

**SENATE FISCAL AGENCY
MEMORANDUM**



DATE: August 4, 2004
TO: Members of the Senate
FROM: Gary S. Olson, Director
RE: FY 2003-04 and FY 2004-05 Supplemental Appropriation Bill – Senate Bill 267 Substitute (S-2) as Passed by the Senate

The Senate on August 4, 2004, adopted a Senate Substitute to the House Substitute for Senate Bill 267. This bill would make supplemental appropriations for FY 2003-04 and also make the FY 2004-05 appropriations for debt service payments on bonds issued by the State Building Authority. The Senate originally approved Senate Bill 267 (S-1) on March 31, 2004, and the House of Representatives approved Senate Bill 267 (H-1) on May 11, 2004. The current version of the bill, Senate Bill 267 (S-2), incorporates the items contained in the House-passed version of the bill and adds numerous other supplemental appropriation items that have materialized subsequently to the House passage of the bill. This memorandum provides a summary of the line-item appropriations and boilerplate language contained in the current version of the bill.

FY 2003-04 Line-Item Appropriations

Table 1 provides a summary of the FY 2003-04 supplemental appropriations contained in Senate Bill 267 (S-2). These supplemental appropriations total \$779.0 million of Gross appropriations and provide for a \$76.2 million reduction in the level of existing General Fund/General Purpose (GF/GP) appropriations. These line-item supplemental appropriations have been recommended to the Legislature by the Office of the State Budget in a series of recommendations dating from February 12, 2004, to the most recent recommendation received on July 29, 2004. The supplemental appropriations fall into several broad categories. These include the appropriation of additional funding in the State Medicaid program to meet rising caseload costs, the appropriation of Natural Resources Trust Fund projects, and appropriations of Federal and State Restricted funds received by State departments but not originally authorized in the initial set of FY 2003-04 appropriations. The following information provides a department-by-department summary of the major FY 2003-04 supplemental appropriations contained in Senate Bill 267 (S-2).

Agriculture: The bill appropriates \$19.0 million of Gross appropriations and zero of GF/GP appropriations. The largest appropriation provides \$17.8 million of additional Federal funds to expand the State's efforts to eliminate and control to spread of the Emerald Ash Borer.

Attorney General: The bill appropriates \$764,000 of Gross appropriations and zero of GF/GP appropriations. The appropriations are a variety of Federal and State Restricted funds.

Capital Outlay: The bill reduces by \$19.6 million Gross appropriations and reduces GF/GP appropriations by \$23.3 million. The appropriation increases include the funding of \$23.7 million of Natural Resources Trust Fund projects. Reductions includes a \$23.3 million reduction in debt service obligations on State Building bonds and a reduction of \$20.0 million on the State match for Federal airport project funding due to a change in the Federal match rate.

Community Colleges: The bill appropriates \$250,000 of Gross and GF/GP appropriations to fully fund Renaissance Zone property tax reimbursements to community colleges.

Community Health: The bill appropriates \$371.9 million of Gross appropriations and reduces GF/GP appropriations by \$43.8 million. The major item in the Department is the appropriation of \$188.2 million of Gross appropriations to fund actual expenditures in the State Medicaid program. Year-to-date Medicaid program expenditures are exceeding the budgeted amount and the supplemental appropriation will ensure adequate funding exists in the program for the balance of the fiscal year. Additional appropriations of \$33.2 million are also needed in the Children's Special Health Care program to meet projected expenditures. The State match for these additional Medicaid expenditures come from the Medicaid Benefits Trust Fund which received additional State Restricted funding from the increase in tobacco products that was effective on July 1, 2004. The supplemental appropriation bill also includes the appropriation of numerous additional Federal and State Restricted funding not originally included in the enacted budget for the Department.

Corrections: The bill appropriates \$57,400 of Gross appropriations and zero GF/GP appropriations for educational services.

Education: The bill appropriates \$150,000 of Gross appropriations and zero GF/GP appropriations for teacher professional development operations.

