

GOVERNOR ENGLER'S FY 2002-03 BUDGET

SUMMARY AND ANALYSIS OF MAJOR RECOMMENDATIONS



**Gary S. Olson, Director
SENATE FISCAL AGENCY
February 19, 2002**

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2. To provide written analyses of all Senate bills, House bills and Administrative Rules considered by the Senate.
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4. To provide economic and revenue analysis and forecasting.
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7. To review and evaluate the State's compliance with constitutional and statutory fiscal requirements.
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The Agency is located on the 8th floor of the Victor Office Center. The Agency is an equal opportunity employer.



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OVERVIEW

OVERVIEW

Governor Engler on February 7, 2002, transmitted his fiscal year (FY) 2002-03 State Budget Message to the Legislature. The Governor's FY 2002-03 budget contains recommendations to provide for \$38.7 billion of Adjusted Gross appropriations. Included in this appropriations total are \$11.1 billion of Federal funds, \$1.3 billion of local and private funds, \$17.1 billion of State Restricted funds, and \$9.2 billion of General Fund/General Purpose (GF/GP) appropriations. Table 1 and Figure A provide summaries of the overall makeup of the FY 2002-03 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 2002-03 compared with FY 2001-02 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 3.8% increase in Adjusted Gross appropriations, a 2.2% increase in State Spending from State Resources appropriations, and a 0.2% increase in GF/GP appropriations. These percentage increases do not take into account FY 2001-02 supplemental appropriation requests of the Governor that are included in the budget message but have not been enacted into law.

The Governor's FY 2002-03 State Budget Message is developed based on a consensus revenue estimate agreed to on January 15, 2002. These consensus revenue estimates are the basis for the appropriation and tax policy changes contained in the budget recommendations. The FY 2002-03 GF/GP consensus revenue estimate represents a \$34.1 million or 0.4% decline from the FY 2001-02 consensus revenue estimate. Excluding any beginning balances, the FY 2002-03 School Aid Fund (SAF) consensus revenue estimate provides for \$383.3 million or 3.8% revenue growth. The Governor's budget does include two proposed changes in State tax policy. The first is a proposal to raise the tax on diesel motor fuel from 15 cents to 19 cents per gallon. This proposal would generate an additional \$46.3 million for State and local transportation projects. The second change would be to impose the use tax on interstate truck fuel purchased outside the State. This proposal would generate \$3.0 million of GF/GP revenues and \$1.5 million of SAF revenues.

SUMMARY OF MAJOR CHANGES FOR FY 2002-03

The Governor's FY 2002-03 budget proposal marks the 12th State budget that Governor Engler has transmitted to the Legislature. The first four 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 2002-03 budget recommendation along with the FY 2001-02 recommendation can both be characterized as budgets that have been significantly affected by the recent slowdown in the Michigan economy. This economic slowdown coupled with the continued phase-in of reductions in the rate of the State income and single business taxes, has led to very restrained budget recommendations and the use of many non-ongoing revenue sources to balance the budget.

As previously stated, the Governor's FY 2002-03 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 2002-03 GF/GP appropriation recommendations. Based on current law tax policy, estimated FY 2002-03 GF/GP revenues total \$8.72 billion. The Governor is recommending the use of \$511.9 million of non-ongoing GF/GP revenue adjustments that will result in total GF/GP revenues of \$9.24 billion. These non-ongoing revenue adjustments include: a \$100.0 million transfer from the Merit Award Trust Fund; \$3.0 million from the proposed diesel fuel use tax; \$122.4 million from a freeze in revenue sharing payments to cities, villages, townships and counties; \$207.0 million from the Budget Stabilization Fund; and \$79.5 million from the Employment Security Contingent Fund. Comparing the \$9.24 billion of FY 2002-03 GF/GP revenues with enacted and proposed FY 2001-02 GF/GP appropriations leads to a \$53.8 million reduction. Therefore, the Governor's FY 2002-03 GF/GP appropriations recommendations will be slightly lower than the current fiscal year.

Table 6 provides a summary of the Governor's major recommendations to deal with restrained FY 2002-03 GF/GP budget. Major program increases recommended by the Governor include caseload-related increases in the Medicaid and Family Independence Agency budgets, increases in State Building Authority debt service payments, and funding for general economic adjustments. Recommended major reductions in GF/GP appropriations include savings from a proposed early retirement plan for State employees, reductions in debt service requirements on State General Obligation bonds, and a large transfer from the Medicaid Benefits Trust Fund to the Medicaid program to offset rising expenditure costs.

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

FY 2000-01 Supplemental Appropriations. The Governor's FY 2002-03 budget recommendation contains FY 2001-02 recommendations for supplemental appropriations that will have an impact on the projected FY 2001-02 GF/GP year-end balance.

The Governor has transmitted to the Legislature FY 2001-02 supplemental appropriation recommendations of \$374.4 of Gross appropriations and \$24.3 million of GF/GP appropriations. These recommended supplemental appropriations, which have yet to be acted on by the Legislature, are summarized in Table 7. The largest GF/GP dollar issue addressed in the supplemental appropriations is a \$21.8 million recommendation to address caseload increases in the State Medicaid program. A \$20.0 million GF/GP recommendation would provide funding in the Family Independence Agency for caseload increases in the Family Independence Program. Other supplemental appropriation requests include Federal funding for the replacement of three armories, the appropriation for a proposed airport safety program, additional restricted funds for the county jail reimbursement program, restricted funding for environmental cleanup programs, restricted funding for the timber harvest program, restricted funding for secondary road patrol grants, and restricted funding for transportation projects. The Governor's recommendation also contains two appropriation reductions related to projected savings in State debt service requirements from the recent fall in interest rates and delays in State Building Authority construction projects. Debt service appropriations financed with GF/GP appropriations for State Building Authority bonds are reduced by \$9.2 million and debt service appropriations for the School Bond Loan Fund are reduced by \$9.0 million.

Comparing the revised FY 2001-02 GF/GP consensus revenue estimate with the enacted and recommended level of FY 2001-02 GF/GP appropriations leads to a projected GF/GP year-end balance of \$12.4 million. This estimate is summarized in Table 8. Pursuant to current statutory requirements the actual level of the FY 2001-02 GF/GP balance will carry forward into FY 2002-03. The Governor's budget includes a recommendation instead to deposit the year-end balance into the Budget Stabilization Fund.

The Governor's budget recommendation includes one proposed change in the enacted FY 2001-02 School Aid Fund budget. Current statutory requirements provide for a withdrawal from the Budget Stabilization Fund in an amount necessary to end the fiscal year with a zero balance. The Senate Fiscal Agency estimates that this amount is \$71.7 million. The Governor's budget recommends an additional withdrawal from the Budget Stabilization Fund to the School Aid Fund in an amount of \$278.3 million. This withdrawal, if enacted, will result in a \$278.3 FY 2001-02 School Aid Fund year-end balance. This balance would carry forward into FY 2003-03 and the amount of this carryforward balance is assumed in the Governor's FY 2002-03 School Aid recommendation. Table 9 provides a summary of the Senate Fiscal Agency estimate of the FY 2001-02 School Aid Fund year-end balance.

Federal Funds Assumptions. The recommended appropriation of \$11.1 billion of Federal funds in the overall State budget is largely based on a continuation of Federal budget policy currently in place continuing in FY 2002-03. Federal funds for K-12 education programs, previously appropriated in the Department of Education, have been moved to the K-12 School Aid budget. The Family Independence Agency budget is developed assuming a continuation of the existing Federal Temporary Assistance for Needy Families welfare block grant. Federal authorization for this program expires at the end of FY 2001-02. Increases in Federal funds are assumed in the Department of Community Health budget and will fund the expansion of prescription drug coverage for low income senior citizens and the expansion of health care coverage for non-Medicaid eligible low income citizens.

State Revenue Sharing. The budget is recommending that revenue sharing payments to cities, villages, townships, and counties be funded at the FY 2001-02 level. This freeze in revenue sharing payments will result in \$122.4 million of additional GF/GP revenues. An additional \$10.0 million GF/GP appropriation is recommended to ensure that no local unit of government will receive less revenue sharing in FY 2002-03 than the amount it receives during FY 2001-02.

General Budget Language. The Governor's budget includes several 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.

Proposed Fee Increases. The budget recommendation includes \$2.0 million of appropriations supported by fee increases. Pesticide fees in the Department of Agriculture will increase by \$60,000, parole and probation fees in the Department of Corrections will increase by \$343,000, and septage waste fees in the Department of Environmental Quality will increase by \$1,550,000.

Unclassified Salaries. The Governor's budget recommends a 2.0% increase for all unclassified salary line-item appropriations with the exception of the unclassified salaries in the Department of Attorney General, which received no adjustment. The cost of providing the 2.0% increase in unclassified salaries in each department is taken out of the funding for classified positions.

Classified Salaries. The Governor's budget provides for the funding of the 2.0% increase for classified State employees approved by the State Civil Service Commission. The \$16.4 million GF/GP cost of these salary increases is then removed from each departmental budget by a corresponding reduction in the number of employees authorized in the appropriation recommendation and the associated funding. Economic adjustments for other costs such as utilities, food, and rent have been funded in the budget.

Tobacco Settlement Appropriations. The budget provides for \$363.3 million of FY 2002-03 appropriations financed with tobacco settlement revenues appropriated from the Merit Award Trust Fund and the Tobacco Settlement Trust Fund. These appropriations represent a continuation of the past tobacco settlement appropriation policy. The exception is a new \$2.0 million appropriation from the Tobacco Settlement Trust Fund to support the State's effort to land the Federally financed rare isotope accelerator at Michigan State University. Table 10 provides a summary of the tobacco settlement appropriations contained in the budget recommendation.

Budget Stabilization Fund. The budget recommends extensive use of the Budget Stabilization Fund (BSF) in order to balance both the GF/GP and the School Aid Fund budgets. During FY 2001-02 the Governor is recommending that an additional withdrawal of \$278.3 million be transferred to the School Aid Fund. These funds are necessary to fully finance the FY 2002-03 School Aid Fund appropriation recommendations. The FY 2002-03 GF/GP budget includes a \$207.0 million BSF withdrawal. The Governor also is recommending that the \$35.0 million annual BSF withdrawal to the State Trunkline Fund for transportation purposes be suspended in FY 2002-03. The final BSF changes recommended are that any GF/GP year-end balances at the close of FY 2001-02 and FY 2002-03 be transferred into the BSF. The Senate Fiscal Agency estimates that if the Legislature approves all of the BSF changes recommended by the Governor, the BSF will close FY 2002-03 with a balance of \$232.6 million. Pursuant to statutory requirements, if the BSF balance drops below \$250.0 million at end of the fiscal year, the next scheduled reduction in the rate of the Single Business Tax, to take place on January 1, 2004, would be suspended.

Early Retirement. The budget includes a recommendation to enact an early retirement program for members of the State Employees Retirement System. This proposal would allow an early retirement option between July 1, 2002, and November 1, 2002, for State employees whose combined age and years of service exceed 80. State employees using this early retirement proposal would retire with a factor of 1.75% times years of service versus the standard 1.5% times years of service. It is estimated that this program will save the GF/GP budget \$50.0 million due to the proposal to replace only one in four employees who retire. These savings are not built into the departmental budgets and appropriation adjustments will have to be enacted at a later date in order to realize the \$50.0 million of savings.

Capital Outlay. The budget recommendation contains no new authorizations for the planning of State-financed construction projects at universities or community colleges. The budget does contain funding for a proposed Airport Safety and Protection Plan that issues \$60.0 million of bonds over five years for airport projects. These bonds would be financed with a proposal to redirect \$6.0 million of airport parking tax collected at Metropolitan Airport in Wayne County from Wayne County to the State.

Community Colleges. The budget includes a freeze in the operational appropriations to the 28 community colleges at the current appropriation level.

Community Health. The budget includes a recommendation to expand pharmaceutical coverage for low-income senior citizens by using Federal funds included in the President's recent budget proposal. Expansion of medical coverage to a greater number of low-income citizens would be contingent on a Federal waiver and other funding changes. The Medicaid budget is partially funded by a \$269.0 million transfer from the Medicaid Benefits Trust Fund. Community Mental Health boards would receive a 3.0% increase in funding and Medicaid providers would not receive a general rate increase.

Corrections. The budget includes \$19.1 million of funding for 2,075 new prison beds that will come on-line during FY 2002-03.

Education. The budget transfers all Federal grants for K-12 education to the School Aid budget. These programs still would be administered by Department of Education employees.

Environmental Quality. The budget includes an \$8.5 million GF/GP reduction for environmental cleanup programs. This funding is replaced with State restricted funds from the Environmental Response Fund. The budget portrays this funding shift as a one-time funding reduction.

Family Independence Agency. The budget funds projected caseload increases and is built on the assumption that the United States Congress will reauthorize the State's welfare block grant at the current funding level. The budget includes \$28.8 million of reductions in programs funded with Federal block grant funds, unless the State receives a refund from past child support enforcement penalties paid to the Federal government.

Higher Education. The budget includes a freeze in operational appropriations to the 15 public universities if the universities keep tuition increases below 8.5% or \$425, whichever is greater.

Information Technology. The budget includes funding for this new State department at a level of \$333.5 million funded from interdepartmental grants from other State departments.

Management and Budget. The budget includes \$4.8 million of funding for increased security at State buildings. Funding for this security initiative will be from building occupancy charges levied against State departments.

Military and Veterans Affairs. The budget provides a \$0.9 million GF/GP funding increase to restore grants to veterans service organizations to the levels before the issuance of Executive Order 2001-9.

Natural Resources. The budget includes \$2.0 million of GF/GP funding for bovine tuberculosis control efforts. Funding for the Michigan Civilian Conservation Corps is reduced by \$1.7 million. This will result in the closure of Camp Vanderbilt and will end the residential component of the program.

School Aid. The budget includes funding for a \$200 increase in the base foundation allowance from \$6,500 to \$6,700 per pupil. This increase is funded primarily from a change in the payment date of the State Education Property Tax. Categorical grants are funded at or near the current-year levels with the exception of the parental involvement grant (\$45.0 million), the reading program grant (\$45.0 million), the class size reduction grant (\$26.7 million), and the grant to the Detroit Public Schools (\$15.0 million), which are recommended for elimination.

Strategic Fund Agency. The budget reduces the grant program for economic development and job training administered by the Michigan Economic Development Authority by \$13.0 million.

Transportation. The budget provides for a 3.6% increase in State restricted funding for transportation projects. This funding increase assumes the enactment of the diesel fuel tax proposal recommended by the Governor and the elimination of the \$35.0 million transfer from the Budget Stabilization Fund.

PAYMENTS TO UNITS OF LOCAL GOVERNMENT

The Governor's FY 2002-03 budget recommendation includes \$16.1 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 \$3.1 billion. [Table 11](#) provides a summary of this estimate.

STATE EMPLOYMENT

[Table 12](#) 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 2001-02. The Governor's FY 2002-03 recommendation includes funding for 62,743.5 FTEs. This represents a 1,228.6 FTE decline or 2.3% below the current-year level. It is anticipated that a majority of the reductions in FTEs can be accomplished through provisions of the early retirement program recommended by the Governor.

PROJECTED YEAR-END BALANCE

Combining the Governor's FY 2002-03 appropriation recommendations with the consensus revenue estimates leads to updated estimates of the FY 2002-03 GF/GP and SAF year-end balances. Assuming that all of the Governor's revenue and appropriation recommendations are enacted, the FY 2002-03 GF/GP budget will close the year with an \$0.8 million year-end balance. The Governor's budget recommends that any FY 2002-03 GF/GP year-end balance be transferred to the Budget Stabilization Fund. The SAF budget will close FY 2002-03 with a \$154.2 million year-end balance. This projected year-end balance will carry forward and be available to support FY 2003-04 SAF appropriations. [Tables 13](#) and [14](#) provide a summary of these FY 2002-03 year-end balance estimates.

REVENUE ESTIMATES

The Governor's proposed budget is based on revenues totaling an estimated \$39.0 billion in FY 2002-03. This estimate for FY 2002-03 includes revenue from all of the State's taxes and nontax revenue sources that are earmarked to all general and special revenue funds, including the consensus estimates for General Fund/General Purpose and School Aid Fund revenues adopted at the January 15, 2002, Consensus Revenue Estimating Conference. The carry-over balances from FY 2001-02 are expected to total \$874 million. Revenue generated during FY 2002-03 from taxes, Federal aid, fees, and the other ongoing revenue sources, will total an estimated \$38.3 billion, which represents an increase of 3.7% from FY 2001-02. The only tax changes proposed in the Governor's budget are an increase in the tax on diesel fuel, a new use tax on certain diesel fuel, and a one-year reduction in the rate of the State education property tax from 6 mills to 5 mills, coupled with an acceleration in the collection of this tax. The increase in the diesel fuel tax would bring up the tax rate on diesel fuel to the current rate on gasoline and also would move the collection point from the retail level to the wholesale level. The one-time acceleration in the collection of the State education property tax, coupled with the one-year cut in the tax rate, would generate a one-time gain in revenues for the School Aid Fund.

General Fund. The Governor's GF/GP budget for FY 2002-03 is based on total revenues of \$9.24 billion, which is up \$178 million, or 2.0% from the FY 2001-02 estimated revenue level. This increase is due to a proposed increased use of non-ongoing revenues. The enacted GF/GP budget for FY 2001-02 includes \$272 million in non-reoccurring revenue, while the Governor's proposed GF/GP budget for FY 2002-03 includes \$512 million in non-ongoing revenue. Ongoing revenues, which include revenue from the taxes and nontax revenue sources earmarked to the GF/GP budget, are expected to total \$8.72 billion, which is down 0.4% from the FY 2001-02 level. This decline in the ongoing revenues is due primarily to the phased

reductions in the income and single business taxes that are scheduled to occur in FY 2002-03, along with the Federal tax changes that will reduce Michigan's income and estate tax revenues.

School Aid Fund. School Aid Fund revenue is expected to total \$12.95 billion in FY 2002-03. This includes earmarked tax and lottery revenues of \$10.6 billion, which represents a 3.8% increase from FY 2001-02 revenue. This revenue from these earmarked revenue sources reflects the currently enacted tax structure. The Governor has proposed changes in the State education property tax and use tax, both of which would provide additional revenue to the SAF in FY 2002-03. The proposed changes in the State education property tax include accelerating the collection of this tax from the winter property tax bill to the summer property tax bill, beginning with the summer property tax bill in 2003. In addition, the rate of the State education property tax would be reduced from 6 mills to 5 mills in 2003. This would be a one-time reduction, and the rate would revert to 6 mills in 2004. The combination of these two changes would generated an estimated net one-time revenue gain of \$494 million. The proposed changes to the diesel fuel tax include assessing the use tax on diesel fuel consumed by motor carriers in Michigan but not purchased in Michigan. This new tax would generate an estimated \$1.5 million in new revenue to the SAF in FY 2002-03. In addition to the revenue from taxes and the State lottery, it is proposed that the SAF would receive a \$198 million grant from the General Fund, \$32 million from the Budget Stabilization Fund, and a carryover beginning balance of \$278 million. The Governor also is proposing that \$1.3 billion in Federal aid, which is currently appropriated in the Department of Education budget, be appropriated in the SAF budget beginning in FY 2002-03.

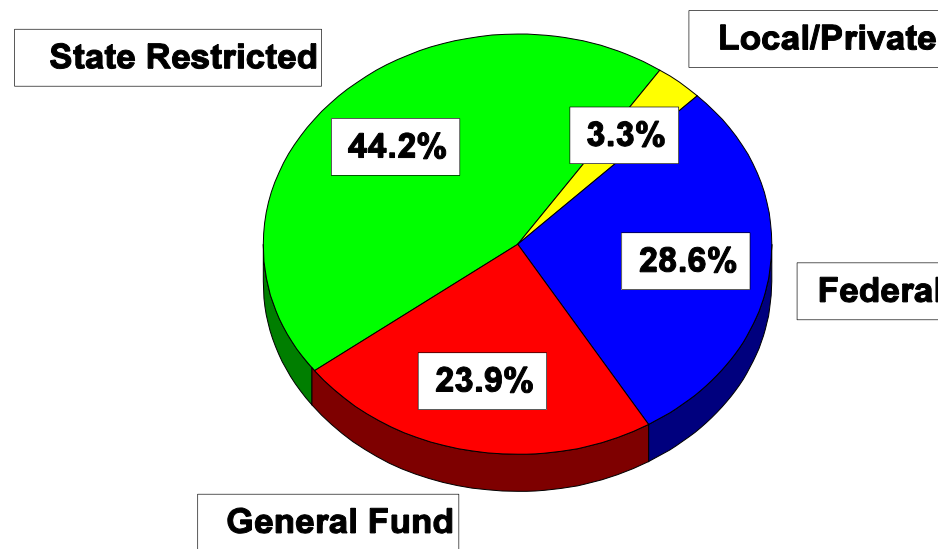
Other Funds. Revenues earmarked to the various transportation funds will total an estimated \$3.42 billion in FY 2002-03, after adjusting for interfund transfers and excluding bond proceeds. These transportation revenue estimates include the estimated \$48 million that would be generated through the proposed increase in the diesel fuel tax. The special purpose portion of the General Fund, which is about 70% Federal aid, is expected to total \$11.9 billion. The remaining special revenue funds are expected to receive \$822 million in revenue.

Table 1

FY 2002-03 GOVERNOR'S RECOMMENDATION BY SOURCE OF FUNDS (Actual Dollars)					
Department/Budget Area	Adjusted Gross	Federal Funds	Local & Private Funds	Other State Restricted	General Funds
Agriculture	\$86,500,500	\$6,639,500	\$1,127,600	\$37,932,400	\$40,801,000
Attorney General	52,921,000	7,672,700	1,183,000	8,864,600	35,200,700
Capital Outlay	558,769,900	165,042,000	43,000,000	46,245,000	304,482,900
Career Development	534,318,700	472,569,200	17,408,200	9,661,500	34,679,800
Civil Rights	15,348,900	934,000	0	0	14,414,900
Civil Service	26,917,300	4,779,100	1,850,000	9,639,200	10,649,000
Community Colleges	321,732,319	0	0	2,000,000	319,732,319
Community Health	9,086,491,000	4,801,713,100	1,128,388,500	593,328,200	2,563,061,200
Consumer and Industry Services ..	570,027,000	242,311,500	740,000	288,987,600	37,987,900
Corrections	1,710,144,000	26,403,400	391,100	55,490,600	1,627,858,900
Education	89,378,000	39,863,400	5,445,600	13,959,300	30,109,700
Environmental Quality	390,782,700	131,531,600	435,700	184,155,300	74,660,100
Executive	5,486,400	0	0	0	5,486,400
Family Independence Agency	3,955,427,000	2,604,621,650	76,965,850	65,388,800	1,208,450,700
Higher Education	1,939,071,166	5,500,000	0	121,573,850	1,811,997,316
History, Arts, and Libraries	72,264,900	7,111,300	577,400	1,900,900	62,675,300
Information Technology	0	0	0	0	0
Judiciary	243,754,400	3,864,500	3,784,300	57,287,500	178,818,100
Legislature	124,718,100	0	400,000	1,475,300	122,842,800
Management & Budget (Operations)	79,028,100	300,100	0	35,355,300	43,372,700
Military Affairs	107,637,500	47,214,500	530,000	23,437,600	36,455,400
Natural Resources	250,980,500	28,727,600	1,771,400	174,932,400	45,549,100
School Aid	12,795,333,400	1,348,305,800	700,000	11,247,914,100	198,413,500
State	83,335,100	1,319,500	100	64,274,200	17,741,300
State Police	399,693,900	45,570,500	3,913,700	60,262,900	289,946,800
Strategic Fund Agency	154,936,600	62,953,300	853,100	45,050,000	46,080,200
Transportation	3,166,371,100	987,176,100	5,800,000	2,173,395,000	0
Treasury (Debt Service)	59,586,400	0	0	0	59,586,400
Treasury (Operations)	350,234,600	44,296,100	910,800	250,733,900	54,293,800
Treasury (Revenue Sharing)	1,538,800,000	0	0	1,528,800,000	10,000,000
Early Retirement Savings	(50,000,000)	0	0	0	(50,000,000)
TOTAL APPROPRIATIONS	\$38,719,990,485	\$11,086,420,450	\$1,296,176,350	\$17,102,045,450	\$9,235,348,235

Figure A

Appropriations by Source of Funds FY 2002-03 Governor's Recommendation



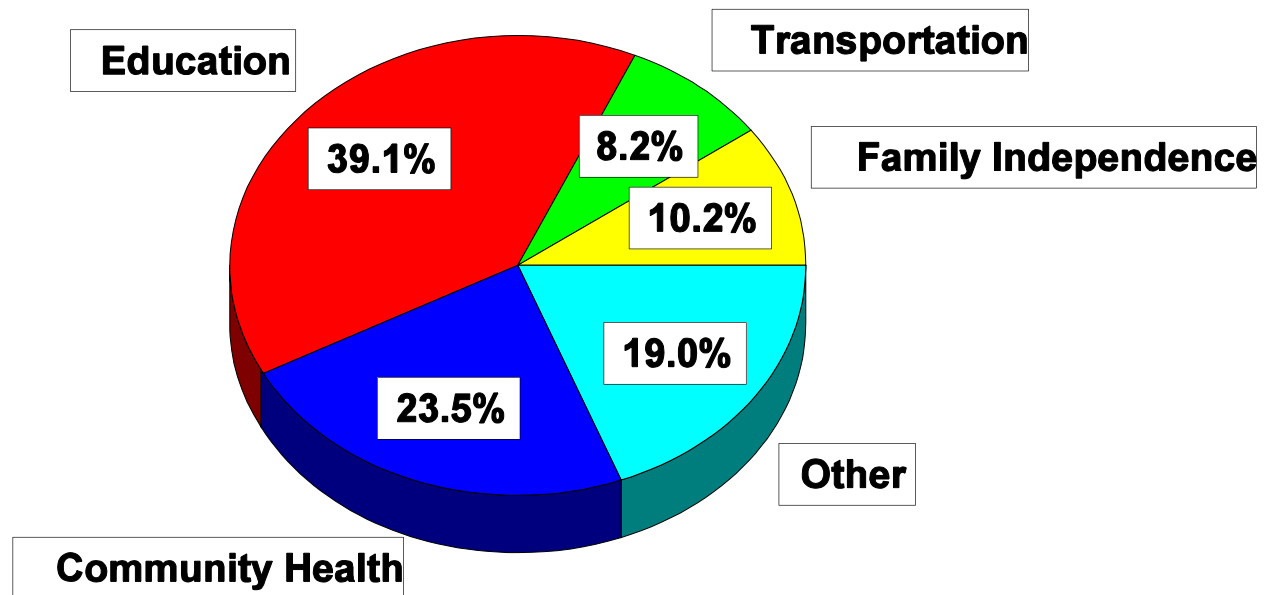
Total= \$ 38,719,990,485

Table 2

ADJUSTED GROSS APPROPRIATIONS FY 2001-02 VERSUS GOVERNOR'S RECOMMENDATION (Actual Dollars)				
Department/Budget Area	FY 2001-02 Year-to-Date Appropriations	FY 2002-03 Governor's Recommendation	Dollar Difference	Percent Change
Agriculture	\$86,933,600	\$86,500,500	\$(433,100)	(0.5)%
Attorney General	53,143,600	52,921,000	(222,600)	(0.4)
Capital Outlay	479,161,200	558,769,900	79,608,700	16.6
Career Development	525,121,600	534,318,700	9,197,100	1.8
Civil Rights	15,267,000	15,348,900	81,900	0.5
Civil Service	26,788,340	26,917,300	128,960	0.5
Community Colleges	321,596,319	321,732,319	136,000	0.0
Community Health	8,499,816,200	9,086,491,000	586,674,800	6.9
Consumer and Industry Services	557,368,600	570,027,000	12,658,400	2.3
Corrections	1,676,788,700	1,710,144,000	33,355,300	2.0
Education	994,606,900	89,378,000	(905,228,900)	(91.0)
Environmental Quality	379,953,300	390,782,700	10,829,400	2.9
Executive	5,480,900	5,486,400	5,500	0.1
Family Independence Agency	3,809,220,200	3,955,427,000	146,206,800	3.8
Higher Education	1,925,842,366	1,939,071,166	13,228,800	0.7
History, Arts and Libraries	74,545,700	72,264,900	(2,280,800)	(3.1)
Information Technology	0	0	0	100.0
Judiciary	238,631,400	243,754,400	5,123,000	2.1
Legislature	124,237,800	124,718,100	480,300	0.4
Management & Budget (Operations)	87,715,400	79,028,100	(8,687,300)	(9.9)
Military Affairs	100,157,975	107,637,500	7,479,525	7.5
Natural Resources	249,260,700	250,980,500	1,719,800	0.7
School Aid	11,451,113,400	12,795,333,400	1,344,220,000	11.7
State	83,474,300	83,335,100	(139,200)	(0.2)
State Police	390,406,300	399,693,900	9,287,600	2.4
Strategic Fund Agency	168,990,600	154,936,600	(14,054,000)	(8.3)
Transportation	3,064,612,900	3,166,371,100	101,758,200	3.3
Treasury (Debt Service)	105,995,000	59,586,400	(46,408,600)	(43.8)
Treasury (Operations)	336,145,200	350,234,600	14,089,400	4.2
Treasury (Revenue Sharing)	1,528,800,000	1,538,800,000	10,000,000	0.7
Early Retirement Savings	0	(50,000,000)	(50,000,000)	0.0
TOTAL APPROPRIATIONS	\$37,361,175,500	\$38,719,990,485	\$1,408,814,985	3.8%

