

State Of Michigan

**THE GOVERNOR'S
FY 2004-05
BUDGET PROPOSAL
Review and Analysis**



prepared by the

**HOUSE
FISCAL
AGENCY**

Mitchell E. Bean, Director

March 2004

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March 2004

TO: Members of the Michigan House of Representatives

We are pleased to provide you with this ***Review and Analysis of the Governor's FY 2004-05 Budget Proposal***.

In this publication, the *Director's Overview* provides information on revenue sources proposed in the Executive Recommendation for FY 2004-05, including tobacco settlement funds. It also provides summary charts and tables of proposed budget funds and sources.

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

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

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

Mitchell E. Bean, Director

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GLOSSARY

Frequently-Used State Budget Terms

Adjusted Gross

Total net amount of all line item 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)

The total of all applicable line item spending authorizations

Interdepartmental Grant (IDG)

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

Intradepartmental Transfer (IDT)

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

Lapses

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

Line Items

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

Local Revenue

Revenues from local units of government

State Restricted (Restricted Funds)

State revenue dedicated to a specific fund; revenue which results from state mandates or initiatives; used for used for specific programs pursuant to the Constitution or statute

Private Funds

Revenues from non-government 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)

Work Project

An account established to allow for certain specific unspent funds to be carried over from one fiscal year to a succeeding fiscal year or years

FY 2004-05 Budget Detail

DIRECTOR'S OVERVIEW

**Overview
Resources Used in Executive Budget
Tobacco Settlement Funds
Proposed Funding Changes
Summary Information and Tables**

FY 2004-05 DIRECTOR'S OVERVIEW Summary and Analysis

The FY 2004-05 Executive Budget Recommendation calls for \$39.1 billion in adjusted gross appropriations. This includes \$8.7 billion in General Fund/General Purpose (GF/GP), \$17.4 billion in restricted funds, and \$12.0 billion in federal funds. Of the total adjusted gross amount, \$15.5 billion is designated for payments to local units of government and \$1.1 billion is designated for revenue sharing payments.

The Executive Recommendation for FY 2004-05 is based on consensus revenue estimates agreed to at the January 14, 2004, Consensus Revenue Estimating Conference. These estimates included a GF/GP revenue decrease of \$34.8 million (-0.44%) from FY 2003-04 and School Aid Fund (SAF) revenue increase of \$414.2 million (+3.91%) from FY 2003-04. Consensus revenue estimates are discussed in detail in the Consensus Revenues section of this document.

Revenue generated from fee increases recommended by the Executive is estimated to be \$1.5 million for Vital Records Fees (Community Health) and \$80,000 for Assessor Fees (Treasury). To support proposed spending levels, the Executive also recommends increasing state resources by:

- Increasing the state cigarette tax from \$1.25 per pack to \$2.00 per pack, and increasing the tax on other tobacco products from 20% to 32% (yield = \$295 million)
- Increasing the state markup on liquor from 65% to 74% (yield = \$31.8 million)
- Decoupling the state estate tax from the federal estate tax with modifications to the base (yield = \$94.3 million)
- Suspending statutory revenue sharing payments to counties and shifting county property tax collections in order to hold counties harmless (yield = \$183.5 million)

This Overview includes:

- A review of resources used in the Executive Recommendation and proposed appropriations from tobacco settlement funds
- A brief explanation of the proposed changes in revenue sharing payments, fire protection funding, and payment-in-lieu-of-taxes funding
- Graphs of the Executive Recommendation GF/GP and Adjusted Gross budget distribution
- A summary of the overall content of the budget and Tables 1 through 5, which provide budget data

The Overview section is followed by a section containing detail for an Executive-proposed FY 2003-04 supplemental appropriation bill.

Following the Supplemental section, individual sections explain appropriations by department or major budget area. Each section includes a comparison of FY 2003-04 appropriations with the FY 2004-05 Executive Recommendation, a budget overview, and an analysis and discussion of major budget and boilerplate issues.

OVERVIEW

**CHANGE IN ADJUSTED GROSS APPROPRIATIONS
FY 2003-04 YEAR-TO-DATE AND FY 2004-05 EXECUTIVE RECOMMENDATION**

The FY 2004-05 Executive Budget Recommendation would increase adjusted gross appropriations \$600.4 million (1.6%) from year-to-date FY 2003-04 levels. Although General Fund/General Purpose (GF/GP) appropriations decline \$157.9 million (1.8%), the decrease is more than offset by an increase in state restricted funding of \$553.3 million (3.3%). Total state spending from state sources increased \$395.4 million (1.5%).

The proposed increase in state restricted funding has important policy implications. The Executive Budget Recommendation would earmark an additional \$513.4 million to the Medicaid Benefits Trust Fund. Increased restricted funding may limit the ability of the state government to respond to other spending needs as they arise.

Appropriations in Millions of Dollars

	<u>Year-to-Date FY 2003-04</u>	<u>Executive Recommendation FY 2004-05</u>	<u>Amount Change</u>	<u>% Change</u>
General Fund/General Purpose	\$8,812.9	\$8,655.0	(\$157.9)	-1.8%
State Restricted	<u>16,818.6</u>	<u>17,371.9</u>	<u>553.3</u>	3.3%
Total State Spending from State Sources	\$25,631.5	\$26,026.9	\$395.4	1.5%
Federal	11,806.0	11,971.7	165.7	1.4%
Local	953.1	995.7	42.6	4.5%
Private	<u>78.7</u>	<u>75.4</u>	<u>(3.3)</u>	-4.2%
Total Adjusted Gross	\$38,469.4	\$39,069.8	\$600.4	1.6%

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

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

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

RESOURCES USED IN FY 2004-05 EXECUTIVE BUDGET RECOMMENDATION

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

FY 2004-05 EXECUTIVE RECOMMENDATION ESTIMATES: GENERAL FUND/GENERAL PURPOSE
(Millions of Dollars)

FY 2004-05 Consensus revenue estimate	\$7,822.8
Bad driver assessment fees	121.5
Revenue sharing freeze	355.4
Suspend county revenue sharing	183.5
Driver license fee increase	25.0
Increased tax audits	85.1
Escheats law changes	15.0
Increase liquor markup	31.8
Reduce inter-fund borrowing rates	20.0
Total Resources	\$8,660.1

FY 2004-05 Consensus Revenue Estimate: Revenue estimates agreed to by the Consensus Conference in January 2004.

Bad Driver Assessment Fees: Fees collected under 2003 PA 165, effective October 1, 2003

Driver License Fee Increase: Fees collected under 2003 PA 152, effective October 1, 2003

Escheats Law Changes: These changes allow insurance companies to escheat unclaimed property payable sooner than under current law.

Increase Liquor Markup: Increasing the state markup on liquor from 65% to 74%

FY 2004-05 EXECUTIVE RECOMMENDATION ESTIMATES: SCHOOL AID FUND
(Millions of Dollars)

Beginning fund balance	\$0.0
FY 2004-05 consensus revenue estimate	10,998.5
Increased tax collection enforcement	35.5
Increase liquor markup	1.7
Payment in lieu of taxes proposal	(2.0)
Federal aid	1,314.4
General Fund transfer	131.8
Total Resources	\$12,479.9

FY 2004-05 Consensus Revenue Estimate: Revenue estimates agreed to by the Consensus Conference in January 2004.

Increase Liquor Markup: Increasing the state markup on liquor from 65% to 74%

Payment in Lieu of Taxes proposal: Payment in lieu of taxes (PILT) would become an obligation of the state revenue sharing program, and PILT from the state education tax reimbursement is eliminated.

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

OVERVIEW

**FY 2004-05 EXECUTIVE RECOMMENDATION ESTIMATES
TOBACCO SETTLEMENT REVENUES/EXPENDITURES**

TOTAL TOBACCO SETTLEMENT REVENUE **\$272,200,000**

MERIT AWARD TRUST FUND

Tobacco settlement revenue **\$204,150,000**

Unreserved fund balance from prior year **400,000**

Interest **1,000,000**

Revenue Subtotal **\$205,550,000**

Community Health: Medicaid Base Funding **97,200,000**
Replaces state GF/GP match required for ongoing Medicaid program funding needs.

Education: Michigan Educational Assessment Program (MEAP) Test Administration **13,685,000**
Administration of the MEAP test given to 4th, 5th, 7th, 8th, and 11th grades as required by the revised school code.

Higher Education: University Operations **9,500,000**
Funds added during FY 2003-04 budget process to establish per-student funding floor for state universities.

Higher Education: Michigan Merit Award Program **67,000,000**
Provides merit scholarships to high school graduates with a qualifying score on the MEAP test.

Higher Education: Tuition Incentive Program **10,250,000**
Two-phase program to encourage low-income students to graduate from high school; phase I provides qualifying students with up to two years of free tuition at a community college; phase II provides qualifying students with up to \$2,000 toward tuition at a four-year university.

Higher Education: Nursing Scholarships **4,000,000**
Provides awards to nursing students who agree to work in Michigan after licensure.

Treasury: Michigan Merit Award Administration **1,580,400**
Administration of the Michigan Merit Award Scholarship program.

Treasury: Department of Information Technology **393,000**

Treasury: Tuition Incentive Program **385,100**
Administration of the Tuition Incentive Program.

Treasury: Michigan Education Savings Plan **1,000,000**
Provides the state match to accounts of qualified beneficiaries, giving Michigan families an incentive to save for higher education through a combination of tax deductions and state matching grants.

Expense Subtotal **\$204,993,500**

Merit Award Trust Fund Balance **\$556,500**

TOBACCO SETTLEMENT TRUST FUND

Tobacco settlement revenue	\$68,050,000
Unreserved balance from prior year	6,400,000
Interest	<u>1,000,000</u>
Revenue Subtotal	\$75,450,000
Attorney General: Administration	366,400
Funding for 3.0 FTE positions to perform ongoing legal work and activities related to the Tobacco Master Settlement Agreement.	
Community Health: EPIC Program	25,500,000
Provides coverage for prescription medications to senior citizens with incomes up to 200% of the poverty level.	
Community Health: Long-Term Care Services	5,000,000
Supports the personal needs allowance at \$60 per month for Medicaid patients in nursing homes.	
Community Health: Medicaid Base Funding	29,000,000
Replaces state GF/GP match required for ongoing Medicaid program funding needs.	
Community Health: Office of Services to the Aging – Respite Care	5,000,000
Provides temporary companionship, care, or assistance to an elderly person who needs constant attention, thereby providing respite to the regular at-home caregiver.	
Labor and Economic Growth: MSF/Life Science and Technology Tri-Corridor	<u>10,000,000</u>
Provides grants to Michigan universities and private research facilities to conduct research (including collaborative research) in the area of life sciences; homeland security, and automotive initiatives; commercialize innovations discovered or developed through the research.	
Expense Subtotal	\$74,866,400
Tobacco Settlement Trust Fund Balance	\$583,600

FY 2004-05 EXECUTIVE RECOMMENDATION ESTIMATES: MEDICAID BENEFITS TRUST FUND
(Millions of Dollars)

Beginning balance	\$0.0
Estimated interest	0.0
Estimated deposit:	
Revenue from Cigarette Tax	25.0
Revenue from NEW Cigarette Tax and BSF transfer	419.1
Revenue from Estate Tax	<u>94.3</u>
Subtotal: Available Funds	\$538.4
Withdrawal in FY 2004-05 Executive Recommendation	(538.4)
FY 2004-05 Total Ending Balance	\$0.0

OVERVIEW

FUNDING CHANGES PROPOSED FOR FY 2004-05

The FY 2004-05 Executive Recommendation proposes various changes in funding source, amount, and manner of calculation for fire protection grants, payments in lieu of taxes, and revenue sharing payments to local units of government. The following, and accompanying graphic, compare current law and Executive Recommendation with respect to these items.

Fire Protection Grants

- FY 2004 funding is \$3.7 million from the liquor purchase revolving fund; this is 24% of full funding (\$15.9 million).
- FY 2005 proposal is to provide full funding of \$15.9 million. Sources would be \$8.5 million from bad driver's fees and \$7.4 million from the proposed increase in the liquor purchase markup, which accrues to the fire protection fund.
- No change is proposed for the formula that distributes the grants.

Payments In Lieu of Taxes (PILT)

- FY 2004 funding is \$7.5 million appropriated in the DNR budget.
- FY 2005 funding is proposed at \$7.5 million appropriated through statutory revenue sharing. Actual payments would be authorized by DNR. Only the funding source would change.

State Revenue Sharing

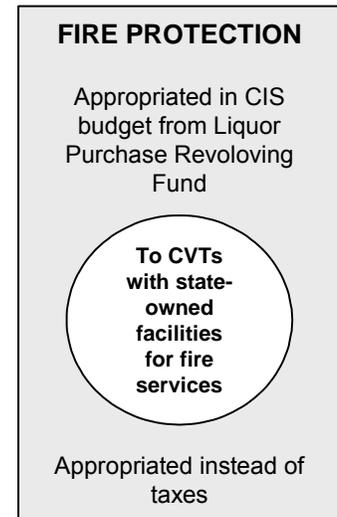
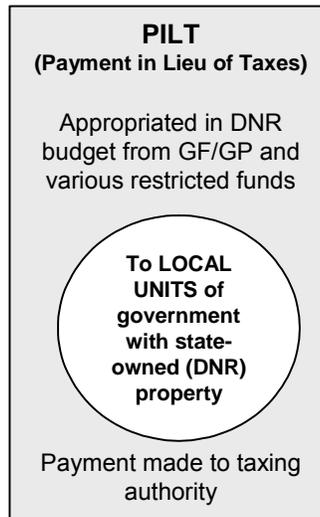
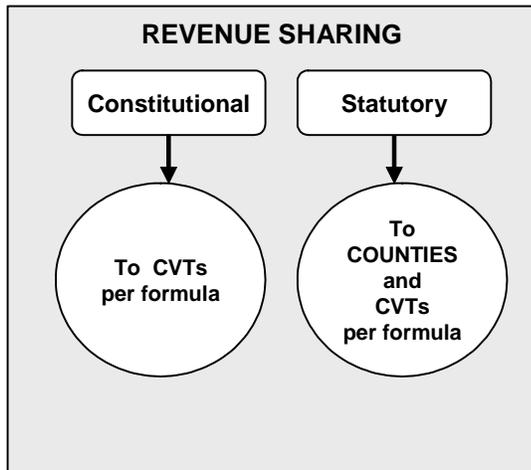
Cities, Villages, Townships (CVTs)

- FY 2005 proposed total CVT *constitutional* amount is increased \$28.6 million and total *statutory* amount is reduced \$28.6 million.
- FY 2005 proposed total statutory amount to CVTs is \$443.5 million.
- Proposed FY 2005 PILT payments of \$7.5 million reduce FY 2005 CVT statutory payments to \$436.0 million. CVT statutory payments of \$436.0 million would be distributed in FY 2005 in the same manner as FY 2004 payments.
- Proposal Result: Total *statutory+constitutional* revenue sharing to CVTs in FY 2005 is reduced 0.7% from FY 2004 amount.

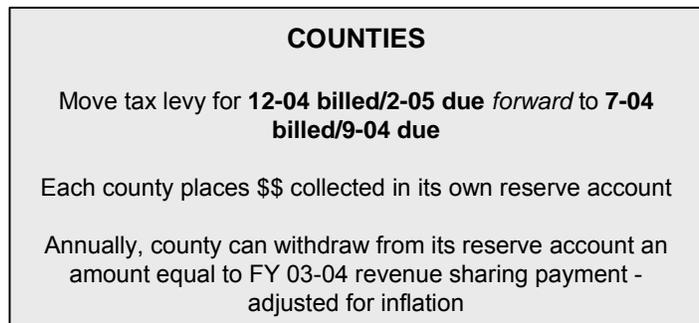
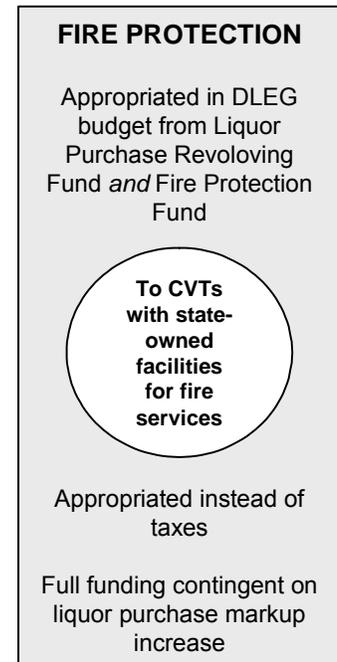
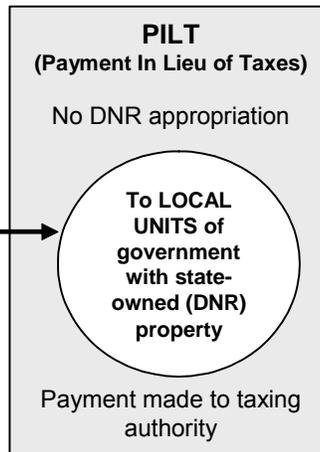
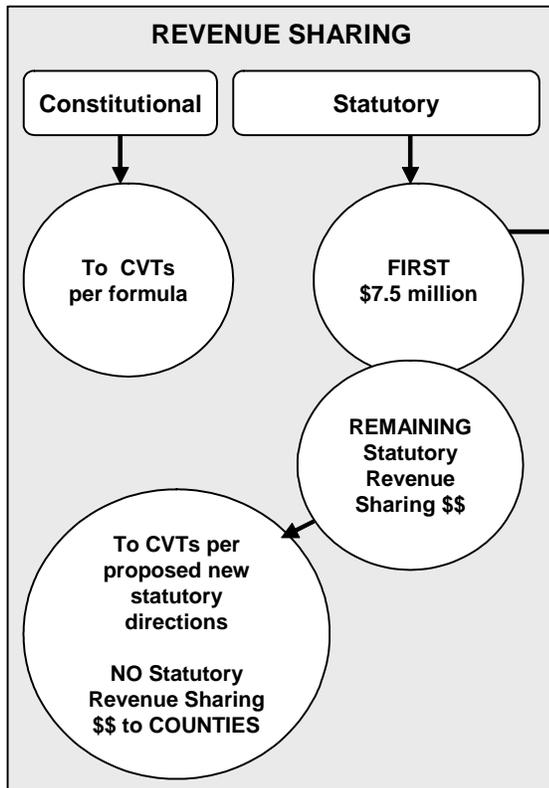
Counties

- Statutory revenue sharing is reduced by \$179.9 million from FY 2003-04 by eliminating payments to counties.
- County tax levies would be permanently shifted forward from December to July. The levy due in February 2005 would be collected in September 2004.
- Each county would deposit its own receipts into a required reserve fund from which it would be allowed to withdraw annual payments in lieu of receiving statutory revenue sharing.
- A county's annual payment would be an amount equal to its FY 2003-04 revenue sharing payment—adjusted for inflation. As the money runs out for individual counties, the state resumes responsibility for making statutory revenue sharing payments.

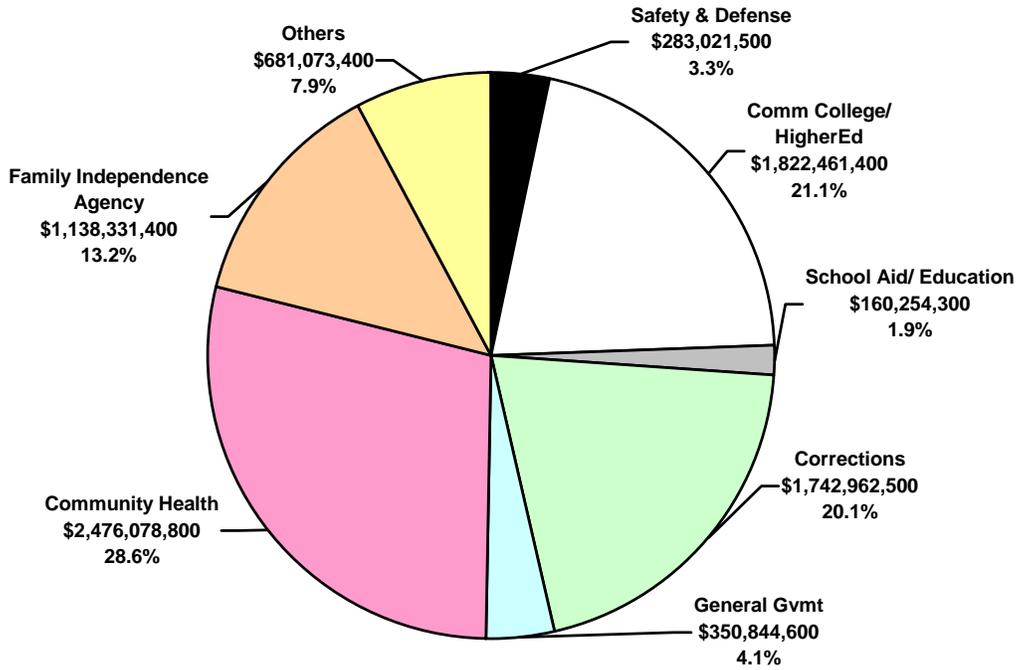
FY 2003-04 Current Law



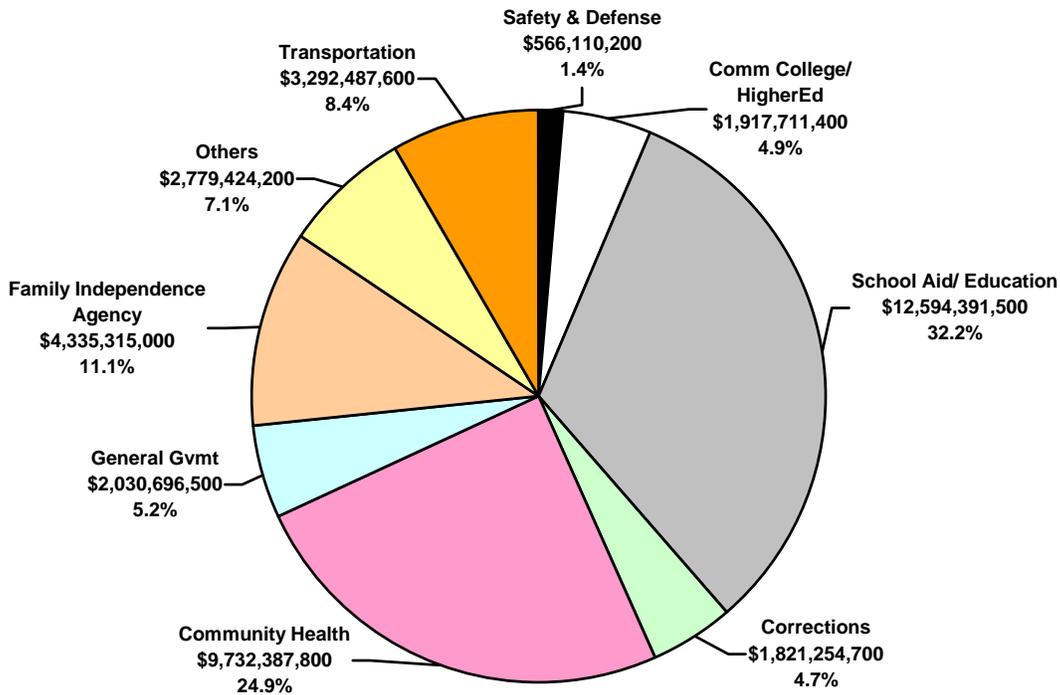
FY 2004-05 Executive Recommendation



**Executive Recommendation
General Fund/ General Purpose Appropriations: FY 2004-05
Total: \$8,655,027,900**



**Executive Recommendation
Adjusted Gross Appropriations: FY 2003-04
Total: \$39,069,778,900**



FY 2004-05 EXECUTIVE RECOMMENDATION: SUMMARY TABLES

Table 1 (following) details the FY 2004-05 Executive Recommendation by **Source of Funds**. When interdepartmental grants and intradepartmental transfers are deducted, Gross appropriations of \$39.7 billion reduce to \$39.1 billion in Adjusted Gross appropriations.

State Restricted	\$17,371,860,000
GF/GP	\$8,655,027,900
Federal	\$11,971,745,200
Local and Private	<u>\$1,071,145,800</u>
Adjusted Gross	\$39,069,778,900

Table 2 (following) compares **Adjusted Gross Appropriations** for FY 2003-04 YTD to the FY 2004-05 Executive Recommendation. Appropriations increase from \$38.5 billion in FY 2003-04 YTD to \$39.1 billion in FY 2004-05—a \$600.4 million or 1.6% increase.

Table 3 (following) compares **GF/GP Appropriations** for FY 2003-04 YTD to the FY 2004-05 Executive Recommendation. Appropriations decrease from \$8.8 billion in FY 2003-04 YTD to \$8.7 billion in FY 2004-05—a \$157.9 million or 1.8% decrease.

Table 4 (following) compares the number of **Full-Time Equated (FTE) Positions** (classified and unclassified) for FY 2003-04 YTD to the FY 2004-05 Executive Recommendation. The Executive Recommendation decreases total FTE positions from 57,834.1 in FY 2003-04 YTD to 56,974.1 in FY 2004-05—a decrease of 860.0 FTEs or 1.5%. Each FTE is equivalent to 2,088 hours of employee compensated time (including overtime, annual leave, and used sick leave) during the year.

Table 5 (following) shows the Executive Recommendation for FY 2004-05 **State Spending from State Sources Paid to Local Governments**. Pursuant to Article IX, Section 30 of the *Constitution of the State of Michigan of 1963*, at least 48.97% of state spending from state resources must be paid to all units of local government.

The Executive Recommendation provides for \$15.5 billion in state spending to local units of government in FY 2004-05, which is 59.7% of the estimated \$26.0 billion in state spending from state resources—well within the constitutional requirement.

**TABLE 1
FY 2004-05 EXECUTIVE RECOMMENDATION BY SOURCE OF FUNDS**

Department/Major Budget Area	Gross	IDGs and IDTs	Adjusted Gross	Federal Funds	Local Revenue	Private Revenue	State Restricted	General Fund/ General Purpose
Community Colleges	285,747,000	0	285,747,000	0	0	0	0	285,747,000
Education	115,553,400	1,072,100	114,481,300	60,654,600	5,198,800	701,400	19,472,200	28,454,300
Higher Education	1,631,964,400	0	1,631,964,400	4,500,000	0	0	90,750,000	1,536,714,400
School Aid	12,479,910,200	0	12,479,910,200	1,314,388,000	0	0	11,033,722,200	131,800,000
EDUCATION	\$14,513,175,000	\$1,072,100	\$14,512,102,900	\$1,379,542,600	\$5,198,800	\$701,400	\$11,143,944,400	\$1,982,715,700
Attorney General	62,315,100	11,244,300	51,070,800	9,292,400	0	0	11,070,000	30,708,400
Civil Rights	12,791,200	0	12,791,200	934,000	0	0	0	11,857,200
Civil Service	35,262,900	2,300,000	32,962,900	4,779,100	1,700,000	150,000	18,545,500	7,788,300
Executive Office	4,859,500	0	4,859,500	0	0	0	0	4,859,500
Information Technology	366,235,800	366,235,800	0	0	0	0	0	0
Legislature	118,630,800	1,801,500	116,829,300	0	0	400,000	2,356,500	114,072,800
Management and Budget	157,337,500	86,575,200	70,762,300	444,600	0	0	33,206,100	37,111,600
State	188,266,000	20,000,000	168,266,000	1,391,000	0	100	151,553,500	15,321,400
Treasury: Operations	369,476,900	13,172,800	356,304,100	34,681,800	964,300	0	262,095,700	58,562,300
Treasury: Debt/Revenue Sharing	1,216,850,400	0	1,216,850,400	0	0	0	1,146,287,300	70,563,100
GENERAL GOVERNMENT	\$2,532,026,100	\$501,329,600	\$2,030,696,500	\$51,522,900	\$2,664,300	\$550,100	\$1,625,114,600	\$350,844,600
Community Health	9,802,931,200	70,543,400	9,732,387,800	4,987,951,800	840,015,900	54,976,400	1,373,364,900	2,476,078,800
Corrections	1,824,618,900	3,364,200	1,821,254,700	9,808,000	393,600	0	68,090,600	1,742,962,500
Family Independence Agency	4,336,399,400	1,084,400	4,335,315,000	3,041,368,900	75,535,700	9,757,600	70,321,400	1,138,331,400
HUMAN SERVICES	\$15,963,949,500	\$74,992,000	\$15,888,957,500	\$8,039,128,700	\$915,945,200	\$64,734,000	\$1,511,776,900	\$5,357,372,700
Consumer and Industry Services	0	0	0	0	0	0	0	0
Career Development	0	0	0	0	0	0	0	0
Michigan Strategic Fund Agency	0	0	0	0	0	0	0	0
Labor and Economic Growth	1,219,276,600	515,200	1,218,761,400	792,629,400	15,320,900	4,140,100	297,760,900	108,910,100
LABOR AND ECONOMIC GROWTH	\$1,219,276,600	\$515,200	\$1,218,761,400	\$792,629,400	\$15,320,900	\$4,140,100	\$297,760,900	\$108,910,100
Agriculture	116,641,500	10,831,700	105,809,800	33,406,200	0	138,700	40,755,500	31,509,400
Environmental Quality	340,608,000	14,263,000	326,345,000	133,766,800	0	445,900	153,980,000	38,152,300
Natural Resources	253,901,100	3,528,700	250,372,400	34,629,300	0	2,024,300	188,075,700	25,643,100
RESOURCE PROTECTION	\$711,150,600	\$28,623,400	\$682,527,200	\$201,802,300	\$0	\$2,608,900	\$382,811,200	\$95,304,800
Military and Veterans Affairs	110,466,200	603,000	109,863,200	45,418,100	0	1,282,300	25,599,800	37,563,000
State Police	475,924,200	19,677,200	456,247,000	106,191,100	4,681,100	10,700	99,905,600	245,458,500
SAFETY AND DEFENSE	\$586,390,400	\$20,280,200	\$566,110,200	\$151,609,200	\$4,681,100	\$1,293,000	\$125,505,400	\$283,021,500
Capital Outlay	573,148,300	2,000,000	571,148,300	210,842,000	42,790,000	0	46,214,200	271,302,100
History, Arts, and Libraries	58,743,200	139,000	58,604,200	8,151,300	0	577,400	2,412,400	47,463,100
Judiciary	253,016,600	4,633,500	248,383,100	3,815,600	3,298,100	842,500	82,333,600	158,093,300
Transportation	3,292,487,600	0	3,292,487,600	1,132,701,200	5,800,000	0	2,153,986,400	0
ALL OTHERS	\$4,177,395,700	\$6,772,500	\$4,170,623,200	\$1,355,510,100	\$51,888,100	\$1,419,900	\$2,284,946,600	\$476,858,500
TOTAL APPROPRIATIONS	\$39,703,363,900	\$633,585,000	\$39,069,778,900	\$11,971,745,200	\$995,698,400	\$75,447,400	\$17,371,860,000	\$8,655,027,900

