



**FY 2004-05**  
**APPROPRIATIONS REPORT**  
**Part II - Initial Appropriations**

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## THE SENATE FISCAL AGENCY

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

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



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# OVERVIEW

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## FY 2004-05 INITIAL APPROPRIATIONS OVERVIEW

The Legislature completed action on all of the fiscal year (FY) 2004-05 appropriation bills, with the exception of the Capital Outlay bill, on September 30, 2004. Final action on the Capital Outlay appropriation bill is expected when the Legislature reconvenes in session during November 2004. Governor Granholm has signed into law all of these appropriation bills approved by the Legislature. The overall budget can be best characterized as a continuation type of budget with actual programmatic reductions in several areas. The restrained level of appropriation growth in the FY 2004-05 budget results from a combination of structural budget issues carried forward from the FY 2003-04 budget, the final phase-in of a multiyear reduction in the rate of the State income tax, and the impact on State revenue collections from a generally weak performance of the Michigan economy. The Legislature passed a balanced budget using a combination of revenue increases, fee increases, and spending restraint.

The enacted FY 2004-05 State budget was developed based on a consensus revenue estimate agreed to in May 2004. The consensus estimate provides for a \$10.1 million or 0.1% decrease in FY 2004-05 General Fund/General Purpose (GF/GP) revenue and a \$425.2 million or 4.0% growth in FY 2004-05 School Aid Fund (SAF) revenue. In addition to relying on the GF/GP and SAF revenue estimated at the Consensus Revenue Estimating Conference, the Legislature made two major tax policy changes that resulted in increased FY 2004-05 revenue to support the budget. The tobacco tax was increased, which provided \$313.6 million of new FY 2004-05 revenue and the tax on the State-regulated casinos in Detroit was increased, which provided \$49.0 million of new FY 2004-05 revenue. The combination of the consensus revenue estimates and the enacted revenue policy changes led to the passage of an overall State budget that was balanced between estimated revenue and enacted appropriations.

### FY 2004-05 APPROPRIATIONS

On an overall basis, the Legislature approved Adjusted Gross appropriations<sup>1)</sup> totaling \$39.5 billion. This total assumes that the Legislature enacts the Capital Outlay appropriation bill at the level agreed to by legislative leadership and the Governor. This level of Adjusted Gross appropriations represents a \$394.0 million or 1.0% increase from the final level of FY 2003-04 appropriations. Enacted State Spending from State Resources appropriations<sup>2)</sup> total \$26.2 billion, an increase of \$389.4 million, or 1.5% from the final level of FY 2003-04 appropriations. Enacted GF/GP appropriations<sup>3)</sup> total \$8.7 billion, a \$115.9 million or 1.3% decrease from the final level of FY 2003-04 appropriations. [Table 1](#) and [Figure A](#) summarize these enacted appropriations by source of funds.

### Major Changes in State Appropriations

[Tables 2, 3, and 4](#) and [Figures B, C, and D](#) provide a detailed comparison of year-to-date FY 2004-05 appropriations with year-to-date FY 2003-04 appropriations. The tables and figures present appropriation detail by State department or program in terms of Adjusted Gross, State Spending from State Resources, and GF/GP appropriations. The following information contains a brief summary of the major FY 2004-05 appropriation changes in each budget area. All numbers are GF/GP appropriations unless otherwise noted.

**Agriculture:** The enacted budget includes two significant program expansions. The first is a \$1.3 million increase in State Restricted funding for the Motor Fuel Quality Program. This funding increase provides enhanced gas station inspections statewide to assure that the quality and the quantity of products being

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

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

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

sold are meeting the expectations of consumers. The second program expansion is a \$6.1 million increase in State Restricted funding for horse racing programs. This new funding is financed from a portion of the enacted tax increase on the gaming receipts of the three State-regulated casinos in the City of Detroit.

**Attorney General:** The enacted budget represents a continuation of spending policies in place during FY 2003-04 and funding increases for legal services provided to the Department of Community Health and the Department of Labor and Economic Growth.

**Capital Outlay:** As of October 1, 2004, the Legislature had approved only a portion of the FY 2004-05 appropriation for Capital Outlay. The portion of the budget already enacted is funding for State debt service obligations on bonds issued by the State Building Authority. The balance of the Capital Outlay appropriations is expected to be approved by the Legislature during November 2004. Funding issues still pending include special maintenance funding for State agencies, State waterways projects, and various State Department of Transportation building projects.

**Civil Rights:** The enacted budget largely represents a continuation of spending policies in place during FY 2003-04.

**Civil Service:** The enacted budget includes the funding of a human resources optimization project that will consolidate and standardize the processing of certain routine transactions and services for State employees. This consolidation results in a net \$2.0 million and 70.0-FTE position reduction in human resources spending across the Executive branch of State government.

**Community Colleges:** The enacted budget includes funding for the State's 28 community colleges at the level appropriated during FY 2003-04. This funding level is contingent on an agreement by the colleges to hold increases in FY 2004-05 tuition rates to 2.8% or less. It is now anticipated that all of the community colleges will conform to this tuition restraint agreement.

**Community Health:** The enacted budget represents a 10.9% increase in State Spending from State Resources appropriations over the prior fiscal year. This appropriation increase results from a complex series of budget decisions based on Federal policies, caseload adjustments, base funding increases, and programmatic reductions. Appropriations in the Medicaid program have increased due to increases in the Medicaid caseload, costs, and utilization. Medicaid spending also has been affected by changes in the Federal Medicaid match rate and changes in Federal regulations for intergovernmental transfers. Medicaid spending increases also include provider increases for managed care organizations and community mental health boards to meet Federal reimbursement requirements. Enacted cost containments in the Medicaid budget include reductions in the pharmacy dispensing fee, co-pays for nongeneric drugs, reductions in emergency room reimbursement rates, changes in nursing home reimbursement policies, and a Medicare Recovery Program. Funding for mental health and public health programs largely reflects caseload adjustments. The exception is a significant increase in the funding for public health prevention programs funded through the Healthy Michigan Fund. This funding increase resulted from the earmarking of a portion of the enacted increase in the tax on tobacco products.

**Corrections:** The enacted budget includes additional funding for prison bed expansion in a variety of existing prisons and funding adjustments for the closure of the Western Wayne County Correctional Facility and the opening of the Huron Valley Center as a women's facility. The budget assumes savings from reductions in security staffing, which will be offset by the increased use of technology in the facilities. Other funding increases include the funding of 31 new parole and probation officers and funding to address the Hepatitis C health issue in prisons. Major funding reductions include reductions in academic and vocational education programs and substance abuse services and testing.

**Education:** The enacted budget largely represents a continuation of spending policies in place during FY 2003-04. Program adjustments in the budget include adjustments based on available Federal grants and reductions in funding for the school breakfast program to meet expected program expenditures.

**Environmental Quality:** The enacted budget contains a significant reduction in the funding for environmental cleanup programs. During FY 2004-05, funding for environmental cleanup programs will be from unspent appropriations from prior fiscal years. The budget reflects a reduction in GF/GP funding as a result of the use of increased State Restricted funding from the revenue bond fund and the Michigan Underground Storage Tank Financial Assurance Program.

**Executive:** The enacted budget largely represents a continuation of spending policies in place during FY 2003-04.

**Family Independence Agency:** The enacted budget is based on the critical assumption that the Federal government reauthorizes the welfare block grant program at the current-year funding levels. The President and the Congress have not yet enacted a permanent reauthorization of this program, whose original five-year funding expired at the end of FY 2001-02. If the Federal government enacts significant changes in this block grant, the State may have to make significant changes in this enacted budget. The enacted budget assumes a 2,400 reduction in welfare caseload. Other funding adjustments include caseload adjustments in child care funding, day care funding, foster care funding, and adoption subsidies. The budget includes a 3.0% rate increase for foster care and adoption subsidy support services and a 1.0% rate increase for foster care providers and adoptive parents.

**Higher Education:** The enacted budget includes funding for the State's public universities at essentially the same level appropriated during FY 2003-04. This funding level is contingent on an agreement by the universities to limit the rate of their increases in FY 2004-05 tuition to various levels outlined in the higher education appropriation act. It is now anticipated that all of the universities will conform to this tuition restraint agreement. The major funding reduction in the budget is a \$3.0 million reduction for the tuition grant program. This financial aid program provides need-based scholarship assistance for Michigan students attending independent colleges and universities in the State.

**History, Arts, and Libraries:** The enacted budget includes \$1.0 million of new funding for a library preservation and access project. This project will provide funding for local libraries for digitization of rare and historically significant documents. The major funding reduction in the budget is the elimination of the special State grants for the Detroit and Grand Rapids public libraries.

**Information Technology:** The enacted budget represents a 2.8% reduction in overall State funding for information technology. Funding increases are included for the statewide human resources service center, retirement services, a Department of Corrections management system, and Bureau of State Lottery information technology programs. Funding reductions include telecommunication rates, line charges, data center costs, contracts, and equipment.

**Judiciary:** The enacted budget largely represents a continuation of spending policies in place during FY 2003-04. The budget reflects a reduction in GF/GP appropriations that is a result of shifting the funding of local trial courts from GF/GP support to State Restricted funds.

**Labor and Economic Growth:** The enacted budget includes a \$15.0 million increase for the funding of the Technology Tri-Corridor with this funding increase earmarked for the Life Sciences component. The budget includes a GF/GP funding increase in the Welfare-to-Work Program to offset the loss of various Federal funding and carry-forward balances. Funding for the Michigan Virtual University is shifted from Federal and GF/GP support and funding for the Fire Marshal Office is shifted from GF/GP dollars to State Restricted funds.

**Legislature:** The enacted budget represents a continuation of spending policies in place during FY 2003-04.

**Management and Budget.** The enacted budget largely represents a continuation of spending policies in place during FY 2003-04. Spending reductions include the reduction in long-term lease costs for State-managed buildings due to the restructuring of leases and the movement of State employee work locations and a reduction in spending for the State motor vehicle fleet.

**Military and Veterans Affairs:** The enacted budget largely represents a continuation of spending policies in place during FY 2003-04.

**Natural Resources:** The enacted budget includes a significant change in how the State will make reimbursements to local government for payments in lieu of property taxes on certain State-owned land. The changes include a freeze in assessments at the 2003 levels, a cap on property tax rates at the 2003 level, and the elimination of the State payment on the State education property tax. The budget includes funding shifts from GF/GP support to State Restricted funding in the areas of bovine tuberculosis research and forest development fund.

**K-12 School Aid:** The enacted budget represents a \$65.6 million or 0.6% increase in the overall level of State funding for K-12 education. The basic foundation allowance is funded at a \$6,700-per-pupil level. This represents the third consecutive fiscal year the basic foundation allowance has been enacted at this level. Enacted funding increases include funding for debt service obligations of the School Bond Loan Fund and reimbursements for property taxes lost in renaissance zones. Enacted funding reductions include funding for intermediate school districts, the Freedom to Learn program, and the Center for Educational Performance and Information. The major categorical aid programs were funded at the FY 2003-04 levels.

**State:** The enacted budget largely represents a continuation of spending policies in place during FY 2003-04. The funding for departmental operations funded by the Transportation Administration Collection Fund was adjusted to reflect the actual level of revenue deposited into this Fund.

**State Police:** The enacted budget largely represents a continuation of spending policies in place during FY 2003-04. Program increases in the budget include increased funding for the DNA Analysis Program and the appropriation of increased Federal funding for homeland security-related programs.

**Transportation:** The enacted budget represents a 0.9% decrease in the overall level of State-financed appropriations for transportation programs. Funding increases include debt service obligations on State transportation bonds and highway maintenance. Funding reductions include the support for State and local highway and bridge projects, administrative reductions across the Department, and a reduction in programs funded by the Comprehensive Transportation Fund.

**Treasury-Debt Service:** The enacted budget represents a \$17.0 million or 67.1% increase in GF/GP funding. This increase reflects increased debt service obligations and funding shifts on Clean Michigan and Quality of Life bonds.

**Treasury-Operations:** The enacted budget includes a 38.0 FTE funding increase to hire new State employees or contractors to perform audits on personal property taxpayers. The hiring of these new employees is anticipated to lead to increases in local property tax revenue. Other funding increases in the budget include a base funding adjustment for the Senior Citizen Cooperative Housing Tax Exemption Program and for renaissance zone property tax reimbursements. Enacted funding reductions include the elimination of grants to local government to perform personal property tax audits and adjustments in the amount of payments on qualified agricultural loans.

**Treasury-Revenue Sharing:** The enacted budget represents a 13.7% reduction in State revenue sharing payments to cities, villages, townships, and counties. Revenue sharing payments to cities, villages, and townships were frozen at the FY 2003-04 levels. Revenue sharing payments to counties were eliminated. These payments to counties were offset by a statutory change in the date of the collection of county property taxes.

**Unclassified Salaries:** The enacted budget includes no funding increases for unclassified State employees' salary costs.

**Employee Economics:** The enacted budget includes \$433.9 million of Gross appropriation and \$221.9 million of GF/GP appropriation increases to fund employee economic costs. These costs are a combination of funding for a 4.0% civil service pay adjustment, increased contribution rates for employees to the various State employee retirement systems, and health care cost increases for State employees. The budget includes funding for two years of these cost increases as there was no funding increase included in the FY 2003-04 budget for them.

**Employee-Related Savings:** The enacted budget includes assumed overall savings of \$150.2 million of Gross appropriations and \$76.8 million of GF/GP appropriations from employee concessions. These employee concessions are currently being negotiated between the State Employer and the various unions representing State employees. The exact nature of these employee-related savings will not be determined until the negotiations are completed.

## **GUBERNATORIAL VETOES**

Governor Granholm, through her constitutional line item veto authority, vetoed \$7.1 million of Adjusted Gross appropriations and \$265,200 of GF/GP appropriations. [Table 5](#) provides a summary of these vetoes by department. The most significant vetoes were in the Transportation budget. The Governor vetoed 10 specific transportation projects that were placed in the budget by the Legislature. The impact of these transportation project vetoes is that these specific projects now will have to be authorized by the Department of Transportation through its usual planning process.

## **FEE INCREASES**

The enacted budget includes the appropriation of \$48.8 million of new fee revenue from a variety of fee increases or fee extensions. The largest fee increase included in the budget is the extension and the appropriation of the refined petroleum fee. This fee, which had previously been used to pay for the cost of cleanup of underground storage tanks at gas stations, was reenacted and the use of the fee revenue was changed. The refined petroleum fee in the FY 2004-05 budget will be used to fund debt service requirements on General Obligation bonds issued by the Department of Treasury, to offset existing GF/GP appropriations in the Department of Environmental Quality, and to fund increased inspections of gas stations by the Department of Agriculture. The remainder of the revenue from the refined petroleum fee will be used for environmental cleanup programs. Other fee increases included in the budget were the expansion of the nursing home quality assessment fee in the Department of Community Health, increased environmental fees in the Department of Environmental Quality, vital records fees in the Department of Community Health, and the assessor certification fee in the Department of Treasury. [Table 6](#) lists the fee increases included in the FY 2004-05 enacted budget.

## **TOBACCO SETTLEMENT**

The enacted budget includes the appropriation of \$296.4 million of revenue generated from the master settlement agreement between the United States tobacco industry and 46 states. [Table 7](#) provides a summary of these appropriations. The appropriations are from two separate trust funds established by State law to receive tobacco settlement revenue. Appropriations from the Merit Award Trust Fund total \$218.1 million and appropriations from the Tobacco Settlement Trust Fund total \$78.2 million. The largest appropriation of tobacco settlement revenue is for base funding in the State Medicaid Program. A total of \$141.3 million of Medicaid funding comes from the two trust funds. The next largest recipient of tobacco settlement revenue is the Merit Award Scholarship Program. This program is funded with \$61.4 million of Merit Award Trust Fund revenue.

## **PROJECTED YEAR-END BALANCE**

The level of FY 2004-05 appropriations approved by the Legislature and signed into law by the Governor was based on a May 2004 consensus estimate of GF/GP and SAF revenue available for expenditure. The Legislature has met the constitutional requirement of approving a GF/GP and SAF budget that is

balanced between enacted appropriations and estimated revenue. Table 8 provides a summary of the Senate Fiscal Agency estimate of a \$0.9 million FY 2004-05 GF/GP year-end balance. Table 9 provides a summary of the Senate Fiscal Agency estimate of a \$0.1 million FY 2004-05 SAF year-end balance.

## **STATE EMPLOYMENT LEVELS**

Table 10 and Figure E provide a summary of State classified full-time equated (FTE) employees appropriated in FY 2004-05 versus the year-to-date level of FTEs appropriated in FY 2003-04. Total appropriated FTE employees in FY 2004-05 equal 57,015.8, a decrease of 801.3 or 1.4% from the prior fiscal year. State departments with large employee decreases include the Department of Corrections and the Family Independence Agency. The largest employee increase is in the Department of Community Health. The 57,015.8 FTEs appropriated in FY 2004-05 mark the lowest level of appropriated FTEs in the State since FY 1984-85, when the appropriated level of FTEs totaled 57,288.1.

## **STATE PAYMENTS TO LOCAL UNITS OF GOVERNMENT**

Article IX, Section 30 of the State Constitution of 1963 prohibits the State from reducing the portion of State appropriations paid to local units of government below the FY 1978-79 level of 48.97%. The enacted FY 2004-05 appropriation bills exceed this minimum constitutional requirement by \$2.7 billion. Table 11 provides a summary of the calculations used to determine the State's compliance with this constitutional requirement for FY 2003-04 and FY 2004-05. Table 12 provides a summary of the State appropriations by department counted as a Payment to Local Units of Government.

Table 1

FY 2004-05 YEAR-TO-DATE APPROPRIATIONS  
BY SOURCE OF FUNDS

Department/Budget Area	Adjusted Gross	Federal Funds	Local and Private Funds	Other State Restricted	General Funds
Agriculture .....	\$115,299,600	\$33,476,200	\$138,700	\$51,593,300	\$30,091,400
Attorney General .....	50,290,200	8,301,300	0	10,485,000	31,503,900
Capital Outlay * .....	535,507,500	215,380,200	22,790,000	48,142,500	249,194,800
Civil Rights .....	12,693,000	934,000	0	0	11,759,000
Civil Service.....	29,775,800	4,779,100	1,850,000	15,474,600	7,672,100
Community Colleges .....	285,747,000	0	0	0	285,747,000
Community Health.....	10,103,162,800	5,502,528,700	578,928,800	1,463,844,700	2,557,860,600
Corrections .....	1,782,818,400	8,188,100	393,600	66,075,600	1,708,161,100
Education .....	112,476,900	60,796,800	5,815,400	19,470,000	26,394,700
Environmental Quality (Operations) .....	326,336,300	133,766,800	445,900	163,451,800	28,671,800
Executive .....	5,205,500	0	0	0	5,205,500
Family Independence Agency.....	4,297,056,900	3,033,969,000	83,083,700	70,321,400	1,109,682,800
Higher Education.....	1,690,150,500	4,500,000	0	85,150,000	1,600,500,500
History, Arts, and Libraries.....	56,944,600	8,151,300	577,400	2,412,400	45,803,500
Information Technology.....	0	0	0	0	0
Judiciary .....	248,583,200	4,015,600	4,140,600	82,333,700	158,093,300
Labor and Economic Growth.....	1,241,350,400	836,502,100	19,809,700	290,500,600	94,538,000
Legislature .....	124,930,400	0	400,000	2,356,500	122,173,900
Management & Budget.....	70,334,900	444,600	0	33,206,100	36,684,200
Military and Veteran Affairs .....	109,670,900	45,418,100	1,282,300	25,599,800	37,370,700
Natural Resources (Operations) .....	260,806,700	37,195,200	2,024,300	192,702,200	28,885,000
Natural Resources Trust Fund .....	0	0	0	0	0
School Aid .....	12,527,440,100	1,353,540,100	0	11,008,700,000	165,200,000
State .....	167,179,500	1,391,000	100	141,878,500	23,909,900
State Police .....	455,929,100	106,255,100	4,691,800	100,602,000	244,380,200
Transportation .....	3,279,058,100	1,132,701,200	5,800,000	2,140,556,900	0
Treasury (Debt Service) .....	81,450,400	0	0	39,001,800	42,448,600
Treasury (Operations) .....	354,902,400	34,681,800	964,300	265,993,800	53,262,500
Treasury (Revenue Sharing).....	1,144,610,800	0	17,868,500	1,126,300,000	442,300
<b>TOTAL APPROPRIATIONS .....</b>	<b>\$39,469,711,900</b>	<b>\$12,566,916,300</b>	<b>\$751,005,100</b>	<b>\$17,446,153,200</b>	<b>\$8,705,637,300</b>

\* Assumes adoption of Target Agreement for Capital Outlay.

Figure A

# Appropriations by Source of Funds

## FY 2004-05 Year-to-Date Appropriations

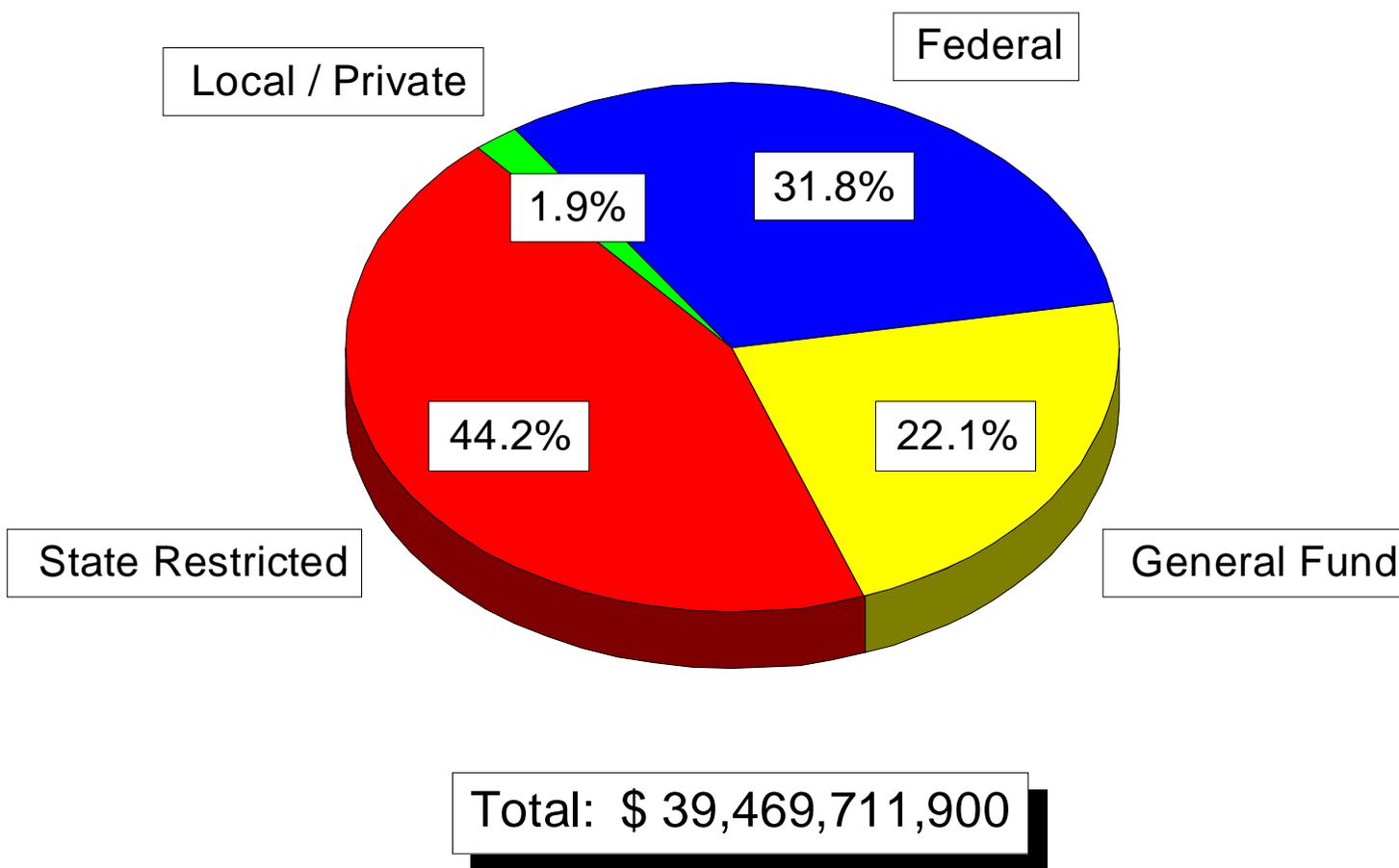


Table 2

**ADJUSTED GROSS APPROPRIATIONS  
FY 2003-04 VERSUS FY 2004-05**

Department/Budget Area	FY 2003-04 Year-to-Date Appropriations	FY 2004-05 Year-to-Date Appropriations	Dollar Difference	Percent Change
Agriculture .....	\$104,662,000	\$115,299,600	\$10,637,600	10.2%
Attorney General .....	50,693,800	50,290,200	(403,600)	(0.8)
Capital Outlay .....	533,864,200	535,507,500 <sup>a)</sup>	1,643,300	0.3
Civil Rights .....	12,654,158	12,693,000	38,842	0.3
Civil Service.....	29,333,837	29,775,800	441,963	1.5
Community Colleges .....	285,349,800	285,747,000	397,200	0.1
Community Health.....	10,054,867,000	10,103,162,800	48,295,800	0.5
Corrections .....	1,702,576,281	1,782,818,400	80,242,119	4.7
Education .....	107,431,200	112,476,900	5,045,700	4.7
Environmental Quality (Operations) .....	359,409,775	326,336,300	(33,073,475)	(9.2)
Executive .....	4,859,500	5,205,500	346,000	7.1
Family Independence Agency .....	4,112,225,200	4,297,056,900	184,831,700	4.5
Higher Education.....	1,696,671,400	1,690,150,500	(6,520,900)	(0.4)
History, Arts, and Libraries .....	56,410,500	56,944,600	534,100	0.9
Judiciary .....	252,934,400	248,583,200	(4,351,200)	(1.7)
Labor and Economic Growth.....	1,156,006,700	1,241,350,400	85,343,700	7.4
Legislature.....	116,967,900	124,930,400	7,962,500	6.8
Management & Budget .....	67,771,000	70,334,900	2,563,900	3.8
Military and Veteran Affairs .....	107,097,500	109,670,900	2,573,400	2.4
Natural Resources (Operations) .....	258,838,600	260,806,700	1,968,100	0.8
Natural Resources Trust Fund .....	23,680,900	0	(23,680,900)	(100.0)
School Aid .....	12,424,969,000	12,527,440,100	102,471,100	0.8
State .....	162,113,251	167,179,500	5,066,249	3.1
State Police .....	443,165,229	455,929,100	12,763,871	2.9
Transportation .....	3,219,150,500	3,279,058,100	59,907,600	1.9
Treasury (Debt Service) .....	56,286,400	81,450,400	25,164,000	44.7
Treasury (Operations) .....	369,472,586	354,902,400	(14,570,186)	(3.9)
Treasury (Revenue Sharing).....	1,306,257,900	1,144,610,800	(161,647,100)	(12.4)
<b>TOTAL APPROPRIATIONS.....</b>	<b>\$39,075,720,517</b>	<b>\$39,469,711,900</b>	<b>\$393,991,383</b>	<b>1.0%</b>

a) Assumes adoption of Target Agreement for Capital Outlay.

Figure B

# Adjusted Gross FY 2004-05 Year-to-Date Appropriations

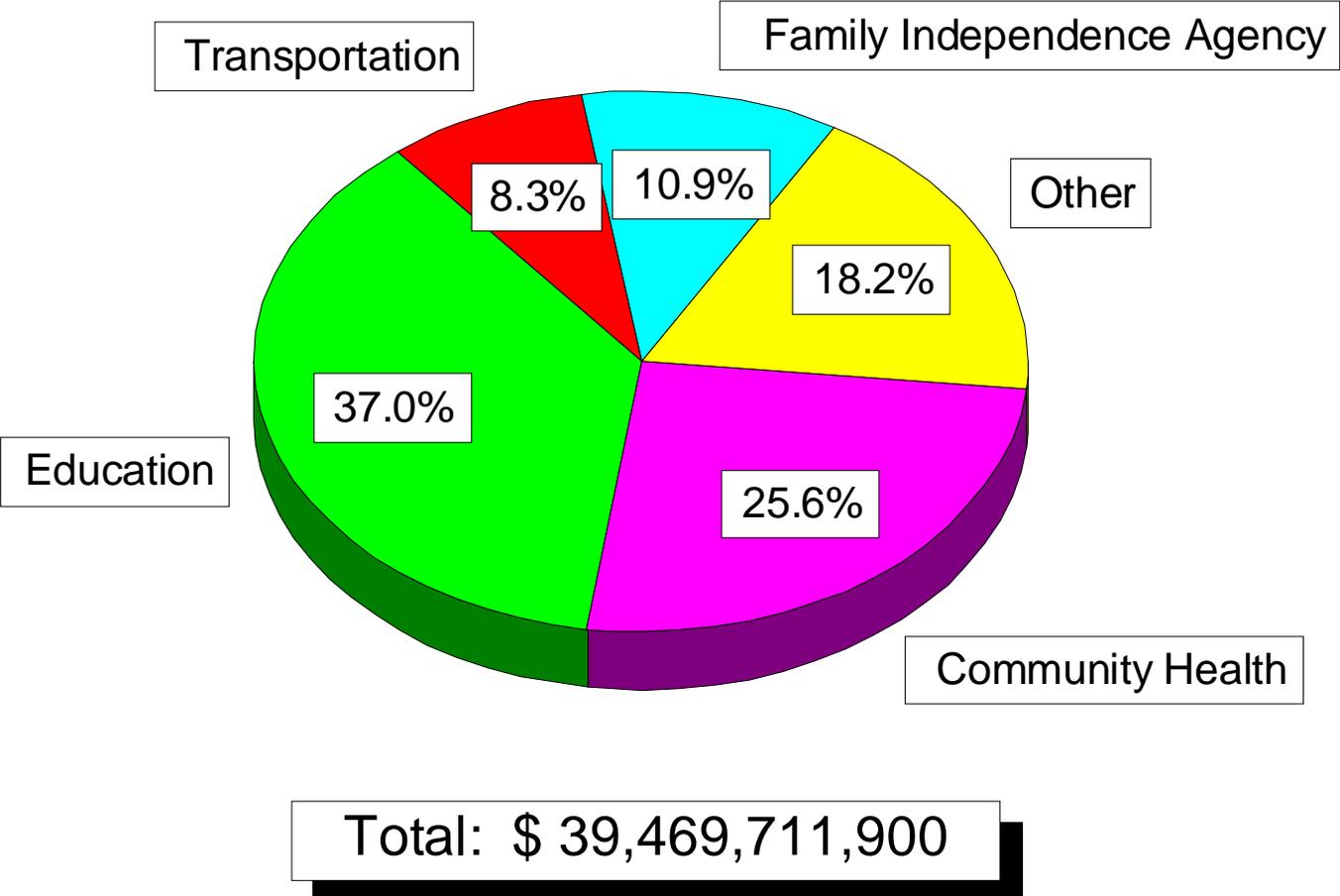


Table 3

**STATE SPENDING FROM STATE RESOURCES APPROPRIATIONS  
FY 2003-04 VERSUS FY 2004-05**

<b>Department/Budget Area</b>	<b>FY 2003-04 Year-to-Date Appropriations</b>	<b>FY 2004-05 Year-to-Date Appropriations</b>	<b>Dollar Difference</b>	<b>Percent Change</b>
Agriculture .....	\$70,608,600	\$81,684,700	\$11,076,100	15.7%
Attorney General .....	41,130,000	41,988,900	858,900	2.1
Capital Outlay .....	304,122,600	297,337,300 <sup>a)</sup>	(6,785,300)	(2.2)
Civil Rights .....	11,720,158	11,759,000	38,842	0.3
Civil Service.....	22,704,737	23,146,700	441,963	1.9
Community Colleges .....	285,349,800	285,747,000	397,200	0.1
Community Health.....	3,626,860,700	4,021,705,300	394,844,600	10.9
Corrections .....	1,674,329,381	1,774,236,700	99,907,319	6.0
Education .....	36,061,300	45,864,700	9,803,400	27.2
Environmental Quality (Operations) .....	225,569,275	192,123,600	(33,445,675)	(14.8)
Executive .....	4,859,500	5,205,500	346,000	7.1
Family Independence Agency.....	1,165,781,300	1,180,004,200	14,222,900	1.2
Higher Education.....	1,692,190,700	1,685,650,500	(6,540,200)	(0.4)
History, Arts, and Libraries .....	46,510,500	48,215,900	1,705,400	3.7
Judiciary .....	244,836,700	240,427,000	(4,409,700)	(1.8)
Labor and Economic Growth.....	369,450,600	385,038,600	15,588,000	4.2
Legislature.....	116,567,900	124,530,400	7,962,500	6.8
Management & Budget.....	67,030,200	69,890,300	2,860,100	4.3
Military and Veteran Affairs .....	61,723,900	62,970,500	1,246,600	2.0
Natural Resources (Operations) .....	223,260,600	221,587,200	(1,673,400)	(0.7)
Natural Resources Trust Fund .....	23,680,900	0	(23,680,900)	(100.0)
School Aid .....	11,108,287,100	11,173,900,000	65,612,900	0.6
State .....	160,083,651	165,788,400	5,704,749	3.6
State Police .....	332,991,329	344,982,200	11,990,871	3.6
Transportation .....	2,160,263,600	2,140,556,900	(19,706,700)	(0.9)
Treasury (Debt Service) .....	56,286,400	81,450,400	25,164,000	44.7
Treasury (Operations) .....	323,865,686	319,256,300	(4,609,386)	(1.4)
Treasury (Revenue Sharing).....	1,306,257,900	1,126,742,300	(179,515,600)	(13.7)
<b>TOTAL APPROPRIATIONS.....</b>	<b>\$25,762,385,017</b>	<b>\$26,151,790,500</b>	<b>\$389,405,483</b>	<b>1.5%</b>

a) Assumes adoption of Target Agreement for Capital Outlay.

