



**SENATE FISCAL AGENCY  
MEMORANDUM**

**DATE:** December 10, 2003  
**TO:** Members of the Senate Appropriations Committee  
**FROM:** Gary S. Olson, Director  
**RE:** House Bill 4367 (S-1), Supplemental Appropriations

The Senate Appropriations Committee is considering House Bill 4367 (S-1). The bill makes supplemental appropriations for both FY 2002-03 and FY 2003-04. The bill is part of an overall plan agreed to by the Governor and Senate Leadership to eliminate an FY 2003-04 General Fund/General Purpose (GF/GP) budget deficit. House Bill 4367 (S-1) along with Executive Order 2003-23 represent the details of the GF/GP budget reduction proposal. Included in House Bill 4367 (S-1) are three broad types of appropriations. These appropriations include:

**FY 2002-03 Appropriations:** The bill includes additional spending authorization in FY 2002-03 in the State Medicaid Program and the Merit Award Scholarship Program to reflect actual final expenditures on these programs.

**FY 2003-04 Executive Order-Related Appropriations:** The bill provides for the appropriation of Federal and State Restricted appropriations in a variety of programs that will be utilized to partially reduce the impact of GF/GP appropriation reductions contained in Executive Order 2003-23.

**FY 2003-04 Federal and State Restricted Appropriations:** The bill provides for the appropriation of new Federal and State Restricted funds that were not included in the original set of FY 2003-04 appropriations. These appropriations are not related to any GF/GP appropriation reductions contained in Executive Order 2003-23.

**FY 2003-04 Medicaid Appropriations:** The bill provides for the appropriation of \$100.0 million of additional GF/GP appropriations in the State Medicaid Program to cover projected funding shortfalls.

**Legislative and Judicial Appropriation Reductions:** The bill reduces enacted FY 2003-04 appropriations for the Legislature and the Judiciary. These reductions are the reductions agreed to by the Governor and Legislative Leadership and are a part of the overall FY 2003-04 plan to eliminate the GF/GP budget deficit.

**FY 2002-03 Supplemental Appropriations**

Contained in House Bill 4367 (S-1) are FY 2002-03 appropriations which total \$89.9 million of Gross funding authorization. Table 1 provides a summary of these FY 2002-03 appropriations. These appropriations are funded with a combination of Federal and State Restricted funding.

Table 1

FY 2002-03 Supplemental Appropriations (actual dollars)		
Department/Item	Gross	GF/GP
<b>Community Health</b>		
Medicaid Related Services .....	\$86,857,000	\$ 0
<b>Higher Education</b>		
Michigan Merit Award Program .....	3,000,000	0
<b>FY 2002-03 Appropriations</b> .....	<b>\$89,857,000</b>	<b>\$ 0</b>

The bill includes \$86.9 million of Gross funding for the State Medicaid Program funded with a combination of Federal and State Restricted funding. This additional appropriation authorization is needed in order to avoid any overexpenditures in the Medicaid Program when final expenditures are accounted for at bookclosing. The second FY 2002-03 supplemental appropriation item is a \$3.0 million appropriation for the Merit Award Scholarship Program in the Higher Education budget. This funding is needed to ensure that the final expenditures on this scholarship program do not exceed the appropriation authorization. The State Restricted funding for the Merit Award Scholarship is from the Merit Award Trust Fund.

**FY 2003-04 Supplemental Appropriations**

The FY 2003-04 supplemental appropriations contained in House Bill 4367 (S-1) total \$297.4 million of Gross appropriations funded with \$177.2 million of Federal funds, \$30.7 million of State Restricted funds and \$89.3 million of GF/GP appropriations. Table 2 provides a summary of the FY 2003-04 appropriations in the bill. The following information provides a brief summary of the appropriations by department.

**Agriculture:** The appropriations include restricted revenue appropriations to offset GF/GP reductions in the Executive Order and the appropriation of additional Federal funds for the Bovine Tuberculosis Program.

**Capital Outlay:** The bill implements GF/GP savings by converting \$12.2 million of Capitol Complex building renovations and special maintenance to funding from State Building Authority bonds. The bill also appropriates \$12.0 million of debt service for existing State Building Authority bonds from State Restricted revenues resulting from the redirection of existing fees on cell phone calls. This State Restricted funding will be used to replace a \$12.0 million GF/GP reduction in State Building Authority debt service contained in the Executive Order.

**Community Health:** The bill provides for the appropriation of available State Restricted funds to offset GF/GP reductions in the Executive Order. The bill also appropriates \$238.7 million of Gross funding and \$100.0 million of GF/GP funding to cover projected cost increases in the State Medicaid Program above the levels assumed in the original budget.

**Consumer and Industry Services:** The bill provides for the appropriation of available State Restricted funds to offset GF/GP reductions in the Executive Order. The bill also appropriates additional Federal funds for energy-related programs.