Figure B

Adjusted Gross FY 2002-03 Governor's Recommendation



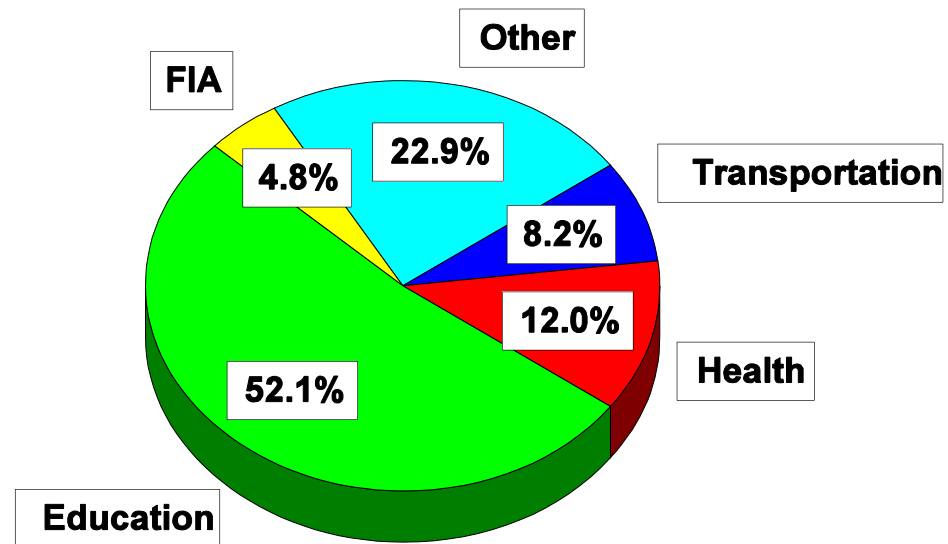
Total= \$ 38,719,990,485

Table 3

STATE SPENDING FROM STATE RESOURCES FY 2001-02 VERSUS GOVERNOR'S RECOMMENDATION (actual dollars)				
Department/Budget Area	FY 2001-02 Year- to-Date Appropriations	FY 2002-03 Governor's Recommendation	Dollar Difference	Percent Change
Agriculture	\$79,612,700	\$78,733,400	\$(879,300)	(1.1)%
Attorney General	44,347,200	44,065,300	(281,900)	(0.6)
Capital Outlay	345,579,200	350,727,900	5,148,700	1.5
Career Development	44,047,200	44,341,300	294,100	0.7
Civil Rights	14,333,000	14,414,900	81,900	0.6
Civil Service	20,159,240	20,288,200	128,960	0.6
Community Colleges	321,596,319	321,732,319	136,000	0.0
Community Health	2,956,101,300	3,156,389,400	200,288,100	6.8
Consumer and Industry Services	322,188,100	326,975,500	4,787,400	1.5
Corrections	1,648,406,700	1,683,349,500	34,942,800	2.1
Education	46,436,800	44,069,000	(2,367,800)	(5.1)
Environmental Quality	247,108,700	258,815,400	11,706,700	4.7
Executive	5,480,900	5,486,400	5,500	0.1
Family Independence Agency	1,209,014,700	1,273,839,500	64,824,800	5.4
Higher Education	1,920,942,366	1,933,571,166	12,628,800	0.7
History, Arts, and Libraries	66,856,500	64,576,200	(2,280,300)	(3.4)
Information Technology	0	0	0	0.0
Judiciary	231,512,800	236,105,600	4,592,800	2.0
Legislature	123,837,800	124,318,100	480,300	0.4
Management & Budget (Operations)	87,335,100	78,728,000	(8,607,100)	(9.9)
Military Affairs	63,291,875	59,893,000	(3,398,875)	(5.4)
Natural Resources (Operations)	219,050,200	220,481,500	1,431,300	0.7
School Aid	11,248,113,400	11,446,327,600	198,214,200	1.8
State	82,170,600	82,015,500	(155,100)	(0.2)
State Police	343,281,600	350,209,700	6,928,100	2.0
Strategic Fund Agency	105,206,200	91,130,200	(14,076,000)	(13.4)
Transportation	2,098,329,000	2,173,395,000	75,066,000	3.6
Treasury (Debt Service)	105,295,000	59,586,400	(45,708,600)	(43.4)
Treasury (Operations)	301,705,100	305,027,700	3,322,600	1.1
Treasury (Revenue Sharing)	1,528,800,000	1,538,800,000	10,000,000	0.7
TOTAL APPROPRIATIONS	\$25,830,139,600	\$26,387,393,685	\$557,254,085	2.2%

Figure C

State Spending from State Resources FY 2002-03 Governor's Recommendation



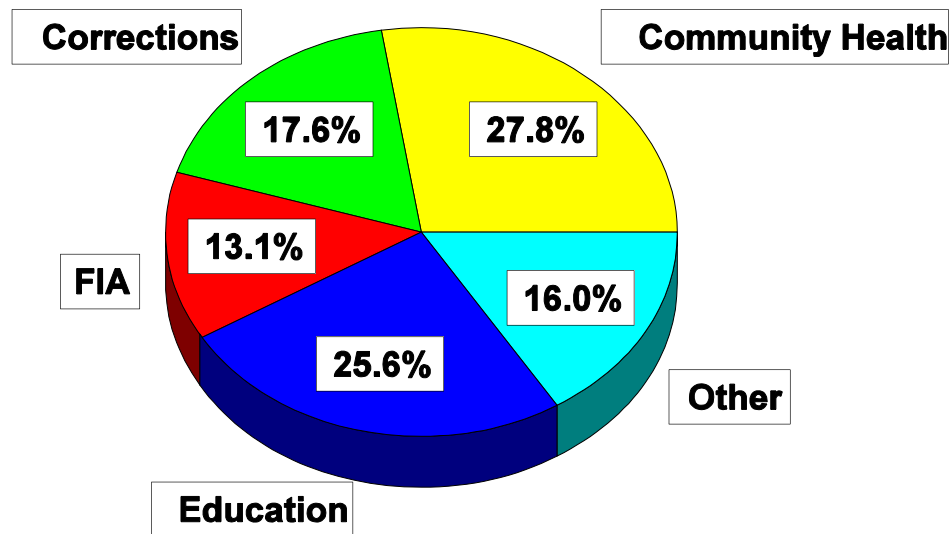
Total= \$ 26,387,393,685

Table 4

GENERAL FUND/GENERAL PURPOSE FY 2001-02 VERSUS GOVERNOR'S RECOMMENDATION				
Department/Budget Area	FY 2001-02 Year-to-Date Appropriations	FY 2002-03 Governor's Recommendation	Dollar Difference	Percent Change
Agriculture	\$41,396,000	\$40,801,000	(\$595,000)	(1.4)%
Attorney General	35,475,300	35,200,700	(274,600)	(0.8)
Capital Outlay	302,470,200	304,482,900	2,012,700	0.7
Career Development	34,602,700	34,679,800	77,100	0.2
Civil Rights	14,333,000	14,414,900	81,900	0.6
Civil Service	10,656,340	10,649,000	(7,340)	(0.1)
Community Colleges	319,596,319	319,732,319	136,000	0.0
Community Health	2,560,657,800	2,563,061,200	2,403,400	0.1
Consumer and Industry Services	37,896,700	37,987,900	91,200	0.2
Corrections	1,599,453,900	1,627,858,900	28,405,000	1.8
Education	32,400,800	30,109,700	(2,291,100)	(7.1)
Environmental Quality	83,613,700	74,660,100	(8,953,600)	(10.7)
Executive	5,480,900	5,486,400	5,500	0.1
Family Independence Agency	1,155,780,800	1,208,450,700	52,669,900	4.6
Higher Education	1,812,668,516	1,811,997,316	(671,200)	(0.0)
History, Arts and Libraries	64,609,100	62,675,300	(1,933,800)	(3.0)
Information Technology	0	0	0	0.0
Judiciary	175,223,900	178,818,100	3,594,200	2.1
Legislature	122,359,200	122,842,800	483,600	0.4
Management & Budget (Operations)	43,868,200	43,372,700	(495,500)	(1.1)
Military Affairs	40,039,475	36,455,400	(3,584,075)	(9.0)
Natural Resources (Operations)	45,313,100	45,549,100	236,000	0.5
School Aid	198,413,500	198,413,500	0	0.0
State	17,718,700	17,741,300	22,600	0.1
State Police	292,620,000	289,946,800	(2,673,200)	(0.9)
Strategic Fund Agency	60,156,200	46,080,200	(14,076,000)	(23.4)
Transportation	0	0	0	0.0
Treasury (Debt Service)	105,295,000	59,586,400	(45,708,600)	(43.4)
Treasury (Operations)	53,491,000	54,293,800	802,800	1.5
Treasury (Revenue Sharing)	0	10,000,000	10,000,000	0.0
Early Retirement Savings	0	(50,000,000)	(50,000,000)	0.0
TOTAL APPROPRIATIONS	\$9,265,590,350	\$9,235,348,235	(\$30,242,115)	-0.3%

Figure D

General Fund General Purpose FY 2002-03 Governor's Recommendation



Total= \$ 9,235,348,235

Table 5

**GOVERNOR'S FY 2002-03 STATE BUDGET
INCREMENTAL REVENUE AVAILABLE FOR EXPENDITURE
GENERAL FUND/GENERAL PURPOSE
(millions of dollars)**

FY 2002-03 Revenues:

Beginning Balance	\$ 0.0
Consensus Revenue Estimate	8,724.2
Merit Award Trust Fund Transfer	100.0
Diesel Fuel Use Tax Proposal	3.0
Revenue Sharing Reductions	122.4
Budget Stabilization Fund Withdrawal	207.0
Employment Security Contingent Fund Transfer	79.5
Total Available Revenues	\$9,236.1

FY 2001-02 Appropriations:

Enacted Appropriations	9,265.6
Pending Supplemental Appropriations	24.3
Total Projected Appropriations	9,289.9

Revenue Increase Available for FY 2002-03 Budget	\$(53.8)
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Table 6

**GOVERNOR'S FY 2002-03 APPROPRIATION RECOMMENDATIONS
MAJOR PROPOSED CHANGES FROM FY 2001-02 RECOMMENDATIONS
GENERAL FUND/GENERAL PURPOSE
(millions of dollars)**

Revenue Increase Available for FY 2002-03 Budget	\$(53.8)
Major FY 2002-03 Appropriation Recommendations:	
Savings from State Employee Early Retirement Program	\$(50.0)
Statewide Economic Adjustments	27.2
Capital Outlay-State Building Authority Rental Payments	25.0
Community Health-Medicaid Caseload Adjustments	108.6
Community Health-Medicaid Match Rate	64.5
Community Health-Medicaid Special Financing Adjustment	46.4
Community Health-Withdrawal from Medicaid Benefits Trust Fund	(246.6)
Corrections-Bed Opening Adjustments	19.1
Environmental Quality-Replace GF/GP with Environmental Response Revenue	(8.5)
Family Independence Agency-Various Caseload Adjustments	34.9
Michigan Economic Development Authority-Economic and Job Training Grants	(13.0)
Treasury-Revenue Sharing Hold Harmless Grants	10.0
Treasury-Debt Service Payments	(50.0)
All Other Adjustments	(22.2)
Total GF/GP Appropriation Adjustments	(54.6)
Projected Year-End Balance	\$ 0.8

Table 7
FY 2001-02 SUPPLEMENTAL APPROPRIATIONS
RECOMMENDED BY THE OFFICE OF THE STATE BUDGET
(actual dollars)

Department/Budget Area	Gross Appropriation	GF/GP Appropriation
<u>Capital Outlay</u>		
Military Affairs-Jackson Armory Replacement	\$10,000,000	\$ 0
Military Affairs-Calumet Armory Replacement	5,500,000	0
Military Affairs-Grand Ledge Armory Replacement	1,500,000	0
Natural Resources-Fisheries Research Vessel	1,000,000	0
Natural Resources-State Park Infrastructure	15,500,000	0
Transportation-Airport Safety and Protection Plan	55,000,000	0
State Building Authority Rental Payments	(9,217,300)	(9,217,300)
<u>Community Health</u>		
Medicaid Caseload Adjustments	216,458,500	21,820,000
Maternity Outpatient Medical Services Program Caseload	4,214,000	0
<u>Corrections</u>		
County Jail Reimbursement Program	4,500,000	0
<u>Education</u>		
School Breakfast Program	365,100	365,100
<u>Environmental Quality</u>		
Environmental Cleanup Programs	15,000,000	0
<u>Family Independence Agency</u>		
Child Support Automation	6,050,000	0
Family Independence Program Caseload Adjustments	20,000,000	20,000,000
<u>Military and Veterans Affairs</u>		
Grand Rapids Veterans Home-Medicaid Certification	300,000	300,000
<u>Natural Resources</u>		
Timber Harvest Program	1,042,900	0

Table 7 (continued)

FY 2001-02 SUPPLEMENTAL APPROPRIATIONS RECOMMENDED BY THE OFFICE OF THE STATE BUDGET (actual dollars)		
Department/Budget Area	Gross Appropriation	GF/GP Appropriation
<u>State</u>		
Election Administration	80,000	80,000
<u>State Police</u>		
Secondary Road Patrol Grants	4,500,000	0
<u>Transportation</u>		
Comprehensive Transportation Fund-Intermodal Freight Facility	4,132,300	0
Comprehensive Transportation Fund-Local Transit Agencies	3,247,300	0
Comprehensive Transportation Fund-Specialized Services	190,000	0
Federal Bridge Funding	24,000,000	0
<u>Treasury-Debt Service</u>		
School Bond Loan Fund Debt Service Payments	(9,000,000)	(9,000,000)
Total Supplemental Recommendations	\$374,362,800	\$24,347,800

Table 8

FY 2001-02 GENERAL FUND/GENERAL PURPOSE REVENUES, EXPENDITURES AND YEAR-END BALANCE (millions of dollars)	
	SFA Estimate
Revenues:	
Beginning Balance	\$ 28.1
Baseline Consensus Revenue Estimate	9,055.4
Nonbaseline Consensus Revenue Adjustments	(297.1)
Merit Award Trust Fund Transfer (PA 120 of 2001)	72.5
Tobacco Settlement Trust Fund Transfer (PA 120 of 2001)	3.0
Revenue Sharing Funding Reductions	33.2
Tax Amnesty Program	15.5
Treasury Technology-Delinquent Tax Revenue	2.5
Corporation Fees-Reduce Transfer to General Fund	(9.8)
Budget Stabilization Fund Withdrawal (PA 112 of 2001)	155.0
Total Revenues	\$9,058.3
Expenditures:	
GF/GP Initial Appropriations	\$9,366.9
School Aid GF/GP Grant (PA 297 of 2000)	205.6
Pending Supplemental Appropriations	24.3
<u>Executive Order 2001-9:</u>	
GF/GP Appropriation Reductions	(310.9)
Restricted Revenue Reductions	(81.5)
Restricted Revenue Transfers to General Fund	(120.1)
Work Project Reductions and Transfers to General Fund	(28.7)
Total Executive Order 2001-9	(541.2)
Negative Supplemental Appropriation (PA 161 of 2001)	(9.7)
Projected Appropriation Lapses	0.0
Total Expenditures	\$9,045.9
Preliminary Year-End Balance	\$ 12.4
Gov's Recommendation: Transfer Year-End Balance to Budget Stabilization Fund	(12.4)
Final Year-End Balance	\$ 0.0

Table 9

FY 2001-02 SCHOOL AID FUND REVENUES, EXPENDITURES AND YEAR-END BALANCE (millions of dollars)	
	SFA Estimate
Revenues:	
Beginning Balance	\$ 694.8
Baseline Consensus Revenue Estimate	10,233.4
Nonbaseline Consensus Revenue Adjustments	(20.1)
Tax Amnesty Program	6.6
General Fund/General Purpose	198.4
Budget Stabilization Fund Withdrawal (Durant)	32.0
Budget Stabilization Fund Withdrawal (PA 161 of 2001)	71.7
Budget Stabilization Fund Withdrawal (Gov's Recommendation)	278.3
Federal Aid	203.0
Total Revenues	\$11,698.1
Expenditures:	
Original Appropriation (PA 297 of 2000)	\$11,521.0
Supplemental Appropriation (PA 121 of 2001)	(62.8)
Executive Order 2001-9	(7.2)
Projected Appropriation Lapses	(31.2)
Total Expenditures	\$11,419.8
Projected Year-End Balance	\$ 278.3

Table 10

TOBACCO SETTLEMENT FUND APPROPRIATIONS RECOMMENDED IN GOVERNOR'S FY 2002-03 BUDGET (actual dollars)	
Department/Program	SFA Estimate
MERIT AWARD TRUST FUND	
<u>Community Colleges</u>	
Postsecondary Access Student Scholarship	\$2,000,000
<u>Higher Education</u>	
Merit Award Scholarship	114,300,000
Tuition Incentive Program	5,300,000
<u>Department of Treasury</u>	
Michigan Education Assessment Program	16,321,500
Merit Award Board	2,200,000
Tuition Incentive Program Administration	369,100
Michigan Education Savings Program	1,000,000
Lapse to General Fund	100,000,000
Total Merit Award Trust Fund Appropriations	<u>\$241,490,600</u>
TOBACCO SETTLEMENT TRUST FUND	
<u>Career Development</u>	
Council of Michigan Foundations	4,000,000
<u>Department of Community Health</u>	
Senior Prescription Drug Program	30,000,000
Personal Needs Allowance	5,000,000
Long-Term Care Health Advisor	800,000
Respite Care Services	5,000,000
Medicaid Base Funding	30,000,000
<u>Higher Education</u>	
Michigan State University-Rare Isotope Accelerator	2,000,000
<u>Strategic Fund Agency</u>	
Health Research/Development	45,000,000
Total Tobacco Settlement Trust Fund Appropriations	<u>\$121,800,000</u>
Total Tobacco Settlement Appropriations	<u>\$363,290,600</u>

Table 11

STATE PAYMENTS TO UNITS OF LOCAL GOVERNMENT ARTICLE IX, SECTION 30 REQUIREMENT (millions of dollars)	
	FY 2002-03 Estimate
State Spending from State Resources	\$26,379.2 ^{a)}
Required Payments to Local Units of Government (48.97%) .	12,917.9
Actual or Estimated Payments to Locals	16,061.2
Actual Percentage of Total State Spending	60.88%
Surplus of Section 30 Payments	\$3,143.3
a) Does not include \$30.0 million of Federal aid counted as GF/GP revenue.	

Table 12

FULL-TIME EQUATED POSITIONS FY 2001-02 VERSUS FY 2002-03 GOVERNOR'S RECOMMENDATION				
Department/Budget Area	FY 2001-02 Year-to-Date Appropriations	FY 2002-03 Governor's Recommendation	Position Change	Percent Change
Agriculture	647.5	629.5	(18.0)	(2.8)%
Attorney General	595.0	583.5	(11.5)	(1.9)
Career Development	1,141.0	1,089.0	(52.0)	(4.6)
Civil Rights	166.5	158.5	(8.0)	(4.8)
Civil Service	230.5	201.5	(29.0)	(12.6)
Community Health	6,201.1	5,666.3	(534.8)	(8.6)
Consumer and Industry Services . .	4,175.4	3,943.9	(231.5)	(5.5)
Corrections	19,390.5	18,827.9	(562.6)	(2.9)
Education	455.0	407.4	(47.6)	(10.5)
Environmental Quality	1,672.7	1,590.7	(82.0)	(4.9)
Executive	75.0	74.2	(0.8)	(1.1)
Family Independence Agency	13,499.6	12,554.3	(945.3)	(7.0)
History, Arts, and Libraries	139.7	240.5	100.8	72.2
Information Technology	0.0	1,700.2	1,700.2	100.0
Judiciary	591.5	582.5	(9.0)	(1.5)
Management & Budget (Operations)	919.5	848.5	(71.0)	(7.7)
Military Affairs	1,083.5	1,128.0	44.5	4.1
Natural Resources	2,177.5	2,075.5	(102.0)	(4.7)
State	1,973.3	1,847.8	(125.5)	(6.4)
State Police	3,648.5	3,440.5	(208.0)	(5.7)
Strategic Fund Agency	234.0	231.5	(2.5)	(1.1)
Transportation	3,176.3	3,069.3	(107.0)	(3.4)
Treasury (Operations)	1,995.5	1,852.5	(143.0)	(7.2)
TOTAL POSITIONS	64,189.1	62,743.5	(1,445.6)	(2.3)%

Figure E

Full-Time Equated Positions FY 2002-03 Governor's Recommendation

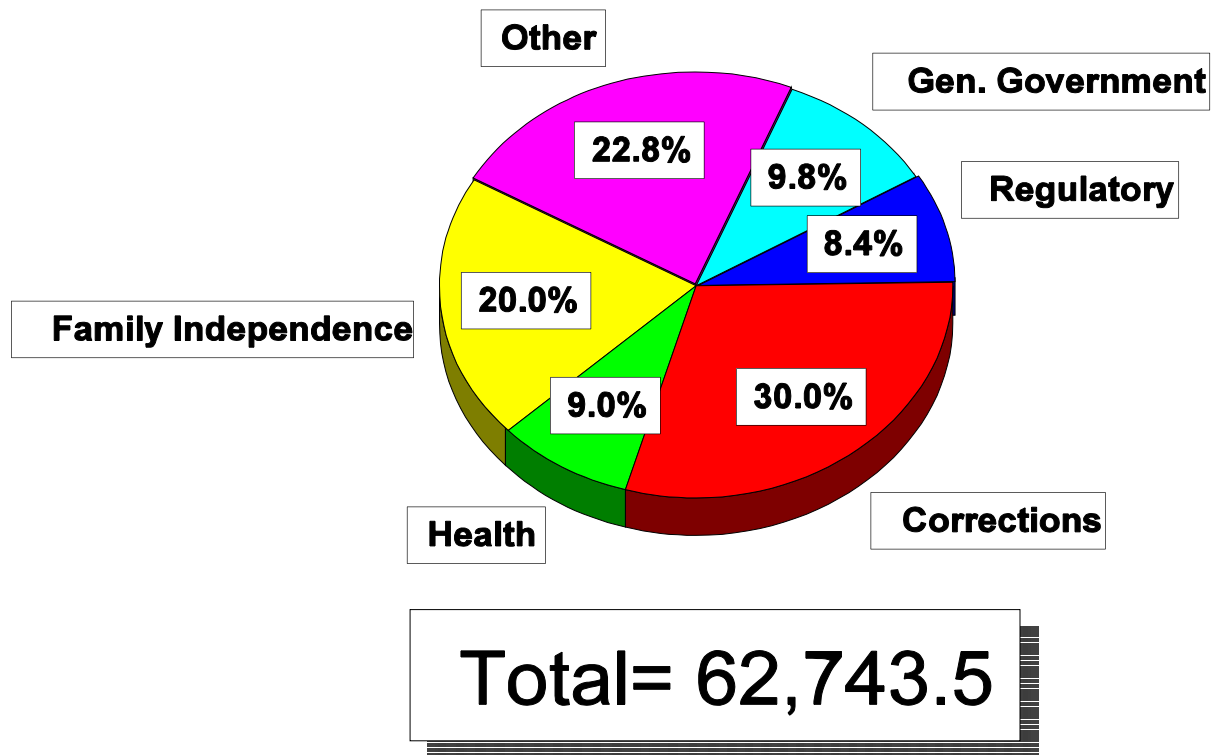


Table 13
FY 2002-03

GENERAL FUND/GENERAL PURPOSE BUDGET
REVENUES, EXPENDITURES AND YEAR-END BALANCE
(dollars in millions)

	SFA Estimate
Revenues:	
Beginning Balance	\$ 0.0
Baseline Consensus Revenue Estimate	9,452.0
Nonbaseline Consensus Revenue Adjustments	(727.8)
Merit Award Trust Fund Transfer	100.0
Diesel Fuel Equity and Simplification	3.0
Revenue Sharing Reductions	122.4
Budget Stabilization Fund Withdrawal	207.0
Employment Security Contingent Fund Transfer	79.5
Total Revenues	\$9,236.1
Expenditures:	
Governor's Recommended Appropriations	\$9,235.3
Projected Appropriation Lapses	0.0
Total Expenditures	\$9,235.3
Preliminary Year-End Balance	\$ 0.8

Table 14
FY 2002-03
SCHOOL AID FUND
REVENUES, EXPENDITURES AND YEAR-END BALANCE
(millions of dollars)

	SFA Estimate
Revenues:	
Beginning Balance	\$ 278.3
Baseline Consensus Revenue Estimate	10,632.6
Non-Baseline Consensus Revenue Adjustments	(36.0)
Diesel Fuel Equity and Simplification	1.5
State Property Tax Collection Date Change	493.7
General Fund/General Purpose Grant	198.4
Budget Stabilization Fund Withdrawal (Durant)	32.0
Local Revenues	0.7
Federal Aid	1,348.3
Total Revenues	\$12,949.5
Expenditures:	
Enacted Appropriations (PA 121 of 2001)	\$8,128.4
Governor's Recommended Supplemental Appropriation	4,666.9
Projected Appropriation Lapses	0.0
Total Expenditures	\$12,795.3
Projected Year-End Balance	\$ 154.2

DEPARTMENTS/BUDGET AREAS

DEPARTMENT OF AGRICULTURE

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2001-02 YEAR-TO-DATE	FY 2002-03 GOV'S REC.	CHANGES FROM FY 2001-02 YEAR-TO-DATE	
			DOLLAR	PERCENT
FTE Positions	647.5	629.5	(18.0)	(2.8)
GROSS	99,041,700	97,454,300	(1,587,400)	(1.6)
Less:				
Interdepartmental Grants Received	12,108,100	10,953,800	(1,154,300)	(9.5)
ADJUSTED GROSS	86,933,600	86,500,500	(433,100)	(0.5)
Less:				
Federal Funds	6,199,000	6,639,500	440,500	7.1
Local and Private	1,121,900	1,127,600	5,700	0.0
TOTAL STATE SPENDING	79,612,700	78,733,400	(879,300)	(1.1)
Less:				
Other State Restricted Funds	38,216,700	37,932,400	(284,300)	(0.7)
GENERAL FUND/GENERAL PURPOSE	41,396,000	40,801,000	(595,000)	(1.4)
PAYMENTS TO LOCALS	3,754,400	3,854,400	100,000	0.0

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

A.	LABORATORY PROGRAM	FTE	8.0
	The Governor's budget proposal includes additional Federal resources to support enhanced pesticide residue monitoring in the Pesticide Data Program and micro-biological testing. Additional Federal support also is included for anti-microbial testing associated with food-borne pathogens.	Gross	1,052,700
		Federal	1,052,700
		GF/GP	0
B.	MICHIGAN STATE FAIR	Gross	(900,000)
	The Governor's budget proposal reduces restricted revenue authorization to the Michigan State Fair to reflect the private lease agreement for management and operation of the fairgrounds. The State continues to use the fairgrounds to run the annual State Fair itself.	Restricted	(900,000)
		GF/GP	0
C.	AGRICULTURE EQUINE INDUSTRY DEVELOPMENT FUND	FTE	(2.0)
	The Governor's budget proposal reduces restricted funding for various equine-related programs funded from the Agriculture Equine Industry Development Fund by 7% each to reflect annual revenue estimates. Support from the Fund to the Office of Racing Commissioner is reduced by \$105,800 or 4.1%.	Gross	(786,600)
		Restricted	(786,600)
		GF/GP	0
D.	MARKET DEVELOPMENT PROGRAM	Gross	(325,000)
	The Governor's budget proposal recognizes various administrative efficiencies in the Market Development program.	GF/GP	(325,000)
E.	FUNDING SHIFTS	Gross	0
	The Governor's budget proposal replaces GF/GP with equal amounts of restricted revenue in the pesticide, food and dairy, and laboratory programs. This restricted revenue is available as one-time carryforward in the FY 2002-03 budget.	Restricted	205,000
		GF/GP	(205,000)
F.	STAFF REDUCTIONS	FTEs	(9.0)
	The Governor's budget proposal includes staff reductions of 9.0 FTEs in order to fund the standard economic increases.	Gross	(537,100)
		GF/GP	(537,100)

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

G. PROGRAM TRANSFERS

FTE (15.0)

The Governor's budget proposal includes a transfer of 15.0 FTEs to the new Department of Information Technology. The proposal consolidates information technology funding (totaling \$1,907,300 Gross and \$1,639,300 GF/GP), previously dispersed throughout the budget, in a new appropriation unit.

H. FEE INCREASES

Gross 60,000
Restricted 60,000
GF/GP 0

The Governor's budget reflects various fee increases in the Pesticide Program to support enhanced regulatory oversight and compliance with applicable rules and regulations. The current-year budget includes estimated revenue of \$225,000 Gross from these fee increases under the Pesticide Control Act. The FY 2002-03 budget includes the FY 2001-02 increase plus an additional \$60,000, for a total of \$285,000. The fee increases are proposed by Senate Bill 989.

I. UNCLASSIFIED SALARIES

Gross 9,700
Restricted 1,500
GF/GP 8,200

The Governor's budget proposal includes a 2% increase to the line that funds unclassified salaries.

