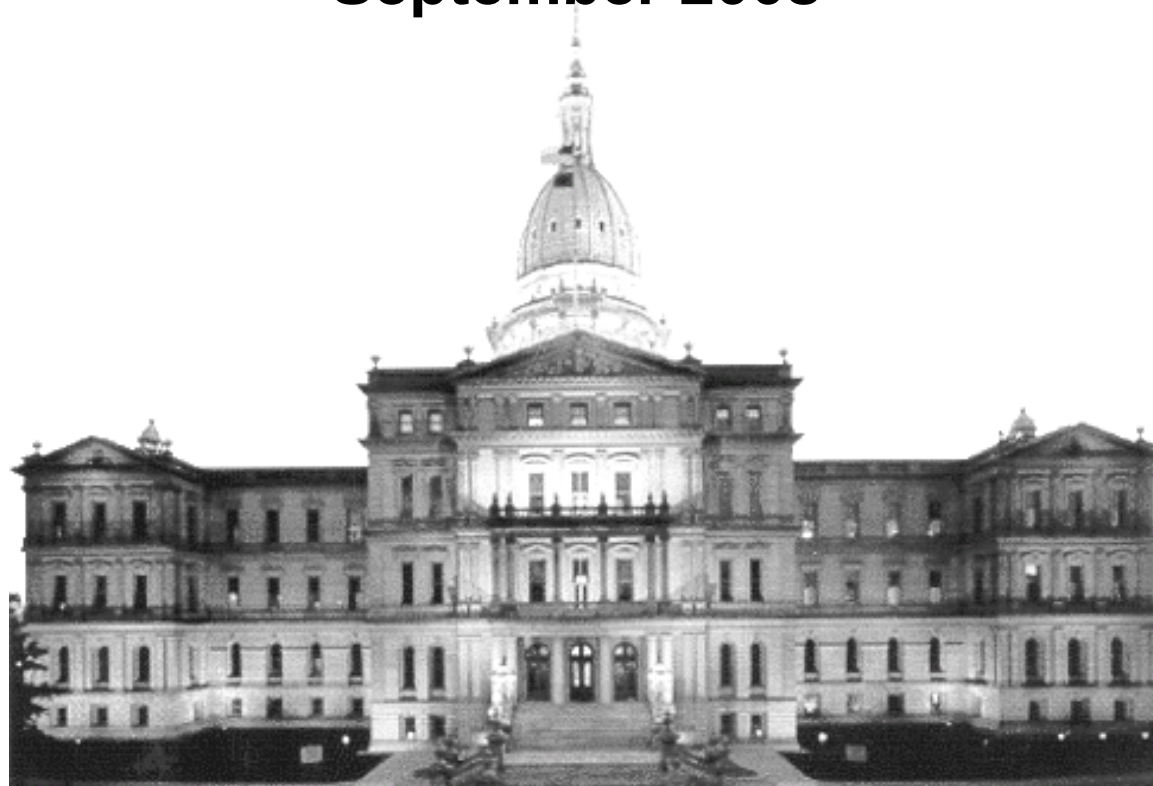




FY 2003-04
APPROPRIATIONS REPORT
Part II - Initial Appropriations

September 2003



THE SENATE FISCAL AGENCY

The Senate Fiscal Agency is governed by a board of five members, including the majority and minority leaders of the Senate, the Chairperson of the Appropriations Committee of the Senate, and two other members of the Appropriations Committee of the Senate appointed by the Chairperson of the Appropriations Committee with the concurrence of the Majority Leader of the Senate, one from the minority party.

The purpose of the Agency, as defined by statute, is to be of service to the Senate Appropriations Committee and other members of the Senate. In accordance with this charge the Agency strives to achieve the following objectives:

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

The Agency is located on the 8th floor of the Victor Office Center. The Agency is an equal opportunity employer.



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OVERVIEW

FY 2003-04 INITIAL APPROPRIATIONS OVERVIEW

The Legislature completed action on all of the fiscal year (FY) 2003-04 appropriation bills, with the exception of the Capital Outlay bill, in July 2003. Final action on the Capital Outlay appropriation bill is expected when the Legislature returns in session in September 2003. Governor Granholm has signed into law all of these appropriation bills approved by the Legislature. The level of State revenue available to support State appropriations was once again affected by generally weak economic performance in the State, especially in the level of workers employed in Michigan. The State revenue estimates coupled with one-time items that were used to balance both the General Fund/General Purpose (GF/GP) and School Aid Fund (SAF) budgets during FY 2002-03 had an impact on the level of State appropriations enacted for FY 2003-04. The enacted levels of FY 2003-04 GF/GP and SAF appropriations both were basically equal to the levels of appropriations enacted for FY 2002-03.

The enacted FY 2003-04 appropriation bills were developed based on a consensus revenue estimate agreed to in May 2003. This consensus estimate provided for a \$74.9 million or 0.9% increase in FY 2003-04 GF/GP revenues and a \$16.7 million or 0.2% decline in FY 2003-04 SAF revenues. In addition to relying on the GF/GP and SAF revenues estimated at the Consensus Revenue Estimating Conference, the Legislature made a series of statutory changes to increase the level of GF/GP and SAF revenues available to support appropriations. These changes included the transfer of State restricted revenues to the GF/GP budget, the refinancing of State debt, fee increases, increased unrestricted aid from the Federal government, and several other revenue changes. The combination of the consensus revenue estimates and these statutory changes formed the basis for the FY 2003-04 enacted GF/GP and SAF budgets.

FY 2003-04 APPROPRIATIONS

On an overall basis, the Legislature approved Adjusted Gross appropriations¹⁾ totaling \$38.5 billion. This total assumes that the Legislature enacts the Capital Outlay appropriation bill at the level agreed to by legislative leadership and the Governor during July 2003. This represents a decrease of \$784.3 million or 2.0% from the FY 2002-03 year-to-date appropriations. Enacted State Spending from State Resources appropriations²⁾ total \$25.9 billion, a decrease of \$66.6 million or 0.3% from FY 2003-03 year-to-date appropriations. Enacted GF/GP appropriations³⁾ total \$8.9 billion, an increase of \$55.9 million or 0.6% from FY 2002-03 year-to-date appropriations. [Table 1](#) and [Figure A](#) summarize these enacted appropriations by source of funds.

Major Changes in State Appropriations

[Tables 2, 3 and 4](#) and [Figures B, C and D](#) provide a detailed comparison of year-to-date FY 2003-04 appropriations with year-to-date FY 2002-03 appropriations. The tables and figures present appropriation detail by State department or program in terms of Adjusted Gross, State Spending from State Resources, and GF/GP appropriations. The following information contains a brief summary of the major FY 2003-04 appropriation changes in each budget area. All numbers are GF/GP appropriations unless otherwise noted.

Agriculture: The enacted budget includes a number of program reductions and funding shifts by which GF/GP-funded appropriations are replaced with State Restricted-funded appropriations. Program reductions include fruit and vegetable inspections, seed inspections, funding for local conservation districts, migrant labor housing payments, and funding for a variety of horse racing-related programs.

¹⁾ Adjusted Gross appropriations are defined as Gross appropriations less interdepartmental grants received.

²⁾ State Spending from State Resources appropriations are defined as Adjusted Gross appropriations less Federal, Local, and Private funds.

³⁾ General Fund/General Purpose appropriations are defined as State Spending from State Resources appropriations less State Restricted appropriations.

Attorney General: The enacted budget includes increased funding for a new child support enforcement unit and GF/GP funding reductions offset by increased State Restricted-funded appropriations.

Capital Outlay: The Legislature has not yet enacted the FY 2003-04 Capital Outlay appropriation bill. It is anticipated that this bill will be enacted in September 2003. The Legislature did approve \$50.0 million of initial funding for FY 2003-04 State Building Authority debt service payments in Public Act 173 of 2003, to ensure that authorization is available to make debt service payments at the beginning of the fiscal year.

Career Development: The enacted budget includes a number of program reductions. These involve funding for pre-college programs in engineering and sciences, workforce investment grants, one-stop centers, and administrative reductions throughout the Department.

Civil Rights: The enacted budget includes funding reductions in information technology programs and reductions to reflect a decrease in the number of departmental employees.

Civil Service: The enacted budget includes the elimination of the employee recognition program and a variety of administrative reductions.

Community Colleges: The enacted budget includes a 6.74% operating funding decrease for a majority of the State's community colleges. The colleges not receiving the uniform 6.74% reduction include Wayne County Community College, 9.44% reduction; Alpena Community College, 3.81% reduction; Bay de Noc Community College, 3.71% reduction; and Gogebic Community College, 3.18% reduction.

Community Health: The enacted budget includes a variety of program reductions, shifts from GF/GP funding to Federal funding, and administrative reductions. Payments to Community Mental Health boards reflect a caseload increase and a 2.0% funding increase for Medicaid clients served through the Community Mental Health boards. Public Health funding is highlighted by increases in Federal bioterrorism funding and the establishment of a Nurse-Family Partnership Program designed to assist first-time low-income mothers during their pregnancy. The State's Medicaid program funding reflects a variety of program adjustments. These include an adjustment for increasing caseloads, a Medicaid Federal waiver for indigent adult coverage, pharmacy savings through interstate purchasing compacts, the elimination of adult dental coverage, and savings in long-term care expenditures through better screening of clients before they are placed in a nursing home. The enacted budget also includes a one-time grant of \$50.0 million to the Detroit Medical Center to ensure that it continues operating. This grant is funded from a combination of Federal, State Restricted, and local funding.

Consumer and Industry Services: The enacted budget includes a number of program reductions and the shifting of program funding from GF/GP appropriations to State Restricted funding through the increase of a variety of fees levied by the Department. Program reductions include administrative savings and a reduction in the number of Workers' Compensation Appellate Commissioners. Increased fees included in the budget are health system administration fees, corporation fees, security dealer fees, and various licensing and regulation fees.

Corrections: The enacted budget includes full-year funding for over 2,600 new prison beds at a variety of locations across the State. Funding for the Michigan Youth Correctional Facility is increased due to a 30-bed expansion and a reduction in Federal funds. Health care costs in the budget are increased as a result of caseload increases, prescription drug costs, and other cost increases.

Education: The enacted budget includes a 33.0% GF/GP funding increase for the school breakfast program. This program reimburses local school districts for the cost of breakfast provided to students who are eligible for free or reduced-price lunch. Administrative funding for the Department is reduced and Michigan's membership dues to the Education Commission of the States are eliminated.

Environmental Quality: The enacted budget includes a number of fee increases that offset existing GF/GP appropriations in several environmental enforcement programs. These programs include water pollution control, groundwater discharge, solid waste disposal, storm water discharge, and aquatic nuisance.

Executive: The enacted budget includes program reductions from administrative savings.

Family Independence Agency: The enacted budget assumes the continuation of the State's current \$775.4 million Federal Temporary Assistance for Needy Families block grant during FY 2003-04, although Federal authorization for this program has expired. The budget also is adjusted to reflect projected caseloads in the State's Family Independence Program, child care funding, day care services, foster care services, adoption subsidies, and disability programs. The budget further includes a 15.0% reduction in the amount funded for indigent burials.

Higher Education: The enacted budget includes an overall 6.3% reduction in operational program funding for public universities. The funding changes for individual universities range from a 1.9% increase for Grand Valley State University to a 6.7% reduction for a number of universities. On the financial aid side of the Higher Education budget, the major issue involves the continuation of the Michigan Merit Award scholarship program at the level of \$2,500 per qualified student.

History, Arts, and Libraries: The enacted budget includes a 50% GF/GP reduction in the funding for arts and cultural grants. The budget also eliminates the State GF/GP funding for special grants to the Detroit and Grand Rapids public libraries and replaces these State funds with Federal funding.

Information Technology: The enacted budget contains significant reductions in the funding for State information technology programs. The Gross appropriation for the Department, funded with interdepartmental grants from other State departments, is reduced by 27.0%. This reduction will be achieved by the renegotiation of vendor contracts, consolidation savings, reduced expenditures on equipment, and adjustments based on the completion of the Child Support Enforcement System.

Judiciary: The enacted budget includes full-year funding for the cost of six additional Circuit Court judges and a reduction in various programs funded by GF/GP appropriations to be replaced with a variety of fee increases.

Legislature: The enacted budget includes a 3.0% decrease in the overall funding of the Legislature. The funding for the Legislative Corrections Ombudsman in the Legislative Council is eliminated.

Management and Budget: The enacted budget includes a significant funding decrease for the motor vehicle fleet service provided by the Department to other State departments and agencies. The budget also reflects the transfer of the State employee benefit program from the Department to the Department of Civil Service and the transfer of the State demographics program and the State data center program from the Department to the Department of History, Arts, and Libraries.

Military and Veterans Affairs: The enacted budget contains no significant funding adjustments. The funding level for grants to veteran service organizations is maintained at the FY 2002-03 level.

Natural Resources: The enacted budget includes several program reductions and GF/GP funding reductions that are offset by fee increases and other State Restricted revenue sources. Administrative services within the Department are reduced in funding and GF/GP appropriations for the State Parks are eliminated as a result of an increase in State Park entrance fees and a shift from GF/GP funding to State Park Endowment Fund support.

School Aid: The enacted budget makes changes in FY 2003-04 School Aid appropriations that were originally enacted in July 2002. The more recently enacted budget includes funding of the basic foundation allowance at \$6,700 per pupil. This level of the base per pupil funding restores the foundation allowance to the initial level established in FY 2002-03 before a proration instituted in January 2003 reduced the FY 2002-03 basic foundation allowance by 3.8% of the nonconstitutionally protected payments. The FY 2003-04 budget also contains reductions to 13 categorical programs. Adult education funding is reduced by 75.0%, funding for the Michigan Virtual University is reduced by 85.0%, funding for gifted and talented programs is reduced by 95.0%, funding for Math and Science Centers is reduced by 75.5%, funding for Career Preparation is reduced by 95.4%, and funding for the Partnership for Adult Learning is reduced by 95.0%. These categorical program reductions are needed to ensure a balance between estimated School Aid Fund revenues and appropriations.

State: The enacted budget includes GF/GP funding for the initial phase of a multiyear project to replace the Department's mainframe computer system. The total estimated cost of this project is \$30.0 million. The budget also includes an increase in driver license look-up fees from \$6.55 to \$7.00 per record. The revenue from this fee increase is used to reduce existing GF/GP appropriations.

State Police: The enacted budget contains funding for a new trooper school that will train 100 new troopers, beginning in April 2004. Other major issues in the budget include the appropriation of new Federal homeland security funding to be used for equipment and training for local law enforcement agencies and a reduction in the administrative functions within the Department.

Strategic Fund Agency: The enacted budget includes several program reductions. These reductions are in departmental administration, economic development and job training grants, and the Michigan promotion program.

Treasury-Debt Service: The enacted budget includes a \$52.8 million or 269.7% GF/GP increase to fully fund State general obligation debt service requirements. This large funding increase results from the combination of increases in debt outstanding and the shifting of funding of Quality of Life bonds from State Restricted funds to GF/GP support.

Treasury-Operations: The enacted budget includes GF/GP increases for renaissance zone property tax reimbursements and new funding to provide for better audits of the State's personal property tax laws. These audits are anticipated to result in an increase in personal property taxes paid by the State's business community.

Treasury-Revenue Sharing: The enacted budget includes a 3.0% reduction in the amount of unrestricted revenue sharing payments that each city, village, township, and county will receive. This appropriated level of revenue sharing payments represents a \$245.1 million reduction from the statutory level of fully funded revenue sharing payments.

Transportation: The enacted budget includes an overall 2.1% increase in the level of State-financed appropriations for overall transportation programs. The budget reduces the level of Michigan Transportation Fund revenues that are granted to the Departments of State and Treasury for administrative costs associated with the collection of State Restricted transportation revenues. These reductions in the level of transportation funds granted to other State departments result in funding increases for transportation projects.

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

Classified Salaries: The enacted 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 cost increases, is \$108.0 million of Gross appropriations and \$60.4 million of GF/GP appropriations. Governor Granholm is attempting to negotiate with State employee unions in an effort to eliminate this pay adjustment or to offset the cost of the pay adjustment with other changes in working conditions. 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 enacted 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. Governor Granholm has asked State employee unions to agree to changes in employment conditions to offset these cost increases. If these savings are not achieved, State departments and agencies will be forced to pay these costs out of existing appropriations.

State Employee Insurance Costs: The enacted 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. Governor Granholm has asked State employee unions to agree to changes in employment contracts that would reduce or eliminate these cost increases. If these savings are not achieved, State departments and agencies will be forced to pay these costs out of existing appropriations.

GUBERNATORIAL VETOES

The Governor, through her constitutional line-item veto authority, vetoed \$18.0 million of Adjusted Gross appropriations and \$3.2 million of GF/GP appropriations. Table 5 provides a summary of these vetoes by department. The most significant vetoes include a veto of auxiliary medical services in the State Medicaid program and a veto of Federal funding in the Department of Transportation earmarked for local bridge projects. The Governor also vetoed two reductions of previously enacted K-12 School Aid appropriations. These vetoes, involving the funding of a special grant to the Detroit Public Schools and funding for the Center for Education Performance and Information, have the effect of increasing, by \$18.0 million, the level of appropriations for K-12 School Aid above the levels approved by the Legislature.

FEE INCREASES

The FY 2003-04 enacted State budget includes the appropriation of \$238.3 million of new fee revenues from a variety of fee increases and new fees. These fee increases were an important component of the overall agreement on the budget reached between the Governor and the Legislature. Table 6 provides a summary of these fee increases. The Community Health budget assumes \$56.7 million of increased revenues from quality assessments on hospitals, nursing homes, and pharmacies. The Consumer and Industry Services budget continues a longstanding trend with the substitution of fee increases to offset existing GF/GP-funded appropriations in areas of the regulation of business. Environmental fees in the Department of Environmental Quality budget also provide for a reduction in the level of GF/GP appropriations. The two largest fee increases involve drivers' license fees and a new fee structure contained in driver responsibility legislation. The drivers' license fees will provide additional funding for State transportation programs and the General Fund. The driver responsibility fee revenue is earmarked to the General Fund budget.

TOBACCO SETTLEMENT

The enacted budget includes the appropriation of \$282.0 million of revenue generated from the master settlement agreement between the United States tobacco industry and 46 states. [Table 7](#) provides a summary of these FY 2003-04 appropriations. The appropriations are from two separate trust funds established by State law to receive tobacco settlement revenues. Appropriations from the Merit Award Trust Fund total \$205.6 million and appropriations from the Tobacco Settlement Trust Fund total \$76.4 million. In contrast to the previous two fiscal years, none of the FY 2003-04 tobacco settlement revenue was transferred to the State GF/GP budget.

PROJECTED YEAR-END BALANCE

The level of FY 2003-04 appropriations approved by the Legislature and signed into law by the Governor was based on a consensus estimate of GF/GP and SAF revenues available for expenditure. The FY 2003-04 GF/GP budget is projected to close the fiscal year with a \$146.2 million balance. Pursuant to requirements in the enacted budget, this projected year-end balance will be deposited in equal amounts to the Budget Stabilization Fund and the School Aid Stabilization Fund. [Table 8](#) provides a summary of the Senate Fiscal Agency estimate of the FY 2003-04 GF/GP year-end balance. As a result of vetoes by the Governor, which increased the level of enacted SAF appropriations, the FY 2003-04 SAF budget is currently projected to be in deficit by \$16.4 million. It is anticipated that this small deficit will be dealt with when the State adjusts the consensus estimate of FY 2003-04 SAF revenues in January 2004. [Table 9](#) provides a summary of the Senate Fiscal Agency estimate of the FY 2003-04 SAF year-end balance.

STATE EMPLOYMENT LEVELS

[Table 10](#) and [Figure E](#) provide a summary of State classified full-time equated (FTE) employees appropriated in FY 2003-04 versus the year-to-date level of FTE employees appropriated in FY 2002-03. Total appropriated FTE employees in FY 2003-04 equal 57,570.6, a decrease of 4,863.1 or 7.8% from the prior fiscal year. This large decrease in FTE employment can be directly attributed to the over 8,000 State employees who took advantage of an incentive-driven early retirement program during the spring of 2002. A majority of these State employees who retired were not replaced by new hires, resulting in a sharp drop in the State government workforce along with budgetary savings. The 57,570.6 FTEs appropriated in FY 2003-04 mark the lowest level of appropriated FTEs in the State since FY 1984-85 when the appropriated level of FTEs equaled 57,288.1.

STATE PAYMENTS TO LOCAL UNITS OF GOVERNMENT

Article IX, Section 30 of the State Constitution of 1963 prohibits the State from reducing the portion of State appropriations paid to local units of government below the FY 1978-79 level of 48.97%. The enacted FY 2003-04 appropriation bills exceed this minimum constitutional requirement by \$3.2 billion. [Table 11](#) provides a summary of the calculations used to determine the State's compliance with this constitutional requirement for FY 2002-03 and FY 2003-04. [Table 12](#) provides a summary of State appropriations by department counted as payments to local units of government.

Table 1

FY 2003-04 YEAR-TO-DATE APPROPRIATIONS BY SOURCE OF FUNDS					
Department/Budget Area	Adjusted Gross	Federal Funds	Local & Private Funds	Other State Restricted	General Funds
Agriculture	\$86,292,200	\$14,051,700	\$1,127,600	\$39,733,900	\$31,379,000
Attorney General	50,651,800	8,971,800	0	10,670,100	31,009,900
Capital Outlay*	568,083,700	202,652,000	42,789,600	41,340,000	281,302,100
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	9,409,610,000	5,243,530,900	870,100,100	737,408,300	2,558,570,700
Consumer and Industry Services	603,415,100	283,831,500	770,000	299,143,800	19,669,800
Corrections	1,721,253,600	27,798,400	391,100	60,858,800	1,632,205,300
Education	113,381,200	65,834,100	5,493,000	12,661,600	29,392,500
Environmental Quality (Operations)	331,781,500	129,169,500	435,700	145,460,000	56,716,300
Executive	4,859,500	0	0	0	4,859,500
Family Independence Agency	3,958,248,400	2,679,842,950	74,569,250	70,096,800	1,133,739,400
Higher Education	1,789,754,500	4,400,000	0	152,750,000	1,632,604,500
History, Arts, and Libraries	56,993,600	9,322,600	577,400	2,308,800	44,784,800
Information Technology	0	0	0	0	0
Judiciary	248,934,400	4,106,500	3,741,200	79,770,300	161,316,400
Legislature	118,217,500	0	400,000	2,495,100	115,322,400
Management & Budget	67,971,000	440,800	0	31,201,300	36,328,900
Military and Veteran Affairs	102,897,500	40,627,900	1,270,700	23,800,100	37,198,800
Natural Resources (Operations)	250,713,100	33,706,600	1,871,400	186,333,700	28,801,400
Natural Resources Trust Fund	0	0	0	0	0
School Aid	12,604,069,000	1,316,681,900	0	11,005,337,100	282,050,000
State	161,121,500	1,319,500	100	143,070,200	16,731,700
State Police	443,013,800	103,892,300	4,516,600	86,963,400	247,641,500
Strategic Fund Agency	104,412,300	52,953,300	853,100	10,050,000	40,555,900
Transportation	3,111,032,100	941,755,100	5,800,000	2,163,477,000	0
Treasury (Debt Service)	73,286,400	0	0	878,000	72,408,400
Treasury (Operations)	359,815,300	44,196,100	910,800	256,411,700	58,296,700
Treasury (Revenue Sharing)	1,407,850,000	0	0	1,407,850,000	0
TOTAL APPROPRIATIONS	\$38,546,223,200	\$11,632,898,950	\$1,034,875,850	\$16,991,606,900	\$8,886,841,500

* Assumes passage of appropriation bill at target level.

Figure A

Appropriations by Source of Funds FY 2003-04 Year-To-Date Appropriations

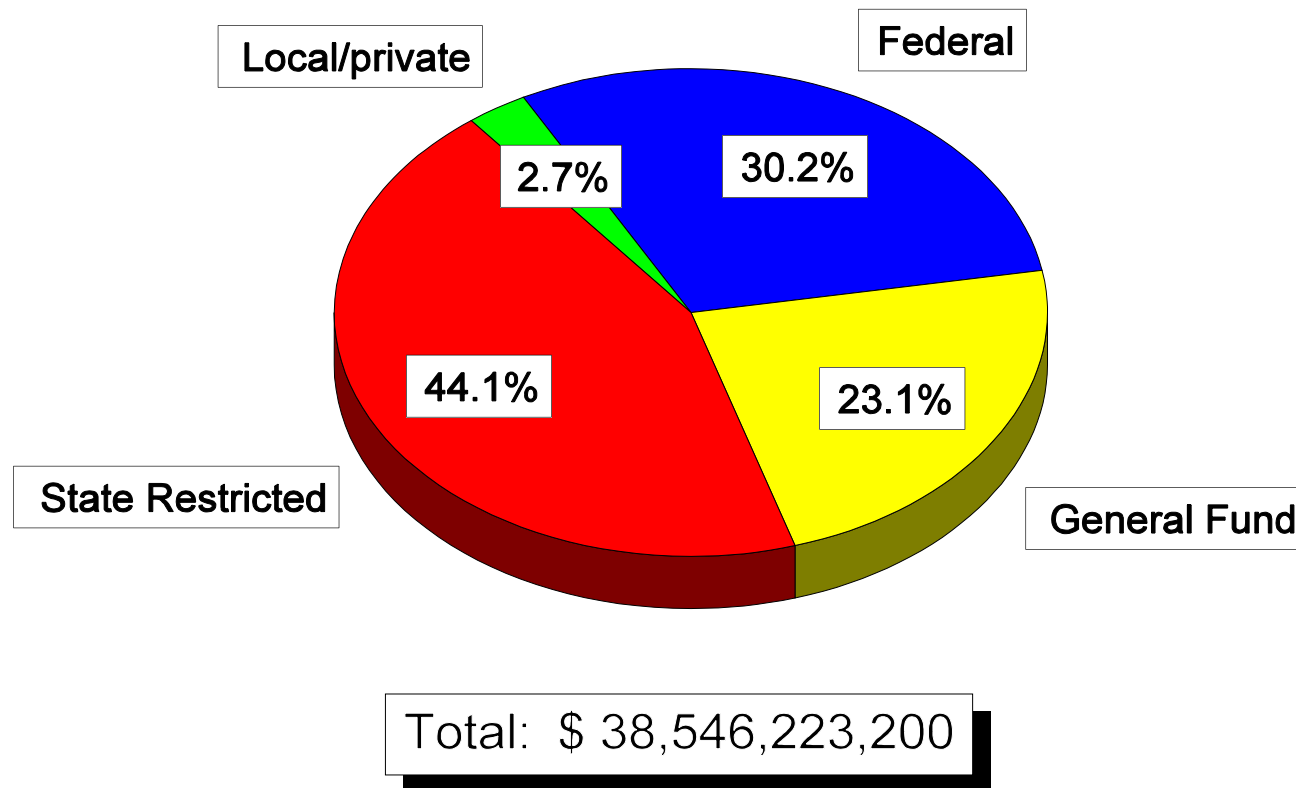
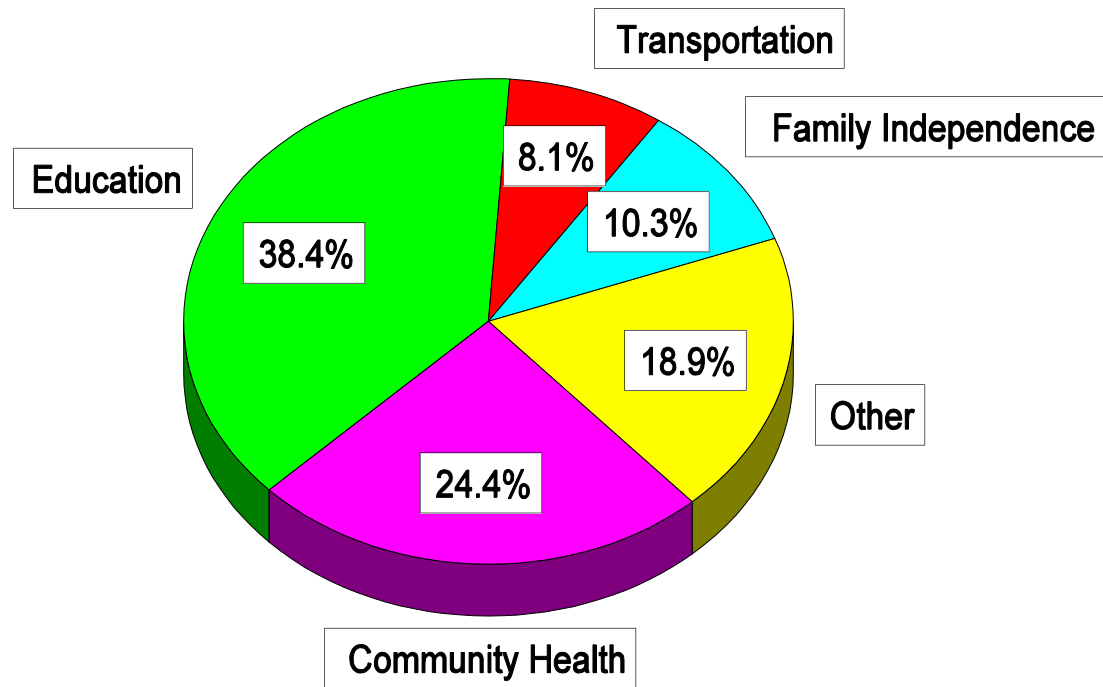


Table 2

ADJUSTED GROSS APPROPRIATIONS FY 2002-03 VERSUS FY 2003-04				
Department/Budget Area	FY 2002-03 Year-to-Date Appropriations	FY 2003-04 Year-to-Date Appropriations	Dollar Difference	Percent Change
Agriculture	\$91,470,900	\$86,292,200	(\$5,178,700)	(5.7)%
Attorney General	50,435,483	50,651,800	216,317	0.4
Capital Outlay	602,185,900	568,083,700*	(34,102,200)	(5.7)
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	310,885,794	289,013,100	(21,872,694)	(7.0)
Community Health	9,726,032,112	9,409,610,000	(316,422,112)	(3.3)
Consumer and Industry Services	586,769,264	603,415,100	16,645,836	2.8
Corrections	1,683,738,331	1,721,253,600	37,515,269	2.2
Education	215,154,016	113,381,200	(101,772,816)	(47.3)
Environmental Quality (Operations)	395,093,561	331,781,500	(63,312,061)	(16.0)
Executive	5,021,500	4,859,500	(162,000)	(3.2)
Family Independence Agency	4,130,285,100	3,958,248,400	(172,036,700)	(4.2)
Higher Education	1,841,901,735	1,789,754,500	(52,147,235)	(2.8)
History, Arts, and Libraries	69,252,536	56,993,600	(12,258,936)	(17.7)
Judiciary	238,790,300	248,934,400	10,144,100	4.2
Legislature	121,813,900	118,217,500	(3,596,400)	(3.0)
Management & Budget	75,679,811	67,971,000	(7,708,811)	(10.2)
Military and Veteran Affairs	104,328,808	102,897,500	(1,431,308)	(1.4)
Natural Resources (Operations)	263,583,947	250,713,100	(12,870,847)	(4.9)
Natural Resources Trust Fund	32,083,800	0	(32,083,800)	(100.0)
School Aid	12,554,692,100	12,604,069,000	49,376,900	0.4
State	146,734,961	161,121,500	14,386,539	9.8
State Police	459,747,548	443,013,800	(16,733,748)	(3.6)
Strategic Fund Agency	148,982,500	104,412,300	(44,570,200)	(29.9)
Transportation	3,113,421,400	3,111,032,100	(2,389,300)	(0.1)
Treasury (Debt Service)	59,586,400	73,286,400	13,700,000	23.0
Treasury (Operations)	354,223,197	359,815,300	5,592,103	1.6
Treasury (Revenue Sharing)	1,451,378,000	1,407,850,000	(43,528,000)	(3.0)
TOTAL APPROPRIATIONS	\$39,330,562,504	\$38,546,223,200	(\$784,339,304)	(2.0)%
* Assumes passage of appropriation bill at target level.				

