



# HOUSE BILL No. 6174

November 12, 1996, Introduced by Rep. Profit and referred to the Committee on Appropriations.

A bill to amend sections 351, 352, 353, 354, 355, 358, and 367b of Act No. 431 of the Public Acts of 1984, entitled as amended

"The management and budget act,"

sections 352 and 355 as amended and section 367b as added by Act No. 72 of the Public Acts of 1991, section 353 as amended by Act No. 107 of the Public Acts of 1994, and section 354 as amended by Act No. 286 of the Public Acts of 1995, being sections 18.1351, 18.1352, 18.1353, 18.1354, 18.1355, 18.1358, and 18.1367b of the Michigan Compiled Laws.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Sections 351, 352, 353, 354, 355, 358, and 367b  
2 of Act No. 431 of the Public Acts of 1984, sections 352 and 355  
3 as amended and section 367b as added by Act No. 72 of the Public  
4 Acts of 1991, section 353 as amended by Act No. 107 of the Public

1 Acts of 1994, and section 354 as amended by Act No. 286 of the  
 2 Public Acts of 1995, being sections 18.1351, 18.1352, 18.1353,  
 3 18.1354, 18.1355, 18.1358, and 18.1367b of the Michigan Compiled  
 4 laws, are amended to read as follows:

5       Sec. 351. (1) A countercyclical budget ~~and economic~~ sta-  
 6 bilization fund is created to assist in stabilizing revenue ~~and~~  
 7 ~~employment~~ during periods of economic recession. ~~and high~~  
 8 ~~unemployment.~~

9       (2) As used in this section and sections 352 to 359: ~~—~~  
 10 ~~"fund"~~

11       (A) "FUND" means the countercyclical budget ~~and economic~~  
 12 stabilization fund.

13       (B) "REAL RATE OF GROWTH" MEANS THE GROWTH IN EACH REVENUE  
 14 SOURCE AS REDUCED BY THE GROWTH IN INFLATION AND MODIFIED BY THE  
 15 CHANGE IN THE BASE OF THAT REVENUE SOURCE, AS DETERMINED BY THE  
 16 PRINCIPALS AT THE REVENUE ESTIMATING CONFERENCE HELD UNDER SEC-  
 17 TION 367B.

18       (C) "TREND LEVEL" MEANS THE REAL RATE OF GROWTH AVERAGED  
 19 OVER A PERIOD OF AT LEAST THE IMMEDIATELY PRECEDING 10 YEARS, AS  
 20 DETERMINED BY THE PRINCIPALS AT THE REVENUE ESTIMATING CONFER-  
 21 ENCE, ESTABLISHED AS A PERCENTAGE HELD UNDER SECTION 367B.

22       (3) As used in section 352, "current calendar year" means  
 23 the year that ends December 31 in which the determination of the  
 24 transfer into or out of the fund is being made.

25       Sec. 352. (1) When the annual growth rate is more than ~~2%~~  
 26 THE TREND LEVEL, the percentage excess over ~~2%~~ THE TREND LEVEL  
 27 shall be multiplied by the COMBINED total state general

1 fund-general purpose revenue AND STATE SCHOOL AID FUND REVENUE  
2 for the fiscal year ending in the current calendar year to deter-  
3 mine the amount to be transferred to the fund from the state gen-  
4 eral fund AND THE STATE SCHOOL AID FUND in the fiscal year begin-  
5 ning in the current calendar year.