Environmental Quality: The bill appropriates \$78.2 million of Gross appropriations and zero GF/GP appropriations. The funding in the bill is for a variety of environmental cleanup programs including Brownfield grants and loans, pollution control grants, environmental cleanup and redevelopment programs, and contaminated river and lake cleanup programs. The major source of funding for the environmental cleanup programs is State Restricted funding resulting from the proceeds of Clean Michigan Initiative bonds.

Family Independence Agency: The bill appropriates \$156.0 million of Gross appropriations and reduces GF/GP appropriations by \$12.0 million. The largest item is \$102.4 million of Federal funds for food stamp caseload adjustments. Additional Federal funds are also appropriated for the day care caseload, nutrition education and the Family Independence Program caseload. The \$12.0 million reduction in GF/GP appropriations is a result of a fund shift in the Child Care Fund from GF/GP appropriations to available Federal funds.

Information Technology: The bill appropriates \$11.0 million of Gross appropriations and zero GF/GP appropriations. The appropriations will be used to fund information technology projects in the health and human services areas and in public protection areas.

Labor and Economic Growth: The bill appropriates \$29.3 million of Gross appropriations and zero GF/GP appropriations. The largest appropriation is \$14.8 million of Federal funds for job training services. Federal funds are also appropriated for adult education and Carl Perkins grants.

Military and Veterans Affairs: The bill appropriates \$4.7 million of Gross appropriations and zero GF/GP appropriations. The major items include Federal funding for military training sights and Departmentwide appropriations. The bill also provides for the funding of a projected shortfall in military retirement obligations.

Natural Resources: The bill appropriates \$5.6 million of Gross appropriations and zero GF/GP appropriations. The largest item is \$4.0 million of snowmobile local grants financed with State Restricted funds.

State: The bill appropriates \$1.0 million of Gross appropriations and zero GF/GP appropriations. The largest item in the bill is the appropriation of \$710,000 of Federal funds from the Help American Vote Act.

State Police: The bill appropriates \$8.9 million of Gross appropriations and \$2.6 million of GF/GP appropriations. Included in the bill is increased funding for laboratory operations, auto theft prevention programs, and a \$2.6 million GF/GP appropriation as the State matching funds for Federal disaster relief funding associated with the flooding damage in the State that occurred in late May 2004.

Transportation: The bill appropriates \$111.3 million of Gross appropriations and zero GF/GP appropriations. The funding is for \$71.3 million of State road and bridge construction and \$40.0 million of local road and bridge construction.

Treasury: The bill appropriates \$450,000 of Gross appropriations and zero GF/GP appropriations. The funding is for tax compliance programs and supervision of the general property tax laws.

FY 2003-04 Boilerplate Language

The following information provides a summary of the boilerplate language in Senate Bill 267 (S-2) that impacts on FY 2003-04 appropriations.

Sec. 201: General reporting language on payments to local units of government.

Sec. 202: General language subjecting the appropriations in the bill to provisions of the Management and Budget Act.

Sec. 203: Language that prohibits State departments and agencies from expending funds designed to develop ergonomics guidelines that are stricter than the voluntary Federal ergonomics guidelines.

Sec. 204: Language that appropriates the FY 2003-04 final unreserved General Fund balance to the Budget Stabilization Fund after the final bookclosing process is completed.

Sec. 301: Language in Capital Outlay dealing with Federal funding of airport improvement projects.

Sec. 302: Language that authorizes the Department of Management and Budget to demolish existing unused State buildings in Lansing, Newberry, and Marquette.

Sec. 303: Language that places conditions on local units of government who receive Natural Resources Trust Fund grants.

Sec. 304: Language that authorizes the carry forward of unspent appropriations for Natural Resources Trust Fund projects.

Sec. 305: Language that eliminates prior Capital Outlay authorization for a food services building at Camp Brighton and transfers this authorization to be expended on food service additions and facility renovations at the Huron Valley prison complex.