TABLE 2
FY 2004-05 ADJUSTED GROSS APPROPRIATIONS
FY 2004-05 Executive Recommendation Compared with FY 2003-04 Year-to-Date

<u>DEPARTMENT/ MAJOR BUDGET AREA</u>	<u>FY 2003-04 YEAR-TO-DATE</u>	<u>FY 2004-05 EXECUTIVE RECOMMEND</u>	<u>FY 2004-05 vs 2003-04</u>	
			<u>AMOUNT DIFFERENT</u>	<u>PERCENT DIFFERENT</u>
Community Colleges	276,578,600	285,747,000	9,168,400	3.3%
Education	107,281,200	114,481,300	7,200,100	6.7%
Higher Education	1,653,663,200	1,631,964,400	(21,698,800)	-1.3%
School Aid	12,556,069,000	12,479,910,200	(76,158,800)	-0.6%
EDUCATION	\$14,593,592,000	\$14,512,102,900	(\$81,489,100)	-0.6%
Attorney General	49,929,800	51,070,800	1,141,000	2.3%
Civil Rights	12,654,158	12,791,200	137,042	1.1%
Civil Service	29,333,837	32,962,900	3,629,063	12.4%
Executive Office	4,859,500	4,859,500	0	0.0%
Information Technology	0	0	0	0.0%
Legislature	116,967,900	116,829,300	(138,600)	-0.1%
Management and Budget	67,771,000	70,762,300	2,991,300	4.4%
State	161,088,251	168,266,000	7,177,749	4.5%
Treasury: Operations	369,022,586	356,304,100	(12,718,486)	-3.4%
Treasury: Debt/RevenueShare	1,393,652,900	1,216,850,400	(176,802,500)	-12.7%
GENERAL GOVERNMENT	\$2,205,279,932	\$2,030,696,500	(\$174,583,432)	-7.9%
Community Health	9,642,091,300	9,732,387,800	90,296,500	0.9%
Corrections	1,702,518,881	1,821,254,700	118,735,819	7.0%
Family Independence Agency	3,952,345,500	4,335,315,000	382,969,500	9.7%
HUMAN SERVICES	\$15,296,955,681	\$15,888,957,500	\$592,001,819	3.9%
Consumer and Industry Services	604,530,718	0	(604,530,718)	
Career Development	461,595,374	0	(461,595,374)	
Michigan Strategic Fund Agency	102,236,509	0	(102,236,509)	
Labor and Economic Growth		1,218,761,400	1,218,761,400	
LABOR AND ECONOMIC GROWTH	\$1,168,362,601	\$1,218,761,400	\$50,398,799	4.3%
Agriculture	85,720,400	105,809,800	20,089,400	23.4%
Environmental Quality	357,264,475	326,345,000	(30,919,475)	-8.7%
Natural Resources	250,026,100	250,372,400	346,300	0.1%
RESOURCE PROTECTION	\$693,010,975	\$682,527,200	(\$10,483,775)	-1.5%
Military and Veterans Affairs	102,797,500	109,863,200	7,065,700	6.9%
State Police	436,237,529	456,247,000	20,009,471	4.6%
SAFETY AND DEFENSE	\$539,035,029	\$566,110,200	\$27,075,171	5.0%
Capital Outlay	560,464,100	571,148,300	10,684,200	1.9%
History, Arts, and Libraries	56,410,500	58,604,200	2,193,700	3.9%
Judiciary	248,434,400	248,383,100	(51,300)	0.0%
Transportation	3,107,818,700	3,292,487,600	184,668,900	5.9%
ALL OTHERS	\$3,973,127,700	\$4,170,623,200	\$197,495,500	5.0%
TOTAL APPROPRIATIONS	\$38,469,363,918	\$39,069,778,900	\$600,414,982	1.6%

TABLE 3
FY 2004-05 GENERAL FUND/GENERAL PURPOSE APPROPRIATIONS
FY 2004-05 Executive Recommendation Compared with FY 2003-04 Year-to-Date

DEPARTMENT/ MAJOR BUDGET AREA	FY 2003-04 YEAR-TO-DATE	FY 2004-05 EXECUTIVE RECOMMEND	FY 2004-05 vs 2003-04	
			AMOUNT DIFFERENT	PERCENT DIFFERENT
Community Colleges	276,578,600	285,747,000	9,168,400	3.3%
Education	29,059,700	28,454,300	(605,400)	-2.1%
Higher Education	1,559,432,500	1,536,714,400	(22,718,100)	-1.5%
School Aid	327,700,000	131,800,000	(195,900,000)	-59.8%
EDUCATION	\$2,192,770,800	\$1,982,715,700	(\$210,055,100)	-9.6%
Attorney General	30,259,900	30,708,400	448,500	1.5%
Civil Rights	11,720,158	11,857,200	137,042	1.2%
Civil Service	7,832,537	7,788,300	(44,237)	-0.6%
Executive Office	4,859,500	4,859,500	0	0.0%
Information Technology	0	0	0	0.0%
Legislature	114,072,800	114,072,800	0	0.0%
Management and Budget	35,828,900	37,111,600	1,282,700	3.6%
State	16,698,451	15,321,400	(1,377,051)	-8.2%
Treasury: Operations	60,263,986	58,562,300	(1,701,686)	-2.8%
Treasury: Debt/Revenue	56,950,700	70,563,100	13,612,400	23.9%
GENERAL GOVERNMENT	\$338,486,932	\$350,844,600	\$12,357,668	3.7%
Community Health	2,652,980,300	2,476,078,800	(176,901,500)	-6.7%
Corrections	1,609,272,281	1,742,962,500	133,690,219	8.3%
Family Independence Agency	1,100,979,000	1,138,331,400	37,352,400	3.4%
HUMAN SERVICES	\$5,363,231,581	\$5,357,372,700	(\$5,858,881)	-0.1%
Consumer and Industry Services	15,965,418	0	(15,965,418)	
Career Development	24,334,974	0	(24,334,974)	
Michigan Strategic Fund Agency	38,380,109	0	(38,380,109)	
Labor and Economic Growth		108,910,100	108,910,100	
LABOR AND ECONOMIC GROWTH	\$78,680,501	\$108,910,100	\$30,229,599	38.4%
Agriculture	30,259,200	31,509,400	1,250,200	4.1%
Environmental Quality	53,580,775	38,152,300	(15,428,475)	-28.8%
Natural Resources	28,089,400	25,643,100	(2,446,300)	-8.7%
RESOURCE PROTECTION	\$111,929,375	\$95,304,800	(\$16,624,575)	-14.9%
Military and Veterans Affairs	36,328,800	37,563,000	1,234,200	3.4%
State Police	234,765,229	245,458,500	10,693,271	4.6%
SAFETY AND DEFENSE	\$271,094,029	\$283,021,500	\$11,927,471	4.4%
Capital Outlay	252,302,500	271,302,100	18,999,600	7.5%
History, Arts, and Libraries	44,201,700	47,463,100	3,261,400	7.4%
Judiciary	160,216,400	158,093,300	(2,123,100)	-1.3%
Transportation	0	0	0	0.0%
ALL OTHERS	\$456,720,600	\$476,858,500	\$20,137,900	4.4%
TOTAL APPROPRIATIONS	\$8,812,913,818	\$8,655,027,900	(\$157,885,918)	-1.8%

TABLE 4
FULL-TIME EQUATED POSITIONS*
FY 2004-05 Executive Recommendation Compared with FY 2003-04 Year-to-Date

DEPARTMENT/ MAJOR BUDGET AREA	YEAR-TO-DATE FY 2003-04	FY 2004-05 EXECUTIVE RECOMMEND	FY 2004-05 vs. FY 2003-04	
			AMOUNT DIFFERENT	PERCENT DIFFERENT
Community Colleges	0.0	0.0	0.0	0.0%
Education	433.1	400.0	(33.1)	-7.6%
Higher Education	1.0	1.0	0.0	0.0%
School Aid	0.0	0.0	0.0	0.0%
EDUCATION	434.1	401.0	(33.1)	-7.6%
Attorney General	568.0	562.0	(6.0)	-1.1%
Civil Rights	142.0	141.0	(1.0)	-0.7%
Civil Service	211.5	240.5	29.0	13.7%
Executive Office	84.2	84.2	0.0	0.0%
Information Technology	1,755.4	1,762.4	7.0	0.4%
Legislature	0.0	0.0	0.0	0.0%
Management and Budget	722.0	729.0	7.0	1.0%
State	1,856.8	1,859.8	3.0	0.2%
Treasury: Operations	1,624.0	1,603.0	(21.0)	-1.3%
Treasury: Debt/Revenue Sharing	0.0	0.0	0.0	0.0%
GENERAL GOVERNMENT	6,963.9	6,981.9	18.0	0.3%
Community Health	4,388.3	4,680.0	291.7	6.6%
Corrections	18,312.7	17,804.6	(508.1)	-2.8%
Family Independence Agency	10,774.6	10,590.1	(184.5)	-1.7%
HUMAN SERVICES	33,475.6	33,074.7	(400.9)	-1.2%
Consumer and Industry Services	3,533.5	0.0	(3,533.5)	
Career Development	989.5	0.0	(989.5)	
Michigan Strategic Fund	200.0	0.0	(200.0)	
Labor and Economic Growth		4,302.0	4,302.0	
LABOR AND ECONOMIC GROWTH	4,723.0	4,302.0	(421.0)	-8.9%
Agriculture	569.0	715.0	146.0	25.7%
Environmental Quality	1,611.7	1,578.2	(33.5)	-2.1%
Natural Resources	2,094.5	2,076.5	(18.0)	-0.9%
RESOURCE PROTECTION	4,275.2	4,369.7	94.5	2.2%
Military and Veterans Affairs	1,079.0	1,023.0	(56.0)	-5.2%
State Police	2,990.0	2,951.0	(39.0)	-1.3%
SAFETY AND DEFENSE	4,069.0	3,974.0	(95.0)	-2.3%
Capital Outlay	0.0	0.0	0.0	0.0%
History, Arts, and Libraries	254.5	238.0	(16.5)	-6.5%
Judiciary	582.5	582.5	0.0	0.0%
Transportation	3,056.3	3,050.3	(6.0)	-0.2%
ALL OTHERS	3,893.3	3,870.8	(22.5)	-0.6%
TOTAL FULL-TIME EQUATED POSITIONS	57,834.1	56,974.1	(860.0)	-1.5%

*Includes classified, unclassified, and nonlegislative exempt positions.

Table 5
STATE SPENDING FROM STATE SOURCES PAID TO LOCAL GOVERNMENTS
FY 2004-05 Executive Recommendation

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	285,747,000	285,747,000	100.0%
Education	47,926,500	11,015,100	23.0%
Higher Education	1,627,464,400	3,759,100	0.2%
School Aid	11,165,522,200	11,107,634,200	99.5%
EDUCATION	\$13,126,660,100	\$11,408,155,400	86.9%
Attorney General	41,778,400	0	
Civil Rights	11,857,200	0	
Civil Service	26,333,800	0	
Executive Office	4,859,500	0	
Information Technology	0	0	
Legislature	116,429,300	0	
Management and Budget	70,317,700	0	
State	166,874,900	172,700	0.1%
Treasury: Operations	320,658,000	118,314,300	36.9%
Treasury: Debt/Revenue Sharing	1,216,850,400	1,135,400,000	93.3%
GENERAL GOVERNMENT	\$1,975,959,200	\$1,253,887,000	63.5%
Community Health	3,849,443,700	1,060,142,600	27.5%
Corrections	1,811,053,100	88,507,700	4.9%
Family Independence Agency	1,208,652,800	196,871,300	16.3%
HUMAN SERVICES	\$6,869,149,600	\$1,345,521,600	19.6%
Consumer & Industry Services	0	0	
Career Development	0	0	
Michigan Startegic Fund Agency	0	0	
Labor and Economic Growth	406,671,000	33,822,700	
LABOR AND ECONOMIC GROWTH	\$406,671,000	\$33,822,700	8.3%
Agriculture	72,264,900	3,380,000	4.7%
Environmental Quality	192,132,300	18,445,500	9.6%
Natural Resources	213,718,800	13,210,200	6.2%
RESOURCE PROTECTION	\$478,116,000	\$35,035,700	7.3%
Military and Veterans Affairs	63,162,800	120,000	0.2%
State Police	345,364,100	20,107,800	5.8%
SAFETY AND DEFENSE	\$408,526,900	\$20,227,800	5.0%
Capital Outlay	317,516,300	21,756,200	6.9%
History, Arts, and Libraries	49,875,500	18,655,400	37.4%
Judiciary	240,426,900	123,214,300	51.2%
Transportation	2,153,986,400	1,266,053,300	58.8%
ALL OTHER	\$2,761,805,100	\$1,429,679,200	51.8%
TOTALS	\$26,026,887,900	\$15,526,329,400	59.7%

Budget Detail

SUPPLEMENTAL APPROPRIATIONS

FY 2003-04

Summary: Executive Budget Recommendation FY 2003-04 Supplemental

Analyst: Al Valenzio

	<u>Executive Recommendation</u>	
	<u>GF/GP</u>	<u>Gross</u>
Agriculture	\$0	\$17,750,000
Attorney General	0	433,934
Capital Outlay	0	0
Community Health	0	53,103,500
Education	0	150,000
Environmental Quality	0	275,000
Family Independence Agency	0	146,309,600
Information Technology	0	8,800,000
Natural Resources	0	4,350,000
State	0	<u>600,000</u>
TOTAL	\$0	\$231,772,034

Major Budgetary Issues FY 2003-04:

DEPARTMENT OF AGRICULTURE

1. ***Emerald Ash Borer Control Program***

Includes federal funding for the second year of this program. Provides funds for eradication efforts in affected areas of southeast Michigan and other threatened areas in the lower peninsula. No state revenue match is required for this program.

	<u>Executive Recommendation</u>
FTE	155.0
Gross	\$17,750,000
Federal	17,750,000

DEPARTMENT OF ATTORNEY GENERAL

2. ***Medicaid Fraud Control***

Authorizes Department to carry forward unexpended civil penalty collection revenue. Health Care Fraud Division initiates civil lawsuits against individuals who either plead guilty to or are convicted of certain Medicaid fraud violations. All civil penalties collected are considered program income and must be used in accordance with federal guidelines.

Gross	\$433,934
Federal	433,934

DEPARTMENT OF COMMUNITY HEALTH

3. ***Increased Hospital Days of Care***

Increases funding by \$17.1 million GF/GP to allow CMHSPs to purchase increased days of care at Kalamazoo Psychiatric Hospital and Mt. Pleasant Center due to the FY 2002-03 closure of Northville Psychiatric Hospital. Increase is financed by an equal reduction to Community Mental Health Non-Medicaid Services funds.

Gross	\$0
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4. ***Information Technology***

Increases federal Medicaid revenue supporting Information Technology Services and Projects by \$8.3 million in which these funds will be used to complete the Health Insurance Portability and Accountability Act (HIPAA) project.

Gross	\$8,300,000
Federal	8,300,000

5. ***Cancer Prevention and Control Program***

Increases cancer prevention and control program appropriation by \$2.9 million to recognize additional revenue from the federal breast and cervical cancer control grant.

Gross	\$2,868,200
Federal	2,868,200

Major Budgetary Issues FY 2003-04:

Executive Recommendation

6. Laboratory Fee Revenue	Gross	\$1,300,000
Recognizes \$1.3 million additional revenue from newborn screening test fee increase effective April 2003, and the statutorily-authorized annual inflationary adjustment to the fee. Fee increase provides funds for a new statutorily-required screening test.	Restricted	1,300,000
7. Medical Services Administration University Contracts	Gross	\$3,000,000
Increases federal Medicaid funding by \$3.0 million for administrative contracts with Michigan State University and the University of Michigan for various policy analysis and program initiatives. Universities provide the 50% match required to obtain increased federal funds. A similar adjustment is included in the FY 2004-05 Executive Budget proposal.	Federal	3,000,000
8. Psychiatric Residency Program	Gross	\$3,104,000
Recommends \$1.6 million federal Medicaid funds and \$1.5 million state restricted revenues provided by Wayne State University and Michigan State University to increase graduate medical education funding for the psychiatric residency program.	Federal	1,559,300
	Restricted	1,544,700
9. Medicaid Hospital Services	Gross	\$7,398,600
Adds \$3.1 million from a vitamin lawsuit settlement and \$4.3 million federal Medicaid matching funds to increase the hospital services line. A portion of the lawsuit proceeds was previously appropriated in FY 2002-03 (HB 4367) to finance a year-end accrual accounting adjustment for long-term care services.	Federal	4,298,600
	Restricted	3,100,000
10. Elder Prescription Insurance Coverage (EPIC) Program	Gross	\$610,000
Appropriates \$610,000 from various anti-trust enforcement recoveries to increase funding for the Elder Prescription Insurance Coverage (EPIC) program.	Restricted	610,000
DEPARTMENT OF EDUCATION		
11. Limited License to Instruct Pilot Project	Gross	\$150,000
Allocates \$150,000 from Certification Fees for the Limited License to Instruct Pilot Project. Under this program, Department of Education would work with Wayne State University to help teachers meet the federal No Child Left Behind Act certification requirements.	Restricted	150,000
DEPARTMENT OF ENVIRONMENTAL QUALITY		
12. Drinking Water Program - Monthly Reporting	Gross	\$275,000
Provides that grant funds would be used for a contract to develop or allow local drinking water systems operators to transmit monthly reports to the Department.	Federal	275,000
FAMILY INDEPENDENCE AGENCY		
13. Family Independence Program	Gross	\$26,056,100
Increases funding by \$26.1 million in federal TANF funds to cover Family Independence Program projected caseload spending. Includes a projected average annual caseload of 79,400, up 5,335 from the FY 2003-04 budgeted caseload.	Federal	26,056,100
14. Food Assistance Program	Gross	\$102,444,200
Increases existing caseload spending by \$44.9 million and, effective March 1, 2004, expands future caseload to include 75,000 childless adults now eligible for one year of benefits every three years rather than three months every three years. This 75,000 person expansion adds \$57.5 million, and is the result of a federal waiver sought by FIA and granted by the United States Food and Nutrition Service.	Federal	102,444,200
15. Day Care Services	Gross	\$17,809,300
Includes an increase of \$17.8 million in federal TANF funds for Day Care Services to cover projected caseload spending. Recommendation includes a projected average annual caseload of 69,000, up 1,014 from the FY 2003-04 budgeted caseload.	Federal	17,809,300

Major Budgetary Issues FY 2003-04:

Executive Recommendation

DEPARTMENT OF INFORMATION TECHNOLOGY

16. HIPPA Project

Appropriates \$8.3 million in federal Medicaid funding for completion of the Health Insurance Portability and Accountability Act (HIPAA) project and \$500,000 in federal WIC funding to be used for the electronic banking smart card project (see Community Health). The Department of Information Technology will finance this with an IDG from MDCH.

Gross \$8,800,000
IDG 8,800,000

DEPARTMENT OF NATURAL RESOURCES

17. Snowmobile Local Grants Program

Expands the local snowmobile trails program, appropriating the added amount realized through the recently-enacted fee increase for trail maintenance and grooming.

Gross \$4,000,000
Restricted 4,000,000

18. Retail System Software Upgrade

Revises the elk Hunting Permit program. Appropriation would increase the existing contract for the Retail Sales System to make needed software changes, giving priority to those applicants who have unsuccessfully participated in the permit lottery program in earlier years.

Gross \$350,000
Restricted 350,000

DEPARTMENT OF STATE

19. Help America Vote Act Implementation

Appropriates an additional \$410,000 in federal Help America Vote Act funding to be used to make barrier-free changes as soon as possible before the August elections.

Gross \$600,000
Federal 410,000

20. Notary Public Act

Appropriates \$150,000 from the Notary Fee Fund and \$40,000 from the Notary Education and Training Fund for implementation of 2003 PA 238, which rewrites the Michigan Notary Public Act. The legislation streamlines the application process and authorizes Department to conduct background checks to ensure suitable candidates. Funds will be used to train county clerks on changes in the law and on costs associated with mass mailings to inform notaries.

Gross \$190,000
Restricted 190,000

Major Boilerplate Issues:

CAPITAL OUTLAY

Airport Improvement Projects - Local Match

Provides replacement language reflecting the new federal matching requirement. The federal government has lowered the required local match from 10% to 5% for almost all airport improvement/safety projects. This 5% is usually split evenly between the state and the local unit.

Building Demolitions

Provides authorization to demolish the Cass power house/maintenance building (an 80-year old facility no longer in use), the Federal Surplus property warehouse at the North Lansing complex (no longer needed due to consolidation), and 11 buildings at the Newberry prison. These buildings, constructed between 1898 and 1948 were used when the facility was a mental hospital and are no longer in use; six are listed as staff housing, three custodial cottages and two storage buildings. Any state-owned building scheduled for demolition must be authorized by the Legislature pursuant to Section 602 of the current Capital Outlay budget act.

**FY 2004-05
Budget Detail
for
EDUCATION**

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

**Summary: Executive Budget Recommendation
COMMUNITY COLLEGES
FY 2004-05 Senate Bill**

Analyst: Kyle I. Jen

	FY 2003-04	FY 2004-05	Difference:	
	Year-to-Date as of 2/12/04		Executive	Exec to FY 2003-04 YTD
IDG/IDT	\$0	\$0	\$0	0.0
Federal	0	0	0	0.0
Local	0	0	0	0.0
Private	0	0	0	0.0
Restricted	0	0	0	0.0
GF/GP	276,578,600	285,747,000	9,168,400	3.3
Gross	\$276,578,600	\$285,747,000	\$9,168,400	3.3
FTEs	0.0	0.0	0.0	0.0

Overview

The Community Colleges budget currently includes funds for operation of the state's 28 community colleges, the At-Risk Student Success Program, and renaissance zone tax reimbursement to the colleges. Funding for operations grants to the colleges makes up 98% of the FY 2003-04 budget.

Major Budget Changes from FY 2003-04 YTD Appropriations:

1. Operations Funding

Assumes all 28 colleges comply with tuition restraint provisions. Recommended appropriations for each college are increased by an amount equal to 3.0% of the original FY 2003-04 enacted appropriation, but—since compliant colleges would receive identical increase for FY 2003-04 under language enacted in conjunction with Executive Order 2003-23—this would ultimately equate to a flat appropriation. Appropriations for colleges not adhering to tuition restraint provisions would be reduced by 3.0% of the original FY 2003-04 enacted appropriation. (See below for details regarding boilerplate language governing tuition restraint.)

	FY 2003-04 YTD (as of 2/12/04)	Executive Change
Gross	\$271,505,900	\$8,518,400
GF/GP	\$271,505,900	\$8,518,400

2. Renaissance Zone Tax Reimbursement

Increases funding for reimbursement to colleges with renaissance zones in their districts, pursuant to the Michigan Renaissance Zone Act (MCL 125.2692), to reflect projected increases in taxable value in those zones.

Gross	\$1,750,000	\$650,000
GF/GP	\$1,750,000	\$650,000

Major Boilerplate Changes from FY 2003-04:

Sec. 207. Tuition Restraint – NEW

Provides that a portion of each college's appropriation equal to 6.0% of its original FY 2003-04 enacted appropriation only be paid if the college certifies by June 30, 2004, that it did not adopt an increase in its 2003-04 tuition and fee rates after December 1, 2004, and that it will not adopt an increase in its 2004-05 tuition and fee rates exceeding the projected increase in the Detroit Consumer Price Index for 2005. Includes a clause allowing colleges that have already implemented a 2003-04 tuition increase (adopted after December 1, 2004) to rebate that increase and remain eligible for the appropriation increase.

Sec. 208. Entrepreneurship Curriculum – NEW

Requires Department of Labor and Economic Growth to work with community colleges to develop an accelerated entrepreneurship curriculum, including an associate's degree.

Sec. 210. Deprived and Depressed Communities – DELETED

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

Sec. 211. Payment Schedule – REVISED

Eliminates provision requiring full payment of the At-Risk Student Success Program funds by November 1; payments would be made on same schedule as operations funding (11 monthly payments). (Executive Recommendation Sec. 204)

Sec. 219. Tax Loss Data – DELETED

Requires Department of Treasury to compile data on tax losses to colleges resulting from tax increment financing authorities and tax abatements.

Sec. 220. Special Maintenance Projects – DELETED

States legislative intent regarding development of financing alternatives for special maintenance projects at community colleges.

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

Encourages colleges to explore ways to increase collaboration and cooperation with four-year universities.

Sec. 228. Gast-Mathieu Formula – DELETED

States legislative intent that Gast-Mathieu formula be fully funded.

Sec. 230. Abortion Services – DELETED

Prohibits expenditure of state funding for health care coverage for abortion services.

Sec. 231. Benefits for Unmarried Partners – DELETED

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

Sec. 233. Preventative Contraceptives – DELETED

Encourages inclusion of preventative contraceptives in prescription coverage.

Sec. 234. Promotion of Equal Opportunity – DELETED

States legislative intent that colleges promote equal opportunity and eliminate discrimination.

Sec. 235. State University Admission/Enrollment Policies – DELETED

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

Sec. 402. Subsequent Appropriation Increases – DELETED

States legislative intent that any subsequent proposal to increase appropriations for four-year universities be accompanied by similar action for community colleges.

Sec. 403. Economic Development Job Training Grants – DELETED

States legislative intent that at least 70% of Economic Development Job Training Grant funds be awarded to community colleges.

**Summary: Executive Budget Recommendation
DEPARTMENT OF EDUCATION
FY 2004-05 Senate Bill**

**Analyst: Mary Ann Cleary
Laurie Cummings**

	FY 2003-04 Year-to-Date as of 2/12/04	FY 2004-05 Executive	Difference: Exec to FY 2003-04 YTD	
			Amount	%
IDG/IDT	\$1,000,000	\$1,072,100	\$72,100	7.2
Federal	65,876,900	60,654,600	(5,222,300)	(7.9)
Local	4,791,600	5,198,800	407,200	8.5
Private	701,400	701,400	0	0.0
Restricted	6,851,600	19,472,200	12,620,600	184.2
GF/GP	29,059,700	28,454,300	(605,400)	(2.1)
Gross	\$108,281,200	\$115,553,400	\$7,272,200	6.7
FTEs	433.1	400.0	(33.1)	(7.6)

Overview

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

Major Budget Changes from FY 2003-04 YTD Appropriations:

		FY 2003-04 YTD (as of 2/12/04)	Executive Change
1. Michigan Education Assessment Program (MEAP)	Gross	\$0	\$24,968,900
Creates a new Educational Assessment unit to house the MEAP program, which was transferred from the Department of Treasury.	Federal	0	11,283,700
	Restricted	0	13,685,200
2. Federal Grants	Gross	\$20,000,000	(\$19,000,000)
Reduces funding for Urgent School Renovation by \$19.0 million to \$1.0 million to reflect a continued phase-out of the program at the federal level.	Federal	20,000,000	(19,000,000)
3. Driver Education Grants	Gross	\$1,500,000	(\$1,500,000)
Eliminates from the Department of Education budget \$1.5 million in Driver Education grants which, in FY 2003-04, was all that remained from the \$7.6 million Driver Education grant program when it was eliminated in EO 2003-23. This reduction completes the elimination of state funding for Driver Education.	Restricted	1,500,000	(1,500,000)
4. School Breakfast Program	Gross	\$10,370,100	(\$345,100)
Provides a reduction of \$345,100 GF/GP to adjust for lower program costs.	GF/GP	\$10,370,100	(\$345,100)
5. Limited License to Instruct Pilot Project	Gross	\$0	\$150,000
Creates new Limited License to Instruct Pilot Project in partnership with Wayne State University to help teachers meet certification requirements of the "No Child Left Behind" Act.	Restricted	0	150,000

Major Boilerplate Changes from FY 2003-04:

Sec. 211. Special Education Auditor – DELETED

Removes requirement that the Department provide funding for a special education auditor to audit school districts' funds for special education services.

Sec. 223. Contingency Funds – NEW

Adds language to provide federal, state, local, and private contingency funds, which could be expended only upon legislative transfer to a specific line item.

Sec. 302. Prohibition on Out-of-State Travel – DELETED

Deletes language stating that the State Board of Education may not spend any funds on out-of-state travel.

Sec. 1001. Michigan Educational Assessment Program Tests – NEW

Requires the Department to provide MEAP tests to nonpublic and home-schooled students upon request, funded with state funds.

Summary: Executive Budget Recommendation
HIGHER EDUCATION
FY 2004-05 Senate Bill

Analyst: Kyle I. Jen

	FY 2003-04	FY 2004-05	Difference:	
	Year-to-Date as of 2/12/04		Executive	Exec to FY 2003-04 YTD
			Amount	%
IDG/IDT	\$0	\$0	\$0	0.0
Federal	4,480,700	4,500,000	19,300	0.4
Local	0	0	0	0.0
Private	0	0	0	0.0
Restricted	89,750,000	90,750,000	1,000,000	1.1
GF/GP	1,559,432,500	1,536,714,400	(22,718,100)	(1.5)
Gross	\$1,653,663,200	\$1,631,964,400	(\$21,698,800)	(1.3)
FTEs	1.0	1.0	0.0	0.0

Overview

The Higher Education budget currently provides funding for operation of the 15 state universities, need-based and merit-based financial aid programs for college students, and support for several statewide programs—including Michigan State University's Agriculture Experiment Station and Extension Service. Funding for state university operations makes up 84% of the FY 2003-04 budget.

