EXECUTIVE BUDGET
Fiscal Year 2004

State of Michigan
Jennifer M. Granholm, Governor

Mary A. Lannoye, State Budget Director

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FY 2004 EXECUTIVE BUDGET

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STATE OF MICHIGAN
OFFICE OF THE GOVERNOR
LANSING

JENNIFER M. GRANHOLM
GOVERNOR

JOHN D. CHERRY, JR.
LT. GOVERNOR

March 6, 2003

My fellow citizens:

The financial position of the state is bleak, by most experts' accounts. This year, winter may last well into spring.

But this year's fiscal crisis compels us – no, *enables* us – to sculpt something different from the clay that is the $38.6 billion budget of the State of Michigan. We face one of the largest deficits in the state's history. It does us no good to lament this woeful fact. Instead, we can choose to see it as a chance to look anew at the way government does business and ask some tough questions. With limited resources, what do we value most? What services do we agree are the core functions of government, and which can be categorized as "wants," but not "needs"? I have asked these questions to citizens across the state, and this budget reflects my best judgment based on their input.

Today we fix the problems of the past. In the coming 2004 fiscal year, we face a projected shortfall of approximately $1.7 billion. The reason: Michigan government for the past three years has been spending approximately $800 million more per year than it has been taking in. I intend to fix this. This budget recommendation is the first step in addressing our mutual challenge.

We start by doing what families and businesses do when times are tough – tightening our belts, saving every dollar, and investing in the things that are the most important. The pages of this budget reflect streamlined government functions and saved government expenses. In fact, we have cut over one billion dollars from the state budget, perhaps the largest reduction in Michigan history. When we felt that we had squeezed every penny of waste and duplication, we were forced to turn to trimming the services that government provides to its citizens ...and we did so by first asking our employer and shareholders – that is, the citizens of Michigan – for their input.

Citizens across the state told us to protect education, to help families in need, to protect our jobs, our health care, our safety and our seniors. I am proud to tell you that we are doing all of these things, and we have closed the historic general fund budget gap that had existed between spending and income in our state. And we did so without raising taxes.

It would be good news enough that we have balanced the general fund budget and done it without tax hikes. But the story is better. We have more closely aligned our spending to the will of the people. Citizens told us that children and K-12 education are their number one priority: despite the massive deficit, I am most proud to say that we have preserved the entire education foundation allowance for K-12. In a time of concern over homeland security here in our Michigan homeland, we will expand the ranks of our dwindling state police force. Despite the deficit, we will expand prescription drug coverage to seniors, and re-enroll – with basic health care coverage – those who were recently terminated from Medicaid coverage. Despite having to cut higher education budgets, we will expand access to college by expanding scholarship opportunities to those families whose children are accepted to Michigan colleges and universities. In short, although we are significantly reducing overall spending in the next year, we are increasing the reflection of Michigan's priorities in this budget.

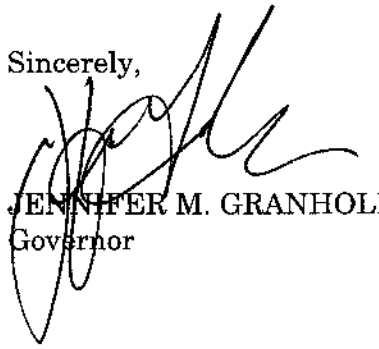
In the face of our budget challenge, there will be many groups and organizations that will not receive what they want, what they have become used to, or perhaps even what they deserve. Everyone will have to sacrifice to wrestle this crisis to the ground.

Just as they struggle and sacrifice to adapt, we in the government have to work doubly hard to solve this crisis without finger-pointing, scapegoating, or letting politics get in the way of serving the people. I very much look forward to working with the Legislature – Democrats and Republicans alike – to enact this budget that reshapes our government and resets our spending priorities.

This is a budget that causes some pain, but captures our priorities and keeps our promises.

In tough times people expect their leaders to model the way. We must work harder, cooperate more, and be candid with each other and with our shared constituents. And we must make sacrifices, sometimes opting to give up what we might want individually in order to improve the good of the whole. And together we will lead this state to better times, and celebrate together. I am proud and honored to be your governor in these spectacular times.

Sincerely,



JENNIFER M. GRANHOLM
Governor

Overview

MICHIGAN: GREATNESS THROUGH CHALLENGE

Fiscal Year 2004 Executive Budget

The State of Michigan faces the most difficult budget challenge in recent memory. To fulfill her constitutional duty, Governor Granholm pledged to present a balanced budget...and this budget is balanced. But Governor Granholm also pledged to "protect what matters most" ...and this budget does that. It protects the young, the old, the disabled and the vulnerable. It invests in our children, in the environment and in public safety. It reflects the priorities of this Governor and, we believe, the priorities of the citizens. To fund these core functions, other worthy programs needed to be eliminated or reduced, but that is the reality of this budget challenge. We must make tough choices to balance the budget.

"Today my fellow citizens, I submit to you that while the state of our budget is weak, the state of our Michigan spirit is strong. And we will accomplish great things through this challenge."

Governor Granholm, State of the State, February 2003

State government under Governor Granholm will focus on core state government services and will demand that those services be administered in a more efficient manner. The budget presented here today for fiscal year 2004 is balanced, but it cuts deeply into some functions as it strives to protect what matters most. Every agency, every local government and every citizen will feel the scale of this problem.

In these tough economic times our government will live within its means. State government will not be able to afford the types of services it has provided in the past but rather will learn to focus on those services that matter more to our citizens.

ECONOMY

The U.S. economic slowdown that began in March 2001 ended our longest recorded period of economic expansion. Despite federal efforts to stimulate the economy through tax cuts and monetary policy, the U.S. and Michigan economies have continued to lag behind expectations. Michigan's unemployment rate averaged 6.1 percent in 2002, up 2.6 percent from pre-recession days in 2000.

Every state government in the country is feeling the effects of the declining economy. The National Governor's Association declared that state governments face the worst fiscal crisis since World War II. According to a recent survey by the National Association of State Budget Officers, states face a collective shortfall of $82 billion for fiscal year 2004.

Unlike the federal government, states must balance their budgets. They have been forced to make painful choices to do so. States have depleted their reserves, raised taxes, delayed planned tax reductions, and cut spending dramatically. Even though Governor Granholm is not recommending any tax increases to balance the general fund budget, a number of other states are proposing tax increases. According to the Center on Budget and Policy Priorities, just about half of the states' proposed budgets for the coming year (16 of 34 reporting) "...include tax increases in order to keep budgets in balance." [1]

Despite the states' fiscal crises, the federal government has provided little, if any, relief. In fact, a number of budget and economic policy changes have contributed to our collective budget shortfalls. The continued phase-out of special financing revenues used to support our Medicaid program will ultimately result in the annual loss of $550 million for our state. Since Michigan's estate tax is coupled to the federal tax, the phased out elimination of the tax will lower our available revenues by over $100 million in 2004 and over $160 million per year when the federal tax is fully phased-out. The future may hold even more negative news for state revenues. There are 11 tax proposals in the President's proposed budget that have the potential to negatively affect state revenues, causing states to lose up to $64 billion over the next decade.[2]

Alice Rivlin, a respected economist with the Brookings Institution, argues in an October 2002 policy brief for immediate federal fiscal relief for states. She notes that state budgets are acting as automatic economic destabilizers when they are forced to cut spending substantially. "The cuts fall heavily on low-income people at a time when poverty is rising and many low-income workers are losing jobs...Moreover state finances matter more than ever because states have greater responsibilities. States are being asked to raise educational standards, bear the rapidly rising costs of Medicaid, help low-income people find and keep jobs, and enhance homeland security."[3]

"So, once again, state budgets collectively are acting as automatic destabilizers. In the name of budget balance, states are taking actions that delay economic recovery, off-set the economic stimulus coming from the federal budget and monetary policy, and increase the hardship of those already feeling the economic pain."

Alice M. Rivlin, Brookings Draft Policy Brief, October 15, 2002

The federal fiscal relief discussion is not meant as a criticism of any one particular federal policy. Rather it is a plea for assistance. Despite this plea, the Governor's 2004 recommended budget is based on current federal policies and does not assume any new federal relief. In the meantime, Governor Granholm will continue to work on a bipartisan basis with our Congressional delegation to ensure that Michigan receives its fair share of federal dollars.

1 Center on Budget and Policy Priorities (2/06/03)

2 Center on Budget and Policy Priorities (2/04/03)

3 Alice M. Rivlin, Brookings Draft Policy Brief

General Fund Revenues

Over the last few years Michigan's general fund revenues have continuously fallen below the estimates upon which the budget was based. The 2004 general fund revenues are estimated at $8.2 billion, or $1.6 billion less than actual 2000 revenues.

Michigan relies on a revenue estimating process that is prescribed by law. During the economic boom of the late 1990s, actual revenue collections consistently exceeded estimates. On the other hand, during the economic decline which began in early 2001, actual revenue collections have been substantially below estimates. For example, in January 2001 the revenues for fiscal year 2002 were estimated at $9.8 billion. These estimates were revised downwards four times during the next 18 months. The actual revenue collections for fiscal year 2002 were only $8.3 billion -- or $1.5 billion less than the original estimate -- an estimate eerily close to the projected structural shortfall in 2004.

2002 Revenue Declines

Date of Estimate	Amount	Change From Prior Estimate	Cumulative Change
January 2001 Consensus	$9,787.8		
May 2001 Consensus	$9,270.3	($517.5)	($517.5)
October 2001 Consensus	$8,807.8	($462.5)	($980.0)
January 2002 Consensus	$8,758.3	($49.5)	($1,029.5)
May 2002 Consensus	$8,406.0	($352.3)	($1,381.8)
Dec 2002 Final (May Basis)	$8,317.3	($88.7)	($1,470.5) -15.0%

ORTA, 1/15/03 - January 2003 Consensus Conference

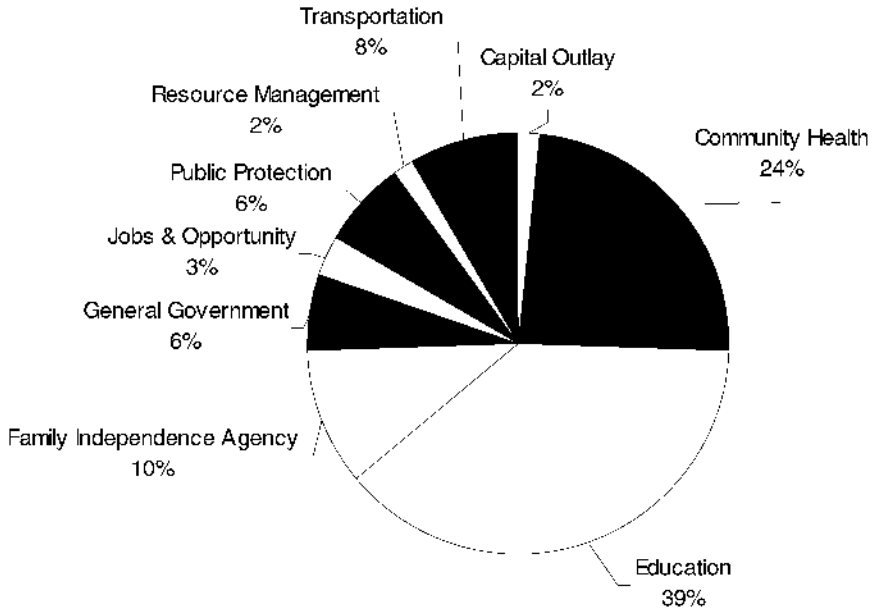
The DMB Act requires at least two revenue-estimating conferences per year. On January 14, 2003 the conferees, who include the State Treasurer and the directors of the House and Senate Fiscal Agencies, determined the revenue estimates upon which this budget is based. The conference will reconvene in May to reassess our state revenues before the fiscal year 2004 budget is finalized.

Overall Budget

The overall budget proposed by Governor Granholm for the fiscal year 2004 totals $38.6 billion. The fiscal year 2004 Executive Budget fulfills the pledge to protect the core priorities of state government and provide services to citizens in a responsible manner. While various programs will be reduced or eliminated, it is critical to note that Michigan will still be spending over $38 billion on services to its residents.

The $38.6 billion total includes $8.6 billion in general fund spending, $11.2 billion from the School Aid Fund, $1.41 billion in revenue sharing payments to local governments, $3.2 billion for transportation needs and recognizes $11.5 billion in federal revenues.

Total Expenditures
Fiscal Year 2004



Governor Granholm's pledge to ensure a quality education for every child in our state is realized in her recommendation to spend more than $14.6 billion, or 39 percent, of the state's dollars on educational purposes. This total includes spending for K-12 education, universities, community colleges and student financial aid.

School Aid

The Governor's Executive Budget includes a revised school aid budget for fiscal year 2004 totalling $12.4 billion. That $12.4 billion budget is supported with $11.2 billion of state revenues and $1.2 billion of federal revenues.

Absent a revised budget for 2004, the proration language in the existing bill would have to be implemented. Instead of implementing the harsh, statutorily-required, 11 percent proration of unprotected state aid payments, the Governor proposes a budget that establishes her priorities for preschool and K-12 education. These priorities include full funding for the promised basic foundation allowance of $6,700 per pupil and full funding for the at-risk and school readiness preschool programs.

The Governor has chosen to restore full funding of the per pupil foundation allowance rather than maintain all of the existing categorical programs in order to provide local school districts maximum flexibility in dealing with the budget crisis. She has chosen to maintain the at-risk program at $314.2 million to assist academically at-risk students achieve their potential. And she has chosen to maintain the state's preschool program at $85 million because she firmly believes that

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Her (Governor Granholm's) "Project Great Start" properly puts more emphasis on learning in the critical years from birth to age 5. She's matching real human work - educating new parents and encouraging them to read to their children - with government restructuring.

Detroit Free Press Editorial, February 6, 2003

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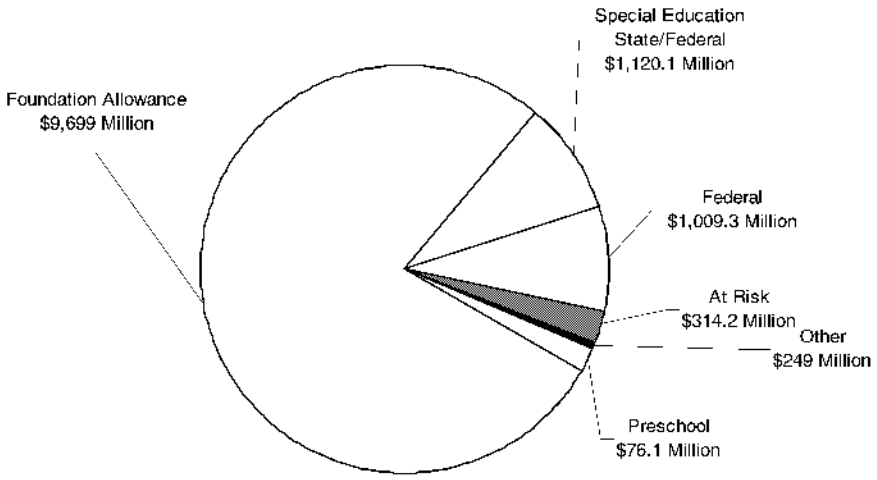
learning begins at birth, not when a child enters kindergarten at age five. The Governor has also set aside $3.3 million to encourage intermediate school districts to redefine their mission to adopt early literacy and parental education initatives for children aged birth to five.

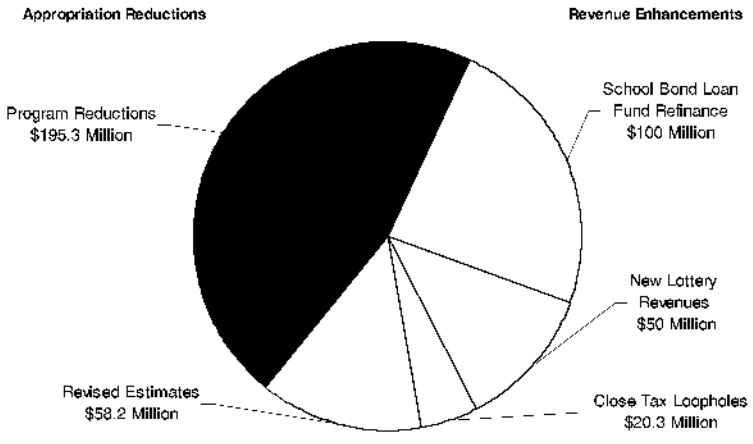
Fiscal Year 2004 State School Aid
Executive Recommendation
$12.4 Billion



The fiscal year 2004 school aid budget is balanced with a mix of budget cuts and revenue enhancements. Program reductions total $195.3 million from the currently enacted fiscal year 2004 budget. These are in addition to reductions of $58.2 million already anticipated due to pupil and taxable value changes. With the cooperation of participating districts, the School Aid Fund will receive $100 million from the refinancing of school bond loan debt. Other ongoing revenue enhancements include new lottery revenues of $50 million from lottery keno and break-open tickets, and the closing of various tax loopholes resulting in $20.3 million available for the School Aid Fund. In addition, the general fund currently subsidizing the School Aid Fund is replaced with $198.6 million in resources available as a result of recent changes to the revenue sharing act.

School districts are expected to save over $100 million in retirement expenses in fiscal year 2004 because the retirement rate will not be increased. Rather, state funding that became available after recent changes to the Public School Employees Retirement System law will be used to subsidize additional retirement costs for districts. In addition, the State Treasurer is preparing to refinance the bonds related to the *Durant* settlement, saving $40 million in school aid costs for fiscal year 2004.

Fiscal Year 2004
State School Aid
Mix of Fixes



The Governor has indicated that she wants to help declining enrollment districts. To that end, the pupil membership formula, which determines the number of pupils for which a district will be paid, has been shifted to an equal weighting of both pupil count days. The equal weighting, which

represents a return to the weighting of Proposal A at its implementation, provides districts with declining enrollments more time to adjust to reduced enrollments. The change also saves the School Aid Fund approximately $40 million.

This austere budget contains few budgetary increases. There are increases of $17.7 million to reimburse districts for loss of property taxes due to Renaissance Zones; $3.2 million for the mandated school lunch program, bringing state support to $21.3 million; and $2 million for education costs related to children placed by the courts in facilities throughout the state.

In order to maximize the resources available to districts to teach our children, adult education has been reduced by $57.5 million to $20 million. Even at $20 million, Michigan will still be in the top 25 percent of states in its support of adult education, according to the most recent data provided by the U.S. Department of Education.

Other programs which have been reduced include state funding for the Center for Education Performance and Information, the state's education data collection agency, by 80 percent to $863,400. As a result, the contract with Standard & Poor's for data analysis will be terminated. State funding for the Michigan Virtual University's virtual high school and wireless technology initiatives has been reduced to $2 million. Intermediate School District general operations funding has been reduced by 6.6 percent to $88.7 million. Vocational education and intermediate school special education and vocational education millage equalizations have been reduced by 3.25 percent each or a total of $2.6 million, leaving $76.4 million for these programs.

Programs totaling $66.2 million have been totally eliminated this year in order to fully fund the foundation allowance, at-risk and preschool programs. They include: Partnership for Adult Learning ($20 million), Golden Apple Awards ($1.3 million), Math/Science Centers ($10.2 million), Career Preparation ($22.2 million), Gifted & Talented ($5 million), and several other small programs.

General Fund

The current funding gap for fiscal year 2004 is estimated at $1.57 billion (after adjusting for Executive Order 2003-3 which was adopted 15 days ago). This figure is based on a revenue gap of $601 million and unavoidable spending pressures estimated at $966 million. The revenue gap is simply the difference between the general fund revenue estimate of $8.2 billion and the current year expenditure base of $8.79 billion. The spending pressures are traceable to the costs of current policies and laws for non-discretionary programs or functions. Medicaid alone accounts for $535 million of the unavoidable spending pressures. Other spending pressures include an estimated need for increased prison capacity costing $150 million, $140 million associated with negotiated employee salary and benefit increases, and $111 million in new debt service obligations.

Prior to issuing this budget, Governor Granholm embarked on a budget tour across Michigan to inform the citizens of the scope of the problem, and to solicit input on what

should be done to solve our shortfall. The general fund shortfall figure that has been prominently portrayed in the public spotlight is $1.7 billion. The difference between $1.7 billion and $1.56 billion simply reflects the budget reductions that we collectively implemented last month pursuant to Executive Order 2003-3.

Fiscal Year 2004 Funding Gap	($ in millions)
FY 04 GF consensus revenue estimate	$8,191.5
FY 03 Enacted Appropriations—post EO 2003-3	$8,792.9
Revenue Gap	$601.4
Unavoidable Spending Increases	
Medicaid	$535.0
Corrections Bed Space Needs & Health Care	$150.0
Employee Economics	$140.0
Debt Payments	$111.0
Other	$30.0
Subtotal Unavoidable Spending	966.0
TOTAL FY 04 Current Funding Gap	$1,567.4
Executive Order 2003-3	133.0
FY 04 Funding Gap prior to EO 2003-3	$1,700.4

In order to ensure we take the right path in the future, we must fully understand what happened to reach this point. A combination of declining tax revenues; overly optimistic revenue projections; excessive use of one-time revenues; expenditure reductions that did not match revenue declines; the continued phase-in of tax cuts; a sagging national economy, and projected economic growth that did not materialize, have all contributed to the structural deficit we seek to fix today.

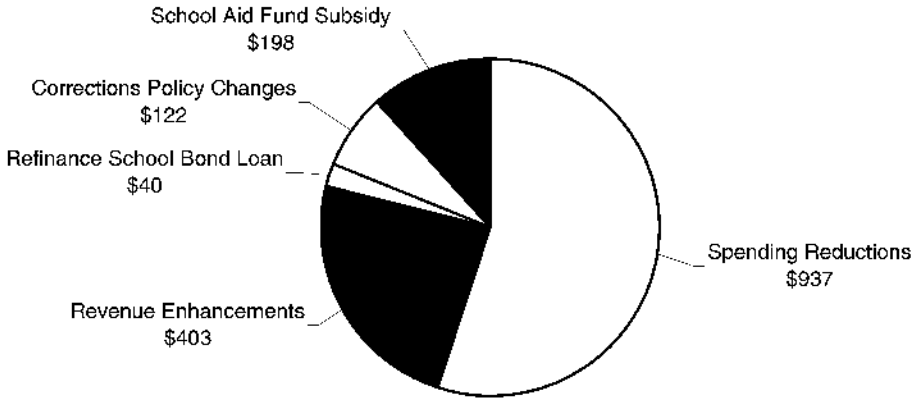
Balancing the General Fund Budget

The Overall Solution

Over the last few years, the state postponed the inevitable and spent more than it took in. The bill has come due and the Governor is committed to working together to fix it.

In order to understand the budget reduction strategy, it is important to step back and examine the budgetary changes that have occurred since the beginning of the 2003 fiscal year. The 2004 budget recommendation presented to you today totals $8.6 billion or $600 million less than the original fiscal year 2003 appropriation. The two Executive Order packages

A Mix of Budget Solutions Solve FY 2004 Problem (in Millions)



that have already been approved this year generate $715 million in annualized spending reductions.

The Governor's budget closes the $1.7 billion shortfall with an appropriate mix of solutions involving revenue enhancements and spending reductions. The mix includes $403 million in revenue enhancements, $122 million in cost avoidance associated with proposed criminal justice policy changes, and $937 million in spending reductions. Spending reductions include $140 million in anticipated employee concessions. In addition, the general fund subsidy to the School Aid Fund is replaced with $198 million in resources available as a result of recent changes to the revenue sharing act.

Spending Reductions	($ in millions)
Medicaid Waiver Savings	$110
Medicaid – Other Savings	$64
Higher Education – 6.5% cut – after EO 2003-3	$154
Revenue Sharing – capture growth	$72
Revenue Sharing – 3% cut	$44
Grant Reductions	$61
Administrative Savings – includes employee concessions	$217
Funding Shifts	$119
Merit Award Reduction	$61
Life Sciences Corridor Reduction	$35
TOTAL	$ 937

The revenue enhancements involve closing $109 million in tax loopholes, recognizing $152 million in sales tax revenues associated with the continuation of previous revenue sharing cuts, $119 million from increases in various fees or fines, $10 million transfer from the employment contingent fund, $2 million from the sale of the Detroit Plaza Building, and an $11 million transfer from the reduction in the earmark of vehicle-related sales tax to the Comprehensive Transportation Fund.

HEALTH CARE

Governor Granholm's fiscal year 2004 budget recommendation protects the health care programs that serve Michigan's low-income families, elderly and the disabled. By creatively using limited state resources and available federal funding, the Governor's budget also expands critically needed pharmaceutical assistance for the elderly, restores limited medical and mental health benefits for caretaker relatives, and provides new family planning benefits for uninsured low-income women.

Most states are cutting Medicaid provider payments and reducing eligibility for Medicaid and other health care programs. While this approach would also reduce costs in Michigan, it would result in unacceptable increases in the number of uninsured people in the state and damage our medical provider network. The Governor instead recommends that Michigan reduce costs by restructuring our Medicaid program through an innovative waiver of federal rules. This Medicaid Adult Benefits Waiver will reduce costs by limiting medical benefits

for healthy adults and by using available state funding as match for additional federal funds. It is anticipated that this waiver will reduce state general fund costs by nearly $110 million.

Executive Order 2002-22, which was enacted in the previous Administration in December of 2002, eliminated Medicaid eligibility for 40,000 adults in an eligibility category called "caretaker relatives." These individuals prevent foster care placements by caring for the Medicaid eligible children of relatives. The Governor's fiscal year 2004 budget recognizes the important service provided by caretaker relatives and includes an increase of $47 million to restore limited health care benefits to this group through the Medicaid Adult Benefits Waiver.

"By far the biggest issue for states is their push for increased federal funding for Medicaid. With health-care costs rising rapidly - and the recession increasing caseloads - Medicaid spending spiked by more than 13% in 2002, the largest annual increase since 1992."

The Los Angeles Times, "State Budget Crises Mount," November 26, 2002

The Elder Prescription Insurance Coverage (EPIC) program is currently funded with $30 million from Michigan's tobacco settlement award and enrolls about 15,000 low-income seniors. In February of this year, the Department of Community Health submitted a request for federal funding which will increase the total funding for this program to $68 million and will allow the state to nearly triple enrollment to 42,000 seniors.

Governor Granholm has already created a multi-state purchasing collaboration to help contain Medicaid pharmaceutical costs and has recruited three states — Vermont, Wisconsin and South Carolina — to combine their purchasing power with Michigan's. More states are expected to join in the near future. This process will reduce costs, but it will not adversely affect medical care. All FDA approved pharmaceutical products will remain available to all Medicaid enrollees. Multi-state drug purchases and other pharmacy cost containment initiatives will generate a $40 million general fund savings in fiscal year 2004.

Finally, the Governor's budget recommends extending family planning benefits to additional low-income women using already appropriated state funds and available federal Medicaid funds. Once this program is fully operational, 35,000 women will receive benefits.

SERVICES TO FAMILIES AND CHILDREN

In keeping with the Governor's commitment to protect the state's most vulnerable children and families, the Executive Budget includes additional funding for several critical 'safety net' programs. The budget includes funding to support anticipated caseloads in the Family Independence Program, which provides financial support to low-income families. To assist unemployed families in their efforts to find employment, the state's welfare-to-work programs are funded at current year levels and additional funding is provided for the child day care program, which supports low-income families who need day care services to obtain employment.

Augmenting these services, the Governor's budget includes over $830 million in federal funding for the Food Assistance program, and increases federal funding for the low income energy assistance and weatherization programs to help families with energy-related costs. In addition, it is anticipated that the child support enforcement system will be fully implemented statewide by October 1, 2003, providing every county with the best tools available for locating absent parents and securing child support payments which are so important to single-parent families.

The Family Independence Agency has been piloting several in-home services in a few locations throughout the state. Due to declining revenues, the state cannot afford to expand these programs statewide. However, in order to encourage all communities to provide safe alternatives to foster care, the budget offers an enhanced Child Care Fund matching rate for in-home services provided by counties. Counties will have the option to continue, and expand, these types of in-home services with a 75 percent match from the state, rather than the normal 50 percent match.

"...children, education, vulnerable citizens - those are the things that are going to be my focus..."

Governor Granholm, Detroit News, February 20, 2003

For those children who cannot remain safely with their own parents, the recommended budget includes full funding for the children's foster care program, with no reductions in foster parent payment rates.

PUBLIC SAFETY

CORRECTIONS

Over the years, the state's corrections system has become one of the most costly sectors of our government. New prisons, increased administrative costs and larger populations due to tougher sentencing laws have all contributed to the average yearly cost of over $27,000 per prisoner.

In December of 2002, the Michigan Department of Corrections projected that the state would run out of prisoner bed space sometime in late 2003. In order to prevent that from occurring, the department took the following actions:

- made an agreement with the legislature to increase the capacity limits on women's prisons;
- revitalized local partnerships with law enforcement to reduce admissions to prison for alcohol and drug addicted, nonviolent probation violators who would have been sentenced to prison for two years or less;

- expanded community-based programs that can safely punish and control parolees who have violated minor conditions of their parole instead of returning them to prison; and
- expanded use of Drug Treatment Courts to punish and locally rehabilitate alcohol and drug addicted nonviolent parolees who are convicted of new nonviolent offenses.

These administrative efforts have effectively delayed the run-out date so that additional legislative and administrative policies can be implemented. With new policies in place, the department can operate without additional dollars in 2003 and could eliminate prison population growth in fiscal year 2004. While no single policy, practice or program will be a cure-all, a series of steps must be taken that, when combined, have the necessary impact. In addition to continuing the policies instituted during fiscal year 2003, the budget assumes the following boilerplate and statutory changes will be implemented in order to eliminate the public safety threat of running out of prison beds in the future:

- Reform the County Jail Reimbursement Program to reduce prison admissions so that reimbursements for offenders who are statutorily barred from prison are discontinued and, in their place, counties receive payments for housing lower security level nonviolent prisoners. In addition, re-directed funds will be used to continue the Local Facility Expansion Program that allows counties to renovate and/or build minimum-security beds for nonviolent felons who otherwise would be in prison.

- Prepare inmates who are going to be paroled for success in their communities by instituting the Conditional Reintegration Program that will provide a highly structured transition from prison to community for select inmates serving time for nonviolent crimes near their parole date. Prisoners serving time for violent crimes would be excluded from eligibility for this program.

- Increase funding for Drug Treatment Courts by $3 million, for a total of $6 million in fiscal year 2004. Instead of using failed approaches that do not break the cycle of drugs and crime, offenders will be placed into court-ordered and court-supervised rehabilitation programs, subjected to mandatory drug testing, and held accountable for their actions.

The subsequent zero growth in beds eliminates the need to open and operate two moth-balled prisons and other workload increases related to prison growth. In addition, related health care, mental health, education and other support functions that would also have to be funded are no longer needed. The December 2002 bed space estimates, when combined with health care increases and full-year bed space costs, would have resulted in the need to

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"Drug treatment courts have proven to be an effective way of handling offenders whose use of alcohol and controlled substances are a primary factor in the criminal behavior."

Governor Granholm, Securing Michigan's Future, 2002

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add $150 million to the 2004 Michigan Department of Corrections Budget. All total, these policies, legislative initiatives, efficiencies and savings negate the need to fund $122 million of the $150 million. Failure to enact the Conditional Reintegration Program and reform the Jail Reimbursement Program will result in the need to reopen two moth-balled prisons, resulting in increased costs approaching $50 million.

State Police

Law enforcement is a critical, core function of state government and remains a high priority of the Governor. As trooper strength continues to decline, the need for a new trooper school is imperative. The last school graduated 142 troopers in 2001. In order to maintain Michigan State Police trooper levels, alternative funding sources must be found.

Governor Granholm's budget for 2004 proposes the creation of a Traffic Enforcement and Safety Fund within the Michigan State Police to fund a new trooper school and offset part of the general fund costs of state troopers. In order to ensure this revenue, a portion of the existing driver license fees currently deposited to the Transportation Economic Development Fund and an increase in certain driver license fees will be dedicated to the Traffic Enforcement and Safety Fund. A modest increase in the annual fees for an operator license by $3, chauffeur license by $3.50 and the commercial license by $3.75 will provide an additional $23.7 million in revenue for new troopers and a safer Michigan.

"Protecting families is the main mission of the Michigan State Police. Whether it be responding to a accident scene or managing the state's emergency response, the Michigan State Police will continue their watchful duty of protecting our citizens at all levels."

Colonel Tadarial Sturdivant, Director Michigan State Police, February 5, 2003

Employees as Part of the Solution

Governor Granholm recently met with representatives of the state employee unions. She asked for their assistance, cooperation and suggestions in terms of being part of the solution to the state budget crisis.

As mentioned previously, a portion of the $1.7 billion general fund budget shortfall included $140 million of employee salary and benefit cost increases. These costs included a previously negotiated 3 percent pay raise, insurance increases, and a 3.7 percent increase in the actuarially determined retirement rate. The total cost of these increases exceeds $250 million, including general fund costs of $140 million.

"Often, the people who know best how to meet a challenge are those who face it on the frontline. We do not see our state employees as part of the problem; they are at the heart of the solution. We will aggressively seek their intelligence and input."

Governor Granholm, State of the State Message, February 2003

Consistent with tight budgets from prior years, the Governor's recommendation does not fund the increases associated with employee wage and benefits. Rather than simply asking the agencies to absorb these costs within their budgets, potentially resulting in thousands of employee layoffs, the Governor is asking the employees and unions to become part of the solution. The Office of State Employer has begun negotiations with each union in the hope of identifying cost savings or concessions at least equal to the $250 million in increased costs.

Preserving Michigan's Rich Heritage

A top priority of Governor Granholm is the protection and preservation of the environment for present and future generations. Included in the fiscal year 2004 Executive Recommendation are a number of program enhancements for environmental oversight efforts that will require the support of the legislature.

Environmental Protection Programs

To ensure the quality of our groundwater, rivers, lakes and streams a series of fee proposals are contained in the fiscal year 2004 recommendation designed to generate $11.6 million in new revenue in support of water quality regulatory and compliance activities. Through the establishment of a proposed new National Pollutant Discharge Elimination System Permit Fee (NPDES), Michigan – like other states - will be able to cover the costs associated with current regulatory activities delegated to the state by the Environmental Protection Agency, while providing an opportunity to expand compliance and enforcement efforts. This proposed new fee will generate $6.9 million.

Increased fees for the groundwater discharge and storm water discharge permit programs are also proposed as part of the fiscal year 2004 Executive Recommendation. These fee increases will generate $3.6 million, and $1.1 million in new revenue respectively, in support of efforts to reduce the threat to the quality of our ground and surface waters.

In order to increase the safety of our public water systems and reduce the threat to our Great Lakes through the introduction of non-aquatic nuisance species, additional funds are included in the fiscal year 2004 Executive Recommendation. Michigan, as part of a coordinated counter terrorism effort, will provide training in public water system-security measures utilizing $400,000 in Environmental Protection Agency resources. Available restricted fund support of $225,000 will be used to combat non-aquatic nuisance species that destroy native fish and vegetation.

Through a shift in priorities for fiscal year 2004, the department will provide increased frequency in inspections at Michigan landfills, including surprise visits, to identify car batteries, yard waste, used motor oil and other hazardous items generally prohibited from

dumps. For fiscal year 2004, an expansion of the existing solid waste fee structure for all 83 active Michigan landfills is proposed. The expanded fee structure will generate $3.8 million in new revenue while saving the general fund $2.6 million.

HIGHER EDUCATION

The Governor's budget includes over $2 billion for higher education. For fiscal year 2004, state support for public universities and community colleges is reduced by 6.5 percent resulting in a cumulative reduction of 10 percent from the original fiscal year 2003 appropriated levels. This reduction will mean that our public colleges and universities will, like state government, need to restructure and prioritize programs in order to minimize the financial burden placed on students and their families through tuition and fee increases.

The state will also spend financial aid dollars more wisely to assist students in paying for college. The Governor's budget restructures current financial aid programs to create the Michigan Opportunity scholarships, funded at $112.4 million. This new program will target students with demonstrated financial need whether they attend a public or independent college or university. As this new program is phased in, the state competitive scholarship and tuition grant programs will be phased out. Funds will be guaranteed to eligible students currently receiving aid under these programs, keeping our commitment to these students. The fiscal year 2004 budget also continues the $4 million allocation for nursing scholarships created just last year and recognizes the increasing participation under the Tuition Incentive Program (TIP) by allocating an additional $4 million. However, new enrollments in TIP would be discontinued in anticipation of serving these future students through the Great Lakes, Great Hopes scholarship fund created by the Governor.

According to the National Center for Public Policy and Higher Education, Michigan's per capita state spending on higher education – budgeted this year at $1.9 billion – ranks 15th among the 50 states and 14 percent above the national average.

Grand Rapids Press, March 2, 2003

A change in the Michigan Merit Award program is also recommended, but the $2,500 award commitment to current year high school seniors is maintained. Beginning with the high school graduating class of 2004, the budget recommends that the maximum Michigan Merit Award be reduced to $500. The resulting reduction in Michigan Merit Award program costs -- $61 million in 2004 -- will enable the state to devote a greater share of its tobacco settlement revenues to the health care needs of its citizens.

One way we have found to reduce the fiscal pressure on community colleges and universities is to freeze pension contribution rates charged to community colleges and state universities. State funding that became available after recent changes to the Public School Employees Retirement System will be used to subsidize additional retirement costs for the participating universities and community colleges.

Several higher education programs are eliminated this year due to declining state revenues and the need to focus resources on core state activities. These programs include the general and allied health degree reimbursement programs which provide direct support to private colleges and universities, the subsidy to the Japan Center for Michigan Universities and the annual dues paid for participation in the Midwestern Higher Education Compact.

DRIVING MICHIGAN: FIX IT FIRST, FIX IT RIGHT

Considering the economic climate, it is absolutely imperative that Michigan spends its transportation dollars wisely. Efficient and effective systems of mobility translate into stronger economies.

The budget recommendation for the Department of Transportation focuses critical transportation revenues on the preservation of our existing infrastructure, with priority given to those roads and bridges in greatest need of repair – a "Fix it First, Fix it Right" philosophy. Governor Granholm's budget calls for $3.2 billion, a 3.5 percent increase, in funding for fiscal year 2004.

Revenues in the Michigan Transportation Fund have remained strong despite the economic recession, and are expected to grow by 4.9 percent over the current year to over $2.1 billion. Local road agencies will continue to share in these revenues, with an additional $61.6 million in state support recommended for local roads.

"Michigan families deserve better roads right now. We must focus on fixing the roads we have today before we look to expanding tomorrow. I am directing that our transporation spending in Build Michigan III focus on preservation first."

Governor Granholm, January 31, 2003

The transportation budget includes $38.9 million in revenues assumed through the standardization of motor fuel tax rates, the final piece remaining of a comprehensive motor fuel reform package enacted in the last legislative session. Currently, most diesel fuel and liquefied petroleum gas users pay 4 cents less per gallon than motorists pay for gasoline. The Governor's budget seeks to end this inequity, so that all motorists pay their fair share.

The overall budget solution includes the reduction of $13 million in operator and chauffeur license fee revenues that previously subsidized the Transportation Economic Development Fund. These funds will instead be used to support traffic enforcement and road safety functions in the Department of State Police. A total of $10.6 million from vehicle-related sales tax revenues are also re-directed from the Comprehensive Transportation Fund to the general fund to assist in balancing the overall state budget.

In an effort to make the most of our transportation dollars, Governor Granholm has already deferred four construction projects until additional federal funding can be secured and other issues resolved. Approximately $153 million of those *Build Michigan III* funds will be redirected and invested in our state's maturing roads and bridges.

However, when dealing with transportation funds, the bottom line is that we must do a better job in securing federal dollars. States are the engines that run the country's economy and without sufficient fuel, citizens could be left by the side of the road.

At the present time, Michigan only receives 90.5 cents for every dollar we send to Washington D.C. We must do better. Though our ultimate goal should be to receive 100 percent back, this administration believes that we can realistically achieve 95 cents on the dollar. The members of our Congressional delegation are working to make this goal a reality. In fact, Governor Granholm is already encouraged by recent news that the federal government is set to send Michigan $910 million for road projects over the next year.

REVENUE SHARING

The state provides unrestricted financial support to over 1,800 local units of government and allows them to determine how they may make the best use of their financial resources.

The financial support comes in the form of revenue sharing payments, which are comprised of a constitutional and statutory obligation. This budget recommends $1.41 billion in payments to local governments, a 3 percent reduction from the current year. The constitutional obligation for fiscal year 2004 is $694.5 million and is dispersed on a per-capita basis. The remaining $717.6 million, which is subject to an annual appropriation, is recommended in this budget.

The fiscal year 2004 budget assumes continuation of the previous reductions, a capture of the 2004 statutory growth and an additional 3 percent reduction in payments. Similar to last year's 3.5 percent reduction, Governor Granholm proposes that the fiscal year 2004 changes be equally distributed to all communities by amending the revenue sharing act. Distributing reduced funding to all communities on an equal basis protects large cities and counties from a disproportionate reduction under statutory formulas. Communities will determine how best to operate local programs with reduced revenue sharing funds while protecting support for first responders in emergency situations.

Growing our Economy

Using the model and building upon the success of the life sciences corridor, the Governor proposes the establishment of a Technology Tri-Corridor to include the life sciences, homeland security and automotive industries. The goal of the corridor will be to create cutting edge businesses and high-wage jobs in Michigan. The Technology Tri-Corridor will jump-start the effort to develop and bring to market advancements pioneered in our universities and businesses. This $20 million program will be funded jointly by the state and the Michigan Economic Development Corporation (MEDC).