J. ECONOMIC ADJUSTMENTS

Gross 820,200
IDG 3,500
Federal 5,300
Private 5,700
Restricted 64,500
GF/GP 741,200

Standard economic adjustments are applied for salaries and wages, total retirement, lump sum payments, 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	\$656,700	\$539,000
Retirement	20,300	17,000
Lump sum	(212,100)	(170,100)
Building occupancy charges	212,300	212,300
Workers' compensation	143,000	143,000
Total	\$820,200	\$741,200

K. OTHER ISSUES

The Governor's proposal includes other adjustments; reduction of \$123,400 Gross/\$109,400 GF/GP to reflect the end of the required payouts associated with the 1997 early retirement program, changes to reflect available restricted revenue, and elimination of GF/GP support for the Upper Peninsula State Fair (\$167,900).

Gross	(981,300)
IDG	(1,157,800)
Federal	(617,500)
Restricted	1,071,300
GF/GP	(277,300)

DEPARTMENT OF ATTORNEY GENERAL

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2001-02 YEAR-TO-DATE	FY 2002-03 GOV'S REC.	CHANGES FROM FY 2001-02 YEAR-TO-DATE	
			DOLLAR	PERCENT
FTE Positions	595.0	583.5	(11.5)	(1.9)
GROSS	62,900,500	62,838,900	(61,600)	(0.1)
Less:				
Interdepartmental Grants Received	9,756,900	9,917,900	161,000	1.7
ADJUSTED GROSS	53,143,600	52,921,000	(222,600)	(0.4)
Less:				
Federal Funds	7,624,800	7,672,700	47,900	0.6
Local and Private	1,171,600	1,183,000	11,400	0.0
TOTAL STATE SPENDING	44,347,200	44,065,300	(281,900)	(0.6)
Less:				
Other State Restricted Funds	8,871,900	8,864,600	(7,300)	(0.1)
GENERAL FUND/GENERAL PURPOSE	35,475,300	35,200,700	(274,600)	(0.8)
PAYMENTS TO LOCALS	0	0	0	0.0

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FY 2001-02
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A. 1997 EARLY RETIREMENT ADJUSTMENTS

The Governor's proposed budget includes a reduction to reflect the end of the five-year payouts of annual leave and sick leave related to employees who retired under the 1997 early retirement legislation.

Gross	(159,900)
Federal	(37,100)
Restricted	(31,000)
GF/GP	(91,800)

B. STAFF REDUCTIONS

The Governor's recommendation reduces positions to cover employee-related economic costs.

FTE	(4.5)
Gross	(286,600)
GF/GP	(286,600)

C. PROGRAM TRANSFERS

The Governor's recommendation creates a new Information Technology appropriation unit for the Department of Attorney General. It includes \$878,200 transferred from the operations line item. This funding also is appropriated as an interdepartmental grant from user fees in the new Department of Information Technology, which was created by Executive Order 2001-03. Seven positions are transferred to the new Department from the Department of Attorney General.

FTE	(7.0)
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D. UNCLASSIFIED SALARIES

No increase was recommended for the \$467,000 line item that funds 5.0 FTE unclassified positions.

Gross	0
GF/GP	0

The Governor also did not include a salary increase for the Attorney General. Pursuant to the Michigan Constitution, the Attorney General's salary cannot be increased during his or her term of office. Any change to the salary must be effective on January 1, 2003. Therefore, if no increase is provided in the FY 2002-03 budget, the salary cannot be increased until January 1, 2007.

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E. ECONOMIC ADJUSTMENTS

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

Gross	384,900
IDG	161,000
Federal	85,000
Private	11,400
Restricted	23,700
GF/GP	103,800

Item	Gross	GF/GP
Salaries	\$763,000	\$399,500
Retirement	59,000	27,700
Lump Sum Adjustment	(211,700)	(136,600)
Workers' Compensation	(4,000)	(4,000)
Building Occupancy Charges	(25,500)	(25,500)
Rent	(195,900)	(157,300)
Total	\$384,900	\$103,800

CAPITAL OUTLAY

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2001-02 YEAR-TO-DATE	FY 2002-03 GOV'S REC.	CHANGES FROM FY 2001-02 YEAR-TO-DATE	
			DOLLAR	PERCENT
FTE Positions	N/A	N/A	N/A	N/A
GROSS	486,161,200	562,769,900	76,608,700	15.8
Less:				
Interdepartmental Grants Received	7,000,000	4,000,000	(3,000,000)	(42.9)
ADJUSTED GROSS	479,161,200	558,769,900	79,608,700	16.6
Less:				
Federal Funds	106,332,000	165,042,000	58,710,000	55.2
Local and Private	27,250,000	43,000,000	15,750,000	57.8
TOTAL STATE SPENDING	345,579,200	350,727,900	5,148,700	1.5
Less:				
Other State Restricted Funds	43,109,000	46,245,000	3,136,000	7.3
GENERAL FUND/GENERAL PURPOSE	302,470,200	304,482,900	2,012,700	0.7
PAYMENTS TO LOCALS	28,125,000	17,425,000	(10,700,000)	(38.0)

A. FY 2001-02 SUPPLEMENTAL APPROPRIATIONS RECOMMENDED IN GOVERNOR'S FY 2002-03 BUDGET

The Governor recommends an \$88,500,000 restricted fund supplemental to cover three main areas:

Department of Military Affairs - The recommendation includes \$17,000,000 for three armory construction projects for the Department of Military and Veterans Affairs - \$10,000,000 for the replacement of the Jackson armory, \$5,500,000 for the replacement of the Calumet armory, and \$1,500,000 for improvements at the Grand Ledge army airfleet support facility. These projects are funded with \$13,125,000 Federal National Guard Bureau revenue and \$3,875,000 in State armory construction fund matching revenue.

Department of Natural Resources - The recommendation includes \$1,000,000 to replace two Fisheries research vessels for the Department. In addition, a \$15,500,000 appropriation is recommended for infrastructure improvements at the Sterling State Park near Monroe to be funded with State Park Improvement Revenue Bonds, the debt service for which would be financed from the State Park Improvement Fund.

Department of Transportation - The recommendation includes \$55,000,000 for implementation of the airport safety and protection plan. The program is financed with \$40,000,000 in Federal airport improvement program funds, and \$15,000,000 from the local aeronautics fund.

B. STATE AGENCY SPECIAL MAINTENANCE

The Governor recommends a continuation level of General Fund support for State agency special maintenance projects. There is a \$3,000,000 reduction in maintenance projects financed by State agency building occupancy charges due to reduced appropriations at the user agencies. The recommendation also eliminates the \$150,000 special maintenance appropriation for the Department of Natural Resources (DNR), and shifts that to the Department of Corrections. The recommendation provides \$2,077,700 for the Department of Corrections, \$712,500 for the Department of Management and Budget, \$550,000 for the Family Independence Agency, \$500,000 for the Department of Community Health, and \$256,300 for the Department of State Police.

Gross	(3,000,000)
IDG	(3,000,000)
GF/GP	0

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C. DEPARTMENT OF MILITARY AND VETERANS AFFAIRS

The recommendation reflects an increase in Federal National Guard Bureau funds for armory maintenance projects, and the elimination of the \$500,000 appropriation for land acquisitions and appraisals statewide from the State's armory construction fund. These State restricted revenues are being recommended as a match to additional Federal money being recommended in an FY 2001-02 supplemental for armory construction projects (Item A above).

Gross	182,000
Federal	682,000
Restricted	(500,000)
GF/GP	0

D. DEPARTMENT OF NATURAL RESOURCES

1. Parks

The Governor's budget removes the one-time appropriation for the Haven Hill natural area damage settlement. The Governor also recommends transferring the \$800,000 annual appropriation for forest roads, bridges, and facilities from the DNR operating budget to capital outlay.

Gross	0
Restricted	800,000
Private	(800,000)
GF/GP	0

2. Wildlife and Fisheries

The Governor eliminates one-time appropriations for waterfowl and turkey habitat development and acquisition projects funded from private, State restricted (permit fees), and corresponding Federal matching resources. A new \$1,500,000 appropriation for deer habitat development and acquisition projects, financed from the deer range improvement fund, is being recommended.

Gross	(3,300,000)
Federal	(2,900,000)
Restricted	50,000
Private	(450,000)
GF/GP	0

3. Waterways

The recommendation removes several one-time appropriations for a variety of harbor, boating access site, and marina projects and adds several new projects to the recommendation. The new projects include: \$9,025,000 for the Mackinac Island marina expansion (total project cost \$11,025,000), and \$1,000,000 for a north shore boating access site in Escanaba.

Gross	2,161,000
Federal	1,600,000
Restricted	561,000
GF/GP	0

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E. AERONAUTICS PROGRAMS

The recommendation includes a new proposal that allows the Aeronautics Commission over five years to issue \$60 million in bonds, which, with new Federal funds, will implement the State's Airport security and safety program. While the bond proceeds are not appropriated, the debt service is provided in the Department of Transportation budget, and will be financed by claiming \$6,000,000 (of the estimated \$18,000,000 in annual collections) collected from the existing 30% State airport parking tax imposed on long-term parking at Detroit's Metro Airport. This money currently goes to Wayne County's general fund.

Gross	64,278,000
Federal	61,278,000
Local	17,000,000
Restricted	0
GF/GP	(14,000,000)

The recommendation also includes a new \$17,000,000 line item for the new Airport security and safety program and an increase of \$61,278,000 for other airport improvement projects. The \$5,000,000 in State General Fund support for airport improvement projects is being eliminated. The final payment of \$12,000,000 for the Northwest Airlines and Detroit Metropolitan Airport midfield terminal project is being recommended.

F. DEPARTMENT OF TRANSPORTATION

The Governor removes one-time planning authorizations for three new welcome centers at St. Ignace, Monroe, and Dundee (\$425,000) and the one-time construction authorization for the Coldwater welcome center (\$2,750,000). A \$3,000,000 construction authorization for the Monroe welcome center is being recommended. The recommendation also includes minor funding adjustments to a variety of other maintenance projects at Department maintenance, storage, and repair facilities.

Gross	(200,000)
Restricted	(200,000)
GF/GP	0

G. STATE BUILDING AUTHORITY RENT

The Governor recommends an increase in 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 \$291,311,700. This recommendation is 90% of the expected need for rent payments; the difference is anticipated to be made up by delays in construction schedules, and subsequent delays in bond issuances.

Gross	16,487,700
Restricted	475,000
GF/GP	16,012,700

DEPARTMENT OF CAREER DEVELOPMENT

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2001-02 YEAR-TO-DATE	FY 2002-03 GOV'S REC.	CHANGES FROM FY 2001-02 YEAR-TO-DATE	
			DOLLAR	PERCENT
FTE Positions	1,141.0	1,089.0	(52.0)	(4.6)
GROSS	525,121,600	534,318,700	9,197,100	1.8
Less:				
Interdepartmental Grants Received	0	0	0	0.0
ADJUSTED GROSS	525,121,600	534,318,700	9,197,100	1.8
Less:				
Federal Funds	463,699,900	472,569,200	8,869,300	1.9
Local and Private	17,374,500	17,408,200	33,700	0.2
TOTAL STATE SPENDING	44,047,200	44,341,300	294,100	0.7
Less:				
Other State Restricted Funds	9,444,500	9,661,500	217,000	2.3
GENERAL FUND/GENERAL PURPOSE	34,602,700	34,679,800	77,100	0.2
PAYMENTS TO LOCALS	0	0	0	0.0

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FY 2001-02
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A.	GEAR-UP PROGRAM	Gross Federal GF/GP	3,000,000 3,000,000 0
	The Governor's recommendation includes \$3,000,000 in new Federal funding for the Gear-Up Program, a multiyear program to encourage at-risk students to remain in school.		
B.	EMPLOYMENT TRAINING SERVICES	Gross Federal GF/GP	2,103,900 2,103,900 0
	Federal funding increases are provided for rehabilitation services.		
C.	VOCATIONAL REHABILITATION AND CARL D. PERKINS GRANTS AND ADMINISTRATION	Gross Federal GF/GP	2,655,800 2,655,800 0
	Increased Federal funds are available for the vocational education programs. The Governor's budget gives vocational rehabilitation services an additional \$1,155,800, increases the Carl D. Perkins Grant by \$1,000,000, and increases related administrative funding by \$500,000.		
D.	MICHIGAN CAREER AND TECHNICAL INSTITUTE	Gross Federal GF/GP	349,700 349,700 0
	Federal funding for this postsecondary school for disabled persons is increased primarily to fund data lines and utilities.		
E.	FOCUS: HOPE		
	The Governor recommends that funding for Focus: HOPE remain at \$5,994,300 in FY 2002-03.		
F.	STAFF REDUCTIONS TO FUND ECONOMIC ADJUSTMENTS	FTE Gross GF/GP	(2.0) (145,300) (145,300)
	The Governor's budget reduces personnel by 2.0 FTEs and \$145,300 to fund the cost of economic adjustments.		
G.	PROGRAM TRANSFERS	FTE	(50.0)
	The proposed budget transfers 50.0 FTEs to the Department of Information Technology. An appropriation unit is established with expenditure authority for \$6,441,800 of Federal funds. The new Department of Information Technology will bill for services.		

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FY 2001-02
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H. UNCLASSIFIED SALARIES

Gross 9,900
GF/GP 9,900

The Governor recommends a 2% increase in the line item that funds unclassified salaries.

I. ECONOMIC ADJUSTMENTS

Gross 1,468,600
Federal 1,092,300
Local 33,700
Restricted 116,100
GF/GP 226,500

The budget includes the following standard budget adjustments:

Item	Gross	GF/GP
Salary and Wages	\$1,052,300	\$121,300
Workers' Compensation	(90,000)	0
Building Occupancy	869,900	86,800
Rent	(413,800)	0
Retirement-Defined Benefit	174,800	19,200
Retirement-Defined Contribution	259,400	41,000
Lump Sum Adjustment	(400,000)	(46,100)
Other	16,000	4,300
Total	\$1,468,600	\$226,500

J. OTHER ISSUES

Gross (245,500)
Federal (332,400)
Restricted 100,900
GF/GP (14,000)

The proposed budget increases expenditure authority for Private Occupational School license fees by \$100,900 and removes discontinued payments of \$346,400 related to the 1997 early retirement program.

DEPARTMENT OF CIVIL RIGHTS

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2001-02 YEAR-TO-DATE	FY 2002-03 GOV'S REC.	CHANGES FROM FY 2001-02 YEAR-TO-DATE	
			DOLLAR	PERCENT
FTE Positions	166.5	158.5	(8.0)	(4.8)
GROSS	15,267,000	15,348,900	81,900	0.5
Less:				
Interdepartmental Grants Received	0	0	0	0.0
ADJUSTED GROSS	15,267,000	15,348,900	81,900	0.5
Less:				
Federal Funds	934,000	934,000	0	0.0
Local and Private	0	0	0	0.0
TOTAL STATE SPENDING	14,333,000	14,414,900	81,900	0.6
Less:				
Other State Restricted Funds	0	0	0	0.0
GENERAL FUND/GENERAL PURPOSE	14,333,000	14,414,900	81,900	0.6
PAYMENTS TO LOCALS	0	0	0	0.0

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

A. COMPLETION OF 1997 EARLY RETIREMENT PAYOUTS

Gross	(38,000)
GF/GP	(38,000)

The Governor's recommended budget includes a reduction to reflect the end of the five year payouts of annual leave and sick leave related to employees who retired under the 1997 early retirement legislation.

B. STAFF REDUCTIONS TO PAY FOR EMPLOYEE ECONOMICS

FTE	(3.0)
Gross	(181,200)
GF/GP	(181,200)

The Governor's recommended budget includes a reduction of 3.0 FTEs and associated funding to pay for employee economic adjustments. Of the reduction, \$5,100 is taken from the line item for unclassified salaries, resulting in no net increase to that line. The remaining \$176,100 is taken from the Operations line item.

C. PROGRAM TRANSFERS

FTE	(5.0)
Gross	0
GF/GP	0

In the Governor's recommended budget, 5.0 FTE positions are transferred to the new Department of Information Technology. A new appropriation unit is created within the Department of Civil Rights budget, which includes \$1,082,000, entirely funded by GF/GP. This funding is seen in the budget for the new Department as an interdepartmental grant from user charges.

D. UNCLASSIFIED SALARIES

Gross	5,100
GF/GP	5,100

Unclassified salaries receive a 2% increase from the current year-to-date in the Governor's recommended budget from \$254,100 to \$259,200. This line receives no net increase due to a reduction to pay for employee-related economic adjustments. Only 3.0 of the 5.0 unclassified FTEs are funded.

E. ECONOMIC ADJUSTMENTS

Gross	296,000
GF/GP	296,000

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

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Item	Gross	GF/GP
Salaries and Wages	\$165,700	\$165,700
Retirement	71,800	71,800
Building Occupancy Charges/Rent	119,900	119,900
Workers' Compensation	(1,000)	(1,000)
Lump Sum Adjustments	(60,400)	(60,400)
Total	\$296,000	\$296,000

DEPARTMENT OF CIVIL SERVICE

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2001-02 YEAR-TO-DATE	FY 2002-03 GOV'S REC.	CHANGES FROM FY 2001-02 YEAR-TO-DATE	
			DOLLAR	PERCENT
FTE Positions	230.5	201.5	(29.0)	(12.6)
GROSS	30,088,340	32,217,300	2,128,960	7.1
Less:				
Interdepartmental Grants Received	3,300,000	5,300,000	2,000,000	60.6
ADJUSTED GROSS	26,788,340	26,917,300	128,960	0.5
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	20,159,240	20,288,200	128,960	0.6
Less:				
Other State Restricted Funds	9,502,900	9,639,200	136,300	1.4
GENERAL FUND/GENERAL PURPOSE	10,656,340	10,649,000	(7,340)	(0.1)
PAYMENTS TO LOCALS	0	0	0	0.0

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

A. TRAINING FOR MANAGEMENT EMPLOYEES

The Governor's proposed budget doubles the appropriation for employee training from \$2,000,000 to \$4,000,000. This increase primarily relates to the Leadership development and Executive Training program that 1,800 management level employees statewide are required to complete.

Gross	2,000,000
IDG	2,000,000
GF/GP	0

B. STATE OFFICERS COMPENSATION COMMISSION

The budget includes an increase to pay for public meeting notices, meeting rooms, and travel expenses for the Commission. The Commission meets every other year to determine salary adjustments for the Governor, Lieutenant Governor, Legislators, and Supreme Court Justices.

Gross	15,000
GF/GP	15,000

C. COMPLETION OF 1997 EARLY RETIREMENT PAYOUTS

The Governor's recommended budget includes a reduction to reflect the end of the five-year payouts of annual leave and sick leave related to employees who retired under the 1997 early retirement legislation.

Gross	(97,000)
Restricted	(56,300)
GF/GP	(40,700)

D. STAFF REDUCTIONS TO PAY FOR EMPLOYEE ECONOMICS

Governor's recommended budget includes a reduction of 2.0 FTEs and associated funding to pay for employee economic adjustments.

FTE	(2.0)
Gross	(121,300)
GF/GP	(121,300)

E. PROGRAM TRANSFERS

In the Governor's recommended budget, 27.0 FTE positions are transferred to the new Department of Information Technology. A new appropriation unit is created within the Department of Civil Service budget, which includes \$3,461,600 Gross; \$1,440,000 GF/GP. This funding is seen in the budget for the new Department as an interdepartmental grant from user charges and is primarily related to the Human Resources Management Network

FTE	(27.0)
Gross	0
GF/GP	0

**FY 2002-03
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FY 2001-02
Year-to-Date**

F. ECONOMIC ADJUSTMENTS

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

Gross	332,260
Restricted	192,600
GF/GP	139,660

Item	Gross	GF/GP
Salaries and Wages	\$243,460	\$102,360
Retirement	115,900	48,700
Workers' Compensation	12,000	5,000
Building Occupancy Charges	43,500	18,300
Lump Sum Adjustments	(82,600)	(34,700)
Total	\$332,260	\$139,660

COMMUNITY COLLEGES

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2001-02 YEAR-TO-DATE	FY 2002-03 GOV'S REC.	CHANGES FROM FY 2001-02 YEAR-TO-DATE	
			DOLLAR	PERCENT
FTE Positions	N/A	N/A	N/A	N/A
GROSS	321,596,319	321,732,319	136,000	0.0
Less:				
Interdepartmental Grants Received	0	0	0	0.0
ADJUSTED GROSS	321,596,319	321,732,319	136,000	0.0
Less:				
Federal Funds	0	0	0	0.0
Local and Private	0	0	0	0.0
TOTAL STATE SPENDING	321,596,319	321,732,319	136,000	0.0
Less:				
Other State Restricted Funds	2,000,000	2,000,000	0	0.0
GENERAL FUND/GENERAL PURPOSE	319,596,319	319,732,319	136,000	0.0
PAYMENTS TO LOCALS	319,596,319	319,732,319	136,000	0.0

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

A. OPERATIONS

Gross	0
GF/GP	0

The Governor has recommended a continuation level of funding for base operations for each community college. The Governor's recommendation for each college is described in Table 1.

B. TUITION TAX CREDIT/TUITION RESTRAINT

Gross	0
GF/GP	0

The Governor has eliminated all reference to either the tuition tax credit or tuition restraint proposals.

C. AT-RISK STUDENT SUCCESS PROGRAM

Gross	0
GF/GP	0

The Governor's budget recommendation provides no increase for the At-Risk Student Success Program. 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 or unrelated to established At-Risk programs. The distribution to individual colleges has changed consistent with the formula requirements for this program and is described in detail in Table 1.

D. RENAISSANCE ZONE REIMBURSEMENTS

Gross	136,000
GF/GP	136,000

The budget recommendation reflects the anticipated increase in expenditures necessary to reimburse community colleges for revenue lost as a result of the Michigan Renaissance Zone Act. The recommended distribution of funds is based on data collected and analyzed by the Department of Treasury.

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

E. POSTSECONDARY ACCESS STUDENT SUCCESS (PASS) TUITION ASSISTANCE PROGRAM

Gross	0
Restricted	0
GF/GP	0

The Governor's recommendation includes the continuation of the Postsecondary Access Student Scholarship tuition assistance program. The program provides the remaining tuition and fees after all other financial aid programs for qualifying students are used. In order to be eligible, a student must be degree-seeking, enrolled at least part-time, have qualifying MEAP scores, and otherwise be eligible for the Federal PELL program. The program is financed from the Michigan Merit Award Trust Fund.

Table 1
FY 2002-2003 COMMUNITY COLLEGE FUNDING RECOMMENDATIONS

College	Operations			At Risk Student Success Program		
	A	B	C	D	E	F
	Current Year Appropriations	Governor's Recommend.	% Change	Current Year Appropriations	Governor's Recommend.	% Change
Alpena	5,311,973	5,311,973	0.0%	104,004	85,654	-17.6%
Bay de Noc	5,129,944	5,129,944	0.0%	98,650	93,194	-5.5%
Delta	14,813,864	14,813,864	0.0%	110,240	109,215	-0.9%
Glen Oaks	2,485,512	2,485,512	0.0%	135,832	138,528	2.0%
Gogebic	4,365,123	4,365,123	0.0%	78,902	78,171	-0.9%
Grand Rapids	18,633,380	18,633,380	0.0%	74,179	88,959	19.9%
Henry Ford	22,708,494	22,708,494	0.0%	164,807	163,814	-0.6%
Jackson	12,570,441	12,570,441	0.0%	113,768	113,121	-0.6%
Kalamazoo Valley	12,825,971	12,825,971	0.0%	113,499	116,085	2.3%
Kellogg	10,076,975	10,076,975	0.0%	158,343	156,823	-1.0%
Kirtland	3,058,415	3,058,415	0.0%	158,732	169,343	6.7%
Lake Michigan	5,423,461	5,423,461	0.0%	192,554	186,759	-3.0%
Lansing	32,223,042	32,223,042	0.0%	157,864	162,796	3.1%
Macomb	34,381,003	34,381,003	0.0%	91,038	92,395	1.5%
Mid Michigan	4,586,420	4,586,420	0.0%	129,419	138,950	7.4%
Monroe	4,462,223	4,462,223	0.0%	99,275	99,550	0.3%
Montcalm	3,227,530	3,227,530	0.0%	71,694	69,465	-3.1%
Mott	16,291,459	16,291,459	0.0%	109,157	111,102	1.8%
Muskegon	9,271,134	9,271,134	0.0%	213,016	209,919	-1.5%
North Central	3,140,212	3,140,212	0.0%	178,336	156,702	-12.1%
Northwestern	9,460,166	9,460,166	0.0%	120,677	129,025	6.9%
Oakland	21,687,988	21,687,988	0.0%	159,354	157,358	-1.3%
St. Clair	7,264,610	7,264,610	0.0%	80,413	88,500	10.1%
Schoolcraft	12,728,740	12,728,740	0.0%	150,164	152,307	1.4%
Southwestern	6,832,843	6,832,843	0.0%	180,632	180,889	0.1%
Washtenaw	12,937,228	12,937,228	0.0%	161,709	170,388	5.4%
Wayne County	17,223,721	17,223,721	0.0%	149,384	142,398	-4.7%
West Shore	2,382,344	2,382,344	0.0%	136,461	130,693	-4.2%
Subtotal	\$315,504,216	\$315,504,216	0.0%	\$3,692,103	\$3,692,103	0.0%
At Risk Student Success Program	3,692,103	3,692,103	0.0%	3,692,103	3,692,103	0.0%
Renaissance Zone	400,000	536,000	34.0%			
Reimbursement						
PASS program	2,000,000	2,000,000	0.0%			
Total Funding	\$321,596,319	\$321,732,319	0.0%	\$3,692,103	\$3,692,103	0.0%

DEPARTMENT OF COMMUNITY HEALTH

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2001-02 YEAR-TO-DATE	FY 2002-03 GOV'S REC.	CHANGES FROM FY 2001-02 YEAR-TO-DATE	
			DOLLAR	PERCENT
FTE Positions	6,201.1	5,666.3	(534.8)	(8.6)
GROSS	8,574,323,600	9,155,663,900	581,340,300	6.8
Less:				
Interdepartmental Grants Received	74,507,400	69,172,900	(5,334,500)	(7.2)
ADJUSTED GROSS	8,499,816,200	9,086,491,000	586,674,800	6.9
Less:				
Federal Funds	4,416,877,400	4,801,713,100	384,835,700	8.7
Local and Private	1,126,837,500	1,128,388,500	1,551,000	0.1
TOTAL STATE SPENDING	2,956,101,300	3,156,389,400	200,288,100	6.8
Less:				
Other State Restricted Funds	395,443,500	593,328,200	197,884,700	50.0
GENERAL FUND/GENERAL PURPOSE	2,560,657,800	2,563,061,200	2,403,400	0.1
PAYMENTS TO LOCALS	997,238,400	1,001,418,200	4,179,800	0.4

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

A. FY 2001-02 SUPPLEMENTAL APPROPRIATIONS RECOMMENDED IN GOVERNOR'S FY 2002-03 BUDGET

The Governor's budget includes FY 2001-02 supplemental funding for Medicaid. This includes \$50,000,000 Gross; \$21,820,000 GF/GP for the basic Medicaid services. The supplemental also reflects additional "special financing" revenue of \$166,458,500 Gross. Finally, the supplemental includes \$4,214,000 in Healthy Michigan Fund for an expansion of prenatal care services.

B. GENERAL ISSUES

1. Budgetary Savings

The Governor's budget removes the Budgetary Savings unit appropriated in the FY 2001-02 Department of Community Health (DCH) budget. This savings unit, totaling \$13,722,400 Gross and GF/GP, was fulfilled by various reductions. These reductions included administrative savings and decisions not to go forward with spending increases appropriated in the FY 2001-02 budget, such as funding for free clinics, increased funding for smoking prevention, and increased funding for the African-American Male Health Initiative. The net negative number represents the loss of some Federal matching dollars for some of these reductions.

Gross	(1,665,900)
Federal	(1,665,900)
GF/GP	0

2. Federal Funds Changes

The Governor's budget includes a number of projected changes to Federal funds received by the Department. In some cases this is merely an adjustment to reflect actual authorization, but in most cases these are new dollars.

Gross	17,406,900
Federal	17,406,900
GF/GP	0

3. Annualization of Executive Order 2001-9 Savings

The Governor's budget reflects the full-year savings from FY 2001-02 Executive Order budget reductions that took effect part-way through the fiscal year. These include the zeroing out of Pilot Prevention programs in mental health and funding for teen health centers, as well as savings from the rebasing of Diagnosis Related Group (DRG) rates.

FTE	(4.0)
Gross	(12,077,400)
Federal	(5,203,800)
Restricted	(1,677,800)
GF/GP	(5,195,800)

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

C. MENTAL HEALTH ISSUES

1. Community Mental Health (CMH) Medicaid Caseload Increase

The Governor's budget includes increased funding for CMH Medicaid services to reflect an increase in the Medicaid caseload. The budget also includes a funding increase for CMH Medicaid (discussed below in the HIFA Waiver section.)

Gross	25,347,600
Federal	14,047,600
GF/GP	11,300,000

2. Adjustments to Mental Health Facility Funding

The budget includes the usual adjustments to mental health facility funding. Of note in the Governor's FY 2002-03 proposal is the closure of the Southgate Center for the Developmentally Disabled, which would leave the State with one public center for the Developmentally Disabled population, in Mount Pleasant.

FTE	(362.0)
Gross	(6,050,000)
IDG	(6,135,800)
Federal	286,500
Local	508,900
Restricted	(708,700)
GF/GP	(900)

D. PUBLIC HEALTH ISSUES

1. Bioterrorism Funding

The Governor's budget includes increased Federal funding for bioterrorism preparedness activities. The increase will provide funding for the development of statewide capacity to detect and respond to biological and chemical terrorist events.

