

GOVERNOR ENGLER'S FY 2001-02 BUDGET

SUMMARY AND ANALYSIS OF MAJOR RECOMMENDATIONS



**Gary S. Olson, Director
SENATE FISCAL AGENCY
February 20, 2001**

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2. To provide written analyses of all Senate bills, House bills and Administrative Rules considered by the Senate.
3. To review and evaluate proposed and existing State programs and services.
4. To provide economic and revenue analysis and forecasting.
5. To review and evaluate the impact of Federal budget decisions on the State.
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7. To review and evaluate the State's compliance with constitutional and statutory fiscal requirements.
8. To prepare special reports on fiscal issues as they arise and at the request of members of the Senate.

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OVERVIEW

OVERVIEW

Governor Engler on February 8, 2001, transmitted his fiscal year (FY) 2001-02 State Budget Message to the Legislature. The Governor's FY 2001-02 budget contains recommendations to provide for \$37.8 billion of Adjusted Gross appropriations. Included in this appropriations total are \$10.1 billion of Federal funds, \$1.1 billion of local and private funds, \$16.8 billion of State Restricted funds and \$9.8 billion of General Fund/General Purpose (GF/GP) appropriations. Table 1 and Figure A provide summaries of the overall makeup of the FY 2001-02 appropriations as recommended by the Governor.

Tables 2-4 and Figures B-D provide department-by-department detail of the Governor's appropriation requests for FY 2001-02 compared with FY 2000-01 year-to-date appropriations. The tables and figures present appropriation data in terms of Adjusted Gross, State Spending from State Resources, and GF/GP appropriations. Adjusted Gross appropriations are defined as total appropriations of each department less funds transferred in from other departments; State Spending from State Resources appropriations are defined as Adjusted Gross appropriations less Federal, local and private funds. General Fund/General Purpose appropriations are the residual unrestricted portion of the budget over which the Governor and the Legislature have the most flexibility in establishing appropriation policy. The Governor's budget proposes a 3.7% increase in Adjusted Gross appropriations, a 3.9% increase in State Spending from State Resources appropriations, and a 0.4% increase in GF/GP appropriations. These percentage increases in annual appropriations do not take into account FY 2000-01 supplemental appropriation requests of the Governor that are included in the budget message.

The Governor's FY 2001-02 State Budget Message is developed based on a consensus revenue estimate agreed to on January 11, 2001. These consensus revenue estimates are the basis for the appropriation and tax policy changes contained in the budget recommendations. Excluding any beginning balances the FY 2001-02 GF/GP consensus revenue estimate represents a \$165.9 million or 1.7% increase from the FY 2000-01 consensus estimate. Excluding any beginning balances the FY 2001-02 School Aid Fund (SAF) consensus revenue estimate provides for \$493.5 million or 4.8% growth. The Governor's proposed budget does not contain any recommendations for changes in tax policy that will have an impact on the consensus revenue estimates.

Summary of Major Changes for FY 2001-02

The Governor's FY 2001-02 budget proposal marks the 11th State budget that Governor Engler has transmitted to the Legislature. The first four of the budgets recommended by the Governor can be characterized by restrained growth in GF/GP appropriations to ensure that available revenues and expenditures were in balance. The next six State budgets recommended by the Governor contained inflationary-type increases in overall GF/GP appropriations coupled with the phase-in of a wide variety of State tax reductions. The FY 2001-02 budget recommendation is in many ways different from the recent recommendations. The primary reason for this difference is that economic growth in the State appears to be slowing and this projected economic slowdown has a direct impact on estimated State revenues. This economic slowdown coupled with the continued phase-in of reductions in the rate of the State income and single business taxes, leads to a very restrained budget recommendation. This is especially true for the GF/GP budget as the impact of the income and single business tax rate reductions affects GF/GP revenues.

As previously stated, the Governor's FY 2001-02 budget is built on assumptions as to the level of revenues available to support appropriations. Table 5 provides a summary of the amount of additional GF/GP revenues that will be available to support the Governor's FY 2001-02 GF/GP appropriation recommendations. Based on current law tax policy, estimated FY 2001-02 GF/GP revenues total \$9.78 billion. Comparing this projected level of

GF/GP revenues with enacted and proposed FY 2000-01 GF/GP appropriations leads to an \$8.1 million reduction. Therefore, the Governor's FY 2001-02 GF/GP appropriation will provide for slightly lower GF/GP appropriations than the prior fiscal year's level.

Table 6 provides a summary of the Governor's major recommendations to deal with this restrained FY 2001-02 GF/GP budget. Major program increases recommended by the Governor include \$103.5 million of economic increases for State departments, a \$46.8 million increase for the Medicaid program in the Department of Community Health, a \$31.9 million increase for operations for universities, and a variety of other appropriation increases. These GF/GP appropriation increases are offset by a \$180.0 million reduction in the GF/GP grant to the SAF, the removal of one-time funding items in several departments, and a \$13.8 million saving from undesignated appropriation reductions in State departments. These items taken in total provide for a net \$8.2 million reduction in the overall level of FY 2001-02 GF/GP appropriations compared with the FY 2000-01 recommended level of GF/GP appropriations.

The Governor's FY 2001-02 budget contains assumptions concerning Federal funds, recommendations for new or expanded programs, program reductions, and recommendations for FY 2000-01 supplemental appropriations. The following information provides a summary of the major highlights of these recommendations. More detailed discussion on the recommendation for each individual department is contained in the body of this report.

FY 2000-01 Supplemental Appropriations. The Governor's FY 2001-02 State Budget Message contains a series of recommendations to the Legislature to enact FY 2000-01 supplemental appropriations. Table 7 provides a summary of these recommendations. The supplemental appropriations total \$114.0 million of Gross appropriations and \$51.5 million of GF/GP appropriations. These recommended supplemental appropriations reflect several budget priorities. First are the restricted revenue appropriations for such programs as the Natural Resources Trust Fund, the Clean Michigan Initiative bonding grants for local recreation projects, and restricted funding projects in the Department of Transportation. Second are one-time appropriations including a \$25.3 million appropriation for child support programs in the Family Independence Agency budget to offset a loss of Federal funds due to the State's failure to comply with requirements for a uniform statewide child support enforcement system, \$17.0 million for disaster relief funding in the Department of State Police, and \$10.0 million of additional funding for the E-Michigan initiative. The final major category of supplemental appropriation recommendations is \$12.2 million in undesignated appropriation reductions. These reductions, which equate to a 0.5% reduction in GF/GP appropriations effective April 1, 2001, do not apply to the Department of Corrections, the education budgets, the Judicial branch, or the Legislative branch. These reductions would have to be implemented by appropriation transfers approved at a later date by the Senate and House Appropriations Committees. All of these proposed FY 2000-01 supplemental appropriations will be financed by available FY 2000-01 revenues.

Federal Funds Assumptions. The recommended appropriation of \$10.1 billion of Federal funds contained in the budget is developed assuming a continuation of FY 2000-01 Federal budget policy into FY 2001-02. To the extent that the United States Congress enacts substantive changes in Federal funds received by Michigan, adjustments might have to be made in the appropriation of Federal funds in the State budget. The major Federal funds issue to watch in the FY 2001-02 State budget is the debate involving the reauthorization of the Federal welfare block grants to the states. The current authorization expires at the end of FY 2000-01.

State Revenue Sharing. The Governor's budget recommendation provides for full statutory funding of restricted State revenue sharing payments to cities, villages, townships, and counties. Revenue sharing payments will total \$1.6 billion or a 5.4% increase over the projected level of FY 2000-01 payments.

General Budget Language. The Governor's budget includes several important recommendations concerning standard budget language. The recommendation continues the past practice of freezing classified State employment levels unless exceptions are granted by the State Budget Director. The budget also contains language dealing with the appropriation of unanticipated Federal, State restricted, and local and private funds that become available after the budget is enacted.

Program Transfers. The Governor's budget recommendation reflects two transfers of existing programs from one department to another. Table 8 provides a summary of these recommended program transfers. The Governor is recommending that the Commission on Spanish Speaking Affairs be transferred from the Department of Civil Rights to the Department of Career Development and that the licensing of health maintenance organizations be transferred from the Department of Community Health to the Department of Consumer and Industry Services.

Proposed Fee Increases. The Governor's budget recommendation includes \$18.1 million of appropriations supported by proposed fee increases. Table 9 provides a summary of these recommended fee increases. The recommended fee increases all represent increases in the level of existing fees, although the air emission fee increase in the Department of Environmental Quality also involves the removal of a sunset from an existing fee.

Unclassified Salaries. The Governor's budget recommendation includes a 2.0% increase for unclassified salaries in State departments. The budget also contains the full FY 2001-02 funding of the recently approved State Officers Compensation Commission salary adjustments for legislators, judges, the Governor, and the Lieutenant Governor.

Classified Salaries. The Governor's budget provides for the funding of negotiated salary adjustments for all State classified employees. These salary increases approved by the State Civil Service Commission will increase FY 2001-02 Gross appropriations by \$91.0 million. The average salary increase for classified workers is a 2.0% increase plus a \$375 lump sum payment. Most State classified workers are eligible for step increases or bonus payments that are in addition to these base pay adjustments.

Economic Adjustments. The Governor's budget contains increased funding for each State department, the Legislature, and the Judiciary to provide additional funds necessary to cover cost increases associated with economic adjustments. For State budgeting purposes, economic adjustments include costs such as wage adjustments, fringe benefit adjustments, and other factors influenced by inflation including postal costs, utilities, and building rental rates. Table 10 provides a summary of these economic adjustments, which total \$156.8 million of Gross appropriations and \$103.5 million of GF/GP appropriations.

Tobacco Settlement Appropriations. The Governor's budget contains recommendations for the appropriation of tobacco settlement funds from the Michigan Merit Award Trust Fund and the Tobacco Settlement Trust Fund. Tobacco settlement funds received by the State of Michigan, pursuant to the December 23, 1998, settlement agreement between the states and the major United States tobacco companies, are deposited into these two trust funds based on statutory distribution formulas. The Legislature then makes appropriations from the trust funds for any purpose. Table 11 provides a summary of the Governor's recommendation for \$317.7 million of FY 2001-02 appropriations from the trust funds. The appropriation recommendations represent a continuation of the FY 2000-01 appropriations of tobacco settlement revenues.

Budget Stabilization Fund. The Governor's budget does not contain a statutory formula pay-in to the Budget Stabilization Fund during FY 2001-02. This is consistent with the economic forecast agreed to at the Consensus Revenue Estimating Conference held on January 11, 2001. Based on the current Senate Fiscal Agency estimates of Budget Stabilization Fund finances, the balance in the Fund at the close of FY 2001-02 will total \$1.33 billion.

Capital Outlay. The budget recommendation provides for a \$28.9 million or 10.6% increase in the appropriation for debt service payments on State Building Authority Bonds. This increase reflects the recent level of activity of building projects at State universities, community colleges, and State agencies financed through the State Building Authority. The recommendation contains no new authorizations for the planning of State Building Authority construction projects.

Community Colleges. The budget recommendation provides for a 2.0% increase for community college operations. This increase will be distributed as a 1.0% across-the-board increase and 1.0% distributed through the Gast-Mathieu funding formula. The range of the overall increases for the colleges is between 1.0% and 4.0%. The recommendation also provides for an additional 1.5% increase in colleges' operations if the Legislature repeals the existing tuition tax credit provided under the State individual income tax act.

Community Health. The budget recommendation is likely to focus on two broad policy areas in the Department of Community Health appropriation bill. In the Medicaid program the recommendation provides for a 2.0% increase for Medicaid providers. This recommended increase will have to be evaluated after a review of data suggesting that Qualified Health Plans now appear to be making profits on the provision of Medicaid services following losses as recent as FY 1999-2000. Pharmaceutical costs in the Medicaid program are also an issue as the recommendation provides for a 60% increase in pharmaceutical costs over a two-year period. The other area of the Department of Community Health budget that will receive considerable debate is the appropriation for Community Mental Health boards. A recent State decision to recalculate the date of eligibility for Medicaid clients receiving services through the Community Mental Health boards has created a possible funding problem during FY 2000-01. In addition, the Governor's recommendation includes a shift of the funding and full responsibility of prescribing psychotropic medications from the State to the Community Mental Health boards. This change shifts the future burden of drug cost increases from the State to local providers, unless the Community Mental Health boards can effectively manage the use and costs of these medications.

Corrections. The budget recommendation provides for an overall 3.4% increase in the GF/GP appropriation for the Department of Corrections. The appropriation increase primarily funds economic increases associated with the staffing and operations of the State prison system and parole and probation services. The recommendation does include a delay in the scheduled opening of the Bellamy Creek Correctional Facility in Ionia from the summer of 2001 to early in FY 2002-03. This delayed opening results from a slowdown in the rate of growth of the overall State prison population.

Family Independence Agency. The budget recommendation provides for a continuation of the current policies related to Family Independence Agency programs. In several programs the budget shifts funding from Federal block grant sources to State funding in order to conform with Federal requirements. On an overall basis the major issue in this budget is likely to be the level of Federal funds the State will receive for its welfare block grant. During the period FY 1996-97 through FY 2000-01, the State of Michigan has annually received a \$775.0 million Federal block grant for welfare programs. Congressional authorization of this block grant expires at the end of FY 2000-01 and the State will be closely monitoring Congressional action on the extension of this funding. The Governor's recommendation assumes the continuation of the \$775.0 million of Federal welfare block grant funding. The budget recommendation also assumes that the State will be in full compliance concerning a Statewide child support enforcement system during FY 2001-02 and will avoid the potential penalty of \$49.7 million. A \$38.0 million Federal sanction was imposed on the State during FY 2000-01 for failure to have a unified Statewide child support enforcement system.

Higher Education. The budget recommendation provides for a 2.0% increase for State operations funding of universities. Based on the Governor's recommendation this funding will range from an increase of 8.8% at Grand Valley State University to a decline of 0.02% at Northern Michigan University. The recommendation contains an additional 1.5% funding increase for operations if the Legislature repeals the existing tuition tax credit provided under the State individual income tax act.

Natural Resources. The budget recommendation provides for adjustments in programs funded with Game and Fish Protection Fund revenues to assure a balance between projected revenues and appropriations. These program reductions include the customer service initiative, the elimination of 8.0 FTE positions in the wildlife management program, and an elimination of 10.0 authorized conservation officer positions.

K-12 School Aid. The Governor's budget recommendation does not provide for any adjustments to the existing State appropriations from the SAF. Public Act 297 of 2000 provided for SAF appropriations for the period FY 2000-01 through FY 2002-03. During FY 2001-02, the basic foundation allowance will increase by 5.0% to \$6,300, with a special equity payment of up to \$200 to bring districts up to a minimum of a \$6,500 basic foundation allowance level.

PAYMENTS TO LOCAL UNITS OF GOVERNMENT

The Governor's FY 2001-02 budget recommendation includes \$15.9 billion of estimated payments to local units of government. This exceeds the required level of State payments to local units of government pursuant to Article IX, Section 30 of the State Constitution of 1963 by \$2.9 billion. Table 12 provides a summary of this estimate.

STATE EMPLOYMENT

Table 13 and Figure E provide a comparison of classified and exempted full-time equated (FTE) positions recommended by the Governor with the appropriated levels of FTEs for FY 2000-01. The Governor's FY 2001-02 recommendation includes funding for 64,271.4 FTEs. This represents a 330.1 FTE decline or 0.5% below the FY 2000-01 level.

PROJECTED YEAR-END BALANCE

Combining the Governor's FY 2001-02 appropriation recommendations with the consensus revenue estimates leads to updated estimates of the FY 2001-02 GF/GP and SAF year-end balances. Assuming that all of the Governor's appropriation recommendations are adopted, the FY 2001-02 GF/GP budget will close the year with an \$8.2 million balance. This year-end balance is the result of an estimated \$8.1 million GF/GP carry-forward balance from FY 2000-01. The School Aid Fund will close FY 2001-02 with a \$209.0 million year-end balance. Tables 14 and 15 provide a summary of these FY 2001-02 year-end balance estimates.

REVENUE ESTIMATES

State government revenues will total an estimated \$38.4 billion in FY 2001-02, which represents an increase of 2.3% from the estimate of total revenue for FY 2000-01. This estimate for FY 2001-02 includes revenue from all sources going to all general and special revenue funds, and includes the consensus estimates for GF/GP and SAF revenues adopted at the January 11, 2001, Consensus Revenue Estimating Conference. The carry-over balances from all funds for FY 2000-01 are expected to total \$917 million. Revenue generated during FY 2001-02 from taxes, Federal aid, and the other ongoing revenue sources, will total an estimated \$37.5 billion, which represents an increase of 3.4% from FY 2000-01 estimated revenue of \$36.3 billion. The only tax change proposed in the Governor's budget is to repeal the income tax credit for college tuition and then use the savings to help fund higher education; however, the revenue estimates presented in the Governor's budget do not reflect this proposed tax change, and so it is not reflected in the revenue estimates presented in this section.

General Fund. The Governor's GF/GP budget for FY 2001-02 is based on total revenues of \$9.79 billion, which is down \$8.1 million, or 0.1%, from the FY 2000-01 estimated revenue level. This decline is due to the growing impact of the various tax cuts that have already been enacted, including the ongoing reductions in the income and single business taxes, and to the reduction in the beginning balance, which is expected to decline from \$179 million in FY 2000-01 to \$8.1 million in FY 2001-02. While not reflected in the Governor's revenue estimates, his proposed repeal of the income tax college tuition tax credit would increase the estimate of GF/GP revenue \$33 million in FY 2001-02.

School Aid Fund. School Aid Fund revenue is expected to total \$11.73 billion in FY 2001-02. This includes earmarked tax and lottery revenues of \$10.68 billion, which represents a 4.8% increase from FY 2000-01 revenue. In addition to the earmarked taxes and lottery revenues, the FY 2001-02 SAF revenue estimate includes a \$206 million grant from the General Fund, a \$32 million transfer from the Budget Stabilization Fund, \$145 million in Federal aid, and a carryover beginning balance of \$669 million.

Other Funds. Revenues earmarked to the various transportation funds will total an estimated \$3.26 billion in FY 2001-02, after adjusting for interfund transfers, and the special purpose portion of the General Fund, which is about 70% Federal aid, is expected to total \$12.17 billion. The remaining special revenue funds are expected to receive \$893 million in revenue, in addition to carryover beginning balances of \$240 million. Other miscellaneous revenue is projected to total \$591 million.

Table 1

FY 2001-02 GOVERNOR'S RECOMMENDATION BY SOURCE OF FUNDS (Actual Dollars)					
Department/Budget Area	Adjusted Gross	Federal Funds	Local & Private Funds	Other State Restricted	General Fund/ General Purpose
Agriculture	\$89,513,400	\$5,806,100	\$1,121,900	\$34,509,200	\$48,076,200
Attorney General	55,516,200	7,624,800	1,171,600	8,621,900	38,097,900
Capital Outlay	508,757,700	106,332,000	26,450,000	28,309,000	347,666,700
Career Development	529,057,300	463,699,900	17,374,500	11,444,500	36,538,400
Civil Rights	15,824,800	934,000	0	0	14,890,800
Civil Service	27,578,100	4,779,100	1,850,000	9,502,900	11,446,100
Community Colleges	331,196,319	0	0	10,000,000	321,196,319
Community Health	8,697,069,800	4,621,518,200	970,652,600	375,474,200	2,729,424,800
Consumer and Industry Services	535,519,500	240,725,500	740,000	208,677,200	85,376,800
Corrections	1,751,044,100	26,532,400	349,600	49,221,600	1,674,940,500
Education	943,470,100	890,026,700	5,496,900	13,297,000	34,649,500
Environmental Quality	398,747,600	130,777,500	1,567,100	163,227,700	103,175,300
Executive	5,819,900	0	0	0	5,819,900
Family Independence Agency	3,659,272,400	2,306,346,150	99,953,850	53,233,900	1,199,738,500
Higher Education	1,956,742,361	4,900,000	0	130,273,845	1,821,568,516
Judiciary	245,171,700	3,363,200	3,755,400	56,288,900	181,764,200
Legislative Auditor General	13,997,800	0	0	266,600	13,731,200
Legislature	113,456,900	0	400,000	1,041,800	112,015,100
Library of Michigan	39,995,600	4,557,400	75,000	86,900	35,276,300
Management & Budget (Operations)	90,423,000	380,300	0	42,923,200	47,119,500
Military Affairs	102,708,700	36,188,100	480,000	23,255,800	42,784,800
Natural Resources	251,432,300	27,072,900	1,748,800	166,390,200	56,220,400
School Aid ¹⁾	11,521,053,300	145,000,000	0	11,170,439,800	205,613,500
State	135,866,600	3,158,000	502,500	64,301,900	67,904,200
State Police	396,657,900	38,251,000	3,913,700	46,571,000	307,922,200
Strategic Fund Agency	180,106,000	62,934,400	850,000	50,050,000	66,271,600
Transportation	3,127,208,200	984,483,900	5,800,000	2,136,924,300	0
Treasury (Debt Service)	111,995,000	0	700,000	0	111,295,000
Treasury (Operations)	344,217,300	33,490,000	950,100	245,674,100	64,103,100
Treasury (Revenue Sharing)	1,655,000,000	0	0	1,655,000,000	0
TOTAL APPROPRIATIONS	\$37,834,419,880	\$10,148,881,550	\$1,145,903,550	\$16,755,007,445	\$9,784,627,335
1) The FY 2001-02 recommendations listed for School Aid reflect enacted appropriations from P.A. 297 of 2000.					

Figure A

Appropriations by Source of Funds FY 2001-02 Governor's Recommendation

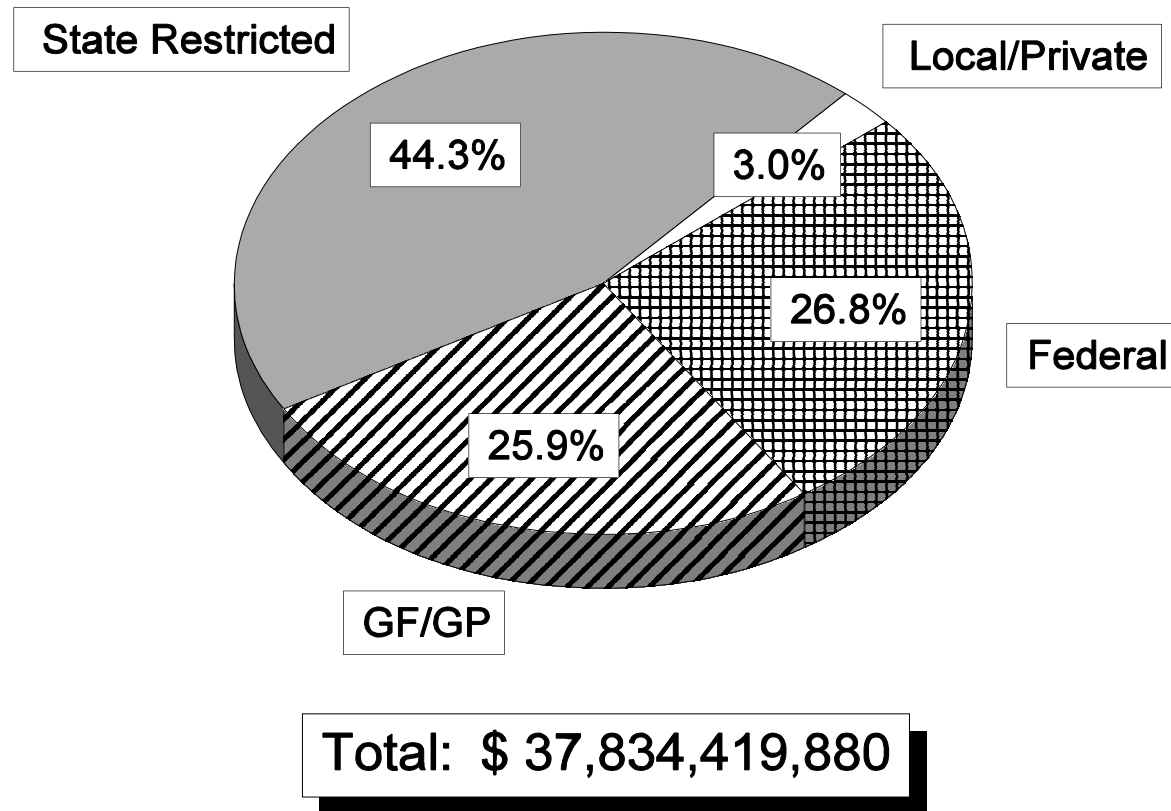


Table 2

**ADJUSTED GROSS APPROPRIATIONS
FY 2000-01 VERSUS GOVERNOR'S RECOMMENDATION
(Actual Dollars)**

Department/Budget Area	FY 2000-01 Year-to-Date Appropriations	FY 2001-02 Governor's Recommendation	Dollar Difference	Percent Change
Agriculture	\$88,838,400	\$89,513,400	\$675,000	0.8%
Attorney General	51,919,800	55,516,200	3,596,400	6.9
Capital Outlay	464,995,300	508,757,700	43,762,400	9.4
Career Development	522,406,400	529,057,300	6,650,900	1.3
Civil Rights	15,272,500	15,824,800	552,300	3.6
Civil Service	27,105,600	27,578,100	472,500	1.7
Community Colleges	325,011,719	331,196,319	6,184,600	1.9
Community Health	8,492,290,600	8,697,069,800	204,779,200	2.4
Consumer and Industry Services	529,647,400	535,519,500	5,872,100	1.1
Corrections	1,697,147,900	1,751,044,100	53,896,200	3.2
Education	928,975,300	943,470,100	14,494,800	1.6
Environmental Quality	392,499,100	398,747,600	6,248,500	1.6
Executive	5,679,600	5,819,900	140,300	2.5
Family Independence Agency	3,591,057,500	3,659,272,400	68,214,900	1.9
Higher Education	1,905,000,608	1,956,742,361	51,741,753	2.7
Judiciary	233,305,500	245,171,700	11,866,200	5.1
Legislative Auditor General	13,450,100	13,997,800	547,700	4.1
Legislature	106,420,700	113,456,900	7,036,200	6.6
Library of Michigan	39,916,700	39,995,600	78,900	0.2
Management & Budget (Operations)	91,416,500	90,423,000	(993,500)	(1.1)
Military Affairs	101,172,700	102,708,700	1,536,000	1.5
Natural Resources (Bond)	0	0	0	0.0
Natural Resources	253,360,700	251,432,300	(1,928,400)	(0.8)
School Aid ¹⁾	10,932,335,000	11,521,053,300	588,718,300	5.4
State	131,481,000	135,866,600	4,385,600	3.3
State Police	382,619,600	396,657,900	14,038,300	3.7
Strategic Fund Agency	168,982,800	180,106,000	11,123,200	6.6
Transportation	2,968,245,100	3,127,208,200	158,963,100	5.4
Treasury (Debt Service)	91,570,500	111,995,000	20,424,500	22.3
Treasury (Operations)	346,134,000	344,217,300	(1,916,700)	(0.6)
Treasury (Revenue Sharing)	1,570,000,000	1,655,000,000	85,000,000	5.4
TOTAL APPROPRIATIONS	\$36,468,258,627	\$37,834,419,880	\$1,366,161,253	3.7%

1) The FY 2001-02 recommendations listed for School Aid reflect enacted appropriations from P.A. 297 of 2000.