The $20 million in fiscal year 2004 funding for the Technology Tri-Corridor comes on top of $177.5 million in funding over the last four years for the Life Sciences Corridor. Even though the annual commitment to these types of opportunities is less than previous years, there will continue to be a significant investment in these activities in fiscal year 2004 because of the way the funds are paid out. Typically the annual appropriations are not contractually obligated until the end of the fiscal year and the actual payments are spread out over several years.

"The 'Technology Tri-Corridor' she (Governor Granholm) announced to attract investment to Michigan will build on existing automotive technology and life sciences efforts, and branch out into businesses related to homeland security. That can create jobs and lift the state's high-tech profile."

Detroit Free Press, February 6, 2003

In addition to the $20 million in direct program funding, the state will use its financial power as leverage to bring investment capital to the three industries. Today, some 240 private investment funds do business with the state of Michigan. The Governor has directed the State Treasurer to inform those fund managers that they'll get more of our business if they make sound investments in the life sciences, homeland security, and automotive technology industries.

The Governor will appoint a Technology Tri-Corridor Steering Committee to provide advice and oversight of this new initiative. The committee will include individuals actively engaged in the three target business sectors as well as other public and private sector members. The MEDC will administer the program.

Securing Additional Dollars

Last month Governor Granholm instructed the State Treasurer to examine whether or not there were tax loopholes that should be closed. A loophole is defined as a situation where individuals and organizations have found a way to circumvent the intent of the original statute and are not paying their fair share of the tax burden. By not paying their fair share, they are shifting the tax burden to other taxpayers. The goal is not to make citizens or businesses pay higher taxes but rather ensure that the state collects taxes that are rightfully owed.

The recommended budget proposes closing a number of different tax loopholes in five different categories. The closings will generate additional revenues of $109 million for the general fund and $20 million for the school aid fund. Detailed below are explanations of each loophole category. While these explanations may seem difficult to understand, their very obscurity becomes an argument for eliminating the loophole.

Non-Resident Tax Fairness

In a variety of areas, Michigan residents are on unequal tax footing with non-residents due to inequitable state tax laws. Actions necessary to close loopholes that contribute to this unlevel tax playing field include taxing non-resident casino winnings and all available business income of non-residents. Additionally income taxes owing from non-resident members of a "flow–through entity" such as Limited Liability Companies (LLCs), Limited Liability Partnerships (LLPs) and S corporations will be collected from the flow-through entity.

Tax Loopholes Created by Choice of Business Form or Filing Status

Creative tax planners and sophisticated tax advisors have capitalized upon creating new types of legal entities and manipulating the filing status of businesses to produce tax advantages never contemplated by the Single Business Tax (SBT) -- often to the disadvantage of other Michigan businesses. This has been caused, in part, by the fact that the SBT was enacted prior to the invention of flow-through entities such as LLCs and of employee leasing arrangements. Continued manipulation of the SBT will be prevented by applying SBT small business credit limitations to LLCs and leased employees, expanding officer liability provisions to similar persons in a flow-through entity, limiting unrealizable credit and loss carry forwards from flow-through entities, and uncoupling tax benefits from filing status.

"We're looking at everything that might give one business an unfair advantage over other businesses, unintended consequences from legislative acts that might benefit some groups over others, particularly corporations that might not be paying their fair share."

Governor Granholm, Detroit News, February 7, 2003

Out-of-State Business Tax Shelters

Michigan tax law must neither encourage nor reward location of an affiliate outside of Michigan. Toward that end, state law must recognize "affiliate nexus," include out-of state affiliates in determining the small business credit, and eliminate the incentive to locate subsidiary flow-through entities out-of-state by prohibiting the deduction of gains paid by the out-of-state entity to a Michigan business.

Unintended Tax Exemptions

Certain tax loopholes that need to be closed have been caused by overly broad statutory exclusions. These include provisions in the Single Business Tax that allow insurance

companies to exclude use tax on purchases from out-of-state vendors and provisions that make the Severance Tax in lieu of all other taxes. In addition, tax avoidance techniques have recently developed to allow a purchaser of a newly constructed building to pay state real estate transfer tax on only the property and not upon the new construction, even though the purchase contract for the property requires the purchasers to utilize certain builders.

Restore Tax Compliance Incentives

To encourage compliance by taxpayers and not reward those taxpayers who failed to take advantage of the 2002 tax amnesty program, state tax law must be amended to reverse all changes to tax penalty provisions made in December 2002.

Fees

In these difficult economic times, it is reasonable that the state should undertake a careful review of its existing fee structure. As part of her solution to fix the structural deficit in 2004 the Governor is recommending increases in a number of different categories of user fees across different state agencies. Combined, these new and increased fees will generate $119 million in new revenue for the general fund. Detailed below are a few agency examples.

Department of Community Health—$56.7 million—The budget includes expansion of the existing Quality Assurance Assessment Program fees for hospitals and nursing homes and a new assessment for pharmacists. Each assessment will generate a state benefit of $18.9 million and a Medicaid rate increase for each provider group.

Consumer and Industry Services—$10.6 million—The proposed budget reflects increased revenues associated with securities, corporate, licensing, and health system fees. The increases in revenues were used to offset general fund revenues that had been subsidizing department administrative costs.

Department of Environmental Quality—$14.2 million—New and/or increased fees will support, and in several instances enhance, the following programs: solid waste disposal, groundwater permits, water laboratory analyses, and the national pollutant discharge elimination system permit.

Judiciary—$11.2 million—The recommended budget reflects a proposal submitted by the Chief Justice to increase trial court fees and consolidate and slightly increase a number of criminal justice fees. The local courts would also benefit by retaining the flexibility to enhance local revenue through continuation of court fee assessments, which could generate $9.1 million. The $11.2 million was used to offset general fund costs within the judiciary budget.

State Police—$30.0 million—A proposed increase in all driver license related fees will be used to avoid further reductions in trooper strength as well as to fund a new trooper school scheduled to start in May 2004. A proposed new fee on insurance premiums will be used to offset general fund support associated with the investigation of fires and related criminal activity.

Conclusion

The Governor's recommended budget is balanced and fulfills a promise to protect what matters most. In reducing government spending by more than a billion dollars, implementing modest revenue enhancements and maximizing the return on our dollars, we have begun to address the structural deficit that we inherited.

This spending plan for fiscal year 2004 represents many tough choices – choices that no administration enjoys making. Despite our challenges, we will not let the budget problems impede the progress our state should make. Governor Granholm is committed to protecting our priorities and will focus on the core services of government to ensure that we spend our money in a responsible manner.

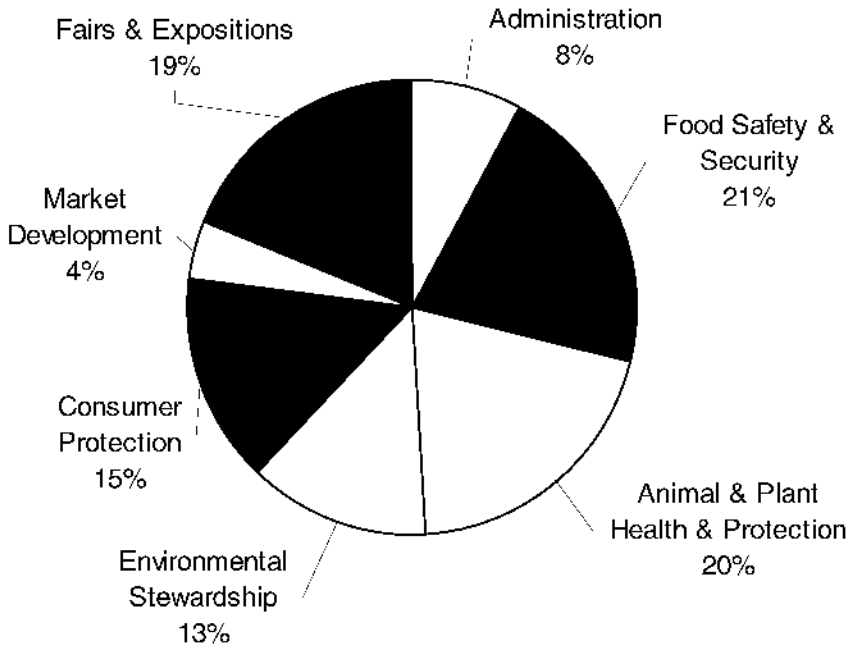
The Governor looks forward to working with the legislature in a bipartisan manner to implement these budget recommendations in order to move Michigan forward.

Department Detail

Department of Agriculture

The Department of Agriculture provides services to the Michigan food and agriculture community through a variety of food safety, environmental protection, and animal and plant health programs. Agriculture is Michigan's second largest industry and the state is ranked #1 nationally in the production of many agricultural products. The Governor's proposed budget for fiscal year 2004 recommends total funding of $89.2 million, of which $31.4 million is general fund.

Over Half of the Budget Supports Consumer Programs



Total: $89.2 Million

Department Priorities

- Ensure a safe, secure and wholesome food supply.
- Protect Michigan's natural resources by promoting environmental stewardship and preventing agriculture-related pollution.
- Protect animal and plant health.
- Promote viable agriculture development and economic profitability for Michigan farmers.
- Assure consumer protection and fairness in the marketplace by regulating gasoline sales and the accuracy of weights and measures, and by using state-of-the-art diagnostic tools to test food and agricultural products.

Agriculture Budget Highlights

- The fiscal year 2004 budget for the Department of Agriculture reflects the Governor's commitment to ensuring a safe food supply by maintaining the fiscal year 2003 level of support of $25.4 million for various food safety efforts. Included in these efforts are state and local licensing and inspection of local food establishments and dairy operations, laboratory testing of fresh commodities and processed food, and investigating food borne illnesses. Through enforcement of the state's strict food and dairy laws, the department works to ensure continued safety at each step of the food chain.

- Michigan continues its effort to eradicate bovine tuberculosis (TB) from Michigan's livestock populations. The Governor's fiscal year 2004 recommendation continues the fiscal year 2003 level of support for the bovine tuberculosis program at $3.4 million. These resources will provide continued monitoring and periodic surveillance testing for cattle herds across the state. Over 3,000 cattle herds were tested in 2002. Michigan is diligently working to obtain a split-state bovine TB designation from the U.S. Department of Agriculture, which will greatly enhance livestock producers' market opportunities in other states.

- Environmental stewardship is a priority in Michigan. The safeguarding of our groundwater and surface waters is assured via the department's efforts to work with farms in the proper handling, storage and disposal of pesticides and fertilizers. Assistance is also provided to livestock facilities to develop stream bank fencing to protect surface water quality, and manure management for odor abatement. The Governor's fiscal year 2004 recommendation provides funding support of $7.5 million for agriculture pollution prevention and sound environmental stewardship practices.

- The preservation of farmland and open space is essential to the management of urban sprawl and protecting the character of our rural communities. The fiscal year 2004 recommendation continues the fiscal year 2003 level of support of $700,000 for the Farmland and Open Space Preservation program. This program addresses the on-going concern over the loss of farmland to commercial and residential development. Under the program, the state protects parcels from development by entering into development rights agreements (easements). Tax credits are provided to the landowners in return for their promise to maintain the land for agricultural purposes.

- The fiscal year 2004 budget reflects an alignment of agency spending for horse race industry activities by utilizing equine industry revenue to support department operations that provide direct services to the horse racing industry. A corresponding reduction in horse race grant support is also recommended. As a result of these adjustments, a savings to the general fund of $2.0 million will be achieved.

- The Governor's commitment to promotion of the agricultural industry, including the growth of more food-processing operations, and the aggressive marketing of Michigan products, is reflected in the fiscal year 2004 recommendation. For fiscal year 2003, the marketing program was funded at $2.6 million. The fiscal year 2004 recommendation maintains this level of support for the continued development and expansion of both domestic and foreign markets for Michigan-grown and processed commodities.

"Agriculture is not only an important part of our entire economy, it is also the anchor for scores of rural communities. To support our state's farmers and business, Jennifer Granholm will start a "Buy Michigan" program, encouraging all state and local agencies and facilities to purchase Michigan products."

Governor Granholm, Securing Michigan's Future, 2002

- Fund shifts to available restricted fund revenues totaling $275,000 for consumer protection, laboratory, and animal health programs will allow for equal savings in general fund revenues.

- The fiscal year 2004 recommendation includes proposed incremental user fee increases for nursery stock inspections, pesticide applicator fees, metrology lab fees, animal industry program fees, and right to farm fees totaling $549,000. The proposed fee increases will properly align costs associated with services provided to industry with the recipient of those services, while saving $549,000 in general fund revenues.

- Through the elimination of a seed germination program ($452,000) and various administrative efficiencies, a $752,000 savings to the general fund will be achieved.

- Funding support for the Michigan State Fair is continued at the fiscal year 2003 level $5.1 million, all state restricted revenues.

Fiscal Year 2004 Governor's Recommendation

Department of Agriculture

($ in Thousands)

	FY03 Enacted	FY03 Current Law	FY04 Recommended	% Change
GF/GP	$39,077.5	$36,773.7	$31,404.0	-19.6%
All Funds	$95,730.8	$94,027.3	$89,244.0	-6.8%

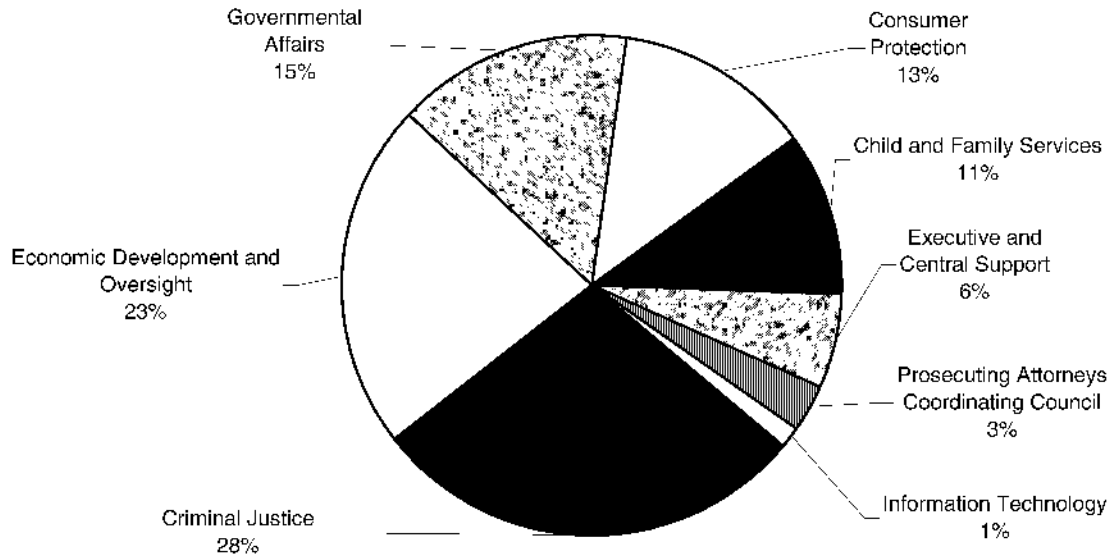
Program	GF/GP	All Funds
Food Safety & Security	$6,825.8	$18,793.2
Animal & Plant Health & Protection	$9,028.2	$17,708.8
Fairs & Expositions	$0.0	$17,295.9
Consumer Protection	$3,461.4	$13,229.6
Environmental Stewardship	$4,054.0	$11,318.3
Administration	$6,074.5	$7,566.0
Market Development	$1,960.1	$3,332.2
Total FY 2004 Recommendation	**$31,404.0**	**$89,244.0**

Department of Attorney General

The Attorney General serves as the State of Michigan's chief law enforcement officer and upholds and preserves the state's legal interests. To accomplish this, the Attorney General provides legal advice and representation to state officials and agencies and, when warranted, initiates legal action on behalf of the citizens of Michigan.

The Governor's proposed budget for fiscal year 2004 recommends total funding of $59.6 million, of which $31.0 million is general fund.

Attorney General Budget Supports a Variety of Legal Services



Total: $59.6 Million

Department Priorities

- Defend the State of Michigan in lawsuits to minimize the amount of court judgments and settlements paid by the state.
- Initiate lawsuits at the request of state agencies and offices to enforce public compliance with state law.
- Protect Michigan's children through legal representation in abuse and neglect cases and by improving child support collections.
- Provide legal advice and representation to state agencies and officials to ensure state activities comply with the law.
- Investigate consumer complaints and deter unfair and deceptive business practices against consumers.
- Provide advice and training to local prosecutors in order to improve the quality of legal services throughout the state.

Attorney General Budget Highlights

- The Executive Recommendation for fiscal year 2004 reduces total funding by $2.1 million ($2.8 million general fund), a 3.4 percent reduction from original fiscal year 2003 levels. An $800,000 increase in prisoner reimbursement revenues partially offsets the general fund reduction. This increased prisoner reimbursement revenue will be used to defend the state in prisoner litigation cases.

- Prosecuting Attorneys Coordinating Council is an autonomous entity within the Attorney General that works with local prosecutors and police to investigate and prosecute felony cases. The Council will receive $1.8 million in fiscal year 2004, a reduction of $75,300 from fiscal year 2003.

- The Department of Attorney General consists of 5 bureaus:

  - Child and Family Services – Responsible for child abuse and neglect issues, estates and abandoned property, public health, education and social services matters.

  - Criminal Justice - Responsible for alcohol and gambling enforcement, welfare and health care fraud, financial crimes and other criminal investigations and prosecutions.

  - Economic Development and Oversight – Responsible for revenue enforcement and collections litigation, public retirement systems, insurance, and occupational matters including those related to health professionals.

  - Consumer Protection – Responsible for charitable trusts, consumer fraud, enforcement of natural resources regulations, the tobacco settlement and other special litigation.

  - Governmental Affairs – Responsible for civil rights, defense of highway negligence cases, labor, unemployment, and elections issues.

Fiscal Year 2004 Governor's Recommendation

Department Of Attorney General

($ in Thousands)

	FY03 Enacted	FY03 Current Law	FY04 Recommended	% Change
GF/GP	$33,767.6	$32,363.4	$31,009.9	-8.2%
All Funds	$61,757.6	$60,353.4	$59,638.6	-3.4%

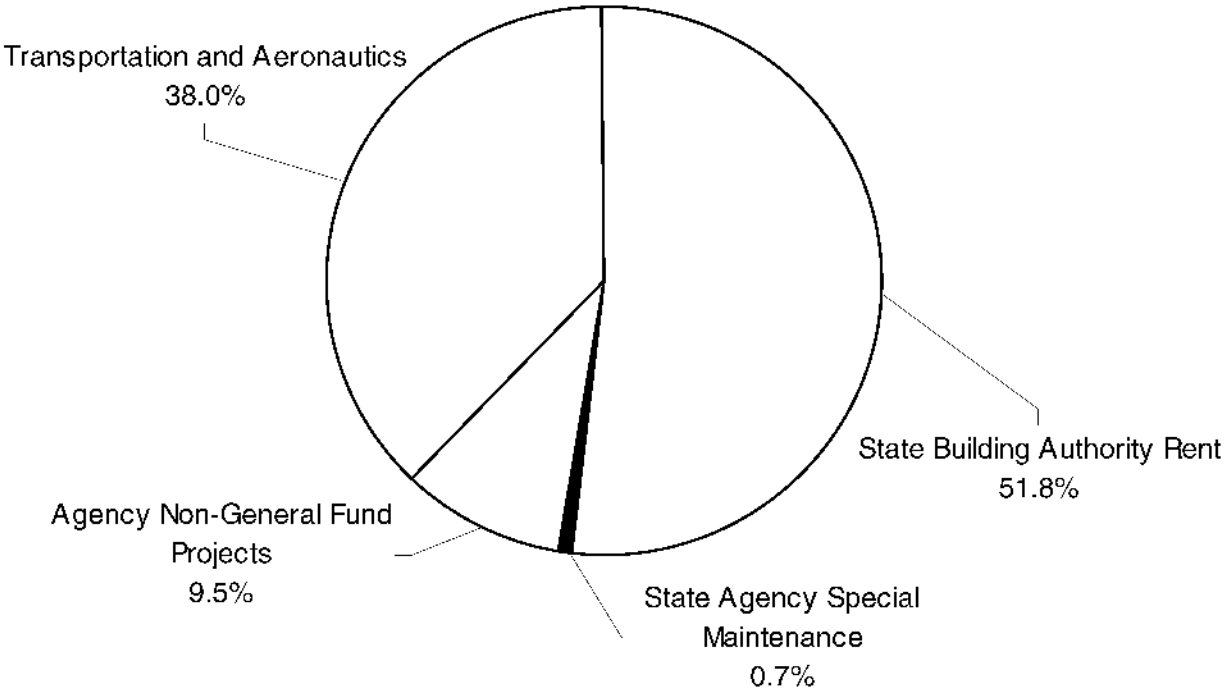
Program	GF/GP	All Funds
Criminal Justice	$9,357.2	$16,841.1
Economic Development and Oversight	$4,811.8	$13,456.6
Governmental Affairs	$3,662.0	$9,124.0
Consumer Protection	$4,574.2	$7,689.4
Child and Family Services	$3,081.3	$6,248.3
Executive and Central Support	$3,625.8	$3,625.8
Prosecuting Attorneys Coordinating Council	$1,073.0	$1,828.8
Information Technology	$824.6	$824.6
Total FY 2004 Recommendation	**$31,009.9**	**$59,638.6**

STATE OF MICHIGAN
E PLURIBUS UNUM
TUEBOR
SI QUAERIS PENINSULAM AMOENAM
CIRCUMSPICE
Office of the State Budget

Capital Outlay

The capital outlay budget provides funding for State Building Authority rent obligations associated with previously constructed projects. These projects include state agency buildings, as well as higher education facilities. The budget also reflects funding for state agency projects supported with federal and state restricted funds. No new construction projects are recommended which would result in increased general fund spending in future years. The Governor's proposed capital outlay budget for fiscal year 2004 includes total funding of $595.1 million, of which $306.3 million is general fund.

Debt Payments Account for Over Half of Capital Outlay Spending

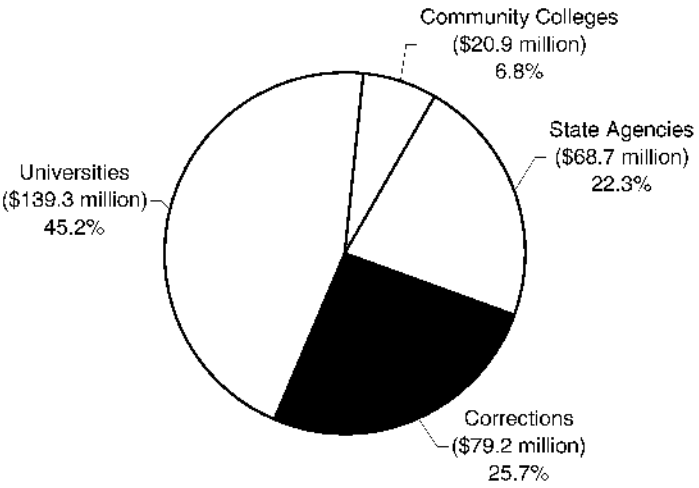


Total: $595.1 Million

Capital Outlay Budget Highlights

- State Building Authority rent obligations total $308.2 million in fiscal year 2004, an increase of $16.8 million ($17.1 million general fund). These rent obligations, which pay off debt for previously constructed university, community college, and state agency capital outlay projects, represent over 99 percent of the general fund in the fiscal year 2004 budget for capital outlay. Obligations for projects at higher education institutions total $160.2 million, or 52 percent of the State Building Authority rent budget. Rent obligations for State agency projects, including those for the Department of Corrections, comprise $147.9 million or 48 percent of this total.

Over Half of Debt Obligations are for Higher Education Buildings



- Governor Granholm recommends support for $41.7 million in Department of Military and Veterans Affairs projects contingent upon the availability of federal funds, including $20.8 million for new hangar and support facilities at the Michigan Air National Guard's installation in Grand Ledge to accommodate 22 new UH-60 aircraft. Other projects supported with federal and state restricted funds include construction of a new property and fiscal office in Lansing, replacement of the Shiawassee Armory, improvements at Camp Grayling, and various special maintenance projects.

- Department of Natural Resources projects supported with state restricted funds include $5 million for harbor and boating access projects, $1 million for state park repair and maintenance, $800,000 for improvements to forest roads and bridges, and $550,000 for state game and wildlife area maintenance.

- Federal and state restricted support for farmland and open space preservation in the Department of Agriculture is recommended at $7.5 million in fiscal year 2004.

- Governor Granholm recommends $9.6 million for Department of Transportation building and facility projects, including a total of $3.3 million for a new Detroit transportation service center, and $2.8 million for a new Gaylord regional office building.

- Recommended airport improvements supported with federal, local, and state restricted revenues total $216.8 million. Projects will continue to focus on safety and security improvements at key airport facilities.

- As part of the overall fiscal year 2004 budget strategy, the Governor's fiscal year 2004 recommendation also maintains general fund special maintenance for various state agencies at $2 million. Total funding for state agency special maintenance supported with general fund and building occupancy charges is $4 million in fiscal year 2004, a reduction of almost 75 percent from fiscal year 2002 levels. These minimal funds provided for state facility maintenance will be prioritized for emergency health and safety needs.

- In order to ease future budgetary pressures caused by increased State Building Authority rent obligations, Governor Granholm will closely scrutinize all spending for capital construction projects and will only authorize construction to commence for those projects with direct, measurable economic benefits. All other projects will be delayed.

Fiscal Year 2004 Governor's Recommendation
Capital Outlay
($ in Thousands)

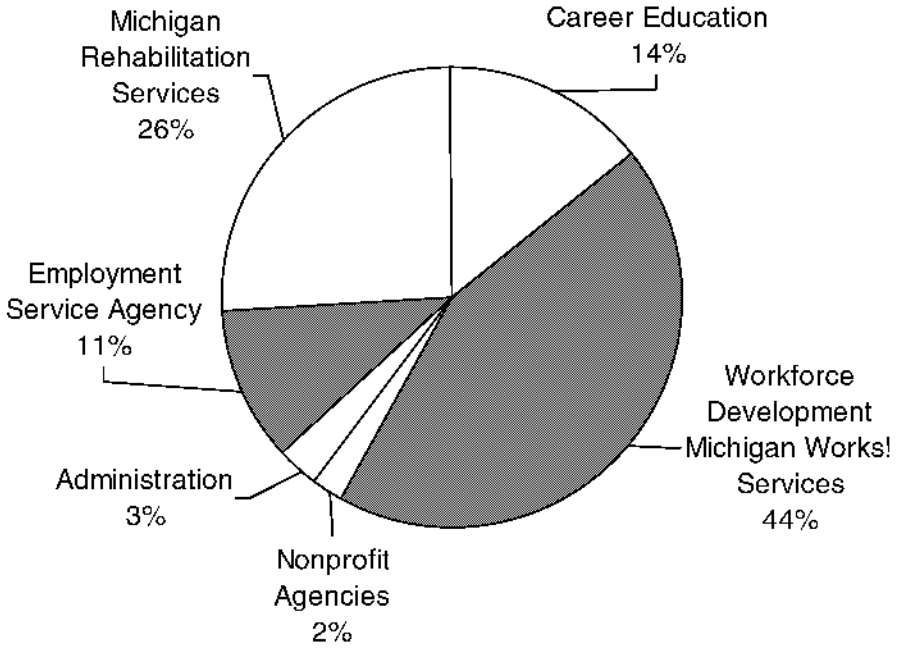
	FY03 Enacted	FY03 Current Law	FY04 Recommended	% Change
GF/GP	$304,482.9	$289,166.9	$306,302.1	0.6%
All Funds	$577,269.9	$621,557.3	$595,083.7	3.1%

Program	GF/GP	All Funds
STATE BUILDING AUTHORITY RENT		
University Projects	$139,175.6	$139,325.6
State Agency - Corrections Projects	$79,219.3	$79,219.3
State Agency Projects	$65,006.0	$68,706.0
Community College Projects	$20,901.2	$20,901.2
STATE AGENCY SPECIAL MAINTENANCE		
Statewide Special Maintenance Projects	$2,000.0	$4,000.0
DEPARTMENT OF AGRICULTURE		
Farmland and Open Space Preservation	$0.0	$7,500.0
DEPT. OF MILITARY AND VETERANS AFFAIRS		
Grand Ledge Army Aviation Facility Construction	$0.0	$20,800.0
U.S. Property and Fiscal Office Construction	$0.0	$6,700.0
Special Maintenance Projects	$0.0	$5,592.0
Shiawassee Armory Replacement	$0.0	$5,000.0
Camp Grayling Officer Quarters Construction	$0.0	$1,800.0
Camp Grayling Conference Center Construction	$0.0	$1,800.0
DEPARTMENT OF NATURAL RESOURCES		
Harbors and Boating Access Projects	$0.0	$5,000.0
State Park Repair and Maintenance	$0.0	$1,000.0
Forest Roads, Bridges, and Facilities	$0.0	$800.0
State Game and Wildlife Area Maintenance	$0.0	$550.0
DEPARTMENT OF TRANSPORTATION		
Airport Safety, Protection, and Improvement	$0.0	$216,789.6
Buildings and Facilities Improvements	$0.0	$6,300.0
Detroit Trans. Service Center Construction	$0.0	$2,500.0
Gaylord Regional Office Building Construction	$0.0	$800.0
Total FY 2004 Recommendation	**$306,302.1**	**$595,083.7**

Department of Career Development

The Department of Career Development is the state's career development agency, providing job training, recruitment, and career preparation programs. The department works with employers, K-12 schools, community colleges and local Michigan Works! agencies to develop a comprehensive career development system. The recommended budget for the Department of Career Development is $466.9 million total, of which $24.7 million is general fund.

DCD Budget Supports Job Training Services



Total: $466.9 Million

Department Priorities

- Help jobless workers achieve independence by placing at least 45 percent of Work First participants into employment and by closing at least 20 percent of Work First cases due to job placement or increased earnings.
- Help employers find qualified workers through the Michigan Talent Bank.
- Assist unemployed veterans enter the workforce and gain economic independence.
- Help people with severe disabilities achieve employment and self-sufficiency by increasing the number who are successfully rehabilitated and employed.
- Ensure that at least 95 percent of students completing career technical education programs are successfully placed in jobs or continue in postsecondary education.
- Help adults improve job skills by increasing the percentage who elevate reading levels or who gain sufficient job readiness skills to enter the workforce.

Department of Career Development Budget Highlights

- The department administers a variety of programs through 25 local Michigan Works! agencies and 104 One-Stop Centers that offer services to help prepare Michigan workers for jobs. Major programs are the Work First program, which helps public assistance recipients to find employment, and the Welfare-to-Work program, which provides employment and training services to the hardest-to-serve public assistance recipients. Funds are allocated for job search services, training programs, and employment-related supportive services such as transportation allowances, uniforms, tools and automobile repairs. The Governor's fiscal year 2004 budget provides continuation level funding of over $98.6 million for Work First services, and $72.7 million for Welfare-to-Work programs.

- Michigan Rehabilitation Services helps Michigan residents with disabilities achieve employment and self-sufficiency. Each year, more than 7,000 residents with disabilities are assisted at 35 field offices and over 100 One-Stop Service Centers staffed by rehabilitation counselors. The department also provides training for adults with disabilities at the Michigan Career and Technical Institute. The Governor's fiscal year 2004 budget continues to provide over $122.0 million for rehabilitation services.

The Talent Freeway is an Internet Web portal operated by the Department of Career Development that is a one-stop solution for exploring, developing, and finding Michigan talent for jobs. The portal is located at www.TalentFreeway.org.

- The Employment Service Agency is an autonomous agency within the department that is responsible for the state's employment service and labor market information programs. The agency operates the state's labor exchange system and collects, analyses and disseminates the state's labor market information to the general public and to the U.S. Department of Labor. The Governor's fiscal year 2004 budget includes $50.1 million for this agency, which is an increase of 1.8 percent or $909,600 over fiscal year 2003 funding levels.

- The Michigan Community Service Commission grants federal, state, and private funds to local organizations to strengthen community volunteer efforts. The Governor's fiscal year 2004 budget continues to provide $6.7 million for the Commission, of which $780,100 is general fund.

- The Governor's fiscal year 2004 budget also provides $1.0 million in Tobacco Settlement Trust Fund revenues to the Council on Michigan Foundations; a reduction of $1.0 million from current year expenditure levels. The Governor recommends that this funding be spent solely on local tobacco cessation programs.

- The department also administers several programs designed to enhance Michigan's overall career education system. Those include adult education, career and technical education, proprietary school oversight, and the King-Chavez-Parks initiative designed to encourage minority students to pursue post-secondary education. These programs are funded in other budgets but administered by the department.

- The Executive Budget does not include funding for the Pre-College Programs in engineering and the sciences. Due to current revenue declines, the state cannot continue to support these programs, which provide college exposure and other enrichment services to youth, in only two areas of the state. The total savings from eliminating this program is $900,000.

Fiscal Year 2004 Governor's Recommendation

Department of Career Development

($ in Thousands)

	FY03 Enacted	FY03 Current Law	FY04 Recommended	% Change
GF/GP	$27,782.7	$26,572.8	$24,706.7	-11.1%
All Funds	$461,321.6	$457,824.6	$466,880.0	1.2%

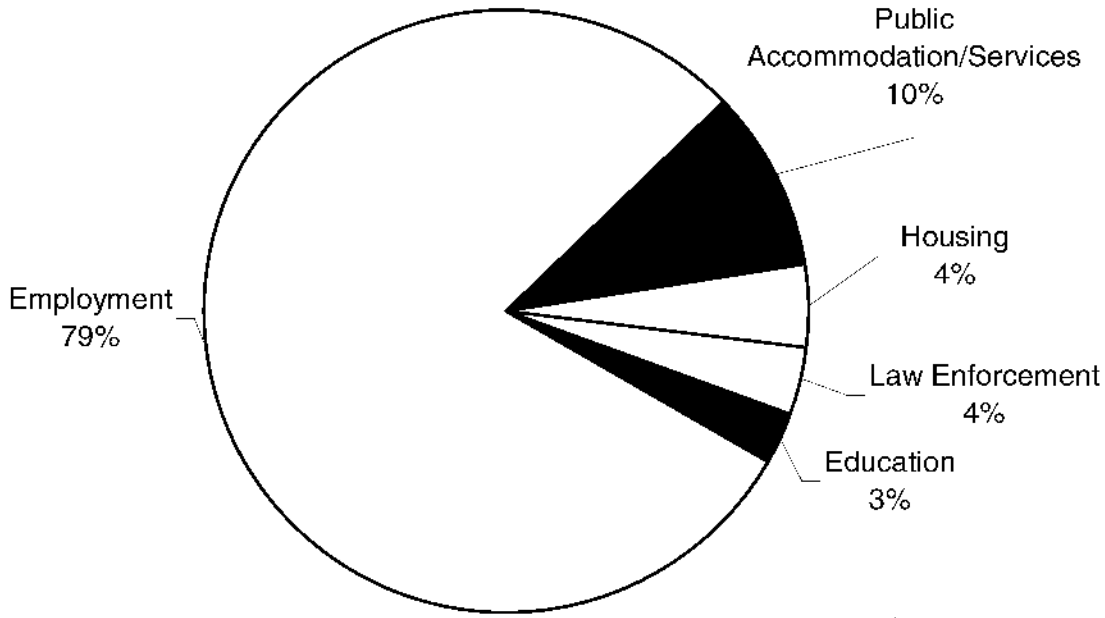
Program	GF/GP	All Funds
Workforce Development/Michigan Works! Services	$8,871.6	$202,163.3
Michigan Rehabilitation Services	$10,587.7	$122,037.0
Career Education Services	$1,402.0	$67,184.5
Employment Agency Services	$0.0	$50,113.2
Administrative Services	$2,119.7	$14,512.2
Nonprofit Organization Services	$1,725.7	$10,869.8
Total FY 2004 Recommendation	**$24,706.7**	**$466,880.0**

Department of Civil Rights

The Department of Civil Rights investigates and resolves discrimination complaints and works to prevent discrimination through educational programs that promote voluntary compliance with civil rights laws. It also provides information and services to businesses on diversity initiatives and equal employment laws.

The Governor's proposed budget for fiscal year 2004 recommends total funding of $13.1 million, of which $12.2 million is general fund.

Most Civil Rights Complaints Involve Employment Issues



Total: $13.1 Million

Department Priorities

- Prevent discrimination by providing residents with information, referral, education, outreach and other preventive strategies/activities, technical assistance, crisis intervention, complaint investigation, a complaint appeal process, and mediation.
- Ensure that state government is a model service provider and employer, providing equal access to government services and jobs.
- Promote an anti-discriminatory climate in Michigan so residents can expect adequate, accessible and fair services in the areas of education, employment, economic and environmental development, health services, housing, law enforcement and the judicial system.

Civil Rights Budget Highlights

- The Governor recommends funding for the Department of Civil Rights at $13.1 million gross and $12.2 million general fund in fiscal year 2004. These funds will support outreach and education activities, extending civil rights through partnerships with other agencies and organizations, and providing legal support to obtain prompt, sure and effective enforcement. The recommended budget is $1.3 million less than the original fiscal year 2003 budget. These reductions will be achieved through hiring freeze savings, reduced information technology services and other administrative efficiencies.

Fiscal Year 2004 Governor's Recommendation

Department of Civil Rights

($ in Thousands)

	FY03 Enacted	FY03 Current Law	FY04 Recommended	% Change
GF/GP	$13,433.7	$12,689.9	$12,183.2	-9.3%
All Funds	$14,367.7	$13,623.9	$13,117.2	-8.7%

Program	GF/GP	All Funds
Problem Resolution Teams	$5,959.1	$6,893.1
Coach Attorney Teams and Support	$2,370.2	$2,370.2
Operations Management	$2,032.7	$2,032.7
Information Technology	$804.0	$804.0
Program Management and Special Operations	$592.8	$592.8
Contract Compliance Team	$424.4	$424.4
Total FY 2004 Recommendation	**$12,183.2**	**$13,117.2**

STATE OF MICHIGAN
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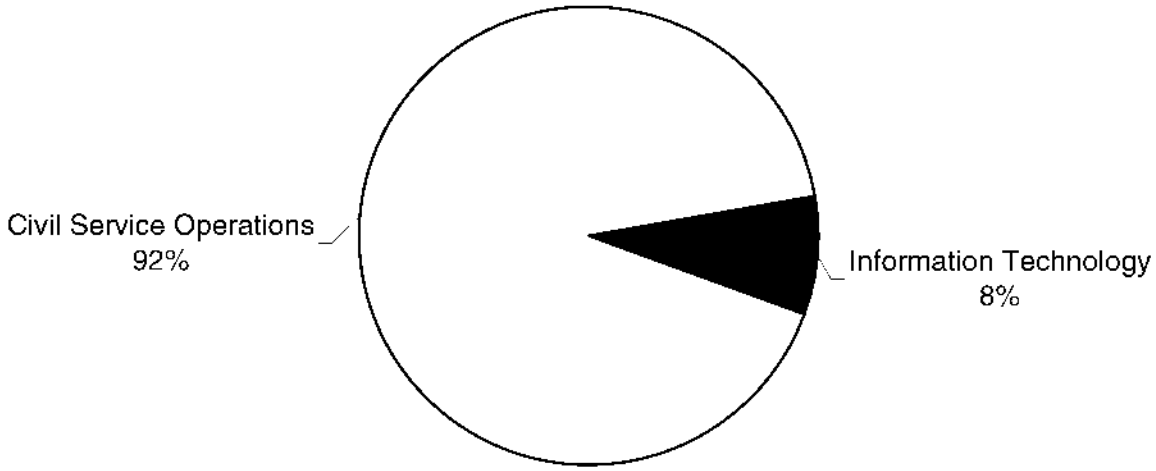
CIRCUMSPICE
Office of the State Budget

Department of Civil Service

The Michigan Department of Civil Service provides human resource management services to attract and retain an effective state workforce. The department helps implement the policies, rules, and procedures formulated by the Civil Service Commission regarding classification of positions, rates of compensation, candidate qualifications, personnel transactions, conditions of employment, and professional development training.

The Governor's proposed budget for fiscal year 2004 recommends total funding of $33.9 million, of which $8.1 million is general fund.

Civil Service Budget Supports Staff and Technology



Total: $33.9 Million

Department Priorities

Article XI, Section 5 of the Michigan Constitution mandates that the Civil Service Commission (CSC) perform six specific functions:

- Classify all positions in the classified state service.
- Fix rates of compensation for all classes of positions.
- Approve or disapprove disbursements for all personal services.
- Determine the qualifications of all candidates for positions in the classified service.
- Make rules and regulations covering all personnel transactions.
- Regulate all conditions of employment in the classified service.

Civil Service Budget Highlights

- The Governor recommends $33.9 million gross and $8.1 million general fund for the Department of Civil Service to provide a statewide comprehensive and balanced human resource management operation. The recommended budget is $2.3 million higher, $2.0 million less general fund, than the original fiscal year 2003 appropriation.

- The Executive Recommendation reflects the transfer of the employee benefits program from the Department of Management and Budget to the Department of Civil Service pursuant to Executive Order 2002-13. The Executive Budget transfers $5.2 million to the department to fund this program.

- The Executive Recommendation reduces the training and development program by $1.0 million to a total of $3.0 million. This reduction reflects current year expenditure trends. The program will continue to coordinate training for state agency staff.

- The Executive Recommendation includes $2.9 million for information technology services, $297,900 less than in fiscal year 2003.