Major Budget Changes from FY 2003-04 YTD Appropriations:**1. Operations Funding**

Assumes all 15 universities comply with tuition restraint provisions. Recommended appropriations for each university are increased by an amount equal to 3.0% of the original FY 2003-04 enacted appropriation, but—since compliant universities would receive identical increases for FY 2003-04 under language enacted in conjunction with Executive Order 2003-23—ultimate result would be a flat appropriation. Appropriations for universities not adhering to tuition restraint provisions would be reduced by 3.0% of the original FY 2003-04 enacted appropriation. (See below for details regarding the boilerplate language governing tuition restraint.)

	FY 2003-04 YTD (as of 2/12/04)	Executive Change
Gross	\$1,390,263,500	\$43,903,000
Restricted	9,500,000	0
GF/GP	\$1,380,763,500	\$43,903,000

2. Agriculture Experiment Station and Cooperative Extension

Reduces appropriations for Agriculture Experiment Station and Cooperative Extension by 3.0%.

Gross	\$61,768,100	(\$1,853,000)
GF/GP	\$61,768,100	(\$1,853,000)

3. Tuition Grants

Eliminates funding for Tuition Grant Program—a need-based financial aid program for students attending independent universities and colleges.

Gross	\$64,768,100	(\$64,768,100)
GF/GP	\$64,768,100	(\$64,768,100)

HIGHER EDUCATION

<u>Major Budget Changes from FY 2003-04 YTD Appropriations:</u>		FY 2003-04 YTD (as of 2/12/04)	Executive Change
4. Michigan Merit Award Program	Gross	\$67,000,000	\$0
Maintains funding for Merit Award Program at FY 2003-04 level of \$67 million, based on the assumption of another one-time shift in the appropriation schedule for the awards. Following this shift, funding for Merit Awards would be appropriated on the same basis as other state financial aid programs, with funds appropriated in the same fiscal year in which they are actually paid out to universities and colleges. Beginning in FY 2005-06, an appropriation of approximately \$120 to \$130 million will be necessary to fully fund the \$2,500 awards (\$1,000 for students attending out-of-state institutions).	Restricted	67,000,000	0
5. Tuition Incentive Program (TIP)	Gross	\$9,250,000	\$1,000,000
Increases appropriation for Tuition Incentive Program—a need-based financial aid program for Medicaid-eligible individuals—to reflect projected increase in costs.	Restricted	9,250,000	1,000,000

Major Boilerplate Changes from FY 2003-04:

Sec. 302. Tuition Grant Program – DELETED

Provides for distribution of Tuition Grant Program funding.

Sec. 304. Payment Schedule – REVISED

Revises the quarterly payment schedule for state financial aid programs from 40%/40%/10%/10% to 25%/25%/25%/25%.

Sec. 310. Tuition Incentive Program (TIP) – REVISED

Removes prohibition against use of Tuition Incentive Program payments for theology or divinity courses.

Sec. 402. Douglas Lake Biological Station

Designates the University of Michigan Douglas Lake Biological Station as a unique resource.

Sec. 408. Undergraduate Instruction – DELETED

States legislative recognition that undergraduate instruction is the first and foremost obligation of public universities.

Sec. 418. Law School Collaborative Efforts – DELETED

Prohibits use of state funds to undertake a collaborative effort with another university that would increase the enrollment of law students.

Sec. 426. Private Bookstores – DELETED

States legislative intent regarding access to required textbook lists by private bookstores.

Sec. 434. Economic Development – DELETED

Requires quarterly reports on meetings between Presidents Council and Michigan Economic Development Corporation.

Sec. 436. Tuition Restraint – REVISED

Revises existing language to provide that a portion of each university's appropriation equal to 6.0% of its original FY 2003-04 enacted appropriation only be paid if the university certifies by June 30, 2004, that it did not adopt an increase in its 2003-04 resident undergraduate tuition and fee rates after December 1, 2004, and that it will not adopt an increase in its 2004-05 resident undergraduate tuition and fee rate exceeding the projected increase in the Detroit Consumer Price Index (CPI) for 2005. Also includes a clause allowing universities that have already implemented a 2003-04 tuition increase (adopted after December 1, 2004) to rebate that increase and remain eligible for the appropriation increase.

Sec. 437. Retirement System Stabilization Subaccount – DELETED

States legislative intent that a Michigan Public School Employee Retirement System stabilization subaccount be used to reduce the contribution rate for the seven universities with employees in the system.

Sec. 439. Dormitory Smoking Policies – DELETED

Requires any universities that allow smoking in dormitories to report the reasons for that policy.

Sec. 440. Tuition Data – NEW

Requires tuition and fee data to be submitted to the HEIDI (Higher Education Institutional Data Inventory) database by August 31, 2004.

Major Boilerplate Changes from FY 2003-04:

Sec. 701. "Distance Learning" Definition – REVISED

Adds definition of the term "distance education" for purposes of excluding student credit hours generated through distance education from those reported to the HEIDI database.

Sec. 710. Report on Financial Aid – DELETED

Requires state universities to report certain financial aid data.

Sec. 711. Underutilized Degree Program Study – NEW

Requires a study to determine the extent of underutilized degree programs offered by universities. Universities would be required to document the rationale for maintaining any degree programs not producing a specified number of degrees per year (bachelor's: 25 degrees, master's: 15 degrees, doctor's: 5 degrees).

**Summary: Executive Budget Recommendation
SCHOOL AID
FY 2004-05 Senate Bill**

**Analyst: Mary Ann Cleary
Laurie Cummings**

	FY 2003-04 Year-to-Date as of 2/12/04	FY 2004-05 Executive	Difference: Exec to FY 2003-04 YTD	
			Amount	%
IDG/IDT	\$0	\$0	\$0	0.0
Federal	1,316,681,900	1,314,388,000	(2,293,900)	(0.2)
Local	0	0	0	0.0
Private	0	0	0	0.0
Restricted	10,911,687,100	11,033,722,200	122,035,100	1.1
GF/GP	327,700,000	131,800,000	(195,900,000)	(59.8)
Gross	\$12,556,069,000	\$12,479,910,200	(\$76,158,800)	(0.6)
FTEs	0.0	0.0	0.0	0.0

NOTE: FY 2003-04 YTD number does not include the \$131 million reduction for proration. FY 2003-04 YTD number is reduced \$50.7 million to reflect savings from additional local property tax audits and homestead exemption audits.

Overview

The School Aid budget makes appropriations to the state's 554 local school districts, 191 public school academies, and 57 intermediate school districts for operations and certain categorical programs. It also appropriates funds to the Center for Education Performance, Department of Labor and Economic Growth, and other entities to implement certain grants and other programs related to K-12 education.

Major Budget Changes from FY 2003-04:

		FY 2003-04 YTD (as of 2/12/04)	Executive Change
1. School Bond Redemption Fund	Gross	\$28,300,000	\$12,800,000
Adds \$12.8 million to cover anticipated costs for school bond loans to school districts.	GF/GP	\$28,300,000	\$12,800,000
2. Proposal A Obligation Payment	Gross	\$6,765,300,000	(\$100,300,000)
Reduces appropriation by \$100.3 million from current law to reflect changes in membership blends, taxable values, anticipated savings due to personal property tax audits, and reduction of \$6.6 million in section 20j allocations.	Restricted	6,765,300,000	(100,300,000)
3. Discretionary Payment	Gross	\$2,896,000,000	\$4,000,000
Increases appropriation by \$4.0 million from current law to reflect changes in membership blends, taxable values, and elimination of \$6.0 million for declining enrollment districts. Also includes \$1.0 million for consolidation of school districts.	Restricted	2,896,000,000	4,000,000
4. Renaissance Zone Reimbursement	Gross	\$29,960,000	\$6,240,000
Adds \$6.2 million for estimated costs associated with Renaissance Zones. This allocation is to reimburse school districts, ISDs, and payments made to state education tax for property tax losses associated with the Zones.	Restricted	29,960,000	6,240,000

Major Budget Changes from FY 2003-04:

		FY 2003-04 YTD (as of 2/12/04)	Executive Change
5. ISD 0-5 Parenting Grants	Gross	\$3,326,000	\$6,674,000
Appropriates \$6.7 million for this program to help parents of children aged five and under ready their children to enter school. Additional funding is from reduced appropriations to ISD general operations funding.	Restricted	3,326,000	6,674,000
6. Special Education – State Costs	Gross	\$882,683,000	\$23,600,000
Adds \$23.6 million for estimated costs for educating special education students.	Restricted	882,683,000	23,600,000
7. ISD Learn to Earn Centers – Planning Grants	Gross	N/A	\$1,000,000
Funds this new program at \$1.0 million for planning grants to ISDs for centers that will focus on career preparation activities for students who have dropped out of school.	Restricted	N/A	1,000,000
8. ISD General Operations	Gross	\$91,702,100	(\$7,674,000)
Reduces funding by \$7.7 million from \$91.7 million to \$84 million. From this reduction, \$6.7 million is transferred to ISD 0-5 parenting grants and \$1.0 million to ISD Learn to Earn Centers.	Restricted	91,702,100	(7,674,000)
9. Center for Education Performance and Information	Gross	\$6,857,600	(\$3,311,300)
Reduces appropriation by \$3.0 million to match the actual expenditure level for FY 2003-04.	Federal	2,357,600	(311,300)
	GF/GP	\$4,500,000	(\$3,000,000)
10. Freedom to Learn Grants	Gross	\$39,343,200	(\$17,000,000)
Appropriates \$5.0 million to purchase wireless technology for sixth grade pupils—a reduction of \$17.0 million from the FY 2003-04 appropriation level. Maintains federal funds at \$17.3 million.	Federal	17,343,200	0
	Restricted	22,000,000	(17,000,000)

Major Boilerplate Changes from FY 2003-04:

Sec. 6(4). Membership Blend – MODIFIED

Recommends changing the membership blend upon which foundation allowance payments are based from an 80/20 blend—a sum of 80% of the current fall pupil count plus 20% of the previous February’s count—to a 50/50 pupil membership blend—the sum of 50% of the current fall pupil count plus 50% of the previous February’s count. This change would result in an estimated \$43 million savings for the state.

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

Assumes \$37.2 million in new revenue from increased tax collections and a liquor mark-up. Proposal also includes ongoing cost savings as a result of Homestead Exemption Audits of \$26.8 million and Personal Property Tax Audits of \$24.5 million.

Sec. 11b. General Fund Transfers to School Aid Stabilization Fund – MODIFIED

Transfers \$5.0 million from the General Fund to the School Aid Stabilization Fund for the Freedom to Learn Program under Sec. 98b.

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

Retains per-pupil foundation allowances at the same level as FY 2003-04 prior to proration.

Sec. 20J. Hold Harmless Districts – MODIFIED

Reduces the section 20j allocation to hold harmless districts that have a foundation allowance over \$9,000 per pupil by \$74 per pupil; results in savings of \$6.6 million.

Sec. 20L. School District Consolidation – NEW

Gives consolidating or annexed districts an additional \$25 per pupil; no consolidated or annexed district could receive more than \$500,000.

Sec. 107. Adult Education Program Requirements and Payments – REVISED

Adds new requirements for adult education programs, such as developing individual student plans and using research-based methods. Changes the payment calculation from one based 90% on the number of participants in a program and 10% on the progress of students in the program, to one based 80% on enrollment and 20% on progress.

Major Boilerplate Changes from FY 2003-04:

Sec. 107b. Adult Learning Pilot Programs – NEW

Authorizes the Department of Labor and Economic Growth to implement a pilot adult learning system in two Michigan Works! regions. Does not authorize a specific amount of funding for the pilots, but specifies that funding that would otherwise be allocated to adult education providers within the two Michigan Works! regions would instead be allocated to the pilot programs.

Sec. 147. MPSERS Contribution Subsidy – MODIFIED

Proposes to reduce the estimated percentage of payroll that districts must allocate for public school employee retirement from 16.27% to 14.87%, saving districts an estimated \$138 million.

Throughout Bill: Reporting Requirements – MODIFIED

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

**FY 2004-05
Budget Detail
for
GENERAL GOVERNMENT**

**Attorney General
Civil Rights
Civil Service
Executive
Information Technology
Legislature
Management and Budget
State
Treasury-Operations
Treasury-Revenue Sharing/Debt Service**

**Summary: Executive Budget Recommendation
ALL GENERAL GOVERNMENT DEPARTMENTS
FY 2004-05 House Bill**

Analyst: Robin Risko

	FY 2003-04 Year-to-Date as of 2/12/04	FY 2004-05 Executive	Difference: Exec to FY 2003-04 YTD	
			Amount	%
IDG/IDT	\$569,647,200	\$501,329,600	(\$68,317,600)	(12.0)
Federal	61,469,300	51,522,900	(9,946,400)	(16.2)
Local	2,610,800	2,664,300	53,500	2.0
Private	550,100	550,100	0	0.0
Restricted	1,802,162,800	1,625,114,600	(177,048,200)	(9.8)
GF/GP	338,486,932	350,844,600	12,357,668	3.7
Gross*	\$2,774,927,132	\$2,532,026,100	(\$242,901,032)	(8.8)
FTEs	6,963.9	6,981.9	18.0	0.3

**Does not include figures for revenue sharing which were agreed to at the Consensus Revenue Estimating Conference in January.*

Overview of All General Government Departments

The Executive recommendation totals \$2.5 billion Gross and \$350.8 million GF/GP.

The budget is \$242.9 million Gross (8.8%) under and \$12.4 million GF/GP (3.7%) over current-year appropriated levels.

**Summary: Executive Budget Recommendation
ATTORNEY GENERAL
FY 2004-05 House Bill**

Analyst: Robin Risko

	FY 2003-04 Year-to-Date as of 2/12/04	FY 2004-05 Executive	Difference: Exec to FY 2003-04 YTD	
			Amount	%
IDG/IDT	\$10,810,600	\$11,244,300	\$433,700	4.0
Federal	8,999,800	9,292,400	292,600	3.3
Local	0	0	0	0.0
Private	0	0	0	0.0
Restricted	10,670,100	11,070,000	399,900	3.8
GF/GP	30,259,900	30,708,400	448,500	1.5
Gross	\$60,740,400	\$62,315,100	\$1,574,700	2.6
FTEs	568.0	562.0	(6.0)	(1.1)

Overview

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

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

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

Major Budget Changes from FY 2003-04 YTD Appropriations:	FY 2003-04 YTD (as of 2/12/04)	Executive Change
1. Employee-Related Economic Increases	Gross	N/A \$3,828,100
Includes additional funding to cover increased staff salary, insurance, and retirement costs.	IDG	818,300
	Federal	551,900
	Restricted	755,500
	GF/GP	\$1,702,400
2. Employee-Related Savings	Gross	N/A (\$1,776,300)
Reduces funding to partially offset the cost of employee-related economic increases. Savings to be achieved by reducing outside contracts, promoting voluntary work schedule adjustments, and continuing a portion of the temporary wage and benefit concessions.	IDG	(384,600)
	Federal	(259,300)
	Restricted	(355,600)
	GF/GP	(\$776,800)

Major Budget Changes from FY 2003-04 YTD Appropriations:

	<u>FY 2003-04 YTD (as of 2/12/04)</u>	<u>Executive Change</u>	
3. Other Economic Adjustments	Gross	N/A	(\$453,200)
Reduces funding for rent by \$324,200, building occupancy charges by \$127,000, and workers' compensation premiums by \$2,000.	GF/GP		(\$453,200)

Major Boilerplate Changes from FY 2003-04:

Sec. 301. Contingency Funds – NEW

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

Sec. 309. Prisoner Reimbursement Revenue – MODIFIED

Current-year Sec. 308 authorizes the Department to spend up to \$301,700 of prisoner reimbursement revenue on activities related to the State Correctional Facilities Reimbursement Act and to spend up to \$800,000 of prisoner reimbursement revenue, if the Department collects in excess of \$1,131,000, on defense of litigation against the state, its departments, or employees in civil actions filed by prisoners. Executive Sec. 309 increases spending authorization from \$301,700 to \$400,000, increases the amount the Department is to collect from \$1,131,000 to \$1,231,000, and adds that with the approval of the State Budget Director, up to \$800,000 of unexpended funds may be carried forward for expenditure in the following year.

**Summary: Executive Budget Recommendation
CIVIL RIGHTS
FY 2004-05 House Bill**

Analyst: Robin Risko

	FY 2003-04	FY 2004-05	Difference:	
	Year-to-Date as of 2/12/04	Executive	Exec to FY 2003-04 YTD Amount	%
IDG/IDT	\$0	\$0	\$0	0.0
Federal	934,000	934,000	0	0.0
Local	0	0	0	0.0
Private	0	0	0	0.0
Restricted	0	0	0	0.0
GF/GP	11,720,158	11,857,200	137,042	1.2
Gross	\$12,654,158	\$12,791,200	\$137,042	1.1
FTEs	142.0	141.0	(1.0)	(0.7)

Overview

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

The Michigan Department of Civil Rights was established in 1965 to serve as the administrative arm charged with implementing the policies of the Commission. The Department works to prevent discrimination through educational programs; investigates and resolves discrimination complaints; disseminates information that explains the rights and responsibilities of Michigan citizens as provided by law; and provides civil rights information and services to businesses.

<u>Major Budget Changes from FY 2003-04 YTD Appropriations:</u>		FY 2003-04 YTD (as of 2/12/04)	Executive Change
1. Employee-Related Economic Increases Includes additional funding to cover increased staff salary, insurance, and retirement costs.	Gross GF/GP	N/A	\$870,900 \$870,900
2. Employee-Related Savings Reduces funding to partially offset the cost of employee-related economic increases. Savings to be achieved by reducing outside contracts, promoting voluntary work schedule adjustments, and continuing a portion of the temporary wage and benefit concessions.	Gross GF/GP	N/A	(\$346,900) (\$346,900)
3. Other Economic Adjustments Reduces funding for rent and building occupancy charges by \$374,700 and workers' compensation premiums by \$1,000.	Gross GF/GP	N/A	(\$375,700) (\$375,700)
4. Human Resources Optimization Project Reduces FTE position authorization and funding as a result of consolidated human resources functions. The Department of Civil Service will create a new Human Resources Call Center, which will be the central information source for employees who have human resources questions or need personnel transactions processed.	FTEs Gross GF/GP	0.0 \$0 \$0	(1.0) (\$19,600) (\$19,600)

Major Boilerplate Changes from FY 2003-04:

Sec. 401. Contingency Funds – NEW

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

**Summary: Executive Budget Recommendation
CIVIL SERVICE
FY 2004-05 House Bill**

Analyst: Robin Risko

	FY 2003-04 Year-to-Date as of 2/12/04	FY 2004-05 Executive	Difference: Exec to FY 2003-04 YTD	
			Amount	%
IDG/IDT	\$2,300,000	\$2,300,000	\$0	0.0
Federal	4,779,100	4,779,100	0	0.0
Local	1,700,000	1,700,000	0	0.0
Private	150,000	150,000	0	0.0
Restricted	14,872,200	18,545,500	3,673,300	24.7
GF/GP	7,832,537	7,788,300	(44,237)	(0.6)
Gross	\$31,633,837	\$35,262,900	\$3,629,063	11.5
FTEs	211.5	240.5	29.0	13.7

Overview

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

Major Budget Changes from FY 2003-04 YTD Appropriations:

		FY 2003-04 YTD (as of 2/12/04)	Executive Change
1. Human Resources Optimization Project	FTEs	0.0	30.0
Includes an additional 30.0 FTE positions and \$3.0 million for the creation of a new Human Resources Call Center, which will be the central information source for employees who have human resources questions or need personnel transactions processed, and for increased information technology costs associated with consolidation of human resources functions.	Gross	\$0	\$3,070,900
	Restricted	0	3,070,900
2. Employee-Related Economic Increases	Gross	N/A	\$1,949,800
Includes additional funding to cover increased staff salary, insurance, and retirement costs.	Federal		69,200
	Restricted		1,058,700
	GF/GP		\$821,900
3. Employee-Related Savings	Gross	N/A	(\$588,600)
Reduces funding to partially offset the cost of employee-related economic increases. Savings to be achieved by reducing outside contracts, promoting voluntary work schedule adjustments, and continuing a portion of the temporary wage and benefit concessions.	Federal		(24,100)
	Restricted		(360,700)
	GF/GP		(\$203,800)
4. Other Economic Adjustments	Gross	N/A	(\$62,000)
Reduces funding for building occupancy charges by \$60,000 and workers' compensation premiums by \$2,000.	Restricted		(40,300)
	GF/GP		(\$21,700)

Major Budget Changes from FY 2003-04 YTD Appropriations:

5. Administrative Efficiencies

Reflects savings from reduced spending for contractual services, reduced in-state travel and conference attendance, and delayed improvements to the Human Resources Management Network.

	FY 2003-04 YTD (as of 2/12/04)	Executive Change
Gross	N/A	(\$600,000)
GF/GP		(\$600,000)

Major Boilerplate Changes from FY 2003-04:

Sec. 501. Contingency Funds – NEW

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

EXECUTIVE

**Summary: Executive Budget Recommendation
EXECUTIVE
FY 2004-05 House Bill**

Analyst: Robin Risko

	FY 2003-04 Year-to-Date as of 2/12/04	FY 2004-05 Executive	Difference: Exec to FY 2003-04 YTD	
			Amount	%
IDG/IDT	\$0	\$0	\$0	0.0
Federal	0	0	0	0.0
Local	0	0	0	0.0
Private	0	0	0	0.0
Restricted	0	0	0	0.0
GF/GP	4,859,500	4,859,500	0	0.0
Gross	\$4,859,500	\$4,859,500	\$0	0.0
FTEs	84.2	84.2	0.0	0.0

Overview

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

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

Major Budget Changes from FY 2003-04 YTD Appropriations

None

Major Boilerplate Changes from FY 2003-04

None

**Summary: Executive Budget Recommendation
INFORMATION TECHNOLOGY
FY 200r-05 House Bill**

Analyst: Robin Risko

	FY 2003-04 Year-to-Date as of 2/12/04	FY 2004-05 Executive	Difference: Exec to FY 2003-04 YTD	
			Amount	%
IDG/IDT	\$360,239,300	\$366,235,800	\$5,996,500	1.7
Federal	0	0	0	0.0
Local	0	0	0	0.0
Private	0	0	0	0.0
Restricted	0	0	0	0.0
GF/GP	0	0	0	0.0
Gross	\$360,239,300	\$366,235,800	\$5,996,500	1.7
FTEs	1,755.4	1,762.4	7.0	0.4

Overview

The Department of Information Technology (DIT) was created to improve delivery of services to citizens by utilizing advancements in technology, improving management of state information and technology resources, and assuring the reliability, security, and confidentiality of state data and computer facilities. The Department acts as a general contractor between the state's information technology (IT) users and private sector providers of IT products and services.

Information technology services include services involving all aspects of managing and processing information including application development and maintenance; desktop computer, mainframe, server, and local area network support and management; IT contract, project, and procurement management and planning and budget management; telecommunication services, security, infrastructure, and support; and software and software licensing.

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

Major Budget Changes from FY 2003-04 YTD Appropriations:

		FY 2003-04 YTD (as of 2/12/04)	Executive Change
1. Employee-Related Economic Increases	Gross	\$360,239,300	\$14,830,600
Includes additional funding to cover increased staff salary, insurance, and retirement costs.	IDG	360,239,300	14,830,600
2. Employee-Related Savings	Gross	\$360,239,300	(\$4,472,200)
Reduces funding to partially offset the cost of employee-related economic increases. Savings to be achieved by reducing outside contracts, promoting voluntary work schedule adjustments, and continuing a portion of the temporary wage and benefit concessions.	IDG	360,239,300	(4,472,200)
3. FY 2003-04 Adjustments	Gross	\$360,239,300	\$19,659,500
Reflects FY 2003-04 adjustments made in various department budgets to show actual appropriations for information technology in other budgets, Executive Order reductions, and supplemental appropriations.	IDG	360,239,300	19,659,500

INFORMATION TECHNOLOGY

<u>Major Budget Changes from FY 2003-04 YTD Appropriations:</u>		FY 2003-04 YTD (as of 2/12/04)	Executive Change
4. Reduced Funding for CSES Reduces funding for the Child Support Enforcement System (CSES) in the Family Independence Agency budget to reflect the projected spending level. The CSES project has been certified and fully implemented; funding will continue to be available for ongoing operation and maintenance costs.	Gross IDG	N/A	(\$12,000,000) (12,000,000)
5. Baseline Reductions Reflects savings of \$5.1 million resulting from data center operations reductions, telecommunications reductions, contractor conversions, delaying hardware and software replacement, reducing contracts, fund source shifts, delaying implementation of improvements and upgrades, and reducing costs for MAIN, the statewide land database, and system development.	Gross IDG	\$360,239,300 360,239,300	(\$5,082,600) (5,082,600)
6. Unemployment Call Center Reflects transfer of the Department of Labor and Economic Growth's contract with IBM to the Department of Information Technology. Contract funding supports the Unemployment Call Center and the computer system which houses all of the state's unemployment data.	Gross IDG	N/A	\$9,115,200 9,115,200
7. Human Resources Optimization Includes additional funding for operation and maintenance of the new Human Resources Call Center being implemented in the Department of Civil Service budget. The Human Resources Call Center will be the central information source for employees who have human resources questions or need personnel transactions processed.	Gross IDG	\$0 0	\$1,070,900 1,070,900
8. Transfer Non-DIT Funding Transfers non-DIT-related funding included in the DIT budget back to the appropriate departments: \$151,900 to DMB; \$13,500 to DOE; \$998,500 to State.	Gross IDG	\$360,239,300 360,239,300	(\$1,163,900) (1,163,900)

Major Boilerplate Changes from FY 2003-04:

Sec. 571. Contingency Funds – NEW

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

Sec. 573. Sale of Paid Advertising – MODIFIED

Current-year Sec. 572 authorizes the Department to sell and accept paid advertising; requires revenue received to be used for operating costs and future technology enhancements; limits the amount of revenue that can be received from the sale of paid advertising to \$250,000; authorizes the receipt of gifts, donations, contributions, bequests, and grants; authorizes unexpended funding to be carried forward; requires the Department to develop a search function of all state departments that is easily accessible to visitors; requires a privacy policy to be adopted; and requires a report on the amount of gifts, donations, contributions, bequests, and grants received, expenditures made, total revenue received from the sale of paid advertising, and total number of advertising transactions. Executive Sec. 573 deletes the \$250,000 limit, the requirement that funding received over \$250,000 be deposited into the general fund, the requirement that the Department develop a search function, the requirement that a privacy policy be adopted, and the reporting requirement.

Sec. 577. Michigan Public Safety Communications System – MODIFIED

Current-year language requires the appropriation for the Michigan Public Safety Communications System to be expended upon approval by the State Budget Director of an expenditure plan, requires the Department to assess reasonable access and maintenance fees to all subscribers of the system, requires revenue received to be deposited into the general fund, and requires a report on the amount of revenue collected and deposited. Executive language deletes the requirement that revenue received be deposited into the general fund instead requiring it to be expended for support and maintenance of the system, and requires the report to indicate the amount of revenue expended for support and maintenance.

Sec. 578. Report on Appropriations and Expenditures – DELETED

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

Major Boilerplate Changes from FY 2003-04:

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

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

**Summary: Executive Budget Recommendation
LEGISLATURE
FY 2004-05 House Bill**

Analyst: Robin Risko

	FY 2003-04 Year-to-Date as of 2/12/04	FY 2004-05 Executive	Difference: Exec to FY 2003-04 YTD	
			Amount	%
IDG/IDT	\$1,662,900	\$1,801,500	\$138,600	8.3
Federal	0	0	0	0.0
Local	0	0	0	0.0
Private	400,000	400,000	0	0.0
Restricted	2,495,100	2,356,500	(138,600)	(5.6)
GF/GP	114,072,800	114,072,800	0	0.0
Gross	\$118,630,800	\$118,630,800	\$0	0.0
FTEs	0.0	0.0	0.0	0.0

Overview

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

The Office of the Auditor General conducts financial and performance audits of state government operations. The resulting audit reports assist the Legislature in its oversight of state government, provide citizens with a measure of accountability, and assist state departments and agencies in improving financial management.

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

Major Budget Changes from FY 2003-04 YTD Appropriations:		FY 2003-04 YTD (as of 2/12/04)	Executive Change
Legislative Auditor General Fund Source Shift	Gross	\$14,301,500	\$0
Includes additional IDG funding and reduces state restricted funding by the same amount in order to more accurately reflect where audit charges occur.	IDG	1,662,900	138,600
	Restricted	1,385,300	(138,600)
	GF/GP	\$11,253,300	\$0

Major Boilerplate Changes from FY 2003-04:

Sec. 610. Contingency Funds – NEW

Appropriates state restricted contingency funds to the Auditor General that can be expended only upon legislative transfer to a specific line item.

