



FY 2003-04
APPROPRIATIONS REPORT
Part I - Governor's Recommendations

March 2003



Gary S. Olson, Director - Lansing, Michigan - (517) 373-2768 - TDD (517) 373-0543
Internet Address: <http://www.senate.michigan.gov/sfa>

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Gary S. Olson, Director
Senate Fiscal Agency
P.O. Box 30036
Lansing, Michigan 48909-7536
Telephone (517) 373-2767
TDD (517) 373-0543
Internet Home Page www.senate.michigan.gov/sfa

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OVERVIEW

OVERVIEW

Governor Granholm on March 6, 2003, transmitted her fiscal year (FY) 2003-04 State Budget Message to the Legislature. The Governor's FY 2003-04 budget contains recommendations to provide for \$37.9 billion of Adjusted Gross appropriations. Included in this appropriations total are \$11.2 billion of Federal funds, \$17.1 billion of State Restricted funds, \$1.0 billion of local and private funds, and \$8.6 billion of General Fund/General Purpose (GF/GP) appropriations. [Table 1](#) and [Figure A](#) provide summaries of the overall makeup of the FY 2003-04 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 2003-04 compared with FY 2002-03 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 State 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 1.4% decrease in Adjusted Gross appropriations, a 0.9% decrease in State Spending from State Resources appropriations, and a 2.4% decrease in GF/GP appropriations.

The Governor's budget message is developed based on a consensus revenue estimate agreed to on January 14, 2003. These consensus revenue estimates are the basis for the appropriation and tax policy changes contained in the Governor's budget recommendations. The FY 2003-04 GF/GP consensus revenue estimate represents a \$107.7 million or 1.3% growth from the FY 2002-03 consensus revenue estimate. The FY 2003-04 School Aid Fund (SAF) consensus revenue estimate represents a \$2.9 million decline from the FY 2002-03 consensus revenue estimate. The Governor's budget includes several policy changes that will have an impact on the level of both GF/GP and SAF revenues that will be available to support appropriations. The Governor is recommending a total of \$400.0 million of adjustments to the FY 2003-04 GF/GP consensus revenue estimate. The Governor is recommending a total of \$170.3 million of adjustments to the FY 2003-04 SAF consensus revenue estimate.

Summary of Major Changes for FY 2003-04

The Governor's FY 2003-04 budget proposal marks the first State budget that Governor Granholm has transmitted to the Legislature. The Governor's budget contains revenue increases from proposed State tax policy changes, revenue increases from proposed State fee increases, the refinancing of existing State debt to reduce debt service expenditures, assumptions concerning increases in Federal funds to finance human service programs, appropriation increases to cover projected State expenditure needs, appropriation reductions to existing State programs, accounting changes to provide one-time revenue sources in the budget, and other proposed changes in State laws that will reduce expenditure requirements.

As previously stated, the Governor's FY 2003-04 budget recommendation 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 2003-04 GF/GP appropriation recommendations. Based on current law tax policy, FY 2003-04 GF/GP revenues will total \$8.19 billion. The budget recommendation includes \$400.0 million of adjustments to increase GF/GP revenues, which will result in total FY 2003-04 GF/GP revenues of \$8.59 billion. These revenue adjustments include: a \$10.0 million transfer from the Employment Security Fund, \$268.8 million of revenues from the proposed reductions in State revenue sharing payments below the statutory requirements, \$108.6 million of tax policy changes, \$2.0 million from the sale of the Detroit Plaza State office building, and a \$10.6 million transfer of sales tax revenues from the Comprehensive Transportation Fund.

Comparing the \$8.59 billion of FY 2003-04 GF/GP revenues with year-to-date FY 2002-03 GF/GP appropriations leads to a \$209.8 million or 2.4% reduction. Table 6 provides a high level summary of the three approaches recommended by the Governor to deal with the \$209.8 million reduction in FY 2003-04 GF/GP appropriations. This \$209.8 million appropriation reduction is made up of \$815.2 million of GF/GP appropriation increases, \$368.3 million of GF/GP appropriation reductions, and \$656.7 million of GF/GP appropriation reductions that will be offset by higher State restricted or Federal revenue.

Table 7 provides a summary of the \$815.2 million of GF/GP appropriation increases recommended in the FY 2003-04 budget. These appropriation increases can be grouped into three categories. First are increases dealing with caseload and general cost adjustments. These include funding increases in the Department of Community Health for Medicaid and other cost increases, Department of Corrections funding increases reflecting prison operational cost, and Family Independence Agency caseload and general cost adjustments. The second general category of cost increases is debt service-related costs. These increases involve debt service costs of State Building Authority bonds in the Capital Outlay budget and general obligation bond debt service cost increases in the Department of Treasury budget. The final category of cost increases is the Department of Community Health increases to offset the loss of State Restricted and Federal funds in the Medicaid program.

Table 8 provides a summary of the \$368.3 million of GF/GP appropriation reductions recommended in the FY 2003-04 budget. The major reductions are a \$120.6 million reduction in State operations funding for community colleges and public universities, a \$30.0 million reduction in pharmaceutical expenditures in the Department of Community Health, a \$10.7 million or 51% reduction in arts and cultural grants, and a variety of other reductions spread across all State departments.

Table 9 provides a summary of \$656.7 million of GF/GP appropriation reductions that are offset with increased State Restricted or Federal funds. These fund shifts result in a reduction in GF/GP appropriations, but they do not reduce the Gross appropriation authorization for the program affected. Included in this \$656.7 million are \$119.2 million of fee increases and \$537.5 million of other fund shifts. The largest fee increases are assessments levied against medical providers in the Department of Community Health, environmental fees in the Department of Environmental Quality, regulatory fees in the Department of Consumer and Industry Services, and fee increases in the State Police budget to fund State Police trooper operations. The other fund shifts include increases in Federal funds in the Department of Community Health and the Family Independence Agency and a \$198.4 million fund shift in the K-12 School Aid budget from GF/GP appropriations to a one-time transfer from a revenue sharing reserve account.

FY 2002-03 Supplemental Appropriations. The Governor's FY 2003-04 State Budget Message contains one recommended FY 2002-03 supplemental appropriation. The recommended supplemental appropriation is an adjustment to the current appropriation for the State Medicaid program to reflect the projected Gross expenditures in the program. The Legislature is still considering a February 19, 2003, FY 2002-03 supplemental appropriation request from the Office of the State Budget. While the Governor's FY 2003-04 budget recommendation contains only one new FY 2002-03 supplemental appropriation, it does contain boilerplate language dealing with the use of unexpended FY 2002-03 GF/GP appropriations. Under current statutory requirements, any unexpended GF/GP appropriations at the close of the fiscal year lapse to the General Fund. The Governor is recommending a change in this policy for FY 2002-03. The recommendation is that State departments could retain 50% of FY 2002-03 GF/GP appropriation lapses and spend these funds in FY 2003-04. This proposal represents a very significant change in State fiscal policy and may require a change from current statutory provisions.

Proposed State Tax Policy Changes. The budget recommendation includes numerous proposals to increase State tax revenues that will be contingent on legislative approval of a variety of tax bills. These tax policy changes, which would have an impact on the State income tax, the single business tax, the use tax, the State real estate transfer tax, the insurance company premiums tax, the diesel motor fuel tax and general penalties for delinquent taxpayers, would result in an FY 2003-04 \$108.6 million GF/GP revenue increase, a \$20.3 million School Aid Fund revenue increase and a \$38.9 million

increase in restricted transportation fund revenues. In addition, the School Aid Fund budget also assumes a \$50.0 million revenue increase from the proposed expansion of the Michigan State Lottery. The lottery would expand by offering more on-line betting opportunities in bars and restaurants across the State. These proposed tax policy changes are discussed in detail in the Economic and Revenue Forecast portion of this report.

Federal Fund Assumptions. The recommended appropriation of \$11.2 billion of Federal funds in the overall State budget is based on Federal budget policy currently in place continuing in FY 2003-04. The Family Independence Agency budget is built on a continuation of the existing Federal Temporary Assistance for Needy Families welfare block grant. The United States Congress is currently debating the reauthorization of this program which expired on September 30, 2002. The budget also assumes increased Federal funds in several areas of the State Medicaid program. Some of these increased Federal Medicaid funds will be dependent on the approval of Medicaid waivers by the U.S. Department of Health and Human Services.

State Revenue Sharing. The Governor is recommending that revenue sharing payments to cities, villages, townships and counties be funded at a level that is 3.0% below the FY 2002-03 appropriations. Total FY 2003-04 revenue sharing payments would equal \$1.41 billion, or \$268.8 million below the statutory sales tax distribution provided for in the State Revenue Sharing Act. The Governor is also recommending the elimination of a revenue sharing reserve that has been used to make October constitutional revenue sharing payments from sales taxes collected in the prior July through September period. This accounting change would provide a one-time revenue source of \$198.6 million. The Governor is recommending that this revenue be deposited in the State School Aid Fund.

General Budget Language. The budget includes several recommendations concerning standard budget language. The budget 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 might become available after the budget is enacted.

Proposed Fee Increases. The budget includes \$130.2 million of proposed fee increases. Table 10 provides a summary of all of the fee increases included in the budget. The majority of these proposed fee increases would require statutory changes to be implemented, and the revenues from most of the fee increases are used to offset GF/GP funded appropriations.

Unclassified Salaries. The budget includes no funding increases for the salaries of unclassified State employees.

Classified Salaries. The budget includes no funding for the 3.0% pay increase State classified civil service employees are scheduled to receive on October 1, 2003. The cost of this negotiated pay increase, including retirement costs increases, is \$108.0 million of Gross appropriations and \$60.4 million of GF/GP appropriations. The Governor has stated that the State will be attempting to negotiate with State employee unions in an effort to eliminate or decrease this salary adjustment. If the State does not achieve these savings through negotiations, State departments and agencies will be forced to pay these costs out of existing appropriations.

Retirement Costs. The budget includes no funding for the State costs associated with increased contribution rates for the 35,000 State employees who are members of the State Employees Retirement System. Absent any FY 2003-04 pay adjustment, the increased employer contribution rates into the State Employees Retirement System are estimated to be \$99.1 million of Gross appropriations and \$53.5 million of GF/GP appropriations. This retirement cost increase equates to 3.72% of the estimated payroll of State employees in the State Employees Retirement System. The Governor has stated that the State will be attempting to negotiate with State employee unions in an effort to eliminate or decrease this cost increase. If the State does not achieve these savings through negotiations, State departments and agencies will be forced to pay these costs out of existing appropriations.

State Employee Insurance Costs. The budget includes no funding for the projected cost increases in health care coverage for State employees. Health insurance costs for State employees are estimated to increase by \$49.5 million of Gross appropriations and \$26.1 million of GF/GP appropriations. The Governor has stated that the State will be attempting to negotiate with State employee unions in an effort to eliminate or decrease this cost increase. If the State does not achieve these savings through negotiations, State departments and agencies will be forced to pay these costs out of existing appropriations.

Tobacco Settlement Appropriations. The Governor recommends the appropriation of \$307.0 million of tobacco settlement funds. These tobacco settlement fund appropriations are summarized in Table 11. The Governor also recommends a statutory change in the current distribution of tobacco settlement funds between the Merit Award Trust Fund and the Tobacco Settlement Trust Fund. Under current law, 75.0% of the tobacco settlement revenues is deposited into the Merit Award Trust Fund and 25.0% is deposited into the Tobacco Settlement Trust Fund. The Governor recommends that these distributions be changed to 33.4% to the Merit Award Trust Fund and 66.6% to the Tobacco Settlement Trust Fund. The major change recommended in the appropriation of tobacco settlement funds is a proposed decrease in the amount of the existing Merit Award Scholarship from \$2,500 to \$500 to each qualified graduating high school student. The recommendation also significantly increases the overall amount of tobacco settlement funds that are funding the State Medicaid program.

Community Colleges. The budget includes a 6.74% reduction in the funding of community colleges operations. This funding decrease consists of a 6.24% GF/GP funding reduction and a 0.5% reduction from funds financed with Merit Award Trust Fund revenues. The recommendation applies this proposed funding reduction on a proportional basis for each community college.

Community Health. The budget is built on four primary fiscal assumptions. These assumptions are savings from the annualization of current-year appropriation reductions, use of new revenue sources to support the State Medicaid program, adult health programs and benefit restructuring, and other Medicaid policy changes and savings. Savings from the annualization of current year appropriation reductions savings involve the full fiscal year savings from policies put in place during portions of the prior fiscal year. New revenue sources for the Medicaid program include increased funding from the Tobacco Settlement Trust Fund, an increase in Michigan's Federal Medicaid match rate, and several new Medicaid special financing proposals involving the use of State assessments on medical providers. The changes in adult health programs primarily involve a proposal to replace the existing State Medicaid program and related county programs for indigent persons and replacing medical coverage of these people by enrolling them in the Children's Health Insurance Program under a Federal waiver. Included in other Medicaid policy changes and savings are proposals to reduce pharmaceutical costs by pooling purchases of prescription drugs with other states and making changes in the type of coverage for children in the Children Special Health Care Services program.

Corrections. The budget is built on several assumptions concerning policy changes that will have an impact on the overall number of inmates in the State corrections system. The budget assumes a change in the Truth-in-Sentencing statute that would allow the Department to release inmates from prison before they have served their minimum sentence. These prisons would be placed in halfway houses or on electronic monitoring devices. This policy change is estimated to reduce the prison population by approximately 1,350 inmates with a projected cost savings of at least \$25.0 million. The budget also assumes the continuation of current departmental policy of further prison diversion that was implemented during the current fiscal year.

Higher Education. The budget includes a 6.74% reduction in the funding of public university operations. This funding reduction consists of a 6.24% GF/GP reduction and a 0.5% reduction from funds financed with Merit Award Trust Fund revenues. The recommendation applies this funding reduction on a proportional basis for all public universities. The recommendation also reduces by 6.74% the State funding for financial aid programs. The budget also includes a proposal to combine the seven existing needs-based financial aid programs into one new needs-based financial aid program referred

to as the Michigan Opportunity Scholarship Program. Students attending both public and private colleges and universities in the State would be eligible for this financial aid.

School Aid. The budget proposes adjustments to the previously enacted FY 2003-04 School Aid appropriation bill. The proposed adjustments are necessary to eliminate a projected \$364.3 million FY 2003-04 School Aid Fund deficit that exists between estimated revenues and enacted appropriations. This projected deficit is eliminated by a combination of new revenue sources and appropriation reductions. The new revenue sources include \$50.0 million of additional lottery revenues from new on-line lottery games, \$100.0 million of revenue from the refinancing of existing State school bond loans, and \$20.3 million from proposed tax policy changes. School Aid Fund appropriation reductions include the reduction of several categorical funds and the elimination of other categorical funds. The basic foundation allowance would continue at the \$6,700 level included in the current FY 2003-04 School Aid Fund appropriation.

State Police. The budget is built on a \$46.1 million or 16.6% reduction in the level of GF/GP appropriations. This GF/GP funding reduction is offset by two proposed fee increases and one proposed transfer of funds from another department that will result in a 2.0% increase in Adjusted Gross appropriations. The fee increases funding this budget are a \$3 increase in driver license fees and a .35% surcharge on certain property insurance premiums. These fee increases along with the transfer of \$12.7 million of existing drivers license fee revenues from the Department of Transportation budget will provide the necessary funding to offset the GF/GP funding reduction. The fee increases also will provide the funding for a State Police trooper school to train new State troopers.

Transportation. The budget provides for a 3.4% increase for Adjusted Gross appropriations. This funding increase assumes the legislative approval of a 4-cent-per-gallon increase in the diesel motor fuel tax. This tax increase will generate \$38.9 million to be distributed through the statutory funding formulas.

Treasury-Debt Service. The budget includes a \$52.8 million or 269.7% GF/GP funding increase for State debt service payments on general obligation bonds. This large funding increase results from a one-time saving on debt service that was realized during the current fiscal year from the refinancing of these bonds.

Payments to Units of Local Government

The Governor's FY 2003-04 budget recommendation includes \$15.97 billion of estimated payments to units of local government. This exceeds the required level of State payments to units of local government pursuant to Article IX, Section 30 of the State Constitution of 1963 by \$2.9 billion. Table 12 provides a summary of this estimate.

State Employment

Table 13 and Figure E provide a comparison of classified and exempted full-time equated (FTE) positions recommended by the Governor with the appropriated levels of FTEs for FY 2002-03. The Governor's FY 2003-04 recommendation includes funding for 59,299.0 FTEs. This represents a 3,445.2 FTE decline or 5.5% below the current year level. The majority of these reductions simply reflect an adjustment in the FTE levels of each department to correspond with the actual level of FTEs currently employed in that department.

Projected Year-End Balances

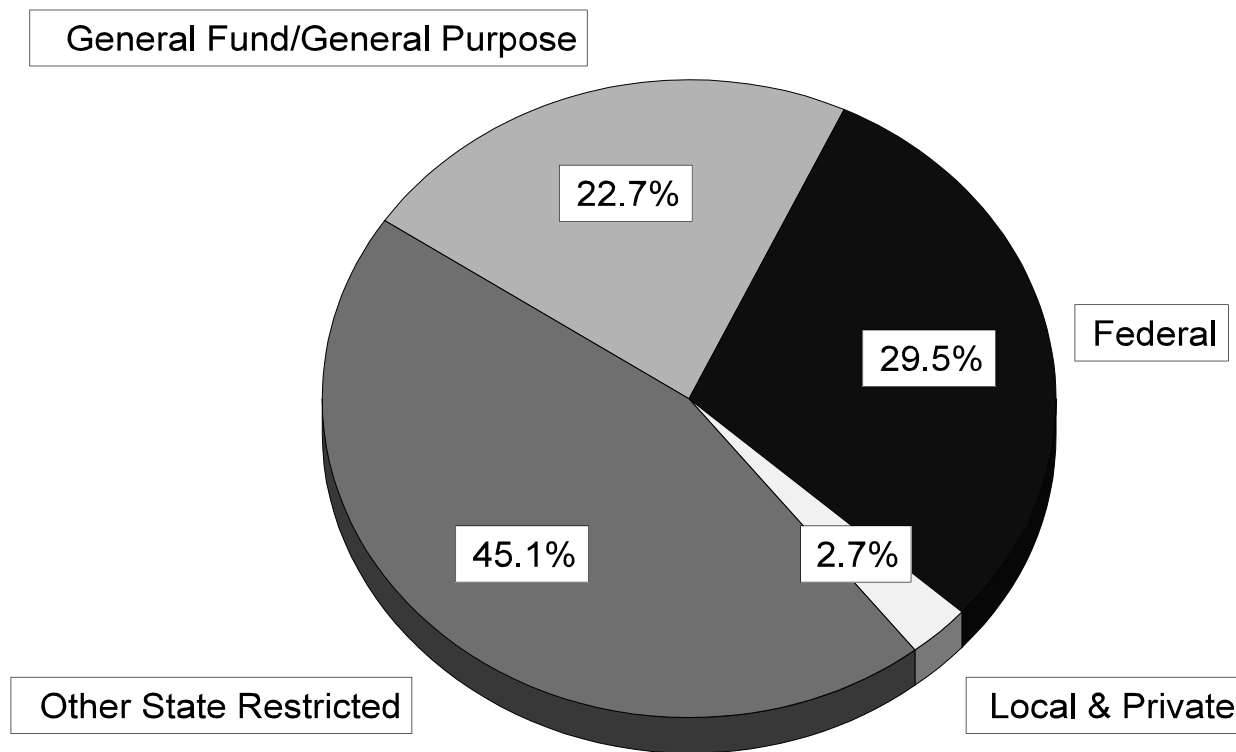
Combining the Governor's FY 2003-04 appropriation recommendation with the consensus estimates leads to updated estimates of the FY 2003-04 GF/GP and SAF year-end balances. Assuming that all of the Governor's revenue and appropriation recommendations are enacted, the FY 2003-04 GF/GP budget will close the year with a \$0.3 million balance. The SAF budget will close FY 2003-04 with a zero year-end balance. Tables 14 and 15 provide a summary of these year-end balance estimates.

Table 1

FY 2003-04 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	\$78,386,600	\$6,801,700	\$1,127,600	\$39,053,300	\$31,404,000
Attorney General	48,519,400	7,564,400	0	9,945,100	31,009,900
Capital Outlay	593,083,700	202,652,000	42,789,600	41,340,000	306,302,100
Career Development	466,880,000	418,100,400	17,408,200	6,664,700	24,706,700
Civil Rights	13,117,200	934,000	0	0	12,183,200
Civil Service	29,553,900	4,779,100	1,850,000	14,872,200	8,052,600
Community Colleges	289,013,100	0	0	0	289,013,100
Community Health	9,048,142,100	4,890,865,600	866,010,500	707,327,400	2,583,938,600
Consumer and Industry Services	590,086,600	283,831,500	770,000	285,815,300	19,669,800
Corrections	1,721,253,600	27,798,400	391,100	60,748,800	1,632,315,300
Education	111,825,000	64,479,400	5,445,600	12,507,500	29,392,500
Environmental Quality	329,814,500	129,169,500	435,700	147,153,500	53,055,800
Executive	4,859,500	0	0	0	4,859,500
Family Independence Agency	3,944,635,500	2,697,630,071	74,569,250	70,096,800	1,102,339,379
Higher Education	1,715,437,000	4,400,000	0	78,350,000	1,632,687,000
History, Arts and Libraries	58,648,800	9,322,600	577,400	2,308,800	46,440,000
Information Technology	0	0	0	0	0
Judiciary	247,859,400	3,806,500	3,741,200	78,995,300	161,316,400
Legislature	121,778,600	0	400,000	2,495,100	118,883,500
Management & Budget (Operations)	67,971,000	440,800	0	31,201,300	36,328,900
Military Affairs	102,897,500	40,627,900	1,870,700	23,800,100	36,598,800
Natural Resources	238,705,000	27,806,600	1,871,400	180,203,500	28,823,500
School Aid	12,467,963,100	1,244,363,100	0	11,223,600,000	0
State	80,748,700	1,319,500	100	66,447,400	12,981,700
State Police	394,403,800	55,292,300	4,506,600	103,363,400	231,241,500
Strategic Fund Agency	99,412,300	52,953,300	853,100	10,050,000	35,555,900
Transportation	3,199,989,200	965,255,100	5,800,000	2,228,934,100	0
Treasury (Debt Service)	73,286,400	0	0	878,000	72,408,400
Treasury (Operations)	352,175,300	44,196,100	910,800	257,411,700	49,656,700
Treasury (Revenue Sharing)	1,412,100,000	0	0	1,412,100,000	0
TOTAL APPROPRIATIONS	\$37,902,546,800	\$11,184,389,871	\$1,031,328,850	\$17,095,663,300	\$8,591,164,779

Figure A

Appropriations by Source of Funds FY 2003-04 Governor's Recommendation



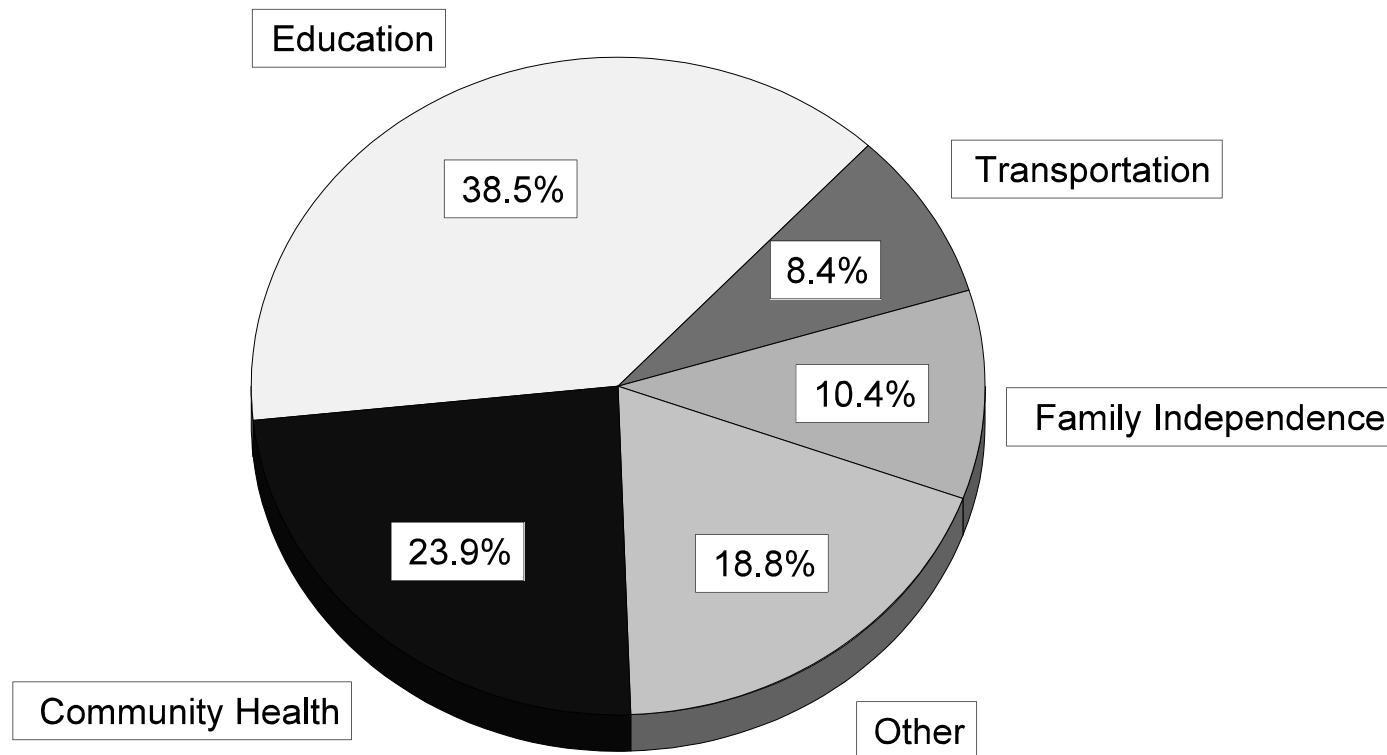
Total = \$ 37,902,546,800

Table 2

ADJUSTED GROSS APPROPRIATIONS FY 2002-03 VERSUS GOVERNOR'S RECOMMENDATION (Actual Dollars)				
Department/Budget Area	FY 2002-03 Year-to-Date Appropriations	FY 2003-04 Governor's Recommendation	Dollar Difference	Percent Change
Agriculture	\$83,088,800	\$78,386,600	\$(4,702,200)	(5.7)%
Attorney General	50,435,483	48,519,400	(1,916,083)	(3.8)
Capital Outlay	582,453,900	593,083,700	10,629,800	1.8
Career Development	458,111,700	466,880,000	8,768,300	1.9
Civil Rights	13,623,900	13,117,200	(506,700)	(3.7)
Civil Service	25,554,000	29,553,900	3,999,900	15.7
Community Colleges	309,808,094	289,013,100	(20,794,994)	(6.7)
Community Health	9,210,702,012	9,048,142,100	(162,559,912)	(1.8)
Consumer and Industry Services	549,069,264	590,086,600	41,017,336	7.5
Corrections	1,682,348,331	1,721,253,600	38,905,269	2.3
Education	215,154,016	111,825,000	(103,329,016)	(48.0)
Environmental Quality	390,669,361	329,814,500	(60,854,861)	(15.6)
Executive	5,021,500	4,859,500	(162,000)	(3.2)
Family Independence Agency	4,036,185,600	3,944,635,500	(91,550,100)	(2.3)
Higher Education	1,831,501,735	1,715,437,000	(116,064,735)	(6.3)
History, Arts and Libraries	69,225,636	58,648,800	(10,576,836)	(15.3)
Information Technology	0	0	0	0.0
Judiciary	239,884,000	247,859,400	7,975,400	3.3
Legislature	123,657,100	121,778,600	(1,878,500)	(1.5)
Management & Budget (Operations)	75,679,811	67,971,000	(7,708,811)	(10.2)
Military Affairs	103,128,808	102,897,500	(231,308)	(0.2)
Natural Resources	251,359,347	238,705,000	(12,654,347)	(5.0)
School Aid	12,583,380,100	12,467,963,100	(115,417,000)	(0.9)
State	82,469,961	80,748,700	(1,721,261)	(2.1)
State Police	386,690,548	394,403,800	7,713,252	2.0
Strategic Fund Agency	136,782,500	99,412,300	(37,370,200)	(27.3)
Transportation	3,093,591,400	3,199,989,200	106,397,800	3.4
Treasury (Debt Service)	59,586,400	73,286,400	13,700,000	23.0
Treasury (Operations)	353,164,397	352,175,300	(989,097)	(0.3)
Treasury (Revenue Sharing)	1,455,718,000	1,412,100,000	(43,618,000)	(3.0)
TOTAL APPROPRIATIONS	\$38,458,045,704	\$37,902,546,800	\$(555,498,904)	(1.4)%

Figure B

Adjusted Gross FY 2003-04 Governor's Recommendation



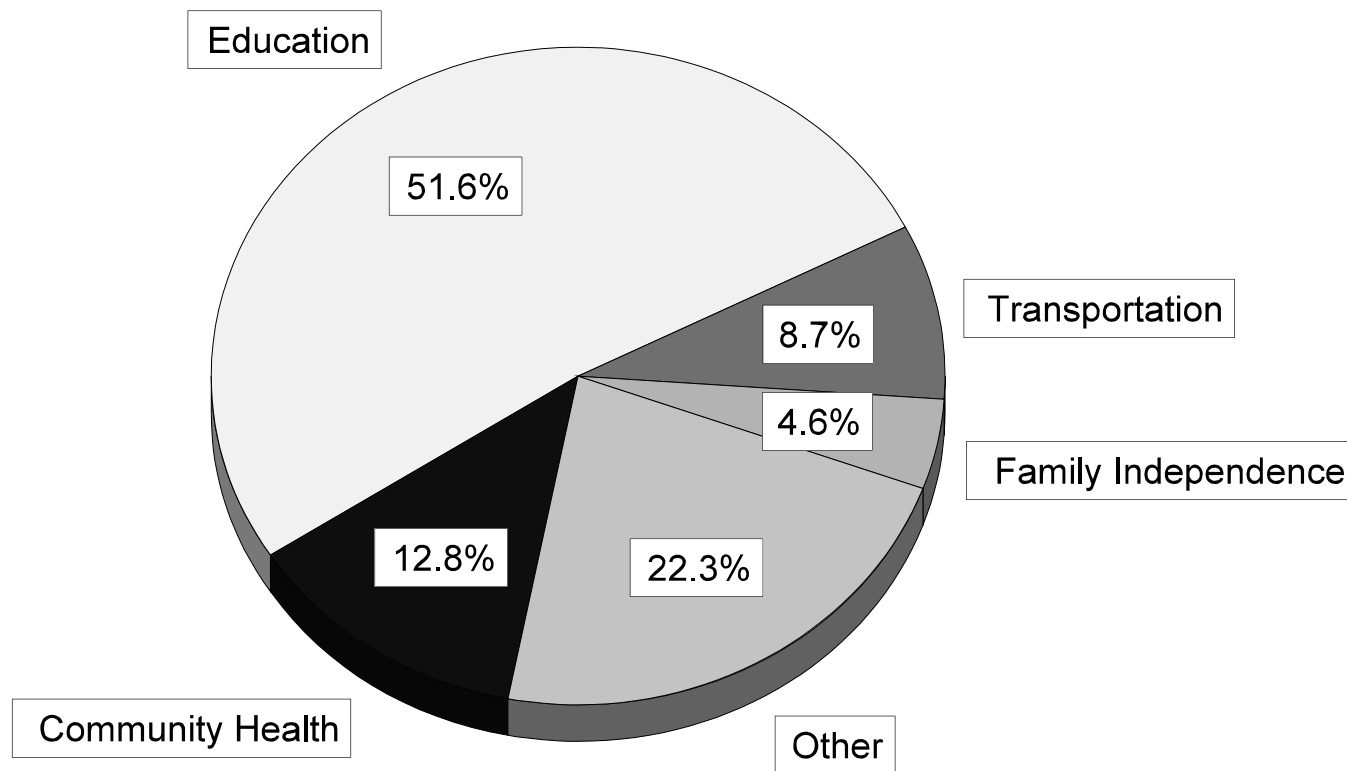
Total = \$ 37,902,546,800

Table 3

STATE SPENDING FROM STATE RESOURCES FY 2002-03 VERSUS GOVERNOR'S RECOMMENDATION (actual dollars)				
Department/Budget Area	FY 2002-03 Year-to-Date Appropriations	FY 2003-04 Governor's Recommendation	Dollar Difference	Percent Change
Agriculture	\$75,109,500	\$70,457,300	\$(4,652,200)	(6.2)%
Attorney General	41,579,783	40,955,000	(624,783)	(1.5)
Capital Outlay	349,561,900	347,642,100	(1,919,800)	(0.5)
Career Development	34,234,300	31,371,400	(2,862,900)	(8.4)
Civil Rights	12,689,900	12,183,200	(506,700)	(4.0)
Civil Service	18,924,900	22,924,800	3,999,900	21.1
Community Colleges	309,808,094	289,013,100	(20,794,994)	(6.7)
Community Health	3,221,131,912	3,291,266,000	70,134,088	2.2
Consumer and Industry Services	306,387,764	305,485,100	(902,664)	(0.3)
Corrections	1,655,553,831	1,693,064,100	37,510,269	2.3
Education	43,448,216	41,900,000	(1,548,216)	(3.6)
Environmental Quality	258,712,261	200,209,300	(58,502,961)	(22.6)
Executive	5,021,500	4,859,500	(162,000)	(3.2)
Family Independence Agency	1,185,455,579	1,172,436,179	(13,019,400)	(1.1)
Higher Education	1,826,001,735	1,711,037,000	(114,964,735)	(6.3)
History, Arts and Libraries	60,352,536	48,748,800	(11,603,736)	(19.2)
Information Technology	0	0	0	0.0
Judiciary	232,198,700	240,311,700	8,113,000	3.5
Legislature	123,257,100	121,378,600	(1,878,500)	(1.5)
Management & Budget (Operations)	75,321,211	67,530,200	(7,791,011)	(10.3)
Military Affairs	61,975,008	60,398,900	(1,576,108)	(2.5)
Natural Resources (Operations)	219,138,347	209,027,000	(10,111,347)	(4.6)
School Aid	11,362,854,900	11,223,600,000	(139,254,900)	(1.2)
State	81,150,361	79,429,100	(1,721,261)	(2.1)
State Police	337,206,348	334,604,900	(2,601,448)	(0.8)
Strategic Fund Agency	72,976,100	45,605,900	(27,370,200)	(37.5)
Transportation	2,124,655,300	2,228,934,100	104,278,800	4.9
Treasury (Debt Service)	59,586,400	73,286,400	13,700,000	23.0
Treasury (Operations)	307,957,497	307,068,400	(889,097)	(0.3)
Treasury (Revenue Sharing)	1,455,718,000	1,412,100,000	(43,618,000)	(3.0)
TOTAL APPROPRIATIONS	\$25,917,968,983	\$25,686,828,079	\$(231,140,904)	(0.9)%