- The Department of Civil Service has achieved $1.3 million in administrative efficiencies since the beginning of fiscal year 2003. The Executive Recommendation recognizes the savings associated with these efficiencies.

- The Governor recommends the elimination of the State Employee Quality Recognition System, saving $191,800 general fund.

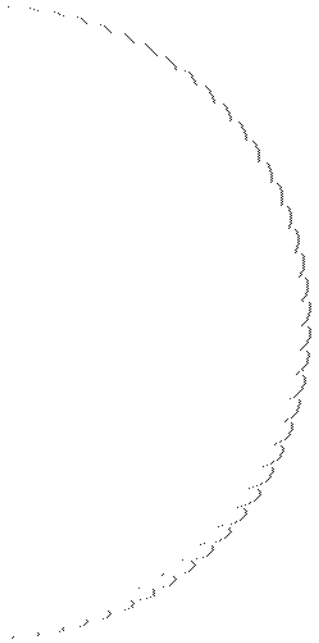
Fiscal Year 2004 Governor's Recommendation

Department Of Civil Service

($ in Thousands)

	FY03 Enacted	FY03 Current Law	FY04 Recommended	% Change
GF/GP	$10,016.9	$9,285.7	$8,052.6	-19.6%
All Funds	$31,585.2	$30,854.0	$33,853.9	7.2%

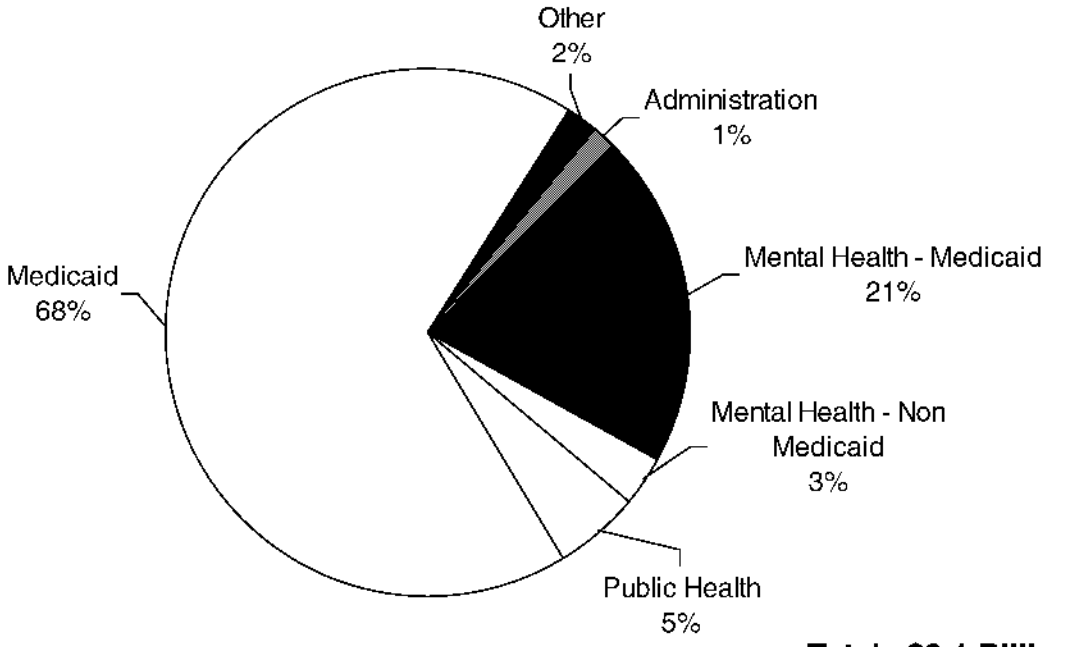
Program	GF/GP	All Funds
Civil Service Operations	$7,168.4	$30,990.2
Information Technology	$884.2	$2,863.7
Total FY 2004 Recommendation	**$8,052.6**	**$33,853.9**



Department of Community Health

The Department of Community Health (DCH) was created in 1996 to better integrate health care services for Michigan residents. The department is responsible for health policy and management of the state's publicly funded health care systems. These programs include Medicaid health coverage for persons with limited incomes; mental health services for people who have a mental illness or a developmental disability; services for individuals who need care for substance abuse; and services provided through local public health operations. The department also provides services to promote the independence and preserve the dignity of Michigan's older persons. The Governor's proposed budget for fiscal year 2004 recommends total funding of $9.1 billion, of which $2.6 billion is general fund.

Medicaid Spending Consumes 89% of the Community Health Budget



Total: $9.1 Billion

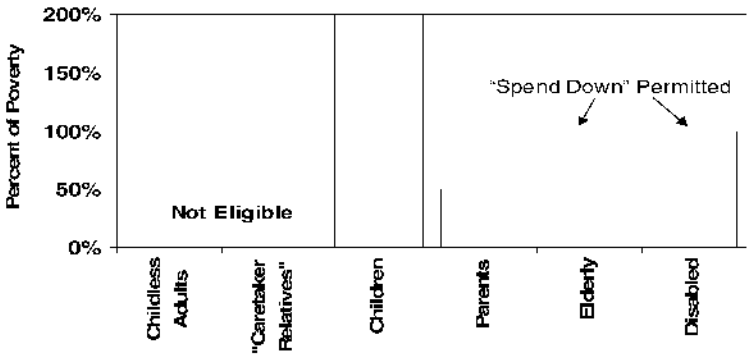
Department Priorities

- Preserve and maintain health care coverage and essential health care services for children and our most vulnerable elderly and disabled citizens.
- Reduce prescription drug costs for the Medicaid program and expand prescription coverage to an additional 25,000 low income senior citizens.
- Maintain a high quality system of community based care for individuals with mental illness, developmental disabilities or serious emotional disturbance.
- Strengthen the public health infrastructure to respond to potential bioterrorist or other public health emergencies.
- Extend the length of time that low-income, elderly citizens are able to remain in their own homes.

Budget Highlights

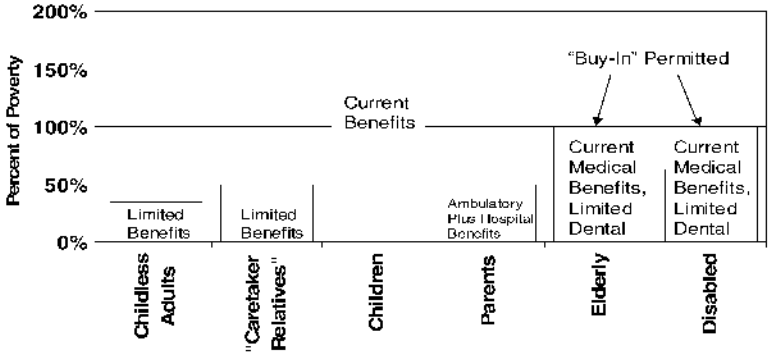
- Medicaid - Governors throughout the country are proposing substantial reductions in Medicaid eligibility and provider payments in order to reduce Medicaid costs to a level that can be financed by declining state revenues. Governor Granholm is recommending Michigan choose a different course: Michigan will temporarily constrain medical benefits to healthy adult Medicaid recipients, but will not cut provider rates nor terminate eligibility for any group currently receiving benefits. This policy change will be secured through an innovative waiver of federal Medicaid rules. The Medicaid Adult Benefits Waiver will also permit the state to leverage additional federal funding and provide a limited Medicaid benefit to approximately 135,000 uninsured adults, including individuals who were formerly classified as "caretaker relatives." This initiative will reduce Medicaid state costs by nearly $110 million in fiscal year 2004. Chart A depicts the current Medicaid eligibility categories with the corresponding poverty levels for each category. Chart B demonstrates how a limited benefits package will be offered to childless adults and caretaker relatives while maintaining eligibility for the current groups.

Chart A - Medicaid Current Eligibility



- Funding for the medical and long term care portion of the Medicaid program is recommended at $4.8 billion in fiscal year 2004. The Medicaid program provides quality health care services for over 1.2 million people in Michigan. The fiscal year 2004 recommendation includes funding increases to finance utilization cost increases and recognizes savings generated by restructuring of the program and through the more efficient management of the benefit package. No reductions in eligibility are recommended.

Chart B – Proposed Eligibility and Benefits



Cost increases related to utilization, inflation, and caseload changes have been funded at five percent for fiscal year 2003 and four percent in fiscal year 2004. These changes result in the commitment of $160 million in new general fund resources for this portion of the Medicaid program. It is anticipated that the caseload increases experienced in 2001 and 2002 will moderate in fiscal year 2003 and decline in fiscal year 2004 as Michigan's economy recovers.

- In last year's campaign, Governor Granholm advocated the creation of multi-state purchasing collaborations to help contain Medicaid pharmaceutical costs. The Governor has successfully recruited three states -- Vermont, Wisconsin and South Carolina -- to combine their purchasing power with Michigan's to obtain reduced drug prices from pharmaceutical manufacturers. More states are expected to join in the near future. This process will reduce costs, but it will not adversely effect medical care. All FDA approved pharmaceutical products will remain available to all Medicaid enrollees. Multi-state drug purchases and other pharmacy cost containment initiatives will generate a $40 million general fund savings in fiscal year 2004.

- Governor Granholm also supports restructuring the distribution of tobacco settlement revenues in the state. Statutory changes are recommended to increase the share of revenues supporting health care from 25 percent to 66 percent of the total annual award. This increased dedication of tobacco revenues will be used to support the Medicaid program, bringing total tobacco settlement Medicaid dollars to $162.5 million.

- The Governor's recommendation continues the Quality Assurance Assessment Program that is a cooperative effort between the state and various medical providers to increase funding for critical Medicaid services. In fiscal year 2004, the program will generate a $56.7 million general fund savings, while augmenting payment rates to hospitals, nursing homes and pharmacies.

- Mental Health – The fiscal year 2004 budget continues a commitment of over $2.2 billion for mental health services. These funds support some of the state's most vulnerable populations. Less than 15 percent of mental health funding is now spent in state institutions, as the vast majority of services are provided in the community. Continuing this trend in fiscal year 2004, another $53 million general fund is being moved out of state run hospitals and centers and into community based services. The closure of Northville Psychiatric Hospital is slated to occur in fiscal year 2003, and funding has been appropriately adjusted in the Executive Budget.

  Cost increases related to utilization, inflation, and caseload changes have been funded, resulting in the commitment of $18.3 million in new general fund resources for the Medicaid mental health program. A $23 million Medicaid rate increase is also included in the recommendation.

- Public Health – Funding for public health programs is maintained at $472 million for fiscal year 2004, in recognition of the critical role that public health programs play in our nation's homeland security initiatives. One important increase is recommended. Michigan will use $250,000 in currently appropriated general fund resources to match $2,250,000 in federal Medicaid funds that will then be used to finance a family planning benefit for low-income women not currently eligible for Medicaid. In fiscal year 2004, this program will serve about 16,500 women.

- Funding for the Elder Prescription Insurance Coverage program is increased from $30 million to $68 million which will increase the number of low-income seniors served by the program from 15,000 to 42,000.

Fiscal Year 2004 Governor's Recommendation

Department of Community Health

($ in Thousands)

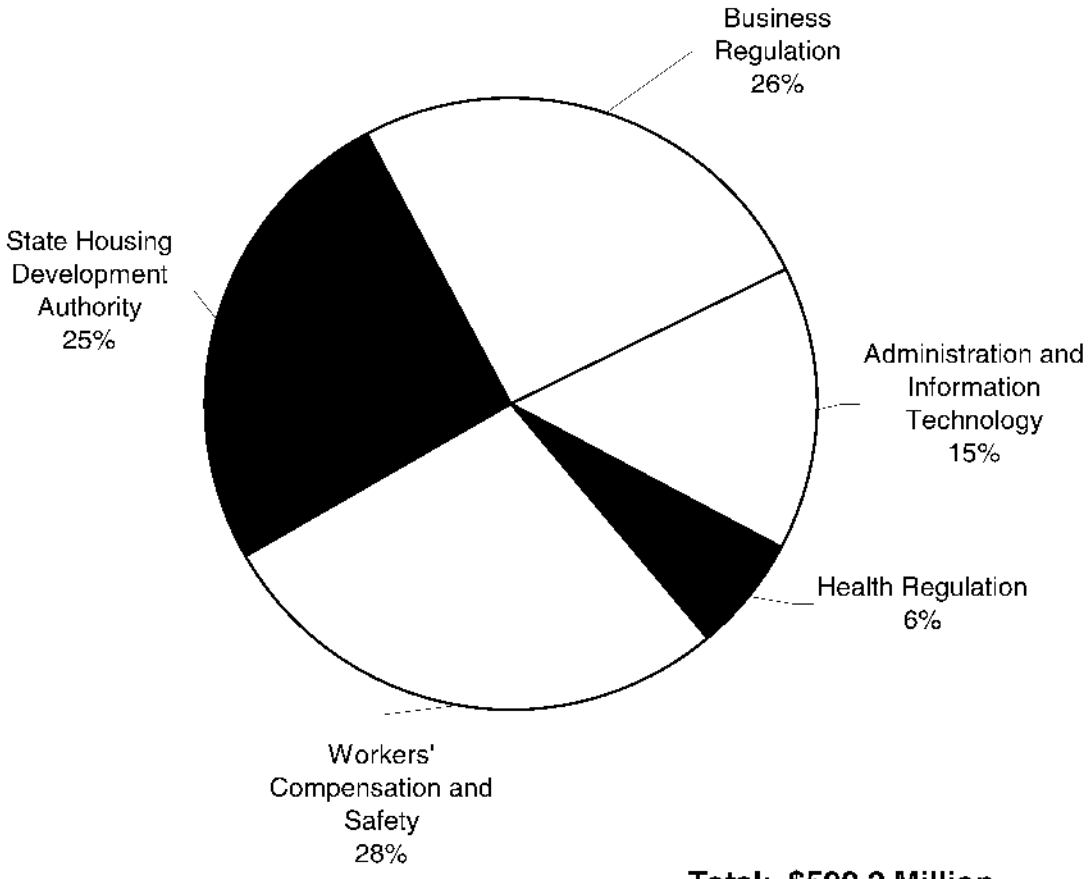
	FY03 Enacted	FY03 Current Law	FY04 Recommended	% Change
GF/GP	$2,540,198.9	$2,411,310.4	$2,583,938.6	1.7%
All Funds	$9,397,514.7	$9,217,477.6	$9,117,346.9	-3.0%

Program	GF/GP	All Funds
Medicaid Medicaid Fee for Service Medicaid Managed Care Services Medicaid Adult Benefits Waiver Children's Special Health Care Services	$1,315,648.6	$6,090,798.5
Mental Health - Medicaid	$794,483.5	$1,962,072.0
Mental Health - Non-Medicaid	$287,147.6	$287,147.6
Public Health	$74,918.6	$472,020.1
Administration	$64,637.3	$127,425.8
Other Office of Drug Control Policy Crime Victim Services Office of Services to the Aging Information Technology Services	$47,103.0	$177,882.9
Total FY 2004 Recommendation	**$2,583,938.6**	**$9,117,346.9**

Department of Consumer and Industry Services

The Department of Consumer and Industry Services (CIS) supports the health, safety and economic welfare of Michigan citizens by licensing and regulating individuals, facilities and industries conducting business in Michigan. The Governor's proposed budget for fiscal year 2004 recommends total funding of $590.2 million, of which $19.7 million is general fund.

CIS Provides a Variety of Services



Total: $590.2 Million

Department Priorities

- Protect workers by responding promptly to occupational health and safety complaints, and by quickly resolving MIOSHA discrimination cases.
- Help jobless and disabled workers by timely processing of unemployment claims and quick resolution of wage replacement disputes.
- Protect consumers by reducing the number of long-term care facilities with safety-related violations, by licensing foster care facilities, by regulating utilities, and by promptly reviewing construction code plans.

Consumer and Industry Budget Highlights

- In response to general fund revenue declines, the Governor proposes a number of user fee increases to insure that the individuals and businesses that use government services pay for those services. For fiscal year 2004, the Governor recommends the replacement of $10.8 million in general fund revenues that have been subsidizing various CIS regulatory activities with increased fee revenues. These new revenues will be derived from corporate, securities, and licensing and regulation fees, from the Health Professions Regulatory Fund, and from health systems fees and collections. Legislation will be required to enact these fee increases, with the exception of the health professions fees which can be increased via the appropriations process.

- Administrative Efficiencies – The Governor recommends the merger of the Office of Fire Safety with the Bureau of Construction Codes. This reorganization saves $856,600 general fund in fiscal year 2004, in addition to $665,200 already saved in the current year. Eliminating the Appellate Commission and shifting its functions elsewhere in the Bureau of Workers' and Unemployment Compensation frees up an additional $284,500 of Corporate and Securities fees, which lapse to the general fund.

- Workers' Compensation and Safety – Funding for unemployment, workers' compensation, workplace safety and occupational regulation is recommended at $164.5 million in fiscal year 2004, none of which is general fund. These programs protect employees by providing unemployment and workers' compensation benefits to eligible workers and by enforcing workplace safety requirements. They also protect citizens by licensing and regulating over 20 different professional occupations as required by law.

- Business Regulation – A total of $151.5 million, $14.4 million general fund, is recommended for regulating businesses in the state in fiscal year 2004. This represents an overall reduction of 3.9 percent from the fiscal year 2003 original appropriation. This funding supports the operations of the Public Service Commission, the Office of Financial Services, the Liquor Control Commission, and the Bureau of Regulatory Services, which licenses and inspects adult and children's foster care facilities and child care providers.

- Housing – The Michigan State Housing Development Authority is recommended for $150.3 million in fiscal year 2004, none of which is general fund. A substantial 41 percent increase from the fiscal year 2003 original budget provides additional federal funds to create and preserve decent, affordable housing for low and moderate income Michigan residents.

- Health Regulation – For fiscal year 2004, funding of $35.8 million total, $4.8 million general fund, is recommended for licensing and regulating health facilities and over 30 different health-related occupations, virtually identical to the current year funding level. In addition to processing over 100,000 occupational health licenses and renewals annually, this bureau licenses and inspects nursing homes, hospitals, substance abuse clinics, psychiatric hospitals and radiological machines.

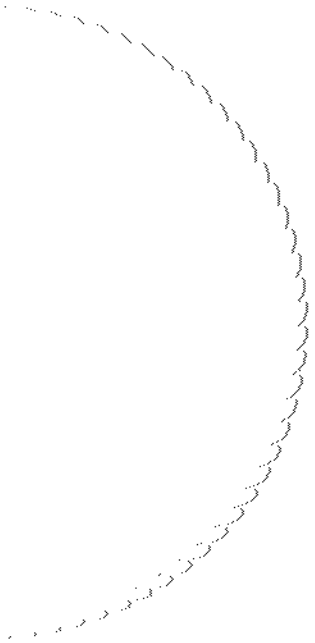
Fiscal Year 2004 Governor's Recommendation

Department of Consumer and Industry Services

($ in Thousands)

	FY03 Enacted	FY03 Current Law	FY04 Recommended	% Change
GF/GP	$35,976.3	$32,900.5	$19,669.8	-45.3%
All Funds	$555,301.5	$548,515.2	$590,197.7	6.3%

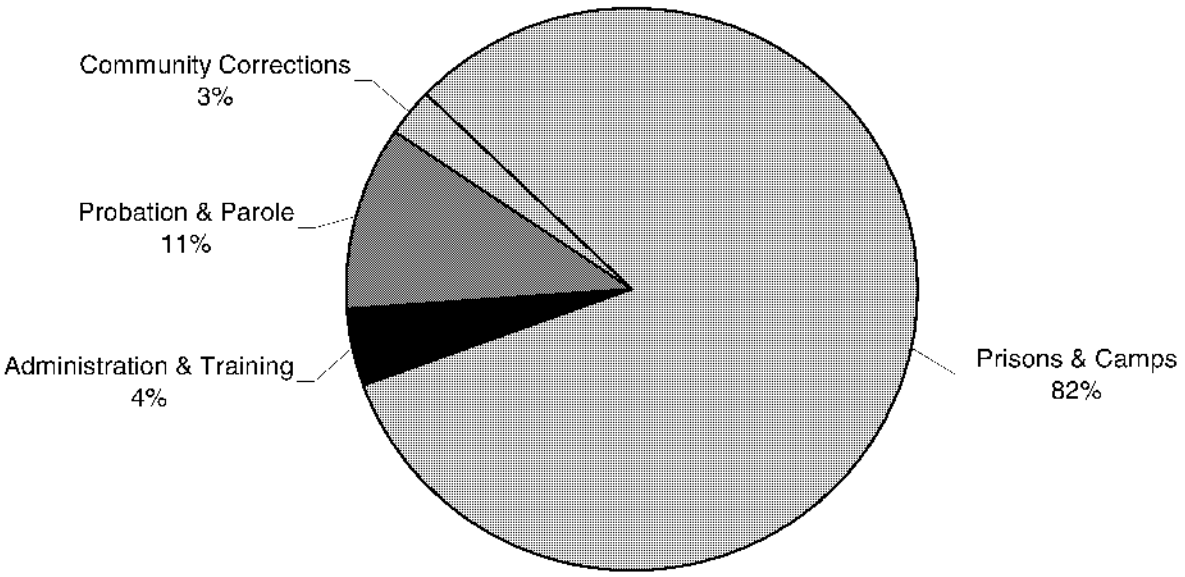
Program	GF/GP	All Funds
Workers' Compensation and Safety	$0.0	$164,520.1
Business Regulation	$14,355.6	$151,484.3
State Housing Development Authority	$0.0	$150,337.8
Administration and Information Technology	$494.0	$88,095.3
Health Regulation	$4,820.2	$35,760.2
Total FY 2004 Recommendation	**$19,669.8**	**$590,197.7**



Department of Corrections

The Department of Corrections performs an important role in promoting public safety for the residents of the State of Michigan by providing custody and care for incarcerated felons and maintaining oversight and supervision of parolees and felony probationers. The Governor's proposed budget for fiscal year 2004 recommends total funding of $1.72 billion, of which $1.63 billion is general fund.

Over 80% of Funding Supports Prisons and Camps



Total: $1.72 Billion

Department Priorities

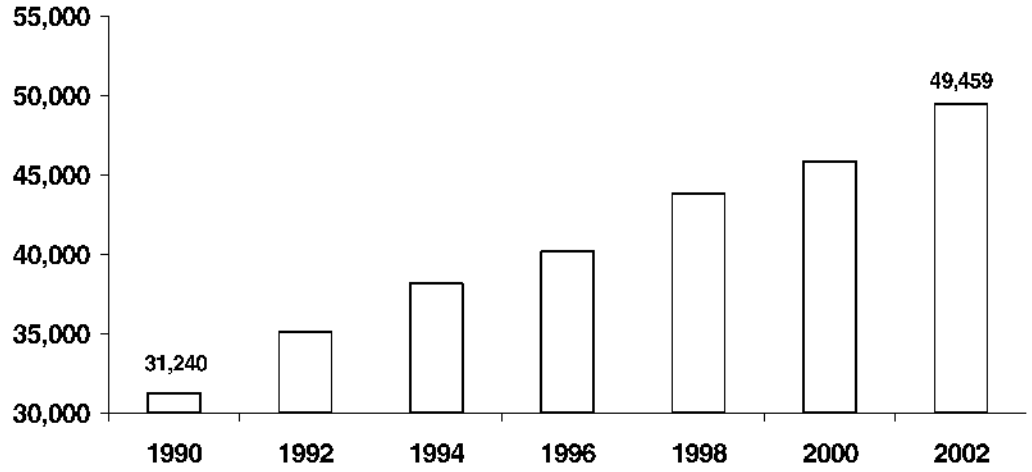
- Imprison Michigan's most dangerous criminals.
- Work cooperatively with the judiciary to expand drug treatment courts for alcohol and drug addicted offenders who otherwise would be sentenced to prison.
- Expand the use of local sanctions in order to allow communities to determine appropriate punishment for low level offenders who would otherwise be sent to prison.
- House carefully screened inmates in local facilities to provide substance abuse treatment and employment training, or to transition prisoners who have been paroled back into the community.
- Emphasize restorative justice through razing abandoned houses that attract crime, constructing modular housing in communities damaged by crime, and other community service programs.

Corrections Budget Highlights

- For fiscal year 2004, general fund appropriations for the Department of Corrections increase by less than 1 percent to cover the unavoidable costs of partial year bed openings and prisoner health care. Over $1.4 billion is budgeted for prison and camp operations. However, Governor Granholm proposes new criminal justice policies to help manage prison costs, while insuring that dangerous felons are kept off the streets.

- In order to operate within the constraints of the proposed fiscal year 2004 budget, the policy changes described below must be implemented. Without these changes, the state will run out of prison beds by the end of 2003 and prison costs will increase by almost $120 million.

Over 18,000 More Felons are in Prison Now Than in 1990



- The budget starts to shift the department's focus and funding away from continual growth of the prison population toward the concept of Restorative Justice to hold non-violent offenders accountable by requiring them to repair the harm they inflict on victims and the community.

- Governor Granholm proposes creation of a new Conditional Reintegration Program, a concept first introduced under the Engler Administration in December 2002, so carefully screened low-risk inmates can be housed in corrections centers or on electronic tethers in the community immediately prior to parole. Implementation of this program will require new legislation. This reintegration program will be funded by $6.0 million redirected from prison bed costs and an additional $1.9 million in participant contributions. This program will eliminate the need for over 1,375 prison beds and will save the state over $19 million in fiscal year 2004.

- The department will partner with local government to develop and use cost effective community-based sanctions for low-level offenders. Fiscal year 2003 funding reductions made to probation residential services and community corrections services are fully restored for fiscal year 2004.

- The budget increases the use of community-based sanctions for technical parole violators and will help fund local programs to provide control and treatment options for probation violators and other low-level offenders who would otherwise be sent to prison. The 2004 Corrections budget will appropriate $1.4 million in additional one-time funding for enhanced counseling and training for probationers and parolees. Increased funding for drug courts in the Judiciary budget will help treat substance abuse offenders locally and will provide additional alternatives to costly prison beds.

- A portion of the county jail reimbursement funding will be redirected toward the Local Facility Expansion Program to increase the number of county jail beds that will be available for the state to lease. The balance of the county jail reimbursement funding will be used to jail felons who otherwise would have been sentenced to prison. An additional $1.0 million may become available for the county jail reimbursement program upon passage of the Judiciary proposal to consolidate a number of criminal justice assessment fees.

- To further expand community outreach efforts that were started with the home construction partnership, Habitat for Humanity, the department will partner with local officials to raze abandoned buildings that attract crime.

- The department will develop new collaborative measures with the Michigan State Police to apprehend violent fugitives and probation and parole absconders.

Fiscal Year 2004 Governor's Recommendation

Department of Corrections

($ in Thousands)

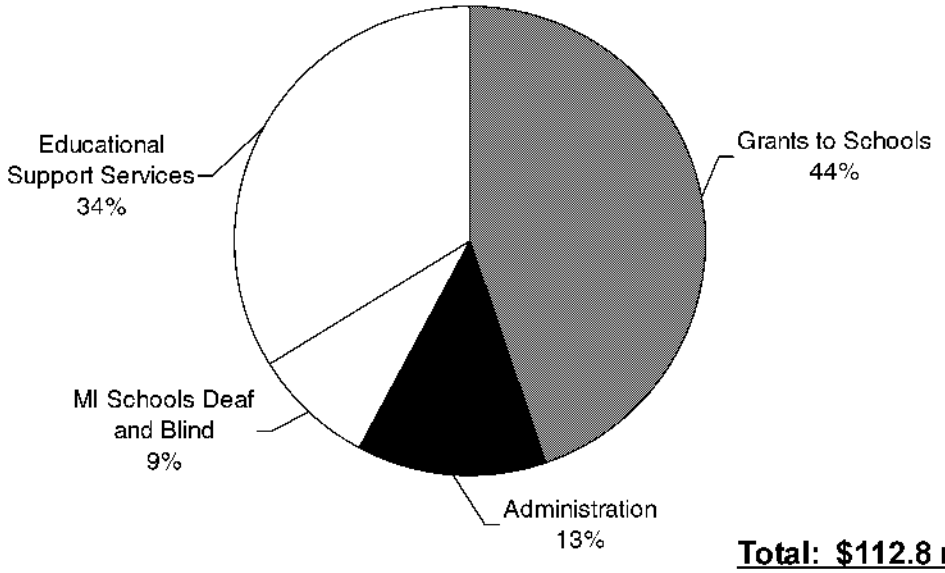
	FY03 Enacted	FY03 Current Law	FY04 Recommended	% Change
GF/GP	$1,620,267.0	$1,599,803.2	$1,632,315.3	0.7%
All Funds	$1,705,870.6	$1,685,406.8	$1,723,507.2	1.0%

Program	GF/GP	All Funds
Prison and Camp Operations		
Facility Costs Subtotal	$1,089,886.3	$1,140,992.2
Prisoner Health Care Costs Subtotal	$171,044.5	$171,235.7
Court Ordered Consent Decrees Subtotal	$105,717.9	$105,717.9
Subtotal	$1,366,648.7	$1,417,945.8
Probation and Parole Oversight Services	$161,695.8	$181,750.9
Department Administration	$63,604.9	$64,243.5
Community Corrections Services	$28,053.7	$47,245.8
Information Technology Services and Projects	$12,312.2	$12,321.2
Total FY 2004 Recommendation	**$1,632,315.3**	**$1,723,507.2**

Department of Education

The strategic goal of the State Board of Education is to attain substantial and meaningful improvement in academic achievement for all students, with primary emphasis on students in chronically underperforming schools. To that end, the Department of Education is responsible for managing state school aid funds of over $11 billion, administering the revised school code and other education-related state laws, overseeing federal education programs totaling more than $1.2 billion, and operating the Michigan Schools for the Deaf and Blind. The Governor's proposed budget for fiscal year 2004 recommends total funding of $112.8 million, of which $29.4 million is general fund.

Grant Funding to Schools is 44% of the Total Budget



Total: $112.8 million

Department Priorities

State Board of Education Strategic Goal: Attain substantial and meaningful improvement in academic achievement for all students, with primary emphasis on students in chronically underperforming schools.

- Increase the number of children prepared to succeed when they enter school.
- Decrease the number of underperforming schools.
- Increase achievement of underperforming student populations.
- Reduce the number of students who drop out of school.
- Provide training for experienced teachers to serve as mentors for new teachers in underperforming schools.
- Increase the number of Michigan teachers who become National Board Certified Teachers.
- Increase participation in the school breakfast and lunch programs as a means of improving student achievement.

Education Budget Highlights

- The department works collaboratively with public, private and philanthropic organizations to develop and support high quality preschool and parent education programs. Despite Michigan's budget crisis, the Governor's fiscal year 2004 budget protects funding for the School Readiness Program, a preschool program for 4-year-olds who may be at risk of academic failure. State funding for preschools totals $85.0 million -- $12.2 million in the Department of Education budget and the balance in the school aid budget. This funding will support quality preschool programs for over 25,000 children. Since the program began in 1985, more than 278,000 children have been served.

> *"Scientific research on the brain is clear: By the time a child arrives for kindergarten, 85 percent of the brain is developed. If the brain is purposefully stimulated and nurtured before a child is old enough to tie his or her shoe, that child's lifelong capacity to learn will be forever enhanced."*
>
> **Governor Granholm, State of the State Address, February 2003**

- The School Breakfast Program is funded at $10.4 million for fiscal year 2004, an increase of $2.6 million or 33 percent from fiscal year 2003. In 2004, over 38 million nutritious breakfasts will be served to children so that they are ready to learn.

- Funding provided for the Office of Field Services ($5.9 million) allows department staff to work directly with school districts to improve student achievement. Federal Title I monies allow staff to focus their attention on underperforming schools to help close student achievement gaps and decrease dropout rates.

- The fiscal year 2004 Executive Budget provides $4.5 million for teacher preparation programs. Funding is used to modify Michigan's teacher preparation system to ensure that all teachers and paraprofessionals are "highly qualified" as required by the federal *No Child Left Behind Act*, including the development of a teacher mentoring program.

> *"Our children need a Great Start. Then they need great teachers at every stop on their journey to educational achievement."*
>
> **Governor Granholm, State of the State Address, February 2003**

- The Office of School Excellence provides K-12 curriculum services, early childhood and parenting services, and learning support services. For fiscal year 2004, $10.3 million is recommended to ensure that all students are ready to learn when they come to school, and educators have the necessary training to provide students with a quality education. To this end, the Reading First initiative helps local districts eliminate reading deficits by establishing high quality, comprehensive reading instruction from K-3rd grade. In fiscal year 2004, the department will provide $22.7

million to eligible local education agencies to establish research-based reading programs for students in K-3rd grade who are not reading at grade level. The fiscal year 2004 Executive Budget reduces this program by $2.1 million, due to reductions in federal grants administration ($1.7 million), early retirements savings, budgetary savings reductions, and Executive Order reductions.

- The fiscal year 2004 Executive Budget recommendation includes $9.6 million for the Michigan Schools for the Deaf and Blind. Funding is used by the schools to support a total continuum of residential and outreach services for the visually impaired, hearing impaired, and severely multiply impaired -- from student assessment to the development of individualized education programs.

- Federal grants to schools and related administrative funds of $102 million have been removed from the Department's budget due to the phasing out of these programs by the federal government. On-going federal grants to school districts totaling more than $1.2 billion are now appropriated in the State School Aid Act.

- The Motorcycle Safety Education Program and the Off-Road Vehicle Safety Education Program have been eliminated as part of an effort to focus limited state staff resources on core missions. These two programs provide grants to instructional agencies to help subsidize safety-training courses for individuals interested in operating motorcycles and off-road vehicles, whereas the department's core focus is providing educational services to children. The total reduction as a result of eliminating these programs is $2.0 million. The fees that previously supported these programs will be eliminated and interested individuals can purchase safety training directly from private providers.

- Due to current revenue constraints, the fiscal year 2004 Executive Budget does not include funding for per diem payment to members of the State Tenure Commission. The total savings from eliminating per diem payments is $11,100.

Fiscal Year 2004 Governor's Recommendation

Department of Education

($ in Thousands)

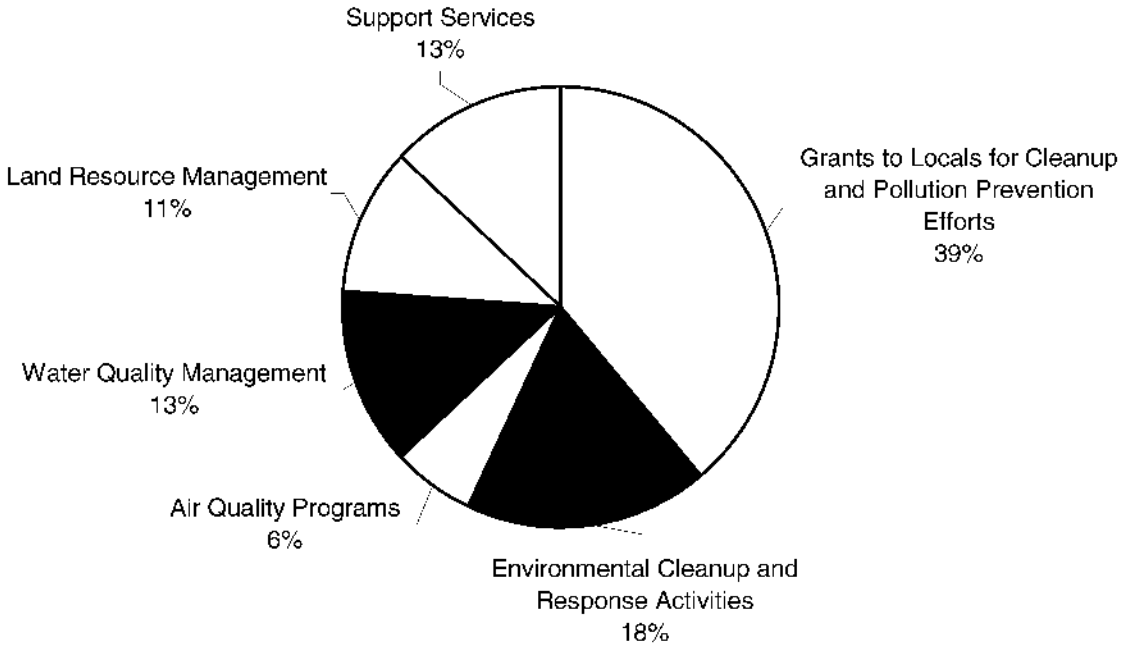
	FY03 Enacted	FY03 Current Law	FY04 Recommended	% Change
GF/GP	$29,021.7	$29,018.2	$29,392.5	1.3%
All Funds	$215,490.7	$215,487.2	$112,825.0	-47.6%

Program	GF/GP	All Funds
Grants to Schools		
Urgent School Renovations Grants	$0.0	$20,000.0
School Readiness Grants	$12,250.0	$12,250.0
School Breakfast Program	$10,370.1	$10,370.1
Driver Education	$0.0	$7,600.0
National Board Certification	$0.0	$100.0
Christa McAuliffe Grants	$0.0	$94.8
Administrative Support Services		
Central Support Services	$2,003.6	$6,850.9
Information Technology	$1,024.2	$2,514.1
State Board of Education/Superintendent	$1,226.7	$2,449.3
Michigan School for the Blind Former Site	$0.0	$1,749.0
Government Services	$151.9	$572.3
Administrative Law Services	$284.5	$560.9
Educational Support Services		
Special Education Services	$196.2	$11,237.9
School Excellence Operations	$1,515.7	$10,260.6
Field Services Operations	$0.0	$5,868.3
School Support Operations	$156.4	$4,667.6
Professional Preparation Services	$0.0	$4,518.9
Education Options Operations	$152.3	$1,132.5
Safe School Operations	$60.9	$393.7
Michigan School For Deaf and Blind Services	$0.0	$9,634.1
Total FY 2004 Recommendation	**$29,392.5**	**$112,825.0**

Department of Environmental Quality

The Department of Environmental Quality is committed to restoring and enhancing Michigan's environment for the protection of public health and the preservation of our natural resources. Acting as chief steward for air, land, and water quality, the department focuses on environmental monitoring, permitting, enforcement, and innovative partnerships that add to the quality of life enjoyed by residents and visitors alike. The Governor's proposed budget for fiscal year 2004 recommends total funding of $344.0 million, of which $53.1 million is general fund.

Fiscal Year 2004 Spending by Category



Total: 344.0 Million

Department Priorities

- Protect the health and welfare of Michigan's citizens by reducing the amount of air pollutants.
- Protect, conserve, and enhance the critical natural water areas of the state, such as wetlands, inland lakes and streams, Great Lakes bottomlands and coastal areas.
- Improve the environment through continued cleanup efforts on contaminated sites and brownfield redevelopment sites.
- Assure that surface water quality standards are met to protect Michigan's waters.
- Protect the environment by adopting a multifaceted approach to reduce waste disposal.
- Provide incentive and service programs, as well as partnerships to promote environmental stewardship.

Environmental Quality Budget Highlights

- The Governor's recommended fiscal year 2004 budget maintains full support of over $340 million for critical environmental protection programs, while providing additional support for various programs with available restricted revenue, and by increasing user fees in certain environmental oversight programs.

- A new National Pollutant Discharge Elimination System Permit Fee (NPDES) is recommended to cover the fiscal year 2003 cost of $4.7 million general fund associated with compliance monitoring, permitting, establishment of water quality limits, and enforcement activities – delegated by the Environmental Protection Agency – of municipal, commercial, and industrial facilities that discharge wastewater to surface waters such as rivers, lakes, and streams. This proposed new fee is consistent with that found in most other states and will provide a stable source of budgetary support for wastewater programs. The proposed new NPDES fee will generate some $6.9 million in new revenue enabling an expansion of existing compliance and enforcement efforts while saving $4.7 million in general fund revenue.

- Through a shift in priorities for fiscal year 2004, the department will provide increased frequency in inspections at Michigan landfills, including surprise visits, to identify car batteries, yard waste, used motor oil and other hazardous items generally prohibited from dumps. The department's fiscal year 2003 spending level for landfill inspections is $3.8 million general fund. For fiscal year 2004 an expansion of the existing solid waste fee structure for all 83 active Michigan landfills is proposed. The expanded fee structure will generate $3.8 million in new revenue while saving the general fund $2.6 million.

"Federal law doesn't allow us to ban this trade in Canadian and out-of-state trash, but we do have the right to insist that trash dumped in our landfills meets our standards.... Our state cannot - and will not - be the nation's trash can."

Governor Granholm, State of the State Address, February 2003

- Reducing the threat to groundwater quality remains a focal point of Department of Environmental Quality activities. The fiscal year 2004 Executive Recommendation proposes an expansion of the groundwater discharge permit program, as well as the permit fee structure that supports regulation of wastewater discharge by public and private entities. The department's fiscal year spending level for the groundwater discharge permit program is $1.4 million general fund. Through the proposed expansion in the permit fee structure, the department will generate $3.6 million in new revenue which will be used to support the expansion of existing regulatory efforts to ensure that groundwater quality standards are met. The fee proposal will also save $1.4 million in general fund revenue.

- To ensure consistency with new federal regulations imposed on states for storm water discharge, a fee expansion for the Storm Water Discharge Permit program is proposed in fiscal year 2004. The fiscal year 2003 spending level for the storm water discharge permit program is $900,000, entirely supported by existing fee revenue. The proposed fee expansion will generate an additional $1.1 million annually in restricted fund support for this permit program covering industries and construction sites, bringing total program support for fiscal year 2004 to a level of $2.0 million. While no savings to

the general fund will occur, this expanded fee proposal will allow the department to enhance the Storm Water Discharge Permit program to conform with the new federal regulations without additional cost to the general fund.