**Summary: Executive Budget Recommendation
MANAGEMENT AND BUDGET
FY 2004-05 House Bill**

Analyst: Robin Risko

	FY 2003-04 Year-to-Date as of 2/12/04	FY 2004-05 Executive	Difference: Exec to FY 2003-04 YTD	
			Amount	%
IDG/IDT	\$162,216,800	\$86,575,200	(\$75,641,600)	(46.6)
Federal	740,800	444,600	(296,200)	(40.0)
Local	0	0	0	0.0
Private	0	0	0	0.0
Restricted	31,201,300	33,206,100	2,004,800	6.4
GF/GP	35,828,900	37,111,600	1,282,700	3.6
Gross	\$229,987,800	\$157,337,500	(\$72,650,300)	(31.6)
FTEs	722.0	729.0	7.0	1.0

Overview

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

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

<u>Major Budget Changes from FY 2003-04 YTD Appropriations:</u>		FY 2003-04 YTD (as of 2/12/04)	Executive Change
1. Motor Vehicle Fleet	Gross	\$58,500,000	(\$58,500,000)
Eliminates \$58.5 million line item appropriation for the state's Motor Vehicle Fleet program and returns funding to a non-appropriated internal service fund.	IDG	58,500,000	(58,500,000)
2. Restructuring of Rent Payments	Gross	\$92,242,500	(\$18,100,000)
Reflects savings of \$18.1 million due to renegotiation of long-term leases for buildings the Department manages.	IDG	92,242,500	(18,100,000)
3. Employee-Related Economic Increases	Gross	N/A	\$7,438,900
Includes additional funding to cover increased staff salary, insurance, and retirement costs.	IDG		2,564,000
	Restricted		1,833,100
	GF/GP		\$3,041,800

MANAGEMENT AND BUDGET

<u>Major Budget Changes from FY 2003-04 YTD Appropriations:</u>		FY 2003-04 YTD (as of 2/12/04)	Executive Change
4. Employee-Related Savings	Gross	N/A	(\$2,261,200)
Reduces funding to partially offset the cost of employee-related economic increases. Savings to be achieved by reducing outside contracts, promoting voluntary work schedule adjustments, and continuing a portion of the temporary wage and benefit concessions.	IDG		(763,600)
	Restricted		(645,400)
	GF/GP		(\$852,200)
5. Internal Audit Partnership with Treasury	FTE	0.0	4.0
Reflects transfer of 4.0 FTE positions and funding from the Department of Treasury to DMB to support administrative costs associated with DMB providing internal audit services to the Department of Treasury.	Gross	\$0	\$425,000
	GF/GP	\$0	\$425,000
6. Continuation of Executive Order Reductions	FTE	(2.0)	(2.0)
Reflects savings of \$127,500 due to elimination of 2.0 FTE positions, savings of \$135,000 due to elimination of contracts for temporary services and consultants, and savings of \$237,500 due to a reduction in licensing and training costs for MAIN.	Gross	(\$500,000)	(\$500,000)
	GF/GP	(\$500,000)	(\$500,000)
7. Building Operation Service Reductions	FTE	230.0	2.0
Reflects savings of \$81,000 due to elimination of uniform rental and laundry services, savings of \$53,000 due to conversion of Grand Tower operating contract staff to state staff, savings of \$47,000 due to warehouse lease cancellation and a move to state space, and savings of \$30,000 due to elimination of contract reporting requirements.	Gross	\$92,242,500	(\$211,000)
	IDG	92,242,500	(211,200)
8. Human Resources Optimization	FTE	0.0	(1.0)
Reduces FTE position authorization and funding as a result of consolidated human resources functions. The Department of Civil Service will create a new Human Resources Call Center, which will be the central information source for employees who have human resources questions or need personnel transactions processed.	Gross	\$0	(\$19,600)
	IDG	0	(7,600)
	Restricted	0	(8,000)
	GF/GP	\$0	(\$4,000)

Major Boilerplate Changes from FY 2003-04:

DEPARTMENT OF MANAGEMENT AND BUDGET

Sec. 701. Contingency Funds – NEW

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

Sec. 713. Revisions to Computer Contracts – DELETED

Requires DMB to report on any revisions to current computer contracts exceeding \$500,000 at least 14 days prior to finalization of the revisions.

Sec. 719. Motor Vehicle Fleet – DELETED

Requires the appropriation for motor vehicle fleet to be used for administration and acquisition, lease, operation, maintenance, repair, replacement, and disposal of state motor vehicles; specifies that the appropriation is to be funded by revenue from rates charged to state departments and agencies for utilizing vehicle travel services provided by DMB; expresses intent of the Legislature that DMB have the authority to determine the appropriateness of vehicle assignment, to include, year, make, model, size, and price of vehicle; gives DMB the authority to assign motor vehicles, either permanently or temporarily, to state agencies and to institutions of higher education; expresses intent of the Legislature that DMB complete a project plan which results in the reduction of expenditures related to vehicle travel services, to include a reduction in the number of state vehicles; and requires a quarterly report on the status of the project plan.

GENERAL SECTIONS OF BOILERPLATE

Sec. 205. Hiring Freeze – DELETED

Imposes a hiring freeze on the state classified civil service, permits exceptions by the Attorney General and Secretary of State for their respective departments and by the State Budget Director for all other Executive branch departments, and requires a report on the number of exceptions granted, to include justification for the exceptions.

Major Boilerplate Changes from FY 2003-04:

Sec. 207. Privatization – DELETED

Requires departments to submit a complete project plan 60 days prior to beginning any effort to privatize and requires an evaluation of the privatization initiative within 30 months.

Sec. 209. Information Technology Appropriations as Work Projects – NEW

Designates appropriations for information technology as work project accounts and authorizes carryforward of available balances.

Sec. 210. Deprived and Depressed Communities – DELETED

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

Sec. 212. Receipt and Retention of Reports – DELETED

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

Sec. 215. Disciplinary Action Against Employees – DELETED

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

Summary: Executive Budget Recommendation
STATE
FY 2004-05 House Bill

Analyst: Robin Risko

	FY 2003-04 Year-to-Date as of 2/12/04	FY 2004-05 Executive	Difference: Exec to FY 2003-04 YTD	
			Amount	%
IDG/IDT	\$20,000,000	\$20,000,000	\$0	0.0
Federal	1,319,500	1,391,000	71,500	5.4
Local	0	0	0	0.0
Private	100	100	0	0.0
Restricted	143,070,200	151,553,500	8,483,300	5.9
GF/GP	16,698,451	15,321,400	(1,377,051)	(8.2)
Gross	\$181,088,251	\$188,266,000	\$7,177,749	4.0
FTEs	1,856.8	1,859.8	3.0	0.2

Overview

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

Major Budget Changes from FY 2003-04 YTD Appropriations:		FY 2003-04 YTD (as of 2/12/04)	Executive Change
1. Employee-Related Economic Increases	Gross	N/A	\$11,765,900
Includes additional funding to cover increased staff salary, insurance, and retirement costs.	Federal		109,400
	Restricted		10,986,600
	GF/GP		\$669,900
2. Employee-Related Savings	Gross	N/A	(\$3,735,300)
Reduces funding to partially offset the cost of employee-related economic increases. Savings to be achieved by reducing outside contracts, promoting voluntary work schedule adjustments, and continuing a portion of the temporary wage and benefit concessions.	Federal		(37,900)
	Restricted		(3,488,100)
	GF/GP		(\$209,300)
3. Other Economic Adjustments	Gross	N/A	(\$995,700)
Reduces funding for building occupancy charges by \$973,700 gross and workers' compensation premiums by \$22,000 gross.	Restricted		(732,400)
	GF/GP		(\$263,300)
4. Qualified Voter File	Gross	\$1,334,300	\$395,300
Includes additional funding for continued maintenance of the process servers associated with the Qualified Voter File.	GF/GP	\$1,334,300	\$395,300
5. Transfer of Driver Education Program	FTE	0.0	2.0
Reflects the transfer of FTE positions and funding to cover administrative costs for the Driver Education program, which is being transferred from the Department of Education to the Department of State. Major responsibilities will include approval of driver education courses and approval of driver education instructors in both school district and proprietary driver training programs.	Gross	\$0	\$528,000
	Restricted	0	528,000

<u>Major Budget Changes from FY 2003-04 YTD Appropriations:</u>	FY 2003-04 YTD (as of 2/12/04)	Executive Change
6. Notary Public Act	FTE	1.0
Includes an additional 1.0 FTE position and funding for implementation of 2003 PA 238, which rewrites the Michigan Notary Public Act. The legislation streamlines the application process and authorizes the Department to conduct background checks to ensure suitable candidates.	Gross	\$0
	Restricted	400,000

Major Boilerplate Changes from FY 2003-04:

Sec. 801. Contingency Funds – NEW

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

Sec. 814. Notification of Closing/Consolidating Branch Offices – DELETED

Requires the Department to consult with the House and Senate General Government Subcommittee members on the projected closing or consolidation of any Secretary of State branch offices.

Sec. 816. Unlicensed Dealer Fines – DELETED

Authorizes funding collected by the Department from unlicensed dealer fines to be used to offset administrative expenses and requires funding to be transferred via the legislative transfer process in order to be available for expenditure.

Sec. 817. Motorcycle Safety Education Program – DELETED

Requires funding appropriated for the Motorcycle Safety Education Grants and Administration program to be used for operation of the program; requires funding for the program to be derived from original and renewal motorcycle license endorsements, annual registration fees, and operator driving test fees; authorizes funding for grants to help subsidize safety training courses for individuals interested in operating motorcycles; and authorizes funding to be used for costs associated with administration of the program.

**Summary: Executive Budget Recommendation
TREASURY
FY 2004-05 House Bill**

Analyst: Robin Risko

	FY 2003-04 Year-to-Date as of 2/12/04	FY 2004-05 Executive	Difference: Exec to FY 2003-04 YTD	
			Amount	%
IDG/IDT	\$12,417,600	\$13,172,800	\$755,200	6.1
Federal	44,696,100	34,681,800	(10,014,300)	(22.4)
Local	910,800	964,300	53,500	5.9
Private	0	0	0	0.0
Restricted*	1,599,853,900	1,408,383,000	(191,470,900)	(12.0)
GF/GP	117,214,686	129,125,400	11,910,714	10.2
Gross*	\$1,775,093,086	\$1,586,327,300	(\$188,765,786)	(10.6)
FTEs	1,624.0	1,603.0	(21.0)	(1.3)

**Does not include figures for revenue sharing which were agreed to at the Consensus Revenue Estimating Conference in January.*

Overview

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

Major Budget Changes from FY 2003-04 YTD Appropriations:	FY 2003-04 YTD (as of 2/12/04)	Executive Change
TREASURY OPERATIONS		
1. Employee-Related Economic Increases	Gross	N/A \$14,971,900
Includes additional funding to cover increased staff salary, insurance, and retirement costs. (Includes increases for Bureau of State Lottery and Michigan Gaming Control Board staff.)	IDG	967,900
	Federal	1,053,100
	Local	80,800
	Restricted	10,712,600
	GF/GP	\$2,157,500
2. Employee-Related Savings	Gross	N/A (\$4,649,700)
Reduces funding to partially offset the cost of employee-related economic increases. Savings to be achieved by reducing outside contracts, promoting voluntary work schedule adjustments, and continuing a portion of the temporary wage and benefit concessions. (Includes savings for Bureau of State Lottery and Michigan Gaming Control Board staff.)	IDG	(295,500)
	Federal	(268,600)
	Local	(27,300)
	Restricted	(3,374,100)
	GF/GP	(\$684,200)

<u>Major Budget Changes from FY 2003-04 YTD Appropriations:</u>	FY 2003-04 YTD (as of 2/12/04)	Executive Change
3. Other Economic Adjustments		
Reduces funding for building occupancy charges by \$1.7 million gross and workers' compensation premiums by \$17,000 gross. (Includes reductions for Bureau of State Lottery and Michigan Gaming Control Board.)	Gross Restricted GF/GP	N/A (\$1,714,300) (887,900) (\$826,400)
4. Human Resources Optimization Project		
Reduces FTE position authorization and funding as a result of consolidated human resources functions. Department of Civil Service will create a new Human Resources Call Center, which will be the central information source for employees who have human resources questions or need personnel transactions processed. (Includes savings for Bureau of State Lottery and Michigan Gaming Control Board.)	FTE Gross Restricted GF/GP	0.0 \$0 0 \$0 (3.0) (\$58,600) (32,300) (\$26,300)
5. Transfer of MEAP/Merit Award Board		
Reflects transfer of \$27.4 million gross appropriated for Michigan Educational Assessment Program administration and Michigan Merit Award Board from Department of Treasury to Department of Education, pursuant to Executive Order 2003-20.	Gross Federal Restricted	\$27,400,500 10,798,800 16,601,700 (\$27,400,500) (10,798,800) (16,601,700)
REVENUE SHARING		
6. Revenue Sharing		
Reduces funding for revenue sharing payments by \$200.4 million. Statutory revenue sharing payments to counties will be suspended. By permanently shifting the county property tax levy forward from December to July, initial collections will be placed into an interest-earning reserve fund for each county, and in lieu of six, bi-monthly statutory revenue sharing payments, each county will be authorized to withdraw an amount equal to its FY 2003-04 annual revenue sharing payment, adjusted for inflation. Statutory revenue sharing payments will be resumed when a county's reserve fund falls below the amount necessary to fund the annual payment; this is not anticipated to occur before FY 2008-09. Payments-in-lieu-of-taxes received by cities, villages, and townships for land owned by the Department of Natural Resources will be shifted from the DNR to statutory revenue sharing and will be made first, before the remainder of the statutory revenue sharing is distributed.	Gross Restricted	\$1,335,824,200 1,335,824,200 (\$200,424,200) (200,424,200)
DEBT SERVICE		
7. Debt Service		
Includes an additional \$22.2 million gross and \$12.2 million GF/GP for required debt service payments on the Quality of Life bond; this reflects a fund source shift of \$10.9 million from GF/GP to restricted Cleanup and Redevelopment Funds. Includes an additional \$3.1 million gross and GF/GP for required debt service payments on the Clean Michigan Initiative bond. Reduces funding by \$100,000 gross and GF/GP for payments on the Water Pollution Control bond.	Gross Restricted GF/GP	\$56,286,400 878,000 \$55,408,400 \$25,164,000 (878,000) \$26,042,000

Major Budget Changes from FY 2003-04 YTD Appropriations: **FY 2003-04 YTD**
(as of 2/12/04) **Executive**
Change

GRANTS

8. Grants	Gross	\$128,935,000	\$6,285,300
Includes an additional \$5.5 million gross for Convention Facility Development Distribution based on revenue collections, \$2.5 million gross for Commercial Mobile Radio Service Payments for local 911 telephone emergency programs, \$1.2 million gross and GF/GP for Senior Citizen Cooperative Housing Tax Exemption Program, and \$328,000 gross and GF/GP for Renaissance Zone Reimbursement payments for libraries for lost property tax revenue associated with renaissance zones; removes \$3.2 million gross and GF/GP from Qualified Agricultural Loan payment program based on federal grant pay-down provision included in loan agreements; eliminates \$42,700 gross and GF/GP for reimbursement payments made to City of Benton Harbor for lost property tax revenue associated with an enterprise zone (ten-year commitment has been completed); and maintains current-year funding levels for Grants to Counties in Lieu of Taxes, Health and Safety Fund Grants, Special Grants to Cities.	Restricted	98,000,000	8,000,000
		GF/GP	\$30,935,000

Major Boilerplate Changes from FY 2003-04:

Sec. 901. Contingency Funds – NEW

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

Sec. 902(3). Defaulted Student Loan Collections – DELETED

Requires the Department to explore the feasibility of donated services in lieu of repayment when it is unable to collect defaulted student loans and to report on the implementation status of this section.

Sec. 907. Assessor Certification and Training Fees – MODIFIED

Current-year Sec. 906 authorizes the Department to use the Assessor Certification and Training Fund to operate the Property Assessor Certification and Training program, assesses fees to be paid by participants, which are to cover expenses incurred in offering programs, and requires fees collected to be credited to the Assessor Certification and Training Fund. Executive Sec. 907 increases examination fees from \$25 to \$50, initial certification fees from \$35 to \$50, annual renewal fees from \$50 to \$75 for levels 1 and 2 and from \$95 to \$125 for levels 3 and 4.

Sec. 913. Loans to Local Units of Government – DELETED

Authorizes the state treasurer to make loans to local units of government from the state's Common Cash Fund to implement local government infrastructure and private facility projects and specifies the terms of these loans.

Sec. 921. Appropriation of Tobacco Revenue – DELETED

Appropriates all revenues collected pursuant to the Tobacco Products Tax Act to the Health and Safety Fund for distribution.

Sec. 924. Audit and Collection Procedures – DELETED

Requires the Department to publish the handbook required, pursuant to 1941 PA 122, Section 205.4(3), which informs taxpayers and tax preparers of audit and collection procedures and authorizes the Department to publish the handbook on the Internet.

Sec. 971. Revenue Sharing Payment Condition – DELETED

Requires county treasurers to comply with section 151 of the School Aid Act in order to receive statutory revenue sharing payments and prohibits the Department from withholding revenue sharing payments to counties if local units of government fail to provide county treasurers with the information needed to comply with section 151.

Sec. 971. Revenue Sharing – NEW

Authorizes counties to withdraw from restricted reserve funds an amount equal to their FY 2003-04 revenue sharing payment, adjusted for inflation, until there is no funding left in the restricted reserve fund; requires the rate of inflation to be the same as that specified in the General Property Tax Act; and requires the Department to annually certify to the state budget director the amount each county is authorized to withdraw.

Major Boilerplate Changes from FY 2003-04:

Sec. 979. Restoration of Revenue Sharing – NEW

Requires appropriations for special grants to cities to be used to restore revenue sharing reductions contained in Executive Order 2003-23 to cities which had an emergency financial manager appointed to them.

Sec. 981. Lottery Promotional Efforts – DELETED

Prohibits funding from being used for promotional efforts directed towards individuals less than 18 years of age.

Sec. 982. Sports Figures in Lottery Advertising – DELETED

Prohibits funding from being used for associating professional or amateur athletes with the lottery or its products.

Sec. 983. Lottery Ticket Sales Strategies – DELETED

Requires the Bureau of State Lottery to complete a project plan which includes new strategies for the Bureau to use in its efforts to increase lottery ticket sales and improvements it is going to make as to how it expends funding for advertising and promotion, and requires the Bureau to report quarterly on the status of the project plan.

**FY 2004-05
Budget Detail
for
HUMAN SERVICES**

**Community Health
Corrections
Family Independence Agency**

**Summary: Executive Budget Recommendation
COMMUNITY HEALTH
FY 2004-05 Senate Bill**

Analysts: Margaret Alston, Bill Fairgrieve, Sue Frey

	FY 2003-04	FY 2004-05	Difference:	
	Year-to-Date as of 2/12/04	Executive	Exec to FY 2003-04 YTD Amount	%
IDG/IDT	\$69,204,800	\$70,543,400	\$1,338,600	1.9
Federal	5,380,898,600	4,987,951,800	(392,946,800)	(7.3)
Local	812,256,100	840,015,900	27,759,800	3.4
Private	57,844,000	54,976,400	(2,867,600)	(5.0)
Restricted	738,112,300	1,373,364,900	635,252,600	86.1
GF/GP	2,652,980,300	2,476,078,800	(176,901,500)	(6.7)
Gross	\$9,711,296,100	\$9,802,931,200	\$91,635,100	0.9
FTEs	4,388.3	4,680.0	291.7	6.6

Overview

The Department of Community Health (DCH) budget provides funding for a wide range of mental health, substance abuse, public health, and medical services programs including Medicaid. Established in 1996, the Department also includes the Office of Drug Control Policy, the Office of Services to the Aging, and the Crime Victim Services Commission. Executive Order 2003-18 transfers the Bureau of Health Systems from the former Department of Consumer and Industry Services to DCH.

Major Budget Changes from FY 2003-04 YTD Appropriations:

		FY 2003-04 YTD (as of 2/12/04)	Executive Change
1. Federal Medicaid Match Rate	Gross	N/A	(\$0)
Recognizes an increase in the federal Medicaid match rate from 55.89% to 56.71%. This results in additional federal revenue of \$52.9 million and state GF/GP savings of the same amount.	Federal	N/A	52,917,100
	GF/GP	N/A	(\$52,917,100)
2. Medicaid Caseload, Utilization, and Inflation Increases	Gross	\$6,927,970,200	\$229,485,000
Adds federal and GF/GP funding to reflect Medicaid costs associated with inflation, utilization and caseload growth. In aggregate, increase is 3.3% over the current appropriated level and assumes some decline in the number of Medicaid eligibles from the peak in FY 2003-04.	Federal	4,045,732,300	129,397,800
	GF/GP	\$1,915,455,700	\$100,087,200
3. Economic Adjustments	Gross	N/A	\$33,333,000
Includes \$55.1 million gross (\$21.9 million GF/GP) to fund economic adjustments for employees' salaries and wages, insurance, retirement, and rent and building occupancy charges. Adjustment is partially offset by unspecified employee-related reductions of \$16.7 million gross and \$6.9 million GF/GP.	IDG	N/A	5,008,100
	Federal	N/A	7,264,500
	Restricted	N/A	2,182,400
	Local	N/A	8,855,200
	GF/GP	N/A	\$15,022,800
4. Human Resources Optimization Savings	Gross	\$1,379,900	(\$195,300)
Anticipates savings of \$195,300 by consolidating Human Resources functions into a Call Center to be established within the Department of Civil Service.	Federal	0	(61,500)
	GF/GP	\$1,379,900	(\$133,800)

COMMUNITY HEALTH

Major Budget Changes from FY 2003-04 YTD Appropriations:		FY 2003-04 YTD (as of 2/12/04)	Executive Change
5. Actuarially Sound Rates for Medicaid Mental Health and Substance Abuse Services	Gross	\$1,400,414,800	\$29,314,300
Allocates \$29.3 million gross (\$12.7 million GF/GP) for Medicaid Mental Health and Substance Abuse Services to comply with a federal requirement for actuarially sound Medicaid capitation rates as a condition for the renewal of Michigan's federal Medicaid managed care waiver. Payment rates for Medicaid Mental Health and Substance Abuse Services would be increased by 2.5% and 3.0%, respectively. Department is seeking federal approval to implement the actuarially sound rate requirement over a two-year period.	Federal	813,069,300	16,624,100
	Local	26,000,000	0
	GF/GP	\$561,345,500	\$12,690,200
6. Quality Assurance Assessment Program for Group Home Beds	Gross	\$1,372,625,900	\$0
Replaces GF/GP funds with state restricted funds for Medicaid Mental Health Services anticipating approval of legislation that would provide for a new quality assurance assessment program for group home beds for persons who are developmentally disabled. Department would be allowed to retain \$3.5 million of projected additional revenue of \$7.0 million.	Federal	796,933,300	0
	Local	26,000,000	0
	Restricted	0	3,500,000
	GF/GP	\$549,692,600	(\$3,500,000)
7. Health Regulatory Systems	Gross	\$0	\$37,622,000
Includes \$37.6 million gross (\$5.4 million GF/GP) for Health Regulatory Systems transferred from the former Consumer and Industry Services due to implementation of Executive Order 2003-18. Personnel for Health Regulatory Systems administer programs involved with licensing, certification, and regulation of various health professions and facilities.	Federal	0	13,481,800
	Restricted	0	18,749,400
	GF/GP	\$0	\$5,390,800
8. Public Health Federal Grant Increases	Gross	N/A	\$7,644,300
Appropriates a net increase of \$7.6 million in federal grant funds for public health programs, including \$2.0 million for bioterrorism preparedness and response, \$2.1 million for cancer prevention and control, and federal reductions and increases to 20 other line items.	Federal	N/A	7,644,300
	GF/GP	N/A	\$0
9. Vital Records Fee Increase to Offset GF/GP Reduction	Gross	\$4,289,000	\$0
Appropriates \$1.5 million of state restricted fee revenue to replace the GF/GP appropriation for vital records. Adjustment will require a statutory change to increase vital records fees (Section 2891 of the Public Health Code).	Restricted	2,796,200	1,492,800
	GF/GP	\$1,492,800	(\$1,492,800)
10. Chronic Disease Prevention Initiatives	Gross	\$19,525,300	\$26,785,800
Appropriates \$26.8 million of new state restricted Healthy Michigan Fund revenue from a proposed \$0.75 per pack cigarette tax increase: \$8.7 million for maternal and children's health, \$13.1 million for chronic disease prevention, and an additional \$5.0 million for smoking prevention programs.	Federal	14,184,900	0
	Restricted	5,185,400	26,785,800
	GF/GP	\$155,000	\$0
11. Reorganization of Mental Health Programs for Children	Gross	\$53,493,100	\$0
Moves the following program budgets from the Community Living, Children, and Families appropriation unit to Mental Health appropriations units: Family Support Services, Children's Waiver Home Care Program, Housing Programs for Disabled and Homeless, and the OBRA nursing home placement for mentally ill and disabled persons. Programs were reorganized out of the mental health administration in FY 1999-2000.	Federal	40,862,300	0
	GF/GP	\$12,630,800	\$0
12. Children's Special Health Care Services - Managed Care	Gross	\$129,465,100	(\$7,131,700)
Eliminates managed care for special needs children eligible for Children's Special Health Care Services. Only a small percentage of program participants are enrolled in managed care, and Department has not seen evidence of better results.	Federal	64,331,700	(4,044,000)
	GF/GP	\$65,133,400	(\$3,087,100)

<u>Major Budget Changes from FY 2003-04 YTD Appropriations:</u>		FY 2003-04 YTD (as of 2/12/04)	Executive Change
13. Physician Reimbursement for ER Services	Gross	\$227,166,200	(\$7,916,600)
Reduces Medicaid payment rate to physicians for hospital emergency room visits by 20%. This would make the payment rate more consistent with other Medicaid reimbursement rates.	Federal	125,814,400	(4,489,500)
	GF/GP	\$101,351,800	(\$3,427,100)
14. Medicaid Pharmaceutical Services Savings	Gross	\$595,603,300	(\$36,600,100)
Includes savings of \$36.6 million gross (\$16.0 million GF/GP) from a reduction in the pharmacy dispensing fee to \$2.50, increasing the average wholesale price discount on brand name drugs, a 30% discount for generic drugs, and implementing an optional mail order pharmacy policy for maintenance drugs. Reductions would not be implemented if a pharmaceutical quality assurance assessment program is enacted that allows the state to retain \$18.9 million in savings from the assessment.	Federal	336,837,800	(20,594,800)
	Restricted	18,900,000	0
	GF/GP	\$239,865,500	(\$16,005,300)
15. Nursing Home Services - Hospital Leave Days	Gross	\$1,666,345,000	(\$12,705,000)
Eliminates Medicaid reimbursement to nursing homes for beds of Medicaid patients who are temporarily hospitalized. According to the proposal, current nursing home occupancy rates indicate that beds would be available when the patient returns from the hospital stay.	Federal	929,319,100	(7,205,000)
	Local	11,275,400	0
	Tobacco	35,768,200	0
	Restricted	191,423,100	0
	GF/GP	\$498,559,200	(\$5,500,000)
16. Medicaid HMO Payment Rates	Gross	\$1,602,051,500	\$124,047,100
Increases HMO rates by 7.5% to address a new federal requirement for actuarially sound payment rates to managed care providers. Additional cost of the proposal would be \$124.0 million gross (\$53.7 million GF/GP) for HMOs.	Federal	886,372,400	70,347,100
	Local	299,572,500	
	Restricted	224,026,100	
	GF/GP	\$192,080,500	\$53,700,000
17. Medicaid Special Financing Payments	Gross	\$791,338,100	(\$256,662,800)
Reduces Medicaid special financing payments due to federal policies that phase out most of these payments over four years. Federal disapproval of the proposed affiliated practitioner payment is also recognized. As a result, state GF/GP revenues to fund the Medicaid program are increased.	Federal	442,844,300	(153,805,800)
	Local	337,754,400	(232,561,400)
	Restricted	10,739,400	(16,981,500)
	GF/GP	(\$417,415,000)	\$146,685,900
18. Medicaid Revenues from Tobacco Taxes	Gross	\$0	\$0
Allocates \$419.1 million for Medicaid services from additional tobacco tax revenue generated by a proposed cigarette tax increase of \$0.75 per pack, and from existing cigarette taxes currently earmarked for the Budget Stabilization Fund.	Restricted	38,824,700	419,100,000
	GF/GP	\$1,336,892,400	(\$419,100,000)
19. Tobacco Settlement Revenue Adjustments	Gross	\$0	\$0
Adds \$63.7 million in tobacco settlement revenue from the Merit Award Trust Fund to finance Medicaid base expenditure needs.	Restricted	93,000,000	63,700,000
	GF/GP	\$1,336,892,400	(\$63,700,000)
20. Estate Tax Revenues for Medicaid Services	Gross	\$0	\$0
Appropriates \$94.3 million for Medicaid from estate tax revenues obtained through a proposal to decouple Michigan's estate tax from the federal estate tax.	Restricted	0	94,300,000
	GF/GP	\$1,336,892,400	(\$94,300,000)

Major Boilerplate Changes from FY 2003-04:

Sec. 206. Contingency Funds – RESTORED

Appropriates up to \$100.0 million in federal contingency funds, up to \$20.0 million in state restricted contingency funds, up to \$20.0 million in local contingency funds, and up to \$10.0 million in private contingency funds. Specifies that contingency funds are not available for expenditure until transferred according to provisions in Section 393(2) of the Management and Budget Act. Current-year budget does not include contingency fund language.

Major Boilerplate Changes from FY 2003-04:

Sec. 262. Expenditure of Appropriated Funds – DELETED

Requires Department to provide a written explanation for all legislative transfers upon submission of the request for legislative transfer by the Department of Management and Budget. Also requires Department to provide an annual report of lapses by line item for this appropriation act.

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

Requires appropriations for substance abuse prevention, education, and treatment grants be expended for contracting with coordinating agencies or designated service providers. Also specifies that it is the Legislature's intent that coordinating agencies and designated service providers work with CMHSPs or specialty prepaid health plans to coordinate services provided to individuals with both mental illness and substance abuse diagnoses.

Sec. 442. Medicaid Adult Benefits Waiver – DELETED

Expresses Legislature's intent that the \$40.0 million transferred from CMH Non-Medicaid Services to support the Medicaid Adult Benefits Waiver be used to provide state match for increases in federal funding for primary care and specialty services provided to enrollees and economic increases for the Medicaid Specialty Services and Supports program. Also requires Department to request in a Medicaid Specialty Services waiver renewal application that the amount of savings retained by a Specialty Prepaid Health Plan (PHP) be changed from 5% to 7.5% of aggregate capitation payments. If Department is unable to secure federal approval for this change, Department is then required to allow PHPs and their affiliate CMHSP members to retain 50% of the GF/GP portion of funds allocated under the Medicaid Specialty Services waiver.

Sec. 450. Audit and Reporting Requirements for CMHSPs – DELETED

Requires Department to establish a work group comprised of CMHSPs or specialty prepaid health plans and departmental staff to recommend strategies to streamline audit and reporting requirements for CMHSPs or specialty prepaid health plans.

Sec. 1106a. Abstinence Education Program Requirements – DELETED

Establishes specific items of instruction as requirements for federally-funded abstinence education programs, and gives priority in allocation of funds to programs that do not provide contraceptives to minors and that strive to include parental involvement.

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

Allocates up to \$50,000 for expansion of forensic nurse examiner programs to facilitate training to improve evidence collection for the prosecution of sexual assault.

