A Legislator's Guide to

Michigan's Budget Process

HOUSE FISCAL AGENCY

Mary Ann Cleary, Director

October 2014

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TO: Members of the House of Representatives

A Legislator's Guide to Michigan's Budget Process explains the annual process for enacting the budget for the State of Michigan, providing information on:

- Constitutional and statutory provisions that guide the budget process
- The consensus revenue estimating process
- The Legislature's role in the budget process
- Appropriation bill format
- How enacted appropriations are adjusted during the fiscal year

Terminology relating to the budget process and appropriation bills is explained in a glossary and throughout the publication. The final section of the guide discusses the mission of the House Fiscal Agency, noting the statute and policies governing the nonpartisan status of and confidentiality adhered to by House Fiscal Agency employees.

Note that the legislative budget process has seen a number of changes over the most recent four-year period, including simultaneous consideration of all budget areas by the House and Senate and the use of omnibus budget bills. This report describes the budget process as it has been conducted in the immediate past, recognizing that additional changes may be made to the process in future years, within constitutional and statutory bounds.

Kyle I. Jen, Deputy Director, coordinated the updating of this report. Kathryn Bateson, Administrative Assistant, prepared the report for publication. Please don't hesitate to contact us if you have questions regarding its contents.

Mary Ann Cleary

Mary Ann Cleary
Director

GLOSSARY

STATE BUDGET TERMS

Line Item
Specific funding amount in an appropriation bill which establishes spending authorization for a particular program or function.

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

Lapse
Appropriated amounts that are unspent or unobligated at the end of a fiscal year; appropriations are automatically terminated at the end of a fiscal year unless otherwise provided by law.

Work Project
Account authorized through statutory process which allows appropriated spending authorization from one fiscal year to be utilized for expenditures in a succeeding fiscal year or years for a specific project or purpose.

APPROPRIATION TERMS & FUND SOURCES

Appropriations
Authority to expend funds for a particular purpose. An appropriation is not a mandate to spend.

Gross: Total of all applicable appropriations in an appropriation bill.

Adjusted Gross: Net amount of gross appropriations after subtracting interdepartmental grants (IDGs) and intradepartmental transfers (IDTs).

Interdepartmental Grant (IDG) Revenue
Funds received by one state department from another state department—usually for service(s) provided.

Intradepartmental Transfer (IDT) Revenue
Funds transferred from one appropriation unit to another within the same departmental budget.

Federal Revenue
Federal grant or match revenue; generally dedicated to specific programs or purposes.

Local Revenue
Revenue received from local units of government for state services.

Private Revenue
Revenue from non-government entities: rents, royalties or interest payments, payments from hospitals or individuals, or gifts and bequests.

State Restricted Revenue
State revenue restricted by the State Constitution, state statute, or outside restriction that is available only for specified purposes; includes most fee revenue; at year-end, unused restricted revenue generally remains in the restricted fund.

General Fund/General Purpose (GF/GP) Revenue
Unrestricted general fund revenue available to fund basic state programs and other purposes determined by the Legislature; unused GF/GP revenue lapses to the General Fund at the end of a fiscal year.

MAJOR STATE FUNDS

General Fund
The state's primary operating fund; receives state revenue not dedicated to another state fund.

School Aid Fund (SAF)
A restricted fund that serves as the primary state funding source for K-12 schools and Intermediate School Districts. Constitutionally, SAF revenue may also be used for postsecondary education.

Budget Stabilization Fund
The Countercyclical Economic and Budget Stabilization Fund (also known as the "rainy day fund"); the Management and Budget Act provides guidelines for making deposits into and withdrawals from the fund.

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INTRODUCTION

The state budget for Michigan serves the following purposes:

- Establishes a plan for state expenditures.
- Identifies means of financing those expenditures.
- Allocates available resources according to executive and legislative priorities.
- Distributes state resources to local governments and other external service providers.
- Provides tools to monitor spending and hold agencies and departments accountable.

For Michigan, the fiscal year (FY) begins October 1 and ends on September 30 of the following year. Adjustments to the enacted budget can be made throughout the fiscal year—and in some cases, even after the fiscal year has ended.

The budget process for the State of Michigan is a continuous cycle. As the budget for the upcoming fiscal year is being considered and finalized, the current-year budget is being monitored, and as the fiscal year for one budget closes, initial budget planning for the fiscal year that begins 12 months later is in progress.

Constitutional and statutory provisions provide the legal framework for the budget process. Under the State Constitution, the appropriations made by the Legislature each year are an authority, but not a mandate (or requirement), to spend. In fact, departments routinely spend less than they are authorized to. Unless designated as a multi-year work project, any General Fund/General Purpose (GF/GP) funds that are authorized but not spent or encumbered revert to the state's General Fund and are available for future appropriation or allocation for another purpose by the Legislature.

Restricted funds that are appropriated but not spent lapse to their respective restricted fund unless otherwise specified in the fund's enacting legislation. These funds are available to be used only for purposes consistent with the fund's statutory restrictions.

The Michigan Constitution gives the Legislature the power of the purse; no money can be paid out of the state treasury except in pursuance of appropriations made by law. This power is key to making the Legislature a coequal branch of government. The power of the purse is also a tool that may be used by the Legislature to hold departments accountable for compliance with legislative mandates.

CONSTITUTIONAL AND STATUTORY PROVISIONS

Constitutional Provisions

The State Constitution provides the framework for Michigan's annual budget process. Key among those provisions are constitutional balanced budget requirements:

- The Governor must submit a balanced budget recommendation to the Legislature.
- The Legislature must approve an enacted budget that is balanced with the estimated revenue available.
- The Governor and Legislature must make adjustments if the budget becomes out of balance during the course of a fiscal year to bring it back into balance.

Those specific provisions and other constitutional provisions governing the state budget process are listed below. Various other sections of the constitution govern specific state taxes and funds; those are not listed here.

Article IV: Legislative Branch

- Section 31
  - Establishes a priority for general appropriation bills for the succeeding fiscal year (prior to any supplemental appropriations bills).
  - States that adjustments made by supplemental appropriation bills may be adopted for the current fiscal year.
  - States that any bill requiring an appropriation to carry out its purpose shall be considered an appropriation bill.
  - Specifies that one of the general appropriation bills passed by the Legislature must contain an itemized statement of estimated revenue by major source in each operating fund for the ensuing fiscal period.
  - States that the total estimated revenue shall not be less than the total of all appropriations made from each fund in the general appropriation bills as passed.
- Section 33, in conjunction with Section 19 of Article V, states that line-item gubernatorial vetoes may be overridden by a two-thirds vote in both houses of the Legislature.

Article V: Executive Branch

- Section 18

  - Directs the Governor to submit a balanced budget proposal to the Legislature for the ensuing fiscal period.

  - Requires that the executive budget include detail for all operating funds, proposed expenditures, and estimated revenue necessary to fund those expenditures.

  - Requires the Governor's proposed budget to be submitted in the form of general appropriation bills, as well as any other bills needed to provide new or additional revenue to balance with proposed expenditures.

  - States that any deficit or surplus from the last preceding fiscal year must be entered in the next year's budget and one of the appropriation bills.

  - Provides that the Governor may revise executive budget recommendations at any time, even after the appropriation bills have been introduced, and requires that the Governor submit bills to meet deficiencies in current appropriations.

- Section 19 states that the Governor may disapprove any distinct item or items appropriating moneys in any appropriation bill.

- Section 20

  - Stipulates that no appropriation shall be a mandate to spend.

  - States that the Governor, with approval of the House and Senate Appropriations Committees, shall reduce authorized expenditures for departments of the executive branch when it appears that actual revenue will fall below the revenue estimate on which appropriations were based.

Article IX: Finance and Taxation

- Section 1 states that the Legislature shall impose taxes sufficient with other resources to pay expenses of state government.

- Section 2 stipulates that the power of taxation shall never be surrendered, suspended, or contracted away.

- Section 12 states that no evidence of state indebtedness shall be issued except for debts authorized pursuant to the State Constitution.

- Section 14 authorizes and stipulates conditions for short-term borrowing to manage cash flow.

- Section 15 allows and stipulates conditions for long-term borrowing for capital and other projects; legislative and voter approval required.

- Section 17 states that no money shall be paid out of the state treasury except in pursuance of appropriations made by law.

- Sections 25 and 29 prohibit unfunded mandates on units of local government.

- Section 26 sets the formula for calculating the state revenue limit and requires a pro rata refund or a transfer to the Budget Stabilization Fund if the revenue limit is exceeded by 1% or more. (Section 27 provides an exception in the case of an emergency declared by a two-thirds vote of the Legislature.)