FTE	33.0
Gross	10,576,500
Federal	10,576,500
GF/GP	0

2. Expansion of Maternity Outpatient Medical Services (MOMS) Program

The Governor's budget proposes an additional \$6,000,000 to cover increased demand for the MOMS program, which provides prenatal care for low-income women who may not qualify for full Medicaid coverage or choose not to enroll. The Governor proposes to cover the cost of this increase by using Healthy Michigan Fund dollars.

Gross	6,000,000
Restricted	6,000,000
GF/GP	0

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

E. MEDICAID ISSUES

1. Annualization of Pharmaceutical Cost Containment Savings	Gross	(14,333,300)
	Federal	(7,943,500)
The Governor's proposal assumes continuation of the pharmaceutical cost containment program instituted early in 2002, and takes full-year savings for the program.	GF/GP	(6,389,800)
2. Medicaid Base Adjustments	Gross	345,427,400
	Federal	189,768,100
The Governor's budget includes an increase in funding for various Medicaid line items (including Adult Home Help and Children's Special Health Care Services) due to increases in utilization, caseload, and costs.	GF/GP	155,659,300
3. Changes in Medicaid "Special Financing"	Gross	88,287,800
	Federal	16,677,800
Due to the gradual phase-out of various special financing mechanisms, the Governor's budget projects an increase in State funding.	Local	(2,429,700)
	Restricted	30,424,100
	Tobacco	(2,792,800)
	GF/GP	46,408,400
4. Federal Match Rate Changes	Gross	0
	Federal	(64,522,800)
The Governor's budget includes increased GF/GP support due to a reduction in the Federal Medicaid match rate from 56.36% to 55.42%.	GF/GP	64,522,800
5. Medicaid Trust Fund Withdrawal	Gross	0
	Federal	246,662,400
To cover the GF/GP costs of the base adjustment for the basic Medicaid program, the phase-out of "special financing", and the reduction in the match rate, the Governor's budget includes a withdrawal from the Medicaid Benefits Trust Fund. This withdrawal would leave \$277,900,000 in the trust fund.	GF/GP	(246,662,400)

		FY 2002-03 Change from FY 2001-02 <u>Year-to-Date</u>	
6.	Elder Prescription Insurance Coverage (EPIC) Changes	Gross	94,999,300
		Federal	115,000,000
		Restricted	(5,000,700)
		Tobacco	(15,000,000)
		GF/GP	0
The Governor's budget assumes passage of the President's proposal on senior pharmaceutical coverage. If adopted, the proposal will bring additional Federal funds to the State and allow the EPIC program to be expanded to 200% of poverty, with a reduction in required State funding from Restricted and Tobacco Settlement dollars.			
7.	Savings from Hospital DRG Rebasing	Gross	(16,868,200)
		Federal	(9,348,400)
		GF/GP	(7,519,800)
The latest rebasing of DRG rates should result in lower inpatient hospital costs for Medicaid HMOs on average.			
8.	Reduction In Long Term Care Costs	Gross	(22,431,600)
		Federal	(12,431,600)
		GF/GP	(10,000,000)
As part of the Department's Long Term Care Plan, emphasis will be placed on assuring that individuals with long-term care needs will be served in the most appropriate setting. The assumption here is that there will be fewer nursing home admissions.			
9.	HIFA Waiver	Gross	112,932,300
		Federal	112,932,300
		GF/GP	0
The Governor's budget includes a number of funding shifts to help finance an expansion of Medicaid coverage. This expansion would make Medicaid available to additional low income adults and pregnant women. It results in GF/GP savings because many indigent individuals now receiving mental health treatment from the CMH non-Medicaid line would become Medicaid eligible. Those GF/GP savings then are used to give CMH a funding increase and to cover other populations as well. Unused Federal MICHild dollars and disproportionate share dollars also are used to cover the costs of this expansion. While the Department estimates that approximately 200,000 people would be affected by this expansion, it is unclear as to whether additional individuals will become eligible or presently eligible persons will receive expanded service.			

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

F. PROGRAM TRANSFERS

1. Transfer of School Health Education and Teen Health Centers to School Aid

The Governor's budget proposes to transfer financial responsibility for the School Health and Education Program to the school aid budget. The DCH will continue to have a role in curriculum development. It is also assumed that the teen health centers will be funded with "at risk" money in the school aid budget.

Gross	(3,180,000)
Restricted	(1,180,000)
GF/GP	(2,000,000)

2. Transfer of Funding and FTEs to the Department of Information Technology

The Governor's budget proposes transferring information technology activities to a new unit, then sending that money via an interdepartmental grant to the new Department of Information Technology (DIT). The information technology FTEs formerly credited to the DCH would be counted in the DIT bill.

FTE	(148.0)
Gross	0
GF/GP	0

G. UNCLASSIFIED SALARIES

The unclassified line item is increased 2.0%.

Gross	11,600
GF/GP	11,600

H. ECONOMIC ADJUSTMENTS

Standard economic adjustments are applied for salaries and wages, total retirement, rent, motor transport, workers' compensation, and building occupancy charges consistent with factors applied to all budgets. It should be noted that new funds were not added to the budget to pay for the salaries and wages increase. Rather, the Department will be required to pay for the increase through internal resources. It currently appears that some of these resources will come from the lay-off of existing staff. These adjustments include:

FTE	(24.0)
Gross	6,258,800
IDG	680,400
Federal	816,500
Local	2,090,300
Restricted	175,200
GF/GP	2,496,400

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

Item	Gross	GF/GP
Salaries and wages	\$8,597,000	\$4,204,200
Retirement	735,600	94,400
Other	1,726,800	1,248,700
Removal of lump sum payout	(3,211,800)	(1,462,100)
Staff reduction to pay for economics	(1,588,800)	(1,588,800)
Total	\$6,258,800	\$2,496,400

I. OTHER ISSUES

Other changes result in slight adjustments to the budget.

FTE	(4.0)
Gross	(697,900)
IDG	120,900
Federal	(2,956,900)
Local	1,844,500
Private	(463,000)
Restricted	983,000
GF/GP	(226,400)

DEPARTMENT OF CONSUMER & INDUSTRY SERVICES

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2001-02 YEAR-TO-DATE	FY 2002-03 GOV'S REC.	CHANGES FROM FY 2001-02 YEAR-TO-DATE	
			DOLLAR	PERCENT
FTE Positions	4,175.4	3,943.9	(231.5)	(5.5)
GROSS	557,480,400	570,138,100	12,657,700	2.3
Less:				
Interdepartmental Grants Received	111,800	111,100	(700)	(0.6)
ADJUSTED GROSS	557,368,600	570,027,000	12,658,400	2.3
Less:				
Federal Funds	234,440,500	242,311,500	7,871,000	3.4
Local and Private	740,000	740,000	0	0.0
TOTAL STATE SPENDING	322,188,100	326,975,500	4,787,400	1.5
Less:				
Other State Restricted Funds	284,291,400	288,987,600	4,696,200	1.7
GENERAL FUND/GENERAL PURPOSE	37,896,700	37,987,900	91,200	0.2
PAYMENTS TO LOCALS	19,921,000	19,921,000	0	0.0

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

A. SECTION 8 HOUSING VOUCHERS

The Governor's recommendation includes additional Federal funding for housing vouchers. The funds would extend services to approximately 1,500 additional clients.

Gross	6,000,000
Federal	6,000,000
GF/GP	0

B. NURSING SCHOLARSHIPS

The Governor proposes to increase funds available for nursing scholarships from the Nurses Professional Fund which is supported by nursing license fees.

Gross	248,000
Restricted	248,000
GF/GP	0

C. OFFICE OF FINANCIAL AND INSURANCE SERVICES

1. Financially Troubled Insurers

Under the proposal, the Department could hire consultants to monitor financially troubled insurers, including health maintenance organizations. The budget provides increased expenditure authorization of \$1,500,000 from insurance regulatory fees.

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

2. Triennial Financial Examination

The proposal increases resources to ensure that licensed mortgage brokers, consumer lenders, and registered investment advisors are examined every three years. The budget provides increased expenditure authorization of \$1,000,000 from Consumer Finance Fees for contracts with auditing and compliance firms and additional software for Department of Consumer and Industry Services (CIS) staff.

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

D. BUREAU OF WORKER'S AND UNEMPLOYMENT COMPENSATION

Gross	(1,071,800)
Restricted	(1,071,800)
GF/GP	0

The Governor's recommendation incorporates the combination of the Bureau of Worker's Disability Compensation, the Unemployment Agency, and the Worker's Compensation Board of Magistrates into the Bureau of Worker's and Unemployment Compensation. The new Bureau is created by Executive Order 2002-1, which also transfers the wage and hour division. Funding for the new Bureau incorporates funding shifts and expenditure changes.

Money from Contingent Fund, Penalties and Interest is used in place of corporation and securities fees. The proposal increases the use of Contingent Fund, Penalties and Interest by \$8,760,500. It decreases funding from Corporation Fees by \$4,826,900 and decreases funding from Securities Fees by \$5,005,400. The net funding reduction is \$1,071,800.

The expenditure changes that make up this reduction include:

A funding reduction of \$1,028,500 for the training program for agency staff who will be displaced by the change to telephone application for unemployment benefits. Department staff indicate that this change reflects lower-than-expected use of the training funds.

A reduction of \$57,500 in funding for the Advocacy Assistance Program to bring funding within the statutory limit.

E. ELEVATOR AND BOILER INSPECTIONS

Gross	998,600
Restricted	998,600
GF/GP	0

The proposed budget transfers FTEs from the Unemployment Agency and adds resources to the elevator and boiler inspection program consisting of 3.0 FTEs for additional elevator inspectors, 6.0 FTEs for additional boiler inspectors, and the purchase of handheld computers. The additional staff and equipment are recommended to reduce the backlog in inspections of boilers and elevators. The proposal is financed from restricted fee revenue from elevator and boiler inspections.

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

F. ADDITIONAL FIRE SAFETY OFFICE

The Governor recommends that the Office of Fire Safety add a new office in southeastern Michigan to better address the needs for fire safety inspections in that area. Authority for 4.0 FTE vacant positions is transferred from the Unemployment Agency.

Gross	287,700
Federal	48,900
Restricted	238,800
GF/GP	0

G. STAFF REDUCTIONS

The proposal reduces personnel to fund the General Fund cost of economic adjustments.

FTE	(11.0)
Gross	(970,900)
GF/GP	(970,900)

H. PROGRAM TRANSFER

The Governor recommends the transfer of 220.5 FTE employees to the Department of Information Technology (DIT). This consists of 97.5 FTEs from the Unemployment Agency and 123.0 from other CIS programs. Funding of \$26,117,800 is brought into a CIS appropriation for Information Technology Services that would be provided by DIT employees and billed to the CIS.

FTE	(220.5)
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I. PROGRAM TRANSFER

The proposed budget transfers \$150,000 to the Department of History, Arts and Libraries. This moves funds formerly associated with the Arts and Cultural Grants Program when it was located in the CIS.

Gross	(150,000)
GF/GP	(150,000)

J. UNCLASSIFIED SALARIES

The proposed budget increases the appropriation line for unclassified salaries by 2.0%

Gross	112,400
Federal	8,300
Restricted	83,000
GF/GP	21,100

K. ECONOMIC ADJUSTMENTS

The standard economic adjustments consist of the following:

Gross	5,150,600
IDG	(700)
Federal	1,164,600
Restricted	2,853,400
GF/GP	1,133,300

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

Item	Gross	GF/GP
Salary and Wages	\$4,190,900	\$661,300
Lump Sum Reduction	(1,988,300)	(181,800)
Retirement-Defined Benefit	151,300	204,500
Retirement-Defined Contribution	1,432,400	233,200
Workers' Compensation	78,000	36,500
Building Occupancy	1,991,200	0
Rent	(704,900)	0
Total	\$5,150,600	\$1,133,300

L. OTHER ISSUES

The proposed budget discontinues \$1,180,600 for payments related to the 1997 early retirement program and makes various fund source adjustments.

Gross	(446,900)
Federal	649,200
Restricted	(1,153,800)
GF/GP	57,700

DEPARTMENT OF CORRECTIONS

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2001-02 YEAR-TO-DATE	FY 2002-03 GOV'S REC.	CHANGES FROM FY 2001-02 YEAR-TO-DATE	
			DOLLAR	PERCENT
FTE Positions	19,390.5	18,827.9	(562.6)	(2.9)
GROSS	1,682,754,400	1,713,462,500	30,708,100	1.8
Less:				
Interdepartmental Grants Received	5,965,700	3,318,500	(2,647,200)	(44.4)
ADJUSTED GROSS	1,676,788,700	1,710,144,000	33,355,300	2.0
Less:				
Federal Funds	28,032,400	26,403,400	(1,629,000)	(5.8)
Local and Private	349,600	391,100	41,500	11.9
TOTAL STATE SPENDING	1,648,406,700	1,683,349,500	34,942,800	2.1
Less:				
Other State Restricted Funds	48,952,800	55,490,600	6,537,800	13.4
GENERAL FUND/GENERAL PURPOSE	1,599,453,900	1,627,858,900	28,405,000	1.8
PAYMENTS TO LOCALS	81,843,800	78,221,300	(3,622,500)	(4.4)

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

A. FY 2001-02 SUPPLEMENTAL APPROPRIATIONS RECOMMENDED IN GOVERNOR'S FY 2002-03 BUDGET

The Governor's recommendation includes \$4,500,000 in State restricted revenue for the County Jail Reimbursement Program. If passed, the supplemental will replace GF/GP funds, which were eliminated in Executive Order (E.O.) 2001-9.

B. PRISON OPERATIONS

1. New Prison Bed Openings/Closings

The Governor's recommendation includes \$10,917,700 of full-year cost adjustments for beds opened in FY 2001-02 at Bellamy Creek Correctional Facility, Crane Correctional Facility, and Camp Brighton. The budget also proposes \$10,152,100 for additional beds by reopening certain housing units at Jackson Maximum and Michigan Reformatory and by double-bunking Riverside Correctional Facility and Camp Lehman. The recommendation decreases funds \$1,924,300 by postponing the opening of new drop-in units at Macomb and Saginaw Correctional Facilities and carrying forward the funds from FY 2001-02 to FY 2002-03. The Governor also recognizes \$15,091,800 in annualized savings from facility closings and staff reductions in E.O. 2001-9.

Gross	4,053,700
Restricted	(169,500)
GF/GP	4,223,200

2. Other Operational Adjustments

The Governor's budget recognizes increased Federal revenues for housing Federal inmates in State prisons (\$58,600) and Social Security Administration reimbursements for tracking prisoners' Social Security numbers (\$100,000). It shifts \$1,694,300 from Federal funds to GF/GP to compensate for decreasing revenues from the State Criminal Alien Assistance Program. The budget also recommends increased expenditures of Federal Violent Offender Incarceration/Truth In Sentencing (VOITIS) funds for contract adjustments of \$83,300 for the Michigan Youth Correctional Facility (MYC) as well as a funding shift of \$196,100 from Federal VOITIS funds to GF/GP for MYC administrative costs. Additionally, the Governor recommends a third-year pay step funding increase of \$1,987,800 for staff at Pugsley Correctional Facility. The recommendation also includes a \$2,703,100 decrease to correct the Jackson Food Production Kitchen intradepartmental transfer.

Gross	(473,400)
IDT	(2,703,100)
Federal	(1,648,500)
GF/GP	3,878,200

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

C. HEALTH CARE

Gross	7,399,300
GF/GP	7,399,300

The Governor's recommendation includes \$7,400,000 for increased prisoner health care costs. Most of these costs are due to pharmaceutical cost increases (\$3,960,400) and estimated increases in the managed care contract (3,299,700), which will be up for renewal in April 2003. The budget also includes \$139,200 for full-year costs of managed care for the additional unit opened at Thumb Correctional Facility in October 2001.

D. FIELD OPERATIONS

Gross	(328,500)
Local	40,000
Restricted	50,000
GF/GP	(418,500)

The recommended budget removes one-time costs of moving the Detroit Field Operations office (\$418,5000) and recognizes increased collections of State and local tether revenue (\$90,000).

E. FEE INCREASES

Gross	168,800
Restricted	343,800
GF/GP	(175,000)

The Governor's budget includes the full-year effect (\$343,800) of increased parole/probation oversight fees changed in E.O. 2001-9. It replaces \$175,000 GF/GP and adds \$168,800 to parole and probation services. The new fee structure requires further legislation to make the change permanent.

F. UNCLASSIFIED SALARIES

Gross	(3,100)
GF/GP	(3,100)

Unclassified salaries received an increase of \$26,300 as well as a reduction of \$29,400 as part of the staff reductions needed to pay for employee economics for an overall reduction of \$3,100.

G. ECONOMIC ADJUSTMENTS

Gross	17,524,000
IDG	8,300
IDT	47,600
Federal	19,500
Local	1,500
Restricted	319,600
GF/GP	17,127,500

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

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

Item	Gross	GF/GP
Salaries and Wages	\$17,850,000	\$17,357,200
Lump Sum Salary Reduction	(7,217,100)	(7,049,500)
Retirement	2,331,800	2,260,500
Worker's Compensation	1,365,600	1,365,600
Fuel and Utilities	1,102,200	1,102,200
Food	1,592,100	1,592,100
Building Occupancy & Rent	499,400	499,400
Total	\$17,524,000	\$17,127,500

H. OTHER ISSUES

The Governor's budget includes a \$363,900 decrease to reflect the end of 1997 early retirement payouts and a decrease of \$1,768,800 in staff reductions needed to pay for employee economics. The recommendation also recognizes the \$1,500,000 full-year effect of the County Jail Reimbursement Fund Fee implemented by Public Act 213 of 2001 as a shift from GF/GP to State Restricted funds.

Gross	(2,132,700)
Restricted	1,493,900
GF/GP	(3,626,600)

DEPARTMENT OF EDUCATION

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2001-02 YEAR-TO-DATE	FY 2002-03 GOV'S REC.	CHANGES FROM FY 2001-02 YEAR-TO-DATE	
			DOLLAR	PERCENT
FTE Positions	455.0	407.4	(47.6)	(10.5)
GROSS	995,124,900	89,896,000	(905,228,900)	(91.0)
Less:				
Interdepartmental Grants Received	518,000	518,000	0	0.0
ADJUSTED GROSS	994,606,900	89,378,000	(905,228,900)	(91.0)
Less:				
Federal Funds	942,579,100	39,863,400	(902,715,700)	(95.8)
Local and Private	5,591,000	5,445,600	(145,400)	(2.6)
TOTAL STATE SPENDING	46,436,800	44,069,000	(2,367,800)	(5.1)
Less:				
Other State Restricted Funds	14,036,000	13,959,300	(76,700)	(0.5)
GENERAL FUND/GENERAL PURPOSE	32,400,800	30,109,700	(2,291,100)	(7.1)
PAYMENTS TO LOCALS	14,649,200	16,436,800	1,787,600	12.2

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

A. FY 2001-02 SUPPLEMENTAL APPROPRIATIONS RECOMMENDED IN GOVERNOR'S FY 2002-03 BUDGET

Due to increasing costs and the number of breakfasts served, a supplemental amount of \$365,100 is requested to support the State portion of reimbursement for the School Breakfast Program.

B. MICHIGAN SCHOOLS FOR THE DEAF AND BLIND (MSDB) FUNDING SHIFT

Increased Federal Special Education funds replace the GF/GP contribution to supporting the MSDB located in Flint. Programs at the Schools are not anticipated to change due to the funding shift.

Gross	0
Federal	3,313,400
GF/GP	(3,313,400)

C. SCHOOL BREAKFAST - STATE REIMBURSEMENT

Due to projected increases in costs and the number of breakfasts served, the Governor's budget includes an increase of \$946,900 to continue to reimburse public school districts and public school academies for providing breakfasts.

Gross	946,900
GF/GP	946,900

D. INCREASED FEDERAL ADMINISTRATION FUNDING

With the reauthorization of the Elementary and Secondary Education Act (ESEA), the Department of Education (DOE) anticipates increased administrative funding for several existing and new programs. The increased funding related to ESEA is estimated at \$4,522,100. Another \$4,000,000 is allocated to the DOE based on increased Federal Special Education funding. There is a partial offset of administrative funding due to the elimination of the Federal Goals 2000 (\$1,653,500 administration). Various other Federal adjustments for departmental administration are included in the Governor's recommendation.

Gross	7,949,700
Federal	7,949,700
GF/GP	0

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E. PROGRAM TRANSFERS

1. Federal Grants Transferred to School Aid Act

In the Governor's budget, all Federal grants that go to school districts are transferred to the School Aid Act. Of the FY 2001-02 grant total of \$911,312,000 transferred out, the largest individual grants are Title I (\$346,000,000), School Lunch Program (\$256,725,000), Class Size Reduction Grants (\$50,275,700), and Urgent School Renovation Grants (\$45,688,400). Administration of the programs remains in the DOE.

Gross	(911,312,000)
Federal	(911,312,000)
GF/GP	0

2. Information Technology Positions Transferred to Department of Information Technology

The Governor's budget transfers a total of 37.2 FTE positions from the Department of Education to the newly created Department of Information Technology (DIT). No funding supporting these positions is transferred, though the proposed DIT budget includes an interdepartmental grant from the DOE to support this transfer.

Gross	0
GF/GP	0

F. UNCLASSIFIED SALARIES

Under Executive Order 2001-9, unclassified salaries for FY 2001-02 were reduced by \$150,000 to \$365,600. The executive recommendation for FY 2002-03 restores this line item to its previously enacted appropriation of \$515,600.

Gross	150,000
GF/GP	150,000

G. ECONOMIC ADJUSTMENTS

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

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Item	Gross	GF/GP
Salaries and Wages	\$481,700	\$144,900
Lump Sum Adjustment	(170,000)	(46,100)
Total Retirement	26,600	9,100
Workers' Compensation	7,000	7,000
Building Occupancy Charges	137,600	54,100
Food	6,500	0
Fuel and Utilities	11,100	0
Total	\$500,500	\$169,000

Gross	500,500
Federal	273,200
Local	19,000
Restricted	39,300
GF/GP	169,000

H. OTHER ISSUES

Other proposed adjustments in the FY 2002-03 budget include reductions in Federal administration dollars for Goals 2000, removal of direct Federal funding of the Technical Resource and Reproduction Center, removal of sick leave payout adjustments from the 1997 early retirement package, and additional funding for a special education auditor.

Gross	(3,464,000)
Federal	(2,940,000)
Local	(164,400)
Restricted	(116,000)
GF/GP	(243,600)

DEPARTMENT OF ENVIRONMENTAL QUALITY

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2001-02 YEAR-TO-DATE	FY 2002-03 GOV'S REC.	CHANGES FROM FY 2001-02 YEAR-TO-DATE	
			DOLLAR	PERCENT
FTE Positions	1,672.7	1,590.7	(82.0)	(4.9)
GROSS	399,480,130	404,825,600	5,345,470	1.3
Less:				
Interdepartmental Grants Received	17,809,000	14,042,900	(3,766,100)	(21.1)
ADJUSTED GROSS	381,671,130	390,782,700	9,111,570	2.4
Less:				
Federal Funds	131,277,500	131,531,600	254,100	0.2
Local and Private	1,567,100	435,700	(1,131,400)	(72.2)
TOTAL STATE SPENDING	248,826,530	258,815,400	9,988,870	4.0
Less:				
Other State Restricted Funds	165,212,830	184,155,300	18,942,470	11.5
GENERAL FUND/GENERAL PURPOSE	83,613,700	74,660,100	(8,953,600)	(10.7)
PAYMENTS TO LOCALS	5,075,000	15,557,500	10,482,500	206.6

A. FY 2001-02 SUPPLEMENTAL APPROPRIATIONS RECOMMENDED IN GOVERNOR'S FY 2002-03 BUDGET

The proposed FY 2002-03 base assumes a pending FY 2001-02 \$15 million restricted funds supplemental to offset an Executive Order reduction in the Environmental Response General Fund budget. The supplemental funds are from the Environmental Protection Fund, which is supported with the proceeds from the sale of Federal tax credits on the production of certain qualified fuels in which the State owns mineral rights. Due to litigation, money in the Fund has never been spent, so a balance of greater than \$30 million has accumulated. The pending supplemental, together with the Governor's proposed appropriation of a like amount in FY 2002-03, will deplete most of the balance in the Fund. The Federal tax credit, the source of revenue for the Fund, is scheduled to expire at the end of calendar year 2002.

B. ENVIRONMENTAL CLEANUP FUND SHIFT

General Fund support for environmental cleanup activities in the contaminated site investigation, cleanup and revitalization, and the leaking underground storage tank cleanup appropriations was shifted to Environmental Response Fund (ERF) support. Except for a \$250,000 GF/GP appropriation that matches a U.S. Environmental Protection Agency grant, this action effectively removes all General Fund support for environmental response activities. This action brings total proposed appropriations from the ERF to \$17.9 million. The ERF is supported with revenue from responsible party payments. Annual revenue to the ERF is typically less than \$10 million, but there is a fund balance at the end of FY 2000-01 of nearly \$14.7 million.

Gross	0
Restricted	8,500,000
GF/GP	(8,500,000)

C. OIL AND GAS PROGRAMS

1. Base Adjustment

The budget includes a reduction in the level of appropriations from the Oil and Gas Regulatory Fund (OGRF), to more closely reflect expenditure trends. The OGRF is supported primarily with a 1% tax on the value of oil and gas produced in the State. Since the level of the tax on oil and gas production is calculated annually based, in part, on the level of appropriations from the OGRF, this reduction should result in a reduction in the tax rate.

Gross	(2,000,000)
Restricted	(2,000,000)
GF/GP	0

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2. Staff Increase

The budget includes an increase in Oil and Gas Regulatory Fund appropriations to support an increase in oil and gas well inspection activity.

Gross	144,000
Restricted	144,000
GF/GP	0

3. Orphan Well Program

An increase in appropriations from the Orphan Well Fund revenue would be used to accelerate the progress of capping abandoned oil and gas wells.

Gross	682,700
Restricted	682,700
GF/GP	0

D. NPL LANDFILL MATCH GRANTS

The budget includes an increase in Cleanup and Redevelopment Fund (CRF) revenue for the NPL (National Priority List) Landfill Match Grant Program. The Program reimburses up to 50% of response activity costs at municipal solid waste disposal facilities that are on or proposed for the NPL.

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

E. ENVIRONMENTAL PROJECT SUPPORT

Currently there are appropriations in the Waste Management unit totaling \$2 million that provide spending authority to the Department in the event that it is required to assume responsibility for a solid waste or hazardous waste disposal facility. There are several other environmental areas in which the Department would be required to assume management or responsibility under certain circumstances, for which the Department currently has no spending authority. The budget includes a new environmental project support appropriation that consists of the existing waste management appropriations, as well as new spending authority from nonspecific State restricted revenues. The new appropriation is intended to provide the spending authority necessary cover the costs of assuming responsibility for any of a variety of facilities.

Gross	3,000,000
Restricted	3,000,000
GF/GP	0

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FY 2001-02
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F. ENVIRONMENTAL PROTECTION FUND

The Governor's budget continues to include Environmental Protection Fund (EPF) support for several Environmental Response Division programs, in the same manner as is proposed in a pending FY 2001-02 supplemental (Item A above). In addition, the Governor eliminates the Revitalization Revolving Loan Program appropriation, which is supported almost exclusively by the EPF. The Governor's proposed budget dedicates the balance in the EPF to environmental response and cleanup activities only.

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

G. EARLY RETIREMENT PAYOUTS

Under the 1997 early retirement program, departments were allowed to spread the payments of accumulated annual and sick leave to retirees over a five-year period. The amounts that had been used to make the annual and sick leave payments are removed from the budget.

Gross	(280,200)
IDG	(12,100)
Federal	(7,600)
Restricted	(44,500)
GF/GP	(216,000)

H. STAFF REDUCTION OFFSETS TO ECONOMIC INCREASES

The Governor's budget reduces staff and funding in order to offset the cost of economic increases in salaries and wages.

FTEs	(15.0)
Gross	(761,400)
GF/GP	(761,400)

I. PROGRAM TRANSFERS

The Governor's recommendation creates a new Information Technology appropriation unit for the Department of Environmental Quality. It includes \$7,307,400 transferred from various operating line item appropriations. This funding is appropriated also as an interdepartmental grant from user fees in the new Department of Information Technology, which was created by Executive Order 2001-3. Sixty-seven positions are transferred to the new Department, and the interdivisional charges appropriation for information technology services is eliminated in the Department of Environmental Quality budget.

FTEs	(67.0)
Gross	(3,732,000)
IDT	(3,732,000)
GF/GP	0

J. FEE INCREASES

The Governor's budget continues to include \$1,550,000 in new fee revenue for septage waste activities. Current fees generate approximately \$150,000 annually. The Governor proposed restructuring and increasing fees for the program originally in the FY 2001-02 budget. The fees have yet to be enacted.

Gross	NA
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K. UNCLASSIFIED SALARIES

The Governor's budget includes a 2.0% increase for unclassified salaries, bringing total unclassified salary funding to \$495,800.