Sec. 1620. Pharmacy Dispensing Fees and Copayments – MODIFIED

Reduces the pharmaceutical dispensing fee from \$3.77 to \$2.50 and deletes the copayment requirement. Reduces reimbursement for generic drugs to the average wholesale minus 30%, and for sole-source drugs to the average wholesale price minus 15.5%. Authorizes an optional mail order pharmacy program. Specifies that the dispensing fee and payment for drugs will be maintained at current-year levels and the mail order program will not be implemented if a quality assessment program is established by September 30, 2004, that allows the state to retain \$18.9 million.

Sec. 1621. Drug Utilization Review and Disease Management – DELETED

Authorizes drug utilization review and disease management systems with physician oversight and consultation with various medical provider groups. Prohibits therapeutic substitution.

Sec. 1621a. Disease Management Pilot Projects – DELETED

Allows DCH to establish pilot projects to test the efficacy of disease/health management systems and use the savings in lieu of supplemental rebates to include the drug manufacturer's products on the preferred drug list.

Sec. 1626. Multistate Drug Purchasing Benefit-Cost Analysis – DELETED

Requires DCH to provide a benefit-cost analysis that documents greater savings from the multistate drug purchasing compact than the current PDL supplemental rebate program before implementing the compact.

Sec. 1647. Graduate Medical Education Payments – DELETED

Requires graduate medical education payments to hospitals at no less than the payment in effect on April 1, 2003.

Sec. 1658. HMO Contracts with Hospitals – DELETED

Expresses legislative intent that HMOs shall have contracts with local hospitals, and requires reimbursement to non-contracted hospitals at Medicaid fee-for-service rates. Requires hospitals that do not contract with HMOs in their service area to enter into a hospital access agreement as specified in a MSA policy bulletin.

Sec. 1673. MICHild Premiums – MODIFIED

Increases maximum premiums for MICHild eligible persons from \$5 per month for a family to \$15 per month.

Major Boilerplate Changes from FY 2003-04:

Sec. 1677. MICHild Benefits – DELETED

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

Sec. 1689. MIChoice Home and Community Based Services – DELETED

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

Sec. 1700. Actuarially Sound Capitation Rates – NEW

Requires Department to request a federal Medicaid waiver to obtain approval to implement actuarially sound capitation rates for managed care organizations over two years. Requires Medicaid providers to receive a reduction in rates if the waiver request is denied.

Sec. 1711. Medicaid Two-Tier Case Rate for Emergency Services – DELETED

Requires continuation of a two-tier Medicaid case rate for emergency physician charges.

**Summary: Executive Budget Recommendation
CORRECTIONS
FY 2004-05 Senate Bill**

Analyst: Marilyn B. Peterson

	FY 2003-04 Year-to-Date as of 2/12/04	FY 2004-05 Executive	Difference: Exec to FY 2003-04 YTD	
			Amount	%
IDG/IDT	\$3,253,600	\$3,364,200	\$110,600	3.4
Federal	27,798,400	9,808,000	(17,990,400)	(64.7)
Local	391,100	393,600	2,500	0.6
Private	0	0	0	0.0
Restricted	65,057,100	68,090,600	3,033,500	4.7
GF/GP	1,609,272,281	1,742,962,500	133,690,219	8.3
Gross	\$1,705,772,481	\$1,824,618,900	\$118,846,419	7.0
FTEs	18,312.7	17,804.6	(508.1)	(2.8)

Overview

The budget for the Department of Corrections (MDOC) funds the state prison system, supervision of parolees and felony probationers, community placement of selected prisoners, and a variety of offender programs, most notably treatment and education. It also funds training of corrections officers and centralized functions of administration, research, and financial operations. Prison construction, however, is not funded through the MDOC budget, but rather through Capital Outlay.

Current-year appropriations for prisoner custody and care amount to over 80% of the total MDOC authorization, and growth in the prison population has been largely responsible for growth in the corrections spending, particularly of the state GF/GP revenues that account for nearly 95% of the current Corrections budget. Over the past two decades, prison population, inflation-adjusted Corrections GF/GP spending, and Corrections' share of total state GF/GP all have more than tripled. Over the course of 2003, however, prison population declined by about 570, to 48,887 prisoners as of December 31, 2003. Over the same period, the combined parole and probation caseload increased by over 1,420, to 72,620 offenders. Due to the impact of truth-in-sentencing, which requires a prisoner's full minimum term to be served in secure confinement, the number of prisoners in community placement (centers and electronic tether) declined from 1,132 to 470. Total MDOC supervised population at year's end was 121,977.

Major Budget Changes from FY 2003-04 YTD Appropriations:

PRISON AND CAMP OPERATIONS

1. Close Western Wayne, Re-Fit Huron Valley Facilities

Closes Western Wayne Correctional Facility, a women's prison in Plymouth; funding, beds, and FTEs associated with that prison (\$24.7 million GF/GP, 778 beds, 299.5 FTEs) transferred to Inmate Housing Fund line item. Huron Valley Center, formerly a women's prison and now a correctional psychiatric facility, to be re-converted to house female prisoners; no associated changes to that line item. Adjacent Huron Valley Correctional Facility, a Level IV men's prison, to be converted to psychiatric facility; funding associated with mental health treatment program retained and transferred to Inmate Housing Fund, remainder of funding eliminated. Huron Valley prisoners to be dispersed through the system, including to Oaks Correctional Facility (see below). Net reductions of 310 beds, 279.2 FTEs, and \$20.5 million.

	FY 2003-04 YTD (as of 2/12/04)	Executive Change
Beds	N/A	(310)
FTEs	N/A	(279.2)
Gross	N/A	(\$20,501,600)
Restricted	N/A	(29,400)
GF/GP	N/A	(\$20,472,200)

Major Budget Changes from FY 2003-04 YTD Appropriations:	FY 2003-04 YTD (as of 2/12/04)	Executive Change
2. Convert Oaks Maximum to Double-Bunked Level IV	Beds 900	412
Converts Oaks Maximum, a Level V prison in Eastlake to double-bunked Level IV. Conversion of 316 Level V beds undertaken (but unfunded) in current fiscal year; additional 96 administrative segregation beds to be converted in August 2005. Overall gain of 412 beds with additional 1.2 FTEs and \$1.8 million.	FTEs 378.6	1.2
	Gross \$29,565,400	\$1,845,700
	Restricted 559,100	0
	GF/GP \$29,506,300	\$1,845,700
3. Convert Ionia Maximum Units to Level V	Beds 636	31
Converts two Level VI administrative segregation units at Ionia Maximum to Level V general population; Level VI transition unit to become Level V transition unit. Remaining two Level VI units to remain unchanged. Administrative segregation prisoners otherwise housed at I-Max to be housed elsewhere. Gain of 31 beds, reductions of 18.0 FTEs, \$1.1 million.	FTEs 359.6	(18.0)
	Gross \$26,733,700	(\$1,087,000)
	Restricted 23,000	0
	GF/GP \$26,710,700	(\$1,087,000)
4. Jackson Beds Full-Year Funding	Beds 0	480
Provides full-year funding for various beds in former Jackson Maximum Correctional Facility, currently attached to Egeler Correctional Facility. For 7-Block: adds 39.2 FTEs and \$9.3 million for 485 beds currently receiving partial-year funding. For A and B Units: adds full-year funding costs for 240 beds in A-Unit and partial-year funding costs for 240 B-Unit beds opening in early 2005, for overall increase of 480 beds (phased-in), 58.2 FTEs, and \$5.1 million.	FTEs 0.0	97.4
	Gross \$0	\$14,378,200
	GF/GP \$0	\$14,378,200
5. Postpone Macomb Drop-In Unit	Beds 240	(240)
Eliminates current-year's full-year funding for 240-bed Level IV drop-in unit at Macomb Correctional Facility in New Haven. Opening of unit postponed until at least FY 2005-06. Reductions of 240 beds, 39.0 FTEs, \$3.6 million.	FTEs 39.0	(39.0)
	Gross \$3,613,200	(\$3,613,200)
	GF/GP \$3,613,200	\$3,613,200
6. Camps Lehman and Tuscola	Beds N/A	300
Provides partial-year funding for 200 beds to reopen at Camp Lehman in March 2005; 22.5 FTEs, \$1.6 million. Provides partial-year funding for reopening the 100-bed Camp Tuscola annex (closed in current fiscal year under EO 2003-23) in June 2005; 14.0 FTEs, \$333,300. (No FY 2004-05 FTE adjustment shown for Camp Tuscola, which has 14.0 FTEs; although annex was closed and funding eliminated under Executive Order, the EO reduced funding only. Technically, the 14.0 FTEs remain part of the current year's authorization.)	FTEs N/A	22.5
	Gross N/A	\$1,885,600
	GF/GP N/A	\$1,885,600
7. Scott Correctional Facility	Beds N/A	23
Funds full-year costs of additional 23 beds at Scott Correctional Facility (in Plymouth) and associated Camp Brighton (in Pinckney).	FTEs N/A	5.2
	Gross N/A	\$489,500
	GF/GP N/A	\$489,500
8. Youth Correctional Facility Federal Funds Replacement	Beds 480	0
Increases GF/GP support of the privately-owned and -operated Michigan Youth Correctional Facility in Baldwin. Formerly wholly-supported by federal Violent Offender Incarceration/Truth in Sentencing funds; anticipated depletion of that federal grant led to replacement of \$1.1 million federal with GF/GP in FY 2003-04. Adds \$18.0 million GF/GP to meet adjusted full year costs in FY 2004-05.	FTEs 1.0	0.0
	Gross \$19,360,000	(\$89,900)
	Federal 18,089,400	(18,089,400)
	GF/GP \$1,270,600	\$17,989,400
9. Technology Improvements/Custody Staffing Reduction	FTEs N/A	(242.4)
Eliminates 242.4 custody FTEs (which may include guard tower positions) through utilization of improved security technology. Net savings of \$12.8 million reflects \$2.1 million additional funding for equipment offsetting \$14.9 million savings through staffing reduction.	Gross N/A	(\$12,808,800)
	GF/GP N/A	(\$12,808,800)

CORRECTIONS

<u>Major Budget Changes from FY 2003-04 YTD Appropriations:</u>	<u>FY 2003-04 YTD (as of 2/12/04)</u>	<u>Executive Change</u>
10. Prisoner Transportation Eliminates 21.8 FTEs and \$1.4 million due to anticipated efficiencies in prisoner transportation.	FTEs N/A Gross N/A GF/GP N/A	(21.8) (\$1,413,100) (\$1,413,000)
11. Eliminate Funding for Closed Michigan Reformatory Eliminates funding for the closed Michigan Reformatory, in Ionia; \$813,000 and 18.0 positions eliminated from the Inmate Housing Fund. Reformatory-related funding in DOJ consent decree line transferred to Bellamy Creek Correctional Facility (\$3.2 million and 54.7 FTEs).	Beds N/A FTEs N/A Gross N/A GF/GP N/A	0 (18.0) (\$813,000) (\$813,000)
PRISONER HEALTH CARE		
12. Hepatitis C Testing and Treatment Creates new \$5.9 million line item for Hepatitis C testing and treatment. Study underway in current year to establish extent of disease in Michigan prison population. Costs of Hepatitis C testing and treatment expected to increase markedly in coming years.	Gross N/A GF/GP N/A	\$5,863,000 \$5,863,000
13. Pharmaceutical Costs Increases funding for pharmaceuticals exclusive of those to treat Hepatitis C by nearly \$1.0 million. Figure incorporates \$1.0 million in savings anticipated under revision of formulary.	Gross N/A GF/GP N/A	\$932,400 \$932,400
14. Mental Health Care Savings of \$2.6 million assumed through changes in mental health residential psychiatric program that would feature a less-expensive partial hospitalization as a transitional placement between hospitalization (currently at the Huron Valley Center) and the residential treatment program (residential psychiatric units located within various prisons).	Gross N/A GF/GP N/A	(\$2,618,500) (\$2,618,500)
ALTERNATIVES TO PRISON INCARCERATION		
15. Female Offender Reintegration Program To reduce need for additional women's beds, Department instituted 44-bed reintegration program for female parolees in FY 2003-04, thus removing barriers to parole associated with lack of appropriate housing and programming for women. Expansion to 158 beds proposed; Executive fully funds at \$61 per bed per day.	Gross N/A GF/GP N/A	\$3,517,900 \$3,517,900
16. Assumed Sentencing Changes: Local Programs Assumes partial-year savings of \$2.9 million due to sentencing guidelines changes expected to lower intake of short-term (less than 24 months) offenders. Impact estimated at 379 beds by end of FY 2004-05, more in succeeding years. To assist with anticipated increases in numbers of offenders retained locally, two new community programs (\$400,000 Treatment Program and \$1.6 million Jail Crowding Reduction Program) plus \$831,400 increase to existing probation residential program. Simultaneous elimination of \$2.5 million Local Facility Housing Program, established in current year to reimburse local units of government for housing state prisoners if needed.	Gross \$2,451,000 GF/GP \$2,451,000	\$400,000 \$400,000
17. Parole and Probation Agents Adds 31 parole and probation agents to help with increasing caseloads.	FTEs N/A Gross N/A GF/GP N/A	31.0 \$2,251,900 \$2,251,900
MISCELLANEOUS ADMINISTRATIVE AND PERSONNEL MATTERS		
18. Statewide Consolidation of Human Resources Includes savings attributable to statewide centralization of human resources functions.	FTEs N/A Gross N/A GF/GP N/A	(44.0) (\$859,300) (\$859,300)

Major Budget Changes from FY 2003-04 YTD Appropriations:		FY 2003-04 YTD (as of 2/12/04)	Executive Change
19. DIT-Related Adjustments	Gross	N/A	\$2,015,200
Includes variety of adjustments related to Department of Information Technology (DIT): \$720,000 for miscellaneous adjustments, \$102,000 for desktop rate adjustment, (\$306,800) for statewide reduction initiative, (\$500,000) GF/GP fund shift, \$1.5 million for prisoner time computation module.	Restricted	N/A	500,000
	GF/GP	N/A	\$1,515,200
20. Step Increases	Gross	N/A	\$12,092,300
Increases appropriations at 12 facilities needing additional funding due to increasing seniority of staff.	GF/GP	N/A	\$12,092,300
	21. Employee-Related Savings	Gross	N/A
Incorporates unspecified savings applied to lines directly and indirectly funding FTEs and totaling \$46.3 million gross, \$45.1 million GF/GP.	Federal	N/A	(42,300)
	Local	N/A	(7,400)
	Restricted	N/A	(1,236,800)
	GF/GP	N/A	(\$45,056,000)
	22. Economic Adjustments	Gross	N/A
Includes economic adjustments for salaries and wages (\$61.6 million gross, \$59.9 million GF/GP), insurances (\$21.2 million gross, \$20.6 million GF/GP), retirement (\$75.0 million gross, \$72.9 million GF/GP), workers' compensation (\$2.5 million gross and GF/GP), and building occupancy charges (\$515,100 gross and GF/GP).	Federal	N/A	141,300
	Local	N/A	21,700
	Restricted	N/A	4,179,900
	GF/GP	N/A	\$150,427,200

Major Boilerplate Changes from FY 2003-04:

Secs. 214, 215, 216. Youth Correctional Facility – DELETED

Deletes current-year sections that pertain to reports on Youth Correctional Facility (Sec. 214) and contract monitor duties (Sec. 215). Also deletes requirement for providing legislature with copy of invitation to bid (Sec. 216).

Secs. 217, 218, 219. Hepatitis C – RETAINED/DELETED

Renumbers and retains current-year sections requiring prisoner education on Hepatitis C (Sec. 217) and giving prisoners opportunity to be tested prior to parole (Sec. 219). Deletes Sec. 218, which requires Department to conduct survey of prisoner intake to determine the incidence of Hepatitis C among the prisoner population.

Sec. 221. Non-GF/GP Revenue Sources – DELETED

Deletes current-year section requiring report on collected and anticipated non-GF/GP revenue sources.

Sec. 225. Contingency Funds – NEW

Includes provisions for receipt and expenditure of federal, state restricted, local, and private contingency funds. Appropriates contingency funds of \$20.0 million federal, \$5.0 million state restricted, and \$500,000 each local and private. Expenditure conditioned on legislative transfer.

Sec. 401. Prison Population Projection – REVISED

Changes deadline for five-year prison population projection from February 1 to "ten days after presentation of the Governor's executive budget to the Senate and House appropriations subcommittees on corrections, the Senate and House fiscal agencies, and the state budget director."

Sec. 404. Staffing Ratios – DELETED

Deletes requirement for report on prison staffing ratios.

Sec. 706. County Jail Reimbursement Program – REVISED

Eliminates provisions for reimbursement for jailing of felons sentenced for crimes committed before January 1, 1999 (the effective date of sentencing guidelines).

Sec. 707. Local Facility Housing Program – DELETED

Deletes section pertaining to Local Facility Housing Program, a \$2.5 million program established in current fiscal year to reimburse local units for housing state prisoners if needed.

CORRECTIONS

Major Boilerplate Changes from FY 2003-04:

Sec. 708. Probation Detention Center – DELETED

Deletes section allocating a portion of probation residential center funds and specifying conditions of operation for a probation detention center in Detroit.

Sec. 709. Award of Community Corrections Grant Funds – DELETED

Deletes section limiting community corrections grant awards to funds requested under a comprehensive plan approved under the Community Corrections Act.

Sec. 711. Sentencing Guidelines Reinvestment Program – NEW

Specifies criteria for award of grants funded under new Sentencing Guidelines Jail Crowding Reduction Program and Sentencing Guidelines Treatment Program.

Sec. 902. Health Care Contracts – DELETED

Deletes requirement for report on health care contracts.

Sec. 904. Pharmacy Privatization – DELETED

Deletes requirement for one-year cost-benefit analysis of privatizing pharmacy services and report to Legislature at least 120 days before beginning any effort to privatize pharmacy services.

Sec. 906. Ambulance Services – DELETED

Deletes section expressing legislative intent that providers of local ambulance services be promptly paid.

Sec. 907. "Frequent Flyers" – DELETED

Deletes requirement for Department to identify and manage prisoners who abuse the availability of medical services by obtaining transportation to off-site medical care when unnecessary or reasonably avoidable.

**Summary: Executive Budget Recommendation
FAMILY INDEPENDENCE AGENCY
FY 2004-05 House Bill**

Analysts: Erin Black, Richard Child

	FY 2003-04 Year-to-Date as of 2/12/04	FY 2004-05 Executive	Difference: Exec to FY 2003-04 YTD	
			Amount	%
IDG/IDT	\$1,055,800	\$1,084,400	\$28,600	2.7
Federal	2,709,978,450	3,041,368,900	331,390,450	12.2
Local	61,819,100	75,535,700	13,716,600	22.2
Private	9,472,150	9,757,600	285,450	3.0
Restricted	70,096,800	70,321,400	224,600	0.3
GF/GP	1,100,979,000	1,138,331,400	37,352,400	3.4
Gross	\$3,953,401,300	\$4,336,399,400	\$382,998,100	9.7
FTEs	10,774.6	10,590.1	(184.5)	(1.7)

Overview

The Family Independence Agency (FIA) budget provides funding for a wide range of programs and services to help improve the quality of life in Michigan by protecting children and vulnerable adults, delivering juvenile justice services, and providing support to strengthen families and individuals striving for independence.

Major Budget Changes from FY 2003-04 YTD Appropriations:

1. Food Stamp (Food Assistance) Program

Adds \$126.9 million for a Federal waiver that extends benefits for 75,000 childless adults. Also provides \$139.5 million for caseload spending increases.

	FY 2003-04 YTD (as of 2/12/04)	Executive Change
Gross	\$833,011,200	\$266,418,100
Federal	833,011,200	266,418,100

2. Day Care Services

Includes an increase of \$36.1 million to cover projected caseload spending and recognizes additional savings of \$2.6 million from eliminating the Before and After School Pilot Program. Also includes a projected average annual caseload of 70,500, up 2,514 from the FY 2003-04 budgeted caseload.

	FY 2003-04 YTD (as of 2/12/04)	Executive Change
Gross	\$484,244,000	\$33,529,300
Federal	296,499,800	33,529,300
GF/GP	\$187,744,200	\$0

3. Family Independence Program

Increases funding by \$22.5 million for the Family Independence Program: \$2.3 million in savings to a projected spending level of \$400,000 for the Kinship Care Pilot, \$3.1 million increase in TANF funds to raise the clothing allowance to \$50 per child and expand the program to include children from 0-3 years of age, and \$21.7 million increase in TANF funds to cover projected caseload spending. Includes a projected average annual caseload of 78,500, up 4,435 from the FY 2003-04 budgeted caseload.

	FY 2003-04 YTD (as of 2/12/04)	Executive Change
Gross	\$369,339,600	\$22,470,500
Federal	147,624,900	22,470,500
Restricted	50,210,700	0
GF/GP	\$171,504,000	\$0

4. Adoption Subsidy Program

Adds \$18.4 million gross (\$6.5 million GF/GP) to cover projected caseload spending for the Adoption Subsidy Program and \$863,800 in GF/GP savings due to fund shifts. Includes a projected average annual caseload of 26,500, up 446 from the FY 2003-04 budgeted caseload.

	FY 2003-04 YTD (as of 2/12/04)	Executive Change
Gross	\$220,859,900	\$18,350,700
Federal	137,063,100	12,681,900
GF/GP	\$83,796,800	\$5,668,800

<u>Major Budget Changes from FY 2003-04 YTD Appropriations:</u>		FY 2003-04 YTD (as of 2/12/04)	Executive Change
5. Foster Care Payments	Gross	\$214,571,400	\$8,906,800
Includes a net increase of \$8.9 million gross (\$4.5 million GF/GP) in the program: \$2.6 million gross (\$1.2 million GF/GP) in savings from the elimination of the Wayne County Foster Care Permanency Pilot, \$11.5 million gross (\$6.6 million GF/GP) to cover projected increase in caseload spending, and \$900,700 in GF/GP savings due to fund shifts.	Federal	91,778,600	(8,298,700)
Includes a projected average annual caseload of 11,300, up 368 from the FY 2003-04 budgeted caseload.	Local	34,918,000	12,677,500
	Private	5,033,900	0
	GF/GP	\$82,840,900	\$4,528,000
6. State Disability Assistance Program	Gross	\$28,745,100	\$2,898,000
Adds \$2.9 million in program base adjustments. Assumes 400 average annual caseload increase to 10,300, and cost per case of \$250.	Federal	3,326,500	0
	Restricted	5,108,800	0
	GF/GP	\$17,035,100	\$2,898,000
7. Child Care Fund	Gross	\$168,837,900	\$2,500,000
Provides a net increase of \$2.5 million, adding \$5.0 million in federal Title IV-E funds related to Wayne County claims to cover \$2.5 million in projected spending need and replace \$2.5 million GF/GP within the Child Care Fund.	Federal	64,137,900	5,000,000
	GF/GP	\$104,700,000	(\$2,500,000)
8. Child Support Enforcement System Automation	Gross	\$68,000,000	(\$12,000,000)
Recognizes \$12.0 million in savings to reflect the projected FY 2004-05 spending level of \$56.0 million.	Federal	54,425,900	(9,240,000)
	Restricted	11,032,200	0
	GF/GP	\$2,541,900	(\$2,760,000)
9. Juvenile Justice Operations Program Reductions	Gross	\$62,798,900	(\$1,775,200)
Reduces funding by \$660,000 gross (\$330,000 GF/GP) by cutting 20% of the funds available for reintegration contracts and saves \$1.1 million gross (\$557,600 GF/GP) by closing the Sequoyah Center within W. J. Maxey Training School. The youth currently placed at the center will be relocated to the new Woodland Center in Maxey, other public or private facilities, or community settings.	Federal	3,330,300	0
	Private	600,000	0
	Local	25,790,600	(887,600)
	GF/GP	\$33,078,000	(\$887,600)
10. Program Transfer From DLEG from EO 2003-18	Gross	\$0	\$22,677,300
Transfers a new appropriation unit to FIA, the Office of Children and Adult Licensing, from the newly-created Department of Labor and Economic Growth, including 219.0 FTEs.	Federal	0	11,139,300
	Restricted	0	590,500
	GF/GP	\$0	10,947,500
11. Program Transfers To DLEG from EO 2003-18	Gross	\$18,570,900	(\$18,570,900)
Transfers Commission for the Blind, Commission on Disability Concerns and Youth Low Vision Program out to newly-created Department of Labor and Economic Growth, including 101.0 FTEs.	Federal	13,635,000	(13,635,000)
	Private	120,700	(120,700)
	Local	75,000	(75,000)
	Restricted	477,300	(477,300)
	GF/GP	\$4,262,900	(\$4,262,900)
12. Employee-Related Economic Increases	Gross	\$0	\$63,532,300
Includes employee-related economics based on a 3% salary increase for FY 2003-04 and 4% for FY 2004-05 plus funding for increased insurance and retirement costs. See partial offset in Budgetary Savings below.	Federal	0	37,611,000
	Private	0	489,100
	Local	0	2,740,900
	Restricted	0	135,300
	IDG	0	42,500
	GF/GP	\$0	\$22,513,500
13. Employee-Related Budgetary Savings	Gross	\$0	(\$24,173,900)
Anticipates savings equal to 5% of employee compensation from sources that have not yet been defined. Some form of continued salary and wage concessions is being considered.	Federal	0	(14,791,750)
	Private	0	(82,950)
	Local	0	(739,200)
	Restricted	0	(23,900)
	IDG	0	(13,900)
	GF/GP	\$0	(\$8,522,200)

Major Boilerplate Changes from FY 2003-04:

GENERAL SECTIONS

Sec. 206. Contingency Fund Appropriations – NEW

Adds language enabling Department to receive additional federal, local, private, and state restricted contingency funds, but prohibits expenditure unless funds are transferred to a line item in the act. Section is restored after being deleted in the FY 2003-04 enacted budget.

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

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

Sec. 223. Standard of Promptness for Medicaid Eligibility Determination – DELETED

Requires that Department determine Medicaid eligibility within 60 days when disability is an eligibility factor. Requires that all other eligibility determinations be made within 45 days.

Sec. 261. Local Office Restructuring – DELETED

Requires Department to implement a plan to save \$2.0 million by restructuring local field offices in counties with more than ten local offices and provide a report on the plan by January 1, 2004.

Sec. 270-274, 276, 277. Reporting Requirements – DELETED

Various FY 2003-04 Department reporting requirements related to uniform reporting standards (Sec. 270), child and family services federal review (Sec. 271), Federal Title IV-E foster care eligibility review (Sec. 272), a report on policy changes (Sec. 273), a report on federal grant activity (Sec. 274), retention of departmental reports (Sec. 276), and noncompliance with State or Federal laws (Sec. 277).

Sec. 275. Prohibits Use of Funds for Billboard Advertising – DELETED

Prohibits Department from using funds for billboard advertising unless required in state or federal regulation.

FAMILY INDEPENDENCE SERVICES ADMINISTRATION

Sec. 419. Individual Development Accounts Expansion – DELETED

Requires Department to further the work begun in FY 1999-2000 that implemented the individual development accounts savings programs. Requires creation of a Michigan-based support system for existing and emerging Community Development Credit Unions located in the state's poorest communities.

CHILD AND FAMILY SERVICES

Sec. 532. Licensing and Contract Compliance Review – DELETED

Requires collaboration between FIA and representatives of private child and family agencies in the review of contract compliance and licensing policies, practices, and procedures in attempt to identify duplication. Requires FIA to develop a streamlined licensing contract compliance review process, and report on its implementation.

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

Directs FIA to make payments to child-placing agencies within 30 days after receiving documentation for Title IV-E related services.

Sec. 537. Foster Care Placement - First Opportunity – MODIFIED

Requires FIA to offer private nonprofit agencies the first opportunity to provide foster care services for new children under specified circumstances and requires a third-party report on service costs for public and private agencies. Executive adjusts the Department's required direct care foster care worker caseload, eliminates the required report, and adds language requiring FIA to collaborate with private agencies to develop methodology, and seek private funds to support a study on service costs.

Sec. 543. Criminal Sexual Conduct Involving Underage Youth – DELETED

Mandates FIA to develop a plan to provide education and training to reduce the incidences of criminal sexual conduct involving underage youth that must be designed to reach state and local law enforcement officials, schools and education agencies, health care, counseling and pregnancy prevention services, and others.

Sec. 544. Approval of Pending Pilot Project Applications for Accelerated Residential Treatment – DELETED

Requires FIA to consider approval of pilot projects with applications pending for accelerated residential treatment.

Sec. 545. Eliminate Freeze on Approval of New Specialized Foster Care Programs – DELETED

Directs FIA to eliminate the administrative freeze on approval of new specialized foster care programs.

Major Boilerplate Changes from FY 2003-04:

PUBLIC ASSISTANCE

Sec. 609. Prohibit SSI State Supplementation Payment Reductions – DELETED

Prohibits reducing payment levels for personal care, home for the aged, and adult foster care categories during the current fiscal year.

Sec. 635. Child Day Care Provider Central Registry Notification – DELETED

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

Sec. 640. Child Day Care Provider Payments – DELETED

Directs Department to provide infant and toddler incentive payments to child day care providers caring for children 0 – 2½ years of age who meet licensing or training requirements.

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

Requires the Department to continue to offer a before- or after-school program pilot for school-aged children, and provide a report on the pilot.

Sec. 666. Federal Earned Income Tax Credit – MODIFIED

Directs FIA to develop and implement a plan to increase FIP recipient participation in the federal Earned Income Tax Credit. Executive adds language requiring FIA to continue to implement the plan developed in FY 2003-04 and deletes language requiring the plan to be done in conjunction with the Michigan State University Extension Services and an associated report.

Sec. 669. Electronic Debit Cards and Annual School Clothing Allowance – MODIFIED

Requires FIA to distribute cash and food assistance to recipients using debit cards. Allocates funds for eligible children ages 4-18 years of age to receive a school clothing allowance, and encourages Department to expand outreach to retailers offering discounts. Executive increases the clothing allowance allocation to \$7.85 million, and expands access to include children from 0-3 years of age.

Sec. 670. Kinship Care – DELETED

Expresses legislative intent to reduce the discrepancy between funding for a kinship care case and a similar family size Family Independence Program (FIP) case.

Sec. 671. Benefit Bank Internet-Based Information System – DELETED

Allows Department to work with private nonprofit service providers to implement an internet-based information system providing centralized eligibility information and electronic application forms.

Sec. 672. Food Assistance Outreach Efforts – DELETED

Requires a report to the Legislature on the Department's Food Assistance Program outreach efforts.