- Section 28 limits state expenditures to the sum of the state revenue limit plus federal funds plus any surplus from a previous fiscal year.

- Section 30 prohibits reducing the proportion of total state spending paid to all units of local government, taken as a group, below the proportion in effect for FY 1978-79.

  (Sections 25 through 34 of Article IX are collectively referred to as the "Headlee Amendment.")

Statutory Provisions

Michigan's Management and Budget Act (Public Act 431 of 1984 as amended, MCL 18.1101-18.1594) details duties, responsibilities, and procedures for the financial management and oversight of state government. The act's provisions govern the executive budget process and provide for budgetary control. The act also assigns duties and responsibilities for preparing an executive budget recommendation and submitting it to the Legislature, implementing enacted appropriation bills, and making budgetary adjustments.

More specifically, statutory provisions in the Management and Budget Act:

- Set the administrative framework for state government.

- Set the schedule for consensus revenue estimating conferences.

- Set the deadline for executive budget submission.

- Allow budget adjustments through the transfer process.

- Establish a process for compliance with constitutional balanced budget provisions through Executive Orders.

- Include provisions governing accounting, auditing, capital outlay, work projects, consensus revenue process, the Budget Stabilization Fund, compliance with Headlee Amendment provisions, and reports to the Legislature.

- Establish year-end accounting schedules.

Finally, the act establishes the duties of the State Budget Director, including the following:

- Developing and presenting the executive budget proposal.

- Managing and executing the enacted state budget to deliver intended services within actual level of financing in state operating funds.

- Providing for the evaluation of state programs.
- Planning and evaluating allocation of available financial resources.
- Evaluating administrative management and performance in accordance with approved public policy.
- Reviewing programs for cost, impact, and departmental organization.
- Preparing proposals for departmental program activities which take into account the findings of state program evaluations and Auditor General recommendations.

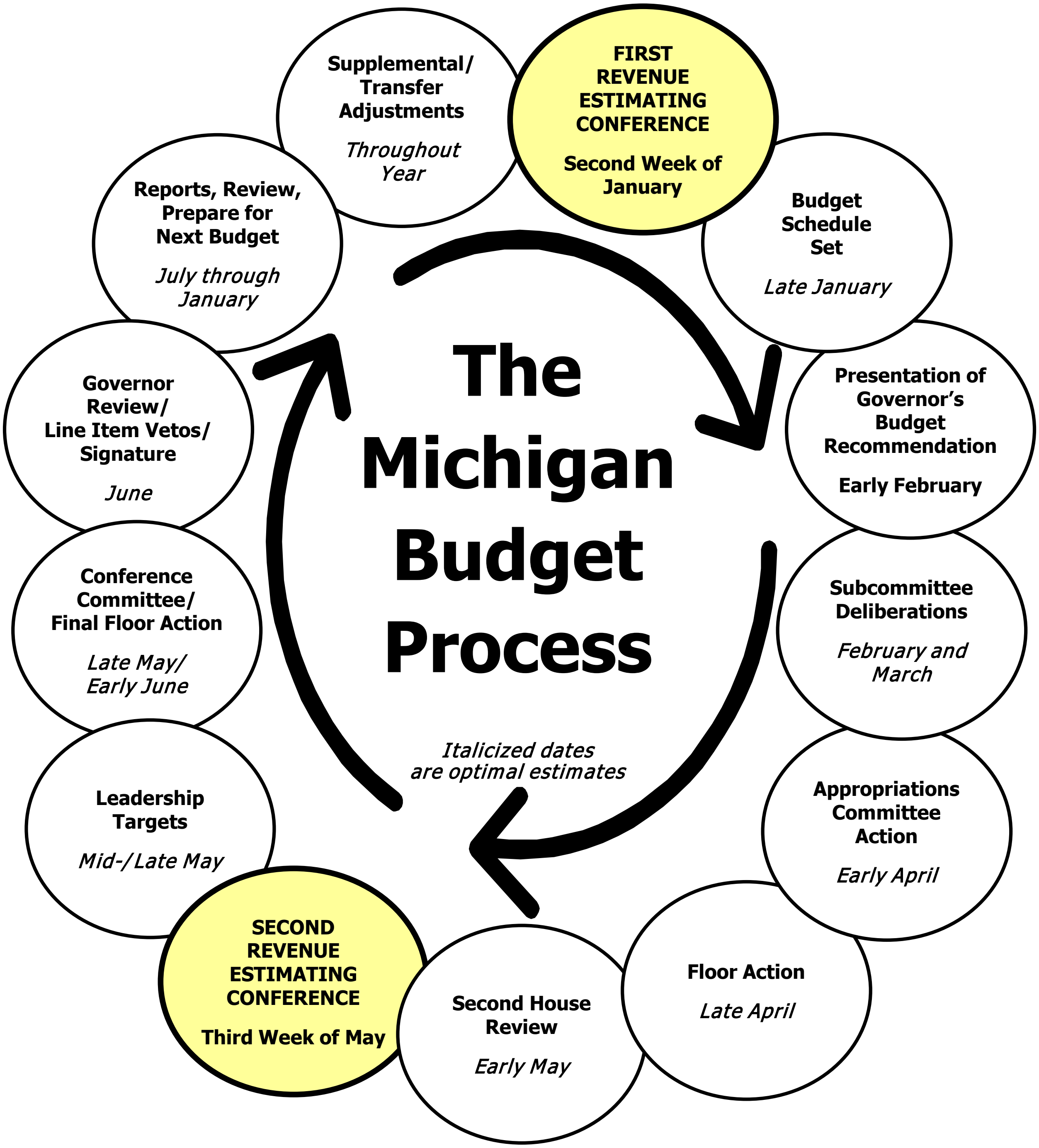
THE BUDGET PROCESS

The executive budget process begins well in advance of the time when the budget will be submitted to the Legislature. State departments start planning their budget submissions more than a year before the start of the fiscal year for that budget. The State Budget Director sets a schedule for departments to submit baseline budget information and proposals for either budget reductions or enhancements, as appropriate, for consideration by the Governor and compilation into a full balanced budget proposal released in the subsequent February.

Before presenting budget proposals to the Governor for final approval, the State Budget Director holds internal meetings with department officials to discuss budgetary requirements and departmental proposals. A Governor-elect may be briefed on budget development information so as to be better prepared to produce a proposed budget when he or she takes office.

Expenditures in the proposed budget from Michigan's General Fund and School Aid Fund must adhere to consensus revenue estimates. Any additional proposed expenditures from those sources must be accompanied by specific proposals to generate new or additional revenue. Expenditures from other funds must balance against reasonable revenue estimates for those funds, and debt service and other fixed costs must be incorporated into the proposed budget.

Figure 1


FIRST REVENUE ESTIMATING CONFERENCE
Second Week of January
Budget Schedule Set
Late January
Presentation of Governor's Budget Recommendation
Early February
Subcommittee Deliberations
February and March
Appropriations Committee Action
Early April
Floor Action
Late April
Second House Review
Early May
SECOND REVENUE ESTIMATING CONFERENCE
Third Week of May
Leadership Targets
Mid-/Late May
Conference Committee/ Final Floor Action
Late May/ Early June
Governor Review/ Line Item Vetos/ Signature
June
Reports, Review, Prepare for Next Budget
July through January
Supplemental/ Transfer Adjustments
Throughout Year
The Michigan Budget Process
Italicized dates are optimal estimates

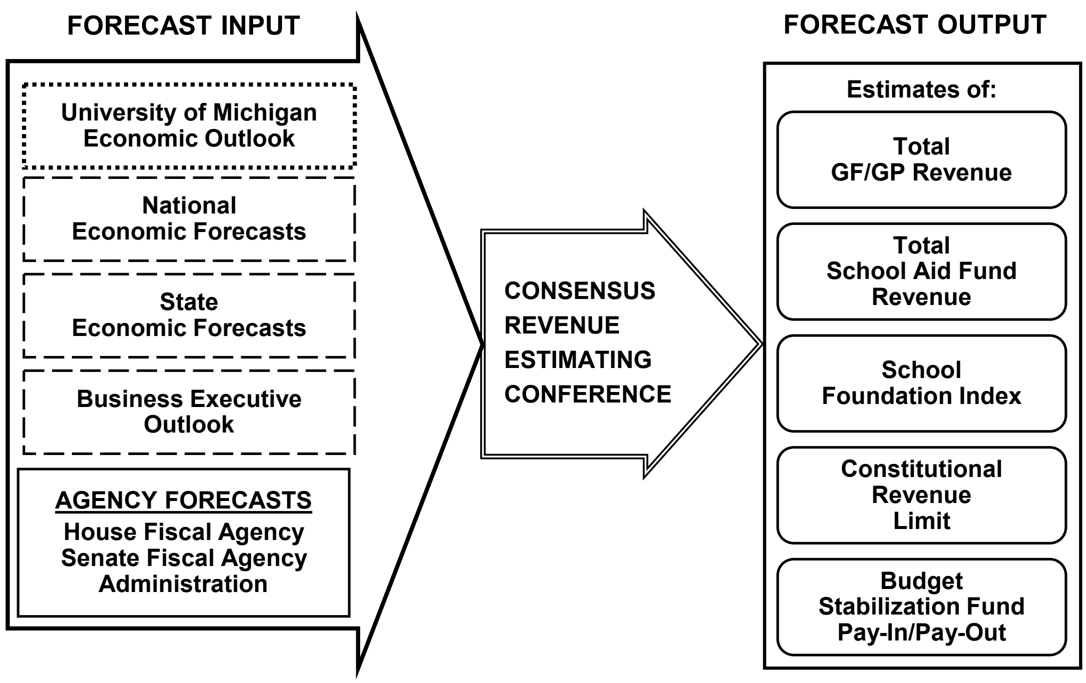
Consensus Revenue Estimating Conferences