- Efforts to reduce the threat to our Great Lakes from the introduction of non-aquatic nuisance species that destroy native fish and vegetation are ongoing. As part of this effort, the Executive Recommendation provides an additional $225,000 in restricted fund support for the aquatic nuisance program to enhance the permit process for chemical control of aquatic vegetative nuisance species. A corresponding savings to the general fund of $100,000 will be achieved.

"The environment will not be an afterthought; it will be a priority."

Governor Granholm, State of the State Address, February 2003

- As a result of the 2002 statutory increase to the tire disposal surcharge fee, an additional $2.8 million in available restricted resources for support of the scrap tire grant program are provided. For fiscal year 2004, total support for this program will increase from $700,000 to $3.5 million. Scrap tire grants are used to assist with the proper removal of abandoned scrap tires on public and private lands, and to foster research towards identification of alternative uses for this commodity.

- As part of a counter-terrorism coordinated effort, the fiscal year 2004 recommendation includes $400,000 in additional Environmental Protection Agency resources to provide technical assistance and training in security measures for public water systems.

- A total of $1.1 million in savings to the general fund will be achieved through the elimination of non-essential or under-performing programs. Impacted programs include duplicative efforts in manufactured housing inspection, a septage program that generated meager revenues and a recreational resources unit with low demand for services.

- Full funding for laboratory services is maintained while saving $1.3 million general fund by properly aligning Clean Michigan Initiative (CMI) restricted fund resources to laboratory activities associated with Clean Michigan sites.

- A direct charge system will be implemented for water testing activities performed at laboratories, which are currently supported by the general fund. Current exemptions, as well as free re-testing, will be eliminated to save $300,000 in general fund revenues. In addition, revenue generated from the proposed new NPDES fee will provide $300,000 for support of water testing activities. As a result of these combined efforts, the general fund will save a total of $600,000.

- The fiscal year 2004 recommendation removes $58 million in restricted fund support for the Michigan Underground Storage Tank Financial Assurance program due to the scheduled 2003 sunset of the statutory fee supporting this effort, when sufficient escrow funds are available to retire the related bonds.

Fiscal Year 2004 Governor's Recommendation

Department of Environmental Quality

($ in Thousands)

	FY03 Enacted	FY03 Current Law	FY04 Recommended	% Change
GF/GP	$72,432.5	$66,653.2	$53,055.8	-26.8%
All Funds	$405,289.6	$401,499.6	$343,957.4	-15.1%

Program	GF/GP	All Funds
Grants to Locals for Cleanup and Pollution Prevention Efforts	$17,481.5	$130,449.0
Environmental Cleanup & Response Activities	$0.0	$59,904.0
Support Services	$15,393.5	$51,060.0
Water Quality Management	$6,753.4	$43,765.8
Land Resource Management	$7,120.2	$38,232.3
Air Quality Programs	$6,307.2	$20,546.3
Total FY 2004 Recommendation	$53,055.8	$343,957.4

Executive Office

The Executive Office is the Office of the Governor. The budget provides funding for the Governor and her immediate staff, who assist in executing the governor's constitutional responsibilities as chief executive of the State of Michigan. The Executive Office also includes funding for the Lieutenant Governor's Office. The Lieutenant Governor performs gubernatorial functions in the Governor's absence, presides over the Senate, serves on the State Administrative Board, and represents the Governor at selected local, state and national meetings. The Executive Office also contains the Constituent Services Division, a conduit through which state government is accessible to the people of this state, and responsive to their needs.

The recommended fiscal year 2004 budget totals $ 4.9 million, a 10 percent reduction from the original fiscal year 2003 appropriation.

Fiscal Year 2004 Governor's Recommendation

Executive Office

($ in Thousands)

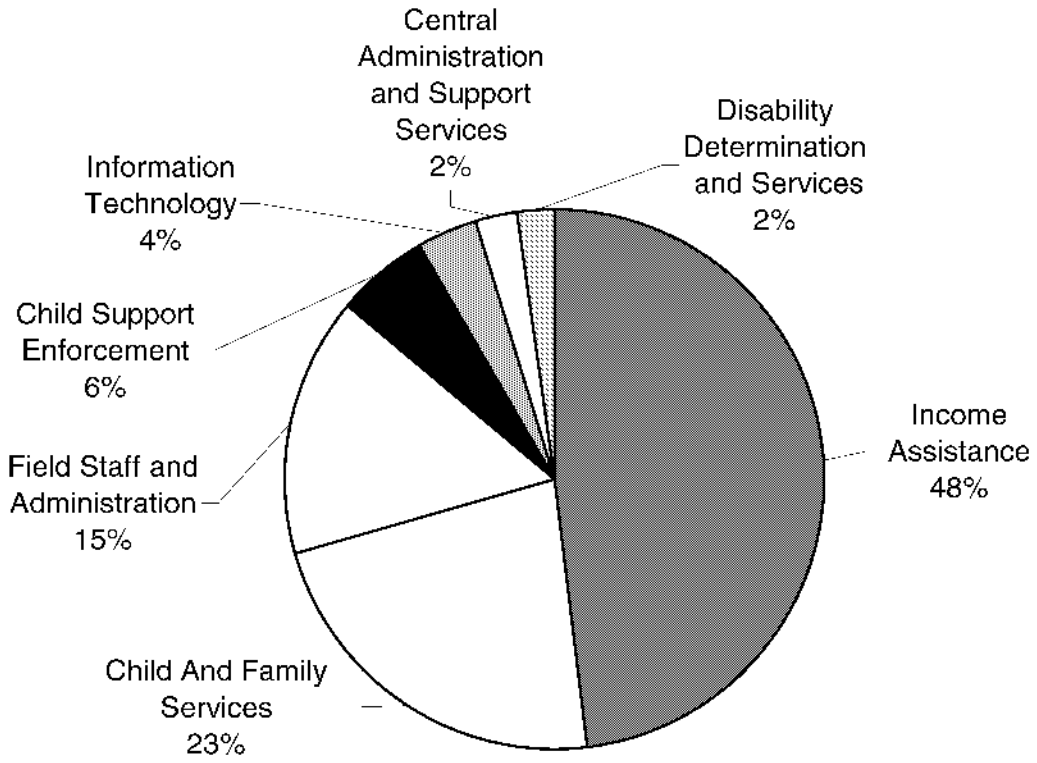
	FY03 ENACTED	FY03 CURRENT LAW	FY04 RECOMMENDED	% CHANGE
GF/GP	$5,399.5	$5,021.5	$4,859.5	-10.0%
All Funds	$5,399.5	$5,021.5	$4,859.5	-10.0%

Program	GF/GP	All Funds
Governor salary	$177.0	$177.0
Lieutenant Govenor Salary	$123.9	$123.9
Executive Office Operations	$4,558.6	$4,558.6
Total FY 2004 Recommendation	**$4,859.5**	**$4,859.5**

Family Independence Agency

The Family Independence Agency (FIA) assists individuals and families to meet financial, medical, and social needs; helps people move toward self-sufficiency; and works to prevent abuse, neglect, and exploitation of children and vulnerable adults. FIA directs the operations of public assistance and service programs through a network of Family Independence Agency offices in every county in Michigan. The Governor's proposed budget for fiscal year 2004 recommends total funding of $3.9 billion, of which $1.1 billion is general fund.

Nearly Half of the Family Independence Agency Budget Supports Income Assistance Programs for Low Income Families and Individuals



Total: $3.9 Billion

Department Priorities

- Safety: Protection of abused and neglected children, vulnerable adults and communities.
- Well Being: Meet basic needs for food, shelter, health care, housing and utilities.
- Permanency: Ensure the integrity of families, and stability for children in their living situations.
- Independence: Offer temporary assistance to needy families while helping them achieve self-sufficiency.

Family Independence Agency Budget Highlights

- The fiscal year 2004 Executive Budget includes $334.9 million for the Family Independence Program, supporting 69,500 cases. Caseloads are expected to flatten in fiscal year 2003, followed by a slight decline in fiscal year 2004 as the economy recovers.

- The Executive Budget maintains the State Disability Assistance Program as a safety net for disabled persons who are unable to work, but who do not qualify for federal Social Security Income benefits. The $24.0 million budget funds a projected caseload of 8,400.

- The Governor's budget includes $833 million in federal funds for the Food Assistance Program, to increase the food purchasing power of low-income households. In addition, the budget invests $12.7 million in new general fund dollars to avoid federal penalties and improve the accuracy and integrity of Food Assistance Program administration.

- The budget recognizes increases in Michigan's Low Income Home Energy Assistance and Weatherization federal awards, with combined fiscal year 2004 budgets totaling over $132 million. These funds will support the home heating credit, energy-related crisis intervention payments, and weatherization activities to make homes more energy efficient.

- The fiscal year 2004 Executive Budget includes $41.4 million for emergency assistance to individuals and families. While maintaining important health and safety nets such as rent payments, home repairs, and assistance with utility bills, the Governor's budget recommends a 15 percent reduction in state payment rates for burial services.

- Funding for safe, quality child day care services for low-income families is recommended at $471.8 million, anticipating a caseload of 66,300 for fiscal year 2004. The budget assumes $4.4 million in savings by limiting the maximum payment for day care to 100 hours per pay period, but does not make any reductions in rates or eligibility for services.

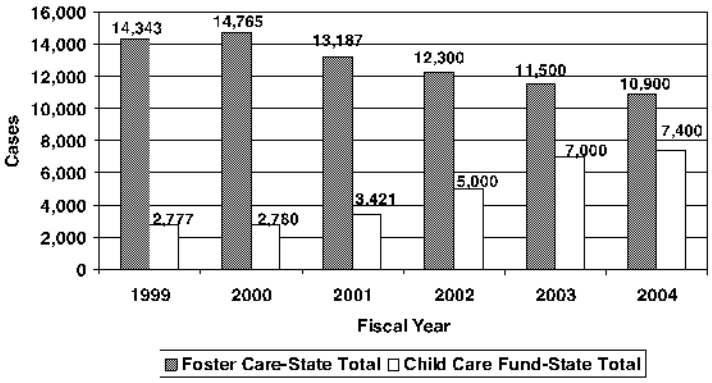
- The state can no longer afford to sustain the optional $5.0 million Transitional Work Support program which provides medical coverage for families who become self-sufficient in the first one or two months after going off public assistance. These families are not currently eligible for Medicaid. However, a Medicaid waiver will be sought to provide medical coverage for these families under that program.

- Maintenance and operation of the Michigan Child Support Enforcement System, which is scheduled to be implemented in all 83 counties and federally certified by September 30, 2003, is budgeted at $70.0 million. The full implementation of the system will give every county access to the latest and best tools available for locating parents and enforcing child support orders, with the goal of getting children the support to which they are entitled.

- The foster care program serves children who have been made wards of the state by county courts, as well as court wards eligible for federal Title IV-E funding. The Child Care Fund serves children classified as county wards by the courts. In fiscal year 2000, Wayne County initiated an effort to classify more children as county wards to deliver services through a community-based approach. As a result, the cost of care has been shifting from the foster care appropriation to the Child Care Fund appropriation.

- The Governor's fiscal year 2004 budget offers opportunities for all counties to pilot a service delivery approach that encourages more community-based alternatives to out-of-home placement. To accomplish the desired result, the Family Independence Agency will make a $36.0 million Temporary Assistance for Needy Families (TANF) federal claim for community-based services funded by the Child Care Fund. In turn, a portion of the general fund savings generated by the federal claim will be shared with participating counties through an increase in the Child Care Fund reimbursement rate for alternatives to out-of-home care, from 50 percent to 75 percent. To free up federal funds to make the intended claim, the budget redirects $12.5 million in funding from several pilot programs (Before and After School Pilot Programs, Teenage Parent Counseling, Family Preservation and Prevention Services, the Fatherhood and Marriage Initiatives, and the Enhanced Kinship Care Pilot) to the new Enhanced Child Care Fund Reimbursement for Community Programs line item. Counties will have the option to continue funding these types of programs through the Child Care Fund.

Foster Care Cases Decline While Child Care Fund Cases Continue to Grow



- The Governor's budget modifies foster care administrative rates to make them more uniform, thereby saving $453,000. No other reductions to foster parent rates or payments to child caring agencies are proposed.

- The Adoption Subsidy program is funded at $219.4 million, including $16.2 million for anticipated caseload increases due to the department's continued successful efforts to find permanent adoptive homes for special needs children. To contain costs, the Executive Budget recommends limiting adoption subsidy to adoptees under the age of 19, rather than age 21, saving $3.6 million.

Fiscal Year 2004 Governor's Recommendation

Family Independence Agency

($ in Thousands)

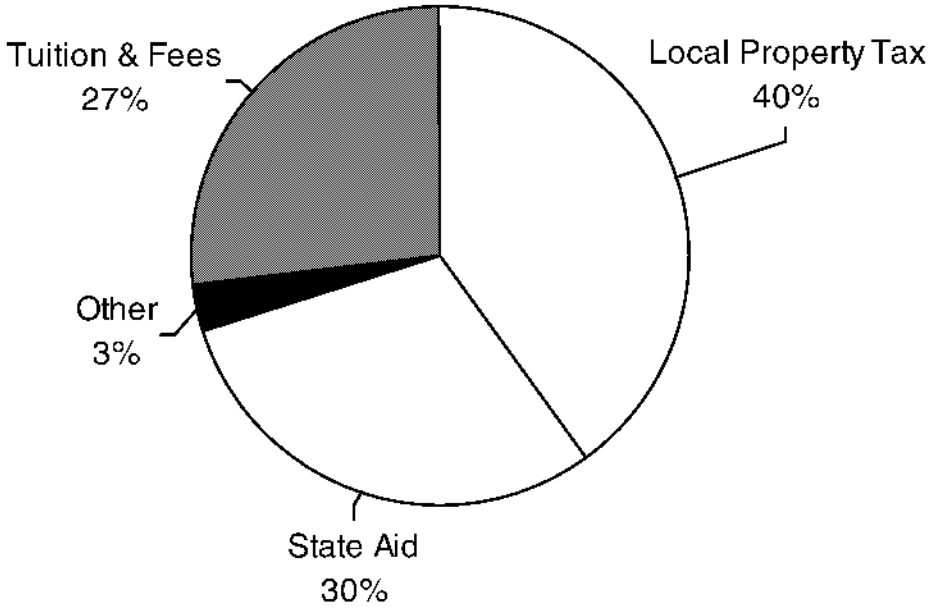
	FY03 Enacted	FY03 Current Law	FY04 Recommended	% Change
GF/GP	$1,176,991.3	$1,115,085.1	$1,102,339.4	-6.3%
All Funds	$4,074,490.5	$4,014,878.3	$3,945,691.3	-3.2%

Program	GF/GP	All Funds
INCOME ASSISTANCE		
Food Assistance Program	$0.0	$833,011.2
Day Care Services	$182,317.6	$471,794.0
Family Independence Program	$157,789.5	$334,899.6
Energy and Weatherization Assistance	$0.0	$132,408.5
SSI State Supplementation	$59,668.4	$59,668.4
State Emergency Relief	$27,331.8	$41,408.2
State Disability Assistance	$18,940.3	$24,045.1
CHILD AND FAMILY SERVICES		
Purchased Care and Supervision of Youth	$190,549.1	$420,024.3
Adoption Services and Subsidies	$89,921.7	$233,487.3
Juvenile Justice Services	$37,160.2	$85,028.7
Family Preservation and Prevention Services	$244.9	$66,285.6
Community Services Block Grant	$0.0	$24,350.0
Employment and Training Support Services	$725.1	$19,689.1
Domestic Violence and Rape Prevention Services	$1,892.7	$16,076.3
Refugee Assistance	$0.0	$12,642.3
Other Child and Family Services	$6,379.8	$18,735.3
FIELD STAFF AND ADMINISTRATION	$226,437.3	$607,199.9
CHILD SUPPORT ENFORCEMENT	$18,126.3	$217,946.3
INFORMATION TECHNOLOGY	$41,200.6	$144,348.8
CENTRAL ADMINISTRATION AND SUPPORT SERVICES	$36,529.1	$91,565.6
DISABILITY DETERMINATION AND SERVICES	$7,125.0	$91,076.8
Total FY 2004 Recommendation	**$1,102,339.4**	**$3,945,691.3**

Community Colleges

Michigan's 28 community colleges provide the state's residents with affordable access to postsecondary education opportunities. Community colleges are governed by locally elected boards and receive revenues from property taxes, in addition to state aid and student tuition. The colleges offer occupational training, professional and personal development, and preparation for continued study at four-year colleges and universities. Over 400,000 residents enroll each year at Michigan community colleges. The Governor's proposed budget for fiscal year 2004 recommends total support of $289 million, all general fund.

State Support Provides Nearly One-Third of Funding for Community Colleges



Total: $289 Million

Community Colleges Budget Highlights

- The fiscal year 2004 budget includes nearly $284 million in state aid for the state's 28 community colleges to help keep the cost of a college education affordable. Due to declining state revenues, this budget level includes a funding reduction equal to 6.5 percent of current year funding levels, or a cumulative 10 percent from the fiscal year 2003 enacted budget. The $284 million in operations support is about $9 million less than the colleges received in fiscal year 2000.

- Despite declines in state support, community colleges remain affordable. The average yearly cost for a full-time student to attend a community college is approximately $1,900. This compares to average tuition and fees of nearly $5,400 at state universities.

- Approximately 53 percent of community college instruction prepares students for further education at four-year institutions; 40 percent is in business, health, and vocational programs; and 7 percent is in developmental courses for academically at-risk students.

- Community college enrollment often increases in periods of economic stress and such an increase is occurring now. Last year community college full-time student enrollment increased by 7.5 percent to over 117,000.

- The recommended budget includes $3.3 million to fund the At-Risk Student Success Program at each college. This program provides funds for approximately 46,000 students who are academically at-risk to help them overcome a wide range of obstacles and ensure college success.

- The recommended budget includes $1.75 million to reimburse colleges that lose property tax revenue as the result of the establishment of Renaissance Zones.

- The Postsecondary Access Student Scholarship (PASS) program is recommended for elimination in fiscal year 2004. Very few students have participated in PASS, with less than 700 students receiving awards last year.

Fiscal Year 2004 Governor's Recommendation
Community Colleges
($ in Thousands)

	FY03 Enacted	FY03 Current Law	FY04 Recommended	% Change
GF/GP	$319,732.3	$307,512.1	$289,013.1	-9.6%
All Funds	$321,732.3	$309,808.1	$289,013.1	-10.2%

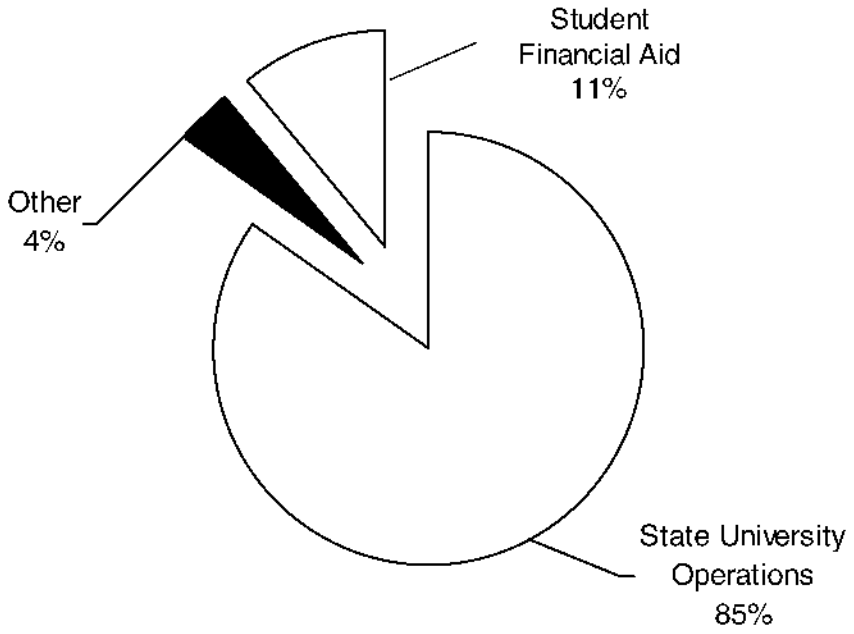
Program	GF/GP	All Funds
Alpena Community College	$4,780.5	$4,780.5
Bay de Noc Community College	4,616.8	4,616.8
Delta College	13,331.9	13,331.9
Glen Oaks Community College	2,236.8	2,236.8
Gogebic Community College	3,928.4	3,928.4
Grand Rapids Community College	16,769.3	16,769.3
Henry Ford Community College	20,436.7	20,436.7
Jackson Community College	11,312.8	11,312.8
Kalamazoo Valley Community College	11,542.8	11,542.8
Kellogg Community College	9,068.8	9,068.8
Kirtland Community College	2,752.4	2,752.4
Lake Michigan College	4,880.8	4,880.8
Lansing Community College	28,999.4	28,999.4
Macomb Community College	30,941.5	30,941.5
Mid Michigan Community College	4,127.6	4,127.6
Monroe County Community College	4,015.8	4,015.8
Montcalm Community College	2,904.7	2,904.7
C.S. Mott Community College	14,661.6	14,661.6
Muskegon Community College	8,343.6	8,343.6
North Central Michigan College	2,826.1	2,826.1
Northwestern Michigan College	8,513.8	8,513.8
Oakland Community College	19,518.3	19,518.3
St. Clair County Community College	6,537.8	6,537.8
Schoolcraft College	11,455.4	11,455.4
Southwestern Michigan College	6,149.3	6,149.3
Washtenaw Community College	11,642.9	11,642.9
Wayne County Community College	15,500.6	15,500.6
West Shore Community College	2,144.0	2,144.0
At-Risk Student Success Program	3,322.7	3,322.7
Renaissance Zone Tax Reimbursement	1,750.0	1,750.0
Total FY 2004 Recommendation	**$289,013.1**	**$289,013.1**

STATE OF MICHIGAN
E PLURIBUS UNUM
TUEBOR
CIRCUMSPICE
Office of the State Budget

Universities and Financial Aid

Michigan's 15 state universities offer diverse vocational, undergraduate, graduate and professional programs and undertake basic and applied research activities to broaden knowledge and benefit society. Each university is governed by an independent board, which provides general supervision of the institution and directs its finances. Higher education state appropriations provide about 45 percent of operations funding for Michigan's 15 public universities and also fund student financial aid programs. Student financial aid programs provide both merit and need-based financial assistance to increase the educational opportunities available to postsecondary education students. State funding also supports the Agricultural Experiment Station and Cooperative Extension Service programs operated by Michigan State University benefiting the agricultural industry. The Governor's proposed budget for fiscal year 2004 recommends total funding of $1.7 billion, of which $1.6 billion is general fund.

Over 11% of the Budget Supports Financial Aid to Students



Total: $1.7 Billion

Universities and Financial Aid Budget Highlights

- The fiscal year 2004 budget includes over $1.45 billion in state aid for the state's 15 public universities. This funding includes a reduction in each university's support equal to 6.5 percent of current year funding levels, a cumulative 10 percent from the enacted fiscal year 2003 budget.

- The Governor expects universities to use the current budget crisis as an opportunity to restructure and prioritize programs and services, and to minimize any additional financial burdens placed on students and their parents through tuition and fee increases.

- The Governor's budget recommends creating the Michigan Opportunity Scholarships, a need-based student financial aid program funded at $112.4 million. This program will assist needy students at state universities, independent colleges and universities, and community colleges to pay for their college education. The funding for the Michigan Opportunity Scholarships program comes from the savings achieved from eliminating the current State Competitive Scholarship, Tuition Grants, Michigan Work Study, Part-Time Independent Student, and Michigan Education Opportunity Grants programs. In fairness to students currently receiving State Competitive Scholarship and Tuition Grant awards, any student who received an award under those programs in the current year, and remains eligible, shall have the award continued under the new program.

"One way or another, we'll make sure that the doors of educational opportunity swing wide for those with limitless dreams, but limited means."

Governor Granholm, State of the State Address, February 2003

- Michigan Merit Awards are recommended at $65.1 million. This funding pays for anticipated merit award costs for students from the classes of 2000 through 2003 who will claim any remaining award for which they are eligible by September 15, 2004. The Governor recommends a reduction in the maximum Michigan Merit Award to $500 beginning with the 2004 high school graduating class. The resulting reduction in Michigan Merit Award program costs will enable the state to devote a greater share of its tobacco settlement revenues to support the health care needs of citizens.

- The Tuition Incentive Program (TIP) encourages low-income Medicaid-eligible students to finish high school by providing financial assistance to attend college. TIP eligibility is certified before the student graduates from high school in order to encourage high school completion. The funding for the program is recommended at $9.25 million, an increase of $4 million, or 76 percent, responding to the growth in TIP participation and costs. However, the recommended budget discontinues new enrollments in the program in anticipation of merging this program with the Great

Lakes, Great Hopes scholarship fund created by the Governor. Any student previously notified will continue to be eligible under TIP. Beginning in fiscal year 2005, funding that would have supported TIP will be used to leverage future private and public donations to fund these scholarships.

- The Nursing Scholarship program, created by Act 591 of 2002, is recommended to receive the current year funding amount of $4 million.

- The recommended budget maintains a $4.5 million grant for the University of Detroit Mercy dental school, to support dental clinics in southeast Michigan which provide care for low income residents.

- The Martin Luther King, Jr. – Cesar Chavez – Rosa Parks program grants which encourage participation of minority students in postsecondary education are funded at $2.7 million, a 6.5 percent reduction from the current year.

- Due to declines in state revenues, funding for the general and allied health degree reimbursement programs which support independent colleges and universities is eliminated, saving nearly $6.9 million. Few other states provide direct operating support to independent colleges and universities and Michigan can no longer afford to continue direct financial support to private colleges. In addition, funding for the Japan Center for Michigan Universities and the Midwestern Higher Education Compact is eliminated, saving $377,000.

- The recommended budget includes $33.2 million for the Agricultural Experiment Station and $28.6 million for the Cooperative Extension Service operated through Michigan State University. This funding also includes a 6.5 percent reduction from the current year, a cumulative 10 percent from the enacted fiscal year 2003 budget.

- Included in the funding for the Agricultural Experiment Station and Cooperative Extension Service is $5.6 million for Project GREEEN, which is a joint initiative of the Department of Agriculture and Michigan State University, to address critical regulatory, food safety, economic, and environmental problems that challenge plant-based agricultural industries.

Fiscal Year 2004 Governor's Recommendation

Higher Education

($ in Thousands)

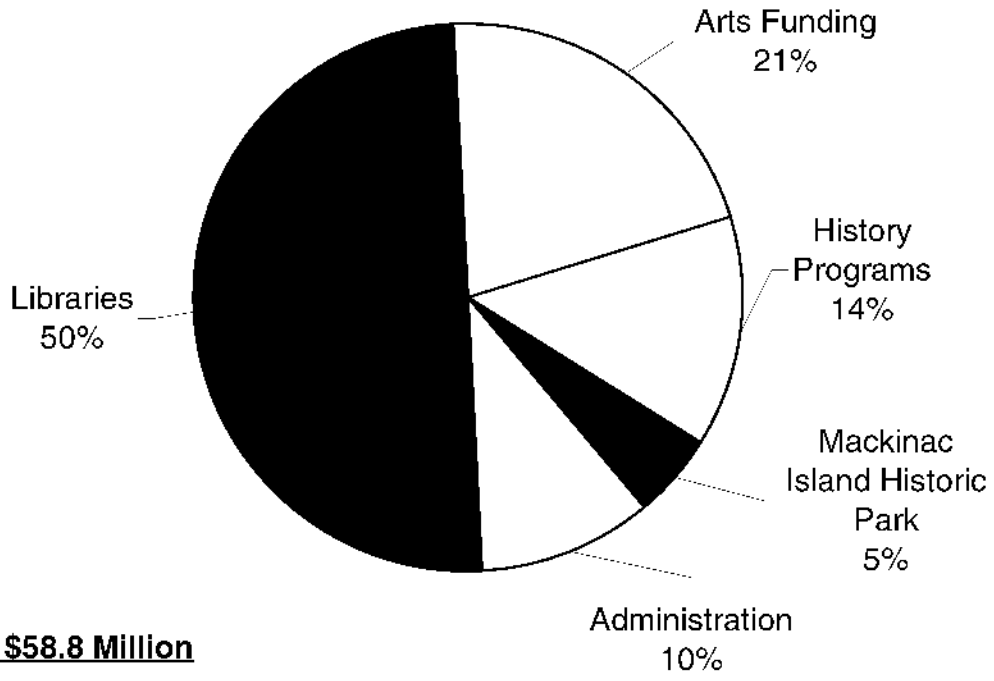
	FY03 Enacted	FY03 Current Law	FY04 Recommended	% Change
GF/GP	$1,812,271.3	$1,741,466.9	$1,632,687.0	-9.9%
All Funds	$1,943,345.2	$1,831,501.7	$1,715,437.0	-11.7%

Program	GF/GP	All Funds
Operations:		
Central Michigan University	$81,003.3	$81,003.3
Eastern Michigan University	78,873.3	78,873.3
Ferris State University	49,968.2	49,968.2
Grand Valley State University	54,085.8	54,085.8
Lake Superior State University	12,841.8	12,841.8
Michigan State University	293,383.7	293,383.7
Michigan Technological University	49,717.4	49,717.4
Northern Michigan University	46,811.5	46,811.5
Oakland University	47,146.1	47,146.1
Saginaw Valley State University	24,653.9	24,653.9
University of Michigan - Ann Arbor	327,206.1	327,206.1
University of Michigan - Dearborn	25,193.9	25,193.9
University of Michigan - Flint	21,661.3	21,661.3
Wayne State University	228,279.9	228,279.9
Western Michigan University	113,109.3	113,109.3
Subtotal	$1,453,935.5	$1,453,935.5
Student Financial Aid Funding:		
Michigan Opportunity Scholarships	109,544.9	112,444.9
Michigan Merit Award Program	0.0	65,100.0
Tuition Incentive Program	0.0	9,250.0
Nursing Scholarship Program	0.0	4,000.0
Byrd Honors Scholarship Program	0.0	1,500.0
Subtotal	$109,544.9	$192,294.9
Other:		
Agriculture Experiment Station	33,163.8	33,163.8
Cooperative Extension Service	28,604.3	28,604.3
Dental Clinics Grant	4,547.0	4,547.0
King-Chavez-Parks Programs	2,691.5	2,691.5
Higher Education Database	200.0	200.0
Subtotal	$69,206.6	$69,206.6
Total FY 2004 Recommendation	**$1,632,687.0**	**$1,715,437.0**

Department of History, Arts and Libraries

The Department of History, Arts and Libraries was created in 2001 to enrich the quality of life for Michigan residents. The department provides library services, preserves and promotes Michigan's heritage, and fosters cultural creativity. The Governor's proposed budget for fiscal year 2004 recommends total funding of $58.8 million, of which $46.4 million is general fund.

Libraries Receive Half of Department's Funding



Total: $58.8 Million

Department Priorities

- Provide programs and services that impact learning.
- Provide cultural programs and services that revitalize communities.
- Provide programs and services that enhance tourism.
- Provide grants to cultural and arts organizations throughout the state to enrich the cultural life in Michigan.
- Provide stewardship of archival records, historic sites and historic artifacts.

History, Arts and Libraries Budget Highlights

- Library of Michigan – Funding for library services is recommended at $29.3 million in fiscal year 2004, of which $22.4 million is general fund. Grant funds to local libraries are reduced 10% from the fiscal year 2003 original enacted appropriation. These funds help librarians throughout the state offer the highest level of library service to residents. Funding also supports specialized programs such as services for the blind and physically handicapped, legislative and state government information services, the State Law Library, and the Michigan eLibrary, or MeL, which provides a comprehensive electronic information tool for Michigan's libraries, schools and citizens available 24 hours per day.

"MeL is an astonishing site. It puts Michigan at the top of the heap for providing its citizens with a powerful information portal that is far superior to most commercial sites."

John C. Dvorak, PC Magazine, June 28, 2002

- Arts and Cultural Affairs – Funding for the Council for Arts and Cultural Affairs is recommended at $12.5 million for fiscal year 2004, of which $11.8 million is general fund, a reduction of 50 percent from the original fiscal year 2003 enacted budget. The Council provides grants to non-profit organizations to encourage, initiate, and facilitate an enriched artistic, cultural and creative environment in Michigan.

- History Programs – A total of $8.1 million is recommended for the state's history programs in fiscal year 2004, of which $4.8 million is general fund. A pause in lighthouse grant funding in fiscal year 2004 contributes to a total reduction of 2.4 percent from the original for fiscal year 2003 budget, after adjusting for the transfer of programs from other agencies to the department. These funds support world-class programming, bringing history alive for the residents of the state. Visitors can enjoy the Michigan Historical Museum in Lansing, nine field museums, one historic site and 53 historic structures, which together hold over 200,000 artifacts. In addition, the State Archives, Records Management, State Historic Preservation Office and Office of the State Archaeologist preserve the state's most significant historical resources.

- Mackinac Island Historic Parks – Funding for Mackinac Island State Historic Parks is recommended at $2.9 million for fiscal year 2004, of which $1.5 million is general fund. This includes a total reduction of 2.9 percent from the original fiscal year 2003 enacted funding level, with increased use of restricted funds, lessening the impact of general fund reductions. Over 800,000 park visitors annually enjoy the cultural tourism opportunities available on Mackinac Island and the Straits of Mackinac. Visitors can enjoy nearly 2,400 acres that include historic sites, recreational facilities, trails, a harbor and an airport. Funding for operating the historical buildings and museums is primarily supported through reasonable user fees, making this an affordable, major attraction in Michigan's tourism economy.

- The Governor's recommendation for fiscal year 2004 also includes funding for the State Records Center, demographics and census information reporting. Executive Order 2002-17 transferred these functions to the department in order to promote a more unified approach to records management, archival records preservation and information dissemination within the state.

Fiscal Year 2004 Governor's Recommendation

Department of History, Arts and Libraries

($ in Thousands)

	FY03 Enacted	FY03 Current Law	FY04 Recommended	% CHANGE
GF/GP	$60,896.6	$58,451.6	$46,440.0	-23.7%
All Funds	$71,486.2	$69,041.2	$58,786.3	-17.8%

Program	GF/GP	All Funds
Libraries	$22,359.0	$29,289.6
Council for Arts and Cultural Affairs	$11,765.8	$12,465.8
Historical Programs	$4,760.1	$8,049.8
Department Operations and Information Technology	$6,068.5	$6,115.5
Mackinac Island State Park Commission	$1,486.6	$2,865.6
Total FY 2004 Recommendation	**$46,440.0**	**$58,786.3**

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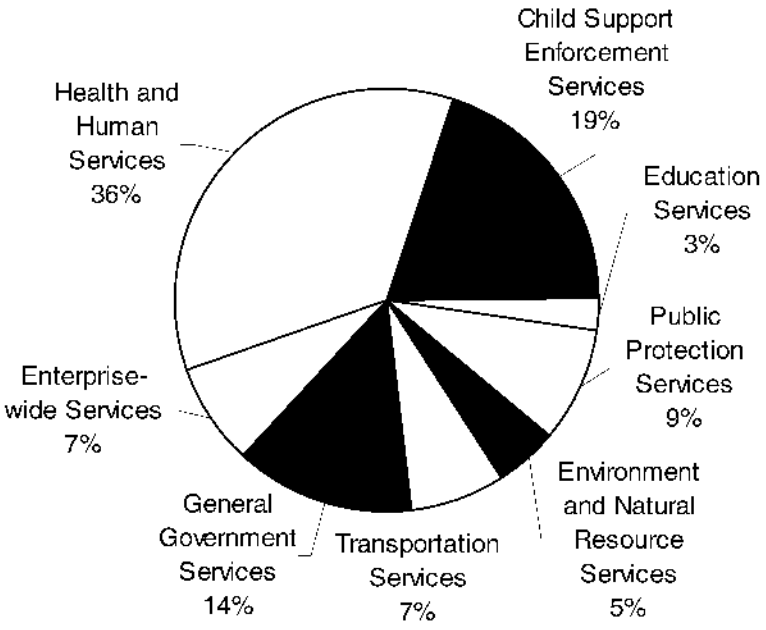
Department of Information Technology

The Department of Information Technology is responsible for the efficient management of state information technology resources, and the delivery of information technology services to client state agencies. The consolidation of information technology functions and resources into a centralized agency supports an intregrated approach to information management lending to a more efficient and effective utilization of resources. The fiscal year 2004 budget for the Department of Information Technology totals $355.7 million, supported entirely with user charges from client agencies.

Program Spending by Category



Total: $355.7 Million

Department Priorities

- Implement the Secure Michigan Initiative to enhance the security and integrity of Michigan's information technology assets.
- Provide geographic information system capabilities to state and local units of government so services can be integrated and coordination enhanced.
- Expand broadband opportunities for public entities, including schools and local units of government throughout Michigan via the Link Michigan initiative.
- Improve customer service and achieve productivity savings by increasing the number of online government services.
- Optimize the use of information technology resources among client agencies providing for greater efficiencies.
- Achieve savings and administrative efficiencies through enterprise-wide management of information technology contracts, services and staff.

Information Technology Budget Highlights

- The Governor's budget recommendation for the Department of Information Technology recognizes the efficiencies inherent in centralized information technology management.

- The overall fiscal year 2002 budget strategy relies heavily on information technology cost containment savings achieved through reduced rates paid to vendors, reduced reliance on contractual services, and efficiencies realized through the consolidation of information technology equipment assets across client agencies. Savings total over $26.2 million in fiscal year 2004, including $20.7 million general fund. Since the Department of Information Technology is supported entirely with user charges, these savings are realized in individual agency budgets.

- Among the core programs supported by the department is $127.1 million to provide information technology services and projects to health and human service agencies. This includes funding for projects such as the Client Support Systems in the Family Independence Agency and the Medicaid payment and eligibility systems in the Department of Community Health.

- The fiscal year 2004 budget also includes $70 million for the Child Support Enforcement System. The Child Support Enforcement System is a statewide, automated program designed to improve compliance with court-ordered child support. The system will enable the Family Independence Agency, local prosecutors and local friends of the court to more effectively establish and enforce child support orders, collect and disburse child support payments, and monitor child support activities. The system will be fully operational statewide by the end of the current fiscal year.

- The department will also continue to provide information technology services to all state agencies such as application maintenance and support, Web development, enterprise applications, portfolio support, and agency-specific projects.

Fiscal Year 2004 Governor's Recommendation

Department of Information Technology

($ in Thousands)

	FY03 Enacted	FY03 Current Law	FY04 Recommended	% Change
GF/GP	$0.0	$0.0	$0.0	0.0%
All Funds	$424,006.8	$424,006.8	$355,689.3	-16.1%

Program	GF/GP	All Funds
Health and Human Services	$0.0	$127,127.9
Child Support Enforcement	$0.0	$70,000.0
General Government Services	$0.0	$48,248.6
Public Protection Services	$0.0	$30,663.4
Enterprisewide Services	$0.0	$27,119.5
Transportation Services	$0.0	$26,116.9
Resource Services	$0.0	$16,327.3
Education Services	$0.0	$9,785.7
Other	$0.0	$300.0
Total FY 2004 Recommendation	**$0.0**	**$355,689.3**

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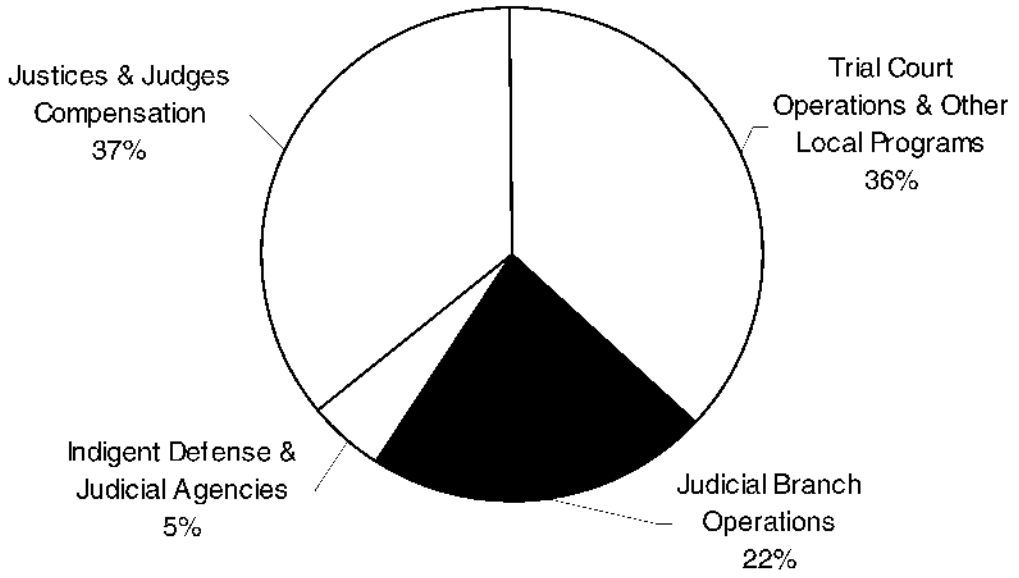
Judiciary

The Michigan Constitution vests the judicial power of the state exclusively in a court system composed of the Supreme Court, the Court of Appeals, the circuit court (which is the trial court of general jurisdiction, including the family court division), the probate court, and courts of limited jurisdiction such as the Court of Claims, district court and municipal courts. The statewide court system is administered by the Supreme Court Justices through the State Court Administrative Office. The Governor's proposed budget for fiscal year 2004 recommends total funding of $252.5 million, of which $161.3 million is general fund.

