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Senate Fiscal Agency

Balancing the State General Fund/General Purpose Budget: Three Consecutive Years of Fiscal Stress
by Gary S. Olson, Director

The slowing of the United States and Michigan economies, which began in the spring of 2000, ended up having a very significant impact on state budgets. The economic slowdown, coupled with a massive drop in the valuation of equity stocks, resulted in actual state revenue collections' falling under the initial estimates on which state appropriations were based. This decline in state revenue collections forced most states to institute significant changes in their state budgets from the point that original spending plans were recommended by state Governors until the final revenue and expenditure totals were reached at the close of the states' fiscal years.

This article provides a summary of the steps that were taken by the Michigan Governor and the Legislature to adjust the State's General Fund/General Purpose (GF/GP) budget from the original recommendation of the Governor to the final revenue and expenditure totals. The analysis covers fiscal years 2000-01, 2001-02, and 2002-03, the three recent fiscal years most affected by the deteriorating economic conditions.

The Michigan budget process begins in the winter before the start of the State's next fiscal year, when the Governor, pursuant to constitutional and statutory requirements, delivers a detailed budget recommendation to the Legislature. This budget recommendation includes any recommended tax policy changes along with a comprehensive set of recommended appropriations for each State department or agency. The Governor's budget recommendation sets off a budget process that concludes at the end of the fiscal year when the final accounting of actual State revenues and expenditures is completed.

In order to analyze the changes in the Michigan GF/GP budget from the original recommendation of the Governor to the final revenue and expenditure figures, the following assumptions are used. A comparison of the Governor's original GF/GP appropriation recommendation to the final level of GF/GP ongoing revenues is undertaken. The difference between these two numbers is the amount of deficit that the Governor and the Legislature were forced to eliminate throughout the fiscal year in order to keep the GF/GP budget in balance. This analysis will explain in each of the three fiscal years how much of this deficit was eliminated as a result of reductions in appropriations from the Governor's original recommendation versus tax policy changes that increased revenues above the amount assumed in the Governor's original budget versus other policy changes that had the impact of providing increased GF/GP revenues to support appropriations.

Fiscal Year 2000-01 GF/GP Budget

On January 27, 2000, Governor John Engler presented to the Legislature his recommendation for the fiscal year (FY) 2000-01 GF/GP budget. The Governor recommended GF/GP appropriations of $9.64 billion. When the final accounting of FY 2000-01 GF/GP revenues was completed, the amount of ongoing GF/GP revenues actually collected totaled $8.99 billion, for an imbalance of $647.9 million from the Governor's original appropriation recommendation.

Table 1 provides a summary of the actions that the Governor and the Legislature took to eliminate this imbalance.

Table 1
FY 2000-01 General Fund/General Purpose Budget Summary
Governor's Original Proposal to Final Bookclosing
(millions of dollars)

Governor's Original Appropriation Recommendation	$9,637.4
Final Consensus Revenue Collections	8,989.5
Difference	$ (647.9)
Actions Taken to Balance Budget:	
GF/GP Appropriation Increases	(79.1)
Non-Ongoing Revenue Sources:	
Budget Stabilization Fund Withdrawal	270.0
Use of Prior Year-End Balance	211.8
Tobacco Settlement Trust Fund Transfer	20.0
State Building Authority Funding Shift	211.2
Work Project Reductions	42.1
Subtotal Non-Ongoing Revenue Adjustments	$755.1
Remaining Balance	**$ 28.1**

In terms of appropriations, the actual level of FY 2000-01 GF/GP expenditures exceeded the level originally recommended by the Governor by $79.1 million. The imbalance was closed by a variety of actions that provided for non-ongoing increases in GF/GP revenues. These revenue increases included a $270.1 million withdrawal from the Budget Stabilization Fund, the use of a $211.8 million beginning balance carried forward from FY 1999-2000, a $211.2 million funding shift in the construction of new State-financed buildings from a cash system of financing to debt issued by the State Building Authority, a $20.0 million transfer of Tobacco Settlement Trust Fund revenue, and $42.1 million of revenue from the liquidation of several prior work project accounts. These actions in total eliminated the imbalance and allowed FY 2000-01 to close with a $28.1 million balance.

