

**Summary: First Conference Report
TOTAL GENERAL GOVERNMENT FY 2003-04
Senate Bill 270**



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Budget Overview

The First Conference Report for SB 270 totals \$2.9 billion Gross and \$355.2 million GF/GP.

The budget is \$68.7 million Gross, or 2.4%, under current-year Gross and \$45.9 million GF/GP, or 14.8%, over current-year GF/GP.

The budget is \$66.5 million Gross, or 2.4%, over the Executive recommended Gross and \$8.8 million GF/GP, or 2.5%, over the Executive recommended GF/GP.

The budget is \$71.5 million Gross, or 2.6%, over the Senate passed Gross and \$3.7 million GF/GP, or 1.0%, under the Senate passed GF/GP.

The budget is \$32.5 million Gross, or 1.1%, under the House passed Gross and \$10.7 million GF/GP, or 3.1%, over the House passed GF/GP.

Summary of Major Budget Issues

Can be found throughout the document, listed by department/agency

FY 2003-04 Recommendations

	FY 2002-03 YTD (as of 03/06/03)	Executive	Senate Passed	House Passed	Conference
IDG/IDT	\$666,338,700	\$585,519,100	\$562,831,100	\$578,420,900	\$569,647,200
Federal	59,360,000	59,233,900	59,233,900	104,533,900	60,641,300
Local	2,610,800	2,610,800	2,610,800	2,610,800	2,610,800
Private	1,733,100	550,100	550,100	550,100	550,100
Restricted	1,885,468,000	1,795,330,800	1,800,501,600	1,858,051,500	1,867,448,600
GF/GP	309,320,652	346,364,400	358,886,000	344,450,700	355,193,300
Gross	\$2,924,831,252	\$2,789,609,100	\$2,784,613,500	\$2,888,617,900	\$2,856,091,300
FTEs	7,382.9	7,356.4	6,842.4	6,842.4	6,873.9

**Summary: First Conference Report
ATTORNEY GENERAL FY 2003-04
Senate Bill 270**



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Department Overview

The Attorney General's powers are prescribed in the State Constitution, in statute, and in court decisions. Serving as legal counsel for state departments, agencies, boards, commissions, and their officers, the Attorney General defends the state in court, and brings actions and intervenes in cases on the state's behalf. In addition to defending state agencies, the Attorney General represents legislators and judges who may be sued while acting in their official capacities. The Attorney General issues opinions on questions of law submitted by members of the Legislature and others, serves as chief law enforcement officer of the state, and has supervisory powers over all local prosecuting attorneys.

The Department of Attorney General is organized into five bureaus: Child & Family Services, Criminal Justice, Economic Development & Oversight, Consumer Protection, and Governmental Affairs. In general, each bureau represents certain state agencies, boards, and commissions, and practices in specialized legal areas. Also, the Department includes the Prosecuting Attorneys Coordinating Council, an autonomous entity which provides services to Michigan's prosecutors, their assistants, and other office staff.

Unlike other state agencies, the Department of Attorney General does not operate or initiate programs, and thus the basic mission and goals of the Department do not change from one year to the next. The mission is to protect the common legal rights of citizens, defend the Constitution and the laws of the state, and represent the legal interests of government. The Department's goals are to make the state a safe place for its citizens, offer justice to the victims of crime, defend common natural resources and monetary assets of the state, and deliver excellent legal services at a minimum cost to tax payers.

Summary of Major Budget Issues

Prisoner Reimbursement Revenue – Includes authorization to collect an additional \$800,000 in prisoner reimbursement revenue and reduces GF/GP by the same amount. The Department is authorized to expend the appropriation on defending the state, state departments, and state employees in civil litigation claims filed by prisoners.
Child Support Enforcement Funding – Includes \$2.1 million Gross, \$1.4 million federal, and \$725,000 in state restricted funding to cover costs associated with increased child support enforcement activities.

