\$0	\$0	0.0

SB 372

Referred to Appropriations
2/23/99

Passed Senate
3/25/99

Passed House
5/26/99

Conference Approved
by Senate
6/16/99

Conference Approved
by House
6/17/99

Effective
7/27/99

OVERVIEW - TRANSPORTATION

The mission of the Michigan Department of Transportation (MDOT) is “providing the highest quality transportation for economic benefit and improved quality of life.” Article IX, Section 9 of the Michigan Constitution of 1963, and 1951 PA 51, establish and define MDOT’s organization, major programs, revenue sources, and funding allocations.

The enacted FY 1999-2000 Transportation budget authorizes gross appropriations of \$2,809 million — an increase of \$13.3 million or 0.5% from the current FY 1998-99 budget. The enacted budget is funded by \$1,977 million in state restricted revenue — primarily from motor fuel taxes and vehicle registration fees; \$816 million in federal funds authorized through the Transportation Equity Act for the 21st Century (TEA-21); and \$5.3 million in local funds. This distribution of state, federal, and local funds, — 71%, 29%, and less than 1%, respectively — is approximately the same as in FY 1998-99. The total of 3,186.3 FTE positions authorized in the enacted budget is unchanged from the current year.

Road and bridge construction and maintenance programs, including the Michigan Transportation Fund (MTF) distribution to county road commissions and cities and villages, represent \$2,531 million or 90% of the FY 1999-2000 budget. Public transportation programs represent \$258 million or 9%, and aeronautics programs \$9 million or less than 1% of the enacted budget. The distribution of funds between these three program categories is relatively unchanged from the current fiscal year.

Approximately 47% of FY 1999-2000 Transportation appropriations are made to local units of government (county road commissions, incorporated cities and villages, and public transit agencies). This percentage includes the appropriation of federal funds for local units. This distribution of funds, 53% to state programs and 47% to local units of government, is also approximately the same as in the current fiscal year.

Although the total enacted FY 1999-2000 Transportation budget is relatively unchanged from the current fiscal year, there are significant changes within some programs. The enacted budget includes increases in the MTF formula distribution to local road agencies (county road commissions and incorporated cities and villages) as a result of anticipated increases MTF revenues.

Authorized funding for state trunkline road and bridge construction is reduced under the enacted budget while the appropriation for state trunkline maintenance is increased for FY 1999-2000 from current-year funding.

The enacted FY 1999-2000 Transportation budget also reduces the appropriation for the statutory “Local bus operating” line item by \$10.4 million or 6.7% from current-year appropriations. The decrease is primarily due to a reduction in the Comprehensive Transportation Fund (CTF) fund balance. The enacted budget also adds a new \$6 million “Local bus operating: unreserved CTF fund balance” line item. New boilerplate Section 729 indicates that this new line item may be expended only if the Department, the House and Senate fiscal agencies, and the Department of Management and Budget conclude that there is sufficient funding in the CTF to support the appropriation.

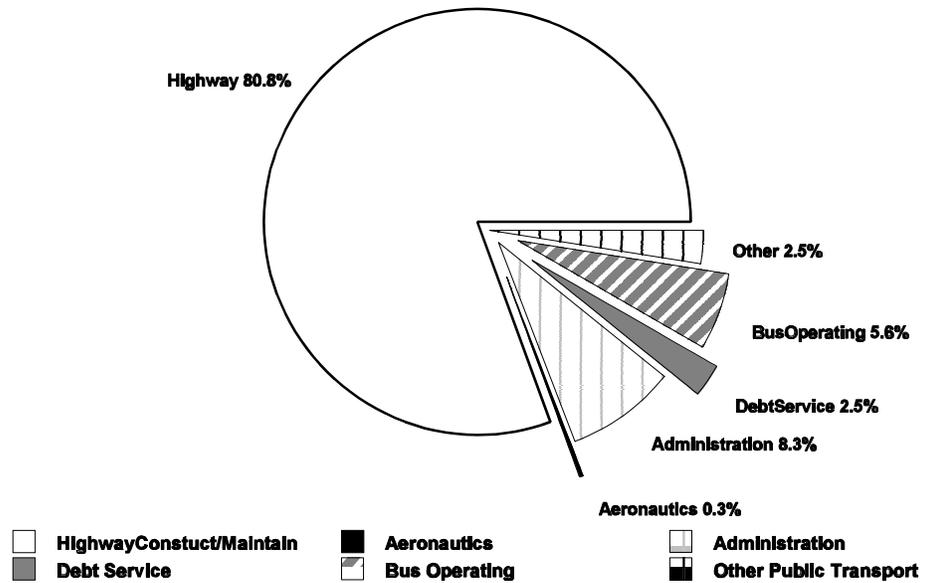
The changes to Transportation programs in the FY 1999-2000 enacted budget are described further in the “Major Budget Changes” section of this document.

The following charts depict FY 1999-2000 adjusted gross appropriations and estimated revenues by source.