Figure B

Adjusted Gross FY 2003-04 Year-To-Date Appropriations



Total: \$ 38,546,223,200

Table 3

STATE SPENDING FROM STATE RESOURCES FY 2002-03 VERSUS FY 2003-04				
Department/Budget Area	FY 2002-03 Year-to-Date Appropriations	FY 2003-04 Year-to-Date Appropriations	Dollar Difference	Percent Change
Agriculture	\$75,637,600	\$71,112,900	(\$4,524,700)	(6.0)%
Attorney General	41,579,783	41,680,000	100,217	0.2
Capital Outlay	366,561,900	322,642,100*	(43,919,800)	(12.0)
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	310,885,794	289,013,100	(21,872,694)	(7.0)
Community Health	3,189,354,512	3,295,979,000	106,624,488	3.3
Consumer and Industry Services	306,387,764	318,813,600	12,425,836	4.1
Corrections	1,655,553,831	1,693,064,100	37,510,269	2.3
Education	43,448,216	42,054,100	(1,394,116)	(3.2)
Environmental Quality (Operations)	261,212,361	202,176,300	(59,036,061)	(22.6)
Executive	5,021,500	4,859,500	(162,000)	(3.2)
Family Independence Agency	1,199,575,800	1,203,836,200	4,260,400	0.4
Higher Education	1,836,401,735	1,785,354,500	(51,047,235)	(2.8)
History, Arts, and Libraries	60,352,536	47,093,600	(13,258,936)	(22.0)
Judiciary	231,096,800	241,086,700	9,989,900	4.3
Legislature	121,413,900	117,817,500	(3,596,400)	(3.0)
Management & Budget	75,321,211	67,530,200	(7,791,011)	(10.3)
Military and Veteran Affairs	62,175,008	60,998,900	(1,176,108)	(1.9)
Natural Resources (Operations)	225,693,447	215,135,100	(10,558,347)	(4.7)
Natural Resources Trust Fund	32,083,800	0	(32,083,800)	(100.0)
School Aid	11,334,166,900	11,287,387,100	(46,779,800)	(0.4)
State	83,415,361	159,801,900	76,386,539	91.6
State Police	338,031,348	334,604,900	(3,426,448)	(1.0)
Strategic Fund Agency	85,176,100	50,605,900	(34,570,200)	(40.6)
Transportation	2,119,655,300	2,163,477,000	43,821,700	2.1
Treasury (Debt Service)	59,586,400	73,286,400	13,700,000	23.0
Treasury (Operations)	307,989,497	314,708,400	6,718,903	2.2
Treasury (Revenue Sharing)	1,451,378,000	1,407,850,000	(43,528,000)	(3.0)
TOTAL APPROPRIATIONS	\$25,945,005,504	\$25,878,448,400	(\$66,557,104)	(0.3)%
* Assumes passage of appropriation bill at target level.				

Figure C

State Spending from State Resources FY 2003-04 Year-To-Date Appropriations

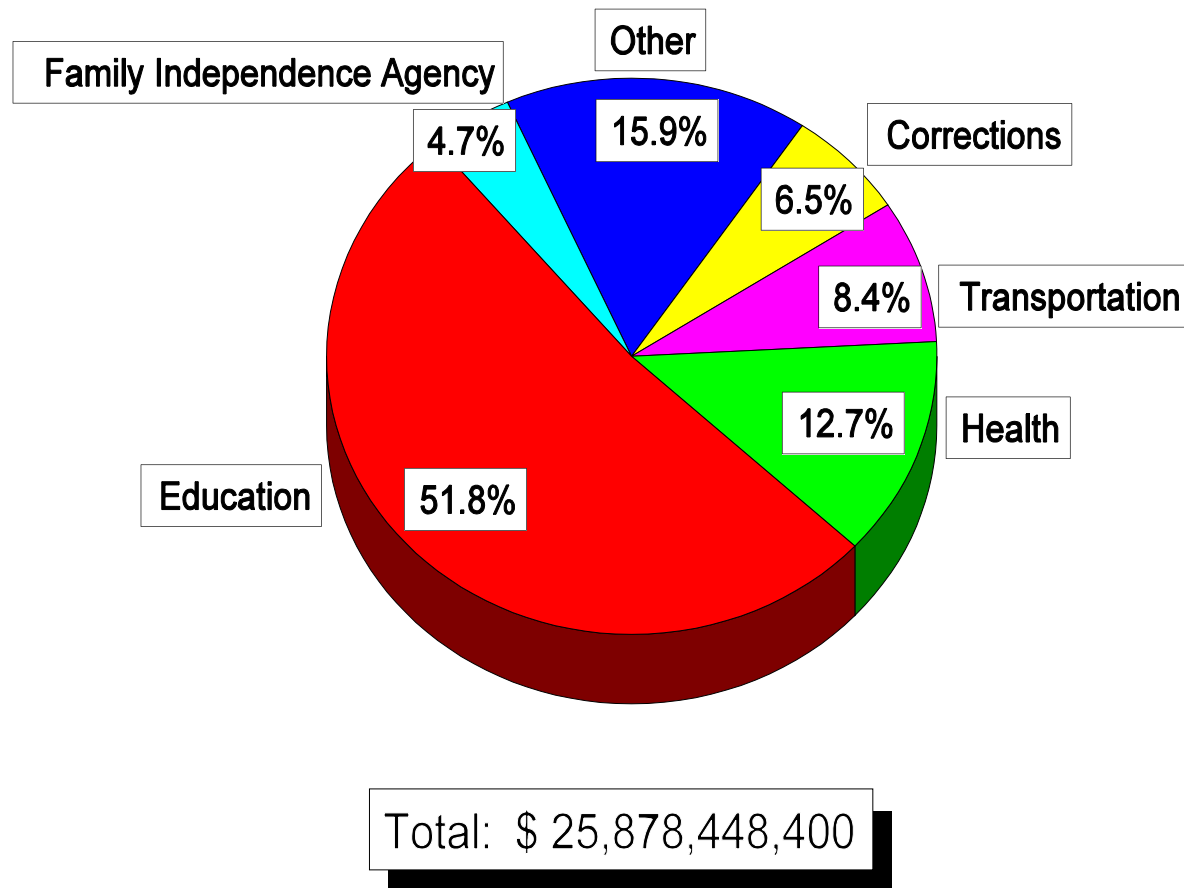


Table 4

GENERAL FUND/GENERAL PURPOSE APPROPRIATIONS FY 2002-03 VERSUS FY 2003-04				
Department/Budget Area	FY 2002-03 Year-to-Date Appropriations	FY 2003-04 Year-to-Date Appropriations	Dollar Difference	Percent Change
Agriculture	\$36,773,700	\$31,379,000	(\$5,394,700)	(14.7)
Attorney General	32,363,383	31,009,900	(1,353,483)	(4.2)
Capital Outlay	289,166,900	281,302,100*	(7,864,800)	(2.7)
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	2,382,030,412	2,558,570,700	176,540,288	7.4
Consumer and Industry Services	32,900,464	19,669,800	(13,230,664)	(40.2)
Corrections	1,599,803,231	1,632,205,300	32,402,069	2.0
Education	29,018,216	29,392,500	374,284	1.3
Environmental Quality (Operations)	66,653,261	56,716,300	(9,936,961)	(14.9)
Executive	5,021,500	4,859,500	(162,000)	(3.2)
Family Independence Agency	1,115,085,100	1,133,739,400	18,654,300	1.7
Higher Education	1,741,466,933	1,632,604,500	(108,862,433)	(6.3)
History, Arts, and Libraries	58,451,636	44,784,800	(13,666,836)	(23.4)
Judiciary	173,619,100	161,316,400	(12,302,700)	(7.1)
Legislature	118,883,500	115,322,400	(3,561,100)	(3.0)
Management & Budget	39,247,311	36,328,900	(2,918,411)	(7.4)
Military and Veteran Affairs	38,378,308	37,198,800	(1,179,508)	(3.1)
Natural Resources (Operations)	43,124,547	28,801,400	(14,323,147)	(33.2)
Natural Resources Trust Fund	0	0	0	0.0
School Aid	249,413,500	282,050,000	32,636,500	13.1
State	18,141,161	16,731,700	(1,409,461)	(7.8)
State Police	277,389,448	247,641,500	(29,747,948)	(10.7)
Strategic Fund Agency	52,626,100	40,555,900	(12,070,200)	(22.9)
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	58,296,700	2,573,103	4.6
Treasury (Revenue Sharing)	0	0	0	0.0
TOTAL APPROPRIATIONS	\$8,830,928,220	\$8,886,841,500	\$55,913,280	0.6%

* Assumes passage of appropriation bill at target level.

Figure D

General Fund/General Purpose FY 2003-04 Year-To-Date Appropriations

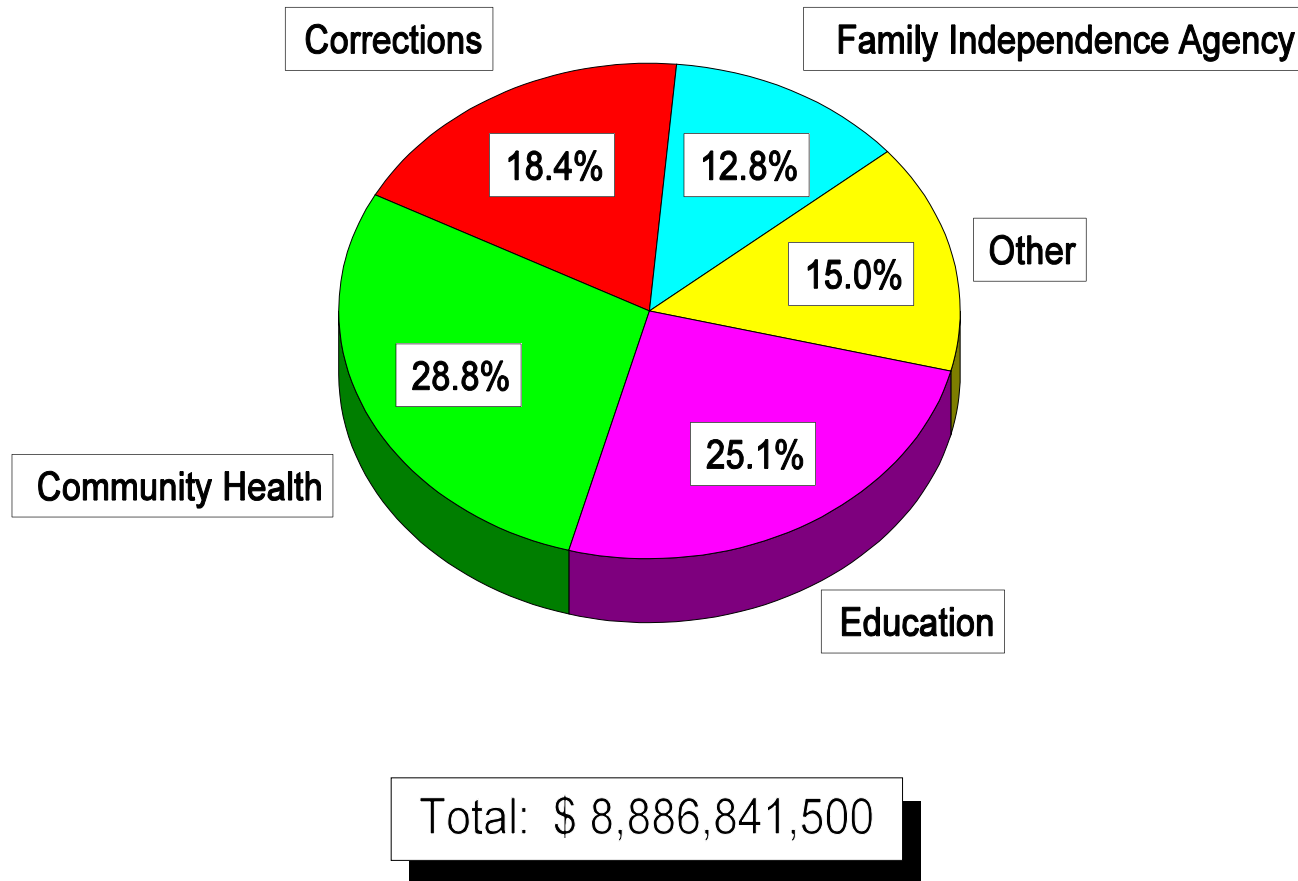


Table 5
FY 2003-04 STATE BUDGET
LINE-ITEM VETOES
(actual dollars)

Department/Item	Adjusted Gross	General Fund/ General Purpose
Agriculture		
Southwestern Michigan Tourist Council	\$(15,000)	\$(15,000)
Northwest Michigan Horticultural Research Station	(10,000)	(10,000)
Community Health		
Bioterrorism Preparedness	(1,000,000)	0
Auxiliary Medical Services	(6,801,200)	(3,000,000)
Environmental Quality		
St. Clair Watershed Water Quality Monitoring	(1,000,000)	0
Public Beach Signs	(20,000)	0
Family Independence Agency		
Fatherhood Initiative	(500,000)	0
Marriage Initiative	(750,000)	0
Individual Development Accounts	(200,000)	0
Welfare to Career Grants	(40,000)	0
Higher Education		
Midwestern Higher Education Compact	(82,500)	(82,500)
Natural Resources		
Big Rapids River Walk Project	(22,100)	(22,100)
Sebewaing Harbor Commission Flood Control Grant	(50,000)	0
Bennett Arboretum	(20,000)	0
School Aid		
Detroit Public Schools Grant	15,000,000	0
Center for Educational Performance and Information	3,062,700	0
Tax Tribunal Reimbursement for Montabella Schools	(120,000)	0
Grand Valley State University Grant	(50,000)	(50,000)
Transportation		
Local Federal Bridge Funding Earmark	(23,500,000)	0
Specific Transportation Road Projects	(1,825,000)	0
Ferry Boat Subsidy for School Bus Transport	(20,000)	0
Total Line Item Vetoes	\$(17,963,100)	\$(3,179,600)

Table 6

FEE INCREASES INCLUDED IN ENACTED FY 2003-04 BUDGET (actual dollars)	
Department/Fee	Fee Revenue Included in FY 2003-04 Budget
Agriculture	
Pet Shop License	\$ 17,900
Horse Riding Stable License	5,000
Livestock Operations License	23,800
Private Pesticide Applicator License	130,000
Nursery Stock License	140,000
Laboratory Analysis Testing Fees	50,000
Metrology Lab Testing Fees	120,000
Attorney General	
Friend of the Court Fees	725,000
Community Health	
Hospital Quality Assurance Assessment	18,900,000
Nursing Home Quality Assurance Assessment	18,900,000
Pharmacy Quality Assurance Assessment	18,900,000
Consumer and Industry Services	
Health Facilities Fee	600,000
Limited Liability Company Fee	1,000,000
Nonprofit Corporation Fee	600,000
Business Corporation Fee	2,400,000
Security Dealer Fee	4,000,000
Occupational License Fee	2,000,000
Corrections	
Justice System Assessments	1,000,000
Environmental Quality	
NPDES Waste Water Discharge	3,000,000
Storm Water Discharge	1,162,500
Groundwater Discharge	1,700,000
Solid Waste Fee	2,594,600
Various Fee Sunsets	2,106,000
Water Use Reporting Fee	65,100
Aquatic Nuisance Fee	225,000

Table 6 (continued)

FEE INCREASES INCLUDED IN ENACTED FY 2003-04 BUDGET (actual dollars)	
Department/Fee	Fee Revenue Included in FY 2003-04 Budget
Judiciary	
Court Filing Fees	8,239,200
Justice System Assessments	6,185,900
Natural Resources	
State Park Entrance Fees	2,396,900
State	
Personal Identification Cards	800,000
Look-up Fees	2,100,000
Drivers License Fees	65,400,000
Driver Responsibility Fees	65,000,000
State Police	
Justice System Assessments	7,784,700
Total Fee Increases	\$ 238,271,600

Table 7

TOBACCO SETTLEMENT APPROPRIATIONS FY 2003-04 ENACTED BUDGET (actual dollars)	
Merit Award Trust Fund	
<u>Department/Program</u>	
Community Health	
Medicaid Base Funding	\$33,000,000
Higher Education	
Merit Award Scholarships	130,000,000
Tuition Incentive Program	9,250,000
Nursing Scholarship Program	4,000,000
Operational Funding	9,500,000
Treasury	
Michigan Education Assessment Program	16,097,600
Merit Award Board	2,000,000
Tuition Incentive Program Administration	400,000
Michigan Education Savings Program	1,000,000
Information Technology	393,000
Total Merit Award Trust Fund Appropriations	\$205,640,600
Tobacco Settlement Trust Fund	
<u>Department/Program</u>	
Attorney General	
Legal Services	351,800
Career Development	
Council of Michigan Foundations	1,000,000
Community Health	
Senior Prescription Drug Program	30,000,000
Personal Needs Allowance	5,000,000
Respite Care Services	5,000,000
Medicaid Base Funding	25,000,000
Strategic Fund Agency	
Health Research/Development	10,000,000
Total Tobacco Settlement Trust Fund Appropriations	\$76,351,800
Total Tobacco Settlement Appropriations	\$281,992,400

Table 8

FY 2003-04

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

	SFA Estimate
Revenues:	
Beginning Balance	\$ 360.6
Ongoing Revenue Estimate	8,158.7
<u>Other Revenue Adjustments:</u>	
Transfer from Employment Security Fund (PA 84 of 2003)	10.0
Revenue Sharing Reductions (SB 575)	245.4
Tax Policy Changes	12.1
Sale of Property (Detroit Plaza Building)	2.0
Transfer from Comprehensive Transportation Fund (PA 139 of 2003) ...	10.8
Unrestricted Federal Aid	169.0
Federal Tax Reform State Revenue Impact	(34.5)
Federal Unemployment Benefits (Income Tax Revenues)	8.0
Driver Responsibility Fee Legislation (PA 165 of 2003)	65.0
Drivers License Fee Legislation (PA 152 of 2003)	25.9
Total Other Revenue Adjustments	513.7
Total Estimated Revenues	\$9,033.0
Expenditures:	
Enacted Appropriations	8,655.2
Pending Capital Outlay Appropriations	231.6
Projected Appropriation Lapses	0.0
Total Estimated Expenditures	\$8,886.8
Projected Year-End Balance	\$ 146.2
Distribution of Year-End Balance:	
Budget Stabilization Fund	73.1
School Aid Stabilization Fund	73.1
Remaining Year-End Balance	\$ 0.0

Table 9 FY 2003-04 SCHOOL AID FUND REVENUES, EXPENDITURES AND YEAR-END BALANCE (millions of dollars)	
	SFA Estimate
Revenues:	
Beginning Balance	\$ 1.3
Ongoing Revenue Estimate	10,749.0
<u>Non-Ongoing Revenue Adjustments:</u>	
Personal Property Tax Audits	8.5
School Bond Loan Refinancing	128.3
Total Non-Ongoing Revenue Adjustments	136.8
<u>Other Revenue Sources:</u>	
General Fund/General Purpose Grant	282.1
Federal Tax Reform State Revenue Impact	(5.4)
Federal Unemployment Benefits(Income Tax Revenues)	2.1
State Lottery Changes	50.0
Tax Policy Changes	4.4
Federal Aid	1,316.7
Total Other Revenue Sources	1,649.9
Total Estimated Revenue	\$12,537.0
Expenditures:	
Enacted Appropriation (PA 521 of 2002)	12,696.9
Supplemental Appropriations (PA 158 of 2003)	(92.8)
Homestead Exemption Audit (PA 105 of 2003)	(50.7)
Projected Appropriation Lapses	0.0
Total Estimated Expenditures	\$12,553.4
Projected Year-End Balance	\$ (16.4)

Table 10

FULL-TIME EQUATED POSITIONS FY 2002-03 VERSUS FY 2003-04				
Department/Budget Area	FY 2002-03 Year-to-Date Positions	FY 2003-04 Year-to-Date Positions	Position Change	Percent Change
Agriculture	639.5	563.0	(76.5)	(12.0)%
Attorney General	586.5	562.0	(24.5)	(4.2)
Career Development	1,089.0	989.5	(99.5)	(9.1)
Civil Rights	158.5	137.0	(21.5)	(13.6)
Civil Service	201.5	211.5	10.0	5.0
Community Colleges	0.0	0.0	0.0	0.0
Community Health	5,674.3	4,382.3	(1,292.0)	(22.8)
Consumer and Industry Services	3,948.9	3,470.0	(478.9)	(12.1)
Corrections	18,827.9	18,296.7	(531.2)	(2.8)
Education	436.1	433.1	(3.0)	(0.7)
Environmental Quality	1,590.7	1,605.7	15.0	0.9
Executive	74.2	74.2	0.0	0.0
Family Independence Agency	12,495.1	10,774.6	(1,720.5)	(13.8)
Higher Education	1.0	1.0	0.0	0.0
History, Arts, and Libraries	241.5	248.5	7.0	2.9
Information Technology	1,765.4	1,749.4	(16.0)	(0.9)
Judiciary	582.5	582.5	0.0	0.0
Legislature	0.0	0.0	0.0	0.0
Management & Budget	848.5	716.0	(132.5)	(15.6)
Military and Veteran Affairs	1,072.0	1,072.0	0.0	0.0
Natural Resources (Operations)	2,080.5	2,088.5	8.0	0.4
School Aid	0.0	0.0	0.0	0.0
State	1,847.8	1,849.8	2.0	0.1
State Police	3,445.5	2,987.0	(458.5)	(13.3)
Strategic Fund Agency	231.5	200.0	(31.5)	(13.6)
Transportation	3,069.3	3,050.3	(19.0)	(0.6)
Treasury (Operations)	1,526.0	1,526.0	0.0	0.0
TOTAL POSITIONS	62,433.7	57,570.6	(4,863.1)	(7.8)%

Figure E

Full-Time Equated Positions FY 2003-04 Year-To-Date Appropriations

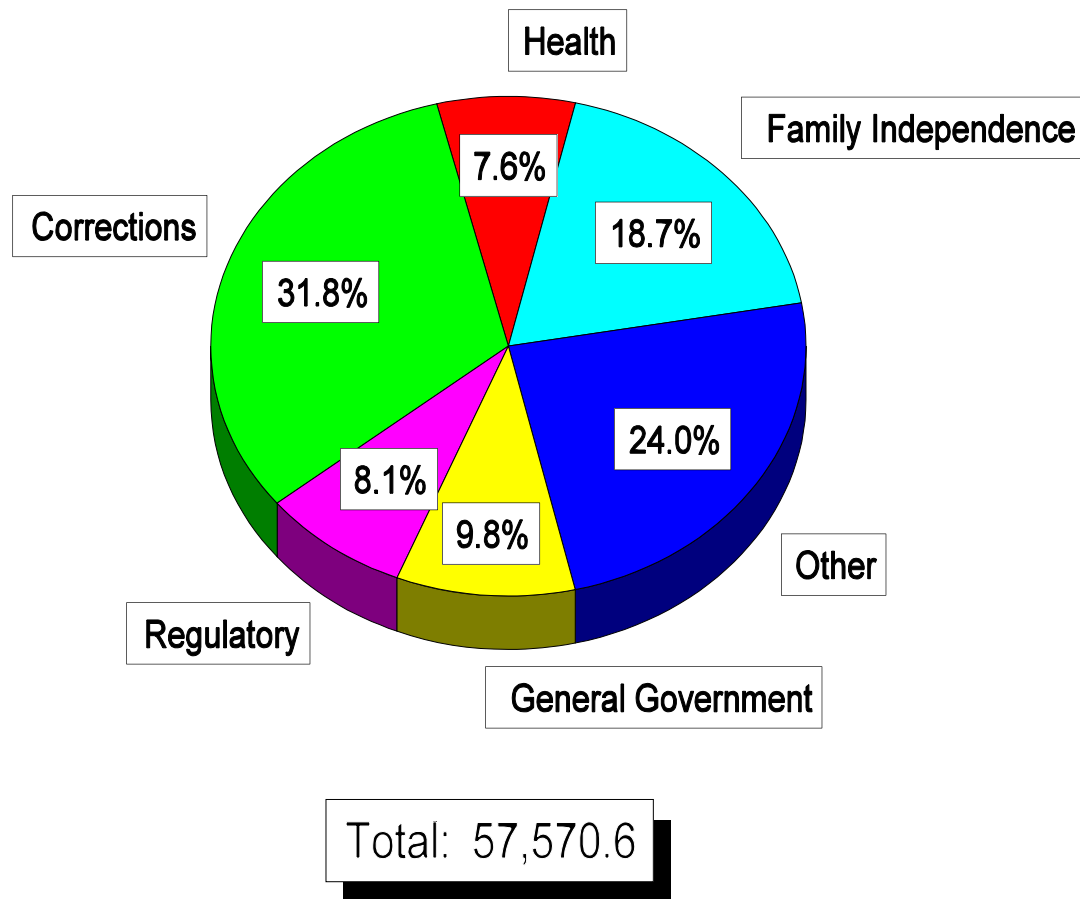


Table 11

STATE PAYMENTS TO LOCAL UNITS OF GOVERNMENT ARTICLE IX, SECTION 30 REQUIREMENT (Millions of Dollars)		
	2002-03 Estimate	2003-04 Estimate
State Spending from State Resources ¹⁾	\$25,925.0	\$25,858.4
Required Payments to Local Units of Government (48.97%)	\$12,695.5	\$12,662.9
Estimated Payments to Local Units of Government	\$16,002.8	\$15,903.1
Estimated Payments as a Percentage of Total State Spending	61.73%	61.50%
Surplus of Section 30 Payments	\$3,307.3	\$3,240.2
¹⁾ Excludes \$20.0 million of unrestricted Federal aid.		

Table 12

STATE PAYMENTS TO LOCAL UNITS OF GOVERNMENT FY 2002-03 VERSUS FY 2003-04 (Actual Dollars)				
Department/Budget Area	FY 2002-03 Year-to-Date Appropriations	FY 2003-04 Year-to-Date Appropriations	Dollar Difference	Percent Change
Agriculture	\$3,656,700	\$3,461,200	(\$195,500)	(5.3)%
Attorney General	0	0	0	0.0
Capital Outlay	24,970,000*	20,060,000	(4,910,000)	(19.7)
Career Development	0	0	0	0.0
Civil Rights	0	0	0	0.0
Civil Service	0	0	0	0.0
Community Colleges	310,185,794	289,013,100	(21,172,694)	(6.8)
Community Health	1,091,217,300	1,042,260,100	(48,957,200)	(4.5)
Consumer and Industry Services	12,500,000	29,315,900	16,815,900	134.5
Corrections	76,237,600	81,068,000	4,830,400	6.3
Education	16,436,800	18,960,100	2,523,300	15.4
Environmental Quality (Operations)	18,047,500	19,145,500	1,098,000	6.1
Executive	0	0	0	0.0
Family Independence Agency	207,056,200	185,302,200	(21,754,000)	(10.5)
Higher Education	4,029,061	3,759,100	(269,961)	(6.7)
History, Arts, and Libraries	32,568,200	17,530,400	(15,037,800)	(46.2)
Judiciary	112,844,500	124,506,800	11,662,300	10.3
Legislature	0	0	0	0.0
Management & Budget	0	0	0	0.0
Military and Veteran Affairs	120,000	120,000	0	0.0
Natural Resources (Operations)	25,352,400	21,983,000	(3,369,400)	(13.3)
Natural Resources Trust Fund	0	0	0	0.0
School Aid	11,312,469,500	11,271,682,800	(40,786,700)	(0.4)
State	69,800	945,600	875,800	1,254.7
State Police	19,062,200	20,302,758	1,240,558	6.5
Strategic Fund Agency	9,009,400	0	(9,009,400)	(100.0)
Transportation	1,176,250,300	1,237,245,900	60,995,600	5.2
Treasury (Debt Service)	0	0	0	0.0
Treasury (Operations)	99,329,400	108,571,700	9,242,300	9.3
Treasury (Revenue Sharing)	1,451,378,000	1,407,850,000	(43,528,000)	(3.0)
TOTAL APPROPRIATIONS	\$16,002,790,655	\$15,903,084,158	(\$99,706,497)	(0.6)%
* Assumes passage of appropriation bill at target level.				

BUDGET AREA DETAIL

DEPARTMENT OF AGRICULTURE
P.A. 157 of 2003

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2002-03 YEAR-TO- DATE	FY 2003-04 GOV'S REC.	FY 2003-04 SENATE	FY 2003-04 HOUSE	FY 2003-04 YEAR-TO- DATE	CHNGS FROM FY 2002-03 YEAR-TO-DATE	
						AMOUNT	PERCENT
FTE Positions	639.5	563.0	557.0	557.0	563.0	(76.5)	(12.0)
GROSS	102,431,300	89,244,000	89,182,500	101,069,300	97,150,800	(5,280,500)	(5.2)
Less:							
Interdepartmental Grants Received	10,960,400	10,857,400	10,758,600	10,758,600	10,858,600	(101,800)	(0.9)
ADJUSTED GROSS	91,470,900	78,386,600	78,423,900	90,310,700	86,292,200	(5,178,700)	(5.7)
Less:							
Federal Funds	14,705,700	6,801,700	6,801,700	14,051,700	14,051,700	(654,000)	(4.4)
Local and Private	1,127,600	1,127,600	1,127,600	1,127,600	1,127,600	0	0.0
TOTAL STATE SPENDING	75,637,600	70,457,300	70,494,600	75,131,400	71,112,900	(4,524,700)	(6.0)
Less:							
Other State Restricted Funds	38,863,900	39,053,300	37,065,600	41,135,800	39,733,900	870,000	2.2
GENERAL FUND/GENERAL PURPOSE . .	36,773,700	31,404,000	33,429,000	33,995,600	31,379,000	(5,394,700)	(14.7)
PAYMENTS TO LOCALS	3,656,700	3,461,200	3,461,200	3,661,200	3,461,200	(195,500)	(5.3)

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

A. BOVINE TUBERCULOSIS

Gross	773,300
GF/GP	773,300

The enacted budget increases funding to support the Department's efforts to eradicate bovine tuberculosis (TB) from the State's wild white-tail deer population and protect Michigan livestock from the disease. A total of \$773,300 in GF/GP resources is redirected from other areas in the budget to support an increase to the Bovine TB Program.

Of the total increase, \$673,300 is the result of GF/GP reductions to the Agriculture Development, Marketing, and Emergency Management Program. However, \$573,300 of the total reduction was replaced with restricted funding from the State Services Fee Fund (casino revenue), resulting in a net reduction to this program of \$100,000. The remaining \$100,000 increase to the Bovine TB Program was the result of a funding shift in the Food and Dairy Program, replacing GF/GP with available restricted licensing revenue. (See Funding Shifts, below.)

B. AGRICULTURE EQUINE INDUSTRY DEVELOPMENT FUND

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

The budget reduces a number of horse racing grant line items and administrative line items that are funded with revenue from the Agriculture Equine Industry Development Fund. This funding is then appropriated to the General Fund to effect \$2,025,000 of GF/GP savings.

C. EMPLOYEE TURNOVER SAVINGS

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

The budget reflects savings associated with the posting, recruitment, and hiring of new employees. The funding associated with the savings is redirected to other areas of the budget: \$50,000 to the Animal Health Program, \$25,000 to the Environmental Stewardship Program, \$15,000 for the Southwestern Michigan Tourist Council (a reduction from FY 2002-03 level of \$45,300), and \$10,000 for a grant to the Northwest Michigan Horticultural Research Station. (The Governor vetoed the funding for the Southwestern Michigan Tourist Council and the Northwest Michigan Horticultural Research Station, as described below.) The \$100,000 in savings will have to be distributed to the appropriate line items via legislative transfers.

D. EARLY RETIREMENT ADJUSTMENTS

Gross	(693,800)
GF/GP	(693,800)

The 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.

		FY 2003-04 Change from FY 2002-03 <u>Year-to-Date</u>
E. ADMINISTRATIVE SAVINGS	FTE	(1.0)
	Gross	(339,900)
The enacted appropriation contains unspecified administrative savings throughout the budget.	GF/GP	(339,900)
F. PROGRAM REDUCTIONS/ELIMINATIONS		
1. Fruit and Vegetable Inspections	Gross	(300,000)
	GF/GP	(300,000)
The budget reduces funding for the Fruit and Vegetable Inspection Service, which provides third party grading services and verification of fruit and vegetable quality.		
2. Seed Inspection Program	FTE	(4.5)
	Gross	(452,000)
	GF/GP	(452,000)
The budget eliminates the Regulatory 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	(195,500)
	GF/GP	(195,500)
The budget reduces the line item that provides grants to the State's local conservation districts to \$1,661,200. Traditionally, this program provides grants for training district personnel, grants for basic operations (\$20,000 per district), and competitive grants. The funding reduction reduces the training dollars available and eliminates the competitive grants.		
4. Information Technology	Gross	(185,300)
	GF/GP	(185,300)
The 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 the DIT.		
5. Agriculture Development, Marketing, and Emergency Management	Gross	(100,000)
	GF/GP	(100,000)
A \$100,000 GF/GP reduction is applied to the budget to reflect administrative savings resulting from consolidation of two divisions, Agriculture Development and Marketing/Communications. The \$100,000 in GF/GP resources is redirected to the Bovine TB Program.		