FY 2003-04 Recommendations

	FY 2002-03 YTD (as of 03/06/03)	Executive	Senate Passed	House Passed	Conference	Conference Change to 2002-03 YTD	
						Amount	%
IDG/IDT	\$9,917,900	\$11,119,200	\$11,119,200	\$11,909,000	\$10,810,600	\$892,700	9.0
Federal	7,672,700	7,564,400	7,564,400	7,564,400	8,971,800	1,299,100	16.9
Local	0	0	0	0	0	0	0.0
Private	1,183,000	0	0	0	0	(1,183,000)	(100.0)
Restricted	9,216,400	9,945,100	10,145,100	9,145,100	10,670,100	1,453,700	15.8
GF/GP	32,363,383	31,009,900	31,688,900	31,959,700	31,009,900	(1,353,483)	(4.2)
Gross	\$60,353,383	\$59,638,600	\$60,517,600	\$60,578,200	\$61,462,400	\$1,109,017	1.8
FTEs	592.5	588.5	543.0	543.0	568.0	(24.5)	(4.1)

<u>Major Budget Changes from FY 2002-03 YTD Appropriations:</u>		<u>YTD FY 2002-03</u>	<u>Conference Change</u>
1. Prisoner Reimbursement Revenue	Gross	\$301,700	\$0
Conference: Includes authorization to collect an additional \$800,000 in prisoner reimbursement revenue and offsets the additional funding by reducing GF/GP by the same amount.	Restricted	301,700	800,000
Executive: \$800,000 state restricted; (\$800,000) GF/GP	GF/GP	\$0	(\$800,000)
Senate: \$1,000,000 state restricted			
House: \$1,000,000 boilerplate appropriation			
2. Additional IDG Funding from MDCIS	Gross	\$1,274,900	\$18,300
Conference: Includes an additional \$18,300 in IDG funding from the Department of Consumer and Industry Services.	IDG	1,274,900	18,300
Executive: \$18,300 IDG	GF/GP	\$0	\$0
Senate: \$18,300 IDG			
House: \$1,116,700 IDG			
3. Eliminate IDG Funding from MDA	Gross	\$308,600	(\$308,600)
Conference: Eliminates IDG funding from the Department of Agriculture originally appropriated for bovine research.	IDG	308,600	(308,600)
Executive: \$0	GF/GP	\$0	\$0
Senate: \$0			
House: (\$308,600) IDG			
4. Welfare Drug Testing Law	Gross	\$0	\$0
Conference: Does not include the additional funding which was included in the House passed version for continued appeal of the case which challenges the welfare drug testing law.	GF/GP	\$0	\$0
Executive: \$0			
Senate: \$0			
House: \$150,000 GF/GP			
5. Child Support Enforcement	FTEs	0.0	25.0
Conference: Includes additional FTE position authorization and funding in a new line item for Child Support Enforcement activities.	Gross	\$0	\$2,132,400
Executive: \$0	Federal	0	1,407,400
Senate: \$0	Restricted	0	725,000
House: \$100 GF/GP	GF/GP	\$0	\$0
6. Accident Fund Company Revenue	Gross	\$1,183,000	\$0
Conference: Replaces private accident fund company revenue with an IDG from DMB, risk management revolving fund. The Accident Fund no longer serves as the third party administrator for workers' compensation insurance to the state. However, the Attorney General continues to provide representation to the state on workers' compensation claims related to state employees.	IDG	0	1,183,000
Executive: \$1,183,000 IDG; (\$1,183,000) private	Private	1,183,000	(1,183,000)
Senate: \$1,183,000 IDG; (\$1,183,000) private	GF/GP	\$0	\$0
House: \$1,183,000 IDG; (\$1,183,000) private			