Sec. 306: Language that authorizes the Department of Corrections to expend no more than \$1.7 million for renovations at the Huron Valley Correctional Facility and not more than \$1.3 million for renovations at the Huron Valley Center.

Sec. 450: Language that instructs the Department of Education to split the \$150,000 of teacher preparation funding equally between Wayne State University and Central Michigan University.

Sec. 501: Language that directs the Department of Environmental Quality to expend part of the appropriation for Brownfield grants and loans for the capitalization of a Brownfield cleanup revolving fund.

Sec. 502: Language that authorizes the carryforward of unspent appropriations for the Brownfield loan program, the Brownfield grant program, and nonpoint source pollution grants.

Sec. 503: Language that authorizes the carryforward of unspent appropriations for environmental cleanup and redevelopment grants.

Sec. 504: Language that provides a listing of the projects to receive funding under the appropriation for environmental cleanup and redevelopment program.

Sec. 505: Language that authorizes the carryforward of unspent appropriations for the contaminated lake and river sediment cleanup program.

Sec. 506: Language that provides a listing of the projects to receive funding under the appropriations for contaminated lake and river sediment cleanup program.

Sec. 601: Language that directs the Family Independence Agency to fund the Encouraging Family Foundation program in Kent County.

Sec. 602: Language that directs the Family Independence Agency to work with the Pontiac School District to implement a school-based intervention project for elementary school students.

Sec. 603: Language that requires the Family Independence Agency to notify the Legislature at least 30 days prior to the closure of or the transferring of employees or residents from the Adrian Training School.

Sec. 650: Language that replaces existing Judiciary language repealed by Sec. 1001(2). The language involves the appropriation of funds from the Judicial Technology Improvement Fund. The existing language authorizes the expenditure of \$6.0 million for judiciary technology projects. The new language would reduce that authorization to \$4.5 million.

Sec. 701: Language that authorizes the carryforward of unspent appropriations for the remonumentation grants in the Department of Labor and Economic Growth.

Sec. 750: Language that instructs the Department of Natural Resources to prorate payments in lieu of property taxes to units of local government based on the actual level of appropriations available.

Sec. 801: Language that requires the Department of Transportation to work jointly with local transportation providers in the planning of a multi-modal transportation center in Detroit.

Sec. 802: Language that prohibits the Department of Transportation from funding operations of the Multimodal Transportation Services Bureau from any source other than the direct appropriation for that purpose.

Sec. 803: Language that prohibits the Department of Transportation from reimbursing contractors or consultants for costs associated with ground breaking events, receptions, open houses, or press conferences related to transportation projects.

Sec. 804: Language that provides legislative intent for the use of unspent Federal interstate highway funding associated with the Lake Chemung/Latson Road project in Livingston County.

Sec. 805: Language that instructs the Department of Transportation to not provide a State operating subsidy on a regular scheduled route where another transportation provider is offering the service without a State operating subsidy.

Sec. 806: Language that instructs the Department of Transportation not to transfer investment management functions currently performed by the Mackinac Bridge Authority to the State Treasurer.

Sec. 1001. Subsection (1) repeals existing Capital Outlay language dealing with Federal airport improvement projects. This existing language is replaced with Sec. 301. Subsection (2) repeals existing Judiciary language dealing with the expenditure of funds for judicial technology projects. This existing language is replaced with Sec. 650.

FY 2004-05 Line-Item Appropriations

As of August 4, 2004, the FY 2004-05 appropriations for Capital Outlay are still pending in the Joint Capital Outlay subcommittee. In order to ensure that appropriations are in place by October 1, 2004, for debt service obligations of the State Building Authority, Senate Bill 267 (S-2) contains the FY 2004-05 appropriations for State Building Authority debt service payments. This appropriation is for \$250.8 million of Gross appropriations and \$243.0 million of GF/GP appropriations.

FY 2004-05 Boilerplate Language

The following information provides a summary of the FY 2004-05 boilerplate language contained in Senate Bill 267 (S-2).

Sec. 1201: General reporting language on payments to units of local government.