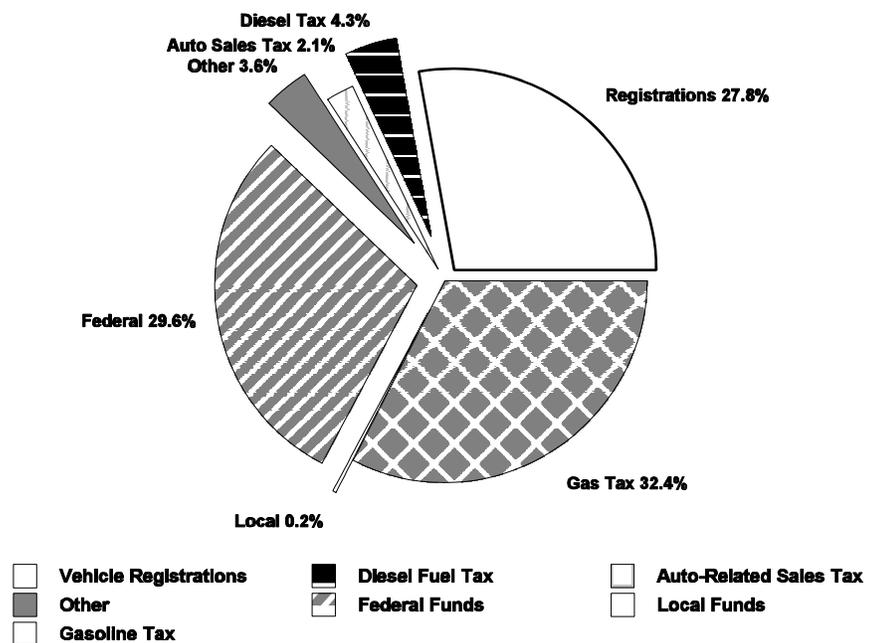
ADMINISTRATION
 includes MDOT executive, administrative services, finance, planning, Bureau of Highway's engineering operations, maintenance operations, program services, UPTRAN administration, and grants (IDGs) to other departments.

HIGHWAY CONSTRUCTION AND MAINTENANCE
 includes state highway construction, state highway maintenance, and state and federal funds appropriated for local road agencies (county road commissions, cities and villages).

Transportation Adjusted Gross Appropriations FY 1999-2000



Transportation Funding Sources: FY 1999-2000



Transportation

MAJOR BUDGET CHANGES: FY 1999-2000

Budget Issue

Change from FY 1998-99

1. Michigan Transportation Fund to Local Road Agencies

Public Act 51 of 1951 provides for the formula distribution of funds from the Michigan Transportation Fund (MTF) to eligible local road agencies (county road commissions, and incorporated cities and villages). Under the enacted budget, the MTF distribution to these local road agencies would total \$869.6 million — \$558.3 million for county road commissions, and \$311.3 million for incorporated cities and villages. This represents a total increase of \$37.7 million in the MTF distribution to local road agencies — a 4.5% increase from the current fiscal year. This proposed increase is based primarily on anticipated increases in motor fuel taxes and vehicle registration fees.

FTEs	0.0
Gross	\$ 37,740,400
GF/GP	\$0

The PA 51 of 1951 formula also provides for the distribution of MTF funds to the State Transportation Fund (STF) for state road and bridge programs. The MTF distribution to the STF would also increase under the enacted budget as noted in Budget Issue number 2 below.

2. State Trunkline Road and Bridge Construction

The enacted budget authorizes \$890.6 million for the state trunkline road and bridge construction line item — a decrease of \$24.1 million or 2.6% from the current-year budget. This decrease is due to a number of adjustments from FY 1998-99: reallocation of \$15.8 million in federal aid from state trunkline construction to the local road and bridge line; reallocation of an additional \$5.8 million in federal funds to Planning, Highways, and Administrative Services; completion of a \$10 million redecking of the Blue Water Bridge; reallocation of \$9.2 million in State Trunkline Fund (STF) appropriations to state highway maintenance, and the Governor's veto of \$5.6 million in special projects earmarked in boilerplate. These reductions are partially offset by an anticipated \$24.4 million increase in the MTF distribution to the STF as a result of an anticipated increase in MTF revenue.

FTEs	0.0
Gross	(\$24,089,000)
GF/GP	\$0

3. Debt Service

As a result of MDOT's 1998 bond refinancing and restructuring, debt service payments are reduced by \$15.7 million to \$69 million.

FTEs	0.0
Gross	(\$15,650,600)
GF/GP	\$0

4. Highway Maintenance

The enacted budget authorizes \$228.9 million for MDOT's state trunkline highway maintenance program — an increase of \$13.8 million or 6.4% from the current fiscal year. The increased funding is primarily due to the reallocation of \$9.2 in STF funds from the state road and bridge construction program to maintenance. Of the \$9.2 million, \$4.2 million was requested for the maintenance of additional mileage, added to the state trunkline system in 1998, and the remaining \$5 million was requested for summer maintenance activities which had been deferred in prior years. The enacted budget also proposes the following program revisions: \$2.7 million to replace maintenance equipment in MDOT's vehicle fleet, \$1.3 million for contracted maintenance of the Michigan Intelligent Highway Systems (MITS) on Detroit-area expressways, and \$900,000 to upgrade roadside buildings.