**Corrections:** The bill implements a \$12.9 million GF/GP reduction in the department through the use of a budgetary savings line item. This negative line item will have to be zeroed out throughout the remainder of the fiscal year by transferring funds out of existing departmental appropriation line items. The bill also appropriates available State Restricted funds to offset GF/GP reductions in the Executive Order.

**Education:** The bill provides for the appropriation of available Federal and State Restricted funds to offset GF/GP reductions in the Executive Order.

**Environmental Quality:** The bill provides for the appropriation of available State Restricted funds to offset GF/GP reductions in the Executive Order. The bill also appropriates additional State Restricted funds and provides for the appropriation of available Federal homeland security funding for emergency environmental response programs and equipment.

**Family Independence Agency:** The bill provides for the appropriation of Federal funds to offset a GF/GP reduction in funding for the day care program and child support automation in the Executive Order. The bill also provides for a variety of other fund shifts and the redirection of existing appropriations within the department to cover shortfalls in the initial appropriation bill for the department.

**Judiciary:** The bill provides for a 1.5% reduction in overall funding for the Judiciary, excluding salaries of judges.

**Legislature:** The bill provides for a 1.5% reduction in overall funding for the Legislature, excluding State Officers Compensation Commission-related costs and building occupancy costs.

**Management and Budget:** The bill provides for the appropriation of available Federal homeland security funding which will be used to provide security enhancements at State office buildings.

**Military and Veterans Affairs:** The bill provides for the appropriation of State Restricted funds to offset GF/GP reductions in the Executive Order. The bill also appropriates additional Federal homeland security funding.

**Natural Resources:** The bill provides for the appropriation of State Restricted funds to offset GF/GP reductions in the Executive Order.

**State Police:** The bill provides for the appropriation of drivers education fee revenues earmarked for the Traffic Law Enforcement and Safety Fund and uses these funds to offset GF/GP reductions in the Executive Order.

**Treasury:** The bill provides for the appropriation of \$8.9 million of Gross appropriations and 89.0 FTEs to expand efforts across the Department to increase the collection of taxes that are owed to the State and delinquent. This increased tax enforcement effort is assumed to increase FY 2003-04 GF/GP revenues by \$49.0 million and School Aid Fund revenues by \$28.6 million. The bill also provides for the appropriation of available Federal and State Restricted funds and the appropriation of \$1.5 million to restore 5.0% reductions in revenue sharing payments to cities that are being managed by a State appointed financial manager. Currently, these cities are Flint, Hamtramck and Highland Park.

**Table 2**  
**FY 2003-04 Supplemental Appropriations**  
**(actual dollars)**

<b>Department/Item</b>	<b>Gross</b>	<b>GF/GP</b>
<b>Agriculture</b>		
Bovine Tuberculosis Program .....	\$ 350,000	\$ 0
Environmental Stewardship .....	(100,000)	0
Market Development .....	28,000	0
Farmland and Open Space Preservation .....	170,000	0
Subtotal Agriculture .....	448,000	0
<b>Capital Outlay</b>		
Capitol Complex Renovations .....	100	100
State Building Authority Debt Service .....	12,000,000	0
Subtotal Capital Outlay .....	12,000,100	100
<b>Community Health</b>		
Crime Victims Services Grant .....	414,500	0
Medicaid Base funding .....	238,677,700	100,000,000
Subtotal Community Health .....	239,092,200	100,000,000
<b>Consumer and Industry Services</b>		
Energy Office .....	1,270,000	0
Public Service Commission .....	550,000	0
Tax Tribunal Operations .....	350,000	0
Occupational Safety and Health .....	(350,000)	0
Subtotal Consumer and Industry Services .....	1,820,000	0
<b>Corrections</b>		
Budgetary Savings .....	(12,888,200)	(12,888,200)
Public Work User Fees .....	198,300	0
Subtotal Corrections .....	(12,689,900)	(12,888,200)
<b>Education</b>		
Information Technology Operations .....	42,800	0
Office of School Excellence .....	221,000	0
Government Services Operations .....	49,900	0
Safe Schools Operations .....	19,100	0
Subtotal Education .....	332,800	0
<b>Environmental Quality</b>		
Departmental Support Building Rental Charges .....	2,035,500	0
Air Quality Programs .....	880,000	0
Medical Waste Program .....	240,000	0
Aquifer Protection and Dispute Resolution .....	(200,000)	0
Aquifer Protection Revolving Fund .....	100,000	0
Environmental Investigations .....	210,000	0
Information Technology .....	1,100,000	0
Subtotal Environmental Quality .....	4,365,500	0
<b>Family Independence Agency</b>		
Executive Operations .....	5,000,000	5,000,000
Central Support .....	3,724,500	2,000,000
Day Care Services .....	5,000,000	0
Public Assistance Fund Source Shift .....	0	(11,058,900)
Information Technology Programs .....	11,152,400	4,058,900
Child Support Automation .....	9,600,000	0
Subtotal Family Independence Agency .....	34,476,900	0