Sec. 673. Notification of Day Care Eligibility Reduction or Elimination – DELETED

Specifies that FIA shall immediately notify the client and the day care provider when the client's eligibility is reduced or eliminated.

JUVENILE JUSTICE SERVICES

Sec. 704. Juvenile Justice Facility Location – DELETED

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

Sec. 705. W. J. Maxey and facility Reporting Requirements – MODIFIED

Requires FIA to provide an annual report on the W. J. Maxey facility, and outlines required assessment and treatment issues. Requires FIA to complete and provide a report comparing public training schools and private facilities. Executive eliminates language requiring a report on Maxey, and modifies language to require FIA to include information on state-operated juvenile justice facilities in the biennial report to the Legislature required in the Social Welfare Act.

Sec. 714. County Information Networks - Technical Assistance – DELETED

Directs FIA to provide technical assistance for counties to develop information networks like SHOCAP, JJOLT, and JVRS, and requires report.

Sec. 715. Early Intervention Initiatives Report – DELETED

Identifies Legislative intent related to juvenile justice system and requires FIA to present and report on early intervention initiatives based on recommendations from 2001 Joint House and Senate Task Force on Juvenile Justice.

Major Boilerplate Changes from FY 2003-04:

LOCAL OFFICE STAFF AND OPERATIONS

Sec. 750. Out-Stationed Eligibility Workers – DELETED

Requires FIA to maintain out-stationed eligibility specialists in community-based organizations and hospitals in the same locations, and at staffing levels no less than in FY 2002-03.

CHILD SUPPORT ENFORCEMENT

Sec. 901. Child Support Incentive Payments – MODIFIED

Allows Department to retain portions of federal child support incentive payments and expend them for various child support collection efforts. Provides guidelines for counties to avoid penalty payment. Increases the incentive payment amount FIA may retain, identifies minimum payment levels to counties. Executive deletes authorization for FIA to retain federal incentive payments withheld from counties who are penalized and deletes Department requirement to enter into a cooperative agreement with the Attorney General to support child support enforcement activities.

OFFICE OF CHILDREN AND ADULT LICENSING

Sec. 1001. Licensing and Regulation Fees – NEW

Requires FIA to collect fees from child care organizations and adult foster care facilities to defray the costs of licensing and regulating them.

Sec. 1002. Juvenile Residential Facility Evaluation Reports – NEW

Requires FIA to provide a summary report to the Legislature of any evaluation reports and subsequent approvals and disapprovals of juvenile residential facilities operated by the Department.

Sec. 1003. Federal Funding Authority for Lead Testing – NEW

Requires FIA to inspect for lead before issuing a day care facility license if federal funds are available to support a testing program, and appropriates federal funding as it becomes available.

**FY 2004-05
Budget Detail
for
LABOR
AND ECONOMIC GROWTH**

**Summary: Executive Budget Recommendation
LABOR AND ECONOMIC GROWTH
FY 2004-05 House Bill**

Analyst: Steve Stauff

	FY 2003-04	FY 2004-05	Difference:	
	Year-to-Date as of 2/12/04	Executive	Exec to FY 2003-04 YTD Amount	%
IDG/IDT	\$212,000	\$515,200	\$303,200	143.0
Federal	752,792,300	792,629,400	39,837,100	5.3
Local	15,011,900	15,320,900	309,000	2.1
Private	4,019,400	4,140,100	120,700	3.0
Restricted	317,858,500	297,760,900	(20,097,600)	(6.3)
GF/GP	78,680,501	108,910,100	30,229,599	38.4
Gross	\$1,168,574,601	\$1,219,276,600	\$50,701,999	4.3
FTEs	4,723.0	4,302.0	(421.0)	(8.9)

Note: FY 2003-04 YTD numbers do not include financial adjustments between departments of DLEG, FIA, DCH, or State Police pursuant to EO 2003-18. This first column does represent the combined YTD amounts of what was known as CIS, DCD and MSF.

Overview

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

Major Budget Changes from FY 2003-04 YTD Appropriations:

1. EO 2003-18 - Creation of DLEG

Executive Order 2003-18 contained a number of department and agency structural changes resulting in formation of the Department of Labor and Economic Growth. The financial impact was an approximate decrease of \$41.6 million gross, decrease of \$9.7 million GF/GP, to the combined units previously known as the Department of Consumer and Industry Services, the Department of Career Development and the Michigan Strategic Fund.

	FY 2003-04 YTD (as of 2/12/04)	Executive Change
Gross	\$1,168,574,601	(\$41,546,000)
IDG	212,000	0
Federal	752,792,300	(10,523,200)
Local	15,011,900	75,000
Private	4,019,400	120,700
Restricted	317,858,500	(21,514,300)
GF/GP	\$78,680,501	(\$9,704,200)

2. Fire Protection Grants

The FY 2003-04 Fire Protection Grants authorization was \$15.8 million, but currently has revenue supporting it in the amount of only \$3.7 million since statutory changes did not occur to increase the deposit to the Liquor Purchase Revolving Fund by \$12.1 million. Executive supports a gross authorization of \$15.9 million, funded by \$7.4 million of Liquor Purchase Revolving Fund revenue and \$8.5 million of Fire Protection Fund revenue; recommendation is contingent on a statutory change to the Michigan Liquor Control Code of 1988 increasing the maximum liquor markup from 65% to 74%.

Gross	\$15,839,000	\$82,000
Restricted	15,839,000	82,000

LABOR AND ECONOMIC GROWTH

<u>Major Budget Changes from FY 2003-04 YTD Appropriations:</u>		FY 2003-04 YTD (as of 2/12/04)	Executive Change
3. Reduction of the Low-Income Energy Efficiency Assistance Program Funding	Gross	\$57,000,000	(\$12,000,000)
Reduces the Low income energy efficiency fund authorization, which is overseen by the Public Service Commission, by \$12.0 million. Reduction reflects anticipated restricted revenue to be received from securitization savings that exceeded the amount needed to achieve a 5% electric rate reduction for residential and business customers. Detroit Edison Company is the only electric utility whose securitization savings exceed the amount necessary to fund the rate reduction required in 2000 PA 141, and is the only company contributing to the fund. The fund provides shut-off protection to low-income customers and promotes energy efficiency by all customer classes.	Restricted	57,000,000	(12,000,000)
4. Job Training Programs Subgrantees	Gross	\$98,612,700	\$6,000,000
Appropriates federal Reed Act funds from three appropriation year (AY) 2002 work project accounts totaling \$6.0 million. Work project cancellation and balance information is found in Sec. 333 of the Executive Recommendation.	Federal	98,602,700	6,000,000
	GF/GP	\$10,000	\$0
5. Welfare-to-Work Programs	Gross	\$67,698,600	\$46,100,000
Reduces federal Welfare-to-Work program by \$20.0 million, as the funding is no longer available. Approximately \$66.1 million of Federal Reed Act funding which had been available in FY 2003-04 through a FY 2001-02 work project account, will be replaced with appropriated lapsing work project Reed Act funding in the amount of \$15.3 million, \$10.9 million of TANF and \$39.9 million GF/GP. Federal Reed Act funds are appropriated from four AY 2002 work project accounts to make up the \$15.3 million. Work project cancellation and balance information is found in Sec. 333 of the Executive Recommendation.	Federal	60,399,000	6,200,000
	GF/GP	\$7,299,600	\$39,900,000
6. DLEG - Employee Economics	Gross	N/A	\$32,577,200
Reflects both FY 2003-04 and FY 2004-05 base adjustments for salaries, wages and fringes.	Federal	N/A	17,946,300
	Local	N/A	234,000
	Restricted	N/A	13,296,000
	GF/GP	N/A	\$1,100,900
7. Employee Related Savings	Gross	N/A	(\$10,030,400)
Reflects employee related savings to be achieved through employee concessions.	Federal	N/A	(5,673,200)
	Restricted	N/A	(4,168,300)
	GF/GP	N/A	(\$188,900)
8. Michigan Strategic Fund-Employee Economics	Gross	N/A	\$1,209,400
Reflects both FY 2003-04 and FY 2004-05 base adjustments for salaries, wages and fringes.	IDG	N/A	6,800
	Federal	N/A	128,000
	GF/GP	N/A	\$1,074,600
9. Michigan Strategic Fund-Employee Related Savings	Gross	N/A	(\$508,300)
Reflects employee related savings to be achieved through employee concessions.	IDG	N/A	(3,600)
	Federal	N/A	(66,900)
	GF/GP	N/A	(\$437,800)

Major Boilerplate Changes from FY 2003-04:

Sec. 215. Contingency Fund Language – NEW

Authorizes Department to receive amounts not to exceed \$71.5 million in federal, \$15.2 million in state restricted, \$8.2 million in local, and \$1.6 million in private contingency funding; requires that this funding be transferred to another line item via the legislative transfer process in order to be available for expenditure.

Major Boilerplate Changes from FY 2003-04:

Sec. 306. MSHDA Housing Production Goals – DELETED

Requires Michigan State Housing Development Authority (MSHDA) to report annually on its housing production goals under all financing programs. Report gives special attention to efforts to raise affordable multifamily housing goals.

Sec. 320. Unemployment Agency Offices in Upper Peninsula – DELETED

Provides that the Bureau of Worker's and Unemployment Compensation, during its transition to the remote initial claims system, may operate a sufficient number of offices within the Upper Peninsula to ensure access to offices without excessive travel or long distance phone charges.

Sec. 330. Customer Options in Remote Initial Claims System – DELETED

Requires the Bureau of Worker's and Unemployment Compensation (BWUC) to provide within the system an option for callers to speak to a BWUC employee; also requires that the BWUC continue to provide job training opportunities to employees affected by implementation of the new system.

Sec. 335. Low-Income/Energy Efficiency Assistance Program – DELETED

Requires reporting from the Department on the Low-Income/Energy Efficiency Assistance Program. Language includes earmarking of \$3.0 million from the fund to community action agencies across the state.

Sec. 336. Office of Financial and Insurance Services (OFIS) Expenditures – DELETED

Requires Department to report by December 1 to the subcommittees, fiscal agencies, and state budget director on actual expenditures for the last completed fiscal year for each division within OFIS.

Sec. 313. Fire Protection Grants Funding Contingency – MODIFIED

Current-year Sec. 347 requires that of the appropriation for fire protection grants, \$12,128,500 is contingent upon statutory changes that would increase the deposit into the Liquor Purchase Revolving Fund. Executive reduces the amount to \$3,710,500 and requires statutory passage by September 30, 2004, to be effective FY 2004-05.

Sec. 340. Health Maintenance Organization (HMO) Filings – DELETED

Requires that the Office of Financial and Insurance Service provide copies of quarterly and annual financial filings of HMOs on a timely basis to the House and Senate Fiscal Agencies.

Sec. 350. Adverse Determination by Health Benefit Plan/External Review Awareness Promotion – DELETED

Requires Department to allocate funds to promote awareness of policy holders to request an external review of an adverse determination by a health benefit plan, after the health carrier's internal grievance process has been exhausted.

Sec. 351. Real Estate Continuing Education – DELETED

Requires that 1) Department report no later than December 31 to the subcommittees showing the date each real estate continuing education course was submitted for approval and the date of final disposition, approval or denial; 2) Department post on its website approved real estate continuing education courses, dates, times, instructors, locations and credit hours of the courses; 3) Department make available by November 15, 2003, to the public the pre-licensure and continuing education course approvals; 4) legislative intent that sponsors of continuing education be able to report on an applicant's or licensee's completion of courses to the Department electronically by the close of FY 2003-04.

Sec. 352. Appellate Commission/Board of Magistrates Case Timeliness and Membership – DELETED

Requires that expenditures in part 1 be used so that the two bodies decide cases in a timely manner and that funding from the Unclassified Salaries appropriation line support only four worker's compensation appellate commissioners and 27.5 magistrates.

Sec. 310. Federal Employment Service Funding – DELETED

Allows for automatic appropriation, upon notification to the appropriation subcommittees, of any employment service funding earned from the U.S. Department of Labor in excess of appropriation levels in the budget act.

Sec. 311. Disabled Veterans Outreach Program – DELETED

Requires certain staffing levels for disabled veterans outreach program specialists and local veterans employment representatives to assist veterans within Michigan Works! employment service centers.

Sec. 333. Reed Act Fund Work Project Guidance – NEW

Describes the Federal Reed Act work project accounts that are cancelled and stipulates the use of certain balances for Welfare-to-Work and Job Training Programs Subgrantees appropriation lines.

LABOR AND ECONOMIC GROWTH

Major Boilerplate Changes from FY 2003-04:

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

Changes the following subsections: (4) reduces from 75% to 70% the total funds appropriated in part 1 to fund the EDJT grants that shall be awarded to community colleges or a consortium of community colleges, (14) removes language requiring a report to the legislature on the EDJT grants.

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

Changes the following subsections: (1) allows the \$15.0 million in part 1 to be used not only for life sciences, but also homeland security and automotive initiative; removes stipulation that homeland security and automotive initiatives could only be funded with tribal gaming revenue, (2) the Life Sciences and Technology Tri-Corridor steering committee would be changed to the Technology Tri-Corridor steering committee, and membership of the Western Michigan University representative is no longer limited to just FY 2003-04, (3) commercialization funds may now be used not only for the life sciences, but also homeland security and automotive; the 45%/55% split between collaborative research and basic research is no longer required, (4) language is deleted that required funding for homeland security and automotive initiative proposals contain a life sciences component.

Sec. 419. Advice and Consent Language – DELETED

States legislative intent that the members of the executive committee of the MEDC are subject to the advice and consent of the Senate.

Sec. 419. State Clearinghouse on Entrepreneurship – NEW

Designates \$100,000 from available resources to create and administer a state clearinghouse on entrepreneurship available to the public through the internet.

**FY 2004-05
Budget Detail
for**

RESOURCE PROTECTION

**Agriculture
Environmental Quality
Natural Resources**

**Summary: Executive Budget Recommendation
AGRICULTURE
FY 2004-05 House Bill**

Analyst: Kirk Lindquist

	FY 2004-05 Year-to-Date as of 2/12/04	FY 2004-05 Executive	Difference: Exec to FY 2003-04 YTD	
			Amount	%
IDG/IDT	\$10,758,600	\$10,831,700	\$73,100	0.7
Federal	14,401,700	33,406,200	19,004,500	132.0
Local	0	0	0	0.0
Private	1,127,600	138,700	(988,900)	(87.7)
Restricted	39,931,900	40,755,500	823,600	2.1
GF/GP	30,259,200	31,509,400	1,250,200	4.1
Gross	\$96,479,000	\$116,641,500	\$20,162,500	20.9
FTEs	569.0	715.0	146.0	25.7

Overview

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

Major Budget Changes from FY 2003-04 YTD Appropriations:

1. Emerald Ash Borer Program

Includes federal funding for the third year of this program for eradication efforts in affected areas of southeast Michigan and other threatened areas in the lower peninsula. No state revenue match is required.

	FY 2003-04 YTD (as of 2/12/04)	Executive Change
FTEs	0.0	155.0
Gross	\$7,250,000	\$17,750,000
Federal	7,250,000	17,750,000

2. Agriculture Equine Development Fund Revenue Redistribution

Reduces Agriculture Equine Industry Development Fund support for local racing programs due to continued decline in horse race revenue. Maintains the \$2.0 million transfer in FY 2004-05 to the General Fund.

Gross	\$12,467,000	(\$1,117,000)
Restricted	12,467,000	(1,117,000)

3. Federal Grant Increases: Johne's Disease and Bovine TB

Increases the Animal Health and Welfare program by \$356,000 to allow the state to receive and spend additional federal funding for Johne's Disease eradication efforts in sheep and cattle, and slaughter house inspections. Provides an additional \$350,000 for continuing efforts to protect livestock threatened by Bovine TB.

Gross	\$6,246,600	\$706,000
Federal	159,000	706,000
Restricted	407,200	0
GF/GP	\$5,839,400	\$0

4. Agriculture Laboratory: Oil and Gas Revenue

Provides additional Gasoline Testing and Inspection Fund, \$385,000, along with Oil and Gas Regulatory Fund revenue from the Department of Environmental Quality, \$450,000, for the service station inspection program. The state will not receive Private Oil and Gas Settlement revenue in FY 2004-05.

Gross	\$0	(\$162,600)
Private	997,600	(997,600)
Restricted	0	835,000

AGRICULTURE

<u>Major Budget Changes from FY 2003-04 YTD Appropriations:</u>	FY 2003-04 YTD (as of 2/12/04)	Executive Change
5. Plum Pox Inspections and Project GREEN	Gross \$12,107,800	\$300,000
Provides inspection fee revenue (Industry Support Funds) for the Plum Pox inspection program, and \$90,000 to Michigan State University–Project GREEN.	Federal 3,374,400	0
	Private 130,000	0
	Restricted 3,841,300	300,000
	GF/GP \$4,762,100	\$0
6. Marketing Programs	Gross \$2,441,700	(\$200,000)
Eliminates marketing programs in Agricultural Development, Marketing and Emergency Management. Responsibility for new market identification and development would be assumed by the Department of Labor and Economic Growth.	IDG 500,000	0
	Federal 100,000	0
	Restricted 845,400	0
	GF/GP \$946,300	(\$200,000)
7. Commodity Inspection Fees	Gross \$991,500	(\$291,500)
Anticipates decline in inspection fee revenue in FY 2004-05 due to a reduction in workload and complexity of onsite inspections.	Restricted 991,500	(291,500)
8. Economic Adjustments and Employee Related Savings	Gross \$3,213,300	\$3,213,300
Increases each line item supporting payroll expenses to cover cost of scheduled pay increases and fringe benefits (\$5.0 million); salaries to increase by 7% and health insurance premiums to increase by 13.6%. Contribution rates for defined benefit and defined contribution retirement programs are increasing, reflecting system costs related to recent early retirement program. Recommends workforce-related savings (\$1.8 million) to offset cost of included economic adjustments. Savings (5% of payroll) to be achieved through contract concessions.	IDG 73,100	73,100
	Federal 548,500	548,500
	Private 8,700	8,700
	Restricted 1,104,500	1,104,500
	GF/GP \$1,478,500	\$1,478,500

Major Boilerplate Changes from FY 2003-04:

Sec. 205. Statewide Hiring Freeze – DELETED

Sec. 207. Privatization Reporting Language – DELETED

Sec. 210. Deprived and Depressed Communities Language – DELETED

Sec. 211. Restricted Fund Balances – DELETED

Requires lapse of any unspent restricted fund revenue to the restricted fund from which the appropriation is made.

Sec. 214. Departmental Grants to Local Governments – DELETED

Requires detailed listing of recipients of department-administered grants to be provided to the Legislature.

Sec. 225. Contingency Fund Transfer Language – NEW

Allows spending authorization to be increased through the legislative transfer process.

Sec. 303. Agricultural Surveys – DELETED

Requires the use of \$90,000 for specific agricultural products.

Sec. 402. Food-Borne Outbreaks and Emergencies – DELETED

Requires report to the Legislature on the occurrence, extent and severity of food-borne outbreaks and emergencies.

Sec. 403. Local Government Fund Transfers of Public Health Department Food and Dairy Grants – DELETED

Requires Department to see that prior Department approval is secured before a local governmental unit transfers or redistributes food and dairy grants.

Sec. 601. Energy Conservation Program Grants – DELETED

Requires a distribution formula.

Sec. 603. Migrant Labor Housing Program – DELETED

Requires Department to seek federal funds.

Sec. 605. Aquifer Dispute Resolution Funds – DELETED

Designates \$100,000 for aquifer dispute resolution activities.

Major Boilerplate Changes from FY 2003-04:

Sec. 801. Simulcast Racing Revenues – DELETED

Requires legislative report.

Sec. 805. Agriculture Equine Industry Development Fund Spending Reductions – DELETED

Requires legislative report.

Sec. 808. Michigan Horse Show Association/Fall Youth Show – DELETED

Designates \$11,400 for the Fall Youth Show, sponsored by the Michigan Horse Show Association.

Sec. 810. State Fair Operations Spending: Limited to Level of Appropriation – DELETED

States that total spending in FY 2003-04 shall not exceed the appropriation level authorized in this act.

Sec. 813. Estimated Fund Balance - Agriculture Equine Industry Development Fund – DELETED

Requires legislative report.

**Summary: Executive Budget Recommendation
ENVIRONMENTAL QUALITY
FY 2004-05 Senate Bill**

Analyst: Kirk Lindquist

	FY 2003-04 Year-to-Date as of 2/12/04	FY 2004-05 Executive	Difference: Exec to FY 2003-04 YTD	
			Amount	%
IDG/IDT	\$14,142,900	\$14,263,000	\$120,100	0.8
Federal	131,259,500	133,766,800	2,507,300	1.9
Local	0	0	0	0.0
Private	435,700	445,900	10,200	2.3
Restricted	171,988,500	153,980,000	(18,008,500)	(10.5)
GF/GP	53,580,775	38,152,300	(15,428,475)	(28.8)
Gross	\$371,407,375	\$340,608,000	(\$30,799,375)	(8.3)
FTEs	1,611.7	1,578.2	(33.5)	(2.1)

Overview

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

Major Budget Changes from FY 2003-04 YTD Appropriations:

1. Contaminated Site Cleanup

Deletes boilerplate re-appropriation item in FY 2003-04 supplemental (\$13.3 million). Baseline appropriation for cleanup projects is not included (\$21.7 million). Insufficient revenue exists to cover both environmental cleanup and redevelopment staff needs and the traditional number of cleanup projects. Environmental Response Fund and Environmental Protection Fund appropriations reduced and program support shifted to the Cleanup and Redevelopment Fund revenue saved when funding for cleanup projects was eliminated.

	FY 2003-04 YTD (as of 2/12/04)	Executive Change
Gross	\$34,968,046	(\$34,968,046)
Restricted	34,968,046	(34,968,046)

2. Water Pollution Control Revolving Fund

Eliminates General Fund match (\$16.3 million) for the federal grant to the Water Pollution Control Revolving Fund. This one-time savings is feasible through a one-day bond sale where the debt service on the single sale and redemption payment (from accumulated interest and earnings) is accepted as the state's match for FY 2004-05.

Gross	\$16,300,000	\$0
Restricted	0	16,300,000
GF/GP	\$16,300,000	(\$16,300,000)

3. Floodplain Mapping

Includes federal funding for the floodplain management program. Maps will be used for emergency planning/loss mitigation and to determine eligibility for the federal floodplain insurance program.

Gross	\$2,120,800	\$475,000
IDG	655,300	0
Federal	401,100	475,000
Restricted	75,000	0
GF/GP	\$989,400	\$0

4. Aquifer Protection

Increases appropriation from Aquifer Protection Revolving Fund to reflect reimbursements for groundwater dispute investigation and resolution efforts.

Gross	\$200,000	\$450,000
Restricted	200,000	450,000

Major Budget Changes from FY 2003-04 YTD Appropriations:

**FY 2003-04 YTD
(as of 2/12/04)** **Executive
Change**

5. Economic Adjustments and Employee Related Savings

Increases each line item supporting payroll expenses to cover cost of scheduled pay increases and fringe benefits (\$10.2 million); salaries to increase by 7% and health insurance premiums to increase by 13.6%. Contribution rates for defined benefit and defined contribution retirement programs are increasing, reflecting system costs related to recent early retirement program. Recommends workforce-related savings (\$4.1 million) to offset cost of included economic adjustments. Savings (5% of payroll) to be achieved through contract concessions.

Gross	\$6,074,600
IDG	120,100
Federal	2,032,300
Private	10,200
Restricted	2,825,500
GF/GP	\$1,086,500

Major Boilerplate Changes from FY 2003-04:

Sec. 205. Statewide Hiring Freeze – DELETED

Sec. 207. Privatization Reporting Language – DELETED

Sec. 211. Report Retention Requirements – DELETED

Requires retention of all reports funded from the annual appropriation.

Sec. 212. Restricted Fund Revenue Estimates – DELETED

Requires legislative report of fund balance and revenue estimates for each appropriated restricted fund.

Sec. 213. Grants and Loans Administered by the Department – DELETED

Requires a list of all department grants and loans, award criteria, and deadlines.

Sec. 215. Great Lakes Water Diversion – DELETED

Requires a public hearing if a request is received to divert waters from the Great Lakes.

Sec. 222. Contingency Fund Transfer Language – NEW

Allows spending authorization to be increased through the legislative transfer process.

Sec. 301. Travel Expenses – DELETED

Requires report to the Legislature.

Sec. 401. Quarterly Report - Air Quality Program Expenses and Revenues – DELETED

Sec. 501. Recycling and Composting Position – DELETED

Requires support of one position for technical assistance to organizations involved in recycling and composting.

Sec. 601. Great Lake Bottomlands Permits – DELETED

Requires fees to be collected fairly and uniformly.

Sec. 602. Stream Habitat Conservation Permits – DELETED

Allows Department to waive fees for nonprofit organization conducting approved stream habitat projects.

Sec. 702. Cleanup Site Listing for Cleanup and Redevelopment Fund Program – DELETED

Lists all new, approved cleanup projects funded from the appropriation.

Sec. 703. Municipal Landfill Match Grants – DELETED

Provides \$2.0 million for National Priority List Municipal Landfill Match Grants.

Sec. 704. Ruddiman Creek Watershed Contamination Study – DELETED

Requires Department to seek grant support for the Ruddiman Creek sediment cleanup project.

Sec. 802. Out of State Waste Report – DELETED

Sec. 903. Groundwater Use Reporting – DELETED

Grants funds for development of a groundwater database.

Sec. 904. Groundwater Inventory and Mapping – DELETED

Explains the desired use of the CMI appropriation for the groundwater inventory and mapping program.

ENVIRONMENTAL QUALITY

Sec. 909. NPDES Fund Expenditures – DELETED

Requires a report of all National Pollution Discharge Elimination System permit revenue expenditures.

Sec. 1001. Solid Waste Disposal Facility Inspections – DELETED

Requires inspection of disposal facilities accepting out-of-state solid waste.

Sec. 1002. Solid Waste Enforcement Training – DELETED

Provides training for local enforcement agency employees to combat illegal dumping.

Sec. 1103. Public Water Supply System Loans – DELETED

Requires Department to provide low interest loans to water supply systems not in compliance with federal arsenic standards.

Sec. 1104. County Grants: Water Quality Monitoring – DELETED

Provides \$700,000 to the City of St. Clair Shores for dredging.

**Summary: Executive Budget Recommendation
NATURAL RESOURCES
FY 2004-05 Senate Bill**

Analyst: Kirk Lindquist

	FY 2003-04 Year-to-Date as of 2/12/04	FY 2004-05 Executive	Difference: Exec to FY 2003-04 YTD	
			Amount	%
IDG/IDT	\$3,437,900	\$3,528,700	\$90,800	2.6
Federal	33,706,600	34,629,300	922,700	2.7
Local	0	0	0	0.0
Private	1,871,400	2,024,300	152,900	8.2
Restricted	186,358,700	188,075,700	1,717,000	0.9
GF/GP	28,089,400	25,643,100	(2,446,300)	(8.7)
Gross	\$253,464,000	\$253,901,100	\$437,100	0.2
FTEs	2,094.5	2,076.5	(18.0)	(0.9)

Overview

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

Major Budget Changes from FY 2003-04 YTD Appropriations:

		FY 2003-04 YTD (as of 2/12/04)	Executive Change
1. Payments in Lieu of Taxes	Gross	\$8,272,800	(\$8,272,800)
Removes line item from DNR budget. Makes tax payments from the statutory revenue sharing appropriation in the Department of Treasury. No restricted fund support is included in the FY 2004-05 budget. This \$6.3 million would be available for resource and recreational programs managed by the Department.	Restricted	6,259,900	(6,259,900)
	GF/GP	\$2,012,900	(\$2,012,900)
2. Snowmobile Trail Maintenance	Gross	\$8,585,900	\$1,042,500
Expands state and local snowmobile trails program, appropriating added amount realized through the recently-enacted fee increase.	Restricted	8,585,900	1,042,500
3. Marine Safety Grants	Gross	\$2,805,000	(\$500,000)
Reduces Marine Safety grant funds, which are provided to county sheriffs to partially support the cost of enforcing watercraft laws. Annual revenue to the Marine Safety Fund is not sufficient to cover traditional funding level of the program.	Restricted	2,805,000	(500,000)
4. Funding Shift: Forest Fire Suppression	Gross	\$9,506,000	\$0
Replaces General Fund support with Forest Development Fund revenue.	Federal	734,400	0
	Restricted	2,913,200	1,000,000
	GF/GP	\$5,858,400	(\$1,000,000)
5. Retail Sales System Contract	Gross	\$5,241,700	\$200,000
Increases automation contract, reflecting increased software and systems enhancement costs realized with recent upgrade of point-of-sale terminals used for hunting and fishing license sales.	Federal	200,000	0
	Restricted	4,945,900	200,000
	GF/GP	\$95,800	\$0

NATURAL RESOURCES

Major Budget Changes from FY 2003-04 YTD Appropriations:

**FY 2003-04 YTD
(as of 2/12/04)** **Executive
Change**

6. Economic Adjustments and Employee Related Savings

Increases each line item supporting payroll expenses for cost of scheduled pay increases and fringe benefits (\$13.4 million); salaries to increase by 7% and health insurance premiums to increase by 13.6%. Contribution rates for defined benefit and defined contribution retirement programs are increasing, reflecting system costs related to the recent early retirement program. Recommends workforce-related savings (\$4.8 million) to offset cost of included economic adjustments. Savings (5% of payroll) to be achieved through state employee contract concessions.

Gross	\$8,567,900
IDG	90,800
Federal	922,700
Private	52,900
Restricted	6,780,700
GF/GP	\$720,800

Major Boilerplate Changes from FY 2003-04:

Sec. 205. Statewide Hiring Freeze – DELETED

Sec. 207. Privatization Reporting Language – DELETED

Sec. 210. Restricted Fund Revenue Estimates – DELETED

Requires legislative report of fund balance and revenue estimates for each appropriated restricted fund.

Sec. 213. Game and Fish Protection Fund Appropriations to Other Departments – DELETED

Provides a list and amounts of Game and Fish Protection Fund appropriations for non-DNR agencies.

Sec. 214. Waterways Commission Activity Report – DELETED

Requires a legislative report on activities of the Waterways Commission.