Figure C

State Spending from State Resources FY 2003-04 Governor's Recommendation



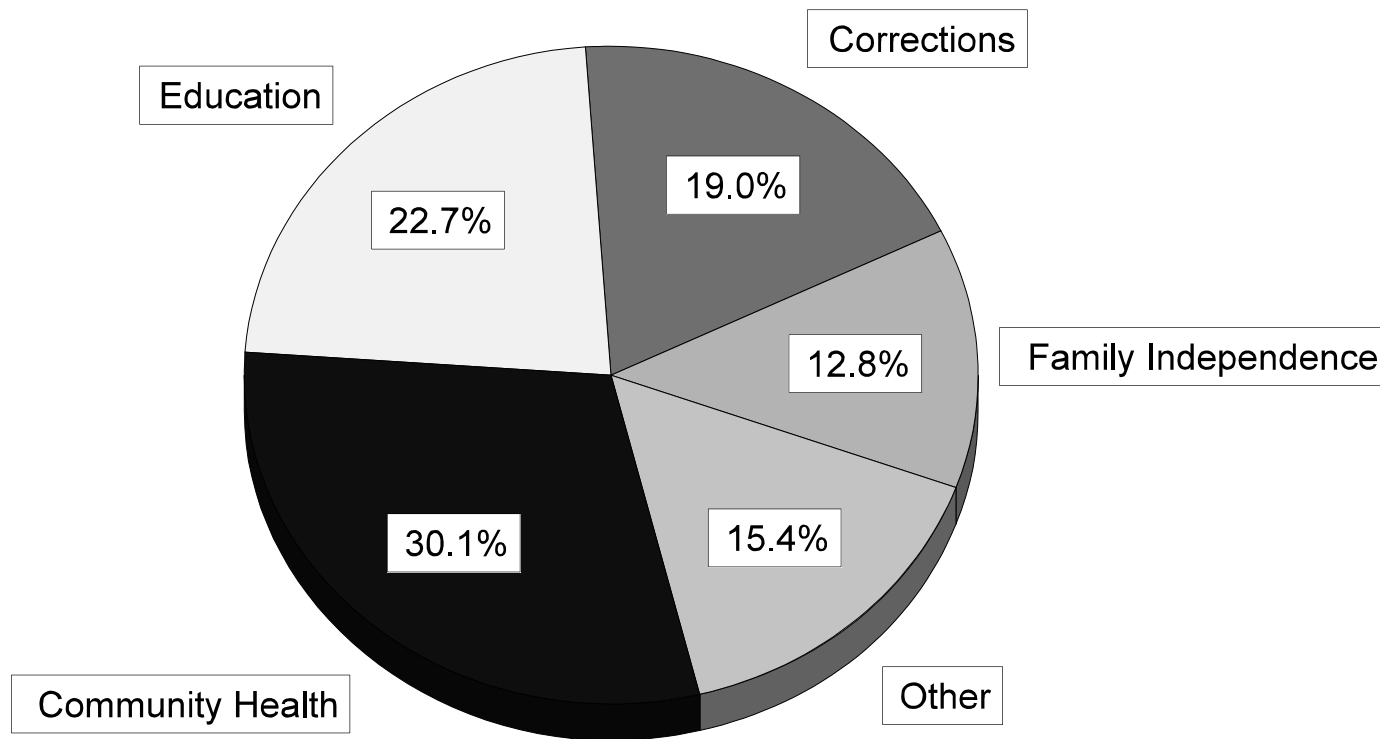
Total = \$ 25,686,828,079

Table 4

GENERAL FUND/GENERAL PURPOSE FY 2002-03 VERSUS GOVERNOR'S RECOMMENDATION				
Department/Budget Area	FY 2002-03 Year-to-Date Appropriations	FY 2003-04 Governor's Recommendation	Dollar Difference	Percent Change
Agriculture	\$36,773,700	\$31,404,000	(\$5,369,700)	(14.6)%
Attorney General	32,363,383	31,009,900	(1,353,483)	(4.2)
Capital Outlay	289,166,900	306,302,100	17,135,200	5.9
Career Development	26,572,800	24,706,700	(1,866,100)	(7.0)
Civil Rights	12,689,900	12,183,200	(506,700)	(4.0)
Civil Service	9,285,700	8,052,600	(1,233,100)	(13.3)
Community Colleges	307,512,112	289,013,100	(18,499,012)	(6.0)
Community Health	2,416,210,412	2,583,938,600	167,728,188	6.9
Consumer and Industry Services	32,900,464	19,669,800	(13,230,664)	(40.2)
Corrections	1,599,803,231	1,632,315,300	32,512,069	2.0
Education	29,018,216	29,392,500	374,284	1.3
Environmental Quality	66,653,161	53,055,800	(13,597,361)	(20.4)
Executive	5,021,500	4,859,500	(162,000)	(3.2)
Family Independence Agency	1,115,085,079	1,102,339,379	(12,745,700)	(1.1)
Higher Education	1,741,466,933	1,632,687,000	(108,779,933)	(6.2)
History, Arts and Libraries	58,451,636	46,440,000	(12,011,636)	(20.5)
Information Technology	0	0	0	0.0
Judiciary	174,721,000	161,316,400	(13,404,600)	(7.7)
Legislature	120,726,700	118,883,500	(1,843,200)	(1.5)
Management & Budget (Operations)	39,247,311	36,328,900	(2,918,411)	(7.4)
Military Affairs	38,328,308	36,598,800	(1,729,508)	(4.5)
Natural Resources (Operations)	41,624,447	28,823,500	(12,800,947)	(30.8)
School Aid	198,413,500	0	(198,413,500)	(100.0)
State	15,876,161	12,981,700	(2,894,461)	(18.2)
State Police	277,389,448	231,241,500	(46,147,948)	(16.6)
Strategic Fund Agency	40,426,100	35,555,900	(4,870,200)	(12.0)
Transportation	0	0	0	0.0
Treasury (Debt Service)	19,586,400	72,408,400	52,822,000	269.7
Treasury (Operations)	55,723,597	49,656,700	(6,066,897)	(10.9)
Treasury (Revenue Sharing)	0	0	0	0.0
TOTAL APPROPRIATIONS	\$8,801,038,099	\$8,591,164,779	(\$209,873,320)	(2.4)%

Figure D

General Fund/General Purpose FY 2003-04 Governor's Recommendation



Total = \$ 8,591,164,779

Table 5 GOVERNOR'S FY 2003-04 STATE BUDGET PROPOSED GENERAL FUND/GENERAL PURPOSE REVENUE ADJUSTMENTS (millions of dollars)	
Consensus Revenue Estimate	\$8,191.5
<u>Proposed Revenue Adjustments:</u>	
Transfer from Employment Security Fund	10.0
Revenue Sharing Reductions	268.8
Tax Policy Changes	108.6
Sale of Surplus State Property(Detroit Plaza Building)	2.0
Transfer from Comprehensive Transportation Fund	<u>10.6</u>
Subtotal Proposed Revenue Adjustments	400.0
Total Available GF/GP Revenues	\$8,591.5

Table 6 GOVERNOR'S FY 2003-04 APPROPRIATION RECOMMENDATIONS MAJOR PROPOSED CHANGES FROM FY 2002-03 YEAR-TO-DATE GENERAL FUND/GENERAL PURPOSE APPROPRIATIONS (millions of dollars)	
FY 2002-03 Year-to-Date Appropriations	\$8,801.0
FY 2003-04 Governor's Appropriation Recommendations	<u>8,591.2</u>
Net Decrease in Appropriations	\$ (209.8)
<u>Major FY 2003-04 Appropriation Recommendations:</u>	
Proposed Funding Increases	\$ 815.2
Proposed Appropriation Reductions	(368.3)
Fee Increases/Fund Shifts	<u>(656.7)</u>
Total	\$(209.8)

Table 7 FY 2003-04 GOVERNOR'S RECOMMENDATION GF/GP PROPOSED FUNDING INCREASES (millions of dollars)	
<u>Department/Program</u>	
Capital Outlay	
State Building Authority Bonds	\$ 17.1
Community Colleges	
Renaissance Zones	0.7
Community Health	
Medicaid Caseload Adjustment	186.2
Other Cost Increases	17.4
Offset Medicaid Trust Fund Money	261.0
Offset Medicaid Special Financing Change	134.0
Corrections	
Prison Bed Costs	13.2
Health Care Costs	13.4
FY 2002-03 Retirement Shortfall	28.3
Leap Year Costs	3.9
Various Other	9.0
Education	
School Breakfast Program	2.6
Family Independence Agency	
Caseload Increases	36.3
Food Stamp Reinvestment	12.7
Child Care Fund	12.5
Various Other	9.6
Judiciary	
Additional Judgeships	0.6
Treasury-Debt Service	
Clean Michigan General Obligation Bonds	17.1
Quality of Life Bonds	39.1
All Other Departmental Funding Increases	0.5
Subtotal	\$ 815.2

Table 8

**FY 2003-04 GOVERNOR'S RECOMMENDATION
GF/GP PROPOSED FUNDING REDUCTIONS
(millions of dollars)**

<u>Department/Program</u>	
Community Colleges	
College Operations	\$ 19.0
At-Risk Funding	0.2
Community Health	
Annualization of FY 03 Reductions	62.5
Medicaid Restructuring	12.2
Pharmacy Savings	30.0
Corrections	
Support Staff Reductions	10.2
Training	9.5
Various Other	15.3
Family Independence Agency	
Child Support Enforcement	4.7
Indigent Burials	0.9
Caseload Reductions	14.9
Transitional Work Programs	5.0
Grant Reductions, Administrative Savings	16.8
Higher Education	
Operations Funding	101.6
Grants and Financial Aid	7.1
History, Arts, and Libraries	
Arts and Cultural Grants	10.7
Natural Resources	
Payments in Lieu of Property Taxes	2.0
Strategic Fund Agency	
Economic Development Grants	2.3
Michigan Promotion	0.7
Treasury-Debt Service	
Quality of Life Bonds	3.4
All Other Departmental Funding Reductions	39.3
Total Reductions	\$368.3

Table 9

**FY 2003-04 GOVERNOR'S BUDGET RECOMMENDATION
FEE INCREASES/FUNDING SHIFTS TO REDUCE GF/GP
(millions of dollars)**

<u>Department/Budget Area</u>	
Agriculture	
Fee Increases	\$ 0.5
Funding Shifts	2.5
Attorney General	
Funding Shifts	0.8
Community Health	
Fee Increases	56.7
Funding Shifts	270.5
Consumer and Industry Services	
Fee Increases	10.6
Funding Shifts	1.7
Corrections	
Funding Shifts	0.3
Education	
Funding Shifts	0.2
Environmental Quality	
Fee Increases	10.7
Family Independence Agency	
Funding Shifts	41.6
Judiciary	
Fee Increases	11.2
Military Affairs	
Funding Shifts	1.3
Natural Resources	
Fee Increases	2.4
Funding Shifts	6.6
School Aid	
Fund Shifts	198.4
State	
Fee Increases	2.1
State Police	
Fee Increase	25.0
Funding Shift	12.7
Treasury	
Funding Shift	0.9
Total	\$656.7

Table 10

FY 2003-04 GOVERNOR'S PROPOSED FEE INCREASES (actual dollars)	
Department/Fee	New Revenue
Agriculture	
Nursery Stock Inspections	\$140,000
Commercial Pesticide Application License Fee	130,000
Metrology Laboratory Fees	120,000
Pet Shop License Fee	17,900
Animal Control & Animal Protection License Fee	5,200
Cervidae Livestock Facility Registration Fee	16,100
Dead Animal Handler License Fee	34,200
Livestock Dealer Broker License Fees	5,000
Horse Riding Stables Fee	6,000
Right to Farm Inspection Fee	25,000
Analytical Testing Fee	50,000
Subtotal	\$ 549,400
Community Health	
Quality Assurance Assessment Program-Hospitals	18,900,000
Quality Assurance Assessment Program-Nursing Homes	18,900,000
Quality Assurance Assessment Program-Pharmacies	18,900,000
Subtotal	\$ 56,700,000
Consumer and Industry Services	
Health System Fees	600,000
Licensing and Regulation Fees	2,000,000
Security Fees	4,755,600
Corporate Fees	4,755,600
Subtotal	\$ 12,111,200
Environmental Quality	
Laboratory User Fees	571,000
Solid Waste Disposal Fee	2,598,400
Groundwater Permit Fee	3,588,200
National Pollutant Discharge Elimination System Permit	7,220,900
Stormwater Discharge Fee	1,162,500
Subtotal	\$ 15,141,000
Judiciary	
Criminal Justice System Fees	5,585,894
Civil Filing Fees	5,652,100
Subtotal	\$ 11,237,994
Natural Resources	
State Park Entrance Fees	2,396,900
State	
Commercial Look-up Fees	2,100,000
State Police	
Insurance Assessment	6,284,700
Operator, Chauffeur and Commercial License Fees	23,700,000
Subtotal	\$29,984,700
Total Recommended Fee Increases	\$130,221,194

Table 11

TOBACCO SETTLEMENT APPROPRIATIONS (millions of dollars)			
	FY 2002-03 Year-to-Date Approps.	FY 2003-04 Governor's Rec.	FY 2003-04 Change from FY 2002-03
<u>MERIT AWARD TRUST FUND</u>			
Community Colleges			
Postsecondary Access Student Scholarship	\$0.7	\$0.0	\$(0.7)
Higher Education			
Merit Award Scholarships	64.3	65.1	0.8
Tuition Incentive Program	5.3	9.3	4.0
Nursing Scholarship Program	4.0	4.0	0.0
Higher Education & Community Colleges	10.6	0.0	(10.6)
Department of Treasury			
Michigan Education Assessment Program	16.1	16.1	0.0
Merit Award Board	2.0	2.0	0.0
Tuition Incentive Program Administration	0.4	0.4	0.0
Michigan Education Savings Program	1.0	0.8	(0.2)
Information Technology	0.0	0.4	0.4
Lapse to General Fund	\$151.3	\$0.0	\$(151.3)
Total Merit Award Trust Fund	\$255.7	\$98.1	\$(157.6)
<u>TOBACCO SETTLEMENT TRUST FUND</u>			
Department of Attorney General			
Legal Services	\$0.4	\$0.4	\$0.0
Department of Career Development			
Council of Michigan Foundations	2.0	1.0	(1.0)
Department of Community Health			
Senior Prescription Drug Program	30.0	30.0	0.0
Personal Needs Allowance	5.0	5.0	0.0
Long-Term Care Health Advisor	0.8	0.0	(0.8)
Respite Care Services	5.0	5.0	0.0
Medicaid Base Funding	30.0	157.5	127.5
Higher Education			
Rare Isotope Accelerator	1.9	0.0	(1.9)
Strategic Fund Agency			
Health Research/Develop. (Life Sciences)	32.5	0.0	(32.5)
Technology Tri-Corridor	0.0	10.0	10.0
Lapse to General Fund	\$14.6	\$0.0	\$(14.6)
Total Tobacco Settlement Trust Fund	\$122.2	\$208.9	\$86.7
Total Appropriations/Expenditures	\$377.9	\$307.0	\$(70.9)

Table 12

STATE PAYMENTS TO LOCAL UNITS OF GOVERNMENT ARTICLE IX, SECTION 30 REQUIREMENT (millions of dollars)	
	FY 2003-04 Estimate
State Spending from State Resources	\$26,656.8 ^{a)}
Required Payments to Local Units of Government (48.97%) .	13,053.8
Actual or Estimated Payments to Locals	15,970.0
Actual Percentage of Total State Spending	59.91%
Surplus of Section 30 Payments	\$2,916.2
a) Does not include \$30.0 million of Federal aid counted as GF/GP revenue.	

Table 13

FULL-TIME EQUATED POSITIONS FY 2002-03 VERSUS GOVERNOR'S RECOMMENDATION				
Department/Budget Area	FY 2002-03 Year-to-Date Appropriations	FY 2003-04 Governor's Recommendation	Position Change	Percent Change
Agriculture	629.5	563.0	(66.5)	(10.6)%
Attorney General	586.5	582.5	(4.0)	(0.7)
Career Development	1,089.0	1,089.0	0.0	0.0
Civil Rights	158.5	158.5	0.0	0.0
Civil Service	201.5	201.5	0.0	0.0
Community Health	5,674.3	4,666.2	(1,008.1)	(17.8)
Consumer and Industry Services	3,948.9	3,937.5	(11.4)	(0.3)
Corrections	18,827.9	18,292.7	(535.2)	(2.8)
Education	436.1	433.1	(3.0)	(0.7)
Environmental Quality	1,590.7	1,616.7	26.0	1.6
Executive	74.2	74.2	0.0	0.0
Family Independence Agency	12,495.1	10,771.6	(1,723.5)	(13.8)
History, Arts and Libraries	241.5	248.5	7.0	2.9
Information Technology	1,765.4	1,763.4	(2.0)	(0.1)
Judiciary	582.5	582.5	0.0	0.0
Management & Budget (Operations)	848.5	813.0	(35.5)	(4.2)
Military Affairs	1,072.0	1,072.0	0.0	0.0
Natural Resources	2,075.5	2,082.5	7.0	0.3
State	1,847.8	1,847.8	0.0	0.0
State Police	3,445.5	3,334.5	(111.0)	(3.2)
Strategic Fund Agency	231.5	231.5	0.0	0.0
Transportation	3,069.3	3,069.3	0.0	0.0
Treasury (Operations)	1,852.5	1,867.5	15.0	0.8
TOTAL POSITIONS	62,744.2	59,299.0	(3,445.2)	(5.5)%

Figure E

Full-Time Equated Positions FY 2003-04 Governor's Recommendation

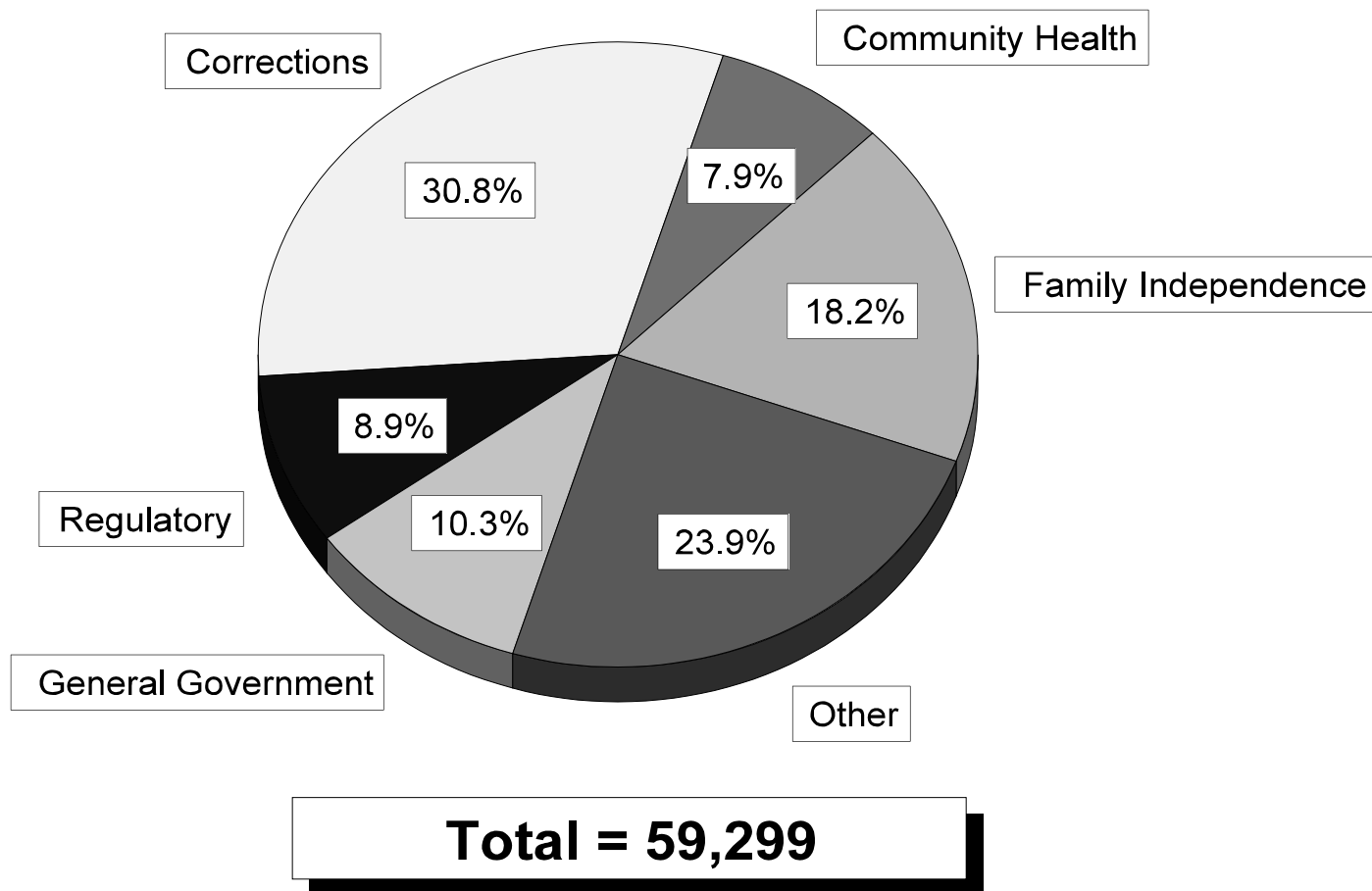


Table 14
FY 2003-04
GENERAL FUND/GENERAL PURPOSE
REVENUES, EXPENDITURES AND YEAR-END BALANCE
(millions of dollars)

	Governor's Recommendation
Revenues:	
Beginning Balance	\$ 0.0
Consensus Revenue Estimate	8,191.5
<u>Proposed Adjustments:</u>	
Transfer from Employment Security Fund	10.0
Revenue Sharing Reductions	268.8
Tax Policy Changes	108.6
Sale of Property (Detroit Plaza Building)	2.0
Transfer from Comprehensive Transportation Fund	<u>10.6</u>
Subtotal Proposed Adjustments	400.0
Total Revenues	\$ 8,591.5
Expenditures:	
Governor's Recommendation	\$8,591.2
Projected Year-End Balance	\$ 0.3

Table 15
FY 2003-04
SCHOOL AID FUND
REVENUES, EXPENDITURES AND YEAR-END BALANCE
(millions of dollars)

	Governor's Recommendation
Revenues:	
Beginning Balance	\$ 0.0
Consensus Revenue Estimate	10,854.7
<u>Other Revenue Sources:</u>	
Revenue Sharing Reserve Account	198.6
Proposed State Lottery Changes	50.0
Proposed Tax Changes	20.3
School Bond Loan Refinancing	100.0
Federal Aid	<u>1,244.3</u>
Total Other Revenue Sources	1,613.2
Total Estimated Revenue	\$12,467.9
Expenditures:	
Enacted Appropriation (P.A. 521 of 2002)	\$12,696.9
Recommended Supplemental Appropriations	(229.0)
Projected Appropriation Lapses	0.0
Total Estimated Expenditures	\$12,467.9
Projected Year-End Balance	\$ 0.0

DEPARTMENTS/BUDGET AREAS

DEPARTMENT OF AGRICULTURE

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2002-03 YEAR-TO-DATE	FY 2003-04 GOV'S REC.	CHANGES FROM FY 2002-03 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	629.5	563.0	(66.5)	(10.6)
GROSS	94,049,200	89,244,000	(4,805,200)	(5.1)
Less:				
Interdepartmental Grants Received	10,960,400	10,857,400	(103,000)	(0.9)
ADJUSTED GROSS	83,088,800	78,386,600	(4,702,200)	(5.7)
Less:				
Federal Funds	6,851,700	6,801,700	(50,000)	(0.7)
Local and Private	1,127,600	1,127,600	0	0.0
TOTAL STATE SPENDING	75,109,500	70,457,300	(4,652,200)	(6.2)
Less:				
Other State Restricted Funds	38,335,800	39,053,300	717,500	1.9
GENERAL FUND/GENERAL PURPOSE	36,773,700	31,404,000	(5,369,700)	(14.6)
PAYMENTS TO LOCALS	3,656,700	3,461,200	(195,500)	(5.3)

**FY 2003-04
Change from
FY 2002-03
Year-to-Date**

A. PROGRAM REDUCTIONS/ELIMINATIONS

1. Fruit and Vegetable Inspections	Gross GF/GP	(300,000) (300,000)
The Governor's budget proposal reduces funding for the Fruit and Vegetable Inspection Service, which provides third party grading services and verification of fruit and vegetable quality.		
2. Regulatory Seed Program	FTE Gross GF/GP	(4.5) (452,000) (452,000)
The Governor's budget proposal eliminates the Seed Inspection Program. This program assures that seed used for crop production meets label guarantees and is free from noxious weeds that are difficult and expensive to control. Staff in this program review seed product labels, conduct inspections, and perform laboratory analysis.		
3. Conservation Districts	Gross GF/GP	(195,500) (195,500)
The Governor's budget reduces the line item that provides grants to the State's 79 local conservation districts. This program provides grants for training district personnel as well as grants for basic operations (\$20,000 per district). The funding reduction would affect the basic operations grants.		
4. Southwest Michigan Tourist Council	Gross GF/GP	(45,300) (45,300)
The Governor's budget eliminates the grant to the Southwest Michigan Tourist Council. This program provides free Michigan-grown agricultural products to visitors at the welcome center in Benton Harbor.		
5. Migrant Labor Housing	Gross GF/GP	(30,000) (30,000)
The Governor's budget reduces funding for migrant labor housing grants. This program supports cost-share grants to Michigan farmers who supply migrant laborers with housing.		
6. Horse Shows	Gross GF/GP	(23,300) (23,300)
The Governor's budget eliminates funding for horse show grants.		

**FY 2003-04
Change from
FY 2002-03
Year-to-Date**

B. FTE ADJUSTMENTS

FTE (61.0)

The Governor's budget reduces the appropriated level of full-time equated (FTE) positions in the budget to adjust for the most recent early retirement program for State employees and for funding reductions associated with Executive Order 2002-22 and Executive Order 2003-3.

C. UNCLASSIFIED SALARIES

Gross 0
GF/GP 0

Commissions and Boards Per Diem. The Governor's budget eliminates the authorization to provide gubernatorially-appointed boards and commissions, such as the Commission of Agriculture, with per diem payments. This authorization is contained in FY 2002-03 boilerplate language. The funding (\$63,300 Gross / \$39,500 GF/GP) for these payments was not removed from the budget.

D. FEE INCREASES

Gross 0
Restricted 549,400
GF/GP (549,400)

The Governor's budget proposal includes anticipated revenue from a variety of fee increases. The additional fee revenue is used to replace an equal amount of GF/GP funding in the budget. Some of the fee increases will require legislation, while other fees can be adjusted by the Commission of Agriculture.

E. FUNDING SHIFTS

1. Horse Racing Revenue

Gross (2,025,000)
Restricted 0
GF/GP (2,025,000)

The Governor's budget proposal reduces a number of horse racing grant line items (12.8% reductions) and administrative line items that are funded with revenue from the Agriculture Equine Industry Development Fund. The proposal then redirects this revenue to various departmental administrative line items to replace an equal amount of GF/GP support. The horse racing program funding cuts and funding shifts result in \$2,025,000 of GF/GP savings.

2. Various Funding Shifts

Gross 0
Federal 200,000
Restricted 275,000
GF/GP (475,000)

The Governor's budget also replaces GF/GP resources with an equal amount of anticipated available restricted revenue, either State or Federal, in various administrative line items. The State restricted revenue is available from carryforward balances. Federal revenue of \$200,000 is being used to support rent/building occupancy charges for selected programs.

		FY 2003-04 Change from FY 2002-03 <u>Year-to-Date</u>	
F.	ECONOMIC ADJUSTMENTS	Gross	(55,200)
		GF/GP	(55,200)
	Standard economic adjustments are applied to rent and building occupancy charges consistent with factors applied to all budgets.		
G.	OTHER ISSUES		
1.	Early-Out Adjustment	Gross	(693,800)
		GF/GP	(693,800)
	The Governor's budget makes reductions to account for the most recent early retirement program for State employees. The adjustment reduces funding associated with November 2002 retirees, annual leave payouts, compensatory time payouts, and deferred hours payouts.		
2.	Administrative Savings	FTE	(1.0)
		Gross	(339,900)
		GF/GP	(339,900)
	The Governor's budget contains unspecified administrative savings throughout the budget of \$339,900 GF/GP.		
3.	Other Adjustments	Gross	(459,900)
		IDG	(103,000)
		Federal	(250,000)
		Restricted	(106,900)
		GF/GP	0
	The Governor's budget includes other adjustments associated with internal transfers to align the budget with the most current organizational structure. The budget also includes adjustments to the level of restricted revenue appropriated to bring the budget more in line with anticipated Federal and State restricted resources.		
4.	Information Technology	Gross	(185,300)
		GF/GP	(185,300)
	The Governor's budget reduces the GF/GP appropriation for information technology services provided by the Department of Information Technology (DIT). The Department of Agriculture uses this funding to purchase services from DIT.		