		FY 2003-04 Change from FY 2002-03 <u>Year-to-Date</u>
6. Migrant Labor Housing	Gross	(30,000)
	GF/GP	(30,000)
The budget reduces funding for migrant labor housing grants to \$255,000. This program supports cost-share grants to Michigan farmers who construct housing for migrant laborers.		
7. Horse Shows	Gross	(23,300)
	GF/GP	(23,300)
The budget eliminates funding for horse show grants.		
G. FTE ADJUSTMENTS	FTE	(71.0)
The budget reduces the appropriated level of full-time equated (FTE) positions by 61 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.		
The FTEs associated with the Emerald Ash Borer Program are not appropriated in the FY 2003-04 budget, a reduction from FY 2002-03 of 10 FTEs. Public Act 39 of 2003 provided the Department with \$7,250,000 in Federal funds from the U.S. Department of Agriculture and authorization for 10 FTEs to combat the Emerald Ash Borer, an exotic insect that destroys ash trees.		
H. FEE INCREASES	Gross	(62,700)
	Restricted	486,700
	GF/GP	(549,400)
The Governor recommended a number of fee increases to effect GF/GP savings of \$549,400; however, the Legislature did not support all of the fee increases. The Legislature did support the GF/GP reductions associated with all of the fee increases. Therefore, the budget reflects additional fee revenue of \$486,700. All fee increases recognized in the budget that required legislation to be changed have been enacted. Some of the fee increases contained in the budget will have to be adjusted by the Commission of Agriculture.		
I. FUNDING SHIFTS		
1. State Services Fee Fund	Gross	0
	Restricted	573,300
	GF/GP	(573,300)
The budget replaces \$573,300 in GF/GP support for the Agriculture Development, Marketing, and Emergency Management Program with \$573,300 from the State Services Fee Fund. The General Fund support is redirected to the Bovine TB Program.		

		FY 2003-04 Change from FY 2002-03 <u>Year-to-Date</u>
2. Food and Dairy License Fees		
The budget includes an additional \$100,000 in available restricted revenue support for the Food and Dairy Program and redirects an equal amount of GF/GP support from that Program to the Bovine TB Program.	Gross	0
	Restricted	100,000
	GF/GP	(100,000)
3. Other Funding Shifts.		
The budget 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.	Gross	0
	Federal	200,000
	Restricted	275,000
	GF/GP	(475,000)
J. ECONOMIC ADJUSTMENTS		
Standard economic adjustments are applied to rent and building occupancy charges consistent with factors applied to all budgets.	Gross	(55,200)
	GF/GP	(55,200)
K. OTHER ISSUES		
The budget includes other adjustments associated with internal transfers to align the budget with the most current organizational structure. The budget also adjusts to the level of restricted revenue appropriated to bring the budget more in line with anticipated Federal and State restricted resources.	Gross	(1,566,100)
	IDG	(101,800)
	Federal	(854,000)
	Restricted	(565,000)
	GF/GP	(45,300)
The Department is authorized to receive \$100,000 from the Department of Environmental Quality for aquifer dispute resolution activities.		
The budget also makes adjustments to FY 2002-03 contingency fund transfers that reflect one-time State restricted and Federal revenue, totaling \$1,154,000.		
L. VETOES		
1. Southwestern Michigan Tourist Council		
The Governor vetoed a \$15,000 grant designed to promote Michigan agriculture.		

2. Northwest Michigan Horticultural Research Station

The Governor vetoed a \$10,000 grant to support the operations of the station that provides agriculture research related to fruit production.

3. State Payments for Apiarian Losses

The Governor vetoed language that required the Department to pay producers for apiarian (bee) losses caused by bears. This language was included in an existing section of boilerplate that required the Department to provide indemnification payments to producers for livestock losses caused by wolves or coyotes.

4. Agricultural Enhancement Fund

The Governor vetoed language (Sec. 224) that would have appropriated funding from the proposed Agricultural Enhancement Fund associated with the proposed "racino" legislation.

**DEPARTMENT OF ATTORNEY GENERAL
P.A. 161 of 2003**

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2002-03 YEAR-TO- DATE	FY 2003-04 GOV'S REC.	FY 2003-04 SENATE	FY 2003-04 HOUSE	FY 2003-04 YEAR-TO- DATE	CHNGS FROM FY 2002-03 YEAR-TO-DATE	
						AMOUNT	PERCENT
FTE Positions	586.5	582.5	537.0	537.0	562.0	(24.5)	(4.2)
GROSS	60,353,383	59,638,600	60,517,600	60,578,200	61,462,400	1,109,017	1.8
Less:							
Interdepartmental Grants Received	9,917,900	11,119,200	11,119,200	11,909,000	10,810,600	892,700	9.0
ADJUSTED GROSS	50,435,483	48,519,400	49,398,400	48,669,200	50,651,800	216,317	0.4
Less:							
Federal Funds	7,672,700	7,564,400	7,564,400	7,564,400	8,971,800	1,299,100	16.9
Local and Private	1,183,000	0	0	0	0	(1,183,000)	(100.0)
TOTAL STATE SPENDING	41,579,783	40,955,000	41,834,000	41,104,800	41,680,000	100,217	0.2
Less:							
Other State Restricted Funds	9,216,400	9,945,100	10,145,100	9,145,100	10,670,100	1,453,700	15.8
GENERAL FUND/GENERAL PURPOSE . .	32,363,383	31,009,900	31,688,900	31,959,700	31,009,900	(1,353,483)	(4.2)
PAYMENTS TO LOCALS	0	0	0	0	0	0	0.0

		FY 2003-04 Change from FY 2002-03 <u>Year-to-Date</u>	
A.	CHILD SUPPORT ENFORCEMENT UNIT	FTE	25.0
		Gross	2,132,400
		Federal	1,407,400
		GF/GP	725,000
The FY 2003-04 appropriation includes funding for the Department of Attorney General's new Child Support Enforcement Unit. This unit will provide criminal prosecution of referred felony non-support cases and also provide legal representation to the Family Independence Agency Office of Child Support.			
B.	PROGRAM REDUCTIONS/ELIMINATIONS		
1.	2002 Early Retirement	Gross	(450,900)
		GF/GP	(450,900)
The budget eliminates funding associated with one month's salary and annual leave payouts for employees who retired in November 2002.			
2.	MUSTFA Funding	FTE	(2.0)
		Gross	(161,300)
		Restricted	(161,300)
		GF/GP	0
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.			
3.	Information Technology Reduction	Gross	(87,300)
		GF/GP	(87,300)
The information technology appropriation for the Department is 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.			
4.	Bovine TB	Gross	(308,600)
		IDG	(308,600)
		GF/GP	0
This appropriation originated with an FY 1999-2000 supplemental appropriation for the Department of Agriculture related to Bovine TB. Anticipated legal costs did not materialize. Therefore, the interdepartmental grant from the Department of Agriculture is removed.			
5.	Unfunded FTE Vacancies	FTE	(45.5)
The budget eliminates unfunded vacant FTE positions.			

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

C. PROGRAM TRANSFERS

Information Technology. Two positions are transferred to the Department of Information Technology, and \$145,100 is 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

D. FUNDING SHIFTS

1. Prisoner Reimbursement

The Attorney General received \$301,700 in FY 2002-03 for incurred costs related to obtaining reimbursements from prisoners pursuant to the State Correctional Facility Reimbursement Act (MCL 800.401 et seq.). The budget increases this funding by \$800,000, and reduces State General Fund support by the same amount. Boilerplate, modified by Public Act 173 of 2003, limits additional 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.

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

2. State Restricted Revenue

The funding for Attorney General Operations includes a funding shift related to Public Act 138 of 2003. That Act earmarked \$0.25 from increased Friend of the Court fees to the Department of Attorney General.

Gross	0
Restricted	725,000
GF/GP	(725,000)

E. ECONOMIC ADJUSTMENTS

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

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

**FY 2003-04
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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)

F. 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

G. 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
P.A. 173 of 2003

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2002-03 YEAR-TO- DATE	FY 2003-04 GOV'S REC.	FY 2003-04 HOUSE	FY 2003-04 SENATE	FY 2003-04 YEAR-TO- DATE	CHNGS FROM FY 2002-03 YEAR-TO-DATE	
						AMOUNT	PERCENT
FTE Positions	N/A	N/A	N/A	N/A	N/A	N/A	N/A
GROSS	606,185,900	596,083,700	50,000,000	50,000,000	50,000,000	(556,185,900)	(91.8)
Less:							
Interdepartmental Grants Received	4,000,000	2,000,000	0	0	0	(4,000,000)	(100.0)
ADJUSTED GROSS	602,185,900	594,083,700	50,000,000	50,000,000	50,000,000	(552,185,900)	(91.7)
Less:							
Federal Funds	192,092,000	202,652,000	0	0	0	(192,092,000)	(100.0)
Local and Private	43,532,000	42,789,600	0	0	0	(43,532,000)	(100.0)
TOTAL STATE SPENDING	366,561,900	348,642,100	50,000,000	50,000,000	50,000,000	(316,561,900)	(86.4)
Less:							
Other State Restricted Funds	77,395,000	42,340,000	322,500	322,500	322,500	(77,072,500)	(99.6)
GENERAL FUND/GENERAL PURPOSE . .	289,166,900	306,302,100	49,677,500	49,677,500	49,677,500	(239,489,400)	(82.8)
PAYMENTS TO LOCALS	17,425,000	21,060,000	0	0	0	(17,425,000)	(100.0)

		FY 2003-04 Change from FY 2002-03 <u>Year-to-Date</u>
A. OVERVIEW		
The Legislature delayed action on appropriations for Capital Outlay, including State agency special maintenance projects, infrastructure improvements at State parks and public waterways, and airport improvement projects, until the fall of 2003. At the time of the summer recess, the only capital outlay item approved by the Legislature for FY 2003-04 was a partial appropriation for State Building Authority Rent (Debt Service).	Gross	(314,874,200)
	IDG	(4,000,000)
	Federal	(192,092,000)
	Local	(43,532,000)
	Private	0
	Restricted GF/GP	(73,250,000) (2,000,200)
B. STATE BUILDING AUTHORITY RENT (Debt Service)		
Public Act 173 of 2003 appropriates \$50,000,000 Gross, \$49,677,500 GF/GP for State Building Authority (SBA) rent payments. These funds go to pay debt service on past bonds issued by the SBA for State-financed construction projects. This amount represents about 16% of the funding recommended by the Governor. It is anticipated that the balance of the funding will be provided in the annual capital outlay appropriation bill expected to be enacted in the fall of 2003.	Gross	(241,311,700)
	Restricted	(3,822,500)
	GF/GP	(237,489,200)

DEPARTMENT OF CAREER DEVELOPMENT
P.A. 169 of 2003

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2002-03 YEAR-TO- DATE	FY 2003-04 GOV'S REC.	FY 2003-04 SENATE	FY 2003-04 HOUSE	FY 2003-04 YEAR-TO- DATE	CHNGS FROM FY 2002-03 YEAR-TO-DATE	
						AMOUNT	PERCENT
FTE Positions	1,089.0	1,089.0	989.5	989.5	989.5	(99.5)	(9.1)
GROSS	458,111,700	466,880,000	466,130,000	466,128,300	466,880,000	8,768,300	1.9
Less:							
Interdepartmental Grants Received	0	0	0	0	0	0	0.0
ADJUSTED GROSS	458,111,700	466,880,000	466,130,000	466,128,300	466,880,000	8,768,300	1.9
Less:							
Federal Funds	406,469,200	418,100,400	418,100,400	418,100,400	418,100,400	11,631,200	2.9
Local and Private	17,408,200	17,408,200	17,408,200	17,408,200	17,408,200	0	0.0
TOTAL STATE SPENDING	34,234,300	31,371,400	30,621,400	30,619,700	31,371,400	(2,862,900)	(8.4)
Less:							
Other State Restricted Funds	7,661,500	6,664,700	6,664,700	6,664,700	6,664,700	(996,800)	(13.0)
GENERAL FUND/GENERAL PURPOSE . .	26,572,800	24,706,700	23,956,700	23,955,000	24,706,700	(1,866,100)	(7.0)
Less:							
PAYMENTS TO LOCALS	0	0	0	0	0	0	0.0

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

A. FEDERAL ISSUES

1. Labor Market Information Systems

The enacted 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.

Gross	992,300
Federal	992,300
GF/GP	0

2. NAFTA Trade Adjustment Assistance

The 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 the inclusion of 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.

Gross	11,000,000
Federal	11,000,000
GF/GP	0

3. Federal Adult Education Funding

The budget includes an increase in Federal spending authority for the administration line of the Adult Education Program to reflect more accurately anticipated revenues.

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

B. PROGRAM REDUCTIONS/ELIMINATIONS

1. Federal Match

Due to reductions in the Career Education and Vocational Rehabilitation lines through various Executive Orders, the budget includes reductions to the Federal match for these lines to reflect actual revenues.

Gross	(415,500)
Federal	(415,500)
GF/GP	0

2. Pre-College Programs in the Engineering and the Sciences

The Governor recommended the elimination of this \$900,000 program grant. The Legislature has restored these grants at \$500,000 with \$250,000 for each program. Funds are awarded to one program in Detroit and one in Grand Rapids to provide engineering and science education programs to underrepresented populations in these fields.

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

		FY 2003-04 Change from FY 2002-03 <u>Year-to-Date</u>
3. Administrative Reductions	Gross GF/GP	(429,400) (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 GF/GP	(180,000) (180,000)
The administrative funding for these centers has been reduced. The FY 2003-04 funding is \$10,000 GF/GP.		
5. Workforce Investment Grants	Gross GF/GP	(500,000) (500,000)
The budget includes a \$500,000 reduction to this grant program, leaving a balance of \$280,100 for FY 2003-04. These grants are used to fund local endowments for volunteer efforts. This funding was used to fund the Pre-college grant program (item B.2., above).		
C. FTE ADJUSTMENTS	FTEs	(99.5)
The budget makes a reduction in the number of FTEs to eliminate unfunded positions.		
D. UNCLASSIFIED SALARIES	Gross GF/GP	(110,000) (110,000)
In anticipation of administrative efficiencies through the pending Executive Reorganization, the budget includes no funding for this line.		
E. ECONOMIC ADJUSTMENTS	Gross Federal Restricted GF/GP	(100,600) (95,600) 3,200 (8,200)
Standard economic adjustments are applied for workers' compensation and building occupancy charges consistent with factors applied to all budgets. These adjustments include:		

**FY 2003-04
Change from
FY 2002-03
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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)

F. TOBACCO SETTLEMENT

Council of Michigan Foundations

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

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

G. 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 savings from the salary and wage costs of these employees are reflected in the FY 2003-04 budget as a base adjustment to the affected line items.

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

DEPARTMENT OF CIVIL RIGHTS
P.A. 161 of 2003

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2002-03 YEAR-TO- DATE	FY 2003-04 GOV'S REC.	FY 2003-04 SENATE	FY 2003-04 HOUSE	FY 2003-04 YEAR-TO- DATE	CHNGS FROM FY 2002-03 YEAR-TO-DATE	
						AMOUNT	PERCENT
FTE Positions	158.5	158.5	137.0	137.0	137.0	(21.5)	(13.6)
GROSS	13,623,900	13,117,200	13,101,000	13,100,800	13,117,200	(506,700)	(3.7)
Less:							
Interdepartmental Grants Received	0	0	0	0	0	0	0.0
ADJUSTED GROSS	13,623,900	13,117,200	13,101,000	13,100,800	13,117,200	(506,700)	(3.7)
Less:							
Federal Funds	934,000	934,000	934,000	934,000	934,000	0	0.0
Local and Private	0	0	0	0	0	0	0.0
TOTAL STATE SPENDING	12,689,900	12,183,200	12,167,000	12,166,800	12,183,200	(506,700)	(4.0)
Less:							
Other State Restricted Funds	0	0	0	0	0	0	0.0
GENERAL FUND/GENERAL PURPOSE . .	12,689,900	12,183,200	12,167,000	12,166,800	12,183,200	(506,700)	(4.0)
PAYMENTS TO LOCALS	0	0	0	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 is 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. Unfunded FTE Vacancies

FTE (21.5)

The budget eliminates unfunded vacant FTE positions.

4. Commission Per Diem

Gross 0
GF/GP 0

The budget eliminates the \$16,200 separate line item for the Commission per diem, and transfers the funding to the operations line item.

B. ECONOMIC ADJUSTMENTS

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

Standard economic adjustments are applied for workers' compensation 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)
Workers' Compensation	(3,971)	(3,971)
Total	\$(14,871)	\$(14,871)

DEPARTMENT OF CIVIL SERVICE
P.A. 161 of 2003

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2002-03 YEAR-TO- DATE	FY 2003-04 GOV'S REC.	FY 2003-04 SENATE	FY 2003-04 HOUSE	FY 2003-04 YEAR-TO- DATE	CHNGS FROM FY 2002-03 YEAR-TO-DATE	
						AMOUNT	PERCENT
FTE Positions	201.5	201.5	211.5	211.5	211.5	10.0	5.0
GROSS	30,854,000	33,853,900	33,853,900	31,853,600	31,853,900	999,900	3.2
Less:							
Interdepartmental Grants Received	5,300,000	4,300,000	4,300,000	2,300,000	2,300,000	(3,000,000)	(56.6)
ADJUSTED GROSS	25,554,000	29,553,900	29,553,900	29,553,600	29,553,900	3,999,900	15.7
Less:							
Federal Funds	4,779,100	4,779,100	4,779,100	4,779,100	4,779,100	0	0.0
Local and Private	1,850,000	1,850,000	1,850,000	1,850,000	1,850,000	0	0.0
TOTAL STATE SPENDING	18,924,900	22,924,800	22,924,800	22,924,500	22,924,800	3,999,900	21.1
Less:							
Other State Restricted Funds	9,639,200	14,872,200	14,872,200	14,872,200	14,872,200	5,233,000	54.3
GENERAL FUND/GENERAL PURPOSE . .	9,285,700	8,052,600	8,052,600	8,052,300	8,052,600	(1,233,100)	(13.3)
PAYMENTS TO LOCALS	0	0	0	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 enacted budget 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 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 was funded entirely from the State General Fund. The FY 2003-04 budget eliminates 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	(3,000,000) (3,000,000) 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, the Governor recommended a \$1,000,000 reduction in the Department of Civil Service to reflect decreased funding available from State departments for training. The Legislature reduced training by an additional \$2,000,000, leaving a balance of \$1,000,000 for training in FY 2003-04.		

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

7. Unfunded FTE Positions

FTE (21.0)

The budget reflects the elimination of 21.0 unfunded vacant FTE positions.

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.

FTE 31.0
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
P.A. 146 of 2003**

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2002-03 YEAR-TO- DATE	FY 2003-04 GOV'S REC.	FY 2003-04 HOUSE	FY 2003-04 SENATE	FY 2003-04 YEAR-TO- DATE	CHNGS FROM FY 2002-03 YEAR-TO-DATE	
						AMOUNT	PERCENT
FTE Positions	N/A	N/A	N/A	N/A	N/A	N/A	N/A
GROSS	310,885,794	289,013,100	289,013,100	293,730,600	289,013,100	(21,872,694)	(7.0)
Less:							
Interdepartmental Grants Received	0	0	0	0	0	0	0.0
ADJUSTED GROSS	310,885,794	289,013,100	289,013,100	293,730,600	289,013,100	(21,872,694)	(7.0)
Less:							
Federal Funds	0	0	0	0	0	0	0.0
Local and Private	0	0	0	0	0	0	0.0
TOTAL STATE SPENDING	310,885,794	289,013,100	289,013,100	293,730,600	289,013,100	(21,872,694)	(7.0)
Less:							
Other State Restricted Funds	3,373,682	0	0	4,717,500	0	(3,373,682)	(100.0)
GENERAL FUND/GENERAL PURPOSE ..	307,512,112	289,013,100	289,013,100	289,013,100	289,013,100	(18,499,012)	(6.0)
PAYMENTS TO LOCALS	310,185,794	289,013,100	289,013,100	289,013,100	289,013,100	(21,172,694)	(6.8)

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

A. FY 2002-03 SUPPLEMENTAL APPROPRIATIONS INCLUDED IN FY 2003-04 ACT

As part of the FY 2003-04 final budget target-setting decisions, community colleges received a \$1,077,700, or 0.35%, FY 2002-03 supplemental appropriation. This additional funding was distributed to each college so that it received an additional 0.35% on the school's FY 2002-03 base appropriation. The actual distribution, by school, is provided in Table 1.

B. OPERATIONS

For FY 2003-04, the Governor's budget recommendation reduced each college's base appropriation by 6.7% below the FY 2002-03 level. The House concurred with the Governor, yet provided an additional \$121,500 for Gogebic Community College, and reduced each college's At-Risk appropriation by \$4,500, or \$121,500 in total, in order to provide the funds for Gogebic. The Senate reduced the appropriation for Wayne County Community College by \$450,000 below the Governor's recommendation and increased the appropriation for Alpena, Bay de Noc, and Gogebic Community Colleges by \$150,000 each. The Conference Committee adopted the Senate recommendation, which was enacted.

Gross	(20,507,788)
Restricted	(1,595,982)
GF/GP	(18,911,806)

C. AT-RISK STUDENT SUCCESS PROGRAM

The Governor's recommendation reduced the program by 6.7% and distributed the reduced total to individual colleges via the existing program formula. The House reduced each school's appropriation an additional \$4,500, or \$121,500 in total, with individual college reductions beyond the Governor's ranging from 2.2% to 6.7%. The Senate restored the appropriations to the levels recommended by the Governor. The Conference Committee accepted the Senate level of funding, which was enacted.

Gross	(240,006)
GF/GP	(240,006)

		FY 2003-04 Change from FY 2002-03 <u>Year-to-Date</u>
D. TUITION INCENTIVE PROGRAM (TIP)	Gross	0
	GF/GP	0
This scholarship program is a high school completion program that offers to pay for the first two years of college for identified students (essentially Medicaid-eligible) who graduate from high school or complete their GED before age 20. The House reduced the program, funded in the higher education appropriation bill, by \$4,000,000 and moved the money into university operating budgets. The Governor recommended an FY 2003-04 level of support for the program of \$9,250,000. The Senate provided \$4,717,500 (51% of the total) for the TIP in the community college appropriations bill. It is estimated that approximately 51% of program funds are awarded to students who attend a community college. The Conference Committee did not include the TIP in the community college bill, and the money was appropriated at \$9,250,000 in the higher education bill.		
E. RENAISSANCE ZONE REIMBURSEMENTS	Gross	652,800
	GF/GP	652,800
This program reimburses colleges for property tax revenue lost from properties located within a Renaissance Zone development. The Governor, with the House and Senate concurring, recommended an increase in program funding pursuant to anticipated increased program needs.		
F. POSTSECONDARY ACCESS STUDENT SCHOLARSHIP (PASS)	Gross	(700,000)
	Restricted	(700,000)
	GF/GP	0
This program, funded from the Merit Award Trust Fund, was aimed at providing scholarships to eligible students equal to the difference between college tuition and all other financial aid. Students had to be degree-seeking, be enrolled at least part-time, have qualifying MEAP scores, and be PELL-eligible. Due to limited program participation, the Governor, with the House and Senate concurring, eliminated the program.		
G. OTHER	Gross	(1,077,700)
	Restricted	(1,077,700)
	GF/GP	0
In order to provide consistent comparisons to previous FY 2002-03 year-to-date base appropriations, a technical adjustment is necessary to remove the FY 2002-03 supplemental included in the FY 2003-04 enacted bill.		

Table 1

FY 2003-2004 Community College Funding Recommendations

College	FY 2002-03 Year-To-Date Appropriation	Governor		House		Senate		FY '03 Supp. \$1,077,700 across/board	Enacted		
		Appropriation	% Change	Appropriation	% Change	Appropriation	% Change		Enacted Appropriation	Change from Y-T-D	
										Dollar	Percent
Alpena	5,125,811	4,780,500	-6.74%	4,780,500	-6.74%	4,930,500	-3.81%	18,100	4,930,500	(195,311)	-3.81%
Bay de Noc	4,950,230	4,616,800	-6.74%	4,616,800	-6.74%	4,766,800	-3.71%	17,500	4,766,800	(183,430)	-3.71%
Delta	14,294,765	13,331,900	-6.74%	13,331,900	-6.74%	13,332,000	-6.74%	50,600	13,331,900	(962,865)	-6.74%
Glen Oaks	2,398,398	2,236,800	-6.74%	2,236,800	-6.74%	2,236,700	-6.74%	8,500	2,236,800	(161,598)	-6.74%
Gogebic	4,212,138	3,928,400	-6.74%	4,049,900	-3.85%	4,078,400	-3.18%	14,900	4,078,400	(133,738)	-3.18%
Grand Rapids	17,980,430	16,769,300	-6.74%	16,769,300	-6.74%	16,769,400	-6.74%	63,600	16,769,300	(1,211,130)	-6.74%
Henry Ford	21,912,770	20,436,700	-6.74%	20,436,700	-6.74%	20,436,600	-6.74%	77,600	20,436,700	(1,476,070)	-6.74%
Jackson	12,129,904	11,312,800	-6.74%	11,312,800	-6.74%	11,312,900	-6.74%	42,900	11,312,800	(817,104)	-6.74%
Kalamazoo Valley	12,376,513	11,542,800	-6.74%	11,542,800	-6.74%	11,542,700	-6.74%	43,800	11,542,800	(833,713)	-6.74%
Kellogg	9,723,813	9,068,800	-6.74%	9,068,800	-6.74%	9,068,900	-6.74%	34,400	9,068,800	(655,013)	-6.74%
Kirtland	2,951,218	2,752,400	-6.74%	2,752,400	-6.74%	2,752,300	-6.74%	10,400	2,752,400	(198,818)	-6.74%
Lake Michigan	5,233,364	4,880,800	-6.74%	4,880,800	-6.74%	4,880,900	-6.73%	18,500	4,880,800	(352,564)	-6.74%
Lansing	31,093,928	28,999,400	-6.74%	28,999,400	-6.74%	28,999,300	-6.74%	110,100	28,999,400	(2,094,528)	-6.74%
Macomb	33,176,240	30,941,500	-6.74%	30,941,500	-6.74%	30,941,600	-6.74%	117,400	30,941,500	(2,234,740)	-6.74%
Mid Michigan	4,425,699	4,127,600	-6.74%	4,127,600	-6.74%	4,127,500	-6.74%	15,700	4,127,600	(298,099)	-6.74%
Monroe	4,305,891	4,015,800	-6.74%	4,015,800	-6.74%	4,015,900	-6.73%	15,200	4,015,800	(290,091)	-6.74%
Montcalm	3,114,444	2,904,700	-6.73%	2,904,700	-6.73%	2,904,600	-6.74%	11,000	2,904,700	(209,744)	-6.73%
Mott	15,720,546	14,661,600	-6.74%	14,661,600	-6.74%	14,661,700	-6.74%	55,600	14,661,600	(1,058,946)	-6.74%
Muskegon	8,946,222	8,343,600	-6.74%	8,343,600	-6.74%	8,343,500	-6.74%	31,700	8,343,600	(602,622)	-6.74%
North Central	3,030,176	2,826,100	-6.73%	2,826,100	-6.73%	2,826,200	-6.73%	10,700	2,826,100	(204,076)	-6.73%
Northwestern	9,128,666	8,513,800	-6.74%	8,513,800	-6.74%	8,513,700	-6.74%	32,300	8,513,800	(614,866)	-6.74%
Oakland	20,928,018	19,518,300	-6.74%	19,518,300	-6.74%	19,518,400	-6.74%	74,100	19,518,300	(1,409,718)	-6.74%
St. Clair	7,010,013	6,537,800	-6.74%	6,537,800	-6.74%	6,537,700	-6.74%	24,800	6,537,800	(472,213)	-6.74%
Schoolcraft	12,282,731	11,455,400	-6.74%	11,455,400	-6.74%	11,455,500	-6.73%	43,500	11,455,400	(827,331)	-6.74%
Southwestern	6,593,399	6,149,300	-6.74%	6,149,300	-6.74%	6,149,200	-6.74%	23,300	6,149,300	(444,099)	-6.74%
Washtenaw	12,483,840	11,642,900	-6.74%	11,642,900	-6.74%	11,643,000	-6.74%	44,200	11,642,900	(840,940)	-6.74%
Wayne County	16,620,124	15,500,600	-6.74%	15,500,600	-6.74%	15,050,600	-9.44%	58,800	15,050,600	(1,569,524)	-9.44%
West Shore	2,298,897	2,144,000	-6.74%	2,144,000	-6.74%	2,143,900	-6.74%	8,500	2,144,000	(154,897)	-6.74%
Subtotal Operations	\$304,448,188	\$283,940,400	-6.74%	\$284,061,900	-6.70%	\$283,940,400	-6.74%	\$1,077,700	\$283,940,400	(\$20,507,788)	-6.74%
At Risk	3,562,706	3,322,700	-6.74%	3,201,200	-10.15%	3,322,700	-6.74%	0	3,322,700	(240,006)	-6.74%
Renaissance Zones	1,097,200	1,750,000	59.50%	1,750,000	59.50%	1,750,000	59.50%	0	1,750,000	652,800	59.50%
PASS Program	700,000	0	-100.00%	0	-100.00%	0	-100.00%	0	0	(700,000)	-100.00%
TIP Program	0	0	0.00%	0	0.00%	4,717,500	NA	0	0	0	
Total Gross Appropriation	\$309,808,094	\$289,013,100	-6.71%	\$289,013,100	-6.71%	\$293,730,600	-5.19%	\$1,077,700	\$289,013,100	(\$20,794,994)	-6.71%
Merit Award - PASS	700,000	0	-100.00%	0	-100.00%	0	-100.00%	0	0	(700,000)	-100.00%
Merit Award - Operations	1,595,982	0	-100.00%	0	-100.00%	0	-100.00%	1,077,700	0	(1,595,982)	-100.00%
Merit Award - TIP	0	0	0.00%	0	0.00%	4,717,500	NA	0	0	0	
Total GF/GP Appropriation	\$307,512,112	\$289,013,100	-6.02%	\$289,013,100	-6.02%	\$289,013,100	-6.02%	\$0	\$289,013,100	(\$18,499,012)	-6.02%

Note: The FY 2002-03 Year-To-Date appropriations do not include the \$1,077,700 supplemental included in the FY 2003-04 enacted bill.

DEPARTMENT OF COMMUNITY HEALTH
P.A. 159 of 2003

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2002-03 YEAR-TO- DATE	FY 2003-04 GOV'S REC.	FY 2003-04 HOUSE	FY 2003-04 SENATE	FY 2003-04 YEAR-TO- DATE	CHNGS FROM FY 2002-03 YEAR-TO-DATE	
						AMOUNT	PERCENT
FTE Positions	5,674.3	4,666.2	4,382.3	4,382.3	4,382.3	(1,292.0)	(22.8)
GROSS	9,795,205,012	9,117,346,900	9,078,801,100	9,216,076,300	9,478,814,800	(316,390,212)	(3.2)
Less:							
Interdepartmental Grants Received	69,172,900	69,204,800	69,204,800	69,204,800	69,204,800	31,900	0.0
ADJUSTED GROSS	9,726,032,112	9,048,142,100	9,009,596,300	9,146,871,500	9,409,610,000	(316,422,112)	(3.3)
Less:							
Federal Funds	5,412,950,900	4,890,865,600	4,845,868,100	5,048,870,200	5,243,530,900	(169,420,000)	(3.1)
Local and Private	1,123,726,700	866,010,500	864,396,500	863,100,100	870,100,100	(253,626,600)	(22.6)
TOTAL STATE SPENDING	3,189,354,512	3,291,266,000	3,299,331,700	3,234,901,200	3,295,979,000	106,624,488	3.3
Less:							
Other State Restricted Funds	807,324,100	707,327,400	650,962,500	650,962,600	737,408,300	(69,915,800)	(8.7)
GENERAL FUND/GENERAL PURPOSE . .	2,382,030,412	2,583,938,600	2,648,369,200	2,583,938,600	2,558,570,700	176,540,288	7.4
PAYMENTS TO LOCALS	1,091,217,300	1,187,922,600	1,060,415,000	1,060,615,100	1,042,260,100	(48,957,200)	(4.5)

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

A. GENERAL ISSUES

1. Changes in FTE Count

The budget includes changes in FTE authorization to reflect actual on-board staff.