<u>Major Budget Changes from FY 2002-03 YTD Appropriations:</u>		<u>YTD FY 2002-03</u>	<u>Conference Change</u>
7. Eliminate MUSTFA Funding	FTEs	2.0	(2.0)
Conference: Eliminates 2.0 FTE positions and \$161,300 in state restricted Michigan Underground Storage Tank Financial Assurance funding due to the scheduled 2003 sunset of the statutory fee which supports this revenue source. The 7/8 cent fee on motor fuels will no longer be collected due to bonding requirements being met in FY 2003.	Gross	\$161,300	(\$161,300)
	Restricted	161,300	(161,300)
	GF/GP	\$0	\$0
Executive: (\$161,300) state restricted and (2.0) FTE positions			
Senate: (\$161,300) state restricted and (2.0) FTE positions			
House: (\$161,300) state restricted and (2.0) FTE positions			
8. Reduced Funding for Information Technology	Gross	\$769,500	(\$87,300)
Conference: Reduces funding for information and technology-related services and projects. Specifically, reductions will be taken in the areas of equipment and infrastructure.	GF/GP	\$769,500	(\$87,300)
Executive: (\$87,300) GF/GP			
Senate: (\$87,300) GF/GP			
House: (\$87,300) GF/GP			
9. Transfer to Department of Information Technology	FTEs	2.0	(2.0)
Conference: Transfers 2.0 FTE positions to the Department of Information Technology budget, and transfers the associated funding, \$145,100, from the Attorney General Operations line item to the Information Technology Services and Projects line item within this budget.	Gross	\$0	\$0
	GF/GP	\$0	\$0
Executive: (2.0) FTE positions			
Senate: (2.0) FTE positions			
House: (2.0) FTE positions			
10. Early Retirement Savings	Gross	\$0	(\$450,900)
Conference: Eliminates funding associated with one month's salary and annual leave payouts for employees who retired in November 2002.	GF/GP	\$0	(\$450,900)
Executive: (\$450,900) GF/GP			
Senate: (\$450,900) GF/GP			
House: (\$450,900) GF/GP			
11. Economic Adjustments	Gross	\$0	(\$15,300)
Conference: Reflects a savings of \$15,300 due to economic adjustments made for rent, building occupancy charges, and workers' compensation. The same economic factors are applied to all budgets.	GF/GP	\$0	(\$15,300)
Executive: (\$15,300) GF/GP			
Senate: (\$15,300) GF/GP			
House: (\$15,300) GF/GP			

<u>Major Budget Changes from FY 2002-03 YTD Appropriations:</u>		<u>YTD FY 2002-03</u>	<u>Conference Change</u>
12. Unfunded Vacancies	FTEs	586.5	(45.5)
Conference: Eliminates authorization for 45.5 classified FTE positions which are vacant and unfunded.	Gross	\$0	\$0
	GF/GP	\$0	\$0
Executive: 0.0			
Senate: (45.5) FTE positions			
House: (45.5) FTE positions			

Major Boilerplate Changes from FY 2002-03:

Sec. 300. Contingency Funds – DELETED

Authorizes the Department to receive amounts not to exceed \$1.5 million in federal, \$1.5 million in state restricted, \$100,000 in local, and \$100,000 in private contingency funding and requires that the funding be transferred to another line item via the legislative transfer process in order to be available for expenditure.

Executive retains current law. **Senate, House, and Conference Committee** strike current law.

Sec. 302. Biennial Report on Attorney General Operations – MODIFIED

Authorizes the sale of the biennial report on Attorney General operations after the first 500 copies are distributed on a gratis basis. **Executive** retains current law. **Senate, House, and Conference Committee** modify current law to reduce the number of required gratis copies from 500 to 350, to prohibit gratis copies from being distributed to legislators, and to require electronic copies of the report to be made available on the Department's website.

Sec. 305. Proceeds from Lawsuits Against Manufacturers of Tobacco Products – RETAINED

Subjects any proceeds received by the Attorney General from lawsuits or settlement agreements initiated by the state against manufacturers of tobacco products to the appropriations process. **Executive** strikes current law. **Senate, House, and Conference Committee** retain current law.

Sec. 306. Unobligated Antitrust Enforcement Revenue – RETAINED

Authorizes unobligated antitrust enforcement revenue, up to \$250,000, to be carried forward. **Senate** increases carry forward authorization from \$250,000 to \$500,000. **Executive, House, and Conference Committee** retain current law.

Sec. 307. Litigation Expense Reimbursement Revenue – RETAINED

Appropriates up to \$500,000 from litigation expense reimbursement revenue to be used for payment of attorney fees assessed against the Governor or Attorney General when they are the named party in litigation against the state. **Senate** increases authorization from \$500,000 to \$1.0 million and authorizes the first \$500,000 to be expended on salaries, wages, CSS&M, information technology, and other departmental operating expenses. **Executive, House, and Conference Committee** retain current law.