DEPARTMENT OF ATTORNEY GENERAL

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2002-03 YEAR-TO-DATE	FY 2003-04 GOV'S REC.	CHANGES FROM FY 2002-03 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	586.5	582.5	(4.0)	(0.7)
GROSS	60,353,383	59,638,600	(714,783)	(1.2)
Less:				
Interdepartmental Grants Received	9,917,900	11,119,200	1,201,300	12.1
ADJUSTED GROSS	50,435,483	48,519,400	(1,916,083)	(3.8)
Less:				
Federal Funds	7,672,700	7,564,400	(108,300)	(1.4)
Local and Private	1,183,000	0	(1,183,000)	(100.0)
TOTAL STATE SPENDING	41,579,783	40,955,000	(624,783)	(1.5)
Less:				
Other State Restricted Funds	9,216,400	9,945,100	728,700	7.9
GENERAL FUND/GENERAL PURPOSE	32,363,383	31,009,900	(1,353,483)	(4.2)
PAYMENTS TO LOCALS	0	0	0	0.0

**FY 2003-04
Change from
FY 2002-03
Year-to-Date**

A. PROGRAM REDUCTIONS/ELIMINATIONS

1. 2002 Early Retirement. The Governor's recommendation eliminates funding associated with one month's salary and annual leave payouts for employees who retired in November 2002.	Gross	(450,900)
	GF/GP	(450,900)
2. MUSTFA Funding. Funding related to legal support services for the Michigan Underground Storage Tank Financial Assurance Fund Act is eliminated due to the sunset of the statutory fee.	FTE	(2.0)
	Gross	(161,300)
	Restricted	(161,300)
	GF/GP	0
3. Information Technology Reduction. The information technology appropriation for the Department was reduced based on savings that will be achieved by the Department of Information Technology. Savings include renegotiation of vendor contracts to reduce rates paid to vendors, telecommunication rate reductions related to data circuits, consolidation efficiencies, and equipment savings.	Gross	(87,300)
	GF/GP	(87,300)

B. PROGRAM TRANSFERS

Information Technology. Two positions were transferred to the Department of Information Technology, and \$145,100 was transferred from operations to the Department of Attorney General's information technology appropriation unit to reflect actual positions associated with information technology functions.	FTE	(2.0)
	Gross	0
	GF/GP	0

C. FUNDING SHIFTS

Prisoner Reimbursement. The Attorney General currently receives \$301,700 for incurred costs related to obtaining reimbursements from prisoners pursuant to the State Correctional Facility Reimbursement Act (MCL 800.401 et seq.). The Governor's recommendation increases this funding by up to \$800,000, and reduces State General Fund support by the same amount. Boilerplate included by the Governor (Section 308) limits funding to amounts collected in excess of \$1,131,000 from prisoner reimbursement. The language also allows the Attorney General to use the \$800,000 for expenses of defending the State in civil actions filed by prisoners. This use of funds is inconsistent with Section 6 of the State Correctional Facility Reimbursement Act, which provides that reimbursements must fund costs of investigations under the Act, and the balance must be credited to the State General Fund.	Gross	0
	Restricted	800,000
	GF/GP	(800,000)

**FY 2003-04
Change from
FY 2002-03
Year-to-Date**

D. ECONOMIC ADJUSTMENTS

Gross (15,300)
GF/GP (15,300)

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

Item	Gross	GF/GP
Building Occupancy Charges	\$(78,400)	\$(78,400)
Rent	72,100	72,100
Workers' Compensation	(9,000)	(9,000)
Total	\$(15,300)	\$(15,300)

E. TOBACCO SETTLEMENT

The Governor's recommendation maintains FY 2002-03 funding of \$351,800 for legal support related to the Tobacco Master Settlement Agreement.

Gross 0
Restricted 0
GF/GP 0

F. OTHER ISSUES

Technical Adjustments. Technical changes include adjusting funding sources for Attorney General Operations and the Prosecuting Attorneys Coordinating Council to reflect available revenue, reclassifying the funding source for representation of the State in workers' compensation cases, and a rounding adjustment related to Executive Order 2003-03.

Gross 17
IDG 1,201,300
Federal (108,300)
Private (1,183,000)
Restricted 90,000
GF/GP 17

CAPITAL OUTLAY

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2002-03 YEAR-TO-DATE	FY 2003-04 GOV'S REC.	CHANGES FROM FY 2002-03 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	N/A	N/A	N/A	N/A
GROSS	586,453,900	595,083,700	8,629,800	1.5
Less:				
Interdepartmental Grants Received	4,000,000	2,000,000	(2,000,000)	(50.0)
ADJUSTED GROSS	582,453,900	593,083,700	10,629,800	1.8
Less:				
Federal Funds	189,892,000	202,652,000	12,760,000	6.7
Local and Private	43,000,000	42,789,600	(210,400)	(0.5)
TOTAL STATE SPENDING	349,561,900	347,642,100	(1,919,800)	(0.5)
Less:				
Other State Restricted Funds	60,395,000	41,340,000	(19,055,000)	(31.6)
GENERAL FUND/GENERAL PURPOSE	289,166,900	306,302,100	17,135,200	5.9
PAYMENTS TO LOCALS	17,425,000	20,060,000	2,635,000	15.1

A. PROGRAM INCREASES

1. Department of Military Affairs

The Governor is recommending five new construction projects for the Department of Military Affairs, funded primarily with Federal money and State matching funds provided by the Armory Construction Fund (which receives money from the sale of surplus armories and other properties). Recommended language makes the appropriations for the five projects contingent upon the availability of the Federal and Armory Construction Fund revenue. The new projects include:

Gross	17,100,000
Federal	15,760,000
Restricted	1,340,000
GF/GP	0

- a. Aviation Support Facility** - a new hangar and support buildings at the Grand Ledge army aviation support location. Total project cost \$20,800,000; Federal share \$20,460,000; Armory Construction Fund share \$340,000.
- b. United States Property and Fiscal Office** - a new facility to be located in Lansing to house administrative functions of the Federal side of the Michigan National Guard. Total project cost \$6,700,000; Federal share \$6,200,000; Armory Construction Fund share \$500,000.
- c. Shiawassee Armory** - a new armory to replace the existing facility located in Owosso. Total project cost \$5,000,000; Federal share \$3,750,000; Armory Construction Fund share \$1,250,000.
- d. Bachelor Officer Quarters - Camp Grayling** - new space for officers and other guests visiting the Camp in Grayling. Total project cost \$1,800,000; Federal share \$1,800,000.
- e. Conference Center - Camp Grayling** - a new conference center to provide space for 200 people and a dining facility at the training camp in Grayling. Total project cost \$1,800,000; Federal share \$1,800,000

The one-time appropriation of \$19,000,000 for the Lansing readiness center is eliminated in the Governor's recommendation.

**FY 2003-04
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2. Department of Transportation

Buildings and Facilities - The recommendation eliminates several one-time appropriations totaling \$5,400,000 and provides for several new projects, including:

Gross	0
Restricted	0
GF/GP	0

- a. **Detroit** - transportation service center, total project cost \$3,300,000 (which includes a proposed transfer of \$800,000 from unspent money from the new project office at Brighton).
- b. **Gaylord** - regional office building, total project cost increased from \$1,000,000 to \$2,800,000 (which includes a proposed transfer of \$1,000,000 from unspent money at the Grayling transportation service center project).
- c. **New Buffalo** - welcome center, water and sewer upgrades, total project cost \$500,000.
- d. **Other** - various projects at salt storage buildings, maintenance garages, and equipment storage buildings, total project costs \$5,800,000.

The total program appropriation is \$9,600,000.

3. State Building Authority Rent

The recommendation provides an increase for rent payments that the State makes to the State Building Authority for building projects at colleges, universities, and State agencies. The State Building Authority uses those rent payments to make debt service payments on bonds sold to finance project construction costs.

Gross	16,840,400
Restricted	(295,000)
GF/GP	17,135,400

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B. PROGRAM REDUCTIONS/ELIMINATIONS

1. State Agency Special Maintenance

The Governor's recommendation continues the FY 2002-03 General Fund/General Purpose (GF/GP) recommendation for State agency special maintenance. The total GF/GP special maintenance appropriation for all agencies (including that used to match Federal funding for the Department of Military Affairs) is \$2,000,000. The Governor recommends transferring all remaining special maintenance appropriations into one line item administered by the Department of Management and Budget. In addition, the appropriation for special maintenance funded from building occupancy charges by State agencies occupying space in State buildings is cut in half due to reduced appropriations provided to the user agencies.

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

2. Department of Natural Resources

a. State Parks. The Governor recommends reducing funds for State park maintenance, supported by the State Park Improvement Fund and the State Park Endowment Fund, as this money is being recommended to replace General Fund support for Department operations. The remaining \$1,000,000 appropriation is recommended to be made available contingent upon approved increases in camping fees.

Gross	(6,700,000)
Restricted	(6,700,000)
GF/GP	0

b. Wildlife. The recommendation eliminates the appropriation for deer habitat development and acquisition supported by the Deer Range Improvement Fund. No other changes are recommended.

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

c. Waterways. The Governor's recommendation eliminates one-time appropriations for nine projects totaling \$9,880,000 and includes five new boating projects. The new projects are:

Gross	(14,900,000)
Federal	(3,000,000)
Restricted	(11,900,000)
GF/GP	0

1. South Haven - Marina Dock Rehabilitation - This publicly funded harbor has 218 slips located on the Black River with access to Lake Michigan. The project includes dock replacement and Americans with Disabilities Act (ADA) upgrades. Total project cost \$1,250,000; State share \$625,000; local share \$625,000.

2. **Harrisville – Restroom/Shower Building** - Harrisville Municipal Marina is a publicly funded, 102 slip marina. The project includes an expanded bathhouse/restroom facility that is ADA compliant. Total project cost \$1,200,000; State share \$600,000; local share \$600,000.
3. **Traverse City – Boating Access Site Rehabilitation** - As part of the larger waterfront improvements which include a breakwater, and harbor upgrades, the boating access site improvements will replace an older ramp with a new one. Total project cost \$180,000; State share \$135,000; local share \$45,000.
4. **Crystal Lake – New Site Construction** - This is a new boat launch site on Crystal Lake in Benzie County. The development will include parking for approximately 125 vehicles, two accessible toilet buildings, staging pier for retrieving and launching boats, and launching ramps. Total project cost \$550,000, all State funds.
5. **Trout Lake** - This new boat launch site is in the Island Lake Recreation Area in Livingston County and will replace the existing gravel launch. The project also will provide paved parking, upgraded toilet buildings, a skid pier, and walkways. Total project cost \$310,000, all State funds.

The recommendation also includes reductions to other infrastructure, improvement, and maintenance programs totaling \$3,620,000.

3. **Aeronautics**

The State's funding obligation for the Northwest Airlines Midfield Terminal project at Detroit Metropolitan Airport has been satisfied. The recommendation continues the funding for the airport safety, protection, and improvement program.

Gross	(210,400)
Local	(210,400)
GF/GP	0

4. **Planning/Construction Authorizations**

The Governor is recommending no new projects for planning or construction.

Gross	(200)
GF/GP	(200)

DEPARTMENT OF CAREER DEVELOPMENT

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2002-03 YEAR-TO-DATE	FY 2003-04 GOV'S REC.	CHANGES FROM FY 2002-03 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	1,089.0	1,089.0	0.0	0.0
GROSS	458,111,700	466,880,000	8,768,300	1.9
Less:				
Interdepartmental Grants Received	0	0	0	0.0
ADJUSTED GROSS	458,111,700	466,880,000	8,768,300	1.9
Less:				
Federal Funds	406,469,200	418,100,400	11,631,200	2.9
Local and Private	17,408,200	17,408,200	0	0.0
TOTAL STATE SPENDING	34,234,300	31,371,400	(2,862,900)	(8.4)
Less:				
Other State Restricted Funds	7,661,500	6,664,700	(996,800)	(13.0)
GENERAL FUND/GENERAL PURPOSE	26,572,800	24,706,700	(1,866,100)	(7.0)
PAYMENTS TO LOCALS	0	0	0	0.0

		FY 2003-04 Change from FY 2002-03 <u>Year-to-Date</u>	
A.	FEDERAL INCREASES	Gross	992,300
		Federal	992,300
		GF/GP	0
	1. Labor Market Information Systems		
	The Governor's recommended budget includes additional Federal revenue to enhance this program for local workforce development boards. These funds are available from the U.S. Department of Labor.		
	2. NAFTA Trade Adjustment Assistance	Gross	11,000,000
		Federal	11,000,000
		GF/GP	0
	The Governor's budget includes additional Federal revenues that are available due to Federal changes to this employment service program in 2002. These changes include an increase in eligible participants due to including those affected by production shifts to other countries, additional weeks for income support, tax credits for health insurance, and a new program for workers 50 years old or older.		
	3. Federal Adult Education Funding	Gross	150,000
		Federal	150,000
		GF/GP	0
	The Governor recommends an increase in Federal spending authority for the administration line of the Adult Education Program to reflect more accurately anticipated revenues.		
B.	PROGRAM REDUCTIONS/ELIMINATIONS		
	1. Federal Match	Gross	(415,500)
		Federal	(415,500)
		GF/GP	0
	Due to reductions in the Career Education and Vocational Rehabilitation lines through various Executive Orders, the Governor's proposed budget reduces the Federal match for these lines to reflect actual revenues.		
	2. Pre-College Programs in the Engineering and the Sciences	Gross	(900,000)
		GF/GP	(900,000)
	The Governor recommends the elimination of these grants. Funds were awarded to one program in Detroit and one in Grand Rapids to provide engineering and science education programs to under-represented populations in these fields.		

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FY 2002-03
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3. Administrative Reductions

Gross (429,400)
GF/GP (429,400)

Additional administrative efficiencies are anticipated as a result of the impending Executive Reorganization that will combine this Department with the Department of Consumer and Industry Services.

4. One Stop Centers

Gross (180,000)
GF/GP (180,000)

The Governor recommends reducing the administrative funding for these centers. The proposed FY 2003-04 funding is \$10,000 GF/GP.

C. UNCLASSIFIED SALARIES

Gross (110,000)
GF/GP (110,000)

The Governor recommends eliminating all funding for this line in anticipation of administrative efficiencies through the pending Executive Reorganization.

D. ECONOMIC ADJUSTMENTS

Gross (100,600)
Federal (96,500)
Restricted 3,200
GF/GP (8,200)

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

Item	Gross	GF/GP
Building Occupancy Changes	\$(100,400)	\$0
Workers' Compensation	(14,600)	(11,800)
Fuel/Utilities Costs	14,400	3,600
Total	\$(100,600)	\$(8,200)

E. TOBACCO SETTLEMENT

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

Council of Michigan Foundations

The Governor recommends reducing funding for this grant program. The proposed FY 2003-04 appropriation is \$1,000,000 and is restricted to smoking cessation programs offered through the local community foundations around the State.

**FY 2003-04
Change from
FY 2002-03
Year-to-Date**

F. OTHER ISSUES

Gross	(238,500)
GF/GP	(238,500)

Early Retirement Adjustments

The 2002 early retirement program resulted in a number of employees' electing to remain in State service beyond October 1, 2002. The salary and wage costs of these employees are reflected in the Governor's FY 2003-04 budget as a base adjustment to the affected line items.

DEPARTMENT OF CIVIL RIGHTS

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2002-03 YEAR-TO-DATE	FY 2003-04 GOV'S REC.	CHANGES FROM FY 2002-03 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	158.5	158.5	0.0	0.0
GROSS	13,623,900	13,117,200	(506,700)	(3.7)
Less:				
Interdepartmental Grants Received	0	0	0	0.0
ADJUSTED GROSS	13,623,900	13,117,200	(506,700)	(3.7)
Less:				
Federal Funds	934,000	934,000	0	0.0
Local and Private	0	0	0	0.0
TOTAL STATE SPENDING	12,689,900	12,183,200	(506,700)	(4.0)
Less:				
Other State Restricted Funds	0	0	0	0.0
GENERAL FUND/GENERAL PURPOSE	12,689,900	12,183,200	(506,700)	(4.0)
PAYMENTS TO LOCALS	0	0	0	0.0

**FY 2003-04
Change from
FY 2002-03
Year-to-Date**

A. PROGRAM REDUCTIONS/ELIMINATIONS

1. 2002 Early Retirement

Gross (401,300)
GF/GP (401,300)

The Governor's recommendation eliminates funding associated with one month's salary and annual leave payouts for employees who retired in November 2002.

2. Information Technology Reduction

Gross (90,529)
GF/GP (90,529)

The information technology appropriation for the Department was reduced based on savings that will be achieved by the Department of Information Technology. Savings include renegotiation of vendor contracts to reduce rates paid to vendors, telecommunication rate reductions related to data circuits, consolidation efficiencies, and equipment savings.

B. ECONOMIC ADJUSTMENTS

Gross (14,871)
GF/GP (14,871)

Standard economic adjustments are applied for motor transport and building occupancy charges consistent with factors applied to all budgets. These adjustments include:

Item	Gross	GF/GP
Building Occupancy Charges	\$(10,900)	\$(10,900)
Travel	(3,971)	(3,971)
Total	\$(14,871)	\$(14,871)

DEPARTMENT OF CIVIL SERVICE

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2002-03 YEAR-TO-DATE	FY 2003-04 GOV'S REC.	CHANGES FROM FY 2002-03 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	201.5	201.5	0.0	0.0
GROSS	30,854,000	33,853,900	2,999,900	9.7
Less:				
Interdepartmental Grants Received	5,300,000	4,300,000	(1,000,000)	(18.9)
ADJUSTED GROSS	25,554,000	29,553,900	3,999,900	15.7
Less:				
Federal Funds	4,779,100	4,779,100	0	0.0
Local and Private	1,850,000	1,850,000	0	0.0
TOTAL STATE SPENDING	18,924,900	22,924,800	3,999,900	21.1
Less:				
Other State Restricted Funds	9,639,200	14,872,200	5,233,000	54.3
GENERAL FUND/GENERAL PURPOSE	9,285,700	8,052,600	(1,233,100)	(13.3)
PAYMENTS TO LOCALS	0	0	0	0.0

**FY 2003-04
Change from
FY 2002-03
Year-to-Date**

A. PROGRAM REDUCTIONS/ELIMINATIONS

1. 2002 Early Retirement	Gross GF/GP	(199,100) (199,100)
The Governor's recommendation eliminates funding associated with one month's salary and annual leave payouts for employees who retired in November 2002.		
2. Information Technology Reduction	Gross GF/GP	(41,000) (41,000)
The information technology appropriation for the Department was reduced based on savings that will be achieved by the Department of Information Technology. Savings include renegotiation of vendor contracts to reduce rates paid to vendors, telecommunication rate reductions related to data circuits, consolidation efficiencies, and equipment savings.		
3. State Officers Compensation Commission (SOCC)	Gross GF/GP	(15,000) (15,000)
The SOCC meets in every two years, therefore, funding is not required in FY 2003-04.		
4. Employee Recognition Program	Gross GF/GP	(191,800) (191,800)
The transfer of the Employee Benefits Program (Item B, below) included the Employee Recognition Program, which is funded entirely from the State General Fund. The Governor is recommending elimination of the program.		
5. Operations Reduction	Gross GF/GP	(977,200) (977,200)
The budget includes a general reduction to operations to be achieved through administrative savings.		
6. Training Reduction	Gross IDG GF/GP	(1,000,000) (1,000,000) 0
Training provided by the Department of Civil Service is funded by interdepartmental grant charges to State departments. Due to overall reductions in the State budget, funding from departments for training has been reduced. The reduction in Civil Service reflects the decreased funding available from State departments for training.		

**FY 2003-04
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B. PROGRAM TRANSFERS

Employee Benefits Program

Executive Order 2002-13 transferred the Employee Benefits Program from the Department of Management and Budget to the Department of Civil Service. This adjustment reflects funding for the program.

Gross	\$5,425,900
Restricted	5,234,100
GF/GP	191,800

C. ECONOMIC ADJUSTMENTS

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

Gross	(1,900)
Restricted	(1,100)
GF/GP	(800)

Item	Gross	GF/GP
Building Occupancy Charges	\$(14,400)	\$(5,800)
Workers' Compensation	12,500	5,000
Total	\$(1,900)	\$(800)

COMMUNITY COLLEGES

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2002-03 YEAR-TO-DATE	FY 2003-04 GOV'S REC.	CHANGES FROM FY 2002-03 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	N/A	N/A	N/A	N/A
GROSS	309,808,094	289,013,100	(20,794,994)	(6.7)
Less:				
Interdepartmental Grants Received	0	0	0	0.0
ADJUSTED GROSS	309,808,094	289,013,100	(20,794,994)	(6.7)
Less:				
Federal Funds	0	0	0	0.0
Local and Private	0	0	0	0.0
TOTAL STATE SPENDING	309,808,094	289,013,100	(20,794,994)	(6.7)
Less:				
Other State Restricted Funds	2,295,982	0	(2,295,982)	(100.0)
GENERAL FUND/GENERAL PURPOSE	307,512,112	289,013,100	(18,499,012)	(6.0)
PAYMENTS TO LOCALS	309,108,094	289,013,100	(20,094,994)	(6.5)

**FY 2003-04
Change from
FY 2002-03
Year-to-Date**

A. PROGRAM INCREASES

Renaissance Zone Tax Reimbursement Funding. The Governor's recommendation provides an increase in program funds from \$1,097,200 to \$1,750,000 based on anticipated reimbursement to community colleges that have a renaissance zone within their tax district.

Gross	652,800
GF/GP	652,800

B. PROGRAM REDUCTIONS

1. Operations. The Governor is recommending across-the-board operational funding reductions for the State's 28 community colleges, totaling \$20,507,788 or 6.7%.

Gross	(20,507,788)
Restricted	(1,577,521)
GF/GP	(18,930,267)

2. At Risk Student Success Program. The Governor recommends program reductions totaling \$240,006 or 6.7%.

Gross	(240,006)
Restricted	(18,461)
GF/GP	(221,545)

3. Postsecondary Access Student Scholarship (PASS) Program. The Governor recommends eliminating this program. The PASS 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.

Gross	(700,000)
Restricted	(700,000)
GF/GP	0

C. MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (MPSERS)

The Governor's budget proposes to freeze the FY 2003-04 contribution rates charged to community colleges. The proposed savings are approximately \$7,000,000 but will not be reflected in the appropriation bill. The amount saved are costs that otherwise would be charged to the colleges.

FY 2003-2004 Community College Recommended Appropriations

College	P.A. 166 2003 FY 2002-03 Enacted	Executive Order 2002-22		Supplemental PA 746		Executive Order 2003-3		FY 2002-03 Year-To-Date Appropriation	FY 2003-04 Governor's Recommend.	Change From FY 2002-03 Year-To-Date	
		Dollar	Percent	Dollar	Percent	Dollar	Percent			Dollar	Percent
Alpena	5,311,973	(133,022)	-2.5%	26,560	0.5%	(79,700)	-1.5%	5,125,811	4,780,500	(345,311)	-6.7%
Bay de Noc	5,129,944	(128,464)	-2.5%	25,650	0.5%	(76,900)	-1.5%	4,950,230	4,616,800	(333,430)	-6.7%
Delta	14,813,864	(370,968)	-2.5%	74,069	0.5%	(222,200)	-1.5%	14,294,765	13,331,900	(962,865)	-6.7%
Glen Oaks	2,485,512	(62,242)	-2.5%	12,428	0.5%	(37,300)	-1.5%	2,398,398	2,236,800	(161,598)	-6.7%
Gogebic	4,365,123	(109,311)	-2.5%	21,826	0.5%	(65,500)	-1.5%	4,212,138	3,928,400	(283,738)	-6.7%
Grand Rapids	18,633,380	(466,617)	-2.5%	93,167	0.5%	(279,500)	-1.5%	17,980,430	16,769,300	(1,211,130)	-6.7%
Henry Ford	22,708,494	(568,666)	-2.5%	113,542	0.5%	(340,600)	-1.5%	21,912,770	20,436,700	(1,476,070)	-6.7%
Jackson	12,570,441	(314,789)	-2.5%	62,852	0.5%	(188,600)	-1.5%	12,129,904	11,312,800	(817,104)	-6.7%
Kalamazoo Valley	12,825,971	(321,188)	-2.5%	64,130	0.5%	(192,400)	-1.5%	12,376,513	11,542,800	(833,713)	-6.7%
Kellogg	10,076,975	(252,347)	-2.5%	50,385	0.5%	(151,200)	-1.5%	9,723,813	9,068,800	(655,013)	-6.7%
Kirtland	3,058,415	(76,589)	-2.5%	15,292	0.5%	(45,900)	-1.5%	2,951,218	2,752,400	(198,818)	-6.7%
Lake Michigan	5,423,461	(135,814)	-2.5%	27,117	0.5%	(81,400)	-1.5%	5,233,364	4,880,800	(352,564)	-6.7%
Lansing	32,223,042	(806,929)	-2.5%	161,115	0.5%	(483,300)	-1.5%	31,093,928	28,999,400	(2,094,528)	-6.7%
Macomb	34,381,003	(860,968)	-2.5%	171,905	0.5%	(515,700)	-1.5%	33,176,240	30,941,500	(2,234,740)	-6.7%
Mid Michigan	4,586,420	(114,853)	-2.5%	22,932	0.5%	(68,800)	-1.5%	4,425,699	4,127,600	(298,099)	-6.7%
Monroe	4,462,223	(111,743)	-2.5%	22,311	0.5%	(66,900)	-1.5%	4,305,891	4,015,800	(290,091)	-6.7%
Montcalm	3,227,530	(80,824)	-2.5%	16,138	0.5%	(48,400)	-1.5%	3,114,444	2,904,700	(209,744)	-6.7%
Mott	16,291,459	(407,970)	-2.5%	81,457	0.5%	(244,400)	-1.5%	15,720,546	14,661,600	(1,058,946)	-6.7%
Muskegon	9,271,134	(232,168)	-2.5%	46,356	0.5%	(139,100)	-1.5%	8,946,222	8,343,600	(602,622)	-6.7%
North Central	3,140,212	(78,637)	-2.5%	15,701	0.5%	(47,100)	-1.5%	3,030,176	2,826,100	(204,076)	-6.7%
Northwestern	9,460,166	(236,901)	-2.5%	47,301	0.5%	(141,900)	-1.5%	9,128,666	8,513,800	(614,866)	-6.7%
Oakland	21,687,988	(543,110)	-2.5%	108,440	0.5%	(325,300)	-1.5%	20,928,018	19,518,300	(1,409,718)	-6.7%
St. Clair	7,264,610	(181,920)	-2.5%	36,323	0.5%	(109,000)	-1.5%	7,010,013	6,537,800	(472,213)	-6.7%
Schoolcraft	12,728,740	(318,753)	-2.5%	63,644	0.5%	(190,900)	-1.5%	12,282,731	11,455,400	(827,331)	-6.7%
Southwestern	6,832,843	(171,108)	-2.5%	34,164	0.5%	(102,500)	-1.5%	6,593,399	6,149,300	(444,099)	-6.7%
Washtenaw	12,937,228	(323,974)	-2.5%	64,686	0.5%	(194,100)	-1.5%	12,483,840	11,642,900	(840,940)	-6.7%
Wayne County	17,223,721	(431,316)	-2.5%	86,119	0.5%	(258,400)	-1.5%	16,620,124	15,500,600	(1,119,524)	-6.7%
West Shore	2,382,344	(59,659)	-2.5%	11,912	0.5%	(35,700)	-1.5%	2,298,897	2,144,000	(154,897)	-6.7%
Subtotal Operations	\$315,504,216	(\$7,900,850)	-2.5%	\$1,577,522	0.5%	(\$4,732,700)	-1.5%	\$304,448,188	\$283,940,400	(\$20,507,788)	-6.7%
At Risk	3,692,103	(92,458)	-2.5%	18,461	0.5%	(55,400)	-1.5%	3,562,706	3,322,700	(240,006)	-6.7%
Renaissance Zone	536,000	0	0.0%	561,200	104.7%	0		1,097,200	1,750,000	652,800	59.5%
PASS Program	2,000,000	0	0.0%	0	0.0%	(1,300,000)	-65.0%	700,000	0	(700,000)	-100.0%
Total Gross	\$321,732,319	(\$7,993,308)	-2.5%	\$2,157,183	0.7%	(\$6,088,100)	-1.9%	\$309,808,094	\$289,013,100	(\$20,794,994)	-6.7%
Merit Award Trust Fund	2,000,000	0	0.0%	1,595,982	79.8%	(1,300,000)	-65.0%	2,295,982	0	(2,295,982)	-100.0%
Total GF/GP	\$319,732,319	(\$7,993,308)	-2.5%	\$561,201	0.2%	(\$4,788,100)	-1.5%	\$307,512,112	\$289,013,100	(\$18,499,012)	-6.0%

DEPARTMENT OF COMMUNITY HEALTH

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2002-03 YEAR-TO-DATE	FY 2003-04 GOV'S REC.	CHANGES FROM FY 2002-03 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	5,674.3	4,666.2	(1,008.1)	(17.8)
GROSS	9,279,874,912	9,117,346,900	(162,528,012)	(1.8)
Less:				
Interdepartmental Grants Received	69,172,900	69,204,800	31,900	0.0
ADJUSTED GROSS	9,210,702,012	9,048,142,100	(162,559,912)	(1.8)
Less:				
Federal Funds	4,984,348,900	4,890,865,600	(93,483,300)	(1.9)
Local and Private	1,005,221,200	866,010,500	(139,210,700)	(13.8)
TOTAL STATE SPENDING	3,221,131,912	3,291,266,000	70,134,088	2.2
Less:				
Other State Restricted Funds	804,921,500	707,327,400	(97,594,100)	(12.1)
GENERAL FUND/GENERAL PURPOSE	2,416,210,412	2,583,938,600	167,728,188	6.9
PAYMENTS TO LOCALS	1,091,217,300	1,187,922,600	96,705,300	8.9

		FY 2003-04 Change from FY 2002-03 <u>Year-to-Date</u>	
A.	FY 2002-03 SUPPLEMENTAL APPROPRIATIONS RECOMMENDED IN GOVERNOR'S FY 2003-04 BUDGET	Gross	196,031,600
		Federal	86,187,400
		Local	109,844,200
		GF/GP	0
	The Governor's budget includes a supplemental appropriation to adjust authorization to the actual anticipated Gross expenditures for Medicaid line items.		
B.	GENERAL ISSUES	FTE	10.5
	Changes in Federal Grants	Gross	33,459,700
		Federal	33,659,700
		GF/GP	(200,000)
	The Governor's budget includes a number of changes to Federal funds received by the Department based on the most recent information on Federal appropriations. The vast majority of these changes represent real funding increases. In one case, \$200,000 in Federal Maternal and Child Health Block Grant money is used to replace GF/GP funding.		
C.	MENTAL HEALTH ISSUES		
1.	Community Mental Health (CMH) Base and Caseload	Gross	41,510,100
		Federal	23,200,000
		GF/GP	18,310,100
	Due to a continuing increase in the Medicaid caseload, the Governor's budget includes a base adjustment for Medicaid Mental Health Services and Medicaid Substance Abuse Services.		
2.	Local Match Program	Gross	58,943,600
		Federal	32,943,600
		Local	26,000,000
		GF/GP	0
	The Governor's budget increases authorization to reflect the FY 2002-03 implementation of a rate increase for CMH Medicaid. This increase was provided by the use of various local CMH revenues to earn Federal matching funds, with all of the money then returned to the CMH boards, for a net increase of over 2% in CMH rates.		