FTE	(273.4)
Gross	0
GF/GP	0

2. Limited Program Restorations and Expansions

The budget contains limited program restorations and expansions, including \$500,000 for the Michigan Model, \$1,000,000 for Mental Health Respite Services, and \$524,000 for the Early Childhood Collaborative program.

Gross	3,130,700
GF/GP	3,130,700

B. MENTAL HEALTH ISSUES

1. Community Mental Health (CMH) Base and Caseload

Due to a continuing increase in the Medicaid caseload, the budget includes a base adjustment for Medicaid Mental Health Services and Medicaid Substance Abuse Services.

Gross	64,498,300
Federal	36,048,100
GF/GP	28,450,200

2. Local Match Program

The budget increases spending 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.

Gross	58,943,600
Federal	32,943,600
Local	26,000,000
GF/GP	0

3. Closure of Northville State Hospital

The Northville State Hospital for Mentally Ill Adults was closed during FY 2002-03. Patients in the facility at the time were transferred either to other State hospitals or to the community.

FTE	(304.5)
Gross	(42,676,900)
Federal	(647,800)
Local	(40,128,300)
Restricted	(1,900,800)
GF/GP	0

		FY 2003-04 Change from FY 2002-03 <u>Year-to-Date</u>	
4.	Other Facility Adjustments	FTE	(535.1)
		Gross	(22,734,400)
	The budget includes the usual facility funding adjustments. Funding and FTE authorization are reduced due to the continued decrease in facility census.	Federal	2,739,700
		Local	(24,241,900)
		Restricted	(1,232,200)
		GF/GP	0
C.	PUBLIC HEALTH ISSUES		
1.	Heathy Michigan Fund (HMF)	Gross	(2,008,300)
	Changes 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. Further, 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 support.	Federal	250,000
		Restricted	(1,148,800)
		GF/GP	(1,109,500)
2.	Bioterrorism Funding	FTE	26.5
	The budget includes a large increase reflecting additional funding for public health bioterrorism preparedness efforts. This brought total funding for FY 2003-04 to \$50,579,900.	Gross	42,196,200
		Federal	42,196,200
		GF/GP	0
3.	Family Planning Waiver	Gross	2,250,000
	The 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.	Federal	2,250,000
		GF/GP	0

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

D. MEDICAID ISSUES

1. Medicaid Base, Caseload, and Utilization Adjustments

The 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 a 4% increase over FY 2002-03 year-to-date appropriations.

Gross	185,433,600
Federal	105,493,300
Local	2,830,300
GF/GP	77,110,000

2. Elder Prescription Insurance Coverage (EPIC) Program

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 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 \$68,011,800 and could provide coverage for up to 50,000 individuals. Further, a technical adjustment removing rebate revenue from the line reduces spending authorization by \$8,000,000.

Gross	(76,988,200)
Federal	(68,988,200)
Private	(8,000,000)
GF/GP	0

3. Adjustments to MI-CHILD Program Authorization

The Federal government requires that states provide a 30% match for children's health coverage expansion programs (such as MI-CHILD). The 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.

Gross	(13,067,100)
Federal	(23,967,100)
GF/GP	10,900,000

4. Medicaid Special Financing Adjustments

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 about \$147,000,000. The State will obtain savings from a new special financing mechanism involving practitioners at public health care facilities, GF/GP savings of \$14,300,000, and a small increase in school-based health care financing, a \$2,700,000 GF/GP offset.

Gross	(218,597,500)
Federal	(128,027,700)
Local	(203,312,000)
Restricted	(16,981,500)
GF/GP	129,723,700

		FY 2003-04 Change from FY 2002-03 <u>Year-to-Date</u>	
5.	Medicaid Adult Coverage Waiver	Gross	(43,011,700)
		Federal	(33,602,900)
		GF/GP	(9,409,300)
	The budget assumes approval of a Medicaid Adult Benefits waiver. In effect, the existing State Medical Program and State-supported county indigent care programs would be eliminated. The affected people would be covered instead 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 would be only about 30% compared with the standard Medicaid State match rate of about 44%. As many of these recipients also were covered for mental health care with GF/GP dollars, some of the savings would be used to give 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 the waiver.		
6.	Medicaid Policy Changes and Restructuring		
a.	Long-Term Care	Gross	(45,341,200)
		Federal	(25,341,200)
		GF/GP	(20,000,000)
	The budget assumes savings in this area by controlling Adult Home Help costs and enhancing pre-admission screenings before a person is placed in a nursing home, and by requiring nursing homes to seek Medicare services for covered benefits whenever possible. Savings also are expected to be generated through an Estate Recovery program.		
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 and from adjustments to Maximum Allowable Cost pricing. Additional savings are expected from more frequent updates of pharmacy product prices and from 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.		

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

c. Ambulatory Care Rates

The budget assumes savings 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.

Gross	(9,068,200)
Federal	(5,068,200)
GF/GP	(4,000,000)

d. MI-Child Coverage

The budget includes a proposal to move from a "State only" program to a "Medicaid only" MI-Child 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 HMOs, in which these recipients instead would be placed. This change will most likely require approval from the CMS.

Gross	(7,124,400)
Federal	(4,924,400)
GF/GP	(2,200,000)

e. Medicaid/MI-Child Financing of the Children's Special Health Care Services Program

The budget requires that any child receiving services under this program be financed by either the Medicaid or the MI-Child program whenever possible. This means that the financing, but not the source of care, would change.

Gross	(7,259,600)
Federal	(4,057,400)
GF/GP	(3,202,200)

7. Detroit Medical Center (DMC) Funding

The budget includes a grant of \$50,000,000 to the DMC. This grant is to be funded with \$15,055,000 from the Medicaid Benefits Trust Fund, \$7,000,000 from Wayne County and the City of Detroit, and \$27,945,000 in Federal Medicaid matching funds.

Gross	50,000,000
Federal	27,945,000
Local	7,000,000
Restricted	15,055,000
GF/GP	0

E. ANNUALIZATION OF FY 2002-03 REDUCTIONS

The budget includes additional savings and FTE reductions from the annualization of Executive Order, early retirement, and budgetary savings reductions made during FY 2002-03.

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)

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

F. PROGRAM REDUCTIONS/ELIMINATIONS

1. Summer Food Program

The FY 2002-03 Department of Community Health (DCH) budget included 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 FY 2003-04 fiscal year.

Gross	(4,225,000)
Federal	(4,225,000)
GF/GP	0

2. Medicaid Benefits

The budget eliminates the optional Medicaid benefit for dental services, except for emergency dental care, for all adult Medicaid recipients. In addition, hospital payments for adults in Family Independence Program (FIP) related cases are to be made under a case rate system, producing large savings. Hospital services are a mandated coverage and FIP adults are a mandated coverage group, however. 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 the CMS.

Gross	(128,995,700)
Federal	(72,095,700)
GF/GP	(56,900,000)

G. UNCLASSIFIED SALARIES

The 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.

Gross	0
GF/GP	0

H. FUNDING SHIFTS

1. Federal Match Rate

The budget includes GF/GP savings due to an increase in the Federal Medicaid match rate from an FY 2002-03 average of 57.36% to 58.84% for the first three quarters of FY 2003-04. The rate will drop to 55.89% for the final quarter of FY 2003-04.

Gross	0
Federal	54,457,300
GF/GP	(54,457,300)

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

2. Quality Assurance Assessment Program

During 2002, the Legislature enacted quality assurance assessment programs to allow for Medicaid funding increases for hospitals, nursing homes, and health maintenance organizations without requiring any GF/GP support. In the FY 2002-03 budget, \$18,900,000 GF/GP was saved from the hospital program. For FY 2003-04, the budget takes \$18,900,000 in GF/GP savings from each of the three separate quality assurance assessments: the already existing hospital and nursing home assessments as well as a proposed assessment on pharmacy services. The budget includes language stating that if the pharmacy assessment is not enacted, the \$18,900,000 in savings must be taken from savings due to a Medicare drug benefit or from the Medicaid Benefits Trust Fund. Also, spending authorization was increased by \$257,417,600 Gross, \$146,558,600 Federal, and \$110,859,000 Restricted to reflect the actual funding changes due to the program.

Gross	257,417,600
Federal	146,558,600
Restricted	167,559,000
GF/GP	(56,700,000)

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 budget includes \$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

I. 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	182,400
IDG	74,100
Federal	(185,300)
Local	167,700
Restricted	10,000
GF/GP	115,900

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

Item	Gross	GF/GP
Facility Economics	\$349,800	\$60,100
Rent and Building Occupancy Charges	(720,000)	(496,800)
Workers' Compensation	552,600	552,600
Total	\$182,400	\$115,900

J. TOBACCO SETTLEMENT

The budget shifts \$27,213,800 of Tobacco Settlement money to support the Medicaid program and supplant GF/GP funding. This leads to \$58,000,000 of Tobacco Settlement funding supporting the Medicaid program.

Gross	0
Tobacco	27,231,800
GF/GP	(27,231,800)

K. OTHER ISSUES

Other changes in the budget lead to minor adjustments in funding.

Gross	(5,883,512)
IDG	469,500
Federal	(4,517,900)
Local	(8,448,100)
Private	(974,500)
Restricted	2,473,800
GF/GP	5,113,688

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

L. VETOES

The Governor vetoed four sections of boilerplate:

1. Section 853

Section 853 would have designated up to \$1,000,000 in Federal bioterrorism funding for the new animal laboratory at Michigan State University. The Bioterrorism line was reduced by \$1,000,000 Gross and Federal due to this veto.

2. Section 1628

Section 1628 would have exempted Children's Special Health Care Services clients from pharmaceutical prior authorization.

3. Section 1630

Section 1630 would have maintained funding for Medicaid chiropractic, podiatric, and hearing aid services, with the veto leading to a reduction of \$6,801,200 Gross and \$3,000,000 GF/GP. Such services will not be covered under the Medicaid fee-for-service program in FY 2003-04.

4. Section 1716

Section 1716 would have required the Department to set the case rate for hospital services to certain Medicaid clients so as to provide up to the \$108,592,200 savings assumed in the budget. The veto gives the Department the flexibility to seek a different amount of savings if the Medicaid adult coverage waiver is approved.

Gross	(7,801,200)
Federal	(4,801,200)
GF/GP	(3,000,000)

DEPARTMENT OF CONSUMER AND INDUSTRY SERVICES
P.A. 167 of 2003

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2002-03 YEAR-TO- DATE	FY 2003-04 GOV'S REC.	FY 2003-04 SENATE	FY 2003-04 HOUSE	FY 2003-04 YEAR-TO- DATE	CHNGS FROM FY 2002-03 YEAR-TO-DATE	
						AMOUNT	PERCENT
FTE Positions	3,948.9	3,937.5	3,472.0	3,472.0	3,470.0	(478.9)	(12.1)
GROSS	586,880,364	590,197,700	603,242,200	603,591,700	603,526,200	16,645,836	2.8
Less:							
Interdepartmental Grants Received	111,100	111,100	111,100	111,100	111,100	0	0.0
ADJUSTED GROSS	586,769,264	590,086,600	603,131,100	603,480,600	603,415,100	16,645,836	2.8
Less:							
Federal Funds	279,611,500	283,831,500	283,831,500	283,831,500	283,831,500	4,220,000	1.5
Local and Private	770,000	770,000	770,000	770,000	770,000	0	0.0
TOTAL STATE SPENDING	306,387,764	305,485,100	318,529,600	318,879,100	318,813,600	12,425,836	4.1
Less:							
Other State Restricted Funds	273,487,300	285,815,300	298,343,800	298,694,400	299,143,800	25,656,500	9.4
GENERAL FUND/GENERAL PURPOSE . .	32,900,464	19,669,800	20,185,800	20,184,700	19,669,800	(13,230,664)	(40.2)
PAYMENTS TO LOCALS	12,500,000	17,187,400	17,187,400	29,315,900	29,315,900	16,815,900	134.5

**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. This shift in clients from the mortgage program to the rent assistance line results in the increases in expenditures from this line.

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

2. Housing and Rental Assistance

The enacted 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	1,300,000
Federal	1,300,000
GF/GP	0

3. Homeless Program

The 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

4. Insurance Regulatory Fees

The budget includes additional spending authority to account for the out-of-State examinations of regulated insurance companies.

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

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

5. Fire Protection Grants

Gross	12,128,500
Restricted	12,128,500
GF/GP	0

The budget includes additional funding for these grants, which are provided to local units of government in lieu of taxes on State-owned buildings. This additional funding is contingent upon statutory changes to the Liquor Control Act that would increase deposits into the Liquor Purchase Revolving Fund. Additional funding is included in P.A. 165 of 2003, the so-called Driver Responsibility Act, which sets aside \$3,500,000 after the first \$65,000,000 of revenue is collected and \$5,000,000 after \$100,000,000 is collected. This revenue will be deposited into a Fire Protection Fund created specifically for this grant program.

B. OFFICE OF FIRE SAFETY

Gross	0
GF/GP	0

The budget includes the merger of this office into the Bureau of Construction Codes. According to the Department, administrative efficiencies can be achieved through consolidation as similar functions are performed by both offices.

C. PROGRAM REDUCTIONS/ELIMINATIONS

FTE	0
Gross	(424,500)
Restricted	(424,500)
GF/GP	0

1. Reduction in the Number of Workers' Compensation Appellate Commissioners

The Governor recommended the elimination of this Commission. The enacted budget instead reduces the number of commissioners from seven to four and reduces the number on the Board of Magistrates from 30 to 27.5. These reductions allow for this Commission to continue to be funded with State restricted Corporate and Securities fees that otherwise would lapse to the General Fund. The Appellate Commission hears contested workers' compensation cases that are not resolved either through mediation or by the Board of Magistrates.

2. Administrative Savings

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

The budget includes a 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.

		FY 2003-04 Change from FY 2002-03 Year-to-Date	
3.	Non-General Fund Fleet Savings	Gross	(177,900)
		Federal	(85,200)
	The budget includes additional reductions to account for non-General Fund fleet costs.	Restricted	(92,700)
		GF/GP	0
4.	Employment Standards Enforcement	Gross	(115,000)
		Restricted	(115,000)
	The budget includes a 5% or \$115,000 reduction to this line item. These restricted funds are transferred to the unclassified salaries line item to offset the cost of maintaining four Appellate Commissioners.	GF/GP	0
D.	FTE ADJUSTMENTS	FTEs	(478.9)
	The budget makes a reduction in the number of FTEs to eliminate unfunded positions.		
E.	UNCLASSIFIED SALARIES	Gross	(369,200)
		Restricted	(369,200)
		GF/GP	0
1.	The budget reduces this line item to reflect the reduction in members of the Workers' Compensation Appellate Commission from seven to four. The Governor recommended the elimination of all funding for this Commission. Funding for the four commissioners requires that there be only enough funding allocated to Workers' Compensation Board of Magistrates equivalent to 27.5 positions, which is reduced from 30. These funds, along with the reduction in the Employment Standards Enforcement line, will be used to cover the cost of the four Appellate Commissioners.		
2.	The 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**

F. FEE INCREASES

1. Health Systems Administration

The budget includes 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. These fees are included in Senate Bill 567.

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

2. Corporation Fees

The budget includes an increase in these fees 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 included in Public Acts 81, 106, and 107 of 2003.

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

3. Securities Fees

The budget includes an increase in these fees 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 included in P.A. 150 of 2003.

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

4. Licensing and Regulation Fees

The budget includes an increase in these fees 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. These fees are included in P.A. 87 of 2003.

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

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

G. FUNDING SHIFTS

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

The budget uses Federal Child Care Development Fund (CCDF) block grant funds to replace GF/GP support within 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 budget includes restricted revenue in the Health Professions Regulatory Fund to replace GF/GP funding that was used 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 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)

H. ECONOMIC ADJUSTMENTS

The 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	(2,186,100)
Restricted	1,305,100
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)

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

I. OTHER ISSUES

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

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 savings from salary and wage costs of these employees are reflected in the FY 2003-04 budget as a base line adjustment to the affected line items.

DEPARTMENT OF CORRECTIONS
P.A. 154 of 2003

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2002-03 YEAR-TO- DATE	FY 2003-04 GOV'S REC.	FY 2003-04 HOUSE	FY 2003-04 SENATE	FY 2003-04 YEAR-TO- DATE	CHNGS FROM FY 2002-03 YEAR-TO-DATE	
						AMOUNT	PERCENT
FTE Positions	18,827.9	18,292.7	18,292.7	18,250.7	18,296.7	(531.2)	(2.8)
GROSS	1,687,056,831	1,724,507,200	1,716,050,600	1,724,501,700	1,724,507,200	37,450,369	2.2
Less:							
Interdepartmental Grants Received	3,318,500	3,253,600	3,253,600	3,253,600	3,253,600	(64,900)	(2.0)
ADJUSTED GROSS	1,683,738,331	1,721,253,600	1,712,797,000	1,721,248,100	1,721,253,600	37,515,269	2.2
Less:							
Federal Funds	27,793,400	27,798,400	27,798,400	27,798,400	27,798,400	5,000	0.0
Local and Private	391,100	391,100	391,100	391,100	391,100	0	0.0
TOTAL STATE SPENDING	1,655,553,831	1,693,064,100	1,684,607,500	1,693,058,600	1,693,064,100	37,510,269	2.3
Less:							
Other State Restricted Funds	55,750,600	60,748,800	60,858,800	60,858,800	60,858,800	5,108,200	9.2
GENERAL FUND/GENERAL PURPOSE . .	1,599,803,231	1,632,315,300	1,623,748,700	1,632,199,800	1,632,205,300	32,402,069	2.0
PAYMENTS TO LOCALS	76,237,600	84,723,800	81,068,000	81,067,400	81,068,000	4,830,400	6.3

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

A. PRISON OPERATIONS

1. FY 2002-03 New Beds

The enacted 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.

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

2. Michigan Youth Correctional Facility

The budget makes 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) funding 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.

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

3. Other Operational Adjustments

The enacted 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 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.

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

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

B. FIELD OPERATIONS

1. Conditional Reintegration Program

The enacted budget provides funds for the implementation of a revised Community Residential Program (now the Conditional Reintegration Program, CRP), in which certain nonviolent, parole-eligible prisoners will be placed in halfway houses or on electronic tether. 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 additional CRP program participant fees.

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

2. Other Adjustments

The budget funds 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 pre-screener 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 budget provides 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 budget includes \$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 tele-medicine funding.

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

D. ANNUALIZED SAVINGS FROM EXECUTIVE ORDER 2002-22

The budget 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 from a .75% reduction in Department of Community Health mental health services; and \$83,300 from a reorganization of academic/vocational principal positions.

Gross	(545,200)
GF/GP	(545,200)

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

E. PROGRAM REDUCTIONS/ELIMINATIONS

1. County Jail Reimbursement Program (CJRP)

The budget 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. The budget decreases the CJRP line by \$5,451,000 to reflect that change and redirects the funding to two new line items. First, \$3,000,000 will fund a new program that will provide grants through the Office of Community Corrections to counties to encourage the use of treatment rather than jail for drunk driving offenders. The other \$2,451,000 is directed to a local facility housing program that will allow the DOC to reimburse counties for housing prisoners in the event the Department needs additional capacity.

Gross	\$200,000
Restricted	\$1,000,000
GF/GP	(800,000)

2. Academic/Vocational Programs

The budget reduces the availability of academic programming for maximum security level prisoners, who require in-cell study, which is more costly than the group programming provided to lower security level prisoners.

Gross	(2,567,000)
GF/GP	(2,567,000)

F. FTE ADJUSTMENTS

The budget reduces FTEs by 535.2 in order to reflect early retirement changes as well as reductions in support staff and academic programming staff.

FTEs	535.2
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G. FUNDING SHIFTS

The budget recognizes an increase of \$200,000 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.

Gross	0
Restricted	408,900
GF/GP	(408,900)

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

H. 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

I. OTHER ISSUES

1. Federal Funding

The budget recognizes an additional \$600,000 as part of a Federal Going Home Grant from the Office of Justice Programs to 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. The FY 2003-04 budget does not reflect \$990,000 in Federal contingency fund transfers passed by the Legislature in 2003.

Gross	(1,039,000)
Federal	(1,039,000)
GF/GP	0

2. Other Adjustments

The enacted budget 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.

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

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

**DEPARTMENT OF EDUCATION
P.A. 145 of 2003**

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2002-03 YEAR-TO- DATE	FY 2003-04 GOV'S REC.	FY 2003-04 HOUSE	FY 2003-04 SENATE	FY 2003-04 YEAR-TO- DATE	CHNGS FROM FY 2002-03 YEAR-TO-DATE	
						AMOUNT	PERCENT
FTE Positions	436.1	433.1	433.1	433.1	433.1	(3.0)	(0.7)
GROSS	216,154,016	112,825,000	112,925,100	113,459,600	114,381,200	(101,772,816)	(47.1)
Less:							
Interdepartmental Grants Received	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	0	0.0
ADJUSTED GROSS	215,154,016	111,825,000	111,925,100	112,459,600	113,381,200	(101,772,816)	(47.3)
Less:							
Federal Funds	166,260,200	64,479,400	64,479,400	65,184,100	65,834,100	(100,426,100)	(60.4)
Local and Private	5,445,600	5,445,600	5,445,600	5,493,000	5,493,000	47,400	0.9
TOTAL STATE SPENDING	43,448,216	41,900,000	42,000,100	41,782,500	42,054,100	(1,394,116)	(3.2)
Less:							
Other State Restricted Funds	14,430,000	12,507,500	12,607,600	12,561,700	12,661,600	(1,768,400)	(12.3)
GENERAL FUND/GENERAL PURPOSE . .	29,018,216	29,392,500	29,392,500	29,220,800	29,392,500	374,284	1.3
PAYMENTS TO LOCALS	16,436,800	19,597,000	19,597,000	19,606,700	18,960,100	2,523,300	15.4

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

A. SCHOOL BREAKFAST PROGRAM

The enacted budget includes an increase of over 33% 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. NEW FEDERAL GRANTS AND INCREASED ADMINISTRATIVE FUNDS

The budget includes two new Federal grants, which consist of \$552,000 for restructuring the teacher credentialing system and \$650,000 for evaluating the State's technology education. Also, \$152,700 is included for administering the new Math and Science Partnerships program.

Gross 1,354,700
Federal 1,354,700
GF/GP 0

C. PROGRAM REDUCTIONS/ELIMINATIONS

1. Elimination of Federal Grants No Longer Funded

Several grants are no longer funded at the Federal level, and therefore the 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 still has unspent funds, which will be allocated in FY 2003-04. Administrative funding for these grants also is eliminated.

Gross (102,709,200)
Federal (101,780,800)
GF/GP (928,400)

2. Reduced GF/GP Funding for Administration

Excluding funding for the three FTEs eliminated (item E, below), the Department of Education's State administrative funding is reduced by \$818,000 GF/GP, which includes elimination of oversight for At-Risk and Bilingual Education, a pupil report desk auditor, and Learning Support Unit.

3. Education Commission of the States Membership

Dues are eliminated for the State's membership in the national organization Education Commission of the States, a reduction of \$99,300.

4. Elimination of State Tenure Commission Per Diems

The \$50 per meeting day reimbursement to State Tenure Commission members is eliminated, for a total reduction of \$11,100.

D. PROGRAM TRANSFERS

1. Center for Educational Performance and Information (CEPI)

Information Technology support personnel for the 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)

2. Motorcycle and Off-Road Vehicle Safety Programs

These two programs are transferred to the Secretary of State's office and Department of Natural Resources, respectively. However, \$5,000 in Motorcycle License Fees will remain in the Department of Education's budget to process grants.

Gross	(1,953,500)
Restricted	(1,953,500)
GF/GP	0

E. FTE ADJUSTMENTS

A total of 3.0 FTEs and corresponding funding are eliminated from the FY 2003-04 budget. The elimination of one FTE is a Department of Information Technology adjustment, and eliminating the other two is a result of administrative funding reductions.

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

F. FUNDING SHIFTS

1. Building Occupancy Charges

A reduction of \$200,000 GF/GP is offset by increases in Federal and restricted funding.

Gross	0
Federal	161,700
Restricted	187,400
GF/GP	(349,100)

2. Administrative Law Operations

A reduction of \$149,100 GF/GP is offset by the use of Certification Fees to partially support Administrative Law Operations.

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

G. ECONOMIC ADJUSTMENTS

The budget applies negative economic adjustments for building occupancy charges by reducing such costs as security, utilities, and other efficiency measures.

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

H. OTHER ISSUES

Adjustments for early retirement savings (\$93,600) and related Terminal Leave payout adjustments (\$79,700) are included in the budget. Miscellaneous positive adjustments total \$49,884.

Gross	(123,416)
Federal	(101,500)
Restricted	8,800
Local	47,400
GF/GP	(78,116)

**DEPARTMENT OF ENVIRONMENTAL QUALITY
P.A. 171 of 2003**

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2002-03 YEAR-TO- DATE	FY 2003-04 GOV'S REC.	FY 2003-04 HOUSE	FY 2003-04 SENATE	FY 2003-04 YEAR-TO- DATE	CHNGS FROM FY 2002-03 YEAR-TO-DATE	
						AMOUNT	PERCENT
FTE Positions	1,590.7	1,616.7	1,622.7	1,605.7	1,605.7	15.0	0.9
GROSS	409,136,461	343,957,400	338,650,200	346,850,400	345,924,400	(63,212,061)	(15.5)
Less:							
Interdepartmental Grants Received	14,042,900	14,142,900	14,142,900	14,142,900	14,142,900	100,000	0.7
ADJUSTED GROSS	395,093,561	329,814,500	324,507,300	332,707,500	331,781,500	(63,312,061)	(16.0)
Less:							
Federal Funds	133,445,500	129,169,500	129,169,500	129,169,500	129,169,500	(4,276,000)	(3.2)
Local and Private	435,700	435,700	435,700	435,700	435,700	0	0.0
TOTAL STATE SPENDING	261,212,361	200,209,300	194,902,100	203,102,300	202,176,300	(59,036,061)	(22.6)
Less:							
Other State Restricted Funds	194,559,100	147,153,500	143,442,400	146,905,800	145,460,000	(49,099,100)	(25.2)
GENERAL FUND/GENERAL PURPOSE ..	66,653,261	53,055,800	51,459,700	56,196,500	56,716,300	(9,936,961)	(14.9)
PAYMENTS TO LOCALS	18,047,500	16,920,500	18,445,500	18,446,000	19,145,500	1,098,000	6.1

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

A. SCRAP TIRE GRANTS

Scrap tire grants assist property owners with the proper removal of scrap tires that have accumulated or been 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 budget appropriates a total of \$3,500,000 for scrap tire grants.

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

B. AQUATIC NUISANCE AND BALLAST WATER

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.

Gross	68,100
Federal	68,100
GF/GP	0

C. STATEWIDE GROUNDWATER DATABASE

The Department of Environmental Quality is currently developing a database for tracking drinking water wells in the State. The budget reflects an increase in funding from the United States Environmental Protection Agency to support this project.

Gross	180,000
Federal	180,000
GF/GP	0

D. SECURITY OF PUBLIC WATER

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.

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

		FY 2003-04 Change from FY 2002-03 <u>Year-to-Date</u>
E. SUPERFUND GRANT	Gross	(3,000,000)
	Federal	(3,000,000)
	GF/GP	0
The Federal government makes funding available for capital improvements at Superfund cleanup sites and the State is responsible for ongoing maintenance at these sites. The budget reduces the appropriation of Federal funding for Superfund projects to reflect actual expenditures as capital improvements have been completed at many of the sites.		
F. STATEWIDE GROUNDWATER INVENTORY AND MAP	Gross	1,065,100
	Restricted	1,065,100
	GF/GP	0
Public Act 148 of 2003 requires the creation of a statewide groundwater inventory and map. The Department of Environmental Quality has two years to develop the map using information provided by industrial, processing, or irrigation facilities regarding the location and quantity of aquifers, recharge rates, conflict areas, pumping capacity of facilities, and agricultural use, among other information. The budget includes \$1,000,000 from the Clean Michigan Initiative-Clean Water Fund to support the preparation and implementation of the project. Revenue of \$65,100 from an increase in Public Act 148 of 2003 to the water use reporting fee is appropriated for ongoing maintenance of the inventory and map.		
G. AQUIFER CONFLICT AND DISPUTE RESOLUTION	Gross	400,000
	Restricted	200,000
	GF/GP	200,000
The budget includes funding to support a new program created in Public Act 177 of 2003 in which the Department of Environmental Quality will settle aquifer conflicts between small and large wells through a dispute resolution system. Language in the budget designates \$100,000 of this appropriation to the Department of Agriculture, which is responsible for resolving disputes involving agricultural wells. In addition to General Fund dollars, the program is supported with funding from the Groundwater and Freshwater Protection Fund.		
H. AQUIFER PROTECTION REVOLVING FUND	Gross	400,000
	Restricted	400,000
	GF/GP	0
This fund, in addition to the aquifer dispute resolution process, was recently created in Public Act 177 of 2003. The budget appropriates money from the Clean Michigan Initiative-Clean Water Fund to capitalize the Aquifer Protection Revolving Fund. In the future, interest earnings from the Revolving Fund will be used to support the aquifer dispute resolution program.		

		FY 2003-04 Change from FY 2002-03 Year-to-Date
I. DREDGING OF CONTAMINATED CANALS	Gross	700,000
	Restricted	700,000
	GF/GP	0
Over the past year, the United States Environmental Protection Agency (EPA) has been cleaning canals in the City of St. Clair Shores after they were badly contaminated with polychlorinated biphenyls (PCBs). The EPA completed its work and brought the levels of PCBs into an acceptable range; however, additional PCBs were found afterward. The budget includes \$700,000 from the Cleanup and Redevelopment Fund to continue the cleanup activities with dredging of the canals to remove contaminated sediment. The work will be completed through a contract awarded in a competitive bidding process.		
J. LEAKING UNDERGROUND STORAGE TANK ADJUSTMENT	Gross	(850,000)
	Restricted	(850,000)
	GF/GP	0
The 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.		
K. FLEET SAVINGS	Gross	(25,600)
	Restricted	(25,600)
	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 budget reflects savings in FY 2003-04 in restricted funds from this action.		
L. EARLY RETIREMENT SAVINGS	Gross	(733,500)
	Restricted	(733,500)
	GF/GP	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.		
M. INFORMATION TECHNOLOGY REDUCTION	Gross	(254,561)
	GF/GP	(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.		

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

N. PROGRAM REDUCTIONS

Submerged Logs Program

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

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. General Fund support for this program is removed in the budget. The permit fee for removal of submerged logs is scheduled to sunset in 2005. An appropriation of \$101,600 from the Submerged Log Recovery Fund remains in the budget.

O. FEE INCREASES

1. National Pollution Discharge Elimination System (NPDES) Permit Fee

FTE	5.0
Gross	(98,000)
Restricted	3,000,000
GF/GP	(3,098,000)

The Department issues NPDES permits for point source pollution discharges, but currently does not collect a fee for them. A new fee is expected to be established for this program, and the budget appropriates \$3,000,000 in new fee revenue to offset a reduction of General Fund dollars. The fee will be set to cover only a portion of the program costs. Total General Fund support of \$1,922,900 is appropriated with \$1,601,900 for program operations and the balance of \$321,000 in the laboratory services function. The budget also adds 5.0 FTEs for administration of the NPDES program. Legislation to establish the fees is pending.

2. Groundwater Discharge Permit Fee

FTE	5.0
Gross	311,800
Restricted	1,700,000
GF/GP	(1,388,200)

The budget appropriates \$1,700,000 in revenue from the collection of a new groundwater discharge permit fee and uses the fee revenue to offset a reduction of General Fund support for groundwater activities. The budget also adds 5.0 FTEs for administration of the groundwater discharge permitting program. Legislation to establish the fee structure is pending.