6 (2) ~~When the annual growth rate is less than 0%, the per-~~  
7 ~~centage deficiency under 0% shall be multiplied by the total~~  
8 ~~state general fund general purpose revenue for the fiscal year~~  
9 ~~ending in the current calendar year to determine the eligible~~  
10 ~~amount to be transferred to the state general fund from the fund~~  
11 ~~in the current fiscal year. When the formula calls for a larger~~  
12 ~~transfer from the fund than is necessary to balance the current~~  
13 ~~fiscal year state general fund general purpose budget, the excess~~  
14 ~~shall remain in the fund.~~ WHEN THE ANNUAL GROWTH RATE IS LESS  
15 THAN THE TREND LEVEL, THE PERCENTAGE UNDER THE TREND LEVEL SHALL  
16 BE MULTIPLIED BY THE COMBINED TOTAL STATE GENERAL FUND-GENERAL  
17 PURPOSE REVENUE AND STATE SCHOOL AID FUND REVENUE FOR THE FISCAL  
18 YEAR ENDING IN THE CURRENT CALENDAR YEAR TO DETERMINE THE AMOUNT  
19 TO BE TRANSFERRED INTO THE STATE GENERAL FUND AND STATE SCHOOL  
20 AID FUND FROM THE FUND IN THE FISCAL YEAR BEGINNING IN THE CUR-  
21 RENT CALENDAR YEAR.

22 (3) TRANSFERS INTO OR OUT OF THE FUND SHALL BE MADE PURSUANT  
23 TO AN APPROPRIATION IN AN AMOUNT DETERMINED UNDER THIS SECTION BY  
24 THE PRINCIPALS AT THE REVENUE ESTIMATING CONFERENCE HELD UNDER  
25 SECTION 367B.

26 Sec. 353. ~~(1) In a calendar quarter following a calendar~~  
27 ~~quarter in which the seasonally adjusted state unemployment rate~~

1 ~~as certified by the director of the Michigan employment security~~  
 2 ~~commission is 8% or more, an amount may be appropriated from the~~  
 3 ~~fund by the legislature for the purposes listed in this section~~  
 4 ~~in accordance with the following table:~~

5 -

Percent of seasonally adjusted unemployment in the calendar quarter preceding the calendar quarter in which an amount may be appropriated	Percent of fund avail- able for economic stabilization during the calendar quarter following a calendar quarter of high unemployment
<del>8.0 - 11.9%</del>	<del>2.5% of fund balance as of first day of calendar quarter</del>
<del>12.0% and over</del>	<del>5.0% of fund balance as of first day of calendar quarter</del>

20 (2)- The legislature may appropriate by law money from the  
 21 fund ~~in the amounts as provided in this section~~ to assist in  
 22 the following countercyclical economic stabilization purposes:

- 23 (a) Capital outlay.  
 24 (b) Public works and public service jobs.  
 25 (c) Refundable investment or employment tax credits against  
 26 state business taxes for new outlays and hiring in this state.

1 (d) Any other purpose the legislature may provide by law  
2 which provides employment opportunities counter to the state's  
3 economic cycle.

4 ~~(3) Notwithstanding subsections (1) and (2), there is~~  
5 ~~hereby appropriated \$40,000,000.00 from the fund for the Michigan~~  
6 ~~state parks endowment fund. The appropriation provided for in~~  
7 ~~this subsection shall only be effective after the proceeds from~~  
8 ~~the sale of the accident fund have been transferred to the fund~~  
9 ~~as provided for in section 701a of the worker's disability com-~~  
10 ~~pensation act of 1969, Act No. 317 of the Public Acts of 1969,~~  
11 ~~being section 418.701a of the Michigan Compiled Laws.~~

12 Sec. 354. (1) The executive budget for each fiscal year  
13 shall contain an estimate of the transfer into or out of the fund  
14 required by section 352.

15 (2) The legislature shall include a final estimate of the  
16 transfer into or out of the fund required by section 352 in the  
17 appropriations bill which contains the revenue estimate required  
18 by section 31 of article IV of the state constitution of 1963.

19 (3) Except as provided in subsection ~~(7)~~ (4), a transfer  
20 into the fund shall be made in equal monthly installments  
21 throughout the fiscal year. Except as provided in  
22 subsection ~~(7)~~ (4), a transfer out of the fund may be made as  
23 needed during the fiscal year.