FTEs	0.0
Gross	\$13,792,700
GF/GP	\$0

MAJOR BUDGET CHANGES: FY 1999-2000

<u>Budget Issue</u>	<u>Change from FY 1998-99</u>
<p>5. Local Bus Operating Assistance The enacted budget authorizes \$144.5 million for the statutory local bus operating line item — a \$10.4 million or 6.7% reduction from current-year appropriations. The decrease is primarily due to a reduction in the amount of CTF balance available for appropriation. The FY 1998-99 enacted budget appropriated \$17.7 million from the CTF fund balance. The FY 1999-2000 enacted budget appropriates only \$6 million from the CTF balance — the total the Department estimates as available for appropriation. The enacted budget also includes a new line item: “Local bus operating: unreserved CTF fund balance.” See Budget item number 8 below.</p>	<p>FTEs 0.0 Gross (\$10,374,900) GF/GP \$0</p>
<p>6. Blue Water Bridge Deck Replacement The FY 1998-99 budget included a \$10 million one-time appropriation from the Blue Water Bridge Fund for deck replacement on the original span of the Blue Water Bridge. Completion of this project allows for elimination of this item from the FY 1999-2000 state trunkline road and bridge line item.</p>	<p>FTEs 0.0 Gross (\$10,000,000) GF/GP \$0</p>
<p>7. Information Technology Funding The enacted budget appropriates an additional \$7.0 million to the Administrative Services line item for use in updating and improving MDOT’s information technology infrastructure. Of this increase, \$4 million would be for the development of a new project accounting and billing system. This project would be funded by \$3 million from the STF and \$1 million in federal funds reallocated from the state trunkline road and bridge program. The remaining \$3 million in increased appropriations would be funded from the STF to maintain and update the Department’s information technology infrastructure.</p>	<p>FTEs 0.0 Gross \$7,000,000 GF/GP \$0</p>
<p>8. Local Bus Operating: Unreserved CTF Balance In addition to the statutory “Local bus operating” line item noted as Budget issue number 6 above, the enacted budget includes a new “Local bus operating: unreserved CTF fund balance” line item at \$6 million. The intent of this line, as defined in new boilerplate section 729, is to provide additional funding support for local bus operating should the Department, the House and Senate fiscal agencies, and the Department of Management and Budget determine that there is sufficient funding available in the CTF to support the appropriation. Note that the \$6 million in CTF fund balance on which this line item is based would be in addition to \$6 million already appropriated from the CTF fund balance as part of the enacted budget.</p>	<p>FTEs 0.0 Gross \$6,000,000 GF/GP \$0</p>
<p>9. Transportation Economic Development Fund The appropriation for the Transportation Economic Development Fund (TEDF) programs increased by \$4.2 million in the enacted budget. This increase was funded from debt service savings as a result of the 1998 refinancing and restructuring of TEDF bonds.</p>	<p>FTEs 0.0 Gross \$4,225,800 GF/GP \$0</p>

Transportation

MAJOR BUDGET CHANGES: FY 1999-2000

Budget Issue **Change from FY 1998-99**

10. Urban Economic Infrastructure Improvement

The enacted budget eliminates this line item which was new in the FY 1998-99 budget.

FTEs	0.0
Gross	(\$4,000,000)
GF/GP	\$0

11. Rail Passenger Service

The FY 1999-2000 enacted budget includes an increase of \$2.1 million in state CTF funds for this line item which provides a subsidy to AMTRAK for the Pere Marquette and International routes and which also funds the development of high-speed rail passenger service on the Detroit-Chicago rail corridor. The proposed increase would bring the rail passenger line item to \$8.8 million — an increase of 32% from the current year. This line item is funded with \$5.8 million from the CTF and \$3 million in Federal Railroad Administration funds.

FTEs	0.0
Gross	\$2,137,800
GF/GP	\$0

12. AAA Intersection Improvement Program

The enacted budget added this new line item to be used for matching AAA and local funds for the improvement of intersections at high accident locations. This program was previously recognized in a boilerplate section of the FY 1998-99 appropriations act (1998 PA 308), which provided for program funding from the urban county congestion line item of the Transportation Economic Development Fund. The new line item funds the program from the STF.

FTEs	0.0
Gross	\$2,000,000
GF/GP	\$0

13. Aeronautics - Aircraft Purchase

The FY 1996-97 enacted Transportation budget included an increase of \$682,000 from the prior year's budget for the purchase of two additional airplanes for the Bureau of Aeronautic's air fleet. The FY 1997-98 enacted budget included an additional increase of \$818,000 — a \$1.5 million increase from the FY1995-96 baseline — for the purchase of one additional airplane. The completion of these airplane purchases allowed for the reduction of \$1.5 million in State Aeronautics Funds from the 1999-2000 budget.

FTEs	0.0
Gross	(\$1,500,000)
GF/GP	\$0

14. Intradepartmental Grants (IDGs)

The enacted budget includes an economic increase of \$1.5 million for IDGs to other state departments which provide services to the Department. This increase brings the total appropriation for IDGs to \$69.5 million — an increase of 2.2% from the current year.