Figure B

Adjusted Gross FY 2001-02 Governor's Recommendation

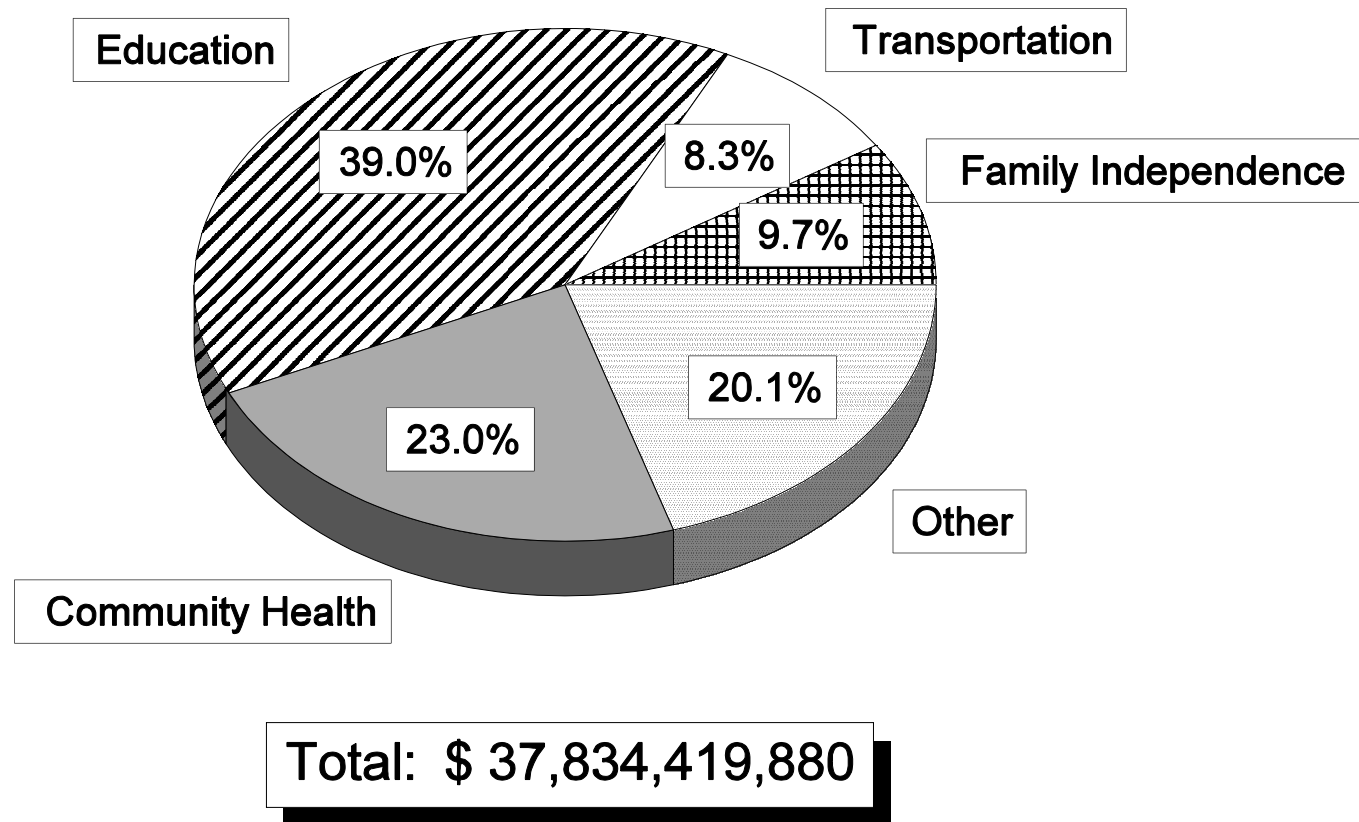


Table 3

**STATE SPENDING FROM STATE RESOURCES
FY 2000-01 VERSUS GOVERNOR'S RECOMMENDATION
(actual dollars)**

Department/Budget Area	FY 2000-01 Year-to-Date Appropriations	FY 2001-02 Governor's Recommendation	Dollar Difference	Percent Change
Agriculture	\$81,679,500	\$82,585,400	\$905,900	1.1%
Attorney General	43,645,800	46,719,800	3,074,000	7.0
Capital Outlay	348,262,300	375,975,700	27,713,400	8.0
Career Development	35,954,400	47,982,900	12,028,500	33.5
Civil Rights	14,338,500	14,890,800	552,300	3.9
Civil Service	20,476,500	20,949,000	472,500	2.3
Community Colleges	325,011,719	331,196,319	6,184,600	1.9
Community Health	3,070,201,600	3,104,899,000	34,697,400	1.1
Consumer and Industry Services	291,275,500	294,054,000	2,778,500	1.0
Corrections	1,670,084,800	1,724,162,100	54,077,300	3.2
Education	48,266,300	47,946,500	(319,800)	(0.7)
Environmental Quality	261,237,800	266,403,000	5,165,200	2.0
Executive	5,679,600	5,819,900	140,300	2.5
Family Independence Agency	1,267,638,700	1,252,972,400	(14,666,300)	(1.2)
Higher Education	1,901,100,608	1,951,842,361	50,741,753	2.7
Judiciary	226,320,400	238,053,100	11,732,700	5.2
Legislative Auditor General	13,450,100	13,997,800	547,700	4.1
Legislature	106,020,700	113,056,900	7,036,200	6.6
Library of Michigan	35,284,300	35,363,200	78,900	0.2
Management & Budget (Operations)	90,866,000	90,042,700	(823,300)	(0.9)
Military Affairs	64,845,100	66,040,600	1,195,500	1.8
Natural Resources (Operations)	226,982,700	222,610,600	(4,372,100)	(1.9)
School Aid ¹⁾	10,787,335,000	11,376,053,300	588,718,300	5.5
State	128,274,700	132,206,100	3,931,400	3.1
State Police	344,795,000	354,493,200	9,698,200	2.8
Strategic Fund Agency	115,652,900	116,321,600	668,700	0.6
Transportation	2,047,096,100	2,136,924,300	89,828,200	4.4
Treasury (Debt Service)	90,870,500	111,295,000	20,424,500	22.5
Treasury (Operations)	311,188,100	309,777,200	(1,410,900)	(0.5)
TOTAL APPROPRIATIONS	\$25,543,835,227	\$26,539,634,780	\$995,799,553	3.9%

1) The FY 2001-02 recommendations listed for School Aid reflect enacted appropriations from P.A. 297 of 2000.

Figure C

State Spending from State Resources FY 2001-02 Governor's Recommendation

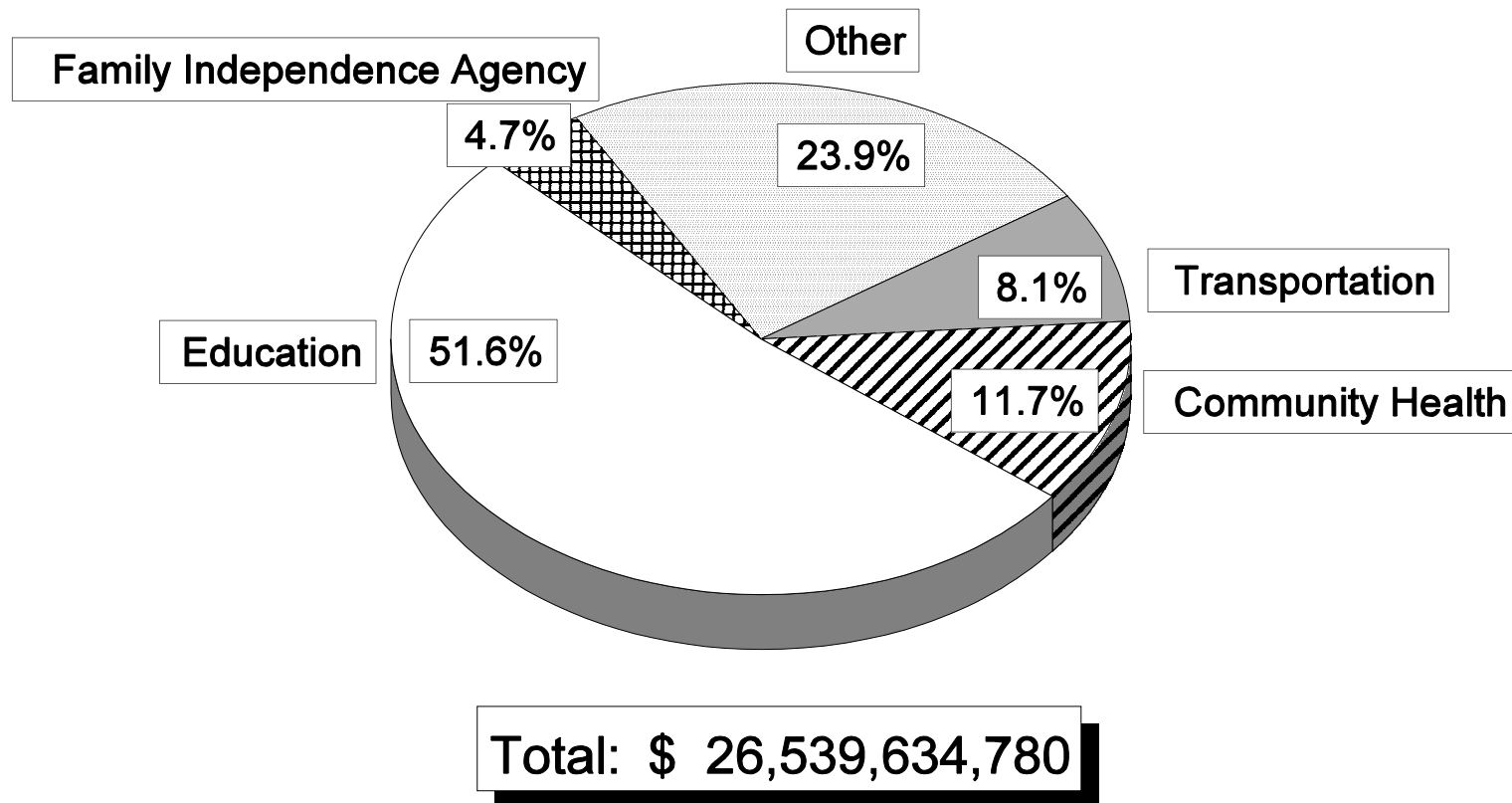


Table 4

GENERAL FUND/GENERAL PURPOSE FY 2000-01 VERSUS GOVERNOR'S RECOMMENDATION				
Department/Budget Area	FY 2000-01 Year-to-Date Appropriations	FY 2001-02 Governor's Recommendation	Dollar Difference	Percent Change
Agriculture	\$47,029,800	\$48,076,200	\$1,046,400	2.2%
Attorney General	35,271,000	38,097,900	2,826,900	8.0
Capital Outlay	312,815,100	347,666,700	34,851,600	11.1
Career Development	25,458,600	36,538,400	11,079,800	43.5
Civil Rights	14,338,500	14,890,800	552,300	3.9
Civil Service	11,218,900	11,446,100	227,200	2.0
Community Colleges	315,011,719	321,196,319	6,184,600	2.0
Community Health	2,686,991,200	2,729,424,800	42,433,600	1.6
Consumer and Industry Services	83,762,300	85,376,800	1,614,500	1.9
Corrections	1,619,600,500	1,674,940,500	55,340,000	3.4
Education	34,678,700	34,649,500	(29,200)	(0.1)
Environmental Quality	99,906,200	103,175,300	3,269,100	3.3
Executive	5,679,600	5,819,900	140,300	2.5
Family Independence Agency	1,216,997,500	1,199,738,500	(17,259,000)	(1.4)
Higher Education	1,785,850,608	1,821,568,516	35,717,908	2.0
Judiciary	170,316,800	181,764,200	11,447,400	6.7
Legislative Auditor General	13,183,500	13,731,200	547,700	4.2
Legislature	104,978,900	112,015,100	7,036,200	6.7
Library of Michigan	35,197,400	35,276,300	78,900	0.2
Management & Budget (Operations)	46,960,800	47,119,500	158,700	0.3
Military Affairs	41,856,900	42,784,800	927,900	2.2
Natural Resources (Operations)	55,958,600	56,220,400	261,800	0.5
School Aid ¹⁾	385,613,500	205,613,500	(180,000,000)	(46.7)
State	65,130,200	67,904,200	2,774,000	4.3
State Police	301,563,400	307,922,200	6,358,800	2.1
Strategic Fund Agency	65,602,900	66,271,600	668,700	1.0
Transportation	0	0	0	0.0
Treasury (Debt Service)	90,870,500	111,295,000	20,424,500	22.5
Treasury (Operations)	69,450,200	64,103,100	(5,347,100)	(7.7)
Treasury (Revenue Sharing)	0	0	0	0.0
TOTAL APPROPRIATIONS	\$9,741,293,827	\$9,784,627,335	\$43,333,508	0.4%

1) The FY 2001-02 recommendations listed for School Aid reflect enacted appropriations from P.A. 297 of 2000.

Figure D

General Fund/General Purpose FY 2001-02 Governor's Recommendation

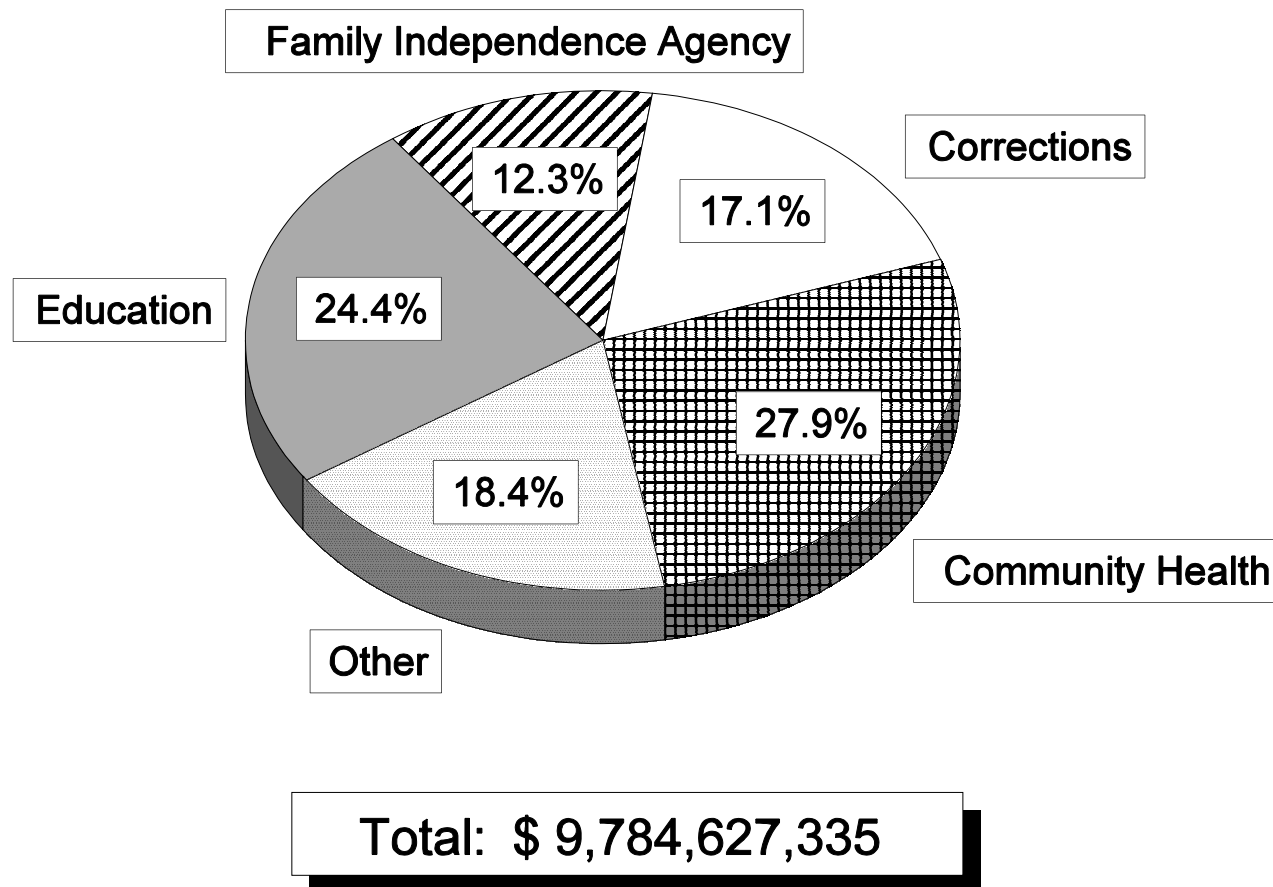


Table 5

GOVERNOR'S FY 2001-02 STATE BUDGET INCREMENTAL REVENUES AVAILABLE FOR EXPENDITURE GENERAL FUND/GENERAL PURPOSE (millions of dollars)	
FY 2001-02 REVENUES:	
Beginning Balance	\$ 0.0 ^{a)}
Baseline Consensus Estimate	10,590.8
Enacted Tax Reductions	(806.1)
TOTAL AVAILABLE REVENUES	\$9,784.7
FY 2000-01 APPROPRIATIONS:	
Enacted Appropriations	\$9,741.3
Governor's Proposed Supplemental Appropriations	51.5
TOTAL PROJECTED APPROPRIATIONS	\$9,792.8
Revenue Increase Available for FY 2001-02 Budget	\$ (8.1)
a) Governor's budget does not reflect \$8.1 million balance from FY 2000-01 based on Senate Fiscal Agency estimates.	

Table 6

GOVERNOR'S FY 2001-02 STATE BUDGET INCREMENTAL APPROPRIATION RECOMMENDATIONS GENERAL FUND/GENERAL PURPOSE (millions of dollars)	
REVENUE INCREASE AVAILABLE FOR FY 2001-02 BUDGET	\$ (8.1)
MAJOR FY 2001-02 APPROPRIATION CHANGES FROM FY 2000-01	
Capital Outlay - State Building Authority Debt Service	\$ 29.0
Treasury - General Obligation Debt Service	20.4
Community Health - Medicaid Program Adjustments	46.8
Corrections - Operational Increases	11.3
Community Colleges Operations	6.2
Higher Education Operations	31.9
Statewide Economic Adjustments	103.5
Family Independence Agency - Child Support Enforcement Penalty	(25.3)
Management and Budget - E-Michigan Initiative	(12.0)
K-12 School Aid-GF/GP Grant	(180.0)
State Police-Disaster Assistance	(17.0)
Undesignated Appropriation Reductions	(13.8)
All Other Adjustments	(9.2)
TOTAL APPROPRIATION RECOMMENDATIONS	\$ (8.2)
GOVERNOR'S RECOMMENDED FY 2001-02 YEAR-END BALANCE	\$ 0.1

Table 7

FY 2000-01 SUPPLEMENTAL APPROPRIATIONS RECOMMENDED IN FY 2001-02 BUDGET (actual dollars)		
Department/Budget Area	Gross Appropriation	GF/GP Appropriation
Agriculture		
Bovine Tuberculosis Program	\$1,016,500	\$1,016,500
Attorney General		
Automation Projects	170,000	0
Capital Outlay		
Natural Resources Trust Fund Projects	16,385,400	0
Fish Hatchery Renovations	2,000,000	2,000,000
Forest Resource Development Program	0	(2,000,000)
Career Development		
Welfare to Work Grant	0	5,000,000
Civil Service		
Human Resources Management Network	3,200,000	2,200,000
Community Health		
Healthy Michigan Fund-Smoking Prevention Programs	1,500,000	0
Education		
School Breakfast Program	650,000	650,000
Family Independence Agency		
Child Support Enforcement System	0	25,300,000
Higher Education		
Michigan Merit Awards	2,550,300	0

Department/Budget Area	Gross Appropriation	GF/GP Appropriation
Management and Budget		
E-Michigan Initiative	12,000,000	10,000,000
Office of State Employer Systems Upgrades	500,000	0
Natural Resources		
Clean Michigan Initiative Local Recreation Grants	12,188,300	0
Snowmobile Trail Grooming	1,700,000	0
State		
Uniform Commercial Code Upgrade	2,500,000	2,500,000
State Police		
Disaster Relief Assistance	17,000,000	17,000,000
Transportation		
Soo Locks Construction Fund	4,700,000	0
Local Transit Bus Purchases	9,400,000	0
Local Transit Agencies Operating Assistance	1,600,000	0
Battle Creek Railroad Station Renovations	2,100,000	0
Build Michigan III Program	35,000,000	0
Undesignated Appropriation Reductions	(12,167,300)	(12,167,300)
TOTAL	\$113,993,200	\$51,499,200

Table 8

SUMMARY OF PROGRAM TRANSFERS GOVERNOR'S FY 2001-02 BUDGET RECOMMENDATION				
Department/Budget Area Transferring Program	Fund Source	Department/Budget Area Receiving Program	Fund Source	FY 2001-02 Appropriation
Civil Rights		Career Development		
Commission on Spanish Speaking Affairs	Gross GF/GP		Gross GF/GP	\$211,300 211,300
Community Health		Consumer & Industry Services		
Health Maintenance Organization Licensing	Gross GF/GP		Gross GF/GP	\$595,500 297,700

Table 9

GOVERNOR'S FY 2001-02 PROPOSED FEE INCREASES		
Department	Type of Fee	Fee Revenue Included in FY 2001-02 Budget
Agriculture	Pesticide Related	\$225,000
Consumer & Industry Services	Fire Safety Inspection	623,300
Environmental Quality	Air Emission	9,700,000
	Septic Tank	1,550,000
Natural Resources	State Park Entry/Camping	4,000,000
	Snowmobile Trail Permits	2,000,000
Total		\$18,098,300

Table 10

GOVERNOR'S FY 2001-02 STATE BUDGET PROPOSED ECONOMIC INCREASES (actual dollars)		
Department/Budget Area	Gross	GF/GP
Agriculture	\$1,538,500	\$1,288,000
Attorney General	3,839,100	2,969,800
Career Development	2,595,300	552,300
Civil Rights	838,400	838,400
Civil Service	545,000	299,700
Community Health	10,159,100	6,049,300
Consumer and Industry Services	9,844,500	1,377,700
Corrections	44,963,900	44,227,200
Education	1,212,000	424,100
Environmental Quality	5,362,000	3,332,400
Executive	169,500	169,500
Family Independence Agency	22,447,200	8,421,500
Judiciary	12,312,500	11,950,400
Legislature	7,583,900	7,583,900
Library of Michigan	166,000	166,000
Management and Budget	2,349,300	897,900
Military Affairs	1,961,900	1,028,700
Natural Resources	4,047,400	561,400
State	4,695,400	2,574,300
State Police	8,513,600	7,149,400
Strategic Fund Agency	363,300	302,100
Transportation	7,305,000	0
Treasury	3,962,700	1,359,200
Totals	\$156,775,500	\$103,523,200

Table 11

**TOBACCO SETTLEMENT FUND APPROPRIATIONS
RECOMMENDED IN GOVERNOR'S FY 2001-02 BUDGET
(millions of dollars)**

Department/Program	Trust Fund	Amount
<u>Merit Award Trust Fund</u>		
Higher Education		
Merit Award Scholarships	Merit Award	\$125,023,845
Tuition Incentive Program	Merit Award	5,250,000
Treasury		
MEAP Test Administration/Board	Merit Award	21,045,400
Michigan Education Savings Plan	Merit Award	2,000,000
Tuition Incentive Program Administration	Merit Award	363,400
Community Colleges		
Post Secondary Access Student Scholarships	Merit Award	10,000,000
Merit Award Trust Fund Appropriations		\$163,682,645
<u>Tobacco Settlement Trust Fund</u>		
Career Development		
Council of Michigan Foundations	Tobacco Settlement	\$ 6,000,000
Community Health		
Elder Pharmaceutical Insurance Coverage	Tobacco Settlement	45,000,000
Personal Needs Allowance	Tobacco Settlement	5,000,000
Long Term Care Advisor	Tobacco Settlement	3,021,400
Respite Care	Tobacco Settlement	5,000,000
Indigent Medical Care	Tobacco Settlement	10,000,000
Medicaid Base	Tobacco Settlement	30,000,000
Strategic Fund Agency		
Health and Aging Research and Development	Tobacco Settlement	50,000,000
Tobacco Settlement Trust Fund Appropriations		154,021,400
TOTAL TOBACCO SETTLEMENT APPROPRIATIONS		\$317,704,045

Table 12

STATE PAYMENTS TO UNITS OF LOCAL GOVERNMENT ARTICLE IX, SECTION 30 REQUIREMENT (millions of dollars)	
	FY 2001-02 Estimate
State Spending from State Resources	\$26,489.4 ^{a)}
Required Payments to Local Units of Government (48.97%) .	12,971.9
Actual or Estimated Payments to Locals	15,880.2
Actual Percentage of Total State Spending	59.95%
Surplus of Section 30 Payments	\$2,908.3
a) Does not include \$50.0 million of Federal aid counted as GF/GP revenue.	