Sec. 215. Cost Allocation Plan – DELETED

Requires development of a cost allocation plan for restricted funds for administrative programs.

Sec. 220. Contingency Fund Transfer Language – NEW

Allows spending authorization to be increased through the legislative transfer process.

Sec. 405. Land Sale/Transactions – DELETED

Requires legislative report on land sales and exchanges.

Sec. 407. Commission Subsidy to License Agents – DELETED

Requires provision of a 5% sales commission to game and fish license agents.

Sec. 408. Travel Expenses – DELETED

Requires report to the Legislature.

Sec. 501. Bovine TB Activity Report and Activities at Animal Diagnostic Laboratory – DELETED

Requires report to the Legislature.

Sec. 502. Indemnification for Livestock Loss – DELETED

Requires reimbursement of Department of Agriculture for payments to individuals for livestock loss attributed to wolves.

Sec. 702. State Park Refuse Collection Practices – DELETED

Requires Department to continue to collect trash at state parks.

Sec. 704. Defibrillators at State Parks – DELETED

Requires Department to place defibrillators at state parks.

Sec. 801. Timber Marking/Prescribed Treatment – DELETED

Provides marking targets for timber to be harvested.

Sec. 807. Dispersed Camping Fees – DELETED

Prohibits assessment of camping fees in wilderness camp grounds during deer season.

Sec. 901. Snowmobile Law Enforcement Grant Guidelines – DELETED

Provides criteria for award and allocation of snowmobile law enforcement grants to county sheriffs.

Sec. 1103. Land and Water Conservation Fund– DELETED

Requires grants to be coordinated with Natural Resources Trust Fund grant awards.

**FY 2004-05
Budget Detail
for**

SAFETY AND DEFENSE

**Military and Veterans Affairs
State Police**

**Summary: Executive Budget Recommendation
MILITARY AND VETERANS AFFAIRS
FY 2004-05 House Bill**

Analyst: Hannah Lee

	FY 2003-04	FY 2004-05	Difference:	
	Year-to-Date as of 2/12/04	Executive	Exec to FY 2003-04 YTD Amount	%
IDG/IDT	\$300,000	\$603,000	\$303,000	101.0
Federal	40,627,900	45,418,100	4,790,200	11.8
Local	0	0	0	0.0
Private	1,270,700	1,282,300	11,600	0.9
Restricted	24,570,100	25,599,800	1,029,700	4.2
GF/GP	36,328,800	37,563,000	1,234,200	3.4
Gross	\$103,097,500	\$110,466,200	\$7,368,700	7.1
FTEs	1,079.0	1,023.0	(56.0)	(5.2)

Overview

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

Major Budget Changes from FY 2003-04 YTD Appropriations:

1. Challenge Program

Adds \$125,000 GF/GP to help fund two, 50-pupil Challenge classes—a voluntary boot camp-style program for high school dropouts funded by the federal National Guard Bureau on a 60/40 federal/state basis.

	FY 2003-04 YTD (as of 2/12/04)	Executive Change
Gross	\$3,296,900	\$125,000
IDG	200,000	0
Federal	1,651,200	0
Private	845,700	0
GF/GP	\$600,000	\$125,000

2. D.J. Jacobetti Veterans' Home – Medicare and Medicaid

Includes increased federal revenue at the D.J. Jacobetti Veterans' Home due to tightening criteria for providing free prescription drugs to some veterans at the home. This increased billing to the veterans' insurance companies resulting in increased Medicare and Medicaid revenues. Also reflects increase in Medicare revenue due to a change in Medicare policy allowing the home to bill for blood-sugar testing supplies.

Gross	\$12,945,600	\$87,000
Federal	4,073,700	87,000
Restricted	4,391,500	0
GF/GP	\$4,480,400	\$0

3. Headquarters and Armories

Includes federal revenue available for security contracts, personnel costs, and maintenance costs.

Gross	\$9,041,200	\$300,000
Federal	1,891,300	300,000
Restricted	350,000	0
GF/GP	\$6,799,900	\$0

4. Military Training Sites

Includes federal revenue available for security contracts, personnel costs, and maintenance costs.

Gross	\$14,860,200	\$2,000,000
Federal	12,140,400	2,000,000
GF/GP	\$2,719,800	\$0

MILITARY AND VETERANS AFFAIRS

<u>Major Budget Changes from FY 2003-04 YTD Appropriations:</u>		FY 2003-04 YTD (as of 2/12/04)	Executive Change
5. Special Maintenance – Federal	Gross	\$4,300,000	\$1,000,000
Includes federal revenue available for construction, maintenance and upkeep at the training sites and logistical facilities used as training areas for the Michigan National Guard.	Federal	4,300,000	1,000,000
6. Information Technology – Base Reduction and Budgetary Savings	Gross	\$1,170,300	(\$78,900)
Reflects reduction of operating costs and employee-related savings.	Federal	560,400	(12,000)
	Restricted	160,500	(8,500)
	GF/GP	\$449,400	(\$58,400)
7. Economic Adjustments	Gross	N/A	\$5,687,100
Includes economic adjustments for salary and wages of \$2.9 million, retirement of \$1.8 million, insurance of \$1.1 million, workers compensation of (\$44,000), and DIT Economics of \$90,600.	IDG	N/A	7,600
	Federal	N/A	2,378,100
	Private	N/A	31,900
	Restricted	N/A	1,413,000
	GF/GP	N/A	\$1,856,500
8. Homeland Security	Gross	\$100,000	\$300,000
Reflects pass-through grant funding received from Department of State Police for activities related to the Homeland Security program.	IDG	100,000	300,000
9. Headquarters and Armories	Gross	\$9,041,200	(\$100,000)
Includes GF/GP adjustment for one-time cost to bring home troops for the 2003 holiday.	Federal	1,891,300	0
	Restricted	350,000	0
	GF/GP	\$6,799,900	(\$100,000)
10. Military Retirement Payments	Gross	\$2,500,000	\$176,000
Reflects increase in annual annuity paid to retired Michigan Army and Air national Guard personnel per the Michigan Military Act, 1967 PA 150.	GF/GP	\$2,500,000	\$176,000
11. Employee-related savings	Gross	\$103,097,500	(\$2,198,500)
Reflects 5% employee-related savings to help fund FY 2004-05 economic costs.	IDG	300,000	(4,600)
	Federal	40,627,900	(858,100)
	Private	1,270,700	(20,300)
	Restricted	24,570,100	(537,700)
	GF/GP	\$36,328,800	(\$777,800)
12. Human Resources Optimization	Gross	\$9,041,200	(\$19,600)
Reflects savings through increased efficiency in human resource operations.	Federal	1,891,300	0
	Restricted	350,000	0
	GF/GP	\$6,799,900	(\$19,600)
13. FTE Adjustments	FTEs	1,079.0	(56.0)
Reduces appropriated full-time equated positions (FTEs) throughout budget.			

Major Boilerplate Changes from FY 2003-04:

Sec. 205. Hiring Freeze – DELETED

Imposes hiring freeze on the state classified civil service.

Sec. 207. Privatization Plans – DELETED

Requires Department to submit a complete project plan 60 days before beginning any effort to privatize.

Sec. 213. Closing or Consolidation of National Guard Armories – DELETED

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

Major Boilerplate Changes from FY 2003-04:

Sec. 224. Contingency Funds – NEW

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

Sec. 301(4). Challenge Program Participants – NEW

Requires Department to take steps to insure that at least 75% of participants in the Challenge program are members of families with incomes at or below 200% of the federal poverty level.

Sec. 303. Prepaid Phone Cards – DELETED

Requires state family program office to promote and inform private individuals, businesses, and organizations regarding distribution of prepaid phone cards and other services to national guard members and military reservists deployed overseas on active duty.

Sec. 601. Veterans' Homes – DELETED

Provides that appropriations for the Grand Rapids veterans' home and the D.J. Jacobetti veterans' home are not to be used for any purpose other than for veterans and veterans' families.

Sec. 602. Veterans' Homes Annual Written Report – DELETED

Requires report including an accounting of member populations and bed space available; a description and accounting of services and activities provided to members; financial information; current state nursing home licensure status; the steps required for Medicaid certification; and whether or not steps are being taken toward Medicaid certification.

Sec. 703(3). Veterans' Trust Fund Annual Written Report – DELETED

Requires a detailed annual report of the Michigan veterans' trust fund.

Sec. 704. County Veterans Counselors – DELETED

Requires the Michigan veterans affairs directorate administration and the Michigan veterans' trust fund administration to take steps to assist county veterans counselors to obtain training necessary for execution of their duties.

**Summary: Executive Budget Recommendation
STATE POLICE
FY 2004-05 House Bill**

Analyst: Hannah Lee

	FY 2003-04 Year-to-Date as of 2/12/04	FY 2004-05 Executive	Difference: Exec to FY 2003-04 YTD	
			Amount	%
IDG/IDT	\$17,885,100	\$19,677,200	\$1,792,100	10.0
Federal	103,892,300	106,191,100	2,298,800	2.2
Local	4,506,600	4,681,100	174,500	3.9
Private	10,000	10,700	700	7.0
Restricted	93,063,400	99,905,600	6,842,200	7.4
GF/GP	234,765,229	245,458,500	10,693,271	4.6
Gross	\$454,122,629	\$475,924,200	\$21,801,571	4.8
FTEs	2,990.0	2,951.0	(39.0)	(1.3)

Overview

The Department of State Police provides a wide range of law enforcement services—including highway patrol, criminal investigations, forensic sciences, motor carrier enforcement, emergency management, highway safety planning, fire investigation, criminal justice data processing, and various specialized law enforcement services. The Department’s responsibilities also include oversight of law enforcement standards in the state through the Michigan Commission on Law Enforcement Standards and administration of several law enforcement-related grant programs.

Major Budget Changes from FY 2003-04 YTD Appropriations:		FY 2003-04 YTD (as of 2/12/04)	Executive Change
1. At-Post Troopers	Gross	\$107,685,300	\$0
Includes new restricted revenue due to elimination of Drivers Education Program in 2004. Funds offset GF/GP reduction to At-Post Troopers line item.	Restricted	39,384,700	1,500,000
	GF/GP	\$68,300,600	(\$1,500,000)
2. DNA Funding	Gross	\$7,393,800	\$1,000,000
Includes \$1.0 million GF/GP to assist processing backlogs of DNA samples.	Federal	3,383,200	0
	Restricted	1,746,400	0
	GF/GP	\$2,264,200	\$1,000,000
3. Emergency Management Performance Grant	Gross	\$2,832,300	\$929,400
Increases federal authorization for the Emergency Management Performance Grant (EMPG) to be used for State Police homeland security efforts.	Federal	1,519,700	929,400
	GF/GP	\$1,312,600	\$0
4. Emergency Management Performance Grant to Locals	Gross	\$2,182,100	\$300,000
Increases federal authorization for the Emergency Management Performance Grant (EMPG) to be distributed to local units of government.	Federal	2,182,100	300,000
5. Uniform Services - 9-1-1 Reimbursement Revenue	Gross	\$0	\$800,000
Includes reimbursement revenue from the Commercial Mobile Radio Service Emergency Telephone Fund to support facility upgrades to regional dispatch centers.	IDG	0	800,000

Major Budget Changes from FY 2003-04 YTD Appropriations:		FY 2003-04 YTD (as of 2/12/04)	Executive Change	
6. Consolidation of Regional Dispatch Centers		Gross	\$44,636,800	(\$430,000)
Includes savings of \$430,000 GF/GP through consolidation of four regional dispatch centers into two dispatch centers.		Federal	1,500,000	0
		GF/GP	\$43,136,800	(\$430,000)
7. Information Technology – Base Reduction and Budgetary Savings		Gross	\$18,591,800	(\$536,100)
Reflects reduction of operating costs and employee-related savings.		IDG	105,300	(2,500)
		Federal	29,600	(24,600)
		Local	2,661,500	(63,600)
		Restricted	14,200	(300)
		GF/GP	\$15,781,200	(\$445,100)
8. Economic Adjustments		Gross	N/A	\$31,236,200
Includes economic adjustments for salary and wages of \$11.5 million, retirement of \$15.8 million, insurance of \$3.8 million, worker's compensation of (\$179,000), building occupancy charges of (\$827,600), and DIT Economics of \$1.1 million.		IDG	N/A	1,435,600
		Federal	N/A	1,858,900
		Local	N/A	248,100
		Private	N/A	1,000
		Restricted	N/A	6,756,400
		GF/GP	N/A	\$20,936,800
9. Michigan Commission on Law Enforcement Standards		Gross	\$690,000	\$129,700
Includes state restricted revenues of \$129,700 to support the Michigan Commission on Law Enforcement Standards (MCOLES) portion of the Secondary Road Patrol and Training Fund as a result of enhancement to the fund created by Judiciary fee consolidation package. Resources reimburse local law enforcement agencies for costs of mandatory basic police training.		Restricted	690,000	129,700
10. Fire Fighters Training Council and Fire Investigation		Gross	\$5,214,100	(\$1,943,300)
Reflects transfer of a portion of Fire Marshal programs and Fire Fighters Training Council from State Police to Department of Labor and Economic Growth.		Federal	235,000	(235,000)
		Restricted	0	0
		GF/GP	\$4,979,100	(\$1,708,300)
12. BOC Cost Allocation		Gross	N/A	(\$1,000,000)
Reflects cost allocation for building occupancy and various salary and wage line items reducing GF/GP and shifting to available restricted revenue.		GF/GP	N/A	(\$1,000,000)
13. Employee-Related Savings		Gross	\$454,122,600	(\$8,625,700)
Reflects 5% employee-related savings to help fund FY 2004-05 economic costs.		IDG	17,885,100	(440,400)
		Federal	103,892,300	(529,900)
		Local	4,506,600	(10,000)
		Private	10,000	(300)
		Restricted	93,063,400	(1,541,900)
		GF/GP	\$234,765,200	(\$6,103,200)
14. Human Resource Optimization		Gross	\$2,163,900	(\$58,600)
Reflects savings through increased efficiency in human resource operations.		Restricted	63,600	(1,700)
		GF/GP	\$2,100,300	(\$56,900)
15. FTE Adjustments		FTEs	2,990.0	(39.0)

Major Boilerplate Changes from FY 2003-04:

Sec. 205. State Classified Civil Service Hiring Freeze – DELETED

Imposes hiring freeze on the state classified civil service.

STATE POLICE

Major Boilerplate Changes from FY 2003-04:

Sec. 207. Privatization Plans – DELETED

Requires Department to submit a complete project plan 60 days before beginning any effort to privatize.

Sec. 210. Deprived and Depressed Communities – DELETED

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

Sec. 215. Casino Gaming Oversight Report – DELETED

Requires Department to report information regarding the its activities related to casino gaming oversight.

Sec. 216. Vehicle Identification Numbers – DELETED

Requires Department to collect and computerize vehicle identification number of all vehicles entered into the state accident data collection system and make this and other vehicle information available to the public at cost.

Sec. 217. School Violence Hotline – DELETED

Requires Department to maintain a toll-free hotline in collaboration with the Department of Education and to expend appropriated funds for promotion of the hotline if needed.

Sec. 218. At-Post Trooper Strength – DELETED

Restricts expenditure of funds appropriated for At-Post Troopers to specified trooper-related expenses, calls for one or more trooper schools to be conducted during fiscal year, directs that a DROP program may be utilized to help achieve that goal, and requires report on Department's plan to accomplish stated goal, including a statement of additional funds necessary if insufficient funding exists.

Sec. 219. Closing or Consolidation State Police Posts – DELETED

Requires Department to provide notification before recommending to close or consolidate any state police posts.

Sec. 222. Contingency Funds – NEW

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

Sec. 306. Probation Information on LEIN System – DELETED

Requires Department, working with the criminal justice information system policy council, to implement procedures by which all probation information is placed on the LEIN system.

Sec. 401. Secondary Road Patrol and Training to Locals – DELETED

Requires a report on the status of assessments collected and authorized for the purposes of supporting the secondary road patrol grant program.

Sec. 501. DNA Protocol – DELETED

Requires Department to distribute its protocol for retaining and purging DNA analysis and samples and records to each police agency in this state and to report when any changes to the Department's DNA protocol are made.

Sec. 701. Fire Marshal – DELETED

Requires a detailed report including information about the quality and adequacy of service from the state fire investigation, education, and training under reorganization of the fire marshal division responsibilities.

Sec. 1101. Areas Near A State Prison – DELETED

States that there is sufficient money appropriated in section 113 to criminal investigations to ensure that the citizens in a service area of any state police post in the vicinity of a state prison do not experience a downgrading of state police services in their area, requires criminal investigations to be available by temporary or permanent assignment of a detective when either a temporary or permanent prison facility is opened, and requires Department to provide troopers to serve as investigators on an interim basis if Department is unable to comply with subsection (1).

Sec. 1201. School Bus Inspections – DELETED

Requires a report regarding inspection of school buses and other motor vehicles under section 715a of the Michigan vehicle code, 1949 PA 300, MCL 257.715a, and section 39 of the pupil transportation act, 1990 PA 187, MCL 257.1839.

**FY 2004-05
Budget Detail
for
ALL OTHERS**

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

**Summary: Executive Budget Recommendation
CAPITAL OUTLAY
FY 2004-05 House Bill**

Analyst: Al Valenzio

	FY 2003-04 Year-to-Date as of 2/12/04	FY 2004-05 Executive	Difference: Exec to FY 2003-04 YTD	
			Amount	%
IDG/IDT	\$2,000,000	\$2,000,000	\$0	0.0
Federal	206,952,000	210,842,000	3,890,000	1.9
Local	42,789,600	42,790,000	400	0.0
Private	0	0	0	0.0
Restricted	58,420,000	46,214,200	(12,205,800)	(20.9)
GF/GP	252,302,500	271,302,100	18,999,600	7.5
Gross	\$562,464,100	\$573,148,300	\$10,684,200	1.9
FTEs	0.0	0.0	0.0	0.0

Overview

The Michigan Capital Outlay process encompasses the budgetary and administrative functions devoted to the financing and planning for the acquisition, construction/renovation, and maintenance of facilities used by a state agency, public university, or community college. General operational practices and procedures are contained in the Management and Budget Act (1984 PA 431), the State Building Authority Act (1964 PA 183), the annual Capital Outlay Appropriations Act (2003 PA 193), and the formal policies of the Legislative Joint Capital Outlay Subcommittee. Act 431 contains numerous oversight and approval action steps that define the respective roles of the Executive and Legislative Branches.

Most major state-owned facility renovations and new construction projects are financed by the State Building Authority (SBA). This is accomplished through the issuance of revenue bonds. Debt service on these bonds is provided annually in the Capital Outlay budget bill's SBA rent line items. Rent is often referred to as "true" rent because it is based on the facility's economic or market value. The SBA has a statutory bonded indebtedness ceiling, currently set at \$2.7 billion.

The Governor's FY 2004-05 gross budget is nearly \$10.7 million higher than the current year while the General Fund appropriation is up by nearly \$19 million. The General Fund change is attributable to financing adjustments and new buildings coming on line for State Building Authority rent payments. This budget continues the don't-fix-it-until-it-breaks policy for major state agency special maintenance at current funding levels; it does not contain any new State Building Authority financed planning or construction authorizations.

<u>Major Budget Changes from FY 2003-04 YTD Appropriations:</u>		FY 2003-04 YTD (as of 2/12/04)	Executive Change
STATE BUILDING AUTHORITY RENT			
1. SBA Rent – State Agencies, Corrections, Universities, and Community Colleges	Gross	\$266,002,100	\$11,095,000
	Restricted	15,700,000	(7,905,000)
	GF/GP	\$250,302,100	\$19,000,000
Increases funding to reflect full-year funding for projects that came on line this year and partial funding for projects coming on line next year; also reflects funding shifts from restricted funds to General Fund. The state pays rent to the SBA so it can pay off bonds used to finance building construction projects for state agencies, universities, and community colleges.			

CAPITAL OUTLAY

<u>Major Budget Changes from FY 2003-04 YTD Appropriations:</u>	<u>FY 2003-04 YTD (as of 2/12/04)</u>	<u>Executive Change</u>	
DEPARTMENT OF MANAGEMENT AND BUDGET			
2. Major Special Maintenance	Gross	\$1,403,300	(\$1,403,300)
Transfers GF/GP appropriations for special maintenance for the Departments of Corrections, Community Health, State Police, Management and Budget, and the FIA to a single, undesignated line item: Corrections, \$711,700; Management and Budget, \$244,100; Family Independence Agency, \$188,400; Community Health, \$171,300; State Police, (\$87,800). It would then be DMB policy to only expend funds for emergency repairs that involve health and safety issues. This will be the third year this policy is in effect regardless of line item designation.	GF/GP	\$1,403,300	(\$1,403,300)
DEPARTMENT OF MILITARY AND VETERANS AFFAIRS			
3. Construction Authorizations	Gross	\$0	\$33,500,000
Camp Grayling, new company headquarters building, \$18.5 million (100% federal) ▪ North Lansing (Baker-Olin) complex renovations for administrative and maintenance staffs, \$13.0 million (96% federal, 4% state) ▪ Camp Grayling, new machine gun range, \$2.0 million (100% federal).	Federal	0	33,000,000
	Restricted	0	500,000
4. Army Aviation Support Facility	Gross	\$20,800,000	(\$11,600,000)
Provides final phase funding for construction of a new 110,500 sq. ft. helicopter support/maintenance/storage facility at Grand Ledge. More than 98% of the cost will be funded by federal monies. Department anticipates receiving up to 22 additional Blackhawk helicopters requiring a new support facility.	Federal	20,460,000	(11,260,000)
	Restricted	340,000	(340,000)
5. Eliminate One-Time Construction Authorizations	Gross	\$19,600,000	(\$19,600,000)
United States Property and Fiscal Office, \$6.7 million ▪ New Owosso Armory, \$5.0 million ▪ Camp Grayling, electrical service upgrades, \$2.8 million ▪ Camp Grayling, bachelor officers quarters, \$1.8 million ▪ Camp Grayling, conference center, \$1.8 million ▪ Pontiac Readiness Center, addition and renovations, \$1.5 million.	Federal	17,850,000	(17,850,000)
	Restricted	1,750,000	(1,750,000)
6. Remodeling/Additions and Special Maintenance	Gross	\$6,188,700	(\$596,700)
Transfers GF/GP appropriations for special maintenance for the departments of Corrections, Community Health, State Police, Management and Budget, Military and Veterans' Affairs, and the FIA to a single undesignated line item. It would then be DMB policy to only expend funds for emergency repairs that involve health and safety issues. This will be the third year that this policy is in effect.	Federal	5,592,000	0
	GF/GP	\$596,700	(\$596,700)
STATE AGENCY SPECIAL MAINTENANCE			
7. Major Special Maintenance – Remodeling/Additions for State Agencies	Gross	\$2,000,000	\$2,000,000
Transfers GF/GP appropriations for special maintenance for the departments of Corrections, Community Health, State Police, Management and Budget, Military and Veterans' Affairs, and the FIA to a single undesignated line item. It would then be DMB policy to only expend funds for emergency repairs that involve health and safety issues. This will be the third year that this policy is in effect.	IDG	2,000,000	0
	GF/GP	\$0	\$2,000,000
DEPARTMENT OF NATURAL RESOURCES			
8. Boating Program – One-Time Construction Authorizations	Gross	\$3,220,000	(\$3,220,000)
Crystal Lake, boating access site, \$550,000 ▪ Trout Lake, boating access site, \$310,000 ▪ Traverse City, boating access site, \$135,000 ▪ South Haven, marina dock system improvements, \$625,000 ▪ Harrisville, restroom/shower building, \$600,000 ▪ Detroit, St. Aubin Marina improvements, \$1.0 million.	Restricted	3,220,000	(3,220,000)

CAPITAL OUTLAY

<u>Major Budget Changes from FY 2003-04 YTD Appropriations:</u>		<u>FY 2003-04 YTD (as of 2/12/04)</u>	<u>Executive Change</u>
DEPARTMENT OF TRANSPORTATION			
9. Buildings and Facilities – One-Time Construction Authorizations	Gross	\$6,545,000	(\$6,545,000)
	Restricted	6,545,000	(6,545,000)
Detroit, Transportation Service Center, \$3.3 million ▪ Gaylord, Regional Office Building, \$1.8 million ▪ L'Anse, new equipment storage building, \$815,000 ▪ New Buffalo Welcome Center, water/sewer, \$500,000 ▪ Mackinac Island, British Landing Dock, \$130,000.			
10. Buildings and Facilities – Construction Authorizations	Gross	\$1,950,000	\$7,433,000
	Restricted	1,950,000	7,433,000
Houghton, new maintenance garage, \$2.2 million ▪ Mio, maintenance garage renovation and expansion, \$1.5 million ▪ Atlanta, maintenance garage renovation and expansion phase II, \$2.4 million ▪ Aeronautics Facility, security improvements, etc., \$400,000 ▪ Equipment storage buildings, statewide, \$1.0 million ▪ Salt storage buildings–contract agencies, \$1.9 million.			
11. Airport Improvement Program – State Aeronautics Fund	Gross	\$220,889,600	\$1,156,600
	Federal	160,000,000	0
	Local	42,789,600	400
	Restricted	6,100,000	1,156,200
Provides a 19% increase for state matching funds to support security/general improvement projects at local airports.			

Major Boilerplate Changes from FY 2003-04 YTD Appropriations:

GENERAL SECTIONS

Sec. 204. Michigan Goods and Services – DELETED

Prohibits purchase of non-Michigan goods and services if comparably priced Michigan goods and services are available.

DEPARTMENT OF CORRECTIONS

Sec. 301. Watchtowers at Maximum Correctional Facilities – DELETED

Requires new maximum security prisons to have manned and operational watchtowers.

LUMP SUMS AND SPECIAL MAINTENANCE

Sec. 602. State-Owned Building Demolitions – MODIFIED

Amends current law to state that each state agency, university, and community college will provide notification to the Joint Capital Outlay Subcommittee (JCOS) of a planned building demolition. If not disapproved by the JCOS within 30 days, the demolition will be deemed authorized. Currently, DMB may demolish any state owned building as designated by law. Also, each state agency, university, and community college is to annually report to DMB the status of authorized building demolition projects.

DEPARTMENT OF MANAGEMENT & BUDGET

Sec. 902. Expenditures for Leased Facilities, Various State Agencies – NEW

Prohibits various departments from expending operational funds for specific leases of non-state owned facilities unless the DMB director objects. This covers 23 lease agreements spread among the departments of Civil Service, Community Health, Labor and Economic Growth, State Police, DMB, and the FIA. The DMB director must report any exceptions, and justification for, to the appropriations committees, fiscal agencies, and state budget director by the end of the fiscal year.

**Summary: Executive Budget Recommendation
HISTORY, ARTS, AND LIBRARIES
FY 2004-05 House Bill**

Analyst: Steve Stauff

	FY 2003-04 Year-to-Date as of 2/12/04	FY 2004-05 Executive	Difference: Exec to FY 2003-04 YTD	
			Amount	%
IDG/IDT	\$137,500	\$139,000	\$1,500	1.1
Federal	9,322,600	8,151,300	(1,171,300)	(12.6)
Local	0	0	0	0.0
Private	577,400	577,400	0	0.0
Restricted	2,308,800	2,412,400	103,600	4.5
GF/GP	44,201,700	47,463,100	3,261,400	7.4
Gross	\$56,548,000	\$58,743,200	\$2,195,200	3.9
FTEs	254.5	238.0	(16.5)	(6.5)

Overview

The Department of History, Arts, and Libraries administers programs in four major areas: arts and cultural affairs, which includes administration of Michigan's Arts and Cultural Grants program; Mackinac Island State Park Commission, which oversees operational activities at the Mackinac Island State Park, the Michilimackinac State Park, and the Mill Creek State Park; historical program, which includes historical museum system, historical publications, archaeological, and lighthouse preservation activities; and library services, providing reference services to the public and Legislative, Executive, and Judicial branches of state government, as well as assisting public libraries statewide.

Major Budget Changes from FY 2003-04 YTD Appropriations:

1. Preservation and Access for Michigan Project

Adds GF/GP funding to digitize materials currently in the possession of libraries in the state and to preserve, store, and make these digitized images available via the Michigan Electronic Library (MEL). Subject materials are to be significant in the state's history, the only existing copies of unique items, or of broad interest to citizens of Michigan. An evaluation group comprised of representatives of libraries and universities will decide on items that meet the criteria.

	FY 2003-04 YTD (as of 2/12/04)	Executive Change
Gross	\$0	\$1,500,000
GF/GP	\$0	\$1,500,000

2. Employee Related Savings

Recognizes reductions that will be accomplished through employee concessions.

Gross	\$0	(\$375,200)
Federal	0	(28,500)
Restricted	0	(1,600)
GF/GP	\$0	(\$345,100)

3. Employee Economics

Reflects economic increases for employees covering salaries, wages and fringes. Since no economics were included for the base budget of FY 2004, these amounts reflect negotiated economics which would adjust the base for FY 2003-04 and FY 2004-05.

Gross	\$0	\$997,600
Federal	0	68,800
Restricted	0	9,500
GF/GP	\$0	\$919,300

Major Budget Changes from FY 2003-04 YTD Appropriations:

4. Detroit Public Library

Reduces federal support in FY 2004-05 but provides for a like amount of GF/GP. There appears to be no requirement that the FY 2004-05 funds are to be used for the same purpose as the FY 2003-04 federal funding. In FY 2003-04, the Detroit Public Library received federal Reed Act funding in the amount of \$1.0 million to provide on-line access to resources for unemployed Michigan residents seeking unemployment information, job development tools and skills building materials. FY 2003-04 is the last year these resources are available.

	FY 2003-04 YTD (as of 2/12/04)	Executive Change
Gross	\$0	\$0
Federal	1,000,000	(1,000,000)
GF/GP	\$0	\$1,000,000

5. Grand Rapids Public Library

Reduces federal support in FY 2004-05 but provides for a like amount of GF/GP. There appears to be no requirement that the FY 2004-05 funds are to be used for the same purpose as the FY 2003-04 federal funding. In FY 2003-04, the Grand Rapids Public Library received federal Reed Act funding in the amount of \$125,000 to provide on-line access to resources for unemployed Michigan residents seeking unemployment information, job development tools and skills building materials. FY 2003-04 is the last year these resources are available.