Figure C

# State Spending from State Resources

## FY 2004-05 Year-to-Date Appropriations

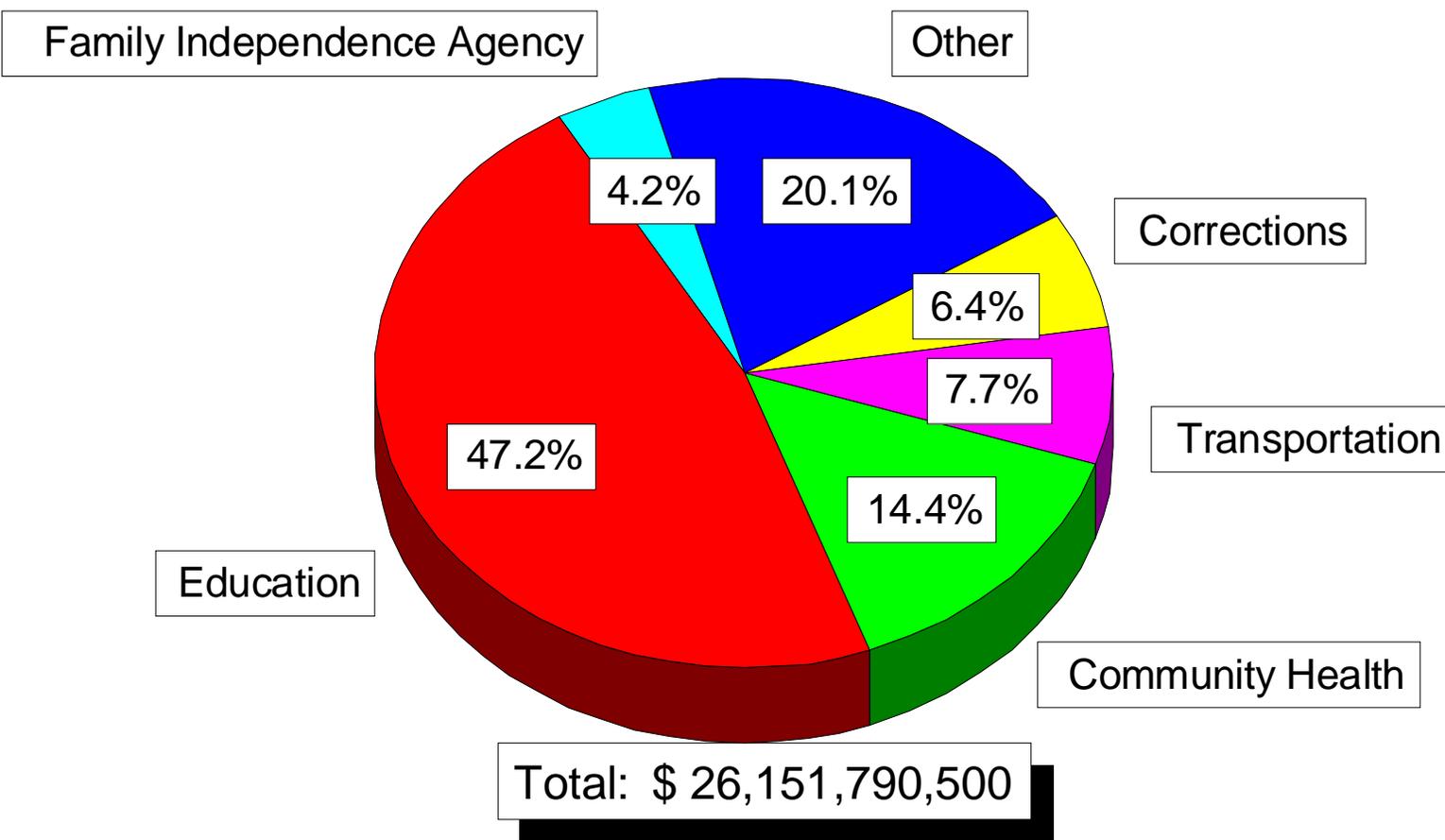


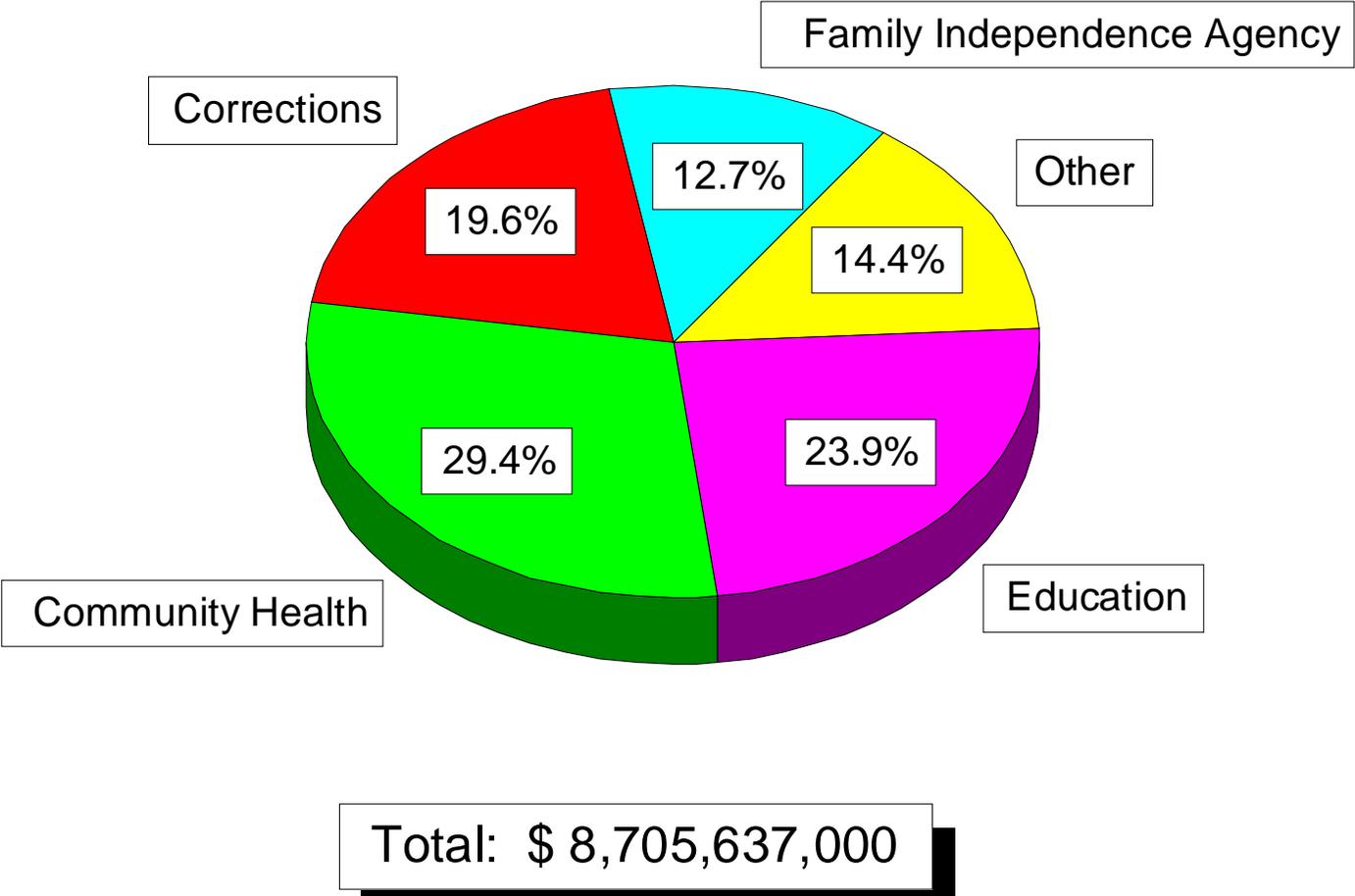
Table 4

GENERAL FUND/GENERAL PURPOSE APPROPRIATIONS FY 2003-04 VERSUS FY 2004-05				
Department/Budget Area	FY 2003-04 Year-to-Date Appropriations	FY 2004-05 Year-to-Date Appropriations	Dollar Difference	Percent Change
Agriculture .....	\$30,259,200	\$30,091,400	(\$167,800)	(0.6)%
Attorney General .....	30,259,900	31,503,900	1,244,000	4.1
Capital Outlay .....	229,002,600	249,194,800 <sup>a)</sup>	20,192,200	8.8
Civil Rights .....	11,720,158	11,759,000	38,842	0.3
Civil Service.....	7,832,537	7,672,100	(160,437)	(2.0)
Community Colleges .....	285,349,800	285,747,000	397,200	0.1
Community Health.....	2,613,988,700	2,557,860,600	(56,128,100)	(2.1)
Corrections .....	1,609,272,281	1,708,161,100	98,888,819	6.1
Education .....	29,059,700	26,394,700	(2,665,000)	(9.2)
Environmental Quality (Operations) .....	53,580,775	28,671,800	(24,908,975)	(46.5)
Executive.....	4,859,500	5,205,500	346,000	7.1
Family Independence Agency.....	1,095,571,300	1,109,682,800	14,111,500	1.3
Higher Education.....	1,602,440,700	1,600,500,500	(1,940,200)	(0.1)
History, Arts, and Libraries.....	44,201,700	45,803,500	1,601,800	3.6
Judiciary .....	160,216,400	158,093,300	(2,123,100)	(1.3)
Labor and Economic Growth.....	68,976,300	94,538,000	25,561,700	37.1
Legislature.....	114,072,800	122,173,900	8,101,100	7.1
Management & Budget.....	35,828,900	36,684,200	855,300	2.4
Military and Veteran Affairs .....	36,328,800	37,370,700	1,041,900	2.9
Natural Resources (Operations) .....	31,339,400	28,885,000	(2,454,400)	(7.8)
Natural Resources Trust Fund .....	0	0	0	0.0
School Aid .....	377,800,000	165,200,000	(212,600,000)	(56.3)
State .....	26,698,451	23,909,900	(2,788,551)	(10.4)
State Police .....	235,676,929	244,380,200	8,703,271	3.7
Transportation .....	0	0	0	0.0
Treasury (Debt Service) .....	25,408,400	42,448,600	17,040,200	67.1
Treasury (Operations) .....	60,263,986	53,262,500	(7,001,486)	(11.6)
Treasury (Revenue Sharing).....	1,542,300	442,300	(1,100,000)	(71.3)
<b>TOTAL APPROPRIATIONS.....</b>	<b>\$8,821,551,517</b>	<b>\$8,705,637,300</b>	<b>(\$115,914,217)</b>	<b>(1.3)%</b>

a) Assumes adoption of Target Agreement for Capital Outlay.

Figure D

# General Fund/General Purpose FY 2004-05 Year-to-Date Appropriations



**Table 5**  
**FY 2004-05**  
**LINE ITEM VETOES**  
**(actual dollars)**

Department/Item	Adjusted Gross	General Fund/ General Purpose
<b>Community Health</b>		
Local Public Health Collaborative Efforts .....	\$ 50,000	\$ 50,000
Alzheimer's Facility Funding.....	360,000	154,200
<b>Environmental Quality</b>		
Dioxin Bio-Availability Study.....	800,000	0
Real-Time Water Quality Monitoring .....	250,000	51,000
<b>History, Arts, and Libraries</b>		
Arenac County Lighthouse Project.....	10,000	10,000
<b>Transportation</b>		
Chippewa County Interchange .....	3,240,000	0
Emmet County Traffic Light.....	52,000	0
M-37 Corridor Improvements (Kent County) .....	1,100,000	0
Tienken Road Barricade Removal (Oakland County) .....	137,500	0
M-25 Bridge Project (Huron County).....	200,000	0
I-75 Interchange Study (Ogemaw County).....	50,000	0
City of Cheboygan Bridge Project .....	400,000	0
Eaton County Traffic Light.....	52,000	0
Wayne County Traffic Lights .....	104,000	0
Bridge Deck Replacement for Lake State Railroad .....	250,000	0
<b>Total Line-Item Vetoes .....</b>	<b>\$7,055,500</b>	<b>\$ 265,200</b>

Table 6

FY 2004-05 FEE INCREASES

Department/Budget Area	Type of Fee	Estimate of New FY 2004-05 Revenue
Agriculture	MUSTFA/Refined Petroleum Regulatory Fee (PA 390 of 2004) .....	\$3,000,000
Community Health	Vital Records Fee (SB 1143) .....	1,492,800
	Nursing Home Quality Assurance Assessments-extend sunset (PA 397 of 2004) .....	3,000,000
	Hospital Quality Assurance Assessments-extend sunset (PA 397 of 2004) .....	0
Environmental Quality	Campgrounds and Public Swimming Pools Fees (HB 4703) .....	333,400
	Manufactured Housing Fee (use of existing fund balance) .....	621,200
	Septage Waste Fee (PAs 381 and 382 of 2004) .....	296,700
	MUSTFA/Refined Petroleum Regulatory Fee (PA 390 of 2004) .....	11,921,000
Treasury	Assessor Certification and Training Fees (PA 327 of 2004, Sec. 907) .....	80,000
	MUSTFA/Refined Petroleum Regulatory Fee (PA 390 of 2004) .....	28,114,500
<b>Total Fee Increases.....</b>		<b>\$48,859,600</b>

Table 7

<b>FY 2004-05 TOBACCO SETTLEMENT APPROPRIATIONS</b> (actual dollars)	
<b>Department/Program</b>	<b>FY 2004-05 Appropriation</b>
<b><u>Merit Award Trust Fund</u></b>	
<b>Community Health</b>	
Medicaid Base Funding .....	\$110,675,000
<b>Education</b>	
Michigan Education Assessment Program .....	13,685,200
<b>Higher Education</b>	
Merit Award Scholarships .....	61,400,000
Tuition Incentive Program .....	10,250,000
Nursing Scholarship Program .....	4,000,000
Operations Funding .....	9,500,000
<b>Treasury</b>	
Merit Award Board .....	1,580,400
Tuition Incentive Program Administration .....	385,100
Michigan Education Savings Program .....	1,000,000
Information Technology .....	393,000
Transfer to General Fund .....	5,250,000
<b>Total Merit Award Trust Fund Appropriations .....</b>	<b>\$218,118,700</b>
<b><u>Tobacco Settlement Trust Fund</u></b>	
<b>Attorney General</b>	
Legal Services .....	\$368,200
<b>Community Health</b>	
Senior Prescription Drug Program .....	25,500,000
Nursing Home Personal Needs Allowance .....	5,000,000
Senior Respite Care Services .....	5,000,000
Medicaid Base Funding .....	30,625,000
<b>Labor and Economic Growth</b>	
Life Sciences Funding .....	10,000,000
Transfer to General Fund .....	1,750,000
<b>Total Tobacco Settlement Trust Fund Appropriations .....</b>	<b>\$78,243,200</b>
<b>Total Tobacco Settlement Appropriations .....</b>	<b>\$296,361,900</b>

**Table 8**  
**FY 2004-05**  
**GENERAL FUND/GENERAL PURPOSE**  
**REVENUE, EXPENDITURES, AND YEAR-END BALANCE**  
(millions of dollars)

	<b>SFA Estimate</b>
<b>Revenue:</b>	
Beginning Balance .....	\$ 0.0
<b>Ongoing Revenue:</b>	
Consensus Revenue Estimate .....	7,856.3
Enhanced Tax Enforcement Revenue.....	85.1
Driver Responsibility Legislation.....	73.1
Driver License Fee Legislation .....	25.0
Casino Tax Increase.....	42.9
Revenue Sharing Freeze.....	339.4
Suspension of County Revenue Sharing Payments .....	182.3
Adjustment of Interfund Borrowing Costs .....	20.0
Various Tax Policy Changes.....	3.3
Subtotal Ongoing Revenue.....	\$8,627.4
<b>Non-Ongoing Revenue:</b>	
Escheats Law Changes .....	25.0
Sale of Surplus School State and Local Property .....	31.4
Restricted Fund Transfers to GF/GP .....	22.0
Subtotal Non-Ongoing Revenue.....	78.4
<b>Total GF/GP Revenue .....</b>	<b>\$8,705.8</b>
<b>Expenditures:</b>	
Enacted GF/GP Appropriations .....	\$8,699.6
Pending Capital Outlay Appropriations.....	6.0
Lapse from Building Occupancy Charges .....	(0.7)
<b>Total GF/GP Expenditures .....</b>	<b>\$8,704.9</b>
<b>Projected Year-End Balance.....</b>	<b>\$ 0.9</b>

**Table 9**  
**FY 2004-05**  
**SCHOOL AID FUND**  
**REVENUE, EXPENDITURES, AND YEAR-END BALANCE**  
(millions of dollars)

	<b>SFA Estimate</b>
<b>Revenue:</b>	
Beginning Balance .....	\$ 0.0
Ongoing Estimated Restricted Revenue .....	10,960.4
<u>Other Revenue Adjustments:</u>	
GF/GP Grant .....	165.2
Federal Aid.....	1,353.6
Enhanced Tax Enforcement Revenue.....	35.5
Lottery Advertising Revenue.....	11.0
Tobacco Tax Increase Revenue Impact.....	3.8
Payment in Lieu of Taxes .....	(2.0)
Subtotal Other Revenue Adjustments .....	1,567.1
<b>Total Estimated Revenue .....</b>	<b>\$12,527.5</b>
<b>Expenditures:</b>	
Enrolled Appropriations .....	\$12,527.4
Projected Appropriation Lapses.....	0.0
<b>Total Estimated Expenditures .....</b>	<b>\$12,527.4</b>
<b>Projected Year-End Balance.....</b>	<b>\$ 0.1</b>

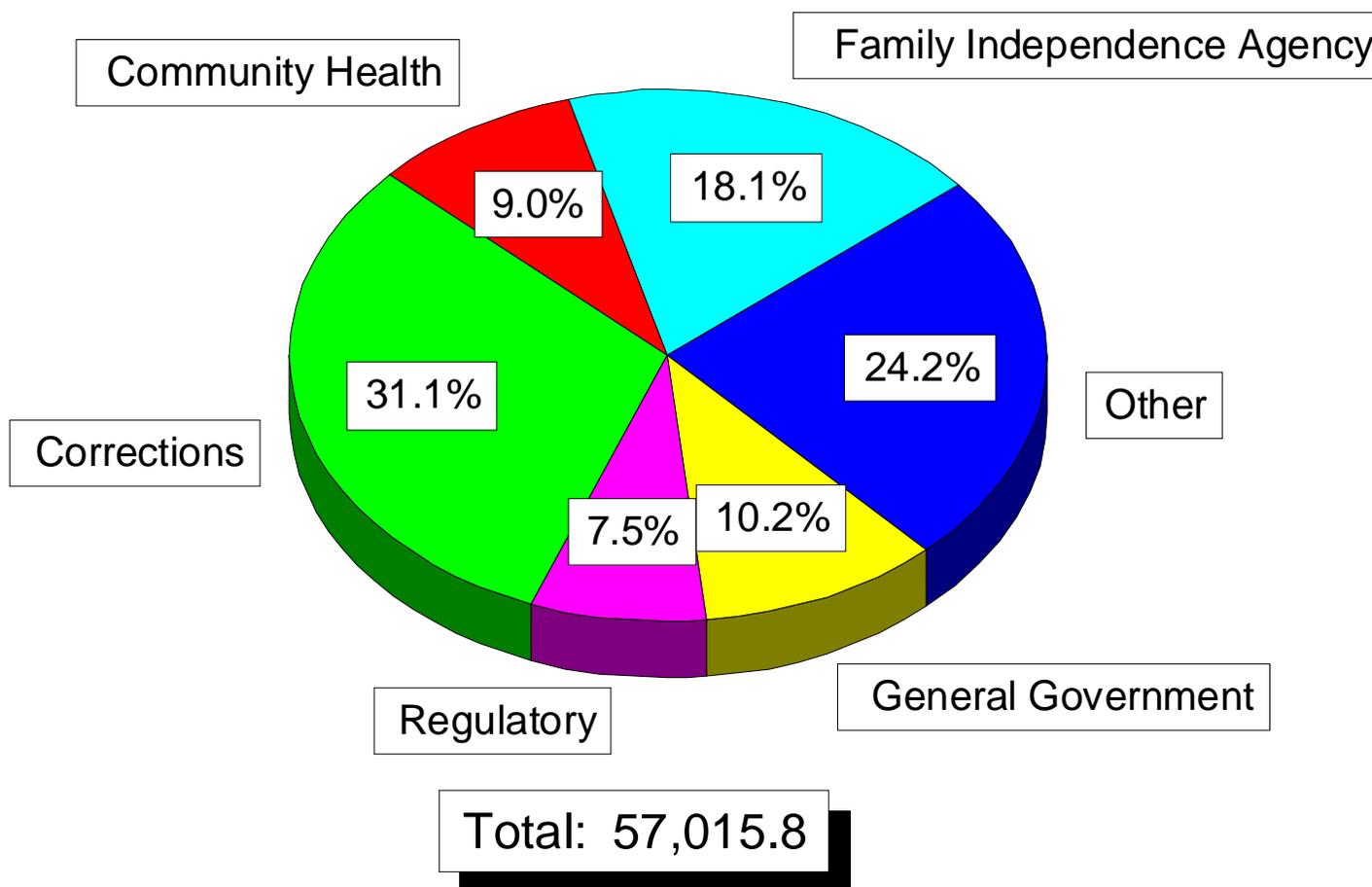
Table 10

**FULL-TIME EQUATED POSITIONS  
FY 2003-04 VERSUS FY 2004-05**

<b>Department/Budget Area</b>	<b>FY 2003-04 Year-to-Date Positions</b>	<b>FY 2004-05 Year-to-Date Positions</b>	<b>Position Change</b>	<b>Percent Change</b>
Agriculture .....	718.0	743.0	25.0	3.5%
Attorney General .....	562.0	558.0	(4.0)	(0.7)
Civil Rights .....	137.0	136.0	(1.0)	(0.7)
Civil Service.....	211.5	240.5	29.0	13.7
Community Colleges .....	0.0	0.0	0.0	0.0
Community Health.....	4,716.3	5,112.6	396.3	8.4
Corrections .....	18,296.7	17,753.8	(542.9)	(3.0)
Education .....	433.1	413.0	(20.1)	(4.6)
Environmental Quality .....	1,605.7	1,564.2	(41.5)	(2.6)
Executive .....	74.2	74.2	0.0	0.0
Family Independence Agency.....	10,890.6	10,302.0	(588.6)	(5.4)
Higher Education.....	1.0	1.0	0.0	0.0
History, Arts, and Libraries.....	248.5	232.0	(16.5)	(6.6)
Information Technology.....	1,749.4	1,756.4	7.0	0.4
Judiciary .....	582.5	582.5	0.0	0.0
Labor and Economic Growth.....	4,224.5	4,256.5	32.0	0.8
Legislature .....	0.0	0.0	0.0	0.0
Management & Budget.....	716.0	725.0	9.0	1.3
Military and Veteran Affairs .....	1,072.0	1,016.0	(56.0)	(5.2)
Natural Resources (Operations) .....	2,090.0	2,064.5	(25.5)	(1.2)
School Aid .....	0.0	0.0	0.0	0.0
State .....	1,850.8	1,851.8	1.0	0.1
State Police .....	2,972.0	2,948.0	(24.0)	(0.8)
Transportation .....	3,050.3	3,031.3	(19.0)	(0.6)
Treasury (Operations) .....	1,615.0	1,653.5	38.5	2.4
<b>TOTAL POSITIONS.....</b>	<b>57,817.1</b>	<b>57,015.8</b>	<b>(801.3)</b>	<b>(1.4)%</b>

Figure E

# Full-Time Equated Positions FY 2004-05 Year-to-Date Appropriations



**Table 11**

<b>STATE PAYMENTS TO LOCAL UNITS OF GOVERNMENT ARTICLE IX, SECTION 30 REQUIREMENT (millions of dollars)</b>		
	<b>2003-04 Estimate</b>	<b>2004-05 Estimate</b>
State Spending from State Resources <sup>1)</sup> .....	\$25,742.4	\$26,131.8
Required Payments to Local Units of Government (48.97%).....	\$12,606.0	\$12,796.7
Estimated Payments to Local Units of Government.....	\$15,737.4	\$15,476.7
Estimated Payments as a Percentage of Total State Spending.....	61.13%	59.22%
Surplus of Section 30 Payments .....	\$3,131.4	\$2,680.0
<sup>1)</sup> Excludes \$20.0 million of unrestricted Federal aid.		

Table 12

**STATE PAYMENTS TO LOCAL UNITS OF GOVERNMENT  
FY 2003-04 VERSUS FY 2004-05  
(actual dollars)**

<b>Department/Budget Area</b>	<b>FY 2003-04 Year-to-Date Appropriations</b>	<b>FY 2004-05 Year-to-Date Appropriations</b>	<b>Dollar Difference</b>	<b>Percent Change</b>
Agriculture .....	\$3,400,300	\$3,380,000	(\$20,300)	(0.6)%
Attorney General .....	0	0	0	0.0
Capital Outlay.....	20,060,000	28,456,200 <sup>a)</sup>	8,396,200	41.9
Civil Rights .....	0	0	0	0.0
Civil Service .....	0	0	0	0.0
Community Colleges .....	285,349,800	285,747,000	397,200	0.1
Community Health.....	1,025,144,100	1,054,030,900	28,886,800	2.8
Corrections .....	81,068,000	88,507,700	7,439,700	9.2
Education .....	13,010,100	9,015,100	(3,995,000)	(30.7)
Environmental Quality (Operations).....	19,145,500	18,445,500	(700,000)	(3.7)
Executive.....	0	0	0	0.0
Family Independence Agency.....	185,302,200	188,458,500	3,156,300	1.7
Higher Education.....	3,759,100	3,759,100	0	0.0
History, Arts, and Libraries.....	17,530,400	17,563,400	33,000	0.2
Judiciary .....	124,506,800	123,214,400	(1,292,400)	(1.0)
Labor and Economic Growth .....	31,015,900	25,112,000	(5,903,900)	(19.0)
Legislature.....	0	0	0	0.0
Management & Budget .....	0	0	0	0.0
Military and Veteran Affairs.....	120,000	120,000	0	0.0
Natural Resources (Operations) .....	21,983,000	21,510,200	(472,800)	(2.2)
Natural Resources Trust Fund.....	13,042,700	0	(13,042,700)	(100.0)
School Aid .....	11,220,982,800	11,113,650,400	(107,332,400)	(1.0)
State.....	945,600	846,700	(98,900)	(10.5)
State Police .....	18,947,758	20,107,800	1,160,042	6.1
Transportation .....	1,237,245,900	1,238,235,200	989,300	0.1
Treasury (Debt Service).....	0	0	0	0.0
Treasury (Operations).....	108,571,700	109,772,000	1,200,300	1.1
Treasury (Revenue Sharing).....	1,306,257,900	1,126,742,300	(179,515,600)	(13.7)
<b>TOTAL APPROPRIATIONS.....</b>	<b>\$15,737,389,558</b>	<b>\$15,476,674,400</b>	<b>(\$260,715,158)</b>	<b>(1.7)%</b>

a) Assumes adoption of Target Agreement for Capital Outlay.



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## **BUDGET AREA DETAIL**

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**DEPARTMENT OF AGRICULTURE  
P.A. 353 of 2004**

FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE	FY 2003-04 YEAR-TO-DATE	FY 2004-05 GOV.'S REC.	FY 2004-05 HOUSE	FY 2004-05 SENATE	FY 2004-05 YEAR-TO-DATE	CHANGES FROM FY 2003-04 YEAR-TO-DATE	
						AMOUNT	PERCENT
FTE Positions .....	718.0	709.0	734.0	734.0	743.0	25.0	3.5
<b>GROSS .....</b>	<b>115,465,600</b>	<b>116,401,300</b>	<b>115,956,800</b>	<b>115,956,700</b>	<b>126,131,300</b>	<b>10,665,700</b>	<b>9.2</b>
Less:							
Interdepartmental Grants Received.....	10,803,600	10,831,700	10,831,700	10,831,700	10,831,700	28,100	0.3
<b>ADJUSTED GROSS .....</b>	<b>104,662,000</b>	<b>105,569,600</b>	<b>105,125,100</b>	<b>105,125,000</b>	<b>115,299,600</b>	<b>10,637,600</b>	<b>10.2</b>
Less:							
Federal Funds .....	32,925,800	33,476,200	33,406,200	33,406,200	33,476,200	550,400	1.7
Local and Private.....	1,127,600	138,700	138,700	138,700	138,700	(988,900)	(87.7)
<b>TOTAL STATE SPENDING .....</b>	<b>70,608,600</b>	<b>71,954,700</b>	<b>71,580,200</b>	<b>71,580,100</b>	<b>81,684,700</b>	<b>11,076,100</b>	<b>15.7</b>
Less:							
Other State Restricted Funds .....	40,349,400	40,662,000	40,070,800	40,070,700	51,593,300	11,243,900	27.9
<b>GENERAL FUND/GENERAL PURPOSE..</b>	<b>30,259,200</b>	<b>31,292,700</b>	<b>31,509,400</b>	<b>31,509,400</b>	<b>30,091,400</b>	<b>(167,800)</b>	<b>(0.6)</b>
<b>PAYMENTS TO LOCALS.....</b>	<b>3,400,300</b>	<b>3,380,000</b>	<b>3,380,000</b>	<b>3,379,900</b>	<b>3,380,000</b>	<b>(20,300)</b>	<b>(0.6)</b>

**FY 2004-05 Change From  
FY 2003-04 Year-to-Date**

**A. MOTOR FUEL QUALITY PROGRAM**

The budget includes additional resources and position authorization to address motor fuel quality and quantity inspections/complaints statewide. The increase was recommended by the House and Senate, but not included in the Governor's recommendation. The enhancement is supported by revenue from the Michigan Underground Storage Tank Financial Assurance Fund.

FTE	34.0
Gross	1,335,500
Restricted	1,335,500
GF/GP	0

**B. CASINO TAX REVENUE**

As a result of P.A. 306 of 2004, which increased the State tax paid by the three Detroit casinos, approximately \$6.1 million of casino tax revenue will be directed to the Agriculture Equine Industry Development Fund. The budget includes \$6.1 million in additional appropriations from the Fund. Of the total, \$140,000 was made available to various equine-related grants. The remainder was divided equally between the tracks in Michigan for capital improvements (\$2.9 million) and the horsemen, for purse supplements, owners' awards, and breeders' awards (\$2.9 million).

Gross	6,100,000
Restricted	6,100,000
GF/GP	0

**C. HORSE RACING PROGRAMS**

The budget increases funding for horse racing programs, including purse supplements, breeders' awards, and owners' awards for the various breeds. The increases are supported by funding shifts in the Laboratory Program and the Office of Racing Commissioner, where appropriations from the Agriculture Equine Industry Development Fund were replaced with appropriations from the State Services Fee Fund (casino revenue). The Agriculture Equine Industry Development Fund revenue from the funding shift was redirected to the various horse racing programs.

Gross	756,000
Restricted	756,000
GF/GP	0

**D. ANIMAL HEALTH PROGRAM**

The budget provides additional Federal resources for bovine tuberculosis (TB) eradication efforts (\$350,000) and Johne's disease activities (\$356,000). Total funding for the Bovine TB Program in FY 2004-05 is \$5.5 million Gross, which includes funding for individual animal testing (discussed below).

Gross	706,000
Federal	706,000
GF/GP	0

**E. INDIVIDUAL ANIMAL TESTING FOR BOVINE TUBERCULOSIS**

The budget includes funding for individual animal testing associated with bovine tuberculosis surveillance in northeastern Michigan. Section 451 of the budget directs the Department to pay for all whole herd testing and individual animal testing costs in northeastern Michigan.

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

**FY 2004-05 Change From  
FY 2003-04 Year-to-Date**

**F. INFORMATION TECHNOLOGY**

Gross	48,000
GF/GP	48,000

Funding adjustments are included in the line item for information technology services and projects. The budget reflects an increase of \$71,000 associated with the allocation of statewide desktop costs and a decrease of \$23,000 resulting from the Leadership Target Agreement.

**G. PROGRAM REDUCTIONS/ELIMINATIONS**

**1. Agriculture Marketing Program**

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

The budget reduces funding for export market development assistance by \$50,000, leaving \$50,000 for this program. This program uses State resources to leverage private and Federal funds in order to enhance Michigan's agricultural exports. The budget also reduces funding for producer support and new market identification efforts by \$150,000.

**2. Local Conservation Districts**

Gross	(20,300)
GF/GP	(20,300)

The budget eliminates funding associated with training local conservation district personnel. The budget retains the base \$20,000 per district grant.

**3. Human Resource Consolidation**

FTE	(1.0)
Gross	(19,600)
GF/GP	(19,600)

The budget reflects savings from the statewide consolidation of human resource functions.

**H. PROGRAM TRANSFER**

**Private Cervidae Operations**

Gross	(93,500)
Restricted	(93,500)
GF/GP	0

The budget reflects the transfer of the private cervidae oversight responsibilities to the Department of Natural Resources, pursuant to Executive Order 2004-3. The funding is generated from license and registration fees paid by private cervidae operators.

**I. FTE ADJUSTMENTS**

FTE	(8.0)
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Adjustments are made to reflect Executive Order 2003-23, which included various GF/GP appropriation reductions to balance the FY 2003-04 budget.

**FY 2004-05 Change From  
FY 2003-04 Year-to-Date**

**J. FUNDING SHIFTS**

**1. Oil Overcharge Revenue**

The Governor proposed replacing \$997,600 of private oil overcharge revenue with revenue from the Gasoline Inspection and Testing Fund (\$385,000) and the Oil and Gas Regulatory Fund (\$450,000). The State will no longer receive revenue from settlements associated with consumer overcharges in the 1970s. The House and Senate replaced revenue from the Oil and Gas Regulatory Fund with revenue from the Michigan Underground Storage Tank Financial Assurance Fund as part of the Leadership Target Agreement.

Gross	(162,600)
Private	(997,600)
Restricted	835,000
GF/GP	0

**2. Michigan Underground Storage Tank Financial Assurance Fund**

The budget includes a funding shift, replacing an equal amount of General Fund/General Purpose appropriations with revenue from the Michigan Underground Storage Tank Financial Assurance Fund, in support of the Consumer Protection Program, which includes Motor Fuel Quality and Weights and Measures. This funding shift was part of the Leadership Target Agreement.

Gross	0
Restricted	1,178,300
GF/GP	(1,178,300)

**K. ECONOMIC ADJUSTMENTS**

The economic adjustment amount includes standard economic factors applied to salaries and wages, retirement, insurance, rent, motor transport, workers' compensation, and building occupancy charges consistent with factors applied to all budgets. Employee-related savings reflect the Department's share of budgetary savings that will be achieved through a reduction in outside contracts, voluntary work schedule adjustments, and temporary wage and benefit concessions.

Gross	2,929,800
IDG	73,100
Federal	548,500
Private	8,700
Restricted	1,097,100
GF/GP	1,202,400

Item	Gross	GF/GP
Economic Adjustments	\$4,788,100	\$2,169,100
Employee-Related Savings	(1,858,300)	(966,700)
Net Economics	\$2,929,800	\$1,202,400

**FY 2004-05 Change From  
FY 2003-04 Year-to-Date**

**L. OTHER ISSUES**

**1. Restricted Revenue Adjustments**

The budget makes adjustments for various restricted revenue appropriations to align expenditures with projected revenues.

Gross	(21,000)
Restricted	(21,000)
GF/GP	0

**2. NW Michigan Horticultural Research Station**

The budget provides funding from the State Services Fee Fund to support capital improvements at this facility in Leelanau County, which conducts fruit research.

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

**3. Agriculture Development**

The budget includes additional Federal resources to promote agricultural tourism and organically grown products to consumers and retailers.

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

**4. FY 2003-04 Supplemental Appropriation**

The budget reflects adjustments to account for FY 2003-04 one-time supplemental appropriations contained in P.A. 309 of 2004.

Gross	(1,042,600)
IDG	(45,000)
Federal	(774,100)
Restricted	(223,500)
GF/GP	0

**DEPARTMENT OF ATTORNEY GENERAL  
P.A. 327 of 2004**

FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE	FY 2003-04 YEAR-TO-DATE	FY 2004-05 GOV.'S REC.	FY 2004-05 HOUSE	FY 2004-05 SENATE	FY 2004-05 YEAR-TO-DATE	CHANGES FROM FY 2003-04 YEAR-T0-DATE	
						AMOUNT	PERCENT
FTE Positions .....	562.0	556.0	558.0	558.0	558.0	(4.0)	(0.7)
<b>GROSS.....</b>	<b>61,504,400</b>	<b>62,125,300</b>	<b>63,230,200</b>	<b>63,019,400</b>	<b>62,835,700</b>	<b>1,331,300</b>	<b>2.2</b>
Less:							
Interdepartmental Grants Received.....	10,810,600	11,244,300	12,545,500	12,545,500	12,545,500	1,734,900	16.0
<b>ADJUSTED GROSS .....</b>	<b>50,693,800</b>	<b>50,881,000</b>	<b>50,684,700</b>	<b>50,473,900</b>	<b>50,290,200</b>	<b>(403,600)</b>	<b>(0.8)</b>
Less:							
Federal Funds	9,563,800	9,292,400	8,301,300	8,301,300	8,301,300	(1,262,500)	(13.2)
Local and Private.....	0	0	0	0	0	0	0.0
<b>TOTAL STATE SPENDING .....</b>	<b>41,130,000</b>	<b>41,588,600</b>	<b>42,383,400</b>	<b>42,172,600</b>	<b>41,988,900</b>	<b>858,900</b>	<b>2.1</b>
Less:							
Other State Restricted Funds .....	10,870,100	11,070,000	10,485,000	10,485,000	10,485,000	(385,100)	(3.5)
<b>GENERAL FUND/GENERAL PURPOSE ..</b>	<b>30,259,900</b>	<b>30,518,600</b>	<b>31,898,400</b>	<b>31,687,600</b>	<b>31,503,900</b>	<b>1,244,000</b>	<b>4.1</b>
<b>PAYMENTS TO LOCALS .....</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>

**FY 2004-05 Change From  
FY 2003-04 Year-to-Date**

**A. HEALTH PROFESSIONALS**

The House and Senate added funding to reflect actual costs of the Department of Attorney General for legal services provided to the Department of Community Health regarding health professionals. The FY 2003-04 appropriation of \$1,170,400 was insufficient to cover actual costs for legal services. The balance was previously covered by the State General Fund.

Gross	460,900
IDG	460,900
GF/GP	0

**B. OFFICE OF FINANCIAL AND INSURANCE SERVICES**

The House and Senate added funding to reflect the actual workload from the Department of Labor and Economic Growth related to the Office of Financial and Insurance Services. The FY 2003-04 appropriation of \$122,800 was insufficient to cover actual costs for legal services. The balance was previously covered by the State General Fund.

Gross	903,600
IDG	903,600
GF/GP	0

**C. REAL ESTATE ENFORCEMENT**

The House and Senate maintained the \$200,000 for increased enforcement related to unlicensed realtors included in the FY 2003-04 supplemental appropriation (P.A. 309 of 2004). The FY 2004-05 budget includes FTE authorization.

FTE	2.0
Gross	0
Restricted	0
GF/GP	0

**D. PROGRAM REDUCTIONS/ELIMINATIONS**

**1. Prisoner Reimbursement**

The Governor's recommendation increased the amount reserved for collection activities from \$301,700 to \$400,000 and increased the threshold for the expenditure of additional funds from \$1,131,000 to \$1,231,000. The House and Senate eliminated the line item funding related to contingent spending authorization and included it as a boilerplate appropriation. This action left a \$400,000 appropriation from prisoner reimbursement funds for collection activities under the State Correctional Facilities Reimbursement Act. (See Item H.2. for a detailed explanation of this program.)

Gross	(719,200)
Restricted	(719,200)
GF/GP	0

**2. Federal Funds**

Federal funding was adjusted to reflect actual revenue (Byrne Grant reduced by \$364,700 and U.S. Department of Agriculture Food Stamp Fraud Program reduced by \$633,800).

Gross	(998,500)
Federal	(998,500)
GF/GP	0

**FY 2004-05 Change From  
FY 2003-04 Year-to-Date**

**3. Information Technology**

The budget reflects a reduction of \$23,900 based on actual information technology costs and a reduction of \$14,700 based on the Leadership Target Agreement.

Gross (38,600)  
GF/GP (38,600)

**4. Other Reductions**

Other reductions reflect the elimination of one-time Federal funding included in FY 2003-04 supplemental appropriations.

Gross (564,000)  
Federal (564,000)  
GF/GP 0

**E. FTE ADJUSTMENTS**

The budget reflects the reduction of 6.0 FTE positions related to funding reductions made in Executive Order 2003-23.

FTE (6.0)  
Gross 0  
GF/GP 0

**F. ECONOMIC ADJUSTMENTS**

The economic adjustment amount includes standard economic factors applied to salaries and wages, retirement, insurance, rent, motor transport, workers' compensation, and building occupancy charges consistent with factors applied to all budgets. Employee-related savings reflect the Department's share of budgetary savings that will be achieved through a reduction of outside contracts, voluntary work schedule adjustments, and temporary wage and benefit concessions.

Gross 2,287,100  
IDG 370,400  
Federal 300,000  
Restricted 334,100  
GF/GP 1,282,600

Item	Gross	GF/GP
Economic Adjustments	\$4,038,400	\$2,034,400
Employee-Related Savings	(1,751,300)	(751,800)
Net Economics	\$2,287,100	\$1,282,600

**G. TOBACCO SETTLEMENT**

The budget continues funding that was first included in FY 2002-03 to support 3.0 FTE positions that provide ongoing legal services associated with the Tobacco Master Settlement Agreement. Funding is increased by \$16,400, from \$351,800 to \$368,200, to reflect economic adjustments. The amount is included in Item F. above.