Table 13

FULL-TIME EQUATED POSITIONS FY 2000-01 VERSUS FY 2001-02 GOVERNOR'S RECOMMENDATION				
Department/Budget Area	FY 2000-01 Year-to-Date	FY 2001-02 Governor's Recommendation	Position Change	Percent Change
Agriculture	660.5	661.5	1.0	0.2%
Attorney General	595.0	595.0	0.0	0.0
Career Development	1,139.0	1,141.0	2.0	0.2
Civil Rights	166.5	166.5	0.0	0.0
Civil Service	230.5	230.5	0.0	0.0
Community Health	6,258.1	6,201.1	(57.0)	(0.9)
Consumer and Industry Services	4,182.4	4,194.4	12.0	0.3
Corrections	19,768.8	19,497.0	(271.8)	(1.4)
Education	457.6	457.3	(0.3)	(0.1)
Environmental Quality	1,631.7	1,635.7	4.0	0.2
Executive	75.0	75.0	0.0	0.0
Family Independence Agency	13,499.6	13,499.6	0.0	0.0
Judiciary	590.5	591.5	1.0	0.2
Library of Michigan	0.0	0.0	0.0	0.0
Management & Budget (Operations)	961.5	919.5	(42.0)	(4.4)
Military Affairs	1,081.0	1,086.0	5.0	0.5
Natural Resources	2,239.5	2,221.5	(18.0)	(0.8)
State	2,048.0	2,054.0	6.0	0.3
State Police	3,618.5	3,637.5	19.0	0.5
Strategic Fund Agency	235.0	235.0	0.0	0.0
Transportation	3,176.3	3,176.3	0.0	0.0
Treasury (Operations)	1,986.5	1,995.5	9.0	0.5
TOTAL POSITIONS	64,601.5	64,271.4	(330.1)	(0.5)%

Figure E

Full-Time Equated Positions FY 2001-02 Governor's Recommendation

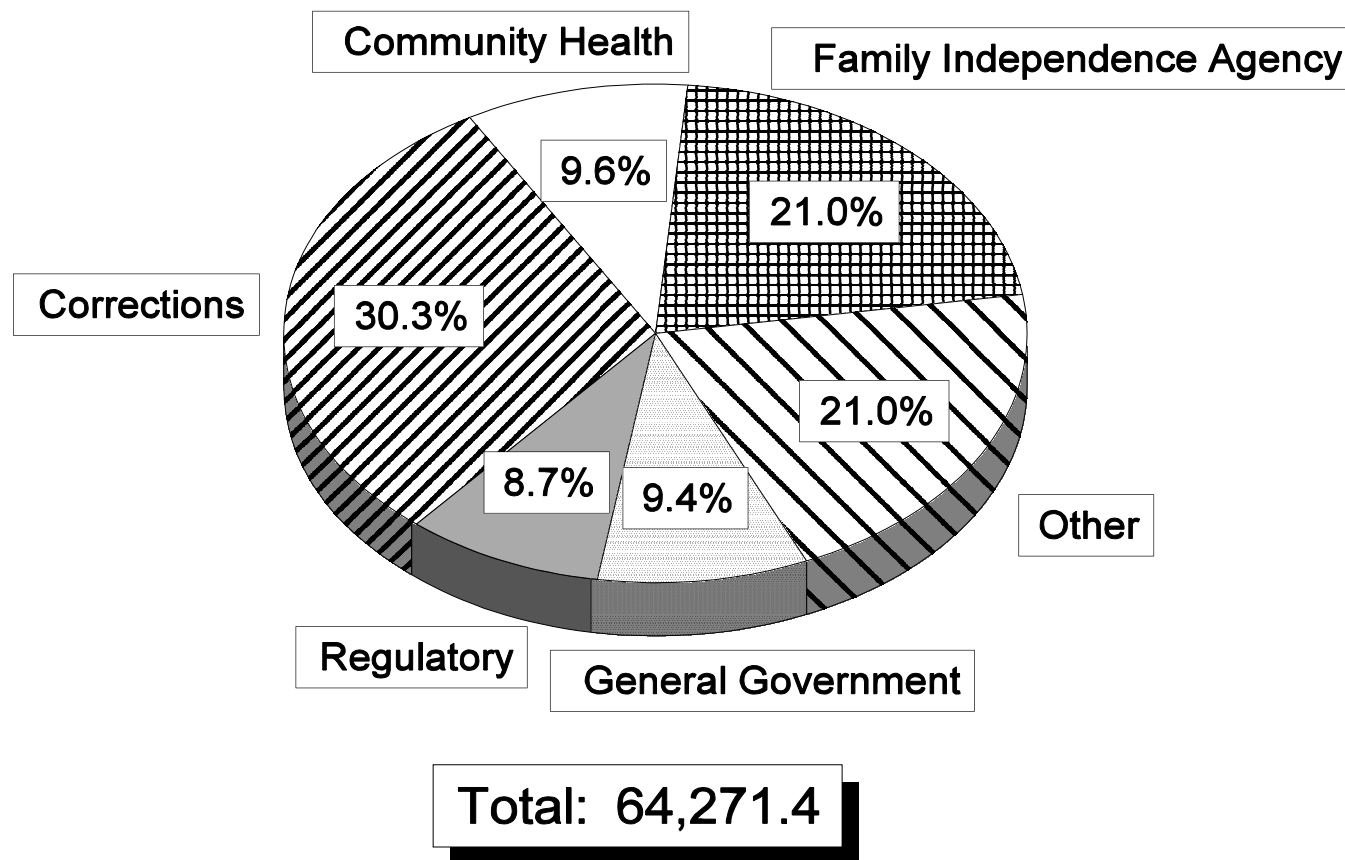


Table 14

FY 2001-02 GENERAL FUND/GENERAL PURPOSE REVENUES, EXPENDITURES AND YEAR-END BALANCE (millions of dollars)	
	SFA Estimate
REVENUES:	
Beginning Balance	\$ 8.1
Baseline Revenue Estimate	10,590.8
Nonbaseline Revenue Adjustments	(806.1)
TOTAL REVENUES	\$9,792.8
EXPENDITURES:	
Governor's Recommendation	\$9,579.0
School Aid GF/GP Grant (P.A. 297 of 2000)	205.6
TOTAL EXPENDITURES	\$9,784.6
PROJECTED YEAR-END BALANCE	\$ 8.2

Table 15

FY 2001-02 SCHOOL AID FUND REVENUES, EXPENDITURES AND YEAR-END BALANCE (millions of dollars)	
	SFA Estimate
REVENUES:	
Beginning Balance	\$ 668.8
Baseline Revenue Estimate	10,715.2
Nonbaseline Revenue Adjustments	(36.6)
General Fund/General Purpose Grant	205.6
Budget Stabilization Fund Withdrawal	32.0
Federal Aid	145.0
TOTAL REVENUES	\$11,730.0
EXPENDITURES:	
School Aid Appropriations (P.A. 297 of 2000)	\$11,521.0
Projected Appropriation Lapses	0.0
TOTAL EXPENDITURES	\$11,521.0
PROJECTED YEAR-END BALANCE	\$ 209.0

DEPARTMENTS/BUDGET AREAS

DEPARTMENT OF AGRICULTURE

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2000-01 YEAR-TO-DATE	FY 2001-02 GOV'S REC.	CHANGES FROM FY 2000-01 YEAR-TO-DATE	
			DOLLAR	PERCENT
FTE Positions	660.5	661.5	1.0	0.2
GROSS	98,519,200	100,501,100	1,981,900	2.0
Less:				
Interdepartmental Grants Received	9,680,800	10,987,700	1,306,900	13.5
ADJUSTED GROSS	88,838,400	89,513,400	675,000	0.8
Less:				
Federal Funds	6,037,000	5,806,100	(230,900)	(3.8)
Local and Private	1,121,900	1,121,900	0	0.0
TOTAL STATE SPENDING	81,679,500	82,585,400	905,900	1.1
Less:				
Other State Restricted Funds	34,649,700	34,509,200	(140,500)	(0.4)
GENERAL FUND/GENERAL PURPOSE	47,029,800	48,076,200	1,046,400	2.2
PAYMENTS TO LOCALS	4,500,000	4,600,000	100,000	2.2

**FY 2001-02
Change from
FY 2000-01
Year-to-Date**

A. COOPERATIVE RESOURCES MANAGEMENT INITIATIVE

The Governor's recommendation includes funding from the Michigan Department of Natural Resources (MDNR) for the Cooperative Resources Management Initiative, a partnership between the MDNR and the Michigan Department of Agriculture (MDA). Administered by the MDA, the program provides grants to local conservation districts to hire resource professionals statewide to assist landowners in the management of natural resources. The local conservation districts serve as the primary local contacts for outreach efforts and technical assistance for landowners.

Gross	1,000,000
IDG	1,000,000
GF/GP	0

B. PRIVATELY OWNED CERVIDAE PRODUCERS MARKETING ACT

Funding is included in the Governor's proposed budget for the implementation and administration of Public Act (PA) 190 of 2000. The Act prohibits a person from engaging in a cervidae (e.g., deer, elk, or moose) livestock operation without obtaining a registration from the MDA. The Act provides for the issuance, renewal, and revocation of a registration and provides the MDA with regulatory and oversight responsibilities for the cervidae livestock industry. This program is funded by the fees authorized in PA 190 of 2000.

FTE	1.0
Gross	163,500
Restricted	163,500
GF/GP	0

C. LOCAL PUBLIC HEALTH OPERATIONS

The Governor's budget includes an adjustment of 2% for the appropriation that supports local health department food service sanitation activities. Total recommended funding for the program is \$9,157,100.

Gross	179,600
IDG	179,600
GF/GP	0

D. MICHIGAN STATE FAIR

The Governor's budget reflects a reduction in spending authorization for the operation of the Michigan State Fair resulting from the new lease agreement for management of the fairgrounds in Detroit. The State entered into a long-term lease with a private development group that will assume responsibility for non-Fair events and annual maintenance of the fairgrounds. The State will continue to use the fairgrounds to run the annual State Fair itself. It is estimated that the lease agreement will provide significant capital investment in the property and result in operational savings associated with non-Fair events. The fairgrounds operated at a loss of nearly \$1.3 million in FY 1999-2000.

Gross	(919,700)
Restricted	(919,700)
GF/GP	0

**FY 2001-02
Change from
FY 2000-01
Year-to-Date**

E. UNDESIGNATED BUDGETARY SAVINGS

Gross (241,600)
GF/GP (241,600)

The budget includes a recommendation to reduce departmentwide GF/GP appropriations by 0.5%. This negative appropriation will be implemented at a later date by specific reductions in the appropriation line items within the Department.

F. FEE INCREASE

Gross 225,000
Restricted 225,000
GF/GP 0

The Governor's budget includes funding from various anticipated fee increases contained in the Pesticide Control Act (PA 451 of 1994) to support enhanced regulatory and oversight activities in the Pesticide Program.

G. UNCLASSIFIED SALARIES

Gross 9,500
Restricted 1,400
GF/GP 8,100

The Governor recommends a 2% increase to the appropriation that supports the salaries of the Department's six unclassified positions.

H. ECONOMIC ADJUSTMENTS

Gross 1,529,000
IDG 12,300
Federal 20,400
Restricted 216,400
GF/GP 1,279,900

Standard economic adjustments are applied for salaries and wages, total retirement, insurance, workers' compensation, and building occupancy charges consistent with factors applied to all budgets. These adjustments include:

Item	Gross	GF/GP
Salaries and wages	\$682,600	\$546,100
Insurance	402,600	274,400
Retirement	(47,600)	(32,000)
Building Occupancy	514,400	514,400
Workers' Compensation	(23,000)	(23,000)
Total	\$1,529,000	\$1,279,900

**FY 2001-02
Change from
FY 2000-01
Year-to-Date**

I. OTHER ISSUES

Other changes proposed by the Governor include adjustments to reflect the availability of various Federal and State restricted sources of financing and the appropriate classification of such funding.

Gross	36,600
IDG	115,000
Federal	(251,300)
Restricted	172,900
GF/GP	0

The Governor's budget proposal also includes boilerplate authorization to spend up to \$5,000,000 from the Agricultural Development Fund for value-added agricultural initiatives consistent with the Julian-Stillé Value-Added Act (PA 322 of 2000). The Department is prohibited from spending this funding until the Department of Treasury has certified that the revenue has been received and the State Budget Director has approved an allotment schedule.

DEPARTMENT OF ATTORNEY GENERAL

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2000-01 YEAR-TO-DATE	FY 2001-02 GOV'S REC.	CHANGES FROM FY 2000-01 YEAR-TO-DATE	
			DOLLAR	PERCENT
FTE Positions	595.0	595.0	0.0	0.0
GROSS	61,393,500	65,248,100	3,854,600	6.3
Less:				
Interdepartmental Grants Received	9,473,700	9,731,900	258,200	2.7
ADJUSTED GROSS	51,919,800	55,516,200	3,596,400	6.9
Less:				
Federal Funds	7,124,800	7,624,800	500,000	7.0
Local and Private	1,149,200	1,171,600	22,400	0.0
TOTAL STATE SPENDING	43,645,800	46,719,800	3,074,000	7.0
Less:				
Other State Restricted Funds	8,374,800	8,621,900	247,100	3.0
GENERAL FUND/GENERAL PURPOSE	35,271,000	38,097,900	2,826,900	8.0
PAYMENTS TO LOCALS	0	0	0	0.0

**FY 2001-02
Change from
FY 2000-01
Year-to-Date**

A. TECHNOLOGY IMPROVEMENTS

The Governor's recommendation includes funding for the Department's technology improvements that were initially funded in an FY 1998-99 supplemental (Public Act 69 of 1999) and in the FY 2000-01 budget (Public Act 276 of 2000). The additional funding will be used to fund part of the costs for operating software, wireless networking, a storage subsystem, and other improvements that will allow the Department to continually maintain and upgrade workstations from a central location.

Gross	170,000
Federal	170,000
GF/GP	0

B. PRIVATE RENT ADJUSTMENT

The FY 2001-02 budget includes funding to reflect additional private space lease costs related to One Michigan Avenue, \$158,300; the Samuel Ingham Building, \$37,100; and the Eyde Parkway, \$214,500. The budget also includes an adjustment of \$127,800 related to utility costs for private leased property.

Gross	537,700
Federal	128,000
GF/GP	409,700

C. UNDESIGNATED BUDGETARY SAVINGS

The budget includes a recommendation to reduce departmentwide GF/GP appropriations by 0.5%. This negative appropriation will be implemented at a later date by specific reductions in the appropriation line items within the Department.

Gross	(191,400)
GF/GP	(191,400)

D. UNCLASSIFIED SALARIES

The Governor's recommendation increases the line item that funds 5.0 FTE unclassified positions by 2.0%, from \$457,800 to \$467,000.

Gross	9,200
GF/GP	9,200

E. ECONOMIC ADJUSTMENTS

Standard economic adjustments are applied for salaries and wages, retirement, insurance, rent, workers' compensation, and building occupancy charges consistent with factors applied to all budgets. These adjustments include:

Gross	3,329,100
IDG	268,200
Federal	202,000
Private	22,400
Restricted	247,100
GF/GP	2,589,400

**FY 2001-02
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Item	Gross	GF/GP
Salaries	\$782,700	\$425,900
Insurance	425,200	205,000
Retirement (defined benefit)	358,800	272,800
Retirement (defined contribution)	166,700	98,300
Workers' Compensation	(13,300)	(13,300)
Building Occupancy Charges/Rent	1,562,200	1,564,300
CSS&M	46,800	36,400
Total	\$3,329,100	\$2,589,400

F. OTHER ISSUES

Other changes include a funding shift from Michigan Transportation Fund revenue to State General Fund support.

Gross	0
IDG	(10,000)
GF/GP	10,000

CAPITAL OUTLAY

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2000-01 YEAR-TO-DATE	FY 2001-02 GOV'S REC.	CHANGES FROM FY 2000-01 YEAR-TO-DATE	
			DOLLAR	PERCENT
FTE Positions	N/A	N/A	N/A	N/A
GROSS	471,995,300	515,757,700	43,762,400	9.3
Less:				
Interdepartmental Grants Received	7,000,000	7,000,000	0	0.0
ADJUSTED GROSS	464,995,300	508,757,700	43,762,400	9.4
Less:				
Federal Funds	99,361,000	106,332,000	6,971,000	7.0
Local and Private	17,372,000	26,450,000	9,078,000	52.3
TOTAL STATE SPENDING	348,262,300	375,975,700	27,713,400	8.0
Less:				
Other State Restricted Funds	35,447,200	28,309,000	(7,138,200)	(20.1)
GENERAL FUND/GENERAL PURPOSE	312,815,100	347,666,700	34,851,600	11.1
PAYMENTS TO LOCALS	28,770,000	28,125,000	(645,000)	(2.2)

**FY 2001-02
Change from
FY 2000-01
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A. STATE AGENCY SPECIAL MAINTENANCE

Gross	148,700
GF/GP	148,700

The Governor recommends a slight increase from current-year levels for State agency special maintenance projects. The total appropriation would provide \$7,832,000 for the Department of Corrections, \$3,700,000 for the Department of Management and Budget, and \$2,841,700 for the Family Independence Agency, as well as funds for the Departments of Community Health, Natural Resources, and State Police.

B. DEPARTMENT OF MILITARY AFFAIRS

Gross	(4,576,000)
Federal	(5,650,000)
Restricted	60,000
GF/GP	1,014,000

The recommendation reflects the one-time reduction for the Midland organization maintenance shop (\$4,500,000) and provides increased General Fund support for armory maintenance projects to offset in part the loss of Federal revenue.

C. DEPARTMENT OF NATURAL RESOURCES

Gross	(3,603,200)
Federal	1,175,000
Private	450,000
Restricted	(5,228,200)
GF/GP	0

The Governor's budget reduces overall funding as a result of removing several one-time projects from the budget. The recommendation provides funding for State park repair and maintenance, wildlife habitat development, dock repairs at Beaver Island, a new marina at Cedar River in the Upper Peninsula, as well as repairs to boating access sites at a number of facilities statewide.

D. AIRPORT IMPROVEMENT PROJECTS

Gross	23,074,000
Federal	9,746,000
Local	8,628,000
GF/GP	4,700,000

The recommendation includes \$129,600,000 for a number of airport improvement projects statewide including \$20,000,000 for continuation of the Northwest Airlines Midfield Terminal project at Detroit Metro Airport, and \$1,000,000 for projects at Detroit's Willow Run airport.

E. DEPARTMENT OF TRANSPORTATION

Gross	(170,000)
Restricted	(170,000)
GF/GP	0

The Governor provides an essentially continuation budget for construction projects of maintenance and storage facilities operated by the Department of Transportation. A reduction of \$3,500,000 to reflect the one-time cost of the Detroit maintenance garage is used to provide construction authorization for the Coldwater welcome center (\$2,750,000) as well as planning grants for welcome centers at St Ignace, Monroe, and Dundee.

**FY 2001-02
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F. STATE BUILDING AUTHORITY RENT

The single largest increase in the Governor's capital outlay recommendation is for rent payments to the State Building Authority to be used to make debt service payments for past building projects for State agencies, colleges, and universities. Total appropriations are recommended at \$305,824,000. Current projections indicate that this appropriation will increase to nearly \$350,000,000 by FY 2003-04.

Gross	28,889,400
Federal	1,700,000
Restricted	(1,800,000)
GF/GP	28,989,400

G. NEW CONSTRUCTION PROJECTS

The Governor's recommendation contains no new planning or construction authorizations.

Gross	(500)
GF/GP	(500)

DEPARTMENT OF CAREER DEVELOPMENT

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2000-01 YEAR-TO-DATE	FY 2001-02 GOV'S REC.	CHANGES FROM FY 2000-01 YEAR-TO-DATE	
			DOLLAR	PERCENT
FTE Positions	1,139.0	1,141.0	2.0	0.2
GROSS	523,454,400	530,105,300	6,650,900	1.3
Less:				
Interdepartmental Grants Received	1,048,000	1,048,000	0	0.0
ADJUSTED GROSS	522,406,400	529,057,300	6,650,900	1.3
Less:				
Federal Funds	468,818,800	463,699,900	(5,118,900)	(1.1)
Local and Private	17,633,200	17,374,500	(258,700)	(1.5)
TOTAL STATE SPENDING	35,954,400	47,982,900	12,028,500	33.5
Less:				
Other State Restricted Funds	10,495,800	11,444,500	948,700	9.0
GENERAL FUND/GENERAL PURPOSE	25,458,600	36,538,400	11,079,800	43.5
PAYMENTS TO LOCALS	0	0	0	0.0

**FY 2001-02
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A. FOCUS HOPE

Gross	500,000
GF/GP	500,000

The Governor recommends an increase in the GF/GP grant for this program. A similar increase was provided in the FY 1999-2000 supplemental which was to be carried forward into FY 2000-2001. The funding is used for general operating costs. This places the annual grant at \$6,000,000.

B. WELFARE-TO-WORK PROGRAM

Gross	30,000,000
Federal	20,000,000
GF/GP	10,000,000

The Governor recommends a change in the funding for this program. In FY 1997-98, an approved transfer allowed the Department to receive U.S. Department of Labor matching dollars that would be used to support Welfare-to-Work programs targeted at noncustodial parents whose children were receiving Temporary Assistance for Needy Families (TANF) funding and for those welfare recipients who had met the 30-month time limit on cash assistance but still had not successfully entered the work force. In FY 1999-2000 the State did not participate in this Federal program as the restrictions placed on the funding made it difficult to find eligible participants; instead, the State used TANF funding to create a more lenient program. The Governor is proposing to participate in this program again and will put up a cash match to receive the Federal dollars.

C. TEMPORARY ASSISTANCE FOR NEEDY FAMILIES FUNDING

Gross	(30,000,000)
Federal	(30,000,000)

As stated above, the Governor is recommending participating in a U.S. Department of Labor program to provide services to noncustodial parents and those unable to find employment within the 30-month time limit. An adjustment therefore is being recommended to reduce the equivalent amount of TANF funding.

D. UNDESIGNATED BUDGETARY SAVINGS

Gross	(183,800)
GF/GP	(183,800)

The budget includes a recommendation to reduce departmentwide GF/GP appropriations by 0.5%. This negative appropriation will be implemented at a later date by specific reductions in the appropriation line items within the Department.

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E. PROGRAM TRANSFERS

Pursuant to Executive Order 2000-5, the Commission on Spanish Speaking Affairs has been transferred from the Department of Civil Rights.

FTE 2.0
Gross 211,300
GF/GP 211,300

F. UNCLASSIFIED SALARIES

The Governor recommends a 2.2% increase for the unclassified line item.

Gross 12,100
GF/GP 12,100

G. ECONOMIC ADJUSTMENTS

Standard economic adjustments are applied for salaries and wages, total retirement, insurance, rent, motor transport, workers' compensation, and building occupancy charges consistent with factors applied to all budgets. These adjustments include:

Item	Gross	GF/GP
Salaries and Wages	\$1,040,600	\$119,000
Insurance	548,600	68,900
Retirement	433,700	69,300
Other	560,300	283,000
Total	\$2,583,200	\$540,200

Gross 2,583,200
Federal 1,350,800
Local 15,400
Restricted 676,800
GF/GP 540,200

H. OTHER ISSUES

The Governor recommends adjustments for various Federal, private, and restricted fund sources.

Gross 3,528,100
Federal 3,530,300
Private (274,100)
Restricted 271,900

DEPARTMENT OF CIVIL RIGHTS

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2000-01 YEAR-TO-DATE	FY 2001-02 GOV'S REC.	CHANGES FROM FY 2000-01 YEAR-TO-DATE	
			DOLLAR	PERCENT
FTE Positions	166.5	166.5	0.0	0.0
GROSS	15,272,500	15,824,800	552,300	3.6
Less:				
Interdepartmental Grants Received	0	0	0	0.0
ADJUSTED GROSS	15,272,500	15,824,800	552,300	3.6
Less:				
Federal Funds	934,000	934,000	0	0.0
Local and Private	0	0	0	0.0
TOTAL STATE SPENDING	14,338,500	14,890,800	552,300	3.9
Less:				
Other State Restricted Funds	0	0	0	0.0
GENERAL FUND/GENERAL PURPOSE	14,338,500	14,890,800	552,300	3.9
PAYMENTS TO LOCALS	0	0	0	0.0

**FY 2001-02
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Year-to-Date**

A. UNDESIGNATED BUDGETARY SAVINGS

Gross (74,800)
GF/GP (74,800)

The budget includes a recommendation to reduce departmentwide GF/GP appropriations by 0.5%. This negative appropriation will be implemented at a later date by specific reductions in the appropriation line items within the Department.

B. PROGRAM TRANSFERS

Gross (211,300)
GF/GP (211,300)

The budget includes a transfer of the Spanish Speaking Affairs Commission to the Department of Career Development. This transfer is the execution of Executive Order 2000-5 issued on March 10, 2000.

C. UNCLASSIFIED SALARIES

Gross 7,500
GF/GP 7,500

The budget increases the line item that funds 5.0 FTE unclassified positions by \$7,500 from \$374,100 to \$381,600. Economic increases for this line amount to a 2% increase over the FY 2000-01 appropriation.

D. ECONOMIC ADJUSTMENTS

Gross 830,900
GF/GP 830,900

Standard economic adjustments are applied for salaries and wages, total retirement, insurance, rent, workers' compensation, and building occupancy charges consistent with factors applied to all budgets. These adjustments include:

Item	Gross	GF/GP
Salaries and Wages	\$174,100	\$174,100
Insurance	99,100	99,100
Workers' Compensation	11,800	11,800
Building Occupancy Charges/Rent	547,200	547,200
Retirement	(1,300)	(1,300)
Total	\$830,900	\$830,900

DEPARTMENT OF CIVIL SERVICE

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2000-01 YEAR-TO-DATE	FY 2001-02 GOV'S REC.	CHANGES FROM FY 2000-01 YEAR-TO-DATE	
			DOLLAR	PERCENT
FTE Positions	230.5	230.5	0.0	0.0
GROSS	30,405,600	30,878,100	472,500	1.6
Less:				
Interdepartmental Grants Received	3,300,000	3,300,000	0	0.0
ADJUSTED GROSS	27,105,600	27,578,100	472,500	1.7
Less:				
Federal Funds	4,779,100	4,779,100	0	0.0
Local and Private	1,850,000	1,850,000	0	0.0
TOTAL STATE SPENDING	20,476,500	20,949,000	472,500	2.3
Less:				
Other State Restricted Funds	9,257,600	9,502,900	245,300	2.6
GENERAL FUND/GENERAL PURPOSE	11,218,900	11,446,100	227,200	2.0
PAYMENTS TO LOCALS	0	0	0	0.0

**FY 2001-02
Change from
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A. STATE OFFICERS COMPENSATION COMMISSION (SOCC) ETHICS BOARD

Gross (15,000)
GF/GP (15,000)

The Governor recommends removal of funding for the SOCC. This Commission meets every other year. Fiscal year 2001-02 is not a year in which the SOCC will meet, so the appropriation to fund its activities is unnecessary.

B. UNDESIGNATED BUDGETARY SAVINGS

Gross (57,500)
GF/GP (57,500)

The budget includes a recommendation to reduce departmentwide GF/GP appropriations by 0.5%. This negative appropriation will be implemented at a later date by specific reductions in the appropriation line items within the Department.

C. ECONOMIC ADJUSTMENTS

Gross 545,000
Restricted 245,300
GF/GP 299,700

Standard economic adjustments are applied for salaries and wages, total retirement, insurance, workers' compensation, and building occupancy charges consistent with factors applied to all budgets. These adjustments include:

Item	Gross	GF/GP
Salaries and Wages	\$240,000	\$120,000
Insurance	124,500	62,300
Retirement	118,600	59,300
Building Occupancy Charges	54,400	54,400
Workers' Compensation	7,500	3,700
Total	\$545,000	\$299,700

COMMUNITY COLLEGES

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2000-01 YEAR-TO-DATE	FY 2001-02 GOV'S REC.	CHANGES FROM FY 2000-01 YEAR-TO-DATE	
			DOLLAR	PERCENT
FTE Positions	N/A	N/A	N/A	N/A
GROSS	325,011,719	331,196,319	6,184,600	1.9
Less:				
Interdepartmental Grants Received	0	0	0	0.0
ADJUSTED GROSS	325,011,719	331,196,319	6,184,600	1.9
Less:				
Federal Funds	0	0	0	0.0
Local and Private	0	0	0	0.0
TOTAL STATE SPENDING	325,011,719	331,196,319	6,184,600	1.9
Less:				
Other State Restricted Funds	10,000,000	10,000,000	0	0.0
GENERAL FUND/GENERAL PURPOSE	315,011,719	321,196,319	6,184,600	2.0
PAYMENTS TO LOCALS	315,011,719	321,196,319	6,184,600	2.0

**FY 2001-02
Change from
FY 2000-01
Year-to-Date**

A. OPERATIONS INCREASE

Gross	6,217,731
GF/GP	6,217,731

The Governor recommends a 2.0% increase in base operations for each community college distributed as 1.0% across-the-board, and 1.0% through the Gast/Mathieu formula. This methodology results in a range of funding increases from 1.0% to 4.0%. The allocation of the Governor's recommendation for each college is described in Table 1.

B. AT-RISK STUDENT SUCCESS PROGRAM

Gross	0
GF/GP	0

The Governor's budget recommendation provides \$3,692,103 for the At-Risk Student Success Program. No increase is recommended for this program for FY 2001-02. This program is designed to address the needs of students who test at a level which indicates that they will have difficulty achieving academic success at the postsecondary level. Consistent with prior years, the funds may also be used for the acquisition or upgrade of technology-related equipment or software associated with At-Risk programs.

C. RENAISSANCE ZONE REIMBURSEMENTS

Gross	(33,131)
GF/GP	(33,131)

The budget recommendation reflects the anticipated reduction in expenditures from \$433,131 to \$400,000 necessary to reimburse community colleges for revenue lost as a result of the Michigan Renaissance Zone Act. Funds are recommended to be distributed based on data collected and analyzed by the Department of Treasury.