Sec. 308. Attorney General Salary Requirements – DELETED

Requires the Attorney General's annual salary to be \$135,500 unless an amendment to the State Constitution gives the State Officers Compensation Commission the authority to determine the salary. **Executive, Senate, House, and Conference Committee** strike current law.

Major Boilerplate Changes from FY 2002-03:

Sec. 308. Prisoner Reimbursement Revenue – NEW

Executive includes new language which authorizes the Department to spend up to \$301,700 of prisoner reimbursement revenue on activities related to the State Correctional Facilities Reimbursement Act and authorizes the Department to spend up to \$800,000 of excess collections, if the Department collects in excess of \$1,131,000, on defense of litigation against the state, its departments, or employees in civil actions filed by prisoners. **Senate** includes new language which authorizes the Department to spend up to \$1.0 million of excess collections, if the Department collects in excess of \$1,131,000. **House** includes new language which states that if the Department collects more than \$1,131,000, an amount equal to the excess amount, not to exceed \$1.0 million, is appropriated from the general fund. **Conference Committee** includes the Executive recommended language.

Sec. 309. Administrative Efficiencies – DELETED

Executive includes new language which appropriates an amount not to exceed one-half of the unexpended, unreserved general fund portions of FY 2003 appropriations for salaries and wages, contractual services, supplies, and materials, information technology, and program operation expenses in an effort to encourage administrative efficiencies; subjects the appropriation to approval by the State Budget Director; and requires the appropriation to be spent for the same purposes for which the original appropriation was made in FY 2003. **Senate, House, and Conference Committee** do not include the new language.

Sec. 309. Child Support Enforcement Agreement with FIA – NEW

Senate, House, and Conference Committee include new language which requires the Family Independence Agency to enter into a cooperative agreement with the Attorney General for Federal Title IV-D Child Support Enforcement Funding to support child support enforcement activities within the Department of Attorney General, and authorizes access for the Attorney General, to the extent allowable under federal law, to any information used by the state to locate parents who fail to pay court ordered child support.

**Summary: First Conference Report
CIVIL RIGHTS FY 2003-04
Senate Bill 270**



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Department Overview

The Michigan Civil Rights Commission was established in 1963 pursuant to Article I, Section 2 of the state Constitution to carry out the guarantees against discrimination. In Article V, Section 29, the Commission is charged with investigating alleged discrimination against any person because of religion, race, color, or national origin and is directed to "secure the equal protection of such civil rights without such discrimination." Public Acts 453 and 220 of 1976, the Elliot-Larsen Civil Rights Act and the Handicappers' Civil Rights Act respectively, and subsequent amendments have added sex, age, marital status, height, weight, arrest record, and physical and mental disabilities to the original four protected categories.

The Michigan Department of Civil Rights was established in 1965 to serve as the administrative arm charged with implementing the policies of the Commission. The Department works to prevent discrimination through educational programs that promote voluntary compliance with civil rights laws, investigates and resolves discrimination complaints in the areas of employment, public accommodations and service, education, housing, and law enforcement, and disseminates information that explains the rights and responsibilities of Michigan citizens as provided by law. Also, the Department provides information and services to businesses on diversity initiatives, equal employment laws, contract compliance, coordination of certification programs for enterprises owned by persons with disabilities, and joint venture/strategic alliance matchmaking. A discrimination complaint may be filed at any of the Department's offices if the alleged discrimination has occurred within the past 180 days.

Summary of Major Budget Issues

Commission Per Diem Payments – Eliminates the Commission Per Diem line item and transfers the funding to the Civil Rights Operations line item.

Early Retirement Savings – Reflects a savings of \$401,300 GF/GP due to the early retirement of state employees.