Fiscal Year 2001-02 GF/GP Budget

On February 8, 2001, Governor Engler presented to the Legislature his recommendation for the FY 2001-02 GF/GP budget. The Governor recommended GF/GP appropriations of $9.78 billion. When the final accounting of FY 2001-02 GF/GP revenues was completed, the amount of ongoing GF/GP revenues actually collected totaled $8.28 billion, for an imbalance of $1.51 billion from the Governor's original appropriation recommendation. Table 2 provides a summary of the actions that the Governor and the Legislature took to eliminate this imbalance.

Table 2
FY 2001-02 General Fund/General Purpose Budget Summary
Governor's Recommendation to Final Bookclosing
(millions of dollars)

Governor's Original Appropriation Recommendation	$9,784.6
Final Consensus Revenue Collections	8,276.2
Difference	$(1,508.4)
Actions Taken to Balance Budget:	
GF/GP Appropriation Reductions	662.5
Non-Ongoing Revenue Sources:	
Budget Stabilization Fund Withdrawal	452.8
Use of Prior Year-End Balance	28.1
Merit Award Trust Fund Transfers	131.5
Tobacco Settlement Trust Fund Transfers	27.5
Revenue Sharing Reductions	60.5
Employment Contingency Fund Transfer	79.5
Transportation Funding Shifts	63.0
Homestead Property Tax Credit to TANF	56.0
Tax Amnesty Revenue	15.5
Work Project Reductions	28.7
Other Revenue/Fund Shift Adjustments	17.3
Total Adjustments to Balance Budget	$1,622.9
Actual Year-End Balance	**$ 114.5**

In terms of appropriations, the actual level of FY 2001-02 GF/GP appropriations was $662.5 million below the level originally recommended by the Governor. The remaining amount of the $1.51 billion imbalance was closed by non-ongoing GF/GP revenue increases. These revenue increases included a $452.8 million withdrawal from the Budget Stabilization Fund, the use of a $28.1 million beginning balance carried forward from FY 2000-01, a $131.5 million transfer from the Merit Award Trust Fund, a $27.5 million transfer from the Tobacco Settlement Trust Fund, a $60.5 million revenue increase from a reduction in the statutory level of revenue sharing payments, a $79.5 million transfer from the Employment Contingency Fund, a $63.0 million transfer from statutory restricted transportation funds, a $56.0 million revenue increase from the shifting of the financing of homestead property tax credits to available Federal funds, a $15.5 million revenue increase from a tax amnesty program, a $28.7 million revenue increase from the liquidation of several prior year work project accounts, and $17.3 million from other fund shifts and revenue adjustments. These actions in total eliminated the imbalance and allowed FY 2001-02 to close with a $114.5 million balance.

Fiscal Year 2002-03 GF/GP Budget

On February 7, 2002, Governor Engler presented to the Legislature his recommendation for the FY 2002-03 GF/GP budget. The Governor recommended GF/GP appropriations of $9.29 billion. The current consensus estimate of FY 2002-03 ongoing GF/GP revenues is $7.87 billion, for an imbalance of $1.42 billion from the Governor's original appropriation recommendation. Table 3 provides a summary of the actions that Governor Engler, Governor Jennifer Granholm and the Legislature took to eliminate this imbalance.