Michigan uses a consensus process created by Public Act 72 of 1991 to generate official revenue estimates for the state budget. Guidelines for consensus revenue estimating conferences are contained in the Management and Budget Act—the primary statute governing the budget process in Michigan.

Statute requires that consensus revenue estimating conferences be held each year in the second week of January and the third week of May. These conferences establish the official economic and revenue forecasts that will be used in budget deliberations. Revenue estimating conferences may also be convened during the year by the conference chairperson at the request of a conference principal (potentially due to an economic downturn). All consensus revenue estimating conferences are open to the public.

Conference principals are the State Budget Director or State Treasurer, the Director of the House Fiscal Agency, and the Director of the Senate Fiscal Agency. The responsibility of presiding over sessions of the conference is rotated annually among the principals.

Figure 2
Consensus Revenue Estimating Process



The House Fiscal Agency, Senate Fiscal Agency, and the Department of Treasury monitor state and national economies and track estimated revenue resources throughout the year. At conferences and meetings held in November and December of each year, national economic experts and experts from the major sectors of the state economy provide information on national, international, and state economic conditions. Economists from the three state agencies also consult informally with business executives in the state regarding their economic outlooks.

Based on this information, the House and Senate Fiscal Agencies and the Department of Treasury individually prepare economic and revenue forecasts. The fiscal agencies' forecasts are made public in the days prior to a consensus revenue estimating conference.

During a revenue estimating conference, experts from academia, the federal government, and/or the private sector present and discuss their economic forecasts. Economists from the fiscal agencies and from the Department of Treasury present individual economic forecasts for the current and upcoming fiscal years, and then present a joint staff forecast. Forecasts are based on the assumption that current tax law will remain in effect for the forecast period.

The conference principals consider the joint staff forecast and other information provided by conference presenters in order to reach agreement on the official economic and revenue estimates that will be used as the basis for Michigan's budget.

January consensus revenue estimates become the basis for the executive budget proposal that is presented to the Legislature in February. May consensus revenue estimates become the basis for the final legislative appropriation bills presented to the Governor in June.

The official economic and revenue forecast must, by statute, be unanimous, and must include estimates for:

- Collections from the state's major taxes (income, sales, and business).
- Total General Fund/General Purpose (GF/GP) revenue.
- Lottery transfers to the School Aid Fund.
- Total School Aid Fund revenue.
- Annual percentage growth in the per pupil basic foundation allowance (pursuant to the State School Aid Act).
- Compliance with the state revenue limit (pursuant to Article IX, Section 26 of the State Constitution).
- Pay-ins to or pay-outs from the Countercyclical Budget and Economic Stabilization Fund under the provisions of the Management and Budget Act.

While the Legislature adopts a new state budget each year only for the subsequent fiscal year, forecasts of GF/GP and School Aid Fund revenue are adopted for two ensuing years, with trend line projections for the next two ensuing years (four years total), to provide a planning tool for executive and legislative budget makers.

Revised estimates are also adopted for the current fiscal year, which can result in either positive or negative adjustments to the budget. Increases in revenue may also be carried forward to the subsequent budget year for expenditure.

For the May revenue conference, expenditure forecasts are adopted for Medicaid and Human Services expenditures. These forecasts are developed by State Budget Office and fiscal agency staff assigned to those budget areas and help ensure that the budget enacted into law is based on the best information available regarding state costs tied to program caseloads.

Budget Presentation to the Legislature

Broad outlines of proposed major policy changes and new initiatives are included in the Governor's State of the State address—traditionally given near the end of January. Some of those changes or initiatives may require adjustments to the state budget.

The State Constitution requires the Governor to prepare budget recommendations and submit them to the Legislature at a time fixed by law. The Management and Budget Act stipulates that this submission must take place within 30 days after the Legislature convenes in regular session, or within 60 days after the Legislature convenes in a year in which a newly elected Governor is inaugurated.

Article IV, Section 13 of the State Constitution states that the Legislature must meet on the second Wednesday in January of each year. Hence, the Governor typically submits budget recommendations at some time during the first two weeks of February for the fiscal year which begins on October 1 of that year and ends on September 30 of the following year. If a newly elected Governor has just been inaugurated, the submission may be delayed until the first two weeks of March.

The executive budget document, which details the Governor's spending proposals, is released at a joint appropriations committee meeting. The State Budget Director addresses the joint meeting to explain major components of the executive recommendation and answer questions posed by appropriations committee members. In some years, the Governor may choose to directly address the committees.

Executive appropriation bills are submitted to the Legislature shortly after the executive budget is released. These bills contain the following:

- Individual line-item amounts to implement the Governor's recommendations.
- The estimated number of full-time equated (FTE) positions funded by each line item.
- Revenue sources and amounts needed to finance proposed expenditures.

Pursuant to the State Constitution, the executive budget contains a statement (usually in the General Government section) that details estimated revenue for each operating fund, summarizes recommended operating fund operating expenditures, and itemizes estimated state spending to be paid to units of local government. As required by the Management and Budget Act, line-item appropriation detail is electronically transferred to the House and Senate Fiscal Agencies when the executive budget is transmitted to the Legislature.

For the last four years, the executive budget has been presented in the form of two omnibus budget bills:

- One bill provides appropriations for the state's various departments and agencies in traditional line-item format, effective for a single 12-month period.
- The other bill provides appropriations for the three major education budget areas (School Aid, Community Colleges, Higher Education) in the form of amendments to the compiled School Aid Act.

During this time period, the House has also utilized the omnibus budget format (rolling the budgets together after the subcommittee stage) while the Senate has retained separate budget bills for each department or budget area (17 bills for FY 2014-15). The omnibus budget format has been utilized for the final enacted budget. The omnibus bills are divided into articles that contain the budgets for each individual department or budget area.

Over the last four years, the executive budget has also included a second-year planning budget for the fiscal year that begins in the subsequent calendar year. That information has been utilized by the Legislature to ensure structural balance in the state budget but has not been incorporated into the final budget enacted into law.

During the budget process—beginning with the Governor's executive budget presentation—the House Fiscal Agency provides technical support and analysis to members of House subcommittees, the full appropriations committee, and conference committees. Analysts are available to testify before an appropriations subcommittee or full committee to explain budget details or the potential impact of a change made to a budget. House Fiscal Agency analysts also provide support to House members when the bill is on the floor of the House, including drafting proposed amendments and substitute bills.

House Fiscal Agency analysts provide members with documents to aid in the decision-making process. For subcommittee deliberations, analysts prepare both detailed decision documents and summary-level documents comparing the executive recommendation with the current-year budget. These documents are updated to reflect legislative action throughout the budget process.

Legislative Deliberation and Passage

In Michigan's Legislature, the House and Senate each have an appropriations committee—often referred to as the full appropriations committee—that reviews appropriations subcommittee recommendations, considers proposed amendments, and recommends adoption of appropriation bills to the full membership of its chamber.

Appropriations subcommittees in each chamber are responsible for detailed review, deliberation, and recommendation of appropriation bills to their respective full appropriations committees. The composition of appropriations subcommittees (number of members, ratio of membership from each party, etc.) may vary from one legislative session to the next. Typically, leadership in each chamber makes these decisions in the January following an election.

Historically, legislative leaders apportioned individual executive appropriation bills between the House and Senate for initial consideration. Legislative appropriation bills originated in either the House or the Senate—alternating year to year.