Gross 0  
Restricted 0  
GF/GP 0

H. VETOES

1. **Section 307.** Fiscal Year 2003-04 boilerplate provided that any unobligated antitrust enforcement revenue, not to exceed \$250,000, could be carried forward for appropriation in the next fiscal year. The House expanded this section to provide that in addition to antitrust revenue appropriated in Part 1, antitrust, securities fraud, consumer protection or class action enforcement revenue, or attorney fees recovered by the Department, not to exceed \$1.0 million, were appropriated for those cases. The House also added carry-forward authorization for up to \$1.0 million. The Senate concurred with the House. The Governor vetoed the entire section, stating that it effectively authorized General Fund expenditures in excess of her recommendation. Section 250 of Public Act 360 of 2004 (FY 2004-05 supplemental appropriation bill) restored a modified version of this section, reducing the carry-forward authorization back to the Governor's recommendation of \$250,000.
  
2. **Section 309.** Fiscal Year 2003-04 boilerplate authorized the Department of Attorney General to spend up to \$301,700 of prisoner reimbursement funds on activities related to the State Correctional Facilities Reimbursement Act. If the Department collected over \$1,131,000, the excess, limited to \$800,000, could be spent on the defense of the State, its departments, or employees, in civil actions filed by prisoners. The Governor's recommendation increased the amount reserved for collection activities from \$301,700 to \$400,000 and increased the threshold for the expenditure of additional funds from \$1,131,000 to \$1,231,000. The revised language also included carry-forward authority of up to \$800,000. The House changed the language to reflect a boilerplate appropriation of the contingent prisoner reimbursement allocation to the Department of Attorney General, increased the contingent appropriation and carry-forward authorization from \$800,000 to \$1.0 million, broadened the scope of what the funds may be spent on, and returned the threshold for the contingent appropriation to \$1,131,000. The Senate concurred with the House. The Governor vetoed the last sentence of this section, which provided for the carry forward of unspent funds.

**CAPITAL OUTLAY  
P.A. 309 of 2004**

FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE	FY 2003-04 YEAR-TO-DATE	FY 2004-05 GOV.'S REC.	FY 2004-05 HOUSE*	FY 2004-05 SENATE*	FY 2004-05 YEAR-TO-DATE*	CHANGES FROM FY 2003-04 YEAR-T0-DATE	
						AMOUNT	PERCENT
FTE Positions .....	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>GROSS.....</b>	<b>535,864,200</b>	<b>556,848,300</b>	<b>535,507,500</b>	<b>535,507,500</b>	<b>535,507,500</b>	<b>(356,700)</b>	<b>(0.1)</b>
Less:							
Interdepartmental Grants Received.....	2,000,000	2,000,000	0	0	0	(2,000,000)	(100.0)
<b>ADJUSTED GROSS .....</b>	<b>533,864,200</b>	<b>554,848,300</b>	<b>535,507,500</b>	<b>535,507,500</b>	<b>535,507,500</b>	<b>1,643,300</b>	<b>0.3</b>
Less:							
Federal Funds.....	206,952,000	213,842,000	215,380,200	215,380,200	215,380,200	8,428,200	4.1
Local and Private.....	22,789,600	42,790,000	22,790,000	22,790,000	22,790,000	400	0.1
<b>TOTAL STATE SPENDING .....</b>	<b>304,122,600</b>	<b>298,216,300</b>	<b>297,337,300</b>	<b>297,337,300</b>	<b>297,337,300</b>	<b>(6,785,300)</b>	<b>(2.2)</b>
Less:							
Other State Restricted Funds .....	75,120,000	53,214,200	48,142,500	48,142,500	48,142,500	(26,977,500)	(35.9)
<b>GENERAL FUND/GENERAL PURPOSE ..</b>	<b>229,002,600</b>	<b>245,002,100</b>	<b>249,194,800</b>	<b>249,194,800</b>	<b>249,194,800</b>	<b>20,192,200</b>	<b>8.8</b>
<b>PAYMENTS TO LOCALS .....</b>	<b>20,060,000</b>	<b>21,756,200</b>	<b>28,456,200</b>	<b>28,456,200</b>	<b>28,456,200</b>	<b>8,396,200</b>	<b>41.9</b>

\*Assumes final passage of appropriation bill at target agreement level.

**A. FY 2004-05 APPROPRIATIONS**

At the time of this report's publication, the only portion of the FY 2004-05 Capital Outlay appropriation that had been enacted was for State Building Authority rent (debt service) and was included in Public Act 309 of 2004. The balance of this section of the report (except item B.) assumes passage of the remaining items for capital outlay as recommended by the Governor and adopted by the Leadership Target Agreement.

**B. STATE BUILDING AUTHORITY RENT (Debt Service)**

Gross	8,095,000
Restricted	(7,905,000)
GF/GP	16,000,000

Public Act 309 appropriated money for State Building Authority (SBA) rent, which pays for previously authorized building projects that are financed and owned by the SBA, and then leased back to the State. The SBA uses the rent money to pay off the bonds that were sold to finance construction. Public Act 309 provided Adjusted Gross appropriations of \$250,797,100 (an increase of 3.2%), \$7,795,000 in State restricted appropriations, and \$243,002,100 GF/GP in order to cover the additional obligations for new projects coming on line.

**The following items assume passage at the Target Agreement levels:**

**C. STATEWIDE SPECIAL MAINTENANCE**

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

The Governor recommended continuation funding for statewide special maintenance. Pursuant to the Leadership Target Agreement, the \$2.0 million General Fund portion of special maintenance was shifted to FY 2003-04 in P.A. 360 of 2004 and funded from State Building Authority escrow reserve funds.

**D. DEPARTMENT OF MILITARY AND VETERANS AFFAIRS**

Gross	4,766,500
Federal	5,428,200
Restricted	(661,700)
GF/GP	0

The recommendation eliminates one-time funding for several construction projects, and includes several new construction projects funded primarily with Federal revenue, including:

- Camp Graying – New Company Headquarters Building, \$18.5 million
- Camp Graying – New Machine Gun Range, \$2.0 million
- North Lansing Baker Olin Complex – Renovations for Department Headquarters, \$13.0 million
- Veteran's Homes – Life and Safety Renovations - \$2,366,500
- Grand Ledge - Army Aviation Support Facility – Phase II Funding, \$9.2 million
- Land Acquisitions - \$100,000

**FY 2004-05 Change From  
FY 2003-04 Year-to-Date**

**E. DEPARTMENT OF NATURAL RESOURCES**

The recommendation makes the following adjustments to construction projects for the Department:

1. **State Parks.** The budget provides a \$100,000 increase for the Forest Roads and Bridges program, and continuation funding of \$1.0 million for State Park Maintenance.
2. **Waterways.** The budget eliminates several one-time appropriation items and provides \$10.0 million for a number of new harbor, docks, and state boating access site projects at locally owned and State-owned facilities, including:
  - a. St. Clair County – Marina expansion: \$3.0 million State; \$1.0 million Local
  - b. Charlevoix County – Marina expansion: \$1.0 million State; \$1.0 million Local
  - c. Ottawa County – Kollen Park access site: \$650,000 State; \$650,000 Local
  - d. Benzie County – Crystal Lake access site: \$1.4 million State
  - e. St. Clair County – Fairhaven access site: \$500,000 State
  - f. Cheboygan County – Cheboygan Forks new access site: \$410,000 State

Gross	100,000
Restricted	100,000
GF/GP	0
Gross	\$4,000,000
Restricted	\$4,000,000
GF/GP	0

**F. DEPARTMENT OF TRANSPORTATION**

The budget eliminates several one-time appropriation items and provides increases for a number of new construction authorizations for a variety of projects, including:

1. **Montmorency County** – Atlanta Maintenance Garage, Phase II: \$2,676,000 (\$3.3 million total cost)
2. **Wayne County** – Detroit Maintenance Garage, Phase II: \$530,000 (\$4,030,000 total cost)
3. **Oscoda County** – Mio Maintenance Garage: \$1,471,000
4. **Livingston County** – Brighton Storage Building: \$350,000
5. **Ingham County** – State Aeronautics Facility upgrades: \$400,000

Gross	2,033,000
Restricted	2,033,000
GF/GP	0

**FY 2004-05 Change From  
FY 2003-04 Year-to-Date**

**G. DEPARTMENT OF TRANSPORTATION – Aeronautics**

The budget recommendation increases State matching funds for security and improvement projects at nearly 100 airports statewide that total \$202,046,200 funded in large part with Federal and local matching revenue.

Gross	1,156,600
Restricted	1,156,200
Local	400
GF/GP	0

**H. STATE BUILDING AUTHORITY RENT (Debt Service)**

Pursuant to the Leadership Target Agreement, the recommendation restores \$6.0 million in General Fund support which will replace 9-1-1 emergency telephone fee revenue.

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

**I. GRANT TO LAKE SUPERIOR STATE UNIVERSITY**

Pursuant to the Leadership Target Agreement, an appropriation for Infrastructure, Technology, Equipment, and Maintenance (ITEM) is included.

Gross	192,700
GF/GP	192,700

**J. CONSTRUCTION AUTHORIZATIONS**

No new planning or construction authorizations are included in the recommendation.

Gross	500
GF/GP	500

**DEPARTMENT OF CIVIL RIGHTS  
P.A.327 of 2004**

FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE	FY 2003-04 YEAR-TO-DATE	FY 2004-05 GOV.'S REC.	FY 2004-05 HOUSE	FY 2004-05 SENATE	FY 2004-05 YEAR-TO-DATE	CHANGES FROM FY 2003-04 YEAR-TO-DATE	
						AMOUNT	PERCENT
FTE Positions .....	137.0	136.0	136.0	136.0	136.0	(1.0)	(0.7)
<b>GROSS.....</b>	<b>12,654,158</b>	<b>12,707,300</b>	<b>12,791,200</b>	<b>12,182,300</b>	<b>12,693,000</b>	<b>38,842</b>	<b>0.3</b>
Less:							
Interdepartmental Grants Received.....	0	0	0	0	0	0	0.0
<b>ADJUSTED GROSS .....</b>	<b>12,654,158</b>	<b>12,707,300</b>	<b>12,791,200</b>	<b>12,182,300</b>	<b>12,693,000</b>	<b>38,842</b>	<b>0.3</b>
Less:							
Federal Funds.....	934,000	934,000	934,000	934,000	934,000	0	0.0
Local and Private.....	0	0	0	0	0	0	0.0
<b>TOTAL STATE SPENDING .....</b>	<b>11,720,158</b>	<b>11,773,300</b>	<b>11,857,200</b>	<b>11,248,300</b>	<b>11,759,000</b>	<b>38,842</b>	<b>0.3</b>
Less:							
Other State Restricted Funds .....	0	0	0	0	0	0	0.0
<b>GENERAL FUND/GENERAL PURPOSE ..</b>	<b>11,720,158</b>	<b>11,773,300</b>	<b>11,857,200</b>	<b>11,248,300</b>	<b>11,759,000</b>	<b>38,842</b>	<b>0.3</b>
<b>PAYMENTS TO LOCALS .....</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>

**FY 2004-05 Change From  
FY 2003-04 Year-to-Date**

**A. INFORMATION TECHNOLOGY**

Gross 16,000  
GF/GP 16,000

The budget includes an adjustment to reflect the allocation of desktop costs by the Department of Information Technology.

**B. PROGRAM REDUCTIONS/ELIMINATIONS**

**Information Technology**

Gross (22,000)  
GF/GP (22,000)

The budget reflects a \$7,700 adjustment related to telecommunication cost reductions and a \$14,300 reduction based on the Leadership Target Agreement related to General Fund reductions to the Department of Information Technology.

**C. PROGRAM TRANSFERS**

**Human Resources Optimization Project**

FTE (1.0)  
Gross (19,600)  
GF/GP (19,600)

The budget includes net savings related to the consolidation in the Department of Civil Service of certain human resource functions. An explanation of the consolidation project is included in the budget overview for the Department of Civil Service.

**D. ECONOMIC ADJUSTMENTS**

Gross 64,442  
GF/GP 64,442

The economic adjustment amount includes standard economic factors applied to salaries and wages, retirement, insurance, rent, motor transport, workers' compensation, and building occupancy charges consistent with factors applied to all budgets. Employee-related savings reflect the Department's share of budgetary savings that will be achieved through the reduction of outside contracts, voluntary work schedule adjustments, and temporary wage and benefit concessions.

Item	Gross	GF/GP
Economic Adjustments	\$411,342	\$411,342
Employee-Related Savings	(346,900)	(346,900)
Net Economics	\$64,442	\$64,442

**DEPARTMENT OF CIVIL SERVICE  
P.A.327 of 2004**

FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE	FY 2003-04 YEAR-TO-DATE	FY 2004-05 GOV.'S REC.	FY 2004-05 HOUSE	FY 2004-05 SENATE	FY 2004-05 YEAR-TO-DATE	CHANGES FROM FY 2003-04 YEAR-T0-DATE	
						AMOUNT	PERCENT
FTE Positions .....	211.5	240.5	240.5	240.5	240.5	29.0	13.7
<b>GROSS.....</b>	<b>31,633,837</b>	<b>35,209,800</b>	<b>35,262,900</b>	<b>34,908,300</b>	<b>35,146,700</b>	<b>3,512,863</b>	<b>11.1</b>
Less:							
Interdepartmental Grants Received.....	2,300,000	2,300,000	5,370,900	5,295,900	5,370,900	3,070,900	133.5
<b>ADJUSTED GROSS .....</b>	<b>29,333,837</b>	<b>32,909,800</b>	<b>29,892,000</b>	<b>29,612,400</b>	<b>29,775,800</b>	<b>441,963</b>	<b>1.5</b>
Less:							
Federal Funds.....	4,779,100	4,779,100	4,779,100	4,699,200	4,779,100	0	0.0
Local and Private.....	1,850,000	1,850,000	1,850,000	1,850,000	1,850,000	0	0.0
<b>TOTAL STATE SPENDING .....</b>	<b>22,704,737</b>	<b>26,280,700</b>	<b>23,262,900</b>	<b>23,063,200</b>	<b>23,146,700</b>	<b>441,963</b>	<b>1.9</b>
Less:							
Other State Restricted Funds .....	14,872,200	18,545,500	15,474,600	15,412,700	15,474,600	602,400	4.1
<b>GENERAL FUND/GENERAL PURPOSE ..</b>	<b>7,832,537</b>	<b>7,735,200</b>	<b>7,788,300</b>	<b>7,650,500</b>	<b>7,672,100</b>	<b>(160,437)</b>	<b>(2.0)</b>
<b>PAYMENTS TO LOCALS .....</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>

**FY 2004-05 Change From  
FY 2003-04 Year-to-Date**

**A. PROGRAM REDUCTIONS/ELIMINATIONS**

**1. Information Technology**

Gross	(155,000)
GF/GP	(155,000)

The budget includes a \$91,000 reduction reflecting savings related to telecommunication, data center, contractual costs, and equipment. A reduction of \$63,100 also was included pursuant to the Leadership Target Agreement for information technology savings.

**2. Program Reductions**

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

The budget includes reductions to travel, contractual services, supplies, materials, and delayed improvements to the Human Resources Management Network (HRMN), as recommended by the Governor.

**3. Human Resources Optimization Project.**

FTE	(1.0)
Gross	(19,600)
Restricted	(2,400)
GF/GP	(17,200)

This reduction reflects the net savings related to the Human Resources Optimization Project (below).

**B. PROGRAM TRANSFERS**

**Human Resources Optimization Project**

FTE	30.0
Gross	3,041,400
IDG	3,070,900
Restricted	(29,500)
GF/GP	0

The FY 2004-05 budget includes a Human Resources Optimization Project that will use HRMN to consolidate and standardize the processing of certain routine transactions and services for State employees. The Project excludes the Judiciary, Legislature, Department of Attorney General, and Department of State. The centralized Human Resource Service Center will be housed in the Department of Civil Service, and the Department of Information Technology will provide technical maintenance. The budget includes a net statewide reduction of \$2.0 million and 70.0 FTE positions related to the Optimization Project. The Department of Civil Service appropriation for the Human Resources Optimization totals 30.0 FTEs/\$2.0 million, and the appropriation for the Department of Information Technology is 4.0 FTEs/\$1,070,900.

**FY 2004-05 Change From  
FY 2003-04 Year-to-Date**

Gross	1,246,063
Restricted	634,300
GF/GP	611,763

**C. ECONOMIC ADJUSTMENTS**

The economic adjustment amount includes standard economic factors applied to salaries and wages, retirement, insurance, rent, motor transport, workers' compensation, and building occupancy charges consistent with factors applied to all budgets. Employee-related savings reflect the Department's share of budgetary savings that will be achieved through the reduction of outside contracts, voluntary work schedule adjustments, and temporary wage and benefit concessions.

Item	Gross	GF/GP
Economic Adjustments	\$1,834,663	\$815,563
Employee-Related Savings	(588,600)	(203,800)
Net Economics	\$1,246,063	\$611,763

**DEPARTMENT OF COMMUNITY COLLEGES  
P.A. 358 of 2004**

FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE	FY 2003-04 YEAR-TO-DATE	FY 2004-05 GOV.'S REC.	FY 2004-05 SENATE	FY 2004-05 HOUSE	FY 2004-05 YEAR-TO-DATE	CHANGES FROM FY 2003-04 YEAR-TO-DATE	
						AMOUNT	PERCENT
FTE Positions .....	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>GROSS.....</b>	<b>285,349,800</b>	<b>285,747,000</b>	<b>285,747,000</b>	<b>285,752,800</b>	<b>285,747,000</b>	<b>397,200</b>	<b>0.1</b>
Less:							
Interdepartmental Grants Received.....	0	0	0	0	0	0	0.0
<b>ADJUSTED GROSS .....</b>	<b>285,349,800</b>	<b>285,747,000</b>	<b>285,747,000</b>	<b>285,752,800</b>	<b>285,747,000</b>	<b>397,200</b>	<b>0.1</b>
Less:							
Federal Funds.....	0	0	0	0	0	0	0.0
Local and Private.....	0	0	0	0	0	0	0.0
<b>TOTAL STATE SPENDING .....</b>	<b>285,349,800</b>	<b>285,747,000</b>	<b>285,747,000</b>	<b>285,752,800</b>	<b>285,747,000</b>	<b>397,200</b>	<b>0.1</b>
Less:							
Other State Restricted Funds .....	0	0	0	0	0	0	0.0
<b>GENERAL FUND/GENERAL PURPOSE ..</b>	<b>285,349,800</b>	<b>285,747,000</b>	<b>285,747,000</b>	<b>285,752,800</b>	<b>285,747,000</b>	<b>397,200</b>	<b>0.1</b>
<b>PAYMENTS TO LOCALS .....</b>	<b>285,349,800</b>	<b>285,747,000</b>	<b>285,747,000</b>	<b>285,752,800</b>	<b>285,747,000</b>	<b>397,200</b>	<b>0.1</b>

**A. FY 2003-04 SUPPLEMENTAL APPROPRIATIONS INCLUDED IN FY 2004-05 ACT**

**Tuition Restraint**

The FY 2004-05 appropriations act for Community Colleges (P.A. 358 of 2004) includes an FY 2003-04 supplemental to provide a 3% tuition restraint incentive payment to each college that pledged to keep tuition below the rate of inflation. These payments had originally been authorized in Section 251 of P.A. 237 of 2003, but that section was repealed by P.A. 358. The new tuition restraint incentive payments included in P.A. 358 sets the tuition increase limit at 2.8% (from 2.4%) and includes new language to allow these payments to be made in FY 2004-05 if the Northville Psychiatric Hospital is not sold before October 1, 2004. All community colleges qualified for the 3% tuition restraint incentive, meaning that each will get a 3% restoration for FY 2003-04 (\$8,521,000 in total) and will not have its appropriation reduced for FY 2004-05.

**B. FY 2004-05 TUITION RESTRAINT**

	Gross	8,518,400
	GF/GP	8,518,400

The FY 2004-05 appropriation bill includes a similar 3% tuition restraint incentive payment for all colleges that pledge to keep tuition below 2.8%. Since all colleges qualified for the tuition restraint incentive payments, each college will receive a 3% increase from its pretuition restraint FY 2003-04 base appropriation, in FY 2004-05.

**C. RENAISSANCE ZONES**

	Gross	400,000
	GF/GP	400,000

Both the House and the Senate concurred with the Governor's recommendation to provide additional funding to reimburse community colleges for property tax revenue lost from properties located within a Renaissance Zone development as required by law. The additional appropriation is based on projected program expansion.

**D. AT-RISK STUDENT SUCCESS PROGRAM**

	Gross	0
	GF/GP	0

This categorical grant program provides funds to colleges that enroll students who test at levels that indicate they will require additional preparatory and developmental instruction. Funds are allocated based on the number of contact hours provided for these services. Both the House and the Senate concurred with the Governor's recommendation to retain program funding at the FY 2003-04 level of \$3,322,700.

**FY 2004-2005 Community College Recommended Appropriations**

College				<i>If tuition is kept below inflation.....</i>			<i>If not.....</i>	
	A	B	C (A+B)	D	E (C+D)	F	G	H (C+G)
	P.A. 146 2003 FY 2003-04 Enacted	E.O. 2003-23 4.4% Reduction	FY 2003-04 Year-To-Date Appropriation	Tuition Restraint Refund (3%)	FY 2003-04 Adjusted Appropriation	FY 2004-05 Enacted	FY '05 Tuition Restraint Penalty (3%)	FY 2004-05 Enacted
Alpena	4,930,500	(215,900)	4,714,600	147,900	4,862,500	4,862,500	(147,900)	4,566,700
Bay de Noc	4,766,800	(208,700)	4,558,100	143,000	4,701,100	4,701,100	(143,000)	4,415,100
Delta	13,331,900	(583,800)	12,748,100	400,000	13,148,100	13,148,100	(400,000)	12,348,100
Glen Oaks	2,236,800	(98,000)	2,138,800	67,100	2,205,900	2,205,900	(67,100)	2,071,700
Gogebic	4,078,400	(178,600)	3,899,800	122,400	4,022,200	4,022,200	(122,400)	3,777,400
Grand Rapids	16,769,300	(734,400)	16,034,900	503,100	16,538,000	16,538,000	(503,100)	15,531,800
Henry Ford	20,436,700	(895,000)	19,541,700	613,100	20,154,800	20,154,800	(613,100)	18,928,600
Jackson	11,312,800	(495,400)	10,817,400	339,400	11,156,800	11,156,800	(339,400)	10,478,000
Kalamazoo Valley	11,542,800	(505,500)	11,037,300	346,300	11,383,600	11,383,600	(346,300)	10,691,000
Kellogg	9,068,800	(397,100)	8,671,700	272,100	8,943,800	8,943,800	(272,100)	8,399,600
Kirtland	2,752,400	(120,500)	2,631,900	82,600	2,714,500	2,714,500	(82,600)	2,549,300
Lake Michigan	4,880,800	(213,700)	4,667,100	146,400	4,813,500	4,813,500	(146,400)	4,520,700
Lansing	28,999,400	(1,269,900)	27,729,500	870,000	28,599,500	28,599,500	(870,000)	26,859,500
Macomb	30,941,500	(1,355,000)	29,586,500	928,200	30,514,700	30,514,700	(928,200)	28,658,300
Mid Michigan	4,127,600	(180,800)	3,946,800	123,800	4,070,600	4,070,600	(123,800)	3,823,000
Monroe	4,015,800	(175,900)	3,839,900	120,500	3,960,400	3,960,400	(120,500)	3,719,400
Montcalm	2,904,700	(127,200)	2,777,500	87,100	2,864,600	2,864,600	(87,100)	2,690,400
Mott	14,661,600	(642,100)	14,019,500	439,900	14,459,400	14,459,400	(439,900)	13,579,600
Muskegon	8,343,600	(365,400)	7,978,200	250,300	8,228,500	8,228,500	(250,300)	7,727,900
North Central	2,826,100	(123,800)	2,702,300	84,800	2,787,100	2,787,100	(84,800)	2,617,500
Northwestern	8,513,800	(372,800)	8,141,000	255,400	8,396,400	8,396,400	(255,400)	7,885,600
Oakland	19,518,300	(854,800)	18,663,500	585,600	19,249,100	19,249,100	(585,600)	18,077,900
St. Clair	6,537,800	(286,300)	6,251,500	196,100	6,447,600	6,447,600	(196,100)	6,055,400
Schoolcraft	11,455,400	(501,700)	10,953,700	343,700	11,297,400	11,297,400	(343,700)	10,610,000
Southwestern	6,149,300	(269,300)	5,880,000	184,500	6,064,500	6,064,500	(184,500)	5,695,500
Washtenaw	11,642,900	(509,900)	11,133,000	349,300	11,482,300	11,482,300	(349,300)	10,783,700
Wayne County	15,050,600	(659,100)	14,391,500	451,500	14,843,000	14,843,000	(451,500)	13,940,000
West Shore	2,144,000	(93,900)	2,050,100	64,300	2,114,400	2,114,400	(64,300)	1,985,800
<b>Subtotal Operations</b>	<b>\$283,940,400</b>	<b>(\$12,434,500)</b>	<b>\$271,505,900</b>	<b>\$8,518,400</b>	<b>\$280,024,300</b>	<b>\$280,024,300</b>	<b>(\$8,518,400)</b>	<b>\$262,987,500</b>
At Risk	3,322,700	0	3,322,700		3,322,700	3,322,700		3,322,700
Renaissance Zone	1,750,000	0	2,000,000		2,000,000	2,400,000		2,400,000
<b>Total GF/GP</b>	<b>\$289,013,100</b>	<b>(\$12,434,500)</b>	<b>\$276,828,600</b>	<b>\$8,518,400</b>	<b>\$285,347,000</b>	<b>\$285,747,000</b>	<b>(\$8,518,400)</b>	<b>\$268,710,200</b>

**DEPARTMENT OF COMMUNITY HEALTH  
P.A. 349 of 2004**

FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE	FY 2003-04 YEAR-TO-DATE	FY 2004-05 GOV.'S REC.	FY 2004-05 SENATE	FY 2004-05 HOUSE	FY 2004-05 YEAR-TO-DATE	CHANGES FROM FY 2003-04 YEAR-TO-DATE	
						AMOUNT	PERCENT
FTE Positions .....	4,716.3	4,674.0	5,077.7	5,095.6	5,112.6	396.3	8.4
<b>GROSS.....</b>	<b>10,124,197,100</b>	<b>10,148,961,200</b>	<b>9,743,675,400</b>	<b>9,734,788,500</b>	<b>10,173,199,800</b>	<b>49,002,700</b>	<b>0.5</b>
Less:							
Interdepartmental Grants Received.....	69,330,100	70,036,900	70,543,500	70,543,500	70,037,000	706,900	1.0
<b>ADJUSTED GROSS .....</b>	<b>10,054,867,000</b>	<b>10,078,924,300</b>	<b>9,673,132,000</b>	<b>9,664,245,000</b>	<b>10,103,162,800</b>	<b>48,295,800</b>	<b>0.5</b>
Less:							
Federal Funds.....	5,617,809,600	5,479,202,700	5,267,506,300	5,277,363,400	5,502,528,700	(115,280,900)	(2.1)
Local and Private.....	810,196,700	514,155,900	511,072,900	511,505,800	578,928,800	(231,267,900)	(28.5)
<b>TOTAL STATE SPENDING .....</b>	<b>3,626,860,700</b>	<b>4,085,565,700</b>	<b>3,894,552,800</b>	<b>3,875,375,800</b>	<b>4,021,705,300</b>	<b>394,844,600</b>	<b>10.9</b>
Less:							
Other State Restricted Funds .....	1,012,872,000	1,557,604,000	920,404,000	1,409,389,300	1,463,844,700	450,972,700	44.5
<b>GENERAL FUND/GENERAL PURPOSE ..</b>	<b>2,613,988,700</b>	<b>2,527,961,700</b>	<b>2,974,148,800</b>	<b>2,465,986,500</b>	<b>2,557,860,600</b>	<b>(56,128,100)</b>	<b>(2.1)</b>
<b>PAYMENTS TO LOCALS .....</b>	<b>1,025,144,100</b>	<b>1,060,142,600</b>	<b>1,060,642,600</b>	<b>1,050,699,600</b>	<b>1,054,030,900</b>	<b>28,886,800</b>	<b>2.8</b>

**FY 2004-05 Change From  
FY 2003-04 Year-to-Date**

**A. GENERAL ISSUES**

**1. Federal Grants**

The budget reflects changes in Federal grants. Most of the decrease is due to the expiration of one-time information technology grants.

Gross	(10,039,200)
Federal	(10,039,200)
GF/GP	0

**2. Human Resources Optimization**

The budget assumes savings from the statewide consolidation of human resources functions.

FTE	(10.0)
Gross	(262,300)
Federal	(61,500)
Local	(67,000)
GF/GP	(133,800)

**B. MENTAL HEALTH ISSUES**

**1. Medicaid Mental Health and Substance Abuse Services Base and Caseload**

The budget reflects the consensus agreement on the Medicaid Community Mental Health (CMH) and Substance Abuse Services base and caseload.

Gross	12,567,800
Federal	7,127,200
GF/GP	5,440,600

**2. Actuarially Sound Rates for CMH Medicaid Services**

The budget includes funding for a 2.5% increase in capitation rates paid to CMH for services to Medicaid clients. This increase is being made to comply with Federal requirements that rates paid to Medicaid managed care organizations be actuarially sound.

Gross	29,314,300
Federal	16,624,100
GF/GP	12,690,200

**3. Facility Adjustments**

Various adjustments are made, including an adjustment to reflect actual on-board staff, due to changes in utilization of State facilities for the mentally ill and developmentally disabled.

FTE	403.7
Gross	(2,009,800)
Federal	1,528,100
Local	(3,647,900)
Private	(725,000)
Restricted	835,000
GF/GP	0

**4. Funding for Forensic Services**

The budget includes an adjustment reflecting the actual interdepartmental grant paid by the Department of Corrections for mental health services to prisoners, as well as changes in programming at the Forensic Center.

Gross	(4,157,900)
IDG	(3,877,800)
Local	(100)
GF/GP	(280,000)

**FY 2004-05 Change From  
FY 2003-04 Year-to-Date**

**C. PUBLIC HEALTH ISSUES**

**1. Healthy Michigan Fund (HMF)**

Funding for HMF programming is expanded due to the increase in the tax on tobacco products. A GF/GP adjustment is included to replace carryforward HMF funding used in FY 2003-04. Major changes include a \$1.5 million increase for Cancer Prevention and Control, a new \$2,598,200 cardiovascular health program, an increase of \$500,000 for diabetes programming, \$400,000 for early hearing screening, \$1.0 million to combat infant mortality, \$1.0 million for lead poisoning prevention, \$200,000 for Parkinsons' disease programming, and an increase of \$1.5 million for smoking prevention programs.

Gross	11,887,700
Restricted	10,184,800
GF/GP	1,702,900

**2. Children's Special Health Care Services (CSHCS)**

The budget includes a \$15,029,200 Gross; \$4,840,900 GF/GP base and caseload adjustment for the CSHCS program, as well as \$(7,131,100) Gross; \$(3,087,100) GF/GP savings from ending the CSHCS managed care option.

Gross	7,898,100
Federal	6,144,300
GF/GP	1,753,800

**D. MEDICAID ISSUES**

**1. Annualization of FY 2003-04 Medicaid Reductions**

The budget reflects savings from the annualization of FY 2003-04 coverage restrictions for the Adult Home Help program and payments to health maintenance organizations (HMOs).

Gross	(14,690,000)
Federal	(8,330,700)
GF/GP	(6,359,300)

**2. Medicaid Base, Caseload, and Utilization Adjustments**

The budget includes an increase in funding for the base Medicaid program due to increases in caseload, costs, and utilization. This increase represents about a 4% increase in costs over the year-to-date FY 2003-04 funding.

Gross	202,348,100
Federal	111,140,500
Restricted	(3,100,000)
GF/GP	94,307,600

**3. Adult Benefits Waiver**

The budget reflects a caseload increase from 62,000 to 77,000 for the Adult Benefits Waiver program, at a cost of \$32,013,200 Gross; \$9.7 million GF/GP. Savings of \$(26,402,700) Gross; \$(8.0 million) GF/GP are budgeted from freezing enrollment in the program.

Gross	5,610,500
Federal	3,910,500
GF/GP	1,700,000

**FY 2004-05 Change From  
FY 2003-04 Year-to-Date**

<b>4. Medicaid Special Financing Adjustments</b>		Gross (289,791,800) Federal (175,127,800) Local (228,621,600) Restricted (31,665,900) GF/GP 145,623,500
Over the next two years, certain Medicaid special financing mechanisms will be phased out. This leads to a GF/GP cost increase in FY 2004-05, and will likely lead to a similar cost increase in FY 2005-06.		
<b>5. Failure to Implement Pharmacy Quality Assurance Assessment Program (QAAP)</b>		Gross 0 Restricted (18,900,000) GF/GP 18,900,000
Due to the failure to implement the pharmacy QAAP that was assumed in the FY 2003-04 budget, the revenue from the QAAP was removed from the FY 2004-05 budget.		
<b>6. Elder Prescription Insurance Coverage (EPIC) Program</b>		Gross (49,121,800) Federal (38,011,800) Restricted (610,000) GF/GP (10,500,000)
The budget removes unused Federal revenue from the EPIC program. This revenue would have been available only if the Federal Department of Health and Human Services approved a "Pharmacy Plus" waiver. After the Congress passed the Medicare Prescription Drug Act, it became clear that no more Pharmacy Plus waivers would be approved, so these Federal dollars were never spent and have never been available. The budget reflects \$(4.5 million) savings in EPIC due to the implementation of the Medicare drug cards. The budget also includes \$(6.0 million) in savings from freezing enrollment in EPIC for FY 2004-05. Both of these savings are from Tobacco Settlement dollars, but those dollars are shifted to the Medicaid base, leading to GF/GP savings.		
<b>7. Hospital, Nursing Home, and HMO QAAP Changes</b>		Gross 98,900,000 Federal 56,770,200 Restricted 78,629,800 GF/GP (36,500,000)
The budget includes \$98.9 million Gross to increase the Hospital QAAP program to the maximum level allowed by Federal law. In addition, gainsharing from these programs is increased by \$18.3 million for hospitals, \$3.0 million for nursing homes, and \$15.2 million for HMOs to create GF/GP savings.		
<b>8. Actuarially Sound Rates for Medicaid HMOs</b>		Gross 124,047,100 Federal 70,347,100 GF/GP 53,700,000
The budget includes funding for a 7.5% increase in capitation rates paid to Medicaid HMOs. This increase is being made to comply with Federal requirements that rates paid to Medicaid managed care organizations be actuarially sound.		

**FY 2004-05 Change From  
FY 2003-04 Year-to-Date**

<b>9. Savings from the Expansion of Managed Care</b>	Gross	(13,860,000)
	Federal	(7,860,000)
	GF/GP	(6,000,000)
The FY 2004-05 budget reflects new contracts with Medicaid HMOs which have allowed for the expansion of coverage into counties that previously were not covered by Medicaid HMOs, which is projected to lead to savings.		
<b>10. Removal of One-Time Funding for the Detroit Medical Center (DMC)</b>	Gross	(50,000,000)
	Federal	(28,000,000)
	Local	(7,000,000)
	Restricted	(15,000,000)
	GF/GP	0
The budget reflects the expiration of one-time funding for the DMC.		
<b>11. Medicaid Optional Services</b>	Gross	7,392,000
	Federal	4,192,000
	GF/GP	3,200,000
The budget restores full coverage for Medicaid podiatric and chiropractic services, and coverage for Medicaid hearing aid services with some restrictions. The budget also increases rates paid to local public health dental clinics.		
<b>12. Creation of New Disproportionate Share Hospital (DSH) Pool</b>	Gross	5,000,000
	Federal	2,835,500
	GF/GP	2,164,500
The budget includes funding for a second DSH pool, targeted to hospitals and hospital systems that received less than \$900,000 in DSH allocations in FY 2003-04.		
<b>13. Match Funding for Hutzel Hospital and Other Facilities</b>	Gross	33,200,000
	Federal	18,800,000
	Restricted	14,400,000
	GF/GP	0
The budget includes increased funding for hospitals that provide or have provided for them the necessary match dollars. The language is expected to increase funding to Hutzel Hospital in Detroit as well as any other hospital that is able to use this funding mechanism.		
<b>E. PROGRAM REDUCTIONS/ELIMINATIONS</b>		
<b>1. Pharmacy Cost Containment</b>	Gross	(35,542,100)
	Federal	(19,994,800)
	GF/GP	(15,547,300)
The budget includes savings from several pharmacy cost containment initiatives, including a reduction in the Medicaid pharmacy dispensing fee from \$3.77 to \$2.50, with a dispensing fee of \$2.75 for nursing home residents, implementation of a \$3.00-per-script co-pay for brand-name drugs, and implementation of an optional mail order pharmacy program.		

**FY 2004-05 Change From  
FY 2003-04 Year-to-Date**

**2. Medicaid Cost Reduction**

The budget contains a number of Medicaid cost reduction measures. These include a change in the Medicaid incontinency supplier contract, recoupment of Medicaid costs from lawsuit settlements, increased third-party liability savings, a Medicare recovery program, a change in the nursing home hospital leave day policy, a reduction in the physician emergency room rate, a contract with a private firm to identify overpayments, better coordination of pharmaceutical benefits, and additional one-time Restricted revenue from lawsuit settlements.

FTE	17.0
Gross	(60,711,900)
Federal	(34,449,000)
Restricted	4,600,000
GF/GP	(30,862,900)

**F. FTE ADJUSTMENTS**

The budget includes adjustments to reflect on-board FTE personnel.

FTE	(14.4)
Gross	0
GF/GP	0

**G. UNCLASSIFIED SALARIES**

The budget makes no changes in unclassified salaries.

Gross	0
GF/GP	0

**H. FEE INCREASES**

The budget includes GF/GP savings from the assumed passage of Senate Bill 1143, which would increase vital records fees. The increased revenue would be used to supplant GF/GP dollars and would allow the vital records program to be self-financing.