			FY 2003-04 Change from FY 2002-03 <u>Year-to-Date</u>
3. Solid Waste Program Fees		Gross	0
		Restricted	2,594,600
		GF/GP	(2,594,600)
The budget reflects additional revenue of \$2,594,600 for the permitting program for solid waste disposal and includes total appropriations from solid waste program fees of \$3,914,500. The additional fee revenue offsets the reduction of General Fund support to the solid waste program. Public Act 153 of 2003 establishes the new fee structure, which assesses a fee of seven cents per cubic yard of waste disposed of at a landfill. A flat annual fee based on categories of volume is set for Type III captive facilities, commonly known as monofills.			
4. Storm Water Permit Fees		FTE	5.0
		Gross	1,162,500
		Restricted	1,162,500
		GF/GP	0
The Storm Water program regulates the discharge of storm water from large municipal areas, selected industrial sites, and construction sites. Recently enacted Federal rules expanded state requirements and new Michigan Administrative Rules revised the storm water permit structure to comply with Federal regulations extending the regulatory activities to smaller discharge sites. The 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 to implement the fee changes to the program is pending. Total appropriations from storm water permit fees are \$2,526,500, an increase from the FY 2002-03 appropriation of \$1,364,000.			
5. Aquatic Nuisance Fees		Gross	5,000
		Restricted	225,000
		GF/GP	(220,000)
Individuals and organizations must acquire a permit to apply chemicals to waters of the State for aquatic nuisance species. Public Act 164 of 2003 both increased the fees and revised the categories for sizes of area of impact for chemical applications. 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 budget reduces General Fund support by another \$120,000 by applying restricted fund expenditures as the State match to certain Federal funds.			

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

P. FUNDING SHIFTS

1. Criminal Investigations

The budget 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 Financial 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 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

3. Laboratory Services Fees

The fees charged for laboratory testing are not changed; however, the budget offsets \$1,534,400 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. There is no net change to the appropriation for laboratory services.

Gross	0
IDG	100,000
Restricted	1,434,400
GF/GP	(1,534,400)

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

Q. ECONOMIC ADJUSTMENTS

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

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

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

R. OTHER ISSUES

Gross (4,998,700)
Federal (1,924,100)
Restricted (2,278,500)
GF/GP (796,100)

The budget makes adjustments for the elimination of one-time funding in FY 2002-03 and incremental changes to reflect actual revenue available from restricted fund sources.

S. VETOES

The Governor vetoed \$1,000,000 from the Cleanup and Redevelopment Fund to support a comprehensive monitoring program for the St. Clair River, Lake St. Clair, and the Clinton River watershed. Also vetoed was \$20,000 from the Clean Michigan Initiative-Clean Water Fund for signs at public beaches.

T. FY 2003-04 SUPPLEMENTAL APPROPRIATIONS - PUBLIC ACT 173 OF 2003

Gross 420,000
GF/GP 420,000

1. NPDES Nonstormwater Program

A supplemental appropriation was made to support the National Pollutant Discharge Elimination System program. A permit fee will be established in pending legislation, but is not expected to cover the full costs of the program. With this supplemental appropriation, total appropriations from State sources for the NPDES Nonstormwater program are \$5,342,900.

			FY 2003-04 Change from FY 2002-03 <u>Year-to-Date</u>
2. Groundwater Discharge Program			
	Gross		100,000
	GF/GP		100,000
A supplemental appropriation was included for the Groundwater Discharge program. The initial appropriation includes \$1,700,000 in new permit fees for this program. The supplemental appropriation increases State spending for this program to \$1,800,000. Statutory changes creating the permit fee are pending before the Legislature.			

**EXECUTIVE
P.A. 161 of 2003**

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2002-03 YEAR-TO- DATE	FY 2003-04 GOV'S REC.	FY 2003-04 SENATE	FY 2003-04 HOUSE	FY 2003-04 YEAR-TO- DATE	CHNGS FROM FY 2002-03 YEAR-TO-DATE	
						AMOUNT	PERCENT
FTE Positions	74.2	74.2	74.2	74.2	74.2	0.0	0.0
GROSS	5,021,500	4,859,500	4,859,500	4,859,300	4,859,500	(162,000)	(3.2)
Less:							
Interdepartmental Grants Received	0	0	0	0	0	0	0.0
ADJUSTED GROSS	5,021,500	4,859,500	4,859,500	4,859,300	4,859,500	(162,000)	(3.2)
Less:							
Federal Funds	0	0	0	0	0	0	0.0
Local and Private	0	0	0	0	0	0	0.0
TOTAL STATE SPENDING	5,021,500	4,859,500	4,859,500	4,859,300	4,859,500	(162,000)	(3.2)
Less:							
Other State Restricted Funds	0	0	0	0	0	0	0.0
GENERAL FUND/GENERAL PURPOSE . .	5,021,500	4,859,500	4,859,500	4,859,300	4,859,500	(162,000)	(3.2)
PAYMENTS TO LOCALS	0	0	0	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 (25,000)
GF/GP (25,000)

The budget 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 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 INDEPENDENCE AGENCY
P.A. 172 of 2003

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2002-03 YEAR-TO- DATE	FY 2003-04 GOV'S REC.	FY 2003-04 SENATE	FY 2003-04 HOUSE	FY 2003-04 YEAR-TO- DATE	CHNGS FROM FY 2002-03 YEAR-TO-DATE	
						AMOUNT	PERCENT
FTE Positions	12,495.1	10,771.6	10,771.6	10,774.6	10,774.6	(1,720.5)	(13.8)
GROSS	4,131,263,900	3,945,691,300	3,945,691,300	3,950,196,900	3,959,304,200	(171,959,700)	(4.2)
Less:							
Interdepartmental Grants Received	978,800	1,055,800	1,055,800	1,055,800	1,055,800	77,000	7.9
ADJUSTED GROSS	4,130,285,100	3,944,635,500	3,944,635,500	3,949,141,100	3,958,248,400	(172,036,700)	(4.2)
Less:							
Federal Funds	2,853,895,750	2,697,630,071	2,697,630,050	2,702,130,150	2,679,842,950	(174,052,800)	(6.1)
Local and Private	76,813,550	74,569,250	74,569,250	74,569,250	74,569,250	(2,244,300)	(2.9)
TOTAL STATE SPENDING	1,199,575,800	1,172,436,179	1,172,436,200	1,172,441,700	1,203,836,200	4,260,400	0.4
Less:							
Other State Restricted Funds	84,490,700	70,096,800	70,096,800	70,096,800	70,096,800	(14,393,900)	(17.0)
GENERAL FUND/GENERAL PURPOSE ..	1,115,085,100	1,102,339,379	1,102,339,400	1,102,344,900	1,133,739,400	18,654,300	1.7
PAYMENTS TO LOCALS	207,056,200	192,628,700	192,628,700	192,628,700	185,302,200	(21,754,000)	(10.5)

A. FY 2002-03 SUPPLEMENTAL APPROPRIATIONS INCLUDED IN FY 2003-04 ACT

1. Child Support Enforcement Penalty Refund

Part 2A, Section 1001 of the enacted budget makes a supplemental appropriation of \$16,085,700 contingent on the receipt of a Federal penalty refund to the State. The refund is related to penalties imposed on the State for failure to implement a Federally certified child support enforcement technology system. The section provides funding for the following:

- a.** \$8,785,700 for the child support enforcement system (CSES).
- b.** \$4,300,000 for Family Independence Program and State Disability Assistance increased caseloads, and Child Care Fund Costs.
- c.** \$3,000,000 for the transitional work support program.

2. Repealer

Section 1002 repeals Section 413 of Public Act 529 of 2002 (the FY 2002-03 budget), which appropriated funds for FY 2002-03 contingent on the receipt of a Federal penalty refund.

B. TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF)

The Federal welfare reform block grant, created by the Personal Responsibility and Work Opportunity Act of 1996, provides support for poor and low-income families through work incentives, such as employment placement and training opportunities and other related state programs. The five-year Federal authorization expired at the end of FY 2001-02 and the authorization was extended for one year. The block grant legislation is undergoing reauthorization by the U.S. Congress. The reduction in welfare caseloads over the past six years allowed for a cost shift from General Fund/General Purpose (GF/GP) spending until the FY 2002-03 budget. In FY 2002-03, an overestimate of TANF funds available for expenditure resulted in a number of fund source shifts and program reductions included in the FY 2003-04 budget assumptions to adjust TANF spending.

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

The State receives a basic grant allotment of \$775,353,000. The State is allowed to carry forward any unspent block funds from the previous year. It is anticipated that Michigan will have \$813,200,000 in TANF funds to spend in FY 2003-04, approximately 30% of the Family Independence Agency's (FIA's) appropriated Federal funding. The funds are appropriated in the State budgets for the FIA, Department of Career Development, and Department of Community Health (DCH). Each year states are required to maintain spending for qualified state expenditures of at least 80% (or 75% if a state meets Federal work participation requirements) of the state's historic state expenditure level. Michigan meets the work participation requirements, is required to spend at least \$468,518,400 in State funds, and may count State GF spending for FY 2003-04 in the following State departments toward meeting this requirement: FIA, DCH, Education, and Transportation. The FIA appropriation assumes use of TANF funds in FY 2003-04 to include continuation of FY 2002-03 spending and the adjustments described below.

1. Family Independence Program (FIP)

The appropriation includes a projected FIP caseload reduction of 5,635 to an average 74,065 cases and assumes a decrease in the cost per case of \$18 to an average \$407 per month. State funds of \$31,300,000 are included to support the anticipated caseload. An adjustment in the school clothing allowance funding results in a increase of \$15 to \$40 per eligible school-age child. The Kinship Care program is reduced by \$300,000 to \$2,700,000 TANF.

Gross	(7,000,000)
Federal	(38,300,000)
GF/GP	31,300,000

2. Child Care Fund

The budget includes a net increase in funding authority for the anticipated increase in caseload out-of-home services, and includes \$12,500,000 GF for increased use of county in-home services to reduce counties' need for out-of-home services.

Gross	11,963,300
Federal	(6,341,100)
GF/GP	18,304,400

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

3. Day Care Services

The budget appropriates an increase of 2,986 cases in the average caseload to 67,986 cases and a \$6 increase in the average cost to \$579 per case per month financed with additional GF dollars. A change in policy decreases the maximum number of reimbursable day care hours from 140 to 100 hours, for individuals with a full-time work status, for savings of \$4,400,000 Gross, \$1,500,000 GF. The appropriation includes increased use of the Child Care and Development Fund (CCDF) dollars, and a fund source shift of CCDF and GF to TANF for anticipated growth in the caseload and cost per case. State GF funding is added to replace a shortage in maintenance of effort (MOE) spending due to the elimination of School Aid-related programs. The Before- or After-School Program for families with incomes below 200% of the poverty level is decreased \$950,000 to \$8,550,000 in TANF funds.

Gross	43,018,000
Federal	51,515,100
GF/GP	(8,497,100)

4. Other Issues

The employment and training TANF funds appropriation is increased by \$512,500 to \$750,000 for the Marriage Initiative; \$250,000 Gross, \$50,000 GF for the State-wide expansion of Individual Development Accounts; \$40,000 for Welfare to Career Innovation Grants; and \$25,000 to maintain the Fatherhood Initiative at the \$500,000 enacted FY 2002-03 level. The initiatives and grants were vetoed by the Governor (see item M.1. below). The Teenage Parent Counseling program is reduced by \$390,800 in TANF funds. The CSES penalty refund authority in Section 413 appropriates \$1,500,000 for expansion of community-based programs to provide \$500,000 each for the Teenage Parent Counseling, Kinship Care and Before- or After-School programs. The appropriation eliminates a \$50,000,000 TANF funds transfer to the Social Services Block Grant allocation for use in the Homestead Property Tax Credit program. The estimated TANF claims for workers' compensation and the Lansing office building bond costs are eliminated to reduce use of TANF funds. The Project Zero and Volunteer Services programs are combined in order to simplify service delivery and excess funds for administration and staff positions are eliminated.

FTEs	(43.2)
Gross	(54,435,300)
Federal	(54,460,700)
GF/GP	25,400

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

C. INFORMATION TECHNOLOGY SERVICES AND PROJECTS

The interdepartmental transfer to the Department of Information Technology for FIA consolidated information technology services and data system enhancements and projects is reduced because work project funds set aside for this purpose will no longer be available and local and IDG revenue will no longer be earned. State GF support is added to restore program financing at 65% Federal and 35% GF/GP. Funds are appropriated to enhance the Food Assistance Program operations in order to avoid further Federal penalties for program errors. The child support automation appropriation is reduced because the deadline for Federal certification of the system expired September 30, 2003, and the funds will no longer be required. The funding for system maintenance and operation is maintained. 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 appropriation includes a cost-of-living increase for legal support contracts. The CSES, legal support contracts, child support incentive payments, and distribution computer system appropriation lines are transferred to a newly created Child Support Enforcement Unit.

Gross	(14,145,600)
IDG	(150,000)
Federal	(16,817,700)
Local	(257,600)
GF/GP	3,079,700

D. CHILD AND FAMILY SERVICES

1. Foster Care and Adoption

The appropriation includes a decrease in the Wayne County caseload of 846 to 4,223 cases, and a decrease in the out-State Foster Care caseload of 200 to 6,709 cases. The adoption support services appropriation includes an increase in the average caseload of 1,200 to 25,700 cases for FY 2003-04. The appropriated caseload is approximately 468 cases below the FY 2003-04 consensus target. A policy change includes an age eligibility adjustment to 19 from 21 years of age for recipient subsidy payment eligibility.

Gross	(15,302,100)
Federal	(7,778,900)
GF/GP	(7,523,200)

**FY 2003-04
Change from
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2. Juvenile Justice Services

Three appropriation lines, Child Care Fund, Child Care Fund Administration, and County Juvenile Officers, are transferred to the Children and Family Services Unit from the Juvenile Justice Services Unit. The reorganization includes a transfer of regional detention services and related positions from the Juvenile Justice Operations appropriation line in the Juvenile Justice Services Unit to a new Community Support Services program line, which includes the conversion of related positions to county grant responsibility. A policy change limits eligibility for community-based regional detention services to youth who need them and might be placed in a county jail because a county detention center placement is not available.

FTEs	(1.0)
Gross	(212,500)
GF/GP	(212,500)

E. OTHER STATE ASSISTANCE

The appropriation includes a caseload increase of 2,039 to 9,939 cases and a monthly cost-per-case increase of \$7.46 to \$241 per case for the State Disability Assistance Program. The \$4,700,000 cost of the caseload increase is supported partially with \$3,326,500 in the child support enforcement penalty refund authority included in Section 413 and \$1,373,500 in State funds. A projected caseload increase of 2,300 to 214,300 for the State Supplement to Supplemental Security Income recipients is appropriated.

Gross	3,909,100
GF/GP	3,909,100

F. ANNUALIZED FY 2002-03 REDUCTIONS

The appropriation includes program and service reductions that reflect 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	(74,283,100)
Federal	(61,517,200)
Local	(850,000)
Restricted	(3,800)
GF/GP	(11,912,100)

G. FEDERALLY FUNDED PROGRAMS

The budget includes an increase in the Low Income Home Energy Assistance (LIHEAP) and the U.S. Department of Energy Weatherization Assistance allocations based on projected increases in the Federal grant awards. The appropriation includes additional Federal funds that will be available in FY 2002-03 for legal services contracts associated with child support collections. No caseload adjustment is assumed for the Food Assistance Program. The FY 2003-04 budget does not recognize approximately \$33,000,000 in Federal contingency fund transfers passed by the Legislature in 2003.

Gross	2,362,300
Federal	2,362,300
GF/GP	0

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

H. PROGRAM REDUCTIONS/ELIMINATIONS

The Transitional Work Support program is eliminated from the FIA appropriation. The program, intended to provide State-financed transitional Medicaid coverage for 12 months to eligible families, is included in a State Medicaid Program Waiver request from the State DCH to the U.S. Department of Health and Human Services. A 15% reduction is appropriated in the indigent burial reimbursement rate to \$947 per burial. The appropriation eliminates Supervised Independent Living contracts, funding for Wraparound and Families First Program conferences, and the use of Federal Juvenile Boot Camp Program funds due to the counties' increased use of the Child Care Fund for juvenile placements. Further reductions are appropriated in travel, equipment, rent, and Executive Operations salaries and wages and contractual services, supplies and materials pending office consolidation and the sale of excess property at the Maxey Boys Training School.

Gross	(15,288,000)
Federal	(1,256,700)
Local	(800,000)
GF/GP	(13,231,300)

I. FTE ADJUSTMENTS

The appropriation includes a reduction in the FIA's positions associated with the early retirement savings appropriated for FY 2002-03 and other program reductions.

FTEs	(1,678.3)
Gross	0
GF/GP	0

J. FUNDING SHIFTS

An increase in the Federal Medical Assistance percentage from 55.42% to 55.89% shifts spending from State to Federal dollars. The appropriation includes various shifts from restricted revenues to GF for the Client Services System, reduced School Aid-related program spending, and other estimated revenue shortfalls.

Gross	0
IDG	227,000
Federal	(2,819,700)
Private	(436,700)
Restricted	(217,900)
GF/GP	3,247,300

K. ECONOMIC ADJUSTMENTS

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

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

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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

L. OTHER ISSUES

The appropriation includes various other small adjustments, including reduced staff positions for a mail delivery service to the Detroit local offices and increased funds to the Commission for the Blind for private rental space since it is no longer leased as part of the State office space plan.

FTEs	(4.0)
Gross	1,254,200
Federal	1,199,900
Private	52,000
Restricted	(52,000)
GF/GP	54,300

M. VETOES

1. TANF Funded Programs

a.	The Governor vetoed Section 415, which would have provided TANF funds for a Fatherhood Initiative program to assist eligible participants to acquire responsible behavioral skills to increase family emotional and financial support.	Gross	(500,000)
		Federal	(500,000)
		GF/GP	0
b.	The Governor vetoed Section 416, which would have provided TANF funds for a Marriage Initiative program to support and strengthen marriages through various types of counseling to acquire effective communication, anger management, and parenting skills.	Gross	(750,000)
		Federal	(750,000)
		GF/GP	0
c.	The Governor vetoed Section 418, which would have provided TANF funds to support the State Individual Development Account partnership, a matched savings account program for TANF eligible State households.	Gross	(200,000)
		Federal	(200,000)
		GF/GP	0
d.	The Governor vetoed Section 420, which would have provided TANF funds for a welfare to career innovation grant, a Kent County program model replication, in cooperation with Cascade Engineering Company, in four counties.	Gross	(40,000)
		Federal	(40,000)
		GF/GP	0

**FY 2003-04
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2. Child Support Enforcement System (CSES) Penalty Refund

Gross 0
GF/GP 0

The Governor vetoed portions of Section 413, which would have provided funds for expansion of FIA basic programs and creation of new contracts if CSES penalties were refunded to the State. The vetoes consist of the following:

Program	GF/GP
Community-based Innovation Grants	(\$1,500,000)
Project Zero and Voluntary Services	(1,500,000)
Medicaid Spend-down Analysis	(100,000)
Family Formation Program	(500,000)
Rate Structure for Specialized Foster Care for Private Agencies	(1,300,000)
Rate Increase for Foster Care/Adoption Agencies	(322,000)
One Church-One Child	(50,000)
Medicaid Eligible Pregnant Teen Counseling	(50,000)
Amer-i-can Pilot Project	(2,000,000)
TOTAL	(\$7,322,000)

3. Maxey Boys Training School

Gross 0
GF/GP 0

The Governor vetoed Section 716, which would have provided for the use of \$5,000,000 contingent on the sale of the Maxey Boys Training School excess property.

**HIGHER EDUCATION
P.A. 144 of 2003**

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2002-03 YEAR-TO- DATE	FY 2003-04 GOV'S REC.	FY 2003-04 HOUSE	FY 2003-04 SENATE	FY 2003-04 YEAR-TO- DATE	CHNGS FROM FY 2002-03 YEAR-TO-DATE	
						AMOUNT	PERCENT
FTE Positions	1.0	N/A	1.0	1.0	1.0	0.0	0.0
GROSS	1,841,901,735	1,715,437,000	1,775,437,000	1,818,181,274	1,789,754,500	(52,147,235)	(2.8)
Less:							
Interdepartmental Grants Received	0	0	0	0	0	0	0.0
ADJUSTED GROSS	1,841,901,735	1,715,437,000	1,775,437,000	1,818,181,274	1,789,754,500	(52,147,235)	(2.8)
Less:							
Federal Funds	5,500,000	4,400,000	4,400,000	4,400,000	4,400,000	(1,100,000)	(20.0)
Local and Private	0	0	0	0	0	0	0.0
TOTAL STATE SPENDING	1,836,401,735	1,711,037,000	1,771,037,000	1,813,781,274	1,785,354,500	(51,047,235)	(2.8)
Less:							
Other State Restricted Funds	94,934,802	78,350,000	138,350,000	171,540,926	152,750,000	57,815,198	60.9
GENERAL FUND/GENERAL PURPOSE ..	1,741,466,933	1,632,687,000	1,632,687,000	1,642,240,348	1,632,604,500	(108,862,433)	(6.3)
PAYMENTS TO LOCALS	4,029,061	0	3,032,000	3,759,100	3,759,100	(269,961)	(6.7)

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

A. FY 2002-03 SUPPLEMENTAL APPROPRIATIONS INCLUDED IN FY 2003-04 ACT

Gross	(7,000,000)
Restricted	(7,000,000)
GF/GP	0

The FY 2003-04 annual Higher Education appropriations act includes \$7,000,000 in FY 2002-03 supplemental funding from the Michigan Merit Award Trust Fund, distributed as follows:

1. \$1,500,000 for Central Michigan University.
2. \$2,750,000 for 11 universities that did not receive per-student floor funding (item C, below), allocated based on their proportionate share of the FY 2002-03 State appropriation for university operations.
3. \$2,750,000 for the 11 universities that did not receive per-student floor funding, allocated equally at \$250,000 per university.

Table 1 lists the FY 2002-03 supplemental amounts for each university.

Table 1

University	Grant to CMU	Proportionate Allocation	Equal Allocation	Total
Central	\$1,500,000	\$ 0	\$ 0	\$1,500,000
Eastern		173,932	250,000	423,932
Ferris		110,190	250,000	360,190
Lake Superior		28,320	250,000	278,320
Michigan State		646,973	250,000	896,973
Michigan Tech		109,637	250,000	359,637
Northern		103,229	250,000	353,229
UM-Ann Arbor		721,558	250,000	971,558
UM-Dearborn		55,558	250,000	305,558
UM-Flint		47,768	250,000	297,768
Wayne State		503,405	250,000	753,405
Western		249,430	250,000	499,430
Total	\$1,500,000	\$2,750,000	\$2,750,000	\$7,000,000

			FY 2003-04 Change from FY 2002-03 <u>Year-to-Date</u>
B. UNIVERSITY OPERATIONS		Gross	(105,006,646)
		Restricted	(8,092,389)
		GF/GP	(96,914,257)
The Governor, House, and Senate agreed 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 2</u> lists the reduction amount for each university. The FY 2003-04 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".			
C. PER-STUDENT FLOOR FUNDING		Gross	9,500,000
		Restricted	9,500,000
		GF/GP	0
A funding floor of \$3,890 per fiscal-year-equated student is included in the FY 2003-04 budget; <u>Table 2</u>, column 4, displays the amounts that Central, Grand Valley, Oakland, and Saginaw Valley will receive. The amount for Grand Valley is capped at \$5,000,000.			
D. STATE AND REGIONAL PROGRAMS		Gross	(4,502,241)
		Restricted	(329,454)
		GF/GP	(4,172,787)
The Governor, House, and Senate reduced the Agricultural Experiment Station and the Cooperative Extension Service by 6.74%, which 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. Columns 3 and 5 of <u>Table 2</u> show these funding changes. Funding for the Rare Isotope Accelerator, the Japan Center, and Midwest Compact dues is eliminated; see item L.			

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

E. MARTIN LUTHER KING, JR.-CESAR CHAVEZ-ROSA PARKS INITIATIVE

The Governor, House, and Senate agreed to reduce all six of the King-Chavez-Parks Programs by 6.74%. The FY 2003-04 funding level for each of the programs is as follows:

<u>Program</u>	<u>FY 2003-04 Appropriation</u>
College Day	\$1,162,765
Future Faculty Fellowships	1,177,770
Visiting Professors	<u>164,850</u>
Subtotal (included in universities' line items)	<u>\$2,505,385</u>
Select Student Supportive Services	1,956,100
College/University Partnership	586,800
Morris Hood, Jr. Educator Development	<u>148,600</u>
Subtotal (competitive grants)	<u>\$2,691,500</u>
Total King-Chavez-Parks Programs	\$5,196,885

F. DENTAL CLINICS GRANT

The Governor, House, and Senate reduced 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.

G. MICHIGAN MERIT AWARD PROGRAM

The Governor's recommendation reduced the \$2,500 Merit Award grants to \$500, beginning with the graduating class of 2004, and eliminated the middle school awards that otherwise would be awarded to graduating seniors beginning with the class of 2005. The Governor also recommended that funds for the 2004 graduating class be paid from the FY 2004-05 appropriation instead of the FY 2003-04 appropriation. The House and Senate did not concur with the Governor's recommendations, and the FY 2003-04 Merit Award Program will be unchanged from FY 2002-03 except that total funding is increased to \$130,000,000.

Gross	(194,386)
Restricted	(14,953)
GF/GP	(179,433)

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

Gross	65,676,150
Restricted	65,676,150
GF/GP	0

		FY 2003-04 Change from FY 2002-03 <u>Year-to-Date</u>
H. TUITION INCENTIVE PROGRAM	Gross	600,000
	Restricted	600,000
	GF/GP	0
Funding for the Tuition Incentive Program (TIP), which is financed from the Michigan Merit Award Trust Fund, was increased by \$600,000 to reflect caseload projections. The FY 2003-04 TIP appropriation is \$9,250,000. The Legislature did not adopt the Governor's recommendation that no new enrollments be accepted due to a proposed transition of future students into a new Great Lakes, Great Hopes Scholarship Fund.		
I. MICHIGAN NURSING SCHOLARSHIP PROGRAM	Gross	0
	Restricted	0
	GF/GP	0
The FY 2003-04 budget retains this program at the same \$4,000,000 funding level as in FY 2002-03 and continues to finance it from the Michigan Merit Award Trust Fund.		
J. GRANTS AND FINANCIAL AID	Gross	(7,514,319)
	Restricted	(597,367)
	GF/GP	(6,916,952)
The Governor recommended the elimination of seven financial aid programs with the transfer of funds from these programs to one new Michigan Opportunity Scholarships Program (MOSP). Neither the House nor the Senate adopted the MOSP. The FY 2003-04 budget includes 6.74% reductions for all FY 2002-03 financial aid line items; the General Degree Reimbursement and Allied Health Degree Reimbursement line items are eliminated and their funding of \$6,772,215 is transferred proportionately to State Competitive Scholarships (\$2,418,956) and Tuition Grants (\$4,353,259). The FY 2003-04 budget does not reflect the FY 2002-03 transfer of \$1,300,000 from Competitive Scholarships to Tuition Grants.		
K. FEDERAL FUNDING REDUCTIONS	Gross	(1,100,000)
	Federal	(1,100,000)
	GF/GP	0
The Governor, House, and Senate reduced Federal funds for State Competitive Scholarships by \$700,000 and for Robert Byrd Honors Scholarships by \$400,000.		

L. MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (MPSERS)

N/A

The Governor, House, and Senate froze the FY 2003-04 MPSERS contribution rate for the seven universities that participate. The savings are approximately \$2,600,000 but are not reflected in the appropriation act. 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

M. PROGRAM ELIMINATIONS

Gross	(2,194,594)
Restricted	(1,901,527)
GF/GP	(293,067)

The FY 2003-04 budget eliminates the following appropriations:

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 defrayed administrative costs for the Center in the Shiga Prefecture.
3. Reimbursements of \$5,565,647 for general degrees granted to Michigan residents at independent colleges and universities.
4. Reimbursements of \$841,614 for allied health degrees granted to Michigan residents at independent colleges and universities.
5. Midwestern Higher Education Compact dues of \$82,500; the Governor had recommended elimination of the dues and the House and Senate restored them but the dues were subsequently vetoed by the Governor (see item N).

N. TOBACCO SETTLEMENT

As noted in previous items, the FY 2003-04 budget includes adjustments in Tobacco Settlement funding, and the net impact is the elimination of all Tobacco Settlement Trust Fund dollars (\$1,900,000) and an increase of \$59,715,198 in Merit Award Trust Fund dollars. The table below displays the FY 2003-04 appropriation changes.

Program	FY 2002-03 Year-to-Date Appropriations	FY 2003-04 Enacted	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	130,000,000	65,676,150
Tuition Incentive Program (Merit)	8,650,000	9,250,000	600,000
Higher Education Supplementals (Merit)	16,060,952	0	(16,060,952)
Per Student Floor Funding (Merit)	0	9,500,000	9,500,000
Total	\$94,934,802	\$152,750,000	\$57,815,198

O. VETOES

Gross (82,500)
GF/GP (82,500)

The Governor's FY 2003-04 budget recommendation proposed to eliminate the \$82,500 Midwestern Higher Education Compact dues; the House and Senate did not agree with the Governor and included the \$82,500 dues payment in the budget. The Governor subsequently vetoed the dues.

Public Act 195 of 1990 allowed Michigan to join the Midwestern Higher Education Compact whose purpose is to provide greater Higher Education opportunities and services in the Midwestern region. The member states of the Compact are: Illinois, Indiana, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, and Wisconsin. Each member state appoints five Commissioners to the Compact's governing body. The work of the Compact is financed through member state dues and foundation grants, and the \$82,500 appropriation in the Higher Education bill was Michigan's annual dues payment.

