



APPROPRIATIONS PROCESS

December 2014

Senate Fiscal Agency



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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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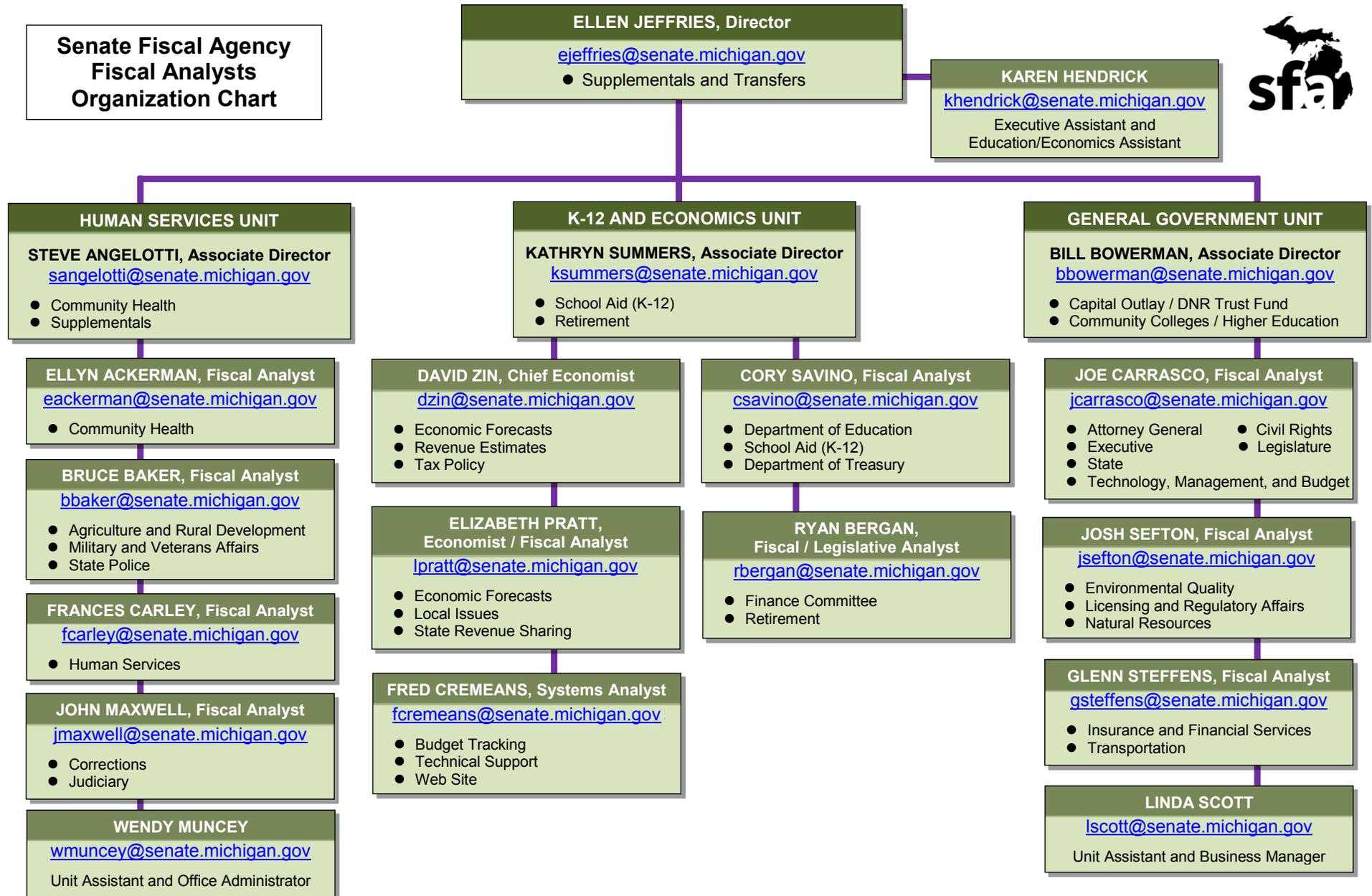
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**SENATE FISCAL AGENCY
FISCAL STAFF**

**Senate Fiscal Agency
Fiscal Analysts
Organization Chart**



OVERVIEW OF APPROPRIATIONS PROCESS

OVERVIEW OF THE APPROPRIATIONS PROCESS

Budget Basics

The Governor submits the budget within 30 days after the Legislature convenes (60 days if Governor is newly elected).

The budget must be balanced (revenue equals expenditures).

Required legislation (for example, proposed revenue increases) must be submitted with the budget.

Until recent years, budget bills were introduced in alternating chambers. The chamber of origin for each specific bill historically alternated each year, with the exception of Capital Outlay appropriations which alternated every two years. Beginning in FY 2011-12, the process dramatically changed. Each house now originates their own set of appropriation bills and runs those bills through the legislative process (subcommittee, full committee, and Floor passage) concurrently with the other house.

While the House works on individual budgets in subcommittees, the House consolidates the work of the subcommittees into two omnibus budget bills for action by the House Appropriations Committee. One House bill (amendments to the State School Aid Act) includes appropriations for School Aid, Higher Education, and Community Colleges. The other House budget bill includes appropriations for all State departments and agencies. The Senate passes separate bills for each budget area, with the exception of General Government, which includes appropriations for several State departments, the Legislature, and the Executive Office. After the Senate and House pass their versions of the budget, each house "zeroes out" the other house's bills (i.e., line item appropriations and boilerplate are removed). The "zeroed out" bills then are returned to the house of origination, rejected by that house and referred to conference committee.

The Governor and Legislative Leaders negotiate budget target dollar amounts that the House and Senate conferees use to produce conference reports.

For the purposes of reaching a resolution in conference committee, items of difference are based on the House- and Senate-passed versions of their originated budget bills (not the "zeroed out" budget bills). The conference committees use the individual Senate budget bills to produce conference reports, but conference reports on Senate bills are not further acted on by the Legislature. Instead, after conference decisions have been reached on all of the individual Senate budget bills, conference committees are held on the two House omnibus budget bills, which basically incorporate all of the decisions made in conference committees on individual Senate budget bills. The omnibus bills thus become the vehicle bills for the budget, going to the House and then Senate for adoption of the omnibus conference reports.

The Governor may sign or veto the appropriation bills, and may veto individual line items.

Adjustments to the State budget, known as supplementals, transfers, and Executive Orders, are considered throughout the year and acted on accordingly. The following provides more detail on each step of the budget process.

Steps in the Appropriations Process

1. After the budget's introduction, Legislative leadership sets a schedule for Legislative action. Bills are referred to the Appropriations Committees and then assigned to subcommittees. In 2014, the Senate subcommittees that were assigned budgets included:
 - Agriculture and Rural Development
 - Capital Outlay
 - Community Colleges
 - Department of Community Health
 - Department of Corrections
 - Department of Environmental Quality
 - Department of Human Services
 - Department of Licensing and Regulatory Affairs (includes Insurance and Financial Services)
 - Department of Natural Resources
 - General Government (which includes Attorney General, Civil Rights, Executive, Legislature, Legislative Auditor General, State, Technology, Management, and Budget, and Treasury)
 - Higher Education
 - Judiciary
 - K-12, School Aid, and Education
 - Retirement
 - State Police and Military Affairs
 - Department of Transportation

2. Subcommittee meetings provide detailed examination of the proposed budget.
 - Public hearings
 - Testimony from department, local units, interested parties, and public

3. Subcommittee reports bill to the full Appropriations Committee.
 - Usually the subcommittee reports a substitute bill reflecting the changes recommended by the subcommittee.

4. Full Appropriations Committee action
 - Committee can reject the substitute, adopt the substitute as reported, amend the substitute, or report a new version of the bill.

5. Floor action

- Bills that are reported out of the Appropriations Committee are considered on the House and Senate floors in the same manner as other bills reported from standing committees, and may be amended or substituted. The only difference is that the fiscal agencies, not the Legislative Service Bureau, prepare all amendments and substitutes for appropriation bills on the floor.
- After the Senate and House pass their versions of the budget, each house "zeroes out" the other house's bills (i.e., line item appropriations and boilerplate are removed). The "zeroed out" bills then are returned to the house of origination, rejected by that house and referred to conference committee.
- Differences between the House-passed and Senate-passed versions are resolved in conference committee. (Items of difference are based on the House- and Senate-passed versions of their originated budget bills -- not the "zeroed out" budget bills.)
- The Senate and House participate in conference committees using the individual Senate budget bills.
- Pursuant to the Joint Rules of the House and Senate, conference committees may only consider items of difference; however, technical amendments, such as date revisions, adjusting totals or cross-references, additional anticipated Federal or other flow-through funding, and grammatical changes, may be made by the conference committee.
- When conferees reach an agreement on matters of difference that affect other parts of a bill, the conferees may include amendments to conform to the agreement.
- After conference decisions have been reached on all of the individual Senate budget bills, a conference committee is held on the House omnibus budget bills, which basically incorporates all of the decisions made in conference committees on individual Senate budget bills. The omnibus bills thus become the vehicle bills for the budget, going to the House and then Senate for adoption of the omnibus conference reports.

Sample Timeline

- January: Consensus Revenue Estimating Conference.
- February: Governor's budget is delivered (March in years with a new Governor). Revisions may be submitted throughout the budget process.
- February-April: Both houses move their version of the budgets through the legislative process (subcommittee meetings, Appropriations Committee action, floor votes, etc.).
- April-June: House and Senate exchange versions of budget, each house removes appropriations and boilerplate from other house's bills, the originating houses reject the changes and refer the bills to conference committee.
- May: Consensus Revenue Estimating Conference.
- Late May: Budget targets are developed, conference committees meet, conference reports adopted.
- Early June: Governor signs and/or vetoes bills.
- October: Fiscal year begins October 1.

Senate Fiscal Agency (SFA) Role in the Appropriation Bill Process

1. Consensus Revenue Estimating Conference. The SFA is one of the three principals (along with the House Fiscal Agency and the Department of Treasury) in the Consensus Revenue Estimating Conference. The Consensus Revenue Estimating Conference estimates the revenue available for the General Fund and the School Aid Fund; and, with the State Budget Office, provides pupil estimates used in the School Aid budget and caseload and cost estimates for the Departments of Community Health and Human Services. As part of its role in the consensus process, the SFA prepares its own economic and revenue forecast, as well as pupil and caseload estimates.
2. SFA analyst provides technical and administrative support to the subcommittee:
 - Sends subcommittee meeting notices.
 - Acts as committee clerk during subcommittee meetings and hearings.
 - Compiles minutes of subcommittee meetings.
 - Prepares decision documents and analyses.
 - Produces substitute bills and amendments for the subcommittee.
3. SFA role beyond the subcommittee process:
 - Drafts amendments and substitutes, as requested by any Senator, for the full Appropriations Committee or while the bill is on the floor of the Senate.
 - Acts as committee clerk during conference committee meetings.
 - While the bill is in the Senate, produces and distributes analysis of the appropriation bill at each step of the process.
 - Provides information and analysis regarding specific budget issues.
 - Confidentiality. M.C.L. 4.1501 requires that all requests and work be held in confidence until submitted to the Secretary of the Senate, unless the requesting Senator authorizes the release. Similarly, SFA employees are not authorized to reveal to any person, other than another SFA employee, the contents or nature of any bill, substitute, amendment, resolution, special report or proposal not yet published, without the consent of the Senator sponsoring or requesting it. Confidentiality also extends to requests from any member of a Senator's staff.
4. SFA Budget-Related Documents (discussed in more detail in the section on documents):
 - Appropriations Report, Part I – Governor's Recommendations.
 - Appropriations Report, Part II – Initial Appropriations.
 - Appropriations Report, Part III – Year-End Appropriations.
 - Decision Documents (contain details for both line items and boilerplate).
 - Highlight Sheets (budget summaries that are updated at each step throughout the budget process).

Other Appropriations-Related Issues

1. Adjustments to current budgets: Transfers, Supplemental appropriations, Executive Orders
 - SFA provides notification memo and analysis.
2. Information requests regarding programs, revenue, fund balances, boilerplate history, and other specific budget-area issues.
3. Mandated Budget Requirements and Restrictions
 - Budget Submission Date (Constitution, Section 18, Article V and MCL 18.1363).
 - Balanced Budget Requirement (Constitution, Section 31, Article IV and Section 18, Article V).
 - Revenue Limit (Constitution, Section 26, Article IX).
 - State and Local Spending Limit (Constitution, Section 30, Article IX).
 - Expenditure Limit (Constitution, Section 28, Article IX).
 - Appropriation Reductions (Constitution, Section 20, Article V).
 - Line Item Veto (Constitution, Section 19, Article V).
 - Limits on State General Obligation Debt (Constitution, Section 15, Article IX).

BUDGET TIME FRAME

JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE
LEGISLATIVE ACTION					
Governor's State of the State is delivered and budget recommendation is prepared for submission to the Legislature.	Governor's budget is delivered, legislative action begins.	Subcommittees make decisions, Appropriations Committee meets, floor votes take place.			Budget targets are negotiated between the Executive and Legislature. Conference Committees meet.
SENATE FISCAL AGENCY ACTION					
First Consensus Revenue Estimating Conference (CREC) is scheduled. SFA prepares applicable documents, schedules future hearings, and provides background briefings.	SFA presents analysis of Governor's budget. Subcommittee hearings begin.	Decision documents are prepared, SFA works with Subcommittee chairs and members to develop proposals, substitute bills are prepared and analyzed, amendments are drafted. SFA revenue forecast is released. Second CREC is held in May.			SFA provides staff support to Conference negotiations, and prepares and analyzes Conference Reports.

JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
LEGISLATIVE ACTION					
Governor signs appropriation bills and issues vetoes. Veto overrides are considered. Current-year budget adjustments are considered. Fiscal year ends September 30.			New fiscal year begins October 1. Appropriations Committee considers year-end transfers. Budget implementation legislation is considered.		
SENATE FISCAL AGENCY ACTION					
Analysis of initial legislation is completed. Initial Appropriations Report is distributed. Year-end budgetary adjustments and lapse estimates are completed.			SFA Year-End Appropriations Report is generated. SFA Economic and Revenue Forecast is released. Mid-year budget adjustments (transfer, supplementals, Executive Orders) are analyzed as needed.		

**TRENDS IN
STATE SPENDING**

TRENDS IN STATE SPENDING

Spending in FY 2004-05 Versus FY 2014-15

Over the past decade in Michigan, Total State Spending (TSS) appropriations (defined as appropriations from State Restricted and State General Fund/General Purpose revenue) increased by 14.3%. During the same period, the Detroit Consumer Price Index (CPI) increased by 19.0%. When the Detroit CPI is accounted for, it is clear that this 14.3% increase has not kept pace with inflation and actually represents a decrease in purchasing power of approximately 4.7%. Increasing costs and decreasing purchasing power have forced the Legislature to prioritize spending. As a result, over the past 10 years, some budget areas have seen an increase in investment by the Legislature while others have experienced a decrease in spending.

The table below outlines the spending changes that have occurred among principal budgets over the past decade, as well as changes in caseload and student counts. As the table indicates, TSS appropriations for the Department of Community Health have risen by 28.4% while the Medicaid caseload has risen by a similar percentage. Appropriations for the Department of Human Services have decreased by 2.2% over this time period due to several factors, including the closure of State juvenile justice facilities and other program reductions. The other area of the budget where appropriations are lower compared to a decade ago is Higher Education, down by 17.4%.

STATE SPENDING FROM STATE RESOURCES APPROPRIATIONS TOTAL COMPARED IN SELECTED BUDGET AREAS (Millions of Dollars)				
Department/Budget Area	FY 2004-05 Year-to-Date Appropriation	FY 2014-15 Year-to-Date Appropriation	Dollar Change	Percent Change
Community Health.....	\$4,129.5	\$5,301.1	\$1,171.7	28.4%
Corrections.....	1,756.0	2,026.7	270.7	15.4
Human Services.....	1,146.7	1,121.7	(25.0)	(2.2)
K-12 School Aid	11,113.5	12,062.2	948.6	8.5
Community Colleges.....	294.3	364.7	70.5	23.9
Higher Education.....	1,718.5	1,419.5	(299.0)	(17.4)
Revenue Sharing-Constitutional	668.7	758.3	89.6	13.4
Revenue Sharing-Nonconstitutional.....	444.2	468.0	23.8	5.4
All Other Programs.....	5,013.9	6,561.0	1,547.1	30.9
Total State Spending	\$26,285.3	\$30,083.2	\$3,798.0	14.4%
Addendum:				
Medicaid Caseload.....	1,437,983	1,840,000	402,017	28.0
Prison Population.....	51,503	44,997	(6,506)	(12.6)
K-12 Pupil Count.....	1,707,780	1,512,000	(195,780)	(11.5)
University Students	250,030	263,817	13,787	5.5
Community College Students.....	131,150	154,118	22,968	17.5
Michigan Personal Income (millions)	\$330,030.5	\$413,786.8	\$83,756.3	25.4%
Detroit Consumer Price Index.....	189.0	224.8	35.8	19.0%
Notes:				
Medicaid caseload: Number for FY 2014-15 includes the estimated 470,000 individuals who are eligible under the expansion of Medicaid.				
Prison Population: These are "average population" numbers and do not represent the exact count on any particular date, but demonstrate how many beds are associated with the appropriation; the numbers are taken from the annual appropriation bills.				
K-12 Pupils: FY 2014-15 pupil count is from the May 2014 CREC.				
Community College and University Students: Numbers in FY 2014-15 column reflect the most recent data available, which are FY 2012-13 fiscal-year-equated students as reported in the Activities Classification Structure (ACS) and the Higher Education Institutional Data Inventory (HEIDI).				
Michigan Personal Income and Detroit CPI: Numbers are fiscal year averages; FY 2014-15 numbers are May 2014 CREC estimates.				

STATE SPENDING FROM ALL RESOURCES: HOW MUCH IS DISCRETIONARY?	
(Actual Dollars)	
FY 2014-15 Adjusted Gross Appropriation.....	\$52,298,849,700
<u>Constitutional/Statutory Earmarking Requirements:</u>	
School Aid Fund	(\$12,464,244,900)
Revenue Sharing	(1,226,312,400)
Transportation	(2,154,985,200)
Regulatory Restricted Revenue	(1,019,303,400)
Federal Funding Requirement	(21,730,433,100)
Debt Service Payments.....	(406,965,600)
Caseload/Inmate Driven.....	(8,449,462,900)
Balance for Discretionary Spending	\$4,847,142,200

**SENATE FISCAL AGENCY
DOCUMENTS**

SENATE FISCAL AGENCY DOCUMENTS/PUBLICATIONS

Throughout the year, Senators will receive copies of documents and reports published by the SFA. Many of these documents concern the budget, including those listed below:

- **Appropriations Report Part I - Governor's Recommendations** – includes a summary and analysis of major recommendations.
- **Decision Documents** – provide full detail on each line item (including all fund sources) and boilerplate section in a budget bill. These documents are provided by the SFA analyst to the subcommittee, and include current law, Executive Recommendation, Legislative changes, and Conference agreements (as bills work through the process).
- **Highlight Sheets** – summarize each stage of the budget process, and describe both the Gross appropriation and boilerplate changes found in the budget bills. Analysts will provide copies of these documents for the full Appropriations Committee meetings, Floor discussion, and Conference Committee meetings, and as Initial Appropriations, including Vetoes.
- **Appropriations Report Part II - Initial Appropriations** – describes initially enacted versions of all budget bills (published immediately after bills are signed, before adjustments from any contingency fund transfers or supplementals).
- **Appropriations Report Part III - Year-End Appropriations** – describes all budget area appropriations as of the close of the fiscal year; in other words, the initially enacted budget bills adjusted by any transfers, supplementals, or Executive Orders.

In addition, individual department pages on the SFA web site contain numerous other publications, analyses, charts, figures, and data relevant to the State budget, revenue, and economics.

**SUBCOMMITTEE, COMMITTEE, &
SENATE FLOOR PROCEDURE**

SENATE APPROPRIATIONS SUBCOMMITTEE PROCEDURE

Introduction

The following provides an overview of Senate Appropriations Subcommittee procedure. Article IV, Section 16 of the Michigan Constitution of 1963 requires each house of the Legislature, except as otherwise provided for in the Constitution, to determine the rules of its proceedings. The order of precedence for controlling authority is as follows: the State Constitution, State Statute, Senate Rules, and Committee Rules. Senate Rule 2.205 provides that the rules of parliamentary law and practice contained in Mason's Manual of Legislative Procedure "shall govern committee procedure in all cases except when they are inconsistent with the standing rules and published precedents of the Senate and its committees."