More recently, however, both the House and the Senate have immediately commenced reviewing and acting upon the full budget following presentation of the executive budget, utilizing separate budget bill vehicles. This has both elongated the period available for subcommittee work and condensed the overall budget process timeline somewhat. On the other hand, neither chamber can thoroughly review the other chamber's work on the budget until near the end of the process.

After House and Senate leadership agree on a schedule for subcommittee, full committee, and floor action on the bills, appropriations subcommittee chairs plan and schedule subcommittee meetings to ensure that subcommittee action is completed on time.

Throughout the subcommittee and full committee process, the appropriations committee retains procedural possession of appropriation bills. The full appropriations committee may act on any appropriation bill at any time during the committee process. Amendments to an appropriation bill can occur during subcommittee consideration of the bill, when the bill is considered by the full appropriations committee, and/or when the bill is being considered on the floor of either chamber.

Because most amendments or changes occur during the committee process, legislators not serving on appropriations committees may confer with subcommittee and appropriations committee chairs—and/or minority vice chairs—with regard to policy proposals as soon as feasible in the budget process.

House and Senate Appropriations Subcommittees

- Subcommittee members review the executive budget recommendations and current-year budget provisions. Subcommittees receive briefings from departmental staff, the State Budget Office, and/or fiscal agency staff. Testimony is generally taken from interest groups, program clientele, and other entities that may provide information related to budget issues.

- In addition to considering proposed program increases or reductions under the executive budget, subcommittee members consider and include legislative priorities. Subcommittee chairs are given GF/GP target amounts to base their budget bills on by leadership of their chamber. These target amounts may mirror the GF/GP amounts in the executive budget or may vary from those amounts as the result of differing budget (or tax policy) priorities.

- Subcommittee decision making may take the form of a detailed review of the budget by the complete subcommittee, a review by a smaller work group made up of subcommittee members, or decision making by the subcommittee chair after consultation with the other members. The process varies somewhat from subcommittee to subcommittee.

- The appropriations subcommittee decision-making process includes resolving differences in areas of disagreement and generally leads to a revised or new substitute appropriation bill.

- After consideration of any amendments offered by subcommittee members, the bill is then reported out of the subcommittee to the full appropriations committee.

House and Senate Full Appropriations Committees

- Appropriations committee members review subcommittee recommendations and amend, substitute, or adopt the appropriation bill. The committee can also send the bill back to the subcommittee for further deliberation. Once an appropriation bill has been reviewed by the full appropriations committee, it is reported out to the floor of the respective chamber with recommendation.

House and Senate Floor Consideration

- The State Constitution states that no bill may be passed or become law until "it has been printed or reproduced and in the possession of each house for at least five days"—that is, a bill must lay over for five days before passage.

- Floor action on an appropriation bill consists of debate, consideration of proposed amendments, and possible introduction of a substitute bill. The appropriation bill is then passed by the first house.

- After passage by the House or Senate, an appropriation bill is transmitted to the other chamber. In recent years, the contents of the bill have then been "zeroed out," removing specific line-item amounts and boilerplate language, prior to passage of the bill. The original chamber then non-concurs with the zeroed-out version of the bill, to position it for conference committee. Appropriations subcommittees may hold meetings to review the version of the relevant budget(s) passed by the opposite chamber, but do not take any formal action on those versions.

Target Meetings

The target process allows House leaders, Senate leaders, and administration officials to negotiate an overall framework for the final version of the budget that will be enacted into law, as well as matters pertaining to particular programs, budget issues, and policies. House and Senate majority party leaders usually convene target meetings with the State Budget Director (who represents the Governor in these discussions) soon after the May consensus revenue estimating conference—when budget bills have passed both the House and Senate. Target meetings may include the chairs of the appropriations committees, the Speaker of the House and Senate Majority Leader, the State Budget Director, and/or the Governor.

The goal of the target process is to reach an agreement that defines the amount of resources available to support the coming-year budget, apportion those resources among the departments and other budget areas, decide whether to include standard boilerplate in the appropriation bills, and resolve any other major budget differences.

During target meetings, the directors of the House and Senate Fiscal Agencies and the State Budget Director provide summary fiscal data and other requested information to facilitate discussions among leadership, document decisions reached at the meetings, and prepare target summary reports. Final target decisions—which provide a basis for the remainder of budget deliberations and adoption—are included in a written target agreement. That agreement generally includes the following:

- A specific GF/GP appropriation amount for each department and budget area, balancing total appropriations against the May revenue estimates and any agreements to increase or decrease state revenue. School Aid Fund appropriation amounts must also be agreed to for the education budget areas.

- Any stipulations leadership has agreed to for specific areas of the budgets: appropriation items to be included or excluded, conditions on appropriations, deposits to the Budget Stabilization Fund or other reserve funds, other specific boilerplate language to be included or excluded, etc.

- A list of non-budget legislation that will need to be enacted in order to implement the budget agreement.

Conference Committees

- Appropriation bills are usually assigned to a conference committee.

    - Under the Joint Rules of the House of Representatives and Senate, the conference committee consists of three members from each house—to be appointed as each house determines. The first-named member of the house in which the bill originated is the chairperson of the conference committee. Generally, membership for a conference committee on an appropriation bill includes the chairs and vice-chairs of the relevant appropriations subcommittees from both chambers.

    - By joint rule, conference committees may not consider any matters other than matters of difference between the two houses on a particular appropriation bill. (If a bill has been zeroed out by one chamber, however, all matters effectively become matters of difference.)

- Generally, the two subcommittee chairs for a particular budget area will negotiate a final agreement on all line-item amounts and boilerplate language for that budget, with input from the other conferees and subject to the provisions of the target agreement.

- When the conferees arrive at an agreement on the matters of difference, a conference report—which reflects the conference agreement—is produced and considered by the conference committee. Approval of the conference report requires a majority vote of and signatures from the representatives from each chamber (i.e., at least two votes from each chamber, not three from one chamber and one from the other). Amendments can be adopted in conference committee, but this requires a revised conference report to be printed and signed.

- Once a conference committee adopts a conference report, the report is presented to both the House and Senate chambers, beginning with the bill's originating chamber. A conference committee report is not subject to amendment or division by either the House or the Senate; each house must vote "yea" or "nay" on acceptance of the conference report as presented.

- If the conference report is adopted by both houses, the bill and the original signed copy of the conference report are returned to the house of origin and referred for enrollment, printing, and presentation to the Governor.

- If the conference committee report is rejected by the house of origin, that house appoints conferees for a second conference and notifies the other house of its action.

  If the conference report is rejected by the other house, it appoints conferees for a second conference, notifies the house of origin, and transmits the bill to the house of origin—which then also appoints conferees. The ensuing second conference committee procedure is the same as that used for the original conference.

  In the event that a second conference committee fails to reach agreement, or when a second conference report is rejected by either house, no further conference is in order for that bill. (A first or second conference committee can also vote to reconsider its vote on a conference report to amend the report.)

- In recent years, conference reports have been negotiated and adopted for individual budget areas using Senate bills as the vehicle. Once those reports are adopted in conference committee, they are then rolled into conference reports for the two omnibus budget bills using House bills as the vehicle. Those omnibus bills are then adopted in conference committees, approved by the two full chambers, and signed into law by the Governor.

Executive Approval and Enactment

- After a bill or conference report has been referred for enrollment, printing, and presentation to the Governor:

  - The Governor has 14 days to approve or veto the entire bill, or veto any distinct items appropriating funds—the same procedure applicable to any other enrolled bill.

  - The parts of the bill that are approved become law, and the items disapproved are void unless the Legislature re-passes the disapproved items by a 2/3 vote in each house.

    The attorney general has ruled (Opinion 6684, 1991) that the Governor may not veto conditions upon these appropriations in the absence of vetoing the line-item appropriations appearing as individual line items or in paragraph form. Boilerplate language that specifically appropriates or allocates funding amounts can, however, be vetoed, with any applicable line items effectively reduced by those funding amounts.

- If the Governor does not approve the bill within the 14-day period and the Legislature continues in session, the bill becomes law as if the Governor had signed it. If the Governor does not approve the bill within the 14-day period and the Legislature has, within that time, finally adjourned the session at which the bill was passed, the bill does not become law. (The second scenario is unlikely given the timing of the budget process.)

- After the Governor signs an appropriation bill, it is filed with the Secretary of State for a Public Act number and becomes enacted into law. The Governor then writes a letter to the bill's originating chamber summarizing the major points of the appropriation act, giving a rationale for approving the bill, and stating the reasons for any disapproved items.