FTEs	0.0
Gross	\$1,496,700
GF/GP	\$0

In addition, the enacted budget reflects a shift in funding source for some IDGs. The FY 1999-2000 budget increases IDG funding from the MTF by \$4.2 million, from \$56.0 million to \$60.2 million, and decreases IDG funding from the STF, CTF, and State Aeronautics Fund by \$2.6 million, \$118,700, and \$23,500 respectively.

MAJOR BUDGET CHANGES: FY 1999-2000

<u>Budget Issue</u>	<u>Change from FY 1998-99</u>	
15. Airport Management Program The enacted budget added this new line item to fund a one-time appropriation from the State Aeronautics Fund for an airport management program. The program is a partnership between the Department and Western Michigan University for management of the Romeo airport in Macomb county. The university will manage the airport and will develop an academic internship program in airport management.	FTEs	0.0
	Gross	\$165,000
	GF/GP	\$0
16. State Transportation Commission (per diem payments) The enacted budget added this new line item to provide for per diem payments to the members of the State Transportation Commission. The enacted budget also added new boilerplate section 330 to define and limit these payments. A similar line item had been in the FY 1996-97 budget at \$60,000 but was not included in the FY 1997-98 or 1998-99 budgets.	FTEs	0.0
	Gross	\$7,200
	GF/GP	\$0

ECONOMICS: FY 1999-2000

Economic Adjustments The Legislature approved \$10.3 million in additional funding for salaries, fringe benefits, motor transport costs, worker's compensation, and building occupancy charges.	FTEs	0.0
	Gross	\$10,328,000
	GF/GP	\$0

MAJOR BOILERPLATE CHANGES: FY 1999-2000

- 1. Report on Highway Construction Contracts**
Section 307 had previously required a listing of highway construction projects. This section was revised so that it now references the Department's rolling five-year plan. The report due date is February 1, 2000.
- 2. Contractor Performance**
Section 309 requires the Department to "aggressively pursue compliance with contract specifications for construction and maintenance of state highways." This section was revised to require that contractors with unsatisfactory performance ratings be restricted from bidding through the Department's prequalification process.
- 3. Rail Grade Crossing Program**
New section 329 was added to require a report by May 1, 2000 on the status of the rail grade crossing improvement program.
- 4. Commission per Diem**
New section 330 was added to provide for per diem payments of \$100 per meeting for each of the six members of the State Transportation Commission, with an annual limit on total per diem payments of \$1,200 per member.
- 5. Pavement Demonstration Project**
New section 333 requires the Department to conduct a one-mile pavement demonstration project in order to examine an alternative pavement design intended to increase pavement life by 40% with a no more than 15% increase in cost.

MAJOR BOILERPLATE CHANGES: FY 1999-2000

6. *WBE/MBE Program*

New section 334 requires the Department to continue its program to increase use of WBE and MBE contractors. The section requires a report to the Legislature by March 31, 2000.

7. *Logo Signs*

New section 335 provides for the placement of 30 logo signs at interchanges. The section also limits placement of logo signs near international airports.

8. *Motor Carrier Enforcement*

The Legislature added new section 337 to require a joint report from the Department and the Michigan State Police regarding cost-effective strategies for the motor carrier weight enforcement program. The report due date is April 1, 2000.

9. *Regional Planning Council Grants*

Section 404, which had required a report to the Legislature on regional planning grants, was modified to indicate the intent of the Legislature to require that the distribution of the grants be based on needs as supported by a work plan.

10. *All-Season Road Network*

New section 509 was added to require the Department, in conjunction with county road commissions, to prepare a report on the all-season road network. The due date for the report is May 1, 2000.

11. *MTF Funding for IDGs*

The Legislature added new section 510 which described legislative intent with regard to the phase out of IDGs from the MTF.

12. *Construction Warranties*

The Legislature modified current section 602 to "encourage" the Department to develop performance and road construction warranties and to require a report to the Legislature by September 30, 2000.

13. *Timber Truck Inspection Stations*

In the FY 1998-99 enacted budget section 605 earmarked \$40,000 from the Forest Roads line item of the Transportation Economic Development Fund for the establishment of two truck inspection stations. Section 603 in the FY 1999-2000 enacted budget earmarks an additional \$40,000 from the same fund source for two additional stations and requires that the Department report on the effectiveness of the program.

14. *Manufactured Pipe*

The Legislature modified the current-year language in section 606 related to inspection of and standards for manufactured pipe. The new language allows the use of either ASTM or AASHTO standards, and allows the use of the mandrel test 60 days after installation. The section requires that the Department report to the Legislature on the results of inspections.

15. *Priorities for 5-Year Plan*

New section 617 indicates legislative intent that the Department consider traffic congestion as a criteria in project selection.

16. *Rail Infrastructure Loan*

Section 710 provides for continuation of the rail infrastructure loan program as a restricted revolving fund. The Legislature added language to prohibit the Department from requiring collateral or personal guarantees to qualify for a loan under the program. The section also requires a report to the Legislature by May 1, 2000 on the status of loans issued under the program.

MAJOR BOILERPLATE CHANGES: FY 1999-2000

17. *DDOT/SMART Coordination*

Section 721 in the current-year budget expressed legislative intent with regard to DDOT/SMART coordination. The enacted FY 1999-2000 budget includes additional language, renumbered as section 717, to indicate the intent of the Legislature to reduce DDOT/SMART operating assistance to FY 1996-97 levels if coordination is not achieved by October 1, 1999.