Table 3
FY 2002-03 General Fund/General Purpose Budget Summary
Governor's Original Proposal to Current Enacted Budget
(millions of dollars)

Governor's Original Appropriation Recommendation	$ 9,285.3
May 2003 SFA Consensus Revenue Estimate	7,865.9
Difference	$(1,419.4)
Actions Taken to Balance Budget:	
GF/GP Appropriation Reductions	478.3
Revenue Increases:	
Tobacco Tax Increase	141.6
Pause in Single Business Tax Rollback	76.3
Subtotal Revenue Increases	217.9
Other Non-Ongoing Revenue Sources:	
Budget Stabilization Fund Withdrawal	115.1
Use of Prior Year-End Balance	114.5
Merit Award Trust Fund Transfer	151.3
Tobacco Settlement Trust Fund Transfer	14.6
Revenue Sharing Reductions	146.2
Revenue Sharing Reserve Account	195.6
Unrestricted Federal Aid	169.0
Sale of Surplus Property	69.5
SERS Pre-Funded Health Reserve	58.2
Liquor Purchase Revolving Fund Transfer	3.7
Waterways Fund Transfer	7.8
Hospital Assessment Revenue	8.9
Investor Lawsuit Settlement	14.3
Vitamin Lawsuit Settlement	10.1
Tobacco Company Lawsuit Settlement	7.0
Federal Tax Reform State Revenue Impact	(7.1)
Federal Unemployment Benefits Extension(Income Tax)	5.1
Subtotal Non-Ongoing Revenue Sources	$1,083.8
Total Actions Taken to Balance Budget	$1,780.0
Remaining Balance	**$360.6**

During the summer of 2002, the Legislature, as a result of a recommendation from Governor Engler, took two actions dealing with tax policy to address this imbalance. The rate of the excise tax on cigarettes was increased from 75 cents per pack to $1.25 per pack. A portion of this revenue increase totaling $141.6 million was dedicated to the GF/GP budget. The other tax policy change implemented at this time was a suspension of the 0.1 percentage point reduction in the rate of the Single Business Tax scheduled to occur on January 1, 2003. This suspension of the Single Business Tax rate reduction resulted in a $76.3 million increase in FY 2002-03 GF/GP revenue.

In terms of appropriations, the year-to-date level of FY 2002-03 GF/GP appropriations is $478.3 million below the level originally recommended by the Governor. The remaining amount of the $1.42 billion imbalance was closed by non-ongoing GF/GP revenue increases. These revenue increases included a $115.1 million transfer from the Budget Stabilization Fund, the use of a $114.5 million beginning balance carried forward from FY 2001-02, a $151.3 million transfer from the Merit Award Trust Fund, a $14.6 million transfer from the Tobacco Settlement Trust Fund, $146.2 million from a reduction in the statutory level of revenue sharing payments, $195.6 million from the transfer of a revenue sharing reserve account, $169.0 million from unrestricted Federal funds, $69.5 million from the sale of surplus State property, $58.2 million from a transfer from the State Employees Retirement System, and a variety of other non-ongoing revenue items that increased revenues by $49.8 million. These actions in total eliminated the imbalance and will allow the FY 2003-03 GF/GP budget to close with a $360.6 million balance.

Summary

During the past three fiscal years, the Michigan GF/GP budget has faced a total of $3.58 billion in projected imbalances between the Governor's original appropriation recommendation and the final level of ongoing GF/GP revenue collections. Table 4 provides a summary of the actions that were taken over this three-fiscal-year period to eliminate these budget imbalances. Appropriation reductions over the period totaled $1.16 billion or 26.0% of the total adjustments taken to eliminate the imbalances. Other actions taken to eliminate these projected imbalances included transfers from the Budget Stabilization Fund, $837.9 million or 20.5% of the total adjustments; the use of prior year-end balances, $354.4 million or 8.7% of the total adjustments; transfers from tobacco settlement funds, $344.9 million or 8.5% of the total adjustments; revenue increases, $217.9 million or 5.3% of the total adjustments; State revenue sharing reductions, $206.7 million or 5.1% of the total adjustments; a transfer from the revenue sharing reserve, $195.6 million or 4.8% of the total adjustments; unrestricted Federal aid, $169.0 million or 4.1% of the total adjustments; and $479.0 million of other adjustments, or 11.7% of the total adjustments.