Gross	0
Restricted	1,492,800
GF/GP	(1,492,800)

**I. FUNDING SHIFTS**

**1. Federal Medicaid Match Rate**

The budget includes a GF/GP cost increase due to the decrease in the Federal Medicaid match rate from an average level of 58.10% in FY 2003-04 to its FY 2004-05 level of 56.71%.

Gross	0
Federal	(102,569,300)
GF/GP	102,569,300

**2. Tobacco Tax Increase**

The budget reflects the dedication of additional Tobacco tax revenue to the Medicaid program through the Medicaid Benefits Trust Fund. The change from FY 2003-04 reflects the fact that the tax took effect during FY 2003-04 instead of on October 1, 2004, as originally foreseen.

Gross	0
Restricted	324,200,000
GF/GP	(324,200,000)

**FY 2004-05 Change From  
FY 2003-04 Year-to-Date**

**J. ECONOMIC ADJUSTMENTS**

The economic adjustment amount includes standard economic factors applied to salaries and wages, retirement, insurance, rent, motor transport, workers' compensation, and building occupancy charges consistent with factors applied to all budgets. Employee-related savings reflect the Department's share of budgetary savings that will be achieved through a reduction in outside contracts, voluntary work schedule adjustments, and temporary wage and benefit concessions.

Gross	36,120,400
IDG	4,501,600
Federal	7,161,800
Local	8,855,200
Restricted	2,293,500
GF/GP	13,308,300

Item	Gross	GF/GP
Economic Adjustments	\$52,853,500	\$20,173,000
Employee-Related Savings	(16,733,100)	(6,864,700)
Net Economics	\$36,120,400	\$13,308,300

**K. TOBACCO SETTLEMENT**

The budget reflects the Leadership Target Agreement to increase the amount of Tobacco Settlement revenue used to support the Medicaid program.

Gross	0
Tobacco	78,800,000
GF/GP	(78,800,000)

**L. OTHER ISSUES**

Other issues lead to minor adjustments in funding.

Gross	5,313,500
IDG	83,100
Federal	2,786,100
Local	2,353,500
Private	(2,415,000)
Restricted	4,812,700
GF/GP	(2,306,900)

**M. VETOES**

**1. Mental Health Collaboration**

The Governor vetoed Section 454, which would have directed the Department to support collaborative efforts among local health agencies.

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

**FY 2004-05 Change From  
FY 2003-04 Year-to-Date**

**2. Alzheimer's Facility Funding**

The Governor vetoed Section 1687, which would have earmarked funding for specialized Alzheimer's facilities.

Gross	(360,000)
Federal	(205,800)
GF/GP	(154,200)

**DEPARTMENT OF CORRECTIONS  
P.A. 345 of 2004**

FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE	FY 2003-04 YEAR-TO-DATE	FY 2004-05 GOV.'S REC.	FY 2004-05 SENATE	FY 2004-05 HOUSE	FY 2004-05 YEAR-TO-DATE	CHANGES FROM FY 2003-04 YEAR-TO-DATE	
						AMOUNT	PERCENT
FTE Positions .....	18,296.7	17,788.6	17,788.6	17,788.6	17,753.8	(542.9)	(3.0)
<b>GROSS.....</b>	<b>1,705,829,881</b>	<b>1,810,065,400</b>	<b>1,804,618,900</b>	<b>1,787,706,300</b>	<b>1,786,182,600</b>	<b>80,352,719</b>	<b>4.7</b>
Less:							
Interdepartmental Grants Received.....	3,253,600	3,364,200	3,364,200	3,364,200	3,364,200	110,600	3.4
<b>ADJUSTED GROSS .....</b>	<b>1,702,576,281</b>	<b>1,806,701,200</b>	<b>1,801,254,700</b>	<b>1,784,342,100</b>	<b>1,782,818,400</b>	<b>80,242,119</b>	<b>4.7</b>
Less:							
Federal Funds.....	27,855,800	9,808,000	9,808,000	7,788,100	8,188,100	(19,667,700)	(70.6)
Local and Private.....	391,100	393,600	393,600	393,600	393,600	2,500	0.6
<b>TOTAL STATE SPENDING .....</b>	<b>1,674,329,381</b>	<b>1,796,499,600</b>	<b>1,791,053,100</b>	<b>1,776,160,400</b>	<b>1,774,236,700</b>	<b>99,907,319</b>	<b>6.0</b>
Less:							
Other State Restricted Funds .....	65,057,100	68,090,600	68,090,600	65,090,100	66,075,600	1,018,500	1.6
<b>GENERAL FUND/GENERAL PURPOSE ..</b>	<b>1,609,272,281</b>	<b>1,728,409,000</b>	<b>1,722,962,500</b>	<b>1,711,070,300</b>	<b>1,708,161,100</b>	<b>98,888,819</b>	<b>6.1</b>
<b>PAYMENTS TO LOCALS .....</b>	<b>81,068,000</b>	<b>88,507,700</b>	<b>88,507,700</b>	<b>88,507,100</b>	<b>88,507,700</b>	<b>7,439,700</b>	<b>9.2</b>

**A. PRISON OPERATIONS**

**1. Additional Prison Beds**

	Gross	12,873,700
	GF/GP	12,873,700

The budget includes \$14,378,200 for full-year funding for 485 beds in the 7 Block and partial-year funding for 480 beds in the A and B Units of the former Jackson Maximum Correctional Facility. The beds will be operated as part of the Charles Egeler Reception and Guidance Center in Jackson. The budget also appropriates \$1,885,600 for 200 additional beds at Camp Lehman in Grayling and 100 additional beds at Camp Tuscola in Caro. The budget reflects the reduced security level of the Oaks Correctional Facility in Eastlake, formerly a Level V and now a Level IV facility, which allowed for double-bunking and the addition of 412 beds at a cost of \$1,845,700. It also recognizes the security level reduction at the Ionia Maximum Facility in Ionia from a Level VI to a Level V facility, which created 31 new beds and a saving of \$1,087,000. Finally, the budget includes 23 more beds at the Scott Correction Facility in Plymouth at a cost of \$489,500, postpones the opening of a 240-bed unit at the Macomb Correctional Facility in New Haven to save \$3,613,200, and provides for the closure of the Wing Farm Unit at the Parnall Correctional Facility in Jackson to save \$1,025,100.

**2. Western Wayne/Huron Valley Facilities**

	Gross	(23,400,100)
	Restricted	(29,400)
	GF/GP	(23,370,700)

The budget reflects the conversion of the Huron Valley Correctional Facility in Ypsilanti from a men's facility to a mental health/forensic center, which is currently housed in the adjacent Huron Valley Center (HVC). The Department of Community Health (DCH) manages the operation and programming in the HVC, while the Department of Corrections (DOC) is responsible for custody and security. The HVC will be converted back to its original designation as a women's facility in order to allow for the closure of the Western Wayne Correctional Facility in Plymouth, which is necessary due to an aging structure and environmental problems. This will result in a saving of \$20,472,200 and the net loss of 310 men's beds, but may allow room for additional women's beds in the future. The budget also anticipates \$2,898,500 in efficiencies from the conversion to a partial hospitalization program at the HVC and the transfer of the food preparation responsibilities there from the DCH to the DOC. Finally, it reflects the loss of \$29,400 in resident store restricted revenue from the closure of the Huron Valley men's facility.

**3. Security Staff Reductions**

	Gross	(12,808,800)
	GF/GP	(12,808,800)

The budget includes an additional \$2,113,200 in the Equipment and Special Maintenance line for additional security cameras, personal protection devices, and security fencing which, along with existing security technology, will allow for a reduction in security staff of 242.4 FTEs and a saving of \$14,922,000. Although the staff reductions may be implemented differently in each

**FY 2004-05 Change From  
FY 2003-04 Year-to-Date**

facility, the bulk of the saving likely will come from reducing the number of hours the DOC staffs gun towers in Level IV and V prisons.

**4. Other Prison Operations Adjustments**

Gross	1,766,300
GF/GP	1,766,300

The budget provides \$12,092,300 to cover the cost of the salary step increases due to increased staff seniority, \$646,700 for additional training costs, and \$145,500 for water and sewer surcharge increases. It reduces the appropriation for the Michigan Youth Correctional Facility by \$429,400 to reflect savings in the management and lease contracts. It also anticipates \$3,413,100 in prisoner transportation efficiencies, reduces consent decree funding by \$3.5 million, and recognizes \$462,700 in savings from staff reductions due to facility administration consolidations. The budget eliminates \$2.5 million from special maintenance, but the DOC will receive the same in restricted funds in the capital outlay budget. Finally, it eliminates \$813,000 left in the Inmate Housing Fund line from the closure of the Michigan Reformatory in 2002.

**B. FIELD OPERATIONS/COMMUNITY CORRECTIONS**

Gross	1,753,300
Restricted	(615,000)
GF/GP	2,368,300

The budget provides an additional \$2,251,900 for 31 new parole and probation officers to supervise the increasing parole and probation population. It also funds a new transition program to reintegrate female offenders into the community at a cost of \$3,517,900. Although the budget reduces the amount of parole and probation oversight set-aside revenue being spent in the parole/probation services line by \$1.0 million, it redirects \$400,000 of those restricted funds to a new Alternatives to Prison Treatment program. This funding, along with \$1,619,600 for the Alternatives to Prison Jail Crowding Reduction program and an additional \$831,400 for probation residential services, will enable the DOC to continue to apprehend fugitive felons and parole violators and place them in county jail beds and/or treatment programs, rather than returning them to prison. The funds are available due to the elimination of the \$2,451,000 Local Facility Housing program line, which would have allowed the DOC to rent beds from counties in the event that the DOC ran out of prison beds. The budget also recognizes \$283,500 in net savings from the closure of the Kalamazoo parole/probation center and \$1,286,600 in savings from the closure of the Gilman technical rule violator center. Finally, the budget reduces community residential program (CRP) funding by \$1,621,600 due to the limited number of eligible offender participants, and uses former CRP beds to replace a private contract for the second phase of the special alternative incarceration program for a saving of \$224,800.

**FY 2004-05 Change From  
FY 2003-04 Year-to-Date**

**C. HEALTH CARE**

Gross (2,720,500)  
GF/GP (2,720,500)

The budget provides \$1,150,000 for a new Hepatitis C testing and treatment protocol to be implemented in April 2005, as well as \$932,400 for cost and volume increases of certain pharmaceuticals. It also, however, includes the following pharmaceutical savings: \$1,015,500 for a formulary revision, \$2.0 million in further pharmaceutical contract savings, and \$1.6 million due to legislation that allows the redispensing of unused medications (P.A. 329 of 2004). Finally, the budget eliminates a one-time expense of \$187,400 for endoscopy equipment purchased in FY 2003-04.

**D. ADMINISTRATIVE ADJUSTMENTS**

Gross 1,329,100  
GF/GP 1,329,100

The budget includes a number of central administrative changes including recognition of the Statewide human resources consolidation for a reduction of \$859,300, the Statewide Department of Information Technology (DIT) reduction initiative for a reduction of \$306,800, and an increase of \$102,000 for the DIT desktop rate adjustment. It also adds \$2,220,000 in information technology funds for the final conversion from the Corrections Management Information System (CMIS) database to the Offender Management Network Information (OMNI) database and \$421,100 for record storage cost increases. Finally, it reflects an additional DIT reduction of \$247,900 as part of the Leadership Target Agreement.

**E. PROGRAM REDUCTIONS/ELIMINATIONS**

**1. Academic/Vocational Programs**

Gross (1,057,400)  
Federal (57,400)  
GF/GP (1,000,000)

The budget reduces funds for academic/vocational programs by \$1.0 million and does not include a \$57,400 Federal education grant received in FY 2003-04.

**2. Substance Abuse Testing and Treatment**

Gross (2,370,300)  
Federal (1,619,900)  
GF/GP (750,400)

The budget reduces substance abuse testing and programming by \$750,400 as well as recognizes the loss of \$1,619,900 in Federal funding.

**F. FTE ADJUSTMENTS**

FTE (542.9)

The budget reduces FTEs by 542.9 to reflect the reductions made throughout the Department. Most of these positions were eliminated due to the closure of the Huron Valley men's facility and related conversions as well as the security staff reductions made possible through technology enhancements.

**FY 2004-05 Change From  
FY 2003-04 Year-to-Date**

**G. FUNDING SHIFTS**

The budget replaces GF/GP funds with \$291,200 in additional resident stores revenue, \$82,900 in public works fee revenue, and \$500,000 in parole and probation oversight fees set-aside revenue. It also replaces \$18,089,400 in Federal Violent Offender Incarceration/Truth In Sentencing (VOITIS) funds, which are no longer available, with \$17,989,400 in GF/GP funds.

Gross	(100,000)
Federal	(18,089,400)
Restricted	874,100
GF/GP	17,115,300

**H. ECONOMIC ADJUSTMENTS**

The economic adjustment amount includes standard economic factors applied to salaries and wages, retirement, insurance, workers' compensation, and building occupancy charges consistent with factors applied to all budgets. Employee-related savings reflect the Department's share of budgetary savings that will be achieved through a reduction in outside contracts, voluntary work schedule adjustments, and temporary wage and benefit concessions.

Gross	96,137,100
IDG	110,600
Federal	99,000
Local	14,300
Restricted	2,832,500
GF/GP	93,080,700

Item	Gross	GF/GP
Economic Adjustments	\$142,479,600	\$138,136,700
Employee-Related Savings	(46,342,500)	(45,056,000)
Net Economics	\$96,137,100	\$93,080,700

**I. OTHER ISSUES**

The budget does not include a \$14,888,200 reduction in a budgetary savings line that had been added to the FY 2003-04 budget in P.A. 237 of 2003, but it does include a \$3,937,881 Gross reduction to eliminate leap-year funding required in FY 2003-04. Finally, it reduces the appropriation for the Sheriff's Coordinating and Training Office by \$2.0 million to accurately reflect anticipated State restricted revenues and expenditures.

Gross	8,950,319
Local	(11,800)
Restricted	(2,043,700)
GF/GP	11,005,819

**DEPARTMENT OF EDUCATION  
P.A. 346 of 2004**

FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE	FY 2003-04 YEAR-TO-DATE	FY 2004-05 GOV.'S REC.	FY 2004-05 SENATE	FY 2004-05 HOUSE	FY 2004-05 YEAR-TO-DATE	CHANGES FROM FY 2003-04 YEAR-TO-DATE	
						AMOUNT	PERCENT
FTE Positions .....	433.1	400.0	413.0	413.0	413.0	(20.1)	(4.6)
<b>GROSS.....</b>	<b>108,431,200</b>	<b>113,553,200</b>	<b>115,019,750</b>	<b>113,557,400</b>	<b>113,549,000</b>	<b>5,117,800</b>	<b>4.7</b>
Less:							
Interdepartmental Grants Received.....	1,000,000	1,072,100	1,072,100	1,072,100	1,072,100	72,100	7.2
<b>ADJUSTED GROSS .....</b>	<b>107,431,200</b>	<b>112,481,100</b>	<b>113,947,650</b>	<b>112,485,300</b>	<b>112,476,900</b>	<b>5,045,700</b>	<b>4.7</b>
Less:							
Federal Funds.....	65,876,900	60,796,800	60,324,250	60,654,700	60,796,800	(5,080,100)	(7.7)
Local and Private.....	5,493,000	5,805,400	5,897,950	5,900,900	5,815,400	322,400	5.9
<b>TOTAL STATE SPENDING .....</b>	<b>36,061,300</b>	<b>45,878,900</b>	<b>47,725,450</b>	<b>45,929,700</b>	<b>45,864,700</b>	<b>9,803,400</b>	<b>27.2</b>
Less:							
Other State Restricted Funds .....	7,001,600	19,470,000	19,333,300	19,473,100	19,470,000	12,468,400	178.1
<b>GENERAL FUND/GENERAL PURPOSE ..</b>	<b>29,059,700</b>	<b>26,408,900</b>	<b>28,392,150</b>	<b>26,456,600</b>	<b>26,394,700</b>	<b>(2,665,000)</b>	<b>(9.2)</b>
<b>PAYMENTS TO LOCALS .....</b>	<b>13,010,100</b>	<b>9,015,100</b>	<b>11,015,100</b>	<b>9,015,200</b>	<b>9,015,100</b>	<b>(3,995,000)</b>	<b>(30.7)</b>

		<b>FY 2004-05 Change From FY 2003-04 Year-to-Date</b>	
<b>A. FEDERAL FUNDING ADJUSTMENTS</b>		Gross	(18,303,400)
		Federal	(18,303,400)
		GF/GP	0
	One Federal grant is reduced from \$20.0 million to \$1.0 million since it is in its last year of carryover funding. Other Federal grants supporting FTEs also are adjusted due to better data.		
<b>B. DRIVER'S EDUCATION PROGRAM</b>		Gross	(2,028,000)
		Restricted	(2,028,000)
		GF/GP	0
	Executive Order 2003-23 eliminated State grants for the Driver's Education program. However, in FY 2003-04, \$1.5 million was retained to pay for contracts awarded before the Executive Order took effect. Also, administrative funding of \$528,000 was retained in FY 2003-04. Both items are eliminated in full for FY 2004-05, with the administrative funding transferred to the Department of State.		
<b>C. PROGRAM REDUCTIONS/ELIMINATIONS</b>		Gross	(2,345,100)
		GF/GP	(2,345,100)
	The School Breakfast program was reduced by \$2,345,100 from the FY 2003-04 level due to uncertainty over whether the entire FY 2003-04 appropriation would be spent.		
<b>D. PROGRAM TRANSFERS</b>		Gross	27,300,500
		Federal	10,698,800
		Restricted	16,601,700
		GF/GP	0
	Executive Order 2003-20 transferred the Michigan Educational Assessment Program (MEAP) back to the Department of Education from the Department of Treasury, where it had resided the previous four years.		
<b>E. FTE ADJUSTMENTS</b>		Gross	0
		GF/GP	0
	The budget eliminated unfunded vacancies totaling 20.1 FTEs.		
<b>F. UNCLASSIFIED SALARIES</b>		Gross	0
		GF/GP	0
	No funding change was included in this line.		

**FY 2004-05 Change From  
FY 2003-04 Year-to-Date**

**G. FUNDING SHIFTS**

**1. Michigan Merit Award Trust Fund to Federal Work Project Funds**

A total of \$3.0 million appropriated from the Merit Award Trust Fund in FY 2003-04 was replaced with Federal Work Project funds to support the MEAP in FY 2004-05, thereby resulting in a net reduction to the FY 2004-05 Department of Education budget.

Gross	(3,000,000)
Federal	280,000
Restricted	(2,706,000)
GF/GP	(574,000)

**2. General Fund (GF) Shifted to State Restricted Fees and Federal Funds**

A total of \$294,000 in GF appropriations was shifted to Teacher Certification Fees, and a total of \$280,000 in GF appropriations was shifted to Federal funds for FY 2004-05.

**H. ECONOMIC ADJUSTMENTS**

The economic adjustment amount includes standard economic factors applied to salaries and wages, retirement, insurance, rent, motor transport, workers' compensation, and building occupancy charges consistent with factors applied to all budgets. Employee-related savings reflect the Department's share of budgetary savings that will be achieved through the reduction of outside contracts, voluntary work schedule adjustments, and temporary wage and benefit concessions.

Gross	3,120,800
Federal	2,017,500
Local	287,200
Restricted	327,200
GF/GP	488,900

Item	Gross	GF/GP
Economic Adjustments	\$4,200,600	\$630,200
Employee-Related Savings	(1,079,800)	(141,300)
Net Economics	\$3,120,800	\$488,900

**I. TOBACCO SETTLEMENT**

A total of \$13,685,200 is appropriated for FY 2004-05 from the Merit Award Trust Fund to support the MEAP, which was transferred from the Department of Treasury (described above in item D).

**FY 2004-05 Change From  
FY 2003-04 Year-to-Date**

**J. OTHER ISSUES**

Various other items total \$373,000 and include funding a new MEAP Chief Assessment Officer and a coordinator for national testing, a rent adjustment at the Lansing site of the former School for the Blind, Information Technology budgetary savings and services reductions, and miscellaneous adjustments.

Gross	373,000
Federal	227,000
IDG	72,100
Local	35,200
Restricted	273,500
GF/GP	(234,800)

**DEPARTMENT OF ENVIRONMENTAL QUALITY  
P.A. 350 of 2004**

FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE	FY 2003-04 YEAR-TO-DATE	FY 2004-05 GOV.'S REC.	FY 2004-05 SENATE	FY 2004-05 HOUSE	FY 2004-05 YEAR-TO-DATE	CHANGES FROM FY 2003-04 YEAR-T0-DATE	
						AMOUNT	PERCENT
FTE Positions .....	1,605.7	1,572.2	1,564.2	1,572.2	1,564.2	(41.5)	(2.6)
<b>GROSS.....</b>	<b>373,552,675</b>	<b>340,401,800</b>	<b>340,465,800</b>	<b>336,009,500</b>	<b>340,599,300</b>	<b>(32,953,375)</b>	<b>(8.8)</b>
Less:							
Interdepartmental Grants Received .....	14,142,900	14,263,000	14,263,000	14,263,000	14,263,000	120,100	0.8
<b>ADJUSTED GROSS .....</b>	<b>359,409,775</b>	<b>326,138,800</b>	<b>326,202,800</b>	<b>321,746,500</b>	<b>326,336,300</b>	<b>(33,073,475)</b>	<b>(9.2)</b>
Less:							
Federal Funds.....	133,404,800	133,766,800	133,766,800	133,893,700	133,766,800	362,000	0.3
Local and Private .....	435,700	445,900	445,900	445,900	445,900	10,200	2.3
<b>TOTAL STATE SPENDING .....</b>	<b>225,569,275</b>	<b>191,926,100</b>	<b>191,990,100</b>	<b>187,406,900</b>	<b>192,123,600</b>	<b>(33,445,675)</b>	<b>(14.8)</b>
Less:							
Other State Restricted Funds .....	171,988,500	153,980,000	155,980,100	155,770,500	163,451,800	(8,536,700)	(5.0)
<b>GENERAL FUND/GENERAL PURPOSE ..</b>	<b>53,580,775</b>	<b>37,946,100</b>	<b>36,010,000</b>	<b>31,636,400</b>	<b>28,671,800</b>	<b>(24,908,975)</b>	<b>(46.5)</b>
<b>PAYMENTS TO LOCALS .....</b>	<b>19,145,500</b>	<b>18,445,500</b>	<b>18,695,500</b>	<b>18,561,200</b>	<b>18,445,500</b>	<b>(700,000)</b>	<b>(3.7)</b>

**FY 2004-05 Change From  
FY 2003-04 Year-to-Date**

**A. LABORATORY DATA QUALITY RECOGNITION PROGRAM**

Public Acts 228, 229, and 230 of 2004 implemented a new Data Quality Recognition Program for laboratories in the State. The voluntary program identifies laboratories qualified to generate data for submission to the Department of Environmental Quality for compliance purposes. The budget includes an appropriation of anticipated revenue from a new commercial laboratory fee created in the implementing legislation.

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

**B. BEACH WATER QUALITY MONITORING**

The budget includes funding for water quality monitoring at strategic beaches on the Great Lakes in Van Buren, Ottawa, and Allegan Counties.

Gross	25,000
GF/GP	25,000

**C. HUMAN RESOURCES CONSOLIDATION**

On a statewide basis, certain human resources services will be consolidated in the Department of Civil Service and will result in savings in all State departments.

FTE	(2.0)
Gross	(39,000)
Restricted	(3,300)
GF/GP	(35,700)

**D. FISH BARRIER CHALLENGE GRANT**

Alien invasive species enter the Great Lakes through channels, dumping, and other means. An electrical dispersal barrier is being constructed near Chicago, Illinois, to prevent alien species from entering Lake Michigan. The budget includes funding from the Great Lake Protection Fund to encourage additional support for the project from the Federal government, affected states and provinces, and other parties.

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

**E. PROGRAM REDUCTIONS/ELIMINATIONS**

**1. Environmental Cleanup Projects**

The balance and revenue of the Environmental Protection Fund and the Environmental Response Fund are estimated to be insufficient to support both the administrative costs of existing cleanup projects and new projects. In response, the budget does not include appropriations for any new environmental cleanup projects.

Gross	(21,715,000)
Restricted	(21,715,000)
GF/GP	0

**2. Submerged Log Recovery**

The Submerged Log Recovery program is inactive. The funding is removed from the budget since no permit applications or fees were received in the past year. Statutory requirements

Gross	(101,600)
Restricted	(101,600)
GF/GP	0

**FY 2004-05 Change From  
FY 2003-04 Year-to-Date**

for the program still exist and the Department of Environmental Quality will use existing staff and resources to conduct activities.

**3. Information Technology**

Gross	(195,100)
GF/GP	(195,100)

The budget includes a General Fund reduction in information technology services. This reduction is applied on a statewide basis.

**F. FEE INCREASES**

**1. Septage Waste Fees**

Gross	175,000
Restricted	296,700
GF/GP	(121,700)

This program assists local health departments with inspections of septage waste facilities. Public Act 381 of 2004 restructured and increased the fees to offset a reduction of General Fund support for the program.

**2. Campground and Public Swimming Pool Fees**

Gross	0
Restricted	333,400
GF/GP	(333,400)

The Department and local health departments license campgrounds and public swimming pools for construction and operation. House Bill 4703 would restructure and increase the annual fees. The budget includes additional fee revenue offsetting a reduction of General Fund dollars. Total restricted funding of \$651,500 is appropriated for these programs.

**3. Manufactured Housing Fees**

Gross	0
Restricted	621,200
GF/GP	(621,200)

Appropriations from Manufactured Housing Commission fees are included in the budget to offset a reduction of General Fund dollars. The revenue comes from the balance of the Commission fund. Increased fees will have to be enacted for the State to continue this appropriation in future fiscal years.

**G. FUNDING SHIFTS**

**1. State Revolving Loan Program**

Gross	0
Restricted	16,300,000
GF/GP	(16,300,000)

The State is required to provide an 80:20 match to Federal funding for the Water Pollution Control and Drinking Water Revolving Loan Programs, which provide loans to local units of government for wastewater treatment and sewer projects. This match is usually provided entirely from the General Fund. The budget includes a one-time fund shift to reduce General Fund support by using a reserve balance in a revenue bond fund to issue one-day revenue bonds to recharacterize the set-aside and make it eligible for use as the State match.

**FY 2004-05 Change From  
FY 2003-04 Year-to-Date**

**2. MUSTFA FUND**

The State is close to retiring revenue bonds related to the Michigan Underground Storage Tank Financial Assurance Program, which helped owners of underground storage tanks meet financial assurance requirements of the Federal government. Debt service on the bonds is paid with revenue from a 7/8-cent fee on refined petroleum products sold in this State. Public Act 390 of 2004 continues the fee and broadens the purposes for which it may be used. The Act also requires a council to recommend provisions for a new cleanup program addressing releases and cleanup of refined petroleum products tanks. The budget appropriates the fee revenue to offset a reduction of General Fund support in a number of programs across the Department of Environmental Quality.

Gross	0
Restricted	8,207,200
GF/GP	(8,207,200)

**H. ECONOMIC ADJUSTMENTS**

The economic adjustment amount includes standard economic factors applied to salaries and wages, retirement, insurance, rent, motor transport, workers' compensation, and building occupancy charges consistent with factors applied to all budgets. Employee-related savings reflect the Department's share of budgetary savings that will be achieved through the reduction of outside contracts, voluntary work schedule adjustments, and temporary wage and benefit concessions. FTE positions are removed to reflect budget reductions

FTE	(31.5)
Gross	8,055,300
IDG	120,100
Federal	2,049,600
Private	10,200
Restricted	4,995,100
GF/GP	880,300

Item	Gross	GF/GP
Economic Adjustments	\$9,966,600	\$1,734,700
Employee-Related Savings	(1,911,300)	(854,400)
Net Economics	\$8,055,300	\$880,300

**I. OTHER ISSUES**

The budget makes adjustments for one-time appropriations in FY 2003-04, incremental changes in appropriations resulting from revenue projections of restricted fund sources, and fund shifts between restricted fund sources.

FTE	(8.0)
Gross	(19,272,975)
Federal	(1,687,600)
Restricted	(17,585,400)
GF/GP	25

**J. VETOES**

The Governor vetoed two line items in this budget. Funding of \$800,000 from the Clean Michigan Initiative - response activities had been appropriated for a bio-availability study of dioxin. Also vetoed was \$250,000 Gross, \$51,000 GF/GP for a real-time water quality monitoring project in Algonac.

**EXECUTIVE  
P.A. 327 of 2004**

FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE	FY 2003-04 YEAR-TO-DATE	FY 2004-05 GOV.'S REC.	FY 2004-05 HOUSE	FY 2004-05 SENATE	FY 2004-05 YEAR-TO-DATE	CHANGES FROM FY 2003-04 YEAR-TO-DATE	
						AMOUNT	PERCENT
FTE Positions .....	74.2	74.2	74.2	74.2	74.2	0.0	0.0
<b>GROSS</b>	<b>4,859,500</b>	<b>4,859,500</b>	<b>4,859,500</b>	<b>4,859,400</b>	<b>5,205,500</b>	<b>346,000</b>	<b>7.1</b>
Less:							
Interdepartmental Grants Received.....	0	0	0	0	0	0	0.0
<b>ADJUSTED GROSS</b> .....	<b>4,859,500</b>	<b>4,859,500</b>	<b>4,859,500</b>	<b>4,859,400</b>	<b>5,205,500</b>	<b>346,000</b>	<b>7.1</b>
Less:							
Federal Funds.....	0	0	0	0	0	0	0.0
Local and Private.....	0	0	0	0	0	0	0.0
<b>TOTAL STATE SPENDING</b> .....	<b>4,859,500</b>	<b>4,859,500</b>	<b>4,859,500</b>	<b>4,859,400</b>	<b>5,205,500</b>	<b>346,000</b>	<b>7.1</b>
Less:							
Other State Restricted Funds .....	0	0	0	0	0	0	0.0
<b>GENERAL FUND/GENERAL PURPOSE ..</b>	<b>4,859,500</b>	<b>4,859,500</b>	<b>4,859,500</b>	<b>4,859,400</b>	<b>5,205,500</b>	<b>346,000</b>	<b>7.1</b>
<b>PAYMENTS TO LOCALS</b> .....	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>

**FY 2004-05 Change From  
FY 2003-04 Year-to-Date**

**A. ECONOMIC ADJUSTMENTS**

Gross	346,000
GF/GP	346,000

The economic adjustment amount includes adjustments consistent with factors applied to all budgets.

**FAMILY INDEPENDENCE AGENCY  
P.A. 344 of 2004**

FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE	FY 2003-04 YEAR-TO-DATE	FY 2004-05 GOV.'S REC.	FY 2004-05 HOUSE	FY 2004-05 SENATE	FY 2004-05 YEAR-TO-DATE	CHANGES FROM FY 2003-04 YEAR-T0-DATE	
						AMOUNT	PERCENT
FTE Positions .....	10,892.6	10,590.1	10,305.0	10,303.0	10,302.0	(590.6)	(5.4)
<b>GROSS.....</b>	<b>4,113,281,000</b>	<b>4,304,921,900</b>	<b>4,304,680,400</b>	<b>4,306,723,700</b>	<b>4,298,141,300</b>	<b>184,860,300</b>	<b>4.5</b>
Less:							
Interdepartmental Grants Received.....	1,055,800	1,084,400	1,084,400	1,084,400	1,084,400	28,600	2.7
<b>ADJUSTED GROSS .....</b>	<b>4,112,225,200</b>	<b>4,303,837,500</b>	<b>4,303,596,000</b>	<b>4,305,639,300</b>	<b>4,297,056,900</b>	<b>184,831,700</b>	<b>4.5</b>
Less:							
Federal Funds.....	2,875,348,350	3,017,695,900	3,016,323,300	3,020,670,600	3,033,969,000	158,620,650	5.5
Local and Private.....	71,095,550	85,293,300	86,501,400	86,928,300	83,083,700	11,988,150	16.9
<b>TOTAL STATE SPENDING .....</b>	<b>1,165,781,300</b>	<b>1,200,848,300</b>	<b>1,200,771,300</b>	<b>1,198,040,400</b>	<b>1,180,004,200</b>	<b>14,222,900</b>	<b>1.2</b>
Less:							
Other State Restricted Funds .....	70,210,000	70,321,400	70,321,400	69,549,200	70,321,400	111,400	0.2
<b>GENERAL FUND/GENERAL PURPOSE ..</b>	<b>1,095,571,300</b>	<b>1,130,526,900</b>	<b>1,130,449,900</b>	<b>1,128,491,200</b>	<b>1,109,682,800</b>	<b>14,111,500</b>	<b>1.3</b>
<b>PAYMENTS TO LOCALS .....</b>	<b>185,302,200</b>	<b>196,871,300</b>	<b>191,492,300</b>	<b>191,492,300</b>	<b>188,458,500</b>	<b>3,156,300</b>	<b>1.7</b>

**A. TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF)**

The Federal welfare reform block grant, created by the Personal Responsibility and Work Opportunity Act of 1996, provides support for poor and low-income families through work incentives, such as employment placement and training opportunities and other related state programs. The five-year Federal authorization expired at the end of FY 2001-02 and the authorization was extended three times through September 30, 2004. The block grant legislation is undergoing reauthorization by the U.S. Congress. The reduction of welfare caseloads over the past seven years allowed for a cost shift from General Fund/General Purpose (GF/GP) to TANF until FY 2002-03 when an overestimate of TANF funds resulted in a number of fund source shifts and program reductions in the FY 2003-04 and FY 2004-05 budget assumptions to adjust TANF spending.

The State receives a basic grant allotment of \$775,353,000. The State is allowed to carry forward any unspent block grant funds from the previous year. It is estimated that Michigan will have \$853,236,000 in TANF funds to spend in FY 2004-05, approximately 28% of the Family Independence Agency's (FIA's) appropriated Federal funding. The funds are appropriated in the State budgets for the FIA, Department of Labor and Economic Growth (DLEG), and Department of Community Health (DCH). Each year states are required to maintain spending for qualified state expenditures of at least 80% (or 75% if a state meets Federal work participation requirements) of the state's historic expenditure level. Michigan meets the work participation requirements, is required to spend at least \$468,518,400 in State funds, and may count State General Fund (GF) spending for FY 2004-05 in the following State departments toward meeting this requirement: FIA, DCH, Education, and Transportation. The FIA appropriation assumes use of TANF funds in FY 2004-05 to include continuation of FY 2003-04 spending and the adjustments described below.

**1. Family Independence Program (FIP)**

The appropriation includes a projected FIP caseload reduction of 2,400 to an average of 77,000 cases and assumes an increase in the cost per case of \$2 to an average of \$418 per month. An adjustment in the school clothing allowance funding results in an increase of approximately \$3 to approximately \$43 per eligible child, with eligibility to be determined by the FIA. The Kinship Care program is reduced by \$1.7 million to \$1.0 million in TANF funds. The budget appropriates a \$3,012,500 TANF fund shift for GF savings.

Gross	(8,753,600)
Federal	(5,741,100)
GF/GP	(3,012,500)

**FY 2004-05 Change From  
FY 2003-04 Year-to-Date**

**2. Child Care Fund**

The budget includes a net increase in funding authority for the anticipated increase in the out-of-home services caseload, including a TANF fund increase for county in-home services in order to reduce counties' need for out-of-home services.

Gross	2,500,000
Federal	5,000,000
GF/GP	(2,500,000)

**3. Day Care Services**

The budget reflects a reduction of 186 cases in the average caseload to 67,800 cases and an increase in the average cost to \$605 per case per month. The appropriation includes \$10.0 million in additional TANF funds to replace the Child Care and Development Fund FY 2002-03 carryforward that is no longer available and a \$2.3 million TANF fund shift for General Fund savings. The Before- and After-School Program appropriation includes an increase of \$2.5 million to \$5.0 million for FY 2004-05. The appropriation includes savings of \$15.0 million Gross, \$14,863,300 in TANF funds from anticipated improvements in program fraud detection. The appropriation includes \$250,000 for a Boys and Girls Club statewide collaborative project to develop community-based projects.

Gross	(10,381,300)
Federal	(8,027,000)
GF/GP	(2,354,300)

**4. Other Issues**

The appropriation of employment and training TANF funds is increased by \$200,000 for the Fatherhood Initiative; \$250,000 for the Marriage Initiative; and \$200,000 for Individual Development Accounts; but reduced by \$3,110,000 to the projected spending level. The appropriation includes \$2.0 million in a new line entitled Michigan Housing and Community Development Fund to fund the development and coordination of public and private sources intended to meet the housing needs of low-income families. The demonstration projects' appropriation is increased by \$78,500 for a school-based crisis intervention project and reduced by \$595,400 Gross, \$300,000 GF for uncommitted funds. The domestic violence services appropriation is increased by \$75,000 for Barry County services. The Federal Community Services Block Grant appropriation is increased by \$3.7 million for services to low-income individuals, including \$500,000 for Earned Income Tax Credit education. The State Emergency Relief appropriation is increased by \$500,000 for a 50-cent increase in the homeless shelter per diem rate to \$12.50. The Youth-in-Transition program's Federal Title IV-E funds cannot be earned and are replaced with TANF funds.

Gross	3,298,100
Federal	3,898,600
GF/GP	(600,500)

**FY 2004-05 Change From  
FY 2003-04 Year-to-Date**

**B. CHILD AND FAMILY SERVICES**

**1. Foster Care and Adoption**

The appropriation includes an increase of 392 in the Wayne County Foster Care caseload to 4,615 cases, and an increase of 176 in the out-State Foster Care caseload to 6,885 cases. The adoption subsidies caseload is decreased by 754 to 25,300 average cases. A 3% rate increase for foster care and adoption support services child placing agencies and residential treatment facilities and a 1% rate increase for foster care and adoptive parents are appropriated.