18. *Intercity Bus Equipment Loan Program*

The Legislature added new section 722 to require that the Department charge no less than \$1,000 per year per bus for buses leased to intercity carriers under the Intercity Bus Equipment Loan program.

19. *Regional Service Coordination*

The Legislature added new section 724 to indicate legislative intent that local transit agencies provide an opportunity for private intercity carriers to bid on services funded through the regional transportation service program.

20. *Intercity Bus Equipment Loan Program*

New section 726 requires that the Department complete by December 31, 1999, a financial analysis of the intercity bus equipment loan program.

21. *Water Vehicle Operating Subsidy*

The Legislature added new section 727 to indicate legislative intent that the Department develop a plan to phase out local bus operating subsidies services provided by water vehicles. The section provides for the Department and Legislature to hold joint hearings on this issue by September 1, 1999.

22. *Strategy to Capture Additional Federal Transit Funds*

The Legislature added new section 728 to require the Department to work with public transit providers to determine the availability of additional federal transit funds and to develop a strategy to obtain those funds — including through the use of bonding.

23. *Local Bus Operating: Unreserved CTF Fund Balance*

The Legislature added new section 729 to define and provide conditions for the new \$6 million “Local bus operating: Unreserved CTF fund balance” line item in Section 115 of Part 1. The section indicates that the line item may be expended only if the Department, the House and Senate fiscal agencies, and the Department of Management and Budget conclude that there is sufficient funding in the Comprehensive Transportation Fund (CTF) to support the appropriation. The section also requires that the line item be appropriated in accordance with 1951 PA 51.

24. *State Owned Aircraft*

The Legislature added new section 804 to require that the Department and the Departments of State Police, Natural Resources, and Military Affairs develop plans for the maintenance, scheduling, and use of all state-owned, non-combat aircraft and to require that the Department prepare a joint report on the development and implementation of the plans. The section indicates legislative intent that plans maximize the cost efficient use of the state air fleet.

25. *Airport Management Program*

The Legislature added a new line item in section 113 of Part 1 for this program. New section 805 defines this line item as a one-time appropriation to be used to establish a two-year program with Western Michigan University as the fixed base operator of the Romeo airport in Macomb county. The section also requires the university to provide funding for an academic internship program in airport management at the airport.

Transportation

VETOES: FY 1999-2000

1. US 131 - Pilot Project

The Governor vetoed section 336 in the enrolled bill which earmarked \$2 million for a two-year pilot project to improve the traffic flow on US 131 — \$1.75 million to mitigate traffic congestion caused by the closure of US 131 in Grand Rapids (the “S curve” project), and \$250,000 for the intersection of US 131, BR 131, and M 20 in Big Rapids. The veto reduces the appropriation to the State Trunkline Federal Aid and Road and Bridge Construction line item by \$2 million.

Gross **\$2,000,000**
GF/GP **\$0**

2. Federal Aid for Local Bridges

The Governor vetoed the last sentence of section 402, subsection (4) which stated: “Thirty percent of all federal aid bridge funds shall be allocated to the critical bridge fund for the purpose of repairing or replacing bridges in the local off-system categories and local on-system categories.” The veto reduces the appropriation to the Local Federal Aid Road and Bridge Construction line item by \$15.75 million which represents the difference between the 30% allocation to the critical bridge fund required by the boilerplate section and the 15% minimum allocation to “off-system” bridges required by Title 23, Section 650.413 of the Code of Federal Regulations.

Gross **\$15,750,000**
GF/GP **\$0**

3. US 223 Projects

The Governor vetoed section 604 in the enrolled bill which earmarked funds for passing lanes on US 223 in Lenawee County. The veto reduces the appropriation to the State Trunkline Federal Aid and Road and Bridge Construction line item by \$3.5 million — the estimated amount of the project.

Gross **\$3,500,000**
GF/GP **\$0**

4. Interchange at I-96 Exit 150

The Governor vetoed section 610 which earmarked funds for a full interchange at I-96 Exit 150 (Pleasant Valley road) in Livingston county. The veto reduces the appropriation to the State Trunkline Federal Aid and Road and Bridge Construction line item by \$100,000 — the estimated cost of preliminary engineering work for the project.

Gross **\$100,000**
GF/GP **\$0**

REVENUE INCREASES: FY 1999-2000

None

SUPPLEMENTAL APPROPRIATIONS: FY 1998-99

None

FY 1999-2000 Budget

CONSENSUS REVENUE

CONSENSUS REVENUES

This section explains May 1999 consensus revenue estimates for GF/GP and School Aid Fund revenue by major revenue sources. Several important assumptions behind the revenue estimates are discussed in the following text.

General Fund/General Purpose Revenue by Source

Personal Income Tax

The jobs base is expected to continue to expand, but at a slower rate in 1999 and 2000. Unemployment rates will remain low. This will lead to moderately slower growth in Michigan personal income and income tax revenues in FY 1999-2000.

Baseline GF/GP income tax revenues increased by 6.2% in FY 1997-98, to \$4,604.8 million. Income tax revenues are expected to increase 10.4% (to \$5,082.7 million) in FY 1998-99 and 3.9% in FY 1999-2000 (to \$5,279.3 million).