Subcommittee Authority

The rules governing meetings of committees also apply to subcommittees. Subcommittees report to the committee from which they were appointed, and not to the whole legislative body. Amendments and substitutes recommended by a subcommittee are taken up by the committee before other amendments. A committee may accept or reject the recommendations of its subcommittee. A committee also has the power to discharge a subcommittee from further consideration of a question.

The Senate Appropriations Committee Rules require the Appropriations Committee to operate on the subcommittee basis. Subcommittee members are appointed by the Senate Appropriations Committee Chairperson. The Appropriations Committee Chairperson refers bills to individual subcommittees.

Calling of a Committee/Meeting Notices

Senate Rule 2.106 provides that it is the duty of any committee to meet at the call of the chairperson, or on the written request of a majority of the committee members. Article IV, Section 17 of the Michigan Constitution states: "Notice of all committee hearings and a clear statement of all subjects to be considered at each hearing shall be published in the journal in advance of the hearing." Senate Rules and Senate Appropriations Committee Rules require that notice of committee/subcommittee meetings comply with the Open Meetings Act. Pursuant to the Open Meetings Act, a public notice stating the date, time, and place of a subcommittee meeting must be posted at least 18 hours before the meeting. Meetings cannot be recessed for more than 36 hours. Conference Committees require a six-hour notice. A second conference committee (appointed if the first conference fails to reach agreement or the conference report is rejected) requires only a one-hour notice.

Subcommittee Procedure

Mason's provides that committee procedure is governed by the same rules that apply to the body; however, committee and subcommittee procedure is less formal. Examples noted include:

- Motions that would limit or close debate are not allowed.
- The Chairperson does not have to leave the chair to make motions or to speak on a question.
- Seconds are not required, even if this requirement is retained by the body. (See separate discussion under Seconds.)

Open Meetings. The Open Meetings Act requires that all meetings of a public body be open to the public and be held in a place available to the general public. The Act also mandates that a person be permitted to address a meeting of a public body under rules established and recorded by the public body. The Act allows the Legislature, or a house of the Legislature, to provide by rule that the right to address may be limited to prescribed times at hearings and committee meetings only. The Senate Appropriations Committee Rules also require that people be permitted to address a meeting of the Committee subject to limitations prescribed by the Committee Chair at the beginning of the meeting. The Open Meetings Act requires each public body to keep minutes of each meeting showing the date, time, place, members present, members absent, any decisions made, and all roll call votes.

Rule 3 of the Senate Appropriations Committee Rules requires that subcommittee meetings shall be recorded and that the audio recordings be available to the public.

Votes. An affirmative vote of a majority of the subcommittee members is required to report a subcommittee recommendation to the full Senate Appropriations Committee. Senate Rules and Senate Appropriations Committee Rules provide that voting by proxy is not permitted. Members must be present when the vote is taken and be recorded as voting.

Motions. Mason's states that the order in which questions are addressed by a body cannot be left to any random method, or merely based on the order in which they were submitted. Only by recognizing an explicit order of precedence can the body avoid confusion that could be caused by members' attempting to get prior consideration for their motions. Senate Rule 3.302 sets the following priority for consideration of motions:

1. To fix the time to which to adjourn.
2. To adjourn.
3. To take a recess.
4. To lay on the table.
5. For the previous question.
6. To postpone to a day certain.
7. To commit or recommit to committee.
8. To amend.
9. To postpone indefinitely.

Motions to adjourn, recess, reconsider, lay on the table, previous question, and all questions relating to the priority of business are nondebatable motions.

Seconds. While some Senate committees and subcommittees follow the practice of requiring seconds to motions, Mason's states that the origin of requiring seconds is obscure. The requirement of seconds in Parliament was discontinued more than a century ago. Senate Rules do not require seconds to motions. Mason's states that a second to a motion is not out of order; however, the only effect is to disclose support by other members. Unless provided for in rules, seconds may be ignored by the presiding officer. Beginning in 2003, the Senate Appropriations Committee Rules began to require seconds to motions in both subcommittee and committee.

Reconsideration. A committee or subcommittee has the right to reconsider any action as long as the measure is in the possession of the committee or subcommittee.

Adjournment. Upon completion of the agenda, committees should be adjourned by motion or on general consent.

Conference Committee Procedure

All appointments to conference committees by the Senate Majority Leader are effective upon appointment, until disapproved by majority vote of the Senate (SR 1.105(c)). Conference committees consist of three members from each house. The first named member of the house in which the bill originated serves as chairperson of the conference committee. Conference committees are in reality joint meetings of two committees and not joint committees. A quorum is a majority of the members of each committee. A majority of each committee is required to determine positions to be taken toward propositions of the conference committee (i.e., a conference committee consisting of three members of the House and three members of the Senate requires two votes from the House and two votes from the Senate).

Sources:

Michigan Constitution of 1963

Open Meetings Act (1976 PA 267)

Senate Rules 2009-2010

Joint Rules of the Senate and House of Representatives

Mason's Manual of Legislative Procedure, 2010 Edition

Senate Appropriations Committee Rules, as amended February 6, 2013



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SENATE APPROPRIATIONS COMMITTEE RULES

1. The Senate Appropriations Committee (hereinafter referred to as the "Committee") shall consist of 16 members – eleven members from the majority party and five members from the minority party.

The Chair of the Committee shall prepare an agenda for each committee meeting.

The Committee may hold a meeting or public hearing on any issue relevant to the subject matter of the Committee. Notice of the meeting or hearing, its subject, date, time and place, shall be given in writing at least 18 hours before the meeting to the Secretary of the Senate who shall print it in the Journal and on the Senate calendar and post it where appropriate (See Const. Art. 4, Sec. 17 & MCL 15.261-15.275).

Unless otherwise notified by the Chair, all regular Committee meetings will be held on Wednesdays, at 2:00 p.m. in the Senate Appropriations Room, 3rd Floor Capitol Building. The deadline for notifying the Committee Clerk of items ready to be placed on the agenda will be the prior Monday by 3:00 p.m.

2. All Committee meetings and public hearings shall be open to the public. All deliberations and decisions of the Committee shall be made at a meeting or public hearing.
3. All testimony and hearings shall be recorded and the minutes and audio recordings shall remain with the Committee and be made available to the public during reasonable business hours. Committee meeting recordings can be duplicated if a party desires. The fee charged for duplication of audio recordings is determined by the Secretary of Senate and updated fee information can be made available by the committee clerk. Checks should be made payable to the "Michigan Senate". A stenographer may be utilized at the behest of the Chair.
4. The Committee shall operate on the Subcommittee basis with members being appointed or removed by the Chair.
5. The Chair reserves the right to schedule a bill before the Committee without a Subcommittee hearing and/or allow a bill to be used as a vehicle bill.

6. Subcommittees shall consist of the following numbers of members. In addition, the Chair of the Committee shall be considered an ex officio member of each subcommittee to which he/she is not expressly appointed.
 - a. The Subcommittees on Agriculture and Rural Development, Community Colleges, Judiciary, Higher Education, Corrections, Licensing and Regulatory Affairs, State Police and Military Affairs, and Transportation, shall consist of three members: two from the majority party and one from the minority party.
 - b. The Subcommittees on Community Health, Environmental Quality, Human Services, General Government, Natural Resources, Retirement, and K-12 School Aid Education, shall consist of four members: three from the majority party and one from the minority party.
 - c. The Capital Outlay subcommittee membership shall consist of seven members, five from the majority party and two from the minority party.
7. The first member named shall be Chair of the Subcommittee.
 - a. The Subcommittee on Agriculture and Rural Development shall be responsible for all matters regarding the budgets of the Department of Agriculture and Rural Development including, but not limited to supplementals, transfers and over expenditures.
 - b. The Subcommittee on Capital Outlay shall be responsible for all matters regarding the budgets of all capital outlay projects as well as other responsibilities provided for under the DMB Act, P.A. 431 of 1984, as amended, including, but not limited to supplementals, transfers and over expenditures.
 - c. The Subcommittee on Community Colleges shall be responsible for all matters regarding the budgets of the Community and Junior Colleges including, but not limited to supplementals, transfers and over expenditures.
 - d. The Subcommittee on Community Health shall be responsible for all matters regarding the budgets of the Department of Community Health including, but not limited to supplementals, transfers and over expenditures.
 - e. The Subcommittee on Environmental Quality shall be responsible for all matters regarding the budgets of the Department of Environmental Quality including, but not limited to supplementals, transfers and over expenditures.
 - f. The Subcommittee on General Government shall be responsible for all matters regarding the budgets of the Departments of Attorney General, Civil Rights, Technology, Management and Budget, and Treasury, as well as the Michigan Strategic Fund, the Executive Branch, and the Legislature including, but not limited to supplementals, transfers and over expenditures.

- g. The Subcommittee on Higher Education shall be responsible for all matters regarding the budgets of the Institutions of Higher Education including, but not limited to supplementals, transfers and over expenditures.
 - h. The Subcommittee on Human Services shall be responsible for all matters regarding the budget of the Department of Human Services including, but not limited to supplementals, transfers and over expenditures.
 - i. The Subcommittee on Judiciary and the Subcommittee on Corrections shall be responsible between them for all matters regarding the budgets of the Judiciary and the Department of Corrections including, but not limited to supplementals, transfers and over expenditures.
 - j. The Subcommittee on K-12, School Aid & Education shall be responsible for all matters regarding the budgets of the Department of Education and School Aid (K-12) including, but not limited to supplementals, transfers and over expenditures.
 - k. The Subcommittee on Licensing and Regulatory Affairs shall be responsible for all matters regarding the budgets of the Department of Licensing and Regulatory Affairs and the Department of Insurance and Financial Services including, but not limited to supplementals, transfers and over expenditures.
 - l. The Subcommittee on Natural Resources shall be responsible for all matters regarding the budgets of the Department of Natural Resources including, but not limited to supplementals, transfers and over expenditures.
 - m. The Subcommittee on Retirement shall be responsible for all matters regarding the budgets of the Retirement systems including, but not limited to supplementals, transfers and over expenditures.
 - n. The Subcommittee on State Police and Military Affairs shall be responsible for all matters regarding the budgets of the Department of State Police and the Department of Military and Veterans Affairs including, but not limited to supplementals, transfers and over expenditures.
 - o. The Subcommittee on Transportation shall be responsible for all matters regarding the budget of the Department of Transportation including, but not limited to supplementals, transfers and over expenditures.
8. The Senate Fiscal Agency shall serve as staff to the Committee and Subcommittees on all functions of the budget, both appropriations and revenue.

The services of the Senate Fiscal Agency shall be directed towards assisting the Subcommittees and the Committee in analyzing budget proposals, briefing members, holding hearings, preparing decision documents and drafting appropriations bills. Additionally, the Senate Fiscal Agency shall assist the Subcommittees and the Committee in their oversight of the budget.

9. Upon completion of its work, but before bills are prepared for reporting by the Committee, each Subcommittee shall present its recommendations to the Committee for consideration and action. The affirmative vote of a majority of the Subcommittee members is required to report a Subcommittee recommendation to the Committee. A Subcommittee also has the option of reporting a bill without recommendation to the Committee.
10. When a motion for action is ordered by the Chair of the Committee or Subcommittee, pertaining to any item of Committee or Subcommittee business, support from a second member of the Committee or Subcommittee must be obtained before the Committee or Subcommittee can act on and carry the original motion.
11. Upon the receipt of an estimate of anticipated State revenue from the Senate Fiscal Agency, the Chair shall establish spending targets for all Subcommittees.
12. No expenses shall be incurred by a Subcommittee without prior authorization of the Chair of the Committee and no expenses shall be paid unless approved by the Subcommittee Chair and the Chair of the Committee and the Majority Leader.
13. To eliminate confusion, to allow for coordination of the members' efforts, and to coordinate the work of the Senate Fiscal Agency, all Subcommittee meetings must be scheduled in advance in accordance with the Open Meetings Act, and require the approval by the Chair of the Committee.
14. All Subcommittee recommendations, including any structure or language changes from the current year's appropriation bills, the Governor's recommendations or previous House action, shall be presented to the Committee for consideration.
15. Before adoption of a conference report on any appropriation bill, the Chair of the Committee shall be briefed by the Conference Chair on the changes and consequences of the conference committee action.
16. Voting by proxy is not permitted and shall not be recorded by the committee clerk. Members must be present when the roll call vote is called to be recorded as voting.
17. In accordance with Senate Rules, a Majority Chair and Vice Chair as well as a Minority Vice Chair shall be appointed to the Committee. In the event of a temporary absence of the Majority Chair and Majority Vice Chair, the highest ranking majority member in attendance shall act as Chair until the Majority Chair or Vice Chair return.
18. The presence of nine members is necessary to constitute a quorum.
19. Approval of nine members is necessary:
 - a. To report a bill out of Committee;
 - b. To report a bill out of Committee without recommendation;

- c. To table a bill;
 - d. To take a bill from the table;
 - e. To postpone consideration of any matter;
 - f. To reconsider a postponement;
 - g. To amend a bill;
 - h. To approve a resolution;
20. Mason's Manual of Legislative Procedure shall apply when a situation is not covered by the Committee rules, Senate rules, and precedents of the Senate, State law, or the Constitution.
21. (1) Supplemental and Legislative transfer of appropriations shall not be considered except as follows, unless otherwise approved by the Chair:
- a. For mid-year adjustments, the last day of submission to the Committee by the State Budget Director shall be May 1 of that fiscal year.
 - b. For year-end adjustments, the last day of submission to the Committee by the State Budget Director shall be September 15 of that fiscal year.
 - c. For book closing adjustments of the prior year and preliminary adjustments for the fiscal year just begun, the last day of submission to the Committee by the State Budget Director shall be November 1 following the end of the prior fiscal year.
- (2) All transfer and supplemental requests submitted for Committee consideration by other than a member of the Committee or those contained in a House-passed bill must be accompanied by a letter of recommendation from the State Budget Director.
- The department receiving the proposed transfer or supplemental must be represented before the Committee to state why the supplemental or transfer is necessary, and how the necessary funds will be provided or expended.
22. Each Subcommittee shall periodically review expenditure and revenue accounts for the Department or budget area within the Subcommittee's purview to determine potential over expenditures, revenue shortfalls, and surpluses.

Rules as amended and adopted February 6, 2013

SENATE FLOOR PROCEDURE

Senate Floor Amendments

The Senate Fiscal Agency (SFA) is the appropriate group to draft any amendments that may be desired on the appropriation bills. Drafting amendments to appropriation bills is different from other legislation and the SFA fiscal analysts have the expertise to do this. Any amendments requested from the SFA are held in confidence until they are submitted to the Secretary of the Senate.

SFA Presence on the Senate Floor

The SFA fiscal analysts assigned to a specific appropriation bill will be on the Senate floor during the debate on the bill to which they are assigned. They are available to draft amendments or answer questions. It is best that any potential amendment request be submitted well before the actual appropriation bill is taken up to ensure the SFA fiscal analysts can draft the amendment in a timely manner. In addition, Ellen Jeffries, SFA Director, will be on the Senate floor, in the nonpartisan lounge, during the debate to assist you or your staff in any way possible.

SFA Floor Analysis of Appropriation Bills

Before appropriation bills are considered in the Senate, the SFA will distribute electronically to each Senator's office analyses of the appropriation bills reported from the Senate Appropriations Committee. This provides the opportunity to review all appropriation bills before they are actually taken up on General Orders. On the days an appropriation bill is considered on General Orders and Third Reading, the SFA will distribute the floor analysis electronically to Senators via the chamber automation system. If you desire further detailed information on any of the appropriation bills, you can call the appropriate SFA fiscal analyst.

SFA Appropriation Bill Status

Throughout the budget process, the SFA distributes electronically to each Senate Appropriations Committee member's office a summary of the status of each appropriation bill. An example of this document is on the next page.

RECENT CHANGES ARE HIGHLIGHTED

March 26, 2014
5:04 PM

SENATE FISCAL AGENCY
FY 2014-15
APPROPRIATION BILL STATUS



BILL NUMBER Click for Budget Bill & Bill Analysis (Highlights Sheets)	BUDGET AREA Click for Decision Documents and Other Data	NEXT SENATE ACTION				NEXT HOUSE ACTION		
SB 760/HB 5295	Agriculture & Rural Development	Sen. Appropriations				Hse. Appropriations		
SB 761	Capital Outlay	Joint Subcomm.				Joint Subcomm.		
SB 762/HB5311	Community Colleges	Sen. Appropriations				Hse. Subcomm.	3/27	10:30 428 CB
SB 763/HB5296	Community Health	Sen. Subcomm.	3/27	1:30	Boji	Hse. Appropriations		
SB 764/HB5297	Corrections	Sen. Subcomm.				Hse. Appropriations		
SB 765/HB5305	Education	Sen. Appropriations				Hse. Appropriations		
SB 766/HB5298	Environmental Quality	Sen. Subcomm.				Hse. Subcomm.	3/27	9:00 426 CB
SB 767/HB5301	General Government	Sen. Subcomm.				Hse. Appropriations		
SB 768/HB5312	Higher Education	Sen. Subcomm.	3/27	11:30*	SAC	Hse. Appropriations		
SB 769/HB5299	Human Services	Sen. Appropriations				Hse. Appropriations		
SB 770/HB5304	Insurance & Financial Services	Sen. Appropriations				Hse. Appropriations		
SB 771/HB5302	Judiciary	Sen. Subcomm.	3/27	2:00	SAC	Hse. Appropriations		
SB 772/HB5303	Licensing & Regulatory Affairs	Sen. Appropriations				Hse. Appropriations		
SB 773/HB5307	Military & Veterans Affairs	Sen. Subcomm.	3/27	3:00	402-403 CB	Hse. Appropriations		
SB 774/HB5300	Natural Resources	Sen. Subcomm.				Hse. Appropriations		
SB 775/HB5310	School Aid	Sen. Appropriations				Hse. Appropriations		
SB 776/HB5306	State Police	Sen. Subcomm.	3/27	3:00	402-403 CB	Hse. Subcomm.	3/27	9:00 308 S-HOB
SB 777/HB5308	Transportation	Sen. Appropriations				Hse. Appropriations		
SB 838 / HB5372	Education Omnibus							
SB 837 / HB5373	General Omnibus							
BILL NUMBER	BUDGET AREA	NEXT ACTION OR PUBLIC ACT NUMBER				CURRENT ACTION		
HB 4112	FY 12-13/13-14 Supplemental	PA 102 of 2013				Enacted		
HB 4815	FY 2013-14 K-12 Supplemental	PA 97 of 2013				Enacted		
HB 4714	FY 2013-14 Medicaid Supp	PA 107 of 2013				Enacted		
HB 4229	FY 2013-14 K-12 Supplemental	PA 130 of 2013				Enacted		
SB 780	FY 2013-14 Nat Res Trust Fund	Senate Concurrence				House amended Senate Substitute S-1		
SB 608	FY 2013-14 Supplemental	PA 34 of 2014				Enacted		
HB 4295	FY 2013-14 K-12 Supplemental	Senate Concurrence				Senate Sub. S-1 Concurred in as Sub. H-4		

Boji-Senate Hearing Room, Ground Floor; SAC-3rd Floor Capitol; HAC-352 Capitol

* Or immediately following Senate Session, whichever time is later

[Prior Fiscal Year Appropriation Bill Status Sheets](#)

The Appropriation Bill Status can be found on the Senate Fiscal Agency Internet Home Page at <http://www.senate.michigan.gov/sfa>

**FY 2014-15 BUDGET STATUS SUMMARY
GENERAL FUND/GENERAL PURPOSE**

DEPARTMENT	FY 2013-14 Year-To-Date	FY 2014-15 GOVERNOR'S REC. Y-T-D	FY 2014-15 SENATE SUB. COM.	FY 2014-15 SENATE FULL COM.	FY 2014-15 SENATE PASSED	FY 2014-15 HOUSE SUB. COM.	FY 2014-15 HOUSE FULL COM.	FY 2014-15 HOUSE PASSED
Agriculture and Rural Development	40,580,300	44,876,200	48,876,200	0	0	42,876,100	0	0
Attorney General	34,481,300	35,467,100	0	0	0	35,267,100	0	0
Capital Outlay	500	0	0	0	0	0	0	0
Civil Rights	12,337,500	13,573,200	0	0	0	12,985,700	0	0
Community Colleges	138,363,500	173,910,800	323,910,800	0	0	0	0	0
Community Health	2,843,410,200	2,938,968,800	0	0	0	2,925,968,800	0	0
Corrections	1,972,725,400	1,990,198,400	0	0	0	1,975,198,400	0	0
Education	70,893,900	84,939,000	85,025,000	0	0	82,625,100	0	0
Environmental Quality	29,154,500	40,875,900	0	0	0	0	0	0
Executive	5,540,000	5,916,100	0	0	0	5,916,100	0	0
Higher Education	1,132,981,400	1,214,902,000	0	0	0	1,209,902,000	0	0
Human Services	1,009,950,000	1,011,636,400	1,002,000,000	0	0	1,001,623,300	0	0
Insurance and Financial Services	11,000,000	150,000	100	0	0	0	0	0
Judiciary	184,191,300	188,242,900	0	0	0	188,242,900	0	0
Legislative Auditor General	13,911,300	14,537,300	0	0	0	14,537,300	0	0
Legislature	122,309,500	127,060,700	0	0	0	127,420,700	0	0
Licensing and Regulatory Affairs	25,004,900	25,033,800	25,033,800	0	0	22,217,200	0	0
Military and Veterans Affairs	56,903,300	55,805,700	0	0	0	48,805,700	0	0
Natural Resources	26,786,600	47,091,500	0	0	0	36,091,500	0	0
Natural Resources (Trust Fund)	0	0	0	0	0	0	0	0
School Aid	234,900,000	180,000,000	30,000,000	0	0	180,000,000	0	0
State	15,570,400	17,939,000	0	0	0	17,108,200	0	0
State Police	356,784,300	383,921,000	0	0	0	0	0	0
Technology, Management, and Budget	385,789,500	495,848,500	0	0	0	479,348,200	0	0
Transportation	336,600,000	254,047,900	267,547,900	0	0	254,047,900	0	0
Treasury (Debt Service)	151,188,000	152,395,000	0	0	0	152,395,000	0	0
Treasury (Operations)	91,303,300	116,780,100	0	0	0	123,280,100	0	0
Treasury (Revenue Sharing)	0	0	0	0	0	0	0	0
Treasury (Strategic Fund)	220,554,000	229,292,500	0	0	0	182,392,500	0	0
TOTAL APPROPRIATIONS	9,523,214,900	9,843,409,800	1,782,393,800	0	0	9,118,249,800	0	0

BILL STRUCTURE

BILL STRUCTURE

A department budget bill contains authorization for the expenditure of funds for that department during a given period of time (appropriations for a fiscal year) and instructions on how to spend those funds (boilerplate language). As is the case with all laws, budget bills must be passed by both the House and the Senate and signed by the Governor to take effect.