Table 2: HIGHER EDUCATION FY 2003-04 ENACTED APPROPRIATIONS

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	FY 2002-03 Year-to-Date	2002-03 Approp. Per Student*	Universities: 6.74%; Financial Aid: 6.74%	Funding Floor of \$3,890	Other Changes	Rounding Factor	FY 2003-04 Conference Report	Veto: Midwest Compact	FY 2003-04 P.A. 144 of 2003	Dollar Change from 2002-03	Percent Change from 2002-03	2003-04 Approp Per Student*
UNIVERSITIES												
Central	86,853,522	4,144	(5,850,247)	538,440		(15)	81,541,700		81,541,700	(5,311,822)	-6.1%	3,890
Eastern	84,569,756	4,392	(5,696,417)	0		(39)	78,873,300		78,873,300	(5,696,456)	-6.7%	4,096
Ferris	53,577,031	5,600	(3,608,821)	0		(10)	49,968,200		49,968,200	(3,608,831)	-6.7%	5,222
Grand Valley	57,992,024	3,456	(3,906,205)	5,000,000		(19)	59,085,800		59,085,800	1,093,776	1.9%	3,521
Lake Superior	13,769,310	4,884	(927,468)	0		(42)	12,841,800		12,841,800	(927,510)	-6.7%	4,555
Michigan State	314,572,583	7,684	(21,188,861)	0		(22)	293,383,700		293,383,700	(21,188,883)	-6.7%	7,167
Michigan Tech	53,308,105	9,011	(3,590,707)	0		2	49,717,400		49,717,400	(3,590,705)	-6.7%	8,404
Northern	50,192,383	6,503	(3,880,839)	0		(44)	46,811,500		46,811,500	(3,380,883)	-6.7%	6,065
Oakland	50,551,147	4,006	(3,405,005)	1,941,768		(10)	49,087,900		49,087,900	(1,463,247)	-2.9%	3,890
Saginaw Valley	26,434,503	3,855	(1,780,565)	2,019,792		(30)	26,673,700		26,673,700	239,197	0.9%	3,890
UM-Ann Arbor	350,837,633	9,233	(23,631,588)	0		55	327,206,100		327,206,100	(23,631,533)	-6.7%	8,611
UM-Dearborn	27,013,503	4,456	(1,819,565)	0		(38)	25,193,900		25,193,900	(1,819,603)	-6.7%	4,156
UM-Flint	23,225,711	4,594	(1,564,429)	0		18	21,661,300		21,661,300	(1,564,411)	-6.7%	4,284
Wayne State	244,766,818	10,304	(16,486,910)	0		(8)	228,279,900		228,279,900	(16,486,918)	-6.7%	9,610
Western	121,278,313	4,869	(8,169,019)	0		6	113,109,300		113,109,300	(8,169,013)	-6.7%	4,541
Ag Experiment Station	35,558,985		(2,395,169)			(16)	33,163,800		33,163,800	(2,395,185)	-6.7%	
Coop Extension Service	30,670,212		(2,065,872)			(40)	28,604,300		28,604,300	(2,065,912)	-6.7%	
Rare Isotope Accelerator	1,900,000				(1,900,000)		0		0	(1,900,000)	-100.0%	
Japan Center	294,594				(294,594)		0		0	(294,594)	-100.0%	
Higher Education Database	241,200				(41,200)		200,000		200,000	(41,200)	-17.1%	
Midwest Higher Ed Compact	82,500						82,500	(82,500)	0	(82,500)	-100.0%	
King-Chavez-Parks	2,885,884		(194,386)			2	2,691,500		2,691,500	(194,384)	-6.7%	
TOTAL - UNIVERSITIES	1,630,575,717	6,463	(109,662,073)	9,500,000	(2,235,794)	(250)	1,528,177,600	(82,500)	1,528,095,100	(102,480,617)	-6.3%	6,067
Merit/Tobacco Trust Fund	10,338,323		(8,435,546)	9,500,000	(1,902,777)	0	9,500,000	0	9,500,000	(838,323)	-8.1%	
State GF/GP	1,620,237,394		(101,226,527)	0	(333,017)	(250)	1,518,677,600	(82,500)	1,518,595,100	(101,642,294)	-6.3%	
GRANTS & FINANCIAL AID												
Competitive Scholarships	34,693,486		(2,181,948)		3,018,956	6	35,530,500		35,530,500	837,014	2.4%	
Tuition Grants	66,078,121		(4,363,300)		3,053,259	20	64,768,100		64,768,100	(1,310,021)	-2.0%	
Work Study	7,855,475		(529,126)			(49)	7,326,300		7,326,300	(529,175)	-6.7%	
Part-time Independent	2,844,937		(191,628)			(9)	2,653,300		2,653,300	(191,637)	-6.7%	
Dental Degree	4,875,449		(328,399)			(50)	4,547,000		4,547,000	(328,449)	-6.7%	
General Degree	5,967,611		(401,964)		(5,565,647)		0		0	(5,967,611)	-100.0%	
Allied Health Degree	902,397		(60,783)		(841,614)		0		0	(902,397)	-100.0%	
Ed. Opportunity Grants (MEOG)	2,234,692		(150,524)			32	2,084,200		2,084,200	(150,492)	-6.7%	
Byrd Scholarship Program	1,900,000				(400,000)		1,500,000		1,500,000	(400,000)	-21.1%	
Nursing Scholarship Program	4,000,000						4,000,000		4,000,000	0	0.0%	
Michigan Merit Award Program	64,323,850			65,676,150			130,000,000		130,000,000	65,676,150	102.1%	
Tuition Incentive Program (TIP)	8,650,000			600,000			9,250,000		9,250,000	600,000	6.9%	
TOTAL - FINANCIAL AID	204,326,018		(8,207,672)	0	65,541,104	(50)	261,659,400	0	261,659,400	57,333,382	28.1%	
Federal	5,500,000		0	0	(1,100,000)	0	4,400,000	0	4,400,000	(1,100,000)	-20.0%	
Merit Award Trust Fund	77,596,479		(622,629)	0	66,276,150	0	143,250,000	0	143,250,000	65,653,521	84.6%	
State GF/GP	121,229,539		(7,585,043)	0	364,954	(50)	114,009,400	0	114,009,400	(7,220,139)	-6.0%	
TOTAL- HIGHER ED	1,834,901,735		(117,869,745)	9,500,000	63,305,310	(300)	1,789,837,000	(82,500)	1,789,754,500	(45,147,235)	-2.5%	
TOTAL FEDERAL	5,500,000		0	0	(1,100,000)	0	4,400,000	0	4,400,000	(1,100,000)	-20.0%	
TOTAL STATE RESTRICTED	87,934,802		(9,058,175)	9,500,000	64,373,373	0	152,750,000	0	152,750,000	64,815,198	73.7%	
TOTAL STATE GF/GP	1,741,466,933		(108,811,570)	0	31,937	(300)	1,632,687,000	(82,500)	1,632,604,500	(108,862,433)	-6.3%	

* FY 2001-02 Fiscal-Year-Equated Students (FYES)

Note: FY 2002-03 Year-to-Date (col. 1) includes Tuition Grant transfer and TIP supplemental but does not include \$7 million supplemental listed in Table 1.

DEPARTMENT OF HISTORY, ARTS, AND LIBRARIES
P.A. 160 of 2003

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2002-03 YEAR-TO- DATE	FY 2003-04 GOV'S REC.	FY 2003-04 SENATE	FY 2003-04 HOUSE	FY 2003-04 YEAR-TO- DATE	CHNGS FROM FY 2002-03 YEAR-TO-DATE	
						AMOUNT	PERCENT
FTE Positions	241.5	248.5	248.5	248.5	248.5	7.0	2.9
GROSS	69,252,536	58,786,300	57,132,600	57,131,100	57,131,100	(12,121,436)	(17.5)
Less:							
Interdepartmental Grants Received	0	137,500	137,500	137,500	137,500	137,500	100.0
ADJUSTED GROSS	69,252,536	58,648,800	56,995,100	56,993,600	56,993,600	(12,258,936)	(17.7)
Less:							
Federal Funds	8,322,600	9,322,600	9,322,600	9,322,600	9,322,600	1,000,000	12.0
Local and Private	577,400	577,400	577,400	577,400	577,400	0	0.0
TOTAL STATE SPENDING	60,352,536	48,748,800	47,095,100	47,093,600	47,093,600	(13,258,936)	(22.0)
Less:							
Other State Restricted Funds	1,900,900	2,308,800	2,308,800	2,308,800	2,308,800	407,900	21.5
GENERAL FUND/GENERAL PURPOSE ..	58,451,636	46,440,000	44,786,300	44,784,800	44,784,800	(13,666,836)	(23.4)
PAYMENTS TO LOCALS	32,568,200	19,495,200	17,008,300	17,660,400	17,530,400	(15,037,800)	(46.2)

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

A. LIBRARY SERVICES AND TECHNOLOGY ACT FUND

This Federal Act includes a \$46,000,000 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 requires the spending authority in the line to exceed the annual Federal award, as reflected in the enacted budget.

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

B. MACKINAC ISLAND STATE PARK COMMISSION

1. Mackinac Island State Park Operation

The budget includes an increase in the restricted fund authorization for the Airport and Park Operations Fees to help offset the GF/GP reductions taken in previous Executive Orders in the Mackinac Island State Park Operations line item.

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

2. Historical Facilities Systems

A similar increase is included for the restricted revenue authorization from the Mackinac Island State Park Fund to offset the GF/GP reductions in this line item taken in previous Executive Orders. 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.

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

C. MICHIGAN HISTORICAL PROGRAM

Historical Administration and Services

The budget includes an increase to this line to fund a Michigan History Day (\$25,000), a grant program for Local Historical Societies (\$100,000), and a small increase for the Freedom Trail Commission (\$3,500).

Gross	128,500
GF/GP	128,500

D. PROGRAM REDUCTIONS/ELIMINATIONS

1. Arts and Cultural Grants

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

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

2. Grants to Libraries

Gross (1,208,500)
GF/GP (1,208,500)

The budget includes the following changes to the library grants:

- a. 7% or (\$35,900) GF/GP reduction to the Subregional State Aid grant.
- b. 3% or \$10,200 GF/GP increase for the Book Distribution Centers.
- c. 5% or \$666,500 GF/GP increase to the State Aid to Libraries grant line.
- d. 64% or (\$1,780,000) GF/GP reduction to the Detroit Public Library grant line.
- e. 36% or (\$69,300) GF/GP reduction to the Grand Rapids Public Library grant line.

Funding for the Detroit and Grand Rapids Public Libraries is entirely from Federal Reed Act funds. The allocation for Detroit totals \$1,000,000 and Grand Rapids totals \$125,000. The budget places the remaining balance of these Federal funds into a new Federal Aid to Libraries line item that will be distributed to all libraries throughout the State on a competitive basis. Fiscal Year 2003-04 is the final year that these funds will be available.

3. Department Administration and Information Technology

Gross (376,900)
GF/GP (376,900)

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

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

5. Lighthouse Grants

Gross (12,700)
GF/GP (12,700)

The budget includes a small reduction to this grant program, maintaining \$140,000 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

FTE 7.0

1. Records Center and State Demographer

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

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

2. Renaissance Zone Reimbursement

Gross (995,600)
GF/GP (995,600)

The budget does not include funding for this line item. The reimbursement to libraries for this program is now being appropriated in the Department of Treasury budget bill.

F. ECONOMIC ADJUSTMENTS

Gross 177,800
GF/GP 177,800

The budget includes 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

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

G. OTHER ISSUES

The budget includes various other adjustments, including adjustments for November early retirement payouts, adjustments in funding for Information Technology services, and adjustments for programs previously administered by the Department of Natural Resources, the Department of State, and the Department of Treasury.

Gross	(80,500)
Restricted	40,000
GF/GP	(120,500)

DEPARTMENT OF INFORMATION TECHNOLOGY
P.A. 161 of 2003

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2002-03 YEAR-TO- DATE	FY 2003-04 GOV'S REC.	FY 2003-04 SENATE	FY 2003-04 HOUSE	FY 2003-04 YEAR-TO- DATE	CHNGS FROM FY 2002-03 YEAR-TO-DATE	
						AMOUNT	PERCENT
FTE Positions	1,765.4	1,763.4	1,749.4	1,749.4	1,749.4	(16.0)	(0.9)
GROSS	493,183,800	355,689,300	355,689,300	356,489,300	360,239,300	(132,944,500)	(27.0)
Less:							
Interdepartmental Grants Received	493,183,800	355,689,300	355,689,300	356,489,300	360,239,300	(132,944,500)	(27.0)
ADJUSTED GROSS	0	0	0	0	0	0	0.0
Less:							
Federal Funds	0	0	0	0	0	0	0.0
Local and Private	0	0	0	0	0	0	0.0
TOTAL STATE SPENDING	0	0	0	0	0	0	0.0
Less:							
Other State Restricted Funds	0	0	0	0	0	0	0.0
GENERAL FUND/GENERAL PURPOSE ..	0	0	0	0	0	0	0.0
PAYMENTS TO LOCALS	0	0	0	0	0	0	0.0

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

A. DEPARTMENT OF STATE MAINFRAME

The budget reflects new funding from the Department of State to begin the process of replacing the Department of State's computer mainframe. The total cost of the project is estimated at \$30,000,000.

Gross	4,550,000
IDG	4,550,000
GF/GP	0

B. PROGRAM REDUCTIONS/ELIMINATIONS

1. 2002 Early Retirement

The budget 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 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 FY 2003-04 budget includes adjustments to reflect accurately 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. Unfunded FTE Positions

The budget eliminates unfunded vacant FTE positions.

FTE	(14.0)
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		FY 2003-04 Change from FY 2002-03 <u>Year-to-Date</u>
5. Other Changes		
Other recommended adjustments include reductions to the Child Support Enforcement System based on full implementation by September 2003, contingency fund transfers, and one-time FY 2002-03 supplemental appropriations. Adjustments also are made to departments' information technology funding based on FTE positions and funding identified as information technology functions. Technical adjustments include transfers of the source of information technology functions between departments and adjustments for early retirement differences between the Department of Information Technology and other departments.	FTE	(2.0)
	Gross	(97,768,400)
	IDG	(97,768,400)
	GF/GP	0

JUDICIARY
P.A. 155 of 2003

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2002-03 YEAR-TO- DATE	FY 2003-04 GOV'S REC.	FY 2003-04 SENATE	FY 2003-04 HOUSE	FY 2003-04 YEAR-TO- DATE	CHNGS FROM FY 2002-03 YEAR-TO-DATE	
						AMOUNT	PERCENT
FTE Positions	582.5	582.5	582.5	582.5	582.5	0.0	0.0
GROSS	241,623,800	252,492,900	252,580,500	252,978,700	253,567,900	11,944,100	4.9
Less:							
Interdepartmental Grants Received	2,833,500	4,633,500	4,633,500	4,633,500	4,633,500	1,800,000	63.5
ADJUSTED GROSS	238,790,300	247,859,400	247,947,000	248,345,200	248,934,400	10,144,100	4.2
Less:							
Federal Funds	3,911,000	3,806,500	3,806,500	4,106,500	4,106,500	195,500	5.0
Local and Private	3,782,500	3,741,200	3,741,200	3,741,200	3,741,200	(41,300)	(1.1)
TOTAL STATE SPENDING	231,096,800	240,311,700	240,399,300	240,497,500	241,086,700	9,989,900	4.3
Less:							
Other State Restricted Funds	57,477,700	78,995,300	79,082,900	79,183,100	79,770,300	22,292,600	38.8
GENERAL FUND/GENERAL PURPOSE ..	173,619,100	161,316,400	161,316,400	161,314,400	161,316,400	(12,302,700)	(7.1)
PAYMENTS TO LOCALS	112,844,500	124,506,800	124,506,900	124,506,000	124,506,800	11,662,300	10.3

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

A. ADDITIONAL JUDGESHIPS

Gross	631,600
GF/GP	631,600

The enacted budget 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.

B. JUROR COMPENSATION

Gross	6,600,000
Restricted	6,600,000
GF/GP	0

The 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.

C. DRUG COURTS

Gross	2,100,000
IDG	1,800,000
Federal	300,000
GF/GP	0

The budget recognizes \$2,100,000 in additional Federal grant funding. First, \$1,800,000 in Federal Byrne Grant funding through an interdepartmental grant from the Department of Community Health will be used to support additional drug courts with an emphasis on offenders who otherwise would go to prison. An additional \$300,000 from the U.S. Department of Justice will fund drug court training and evaluation.

D. FEE INCREASES/FUNDING SHIFTS

Gross	4,604,600
Restricted	15,692,600
GF/GP	(11,088,000)

The enacted budget reflects 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 \$175,000 for the Court of Appeals delay reduction plan, \$600,000 for audit and administration of the new Justice System Fund, \$1,267,500 for drug courts, and \$2,562,100 for the Judicial Technology Improvement Fund. The balance offsets \$559,200 GF/GP for Community Dispute Resolution, \$1,902,900 in the Judicial Technology Improvement Fund, and \$8,625,900 in the Court Equity Fund.

E. ECONOMIC ADJUSTMENTS

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

The budget applies negative economic adjustments for building occupancy charges by reducing such costs as security, utilities, and other efficiency measures.

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

F. OTHER ISSUES

The enacted budget recognizes the elimination of annual leave payments from the early retirement program for a saving of \$566,000. It makes a \$295,100 reduction to adjust for rent payments, a \$150,000 reduction to recognize the elimination of court boundary realignment costs, and a \$62,300 reduction in order to meet the portion of the required GF/GP reduction 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. The FY 2003-04 budget does not include \$10,000 in Federal contingency fund transfers passed by the Legislature in 2003.

Gross	(1,219,200)
Federal	(104,500)
Local	(41,300)
GF/GP	(1,073,400)

**LEGISLATURE
P.A. 161 of 2003**

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2002-03 YEAR-TO- DATE	FY 2003-04 GOV'S REC.	FY 2003-04 SENATE	FY 2003-04 HOUSE	FY 2003-04 YEAR-TO- DATE	CHNGS FROM FY 2002-03 YEAR-TO-DATE	
						AMOUNT	PERCENT
FTE Positions	N/A	N/A	N/A	N/A	N/A	N/A	N/A
GROSS	123,441,500	123,441,500	120,511,800	119,488,400	119,880,400	(3,561,100)	(2.9)
Less:							
Interdepartmental Grants Received	1,627,600	1,662,900	1,662,900	1,662,900	1,662,900	35,300	2.2
ADJUSTED GROSS	121,813,900	121,778,600	118,848,900	117,825,500	118,217,500	(3,596,400)	(3.0)
Less:							
Federal Funds	0	0	0	0	0	0	0.0
Local and Private	400,000	400,000	400,000	400,000	400,000	0	0.0
TOTAL STATE SPENDING	121,413,900	121,378,600	118,448,900	117,425,500	117,817,500	(3,596,400)	(3.0)
Less:							
Other State Restricted Funds	2,530,400	2,495,100	2,495,100	2,495,100	2,495,100	(35,300)	(1.4)
GENERAL FUND/GENERAL PURPOSE ..	118,883,500	118,883,500	115,953,800	114,930,400	115,322,400	(3,561,100)	(3.0)
PAYMENTS TO LOCALS	0	0	0	0	0	0	0.0

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

A. PROGRAM REDUCTIONS/ELIMINATIONS

The overall General Fund budget for the Legislature was reduced by 3.0%. The separate line item funding for the Legislative Corrections Ombudsman (\$521,900) was eliminated.

Gross	(3,561,100)
GF/GP	(3,561,100)

B. OTHER ISSUES

Audit Charges

The budget includes adjustments for projected audit charges to restricted funds by the Auditor General. The net amount is subtracted from the State Services Fee Fund, resulting in a net zero increase in funding.

Gross	0
IDG	35,300
Restricted	(35,300)
GF/GP	0

DEPARTMENT OF MANAGEMENT AND BUDGET
P.A. 161 of 2003

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2002-03 YEAR-TO- DATE	FY 2003-04 GOV'S REC.	FY 2003-04 SENATE	FY 2003-04 HOUSE	FY 2003-04 YEAR-TO- DATE	CHNGS FROM FY 2002-03 YEAR-TO-DATE	
						AMOUNT	PERCENT
FTE Positions	848.5	813.0	716.0	716.0	716.0	(132.5)	(15.6)
GROSS	185,227,911	171,687,800	170,687,800	230,187,500	230,187,800	44,959,889	24.3
Less:							
Interdepartmental Grants Received	109,548,100	103,716,800	103,716,800	103,716,800	162,216,800	52,668,700	48.1
ADJUSTED GROSS	75,679,811	67,971,000	66,971,000	126,470,700	67,971,000	(7,708,811)	(10.2)
Less:							
Federal Funds	358,600	440,800	440,800	440,800	440,800	82,200	22.9
Local and Private	0	0	0	0	0	0	0.0
TOTAL STATE SPENDING	75,321,211	67,530,200	66,530,200	126,029,900	67,530,200	(7,791,011)	(10.3)
Less:							
Other State Restricted Funds	36,073,900	31,201,300	31,201,300	89,701,300	31,201,300	(4,872,600)	(13.5)
GENERAL FUND/GENERAL PURPOSE ..	39,247,311	36,328,900	35,328,900	36,328,600	36,328,900	(2,918,411)	(7.4)
PAYMENTS TO LOCALS							
	0	0	0	0	0	0	0.0

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

A. MOTOR VEHICLE FLEET

Pursuant to Section 213 of the Management and Budget Act (Public Act 431 of 1984), the Department of Management and Budget (DMB) provides for the administration of the State Motor Vehicle Fleet. The DMB sets rates to be charged for the use of motor vehicles in the fleet. The Act created the Motor Transport Revolving Fund. Revenue generated is credited to this Fund, and is continuously appropriated for the operation of the State Fleet pursuant to the Act. The FY 2003-04 budget creates a new appropriation line item for the Motor Vehicle Fleet. The appropriation includes a \$12,500,000 reduction.

Gross	58,500,000
IDG	58,500,000
GF/GP	0

B. FUNDING INCREASES

1. Rent Adjustments for Leased Facilities

Lease adjustments in the 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 system members will have access to their retirement information by telephone, Internet, fax, interactive voice response, or in person. The adjustment for FY 2003-04 will support ongoing operational costs as the new system becomes functional.

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

C. PROGRAM REDUCTIONS/ELIMINATIONS

1. 2002 Early Retirement

The budget 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)

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

2. Information Technology Reduction	Gross	(646,200)
	GF/GP	(646,200)

The 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. Building Occupancy Reductions and Adjustments	Gross	(6,678,900)
	IDG	(6,678,900)
	GF/GP	0

Reductions in the 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.

4. Unfunded FTE Positions	FTE	(97.0)
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The budget eliminates unfunded vacant FTE positions.

5. Other Reductions	Gross	(1,930,000)
	IDG	(600,000)
	GF/GP	(1,330,000)

Other 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.

C. PROGRAM TRANSFERS

1. Employee Benefits Program	FTE	(31.0)
	Gross	(5,425,900)
	Restricted	(5,234,100)
	GF/GP	(191,800)

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

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

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 budget transfers the information technology funding for CEPI from the Department of Education to the Department of Management and Budget.

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

D. ECONOMIC ADJUSTMENTS

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

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

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

E. OTHER ISSUES

Other changes in the 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.

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

DEPARTMENT OF MILITARY AND VETERANS AFFAIRS
P.A. 156 of 2003

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2002-03 YEAR-TO- DATE	FY 2003-04 GOV'S REC.	FY 2003-04 SENATE	FY 2003-04 HOUSE	FY 2003-04 YEAR-TO- DATE	CHNGS FROM FY 2002-03 YEAR-TO-DATE	
						AMOUNT	PERCENT
FTE Positions	1,072.0	1,072.0	1,072.0	1,072.0	1,072.0	0.0	0.0
GROSS	104,528,808	103,097,500	103,097,500	103,115,000	103,097,500	(1,431,308)	(1.4)
Less:							
Interdepartmental Grants Received	200,000	200,000	200,000	200,000	200,000	0	0.0
ADJUSTED GROSS	104,328,808	102,897,500	102,897,500	102,915,000	102,897,500	(1,431,308)	(1.4)
Less:							
Federal Funds	41,623,800	40,627,900	40,627,900	40,627,900	40,627,900	(995,900)	(2.4)
Local and Private	530,000	1,870,700	530,000	1,870,600	1,270,700	740,700	139.8
TOTAL STATE SPENDING	62,175,008	60,398,900	61,739,600	60,416,500	60,998,900	(1,176,108)	(1.9)
Less:							
Other State Restricted Funds	23,796,700	23,800,100	23,800,100	23,800,100	23,800,100	3,400	0.0
GENERAL FUND/GENERAL PURPOSE ..	38,378,308	36,598,800	37,939,500	36,616,400	37,198,800	(1,179,508)	(3.1)
PAYMENTS TO LOCALS	120,000	120,000	120,000	120,000	120,000	0	0.0

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

A.	GRAND RAPIDS VETERANS HOME FUNDING ADJUSTMENTS	Gross Federal GF/GP	(32,000) (32,000) 0
	The enacted budget adjusts funding levels for the Home by increasing U.S. Department of Veterans Affairs (VA) funds by \$118,000 to meet Federal care mandates, and decreasing Medicaid reimbursement funds by \$150,000.		
B.	D. J. JACOBETTI VETERANS HOME FUNDING ADJUSTMENT	Gross Restricted GF/GP	115,700 115,700 0
	The budget adjusts funding levels for the Home by providing an additional \$115,700 in income and assessment revenue to cover increased costs.		
C.	CIVIL AIR PATROL GRANT	Gross GF/GP	(86,000) (86,000)
	The budget eliminates a one-time grant to the Michigan Civil Air Patrol.		
D.	BUDGET SAVINGS	Gross Federal GF/GP	(330,808) (1,200) (329,608)
	The budget includes a Department-wide reduction of \$259,800 to reflect annualized savings for early retirees with a November 2, 2002, retirement date, projected information technology savings of \$69,808, and \$1,200 in fleet savings.		
E.	CHALLENGE PROGRAM FUND SHIFT	Gross Private GF/GP	0 740,700 (740,700)
	The budget contains a shift of \$740,700 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 will donate funds for matching purposes. The program, created by the United States National Guard, requires a State match of 40% to obtain Federal funds.		
F.	VETERANS SERVICE ORGANIZATION GRANTS	Gross GF/GP	0 0
	The budget retains FY 2002-03 GF/GP appropriation levels totaling \$3,912,300 for the 12 veterans service organizations currently receiving State support.		
G.	ECONOMIC ADJUSTMENTS	Gross Federal Restricted GF/GP	101,800 37,300 37,700 26,800
	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 GF/GP.		

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

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

H. OTHER ISSUES

Adjustments are made to reflect FY 2002-03 supplemental appropriations of \$50,000 and contingency funds transfer requests, dated June 2, 2003, totaling \$1,200,000.

Gross	(1,200,000)
Federal	(1,000,000)
Restricted	(150,000)
GF/GP	(50,000)

DEPARTMENT OF NATURAL RESOURCES
P.A. 147 of 2003

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2002-03 YEAR-TO- DATE	FY 2003-04 GOV'S REC.	FY 2003-04 HOUSE	FY 2003-04 SENATE	FY 2003-04 YEAR-TO- DATE	CHNGS FROM FY 2002-03 YEAR-TO-DATE	
						AMOUNT	PERCENT
FTE Positions	2,080.5	2,082.5	2,082.5	2,095.5	2,088.5	8.0	0.4
GROSS	267,021,847	242,142,900	231,351,800	257,948,100	254,151,000	(12,870,847)	(4.8)
Less:							
Interdepartmental Grants Received	3,437,900	3,437,900	3,437,900	3,437,900	3,437,900	0	0.0
ADJUSTED GROSS	263,583,947	238,705,000	227,913,900	254,510,200	250,713,100	(12,870,847)	(4.9)
Less:							
Federal Funds	36,096,800	27,806,600	27,806,600	33,706,600	33,706,600	(2,390,200)	(6.6)
Local and Private	1,793,700	1,871,400	1,871,400	1,871,400	1,871,400	77,700	4.3
TOTAL STATE SPENDING	225,693,447	209,027,000	198,235,900	218,932,200	215,135,100	(10,558,347)	(4.7)
Less:							
Other State Restricted Funds	182,568,900	180,203,500	181,258,500	188,146,600	186,333,700	3,764,800	2.1
GENERAL FUND/GENERAL PURPOSE . .	43,124,547	28,823,500	16,977,400	30,785,600	28,801,400	(14,323,147)	(33.2)
PAYMENTS TO LOCALS	25,352,400	15,723,100	3,947,000	23,945,300	21,983,000	(3,369,400)	(13.3)

A. FY 2002-03 SUPPLEMENTAL APPROPRIATION

Federal Advisory Report

Over the past few years, the United States Fish and Wildlife Service audited the Michigan Game and Fish Protection Fund. A few discrepancies were found and an agreement was reached on how much the Department of Natural Resources needed to reimburse the Game and Fish Protection Fund. An appropriation of \$1,900,000 in restricted funds was made for this purpose in FY 2002-03 and an additional reimbursement of \$556,000 GF/GP is required in either FY 2002-03 or FY 2003-04. A placeholder of \$100 GF/GP is included in the budget for this purpose and a language section directs the Department to transfer available funds to the line item for deposit into the Game and Fish Protection Fund.

B. PAYMENTS IN LIEU OF TAXES

The Department of Natural Resources is required to make payments in lieu of taxes on certain State-purchased land at the same rate as private property owners pay in property taxes. In general, these payments are made from the same source of financing as that used to purchase the land. The Governor proposed a new formula for calculating the payments and the fund source used to make them. Under the Governor's proposal, the State would pay a flat rate of \$2 per acre in place of the local property tax rate and all payments would be made from the General Fund. These are the same rate and fund source applied to State swamp land and tax reverted land. The enacted budget maintains the current payment formula for State purchased land with one exception. The budget assumes the enactment of legislation to exempt the State from paying the State Education Tax on this land, saving approximately \$2,000,000. This statutory change should have no impact on local units of government and it represents such a small percentage reduction to the School Aid Fund that the impact on public schools should be negligible.

Gross	(1,444,400)
Restricted	517,700
GF/GP	(1,962,100)

C. COOPERATIVE RESOURCES PROGRAM

The budget increases the appropriation for this program by \$600,000 and then transfers the increase and a portion of existing funding to the Department of Agriculture for a total of \$1,000,000 to fund the Cooperative Resources Management Initiative Program for the purpose of supporting forestry programs in local conservation districts.

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

**FY 2003-04
Change from
FY 2002-03
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D. LAND SALE FUND

In May 2003, the Attorney General issued an opinion declaring the Land Sale Fund created in the budget for the Department of Natural Resources to be unconstitutional. The Land Sale Fund used a portion of the proceeds from the sale of tax reverted land to offset the State's sale preparation and transaction costs. The balance of the revenue went to local units of government. The Attorney General opinion said all of the sale proceeds must go to the local units of government. As a result, appropriations of \$2,640,200 from the Fund are removed from the budget. Restricted funds of \$862,700 are available to offset the reduction partially. The budget removes FTEs to reflect the reduced appropriations.

FTE	(7.0)
Gross	(1,777,500)
Restricted	(1,777,500)
GF/GP	0

E. WILDLIFE FUNDING

Additional Federal Pittman-Robertson funding is anticipated to support activities regarding at-risk wildlife species in the State. The Federal funding was awarded to address habitat concerns for species on privately owned land. A portion of the funding requires a State match, for which existing resources will be used. The FTEs will allow the hiring of biologists to coordinate and implement the program.

FTE	8.0
Gross	1,900,000
Federal	1,900,000
GF/GP	0

F. EMERALD ASH BORER

The Emerald Ash Borer is a beetle that has infected many ash trees in Michigan, particularly in the southern part of the State. The budget increases the Federal grant funding available for tree planting and forestry activities required due to destruction caused by the Emerald Ash Borer. Supplemental funding has been provided in FY 2002-03. The Department of Agriculture also has funding to address this issue.

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

		FY 2003-04 Change from FY 2002-03 <u>Year-to-Date</u>	
G.	FEDERAL ADVISORY REPORT	Gross	0
		GF/GP	0
	Over the past few years, the United States Fish and Wildlife Service audited the Michigan Game and Fish Protection Fund. A few discrepancies were found and an agreement was reached on how much the Department needed to reimburse the Game and Fish Protection Fund. An appropriation of \$1,900,000 in restricted funds was made for this purpose in FY 2002-03 and an additional reimbursement of \$556,000 GF/GP is required in either FY 2002-03 or FY 2003-04. A placeholder of \$100 GF/GP is maintained in the budget for this purpose and a language section directs the Department to transfer available funds to the line item for deposit into the Game and Fish Protection Fund.		
H.	FEDERAL FISHERIES RESEARCH	Gross	900,000
		Federal	900,000
		GF/GP	0
	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 to cover economic adjustments such as utilities that are not otherwise supported by the budget. The budget increases the appropriation to reflect available Federal funding.		
I.	RURAL COMMUNITY FIRE PROTECTION GRANT	Gross	150,000
		Federal	150,000
		GF/GP	0
	The Federal government makes funds available for local units of government to purchase firefighting equipment. The funding is available to fire departments in communities with populations of 10,000 or less that have publically owned forest land within their jurisdictions. The funds may cover up to 50% of equipment costs. The budget increases the appropriation to reflect available Federal funding.		
J.	FEDERAL LAND AND WATER CONSERVATION GRANTS	Gross	(6,702,500)
		Federal	(6,702,500)
		GF/GP	0
	Land and water conservation 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 budget removes funding for the grants, with the exception of a placeholder of \$1,000. A supplemental appropriation will be requested when a determination of available funding is made.		

		FY 2003-04 Change from FY 2002-03 <u>Year-to-Date</u>	
K.	OFF-ROAD VEHICLE SAFETY EDUCATION PROGRAM	Gross	344,300
		Restricted	344,300
		GF/GP	0
	The program provides grants to organizations to conduct ORV safety education courses for minors and award them a certificate required for operation of an ORV. Public Act 111 of 2003 transfers this program from the Department of Education to the Department of Natural Resources. Administrative funding of \$50,000 and grant funding of \$294,300 are appropriated from the Safety Education Fund.		
L.	SNOWMOBILE LOCAL GRANTS	Gross	1,000,000
		Restricted	1,000,000
		GF/GP	0
	This grant program provides funding from the Snowmobile Trail Improvement Fund to local units of government and nonprofit, incorporated organizations for snowmobile trail maintenance and for connecting existing trails. The budget increases the appropriation for this purpose to make \$6,480,000 available for these grants.		
M.	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 stocking fish and providing assistance with equipment. The budget appropriates funds from the Game and Fish Protection Fund to compensate for General Fund reductions to this program in previous budget actions.		
N.	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 budget reflects the estimates of revenue available. An appropriation of \$2,805,000 remains in the line.		
O.	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 the Geographic Information System and database projects related to the Great Lakes. The 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.		

		FY 2003-04 Change from FY 2002-03 <u>Year-to-Date</u>
P. STATE PARKS IMPROVEMENT BOND	Gross	(118,100)
	Restricted	(118,100)
	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 budget adjusts the appropriation for payment of the debt service to match the repayment schedule. An appropriation of \$1,081,900 from the Park Improvement Fund remains for debt service.		
Q. 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 budget reflects savings in restricted funds from this action.		
R. INFORMATION TECHNOLOGY REDUCTION	Gross	(241,947)
	GF/GP	(241,947)
The 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.		
S. EARLY RETIREMENT SAVINGS	Gross	(387,500)
	Federal	5,900
	Restricted	17,500
	GF/GP	(410,900)
The 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.		
T. OTHER REDUCTIONS	Gross	(1,005,700)
	Restricted	89,900
	GF/GP	(1,095,600)
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 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.		