- Pursuant to the Management and Budget Act, the State Budget Director must approve allotments for each enacted appropriation—the amount of each appropriation that can be expended in a given quarter to avoid overexpending the total amount of the appropriation. Departments must also prepare spending plans that allocate appropriation amounts among major expense categories. After approval by the State Budget Director, those spending plans are submitted to the appropriate appropriations subcommittees.

APPROPRIATION BILL FORMAT

An enacted appropriation bill provides legal authorization—by unit and by line item—to make expenditures for specified purposes. The title of a budget bill states the purpose of the bill and specifies the department(s) and the fiscal period covered by the bill. Appropriation bills (or omnibus budget articles) for individual departments and other agencies (including the Legislative and Judicial branches) generally consist of two major parts:

- Part 1: Line-Item Appropriations
- Part 2: Provisions Concerning Appropriations

Appropriation bills for the School Aid, Community Colleges, and Higher Education budgets do not follow the same format as other appropriation bills and are instead constructed as amendments to the compiled School Aid Act (Public Act 94 of 1979 as amended).

Additionally, the budgets for the Departments of Military & Veterans Affairs and State Police have utilized a differing format for the last four years, with a single appropriation for a "schedule of programs" rather than individual program line items for each appropriation unit. This has increased flexibility in moving funds between programs for the executive branch while lessening legislative oversight of those budget transactions.

Part 1: Line-Item Appropriations

Part 1 of an appropriation bill or article begins with Section 101, which summarizes appropriations and funding sources authorized for each line item in the bill.

- The summary unit in Section 101 (Figure 3) includes total FTE employee positions, total appropriations, and a summary of the funding sources that will finance the appropriations in the bill.

- Interdepartmental grants (IDGs) and intradepartmental transfers (IDTs) represent funds received in one area of the state budget from appropriations made in another area. Those funds are subtracted from gross appropriations to arrive at adjusted gross appropriations, which accurately measures total funding appropriated in the state budget by avoiding double counting.

Figure 3
Example: Appropriation Summary Unit
(From PA 252 of 2014)

PART 1
LINE-ITEM APPROPRIATIONS

Sec. 101. There is appropriated for the department of agriculture and rural development for the fiscal year ending September 30, 2015, from the following funds:

GROSS APPROPRIATION *sums all appropriations in the bill.*

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT		
APPROPRIATION SUMMARY		
Full-time equated unclassified positions	6.0	
Full-time equated classified positions	446.0	
GROSS APPROPRIATION	$	84,462,200
Interdepartmental grant revenues:		
Total interdepartmental grants and intradepartmental transfers		318,100
ADJUSTED GROSS APPROPRIATION	$	84,144,100
Federal revenues:		
Total federal revenues		10,126,200
Special revenue funds:		
Total private revenues		98,300
Total other state restricted revenues		28,003,400
State general fund/general purpose	$	45,916,200

Summary Unit *shows bill totals for FTE positions and total appropriations by funding source.*

Sources of Funding *for the adjusted gross amount appropriated in the bill.*

ADJUSTED GROSS APPROPRIATION *is the gross appropriation less interdepartmental grants and intradepartmental transfers.*

- Some appropriations may be designated as "one-time only." This expresses legislative intent that the appropriation item will not be funded in future years, either because the purpose of the appropriation is one-time in nature or because the appropriation is funded from one-time resources. As a legal matter, all appropriations are only effective for one budget year.

- The summary unit is followed by sections containing appropriation units that provide line-item detail (Figure 4), establishing spending authority for specific programs or functions.

  - Appropriation units usually house a closely related group of programs and/or activities within a department.

  - Line items within appropriation units provide expenditure authorization for a specific purpose; this may include more than one program or function related to the specified purpose of the line item. The Legislature may choose to appropriate funding for a single program in a stand-alone line item if there is a high level of interest in the program, or roll multiple programs into a single line item to grant a department more flexibility in administering the programs.

  - Each appropriation unit identifies the funding sources that will be utilized to finance expenditures for that unit. The level of detail varies from department to department. In some cases, the specific sources (specific federal grants, restricted funds, etc.) are distinguished in the budget bill. In others, only major categories of funding sources are listed.

Figure 4
Example: Appropriation Unit
(From PA 252 of 2014)

Total FTE Positions
for the unit.

Line-Item Appropriations
with corresponding FTE positions
if applicable.

Sec. 107. FISHERIES MANAGEMENT		
Full-time equated classified positions	227.5	
Aquatic resource mitigation—2.0 FTE positions	$	975,400
Fish production—64.0 FTE positions		10,052,600
Fisheries resource management —161.5 FTE positions		20,577,600
Great Lakes research vessel		2,000,000
Cormorant population mitigation program		150,000
GROSS APPROPRIATION	$	33,755,600
Appropriated from:		
Federal revenues:		
Federal funds		11,061,600
Special revenue funds:		
Private funds		633,900
Game and fish protection fund		19,679,400
Game and fish protection fund - fisheries settlement		945,100
Invasive species fund		30,300
State general fund/general purpose	$	1,405,300

Total Appropriations
for the unit.

Appropriation Unit
generally corresponds
to department
organizational unit.

Sources of Funding
for the gross amount
appropriated for the unit.

Part 2: Provisions Concerning Appropriations

Appropriation bills contain language which places conditions on the manner in which expenditures are to be made. This language is commonly referred to as "boilerplate language" and may provide direction for how spending for specific programs is to be implemented or distributed, earmark funding for specific purposes, prohibit spending for certain purposes, require reports, and/or establish legislative intent.

Boilerplate language has the force of law for the 12-month period in which it is in effect and must be adhered to by the executive branch as it implements and executes the adopted budget for that period. The exception to this statement is boilerplate language stating "legislative intent"; such statements are considered to be non-binding on the executive branch.

Boilerplate language should not conflict with state statute, which is effective indefinitely unless specifically amended. In cases where a proposed budget change is inconsistent with existing statute (for example, statute governing the use of a restricted fund), separate legislation must be enacted to incorporate the proposal into statute.

Examples of boilerplate language are described below.

- **Total State Spending From State Resources**
  Article IX, Section 30 of the State Constitution requires that the proportion of state spending from state sources paid to all units of local government may not be reduced below the proportion in effect in FY 1978-79. That proportion has been determined to be 48.97%.

  The current practice is to include information relevant to that calculation in a Section 201 (Figure 5) in each appropriation bill or article adopted by the Legislature. Section 201 includes a total of state spending from state resources based on Part 1 appropriations, and a statement of the estimated amount of state spending from state resources that is to be paid to local units of government.

Figure 5
Example: Section 201
(From PA 252 of 2014)

PART 2
PROVISIONS CONCERNING APPROPRIATIONS
FOR FISCAL YEAR 2014-2015

GENERAL SECTIONS

Sec. 201. Pursuant to section 30 of article IX of the state constitution of 1963, total state spending from state resources under part 1 for fiscal year 2014-2015 is $326,385,300.00 and state spending from state resources to be paid to local units of government for fiscal year 2014-2015 is $28,225,700.00. The itemized statement below identifies appropriations from which spending to local units of government will occur:

DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS		
Fire protection grants	$	9,273,900
Firefighter training grants		1,000,000
Liquor law enforcement grants		7,200,000
Medical marihuana operation and oversight grants		3,000,000
Remonumentation grants		7,300,000
Subregional libraries state aid		451,800
Total department of licensing and regulatory affairs	$	28,225,700

Total
to be paid to local units of government.

Total
state spending from state resources.

Itemized Statement
of amounts to be paid to local units of government.

- **Standard Boilerplate**
  For some fiscal years, certain boilerplate language is standard across all (or most) budget areas (Figure 6). Standard boilerplate provisions may be agreed to by House and Senate leadership during target meetings.

Figure 6
Examples: Standard Boilerplate
(From PA 252 of 2014)

Sec. 208. The departments and agencies receiving appropriations in part 1 shall use the Internet to fulfill the reporting requirements of this part and part 1. This requirement may include transmission of reports via electronic mail to the recipients identified for each reporting requirement, or it may include placement of reports on the Internet or Intranet site.

Sec. 209. Funds appropriated in part 1 shall not be used for the purchase of foreign goods or services, or both, if competitively priced and of comparable quality American goods or services, or both, are available. Preference shall be given to goods or services, or both, manufactured or provided by Michigan businesses if they are competitively priced and of comparable quality. In addition, preference shall be given to goods or services, or both, that are manufactured or provided by Michigan businesses owned and operated by veterans if they are competitively priced and of comparable quality.

Sec. 210. The director and the director of the office of services to the aging shall take all reasonable steps to ensure businesses in deprived and depressed communities compete for and perform contracts to provide services or supplies, or both. The director and the director of the office of services to the aging shall strongly encourage firms with which the department contracts to subcontract with certified businesses in depressed and deprived communities for services, supplies, or both.