24 ~~(4) For the fiscal year ending September 30, 1995 only, all~~  
25 ~~general fund general purpose balances at the final close of the~~  
26 ~~fiscal year are appropriated in the following order:~~

1       ~~(a) Up to \$22,653,100.00 are appropriated for distribution~~  
 2 ~~to the state's 15 universities and 20 community colleges. Of the~~  
 3 ~~\$22,653,100.00 available for distribution to the state's 15 uni-~~  
 4 ~~versities and 20 community colleges, \$10,005,106.00 shall be dis-~~  
 5 ~~tributed to universities and \$3,047,914.00 shall be distributed~~  
 6 ~~to community colleges in the manner provided in subsections (5)~~  
 7 ~~and (6). If the general fund general purpose balances at the~~  
 8 ~~final close of the fiscal year are less than \$22,653,100.00, the~~  
 9 ~~distribution to the state's 15 universities and 20 community col-~~  
 10 ~~leges shall be reduced proportionally.~~

11       ~~(b) If the general fund general purpose balances at the~~  
 12 ~~final close of the fiscal year exceed \$22,653,100.00, the addi-~~  
 13 ~~tional general fund general purpose balances up to \$5,000,000.00~~  
 14 ~~are hereby appropriated for state special maintenance projects.~~

15       ~~(c) If the general fund general purpose balances at the~~  
 16 ~~close of the fiscal year exceed \$27,653,100, all remaining bal-~~  
 17 ~~ances are hereby appropriated into the counter cyclical budget~~  
 18 ~~and economic stabilization fund. This appropriation shall be~~  
 19 ~~used to satisfy requirements under section 26 of article IX of~~  
 20 ~~the state constitution of 1963.~~

21       ~~(5) The appropriation for the state's 15 universities appro-~~  
 22 ~~riated in subsection (4) shall be allocated to the universities~~  
 23 ~~as follows:~~

24	<del>Central Michigan university.....\$</del>	<del>+ ,350,000</del>
25	<del>Eastern Michigan university.....</del>	<del>+ ,000,000</del>

1	<del>Ferris state university.....</del>	625,000
2	<del>Grand valley state university.....</del>	250,000
3	<del>Lake Superior state university.....</del>	250,000
4	<del>Michigan state university.....</del>	900,000
5	<del>Michigan technological university.....</del>	750,000
6	<del>Northern Michigan university.....</del>	500,000
7	<del>Oakland university.....</del>	700,000
8	<del>Saginaw valley state university.....</del>	505,186
9	<del>University of Michigan—Ann Arbor.....</del>	8,000,000
10	<del>University of Michigan—Dearborn.....</del>	250,000
11	<del>University of Michigan—Flint.....</del>	250,000
12	<del>Wayne state university.....</del>	3,000,000
13	<del>Western Michigan university.....</del>	475,000

14       ~~(6) The appropriation for the state's 20 community colleges~~  
15 ~~appropriated in subsection (4) shall be distributed to the col-~~  
16 ~~leges in direct proportion to the 1995 fiscal year unrestricted~~  
17 ~~operating appropriations as follows.~~

18	<del>Alpena community college.....§</del>	63,000
19	<del>Bay de Noc community college.....</del>	53,010
20	<del>Delta college.....</del>	182,277
21	<del>Glen Oaks community college.....</del>	26,991
22	<del>Gogebic community college.....</del>	56,841
23	<del>Grand Rapids community college.....</del>	251,450
24	<del>Henry Ford community college.....</del>	276,759
25	<del>Jackson community college.....</del>	160,600