Gross	9,900
Restricted	700
GF/GP	9,200

L. ECONOMIC ADJUSTMENTS

Standard economic adjustments are applied for salaries and wages, total retirement, rent, workers' compensation, and building occupancy charges consistent with factors applied to all budgets. An offsetting reduction of amounts used to make prior-year lump sum salary payments is included as well. These adjustments include:

Gross	2,139,700
IDG	17,800
Federal	300,500
Private	2,000
Restricted	744,500
GF/GP	1,074,900

Item	Gross	GF/GP
Salaries and wages	\$1,710,100	\$631,400
Retirement	365,900	101,400
Lump sum payments	(605,100)	(210,600)
Building occupancy charges	1,359,300	1,051,400
Private rent	(777,800)	(517,800)
Information technology	76,400	14,400
Workers' compensation	10,900	4,700
Total	\$2,139,700	\$1,074,900

M. OTHER ISSUES

Other changes proposed by the Governor include adjustments to reflect the availability of various Federal, local, and State restricted sources of financing, certain mandated inflationary adjustments, elimination of one-time FY 2001-02 supplemental appropriations items, adjustments in Clean Michigan Initiative (CMI) administration appropriations consistent with the Department's five-year plan, and the reduction of General Fund support where these adjustments resulted in an increase in total appropriations.

Gross	(3,857,230)
IDG	(39,800)
Federal	(38,800)
Local	(1,133,400)
Restricted	(2,084,930)
GF/GP	(560,300)

EXECUTIVE

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2001-02 YEAR-TO-DATE	FY 2002-03 GOV'S REC.	CHANGES FROM FY 2001-02 YEAR-TO-DATE	
			DOLLAR	PERCENT
FTE Positions	75.0	74.2	(0.8)	(1.1)
GROSS	5,480,900	5,486,400	5,500	0.1
Less:				
Interdepartmental Grants Received	0	0	0	0.0
ADJUSTED GROSS	5,480,900	5,486,400	5,500	0.1
Less:				
Federal Funds	0	0	0	0.0
Local and Private	0	0	0	0.0
TOTAL STATE SPENDING	5,480,900	5,486,400	5,500	0.1
Less:				
Other State Restricted Funds	0	0	0	0.0
GENERAL FUND/GENERAL PURPOSE	5,480,900	5,486,400	5,500	0.1
PAYMENTS TO LOCALS	0	0	0	0.0

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A. STATE OFFICERS COMPENSATION COMMISSION (SOCC) DETERMINATIONS

Gross	5,500
GF/GP	5,500

The budget includes \$800 for costs associated with SOCC determinations for the salaries of the Governor and the Lt. Governor for the last quarter of 2002. The budget also includes \$4,700 to fund up to a 2.0% increase for future SOCC determinations related to 2003.

B. STAFF REDUCTIONS

FTE	(0.8)
Gross	(54,800)
GF/GP	(54,800)

The Governor's recommendation reduces positions to cover employee-related economic costs.

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	38,100
GF/GP	38,100

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

Item	Gross	GF/GP
Salaries	\$52,000	\$52,000
Lump Sum Adjustment	(22,500)	(22,500)
Retirement	8,600	8,600
Total	\$38,100	\$38,100

FAMILY INDEPENDENCE AGENCY

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2001-02 YEAR-TO-DATE	FY 2002-03 GOV'S REC.	CHANGES FROM FY 2001-02 YEAR-TO-DATE	
			DOLLAR	PERCENT
FTE Positions	13,499.6	12,554.3	(945.3)	(7.0)
GROSS	3,805,679,400	3,956,405,800	150,726,400	4.0
Less:				
Interdepartmental Grants Received	965,300	978,800	13,500	1.4
ADJUSTED GROSS	3,804,714,100	3,955,427,000	150,712,900	4.0
Less:				
Federal Funds	2,499,689,850	2,604,621,650	104,931,800	4.2
Local and Private	96,009,550	76,965,850	(19,043,700)	(19.8)
TOTAL STATE SPENDING	1,209,014,700	1,273,839,500	64,824,800	5.4
Less:				
Other State Restricted Funds	53,233,900	65,388,800	12,154,900	22.8
GENERAL FUND/GENERAL PURPOSE	1,155,780,800	1,208,450,700	52,669,900	4.6
PAYMENTS TO LOCALS	173,288,400	207,056,200	33,767,800	19.5

A. FY 2001-02 SUPPLEMENTAL APPROPRIATIONS RECOMMENDED IN GOVERNOR'S FY 2002-03 BUDGET

The proposed supplemental includes \$20,000,000 Gross and GF/GP for Family Independence Program (FIP) increased monthly caseload of 4,000 at a cost of \$417 per case. The proposal also includes \$6,050,500 Gross, \$0 GF/GP to replace the matching funds needed for the Child Support Enforcement System that were reduced by Executive Order (E.O.) 2001-09. The matching funds would be replaced with child support incentive funds, which are restricted revenue.

B. 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 receives and the reduction in welfare caseloads allow for a cost shift from General Fund spending to block grant fund support. The block grant authorization expires at the end of FY 2001-02 and is being considered by Congress for reauthorization. Due to past fiscal year overestimates of available block grant funds, the Governor's proposal assumes a reduction in FY 2002-03 expenditures, a number of fund source shifts, and program reductions to adjust TANF spending.

1. Family Independence Program

The proposal for FIP is based on a projected caseload increase of 13,100 to an average 92,100 cases, which includes the assumption of 4,000 additional cases financed through the proposed supplemental mentioned above. The proposed increase includes a cost-per-case increase of approximately \$64 to \$383 per case. The recommendation includes a \$50 reduction for FY 2002-03 in the \$75 clothing allowance and a proposal to restore this reduction in the event the Child Support Enforcement System (CSES) State penalty is refunded to the State by the Federal government.

Gross	51,633,200
Federal	51,633,200
GF/GP	0

		FY 2002-03 Change from FY 2001-02 Year-to-Date	
2.	Day Care	Gross	(33,966,400)
		Federal	(56,941,800)
		GF/GP	22,975,400
	The Governor's recommendation includes the elimination of funding for the Before/After School Program for families with incomes below 200% of the poverty level. The budget proposes to restore this reduction in the event the CSES State penalty is refunded to the State by the Federal government. The use of \$23,966,400 in Federal Child Care and Development Fund (CCDF) available dollars is proposed to save TANF funds. An additional \$15,000,000 GF/GP is transferred from other appropriation units to the Public Assistance unit to draw down these Federal funds.		
3.	Other Issues		
	The Governor's proposal includes spending adjustments for several programs.		
		Gross	(27,000,000)
		Federal	(27,000,000)
		GF/GP	0
a.	The Homestead Property Tax Credit for Low Income Families - The proposal includes the elimination of \$27,000,000 in TANF funds used to finance the portion of the reimbursement for low-income families. The credit funds from other revenue sources are appropriated in the Department of Treasury bill.		
b.	Child Well Being - The outreach program is a partnership between the FIA and the Department of Community Health intended to ensure the safety and well-being of children in families whose FIP case closes due to noncompliance with work requirements. The Governor's proposal includes a 50% reduction and the transfer of the remaining funds to finance Family Formation Pilot programs.	Gross	(500,000)
		Federal	(500,000)
		GF/GP	0
c.	Created for Caring - The employment and skills program is proposed for elimination in FY 2002-03.	Gross	(112,500)
		Federal	(112,500)
		GF/GP	0
	The following program reductions are recommended for restoration in FY 2002-03 if the FY 2000-01 CSES State penalty is refunded by the Federal government.		
d.	Fatherhood Initiative - The pilot program, new in FY 2001-02, to emphasize the noncustodial parent's responsibility for child support payments, is recommended for a 50% decrease.	Gross	(500,000)
		Federal	(500,000)
		GF/GP	0

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e.	Innovation Grants - The grants, intended to encourage innovative ways to use TANF funds through community statewide grants, are proposed for elimination.	Gross Federal GF/GP	(250,000) (250,000) 0
f.	Community Services Block Grant - Block grant spending since FY 2000-01 has included TANF funds. Of the TANF funds that are currently appropriated at \$3,300,000 million in this account, an 18% reduction is proposed.	Gross Federal GF/GP	(610,000) (610,000) 0

C. ADMINISTRATION AND TECHNOLOGY

1. Information Technology Unit

The Governor's recommendation includes a transfer of \$94,966,300 Gross, \$29,717,700 GF/GP from various appropriation units to a newly created unit, Information Technology, to support a transition of FIA information technology funds and staff positions (FTEs) to the new State Department of Information Technology (DIT). The proposal includes the consolidation and transfer of funds, which results in the elimination of four automation appropriation lines: Client Services System, Computer Service Fees, Data Systems Enhancement, and End User Support. The staff positions are proposed for elimination from the FIA and are to be reflected in the DIT budget. The remaining funds and staff positions not transferred to DIT are transferred to the Family Independence Services Administration Unit for the Electronic Benefits Transfer System operation and staff support. The result of this action, except the FTE consolidation and transfer, is a zero net effect on the budget.

FTEs	(296.8)
Gross	0
IDG	0
Federal	0
Local	0
GF/GP	0

2. Child Support Enforcement System

The Governor's recommendation includes two funding adjustments. First, a projected cost decrease for the System workload is proposed as a result of the FIA's progress on the System's development and maintenance. Second, a portion of the expert technical assistance contract is recommended for transfer to the Office of Child Support contractual services, supplies and materials line, resulting in a zero net effect on the budget.

Gross	(7,892,000)
Federal	(5,208,700)
GF/GP	(2,683,300)

**FY 2002-03
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FY 2001-02
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D. FINANCE ADJUSTMENTS

The Governor's recommendation includes a decrease in the Federal revenue match rate, 56.36% to 55.42%, offset by retention and use of more child support collections and additional GF/GP revenues, and fund source adjustments from all appropriation units, which results in the consolidation of GF/GP funds that would be transferred to the Public Assistance unit to reduce spending TANF funds. A technical correction is proposed for the interdepartmental grant for the Retirement Disability Determination appropriation. The proposal assumes that savings will be realized through strengthening the State's hiring freeze, including increased annualized savings of FTEs and funds for FY 2001-02 and FY 2002-03.

FTEs	(449.0)
Gross	(3,001,700)
IDG	9,200
Federal	3,774,500
Local	(5,378,000)
Private	(503,900)
Restricted	6,101,200
GF/GP	(7,004,700)

E. NEW FEE

The Governor's recommendation includes funding for a new Juvenile Justice On Line Technology System to be financed by the FIA's charging a new user fee.

Gross	600,000
Private	600,000
GF/GP	0

F. OTHER STATE ASSISTANCE

1. Day Care

The proposal for day care services does not project a caseload adjustment for FY 2002-03; however an additional \$24,000,000 million GF/GP is included to enable the FIA to obtain additional available Federal CCDF dollars. A transfer of \$90,000 to the State Emergency Relief appropriation is included for a day care program that combines day care and shelter services for children whose parents are in drug treatment.

Gross	23,876,400
Federal	23,966,400
GF/GP	(90,000)

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2. Other State Grants

A caseload increase of 900 for a total of 7,900 cases is projected for the State Disability Assistance Program. The recommendation includes adjustments in State Emergency Relief (SER) for a proposed restoration of the multicultural services contracts for community assimilation and services support, an increased Federal authorization for a rising trend in emergency services costs, and a program transfer for day care and shelter services for children of parents in drug treatment. Other SER adjustments include a reduction in the Federal authorization for burial services and nonenergy home repairs, and a reduction for Community Action Agencies associated with GF/GP reductions in Executive Order 2001-09. The reductions proposed in the State Supplementation appropriation are associated with a projected reduced expenditure level.

Gross	9,694,300
Federal	8,305,300
GF/GP	1,389,000

G. FEDERALLY FUNDED PROGRAMS

The Governor's recommendation includes a projected increase in the Food Assistance Program (currently Food Stamp Program) caseload of 47,300, increasing it to 374,700 cases. The Low Income Home Energy Assistance Program (LIHEAP) is increased to the expected level of the Federal award. An increase is recommended for the Refugee Assistance Program to meet a projected increase in the demand for services, and the Community Services Block Grant to reflect a projected increase in the Federal award.

Gross	115,443,700
Federal	115,443,700
GF/GP	0

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FY 2001-02
Year-to-Date**

H. CHILD AND FAMILY SERVICES

1. Foster Care and Adoption

A projected caseload decrease of out-State and Wayne County Title IV-E cases and an increase in out-State Ward Board and Care cases are proposed in FY 2002-03, for a net caseload decline of 1,980 cases. The Wayne County State Ward Board and Care caseload is projected at 310 fewer cases. The recommendation includes reduced Federal and local fund sources due to decreased demand and a transfer from the Juvenile Justice unit for foster care private child placing agency contract monitors for Title IV-E regulations compliance. The Governor's proposal is for an increase of 3,300 cases in the Adoption caseload to 24,500 cases and an increase in the Federal authorization up to the projected increased demand for adoption support services. The recommendation includes an increase for 150 new private agency adoptions based on the growth in private adoptions during the past five years.

Gross	(35,233,300)
Federal	(9,720,900)
Local	(8,409,000)
GF/GP	(9,003,400)

2. Programs Adjustments

The Governor's recommendation includes an increase for the Child Care Fund to reflect expected service growth and economic inflation. The recommendation contains reductions in beds and staff at Maxey Boys Training School based on the implementation of the Wayne County delinquency placement program, the removal of one-time funds for the new security system, and the impact of the hiring freeze. The Governor's proposal recognizes additional savings in staff and funds from the closure of the Genesee Valley Residential Care Center, with a portion of the savings retained for closing costs and three FTEs for foster care staff salaries and fringe benefits.

FTEs	(156.0)
Gross	17,231,000
Federal	2,108,900
Local	(5,758,900)
GF/GP	20,881,000

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

I. ECONOMIC ADJUSTMENTS

Standard economic adjustments are applied for salaries and wages, total retirement, workers' compensation, rent, and building occupancy charges consistent with factors applied to all budgets. In addition, GF/GP saving from staff reductions is used to finance the staff economic adjustments. These economic adjustments include:

FTEs	(43.5)
Gross	4,828,800
IDG	4,300
Federal	4,809,700
Local	376,600
Private	29,500
Restricted	3,200
GF/GP	(394,500)

Item	Gross	GF/GP
Salaries	\$6,124,000	\$2,273,000
Retirement	2,293,500	855,000
Staff reductions	(2,966,200)	(2,966,200)
Other	(622,500)	(556,300)
Total	\$4,828,800	\$(394,500)

J. OTHER ISSUES

The Governor's recommendation includes \$2,150,000 Gross, \$752,500 GF/GP for debt service costs on bonds sold by the State to purchase the FIA office building and increased Federal funds for demonstration projects. The funds for a new appropriation line, Food Stamp Reinvestment, are recommended to pay for and invest in the elimination of Food Assistance Program penalties. The recommendation includes rolling up the Project Zero appropriation line into the Employment and Training Support Services account.

Gross	5,300,900
Federal	2,897,500
GF/GP	2,403,400

HIGHER EDUCATION

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2001-02 YEAR-TO-DATE	FY 2002-03 GOV'S REC.	CHANGES FROM FY 2001-02 YEAR-TO-DATE	
			DOLLAR	PERCENT
FTE Positions	1.0	0.0	(1.0)	(100.0)
GROSS	1,925,842,366	1,939,071,166	13,228,800	0.7
Less:				
Interdepartmental Grants Received	0	0	0	0.0
ADJUSTED GROSS	1,925,842,366	1,939,071,166	13,228,800	0.7
Less:				
Federal Funds	4,900,000	5,500,000	600,000	12.2
Local and Private	0	0	0	0.0
TOTAL STATE SPENDING	1,920,942,366	1,933,571,166	12,628,800	0.7
Less:				
Other State Restricted Funds	108,273,850	121,573,850	13,300,000	12.3
GENERAL FUND/GENERAL PURPOSE	1,812,668,516	1,811,997,316	(671,200)	(0.04)
PAYMENTS TO LOCALS	4,050,073	4,029,061	(21,012)	(0.5)

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

A. UNIVERSITY OPERATIONS

Gross	0
GF/GP	0

The Governor proposes to retain the FY 2001-02 funding levels for the operations line items of the 15 public universities for FY 2002-03 if universities exercise tuition restraint during the upcoming academic year. Section 436 of the boilerplate language outlines the Governor's tuition restraint policy, which includes the following elements:

- The FY 2002-03 appropriation for any university will not be reduced from its FY 2001-02 amount if that university adopts a tuition and fee rate increase for resident undergraduate students that is 8.5% or less over the prior year, or a total increase of \$425 or less over the prior year, whichever is greater.
- The university must report to the State Budget Director and the House and Senate Appropriations Committees that the university experienced cost increases in excess of the increase in the Detroit Consumer Price Index, for utilities, retirement, health care, or technology.
- The universities will voluntarily agree to these tuition restraint conditions and will transmit a letter confirming this agreement to the Legislature by February 28, 2002.
- Any university that does not conform to the tuition restraint conditions will have its appropriation reduced by an amount equal to the excess tuition revenue, and that revenue will be redistributed to those universities that honor the tuition restraint commitment.

B. RARE ISOTOPE ACCELERATOR

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

The Governor's budget includes new funding of \$2,000,000 for design and architectural studies related to the Rare Isotope Accelerator (RIA) facilities that Michigan State University hopes to build if it is awarded the Federal RIA project. The Governor recommends these dollars for the development of a program statement and preliminary design documents for the RIA office building and for evaluation and prototyping of the RIA design elements. The fund source for this appropriation would be the Tobacco Settlement Trust Fund.

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

C. PROGRAM REDUCTIONS

Gross	(216,500)
GF/GP	(216,500)

The Governor's budget recommends a reduction of \$191,500 for Project GREEN, which is funded through the Agricultural Experiment Station and the Cooperative Extension Service. The reduction leaves a funding level of \$6,000,000 for Project GREEN (Generating Research and Extension to meet Economic and Environmental Needs), which is an initiative to boost the State's economy by expanding its plant-based agriculture and processing industries through research and educational programs while protecting the quality of the environment.

The Governor proposes to reduce funding for the Higher Education Institutional Data Inventory (HEIDI) database from \$275,000 to \$250,000. The HEIDI database has successfully implemented a web-based data upload and extraction process, which allows for some cost saving.

D. PROGRAM ELIMINATIONS

Gross	(454,700)
GF/GP	(454,700)

The Governor's budget eliminates funding for three programs: the Michigan Molecular Institute, a nonprofit research institute that specializes in the fields of polymer science and composite materials (\$236,900); the Spring Arbor University education program at Jackson State Prison (\$135,300); and Midwest Higher Education Compact dues (\$82,500).

E. ADDITIONAL FEDERAL FUNDS

Gross	600,000
Federal	600,000
GF/GP	0

The Governor's budget includes \$300,000 in new Federal funds for State Competitive Scholarships and \$300,000 in new Federal funds for Robert Byrd Honors Scholarships. The State Competitive Scholarship Program would have total FY 2002-03 funding of \$36,654,616, which consists of \$33,054,616 in State GF/GP dollars and \$3,600,000 in Federal revenue. The Robert Byrd Honors Scholarships are funded completely from Federal dollars, and the proposed FY 2002-03 total would be \$1,900,000.

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

F. MICHIGAN MERIT AWARD SCHOLARSHIPS

The Governor's budget includes an additional \$11,300,000 for the Michigan Merit Award Scholarships to provide total FY 2002 -03 funding of \$114,323,850. The Department of Treasury reports that for the high school class of 2001, 48,760 students qualified for the \$2,500 scholarships, and 37,780 of those students had reported their choice of postsecondary educational institution. If all 37,780 students receive the \$2,500 maximum grant, there will be FY 2001-02 expenditures of \$94,450,000 for the scholarships.

Gross	11,300,000
Restricted	11,300,000
GF/GP	0

Table 1: HIGHER EDUCATION FY 2002-03 GOVERNOR'S RECOMMENDATION

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	FY 2001-02 Year-to-Date	2001-02 Approp Per Student *	Reduce Proj GREEN & HEIDI; eliminate MMI & Midwest Comp	Rare Isotope Accelerator	New Fed Funds for Byrd & State Comp. Schlrs	Eliminate Spring Arbor Prison Program	Increase for Merit Award Program	FY 2002-03 Governor's Rec	\$ Change From 2001-02	% Change From 2001-02	2002-03 Approp Per Student*
UNIVERSITIES											
Central	90,003,800	4,423						90,003,800	0	0.0%	4,423
Eastern	87,637,200	4,697						87,637,200	0	0.0%	4,697
Ferris	55,520,300	6,183						55,520,300	0	0.0%	6,183
Grand Valley	60,095,400	3,874						60,095,400	0	0.0%	3,874
Lake Superior	14,268,700	5,191						14,268,700	0	0.0%	5,191
Michigan State	325,982,300	8,137						325,982,300	0	0.0%	8,137
Michigan Tech	55,241,600	9,384						55,241,600	0	0.0%	9,384
Northern	52,012,900	7,033						52,012,900	0	0.0%	7,033
Oakland	52,384,700	4,376						52,384,700	0	0.0%	4,376
Saginaw Valley	27,393,300	4,130						27,393,300	0	0.0%	4,130
UM-Ann Arbor	363,562,700	9,819						363,562,700	0	0.0%	9,819
UM-Dearborn	27,993,300	4,687						27,993,300	0	0.0%	4,687
UM-Flint	24,068,100	4,858						24,068,100	0	0.0%	4,858
Wayne State	253,644,700	11,119						253,644,700	0	0.0%	11,119
Western	125,677,200	5,304						125,677,200	0	0.0%	5,304
Ag Experiment Station (AES)	36,848,700		(101,500)					36,747,200	(101,500)	-0.3%	
Cooperative Extension (CES)	31,782,600		(90,000)					31,692,600	(90,000)	-0.3%	
Rare Isotope Accelerator	0			2,000,000				2,000,000	2,000,000		
Michigan Molecular Institute	236,900		(236,900)					0	(236,900)	-100.0%	
Japan Center	305,300							305,300	0	0.0%	
Higher Education Database	275,000		(25,000)					250,000	(25,000)	-9.1%	
Midwest Higher Ed Compact	82,500		(82,500)					0	(82,500)	-100.0%	
King-Chavez-Parks	2,990,600							2,990,600	0	0.0%	
TOTAL UNIVERSITIES	1,688,007,800	6,944	(535,900)	2,000,000	0	0	0	1,689,471,900	1,464,100	0.09%	6,944
Tobacco Trust Fund	0		0	2,000,000	0	0	0	2,000,000	2,000,000	n/a	
State GF/GP	1,688,007,800		(535,900)	0	0	0	0	1,687,471,900	(535,900)	-0.03%	
GRANTS & FINANCIAL AID											
Competitive Scholarships	36,354,616				300,000			36,654,616	300,000	0.8%	
Tuition Grants	66,100,200							66,100,200	0	0.0%	
Work Study	8,015,800							8,015,800	0	0.0%	
Part-time Independent	2,903,000							2,903,000	0	0.0%	
Dental Degree	5,052,300							5,052,300	0	0.0%	
General Degree	6,319,400					(135,300)		6,184,100	(135,300)	-2.1%	
Allied Health Degree	935,100							935,100	0	0.0%	
Ed Opportunity Grants (MEOG)	2,280,300							2,280,300	0	0.0%	
Byrd	1,600,000				300,000			1,900,000	300,000	18.8%	
Michigan Merit Award Program	103,023,850						11,300,000	114,323,850	11,300,000	11.0%	
Tuition Incentive Program (TIP)	5,250,000							5,250,000	0	0.0%	
TOTAL FINANCIAL AID	237,834,566		0	0	600,000	(135,300)	11,300,000	249,599,266	11,764,700	4.9%	
Federal	4,900,000		0	0	600,000	0	0	5,500,000	600,000	12.2%	
Merit Award Trust Fund	108,273,850		0	0	0	0	11,300,000	119,573,850	11,300,000	10.4%	
State GF/GP	124,660,716		0	0	0	(135,300)	0	124,525,416	(135,300)	-0.1%	
TOTAL HIGHER ED	1,925,842,366		(535,900)	2,000,000	600,000	(135,300)	11,300,000	1,939,071,166	13,228,800	0.7%	
TOTAL FEDERAL	4,900,000		0	0	600,000	0	0	5,500,000	600,000	12.2%	
TOTAL STATE RESTRICTED	108,273,850		0	2,000,000	0	0	11,300,000	121,573,850	13,300,000	12.3%	
TOTAL STATE GF/GP	1,812,668,516		(535,900)	0	0	(135,300)	0	1,811,997,316	(671,200)	-0.04%	

* FY 2000-01 Fiscal-Year-Equated Students (FYES)

DEPARTMENT OF HISTORY, ARTS, AND LIBRARIES

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2001-02 YEAR-TO-DATE	FY 2002-03 GOV'S REC.	CHANGES FROM FY 2001-02 YEAR-TO-DATE	
			DOLLAR	PERCENT
FTE Positions	139.7	240.5	100.8	72.2
GROSS	74,545,700	72,264,900	(2,280,800)	(3.1)
Less:				
Interdepartmental Grants Received	0	0	0	0.0
ADJUSTED GROSS	74,545,700	72,264,900	(2,280,800)	(3.1)
Less:				
Federal Funds	7,111,800	7,111,300	(500)	(0.0)
Local and Private	577,400	577,400	0	0.0
TOTAL STATE SPENDING	66,856,500	64,576,200	(2,280,300)	(3.4)
Less:				
Other State Restricted Funds	2,247,400	1,900,900	(346,500)	(15.4)
GENERAL FUND/GENERAL PURPOSE	64,609,100	62,675,300	(1,933,800)	(3.0)
PAYMENTS TO LOCALS	32,425,000	32,668,200	243,200	0.8

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

A. ARTS AND CULTURAL GRANTS	Gross GF/GP	(250,000) (250,000)
The Governor proposes to reduce funds available for Arts and Cultural Grants by \$250,000, from \$23,792,600 to \$23,542,600.		
B. THUNDER BAY NATIONAL MARINE SANCTUARY AND UNDERWATER PRESERVE	Gross GF/GP	250,000 250,000
The proposed budget provides \$250,000 for the first of four years of funding for conservation of underwater shipwreck sites. This provides State matching funds for a Federal grant that is already providing funds for this project.		
C. ARTS AND CULTURAL SUPPLEMENTAL GRANTS	Gross GF/GP	(2,000,000) (2,000,000)
The Governor recommends eliminating one-time funding for this grant program.		
D. MUSEUM OF AFRICAN-AMERICAN HISTORY	Gross GF/GP	(1,000,000) (1,000,000)
The budget recommendation eliminates one-time grant funding for the Museum of African-American History.		
E. RENAISSANCE ZONE REIMBURSEMENT	Gross GF/GP	243,200 243,200
The Governor recommends an increase of \$243,200, from \$413,900 to \$657,100, to reflect the actual cost of reimbursing libraries for foregone tax revenues due to inclusion in renaissance zones.		
F. DEPARTMENT FTE COUNT ADJUSTMENT	FTE	111.0
The proposed budget includes 111.0 additional FTEs to provide authorization for employees brought into the executive branch due to the transfer of the Library of Michigan to the Department of History, Arts, and Libraries (HAL) in FY 2001-02.		

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

G. PROGRAM TRANSFERS

1. Department of Information Technology

FTE (10.0)

The budget recommendation transfers 10.0 FTEs to the Department of Information Technology. The recommendation includes \$1,166,100 in a new appropriation for Information Technology. The funding is represented as an IDG from user fees in the Department of Information Technology.

2. Transfer into Department Operations

FTE 3.0
Gross 461,800
GF/GP 461,800

The Governor proposes to transfer to the Department of History, Arts, and Libraries the following positions and funding:

From Secretary of State: 2.0 FTEs and \$261,800
From Natural Resources: 1.0 FTE and \$50,000
From Consumer and Industry Services: \$150,000

This brings resources into HAL from those departments that formerly were associated with administration of arts grants, the historical program, and the Mackinac Island State Park Commission.

H. UNCLASSIFIED SALARIES

Gross 95,500
GF/GP 95,500

The proposed budget increases the unclassified salaries appropriation line by \$91,300 to include the salary of the State Librarian. In addition, an economic increase of \$4,200 or 2% is applied to the revised total.

I. ECONOMIC ADJUSTMENTS

Gross 485,800
Federal 5,000
Restricted 2,300
GF/GP 478,500

The proposed budget includes the following economic adjustments:

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

Item	Gross	GF/GP
Salary and Wages	\$206,500	\$186,500
Lump Sum Adjustment	(84,000)	(68,000)
Retirement	87,600	84,300
Workers' Compensation	(24,900)	(24,900)
Building Occupancy	300,600	300,600
Total	\$485,800	\$478,500

J. OTHER

The proposed budget includes a staff reduction of 3.2 FTEs and \$179,200 to fund economic adjustments, removal of \$42,200 to reflect the end of payments under the 1997 early retirement program, addition of \$30,500 in airport fees available for Mackinac Island State Park operations, reduction of \$357,000 in revenue bond funds available for park operations, and a General Fund adjustment.