It is clear that the Governor and the Legislature have used a wide array of fiscal changes in order to keep the GF/GP budget in balance over the past three fiscal years. The use of these fiscal adjustments is important to an understanding of how the budget has been balanced and also provides a source of budget-balancing ideas that could be used in future economic downturns.

Table 4
Actions Taken to Balance GF/GP Budgets
(millions of dollars)

	FY 2000-01	FY 2001-02	FY 2002-03	Total	% of Total
Potential Deficit	$(647.9)	$(1,508.4)	$(1,419.4)	$(3,575.7)	—
Appropriation Reductions	(79.1)	662.5	478.3	1,061.7	26.0%
Budget Stabilization Fund Transfers	270.0	452.8	115.1	837.9	20.5%
Use of Prior Year-End Balance	211.8	28.1	114.5	354.4	8.7%
Tobacco Settlement Transfers	20.0	159.0	165.9	344.9	8.5%
Revenue Increases	0.0	0.0	217.9	217.9	5.3%
State Building Authority Fund Shift	211.2	0.0	0.0	211.2	5.2%
Revenue Sharing Statutory Reductions	0.0	60.5	146.2	206.7	5.1%
Revenue Sharing Reserve Transfer	0.0	0.0	195.6	195.6	4.8%
Unrestricted Federal Aid	0.0	0.0	169.0	169.0	4.1%
All Other Fund Shifts/Transfers	42.1	260.0	176.9	479.0	11.7%
Total Adjustments	$676.0	$1,622.9	$1,779.4	$4,078.3	100.0%
Year-End Balance	**$28.1**	**$114.5**	**$360.0**		

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An Overview of the Proposed Racino Legislation
by Julie Koval, Legislative Analyst

In 1933, horse race wagering became Michigan's first legalized form of gambling. Today, the racehorse industry contributes $1.2 billion annually to the Michigan economy, funds the State's county fairs program, and provides jobs for nearly 27,000 people, according to Michigan Agricultural Recovery and Enhancement Supporters (MARES). In 1995, however, the industry was twice as large. The racehorse industry has steadily declined with the introduction of casinos, both Indian- and privately operated, throughout the State. A May 2003 poll by the Lansing-based Marketing Resource Group (MRG) found that the number of voters who visited horse racetracks dropped from 5% last year to 1% this year.

The Michigan Legislature is considering a package of bills aimed at giving a shot in the arm to an ailing industry and generating additional revenue for the State. The four-bill package would create so-called "racinos" by permitting video lottery terminals (VLTs) to be placed at racetracks; allowing simulcasting of horse races at off-track theaters; allowing telephone and internet account wagering; and allowing horse racing simulcasts at existing casinos. The increased revenue would be directed to increased breeders' awards, agricultural enhancement programs, and the State's General and School Aid Funds.

House Bills 4609 (H-2), 4610 (H-3), and 4611 (H-1) passed the House of Representatives in May 2003 and are awaiting action by the Senate Gaming and Casino Oversight Committee. They are tie-barred to each other. House Bill 4612 (H-1) is tie-barred to the other three and remains in the House.

House Bill 4609 (H-2) would amend the Horse Racing Law of 1995 to allow pari-mutuel wagering on live and simulcast horse races at up to 15 off-track racing theaters and permit telephone and internet account wagering on horse races. The bill would define "racing theater" as an enclosed facility where patrons may view off-track telecasting and engage in off-track betting (OTB) on the results of the telecast horse races. The racing theaters would have to be located at least 10 miles from an existing racetrack.

The bill also would allow an individual to establish a wagering account with a race meeting licensee or multijurisdictional wagering hub, through which he or she could place wagers on horse races via telephone or other electronic means. (Under the bill, "multijurisdictional wagering hub" would mean a business conducted in this State and at least one other state that conducts account wagering.) The bill would provide for the distribution of money to increased breeders' awards and a newly created Agricultural Enhancement purse pool.