A budget bill's structure features two parts: the appropriations for various line items in the bill (Part 1, line item appropriations) followed by the boilerplate language (Part 2, provisions concerning appropriations).

Line Item Appropriations, Fund Sources, and FTEs

Line item appropriations provide the legal basis for the expenditure of funds in order for a department to perform functions of State government. Line item appropriations generally reflect anticipated expenditures for a given program or service. The Michigan Constitution explicitly states, "An appropriation is not a mandate to spend", so if the need for a given program in a fiscal year is less than what is appropriated, there is no requirement that all of the money be spent. Similarly, a line item may be overspent only when authorization for the line item is increased through supplemental appropriations or by a transfer of funding from another area of the budget.

The appropriations process is not simply a matter of listing various line items with appropriations. The appropriations bill also must list the sources of funding to support the programs.

The State of Michigan appropriates over \$50.0 billion each fiscal year. Only part of this funding is from State tax revenue (such as the State income tax and sales tax). Much of the money appropriated by the State is funding provided by the Federal government to support various State functions (such as Federal grants to states to help fund cash welfare programs). Other common fund sources aside from State tax money include local and private resources, and various fees collected by the State. The appropriation bills list each of these fund sources.

The line item appropriations are organized into groups known as units, which usually reflect the organization of the department. For instance, expenditures on cash welfare programs in the Department of Human Services budget are found in the unit entitled "Public Assistance", while central administrative functions in that budget are found in the unit entitled "Executive Operations".

The bill also includes an estimate of the number of State employees associated with various line items and the department as a whole. The number of employees is listed as "full-time equated" (FTE) positions including part-time workers. (Two people working half-time count as one full-time equated position, or 1.0 FTE.)

Finally, the budget bill includes a summary for each department listed in the bill. (Most bills only cover one department, but some cover multiple departments.) This summary lists the total funding from all fund sources as well as the total number of FTEs for the department as a whole, and is located at the beginning of each appropriations bill.

Bill Structure - Part 1 Summary Unit

As shown in Chart 1 on the next page, the bill starts with a title that describes the purpose of the bill (A). This is standard for all bills considered by the Legislature.

After the title, Part 1 of the bill, the line-item appropriations, begins with the summary of all funding from all fund sources for the department (B).

This summary begins with the total number of full-time equated employees (C), both noncivil service ("unclassified") and civil service ("classified"). In this particular budget, there is also an estimate of the average population in State mental health institutions.

After this information, the summary unit shows the "gross" (total) appropriation in this bill for this department (D).

On occasion, one department of State government may pay another department for services, through an interdepartmental grant (E). In order to avoid double-counting when the overall State budget is viewed, a second Gross total, the "ADJUSTED GROSS", is included in the summary unit (F).

After this point, the totals for the various other fund sources are listed. These proceed in the order of Federal revenue (G) (both regular Federal dollars and money from the American Recovery and Reinvestment Act or ARRA), followed by Local revenue (H), then Private (I), then various types of State Restricted financing (J). State Restricted funds are funds authorized by specific State laws, such as fee revenue, and certain taxes (such as liquor taxes).

Finally, after all the other fund sources are subtracted, the "State general fund/general purpose" fund source is listed (K). This fund source is the one over which the Legislature has the most discretion; it comes from major taxes and has no real restrictions on how it may be spent. The State budget issues receiving the most attention usually are issues related to the expenditure of General Fund/General Purpose (GF/GP) revenue.

Bill Structure - Part 1 Budgetary Units

Chart 1 also includes a typical budget bill unit. Each unit is assigned its own section number.

The first item after the unit title is the total number of full-time equated positions authorized within the unit's line items (L).

After that are the various line items with their corresponding appropriations (M). Some line items also include authorization for employees, and those lines have explicit references to the number of FTE positions authorized (N).

After the line items the rest of the unit resembles the summary unit: A "total" Gross appropriation (O), followed by the fund sources used to support the appropriations, ending with the State General Fund/General Purpose line (P).

Chart 1 – Summary Units ENROLLED SENATE BILL No. 1152

(A) → AN ACT to make appropriations for the department of community health and certain state purposes related to mental health, public health, and medical services for the fiscal year ending September 30, 2011; to provide for the expenditure of those appropriations; to create funds; to require and provide for reports; to prescribe the powers and duties of certain local and state agencies and departments; and to provide for disposition of fees and other income received by the various state agencies.

The People of the State of Michigan enact:

PART 1

LINE-ITEM APPROPRIATIONS - FISCAL YEAR 2010-2011

Sec. 101. Subject to the conditions set forth in this act, the amounts listed in this part are appropriated for the department of community health for the fiscal year ending September 30, 2011, from the funds indicated in this part. The following is a summary of the appropriations in this part:

(B) →	DEPARTMENT OF COMMUNITY HEALTH	
(C) →	Full-time equated unclassified positions.....	6.0
(D) →	Full-time equated classified positions.....	4,393.8
(E) →	Average population.....	893.0
(F) →	GROSS APPROPRIATION.....	\$ 14,124,179,800
(G) →	Interdepartmental grant revenues:	
(H) →	Total interdepartmental grants and intradepartmental transfers..	54,020,800
(I) →	ADJUSTED GROSS APPROPRIATION.....	\$ 14,070,159,000
(J) →	Federal revenues:	
(K) →	Total other federal revenues.....	8,823,755,700
(L) →	Total federal revenues (ARRA).....	650,327,000
(M) →	Special revenue funds:	
(N) →	Total local revenues.....	235,104,200
(O) →	Total private revenues.....	88,103,600
(P) →	Total state restricted revenues.....	1,851,347,100
(Q) →	State general fund/general purpose.....	\$ 2,421,521,400

[parts excised]

(L) →	Sec. 117. OFFICE OF SERVICES TO THE AGING	
(M) →	Full-time equated classified positions.....	43.5
(N) →	Office of services to aging administration—43.5 FTE positions..	\$ 7,073,600
(O) →	Community services.....	34,269,400
(P) →	Nutrition services.....	35,360,200
(Q) →	Foster grandparent volunteer program.....	2,233,600
(R) →	Retired and senior volunteer program.....	627,300
(S) →	Senior companion volunteer program.....	1,604,400
(T) →	Employment assistance.....	3,792,500
(U) →	Respite care program.....	5,868,700
(V) →	GROSS APPROPRIATION.....	\$ 90,829,700
(W) →	Appropriated from:	
(X) →	Federal revenues:	
(Y) →	Total federal revenues.....	56,707,800
(Z) →	Special revenue funds:	
(AA) →	Total private revenues.....	607,500
(AB) →	Merit award trust fund.....	4,468,700
(AC) →	Senior care respite fund.....	1,400,000
(AD) →	State general fund/general purpose.....	\$ 27,645,700

Bill Structure - Part 2 Boilerplate

The bulk of many budget bills is not the line item appropriations but the language governing the expenditure of the funds by the department; this language is usually referred to as the "boilerplate" language. This language is divided into individual sections that are placed in numerical order and are organized by the budgetary unit to which they refer. Some of this language is standard language found in most budgets; for instance, Section 201 is language mandated by the Michigan Constitution and lists payments to local units of government. Most of this language, however, is specifically designed to direct how funds appropriated to the given department may be spent.

Chart 2 shows a typical section of boilerplate language. This language describes the Office of Services to the Aging that is administrated by the Department of Community Health. The language also states who is eligible for the program and what services may be provided. This sort of boilerplate language is typical; the Legislature appropriates the money, then gives direction to the department on how the money may be spent.

Other boilerplate sections may require reports, bar the department from taking certain actions, or require the department to take certain actions. As noted above, boilerplate language tends to comprise the majority of the bill, and most sections are in the bill year after year.

Chart 2 – Boilerplate Language

OFFICE OF SERVICES TO THE AGING

Sec. 1403. (1) By February 1 of the current fiscal year, the office of services to the aging shall require each region to report to the office of services to the aging and to the legislature home-delivered meals waiting lists based upon standard criteria. Determining criteria shall include all of the following:

- (a) The recipient's degree of frailty.
- (b) The recipient's inability to prepare his or her own meals safely.
- (c) Whether the recipient has another care provider available.
- (d) Any other qualifications normally necessary for the recipient to receive home-delivered meals.

(2) Data required in subsection (1) shall be recorded only for individuals who have applied for participation in the home-delivered meals program and who are initially determined as likely to be eligible for home-delivered meals.

Sec. 1417. The department shall provide to the senate and house appropriations subcommittees on community health, senate and house fiscal agencies, and state budget director a report by March 30 of the current fiscal year that contains all of the following:

- (a) The total allocation of state resources made to each area agency on aging by individual program and administration.
- (b) Detail expenditure by each area agency on aging by individual program and administration including both state-funded resources and locally-funded resources.

Sec. 1421. From the funds appropriated in part 1 for community services, \$1,100,000.00 shall be allocated to area agencies on aging for locally determined needs.

**EXECUTIVE ORDER
REDUCTIONS**

EXECUTIVE ORDER REDUCTIONS

Article V, Section 20 of the Michigan Constitution of 1963 was designed to provide for executive and legislative controls over State expenditures and maintain a balanced budget. The section provides:

1. The Governor, with the approval of the appropriating committees of the House and Senate, shall reduce expenditures authorized by appropriations whenever it appears that actual revenue for a fiscal period will fall below the revenue estimates on which appropriations for that period were based.
2. The Governor may not reduce expenditures of the legislative and judicial branches or from funds constitutionally dedicated for specific purposes.
3. Reductions in expenditures shall be made in accordance with procedures prescribed by law.

Section 391 of the Management and Budget Act provides for the process to implement Executive Order reductions. The process includes the following:

1. The Budget Director and the Department of Treasury must give written notice to the Governor that actual revenue for the fiscal period will fall below the revenue estimates upon which appropriations for that period were made.
2. The Governor must provide not less than five days' written notice to the members of the Appropriations Committees specifying a time and place for a joint meeting of the Governor and the Appropriations Committees at which the Executive Order will be presented.
3. The Appropriations Committees must approve or disapprove of the Executive Order not later than 10 days after its submission. Approval of an Executive Order requires a majority vote of the members of each Appropriations Committee.
4. If either Appropriations Committee disapproves the Executive Order, the order is without force and effect. Not later than 30 days after a proposed order is disapproved, the Governor may give reasonable notice of the time and place of a further joint meeting of the Appropriations Committees, at which another order will be submitted. Within 10 days after receiving the Executive Order, each Appropriations Committee must approve or disapprove the order.
5. Upon approval of an Executive Order, a copy of the Executive Order and resolutions of both Appropriations Committees approving the order must be filed with the Secretary of State and the order becomes effective.

STATE CONSTITUTION (EXCERPT)

CONSTITUTION OF MICHIGAN OF 1963

§ 20 Reductions in expenditures.

Sec. 20. No appropriation shall be a mandate to spend. The governor, with the approval of the appropriating committees of the house and senate, shall reduce expenditures authorized by appropriations whenever it appears that actual revenues for a fiscal period will fall below the revenue estimates on which appropriations for that period were based. Reductions in expenditures shall be made in accordance with procedures prescribed by law. The governor may not reduce expenditures of the legislative and judicial branches or from funds constitutionally dedicated for specific purposes.

History: Const. 1963, Art. V, § 20, Eff. Jan. 1, 1964.

THE MANAGEMENT AND BUDGET ACT (EXCERPT) Act 431 of 1984

18.1391 Actual revenues falling below revenue estimates; review of appropriations; recommending reduction of expenditures; review of recommendations; order containing reductions; notice; meeting; approval or disapproval of order; implementation of order; filing order and resolutions; special lapse accounts.

Sec. 391. (1) When it appears to the governor, based upon written information received by the governor from the budget director and the department of treasury, that actual revenues for a fiscal period will fall below the revenue estimates on which appropriations for that period were based, the estimates being as determined by the legislature in accordance with section 31 of article IV of the state constitution of 1963, the governor shall order the director to review all appropriations made by the legislature, except those made for the legislative and judicial branches of government or from funds constitutionally dedicated to specific purposes.

(2) Based upon needs, the director shall recommend to the governor a reduction of expenditures authorized by the appropriations, either direct or open-ended, for that fiscal year. The governor shall review the recommendations of the director and shall prepare an order containing reductions in expenditures authorized so that actual revenues for the fiscal period will be sufficient to equal the expenditures. The governor shall give not less than 5 days' written notice to the members of the appropriations committees specifying a time and place for a joint meeting of the governor and the appropriations committees, at which the governor shall present to the appropriations committees the governor's recommendations and copies of the governor's proposed order.

(3) Not later than 10 days after the submission of the order to the appropriations committees, each appropriation committee by vote of a majority of its members elected and serving shall approve or disapprove the order. Expenditures authorized by appropriations shall not be reduced unless approved by both appropriations committees. Upon approval by both appropriations committees, the director shall implement the order.

(4) If either appropriation committee disapproves the order, the order is without force and effect. Not later than 30 days after a proposed order is disapproved, the governor may give reasonable written notice of the time and place of a further joint meeting of the appropriations committees, at which time the governor shall submit another order reducing expenditures authorized by appropriations. Within 10 days after the receipt of that order by the appropriations committees, each appropriations committee, by a majority of its members elected and serving, shall approve or disapprove the order. Upon approval by both appropriations committees, the director shall implement the order.

(5) After the approval by both appropriations committees pursuant to subsection (3) or (4), a copy of the order of the governor and resolutions of both appropriations committees approving it shall be filed with the secretary of state and the order shall become effective.

History: 1984, Act 431, Eff. Mar. 29, 1985; Am. 1988, Act 504, Imd. Eff. Dec. 29, 1988.



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
OFFICE OF THE GOVERNOR
LANSING

JOHN D. CHERRY, JR.
LT. GOVERNOR

EXAMPLE OF AN EXPENDITURE REDUCTION EXECUTIVE ORDER

EXECUTIVE ORDER

No. 2009 - 22

IMPLEMENTATION OF EXPENDITURE REDUCTIONS UNDER SECTION 20 OF ARTICLE V OF THE MICHIGAN CONSTITUTION OF 1963

WHEREAS, under Section 20 of Article V of the Michigan Constitution of 1963, the Governor, with the approval of the appropriating committees of the House of Representatives and the Senate, shall reduce expenditures authorized by appropriations whenever it appears that actual revenues for a fiscal period will fall below the revenue estimates on which appropriations for that period were based, and the reductions shall be made in accordance with procedures prescribed by law;

WHEREAS, it appears that actual revenues for the fiscal period beginning on October 1, 2008 and ending on September 30, 2009, will fall below the revenue estimates on which appropriations for that period were based, the estimates having been determined by the Legislature as required under Section 31 of Article IV of the Michigan Constitution of 1963;

WHEREAS, pursuant to Section 391 of The Management and Budget Act, 1984 PA 431, MCL 18.1391, on the basis of written information from the State Budget Director and the State Treasurer, it appears that actual revenues will fall below such revenue estimates;

WHEREAS, there is an unanticipated loss of funding that the departments and agencies of state government do not expect to obtain or make up during the current fiscal year;

WHEREAS, expenditure reductions totaling \$221,864,600.00 general fund-general purpose and \$127,472,600.00 special purpose funds are necessary;

NOW, THEREFORE, I, Jennifer M. Granholm, Governor of the State of Michigan, by virtue of the power and authority vested in the Governor under the Michigan Constitution of 1963 and Michigan law, and with the approval of a majority of members of each appropriations committee, order the following reductions in expenditures:

A. Portions of general fund-general purpose expenditures authorized by appropriations amounting to \$221,864,600.00 contained in the following public acts are hereby reduced. Where the expenditure reductions of general fund-general purpose appropriations in this Order reduce the restricted portions of gross appropriations and sources of financing that will be earned, the amounts to be reduced shall be provided separately to the State Budget Director for approval and entry into the accounts.