1	<del>Kalamazoo valley community college.....</del>	<del>124,895</del>
2	<del>Kellogg community college.....</del>	<del>110,996</del>
3	<del>Kirtland community college.....</del>	<del>41,612</del>
4	<del>Lake Michigan college.....</del>	<del>61,471</del>
5	<del>Lansing community college.....</del>	<del>400,092</del>
6	<del>Macomb community college.....</del>	<del>433,324</del>
7	<del>Mid Michigan community college.....</del>	<del>49,144</del>
8	<del>Monroe county community college.....</del>	<del>46,534</del>
9	<del>Montcalm community college.....</del>	<del>41,900</del>
10	<del>Mott community college.....</del>	<del>197,936</del>
11	<del>Muskegon community college.....</del>	<del>115,122</del>
12	<del>North central Michigan college.....</del>	<del>37,650</del>
13	<del>Northwestern Michigan college.....</del>	<del>107,757</del>
14	<del>Oakland community college.....</del>	<del>289,677</del>
15	<del>St. Clair county community college.....</del>	<del>90,922</del>
16	<del>Schoolcraft college.....</del>	<del>147,844</del>
17	<del>Southwestern Michigan college.....</del>	<del>60,966</del>
18	<del>Washtenaw community college.....</del>	<del>130,360</del>
19	<del>Wayne county community college.....</del>	<del>235,233</del>
20	<del>West Shore community college.....</del>	<del>20,637</del>

21       (4) ~~(7)~~ For the fiscal year ending September 30, 1996  
22 only, all general fund-general purpose balances at the final  
23 close of the fiscal year are hereby appropriated and shall be  
24 transferred to the fund. Notwithstanding section 352, the total  
25 amount transferred to the fund under this subsection shall be  
26 considered to be the amount transferred to the fund for purposes

1 of section 352 for the fiscal year ending September 30, 1996  
2 only.

3 (5) ~~(8)~~ For the fiscal year ending September 30, 1996  
4 only, there is appropriated FROM THE FUND \$391,300.00 to the city  
5 of Detroit to fund the Detroit crime lab and the Detroit police  
6 special events unit.

7 Sec. 355. ~~(1)~~ The transfer into or out of the fund as  
8 provided in section 352 for each fiscal year beginning after  
9 September 30, 1978, may be adjusted in light of revision in the  
10 annual growth rate for the calendar year upon which that transfer  
11 was made. The adjustment, if made, shall be directly propor-  
12 tional to an increase or decrease in the annual growth rate, but  
13 the adjustment shall not be in excess of 1% multiplied by the  
14 total general fund-general purpose revenue of the fiscal year  
15 upon which the transfer was based. ~~The basis for an adjustment~~  
16 ~~shall be a change in the personal income level for that calendar~~  
17 ~~year as determined by the bureau of economic analysis of the~~  
18 ~~United States department of commerce in the last report it makes~~  
19 ~~before April 30 of the fiscal year in which that calendar year~~  
20 ~~ended. The adjustment, if made, shall be effective on June 1 of~~  
21 ~~the fiscal year in which the transfer is made.~~

22 ~~(2) An appropriation from the fund as provided in section~~  
23 ~~353 may be adjusted for a change in the unemployment rate statis-~~  
24 ~~tics for the 4 quarters immediately preceding the quarter in~~  
25 ~~which the appropriation is to be made, as long as an adjustment~~  
26 ~~has not already been made in an appropriation from the fund~~  
27 ~~because of a prior change in the unemployment rate statistics for~~

~~1 + or more of those 4 quarters. A change in the unemployment rate  
2 statistics shall not be made until that change is certified by  
3 the director of the Michigan employment security commission.~~

~~4 (3) An adjustment made pursuant to subsection (2) shall not  
5 be made unless the change in the unemployment rate statistics  
6 would have provided for a different percent of the fund to be  
7 appropriated under section 353. If the adjustment creates a  
8 state general fund liability, that liability shall be offset  
9 against future appropriations which would have been made under  
10 section 353.~~

~~11 (4) For the fiscal year ending September 30, 1991 only, the  
12 mid year adjustment to be used to calculate the amount to be  
13 transferred from the fund to the general fund pursuant to  
14 section 352(2) shall be based on the following estimates.~~