House Bill 4610 (H-3) would permit each of the State's seven racetracks to place up to 500 video lottery terminals (or more, with the Lottery Commissioner's approval) at their facilities, and would create the Agricultural Enhancement Fund. The net income from the VLTs would have to be distributed to breeders' awards; the Agricultural Enhancement purse pool created by House Bill 4609 (H-2); the School Aid Fund; the General Fund; commissions to race meeting licensees, who would have to give a portion to their local unit of government; the City of Detroit; and the Agricultural Enhancement Fund. The Michigan Department of Agriculture would have to use the Agricultural Enhancement Fund for programs related to such things as market development, export enhancement, quality and purity assurance, packaging, alternative energy development, research and diagnostic capabilities, racehorse rehabilitation programs, farmland preservation, educational programs that support agriculture, and food security.

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House Bill 4611 (H-1) would amend the sentencing guidelines in the Code of Criminal Procedure to designate as a Class D felony against the public trust manipulating the outcome or payoff of a video lottery game. (As proposed by House Bill 4610 (H-1), that offense would be punishable by up to 10 years in prison and/or a maximum fine of $10,000.)

House Bill 4612 (H-1) would amend the Michigan Gaming Control and Revenue Act (MGCRA) to authorize casinos to offer race simulcasting. Legislation amending the MGCRA requires a three-quarters vote to pass, and the House of Representatives has not yet voted on the bill.

Supporters of the bills claim the package would generate renewed excitement in horse racing and help rejuvenate the agricultural industry, the State's second largest, as well as promote tourism and create jobs. They say the bills would allow racetracks to compete with the various gaming options now available to residents and attract potential new racing fans to horse tracks. Supporters also point out that increased revenue would help to preserve farmland and support education.

The bills also could be an incentive for Indian tribes to renegotiate their gaming compacts with the State, giving the State a larger cut of their revenue in exchange for maintaining exclusivity in casino gambling. Governor Jennifer Granholm recently negotiated a revision to the gaming compact of the Little Traverse Bay Band of Odawa Indians, which currently pays to the State 8% of its revenue from its casino near Petoskey. The revised compact will allow the tribe to open another casino in Mackinaw City in exchange for 10% of the first $50 million and 12% of any additional revenue.

Opposition to the bills stems from a variety of reasons. With 17 Indian casinos and the three Detroit casinos already in operation, some wonder if Michigan has reached its gambling saturation point. If that were the case, then the new gaming options offered in the legislation simply would take business away from the existing gaming opportunities, and would not be the windfall supporters are expecting. Some say that VLTs are essentially slot machines whose addition to racetracks could draw revenue away from the existing casinos and, therefore, from State and local governments. According to a May 27, 2003, *Detroit Free Press* article, a study commissioned by the Greektown Casino states that the Detroit and Indian casinos would lose $400 million a year if each of Michigan's racetracks installed 1,200 VLTs, resulting in a loss to the State of $16 million and to Detroit of $20 million in reduced taxes. Proponents, however, point to the fact that the Windsor casino did not experience a drop in revenue when the three Detroit casinos opened, nor did any Indian casinos go out of business.[1]

In May 2003, the Detroit City Council unanimously adopted a resolution in opposition to the racino package, citing conclusions reached by former Governor John Engler's Blue Ribbon Commission on

[1] The experiences in states that have introduced OTB and VLT options provides a basis to estimate the effect the bills might have on Michigan tax revenues. However, many factors, which are unknown and very difficult to forecast, will affect how much revenue might be received from these new gaming options. These factors include: how many VLTs might be at each track, the effect of OTB and VLTs on existing gaming activities, and whether the State or the track would own the VLTs. Given a range of likely values for these and other assumptions, VLTS are likely to generate in fiscal year 2004-05 between $0 and $9.7 million in net new revenue for the School Aid Fund and $0 and $35.2 million for the General Fund. Track owners and others affiliated with horse racing would likely receive between $43.8 million and $239.9 million. Account wagering and OTB would generate between $29.0 and $41.5 million, all of which would go to persons affiliated with horse racing. (Information provided by David Zin, Senate Fiscal Agency economist.)