Sec. 1202: General language subjecting the appropriations in the bill to provisions of the Management and Budget Act.

Sec. 1301: Language that provides for the procedures to be used for the expenditure of the appropriation for State Building Authority debt service payments.

Sec. 1302: Language that provides for the procedures to be used for the expenditure of the appropriation for State Building Authority debt service payments.

Sec. 1303: Language that provides for the procedures to be used for the expenditure of the appropriation for State Building Authority debt service payments.

Sec. 1304: Language that requires the Department of Management and Budget to provide reports to the Joint Capital Outlay subcommittee on the status of State Building Authority construction projects.

Table 1

**Senate Bill 267 (S-2)
FY 2003-04 Supplemental Appropriations
Senate Substitute for House Substitute
(actual dollars)**

Department/Item	Gross	GF/GP
Agriculture		
Emerald Ash Borer Control Program	\$17,750,000	\$ 0
Animal Health and Welfare Programs.....	285,600	0
Environmental Stewardship Programs	150,000	0
Pesticide and Plant Management Programs	200,000	0
Fairs and Expositions.....	200,000	0
Groundwater and Freshwater Protection.....	162,000	0
Agricultural Development and Marketing.....	245,000	0
Adjust Track Payouts	(6,000)	0
Subtotal Agriculture.....	18,986,600	0
Attorney General		
Medicaid Fraud Control.....	434,000	0
Real Estate Enforcement	200,000	0
Various Federal Funds.....	130,000	0
Subtotal Attorney General.....	764,000	0
Capital Outlay		
Huron Valley Prison Renovations	100	100
Natural Resources Trust Fund Projects.....	23,680,900	0
Airport Programs.....	(20,000,000)	0
State Building Authority Debt Service.....	(23,300,000)	(23,300,000)
Subtotal Capital Outlay	(19,619,000)	(23,299,900)
Community Colleges		
Renaissance Zone Tax Reimbursement	250,000	250,000
Subtotal Community Colleges.....	250,000	250,000
Community Health		
Certificate of Need Program	100,000	0
Developmental Disabilities Council.....	500,000	0

Senate Bill 267 (S-2)		
FY 2003-04 Supplemental Appropriations		
Senate Substitute for House Substitute		
(actual dollars)		
Department/Item	Gross	GF/GP
Michigan Essential Health Provider Program	54,800	0
Mental Health/Substance Abuse Administration.....	233,000	0
Mental Health Projects	1,900,000	0
Community Mental Health Non-Medicaid Services	17,841,000	0
Minority Health Grants and Contracts	20,000	0
Vital Records.....	350,300	0
Laboratory Services	1,991,500	0
AIDS Surveillance	203,200	0
Bioterrorism.....	600,000	0
Epidemiology Administration.....	392,500	0
Lead Abatement.....	100,000	0
Cancer Prevention and Control.....	2,868,200	0
Chronic Disease Prevention	707,400	0
Diabetes and Kidney Programs	222,000	0
Traffic Safety Programs	214,500	0
Violence Prevention	310,800	0
Pediatric AIDS.....	340,100	0
Migrant Health Care	72,200	0
Fetal Alcohol	400,000	0
Children's Special Health Care Services	33,197,700	18,481,200
Choice System Grants	99,400	0
Aging Administration	20,000	0
Community Services	200,000	0
Respite Care	450,000	0
Federal Grant for U-M/MSU Initiatives.....	3,000,000	0
Hospital Services (Vitamin Settlement)	7,398,600	0
MSU/WSU Psychiatric Residency	3,104,000	0
EPIC Restricted Funding	610,000	0
Information Technology	8,800,000	0
Medicaid Base Funding	188,202,200	78,806,000
Special Medicaid Financing	15,355,000	(8,799,000)
Hospital Quality Assessment Expansion	82,000,000	0
Transfer from Medicaid Benefits Trust Fund	0	(113,818,800)
Other Fund Source Shifts	0	(18,481,200)
Subtotal Community Health	371,858,400	(43,811,800)
Corrections		
Education Services	57,400	0
Subtotal Corrections	57,400	0
Education		
Professional Preparation Operations	150,000	0
Subtotal Education	150,000	0
Environmental Quality		
Drinking Water Programs.....	275,000	0
Brownfield Grants and Loan Program	30,000,000	0