Recent examples of common boilerplate sections included in most budgets include language pertaining to:

- Internet reporting
- Buy American
- Businesses in deprived/depressed communities
- Communication with the Legislature
- Out-of-state travel
- Record retention
- Legal services
- Restricted fund balances
- Financial transparency

- **Contingency Funds Authorization Boilerplate**

  In some fiscal years, budget bills contain boilerplate language that provides conditional spending authority in addition to that contained in part 1 of an appropriation bill (Figure 7). This additional authority—referred to as "contingency funds" authority—allows for the expenditure of additional revenue that may become available during the budget year from a federal, local, private, or state restricted source.

  Contingency funds authority contained in boilerplate language is not included in state budget totals, since the authority cannot be expended until it is transferred to a specific line item by the appropriations committees, under section 393(2) of the Management and Budget Act, following identification of an available revenue source. This mechanism is described in more detail later in this report.

Figure 7
Example: Contingency Funds Boilerplate
(From PA 252 of 2014)

Sec. 215. (1) In addition to the funds appropriated in part 1, there is appropriated an amount not to exceed $30,000,000.00 for federal contingency funds. These funds are not available for expenditure until they have been transferred to another line item in part 1 under section 393(2) of the management and budget act, 1984 PA 431, MCL 18.1393.

(2) In addition to the funds appropriated in part 1, there is appropriated an amount not to exceed $5,000,000.00 for state restricted contingency funds. These funds are not available for expenditure until they have been transferred to another line item in part 1 under section 393(2) of the management and budget act, 1984 PA 431, MCL 18.1393.

(3) In addition to the funds appropriated in part 1, there is appropriated an amount not to exceed $100,000.00 for local contingency funds. These funds are not available for expenditure until they have been transferred to another line item in part 1 under section 393(2) of the management and budget act, 1984 PA 431, MCL 18.1393.

(4) In addition to the funds appropriated in part 1, there is appropriated an amount not to exceed $500,000.00 for private contingency funds. These funds are not available for expenditure until they have been transferred to another line item in part 1 under section 393(2) of the management and budget act, 1984 PA 431, MCL 18.1393.

- **Department-Specific Boilerplate**
  Because each department or agency has special or unique requirements, much of the boilerplate in an appropriation bill will be specific only to the department or agency covered in that bill (Figure 8). Appropriations subcommittees decide on the specific nonstandard boilerplate language to be included in each bill. Examples could include monthly reporting or providing for conditional funding of certain activities.

Figure 8
Examples: Budget-Specific Boilerplate
(From PA 252 of 2014)

Sec. 302. From the amount appropriated in part 1 to the state board of education, not more than $35,000.00 for the fiscal year ending September 30, 2015 shall be expended for in-state travel and out-of-state travel directly related to the duties of the state board of education.

Sec. 511. The department shall provide quarterly reports to the senate and house appropriations subcommittees on the department budget, the senate and house standing committees on families and human services, and the senate and house fiscal agencies and policy offices on the number and percentage of children who received timely health examinations after entry into foster care and the number and percentage of children entering foster care who received a required mental health examination after entry into foster care.

Sec. 607. (1) It is the intent of the legislature that the department continue its activities in support of intercounty drainage districts as provided in chapter 5 of the drain code of 1956, 1956 PA 40, MCL 280.101 to 280.106.

(2) The department shall work with representatives of intercounty drainage districts to develop a mutually agreeable method of funding department costs associated with the intercounty drainage program.

ADJUSTMENTS TO ENACTED APPROPRIATIONS

The version of the state budget initially enacted into law for each state fiscal year can be adjusted in three ways:

- Through a supplemental appropriation bill.
- Through the transfer process.
- Through an executive order implementing emergency budget reductions.

The supplemental process is the most flexible method for adjusting the budget. Transfers and executive orders can only be utilized in certain circumstances and have differing processes for legislative approval.

Additionally, the work project process allows for spending authorization under certain appropriations to continue from one year to the next, rather than lapsing at the close of a fiscal year.

Supplementals

During a fiscal year, a supplemental appropriation bill allows the state to make positive or negative budget adjustments to keep the budget in balance for any of the following reasons:

- To allocate additional revenue.
- To account for caseload-related or other technical adjustments.
- To allow a shift in funding from one department to another.
- To implement program reductions to keep the budget in balance.

The supplemental process usually begins with a letter from the State Budget Director requesting a supplemental appropriation bill, although the Legislature can also initiate supplemental appropriations. A supplemental bill usually includes appropriation or boilerplate adjustments for multiple departments. Supplemental appropriation adjustments to the School Aid, Community Colleges, or Higher Education budgets must be made through a bill containing amendments to the School Aid Act.

A supplemental appropriation bill is deliberated and adopted in the same manner as other appropriation bills. Generally, supplemental appropriation bills are introduced without any specific appropriation contents; a substitute bill will then be adopted by the appropriations committee in the bill's house of origin. During review of a supplemental request, legislators consider and vote on amendments before reporting the bill out of committee.

After committee passage, a supplemental bill is debated on the floor and then considered by the opposite chamber. If the versions of the bill passed by the two chambers contain differences, it is referred to a conference committee for resolution of the items of difference.

Once approved by both the House and the Senate, a supplemental bill is sent to the Governor for review, possible veto of any distinct item or items appropriating funds, signature, and filing with the Secretary of State.

One signal the Legislature may receive that supplemental adjustments will be needed is a letter the State Budget Director must transmit by June 1 of each year under the Management and Budget Act that identifies any areas where state departments are spending funds at a rate that would exceed the level of existing appropriations.

Transfers

A transfer is an accounting adjustment made to increase or decrease expenditure authority for line items within a department or agency. Transfers of financing sources are made concurrently with related transfers of spending authority.

The transfer process:

- Can be used to move spending authority from one line item to another within a department to account for a deficit in a line item or other budget adjustment.
- Cannot be used to accomplish any of the following:
  - Create a new line-item appropriation or create a new state program.
  - Transfer spending authority to or from an operating appropriation line item that did not appear in the fiscal year appropriation bills for which the transfer is being made.
  - Transfer spending authority to or from a work project.
  - Transfer spending authority between state governmental funds.

The House and Senate Fiscal Agencies provide staff support to their respective appropriations committees to ensure proposed transfers are identical in terms of funding sources and dollar amounts for the affected line items, and that they comply with all applicable laws related to transfers.

Unlike supplemental appropriations, transfers—either administrative or legislative—do not require or involve deliberation and adoption by the full House and Senate. Approval or rejection of transfers is the responsibility of the House and Senate Appropriations Committees.

Pursuant to the Management and Budget Act, two types of transfers are authorized: administrative transfers and legislative transfers. Figure 9 illustrates the differences between the two types of transfers.