		FY 2003-04 Change from FY 2002-03 <u>Year-to-Date</u>	
3.	Closure of Northville State Hospital	FTE	(304.5)
		Gross	3,842,400
	Closure of the Northville State Hospital for Mentally Ill Adults is expected to be complete by the start of FY 2003-04. Patients currently in the facility will be transferred either to other State hospitals or to the community. The net effect of the closure is a slight increase in Gross funding as adults in State facilities are not eligible for Medicaid but most who return to the community will be eligible, thus leading to an increase in Federal funds.	Federal	45,871,500
		Local	(40,128,300)
		Restricted	(1,900,800)
		GF/GP	0
4.	Other Facility Adjustments	FTE	(535.1)
		Gross	(22,734,400)
	The Governor's budget includes the usual facility funding adjustments. Funding and FTE authorization is reduced due to the continued decrease in facility census.	Federal	2,739,700
		Local	(24,241,900)
		Restricted	(1,232,200)
		GF/GP	0
D.	PUBLIC HEALTH ISSUES		
1.	Heathy Michigan Fund (HMF)	Gross	(2,008,300)
		Federal	250,000
	Changes proposed by the Governor in the Healthy Michigan Fund for FY 2003-04 are relatively minor. There is a negative adjustment to reflect projected revenue available for FY 2003-04. Furthermore, there are a number of fund source shifts, as the annualization of some FY 2002-03 Executive Order (E.O.) reductions frees up Healthy Michigan Fund dollars for use in other programs, supplanting GF/GP.	Restricted	(1,148,800)
		GF/GP	(1,109,500)
2.	Bioterrorism Funding	FTE	26.5
		Gross	25,774,000
	The Governor's budget includes a large increase reflecting additional funding for public health bioterrorism preparedness efforts. This would bring total funding for FY 2003-04 to \$34.2 million.	Federal	25,774,000
		GF/GP	0

		FY 2003-04 Change from FY 2002-03 <u>Year-to-Date</u>	
3.	Family Planning Waiver	Gross	2,250,000
		Federal	2,250,000
		GF/GP	0
	The Governor's budget reflects an assumed increase in funding for Family Planning Services if a waiver is approved by the Federal government. The Family Planning waiver would allow the State to pay for family planning services at an enhanced match rate (90% Federal funds, 10% State funds) for women who are currently not eligible for Medicaid. The Governor proposes to use these funds to implement the "Nurse-Family Partnership Program". The projected increase in Federal funds offsets the cuts that the Family Planning line and the related Pregnancy Prevention line sustained in FY 2001-02 (budgetary savings reductions) and in FY 2002-03 (E.O. 2002-22 and E.O. 2003-3 reductions). The Nurse-Family Partnership Program is currently in place in Berrien County and uses nurses to make home visits to low-income, at-risk, first-time expectant mothers. The goals of this program are to improve pregnancy outcomes, improve child health and development, assist participants in gaining access to health care, and prevent subsequent pregnancies.		
E.	MEDICAID ISSUES		
1.	Medicaid Base, Caseload, and Utilization Adjustments	Gross	398,755,100
		Federal	221,594,400
		Local	2,830,300
		GF/GP	174,330,400
	The Governor's budget includes an increase in funding for the various Medicaid line items (including Children's Special Health Care Services) due to increases in utilization, caseload, and costs. This increase represents about an 8% increase over FY 2002-03 year-to-date appropriations. If the economy sees a significant turnaround during FY 2003-04, these predicted funding needs may recede somewhat.		
2.	Elder Prescription Insurance Coverage (EPIC) Program	Gross	(76,988,200)
		Federal	(68,988,200)
		Private	(8,000,000)
		GF/GP	0
	The EPIC senior pharmaceutical program was funded at the level of \$145,000,000 in FY 2002-03 on the assumption that additional enhanced Federal funding would be made available. That funding was never enacted by Congress. The Governor's FY 2003-04 budget assumes that the EPIC program receives Federal funding from a Pharmacy-Plus waiver that adds real Federal Medicaid dollars to replace the \$115,000,000 in Federal authorization that was removed. This provides a total funding level of \$68 million and could provide coverage for up to 50,000 persons. Furthermore, a technical adjustment removing rebate revenue from the line reduces authorization by \$8,000,000. It appears that there are grounds for the approval of this waiver.		

		FY 2003-04 Change from FY 2002-03 <u>Year-to-Date</u>
3. Adjustments to MI-CHILD Program Authorization	Gross	(13,067,100)
	Federal	(23,967,100)
	GF/GP	10,900,000
The Federal government requires that states provide a 30% match for children's health coverage expansion programs (such as MI-CHILD). The Governor's budget includes both a technical adjustment to remove Federal revenue that was never earned and an increase in hard GF/GP funding to provide the 30% match required.		
4. Medicaid Special Financing Adjustments	Gross	(218,597,500)
	Federal	(128,027,700)
	Local	(203,312,000)
	Restricted	(16,981,500)
	GF/GP	129,723,700
Over the next four years certain Medicaid special financing mechanisms will be phased out. The GF/GP cost of the change for FY 2003-04 will be \$147 million. The State will obtain savings from a new special financing mechanism involving practitioners at public health care facilities, GF/GP savings of \$14.3 million, and a small increase in school-based health care financing, a \$2.7 million GF/GP offset.		
5. Medicaid Adult Coverage Waiver	Gross	(43,011,700)
	Federal	(27,602,400)
	GF/GP	(15,409,300)
In effect, the Governor proposes the elimination of the existing State Medical Program and State-supported county indigent care programs. Instead, these people would be covered under a limited benefits Medicaid waiver program. It appears that the benefits (limited hospital, ambulatory, and pharmacy services) would be at least as broad as the previous programs. Because this expansion would be done as a waiver to the State Children's Health Insurance Program (S-CHIP), the State's cost will be only about 30% compared with the standard Medicaid State match rate of about 44%. In addition, as many of these recipients were also covered for mental health care with GF/GP dollars, some of these savings be used to give about a 1.6% rate increase to CMHs. Finally, the caretaker relative Medicaid coverage group eliminated during FY 2002-03 would be restored under this waiver. There is a certain amount of risk in this initiative in that its implementation, and therefore, the estimated savings, would require the approval of the Centers for Medicare and Medicaid Services (CMS). This Federal agency could significantly alter the scope of this waiver.		

		FY 2003-04 Change from FY 2002-03 <u>Year-to-Date</u>	
6.	Medicaid Policy Changes and Restructuring		
a.	Long-Term Care	Gross	(45,341,200)
		Federal	(25,341,200)
		GF/GP	(20,000,000)
	The Governor's budget proposes to produce savings in this area by enhancing pre-admission screenings before a person is placed in a nursing home and requiring nursing homes to seek Medicare services for covered benefits whenever possible. Some savings also may be generated through an Estate Recovery program. Until additional details are forthcoming, these saving estimates should be considered to be soft.		
b.	Pharmacy	Gross	(74,359,600)
		Federal	(41,559,600)
		GF/GP	(32,800,000)
	The budget assumes savings on pharmacy costs through the announced inter-state purchasing compact. Additional savings would be generated by more frequent updates of pharmacy product prices and obtaining Federal rebates on prescriptions used by enrollees of the Children's Special Health Care Services program. Some additional savings should be obtained by shifting certain spend-down recipients to the EPIC program. As with the long-term care savings, these estimates should be considered soft until more specifics are received.		
c.	Ambulatory Care Rates	Gross	(9,068,200)
		Federal	(5,068,200)
		GF/GP	(4,000,000)
	Another proposed area of savings is predicated on a modification of the reimbursement methodology for ambulatory care. These savings are based on an expectation that overall payment rates will decline through the application of the latest Medicare data and process to the State's Medicaid data.		
d.	MIChild Coverage	Gross	(7,124,400)
		Federal	(4,924,400)
		GF/GP	(2,200,000)
	The Administration proposes to move from a "State only" program to a "Medicaid only" MIChild program. This is because coverage under the current program is provided through Blue Cross/Blue Shield and its premiums are rising significantly faster than the rates for Medicaid HMO, in which these recipients would instead be placed. This change will most likely require approval from CMS, with all of its inherent risk.		

		FY 2003-04 Change from FY 2002-03 <u>Year-to-Date</u>	
e.	Medicaid/MIchild Financing of the Children's Special Health Care Services Program	Gross	(7,259,600)
		Federal	(4,057,400)
		GF/GP	(3,202,200)
	The Governor's proposal requires that any child receiving services under this program be financed by either the Medicaid or the MIChild program whenever possible. This does not mean their source of care would change, only its financing.		
F.	ANNUALIZATION OF FY 2002-03 REDUCTIONS	FTE	(205.5)
		Gross	(271,300,100)
		IDG	(511,700)
		Federal	(198,292,700)
		Local	(4,519,800)
		Restricted	17,900
		GF/GP	(67,993,800)
G.	PROGRAM REDUCTIONS/ELIMINATIONS		
1.	Summer Food Program	Gross	(4,225,000)
		Federal	(4,225,000)
		GF/GP	0
	Included in the FY 2002-03 Department of Community Health (DCH) budget was a proposal for DCH to take over this 100% Federally funded program. However, the Department and the United States Department of Agriculture (USDA) could not reach an agreement on administrative costs related to the program's operation. Therefore, the USDA will continue to operate the program for the current and upcoming fiscal year.		

		FY 2003-04 Change from FY 2002-03 <u>Year-to-Date</u>	
2.	Medicaid Benefits	Gross	(135,796,900)
		Federal	(75,896,900)
		GF/GP	(59,900,000)
	The Governor's proposed budget eliminates the optional Medicaid benefits for podiatry, chiropractic, and dental services, except for emergency dental care, for all adult Medicaid recipients. In addition, it appears that restrictions will be placed on the use of hospital services by adults in Family Independence Program (FIP) related cases. The optional benefits eliminated are not required under Federal law and should produce the estimated GF/GP savings of \$12,000,000. However, hospital services are a mandated coverage and FIP adults are a mandated coverage group. While certain nominal limitations can be placed on mandatory Medicaid services, the estimated GF/GP savings of \$47,900,000 may not pass a "nominal" test by CMS. Thus, actual savings realized may be considerably less.		
H.	UNCLASSIFIED SALARIES	Gross	0
		GF/GP	0
	The Governor's budget includes no adjustment to the Unclassified Salaries line item. Funding for the line remains at \$581,500 Gross and GF/GP to cover the 6.0 authorized unclassified FTE positions.		
I.	FUNDING SHIFTS		
1.	Federal Match Rate	Gross	0
		Federal	34,857,300
		GF/GP	(34,857,300)
	The Governor's budget includes GF/GP savings due to an increase in the Federal Medicaid match rate from 55.42% to 55.89%.		
2.	Quality Assurance Assessment Program	Gross	0
		Restricted	56,700,000
		GF/GP	(56,700,000)
	During 2002 the Legislature adopted quality assurance assessment programs to allow for Medicaid funding increases for hospitals, nursing homes, and health maintenance organizations without requiring any GF/GP. In the FY 2002-03 budget, \$18,900,000 GF/GP was saved from the hospital program. For FY 2003-04, the Governor's budget proposes taking \$18,900,000 in GF/GP savings from three separate quality assurance assessments: the already existing hospital and nursing home assessments as well as a proposed assessment on pharmacy services.		

**FY 2003-04
Change from
FY 2002-03
Year-to-Date**

3. Medicaid Trust Fund

In FY 2002-03, the Medicaid budget was supported by \$286,000,000 in Medicaid Trust Fund revenue. The fund now has nowhere near that level of funding, so the FY 2003-04 Executive recommendation assumes \$25,000,000 in Medicaid Trust Fund revenue, leading to a large increase in GF/GP costs.

Gross	0
Restricted	(261,000,000)
GF/GP	261,000,000

J. ECONOMIC ADJUSTMENTS

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

Gross	1,867,000
IDG	74,100
Federal	(185,400)
Local	167,700
Restricted	10,000
GF/GP	1,800,600

Item	Gross	GF/GP
Facility Economics	\$349,800	\$60,200
Rent and Building Occupancy Charges	(720,000)	(496,800)
Workers' Compensation	2,237,200	2,237,200
Total	\$1,867,000	\$1,800,600

K. TOBACCO SETTLEMENT

1. Long-Term Care Advisor

The Governor's recommendation includes additional savings from the annualization of the Executive Order 2002-22 reduction to this line item, which eliminated the long-term care advisor program.

Gross	(152,200)
Tobacco	(152,200)
GF/GP	0

2. Use of Tobacco Settlement Revenue to Support Medicaid

The Governor's budget shifts \$126,700,000 of Tobacco Settlement money to support the Medicaid program and supplant GF/GP funding.

Gross	0
Tobacco	126,700,000
GF/GP	(126,700,000)

		FY 2003-04 Change from FY 2002-03 <u>Year-to-Date</u>	
L.	OTHER ISSUES	Gross	6,072,900
		IDG	469,500
	Other changes in the Governor's budget lead to small adjustments in funding.	Federal	5,325,300
		Local	(572,300)
		Private	2,721,400
		Restricted	1,393,500
		GF/GP	(3,264,500)

DEPARTMENT OF CONSUMER AND INDUSTRY SERVICES

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2002-03 YEAR-TO-DATE	FY 2003-04 GOV'S REC.	CHANGES FROM FY 2002-03 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	3,948.9	3,937.5	(11.4)	(0.3)
GROSS	549,180,364	590,197,700	41,017,336	7.5
Less:				
Interdepartmental Grants Received	111,100	111,100	0	0.0
ADJUSTED GROSS	549,069,264	590,086,600	41,017,336	7.5
Less:				
Federal Funds	241,911,500	283,831,500	41,920,000	17.3
Local and Private	770,000	770,000	0	0.0
TOTAL STATE SPENDING	306,387,764	305,485,100	(902,664)	(0.3)
Less:				
Other State Restricted Funds	273,487,300	285,815,300	12,328,000	4.5
GENERAL FUND/GENERAL PURPOSE	32,900,464	19,669,800	(13,230,664)	(40.2)
PAYMENTS TO LOCALS	12,500,000	17,187,400	4,687,400	37.5

**FY 2003-04
Change from
FY 2002-03
Year-to-Date**

A. MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

1. Payments on Behalf of Tenants

Currently, the Authority administers two Federal Section 8 Housing Programs. The first, which is still administered but has not funded a new project since the 1980s, provides mortgage subsidies for developers who built or rehabilitated low-income housing units. The second is a rental subsidy program in which a subsidy is made on behalf of tenants directly to landlords. Many of the mortgages in the first program are now being closed out through maturity and accelerated payments due to low interest rates. Without the mandatory rental restrictions, some of these landowners are converting the properties to market rate units. Individuals currently occupying these units, who are unable to afford the market rate prices, are eligible for vouchers under the rental subsidy program. It is this shift in clients from the mortgage program to the rent assistance line that causes the increases in expenditures from this line in the Governor's recommended budget.

Gross	42,000,000
Federal	42,000,000
GF/GP	0

2. Housing and Rental Assistance

The Governor's budget includes a spending authority increase to accommodate an accounting change that will require the Authority to begin making these payments in the MAIN system.

Gross	7,000,000
Federal	7,000,000
GF/GP	0

3. Homeless Program

This Governor's budget eliminates this line item as payments for the homeless program are made directly by the Federal government. No payments have been made out of this line for a number of years so the authorization has gone unused. The Authority is able to book these payments through the Federal accounting system.

Gross	(5,290,800)
Federal	(5,290,800)
GF/GP	0

B. OFFICE OF FIRE SAFETY

The Governor proposes merging this office into the Bureau of Construction Codes. According to the Department, administrative efficiencies can be achieved through consolidation as similar functions are preformed by both offices.

Gross	0
GF/GP	0

**FY 2003-04
Change from
FY 2002-03
Year-to-Date**

C. PROGRAM REDUCTIONS/ELIMINATIONS

1. Elimination of the Workers' Compensation Appellate Commission

The Governor recommends the elimination of this Commission. The Appellate Commission hears contested workers' compensation cases that are not resolved either through mediation or by the Board of Magistrates. These functions will be consolidated into other areas under the Bureau of Workers' and Unemployment Compensation. This line presently is funded with State restricted Corporate and Securities fees that otherwise would lapse to the General Fund.

FTE	(11.4)
Gross	(284,500)
Restricted	(284,500)
GF/GP	0

2. Administrative Savings

The Governor recommends a new, negative appropriation unit that will be taken from specific line items through a transfer following the pending Executive Reorganization. These savings will be realized through increased efficiencies from the consolidation of this Department with the Department of Career Development and the Michigan Strategic Fund.

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

3. Non-General Fund Fleet Savings

The Governor's budget makes additional reductions to account for non-General Fund fleet costs.

Gross	(177,900)
Restricted	(177,900)
GF/GP	0

D. UNCLASSIFIED SALARIES

1. The Governor's budget eliminates the unclassified salaries of Appellate Commission members.

Gross	(624,200)
Restricted	(624,200)
GF/GP	0

2. The Governor's budget includes a salary adjustment to reflect an increase for the Director, the creation of a new Deputy Director position, and a fund shift to reflect more accurately costs associated with various restricted and Federal revenue sources.

Gross	230,300
Federal	32,100
Restricted	414,200
GF/GP	(216,000)

**FY 2003-04
Change from
FY 2002-03
Year-to-Date**

E. FEE INCREASES

1. Health Systems Administration

The Governor recommends various fee increases to replace GF/GP dollars in this line item. The fee increases are applied to health facilities to support regulatory activities. These fees apply to nursing homes, freestanding surgical outpatient facilities, county medical care facilities, hospital long-term care units, hospice residences, psychiatric hospitals, substance abuse programs, and emergency medical services life support agencies and vehicles.

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

2. Corporation Fees

The Governor recommends raising these fees and using them to replace GF/GP funding in the following units: Executive Direction, Management Services, and Safety and Regulation, and to replace unrealized Federal revenue in the Bureau of Workers' and Unemployment Compensation.

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

3. Securities Fees

The Governor recommends raising these fees and using them to replace GF/GP funding in the following units: Executive Direction, Management Services, and Safety and Regulation, and to replace unrealized Federal revenue in the Bureau of Workers' and Unemployment Compensation.

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

4. Licensing and Regulation Fees

The Governor recommends raising these fees and using them to replace GF/GP funding in the following units: Executive Direction, Management Services, and Safety and Regulation, and to replace unrealized Federal revenue in the Bureau of Workers' and Unemployment Compensation. These fees are charged to members of various occupations to cover the cost of licensing and regulation of the professions.

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

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F. FUNDING SHIFTS

1. AFC, Children's Welfare and Day Care Licensing

The Governor proposes replacing GF/GP support with Federal Child Care Development Fund (CCDF) block grant funds in this line item. These funds may be used to cover staffing costs related to the regulation of day care facilities. Similar GF/GP reductions to this line were made in Executive Orders issued in FY 2002-03.

Gross	0
Federal	450,000
GF/GP	(450,000)

2. Health Services

The Governor's budget replaces GF/GP funding with restricted revenue in the Health Professionals Regulatory Fund as a match for Federal funding in this line item. These Federal funds are made available to maintain the registry for nurses aides employed in nursing homes throughout the State.

Gross	0
Restricted	153,500
GF/GP	(153,500)

3. Fire Service Fees

The Fire Service Fee account had a carryforward balance at the close of FY 2001-02 of \$1,700,000. Of this balance, \$665,000 was used to replace General Fund support in FY 2002-03. The Governor's budget uses the remaining balance in this account to replace General Fund support in FY 2003-04 for the functions of the Office of Fire Safety, which has been consolidated with the Bureau of Construction Codes.

Gross	0
Restricted	856,600
GF/GP	(856,600)

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G. ECONOMIC ADJUSTMENTS

The proposed budget includes standard economic adjustments for workers' compensation, rent, and building occupancy charges consistent with factors applied to all budgets. These adjustments include:

Gross	(895,800)
Federal	(379,100)
Restricted	(501,900)
GF/GP	(14,800)

Item	Gross	GF/GP
Workers' Compensation	\$(23,000)	\$(14,800)
Rent	(237,400)	0
Building Occupancy Charges	(635,400)	0
Total	\$(895,800)	\$(14,800)

H. OTHER ISSUES

Early Retirement Adjustments

The 2002 early retirement program resulted in a number of employees' electing to remain in State service beyond October 1, 2002. The salary and wage costs of these employees are being reflected in the FY 2003-04 budget as a base line adjustment to the affected line items.

Gross	(739,800)
GF/GP	(739,800)

DEPARTMENT OF CORRECTIONS

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2002-03 YEAR-TO-DATE	FY 2003-04 GOV'S REC.	CHANGES FROM FY 2002-03 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	18,827.9	18,292.7	(535.2)	(2.8)
GROSS	1,685,666,831	1,724,507,200	38,840,369	2.3
Less:				
Interdepartmental Grants Received	3,318,500	3,253,600	(64,900)	(2.0)
ADJUSTED GROSS	1,682,348,331	1,721,253,600	38,905,269	2.3
Less:				
Federal Funds	26,403,400	27,798,400	1,395,000	5.3
Local and Private	391,100	391,100	0	0.0
TOTAL STATE SPENDING	1,655,553,831	1,693,064,100	37,510,269	2.3
Less:				
Other State Restricted Funds	55,750,600	60,748,800	4,998,200	9.0
GENERAL FUND/GENERAL PURPOSE	1,599,803,231	1,632,315,300	32,512,069	2.0
PAYMENTS TO LOCALS	76,237,600	84,723,800	8,486,200	11.1

**FY 2003-04
Change from
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Year-to-Date**

A. PRISON OPERATIONS

1. FY 2002-03 New Beds

Gross	12,040,000
GF/GP	12,040,000

The Governor's budget includes \$9,784,800 for the full-year costs of 1,175 beds funded for a partial year in FY 2002-03 at the Macomb, Saginaw, Jackson Maximum, and Riverside Correctional Facilities. It also includes \$2,255,200 for 271 beds that were opened in FY 2002-03 but never funded. These mainly include beds at the Lakeland, Cotton, Crane, and Egeler Correctional Facilities, but also include 99 beds from 11 other facilities.

2. Michigan Youth Correctional Facility

Gross	2,167,100
Federal	1,042,600
GF/GP	1,124,500

The Executive recommendation includes a number of adjustments for the Michigan Youth Correctional Facility (MYCF). First, it includes a \$770,700 increase for a 30-bed expansion that took place in FY 2002-03, but was never funded. Second, the budget recognizes a \$1,396,400 increase in the management contract with Wackenhut Corrections Corporation. Although the MYCF operations have been entirely funded by Federal Violent Offender Incarceration/Truth in Sentencing (VOITIS) until now, these Federal funds will be exhausted during FY 2003-04, and the balance available is not sufficient to fund the entire increase required. Therefore, the budget includes a GF/GP increase of \$1,124,500 to provide the necessary balance of funds.

3. Other Operational Adjustments

Gross	(2,130,900)
GF/GP	(2,130,900)

The Governor's budget includes other facility adjustments that total a reduction of \$2,130,900. This includes the elimination of \$1,389,200 for 200 beds that were never added to Camp Lehman due to infrastructure limitations. The budget also adjusts staffing levels for the new units at the Macomb and Saginaw Correctional Facilities for a reduction of \$1,566,900, and reduces the Michigan State Industries (MSI) profit margin on sales to the Department of Corrections (DOC) for savings of \$850,000. The budget includes increases of \$960,500 for facility local utility surcharges and conversion, \$614,700 to restore fire safety officer positions cut in Executive Order 2001-9, and \$100,000 for extradition services costs and volume adjustments.

**FY 2003-04
Change from
FY 2002-03
Year-to-Date**

B. FIELD OPERATIONS

1. Conditional Reintegration Program

The Governor's budget assumes the implementation of a revised Community Residential Program (or Conditional Reintegration Program, CRP), in which certain nonviolent prisoners would be allowed to live in halfway houses once they were within a required number of months of their earliest release date. The recommendation increases CRP funding by \$6,032,100 by transferring funds from the inmate housing fund, which otherwise would be used to open additional beds. The budget also recognizes \$1,865,100 in CRP program participant fees that would be collected under the program. This will require a statutory change in truth-in-sentencing laws.

Gross	1,865,100
Restricted	1,865,100
GF/GP	0

2. Other Adjustments

The Executive recommendation includes a number of other Field Operations increases totaling \$1,659,000. These include a State restricted fund increase of \$1,412,000 in recognition of increased parole/probation supervision fees for parole/probation enhanced services; \$67,500 for an additional parole board prescreener position; \$149,500 for two parole office rent adjustments; and \$30,000 for Interstate Parole/Probation Compact costs.

Gross	1,659,000
Restricted	1,412,000
GF/GP	247,000

C. HEALTH CARE

The Governor recommends an additional \$12,777,500 for increased prisoner health care costs. This includes an \$8,138,400 adjustment to the managed care contract rate as well as an additional \$4,376,800 for increased pharmaceutical costs and volume. The budget also provides \$674,900 for the increased costs of psychotropic drugs associated with prisoner mental health services, which are provided by the Department of Community Health. Finally, the Executive recommends \$187,400 for a new endoscopy unit at the Duane Waters Hospital in Jackson; a \$500,000 reduction of excess funding in the vaccination program; and a \$100,000 reduction for the removal of Bellamy Creek telemedicine funding.

Gross	12,777,500
GF/GP	12,777,500

		FY 2003-04 Change from FY 2002-03 <u>Year-to-Date</u>	
D.	ANNUALIZED SAVINGS FROM EXECUTIVE ORDER 2002-22	Gross	(545,200)
		GF/GP	(545,200)
	The Executive recommendation reallocates the \$12,602,500 reductions made in Executive Order 2002-22 as well as recognizes the annualized savings of certain changes. The annualized savings include \$291,300 from the elimination of a 180-bed increase at Bellamy Creek Correctional Facility; \$170,600 in savings from a .75% reduction in Department of Community Health mental health services; and \$83,300 from a reorganization of academic/vocational principal positions.		
E.	PROGRAM REDUCTIONS/ELIMINATIONS		
	1. County Jail Reimbursement Program (CJRP)	Gross	\$200,000
		Restricted	\$1,000,000
		GF/GP	(800,000)
	The Governor's recommendation includes multiple changes to the CJRP. It both eliminates the remaining GF/GP funding of \$800,000 and increases the State restricted funding by \$1,000,000 to recognize increased collections in court assessments dedicated to the program. It also limits prisoner eligibility such that counties will no longer receive reimbursement for third-time drunk drivers unless they are true prison diversions. Based on reimbursement data, this should save an estimated \$6,951,000, which the Executive recommends be shifted to the re-implementation of the local facility expansion program, which will assist counties with jail renovation and allow the DOC to lease up to 500 county jail beds.		
	2. Academic/Vocational Programs	Gross	(2,567,000)
		GF/GP	(2,567,000)
	The executive budget eliminates academic/vocational programming for maximum security level prisoners, which is more costly than the programming for lower security level prisoners.		
F.	FTE ADJUSTMENTS	FTEs	535.2
	The Governor's budget reduces FTEs by 535.2 in order to reflect early retirement changes.		
I.	FUNDING SHIFTS	Gross	0
		Restricted	298,900
		GF/GP	(298,900)
	The Executive budget recognizes an increase of \$90,000 in the collection of prisoner health care co-payments as well as an increase of \$208,900 in prison stores revenue to offset GF/GP funds.		

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J. ECONOMIC ADJUSTMENTS

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

Gross	5,938,800
IDT	37,400
Federal	1,400
Restricted	47,700
GF/GP	5,852,300

Item	Gross	GF/GP
Workers' Compensation	\$2,823,000	\$2,823,000
Building Occupancy Charges	337,300	303,300
Food	1,637,200	1,606,300
Fuel and Utilities	1,141,300	1,119,700
Total	\$5,938,800	\$5,852,300

L. OTHER ISSUES

1. Federal Funding

The Executive budget recognizes the receipt of a \$1,000,000 Federal Going Home Grant to provide programs that encourage the successful community reintegration of offenders. It also recognizes the elimination of Federal substance abuse funding of \$536,200 and Federal Ryan White Grants of \$85,800, both from the Department of Community Health.

Gross	351,000
Federal	351,000
GF/GP	0

2. Other Adjustments

The Governor's recommendation includes a number of other increases and reductions that partially offset the increases. The increases include \$28,595,600 to correct the FY 2002-03 retirement rate funding shortfall; \$3,937,900 in additional funding for leap year costs; \$624,700 to restore funds recently cut from the Community Corrections Comprehensive Plans and Services grants; and \$600,000 to correct the funding level for research operations. The reductions include \$10,180,800 in Department-wide support staff reductions; a \$9,468,400 reduction in new employee school training; \$5,224,700 in additional savings from the early retirement program; \$1,575,969 in reduced information technology spending; and a \$121,000 reduction to eliminate excess funding for random employee drug tests. The budget also eliminates the dental lab operations line item and transfers it to the MSI program, and so eliminates the related interdepartmental transfer of \$102,300.

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Gross	7,084,969
IDT	(102,300)
Restricted	374,500
GF/GP	6,812,769

DEPARTMENT OF EDUCATION

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2002-03 YEAR-TO-DATE	FY 2003-04 GOV'S REC.	CHANGES FROM FY 2002-03 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	436.1	433.1	(3.0)	(0.7)
GROSS	216,154,016	112,825,000	(103,329,016)	(47.8)
Less:				
Interdepartmental Grants Received	1,000,000	1,000,000	0	0.0
ADJUSTED GROSS	215,154,016	111,825,000	(103,329,016)	(48.0)
Less:				
Federal Funds	166,260,200	64,479,400	(101,780,800)	(61.2)
Local and Private	5,445,600	5,445,600	0	0.0
TOTAL STATE SPENDING	43,448,216	41,900,000	(1,548,216)	(3.6)
Less:				
Other State Restricted Funds	14,430,000	12,507,500	(1,922,500)	(13.3)
GENERAL FUND/GENERAL PURPOSE	29,018,216	29,392,500	374,284	1.3
PAYMENTS TO LOCALS	16,436,800	19,597,000	3,160,200	19.2

		FY 2003-04 Change from FY 2002-03 <u>Year-to-Date</u>
A.	SCHOOL BREAKFAST PROGRAM	
	An increase of over 33% is proposed for the State School Breakfast Program, funded entirely with GF/GP dollars. This program reimburses school districts for breakfasts served to children eligible for free or reduced-price lunch. Increasing program costs and numbers of breakfasts served are driving the need for additional funding.	Gross \$2,595,200 GF/GP 2,595,200
B.	PROGRAM REDUCTIONS/ELIMINATIONS	
1.	Elimination of Federal Grants No Longer Funded	
	Several grants are no longer funded at the Federal level, and therefore the Governor's proposed budget eliminates the appropriations for them. These grants include Class Size Reduction, Eisenhower Mathematics and Science, Goals 2000, and Technology Literacy Challenge Grant. In addition, funding for Urgent School Renovation is reduced due to the fact that the grant is no longer available, but the Department has unspent funds remaining, which will be allocated in FY 2003-04. Administrative funding for these grants also is eliminated.	Gross (104,760,400) Federal (101,880,700) Restricted (1,951,300) GF/GP (928,400)
2.	Elimination of Motorcycle and Off-Road Vehicle Safety Programs	
	The Executive recommendation includes the elimination of two programs funded with restricted revenues, the Motorcycle Safety Education Program (\$1,539,200) and the Off-Road Vehicle Safety Training Program (\$412,100). Fees that are currently earmarked to support these programs (from license applications) will be reduced for the consumer correspondingly.	
3.	Reduced GF/GP Funding for Administration	
	Excluding funding for the three FTEs eliminated (item below), the Department of Education's State administrative funding is reduced by \$818,000 GF/GP (\$804,900 Gross) in the Governor's recommendation.	
4.	Education Commission of the States Membership	
	The Governor recommends the elimination of dues for the State's membership in the national organization Education Commission of the States, a reduction of \$99,300.	

5. Elimination of State Tenure Commission Per Diems

The Governor proposes to eliminate the \$50 per meeting day reimbursement to State Tenure Commission members, for a total reduction of \$11,100.

C. PROGRAM TRANSFERS

In the Governor's budget, Information Technology support personnel for the Center for Educational Performance and Information (CEPI) are transferred out of the Department of Education and into the Department of Management and Budget, which currently oversees the programmatic aspects of CEPI.

Gross	(685,100)
Federal	(13,500)
GF/GP	(671,600)

D. FTE ADJUSTMENTS

A total of 3.0 FTEs and corresponding funding are eliminated from the proposed budget. One FTE is a Department of Information Technology adjustment, and the other two are a result of administrative funding reductions.

Gross	(157,900)
GF/GP	(157,900)

E. FUNDING SHIFTS

1. Building Occupancy Charges

The Governor's budget offsets a reduction of \$200,000 GF/GP by increases in Federal and restricted funding.

Gross	0
Federal	161,700
Restricted	115,300
GF/GP	(277,000)

2. Administrative Law Operations

The Governor's budget offsets a reduction of \$77,000 GF/GP by the use of Certification Fees to partially support Administrative Law Operations.

F. ECONOMIC ADJUSTMENTS

The proposed budget applies negative economic adjustments for building occupancy charges to reflect the actual (decreased) number of FTEs using the space.

Gross	(93,600)
Federal	(46,700)
Restricted	(11,100)
GF/GP	(35,800)

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G. OTHER ISSUES

Adjustments for early retirement savings (\$93,600) and related Terminal Leave payout adjustments (\$79,700) are included in the recommendation. Miscellaneous negative adjustments total \$53,916.