<u>Public Act</u>	<u>Department</u>	<u>Reduction Amount</u>
2008 PA 253	Agriculture	\$3,455,100
2008 PA 261	Attorney General	1,729,800
2008 PA 261	Civil Rights	655,800
2008 PA 246	Community Health	53,095,500
2008 PA 245	Corrections	10,470,400
2008 PA 212	Education	363,500
2008 PA 251	Energy, Labor and Economic Growth	13,068,900
2008 PA 247	Environmental Quality	5,165,100
2008 PA 261	Executive Office	279,200
2008 PA 254	History, Arts, and Libraries	1,815,800
2008 PA 248	Human Services	97,484,800
2008 PA 261	Management and Budget	2,987,000
2008 PA 214	Military and Veterans Affairs	2,234,800
2008 PA 252	Natural Resources	572,900
2008 PA 268	School Aid	7,000,000
2008 PA 261	State	1,335,000
2008 PA 249	State Police	15,169,400
2008 PA 261	Treasury	<u>4,981,600</u>
	TOTAL	\$221,864,600

B. The reduction totals for the departments and offices in Section A include the following appropriation items or are predicated upon the following actions:

1. Department of Agriculture

<u>Appropriation Number</u>	<u>Item</u>	<u>Reduction Amount</u>
01050	Unclassified positions	35,000
01210	Management services	150,000
01275	Internal audit services	47,500
01420	Rent and building occupancy charges	513,200

02205	Pesticide and plant pest management	150,000
02365	Bovine tuberculosis program	1,466,800
02530	Laboratory services	100,000
03120	Environmental stewardship	345,000
03908	Local conservation districts	160,000
30000	Information technology services and projects	89,300
		<hr/> 3,056,800

2. Department of Attorney General

Appropriation Number	Item	Reduction Amount
01040	Attorney general operations	1,259,600
06100	Information technology services and projects	6,400
		<hr/> 1,266,000

3. Department of Civil Rights

Appropriation Number	Item	Reduction Amount
01000	Civil rights operations	466,700
02100	Information technology services and projects	22,500
		<hr/> 489,200

4. Department of Community Health

Appropriation Number	Item	Reduction Amount
01130	Mental health/substance abuse program administration	92,000
01161	Protection and advocacy services support	97,200

01176	Mental health initiatives for older persons	262,300
01751	Severance pay	216,900
02966	Community mental health non-Medicaid services	10,000,000
02967	Respite services	250,000
02969	Mental health court pilot programs	800,000
04000	Center for forensic psychiatry	300,000
11230	Public health administration	69,000
11232	Worker's compensation program	900,000
11256	Rural health services	29,000
11300	Office of long-term care and supports and services	90,000
11364	African-American male health initiative	42,800
11374	Injury control intervention project	200,000
12263	Local public health operations	1,535,600
12273	Implementation of 1993 PA 133, MCL 333.17015	30,000
13461	Community substance abuse prevention, education, and treatment programs	1,539,800
13467	State disability assistance program substance abuse services	106,700
13469	Methamphetamine cleanup fund	40,000
14259	Special projects	12,500
14276	Migrant health care	34,000
14281	Family planning local agreements	75,000
14289	Prenatal care outreach and service delivery support	202,800
14355	Medical care and treatment	275,000
15158	Asthma prevention and control	55,700

16753	Sexually transmitted disease control management and field support	582,900
16773	Sexually transmitted disease control local agreements	137,500
16778	Immunization local agreements	350,000
33500	Hospital services and therapy	5,310,200
33520	Physician services	842,100
33540	Pharmaceutical services	1,616,100
33550	Health plan services	8,062,300
33570	Transportation	1,271,100
33580	Auxiliary medical services	537,800
33600	Ambulance services	147,900
33630	Single point of entry	2,100,000
33660	Dental services	1,433,600
33680	Long-term care services	8,467,000
33810	Personal care services	197,000
34500	Health information technology initiatives	1,072,600
46511	Community services	661,900
46512	Nutrition services	479,400
46513	Senior companion volunteer program	85,900
46516	Foster grandparent volunteer program	119,600
46517	Retired and senior volunteer program	33,600
46519	Senior olympics	20,000
		50,784,800

The amount in Section 412 of 2008 PA 246 is reduced by \$157,105.00.

The amount in Section 482 of 2008 PA 246 is reduced by \$11,251.00.

The amount in Section 1031(1) of 2008 PA 246 is reduced to \$200,000.00.

The amount in Section 1694 of 2008 PA 246 is reduced to \$521,300.00.

The amount in Section 1742 of 2008 PA 246 is reduced to \$750,000.00.

5. Department of Corrections

Appropriation Number	Item	Reduction Amount
01050	Executive direction	1,900
02060	Operations support administration	3,900
17510	Northern region clinical complexes	6,500
17530	Southeastern region clinical complexes	8,200
22250	Field operations	53,400
23322	Special alternative incarceration program – Cassidy Lake	10,100
25281	Community re-entry centers	24,000
29507	Correctional facilities administration	5,100
29512	Transportation	403,600
30522	Jackson area support and services – Jackson	25,100
32002	Charles E. Egeler correctional facility – Jackson	13,600
34002	Parnall correctional facility – Jackson	12,000
35002	Cooper Street correctional facility – Jackson	16,500
36002	G. Robert Cotton correctional facility – Jackson	11,500
46002	Alger maximum correctional facility – Munising	12,300

47002	Baraga maximum correctional facility – Baraga	12,200
48002	Carson City correctional facility – Carson City	15,200
49002	Chippewa correctional facility – Kincheloe	17,400
50002	Kinross correctional facility – Kincheloe	28,200
51002	Marquette branch prison – Marquette	19,000
52002	Oaks correctional facility – Eastlake	12,800
53002	Standish maximum correctional facility – Standish	25,100
54002	Newberry correctional facility – Newberry	15,200
55002	Ojibway correctional facility – Marenisco	12,600
56002	Pugsley correctional facility – Kingsley	13,200
61002	Richard A. Handlon correctional facility – Ionia	13,800
62002	Ionia maximum correctional facility – Ionia	6,500
66002	Muskegon correctional facility – Muskegon	11,800
67002	Bellamy Creek correctional facility – Ionia	7,700
69002	St. Louis correctional facility – St. Louis	15,300
70002	Pine River correctional facility – St. Louis	7,600
72002	Earnest C. Brooks correctional facility – Muskegon	26,600
74002	Michigan reformatory – Ionia	25,400

75002	Huron Valley correctional complex – Ypsilanti	17,100
77002	Lakeland correctional facility – Coldwater	17,700
79002	Gus Harrison correctional facility – Adrian	12,900
80002	Thumb correctional facility – Lapeer	7,100
82002	Robert Scott correctional facility – Plymouth	14,100
83002	Saginaw correctional facility – Freeland	9,200
86002	Ryan correctional facility – Detroit	8,600
87002	Mound correctional facility – New Haven	9,100
89002	Macomb correctional facility – New Haven	10,900
		1,000,000

6. Department of Education

Appropriation Number	Item	Reduction Amount
01605	Central support	16,500
04201	Special education operations	57,500
06101	School improvement operations	218,500
07501	School finance and school law operations	3,500
		296,000

7. Department of Energy, Labor and Economic Growth

Appropriation Number	Item	Reduction Amount
06000	Workforce programs administration	100,000

07304	Commission on Spanish-speaking affairs	15,000
08203	Workforce training programs subgrantees	7,836,600
08270	Focus: HOPE	86,000
09520	Michigan rehabilitation services	100,000
09550	Vocational rehabilitation independent living	500,000
11210	Commission for the blind	23,700
11601	Administration	768,000
11603	Board of magistrates and appellate commission	304,100
11604	Wage and hour division	12,000
14003	Michigan housing and community development fund	2,163,400
18003	Michigan nursing corps	454,400
27010	Fire marshal program	50,000
27120	Fire fighters training council	495,000
		12,908,200

The amount in Section 431(7) of 2008 PA 251 is reduced to \$4,545,600.

The amount in Section 432a(1) of 2008 PA 251 is reduced to \$7,163,400.

The amounts in Section 432a(1)(b) of 2008 PA 251 are reduced to \$0.00.

The amount in Section 432a(5) of 2008 PA 251 is reduced to \$7,163,400.

The amount in Section 432a(6) of 2008 PA 251 is reduced to \$7,163,400.

The amount in Section 438(1) of 2008 PA 251 is reduced to \$0.00.

8. Department of Environmental Quality

Appropriation Number	Item	Reduction Amount
01017	Office of the Great Lakes	41,300
01345	Building occupancy charges	874,900
03326	Minerals wells management	73,400
04320	Pollution prevention and technical assistance	281,800
04620	Air quality programs	220,000
04709	Radiological protection program	50,000
04715	Underground storage tank program	821,900
04718	Aboveground storage tank program	175,000
04912	Drinking water and environmental health	60,000
04918	Water withdrawal assessment program	80,000
06051	Water pollution control and drinking water revolving fund	2,196,200
		<hr/> 4,874,500

9. Executive Office

Appropriation Number	Item	Reduction Amount
00139	Executive office	197,200
		<hr/> 197,200

10. Department of History, Arts, and Libraries

Appropriation Number	Item	Reduction Amount
01620	Cultural economic development	24,000
02001	Administration	26,000
02002	Arts and cultural grants	286,000

03050	Library of Michigan operations	344,500
03150	State aid to libraries	400,000
03300	Subregional state aid	20,200
04100	Historical administration and services	312,100
04180	Thunder Bay national marine sanctuary and underwater preserve	50,000
07511	Mackinac Island park operation	57,000
07516	Historical facilities system	57,000
		1,576,800

11. Department of Human Services

Appropriation Number	Item	Reduction Amount
11300	Michigan community service commission	50,000
11350	Demonstration projects	11,000
12080	Payroll taxes and fringe benefits	5,805,500
15100	AFC, children's welfare and day care licensure	3,500,000
16100	Information technology services and projects	165,000
16500	Child support automation	6,530,000
32500	Family independence program	1,778,300
32540	State supplementation	9,628,300
32550	Day care services	994,100
32580	State supplementation administration	297,300
32630	Indigent burial	953,300
32640	Emergency services allocations local offices	2,300,000
47290	Child care fund	20,000,000

47350	Community support services	100,000
62610	Field staff, salaries and wages	11,612,700
62910	Food stamp reinvestment	1,700,000
72150	Subsidized guardianship	3,974,000
72240	Family preservation and prevention services	145,700
72360	Black child and family institute	50,000
72600	ECIC, early childhood investment corporation	75,000
72760	Adoption support services	1,000,000
72810	Bridges toward responsible adulthood	200,000
72830	Communities in schools	150,000
72840	Kent county child welfare demonstration project	300,000
81450	Employment and training support services	10,439,000
83200	Legal support contracts	600,000
83300	Child support incentive payments	9,570,000
83400	State disbursement unit	500,000
		92,429,200

The amount in Section 309 of 2008 PA 248 is reduced to \$89,000.00.

The amount in Section 613 of 2008 PA 248 for the maximum allowable reimbursement limit for indigent burials is reduced to \$700.00 and distributions are reduced to the following amounts: for funeral directors, \$435.00; for cemeteries or crematoriums, \$165.00; and for the provider of the vault, \$100.00.

The amount in Section 658 of 2008 PA 248 is reduced to \$94,900.00.

The amount in Section 668(1) of 2008 PA 248 is reduced to \$187,500.00.

The amount in Section 693 (1) of 2008 PA 248 is reduced to \$0.00.

12. Department of Management and Budget

Appropriation Number	Item	Reduction Amount
00005	Information technology services and projects (Department of Management and Budget)	879,000
02816	Office of children's ombudsman	110,000
11000	Executive operations	5,000
12000	Administrative services	5,000
13000	Budget and financial management	160,000
16000	Business support services	105,000
19150	Information technology services and projects (Civil Service Commission)	200,000
19200	Agency services	325,600
19300	Executive direction	150,000
19500	Audit and compliance	265,500
19900	Human resources operations	160,100
		2,365,200

13. Department of Military and Veterans Affairs

Appropriation Number	Item	Reduction Amount
01011	Headquarters and armories	200,000
02011	Military training sites and support facilities	350,000
03016	Special maintenance – state	200,000
03700	D.J. Jacobetti veterans' home	150,000
03800	Information technology services and projects	3,200
05010	American legion	226,500

05011	Disabled American veterans	187,200
05012	Marine corps league	86,000
05013	American veterans of WW II and Korea	118,700
05014	Veterans of foreign wars	226,400
05015	Michigan paralyzed veterans of America	42,500
05016	Purple heart	40,400
05019	Polish legion of American veterans	10,500
05020	Jewish veterans of America	10,500
05021	State of Michigan council – Vietnam veterans of America	40,800
05023	Catholic war veterans	10,500
30000	Special maintenance, remodeling and additions	126,000
		2,029,200

14. Department of Natural Resources

Appropriation Number	Item	Reduction Amount
01001	Executive direction	10,000
01005	Communications	25,000
01092	Commission	2,000
01093	Unclassified salaries	5,000
01106	Budget and support services	2,000
01107	Financial services	25,000
01108	Grants management	50,000
02132	Wildfire protection	14,000
02156	Forest recreation	70,800
02207	Natural resources heritage	46,800
02211	Wildlife management	36,400

02302	Water withdrawal assessment program	46,900
03116	General law enforcement	82,300
08914	Information technology services and projects	2,400
		418,600

15. School Aid

The general fund amount in Section 11(1) of the State School Aid Act of 1979, 1979 PA 94, MCL 388.1611(1), for the fiscal year ending on September 30, 2009, is reduced to \$33,800,000.00.

16. Department of State

Appropriation Number	Item	Reduction Amount
14100	Department services – operations	155,800
15100	Regulatory services – operations	255,000
19100	Branch operations	534,400
19300	Central operations	100,000
45500	Information technology services and projects	300
		1,045,500

17. Department of State Police

Appropriation Number	Item	Reduction Amount
15010	Management services	268,400
22210	Standards and training	600,000
32010	Uniform services	1,500,000
32500	At-post troopers	4,768,400
42010	Laboratory operations	3,811,000
51140	Fleet leasing	2,200,000

61000	Information technology services and projects	860,000
		<hr/>
		14,007,800

18. Department of Treasury

Appropriation Number	Item	Reduction Amount
01201	Treasury operations information technology services and projects	75,500
01308	Rent and building occupancy charges – property management services	43,600
01314	Travel	100,000
01900	Department services	12,500
01950	Program management	6,300
01960	Mail operations	10,400
02440	Property tax appeal program	500,000
02450	Revenue enhancement program	300,000
02480	Michigan business tax implementation	1,300,000
03501	Student financial assistance programs	23,800
04201	Supervision of the general property tax law	406,000
04501	Local finance	28,200
06301	Commercial forest reserve	16,900
06303	Swamp and tax reverted lands	5,300
09316	Senior citizen cooperative housing tax exemption program	316,500
09430	Grants to counties in lieu of taxes	1,300
09450	Special grants	106,000
30100	Economic development job training grants	1,166,200
		<hr/>
		4,418,500

The amount in Section 952 of 2008 PA 261 is reduced to \$106,000.00.

19. Expenditure Reductions – Furlough Days

General fund/general purpose expenditures authorized by appropriations contained in the following public acts are reduced by the amounts listed for the following departments and offices resulting from the temporary layoff of personnel. The State Budget Director is authorized to take any and all related actions necessary to properly record the expenditure reductions resulting from the temporary layoff of personnel, including federal and state restricted revenue expenditures, as part of the financial transactions for the fiscal year ending September 30, 2009.

Public Act	Department	Amount
2008 PA 253	Agriculture	\$398,300
2008 PA 261	Attorney General	463,800
2008 PA 261	Civil Rights	166,600
2008 PA 246	Community Health	2,310,700
2008 PA 245	Corrections	9,470,400
2008 PA 212	Education	67,500
2008 PA 251	Energy, Labor and Economic Growth	160,700
2008 PA 247	Environmental Quality	290,600
2008 PA 261	Executive Office	82,000
2008 PA 254	History, Arts, and Libraries	239,000
2008 PA 248	Human Services	5,055,600
2008 PA 261	Management and Budget	621,800
2008 PA 214	Military and Veterans Affairs	205,600
2008 PA 252	Natural Resources	154,300
2008 PA 261	State	289,500
2008 PA 249	State Police	1,161,600
2008 PA 261	Treasury	563,100
	TOTAL	\$21,701,100

C. Portions of appropriations financed with special purpose revenue amounting to \$117,522,600.00 contained in the following public acts are reduced as follows:

Public Act	Department	Reduction Amount
2008 PA 253	Agriculture	\$7,677,800
2008 PA 246	Community Health	4,592,600
2008 PA 251	Energy, Labor and Economic Growth	14,000,000
2008 PA 213	Higher Education	5,000,000
2008 PA 248	Human Services	23,443,200
2008 PA 275	Transportation	12,000,000
2008 PA 261	Treasury	50,809,000
	TOTAL	\$117,522,600

D. The reduction totals for the departments and agencies in Section C include the following appropriation items or are predicated upon the following actions:

1. Department of Agriculture – State Services Fee Fund

Appropriation Number	Item	Reduction Amount
03820	Office of racing commissioner	3,811,000
03920	Premiums – county and state fairs	1,466,800
		5,277,800

2. Department of Agriculture – Agriculture Equine Industry Development Fund

Appropriation Number	Item	Reduction Amount
03910	Purses and supplements – fairs/licensed tracks	1,000,000
03930	Thoroughbred program	1,400,000
		2,400,000

3. Department of Community Health – Healthy Michigan Fund

Appropriation Number	Item	Reduction Amount
11268	Minority health grants and contracts	225,000
11352	Cancer prevention and control program	397,700
11360	Smoking prevention program	272,500
11363	Diabetes and kidney program	377,500
11369	Physical fitness, nutrition and health	280,000
11380	Chronic disease prevention	275,000
11384	Alzheimer's information network	116,000
11387	Michigan Parkinson's foundation	20,000

11390	Tobacco tax collection and enforcement	152,500
11393	Morris Hood Wayne State University diabetes outreach	160,000
12271	Local health services	55,000
14251	Pregnancy prevention program	21,400
14254	Childhood lead program	250,000
14259	Special projects	275,000
14262	Local MCH services	61,500
14274	Dental programs	37,500
14281	Family planning local agreements	102,000
16758	Immunization program management and field support	81,600
16778	Immunization local agreements	437,500
33860	Special Medicaid reimbursement	75,000
46512	Nutrition services	167,000
		3,839,700

The amount in Section 1010 of 2008 PA 246 is reduced to \$150,000.00.

The amount in Section 1109(1) of 2008 PA 246 is reduced by \$37,500.00.

The amount in Section 1132 of 2008 PA 246 is reduced to \$300,000.00.

4. Department of Community Health – Michigan Health Initiative Fund

Appropriation Number	Item	Reduction Amount
11356	AIDS and risk reduction clearinghouse and media campaign	540,400
		540,400

5. Department of Community Health – Merit Award Trust Fund

Appropriation Number	Item	Reduction Amount
46520	Respite care program	212,500
		<hr/> 212,500

The amount in Section 1406 of 2008 PA 246 is reduced to \$4,787,500.00.

**6. Department of Energy, Labor and Economic Growth –
Temporary Assistance for Needy Families – Federal Funds**

Appropriation Number	Item	Reduction Amount
09530	Jobs, education and training program	14,000,000
		<hr/> 14,000,000

The amount in Section 442(1) of 2008 PA 251 is reduced to \$7,000,000.00.

7. Higher Education – Michigan Merit Award Trust Fund

Appropriation Number	Item	Reduction Amount
80100	Michigan promise grant program	5,000,000
		<hr/> 5,000,000

**8. Department of Human Services – Temporary Assistance for
Needy Families – Federal Funds**

Appropriation Number	Item	Reduction Amount
32550	Day care services	9,530,000
32630	Indigent burial	71,700
72240	Family preservation and prevention services	954,300
72270	Families first	750,000
72290	Strong families, safe children	2,000,000

72310	Zero to three	1,000,000
72320	Family group discussion making	802,200
72340	Community protection and permanency	4,000,000
72400	Teenage parent counseling	1,300,000
81450	Employment and training support services	60,000
81460	Marriage initiative	950,000
81470	Fatherhood initiative	800,000
82380	Community services block grants	1,200,000
		<u>23,418,200</u>

The amount in Section 420 of 2008 PA 248 is reduced to \$30,000.00.

The amount in Section 424 of 2008 PA 248 is reduced to \$150,000.00.

9. Department of Human Services – Child Care Development Fund – Federal Funds

Appropriation Number	Item	Reduction Amount
32550	Day care services	<u>25,000</u>
		25,000

The amount in Section 676(2) of 2008 PA 248 is reduced to \$0.00.

10. Department of Transportation – Transportation Economic Development Fund

Appropriation Number	Item	Reduction Amount
87210	Target industries/economic redevelopment	<u>12,000,000</u>
		12,000,000

11. Department of Treasury – Delinquent Tax Collection Revenue

Appropriation Number	Item	Reduction Amount
01301	Worker’s compensation insurance premium	134,000
01870	Collections	100,000
01950	Program management	25,000
		<hr/> 259,000

12. Department of Treasury – Michigan Merit Award Trust Fund

Appropriation Number	Item	Reduction Amount
03216	Michigan education savings program	100,000
		<hr/> 100,000

13. Department of Treasury – Sales Tax Revenue

Appropriation Number	Item	Reduction Amount
09466	Statutory state general revenue sharing grants	41,400,000
		<hr/> 41,400,000

**14. Department of Treasury – Michigan Strategic Fund – 21st
Century Jobs Trust Fund**

Appropriation Number	Item	Reduction Amount
20000	Jobs for Michigan investment program – 21 st century jobs fund	9,050,000
		<hr/> 9,050,000

E. The following 21st Century Jobs Trust Fund work project accounts, totaling \$9,950,000.00, are hereby reduced:

<u>Appropriation Number</u> <u>(Appropriation Year)</u>	<u>Item</u>	<u>Reduction</u> <u>Amount</u>
14530 (AY 06)	<u>Treasury</u> Agriculture development fund	5,000,000
20501 (AY 06)	<u>Michigan Strategic Fund</u> Grant to Michigan forest finance authority	4,950,000
		9,950,000

The State Budget Director is authorized to take any and all actions necessary to implement the provisions of this Order to reduce expenditures authorized by appropriations as specified above for the fiscal year beginning on October 1, 2008 and ending on September 30, 2009.