FTE	(3.2)
Gross	(567,100)
Federal	(5,500)
Restricted	(348,800)
GF/GP	(212,800)

DEPARTMENT OF INFORMATION TECHNOLOGY

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2001-02 YEAR-TO-DATE	FY 2002-03 GOV'S REC.	CHANGES FROM FY 2001-02 YEAR-TO-DATE	
			DOLLAR	PERCENT
FTE Positions	0.0	1,700.2	1,700.2	---
GROSS	0	333,453,600	333,453,600	---
Less:				
Interdepartmental Grants Received	0	333,453,600	333,453,600	---
ADJUSTED GROSS	0	0	0	---
Less:				
Federal Funds	0	0	0	---
Local and Private	0	0	0	---
TOTAL STATE SPENDING	0	0	0	---
Less:				
Other State Restricted Funds	0	0	0	---
GENERAL FUND/GENERAL PURPOSE	0	0	0	---
PAYMENTS TO LOCALS	0	0	0	---

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

A. EXECUTIVE ORDER 2001-3

FTE	1,700.2
Gross	333,453,600
IDG	333,453,600
GF/GP	0

On August 9, 2001, Governor Engler issued Executive Order 2001-3 to create the new Department of Information Technology. Article V, Section 2 of the Michigan Constitution authorizes the Governor to make changes in the organization of the executive branch, or in the assignment of functions among its units that the Governor considers necessary for efficient administration. The Legislature has 60 calendar days after the submission to disapprove an executive order. Unless disapproved by both houses within that time period, by a majority vote of members elected and serving, the executive order becomes effective on a date designated by the Governor. The disapproval time period for the Legislature regarding E.O. 2001-3 expired on October 9, 2001, and the Executive Order became effective on October 14, 2001.

Executive Order 2001-3 states that the current functions, duties, and responsibilities assigned to various State departments can be more effectively carried out by the new Department of Information Technology, which will promote a unified approach to information technology management. The director of the new Department will hold the title of State Chief Information Officer. The new Department is charged with the goal of achieving the use of common technology across the executive branch. Duties include:

- Coordinating a unified executive branch strategic information technology plan.
- Developing and implementing processes to replicate information technology best practices.
- Overseeing the expanded use of project management principles.
- Serving as a general contractor between the State's information technology users and private sector providers of information technology.
- Developing service-level agreements with executive branch departments.
- Developing standards for application development including a standard methodology and cost benefit analysis.
- Determining of data ownership assignments among executive branch departments and agencies.
- Developing systems and methodologies to review, evaluate, and prioritize existing information technology projects.
- Developing information technology budgets for the executive branch.

Executive Order 2001-3, by a Type II transfer, transferred the following to the new Department of Information Technology:

- (1) All information technology services currently within any executive branch department or agency.
- (2) All the authority, powers, duties, functions, and responsibilities of the following, which were located in the Department of Management and Budget:
 - the Michigan Administration Information Network.
 - the Computing Services Unit.
 - the Information Technology Services Division.
 - the Office of Project Management.
 - the Information Technology Budget and Finance Division.
 - the Office of Information Technology Solutions.
 - the Telecommunications Services Unit.
 - the Michigan Information Network Office.
 - the Michigan Information Center.

The Governor's recommendation for executive branch departments and agencies creates a new Information Technology appropriation unit in each department. This funding is the source for IDG user fee revenue to fund the new Department of Information Technology. Along with reductions to offset employee-related economic adjustments, the Department of Information Technology budget includes \$9,300,000 in savings from the consolidation of Information Technology functions; however, the budget provides no detail regarding where these savings will occur. The savings will be used to fund e-Michigan. Initial costs for e-Michigan were appropriated in FY 1999-2000 and FY 2000-01 supplementals.

JUDICIARY

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2001-02 YEAR-TO-DATE	FY 2002-03 GOV'S REC.	CHANGES FROM FY 2001-02 YEAR-TO-DATE	
			DOLLAR	PERCENT
FTE Positions	591.5	582.5	(9.0)	(1.5)
GROSS	241,449,900	246,587,900	5,138,000	2.1
Less:				
Interdepartmental Grants Received	2,818,500	2,833,500	15,000	0.5
ADJUSTED GROSS	238,631,400	243,754,400	5,123,000	2.1
Less:				
Federal Funds	3,363,200	3,864,500	501,300	14.9
Local and Private	3,755,400	3,784,300	28,900	0.8
TOTAL STATE SPENDING	231,512,800	236,105,600	4,592,800	2.0
Less:				
Other State Restricted Funds	56,288,900	57,287,500	998,600	1.8
GENERAL FUND/GENERAL PURPOSE	175,223,900	178,818,100	3,594,200	2.1
PAYMENTS TO LOCALS	112,785,600	113,195,500	409,900	0.4

FY 2002-03
Change from
FY 2001-02
Year-to-Date

A. NEW JUDGESHIPS

Gross	563,700
GF/GP	563,700

Legislation enacted in 2001 (Public Acts 251 through 258 of 2001) results in the net cost of 6.0 new circuit court judgeships and the net reduction of 1.0 district court judgeship. The changes included in the Governor's budget recommendation reflect the following new judgeships effective January 1, 2003:

Oakland Circuit	2 new judgeships
Genesee Circuit	1 new judgeship
Macomb Circuit	2 new judgeships
Kent Circuit	2 new judgeships
35th District Court (Western Wayne Co.)	1 new judgeship

The legislation also will result in the addition of three circuit court judgeships on January 1, 2005 (Genesee, Isabella, and Ottawa Counties).

Judgeships eliminated include:

- One Hamtramck District judgeship effective immediately (current vacancy).
- One Highland Park District judgeship effective upon vacancy or January 1, 2003.
- One Wayne County Circuit judgeship effective January 1, 2003.
- One Wayne County Probate judgeship effective upon vacancy.
- One Flint District judgeship effective upon vacancy.
- Two Wayne County Circuit judgeships effective January 1, 2005.
- One Genesee County Probate judgeship effective January 1, 2005.

FY 2002-03
Change from
FY 2001-02
Year-to-Date

B. STATE OFFICERS COMPENSATION COMMISSION (SOCC) DETERMINATIONS

Gross	1,867,600
GF/GP	1,867,600

The Governor's recommendation includes \$597,500 for costs associated with SOCC determinations for the last quarter of 2002. The budget also includes \$1,270,100 to fund up to a 2.0% increase for future SOCC determinations related to 2003. The determinations of SOCC for Supreme Court Justices affect the salary of other judges due to statutory ties based on 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%

C. FEDERAL AND RESTRICTED FUND ADJUSTMENTS

Gross	516,300
Federal	501,300
IDG	15,000
GF/GP	0

The budget contains adjustments to Federal and State Restricted funds to reflect available funds. Increases include \$15,000 for the Non Custodial Parent Work First Program, \$20,000 from the Special Education Grant for mediation services for parent/school special education conflicts, \$567,800 for the Court Improvement Project, and \$50,000 that would be allocated to training regarding absent parent protocol. The budget also reflects the elimination of \$36,500 in Department of Justice funds for assigned criminal defense, and elimination of a \$100,000 grant application that was not approved in FY 2001-02.

D. 1997 EARLY RETIREMENT ADJUSTMENTS

Gross	(76,600)
GF/GP	(76,600)

The budget includes a reduction to reflect the end of the five-year payouts of annual leave and sick leave related to employees who retired under the 1997 early retirement legislation.

E. STAFF REDUCTIONS

FTE	(9.0)
Gross	(685,400)
GF/GP	(685,400)

The Governor's recommendation reduces positions to cover employee-related economic adjustments.

FY 2002-03
Change from
FY 2001-02
Year-to-Date

F. ECONOMIC ADJUSTMENTS

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

Gross	2,779,100
Local	28,900
Restricted	(2,300)
GF/GP	2,752,500

Item	Gross	GF/GP
Salaries	\$594,500	\$556,600
Retirement	55,900	52,600
Lump Sum Adjustment	(221,800)	(207,100)
Workers' Compensation	35,000	35,000
Building Occupancy Charges	4,489,900	4,489,900
Rent	(2,174,400)	(2,174,400)
Total	\$2,779,100	\$2,752,500

G. OTHER ISSUES

The budget includes a \$1,000,900 funding shift from the State General Fund to Court Fee Fund support based on projected revenue. The budget also includes an increase of \$173,300 based on the increased wage base for the employer's share of OASI for judicial salaries. The Governor's recommendation also includes a \$6,000,000 boilerplate appropriation to the Judicial Technology Improvement Fund. This appropriation is contingent upon the receipt of a refund from the Federal government related to penalties imposed for the child support enforcement system.

Gross	173,300
Restricted	1,000,900
GF/GP	(827,600)

LEGISLATURE

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2001-02 YEAR-TO-DATE	FY 2002-03 GOV'S REC.	CHANGES FROM FY 2001-02 YEAR-TO-DATE	
			DOLLAR	PERCENT
FTE Positions	N/A	N/A	N/A	N/A
GROSS	125,850,000	126,345,700	495,700	0.4
Less:				
Interdepartmental Grants Received	1,612,200	1,627,600	15,400	0.0
ADJUSTED GROSS	124,237,800	124,718,100	480,300	0.4
Less:				
Federal Funds	0	0	0	0.0
Local and Private	400,000	400,000	0	0.0
TOTAL STATE SPENDING	123,837,800	124,318,100	480,300	0.4
Less:				
Other State Restricted Funds	1,478,600	1,475,300	(3,300)	(0.2)
GENERAL FUND/GENERAL PURPOSE	122,359,200	122,842,800	483,600	0.4
PAYMENTS TO LOCALS	0	0	0	0.0

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

A. STATE OFFICERS COMPENSATION COMMISSION (SOCC) DETERMINATIONS

Gross	258,200
GF/GP	258,200

The Governor's recommendation includes \$76,700 for costs associated with SOCC determinations for the last quarter of 2002. The budget also includes \$181,500 to fund up to a 2.0% increase for future SOCC determinations related to 2003.

B. 1997 EARLY RETIREMENT ADJUSTMENTS

Gross	(31,200)
GF/GP	(31,200)

The budget includes a reduction to reflect the end of the five-year payouts of annual leave and sick leave related to employees who retired under the 1997 early retirement legislation.

C. REDUCTIONS

Gross	(1,635,300)
GF/GP	(1,635,300)

The Governor's recommendation includes reductions to cover employee-related economic costs.

D. LEASE COSTS

Gross	401,700
GF/GP	401,700

The budget includes funding for lease cost adjustments associated with the House Office Building and the Victor Office Center.

E. ECONOMIC ADJUSTMENTS

Gross	1,635,300
GF/GP	1,635,300

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

Item	Gross	GF/GP
Salaries	\$1,238,000	\$1,238,000
Retirement	461,100	461,100
Lump Sum Adjustment	(63,800)	(63,800)
Total	\$1,635,300	\$1,635,300

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

F. OTHER ISSUES

Other adjustments include a \$54,900 General Fund increase for Defined Contribution costs, \$12,100 in adjustments to restricted audit charges, and the elimination of \$200,000 in one-time costs for the Legislative Council.

Gross	(133,000)
IDG	15,400
Restricted	(3,300)
GF/GP	(145,100)

DEPARTMENT OF MANAGEMENT AND BUDGET

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2001-02 YEAR-TO-DATE	FY 2002-03 GOV'S REC.	CHANGES FROM FY 2001-02 YEAR-TO-DATE	
			DOLLAR	PERCENT
FTE Positions	919.5	848.5	(71.0)	(7.7)
GROSS	173,229,000	188,634,700	15,405,700	8.9
Less:				
Interdepartmental Grants Received	85,513,600	109,606,600	24,093,000	28.2
ADJUSTED GROSS	87,715,400	79,028,100	(8,687,300)	(9.9)
Less:				
Federal Funds	380,300	300,100	(80,200)	(21.1)
Local and Private	0	0	0	0.0
TOTAL STATE SPENDING	87,335,100	78,728,000	(8,607,100)	(9.9)
Less:				
Other State Restricted Funds	43,466,900	35,355,300	(8,111,600)	(18.7)
GENERAL FUND/GENERAL PURPOSE	43,868,200	43,372,700	(495,500)	(1.1)
PAYMENTS TO LOCALS	0	0	0	0.0

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

A. STATE SPACE PLAN

The proposed budget includes an appropriation from IDG-building occupancy charges for costs associated with the State Space Plan. The major components of this amount are the transfer of the Historical Center from the Legislature to the Executive, the opening of the Hall of Justice, new leased facilities in Grand Rapids, the first year of property taxes for Constitution Hall, and a shift from rent to building occupancy charges. The increase in FTE authorization reflects additional property management responsibilities of the Department due to the Historical Center and the Hall of Justice.

FTE	17.0
Gross	14,728,700
IDG	14,728,700
GF/GP	0

B. SECURITY AT STATE BUILDINGS

The Governor's recommended budget includes an appropriation to pay for heightened security procedures at State buildings. Security guards are at the main entrances to every State building and other entryways remain locked. These costs are built into the rates charged to departments for building occupancy.

Gross	4,792,000
IDG	4,792,000
GF/GP	0

C. PARKING ADJUSTMENTS

The Office of Property Services (OPS) is exploring alternative parking arrangements with municipal and private owners of parking lots in Lansing and Detroit on behalf of State employees. The Office expects to offer services such as payroll deduction, pre-tax parking benefits, and consolidated parking management for State employees as a result of the new arrangements. The Governor's budget includes an increase in the appropriation for building occupancy and parking charges since additional parking fees will be processed by OPS.

Gross	3,214,800
IDG	3,214,800
GF/GP	0

D. PROFESSIONAL DEVELOPMENT AND SEVERANCE PAY FUNDS

Pursuant to collective bargaining agreements, the Governor's budget includes increases for professional development and severance pay funds. These funds are jointly administered by representatives from the unions and the Office of the State Employer. Uses for these funds include tuition reimbursement, conference or seminar fees, and severance payments related to layoffs.

Gross	750,000
IDG	750,000
GF/GP	0

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

E. RESTRICTED FUND SOURCE INCREASES

Gross	0
GF/GP	0

Executive Order 2001-9 replaced \$543,700 GF/GP with restricted fund sources for FY 2001-02. The Governor recommends continuing this for the next fiscal year. As a result of the fund shifts, computer upgrades and other expenses are forgone in order to support staff positions.

F. OFFICE OF CHILDREN'S OMBUDSMAN

Gross	0
GF/GP	0

Executive Order 2001-9 reduced the budget for the Office of Children's Ombudsman by \$61,100 GF/GP in FY 2001-02. This Office has determined that it would be unable to sustain this reduction in the next fiscal year. The Governor recommends transferring \$61,100 from the line item for Departmentwide Services to the Office of Children's Ombudsman.

G. STATE BUILDING AUTHORITY OVERSIGHT

Gross	50,000
Restricted	50,000
GF/GP	0

The State may sell Federal tax credits to private drillers for the development of natural gas after transferring certain mineral rights to them. The purchasers of the tax credits reimburse the State for its administration costs, including auditing and legal services. The State Building Authority administers the program on behalf of the State at an estimated cost of \$50,000 a year. The Governor's budget includes an appropriation from State Building Authority revenue that would allow the State to accept and expend the revenue received from the purchasers of the tax credits.

H. RETIREMENT SERVICES TECHNOLOGY PLAN

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

The Vision ORS automated retirement system will be partly operational in June 2002 and fully operational in December 2002. In June, call center attendants will be able to use the automated system to answer inquiries and provide information on retirement benefits to retired State employees. With the full implementation in December 2002, retirees will be able to calculate their benefits online. Fiscal year 2001-02 is the last year of a five-year appropriation totaling \$40,000,000 to implement the system. A reduction of \$8,000,000 is included to reflect the completion of the project.

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

I. STATEWIDE COST ALLOCATION PLAN

The Governor's recommended budget includes adjusts for the Statewide Cost Allocation Plan. This plan distributes proportionally costs incurred by the Department of Management and Budget for services provided to all State departments and agencies. Adjustments are made to reflect the fund sources from which departments reimburse the Department of Management and Budget.

Gross	0
IDG	(192,200)
Federal	(21,700)
Restricted	(146,900)
GF/GP	(23,600)

J. COMPLETION OF 1997 EARLY RETIREMENT PAYOUTS

The Governor's recommended budget includes a reduction to reflect the end of the five-year payouts of annual leave and sick leave related to employees who retired under the 1997 early retirement legislation.

Gross	(126,100)
IDG	(64,100)
Restricted	(34,500)
GF/GP	(27,500)

K. STAFF REDUCTIONS TO PAY FOR EMPLOYEE ECONOMICS

The Governor's recommended budget includes a reduction of 4.0 FTEs and associated funding to pay for employee economic adjustments.

FTE	(4.0)
Gross	(264,600)
GF/GP	(264,600)

L. PROGRAM TRANSFERS

In the Governor's recommended budget, 84.0 FTE positions are transferred to the new Department of Information Technology. A new appropriation unit is created with the Department of Management and Budget budget, which includes \$27,434,300 Gross; \$18,960,400 GF/GP. This funding is seen in the budget for the new Department as an IDG from user charges. A majority of this information technology budget is associated with the Michigan Administrative Information Network (MAIN).

FTE	(84.0)
Gross	0
GF/GP	0

M. UNCLASSIFIED SALARIES

The Governor's recommended budget includes a 2% increase to the current year for unclassified salaries, from \$559,600 to \$570,800.

Gross	11,200
GF/GP	11,200

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

N. ECONOMIC ADJUSTMENTS

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

Item	Gross	GF/GP
Salaries and Wages	\$797,500	\$279,200
Retirement	168,100	58,900
Workers' Compensation	(28,000)	15,000
Building Occupancy Charges	(422,500)	(444,400)
Lump Sum Adjustments	(304,200)	(99,700)
Other Adjustments	38,800	0
Total	\$249,700	\$(191,000)

Gross	249,700
IDG	805,300
Restricted	19,800
GF/GP	(191,000)

O. OTHER ISSUES

A technical adjustment is required to reflect a fund shift.

Gross	0
IDG	58,500
Federal	(58,500)
GF/GP	0

DEPARTMENT OF MILITARY AND VETERANS AFFAIRS

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2001-02 YEAR-TO-DATE	FY 2002-03 GOV'S REC.	CHANGES FROM FY 2001-02 YEAR-TO-DATE	
			DOLLAR	PERCENT
FTE Positions	1,083.5	1,128.0	44.5	4.1
GROSS	100,267,975	107,837,500	7,569,525	7.5
Less:				
Interdepartmental Grants Received	110,000	200,000	90,000	0.0
ADJUSTED GROSS	100,157,975	107,637,500	7,479,525	7.5
Less:				
Federal Funds	36,386,100	47,214,500	10,828,400	29.8
Local and Private	480,000	530,000	50,000	10.4
TOTAL STATE SPENDING	63,291,875	59,893,000	(3,398,875)	(5.4)
Less:				
Other State Restricted Funds	23,252,400	23,437,600	185,200	0.8
GENERAL FUND/GENERAL PURPOSE	40,039,475	36,455,400	(3,584,075)	(9.0)
PAYMENTS TO LOCALS	120,000	120,000	0	0.0

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

A. FY 2001-02 SUPPLEMENTAL APPROPRIATIONS RECOMMENDED IN GOVERNOR'S FY 2002-03 BUDGET

The Governor recommends an appropriation of 55.0 FTEs and \$300,000 GF/GP for the purpose of beginning the conversion of the Grand Rapids Veterans Home to Medicaid certification by October 1, 2002.

B. GRAND RAPIDS VETERANS HOME

The Governor recommends the hiring of 55.0 FTEs (45.0 registered nurses, 4.0 activity therapists, 2.0 nutritionists, 1.0 Social Services position, and 3.0 clerical positions), an increase in Federal funds (\$8.6 million in Medicaid Title XIX Funds), with a subsequent reduction in GF/GP funds to convert the State Grand Rapids Veterans Home to Medicaid certification. This would have the impact of increasing the ratio of care-givers to members and, at the same time, reducing the amount of GF/GP funds for necessary home operations.

FTE	55.0
Gross	3,600,000
Federal	8,600,000
GF/GP	(5,000,000)

C. CHALLENGE PROGRAM

The Governor recommends an increase in IDG funds from the Department of Community Health to support the program in the Department of Military and Veterans Affairs for at-risk high school dropouts.

Gross	90,000
IDG	90,000
GF/GP	0

D. GRANTS TO VETERANS' SERVICE ORGANIZATIONS

The Governor recommends an increase in grant funding for Veterans Service Organizations in the State to reflect appropriation levels in force prior to reductions in these grants as a result of the Governor's Executive Order 2001-9.

Gross	891,625
GF/GP	891,625

E. SPECIAL MAINTENANCE-FEDERAL

The Governor recommends the appropriation of additional Federal National Guard Bureau Funds for the purpose of performing maintenance work on the State's armories and military training sites, including Camp Grayling.

Gross	1,998,000
Federal	1,998,000
GF/GP	0

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

F. D. J. JACOBETTI VETERANS HOME		Gross	137,500
		Restricted	50,000
		GF/GP	87,500
	The Governor recommends additional revenue for the D. J. Jacobetti Home to reflect increased donations (\$50,000) and to cover increased costs of electricity (\$34,000 GF/GP) and housekeeping (\$53,000).		
G. 1997 EARLY RETIREMENT ADJUSTMENTS		Gross	(76,100)
		Federal	(17,300)
		Restricted	(15,700)
		GF/GP	(43,100)
	The budget includes a reduction to reflect the end of the five-year payouts of annual leave and sick leave related to employees who retired under the 1997 early retirement legislation.		
H. STAFF REDUCTIONS		FTE	(0.5)
		Gross	(30,700)
		GF/GP	(30,700)
	The Governor's recommendation reduces positions to cover employee-related economic costs.		
I. PROGRAM TRANSFERS		FTE	(10.0)
	The Governor's recommendation creates a new Information Technology appropriation unit for the Department of Military and Veterans Affairs. It includes \$775,100 transferred from the operations line item. This funding also is appropriated as an IDG from user fees in the new Department of Information Technology, which was created by Executive Order 2001-03. Ten positions are transferred to the new Department from the Department of Military and Veterans Affairs.		
J. UNCLASSIFIED SALARIES		Gross	12,900
		GF/GP	12,900
	An increase of \$12,900 is recommended for the \$647,400 line item that funds 7.0 FTE unclassified positions.		
K. ECONOMIC ADJUSTMENTS		Gross	770,900
		IDG	161,000
		Federal	248,600
		Private	11,400
		Restricted	23,700
		GF/GP	326,200
	Standard economic adjustments are applied for salaries and wages, retirement, rent, workers' compensation, and building occupancy charges consistent with factors applied to all budgets. These adjustments include:		

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

Item	Gross	GF/GP
Salaries	\$823,000	\$285,200
Retirement	(204,200)	(31,800)
Lump Sum Adjustment	(331,600)	(130,100)
Workers' Compensation	225,000	91,700
Other	258,700	111,100
Total	\$770,900	\$326,200

L. OTHER ISSUES

Other issues include adjustments for the actual funds received and other technical adjustments.

Gross	175,400
Federal	(161,900)
Local	30,600
Restricted	127,200
GF/GP	171,500

DEPARTMENT OF NATURAL RESOURCES

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2001-02 YEAR-TO-DATE	FY 2002-03 GOV'S REC.	CHANGES FROM FY 2001-02 YEAR-TO-DATE	
			DOLLAR	PERCENT
FTE Positions	2,177.5	2,075.5	(102.0)	(4.7)
GROSS	252,677,600	254,418,400	1,740,800	0.7
Less:				
Interdepartmental Grants Received	3,416,900	3,437,900	21,000	0.6
ADJUSTED GROSS	249,260,700	250,980,500	1,719,800	0.7
Less:				
Federal Funds	28,461,700	28,727,600	265,900	0.9
Local and Private	1,748,800	1,771,400	22,600	1.3
TOTAL STATE SPENDING	219,050,200	220,481,500	1,431,300	0.7
Less:				
Other State Restricted Funds	173,737,100	174,932,400	1,195,300	0.7
GENERAL FUND/GENERAL PURPOSE	45,313,100	45,549,100	236,000	0.5
PAYMENTS TO LOCALS	22,587,900	22,786,500	198,600	0.9

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

A. FY 2001-02 SUPPLEMENTAL APPROPRIATIONS RECOMMENDED IN GOVERNOR'S FY 2002-03 BUDGET

The passage of a \$1,042,900 pending Forest Development Fund supplemental is assumed in the FY 2001-02 budget base, under the Governor's FY 2002-03 budget recommendation. The supplemental appropriation was recommended by the Governor in November 2001 as an offset to the Executive Order 2001-9 General Fund reduction in the Forest Management Program.

B. BOVINE TUBERCULOSIS

Gross	2,000,000
GF/GP	2,000,000

The Governor's proposed budget adds new General Fund dollars for bovine tuberculosis eradication and control efforts. The FY 1999-2000 \$4.5 million appropriation for the same purpose is expected to be spent by the end of FY 2001-02. From the amount proposed by the Governor, \$1.6 million would be used for wildlife tuberculosis testing, and \$400,000 would be for wildlife/deer population surveys.

C. MICHIGAN CONSERVATION CORPS

Gross	(1,924,900)
Restricted	(200,000)
GF/GP	(1,724,900)

The Governor's budget eliminates all General Fund support for the Michigan Civilian Conservation Corps (MCCC). This proposal would result in the closure of Camp Vanderbilt in the northern Lower Peninsula. The remaining funding would support Camp Proud Lake, in Oakland County, for residential programs, and the nonresidential component of the MCCC program. The proposed budget also eliminates MCCC Endowment Funds totaling \$200,000 that were included in the FY 2001-02 budget for MCCC participation in the development of Tricentennial Park in Detroit.

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

D. STATE PARKS

Gross	1,200,000
Restricted	1,200,000
GF/GP	0

1. Park Improvement Revenue Bond Debt Service

The Natural Resources and Environmental Protection Act allows the Natural Resources Commission to issue park improvement revenue bonds, to be repaid with park fees. The budget assumes that \$15.5 million in park improvement revenue bonds are issued. (Proceeds are appropriated in the Capital Outlay budget.) Park Improvement Fund revenue sufficient to cover the FY 2002-03 debt service on the park improvement revenue bonds is included in the Natural Resources operating budget bill.

2. Inflationary Adjustments

Gross	1,445,800
Restricted	1,039,000
GF/GP	406,800

The budget includes a mandated inflationary adjustment in General Fund support for State Parks. Under the Natural Resources and Environmental Protection Act, if the General Fund appropriation for State Parks operations falls below the inflation-adjusted FY 1993-94 General Fund appropriation for Parks, Park fee increases authorized in 1993 will be repealed. In addition to the required inflationary adjustment, the budget includes increases in the parks and boating recreation appropriations to cover inflationary increases in utility, waste management, and motor transport costs. The latter adjustments are supported with Park Improvement Fund and Michigan State Waterways Fund monies.

E. EARLY RETIREMENT PAYOUTS

Gross	(933,300)
IDG	(400)
Restricted	(697,700)
GF/GP	(235,200)

Under the 1997 Early Retirement Program, departments were allowed to spread the payments of accumulated annual and sick leave payments to retirees over a five-year period. The amounts that had been used to make the annual and sick leave payments are removed from the budget.

F. STAFF REDUCTION OFFSETS TO ECONOMIC INCREASES

FTE	(4.0)
Gross	(296,900)
GF/GP	(296,900)

The Governor's budget reduces staff and funding in order to offset the cost of economic increases in salaries and wages.

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

G.	PROGRAM TRANSFERS	Gross GF/GP	(50,000) (50,000)
1.	Accounting Support to Department of History, Arts, and Libraries		
	Funding that supports part of an accounting position is transferred to the new Department of History, Arts, and Libraries.		
2.	Forest Management Initiative	Gross Restricted GF/GP	(800,000) (800,000) 0
	Forest Development Fund support for the Forest Management Initiative appropriation is transferred to the Capital Outlay budget to support a forest roads, bridges, and facilities appropriation. The transferred amount was appropriated originally in FY 1997-98 to the Department for forest roads, bridges, and facilities construction and maintenance.		
3.	Information Technology	FTE	(98.0)
	The Governor's recommendation creates a new Information Technology appropriation unit for the Department of Natural Resources. It includes \$15,535,300 transferred from various operations line item appropriations. This funding also is appropriated as an interdepartmental grant from user fees in the new Department of Information Technology, which was created by Executive Order 2001-03. Ninety-eight positions are transferred to the new Department from the Department of Natural Resources.		
H.	UNCLASSIFIED SALARIES	Gross IDG Restricted GF/GP	8,600 100 8,500 0
	The Governor's budget includes a 2.0% increase for unclassified salaries, bringing total unclassified salary funding to \$438,600.		
I.	ECONOMIC ADJUSTMENTS	Gross IDG Federal Private Restricted GF/GP	1,438,700 21,400 193,400 (4,000) 1,091,700 136,200
	Standard economic adjustments are applied for salaries and wages, total retirement, rent, workers' compensation, and building occupancy charges consistent with factors applied to all budgets. An offsetting reduction of amounts used to make prior-year lump sum salary payments is included as well. These adjustments include:		

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

Item	Gross	GF/GP
Salaries and wages	\$1,764,700	\$182,200
Retirement	397,000	31,800
Lump sum payments	(997,900)	(166,000)
Building occupancy charges	10,100	6,300
Workers' compensation	142,000	60,900
Information technology	122,800	21,000
Total	\$1,438,700	\$136,200

J. OTHER ISSUES

Other changes proposed by the Governor include adjustments to reflect the availability of various Federal, private, and State restricted sources of financing, statutorily based inflationary adjustments in the stream habitat programs, base and inflationary adjustments in the payments in lieu of taxes appropriation and for the Natural Resources Commission, the elimination of the one-time National Christmas Tree appropriation, continuation of the FY 2001-02 proposed Forest Development Fund supplemental (described in Item A above), and increased Federal or State restricted funding for a snake study at Camp Grayling, a hunter education program, snowmobile law enforcement, a noise reduction study at Silver Lake State Park, increased oil and gas lease audits, and assumption of the management and operation of the St. Aubin Marina in Detroit.