Gross	(227,216)
Federal	(1,600)
Restricted	(75,400)
GF/GP	(150,216)

DEPARTMENT OF ENVIRONMENTAL QUALITY

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2002-03 YEAR-TO-DATE	FY 2003-04 GOV'S REC.	CHANGES FROM FY 2002-03 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	1,590.7	1,616.7	26.0	1.6
GROSS	404,712,261	343,957,400	(60,754,861)	(15.0)
Less:				
Interdepartmental Grants Received	14,042,900	14,142,900	100,000	0.7
ADJUSTED GROSS	390,669,361	329,814,500	(60,854,861)	(15.6)
Less:				
Federal Funds	131,521,400	129,169,500	(2,351,900)	(1.8)
Local and Private	435,700	435,700	0	0.0
TOTAL STATE SPENDING	258,712,261	200,209,300	(58,502,961)	(22.6)
Less:				
Other State Restricted Funds	192,059,100	147,153,500	(44,905,600)	(23.4)
GENERAL FUND/GENERAL PURPOSE	66,653,161	53,055,800	(13,597,361)	(20.4)
PAYMENTS TO LOCALS	15,547,500	16,920,500	1,373,000	8.8

		FY 2003-04 Change from FY 2002-03 <u>Year-to-Date</u>	
A.	SCRAP TIRE GRANTS	Gross	2,800,000
		Restricted	2,800,000
		GF/GP	0
	Scrap tire grants assist property owners with the proper removal of scrap tires that have been accumulated or abandoned. A portion of the grant funding also is used for suppression of scrap tire fires, as needed. The fee for disposal of scrap tires was increased from 50 cents per tire to \$1.50 per tire in Public Act 497 of 2002. As a result, additional revenue is available in the Scrap Tire Regulatory Fund to support these grants. With this increase, the Governor's budget appropriates a total of \$3,500,000 for scrap tire grants.		
B.	AQUATIC NUISANCE AND BALLAST WATER	Gross	68,100
		Federal	68,100
		GF/GP	0
	The Office of the Great Lakes conducts activities regarding ballast water reporting and aquatic nuisance management plan development. Additional Federal funding from the United States Geological Survey in the Department of the Interior became available to support these projects, and is reflected in the budget recommendation.		
C.	STATEWIDE GROUNDWATER DATABASE	Gross	180,000
		Federal	180,000
		GF/GP	0
	The Department is currently developing a database for tracking drinking water wells in the State. The Governor's recommendation reflects an increase in funding from the United States Environmental Protection Agency, which will support this project.		
D.	SECURITY OF PUBLIC WATER	Gross	400,000
		Federal	400,000
		GF/GP	0
	The State has received a two-year Federal grant of \$835,600 for increased security activities at public water facilities. This funding is related to Federal Homeland Security initiatives. The grant will be used in communities with populations less than 100,000 for the training of facility staff in security procedures and the revision and development of emergency response plans. Larger communities are expected to receive funding directly from the Federal government. The balance of the grant will be appropriated in FY 2004-05.		

		FY 2003-04 Change from FY 2002-03 <u>Year-to-Date</u>
E. SUPERFUND GRANT	Gross Federal GF/GP	(3,000,000) (3,000,000) 0
The Federal government makes funding available for capital improvements at Super Fund cleanup sites and the State is responsible for ongoing maintenance at these sites. The Governor's recommended budget reduces the appropriation of Federal funding for Super Fund projects to reflect actual expenditures as capital improvements are completed at many of the sites.		
F. GREAT LAKES SHORELAND PROGRAM	Gross Restricted GF/GP	5,000 225,000 (220,000)
The Governor's recommendation reflects increased revenue from fees related to aquatic nuisance species. These fees were increased in Public Act 41 of 1999. An additional \$225,000 in fee revenue is expected and the budget uses this revenue to offset a reduction of \$100,000 in General Fund support for the Great Lakes Shoreland program. The proposed budget reduces General Fund support by another \$120,000 by applying restricted fund expenditures as the State match to certain Federal funds.		
G. LEAKING UNDERGROUND STORAGE TANK ADJUSTMENT	Gross Restricted GF/GP	(850,000) (850,000) 0
The Governor's recommended budget makes an adjustment to funding for the Leaking Underground Storage Tank program from the Environmental Response Fund to reflect actual expenditures and revenues available in the Fund.		
H. FLEET SAVINGS	Gross Restricted GF/GP	(25,600) (25,600) 0
As part of the FY 2002-03 General Fund budget reductions included in Executive Order 2003-3, the leases on a number of State vehicles were discontinued. The Governor's proposal reflects savings in restricted funds from this action.		
I. EARLY RETIREMENT SAVINGS	Gross Restricted GF/GP	(733,500) (733,500) 0
The recommended budget includes adjustments to the Department's base funding for the April 2002 early retirement option. The reductions occur in various programs across the Department.		
J. INFORMATION TECHNOLOGY REDUCTION	Gross GF/GP	(254,561) (254,561)
A General Fund reduction is included in the Department's Information Technology unit. The savings are expected to result from changes in contractual services and other adjustments not yet identified.		

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K. PROGRAM REDUCTIONS

1. Recreational Resources

The Governor's proposal eliminates this program, which is housed within the Environmental Health unit. Under the proposal, the Department will no longer review construction plans for public swimming pools and campgrounds and many inspection responsibilities will be shifted to local health departments.

FTE	(6.0)
Gross	(651,500)
Restricted	(318,100)
GF/GP	(333,400)

2. Manufactured Housing

Located within the Environmental Health unit of the Department, this program certifies water and sewer systems in manufactured housing communities. The program is eliminated in the Governor's recommended budget. Other areas of the Department will continue to perform minimal reviews of the facilities since certification is required for the Department of Consumer and Industry Services to license manufactured housing communities.

FTE	(5.0)
Gross	(621,200)
GF/GP	(621,200)

3. Septage Program and Grants

This program inspects septage waste facilities. It has not been implemented statewide and the General Fund is supplementing the program since fee collections are not sufficient to cover costs. The Governor's recommendation eliminates this program. Under the proposal, some inspection responsibilities will shift to local health departments and there will be lower enforcement of regulations. In addition, an appropriation of \$1,525,000 for septage waste compliance grants to local jurisdictions is eliminated since fee collection will end.

FTE	(1.0)
Gross	(1,874,100)
Restricted	(1,752,400)
GF/GP	(121,700)

4. Submerged Logs Program

This program is not eliminated, but General Fund support is removed in the Governor's recommended budget. The permit fee for removal of submerged logs is scheduled to sunset in 2005. After three years of operation, demand for this program is low and the Department has determined that submerged logs are not a viable resource for alternative uses. An appropriation of \$101,600 from the Submerged Log Recovery Fund remains in the budget.

Gross	(33,000)
GF/GP	(33,000)

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L. FEE INCREASES

1.	National Pollution Discharge Elimination System (NPDES) Permit Fee	FTE	15.0
	Currently, the Department issues NPDES (point source pollution) permits, but does not collect a fee for them. The Governor proposes to establish a new permit fee for this program and estimates revenue collection of \$7,220,900. The fee will be set to cover only the program costs. The proposal also adds 15.0 FTEs for administration of NPDES permitting. The Governor's recommended budget uses the anticipated fee revenue to offset the reduction of General Fund support for the current permitting program. The balance of \$321,000 is appropriated in the laboratory services function (item M. 3, below). Legislation will be required to establish the program and set the fees.	Gross	2,200,000
		Restricted	6,899,900
		GF/GP	(4,699,900)
2.	Groundwater Discharge Permit Fee	FTE	18.0
	The Governor proposes a new permitting program for groundwater discharge. The proposed budget appropriates \$3,588,200 in revenue from the collection of permit fees and uses the fee revenue to offset the reduction of current General Fund support for groundwater activities. The fee will be set to cover only program costs. The proposal also adds 18.0 FTEs for administration of a new groundwater discharge permitting program. Legislation will be required to establish the program and set the fee structure.	Gross	2,200,000
		Restricted	3,588,200
		GF/GP	(1,388,200)
3.	Solid Waste Program Fees	Gross	0
	The Governor proposes to restructure the permitting program for solid waste disposal. The budget reflects additional revenue of \$2,598,400 and proposes total appropriations from solid waste program fees of \$3,914,500. The additional fee revenue offsets the reduction of current General Fund support to the solid waste program. Legislation is required to enact the new fee structure.	Restricted	2,598,400
		GF/GP	(2,598,400)

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4. Storm Water Permit Fees

The Storm Water program regulates the discharge of storm water from large municipal areas, selected industrial sites, and large construction sites. The Governor proposes a revised storm water permit fee structure that expands the regulatory activities to smaller discharge sites. The recommended budget appropriates an additional \$1,162,500 in anticipated fee revenue from expansion of the program and adds 5.0 FTEs for administration of storm water discharge permitting. Legislation is required to implement the changes to the program. Total recommended appropriations from storm water permit fees are \$2,526,500, an increase from the FY 2002-03 appropriation of \$1,364,000.

FTE	5.0
Gross	1,162,500
Restricted	1,162,500
GF/GP	0

M. FUNDING SHIFTS

1. Criminal Investigations

The Governor's budget recommendation offsets a reduction of General Fund dollars with \$21,300 from the Oil and Gas Regulatory Fund and \$21,300 from the Scrap Tire Regulatory Fund. A balance is available in each of these funds.

Gross	0
Restricted	42,600
GF/GP	(42,600)

2. Underground Storage Tank Administration

To support the Michigan Underground Storage Tank Finance Assurance Authority (MUSTFA), a fee of 7/8 of a cent is charged on all refined petroleum products sold for resale or consumption in the State. This fee is expected to end in FY 2002-03 when sufficient funds become available to fully pay off outstanding revenue bonds. A portion of the administrative costs of the Department's underground storage tank program is supported by \$4,420,000 of this fee revenue. The Governor's budget replaces this fee revenue with funding from the Environmental Response Fund and eliminates the appropriation of \$62,455,700 for MUSTFA.

Gross	(58,035,700)
Restricted	(58,035,700)
GF/GP	0

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3. Laboratory Services Fees

The fee charged for laboratory testing is not changed; however, the Governor's budget offsets \$1,855,400 in reduced General Fund support with additional laboratory fee revenue from two sources. Laboratory testing for Clean Michigan Initiative response activities is charged to Clean Michigan Initiative revenues for \$1,284,400. Also, the elimination of exemptions and free retesting is expected to result in an additional \$100,000 in an interdepartmental grant from the Department of Agriculture and \$150,000 from other State departments, local health departments, and private entities. Finally, \$321,000 is anticipated from NPDES-related testing and fees from the enhanced permitting program. There is no net change to the appropriation for laboratory services.

Gross	0
IDG	100,000
Restricted	1,755,400
GF/GP	(1,855,400)

N. ECONOMIC ADJUSTMENTS

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

Gross	(695,500)
GF/GP	(695,500)

Item	Gross	GF/GP
Building occupancy charges	(\$677,500)	(\$677,500)
Workers' compensation	(18,000)	(18,000)
Total	(\$695,500)	(\$695,500)

O. OTHER ISSUES

The Governor's recommended budget makes adjustments for the elimination of one-time funding in FY 2002-03 and incremental changes to reflect actual revenue available.

Gross	(2,995,800)
Restricted	(2,995,800)
GF/GP	0

EXECUTIVE OFFICE

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2002-03 YEAR-TO-DATE	FY 2003-04 GOV'S REC.	CHANGES FROM FY 2002-03 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	74.2	74.2	0.0	0.0
GROSS	5,021,500	4,859,500	(162,000)	(3.2)
Less:				
Interdepartmental Grants Received	0	0	0	0.0
ADJUSTED GROSS	5,021,500	4,859,500	(162,000)	(3.2)
Less:				
Federal Funds	0	0	0	0.0
Local and Private	0	0	0	0.0
TOTAL STATE SPENDING	5,021,500	4,859,500	(162,000)	(3.2)
Less:				
Other State Restricted Funds	0	0	0	0.0
GENERAL FUND/GENERAL PURPOSE	5,021,500	4,859,500	(162,000)	(3.2)
PAYMENTS TO LOCALS	0	0	0	0.0

**FY 2003-04
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A. PROGRAM REDUCTIONS/ELIMINATIONS

1. 2002 Early Retirement

Gross (25,000)
GF/GP (25,000)

The Governor's recommendation eliminates funding associated with one month's salary and annual leave payouts for employees who retired in November 2002.

2. Operations Reduction

Gross (136,900)
GF/GP (136,900)

The Governor's budget includes a general reduction to the Executive Office line item.

B. OTHER ISSUES

The budget includes a technical adjustment to reflect the actual State Officers Compensation Commission determination for the Lieutenant Governor's salary.

Gross (100)
GF/GP (100)

FAMILY INDEPENDENCY AGENCY

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2002-03 YEAR-TO-DATE	FY 2003-04 GOV'S REC.	CHANGES FROM FY 2002-03 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	12,495.1	10,771.6	(1,723.5)	(13.8)
GROSS	4,037,164,400	3,945,691,300	(91,473,100)	(2.3)
Less:				
Interdepartmental Grants Received	978,800	1,055,800	77,000	7.9
ADJUSTED GROSS	4,036,185,600	3,944,635,500	(91,550,100)	(2.3)
Less:				
Federal Funds	2,773,916,471	2,697,630,071	(76,286,400)	(2.8)
Local and Private	76,813,550	74,569,250	(2,244,300)	(2.9)
TOTAL STATE SPENDING	1,185,455,579	1,172,436,179	(13,019,400)	(1.1)
Less:				
Other State Restricted Funds	70,370,500	70,096,800	(273,700)	(0.4)
GENERAL FUND/GENERAL PURPOSE	1,115,085,079	1,102,339,379	(12,745,700)	(1.1)
PAYMENTS TO LOCALS	207,056,200	192,628,700	(14,427,500)	(7.0)

A. TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF)

The Federal welfare reform block grant, created by the Personal Responsibility and Work Opportunity Act of 1996, that the State 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 expired September 30, 2002, and funding for the State is extended for FY 2002-03 by two Congressional resolutions. A Congressional five-year Reauthorization was passed by the U.S. House of Representatives and is being considered by the U.S. Senate. The Governor's recommendation assumes program reductions, cuts in administrative expenditures, and fund source shifts in order to adjust TANF spending.

1. Family Independence Program (FIP)

The proposal for the FIP is based on a projected caseload decrease of 10,200 cases to an average of 69,500 cases. A transfer of \$3,000,000 for Kinship Care Pilot programs from the FIP line to a new line, Enhanced Child Care Fund Reimbursement for Community Programs, is proposed in order to make TANF funds available to more counties across the State.

Gross	(41,440,000)
Federal	(41,440,000)
GF/GP	0

2. Day Care

The Governor's recommendation includes an increase of 2,500 cases at the FY 2002-03 average cost of \$573 per case. The Executive further proposes a \$16 increase to \$589 per case. A policy change that decreases the maximum number of day care hours from 140 to 100 hours for persons with a full-time work status reduces the number of reimbursable hours, for savings of \$4,400,000 Gross, \$1,500,000 GF. An additional 700 cases result in a total of 66,300 cases in the proposal. The proposal includes a funds source shift of Child Care and Development Fund and General Fund to TANF in the program. The elimination of School Aid-related programs results in a decline in TANF maintenance of effort (MOE) claims. State GF/GP funding is added to replace this shortage in MOE countable expenditures. The Before- and After-School Pilot Program TANF funds are redirected to the newly created Enhanced Child Care Fund Reimbursement for Community Programs for use Statewide.

Gross	21,068,000
Federal	39,465,100
GF/GP	(18,397,100)

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3. Other Issues

The Governor's proposal includes spending adjustments for several programs.

a.	The Homestead Property Tax Credit for Low Income Families	Gross Federal GF/GP	(50,000,000) (50,000,000) 0
		The proposal includes the elimination of the TANF funds used to finance the portion of the reimbursement for low-income families. The U.S. Department of Health and Human Services indicated in a letter to the State that this use was no longer allowed under the welfare reform act. The funds for the credit from other revenue sources are appropriated in the Department of Treasury bill.	
		b.	Project Zero
		FTE Gross Federal GF/GP	(46.2) (3,147,500) (3,147,500) 0
		The recommendation assumes program transfers to the Employment and Training and related Central Support Accounts line items as well as reduced associated staff positions and funds to the Field Staff Salaries and Wages line. The proposal combines the programs to simplify the services payment process and eliminates the excess administrative funds and staff positions.	
c.	Child Care Fund	Gross Federal GF/GP	53,700,000 35,395,600 18,304,400
		The Executive proposes a redirection of \$50,000,000 in TANF-funded pilot programs Before- and After-School, Fatherhood Initiative, Kinship Care, Marriage Initiative, Teenage Parent Counseling, and various programs from Family Preservation and Prevention Services to a new line item related to Child Care Fund reimbursable activity, with a net reduction of \$12,874,600 Gross, \$0 GF. The anticipated impact is that TANF funds will be available to more counties across the State and encourage counties' use of TANF funds for eligible programs and services. Additional funds are proposed for emergency out-of-home and the State and local share of in-home TANF reimbursable services claims. The proposal includes General Fund dollars for an increase in county Child Care Fund in-home services at a reimbursement rate of 75%, an increase from 50%.	

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d. Adoption Subsidy

The Governor's proposal includes 100 additional adoption subsidy TANF eligible cases. The proposal includes a total increase in the Adoption Title IV-E and TANF eligible caseload of 2,000 to 26,800 cases at a cost per case of \$677 and \$644, respectively, and additional funds for the adoption medical subsidy component. The Governor's recommendation eliminates \$500,000 Gross, \$0 GF, phasing out the Federal Adoption Incentive Grant, and includes savings of \$3,600,000 Gross, \$1,500,000 GF, as the result of a policy change to limit adoption payments for children up to 18 or 19 years of age if attending high school.

Gross	13,933,400
Federal	8,092,100
GF/GP	5,841,300

B. ADMINISTRATION AND TECHNOLOGY

1. Information Technology Services

The Executive proposal includes a reduction in the interdepartmental transfer to the Department of Information Technology for department technology consolidated services as well as department data systems' enhancements. The proposal assumes that work project funds set aside for technology projects will no longer be available and adds GF support to the Information Technology unit to restore financing at 65% Federal and 35% GF/GP.

Gross	(28,836,100)
IDG	(150,000)
Federal	(19,767,300)
Local	(257,600)
GF/GP	(8,661,200)

2. Child Support Administration and Enforcement System (CSES)

A reduction related to CSES development is included in the proposal because the Federal deadline for System certification of September 30, 2003, means that funds for this purpose will no longer be required. The funding for System maintenance and operation is contained in the proposal. The adjustments for the State Distribution Unit (SDU) include an increase for operation costs and a funding decrease to reflect possible savings from SDU contract renegotiations. The proposal includes a cost-of-living increase for legal support contracts.

Gross	13,116,600
Federal	10,043,100
GF/GP	3,073,500

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C. CHILD AND FAMILY SERVICES

1. Foster Care

The Governor's proposal includes a decrease in Wayne County and out-State Foster Care caseloads of 846 and 200 cases, respectively, and a \$5,155 cost per case decrease to \$12,500 also per case for Wayne County. The Governor's recommendation includes the Foster Parent Recruitment Pilot Program elimination and an adjustment in the placing agencies' administrative rates.

Gross	(28,773,500)
Federal	(15,501,400)
GF/GP	(13,272,100)

2. Program Adjustments

The Governor's proposal includes eliminating of Supervised Independent Living contracts, suspending Wraparound and Families First Program conferences, and changing regional detention support services eligibility policy, resulting in budget savings. The proposal includes several community-based program appropriation lines transfers from the Juvenile Justice appropriation unit to reorganize them into a Community Support Services program, including converting related positions to county grant responsibility. The proposal also includes the restoration of Executive Order 2002-22 savings related to School Aid Programs funding and the elimination of the Juvenile Boot Camp Program funds due to the counties' increased use of the Child Care Fund.

Gross	(14,973,100)
Federal	(14,044,200)
Local	(800,000)
GF/GP	(128,900)

D. OTHER STATE ASSISTANCE

A caseload increase of 500 to 8,400 cases and a monthly cost-per-case increase of \$5 to \$238.54 are projected for the State Disability Assistance Program. The proposal includes a projected caseload increase of 2,300 to 214,300 for the State Supplement to Supplemental Security Income recipients. The Governor's recommendation includes funds to enhance the accuracy of the Food Assistance Program.

Gross	15,261,800
Federal	(100)
GF/GP	15,261,900

E. ANNUALIZATION OF FY 2002-03 REDUCTIONS

The Governor's recommendation includes programs' and services' reductions that reflect a full year savings when added to the appropriation adjustments in FY 2002-03 budgetary and early retirement savings and Executive Orders 2002-22 and 2003-3.

Gross	(75,570,700)
Federal	(60,616,800)
Local	(848,000)
Restricted	(3,800)
GF/GP	(14,100,100)

		FY 2003-04 Change from FY 2002-03 <u>Year-to-Date</u>
F. PROGRAM REDUCTIONS/ELIMINATIONS	Gross	(5,952,000)
	Federal	(87,000)
	GF/GP	(5,865,000)
The proposal includes the elimination of the Transitional Work Support appropriation line, which assumes that the provision of State- financed transitional Medicaid coverage for 12 months to eligible families will be included in a State Medicaid Waiver proposal. A 15% reduction is recommended in the indigent burial reimbursement rate to \$947 per burial.		
G. FTE ADJUSTMENTS	FTE	(1,677.3)
	Gross	0
	GF/GP	0
The Governor's proposal includes a reduction in the Department's positions associated with the early retirement savings appropriated for FY 2002-03 and other program reductions.		
H. FUNDING SHIFTS	Gross	0
	IDG	227,000
	Federal	(2,819,700)
	Private	(436,700)
	Restricted	(217,900)
	GF/GP	3,247,300
The Governor's recommendation includes an increase in the Federal Medical Assistance Percentage from 55.42% to 55.89%. The increase shifts spending from State to Federal dollars. The proposal includes various shifts from restricted revenues to GF/GP for the Client Services system, reduced school-aid related program spending, and other estimated revenue shortfalls.		
I. FEDERALLY FUNDED PROGRAMS	Gross	39,140,800
	Federal	39,140,800
	GF/GP	0
The Governor's recommendation includes a projected increase in the Low Income Home Energy Assistance Program (LIHEAP) Federal grant award of \$30,600, 000, \$5,040,800 in the State's share of the U.S. Department of Energy Weatherization Assistance grant, and \$3,500,000 in the Child Care and Development Fund discretionary funds.		

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J. ECONOMIC ADJUSTMENTS

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

Item	Gross	GF/GP
Food	\$60,000	\$30,000
Fuel/Utilities	36,000	18,000
Workers' Compensation	652,500	217,600
Building Occupancy Charges	(637,500)	(155,300)
Total	\$111,000	\$110,300

Gross	111,000
Federal	(47,300)
Local	48,000
GF/GP	110,300

K. OTHER ISSUES

Other changes in the Governor's proposal include minor changes in funding.

Gross	888,200
Federal	(951,800)
Local	(2,000)
GF/GP	1,840,000

HIGHER EDUCATION

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2002-03 YEAR-TO-DATE	FY 2003-04 GOV'S REC.	CHANGES FROM FY 2002-03 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	1.0	0.0	(1.0)	(100.0)
GROSS	1,831,501,735	1,715,437,000	(116,064,735)	(6.3)
Less:				
Interdepartmental Grants Received	0	0	0	0.0
ADJUSTED GROSS	1,831,501,735	1,715,437,000	(116,064,735)	(6.3)
Less:				
Federal Funds	5,500,000	4,400,000	(1,100,000)	(20.0)
Local and Private	0	0	0	0.0
TOTAL STATE SPENDING	1,826,001,735	1,711,037,000	(114,964,735)	(6.3)
Less:				
Other State Restricted Funds	84,534,802	78,350,000	(6,184,802)	(7.3)
GENERAL FUND/GENERAL PURPOSE	1,741,466,933	1,632,687,000	(108,779,933)	(6.2)
PAYMENTS TO LOCALS	4,029,061	0	(4,029,061)	(100.0)

		FY 2003-04 Change from FY 2002-03 <u>Year-to-Date</u>
A. UNIVERSITY OPERATIONS		
	Gross	(105,006,646)
	Restricted	(8,077,436)
	GF/GP	(96,929,210)
The Governor proposes to reduce the Operations line items of the 15 public universities by 6.74% from the FY 2002-03 year-to-date levels. Column 3 of <u>Table 1</u> lists the reduction amount for each university. The Governor's budget does not include the FY 2002-03 tuition restraint language that capped tuition increases at 8.5% or \$425, whichever was greater, but does condition receipt of State appropriations on the adoption of "reasonable tuition and fee increases for the 2003-04 academic year".		
B. STATE AND REGIONAL PROGRAMS		
	Gross	(4,502,241)
	Restricted	(344,407)
	GF/GP	(4,157,834)
The Governor's recommendation reduces the Agricultural Experiment Station and the Cooperative Extension Service by 6.74% and this reduction includes a 6.74% reduction in the \$5,974,798 earmarked for Project GREEN. The Higher Education Database is reduced by 17.1% for an FY 2003-04 total funding level of \$200,000. <u>Table 1</u>, columns 3 and 4, show these funding changes.		
C. MARTIN LUTHER KING, JR.-CESAR CHAVEZ-ROSA PARKS INITIATIVE		
	Gross	(194,386)
	Restricted	(14,953)
	GF/GP	(179,433)
The Governor recommends that all six of the King-Chavez-Parks Programs be reduced by 6.74%. The proposed FY 2003-04 funding levels for each of the programs are as follows:		

<u>Program</u>	<u>FY 2003-04 Governor's Rec.</u>
College Day	\$1,162,800
Future Faculty Fellowships	1,177,800
Visiting Professors	<u>164,800</u>
Subtotal (included in universities' line items)	\$2,505,400
Select Student Supportive Services	1,956,100
College/University Partnership	586,800
Morris Hood, Jr. Educator Development	<u>146,600</u>
Subtotal (competitive grants)	<u>\$2,691,500</u>
Total King-Chavez-Parks Programs	\$5,196,900

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D. DENTAL CLINICS GRANT

The Governor reduces the \$4,875,449 grant to the University of Detroit-Mercy Dental School by 6.74%. The grant supports dental clinical services provided by the Dental School to low-income residents of southeastern Michigan.

Gross	(328,399)
Restricted	(25,262)
GF/GP	(303,137)

E. MICHIGAN MERIT AWARD PROGRAM

The Governor's recommendation reduces the \$2,500 Merit Award grants to \$500, beginning with the graduating class of 2004. The Governor also recommends eliminating the middle school awards that otherwise will be awarded to graduating seniors beginning with the class of 2005. The annual appropriation for the Merit Awards includes payments for seniors qualifying for a scholarship in that year and for anyone from a previous graduating class who has not used his or her scholarship and may request it. The FY 2003-04 funding recommendation of \$65,100,000 is based on estimated payments of \$1,212,500 for the class of 2000; \$1,940,000 for the class of 2001; \$3,637,500 for the class of 2002; and \$58,310,605 for the class of 2003. There are no dollars included for the 2004 graduating class because the Governor recommends that those funds (estimated to be about \$22,750,000 due to the reduction in the award amount) be paid out of the FY 2004-05 appropriation, which will coincide with the 2004-05 academic year.

Gross	776,150
Restricted	776,150
GF/GP	0

F. TUITION INCENTIVE PROGRAM

The Governor increases funding for the Tuition Incentive Program (TIP), which is financed from the Michigan Merit Award Trust Fund, by \$4,000,000 to reflect current caseload projections. The proposed FY 2003-04 TIP appropriation is \$9,250,000 but the Governor recommends that no new enrollments be accepted due to a proposed transition of future students into a new Great Lakes, Great Hopes Scholarship Fund to be created by the Governor.

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

		FY 2003-04 Change from FY 2002-03 <u>Year-to-Date</u>	
G.	MICHIGAN OPPORTUNITY SCHOLARSHIPS		
The Governor recommends the elimination of seven financial aid programs (item J.4, below) with the transfer of funds from these programs to one new needs-based Michigan Opportunity Scholarships Program (MOSP). As proposed, the MOSP will begin with the graduating class of 2003, and all Michigan high school graduates attending a Michigan public or independent college or university will be eligible to receive a needs-based scholarship. Students currently enrolled and receiving State Competitive Scholarships or Tuition Grants will continue to receive their grants until they graduate, or are otherwise not eligible. Under current financial aid law, Tuition Grants are awarded only to students who attend independent degree-granting colleges and universities. The Governor's proposal does not earmark any financial aid dollars for students attending independent institutions but instead recommends that all State financial aid funds be consolidated into one program for which all needy students are eligible. The Governor recommends total funding for the transitional program and the new MOSP of \$112,444,900.		Gross	112,444,900
		Federal	2,900,000
		Restricted	0
		GF/GP	109,544,900
H.	FEDERAL FUNDING REDUCTIONS		
The Governor's budget reduces Federal funds for State Competitive Scholarships by \$700,000 and for Robert Byrd Honors Scholarships by \$400,000. The Governor recommends that the \$2,900,000 in Federal funds remaining for State Competitive Scholarships be transferred to the new Michigan Opportunity Scholarship Program; and that the Robert Byrd Honors Scholarships be funded at an FY 2003-04 level of \$1,500,000.		Gross	(1,100,000)
		Federal	(1,100,000)
		GF/GP	0

I. MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (MPSERS)

The Governor's budget proposes to freeze the FY 2003-04 contribution rate for the seven universities that participate. The proposed savings are approximately \$2,600,000 but will not be reflected in the appropriation bill. The amount saved by each university is estimated to be as follows:

Central	\$527,891
Eastern	\$399,146
Ferris	\$419,104
Lake Superior	\$122,613
Michigan Tech	\$267,235
Northern	\$250,937
Western	<u>\$613,081</u>
TOTAL	\$2,600,007

J. PROGRAM ELIMINATIONS

The Governor's budget eliminates State funding for the following programs:

1. One-time funding of \$1,900,000 from the Tobacco Settlement Trust Fund for the Rare Isotope Accelerator project at Michigan State University;
2. Japan Center funding of \$294,594 that defrays administrative costs for the Center in the Shiga Prefecture;
3. Midwest Higher Education Compact dues of \$82,500; and
4. Seven financial aid programs that are recommended to be repealed, including State Competitive Scholarships, Tuition Grants, Work Study, Part-time Independent Student Grants, Michigan Education Opportunity Grants, General Degree Reimbursements, and Allied Health Degree Reimbursements. (The lower half of column 5 on Table 1 lists the amounts reduced from each program.) These seven programs are first reduced by 6.74%, and the remaining \$112,400,000 is transferred to the new Michigan Opportunity Scholarship Program (item G, above).

Gross	(122,153,813)
Federal	(2,900,000)
Restricted	(2,498,894)
GF/GP	(116,754,919)

K. TOBACCO SETTLEMENT

As noted in items E, F, G, and J above, the Governor's budget adjusts Tobacco Settlement funding, and the net impact is the elimination of all Tobacco Settlement Trust Fund dollars (\$1,900,000) and a reduction of \$4,284,802 in Merit Award Trust Fund dollars. The table below displays the Governor's recommended appropriation changes.