This Order is effective upon approval by the appropriations committees of the House of Representatives and the Senate, as provided under Section 20 of Article V of the Michigan Constitution of 1963 and Section 391 of The Management and Budget Act, 1984 PA 431, MCL 18.1391.

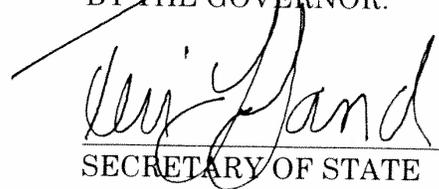
Given under my hand and the Great Seal of the State of Michigan this fifth day of May, in the year of our Lord, two thousand nine.





JENNIFER M. GRANHOLM
GOVERNOR

BY THE GOVERNOR:



SECRETARY OF STATE

FILED WITH SECRETARY OF STATE

ON 5/5/09 AT 8:52am

SFA SUMMARY OF AN EXPENDITURE REDUCTION EXECUTIVE ORDER

Table 1

SUMMARY OF EXECUTIVE ORDER 2009-22				
(Actual Dollars)				
Department/Budget Area	GF/GP Reductions	Furlough Reductions	Federal/Other Reductions	Total Reductions
Agriculture	(\$3,056,800)	(\$398,300)	(7,677,800)	(\$11,132,900)
Attorney General	(1,266,000)	(463,800)		(1,729,800)
Capital Outlay	0	0		0
Civil Rights	(489,200)	(166,600)		(655,800)
Community Colleges	0	0		0
Community Health	(50,784,800)	(2,310,700)	(4,592,600)	(57,688,100)
Corrections	(1,000,000)	(9,470,400)		(10,470,400)
Education	(296,000)	(67,500)		(363,500)
Energy, Labor, and Economic Growth	(12,908,200)	(160,700)	(14,000,000)	(27,068,900)
Environmental Quality	(4,874,500)	(290,600)		(5,165,100)
Executive	(197,200)	(82,000)		(279,200)
Higher Education	0	0	(5,000,000)	(5,000,000)
History, Arts and Libraries	(1,576,800)	(239,000)		(1,815,800)
Human Services	(92,429,200)	(5,055,600)	(23,443,200)	(120,928,000)
Information Technology	0	0		0
Judiciary ¹⁾	(2,848,600)	0		(2,848,600)
Legislative Auditor General ¹⁾	(502,000)	0		(502,000)
Legislature ¹⁾	(3,522,800)	0		(3,522,800)
Management and Budget	(2,365,200)	(621,800)		(2,987,000)
Military and Veterans Affairs	(2,029,200)	(205,600)		(2,234,800)
Natural Resources	(418,600)	(154,300)		(572,900)
School Aid	(7,000,000)	0		(7,000,000)
State	(1,045,500)	(289,500)		(1,335,000)
State Police	(14,007,800)	(1,161,600)		(15,169,400)
Transportation	0	0	(12,000,000)	(12,000,000)
Treasury-Debt Service	0	0		0
Treasury-Operations	(3,146,300)	(563,100)	(359,000)	(4,068,400)
Treasury-Revenue Sharing	(106,000)	0	(41,400,000)	(41,506,000)
Treasury-Strategic Fund	(1,166,200)	0	(19,000,000)	(20,166,200)
Total	(\$207,036,900)	(\$21,701,100)	(\$127,472,600)	(\$356,210,600)
Less Negative Supplemental Reductions	(\$6,873,400)			(\$6,873,400)
Total Executive Order Reductions	(\$200,163,500)	(\$21,701,100)	(\$127,472,600)	(\$349,337,200)

¹⁾ Reductions for the Judiciary and the Legislature will be included in House Bill 4309 (S-1).

EXECUTIVE ORDER 2009-22

DEPARTMENT OF AGRICULTURE

Program	Year-To-Date Gross Appropriation	Year-To-Date GF/GP Appropriation	FY 2008-09 Reduction Amount
1. Rent and Building Occupancy Charges. This reduction will shift the costs of this item to the various departmental divisions. Such a shift could result in the layoff of 5.0-10.0 FTEs.	\$1,231,500	\$513,200	(\$513,200)
2. Environmental Stewardship - Michigan Agriculture Environmental Assurance Program (MAEAP) and Right-to-Farm Program. The reduction eliminates funding for the two programs resulting in decreased technical assistance for farmers. The reductions are \$100,000 from MAEAP and \$95,000 from Right-to-Farm.	2,711,500	2,161,600	(195,000)
3. Management Services - Regional Offices. The reduction would result in the closure of regional offices in Grand Rapids, Traverse City, Southfield, and St. Joseph and the layoff of 6.0 FTEs.	1,725,800	1,589,300	(150,000)
4. Pesticide and Plant Management - Reduce Inspections. This reduction would result in decreased nursery, feed, and fertilizer inspections with the layoff of 5.0 FTEs.	12,073,000	4,312,200	(150,000)
5. Laboratory Services - Seed Testing. This reduction suspends the seed testing program. No layoffs are indicated.	6,318,800	2,937,100	(100,000)
6. Information Technology. This reduction is the result of administrative efficiencies.	1,525,000	225,500	(89,300)
7. Internal Audit. This reduction is the result of administrative efficiencies.	263,700	263,700	(47,500)
8. Unclassified Salaries. The reduction reflects savings due to a vacant position.	354,000	193,500	(35,000)
9. Local Conservation Districts. This adjustment would reduce the grant to the 79 local conservation districts by approximately \$2,000.	916,800	916,800	(160,000)
10. Environmental Stewardship - Migrant Labor Housing. This reduction suspends the establishment and inspection of migrant housing.	2,711,500	2,161,600	(150,000)
11. Office of Racing Commissioner (ORC) - State Services Fee Fund. This item reduces a total of \$3.8 million in State Services Fee Fund from the ORC and shifts that funding to the Michigan State Police. This reduction completely eliminates funding for the ORC.	3,811,000	0	(3,811,000)

Note: A proposed supplemental would restore \$2.4 million of this reduction through the use of Agriculture Equine Industry Development Fund monies shifted from horse racing line items (See Item #12).

12. Agriculture Equine Industry Development Fund - Horse Racing Line Items. This item reduces two horse racing line items:	4,770,000	0	(2,400,000)
<ul style="list-style-type: none"> • Thoroughbred Program (\$1.4 million reduction, leaving \$1.0 million); and • Purses and Supplements (\$1.0 million reduction, leaving \$1.4 million). 			
Note: This funding is to be shifted to the Office of Racing Commissioner in a proposed supplemental (See Item #11).			
13. Bovine TB. The GF/GP reduction is to be offset in a proposed supplemental with State Services Fee Fund dollars shifted from horse racing line items (See Item #14).	7,425,200	6,021,400	(1,466,800)
14. State Services Fee Fund - Premiums for County and State Fairs. This item reduces State Services Fee Fund dollars from horse racing premiums for races at county and State fairs.	1,614,000	0	(1,466,800)
Note: This funding is to be shifted to Bovine TB in a proposed supplemental to offset General Fund reductions in that line item (See Item #13).			
15. Furlough Days.			(398,300)
TOTAL REDUCTION:			(\$11,132,900)

**EXECUTIVE REORGANIZATION
ORDERS**

EXECUTIVE REORGANIZATION ORDERS

Article V, Section 2 of the State Constitution authorizes the Governor to organize the Executive branch of government by Executive Order. Three types of reorganization or transfers are outlined in the Executive Reorganization Act (P.A. 380 of 1965). The three types include:

Type I Transfer. Under a Type I transfer, an existing department, board, commission, or agency is transferred intact to another principal department. The entity is administered under the supervision of the new principal department director; however, the prescribed statutory powers, duties, and functions are exercised by the entity as a relatively autonomous entity.

Type II Transfer. Under a Type II transfer, all of the statutory authority, powers, duties and functions, as well as records, personnel, property, unspent balances of the appropriations and other funds associated with an entity, and the entity itself are transferred to and placed under the authority of the principal department.

Type III Transfer. A Type III transfer means the abolishment of an existing entity. The statutory authority, powers, duties, functions, records, personnel, and funding are not abolished, but instead are transferred to the principal department.



STATE OF MICHIGAN
EXECUTIVE OFFICE
LANSING

RICK SNYDER
GOVERNOR

BRIAN CALLEY
LT. GOVERNOR

EXAMPLE OF AN EXECUTIVE REORGANIZATION ORDER

EXECUTIVE ORDER
No. 2013 - 1

EXECUTIVE REORGANIZATION
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS
OFFICE OF FINANCIAL AND INSURANCE REGULATION

CREATION OF THE
DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES

WHEREAS, Section 1 of Article V of the Michigan Constitution of 1963 vests the executive power of the state of Michigan in the Governor; and

WHEREAS, Section 2 of Article V of the Michigan Constitution of 1963 empowers the Governor to make changes in the organization of the Executive Branch or in the assignment of functions among its units that he considers necessary for efficient administration; and

WHEREAS, Section 8 of Article V of the Michigan Constitution of 1963 provides that each principal department shall be under the supervision of the Governor unless otherwise provided by the Constitution; and

WHEREAS, there is a continued need to reorganize functions among state departments to ensure efficient administration; and

WHEREAS, the insurance and financial services industries are significant components of our state economy, directly employing over 150,000 Michigan residents and generating more than \$9 billion in annual payroll; and

WHEREAS, Michigan is home to over 300 state banks and credit unions and 149 insurance companies are domiciled here. Michigan serves as a port of entry and chief U.S. regulator for 5 Canadian insurance companies, and nearly 1,500 foreign insurance companies also do business in this state; and

WHEREAS, it is an important function of state government to protect consumers of insurance and financial services products through public information and effective regulation; and

WHEREAS, the world of insurance and financial services is rapidly changing, health insurance is becoming more accessible, and digital banking is revolutionizing the way that money is used; and

WHEREAS, consolidating all functions related to the regulation of insurance and financial services into a new Department of Insurance and Financial Services will provide a focal point of

consumer protection, enable efficient and effective regulation, and position the insurance and financial services sector of Michigan's economy for growth;

NOW, THEREFORE, I, Richard D. Snyder, Governor of the state of Michigan, by virtue of the powers and authority vested in the Governor by the Michigan Constitution of 1963 and Michigan law, order the following:

I. DEFINITIONS

As used in this Order:

A. "Autism Coverage Reimbursement Program" means the program created under the Autism Coverage Reimbursement Act, 2012 PA 101, MCL 550.1831 to 1841.

B. "Commissioner" means the head of the Office of Financial and Insurance Regulation.

C. "Department of Licensing and Regulatory Affairs" means the principal department of state government created as the Department of Commerce under Section 225 of the Executive Organization Act of 1965, 1965 PA 380, MCL 16.325, renamed the Department of Consumer and Industry Services under Executive Order 1996-2, MCL 445.2001, renamed the Department of Labor and Economic Growth under Executive Order 2003-18, MCL 445.2011, and renamed the Department of Licensing and Regulatory Affairs under Executive Order 2011-4, MCL 445.2030.

D. "Department of Insurance and Financial Services" means the principal department of state government created under Section II of this Order.

E. "Office of Financial and Insurance Regulation" means the Office of Financial and Insurance Services created by Executive Order 2000-4, MCL 445.2003, renamed the Office of Financial and Insurance Regulation under Executive Order 2008-2, MCL 445.2005, and reorganized under Executive Order 2012-13.

F. "State Budget Director" means the individual appointed by the Governor pursuant to Section 321 of The Management Budget Act, 1984 PA 431, MCL 18.1321.

G. "Type III transfer" means that phrase as defined in Section 3 of the Executive Organization Act of 1965, 1965 PA 380, MCL 16.103.

II. CREATION OF THE DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES

A. The Department of Insurance and Financial Services is created as a principal department in the executive branch of state government. The Department shall regulate the insurance and financial services industries in this state.

B. The Department shall be headed by a Director of Insurance and Financial Services who shall be appointed by the Governor, with the advice and consent of the Michigan Senate commencing on the date of this Order. The individual appointed as the Director shall serve as a member of the Governor's Cabinet.

C. The position of the Commissioner of the Office of Financial and Insurance

Regulation as a member or chairperson of all of the following boards or commissions is transferred to the Director of the Department of Insurance and Financial Services:

- a. State Employees Retirement System Board. MCL 38.3(1)(a).
- b. Interstate Insurance Product Regulation Compact Commission. MCL 3.1031 Art. II (4), (5) & (8).
- c. State Advisory Council on Mental Health and Aging. MCL 330.1941(1).
- d. Governing Board, Data Collection Agency for Workers Compensation Data. MCL 500.2402(2)(f).
- e. Catastrophic Claims Association Board. MCL 500.3104(13).
- f. Multiple Employer Welfare Arrangement Security Fund Board of Trustees. MCL 500.7080(2).

III. TRANSFER OF OFFICE OF FINANCIAL AND INSURANCE REGULATION FUNCTIONS

A. All the authority, powers, duties, functions and responsibilities of the Commissioner of the Office of Financial and Insurance Regulation created by Executive Order 2000-4, and amended by Executive Order 2008-2, Executive Order 2011-4, and Executive Order 2012-13 are hereby transferred by a Type III transfer to the Director of the Department of Insurance and Financial Services as defined by Section 3 of Act No. 380 of the Public Acts of 1965, as amended, being Section 16.103 of the Michigan Compiled Laws.

B. Any and all statutory or other references to the Office of Financial and Insurance Regulation not inconsistent with this Order shall be deemed references to the Department of Insurance and Financial Services.

C. Any and all statutory or other references to the Commissioner of the Office of Financial and Insurance Regulation not inconsistent with this Order shall be deemed references to the Director of the Department of Insurance and Financial Services.

D. The Office of Financial and Insurance Regulation and the Office of Commissioner of the Office of Financial and Insurance Regulation are hereby abolished.

IV. TRANSFER OF AUTISM COVERAGE REIMBURSEMENT PROGRAM FUNCTIONS

The Autism Coverage Reimbursement Program created under the Autism Coverage Reimbursement Act, 2012 PA 101, MCL 550.1831 to 1841, together with all the authority, powers, duties, functions, responsibilities, records, personnel, property, unexpended balances of appropriations, allocations of other funds, including functions of budgeting and procurement, are transferred from the Department of Licensing and Regulatory Affairs to the Department of Insurance and Financial Services. The Director of the Department of Insurance and Financial Services shall replace the Director of the Department of Licensing and Regulatory Affairs as a member of the Autism Council created by Executive Order 2012-11.

V. IMPLEMENTATION OF TRANSFERS

A. The Director of the Department of Insurance and Financial Services shall provide executive direction and supervision for the implementation of all transfers of authority under this Order.

B. The Director of the Department of Insurance and Financial Services and the Director of the Department of Licensing and Regulatory Affairs shall immediately coordinate in order to facilitate the transfer and develop memoranda of record identifying any pending settlements, issues of compliance with applicable federal and state laws and regulations, or other obligations to be resolved related to the authority being transferred.

C. The Director of the Department of Insurance and Financial Services shall establish the internal organization of the Department and allocate and reallocate duties and functions to promote economic and efficient administration and operation of the Department. The Director of the Department of Insurance and Financial Services shall supervise the staff of the Department and shall be responsible for its day-to-day operations.

D. The State Budget Director shall determine and authorize the most efficient manner possible for handling financial transactions and records in the state's financial management system as necessary for the implementation of this Order.

E. The Director of the Department of Insurance and Financial Services may by written instrument delegate a duty or power conferred by law or this Order and the person to whom such duty or power is so delegated may perform such duty or exercise such power at the time and to the extent such duty or power is delegated by the Director of the Department of Insurance and Financial Services.

VI. MISCELLANEOUS

A. All records, personnel, and property used, held, employed, or to be made available to the Office of Financial and Insurance Regulation and the Department of Licensing and Regulatory Affairs for the activities, powers, duties, functions, and responsibilities transferred by this Order are hereby transferred to the Department of Insurance and Financial Services.

B. All unexpended balances of appropriations, allocations, and other funds used, held, employed, or to be made available to the Office of Financial and Insurance Regulation and the Department of Licensing and Regulatory Affairs for the activities, powers, duties, functions, and responsibilities transferred by this Order are hereby transferred to the Department of Insurance and Financial Services.

C. All rules, orders, contracts, plans, and agreements relating to the functions transferred to the Department of Insurance and Financial Services by this Order lawfully adopted prior to the effective date of this Order shall continue to be effective until revised, amended, or rescinded.

D. Any suit, action, or other proceeding lawfully commenced by, against, or before any entity transferred to the Department of Insurance and Financial Services by this Order shall not abate by reason of the taking effect of this Order. Any lawfully commenced suit, action, or

other proceeding may be maintained by, against, or before the appropriate successor of any entity affected by this Order.

E. The invalidity of any portion of this Order shall not affect the validity of the remainder of the Order, which may be given effect without any invalid portion. Any portion of this Order found invalid by a court or other entity with proper jurisdiction shall be severable from the remaining portions of this Order.

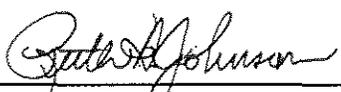
In fulfillment of the requirements of Section 2 of Article V of the Michigan Constitution of 1963, the provisions of this Order shall be effective 60 days after the filing of this Order.



Given under my hand and the Great Seal of the state of Michigan this 16th day of January, in the Year of our Lord Two Thousand Thirteen.


RICHARD D. SNYDER
GOVERNOR

BY THE GOVERNOR:


SECRETARY OF STATE

FILED WITH SECRETARY OF STATE
ON 1/17/13 AT 11:00 AM



**SENATE FISCAL AGENCY
MEMORANDUM**

DATE: January 22, 2013
TO: Members of the Michigan Senate
FROM: Josh Sefton, Fiscal Analyst
RE: Executive Order 2013-1

Executive Order 2013-1

On January 16, 2013, Governor Snyder issued Executive Order (E.O.) 2013-1, which would create the Department of Insurance and Financial Services (IFS) as a principal executive department. The IFS would contain parts of the Department of Licensing and Regulatory Affairs (LARA). Specifically, the IFS would receive the Office of Financial and Insurance Regulation (OFIR), and the Autism Coverage Reimbursement (ACR) Program. Article V, Section 2 of the Michigan Constitution states that the Legislature has 60 days following the issuance of an E.O. to reject it; the last day for the Legislature to reject E.O. 2013-1 is March 17, 2013.

Programs/Agencies Moved from LARA to IFS

Office of Financial and Insurance Regulation – Currently, OFIR is the State agency responsible for regulating Michigan's financial institutions, including banks, credit unions, insurance, and mortgage companies. The office consists of several sections that focus on specific industries and the administration of various regulatory acts. These sections include the following:

- The Insurance Licensing Section, Insurance Evaluation Division, and Insurance Rates & Forms Division, which are responsible for licensing, examining, investigating, and supervising over 120,000 individual licensees and 15,000 entities.
- The Consumer Finance Division, which is responsible for issuing licenses and registrations to over 8,000 mortgage and consumer finance entities.
- The Credit Union Division, which regulates State-chartered credit unions.
- The Bank and Trust Division, which regulates State-chartered banks, savings banks, and Business and Industrial Development Companies.

Finally, OFIR regulates and licenses a number of professions related to insurance and consumer finance. Under the E.O., all of these functions would be transferred to the IFS from LARA.

Autism Coverage Reimbursement Program – Created by Public Act 101 of 2012, the ACR Program receives GF/GP appropriations to be used for reimbursing insurance companies for the coverage of certain medical costs related to the treatment of autism. For fiscal year (FY) 2012-13, \$15.0 million was appropriated for this purpose. The program and its appropriations would be transferred to the IFS under the E.O.