One-Third of Budget Provides Services to Trial Courts



Total: $252.5 Million

Judiciary Priorities

- Revise the current system of assessments at the local trial courts to simplify the process and to improve the efficiency and effectiveness of the system as well as provide an improved level of accountability.
- Continue to develop the statewide telecommunications network at local trial courts in order to provide courts and the criminal justice system with quick, accurate, and accessible information.
- As an alternative to traditional sanctions, continue to develop and expand the use of drug treatment courts to help nonviolent offenders stop using drugs and alcohol and lead more productive lives.
- In order to provide more cost-effective training to judicial personnel around the state, expand the number of Web-based courses offered by the Michigan Judicial Institute.

Judiciary Budget Highlights

- The fiscal year 2004 recommendation for the Judiciary maintains full funding of $43.7 million for judicial operational expenses of the Supreme Court and Court of Appeals, and management assistance to local courts. Court Equity Fund resources in the amount $69.9 million are also provided for distribution to the state's 83 counties for support of local trial court operations.

- The fiscal year 2004 budget includes a proposal from the Chief Justice to consolidate, and slightly increase (by $1.00) a number of criminal justice assessment fees. A proposed increase in trial court filing fees is also recommended. As proposed, the assessment fee consolidation will result in a more streamlined and efficient system for the processing of monetary obligations imposed in criminal cases through establishment of a single, centralized fee. This consolidation will reduce administrative costs for local government and local trial courts. Local units of government will maintain their flexibility to generate revenues for support of trial court or other operations. With both the proposed consolidated assessment, and the increase in trial court filing fees, a savings to the general fund of $11.3 million will be realized.

- Support for drug treatment courts is significantly enhanced in the Governor's fiscal year 2004 budget from the current level of $1.2 million, by an additional $3.1 million. The increased revenue is derived as a result of the proposed consolidated assessment fee ($1.3 million), and the availability of federal Byrne Grant resources ($1.8 million), bringing total recommended support for the drug treatment courts to $4.3 million – the highest level of support for this program since its inception in 1999. In addition to these centralized funds, local courts directly receive approximately $1.8 milion in Byrne Grant funds to support local drug courts. Drug treatment courts are specifically designed to address substance abuse problems among non-violent offenders. Through an intense judicially supervised program combined with early, mandatory, and continuous drug testing, drug treatment courts work to reduce criminal behavior and substance abuse. The state presently operates 26 drug treatment courts serving approximately 1,900 offenders. The additional funding will allow for further expansion of these courts to serve offenders who would otherwise be sent to prison. This expanded effort is directly linked to the Governor's overall strategy of avoiding costly prison bed growth by supporting effective community-based alternatives.

"Drug treatment courts have proven to be an effective way of handling offenders whose use of alcohol and controlled substances are a primary factor in the criminal behavior. Instead of using failed approaches that do not break the cycle of drugs and crime, offenders are put into court-ordered and court-sponsored rehabilitation programs, subject to mandatory drug testing, and held accountable for their actions."

Governor Granholm, Securing Michigan's Future, 2002

- Assurance that appropriate legal representation is provided to indigent clients in the state is a priority of Governor Granholm. The fiscal year 2004 recommendation maintains the fiscal year 2003 funding level for support of civil and criminal indigent defense at $12.6 million.

- Support for the development of the statewide judicial technology information system, electronic filing, and on-line payment of fines and fees, is enhanced in the Governor's fiscal year 2004 recommendation. Through the proposed increase in filing fees, an additional $2.4 million in revenue will be made available for the Judicial Technology Improvement Fund.

- Citizens of Michigan that are called to jury duty will benefit from the addition of $6.6 million from a new fund established in P.A. 740 of 2002. This statute provides for an increase in the monetary reimbursement to jurors – unchanged since 1967 – to more adequately compensate jurors for their time. Under the statute, increases in jury demand fees, and fees for restoring certain suspended drivers licenses, are deposited into the new fund and then used to reimburse to local courts for juror compensation costs.

- Judges compensation is maintained at the fiscal year 2003 level of $92.3 million gross, $85.2 general fund. Statewide salary increases for judges are excluded from the fiscal year 2004 recommendation since there is a freeze on judges' salaries until at least January 1, 2005.

- Full year funding of $631,600 is provided for six new circuit court judgeships that were added on January 1, 2003, conversions of part-time probate judges to full-time status effective April 1, 2003, and the conversion of a municipal court judge to a district court judge effective January 1, 2004.

Fiscal Year 2004 Governor's Recommendation

Judiciary

($ in Thousands)

	FY03 Enacted	FY03 Current Law	FY04 Recommended	% Change
GF/GP	$176,999.3	$173,619.1	$161,316.4	-8.9%
All Funds	$244,995.8	$241,613.8	$252,492.9	3.1%

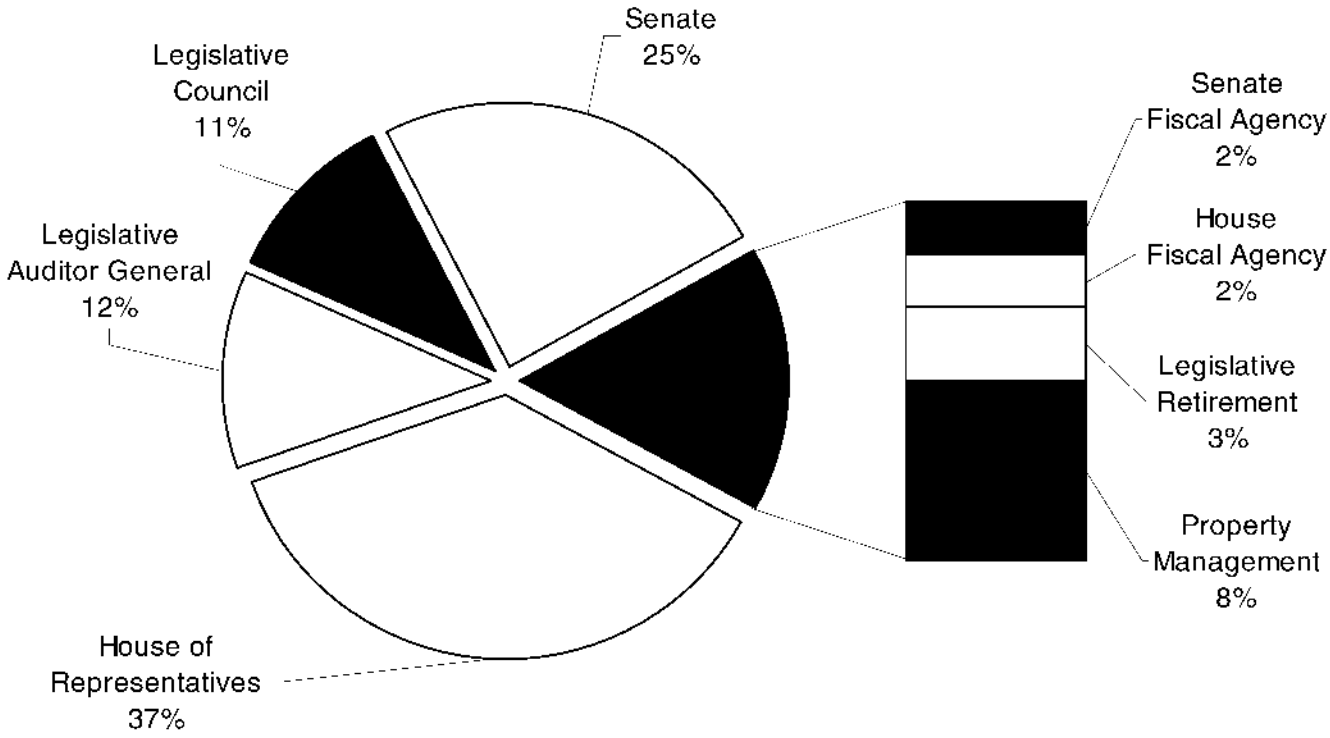
Program	GF/GP	All Funds
Justices & Judges Compensation	$85,174.5	$92,264.7
Trial Court & Other Local Programs	$26,503.6	$90,355.8
Judicial Branch Operations	$43,966.5	$56,220.5
Indigent Defense & other Judicial Agencies	$5,671.8	$13,651.9
Total FY 2004 Recommendation	**$161,316.4**	**$252,492.9**

Legislature

The Michigan Constitution vests the state's lawmaking power in a two-house Legislature consisting of a 38-member Senate and a 110-member House of Representatives. The legislature is a sovereign and independent branch of state government with the authority to enact laws that regulate and protect the actions and interests of the government and the people.

The fiscal year 2004 Legislative budget is $123.4 million, of which $118.9 million is general fund.

FY 2004 Budget Recommendation by Category



Total: $123.4 million

Legislative Budget Highlights

- The Executive Recommendation for fiscal year 2004 reduces total funding by $2.9 million. This is a 2.3 percent reduction from the original fiscal year 2003 appropriation.

- The 2.3 percent reduction reflects supplemental appropriations enacted or agreed upon by the Legislature as part of the fiscal year 2003 cuts necessary to balance general fund expenditures with expected revenue. Recognizing the appropriate separation of powers, the Executive Recommendation does not include an additional reduction for fiscal year 2004 and leaves the decision as to the proper funding level to the legislative branch.

- The Executive Recommendation includes $30.3 million for the Senate. This includes $28.2 million for Senate operations and $2.1 million for Senate Automated Data Processing. The budget also includes $44.9 million for the House of Representatives. This includes $43.3 million for House operations and $1.6 million for House Automated Data Processing.

- The Executive Recommendation includes $3.0 million for the Senate Fiscal Agency and $2.9 million for the House Fiscal Agency.

- Funding for the Legislative Auditor General is $15.1 million. The Legislative Auditor General has the responsibility to conduct financial and performance audits of state government operations.

- Funding for the Legislative Council is $13.4 million. The Legislative Council oversees agencies that serve the House and Senate. These agencies include the Legislative Service Bureau, the Legislative Council Facilities Agency, the Legislative Corrections Ombudsman, the Michigan Law Revision Commission, the Michigan Commission on Uniform State Laws, and the Joint Committee on Administrative Rules. The recommended budget also includes $9.8 million for property management services.

- The Executive Recommendation includes $4.1 million for the Legislative Retirement System. In keeping with the decisions for state employees, economic adjustments for salary and fringe costs, including those attributable to changes in the retirement contribution rate, have not been funded.

Fiscal Year 2004 Governor's Recommendation

Legislature

($ in Thousands)

	FY03 Enacted	FY03 Current Law	FY04 Recommended	% Change
GF/GP	$121,802.2	$118,883.5	$118,883.5	-2.4%
All Funds	$126,360.2	$123,441.5	$123,441.5	-2.3%

Program	GF/GP	All Funds
House of Representatives	$44,929.8	$44,929.8
Senate	$30,274.5	$30,274.5
Legislative Auditor General	$12,089.7	$15,137.9
Legislative Council	$12,971.6	$13,371.6
Property Management	$9,773.4	$9,773.4
Legislative Retirement System	$2,947.2	$4,057.0
Senate Fiscal Agency	$3,037.0	$3,037.0
House Fiscal Agency	$2,860.3	$2,860.3
Total FY 2004 Recommendation	**$118,883.5**	**$123,441.5**

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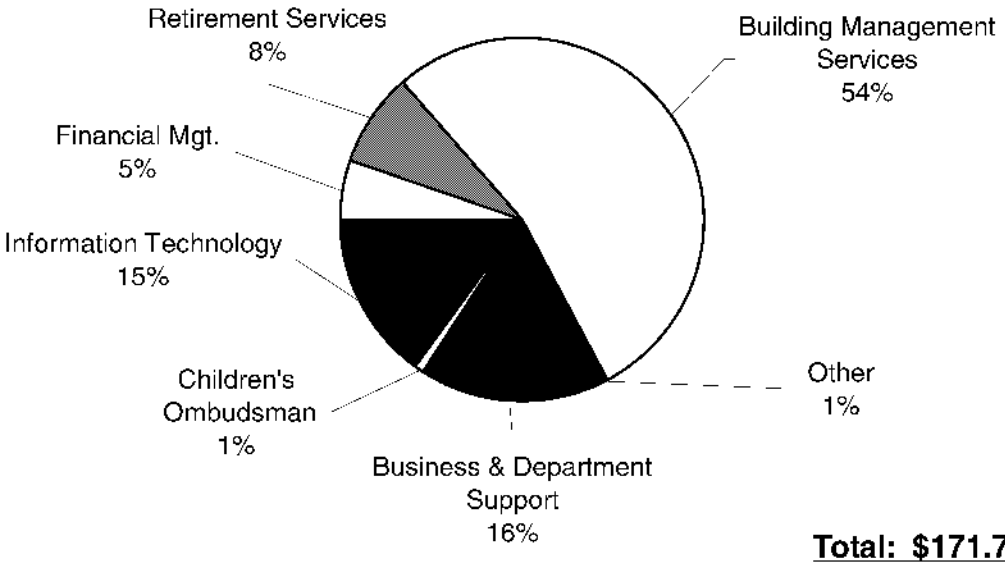
Department of Management and Budget

The Department of Management and Budget supports the business operations of state agencies through a variety of services. These services include building management and maintenance, centralized contracting and purchasing programs, space planning and leasing, construction management, management of the state motor vehicle fleet and management of the state's retirement systems.

The department also houses three autonomous agencies. The Office of the State Budget coordinates all Executive Budget activities and oversees the state's accounting and payroll functions. The Office of the State Employer oversees all collective bargaining negotiations and formulates and administers labor relations policies for state classified employees. The Office of Children's Ombudsman monitors compliance with statutes, rules, and policies pertaining to children's protective services and the placement, supervision, and treatment of children in foster care and adoptive homes.

The Governor's fiscal year 2004 budget recommendation totals $171.7 million, of which $36.3 million is general fund.

DMB Provides Services to State Agencies



Total: $171.7 Million

Department Priorities

- Ensure fairness, reduce costs, and streamline the state's acquisition of goods and services.
- Improve financial accountability and control of state government spending.
- Manage state-owned property and, when appropriate, sell surplus state lands and buildings to maximize economic growth opportunities in local communities.
- Provide quality customer service to members and retirees of the state's pension systems.

Management and Budget Highlights

- The Governor recommends $171.7 million gross and $36.3 million general fund for fiscal year 2004. This is $17.6 million gross and $7.7 million general fund less than appropriated in fiscal year 2003.

- The total recommended budget includes $92.2 million for operations of state-owned and leased office buildings, a reduction of $5 million from fiscal year 2003 levels. This reduction will be achieved through improved use of technology and other measures to control security costs, reductions in janitorial and other services, and more efficient use of the state's parking lots and ramps in the Lansing area.

- Information technology costs for the Michigan Administrative Information Network, the state's financial management system, will be controlled through reductions in contract prices and less reliance on high-priced contract staff for system maintenance. These cost containment measures, started this year, will total over $2.6 million by fiscal year 2004. Information technology funding of $685,100 for the Center for Educational Performance and Information is transferred from the Department of Education to the Department of Management and Budget. The total recommended budget for information technology services is $25.9 million.

- During 2003, the Department of Management and Budget assumed responsibility for interdepartmental mail distribution for the Family Independence Agency (FIA) . Funding of $311,800 is transferred from FIA to the department, bringing the total budget for inter-department mail to $2.2 million.

- The total recommended budget for the Office of Retirement Services is $14.0 million. Retirement Services provides support services to the 550,000 active and retired members of the state employee, public school employee and judicial retirement systems. The implementation of additional automated support services will enable members to access their retirement information by telephone, Internet, fax, interactive voice response, or in person. The recommended budget for Retirement Services includes $1.3 million in restricted funds for the ongoing operational costs of the retirement information system.

- The recommended budget reflects the transfer of the employee benefits program to the Department of Civil Service (Executive Order 2002-13) and the records management and demographics functions to the Department of History, Arts and Libraries (Executive Order 2002-17). These transfers align functions with the core missions of those departments. The Executive Budget transfers $1.4 million gross, $1.2 million general fund to the Department of History, Arts and Libraries, and $5.4 million gross, $191,800 general fund to Civil Service.

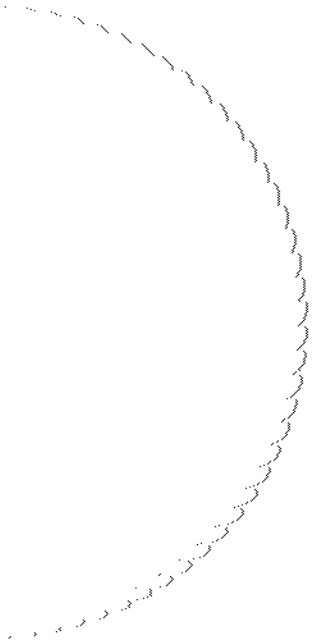
Fiscal Year 2004 Governor's Recommendation

Department of Management and Budget

($ in Thousands)

	FY03 Enacted	FY03 Current Law	FY04 Recommended	% Change
GF/GP	$44,036.3	$39,247.3	$36,328.9	-17.5%
All Funds	$189,298.3	$184,509.3	$171,687.8	-9.3%

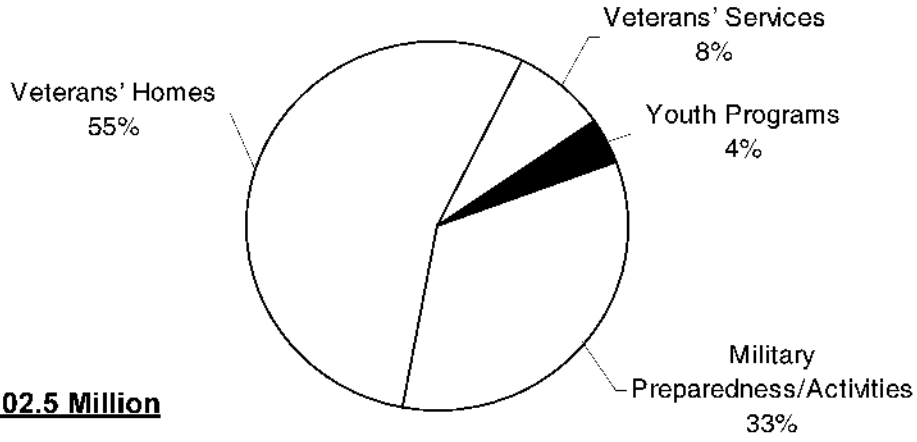
Program	GF/GP	All Funds
State-Owned and Leased Building Operations	$0.0	$92,242.5
Business and Department Support	$11,555.1	$27,874.3
Information Technology Services and Projects	$16,406.4	$25,897.6
Retirement Services	$0.0	$14,034.8
State Financial Management	$7,152.3	$9,018.5
Professional Development Fund	$0.0	$1,405.0
Office of Children's Ombudsman	$1,215.1	$1,215.1
Total FY 2004 Recommendation	**$36,328.9**	**$171,687.8**



Department of Military and Veterans Affairs

The Department of Military and Veterans Affairs has dual missions: administration of state-regulated services to veterans, and military preparedness to assist both state and federal authorities. At the state level, the department's mission is to protect the lives and property of Michigan residents during times of natural disaster or civil unrest. The department also assists the federal government in defending sovereign interests of the United States. Over 1,300 National Guard members and reservists called to active duty have been mobilized throughout the world as part of a military readiness campaign against terrorism. Equally important is the supervision of the veterans' homes, administration of grant monies to veteran service organizations and oversight of the Michigan Veterans Trust Fund. The Governor's proposed budget for fiscal year 2004 recommends total funding of $102.5 million, of which $36.0 million is general fund.

Almost Two-Thirds of Budget Provides Services to Veterans



Total: $102.5 Million

Department Priorities

Military Readiness

- Recruit and retain an all volunteer force of citizen soldiers to provide for both federal and state missions.
- Provide National Guard soldiers with adequate facilities, training areas and equipment to maintain mission readiness.

Homeland Security

- Develop procedures, protocols and exercises to assure homeland security, including the protection of the State's vital resources.

Services to Veterans

- Provide nursing home care to aged veterans consistent with state and federal standards.
- Provide retirement benefits to Michigan National Guard members.

Military and Veterans Affairs Budget Highlights

- The Governor's fiscal year 2004 budget maintains full funding in the amount of $55.5 million for both the Grand Rapids Veterans' and the Jacobetti Veterans' state-licensed nursing care facilities, while utilizing available federal and state restricted resources to offset $1.4 million in general fund support. The fiscal year 2004 budget recommendation supports continued levels of excellent domiciliary, skilled, and special needs care to Michigan veterans.

"I will create the position of Advisor for Homeland Security within the Department of Military and Veterans Affairs to more direcly link our security efforts here in Michigan with the country's defense preparations in Washington. We will be ready to answer the nation's call to service at a moment's notice."

Jennifer M. Granholm, Governor
State of the State Address, February 2003

- The Governor's fiscal year 2004 budget maintains full state and federal support of $23.8 million for 49 armory locations, and 8 major military training sites and support facilities statewide in an effort to ensure a constant state of military preparedness.

- Michigan Veterans' Trust Fund resources of $4.8 million are included for provision of various services to veterans including emergency grants for housing, utilities, food, medicine, and tuition assistance grants for the children of disabled or deceased veterans.

- Due to declines in state revenues, grants to Veterans' Service Organizations throughout the state are funded at $3.3 million general fund, a reduction of 15 percent from current levels. Veterans Service Organizations provide advocacy to Michigan's veterans to ensure that veterans have knowledge of, and access to, available federal and state programs and benefits. While state funds for these organizations are not utilized for direct grants to veterans, the resources supplement the administrative costs associated with the provision of advocacy services.

- Guard members will benefit from $1.3 million in general fund support for the National Guard Educational Assistance Program. This continues the direct educational investment in our Michigan National Guard members and works to ensure a better-educated guard force to meet the challenges of our future.

- Continued support for the Michigan Youth ChalleNGe Academy is provided in the amount of $3.3 million. These resources will provide high school dropouts and at-risk youth, an opportunity to become productive members of society upon graduation from this 22-week residential boot-camp style program. A shift to an increased reliance on private resources allows the program to continue while providing general fund savings of $1.3 million.

- The Executive Budget includes $600,000 in federal support for continuation of the Starbase program, which provides public school students in the Mt. Clemens and Detroit areas with new educational opportunities via hands-on experience in math and science applications.

Fiscal Year 2004 Governor's Recommendation
Department of Military and Veterans Affairs
($ in Thousands)

	FY03 Enacted	FY03 Current Law	FY04 Recommended	% Change
GF/GP	$40,082.6	$38,328.3	$36,012.0	-10.2%
All Funds	$103,364.7	$101,610.4	$102,510.7	-0.8%

Program	GF/GP	All Funds
Grand Rapids Veterans' Home	$13,937.1	$42,689.2
Military Preparedness	$13,662.4	$34,165.2
D.J. Jacobetti Veterans' Home	$4,792.8	$13,363.2
Veterans' Trust Fund Grants/Administration	$294.2	$5,070.7
Michigan Youth ChalleNGe Program/Starbase	$0.0	$3,896.9
Veterans' Service Organizations	$3,325.5	$3,325.5
Total FY 2004 Recommendation	**$36,012.0**	**$102,510.7**

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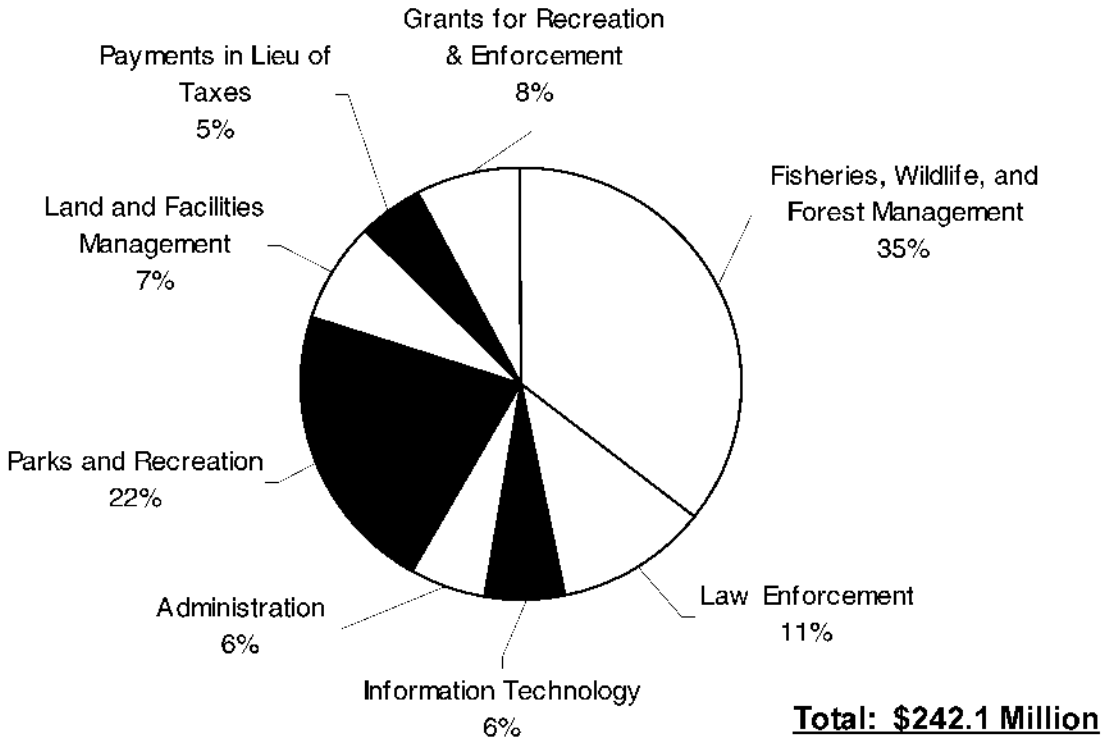
Department of Natural Resources

The Department of Natural Resources is committed to protecting and preserving the state's natural resources while promoting recreational opportunities for the enjoyment of Michigan citizens and visitors. The department continually strives to develop innovative ways to partner with federal and private concerns to provide effective resource management. The latest developments in science and technology are used to support the outdoor interests of Michigan's diverse population. The Governor's proposed budget for fiscal year 2004 recommends total funding of $242.1 million, of which $28.8 million is general fund.

Fiscal Year 2004 Spending by Category



Total: $242.1 Million

Department Priorities

- Provide a fun and safe environment on public lands and waters for outdoor recreational activities while protecting and preserving Michigan's outdoor heritage for future generations.
- Implement appropriate surveillance, control and eradication measures to ensure no new wildlife diseases or invasive species enter Michigan lands or waters.
- Improve the quality of Michigan forest lands through appropriate harvesting of timber, oil and gas reserves, contributing to the state's economic vitality.
- Provide wildfire prevention and control to protect the public and the state's natural resources and man-made structures.
- Provide public information and educational services to families and youth to encourage family-oriented outdoor recreational opportunities and conservation efforts.

Natural Resources Budget Highlights

- The Governor's recommended fiscal year 2004 budget maintains support of over $242 million for the department to provide stewardship and management of Michigan's natural resources. The fiscal year 2004 budget recommends additional federal support for various programs, increases select fees, and shifts funding to available state restricted resources where appropriate.

- The fiscal year 2004 recommendation maintains full funding of $53 million for Michigan's 96 state parks, while utilizing $6.0 million of new Park Endowment Fund resources made available through a voter approved ballot initiative in August 2002. A proposed increase in motor vehicle permit fees will provide an additional $2.5 million in park improvement revenue for operation of state parks. These two efforts combined allow for a corresponding savings of $8.5 million to the general fund and will render the State parks program entirely self-supporting. Legislative support is recommended for proposed changes to the Natural Resources and Environmental Protection Act (Public act 451 of 1994) to support the fee increase proposal.

- The state makes payments to local units of government in lieu of taxes on state-owned lands -- most of which is vacant forestland. The Governor proposes statutory modifications to this program. Specifically, beginning in calendar year 2003, the Governor recommends that local units of government receive a flat rate of $2.00 per acre for over 1,000,000 acres of land owned by the department. This proposed payment level is consistent with that of comparable programs in other states, as well as a similar program operated by the federal government. The proposal will result in a savings of $1.9 million to the general fund and will reduce local and state administrative costs associated with processing tax bills.

- Eradication of infectious diseases in our wildlife populations remains a top priority for the department. The fiscal year 2004 recommendation continues funding at the fiscal year 2003 level of $2.0 million for on-going surveillance and eradication of bovine tuberculosis in the state's white-tailed deer herd.

- The department's efforts to prevent and control wildfires are increased with available federal resources in the amount of $150,000 for fire protection technical assistance to rural communities. This brings total support for the forest fire program to $9.5 million to help protect over 20 million acres of forest and wild lands in Michigan.

- Increased federal funding is provided in the amount of $900,000 for fisheries research and production, sustaining operations at six state fish hatcheries, and research activities at various inland lakes.

- Effective law enforcement on state lands remains a cornerstone of the department's efforts to provide a safe environment for hunting and fishing activities throughout the state. The fiscal year 2004 recommendation continues the current level of support by providing $26.8 million for salaries, equipment, and other operational costs associated with maintaining 220 active conservation officers.

- Participation at state forest campgrounds, pathways and trails for off-road vehicle, snowmobile and cross-country activities, and water access sites has reached 30 million visits per year. Support for the department's efforts at managing its various recreation programs is maintained in the fiscal year 2004 recommendation at a level of $53.0 million.

- The department remains committed to the provision of educational outreach to elementary school children throughout the state in an effort to encourage future generations of outdoors people. The fiscal year 2004 recommendation maintains $500,000 in support for the Michigan L.A.P.s project (Learn from the past, Appreciate the present, Preserve our outdoor heritage!) which teaches over 117,000 public school children about Michigan and its natural resources.

Fiscal Year 2004 Governor's Recommendation

Department of Natural Resources

($ in Thousands)

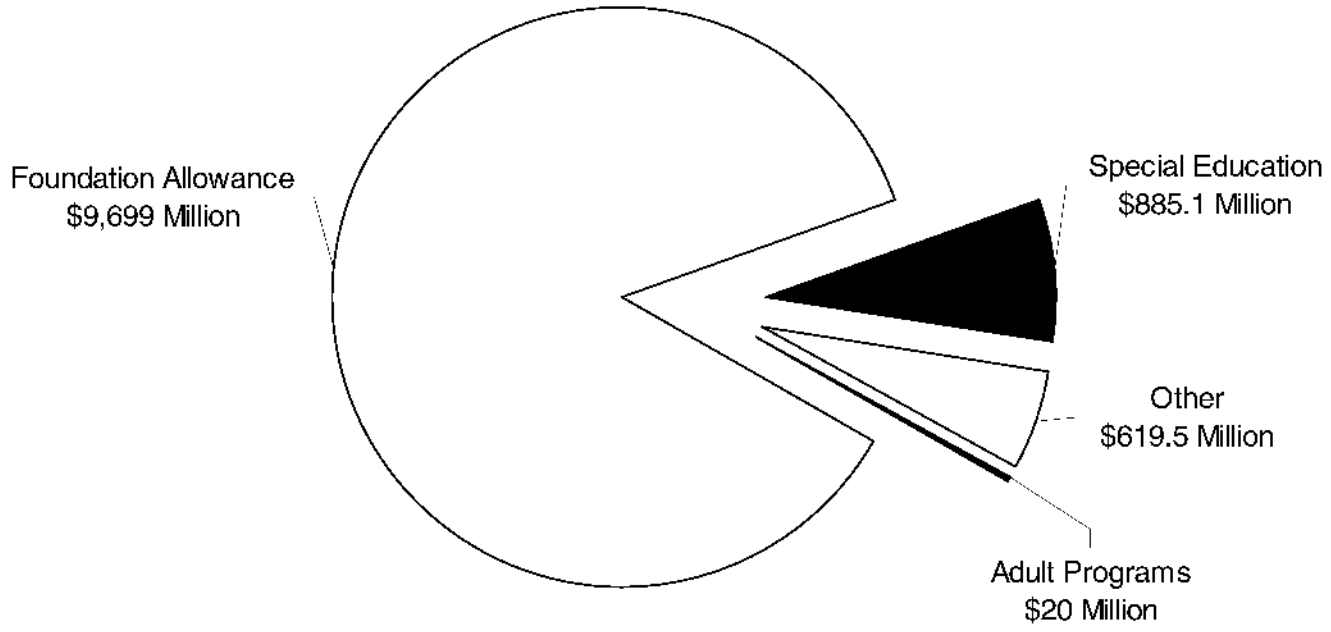
	FY03 Enacted	FY03 Current Law	FY04 Recommended	% Change
GF/GP	$43,824.3	$41,624.4	$28,823.5	-34.2%
All Funds	$255,822.0	$253,622.1	$242,142.9	-5.3%

Program	GF/GP	All Funds
Parks and Recreation	0.0	52,964.4
Forest, Mineral, and Fire Management	6,980.6	37,592.4
Law Enforcement	3,740.0	26,786.8
Fisheries Management	0.0	25,351.3
Wildlife Management	2,125.3	23,099.0
Grants for Recreation and Enforcement	0.0	18,787.5
Land and Facilities Management	568.5	17,772.5
Information Technology	1,397.1	14,108.4
Support Services	2,235.9	13,904.5
Payments in Lieu of Taxes	11,776.1	11,776.1
Total FY 2004 Recommendation	**$28,823.5**	**$242,142.9**

School Aid

The State School Aid budget provides the state's 553 public schools, 189 public school academies and 57 intermediate school districts with the necessary funds to provide educational services to the 1.7 million children enrolled in the K-12 education system. The Governor's proposed budget for fiscal year 2004, while seeing some reductions in order to balance the budget, totals over $12.4 billion, of which $11.2 billion is state funds and $1.2 billion is federal funds. In addition, schools are estimated to have $3.2 billion in local property tax revenue as well.

Over 85% of State School Aid Funding Supports the Foundation Allowance



Total: $11.2 Billion

School Aid Budget Highlights

Based on January 2003 revenue estimates, the fiscal year 2004 state School Aid Fund had a deficit of $365 million. Governor Granholm proposes to address the problem through a combination of spending reductions and revenue enhancements. Most importantly, however, this proposed budget keeps the Governor's commitment to fully fund the basic foundation allowance at $6,700 per pupil. Fully funding the foundation allowance provides local districts with the greatest flexibility in determining how educational services are delivered.

- The budget also protects services for at risk children in the following ways: payments for extra services for academically at risk children will be fully funded at $314.2 million; in addition, the allowable uses of funds under this program are being expanded to include before and after school programs.

- School readiness preschool grants of $72.8 million will be maintained, serving an estimated 22,000 children. These funds, in addition to over $12.2 million appropriated in the Department of Education budget, provide schools with $85 million to serve over 25,000 preschool children.

"Already, many of our intermediate school districts are deeply involved in these early childhood education activities and they're making great strides. As I submit my budget, I will ask all 57 of these county-wide and multi-county districts to redefine their mission: to recognize that education begins at age zero; to find ways to educate parents; and to make sure our young children are read to for a half-hour each day."

Governor Granholm, State of the State Address, February 2003

- The Governor also proposes the implementation of a new preschool program in which intermediate school districts will compete for a total of $3.3 million to provide programs to children from birth to age 5 and their families. The program's purpose is to improve school readiness and encourage positive parenting skills. Intermediate school districts can receive up to 3.5 percent of their fiscal year 2003 operations payment to support the program.

- The Governor's recommendation augments the School Aid Fund revenues by refinancing school debt in two ways:
  1. Assuming cooperation from local school districts, the State Treasurer will refinance bonds in the School Bond Loan Authority, thereby saving an estimated $100 million. This entire savings will be deposited in the School Aid Fund.
  2. Refinancing of Durant bonds is expected to reduce debt service payments, thus reducing costs in the School Aid Fund by $40 million.

- The fiscal year 2004 budget replaces the current general fund subsidy to the School Aid Fund with the deposit of $198.6 million from a revenue sharing reserve account into the School Aid Fund. This accounting reserve is now available due to passage of P.A. 679 of 2002. Its use to support school district funding will not affect ongoing revenue sharing payments to local governments.

- Other revenue enhancements supporting the school aid budget include the implementation of lottery keno, estimated at $25 million; break-open lottery tickets, estimated to generate another $25 million in School Aid Fund revenues; and closing various tax loopholes, which will generate an additional $20.3 million in School Aid Fund revenues.

- All constitutionally-protected funding of over $7.7 billion is held harmless in the fiscal year 2004 budget. Protected programs include:
  - Proposal A guarantee (fiscal year 1995 foundation levels) payments in the amount of $6.8 billion are protected for both local districts and public school academies.
  - Headlee-mandated special education payments of over $800 million.
  - *Durant* related payments of $32 million.
  - School lunch payments are not only protected but will receive an increase of $3.2 million to fully fund the program at $21.3 million.

- Districts struggling with declining enrollments will realize increased revenues by a change in the pupil membership formula from the current blend of 20 percent of the prior-year February pupil count, plus 80 percent of the current-year fall pupil count, to an equal 50 percent weighting of the two counts. The change in membership will also save the School Aid Fund approximately $40 million.

- The following categorical items will be increased over the fiscal year 2003 appropriation levels in order to fully fund the programs:
  - Funding for renaissance zone reimbursement is increased by $17.7 million to $27.9 million.
  - Funding for the educational costs of court-placed children is increased by $2 million to $10.9 million.

- Although pension costs for school employees will increase in fiscal year 2004, the pension system will absorb those additional costs and the retirement rate charged to schools will remain at the current rate of 12.99 percent. This will save districts over $100 million in costs that they would otherwise have incurred.

- Reductions are being proposed in the following categoricals:
  - Adult education will be reduced by $57.5 million to $20 million.
  - Intermediate school district general operations funding is reduced by $6.3 million to $88.7 million.
  - Wireless technology funding administered by the Michigan Virtual University is reduced by $2.5 million to $1 million.
  - Intermediate school district special and vocational education millage equalizations are reduced by a total of $1.5 million (3.25 percent) to $36.9 million and $9.5 million, respectively.
  - Operational funding for the Center for Education Performance and Information (CEPI) will be reduced by $1.1 million to $900,000.
  - Vocational education is reduced by $1 million to $30.0 million.
  - Michigan Virtual High School funding is reduced by $500,000 to $1 million.

- The following programs are being proposed for elimination:
  - Career Preparation Programs ($22.2 million).
  - Partnership for Adult Learning (PAL) ($20 million).
  - Math and Science Centers ($10.2 million).
  - Gifted and Talented Programs ($5 million).
  - The Standard and Poors' contract, administered by the Center for Education Performance and Information (CEPI) ($2.5 million).
  - School Health Curriculum Grants ($3.1 million).
  - Grants to Interagency Multicollaborative Bodies ($2 million).
  - Accreditation Assistance Grant to the Department of Education ($2 million).
  - Golden Apple Awards ($1.3 million).
  - Autism Program Grant to Grand Valley State University ($500,000).

Fiscal Year 2004 Governor's Recommendation

State School Aid

($ in Thousands)

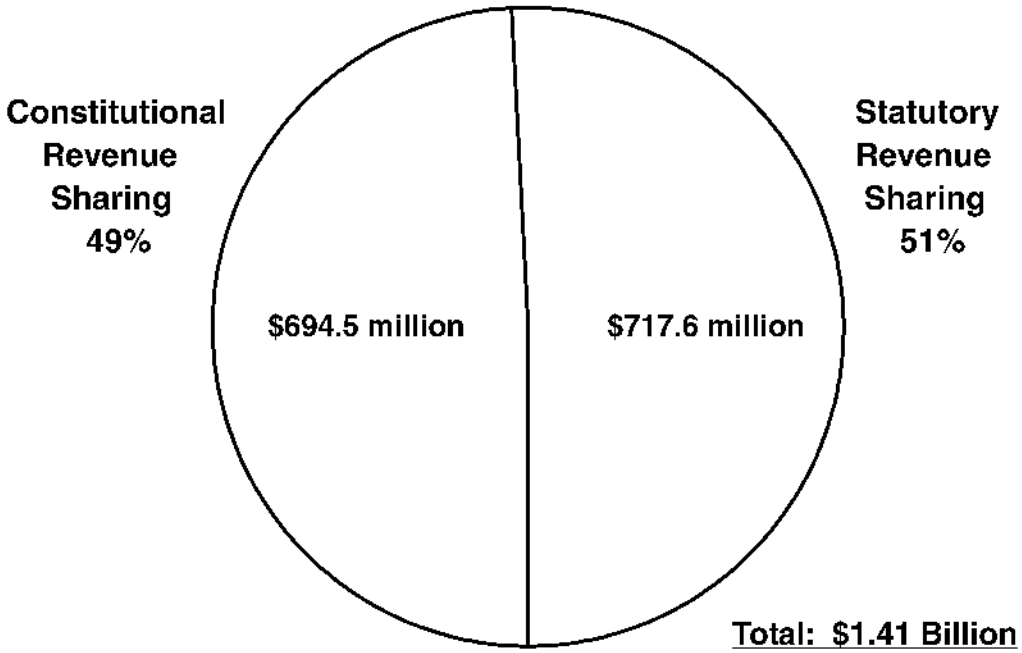
	FY03 Enacted	FY03 Current Law	FY04 Recommended	% Change
GF/GP	$198,413.5	$198,413.5	$0.0	-100.0%
All Funds	$12,710,380.1	$12,545,480.1	$12,467,963.1	-0.6%

Program	GF/GP	All Funds
STATE PROGRAMS		
Proposal A Guarantee (1995 foundation levels)	$0.0	$6,826,000.0
Discretionary Payment	$0.0	$2,873,000.0
Special Education State Funding	$0.0	$848,301.9
At Risk Children Services	$0.0	$314,200.0
Intermediate School District General Operations	$0.0	$88,721.8
School Readiness Grants	$0.0	$72,800.0
Special & Vocational Millage Equalization Payments	$0.0	$46,420.7
Durant-Related Cash and Bond Payments	$0.0	$32,000.0
Vocational Education	$0.0	$30,019.2
Renaissance Zone Reimbursement	$0.0	$27,910.0
School Lunch Payments	$0.0	$21,300.0
Adult Education	$0.0	$20,000.0
Funding for Court Placed Children	$0.0	$10,900.0
Bilingual Education	$0.0	$4,212.0
Intermediate School District 0-5 Preschool Programs - *NEW*	$0.0	$3,326.0
Michigan Virtual High School & Technology Project	$0.0	$2,000.0
Bus Driver Safety	$0.0	$1,625.0
Center for Education Performance & Information	$0.0	$863.4
FEDERAL PROGRAMS		
No Child Left Behind Act Programs	$0.0	$674,894.9
Special Education Federal Funding	$0.0	$294,837.2
School Lunch Payments	$0.0	$274,631.0
Total FY 2004 Recommendation	**$0.0**	**$12,467,963.1**

State Revenue Sharing

Administered by the Department of Treasury, Michigan's revenue sharing program provides unrestricted financial support to over 1,800 local units of government, allowing communities to determine how best to fund local services. There are two ways that local units share in a portion of sales tax revenue: a constitutionally-dedicated portion is distributed to cities, villages and townships based on a community's population; an additional portion of sales tax revenue is earmarked in state law to provide revenue sharing payments that are subject to annual appropriation. Funding for fiscal year 2004 is recommended at $1.41 billion.