D. TUITION ASSISTANCE PROGRAM

Gross	0
GF/GP	0

The Governor's recommendation includes the continuation of the \$10,000,000 appropriation for the Postsecondary Access Student Scholarship (PASS) tuition assistance program. The program provides the remaining tuition and fees after the use of all other financial aid programs for qualifying students. In order to be eligible, the student must be degree-seeking, under 22, and otherwise eligible for the Federal PELL program. The program is financed from the Michigan Merit Award Trust Fund.

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E. FY 2001-02 CONTINGENCY APPROPRIATIONS

While there is nothing in the budget bill regarding the tuition tax credit, supporting documentation indicates that community colleges can expect an additional 1.5% increase (\$4,663,300) if the Legislature repeals the tuition tax credit.

Table 1
FY 2001-2002 Community College Funding Recommendations

College	A FY 2000-2001 Appropriations	Governor's Recommendation				F Repeal Tuition Tax Credit (a)	G % Change With Repeal
		B Across-the- Board 1.0%	C Formula 1.0%	D Total Recommend.	E % Change		
Alpena	\$5,231,386	52,314	57,942	\$5,341,642	2.1%	\$ 78,471	3.6%
Bay de Noc	5,034,112	50,341	93,204	5,177,657	2.9%	75,512	4.4%
Delta	14,608,257	146,083	123,122	14,877,462	1.8%	219,124	3.3%
Glen Oaks	2,434,150	24,342	55,349	2,513,841	3.3%	36,512	4.8%
Gogebic	4,315,860	43,159	12,309	4,371,328	1.3%	64,738	2.8%
Grand Rapids	18,448,891	184,489	0	18,633,380	1.0%	276,733	2.5%
Henry Ford	22,296,069	222,961	344,094	22,863,124	2.5%	334,441	4.0%
Jackson	12,434,747	124,347	0	12,559,094	1.0%	186,521	2.5%
Kalamazoo Valley	12,554,684	125,547	373,850	13,054,081	4.0%	188,320	5.5%
Kellogg	9,883,088	98,831	194,983	10,176,902	3.0%	148,246	4.5%
Kirtland	3,023,951	30,240	8,697	3,062,888	1.3%	45,359	2.8%
Lake Michigan	5,322,074	53,221	99,566	5,474,861	2.9%	79,831	4.4%
Lansing	31,686,670	316,867	449,760	32,453,297	2.4%	475,300	3.9%
Macomb	33,986,564	339,866	114,129	34,440,559	1.3%	509,798	2.8%
Mid Michigan	4,501,743	45,017	81,144	4,627,904	2.8%	67,526	4.3%
Monroe	4,378,640	43,786	81,869	4,504,295	2.9%	65,680	4.4%
Montcalm	3,189,079	31,891	13,536	3,234,506	1.4%	47,836	2.9%
Mott	16,053,265	160,533	160,190	16,373,988	2.0%	240,799	3.5%
Muskegon	9,143,771	91,438	74,435	9,309,644	1.8%	137,157	3.3%
North Central	3,099,734	30,997	19,555	3,150,286	1.6%	46,496	3.1%
Northwestern	9,307,774	93,078	123,934	9,524,786	2.3%	139,617	3.8%
Oakland	21,473,255	214,733	0	21,687,988	1.0%	322,099	2.5%
St. Clair	7,176,573	71,766	33,697	7,282,036	1.5%	107,649	3.0%
Schoolcraft	12,553,717	125,537	101,837	12,781,091	1.8%	188,306	3.3%
Southwestern	6,705,122	67,051	124,187	6,896,360	2.9%	100,577	4.4%
Washtenaw	12,642,980	126,430	343,306	13,112,716	3.7%	189,645	5.2%
Wayne County	17,053,189	170,532	0	17,223,721	1.0%	255,798	2.5%
West Shore	2,347,140	23,471	24,168	2,394,779	2.0%	35,207	3.5%
Subtotal	\$310,886,485	\$3,108,868	\$3,108,863	\$317,104,216	2.0%	\$4,663,298	3.5%
At Risk	3,692,103			3,692,103	0.0%		
Renaissance Zone Reimburse.	433,131			400,000	-7.6%		
PASS program	10,000,000			10,000,000	0.0%		
Total Funding	\$325,011,719	\$3,108,868	\$3,108,863	\$331,196,319	1.9%	\$4,663,298	3.3%
(a) The Governor's recommendation includes an additional 1.5% appropriation allocated across-the-board contingent upon the Legislature's repeal of the tuition tax credit.							

DEPARTMENT OF COMMUNITY HEALTH

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2000-01 YEAR-TO-DATE	FY 2001-02 GOV'S REC.	CHANGES FROM FY 2000-01 YEAR-TO-DATE	
			DOLLAR	PERCENT
FTE Positions	6,258.1	6,201.1	(57.0)	(0.9)
GROSS	8,564,377,900	8,771,577,200	207,199,300	2.4
Less:				
Interdepartmental Grants Received	72,087,300	74,507,400	2,420,100	3.4
ADJUSTED GROSS	8,492,290,600	8,697,069,800	204,779,200	2.4
Less:				
Federal Funds	4,461,470,600	4,621,518,200	160,047,600	3.6
Local and Private	960,618,400	970,652,600	10,034,200	1.0
TOTAL STATE SPENDING	3,070,201,600	3,104,899,000	34,697,400	1.1
Less:				
Other State Restricted Funds	383,210,400	375,474,200	(7,736,200)	(2.0)
GENERAL FUND/GENERAL PURPOSE	2,686,991,200	2,729,424,800	42,433,600	1.6
PAYMENTS TO LOCALS	1,027,454,000	995,776,700	(31,677,300)	(3.1)

**FY 2001-02
Change from
FY 2000-01
Year-to-Date**

A. MENTAL HEALTH

1. Psychotropic Pharmaceutical Costs

The Governor's budget includes a transfer in financial responsibility for psychotropic pharmaceutical costs from the Pharmaceutical Services line in Medicaid to the Community Mental Health (CMH) boards. In FY 2000-01, funding for these pharmaceuticals had been transferred from the Qualified Health Plans (QHPs) to the Pharmaceutical Services line. Expenditures for these medications have increased greatly over the past few years.

Gross	0
Federal	0
GF/GP	0

2. Retroactive Eligible Payments

The Governor's budget carves out \$50,000,000 Gross from the Medicaid mental health services line and uses it to fund a new line item for fee-for-service payments for services rendered to retroactively eligible Medicaid CMH clients. The Governor proposed a similar policy for FY 2000-01, with an assumed saving of nearly \$35,000,000 Gross, but the final budget restored the funding. While the Governor's FY 2001-02 proposal assumes no net saving from the proposal, it could result in lower total funding to CMHs if the fee-for-service expenditures are less than the capitation payments the CMH boards would have received under the current policy.

Gross	0
Federal	0
GF/GP	0

3. CMH Medicaid Spend-Down Clients

The Governor's budget recognizes a saving for a January 1, 2001, change in reimbursement policy related to the Medicaid "spend-down" coverage group. A miscalculation in the original rate-setting process resulted in capitation payments being made for some "spend-down" clients during periods of ineligibility. This change has the effect of reducing total payments to CMHs.

Gross	(34,713,500)
Federal	(19,564,500)
GF/GP	(15,149,000)

**FY 2001-02
Change from
FY 2000-01
Year-to-Date**

4. CMH Funding Increases

The Governor's budget includes a 3% increase in capitation payments to CMHs (\$34,713,500 Gross), in an amount equal to the reduction in item 3 above. In addition, the Governor includes a 2% increase for Medicaid substance abuse services (\$497,000 Gross) and a 2% increase (\$6,276,500 Gross) for the non-Medicaid portion of the CMH budget (the so-called "formula" funding).

Gross	41,487,000
Federal	19,844,600
GF/GP	21,642,400

5. State Facility Adjustments

The Governor's budget includes a reduction in the FTE authorization at State hospitals and centers in order to reflect the actual count of employees, as well as various revenue adjustments, including increased pharmaceutical costs at the Forensic Center.

FTE	(49.0)
Gross	1,728,600
IDG	985,000
Federal	5,540,800
Local	98,500
Restricted	(5,645,100)
GF/GP	749,400

B. LOCAL PUBLIC HEALTH

The Governor proposes a 2% increase for local public health operations. This appropriation provides funding to local health departments for eight key public health services: immunizations, sexually transmitted disease control, communicable disease control, hearing screening, vision screening, food service sanitation, public and private water supply, and on-site sewage management. The proposed increase brings total funding for these services to \$41,891,600 Gross.

Gross	821,400
GF/GP	821,400

C. HEALTHY MICHIGAN FUND (HMF)

The Governor proposes to reduce HMF spending by \$10,225,000 Gross and HMF, eliminating several one-time projects as well as some ongoing projects. Major reductions for FY 2001-02 were expected due to slowly declining tobacco tax revenue and the use of carry-forward funding in the prior fiscal year. Funding reductions include: Cancer Control and Prevention (\$1,500,000), Lead Abatement (\$1,000,000), and Pregnancy Prevention (\$850,000), among others.

Gross	(10,225,000)
Restricted	(10,225,000)
GF/GP	0

**FY 2001-02
Change from
FY 2000-01
Year-to-Date**

D. FEDERAL MEDICAID MATCH RATE INCREASE

The rate at which Federal funds “match” State expenditures for Medicaid services will again increase for FY 2001-02. This increase, from 56.18% to 56.36%, will result in a GF/GP saving.

Gross	0
Federal	12,109,100
GF/GP	(12,109,100)

E. MEDICAID SPECIAL FINANCING

Significant adjustments to various items (primarily the outpatient adjustor and the administrative component of school-based services payments) that constitute this long-running GF/GP offset process are made, due to changes in the Federal “Upper Payment Limit” (UPL) rule. The same rule allows the State to further increase the long-term care adjustor, so that there is no net change in the total GF/GP offset (currently a \$545,013,800 saving).

Gross	49,264,200
Federal	49,264,200
GF/GP	0

F. MEDICAID BASE ADJUSTMENTS

The Governor includes adjustments to reflect projected levels of Medicaid expenditures, changes in caseload, and utilization of resources, as well as unavoidable price inflation, including increased funding to reflect higher Medicare premiums. The biggest adjustment is for pharmaceutical products, due to concern that drug expenditures will continue the explosive growth observed over the last few years. The pharmaceutical services adjustment represents a 60% increase over FY 1999-2000 expenditures.

Gross	102,099,800
Federal	57,243,900
GF/GP	44,855,900

G. PHARMACEUTICAL COST CONTAINMENT

Given the increase in prescription costs, the Governor is recommending a number of cost containment initiatives. These include: a reduction in the dispensing fee of 50 cents, a \$1 increase in copayments, and a move toward mail order prescriptions. Also, as noted in item A.1., almost \$69 million is transferred to the CMH line item so that CMH boards can assume the financial risk for psychotropic medications.

Gross	(15,966,000)
Federal	(7,495,900)
Private	3,512,700
GF/GP	(11,982,800)

H. ELDER PRESCRIPTION INSURANCE COVERAGE (EPIC)

The Governor includes increased Gross funding to cover the EPIC program, which is slated to begin October 1, 2001.

Gross	11,000,000
Tobacco	12,000,000
Restricted	(1,000,000)
GF/GP	0

**FY 2001-02
Change from
FY 2000-01
Year-to-Date**

I. MEDICAID DISCRETIONARY INFLATION

The Governor's budget includes 2% increases for just about every Medicaid provider and corrects a disparity in home health payment rates for services under the Children's Waiver.

Gross	67,785,900
Federal	37,355,500
GF/GP	30,430,400

J. MEDICAID PROGRAM CHANGES

The Governor's recommendation reflects expiration of one-time funding for the Rural Health Initiative and uses the \$10,000,000 in Tobacco settlement funding from that initiative to supplant GF/GP in the Medicaid base. The Governor also includes a proposal to expand Medicaid coverage of breast and cervical cancer services under a new Federal program that provides an enhanced Federal matching rate of nearly 70%.

Gross	(9,024,000)
Federal	677,800
GF/GP	(9,701,800)

K. FEDERAL FUNDS AND OTHER REVENUE ADJUSTMENTS

The budget includes adjustments, both positive and negative, to reflect actual anticipated Federal funds. In addition, the budget includes adjustments to reflect additional manufacturer rebates in the Women, Infants, Children (WIC) program as well as an adjustment to reflect actual Restricted revenue in the Children's Special Health Care Services program. Finally, the budget reflects additional revenue anticipated from newborn screening fees due to an increase in the number of births in the State.

Gross	4,768,300
Federal	4,203,600
Private	3,328,600
Restricted	(2,763,900)
GF/GP	0

L. UNDESIGNATED BUDGETARY SAVINGS

The budget includes a recommendation to reduce departmentwide GF/GP appropriations by 0.5%. This negative appropriation will be implemented at a later date by specific reductions in the appropriation line items within the Department.

Gross	(13,722,400)
GF/GP	(13,722,400)

M. PROGRAM TRANSFERS

The Governor's budget reflects the transfer of staff and funding for Health Maintenance Organization (HMO) licensing staff to the Department of Consumer and Industry Services.

FTE	(8.0)
Gross	(595,500)
Restricted	(297,800)
GF/GP	(297,700)

N. UNCLASSIFIED SALARIES

The unclassified line item is increased 2.0%.

Gross	11,400
GF/GP	11,400

**FY 2001-02
Change from
FY 2000-01
Year-to-Date**

O. ECONOMIC ADJUSTMENTS

Standard economic adjustments are applied for salaries and wages, total retirement, insurance, rent, motor transport, workers' compensation, and building occupancy charges consistent with factors applied to all budgets. These adjustments include:

Gross	13,779,300
IDG	1,435,100
Federal	1,757,500
Local	3,968,900
Private	30,500
Restricted	578,900
GF/GP	6,008,400

Item	Gross	GF/GP
Salaries and Wages	\$9,433,900	\$5,029,000
Insurance	3,303,300	816,700
Retirement	622,600	86,100
Other	419,500	76,600
Total	\$13,779,300	\$6,008,400

P. OTHER ISSUES

Other adjustments lead to a slight change in funding.

Gross	(1,300,200)
Federal	(889,000)
Private	(905,000)
Restricted	(383,300)
GF/GP	877,100

DEPARTMENT OF CONSUMER AND INDUSTRY SERVICES

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2000-01 YEAR-TO-DATE	FY 2001-02 GOV'S REC.	CHANGES FROM FY 2000-01 YEAR-TO-DATE	
			DOLLAR	PERCENT
FTE Positions	4,182.4	4,194.4	12.0	0.3
GROSS	529,756,600	535,631,300	5,874,700	1.1
Less:				
Interdepartmental Grants Received	109,200	111,800	2,600	2.4
ADJUSTED GROSS	529,647,400	535,519,500	5,872,100	1.1
Less:				
Federal Funds	237,626,000	240,725,500	3,099,500	1.3
Local and Private	745,900	740,000	(5,900)	(0.8)
TOTAL STATE SPENDING	291,275,500	294,054,000	2,778,500	1.0
Less:				
Other State Restricted Funds	207,513,200	208,677,200	1,164,000	0.6
GENERAL FUND/GENERAL PURPOSE	83,762,300	85,376,800	1,614,500	1.9
PAYMENTS TO LOCALS	33,921,000	34,871,000	950,000	2.8

**FY 2001-02
Change from
FY 2000-01
Year-to-Date**

A. FOSTER CARE REGULATION

The Governor recommends a shift from Federal funding to General Fund/General Purpose funds for the costs related to administration of certain children's foster care facilities. The Department has been charging the Federal Foster Care - Title IV-E grant for these administrative costs but a financial audit showed that these costs are not allowable under the Federal guidelines for this funding. These types of foster care facilities include public child care institutions accommodating more than 25 children, detention facilities, forestry camps, training schools, and detention facilities for delinquent children.

Gross	0
Federal	(500,000)
GF/GP	500,000

B. NEW FIRE SAFETY OFFICE

The Governor recommends the opening of a second Fire Safety Office in southeastern Michigan. There are currently 10 offices located throughout the State. Funding for this new office will be primarily generated through the fee increase for fire safety inspections of schools and hospitals. (Please see item H.)

FTE	4.0
Gross	308,900
Federal	71,000
Restricted	207,100
GF/GP	30,800

C. RECORDS MAINTENANCE AND DOCUMENT MANAGEMENT

The Governor recommends a General Fund/General Purpose increase for the implementation of a document imaging system in the Bureau of Health Systems. The system will automate the storing, sorting, and recording of files as well as help accommodate the number of Freedom of Information Act (FOIA) requests. The bureau is responsible for the licensure of all health facilities and receives a number of FOIA requests.

Gross	125,000
GF/GP	125,000

D. REMONUMENTATION GRANTS

The Governor recommends a spending authority increase in restricted funding to expedite the replacement of U.S. public land survey corners in all 83 counties of the State. The statute regulating this program requires the work to be completed within 20 years of passage of the act or 2011. This increased funding is intended to ensure that this deadline is met. Funding for this program is generated through a fee on documents filed with the Register of Deeds.

Gross	1,000,000
Restricted	1,000,000

**FY 2001-02
Change from
FY 2000-01
Year-to-Date**

E. CHIEF CARNIVAL RIDE INSPECTOR

Gross	90,000
Restricted	90,000

The Governor recommends adding this new position to administer the Carnival Ride Inspection program.

F. UNDESIGNATED BUDGETARY SAVINGS

Gross	(429,000)
GF/GP	(429,000)

The budget includes a recommendation to reduce departmentwide GF/GP appropriations by 0.5%. This negative appropriation will be implemented at a later date by specific reductions in the appropriation line items within the Department.

G. PROGRAM TRANSFERS

FTE	8.0
Gross	595,500
Restricted	595,500

Pursuant to Public Act 252 of 2000, the regulation of the managed health care plans was transferred from the Department of Community Health.

H. FEE INCREASES

The Governor recommends a fee increase for fire safety inspections for hospitals and schools. The increase will be for both operation and maintenance inspection fees in hospitals and plan review and construction inspection fees for hospitals and schools. The increased revenue will total \$623,300. There is \$416,200 in excess authority available in the Fire Safety Unit so an additional \$207,100 is the recommended restricted revenue increase over the current year. As shown in item B., the additional spending authority will be allocated for a second southwestern Michigan office, which includes a recommendation for 4.0 additional FTEs.

I. UNCLASSIFIED SALARIES

Gross	110,300
Federal	8,100
Restricted	17,500
GF/GP	84,700

The Governor recommends a 2% increase for the unclassified line item.

J. ECONOMIC ADJUSTMENTS

Gross	9,734,200
Federal	3,359,600
Restricted	5,079,000
IDG	2,600
GF/GP	1,293,000

Standard economic adjustments are applied for salaries and wages, total retirement, insurance, rent, motor transport, workers' compensation, and building occupancy charges consistent with factors applied to all budgets. These adjustments include:

**FY 2001-02
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FY 2000-01
Year-to-Date**

Item	Gross	GF/GP
Salaries and Wages	\$3,945,900	\$616,200
Insurance	2,345,600	383,100
Retirement	2,154,000	295,500
Other	1,288,700	(1,800)
Total	\$9,734,200	\$1,293,000

K. OTHER ISSUES

The Governor recommends adjustments for various Federal and restricted fund sources.

Gross	(5,660,200)
Federal	160,800
Restricted	(5,825,100)
Private	(5,900)
GF/GP	10,000

DEPARTMENT OF CORRECTIONS

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2000-01 YEAR-TO-DATE	FY 2001-02 GOV'S REC.	CHANGES FROM FY 2000-01 YEAR-TO-DATE	
			DOLLAR	PERCENT
FTE Positions	19,768.8	19,497.0	(271.8)	(1.4)
GROSS	1,703,858,400	1,757,272,000	53,413,600	3.1
Less:				
Interdepartmental Grants Received	6,710,500	6,227,900	(482,600)	(7.2)
ADJUSTED GROSS	1,697,147,900	1,751,044,100	53,896,200	3.2
Less:				
Federal Funds	26,633,600	26,532,400	(101,200)	(0.4)
Local and Private	429,500	349,600	(79,900)	(18.6)
TOTAL STATE SPENDING	1,670,084,800	1,724,162,100	54,077,300	3.2
Less:				
Other State Restricted Funds	50,484,300	49,221,600	(1,262,700)	(2.5)
GENERAL FUND/GENERAL PURPOSE	1,619,600,500	1,674,940,500	55,340,000	3.4
PAYMENTS TO LOCALS	81,056,300	81,743,400	687,100	0.8

**FY 2001-02
Change from
FY 2000-01
Year-to-Date**

A. OPERATIONS

1. New Prison Bed Openings/Delays

Gross	(3,950,200)
GF/GP	(3,950,200)

The Governor's recommendation includes start-up costs and partial-year operating costs of \$5,886,000 for new units at Thumb, Saginaw, and Macomb Correctional Facilities with 240 beds per unit and funding for 146.7 FTEs. In addition, 58 beds are added at Cooper Street Correctional Facility at a cost of \$525,500 for 5.4 FTEs. Prison operations at Bellemy Creek, a new 1,500-bed facility in Ionia, will be delayed until 2003, reducing funding by \$10,341,700 for 502.9 FTEs.

2. Pay Rate Adjustments

Gross	10,025,600
GF/GP	10,025,600

In prior years, as new facilities or programs were added to the appropriations, positions were budgeted at the entry-level rate of pay. The FY 2001-02 recommendation adjusts salary rates by \$5,201,500 to reflect a more senior complement of staff at Baraga, Ojibway, Cooper Street, Jackson Maximum, Southern Michigan, Florence Crane, Pine River, and St. Louis Correctional Facilities and for Project CHANGE and RESTART. In addition, pay rates for field operations are increased by \$4,000,000, for Special Alternative Incarceration Phase III by \$224,100, and for camps by \$600,000.

3. Other Operational Expenses

Gross	1,010,200
Federal	287,500
GF/GP	722,700

Additional funds including \$26,000 for State Police canine searches, \$51,500 for dialysis supplies, \$418,500 for Detroit field operations relocation, and \$226,700 for parole board operations and parolee loans are requested. Also, the recommendation includes an increase of \$287,500 in gross expenditure for utilities at the Youth Correctional Facility.

B. PRISONER HEALTH CARE AND CONSENT DECREES

Gross	2,744,600
GF/GP	2,744,600

The recommendation increases the appropriation for hospital and specialty care by \$2,779,700 to meet the base cost of the managed care contract, which increases based on the change in the Consumer Price Index for All Medical Goods and Services for the Midwest Urban Cities. Also, an increase for DOJ Psychiatric Plan-MDCH Mental Health Services of \$985,000 is recommended for increased use and cost of psychotropic drugs. Prisoner Rehabilitation Education Programs are reduced by \$1,020,100, because the consent decree ended.

**FY 2001-02
Change from
FY 2000-01
Year-to-Date**

C. NEW POSITIONS

Gross	890,100
GF/GP	890,100

The recommendation includes an increase of 23.0 FTEs for waste water treatment plant operations, prisoner grievance investigations, crime victim notification, sallyport staff, vocational training for female prisoners, a Standish outpatient program, and parole board pre-screeners. There is a reduction of 7.2 FTEs for changes in security at Western Wayne Correctional Facility which now houses female prisoners. The budget decreases costs for new employee training by \$845,600, because fewer new employees will be hired, but includes \$500,000 for a new leadership program providing training to supervisory correctional officers and administration.

D. UNDESIGNATED BUDGETARY SAVINGS

Gross	(1,000,000)
GF/GP	(1,000,000)

The budget includes a recommendation to reduce departmentwide GF/GP appropriations by \$1,000,000. This negative appropriation will be implemented at a later date by specific reductions in the appropriation line items within the Department.

E. UNCLASSIFIED SALARIES

Gross	1,316,700
GF/GP	1,316,700

There is an increase of \$1,316,700 or 2% recommended for unclassified salaries.

F. ECONOMIC ADJUSTMENTS

Gross	43,647,200
IDG	13,600
IDT	160,800
Federal	111,300
Restricted	451,000
GF/GP	42,910,500

Standard economic adjustments are applied for salaries and wages, total retirement, insurance, rent, motor transport, workers' compensation, and building occupancy charges consistent with factors applied to all budgets. These adjustments include:

**FY 2001-02
Change from
FY 2000-01
Year-to-Date**

Item	Gross	GF/GP
Salaries and Wages	\$17,243,700	\$16,749,600
Insurance	12,046,000	11,817,300
Retirement	6,413,800	6,306,400
Worker's Compensation	4,877,000	4,877,000
Fuel and Utilities	1,033,100	1,033,100
Food	1,402,400	1,402,400
Building Occupancy & Rent	631,200	724,700
Total	\$43,647,200	\$42,910,500

G. OTHER ISSUES

The Governor's budget recommendation provides for changes in funding sources including increases in GF/GP funds to replace Telephone Fees and Commissions of \$522,600, Federal support for Criminal Aliens of \$500,000, and Community Residential Programs revenue of \$792,000. Increased revenues from tether participants of \$43,000 and from resident stores of \$121,600 replace GF/GP funds. Elimination of defunct programs will decrease gross appropriations and costs by \$494,200. Transfer of the print shop to Michigan State Industries will eliminate an interdepartmental transfer of \$657,000 and adjustments to public works of \$119,400 will decrease gross spending.

Gross	(1,270,600)
IDT	(657,000)
Federal	(500,000)
Restricted	(1,713,700)
Local	(79,900)
GF/GP	1,680,000

DEPARTMENT OF EDUCATION

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2000-01 YEAR-TO-DATE	FY 2001-02 GOV'S REC.	CHANGES FROM FY 2000-01 YEAR-TO-DATE	
			DOLLAR	PERCENT
FTE Positions	457.6	457.3	(0.3)	(0.1)
GROSS	929,493,300	943,470,100	13,976,800	1.5
Less:				
Interdepartmental Grants Received	518,000	0	(518,000)	(100.0)
ADJUSTED GROSS	928,975,300	943,470,100	14,494,800	1.6
Less:				
Federal Funds	873,591,700	890,026,700	16,435,000	1.9
Local and Private	7,117,300	5,496,900	(1,620,400)	(22.8)
TOTAL STATE SPENDING	48,266,300	47,946,500	(319,800)	(0.7)
Less:				
Other State Restricted Funds	13,587,600	13,297,000	(290,600)	(2.1)
GENERAL FUND/GENERAL PURPOSE	34,678,700	34,649,500	(29,200)	(0.1)
PAYMENTS TO LOCALS	14,054,400	15,299,200	1,244,800	8.9

**FY 2001-02
Change from
FY 2000-01
Year-to-Date**

A. FEDERAL GRANTS

The Executive budget anticipates increases in four Federal grants. First, an additional \$12,225,000 is expected in the Federal share of the School Lunch Program, which encompasses school breakfast, school lunch, milk, and surplus commodities. Second, an additional \$3,000,000 is anticipated for the Charter School Grant program. This program is designed to provide financial assistance for the design and initial implementation of charter schools and to evaluate the effects of such schools, including the effects on students, student achievement, staff, and parents. An additional \$400,000 is projected for the Competitive Child Care Grants, and another \$100,000 for the School-Age Child Care Grants.