Fiscal Impacts

In total, E.O. 2013-1 would likely have a minor, but negative fiscal impact on State finances. Pursuant to the Constitution, principal executive departments are permitted to have up to six unclassified FTE positions, four of which must be of a policy-making nature. The current position of Commissioner of OFIR would be replaced by a Director, but it is unclear whether the other five unclassified positions would replace positions within OFIR that are currently classified. To the extent that these unclassified positions did replace existing classified positions, the fiscal impact of the E.O. would be minimized. It is also possible that the Governor would elect to have fewer than six unclassified positions in the IFS; this also would reduce the costs associated with the E.O.

Financial details of the E.O. have not been released, but since the regulatory and reimbursement responsibilities OFIR and the ACR Program would not change under the E.O., the transfer of these entities from LARA to the IFS would likely have a neutral net fiscal impact on those entities.

For FY 2012-13, a total of \$64.5 million was appropriated directly to OFIR, and \$15.0 million was appropriated for the ACR Program. Under the E.O., these appropriations would be transferred to the IFS. Other appropriations eventually could be transferred from LARA to the IFS to reflect costs attributed, but not directly appropriated, to OFIR and the ACR Program. These costs could include these entities' share of Department of Technology, Management, and Budget office space charges, rent, Civil Service Commission charges, information technology charges, and likely other charges.

Summary

Executive Order 2013-1 would create the Department of Insurance and Financial Services and transfer to it the Office of Financial and Insurance Regulation and the Autism Coverage Reimbursement Program from the Department of Licensing and Regulatory Affairs. The Governor issued this E.O. on January 16; the Legislature has until March 17 to decide whether to reject it.

If you have any questions on E.O. 2013-1, please do not hesitate to contact me.

/wm

c: Ellen Jeffries, Director
Bill Bowerman, Associate Director

**ONGOING BUDGET ACTIVITIES -
SUPPLEMENTALS**

ONGOING BUDGET ACTIVITIES: SUPPLEMENTALS

Supplemental Appropriations: These appropriation adjustments are used to increase or decrease the current-year funding authorization for a line-item appropriation, or to create a new line-item appropriation. Supplemental appropriations are typically recommended for approval to the Legislature by the State Budget Office. Supplemental appropriations follow the same legislative process as the initial appropriations. They require a majority vote of both the House and the Senate and the signature of the Governor to take effect.



RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
STATE BUDGET OFFICE
LANSING

JOHN S. ROBERTS
DIRECTOR

EXAMPLE OF A STATE BUDGET OFFICE SUPPLEMENTAL REQUEST

June 11, 2014

The Honorable Roger Kahn, Chair
Senate Appropriations Committee
Michigan State Senate
State Capitol
Lansing, Michigan 48909

The Honorable Joseph Haveman, Chair
House Appropriations Committee
Michigan House of Representatives
State Capitol
Lansing, Michigan 48909

Dear Legislators:

SUBJECT: Supplemental Request 2014-8

Attached please find a supplemental recommendation for fiscal year 2014 for the Department of Community Health. The recommendation in this letter supersedes and replaces the department's supplemental recommendation that was included in Supplemental Request 2014-7, transmitted on June 5, 2014.

If you have any questions regarding these items, please contact Nancy Duncan at (517) 373-0870.

Sincerely,

John S. Roberts
State Budget Director

Attachment

cc: Randy Richardville, Senate Majority Leader
Jase Bolger, Speaker of the House
Gretchen Whitmer, Senate Minority Leader
Tim Greimel, House Minority Leader
Senate Appropriations Committee
House Appropriations Committee
Senate Fiscal Agency
House Fiscal Agency

Departments and Agencies
Dick Posthumus, Executive Office
Dennis Muchmore, Chief of Staff
Nancy W. Duncan, Deputy State
Budget Director
Michael J. Moody, Office of
Financial Management
Internal State Budget Office

DEPARTMENT OF COMMUNITY HEALTH

(1) APPROPRIATION SUMMARY

1			
2	(1) APPROPRIATION SUMMARY		
3	Full-time equated classified positions.....	0.0	
4	GROSS APPROPRIATION		\$ 260,356,700
5	Interdepartmental grant revenues:		
6	Total interdepartmental grants and intradepartmental		
7	transfers.....		0
8	ADJUSTED GROSS APPROPRIATION		\$ 260,356,700
9	Federal revenues:		
10	Total federal revenues		188,017,600
11	Social security act, temporary assistance for needy families .		0
12	Special revenue funds:		
13	Total local revenues		0
14	Total private revenues		0
15	Merit award trust fund.....		0
16	Total other state restricted revenues		(101,233,600)
17	State general fund/general purpose		\$ 173,572,700
18	(2) BEHAVIORAL HEALTH SERVICES		
19	Medicaid mental health services		\$ 68,251,400
20	Medicaid substance abuse services		1,331,500
21	Healthy Michigan plan behavioral health.....		<u>3,873,700</u>
22	GROSS APPROPRIATION		\$ 73,456,600
23	Appropriated from:		
24	Federal revenues:		
25	Total federal revenues		50,021,100
26	Special revenue funds:		
27	State general fund/general purpose		\$ 23,435,500
28	(3) MEDICAL SERVICES		
29	Health plan services		\$ 145,200,700

1	Healthy Michigan plan	41,699,400
2	Subtotal basic medical services program	<u>186,900,100</u>
3	GROSS APPROPRIATION	\$ 186,900,100
4	Appropriated from:	
5	Federal revenues:	
6	Total federal revenues	137,996,500
7	Special revenue funds:	
8	Total other state restricted revenues	(101,233,600)
9	State general fund/general purpose	\$ 150,137,200

10 **EXPLANATION:**

11 Enacting section 1. Section 305 of 2014 PA 34 is repealed.

12 **EXPLANATION:**

13 This supplemental adjusts financing for the Medicaid program to
14 recognize an anticipated revenue shortfall from the Health Care Claims
15 Assessment (HICA). Additional revenue from the use tax on Medicaid managed
16 care organizations in the amount of \$101.2 million is used to partially
17 offset the HICA revenue shortfall.

18 This supplemental also covers the remaining shortfall in the Health
19 Insurance Claims Assessment through the appropriation of \$31.6 million from
20 the Roads, Risks, and Reserves fund to finance an equal remaining shortfall
21 in the Health Insurance Claims Assessment fund. As a result, excess Health
22 Insurance Claims Assessment authorization will be reduced resulting in a net
23 zero change for this adjustment.

24 Finally, the general fund is additionally increased by \$72.3 million to
25 account for the federal requirement of actuarial soundness for Medicaid
26 managed care organizations. This adjustment is needed to accommodate the new
27 HMO use tax obligations.



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

BILL ANALYSIS



Telephone: (517) 373-2768
Fax: (517) 373-1986

Senate Bill 616 (as enacted)
Sponsor: Senator Roger Kahn, M.D.
Senate Committee: Appropriations
House Committee: Appropriations

PUBLIC ACT 296 OF 2014

Date Completed: 9-30-14

CONTENT

The bill would provide supplemental appropriations for fiscal year (FY) 2013-14 due to the expansion of the State's Use Tax on April 1, 2014, to cover Medicaid managed care organizations and the reduction in the Health Insurance Claims Assessment (HICA) rate from 1.0% to 0.75% on July 1, 2014. The bill proposes appropriations for only one department, the Department of Community Health (DCH).

The FY 2013-14 DCH budget assumed \$400.0 million in HICA revenue. Actual revenue, prior to the rate reduction, was forecast at \$285.5 million. The rate reduction is projected by the State Budget Office to lower revenue by another \$18.8 million in the final quarter of FY 2013-14. That would lead to an overall HICA shortfall of \$133.3 million.

The supplemental would cover the HICA shortfall with \$101.2 million in GF/GP revenue and \$32.1 million from the Roads and Risks Reserve Fund.

The implementation of the Use Tax raised costs for Medicaid managed care organizations as they must pay an estimated \$260.4 million in tax during the latter half of FY 2013-14. The State is required by the Federal government to pay actuarially sound rates to Medicaid managed care organizations. Therefore, the State effectively has to cover their cost of the Use Tax, by spending \$260.4 million Gross and \$72.3 million GF/GP, which is reflected in the bill. Table 1 summarizes the appropriations in the bill.

Table 1

FY 2013-14 Supplemental Appropriations				
Department	Adjusted Gross	Federal	Restricted	GF/GP
Community Health	\$260,356,700	\$188,017,600	(\$101,233,600)	\$173,572,700
Total	\$260,356,700	\$188,017,600	(\$101,233,600)	\$173,572,700

FISCAL IMPACT

The bill would increase GF/GP appropriations in the Department of Community Health by \$173.6 million to cover most of the remaining FY 2013-14 HICA shortfall and the cost to ensure that capitation rates to Medicaid managed care organizations remain actuarially sound. The \$260.4 million in Use Tax revenue is split between the General Fund (two-thirds) and the School Aid Fund (one-third). Thus the amount of Use Tax going to the General Fund is two-thirds of \$260.4 million or \$173.6 million, which is equal to the amount of GF/GP revenue in Senate Bill 616. This means that the GF/GP cost increase in the bill is equal to the GF/GP raised by the expanded Use Tax, so there would be no direct impact on the availability of GF/GP revenue for other priorities in the State budget.

The bill also reflects use of \$32.1 million in Roads and Risks Reserve Fund revenue. This would reduce the amount available in that Fund from \$115.0 million to \$82.9 million. A further \$60.9 million was allocated from the Fund to offset GF/GP costs in the FY 2014-15 DCH budget. There would be \$22.0 million remaining unallocated in the Fund.

Table 2 summarizes the details of those appropriations.

Senate Bill 616		
FY 2013-14 Supplemental Appropriations		
Department/Program	Adj. Gross	GF/GP
<u>Community Health</u>		
Offset HICA Revenue Shortfall	\$0	\$101,233,600
Cover Actuarial Soundness Use Tax Costs	260,356,700	72,339,100
Total Supplemental Appropriations	\$260,356,700	\$173,572,700

BOILERPLATE LANGUAGE SECTIONS

Sec. 201. General. Records amount of total State spending and payments to local units of government.

Sec. 202. General. Subjects appropriations and expenditures in the bill to the provisions of the Management and Budget Act.

Enacting Section 1. Use of Roads and Risks Reserve Fund. Repeals Section 305 of the FY 2013-14 supplemental (Public Act 34 of 2014), which directed that any HICA shortfall as of September 30, 2014, be filled with available Roads and Risks Reserve Fund revenue. The direct appropriations in the bill would eliminate the need for this previously enacted section.

Fiscal Analyst: Steve Angelotti

A1314/s616ea

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.

**ONGOING BUDGET ACTIVITIES -
TRANSFERS**

ONGOING BUDGET ACTIVITIES: TRANSFERS

Transfers are a statutory mechanism that allows the Legislature to move existing appropriation authorization within a specific department. There are two types of transfers: Administrative and Legislative, and there are two kinds of Legislative transfers, Standard transfers and Contingency Fund transfers.

Administrative Transfers: These transfers allow for adjustments in cost and price variations from the enacted budget. Administrative transfers also are used to fund payments required by court judgments. Administrative transfers are recommended to the Legislature for approval by the State Budget Office (SBO). An Administrative transfer takes effect in 30 days following the submission of the transfer request to the Legislature, unless the proposed Administrative transfer is rejected by the Appropriations Committee of either the House or the Senate.

Standard Legislative Transfers: These transfers are most commonly used to cover a shortfall in one appropriation line item by moving funding authorization from another appropriation line item that has surplus funding authorization. Legislative transfers are recommended to the Legislature for approval by the SBO. Legislative transfers take effect only when they are approved in identical amounts by both the House and Senate Appropriations Committees.

Contingency Fund Legislative Transfers: These transfers are authorized in boilerplate of appropriation bills. The language typically authorizes a department to spend funds in addition to the amounts appropriated in line items for Federal, State Restricted, local, and private revenue sources. The spending authorization is limited to a specific amount. Contingency funds are not available for expenditure until they have been transferred to another line item pursuant to the same process as legislative transfers under Section 393(2) of the Management and Budget Act, MCL 18.1393. Contingency fund transfers were first authorized in the early 1990s. They are a mechanism created as an alternative to the legislative process for supplemental appropriations.

SENATE FISCAL AGENCY EXPLANATION OF TRANSFER PROCESS

SENATE FISCAL AGENCY MEMORANDUM



DATE: December 10, 2014
TO: All Fiscal Analysts
FROM: Ellen Jeffries, Director
RE: Transfers

The Management and Budget Act (Public Act 431 of 1984) establishes the process for transferring funds within any State department during a fiscal year. The transfer process includes two types of transfers: administrative transfers and what are commonly called "legislative" transfers.

Administrative transfers fall into the following categories:

1. Adjustment of current cost and price variations from the enacted budget.
2. Adjustment of amounts between Federal sources of financing for an appropriation line item.
3. Adjustment of amounts between restricted financing sources for an appropriation line item.
4. Covering the cost of court judgments, including court approved consent judgments.
5. Payment of settlements and claims.

There are two kinds of legislative transfers: "standard" and "contingency fund" transfers. Standard legislative transfers can be either expenditure-driven or revenue-driven. Some common examples are for line items that depend on estimating usage of a given program, such as prison head counts, or Medicaid caseload. For each appropriation bill, estimates are made of the amount of usage, but there are often discrepancies during the year, and money is transferred from one line or facility to another to adjust for these differences. Another common need for a legislative transfer is a revenue shortfall. Programs that depend on certain revenue, which can vary, may also require this type of transfer.

Contingency fund transfers are authorized in the boilerplate of individual departments' annual appropriation bills. A contingency fund transfer moves authorization from the boilerplate section of an appropriation bill to the line-item section in Part 1 of the bill to recognize additional Federal, private, local, or State restricted revenue that has become available since the initial enactment of the budget. Contingency fund transfers increase the total appropriation for a department. The total amount of contingency fund transfers is capped in the boilerplate at a specific amount for each fund source, and the funds cannot be expended until additional funds are actually available and have been transferred to a Part 1 line item using the legislative transfer process created under Section 393(2) of the Management and Budget Act.

Legislative transfers **cannot** be used for any of the following purposes:

1. To create a new line item appropriation or to create a new State program.
2. To transfer funds to or from an appropriation line item that did not appear in the fiscal year appropriation bills for which the transfer is being made.
3. To transfer funds to or from a work project as designated under Section 451a.
4. To transfer funds between State governmental funds.

There are generally three main packages of legislative transfers: mid-year, year-end and book-closing. These typically arrive in May, September, and the end of October or beginning of November, respectively. In addition, other transfers can be received at any time. Both the House and Senate Fiscal Agencies then prepare analyses for the Appropriations Committees to vote on. After the transfers are passed by the Committees, a final version of the package is sent to the Director of the State Budget Office (SBO).

The House and Senate alternate sending the final version for two-year periods, therefore the official version of the package is the one sent to the SBO.

When SFA receives transfer letters electronically from the State Budget Office, copies of the transfers are distributed with the SBO explanation to the individual analysts. When you receive a transfer, please take the following steps:

- Fill in the year-to-date appropriation for each line item.
- Review the line items and funding sources. The line items must match the appropriation bills exactly.
- Check all of the numbers in your transfers. Total funding sources should equal the total transfer. If you have more than one funding source, make sure the totals add up.
- Review SBO's explanation for the transfer. It should contain both why the transfer is requested and why there are available funds in the line from which the money is being transferred. Phrases such as "sufficient funds are available" need to be expanded to provide a brief explanation of why funds are available and you should always verify this by reviewing the status of the line items in the State accounting system. Clarify anything that seems unclear, and explain terminology that someone not affiliated with your department might not understand. Feel free to put the explanation entirely in your own words.
- Check with your counterpart at House Fiscal to confirm your numbers and the reason for the transfer. Remember that these need to pass both Appropriations Committees in identical form to go into effect.
- Submit the completed write-ups to your unit assistant.
- Once we have all the write-ups assembled into the final package, Karen will send out a PDF of the package to all of the relevant fiscal analysts. This will be your last chance to review the package before it goes to the full appropriations committee.
- Keep Karen and me informed if there are any changes to the package before the meeting. For example, if there is some question about a transfer or SBO requests that we pull a transfer, or a Senator intends to pull a transfer, we need to know to make those changes.
- Remind representatives from your department to attend the meeting as well. They should be available to answer questions.
- Attend the SAC meeting when the transfers are taken up. You may be called upon to answer questions.
- Following the meeting, if there are any subsequent changes or information requests, please keep me informed.
- After the HAC has approved the transfer package, Karen will forward a PDF of the House-passed package to all of the relevant fiscal analysts for a check against their write-ups.
- After the transfers have passed both Committees, analysts will receive hard copies of the official version of the package, as well as a copy of the letter sent by the Committee Chairs to the State Budget Director transmitting the approved transfers. These are updated to reflect the Senate and House action on the transfers. If there are any problems with these packages, please inform me.



STATE OF MICHIGAN
STATE BUDGET OFFICE
LANSING

RICK SNYDER
GOVERNOR

JOHN E. NIXON, CPA
DIRECTOR

EXAMPLE OF A STATE BUDGET OFFICE ADMINISTRATIVE TRANSFER LETTER

April 3, 2013

The Honorable Roger Kahn, Chair
Senate Appropriations Committee
Michigan State Senate
State Capitol
Lansing, Michigan 48909

The Honorable Joseph Haveman, Chair
House Appropriations Committee
Michigan House of Representatives
State Capitol
Lansing, Michigan 48909

Dear Legislators:

SUBJECT: Administrative Transfer Request 2013-4

The attached administrative transfer for fiscal year 2013 is in accordance with section 393(1) of Act No. 431, P.A. 1984, as amended. The act provides that transfers may be effective 30 days after notifying the Senate and House Appropriations committees.

The following information summarizes the transfer recommendation:

<u>DEPARTMENT</u>	<u>TRANSFER AMOUNT</u>
Licensing and Regulatory Affairs (641006A)	\$721,000

Sincerely,

John E. Nixon, CPA
State Budget Director

Attachment

cc: Randy Richardville, Senate Majority Leader
Jase Bolger, Speaker of the House
Gretchen Whitmer, Senate Minority Leader
Tim Greimel, House Minority Leader
Senate Appropriations Committee
House Appropriations Committee
Senate Fiscal Agency
House Fiscal Agency

Departments and Agencies
Dick Posthumus, Executive Office
Dennis Muchmore, Chief of Staff
Nancy W. Duncan, Deputy State
Budget Director
Michael J. Moody, Office of
Financial Management
Internal State Budget Office

DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS**FROM: DEPARTMENTAL ADMINISTRATION**

Unclassified salaries	01002	(25,000)
DOL-ETA, unemployment insurance		(25,000)

TO: DEPARTMENTAL ADMINISTRATION

Unclassified salaries	01002	25,000
DOL, multiple grants for safety and health		4,000
Title XVIII Medicare		4,000
Title XIX Medicaid, facility certification fees		2,000
Federal revenues		15,000

This transfer aligns federal funding with expenditures within the unclassified salaries appropriation line item.

FROM: DEPARTMENTAL ADMINISTRATION

Unclassified salaries	01002	(696,000)
Corporation fees		(220,000)
Liquor purchase revolving fund		(14,000)
Public utility assessment		(140,000)
Securities fees		(322,000)

TO: DEPARTMENTAL ADMINISTRATION

Unclassified salaries	01002	696,000
Motor carrier fees		17,000
Safety education and training fund		34,000
Tax tribunal fund		645,000

This transfer aligns state restricted funding with expenditures within the unclassified salaries appropriation line item.

SENATE FISCAL AGENCY ANALYSIS OF ADMINISTRATIVE TRANSFER REQUEST**SENATE FISCAL AGENCY
MEMORANDUM**

DATE: April 8, 2013
TO: Members of the Appropriations Subcommittee on Licensing and Regulatory Affairs
FROM: Josh Sefton, Fiscal Analyst
RE: Administrative Transfer Request 2013-4

The State Budget Office has requested the following administrative transfers:

LICENSING AND REGULATORY AFFAIRS		Transfer Amount
FROM:	DEPARTMENTAL ADMINISTRATION	
	Unclassified salaries	(25,000)
	DOL-ETA, unemployment insurance	(25,000)
TO:	DEPARTMENTAL ADMINISTRATION	
	Unclassified salaries	25,000
	DOL, multiple grants for safety and health	4,000
	Title XVIII Medicare	4,000
	Title XIX Medicaid, facility certifications fees	2,000
	Federal revenues	15,000

This transfer aligns Federal funding with expenditures within the unclassified salaries appropriation line item.