Sales and Use Taxes

Sustained growth in wage and salary income and sustained low unemployment will combine to increase baseline sales and use tax revenue from \$861.7 million in FY 1997-98 to \$943.4 million in FY 1998-99, and by 3.4% (to \$975.1 million) in FY 1999-2000.

Single Business and Insurance Taxes

Single Business Tax (SBT) revenues accrue to the GF/GP. Net baseline business taxes (SBT plus insurance taxes) were \$2,511.2 million in FY 1997-98 and will increase 11.3% (to \$2,794.0 million) in FY 1998-99 and 4.5% (to \$2,918.4 million) in FY 1999-2000.

Baseline Single Business Tax revenues alone were \$2,322.5 million in FY 1997-98; they are expected to increase 12.8% (to \$2,620.0 million) in FY 1998-99, and 4.6% (to \$2,740.0 million) in FY 1999-2000.

Baseline estimates do not include the full impact of SBT apportionment changes that will affect FY 1998-99 and FY 1999-2000 revenue collections.

GF/GP Baseline Tax Revenues

Baseline GF/GP tax revenues totaled \$8,587.5 million in FY 1997-98. General Fund/General Purpose baseline tax revenues are expected to increase by 9.9% (to \$9,440.4 million) in FY 1998-99 and by 3.9% (to \$9,806.9 million) in FY 1999-2000. Total GF/GP baseline tax revenues include the category labeled "Other Taxes" in the following table.

Total GF/GP Baseline Revenues

Total baseline GF/GP revenues include baseline tax revenues and non-tax revenues. Total GF/GP baseline revenues were approximately \$8,811.7 million in FY 1997-98. General Fund/General Purpose baseline revenues are expected to increase by 9.4% (to \$9,638.0 million) in FY 1998-99 and by 3.8% (to \$10,004.5 million) in FY 1999-2000.

, **Actual GF/GP Revenues**

Actual GF/GP revenues represent revenues available for expenditure each year. Actual GF/GP revenues are expected to be \$9,266.9 million in FY 1998-99 and are expected to increase 4.6% (to \$9,694.7 million) in FY 1999-2000.

GF/GP REVENUE ESTIMATES (Millions of Dollars and Fiscal Years)					
	1997-98	1998-99	1999-2000	1999-2000 over 1998-99	
				%Change	\$Change
Personal Income Taxes	\$4,604.8	\$5,082.7	\$5,279.3	3.9%	\$196.6
Sales and Use Taxes	861.7	943.4	975.1	3.4%	31.7
SBT and Insurance Taxes	2,511.2	2,794.0	2,918.4	4.5%	124.4
Other Taxes	609.8	620.3	634.1	2.2%	13.8
GF/GP Baseline Tax Revenues	\$8,587.5	\$9,440.4	\$9,806.9	3.9%	\$366.5
Non-Tax Revenue	224.2	197.6	197.6		
Total GF/GP Baseline Revenues	\$8,811.7	\$9,638.0	\$10,004.5	3.8%	\$366.5
Adjustments to Baseline	(46.1)	(371.1)	(309.8)		
Actual GF/GP Revenues	\$8,765.6	\$9,266.9	\$9,694.7	4.6%	\$427.8

School Aid Fund Revenue by Source

, **Sales and Use Taxes**

Baseline sales tax revenues will increase by 5.0% in FY 1998-99 and by 3.8% FY 1999-2000; baseline use tax revenue to the SAF will increase by 9.1% in FY 1997-98 and by 3.7% in FY 1998-99. Combined sales and use tax revenue dedicated to the SAF equaled \$4,480.6 million in FY 1997-98 and will increase by 5.4% (to \$4,721.9 million) in FY 1998-99 and by 3.8% (to \$4,901.5 million) in FY 1999-2000.

, **Income Tax**

Baseline dedicated income tax revenue will increase 7.8% (to \$1,832.4 million) in FY 1998-99 and by 4.7% (to \$1,919.4 million) in FY 1999-2000.

, **Lottery**

Lottery revenues contributed approximately \$616.1 million to the SAF in FY 1997-98. Baseline lottery revenues to the SAF are projected to decrease to \$592.0 million in FY 1998-99 and remain constant at \$592.0 million in FY 1999-2000.

Baseline revenue estimates do not include the impact of Detroit casinos. Additional Casino revenues may accrue to the SAF in FY 1999-00 if temporary casinos are in operation by then.

Consensus Revenues

Tobacco Taxes

Approximately 64.0% of gross tobacco tax revenue is dedicated to the School Aid Fund. The School Aid Fund received approximately \$363.0 million from tobacco taxes in FY 1997-98.

The demand for tobacco products is expected to decline slowly over the duration of the forecast. Total tobacco tax revenues are expected to decrease to \$357.1 million in FY 1998-99 and to \$351.4 million in FY 1999-2000.

State Education Tax

All of the 6-mill state education tax (SET) is dedicated to the SAF. Revenues from the SET were \$1,256.9 million in FY 1997-98. State Education Tax revenues are expected to increase 4.4% (to \$1,311.8 million) in FY 1998-99 and 5.4% (to \$1,382.3 million) in FY 1999-2000.