Michigan Gaming that the loss of revenue from existing gaming venues would outweigh any benefit to the State, the horse racing industry, or agriculture.

Others point to the social costs of gambling as a reason to limit the expansion of gambling opportunities, or see the package as an attempt by the State to balance the budget by exploiting the vices of people who can least afford it. With the introduction of telephone and internet wagering, problem and compulsive gambling would most likely increase. Additionally, Lottery Commission and Department of Agriculture rules allow people to gamble at age 18, instead of 21 as required for casino gaming. The bills' opponents argue that public policy should not be anchored in legitimizing a gambling lifestyle, particularly for large numbers of young people.

Another common argument against the legislation is that it might circumvent existing law, would not be sufficiently regulated, and ignores the will of voters. Because three of the bills would amend statutes other than the MCGRA, they would not require a supermajority to pass. Furthermore, the VLTs, off-track betting, and account wagering would fall under the regulation of the State Lottery Commission and the Racing Commissioner, not the stricter scrutiny of the Michigan Gaming Control Board. When voters approved the three Detroit casinos through Proposition E in 1996, opponents claim, they were voting for the tightly controlled addition of those specific locations, and did not intend to allow an unchecked proliferation of gambling.

Racinos already operate in seven other states and Michigan is one of at least 11 states considering adding VLTs to racetracks this year, according to *Insight*, a gambling industry journal. In the MRG poll mentioned above, Michigan residents expressed support for Michigan casinos, but 66% were opposed to converting racetracks into racinos. The poll also revealed that gambling in Michigan has declined from previous years. For the first time since 1997, more than half of the residents said they had not visited a casino, purchased a lottery ticket, played BINGO, or engaged in any other gambling activity within the past year.

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The Michigan Prison Population: Men's Declining but Women's Still Rising
by Bethany Wicksall

Introduction

A year ago, it seemed that the Department of Corrections (DOC) would be running out of bed space for the men's prisoner population by the end of 2003. Instead, the male prisoner population actually declined for the first six months of the calendar year, and the Department currently has 2,500 vacant men's beds. In the meantime, the population of female prisoners has continued to grow, and their capacity requirements have been gaining attention. This article provides a brief overview of the recent changes in the men's prison population, the issues surrounding the women's population and capacity shortage, and what the future might hold for both populations.

The Male Prisoner Population

Compared with a growth rate of 3.3% in 2001, Michigan's male prisoner population had grown 5.1% by the end of October 2002, prompting the DOC to examine the unexpectedly high growth and attempt to address the issue before running out of beds. In November 2002, the DOC took three immediate steps to stem the population growth. First, it implemented a Parole Violator Diversion Program, in which the Parole Board approves six-month, fixed-date paroles for screened parole violators who complete a new prison camp program. Most likely these prisoners otherwise would receive at least 12- to 18-month continued prison sentences. Second, the Parole Board approved earlier parole dates for offenders who already had served their minimum sentence and been approved for parole release at some point in the future. Finally, the DOC amended its policy directives to allow parole officers to increase the use of community sanctions for parole technical violators, thereby decreasing the use of prison return for violator sanctions. This has reduced the average number of parole technical violators returning to prison from 300 per month to 150 per month. These combined measures created an immediate reduction in the prison population, slowing the 2002 growth rate to 4.5%, but may have provided only a temporary solution as the paroles were simply moved up from the future and, even with additional sanctions, some parole violators may continue to violate the conditions of their parole until finally being sent back to prison.

Further administrative and policy changes continued the population reduction into 2003. In December 2002, the Legislature enacted Public Acts 665, 666, and 670 of 2002, eliminating mandatory minimum sentences for drug offenders and making offenders previously sentenced under mandatory minimums eligible for parole at an earlier date, as of March 1, 2003. According to the DOC, this will allow as many as 700 first-time, nonviolent drug offenders to be released by October 2003. Additionally, the DOC proposed changes to Truth-in-Sentencing legislation in order to increase use of the Community Residential Program (CRP). Opposition to any revision of Truth-in-Sentencing was strong, so the DOC offered a compromise in which it will increase use of the program but not with offenders who have not yet reached parole eligibility. Instead, the program will target offenders who have already served their minimum sentences, but of whom the Parole Board requests "further demonstration" of good behavior before an offender is placed on parole. According to the DOC, this program, which will begin

October 1, 2003, may move 800 offenders from prison into the CRP in the first year, thereby freeing as many prison beds.