	<u>Dollars in</u>	
	<u>Millions</u>	
	<u>1990</u>	<u>1991</u>
18 Michigan personal income.....	\$ 170,534	\$ 175,484
19 Less: Transfer payments.....	(26,066)	(20,932)
20 <u>Subtotal.....</u>	<u>\$ 143,668</u>	<u>\$ 146,552</u>
21 Divided by: Detroit C.F.I. for 12 months		
22 ending June 30 (1982-1.00).....	+ .253	+ .317
23 Equals: Real adjusted Michigan personal		
24 income.....	\$ 114,659	\$ 111,277
25 Percentage decrease.....		(2.95)%
26 Multiplied by: Estimated GF/GP revenue in		
27 FY 1990-91.....		7,120
28 Equals: Transfer from countercyclical		
29 budget and economic stabilization fund		
30 for the fiscal year ending September 30,		
31 1991.....	\$	210

1 ~~(5) In accordance with the economic stabilization transfer~~  
 2 ~~allowed under section 353(1) there is appropriated from the fund~~  
 3 ~~for the fiscal year ending September 30, 1991 the sum of~~  
 4 ~~\$20,000,000.00 determined as follows:~~

5	-	Fund Balance		
6	Calendar	as of First	Maximum Allowable	Maximum Dollar
7	Quarter	Day of Calendar	Withdrawal	Amount of
8	Beginning	Quarter		Withdrawal
9	4/1/91	\$400,000,000	2.5% of the fund	\$10,000,000
10			balance as of first	
11			day of quarter	
12	-			
13	7/1/91	\$398,000,000	2.5% of the fund	\$10,000,000
14			balance as of first	
15			day of quarter	
16	-			

17 ~~(6) The total transfer from the fund to the general fund for~~  
 18 ~~the fiscal year ending September 30, 1991 pursuant to subsections~~  
 19 ~~(4) and (5) shall be \$230,000,000.00.~~

20 Sec. 358. (1) The legislature may make an emergency appro-  
 21 priation from the fund ~~subject to all of the following~~  
 22 ~~conditions: (a) The maximum appropriation from the fund for~~  
 23 ~~budget stabilization as provided in section 352(2) has already~~  
 24 ~~been made for the current fiscal year. (b) The IF THE legisla-~~  
 25 ~~ture has approved the emergency appropriations bill by a 2/3~~  
 26 ~~majority vote of the members elected to and serving in each house~~  
 27 ~~. (c) The AND THE emergency appropriations bill becomes law.~~

28 (2) The additional transfer from the fund may be made only  
 29 for the current fiscal year.

30 Sec. 367b. (1) A revenue estimating conference shall be  
 31 held in the second week of January and in the last week in May of  
 32 each year, and as otherwise provided in this act.

1 (2) The principals of the conference shall be the director  
2 of the department of management and budget, the director of the  
3 senate fiscal agency, and the director of the house fiscal  
4 agency, or their respective designees.

5 (3) The conference shall establish an official economic  
6 forecast of major variables of the national and state economies.  
7 The conference shall also establish THE TREND LEVEL AND a fore-  
8 cast of anticipated state revenues as the conference determines  
9 including the following:

10 (a) State income tax collections.

11 (b) State sales tax collections.

12 (c) Single business tax collections.

13 (d) Total general fund/general purpose revenues.

14 (e) Lottery transfers to the school aid fund.

15 (f) Total school aid fund revenues.

16 (4) The conference's official TREND LEVEL AND forecast of  
17 economic and revenue variables shall be determined by consensus  
18 among the principals.

19 (5) The TREND LEVEL AND forecasts required by this section  
20 shall be for the fiscal year in which the conference is being  
21 held and the ensuing fiscal year.

22 (6) The official conference TREND LEVEL AND forecast shall  
23 be based upon the assumption that the current law and current  
24 administrative procedures will remain in effect for the forecast  
25 period.

26 (7) THE OFFICIAL CONFERENCE FORECAST SHALL INCLUDE A  
27 DETERMINATION OF THE TREND LEVEL, OF THE REAL RATE OF GROWTH, AND

1 of how much money should be transferred into or out of the  
2 countercyclical budget and economic stabilization fund, as pro-  
3 vided in section 352.