Transfer Tax

The transfer tax contributed \$227.9 million to the SAF in FY 1997-98 and will contribute \$242.0 million to the SAF in FY 1998-99 and \$228.0 million in FY 1999-2000, as a slower economy dampens the housing market somewhat.

Total SAF Baseline Revenues

Total SAF baseline revenues were \$8,796.5 million in FY 1997-98. Baseline revenues are expected to increase 4.7% (to \$9,210.2 million) in FY 1998-99 and 3.5% (to \$9,528.1 million) in FY 1999-2000.

Actual SAF Revenues

Actual SAF revenues represent revenues available for expenditure each year. Actual SAF revenues include federal funds and BSF transfers to the SAF. Actual SAF revenue does not include any GF/GP transfers to SAF or beginning fund balances. Actual SAF revenues were \$9,110.3 million in FY 1997-98 and are expected to increase 2.2% to \$9,313.3 million in FY 1998-99 and 3.9% to \$9,680.1 million in FY 1999-2000.

SCHOOL AID FUND REVENUE ESTIMATES					
Revenues	Millions of Dollars			1999-2000 over 1998-99	
	FY 1997-98	FY 1998-99	FY 1999-2000	% Change	\$ Change
Sales and Use Tax	\$4,480.6	\$4,721.9	\$4,901.5	3.8%	179.6
Income Tax Earmark	1,699.4	1,832.4	1,919.4	4.7%	87.0
Lottery	616.1	592.0	592.0	0.0%	0.0
Tobacco Taxes	363.0	357.1	351.4	-1.6%	(5.7)
State Education Tax	1,256.9	1,311.8	1,382.3	5.4%	70.5
Transfer Tax	227.9	242.0	228.0	-5.8%	(14.0)
Liquor Excise and Specific Taxes	152.6	153.0	153.5	0.3%	0.5
Baseline SAF Revenues	\$8,796.5	\$9,210.2	\$9,528.1	3.5%	\$317.9
Adjustments to Baseline	313.8	103.1	152.0		
Actual SAF Revenues (less GF/GP Transfer)	\$9,110.3	\$9,313.3	\$9,680.1	3.9%	\$366.8

HFA Estimates of Year-End Balances

Consensus Revenues

The table below reports House Fiscal Agency estimates of year-end balances for GF/GP, the SAF, and the BSF.

- , Fiscal year 1997-98 year-end balances are reported in *State of Michigan Comprehensive Annual Financial Report: FY 1997-98*.
- , Fiscal year 1998-99 and FY 1999-2000 estimates are based on year-to-date appropriations and consensus revenue estimates.
- , Fiscal year 1998-99 and FY 1999-2000 Budget Stabilization Fund estimates are based on current balance estimates provided by the Michigan Department of Treasury and HFA estimates of future deposits and interest earned.

Pursuant to P.A. 144 of 1997, any year-end balance in GF/GP for FY 1997-98 and thereafter will be transferred to the BSF.

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

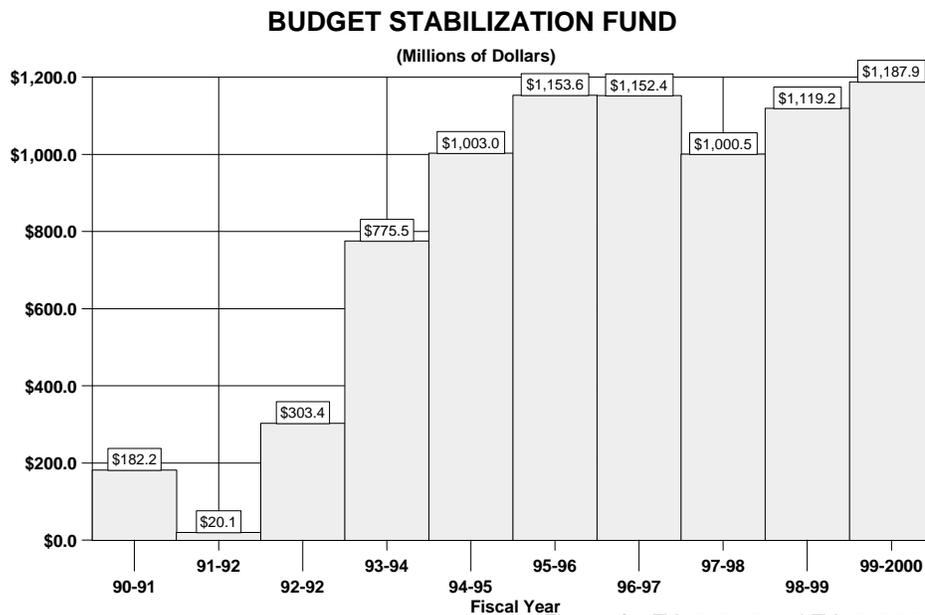
YEAR-END BALANCE ESTIMATES (Millions of Dollars)			
	FY 1997-98	FY 1998-99	FY 1999-2000
General Fund/General Purpose	\$55.2	\$13.5	\$212.1
School Aid Fund	274.3	431.1	379.3
Budget Stabilization Fund	1,000.5	1,119.2	1,187.9

Consensus Revenues

Budget Stabilization Fund Year-End Balances

The following table and figure show a history of BSF deposits, withdrawals, and interest earnings from FY 1990-91 to FY 1996-97. The table includes HFA estimates of deposits, expected interest earnings, and year-end balances for FYs 1998-99 and 1999-2000. 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 <i>Estimates</i>	130.2	73.7	62.2	1,119.2
1999-2000 <i>Estimates</i>	37.1	32.0	63.6	1,187.9



*Figures for FY 1998-99 and FY 1999-2000 are HFA estimates.