Gross	9,316,000
Federal	(5,184,000)
Local	10,373,900
GF/GP	4,126,100

**2. Juvenile Justice Services**

The closure of the W.J. Maxey Boys Training School Sequoyah Center is included with an estimated saving of \$1,115,200 Gross, GF. The appropriation for the reintegration services contracts, to prevent entry or reduce re-entry into State juvenile facilities and day treatment services, is reduced by 20%. The Juvenile Justice Operations line is unrolled, with no dollar changes, into eight individual program lines: W.J. Maxey Training School; Adrian Training School; Bay Pines Center; Nokomis Challenge Center; Shawono Center; Arbor Heights; Community Juvenile Justice Centers; and Juvenile Justice Field Staff, Administration and Maintenance.

Gross	(1,775,200)
Local	(887,600)
GF/GP	(887,600)

**C. INFORMATION TECHNOLOGY**

The interdepartmental transfer to the Department of Information Technology for FIA consolidated information technology services and projects appropriation reflects a reduction, based on actual use, for desk top services, the consolidation of the data center services, and telecommunications, equipment and contractual costs. The child support automation line is reduced by \$12.0 million. The appropriation unit is reduced by \$8,658,700 Gross, \$2,044,100 GF to conform to the Leadership Target Agreement for GF savings. The budget includes a FY 2004-05 supplemental appropriation of \$6,614,600 Gross, \$0 GF for anticipated federal and restricted revenue sources.

Gross	(14,635,300)
Federal	(9,240,000)
GF/GP	(5,395,300)

**D. CHILD SUPPORT ENFORCEMENT**

The budget includes an increase in Federal funding authority for Federally mandated paternity establishment for all newborn children who participate in the Child Support Enforcement Program. The funding is allocated to Michigan's birthing hospitals to complete paternity testing on babies born out-of-wedlock in order to avoid potential Federal penalties.

Gross	4,530,700
Federal	4,530,700
GF/GP	0

**FY 2004-05 Change From  
FY 2003-04 Year-to-Date**

**E. OTHER STATE ASSISTANCE**

Gross	5,203,600
GF/GP	5,203,600

The appropriation includes a caseload increase of 1,461 to 11,400 cases and a monthly cost-per-case increase of \$13 to \$254 per case for the State Disability Assistance Program; the costs of \$6,003,600 are supported with State funds. The budget reflects a projected caseload increase of 5,900 to 220,200 for the State supplement to Supplemental Security Income recipients, but a reduction of \$1 to \$58.90 per case in the cost-per-case is appropriated.

**F. FEDERALLY FUNDED PROGRAMS**

Gross	163,974,400
Federal	163,974,400
GF/GP	0

The budget includes an increase in the Food Assistance Program to 438,100 cases, including a one-year expansion of 75,000 cases for a U.S. Food and Nutrition Services Waiver to increase services to childless adults, who would normally be eligible for food assistance for only three months, and a 2% Federal cost-of-living increase in the monthly cost-per-case. The Low Income Home Energy Assistance Program (LIHEAP) appropriation reflects a \$459,700 increase in the FY 2004-05 Federal authorization. The appropriation includes an increase of \$1.6 million for the rising costs of medical evidence needed for the purchased health-related services required to complete medical history files for Social Security Disability applicants' eligibility.

**G. PROGRAM REDUCTIONS/ELIMINATIONS**

Gross	(2,610,400)
Federal	(524,300)
GF/GP	(2,086,100)

An 11% reduction of \$2,086,100 Gross, GF/GP is appropriated in the Food Stamp reinvestment line, a projected net decrease in the expenditure of State funds based on the State plan to improve efficient and accurate program performance and the Federal government's forgiveness of State penalties, if the FIA successfully achieves a 7.4% error rate. The appropriation is reduced in relation to satisfying the Budgetary Savings appropriation and the impact that reduction has on earning Federal funds.

**H. PROGRAM TRANSFERS**

FTEs	(19.0)
Gross	(484,500)
Federal	(219,600)
GF/GP	(264,900)

The transfer of certain real estate and property management functions to the Department of Management and Budget from the FIA are recognized pursuant to Executive Order 2002-20. The appropriation includes a new line, Human Resources Optimization User Charges, for \$561,000 Gross, \$229,000 GF, that is created from a reduction and transfer of the Department's Human Resources Office positions to a centralized Call Center to be established in the Department of Civil Service (DCS). The new line contains funds to be used to make payments to DCS for FIA human resources functions.

**FY 2004-05 Change From  
FY 2003-04 Year-to-Date**

**I. FTE ADJUSTMENTS**

The appropriation reflects a reduction of 616.7 authorized positions because the positions cannot be supported by the appropriation; there is no associated funding reduction. The base appropriation for training and staff development can support 23.9 more positions. An authorization for 5.5 full-time positions is appropriated with no additional funding in the Federal Community Services Block Grant for the new Bureau of Community Action and Economic Opportunity as required by P.A. 123 of 2003, which created the Bureau. A new line for the Inspector General Salaries and Wages appropriation is created in the Executive Operations Unit by a transfer from the Salaries and Wages line; and the appropriation includes an additional 2.0 positions for FY 2004-05.

FTEs	(585.3)
Gross	136,700
Federal	82,400
GF/GP	54,300

**J. UNCLASSIFIED SALARIES**

The appropriation reflects a reduction of 1.0 authorized position to adjust the appropriated number of positions to the level that can be supported by the appropriation.

FTEs	(1.0)
Gross	0
GF/GP	0

**K. FUNDING SHIFTS**

An increase in the Federal Medical Assistance percentage from 55.89% to 56.71% shifts spending from State to Federal dollars. Of the one-time child support enforcement penalty Federal refund dollars, \$14,307,400 is replaced with local funds and GF in foster care payments, adoption subsidies, State disability assistance payments, and additional protective service workers full-time equated positions.

FTEs	14.7
Gross	0
Federal	(11,063,500)
Local	94,000
GF/GP	10,969,500

**FY 2004-05 Change From  
FY 2003-04 Year-to-Date**

**L. ECONOMIC ADJUSTMENTS**

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

Gross	38,525,000
IDG	28,600
Federal	22,222,650
Local	2,001,700
Private	406,150
Restricted	111,400
GF/GP	13,754,500

Item	Gross	GF/GP
Economic Adjustments	\$63,532,300	\$22,513,500
Employee-Related Savings	(25,007,300)	(8,759,000)
<b>Total</b>	<b>\$38,525,000</b>	<b>\$13,754,500</b>

**M. OTHER ISSUES**

The appropriation makes a fleet service reduction as part of the annual savings related to Executive Order 2003-23 reductions. The Contractual Services, Supplies and Materials appropriation lines are reduced by a total of \$434,500 Gross, \$156,200 GF/GP. Savings are generated from the following as part of the Leadership Target Agreement: The rent account is reduced by \$300,000 Gross, GF; a change in the year-end personnel accounting method eliminates the accrual of unpaid wages and retirement pay-outs totaling \$2,185,400 Gross, GF; and the Grand Tower Facility Reimbursement line, \$1,018,200 Gross, \$240,100 GF, is eliminated because the State Building Authority has paid the bonding obligation that financed the building's acquisition. The State Emergency Relief line is unrolled, with no dollar changes, into five individual program lines: Food Bank Funding, Homeless Shelter Contracts, Multicultural Assimilation Funding, Indigent Burial, and Emergency Services Local Office Allocations.

Gross	(3,983,900)
Federal	(1,088,600)
GF/GP	(2,895,300)

**HIGHER EDUCATION  
P.A. 352 of 2004**

FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE	FY 2003-04 YEAR-TO-DATE	FY 2004-05 GOV.'S REC.	FY 2004-05 HOUSE	FY 2004-05 SENATE	FY 2004-05 YEAR-TO-DATE	CHANGES FROM FY 2003-04 YEAR-T0-DATE	
						AMOUNT	PERCENT
FTE Positions .....	1.0	1.0	1.0	1.0	1.0	0.0	0.0
<b>GROSS.....</b>	<b>1,696,671,400</b>	<b>1,607,964,400</b>	<b>1,698,585,600</b>	<b>1,685,749,300</b>	<b>1,690,150,500</b>	<b>(6,520,900)</b>	<b>(0.4)</b>
Less:							
Interdepartmental Grants Received.....	0	0	0	0	0	0	0.0
<b>ADJUSTED GROSS .....</b>	<b>1,696,671,400</b>	<b>1,607,964,400</b>	<b>1,698,585,600</b>	<b>1,685,749,300</b>	<b>1,690,150,500</b>	<b>(6,520,900)</b>	<b>(0.4)</b>
Less:							
Federal Funds.....	4,480,700	4,500,000	4,500,000	4,500,000	4,500,000	19,300	0.4
Local and Private.....	0	0	0	0	0	0	0.0
<b>TOTAL STATE SPENDING .....</b>	<b>1,692,190,700</b>	<b>1,603,464,400</b>	<b>1,694,085,600</b>	<b>1,681,249,300</b>	<b>1,685,650,500</b>	<b>(6,540,200)</b>	<b>(0.4)</b>
Less:							
Other State Restricted Funds .....	89,750,000	66,750,000	90,750,000	77,915,200	85,150,000	(4,600,000)	(5.1)
<b>GENERAL FUND/GENERAL PURPOSE ..</b>	<b>1,602,440,700</b>	<b>1,536,714,400</b>	<b>1,603,335,600</b>	<b>1,603,334,100</b>	<b>1,600,500,500</b>	<b>(1,940,200)</b>	<b>(0.1)</b>
<b>PAYMENTS TO LOCALS .....</b>	<b>3,759,100</b>	<b>3,759,100</b>	<b>3,759,100</b>	<b>3,759,100</b>	<b>3,759,100</b>	<b>0</b>	<b>0.0</b>

**A. FY 2003-04 SUPPLEMENTAL APPROPRIATIONS INCLUDED IN FY 2004-05 ACT**

**FY 2003-04 Tuition Restraint Incentive Funding**

Funding originally appropriated in Public Act 237 of 2003 to reward public universities that restrained their tuition in both academic years 2003-04 and 2004-05, was repealed, and replaced with separate funding incentives for each of the academic years 2003-04 and 2004-05. For 2003-04, if a university certified to the State Budget Office that it did not adopt an increase in tuition and required fees after December 1, 2003, it would receive 3.0% in supplemental appropriations, but the university would receive only half of that amount if it did adopt a tuition increase. Two universities (Lake Superior and Northern) did increase their tuition and required fees after December 1, 2003, and so received only 1.5% in supplemental funding for FY 2003-04. Due to the fact that budget deliberations were not completed until September 2004, this FY 2003-04 supplemental tuition restraint incentive funding of \$43,008,200 will be paid out in FY 2004-05. Column 3 of the attached table lists the tuition restraint incentive amount for each university.

**B. TUITION RESTRAINT INCENTIVE FUNDING FOR FY 2004-05**

For academic year 2004-05, there are three separate criteria to qualify for tuition restraint incentive funding, with three maximum limits on tuition and required fee rate increases allowed for Michigan resident undergraduate students: 1) 2.4% tuition and required fee rate increase, based on the highest rate authorized for academic year 2003-04 (applicable to Grand Valley State, Michigan State, and Saginaw Valley State Universities); 2) 2.4% tuition and required fee rate increase, based on the average of the fall and winter 2003-04 rates, and a rebate of at least \$200 of a proposed \$500 student records fee (applicable to Western Michigan University); and 3) 2.8% tuition and required fee rate increase, based on the average of the fall and winter 2003-04 rates (applicable to the 11 remaining universities).

Gross	894,800
GF/GP	894,800

By October 1, 2004, all 15 public universities had certified their compliance with the tuition restraint criteria to the State Budget Director. All 15 universities will receive the entire 3.0% tuition restraint incentive funding in their base appropriations for FY 2004-05. Lake Superior and Northern will receive this 3.0% funding on a base adjusted by \$192,650 and \$702,150, respectively, to reflect the full 3.0% amount in their base appropriations for FY 2003-04, instead of the 1.5% amount that they actually received.

**C. BAY MILLS INDIAN TUITION WAIVER FUNDING**

Gross	0
GF/GP	0

When the State funding for Indian Tuition Waivers was added to the base appropriations of all 15 universities in FY 1996-97, Northern was designated to serve as the fiscal agent for the pass-through of a \$100,000 Indian Tuition Waiver appropriation for Bay Mills Tribal College. For FY 2004-05 and

**FY 2004-05 Change From  
FY 2003-04 Year-to-Date**

ensuing fiscal years, Lake Superior State University has offered to serve as the fiscal agent for the Bay Mills Indian Tuition Waiver funding; this is accomplished by transferring \$100,000 from Northern Michigan University to Lake Superior.

**D. MIDWEST HIGHER EDUCATION COMPACT DUES**

Gross	165,000
GF/GP	165,000

Public Act 195 of 1990 allowed Michigan to join the Midwestern Higher Education Compact, whose purpose is to provide better Higher Education opportunities and services in the Midwestern region. The work of the Compact is financed through annual member state dues of \$82,500 and foundation grants. The FY 2003-04 dues payment was vetoed by the Governor, who also did not recommend a dues payment for FY 2004-05. The FY 2004-05 enacted appropriation for Higher Education includes Compact dues payments of \$82,500 for each of the fiscal years 2003-04 and 2004-05.

**E. STATE COMPETITIVE SCHOLARSHIPS**

Gross	19,300
Federal	19,300

Additional Federal funds of \$19,300 are available for State Competitive Scholarships which are need-based grants for students who perform well on the American College Test (ACT). Total FY 2004-05 funding is \$35,630,500 of which \$3.0 million is Federal.

**F. PROGRAM REDUCTION: MICHIGAN TUITION GRANT PROGRAM**

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

The Governor recommended elimination of this \$64.8 million need-based grant program for students at independent colleges and universities, and the Legislature wished to keep the program intact. As part of the FY 2004-05 budget negotiations, the Michigan Tuition Grant Program was reduced by \$3.0 million.

**G. TOBACCO SETTLEMENT**

Gross	(4,600,000)
Restricted	(4,600,000)

**1. Tuition Incentive Program (TIP)**

Due to an increase in TIP students attending college, an additional \$1.0 million in FY 2004-05 Michigan Merit Award Trust Fund revenue is required for this need-based program. TIP provides an incentive to middle and high school Medicaid-eligible students by promising to pay for their college tuition if they graduate from high school.

**2. Michigan Merit Award Scholarships**

During the FY 2004-05 budget process, various changes in the scholarships were proposed, including requiring a 2.0 minimum grade point average in college and eliminating the \$1,000

**FY 2004-05 Change From  
FY 2003-04 Year-to-Date**

awards to out-of-State students. The only change reflected in the FY 2004-05 appropriation for Merit Awards is a reduction of \$5.6 million based on the estimated expenditure level. The other policy change, the deferral of the \$1,000 awards for out-of-State students for the class of 2005 only, was proposed in a separate bill (Senate Bill 1376 as passed the Senate on September 23, 2004, and currently pending in the House Appropriations Committee); the savings from this policy change would be reflected in the FY 2005-06 appropriations for Merit Awards.

<b>FY 2004-05 Higher Education Public Act 352 of 2004</b>	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	FY 2003-04 Initial Approp. Public Act 144 of 2003	EO 2003-23 Reduction of -5.0%	Tuition Restraint 3.0% LSSU/NMU: 1.5%	FY 2003-04 Adjusted Year-to-Date	LSSU/NMU Base Adjust.: Bay Mills & Tuit. Restraint; Compact Dues	Fed \$ for Comp Schol.; Tuit Grants; Merit Awards; \$1M for TIP	FY 2004-05 Enacted	\$ Chg from 2003-04 YTD	% Chg from 2003-04 YTD	2004-05 Approp per Student*
<b>UNIVERSITIES</b>										
Central	81,541,700	(4,077,100)	2,446,300	79,910,900			79,910,900	0	0.0%	3,750
Eastern	78,873,300	(3,943,700)	2,366,200	77,295,800			77,295,800	0	0.0%	3,947
Ferris	49,968,200	(2,498,400)	1,499,000	48,968,800			48,968,800	0	0.0%	4,977
Grand Valley	59,085,800	(2,954,300)	1,772,600	57,904,100			57,904,100	0	0.0%	3,296
Lake Superior	12,841,800	(642,100)	192,650	12,392,350	292,650		12,685,000	292,650	2.4%	4,374
Michigan State	293,383,700	(14,669,200)	8,801,500	287,516,000			287,516,000	0	0.0%	6,914
Michigan Tech	49,717,400	(2,485,900)	1,491,500	48,723,000			48,723,000	0	0.0%	8,110
Northern	46,811,500	(2,340,600)	702,150	45,173,050	602,150		45,775,200	602,150	1.3%	5,688
Oakland	49,087,900	(2,454,400)	1,472,600	48,106,100			48,106,100	0	0.0%	3,681
Saginaw Valley	26,673,700	(1,333,700)	800,200	26,140,200			26,140,200	0	0.0%	3,666
UM-Ann Arbor	327,206,100	(16,360,300)	9,816,200	320,662,000			320,662,000	0	0.0%	8,296
UM-Dearborn	25,193,900	(1,259,700)	755,800	24,690,000			24,690,000	0	0.0%	3,897
UM-Flint	21,661,300	(1,083,100)	649,800	21,228,000			21,228,000	0	0.0%	4,230
Wayne State	228,279,900	(11,414,000)	6,848,400	223,714,300			223,714,300	0	0.0%	9,438
Western	113,109,300	(5,655,500)	3,393,300	110,847,100			110,847,100	0	0.0%	4,354
Ag Experiment Station	33,163,800	0		33,163,800			33,163,800	0	0.0%	
Cooperative Extension Service	28,604,300	0		28,604,300			28,604,300	0	0.0%	
Higher Education Database	200,000	0		200,000			200,000	0	0.0%	
Midwest Higher Ed Compact	0	0		0	165,000		165,000	165,000	na	
King-Chavez-Parks	2,691,500	0		2,691,500			2,691,500	0	0.0%	
<b>TOTAL UNIVERSITIES</b>	<b>1,528,095,100</b>	<b>(73,172,000)</b>	<b>43,008,200</b>	<b>1,497,931,300</b>	<b>1,059,800</b>	<b>0</b>	<b>1,498,991,100</b>	<b>1,059,800</b>	<b>0.1%</b>	<b>5,825</b>
<b>Merit Award Trust Fund</b>	<b>9,500,000</b>	<b>0</b>	<b>0</b>	<b>9,500,000</b>	<b>0</b>	<b>0</b>	<b>9,500,000</b>	<b>0</b>	<b>0.0%</b>	
<b>State GF/GP</b>	<b>1,518,595,100</b>	<b>(73,172,000)</b>	<b>43,008,200</b>	<b>1,488,431,300</b>	<b>1,059,800</b>	<b>0</b>	<b>1,489,491,100</b>	<b>1,059,800</b>	<b>0.1%</b>	
<b>GRANTS &amp; FINANCIAL AID</b>										
Competitive Scholarships	35,530,500	0	80,700	35,611,200		19,300	35,630,500	19,300	0.1%	
Tuition Grants	64,768,100	0		64,768,100		(3,000,000)	61,768,100	(3,000,000)	-4.6%	
Work Study	7,326,300	0		7,326,300			7,326,300	0	0.0%	
Part-time Independent	2,653,300	0		2,653,300			2,653,300	0	0.0%	
Dental Degree	4,547,000	0		4,547,000			4,547,000	0	0.0%	
Ed.Opportunity Grants(MEOG)	2,084,200	0		2,084,200			2,084,200	0	0.0%	
Byrd Scholarship Program	1,500,000	0		1,500,000			1,500,000	0	0.0%	
Nursing Scholarship Program	4,000,000	0		4,000,000			4,000,000	0	0.0%	
Michigan Merit Award Program	130,000,000	(63,000,000)		67,000,000		(5,600,000)	61,400,000	(5,600,000)	-8.4%	
Tuition Incentive Program(TIP)	9,250,000	0		9,250,000		1,000,000	10,250,000	1,000,000	10.8%	
<b>TOTAL-FINANCIAL AID</b>	<b>261,659,400</b>	<b>(63,000,000)</b>	<b>80,700</b>	<b>198,740,100</b>	<b>0</b>	<b>(7,580,700)</b>	<b>191,159,400</b>	<b>(7,580,700)</b>	<b>-3.8%</b>	
<b>Federal</b>	<b>4,400,000</b>	<b>0</b>	<b>80,700</b>	<b>4,480,700</b>	<b>0</b>	<b>19,300</b>	<b>4,500,000</b>	<b>19,300</b>	<b>0.4%</b>	
<b>Merit Award Trust Fund</b>	<b>143,250,000</b>	<b>(63,000,000)</b>	<b>0</b>	<b>80,250,000</b>	<b>0</b>	<b>(4,600,000)</b>	<b>75,650,000</b>	<b>(4,600,000)</b>	<b>-5.7%</b>	
<b>State GF/GP</b>	<b>114,009,400</b>	<b>0</b>	<b>0</b>	<b>114,009,400</b>	<b>0</b>	<b>(3,000,000)</b>	<b>111,009,400</b>	<b>(3,000,000)</b>	<b>-2.6%</b>	
<b>TOTAL- HIGHER ED</b>	<b>1,789,754,500</b>	<b>(136,172,000)</b>	<b>43,088,900</b>	<b>1,696,671,400</b>	<b>1,059,800</b>	<b>(7,580,700)</b>	<b>1,690,150,500</b>	<b>(6,520,900)</b>	<b>-0.4%</b>	
<b>TOTAL FEDERAL</b>	<b>4,400,000</b>	<b>0</b>	<b>80,700</b>	<b>4,480,700</b>	<b>0</b>	<b>19,300</b>	<b>4,500,000</b>	<b>19,300</b>	<b>0.4%</b>	
<b>TOTAL STATE RESTRICTED</b>	<b>152,750,000</b>	<b>(63,000,000)</b>	<b>0</b>	<b>89,750,000</b>	<b>0</b>	<b>(4,600,000)</b>	<b>85,150,000</b>	<b>(4,600,000)</b>	<b>-5.1%</b>	
<b>TOTAL STATE GF/GP</b>	<b>1,632,604,500</b>	<b>(73,172,000)</b>	<b>43,008,200</b>	<b>1,602,440,700</b>	<b>1,059,800</b>	<b>(3,000,000)</b>	<b>1,600,500,500</b>	<b>(1,940,200)</b>	<b>-0.1%</b>	

\* FY 2002-03 Fiscal-Year-Equated Students (FYES)

HIGHER EDUCATION

**DEPARTMENT OF HISTORY, ARTS, AND LIBRARIES**  
**P.A. 340 of 2004**

FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE	FY 2003-04 YEAR-TO-DATE	FY 2004-05 GOV.'S REC.	FY 2004-05 HOUSE	FY 2004-05 SENATE	FY 2004-05 YEAR-TO-DATE	CHANGES FROM FY 2003-04 YEAR-TO-DATE	
						AMOUNT	PERCENT
FTE Positions .....	248.5	232.0	232.0	232.0	232.0	(16.5)	(6.6)
<b>GROSS.....</b>	<b>56,548,000</b>	<b>58,610,100</b>	<b>58,743,200</b>	<b>57,137,800</b>	<b>57,083,600</b>	<b>535,600</b>	<b>0.9</b>
Less:							
Interdepartmental Grants Received.....	137,500	139,000	139,000	138,800	139,000	1,500	1.1
<b>ADJUSTED GROSS .....</b>	<b>56,410,500</b>	<b>58,471,100</b>	<b>58,604,200</b>	<b>56,999,000</b>	<b>56,944,600</b>	<b>534,100</b>	<b>0.9</b>
Less:							
Federal Funds.....	9,322,600	8,151,300	8,151,300	8,151,300	8,151,300	(1,171,300)	(12.6)
Local and Private.....	577,400	577,400	577,400	577,400	577,400	0	0.0
<b>TOTAL STATE SPENDING .....</b>	<b>46,510,500</b>	<b>49,742,400</b>	<b>49,875,500</b>	<b>48,270,300</b>	<b>48,215,900</b>	<b>1,705,400</b>	<b>3.7</b>
Less:							
Other State Restricted Funds .....	2,308,800	2,412,400	2,412,400	2,409,200	2,412,400	103,600	4.5
<b>GENERAL FUND/GENERAL PURPOSE ..</b>	<b>44,201,700</b>	<b>47,330,000</b>	<b>47,463,100</b>	<b>45,861,100</b>	<b>45,803,500</b>	<b>1,601,800</b>	<b>3.6</b>
<b>PAYMENTS TO LOCALS .....</b>	<b>17,530,400</b>	<b>18,655,400</b>	<b>18,130,400</b>	<b>18,068,200</b>	<b>17,563,400</b>	<b>33,000</b>	<b>0.2</b>

**FY 2004-05 Change From  
FY 2003-04 Year-to-Date**

**A. NEW PROGRAMS**

**1. Preservation and Access for Michigan Project**

Gross	965,000
GF/GP	965,000

The budget includes funding for a new digitization project that will provide funding to local libraries for digitization of rare and/or historically significant documents that are being held in special collections at local libraries around the State. These items will then be made available to the general public on the Michigan Electronic Library.

**2. Local Historical Society Grants**

Gross	100,000
GF/GP	100,000

The budget provides funding for a new competitive grant program for all State and local historical societies and the State preservation network to use for capital improvement, restorations, research, educational programs, and publications.

**3. Michigan History Day**

Gross	25,000
GF/GP	25,000

The budget includes funding for this statewide educational program administered by the Michigan Historical Program.

**B. PROGRAM INCREASES**

**1. Mackinac Island State Park**

Gross	43,600
Restricted	43,600
GF/GP	0

The budget includes an increase in restricted funding spending authority that will be used to cover the costs of addressing maintenance projects on the island.

**2. Book Distribution Centers**

Gross	20,000
GF/GP	20,000

The budget increases funding for the two centers, the Public Enrichment Foundation and the Michigan Friends of Education, that distribute books around the State to various institutions such as prisons, hospitals, and rehabilitation centers.

**C. PROGRAM REDUCTIONS/ELIMINATIONS**

**1. Human Resource Optimization Savings**

Gross	(19,600)
GF/GP	(19,600)

The budget makes a net reduction based on the consolidation of certain human resources functions in the Department of Civil Service.

**FY 2004-05 Change From  
FY 2003-04 Year-to-Date**

**2. Detroit and Grand Rapids Public Libraries**

The separate line items for the Detroit and Grand Rapids public libraries were eliminated. These libraries will continue to receive funding only through the State Aid to Libraries formula.

Gross (1,125,000)  
Federal (1,125,000)  
GF/GP 0

**3. Information Technology**

The budget reflects an additional reduction to this line as determined by leadership.

Gross (16,500)  
GF/GP (16,500)

**D. ECONOMIC ADJUSTMENTS**

The economic adjustment amount includes standard economic factors applied to salaries and wages, retirement, insurance, rent, motor transport, workers' compensation, and building occupancy charges consistent with factors applied to all budgets. Employee-related savings reflect the Department's share of budgetary savings that will be achieved through a reduction of outside contracts, voluntary work schedule adjustments, and temporary wage and benefit concessions.

Gross 600,100  
IDG 1,500  
Federal 40,000  
Restricted 60,000  
GF/GP 498,600

Item	Gross	GF/GP
Economic Adjustments	\$1,202,900	\$1,047,700
Employee-Related Savings	(602,800)	(549,100)
Net Economics	\$600,100	\$498,600

**E. OTHER ISSUES**

The budget includes various spending authority adjustments to reflect anticipated levels of Federal revenue and various technology adjustments to reflect actual costs.

FTE (16.5)  
Gross (57,000)  
Federal (86,300)  
GF/GP 29,300

**F. VETOES**

The Governor vetoed a \$10,000 GF/GP grant that would have provided funding to a lighthouse restoration project in Arenac County. The project did not meet the Federal grant guidelines so funding was provided by the Legislature through a direct grant.

**DEPARTMENT OF INFORMATION TECHNOLOGY  
P.A. 327 of 2004**

FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE	FY 2003-04 YEAR-TO-DATE	FY 2004-05 GOV.'S REC.	FY 2004-05 HOUSE	FY 2004-05 SENATE	FY 2004-05 YEAR-TO-DATE	CHANGES FROM FY 2003-04 YEAR-TO-DATE	
						AMOUNT	PERCENT
FTE Positions .....	1,749.4	1,756.4	1,756.4	1,756.4	1,756.4	7.0	0.4
<b>GROSS.....</b>	<b>371,269,300</b>	<b>365,838,600</b>	<b>355,248,700</b>	<b>340,599,300</b>	<b>360,738,600</b>	<b>(10,530,700)</b>	<b>(2.8)</b>
Less:							
Interdepartmental Grants Received.....	371,269,300	365,838,600	355,248,700	340,599,300	360,738,600	(10,530,700)	(2.8)
<b>ADJUSTED GROSS .....</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>
Less:							
Federal Funds.....	0	0	0	0	0	0	0.0
Local and Private.....	0	0	0	0	0	0	0.0
<b>TOTAL STATE SPENDING .....</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>
Less:							
Other State Restricted Funds .....	0	0	0	0	0	0	0.0
<b>GENERAL FUND/GENERAL PURPOSE ..</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>
<b>PAYMENTS TO LOCALS .....</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>

**FY 2004-05 Change From  
FY 2003-04 Year-to-Date**

<b>A. HUMAN RESOURCE SERVICE CENTER</b>	<p>The centralized Human Resource Service Center will be housed in the Department of Civil Service and technical maintenance will be provided by the Department of Information Technology (DIT). The DIT appropriation includes 4.0 FTE positions for this purpose. (The program description under the Department of Civil Service contains more details on this program.)</p>	<p>FTE 4.0 Gross 1,070,900 IDG 1,070,900 GF/GP 0</p>
<b>B. OFFICE OF RETIREMENT SERVICES</b>	<p>The budget includes funding associated with additional software and licenses, servers, storage, and application tools for the Office of Retirement Services.</p>	<p>Gross 553,000 IDG 553,000 GF/GP 0</p>
<b>C. DEPARTMENT OF CORRECTIONS</b>	<p>This adjustment reflects the net cost related to conversion from the Corrections Management Information System (CMIS) to the Offender Management Network Information (OMNI), and the cost of Sybase licenses.</p>	<p>Gross 2,220,000 IDG 2,220,000 GF/GP 0</p>
<b>D. BUREAU OF THE STATE LOTTERY</b>	<p>The budget includes adjustments that reflect increased costs of \$691,900 related to website usage (portal costs) and \$275,500 for additional license and maintenance costs.</p>	<p>Gross 967,400 IDG 967,400 GF/GP 0</p>
<b>E. PROGRAM REDUCTIONS/ELIMINATIONS</b>		
<b>1. Baseline Reductions</b>	<p>The budget includes savings related to telecommunications rates, line charges, data center costs, contracts, and equipment that were recommended by the Governor.</p>	<p>Gross (4,331,600) IDG (4,331,600) GF/GP 0</p>
<b>2. Leadership Agreement</b>	<p>The House reduced all line items in the Department of Information Technology budget by \$10,987,100 (3.0%) from the Governor's recommendation. The Senate reduced funding by \$25,636,500 (7%). The budget includes a reduction based on the Leadership Target Agreement that includes \$2,103,700 in enhancement delays, \$1,896,300 in efficiencies (telecommunication/data center/contracting), and a \$1.1 million reduction in the Department of State's mainframe upgrade project.</p>	<p>Gross (5,100,000) IDG (5,100,000) GF/GP 0</p>

**F. PROGRAM TRANSFERS**

Adjustments include the transfer of 2.0 FTEs/\$151,900 to the Department of Management and Budget related to the Michigan Administrative Information Network (MAIN) help desk; a \$1,080,000 transfer from State Police related to base funding adjustments; a transfer from the State Police of \$1.0 million for the Commercial Vehicle Information System Network; a transfer from the State Police of \$350,000 related to fleet funding; the transfer of \$9,115,200 for costs associated with the Department of Labor and Economic Growth unemployment call center; and the transfer of 1.0 FTE and \$698,500 to the Department of State.

FTE	(3.0)
Gross	10,694,800
IDG	10,694,800
GF/GP	0

**G. ECONOMIC ADJUSTMENTS**

The economic adjustment amount includes standard economic factors applied to salaries and wages, retirement, insurance, rent, motor transport, workers' compensation, and building occupancy charges consistent with factors applied to all budgets. Employee-related savings reflect the Department's share of budgetary savings that will be achieved through a reduction of outside contracts, voluntary work schedule adjustments, and temporary wage and benefit concessions.

Gross	9,961,200
IDG	9,961,200
GF/GP	0

Item	Gross	GF/GP
Economic Adjustments	\$14,433,400	\$0
Employee-Related Savings	(4,472,200)	0
Net Economics	\$9,961,200	\$0

**H. OTHER ISSUES**

Other adjustments include a net increase of \$11,243,100 to reconcile the DIT appropriation with the base appropriation for information technology in other budgets; a reduction of \$13,888,400 to reflect reductions contained in Executive Order 2003-23; a reduction of \$13,500 related to the Center for Educational Performance and Information; an increase of 6.0 FTEs along with a reduction of \$300,000 related to revenue enhancement projects contained in P.A. 237 of 2003, a reduction of \$12.0 million based on projected funding requirements for the Child Support Enforcement System; a reduction of \$751,000 related to MAIN costs; an increase of \$71,000 related to the Motor Fuel Tax Simplification Project; an increase of \$102,400 related to Federal funding for the Department of Education; and elimination of \$11,030,000 in adjustments included in P.A. 309 of 2004.

FTE	6.0
Gross	(26,566,400)
IDG	(26,566,400)
GF/GP	0

**JUDICIARY**  
**P.A. 339 of 2004**

FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE	FY 2003-04 YEAR-TO-DATE	FY 2004-05 GOV.'S REC.	FY 2004-05 HOUSE	FY 2004-05 SENATE	FY 2004-05 YEAR-TO-DATE	CHANGES FROM FY 2003-04 YEAR-T0-DATE	
						AMOUNT	PERCENT
FTE Positions .....	582.5	582.5	582.5	582.5	582.5	0.0	0.0
<b>GROSS.....</b>	<b>257,567,900</b>	<b>253,016,600</b>	<b>253,216,600</b>	<b>253,214,800</b>	<b>253,216,700</b>	<b>(4,351,200)</b>	<b>(1.7)</b>
Less:							
Interdepartmental Grants Received.....	4,633,500	4,633,500	4,633,500	4,633,500	4,633,500	0	0.0
<b>ADJUSTED GROSS .....</b>	<b>252,934,400</b>	<b>248,383,100</b>	<b>248,583,100</b>	<b>248,581,300</b>	<b>248,583,200</b>	<b>(4,351,200)</b>	<b>(1.7)</b>
Less:							
Federal Funds.....	4,106,500	3,815,600	4,015,600	4,015,600	4,015,600	(90,900)	(2.2)
Local and Private.....	3,991,200	4,140,600	4,140,600	4,140,500	4,140,600	149,400	3.7
<b>TOTAL STATE SPENDING .....</b>	<b>244,836,700</b>	<b>240,426,900</b>	<b>240,426,900</b>	<b>240,425,200</b>	<b>240,427,000</b>	<b>(4,409,700)</b>	<b>(1.8)</b>
Less:							
Other State Restricted Funds .....	84,620,300	82,333,600	82,333,600	82,333,100	82,333,700	(2,286,600)	(2.7)
<b>GENERAL FUND/GENERAL PURPOSE ..</b>	<b>160,216,400</b>	<b>158,093,300</b>	<b>158,093,300</b>	<b>158,092,100</b>	<b>158,093,300</b>	<b>(2,123,100)</b>	<b>(1.3)</b>
<b>PAYMENTS TO LOCALS .....</b>	<b>124,506,800</b>	<b>123,214,300</b>	<b>123,214,300</b>	<b>123,213,800</b>	<b>123,214,400</b>	<b>(1,292,400)</b>	<b>(1.0)</b>

**FY 2004-05 Change From  
FY 2003-04 Year-to-Date**

<b>A. COURT EQUITY FUND REIMBURSEMENTS</b>	Gross GF/GP	(1,000,000) (1,000,000)
<p>The budget reduces State reimbursements to local funding units for trial court operations by \$1.0 million. This equals a 1.43% reduction of total Court Equity Fund reimbursements.</p>		
<b>B. JUDGESHIPS</b>	Gross GF/GP	(101,700) (101,700)
<p>The budget reflects changes in judges' salary lines due to legislation enacted before 2004 to reduce the number of judgeships during FY 2004-05.</p>		
<b>C. CHILDREN'S JUSTICE GRANT</b>	Gross Federal GF/GP	200,000 200,000 0
<p>The budget includes a new Federal grant for the development, printing, and implementation of a written protocol and training curriculum for lawyer-guardians ad litem (court-appointed legal representation for minor children) and parents in child protection proceedings.</p>		
<b>D. FEDERAL GRANTS</b>	Gross Federal GF/GP	(311,500) (311,500) 0
<p>The budget acknowledges the discontinuation of two Federal mediation grant programs totaling \$275,000, as well as the loss of a U.S. Department of Justice grant of \$36,500 to the State Appellate Defender's Office. It also reflects the elimination of two Federal grants totaling \$225,000 to the Judicial Institute for training judges on domestic violence prevention and the enforcement of underage drinking laws. Further, the budget reflects the loss of a Federal Temporary Aid to Needy Families (TANF) grant of \$50,000. The budget, however, does create a new Other Federal Grants line item to provide the Judiciary with general authorization to spend up to \$275,000 in Federal funds if they become available.</p>		
<b>E. CHILD SUPPORT ENFORCEMENT SYSTEM REFUND</b>	Gross Restricted GF/GP	(4,500,000) (4,500,000) 0
<p>The budget recognizes the elimination of a one-time appropriation of \$4.5 million from the refund of Federal penalties related to the Child Support Enforcement System.</p>		
<b>F. TRANSCRIPT FEE</b>	Gross Restricted GF/GP	100 100 0
<p>The budget includes a \$100 placeholder in case statutory transcript fee maximums are increased and a source of revenue is found to reimburse counties for associated costs.</p>		

**FY 2004-05 Change From  
FY 2003-04 Year-to-Date**

**G. FUNDING SHIFTS**

**1. Court Equity Fund**

The budget replaces GF/GP funding with additional State restricted revenue available from the Court Equity Fund due to the increases in court filing fees, the State minimum court costs, and the justice system assessments implemented in October 2003.