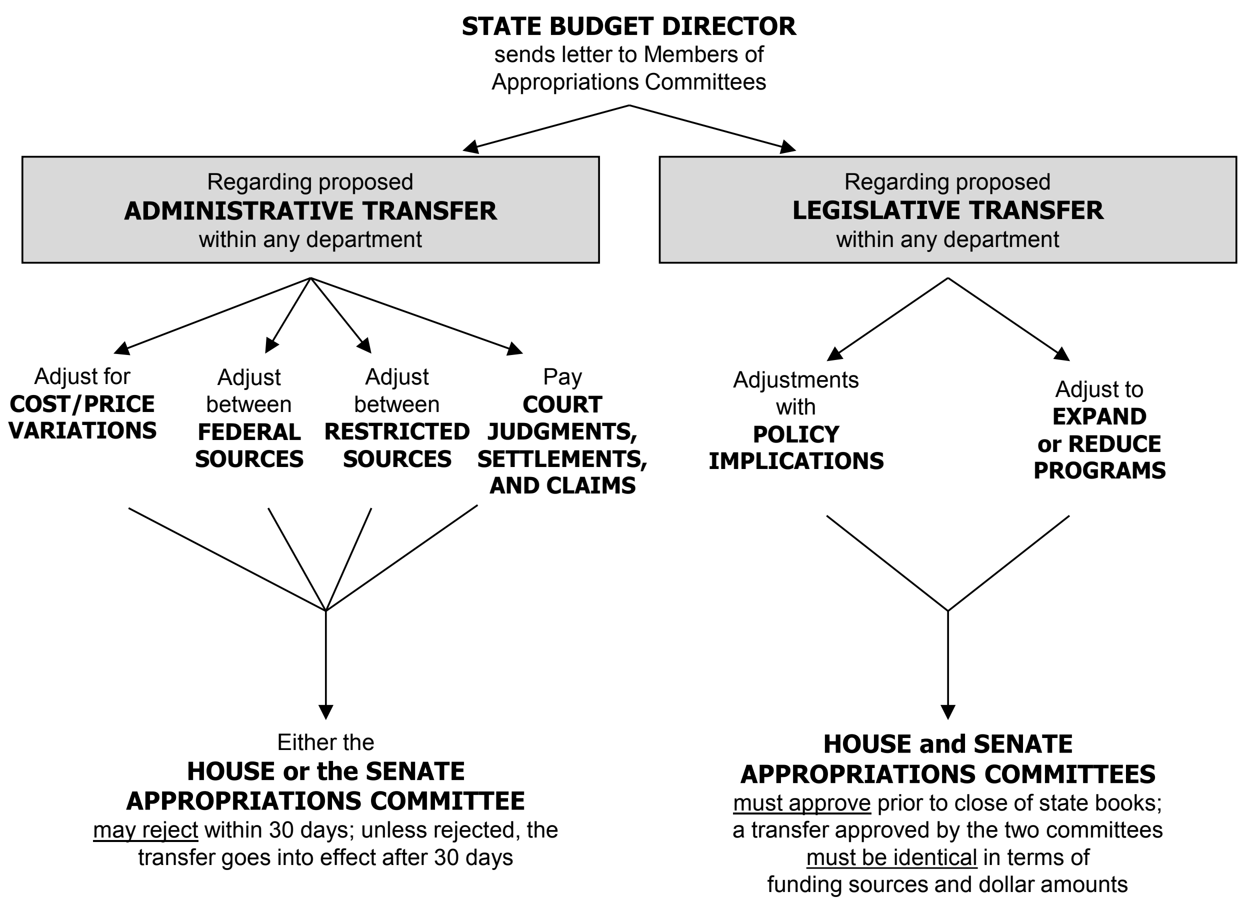
Administrative Transfer

Under the Management and Budget Act, transfers of spending authority between line-item appropriations within a department can be made by the State Budget Director administratively in order to accomplish the following:

- Adjust for unanticipated cost and price variations from enacted budget items.
- Adjust amounts between federal sources of financing for a specific line item.
- Adjust amounts between restricted sources of funding for a specific line item.
- Pay court judgments, settlements, and claims.

Administrative transfers may not be used to make adjustments which have policy implications or which have the effect of creating, expanding, or reducing programs within a department.

Figure 9
Administrative and Legislative Transfers



The following process is used for administrative transfers:

- The State Budget Director, in consultation with the departments involved, submits a letter with transfer recommendations to members of the House and Senate Appropriations Committees.

- The House and Senate Appropriations Committees have 30 days after receiving the State Budget Director's letter to disapprove any or all of the recommended transfers.

- If no disapproval action occurs within the 30-day period, the transfers are implemented by the State Budget Director and have the full effect of law.

Legislative Transfer

Legislative transfers allow the transfer of spending authority between line-item appropriations to make adjustments that may have policy implications or to make adjustments to expand or reduce programs.

Typically, legislative transfers are initiated by the State Budget Director, who submits them for approval by both the House and Senate Appropriations Committees. Both appropriations committees must authorize legislative transfers; if either appropriations committee withholds authorization, the transfer cannot occur.

The following process is used for legislative transfers:

- The State Budget Director, after consultation with the departments involved, submits a letter with the recommended transfers to each member of the House and Senate Appropriations Committees requesting their review and approval. Although recommendations for legislative transfers typically come from the State Budget Director, members of the appropriations committees can also initiate and approve transfers. The committees may also amend transfers proposed by the State Budget Director.

- Approved legislative transfers must be identical in terms of funding sources and dollar amounts for the affected line items.

- If legislative transfers are approved by both appropriations committees, a joint letter of approval, together with the approved transfers, is signed by the chairpersons of the appropriations committees and sent to the State Budget Director. A transfer approved pursuant to the Management and Budget Act has the full effect of law.

- If the State Budget Director does not approve transfers adopted by both the House and Senate Appropriations Committees, the State Budget Director must notify each member of both appropriations committees of that action within 15 days after the committees' final approval.

Contingency Funds Transfer

A contingency funds transfer is a specific type of legislative transfer that moves general spending authority contained in boilerplate language to a specific line-item appropriation to allow for the expenditure of additional revenue that becomes available during the budget year from a federal, local, private, or state restricted source.

Contingency funds authority contained in boilerplate language is not included in state budget totals, since the authority cannot be expended until it is transferred to a specific line item under Section 393(2) of the Management and Budget Act, following identification of an available revenue source.

Unlike other transfers, then, adoption of a contingency funds transfer by the Legislature results in a net increase to the total appropriation amount in a department's budget. Absent the existence of contingency funds boilerplate authorization, this type of budget adjustment must be made through a supplemental appropriation bill.

The term "contingency funds" can be somewhat misleading: Contingency funds authorization effectively represents a cap on the amount of additional funding that can be added to a department's budget through the transfer process (as opposed to a supplemental bill). It does not represent a reserve of existing funds available for discretionary allocation.

Typically, several packages of transfers are reviewed and approved by the appropriations committees in the course of a budget year, including year-end and book-closing packages that ensure that appropriation amounts are aligned with final expenditures at the close of the budget year.

Emergency Reductions

If it appears that actual revenue for a fiscal year will fall below anticipated revenue, the State Constitution requires the Governor, with the approval of the House and Senate Appropriations Committees, to reduce expenditures. Pursuant to the Management and Budget Act, the Governor orders the State Budget Director to review all appropriations except those made for the legislative and judicial branches of government or from funds constitutionally dedicated for specific purposes.

Based on the State Budget Director's review, the Governor may, by Executive Order and with approval of the appropriations committees, reduce expenditures authorized by appropriation for the departments and agencies of the executive branch. Appropriations for the legislative and judicial branches can be reduced only through the supplemental process.

The Governor must give not less than a five-day notice to the members of the appropriations committees specifying a time and place for a joint meeting of the Governor and the appropriations committees at which the Governor presents recommendations and the proposed Executive Order. Within ten days thereafter, the appropriations committees must approve or reject the order.

If both appropriations committees approve, the State Budget Director implements the order. If one house's appropriations committee rejects the order, the notice and joint meeting process may be repeated, or the supplemental appropriation process may be utilized to implement the necessary reductions.

Separate from the Executive Order process, the State School Aid Act provides for the proration of certain payments to school districts and other educational entities if the School Aid Fund becomes out of balance during a budget year. Notice of at least 30 calendar days or six legislative session days, whichever is longer, is required from the State Budget Director prior to the implementation of reductions in payments under the proration to allow for the Legislature to enact legislation appropriating other fund sources or making alternative reductions to bring the School Aid Fund back into balance if it so chooses.

Work Projects

The Management and Budget Act states that at the end of a fiscal year, the portion of an appropriation not yet expended and not committed for expenditure lapses to the state fund from which it was appropriated. The one exception to this requirement is a work project appropriation, which continues to be available until completion of the work or 48 months after the last day of the fiscal year in which the appropriation was originally made, whichever comes first. This allows spending authority from an appropriation in a particular fiscal year to be utilized for expenditures that occur in the subsequent fiscal year, or in multiple subsequent fiscal years.

A work project is defined as a one-time, nonrecurring undertaking for the purpose of accomplishing an objective. In order to be designated as a work project appropriation, all of the following criteria must be met:

- The work project must be for a specific purpose.
- The work project must contain a specific plan to accomplish its objective.
- The work project must have an estimated completion cost.
- The work project must have an estimated completion date.

The Legislature sometimes includes specific boilerplate language in an appropriation bill which establishes a work project account. The State Budget Director, however, has authority to designate any appropriation that meets the requirements above as a work project.

Within 45 days after the close of a fiscal year, the State Budget Director must notify the House and Senate Appropriations Committees and the House and Senate Fiscal Agencies of appropriations proposed to be designated as work project accounts. This notification must include an estimate of the dollar amount of the funds to be designated as work project accounts and a description of all work project accounts designated in an appropriation act.

Either or both of the appropriations committees may disapprove proposed designations as work project accounts within 30 days after the date they are notified by the State Budget Director. If neither appropriations committee disapproves within the 30-day time frame, the proposed work project accounts become effective.

Within 120 days after the close of a fiscal year, the State Budget Director must prepare and deliver to the House and Senate Appropriations Committees and the House and Senate Fiscal Agencies a report that summarizes current work project accounts. This report must contain a listing of all work project accounts, the balance in each account, the amount of funds that lapsed from any previously designated work project accounts, and the accounts that received these lapses.