Gross	(347,200)
IDG	(100)
Federal	72,500
Private	26,600
Restricted	(446,200)
GF/GP	0

SCHOOL AID

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2001-02 YEAR-TO-DATE	FY 2002-03 GOV'S REC.	CHANGES FROM FY 2001-02 YEAR-TO-DATE	
			DOLLAR	PERCENT
FTE Positions	0.0	0.0	0.0	0.0
GROSS	11,451,113,400	12,795,333,400	1,344,220,000	11.7
Less:				
Interdepartmental Grants Received	0	0	0	0.0
ADJUSTED GROSS	11,451,113,400	12,795,333,400	1,344,220,000	11.7
Less:				
Federal Funds	203,000,000	1,348,305,800	1,145,305,800	564.2
Local and Private	0	700,000	700,000	0.0
TOTAL STATE SPENDING	11,248,113,400	11,446,327,600	198,214,200	1.8
Less:				
Other State Restricted Funds	11,049,699,900	11,247,914,100	198,214,200	1.8
GENERAL FUND/GENERAL PURPOSE	198,413,500	198,413,500	0	0.0
PAYMENTS TO LOCALS	10,968,671,600	11,389,641,800	420,970,200	3.8

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

The School Aid budget for FY 2002-03 was first enacted in Public Act 297 of 2000, followed by a supplemental budget enacted in Public Act 121 of 2001. The Governor has recommended several changes to the existing budgets for FY 2001-02 and FY 2002-03. The proposed changes for FY 2001-02 are primarily technical in nature. The analysis below describes the proposed FY 2002-03 budget compared with the FY 2001-02 year-to-date budget.

A. FOUNDATION ALLOWANCE

The basic (and minimum) foundation allowance is increased by 3.1%, or \$200, to \$6,700 per pupil. This amount is used for calculation purposes only, to determine the amount each district will receive under the Proposal A Obligation and Discretionary Payment sections.

B. PROPOSAL A OBLIGATION PAYMENT

This line item was created to ensure that districts receive their FY 1994-95 foundation allowances. Payments are based on a district's FY 1994-95 foundation allowance multiplied by the district's current-year general education and special education pupils, minus local revenues. The reduction in this line reflects increasing local revenues to districts.

Gross	(76,100,000)
Restricted	(76,100,000)
GF/GP	0

C. DISCRETIONARY PAYMENT

This payment section consists primarily of funding the increase in the basic foundation allowance. Since the basic foundation allowance is proposed to increase by \$200 per pupil, additional funding over FY 2001-02 levels is needed.

Gross	460,800,000
Restricted	460,800,000
GF/GP	0

D. EQUITY PAYMENT

The equity payment was a one-time payment in FY 2001-02, designed to bring all districts to a minimum operational funding level of \$6,500 per pupil. Beginning in FY 2002-03, this funding is built into the base (discretionary payment), and this separate section is eliminated.

Gross	(129,000,000)
Restricted	(129,000,000)
GF/GP	0

E. ELIMINATION OF SEVERAL "ALL STUDENTS ACHIEVE PROGRAM" GRANTS

The FY 2002-03 Governor's recommended budget eliminates funding for the Parent Involvement and Education (PIE) grants (\$45,000,100); Reading Program grants (\$45,000,000); Class Size Reduction grants (\$26,650,000); and Interagency Early Childhood grants (\$2,000,000).

Gross	(118,650,100)
Restricted	(118,650,100)
GF/GP	0

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

F. SPECIAL EDUCATION FUNDING

Increases in both State and Federal Special Education funding are proposed. Due to projections in increased costs, the State portion of Special Education funding is recommended to increase by \$57,280,000. Federal funding also is increasing, by a total of \$91,837,200. This total includes the Federal funding grant that was previously appropriated in the Department of Education budget.

Gross	149,117,200
Federal	91,837,200
Restricted	57,280,000
GF/GP	0

G. MISCELLANEOUS ADJUSTMENTS

The Governor's budget recommends several miscellaneous funding increases. These funding adjustments include \$500,000 for Court-Placed Pupils; \$520,000 for Golden Apples; \$3,174,000 for Renaissance Zone Reimbursements; \$2,168,000 for the Center for Educational Performance and Information; \$2,338,300 for State reimbursement of School Lunch Programs; and \$4,600,000 for reimbursement to local treasurers. Prefunding of local revenue changes due to revisions in the Personal Property Tax Depreciation Tables is not included in the FY 2002-03 budget. (Net reductions total \$2,270,000.) In addition to these adjustments, the current-year allocation of \$15,000,000 for Detroit Public Schools is not continued in FY 2002-03.

Gross	(3,969,700)
Restricted	(3,969,700)
GF/GP	0

H. PROGRAM TRANSFERS

1. Department of Education Federal Grants

All Federal grants previously appropriate Loan in the Department of Education budget, in addition to new Federal grants, are transferred to the School Aid Act under the Governor's budget. The largest of these grants include Title I, School Lunch Program, Improving Teacher Quality, Class Size Reduction Program, Urgent School Renovation Grants, and Reading First State Grants.

Gross	1,053,468,600
Federal	1,053,468,600
GF/GP	0

2. School Bond Loan Redemption

Funding for this program, which makes payments to the School Bond Loan Redemption Fund in the Department of Treasury, was previously appropriated in the Treasury budget.

Gross	5,374,000
Local	700,000
Restricted	4,674,000
GF/GP	0

		FY 2002-03 Change from FY 2001-02 <u>Year-to-Date</u>
3. School Health Curriculum Grants	Gross	3,180,000
	Restricted	3,180,000
	GF/GP	0
Funding for this program was previously appropriated in the Department of Community Health budget. This program is designed to award grants to intermediate districts and districts for school health education curricula.		
4. Teen Health Centers	Gross	0
	Restricted	0
	GF/GP	0
Funding for this program was previously appropriated in the Department of Community Health budget. Under the Governor's proposal, funding would be awarded on a competitive grant basis to support teen health centers, with the grants awarded in a form and manner jointly approved by the Departments of Education and Community Health. No additional funding is allocated for this program. Instead, this program would be earmarked out of existing At-Risk funding, totaling \$3,743,000 in FY 2002-03.		

DEPARTMENT OF STATE

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2001-02 YEAR-TO-DATE	FY 2002-03 GOV'S REC.	CHANGES FROM FY 2001-02 YEAR-TO-DATE	
			DOLLAR	PERCENT
FTE Positions	1,973.3	1,847.8	(125.5)	(6.4)
GROSS	179,288,400	179,828,100	539,700	0.3
Less:				
Interdepartmental Grants Received	95,814,100	96,493,000	678,900	0.7
ADJUSTED GROSS	83,474,300	83,335,100	(139,200)	(0.2)
Less:				
Federal Funds	1,303,600	1,319,500	15,900	1.2
Local and Private	100	100	0	0.0
TOTAL STATE SPENDING	82,170,600	82,015,500	(155,100)	(0.2)
Less:				
Other State Restricted Funds	64,451,900	64,274,200	(177,700)	(0.3)
GENERAL FUND/GENERAL PURPOSE	17,718,700	17,741,300	22,600	0.1
PAYMENTS TO LOCALS	69,800	69,800	0	0.0

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

A. FY 2001-02 SUPPLEMENTAL APPROPRIATIONS RECOMMENDED IN GOVERNOR'S FY 2002-03 BUDGET

Public Act 269 of 2001 (Senate Bill 173) required that the Secretary of State request an appropriation for the production of an election worker training video, two of which would be distributed to every precinct in the State. The Governor requests \$80,000 GF/GP for this purpose. The Department will not produce the video if the appropriation is not received.

B. TRANSPORTATION FEE COLLECTION SERVICES

Executive Order 2001-9 offset \$40,000,000 GF/GP with Michigan Transportation Fund (MTF) dollars for FY 2001-02. The budget for FY 2002-03 continues this at the same level of funding. The funding is applied toward the costs of collecting transportation-related fees that the Department of State performs on behalf of the Department of Transportation.

Gross	0
Restricted	0
GF/GP	0

C. AUTO THEFT PREVENTION GRANT

The Department of State is applying for a grant from the Auto Theft Prevention Authority under the Department of State Police. The Governor's recommended budget includes this grant, although it has not yet been awarded. The Department of State will use the grant to cover staff expenses until an electronic document management and imaging system that will assist with vehicle look-up requests from insurance and law enforcement agencies is fully implemented.

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

D. BRANCH OFFICE OPERATIONS REDUCTION

The Governor's recommended budget includes a reduction in the line item for branch operations. The reduction is expected to be accomplished by encouraging customers to use phone, mail, and Internet services in place of physical branch office visitation and by making adjustments in the schedules for seasonal employees. No layoffs or branch closings are anticipated as a result of this reduction.

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

E. COMPLETION OF 1997 EARLY RETIREMENT PAYOUTS

The Governor's recommended budget includes a reduction to reflect the end of the five year payouts of annual leave and sick leave related to employees who retired under the 1997 early retirement legislation.

Gross	(211,800)
IDG	(137,500)
Restricted	(59,300)
GF/GP	(15,000)

**FY 2002-03
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F.	STAFF REDUCTIONS TO PAY FOR EMPLOYEE ECONOMICS	FTE	(4.0)
	The Governor's recommended budget includes a reduction of 4.0 FTEs and associated funding to pay for employee economic adjustments.	Gross	(128,600)
		GF/GP	(128,600)
G.	PROGRAM TRANSFERS		
	1. Information Technology		
	In the Governor's recommended budget, 101.0 FTE positions are transferred to the new Department of Information Technology. A new appropriation unit is created within the Department of State budget, which includes \$21,044,700 Gross; \$1,989,600 GF/GP. This funding is seen in the budget for the new Department as an IDG from user charges.	FTE	(101.0)
		Gross	0
		GF/GP	0
	2. Historical Program	FTE	(2.0)
	Support services associated with the former Historical Program are transferred from the Department of State to the Department of History, Arts, and Libraries. This transfer includes 2.0 FTEs, who are an accountant and a legal advisor.	Gross	(261,800)
		GF/GP	(261,800)
H.	UNCLASSIFIED SALARIES	Gross	11,800
	The Governor's recommended budget includes a 2% increase to the current year, from \$467,000 to \$476,300, for unclassified salaries. In addition, the salary for the Secretary of State is increased from \$124,900 to \$127,400, a 2% increase. Article V, Section 23 of the Michigan Constitution states that the salary for the Secretary of State may change only at the start of a new term of office.	GF/GP	11,800
I.	ECONOMIC ADJUSTMENTS	Gross	2,030,100
	Standard economic adjustments are applied for salaries and wages, total retirement, workers' compensation, building occupancy charges, and the removal of lump sum payments consistent with factors applied to all budgets. These adjustments include:	IDG	816,400
		Federal	15,900
		Restricted	(218,400)
		GF/GP	1,416,200

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

Item	Gross	GF/GP
Salaries and Wages	\$1,574,200	\$139,900
Retirement	138,500	16,200
Workers' Compensation	19,700	19,700
Building Occupancy Charges	1,037,700	1,299,500
Lump Sum Adjustments	(740,000)	(59,100)
Total	\$2,030,100	\$1,416,200

DEPARTMENT OF STATE POLICE

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2001-02 YEAR-TO-DATE	FY 2002-03 GOV'S REC.	CHANGES FROM FY 2001-02 YEAR-TO-DATE	
			DOLLAR	PERCENT
FTE Positions	3,648.5	3,440.5	(208.0)	(5.7)
GROSS	410,333,800	416,444,600	6,110,800	1.5
Less:				
Interdepartmental Grants Received	19,927,500	16,750,700	(3,176,800)	(15.9)
ADJUSTED GROSS	390,406,300	399,693,900	9,287,600	2.4
Less:				
Federal Funds	43,211,000	45,570,500	2,359,500	5.5
Local and Private	3,913,700	3,913,700	0	0.0
TOTAL STATE SPENDING	343,281,600	350,209,700	6,928,100	2.0
Less:				
Other State Restricted Funds	50,661,600	60,262,900	9,601,300	19.0
GENERAL FUND/GENERAL PURPOSE	292,620,000	289,946,800	(2,673,200)	(0.9)
PAYMENTS TO LOCALS	15,405,000	19,968,100	4,563,100	29.6

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

A. GRANT TO THE CITY OF DETROIT

Gross	(721,100)
GF/GP	(721,100)

The Governor recommends that the current year grant to the City of Detroit be eliminated for FY 2002-03. The FY 2001-02 budget bill appropriates a total of \$721,100 for the City of Detroit Law Enforcement, \$431,400 to the Detroit Crime Lab, and \$289,700 to the Police Special Events Account. The City of Detroit has received grant funds for these purposes for several years, including \$894,300 in FY 1996-97, FY 1997-98, and FY 1998-99, \$921,100 in FY 1999-2000 and FY 2000-01, and \$721,100 in FY 2001-02.

B. AUTO THEFT PREVENTION PROGRAM

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

The Governor recommends an increase in the spending authority of the auto theft prevention program to reflect revenues received from a \$1 assessment on car insurance payments, and to increase grant funding for law enforcement teams who focus on auto theft.

C. CONCEALED WEAPONS LAW IMPLEMENTATION

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

The Governor recommends the elimination of funds appropriated and spent under Public Act 381 of 2000 which had been used to implement recent changes to concealed weapon laws.

D. CRIMINAL JUSTICE INFORMATION CENTER SERVICE FEES

Gross	0
Restricted	0
GF/GP	0

The Governor recommends continuation of \$2,800,000 in criminal justice information center service fees to reflect Executive Order 2001-9, which increased criminal history look-up fees from \$5 to \$15 (total yearly increase \$1.0 million) and State Fingerprint Processing Fees from \$15 to \$30 (total yearly increase \$1.8 million). The fingerprint fee increase would require amendment of statutory law to be effective for FY 2002-03. Current Senate Bill 828 would accomplish this action and has been assigned to the Senate Appropriations Committee. This appropriation reflects the actions with the legislative transfer of November 6, 2001.

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

E. DNA ANALYSIS PROGRAM

The Governor recommends increasing restricted revenue appropriations for the DNA Analysis Program to reflect recent legislation (Public Acts 84 through 91 of 2001) that requires the capture of State Police DNA laboratory costs (\$39 per sample) from persons convicted in cases where DNA evidence was used.

Gross	1,600,000
Restricted	1,600,000
GF/GP	0

F. EMERGENCY MANAGEMENT

The Governor recommends increasing Federal fund appropriations from the Department of Justice to provide for additional antiterrorism equipment and training for local and State use. Equipment to be obtained would include personal protection equipment, chemical, biological, and radiological detection equipment, and decontamination equipment.

Gross	2,750,100
Federal	2,750,100
GF/GP	0

G. REIMBURSED SERVICES

The Governor recommends increasing the authority to spend fees for State Police services, the bulk of which (\$500,000) would come from the City of Grand Rapids in return for the State Police operation of the City's 9-1-1 emergency dispatch service.

Gross	745,300
Restricted	745,300
GF/GP	0

H. AT-POST TROOPERS

The Governor recommends a reduction of 29.0 FTEs/\$997,700 in appropriations for at-post troopers, providing for no new trooper school for FY 2002-03. The reduction is included in Item M (Staff Reductions). The list below shows at-post trooper strength for the previous five years, and includes an estimate of trooper strength at the beginning and end of FY 2002-03, based on an expected annual trooper attrition of 90.0 FTEs and no trooper school being held.

October			
2003	1,073*	1999	1,319
2002	1,163*	1998	1,336
2001	1,253	1997	1,254
2000	1,344	<i>*estimate</i>	

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

I. SECONDARY ROAD PATROL GRANTS

The Governor recommends the full-year phase-in of increased traffic citation assessment (from \$5 to \$10) and elimination of remaining GF/GP appropriation and rolled up administration in a single line item for a total of \$12,506,600 for FY 2002-03. Current FY 2001-02 appropriations for the program total \$8,006,100 (\$1,603,800 GF/GP, \$6,402,300 Restricted). Fiscal year 2001-02 appropriations for the program prior to Executive Order 2001-9 totaled \$12,506,100 (\$6,103,800 GF/GP, \$6,402,300 Restricted), which includes the administration line appropriation of \$123,800 GF/GP.

Gross 4,500,500
Restricted 6,104,300
GF/GP (1,603,800)

J. MOTOR CARRIER ENFORCEMENT

The Governor recommends the removal of funds (13.0 FTEs, \$1,400,000 IDG-MDOT) for additional motor carrier officers that had been placed within appropriations for FY 2001-02. In addition, \$860,500 in increased Federal Department of Transportation funds are recommended to provide more support for truck safety inspections.

FTE (13.0)
Gross (539,500)
IDG (1,400,000)
Federal 860,500
GF/GP 0

K. SECURITY GUARD AND PRIVATE DETECTIVE LICENSING

The Governor recommends continuation of \$250,000 in fee increases authorized in Executive Order 2001-9, to support the regulation of the security industry in the State. To establish an increase in these fees for FY 2002-03, statutory amendments would have to be enacted. Currently, Senate Bill 425 (referred to Senate Judiciary Committee) and Senate Bill 929 (referred to Senate Appropriations Committee) contain provisions for these increases.

Gross 0
Restricted 0
GF/GP 0

L. 1997 EARLY RETIREMENT ADJUSTMENTS

The budget includes a reduction to reflect the end of the five-year payouts of annual leave and sick leave related to employees who retired under the 1997 early retirement legislation.

Gross (206,800)
IDG (12,200)
Federal (5,500)
Restricted (4,500)
GF/GP (184,600)

M. STAFF REDUCTIONS

The Governor's recommendation reduces positions to cover employee-related economic costs. This total includes the reductions to the At-Post trooper line mentioned in Item H above.

FTE (40.0)
Gross (3,434,100)
GF/GP (3,434,100)

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

N. PROGRAM TRANSFERS

FTE (155.0)

The Governor's recommendation creates a new Information Technology appropriation unit for the Department of State Police. It includes \$22,339,500 transferred from the operations line items. This funding also is appropriated as an IDG from user fees in the new Department of Information Technology, which was created by Executive Order 2001-3. A total of 155 positions are transferred to the new Department from the Department of State Police.

O. UNCLASSIFIED SALARIES

Gross 5,200
GF/GP 5,200

A \$5,200 increase is recommended for the \$260,400 line item that funds 3.0 FTE unclassified positions.

P. ECONOMIC ADJUSTMENTS

Gross 4,545,500
IDG 122,400
Federal 54,600
Private 0
Restricted 179,700
GF/GP 4,188,800

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

Item	Gross	GF/GP
Salaries	\$3,449,100	\$3,040,800
Retirement	1,167,500	965,500
Lump Sum Adjustment	(1,121,100)	(867,500)
Workers' Compensation	311,000	311,000
Building Occupancy Charges	739,000	739,000
Total	\$4,545,500	\$4,188,800

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

Q. OTHER ISSUES

The Governor is recommending other changes to adjust for actual revenues received and to make technical adjustments.

Gross	(2,634,300)
IDG	(1,887,000)
Federal	(1,300,200)
Private	0
Restricted	476,500
GF/GP	76,400

MICHIGAN STRATEGIC FUND AGENCY

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2001-02 YEAR-TO-DATE	FY 2002-03 GOV'S REC.	CHANGES FROM FY 2001-02 YEAR-TO-DATE	
			DOLLAR	PERCENT
FTE Positions	234.0	231.5	(2.5)	(1.1)
GROSS	169,090,600	155,037,500	(14,053,100)	(8.3)
Less:				
Interdepartmental Grants Received	100,000	100,900	900	0.9
ADJUSTED GROSS	168,990,600	154,936,600	(14,054,000)	(8.3)
Less:				
Federal Funds	62,934,400	62,953,300	18,900	0.0
Local and Private	850,000	853,100	3,100	0.4
TOTAL STATE SPENDING	105,206,200	91,130,200	(14,076,000)	(13.4)
Less:				
Other State Restricted Funds	45,050,000	45,050,000	0	0.0
GENERAL FUND/GENERAL PURPOSE	60,156,200	46,080,200	(14,076,000)	(23.4)
PAYMENTS TO LOCALS	21,000,000	9,009,400	(11,990,600)	(57.1)

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

A. ECONOMIC DEVELOPMENT JOB TRAINING GRANTS

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

1. Timing of Grant Awards

The proposed budget reduces funding for this program, with language specifying that the grants for job training are to be awarded in the first two quarters of the State fiscal year. Economic Development Job Training (EDJT) grants for Rapid Response, the Michigan Growth Capital Fund, and the proposed university research grant matching funds (discussed below) could be awarded at any time. Total proposed funding for EDJT is \$13,548,000 in FY 2002-03.

2. Allocation for University Research Grant Matching Funds

The Governor proposes adding a new eligible use of EDJT funds. The Michigan Economic Development Corporation could allocate \$1,000,000 from EDJT funds for the current year to a university for use as matching funds for university Federal research grants.

B. MICHIGAN GROWTH CAPITAL FUND

The proposed budget permits an allocation from the Michigan Growth Capital Fund to provide a match for university Federal research grants.

C. CAPITAL ACCESS PROGRAM

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

The Governor recommends that funding for this program be removed.

D. COMMUNITY DEVELOPMENT BLOCK GRANTS

Gross 0
GF/GP 0

This Federally funded program remains at \$60,000,000 under the proposed budget.

E. MICHIGAN PROMOTION PROGRAM

Gross 0
GF/GP 0

The proposed budget maintains the advertising budget for Travel Michigan at \$7,442,500.

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

F. LIFE SCIENCES CORRIDOR INITIATIVE

Gross 0
GF/GP 0

The Governor proposes that total grants for research and commercialization projects in the life sciences (health and aging research and development strategies) remain at \$45,000,000 in FY 2002-03.

G. FUND ECONOMIC ADJUSTMENTS

FTE (2.5)
Gross (234,500)
GF/GP (234,500)

The Governor's proposed budget reduces staffing by 2.5 FTEs and \$234,500 to fund the economic adjustments.

H. ECONOMIC ADJUSTMENTS

Gross 222,800
Federal 18,900
Private 3,100
IDG 900
GF/GP 199,900

Standard adjustments are applied to all budgets. The following adjustments are proposed:

Item	Gross	GF/GP
Salaries and Wages	\$274,200	\$250,700
Retirement	75,200	68,600
Building Occupancy	(34,600)	(34,600)
Remove Lump Sum Adjustment	(92,000)	(84,800)
Total	\$222,800	\$199,900

I. OTHER ISSUES

Gross (41,400)
GF/GP (41,000)

The Governor's budget removes funding for 1997 early retirement sick leave payouts.

DEPARTMENT OF TRANSPORTATION

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2001-02 YEAR-TO-DATE	FY 2002-03 GOV'S REC.	CHANGES FROM FY 2001-02 YEAR-TO-DATE	
			DOLLAR	PERCENT
FTE Positions	3,176.3	3,069.3	(107.0)	(3.4)
GROSS	3,076,072,400	3,166,371,100	90,298,700	2.9
Less:				
Interdepartmental Grants Received	11,459,500	0	(11,459,500)	(100.0)
ADJUSTED GROSS	3,064,612,900	3,166,371,100	101,758,200	3.3
Less:				
Federal Funds	960,483,900	987,176,100	26,692,200	2.8
Local and Private	5,800,000	5,800,000	0	0.0
TOTAL STATE SPENDING	2,098,329,000	2,173,395,000	75,066,000	3.6
Less:				
Other State Restricted Funds	2,098,329,000	2,173,395,000	75,066,000	3.6
GENERAL FUND/GENERAL PURPOSE	0	0	0	0.0
PAYMENTS TO LOCALS	1,176,542,700	1,185,991,600	9,448,900	0.8

A. FY 2001-02 SUPPLEMENTAL APPROPRIATIONS

1. Comprehensive Transportation Fund Unreserved Balance

The Governor's budget proposal includes authorization to spend \$7.6 million of the estimated unreserved FY 2000-2001 Comprehensive Transportation Fund (CTF) balance in FY 2001-02. The supplemental request includes \$4.1 million to partially fund an intermodal freight facility in southeastern Michigan. The State funding will leverage an \$18 million Federal earmark for the program.

The supplemental also includes \$3.2 million in CTF support for operating assistance to local transit agencies, pursuant to Public Act 51 of 1951. This request would fully restore the funding eliminated in Executive Order 2001-9.

The supplemental also includes \$190,000 in CTF funding for specialized services. This request would fully restore the funding eliminated in Executive Order 2001-9.

2. Federal Bridge Funding

The supplemental also includes restoration of \$24 million in Federal bridge funding vetoed in the FY 2001-02 budget. Of this funding, \$6 million will be distributed to the State road and bridge program and \$18 million to the local bridge program.

B. DIESEL FUEL TAX INCREASE AND SIMPLIFICATION

The Governor's budget proposal includes revenue from an anticipated 4-cent per gallon increase in the diesel fuel tax, from 15 cents to 19 cents, along with reforms to simplify the administration of the tax. The estimated net increase from the diesel tax package is \$44 million. This funding will be distributed as follows: \$32.6 million to the Commercial Highway Fund for projects on the national highway system; \$5.8 million to the Critical Bridge Fund to support debt service on \$150 million in bonds for local bridge projects; \$1.2 million to the State Trunkline Fund; \$1.2 million to county road commissions; \$670,900 to cities and villages; \$342,000 to the Comprehensive Transportation Fund; and \$2.2 million to the Michigan Department of Treasury for implementation costs associated with a motor fuel compliance/reporting system.

Gross	44,000,000
Restricted	44,000,000
GF/GP	0

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

C. ELIMINATION OF TRANSFER FROM BUDGET STABILIZATION FUND

The Governor's budget proposal eliminates the annual \$35 million transfer from the Budget Stabilization Fund to the State Trunkline Fund (STF) to cover debt service on Build Michigan III bonds and replaces the funding with STF revenue. The annual transfer was established in the Management and Budget Act and authorized to occur through FY 2015-16. The transfer occurred in both FY 2000-01 and FY 2001-02.

Gross	0
Restricted	0
GF/GP	0

D. AIRPORT SAFETY AND PROTECTION (ASAP) PLAN

The Governor's budget proposal includes a new program to address security issues at Michigan airports. The ASAP plan would involve the sale of \$60 million in bonds over a five-year period to provide funds for airport security/safety projects. Debt service on the bonds would come from a statutory change in the allocation of the airport parking tax to redirect \$6 million of the tax revenues to the State Aeronautics Fund.

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

E. MICHIGAN TRANSPORTATION FUND (MTF) GRANTS

The Governor's budget proposal continues the FY 2001-02 increase in the MTF grant to the Department of State, made in Executive Order 2001-9. This grant totals \$90.4 million in the Governor's FY 2002-03 budget. The budget recommendation also provides a separate grant to the Department of State for commemorative/specialty license plates, totaling \$6.1 million.

Gross	48,000,000
Restricted	48,000,000
GF/GP	0

The recommendation also continues the \$8 million MTF grant to the Department of Treasury established in the Executive Order. The FY 2002-03 proposal increases this grant by \$2.2 million to cover the implementation costs associated with the diesel fuel tax simplification system.

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

F. FEDERAL ROAD AND BRIDGE FUNDING

The Governor's budget proposal includes additional anticipated Federal funding under the Transportation Equity Act for the 21st Century of \$33.5 million. Of the total increase, \$11 million would be used for debt service costs associated with a planned \$200 million issuance of Federal grant anticipation revenue vehicles (GARVEE) notes. The State issued \$400 million of these short-term notes in July 2001. The remaining Federal funding primarily consists of a restoration of the Governor's FY 2001-02 veto of \$24 million in bridge funding (which is contained in a proposed FY 2001-02 supplemental appropriation).

Gross	33,535,400
Federal	33,535,400
GF/GP	0

G. TRANSPORTATION ECONOMIC DEVELOPMENT FUND

The Governor's budget proposal makes adjustments to allocate debt service on Build Michigan III bonds proportionately from categories "A", "C", and "D", as opposed to entirely from category "A" (target industries), which is how the debt service is appropriated in FY 2001-02. (Note: Despite its treatment in the FY 2001-02 budget, the Governor, in his veto message, directed the Department to pay Build Michigan III debt service from "A", "C", and "D".) The recommendation also restores, proportionately, the \$2.3 million reduction in the Fund under Executive Order 2001-9.

Gross	2,250,000
Restricted	2,250,000
GF/GP	0

H. COMPREHENSIVE TRANSPORTATION PROGRAM

The Governor's budget reflects an aggregate increase in the comprehensive transportation program, including public transportation services. The adjustments include a reduction in anticipated Federal funding of \$5.3 million and a reduction in State restricted revenue of about \$1 million. The recommendation also includes the restoration of comprehensive transportation funding eliminated in Executive Order 2001-9, totaling \$10 million.

Gross	5,342,700
Federal	(5,250,000)
Restricted	10,592,700
GF/GP	0

I. HIGHWAY MAINTENANCE

The Governor's budget provides additional funding for highway maintenance and an enhancement to reflect additional trunkline lane miles as a result of construction and jurisdictional transfers.

Gross	7,168,300
Restricted	7,168,300
GF/GP	

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

J. PROGRAM TRANSFERS

FTE (107.0)

The Governor's budget proposal includes a transfer of 107.0 FTEs to the new Department of Information Technology. The proposal consolidates information technology funding (totaling \$26.4 million), previously dispersed throughout the budget, in a new appropriation unit.

K. UNCLASSIFIED SALARIES

Gross 10,400
Restricted 10,400
GF/GP 0

The Governor's budget proposal includes a 2% increase to the line that funds unclassified salaries.