Gross	0
Restricted	1,768,900
GF/GP	(1,768,900)

**2. Drug Court Fund**

The budget replaces GF/GP funding with additional State restricted revenue available from the Drug Court Fund due to the State minimum court costs and justice system assessments implemented in October 2003.

Gross	0
Restricted	420,800
GF/GP	(420,800)

**H. ECONOMIC ADJUSTMENTS**

The economic adjustment amount includes standard economic factors applied to salaries and wages, retirement, insurance, workers' compensation, and building occupancy charges consistent with factors applied to all budgets. Employee-related savings reflect the Judiciary's share of budgetary savings that will be achieved through the reduction of outside contracts, voluntary work schedule adjustments, and temporary wage and benefit concessions.

Gross	1,361,900
Federal	20,600
Local	149,400
Restricted	23,600
GF/GP	1,168,300

Item	Gross	GF/GP
Economic Adjustments	\$2,858,800	\$2,559,000
Employee-Related Savings	(1,496,900)	(1,390,700)
Net Economics	\$1,361,900	\$1,168,300

**DEPARTMENT OF LABOR AND ECONOMIC GROWTH  
P.A. 354 of 2004**

FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE	FY 2003-04 YEAR-TO-DATE*	FY 2004-05 GOV.'S REC.	FY 2004-05 HOUSE	FY 2004-05 SENATE	FY 2004-05 YEAR-TO-DATE	CHANGES FROM FY 2003-04 YEAR-TO-DATE	
						AMOUNT	PERCENT
FTE Positions .....	4,229.5	4,238.0	4,238.5	4,248.5	4,256.5	27.0	0.6
<b>GROSS.....</b>	<b>1,156,218,700</b>	<b>1,234,478,600</b>	<b>1,219,111,500</b>	<b>1,244,984,200</b>	<b>1,241,865,600</b>	<b>85,646,900</b>	<b>7.4</b>
Less:							
Interdepartmental Grants Received.....	212,000	515,200	515,200	515,200	515,200	303,200	143.0
<b>ADJUSTED GROSS .....</b>	<b>1,156,006,700</b>	<b>1,233,963,400</b>	<b>1,218,596,300</b>	<b>1,244,469,000</b>	<b>1,241,350,400</b>	<b>85,343,700</b>	<b>7.4</b>
Less:							
Federal Funds.....	767,329,100	836,629,400	792,502,100	815,583,000	836,502,100	69,173,000	9.0
Local and Private.....	19,227,000	19,886,000	19,384,700	19,809,700	19,809,700	582,700	3.0
<b>TOTAL STATE SPENDING .....</b>	<b>369,450,600</b>	<b>377,448,000</b>	<b>406,709,500</b>	<b>409,076,300</b>	<b>385,038,600</b>	<b>15,588,000</b>	<b>4.2</b>
Less:							
Other State Restricted Funds .....	300,474,300	297,760,900	297,914,500	298,179,100	290,500,600	(9,973,700)	(3.3)
<b>GENERAL FUND/GENERAL PURPOSE ..</b>	<b>68,976,300</b>	<b>79,687,100</b>	<b>108,795,000</b>	<b>110,897,200</b>	<b>94,538,000</b>	<b>25,561,700</b>	<b>37.1</b>
<b>PAYMENTS TO LOCALS .....</b>	<b>31,015,900</b>	<b>33,822,700</b>	<b>33,822,700</b>	<b>33,822,800</b>	<b>25,112,000</b>	<b>(5,903,900)</b>	<b>(19.0)</b>

\* Includes combined FY 2003-04 Year-to-Date for the Department of Career Development, the Department of Consumer and Industry Services, and the Michigan Strategic Fund, as well as adjustments for Executive Order 2003-18.

**FY 2004-05 Change From  
FY 2003-04 Year-to-Date**

**A. PROGRAM INCREASES OR ADJUSTMENTS**

**1. New Authorities**

The budget includes funding for two new authorities and creates a line item appropriation for an existing authority. The new authorities are the Land Bank Fast Track Authority (2.0 FTEs and \$650,000) and the Metropolitan Extension Rights of Way Oversight Authority (3.0 FTEs and \$499,900). The Senate added, and the House agreed to, detailed appropriation lines for the Broadband Development Authority, which previously had a boilerplate appropriation (10.0 FTEs and \$1,296,600).

FTE	15.0
Gross	2,446,500
Restricted	2,446,500
GF/GP	0

**2. Increase in Restricted Fund Spending Authority**

Due to increasing caseloads, the FTEs and restricted fund spending authority were increased for the Bank and Trust Division (\$654,600 and 12.0 FTEs) and the Public Service Commission (\$450,000 and 8.0 FTEs).

FTE	20.0
Gross	1,104,600
Restricted	1,104,600
GF/GP	0

**3. Fire Protection Grant**

The budget realigns the appropriation in this line with estimated revenue. The FY 2003-04 budget included \$12,128,500 of excess spending authority in anticipation of legislation increasing the State mark-up on liquor products in the Liquor Control Code. This change did not occur. Additionally, the line includes a new fund source for these grants, pursuant to the passage of the Driver Responsibility legislation, which included the creation of the Fire Protection Fund. Deposits into this fund are estimated to meet the first threshold of \$65.0 million necessary to allocate \$3.5 million to Fire Protection grants. The total appropriation for these grants is \$7.2 million.

Gross	(8,628,500)
Restricted	(8,628,500)
GF/GP	0

**4. Technology Tri-Corridor Funding**

The budget includes an increase for these research grants with boilerplate language that restricts the distribution of funding for the Life Science component only.

Gross	15,000,000
GF/GP	15,000,000

**5. Job Training Programs Subgrantees**

The budget appropriates carryforward Reed Act funding to support these training programs. Funding for this program was provided through a work project account from FY 2001-02 through FY 2003-04. This appropriation maintains funding at the FY 2003-04 level.

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

**FY 2004-05 Change From  
FY 2003-04 Year-to-Date**

**6. Federal Funding Spending Authority Adjustments**

The budget makes various spending authority adjustments to account for additional U.S. Department of Labor (DOL) funds for unemployment programs, NAFTA/Trade Adjustment Assistance funding, Federal Perkins Grant funds, and other Federal postsecondary education funding.

Gross	15,280,100
Federal	15,280,100
GF/GP	0

**B. PROGRAM REDUCTIONS/ELIMINATIONS**

**1. Low-Income Energy Efficiency Grants**

Spending authority for these grants is reduced to reflect actual revenue levels. The FY 2004-05 appropriation is \$45.0 million.

Gross	(12,000,000)
Restricted	(12,000,000)
GF/GP	0

**2. Volunteer Investment Grants**

The budget eliminates funding for these grants (\$280,100 GF/GP). These funds are transferred to the Pre-College Programs for the Engineering and the Sciences (\$180,100) and to the Michigan Strategic Fund Administration line to fund a feasibility study on the creation of a Michigan Center for Excellence in Manufacturing (\$100,000).

Gross	0
GF/GP	0

**3. Information Technology**

The budget reflects efficiency reductions.

Gross	(149,100)
GF/GP	(149,100)

**4. Human Resource Optimization Savings**

The budget includes a net reduction based on the consolidation of certain human resource functions in the Department of Civil Service.

FTE	(5.0)
Gross	(117,300)
Federal	(94,100)
Restricted	(3,600)
GF/GP	(19,600)

**C. FUNDING SHIFTS**

**1. Welfare-to-Work**

The budget includes a series of fund shifts to partially replace the loss of various Federal funding sources, including \$20.0 million in U.S. DOL funds, the \$66.1 million of appropriated Reed Act funding from an FY 2001-02 account, and various TANF transfers to the Family Independence Agency (FIA). The budget includes \$10.9 million of additional GF/GP support, \$16.3 million of Reed Act funds from carryforward balances in the Unemployment Agency and the Employment Service Agency, and \$39.9 million of TANF funds transferred back from the FIA.

Gross	46,100,000
Federal	36,200,000
GF/GP	9,900,000

**FY 2004-05 Change From  
FY 2003-04 Year-to-Date**

**2. Michigan Virtual University**

The budget includes a fund shift for this grant line from Federal Workforce Investment Act funding to GF/GP.

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

**3. Fire Marshal**

The budget includes a shift of restricted Construction Code funds to replace GF/GP funds to support this program.

Gross	0
Restricted	1,590,000
GF/GP	(1,590,000)

**D. ECONOMIC ADJUSTMENTS**

The economic adjustment amount includes standard economic factors applied to salaries and wages, retirement, insurance, rent, motor transport, workers' compensation, and building occupancy charges consistent with factors applied to all budgets. Employee-related savings reflect the Department's share of budgetary savings that will be achieved through a reduction in outside contracts, voluntary work schedule adjustments, and temporary wage and benefit concessions.

Gross	20,935,300
IDG	3,200
Federal	12,204,900
Local	234,000
Restricted	7,072,800
GF/GP	1,420,400

Item	Gross	GF/GP
Economic Adjustments	\$32,461,000	\$2,163,900
Employee-Related Savings	(11,525,700)	(743,500)
Net Economics	\$20,935,300	\$1,420,400

**E. OTHER ISSUES**

The budget includes various spending authority adjustments to reflect anticipated revenue levels and various FTE adjustments to reflect staffing levels. Additionally, Public Act 360 of 2004 included boilerplate authority to increase the number of FTEs by 8.0 to assist with the increased workload related to utility rate setting cases.

FTE	(3.0)
Gross	(324,700)
IDG	300,000
Federal	582,100
Local/Private	348,700
Restricted	(1,555,500)
GF/GP	0

**LEGISLATURE  
P.A. 327 of 2004**

FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE	FY 2003-04 YEAR-TO-DATE	FY 2004-05 GOV.'S REC.	FY 2004-05 HOUSE	FY 2004-05 SENATE	FY 2004-05 YEAR-TO-DATE	CHANGES FROM FY 2003-04 YEAR-TO-DATE	
						AMOUNT	PERCENT
FTE Positions .....	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>GROSS.....</b>	<b>118,630,800</b>	<b>118,630,800</b>	<b>118,680,800</b>	<b>121,629,300</b>	<b>126,731,900</b>	<b>8,101,100</b>	<b>6.8</b>
Less:							
Interdepartmental Grants Received.....	1,662,900	1,801,500	1,801,500	1,801,500	1,801,500	138,600	8.3
<b>ADJUSTED GROSS .....</b>	<b>116,967,900</b>	<b>116,829,300</b>	<b>116,879,300</b>	<b>119,827,800</b>	<b>124,930,400</b>	<b>7,962,500</b>	<b>6.8</b>
Less:							
Federal Funds.....	0	0	0	0	0	0	0.0
Local and Private.....	400,000	400,000	400,000	400,000	400,000	0	0.0
<b>TOTAL STATE SPENDING .....</b>	<b>116,567,900</b>	<b>116,429,300</b>	<b>116,479,300</b>	<b>119,427,800</b>	<b>124,530,400</b>	<b>7,962,500</b>	<b>6.8</b>
Less:							
Other State Restricted Funds .....	2,495,100	2,356,500	2,356,500	2,356,500	2,356,500	(138,600)	(5.6)
<b>GENERAL FUND/GENERAL PURPOSE ..</b>	<b>114,072,800</b>	<b>114,072,800</b>	<b>114,122,800</b>	<b>117,071,300</b>	<b>122,173,900</b>	<b>8,101,100</b>	<b>7.1</b>
<b>PAYMENTS TO LOCALS .....</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>

**FY 2004-05 Change From  
FY 2003-04 Year-to-Date**

**A. FUNDING SHIFTS**

The budget for the Legislative Auditor General includes adjustments to restricted fund charges based on scheduled audits.

Gross	0
IDG	138,600
Restricted	(138,600)
GF/GP	0

**B. ECONOMIC ADJUSTMENTS**

The economic adjustment amount includes adjustments consistent with factors applied to all budgets.

Gross	8,101,100
GF/GP	8,101,100

**DEPARTMENT OF MANAGEMENT AND BUDGET  
P.A. 327 of 2004**

FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE	FY 2003-04 YEAR-TO-DATE	FY 2004-05 GOV.'S REC.	FY 2004-05 HOUSE	FY 2004-05 SENATE	FY 2004-05 YEAR-TO-DATE	CHANGES FROM FY 2003-04 YEAR-T0-DATE	
						AMOUNT	PERCENT
FTE Positions .....	716.0	725.0	723.0	725.0	725.0	9.0	1.3
<b>GROSS.....</b>	<b>229,987,800</b>	<b>157,299,900</b>	<b>212,837,500</b>	<b>212,718,900</b>	<b>213,410,100</b>	<b>(16,577,700)</b>	<b>(7.2)</b>
Less:							
Interdepartmental Grants Received.....	162,216,800	86,575,200	142,075,200	144,012,600	143,075,200	(19,141,600)	(11.8)
<b>ADJUSTED GROSS .....</b>	<b>67,771,000</b>	<b>70,724,700</b>	<b>70,762,300</b>	<b>68,706,300</b>	<b>70,334,900</b>	<b>2,563,900</b>	<b>3.8</b>
Less:							
Federal Funds.....	740,800	444,600	444,600	443,600	444,600	(296,200)	(40.0)
Local and Private.....	0	0	0	0	0	0	0.0
<b>TOTAL STATE SPENDING .....</b>	<b>67,030,200</b>	<b>70,280,100</b>	<b>70,317,700</b>	<b>68,262,700</b>	<b>69,890,300</b>	<b>2,860,100</b>	<b>4.3</b>
Less:							
Other State Restricted Funds .....	31,201,300	33,206,100	33,206,100	32,563,600	33,206,100	2,004,800	6.4
<b>GENERAL FUND/GENERAL PURPOSE ..</b>	<b>35,828,900</b>	<b>37,074,000</b>	<b>37,111,600</b>	<b>35,699,100</b>	<b>36,684,200</b>	<b>855,300</b>	<b>2.4</b>
<b>PAYMENTS TO LOCALS .....</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>

**FY 2004-05 Change From  
FY 2003-04 Year-to-Date**

**A. INFORMATION TECHNOLOGY**

Gross	553,000
Restricted	553,000
GF/GP	0

**Retirement System**

The budget includes additional funding for software and server maintenance, licenses, and application support tools.

**B. PRIVATE RENT ADJUSTMENTS**

Gross	619,000
IDG	619,000
GF/GP	0

The Department of Management and Budget (DMB) administers leases for State departments and agencies. Adjustments include rent increases, utility costs, property taxes, and operating and maintenance costs.

**C. PROGRAM REDUCTIONS/ELIMINATIONS**

**1. Long-Term Lease Adjustments**

Gross	(18,100,000)
IDG	(18,100,000)
GF/GP	0

The budget includes a reduction based on restructuring long-term leases for DMB-managed buildings.

**2. Grand Tower**

FTE	2.0
Gross	(53,000)
IDG	(53,000)
GF/GP	0

The budget reduces funding for services related to the Grand Tower based on the conversion of positions from contractual services to State staff.

**3. Information Technology**

Gross	(1,209,200)
GF/GP	(1,209,200)

The budget includes Michigan Administrative Information Network (MAIN) contract conversion and archived data cost savings (\$477,000), various information technology reductions (\$342,400), and additional information technology reductions based on the Leadership Target Agreement (\$389,800).

**4. Human Resources Optimization Project**

FTE	(1.0)
Gross	(19,600)
IDG	(7,600)
Restricted	(8,000)
GF/GP	(4,000)

The budget includes net savings related to the consolidation in the Department of Civil Service of certain human resource functions. (An explanation of the consolidation project is included in the budget overview for the Department of Civil Service.)

**FY 2004-05 Change From  
FY 2003-04 Year-to-Date**

<b>5. Motor Vehicle Fleet</b>	Gross	(2,000,000)
	IDG	(2,000,000)
	GF/GP	0
The Legislature reduced the appropriation for the State Motor Vehicle Fleet from \$58.5 million to \$56.5 million.		
<b>6. Other Adjustments</b>	Gross	(1,371,500)
	IDG	(1,058,000)
	Federal	(313,500)
	GF/GP	0
Other savings include the elimination of uniform rental and laundry service for building maintenance staff (\$81,000); warehouse lease cancellation and transfer to State-owned space (\$41,000); the elimination of energy savings reporting related to contract (\$30,000); the elimination of the UAW Professional Development Fund appropriation pursuant to contract concessions (\$900,000); and a reduction in Federal funding based on available grants (\$313,500).		
 <b>D. PROGRAM TRANSFERS</b>		
<b>1. Internal Auditors</b>	FTE	4.0
	Gross	425,500
	GF/GP	425,500
The budget reflects the transfer of 4.0 FTEs/\$425,000 from the Treasury Department to the DMB, representing the consolidation of internal audit functions.		
<b>2. Real Estate Services</b>	FTE	2.0
	Gross	113,400
	GF/GP	113,400
The budget reflects the transfer from the Family Independence Agency to the DMB of funding and positions related to the consolidation of real estate services.		
<b>3. MAIN</b>	FTE	2.0
The budget reflects the transfer to the DMB from the Department of Information Technology of FTE authorization related to the support services for the MAIN help desk.		
<b>4. Real Estate Planning</b>	FTE	2.0
	Gross	199,800
	GF/GP	199,800
The budget includes the transfer from the Department of State to the DMB of funding and positions related to consolidated real estate planning functions.		

**FY 2004-05 Change From  
FY 2003-04 Year-to-Date**

**E. FTE ADJUSTMENTS**

FTE (2.0)

The budget reduces FTE positions based on reductions contained in Executive Order 2003-23.

**F. FUNDING SHIFTS**

Adjustments include \$200,000 from GF/GP support to Restricted funding based on partnerships with governmental units for shared contracts and mail services; a \$54,000 shift from GF/GP to Restricted related to the allocation of costs for the Office of the State Employer; and adjustments to various funds based on the Statewide Cost Allocation Plan.

Gross 0  
IDG (248,900)  
Federal 17,300  
Restricted 498,400  
GF/GP (266,800)

**G. ECONOMIC ADJUSTMENTS**

The economic adjustment amount includes standard economic factors applied to salaries and wages, retirement, insurance, rent, motor transport, workers' compensation, and building occupancy charges consistent with factors applied to all budgets. Employee-related savings reflect the Department's share of budgetary savings that will be achieved through a reduction in outside contracts, voluntary work schedule adjustments, and temporary wage and benefit concessions.

Gross 4,265,400  
IDG 1,706,900  
Restricted 961,400  
GF/GP 1,597,100

Item	Gross	GF/GP
Economic Adjustments	\$6,526,600	\$2,449,300
Employee-Related Savings	(2,261,200)	(852,200)
Net Economics	\$4,265,400	\$1,597,100

**DEPARTMENT OF MILITARY AND VETERANS AFFAIRS  
P.A. 341 of 2004**

FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE	FY 2003-04 YEAR-TO-DATE	FY 2004-05 GOV.'S REC.	FY 2004-05 HOUSE	FY 2004-05 SENATE	FY 2004-05 YEAR-TO-DATE	CHANGES FROM FY 2003-04 YEAR-T0-DATE	
						AMOUNT	PERCENT
FTE Positions .....	1,072.0	1,016.0	1,016.0	1,016.0	1,016.0	(56.0)	(5.2)
<b>GROSS.....</b>	<b>107,840,000</b>	<b>110,281,100</b>	<b>111,505,700</b>	<b>110,905,800</b>	<b>110,713,400</b>	<b>2,873,400</b>	<b>2.7</b>
Less:							
Interdepartmental Grants Received.....	742,500	603,000	642,500	1,042,500	1,042,500	300,000	40.4
<b>ADJUSTED GROSS .....</b>	<b>107,097,500</b>	<b>109,678,100</b>	<b>110,863,200</b>	<b>109,863,300</b>	<b>109,670,900</b>	<b>2,573,400</b>	<b>2.4</b>
Less:							
Federal Funds.....	44,102,900	45,418,100	45,418,100	45,418,100	45,418,100	1,315,200	3.0
Local and Private.....	1,270,700	1,282,300	1,282,300	1,282,300	1,282,300	11,600	0.9
<b>TOTAL STATE SPENDING .....</b>	<b>61,723,900</b>	<b>62,977,700</b>	<b>64,162,800</b>	<b>63,162,900</b>	<b>62,970,500</b>	<b>1,246,600</b>	<b>2.0</b>
Less:							
Other State Restricted Funds .....	25,395,100	25,599,800	25,599,800	25,599,800	25,599,800	204,700	0.8
<b>GENERAL FUND/GENERAL PURPOSE ..</b>	<b>36,328,800</b>	<b>37,377,900</b>	<b>38,563,000</b>	<b>37,563,100</b>	<b>37,370,700</b>	<b>1,041,900</b>	<b>2.9</b>
<b>PAYMENTS TO LOCALS .....</b>	<b>120,000</b>	<b>120,000</b>	<b>120,000</b>	<b>120,000</b>	<b>120,000</b>	<b>0</b>	<b>0.0</b>

**FY 2004-05 Change From  
FY 2003-04 Year-to-Date**

**A. PROGRAM INCREASES OR ADJUSTMENTS**

**1. Military Training Sites and Headquarters and Armories**

The budget includes an additional \$2.0 million in Federal revenue available for security contracts, personnel costs, and maintenance costs for the Department's role in maintaining the State's military training facilities, including Camp Grayling, and \$300,000 for Headquarters and Armories.

Gross	2,300,000
Federal	2,300,000
GF/GP	0

**2. Special Maintenance - Federal**

The budget includes additional Federal revenue for special project construction and maintenance at training sites and logistical facilities for the Michigan National Guard.

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

**3. Challenge Program**

The budget contains an increase of \$125,000 GF/GP and \$439,500 in interdepartmental grant funds to allow for continued operation of two 100-member classes for at-risk youth for FY 2004-05.

Gross	564,500
IDG	439,500
GF/GP	125,000

**4. Homeland Security Grant**

The budget includes Federal Homeland Security funds passed through the Department of State Police's Emergency Management Division to help support the Department's role in Homeland Security efforts with the purchase of communications and other equipment.

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

**5. Military Retirement**

The budget contains additional GF/GP funds to cover increased retirement costs for the State's obligation under the Michigan Military Act.

Gross	176,100
GF/GP	176,100

**6. D.J. Jacobetti Veterans' Home**

The budget increases Federal revenue due to additional allowances to pay for medical costs of members with Federal funds.

Gross	87,000
Federal	87,000
GF/GP	0

**B. PROGRAM REDUCTIONS/ELIMINATIONS**

**1. Holiday Transit Costs for Troops**

The budget eliminated the FY 2003-04 one-time appropriation used to assist stateside-based Michigan troops travel back to the State for the December 2003 holiday season.

Gross	(100,000)
GF/GP	(100,000)

**FY 2004-05 Change From  
FY 2003-04 Year-to-Date**

**2. Information Technology**

The budget contains base reductions of \$78,900 and an additional efficiency-saving reduction of \$7,200 for Information Technology.

Gross (86,100)  
Federal (12,000)  
Restricted (8,500)  
GF/GP (65,600)

**3. Human Resources Optimization**

The budget includes savings gained due to the consolidation of certain human resource functions within the Department of Civil Service.

Gross (19,600)  
GF/GP (19,600)

**4. Adjustment for FY 2003-04 Supplemental**

The budget reflects an adjustment for supplemental appropriations made in P.A. 309 of 2004, which contains no net increase in GF/GP appropriations.

Gross (4,742,500)  
IDG (442,500)  
Federal (3,475,000)  
Restricted (825,000)  
GF/GP 0

**C. FTE ADJUSTMENTS**

The budget reduced the total FTE count by 56.0 to reflect staffing correctly.

FTE (56.0)

**D. ECONOMIC ADJUSTMENTS**

The economic adjustment amount includes standard economic factors applied to salaries and wages, retirement, insurance, rent, motor transport, workers' compensation, and building occupancy charges consistent with factors applied to all budgets. Employee-related savings reflect the Department's share of budgetary savings that will be achieved through a reduction of outside contracts, voluntary work schedule adjustments, and temporary wage and benefit concessions.

Gross 3,303,500  
IDG 3,000  
Federal 1,520,000  
Private 11,600  
Restricted 875,300  
GF/GP 893,600

Item	Gross	GF/GP
Economic Adjustments	\$5,687,100	\$1,856,500
Employee-Related Savings	(2,383,600)	(962,900)
Net Economics	\$3,303,500	\$893,600

**E. OTHER ISSUES**

The budget includes various spending authority adjustments to reflect anticipated revenue and staffing levels.

Gross 90,500  
Federal (104,800)  
Restricted 162,900  
GF/GP 32,500

**DEPARTMENT OF NATURAL RESOURCES  
P.A. 347 of 2004**

FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE	FY 2003-04 YEAR-TO-DATE	FY 2004-05 GOV.'S REC.	FY 2004-05 SENATE	FY 2004-05 HOUSE	FY 2004-05 YEAR-TO-DATE	CHANGES FROM FY 2003-04 YEAR-TO-DATE	
						AMOUNT	PERCENT
FTE Positions .....	2,090.0	2,064.5	2,071.5	2,064.5	2,064.5	(25.5)	(1.2)
<b>GROSS.....</b>	<b>262,276,500</b>	<b>256,170,000</b>	<b>253,298,000</b>	<b>255,730,200</b>	<b>264,335,400</b>	<b>2,058,900</b>	<b>0.8</b>
Less:							
Interdepartmental Grants Received.....	3,437,900	3,528,700	3,528,700	3,528,700	3,528,700	90,800	2.6
<b>ADJUSTED GROSS .....</b>	<b>258,838,600</b>	<b>252,641,300</b>	<b>249,769,300</b>	<b>252,201,500</b>	<b>260,806,700</b>	<b>1,968,100</b>	<b>0.8</b>
Less:							
Federal Funds.....	33,706,600	37,195,200	34,629,300	37,195,200	37,195,200	3,488,600	10.3
Local and Private.....	1,871,400	2,024,300	2,024,300	2,024,300	2,024,300	152,900	8.2
<b>TOTAL STATE SPENDING .....</b>	<b>223,260,600</b>	<b>213,421,800</b>	<b>213,115,700</b>	<b>212,982,000</b>	<b>221,587,200</b>	<b>(1,673,400)</b>	<b>(0.7)</b>
Less:							
Other State Restricted Funds .....	191,921,200	187,914,500	188,075,600	188,108,900	192,702,200	781,000	0.4
<b>GENERAL FUND/GENERAL PURPOSE ..</b>	<b>31,339,400</b>	<b>25,507,300</b>	<b>25,040,100</b>	<b>24,873,100</b>	<b>28,885,000</b>	<b>(2,454,400)</b>	<b>(7.8)</b>
<b>PAYMENTS TO LOCALS .....</b>	<b>21,983,000</b>	<b>13,210,200</b>	<b>13,710,200</b>	<b>13,714,200</b>	<b>21,510,200</b>	<b>(472,800)</b>	<b>(2.2)</b>

**FY 2004-05 Change From  
FY 2003-04 Year-to-Date**

**A. PURCHASED LAND PAYMENTS IN LIEU OF TAXES**

The State makes ad valorem property tax payments on land owned by the Department of Natural Resources. These payments increase annually with the changes in taxable property values and millages. The budget provides a total of \$7.8 million Gross, \$3.9 million GF/GP for these payments. This amount should be sufficient to make the full payments required if the statute is revised to freeze property valuations at the 2003 level, cap mills at the rate assessed in 2003, exempt the land from the State education tax, and allow not more than 50% of the obligation to be paid from State restricted funds. The State restricted funds used for these payments are the Game and Fish Protection Fund, the Michigan Natural Resources Trust Fund, and the Michigan State Waterways Fund.

Gross	(3,722,800)
Restricted	(2,359,900)
GF/GP	(1,362,900)

**B. FOREST CERTIFICATION**

Public Acts 123, 124, and 125 of 2004 created a new forest certification program in which timber marking and removal in State forests will follow sustainable forestry certification requirements. A boilerplate section in the budget also directs the Department to follow the certification requirements of both the Forest Stewardship Council and the Sustainable Forest Initiative in its timber marking activities. To continue implementation of the new program, the budget increases FTEs and funding from the Forest Development Fund above the 1.5 FTEs and \$500,000 provided in FY 2003-04.

FTE	1.5
Gross	1,000,000
Restricted	1,000,000
GF/GP	0

**C. FEDERAL LAND AND WATER CONSERVATION GRANTS**

The budget includes an appropriation of Federal funding for grants to units of government for the development of land for outdoor recreation. A match of at least 50% of the total project cost is required. The Department makes grants recommendations to the National Park Service, which has the final approval authority.

Gross	2,565,900
Federal	2,565,900
GF/GP	0

**D. SNOWMOBILE TRAIL DEVELOPMENT**

Annual snowmobile trail stickers increased on July 1, 2004, from \$20 to \$25, according to a previously enacted fee schedule. Most of the additional funding will be awarded as grants to local entities for trail development and maintenance. Some of it will be used for trail development and maintenance in State park, forests, and recreation areas.

Gross	1,042,500
Restricted	1,042,500
GF/GP	0

**FY 2004-05 Change From  
FY 2003-04 Year-to-Date**

**E. DETROIT EDISON URBAN FORESTRY GRANTS**

The grants are supported with funding from Detroit Edison as part of the U.S Department of Energy Climate Challenge program, which is a tree-planting program aimed at reducing carbon dioxide in the atmosphere. Grants of up to \$4,000 are available to local governments in the Detroit Edison service area that provide a 50% match. The grant funding has been appropriated through the contingency fund transfer process in previous fiscal years and is now added to the annual budget.

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

**F. HUMAN RESOURCES CONSOLIDATION**

On a statewide basis, certain human resources services will be consolidated in the Department of Civil Service and will result in savings in all State departments.

FTE	(3.0)
Gross	(56,600)
GF/GP	(56,600)

**G. SEBEWAING HARBOR COMMISSION FLOOD CONTROL**

The budget includes money from the Michigan State Waterways Fund to support interim measures for a flood control issue in Sebewaing in Huron County.

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

**H. PROGRAM REDUCTIONS**

**Information Technology**

The budget reflects a General Fund reduction in information technology services. This reduction is applied on a statewide basis.

Gross	(87,400)
GF/GP	(87,400)

**I. PROGRAM TRANSFERS**

**1. Tax Reverted Property Program**

Executive Order 2004-2 transferred the Tax Reverted Property Program from the Department of Natural Resources to the Department of Treasury. Under this program, the State prepares tax reverted land for sale and conducts an auction of the land. Reductions were enacted in the budget to reflect the transfer.

FTE	(9.0)
Gross	(1,754,700)
Restricted	(1,754,700)
GF/GP	0

**FY 2004-05 Change From  
FY 2003-04 Year-to-Date**

**2. Captive Cervidae Program**

Executive Order 2004-3 transferred the Captive Cervidae Program from the Department of Agriculture to the Department of Natural Resources. An audit of deer and elk farms was conducted in the summer of 2004 to ensure compliance with State regulations, and to detect the presence of chronic wasting disease in order to prevent its spread in the cervidae population in Michigan. The budget includes funding from cervidae licensing fees as a result of the transfer.

Gross	93,500
Restricted	93,500
GF/GP	0

**J. FUNDING SHIFTS**

**1. Bovine Tuberculosis Research**

For a number of years, the budget has included \$2.0 million GF/GP for research and testing related to Bovine TB. Some of the research and testing done for Bovine TB overlaps with other projects, and is conducted in the Department of Natural Resources laboratory space in the Animal Diagnostic Laboratory at Michigan State University. The budget includes a partial funding shift to the Game and Fish Protection Fund to continue the same level of support for laboratory activities.

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

**2. Forest Development Fund**

In order to reduce General Fund appropriations, the budget shifts funding from the General Fund to the Forest Development Fund for forest fire protection. No revenue increases are expected, so the money will come from the balance of the Forest Development Fund.

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

**K. ECONOMIC ADJUSTMENTS**

The economic adjustment amount includes standard economic factors applied to salaries and wages, retirement, insurance, rent, motor transport, workers' compensation, and building occupancy charges consistent with factors applied to all budgets. Employee-related savings reflect the Department's share of budgetary savings that will be achieved through a reduction of outside contracts, voluntary work schedule adjustments, and temporary wage and benefit concessions. FTE positions are removed to reflect budget reductions.

FTE	(15.0)
Gross	8,432,300
IDG	90,800
Federal	922,700
Private	52,900
Restricted	6,780,700
GF/GP	585,200

**FY 2004-05 Change From  
FY 2003-04 Year-to-Date**

Item	Gross	GF/GP
Economic Adjustments	\$13,229,400	\$1,116,800
Employee-Related Savings	(4,797,100)	(531,600)
Net Economics	\$8,432,300	\$585,200

**L. OTHER ISSUES**

The budget makes adjustments to reflect one-time appropriations in FY 2003-04, incremental changes in appropriations resulting from revenue projections of restricted fund sources, and renewed service contracts.

Gross	(5,653,800)
Restricted	(5,621,100)
GF/GP	(32,700)

**K-12 SCHOOL AID  
P.A. 351 of 2004**

FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE	FY 2003-04 YEAR-TO-DATE	FY 2004-05 GOV.'S REC.	FY 2004-05 SENATE	FY 2004-05 HOUSE	FY 2004-05 YEAR-TO-DATE	CHANGES FROM FY 2003-04 YEAR-TO-DATE	
						AMOUNT	PERCENT
FTE Positions .....	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>GROSS.....</b>	<b>12,424,969,000</b>	<b>12,500,062,300</b>	<b>12,486,710,200</b>	<b>12,530,097,500</b>	<b>12,527,440,100</b>	<b>102,471,100</b>	<b>0.8</b>
Less:							
Interdepartmental Grants Received.....	0	0	0	0	0	0	0.0
<b>ADJUSTED GROSS .....</b>	<b>12,424,969,000</b>	<b>12,500,062,300</b>	<b>12,486,710,200</b>	<b>12,530,097,500</b>	<b>12,527,440,100</b>	<b>102,471,100</b>	<b>0.8</b>
Less:							
Federal Funds.....	1,316,681,900	1,353,540,100	1,314,388,000	1,353,539,800	1,353,540,100	36,858,200	2.8
Local and Private.....	0	0	0	0	0	0	0.0
<b>TOTAL STATE SPENDING .....</b>	<b>11,108,287,100</b>	<b>11,146,522,200</b>	<b>11,172,322,200</b>	<b>11,176,557,700</b>	<b>11,173,900,000</b>	<b>65,612,900</b>	<b>0.6</b>
Less:							
Other State Restricted Funds .....	10,730,487,100	10,995,522,200	11,033,722,200	11,038,650,000	11,008,700,000	278,212,900	2.6
<b>GENERAL FUND/GENERAL PURPOSE ..</b>	<b>377,800,000</b>	<b>151,000,000</b>	<b>138,600,000</b>	<b>137,907,700</b>	<b>165,200,000</b>	<b>(212,600,000)</b>	<b>(56.3)</b>
<b>PAYMENTS TO LOCALS .....</b>	<b>11,220,982,800</b>	<b>11,107,634,200</b>	<b>11,114,434,200</b>	<b>11,116,249,600</b>	<b>11,113,650,400</b>	<b>(107,332,400)</b>	<b>(1.0)</b>

**FY 2004-05 Change From  
FY 2003-04 Year-to-Date**

**A. FY 2003-04 SUPPLEMENTAL APPROPRIATIONS INCLUDED IN FY 2004-05 ACT**

**Proposal A Obligation Payment.** The FY 2003-04 appropriation for this line item is reduced by \$50.7 million to reflect savings that resulted from revenue adjustments due to increased homestead exemption audits.

**B. RESTORATION OF FY 2003-04 PRORATION**

The full amount of the funding that was protected in FY 2003-04, \$131.1 million is fully restored for FY 2004-05. The proration amounted to a reduction of \$74 per pupil. Restoring this amount fully funds the basic foundation allowance for FY 2004-05 at \$6,700 per pupil.

Gross	131,100,000
Restricted	131,100,000
GF/GP	0

**C. SCHOOL BOND LOAN FUND**

The appropriation to make payments to the School Bond Loan Fund on behalf of local and intermediate school districts is increased in accordance with the increase of the debt service payments on those bonds.

Gross	12,800,000
Restricted	12,800,000
GF/GP	0

**D. DISCRETIONARY PAYMENT**

Funding for this line item is increased due to changes in pupil estimates. The appropriation for FY 2004-05 also reflects the change to a 75-25 pupil membership blend from an 80-20 pupil membership blend, as well as the retention of the \$15.0 million supplemental payment to the Detroit Public Schools.

Gross	14,300,000
Restricted	14,300,000
GF/GP	0

**E. RENAISSANCE ZONES**

This line item is increased to account for changes in taxable values. This appropriation reimburses local and intermediate school districts as well as the School Aid Fund for revenue lost due to the creation of renaissance zones. Beginning in FY 2004-05, funding in this line item may be used for payments to districts as reimbursement for interest paid as a result of property tax refunds.

Gross	6,240,000
Restricted	0
GF/GP	6,240,000

**F. SCHOOL LUNCH – STATE AND FEDERAL**

The State portion of funding for this line item is decreased by \$204,900 due to a decrease in costs. The Federal portion of funding is increased according to the nearly \$14.4 million increase in the allotment of Federal funds to the State.

Gross	14,164,100
Restricted	(204,900)
Federal	14,369,000
GF/GP	0

**FY 2004-05 Change From  
FY 2003-04 Year-to-Date**

**G. SPECIAL EDUCATION – STATE AND FEDERAL**

The State portion of funding for this line item is increased by \$23.0 million to account for taxable value, pupil estimate, and special education program cost changes. The increase in State funding also reflects the change to a 75-25 pupil membership blend. The Federal portion of funding is increased by nearly \$49.4 million according to the increased allotment of Federal funds to the State.