Gross	15,725,000
Federal	15,725,000
GF/GP	0

B. STATE GRANTS

The Governor's recommendation eliminates several State Grants that were new in FY 2000-01 and determined by the State Budget Office to be "one-time" funding. These include the Innovative Program Demonstration Grants (\$400,000 GF/GP), the Innovative Curriculum Development Grants (\$560,000 GF/GP), and funding for the establishment of an autism center at Grand Valley State University (\$250,000 GF/GP). The largest State Grant increase proposed in this budget is \$1,200,000 GF/GP for the School Breakfast Program, providing an increased State match to the Federal grant, based on growing numbers of breakfasts served. The Executive budget also includes a \$332,700 increase in Motorcycle Safety Education Grants, funded by an increase in motorcycle license fee revenue collection.

Gross	322,700
Restricted	332,700
GF/GP	(10,000)

C. "LIQUIDATION" OF FORMER MICHIGAN SCHOOL FOR THE BLIND SITE

The Department of Education declared the entire Michigan School for the Blind former site as surplus property in December 1999. The Executive budget recommendation for FY 2001-02 removes all funding and fund sources for this appropriation unit, anticipating that the entire property will be "liquidated" by October 1, 2001.

Gross	(1,267,000)
IDG	(518,000)
Private	(10,000)
Restricted	(739,000)
GF/GP	0

D. UNDESIGNATED BUDGETARY SAVINGS

The budget includes a recommendation to reduce departmentwide GF/GP appropriations by 0.5%. This negative appropriation will be implemented at a later date by specific reductions in the appropriation line items within the Department.

Gross	(174,100)
GF/GP	(174,100)

**FY 2001-02
Change from
FY 2000-01
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E. UNCLASSIFIED SALARIES

Gross 10,100
GF/GP 10,100

An economic adjustment in the unclassified salary appropriation is proposed, equal to a 2% increase over FY 2000-01 appropriations.

F. ECONOMIC ADJUSTMENTS

Gross 1,201,900
Federal 611,100
Local 76,200
Restricted 100,600
GF/GP 414,000

Standard economic adjustments are applied to various items such as salaries and wages and insurance, consistent with factors applied to all budgets. These adjustments include:

Item	Gross	GF/GP
Salaries and Wages	\$450,400	\$154,100
Insurance	229,900	78,700
Retirement	332,700	113,800
Food	5,600	1,900
Workers' Compensation	(7,000)	(7,000)
Fuel and Utilities	7,000	2,400
Building Occupancy Charges	183,300	70,100
Total	\$1,201,900	\$414,000

G. OTHER ISSUES

Gross (1,841,800)
Federal 98,900
Local (1,701,600)
Private 15,000
Restricted 15,100
GF/GP (269,200)

The Governor's recommended Department of Education budget reflects other operating and program adjustments, such as a reduction in local operating revenue flowing into the Michigan Schools for the Deaf and Blind due to enrollment declines (\$1,701,600), increased Federal TANF Maintenance of Effort funding of \$82,900, and increased Federal administration funding for the At-Risk Child Care Program, projected at \$16,000.

DEPARTMENT OF ENVIRONMENTAL QUALITY

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2000-01 YEAR-TO-DATE	FY 2001-02 GOV'S REC.	CHANGES FROM FY 2000-01 YEAR-TO-DATE	
			DOLLAR	PERCENT
FTE Positions	1,631.7	1,635.7	4.0	0.2
GROSS	410,010,800	416,556,600	6,545,800	1.6
Less:				
Interdepartmental Grants Received	17,511,700	17,809,000	297,300	1.7
ADJUSTED GROSS	392,499,100	398,747,600	6,248,500	1.6
Less:				
Federal Funds	129,737,500	130,777,500	1,040,000	0.8
Local and Private	1,523,800	1,567,100	43,300	2.8
TOTAL STATE SPENDING	261,237,800	266,403,000	5,165,200	2.0
Less:				
Other State Restricted Funds	161,331,600	163,227,700	1,896,100	1.2
GENERAL FUND/GENERAL PURPOSE	99,906,200	103,175,300	3,269,100	3.3
PAYMENTS TO LOCALS	6,529,900	7,944,900	1,415,000	21.7

**FY 2001-02
Change from
FY 2000-01
Year-to-Date**

A. SOIL EROSION AND SEDIMENTATION CONTROL PROGRAM

Gross	350,000
GF/GP	350,000

Public Act 504 of 2000 amended the Natural Resources and Environmental Protection Act to give the Department greater responsibility for monitoring, certifying, and assisting local governments in implementing and enforcing local soil erosion and sedimentation control programs. The Governor's proposed budget includes new State General Fund dollars to support the Department's expanded responsibilities.

B. GREAT LAKES WATER USE REPORTING

Gross	100,000
GF/GP	100,000

The Governor included new State General Fund support to bring the State into compliance with provisions of the Great Lakes Charter (the regional agreement between Great Lakes states and Canadian provinces to protect against Great Lakes water diversions) requiring annual water use reporting by facilities in four major and several secondary sectors. The major sectors are thermoelectric power generation, self-supplied industrial, public water supplies, and irrigation. The secondary sectors include hydroelectric power generation and livestock operations. The Department currently spends approximately \$54,000 in fee revenues to monitor the thermoelectric power generators, the self-supplied industrial, and a small portion of the irrigation sectors. The new funding would provide the resources necessary to complete the reporting on two additional major water use sectors and two secondary categories.

C. FEDERAL SAFE DRINKING WATER ACT FUNDS

Gross	1,000,000
Federal	1,000,000
GF/GP	0

New, temporary funding is available to the State under the Federal Safe Drinking Water Act for training and certifying waterworks operators in public water supplies serving populations of 3,300 or fewer. The proposed budget includes the first year of an expected five-year program to train and certify operators at approximately 2,200 public water supplies that do not employ a certified operator.

D. LOCAL PUBLIC HEALTH OPERATIONS

Gross	205,300
IDG	205,300
GF/GP	0

The Governor's budget provides a 2% economic increase for the appropriation that supports local health department drinking water supply and on-site sewage management activities, bringing total grant funding for these purposes to \$10,472,500.

**FY 2001-02
Change from
FY 2000-01
Year-to-Date**

E. SUBMERGED LOGS RECOVERY PROGRAM

The Submerged Log Recovery Program was created through amendments to the Natural Resources and Environmental Protection Act that were enacted in 2000. Under the Program the Department is authorized to issue permits for the removal of submerged logs from the Great Lakes bottomlands. The Department is allowed to assess a \$3,500 permit fee and to collect royalties for the recovered logs. The Governor's budget includes a new appropriation, supported with revenue from permits and royalties, to provide the Department with the resources necessary to review applications and issue permits.

Gross	100,000
Restricted	100,000
GF/GP	0

F. GREAT LAKES PROTECTION FUND

The Great Lakes Protection Fund (GLPF) supports research and resource protection projects including research into market incentives for pollution abatement and land conservation, Great Lakes habitat protection, cost effective cleanup action demonstration projects, and Great Lakes monitoring program design. The Department's budget includes \$2,000,000 in GLPF support. The following adjustments in appropriations from the Fund are included in the Governor's recommendation:

1. Fund Administration

The Governor's budget allocates additional dollars to support oversight functions involved in awarding grants from the GLPF, including developing requests for proposal, arranging peer review of grant applications, monitoring grant activity, and other administrative activities.

FTEs	1.0
Gross	100,000
Restricted	100,000
GF/GP	0

2. Groundwater Use Reporting Program

The Governor eliminated funding for a grant to develop a groundwater database for the purpose of determining the impact of irrigation wells on groundwater aquifers and domestic water supplies.

Gross	(100,000)
Restricted	(100,000)
GF/GP	0

**FY 2001-02
Change from
FY 2000-01
Year-to-Date**

G. HAZARDOUS WASTE CORRECTIVE ACTION PROGRAM

Additional Environmental Response Fund dollars are included in the Governor's budget proposal for the Hazardous Waste Program for reviewing plans and monitoring corrective action at high priority cleanup sites. The United States Environmental Protection Agency (USEPA) identified 56 facilities in the State as high priority for controlling human health exposure and groundwater contamination. There is a national goal to control human exposure and to control releases into the groundwater at 95% and 70% of the facilities, respectively, with Congress and the USEPA tracking progress over a five-year period. The increased resources are intended to accelerate the progress toward meeting corrective action goals at the high priority facilities with redevelopment potential.

Gross	260,000
Restricted	260,000
GF/GP	0

H. FEE INCREASES

1. Septage Waste Fees

The Governor's budget includes a significant increase in fee revenue for septage waste activities. Current fees generate approximately \$150,000 annually. The Governor's proposal calls for restructuring and increasing fees for the program. The enhanced funding would support increased local inspections of septage waste hauling vehicles and disposal sites, as well as expanded Department oversight activities.

FTEs	3.0
Gross	1,550,000
Restricted	1,550,000
GF/GP	0

2. Air Quality Fees

Air quality fees are scheduled to sunset on September 30, 2001. The Governor is proposing a revision in the fees and an extension of the sunset. The budget includes only economic adjustments in the overall level of appropriations from air quality fees.

Gross	0
Restricted	0
GF/GP	0

I. UNDESIGNATED BUDGETARY SAVINGS

The budget includes a recommendation to reduce departmentwide GF/GP appropriations by 0.5%. This negative appropriation will be implemented at a later date by specific reductions in the appropriation line items within the Department.

Gross	(519,300)
GF/GP	(519,300)

**FY 2001-02
Change from
FY 2000-01
Year-to-Date**

J. UNCLASSIFIED SALARIES

The Governor's budget includes a 2.0% increase for unclassified salaries, bringing total unclassified salary funding to \$495,100.

Gross	9,700
Restricted	700
GF/GP	9,000

K. ECONOMIC ADJUSTMENTS

Standard economic adjustments are applied for salaries and wages, total retirement, insurance, and workers' compensation consistent with factors applied to all budgets. In addition, adjustments associated with the Department's planned move to new office space were included in the economic category in the rent (in privately owned facilities) and building occupancy charges (charges for occupying State-owned or -managed space) accounts. These adjustments include:

Gross	5,352,300
IDG	52,000
Local	29,500
Restricted	1,948,100
GF/GP	3,323,400

Item	Gross	GF/GP
Salaries and wages	\$1,748,500	\$904,600
Insurance	947,100	501,600
Retirement	643,200	342,900
Workers' compensation	1,000	600
Building occupancy charges	4,560,300	3,470,800
Rent-privately owned property	(2,547,800)	(1,897,100)
Total	\$5,352,300	\$3,323,400

L. OTHER ISSUES

Other changes proposed by the Governor include adjustments to reflect the availability of various Federal, private, and State restricted sources of financing, and certain mandated inflationary adjustments.

Gross	(1,868,200)
IDG	40,000
Federal	40,000
Private	(13,800)
Restricted	(1,962,000)
GF/GP	6,000

EXECUTIVE

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2000-01 YEAR-TO-DATE	FY 2001-02 GOV'S REC.	CHANGES FROM FY 2000-01 YEAR-TO-DATE	
			DOLLAR	PERCENT
FTE Positions	75.0	75.0	0.0	0.0
GROSS	5,679,600	5,819,900	140,300	2.5
Less:				
Interdepartmental Grants Received	0	0	0	0.0
ADJUSTED GROSS	5,679,600	5,819,900	140,300	2.5
Less:				
Federal Funds	0	0	0	0.0
Local and Private	0	0	0	0.0
TOTAL STATE SPENDING	5,679,600	5,819,900	140,300	2.5
Less:				
Other State Restricted Funds	0	0	0	0.0
GENERAL FUND/GENERAL PURPOSE	5,679,600	5,819,900	140,300	2.5
PAYMENTS TO LOCALS	0	0	0	0.0

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A. STATE OFFICERS COMPENSATION COMMISSION (SOCC) DETERMINATIONS

Gross	58,100
GF/GP	58,100

The Governor's recommendation includes funding for costs related to 2000 SOCC determinations for salaries and expense allowances of the Governor and Lieutenant Governor.

B. UNDESIGNATED BUDGETARY SAVINGS

Gross	(29,200)
GF/GP	(29,200)

The budget includes a recommendation to reduce departmentwide GF/GP appropriations by 0.5%. This negative appropriation will be implemented at a later date by specific reductions in the appropriation line items within the Department.

C. UNCLASSIFIED SALARIES

Gross	16,700
GF/GP	16,700

The Governor's recommendation increases the line item that funds 8.0 FTE unclassified positions by 2.0%, from \$833,100 to \$849,800.

D. ECONOMIC ADJUSTMENTS

Gross	94,700
GF/GP	94,700

Standard economic adjustments are applied for salaries and wages, retirement, and insurance consistent with factors applied to all budgets. These adjustments include:

Item	Gross	GF/GP
Salaries	\$53,800	\$53,800
Insurance	33,400	33,400
Retirement (defined benefit)	(23,800)	(23,800)
Retirement (defined contribution)	31,300	31,300
Total	\$94,700	\$94,700

FAMILY INDEPENDENCE AGENCY

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2000-01 YEAR-TO-DATE	FY 2001-02 GOV'S REC.	CHANGES FROM FY 2000-01 YEAR-TO-DATE	
			DOLLAR	PERCENT
FTE Positions	13,499.6	13,499.6	0.0	0.0
GROSS	3,591,822,500	3,660,237,700	68,415,200	1.9
Less:				
Interdepartmental Grants Received	765,000	965,300	200,300	26.2
ADJUSTED GROSS	3,591,057,500	3,659,272,400	68,214,900	1.9
Less:				
Federal Funds	2,204,258,650	2,306,346,150	102,087,500	4.6
Local and Private	119,160,150	99,953,850	(19,206,300)	(16.1)
TOTAL STATE SPENDING	1,267,638,700	1,252,972,400	(14,666,300)	(1.2)
Less:				
Other State Restricted Funds	50,641,200	53,233,900	2,592,700	5.1
GENERAL FUND/GENERAL PURPOSE	1,216,997,500	1,199,738,500	(17,259,000)	(1.4)
PAYMENTS TO LOCALS	142,932,000	173,938,400	31,006,400	21.7

A. TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF)

The Federal welfare reform block grant, created by the Personal Responsibility and Work Opportunity Act of 1996, that the State received and the reduction in welfare caseloads allow for a cost shift from General Fund spending to block grant fund support. Due to an FY 2000-01 overestimate of available block grant funds, however, the Governor's proposal assumes a reduction in FY 2000-01 expenditures, a number of fund source shifts, and program reductions to adjust TANF spending.

1. Family Independence Program (FIP)	Gross Federal GF/GP	9,186,400 9,186,400 0
The proposal for FIP is based on a projected caseload increase of 2,300 to an average 65,700 cases and assumes an increase in the cost per case of approximately \$17 to \$389 per case. The recommendation includes a 2% increase for FIP recipients whose work requirement is deferred because they are unable to work. It is assumed that the deferred caseload for a family of two persons is 20,000 cases at a monthly cost of \$261 and for a family of three persons is 8,000 cases at a monthly cost of \$391.		
2. Day Care	Gross Federal GF/GP	(23,875,800) 6,124,200 (30,000,000)
The Governor's recommendation includes reductions in the day care accessibility pool, the infant toddler incentive payments, and before/after school programs for families with incomes below 200% of the poverty level. Other adjustments include replacing GF/GP in the Day Care account with TANF and counting School Aid Program GF/GP spending toward the State's Maintenance of Effort requirement.		
3. Other Issues	Gross Federal GF/GP	(1,945,300) (1,945,300) 0
The Governor's proposal includes reduced spending for Project Zero and the Employment and Training programs and an increase for the Family Preservation and Prevention Child Well Being Program. The proposal includes shifting GF/GP funds to cover anticipated growth in the Child Care Fund (CCF) and replacing GF/GP funds in Day Care with Federal Child Care Development Fund dollars.		

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B. ADMINISTRATION AND TECHNOLOGY

The Governor's recommendation includes funds for technology costs for system development and operations and legal contract services support related to counties' efforts toward Federal certification of the Child Support Enforcement System (CSES). The proposal includes an increase in General Fund authorization for CSES Federal Title IV-D match to continue system development, which includes a decrease in Federal authorization, and a decrease in GF/GP for the cost of Federal sanctions paid in FY 2000-01. The recommendation includes a spending slowdown in the finger imaging system implementation and a reduction to recognize the wage record system completion. The elimination of the Food Stamp Issuance appropriation and transfer of the funds to the Client Services Support account for the Electronic Benefits Transfer System support are recommended.

Gross	35,909,700
Federal	30,595,200
GF/GP	5,314,500

C. FINANCE ADJUSTMENTS

The Governor's recommendation includes an increase in the Federal revenue match rate and an offset in GF/GP due to increases in Supplemental Security Income (SSI) recoveries, cost allocation errors, and an estimated 5% growth in Child Support and other private collections. The recommendation also assumes that savings will be realized through strengthening the State's hiring freeze.

Gross	0
IDG	200,300
Federal	(942,500)
Private	932,600
Restricted	2,585,100
GF/GP	(2,775,500)

D. OTHER STATE ASSISTANCE

1. Day Care

The proposal for day care services projects an increase in caseload of 1,740 to an average 75,440. The increase is financed with Federal Child Care Development Funds and \$2 million in TANF funds.

Gross	24,000,000
Federal	24,000,000
GF/GP	0

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2. Other State Grants

The Governor's recommendation includes a projected State Disability Assistance (SDA) caseload decline of 300 cases to an average 6,700 cases and a cost per case decrease of \$14.13 to \$244 per month. The proposal for Supplemental Security Income (SSI) Assistance recipients is a projected decline of 700 cases to an average 211,300 cases. A cost per case reduction of \$14 per month and a 5% Federal administrative rate increase offset the projected savings. The proposal includes two adjustments in the State Emergency Relief Program funds: GF/GP for a projected increase in home repairs, rent and other noncontractual services, and a decrease based on the Housing and Urban Development Supportive Housing project responsibility transfer to a private organization.

Gross	(1,032,300)
Federal	(447,000)
GF/GP	(585,300)

E. FEDERALLY FUNDED PROGRAMS

The Governor's recommendation includes an increase in the Low Income Home Energy Assistance (LIHEAP) award based on increased fuel costs. The proposal for the Food Stamp Program is a caseload increase of 2,100 cases up to an average caseload of 239,600 cases and a decline in the cost per case of \$7 to approximately \$152 per month.

Gross	(11,200,500)
Federal	11,200,500
GF/GP	0

F. CHILD AND FAMILY SERVICES

1. Foster Care and Adoption

The Governor's proposal includes an increase for Federal Title IV-E funded Foster Care and Adoption Subsidy caseloads, a 2% rate increase for parents only, funds to cover a projected deficit in the subsidy account, and extending for a full year the FY 2000-01 seven-month 3% rate increase. The recommendation includes reductions in the State Ward Board and Care Foster Care caseload and the elimination of the unused Federally funded County Shelter appropriation.

Gross	(16,254,100)
Federal	18,178,500
Local	(21,622,800)
GF/GP	(12,809,800)

2. Program Expansion

The Governor's recommendation includes an increase for Youth In Transition for Federal Title IV-E eligible independent living services, and GF/GP for the Maxey Boys Training School's new wing and growth in the Child Care Fund (CCF) caseload.

Gross	37,208,700
Federal	15,500,000
Local	504,300
GF/GP	21,204,400

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G. OTHER PROGRAM ADJUSTMENTS

Gross	0
GF/GP	0

The Governor's recommendation includes a newly created mental health services line in Juvenile Justice Services that is the result of a fund transfer from the Genesee Valley, Burton, and Northwest detention centers appropriation. The Northwest detention center and Western Wayne Day Treatment program are closed and it is anticipated that the Burton detention center will close at the end of February 2001. The funds are proposed for the treatment of emotionally disturbed delinquent youth in State facilities. It is estimated that 60% of the incarcerated youth are diagnosed with severe mental disorders. The remaining detention center funds are in the renamed Regional Detention and Treatment line, reflecting the program closures and continued funding for Shawano and Bay Pines programs. The recommendation includes a fund transfer from the CCF line establishing an administration line for CCF-related staff.

H. UNDESIGNATED BUDGETARY SAVINGS

Gross	(6,028,800)
GF/GP	(6,028,800)

The budget includes a recommendation to reduce departmentwide GF/GP appropriations by 0.5%. This negative appropriation will be implemented at a later date by specific reductions in the appropriation line items within the Department.

I. UNCLASSIFIED SALARIES

Gross	9,800
Federal	3,600
GF/GP	6,200

There is proposed a 2% economic increase for unclassified positions.

J. ECONOMIC ADJUSTMENTS

Gross	22,437,400
Federal	13,034,900
Local	915,500
Private	64,100
Restricted	7,600
GF/GP	8,415,300

Standard economic adjustments are applied for salaries and wages, total retirement, insurance, rent, motor transport, workers' compensation, and building occupancy charges consistent with factors applied to all budgets. These adjustments include:

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Item	Gross	GF/GP
Salaries	\$11,628,400	\$4,298,400
Insurance	6,107,300	2,340,300
Retirement	3,652,800	1,364,100
Other	1,048,900	412,500
Total	\$22,437,400	\$8,415,300

HIGHER EDUCATION

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2000-01 YEAR-TO-DATE	FY 2001-02 GOV'S REC.	CHANGES FROM FY 2000-01 YEAR-TO-DATE	
			DOLLAR	PERCENT
FTE Positions	1.0	0.0	(1.0)	(100.0)
GROSS	1,905,000,608	1,956,742,361	51,741,753	2.7
Less:				
Interdepartmental Grants Received	0	0	0	0.0
ADJUSTED GROSS	1,905,000,608	1,956,742,361	51,741,753	2.7
Less:				
Federal Funds	3,900,000	4,900,000	1,000,000	25.6
Local and Private	0	0	0	0.0
TOTAL STATE SPENDING	1,901,100,608	1,951,842,361	50,741,753	2.7
Less:				
Other State Restricted Funds	115,250,000	130,273,845	15,023,845	0.0
GENERAL FUND/GENERAL PURPOSE	1,785,850,608	1,821,568,516	35,717,908	2.0
PAYMENTS TO LOCALS	4,670,654	4,050,073	(620,581)	(13.3)

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A. TUITION RESTRAINT REDISTRIBUTION

Gross	0
GF/GP	0

Language in the FY 2000-01 Higher Education appropriation act (Sec. 403 of Public Act 298 of 2000) stipulated that any public university that increased its academic year 2000-01 undergraduate resident tuition and fees by more than 4.0% would suffer a 1.5% base appropriations loss during the development of the FY 2001-02 State budget. Northern Michigan University increased its academic year 2000-01 tuition and fees by 27.3% due to a new policy requiring students to purchase computers from the university in order to enroll. The 1.5% base reduction for Northern is \$768,890 and these dollars are redistributed to the other 14 universities whose tuition increases were at or below 4.0%, based on the total number of fiscal-year-equated students at each institution. Table 1, column 3, lists the redistribution amounts for each university.

B. UNIVERSITY OPERATIONS

Gross	23,871,441
GF/GP	23,871,441

Subsequent to the tuition restraint redistribution, the Governor provides an across-the-board 1.5% increase for the Operations line items for all 15 public universities. The FY 2001-02 total appropriation for University Operations would be \$1,623,258,319. See Table 1, column 4, for the 1.5% increase amount for each institution.

C. PER STUDENT FUNDING FLOORS

Gross	7,957,540
GF/GP	7,957,540

The Governor's budget groups the 15 public universities into five separate tiers, each with a different per student funding floor. As calculated by the Governor, five universities fall below their designated per student funding floor. The Governor's budget allocates \$7,957,540 (0.5% overall) to these five universities with the first goal of attempting to bring Grand Valley and Saginaw Valley up to \$4,500 per student, and then using the remaining dollars to add \$47.28 per student for the other institutions. Column 5 of Table 1 lists the funding floor amounts for each university.

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D. STATE AND REGIONAL PROGRAMS

Gross	1,431,839
GF/GP	1,431,839

The Governor recommends 2.0% increases for the Agricultural Experiment Station, the Cooperative Extension Service, Project GREEN (which is established as a separate line item), the Michigan Molecular Institute, the Japan Center, and the Martin Luther King, Jr.-Cesar Chavez-Rosa Parks Programs. The current-year funding level of \$275,000 is retained for the higher education database, and a \$7,500 increase is included for the Midwest Higher Education Compact to bring the total FY 2001-02 dues payment up to \$82,500.

E. GRANTS AND FINANCIAL AID

Gross	3,457,088
Federal	1,000,000
GF/GP	2,457,088

The Governor recommends 2.0% increases for the State General Fund-financed financial aid programs, as well as the degree reimbursement programs. The Governor's budget also includes \$1,000,000 in additional Federal funding for State Competitive Scholarships. The lower half of Table 1, column 4, displays the increase for each program.

F. TUITION INCENTIVE PROGRAM

Gross	0
Restricted	0
GF/GP	0

The Tuition Incentive Program (TIP) provides an incentive to low-income middle and high school students to complete high school and continue on to college by pledging to pay their tuition and fees for associate degree or certificate programs, as well as up to \$2,000 at four-year institutions, if they complete high school. This program is funded from the Michigan Merit Award Trust Fund at a level of \$5,250,000 for FY 2000-01, and the Governor recommends no changes for FY 2001-02.

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G. MICHIGAN MERIT AWARD PROGRAM

Gross	15,023,845
Restricted	15,023,845
GF/GP	0

Michigan Merit Awards of up to \$2,500 may be used by qualified students for education and training at postsecondary institutions. Eligibility is based on student achievement on the MEAP tests or high achievement on college entrance exams (such as the ACT or SAT) or Work Keys skills tests. The FY 2000-01 appropriation for the Merit Awards is \$110,000,000 and the Governor is recommending an increase of \$15,023,845 for an FY 2001-02 total of \$125,023,845. This recommendation is based on Department of Treasury projections of 55,000 eligible students with cash payments of \$75,719,795 and accounts payable (dollars held in reserve for eligible 2002 graduates who may receive their awards at a later date) of \$45,736,124. The high school graduating class of 2000 was the first to receive Merit Awards and the Department of Treasury estimates that there were 42,717 eligible students; for the class of 2000, \$58,809,500 has been paid out in cash, to date, and an accounts payable of \$35,522,000 has been established. Because there is not yet a full year of experience for the Merit Award Program and since students have up to seven years to claim their Merit Awards, there is still uncertainty as to what the long-term appropriation and expenditure pattern will be.

H. FY 2001-02 CONTINGENCY APPROPRIATION

The Governor recommends an appropriation of \$25,030,501 that is contingent on the repeal of the Michigan Tuition Tax Credit. An amount of \$23,871,438 (an increase of 1.5%) would be distributed to the 15 public universities based on their share of the FY 2000-01 Operations appropriations, and \$1,159,063 would be added to the General Degree Reimbursement Program which distributes funds to the independent institutions based on the number of degrees they granted in the previous year. Column 10 of Table 1 lists the amounts for each university.