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

U. PROGRAM TRANSFERS

Reservation and Retail Sales Systems

FTE	7.0
Gross	0
GF/GP	0

The 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.

V. FEE INCREASES

State Parks Motor Vehicle Entrance Fees

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

The budget reflects an increase in appropriations from the Park Improvement Fund, into which motor vehicle permit revenue is deposited. Public Act 170 of 2003 increased the State park entrance fees. Annual permit fees increased from \$20 for anyone to \$24 for residents and \$29 for nonresidents. Daily permits increased from \$4 to \$6 for residents and from \$6 to \$8 for nonresidents. These changes are expected to generate \$2,396,900 in additional revenue. The total appropriation for State parks from the Park Improvement Fund was raised by \$2,546,900, with the remaining \$150,000 from the balance of the Fund. The funding will offset a reduction of General Fund support for State parks.

W. FUNDING SHIFTS

1. State Parks Operations

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

The 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 result in the complete elimination of General Fund support for State parks. The enacted legislation also removed a minimum requirement for General Fund appropriations for State parks.

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

2. General Law Enforcement

The 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)

X. ECONOMIC ADJUSTMENTS

The 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)

Y. OTHER ISSUES

The budget includes the reduction of funding placeholders, inflationary adjustments, incremental changes in Federal and State restricted funds, and adjustments for one-time appropriations in FY 2002-03.

Gross	(6,875,600)
Federal	(58,600)
Restricted	(5,294,800)
GF/GP	(1,522,200)

Z. VETOES

The Governor vetoed three items for a total reduction of \$92,100 from the enrolled budget. The vetoes eliminated \$22,100 GF/GP for the Big Rapids Riverwalk, \$20,000 Restricted for the Bennett Arboretum, and \$50,000 Restricted for a flood control project of the Sebewaing Harbor Commission.

**SCHOOL AID
P.A. 158 of 2003**

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2002-03 YEAR-TO- DATE	FY 2003-04 GOV'S REC.	FY 2003-04 HOUSE	FY 2003-04 SENATE	FY 2003-04 YEAR-TO- DATE	CHNGS FROM FY 2002-03 YEAR-TO-DATE	
						AMOUNT	PERCENT
FTE Positions	N/A	N/A	N/A	N/A	N/A	N/A	N/A
GROSS	12,554,692,100	12,467,963,100	12,513,262,400	12,578,190,800	12,604,069,000	49,376,900	0.4
Less:							
Interdepartmental Grants Received	0	0	0	0	0	0	0.0
ADJUSTED GROSS	12,554,692,100	12,467,963,100	12,513,262,400	12,578,190,800	12,604,069,000	49,376,900	0.4
Less:							
Federal Funds	1,219,825,200	1,244,363,100	1,242,733,900	1,315,612,300	1,316,681,900	96,856,700	7.9
Local and Private	700,000	0	0	0	0	(700,000)	(100.0)
TOTAL STATE SPENDING	11,334,166,900	11,223,600,000	11,270,528,500	11,262,578,500	11,287,387,100	(46,779,800)	(0.4)
Less:							
Other State Restricted Funds	11,135,753,400	11,223,600,000	11,063,658,400	10,955,778,500	11,002,700,500	(133,052,900)	(1.2)
GENERAL FUND/GENERAL PURPOSE	198,413,500	0	206,870,100	306,800,000	284,686,600	86,273,100	43.5
PAYMENTS TO LOCALS	11,312,469,500	11,212,997,400	11,251,563,200	11,251,695,500	11,271,682,800	(40,786,700)	(0.4)

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

A. FY 2002-03 SUPPLEMENTAL APPROPRIATIONS INCLUDED IN FY 2003-04 ACT

N/A

Several items are adjusted for FY 2002-03. First, *Durant* bonds are refinanced, saving \$39,859,000. Partially offsetting this saving are three items: \$8,526,000 for increased renaissance zone costs, \$2,430,000 for School Breakfast reimbursement, and \$215,000 for mandated School Lunch cost reimbursement.

B. 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 budget for FY 2003-04, some line items are returned to full funding and others are reduced or eliminated. However, 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 changes that were enacted.

C. FOUNDATION ALLOWANCE

Gross	(139,500,000)
Restricted	(139,500,000)
GF/GP	0

1. Proposal A Obligation Payment

The budget reduces the Proposal A Obligation Payment by \$137,000,000 due to two factors: 1) use of more accurate data on pupils and taxable values; and 2) elimination of Schools of Choice pupil funding guarantee.

2. Discretionary Payment

The budget reduces the Discretionary Payment by \$2,500,000 due to the use of more accurate data on pupils and taxable values.

D. FEDERAL FUNDS

Gross	96,430,600
Federal	96,430,600
GF/GP	0

Adjustments are included for 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	29,961,100
	Restricted	29,961,100
	GF/GP	0
The 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. SCHOOL BOND LOAN FUND (SBLF) DEBT SERVICE	Gross	22,926,000
	Local	(700,000)
	Restricted	23,626,000
	GF/GP	0
Refinancing of all eligible SBLF bonds will yield approximately \$100,000,000 in one-time revenues, but there remains an additional cost to pay the debt service on all bonds that were not eligible for refinancing.		
G. FREEDOM TO LEARN - STATE FUNDING	Gross	22,000,000
	Restricted	22,000,000
	GF/GP	0
This program, begun as a pilot project in FY 2002-03, is designed to provide a laptop computer to every 6 th grader in the State.		
H. RENAISSANCE ZONE REIMBURSEMENT	Gross	6,560,000
	Restricted	6,560,000
	GF/GP	0
The budget includes additional funds necessary to reimburse school districts and the School Aid Fund for revenues lost due to increasing numbers of renaissance zones.		
I. INTERMEDIATE SCHOOL DISTRICT (ISD) EARLY CHILDHOOD GRANTS	Gross	3,326,000
	Restricted	3,326,000
	GF/GP	0
Although the budget reduces intermediate school district (ISD) general operations funding by 3.25%, 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.		
J. SCHOOL LUNCH PROGRAM	Gross	2,985,000
	Restricted	2,985,000
	GF/GP	0
The 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.		

		FY 2003-04 Change from FY 2002-03 <u>Year-to-Date</u>	
K.	NEW PROGRAMS	Gross	170,000
		Restricted	170,000
		GF/GP	0
Two additional new programs are funded in the budget as passed by the Legislature (however, see Vetoes below). The first, at \$120,000, will reimburse districts required to pay interest resulting from the <i>Hitachi</i> tax settlement. The second appropriation, \$50,000, will go to Grand Valley State University for the purpose of making a grant (or grants) to entities focusing on helping children with motor impairments.			
L.	PROGRAM REDUCTIONS/ELIMINATIONS	Gross	(140,374,500)
		Restricted	(140,374,500)
		GF/GP	0
1.	Reductions in 13 Programs		
The budget reduces Adult Education by 75% or \$57,500,000; ISD General Operations funding by 3.25% or \$3,326,000; ISD Equalization Millages by \$860,000; CEPI funding by 59% or \$2,636,600; Michigan Virtual University funding by 85% or \$4,250,000; Vocational Education by 3.4% or \$1,027,600; Court-Placed Pupils by 10.1% or \$900,000; Interagency 0-5 Grants by 87.5% or \$1,750,000; State Bilingual Funding by 33.5% or \$1,412,000; Gifted and Talented (renamed Advanced and Accelerated) Grants by 95% or \$4,750,000; Career Preparation by 95.4% or \$20,850,000; Math and Science Centers by 75.5% or \$7,732,300; and Partnership for Adult Learning by 95% or \$19,000.000.			
2.	Elimination of School Health Curriculum Grants, Accreditation Assistance, Local Treasurer Reimbursement, Career Preparation Planning Grants, and School Breakfast Reimbursement		
The programs listed above are eliminated in their entirety. The school breakfast reimbursement and the reimbursement to local treasurers for revenue lost due to the change in State education tax mills were one-time expenditures in FY 2002-03.			
M.	MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (MPERS)	Gross	0
		GF/GP	0
The budget freezes the FY 2003-04 contribution rate for the school districts at the FY 2002-03 level. The anticipated savings to districts are approximately \$133,000,000 but are not reflected in the appropriation bill.			

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

N. VETOES

1. Detroit Supplemental Payment

The Conference report eliminated the provision that rolled \$15,000,000 into the foundation allowance of Detroit Public Schools, thus cutting \$15,000,000 from FY 2003-04 already enacted appropriations. The result of the veto allows Detroit to continue to receive the \$15,000,000 already rolled into its foundation allowance.

Gross	15,000,000
Restricted	15,000 000
GF/GP	0

2. Grant to Grand Valley State University

The Conference report appropriated funds to Grand Valley State University for the purpose of providing a grant to a center that enhances the skills of children with motor impairments.

Gross	(50,000)
GF/GP	(50,000)

3. Tax Tribunal Reimbursement

The Conference report provided a reimbursement to the Montabella school district as a reimbursement for the *Hitachi* tax settlement case.

Gross	(120,000)
GF/GP	(120,000)

4. Center for Educational Performance and Information

The Governor vetoed the Conference changes that reduced the appropriation for operating costs and also provided \$1,500,000 for the continuation of the contract with Standard and Poors. The result of the veto takes the appropriation back to the already enacted FY 2003-04 appropriation.

Gross	3,062,700
Federal	426,100
Restricted	2,636,600
GF/GP	0

DEPARTMENT OF STATE
P.A. 161 of 2003

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2002-03 YEAR-TO- DATE	FY 2003-04 GOV'S REC.	FY 2003-04 SENATE	FY 2003-04 HOUSE	FY 2003-04 YEAR-TO- DATE	CHNGS FROM FY 2002-03 YEAR-TO-DATE	
						AMOUNT	PERCENT
FTE Positions	1,847.8	1,847.8	1,848.3	1,848.3	1,849.8	2.0	0.1
GROSS	243,227,961	175,501,000	177,475,600	222,944,000	181,121,500	(62,106,461)	(25.5)
Less:							
Interdepartmental Grants Received	96,493,000	94,752,300	73,925,300	89,925,300	20,000,000	(76,493,000)	(79.3)
ADJUSTED GROSS	146,734,961	80,748,700	103,550,300	133,018,700	161,121,500	14,386,539	9.8
Less:							
Federal Funds	63,319,500	1,319,500	1,319,500	46,619,500	1,319,500	(62,000,000)	(97.9)
Local and Private	100	100	100	100	100	0	0.0
TOTAL STATE SPENDING	83,415,361	79,429,100	102,230,700	86,399,100	159,801,900	76,386,539	91.6
Less:							
Other State Restricted Funds	65,274,200	66,447,400	73,418,200	73,418,200	143,070,200	77,796,000	119.2
GENERAL FUND/GENERAL PURPOSE . .	18,141,161	12,981,700	28,812,500	12,980,900	16,731,700	(1,409,461)	(7.8)
PAYMENTS TO LOCALS	69,800	69,800	69,800	69,800	945,600	875,800	1,254.7

		FY 2003-04 Change from FY 2002-03 <u>Year-to-Date</u>
A. COMPUTER MAINFRAME	Gross	4,550,000
	Restricted	800,000
	GF/GP	3,750,000
The enacted budget includes funding to begin the process of replacing the Department of State's computer mainframe. The total cost of the project is estimated at \$30,000,000. An increase in personal identification card fees, from \$7 to \$10, provided for in Public Act 143 of 2003 will fund \$800,000 of the FY 2003-04 cost.		
B. ALUMINUM PLATES	Gross	141,200
	IDG	141,200
	GF/GP	0
The enacted budget includes an increase in Michigan Transportation Fund support to convert plate production from steel to aluminum.		
C. PROGRAM REDUCTIONS/ELIMINATIONS		
1. 2002 Early Retirement	Gross	(193,900)
	GF/GP	(193,900)
The budget 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 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)
	GF/GP	0
One-time funding to develop and implement a vertical driver license and ID card funded from the State Services Fee Fund is eliminated.		
4. Unspecified Savings	Gross	(500,000)
	GF/GP	(500,000)
The budget includes a reduction to be achieved through administrative savings.		

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

5. Specialty License Plates

The budget 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.

Gross	(1,993,000)
IDG	(1,993,000)
GF/GP	0

D. PROGRAM TRANSFERS

1. History, Arts, and Libraries

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 budget.

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

2. Motorcycle Safety Program

The Governor recommended elimination of the Motorcycle Safety Program, which was previously included in the Department of Education budget. Public Act 103 of 2003 amended the Michigan Vehicle Code to transfer the Program to the Department of State. The appropriation for the Program in the Department of State's budget includes separate line item funding for administration and grants. Revenue is adjusted to reflect actual estimates and funding previously contained in other line items for the administration of third-party testing contracts.

FTE	2.0
Gross	1,070,500
Restricted	1,070,500
GF/GP	0

E. FEE INCREASES

Look-Up Fees

Boilerplate language authorizes the Department of State to sell copies of driver and various other records. 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 budget increases the look-up fee from \$6.55 to \$7.00 per record. The estimated \$2,100,000 in additional revenue will offset an equal reduction to the State General Fund.

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

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

F. FUNDING SHIFT

The budget shifts \$74,752,300 from the Michigan Transportation Fund (MTF) to the new Transportation Administration Collection Fund (TACF) that was created in Public Act 152 of 2003. The TACF will consist of service fees previously deposited in the MTF and fee increases provided for in Public Act 152 of 2003. The funding shift leaves a balance of \$20,000,000 in MTF support for the Department of State. This allocation is the maximum allowed under Public Act 51 of 1951 as amended by Public Act 151 of 2003.

Gross	0
IDG	(74,752,300)
Restricted	74,752,300
GF/GP	0

G. ECONOMIC ADJUSTMENTS

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

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

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

I. OTHER ISSUES

Other adjustments include reductions due to one-time supplemental appropriations for the Federal Help America Vote Act and a rounding adjustment for the information technology appropriation related to Executive Order 2003-03.

Gross	(64,264,961)
Federal	(62,000,000)
GF/GP	(2,264,961)

DEPARTMENT OF STATE POLICE
P.A. 149 of 2003

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2002-03 YEAR-TO- DATE	FY 2003-04 GOV'S REC.	FY 2003-04 SENATE	FY 2003-04 HOUSE	FY 2003-04 YEAR-TO- DATE	CHNGS FROM FY 2002-03 YEAR-TO-DATE	
						AMOUNT	PERCENT
FTE Positions	3,445.5	3,334.5	3,334.5	2,987.0	2,987.0	(458.5)	(13.3)
GROSS	479,030,348	412,286,600	409,786,600	460,896,000	460,898,900	(18,131,448)	(3.8)
Less:							
Interdepartmental Grants Received	19,282,800	17,882,800	17,882,800	17,885,100	17,885,100	(1,397,700)	(7.2)
ADJUSTED GROSS	459,747,548	394,403,800	391,903,800	443,010,900	443,013,800	(16,733,748)	(3.6)
Less:							
Federal Funds	117,210,500	55,292,300	55,292,300	103,892,300	103,892,300	(13,318,200)	(11.4)
Local and Private	4,505,700	4,506,600	4,506,600	4,516,600	4,516,600	10,900	0.2
TOTAL STATE SPENDING	338,031,348	334,604,900	332,104,900	334,602,000	334,604,900	(3,426,448)	(1.0)
Less:							
Other State Restricted Funds	60,641,900	103,363,400	100,863,400	103,363,400	86,963,400	26,321,500	43.4
GENERAL FUND/GENERAL PURPOSE . .	277,389,448	231,241,500	231,241,500	231,238,600	247,641,500	(29,747,948)	(10.7)
PAYMENTS TO LOCALS	19,062,200	20,302,758	20,302,758	20,302,558	20,302,758	1,240,558	6.5

		FY 2003-04 Change from FY 2002-03 <u>Year-to-Date</u>
A. TROOPER SCHOOL - AT-POST TROOPERS	Gross	5,000,000
	Restricted	5,000,000
	GF/GP	0
The enacted budget provides funding of \$5,000,000 for 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 1,075 at that time, a target set by boilerplate Sec. 218 of Public Act 149.		
B. CANINE UNIT	Gross	10,000
	Private	10,000
	GF/GP	0
The budget includes authority for the Canine Unit of the Special Operations Division to receive private donations.		
C. DOMESTIC PREPAREDNESS GRANTS	Gross	55,000,000
	Federal	55,000,000
	GF/GP	0
The budget includes an increase in Federal funds to allow the Emergency Management Division to spending 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 budget includes an increase in Federal funds to enable the Forensic Science Division to receive and spend a grant from the U.S. Department of Justice, which will 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 budget provides administrative savings reductions from various Department appropriation lines due to general administrative efficiencies and unfilled 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 budget contains a reduction to reflect the FY 2003-04 annualized GF/GP November 1, 2002, early retirement savings.		

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

G. ADJUSTMENTS FOR FUNDS RECEIVED

The budget makes 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

FTE	(458.5)
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The budget includes a reduction of FTEs to reflect the actual FTE counts.

I. FUNDING SHIFTS

1. Traffic Law Enforcement and Safety Fund

The budget includes a fund shift from GF/GP to a new Restricted fund source to support at-post troopers. The new Traffic Law Enforcement and Safety Fund was created by P.A. 152 of 2003 and is funded by a regulatory fee of \$2.25 on the registration of motor vehicles in the State.

Gross	0
Restricted	20,000,000
GF/GP	(20,000,000)

2. Highway Safety Fund

The budget includes an increase in revenue from the existing Highway Safety Fund due to an increase from \$5 to \$10 in the surcharge on moving violations dedicated to support State trooper highway patrols. The increase in the surcharge and revenue source was made possible by P.A. 73 and 97 of 2003.

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

J. ECONOMIC ADJUSTMENTS

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

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

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

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

K. OTHER ISSUES

Adjustments are made for FY 2002-03 supplemental appropriation P.A. 39 of 2003 (providing \$58,082,000 for emergency management), and P.A. 173 of 2003 (providing \$12,270,000 for Homeland Security needs for the City of Detroit); contingency fund transfer requests dated June 2, 2003 (\$2,705,000); and a correction to IDG amounts.

Gross	(73,054,700)
IDG	2,300
Federal	(71,640,000)
Private	(592,000)
Restricted	(825,000)
GF/GP	0

STRATEGIC FUND AGENCY
P.A. 169 of 2003

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2002-03 YEAR-TO- DATE	FY 2003-04 GOV'S REC.	FY 2003-04 SENATE	FY 2003-04 HOUSE	FY 2003-04 YEAR-TO- DATE	CHNGS FROM FY 2002-03 YEAR-TO-DATE	
						AMOUNT	PERCENT
FTE Positions	231.5	231.5	200.0	200.0	200.0	(31.5)	(13.6)
GROSS	149,083,400	99,513,200	100,445,700	110,445,100	104,513,200	(44,570,200)	(29.9)
Less:							
Interdepartmental Grants Received	100,900	100,900	100,900	100,900	100,900	0	0.0
ADJUSTED GROSS	148,982,500	99,412,300	100,344,800	110,344,200	104,412,300	(44,570,200)	(29.9)
Less:							
Federal Funds	62,953,300	52,953,300	52,953,300	52,953,300	52,953,300	(10,000,000)	(15.9)
Local and Private	853,100	853,100	853,100	853,100	853,100	0	0.0
TOTAL STATE SPENDING	85,176,100	45,605,900	46,538,400	56,537,800	50,605,900	(34,570,200)	(40.6)
Less:							
Other State Restricted Funds	32,550,000	10,050,000	15,150,000	15,149,900	10,050,000	(22,500,000)	(69.1)
GENERAL FUND/GENERAL PURPOSE . .	52,626,100	35,555,900	31,388,400	41,387,900	40,555,900	(12,070,200)	(22.9)
PAYMENTS TO LOCALS	9,009,400	0	0	0	0	(9,009,400)	(100.0)

			FY 2003-04 Change from FY 2002-03 <u>Year-to-Date</u>
A.	PROGRAM REDUCTIONS/ELIMINATIONS		
1.	Community Development Block Grants	Gross	(10,000,000)
		Federal	(10,000,000)
	The enacted budget includes the reduction of Federal authorization for this grant program. This reduces the line item to \$50,000,000 for FY 2003-04.	GF/GP	0
2.	Departmental Administration	Gross	(1,453,400)
		GF/GP	(1,453,400)
	The budget includes a 9.6% (\$442,000) reduction to the Administration line and a 4.8% (\$1,011,400) reduction to the Job Creation Services line.		
3.	Economic Development Job Training Grants	Gross	(2,300,000)
		GF/GP	(2,300,000)
	The budget includes an 18.6% reduction to this grant program. Funding for FY 2003-04 is \$10,048,000.		
4.	Michigan Promotion Program	Gross	(700,000)
		GF/GP	(700,000)
	The budget includes a 10.9% reduction to this line item. Funding for FY 2003-04 is \$5,717,500.		
5.	One Time Grants	Gross	(12,200,000)
		GF/GP	(12,200,000)
	The budget does not include two one-time grants, which were added to the supplemental appropriations in Senate Bill 540 (P.A. 173 of 2003). The first, the Automotive Technological Accelerator Grant, was appropriated \$2,200,000. This grant was provided to Automation Alley and Kettering Institute. The second was a \$10,000,000 grant appropriated to Western Michigan University for a Biosciences Research and Commercialization Center.		
B.	FTE ADJUSTMENTS	FTE	(31.5)
	The budget makes a reduction in the number of FTEs to eliminate unfunded positions.		

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

C. ECONOMIC ADJUSTMENTS

Gross (27,000)
GF/GP (27,000)

The budget includes 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)

D. TOBACCO SETTLEMENT

Gross (17,500,000)
Restricted (22,500,000)
GF/GP 5,000,000

Life Sciences Corridor Funding

The budget includes a reduction for this grant program. First, the budget reduces tobacco funding for this program to \$10,000,000, which will be matched by the Michigan Economic Development Corporation with off-budget Indian Casino revenue, and an additional \$5,000,000 GF/GP funding. The funds then will be used only for life science research. The Governor recommended using the funding for research in the areas of homeland security and automotive issues, but the Legislature included boilerplate that prohibits the use of these funds for that purpose and requires the Steering Committee to use Indian Casino gaming revenue or other sources of funding, including Federal funds. The name of the Steering Committee has been changed to the Life Sciences and Technology Tri-Corridor Steering Committee.

E. 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 budget includes savings from the salary and wage costs of these employees as a base adjustment to the affected line items.

**DEPARTMENT OF TRANSPORTATION
P.A. 162 of 2003**

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2002-03 YEAR-TO- DATE	FY 2003-04 GOV'S REC.	FY 2003-04 SENATE	FY 2003-04 HOUSE	FY 2003-04 YEAR-TO- DATE	CHNGS FROM FY 2002-03 YEAR-TO-DATE	
						AMOUNT	PERCENT
FTE Positions	3,069.3	3,069.3	2,998.0	3,050.3	3,050.3	(19.0)	(0.6)
GROSS	3,113,421,400	3,199,989,200	3,155,996,400	3,136,377,100	3,111,032,100	(2,389,300)	(0.1)
Less:							
Interdepartmental Grants Received	0	0	0	0	0	0	0.0
ADJUSTED GROSS	3,113,421,400	3,199,989,200	3,155,996,400	3,136,377,100	3,111,032,100	(2,389,300)	(0.1)
Less:							
Federal Funds	987,966,100	965,255,100	965,255,100	965,255,100	941,755,100	(46,211,000)	(4.7)
Local and Private	5,800,000	5,800,000	5,800,000	5,800,000	5,800,000	0	0.0
TOTAL STATE SPENDING	2,119,655,300	2,228,934,100	2,184,941,300	2,165,322,000	2,163,477,000	43,821,700	2.1
Less:							
Other State Restricted Funds	2,119,655,300	2,228,934,100	2,184,941,300	2,165,322,000	2,163,477,000	43,821,700	2.1
GENERAL FUND/GENERAL PURPOSE ..	0	0	0	0	0	0	0.0
PAYMENTS TO LOCALS	1,176,250,300	1,234,759,000	1,224,196,500	1,237,265,900	1,237,245,900	60,995,600	5.2

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

A. DEBT SERVICE

The enacted budget reflects anticipated debt service payments for various long- and short-term borrowing. The budget includes a reduction associated with traditional State Trunkline Fund (STF) bond refinancing and increases for Federal grant anticipation notes, Comprehensive Transportation Fund (CTF) bonds, and Economic Development Fund bonds. The FY 2002-03 debt service appropriation for the Airport Safety and Protection Program (ASAP) was eliminated in the supplemental appropriation (P.A. 173 of 2003) and the funding redirected to airport improvement projects in the capital outlay budget. This funding (\$5,000,000) is restored in the FY 2003-04 budget.

Gross	2,643,600
Federal	3,000,000
Restricted	(356,400)
GF/GP	0

B. TRANSPORTATION GRANTS TO OTHER DEPARTMENTS

The budget appropriates \$41,791,100 in interdepartmental grants (IDGs) to other State departments/agencies for transportation-related services provided to the Michigan Department of Transportation (MDOT). The total level of IDGs is \$78,952,800 lower than the FY 2002-03 year-to-date level of \$120,743,900.

Gross	(78,952,800)
Restricted	(78,952,800)
GF/GP	0

The Michigan Transportation Fund (MTF) IDG to the Department of State is decreased from \$94,500,000 to \$20,000,000, consistent with the provisions of P.A. 151 of 2003. The MTF grant to the Department of Treasury is reduced from \$10,225,000 to \$6,700,000. The reduction in MTF grants will result in the availability of additional transportation revenue to State and local road agencies, pursuant to the P.A. 51 of 1951 formula.

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 level of service provided by the State Police Motor Carrier Division.

Included in the FY 2003-04 budget are transportation IDGs to the Department of History, Arts, and Libraries (HAL), established in 2001. These grants represent record-keeping services that were previously provided by the Department of Management and Budget to MDOT and were transferred to HAL under Executive Order 2002-17.

C. MTF REVENUE DISTRIBUTION

The budget reflects transportation revenue estimates agreed to in February 2003 and used in the Governor's original budget recommendation. (Note: The Governor's budget recommendation included revenue from a proposed diesel and LP gas tax increase. The Legislature did not pass this proposed tax increase.) The budget does not take into account the revenue estimates of May 2003 or various statutory changes enacted during the legislative session that affect MTF revenue. As a result, the MTF revenue is underappropriated in the budget by approximately \$92,145,900. Distribution of this additional revenue pursuant to the formula contained in P.A. 51 of 1951 would result in additional appropriations to the State Trunkline Fund, county road commissions, and cities and villages. The budget also does not reflect the one-time transfer of \$10,000,000 in FY 2003-04 from the CTF to the STF for State road and bridge capacity improvement projects, as contained in PA 151 of 2003.

Similarly, the budget does not reflect the revised CTF revenue estimates, including the impact of the additional MTF revenue on the CTF. Also, the level of CTF appropriations does not recognize the one-time \$10,000,000 transfer from the CTF to the STF. Overall, the CTF is overappropriated by approximately \$1,900,000.

1. **State Trunkline Road and Bridge Construction.** The enacted budget figures reflect the Governor's budget recommendation and do not take into account revised revenue estimates, statutory changes affecting MTF revenue, or budgetary decisions affecting the distribution of revenue to road agencies. Specifically, the appropriation does not reflect an additional \$42,323,200 in available STF revenue for the State's road and bridge program. (See above.) This revenue will have to be appropriated prior to expenditure.

Gross	48,669,800
Federal	(18,687,300)
Restricted	67,357,100
GF/GP	0

The changes from year-to-date do not include the Governor's vetoes totaling \$7,675,000 (\$5,900,000 in Federal bridge funding and \$1,775,000 in State revenue for specific road projects). (See Vetoes, below.)

2. **County Road Commissions.** The enacted budget under-appropriates MTF revenue to county road commissions by \$32,465,300. (See above.)

Gross	39,551,700
Restricted	39,551,700
GF/GP	0

3. **Cities and Villages.** The enacted budget underappropriates MTF revenue to cities and villages by \$18,100,900. (See above.)

Gross	22,051,700
Restricted	22,051,700
GF/GP	0

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

D. FEDERAL AID TO LOCAL ROAD AGENCIES

The enacted budget contains \$208,900,000 in Federal funding to local road agencies. This amount reflects the Governor's veto of the 20% earmark of Federal bridge funding to locals, totaling \$17,600,000. (See Vetoes, below.) Federal funding estimates are based on current-year allocations. Reauthorization of the Federal transportation spending law by the U.S. Congress in 2003 could modify the actual amount available to the State and local road agencies.

Gross	(6,632,000)
Federal	(6,632,000)
GF/GP	0

E. HIGHWAY MAINTENANCE

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

Gross	1,117,500
Restricted	1,117,500
GF/GP	0

F. UPTRAN ADMINISTRATION

The budget reflects an administrative cut of \$1,738,800 and 19 FTEs in the Bureau of Urban and Public Transportation.

FTE	(19.0)
Gross	(1,738,800)
Restricted	(1,738,800)
GF/GP	0

G. LOCAL BUS OPERATING GRANTS

The budget includes a small increase in the amount of funding for local bus operating grants to public transit agencies in Michigan, from the FY 2002-03 level of \$160,000,000. Urban systems receive up to 50% of their eligible expenses from the State and nonurban systems receive up to 60%. The Governor's veto of Section 732 (totaling \$20,000), which would have provided a reimbursement to ferry transit systems that transport school buses, is not reflected here. (See Vetoes, below.)

Gross	1,700,000
Restricted	1,700,000
GF/GP	0

H. EARLY RETIREMENT ADJUSTMENT

The budget recognizes one-time savings associated with the most recent early retirement program for State employees.

Gross	(4,825,800)
Restricted	(4,825,800)
GF/GP	0

I. UNCLASSIFIED SALARIES

The budget eliminates the funding for the per diem payments provided to the six appointed members of the State Transportation Commission.

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

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

J. FUNDING SHIFT

Reduced Sales Tax Transfer to Comprehensive Transportation Fund. Under the General Sales Tax Act, a portion of the sales tax revenue on motor fuel and vehicle-related sales is earmarked to the CTF. This earmark was estimated to generate \$77,500,000 in FY 2003-04. Public Act 139 of 2003 reduced the earmark for FY 2003-04 and FY 2004-05 only, resulting in a reduction in CTF revenue of \$10,800,000 in FY 2003-04 and an equal increase in GF/GP revenue. This change did not affect the appropriation levels, but instead the revenue of the CTF, and therefore is not reflected here as a change from year-to-date.

Gross NA
GF/GP NA

K. ECONOMIC ADJUSTMENTS

The budget recognizes standard economic adjustments for workers' compensation and rent/building occupancy charges. The details of 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

L. OTHER ISSUES

The budget contains a number of adjustments associated with internal transfers of employees to reflect the current MDOT organizational structure, anticipated Federal transit funding, and shifts in funding to reflect cost-allocation methodologies presently used within MDOT. Specifically, the budget includes additional Federal transit funding of \$5,100,000 for comprehensive transportation programs and \$690,200 in available State Aeronautics Fund revenue.

Gross (473,400)
Federal (391,700)
Restricted (81,700)
GF/GP 0

Adjustments are included to account for FY 2002-03 contingency fund transfers totaling \$6,830,000.