The State Budget Director has the authority to issue directives to lapse existing work project accounts at any time, but the State Budget Director must notify the House and Senate Appropriations Committees and the House and Senate Fiscal Agencies of work project accounts that the State Budget Director has ordered to lapse. Such a directive may be disapproved by either appropriations committee within 30 days after the date of notification.

HOUSE FISCAL AGENCY ROLE AND RESPONSIBILITIES

The House Fiscal Agency (HFA) is the nonpartisan fiscal staff of the Michigan House of Representatives. Pursuant to Public Act 268 of 1986 as amended, the House Fiscal Agency currently operates under a six-person, bipartisan Governing Committee consisting of the Speaker of the House, the Minority Leader, the Chairperson and Minority Vice-Chairperson of the Appropriations Committee, and the Majority and Minority Floor Leaders.

Policies adopted by the Governing Committee implement the agency's enabling legislation and outline the agency's primary responsibilities, which include:

- Analyzing the state budget as recommended by the Governor and alternative proposals submitted by the state departments and by members of the Legislature.
- Developing appropriation bills and amendments for appropriations committee members.
- Developing substitute bills and floor amendments and analyzing policy alternatives at the request of representatives.
- Monitoring expenditures to determine compliance with legislative intent.
- Completing other assignments as requested.

Subject to statutory confidentiality requirements, agency staff also provide fiscal information, on request, to all members of the House of Representatives. Requests requiring the use of data not available within the agency must be submitted to the HFA Director, in writing, for approval.

The agency also provides orientation and training for members and their staffs on state budget and finance matters.

The Director of the House Fiscal Agency, by statute, is one of three state officials charged with forecasting state revenue at Consensus Revenue Estimating Conferences. Other responsibilities of the Director include managing agency personnel, facilities, and operations; and approving—prior to release—all agency reports, studies, and analyses.

Other HFA staff and their areas of responsibility include:

- **Fiscal Analysts**
  Assist legislators with developing the state budget; review and prepare budget and supplemental appropriation bills and certain transfer requests; provide fiscal impact statements on proposed legislation; monitor, research, and analyze fiscal issues; and prepare reports and documents to assist legislative deliberations.

- **Economists**
  Analyze legislation related to tax and other revenue issues, monitor state revenue, track state and national economic conditions, and prepare reports on revenue and other economic issues.

- **Legislative Analysts**
  Prepare nonpartisan summaries and analyses of bills pending before the House. Summaries, completed prior to committee deliberations, describe how a bill would change current law, including any fiscal impact. Analyses are prepared for bills as they are reported from committee; they include, with summary information, a description of the problem being addressed and arguments for and against the bill.

Nonpartisan Status

The House Fiscal Agency is a nonpartisan agency within the Michigan House of Representatives. Accordingly, all agency employees "execute their assigned duties with impartiality and without regard to their own personal opinions, attitudes, or beliefs." An agency employee is prohibited from "involvement in any partisan political activities if such participation could give the appearance that the employee's impartiality could be compromised or threatened."

Governing Committee policy specifically prohibits employees from "becoming officers in a state or national partisan political party, becoming delegates to any state, district, or county convention held by a political party, becoming members of any national political party committee, or becoming delegates from the state to any national political party convention."

Governing Committee policy also states that:

> An employee of the Agency will not become a declared candidate for any partisan public office without first resigning from Agency employment. An employee of the Agency will notify the Director of an appointment to any board, commission, council or other agency of the State of Michigan or a local unit of government.

Confidentiality

Statute requires that the working relationship between an employee of the House Fiscal Agency and members of the Legislature be completely confidential. Specifically, an employee of the Agency:

> . . . shall not reveal to any person who is not an employee of the house fiscal agency the contents or nature of any bill, substitute, amendment, resolution, special report, or proposal not yet published unless the employee has the consent of the member who is sponsoring or requesting the bill, substitute, amendment, resolution, special report, or proposal. A bill shall not be considered published until it is introduced. A substitute, an amendment, or a conference report shall be considered published when received by the secretary of the senate or the clerk of the house of representatives, or both, as is appropriate.

The confidential manner in which HFA staff conducts its work is further defined in Governing Committee policies:

> . . . matters pertaining to activities being processed or completed for members or committees of the Legislature by employees of the Agency will not be discussed or otherwise made known without the prior approval of the member or committee concerned.

Budget Process Tools

Each year the House Fiscal Agency prepares a variety of documents, available to all members of the House, to assist legislators as they consider and debate the executive budget recommendations.

In addition to appropriations subcommittee and full committee decision documents and summaries, the agency publishes:

Budget Briefings
These PowerPoint presentations—one for each budget area—provide introductory information, including graphs and other information on appropriations, revenue, and specific department programs. Presentations that provide overviews of the state budget, state revenues, and revenue sharing are also available.

Michigan Economic Outlook and House Fiscal Agency Revenue Estimates
Prepared by HFA economists, this report presents the agency's economic and revenue forecasts, which are then utilized in the consensus revenue estimating process. It is published approximately one week before each consensus revenue estimating conference (January and May).

The Governor's Budget Proposal: Review and Analysis
This report, published soon after release of the executive budget recommendation, provides a detailed explanation of the Governor's proposed budget, including—by budget area—major proposed budget and boilerplate changes from the current fiscal year.

State of Michigan Revenue Source and Distribution
This report provides detail on the source and distribution of Michigan's revenue, and compares current-year revenue projections with estimated revenue for the coming year. Published annually following the May consensus revenue estimating conference, the report also provides information on taxes (tax base, rate, disposition, and estimated collections) and includes information on state revenue dedication.

State of Michigan Appropriations Summary and Analysis
This report, published after budget bills are enacted, provides a detailed analysis of enacted appropriations, highlighting—by budget area—major budget and boilerplate changes from the current fiscal year.

Reports Required by Boilerplate
Prepared after budget bills are enacted, this report lists all reports required by boilerplate in a specific fiscal year's appropriation acts, detailing the purpose, reporting and receiving entities, and due date for each required report.

Line Item and Boilerplate Summaries
Prepared after budget bills are enacted, these reports (one for each budget area) provide line-by-line detail of the amount, purpose, funding sources, and related boilerplate for each appropriation line in a specific appropriation act, and a brief explanation of each boilerplate section in the act.

Revenue Review
This quarterly report provides detail on quarterly and year-to-date revenue collections for Michigan's major taxes as compared to both prior-year collections and current-year estimates.

The House Fiscal Agency also publishes special reports on fiscal topics of interest to the Legislature. House Fiscal Agency reports and publications are distributed to House members upon publication, and are available on the Agency's website: www.house.mi.gov/hfa. Additional copies of reports may be obtained by contacting the agency.

Bill summaries and analyses prepared by the agency are available on the public Michigan Legislative Information System website (www.michiganlegislature.org), as well as the internal House Session Information System. These documents include agency statements regarding the estimated fiscal impact of legislation on both the state and on local units of government.

Mary Ann Cleary, Director
Kyle I. Jen, Deputy Director

Agriculture and Rural Development .... William E. Hamilton
Capital Outlay .... Benjamin Gielczyk
Community Colleges .... Marilyn Peterson
Community Health:
- **Medicaid, Physical and Mental Health** .... Kevin Koorstra; Steve Stauff; Kyle I. Jen
- **Public Health, Aging, Departmentwide Services** .... Susan Frey

Corrections .... Robin R. Risko
Education (Department) .... Samuel Christensen
Environmental Quality .... Austin Scott
General Government:
- **Attorney General/Civil Rights/State (Department)/ Technology, Management, and Budget** .... Perry Zielak
- **Auditor General/Executive Office/Legislature/Lottery/ Michigan Strategic Fund/Treasury** .... Benjamin Gielczyk

Higher Education .... Marilyn Peterson
Human Services (Department) .... Viola Bay Wild
Insurance and Financial Services .... Paul Holland
Judiciary .... Robin R. Risko
Licensing and Regulatory Affairs .... Paul Holland
Military and Veterans Affairs .... Perry Zielak
Natural Resources .... Austin Scott
Natural Resources Trust Fund .... Benjamin Gielczyk
School Aid .... Bethany Wicksall; Samuel Christensen
State Police .... Paul Holland
Transportation .... William E. Hamilton

Economics/Revenue Forecast; Tax Analysis .... Jim Stansell; Adam Desrosiers

Legislative Analysis .... Chris Couch
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Fiscal Oversight, Audit, and Litigation .... Mary Ann Cleary
Legislative Transfers .... Viola Bay Wild
Retirement .... Bethany Wicksall; Kyle I. Jen
Revenue Sharing/EVIP .... Jim Stansell; Benjamin Gielczyk
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