Program	FY 2002-03 Year-to-Date Appropriations	FY 2003-04 Gov's Rec.	Change
Rare Isotope Accelerator (Tobacco)	\$ 1,900,000	\$ 0	\$(1,900,000)
Nursing Scholarship Program (Merit)	4,000,000	4,000,000	0
Merit Award Program (Merit)	64,323,850	65,100,000	776,150
Tuition Incentive Program (Merit)	5,250,000	9,250,000	4,000,000
Higher Education Supplemental (Merit)	<u>9,060,952</u>	<u>0</u>	<u>(9,060,952)</u>
Total	\$84,534,802	\$78,350,000	\$(6,184,802)

Table 1: HIGHER EDUCATION FY 2003-04 GOVERNOR'S RECOMMENDATION												
UNIVERSITIES	FY 2002-03 Year-to-Date	2002-03 Approp Per Student *	Reduction of -6.74%	Eliminate Rare Isotope, Japan Center, Midwest Dues; Reduce HEIDI	Eliminate Financial Aid Programs; Add MI Opportunity Scholarships	Reduce Fed Funds; Increase Merit Award & TIP	Rounding Factor	FY 2003-04 Gov's Rec.	\$ Change from 2002-03 YTD	% Change from 2002-03 YTD	% Change from 2002-03 Initial	2003-04 Approp. Per Student*
Central	86,853,522	4,144	(5,850,247)				25	81,003,300	(5,850,222)	-6.7%	-10.0%	3,864
Eastern	84,569,756	4,392	(5,696,417)				(39)	78,873,300	(5,696,456)	-6.7%	-10.0%	4,096
Ferris	53,577,031	5,600	(3,608,821)				(10)	49,968,200	(3,608,831)	-6.7%	-10.0%	5,222
Grand Valley	57,992,024	3,456	(3,906,205)				(19)	54,085,800	(3,906,224)	-6.7%	-10.0%	3,223
Lake Superior	13,769,310	4,884	(927,468)				(42)	12,841,800	(927,510)	-6.7%	-10.0%	4,555
Michigan State	314,572,583	7,684	(21,188,861)				(22)	293,383,700	(21,188,883)	-6.7%	-10.0%	7,167
Michigan Tech	53,308,105	9,012	(3,590,707)				2	49,717,400	(3,590,705)	-6.7%	-10.0%	8,405
Northern	50,192,383	6,503	(3,380,839)				(44)	46,811,500	(3,380,883)	-6.7%	-10.0%	6,065
Oakland	50,551,147	4,006	(3,405,005)				(42)	47,146,100	(3,405,047)	-6.7%	-10.0%	3,736
Saginaw Valley	26,434,503	3,895	(1,780,565)				(38)	24,653,900	(1,780,603)	-6.7%	-10.0%	3,633
UM-Ann Arbor	350,837,633	9,233	(23,631,588)				55	327,206,100	(23,631,533)	-6.7%	-10.0%	8,611
UM-Dearborn	27,013,503	4,456	(1,819,565)				(38)	25,193,900	(1,819,603)	-6.7%	-10.0%	4,156
UM-Flint	23,225,711	4,594	(1,564,429)				18	21,661,300	(1,564,411)	-6.7%	-10.0%	4,284
Wayne State	244,766,818	10,304	(16,486,910)				(8)	228,279,900	(16,486,918)	-6.7%	-10.0%	9,610
Western	121,278,313	4,869	(8,169,019)				6	113,109,300	(8,169,013)	-6.7%	-10.0%	4,541
Ag Experiment Station (AES)	35,558,985		(2,395,169)				(16)	33,163,800	(2,395,185)	-6.7%	-10.0%	
Cooperative Extension (CES)	30,670,212		(2,065,872)				(40)	28,604,300	(2,065,912)	-6.7%	-10.0%	
Rare Isotope Accelerator	1,900,000		0	(1,900,000)				0	(1,900,000)	0.0%	-100.0%	
Japan Center	294,594		0	(294,594)				0	(294,594)	-100.0%	-100.0%	
Higher Education Database	241,200		(16,247)	(24,953)				200,000	(41,200)	-17.1%	-20.0%	
Midwest Higher Ed Compact	82,500		0	(82,500)				0	(82,500)	-100.0%	-100.0%	
King-Chavez-Parks	2,885,884		(194,386)				2	2,691,500	(194,384)	-6.7%	-10.0%	
TOTAL UNIVERSITIES	1,630,575,717	6,465	(109,678,320)	(2,302,047)	0	0	(250)	1,518,595,100	(111,980,617)	-6.9%	-10.1%	6,030
Merit/Tobacco Trust Fund	10,338,323	(8,436,796)	(1,901,527)	0	0	0	0	0	(10,338,323)	-100.0%	-100.0%	
State GF/GP	1,620,237,394		(101,241,524)	(400,520)	0	0	(250)	1,518,595,100	(101,642,294)	-6.3%	-10.0%	
GRANTS & FINANCIAL AID												
Competitive Scholarships	35,993,486				(35,293,486)	(700,000)		0	(35,993,486)	-100.0%	-100.0%	
Tuition Grants	64,778,121				(64,778,121)			0	(64,778,121)	-100.0%	-100.0%	
Work Study	7,855,475				(7,855,475)			0	(7,855,475)	-100.0%	-100.0%	
Part-time Independent	2,844,937				(2,844,937)			0	(2,844,937)	-100.0%	-100.0%	
Dental Grant	4,875,449		(328,399)				(50)	4,547,000	(328,449)	-6.7%	-10.0%	
General Degree	5,967,611				(5,967,611)			0	(5,967,611)	-100.0%	-100.0%	
Allied Health Degree	902,397				(902,397)			0	(902,397)	-100.0%	-100.0%	
Ed. Opport. Grants (MEOG)	2,234,692				(2,234,692)			0	(2,234,692)	-100.0%	-100.0%	
Byrd	1,900,000					(400,000)		1,500,000	(400,000)	-21.1%	-21.1%	
Nursing Scholarship Program	4,000,000							4,000,000	0	0.0%	0.0%	
Michigan Merit Award Prgm	64,323,850					776,150		65,100,000	776,150	1.2%	-43.1%	
Tuition Incentive Prgm (TIP)	5,250,000					4,000,000		9,250,000	4,000,000	76.2%	76.2%	
MI Opportunity Scholarships	0				112,444,900			112,444,900	112,444,900	na	na	
TOTAL FINANCIAL AID	200,926,018		(328,399)	0	(7,431,819)	3,676,150	(50)	196,841,900	(4,084,118)	-2.0%	-22.4%	
Federal	5,500,000		0	0	0	(1,100,000)	0	4,400,000	(1,100,000)	-20.0%	-20.0%	
Merit Award Trust Fund	74,196,479		(25,262)	0	(597,367)	4,776,150	0	78,350,000	4,153,521	5.6%	-36.6%	
State GF/GP	121,229,539		(303,137)	0	(6,834,452)	0	(50)	114,091,900	(7,137,639)	-5.9%	-8.4%	
TOTAL HIGHER ED	1,831,501,735		(110,006,719)	(2,302,047)	(7,431,819)	3,676,150	(300)	1,715,437,000	(116,064,735)	-6.3%	-11.7%	
TOTAL FEDERAL	5,500,000		0	0	0	(1,100,000)	0	4,400,000	(1,100,000)	-20.0%	-20.0%	
TOTAL STATE RESTRICTED	84,534,802		(8,462,058)	(1,901,527)	(597,367)	4,776,150	0	78,350,000	(6,184,802)	-7.3%	-37.6%	
TOTAL STATE GF/GP	1,741,466,933		(101,544,661)	(400,520)	(6,834,452)	0	(300)	1,632,687,000	(108,779,933)	-6.2%	-9.9%	
* FY 2001-02 Fiscal-Year-Equated Students (FYES)												

DEPARTMENT OF HISTORY, ARTS, AND LIBRARIES

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2002-03 YEAR-TO-DATE	FY 2003-04 GOV'S REC.	CHANGES FROM FY 2002-03 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	241.5	248.5	7.0	2.9
GROSS	69,225,636	58,786,300	(10,439,336)	(15.1)
Less:				
Interdepartmental Grants Received	0	137,500	137,500	100.0
ADJUSTED GROSS	69,225,636	58,648,800	(10,576,836)	(15.3)
Less:				
Federal Funds	8,295,700	9,322,600	1,026,900	12.4
Local and Private	577,400	577,400	0	0.0
TOTAL STATE SPENDING	60,352,536	48,748,800	(11,603,736)	(19.2)
Less:				
Other State Restricted Funds	1,900,900	2,308,800	407,900	21.5
GENERAL FUND/GENERAL PURPOSE	58,451,636	46,440,000	(12,011,636)	(20.5)
PAYMENTS TO LOCALS	32,568,200	19,495,200	(13,073,000)	(40.1)

**FY 2003-04
Change from
FY 2002-03
Year-to-Date**

A. LIBRARY SERVICES AND TECHNOLOGY ACT FUND

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

This Federal Act includes a \$4.6,000,000 grant program administered by the Library of Michigan. The grants are distributed to local, academic, and school libraries to assist with the cost of improving the technology services that are available to patrons. The funds are provided as seed money for initial capital expenses, with the responsibility for operational funding falling to the recipient organization. The grants are awarded each fiscal year but are available for expenditure for 24 months. This increase in Federal spending authority will allow consecutive fiscal year awards to be accrued at the same time, which require the spending authority in the line to exceed the annual Federal award, as reflected in the Governor's budget recommendation.

B. MACKINAC ISLAND STATE PARK COMMISSION

1. Mackinac Island State Park Operation

Gross	30,000
Restricted	30,000
GF/GP	0

The Governor proposes increasing this restricted fund authorization for the Airport and Park Operations Fees to help offset the GF/GP reductions in the Mackinac Island State Park Operations line item.

2. Historical Facilities Systems

Gross	235,000
Federal	235,000
GF/GP	0

A similar proposal is recommended to increase the restricted revenue authorization from the Mackinac Island State Park Fund to offset the GF/GP reductions in this line item. A reduction in other expenditures from this line allows for additional revenue to be made available to cover the costs of operating the historical facilities on the island.

C. RENAISSANCE ZONE REIMBURSEMENT

Gross	644,400
GF/GP	644,400

The Governor proposes increasing this line to account for increased adjustments to the estimated payouts for this line. The proposal increases this appropriation from \$995,600 to \$1,640,000.

**FY 2003-04
Change from
FY 2002-03
Year-to-Date**

D. PROGRAM REDUCTIONS/ELIMINATIONS

1. Arts and Cultural Grants

Gross (10,629,200)
GF/GP (10,629,200)

The Governor proposes a 50% GF/GP reduction in this grant program. The total recommended appropriation for FY 2003-04 is \$11,771,300.

2. Grants to Libraries

Gross (1,038,700)
GF/GP (1,038,700)

The Governor proposes a 7% reduction to the library grant lines including State Aid, Subregional State Aid, Book Distribution Centers, and the Detroit and Grand Rapids libraries. No reductions are recommended for the Wayne County Library for the Blind and Physically Handicapped.

3. Department Administration and Information Technology

Gross (389,300)
GF/GP (389,300)

The Governor proposes reductions of 12% to administration lines and 13.5% to the Information Technology unit, which is the payment to the Department of Information Technology.

4. Program Administration

Gross (1,791,300)
GF/GP (1,791,300)

The Governor proposes between 9% and 12% reductions to all program administration lines to total 15% reductions after Executive Order 2002-22.

5. Lighthouse Grants

Gross (152,700)
GF/GP (152,700)

The Governor proposes pausing these grants for FY 2003-04. The Legislature established the grants in 1999 in an effort to provide assistance to groups involved in preserving these structures. Nonprofit organizations and State or local governments that own, are acquiring, or have a long-term lease on a lighthouse are eligible to apply. No funding is available for private individuals.

E. PROGRAM TRANSFERS

Records Center and State Demographer

FTE 10.5
Gross 1,402,000
IDG 137,500
Restricted 102,900
GF/GP 1,161,600

The Governor's budget includes funding for these programs, which were transferred under Executive Order 2002-17 from the Department of Management and Budget.

**FY 2003-04
Change from
FY 2002-03
Year-to-Date**

F. ECONOMIC ADJUSTMENTS

Gross 177,800
GF/GP 177,800

The proposed budget applies standard economic adjustments for workers' compensation and building occupancy charges consistent with factors applied to all budgets. These adjustments include:

Item	Gross	GF/GP
Building Occupancy Charges	\$172,600	\$172,600
Workers' Compensation	5,200	5,200
Total	\$177,800	\$177,800

G. OTHER ISSUES

Gross 72,700
Federal 26,900
Restricted 40,000
GF/GP 5,800

The Governor's budget recommendation makes various other adjustments, including adjustments for November early retirement payouts, adjustments in funding for Information Technology services and for programs previously administered by the Department of Natural Resources, the Department of State, and the Department of Treasury. The Governor's recommendation also includes \$26,900 in Federal Reed Act funding for the Detroit Public Library. This adjustment is made as part of the transfer package to implement Executive Order 2003-3, but the transfer package has not been passed by the Legislature to date.

DEPARTMENT OF INFORMATION TECHNOLOGY

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2002-03 YEAR-TO-DATE	FY 2003-04 GOV'S REC.	CHANGES FROM FY 2002-03 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	1,765.4	1,763.4	(2.0)	(0.1)
GROSS	424,006,800	355,689,300	(68,317,500)	(16.1)
Less:				
Interdepartmental Grants Received	424,006,800	355,689,300	(68,317,500)	(16.1)
ADJUSTED GROSS	0	0	0	0.0
Less:				
Federal Funds	0	0	0	0.0
Local and Private	0	0	0	0.0
TOTAL STATE SPENDING	0	0	0	0.0
Less:				
Other State Restricted Funds	0	0	0	0.0
GENERAL FUND/GENERAL PURPOSE	0	0	0	0.0
PAYMENTS TO LOCALS	0	0	0	0.0

**FY 2003-04
Change from
FY 2002-03
Year-to-Date**

A. PROGRAM REDUCTIONS/ELIMINATIONS

1. 2002 Early Retirement

The Governor's recommendation eliminates funding associated with one month's salary and annual leave payouts for employees who retired in November 2002.

Gross	(1,265,000)
IDG	(1,265,000)
GF/GP	0

2. Information Technology Reduction

The Governor's budget reduces the appropriation for the Department of Information Technology based on savings that will be achieved through renegotiation of vendor contracts to reduce rates paid to vendors, telecommunication rate reductions related to data circuits, consolidation efficiencies, and equipment savings. Savings are reflected in departmental information technology appropriation units.

Gross	(15,277,930)
IDG	(15,277,930)
GF/GP	0

3. FY 2002-03 Base Adjustments

Several adjustments to the FY 2002-03 budget were not reflected in the appropriation for the Department of Information Technology in that fiscal year. They included budgetary savings reductions included in the enacted budgets of State departments and agencies, Executive Order 2002-22, and Executive Order 2003-03. The Governor's recommendation includes adjustments to accurately reflect the current services year-to-date budget for the Department of Information Technology.

Gross	(23,183,170)
IDG	(23,183,170)
GF/GP	0

4. Other Changes

Other recommended adjustments include a \$20,571,000 reduction to the Child Support Enforcement System based on full implementation by September 2003. Adjustments also are made to departments' information technology funding based on FTE positions and funding identified as information technology functions.

FTE	(2.0)
Gross	(28,897,500)
IDG	(28,897,500)
GF/GP	0

**FY 2003-04
Change from
FY 2002-03
Year-to-Date**

B. OTHER ISSUES

Technical Changes

Technical adjustments include transfers of the source of information technology functions between departments and adjusting for early retirement differences between the Department of Information Technology and other departments.

Gross	306,100
IDG	306,100
GF/GP	0

JUDICIARY

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2002-03 YEAR-TO-DATE	FY 2003-04 GOV'S REC.	CHANGES FROM FY 2002-03 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	582.5	582.5	0.0	0.0
GROSS	242,717,500	252,492,900	9,775,400	4.0
Less:				
Interdepartmental Grants Received	2,833,500	4,633,500	1,800,000	63.5
ADJUSTED GROSS	239,884,000	247,859,400	7,975,400	3.3
Less:				
Federal Funds	3,901,000	3,806,500	(94,500)	(2.4)
Local and Private	3,784,300	3,741,200	(43,100)	(1.1)
TOTAL STATE SPENDING	232,198,700	240,311,700	8,113,000	3.5
Less:				
Other State Restricted Funds	57,477,700	78,995,300	21,517,600	37.4
GENERAL FUND/GENERAL PURPOSE	174,721,000	161,316,400	(13,404,600)	(7.7)
PAYMENTS TO LOCALS	112,844,500	124,506,800	11,662,300	10.3

		FY 2003-04 Change from FY 2002-03 <u>Year-to-Date</u>
A.	FY 2002-03 SUPPLEMENTAL APPROPRIATIONS RECOMMENDED IN GOVERNOR'S FY 2003-04 BUDGET	
	Gross	(1,103,700)
	Local	(1,800)
	GF/GP	(1,101,900)
	The Governor's budget includes a \$1,103,700 Judiciary reduction which was proposed as a negative supplemental along with Executive Order 2003-3.	
B.	ADDITIONAL JUDGESHIPS	
	Gross	631,600
	GF/GP	631,600
	The Executive recommendation recognizes the full-year costs of the addition of six Circuit Court judgeships and the conversion of a part-time Probate Judge to full-time, both of which occurred in FY 2002-03. It also recognizes the conversion of a Municipal Court Judge to a District Judge, which will take place during FY 2003-04. The adjustment covers the increased salaries, FICA, and retirement.	
C.	JUROR COMPENSATION	
	Gross	6,600,000
	Restricted	6,600,000
	GF/GP	0
	The Governor's budget recognizes \$6,600,000 in State restricted funding available from increased jury demand and driver license clearance fees enacted in 2002, which will be used to reimburse counties for increased juror compensation.	
D.	DRUG COURTS	
	Gross	1,800,000
	IDG	1,800,000
	GF/GP	0
	The Executive recommendation recognizes \$1,800,000 in additional Federal Byrne Grant funding for additional drug courts with an emphasis on offenders who otherwise would go to prison. The funding comes in an interdepartmental grant from the Department of Community Health.	
E.	FEE INCREASES/FUNDING SHIFTS	
	Gross	3,679,600
	Restricted	14,917,600
	GF/GP	(11,238,000)
	The Executive recommendation includes a Judiciary proposal both to increase restricted revenue and to offset GF/GP funding by restructuring and increasing assessments on civil infractions and criminal convictions as well as increasing court filing fees. The increases include an additional \$1,267,500 for drug courts and an additional \$2,412,100 for the Judicial Technology Improvement Fund. The balance offsets \$559,200 GF/GP for Community Dispute Resolution, \$2,052,900 in the Judicial Technology Improvement Fund, and \$8,625,900 in the Court Equity Fund.	

**FY 2003-04
Change from
FY 2002-03
Year-to-Date**

F. ECONOMIC ADJUSTMENTS

Gross (772,900)
GF/GP (772,900)

Standard economic adjustments are applied for building occupancy charges consistent with factors applied to all budgets. These adjustments include:

Item	Gross	GF/GP
Building Occupancy Charges	(\$772,900)	(\$772,900)
Total	(772,900)	(772,900)

G. OTHER ISSUES

Gross (1,059,200)
Federal (94,500)
Local (41,300)
GF/GP (923,400)

The Governor's budget recognizes the elimination of annual leave payments from the early retirement program for a saving of \$566,000. It also makes a \$295,100 reduction to adjust for rent payments and a \$62,300 reduction in order to meet the portion of the required GF/GP reduction, which was not fulfilled by the increased fee offset mentioned above. Finally, it recognizes a reduction of \$41,300 in local user fees that support Judicial Information Systems and a reduction of \$94,500 in Federal funds that support the Judicial Institute.

LEGISLATURE

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2002-03 YEAR-TO-DATE	FY 2003-04 GOV'S REC.	CHANGES FROM FY 2002-03 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	N/A	N/A	N/A	N/A
GROSS	125,284,700	123,441,500	(1,843,200)	(1.5)
Less:				
Interdepartmental Grants Received	1,627,600	1,662,900	35,300	2.2
ADJUSTED GROSS	123,657,100	121,778,600	(1,878,500)	(1.5)
Less:				
Federal Funds	0	0	0	0.0
Local and Private	400,000	400,000	0	0.0
TOTAL STATE SPENDING	123,257,100	121,378,600	(1,878,500)	(1.5)
Less:				
Other State Restricted Funds	2,530,400	2,495,100	(35,300)	(1.4)
GENERAL FUND/GENERAL PURPOSE	120,726,700	118,883,500	(1,843,200)	(1.5)
PAYMENTS TO LOCALS	0	0	0	0.0

**FY 2003-04
Change from
FY 2002-03
Year-to-Date**

A. PROGRAM REDUCTIONS/ELIMINATIONS

Pending Supplemental Appropriation

Gross	(1,843,200)
GF/GP	(1,843,200)

The Governor's recommendation reduces the budget for the Legislature to reflect the pending negative supplemental appropriation for FY 2002-03.

B. OTHER ISSUES

Audit Charges

Gross	0
IDG	35,000
Restricted	(35,000)
GF/GP	0

The Governor's recommendation includes adjustments for projected audit charges to restricted funds by the Auditor General. The net impact is reduced from the State Services Fee Fund, resulting in a net zero increase in funding.

DEPARTMENT OF MANAGEMENT AND BUDGET

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2002-03 YEAR-TO-DATE	FY 2003-04 GOV'S REC.	CHANGES FROM FY 2002-03 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	848.5	813.0	(35.5)	(4.2)
GROSS	185,227,911	171,687,800	(13,540,111)	(7.3)
Less:				
Interdepartmental Grants Received	109,548,100	103,716,800	(5,831,300)	(5.3)
ADJUSTED GROSS	75,679,811	67,971,000	(7,708,811)	(10.2)
Less:				
Federal Funds	358,600	440,800	82,200	22.9
Local and Private	0	0	0	0.0
TOTAL STATE SPENDING	75,321,211	67,530,200	(7,791,011)	(10.3)
Less:				
Other State Restricted Funds	36,073,900	31,201,300	(4,872,600)	(13.5)
GENERAL FUND/GENERAL PURPOSE	39,247,311	36,328,900	(2,918,411)	(7.4)
PAYMENTS TO LOCALS	0	0	0	0.0

**FY 2003-04
Change from
FY 2002-03
Year-to-Date**

A. FUNDING INCREASES

1. Rent Adjustments for Leased Facilities

Lease adjustments in the Governor's budget include the following buildings: Cadillac Place, Capitol Tower, Constitution Hall, Rickle Road Lab, and Terminal Road Lab.

Gross	729,900
IDG	729,900
GF/GP	0

2. Office of Retirement Systems (ORS) - Vision

Vision ORS is a multiyear project consisting of improvements to the business process for ORS and technological support. When Vision is completed, retirement members will have access to their retirement information by telephone, Internet, fax, interactive voice response, or in person. The proposed adjustment for FY 2003-04 will provide ongoing operational costs as the new system becomes functional.

Gross	1,290,000
Restricted	1,290,000
GF/GP	0

B. PROGRAM REDUCTIONS/ELIMINATIONS

1. 2002 Early Retirement

The Governor's recommendation eliminates funding associated with one month's salary and annual leave payouts for employees who retired in November 2002.

Gross	(277,400)
GF/GP	(277,400)

2. Information Technology Reduction

The proposed budget reduces the information technology appropriation for the Department based on savings that will be achieved by the Department of Information Technology. Savings include renegotiation of vendor contracts to reduce rates paid to vendors, telecommunication rate reductions related to data circuits, consolidation efficiencies, and equipment savings.

Gross	(646,200)
GF/GP	(646,200)

3. Building Occupancy Reductions and Adjustments

Reductions in the Governor's budget include: removal of the Victor Center from the State Space Plan, \$1,678,900; janitorial and other service reductions, \$900,000; security cost reductions, \$2,050,000; parking leases and shuttle bus efficiencies, \$750,000; and operating cost reductions for Cadillac Place and Constitution Hall, \$1,300,000.

Gross	(6,678,900)
IDG	(6,678,900)
GF/GP	0

**FY 2003-04
Change from
FY 2002-03
Year-to-Date**

4. Other Reductions

Other proposed reductions include elimination of the \$1,200,000 for the Gubernatorial Transition Fund, elimination of the severance pay fund pursuant to collective bargaining agreements, and other savings related to consulting, training, temporary staff, and strategic initiatives.

Gross	(1,930,000)
IDG	(600,000)
GF/GP	(1,330,000)

C. PROGRAM TRANSFERS

1. Employee Benefits Program

Executive Order 2002-13 transferred the Employee Benefits Program from the Department of Management and Budget (DMB) to the Department of Civil Service. This adjustment in the proposed budget reflects funding for the program. The program administers group insurance plans for medical, dental, vision, disability, life, and long-term care benefits. It also includes pretax benefit programs, COBRA and other insurance continuation programs, and the employee recognition program.

FTE	(31.0)
Gross	(5,425,900)
Restricted	(5,234,100)
GF/GP	(191,800)

2. Records Management Demographics

Executive Order 2002-17 transferred the demographics program and the State Data Center program (census reporting) to the Department of History, Arts, and Libraries.

FTE	(8.5)
Gross	(1,402,000)
IDG	(137,500)
Restricted	(102,900)
GF/GP	(1,161,600)

3. FIA Mail Services

The DMB is assuming interdepartmental mail distribution services for local Family Independence Agency (FIA) offices in Wayne County that were previously performed by FIA staff. The DMB currently provides this service for the majority of State agencies.

FTE	4.0
Gross	311,800
GF/GP	311,800

4. Center for Educational Performance and Information (CEPI)

The Governor's budget transfers the information technology funding for CEPI from the Department of Education to the Department of Management and Budget. The actual program remains in the Department of Information Technology.

Gross	685,100
Federal	13,500
GF/GP	671,600

**FY 2003-04
Change from
FY 2002-03
Year-to-Date**

D. ECONOMIC ADJUSTMENTS

The Governor's budget applies standard economic adjustments for rent and building occupancy charges. Adjustments reflect the net change and funding source adjustments. These adjustments include:

Item	Gross	GF/GP
Rent/Building Occupancy Charges	\$(82,500)	\$(273,500)
Total	\$(82,500)	\$(273,500)

Gross	(82,500)
IDG	164,600
Restricted	26,400
GF/GP	(273,500)

E. OTHER ISSUES

Other changes in the proposed budget include technical funding source adjustments, adjustments based on the Statewide Cost Allocation Plan, and a rounding adjustment related to Executive Order 2003-03. Boilerplate language that provided for per diem payments for the Judges Retirement Board, Public School Employees Retirement Board, State Police Retirement Board, and State Employees Retirement Board, is eliminated by the Governor.

Gross	(114,011)
IDG	690,600
Federal	68,700
Restricted	(852,000)
GF/GP	(21,311)

DEPARTMENT OF MILITARY AND VETERANS AFFAIRS

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2002-03 YEAR-TO-DATE	FY 2003-04 GOV'S REC.	CHANGES FROM FY 2002-03 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	1,072.0	1,072.0	0.0	0.0
GROSS	103,328,808	103,097,500	(231,308)	(0.2)
Less:				
Interdepartmental Grants Received	200,000	200,000	0	0.0
ADJUSTED GROSS	103,128,808	102,897,500	(231,308)	(0.2)
Less:				
Federal Funds	40,623,800	40,627,900	4,100	0.0
Local and Private	530,000	1,870,700	1,340,700	253.0
TOTAL STATE SPENDING	61,975,008	60,398,900	(1,576,108)	(2.5)
Less:				
Other State Restricted Funds	23,646,700	23,800,100	153,400	0.6
GENERAL FUND/GENERAL PURPOSE	38,328,308	36,598,800	(1,729,508)	(4.5)
PAYMENTS TO LOCALS	120,000	120,000	0	0.0

		FY 2003-04 Change from FY 2002-03 <u>Year-to-Date</u>	
A.	CHALLENGE PROGRAM FUND SHIFT	Gross	0
		Private	1,340,700
		GF/GP	(1,340,700)
	The Governor recommends the shift of \$1,340,700 in GF/GP funds currently used to provide a required match for \$1,651,200 in Federal funds received, to a private fund source that would provide donated funds for matching purposes. The program, created by the Federal National Guard, requires a State match of 40% to obtain Federal funds.		
B.	GRAND RAPIDS VETERANS HOME FUNDING ADJUSTMENTS	Gross	(32,000)
		Federal	(32,000)
		GF/GP	0
	The Governor recommends adjusting funding levels for the Home by increasing Federal Department of Veterans Affairs (VA) funds by \$118,000 to meet Federal care mandates, and a decreasing in Medicaid reimbursement funds by \$150,000.		
C.	D. J. JACOBETTI VETERANS HOME FUNDING ADJUSTMENT	Gross	115,700
		Restricted	115,700
		GF/GP	0
	The Governor recommends adjusting funding levels for the Home by providing an additional \$115,700 in income and assessment revenue to cover increased costs.		
D.	CIVIL AIR PATROL GRANT	Gross	(86,000)
		GF/GP	(86,000)
	The Governor recommends the elimination of a one-time grant to the Michigan Civil Air Patrol.		
E.	BUDGET SAVINGS	Gross	(330,808)
		Federal	(1,200)
		GF/GP	(329,608)
	The Governor recommends a departmentwide reduction of \$259,800 to reflect annualized savings for early retirees with a November 2, 2002, retirement date, a projected information technology savings of \$69,808, and \$1,200 in fleet savings.		
F.	FUNDING SHIFTS		
	The Governor recommends a funding shift of \$1,340,700 in GF/GP funds to private funds for the Challenge Program (Item A, above).		

**FY 2003-04
Change from
FY 2002-03
Year-to-Date**

G. ECONOMIC ADJUSTMENTS

Standard economic adjustments are applied for workers' compensation and institutional food and utilities charges consistent with factors applied to all budgets. Institutional adjustments for veterans homes include \$37,300 Federal, \$37,700 Restricted, and \$38,800 in GF/GP funds.

Gross	101,800
Federal	37,300
Restricted	37,700
GF/GP	26,800

Item	Gross	GF/GP
Workers' compensation	\$(12,000)	\$(12,000)
Institutional economics	113,800	38,800
Total	\$101,800	\$26,800

DEPARTMENT OF NATURAL RESOURCES

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2002-03 YEAR-TO-DATE	FY 2003-04 GOV'S REC.	CHANGES FROM FY 2002-03 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	2,075.5	2,082.5	7.0	0.3
GROSS	254,797,247	242,142,900	(12,654,347)	(5.0)
Less:				
Interdepartmental Grants Received	3,437,900	3,437,900	0	0.0
ADJUSTED GROSS	251,359,347	238,705,000	(12,654,347)	(5.0)
Less:				
Federal Funds	30,427,300	27,806,600	(2,620,700)	(8.6)
Local and Private	1,793,700	1,871,400	77,700	4.3
TOTAL STATE SPENDING	219,138,347	209,027,000	(10,111,347)	(4.6)
Less:				
Other State Restricted Funds	177,513,900	180,203,500	2,689,600	1.5
GENERAL FUND/GENERAL PURPOSE	41,624,447	28,823,500	(12,800,947)	(30.8)
PAYMENTS TO LOCALS	23,852,400	15,723,100	(8,129,300)	(34.1)

**FY 2003-04
Change from
FY 2002-03
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A. PAYMENTS IN LIEU OF TAXES

The Department of Natural Resources is required to make payments in lieu of taxes on certain State-purchased lands. In general, these payments are made from the same source of financing as that used to purchase the land. The Governor proposes a new formula for calculating the property tax payments and the fund source used to make the payments. Under the Governor's proposal, the State will pay a flat rate of \$2 per acre in place of the local property tax rate and all payments will be made from the General Fund. These are the same rate and fund source applied to State swamp land and tax reverted lands. The Governor's proposal also applies this funding formula to the remainder of FY 2002-03. A statutory change is necessary to enact this proposal.

Gross	(7,704,300)
Restricted	(5,742,200)
GF/GP	(1,962,100)

B. FEDERAL FISHERIES RESEARCH

The State has received additional Federal funding for fisheries research. The Federal grant will be spent on fish marking, tracking, and other field studies, as well as cover economic adjustments such as utilities that are not otherwise supported by the budget. The recommended budget increases the appropriation to reflect available Federal funding.

Gross	900,000
Federal	900,000
GF/GP	0

C. RURAL COMMUNITY FIRE PROTECTION GRANT

The Federal government makes funds available for local units of government to purchase fire-fighting equipment. The funding is available to fire departments in communities with populations of 10,000 or less that have publically owned forest lands within their jurisdictions. The funds may cover up to 50% of equipment costs. The recommended budget increases the appropriation to reflect available Federal funding.

Gross	150,000
Federal	150,000
GF/GP	0

D. FEDERAL LAND AND WATER CONSERVATION GRANTS

These grants are available to local units of government for the acquisition and development of land for outdoor recreation. A local match of 50% of the project cost is required. The Department's portion of this Federal funding has not yet been determined and the recommended budget removes funding for the grants, with the exception of a placeholder of \$1,000. A supplemental appropriation will be requested when a determination is made on available funding.

Gross	(3,933,000)
Federal	(3,933,000)
GF/GP	0

		FY 2003-04 Change from FY 2002-03 <u>Year-to-Date</u>
E. TREATY WATERS AND NATURAL RIVERS	Gross	204,000
	Restricted	204,000
	GF/GP	0
This program administers Federal consent decrees concerning fishing rights of tribal communities. Activities may include the stocking of fish and providing assistance with equipment. The Governor proposes an appropriation from the Game and Fish Protection Fund to compensate for General Fund reductions to this program in previous budget actions.		
F. GRANTS TO COUNTIES FOR MARINE SAFETY	Gross	(425,000)
	Restricted	(425,000)
	GF/GP	0
Marine Safety grants are paid to county sheriffs for watercraft law enforcement and safety education programs. A local match of 25% is required. Due to a realignment of the grant payments in FY 2002-03 and multiple years of appropriations greater than revenues, a lower level of grant funding is available in FY 2003-04. The Governor's recommendation reflects the Department's estimate of revenue available. An appropriation of \$2,805,000 remains in the line.		
G. GREAT LAKES FISHERIES COMMISSION	Gross	77,700
	Private	77,700
	GF/GP	0
A two-year grant from the Great Lakes Fisheries Commission is available for Geographic Information System and database projects related to the Great Lakes. The Governor's budget adjusts the appropriation to reflect available funding. A total of \$100,000 is available in FY 2003-04, the second year of the grant.		
H. STATE PARKS IMPROVEMENT BOND	Gross	(133,100)
	Restricted	(133,100)
	GF/GP	0
A revenue bond was issued in FY 2001-02 for \$15,500,000 for improvements at Sterling State Park in Monroe. Payments for debt service on the bond began in FY 2002-03; however, the actual payment schedule was not available at that time and an estimate was used for appropriation purposes. The Governor's recommended budget adjusts the appropriation for payment of the debt service to match the repayment schedule. An appropriation of \$1,066,900 from the Park Improvement Fund remains for debt service.		
I. FLEET SAVINGS	Gross	(14,600)
	Restricted	(14,600)
	GF/GP	0
As part of the FY 2002-03 General Fund budget reductions included in Executive Order 2003-3, the leases on a number of State vehicles were discontinued. The Governor's proposal reflects savings in restricted funds from this action.		