Almost Half of All Revenue Sharing Payments are Constitutionally-Dedicated



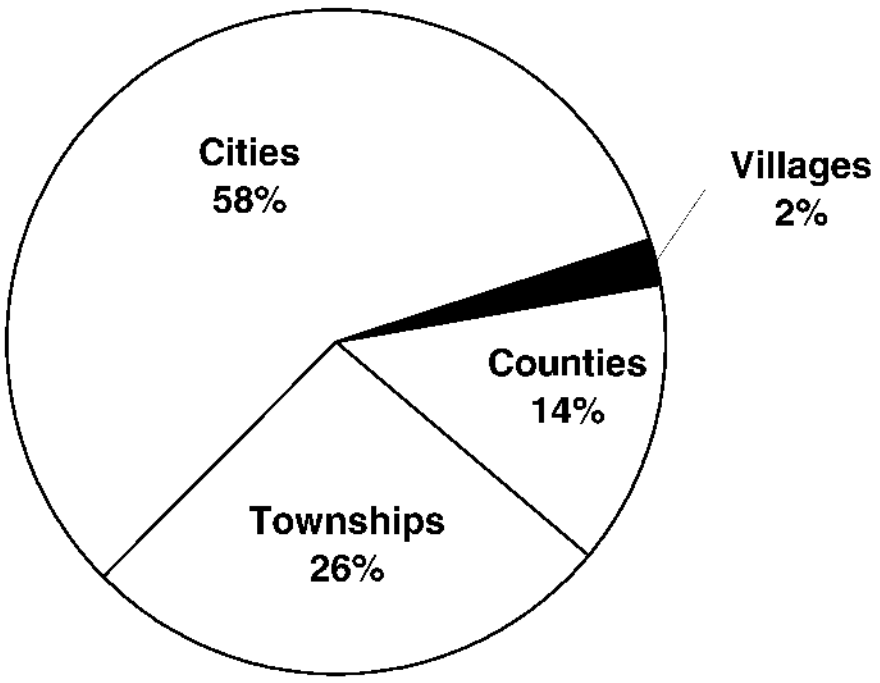
Revenue Sharing Highlights

For fiscal year 2004, Governor Granholm recommends revenue sharing payments 3 percent below the fiscal year 2003 spending level. The $43.7 million reduction will be equally distributed to all communities through enactment of legislation amending the method of distributing sales tax collections. Distributing reduced funding to all communities on an equal basis protects large cities and counties from a disproportionate reduction under statutory formulas. Communities will determine how best to operate local programs with reduced revenue sharing funds, while protecting support for first responders in emergency situations.

The fiscal year 2004 funding levels are summarized below:

- Counties will receive $196.8 million, a $6.1 million reduction from fiscal year 2003.
- Cities, villages and townships will receive $902.8 million, a $27.9 million reduction from fiscal year 2003;
- The City of Detroit will receive $312.5 million, a $9.7 million reduction from fiscal year 2003.

Fiscal Year 2004 Recommended Revenue Sharing Distribution



Fiscal Year 2004 Governor's Recommendation

State Revenue Sharing

($ in Thousands)

	FY03 Enacted	FY03 Current Law	FY04 Recommended	% Change
GF/GP	$0.0	$0.0	$0.0	0.0%
All Funds	$1,523,600.0	$1,455,700.0	$1,412,100.0	-7.3%

Program	GF/GP	All Funds
Revenue Sharing to Cities	$0.0	$512,100.0
Revenue Sharing to Townships	$0.0	$359,700.0
Revenue Sharing to the City of Detroit	$0.0	$312,500.0
Revenue Sharing to Counties	$0.0	$196,800.0
Revenue Sharing to Villages	$0.0	$31,000.0
Total FY 2004 Recommendation	**$0.0**	**$1,412,100.0**

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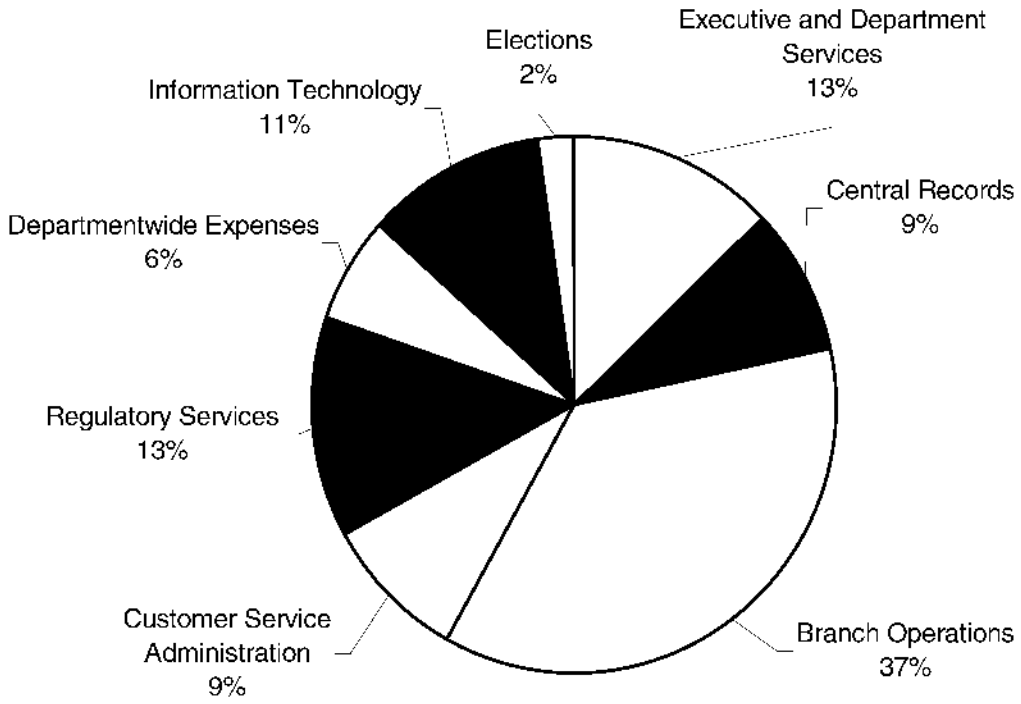
Department of State

The Department of State administers Michigan's motor vehicle programs including titling, registering vehicles, licensing drivers and monitoring driver performance. The Secretary of State also supervises statewide elections and administers the state election law.

The Governor's proposed budget for fiscal year 2004 recommends total funding of $175.5 million, of which $13.0 million is general fund.

FY 2004 Spending by Category



Total: $175.5 Million

Department Priorities

- Improve high-quality services to customers and business partners.
- Advance technology to provide enhanced online services to the people of Michigan.
- Preserve the integrity of the election process in Michigan.
- Maintain the security of data to protect against fraud and the inappropriate use of the public's information.

Department of State Budget Highlights

- The Governor recommends funding for the Department of State at $175.5 million gross, $13.0 million general fund for fiscal year 2004. This is an overall decline of 2.5 percent from the fiscal year 2003 enacted budget. These funds are used to support department operations and efforts to improve customer service.

- The Secretary of State will reduce general fund expenditures by $500,000 through administrative and operational improvements. The Department of State has already achieved $1.1 million in administrative efficiencies since the beginning of the current fiscal year, and the Executive Budget includes this reduction.

- The Governor recommends increasing the commercial look-up fee from $6.55 to $7.00 per transaction. This user fee, which has not been increased since 1990, is paid by insurance companies for information about a driver's record, which they use in determining insurance premiums. The fee adjustment will increase state restricted revenues by $2.1 million, which will be used to offset an equal amount of general fund support in the Department of State budget. This funding shift will allow the department to maintain existing levels of service to the citizens of Michigan.

- The Executive Recommendation includes an increase of $141,200 in Michigan transportation funding for the additional costs of materials to produce license plates.

- Fiscal year 2003 one-time funding associated with development and implementation of a vertical driver license and personal identification card for persons under the age of 21 is removed from the budget.

- The fiscal year 2004 recommendation also includes the transfer of $62,600 to the Department of History, Arts and Libraries to complete the integration of all aspects of the historical programs into that department.

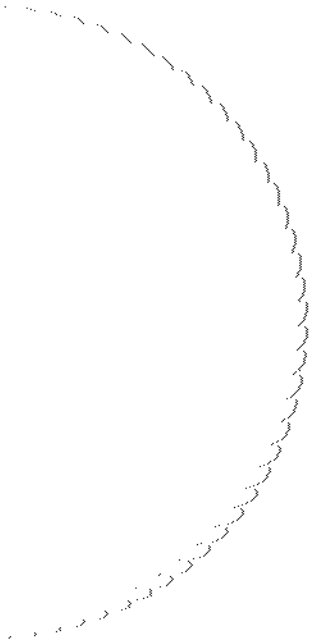
Fiscal Year 2004 Governor's Recommendation

Department of State

($ in Thousands)

	FY03 Enacted	FY03 Current Law	FY04 Recommended	% Change
GF/GP	$16,969.0	$15,876.2	$12,981.7	-23.5%
All Funds	$180,055.8	$178,963.0	$175,501.0	-2.5%

Program	GF/GP	All Funds
Branch Operations	$2,746.9	$63,827.4
Regulatory Services	$3.4	$23,428.3
Executive and Department Service	$589.1	$22,316.1
Information Technology	$1,030.3	$19,521.6
Central Records	$627.3	$15,590.3
Customer Services Administration	$974.4	$15,537.4
Departmentwide Expenses	$2,966.1	$11,235.7
Election Regulation	$4,044.2	$4,044.2
Total FY 2004 Recommendation	**$12,981.7**	**$175,501.0**

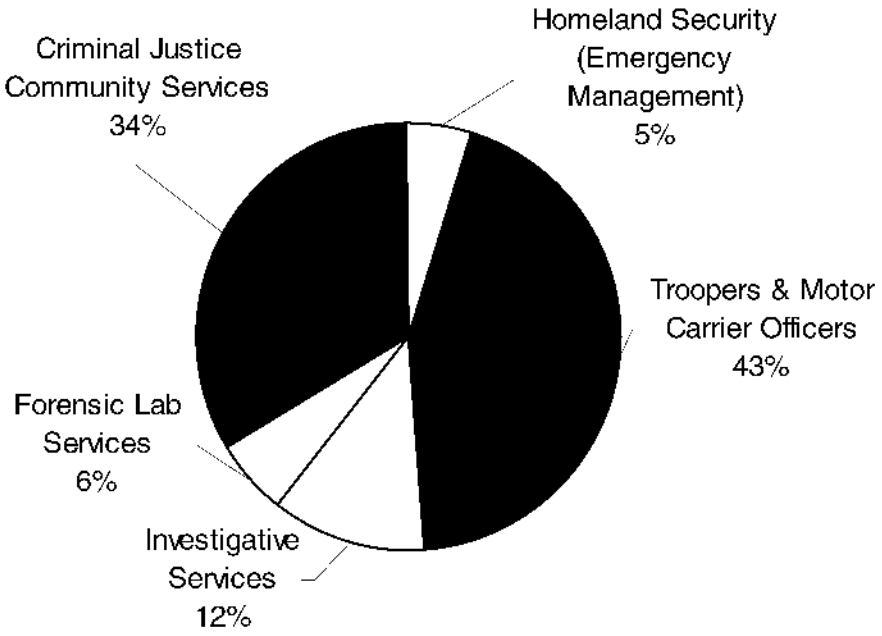


Department of State Police

The Department of State Police provides leadership, coordination and delivery of law enforcement services throughout the state. Through up-to-date training and technology the Michigan State Police serves to protect the citizens of Michigan, reducing the opportunities for crime and ensuring a safe environment for the residents of this state.

The Governor's proposed budget for fiscal year 2004 recommends total funding of $410.8 million, of which $231.2 million is general fund.

State Police Provide Statewide Criminal Justice Services



Total: $410.8 Million

Department Priorities

- Provide for homeland security.
- Provide state troopers and motor carrier officers for general law enforcement, crime prevention, and traffic safety.
- Provide specialized investigative support to assist in solving crimes.
- Provide forensic laboratory services including DNA analysis, fingerprint analysis, trace evidence, toxicology, bomb squad response and court testimony.
- Provide support to the statewide criminal justice community.

State Police Budget Highlights

- The Governor's recommended fiscal year 2004 budget maintains support of $410.8 million for the department to support over 3,000 law enforcement professional and support staff and the provision of public safety of Michigan residents. The fiscal year 2004 recommendation provides additional federal support for various programs and shifts to a reliance on restricted resources resulting from proposed increases to select fees.

"Protecting families is the main mission of the Michigan State Police. Whether it be responding to a accident scene or managing the state's emergency response, the Michigan State Police will continue their watchful duty of protecting our citizens at all levels."

Colonel Tadarial Sturdivant, Director, Michigan State Police, February 5, 2003

- The Governor demonstrates her commitment to the safety of Michigan citizens by recommending $5.0 million in new restricted fund resources to conduct a 100 candidate state trooper recruit school, the first recruit school in close to three years. This new fund source, derived from increased driver license fees, will be permanent in nature and allow for continuous provision of recruit schools, enabling trooper strength to be maintained at approximately 1,100 troopers, consistent with desired levels.

- The fiscal year 2004 recommendation maintains funding for state troopers through the proposed increase to operator, chauffeur, and commercial license fees. Through a redirect of existing license fee revenue, coupled with incremental increases to the operator, chauffeur, and commercial license fees, a $31.4 million savings to the general fund will be achieved while providing a more stable source of revenue to support trooper activities.

- Domestic preparedness efforts for the state are a top priority for the department. The fiscal year 2004 recommendation provides $6.4 million in additional federal support at both the state and local level to enhance the ability of first responders to react to incidents of domestic terrorism. Local level purchases may include personal protective equipment, biological detection and decontamination equipment, and specialized communications. The department will benefit from a small portion of these resources for purchase of similar response related equipment and to fund training drills and exercises on weapons of mass destruction.

- Forensic science has played a major role in the success of the department in solving major crimes. An integral component of forensic science is DNA analysis. The Michigan State Police now collect DNA from all convicted felons and the department has worked diligently to eliminate profiling backlogs. The fiscal year 2004 recommendation includes an additional $3.0 million in federal support to assist in the department's efforts to examine cases where a suspect has yet to be identified, while aiding in the on-going backlog reduction of DNA cases.

- The ability to immediately detect a suspicious fire is the most effective way to battle against arson and other fire related crimes. A new fee on the direct premiums of specific categories of insurance written by an insurer is proposed as part of the fiscal year 2004 recommendation. The revenue generated from the fee will be used by the department to investigate fires and corresponding criminal activities. With the growth in commercial and residential properties statewide, support for fire investigative activities has remained relatively constant. The proposed fee will support fire and explosion investigations, arson fraud inspections, mitigation of hazardous materials incidents, fire data collection and analysis efforts, and public fire safety training. A corresponding savings to the general fund of $6.3 million will also be realized.

- Increased support for additional salary and wage costs associated with enhanced trooper patrol of state highways on holiday weekends is provided due to $121,800 in additional federal resources.

- The fiscal year 2004 recommendation continues current funding in the amount of $12.5 million in support of secondary road patrol grants to local sheriff departments. Restricted revenue generated from a $10.00 assessment on civil infractions will continue to fully fund these grants. In addition, if the Legislature adopts the fee consolidation proposal by the Chief Justice, an additional $1.5 million may be available for secondary road patrol.

Fiscal Year 2004 Governor's Recommendation

Department of State Police

($ in Thousands)

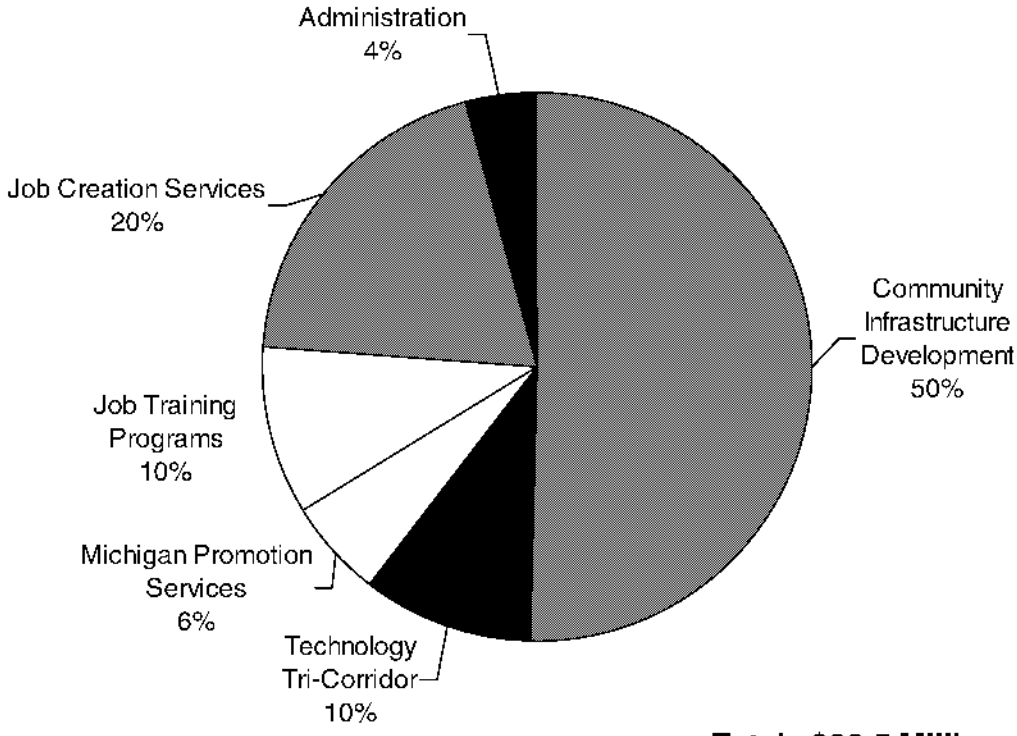
	FY03 Enacted	FY03 Current Law	FY04 Recommended	% Change
GF/GP	$287,048.3	$277,389.4	$231,241.5	-19.4%
All Funds	$415,632.2	$405,973.3	$410,786.6	-1.2%

Program	GF/GP	All Funds
State Troopers	$112,156.0	$159,649.1
Criminal Justice Community Services	$67,352.6	$138,747.4
Investigative Services	$31,629.8	$48,129.7
Forensic Lab Services	$17,277.5	$24,371.9
Homeland Security	$1,679.3	$20,785.6
Motor Carrier Officers	$1,146.3	$19,102.9
Total FY 2004 Recommendation	**$231,241.5**	**$410,786.6**

Michigan Strategic Fund

The Michigan Strategic Fund is the agency responsible for overseeing the state's economic development strategies. The appropriation to the Michigan Strategic Fund is used to support global and statewide business development and job creation and retention activities, promote statewide tourism, and administer federal community development block grants. The Michigan Strategic Fund is empowered to enter into partnerships with local governments to create the Michigan Economic Development Corporation (MEDC). Total recommended funding for the Michigan Strategic Fund is $99.5 million, of which $35.6 million is general fund.

Funding is Used for Community and Economic Development



Total: $99.5 Million

Department Priorities

- Rank Michigan among the top five states for new business expansions and locations.
- Rank Michigan in the top three Midwest states as a leisure travel destination.
- Begin the development of the Technology Tri-Corridor.
- Develop strategies for improving the relationship between higher education and economic development in order to grow the economy by moving research ideas into the marketplace.
- Promote smart economic growth by providing tools to help communities revitalize their urban cores.

Michigan Strategic Fund Budget Highlights

- Michigan Economic Development Corporation managers work directly with businesses and local economic development officials to remove barriers to business growth and expansion. Business development services include site location services, information about business finance programs, statutory tax incentives and abatements, as well as worker recruitment and targeted job-training grants.

- Job training grants totaling $10.0 million are included in the fiscal year 2004 Executive Budget recommendation to assist employers in creating and retaining jobs in Michigan. Keys aspects of the program include: quick response to company training needs in order to maintain or attract permanent jobs for Michigan residents, and collaborative efforts between businesses to help them be more competitive in the global marketplace. Due to current revenue constraints, funding for the program is reduced by 18.6 percent ($2.3 million) compared to the current year.

- The fiscal year 2004 Executive Budget recommendation includes $5.7 million for the Michigan Promotion Program, which promotes the state's tourism industry. Annually, Michigan's tourism industry supports $12.8 billion in tourist spending, which generates an estimated $660.0 million in state and local taxes. Due to current fiscal constraints, funding for the program is reduced by 10.9 percent ($700,000) compared to the current year.

- The MEDC continues to focus on the development of 11 SmartZones located across Michigan. SmartZones are intended to stimulate the growth of technology-based businesses and jobs by aiding in the creation of new and emerging business clusters. These SmartZone clusters are focused primarily on commercialization ideas, patents, and other opportunities surrounding university or private research and development efforts. To date, the development of these 11 SmartZones has resulted in $120.0 million in investments in Michigan.

- The fiscal year 2004 Executive Budget recommendation provides $50.0 million in federal pass-through grants to smaller local communities. Community Development Block Grants can be used for telecommunications infrastructure as well as road, water, and sewer improvements necessary to support business or economic development activities.

- Using the model and building upon the success of the life sciences corridor, the Governor announces the establishment of a Technology Tri-Corridor to include the life sciences, homeland security and automotive industries. The goal of the Corridor will be to create cutting edge businesses and high-wage jobs in Michigan. The Technology Tri-Corridor will jump-start the effort to develop and bring to market advancements pioneered in our universities and businesses. The $20 million program will be funded jointly by the state and the Michigan Economic Development Corporation (MEDC), with each contributing $10 million to the effort.

"We will position Michigan to lead the world in the development of the technology-based industries likely to dominate the world economy in this new century."

Governor Granholm, State of the State Address, February 2003

Fiscal Year 2004 Governor's Recommendation

Michigan Strategic Fund

($ in Thousands)

	FY03 Enacted	FY03 Current Law	FY04 Recommended	% Change
GF/GP	$44,699.2	$40,426.1	$35,555.9	-20.5%
All Funds	$153,656.5	$136,883.4	$99,513.2	-35.2%

Program	GF/GP	All Funds
Community Infrastructure Development	$0.0	$50,000.0
Job Creation Services	$15,735.7	$19,693.0
Job Training Grants	$10,048.0	$10,048.0
Technology Tri-Corridor	$0.0	$10,000.0
Michigan Promotion Services	$5,717.5	$5,717.5
Administrative Services	$4,054.7	$4,054.7
Total FY 2004 Recommendation	**$35,555.9**	**$99,513.2**

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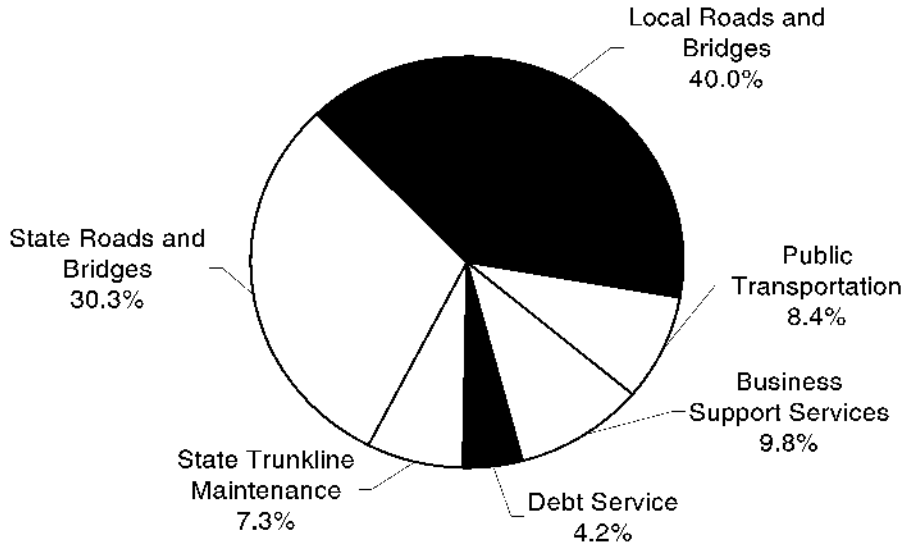
Department of Transportation

Efficient and effective systems of mobility translate into stronger economies. Michigan's transportation infrastructure is critical to connecting people to jobs, commodities to businesses, manufactured goods to industries, and tourists to recreational destinations. The Department of Transportation is responsible for the preservation and maintenance of our state's system of roads and bridges, as well as the development of bus transit, rail passenger, rail freight, marine, and aeronautics networks for the residents of Michigan. The Governor's proposed budget for fiscal year 2004 recommends total funding of $3.2 billion, all non-general fund revenues.

Local Roads Receive 40% of Transportation Funds



Total: $3.2 Billion

Department Priorities

- Focus on preserving Michigan's roads and bridges with the goal of achieving 90 percent good condition by 2007 using the "Fix it First, Fix it Right" approach.
- Partner with local units of government to implement an asset management process that will more efficiently, effectively, and strategically target statewide road and bridge investments.
- Build strong industry partnerships to ensure taxpayer dollars support quality repairs that have long-term performance expectations.
- Work with Congress to bring more federal money back to Michigan for roads, bridges, aviation and public transit.
- Increase the efficiency and availability of mass transit in southeast Michigan by supporting the passage of legislation to create a regional transportation authority.
- Be a national leader in developing innovative strategies to improve the safety and security of our transportation system, and continue customer service focus by minimizing motorist inconvenience.

Transportation Budget Highlights

- Transportation revenues are one of the few segments of the state economy that have remained strong despite the economic recession. State motor fuel taxes and vehicle registrations revenues deposited in the Michigan Transportation Fund are expected to grow by 4.9 percent over the current year to over $2.1 billion.

- Governor Granholm's budget recommendation includes over $61.6 million in additional state support for local county road commissions and municipalities. State restricted funding for local road and bridge projects totals over $1.03 billion. In addition to these state formula distributions, local agencies will also receive an estimated $226.5 million in federal aid, and $21.2 million for economic development projects.

- Employing a "Fix-It-First, Fix-It-Right" program, the Department of Transportation will prioritize over $961.3 million in construction funds to *existing* state trunkline roads and bridges, an increase in total funding of $48.7 million over the current year. Governor Granholm has directed the department to focus funds on those roads and bridges in greatest need of repair. The Governor has also instructed the department to develop meaningful warranties for jobs performed by road contractors and engineers to ensure that transportation dollars are spent wisely and effectively.

- Maintenance activities on over 9,700 miles of state trunkline highways will total $234.0 million in fiscal year 2004, an increase of $1.1 million over current year levels. These funds will support state employees and contract agencies performing a variety of routine and heavy maintenance activities, roadside mowing, and winter snow removal.

- Governor Granholm is concerned that anticipated gains in state revenues may be offset by a reduction in federal aid for highways in fiscal year 2004. Estimated federal aid included in the Governor's budget for road and bridge repair totals $909.6 million in fiscal year 2004, a continuation of newly estimated federal aid receipts in the current year. The Governor, the Department of Transportation, and a coalition of interest groups are aggressively lobbying Congress on the reauthorization of the Transportation Equity Act for the 21st Century in an effort to return more dollars to Michigan for highway repair.

- Michigan has also been forfeiting between $4 and $5 million annually by not complying with a federal requirement to lower the drunken driving threshold to the 0.08 blood alcohol level. Governor Granholm encourages the Legislature to adopt this new standard so that all federal dollars may be available to Michigan for critical road and bridge repairs.

- Currently, most diesel fuel and liquefied petroleum gas users pay 4 cents less per gallon than motorists pay for gasoline. The Governor's recommendation includes an additional $38.9 million in Michigan Transportation Fund revenues resulting from the standardization of fuel tax rates, with distributions shared by the state, counties, and municipalities through the historic Public Act 51 of 1951 formula.

"This is a matter of simple equity, of truck owners paying at least as much as other motorists for the privilege of using Michigan roads."

The Grand Rapids Press, May 15, 2001

- Governor Granholm recommends $267.5 million for comprehensive transportation programs in fiscal year 2004, including $170.9 million for local operating assistance grants. Comprehensive transportation programs support public transit, intercity bus, rail passenger, and specialized services for transit-dependent, elderly, and disabled citizens, as well as intermodal freight programs providing for the effective movement of commodities and manufactured goods.

- The overall fiscal year 2004 budget strategy includes the transfer of $13 million in operator's and chauffeur's license fee revenues that were previously subsidizing the Transportation Economic Development Fund. These funds will instead be used to support traffic enforcement and road safety functions in the Department of State Police. A total of $44 million in Michigan Transportation Fund and interest revenues will remain dedicated to Transportation Economic Development Fund programs. A total of $10.6 million from vehicle-related sales tax revenues are also re-directed from the Comprehensive Transportation Fund to the general fund.

- The Governor's recommendation continues to recognize interdepartmental grants to other state agencies providing support services to transportation programs, including transportation revenue collection costs of $103.3 million in the departments of State and Treasury. Between 1998 and 2001, the general fund subsidized well over $40 million annually for these revenue collection services. Beginning in fiscal year 2002, the general fund has no longer been able to provide this subsidy due to declines in general fund revenues.

Fiscal Year 2004 Governor's Recommendation

Department of Transportation

($ in Thousands)

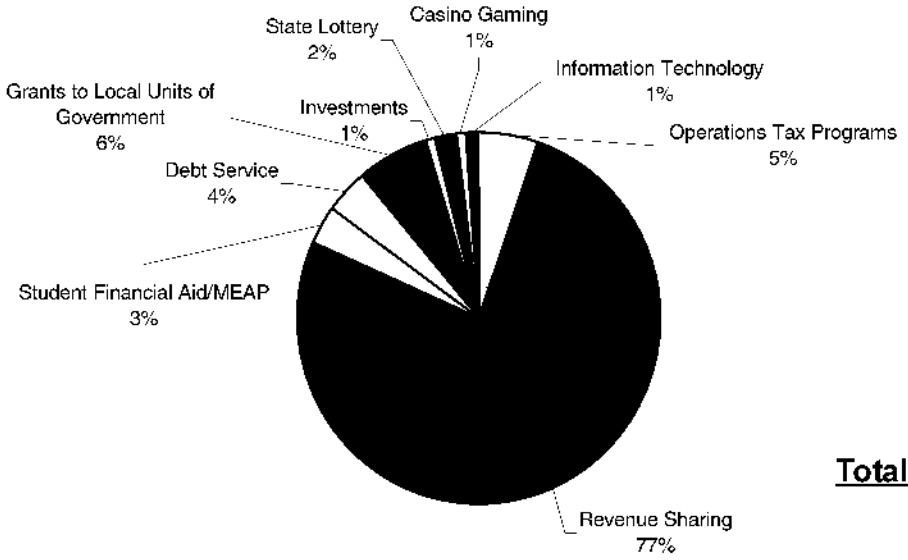
	FY03 Enacted	FY03 Current Law	FY04 Recommended	% Change
GF/GP	$0.0	$0.0	$0.0	0.0%
All Funds	$3,091,900.5	$3,093,591.4	$3,199,989.2	3.5%

Program	GF/GP	All Funds
STATE ROAD AND BRIDGE PROGRAMS		
State Road & Bridge Repair and Reconstruction	$0.0	$961,340.1
State Road & Bridge Maintenance	$0.0	$234,028.6
LOCAL ROAD AND BRIDGE PROGRAMS		
County Road Commissions	$0.0	$637,523.4
Cities and Villages	$0.0	$355,447.8
Local Road & Bridge Repair and Reconstruction	$0.0	$226,500.0
Grants to Local Programs	$0.0	$33,000.0
SPECIAL PURPOSE PROGRAMS		
Transportation Economic Development Fund	$0.0	$26,932.4
Blue Water Bridge Operations	$0.0	$10,265.5
Critical Bridge Program	$0.0	$5,750.0
Rail Grade Crossing Program	$0.0	$3,000.0
TRANSIT, RAIL, AND AERONAUTICS PROGRAMS		
Bus Transit Operating Assistance	$0.0	$170,900.0
Public Transportation Development	$0.0	$67,844.7
Intercity Passenger and Freight	$0.0	$28,727.7
ADMINISTRATION		
Business Support Services	$0.0	$187,871.7
Design and Engineering Services	$0.0	$76,683.4
Planning Services	$0.0	$23,990.5
Public Transportation & Aeronautics Services	$0.0	$14,907.7
DEBT SERVICE		
Road and Bridge Programs	$0.0	$101,555.2
Comprehensive Transportation Programs	$0.0	$28,720.5
Airport Safety, Protection, and Improvement	$0.0	$5,000.0
Total FY 2004 Recommendation	**$0.0**	**$3,199,989.2**

Department of Treasury

The Department of Treasury is primarily responsible for the fair and efficient administration of the state's tax system, including tax collections, the investment of state funds, and safeguarding the credit rating of the state and local governments. Treasury also forecasts state economic activity and revenue, administers property tax laws, audits county and municipal financial records, and provides oversight of casino gaming operations. The department manages the $1.4 billion revenue sharing program[1], which distributes unrestricted financial support to all local units of government in the state. The Bureau of Lottery also exists in Treasury, with their operations contributing $608.0 million to the School Aid Fund to support K-12 education. The Governor's proposed budget for fiscal year 2004 recommends total funding of $1.85 billion, of which $122.9 million is general fund.

Revenue Sharing and Local Grants Comprise 83% of the Treasury Budget



Total: $1.85 Billion

Department Priorities

- Improve customer satisfaction by: increasing electronic tax filing; reducing time frames for tax appeals; improving accuracy of written advice; and working with financially distressed citizens.
- Maintain financial integrity and AAA credit rating of the state through: prudent management of common cash and general obligation bond debt; compliance with investor protection principles in management of the pension funds; and accurate forecasting of revenues used as the basis for budget decisions.
- Increase revenue collections by: identifying out-of-state vendors with tax liability in Michigan; using data systems and partnerships with other agencies to collect delinquent tax and state agency debt; and reviewing existing laws for unintended revenue loss consequences.
- Protect consumers by: monitoring the integrity of gaming operations in the state; maintaining a cost-effective and reliable state lottery system; and depositing lottery and gaming revenues in the School Aid Fund to support K-12 education.

1 See pages B-91 to B-94 for a description of the revenue sharing program to local units of government.

Treasury Budget Highlights

- The fiscal year 2004 Executive Recommendation, excluding revenue sharing and debt service, provides $366.5 million gross and $49.7 million general fund to manage a tax system that collects $20.8 billion in revenue and processes $18.1 billion in tax expenditures.

- The Executive Recommendation reduces general fund expenditures by $3.6 million through operational and administrative efficiencies. The Department of Treasury has already achieved $3.1 million in administrative efficiencies since the beginning of fiscal year 2003, and the Executive Budget includes this reduction.

- The appropriation for Qualified Agricultural Loans is reduced by $800,000 to reflect anticipated fiscal year 2004 loan payments.

- Funding associated with tax increment finance authority payments is eliminated, saving $500,100. Fiscal year 2004 payments will be made from work-project balances carried forward from prior fiscal years.

- The fiscal year 2004 recommendation also includes $2.5 million in restricted revenue for commercial mobile radio service (CMRS) emergency telephone fund payments to expand 911 services.

- Lottery anticipates implementing two new games in fiscal year 2004: Lottery Keno and break-open tickets. These new games will contribute $50 million in new revenues to support the fiscal year 2004 School Aid Budget. The Executive Recommendation includes $2.7 million in restricted revenue for administration and expenses associated with operation of the new games.

- The Executive Recommendation contains $73.3 million for debt service requirements. This includes $17.1 million for new requirements associated with Clean Michigan Initiative bond issues. The recommendation also restores $36.6 million general fund for Quality of Life bonds, replacing restricted funds which are no longer available.

Fiscal Year 2004 Governor's Recommendation

Department Of Treasury

($ in Thousands)

	FY03 Enacted	FY03 Current Law	FY04 Recommended	% Change
GF/GP	$121,080.8	$75,310.0	$122,943.1	1.5%
All Funds	$1,961,566.9	$1,902,696.1	$1,851,820.3	-5.6%

Program	GF/GP	All Funds
Revenue Sharing to Local Units of Government	$0.0	$1,412,080.0
Grants to Local Units of Government	$20,752.7	$118,752.7
Debt Service Payments	$73,286.4	$73,286.4
Tax Programs	$4,041.7	$54,683.4
State Lottery	$0.0	$36,134.5
Student Financial Assistance Programs	$1,510.7	$33,323.4
Michigan Merit Awards/MEAP Administration	$0.0	$29,827.3
Banking and Technology	$6,998.3	$24,161.1
Information Technology	$5,513.6	$20,174.7
Casino Gaming	$0.0	$16,566.6
Retirement Investments	$0.0	$11,671.7
Local Government Operations	$5,060.4	$10,430.4
Departmentwide Appropriations	$4,486.6	$8,365.2
Administration	$1,054.0	$1,344.3
Common Cash Investment and Debt Management	$238.7	$1,018.6
Total FY 2004 Recommendation	**$122,943.1**	**$1,851,820.3**

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Background Information

Fiscal Year 2004
Sources and Uses of General Fund/General Purpose

(in millions)

Estimated Beginning Fund Balance, October 1, 2003		$0.0
REVENUES:		
January Consensus Net Revenues	$8,191.5	
Proposed Adjustments:		
Transfer from Employment Security Fund		$10.0
Freeze Revenue Sharing at Fiscal Year 2003 Level		152.7
Capture Revenue Sharing Growth		72.4
Revenue Sharing Reduction		43.7
Tax Loophole Closing Measures		108.6
Sale of Property		2.0
Reduce Comprehensive Transportation Fund Sales Tax Percentage		10.6
Total Sources of Funds		**$8,591.5**
EXPENDITURES:		
Fiscal Year 2004 Executive Recommendation	$8,591.5	
Total Uses of Funds		**$8,591.5**
Ending Fund Balance, September 30, 2004		**$0.05**

Fiscal Year 2004
Sources and Uses of All Funds

(in millions)

Estimated Beginning Unreserved Fund Balance, October 1, 2003		$834.5
REVENUES:		
Fiscal Year 2004 Revenue Estimate		$37,606.6
Adjustments Included in Revenue Estimate:		
Tax Loophole Closing Measures	$128.9	
Sale of Property	2.0	
School Bond Loan Refinance	100.0	
Deposit Per P.A. 679 of 2002	198.6	
Increase Lottery Revenues	50.0	
Transportation Net Changes	28.3	
Other Adjustments:		
Fee/Fine Increases		$125.5
TOTAL REVENUES		$37,732.1
Total Sources of Funds		**$38,566.6**
EXPENDITURES:		
Fiscal Year 2004 Executive Recommendation	$38,613.0	
Less: Interdepartmental Grants and Transfers	(713.5)	
Total Uses of Funds		**$37,899.5**
Excess of Sources Over Uses		**$667.1**

CONSENSUS ECONOMIC OUTLOOK

The economic and revenue outlook were agreed to at the January 14, 2003 Consensus Revenue Estimating Conference by the Administration, House Fiscal Agency, and Senate Fiscal Agency.

2002 U.S. Economic Review

The National Bureau of Economic Research has not yet declared the end to the recession that began in 2001. Major economic indicators signaled a firming expansion in early 2002. However by midyear, indicators signaled that the recovery had hit a soft spot. At year's end, major indices remained mixed. The apparent recovery has been halting and uneven. Real GDP grew 2.4 percent in 2002, (See Table L-1). Real final sales rose 1.7 percent in 2002. Buoyed by record mortgage refinancing and light vehicle buying incentive programs, consumption grew 3.0 percent. Light vehicle sales averaged 16.5 million units in 2002.

Accelerating business investment is crucial for strengthening the economy and fostering job creation. However, business fixed investment fell through most of 2002. While equipment spending began recovering in early 2002, businesses reduced their construction spending throughout the year. Overall business fixed investment fell 5.8 percent. Equipment spending fell 1.9 percent while business construction spending declined 16.2 percent. Federal government spending grew a robust 7.1 percent in 2002. State and local spending, on the other hand, grew more slowly (2.7 percent).

Moderate economic growth coupled with strong productivity growth and firms' reluctance to increase hiring has left calendar year 2002 employment down 0.9 percent. For 2002, the U.S. unemployment rate rose from 4.8 percent to 5.8 percent.

The 2002 figures reported are preliminary estimates that were available on January 14, 2003.