FY 2003-04 Recommendations

	FY 2002-03 YTD (as of 03/06/03)	Executive	Senate Passed	House Passed	Conference	Conference Change to 2002-03 YTD	
						Amount	%
IDG/IDT	\$0	\$0	\$0	\$0	\$0	\$0	0.0
Federal	934,000	934,000	934,000	934,000	934,000	0	0.0
Local	0	0	0	0	0	0	0.0
Private	0	0	0	0	0	0	0.0
Restricted	0	0	0	0	0	0	0.0
GF/GP	12,689,900	12,183,200	12,167,000	12,166,800	12,183,200	(506,700)	(4.0)
Gross	\$13,623,900	\$13,117,200	\$13,101,000	\$13,100,800	\$13,117,200	(\$506,700)	(4.0)
FTEs	163.5	163.5	140.0	140.0	142.0	(21.5)	(13.1)

<u>Major Budget Changes from FY 2002-03 YTD Appropriations:</u>		<u>YTD FY 2002-03</u>	<u>Conference Change</u>
1. Commission Per Diem	Gross	\$16,200	\$0
Conference: Eliminates the Commission Per Diem line item due to the recommended suspension of paying Commission per diems by the Governor. The \$16,200 appropriation in the current-year for the line item is transferred to the Civil Rights Operations line item.	GF/GP	\$16,200	\$0
Executive: \$0			
Senate: (\$16,200) GF/GP			
House: (\$16,200) GF/GP			
2. Unclassified Positions	FTEs	5.0	0.0
Conference: Restores the reduction to unclassified FTE position authorization back to 5.0 FTEs.	Gross	\$254,100	\$0
Executive: 0.0	GF/GP	\$254,100	\$0
Senate: (2.0) FTE positions			
House: (2.0) FTE positions			
3. Reduced Funding for Information and Technology	Gross	\$894,529	(\$90,529)
Conference: Reduces funding for information and technology-related services and projects. This reduction will affect the intended scope of the Document Imaging Initiative, but it is unclear to what extent. The Department had intended to begin a project that would convert written correspondence, contract compliance, and other contracts to electronic storage from the current paper storage filing system.	GF/GP	\$894,529	(\$90,529)
Executive: (\$90,529) GF/GP			
Senate: (\$90,529) GF/GP			
House: (\$90,529) GF/GP			
4. Early Retirement Savings	Gross	\$0	(\$401,300)
Conference: Eliminates funding associated with one month's salary and annual leave payouts for employees who retired in November 2002.	GF/GP	\$0	(\$401,300)
Executive: (\$401,300) GF/GP			
Senate: (\$401,300) GF/GP			
House: (\$401,300) GF/GP			
5. Economic Adjustments	Gross	\$0	(\$14,900)
Conference: Reflects a savings of \$14,900 due to economic adjustments made for rent, building occupancy charges, and workers' compensation. The same economic factors are applied to all budgets.	GF/GP	\$0	(\$14,900)
Executive: (\$14,900) GF/GP			
Senate: (\$14,900) GF/GP			
House: (\$14,900) GF/GP			
6. Unfunded Vacancies	FTEs	158.5	(21.5)
Conference: Eliminates authorization for 21.5 classified FTE positions which are vacant and unfunded.	Gross	\$0	\$0
Executive: 0.0	GF/GP	\$0	\$0
Senate: (21.5) FTE positions			
House: (21.5) FTE positions			

Major Boilerplate Changes from FY 2002-03:

Sec. 400. Contingency Funds – DELETED

Authorizes the Department to receive an amount not to exceed \$500,000 in federal contingency funding and requires that the funding be transferred to another line item via the legislative transfer process in order to be available for expenditure. **Executive** retains current law. **Senate, House, and Conference Committee** strike current law.

Sec. 401(2). Funding from Local and Private Sources – RETAINED

Authorizes the Department to receive and expend funding from local or private sources for training and information dissemination purposes, participating in mediation processes, and for workshops, seminars, and recognition or award programs; and requires a report on the amount of funding received and expended. **Executive** strikes the reporting requirement. **Senate, House, and Conference Committee** retain current law.

Sec. 404. Administrative Efficiencies – DELETED

Executive includes new language which appropriates an amount not to exceed one-half of the unexpended, unreserved general fund portions of FY 2003 appropriations for salaries and wages, contractual services, supplies, and materials, information technology, and program operation expenses in an effort to encourage administrative efficiencies; subjects the appropriation to approval by the State Budget Director; and requires the appropriation to be spent for the same purposes for which the original appropriation was made in FY 2003. **Senate, House, and Conference Committee** do not include the new language.