Gross	72,350,000
Restricted	23,000,000
Federal	49,350,000
GF/GP	0

**H. PROGRAM REDUCTIONS/ELIMINATIONS**

**1. Proposal A Obligation Payment.** This line item is reduced for FY 2004-05 to reflect changes in pupil estimates, taxable value estimates, and consensus revenue estimates. In addition, the reduction reflects the change to a 75-25 pupil membership blend for FY 2004-05.

Gross	(86,322,200)
Restricted	(86,322,200)
GF/GP	0

**2. Federal No Child Left Behind (NCLB) Grants.** These grants are decreased in accordance with the decrease in the Federal allotment to the State.

Gross	(27,643,100)
Restricted	0
Federal	(27,643,100)
GF/GP	0

**3. ISD General Operations.** This line item is reduced for FY 2004-05 by \$14.0 million. In addition, the intermediate school district (ISD) 0-5 program described in Section 32j of the School Aid Act is funded at the FY 2003-04 level; however, the appropriation is transferred to and paid for out of the ISD general operations line.

Gross	(14,000,000)
Restricted	(14,000,000)
GF/GP	0

**4. Freedom to Learn.** The State portion of funding for this line item is decreased from \$22.0 million to \$3.7 million for FY 2004-05. Federal funding remains at the same level as in FY 2003-04. Additional language caps the maximum amount of funding any one particular school district can receive at 25% of the available funds.

Gross	(18,300,000)
Restricted	0
GF/GP	(18,300,000)

**5. CEPI- State Funding.** The Governor's veto of this section in FY 2003-04 restored funding for The Center for Educational Performance and Information (CEPI) to the prior-year level of \$4.5 million. However, it was later determined that only \$1.5 million was needed for administrative purposes; thus, the amount of funding for FY 2004-05 reflects this change.

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

**FY 2004-05 Change From  
FY 2003-04 Year-to-Date**

**I. FUNDING SHIFTS**

**General Fund/School Aid Fund.** Due to budgetary changes and target agreements, the General Fund/General Purpose portion of K-12 funding was reduced and replaced with increased funding from the State School Aid Fund.

Gross	0
Restricted	200,540,000
GF/GP	(200,540,000)

**J. OTHER ISSUES**

Two additional line items were adjusted. The Federal share for Math and Science Centers was increased by \$1,093,600, while the Federal share for funding for CEPI was decreased by \$311,300.

Gross	782,300
Restricted	0
Federal	782,300
GF/GP	0

**DEPARTMENT OF STATE  
P.A. 327 of 2004**

FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE	FY 2003-04 YEAR-TO-DATE	FY 2004-05 GOV.'S REC.	FY 2004-05 HOUSE	FY 2004-05 SENATE	FY 2004-05 YEAR-TO-DATE	CHANGES FROM FY 2003-04 YEAR-T0-DATE	
						AMOUNT	PERCENT
FTE Positions .....	1,850.8	1,851.8	1,853.8	1,851.8	1,851.8	1.0	0.1
<b>GROSS.....</b>	<b>182,113,251</b>	<b>188,131,200</b>	<b>188,266,000</b>	<b>186,405,100</b>	<b>187,179,500</b>	<b>5,066,249</b>	<b>2.8</b>
Less:							
Interdepartmental Grants Received.....	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	0	0.0
<b>ADJUSTED GROSS .....</b>	<b>162,113,251</b>	<b>168,131,200</b>	<b>168,266,000</b>	<b>166,405,100</b>	<b>167,179,500</b>	<b>5,066,249</b>	<b>3.1</b>
Less:							
Federal Funds.....	2,029,500	1,391,000	1,391,000	1,391,000	1,391,000	(638,500)	(31.5)
Local and Private.....	100	100	100	100	100	0	0.0
<b>TOTAL STATE SPENDING .....</b>	<b>160,083,651</b>	<b>166,740,100</b>	<b>166,874,900</b>	<b>165,014,000</b>	<b>165,788,400</b>	<b>5,704,749</b>	<b>3.6</b>
Less:							
Other State Restricted Funds .....	133,385,200	151,678,500	151,553,500	150,272,800	141,878,500	8,493,300	6.4
<b>GENERAL FUND/GENERAL PURPOSE ..</b>	<b>26,698,451</b>	<b>15,061,600</b>	<b>15,321,400</b>	<b>14,741,200</b>	<b>23,909,900</b>	<b>(2,788,551)</b>	<b>(10.4)</b>
<b>PAYMENTS TO LOCALS .....</b>	<b>945,600</b>	<b>172,700</b>	<b>749,800</b>	<b>846,700</b>	<b>846,700</b>	<b>(98,900)</b>	<b>(10.5)</b>

**FY 2004-05 Change From  
FY 2003-04 Year-to-Date**

**A. MOTORCYCLE SAFETY PROGRAM**

**1. Grants**

The budget includes an additional \$125,000 for Motorcycle Safety Grants based on available restricted revenue (fees from licenses and registration). The adjustment brings total FY 2004-05 grant funding to \$1,008,800. An FY 2003-04 supplemental appropriation bill (P.A. 309 of 2004) included the additional funding in FY 2003-04.

Gross	0
Restricted	0
GF/GP	0

**2. Equipment**

One-time available funding to purchase motorcycles for qualifying schools is included in the budget.

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

**B. QUALIFIED VOTER FILE (QVF)**

Additional funding is included for enhancements and maintenance of the Qualified Voter File. The FY 2004-05 appropriation for the QVF totals \$2,743,300.

Gross	395,300
GF/GP	395,300

**C. NOTARY PUBLIC**

The budget includes funding to support the Secretary of State's responsibilities pursuant to amendments to the Notary Act (P.A. 238 of 2003). The program is supported by fees and includes \$100,000 for the County Clerk Education and Training Fund and \$300,000 for the Department of State's administrative costs. Initial funding of \$190,000 was included in P.A. 309 of 2004 (the FY 2003-04 supplemental appropriation bill).

FTE	1.0
Gross	210,000
Restricted	210,000
GF/GP	0

**D. PROGRAM REDUCTIONS/ELIMINATIONS**

**1. Information Technology**

The budget includes a \$936,800 reduction related to data center rates, telecommunications, equipment, consulting charges, contractual services, and other information technology adjustments. Pursuant to the Leadership Target Agreement, the Department of State's appropriation for its Business Application Modernization Project was reduced by \$1.1 million and other information technology costs were reduced by \$51,700 based on efficiencies.

Gross	(2,088,500)
GF/GP	(2,088,500)

**FY 2004-05 Change From  
FY 2003-04 Year-to-Date**

**2. Other Adjustments**

The budget reflects the elimination of one-time Federal funding that was included in FY 2003-04 supplemental appropriation bills.

Gross	(710,000)
Federal	(710,000)
GF/GP	0

**E. PROGRAM TRANSFERS**

**1. Driver Education Program**

The budget reflects the transfer of the administration of the Driver Education Program from the Department of Education to the Department of State pursuant to Public Acts 70 and 71 of 2004.

FTE	2.0
Gross	528,000
Restricted	528,000
GF/GP	0

**2. Real Estate Planning**

Positions and funding were transferred to the Department of Management and Budget in order to consolidate real estate planning functions within that Department.

FTE	(2.0)
Gross	(199,800)
GF/GP	(199,800)

**F. FUNDING SHIFTS**

**1. Transportation Administration Collection Fund (TACF)**

Revenue from service fees deposited in the TACF is below the original projections used when the Fund was created (P.A. 152 of 2003). The budget includes a shift of \$10.0 million from the TACF to the State General Fund, leaving an FY 2004-05 TACF appropriation of \$68,404,300. After the FY 2004-05 budget was enacted, a supplemental appropriation bill for FY 2003-04 (P.A. 360 of 2004) included the funding shift in FY 2003-04.

Gross	0
Restricted	0
GF/GP	0

**2. Business Application Modernization Project**

The budget shifts \$1.0 million in funding for this Project from the State General Fund to Driver Fee revenue.

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

**FY 2004-05 Change From  
FY 2003-04 Year-to-Date**

Gross	6,731,249
Federal	71,500
Restricted	6,555,300
GF/GP	104,449

**G. ECONOMIC ADJUSTMENTS**

The economic adjustment amount includes standard economic factors applied to salaries and wages, retirement, insurance, rent, motor transport, workers' compensation, and building occupancy charges consistent with factors applied to all budgets. Employee-related savings reflect the Department's share of budgetary savings that will be achieved through the reduction of outside contracts, voluntary work schedule adjustments, and temporary wage and benefit concessions.

Item	Gross	GF/GP
Economic Adjustments	\$10,710,349	\$346,749
Employee-Related Savings	(3,979,100)	(242,300)
Net Economics	\$6,731,249	\$104,449

**DEPARTMENT OF STATE POLICE  
P.A. 348 of 2004**

FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE	FY 2003-04 YEAR-TO-DATE*	FY 2004-05 GOV.'S REC.	FY 2004-05 HOUSE	FY 2004-05 SENATE	FY 2004-05 YEAR-TO-DATE	CHANGES FROM FY 2003-04 YEAR-TO-DATE	
						AMOUNT	PERCENT
FTE Positions .....	2,972.0	2,948.0	2,948.0	2,956.0	2,948.0	(28.0)	(0.9)
<b>GROSS.....</b>	<b>461,050,329</b>	<b>476,145,300</b>	<b>476,924,200</b>	<b>477,074,400</b>	<b>475,845,900</b>	<b>14,795,571</b>	<b>3.2</b>
Less:							
Interdepartmental Grants Received.....	17,885,100	19,916,800	19,916,800	19,916,800	19,916,800	2,031,700	11.4
<b>ADJUSTED GROSS .....</b>	<b>443,165,229</b>	<b>456,228,500</b>	<b>457,007,400</b>	<b>457,157,600</b>	<b>455,929,100</b>	<b>12,763,871</b>	<b>2.9</b>
Less:							
Federal Funds.....	105,657,300	106,255,100	106,255,100	106,255,100	106,255,100	597,800	0.6
Local and Private.....	4,516,600	4,691,800	4,691,800	4,691,800	4,691,800	175,200	3.9
<b>TOTAL STATE SPENDING .....</b>	<b>332,991,329</b>	<b>345,281,600</b>	<b>346,060,500</b>	<b>346,210,700</b>	<b>344,982,200</b>	<b>11,990,871</b>	<b>3.6</b>
Less:							
Other State Restricted Funds .....	97,314,400	100,602,000	100,602,000	100,602,000	100,602,000	3,287,600	3.4
<b>GENERAL FUND/GENERAL PURPOSE ..</b>	<b>235,676,929</b>	<b>244,679,600</b>	<b>245,458,500</b>	<b>245,608,700</b>	<b>244,380,200</b>	<b>8,703,271</b>	<b>3.7</b>
<b>PAYMENTS TO LOCALS .....</b>	<b>20,374,758</b>	<b>20,107,800</b>	<b>20,107,800</b>	<b>20,107,800</b>	<b>20,107,800</b>	<b>(266,958)</b>	<b>(1.3)</b>

\* Includes reduction due to transfer of certain Fire Marshal functions to the Department of Labor and Economic Growth under Executive Order 2003-18.

**FY 2004-05 Change From  
FY 2003-04 Year-to-Date**

**A. PROGRAM INCREASES OR ADJUSTMENTS**

<b>1. DNA Analysis Program</b>	Gross GF/GP	1,000,000 1,000,000
<p>The budget includes an additional \$1.0 million in GF/GP funds to provide more laboratory scientists (approximately eight to be hired) to assist the Forensic Science Division in processing and using DNA data to solve crimes.</p>		
<b>2. Emergency Management Performance Grant - State</b>	Gross Federal GF/GP	929,400 929,400 0
<p>The budget includes additional Federal revenue for Department-related costs for Homeland Security.</p>		
<b>3. Emergency Management Performance Grant to Locals</b>	Gross Federal GF/GP	300,000 300,000 0
<p>The budget contains an increase of \$300,000 in Federal Homeland Security grants to local units of government.</p>		
<b>4. Uniform Services - 9-1-1 Reimbursement Revenue</b>	Gross IDG GF/GP	800,000 800,000 0
<p>The budget includes revenue from the Commercial Mobile Radio Service Emergency Telephone Fund to support facility upgrades to the Department's regional dispatch centers.</p>		
<b>5. Public Safety Officer Benefit Program</b>	Gross GF/GP	0 0
<p>The budget contains \$150,000 in GF/GP funds taken from various lines in the budget to cover estimated costs of P.A. 46 of 2004, which provides a \$25,000 cash benefit for survivors of public safety officers who die or who are permanently and totally disabled in the line of duty.</p>		
<b>6. Secondary Road Patrol Training Grants</b>	Gross Restricted GF/GP	129,700 126,700 0
<p>The budget includes additional funds available from the \$10 designated fee on traffic violators to use for in-service training to county sheriff departments.</p>		

**B. PROGRAM REDUCTIONS/ELIMINATIONS**

<b>1. Consolidation of Regional Dispatch Centers</b>	Gross GF/GP	(430,000) (430,000)
<p>The budget provides for savings that will result from the plan to eliminate two of the four Department-operated regional dispatch centers.</p>		

**FY 2004-05 Change From  
FY 2003-04 Year-to-Date**

<b>2. Information Technology</b>		Gross	(835,500)
		IDG	(2,500)
		Federal	(24,600)
		Local	(63,600)
		Restricted	(300)
		GF/GP	(744,500)
	The budget reflects a base reduction of \$536,100 and an added efficiency-saving reduction of \$299,400 for Information Technology.		
<b>3. Human Resources Optimization</b>		Gross	(58,600)
		Restricted	(1,700)
		GF/GP	(56,900)
	The budget includes savings gained due to the consolidation of certain human resource functions within the Department of Civil Service		
<b>4. Adjustment for FY 2003-04 Supplemental</b>		Gross	(8,871,000)
		Federal	(2,000,000)
		Restricted	(4,251,000)
		GF/GP	(2,620,000)
	The bill reflects an adjustment for supplemental appropriations in P.A. 309 of 2004, which includes one-time costs of \$2,620,000 for grants for disaster assistance.		
<b>C. FTE ADJUSTMENTS</b>		FTE	(28.0)
	The budget reduces the total FTE count by 28.0 to reflect staffing and consolidations correctly.		
<b>D. FUNDING SHIFTS</b>			
<b>1. At-Post Troopers</b>		Gross	0
		Restricted	1,500,000
		GF/GP	(1,500,000)
	The budget includes full-year capture of funds earlier directed to At-Post Troopers from the Drivers Education Program Fund formally under the Department of Education, to be used to offset previous GF/GP funding.		
<b>2. Shift in Cost Allocation</b>		Gross	0
		Restricted	1,000,000
		GF/GP	(1,000,000)
	The budget includes a shift from GF/GP to Restricted revenue funding for building occupancy and various salary and wage costs.		

**FY 2004-05 Change From  
FY 2003-04 Year-to-Date**

**E. ECONOMIC ADJUSTMENTS**

The economic adjustment amount includes standard economic factors applied to salaries and wages, retirement, insurance, rent, motor transport, workers' compensation, and building occupancy charges consistent with factors applied to all budgets. Employee-related savings reflect the Department's share of budgetary savings that will be achieved through a reduction in outside contracts, voluntary work schedule adjustments, and temporary wage and benefit concessions.

Gross	21,821,600
IDG	995,200
Federal	1,329,000
Local	238,100
Private	700
Restricted	5,214,500
GF/GP	14,044,700

Item	Gross	GF/GP
Economic Adjustments	\$31,236,200	\$20,936,800
Employee-Related Savings	(9,414,600)	(6,892,100)
Net Economics	\$21,821,600	\$14,044,700

**F. OTHER ISSUES**

The budget includes various spending authority adjustments to reflect anticipated revenue and staffing levels.

Gross	9,971
IDG	239,000
Federal	64,000
Restricted	(303,600)
GF/GP	9,971

**DEPARTMENT OF TRANSPORTATION  
P.A. 361 of 2004**

FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE	FY 2003-04 YEAR-TO-DATE	FY 2004-05 GOV.'S REC.	FY 2004-05 HOUSE	FY 2004-05 SENATE	FY 2004-05 YEAR-TO-DATE	CHANGES FROM FY 2003-04 YEAR-TO-DATE	
						AMOUNT	PERCENT
FTE Positions .....	3,050.3	3,044.3	3,031.3	3,031.3	3,031.3	(19.0)	(0.6)
<b>GROSS .....</b>	<b>3,219,150,500</b>	<b>3,292,487,600</b>	<b>3,284,643,600</b>	<b>3,284,643,600</b>	<b>3,279,058,100</b>	<b>59,907,600</b>	<b>1.9</b>
Less:							
Interdepartmental Grants Received.....	0	0	0	0	0	0	0.0
<b>ADJUSTED GROSS .....</b>	<b>3,219,150,500</b>	<b>3,292,487,600</b>	<b>3,284,643,600</b>	<b>3,284,643,600</b>	<b>3,279,058,100</b>	<b>59,907,600</b>	<b>1.9</b>
Less:							
Federal Funds .....	1,053,086,900	1,132,701,200	1,132,701,200	1,132,701,200	1,132,701,200	79,614,300	7.6
Local and Private.....	5,800,000	5,800,000	5,800,000	5,800,000	5,800,000	0	0.0
<b>TOTAL STATE SPENDING .....</b>	<b>2,160,263,600</b>	<b>2,153,986,400</b>	<b>2,146,142,400</b>	<b>2,146,142,400</b>	<b>2,140,556,900</b>	<b>(19,706,700)</b>	<b>(0.9)</b>
Less:							
Other State Restricted Funds .....	2,160,263,600	2,153,986,400	2,146,142,400	2,146,142,400	2,140,556,900	(19,706,700)	(0.9)
<b>GENERAL FUND/GENERAL PURPOSE ..</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>
<b>PAYMENTS TO LOCALS.....</b>	<b>1,237,245,900</b>	<b>1,266,053,300</b>	<b>1,238,835,200</b>	<b>1,238,835,200</b>	<b>1,238,235,200</b>	<b>989,300</b>	<b>0.1</b>

**FY 2004-05 Change From  
FY 2003-04 Year-to-Date**

**A. BUDGET STRUCTURE**

Gross	0
GF/GP	0

All administrative line items in the budget are broken out into three separate cost components: salaries and fringes, travel, and other. This change was recommended by the Senate and concurred in by the House.

**B. DEBT SERVICE**

Gross	35,687,800
Federal	20,000,000
Restricted	15,687,800
GF/GP	0

The budget reflects an increase associated with scheduled debt service payments. The increase in State restricted appropriations is a result of new bonding (\$200.0 million) for 17 of the previously-deferred road capacity projects. The increase in Federal appropriations is a result of the debt payment schedule associated with the short-term grant anticipation notes issued by the Department.

**C. GRANTS TO OTHER DEPARTMENTS**

Gross	1,604,300
Restricted	1,604,300
GF/GP	0

The budget includes a net increase in the amount of transportation funding provided to other State departments and agencies for transportation services. Overall, there is a \$1.2 million increase in the grants from the Michigan Transportation Fund to other agencies. The majority of this increase is related to the grant to the Department of Treasury for fuel tax collection services.

**D. HIGHWAY MAINTENANCE**

Gross	4,816,900
Restricted	4,816,900
GF/GP	0

The budget includes an increase for highway maintenance costs, including supplies and machinery. The increase also reflects additional line miles under State control.

**E. LOCAL BRIDGE FUNDING**

Gross	0
GF/GP	0

The Governor proposed to split the revenue from one cent of the State gasoline tax between State bridges and local bridges. Currently, all of the revenue, estimated at \$51.2 million for FY 2004-05, from one cent of the tax is earmarked for State bridges. The budget provides one-fourth of the revenue (\$12.8 million) to local bridges and retains three-fourths of the revenue for State bridges. This allocation is consistent with the provisions of P.A. 384 of 2004. Under that bill, local bridges will get one-half of the revenue from the tax (\$25.6 million) beginning October 1, 2005.

**F. STATE ROAD AND BRIDGE FUNDING**

Gross	(50,199,100)
Restricted	(50,199,100)
GF/GP	0

The budget reflects a decrease in State-generated transportation revenue for the State and local road agencies for highway and bridge projects. This decrease is primarily the result of the elimination of one-time trailer registration fee revenue deposited in the Michigan Transportation Fund in FY 2003-04.

**FY 2004-05 Change From  
FY 2003-04 Year-to-Date**

**G. FEDERAL HIGHWAY FUNDING**

Currently, the Federal transportation program is operating under a continuation of the previous program, Transportation Equity Act for the 21<sup>st</sup> Century (TEA-21). TEA-21 expired on September 30, 2003; however, Congress has not agreed on a new program. Therefore, TEA-21 has been authorized through May 2005 by a series of continuing resolutions.

Gross	55,014,300
Federal	55,014,300
GF/GP	0

Historically, the State transportation budget contains estimates of Federal highway funding that Michigan will receive. Because the Federal program is reimbursement-based, there is no accurate way of determining in advance the exact amount of Federal funding that will be received. Due to the uncertainty associated with the reauthorization of the Federal program, the budget reflects an increase of 3.2% in Federal resources for State and local road and bridge projects. Of the total, \$47,048,000 is provided to the State and \$7,966,300 is provided to local road agencies.

**H. FEDERAL TRANSIT PROGRAMS**

The budget reflects a net increase in Federal transit funding.

Gross	4,600,000
Federal	4,600,000
GF/GP	0

**I. AERONAUTICS PROGRAM**

Increased revenue to the State Aeronautics Fund associated with stabilizing aviation fuel purchases will support additional funding for several aeronautics programs. The budget includes an increase in the Airport Improvement Program (\$700,000) for the All-Weather Access Program and an increase in the Air Service Program (\$400,000) for services provided to small airports.

Gross	1,100,000
Restricted	1,100,000
GF/GP	0

**J. PROGRAM REDUCTIONS/ELIMINATIONS**

**1. Communications Division**

The budget reflects a 15.8% funding reduction (\$232,400) to the Communications Division and a reduction of three positions (from 15.0 to 12.0 FTEs). The State Trunkline Fund savings realized from this adjustment are redirected to the State Road and Bridge Program.

FTE	(3.0)
Gross	0
GF/GP	0

**2. Performance Excellence Division**

The budget reflects a 50% reduction in funding (\$1.2 million) and position authorization (12.0 FTEs) in the Performance Excellence Division, which attempts to improve performance through learning and development activities. The State Trunkline Fund savings realized from this adjustment are redirected to the State Road and Bridge Program.

FTE	(12.0)
Gross	0
GF/GP	0

**FY 2004-05 Change From  
FY 2003-04 Year-to-Date**

**3. Comprehensive Transportation Fund**

FTE	(11.0)
Gross	(8,924,000)
Restricted	(8,924,000)
GF/GP	0

As part of the Leadership Target Agreement, the amount of motor vehicle-related sales tax revenue that is deposited into the Comprehensive Transportation Fund (CTF) will be reduced by \$10.0 million and redirected to the General Fund for FY 2004-05. As a result of this revenue reduction, appropriations from the CTF were reduced by \$9.8 million and 11 FTEs. As part of the agreement, a funding shift was included for scheduled debt service payments, replacing CTF appropriations with State Aeronautics Fund appropriations totaling \$886,000 (See Funding Shifts, below.) As a result of the funding shift, the total appropriation reductions are \$8.9 million.

In addition to the appropriation reductions, a one-time \$200,000 transfer from the Intercity Bus Equipment Fund to the CTF was included in the budget (Section 701). Below are the specific CTF funding reductions and the FY 2004-05 appropriation level.

Line Item	Reduction	FY 2004-05
Debt service	(\$886,000)	\$28,494,000
Property management	(50,000)	1,336,200
Information technology	(22,500)	224,900
Statewide planning	(122,500)	1,260,300
Passenger transportation services	(850,000)	5,488,000
Freight property management	(500,000)	1,000,000
Intercity bus equipment	(500,000)	1,500,000
Rail passenger service	(1,100,000)	7,200,000
Freight preservation and development	(1,000,000)	2,592,900
Terminal development	(1,333,500)	1,551,300
Specialized services	(339,400)	3,600,100
Bus capital	(175,400)	8,000,000
Ride sharing	(330,700)	0
Bus property management	(50,000)	0
Service development and new technology	(200,000)	0
Audit settlements	(150,000)	0
Regional transportation coordination	(500,000)	0
Transportation to work	(1,700,000)	3,300,000

**FY 2004-05 Change From  
FY 2003-04 Year-to-Date**

**4. Human Resource Consolidation**

The budget reflects savings associated with the statewide consolidation of human resource functions within the Department of Civil Service.

FTE (6.0)  
Gross (117,100)  
Restricted (117,100)  
GF/GP 0

**K. UNCLASSIFIED SALARIES**

The budget breaks out each individual unclassified position and the associated salary. There is no change in the funding provided for these salaries.

Gross 0  
GF/GP 0

**L. FUNDING SHIFTS**

**1. Debt Service**

As part of the negotiated Leadership Target Agreement that reduced sales tax revenue deposited in the CTF, the budget also includes a funding shift in the appropriations that support the debt service on certain CTF bond issues. The budget replaces \$886,000 in CTF appropriations with an equal amount of State Aeronautics Fund appropriations in support of the debt service on the Midfield Terminal Project at Detroit Metropolitan Airport.

Gross 0  
GF/GP 0

**2. Information Technology**

The budget replaces \$200,000 in State Trunkline Fund appropriations with an equal amount of Michigan Transportation Fund appropriations to support information technology projects and services provided by the Department of Information Technology.

Gross 0  
GF/GP 0

**M. ECONOMIC ADJUSTMENTS**

The economic adjustment amount includes standard economic factors applied to salaries and wages, retirement, insurance, rent, motor transport, workers' compensation, and building occupancy charges consistent with factors applied to all budgets. Employee-related savings reflect the Department's share of budgetary savings that will be achieved through the reduction of outside contracts, voluntary work schedule adjustments, and temporary wage and benefit concessions.

Gross 25,944,100  
Restricted 25,944,100  
GF/GP 0

Item	Gross	GF/GP
Economic Adjustments	\$34,923,400	\$0
Employee-Related Savings	(8,979,300)	0
Net Economics	\$25,944,100	\$0

**FY 2004-05 Change From  
FY 2003-04 Year-to-Date**

**N. OTHER ISSUES**

The budget contains a number of adjustments associated with internal transfers of employees to reflect the current organizational structure of the Department. Further, the budget includes adjustments to account for current cost allocation methodologies used by the Department to assign program costs properly.

FTE	13.0
Gross	(4,034,100)
Restricted	(4,034,100)
GF/GP	0

The budget includes additional positions in the Engineering Services and Program Services line items.

**O. VETOES**

**1. Specific Road Projects**

The Governor vetoed various sections of boilerplate language that contained appropriations for specific road projects. The vetoes total \$5,335,500. The specific projects and their costs include:

Gross	(5,335,500)
Restricted	(5,335,500)
GF/GP	0

- Sec. 617 – Interchange at M-48 and I-75 in Chippewa County (\$3,240,000)
- Sec. 621 – Traffic light on US-31 at Bay Harbor in Emmet County (\$52,000)
- Sec. 622 – Corridor improvements to M-37 in Kent County (\$1.1 million)
- Sec. 623 – Tienken Road barricade removal in Oakland County (\$137,500)
- Sec. 624 – Bridge in Hume Township (\$200,000)
- Sec. 625 – Feasibility interchange study on I-75 in Ogemaw County (\$50,000)
- Sec. 626 – Cheboygan River bridge (\$400,000)
- Sec. 633 – Traffic light on M-99 on Spicerville Highway in Eaton County (\$52,000)
- Sec. 634 – Traffic lights in Wayne County (\$104,000)

**2. Railroad Bridge Deck Replacement**

The Governor vetoed Section 728, which directed funding for bridge deck replacement for the Lake State Railroad Company.

Gross	(250,000)
Restricted	(250,000)
GF/GP	0

**DEPARTMENT OF TREASURY - DEBT SERVICE**  
**P.A. 327 of 2004**

FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE	FY 2003-04 YEAR-TO-DATE	FY 2004-05 GOV.'S REC.	FY 2004-05 HOUSE	FY 2004-05 SENATE	FY 2004-05 YEAR-TO-DATE	CHANGES FROM FY 2003-04 YEAR-TO-DATE	
						AMOUNT	PERCENT
FTE Positions .....	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>GROSS.....</b>	<b>56,286,400</b>	<b>81,450,400</b>	<b>81,450,400</b>	<b>81,450,100</b>	<b>81,450,400</b>	<b>25,164,000</b>	<b>44.7</b>
Less:							
Interdepartmental Grants Received.....	0	0	0	0	0	0	0.0
<b>ADJUSTED GROSS .....</b>	<b>56,286,400</b>	<b>81,450,400</b>	<b>81,450,400</b>	<b>81,450,100</b>	<b>81,450,400</b>	<b>25,164,000</b>	<b>44.7</b>
Less:							
Federal Funds.....	0	0	0	0	0	0	0.0
Local and Private.....	0	0	0	0	0	0	0.0
<b>TOTAL STATE SPENDING .....</b>	<b>56,286,400</b>	<b>81,450,400</b>	<b>81,450,400</b>	<b>81,450,100</b>	<b>81,450,400</b>	<b>25,164,000</b>	<b>44.7</b>
Less:							
Other State Restricted Funds .....	30,878,000	10,887,300	10,887,300	10,887,300	39,001,800	8,123,800	26.3
<b>GENERAL FUND/GENERAL PURPOSE ..</b>	<b>25,408,400</b>	<b>70,563,100</b>	<b>70,563,100</b>	<b>70,562,800</b>	<b>42,448,600</b>	<b>17,040,200</b>	<b>67.1</b>
<b>PAYMENTS TO LOCALS .....</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>

		<b>FY 2004-05 Change From FY 2003-04 Year-to-Date</b>	
<b>A. CLEAN MICHIGAN INITIATIVE</b>		Gross	3,064,000
		GF/GP	3,064,000
	Funding is increased from \$16,036,000 to \$19.1 million based on anticipated debt service requirements.		
<b>B. QUALITY OF LIFE BOND</b>		Gross	22,200,000
		GF/GP	22,200,000
	Funding is increased from \$37.5 million to \$59.7 million based on anticipated debt service requirements.		
<b>C. PROGRAM REDUCTIONS/ELIMINATIONS</b>			
	<b>Water Pollution Control Bond</b>		
		Gross	(100,000)
		GF/GP	(100,000)
	Funding is reduced from \$2,750,400 to \$2,650,400 based on debt service requirements.		
<b>D. FUNDING SHIFTS</b>			
	<b>1. Quality of Life Bond</b>		
		Gross	0
		Restricted	4,550,300
		GF/GP	(4,550,300)
	The budget includes an \$878,000 shift from Recreation Bond Resources to GF/GP; a \$10,887,300 shift from GF/GP to Cleanup and Redevelopment Funds; and a \$24,541,000 shift from GF/GP to the Refined Petroleum Fund. Revenue to support the Refined Petroleum Fund is generated from continuation of the 7/8-cent tax on refined petroleum products included in Public Act 390 of 2004. Public Act 327 of 2004, a supplemental appropriation bill for FY 2003-04 (P.A. 360 of 2004) shifted \$30.0 million from GF/GP to the Refined Petroleum Fund.		
	<b>2. Clean Michigan Initiative</b>		
		Gross	0
		Restricted	3,573,500
		GF/GP	(3,573,500)
	The budget includes a \$3,573,500 shift from GF/GP to the Refined Petroleum Fund.		

**DEPARTMENT OF TREASURY - OPERATIONS**  
**P.A. 327 of 2004**

FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE	FY 2003-04 YEAR-TO-DATE	FY 2004-05 GOV.'S REC.	FY 2004-05 HOUSE	FY 2004-05 SENATE	FY 2004-05 YEAR-TO-DATE	CHANGES FROM FY 2003-04 YEAR-TO-DATE	
						AMOUNT	PERCENT
FTE Positions .....	1,615.0	1,611.0	1,598.0	1,608.5	1,653.5	38.5	2.4
<b>GROSS.....</b>	<b>381,890,186</b>	<b>370,265,100</b>	<b>361,430,300</b>	<b>359,686,300</b>	<b>368,075,200</b>	<b>(13,814,986)</b>	<b>(3.6)</b>
Less:							
Interdepartmental Grants Received.....	12,417,600	13,172,800	13,172,800	13,143,100	13,172,800	755,200	6.1
<b>ADJUSTED GROSS .....</b>	<b>369,472,586</b>	<b>357,092,300</b>	<b>348,257,500</b>	<b>346,543,200</b>	<b>354,902,400</b>	<b>(14,570,186)</b>	<b>(3.9)</b>
Less:							
Federal Funds.....	44,696,100	34,681,800	34,681,800	34,645,300	34,681,800	(10,014,300)	(22.4)
Local and Private.....	910,800	964,300	964,300	964,100	964,300	53,500	5.9
<b>TOTAL STATE SPENDING .....</b>	<b>323,865,686</b>	<b>321,446,200</b>	<b>312,611,400</b>	<b>310,933,800</b>	<b>319,256,300</b>	<b>(4,609,386)</b>	<b>(1.4)</b>
Less:							
Other State Restricted Funds .....	263,601,700	264,595,700	262,418,800	261,303,300	265,993,800	2,392,100	0.9
<b>GENERAL FUND/GENERAL PURPOSE ..</b>	<b>60,263,986</b>	<b>56,850,500</b>	<b>50,192,600</b>	<b>49,630,500</b>	<b>53,262,500</b>	<b>(7,001,486)</b>	<b>(11.6)</b>
<b>PAYMENTS TO LOCALS .....</b>	<b>108,571,700</b>	<b>116,772,000</b>	<b>109,772,000</b>	<b>109,772,401</b>	<b>109,772,000</b>	<b>1,200,300</b>	<b>1.1</b>

**FY 2004-05 Change From  
FY 2003-04 Year-to-Date**

**A. PERSONAL PROPERTY TAX AUDITORS**

The budget includes funding to hire State classified civil service employees or contractors under the Department's supervision to perform personal property tax audits.

FTE	38.0
Gross	3,500,000
GF/GP	3,500,000

**B. STATUTORY GRANTS/PROGRAMS**

Funding for the following statutory grants and programs was adjusted based on projected revenue:

**1. Convention Facility Development Distribution**

Funding is increased from \$48.0 million to \$53.5 million.

Gross	5,500,000
Restricted	5,500,000
GF/GP	0

**2. Commercial Mobil Radio Service Payments**

Funding is increased from \$26.5 million to \$29.0 million.

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

**3. Senior Citizen Cooperative Housing Tax Exemption Program**

Funding is increased from \$15.5 million to \$16.7 million.

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

**4. Renaissance Zone Reimbursement**

Funding is increased from \$1,640,000 to \$1,968,000. An administrative transfer increased funding for this item by \$60,000 during FY 2003-04.

Gross	328,000
GF/GP	328,000

**C. INFORMATION TECHNOLOGY**

Adjustments include \$691,900 for website costs associated with the State Lottery, \$275,500 for casino gaming information technology maintenance costs, and \$30,000 related to the allocation of desktop costs.

Gross	997,400
Restricted	967,400
GF/GP	30,000

**D. CASINO GAMING CONTROL ADMINISTRATION**

The Legislature included additional staff for Casino Gaming Control administration based on a recent audit report that cited current workload as an issue. The budget also includes a 0.5 FTE increase based on actual staffing needs.

FTE	4.5
Gross	323,100
Restricted	323,100
GF/GP	0

**FY 2004-05 Change From  
FY 2003-04 Year-to-Date**

**E. OTHER FUNDING INCREASES**

Other increases include \$50,000 associated with administration of the State education tax, and \$582,800 related to the collection of the motor fuel tax. Subsequent to the enactment of the FY 2004-05 General Government Appropriation bill, a supplemental appropriation (P.A. 360 of 2004) included \$1,075,000 for State Sports Tourism funded from Convention Facility Development Fund revenue.

Gross	1,707,800
IDG	582,800
Restricted	1,125,000
GF/GP	0

**F. PROGRAM REDUCTIONS/ELIMINATIONS**

**1. Reimbursement to Locals for Personal Property Tax Audits**

The FY 2003-04 appropriation for the Department of Treasury included \$7.0 million to reimburse local units of government for a portion of the costs of activity under Section 22a of the General Property Tax Act. The Legislature eliminated funding for this program.

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

**2. Enhanced Revenue Collections**

Public Act 237 of 2004 (FY 2003-04 supplemental appropriations) included additional resources to facilitate the collection of outstanding taxes. The funding included 4.0 FTEs/\$800,000 for Local Finance, 49.0 FTEs/\$3.5 million for Tax Compliance, \$800,000 for Tax Processing, 30.0 FTEs/\$2,050,000 for Collections, and \$950,000 for Information Technology. The FY 2004-05 budget increases FTE authorization, adjusts funding sources, and eliminates one-time funding for this program.

FTE	4.0
Gross	(550,000)
Restricted	450,000
GF/GP	(1,000,000)

**3. Qualified Agricultural Loans**

The budget reduces funding for Qualified Agricultural Loans from \$5.2 million to \$2.0 million. The adjustment is possible due to the level of expected repayments and boilerplate language (Section 927) providing that any unspent funds appropriated in FY 2003-04 are appropriated in FY 2004-05.

Gross	(3,200,000)
GF/GP	(3,200,000)

**4. Human Resources Optimization Project**

The budget includes net savings related to the consolidation in the Department of Civil Service of certain human resource functions. (An explanation of the consolidation project is included in the budget overview for the Department of Civil Service.)