Table 1: HIGHER EDUCATION FY 2001-02 GOVERNOR'S RECOMMENDATION

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	FY 2000-01 Enacted PA 298 of 2000	2000-01 Approp Per Student *	Tuit. Restraint Redistribution/ Separate Line for GREEN	Univ: 1.5%; AES, CES, MMI, KCP, Financial Aid: 2.0%	Funding Floor/Other Program Adjustments	FY 2001-02 Governor's Rec.	\$ Change From 2000-01	% Change From 2000-01	2001-02 Approp Per Student*	FY 2001-02 Contingency Repeal of Tuition Tax Credit 1.5%	Combined % Change
UNIVERSITIES											
Central	88,542,155	4,555	67,678	1,329,147		89,938,980	1,396,825	1.6%	4,627	1,328,132	3.1%
Eastern	86,367,530	4,659	64,548	1,296,481		87,728,559	1,361,029	1.6%	4,732	1,295,513	3.1%
Ferris	54,715,920	6,417	29,630	821,183		55,566,733	850,813	1.6%	6,517	820,739	3.1%
Grand Valley	59,076,955	4,081	50,405	886,910	4,246,075	64,260,345	5,183,390	8.8%	4,439	886,154	10.3%
Lake Superior	14,061,894	5,060	9,676	211,074		14,282,644	220,750	1.6%	5,139	210,928	3.1%
Michigan State	321,161,401	9,854	137,373	4,819,482	1,865,534	327,983,790	6,822,389	2.1%	10,061	4,817,421	3.6%
Michigan Tech	54,441,216	8,912	21,270	816,937		55,279,423	838,207	1.5%	9,049	816,618	3.0%
Northern	51,259,361	7,186	(768,890)	757,357		51,247,828	(11,533)	-0.02%	7,185	768,890	1.5%
Oakland	51,534,095	4,537	39,549	773,605	266,100	52,613,349	1,079,254	2.1%	4,632	773,011	3.6%
Saginaw Valley	26,947,150	4,281	21,879	404,536	500,228	27,873,793	926,643	3.4%	4,429	404,207	4.9%
UM-Ann Arbor	358,197,903	9,646	129,292	5,374,908		363,702,103	5,504,200	1.5%	9,794	5,372,969	3.0%
UM-Dearborn	27,577,815	4,777	20,100	413,969		28,011,884	434,069	1.6%	4,852	413,667	3.1%
UM-Flint	23,719,410	4,697	17,579	356,055		24,093,044	373,634	1.6%	4,771	355,791	3.1%
Wayne State	249,970,059	10,824	80,411	3,750,757		253,801,227	3,831,168	1.5%	10,989	3,749,551	3.0%
Western	123,856,474	5,424	79,500	1,859,040	1,079,603	126,874,617	3,018,143	2.4%	5,557	1,857,847	3.9%
Ag Experiment Station (AES)	36,305,012		(3,233,000)	661,440		33,733,452	(2,571,560)	-7.1%			
Cooperative Extension (CES)	31,314,190		(2,867,000)	568,944		29,016,134	(2,298,056)	-7.3%			
Project GREEN	0		6,100,000	122,000		6,222,000	6,222,000	n/a			
Michigan Molecular Institute	233,426			4,669		238,095	4,669	2.0%			
Japan Center	417,071			8,341		425,412	8,341	2.0%			
Higher Education Database	275,000			0		275,000	0	0.0%			
Midwest Higher Ed Compact	75,000			0	7,500	82,500	7,500	10.0%			
King-Chavez-Parks	2,947,230			58,945		3,006,175	58,945	2.0%			
TOTAL	1,662,996,267	7,277	0	25,295,780	7,965,040	1,696,257,087	33,260,820	2.0%	7,422	23,871,438	3.5%
GRANTS & FINANCIAL AID											
Competitive Scholarships	34,875,692			651,514	1,000,000	36,527,206	1,651,514	4.7%			
Tuition Grants	65,142,587			1,302,852		66,445,439	1,302,852	2.0%			
Work Study	7,899,604			157,992		8,057,596	157,992	2.0%			
Part-time Independent	2,860,936			57,219		2,918,155	57,219	2.0%			
Dental Degree	4,979,026			99,581		5,078,607	99,581	2.0%			
General Degree	6,227,753			124,555		6,352,308	124,555	2.0%		1,159,063	
Allied Health Degree	921,508			18,430		939,938	18,430	2.0%			
Ed. Opportunity Grants (MEOG)	2,247,235			44,945		2,292,180	44,945	2.0%			
Byrd	1,600,000			0		1,600,000	0	0.0%			
Michigan Merit Award Program	110,000,000			0	15,023,845	125,023,845	15,023,845	13.7%			
Tuition Incentive Program (TIP)	5,250,000			0		5,250,000	0	0.0%			
TOTAL-FINANCIAL AID	242,004,341		0	2,457,088	16,023,845	260,485,274	18,480,933	7.6%		1,159,063	
Federal	3,900,000		0	0	1,000,000	4,900,000	1,000,000	25.6%		0	
Merit Award Trust Fund	115,250,000		0	0	15,023,845	130,273,845	15,023,845	13.0%		0	
State GF/GP	122,854,341		0	2,457,088	0	125,311,429	2,457,088	2.0%		1,159,063	
TOTAL-HIGHER ED	1,905,000,608		0	27,752,868	23,988,885	1,956,742,361	51,741,753	2.7%		25,030,501	4.0%
TOTAL FEDERAL	3,900,000		0	0	1,000,000	4,900,000	1,000,000	25.6%		0	25.6%
TOTAL MERIT TRUST FUND	115,250,000		0	0	15,023,845	130,273,845	15,023,845	13.0%		0	13.0%
TOTAL STATE GF/GP	1,785,850,608		0	27,752,868	7,965,040	1,821,568,516	35,717,908	2.0%		25,030,501	3.4%

* FY 1999-2000 Fiscal-Year-Equated Students (FYES); Ag Experiment, Coop Extension, & Project GREEN funds included for MSU calculation.

JUDICIARY

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2000-01 YEAR-TO-DATE	FY 2001-02 GOV'S REC.	CHANGES FROM FY 2000-01 YEAR-TO-DATE	
			DOLLAR	PERCENT
FTE Positions	590.5	591.5	1.0	0.2
GROSS	236,914,000	247,990,200	11,076,200	4.7
Less:				
Interdepartmental Grants Received	3,608,500	2,818,500	(790,000)	(21.9)
ADJUSTED GROSS	233,305,500	245,171,700	11,866,200	5.1
Less:				
Federal Funds	2,826,600	3,363,200	536,600	19.0
Local and Private	4,158,500	3,755,400	(403,100)	(9.7)
TOTAL STATE SPENDING	226,320,400	238,053,100	11,732,700	5.2
Less:				
Other State Restricted Funds	56,003,600	56,288,900	285,300	0.5
GENERAL FUND/GENERAL PURPOSE	170,316,800	181,764,200	11,447,400	6.7
PAYMENTS TO LOCALS	115,265,800	117,432,900	2,167,100	1.9

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A. STATE OFFICERS COMPENSATION COMMISSION (SOCC) DETERMINATIONS

Gross	10,682,500
GF/GP	10,682,500

The Governor's recommendation includes costs related to 2000 SOCC determinations for salaries of Supreme Court Justices and resulting increases for Court of Appeals Judges, Circuit Court Judges, Probate Court Judges, and District Court Judges. Judges' salaries are statutorily set at the following percentages of a Supreme Court Justice's salary:

Court of Appeals Judge	92%
Circuit Court Judge	85%
Probate Court Judge	85%
District Court Judge	84%

B. FEDERAL FUNDING ADJUSTMENTS

Gross	486,600
Federal	486,600
GF/GP	0

The budget includes the following additional Federal funds: \$438,600 for Friend of the Court administration; \$100,000 in TANF funds for local court staff training regarding absent parent protocol; \$50,000 in Department of Justice (DOJ) funding for a victims assistance conference; \$50,000 in DOJ funding for an underage drinking conference; and \$36,500 in DOJ funding for the State Appellate Public Defender Program. The following reductions to current-year Federal appropriations are included in the budget: \$37,600 Court Improvement Project; \$75,000 in DOJ funding for a Drug Court Training Conference; and \$75,900 in U.S. Department of Agriculture mediation funding.

C. CHILD SUPPORT ENFORCEMENT SYSTEM LIAISON

FTE	1.0
Gross	90,000
Federal	50,000
GF/GP	40,000

The Governor's recommendation includes funding for a position to act as a liaison between the Supreme Court, the Family Independence Agency, and the local friend of the court offices regarding implementation of the Statewide Child Support Enforcement System.

D. PART-TIME PROBATE JUDGES

Gross	(473,000)
GF/GP	(473,000)

The FY 2000-01 budget included funding to convert part-time probate judges to full-time status. Legislation that was necessary to implement this change has not been enacted. The Governor is recommending elimination of the funding.

**FY 2001-02
Change from
FY 2000-01
Year-to-Date**

E. ECONOMIC ADJUSTMENTS

Standard economic adjustments are applied for salaries and wages, retirement, insurance, rent, workers' compensation, and building occupancy charges consistent with factors applied to all budgets. These adjustments include:

Gross	2,233,000
Local	76,800
Restricted	16,800
GF/GP	2,139,400

Item	Gross	GF/GP
Salaries	\$600,200	\$562,800
Insurance	783,500	733,800
Retirement (defined benefit)	(5,200)	(5,300)
Retirement (defined contribution)	106,400	100,000
Workers' Compensation	(13,000)	(13,000)
Building Occupancy Charges	1,713,600	1,713,600
Private Rent	(952,500)	(952,500)
Total	\$2,233,000	\$2,139,400

F. OTHER ISSUES

Other changes include the elimination of one-time costs of \$50,000 for LEIN input compliance and \$20,000 related to the on-line Appellate Assigned Counsel appointment system, a reduction of \$1,269,900 related to available restricted and private funds, a reduction of \$603,000 to reflect actual costs of defined contribution and social security costs related to judges' compensation, and a funding shift of \$268,500 from the State General Fund to the Court Fee Fund.

Gross	(1,942,900)
IDG	(790,000)
Private	(479,900)
Restricted	268,500
GF/GP	(941,500)

LEGISLATIVE AUDITOR GENERAL

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2000-01 YEAR-TO-DATE	FY 2001-02 GOV'S REC.	CHANGES FROM FY 2000-01 YEAR-TO-DATE	
			DOLLAR	PERCENT
FTE Positions	N/A	N/A	N/A	N/A
GROSS	15,059,700	15,607,400	547,700	3.6
Less:				
Interdepartmental Grants Received	1,609,600	1,609,600	0	0.0
ADJUSTED GROSS	13,450,100	13,997,800	547,700	4.1
Less:				
Federal Funds	0	0	0	0.0
Local and Private	0	0	0	0.0
TOTAL STATE SPENDING	13,450,100	13,997,800	547,700	4.1
Less:				
Other State Restricted Funds	266,600	266,600	0	0.0
GENERAL FUND/GENERAL PURPOSE	13,183,500	13,731,200	547,700	4.2
PAYMENTS TO LOCALS	0	0	0	0.0

**FY 2001-02
Change from
FY 2000-01
Year-to-Date**

A. LEASE ADJUSTMENT

Gross 88,200
GF/GP 88,200

The Governor's recommendation provides additional funding to reflect actual costs related to leased space in the Victor Center.

B. UNCLASSIFIED SALARIES

Gross 5,200
GF/GP 5,200

The Governor's recommendation includes a 2% increase for the Auditor General, from \$124,900 to \$127,400. The unclassified line item that funds 2.0 unclassified FTEs is also increased by 2.0%, from \$135,700 to \$138,400.

C. ECONOMIC ADJUSTMENTS

Gross 454,300
GF/GP 454,300

Standard economic adjustments are applied for salaries and wages, retirement, and insurance consistent with factors applied to all budgets. These adjustments include:

Item	Gross	GF/GP
Salaries	\$203,800	\$203,800
Insurance	112,800	112,800
Retirement (defined benefit)	31,500	31,500
Retirement (defined contribution)	106,200	106,200
Total	\$454,300	\$454,300

LEGISLATURE

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2000-01 YEAR-TO-DATE	FY 2001-02 GOV'S REC.	CHANGES FROM FY 2000-01 YEAR-TO-DATE	
			DOLLAR	PERCENT
FTE Positions	N/A	N/A	N/A	N/A
GROSS	106,420,700	113,456,900	7,036,200	6.6
Less:				
Interdepartmental Grants Received	0	0	0	0.0
ADJUSTED GROSS	106,420,700	113,456,900	7,036,200	6.6
Less:				
Federal Funds	0	0	0	0.0
Local and Private	400,000	400,000	0	0.0
TOTAL STATE SPENDING	106,020,700	113,056,900	7,036,200	6.6
Less:				
Other State Restricted Funds	1,041,800	1,041,800	0	0.0
GENERAL FUND/GENERAL PURPOSE	104,978,900	112,015,100	7,036,200	6.7
PAYMENTS TO LOCALS	0	0	0	0.0

**FY 2001-02
Change from
FY 2000-01
Year-to-Date**

A. STATE OFFICERS COMPENSATION COMMISSION (SOCC) DETERMINATIONS

Gross 3,927,900
GF/GP 3,927,900

The Governor's recommendation includes funding for costs related to 2000 SOCC determinations for salaries and expense allowances of Legislators.

B. HOUSE OFFICE BUILDING

Gross 142,500
GF/GP 142,500

The Governor's recommendation includes additional funds for costs associated with the lease for the House Office Building. The FY 2000-01 appropriation is \$6,826,100.

C. ECONOMIC ADJUSTMENTS

Gross 2,965,800
GF/GP 2,965,800

Standard economic adjustments are applied for salaries and wages, retirement, and insurance consistent with factors applied to all budgets. These adjustments include:

Item	Gross	GF/GP
Salaries	\$989,900	\$989,900
Insurance	676,700	676,700
Retirement (defined benefit)	363,600	363,600
Retirement (defined contribution)	935,600	935,600
Total:	\$2,965,800	\$2,965,800

LIBRARY OF MICHIGAN

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 1999-2000 YEAR-TO-DATE	FY 2000-01 GOV'S REC.	CHANGES FROM FY 1999-2000 YEAR-TO-DATE	
			DOLLAR	PERCENT
FTE Positions	0.0	0.0	0.0	0.0
GROSS	39,916,700	39,995,600	78,900	0.2
Less:				
Interdepartmental Grants Received	0	0	0	0.0
ADJUSTED GROSS	39,916,700	39,995,600	78,900	0.2
Less:				
Federal Funds	4,557,400	4,557,400	0	0.0
Local and Private	75,000	75,000	0	0.0
TOTAL STATE SPENDING	35,284,300	35,363,200	78,900	0.2
Less:				
Other State Restricted Funds	86,900	86,900	0	0.0
GENERAL FUND/GENERAL PURPOSE	35,197,400	35,276,300	78,900	0.2
PAYMENTS TO LOCALS	21,783,200	21,696,100	(87,100)	(0.4)

**FY 2001-02
Change from
FY 2000-01
Year-to-Date**

A. RENAISSANCE ZONE REIMBURSEMENT

Gross (87,100)
GF/GP (87,100)

The Governor's recommendation reduces the appropriation for Renaissance Zone Reimbursement from \$501,000 to \$413,900 based on estimates to fund actual costs pursuant to the Michigan Renaissance Zone Act.

B. ECONOMIC ADJUSTMENTS

Gross 166,000
GF/GP 166,000

Standard economic adjustments are applied for salaries and wages, retirement, and insurance consistent with factors applied to all budgets. These adjustments include:

Item	Gross	GF/GP
Salaries	\$121,200	\$121,200
Insurance	71,600	71,600
Retirement (defined benefit)	(33,600)	(33,600)
Retirement (defined contribution)	6,800	6,800
Total	\$166,000	\$166,000

DEPARTMENT OF MANAGEMENT AND BUDGET

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2000-01 YEAR-TO-DATE	FY 2001-02 GOV'S REC.	CHANGES FROM FY 2000-01 YEAR-TO-DATE	
			DOLLAR	PERCENT
FTE Positions	961.5	919.5	(42.0)	(4.4)
GROSS	163,529,800	175,936,600	12,406,800	7.6
Less:				
Interdepartmental Grants Received	72,113,300	85,513,600	13,400,300	18.6
ADJUSTED GROSS	91,416,500	90,423,000	(993,500)	(1.1)
Less:				
Federal Funds	550,500	380,300	(170,200)	(30.9)
Local and Private	0	0	0	0.0
TOTAL STATE SPENDING	90,866,000	90,042,700	(823,300)	(0.9)
Less:				
Other State Restricted Funds	43,905,200	42,923,200	(982,000)	(2.2)
GENERAL FUND/GENERAL PURPOSE	46,960,800	47,119,500	158,700	0.3
PAYMENTS TO LOCALS	0	0	0	0.0

**FY 2001-02
Change from
FY 2000-01
Year-to-Date**

A. STATE SPACE PLAN ADJUSTMENT

The recommended budget increases the funding for the State Space Plan that was implemented in FY 2000-01. In this plan, the Department of Management and Budget becomes responsible for the management of all State properties and leases. The next year continues a transition for many departments as they move to new locations and shift between private leases and State office space. Additionally, due to high renovation costs, two State-owned buildings in Detroit are being phased out and prepared for sale, resulting in a decrease of 24.0 FTEs.

FTE	(24.0)
Gross	11,370,200
IDG	11,370,200
GF/GP	0

B. OFFICE OF DESIGN AND CONSTRUCTION

The Governor's recommendation includes \$750,600 and an additional 8.0 FTEs for the Office of Design and Construction. Due to an influx of capital outlay dollars and many new State projects, oversight and management responsibilities have exceeded the capacity of current staff. The budget includes 6.0 FTEs for this staff and the funding is made available from user fees assessed on the construction projects. The remaining 2.0 FTEs are for the soil erosion and sedimentation control staff. The Natural Resources and Environmental Protection Act of 1994 made additional demands on this staff; they have been unable to meet their responsibilities with current personnel and request additional positions to ensure compliance with the law.

FTE	8.0
Gross	750,600
IDG	750,600
GF/GP	0

C. OFFICE OF RETIREMENT SERVICES

The budget decreases the appropriation for administration of the Deferred Compensation pension plan due to administrative efficiencies since the program was transferred to the Office of Retirement Services from the Department of Treasury in FY 2000-01.

Gross	(1,500,000)
Restricted	(1,500,000)
GF/GP	0

D. HEALTH INSURANCE RESERVE FUND PAYMENT

The Governor's recommendation includes a payment to the Health Insurance Reserve Fund of \$154,100. This is \$258,100 less than in FY 2000-01. The payment is based on the savings from FY 1999-2000. The savings, and thus the payment, is reduced because Defined Benefit pension rates are low due to favorable investment returns earned by State-sponsored retirement systems.

Gross	(258,100)
GF/GP	(258,100)

**FY 2001-02
Change from
FY 2000-01
Year-to-Date**

E. UNDESIGNATED BUDGETARY SAVINGS

Gross	(238,300)
GF/GP	(238,300)

The budget includes a recommendation to reduce departmentwide GF/GP appropriations by 0.5%. This negative appropriation will be implemented at a later date by specific reductions in the appropriation line items within the Department.

F. UNCLASSIFIED SALARIES

Gross	11,000
GF/GP	11,000

The budget increases the line item that funds 6.0 FTE unclassified positions by \$11,000 from \$548,600 to \$559,600. Economic increases for this line amount to a 2% increase over the FY 2000-01 appropriation.

G. ECONOMIC ADJUSTMENTS

Gross	2,338,300
IDG	1,077,700
Restricted	373,700
GF/GP	886,900

Standard economic adjustments are applied for salaries and wages, total retirement, insurance, workers' compensation, fuel and utilities, defined contribution, and building occupancy charges consistent with factors applied to all budgets. These adjustments include:

Item	Gross	GF/GP
Salaries and Wages	\$926,200	\$319,700
Insurance	536,700	187,845
Retirement	25,500	8,925
Building Occupancy Charges	177,400	299,800
Fuel and Utilities	271,500	0
Defined Contribution	201,800	70,630
Workers Compensation	199,200	0
Total	\$2,338,300	\$886,900

**FY 2001-02
Change from
FY 2000-01
Year-to-Date**

H. OTHER ISSUES

Other issues in the Governor's recommendation include the removal of one-time funding for electronic records management improvements provided in FY 2000-01, an adjustment to printing costs in the Office of Retirement Services, and adjustments made based on the Statewide Cost Allocation Plan (SWCAP). The SWCAP is a mechanism by which the State identifies and allocates cost incurred for a joint purpose that benefits more than one program or function. Additionally, efficiencies in the Office of Property Services have permitted a decrease in FTEs.

FTE	(26.0)
Gross	(66,900)
IDG	201,800
Federal	(170,200)
Restricted	144,300
GF/GP	(242,800)

DEPARTMENT OF MILITARY AFFAIRS

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2000-01 YEAR-TO-DATE	FY 2001-02 GOV'S REC.	CHANGES FROM FY 2000-01 YEAR-TO-DATE	
			DOLLAR	PERCENT
FTE Positions	1,081.0	1,086.0	5.0	0.5
GROSS	101,172,700	102,708,700	1,536,000	1.5
Less:				
Interdepartmental Grants Received	0	0	0	0.0
ADJUSTED GROSS	101,172,700	102,708,700	1,536,000	1.5
Less:				
Federal Funds	35,952,600	36,188,100	235,500	0.7
Local and Private	375,000	480,000	105,000	28.0
TOTAL STATE SPENDING	64,845,100	66,040,600	1,195,500	1.8
Less:				
Other State Restricted Funds	22,988,200	23,255,800	267,600	1.2
GENERAL FUND/GENERAL PURPOSE	41,856,900	42,784,800	927,900	2.2
PAYMENTS TO LOCALS	120,000	120,000	0	0.0

**FY 2001-02
Change from
FY 2000-01
Year-to-Date**

A.	CHALLENGE PROGRAM	FTE	5.0
	The Governor recommends increased funding for the Department's Challenge program, a mostly Federally funded program for at-risk youth. Additional funding would provide for four full-time and two part-time caseworkers to monitor and ensure progress of graduates of the program.	Gross	306,600
		Federal	95,900
		GF/GP	210,700
B.	CIVIL AIR PATROL GRANT	Gross	(20,000)
	The Governor recommends the elimination of a one-time grant to the Michigan Civil Air Patrol.	GF/GP	(20,000)
C.	RETIREMENT/SURVIVOR BENEFIT ADJUSTMENTS	Gross	93,000
	The Governor recommends an increase in retirement payments (\$44,600) and survivor benefits (\$48,400) to reflect actual costs.	GF/GP	93,000
D.	NATIONAL GUARD TUITION ASSISTANCE PROGRAM	Gross	(200,000)
	The Governor recommends a reduction in the appropriation for the Guard tuition program to reflect actual costs.	GF/GP	(200,000)
E.	UNDESIGNATED BUDGETARY SAVINGS	Gross	(215,000)
	The budget includes a recommendation to reduce departmentwide GF/GP appropriations by 0.5%. This negative appropriation will be implemented at a later date by specific reductions in the appropriation line items within the Department.	GF/GP	(215,000)
F.	UNCLASSIFIED SALARIES	Gross	30,500
	The Governor recommends a 5% increase to unclassified salaries in accordance with Federal guidelines for State military pay.	GF/GP	30, 500
G.	ECONOMIC ADJUSTMENTS	Gross	1,961,900
	Standard economic adjustments are applied consistent with factors applied to all budgets. These adjustments include:	Federal	480,100
		Restricted	453,100
		GF/GP	1,028,700

**FY 2001-02
Change from
FY 2000-01
Year-to-Date**

Item	Gross	GF/GP
Salaries and Wages	\$805,500	\$422,300
Insurance	549,900	288,400
Retirement DC	293,200	153,700
Retirement DB	(3,100)	(1,600)
National Guard	400	200
Workers' Compensation	102,000	53,500
Food	72,800	38,200
Fuel/Utilities	141,200	74,000
Total	<u>\$1,961,900</u>	<u>\$1,028,700</u>

H. OTHER ISSUES

The Governor recommends other adjustments, including an increase in Private Rent for Veterans Trust Fund (\$23,200), adjustments in the Jacobetti Veterans Home, reducing Medicare (\$125,500), and income and assessment funding (\$208,200) to reflect actual funds

Gross	(421,000)
Federal	(340,500)
Local/Private	105,000
Restricted	(185,500)
GF/GP	0

DEPARTMENT OF NATURAL RESOURCES

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2000-01 YEAR-TO-DATE	FY 2001-02 GOV'S REC.	CHANGES FROM FY 2000-01 YEAR-TO-DATE	
			DOLLAR	PERCENT
FTE Positions	2,239.5	2,221.5	(18.0)	(0.8)
GROSS	257,040,100	254,849,200	(2,190,900)	(0.9)
Less:				
Interdepartmental Grants Received	3,679,400	3,416,900	(262,500)	(7.1)
ADJUSTED GROSS	253,360,700	251,432,300	(1,928,400)	(0.8)
Less:				
Federal Funds	24,649,100	27,072,900	2,423,800	9.8
Local and Private	1,728,900	1,748,800	19,900	1.2
TOTAL STATE SPENDING	226,982,700	222,610,600	(4,372,100)	(1.9)
Less:				
Other State Restricted Funds	171,024,100	166,390,200	(4,633,900)	(2.7)
GENERAL FUND/GENERAL PURPOSE	55,958,600	56,220,400	261,800	0.5
PAYMENTS TO LOCALS	24,668,700	22,737,900	(1,930,800)	(7.8)

**FY 2001-02
Change from
FY 2000-01
Year-to-Date**

A. GAME AND FISH PROTECTION FUND

Appropriations from the Game and Fish Protection Fund are beginning to exceed the available revenue from the Fund. The following adjustments are proposed by the Governor to bring Fund appropriations and revenues into line.

1. Customer Service Initiative

Project funding initiated in FY 1998-99 to improve customer service through the provision of an 800-number and the creation of a Department-wide database is eliminated.

Gross	(1,000,000)
Restricted	(1,000,000)
GF/GP	

2. Wildlife Biologists

Funding to support eight wildlife biologists positions in the Wildlife Management Division was provided by the Legislature in the FY 2000-01 budget. The Governor eliminates the positions and funding.

FTEs	(8.0)
Gross	(600,000)
Restricted	(600,000)
GF/GP	0

3. Fund Shift

A shift in programming to projects supportable with the turkey and deer habitat subfunds of the Fund would result in an offset to the Fund of \$700,000.

Gross	0
Restricted	0
GF/GP	0

4. In-Car Computers

Fund dollars were appropriated in FY 1999-2000 for the installation of in-car computers in the vehicles of conservation officers. These dollars were never spent, and an FY 1999-2000 supplemental from the General Fund has been substituted for the same purpose. The Governor's budget removes the Fund appropriation from the budget base.

Gross	(1,500,000)
Restricted	(1,500,000)
GF/GP	0

5. Conservation Officer Reduction

Further Fund savings are achieved by eliminating 10 conservation officer positions.

FTEs	(10.0)
Gross	(1,000,000)
Restricted	(1,000,000)
GF/GP	0

**FY 2001-02
Change from
FY 2000-01
Year-to-Date**

B. LAND AND WATER CONSERVATION FUND GRANTS

The Governor's budget includes Federal grant funds for land acquisition and outdoor recreation area development projects similar to those supported by the Michigan Natural Resources Trust Fund. Half of the Federal funding would be used for State projects, with the remainder dedicated to local projects.

Gross	2,633,000
Federal	2,633,000
GF/GP	0

C. GREAT LAKES FISHERIES TREATY CONSENT DECREE

The State and several Native American Tribes have agreed to abide by the provisions of a consent decree governing the allocation, management, and regulation of State and Tribal fisheries in the 1836 Treaty waters of the Great Lakes. The budget includes \$500,000 GF/GP for enforcement of the provisions of the consent decree, as well as \$100,000 from the Game and Fish Protection Fund for a survey of the recreational fishing harvest in Treaty waters.