**Summary: First Conference Report
CIVIL SERVICE FY 2003-04
Senate Bill 270**



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Department Overview

The Department of Civil Service is responsible for implementing policies established by the Civil Service Commission. The Department of Civil Service administers a statewide merit system that provides classified job opportunities within state government. This system includes classification of positions, administration of competitive examinations for all classified positions, setting of pay scales, development of rules governing personnel transactions and conditions of employment, administration of employee benefits and the quality recognition system, and administration of the Civil Service Commission's Employment Relations Policy. In addition, the Department maintains ongoing statewide recruitment.

Summary of Major Budget Issues

Transfer of Employee Benefits Program – Reflects the transfer of \$5.4 million and 31.0 FTE positions associated with the Employee Benefits Program from the Department of Management and Budget.

Employee Training Reduction – Reduces funding for employee/management training programs by \$3.0 million.

Elimination of the State Employee Quality Recognition System – Eliminates \$191,800 in GF/GP funding associated with the State Employee Quality Recognition System.

Line Item Structure – Eliminates the Civil Service Operations line item and creates five new program line items.

FY 2003-04 Recommendations

	FY 2002-03 YTD (as of 03/06/03)	Executive	Senate Passed	House Passed	Conference	Conference Change to 2002-03 YTD	
						Amount	%
IDG/IDT	\$5,300,000		\$4,300,000	\$2,300,000	\$2,300,000	(\$3,000,000)	(56.6)
Federal	4,779,100	4,779,100	4,779,100	4,779,100	4,779,100	0	0.0
Local	1,700,000	1,700,000	1,700,000	1,700,000	1,700,000	0	0.0
Private	150,000	150,000	150,000	150,000	150,000	0	0.0
Restricted	9,639,200	14,872,200	14,872,200	14,872,200	14,872,200	5,233,000	54.3
GF/GP	9,285,700	8,052,600	8,052,600	8,052,300	\$8,052,600	(1,233,100)	(13.3)
Gross	\$30,854,000	\$33,853,900	\$33,853,900	\$31,853,600	\$31,853,900	\$999,900	3.2
FTEs	201.5	201.5	211.5	211.5	211.5	10.0	5.0

<u>Major Budget Changes from FY 2002-03 YTD Appropriations:</u>		<u>YTD FY 2002-03</u>	<u>Conference Change</u>
1. Transfer of Employee Benefits Program		FTEs	0.0
Conference: Transfers FTE positions and funding associated with the Employee Benefits Program from the Department of Management and Budget to the Department of Civil Service. The program was transferred pursuant to Executive Order 2002-13 and administers group insurance plans for medical, dental, vision, disability, life, and long-term care benefits. Also, the program includes pretax benefit programs, COBRA, and other insurance continuation programs.		Gross	\$0
		Restricted	0
		GF/GP	\$0
Executive: \$5,425,900 Gross and 31.0 FTE positions			\$5,425,900
Senate: \$5,425,900 Gross and 31.0 FTE positions			5,234,100
House: \$5,425,900 Gross and 31.0 FTE positions			\$191,800
2. State Employee Quality Recognition System		Gross	\$0
Conference: Eliminates funding for the State Employee Quality Recognition System. The program rewards current and retired state employees who are involved in recommending, initiating, and implementing process improvements or measures to advance the overall success of a state organization or program.		GF/GP	\$0
Executive: (\$191,800) GF/GP			(\$191,800)
Senate: (\$191,800) GF/GP			(\$191,800)
House: (\$191,800) GF/GP			
3. Reduced Funding for Training		Gross	\$4,000,000
Conference: Reduces funding for employee and management training by \$3.0 million. Training provided by the Department is funded by interdepartmental grant charges to other state departments and agencies.		IDG	4,000,000
		GF/GP	\$0
Executive: (\$1,000,000) IDG			(\$3,000,000)
Senate: (\$1,000,000) IDG			(3,000,000)
House: (\$3,000,000) IDG			\$0
4. Administrative Reduction		Gross	\$27,754,400
Conference: Reduces funding for Civil Service operations to be achieved through implementation of administrative efficiencies. More specifically, current FTE positions which are vacant will not be filled and costs for contractual services, supplies, and materials will be reduced.		IDG	5,300,000
		Federal	3,529,100
		Local	1,700,000
		Private	150,000
		Restricted	8,867,600
Executive: (\$977,200) GF/GP		GF/GP	\$8,207,700
Senate: (\$977,200) GF/GP			(\$977,200)
House: (\$977,200) GF/GP			0