FROM:	DEPARTMENTAL ADMINISTRATION	
	Unclassified salaries	(696,000)
	Corporation fees	(220,000)
	Liquor purchase revolving fund	(14,000)
	Public utility assessment	(140,000)
	Securities fees	(322,000)
TO:	DEPARTMENTAL ADMINISTRATION	
	Unclassified salaries	696,000
	Motor carrier fees	17,000
	Safety education and training fund	34,000
	Tax tribunal fund	645,000

This transfer aligns State Restricted funding with expenditures within the unclassified salaries appropriation line item.

The transfer above meets the criteria for an administrative transfer as set forth in the Management and Budget Act (Public Act 431 of 1984). It will automatically be effective on May 3, 2013 unless rejected by either the House or Senate Appropriations Committee. If you have any questions, please let me know.

c: Ellen Jeffries, Director
 Bill Bowerman, Associate Director
 Tom Davis, Senate Majority Policy Office
 David Ettinger, Senate Democratic Office



RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
STATE BUDGET OFFICE
LANSING

JOHN S. ROBERTS
DIRECTOR

EXAMPLE OF A STATE BUDGET OFFICE LEGISLATIVE TRANSFER LETTER

June 2, 2014

The Honorable Roger Kahn, Chair
Senate Appropriations Committee
Michigan State Senate
State Capitol
Lansing, Michigan 48909

The Honorable Joseph Haveman, Chair
House Appropriations Committee
Michigan House of Representatives
State Capitol
Lansing, Michigan 48909

Dear Legislators:

SUBJECT: Legislative Transfer Request 2014-6

I recommend the following fiscal year 2014 legislative transfers for your approval. These transfers are in accordance with section 393(2) of Act No. 431, P.A. 1984, as amended, and are recommended for approval by the House and Senate Appropriations committees.

The following information summarizes the transfer recommendation:

<u>DEPARTMENT</u>	<u>TRANSFER AMOUNT</u>
Military and Veterans Affairs (511004 through 511006 and 511007R)	\$5,415,000
Natural Resources (751018)	\$3,780,000
State Police (551010)	\$1,775,100

Sincerely,


John S. Roberts
State Budget Director

Attachment

cc: Randy Richardville, Senate Majority Leader
Jase Bolger, Speaker of the House
Gretchen Whitmer, Senate Minority Leader
Tim Greimel, House Minority Leader
Senate Appropriations Committee
House Appropriations Committee
Senate Fiscal Agency
House Fiscal Agency

Departments and Agencies
Dick Posthumus, Executive Office
Dennis Muchmore, Chief of Staff
Nancy W. Duncan, Deputy State
Budget Director
Michael J. Moody, Office of
Financial Management
Internal State Budget Office

DEPARTMENT OF MILITARY AND VETERANS AFFAIRS

FROM: CONTINGENCY FUNDS

Local contingency funds	04021	(100,000)
Local contingency revenues		(100,000)

TO: MILITARY

Military	01025	100,000
Local revenues		100,000

This transfer will increase authorization in the Local School Aid Fund deduct to utilize available carry forward earmarked for the Department of Military and Veterans Affairs to administer the Youth ChalleNGe Program via Section 24c of the State School Aid Act; PA 94 of 1979. The Michigan Youth ChalleNGe Program is a voluntary 22-week residential program geared toward Michigan's at-risk youth, ages 16-18, who have dropped out of school or are at risk of dropping out. This transfer will enable the department to replace furnishings that are utilized by teachers and program administrators at the ChalleNGe Academy facility; the furnishings being replaced were acquired in 1999 and early 2000. This transfer is needed by 7/1/14.

FROM: CONTINGENCY FUNDS

Federal contingency funds	04020	(715,000)
Federal contingency revenues		(715,000)

TO: MICHIGAN VETERANS AFFAIRS AGENCY

Homes	03700	715,000
Federal revenues		715,000

This request transfers federal contingency revenues available from the United States Department of Veterans Affairs to federal revenues in the DJ Jacobetti Veterans' Home program. Additional federal funds are available due to DJJVH having a higher number of 70-100% service connected disabled veterans. This funding will offset lower than anticipated state restricted revenues at DJJVH resulting from a drop in census. This transfer is needed by 7/1/14.

FROM: CONTINGENCY FUNDS

Federal contingency funds	04020	(2,600,000)
Federal contingency revenues		(2,600,000)

TO: MILITARY

Military	01011	2,600,000
Federal revenues		2,600,000

This request transfers federal contingency revenues available from the United States Department of Defense to federal revenues in the Headquarters and Armories program. This transfer will allow DMVA to utilize additional federal revenues available to meet FY2013-14 expenditures associated with operating activities, such as utilities, trash removal, and snow removal, at the headquarters and armories. The FY15 Executive Recommendation incorporates these adjustments. This transfer is needed by 7/1/14.

FROM: CAPITAL OUTLAY

Special maintenance - headquarters and armories	30000	(2,000,000)
State general fund/general purpose		(2,000,000)

TO: CAPITAL OUTLAY

Land acquisitions and appraisals	31000	2,000,000
State general fund/general purpose		2,000,000

This request transfers current year resources between two Department of Military and Veterans Affairs capital outlay accounts. Specifically, it transfers \$2 million general fund from special maintenance - headquarters and armories to land acquisitions and appraisals in order to facilitate the purchase of real property. The transfer will provide the department with necessary appropriation authority if a suitable commercial property becomes available that fits their objectives for modernizing armory facilities. The department is currently targeting properties in the Grand Traverse region for potential acquisition.

DEPARTMENT OF NATURAL RESOURCES**FROM: DEPARTMENT INITIATIVES**

Great Lakes restoration initiative	01010	(3,320,000)
EPA, federal		(3,320,000)

WILDLIFE MANAGEMENT

Natural resources heritage	02207	(460,000)
DOI-federal-FWS wildlife restoration		(460,000)

TO: WILDLIFE MANAGEMENT

Wildlife management	02211	3,300,000
DOI-federal-FWS wildlife restoration		3,300,000

State game and wildlife area maintenance	02205	480,000
Federal Pittman-Robertson acquired land revenue		480,000

This transfer will support a wide range of projects to restore, conserve, manage, and enhance wildlife habitat. The transfer will also allow for additional maintenance needs to be addressed throughout the state game and wildlife areas managed by the department, including dam repair/removal work, dike and water control structure maintenance, and facility improvements. This work will ensure that existing infrastructure is functional and supportive of ongoing wildlife management efforts. The requested increase in the Wildlife Management appropriation is supported by additional federal Pittman-Robertson revenue that has been received as a result of increased firearm and ammunition sales. Moreover, revenue generated from oil and gas leases and timber sales on publicly-managed federal lands is sufficient to support the requested increase in the State Game and Wildlife Area Maintenance appropriation. Excess federal authority exists within the Great Lakes Restoration Initiative and Natural Resources Heritage appropriations based on current year grants coming in less than appropriated levels. This transfer is needed by 7/1/14 to allow sufficient time for contracts to be issued and work to be completed.

DEPARTMENT OF STATE POLICE**FROM: CONTINGENCY FUNDS**

State restricted contingency funds	51700	(1,775,100)
State restricted contingency revenues		(1,775,100)

TO: SPECIALIZED SERVICES

Specialized services	37100	1,775,100
State restricted revenues		1,775,100

This transfer will increase the authorization in the Reimbursed Services deduct in the Operational Support program to utilize revenues received from Otsego County and Sprint PCS. Otsego County is reimbursing the Michigan State Police \$668,100 for providing full 911 services, including 911 call taking and dispatch of local law, fire, and EMS agencies, under a contract that begins in FY14. Sprint PCS is reimbursing the Michigan State Police \$1,107,000 as a result of the company purchasing radio frequencies previously allotted for public safety. Under the purchase agreement, Sprint PCS is responsible for reimbursing all associated expenses which include the replacement cost of equipment that is not capable of being reprogrammed to operate in the new frequency. This transfer is needed by 7/1/14.

SENATE FISCAL AGENCY ANALYSIS OF LEGISLATIVE TRANSFER REQUEST



FY 2013-14 LEGISLATIVE TRANSFER PACKAGE

Department/Budget Area	FY 2013-14 Year-to-Date Gross Appropriation	Contingency Transfer Amount	Standard Transfer Amount	Total Transfer Amount	Page Number
Military and Veterans Affairs	\$177,130,000	\$3,415,000	\$2,000,000	\$5,415,000	1
Natural Resources	348,798,900	0	3,780,000	3,780,000	5
State Police	613,479,000	1,775,100	0	1,775,100	6
Total		\$5,190,100	\$5,780,000	\$10,970,100	

June 9, 2014

State Budget Office Request 2014-6, June 2, 2014

LEGISLATIVE TRANSFER

S.B.O. REQUEST NO: 2014-6

BUDGET AREA: MILITARY AND VETERANS AFFAIRS

FISCAL YEAR: 2013-14

TRANSFER ITEMS	Y-T-D GROSS APPROP.	TRANSFER AMOUNT		
		GOV.'S REC.	6-10-14 SENATE ACTION	6-11-14 HOUSE ACTION
TOTAL TRANSFER REQUEST: \$100,000				
FROM: CONTINGENCY FUND				
Local contingency fund	100,000	(100,000)	(100,000)	(100,000)
Local contingency revenues		(100,000)	(100,000)	(100,000)
TO: MILITARY				
Military	56,732,300	100,000	100,000	100,000
Local Revenues		100,000	100,000	100,000

This transfer will increase authorization in the Local School Aid Fund deduct to utilize available carryforward earmarked for the Department of Military and Veterans Affairs to administer the Youth ChalleNGe Program via Section 24c of the State School Aid Act, PA 94 of 1979. The Michigan Youth ChalleNGe Program is a voluntary 22-week residential program geared toward Michigan's at-risk youth, ages 16-18, who have dropped out of school or are at risk of dropping out. This transfer will enable the Department to replace furnishings that are utilized by teachers and program administrators at the ChalleNGe Academy facility; the furnishings being replaced were acquired in 1999 and early 2000. This transfer is requested by July 1, 2014.

LEGISLATIVE TRANSFER

S.B.O. REQUEST NO: 2014-6	BUDGET AREA: MILITARY AND VETERANS AFFAIRS	FISCAL YEAR: 2013-14		
TRANSFER ITEMS	Y-T-D GROSS APPROP.	TRANSFER AMOUNT		
		GOV.'S REC.	6-10-14 SENATE ACTION	6-11-14 HOUSE ACTION

TOTAL TRANSFER REQUEST: \$715,000

FROM: CONTINGENCY FUNDS

Federal contingency funds	10,000,000	(715,000)	(715,000)	(715,000)
Federal contingency revenues		(715,000)	(715,000)	(715,000)

TO: MICHIGAN VETERANS AFFAIRS AGENCY

Homes	68,194,900	715,000	715,000	715,000
Federal revenues		715,000	715,000	715,000

This request transfers Federal contingency revenue available from the United States Department of Veterans Affairs to Federal revenue in the DJ Jacobetti Veterans' Home (DJJVH) Program. Additional Federal funds are available due to DJJVH having a higher number of 70%-100% service connected disabled veterans. This funding will offset lower-than-anticipated State Restricted revenues at DJJVH resulting from a drop in census. This transfer is requested by July 1, 2014.

LEGISLATIVE TRANSFER

S.B.O. REQUEST NO: 2014-6

BUDGET AREA: MILITARY AND VETERANS AFFAIRS

FISCAL YEAR: 2013-14

TRANSFER ITEMS	Y-T-D GROSS APPROP.	TRANSFER AMOUNT		
		GOV.'S REC.	6-10-14 SENATE ACTION	6-11-14 HOUSE ACTION
TOTAL TRANSFER REQUEST: \$2,600,000				
FROM: CONTINGENCY FUNDS				
Federal contingency funds	10,000,000	(2,600,000)	(2,600,000)	(2,600,000)
Federal contingency revenues		(2,600,000)	(2,600,000)	(2,600,000)
TO: MILITARY				
Military	56,732,300	2,600,000	2,600,000	2,600,000
Federal revenues		2,600,000	2,600,000	2,600,000

This request transfers Federal contingency revenue available from the United States Department of Defense to Federal revenues in the Headquarters and Armories program. This transfer will allow the Department of Military and Veterans Affairs to utilize additional Federal revenue available to meet FY 2013-14 expenditures associated with operating activities, such as utilities, trash removal, and snow removal, at the headquarters and armories. The FY 2014-15 Executive Recommendation incorporates these adjustments. This transfer is requested by July 1, 2014.

LEGISLATIVE TRANSFER

S.B.O. REQUEST NO: 2014-6

BUDGET AREA: MILITARY AND VETERANS AFFAIRS

FISCAL YEAR: 2013-14

TRANSFER ITEMS	Y-T-D GROSS APPROP.	TRANSFER AMOUNT		
		GOV.'S REC.	6-10-14 SENATE ACTION	6-11-14 HOUSE ACTION
TOTAL TRANSFER REQUEST: \$2,000,000				
FROM: CAPITAL OUTLAY				
Special maintenance – headquarters and armories	26,511,200	(2,000,000)	(2,000,000)	(2,000,000)
State general fund/general purpose		(2,000,000)	(2,000,000)	(2,000,000)
TO: CAPITAL OUTLAY				
Land acquisitions and appraisals	1,000,000	2,000,000	2,000,000	2,000,000
State general fund/general purpose		2,000,000	2,000,000	2,000,000

This request transfers current year resources between two Department of Military and Veterans Affairs capital outlay accounts. Specifically, it transfers \$2.0 million General Fund from special maintenance – headquarters and armories to land acquisitions and appraisals in order to facilitate the purchase of real property. The transfer will provide the Department with necessary appropriation authority if a suitable commercial property becomes available that fits their objectives for modernizing armory facilities. The Department is currently targeting properties in the Grand Traverse region for potential acquisition.

LEGISLATIVE TRANSFER

S.B.O. REQUEST NO: 2014-6

BUDGET AREA: NATURAL RESOURCES

FISCAL YEAR: 2013-14

TRANSFER ITEMS	Y-T-D GROSS APPROP.	TRANSFER AMOUNT		
		GOV.'S REC.	6-10-14 SENATE ACTION	6-11-14 HOUSE ACTION
TOTAL TRANSFER REQUEST: \$3,780,000				
TO: DEPARTMENT INITIATIVES				
Great Lakes restoration initiative	5,500,000	(3,320,000)	(3,320,000)	(3,320,000)
EPA, federal		(3,320,000)	(3,320,000)	(3,320,000)
WILDLIFE MANAGEMENT				
Natural resources heritage	986,000	(460,000)	(460,000)	(460,000)
DOI-federal-FWS wildlife restoration		(460,000)	(460,000)	(460,000)
TO: WILDLIFE MANAGEMENT				
Wildlife management	757,600	3,300,000	3,300,000	3,300,000
DOI-federal-FWS wildlife restoration		3,300,000	3,300,000	3,300,000
State game and wildlife area maintenance	30,565,500	480,000	480,000	480,000
Federal Pittman-Robertson acquired land revenue		480,000	480,000	480,000

This transfer will support a wide range of projects to restore, conserve, manage, and enhance wildlife habitat. The transfer also will allow for additional maintenance needs to be addressed throughout the State game and wildlife areas managed by the Department, including dam repair/removal work, dike and water control structure maintenance, and facility improvements. The intent of this work is to ensure that existing infrastructure is functional and supportive of ongoing wildlife management efforts. The requested increase in the Wildlife Management appropriation is supported by additional Federal Pittman-Robertson revenue that has been received as a result of increased firearm and ammunition sales. Revenue generated from oil and gas leases and timber sales on publicly managed Federal lands is sufficient to support the requested increase in the State Game and Wildlife Area Maintenance appropriation. Excess Federal authority exists within the Great Lakes Restoration Initiative and Natural Resources Heritage appropriations based on current year grants coming in less than appropriated levels. This transfer is requested by July 1, 2014 to allow sufficient time for contracts to be issued and work to be completed.

LEGISLATIVE TRANSFER

S.B.O. REQUEST NO: 2014-6

BUDGET AREA: STATE POLICE

FISCAL YEAR: 2013-14

TRANSFER ITEMS	Y-T-D GROSS APPROP.	TRANSFER AMOUNT		
		GOV.'S REC.	6-10-14 SENATE ACTION	6-11-14 HOUSE ACTION
TOTAL TRANSFER REQUEST: \$1,775,100				
FROM: CONTINGENCY FUNDS				
State restricted contingency funds	3,500,000	(1,775,100)	(1,775,100)	(1,775,100)
State restricted contingency revenues		(1,775,100)	(1,775,100)	(1,775,100)
TO: SPECIALIZED SERVICES				
Specialized services	107,927,400	1,775,100	1,775,100	1,775,100
State restricted revenues		1,775,100	1,775,100	1,775,100

This transfer will increase the authorization in the Reimbursed Services deduct in the Operational Support program to utilize revenue received from Otsego County and Sprint PCS. Otsego County is reimbursing the Michigan State Police \$668,100 for providing full 911 services, including 911 call taking and dispatch of local law, fire, and EMS agencies, under a contract that begins in FY 2013-14. Sprint PCS is reimbursing the Michigan State Police \$1,107,000 as a result of the company purchasing radio frequencies previously allotted for public safety. Under the purchase agreement, Sprint PCS is responsible for reimbursing all associated expenses which include the replacement cost of equipment that is not capable of being reprogrammed to operate in the new frequency. This transfer is requested by July 1, 2014.

EXAMPLE OF TRANSFER APPROVAL LETTER

June 11, 2014

Director
State Budget Office
Department of Technology, Management, and Budget
6th Floor Romney Building
Lansing, MI 48909

Dear Director:

For your information, the attached transfer package has been approved by a majority of the members of both the House and Senate Appropriations Committees.

The transfers approved are from the Office of the State Budget letter dated June 2, 2014, Legislative Transfer Request 2014-6. The transfers are for the Departments of Military and Veterans Affairs, Natural Resources, and State Police.

We appreciate your cooperation in this matter. If you need any further information, please do not hesitate to contact us.

Sincerely,

Chair
House Appropriations Committee

Chair
Senate Appropriations Committee

TERMS AND DEFINITIONS

**GLOSSARY OF GOVERNMENTAL BUDGETING AND ACCOUNTING
TERMS AND DEFINITIONS**

DEFINITIONS	
Accounting Period:	A period at the end of which and for which financial statements are prepared.
Accounting Procedure:	A group of closely related clerical operations which comprise a subjunction of a system.
Accounting System:	Records and procedures, both formal and informal, that relate to the assembling, recording and reporting of information related to the financial operations, and that also provide necessary internal controls.
Accounts Payable:	Amounts owed to others for goods and services received and assets acquired.
Accounts Receivable:	Amounts due from others for goods furnished and services rendered. Such amounts include reimbursements earned and refunds receivable.
Accrual Basis of Accounting:	The basis of accounting under which revenues are recorded when earned and expenditures are recorded when goods are received and services performed even though the receipt of the revenue or the payment of the expenditure may take place, in whole or part, in another accounting period.
Activity:	A specific line of work carried on by a governmental unit in order to perform its function as specified by constitutional, statutory, or administrative fiat.
Allotment:	A portion of an appropriation set aside for use during a certain period or for a particular purpose.
Appropriation:	<p>An authorization granted by the constitution or the legislature to make expenditures and to incur obligations for a specific purpose. An appropriation is usually limited in amount and as to the time when it may be spent, normally calendar or fiscal year. In the case of Michigan, the time is October 1 to September 30.</p> <p>Gross Appropriations: Total level of State appropriations from all fund sources</p> <p>Adjusted Gross Appropriations: Total Gross Appropriations excluding interdepartmental grants and transfers</p> <p>State Spending from State Resources Appropriations: Total level of State appropriations excluding Federal, local, and private funding sources; includes only State Restricted and General Fund/General Purpose appropriations</p> <p>State Restricted Revenue Appropriations: State taxes or fees that are designated for a specific purpose in the budget by either constitutional or statutory requirements</p>

	General Fund/General Purpose Appropriations: Unrestricted portion of State budget fund sources
Assets:	Any item of economic value owned by a governmental unit. The item may be physical in nature (tangible) or a right to ownership (intangible) that is expressed in terms of cost or some other value.
Audit:	<p>The examination of some or all of the following items: documents, records, reports, systems of internal control, accounting procedures, and other evidence, for one or more of the following purposes: (a) determining the propriety, legality, and mathematical accuracy of proposed or consummated transactions; (b) ascertaining whether all transactions have been recorded; and (c) determining whether transactions are accurately reflected in the accounts and in the statements drawn therefrom in accordance with accepted accounting principles.</p> <p><u>Note:</u> The term "audit" is sometimes applied to the examination of a single transaction; for example, the audit of an invoice; that is, the checking of an invoice and supporting evidence for the purpose of approving the invoice for payment and properly reflecting the transaction in the accounts. This is referred to as preaudit. On the other hand, even a limited special audit involves the examination of documents, records, reports, systems of internal control, and other evidence. The term "audit" is, thus, of little significance when used without a modifier.</p>
Balanced Budget:	A budget in which receipts are equal to or greater than outlays.
Baseline Revenue:	Total revenue excluding revenue derived from one-time revenue items and tax structure changes. One-time revenue items typically include such things as an accounting change that results in a one-time revenue gain during the period when the change is implemented or a one-time transfer of revenue from one fund to another fund. Tax structure changes include tax rate increases or decreases, and additions to or subtractions from the base of a tax.
Boilerplate:	Intent language in appropriation bills.
Budget:	<p>A plan of financial operation embodying an estimate of proposed expenditures for a given period or purpose and the proposed means of financing them.</p> <p><u>Note:</u> The term "budget" is used in two senses in practice. Sometimes it designates the financial plan presented to the legislature for adoption and sometimes the plan finally approved by that body. It is usually necessary to specify whether the budget under consideration is preliminary and tentative or whether it has been approved by the legislature. The term is also sometimes confused with the budget document.</p>
Budget Authority:	Authority provided by law to enter into obligations that will result in immediate or future outlays involving State government funds.