2002 Michigan Economic Review

The weak U.S. recovery slowed the Michigan economy. Like U.S. employment, Michigan wage and salary employment fell 0.9 percent and Michigan's unemployment rate rose to 6.1 percent in 2002. Michigan wages and salaries rose only slightly while personal income grew 2.0 percent.

2003 and 2004 U.S. Consensus Economic Outlook

Real GDP is forecast to grow slowly the first half of 2003 before accelerating to reach 2.4 percent growth for the year. Real GDP growth is then expected to increase to 3.7 percent in 2004. Compared with prior expansions, the forecasted recovery will be tepid.

High levels of productivity, low interest rates and substantial federal spending growth will help support growth moving forward. On the other hand, weak consumer and business confidence, the risk of war, a weak job market and low capacity utilization will restrain growth.

Light vehicle sales are forecast to be 16.3 million units in 2003 and 16.4 million units in 2004. Inflation is projected to remain moderate at 2.6 percent and 2.7 percent in 2003 and 2004, respectively. Interest rates are forecast to rise but still remain at historically low levels.

With the labor market's recovery lagging the overall economic recovery, the U.S. unemployment rate is projected to rise to 6.1 percent in 2003 before falling to 5.6 percent in 2004.

2003 and 2004 Michigan Consensus Economic Outlook

Michigan wage and salary employment is forecast to decline by an additional 14,000 jobs in the first quarter of 2003 and be essentially flat in the second quarter. By the third quarter, employment is projected to begin rising moderately.

Compared with the early 1990s "jobless recovery," Michigan's economy is forecast to recover even more slowly from this recession. Employment will decline more and remain below peak levels much longer than in the 1990s recovery.

For 2003, employment declines 14,000 (0.3 percent) and then to rises by 77,000 (1.7 percent) in 2004. Employment is forecast to remain below its previous 2000 peak through the end of 2004. Michigan's unemployment rate is forecast to rise slightly to 6.2 percent in 2003 before declining to 5.7 percent in 2004.

Inflation, as measured by the Detroit CPI, is forecast to be 2.7 percent in both 2003 and 2004. As a result, real Michigan personal income (inflation adjusted) is expected to rise slightly (0.9 percent) in 2003 before growing 2.5 percent in 2004.

In FY 2003, Michigan wages and salaries are expected to grow by 3.0 percent and then accelerate to 4.4 percent growth in FY 2004. Disposable income is expected to rise 5.0 percent and 5.4 percent in FY 2003 and FY 2004, respectively. The inflation rate is expected to remain moderate at 2.9 percent in FY 2003 and 2.6 percent in FY 2004.

Forecast Risks

Most risks to the economic forecast are on the downside. Considerable uncertainty surrounds a potential military conflict with Iraq and its impact on world oil markets and U.S. consumer and business spending. A protracted or expanded conflict could lead consumers and businesses to retrench. Continued weakness or worsening conditions in equity and/or labor markets could also reduce business and consumer confidence and cause sharper declines in state and local spending.

While the U.S. economy as a whole does not face a housing price bubble, many housing markets are likely overvalued. If housing bubbles burst in a number of major areas, consumer spending could slow substantially. Similarly, while U.S. prices as a whole would likely not deflate, many major sectors of the U.S. economy already face deflationary

pressures. To the extent that deflation or disinflation reduces profits and induces consumers to delay purchases, the economy could slow further.

Major U.S. trading partners and the rest of the world are facing weak or declining economies – most notably Japan and Germany, the world's second and third largest economies. To the extent to which international conditions worsen, U.S. net exports and investment could decline sharply. Given the extremely high current account balance, the value of the U.S. dollar is vulnerable. If foreign investors sharply reduce their dollar holdings, the value of the U.S. dollar could plummet. A plummeting U.S. dollar would sharply slow both U.S. and foreign economic growth.

Consumer debt levels are historically high and may constrain consumer spending more than expected and push growth lower. Similarly, excess capacity could restrain business spending.

The President has proposed substantial new tax cuts. If enacted, the President's proposal would increase both U.S. and state economic activity, especially in 2004. However, the proposal would, on net, reduce state revenues.

Table L-1
Consensus Economic Forecast
January 2003

	Calendar 2001 Actual	Calendar 2002 Forecast	Percent Change from Prior Year	Calendar 2003 Forecast	Percent Change from Prior Year	Calendar 2004 Forecast	Percent Change from Prior Year
United States							
Real Gross Domestic Product (Billions of Chained 1996 Dollars)	$9,215	$9,432	2.4%	$9,658	2.4%	$10,016	3.7%
Implicit Price Deflator GDP (1996 = 100)	109.4	110.7	1.1%	112.8	1.9%	115.3	2.2%
Consumer Price Index (1982-84 = 100)	177.1	179.9	1.6%	184.6	2.6%	189.6	2.7%
Personal Consumption Deflator (1996 = 100)	109.6	111.1	1.4%	113.5	2.2%	116.0	2.2%
3-month Treasury Bills Interest Rate (percent)	3.5	1.6		1.6		3.2	
Aaa Corporate Bonds Interest Rate (percent)	7.1	6.5		6.0		6.1	
Unemployment Rate - Civilian (percent)	4.8	5.8		6.1		5.6	
Light Vehicle Sales (millions of units)	17.0	16.5	-3.0%	16.3	-1.3%	16.4	0.6%
Passenger Car Sales (millions of units)	8.4	8.0	-4.6%	7.9	-1.7%	8.0	1.3%
Light Truck Sales (millions of units)	8.6	8.5	-1.3%	8.4	-1.0%	8.4	0.0%
Import Share of Light Vehicles (percent)	18.1	19.8		19.9		19.2	
Michigan							
Wage and Salary Employment (thousands)	4,587	4,546	-0.9%	4,532	-0.3%	4,609	1.7%
Unemployment Rate (percent)	5.3	6.1		6.2		5.7	
Personal Income (millions of dollars)	$297,609	$303,508	2.0%	$314,434	3.6%	$330,848	5.2%
Real Personal Income (millions of 1982-84 dollars)	$170,648	$169,580	-0.6%	$171,066	0.9%	$175,264	2.5%
Wages and Salaries (millions of dollars)	$173,309	$173,697	0.2%	$179,429	3.3%	$187,862	4.7%
Detroit Consumer Price Index (1982-84 = 100)	174.4	179.0	2.6%	183.8	2.7%	188.8	2.7%

Revenue Estimates

Fiscal Year 2002 Revenue

The economic slowdown continued in FY 2002 reducing the growth rate of many taxes. In particular, income tax collections fell sharply as the large reductions in the stock market in 2001 were reflected in reduced quarterly and annual income tax payments in 2002. On a Consensus basis, net GF-GP revenue fell 6.3 percent in FY 2002 to $8,425.1 million, while SAF revenue increased 1.4 percent to $10,134.0 million. Including transfers and other adjustments final FY 2002 GF-GP revenue totaled $8,468.5 million and FY 2002 SAF revenue totaled $10,331.6 million.

Fiscal Year 2003 and Fiscal Year 2004 Revenue Estimates

On January 14, 2003, the Administration and the House and Senate Fiscal Agencies reached a consensus on projected revenues for FY 2003 and FY 2004. Agreement was reached on baseline revenue forecasts and the impact of enacted tax cuts. The January 2003 Consensus revenue estimates are used for the Governor's *Executive Budget.* The economic and revenue forecasts will be reviewed again at the May consensus conference before the final budget bills are passed by the Legislature.

For FY 2003, baseline GF-GP revenue is estimated to increase by 0.2 percent and baseline SAF revenue is forecast to increase 1.7 percent. After enacted tax cuts are factored in, net GF-GP revenue on a Consensus basis is expected to decline by 4.1 percent to $8,083.8 million in FY 2003. Including proposed changes, GF-GP is expected to total $8,246.5 million. Net SAF revenue on a Consensus basis is expected to increase by 7.1 percent to $10,857.6 million. The large FY 2003 SAF revenue increase is due in part to the timing shift in state education tax collections, which will generate $455 million in revenue for FY 2003. Including transfers and proposed changes, FY 2003 SAF revenue will total $12,078.1 million.

Baseline FY 2004 GF-GP revenue is forecast to grow 4.3 percent and SAF baseline revenue is forecast to grow 4.2 percent. After enacted tax cuts, net GF-GP revenue on a Consensus basis is expected to be $8,191.5 million, a 1.3 percent increase from FY 2003. Proposed changes will increase FY 2004 GF-GP revenue by $400.0 million to $8,591.5 million. On a Consensus basis, net SAF revenue is expected to increase to $10,854.7 million after enacted tax cuts, roughly the same total as in FY 2003. The SAF shows little net growth in FY 2004 because of the $455 million in one-time state education tax money that is present in the FY 2003 total. Proposed changes and transfers will increase FY 2004 SAF revenue to $12,468.0 million.

Overall FY 2004 Revenue

Total net revenue for all funds is estimated to be $37,606.6 million in FY 2004. Table C-8 presents a summary of revenues by fund. The Detailed Statement of General and Special Revenue Funds presents information for FY 2001 through FY 2004.

Projected Revenues
FY 2003 - 2004
(millions)

	FY 2003 - 2004
General Fund - General Purpose	
Consensus Estimate	8,191.5
Proposed Changes	400.0
Total General Fund - General Purpose	8,591.5
School Aid Fund	
Consensus Estimate	10,854.7
Transfers and Federal Aid	1,244.4
Proposed Changes	368.9
Total SAF Revenue	12,468.0
Transportation Funds	
Consensus Estimate	4,282.1
Proposed Changes	28.3
Total Transportation Revenue	4,310.4
General Fund - Special Purpose	11,939.1
Special Revenue and Permanent Funds	726.7
Sub-Total All Funds	38,035.7
Other Revenue Sources	583.9
Gross Total All Resources	38,619.6
Less Interfund Transfers (excluding GF-GP)	(1,013.0)
Net Total All Resources	$ 37,606.6

Office of Revenue and Tax Analysis
Michigan Department of Treasury
March 2003

DETAILED STATEMENT OF GENERAL AND SPECIAL REVENUE FUNDS

	ACTUAL FY 2000 - 2001	ACTUAL FY 2001 - 2002	ESTIMATES FY 2002 - 2003	ESTIMATES FY 2003 - 2004
GENERAL FUND - GENERAL PURPOSE REVENUE				
TAXES				
Individual Income [1]	6,116,129,210	5,680,770,356	5,506,000,000	5,535,400,000
Less: Refunds	(1,297,384,530)	(1,391,209,352)	(1,493,800,000)	(1,530,200,000)
Net Individual Income	4,818,744,680	4,289,561,004	4,012,200,000	4,005,200,000
Single Business	2,022,266,402	1,983,329,688	1,951,400,000	2,084,900,000
Sales [2]	78,852,625	132,304,892	95,300,000	116,300,000
Use	887,513,102	868,289,348	890,100,000	936,200,000
Insurance Company Premium Retaliatory	200,738,758	227,074,905	245,000,000	257,000,000
Cigarette Excise [3]	146,201,281	194,900,473	283,300,000	277,900,000
Utility Property	154,338,105	138,960,416	132,200,000	128,800,000
Penalties and Interest	157,377,124	148,907,929	145,000,000	124,000,000
Intangibles	(334,203)	524,969	0	0
Estate / Inheritance	155,466,094	131,028,763	79,500,000	55,000,000
Beer and Wine Excise	50,357,279	50,012,089	51,000,000	51,500,000
Oil and Gas Severance	60,138,551	30,681,912	35,000,000	34,000,000
Liquor Specific [4]	29,344,661	29,915,224	30,000,000	30,000,000
Other	(28,717)	606,424	0	0
Enhanced Enforcement and ACS [5]	(73,426,128)	(83,739,590)	(85,000,000)	(85,000,000)
TOTAL GF - GP TAXES	8,687,549,614	8,142,358,446	7,865,000,000	8,015,700,000

[1] See also Special Purpose Revenue.

[2] See Special Purpose Revenue, School Aid Fund, and Comprehensive Transportation Fund.

[3] See also Special Purpose Revenue and School Aid Fund.

[4] See also School Aid Fund.

[5] Restricted revenues supporting Treasury collection activities are shown here as negatives.

Prepared by Office of Revenue and Tax Analysis, Michigan Department of Treasury

DETAILED STATEMENT OF GENERAL AND SPECIAL REVENUE FUNDS

	ACTUAL FY 2000 - 2001	ACTUAL FY 2001 - 2002	ESTIMATES FY 2002 - 2003	ESTIMATES FY 2003 - 2004
GENERAL FUND - GENERAL PURPOSE REVENUE				
NON-TAX REVENUE				
Federal Aid	24,632,645	24,726,949	20,000,000	20,000,000
Local Agencies	1,766,601	751,269	1,000,000	1,000,000
Services	4,770,240	5,232,620	5,000,000	5,000,000
Licenses & Permits	23,501,757	16,452,485	18,000,000	18,000,000
Miscellaneous	93,255,286	133,559,770	60,000,000	60,000,000
Interest and Investment Profits	49,965,277	1,171,652	(40,000,000)	(83,000,000)
TOTAL GF - GP NON-TAX REVENUE	197,891,805	181,894,744	64,000,000	21,000,000
TRANSFERS FROM OUTSIDE GF & SR FUNDS				
Other Interfund Transfers Received (School Bond Loan)	370,443,922	794,912,546	54,900,000	54,900,000
Liquor Purchase Revolving Fund	118,832,050	118,241,671	116,000,000	116,000,000
Transfers From Lottery Charitable Gaming and Other Funds	9,392,966	12,066,168	11,000,000	11,000,000
Unclaimed and Abandoned Property	30,360,496	31,901,673	27,800,000	27,800,000
TOTAL GF - GP TRANSFERS	529,029,435	957,122,058	209,700,000	209,700,000
General Fund - General Purpose Summary				
GF - GP Tax Revenue	8,687,549,614	8,142,358,446	7,865,000,000	8,015,700,000
GF - GP Non-Tax Revenue	197,891,805	181,894,744	64,000,000	21,000,000
GF - GP Transfers	529,029,435	957,122,058	209,700,000	209,700,000
TOTAL GENERAL FUND-GENERAL PURPOSE before Interfund Transfers	9,414,470,854	9,281,375,248	8,138,700,000	8,246,400,000
LESS: Interfund Transfers	(370,443,922)	(794,912,546)	(54,900,000)	(54,900,000)
CONSENSUS TOTAL GENERAL FUND-GENERAL PURPOSE	9,044,026,931	8,486,462,702	8,083,800,000	8,191,500,000
Excluding inter-fund transfers to GF-GP				
Proposed Changes				
Loophole Closure Measures	NA	NA	NA	108,600,000
Reduce CTF Sales Tax Percentage	NA	NA	NA	10,603,100
Transfer from MES Contingent Fund	NA	NA	10,000,000	10,000,000
Freeze Revenue Sharing at FY 2003 Level	NA	NA	152,700,000	152,700,000
Capture Revenue Sharing Growth	NA	NA	NA	72,400,000
Revenue Sharing Reduction	NA	NA	NA	43,700,000
Sale of Property	NA	NA	NA	2,000,000
TOTAL PROPOSED CHANGES	NA	NA	162,700,000	400,003,100
NET TOTAL GENERAL FUND-GENERAL PURPOSE	9,044,026,931	8,486,462,702	8,246,500,000	8,591,503,100
Excluding inter-fund transfers to GF-GP				

DETAILED STATEMENT OF GENERAL AND SPECIAL REVENUE FUNDS

	ACTUAL FY 2000 - 2001	ACTUAL FY 2001 - 2002	ESTIMATES FY 2002 - 2003	ESTIMATES FY 2003 - 2004
GENERAL FUND-SPECIAL PURPOSE REVENUE				
TAXES				
Airport Parking	17,059,457	13,644,223	17,000,000	20,000,000
Cigarette - Health & Safety Fund - Counties	23,320,907	27,286,725	26,900,000	26,400,000
Cigarette - Health & Safety Fund - Indigent Care	7,666,009	8,627,461	6,100,000	6,000,000
Cigarette - Healthy Michigan	35,830,924	35,528,629	52,100,000	51,100,000
Cigarette - Medicaid Benefits Trust Fund	NA	NA	24,800,000	24,300,000
Commercial Mobile Radio Service	28,755,670	24,733,579	27,500,000	30,000,000
Horse Race Wagering	12,518,282	12,480,762	11,719,000	11,619,000
Individual Income Tax Campaign Fund	1,297,245	1,235,283	1,500,000	1,500,000
Income Tax Credit Expenditure	505,800,000	559,100,000	0	0
Sales Tax Revenue Sharing	1,559,285,671	1,526,999,789	1,608,400,000	1,680,800,000
Freeze Revenue Sharing at FY 2003 Level	NA	NA	(152,700,000)	(152,700,000)
Capture Revenue Sharing Growth	NA	NA	NA	(72,400,000)
Revenue Sharing Reduction	NA	NA	NA	(43,700,000)
Sales Tax-Health Initiative	9,000,000	6,512,000	9,000,000	9,000,000
Use Tax Prescription Drug Credit	1,546,723	2,182,500	0	0
Convention Hotel Accommodation	45,961,799	45,954,105	46,000,000	46,000,000
Various Tax Out-of-Period Refunds	4,044,252	3,197,669	2,065,000	2,065,000
Enhanced Enforcement and ACS	73,426,128	83,739,590	85,000,000	85,000,000
TOTAL GF - SP TAXES	2,325,513,067	2,351,222,316	1,765,384,000	1,724,984,000
NON-TAX REVENUE				
Local Agencies	104,909,289	114,841,974	98,632,000	98,832,000
Special Medicaid Reimbursement	1,155,373,802	1,109,233,391	879,915,000	617,395,000
Services	109,875,139	115,772,879	116,641,000	116,849,000
Licenses & Permits	196,230,100	216,907,578	235,053,000	250,545,000
Miscellaneous	368,691,323	370,220,633	342,135,000	333,779,000
Transfers From Other Funds	98,019,074	195,974,080	58,063,000	58,434,000
TOTAL GF - SP NON-TAX REVENUE	2,033,098,727	2,122,950,534	1,730,439,000	1,475,834,000

DETAILED STATEMENT OF GENERAL AND SPECIAL REVENUE FUNDS

	ACTUAL FY 2000 - 2001	ACTUAL FY 2001 - 2002	ESTIMATES FY 2002 - 2003	ESTIMATES FY 2003 - 2004
GENERAL FUND-SPECIAL PURPOSE REVENUE				
FEDERAL AID NOT ELSEWHERE ITEMIZED:				
Federal Aid: Agriculture	7,577,406	7,091,528	6,640,000	6,802,000
Federal Aid: Attorney General	3,625,596	3,562,454	7,673,000	7,564,000
Federal Aid: Capital Outlay (excluding Transportation FY 2001 & FY 2002)	3,617,204	2,357,355	189,892,000	202,652,000
Federal Aid: Career Development	388,868,470	365,067,513	406,469,000	418,100,000
Federal Aid: Civil Rights	823,550	1,181,603	934,000	934,000
Federal Aid: Civil Service	3,244,148	2,850,059	4,779,000	4,779,000
Federal Aid: Community Health	4,630,852,348	4,905,363,764	4,928,549,000	4,844,346,000
Federal Aid: Consumer and Industry Services	38,075,767	33,713,391	135,821,000	180,332,000
Federal Aid: Corrections	21,031,280	21,825,128	26,403,000	27,798,000
Federal Aid: Education	769,250,160	862,998,127	165,694,000	64,479,000
Federal Aid: Environmental Quality	34,731,643	39,011,049	131,521,000	129,170,000
Federal Aid: Family Independence Agency	2,276,937,969	2,568,799,628	2,776,104,000	2,697,630,000
Federal Aid: Higher Education - Grants	3,195,572	3,554,734	5,500,000	4,400,000
Federal Aid: Judiciary	2,032,207	3,596,906	3,901,000	3,807,000
Federal Aid: History, Arts and Libraries	4,229,946	6,126,294	8,111,000	9,323,000
Federal Aid: Management and Budget	97,359	65,041	359,000	441,000
Federal Aid: Military Affairs	35,576,449	41,870,807	39,115,000	40,628,000
Federal Aid: Natural Resources	22,765,826	23,009,049	30,427,000	27,807,000
Federal Aid: State	759,314	0	1,320,000	1,320,000
Federal Aid: State Police	38,838,485	34,741,275	45,571,000	55,292,000
Federal Aid: Treasury	0	212,176	10,699,000	10,699,000
TOTAL FEDERAL AID excluding Transportation	8,286,130,699	8,926,997,877	8,925,482,000	8,738,303,000
General Fund - Special Purpose Summary				
GF - SP Tax Revenue	2,325,513,067	2,351,222,316	1,765,384,000	1,724,984,000
GF - SP Non-Tax Revenue	2,033,098,727	2,122,950,534	1,730,439,000	1,475,834,000
GF - SP Federal Aid	8,286,130,699	8,926,997,877	8,925,482,000	8,738,303,000
TOTAL GENERAL FUND-SPECIAL PURPOSE	12,644,742,492	13,401,170,727	12,421,305,000	11,939,121,000
LESS: Interfund Transfers	(98,019,074)	(195,974,080)	(58,063,000)	(58,434,000)
NET TOTAL GENERAL FUND-SPECIAL PURPOSE	12,546,723,418	13,205,196,647	12,363,242,000	11,880,687,000
Excluding inter-fund transfers to GF-SP				

DETAILED STATEMENT OF GENERAL AND SPECIAL REVENUE FUNDS

	ACTUAL FY 2000 - 2001	ACTUAL FY 2001 - 2002	ESTIMATES FY 2002 - 2003	ESTIMATES FY 2003 - 2004
SCHOOL AID FUND REVENUE				
TAXES				
Sales Tax	4,631,384,280	4,695,252,625	4,814,400,000	5,069,000,000
Use Tax	444,535,614	435,721,732	445,100,000	468,100,000
Income Tax Earmarking	1,955,327,006	1,860,362,376	1,849,400,000	1,923,800,000
State Education Tax	1,489,551,546	1,583,660,439	2,111,200,000	1,758,100,000
Real Estate Transfer Tax	252,893,782	253,075,049	253,000,000	258,000,000
Cigarette Excise Tax	367,137,363	386,061,509	458,800,000	450,000,000
Other Tobacco Products Tax	15,925,967	17,509,464	16,000,000	16,000,000
Industrial & Commercial Facilities Tax	131,261,057	152,321,612	155,000,000	159,000,000
Casino Wagering Tax	75,414,900	91,914,569	96,000,000	99,000,000
Liquor Excise Tax	28,404,040	29,141,385	30,000,000	30,000,000
Other Specific Taxes	15,235,342	15,313,893	15,700,000	15,700,000
Sub-Total SAF Taxes	9,407,070,895	9,520,334,652	10,244,600,000	10,246,700,000
NON-TAX REVENUE				
Transfer from Lottery Ticket Sales	587,009,374	613,530,186	613,000,000	608,000,000
Federal Aid	148,626,995	183,018,813	1,219,825,200	1,244,363,000
Local Revenue	0	0	700,000	0
Transfer from Counter-Cyclical Budget & Economic Stabilization	32,000,000	382,000,000	32,000,000	0
Transfer from General Fund	385,227,876	198,091,139	198,414,000	0
Recovery of Prior Year State Aid and Receivables	117,379,697	14,709,304	0	0
Sub-Total SAF Other Source Revenues	1,270,243,941	1,391,349,442	2,063,939,200	1,852,363,000
TOTAL SCHOOL AID FUND before Interfund Transfers	10,677,314,836	10,911,684,094	12,308,539,200	12,099,063,000
LESS: Interfund Transfers	(417,227,875)	(580,091,139)	(230,414,000)	0
TOTAL SCHOOL AID FUND after Interfund Transfers	10,260,086,961	10,331,592,955	12,078,125,200	12,099,063,000
Excluding inter-fund transfers to School Aid Fund				
PROPOSED CHANGES				
Loophole Closure Measures	NA	NA	NA	20,300,000
School Bond Loan Refinance	NA	NA	NA	100,000,000
Deposit per Public Act 679 of 2002	NA	NA	NA	198,600,000
Increased Lottery Revenue	NA	NA	NA	50,000,000
TOTAL PROPOSED CHANGES	NA	NA	NA	368,900,000
NET TOTAL SCHOOL AID FUND	10,260,086,961	10,331,592,955	12,078,125,200	12,467,963,000
Excluding inter-fund transfers to School Aid Fund				

DETAILED STATEMENT OF GENERAL AND SPECIAL REVENUE FUNDS

	ACTUAL FY 2000 - 2001	ACTUAL FY 2001 - 2002	ESTIMATES FY 2002 - 2003	ESTIMATES FY 2003 - 2004
SPECIAL REVENUE FUNDS				
Bottle Deposits [6]	53,156,594	32,083,299	25,761,000	24,681,000
Conservation and Recreation Bond Proceeds	69,669,857	40,695,458	150,000	150,000
Game and Fish Protection [6]	64,301,381	65,239,526	63,164,000	63,025,000
Game and Fish Protection Trust	21,532,552	12,011,668	17,337,000	17,416,000
Forest Development	22,742,278	23,541,300	22,325,000	22,289,000
Marine Safety Trust	5,562,440	5,258,501	5,026,000	5,005,000
Michigan State Waterways [6]	26,370,272	24,695,094	23,572,000	24,143,000
Nongame Fish and Wildlife [6]	547,770	652,259	893,000	892,000
State Park Improvement	27,834,067	31,737,771	31,461,000	31,461,000
MI Underground Storage Tank Financial Assistance	62,727,422	64,550,639	64,010,000	0
Construction Code	12,167,767	8,377,677	7,355,000	10,981,000
Construction Lien	624,948	428,948	410,000	4,405,000
Employment Security Administration [6]	125,937,284	133,506,472	105,479,000	102,888,000
Safety, Education & Training	6,637,109	6,970,518	7,636,000	7,640,000
Workplace Health & Safety	0	479,307	0	0
State Casino Gaming	27,267,156	28,523,705	28,439,000	28,785,000
Counter-Cyclical Budget & Economic Stabilization [6]	66,735,511	20,794,010	0	0
Merit Award Trust	139,128,085	248,569,873	247,100,000	227,800,000
Tobacco Settlement Trust	141,608,475	86,881,064	82,500,000	76,000,000
Miscellaneous Special Revenue Funds	235,057	173,720	50,000	50,000
PERMANENT FUNDS				
Children's Trust [6]	3,640,960	2,980,524	3,149,000	3,159,000
Civilian Conservation Corps Endowment	1,187,030	1,208,701	2,141,000	2,278,000
Natural Resources Trust	78,304,047	47,618,630	49,770,000	49,436,000
State Park Endowment [6]	21,732,505	16,433,042	21,465,000	21,725,000
Veterans Trust	5,127,677	2,880,618	2,400,000	2,500,000
TOTAL SPECIAL REVENUE AND PERMANENT FUNDS	984,778,244	906,292,324	811,593,000	726,709,000
LESS: Interfund Transfers	(67,763,727)	(53,774,544)	(50,214,000)	(50,293,000)
NET TOTAL SPECIAL REVENUE AND PERMANENT FUNDS Excluding inter-fund transfers to Special Revenue Funds	917,014,517	852,517,780	761,379,000	676,416,000

[6] Includes Transfers in.

DETAILED STATEMENT OF GENERAL AND SPECIAL REVENUE FUNDS

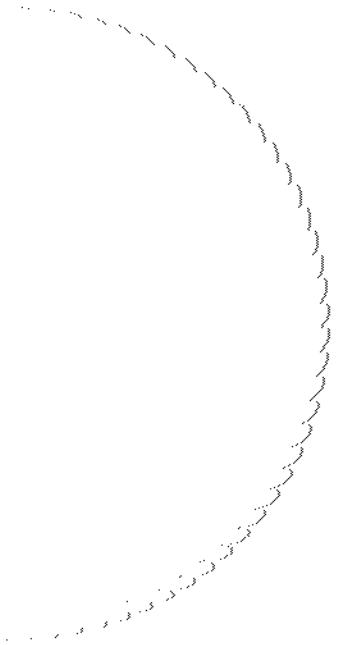
	ACTUAL FY 2000 - 2001	ACTUAL FY 2001 - 2002	ESTIMATES FY 2002 - 2003	ESTIMATES FY 2003 - 2004
TRANSPORTATION: AERONAUTICS FUND 114				
Aviation Fuel Tax	6,705,528	6,698,836	6,800,000	7,000,000
Federal Aid	86,647,081	106,090,339	0	0
Local Agencies	21,440,412	16,350,609	43,000,000	43,050,000
Transfers and Other	19,017,540	26,479,245	7,466,000	7,777,000
TOTAL AERONAUTICS FUND	133,810,561	155,619,029	57,266,000	57,827,000
TRANSPORTATION: TRUNKLINE FUND 116				
Federal Aid	655,096,285	567,186,786	909,555,000	909,555,000
Local Agencies	36,205,412	31,514,046	34,473,000	33,447,000
Licenses and Permits	18,897,837	15,794,277	19,540,000	6,180,000
Transfer from Michigan Transportation & Other Funds	808,802,065	830,787,688	695,557,400	731,375,900
Interest from Common Cash Investment	13,229,811	8,050,427	5,890,000	10,540,000
Other	20,244,254	28,865,873	17,100,000	17,132,000
TOTAL TRUNKLINE FUND	1,552,475,665	1,482,199,097	1,682,115,400	1,708,229,900
TRANSPORTATION: BLUE WATER BRIDGE FUND 118				
Tolls and Rentals	11,478,360	11,136,125	12,200,000	12,700,000
Interest From Common Cash Investment and Other	1,014,912	341,921	285,000	510,000
TOTAL BLUE WATER BRIDGE TRANSPORTATION FUND	12,493,272	11,478,046	12,485,000	13,210,000
TRANSPORTATION: MICHIGAN TRANSPORTATION FUND 119				
Diesel and Motor Carrier Fuel Tax (includes proposed 4 cent increase)	133,150,429	142,966,364	145,900,000	192,100,000
Gasoline and Liquified Petroleum GasTax (includes LPG increase)	934,460,096	939,803,136	951,800,000	967,340,000
Motor Vehicle Registration Tax	777,903,036	827,347,381	859,000,000	892,500,000
Licenses, Permits, Other and Transfers	57,041,898	59,622,016	58,610,000	59,010,000
Interest From Common Cash Investment	10,984,755	4,495,589	4,370,000	7,820,000
TOTAL MICHIGAN TRANSPORTATION FUND	1,913,540,214	1,974,234,486	2,019,680,000	2,118,770,000
TRANSPORTATION: COMPREHENSIVE TRANSPORTATION FUND 120				
Sales Tax (includes proposed reduction)	73,728,496	78,819,126	72,980,000	71,416,900
Federal Aid	31,986,867	27,789,164	50,650,000	55,700,000
Transfer from Michigan Transportation & Other Funds	160,300,001	161,768,964	163,231,000	172,912,400
Interest From Common Cash Investment and Other	4,640,626	2,317,688	4,040,000	2,558,000
TOTAL COMPREHENSIVE TRANSPORTATION FUND	270,655,989	270,694,942	290,901,000	302,587,300
TRANSPORTATION BOND PROCEEDS	757,185,592	362,405,697	120,435,000	109,783,000
TOTAL TRANSPORTATION REVENUE	4,640,161,292	4,256,631,296	4,182,882,400	4,310,407,200
LESS: Interfund Transfers	(969,102,066)	(992,556,652)	(858,788,400)	(904,288,300)
NET TOTAL TRANSPORTATION REVENUE After Transfers	3,671,059,226	3,264,074,644	3,324,094,000	3,406,118,900

DETAILED STATEMENT OF GENERAL AND SPECIAL REVENUE FUNDS

	ACTUAL FY 2000 - 2001	ACTUAL FY 2001 - 2002	ESTIMATES FY 2002 - 2003	ESTIMATES FY 2003 - 2004
General Fund Summary				
General Fund - General Purpose	9,414,470,854	9,281,375,248	8,138,700,000	8,246,400,000
General Fund - General Purpose Proposed Changes	0	0	162,700,000	400,003,100
General Fund - Special Purpose	12,644,742,492	13,401,170,727	12,421,305,000	11,939,121,000
TOTAL GENERAL FUND	22,059,213,345	22,682,545,975	20,722,705,000	20,585,524,100
LESS: Interfund Transfers	(468,462,996)	(990,886,626)	(112,963,000)	(113,334,000)
NET TOTAL GENERAL FUND after transfers	21,590,750,349	21,691,659,349	20,609,742,000	20,472,190,100
Other Funds Summary				
School Aid Fund	10,677,314,836	10,911,684,094	12,308,539,200	12,099,063,000
School Aid Fund - Proposed Changes	0	0	0	368,900,000
Special Revenue and Permanent Funds	984,778,244	906,292,324	811,593,000	726,709,000
Transportation Revenues	4,640,161,292	4,256,631,296	4,182,882,400	4,310,407,200
TOTAL OTHER FUNDS	16,302,254,373	16,074,607,714	17,303,014,600	17,505,079,200
LESS: Interfund Transfers	(1,454,093,668)	(1,626,422,335)	(1,139,416,400)	(954,581,300)
NET TOTAL OTHER FUNDS after transfers	14,848,160,705	14,448,185,379	16,163,598,200	16,550,497,900
All Funds Summary				
Net General Fund	21,590,750,349	21,691,659,349	20,609,742,000	20,472,190,100
Net Other Funds	14,848,160,705	14,448,185,379	16,163,598,200	16,550,497,900
NET TOTAL REVENUE after transfers	36,438,911,054	36,139,844,728	36,773,340,200	37,022,688,000

DETAILED STATEMENT OF GENERAL AND SPECIAL REVENUE FUNDS

	ACTUAL FY 2000 - 2001	ACTUAL FY 2001 - 2002	ESTIMATES FY 2002 - 2003	ESTIMATES FY 2003 - 2004
NET TOTAL REVENUE after transfers	36,438,911,054	36,139,844,728	36,773,340,200	37,022,688,000
OTHER REVENUE OR NON-CURRENT YEAR SOURCES OF FINANCING				
General Fund Unreserved Balance	211,810,000	28,072,000	114,500,000	0
School Aid Fund Unreserved Balance	853,420,000	694,796,000	237,010,000	0
Special Revenue and Permanent Funds Balances (Available)	221,727,000	295,968,000	173,689,000	173,689,000
Budgeted Non-revenue Items				
Liquor Operations (330)	14,819,982	15,290,460	14,221,000	18,394,000
Lottery Operations (335)	31,320,911	32,481,058	37,411,000	39,989,000
Retirement Operations (762;771,6;783,4;875)	23,371,382	26,746,064	26,862,000	28,298,000
Michigan Higher Education Assistance and Student Loan Authorities	31,790,000	31,790,000	31,397,000	31,397,300
Michigan State Industries (431)	13,180,509	14,161,834	15,949,000	16,321,000
State Building Authority & Capital Outlay Reserve	240,633,265	153,478,636	176,069,000	195,720,000
Group Insurance Fund (440), Flexible Spending & COBRA	6,804,466	7,042,130	7,428,000	7,884,000
Michigan State Housing Development Authority	17,263,740	18,547,127	19,753,000	19,294,000
Michigan Strategic Fund Agency	44,150,725	35,571,100	62,953,000	52,953,000
Sub-Total Budgeted Non-revenue Items and Fund Balances	1,710,291,980	1,353,944,409	917,242,000	583,939,300
NET TOTAL RESOURCES	38,149,203,034	37,493,789,137	37,690,582,200	37,606,627,300



FY 2004 Fee/Fine Increases

Department	Program/Fee		Revenue Generated
Agriculture	Nursery Stock Inspections	$	140,000
	Commercial Pesticide Applications License Fee	$	130,000
	Metrology Lab Fees	$	120,000
	Pet Shop License Fee	$	17,900
	Animal Control & Animal Protection License Fee	$	5,200
	Cervidae Livestock Facility Registration Fee	$	16,100
	Dead Animal Handler License Fee	$	34,200
	Livestock Dealer/Broker/ Agent License Fee	$	6,000
	Horse Riding Stables and Sales Barn License Fee	$	5,000
	Right to Farm Inspections Fee	$	25,000
	Analytical Testing Fees	$	50,000
	DEPARTMENT TOTAL	**$**	**549,400**
Community Health	Quality Assurance Assessment Program - Hospitals	$	18,900,000
	Quality Assurance Assessment Program - Nursing Homes	$	18,900,000
	Quality Assurance Assessment Program - Pharmacies	$	18,900,000
	DEPARTMENT TOTAL	**$**	**56,700,000**
Consumer and Industry Services	Health Systems Fees and Collections	$	600,000
	Licensing and Regulation Fees	$	2,000,000
	Securities Fees	$	4,755,600
	Corporate Fees	$	4,755,600
	DEPARTMENT TOTAL	**$**	**12,111,200**
Department of Environmental Quality	Lab User Fees	$	571,000
	Solid Waste Disposal Fee	$	2,598,400
	Groundwater Permit Fee	$	1,388,200
	National Pollutant Discharge Elimination System Permit	$	4,699,900
	Stormwater Discharge Fee	$	1,162,500
	DEPARTMENT TOTAL	**$**	**10,420,000**
Judiciary	Criminal justice system fees	$	5,585,894
	Civil filing fees	$	5,652,100
	DEPARTMENT TOTAL	**$**	**11,237,994**
Natural Resources	State Park Annual and Daily Motor Vehicle Permit Fees	$	2,396,900
	DEPARTMENT TOTAL	**$**	**2,396,900**
State	Commercial look-up fees	$	2,100,000
	DEPARTMENT TOTAL	**$**	**2,100,000**
State Police	Insurance Assessment	$	6,284,700
	Operator, Chauffeur and Commercial License Fees	$	23,700,000
	DEPARTMENT TOTAL	**$**	**29,984,700**
GRAND TOTAL		**$**	**125,500,194**

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Capped Sources of Federal Funds Shared Between State Departments

CFDA Number	Title	FY 2004 Budget Recommendation
10.664	**Cooperative Forestry Assistance**	
	Grantee: DNR	2,831,800
	Grantee: Agriculture	1,000,000
16.580	**Anti Drug Abuse Act--Byrne Memorial Zero Tolerance**	
	Grantee: DCH	20,122,000
	Subrecipient State Agency: State Police	5,271,700
	Subrecipient State Agency: Corrections	255,700
	Subrecipient State Agency: Attorney General	729,200
16.588	**Violence Against Women Formula Grants**	
	Grantee: FIA	3,712,000
	Subrecipient State Agency: State Police	360,000
	Subrecipient State Agency: Judiciary	175,000
16.727	**Enforcing Underage Drinking Laws**	
	Grantee: State Police	560,000
	Subrecipient State Agency: Judiciary	50,000
17.207	**Employment Service**	
	Grantee: Career Development	31,268,000
	Subrecipient State Agency: Unemployment Agency	529,200
	Subrecipient State Agency: DMB	440,800
17.503	**Occupational Safety and Health-State Program**	
	Grantee: CIS	11,186,200
	Subrecipient State Agency: Attorney General	251,600
20.600	**State and Community Highway Safety**	
	Grantee: State Police	12,288,300
	Subrecipient State Agency: Judiciary	215,300
	Subrecipient State Agency: DCH	1,837,200
66.460	**Nonpoint Source Implementation Grants**	
	Grantee: DEQ	6,500,000
	Subrecipient State Agency: Agriculture	105,000
66.801	**Hazardous Waste Management State Program Support**	
	Grantee: DEQ	3,900,000
	Subrecipient State Agency: Agriculture	150,000
81.041	**State Energy Program**	
	Grantee: CIS	1,333,400
	Subrecipient State Agency: Agriculture	997,600

Capped Sources of Federal Funds Shared Between State Departments

CFDA Number	Title	FY 2004 Budget Recommendation
84.002	**Adult Education-State Program**	
	Grantee: Career Development	15,621,600
	Subrecipient State Agency: Corrections	1,859,200
	Subrecipient State Agency: FIA	150,000
84.013	**Title I Program for Neglected and Delinquent Children**	
	Grantee: Education	4,155,200
	Subrecipient State Agency: FIA	1,115,000
	Subrecipient State Agency: Corrections	512,600
84.027	**Special Education-Grants to States**	
	Grantee: Education	15,595,000
	Subrecipient State Agency: Judiciary	150,000
	Subrecipient State Agency: FIA	130,000
	Subrecipient State Agency: Corrections	99,400
84.048	**Vocational Education-Basic Grants to States**	
	Grantee: Career Development	46,223,400
	Subrecipient State Agency: Corrections	272,700
	Subrecipient State Agency: FIA	260,800
84.126	**Rehabilitation Services-Vocational Rehab Grants to States**	
	Grantee: Career Development	87,592,600
	Subrecipient State Agency: FIA	8,450,000
84.169	**Independent Living-State Grants**	
	Grantee: Career Development	508,400
	Subrecipient State Agency: FIA	425,000
84.181	**Special Ed-Grants for Infants and Families with Disabilities**	
	Grantee: Education	629,300
	Subrecipient State Agency: FIA	204,000
	Subrecipient State Agency: DCH	120,000
84.186	**Safe and Drug-Free Schools and Communities-State Grants**	
	Grantee: Education	348,500
	Subrecipient State Agency: DCH	5,763,100
	Subrecipient State Agency: FIA	3,000
84.187	**Supported Employment Services for Individuals with Severe Disabilities**	
	Grantee: Career Development	1,441,300
	Subrecipient State Agency: FIA	110,000
84.265	**Rehabilitation Training-State Vocational Rehabilitation Unit In-Service Training**	
	Grantee: Career Development	566,900
	Subrecipient State Agency: FIA	60,000

Capped Sources of Federal Funds Shared Between State Departments

CFDA Number	Title	FY 2004 Budget Recommendation
93.558	**Temporary Assistance For Needy Families**	
	Grantee: FIA	766,600,000
	Subrecipient State Agency: Career Development	37,041,400
	Subrecipient State Agency: DCH	15,694,200
	Subrecipient State Agency: Civil Service Cost Allocated	3,500,000
	Subrecipient State Agency: Judiciary	50,000
93.568	**Low-Income Home Energy Assistance**	
	Grantee: FIA	121,961,300
	Subrecipient State Agency: Treasury	1,600,000
93.596	**Child Care and Development Fund**	
	Grantee: FIA	135,555,300
	Subrecipient State Agency: CIS	9,000,000
	Subrecipient State Agency: Education	500,000
	Subrecipient State Agency: DCH	777,900
93.917	**HIV Care Formula Grants**	
	Grantee: DCH	15,171,600
93.991	**Preventive Health and Health Services Block Grant**	
	Grantee: DCH	4,982,500
	Subrecipient State Agency: FIA	1,100,000
93.992	**Block Grants for Prevention & Treatment of Substance Abuse**	
	Grantee: DCH	59,006,800

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Special Revenue Funds Shared Between State Departments

Fund/Department	FY 2004 Budget Recommendation
Bottle Deposits Fund	
Environmental Quality	28,385,700
Treasury	250,000
Comprehensive Transportation Fund	
Transportation	246,041,400
Attorney General	131,500
Civil Service	90,000
Management & Budget	65,800
Legislative Auditor General	47,400
Treasury	5,300
History, Arts & Libraries	5,900
Forest Development Fund	
Natural Resources	24,684,400
Treasury	2,100
Game and Fish Protection Fund	
Natural Resources	59,090,400
Attorney General	640,800
Management & Budget	320,500
Legislative Auditor General	21,400
Treasury	3,400
History, Arts & Libraries	3,700
Game and Fish Protection Trust Fund	
Natural Resources*	6,000,000
Treasury	10,000
Healthy Michigan Fund	
Community Health	52,816,900
State Police	610,000
Treasury	2,900
Marine Safety Fund	
Natural Resources	4,587,100
State	1,048,200
Management & Budget	30,800
Legislative Auditor General	1,900
Treasury	1,400
History, Arts & Libraries	500
Michigan Merit Award Trust Fund	
Higher Education	78,350,000
Treasury	19,890,600

Special Revenue Funds Shared Between State Departments

Fund/Department	FY 2004 Budget Recommendation
Michigan Natural Resources Trust Fund	
Natural Resources	4,109,800
Treasury	24,900
Michigan Nongame Fish and Wildlife Fund	
Natural Resources	592,500
Treasury	1,600
Michigan State Parks Endowment Fund	
Natural Resources	11,540,600
Treasury	11,100
Michigan State Waterways Fund	
Natural Resources	14,930,200
Treasury	84,200
Attorney General	83,600
Management & Budget	69,500
Legislative Auditor General	5,600
History, Arts & Libraries	800
Michigan Tobacco Settlement Trust Fund	
Community Health	197,500,000
Career Development	1,000,000
Michigan Transportation Fund	
Transportation	1,050,674,700
State	94,752,300
Environmental Quality	884,800
Legislative Auditor General	181,100
Treasury	8,561,000
State Aeronautics Fund	
Transportation	12,479,500
Attorney General	125,400
Treasury	62,500
Civil Service	50,000
Legislative Auditor General	16,600
Management & Budget	39,400
History, Arts & Libraries	3,500
State Trunkline Fund	
Transportation	738,246,100
State Police	6,853,300
Civil Service	2,000,000
Management & Budget	1,434,000
Legislative Auditor General	371,100
Treasury	29,100
Attorney General	2,566,200
History, Arts & Libraries	128,100

*This amount represents the actual interest and earnings transferred from the Trust Fund into Game & Fish Protection Fund for 2002 and NOT the trust fund balance.