Gross	\$0	\$0
Federal	125,000	(125,000)
GF/GP	\$0	\$125,000

Major Boilerplate Changes from FY 2003-04:

Sec. 215. Receive and Expend Language – MODIFIED

Adds language that allows revenues collected for services rendered to other state departments, local units of government, judicial branch, other organizations, and patrons to be deposited into a new fund named the History, Arts and Libraries Service Fund.

Sec. 216. History, Arts and Libraries Service Fund – NEW

Creates this new fund and allows the balance to be carried forward by the Department for expenditure in subsequent fiscal years.

Sec. 217. Contingency Fund Language – NEW

Authorizes Department to receive amounts not to exceed \$1.5 million in federal, \$1.0 million in state restricted, \$150,000 in local, and \$1.0 million in private contingency funding; requires that this funding be transferred to another line item via the legislative transfer process in order to be available for expenditure.

Sec. 401(6). State Art Anchor Organization Grants Funding Limitation – DELETED

Requires the Michigan Council for Arts and Cultural Affairs to ensure that all organizations receiving state arts organization grants have combined grant awards of no more than 15.0% of operating revenue for the fiscal year ending September 30, 2005, and beyond.

Sec. 506. Sale of State Historical Museum Artifacts – MODIFIED

Removes requirement that Department notify the chairpersons, vice chairpersons, and minority vice chairpersons of the House and Senate appropriations subcommittees on History, Arts and Libraries one week prior to any auction or sale of State Historical Museum artifacts.

Sec. 507. Historical Society of Michigan Access to Michigan History Magazine Subscriber List – DELETED

Requires Department to make available to the Historical Society of Michigan the Michigan History Magazine subscriber list at actual cost, unless prohibited by law.

Sec. 508. Local Historical Society – DELETED

Provides guidance on the use of \$100,000 within the Historical Administration and Services appropriation line to be used for a competitive grant program for all state and local historical societies.

Sec. 604. Federal Aid to Libraries – DELETED

Requires that funding in the Federal Aid to Libraries appropriation line be awarded on a competitive basis to all eligible libraries for the purpose of providing computers to train library staff to assist claimants in accessing unemployment agency websites. Appropriation line was deleted in Executive Recommendation.

HISTORY, ARTS, AND LIBRARIES

Major Boilerplate Changes from FY 2003-04:

Sec. 605. Public Library Special Collections Study – DELETED

Requires Department to conduct a study, due to the Legislature no later than September 30, 2004, on special collections at public libraries across the state. Study shall include recommendations for funding recognizing the distinct nature of the respective collections.

Sec. 607. Book Distribution Centers – DELETED

Authorizes Book Distribution Centers funding in part 1 to the Public Enrichment Foundation and to the Michigan Friends of Education, \$158,700 and \$148,800 respectively.

**Summary: Executive Budget Recommendation
JUDICIARY
FY 2004-05 House Bill**

Analyst: Marilyn Peterson

	FY 2003-04 Year-to-Date as of 2/12/04	FY 2004-05 Executive	Difference: Exec to FY 2003-04 YTD	
			Amount	%
IDG/IDT	\$4,633,500	\$4,633,500	\$0	0.0
Federal	4,106,500	3,815,600	(290,900)	(7.1)
Local	3,148,700	3,298,100	149,400	4.7
Private	842,500	842,500	0	0.0
Restricted	80,120,300	82,333,600	2,213,300	2.8
GF/GP	160,216,400	158,093,300	(2,123,100)	(1.3)
Gross	\$253,067,900	\$253,016,600	(\$51,300)	0.0
FTEs	582.5	582.5	0.0	0.0

Overview

Article VI of the State Constitution of 1963 is the basis for Michigan’s judicial branch of government. The Judiciary budget includes operational funding for the Michigan Supreme Court, Court of Appeals, and related judicial agencies. Additionally, the budget funds the salaries of justices of the Supreme Court and judges at the appeals, circuit, probate, and district levels according to constitutional and statutory requirements. Grant funding for trial court operations is provided to counties through Court Equity Fund reimbursements based on a statutory formula. Various other grant programs provide funding to trial courts and related organizations. In the enacted FY 2003-04 budget, justices’ and judges’ salaries constitute the largest portion of the Judiciary budget: 36% of the gross budget and 53% of the GF/GP budget.

Major Budget Changes from FY 2003-04 YTD Appropriations:		FY 2003-04 YTD (as of 2/12/04)	Executive Change
1. Court Equity Fund Reimbursements	Gross	\$69,906,000	(\$1,000,000)
Decreases line item for court equity formula grant program by \$1.0 million gross, reflecting \$2.8 million GF/GP reduction offset by \$1.8 million increased restricted revenue deriving from fee changes that took effect October 1, 2003. Associated boilerplate directs \$1.0 million from the Judicial Technology Fund to counties to provide funds for court technology needs.	Restricted	44,669,900	1,768,900
	GF/GP	\$25,236,100	(\$2,768,900)
2. Drug Court Grant Program	Gross	\$4,635,000	\$0
Increases restricted revenues deriving from civil infraction assessments and statutory state costs in criminal cases; GF/GP support reduced by identical amount.	IDG	1,800,000	0
	Federal	300,000	0
	Restricted	1,267,500	420,800
	GF/GP	\$1,267,500	(\$420,800)
3. Judgeship Changes	Gross	\$86,872,100	(\$101,700)
Reflects changes in costs of salaries, retirement, and social security due to changes in judgeships enacted during 2001-2002 legislative session.	Restricted	7,090,200	0
	GF/GP	\$79,781,900	(\$101,700)
4. Employee-Related Savings	Gross	N/A	(\$1,496,900)
Incorporates unspecified savings applied to lines directly and indirectly funding FTEs and totaling \$1.5 million gross, \$1.4 million GF/GP.	Federal	N/A	(13,100)
	Local	N/A	(81,600)
	Restricted	N/A	(11,500)
	GF/GP	N/A	(\$1,390,700)

JUDICIARY

<u>Major Budget Changes from FY 2003-04 YTD Appropriations:</u>	<u>FY 2003-04 YTD (as of 2/12/04)</u>	<u>Executive Change</u>	
5. Economics	Gross	N/A	\$2,858,800
Includes economic adjustments for salaries and wages (\$2.0 million gross, \$1.8 million GF/GP), insurances (\$568,300 gross, \$526,600 GF/GP), retirement (\$1.5 million gross, \$1.4 million GF/GP), workers' compensation (\$10,000 gross and GF/GP), and building occupancy charges (\$1.2 million gross and GF/GP).	Federal	N/A	33,700
	Local	N/A	231,000
	Restricted	N/A	35,100
	GF/GP	N/A	\$2,559,000

Major Boilerplate Changes from FY 2003-04:

Sec. 211. Personal Service Contracts – DELETED

Deletes requirement for monthly report on personal service contracts.

Sec. 213. Contingency Funds – NEW

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

Sec. 304. Cooperation with Auditor General – DELETED

Deletes section requiring judicial branch to cooperate with auditor general regarding judicial branch audits.

Sec. 304. Court Technology – NEW

Appropriates \$1.0 from Judicial Technology Fund to counties to provide funds for court technology needs; distribution proportionate to Court Equity Fund distributions.

Sec. 313. Judicial Technology Improvement Fund/CSES Refund/Cyber Court – DELETED

Deletes section establishing criteria for use of Judicial Technology Improvement Fund (JTIF), allowing JTIF funds to be used for cyber court, and appropriating \$6.0 million of the refund of federal child support enforcement system (CSES) penalties for a JTIF, including \$1.0 million for the cyber court.

Sec. 314. Mental Health Courts – DELETED

Deletes requirement for State Court Administrative Office (SCAO) to assist interested local courts in obtaining federal funds for mental health courts, should such funds become available.

Sec. 315. Communication with DIT – DELETED

Deletes requirement for judicial branch to communicate with Department of Information Technology on information technology activities.

**Summary: Executive Budget Recommendation
TRANSPORTATION
FY 2004-05 House Bill**

Analyst: William E. Hamilton

	FY 2003-04 Year-to-Date as of 2/12/04	FY 2004-05 Executive	Difference: Exec to FY 2003-04 YTD	
			Amount	%
IDG/IDT	\$0	\$0	\$0	0.0
Federal	941,755,100	1,132,701,200	190,946,100	20.3
Local	5,800,000	5,800,000	0	0.0
Private	0	0	0	0.0
Restricted	2,160,263,600	2,153,986,400	(6,277,200)	(0.3)
GF/GP	0	0	0	0.0
Gross	\$3,107,818,700	\$3,292,487,600	\$184,668,900	5.9
FTEs	3,056.3	3,050.3	(6.0)	(0.2)

Overview

The \$3.1 billion state transportation budget supports state and local highway programs, public transportation programs, aeronautics programs, and administration of the Michigan Department of Transportation. Funding is provided from state restricted, federal, and local revenue. There is no GF/GP revenue in this budget.

Major Budget Changes from FY 2003-04 YTD Appropriations:

1. Debt Service

Increases debt service to \$167.7 million—reflecting anticipated debt service schedules. Of this, approximately \$21.6 million represents debt service on a proposed 2004 bond issue for state trunkline projects.

	FY 2003-04 YTD (as of 2/12/04)	Executive Change
Gross	\$132,062,300	\$35,687,800
Federal	24,000,000	20,000,000
Restricted	108,062,300	15,687,800

2. Michigan Transportation Fund (MTF) Grants to Other State Departments (IDGs)

Provides \$29.0 million in MTF grants to other state departments, including \$20.0 million to the Department of State, and \$7.8 million to the Department of Treasury, to reimburse those departments for the costs of collecting MTF revenue. Appropriation reflects provisions of 2003 PA 152 (SB 554) and 2003 PA 151(SB 539).

Gross	\$27,765,900	\$1,235,400
Restricted	27,765,900	1,235,400

3. Highway Maintenance

Provides \$253.7 million for state trunkline maintenance—an increase of 8.4%. Part of increase reflects transfer of 74.0 positions, and \$7.7 million, from Bureau of Highway appropriations unit. Increases also reflect costs of additional state trunkline lane miles (added through new construction and jurisdictional transfers) and road maintenance material costs. Executive proposes to roll up the \$135.3 million Contract operations line item into a single State trunkline operations line.

FTEs	692.6	125.0
Gross	\$234,028,600	\$19,697,500
Restricted	234,028,600	19,697,500

4. State Trunkline Road and Bridge Construction

Anticipates additional federal aid and reflects a decrease in estimated State Trunkline Fund revenue. Funding for construction and reconstruction of state trunkline roads and bridges would total \$988.0 million.

Gross	\$953,665,100	\$44,355,600
Federal	631,600,000	115,343,100
Local	5,000,000	0
Restricted	317,065,100	(70,987,500)

REVIEW AND ANALYSIS OF FY 2004-05 EXECUTIVE RECOMMENDATION

TRANSPORTATION

Major Budget Changes from FY 2003-04 YTD Appropriations:		FY 2003-04 YTD (as of 2/12/04)	Executive Change
5. Critical Bridge Program	Gross	\$5,750,000	\$25,579,000
Provides \$31.3 million for this program—a five-fold increase, which would come from proposed redirection of one-half of the one-cent of the gasoline excise tax currently earmarked (in Act 51) for state trunkline bridges. This new earmark would increase funding for the Critical Bridge Fund/Program by approximately \$25.6 million.	Restricted	5,750,000	25,579,000
6. MTF Distribution to Local Road Agencies	Gross	\$992,971,200	(\$4,790,600)
Appropriates \$988.2 million—\$634.4 million to county road commissions and \$353.7 million to cities and villages. Distribution is based on February 2004 MTF revenue estimates. Public Act 51 of 1951 provides a formula distribution of funds from the MTF to local road agencies (county road commissions, and incorporated cities and villages); actual MTF distributions will be based on actual MTF revenue.	Restricted	992,971,200	(4,790,600)
7. Aeronautics Programs	Gross	\$6,518,900	\$1,681,900
Reflects increased estimates of State Aeronautics Fund revenue.	Restricted	6,518,900	1,681,900
8. Public Transportation and Freight Services	FTEs	85.0	0.0
Appropriates \$8.1 million with 85.0 authorized FTE positions. This appropriations unit is identified as Bureau of Urban and Public Transportation in the current-year budget.	Gross	\$6,650,000	\$1,414,700
	Restricted	6,650,000	1,414,700
9. Bus Transit - Local Bus Operating Assistance	Gross	\$161,680,000	\$0
Maintains state operating assistance for the state's 77 public transit agencies at current-year level of \$161.7 million (CTF).	Restricted	161,680,000	0
10. Bus Transit - Non-Urban Operating/Capital	Gross	\$10,900,000	\$3,700,000
Provides federal funds (from Federal Transit Act, Section 5311) to transit systems in non-urbanized areas (populations less than 50,000). Anticipates federal revenue increase.	Federal	10,700,000	3,700,000
	Restricted	0	0
	Local	200,000	0
11. Specialized Services	Gross	\$3,939,500	\$4,600,000
Maintains state support for this program at \$3.9 million, but also recognizes \$4.6 million in anticipated federal revenue. Line item supports transit services to the elderly and persons with disabilities.	Federal	0	4,600,000
	Restricted	3,939,500	0
12. Bus Capital	Gross	\$53,049,500	(\$14,374,100)
Provides \$38.7 million for Bus capital line. Reduction in state restricted (CTF) funding is made to bring appropriation in balance with estimated available revenue. Department anticipates using 2002 CTF bond proceeds to match available federal funds and thereby offset the proposed reduction.	Federal	38,000,000	(8,000,000)
	Restricted	14,549,500	(6,374,100)
	Local	500,000	0
13. Transportation to Work	Gross	\$6,000,000	\$4,300,000
Maintains state support for this program (Work first initiative in the current-year budget) but anticipates \$4.3 million additional federal funding.	Federal	1,000,000	4,300,000
	Restricted	5,000,000	0
14. Economics	Gross	N/A	\$33,936,600
Reflects \$33.9 million in anticipated cost increases, including \$11.5 million in salary and wage increases, \$19.7 million for retirement contributions, and \$3.3 million for other employee insurances. Increases were partially offset by reductions in workers compensation (\$135,000) and building occupancy charges (\$501,300).	Restricted	N/A	33,936,600
15. Employee Savings	Gross	N/A	(\$8,684,000)
Anticipates budgetary savings of \$8.7 million.	Restricted	N/A	(8,684,000)

Major Boilerplate Changes from FY 2003-04:

Sec. 206. Contingency Funds – NEW

Restores use of boilerplate contingency funds—\$200.0 million federal, \$40.0 million state, and \$1.0 million each local and private.

FY 2004-05
CONSENSUS REVENUES

Consensus Revenues FY 2004-05

Senior Economist: Rebecca Ross

This section explains January 2004 Consensus Revenue Estimating Conference estimates for GF/GP and School Aid Fund (SAF) revenue for FYs 2003-04 and 2004-05 by major revenue sources. Several important assumptions behind the revenue estimates are discussed in the following text. Figures presented include Public Acts issued through January 2004 and do not include the Executive Recommendation.

General Fund/General Purpose Revenue by Source

■ *Personal Income Tax*

Wage and salary employment is expected to increase 0.5% in 2004, then grow by 1.8% in 2005. Michigan's unemployment rate is expected to reach 7.2% in 2004, up from 7.1% in 2003, then decline to 6.4% in 2005. As a result, Michigan personal income tax revenues are forecast to increase 2.1% in FY 2003-04 and 5.4% in FY 2004-05. Baseline GF/GP income tax revenues are expected to increase 1.7% to \$4,024.4 million in FY 2003-04, and increase by 5.6% to \$4,251.3 million in FY 2004-05.

■ *Sales and Use Taxes*

Improved growth in wage and salary income will increase baseline sales and use tax revenue from \$941.0 million in FY 2003-04 to \$976.7 million in FY 2004-05.

■ *Single Business and Insurance Taxes*

Single Business Tax (SBT) revenues accrue to the General Fund. Net baseline business taxes (SBT plus insurance taxes) were \$2,114.0 million in FY 2002-03 and will increase 2.1% to \$2,157.8 million in FY 2003-04 and 4.9% to \$2,263.0 million in FY 2004-05. Baseline Single Business Tax revenues alone were \$1,882.9 million in FY 2002-03; they are expected to increase 1.5% to \$1,910.8 million in FY 2003-04 and 4.8% to \$2,002.0 million in FY 2004-05.

■ *GF/GP Baseline Tax Revenues*

Final GF/GP baseline tax revenues totaled \$7,652.1 million in FY 2002-03. General Fund/General Purpose baseline tax revenues are expected to increase in FY 2003-04 by 2.2% to \$7,819.7 million and in FY 2004-05 by 4.7% to \$8,190.5 million.

■ *Total GF/GP Baseline Revenues*

Total baseline GF/GP revenues include baseline tax revenues and non-tax revenues. Non-tax revenue includes revenue from the liquor purchase revolving fund, federal aid, licenses and permits, and investment income and borrowing costs. Total GF/GP baseline revenues were \$7,943.6 million in FY 2002-03. General Fund/General Purpose baseline revenues are expected to increase by 1.3% to \$8,045.5 million in FY 2003-04 and by 4.0% to \$8,369.3 million in FY 2004-05.

■ *Actual GF/GP Revenues*

Actual GF/GP revenues represent revenues available for expenditure each year and include adjustments to the baseline, such as tax changes and one-time federal revenue. Final total actual GF/GP revenues were \$7,957.7 million in FY 2002-03. Actual GF/GP revenues are expected to decline by 1.3% to \$7,857.5 million in FY 2003-04, then decrease by \$34.7 million or 0.4% to \$7,822.8 million in FY 2004-05.

GF/GP REVENUE ESTIMATES
(Millions of Dollars and Fiscal Years)

	<u>Final 2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2004-05 over 2003-04</u>	
				<u>% Change</u>	<u>\$ Change</u>
Personal Income Taxes	\$3,955.9	\$4,024.4	\$4,251.3	5.6%	\$226.9
Sales and Use Taxes	883.2	941.0	976.7	3.8%	35.7
SBT and Insurance Taxes	2,114.0	2,157.8	2,263.0	4.9%	105.2
Other Taxes	<u>699.0</u>	<u>696.5</u>	<u>699.6</u>	0.4%	<u>3.1</u>
GF/GP Baseline Tax Revenues	\$7,652.1	\$7,819.7	\$8,190.5	4.7%	\$370.8
Non-Tax Revenue	<u>291.5</u>	<u>225.8</u>	<u>178.8</u>	-20.8%	<u>(47.0)</u>
Total GF/GP Baseline Revenues	\$7,943.6	\$8,045.5	\$8,369.3	4.0%	\$323.8
Adjustments to Baseline					
Adjustments to Baseline	<u>14.1</u>	(188.0)	(546.6)		<u>(\$358.6)</u>
Actual GF/GP Revenues	\$7,957.7	\$7,857.5	\$7,822.8	-0.4%	<u>(\$34.7)</u>

School Aid Fund Revenue by Source

■ **Sales and Use Taxes**

Combined sales and use tax revenue dedicated to the SAF equaled \$5,091.6 million in FY 2002-03 and is forecast to increase 3.0% to \$5,243.2 million in FY 2003-04 and 4.2% to \$5,463.0 million in FY 2004-05. Baseline sales tax revenue is forecast to increase 3.1% in FY 2003-04 and 4.2% in FY 2004-05; baseline use tax revenue to the SAF is estimated to increase 2.1% in FY 2003-04 and 3.7% in FY 2004-05.

■ **Income Tax**

Approximately 23.0% of gross income tax collections are dedicated to the SAF. Baseline dedicated income tax revenue is forecast to increase 2.9% to \$1,899.5 million in FY 2003-04 and 4.9% to \$1,993.0 million in FY 2004-05.

■ **Lottery/Casinos**

Lottery revenues contributed \$586.0 million to the SAF in FY 2002-03. Baseline lottery revenues to the SAF are projected to decrease 0.2% to \$585.0 million in FY 2003-04 and remain flat in FY 2004-05. Casino revenue contributed \$90.9 million to the SAF in FY 2002-03, and is estimated to be \$94.5 million in FY 2003-04 and \$97.3 million in FY 2004-05.

■ **Tobacco Taxes**

Approximately 55% of gross tobacco tax revenue is dedicated to the School Aid Fund. The School Aid Fund received \$489.1 million from tobacco taxes in FY 2002-03. The demand for tobacco products is expected to decline over the duration of the forecast. Total SAF tobacco tax revenues are expected to decrease to \$479.7 million in FY 2003-04 and \$472.8 million in FY 2004-05.

■ **State Education Tax/Real Estate Transfer Tax**

All of the 6-mill state education tax (SET) and the real estate transfer tax (RET) is dedicated to the SAF. Revenues from the SET were \$1,673.2 million in FY 2002-03. SET revenues are expected to increase 2.3% to \$1,710.8 million in FY 2003-04 and 6.4% to \$1,820.5 million in FY 2004-05. The real estate transfer tax contributed \$275.5 million to the SAF in FY 2002-03 and is forecast to contribute \$274.7 million in FY 2003-04 and \$273.0 million in FY 2004-05.

■ **Total SAF Baseline Revenues**

Final total SAF baseline revenues were \$10,255.6 million in FY 2002-03. Baseline revenues are expected to increase 2.3% to \$10,495.4 million in FY 2003-04 and 4.0% to \$10,917.9 million in FY 2004-05.

■ **Actual SAF Revenues**

Actual SAF revenues represent revenues available for expenditure each year; they include tax changes, beginning balances, federal funds, and BSF transfers, but do not include any GF/GP transfers to SAF. Actual SAF revenues were \$12,053.3 million in FY 2002-03 and are expected to decrease 0.3% to \$12,014.8 million in FY 2003-04, then increase 2.5% to \$12,312.9 million in FY 2004-05.

SCHOOL AID FUND REVENUE ESTIMATES
(Millions of Dollars and Fiscal Years)

Revenues	Final 2002-03	2003-04	2004-05	2004-05 over 2003-04	
				% Change	\$ Change
Sales and Use Tax	\$5,091.6	\$5,243.2	\$5,463.0	4.2%	219.8
Income Tax Earmark	1,846.9	1,899.5	1,993.0	4.9%	93.5
Lottery and Casinos	676.9	679.5	682.3	0.4%	2.8
Tobacco Taxes	489.1	479.7	472.8	-1.4%	(6.9)
State Education Tax	1,673.2	1,710.8	1,820.5	6.4%	109.7
Real Estate Transfer Tax	275.5	274.7	273.0	-0.6%	(1.7)
Liquor Excise and Specific Taxes	<u>202.4</u>	<u>208.0</u>	<u>213.3</u>	2.5%	<u>5.3</u>
Baseline SAF Revenues	\$10,255.6	\$10,495.4	\$10,917.9	4.0%	\$422.5
Adjustments to Baseline	<u>1,797.7</u>	<u>1,519.4</u>	<u>1,395.0</u>		<u>(\$124.4)</u>
Actual SAF Revenues (less GF/GP Transfer)	\$12,053.3	\$12,014.8	\$12,312.9	2.5%	\$298.1

HFA Estimates of Year-End Balances

The following table reports House Fiscal Agency estimates of year-end balances for GF/GP, the SAF, and the BSF. Please see notes following the table for additional detail.

YEAR-END BALANCE ESTIMATES
(Millions of Dollars)

	FY 2002-03	FY 2003-04
General Fund/General Purpose	\$174.0	\$0.0
School Aid Fund	113.7	0.0
Budget Stabilization Fund	0.0	0.0

Year-end estimates notes:

- Fiscal year 2003-04 estimates for GF/GP and the SAF are based on year-to-date appropriations, projected year-end adjustments, and consensus revenue estimates.
- School Aid Fund revenues are restricted; hence, any year-end balance is carried forward to the subsequent year.
- Budget Stabilization Fund (BSF) estimates are based on current balance estimates provided by the Michigan Department of Treasury and HFA estimates of future deposits and interest earned.

Budget Stabilization Fund Year-End Balances

The following table reports a history of BSF deposits, withdrawals, and interest earnings from FY 1990-91 to FY 2002-03 and HFA estimates of deposits, expected interest earnings, and year-end balances for FY 2003-04 and FY 2004-05. A complete list of BSF historical data is available from the HFA upon request.

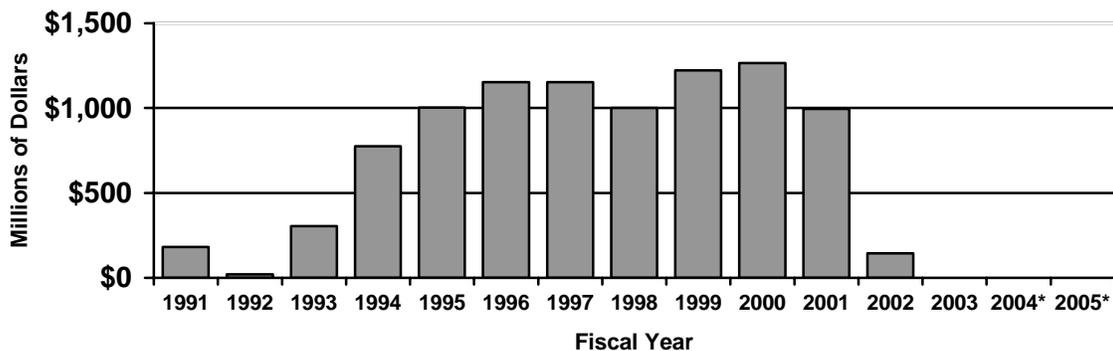
The final BSF fund balance for FY 2001-02 was \$145.2 million and for FY 2002-03 was zero. The fund balance is forecast to remain at zero for FY 2003-04 and to be \$154.0 million for FY 2004-05. Under the Tobacco Products Tax Act, 17.808% of the cigarette tax and 18.4% of the other tobacco products tax is earmarked to the BSF for FY 2004-05 through FY 2006-07. This pay-in is estimated to be \$154.0 million and is expected to occur at the end of the fiscal year.

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

<u>Fiscal Year</u>	<u>Deposits</u>	<u>Withdrawals</u>	<u>Interest Earned</u>	<u>Balance</u>
1990-91	0.0	230.0	27.1	182.2
1991-92	0.0	170.1	8.1	20.1
1992-93	282.6	0.0	0.8	303.4
1993-94	460.2	0.0	11.9	775.5
1994-95	260.1	90.4	57.7	1,003.0
1995-96	91.3	0.0	59.3	1,153.6
1996-97	0.0	69.0	67.8	1,152.4
1997-98	0.0	212.0	60.1	1,000.5
1998-99	244.4	73.7	51.2	1,222.5
1999-2000	100.0	132.0	73.9	1,264.4
2000-01	0.0	337.0	66.7	994.2
2001-02	0.0	869.8	20.8	145.2
2002-03	0.0	148.8	3.6	0.0
2003-04 <i>Estimate</i>	0.0	0.0	0.0	0.0
2004-05 <i>Estimate</i>	154.0	154.0*	0.0	0.0

**Executive Recommendation withdraws \$154.0 million to be used for Medicaid.*

Budget Stabilization Fund (BSF)



**HFA Estimates*

Compliance with the State Revenue Limit

HFA estimates of the state revenue limit provided for in Article IX, Section 26, *Constitution of the State of Michigan*, and estimates of total state revenue collections subject to the state revenue limit are shown in the following table. As provided for in the *Constitution*, the revenue limit is calculated as 9.49% of total state personal income in the previous full calendar year prior to the fiscal year in which the revenues are measured, as estimated by the Bureau of Economic Analysis, United States Department of Commerce.

COMPLIANCE WITH THE STATE REVENUE LIMIT
(Millions of Dollars)

<u>Revenue Limit Calculations</u>	<u>FY 2002-03</u>	<u>FY 2003-04</u>	<u>FY 2004-05</u>
Personal Income			
Calendar Year	CY 2001	CY 2002	CY 2003
Amount	\$297,609	\$303,745	\$311,667
X Limit Ratio	9.49%	9.49%	9.49%
State Revenue Limit	\$28,243.1	\$28,825.4	\$29,577.2
Total Revenues Subject to Revenue Limit	23,808.2	23,769.8	24,161.5
Amount Under (Over) State Revenue Limit	\$4,434.9	\$5,055.6	\$5,415.8

Implications of Exceeding the State Revenue Limit

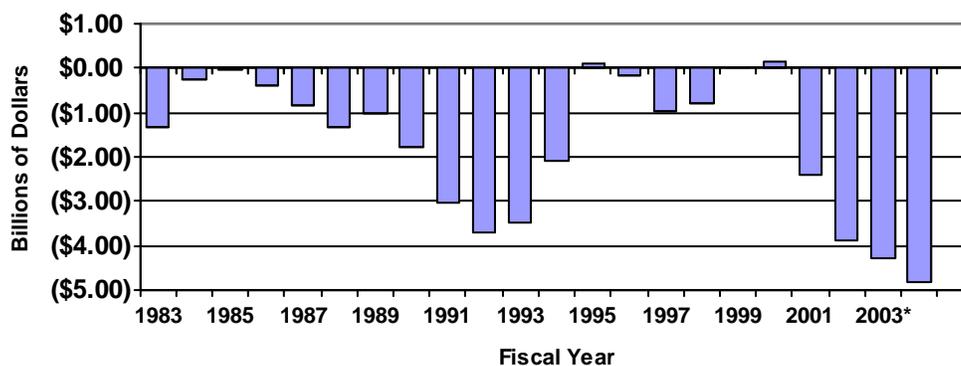
Article IX, Section 26, *Constitution of the State of Michigan*, provides that:

... 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.

The preliminary final FY 2002-03 revenue limit calculation indicates that the state revenue collections were well under the revenue limit. In addition, for both FY 2003-04 and FY 2004-05, state revenues are estimated to be substantially below the revenue limit, by \$5.1 billion and \$5.4 billion respectively.

Constitutional Revenue Limit



*Consensus Estimates

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Higher Education Kyle I. Jen, Senior Analyst
Labor and Economic Growth Steve Stauff, Senior Analyst
School Aid Mary Ann Cleary, Associate Director; Laurie Cummings, Senior Analyst
Transportation William E. Hamilton, Senior Analyst

FISCAL OVERSIGHT, AUDIT AND LITIGATION **William E. Hamilton, Senior Analyst**

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