FTE	(3.0)
Gross	(58,600)
Restricted	(32,300)
GF/GP	(26,300)

**FY 2004-05 Change From  
FY 2003-04 Year-to-Date**

<b>5. Information Technology</b>	Gross (842,900) GF/GP (842,900)
<p>The Governor's budget recommendation included \$754,900 in base reductions to information technology costs. The Leadership Target Agreement reduced information technology funding by an additional \$88,000.</p>	
<b>6. Other Funding Reductions</b>	Gross (1,332,700) IDG (500,000) Restricted (790,000) GF/GP (42,700)
<p>Other reductions include elimination of the \$42,700 Enterprise Zone payment due to completion of the 10-year schedule of payments; a reduction of \$250,000 related to advertising unclaimed property; a reduction of \$90,000 (from \$640,000 to \$550,000) for costs associated with Justice Fund revenue; a reduction of \$450,000 for one-time funding adjustments contained in P.A. 309 of 2004; and a reduction of \$500,000 related to receipts, warrants, and cash processing revenue.</p>	
<b>G. PROGRAM TRANSFERS</b>	
<b>1. Michigan Educational Assessment Program (MEAP)</b>	FTE (18.0) Gross (27,400,500) Federal (10,798,800) Restricted (16,601,700) GF/GP 0
<p>The budget transfers the appropriation for the administration of the MEAP from the Department of Treasury to the Department of Education pursuant to Executive Order 2003-20.</p>	
<b>2. Internal Auditors</b>	FTE (4.0) Gross (425,000) GF/GP (425,000)
<p>The budget reflects the transfer of 4.0 FTEs/\$425,000 from Treasury to the Department of Management and Budget as a result of the consolidation of internal audit functions.</p>	
<b>3. Tax Reverted Property</b>	FTE 17.0 Gross 2,500,000 Restricted 2,500,000 GF/GP 0
<p>The budget includes funding and positions related to the transfer of the administration of tax reverted property from the Department of Natural Resources to the Department of Treasury pursuant to Executive Order 2004-2.</p>	

**FY 2004-05 Change From  
FY 2003-04 Year-to-Date**

**H. FEE INCREASES**

Gross 0  
Restricted 0  
GF/GP 0

**Assessor Certification and Training Fund**

The budget includes modified boilerplate language (Section 907) that increases the assessor exam fee from \$25 to \$50, the initial certification fee from \$35 to \$50, Level 1 and Level 2 renewal fees from \$50 to \$75, and Level 3 and Level 4 renewal fees from \$95 to \$125. The fee increases will generate approximately \$80,000. Actual revenue over the last few years has been below the annual amount appropriated. Reserves in the fund previously were sufficient to cover the shortage. The fee increases are necessary to support appropriations for FY 2004-05.

**I. ECONOMIC ADJUSTMENTS**

Gross 8,438,414  
IDG 672,400  
Federal 784,500  
Local 53,500  
Restricted 6,450,600  
GF/GP 477,414

The economic adjustment amount includes standard economic factors applied to salaries and wages, retirement, insurance, rent, motor transport, workers' compensation, and building occupancy charges consistent with factors applied to all budgets. Employee-related savings reflect the Department's share of budgetary savings that will be achieved through the reduction of outside contracts, voluntary work schedule adjustments, and temporary wage and benefit concessions.

Item	Gross	GF/GP
Economic Adjustments	\$13,088,114	\$1,161,614
Employee-Related Savings	(4,649,700)	(684,200)
Net Economics	\$8,438,414	\$477,414

**J. TOBACCO SETTLEMENT**

Gross 0  
Restricted 0  
GF/GP 0

The budget continues funding from the Michigan Merit Award Trust Fund for the Merit Award Board, \$1,580,400; Tuition Incentive Program Administration, \$385,100; Michigan Education Savings Program, \$1.0 million; and Information Technology costs, \$393,000. Michigan Merit Award Trust Fund appropriations associated with the MEAP were transferred to the Department of Education (Item G.1.above) pursuant to Executive Order 2003-20.

**DEPARTMENT OF TREASURY - REVENUE SHARING  
P.A. 327 of 2004**

FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE	FY 2003-04 YEAR-TO-DATE	FY 2004-05 GOV.'S REC.	FY 2004-05 HOUSE	FY 2004-05 SENATE	FY 2004-05 YEAR-TO-DATE	CHANGES FROM FY 2003-04 YEAR-TO-DATE	
						AMOUNT	PERCENT
FTE Positions .....	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>GROSS.....</b>	<b>1,306,257,900</b>	<b>1,145,710,800</b>	<b>1,136,942,300</b>	<b>1,136,942,300</b>	<b>1,144,610,800</b>	<b>(161,647,100)</b>	<b>(12.4)</b>
Less:							
Interdepartmental Grants Received.....	0	0	0	0	0	0	0.0
<b>ADJUSTED GROSS .....</b>	<b>1,306,257,900</b>	<b>1,145,710,800</b>	<b>1,136,942,300</b>	<b>1,136,942,300</b>	<b>1,144,610,800</b>	<b>(161,647,100)</b>	<b>(12.4)</b>
Less:							
Federal Funds.....	0	0	0	0	0	0	0.0
Local and Private.....	0	17,868,500	0	0	17,868,500	17,868,500	100.0
<b>TOTAL STATE SPENDING .....</b>	<b>1,306,257,900</b>	<b>1,127,842,300</b>	<b>1,136,942,300</b>	<b>1,136,942,300</b>	<b>1,126,742,300</b>	<b>(179,515,600)</b>	<b>(13.7)</b>
Less:							
Other State Restricted Funds .....	1,304,715,600	1,126,300,000	1,135,400,000	1,135,400,000	1,126,300,000	(178,415,600)	(13.7)
<b>GENERAL FUND/GENERAL PURPOSE ..</b>	<b>1,542,300</b>	<b>1,542,300</b>	<b>1,542,300</b>	<b>1,542,300</b>	<b>442,300</b>	<b>(1,100,000)</b>	<b>(71.3)</b>
<b>PAYMENTS TO LOCALS .....</b>	<b>1,306,257,900</b>	<b>1,145,710,800</b>	<b>1,136,942,300</b>	<b>1,136,942,300</b>	<b>1,126,742,300</b>	<b>(179,515,600)</b>	<b>(13.7)</b>

**FY 2004-05 Change From  
FY 2003-04 Year-to-Date**

**A. REVENUE SHARING PAYMENTS IN FY 2004-05**

Public Act 327 of 2004 appropriates revenue sharing payments for FY 2004-05. Gross revenue sharing payments are estimated and appropriated at \$1,144,610,800 in FY 2004-05, a decrease of \$160,104,797, or 12.4%, from FY 2003-04 actual payments. The gross appropriation includes \$442,300 in General Fund appropriations to local units under the control of an emergency financial manager (Highland Park and Hamtramck) in order to hold them harmless from the FY 2003-04 Executive Order reductions to revenue sharing. The appropriation also includes \$17,868,500 in local revenue as part of the changes associated with statutory revenue sharing payments to counties.

Gross	(161,647,100)
Restricted	(178,415,600)
GF/GP	(1,100,000)
Local	17,868,500

The remaining \$1,126,300,000 appropriated for revenue sharing payments is restricted State revenue and includes payments required under the State Constitution as well as payments authorized under statute. The total restricted appropriated amount will be a limit on total revenue sharing distributions: If actual sales tax revenue exceeds the consensus figure and produces a higher constitutional revenue sharing total than the appropriated amount, then the amount above the constitutional appropriation that is distributed will be subtracted from the statutory payments. If actual sales tax revenue is less than the adopted estimate, then constitutional revenue sharing payments will be lower.

The appropriated amount of restricted funds is approximately \$521,700,000 less than the amount suggested by the statutory formula to “fully fund” revenue sharing payments. Compared with FY 2003-04, the restricted fund appropriation for revenue sharing is \$178.4 million lower, or a decline of approximately 13.7%. The Governor’s recommendation was for FY 2004-05 total restricted revenue sharing payments to each city, village, and township to be at the same level as for FY 2003-04. To accomplish this goal, the Governor also recommended that supplementary legislation be adopted to alter the distribution of revenue sharing payments from what would otherwise occur under the revenue sharing formula.

The estimated revenue sharing payments by distribution type are summarized in Table 1. The figures in Table 1 are based on the May 2004 consensus estimates of State revenue.

**B. CHANGES TO THE REVENUE SHARING PAYMENT DISTRIBUTION FORMULA FOR CITIES, VILLAGES, AND TOWNSHIPS (P.A. 355 of 2004)**

The Governor’s FY 2004-05 budget recommended that changes be made to the Glenn Steil State Revenue Sharing Act (MCL 141.901) to alter the distribution of payments from what would otherwise occur under the proposed level of funding for statutory revenue sharing payments. Proposed changes for payments to counties were separate from those proposed for cities, villages, and townships. Under the recommended legislation, represented by the version of Senate Bill 1104 of 2004 as introduced, each local unit would receive the same total payment received during FY 2003-04. The version of Senate Bill 1104 passed by the Legislature (Public Act 355 of 2004) essentially implemented the Governor’s recommendation, in that in FY

2004-05 each local unit is to receive the same combined statutory and constitutional payment as it received in FY 2003-04. However, P.A. 355 also provides an adjustment mechanism to allocate payments when sales tax collections differ from the estimates. This adjustment mechanism ensures that any reductions needed in either fiscal year will be applied by a uniform percentage of total payments, regardless of the local unit. The reductions under P.A. 355 are to be taken from statutory payments only, so constitutional payments will not be reduced, but the reductions are to be computed against an amount that includes both types of payments.

Because the appropriation may not reduce constitutional revenue sharing payments, which are expected to increase by 4.3% in FY 2004-05, certain local units that receive very little payment under the statutory provisions cannot be held at the same combined payment received in FY 2003-04. Under these circumstances, the statutory payment to the local unit is eliminated and the unit receives only constitutional revenue sharing payments. The FY 2003-04 revenue sharing provisions eliminated statutory payments to 165 local units. Under the current revenue forecast, P.A. 355 will eliminate statutory revenue sharing payments to 588 cities, villages, and townships in FY 2004-05.

**C. CHANGES TO THE REVENUE SHARING PAYMENT DISTRIBUTION FORMULA FOR COUNTIES (P.A. 356 of 2004)**

The Governor's FY 2004-05 budget recommended a temporary elimination of statutory revenue sharing payments to counties. Counties do not receive revenue sharing payments under the State Constitution. Statutory revenue sharing payments to counties accounted for \$182.1 million in revenue sharing payments during FY 2003-04. The revenue loss to counties was addressed by P.A. 357 of 2004, which accelerated the collection date for county property taxes from the winter levy to the summer levy over a period of three years. A portion of each county's winter property tax levy in 2004, 2005, and 2006 will be placed in a restricted reserve fund to replace revenue sharing payments. Each year, a county may withdraw from the reserve an amount equal the revenue sharing payment received in FY 2003-04, adjusted for inflation.

Once a county's reserve fund is depleted, P.A. 356 provides that revenue sharing payments to the county will resume. The amount of payment to a county will equal the difference between the balance of the reserve fund and the amount the county would be allowed to withdraw from the fund if it had a sufficient balance. Statutory payments to any county are not expected to resume until FY 2008-09 and will remain subject to appropriation.

Because some counties have October-September fiscal years, P.A. 327 also appropriates \$17,868,500 of local revenue for revenue sharing. This appropriation provides funds to counties with a fiscal year that ends September 30 and is to address cash flow needs created by the elimination of statutory revenue sharing payments to counties in FY 2004-05. The State will provide these funds to each designated county, which will repay the funds by March 1, 2005, from its December 2004 property tax levy.

Table 1

REVENUE SHARING PAYMENTS FOR FY 2002-03 THROUGH FY 2004-05 (dollars in millions)							
	FY 2003-04				FY 2004-05 As Enacted		
	FY 2002-03 Actual	FY 2003-04 Actual	Change From FY 2002-03		FY 2004-05 Estimate 1)	Change From FY 2003-04	
			Dollar	Percent		Dollar	Percent
<b>Sales Tax Constitutional:</b>							
Counties	\$0.0	\$0.0	\$0.0	---	\$0.0	\$0.0	---
Cities, Villages, & Townships							
Cities	\$342.1	\$338.5	(\$3.6)	(1.1)%	\$352.9	\$14.4	4.3%
Detroit	63.3	62.6	(0.7)	(1.1)%	65.3	2.7	4.3%
Townships	299.0	295.6	(3.4)	(1.1)%	308.2	12.6	4.3%
Villages	19.2	19.0	(0.2)	(1.1)%	19.8	0.8	4.3%
Cities, Villages, & Townships Subtotal	\$660.3	\$653.1	\$(7.2)	(1.1)%	\$681.0	\$27.9	4.3%
<b>Subtotal Constitutional</b>	<b>\$660.3</b>	<b>\$653.1</b>	<b>(\$7.2)</b>	<b>(1.1)%</b>	<b>\$681.0</b>	<b>\$27.9</b>	<b>4.3%</b>
<b>Sales Tax Statutory:</b>							
Counties	\$202.6	\$182.1	(\$20.5)	(10.1)%	\$0.0	(\$182.1)	(100.0)%
Cities, Villages, & Townships							
Cities	\$504.6	\$422.5	(\$82.1)	(16.3)%	\$408.1	(\$14.4)	(3.4)%
Detroit	256.5	224.8	(31.7)	(12.4)%	222.1	(2.7)	(1.2)%
Townships	71.2	37.4	(33.8)	(47.5)%	27.0	(10.4)	(27.7)%
Villages	12.6	9.6	(3.0)	(23.9)%	8.8	(0.8)	(8.4)%
Cities, Villages, & Townships Subtotal	\$588.5	\$469.5	\$(119.0)	(20.2)%	\$443.9	\$(25.6)	(5.5)%
<b>Subtotal Statutory</b>	<b>\$791.1</b>	<b>\$651.6</b>	<b>(\$139.5)</b>	<b>(17.6)%</b>	<b>\$443.9</b>	<b>(\$207.7)</b>	<b>(31.9)%</b>
<b>Total Restricted Revenue Sharing <sup>1)</sup></b>	<b>\$1,451.4</b>	<b>\$1,304.7</b>	<b>(\$146.7)</b>	<b>(10.1)%</b>	<b>\$1,124.9</b>	<b>(\$179.8)</b>	<b>(13.8)%</b>
Counties	202.6	182.1	(20.5)	(10.1)%	0.0	(182.1)	(100.0)%
Cities, Villages, & Townships							
Cities	\$846.7	\$761.0	(\$85.7)	(10.1)%	\$761.0	(\$0.0)	0.0%
Detroit	319.7	287.4	(32.4)	(10.1)%	287.4	(0.0)	0.0%
Townships	370.2	333.0	(37.2)	(10.0)%	335.3	2.3	0.7%
Villages	31.9	28.7	(3.2)	(10.1)%	28.7	0.0	0.0%
Cities, Villages, & Townships Subtotal	1,248.8	1,122.6	(126.2)	(10.1)%	1,124.9	2.3	0.2%
<b>Total Rev. Sharing Under Appropriation</b>	<b>\$1,451.4</b>	<b>\$1,304.7</b>	<b>(\$146.7)</b>	<b>(10.1)%</b>	<b>\$1,124.9</b>	<b>(\$179.8)</b>	<b>(13.8)%</b>

<sup>1)</sup> Revenue sharing payments are based on consensus sales tax estimates adopted at the May 2004 Consensus Revenue Estimating Conference, subject to existing appropriations. The appropriated levels represent the maximum amount that will be distributed for restricted revenue sharing. If actual sales tax collections are lower, then the revenue sharing distributions will be reduced. If actual sales tax collections are higher than estimated, then constitutional payments will be increased and statutory payments will be reduced.



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# **APPENDICES**

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**FY 2004-05  
APPROPRIATION BILL INDEX**

<u>BUDGET AREA</u>	<u>BILL NUMBER</u>	<u>PUBLIC ACT NUMBER</u>	<u>LINE-ITEM VETOES</u>
Agriculture .....	H.B. 5509	P.A. 353 of 2004	NO
Attorney General .....	H.B. 5517	P.A. 327 of 2004	YES
Capital Outlay .....	S.B. 267/H.B. 5510	P.A. 309/PENDING	---
Civil Rights .....	H.B. 5517	P.A. 327 of 2004	NO
Civil Service.....	H.B. 5517	P.A. 327 of 2004	NO
Community Colleges .....	S.B. 1062	P.A. 358 of 2004	NO
Community Health.....	S.B. 1063	P.A. 349 of 2004	YES
Corrections .....	S.B. 345	P.A. 345 of 2004	NO
Education .....	S.B. 1065	P.A. 346 of 2004	NO
Environmental Quality .....	S.B. 1066	P.A. 350 of 2004	YES
Executive.....	H.B. 5517	P.A. 327 of 2004	NO
Family Independence Agency .....	H.B. 5516	P.A. 344 of 2004	NO
Higher Education.....	S.B. 1067	P.A. 352 of 2004	NO
History, Arts, and Libraries.....	H.B. 5519	P.A. 340 of 2004	YES
Information Technology.....	H.B. 5517	P.A. 327 of 2004	NO
Judiciary .....	H.B. 5520	P.A. 339 of 2004	NO
Labor and Economic Growth.....	H.B. 5521	P.A. 354 of 2004	NO
Legislature.....	H.B. 5517	P.A. 327 of 2004	NO
Management and Budget.....	H.B. 5517	P.A. 327 of 2004	NO
Military and Veterans Affairs .....	H.B. 5522	P.A. 341 of 2004	NO
Natural Resources.....	S.B. 1068	P.A. of 347 2004	NO
School Aid .....	S.B. 1069	P.A. 351 of 2004	NO
State .....	H.B. 5517	P.A. 327 of 2004	NO
State Police .....	H.B. 5526	P.A. 348 of 2004	NO
Transportation .....	H.B. 5528	P.A. 361 of 2004	YES
Treasury .....	H.B. 5517	P.A. 327 of 2004	NO

## ECONOMIC FORECAST AND REVENUE ESTIMATES

### A. ECONOMIC FORECAST

The economic forecast on which the enacted FY 2004-05 State budget was based was the consensus economic forecast adopted at the May 2004 Consensus Revenue Estimating Conference. Under this consensus forecast, both the U.S. and Michigan economies are expected to maintain a moderate pace of economic growth in 2005.

#### U.S. Economy

Real Gross Domestic Product (GDP), which measures the value of the nation's total output of goods and services, adjusted for inflation, will increase an estimated 4.6% in 2004, up from the 3.0% increase posted in 2003. In 2005, the pace of growth will moderate slightly to a more sustainable 3.7%.

The growth in economic activity will be spurred by increases in consumer spending and continued strong investment in new equipment by businesses. Consumer spending is expected to be a positive factor in U.S. economic growth in 2005 in part because the employment situation is expected to continue to improve. The unemployment rate will fall to an estimated 5.3% in 2005 from 5.5% in 2004 and 6.0% in 2003. Business profits already have been increasing and these increased earnings, coupled with the continuing very strong competitive pressures to keep prices as low as possible, will spur businesses to boost investment in new and improved capital equipment in order to help them become more efficient. The value of the dollar is expected to continue to drift down slightly, relative to the nation's key trading partners. This will help reduce the price of U.S.-made goods and services relative to foreign goods and services.

The Federal Reserve is expected to continue to boost the Federal Funds rate gradually, which will make it more expensive for consumers and businesses to borrow money in the short term. The three-month Treasury bill rate will rise from an average level of 1.0% in 2003 to 1.2% in 2004 and 2.5% in 2005. Long-term rates also are expected to edge up as inflationary expectations pick up slightly. For example, the Aaa corporate bond rate is expected to increase from 5.7% in 2004 to 6.0% in 2005. Light vehicle sales are expected to increase modestly from the 16.6 million light vehicles sold in 2003 to 16.7 million units in 2004 and 16.9 million units in 2005.

Some factors that could result in slower growth than expected in 2005 are rising oil prices, rising interest rates, less stimulus from Federal fiscal policy, and stronger-than-expected productivity growth, which could undercut short-term employment growth.

#### Michigan Economy

While the pace of economic growth is expected to moderate slightly nationally in 2005 compared with 2004, Michigan's pace of economic growth is expected to accelerate in 2005. This renewed economic growth will be most evident in employment and personal income. Payroll employment fell 1.2% in 2003, largely due to sharp declines in the number of employees working for manufacturing businesses. In 2004, this decline in employment is expected finally to turn around during the latter part of the year, but not strongly enough to prevent it from falling another 0.6% on an annual average basis. In 2005, however, employment growth is expected to increase 1.5%. Despite this increase, it is estimated that at the end of 2005 employment will remain below the peak level reached in 2000 before the 2001 national recession. As a result of these forecasted changes in employment, Michigan's unemployment rate is expected to average 6.8% in 2004 and 6.5% in 2005, compared with the 2003 unemployment rate of 7.3%.

The improvement in employment forecast in 2005 also will help boost personal income, which is the income received by individuals from all sources including wages and salaries, dividends, interest, rent, self-employment income, and welfare. In 2003, real Michigan personal income increased only 0.4%, but the pace

of growth is expected to accelerate to 1.0% in 2004 and 3.0% in 2005. Inflation, as measured by the Detroit Consumer Price Index, is expected to increase from 2.3% in 2003 and 2004, to 2.7% in 2005.

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

General Fund/General Purpose (GF/GP) and School Aid Fund (SAF) available revenue will total an estimated \$21.1 billion in FY 2004-05, which represents a 1.5% increase from the estimated total revenue level for FY 2003-04. This projected level of total revenue in FY 2004-05 includes the revenue from ongoing taxes and sources other than taxes, enacted tax policy changes, Federal Aid, transfers from other funds, and one-time and ongoing revenue adjustments. The estimate of total GF/GP and SAF revenue from ongoing sources was unanimously adopted by the Senate Fiscal Agency, the House Fiscal Agency, and the Treasury Department at the May 2004 Consensus Revenue Estimating Conference. Table 1 compares the total GF/GP and SAF revenue estimates for FY 2003-04 and FY 2004-05.

**Table 1**

<b>GENERAL FUND/GENERAL PURPOSE AND SCHOOL AID FUND REVENUE ESTIMATES FOR FY 2003-04 AND FY 2004-05 (dollars in millions)</b>			
	<b>FY 2003-04</b>	<b>FY 2004-05</b>	<b>Percent Change</b>
<b>GENERAL FUND/GENERAL PURPOSE</b>			
Beginning Balance .....	\$174.0	\$0.0	(100.0)%
<u>Revenue From Ongoing Sources:</u> <sup>1)</sup>			
Net Income .....	3,949.1	4,024.3	1.9
Single Business .....	1,823.7	1,917.5	5.1
Sales .....	103.2	119.8	16.1
Use .....	855.1	885.7	3.6
Cigarette .....	286.2	128.0	(55.3)
Insurance Company Premiums .....	247.0	261.0	5.7
Telephone & Telegraph .....	120.6	120.6	0.0
Estate/Inheritance .....	65.0	34.0	(47.7)
All Other Taxes .....	170.7	166.6	(2.4)
Subtotal Taxes .....	\$7,620.6	\$7,657.5	0.5%
Nontax Revenue .....	245.8	198.8	(19.1)
Subtotal Consensus Estimates Ongoing Revenue <sup>1)</sup> .....	\$7,866.4	\$7,856.3	(0.1)%
<u>Ongoing Revenue Adjustments</u>			
Casino Tax Increase .....	3.6	42.9	1,091.7
New Driver-Related Fees .....	50.1	98.1	95.8
Single Business Tax Changes .....	10.0	15.0	50.0
Revenue Sharing Reductions .....	278.5	521.7	87.3
Enhanced Enforcement of Delinquent Taxes .....	55.1	85.1	54.4
Other Ongoing Revenue Adjustments .....	0.0	8.3	---
Subtotal Ongoing Revenue Adjustments .....	\$397.3	\$771.1	\$ 94.1

Table 1 (continued)

<b>GENERAL FUND/GENERAL PURPOSE AND SCHOOL AID FUND REVENUE ESTIMATES FOR FY 2003-04 AND FY 2004-05 (dollars in millions)</b>			
<u>One-Time Revenue Adjustments</u>	<b>FY 2003-04</b>	<b>FY 2004-05</b>	<b>Percent Change</b>
Unclaimed Property Law Revisions.....	15.0	25.0	66.7
Restricted Revenue Lapses .....	100.9	0.0	(100.0)
Restricted Fund Transfers to General Fund.....	10.0	0.0	(100.0)
Sales of State Property .....	52.0	31.4	(39.6)
Unrestricted Federal Aid.....	169.0	0.0	(100.0)
Other Revenue Adjustments .....	(26.1)	22.0	---
Subtotal One-Time Revenue Adjustments .....	320.8	78.4	(75.6)
<b>TOTAL GF/GP REVENUE .....</b>	<b>\$8,758.5</b>	<b>\$8,705.8</b>	<b>(0.6)%</b>
<b>SCHOOL AID FUND</b>			
Beginning Balance .....	\$113.7	\$0.0	(100.0)%
<u>Revenue From Ongoing Sources<sup>1)</sup></u>			
Sales & Use Taxes .....	5,164.1	5,398.7	4.5
Income Tax.....	1,911.0	1,996.5	4.5
State Education Property Tax .....	1,745.2	1,859.7	6.6
Real Estate Transfer Tax .....	297.7	293.0	(1.6)
Tobacco Tax.....	479.7	472.8	(1.4)
Casino Wagering Tax.....	98.5	99.3	0.8
Other Tax Revenue .....	202.0	203.4	0.7
Subtotal Taxes .....	\$9,898.2	\$10,323.4	4.3%
Lottery .....	637.0	637.0	0.0
Subtotal Consensus Estimates Ongoing Revenue <sup>1)</sup> .....	\$10,535.2	\$10,960.4	4.0%
<u>Other Revenue</u>			
General Fund Grant .....	377.8	165.2	(56.3)
Enhanced Enforcement of Delinquent Taxes.....	28.6	35.5	24.1
Federal Aid .....	1,316.7	1,353.6	2.8
Other Revenue .....	2.1	12.8	509.5
Subtotal Other Revenue .....	1,725.2	1,567.1	(9.2)
<b>TOTAL SAF REVENUE .....</b>	<b>\$12,374.1</b>	<b>\$12,527.5</b>	<b>1.2%</b>
<b>TOTAL GF/GP AND SAF</b>			
Consensus Estimate Ongoing Revenue .....	\$18,401.6	\$18,816.7	2.3%
Beginning Balances.....	287.7	0.0	(100.0)
Other Revenue <sup>2)</sup> .....	2,065.5	2,251.4	9.0
Total Revenue <sup>2)</sup> .....	20,754.8	21,068.1	1.5

1) Consensus revenue estimates adopted at the May 2004 Consensus Revenue Estimating Conference.

2) Total and other revenue excludes GF/GP grant to SAF.

## Major Tax Changes

Included in the FY 2004-05 enacted budget are two major tax changes: 1) an increase in the tobacco tax, and 2) an increase in the tax levied on the Detroit casinos.

**Tobacco Tax.** The taxes on tobacco products were increased effective July 1, 2004. The cigarette tax was increased from \$1.25 per pack to \$2.00 per pack and the tax on other tobacco products was increased from 20.0% of the wholesale price to 32.0%. In addition, the earmarking of tobacco tax revenue was changed so that an increasing share of overall tobacco tax revenue now goes to the Medicaid Benefits Trust Fund. In FY 2003-04, this increase in the tobacco taxes coupled with the new distribution of tobacco tax revenue will reduce GF/GP revenue by about \$35.0 million and increase Medicaid Benefits Trust Fund revenue by \$132.0 million, for a net increase in revenue of \$97.0 million. In FY 2004-05, the major changes include a \$9.0 million reduction in GF/GP revenue, the elimination of a scheduled \$154.0 million earmarking to the Budget Stabilization Fund, and a \$480.0 million increase in the Medicaid Benefits Trust Fund, for a net increase in tobacco tax revenue equal to \$313.5 million.

**Casino Tax.** The existing 18.0% tax on Detroit's three casinos was increased by six percentage points to 24.0%, effective September 1, 2004. Of the increase, 7/12 will go the General Fund, 1/12 to the Agriculture Equine Industry Development Fund, and the remaining 1/3 to the City of Detroit. This will increase General Fund revenue by an estimated \$3.6 million in FY 2003-04 and \$42.9 million in FY 2004-05; the Agriculture Equine Industry Development Fund will receive an estimated \$0.5 million in FY 2003-04 and \$6.1 million in FY 2004-05; and Detroit will receive \$2.1 million in FY 2003-04 and an estimated \$24.5 million in FY 2004-05. The law also contains provisions to reduce the additional tax rate from 6.0% to 1.0% when a casino's permanent facility becomes fully operational, but the tax rate will increase above the 6.0% level if the permanent casinos are not fully operational by a certain date.

## General Fund/General Purpose Revenue

Total GF/GP revenue available to spend in FY 2004-05 will amount to an estimated \$8.7 billion, which represents a decline of \$53.0 million or 0.6% from the FY 2003-04 level. General Fund/General Purpose revenue includes the revenue from ongoing revenue sources, one-time and ongoing revenue adjustments, and tax policy and fee changes. Revenue from ongoing revenue sources is expected to total \$7.9 billion, which will be down 0.1% from the estimated FY 2003-04 level. While the revenue generated by the income and single business taxes, which are the two largest sources of GF/GP revenue, will be up an estimated 1.9% and 5.1%, respectively, these increases will be offset by declines in the amount of tobacco tax revenue going to the General Fund and the final phase of the repeal of the estate tax.

In addition to the revenue generated from ongoing taxes and other revenue sources, GF/GP revenue in FY 2004-05 includes revenue from tax and fee increases and other revenue adjustments, as shown in [Table 1](#). These revenue adjustments include both ongoing and one-time adjustments. The revenue adjustments that will have revenue impacts for more than one year will generate an estimated \$771.0 million in FY 2004-05. The largest component of these ongoing revenue adjustments is a \$522.0 million gain in GF/GP revenue due to enacted reductions in the amount of sales tax revenue shared with local governments. (For a detailed description of the revenue sharing changes, see the Department of Treasury - Revenue Sharing section of this report, above). The ongoing revenue adjustments also include \$43.0 million due to an increase in the casino tax and \$98.0 million from new driver-related fees. The one-time revenue adjustments contained in the FY 2004-05 GF/GP budget total \$78.0 million and include \$25.0 million from revisions in the unclaimed property law and \$31.0 million from the sale of State government property.

The slight decline in GF/GP revenue estimated for FY 2004-05 is attributable in part to a decline in Federal Aid and no carryover balance from FY 2003-04. In FY 2003-04, the State received \$169 million in unrestricted Federal Aid, but this was a one-time Federal payment that will not be repeated in FY 2004-05. Fiscal Year 2003-04 revenue also was bolstered by a \$174.0 million beginning balance carried over from FY 2002-03, but no beginning balance is expected in FY 2004-05.

## **School Aid Fund**

Total SAF revenue available to spend will amount to an estimated \$12.5 billion in FY 2004-05. This represents an increase of 1.2%, compared with the estimated level for FY 2003-04, as shown in Table 1. This estimate for SAF revenue includes an increase in earmarked taxes and lottery revenue, and a decrease in the grant from the General Fund.

Ongoing revenue from the taxes and net lottery revenue earmarked to the SAF will total an estimated \$11.0 billion in FY 2004-05, which represents an increase of \$425.0 million, or 4.0%, compared with FY 2003-04. This estimated gain in earmarked tax and lottery revenue includes a 4.5% increase in sales and use tax revenue, a 4.5% increase in income tax revenue, and a 6.6% increase in State education property tax revenue. In addition, Federal Aid will increase an estimated 2.8% to over \$1.3 billion. An enacted decline in the grant from the General Fund will offset a portion of these revenue gains from the earmarked taxes and Federal Aid. In FY 2003-04, the grant from the General Fund to the SAF totaled \$378.0 million, but in FY 2004-05, the grant is scheduled to total \$165.0 million, representing a decline of \$213.0 million.

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

#### **Budget Stabilization Fund**

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

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

The recession that hit Michigan in the last part of 2000 through 2001, and the very sluggish rebound in economic activity since 2001, has placed significant strain on the budget. As a result, after the BSF had \$1.26 billion at the end of FY 1999-2000, the balance in the BSF fell to zero by the end of FY 2002-03 and remained at zero in FY 2003-04, as shown in Table 2. The recently enacted budget for FY 2004-05 does not appropriate any money into the BSF.

**Table 2**

<b>ECONOMIC AND BUDGET STABILIZATION FUND TRANSFERS, EARNINGS, AND FUND BALANCE</b>				
<b>FY 1995-96 TO FY 2004-05</b>				
<b>(millions of dollars)</b>				
<b>Fiscal Year</b>	<b>Pay-In</b>	<b>Interest Earned</b>	<b>Pay-Out</b>	<b>Fund Balance</b>
1995-96	\$91.3	\$59.2	\$0.0	\$1,153.6
1996-97	0.0	67.8	69.0	1,152.4
1997-98	0.0	60.1	212.0	1,000.5
1998-99	244.4	51.2	73.7	1,222.5
1999-2000	100.0	73.9	132.0	1,264.4
2000-01	0.0	66.7	337.0	994.2
2001-02	0.0	20.8	869.8	145.2
2002-03	9.1	1.8	156.1	0.0
2003-04 (estimate)	0.0	0.0	0.0	0.0
2004-05 (estimate)	0.0	0.0	0.0	0.0

**D. CONSTITUTIONAL REVENUE LIMIT**

The Michigan Constitution places a limit on the amount of revenue State government can collect in any fiscal year. The limit essentially provides that total revenue, excluding Federal Aid, may not exceed 9.49% of personal income. As shown in [Table 3](#), revenue subject to the limit has been well below the limit in recent years and revenue is expected to remain considerably below the constitutional limit in FY 2004-05. In FY 2002-03, revenue subject to the limit fell below the limit by \$4.2 billion or 14.8%. In FY 2003-04, it is estimated that the gap between revenue and the limit increased to \$4.9 billion, or 16.9% below the limit. In FY 2004-05, revenue subject to the limit will fall below the revenue limit by an estimated \$4.7 billion or 16.3%.

**Table 3**

<b>COMPLIANCE WITH CONSTITUTIONAL REVENUE LIMIT</b>			
<b>(millions of dollars)</b>			
<b>Fiscal Year</b>	<b>Rev. Subject to Limit</b>	<b>Revenue Limit</b>	<b>Under (Over) Limit</b>
1994-95	\$18,585.4	\$18,475.8	(\$109.6)
1995-96	19,798.8	19,982.0	183.2
1996-97	20,694.3	21,672.2	977.9
1997-98	22,072.3	22,712.4	640.1
1998-99	23,208.5	23,186.8	(21.7)
1999-2000	24,362.9	24,203.2	(159.7)
2000-01	23,907.6	26,315.4	2,407.8
2001-02	23,546.0	27,463.1	3,917.1
2002-03	24,061.6	28,243.1	4,181.5
2003-04 (estimate)	23,962.1	28,825.4	4,863.3
2004-05 (estimate)	24,383.4	29,117.2	4,733.8







## RECENT SENATE FISCAL AGENCY REPORTS

<p>"Proposed Changes to Michigan's Electric Restructuring Law" By Julie Koval September 2004</p>	<p>"MICHIGAN'S ECONOMIC OUTLOOK AND BUDGET REVIEW ISSUE 2004-1" January, 2004</p>	<p>"STATUS OF LAWSUITS AGAINST THE STATE OF MICHIGAN - FY 2001-02 UPDATE" March, 2003</p>
<p>"PROPOSAL A: ARE WE BETTER OFF? A TEN-YEAR ANALYSIS 1993-94 THROUGH 2003-04" by Kathryn Summers-Coty June 2004</p>	<p>"FY 2003-04 APPROPRIATIONS REPORT PART II - INITIAL APPROPRIATIONS" September, 2003</p>	<p>"FY 2001-02 APPROPRIATIONS REPORT - YEAR - END APPROPRIATIONS" March, 2003</p>
<p>"MICHIGAN'S ECONOMIC OUTLOOK AND BUDGET REVIEW ISSUE 2004-2" May 2004</p>	<p>"U.S. AND MICHIGAN MOTOR VEHICLE STATISTICAL REPORT" September, 2003</p>	<p>"FY 2003-04 APPROPRIATIONS REPORT PART I - GOVERNOR'S RECOMMENDATIONS" March, 2003</p>
<p>"STATUS OF LAWSUITS AGAINST THE STATE OF MICHIGAN - FY 2002-03 UPDATE" April, 2004</p>	<p>"DEVELOPMENTS IN FUEL CELL TECHNOLOGY" by Julie Koval June, 2003</p>	<p>"THE MICHIGAN SCHOOL AID ACT COMPILED AND APPENDICES" January, 2003</p>
<p>"FY 2004-05 APPROPRIATIONS REPORT PART I - GOVERNOR'S RECOMMENDATIONS" March 2004</p>	<p>"MICHIGAN'S ECONOMIC OUTLOOK AND BUDGET REVIEW - ISSUE 2003-1" May 8, 2003</p>	<p>"MICHIGAN'S ECONOMIC OUTLOOK AND BUDGET REVIEW - ISSUE 2002-2" December 19, 2002</p>
<p>"FY 2002-03 APPROPRIATIONS REPORT YEAR-END APPROPRIATIONS" February 2004</p>	<p>"FUNDING COMMUNITY COLLEGES - THE RELATIONSHIP AMONG APPROPRIATIONS, TUITION AND ENROLLMENT" by Mike Hansen March, 2003</p>	<p>"FY 2002-03 APPROPRIATIONS REPORT - INITIAL APPROPRIATIONS" October, 2002</p>

### RECURRING SENATE FISCAL AGENCY REPORTS

RECURRING SENATE FISCAL AGENCY REPORTS	
Appropriations Report - Governor's Recommendations	Produced Annually
Appropriations Report - Initial Appropriations	Produced Annually
Appropriations Report - Year-End Appropriations	Produced Annually
Estimated State Spending by County	Produced Annually
Status of Lawsuits Against the State	Produced Annually
Higher Education Appropriations Report	Produced Annually
Michigan's Economic Outlook and Budget Review	Produced Twice a Year
Monthly Revenue Report	Produced Monthly
Michigan Economic Indicators	Produced Monthly
State Notes: Topics of Legislative Interest	Produced Six Times a Year
U.S. and Michigan Motor Vehicle Statistical Report	Produced Annually