FY04 EXECUTIVE RECOMMENDATION

DEPARTMENT/AGENCY	GROSS	IDT-IDG	ADJUSTED GROSS	FEDERAL	LOCAL	PRIVATE	STATE RESTRICTED	GF-GP	SPENDING FROM STATE SOURCES	PAYMENTS TO LOCALS
AGRICULTURE	89,244,000	10,857,400	78,386,600	6,801,700	0	1,127,600	39,053,300	31,404,000	70,457,300	3,461,200
ATTORNEY GENERAL	59,638,600	11,119,200	48,519,400	7,584,400	0	0	9,945,100	31,009,900	40,955,000	0
CAPITAL OUTLAY	595,083,700	2,000,000	593,083,700	202,652,000	42,789,600	0	41,340,000	306,302,100	347,642,100	20,060,000
CAREER DEVELOPMENT	466,880,000	0	466,880,000	418,100,400	15,011,900	2,396,300	6,664,700	24,706,700	31,371,400	0
CIVIL RIGHTS	13,117,200	0	13,117,200	934,000	0	0	0	12,183,200	12,183,200	0
CIVIL SERVICE	33,853,900	4,300,000	29,553,900	4,779,100	1,700,000	150,000	14,872,200	8,052,600	22,924,800	0
COMMUNITY HEALTH	9,117,346,900	69,204,800	9,048,142,100	4,890,865,600	806,552,500	59,458,000	707,327,400	2,583,938,600	3,291,266,000	1,187,922,600
CONSUMER & INDUSTRY SERVICES	590,197,700	111,100	590,086,600	283,831,500	0	770,000	285,815,300	19,669,800	305,485,100	17,187,400
CORRECTIONS	1,723,507,200	3,253,600	1,720,253,600	27,798,400	391,100	0	59,748,800	1,632,315,300	1,692,064,100	84,723,800
EDUCATION	112,825,000	1,000,000	111,825,000	64,479,400	4,744,200	701,400	12,507,500	29,392,500	41,900,000	19,597,000
ENVIRONMENTAL QUALITY	343,957,400	14,142,900	329,814,500	129,169,500	0	435,700	147,153,500	53,055,800	200,209,300	16,920,500
EXECUTIVE OFFICE	4,859,500	0	4,859,500	0	0	0	0	4,859,500	4,859,500	0
FAMILY INDEPENDENCE AGENCY	3,945,691,300	1,055,800	3,944,635,500	2,697,630,071	65,097,100	9,472,150	70,096,800	1,102,339,379	1,172,436,179	192,628,700
HIGHER EDUCATION:										
Community Colleges	289,013,100	0	289,013,100	289,013,100	0	0	0	289,013,100	289,013,100	289,013,100
State Universities/Financial Aid	1,715,437,000	0	1,715,437,000	4,400,000	0	0	78,350,000	1,632,687,000	1,711,037,000	0
HISTORY, ARTS, LIBRARY	58,786,300	137,500	58,648,800	9,322,600	0	577,400	2,308,800	46,440,000	48,748,800	19,495,200
INFORMATION TECHNOLOGY	355,689,300	355,689,300	0	0	0	0	0	0	0	0
JUDICIARY	252,492,900	4,633,500	247,859,400	3,806,500	2,898,700	842,500	78,995,300	161,316,400	240,311,700	124,506,800
LEGISLATURE	123,441,500	1,662,900	121,778,600	0	0	400,000	2,495,100	118,883,500	121,378,600	0
MANAGEMENT AND BUDGET	171,687,800	103,716,800	67,971,000	440,800	0	0	31,201,300	36,328,900	67,530,200	0
MICHIGAN STRATEGIC FUND	99,513,200	100,900	99,412,300	52,953,300	0	853,100	10,050,000	35,555,900	45,605,900	0
MILITARY AFFAIRS	102,510,700	200,000	102,310,700	40,627,900	0	1,870,700	23,800,100	36,012,000	59,812,100	120,000
NATURAL RESOURCES	242,142,900	3,437,900	238,705,000	27,806,600	0	1,871,400	180,203,500	28,823,500	209,027,000	15,723,100
SCHOOL AID	12,467,963,100	0	12,467,963,100	1,244,363,100	0	0	11,223,600,000	0	11,223,600,000	11,220,737,000
STATE	175,501,000	94,752,300	80,748,700	1,319,500	0	100	66,447,400	12,981,700	79,429,100	69,800
STATE POLICE	410,786,600	17,882,800	392,903,800	55,292,300	4,506,600	0	101,863,400	231,241,500	333,104,900	18,802,758
TRANSPORTATION	3,199,989,200	0	3,199,989,200	965,255,100	5,800,000	0	2,228,934,100	0	2,228,934,100	1,234,759,000
TREASURY										
Operations	366,453,900	14,278,600	352,175,300	44,196,100	910,800	0	257,411,700	49,656,700	307,068,400	99,931,700
Revenue Sharing	1,412,080,000	0	1,412,080,000	0	0	0	1,412,080,000	0	1,412,080,000	1,412,080,000
Debt Service	73,286,400	0	73,286,400	0	0	0	0	73,286,400	73,286,400	0
GRAND TOTALS	**38,612,977,300**	**713,537,300**	**37,899,440,000**	**11,473,402,971**	**950,402,500**	**80,926,350**	**17,092,265,300**	**8,591,455,979**	**25,683,721,279**	**15,977,739,658**

Percentage of State Spending from State Sources as Payments to Local Units of Government: 62.21%

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GENERAL FUND

DEPARTMENT	FY03 Original Appropriation	FY03 Current Law*	FY04 Executive Recommendation	Difference FY04 Executive Rec. from FY03 Appropriation	% Change FY04 Executive Rec. from FY03 Appropriation
Agriculture	39,077.5	36,773.7	31,404.0	(7,673.5)	-19.6%
Attorney General	33,767.6	32,363.4	31,009.9	(2,757.7)	-8.2%
Capital Outlay	304,482.9	289,166.9	306,302.1	1,819.2	0.6%
Career Development	27,782.7	26,572.8	24,706.7	(3,076.0)	-11.1%
Civil Rights	13,433.7	12,689.9	12,183.2	(1,250.5)	-9.3%
Civil Service	10,016.9	9,285.7	8,052.6	(1,964.3)	-19.6%
Community Health	2,540,198.9	2,411,310.4	2,583,938.6	43,739.7	1.7%
Consumer & Industry Services	35,976.3	32,900.5	19,669.8	(16,306.5)	-45.3%
Corrections	1,620,267.0	1,599,803.2	1,632,315.3	12,048.3	0.7%
Education	29,021.7	29,018.2	29,392.5	370.8	1.3%
Environmental Quality	72,432.5	66,653.2	53,055.8	(19,376.7)	-26.8%
Executive Office	5,399.5	5,021.5	4,859.5	(540.0)	-10.0%
Family Independence Agency	1,176,991.3	1,115,085.1	1,102,339.4	(74,652.0)	-6.3%
Higher Education					
Community Colleges	319,732.3	307,512.1	289,013.1	(30,719.2)	-9.6%
Higher Education	1,812,271.3	1,741,466.9	1,632,687.0	(179,584.3)	-9.9%
History, Arts & Libraries	60,896.6	58,451.6	46,440.0	(14,456.6)	-23.7%
Information Technology	0.0	0.0	0.0	0.0	0.0%
Judiciary	176,999.3	173,619.1	161,316.4	(15,682.9)	-8.9%
Legislature	121,802.2	118,883.5	118,883.5	(2,918.7)	-2.4%
Management & Budget	44,036.3	39,247.3	36,328.9	(7,707.4)	-17.5%
Michigan Strategic Fund	44,699.2	40,426.1	35,555.9	(9,143.3)	-20.5%
Military Affairs	40,082.6	38,328.3	36,012.0	(4,070.6)	-10.2%
Natural Resources	43,824.3	41,624.4	28,823.5	(15,000.8)	-34.2%
School Aid	198,413.5	198,413.5	0.0	(198,413.5)	-100.0%
State	16,969.9	15,876.2	12,981.7	(3,988.2)	-23.5%
State Police	287,048.3	277,389.4	231,241.5	(55,806.8)	-19.4%
Transportation	0.0	0.0	0.0	0.0	0.0%
Treasury	61,494.4	55,723.6	49,656.7	(11,837.7)	-19.3%
Debt Service	59,586.4	19,586.4	73,286.4	13,700.0	23.0%
TOTAL	9,196,705.1	8,793,192.9	8,591,456.0	(605,249.1)	-6.6%

*Includes pending supplemental for Capital Outlay, Community Health, Judiciary, and Legislature.

GROSS

DEPARTMENT	FY03 Original Appropriation	FY03 Current Law*	FY04 Executive Recommendation	Difference FY04 Executive Rec. from FY03 Appropriation	% Change FY04 Executive Rec. from FY03 Appropriation
Agriculture	95,730.8	94,027.3	89,244.0	(6,486.8)	-6.8%
Attorney General	61,757.6	60,353.4	59,638.6	(2,119.0)	-3.4%
Capital Outlay	577,269.9	621,557.3	595,083.7	17,813.8	3.1%
Career Development	461,321.6	457,824.6	466,880.0	5,558.4	1.2%
Civil Rights	14,367.7	13,623.9	13,117.2	(1,250.5)	-8.7%
Civil Service	31,585.2	30,854.0	33,853.9	2,268.7	7.2%
Community Health	9,397,514.7	9,217,477.6	9,117,346.8	(280,167.9)	-3.0%
Consumer & Industry Services	555,301.5	548,515.2	590,197.7	34,896.2	6.3%
Corrections	1,705,870.6	1,685,406.8	1,723,507.2	17,636.6	1.0%
Education	215,490.7	215,487.2	112,825.0	(102,665.7)	-47.6%
Environmental Quality	405,289.6	401,499.6	343,957.4	(61,332.2)	-15.1%
Executive Office	5,399.5	5,021.5	4,859.5	(540.0)	-10.0%
Family Independence Agency	4,074,490.5	4,014,878.3	3,945,691.3	(128,799.2)	-3.2%
Higher Education					
Community Colleges	321,732.3	309,808.1	289,013.1	(32,719.2)	-10.2%
Higher Education	1,943,345.2	1,831,501.7	1,715,437.0	(227,908.2)	-11.7%
History, Arts & Libraries	71,486.2	69,041.2	58,786.3	(12,699.9)	-17.8%
Information Technology	424,006.8	424,006.8	355,689.3	(68,317.5)	-16.1%
Judiciary	244,995.8	241,613.8	252,492.9	7,497.1	3.1%
Legislature	126,360.2	123,441.5	123,441.5	(2,918.7)	-2.3%
Management & Budget	189,298.3	184,509.3	171,687.8	(17,610.5)	-9.3%
Michigan Strategic Fund	153,656.5	136,883.4	99,513.2	(54,143.3)	-35.2%
Military Affairs	103,364.7	101,610.4	102,510.7	(854.0)	-0.8%
Natural Resources	255,822.0	253,622.1	242,142.9	(13,679.1)	-5.3%
School Aid	12,710,380.1	12,545,480.1	12,467,963.1	(242,417.0)	-1.9%
State	180,055.8	178,963.0	175,501.0	(4,554.8)	-2.5%
State Police	415,632.2	405,973.3	410,786.6	(4,845.6)	-1.2%
Transportation	3,091,900.5	3,093,591.4	3,199,989.2	108,088.7	3.5%
Treasury	1,901,980.5	1,843,109.7	1,778,533.9	(123,446.6)	-6.5%
Debt Service	59,586.4	59,586.4	73,286.4	13,700.0	23.0%
TOTAL	39,794,993.4	39,169,268.9	38,612,977.3	(1,182,016.1)	-3.0%

*Includes pending supplemental for Capital Outlay, Community Health, Judiciary, and Legislature.

Historical Expenditures/Appropriations
GF/GP

DEPARTMENTS	FY95 Expend.	FY96 Expend.	FY97 Expend.	FY98 Expend.	FY99 Expend.	FY00 Expend.	FY01 Expend.	FY02 Expend	FY03 Current Law*	FY04 Exec. Rec.
Agriculture	41,507,294	43,441,799	36,977,547	34,215,715	39,633,018	52,986,168	57,084,484	49,982,697	36,773,700	31,404,000
Attorney General	26,911,995	28,146,412	28,726,101	28,740,351	30,443,940	34,289,352	34,868,529	34,607,010	32,363,400	31,009,900
Capital Outlay	185,627,808	190,278,423	204,098,457	257,953,893	329,379,869	386,252,729	320,167,644	360,185,429	289,166,900	306,302,100
Career Development						33,300,372	43,751,883	29,176,898	26,572,800	24,706,700
Civil Rights	12,712,217	11,992,187	11,750,247	11,975,385	12,704,328	14,165,065	14,222,922	13,522,456	12,689,900	12,183,200
Civil Service	10,621,489	12,852,378	12,611,237	13,181,110	15,248,222	21,810,241	12,583,361	9,757,483	9,285,700	8,052,600
Commerce	56,613,455	29,106,436								
Community Health			2,489,426,814	2,435,154,320	2,561,333,736	2,559,451,214	2,688,930,680	2,484,327,571	2,411,310,400	2,583,938,600
Consumer and Industry Services			63,702,550	75,721,087	69,255,350	76,578,288	83,001,519	36,506,944	32,900,500	19,669,800
Corrections	1,176,825,208	1,260,365,194	1,277,460,254	1,268,613,426	1,375,072,599	1,489,668,883	1,605,334,848	1,585,429,705	1,599,803,200	1,632,315,300
Education	38,783,018	47,483,089	45,073,591	45,909,895	49,230,423	42,236,526	35,074,679	34,296,626	29,018,200	29,392,500
Environmental Quality		43,802,958	54,796,726	58,544,973	63,141,194	79,540,719	95,089,437	96,847,348	66,653,200	53,055,800
Executive Office	4,432,808	4,835,017	4,741,680	5,118,384	5,067,702	5,411,980	5,604,427	5,443,277	5,021,500	4,859,500
Family Independence Agency			1,116,206,920	1,031,605,019	1,128,549,036	1,176,342,559	1,253,547,822	1,190,047,924	1,115,085,100	1,102,339,350
Higher Education										
Community Colleges	247,800,000	253,009,787	262,186,716	274,845,576	281,729,965	297,158,459	314,915,220	319,867,153	307,512,100	289,013,130
Universities/Financial Aid	1,354,883,384	1,410,091,564	1,491,455,863	1,558,484,506	1,601,676,589	1,675,344,915	1,783,607,788	1,813,577,317	1,741,466,900	1,632,686,999
History, Arts and Libraries								65,181,649	58,451,600	46,440,000
Information Technology								0	0	0
Judiciary	127,670,370	134,920,282	141,946,079	147,156,019	154,116,508	166,831,336	176,614,842	173,567,315	173,619,100	161,316,400
Labor	29,935,652	26,278,836								
Legislature	83,429,886	87,443,092	87,449,913	89,687,113	95,852,029	104,837,979	113,442,020	125,725,987	118,883,500	118,883,500
Legislative Auditor General	10,496,901	10,915,285	10,749,956	10,924,847	11,807,717	12,566,935	13,203,021			
Library of Michigan	27,222,584	26,817,219	27,530,263	29,123,342	30,245,359	30,892,225	33,037,453			
Management and Budget	32,530,866	51,872,600	55,682,772	47,683,349	49,797,993	66,658,586	71,047,662	63,366,159	39,247,300	36,328,900
Aging	22,962,734	23,350,103	24,782,646							
Mental Health	666,682,724	1,074,733,387								
Michigan Biologic Products			16,030							
Michigan Jobs Commission	33,697,834	81,620,151	99,573,779	107,076,910	148,975,478					
Michigan Strategic Fund						45,730,157	65,087,705	60,002,770	40,426,100	35,555,900
Military and Veterans Affairs	34,151,401	34,763,836	38,616,432	34,930,121	39,199,596	39,377,632	42,361,955	40,371,417	38,328,300	36,012,000
Natural Resources	188,233,744	52,633,781	48,809,945	50,465,267	48,785,001	72,456,134	57,274,846	49,393,752	41,624,400	28,823,500
Public Health	180,077,681	181,656,107								
School Aid	667,914,900	596,352,000	277,947,800	375,967,757	419,597,281	420,113,853	385,227,875	198,091,139	198,413,500	0
Social Services	2,163,749,837	2,373,218,724								
State	17,375,557	17,554,682	21,679,651	58,564,938	62,396,584	60,328,935	66,418,745	17,815,906	15,876,200	12,981,700
State Police	228,661,359	246,496,416	265,080,734	246,395,418	261,544,659	275,450,994	319,542,658	296,937,551	277,389,400	231,241,500
Transportation	0	0	0	0	0	0	0	0	0	0
Treasury	41,993,914	71,336,726	57,509,123	59,341,217	27,321,315	79,947,653	77,418,281	63,806,614	55,723,600	49,656,700
Debt Service	128,023,922	141,845,223	163,367,000	116,440,891	115,964,014	84,918,450	90,745,200	96,014,321	19,586,400	73,286,400
TOTALS	**7,841,530,542**	**8,569,213,695**	**8,419,958,828**	**8,473,820,829**	**9,028,069,505**	**9,404,648,339**	**9,859,207,506**	**9,313,850,418**	**8,793,192,900**	**8,591,455,979**

*Includes pending supplemental for Capital Outlay, Community Health, Judiciary, and Legislature.

Historical Expenditures/Appropriations
GROSS

DEPARTMENTS	FY95 Expend.	FY96 Expend.	FY97 Expend.	FY98 Expend.	FY99 Expend.	FY00 Expend.	FY01 Expend.	FY02 Expend	FY03 Current Law*	FY04 Exec. Rec.
Agriculture	55,780,064	59,884,019	66,273,858	71,829,591	77,574,947	90,325,582	93,965,565	98,813,941	94,027,300	89,244,000
Attorney General	40,839,771	43,028,553	44,416,606	42,884,005	47,352,532	53,047,391	55,788,901	55,818,966	60,353,400	59,638,600
Capital Outlay	290,636,661	499,571,713	245,772,178	496,723,755	442,121,005	509,342,187	503,215,119	596,661,057	621,557,300	595,083,700
Career Development						392,500,509	470,999,354	476,701,552	457,824,600	466,880,000
Civil Rights	14,315,499	13,457,887	13,232,623	13,244,555	13,957,360	14,646,385	15,046,472	14,704,059	13,623,900	13,117,200
Civil Service	27,954,843	30,354,661	25,283,585	28,206,918	29,615,253	39,874,163	31,444,218	29,461,664	30,854,000	33,853,900
Commerce	295,836,299	193,144,304								
Community Health			6,982,832,645	7,231,164,775	7,534,568,089	8,215,483,585	9,024,835,601	9,314,440,367	9,217,477,600	9,117,346,835
Consumer and Industry Services			456,397,250	421,826,111	390,437,237	410,919,610	441,915,121	514,757,723	548,515,200	590,197,700
Corrections	1,206,246,823	1,296,847,339	1,318,192,287	1,334,952,759	1,453,513,634	1,581,552,155	1,702,965,571	1,687,302,370	1,685,406,800	1,723,507,200
Education	681,479,871	697,957,806	713,011,559	769,882,208	824,722,372	859,779,826	829,602,201	913,096,820	215,487,200	112,825,000
Environmental Quality		307,805,328	193,902,247	181,985,762	197,727,718	253,398,133	277,186,445	294,778,060	401,499,600	343,957,400
Executive Office	4,432,808	4,835,017	4,741,680	5,118,384	5,067,702	5,411,980	5,664,393	5,443,277	5,021,500	4,859,500
Family Independence Agency			3,495,213,116	3,278,954,106	3,263,651,087	3,389,891,595	3,655,699,431	3,870,634,540	4,014,878,300	3,945,691,310
Higher Education										
Community Colleges	247,800,000	253,009,787	262,186,716	274,845,576	281,729,965	297,158,459	315,679,214	320,211,913	309,808,100	289,013,131
Universities/Financial Aid	1,359,107,568	1,413,957,617	1,493,857,731	1,561,667,022	1,604,164,322	1,775,304,640	1,874,447,620	1,946,955,555	1,831,501,700	1,715,436,999
History, Arts and Libraries								73,431,526	69,041,200	58,786,300
Information Technology								484,505,913	424,006,800	355,689,300
Judiciary	199,097,762	210,601,105	187,104,924	204,599,850	210,076,397	223,044,229	232,491,773	232,041,240	241,613,800	252,492,900
Labor	232,528,985	274,987,397								
Legislature	85,242,099	88,075,902	88,025,315	90,234,951	96,560,496	105,202,720	113,703,607	128,573,613	123,441,500	123,441,500
Legislative Auditor General	12,590,516	12,926,954	13,056,351	12,869,037	13,537,569	14,541,223	15,254,871			
Library of Michigan	32,107,952	31,970,662	27,784,497	35,086,400	36,131,970	35,531,114	37,321,104			
Management and Budget	109,262,119	137,469,710	143,070,649	134,397,354	153,180,243	157,518,726	169,723,338	190,815,906	184,509,300	171,687,800
Aging	88,180,585	94,050,068	102,735,110							
Mental Health	1,522,731,485	1,881,660,627								
Michigan Biologic Products			16,101,428	21,796,070	216,139					
Michigan Jobs Commission	280,760,026	316,369,029	333,585,533	356,555,846	482,007,744					
Michigan Strategic Fund						102,804,885	165,836,761	316,397,949	136,883,400	99,513,200
Military and Veterans Affairs	72,015,536	77,744,603	83,372,837	78,980,935	90,365,660	94,923,386	99,580,645	102,663,243	101,610,400	102,510,700
Natural Resources	515,571,467	171,756,943	198,582,936	210,454,114	218,669,725	250,254,611	262,270,230	263,470,987	253,622,100	242,142,900
Public Health	601,029,072	607,898,745								
School Aid	8,018,667,000	8,331,649,000	8,616,375,000	9,405,837,000	9,647,919,000	10,069,742,011	10,958,833,235	11,373,862,748	12,545,480,100	12,467,963,100
Social Services	7,132,053,217	8,212,306,769								
State	140,320,887	146,427,648	150,798,841	148,645,475	158,619,422	166,861,198	180,378,930	169,021,700	178,963,000	175,501,000
State Police	291,179,449	320,805,032	350,427,467	347,462,495	353,827,271	363,551,380	418,779,922	403,696,171	405,973,300	410,786,600
Transportation	2,395,134,800	2,194,045,559	2,818,192,757	2,520,658,697	2,631,185,388	2,660,470,554	2,775,245,805	2,857,404,627	3,093,591,400	3,199,989,200
Treasury	1,857,817,145	1,987,113,970	2,049,931,726	2,189,911,359	2,278,280,379	2,306,625,811	2,458,403,396	2,457,411,255	1,843,109,700	1,778,533,900
Debt Service	128,023,922	142,278,755	164,065,122	117,140,991	116,691,988	85,618,450	91,445,199	96,714,321	59,586,400	73,286,400
TOTALS	**27,938,744,231**	**30,053,992,509**	**30,658,524,576**	**31,587,916,001**	**32,653,492,611**	**34,525,326,492**	**37,277,724,042**	**39,289,793,063**	**39,169,268,900**	**38,612,977,275**

*Includes pending supplemental for Capital Outlay, Community Health, Judiciary, and Legislature.

JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
OFFICE OF THE GOVERNOR
LANSING

JOHN D. CHERRY, JR.
LT. GOVERNOR

March 6, 2003

Ladies and Gentlemen of the Legislature and Citizens of the State of Michigan:

Article XI, Section 5, of the Michigan Constitution of 1963, provides that increases in rates of compensation for employees in the state classified service, authorized by the Civil Service Commission, require prior notice to the Governor. The Constitution also requires that I, as Governor, transmit such increases to the Legislature as part of my budget.

On December 18, 2001, the Civil Service Commission approved multi-year collective bargaining agreements with seven state employee unions for Fiscal Years 2003, 2004 and 2005. Fiscal Year 2004 increases contained in all seven of these agreements are reflected in this transmittal. The State Police Enlisted unit is currently in the process of negotiations, thus, it is not included in this correspondence.

On October 16, 2002, the Commission approved Fiscal Year 2004 pay and benefit adjustments for non-exclusively represented state classified employees. These adjustments are in line with the adjustments the Commission authorized for employees covered by collective bargaining agreements.

Attached is a cost summary of all the Civil Service Commission's pay actions for Fiscal Year 2004 prepared by the Office of the State Employer. The net additional cost of these pay and benefit adjustments for Fiscal Year 2004 is estimated to be $93.5 million including the state's share of FICA and required retirement contributions.

Sincerely,

Jennifer M. Granholm
Governor

111 S. CAPITOL • P.O. BOX 30026 • LANSING, MICHIGAN 48909
www.michigan.gov • (517) 373-7560

STATE OF MICHIGAN
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Office of the State Budget

Estimated "New" Costs - Summary
Michigan State Classified Service
Fiscal Year 2004
(10/01/2003 - 9/30/2004)

	A-02 MSEA Saf. & Reg.	A-31 MSEA Labor & Trades	C-12 MCO Security	E-42 31-M Human Srv. Support	H-21 MPES Scientific & Engineering	L-32 UTEA Technical	[1] T-01 MSPTA State Police Enlisted	U-11 AFSCME Institutional	W-22 UAW Human Srv.	W-41 UAW Admin. Supt.	MSC's & NERE's	TOTAL ALL UNITS
[2] Number of Employees - 02/15/03	1,278	2,572	9,848	867	1,985	970	1,730	2,739	9,567	7,511	14,284	53,351
[2] Avg. Hourly Salary - 02/15/03	$ 20.23	$ 18.33	$ 19.15	$ 16.52	$ 26.08	$ 19.34		$ 16.34	$ 21.53	$ 17.07	$ 27.09	$ 21.55
[2] Avg. Annual Salary - 02/15/03	$ 42,240	$ 38,273	$ 39,985	$ 34,494	$ 54,455	$ 40,382		$ 34,118	$ 44,955	$ 35,642	$ 56,564	$ 44,993
Base Pay Adjustments for FY 2004												
3% Base Wage increase 10/01/2003	$ 1,619,491	$ 2,953,148	$ 11,813,227	$ 897,183	$ 3,242,798	$ 1,175,114		$ 2,803,469	$ 12,902,431	$ 8,031,248	$ 24,238,771	$ 69,676,880
Additional Roll-up Cost Resulting from Base Pay Increase												
[3] FICA/Ret. Blended Rates - 12/21/02	25.52%	25.60%	26.44%	25.51%	25.37%	25.29%		25.54%	25.33%	25.16%	25.35%	25.56%
[3] FICA/Ret. on Base Wage Increase	$ 413,294	$ 756,006	$ 3,123,417	$ 228,871	$ 822,698	$ 297,186		$ 716,006	$ 3,268,186	$ 2,020,662	$ 6,144,528	$ 17,790,855
[4] Life Insurance Increase	$ 20,934	$ 42,129	$ 161,310	$ 14,201	$ 43,352	$ 15,889		$ 44,865	$ 156,707	$ 123,030	$ 311,963	$ 934,381
[5] Long Term Disability Increase	$ 16,843	$ 30,713	$ 122,858	$ 9,331	$ 33,725	$ 12,221		$ 29,156	$ 134,185	$ 83,525	$ 252,083	$ 724,640
[6] Overtime Increase	$ 95,620	$ 160,956	$ 1,134,194	$ 49,783	$ 6,967	$ 115,905		$ 324,243	$ 185,695	$ 115,369	$ 331,674	$ 2,520,407
[7] Shift Differential Increase	$ 9,777	$ 7,692	$ 246,102	$ 260	$ 179	$ 1,077		$ 45,769	$ 17,795	$ 7,887	$ 71,134	$ 407,670
FICA/RET on OT and Shift Diff. Inc.	$ 26,897	$ 43,174	$ 364,950	$ 12,766	$ 1,813	$ 29,585		$ 94,501	$ 51,544	$ 31,011	$ 102,112	$ 758,353
Other Costs												
[8] Benefit-Dental Increase	$ 19,555	$ 37,867	$ 130,327	$ 10,364	$ 26,634	$ 13,979		$ 41,110	$ 134,536	$ 108,151	$ 214,968	737,491
Total FY 2004 Additional Costs	**$ 2,222,410**	**$ 4,031,685**	**$ 17,096,386**	**$ 1,222,759**	**$ 4,178,166**	**$ 1,660,956**	**Unknown**	**$ 4,099,119**	**$ 16,851,080**	**$ 10,520,882**	**$ 31,667,234**	**$ 93,550,677**

[1] Fiscal Year 2003 and FY 2004 negotiations are currently in progress; delay due to PA 312 for Fiscal Years 2000 - 2002.

[2] MIDB, VTM_HRM_EMPLOYEES, PP 05, Employment Status Code = AA, AB, AC, AD, AE, AP

[3] FY 2003 Rates from DMB/OFM 08/14/2002 memo; Unit rates are weighted by enrollment; Assumes State maximum contribution for retirement code 40.

[4] Life insurance increase on incremental cost increase. Rate as of FY 2003. Annual $5.46 per $1000 of extra coverage.

[5] Rates as of FY 2003 - (Increase/100)*1.04.

[6] Based on FY 2002 payment * FY 2003 2% increase.

[7] Based on FY 2002 payment * FY 2003 2% increase.

[8] Provided from Delta Dental.

2/25/2003 Update

STATE OF MICHIGAN
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Office of the State Budget

Legislation Necessary to Implement Fiscal Year 2004 Executive Budget

Department	Purpose	Michigan Compiled Law (MCL) Being Amended
Agriculture	Nursery Stock Inspections	MCL 286.209
	Commercial Pesticide Application License Fees	MCL 324.8317
	Pet Shop License Fees	MCL 287.334
	Animal Control and Animal Protection License Fees	MCL 287.337
	Cervidae Facility Registration Fees	MCL 287.958
	Dead Animal Handlers License Fees	MCL 287.661
	Livestock Dealer/Broker/Agent License Fees	MCL 287.123
	Horse Riding Stables and Sales Barn License Fees	MCL 287.113
	Right to Farm Inspection Fees	MCL 286.474
Attorney General	Defense Investigation and Litigation	MCL 800.401 - 407
Community Health	Quality Assurance Assessment Program - hospitals	MCL 333.20161
	Quality Assurance Assessment Program - nursing homes	MCL 333.20161
	Quality Assurance Assessment Program - pharmacies	MCL 333.20161
Consumer & Industry Services	Health Systems Fees and Collections	MCL 333.20161 MCL 333.20920 MCL 333.20923 MCL 333.20926 MCL 333.20929 MCL 333.20931 MCL 333.20934 MCL 333.20936
	Licensing and Regulation Fees	MCL 338.2211-2262
	Securities Fees	MCL 451.602
	Corporate fees	MCL 450.1911 MCL 450.2911 MCL 450.5101 MCL 450.2060

Department	Purpose	Michigan Compiled Law (MCL) Being Amended
Consumer & Industry Services (continued)	Corporate Fees (continued)	MCL 450.1915 MCL 450.3060 MCL 450.2915
	Michigan Employment Security Act Contingency Fund	MCL 421.10
Corrections	Conditional Reintegration Program	MCL 791.265
Education	Repeal Grant for Motorcycle Safety Program	MCL 257.312b-c MCL 257.811a-b
	Repeal Grant for Off-road Vehicle Safety Program	MCL 324.81118 MCL 324.81129-324.81130
Environmental Quality	New Stormwater Discharge Fees	MCL 324.3118 - 324.3119
	New National Pollutant Discharge Elimination System Permit Fees	New Legislation
	New Groundwater Permit Fees	New Legislation
	Aquatic Nuisance Fees	MCL 333.12562
	New Solid Waste Fees	MCL 324.11509
	Repeal - Recreational Resources Unit	MCL 333.12501 - 333.12534
	Repeal - Manufactured Housing Program	MCL 125.2301 - 125.2322
	Repeal - Septage Program	MCL 324.11701 - 324.11720
	Remove Sunset - Flood Hazard Management Application Fee	MCL 324.3104 (3) - (8)
	Remove Sunset - Inland Lakes and Streams Application Fee	MCL 324.30104 (2) - (4)
	Remove Sunset - Ordinary High Water Mark Survey Fee	MCL 324.30109
	Remove Sunset - Shorelands Protection and Management Application Fee	MCL 324.32312 (1) and (2)
	Remove Sunset - Great Lakes Submerged Lands Application Fee	MCL 324.32513 (2) - (4)
Family Independence Agency	Child Care Fund - In-home Services	MCL 400.117a and e

Department	Purpose	Michigan Compiled Law (MCL) Being Amended
Higher Education	Michigan Merit Award Scholarship Act	MCL 390.1451 - 1459
	Repeal - Part-time Independent Student Grants	MCL 390.1281 - 1288
	Repeal - Michigan Education Opportunity Grant Program	MCL 390.1401 - 1409
	Repeal - Michigan Work-Study Program (undergraduates)	MCL 390.1371 - 1382
	Repeal - Michigan Work-Study Program (graduates & professionals)	MCL 390-1321 - 1332
	Repeal - Tuition Grants	MCL390.991 - 997a
	Repeal - State Competitive Scholarships	MCL 390.971 - 981
	Repeal - Payment for Earned Degrees	MCL 390.1021 - 1027
	Repeal - Midwestern Higher Education Compact	MCL 390.1531 - 1532
	Michigan Opportunity Scholarship	New Legislation
Judiciary	Assessment fees - Highway Safety Fund, Justice Training Fund, Secondary Road Patrol & Training Fund, Jail Reimbursement Fund, State Cost - District Court, Crime Victims Fund, Forensic Laboratory Fund, DNA Sample Assessment	MCL 257.629(e) MCL 257.907(13) MCL 600.8381 MCL 780.905 MCL 12.205-12.206 MCL 28.176 MCL 712a.18k MCL 750.520m
	Allocation and Application of Money Collected	MCL 712A.29 MCL 775.22
	Probation and Parole Assessment Order	MCL 771.3 MCL 791.236
	Create Criminal Justice Assessment Fund	New legislation
	Circuit Court Fees - Civil Filing, Ancillary Conservatorship, Ancillary Guardianship, Appeals, Small Claims, and New Fees	MCL 600.2529 MCL 600.1027(1) - 600.2529(1)(b) MCL 600.8420(1) New Legislation

Department	Purpose	Michigan Compiled Law (MCL) Being Amended
Judiciary (continued)	General Civil Court - Various Filing Fees, Motion Fees, and Supplemental Filing Fees for Money Judgment	MCL 600.8371 MCL 600.8371(1), (2), (8), (10)
	Probate Court - Civil Action or Proceeding Fees, Proceedings Involving Guardianship/ Limited Guardianship, Motion, Petition, Account, Objection and Claim Fees	MCL 600.880(1) MCL 600.880A(1) MCL 600.880B(1)
	Court of Appeals Fees	MCL 600.321(1)
	Create Drug Treatment Control Fund	New Legislation
	Create the Judicial Technology Improvement Fund	New Legislation
	Community Dispute Resolution	MCL 691.1560
	New Assessment for Non-Traffic State and Municipal Civil Infractions	MCL 600.8727 MCL 600.8827
	Crime Victims Fund	MCL 712A.18
Natural Resources	Change Tax Rate on Purchased Lands	MCL 324.2150 - 324.2154
	Remove Required GF/GP Support of State Parks	MCL 324.74109 Repeal 1989 PA 177
	Allow the Department of Natural Resources Commission to Establish Park Entry Fees	MCL 324.74117
State Police	New Assessment on Insurance Premiums Written by an Insurer in Certain Categories on Insurance	New Legislation
	Create Traffic Enforcement and Safety Fund	New Legislation
	Direct Operators and Chauffeurs License Fees to the Traffic Enforcement and Safety Fund	MCL 257.819
	Remove Increased Drivers Fee Revenue from Transportation Economic Development Fund	MCL 247.902

Department	Purpose	Michigan Compiled Law (MCL) Being Amended
State Police (continued)	Increase Operator/Chauffeur Fees	MCL 257.312 e & h MCL 257.314b
Transportation	Motor Fuel Tax Act Revisions	MCL 207.1008 MCL 207.1152
	Reduce Allocation of Vehicle-Related Sales Tax to the Comprehensive Transportation Fund	MCL 205.75
Treasury	Change Percent of National Tobacco Settlement Revenue to the Michigan Tobacco Settlement Trust Fund	MCL 12.253
	Change Percent of National Tobacco Settlement Revenue to the Michigan Merit Award Trust Fund	MCL 390.1453
	Specify Distribution of 3% Revenue Sharing Reduction	MCL 141.911 & 913
	Nonresident Casino Winnings	MCL 206.110
	Nonresident Business Income	MCL 206.4
	Composite Returns for Flow-Through Entities	MCL 206.22, 26, 315, 351, 355, 451
	Include Limited Liability Corporation Members in Small Business Credit Disqualifier	MCL 208.36
	Officer Liability	MCL 205.27a
	Limit Small Business Tax Credits and Losses Among Entities	MCL 208.78
	Include Officer Compensation in Small Business Credit for Employee Leasing Companies	MCL 208.36
	Prohibit Elimination of Intercompany Transactions for Consolidated Returns	MCL 208.51
	Affiliate Nexus	MCL 205.1
	Apply Small Business Credit Disqualifier to Non-Michigan Related Entities	MCL 208.36

Department	Purpose	Michigan Compiled Law (MCL) Being Amended
Treasury (continued)	Limit Small Business Tax Income Subtraction	MCL 208.9
	Restrict Undervalued Real Estate Transfers	MCL 207.521 - 537
	Remove In-Lieu-Of Provisions in Severance Tax Act for Individual Income Tax and Small Business Tax	MCL 205.315
	Eliminate Insurer's Sales/Use Exclusion Under Small Business Tax	MCL 208.22a
	Restore Revenue Act Penalties	MCL 205.19, 24