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

M. VETOES

1.	Federal Bridge Funding. The Governor vetoed Section 405, an earmark of 20% of Federal bridge funding to the critical bridge program for local bridges. Traditionally, the State has distributed 85% of Federal bridge funds for State bridges and 15% for local bridges. The budget, as passed by the Legislature, would have adjusted the split to 80% for the State and 20% for locals. The veto effectively reduces the Federal bridge funding appropriated to the State road and bridge program by \$5,900,000 and the Federal bridge funding appropriated to locals by \$17,600,000, representing the full 20% of Federal bridge funds.	Gross Federal GF/GP	(23,500,000) (23,500,000) 0
2.	Specific Road Projects. The Governor vetoed Sections 613 through 621, which contained appropriations for specific road projects. The vetoes total \$1,825,000 and reduce the State Trunkline Road and Bridge Construction line item by \$1,775,000 and the Planning line item by \$50,000 (Sec. 614). The projects and their costs include: Sec. 613 - Bridge in Hume Township (\$200,000) Sec. 614 - I-75 interchange in Ogemaw County (\$50,000) Sec. 615 - I-69/Chandler Road interchange in Clinton County (\$350,000) Sec. 616 - Cheboygan river bridge replacement (\$400,000) Sec. 617 - I-75 at M-48 interchange in Chippewa County (\$100,000) Sec. 618 - Traffic light at Vance Rd. & M-37 in Grand Traverse County (\$75,000) Sec. 619 - I-275 interchange at Warren Rd. in Canton Township (\$500,000) Sec. 620 - Traffic light at Quarterline & M-37 in Newaygo County (\$75,000) Sec. 621 - Traffic light at Bay Harbor & US 31 in Emmet County (\$75,000)	Gross Restricted GF/GP	(1,825,000) (1,825,000) 0
3.	Ferry Service Reimbursement. The Governor vetoed Section 432, which prohibited transit agencies that operate ferry services from charging tolls to school buses and provided the agencies with State reimbursement payments for lost toll revenue. The veto reduced the local bus operating grant line item.	Gross Restricted GF/GP	(20,000) (20,000) 0

DEPARTMENT OF TREASURY - DEBT SERVICE
P.A. 161 of 2003

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2002-03 YEAR-TO- DATE	FY 2003-04 GOV'S REC.	FY 2003-04 SENATE	FY 2003-04 HOUSE	FY 2003-04 YEAR-TO- DATE	CHNGS FROM FY 2002-03 YEAR-TO-DATE	
						AMOUNT	PERCENT
FTE Positions	N/A	N/A	N/A	N/A	N/A	N/A	N/A
GROSS	59,586,400	73,286,400	73,286,400	73,286,100	73,286,400	13,700,000	23.0
Less:							
Interdepartmental Grants Received	0	0	0	0	0	0	0.0
ADJUSTED GROSS	59,586,400	73,286,400	73,286,400	73,286,100	73,286,400	13,700,000	23.0
Less:							
Federal Funds	0	0	0	0	0	0	0.0
Local and Private	0	0	0	0	0	0	0.0
TOTAL STATE SPENDING	59,586,400	73,286,400	73,286,400	73,286,100	73,286,400	13,700,000	23.0
Less:							
Other State Restricted Funds	40,000,000	878,000	878,000	878,000	878,000	(39,122,000)	(97.8)
GENERAL FUND/GENERAL PURPOSE ..	19,586,400	72,408,400	72,408,400	72,408,100	72,408,400	52,822,000	269.7
PAYMENTS TO LOCALS	0	0	0	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 budget 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 2003.	
B.	PROGRAM REDUCTIONS/ELIMINATIONS	
	Quality of Life Bond Debt Service Costs	
	Gross	(3,400,000)
	GF/GP	(3,400,000)
	The budget 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 FY 2003-04 budget restores the General Fund support for FY 2003-04.	
2.	Recreation Bond Resources	
	Gross	0
	Restricted	878,000
	GF/GP	(878,000)
	The FY 2003-04 budget shifts \$878,000 from the State General Fund to Recreation Bond Resources for Quality of Life Bond debt service costs.	

DEPARTMENT OF TREASURY-OPERATIONS
P.A. 161 of 2003

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2002-03 YEAR-TO- DATE	FY 2003-04 GOV'S REC.	FY 2003-04 SENATE	FY 2003-04 HOUSE	FY 2003-04 YEAR-TO- DATE	CHNGS FROM FY 2002-03 YEAR-TO-DATE	
						AMOUNT	PERCENT
FTE Positions	1,852.5	1,867.5	1,526.0	1,526.0	1,526.0	(326.5)	(17.6)
GROSS	373,668,497	366,453,900	362,550,600	363,750,500	372,232,900	(1,435,597)	(0.4)
Less:							
Interdepartmental Grants Received	19,445,300	14,278,600	12,417,600	12,417,600	12,417,600	(7,027,700)	(36.1)
ADJUSTED GROSS	354,223,197	352,175,300	350,133,000	351,332,900	359,815,300	5,592,103	1.6
Less:							
Federal Funds	45,322,900	44,196,100	44,196,100	44,196,100	44,196,100	(1,126,800)	(2.5)
Local and Private	910,800	910,800	910,800	910,800	910,800	0	0.0
TOTAL STATE SPENDING	307,989,497	307,068,400	305,026,100	306,226,000	314,708,400	6,718,903	2.2
Less:							
Other State Restricted Funds	252,265,900	257,411,700	255,411,700	255,461,400	256,411,700	4,145,800	1.6
GENERAL FUND/GENERAL PURPOSE . .	55,723,597	49,656,700	49,614,400	50,764,600	58,296,700	2,573,103	4.6
PAYMENTS TO LOCALS	99,329,400	99,931,700	101,571,700	101,571,300	108,571,700	9,242,300	9.3

**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 personnel training. 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 enacted budget 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. RENAISSANCE ZONE REIMBURSEMENT

The budget transfers funding for renaissance zone reimbursement to public libraries pursuant to Public Act 376 of 1996 from the Department of History, Arts, and Libraries to the Department of Treasury.

Gross	1,640,000
GF/GP	1,640,000

D. PERSONAL PROPERTY TAX AUDITS

The budget includes funding for grants to local governments to pay a portion of the costs of personal property tax audits pursuant to Section 22a of the General Property Tax Act.

Gross	7,000,000
GF/GP	7,000,000

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

E. PROGRAM REDUCTIONS/ELIMINATIONS

1.	2002 Early Retirement	Gross GF/GP	(693,200) (693,200)
	The budget 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	(177,300) (177,300)
	The 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.	Qualified Agricultural Loan Payments	Gross GF/GP	(800,000) (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 budget reduces funding from \$6,000,000 to \$5,200,000.		
4.	Program Reductions	Gross IDG GF/GP	(5,064,000) (1,664,000) (3,400,000)
	Savings in the budget include: eliminating seasonal employees in the revenue division, \$1,400,000; 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, \$1664,000; and administrative reductions, \$700,000.		
5.	Unfunded FTE Positions	FTE	(350.5)
	The budget eliminates 341.0 unfunded vacant FTE positions.		

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

6. Lottery Advertising

The Legislature reduced the appropriation for Lottery advertising by \$1,000,000 from the Governor's recommendation. This leaves a balance of \$18,622,000 for advertising in FY 2003-04.

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

7. Other Reductions

Other 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; a reduction of \$100,000 in Federal funding; one-time supplemental appropriations, \$351,200; contingency fund transfers, \$707,600; and a \$1,861,000 reduction in Michigan Transportation Fund support for the Department.

Gross	(3,762,500)
IDG	(1,861,000)
Federal	(1,126,800)
Restricted	(32,000)
GF/GP	(742,700)

F. PROGRAM TRANSFERS

History, Arts, and Libraries

The budget transfers funding associated with the Quarter Commission to the Department of History, Arts, and Libraries.

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

G. ECONOMIC ADJUSTMENTS

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

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

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

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

H. OTHER ISSUES

Other 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; a transfer of \$450,000 from the Gaming Control Board to Casino Gaming Administration to fund 6.0 FTEs based on workload requirements; a 3.0 FTE adjustment for MEAP Administration; and a \$3 adjustment related to a rounding adjustment from Executive Order 2003-3.

FTE	5.0
Gross	(3,230,897)
IDG	(3,501,500)
Restricted	270,600)
GF/GP	3

DEPARTMENT OF TREASURY - REVENUE SHARING
P.A. 161 of 2003

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2002-03 YEAR-TO- DATE	FY 2003-04 GOV'S REC.	FY 2003-04 SENATE	FY 2003-04 HOUSE	FY 2003-04 YEAR-TO- DATE	CHNGS FROM FY 2002-03 YEAR-TO-DATE	
						AMOUNT	PERCENT
FTE Positions	N/A	N/A	N/A	N/A	N/A	N/A	N/A
GROSS	1,451,378,000	1,412,080,000	1,412,080,000	1,412,080,200	1,407,850,000	(43,528,000)	(3.0)
Less:							
Interdepartmental Grants Received	0	0	0	0	0	0	0.0
ADJUSTED GROSS	1,451,378,000	1,412,080,000	1,412,080,000	1,412,080,200	1,407,850,000	(43,528,000)	(3.0)
Less:							
Federal Funds	0	0	0	0	0	0	0.0
Local and Private	0	0	0	0	0	0	0.0
TOTAL STATE SPENDING	1,451,378,000	1,412,080,000	1,412,080,000	1,412,080,200	1,407,850,000	(43,528,000)	(3.0)
Less:							
Other State Restricted Funds	1,451,378,000	1,412,080,000	1,412,080,000	1,412,080,200	1,407,850,000	(43,528,000)	(3.0)
GENERAL FUND/GENERAL PURPOSE ..	0	0	0	0	0	0	0.0
PAYMENTS TO LOCALS	1,451,378,000	1,412,080,000	1,412,080,000	1,412,080,200	1,407,850,000	(43,528,000)	(3.0)

		FY 2003-04 Change from FY 2002-03 <u>Year-to-Date</u>
A.	REVENUE SHARING PAYMENTS FY 2003-04	
	Gross	(43,528,000)
	Restricted	0
	GF/GP	(43,528,000)

Public Act 161 of 2003 appropriates revenue sharing payments. The restricted revenue sharing payments are estimated and appropriated at \$1,407,850,000 in FY 2003-04, a decrease of \$43,528,000, or 3.0%, from FY 2002-03 estimated and appropriated payments. Because the total restricted appropriated amount will be a limit on total revenue sharing distributions, if actual sales tax revenue exceeds the consensus figure and produces a higher constitutional revenue sharing total than the appropriated amount, the amount above the constitutional appropriation that is distributed will be subtracted from the statutory payments. If actual sales tax revenues are less than the adopted estimate, then constitutional revenue sharing payments will be lower.

The appropriated amount is approximately \$245,100,000 less than the amount suggested by the statutory formula to “fully fund” revenue sharing payments. The Governor’s recommendation in March was for FY 2003-04 total restricted revenue sharing payments to be 3.0% below the FY 2002-03 level. The Governor also recommended that supplementary legislation be adopted to alter the distribution of revenue sharing payments from what would otherwise occur under the revenue sharing formula.

Public Act 161 of 2003 also provides that if a county treasurer does not comply with Section 151 of the State School Aid Act (MCL 388.1751), then the statutory portion of the respective county’s revenue sharing payments will not be made until the reporting requirements have been fulfilled. County treasurers are required to submit a statement of the taxable value data for each district and fraction of each district within the county, as well as revisions for prior years.

The estimated revenue sharing payments by distribution type are summarized in Table 1. The figures in Table 1 are based on the May 2003 consensus estimates of State revenues.

B. CHANGES TO THE REVENUE SHARING PAYMENT DISTRIBUTION FORMULA (P.A. 168 of 2003)

The Governor's FY 2003-04 Budget recommended that changes be made to the Glenn Steil State Revenue Sharing Act (MCL 141.901) to alter the distribution of payments from what would otherwise occur under the proposed level of funding for statutory revenue sharing payments. Under the recommended legislation, represented by the version of Senate Bill 575 of 2003 as introduced, each local unit would receive a 3.0% reduction from the payments it was forecasted to receive during FY 2002-03. The version of Senate Bill 575 passed by the Legislature (Public Act 168 of 2003) essentially implements the Governor's recommendation, in that in FY 2003-04 each local unit is to receive a 3.0% reduction from the actual FY 2002-03 revenue sharing payment. However, P.A. 168 also provides an adjustment mechanism to allocate payments when sales tax collections differ from the estimates. This adjustment mechanism ensures that any reductions needed in either fiscal year will be applied by a uniform percentage of total payments, regardless of the local unit. The reductions under P.A. 168 are to be taken from statutory payments only, so constitutional payments will not be reduced, but the reductions are to be computed against an amount that includes both types of payments.

Table 1

REVENUE SHARING PAYMENTS FOR FY 2001-02 THROUGH FY 2003-04
(dollars in millions)

	FY 2002-03 Year-to-Date				Enacted FY 2003-04		
	FY 2001-02 Actual	FY 2002-03 Estimate 1)	FY 2001-02 to FY 2002-03 Growth		FY 2003-04 Estimate 1)	FY 2002-03 to FY 2003-04 Growth	
			Dollar	Percent		Dollar	Percent
Sales Tax Constitutional:							
Counties	\$0.0	\$0.0	\$0.0	---	\$0.0	\$0.0	---
Cities, Villages, & Townships	649.3	660.3	11.0	1.7%	683.0	22.7	3.4%
Subtotal Constitutional	\$649.3	\$660.3	\$11.0	1.7%	\$683.0	\$22.7	3.4%
Sales Tax Statutory:							
Counties	\$217.5	\$202.6	(\$14.9)	(6.9)%	\$196.5	(\$6.1)	(3.0)%
Cities, Villages, & Townships	650.5	588.5	(62.0)	(9.5)	528.3	(60.2)	(10.2)
Subtotal Statutory	\$868.0	\$791.1	(\$76.9)	(8.9)%	\$724.8	(\$66.3)	(8.4)%
Total Restricted Revenue Sharing ¹⁾	\$1,517.3	\$1,451.4	(\$65.9)	(4.3)%	\$1,407.9	(\$43.5)	(3.0)%
General Fund/General Purpose ²⁾	0.0	0.0	0.0	---	0.0	0.0	---
Total Revenue Sharing Under Appropriation	\$1,517.3	\$1,451.4	(\$65.9)	(4.3)%	\$1,407.9	(\$43.5)	(3.0)%

- 1) The revenue sharing appropriations are based on consensus sales tax estimates adopted at the May 2003 Consensus Revenue Estimating Conference, subject to existing appropriations already made for FY 2002-03. The appropriated levels represent the maximum amount that will be distributed for restricted revenue sharing. If actual sales tax collections are lower, then the revenue sharing distributions will be reduced. If actual sales tax collections are higher than estimated, then constitutional payments will be increased and statutory payments will be reduced.
- 2) General Fund/General Purpose amounts are for special census payments.

APPENDICES

**FY 2003-04
APPROPRIATION BILL INDEX**

<u>BUDGET AREA</u>	<u>BILL NUMBER</u>	<u>PUBLIC ACT NUMBER</u>	<u>LINE-ITEM VETOES</u>
Agriculture	S.B. 288	P.A. 157 of 2003	YES
Attorney General	S.B. 270	P.A. 161 of 2003	NO
Capital Outlay	H.B. 4386	PENDING	---
Career Development	S.B. 285	P.A. 169 of 2003	NO
Civil Rights	S.B. 270	P.A. 161 of 2003	NO
Civil Service	S.B. 270	P.A. 161 of 2003	NO
Community Colleges	H.B. 4388	P.A. 146 of 2003	NO
Community Health	H.B. 4392	P.A. 159 of 2003	YES
Consumer and Industry Services	S.B. 286	P.A. 167 of 2003	NO
Corrections	H.B. 4390	P.A. 154 of 2003	NO
Education	H.B. 4391	P.A. 145 of 2003	NO
Environmental Quality	H.B. 4393	P.A. 171 of 2003	YES
Executive	S.B. 270	P.A. 161 of 2003	NO
Family Independence Agency	S.B. 283	P.A. 172 of 2003	YES
Higher Education	H.B. 4396	P.A. 144 of 2003	YES
History, Arts, and Libraries	S.B. 279	P.A. 160 of 2003	NO
Information Technology	S.B. 270	P.A. 161 of 2003	NO
Judiciary	S.B. 281	P.A. 155 of 2003	NO
Legislature	S.B. 270	P.A. 161 of 2003	NO
Management and Budget	S.B. 270	P.A. 161 of 2003	NO
Military and Veterans Affairs	S.B. 266	P.A. 156 of 2003	NO
Natural Resources	H.B. 4400	P.A. 147 of 2003	YES
School Aid	S.B. 1044	P.A. 297 of 2000	YES
School Aid	H.B. 4401	P.A. 158 of 2003	YES
State	S.B. 270	P.A. 161 of 2003	NO
State Police	S.B. 277	P.A. 149 of 2003	NO
Strategic Fund Agency	S.B. 285	P.A. 169 of 2003	NO
Transportation	S.B. 265	P.A. 162 of 2003	YES
Treasury	S.B. 270	P.A. 161 of 2003	NO

ECONOMIC FORECAST AND REVENUE ESTIMATES

A. ECONOMIC FORECAST

The U.S. and Michigan economies are expected to experience renewed economic growth in the second half of 2003 and then continue to improve into 2004. Real Gross Domestic Product (GDP), which measures the Nation's output of goods and services adjusted for inflation, increased at a seasonally adjusted annual rate of only 1.9% during the first half of 2003. During the second half of 2003, real GDP is expected to increase in excess of 3.0%, which will push the annual growth rate for 2003 up to 2.2%. In 2004, the pace of national economic growth will continue to improve and average 3.7%, which will be at about the same pace the economy grew in 2000, before falling into the recession in 2001.

Much of this improvement in economic growth will be due to recent Federal government monetary and fiscal actions. The Federal Reserve has lowered the Federal Funds rate (the rate at which banks borrow money overnight from other banks) 540 basis points since the end of 2000. The current level of 1.0% is the lowest level for the Federal Funds rate since July 1958, when the rate dropped below 1.0%. The Federal Reserve also has reduced short-term interest rates to help stimulate economic activity by making it cheaper for both consumers and businesses to borrow money. As a result of these Federal Reserve actions, coupled with the fact that inflation and inflationary expectations remain low, long-term interest rates are currently at historically low levels and are expected to remain low. These low interest rates will help fuel the projected acceleration in economic growth. Recent Federal tax cuts and spending increases also will be key factors contributing to renewed economic growth in 2004 by increasing consumers' disposable income and helping ignite business activity.

The U.S. unemployment rate will decline to an estimated 5.7% in 2004, after rising to 6.0% in 2003 from 5.8% in 2002. Light vehicle sales will rise to an estimated 16.5 million units in 2004, after falling to 16.0 million units in 2003. Inflation, as measured by the U.S. Consumer Price Index for all urban consumers, will remain at historically low levels through 2004. After edging up to 2.2% in 2003 from the 1.6% increase posted in 2002, inflation is expected to ease back to 1.8% in 2004.

Michigan's economy also will experience improved economic growth in 2004, largely in response to the improvement in the national economy. Payroll employment will begin to improve during the second half of 2003 and then continue to improve in 2004. On an annual basis, payroll employment will be down in 2003 compared with the 2002 level by an estimated 0.7%, but then it is expected to increase 1.4%, or 62,000 jobs, in 2004. This improvement in employment will help reduce the unemployment rate from 6.5% in 2003 to 6.1% in 2004. Personal income, which measures the income from all sources received by individuals and is the broadest measure of economic activity available for the Michigan economy, is expected to increase 3.3%, after adjusting for inflation, in 2004, which will be much improved from the 1.0% real increase expected in 2003. Inflation, as measured by the Detroit Consumer Price Index, is expected to remain at very low levels similar to the levels projected nationally.

This economic forecast is the consensus forecast adopted by the Senate Fiscal Agency, House Fiscal Agency, and Department of Treasury at the May 2003 Consensus Revenue Estimating Conference, and was the economic forecast on which the enacted budget for FY 2003-04 was based.

B. GENERAL FUND/GENERAL PURPOSE AND SCHOOL AID FUND REVENUE ESTIMATES

General Fund/General Purpose (GF/GP) and School Aid Fund (SAF) available revenues will total an estimated \$21.29 billion in FY 2003-04, which represents a 0.6% decline from the estimated total revenue level for FY 2002-03. This projected level for FY 2003-04 total revenues includes the

revenue from ongoing taxes and other revenue sources, enacted tax policy changes, Federal aid, transfers from other funds, one-time revenue adjustments, and projected beginning balances to be carried over from FY 2002-03. The estimate of total GF/GP and SAF revenues from ongoing sources was unanimously adopted by the Senate Fiscal Agency, the House Fiscal Agency, and the Engler Administration at the May 2003 Consensus Revenue Estimating Conference. Table 1 presents a breakdown of the estimated total GF/GP and SAF revenues for both FY 2002-03 and FY 2003-04.

Table 1

GENERAL FUND/GENERAL PURPOSE AND SCHOOL AID FUND REVENUE ESTIMATES FOR FY 2002-03 AND FY 2003-04 (dollars in millions)			
	FY 2002-03	FY 2003-04	% Change
GENERAL FUND/GENERAL PURPOSE			
Beginning Balance	\$114.5	\$360.6	—
<u>Revenue From Ongoing Sources¹⁾:</u>			
Net Income	4,099.6	4,074.5	(0.6)%
Single Business	1,895.6	2,012.9	6.2
Sales	80.2	112.5	40.3
Use	838.1	882.9	5.3
Cigarette	283.3	277.9	(1.9)
Insurance Company Premiums	250.8	263.0	4.9
Telephone & Telegraph	132.2	128.8	(2.6)
Estate/Inheritance	102.3	75.0	(26.7)
All Other Taxes	183.0	155.5	(15.0)
Subtotal Taxes	7,865.1	7,983.0	1.5
Nontax Revenue	218.8	175.8	(19.7)
Subtotal Consensus Estimates Ongoing Revenue ¹⁾	\$8,083.9	\$8,158.8	0.9%
<u>Nonongoing Revenue Adjustments</u>			
Transfer from the Budget Stabilization Fund (BSF)	115.1	0.0	(100.0)
Merit Award Trust Fund Transfer	151.3	0.0	(100.0)
Revenue Sharing Reductions	146.2	245.4	67.9
Revenue Sharing Reserve Account	195.6	0.0	(100.0)
Pre-Funded Health Reserve Transfer	58.2	0.0	(100.0)
Unrestricted Federal Aid	169.0	169.0	0.0
Sales of State Property	69.5	2.0	(97.1)
Tax Policy Changes	0.0	12.1	----
Fee Increases - Driver Related	0.0	90.9	----
Other Revenue Adjustments	64.3	(5.7)	(108.9)
Subtotal Nonongoing Revenue Adjustments	969.2	513.7	(47.0)
TOTAL GF/GP REVENUE	\$9,167.6	\$9,033.1	(1.5)%

Table 1 (continued)

GENERAL FUND/GENERAL PURPOSE AND SCHOOL AID FUND REVENUE ESTIMATES FOR FY 2002-03 AND FY 2003-04 (dollars in millions)			
	FY 2002-03	FY 2003-04	% Change
SCHOOL AID FUND			
Beginning Balance	\$ 237.0	\$ 1.3	(99.5)%
<u>Revenue From Ongoing Sources¹⁾:</u>			
Sales & Use Taxes	5,160.2	5,422.5	5.1
Income Tax	1,878.8	1,948.1	3.7
State Education Property Tax	1,662.5	1,764.1	6.1
Real Estate Transfer Tax	260.0	260.0	0.0
Tobacco Tax	474.8	466.0	(1.9)
Casino Wagering Tax	91.0	94.5	3.8
Other Tax Revenue	195.7	201.7	3.1
Subtotal Taxes	9,723.0	10,156.9	4.5
Lottery	588.0	592.0	0.7
Subtotal Consensus Estimates Ongoing Revenue ¹⁾	\$10,311.0	\$10,748.9	4.2%
<u>Other Revenue:</u>			
General Fund Grant	249.4	282.1	13.1
Transfer from the Budget Stabilization Fund (BSF)	32.0	0.0	(100.0)
State Education Tax Accelerated Collection	454.7	0.0	(100.0)
Tax Policy Changes	0.0	4.4	---
New Lottery Games	0.0	50.0	---
School Bond Loan Refinancing	0.0	128.3	---
Federal Aid	1,219.8	1,316.7	7.9
Other Revenue	0.5	5.3	960.0
Subtotal Other Revenue	1,956.4	1,786.8	(8.7)
TOTAL SAF REVENUE	\$12,504.4	\$12,537.0	0.3%
TOTAL GF/GP AND SAF:			
Consensus Estimate Ongoing Revenue	\$18,394.9	\$18,907.7	2.8%
Beginning Balances	351.5	361.9	3.0
Other Revenue ²⁾	2,676.2	2,018.4	(24.6)
Total Revenue ²⁾	\$21,422.6	\$21,288.0	(0.6)%
1) Consensus revenue estimates adopted at the May 2003 Consensus Revenue Estimating Conference.			
2) Total and other revenue excludes GF/GP grant to SAF.			

1. General Fund/General Purpose Revenue

Total GF/GP revenue available to spend in FY 2003-04 will total an estimated \$9.03 billion, which includes the revenue from ongoing revenue sources, one-time revenue adjustments, tax policy and fee changes, and the beginning balance that will be carried over from FY 2002-03. Revenue from ongoing revenue sources is expected to total \$8.16 billion, which will be up only 0.9% from the FY 2002-03 level. While economic activity is expected to improve in FY 2003-04, this relatively small increase in revenue from ongoing GF/GP revenue sources reflects the impact of the final reduction in the five-year phased cut in the income tax rate. On January 1, 2004, the income tax rate is scheduled to decline from 4.0% to 3.9%. This will reduce GF/GP revenue an estimated \$119 million. In addition, the phased repeal of the estate tax will reduce GF/GP revenue an estimated \$50 million in FY 2003-04, compared with FY 2002-03 estate tax collections.

In addition to the revenue generated from taxes and other revenue sources dedicated to the GF/GP budget on an ongoing basis, GF/GP revenue in FY 2003-04 will be bolstered with additional revenue from one-time revenue adjustments, tax and fee increases, and a large carry-over balance from FY 2002-03, as shown in [Table 1](#). The amount of sales tax revenue distributed to local governments through the revenue sharing program will be reduced by \$245 million, and this sales tax revenue will revert to GF/GP revenue. Michigan also will receive \$169 million in unrestricted Federal aid, which will be a portion of Michigan's share of the \$20 billion in aid to state governments that will be distributed under the Federal government's recently enacted fiscal stimulus package. In addition, some recently enacted tax loophole closings and other tax policy changes will generate an estimated \$12 million in new revenue in FY 2003-04 and increases in certain driver-related fees will generate new revenue estimated at \$91 million. A large carry-over balance from FY 2002-03 totaling \$360 million also will add to GF/GP revenue in FY 2003-04.

2. School Aid Fund

Total SAF revenue available to spend will total an estimated \$12.54 billion in FY 2003-04. This represents an increase of only 0.3%, compared with the estimated revenue available in FY 2002-03, as shown in [Table 1](#). This meager increase will be due to the fact that \$692 million of the revenue the SAF receives in FY 2002-03 will be one-time revenue only and therefore will not be available in FY 2003-04. This one-time revenue in FY 2002-03 consists of \$237 million in a carry-over beginning balance and \$455 million from the one-time acceleration in the collection of the State education property tax. The loss of these one-time revenue sources in FY 2003-04 will be essentially offset by growth in the revenue generated by the ongoing taxes and lottery revenue earmarked to the SAF, along with some new revenue due to some recently enacted tax policy changes and one-time revenue adjustments.

Ongoing revenue from the taxes and net lottery revenue earmarked to the SAF will total an estimated \$10.75 billion in FY 2003-04, which represents an increase of 4.2%, or \$438 million, compared with the revenue from ongoing taxes and net lottery in FY 2002-03. In addition to this revenue from the SAF's ongoing taxes and net lottery revenue, two new lottery games will generate an estimated \$50 million, recently enacted tax policy changes will generate \$4 million, a program to refinance some of the bonds issued by the School Bond Loan Fund will result in a one-time revenue gain of \$128 million, and Federal aid is expected to increase almost \$100 million in FY 2003-04 compared with the FY 2002-03 level.

C. BUDGET AND ECONOMIC STABILIZATION FUND AND SCHOOL AID FUND RESERVE

1. Budget Stabilization Fund

Michigan's cyclical economy can produce significant swings in the rate of growth, or decline, in tax revenues from one year to the next. To help smooth the flow of revenues over the economic cyclical swings, Michigan created the Counter-Cyclical Budget and Economic Stabilization Fund in 1977. This fund, more commonly referred to as the Budget Stabilization Fund (BSF), is designed to be a cash reserve to which the State adds money during good economic times and from which it withdraws money during poor economic years. Having the money available during poor economic years helps the State avoid having to cut spending and/or increase taxes, and therefore helps stabilize the State budget and the tax structure.

All transfers into and out of the BSF must be appropriated by the Legislature. There are formulas that indicate when it is appropriate to put money into and take money from the BSF, but historically, most of the BSF transactions have not been directly tied to the formulas, but have simply been made at the will of the Legislature and Governor.

The recession that hit Michigan in the last part of 2000 through 2001, and the very sluggish rebound in economic activity in 2002 and so far in 2003, placed significant strain on the budget. As a result, of the \$1.26 billion that was in the BSF at the end of FY 1999-2000, \$377 million was withdrawn in FY 2000-01 and \$870 million was withdrawn in FY 2001-02. In FY 2002-03, an estimated \$147 million will be in the BSF and it will all be withdrawn, as \$32 million will be transferred to the SAF and \$115 million will be transferred to the General Fund. In FY 2003-04, the BSF will begin the year with a zero balance, but the budget adopted by the Legislature and the Governor will deposit an estimated \$73 million into the BSF. Table 2 presents the recent history of the BSF pay-ins, pay-outs, and year-end balance, along with the estimates for FY 2002-03 and FY 2003-04.

2. School Aid Fund Reserve

In addition to the \$73 million that will be deposited into the Budget Stabilization Fund in FY 2003-04, a new School Aid Fund Reserve will be created and \$73 million will be deposited into this reserve fund. The purpose of this School Aid Fund Reserve is to establish a separate rainy day fund for the SAF, to help stabilize the funding of K-12 public education during the ups and downs of the business cycle.

Table 2 ECONOMIC AND BUDGET STABILIZATION FUND TRANSFERS, EARNINGS AND FUND BALANCE FY 1995-96 TO FY 2003-04 (millions of dollars)				
Fiscal Year	Pay-In	Interest Earned	Pay-Out	Fund Balance
1995-96	\$91.3	\$59.2	\$0.0	\$1,153.6
1996-97	0.0	67.8	69.0	1,152.4
1997-98	0.0	60.1	212.0	1,000.5
1998-99	244.4	51.2	73.7	1,222.5
1999-00	100.0	73.9	132.0	1,264.4
2000-01	0.0	66.7	337.0	994.2
2001-02	0.0	20.8	869.8	145.2
Estimates:				
2002-03	0.0	1.9	147.1	0.0
2003-04	73.1	0.0	0.0	73.1
Summary of Recent Appropriated Pay-Outs:				
		FY 2000-01	FY 2001-02	FY 2002-03
<u>School Aid Fund:</u>				
<i>Durant</i> Payments		\$32.0	\$32.0	\$32.0
Other Withdrawal		0.0	350.0	0.0
Subtotal SAF		\$32.0	\$382.0	\$32.0
Trunkline Fund		35.0	35.0	0.0
General Fund		270.0	452.8	115.1
Total Pay-Outs		\$337.0	\$869.8	\$147.1

D. CONSTITUTIONAL REVENUE LIMIT

The Michigan Constitution places a limit on the amount of revenue State government can collect in any fiscal year. The limit essentially requires that total revenues, excluding Federal aid, not exceed 9.49% of personal income. As shown in Table 3, revenues subject to the limit have been well below the limit in recent years and revenues are expected to remain considerably below the constitutional limit in both FY 2002-03 and FY 2003-04. In FY 2001-02, revenues subject to the limit fell below the limit by \$3.92 billion or 14.3%. In FY 2002-03 and FY 2003-04, it is estimated that the gap between revenues subject to the limit and the limit will grow even wider. In FY 2002-03, revenues subject to the limit will fall below the revenue limit by an estimated \$4.33 billion or 15.3%, and in FY 2003-04 revenues will fall short of the limit by an estimated \$4.78 billion or 16.5%.

Table 3 COMPLIANCE WITH CONSTITUTIONAL REVENUE LIMIT (dollars in millions)			
Fiscal Year	Revenue Subject to Limit	Revenue Limit	Under (Over) Limit
1994-95	\$18,585.4	\$18,475.8	\$(109.6)
1995-96	19,798.8	19,982.0	183.2
1996-97	20,694.3	21,672.2	977.9
1997-98	22,072.3	22,712.4	640.1
1998-99	23,208.5	23,186.8	(21.7)
1999-2000	24,362.9	24,203.2	(159.7)
2000-01	23,907.6	26,315.4	2,407.8
2001-02	23,546.0	27,463.1	3,917.1
Estimates:			
2002-03	23,911.7	28,243.1	4,331.4
2003-04	24,115.1	28,896.2	4,781.1



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