Since November 2002, when the first changes were implemented, the DOC saw population reductions on average of 115 per month until July 2003. This equaled a total reduction of 700 for the first half of 2003, compared with growth of almost 1,600 for the first half of 2002. The policies mentioned above can be credited almost solely for the reduction, given that new offenders have continued coming to prison for new crimes at basically the same rate as last year. After six months of reductions, the DOC began to see slight population increases in July and August. Depending on the rate of growth and the implementation of the CRP, however, it still may be possible for the Department to end the year with negative population growth.

Although the DOC has been successful in slowing growth, many of the tools used were temporary and may only push the run-out-of-beds date back one more year. For now, however, the DOC finds itself with 2,500 vacant beds in its men's facilities. These include a 240-bed unit at the Macomb Correctional Facility in New Haven, 720 beds that were formerly part of Jackson Maximum Correctional Facility before it was closed in January 2002, and 950 beds at the Michigan Reformatory in Ionia, which also was closed in 2002 and has since been undergoing renovation. New DOC population projections, which were released last week, suggest the Department will need to reopen these beds next year and will run out of beds by early 2005 unless other long-term solutions are found.

The Female Prisoner Population

Compared with the male population, the female prisoner population generally does not garner as much attention in discussions of population growth and capacity, because it is such a small portion of Michigan's total prisoner population. Currently, of 48,900 prisoners, just 2,170 or 4.4% are women. Over the last 10 years, however, the women's population has begun to grow at a faster rate than that of the men's population, bringing the women's facilities nearly to full capacity and making the issue more prominent. In 2002, while the men's population rose 4.5%, the women's grew 10.4%, and in 2003, despite changes that have reduced the number of male prisoners, the number of female prisoners has continued to grow. Today, the DOC has just 75 vacant women's beds, and this is only after some recent changes to increase available bed space minimally until the DOC can go ahead with the construction of a proposed new housing unit in one of the three women's facilities.

Originally, the DOC requested the construction of a 336-bed unit at Camp Brighton, a minimum security facility in Pinckney. The Legislature authorized the expenditure of $10.75 million ($3,675,000 from the State Building Authority and $7,075,000 from Federal Violent Offender Incarceration/Truth in Sentencing (VOI/TIS) grant funds) for the project in a Capital Outlay supplemental appropriation in Public Act 530 of 2002. This also would have included a new food service building required in order to accommodate the increased population. As the Department began plans for the construction, it met two major obstacles. First, Camp Brighton had serious infrastructure limitations. Even with its existing population, it had inadequate sewer and water capacity – a problem that has since been solved but would have required a significantly more extensive solution if the population were to be almost doubled. Second, the local community raised opposition to any addition to the camp.

The Department then studied its other options. It has only two other women's facilities: Robert Scott and Western Wayne Correctional Facilities, both located on the border of Northville and Plymouth Townships. Due to previous community opposition there, the Legislature placed a statutory population cap on those two facilities in 1985, but did raise the cap at Western Wayne in 1995 while it was still a men's facility. In order to provide some immediate capacity relief and use already existing bed space, the DOC proposed an increase in the caps for both facilities, from 860 to 880 at Scott and from 775 to 925 at Western Wayne. In preparation for a change in construction plans, the DOC also proposed language that would automatically increase the population caps at the Western Wayne or Scott Correctional Facility if a newly-constructed housing unit were added to that facility. Both proposals were included in the legislation eliminating the mandatory minimum sentence, Public Act 670 of 2002.