L. ECONOMIC ADJUSTMENTS

Gross 4,502,200
Restricted 4,502,200
GF/GP 0

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

Item	Gross	GF/GP
Salaries	\$3,264,300	\$0
Retirement	1,554,600	0
Lump sum	(1,401,500)	0
Building occupancy charges	337,300	0
Rent	493,500	0
Workers' compensation	254,000	0
Total	\$4,502,200	\$0

M. OTHER ISSUES

Gross (59,510,300)
IDG (11,459,500)
Federal (1,593,200)
Restricted (46,457,600)
GF/GP 0

The Governor's proposal includes other adjustments to reflect restricted revenue availability, certain administrative efficiencies, restoration of funding vetoed in the FY 2001-02 budget, and funding shifts among restricted funds. A reduction of \$1,601,200 is included to reflect the end of the required payouts associated with the 1997 early retirement program.

DEPARTMENT OF TREASURY-OPERATIONS

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2001-02 YEAR-TO-DATE	FY 2002-03 GOV'S REC.	CHANGES FROM FY 2001-02 YEAR-TO-DATE	
			DOLLAR	PERCENT
FTE Positions	1,995.5	1,852.5	(143.0)	(7.2)
GROSS	353,382,200	369,679,900	16,297,700	4.6
Less:				
Interdepartmental Grants Received	17,237,000	19,445,300	2,208,300	12.8
ADJUSTED GROSS	336,145,200	350,234,600	14,089,400	4.2
Less:				
Federal Funds	33,490,000	44,296,100	10,806,100	32.3
Local and Private	950,100	910,800	(39,300)	(4.1)
TOTAL STATE SPENDING	301,705,100	305,027,700	3,322,600	1.1
Less:				
Other State Restricted Funds	248,214,100	250,733,900	2,519,800	1.0
GENERAL FUND/GENERAL PURPOSE	53,491,000	54,293,800	802,800	1.5
PAYMENTS TO LOCALS	95,222,600	97,980,100	2,757,500	2.9

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

A. FEDERAL EDUCATION ASSESSMENTS GRANT

The Federal government has made grants to the states to conduct yearly testing in math and reading of students in grades 3-8. This funding will supplement the Michigan Education and Assessment Program (MEAP), which is currently only testing in two of those years. States have until the 2004-05 school year to implement the additional tests. Use of the Federal funds may include the creation of state standards, test development, and administration.

Gross	10,698,800
Federal	10,698,800
GF/GP	0

B. COLLECTION OF TRANSPORTATION-RELATED TAXES AND AUDIT COSTS

Executive Order 2001-9 offset \$8,000,000 GF/GP with Michigan Transportation Funds for FY 2001-02. The budget for FY 2002-03 continues this at the same level of funding. The funding is applied toward the costs of collecting transportation-related taxes and audit activities that the Department of Treasury performs on behalf of the Department of Transportation.

Gross	0
Restricted	0
GF/GP	0

C. TAX REVERTED PROPERTY ANNUAL COSTS

Fiscal year 2002-03 will be the first full year of operation of the new program implemented by Public Act 123 of 1999 for handling tax reverted property. The Governor's budget includes an increase to reflect a full year of administration costs.

Gross	3,071,700
Restricted	3,071,700
GF/GP	0

D. AUTOMATED INVESTMENTS TRACKING SYSTEM

The Governor's recommendation includes operational costs for a new automated investments tracking system. The new accounting system will provide information regarding transfers and assets on a real time basis, as well as bring the trading system into compliance with standards established by the Securities and Exchange Commission. The system is funded from fees applied to retirement funds.

Gross	2,350,000
Restricted	2,350,000
GF/GP	0

E. DIESEL EQUITY AND SIMPLIFICATION PACKAGE

The Governor's budget includes funding for the implementation and administration of this program. Of the recommended appropriation, approximately \$2,000,0000 is one-time funding for implementation of an electronic reporting and payment system and \$225,000 is provided for ongoing operational costs. The new system is expected to reduce manual processing time and increase accuracy and efficiency in tax collection.

Gross	2,225,000
Restricted	2,225,000
GF/GP	0

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

F. SCHOOL BOND LOAN REVIEWS

The Governor recommends an increase to fund an additional position for auditing and review purposes related to the School Bond Loan Program.

Gross	70,000
Restricted	70,000
GF/GP	0

G. TAX TECHNOLOGY INVESTMENT PLAN

The Tax Technology Investment Plan will be implemented in three stages by December 2002. The Governor's budget removes implementation funding for the project. The Tax Technology Investment Plan has received \$20,700,000 over the past four fiscal years for implementation costs. An appropriation of \$3,500,000 remains in the budget for ongoing operational costs. This project will be under the direction of the new Department of Information Technology.

Gross	(3,000,000)
Restricted	(3,000,000)
GF/GP	0

H. LOTTERY ADMINISTRATIVE BUDGET ADJUSTMENT

The Governor recommends a reduction to the budget of the Bureau of Lottery related to the completion of information technology initiatives.

Gross	(1,781,800)
Restricted	(1,781,800)
GF/GP	0

I. REMOVAL OF PRESCRIPTION DRUG CREDIT ADMINISTRATION COSTS

With the full implementation of Michigan's Elder Prescription Insurance Coverage (EPIC), the Senior Prescription Tax Credit Program no longer exists. The Governor removes administration funding for this program.

Gross	(182,500)
Restricted	(182,500)
GF/GP	0

J. COMPLETION OF 1997 EARLY RETIREMENT PAYOUTS

The Governor's recommended budget includes a reduction to reflect the end of the five-year payouts of annual leave and sick leave related to employees who retired under the 1997 early retirement legislation.

Gross	(203,700)
IDG	(5,000)
Local	(111,000)
Restricted	(113,700)
GF/GP	(74,000)

K. STAFF REDUCTIONS TO PAY FOR EMPLOYEE ECONOMICS

The Governor's recommended budget includes a reduction of 3.0 FTEs and associated funding to pay for employee economic adjustments.

FTE	(3.0)
Gross	(181,500)
GF/GP	(181,500)

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

L. PROGRAM TRANSFERS

In the Governor's recommended budget, 140.0 FTE positions are transferred to the new Department of Information Technology. Of the FTEs transferred, 38.0 are from the Bureau of Lottery, 7.0 are from Casino Gaming, and 95.0 are from the Treasury Department in general. The recommended budget creates within the Department of Treasury budget a new appropriation unit that includes \$21,208,300 Gross; \$7,017,000 GF/GP. This funding is seen in the budget for the new Department as an IDG from user charges.

FTE	(140.0)
Gross	0
GF/GP	0

M. UNCLASSIFIED SALARIES

The Governor's recommended budget includes a 3.5% increase to the current year, from \$774,200 to \$800,900. Of the \$26,700 Gross increase, \$15,100 is restricted funding from the State Lottery Fund and the State Services Fee Fund for the positions of Lottery Commissioner and Executive Director of the Michigan Casino Gaming Board.

Gross	26,700
Restricted	15,100
GF/GP	11,600

N. ECONOMIC ADJUSTMENTS

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

Gross	3,247,500
IDG	(11,700)
Federal	107,300
Local	(28,300)
Restricted	1,240,000
GF/GP	1,939,200

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

Item	Gross	GF/GP
Salaries and Wages	\$1,586,100	\$359,700
Retirement	488,000	43,300
Building Occupancy Charges/Rent	2,638,900	1,769,300
Rent	(408,600)	0
Workers' Compensation	(104,000)	(40,300)
Lump Sum Adjustments	(684,200)	(192,800)
Other Adjustments	(268,700)	0
Total	\$3,247,500	\$1,939,200

O. OTHER ISSUES

The Governor's recommendation includes adjustments for one-time items appropriated in FY 2001-02, and changes in grant levels for programs such as the Health and Safety grants, the Commercial Mobile Radio Service grants, and the Senior Citizen Cooperative Housing Tax Exemption Program.

Gross	(42,500)
Restricted	850,000
GF/GP	(892,500)

DEPARTMENT OF TREASURY-DEBT SERVICE

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2001-02 YEAR-TO-DATE	FY 2002-03 GOV'S REC.	CHANGES FROM FY 2001-02 YEAR-TO-DATE	
			DOLLAR	PERCENT
FTE Positions	N/A	N/A	N/A	N/A
GROSS	105,995,000	59,586,400	(46,408,600)	(43.8)
Less:				
Interdepartmental Grants Received	0	0	0	0.0
ADJUSTED GROSS	105,995,000	59,586,400	(46,408,600)	(43.8)
Less:				
Federal Funds	0	0	0	0.0
Local and Private	700,000	0	(700,000)	(100.0)
TOTAL STATE SPENDING	105,295,000	59,586,400	(45,708,600)	(43.4)
Less:				
Other State Restricted Funds	0	0	0	0.0
GENERAL FUND/GENERAL PURPOSE	105,295,000	59,586,400	(45,708,600)	(43.4)
PAYMENTS TO LOCALS	0	0	0	0.0

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

A. FY 2001-02 SUPPLEMENTAL APPROPRIATIONS RECOMMENDED IN GOVERNOR'S FY 2002-03 BUDGET

The Governor recommends a reduction of \$9,000,000 GF/GP in the School Bond Loan Program to reflect a restructuring of the payments by school districts. These bonds will be refinanced and restructured to take advantage of lower interest rates in the current marketplace.

B. DEBT REFINANCING

Gross	(45,834,900)
GF/GP	(45,834,900)

The Governor's recommendation includes a reduction to the appropriations for debt service obligations as a result of refinancing. The reduction consists of a \$30,900,000 reduction to the School Bond Loan program and a \$14,934,900 reduction to the Quality of Life Bond.

C. BASELINE ADJUSTMENTS

Gross	4,800,000
GF/GP	4,800,000

Standard baseline adjustments are made to the Clean Michigan Initiative debt service pursuant to existing obligations.

D. PROGRAM TRANSFERS

Gross	(5,373,700)
Local	(700,000)
GF/GP	(4,673,700)

After refinancing the debt obligation, the remaining balance of \$5,373,700 for the School Bond Loan Program is transferred to the School Aid budget.

DEPARTMENT OF TREASURY - REVENUE SHARING

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2001-02 YEAR-TO-DATE	FY 2002-03 GOV'S REC.	CHANGES FROM FY 2001-02 YEAR-TO-DATE	
			DOLLAR	PERCENT
FTE Positions	N/A	N/A	N/A	N/A
GROSS	1,528,800,000	1,538,800,000	10,000,000	0.7
Less:				
Interdepartmental Grants Received	0	0	0	0.0
ADJUSTED GROSS	1,528,800,000	1,538,800,000	10,000,000	0.7
Less:				
Federal Funds	0	0	0	0.0
Local and Private	0	0	0	0.0
TOTAL STATE SPENDING	1,528,800,000	1,538,800,000	10,000,000	0.7
Less:				
Other State Restricted Funds	1,528,800,000	1,528,800,000	0	0.0
GENERAL FUND/GENERAL PURPOSE	0	10,000,000	10,000,000	0.0
PAYMENTS TO LOCALS	1,528,800,000	1,538,800,000	10,000,000	0.7

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

A. REVENUE SHARING PAYMENTS

Gross	0
Restricted	0
GF/GP	0

The Governor recommends that restricted State revenue sharing payments in FY 2002-03 total \$1,528,800,000, an estimated increase of \$0 from the current estimated payments for FY 2001-02. 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 payments to cities, villages, and townships will be reduced by the increase in the constitutional 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 appropriated amount is approximately \$122,400,000 less than the revenue sharing amount suggested by the statutory formula to "fully fund" revenue sharing payments, given the January 2002 Consensus Revenue Estimating Conference estimate of FY 2002-03 sales tax revenue. Since the appropriation restricts the statutory revenue payments, if actual sales tax revenues are less than the adopted estimate, then constitutional revenue sharing payments will be lower and total statutory payments will not be reduced, although the distribution of statutory payments would be affected.

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

B. GRANTS TO LOCAL GOVERNMENTAL UNITS

Gross	10,000,000
Restricted	0
GF/GP	10,000,000

While the Governor's recommendation would keep combined constitutional and statutory revenue sharing payments at the estimated level for FY 2001-02, changes in the relative shares of the total for constitutional and statutory revenue sharing payments would require that some local units experience increases in revenue sharing distributions from the FY 2001-02 level while other units would experience decreases. To offset any estimated declines in revenue sharing distributions to local units, the budget recommends \$10,000,000 of General Fund/General Purpose-funded grants to "hold harmless" local units that otherwise would experience a decline in their revenue sharing payments.

The estimated revenue sharing payments by distribution type are summarized in Table 1. The figures in Table 1 are based on the January 2002 consensus estimates of State revenues and the Governor's recommendation.

Table 1
STATE REVENUE SHARING PAYMENTS
ESTIMATED FY 2001-02 AND FY 2002-03 UNDER THE GOVERNOR'S PROPOSAL
(dollars in millions)

	FY 2001-02 Enacted Estimate ¹⁾	FY 2002-03 Governor's Recommended Estimate ¹⁾	FY 2002-03 Change	
			Dollar	Percent
Sales Tax Constitutional:				
Counties	\$ 0.0	\$ 0.0	\$ 0.0	—
Cities, Villages, & Townships	660.8	682.3	21.5	3.3%
Subtotal Constitutional	\$660.8	\$682.3	\$21.5	3.3%
Sales Tax Statutory:				
Counties	\$217.5	\$212.1	\$(5.4)	(2.5)%
Cities, Villages, & Townships	650.5	634.4	(16.1)	(2.5)%
Subtotal Statutory	\$868.0	\$846.5	\$(21.5)	(2.5)%
Total Restricted Revenue Sharing ¹⁾	\$1,528.8	\$1,528.8	\$0.0	0.0%
General Fund/General Purpose ²⁾	0.0	10.0	10.0	—
Total Revenue Sharing	\$1,528.8	\$1,538.8	\$10.0	0.7%

- 1) The revenue sharing appropriations are based on consensus sales tax estimates adopted at the January 2002 Consensus Revenue Estimating Conference. 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.
- 2) General Fund/General Purpose amounts are for one-time grants to local units. The grants are to be distributed to keep the projected FY 2002-03 total for each local unit from falling below the estimated FY 2001-02 level.

ECONOMIC AND REVENUE FORECAST

ECONOMIC AND REVENUE FORECAST

Economic Forecast

The Governor's proposed budget for FY 2002-03 is based on an economic forecast that assumes the U.S. and Michigan economies pull out of the recession in the first half of 2002 and then the pace of economic growth continues to improve through the end of 2003. This economic forecast is the consensus forecast adopted by the Treasury Department, Senate Fiscal Agency, and House Fiscal Agency at the January 15, 2002, Consensus Revenue Estimating Conference.

For the U.S. economy, real Gross Domestic Product (GDP) is forecast to increase 0.4% in 2002 and then improve to a growth rate of 3.1% in 2003. This improvement in the rate of growth will be due in part to Federal government monetary and fiscal policy. In an attempt to halt the declining growth and minimize the recession, the Federal Reserve cut the Federal Funds and Discount rates over 400 basis points in 2001. It takes anywhere from nine months to one and a half years for these lower interest rates to have a full impact on economic activity, so some of the favorable stimulus from these cuts will help bolster economic growth in the latter half of 2002 and the first part of 2003. In addition, Federal fiscal policy will have a key impact on reinvigorating the economy. The phased cut in Federal taxes enacted in July 2001, together with the increases in Federal spending that have been enacted to-date, will help stimulate renewed growth. These reductions in interest rates and the Federal fiscal actions, along with low energy prices and anticipated continued improvement in consumer and business confidence, will be key factors in the increased economic growth in 2002 and 2003. Light motor vehicle sales are expected to fall to 15.3 million units in 2002, from the 2001 near record-breaking level of 17.0 million units, and then bounce back up to 16.4 million units in 2003. Even as economic growth begins to improve in 2002, businesses will be taking steps to improve their profitability, and as is typical during the initial stages of an economic recovery, the unemployment rate is expected to continue to rise in 2002, but then start to improve in 2003. The U.S. unemployment rate is expected to rise to 6.5% in 2002, from 4.8% in 2001, and then edge down slightly to 6.2% in 2003. Inflation, as measured by the U.S. Consumer Price Index, is expected to slow to 1.9% in 2002 and then pick up slightly to 3.0% in 2003.

Michigan wage and salary employment is forecast to decrease by 33,000 jobs, or 0.7%, in 2002, mostly due to weakness in the manufacturing sector, but then as economic activity continues to improve in 2003, wage and salary employment is expected to increase by 79,000 jobs, or 1.7%. As a result, the unemployment rate is projected to increase to 6.5% in 2002 from 5.0% in 2001, and then ease back to a rate of 6.1% in 2003. The decline in the number of people employed in 2002, will be offset in part by an increase in the average work week in many sectors of the economy during the last part of 2002, which will help generate a 2.4% increase in Michigan personal income in 2002. This will be down from the 2.9% increase experienced in 2001. In 2002, personal income growth is expected to rebound to a rate of 5.3%. Inflation, as measured by the Detroit Consumer Price Index, is expected to slow to 2.4% in 2002, from 2.8% in 2001, and then edge up to 3.0% in 2003.

Revenue Estimates

Revenues totaling an estimated \$39.0 billion will be available in FY 2002-03 to support Governor Engler's proposed budget. This represents a 4.1% increase from the revised revenue estimate for FY 2001-02. 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 2001-02 and FY 2002-03, 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 \$22.0 billion in revenue in FY 2002-03, including beginning carryover balances and excluding interfund transfers. A breakdown of the GF/GP and SAF revenue estimates for FY 2001-02 and FY 2002-03, is presented in [Table 2](#). 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 15, 2002, 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 and proposed tax changes and nonbaseline revenue adjustments, grants and transfers, Federal aid, and beginning carryover balances.

The Governor proposes three tax changes in his FY 2002-03 budget, which include changes to the State education property tax, the taxes on diesel fuel, and the use tax.

State Education Property Tax. In order to generate additional revenue for the School Aid Fund, the Governor is proposing that the collection of the State education property tax be accelerated. Currently, the State education property tax is collected from taxpayers as part of their July and December property tax bills. Because the State's fiscal year runs from October through September, the State education property tax collections in any fiscal year equal the collections from the December tax bill and the following July tax bill. The Governor is proposing that all of the State education property tax be collected in the July tax bill, beginning in FY 2002-03. As a result, in FY 2002-03, the State would receive State education property tax revenue from the December 2002 and July 2003 property tax bills, as it will under the current payment schedule, but the July tax bills also would include an extra payment that, under current law, would not be collected until the December 2003 bills were issued. To help temper the impact of this one-time acceleration in the collection of the State education property tax, the Governor also is proposing that the rate of the State education property tax be reduced from 6 mills to 5 mills, only for the 2003 tax year. These two changes would generate an estimated \$494 million in additional revenue for the School Aid Fund in FY 2002-03.

Diesel Fuel and Use Taxes. Presently, motor carriers encounter a fairly complicated tax on the diesel fuel they consume in Michigan. The effective tax rate is about 21 cents per gallon, and consists of a combination of a direct tax on diesel fuel and a sales tax. Diesel fuel consumed and purchased in Michigan is subject to a 15-cent per gallon tax, and, at today's fuel prices, also must pay a 6-cent per gallon sales tax. Diesel fuel consumed but not purchased in Michigan is subject to a 21-cent per gallon tax, but is not subject to the sales tax. Besides being complicated, the 21-cent per gallon effective tax rate on diesel fuel is below the tax on gasoline. Gasoline purchased in Michigan is assessed a 19-cent per gallon gasoline tax and the 6% sales tax, which translates into an effective tax rate of about 25 cents per gallon. To help simplify and create a more equitable balance between the taxes on gasoline and diesel fuel, the Governor is proposing the following changes to the taxes on diesel fuel: 1) all diesel fuel would be taxed at 19 cents per gallon, just like gasoline, 2) fuel consumed but not purchased in Michigan would be subject to the 6% use tax, which would be a new tax on diesel fuel, 3) diesel fuel purchased in Michigan would continue to be subject to the 6% sales tax, and 4) the point at which the tax on diesel fuel purchased in Michigan is collected would be moved from the retail level to the wholesale/supplier level. These changes would create an effective tax rate on diesel fuel of about 25 cents per gallon (diesel fuel tax plus the sales/use tax), which would make it the same as the taxes on gasoline. It is estimated that these changes would generate an additional \$48 million in diesel fuel tax in FY 2002-03, and an additional \$4.5 million in use tax.

General Fund/General Purpose Revenue. As shown in [Table 2](#), GF/GP revenue is expected to total \$9.24 billion in FY 2002-03, which is up 2.0% from the FY 2001-02 estimate. This increase in available GF/GP revenue is due entirely to proposed one-time revenue adjustments, which total \$512 million. These one-time revenue adjustments include a \$207 million transfer from the Budget Stabilization Fund, a \$100 million transfer from the Merit

Award Trust Fund, \$122 million due to a reduction in revenue sharing payments, and a \$80 million transfer from the Employment Security Contingent Fund. The revenue from the ongoing tax and nontax revenue sources is expected to decline 0.4% in FY 2002-03, due to the ongoing phased reduction in the income and single business tax rates.

School Aid Fund. School Aid Fund revenue available for spending in FY 2002-03 will total an estimated \$12.9 billion. The SAF revenue estimate for FY 2002-03 consists of a beginning balance of \$278 million, earmarked tax and lottery revenue of \$10.6 billion, a \$198 million grant from the GF/GP budget, and \$32 million from the Budget Stabilization Fund to fund the ongoing *Durant* court case settlement payments to local school districts. The Governor also is proposing that the School Aid Fund receive \$1.34 billion in Federal aid, which is up considerably from the estimated \$203 million in Federal aid expected in FY 2001-02. This increase in Federal aid would be due to the Governor's proposal to transfer over \$1 billion in Federal aid to the School Aid Fund that is currently being appropriated through the Department of Education budget. Therefore, while this Federal aid would be new to the School Aid Fund, it would not represent new revenue available for schools.

Table 1

PROJECTED TOTAL STATE REVENUES: FY 2001-02 AND FY 2002-03 (dollars in millions)					
Fund	FY 2000-01 Preliminary Final	FY 2001-02 Estimated	% Change FY 2001/ FY 2000	FY 2002-03 Estimated	% Change FY 2002/ FY 2001
General Fund/General Purpose					
Beginning Balance	\$211.8	\$28.1	----	\$0.0	(100.0)%
Baseline	9,016.8	9,055.4	0.4%	9,452.0	4.4
Enacted Tax Cuts & Adjustments	27.0	(297.2)	(1,200.7)	(727.8)	144.9
Subtotal Net Revenue Current Period	9,043.8	8,758.2	(3.2)	8,724.2	(0.4)
School Bond Loan Fund Transfer	370.4	74.9	(79.8)	54.9	(26.7)
One-Time Revenue Adjustments	543.3	272.0	(49.9)	511.9	88.2
Total GF/GP Revenue	10,169.3	9,133.2	(10.2)	9,291.0	1.7
School Aid Fund:					
Beginning Balance	853.4	694.8	(18.6)	278.3	(59.9)
Baseline Earmarked Taxes & Lottery	9,994.4	10,233.4	2.4	10,632.6	3.9
Enacted Tax Cuts & Adjustments	0.0	(13.4)	----	459.2	(3,526.9)
Subtotal Net Tax & Lottery Revenue	9,994.4	10,220.0	2.3	11,091.8	8.5
Other Revenue (GF Grant, Fed aid . . .)	683.2	783.3	14.7	1,579.4	101.6
Total SAF Revenue W/ Beginning Balance	11,531.0	11,698.1	1.4	12,949.5	10.7
Other Funds:					
General Fund/Special Purpose	12,644.7	12,586.5	(0.5)	11,839.9	(5.9)
Transportation Funds	4,640.2	4,126.8	(11.1)	4,640.8	12.5
Other Special Revenue Funds:					
Beginning Balances	255.4	221.7	(13.2)	296.0	33.5
Revenue Current Period	984.8	885.1	(10.1)	876.0	(1.0)
Subtotal Other Special Revenue Funds	1,240.2	1,106.8	(10.8)	1,172.0	5.9
Other Revenue	436.7	474.8	8.7	467.4	(1.6)
Total Other Funds W/ Beginning Balance	18,961.8	18,294.9	(3.5)	18,120.1	(1.0)
Gross Revenue Current Period	40,662.1	39,126.2	(3.8)	40,360.6	3.2
Less Interfund Transfers	(1,922.6)	(1,649.7)	(14.2)	(1,354.1)	(17.9)
Gross Revenue with Beginning Balances	\$38,739.5	\$37,476.5	(3.3)%	\$398,006.5	4.1%

Table 2

GENERAL FUND/GENERAL PURPOSE AND SCHOOL AID FUND REVENUE ESTIMATES FY 2001-02 AND FY 2002-03 (millions of dollars)			
	FY 2001-02	FY 2002-03	Percent Change
GENERAL FUND/GENERAL PURPOSE			
Beginning Balance	\$28.1	\$0.0	----
Baseline Consensus Revenue	9,055.4	9,452.0	4.4%
Enacted Tax Changes Not In Baseline	(297.1)	(727.8)	145.0
Revenue Estimate Detail After Enacted Tax Changes:			
Taxes:			
Net Income Tax	4,717.4	4,738.1	0.4
Single Business Tax	1,898.7	1,869.7	(1.5)
Sales	87.8	115.5	31.5
Use	934.7	956.7	2.4
Cigarette	143.5	140.4	(2.2)
Insurance Co. Premiums	214.0	224.0	4.7
Telephone & Telegraph	152.0	155.0	2.0
Estate	127.0	76.0	(40.2)
All Other Taxes	230.5	206.3	(10.5)
Subtotal Taxes	8,505.6	8,481.7	(0.3)
Nontax Revenue	252.6	242.6	(4.0)
Total Current Period GF/GP Revenue	8,758.2	8,724.3	(0.4)
One-time Revenue Adjustments 1)	272.0	511.8	88.2
TOTAL GF/GP REVENUE W/ BEGINNING BALANCE	\$9,058.3	\$9,236.1	2.0%
1) Includes the following (in millions): FY 02 enacted - Merit Award Trust Fund transfer of \$72.5, Tobacco Settlement Trust Fund Transfer of \$3.0, gain from revenue sharing reduction of \$33.2, tax amnesty program of \$15.5, Budget Stabilization Fund transfer of \$155.0, and other totaling (\$7.2). FY 03 proposed - Merit Award Trust Fund transfer of \$100.0, new use tax on diesel fuel of \$3.0, gain from revenue sharing reduction of \$122.4, Budget Stabilization Fund transfer of \$207.0, and an Employment Security Contingent Fund transfer of \$79.5.			

Table 2 (continued)

GENERAL FUND/GENERAL PURPOSE AND SCHOOL AID FUND REVENUE ESTIMATES FY 2001-02 AND FY 2002-03 (millions of dollars)			
	FY 2001-02	FY 2002-03	Percent Change
SCHOOL AID FUND			
Beginning Balance	\$694.8	\$278.3	(59.9)%
Baseline Consensus Earmarked Tax & Lottery Revenue	10,233.4	10,632.6	3.9
Enacted Tax Changes Not In Baseline	(20.1)	(36.0)	79.1
Revenue Estimate Detail After Enacted Tax Changes:			
Sales Tax & Use Tax	5,225.8	5,454.6	4.4
Income Tax	1,982.8	2,067.7	4.3
State Education Property Tax	1,548.0	1,614.8	4.3
Real Estate Transfer Tax	251.0	264.0	5.2
Other Tax Revenue	635.8	630.5	(0.8)
Subtotal Taxes	9,643.4	10,031.6	4.0
Lottery	570.0	565.0	(0.9)
Subtotal Earmarked Taxes & Lottery Consensus Revenue	10,213.4	10,596.6	3.8
GF/GP Grant & Other	198.4	199.1	0.4
Budget Stabilization Fund Transfer (enacted)	103.7	32.0	(69.1)
Federal Aid	203.0	1,348.3	564.2
Total Current Period SAF Revenue	\$10,718.5	\$12,176.0	13.6%
One-Time Revenue Adjustments 2)	\$284.8	\$495.2	73.9
TOTAL SAF REVENUE W/ BEGINNING BALANCE	\$11,698.1	\$12,949.5	10.7%
TOTAL GF/GP AND SAF TAX & LOTTERY CONSENSUS ESTIMATES:			
BASELINE	\$19,288.8	\$20,084.6	4.1%
AFTER TAX CUTS	\$18,971.6	\$19,320.9	1.8%
2) Includes the following (in millions): FY 02 - Tax amnesty program (enacted) of \$6.6 and a Budget Stabilization Fund transfer (proposed) of \$278.3. FY 03 proposed - New use tax on diesel fuel of \$1.5 and State education property tax collection acceleration and rate cut for a net gain of \$493.7.			



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Analysis of the Governor's Major Budget Recommendations	Produced Annually
Appropriations Report	Produced Annually
Estimated State Spending by County	Produced Annually
Fiscal Digest	Produced Annually
Status of Lawsuits Against the State	Produced Annually
Higher Education Appropriations Report	Produced Annually
Michigan's Economic Outlook and Budget Review	Produced Twice a Year
Monthly Revenue Report	Produced Monthly
Michigan Economic Indicators	Produced Monthly
State Notes: Topics of Legislative Interest	Produced 6 Times a Year
U.S. and Michigan Motor Vehicle Statistical Report	Produced Annually