<b>FY 2003-04 Supplemental Appropriations (actual dollars)</b>		
<b>Department/Item</b>	<b>Gross</b>	<b>GF/GP</b>
<b>Judiciary</b>		
Direct trial court automation support .....	250,000	0
Branchwide appropriations .....	(250,000)	(250,000)
Fund source shift from Court Equity Fund .....	0	(350,000)
Budgetary Savings .....	(500,000)	(500,000)
Subtotal Judiciary .....	(500,000)	(1,100,000)
<b>Legislature</b>		
Legislative Reductions .....	(1,249,600)	(1,249,600)
Subtotal Legislature .....	(1,249,600)	(1,249,600)
<b>Management and Budget</b>		
Homeland Security Grant Program .....	300,000	0
Subtotal Management and Budget .....	300,000	0
<b>Military and Veterans Affairs</b>		
Homeland Security Funding .....	100,000	0
Grand Rapids Veterans' Home .....	570,000	
D.J. Jacobetti Veterans' Home .....	200,000	0
Subtotal Military and Veterans Affairs .....	870,000	0
<b>Natural Resources</b>		
Education and Outreach .....	25,000	0
Subtotal Natural Resources .....	25,000	0
<b>State Police</b>		
At-Post Troopers .....	6,400,000	0
Subtotal State Police .....	6,400,000	0
<b>Treasury</b>		
Local Finance Program Compliance .....	800,000	800,000
Tax Program Compliance .....	4,700,000	800,000
Tax Collection Program Compliance .....	2,690,000	0
Information Technology Programs .....	950,000	400,000
Bad Drivers Legislation Collections .....	700,000	700,000
Special grants to cities .....	1,805,700	1,850,700
Subtotal Treasury .....	11,690,700	4,550,700
<b>Total FY 2003-04 Appropriations .....</b>	<b>\$297,381,700</b>	<b>\$89,313,000</b>

**Contingency Appropriations**

The bill provides for the FY 2003-04 appropriation of \$43.9 million for universities (Sec. 452) and \$8.5 million for community colleges (Sec. 251). These appropriations are contingent on the universities and community colleges agreeing not to increase already approved tuition levels for the 2003-04 academic school year and not increasing tuition for the 2004-05 academic school year by more than the projected increase in the Detroit Consumer Price Index. These appropriations amount to a restoration of 3 percentage points of the 5 percentage point reduction in funding for universities and community colleges contained in Executive Order 2003-23.

**Boilerplate Language**

House Bill 4367 (S-1) contains several sections of boilerplate language that affect existing appropriations. These boilerplate sections include:

**Sec. 301:** Department of Corrections language that provides for the closure of a parole office in Detroit.

**Sec. 302:** Department of Corrections language that provides for the implementation of the negative budgetary savings appropriation. The negative appropriation would have to be satisfied by appropriation transfers approved by the House and Senate Appropriation Committees.

**Sec. 401:** Department of Environmental Quality language that authorizes the continuation of expenditures of previously authorized appropriations for environmental cleanup projects.

**Sec. 451:** General language that transfers \$63.0 million of revenue from the Michigan Merit Award Trust Fund to the GF/GP budget. This money is available as a result of action taken in Executive Order 2003-23 and proposed statutory changes in the Michigan Merit Award Scholarship Program.

**Sec. 471:** Judiciary language that provides for transfer authority to implement the appropriation reduction for the Judiciary contained in this bill.

**Sec. 501:** Management and Budget language that provides for work project status for the Federal homeland security appropriation.

**Sec. 601:** Treasury language that provides for the distribution of special grants to cities who are managed by a State-appointed financial manager. This language effectively restores the 5.0% reduction in revenue sharing payments contained in Executive Order 2003-23 to the cities of Flint, Hamtramck, and Highland Park.

**Sec. 1401:** FY 2002-03 Environmental Quality language that authorizes the carryforward of \$500,000 of settlement fund revenues and deposits these funds in FY 2003-04 into the Aquifer Protection Revolving Fund.

**Sec. 1501:** FY 2002-03 State Police language that authorizes the carryforward of unexpended disaster assistance grants.

**Sec. 1601:** Repeals existing Environmental Quality boilerplate dealing with a interdepartmental grant of aquifer protection funds to the Department of Agriculture.

**Sec. 1602:** Repeals existing Environmental Quality boilerplate dealing with aquifer protection and aquifer dispute resolution.

**Sec. 1603:** Repeals existing Agriculture boilerplate dealing with aquifer dispute resolution activities by the Department.

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