Then, as part of a supplemental appropriation bill (Senate Bill 540) in 2003, the DOC proposed shifting the new housing unit to Scott at a reduced cost of $4.8 million; all but $100 in General Fund/General Purpose (GF/GP) funds would have come from the State Building Authority. This also made the balance of VOI/TIS funds available for the operation of the Michigan Youth Correctional Facility in FY 2003-04, which otherwise would have required additional GF/GP dollars. Public opposition to the addition at Scott followed, prompting an amendment to strip the appropriation. The appropriation was later put back in, but amended such that the housing unit would be built at the Western Wayne facility rather than Scott. This solution was not complete in that Western Wayne is located less than one half-mile away from Scott, so public opposition remains. In addition, the Western Wayne facility is built on the site of the old Detroit Dump, and the DOC could have faced environmental obstacles in constructing a new building there. Because the Department had neither proposed nor had time to evaluate the possibility of construction at Western Wayne, Governor Granholm vetoed the appropriation and related boilerplate.

As the amendment to the original appropriation was vetoed, Public Act 530 of 2002 still stands, meaning the DOC may construct a 336-bed unit at Brighton at the cost of $10.7 million. The VOI/TIS portion of the money was used in the DOC budget, however, so in order to complete the project, $7.0 million in additional funds will have to be found in a budget year when there is little to be had. This leaves the DOC searching for other options but still hopeful that a compromise can be found in Northville. One possibility at Western Wayne would be to convert an empty, existing cell block that was originally built as part of the Detroit House of Corrections in 1930, but has been vacant since the State purchased the facility in 1979. The Department does not yet have figures as to what the cost would be and whether there would be savings from renovating the existing building rather than constructing a new one. In addition, the statutory language increasing the cap at Western Wayne will be triggered only if "a new housing unit is constructed within the security perimeter of either facility", so using an existing building may require a statutory change, which would likely face further opposition.

Other alternatives, such as housing the women in either of the two men's facilities that are currently vacant, have been considered . There are a number of reasons why the DOC believes this would not be the optimum solution. First, in 2000 and 2001, the Department undertook a major transition in order to bring the whole women's population closer together to reduce costs. This included converting the Florence Crane Correctional Facility and Camp Branch in Coldwater from women's facilities to men's facilities and changing the Western Wayne and Camp Brighton populations from men to women. Now the women's facilities are within 30 miles of each other and the prisoners can be transferred more cost-effectively. Moving women to either Jackson or Ionia would be contradictory to that change. In addition, the beds available in Jackson are housing units that are part of the Jackson Complex, which consists of five men's facilities. The DOC would have to make special accommodations in order to keep the two populations separate yet allow them to use the same programming space and dining facilities.

This leaves the Michigan Reformatory in Ionia, a Level IV prison built in 1876, making it Michigan's oldest prison. Because of its age, design, and security level, it requires higher staffing ratios, has higher utility costs, and lacks the programming space required for Level I prisoners. Additionally, it would require full administrative, programming, and health care staff, which would not be necessary if a unit were constructed within an operating facility. Use of the Michigan Reformatory also would create a two-hour commute each way for the transfer of women to and from Scott, which is the women's reception center, thereby significantly increasing staff and transportation costs. Finally, although the men's population growth recently declined, it is not likely to continue doing so indefinitely and may necessitate the reopening of both Jackson Maximum and the Michigan Reformatory in the near future.

Conclusion

Although the DOC has made strides in keeping the men's population from reaching full capacity, it will require further effort and policy change in order to control growth. Having 2,500 open beds allows the Department some time to determine the best way to do that. The DOC does not, however, have that kind of flexibility with the women's population. The DOC either will have to reach a compromise with the surrounding communities, or will need to find an alternative site for new beds. In the meantime, the Department must find ways of specifically addressing the growth of the women's population as it did with the men. One possibility is that the CRP eligibility criteria changes taking place this fall will qualify more women as well as men for community placement, opening some bed space and allowing the DOC time to develop other options before reaching capacity.