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J. FEDERAL AND RESTRICTED FUNDS ADJUSTMENTS

The Governor's recommended budget includes the reduction of funding placeholders, inflationary adjustments, and incremental changes in Federal and State restricted funds

Gross	(77,900)
Federal	(158,600)
Restricted	80,700
GF/GP	0

K. INFORMATION TECHNOLOGY REDUCTION

The proposed budget includes a General Fund reduction in the Department's Information Technology unit. The savings are expected primarily to be a result of changes in contractual services and lower user fees charged by the Department of Information Technology.

Gross	(241,947)
GF/GP	(241,947)

L. EARLY RETIREMENT SAVINGS

The recommended budget includes adjustments to the Department's base funding for the April 2002 early retirement option. The reductions occur in various programs across the Department.

Gross	(396,500)
Federal	5,900
Restricted	17,500
GF/GP	(410,900)

M. OTHER REDUCTIONS

A General Fund reduction of \$1,095,600 included in the FY 2002-03 budget reductions of Executive Order 2002-22 was postponed due to available Recreation Bond proceeds used to offset General Fund expenses. The Governor's recommended budget implements this reduction in FY 2003-04. The reduction is applied to various programs across the Department. Restricted funds available in the area of Mineral Management offset a portion of the General Fund reduction.

Gross	(1,005,700)
Restricted	80,900
GF/GP	(1,095,600)

N. PROGRAM TRANSFERS

Reservation and Retail Sales Systems

The Governor's recommended budget transfers the campground reservation system and administration of the retail sales system for hunting and fishing licenses from the Department of Information Technology to the Department of Natural Resources. The transfer includes 7.0 FTEs and \$3,883,700 of restricted funds. Since the funding was previously appropriated in the Information Technology unit of the Department, this transfer does not result in a change of funding for the Department.

FTE	7.0
Gross	0
GF/GP	0

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O. FEE INCREASES

State Parks Motor Vehicle Entrance Fees

The Governor proposes an increase to the motor vehicle entrance fee to State Parks. The fee is currently set in statute at \$20 for an annual permit and \$4 for a daily permit. The revenue is deposited into the Park Improvement Fund. The Governor's recommended budget reflects \$2,396,900 in increased revenue from raising the fee to \$24 for an annual permit and \$6 for a daily permit and an additional appropriation of \$150,000 from the balance of the Park Improvement Fund. This funding offsets a General Fund reduction. In addition, statutory changes are recommended to transfer authority for setting the park entrance fees to the Natural Resources Commission.

Gross	0
Restricted	2,546,900
GF/GP	(2,546,900)

P. FUNDING SHIFTS

1. State Parks Operations

The Governor's recommended budget offsets a reduction in General Fund support for State Parks with \$6,000,000 in appropriations from the State Park Endowment Fund. This funding is anticipated as a result of the investment of the Endowment Fund pursuant to amendments to the Michigan Constitution adopted on the August 2002 ballot. This funding shift and the fee increase for motor vehicle entrance permits results in the elimination of General Fund support for State Parks.

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

2. General Law Enforcement

The recommended budget offsets a reduction in General Fund dollars with Federal funds for law enforcement. An additional \$400,000 is available from the United States Coast Guard for marine safety activities due to a change in State reporting of expenditures for related programs, and \$15,000 is available from the National Oceanic and Atmospheric Administration for increased underwater patrols in the Thunder Bay area.

Gross	0
Federal	415,000
GF/GP	(415,000)

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Q. ECONOMIC ADJUSTMENTS

The recommended budget applies standard economic adjustments for workers' compensation and building occupancy charges consistent with factors applied to all budgets. These adjustments include:

Gross	(54,000)
Restricted	74,500
GF/GP	(128,500)

Item	Gross	GF/GP
Building occupancy charges	(\$139,000)	(\$139,000)
Workers' compensation	85,000	10,500
Total	(\$54,000)	(\$128,500)

SCHOOL AID

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2002-03 YEAR-TO-DATE	FY 2003-04 GOV'S REC.	CHANGES FROM FY 2002-03 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	N/A	N/A	N/A	N/A
GROSS	12,583,380,100	12,467,963,100	(115,417,000)	(0.9)
Less:				
Interdepartmental Grants Received	0	0	0	0.0
ADJUSTED GROSS	12,583,380,100	12,467,963,100	(115,417,000)	(0.9)
Less:				
Federal Funds	1,219,825,200	1,244,363,100	24,537,900	2.0
Local and Private	700,000	0	(700,000)	(100.0)
TOTAL STATE SPENDING	11,362,854,900	11,223,600,000	(139,254,900)	(1.2)
Less:				
Other State Restricted Funds	11,164,441,400	11,223,600,000	59,158,600	0.5
GENERAL FUND/GENERAL PURPOSE	198,413,500	0	(198,413,500)	(100.0)
PAYMENTS TO LOCALS	11,312,469,500	11,212,997,400	(99,472,100)	(0.9)

		FY 2003-04 Change from FY 2002-03 <u>Year-to-Date</u>	
A.	PRORATION REDUCTIONS	Gross	127,000,000
		Restricted	127,000,000
		GF/GP	0
In FY 2002-03, a proration of \$127,000,000 occurred, and reduced all nonobligatory line items by 3.8%. In the Governor's proposed budget for FY 2003-04, some line items are returned to full funding and others are reduced or eliminated. However, looking at the broad picture, and in order to create a meaningful analysis of the FY 2003-04 budget, restoration of the \$127,000,000 to the School Aid budget is assumed, with the items discussed below indicating where changes are proposed.			
B.	FOUNDATION ALLOWANCE	Gross	(134,000,000)
		Restricted	(134,000,000)
		GF/GP	0
1.	Proposal A Obligation Payment		
The Governor's budget reduces the Proposal A Obligation Payment by \$127,000,000 due to several factors: 1) a change in the pupil membership blend from an 80% weight on the current-year September count plus a 20% weight on the prior-year February count to a 50%-50% blend (savings of \$40,000,000); 2) use of more accurate data on pupils and taxable values; 3) elimination of declining enrollment subsidy; and 4) elimination of Schools of Choice pupil funding guarantee.			
2.	Discretionary Payment		
The Governor proposes to reduce the Discretionary Payment by \$7,000,000 due to the use of more accurate data on pupils and taxable values.			
C.	DEBT SERVICE ON <i>DURANT</i> BONDS	Gross	(40,000,000)
		Restricted	(40,000,000)
		GF/GP	0
Proposed refinancing of the State's obligation to pay the debt service on bonds issued to school districts as part of the resolution to the <i>Durant I</i> court case saves \$40,000,000.			
D.	FEDERAL FUNDS	Gross	24,537,900
		Federal	24,537,900
		GF/GP	0
Adjustments are proposed to the Federal funds allocated in the budget, based upon more precise knowledge of funding amounts allotted to Michigan by the Federal government.			

		FY 2003-04 Change from FY 2002-03 <u>Year-to-Date</u>	
E.	SPECIAL EDUCATION	Gross	33,700,000
		Restricted	33,700,000
		GF/GP	0
	The Governor's budget recognizes that additional funds are necessary to meet fully the <i>Durant</i> obligation for Special Education. Also, several minor funding adjustments are included to reflect more accurately actual payments.		
F.	RENAISSANCE ZONE REIMBURSEMENT	Gross	17,736,000
		Restricted	17,736,000
		GF/GP	0
	The budget recommendation includes additional funds necessary to reimburse school districts and the School Aid Fund for revenues lost due to increasing numbers of renaissance zones.		
G.	COURT PLACED PUPILS	Gross	2,000,000
		Restricted	2,000,000
		GF/GP	0
	The proposed budget includes additional funds necessary to fund fully estimated payments to existing districts and new facilities for the education of court-placed pupils.		
H.	INTERMEDIATE SCHOOL DISTRICT (ISD) EARLY CHILDHOOD GRANTS	Gross	3,326,000
		Restricted	3,326,000
		GF/GP	0
	Although the Governor's budget reduces intermediate school district (ISD) general operations funding by 6.6%, new categorical funding is made available to ISDs that provide early childhood education (ages 0-5), modeled on the All Students Achieve Program - Parent Involvement and Education.		
I.	SCHOOL LUNCH PROGRAM	Gross	3,200,000
		Restricted	3,200,000
		GF/GP	0
	The Governor's budget includes additional funds necessary to meet fully the <i>Durant</i> obligation for School Lunch, due to increasing costs and numbers of lunches served.		
J.	PROGRAM REDUCTIONS/ELIMINATIONS	Gross	(152,916,900)
		Restricted	(152,216,900)
		Local	(700,000)
		GF/GP	0
1.	Reductions in Adult Education, ISDs, Center for Educational Performance and Information (CEPI), Michigan Virtual University (MVU), Vocational Education		
	The budget recommendation reduces Adult Education by 75% or \$57,500,000; ISD General Operations funding by 6.6% or \$6,300,000; ISD Equalization Millages by \$1,600,000; CEPI funding by 80% or \$3,600,000 (reflecting the cancellation of Standard and Poor's contract); Michigan Virtual University funding by 60% or \$3,000,000; and Vocational Education by 3.25% or \$1,000,000.		

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2. Eliminations of Career Prep, PAL, Math/Science Centers, Gifted and Talented, School Health Curriculum Grants, Accreditation Assistance, Interagency Multi-Collaborative Bodies Grant, Golden Apples, Autism Grants, School Bond Loan Fund Payment, Declining Enrollment for U.P. Districts, and Local Treasurer Reimbursement

The programs listed above are proposed to be eliminated in their entirety. The School Bond Loan Fund Payment, Declining Enrollment for Upper Peninsula districts, and the reimbursement to local treasurers for revenue lost due to the change in State education tax mills were all one-time expenditures in FY 2002-03.

K. FUNDING SHIFTS

The recommended budget eliminates the \$198,413,500 in General Fund dollars appropriated to the School Aid budget in FY 2002-03. Instead, the Executive proposes to transfer a reserve balance in a Revenue Sharing payment schedule subaccount into the School Aid Fund for FY 2003-04.

Gross	0
Restricted	198,413,500
GF/GP	(198,413,500)

L. MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (MPSERS)

The Governor's budget proposes to freeze the FY 2003-04 contribution rate for the school districts. The proposed savings are approximately \$133,000,000 but will not be reflected in the appropriation bill.

Gross	0
GF/GP	0

DEPARTMENT OF STATE

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2002-03 YEAR-TO-DATE	FY 2003-04 GOV'S REC.	CHANGES FROM FY 2002-03 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	1,847.8	1,847.8	0.0	0.0
GROSS	178,962,961	175,501,000	(3,461,961)	(1.9)
Less:				
Interdepartmental Grants Received	96,493,000	94,752,300	(1,740,700)	(1.8)
ADJUSTED GROSS	82,469,961	80,748,700	(1,721,261)	(2.1)
Less:				
Federal Funds	1,319,500	1,319,500	0	0.0
Local and Private	100	100	0	0.0
TOTAL STATE SPENDING	81,150,361	79,429,100	(1,721,261)	(2.1)
Less:				
Other State Restricted Funds	65,274,200	66,447,400	1,173,200	1.8
GENERAL FUND/GENERAL PURPOSE	15,876,161	12,981,700	(2,894,461)	(18.2)
PAYMENTS TO LOCALS	69,800	69,800	0	0.0

		FY 2003-04 Change from FY 2002-03 Year-to-Date	
A.	ALUMINUM PLATES	Gross	141,200
		IDG	141,200
	The Governor's recommended budget includes an increase in Michigan Transportation Fund support to convert plate production from steel to aluminum.	GF/GP	0
B.	PROGRAM REDUCTIONS/ELIMINATIONS		
1.	2002 Early Retirement	Gross	(193,900)
		GF/GP	(193,900)
	The Governor's recommendation eliminates funding associated with one month's salary and annual leave payouts for employees who retired in November 2002.		
2.	Information Technology Reduction	Gross	(112,600)
		GF/GP	(112,600)
	The proposed budget reduces the information technology appropriation for the Department based on savings that will be achieved by the Department of Information Technology. Savings include renegotiation of vendor contracts to reduce rates paid to vendors, telecommunication rate reductions related to data circuits, consolidation efficiencies, and equipment savings.		
3.	Vertical Drivers License	Gross	(1,000,000)
		Restricted	(1,000,000)
	One-time funding to develop and implement a vertical driver license and ID card funded from the State Services Fee Fund is eliminated.	GF/GP	0
4.	Unspecified Savings	Gross	(500,000)
		GF/GP	(500,000)
	The proposed budget includes a reduction to be achieved through administrative savings.		
5.	Specialty License Plates	Gross	(1,993,000)
		IDG	(1,993,000)
	The budget recommendation reduces revenue from the Michigan Transportation Fund to support the Department of State's costs for specialty license plates in order to reflect the amount appropriated in the Transportation budget. This adjustment will result in an appropriation of \$1,922,000 for FY 2003-04.	GF/GP	0

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C. PROGRAM TRANSFERS

History, Arts, and Libraries

Gross	(62,600)
GF/GP	(62,600)

Funding in the Department of State's information technology appropriation related to functions transferred to the Department of History, Arts, and Libraries is reflected in the Governor's recommendation.

D. FEE INCREASES

Look-Up Fees

Gross	0
Restricted	2,100,000
GF/GP	(2,100,000)

Boilerplate language authorizes the Department of State to sell copies of driver and various other records. The fee is currently set at \$6.55 per record. The revenue generated from the fee is appropriated to the Department of State. The balance remaining at the end of the fiscal year lapses to the State General Fund. The FY 2002-03 appropriation to the Department of State from look-up fee revenue is \$30,094,300. The Governor's recommendation increases the look-up fee from \$6.55 to \$7.00. The estimated \$2,100,000 in additional revenue will offset an equal reduction to the State General Fund.

E. ECONOMIC ADJUSTMENTS

Gross	258,900
IDG	111,100
Restricted	73,200
GF/GP	74,600

The budget recommendation applies standard economic adjustments for rent, workers' compensation, and building occupancy charges consistent with factors applied to all budgets. These adjustments include:

Item	Gross	GF/GP
Building Occupancy Charges	\$39,500	\$6,700
Rent	203,000	63,000
Workers' Compensation	16,400	4,900
Total	\$258,900	\$74,600

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F. OTHER ISSUES

Technical Adjustments

Gross	39
GF/GP	39

Technical changes in the proposed budget include a rounding adjustment for the information technology appropriation related to Executive Order 2003-03.

DEPARTMENT OF STATE POLICE

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2002-03 YEAR-TO-DATE	FY 2003-04 GOV'S REC.	CHANGES FROM FY 2002-03 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	3,445.5	3,334.5	(111.0)	(3.2)
GROSS	405,973,348	412,286,600	6,313,252	1.6
Less:				
Interdepartmental Grants Received	19,282,800	17,882,800	(1,400,000)	(7.3)
ADJUSTED GROSS	386,690,548	394,403,800	7,713,252	2.0
Less:				
Federal Funds	45,570,500	55,292,300	9,721,800	21.3
Local and Private	3,913,700	4,506,600	592,900	15.1
TOTAL STATE SPENDING	337,206,348	334,604,900	(2,601,448)	(0.8)
Less:				
Other State Restricted Funds	59,816,900	103,363,400	43,546,500	72.8
GENERAL FUND/GENERAL PURPOSE	277,389,448	231,241,500	(46,147,948)	(16.6)
PAYMENTS TO LOCALS	19,062,200	18,802,758	(259,442)	(1.4)

**FY 2003-04
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FY 2002-03
Year-to-Date**

A. TROOPER SCHOOL - AT-POST TROOPERS

Gross 5,000,000
Restricted 36,400,000)
GF/GP (31,400,000)

The Governor recommends the holding of a new recruit school for Michigan State troopers. The proposed school will begin April 24, 2004, and produce 100 new troopers, which will contribute to an estimated Statewide trooper strength number of 1,100 at that time.

The Governor recommends an alternative fund source, a new Traffic Enforcement and Safety Fund, to offset \$36,400,000 in reduced GF/GP funding for FY 2003-04. The Governor recommends that \$23,700,000 of these funds come from an increase in vehicle operators licenses as shown below:

	<u>Current Fee</u>	<u>Governor's Proposed Fee</u>
Operator - Original	\$13.00	\$25.00
Operator - Renewal	\$13.00	\$25.00
Chauffeur - Original	\$21.00	\$35.00
Chauffeur - Renewal	\$21.00	\$35.00
Commercial	\$20.00	\$35.00
Operator - Two-Year Renewal	\$6.00	\$12.00
Chauffeur - Two-Year Renewal	\$10.00	\$17.50

In addition, the Governor proposes that \$12,700,000 in existing license fee revenue currently earmarked for the Transportation Economic Development Fund also be used to support trooper salaries. In all, \$31,400,000 supplants existing GF/GP support and \$5,000,000 funds the proposed trooper school.

B. FUND SHIFT TO FIRE SAFETY FEE

Gross 0
Restricted 6,284,700
GF/GP (6,284,700)

The Governor recommends the supplanting of GF/GP funding for the Fire Marshal Division and, to a lesser extent, other divisions, by revenue from a new fire safety fee. This new revenue is derived from a proposed new .35% assessment on all property insurance premiums in the State. These funds would replace \$5,206,100 in GF/GP funding for the Fire Marshal Division, and \$1,078,600 within other divisions, for a total of \$6,284,700.

		FY 2003-04 Change from FY 2002-03 <u>Year-to-Date</u>
C. DOMESTIC PREPAREDNESS GRANTS	Gross	6,400,000
	Federal	6,400,000
	GF/GP	0
The Governor recommends an increase in Federal funds to allow for the Emergency Management Division spending of revenue from two multiyear Federal grants. The grants will provide equipment and training primarily to local units (80% of funding) in accordance with the State's approved domestic preparedness strategy.		
D. DNA GRANT	Gross	3,000,000
	Federal	3,000,000
	GF/GP	0
The Governor recommends an increase in Federal funds to enable the Forensic Sciences Division to receive and spend a grant from the Department of Justice, which has been applied for to assist with the Division's backlog of DNA samples from cases with no suspects/cold case backlog that require processing.		
E. ADMINISTRATIVE SAVINGS	Gross	(7,316,748)
	GF/GP	(7,316,748)
The Governor recommends administrative savings reductions from various Department appropriation lines due to general administrative efficiencies and unfilled vacant positions. Savings include a reduction to the appropriation for information technology of \$2,127,148, and \$5,189,600 from other budget units across the Department.		
F. EARLY RETIREMENT SAVINGS	Gross	(1,116,500)
	GF/GP	(1,116,500)
The Governor recommends a reduction to reflect the FY 2003-04 annualized GF/GP November 1, 2002, early retirement savings.		

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Year-to-Date**

G. ADJUSTMENTS FOR FUNDS RECEIVED

The Governor recommends adjustments to reflect the actual amount of various funds expected to be received for FY 2003-04. Fund adjustments include: an additional \$121,800 in U. S. Department of Transportation funds; traffic-related support services; increased spending authority of \$400,000 in restricted funds for Laboratory Operations; increased funds of \$385,000 from reimbursed services; an additional \$200,000 for Federal reimbursed services; a downward adjustment of \$1,423,200 to the Highway Safety Fund; an increase of \$592,900 for Law Enforcement Information Network (LEIN) fees; a reduction of 13.0 FTEs and \$1,400,000 in Michigan Department of Transportation funds for the Motor Carrier Division that were never spent; and an increase of \$1,500,000 in restricted revenue for the Secondary Road Patrol Grant Program.

Gross	376,500
IDG	(1,400,000)
Federal	321,800
Local	592,900
Restricted	861,800
GF/GP	0

H. FTE ADJUSTMENTS

The Governor recommends the reduction of 50.0 FTEs within the at-post trooper line to reflect attrition and 48.0 FTEs Department-wide to reflect the impact of reductions taken by Executive Order 2003-3.

FTE	(98.0)
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I. UNCLASSIFIED SALARIES

The Governor recommends no increase to the unclassified salary line for FY 2003-04.

J. FUNDING SHIFTS

The Governor recommends two major funding shifts for FY 2003-04. The first shifts GF/GP expenditures of \$31,400,000 within the at-post trooper appropriation to a new fund source, the Traffic Enforcement and Safety Fund (item A.above). The other shifts \$6,284,700 in GF/GP funds for the Fire Marshal Division and other lines, to a new fund source called Fire Safety Fees (item B above).

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K. ECONOMIC ADJUSTMENTS

Gross (30,000)
GF/GP (30,000)

Standard economic adjustments are applied for workers' compensation and building occupancy charges. These adjustments include:

Item	Gross	GF/GP
Workers' compensation	\$310,000	\$310,000
Building occupancy charges	(340,000)	(340,000)
Total	\$(30,000)	\$(30,000)

STRATEGIC FUND AGENCY

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2002-03 YEAR-TO-DATE	FY 2003-04 GOV'S REC.	CHANGES FROM FY 2002-03 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	231.5	231.5	0.0	0.0
GROSS	136,883,400	99,513,200	(37,370,200)	(27.3)
Less:				
Interdepartmental Grants Received	100,900	100,900	0	0.0
ADJUSTED GROSS	136,782,500	99,412,300	(37,370,200)	(27.3)
Less:				
Federal Funds	62,953,300	52,953,300	(10,000,000)	(15.9)
Local and Private	853,100	853,100	0	0.0
TOTAL STATE SPENDING	72,976,100	45,605,900	(27,370,200)	(37.5)
Less:				
Other State Restricted Funds	32,550,000	10,050,000	(22,500,000)	(69.1)
GENERAL FUND/GENERAL PURPOSE	40,426,100	35,555,900	(4,870,200)	(12.0)
PAYMENTS TO LOCALS	9,009,400	0	(9,009,400)	(100.0)

**FY 2003-04
Change from
FY 2002-03
Year-to-Date**

A. PROGRAM REDUCTIONS/ELIMINATIONS

1. Community Development Block Grants

The Governor recommends reducing the Federal authorizations for this grant program. This proposal reduces the line item to \$50,000,000 for FY 2003-04.

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

2. Departmental Administration

The Governor recommends a 9.6% (\$442,000) reduction to the Administration line and a 4.8% (\$1,011,400) reduction to the Job Creation Services line.

Gross	(1,453,400)
GF/GP	(1,453,400)

3. Economic Development Job Training Grants

The Governor recommends an 18.6% reduction to this grant program. Proposed funding for FY 2003-04 is \$10,048,000.

Gross	(2,300,000)
GF/GP	(2,300,000)

4. Michigan Promotion Program

The Governor recommends a 10.9% reduction to this line item. The proposed FY 2003-04 funding for this line item is \$5,717,500.

Gross	(700,000)
GF/GP	(700,000)

B. ECONOMIC ADJUSTMENTS

The Governor's budget applies standard economic adjustments for workers' compensation, consistent with factors applied to all budgets. These adjustments include:

Item	Gross	GF/GP
Workers' Compensation	\$(27,000)	\$(27,000)
Total	\$(27,000)	\$(27,000)

		FY 2003-04 Change from FY 2002-03 <u>Year-to-Date</u>	
C.	TOBACCO SETTLEMENT	Gross	(22,500,000)
		Restricted	(22,500,000)
	Life Science Corridor Funding	GF/GP	0
The Governor recommends a reduction and a program change for this grant program. First, the proposal reduces funding for this program to \$10 million, which will be matched by the Michigan Economic Development Corporation with off-budget Indian Casino revenue. The funds then will be used to develop a Technology Tri-Corridor that will continue to fund research in the life sciences, as well as research in the areas of homeland security and automotive issues.			
D.	OTHER ISSUES	Gross	(389,800)
		GF/GP	(389,800)
	Early Retirement Adjustments		
The 2002 early retirement program resulted in a number of employees' electing to remain in State service beyond October 1, 2002. The proposed FY 2003-04 budget reflects the salary and wage costs of these employees as a base adjustment to the affected line items.			

DEPARTMENT OF TRANSPORTATION

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2002-03 YEAR-TO-DATE	FY 2003-04 GOV'S REC.	CHANGES FROM FY 2002-03 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	3,069.3	3,069.3	0.0	0.0
GROSS	3,093,591,400	3,199,989,200	106,397,800	3.4
Less:				
Interdepartmental Grants Received	0	0	0	0.0
ADJUSTED GROSS	3,093,591,400	3,199,989,200	106,397,800	3.4
Less:				
Federal Funds	963,136,100	965,255,100	2,119,000	0.2
Local and Private	5,800,000	5,800,000	0	0.0
TOTAL STATE SPENDING	2,124,655,300	2,228,934,100	104,278,800	4.9
Less:				
Other State Restricted Funds	2,124,655,300	2,228,934,100	104,278,800	4.9
GENERAL FUND/GENERAL PURPOSE	0	0	0	0.0
PAYMENTS TO LOCALS	1,176,250,300	1,234,759,000	58,508,700	5.0

**FY 2003-04
Change from
FY 2002-03
Year-to-Date**

A. DIESEL FUEL / LIQUIFIED PETROLEUM GAS TAX INCREASE

Gross	38,940,000
Restricted	38,940,000
GF/GP	0

The Governor's budget proposal includes revenue from an anticipated 4-cent per gallon increase in the diesel fuel tax and the liquified petroleum gas (LPG) tax. Currently, the excise tax on these fuels is 15-cents per gallon, while the excise tax on gasoline is 19-cents per gallon. The proposed increases would equalize the State taxation on all of these fuel types. The estimated revenue from the increase of these taxes is \$38,940,000. The Governor proposes to distribute this revenue through the standard Public Act 51 of 1951 formula in the following amounts: \$3,894,000 to the Comprehensive Transportation Fund, \$13,703,000 to the State Trunkline Fund, \$13,703,000 to county road commissions, and \$7,640,000 to incorporated cities and villages.

B. TRANSPORTATION GRANTS TO OTHER DEPARTMENTS

Gross	(2,339,500)
Restricted	(2,339,500)
GF/GP	0

The Governor's FY 2003-04 budget proposal continues interdepartmental grants (IDGs) to other State departments/agencies for transportation-related services provided to the Michigan Department of Transportation (MDOT). The total level of these grants is reduced by \$2,339,500 from the FY 2002-03 year-to-date level of \$120,743,900. The Michigan Transportation Fund (MTF) IDG to the Department of State is increased \$252,300 to a total of \$94,752,300, while the MTF grant to the Department of Treasury is reduced by \$1,664,000 to \$8,561,000. The State Trunkline Fund IDG to the Department of State Police is reduced by \$1,400,000 to \$6,853,300 to reflect the appropriate service level provided by State Police, Motor Carrier Division.

Included in the FY 2003-04 budget proposal are transportation IDGs to the newly created Department of History, Arts, and Libraries (HAL). These grants represent record-keeping services previously provided by the Department of Management and Budget to MDOT and that were transferred to HAL under Executive Order 2002-17.

**FY 2003-04
Change from
FY 2002-03
Year-to-Date**

C. MTF REVENUE DISTRIBUTION TO ROAD AGENCIES

Gross	66,109,100
Restricted	66,109,100
GF/GP	0

State transportation revenues credited to the MTF are expected to increase by 4.9% over FY 2002-03 estimates to over \$2.1 billion in FY 2003-04, including the new revenue from the proposed diesel/LPG tax increase. As a result of the natural growth in the MTF, the net MTF formula distribution to State and local road agencies will increase in the following amounts, excluding revenue from the proposed diesel/LPG tax (Item B, above):

State Trunkline Fund	\$25,848,700
County Road Commissions	25,848,700
Cities and Villages	<u>14,411,700</u>
Total	\$66,109,100

D. DEBT SERVICE

Gross	(2,356,400)
Restricted	(2,356,400)
GF/GP	0

The Governor's budget proposal reflects both new and existing debt service costs associated with transportation-related borrowing. State Trunkline Fund debt service will decrease by \$15,656,400 as a result of refinancing; this revenue is redirected to the State road and bridge programs. Debt service paid from the Transportation Economic Development Fund will increase by \$2,875,900, resulting from new Build Michigan III bonding proposed for FY 2003-04. This increase will reduce the allocations to target industries by \$1,437,900; \$719,000 to urban counties, and \$719,000 to rural counties.

Debt service for Comprehensive Transportation Fund (CTF) projects will increase by \$6,178,600 to cover \$82,300,000 in bonds issued in 2002 for various CTF projects. The Governor's budget also recognizes \$1,050,000 in CTF debt service payments associated with anticipated borrowing to satisfy the final payment to Northwest Airlines for the midfield terminal expansion project at the Detroit/Wayne County Metropolitan Airport. The financing for the final payment to Northwest Airlines was changed from GF/GP support to CTF bond proceeds as part of Executive Order 2003-3 to assist in balancing the General Fund budget.

E. HIGHWAY MAINTENANCE

Gross	2,688,000
Restricted	2,688,000
GF/GP	0

The Governor's budget includes additional funding to cover inflationary costs and lane capacity associated with highway maintenance on State roads and bridges.

		FY 2003-04 Change from FY 2002-03 <u>Year-to-Date</u>
F. FEDERAL ROAD AND BRIDGE FUNDING	Gross	(2,931,000)
	Federal	(2,931,000)
	GF/GP	0
Total Federal road and bridge funding is estimated at \$909,555,100 in FY 2003-04, a continuation of FY 2002-03 estimates. However, the current-year budget includes appropriation authorizations to State and local road agencies above the actual amounts allocated by Congress under the most recent Federal budget bill. Therefore, a net reduction of \$2,931,000 from the current-year level of \$912,486,100 is included. The Governor's recommendation reduces appropriations of Federal funds to State and local road agencies to reflect the currently anticipated amounts. Federal bridge funds are appropriated using the historical allocation schedule, 85% to MDOT and 15% to local road agencies. The Governor's budget includes additional Federal funding of \$3,000,000 to cover debt service on existing Federal grant anticipation notes issued in 2002, the proceeds of which were used to accelerate the Build Michigan program.		
G. EARLY RETIREMENT ADJUSTMENT	Gross	(4,825,800)
	Restricted	(4,825,800)
	GF/GP	0
The Governor's budget proposal recognizes one-time savings associated with the most recent early retirement program for State employees.		
H. UNCLASSIFIED SALARIES		
Commission Per Diem. The Governor's budget proposal eliminates the per diem (\$100) provided to the six appointed members of the State Transportation Commission.	Gross	(10,000)
	Restricted	(10,000)
	GF/GP	0
I. FUNDING SHIFTS		
1. Reduced Sales Tax Transfer to Comprehensive Transportation Fund	Gross	NA
	GF/GP	NA
Currently, a portion of the general sales tax revenue on motor fuel and vehicle-related sales is statutorily earmarked to the CTF. This earmark is estimated to generate \$78,000,000 in FY 2003-04. Through changes to the General Sales Tax Act, the Governor plans to reduce the amount of the transfer by a total of \$10,600,000 in FY 2002-03 and FY 2003-04, combined, and redirect this revenue to the FY 2003-04 General Fund. This change would not affect the appropriation levels, but instead would affect the revenue of the CTF, and therefore is not reflected here as a change from year-to-date.		

**FY 2003-04
Change from
FY 2002-03
Year-to-Date**

2. Transportation Economic Development Fund

Currently, an estimated \$13,000,000 in operators and chauffeurs license fee revenue is deposited annually in the Transportation Economic Development Fund (TEDF). The Governor's budget recommendation includes proposed legislation that would redirect this revenue from the TEDF to the Traffic Enforcement and Safety Fund to be used by the Department of State Police. The reduction of \$13,000,000 will be distributed according to the TEDF formula, in the following manner: \$6,500,000 to the target industries allocation, \$3,250,000 to the urban county allocation, and \$3,250,000 to the rural county allocation.