Budgetary Accounts:	Those accounts necessary to reflect budget operations and condition, such as estimated revenues, appropriations, and encumbrances, as distinct from the proprietary accounts.
Budgetary Control System:	A system designed to provide management with the information necessary to keep encumbrances and expenditures within an allotment.
Capital Outlay:	Expenditures that result in the acquisition of or additions to fixed assets (i.e., land acquisition, building and construction, addition, renovation).
Carry Forward:	A portion or total of the unspent balance of an appropriation that is made available for expenditure in the succeeding year.
Cash Basis of Accounting:	The basis of accounting whereby revenues are recorded when received in cash and expenditures (outlays) are recorded when paid, without regard to the accounting period to which the transactions apply.
Consumer Price Index:	A measure of the average change in prices over time in a fixed market basket of goods and services typically purchased by consumers. The consumer price index (CPI) for all urban consumers covers about 80% of the total population.
Cost-Benefit Analysis:	<p>An analytical technique that compares the social costs and benefits of proposed programs or policy actions. All losses and gains experienced by society are included and measured in dollar terms. The net benefits created by an action are calculated by subtracting the losses incurred by some sectors of society from the gains that accrue to others. Alternative actions are compared to choose one or more that yield the greatest net benefits, or ratio of benefits to costs.</p> <p>The inclusion of all gains and losses to society in cost-benefit analysis distinguishes it from cost-effectiveness analysis, which is a more limited view of costs and benefits.</p>
Cost Center:	A unit or organization for which costs are accumulated or computed. In the State this may take several forms: (1) a significant activity within a department for which administrative control is desirable and/or necessary, (2) a designated area within a department with costs that have significance in terms of financing and budgeting of the department, (3) an area or activity under a single supervisor with costs that can be controlled by direct budgeting to such supervisor.
Cost-Effectiveness Analysis:	An analytical technique used to choose the most efficient method for achieving a program or policy goal. The costs of alternatives are measured by their requisite estimated dollar expenditures. Effectiveness is defined by the degree of goal attainment, and may also (but not necessarily) be measured in dollars. Either the net effectiveness (effectiveness minus costs) or the cost effectiveness ratios of alternatives are compared. The most cost-effective method chosen may involve one or more alternatives.

Countercyclical:	Actions aimed at smoothing out swings in economic activity. Countercyclical actions may take the form of monetary and fiscal policy (such as countercyclical revenue sharing or jobs programs). Automatic (built-in) stabilizers have a countercyclical effect without necessitating changes in governmental policy.
Deficiency:	A general term indicating the amount by which anything falls short of some requirement or expectation. The term should not be used without qualification.
Deficit:	The excess of the liabilities and reserves of a fund over its assets.
Deficit Financing:	A situation in which the Federal government's excess of outlays over receipts for a given period is financed by borrowing from the public.
Depreciation:	The systematic and rational allocation of the costs of equipment and buildings (having a life of more than one year) over their useful lives. To match costs with related revenues in measuring income or determining the costs of carrying out program activities, depreciation reflects the use of the asset(s) during specific operating periods.
Disposable Income:	Personal income less personal tax and nontax payments.
Encumbrances:	An amount of the available balance of an allotment earmarked for paying anticipated or known obligations.
Fiscal Policy:	Federal government policies with respect to taxes, spending and debt management, intended to promote the nation's macroeconomic goals, particularly with respect to employment, gross national product, price level stability, and equilibrium in balance of payments. The budget process is a major vehicle for determining and implementing Federal fiscal policy. The other major component of Federal macroeconomic policy is monetary policy.
Fiscal Year:	Any yearly accounting period. The State's fiscal year begins on October 1 and ends on the following September 30. Budget Year: The fiscal year for which the budget is being considered; the fiscal year following the current year. Current Year: The fiscal year in progress. Prior Year: The fiscal year immediately preceding the current year.
Fiscal Year Equated Student (FYES):	The representation of 30 semester credit hours per year.
Fixed Charges:	Repetitive expenditures of which the amounts are more or less constant. These may repeat at various intervals – weekly, monthly, annually, etc. Examples are insurance premiums, contributions to pensions, and land and building rentals.
Full Faith and Credit Debt:	State and local debt for which the credit of the government, implying the power of taxation, is unconditionally pledged.

Full-Time Equated (F.T.E.):	A representation of 2,080 hours of employee compensated time (2,088 in a leap year), including all annual leave and used sick leave.
Fund:	<p>In governmental accounting a fund may be described as representing a distinct phase of the activities of government and is controlled by a self-balancing group of accounts in which all of the financial transactions of the particular phase are recorded.</p> <p><u>Note:</u> A fund is both a sum of resources and an independent accounting entity. A self-balancing group of accounts must be provided for each fund to show the assets and other resources, on one hand, and obligations, surplus, and other credits, on the other. Accounts must also be set up to permit the identification of revenues and expenditures and receipts and disbursements with the fund to which they apply. Although the General Fund is available for all legally authorized purposes, the definition also applies to it, for the fund can be used for governmental purposes only and expenditures cannot be made from it without legal authorization.</p> <p>The terms "fund" and "appropriation" are often confused.</p> <p>A fund represents a distinct phase of the activities of government and the fund is controlled by a self-balancing group of accounts in which all of the financial transactions of the particular phase are recorded. For instance, the State General Fund is established to account for the general activities of State government.</p> <p>An appropriation is a legal authorization to make specified expenditures for specified purposes. A separate account is set up within each fund to account for each appropriation. Appropriations may be created by annual legislative enactment, other statutory or constitutional provisions, or contractual agreements.</p> <p>Types of Funds:</p>
	Bond Funds: Bond funds are used to account for the receipt and disposition of the proceeds of all bonds issued. A separate Bond Fund must be provided for each bond issue, and each such fund must have its own self-balancing set of accounts. The manner and degree in which the bond proceeds are allocated to specific expenditure purposes will vary depending on the original authorization and related statutory implementation.
	Bond and Interest Redemption Funds: This type of a fund is established to account for the financing and payment of matured serial bonds and interest of a specific bond issue. It serves principally as a receiving and disbursing device. Financing is provided by other State funds or designated sources. The cash in this fund is segregated from other State cash and can be used only for payment of interest coupons or redemption of matured bonds.

	<p>General Fund: By statute the State General Fund covers all State appropriation, expenditure and receipt transactions, except those for which special constitutional or statutory requirements demand separate fund accounting. Most of the traditional State services are included in the General Fund.</p> <p>The accounts of the General Fund reflect the major share of the State's fiscal transactions. It is the predominant element in the annual budget review and enactment from the viewpoints of both appropriations and taxes. This is evidenced by the frequent identification of the "General" Fund with the State of Michigan as a whole.</p> <p>The General Fund is financed by what are defined as general purpose and restricted revenues. General purposes are self-explanatory. Restricted revenues are those resources that, by constitution, statute, contract or agreement, are reserved to specific purposes, and expenditures that are limited by the amount of revenue realized.</p>
	<p>Revolving Funds: Revolving funds are those employed to finance industrial, commercial, and service activities of the State, the expenses of which are to be met by operating income; or to finance supply inventories for State institutions.</p> <p>Three distinct types of enterprises are financed through revolving funds; the most important from the standpoint of volume of transactions consist of those of a public service character. These serve the general public, and their income is derived principally from sales of products or services. The Liquor Purchase Revolving Fund and the former Mackinac Ferry Revolving Fund (now terminated) are examples of this type. Another class consists of those which serve State agencies. The Motor Transport Revolving Fund and the Paper and Stationery Revolving Fund are examples of this type. The third is the Inventory Revolving Fund.</p>
	<p>Special Revenue Funds: These are funds used to finance particular activities from the receipts of specific taxes or other revenue. Such a fund is created by constitution or statute to provide certain activities with definite and continuing revenues. After the fund is created, it usually continues year after year until discontinued or revised by equivalent authority. Accounting transactions are treated the same as they are in the General Fund.</p>
	<p>Trust and Agency Funds: Trust funds consist of assets received and held by the State in a capacity similar to that of a trustee. Agency funds consist of money received by the State as agent for other governmental units. Most of the trust funds are of the expendable type (i.e., the total resources are available for expenditure in accordance with the provisions of the trust or other restrictions). Most trust and agency funds have receipts and make</p>

	expenditures and it is necessary to set up accounts to show the kind of receipts and the nature of expenditures. At the end of a fiscal period, the receipts and expenditures are closed out and the difference is used to increase or decrease the fund balance. All receipts and expenditures of trust and agency funds are of a nonoperating nature.
Generally Accepted Accounting Principles:	Accounting procedures and methods established by the Governmental Accounting Standards Board (GASB).
Grant:	In governmental terminology, a contribution to or from a unit of government for specific or general purposes. This may take the form of donations, bequests, payments to or for local units, aid, reimbursements, etc. According to the Constitution of the State of Michigan, grants must be passed by a 2/3 vote in the Senate and House.
Grants-In-Aid:	Payments made by one government unit to another government unit for specified purposes. They represent Federal support for a State or locally administered program, or State support for a local program.
Gross Domestic Product:	The market value of the output of all goods and services produced by the nation's economy, before deduction of depreciation charges and other allowances for capital consumption.
Indirect Cost:	Any cost that is incurred for common objectives and therefore cannot be directly charged to any single cost objective. These costs are allocated to the various classes of work in proportion to the benefit to each class. Indirect cost is also referred to as overhead or burden cost.
Inflation:	A rise in the general price level that results in a decline in the purchasing power of money.
Labor Force:	All persons 16 years of age or over who are either employed or unemployed and actively looking for a job. Total labor force includes members of the armed forces stationed either in the United States or abroad. They are excluded from civilian labor force.
Lapse:	As applied to appropriations, the termination of all or part of the balance of an appropriation. An appropriation is usually made for the period of a fiscal year, at the end of which the balance is lapsed, subject to constitutional and/or statutory directives.
Liabilities:	<p>Amounts owed for items received, services rendered, expenses incurred, assets acquired, construction performed (regardless of whether invoices have been received), and amounts received but as yet unearned.</p> <p>Included are amounts owed for goods in the hands of contractors under the constructive delivery concept (when the records of the agency provide such information), and amounts owed under grants, pensions, awards, and other indebtedness not involving the furnishing of goods and services. The two classifications occurring most frequently are the following:</p>

	<p>Current Liabilities: Liabilities that will be due within a short time (usually one year or less) and that are to be paid out of current assets.</p> <p>Includes all amounts owed on the basis of invoices or other evidence of receipt of goods and services, other amounts owed for the purchase of goods and services even if not "due and payable", and deferred income (received but not earned).</p> <p>Long-Term and Unfunded Liabilities: Liabilities that will not be due for a comparatively long time (usually more than one year). However, as they come within the one-year range, and are to be paid, such liabilities become current.</p> <p>Includes bonded debt, notes payable, and liabilities that will not become obligations until a later time (e.g., accrued annual leave in the case of appropriation accounts).</p>
Liquidity:	The ease with which an asset can be converted to cash at prevailing prices. For example, demand deposits (checking accounts) are more liquid than time (saving) deposits, but both are more liquid than real estate or plants and equipment.
Lump-Sum Appropriation:	An appropriation made for a stated purpose or for a named department, without further specification of the amounts that may be spent for specific activities or for particular objects of expenditure.
Monetary Policy:	Policies affecting the money supply, interest rates, and credit availability, that are intended to promote national macroeconomic goals – particularly with respect to employment, gross domestic product, price level stability, and equilibrium in balance of payments. Monetary policy is directed primarily by the Board of Governors of the Federal Reserve System and the Federal Open Market Committee. Monetary policy works by influencing the cost and availability of bank reserves. This is accomplished through open-market operations, the purchase and sale of securities (primarily government securities), changes in the ratio of reserves to deposits that commercial banks are required to maintain, and changes in the discount rate and the Federal funds rate.
Obligations:	Amounts that the State may be required legally to meet out of its resources at a particular date.
Operating Expenditures:	In Michigan's accounting procedures, all charges incurred during a fiscal period for supplies, materials, services, grants-in-aid, debt service, and capital outlay that will affect the fund surplus or deficit of that period. It is immaterial whether payment has been made. The benefits of such expenditures may extend into subsequent periods.

Outlays:	<p>Obligations are generally liquidated when checks are issued or cash disbursed. Such payments are called outlays. In lieu of the issuance of checks, obligations also may be liquidated (and outlays may occur) by the maturing of interest coupons in the case of some bonds, or by the issuance of bonds or notes (or increases in the redemption value of bonds outstanding).</p> <p>With respect to the Federal budget, outlays during a fiscal year may be for payment of obligations incurred in prior years (prior-year outlays) or in the same year. Outlays, therefore, flow in part from unspent balances of prior-year budget authority and in part from budget authority provided for the year in which the money is spent.</p>
Overexpenditures:	<p>An overexpenditure occurs when actual expenditures of a State agency or program exceed the level authorized by the Legislature. This exceeding of an authorization can occur on the total appropriation authorization, or when one or more earmarked fund sources contained in an appropriation line item exceed the level authorized.</p>
Personal Income:	<p>Income received by individuals, from all sources including wages and salaries, interest, dividends, rent, workers' compensation, proprietors' earnings, and transfer payments.</p>
Receipts:	<p>Actual cash received, unless the term is otherwise qualified.</p>
Refund:	<p>An amount paid back or credit allowed because of an overcollection, the return of an item purchased, or an overpayment.</p>
Refundable Tax Credits:	<p>Certain tax credits are refundable to the taxpayer. The tax credit is first to be applied against tax liability. If the amount of the credit is greater than the tax liability, the excess is treated as an overpayment of taxes and is refunded to the taxpayer. An example is the Homestead ("circuit-breaker") Property Tax Credit provided by Public Act 20 of 1973, as amended.</p>
Reserves:	<p>While the State operates on the principle that unspent appropriation balances are canceled at the end of the fiscal year, constitutional and statutory provisions create a number of deviations from this general rule. These exceptions include appropriations for capital additions, repair and alterations; special projects; and purchase orders on which the State is obligated, but on which delivery has not been made at June 30. In addition, included are amounts received from certain revenue sources that by law may be used only for specified purposes.</p>
Restricted Revenue:	<p>Revenue that is designated or earmarked, by law, to finance some specific activity or group of related activities.</p>
Revenue:	<p>The income attributable to a designated fiscal accounting period that will affect the balance (surplus) or deficit resulting from the operations of that period. Certain items earned during that period are also considered revenue of that period even though the cash is not received until a subsequent period.</p>

Revenue From Own Sources:	Taxes and charges and miscellaneous revenue, exclusive of Federal aid, local revenue, and other intergovernmental transfers.
Securities:	Bonds, notes, mortgages, or other forms of negotiable or nonnegotiable instruments.
Self-Liquidating Debt:	Debt obligations whose principle and interest are payable primarily from the earnings of enterprises for the construction or improvement of which they were originally issued.
Short-Term Debt:	Interest-bearing debt payable within one year from date of issue, such as bond anticipation notes, bank loans, and tax anticipation notes and warrants. It includes obligations having no fixed maturity date if payable from a tax levied for collection in the year of their issuance.
Special Program:	A regular recurring activity that is segregated in the accounts, to control a special annual appropriation, or to establish a control for reporting purposes.
Special Project:	A one-time, nonrecurring undertaking for the purpose of accomplishing a specific objective, the appropriation for which remains available until the work is completed. This does not include Work Orders.
Subsidy:	Generally, a payment or benefit made by the government for which there is no current charge. Subsidies are designed to support the conduct of an economic enterprise or activity, such as ship operations. They may also refer to provisions in the tax laws that provide certain tax expenditures and to the provisions of loans, goods, and services to the public at prices lower than market value, such as interest subsidies.
Supplemental Appropriation:	An act appropriating funds in addition to those in an annual appropriation act. Supplemental appropriations provide additional budget authority beyond the original estimates for programs or activities (including new programs authorized after the date of the original appropriation act) in cases where the need for funds is too urgent to be postponed until enactment of the next regular appropriation bill.
Surplus:	The excess of the assets of a fund over its liabilities and necessary reserves. While the liabilities represent amounts owed or payable or in process of payment, the reserves are segments set aside for special use, due to constitutional or statutory provisions, or contracts and agreements with other governmental units or private grantors.
Tax Credits:	Tax credits include any special provision of law that results in a dollar-for-dollar reduction in tax liabilities that would otherwise be due. In some cases, tax credits may be carried forward or backward from one tax year to another, while other tax credits lapse if not used in the year earned. Tax credits may result in a reduction of tax collections or an increase in the value of tax refunds.

Tax Expenditures:	Revenue losses attributable to provisions of the tax laws that allow special exclusions or deductions or that provide a special credit, preferential tax rate, or deferral of tax liability.
Taxes:	Sums imposed by a government authority upon persons or property to pay for government services. The power to impose and collect taxes is given to the legislature in Article 9, Section 1 of the State Constitution of 1963.
Total Debt:	All long-term obligations of the government and its agencies (whether backed by the unit of government's full faith and credit or nonguaranteed) and all interest-bearing short-term credit obligations. Long-term obligations are those repayable more than one year after issue.
Transfer Between Appropriation/Fund Accounts:	A transaction that, pursuant to law, withdraws budget authority or balances from one appropriation account for credit to another.
Transfer Payments:	Payments to individuals by government and business for which no goods or services are currently rendered. Examples are benefits from social insurance funds, relief payments, military pensions, and corporate gifts to nonprofit institutions.
Unallotted Balance of Appropriation:	An appropriation balance available for allotment.
Unencumbered Balance of Allotment:	That portion of an allotment not yet spent or encumbered; the balance remaining after deducting from the allotment the accumulated expenditures and outstanding encumbrances.
Work in Process:	The cost of partially completed products that are being manufactured. Sometimes referred to as "Work in Progress".
Work Order Account:	An account established by, or from, an appropriation for a project for the construction, alteration, addition, or major repair, of a building or structure, including site.
Work Project:	A one-time nonrecurring undertaking for the purpose of accomplishing an objective contained in a specific line-item appropriation, or any other specific line-item appropriation designated as a work project pursuant to the Management and Budget Act, Sec. 451a.
Zero Base Budgeting:	A process emphasizing management's responsibility to plan, budget, and evaluate. Zero-base budgeting provides for analysis of alternative methods of operation and various levels of effort. It places new programs on an equal footing with existing programs by requiring that program priorities be ranked, thereby providing a systematic basis for allocating resources.