Gross	600,000
Restricted	100,000
GF/GP	500,000

D. CONSERVATION RESERVE ENHANCEMENT PROGRAM

The Governor's proposed budget includes appropriations from the Game and Fish Protection Fund - Turkey Permit Fees to match Federal Conservation Reserve Enhancement Program (CREP) dollars. The Federal Program is aimed at reducing and preventing agriculture pollution run-off and soil erosion into the surface waters of the State.

Gross	400,000
Restricted	400,000
GF/GP	0

E. SEASONAL WORKER PAY

The proposed budget includes increased appropriations from the Michigan State Parks Endowment Fund and from the Michigan State Waterways Fund to support a wage increase for seasonal parks and recreation workers.

Gross	862,500
Restricted	862,500
GF/GP	0

F. OFF-ROAD VEHICLE TRAIL VOUCHER SYSTEM

Off-Road Vehicle Trail Improvement Fund dollars are included in the Governor's recommendation to implement a voucher system at Silver Lake State Park. The vouchers are aimed at reducing road traffic congestion caused by ORV operators waiting to use the Park's trails.

Gross	142,900
Restricted	142,900
GF/GP	0

**FY 2001-02
Change from
FY 2000-01
Year-to-Date**

G. FEE INCREASES - SNOWMOBILE TRAIL PERMIT FEES

A \$10 increase in the current \$10 snowmobile trail permit fee is proposed. The proposed fee increase is not reflected in the level of Snowmobile Program appropriations included in the Governor's budget. The increased revenue would be available, however, to support future supplemental appropriations.

Gross	NA
Restricted	NA
GF/GP	NA

H. UNDESIGNATED BUDGETARY SAVINGS

The budget includes a recommendation to reduce departmentwide GF/GP appropriations by 0.5%. This negative appropriation will be implemented at a later date by specific reductions in the appropriation line items within the Department.

Gross	(282,500)
GF/GP	(282,500)

I. UNCLASSIFIED SALARIES

The Governor's budget includes a 2.0% increase for unclassified salaries, bringing total unclassified salary funding to \$470,000.

Gross	9,200
IDG	100
Restricted	7,900
GF/GP	1,200

J. ECONOMIC ADJUSTMENTS

Standard economic adjustments are applied for salaries and wages, retirement, insurance, rent, contractual services, supplies, and materials (CSS&M), workers' compensation, and building occupancy charges consistent with factors applied to all budgets. These adjustments include:

Gross	4,038,200
IDG & IDT	58,300
Federal	353,600
Private	19,900
Restricted	3,046,200
GF/GP	560,200

FY 2001-02
Change from
FY 2000-01
Year-to-Date

Item	Gross	GF/GP
Salaries and wages	\$1,922,800	\$297,600
Insurance	1,182,300	189,200
Retirement	808,000	20,300
CSS&M	(8,500)	(3,000)
Workers' compensation	179,500	38,600
Building occupancy charges	62,300	38,900
Rent - privately owned property	(108,200)	(21,400)
Total	\$4,038,200	\$560,200

K. OTHER ISSUES

Other changes proposed by the Governor include adjustments to reflect the availability of various Federal and State restricted sources of financing, statutorily based inflationary adjustments in the State parks and stream habitat programs, a technical adjustment eliminating an intradepartmental transfer for the internal audit function, the elimination of a one-time 1988 Recreation Bond Fund supplemental appropriation, and the elimination of legislatively initiated funding for a swimmer's itch study and the Adopt-a-Forest Program.

Gross	(6,494,200)
IDG & IDT	(320,900)
Federal	(562,800)
Restricted	(5,093,400)
GF/GP	(517,100)

SCHOOL AID

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2000-01 YEAR-TO-DATE	FY 2001-02 GOV'S REC.*	CHANGES FROM FY 2000-01 YEAR-TO-DATE	
			DOLLAR	PERCENT
FTE Positions	0.0	0.0	0.0	0.0
GROSS	10,932,335,000	11,521,053,300	588,718,300	5.4
Less:				
Interdepartmental Grants Received	0	0	0	0.0
ADJUSTED GROSS	10,932,335,000	11,521,053,300	588,718,300	5.4
Less:				
Federal Funds	145,000,000	145,000,000	0	0.0
Local and Private	0	0	0	0.0
TOTAL STATE SPENDING	10,787,335,000	11,376,053,300	588,718,300	5.5
Less:				
Other State Restricted Funds	10,401,721,500	11,170,439,800	768,718,300	7.4
GENERAL FUND/GENERAL PURPOSE	385,613,500	205,613,500	(180,000,000)	(46.7)
PAYMENTS TO LOCALS	10,520,110,000	11,096,611,500	576,501,500	5.5

* The FY 2001-02 recommendations listed for School Aid reflect enacted appropriations from P.A. 297 of 2000.

The School Aid budget for FY 2001-02 was enacted in Public Act 297 of 2000 and includes supplemental items for both FY 1999-2000 and FY 2000-01. It also includes first-time appropriations for FY 2001-02 and FY 2002-03. The appropriations for FY 2001-02 are described below. The Governor did not submit any recommended changes to already enacted appropriations in the FY 2001-02 Executive Recommendation. The following is a listing of major highlights of budget items already enacted for FY 2001-02.

A. NEW FUNDING METHOD

N/A

This fiscal year begins the second year of the new funding method. The Governor recommended and the House and Senate concurred with the introduction of the first year of a change to the new funding method for foundation allowance and special education payments in order to comply with the *Durant I* and *Durant II* court settlements to ensure that districts receive their guaranteed FY 1994-95 foundation allowance and their court-required special education payments. These payments will be calculated as they are currently; however, they will be payed out in three separate payments. First, the amount due a district will be calculated under the current method. Then, the first payment to a district will be an amount equal to its 1994-95 foundation allowance times all pupils (general education and special education pupils). The second payment will be the special education payment that will be equal to the requirements under the *Durant I* and *II* settlements (70% of special education transportation costs and 28% of special education costs). The third payment will be a payment to ensure that each district will receive the full amount of what it would have received under the current calculation that is not accounted for in the first or second payment. Because of the change in the payment methods, the result is a decrease in the appropriations for both the foundation allowance section and the special education section. These are described below.

B. FOUNDATION ALLOWANCE

N/A

Public Act 297 of 2000 brings all districts to a minimum foundation allowance of \$6,500 in FY 2001-02. The basic foundation allowance is increased by 5.0% or \$300 to \$6,300 per pupil. In addition, any school district with a foundation allowance below \$6,500 per pupil will receive an equity payment of up to \$200 per pupil to ensure that all districts have a minimum foundation allowance of \$6,500. As in FY 2000-01, this amount is used only for calculation purposes to determine the amount a district will receive via the new funding mechanism.

**FY 2001-02
Change from
FY 2000-01
Year-to-Date**

C. PROPOSAL A OBLIGATION PAYMENT

Gross (106,000,000)
Restricted (106,000,000)

This line item was created to fund the first part of the new funding method to ensure that districts receive their FY 1994-95 foundation allowance. Payments will be based on a district's FY 1994-95 foundation allowance times the district's current-year general education and special education pupils.

D. SPECIAL EDUCATION

Gross 59,740,000
Restricted 59,740,000

The appropriation is increased to comply with the new payment method. The revised special education appropriation will be used to make the payment for the second part of the new funding mechanism, the required *Durant* payment.

E. DISCRETIONARY PAYMENT

Gross 509,000,000
Restricted 509,000,000

This line item was created to fund the third payment of the new funding method. The payment will be made to districts to ensure that they receive the full amount of funding calculated under the original funding method.

F. AT-RISK

Gross 15,200,000
Restricted 15,200,000

At-Risk funding is increased to prevent a proration of this section and to correspond to the \$300 per pupil increase in the FY 2001-02 basic foundation allowance as required by law. Total funding for At-Risk payments is increased to \$319,200,000, a 5.0% increase over FY 2000-01.

G. SCHOOL READINESS

Gross 5,000,000
GF/GP 5,000,000

The supplemental increases funding by \$5,000,000. The additional funding is provided to expand the current program to provide more full-day early childhood centers.

**FY 2001-02
Change from
FY 2000-01
Year-to-Date**

H. ADULT EDUCATION

Gross	0
GF/GP	0

The Governor proposed and the House and Senate concurred in the creation of a new program to be administered by the Department of Career Development. There is no change in the appropriation for this program for FY 2001-02 as it remains at \$20,000,000. The new program is designed as a simplified approach for adult students to receive the services they need. Students may go to any Michigan Works! Service center or an affiliated service provider to receive counseling, skill level assessment, and referral to an adult learning provider.

I. GOLDEN APPLE

Gross	0
Restricted	0

The Golden Apple program is maintained at the same funding level as in FY 2000-01. The Governor originally recommended and the House and Senate concurred in an appropriation of \$8,000,000 for a new program, the Golden Apple MEAP Incentive Program, to award grants of \$1,000 to all employees of school buildings that show the most improvement in their MEAP scores. A building itself will receive a \$10,000 grant. The teachers must pool their \$1,000 allocations to be used for school improvements. The improvements are to be decided upon collectively. There are an estimated 169 buildings that will be eligible for the grants. Forty of the grants will be awarded to the 10 highest achieving buildings in each athletic class. Highest achieving is defined as those buildings with an 80% or more participation rate in the MEAP tests and with the highest combined scores in Math, Science, Reading, and Writing on the 1999 test. The remaining 129 grants will be awarded to those buildings that show the most improvement (defined as a 60-point or higher improvement in Math, Science, Reading, and Writing) over the most recent two years (1998-99 and 1999-2000) and have a participation rate of at least 80%.

J. ELEMENTARY SUMMER SCHOOL PROGRAM

Gross	0
Restricted	0

The Governor proposed and the House and Senate concurred with a new program designed to provide a summer school opportunity for 2nd, 3rd, and 4th graders who are below grade level in reading or math. Funding is maintained at the FY 2000-01 level of \$38,000,000.

**FY 2001-02
Change from
FY 2000-01
Year-to-Date**

K. MICHIGAN VIRTUAL HIGH SCHOOL

Gross (13,500,000)
GF/GP (13,500,000)

The Governor proposed and the House and Senate concurred with funding to create a program that provides an opportunity to high school students on a State-wide basis to participate in advanced courses that otherwise might not be available to them through their local district. The courses will be provided via the Internet through the Michigan Virtual High School located at Michigan State University. Since the program was implemented in FY 2000-01, only maintenance funds are necessary; thus, the appropriation for FY 2001-02 is reduced to \$1,500,000.

L. DATABASE FOR EDUCATION AND PERFORMANCE INFORMATION (DEPI)

Gross 172,000
Restricted 172,000

The FY 2001-02 supplemental includes an appropriation of \$2,332,000 for the DEPI. The appropriated amount funds the maintenance of the previously created database. Through the DEPI, currently available school district data and reports will be collected and centrally organized to create a single, comprehensive database containing all school-related data. This information will be available online. The program will be conducted in partnership with Standard and Poor's. The program is expected to be fully operational and online by spring of 2001.

M. INFRASTRUCTURE GRANTS

Gross 0
Restricted 0

The FY 2001-02 supplemental maintains a \$34,000,000 appropriation for the awarding of infrastructure project grants to eligible districts (those whose taxable values are in the lowest 10%), with grant amounts equal to the lesser of 12.5% of the district's bond issue or \$5,000,000. However, this appropriation cannot be spent until the tie-bar in P.A. 290 of 2000 is amended, necessary because the tie-bar refers to funding another infrastructure program, which was vetoed.

**FY 2001-02
Change from
FY 2000-01
Year-to-Date**

N. ALL STUDENTS ACHIEVE PROGRAM (ASAP)

Gross	0
Restricted	0

Though the appropriation remains the same for FY 2001-02, the supplemental includes \$45,000,000 for an early childhood program (ages 0-5) to teach parents and children to be more prepared for the children to enter school, and \$10,000,000 for counseling services and tuition grants. These programs, along with an additional \$10,000,000 for small class size, school readiness, reading programs, and elementary summer school programs, comprise the new ASAP. The reading program initiative also contains expanded funding (\$45,000,000) and grants to regional literacy centers (\$5,000,000) to promote use of the Michigan Literacy Progress Profile.

O. OTHER ISSUES

Gross	119,106,300
Restricted	299,106,300
GF/GP	(180,000,000)

Public Act 297 of 2000 contains other miscellaneous increases and decreases in appropriations for school lunch programs, intermediate school district operations, taxable value changes, accreditation assistance, and Math and Science Centers.

DEPARTMENT OF STATE

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2000-01 YEAR-TO-DATE	FY 2001-02 GOV'S REC.	CHANGES FROM FY 2000-01 YEAR-TO-DATE	
			DOLLAR	PERCENT
FTE Positions	2,048.0	2,054.0	6.0	0.3
GROSS	186,385,200	191,680,700	5,295,500	2.8
Less:				
Interdepartmental Grants Received	54,904,200	55,814,100	909,900	1.7
ADJUSTED GROSS	131,481,000	135,866,600	4,385,600	3.3
Less:				
Federal Funds	2,704,700	3,158,000	453,300	16.8
Local and Private	501,600	502,500	900	0.2
TOTAL STATE SPENDING	128,274,700	132,206,100	3,931,400	3.1
Less:				
Other State Restricted Funds	63,144,500	64,301,900	1,157,400	1.8
GENERAL FUND/GENERAL PURPOSE	65,130,200	67,904,200	2,774,000	4.3
PAYMENTS TO LOCALS	69,800	69,800	0	0.0

**FY 2001-02
Change from
FY 2000-01
Year-to-Date**

A. QUALIFIED VOTER FILE

Gross	339,900
GF/GP	339,900

The Governor's recommendation increases the appropriation for continued support and maintenance of the Qualified Voter File (QVF). This finding would be used for software and hardware enhancements, as well as for yearly licensing and consulting fees.

B. THUNDER BAY NATIONAL MARINE SANCTUARY

Gross	200,000
GF/GP	200,000

The Governor's recommendation begins the first year of a five-year commitment by the State to create a sanctuary for the preservation of the shipwrecks at the bottom of Thunder Bay. This project is a partnership between the State and the National Oceanic and Atmospheric Administration. Federal funds also will be contributed to this project.

C. HISTORIC STATE PRESERVATION AUTHORIZATION INCREASE

FTE	6.0
Gross	400,400
Federal	400,400
GF/GP	0

The budget increases this appropriation to reflect an increase in available Federal funds. The funding will be used in the form of grants to local units of government for historic preservation projects and also to fulfill obligations under the National Historic Preservation Act. An additional 6.0 FTEs also would be funded with this appropriation.

D. UNDESIGNATED BUDGETARY SAVINGS

Gross	(340,200)
GF/GP	(340,200)

The budget includes a recommendation to reduce departmentwide GF/GP appropriations by 0.5%. This negative appropriation will be implemented at a later date by specific reductions in the appropriation line items within the Department.

E. UNCLASSIFIED SALARIES

Gross	9,200
GF/GP	9,200

The budget increases the line item that funds 5.0 FTE unclassified positions by \$9,200, from \$457,800 to \$467,000. Economic increases for this line amount to a 2% increase over the FY 2000-01 appropriation.

**FY 2001-02
Change from
FY 2000-01
Year-to-Date**

F. ECONOMIC ADJUSTMENTS

Standard economic adjustments are applied for salaries and wages, total retirement, insurance, workers' compensation, and building occupancy charges consistent with factors applied to all budgets. These adjustments include:

Gross	4,686,200
IDG	909,900
Federal	52,900
Private	900
Restricted	1,157,400
GF/GP	2,565,100

Item	Gross	GF/GP
Salaries and Wages	\$1,654,000	\$604,300
Insurance	1,167,000	429,200
Retirement	553,400	202,800
Workers' Compensation	(96,000)	(33,400)
Building Occupancy Charges/Rent	1,407,800	1,362,200
Total	\$4,686,200	\$2,565,100

G. OTHER ISSUES

The Department of State is shifting some functions between line items in the budget. There is no effect on the total appropriation or FTEs from these organizational changes.

DEPARTMENT OF STATE POLICE

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2000-01 YEAR-TO-DATE	FY 2001-02 GOV'S REC.	CHANGES FROM FY 2000-01 YEAR-TO-DATE	
			DOLLAR	PERCENT
FTE Positions	3,618.5	3,637.5	19.0	0.5
GROSS	405,926,100	415,210,800	9,284,700	2.3
Less:				
Interdepartmental Grants Received	23,306,500	18,552,900	(4,753,600)	(20.4)
ADJUSTED GROSS	382,619,600	396,657,900	14,038,300	3.7
Less:				
Federal Funds	34,329,300	38,251,000	3,921,700	11.4
Local and Private	3,495,300	3,913,700	418,400	12.0
TOTAL STATE SPENDING	344,795,000	354,493,200	9,698,200	2.8
Less:				
Other State Restricted Funds	43,231,600	46,571,000	3,339,400	7.7
GENERAL FUND/GENERAL PURPOSE	301,563,400	307,922,200	6,358,800	2.1
PAYMENTS TO LOCALS	20,120,300	20,081,300	(39,000)	(0.2)

**FY 2001-02
Change from
FY 2000-01
Year-to-Date**

A. TROOPER SCHOOLS - AT POST TROOPERS

The Governor recommends including an increase in the Highway Safety Fund (obtained from \$5 fines on all moving violations) due to carryforward revenue. The Fund will assist the Department to maintain its goal of having 1,349 at-post troopers employed in the State. The Governor plans to maintain current trooper strength by conducting more frequent (four rather than two) and smaller trooper recruit schools for the purpose of promoting a higher level of accountability, better mentorship, and improved learning due to more individualized instruction.

FTE	7.0
Gross	1,961,300
Restricted	1,961,300
GF/GP	0

B. DNA ANALYSIS PROGRAM

The Governor recommends increases to the Department's DNA analysis unit of five scientists and two technicians to enable the unit to begin testing samples when there are no known suspects. To date, most testing has been performed to determine if a suspect's DNA matches that found at a crime scene. Under the Governor's proposal, samples from a crime will be used to attempt to match against existing databases in order to establish possible criminal suspects.

FTE	7.0
Gross	541,000
GF/GP	541,000

C. BOMB SQUAD

The Governor recommends additional funding for the State Police Bomb Squad Operations to allow for the purchase of new protective suites, robots, X-ray, and other bomb squad equipment.

Gross	531,000
Restricted	47,700
GF/GP	483,300

D. REDUCTIONS FOR ONE-TIME EXPENDITURES

The Governor recommends a reduction to account for the completion of one-time appropriations for a logging truck study (\$50,000), K-12 firearm education (\$350,000), and school violence hotline (\$50,000).

Gross	(450,000)
GF/GP	(450,000)

E. CONCEALED WEAPONS PERMITTING

The Governor recommends additional funds for the purpose of implementing of amendments to the State's concealed weapons laws (Public Act 381 of 2000) to be obtained from application fees. An additional \$1,000,000 for implementation is currently in appropriations for FY 2000-01, and is recommended to be continued for FY 2001-02

Gross	140,000
Restricted	140,000
GF/GP	0

**FY 2001-02
Change from
FY 2000-01
Year-to-Date**

F. LABORATORY OPERATIONS

The Governor recommends increasing the spending authority of the Laboratory Operations Units due to an increase in collections of assessments on convicted persons for laboratory costs. The State Forensic Laboratory Fund total recommended by the Governor for FY 2001-02 is \$900,000.

Gross	445,000
Restricted	445,000
GF/GP	0

G. FEDERAL REVENUE INCREASES

The Governor recommends additional available Federal funds for hazardous materials training for the Firefighters Training Council (\$100,000) and funds for local first response teams through the Office of Emergency Management.

Gross	2,100,000
Federal	2,100,000
GF/GP	0

H. MOTOR CARRIER ENFORCEMENT

The Governor recommends increases in the Motor Carrier Safety Assistance Program (\$1,391,000) and funds for eight new motor carrier enforcement vehicles and radios (\$119,300).

Gross	1,510,300
IDG	95,000
Federal	1,015,200
Restricted	400,100
GF/GP	0

I. CASINO GAMING OVERSIGHT

The Governor recommends the transfer of the Department's role of providing background checks for casino-related employees to the Department of Treasury. The Department of State Police would retain its role of general casino law enforcement, with a proposed FY 2001-02 budget of 32.0 FTEs and \$3,545,900.

FTEs	(10.0)
Gross	(1,879,100)
IDG	(1,879,100)
GF/GP	0

J. UNDESIGNATED BUDGETARY SAVINGS

The budget includes a recommendation to reduce departmentwide GF/GP appropriations by 0.5%. This negative appropriation will be implemented at a later date by specific reductions in the appropriation line items within the Department.

Gross	(1,547,300)
GF/GP	(1,547,300)

K. UNCLASSIFIED SALARIES

The Governor recommends including a 2% increase to unclassified salaries. The Governor also recommends the conversion of two positions that are presently unclassified (Director, Firefighters Training Council and Director, Behavioral Science Unit) to classified status.

Gross	5,200
GF/GP	5,200

**FY 2001-02
Change from
FY 2000-01
Year-to-Date**

L. ECONOMIC ADJUSTMENTS

Standard economic adjustments are applied for salaries and wages, total retirement, insurance, rent, motor transport, workers' compensation, and building occupancy charges consistent with factors applied to all budgets. These adjustments include:

Gross	8,513,600
IDG/IDT	391,600
Federal	606,500
Local/Private	18,400
Restricted	347,700
GF/GP	7,149,400

Item	Gross	GF/GP
Salaries and Wages	\$3,570,600	\$2,998,500
Insurance	2,136,400	1,794,000
Retirement Defined Contribution	7,000	5,900
Retirement Defined Benefit	52,500	44,100
Enlisted Pension	3,697,500	3,105,000
Workers' Compensation	14,000	11,800
Food	7,600	6,400
Building Occupancy Charges	(1,188,495)	(998,100)
Rent	145,495	122,200
Fuel/Utilities	71,000	59,600
Total	\$8,513,600	\$7,149,400

M. OTHER ISSUES

The Governor recommends other adjustments including adjustments for a private lease, helicopter payments, a reduction of unspent interdepartmental grant funds, State Trunkline Fund for Motor Carrier Enforcement enhancements never carried out by the administration, and other technical adjustments to reflect actual funds and FTEs.

FTE	15.0
Gross	(2,586,300)
IDG/IDT	(3,361,100)
Federal	200,000
Local/Private	400,000
Restricted	(2,400)
GF/GP	177,200

STRATEGIC FUND AGENCY

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2000-01 YEAR-TO-DATE	FY 2001-02 GOV'S REC.	CHANGES FROM FY 2000-01 YEAR-TO-DATE	
			DOLLAR	PERCENT
FTE Positions	235.0	235.0	0.0	0.0
GROSS	169,082,800	180,206,000	11,123,200	6.6
Less:				
Interdepartmental Grants Received	100,000	100,000	0	0.0
ADJUSTED GROSS	168,982,800	180,106,000	11,123,200	6.6
Less:				
Federal Funds	52,673,200	62,934,400	10,261,200	19.5
Local and Private	656,700	850,000	193,300	29.4
TOTAL STATE SPENDING	115,652,900	116,321,600	668,700	0.6
Less:				
Other State Restricted Funds	50,050,000	50,050,000	0	0.0
GENERAL FUND/GENERAL PURPOSE	65,602,900	66,271,600	668,700	1.0
PAYMENTS TO LOCALS	0	0	0	0.0

**FY 2001-02
Change from
FY 2000-01
Year-to-Date**

A. COMMUNITY DEVELOPMENT BLOCK GRANTS

The Governor recommends a 20% increase from \$50,000,000 to \$60,000,000 in Federal and GF/GP funding for this program. Funding is provided to local communities with a population under 50,000 for public infrastructure projects.

Gross	10,400,000
Federal	10,200,000
GF/GP	200,000

B. TRAVEL MICHIGAN

The Governor recommends a 6.2% increase from \$8,042,500 to \$8,542,500 for the Michigan Promotion Program. The additional funding is requested to maintain the current level of advertising in target areas of the Midwest including Chicago, Appleton/Green Bay, Cleveland, and Indianapolis. Advertising costs have increased in these areas over the last few years.

Gross	500,000
GF/GP	500,000

C. MICHIGAN CERTIFIED DEVELOPMENT CORPORATION FEES

The Governor is recommending an increase in spending authority to reflect more accurately the amount of fees collected under the Federal Small Business Administration 504 Loan Program. The Michigan Certified Development Corporation has been certified by this Federal agency to review all small business loan applications under this program and to recommend eligible recipients to the Michigan Strategic Fund. These fees are paid by small businesses as part of the loan application.

Gross	193,300
Private	193,300

D. UNDESIGNATED BUDGETARY SAVINGS

The budget includes a recommendation to reduce departmentwide GF/GP appropriations by 0.5%. This negative appropriation will be implemented at a later date by specific reductions in the appropriation line items within the Department.

Gross	(333,400)
GF/GP	(333,400)

E. ECONOMIC ADJUSTMENTS

Standard economic adjustments are applied for salaries and wages, total retirement, insurance, rent, workers' compensation, and building occupancy charges consistent with factors applied to all budgets. These adjustments include:

Item	Gross	GF/GP
Salaries and Wages	\$257,800	\$227,400
Insurance	147,800	120,200
Retirement	27,700	24,500
Other	(70,000)	(70,000)
Total	\$363,300	\$302,100

**FY 2001-02
Change from
FY 2000-01
Year-to-Date**

Gross 363,300
Federal 61,200
GF/GP 302,100

F. TOBACCO SETTLEMENT

The Governor recommends continued funding for the Health and Aging Research and Development Strategies. A steering committee receives \$50,000,000 in Tobacco Settlement Revenue to make competitive awards to Michigan universities and private companies for health and aging research.

Gross 0
Restricted 0

DEPARTMENT OF TRANSPORTATION

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2000-01 YEAR-TO-DATE	FY 2001-02 GOV'S REC.	CHANGES FROM FY 2000-01 YEAR-TO-DATE	
			DOLLAR	PERCENT
FTE Positions	3,176.3	3,176.3	0.0	0.0
GROSS	2,978,704,600	3,138,667,700	159,963,100	5.4
Less:				
Interdepartmental Grants Received	10,459,500	11,459,500	1,000,000	9.6
ADJUSTED GROSS	2,968,245,100	3,127,208,200	158,963,100	5.4
Less:				
Federal Funds	915,449,000	984,483,900	69,034,900	7.5
Local and Private	5,700,000	5,800,000	100,000	1.8
TOTAL STATE SPENDING	2,047,096,100	2,136,924,300	89,828,200	4.4
Less:				
Other State Restricted Funds	2,047,096,100	2,136,924,300	89,828,200	4.4
GENERAL FUND/GENERAL PURPOSE	0	0	0	0.0
PAYMENTS TO LOCALS	1,157,828,500	1,186,506,800	28,678,300	2.5

**FY 2001-02
Change from
FY 2000-01
Year-to-Date**

A. DISTRIBUTION OF STATE REVENUE TO ROAD AGENCIES

Gross 41,318,900
Restricted 41,318,900
GF/GP 0

The recommended budget includes the following increases in State funding to road authorities:

State Trunkline \$11,857,900
County Road Commissions \$19,058,200
Cities and Villages \$10,402,800

B. FEDERAL AID INCREASES FOR ROAD AUTHORITIES

Gross 58,984,900
Federal 58,834,900
Restricted 150,000
GF/GP 0

The budget recommendation includes the following increases in Federal funding (and required matching funds) to road authorities:

State Trunkline \$38,926,200
Local Road Authorities \$19,308,700
Statewide Planning and Research \$750,000

C. DEBT SERVICE: BUILD MICHIGAN II AND BUILD MICHIGAN III

Gross 45,000,000
Federal 10,000,000
Restricted 35,000,000
GF/GP 0

The Governor's budget reflects added debt service costs associated with short-term borrowing for Build Michigan II and long-term borrowing for Build Michigan III. The State Transportation Commission has authorized up to \$600,000,000 of short-term notes for the Build Michigan II Program and up to \$900,000,000 of long-term bonds for the Build Michigan III Program to meet the cash flow needs of these transportation infrastructure initiatives. The debt service costs of Build Michigan III will be satisfied by an annual \$35,000,000 transfer from the Budget Stabilization Fund to the State Trunkline Fund and \$7,000,000 from the Transportation Economic Development Fund. Appropriations from the Transportation Economic Development Fund to categories A, C, and D are reduced pursuant to statutory provisions.