Gross	(13,000,000)
Restricted	(13,000,000)
GF/GP	0

J. ECONOMIC ADJUSTMENTS

The Governor's budget proposal recognizes standard economic adjustments for workers' compensation and rent/building occupancy charges. These adjustments include:

Gross	(145,800)
Restricted	(145,800)
GF/GP	0

Item	Gross	GF/GP
Property Management	(\$315,800)	\$0
Workers' Compensation	170,000	0
Total	(\$145,800)	\$0

K. OTHER ISSUES

The Governor's budget proposal contains a number of other adjustments associated with internal transfers of employees to reflect the current MDOT organizational structure, anticipated Federal transit funding, additional State restricted revenue, and shifts in funding to reflect current cost-allocation methodologies used within MDOT. Specifically, the budget includes additional Federal transit funding of \$5,050,000 for comprehensive transportation programs, \$2,000,000 in State restricted revenue for bridge deck work on the Blue Water Bridge, and \$690,200 in available State Aeronautics Fund revenue.

Gross	24,269,200
Federal	5,050,000
Restricted	19,219,200
GF/GP	0

DEPARTMENT OF TREASURY - DEBT SERVICE

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2002-03 YEAR-TO-DATE	FY 2003-04 GOV'S REC.	CHANGES FROM FY 2002-03 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	N/A	N/A	N/A	N/A
GROSS	59,586,400	73,286,400	13,700,000	23.0
Less:				
Interdepartmental Grants Received	0	0	0	0.0
ADJUSTED GROSS	59,586,400	73,286,400	13,700,000	23.0
Less:				
Federal Funds	0	0	0	0.0
Local and Private	0	0	0	0.0
TOTAL STATE SPENDING	59,586,400	73,286,400	13,700,000	23.0
Less:				
Other State Restricted Funds	40,000,000	878,000	(39,122,000)	(97.8)
GENERAL FUND/GENERAL PURPOSE	19,586,400	72,408,400	52,822,000	269.7
PAYMENTS TO LOCALS	0	0	0	0.0

		FY 2003-04 Change from FY 2002-03 <u>Year-to-Date</u>
A. CLEAN MICHIGAN INITIATIVE	Gross	17,100,000
	GF/GP	17,100,000
The Governor's recommendation increases funding for Clean Michigan Initiative debt service costs from \$15,936,000 to \$33,036,000 mainly based on anticipation of the issuance of additional bonds in the spring of 2003.		
B. PROGRAM REDUCTIONS/ELIMINATIONS		
Quality of Life Bond Debt Service Costs	Gross	(3,400,000)
	GF/GP	(3,400,000)
The Governor's recommendation reduces funding for Quality of Life Bond debt service costs from \$40,900,000 to \$37,500,000 based on estimated debt service costs.		
C. FUNDING SHIFTS		
1. Quality of Life Bond Debt Service	Gross	0
	Restricted	(40,000,000)
	GF/GP	40,000,000
Executive Order 2002-22 reduced General Fund support for Quality of Life debt service costs by \$40,000,000. Public Act 746 of 2002 replaced this funding with \$30,000,000 from the Cleanup and Redevelopment Fund and \$10,000,000 from the Environmental Response Fund. The Governor's recommendation restores the General Fund support for FY 2003-04.		
2. Recreation Bond Resources	Gross	0
	Restricted	878,000
	GF/GP	(878,000)
The Governor's revised recommendation shifts \$878,000 from the State General Fund to Recreation Bond Resources for Quality of Life Bond debt service costs.		

DEPARTMENT OF TREASURY - OPERATIONS

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2002-03 YEAR-TO-DATE	FY 2003-04 GOV'S REC.	CHANGES FROM FY 2002-03 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	1,852.5	1,867.5	15.0	0.8
GROSS	372,609,697	366,453,900	(6,155,797)	(1.7)
Less:				
Interdepartmental Grants Received	19,445,300	14,278,600	(5,166,700)	(26.6)
ADJUSTED GROSS	353,164,397	352,175,300	(989,097)	(0.3)
Less:				
Federal Funds	44,296,100	44,196,100	(100,000)	(0.2)
Local and Private	910,800	910,800	0	0.0
TOTAL STATE SPENDING	307,957,497	307,068,400	(889,097)	(0.3)
Less:				
Other State Restricted Funds	252,233,900	257,411,700	5,177,800	2.1
GENERAL FUND/GENERAL PURPOSE	55,723,597	49,656,700	(6,066,897)	(10.9)
PAYMENTS TO LOCALS	99,329,400	99,931,700	602,300	0.6

**FY 2003-04
Change from
FY 2002-03
Year-to-Date**

A. COMMERCIAL MOBILE RADIO SERVICE PAYMENTS

The revenue supporting this appropriation is generated by a 55-cent fee included on all cellular phone bills. The revenue is used to establish and maintain 911 emergency response capabilities of locating a cellular phone call. Proceeds from the fee are distributed to counties for conversions of hardware and software, to the State Police for enhancement of radio tower capabilities, and for the training of personnel. Counties receive a flat allotment of \$33,615 plus 45 cents per capita. The project was begun in FY 2000-01. A five-year completion time line makes FY 2004-05 the last year of funding. Public Acts 78 and 79 of 1999 established the program through amendments to the Emergency Telephone Service Enabling Act (MCL 484.1101 to 484.1717). This Act sunsets on December 31, 2006. The Governor's recommendation increases funding from \$24,000,000 to \$26,500,000.

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

B. NEW LOTTERY GAMES

The proposed new games are directed toward new licensed retailer bases that would involve age-controlled environments. The State Lottery is projecting 3,000 new retailers for Keno and breakopen games and 2,000 retailers who might sell just the breakopen game. The assumed implementation date for the new games is January 1, 2004. Revenue to the School Aid Fund from these two proposed games is projected at \$50,900,000 in FY 2003-04 and \$67,800,000 on a full-year basis.

FTE	19.0
Gross	2,724,100
Restricted	2,724,100
GF/GP	0

C. PROGRAM REDUCTIONS/ELIMINATIONS

1. 2002 Early Retirement

The Governor's recommendation eliminates funding associated with one month's salary and annual leave payouts for employees who retired in November 2002.

Gross	(693,200)
GF/GP	(693,200)

		FY 2003-04 Change from FY 2002-03 <u>Year-to-Date</u>
2. Information Technology Reduction	Gross	(177,300)
	GF/GP	(177,300)
The Governor's budget reduces the information technology appropriation for the Department was reduced based on savings that will be achieved by the Department of Information Technology. Savings include renegotiation of vendor contracts to reduce rates paid to vendors, telecommunication rate reductions related to data circuits, consolidation efficiencies, and equipment savings.		
3. Qualified Agricultural Loan Payments	Gross	(800,000)
	GF/GP	(800,000)
Public Act 16 of 2002 established a zero-interest agricultural loan program in response to severe drought conditions experienced by Michigan farmers in 2001. This funding will pay the interest costs on loans made to farmers under this program by financial institutions. Approximately \$1,140,000 of this amount will cover loan subsidy payments from FY 2001-02. This funding was added in an FY 2002-03 supplemental appropriation bill, Public Act 746 of 2002. The Governor's recommendation reduces funding from \$6,000,000 to \$5,200,000.		
4. Program Reductions	Gross	(5,064,000)
	IDG	(1,664,000)
	GF/GP	(3,400,000)
Savings in the Governor's recommendation include: eliminating seasonal employees in the revenue division, \$1,200,000; suspending the customer contact toll-free line, \$200,000; training reductions, \$500,000; reduction of individual income tax form notification distribution, \$600,000; travel savings, \$100,000; shifting local unit mailings to the Internet, \$100,000; removing one-time costs for the motor fuel tax electronic reporting system; and administrative reductions, \$700,000.		
5. Other Reductions	Gross	(842,700)
	Federal	(100,000)
	GF/GP	(742,700)
Other proposed adjustments include a \$700,000 reduction for the Senior Citizen Cooperative Housing Tax Exemption due to the one-time cost increase related to the change in payment dates for the State Education Property Tax; a \$42,700 reduction to the Benton Harbor Enterprise Zone pursuant to statute; and a reduction of \$100,000 in Federal funding.		

**FY 2003-04
Change from
FY 2002-03
Year-to-Date**

D. PROGRAM TRANSFERS

History, Arts, and Libraries

Gross (55,000)
GF/GP (55,000)

The Governor's recommendation transfers funding associated with the Quarter Commission to the Department of History, Arts, and Libraries.

E. ECONOMIC ADJUSTMENTS

Gross (516,800)
IDG (1,200)
Restricted (316,900)
GF/GP (198,700)

The Governor's recommendation applies standard economic adjustments for workers' compensation and building occupancy charges consistent with factors applied to all budgets. These adjustments include:

Item	Gross	GF/GP
Building Occupancy Charges	\$(600,800)	\$(223,700)
Workers' Compensation	84,000	84,000
Total	\$(516,800)	\$(198,700)

L. OTHER ISSUES

Technical Adjustments

FTE (4.0)
Gross (3,230,897)
IDG (3,501,500)
Restricted 270,600
GF/GP 3

Other proposed changes include eliminating 4.0 FTEs/\$224,400 related to the sunset of the statutory fee for the Michigan Underground Storage Tank Financial Assurance Fund; eliminating the Children's Trust Fund deduct of \$6,500; funding source adjustments based on actual charges; reflecting the previous transfer of certain warrant processing costs to the Department of Management and Budget; and a \$3 adjustment related to a rounding adjustment from Executive Order 2003-3.

DEPARTMENT OF TREASURY - REVENUE SHARING

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2002-03 YEAR-TO-DATE	FY 2003-04 GOV'S REC.	CHANGES FROM FY 2002-03 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	N/A	N/A	N/A	N/A
GROSS	1,455,718,000	1,412,100,000	(43,618,000)	(3.0)
Less:				
Interdepartmental Grants Received	0	0	0	0.0
ADJUSTED GROSS	1,455,718,000	1,412,100,000	(43,618,000)	(3.0)
Less:				
Federal Funds	0	0	0	0.0
Local and Private	0	0	0	0.0
TOTAL STATE SPENDING	1,455,718,000	1,412,100,000	(43,618,000)	(3.0)
Less:				
Other State Restricted Funds	1,455,718,000	1,412,100,000	(43,618,000)	(3.0)
GENERAL FUND/GENERAL PURPOSE	0	0	0	0.0
PAYMENTS TO LOCALS	1,455,718,000	1,412,100,000	(43,618,000)	(3.0)

**FY 2003-04
Change from
FY 2002-03
Year-to-Date**

REVENUE SHARING PAYMENTS TO LOCAL GOVERNMENTS

Gross	43,618,000
Restricted	43,618,000
GF/GP	0

The Governor recommends that restricted State revenue sharing payments in FY 2003-04 total \$1,412,100,000, an estimated decrease of \$43,618,000 (3.0%) from the current estimated payments for FY 2002-03. In this proposal, the recommended amount is 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 will not be distributed. If revenues are not as high as forecasted, the recommendation ensures any additional reduction will be distributed evenly across all units, excluding the City of Detroit.

The Governor also proposes that the 3.0% reduction be distributed evenly across all local units, including the City of Detroit. This proposal effectively suspends the revenue sharing formulas included in statute, including the phase-in of the new distribution created by the formula changes adopted in Public Act 532 of 1998.

The Governor recommends that revenues traditionally set aside at the end of each fiscal year to fund constitutional revenue sharing payments in October of the next fiscal year be transferred to the School Aid Fund. The amount of the transfer is estimated to total \$198,000,000 and will not directly affect revenue sharing payments to any local unit. Under changes implemented in Public Act 679 of 2002, beginning in FY 2003-04, funds used to pay constitutionally required revenue sharing payments must come from the fiscal year in which the payment is made. As a result, the year-end reservation of July through September revenues to fund the October constitutional payment and a portion of the December payment will no longer be necessary. However, constitutional and accounting considerations may keep the funds from being used for any purpose other than constitutional revenue sharing, in which case the transfer will not take place.

The estimated and proposed revenue sharing payments, by distribution type, are summarized in [Table 1](#). Figures in the table are based on the January 2003 consensus estimates of State revenues and the Governor's FY 2003-04 budget recommendation.

Table 1
STATE REVENUE SHARING PAYMENTS
ESTIMATED FY 2002-03 AND FY 2003-04 UNDER THE GOVERNOR'S PROPOSAL
(dollars in millions)

			FY 2003-04 Change	
	FY 2002-03 Enacted Estimate ¹⁾	FY 2003-04 Governor's Recommended Estimate ¹⁾	Dollar	Percent
Sales Tax Constitutional:				
Counties	\$ 0.0	\$ 0.0	\$ 0.0	—
Cities, Villages, & Townships	664.6	694.5	29.9	4.5%
Subtotal Constitutional	\$664.6	\$694.5	\$29.9	4.5%
Sales Tax Statutory:				
Counties	\$202.9	\$196.8	\$(6.1)	(3.0)%
Cities, Villages, & Townships	588.2	520.8	(67.4)	(11.5)
Subtotal Statutory	\$791.1	\$717.6	\$(73.5)	(9.3)%
Total Restricted Revenue Sharing ¹⁾	\$1,455.7	\$1,412.1	\$(43.6)	(3.0)%
General Fund/General Purpose ²⁾	0.0	10.0	0.0	—
Total Revenue Sharing	\$1,455.7	\$1,412.1	\$(43.6)	(3.0)%

1) The revenue sharing appropriations are based on consensus sales tax estimates adopted at the January 2003 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 special census payments.

ECONOMIC AND REVENUE FORECAST

ECONOMIC AND REVENUE FORECAST

Economic Forecast

The Governor's proposed budget for FY 2003-04 is based on an economic forecast that assumes the U.S. and Michigan economies begin to pull out of the current pause in economic growth during the spring of 2003 and then, in the summer of 2003, experience more robust growth which then carries over through 2004. This economic forecast is summarized in Table 1 and is the consensus forecast adopted by the Treasury Department, Senate Fiscal Agency, and House Fiscal Agency at the January 14, 2003, Consensus Revenue Estimating Conference.

U.S. Economy. The current lackluster performance of the U.S. economy can be attributed to a large extent to the uncertainty being generated by the Iraqi conflict. Consumers and businesses have a tendency to be very cautious about making financial commitments when economic times are uncertain, and that is currently the case. The forecast of the U.S. economy is predicated on resolution of the Iraqi situation through either war or diplomatic means in the short term. While the Iraqi situation is currently hurting economic growth, Federal monetary and fiscal policy is working to help bolster the economy. The Federal Reserve has lowered short-term interest rates to their lowest levels since the early 1960s and Federal fiscal policy is reducing taxes and increasing spending. Therefore, once the Iraqi situation is resolved, consumer and business confidence is expected to be restored and this will generate renewed economic growth. For the U.S. economy, real Gross Domestic Product (GDP) is forecast to increase 2.4% in 2003 and then improve to a growth rate of 3.7% in 2004. Light motor vehicle sales are expected to fall slightly from the historically high levels of 17.0 million units in 2001 and 16.5 million units in 2002 to a total of 16.3 million units in 2003 and 16.4 million units in 2004. Even as economic growth begins to improve in 2003, the improvement in the labor market will not occur until later in the year, as is typical during the initial stages of renewed economic growth. As a result, the unemployment rate is expected to rise to 6.1% in 2003, from 5.8% in 2002, and then fall to 5.6% in 2004. As the level of economic activity picks up, inflationary pressures also will have a tendency to increase. To help head off these inflationary pressures, the Federal Reserve is expected to increase short-term interest rates, which will push up the 3-month Treasury Bill rate to an estimated 3.2% in 2004 from 1.6% in 2002 and 2003. As a result, it is estimated that inflation will remain under control through the forecast horizon despite the temporary run up in oil prices during the Iraqi conflict.

Michigan Economy. The number of workers receiving wages and salaries in Michigan fell by 41,000 people, or 0.9%, in 2002. In 2003, the level of wage and salary employment is expected to fall another 14,000 jobs, or 0.3%. The turnaround of the national economy in 2004 will help increase employment in Michigan by 77,000 jobs, or 1.7%. As a result, Michigan's unemployment rate will rise to 6.2% in 2003, from 6.1% in 2002, and then fall to 5.7% in 2004. The decline in the number of people employed in 2003, will be offset by increases in the average work week and average weekly earnings in many sectors of the economy during the last part of 2003, which will help generate a 3.6% increase in Michigan personal income in 2003, compared with the 2.0% increase experienced in 2002. In 2004, personal income growth is expected to rebound further to a rate of 5.2%. Inflation, as measured by the Detroit Consumer Price Index, is expected to remain steady at 2.7% in both 2003 and 2004.

Proposed Revenue Changes

The Governor's budget includes several tax policy changes, revenue shifts, new lottery games, and an increase in the diesel fuel tax as ways to generate additional revenue. These proposed changes are summarized below.

Tax Policy Changes. The Governor is proposing 15 tax policy changes that are being characterized as closing tax loopholes. These changes are summarized, along with the estimated gain in revenue they would generate, in [Table 2](#). It is estimated that in FY 2003-04 these tax policy changes would generate \$128.9 million in new revenue, of which \$108.7 million would go to the General Fund/General Purpose (GF/GP) budget and \$20.3 million would go to the School Aid Fund (SAF) budget. These proposed tax changes would have an impact primarily on nonresidents who earn business income or have casino winnings in Michigan (income tax), limited liability companies and other “flow-through” structured businesses (single business tax), oil and gas well owners (income and single business taxes), insurance companies (use tax), people purchasing land that includes an agreement to build on that land (transfer tax), and people and businesses who are delinquent in paying their taxes (tax penalties). Legislation will be needed to enact these proposed tax changes.

Auto-Related Sales Tax Collections. Under current law, a portion of the sales tax collected from certain types of businesses directly related to motor vehicles (such as motor vehicle dealerships, gasoline stations, and auto-parts stores) is earmarked to the Comprehensive Transportation Fund (CTF) to help fund public transportation programs. The portion earmarked to the CTF equals 27.9% of 25% of the auto-related sales tax collected from the first 4.0% of the overall 6.0% sales tax. The Governor is proposing that the percentage share going to the CTF be reduced from 27.9% to 24%. This would reduce CTF revenue, and increase GF/GP revenue, an estimated \$10.6 million in FY 2003-04.

Revenue Sharing Reserve Transfer. Public Act 679 of 2002 eliminated the need to reserve a portion of the July through September sales tax collections for the purpose of making the October constitutional revenue sharing payment beginning in FY 2003-04. Instead, sales tax revenue collected during FY 2003-04 will be used to make the October payment. As a result, this accounting change results in a one-time savings of \$198.6 million. The Governor is proposing that this \$198.6 million be transferred to the SAF in FY 2003-04.

Lottery Games. The Governor is proposing that two new lottery games be started in FY 2003-04, to help generate additional revenue for the School Aid Fund (SAF). These games would include a new expanded keno game and begin a “break-open” type game. It is estimated these new games will generate an additional \$50 million in FY 2003-04.

Diesel Tax. The tax on diesel fuel is currently 15 cents per gallon. The Governor is proposing that this tax be increased by 4 cents per gallon to 19 cents per gallon. This increase would make the diesel fuel tax equal to the current 19-cent-per-gallon tax on gasoline. It is estimated that this increase would generate \$38.7 million in additional revenue for the Michigan Transportation Fund in FY 2003-04.

School Bond Loan Fund. It is proposed that bonds issued to help finance loans to schools through the School Bond Loan Fund be paid off early and reissued at a lower interest rate. The State has issued \$600 million in bonds on behalf of schools borrowing through the School Bond Loan Fund. This \$600 million is owed to the State by the schools; however, the State has been paying debt service on these bonds and only \$500 million of the bonds are still outstanding. As a result, refinancing \$600 million in bonds when the State only owes \$500 million, would generate a net one-time gain for the State of \$100 million. The Governor is proposing that this \$100 million be deposited in the SAF.

Revenue Estimates

Revenues totaling an estimated \$37.6 billion will be available in FY 2003-04 to support Governor Granholm’s proposed budget. This represents a 1.3% decrease from the revised revenue estimate for FY 2002-03. These total State government revenues include revenue from taxes, fees, interest, licenses and permits, penalties, fines, Federal aid, and carryover balances. [Table 3](#) presents the overall State budget revenue estimates for FY 2002-03 and FY 2003-04, broken down by major fund.

Two of the major funds in the overall State budget are the General Fund/General Purpose (GF/GP) and School Aid Fund (SAF) budgets. These two funds will account for an estimated \$21.1 billion, or over half of the total revenue estimated for FY 2003-04. These GF/GP and SAF revenue estimates are the consensus estimates adopted by the Granholm Administration, Senate Fiscal Agency, and House Fiscal Agency at the January 14, 2003, 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 one-time revenue adjustments, grants and transfers, Federal aid, and beginning carryover balances.

General Fund/General Purpose Revenue. As shown in Table 4, GF/GP revenue is expected to total \$8.59 billion in FY 2003-04, which is down 2.2% from the FY 2002-03 estimate. While revenue from ongoing sources is expected to be up \$108 million, or 1.3%, revenue from beginning balances and one-time revenue adjustments is down from their respective levels in the FY 2002-03 budget. The Governor's proposed budget includes \$400 million in revenue from tax policy changes and one-time adjustments, which is down from the \$590 million in one-time adjustments built into the FY 2002-03 budget. In addition, the FY 2002-03 budget had a carryover beginning balance of \$114.5 million, and the FY 2003-04 proposed budget has no beginning balance. The Governor's GF/GP budget for FY 2003-04 also includes \$108.6 million from proposed tax policy changes, and \$10.6 million in additional sales tax revenue that is currently going to the Comprehensive Transportation Fund, both of which are discussed above. The one-time revenue adjustments, which total \$280.8 million, include \$268.8 million savings from reduced revenue sharing payments, \$2.0 million from the sale of State property, and a \$10 million transfer from the Employment Security Contingent Fund.

School Aid Fund. School Aid Fund revenue available for spending in FY 2003-04 will total an estimated \$12.47 billion, and is summarized in Table 5. The SAF revenue estimate for FY 2003-04 includes ongoing earmarked tax and lottery revenue totaling an estimated \$10.85 billion, no grant from the GF/GP budget, Federal aid of \$12,169.3 million, \$50 million from two proposed new lottery games, \$20.3 million from the tax policy changes, and \$298.6 million in one-time revenue adjustments. These one-time revenue adjustments include transferring to the SAF \$198.6 million of revenue sharing reserve funds and refinancing School Bond Loan Fund bonds, which will net the SAF an estimated \$100 million.

Transportation Funds. Revenue going to the various transportation-related funds will total an estimated \$4.31 billion in FY 2003-04, which is up 3.0% from FY 2002-03. Some of this increase is due to a proposed increase in the diesel fuel tax from 15 cents per gallon to 19 cents per gallon, which would generate an estimated \$38.7 million in FY 2003-04.

Table 1

CONSENSUS ECONOMIC FORECAST January 14, 2003						
	Calendar 2002	% Change from Prior Year	Calendar 2003 Forecast	% Change from Prior Year	Calendar 2004 Forecast	% Change from Prior Year
United States:						
Real Gross Domestic Product (billions of chained 1996 dollars)	\$9,432	2.4%	\$9,658	2.4%	\$10,016	3.7%
Consumer Price Index (1982-84=100)	179.9	1.6%	184.6	2.6%	189.6	2.7%
3-Month Treasury Bills (Interest Rate, %)	1.6	---	1.6	---	3.2	---
Unemployment Rate (Civilian - %)	5.8	---	6.1	---	5.6	---
Light Vehicle Sales (millions of units)	16.5	-3.0%	16.3	-1.3%	16.4	0.6%
Michigan:						
Wage & Salary Employment (thousands)	4,546	-0.9%	4,532	-0.3%	4,609	1.7%
Unemployment Rate (Civilian - %)	6.1	---	6.2	---	5.7	---
Personal Income (millions of \$s)	\$303,508	2.0%	\$314,434	3.6%	\$330,848	5.2%
Real Personal Income (millions of 1982-84 \$s)	\$169,580	-0.6%	\$171,066	0.9%	\$175,264	2.5%
Detroit Consumer Price Index (1982-84=100)	179.0	2.6%	183.8	2.7%	188.8	2.7%

Table 2

GOVERNOR'S PROPOSED TAX POLICY CHANGES HAVING AN IMPACT ON THE GENERAL FUND AND SCHOOL AID FUND BUDGETS ESTIMATED REVENUE GAINS - FY 2003-04 (dollars in millions)			
Tax Policy Proposals	GF/GP	SAF	Total
<u>Income Tax Nonresident Tax Fairness:</u>			
Tax nonresident casino winnings	\$6.5	\$2.3	\$8.8
Tax business income earned in MI by nonresidents	4.5	1.5	6.0
Tax "flow-through" business income paid to nonresidents	1.5	0.5	2.0
<u>SBT Changes Related to Business Form or Filing Status:</u>			
Include LLC pay in small business credit calculation	4.5		4.5
Extend officer tax liability provisions to LLCs and LLPs	2.0		2.0
Prevent shifting of certain unrealized losses and credits	10.0		10.0
Include leased officer pay for small business credit	2.0		2.0
Include inter-company sales in sales factor	10.0		10.0
<u>SBT & Use Tax - Limit Out-Of-State Tax Shelters</u>			
Create "affiliate nexus" standard for nonresident affiliates			
SBT	10.0		10.0
Use	10.0	5.0	15.0
Include out-of-state affiliates for small business credit (SBT)	4.0		4.0
Prohibit deduction for out-of-state gains paid to MI business	8.6		8.6
<u>Eliminate Unintended Tax Exemptions</u>			
Transfer Tax - Tax transfers designed to avoid tax		8.0	8.0
Severance Tax "in-lieu-of-other taxes" exclude SBT & IIT			
SBT	5.0		5.0
Income Tax	8.1	1.9	10.0
Insurance Tax "in-lieu-of-other-taxes" exclude use tax	2.0	1.0	3.0
<u>Restore Tax Penalties</u>			
Eliminate penalty reductions enacted in 12/02	20.0		20.0
Total	\$108.7	\$20.2	\$128.9

Table 3

PROJECTED TOTAL STATE REVENUES: FY 2002-03 AND FY 2003-04 (dollars in millions)					
Fund	FY 2001-02 Final	FY 2002-03 Estimated	% Change FY 2002-03/ FY 2001-02	FY 2003-04 Estimated	% Change FY 2003-04/ FY 2002-03
General Fund/General Purpose					
Beginning Balance	\$ 28.1	\$ 114.5	307.5%	\$ 0.0	(100.0)%
Revenue From Ongoing Sources	8,276.2	8,083.8	(2.3)	8,191.5	1.3
School Bond Loan Fund Transfer	55.0	54.9	(0.2)	54.9	0.0
Proposed Tax Changes	0.0	0.0	---	119.2	---
One-Time Revenue Adjustments	936.9	590.2	(37.0)	280.8	(52.4)
Total GF/GP Revenue	9,296.2	8,843.4	(4.9)	8,646.4	(2.2)
School Aid Fund					
Beginning Balance	694.8	237.0	(65.9)	0.0	(100.0)
Ongoing Earmarked Tax & Lottery Revenue	10,136.4	10,402.9	2.6	10,854.7	4.3
One-Time Revenue Adjustments	357.5	486.7	36.1	298.6	(38.6)
Other Revenue (GF Grant, Fed aid . . .)	417.8	1,418.9	239.6	1,314.6	(7.4)
Total SAF Revenue W/ Beginning Balance	11,606.5	12,545.5	8.1	12,467.9	(0.6)
Other Funds					
General Fund/Special Purpose	13,401.2	12,421.3	(7.3)	11,939.1	(3.9)
Transportation Funds	4,256.6	4,182.9	(1.7)	4,310.4	3.0
Other Special Revenue Funds:					
Beginning Balances	296.0	173.7	(41.3)	173.7	0.0
Revenue Current Period	906.3	811.6	(10.4)	726.7	(10.5)
Subtotal Other Special Revenue Funds	1,202.3	985.3	(18.0)	900.4	(8.6)
Other Revenue	348.3	392.0	12.5	410.2	4.6
Total Other Funds W/ Beginning Balance	19,208.4	17,981.5	(6.4)	17,560.1	(2.3)
Gross Revenue Current Period	40,111.1	39,370.4	(1.8)	38,674.4	(1.8)
Less Interfund Transfers	(2,617.3)	(1,252.4)	(52.1)	(1,067.9)	(14.7)
Gross Revenue W/ Beginning Balances	\$37,493.8	\$38,118.0	1.7%	\$37,606.5	(1.3)%

Source: Governor's Executive Budget for FY 2003-04 and Senate Fiscal Agency.

Table 4

GENERAL FUND/GENERAL PURPOSE REVENUE ESTIMATES FY 2002-03 AND FY 2003-04 (millions of dollars)			
	FY 2002-03	FY 2003-04	Percent Change
GENERAL FUND/GENERAL PURPOSE			
Beginning Balance	\$114.5	\$0.0	---
Consensus Revenue Estimate Detail:			
<u>Taxes:</u>			
Net Income Tax	4,012.2	4,005.2	(0.2)%
Single Business Tax	1,951.4	2,084.9	6.8
Sales	95.2	116.2	22.1
Use	890.1	936.3	5.2
Cigarette	283.3	277.9	(1.9)
Insurance Company Premiums	245.0	257.0	4.9
Telephone & Telegraph	132.2	128.8	(2.6)
Estate	79.5	55.0	(30.8)
All Other Taxes	176.1	154.5	(12.3)
Subtotal Taxes	\$7,865.0	\$8,015.8	1.9%
Nontax Revenue	218.8	175.8	(19.7)
Total Current Period GF/GP Revenue	\$8,083.8	\$8,191.6	1.3%
Proposed Tax Policy Changes	0.0	108.6	---
Proposed Reduced Sales Tax to Comprehensive Transportation Fund	0.0	10.6	---
Non Ongoing Revenue Adjustments ¹⁾	590.2	280.8	(52.4)
TOTAL GF/GP REVENUE W/ BEGINNING BALANCE	\$8,788.5	\$8,591.6	(2.2)%
1) Includes the following (in millions): FY 2002-03- Merit Award Trust Fund transfer of \$151.3, Tobacco Settlement Trust Fund transfer of \$14.6, revenue sharing reductions of \$152.7, Liquor Purchase Revolving Fund fire protection grant reduction of \$3.7, Waterways Fund transfer of \$7.8, pre-funded health reserve transfer of \$58.2, Unemployment Agency Fund transfer of \$10.0, hospital assessment revenue of \$8.9, sales of State property of \$66.1, and Budget Stabilization Fund transfer of \$116.9. FY 2003-04 proposals - Unemployment Agency Fund transfer of \$10.0, revenue sharing reductions of \$268.8, and sale of State property of \$2.0.			

Table 5

SCHOOL AID FUND REVENUE ESTIMATES FY 2002-03 AND FY 2003-04 (millions of dollars)			
	FY 2002-03	FY 2003-04	Percent Change
SCHOOL AID FUND			
Beginning Balance	\$237.0	\$0.0	(100.0)%
<u>Consensus Earmarked Tax & Lottery Revenue:</u>			
Sales Tax & Use Tax	5,259.6	5,537.3	5.3
Income Tax	1,849.4	1,923.8	4.0
State Education Property Tax	1,656.5	1,758.1	6.1
Real Estate Transfer Tax	253.0	258.0	2.0
Other Tax Revenue	771.4	769.5	(0.2)
Subtotal Taxes	\$ 9,789.9	\$10,246.7	4.7%
Lottery	613.0	608.0	(0.8)
Subtotal Earmarked Taxes & Lottery Consensus Revenue ...	\$10,402.9	\$10,854.7	4.3%
GF/GP Grant	198.4	0.0	(100.0)
Budget Stabilization Fund Transfer (enacted)	32.0	0.0	(100.0)
Proposed New Lottery Games	0.0	50.0	---
Proposed Tax Changes	0.0	20.3	---
Local Revenue	0.7	0.0	(100.0)
Federal Aid	1,219.8	1,244.3	2.0
Total Current Period SAF Revenue	\$11,853.8	\$12,169.3	2.7%
One-Time Revenue Adjustments ¹⁾	\$454.7	\$298.6	(34.3)
TOTAL SAF REVENUE W/ BEGINNING BALANCE	\$12,545.5	\$12,467.9	(0.6)%
1) Includes the following (in millions): FY 2002-03 - Acceleration in collection of State Education Property Tax of \$454.7. FY 2003-04 proposals - Revenue sharing reserve account transfer of \$198.6 and School Bond Loan Fund bond refinancing of \$100.0.			



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