Senate Bill 267 (S-2)		
FY 2003-04 Supplemental Appropriations		
Senate Substitute for House Substitute		
(actual dollars)		
Department/Item	Gross	GF/GP
Nonpoint Source Pollution Control Grants	10,000,000	0
Environmental Cleanup and Redevelopment Program	24,565,000	0
Lake and River Sediment Cleanup Program	11,500,000	0
Surface Water Programs	45,000	0
Costal Management Grants	200,000	0
Surface Water Projects	695,300	0
Information Technology Projects	230,000	0
FEMA Floodplain Mapping.....	700,000	0
Subtotal Environmental Quality.....	78,210,300	0
Family Independence Agency		
Fund Source Shift in Child Care Fund	0	(12,000,000)
Family Independence Program.....	26,056,100	0
Food Assistance Benefits	102,444,200	0
Day Care Services	17,809,300	0
Nutrition Education.....	7,669,800	0
Weatherization Projects	2,059,200	0
Subtotal Family Independence Agency	156,038,600	(12,000,000)
Information Technology		
Health and Human Services Projects	8,800,000	0
Public Protection Programs	2,000,000	0
Environmental Quality Projects.....	230,000	0
Subtotal Information Technology	11,030,000	0
Labor and Economic Growth		
Land Bank Fast Track Authority.....	214,500	0
Adult Basic Education	5,000,000	0
Carl D. Perkins Grants	5,000,000	0
Job Training Program Subgrantees	14,800,000	0
Remonumentation Grants.....	4,000,000	0
MIOSHA Funding.....	180,000	0
Employment and Training	80,000	0
Subtotal Labor and Economic Growth	29,274,500	0
Military and Veterans Affairs		
Armory Operations	509,800	0
Homeland Security Funding.....	190,200	0
Challenge Program	42,500	0
Military Training Sites.....	2,000,000	0
Departmentwide Support	1,000,000	0
Grand Rapids Veterans Home.....	600,000	0
D.J. Jacobetti Veterans Home	200,000	(200,000)
Military Retirement	200,000	200,000
Subtotal Military and Veterans Affairs.....	4,742,500	0

Natural Resources		
Snowmobile Local Grants	4,000,000	0
Administrative Services.....	350,000	0
Court Settlement Funding	212,500	0
Forest Certification Projects.....	500,000	0
Wildlife Management	500,000	0
Subtotal Natural Resources	5,562,500	0
State		
Notary Public Training.....	190,000	0
Help America Vote Act Funding.....	710,000	0
Motorcycle Safety Grants.....	125,000	0
Subtotal State.....	1,025,000	0
State Police		
Auto Theft Prevention Program	1,935,000	0
Forensic Science Laboratory	696,000	0
Michigan Commission on Law Enforcement Standards	345,000	0
Commercial Mobile Radio Service Projects.....	400,000	0
Traffic Services	250,000	0
Information Technology Services and Projects	2,000,000	0
Public Safety Officers Benefit Fund	125,000	0
Reimbursement for Services Provided	500,000	0
Disaster Assistance Grants.....	2,620,000	2,620,000
Subtotal State Police.....	8,871,000	2,620,000
Transportation		
State Road and Bridge Construction	71,295,100	0
Local Road and Bridge Construction	40,036,700	0
Subtotal Transportation.....	111,331,800	0
Treasury		
Supervision of Property Tax Laws	50,000	0
Tax Compliance	400,000	0
Subtotal Treasury.....	450,000	0
Total.....	\$ 778,983,600	\$ (76,241,700)

/kjh

c: Chris Harkins, Senate Majority Policy Office
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 SFA Fiscal Analysts