D. BLUE WATER BRIDGE CAPITAL IMPROVEMENTS

Gross 5,000,000
Restricted 5,000,000
GF/GP 0

The recommended budget reflects an increase for capital maintenance and approach work to the Blue Water Bridge in Port Huron. The funding will be supported by toll revenue generated at the Bridge.

**FY 2001-02
Change from
FY 2000-01
Year-to-Date**

E. PUBLIC TRANSPORTATION PROGRAMS

The Governor's budget recommendation includes adjustments of \$3,147,100 for local bus operating subsidies, \$731,200 for public transportation development programs, \$628,300 for intercity passenger and freight programs, and removal of \$2,000,000 associated with one-time studies.

Gross	2,506,600
Federal	200,000
Local	100,000
Restricted	2,206,600
GF/GP	0

F. UNCLASSIFIED SALARIES

The recommended budget includes funding to provide a 2% increase to the appropriation that funds the Department's six unclassified positions.

Gross	10,200
Restricted	10,200
GF/GP	0

G. ECONOMIC ADJUSTMENTS

Standard economic adjustments are applied for salaries and wages, total retirement, insurance, workers' compensation, and building occupancy charges consistent with factors applied to all budgets. These adjustments include:

Gross	7,294,800
Restricted	7,294,800
GF/GP	0

Item	Gross	GF/GP
Salaries	\$3,285,200	\$0
Insurance	1,852,200	0
Retirement	2,230,600	0
Fuel and Utilities	194,900	0
Workers' Compensation	16,000	0
Building Occupancy Charges	(284,100)	0
Total	\$7,294,800	\$0

**FY 2001-02
Change from
FY 2000-01
Year-to-Date**

H. OTHER ISSUES

Other adjustments in the Governor's budget recommendation include \$102,700 for scheduled debt service costs, a net reduction of \$1,702,5000 for grants from transportation funds to other State departments and agencies (including a reduction of \$3,361,500 in the State Trunkline Fund grant to the Michigan State Police, Motor Carrier Division), restoration of funding vetoed by the Governor for removal of dead deer carcasses from State trunkline highways (\$500,000), \$1,000,000 for highway maintenance, and removal of funding for additional turn-outs on forest roads (\$40,000).

Gross	(152,300)
IDT	1,000,000
Restricted	(1,152,300)
GF/GP	0

DEPARTMENT OF TREASURY - OPERATIONS

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2000-01 YEAR-TO-DATE	FY 2001-02 GOV'S REC.	CHANGES FROM FY 2000-01 YEAR-TO-DATE	
			DOLLAR	PERCENT
FTE Positions	1,986.5	1,995.5	9.0	0.5
GROSS	355,312,400	353,454,300	(1,858,100)	(0.5)
Less:				
Interdepartmental Grants Received	9,178,400	9,237,000	58,600	0.6
ADJUSTED GROSS	346,134,000	344,217,300	(1,916,700)	(0.6)
Less:				
Federal Funds	33,800,000	33,490,000	(310,000)	(0.9)
Local and Private	1,145,900	950,100	(195,800)	(17.1)
TOTAL STATE SPENDING	311,188,100	309,777,200	(1,410,900)	(0.5)
Less:				
Other State Restricted Funds	241,737,900	245,674,100	3,936,200	1.6
GENERAL FUND/GENERAL PURPOSE	69,450,200	64,103,100	(5,347,100)	(7.7)
PAYMENTS TO LOCALS	92,271,300	92,388,600	117,300	0.1

**FY 2001-02
Change from
FY 2000-01
Year-to-Date**

A. TAX TECHNOLOGY INVESTMENT PLAN

This is the final appropriation for a multiyear project to upgrade the customer service and Internet access for taxpayers, and document management capabilities of the Department. The recommended \$9,000,000 will bring the total appropriation for this plan to \$24,000,000. It is expected to be fully operational by the end of 2002. Prior appropriations for this project have been from the General Fund. For FY 2001-02, the Governor has recommended the use of Delinquent Tax Collection Revenue.

Gross	3,000,000
Restricted	9,000,000
GF/GP	(6,000,000)

B. CONVENTION FACILITY GRANTS

The Governor's recommendation includes an increase for this line. The grants are distributed to local units of government for acquiring, constructing, improving, or leasing convention facilities. Fees collected from the accommodations tax and the 4% liquor excise tax are deposited into the fund.

Gross	4,000,000
Restricted	4,000,000
GF/GP	0

C. LIEN FILINGS

The Governor recommends increased funding for lien filing. The Department of Treasury files liens against people who owe the state money. With additional funds for staff, court filing fees, and contractual assistance, the Department expects to collect \$10 million in additional revenue.

Gross	1,000,000
Restricted	1,000,000
GF/GP	0

D. TAX REVERTED PROPERTY

The Governor recommends an appropriation to pay for the implementation of a new system for processing tax reverted property. Public Act 123 of 1999 shortened the processing time from six to three years. The new system will replace the current Delinquent Tax collection. The funding shift reflects the loss of delinquent tax revenue as the old system is phased out.

Gross	659,300
Restricted	(928,700)
GF/GP	1,588,000

E. TAX INCREMENT FINANCE AUTHORITY (TIFA) PAYMENTS

The Governor recommends a decrease in this line item from the current and past years. Historically, local units of government have not been filing claims for reimbursement at the anticipated levels.

Gross	(3,500,000)
GF/GP	(3,500,000)

**FY 2001-02
Change from
FY 2000-01
Year-to-Date**

F. CASINO GAMING BACKGROUND CHECKS

The Michigan Gaming Control Board (MGCB) is required by the Michigan Gaming Control and Revenue Act to perform background checks on casino-related employees. The Department of State Police is currently performing this function on behalf of the MGCB. The Governor's recommendation maintains the background check obligation of the MGCB within that agency and maintains funding for this activity in the appropriation for the MGCB. The Governor recommends 11.0 additional FTEs.

FTE	11.0
Gross	0
GF/GP	0

G. UNDESIGNATED BUDGETARY SAVINGS

The budget includes a recommendation to reduce departmentwide GF/GP appropriations by 0.5%. This negative appropriation will be implemented at a later date by specific reductions in the appropriation line items within the Department.

Gross	(408,700)
GF/GP	(408,700)

H. UNCLASSIFIED SALARIES

The budget increases the line item that funds 6.0 FTE unclassified positions by \$15,400 from \$770,400 to \$785,800. Economic increases for this line amount to a 2% increase over the FY 2000-01 appropriation.

Gross	15,400
GF/GP	15,400

I. ECONOMIC ADJUSTMENTS

Standard economic adjustments are applied for salaries and wages, retirement, insurance, workers' compensation, and building occupancy charges consistent with factors applied to all budgets. These adjustments include:

Gross	3,947,300
IDG	58,600
Local	4,200
Restricted	2,540,700
GF/GP	1,343,800

**FY 2001-02
Change from
FY 2000-01
Year-to-Date**

Item	Gross	GF/GP
Salaries and Wages	\$1,731,200	\$605,700
Insurance	840,000	344,400
Retirement	93,600	(87,300)
Defined Contribution	205,900	111,000
Building Occupancy Charges/Rent	1,067,200	370,000
Workers' Compensation	9,400	0
Total	\$3,947,300	\$1,343,800

J. TOBACCO SETTLEMENT

1. Michigan Merit Award Test and Database Development

The Governor's recommendation includes an additional \$1,500,000 for MEAP test development. New statutory guidelines for MEAP tests and the release of prior test questions means that greater resources are necessary for test development. The budget also includes \$1,000,000 for the development of a database to track the MEAP scores and Merit Awards of Michigan's students. These programs are funded by the Michigan Merit Award Trust Fund.

Gross 2,500,000
Restricted 2,500,000
GF/GP 0

2. Michigan Education Savings Plan

The Governor recommends decreasing the funding available for matching grants to beneficiaries by \$8,000,000, down to \$2,000,000 from \$10,000,000. This match is available to the account of children who are six years old or younger, who are Michigan residents, and whose families' income is less than \$80,000 annually. The funding source also shifts from the Tobacco Settlement Trust Fund to the Michigan Merit Award Trust Fund because the latter Fund will be receiving a greater percentage of the tobacco settlement money in FY 2001-02.

Gross (8,000,000)
Restricted (8,000,000)
GF/GP 0

**FY 2001-02
Change from
FY 2000-01
Year-to-Date**

K. OTHER ISSUES

Other recommendations by the Governor include increasing available funds for Senior Citizens Cooperative Housing Tax Exemption payments, eliminating one-time construction costs for Casino Gaming, and adjusting the Health and Safety grants and Federal funds to reflect actual revenue.

FTE	(2.0)
Gross	(5,071,400)
Federal	(310,000)
Local	(200,000)
Restricted	(6,175,800)
GF/GP	1,614,400

DEPARTMENT OF TREASURY - DEBT SERVICE

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2000-01 YEAR-TO-DATE	FY 2001-02 GOV'S REC.	CHANGES FROM FY 2000-01 YEAR-TO-DATE	
			DOLLAR	PERCENT
FTE Positions	N/A	N/A	N/A	N/A
GROSS	91,570,500	111,995,000	20,424,500	22.3
Less:				
Interdepartmental Grants Received	0	0	0	0.0
ADJUSTED GROSS	91,570,500	111,995,000	20,424,500	22.3
Less:				
Federal Funds	0	0	0	0.0
Local and Private	700,000	700,000	0	0.0
TOTAL STATE SPENDING	90,870,500	111,295,000	20,424,500	22.5
Less:				
Other State Restricted Funds	0	0	0	0.0
GENERAL FUND/GENERAL PURPOSE	90,870,500	111,295,000	20,424,500	22.5
PAYMENTS TO LOCALS	0	0	0	0.0

**FY 2001-02
Change from
FY 2000-01
Year-to-Date**

A. DEBT SERVICE

Gross	20,424,500
GF/GP	20,424,500

The Governor recommends an increase in this item to reflect anticipated debt service requirements for FY 2001-02. The largest increase is \$13,871,700 for School Bond loan obligations.

DEPARTMENT OF TREASURY - REVENUE SHARING

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2000-01 YEAR-TO-DATE	FY 2001-02 GOV'S REC.	CHANGES FROM FY 2000-01 YEAR-TO-DATE	
			DOLLAR	PERCENT
FTE Positions	N/A	N/A	N/A	N/A
GROSS	1,570,000,000	1,655,000,000	85,000,000	5.4
Less:				
Interdepartmental Grants Received	0	0	0	0.0
ADJUSTED GROSS	1,570,000,000	1,655,000,000	85,000,000	5.4
Less:				
Federal Funds	0	0	0	0.0
Local and Private	0	0	0	0.0
TOTAL STATE SPENDING	1,570,000,000	1,655,000,000	85,000,000	5.4
Less:				
Other State Restricted Funds	1,570,000,000	1,655,000,000	85,000,000	5.4
GENERAL FUND/GENERAL PURPOSE	0	0	0	0
PAYMENTS TO LOCALS	1,570,000,000	1,655,000,000	85,000,000	5.4

**FY 2001-02
Change from
FY 2000-01
Year-to-Date**

A. REVENUE SHARING PAYMENTS TO LOCAL GOVERNMENTS

Gross	85,000,000
Restricted	85,000,000
GF/GP	0

The Governor recommends that restricted State revenue sharing payments in FY 2001-02 total \$1,655,000,000, an estimated increase of \$85,000,000 (5.4%) from the current estimated payments for FY 2000-01. The recommendation would be a limit on total revenue sharing distributions; if actual sales tax revenue exceeds the consensus estimate and produces a higher revenue sharing total than the appropriated amount, the excess revenue would not be distributed. The language specifies that if additional constitutional revenue sharing payments are distributed as a result of higher sales tax revenues, then the statutory revenue sharing payments to cities, villages, and townships will be reduced by the increase in the constitutional payments.

Because FY 2000-01 represents the first year the 2000 Federal Census figures are used for calculating revenue sharing payments, no special censuses will be undertaken. Therefore, the Governor's proposal does not include any General Fund/General Purpose revenue for special census payments.

The budget recommends that if a county treasurer does not comply with Section 151 of the State School Aid Act (MCL 388.1751), then the statutory portion of revenue sharing payments to that county will not be made until the reporting requirements have been met. Section 151 requires each county treasurer to submit a statement of the taxable value for each district and fraction of each district within the county, as well as revisions for previous years.

The Governor also proposes two changes to the current method for calculating revenue sharing payments. Under current law, revenue sharing payments may not increase by more than 8% from one fiscal year to the next for certain local units. For those units that face the limit, current law requires the excess revenue sharing payments to be redistributed to other local units subject to the limit. The first change would alter the communities eligible to receive redistributed excess revenue sharing payments, by expanding the redistribution to all communities, not just those subject to the limit. The second change would place the 8% limit on all local units for FY 2001-02 and all fiscal years thereafter.

The estimated and proposed revenue sharing payments, by distribution type, are summarized in Table 1. Figures in the table are based on the January 2001 consensus estimates of State revenues, the Governor's recommendation, and appropriations for special census payments.

Table 1
STATE REVENUE SHARING PAYMENTS
ESTIMATED FY 2000-01 AND FY 2001-02 UNDER THE GOVERNOR'S PROPOSAL
(dollars in millions)

	FY 2000-01 Enacted Estimate ¹⁾	FY 2001-02 Governor's Recommended Estimate ¹⁾	FY 2000-01 to FY 2001-02 Growth	
			Dollar	Percent
Sales Tax Constitutional:				
Counties	\$ 0.0	\$ 0.0	\$ 0.0	—
Cities, Villages, & Townships	648.8	683.9	35.1	5.4%
Subtotal Constitutional	\$648.8	\$683.9	\$35.1	5.4%
Sales Tax Statutory:				
Counties	\$230.9	\$243.4	\$12.5	5.4%
Cities, Villages, & Townships	690.4	727.8	37.4	5.4%
Subtotal Statutory	\$921.2	\$971.1	\$49.9	5.4%
Total Restricted Revenue Sharing ¹⁾	\$1,570.0	\$1,655.0	\$85.0	5.4%
General Fund/General Purpose	0.0	0.0	\$0.0	—
Total Revenue Sharing	\$1,570.0	\$1,655.0	\$85.0	5.4%

1) The revenue sharing appropriations are based on consensus sales tax estimates adopted at the January 2001 Consensus Revenue Estimating Conference. The January 2001 Consensus Revenue Estimating Conference estimated that FY 2000-01 sales tax collections would not reach a high enough level to support the original appropriation of \$1,600.6 million. The appropriated levels represent the maximum amount that will be distributed for restricted revenue sharing. If actual sales tax collections are lower, then the revenue sharing distributions will be reduced. If actual sales tax collections are higher than estimated, then constitutional payments will be increased and statutory payments will be reduced.

ECONOMIC AND REVENUE FORECAST

ECONOMIC AND REVENUE FORECAST

Economic Forecast

The Governor's proposed budget for FY 2001-02 is based on an economic forecast that assumes the pace of economic growth slows down in 2001 in both the U.S. and Michigan economies, but then regains strength in 2002. This economic forecast is the consensus forecast adopted by the Department of Treasury, Senate Fiscal Agency, and House Fiscal Agency at the January 11, 2001, Consensus Revenue Estimating Conference.

In terms of the U.S. economy, the rate of growth of real Gross Domestic Product (GDP) is forecast to slow substantially from 5.0% in 2000 to 2.5% in 2001. This slowdown in the rate of growth will be particularly evident in consumer spending and business investment. In an attempt to halt the declining growth and avert a recession, the Federal Reserve cut the Federal Funds and Discount rates 50 basis points in early January, and then as expected, cut them another 50 basis points at the end of January. These reductions in interest rates, together with an anticipated Federal tax reduction being enacted later in 2001 and lower energy prices in both 2001 and 2002 compared with their levels in 2000, are expected to help boost consumer spending and business investment and accelerate the pace of real GDP growth to 4.3% in 2002. Light motor vehicle sales are expected to fall to 15.9 million units in 2001, from the 2000 record-breaking level of 17.2 million units, and then improve to 16.4 million units in 2002. Housing starts are expected to total 1.6 million units in both 2001 and 2002. The slowdown in the rate of economic growth will help ease the extremely tight labor market, but the unemployment rate is expected to remain at historically low levels. In 2001, the unemployment rate is expected to increase to 4.5% from 4.0% in 2000, and then edge down to 4.4% in 2002. Inflation, as measured by the U.S. Consumer Price Index, is expected to remain below 3.0% in 2001 and 2002, after increasing at a rate of 3.4% in 2000.

Michigan's economic activity also is expected to expand at a much more modest pace in 2001, compared with the rate of growth experienced in 2000, but then the rate of growth is expected to improve in 2002. Wage and salary employment is forecast to decrease by 14,000 jobs, or 0.3%, in 2001, mostly due to weakness in the manufacturing sector, but then as economic activity improves in 2002, wage and salary employment is expected to increase by 45,000 jobs, or 1.0%. As a result, the unemployment rate is projected to increase to 4.7% in 2001 from 3.4% in 2000, and then ease back to a rate of 4.5% in 2002. The decline in the number of people employed in 2001, coupled with a forecast reduction in the average work week in many sectors of the economy, and lower capital gains and dividend payments, means that real personal income in Michigan is expected to increase only 0.6% in 2001, which is down from the 2.5% rate of growth experienced in 2000. In 2002, real personal income growth is expected to rebound to a rate of 2.3%. Inflation, as measured by the Detroit Consumer Price Index, is expected to slow to 2.8% in 2001, from 3.5% in 2000, and then edge up to 2.9% in 2002.

Revenue Estimates

Revenues totaling an estimated \$38.4 billion will be available in FY 2001-02 to support Governor Engler's proposed budget. This represents a 2.3% increase from the revised revenue estimate for FY 2000-01. These total State government revenues include revenue from such sources as taxes, fees, interest, licenses and permits, penalties, fines, Federal aid, and carryover balances. Table 1 presents the overall State budget revenue estimates for FY 2000-01 and FY 2001-02, broken down by major fund.

Two of the major funds in the overall State budget are the General Fund/General Purpose (GF/GP) and School Aid Fund (SAF) budgets. These two funds will account for an estimated \$21.1 billion in revenue in FY 2001-02, including beginning carryover balances and excluding interfund transfers. Table 2 presents a breakdown of the GF/GP and SAF revenue estimates for FY 2000-01 and FY 2001-02. These GF/GP and SAF revenue estimates are the consensus estimates adopted by the Engler Administration, Senate Fiscal Agency, and House Fiscal Agency at the January 11, 2001, Consensus Revenue Estimating Conference. These estimates include baseline revenue (which is the revenue that would be realized if there were no changes in the tax structure from one year to the next), the fiscal impact of enacted tax cuts and nonbaseline revenue adjustments, grants and transfers, Federal aid, and beginning carryover balances.

The only tax change proposed by the Governor in his FY 2001-02 budget is the repeal of the college tuition income tax credit. Repealing this income tax credit would increase GF/GP revenue an estimated \$32.7 million in FY 2001-02. The Governor proposes that most of this increased revenue be used to increase the appropriations going to State universities and community colleges; however, this proposal is not reflected in the Governor's revenue or total spending estimates, so it is not reflected in the revenue estimates presented in Tables 1 and 2.

General Fund/General Purpose Revenue. General Fund/General Purpose revenue is expected to total \$9.79 billion, which is down 0.1% from the FY 1999-2000 estimate. This slight reduction in available GF/GP revenue is due to two major factors: 1) the beginning balance in FY 2001-02 is expected to total \$8.1 million, which is down significantly from the \$179.0 million beginning balance in FY 2000-01; and 2) the tax cuts already enacted will reduce GF/GP baseline revenue an estimated \$806 million in FY 2001-02 compared with only \$432 million in FY 2000-01, due primarily to the enacted phased-in reduction in the income and single business tax rates, which are both scheduled to decline an additional 0.1 percentage point on January 1, 2002.

School Aid Fund. School Aid Fund revenue available for spending in FY 2001-02 will total an estimated \$11.73 billion, which represents a 1.1% increase from the FY 2000-01 revenue estimate. The School Aid Fund revenue estimate for FY 2001-02 consists of a beginning balance of \$669 million, earmarked tax and lottery revenue of \$10.68 billion, a \$205.6 million grant from the GF/GP budget, \$145 million in Federal aid, and \$32 million from the Budget Stabilization Fund to fund the ongoing *Durant* court case settlement payments to local school districts. While earmarked tax and lottery revenue is expected to increase 4.8% in FY 2001-02, the modest growth estimated in overall SAF revenue is due to two factors: 1) the beginning carryover balance is expected to decline from \$853 million in FY 2000-01 to \$669 million in FY 2001-02; and 2) the grant from the General Fund is scheduled to decline from \$386 million in FY 2000-01 to \$206 million in FY 2001-02. The Governor is not proposing any tax changes that would have an impact on SAF revenue.

Table 1 PROJECTED TOTAL STATE REVENUES: FY 2000-01 AND FY 2001-02 (dollars in millions)					
Fund	FY 1999-2000 Preliminary Final	FY 2000-01 Estimated	% Change FY 2000-01/ FY 1999-2000	FY 2001-02 Estimated	% Change FY 2001-02/ FY 2000-01
General Fund/General Purpose					
Beginning Balance	\$ 0.0	\$ 179.0	---	\$ 8.1	(95.5)%
Baseline	9,825.1	10,053.1	2.3%	10,590.8	5.3
Enacted Tax Cuts & Adjustments	(41.0)	(431.2)	951.7	(806.1)	86.9
Subtotal Net Revenue Current Period	9,784.1	9,621.9	(1.7)	9,784.7	1.7
Total GF/GP Revenue	\$9,784.1	\$9,800.9	0.2%	\$9,792.8	(0.1)%
School Aid Fund					
Beginning Balance	572.8	853.4	49.0	668.8	(21.6)
Baseline Earmarked Taxes & Lottery	9,889.2	10,199.4	3.1	10,715.2	5.1
Enacted Tax Cuts & Adjustments	0.0	(14.2)	----	(36.6)	157.7
Subtotal Net Tax & Lottery Revenue	9,889.2	10,185.2	3.0	10,678.6	4.8
Other Revenue (GF Grant, Federal Aid & BSF)	590.0	562.6	(4.6)	382.6	(32.0)
Total SAF Revenue	\$11,052.0	\$11,601.2	5.0%	\$11,730.0	1.1%
Other Funds:					
General Fund/Special Purpose	11,695.8	11,898.8	1.7	12,277.2	3.2
Transportation Funds	3,925.9	4,095.2	4.3	4,257.4	4.0
Other Special Revenue Funds:					
Beginning Balances	144.9	255.4	76.3	240.0	(6.0)
Revenue Current Period	985.2	877.9	(10.9)	945.2	7.7
Subtotal Other Special Revenue Funds	1,130.1	1,133.3	0.3	1,185.2	4.6
Other Revenue	520.0	586.6	12.8	591.3	0.8
Total Other Funds	\$17,271.8	\$17,713.9	2.6%	\$18,311.1	3.4%
Gross Revenue	38,107.9	39,116.0	2.6	39,833.9	1.8
Less Interfund Transfers	(1,761.1)	(1,546.3)	(12.2)	(1,396.9)	(9.7)
Net Revenue	\$36,346.8	\$37,569.7	3.4%	\$38,437.0	2.3%

Table 2
GENERAL FUND/GENERAL PURPOSE AND SCHOOL AID FUND REVENUE ESTIMATES
FY 2000-01 AND FY 2001-02
(millions of dollars)

	FY 2000-01	FY 2001-02	Percent Change
GENERAL FUND/GENERAL PURPOSE			
Beginning Balance	\$ 179.0	\$ 8.1	---
Baseline Consensus Revenue	10,053.1	10,590.8	5.3%
Tax Changes Not In Baseline ¹⁾	(431.2)	(806.1)	86.9
<u>Revenue Estimate Detail After Enacted Tax Changes:</u>			
<u>Taxes:</u>			
Net Income Tax ²⁾	5,122.8	5,248.9	2.5
Single Business Tax	2,247.4	2,200.4	(2.1)
Sales	113.0	129.0	14.2
Use	929.3	979.6	5.4
Cigarette	145.5	142.5	(2.1)
Insurance Company Premiums	198.0	213.0	7.6
Telephone & Telegraph	147.4	150.4	2.0
Estate	190.0	200.0	5.3
All Other Taxes	190.2	188.6	(0.8)
Subtotal Taxes	\$9,283.6	\$9,452.4	1.8%
Nontax Revenue	338.3	332.3	(1.8)
Total Current Period GF/GP Revenue	\$9,621.9	\$9,784.7	1.7%
TOTAL GF/GP REVENUE W/ BEGINNING BALANCE	\$9,800.9	\$9,792.8	(0.1)%
SCHOOL AID FUND			
Beginning Balance	853.4	668.8	(21.6)
Baseline Consensus Earmarked Tax & Lottery Revenue	10,199.5	10,715.2	5.1
Tax Changes Not In Baseline	(14.2)	(36.6)	157.7
<u>Revenue Estimate Detail After Enacted Tax Changes:</u>			
Sales Tax & Use Tax	5,195.2	5,492.5	5.7
Income Tax	2,039.4	2,153.3	5.6
State Education Property Tax	1,438.4	1,514.2	5.3
Real Estate Transfer Tax	255.0	265.0	3.9
Other Tax Revenue	648.2	649.6	0.2
Subtotal Taxes	\$ 9,576.2	\$10,074.6	5.2%
Lottery	609.0	604.0	(0.8)
Subtotal Earmarked Taxes & Lottery Consensus Revenue	\$10,185.2	\$10,678.6	4.8%
GF/GP Grant, Fed Aid, & Other	562.6	382.6	(32.0)
Total Current Period SAF Revenue	\$10,747.8	\$11,061.2	2.9%
TOTAL SAF REVENUE W/ BEGINNING BALANCE	\$11,601.2	\$11,730.0	1.1%
TOTAL GF/GP AND SAF TAX & LOTTERY CONSENSUS ESTIMATES:			
BASELINE	\$20,252.6	\$21,306.0	5.2%
AFTER TAX CUTS	\$19,807.1	\$20,463.3	3.3%
1) Includes a \$3.1 million SBT reduction in FY 2001-02, due to a newly enacted law that was signed into law in January 2001, but was not included in the January 11, 2001 consensus revenue estimates.			
2) Does not reflect the Governor's proposed repeal of the college tuition tax credit.			



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