Compliance with the State Revenue Limit

HFA estimates of the state revenue limit provided for in Article IX, Section 26, *Constitution of the State of Michigan*, and estimates of total state revenue collections subject to the state revenue limit are shown in the following table. As provided for in the *Constitution*, the revenue limit is calculated as 9.49% of total state personal income in the previous full calendar year prior to the fiscal year in which the revenues are measured, as estimated by the Bureau of Economic Analysis, United States Department of Commerce.

COMPLIANCE WITH THE STATE REVENUE LIMIT (Millions of Dollars)			
Revenue Limit Calculations	FY 1997-98	FY 1998-99	FY 1999-00
Personal Income			
Calendar Year	CY 1996	CY 1997	CY 1998
Amount	\$239,330	\$244,329	\$253,841
X Limit Ratio	9.49%	9.49%	9.49%
State Revenue Limit	\$22,712.4	\$23,186.8	\$24,089.5
Total Revenues Subject to Revenue Limit	22,039.0	22,982.5	23,970.2
Amount Under (Over) State Revenue Limit	\$673.4	\$204.3	\$119.3

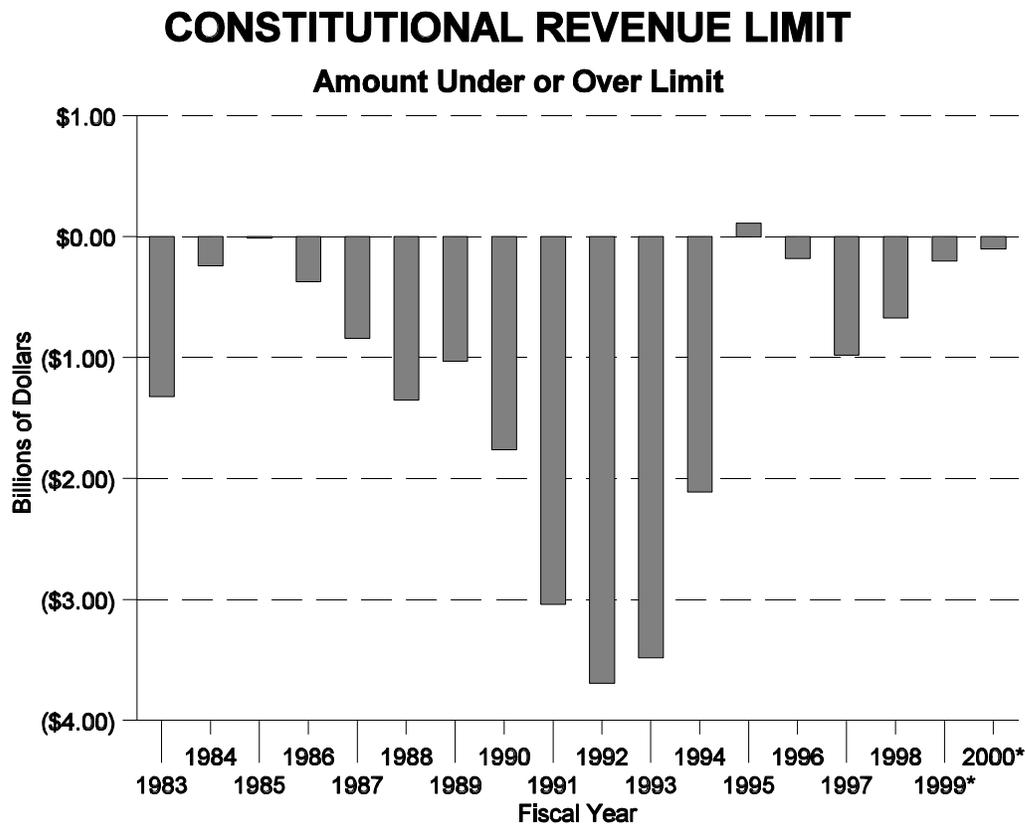
Consensus Revenues

Implications of Exceeding the State Revenue Limit

Article IX, Section 26, *Constitution of the State of Michigan*, provides that:

. . . For any fiscal year in the event that Total State Revenues exceed the limit established in this section by 1% or more, the excess revenues shall be refunded pro rata based on the liability reported on the Michigan income tax and single business tax (or its successor tax or taxes) annual returns filed following the close of such fiscal year. If the excess is less than 1%, this excess may be transferred to the State Budget Stabilization Fund. . . .

Furthermore, the state is prohibited from spending any current-year revenue in excess of the limit established in Section 26 by Article IX, Section 28.



* HFA estimates

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