<u>Major Budget Changes from FY 2002-03 YTD Appropriations:</u>		<u>YTD FY 2002-03</u>	<u>Conference Change</u>
5. <i>Reduced Funding for Information Technology</i>	Gross	\$3,099,600	(\$41,000)
Conference: Reduces funding for information and technology-related services and projects. The savings are to be achieved through vendor rate reductions, data center reductions, and reductions in other expenses associated with day-to-day operations.	Federal	1,250,000	0
	Restricted	771,600	0
	GF/GP	\$1,078,000	(\$41,000)
Executive: (\$41,000) GF/GP			
Senate: (\$41,000) GF/GP			
House: (\$41,000) GF/GP			
6. <i>Early Retirement Savings</i>	Gross	\$0	(\$199,100)
Conference: Eliminates funding associated with one month's salary and annual leave payouts for employees who retired in November 2002.	GF/GP	\$0	(\$199,100)
Executive: (\$199,100) GF/GP			
Senate: (\$199,100) GF/GP			
House: (\$199,100) GF/GP			
7. <i>Economic Adjustments</i>	Gross	\$0	(\$1,900)
Conference: Reflects a savings of \$1,900 due to economic adjustments made for rent, building occupancy charges, and workers' compensation. The same economic factors are applied to all budgets.	Restricted	0	(1,100)
	GF/GP	\$0	(\$800)
Executive: (\$1,900) Gross			
Senate: (\$1,900) Gross			
House: (\$1,900) Gross			
8. <i>Unfunded Vacancies</i>	FTEs	201.5	(21.0)
Conference: Eliminates authorization for 21.0 classified FTE positions which are vacant and unfunded.	Gross	\$0	\$0
	GF/GP	\$0	\$0
Executive: 0.0			
Senate: (21.0) FTE positions			
House: (21.0) FTE positions			

Major Boilerplate Changes from FY 2002-03:

Sec. 500. Contingency Funds – DELETED

Authorizes the Department to receive amounts not to exceed \$2.0 million in federal, \$5.0 million in state restricted, \$100,000 in local, and \$100,000 in private contingency funding and requires that the funding be transferred to another line item via the legislative transfer process in order to be available for expenditure.

Executive retains current law. **Senate, House, and Conference Committee** strike current law.

Sec. 503. Flexible Spending Accounts – TRANSFERRED FROM DMB

Describes fund sourcing for the flexible spending accounts program and specifies how unspent employee contributions are to be used. This language is transferred from the DMB section of the bill due to the transfer of the Employee Benefits Program from DMB to Civil Service, pursuant to Executive Order 2002-13. **Executive, Senate, House, and Conference Committee** transfer the language from DMB to Civil Service.

Major Boilerplate Changes from FY 2002-03:

Sec. 504. Consolidation of Human Resources Functions – NEW

House and **Conference Committee** include new language which requires the Department to compile and report on information about human resources for all executive branch departments, to include the total number of employees in each department's human resources office, the amount of funding allocated to each department's human resources operations, recommendations for consolidating executive branch human resources functions into one department, and an estimate of cost savings that would be realized from consolidation.

Sec. 505. Administrative Efficiencies – DELETED

Executive includes new language which appropriates an amount not to exceed one-half of the unexpended, unreserved general fund portions of FY 2003 appropriations for salaries and wages, contractual services, supplies, and materials, information technology, and program operation expenses in an effort to encourage administrative efficiencies; subjects the appropriation to approval by the State Budget Director; and requires the appropriation to be spent for the same purposes for which the original appropriation was made in FY 2003. **Senate, House, and Conference Committee** do not include the new language.

**Summary: First Conference Report
EXECUTIVE OFFICE FY 2003-04
Senate Bill 270**



**Analyst: Robin Risko
Telephone: 373-8080**

Department Overview

The budget for the Executive Office provides funding for the Governor, the Lieutenant Governor, and their staffs. The Governor is elected by the people to a four-year term, is the Chief Executive Officer of the state, the Commander-In-Chief of the state's military establishment, and the Chairperson of the State Administrative Board. Major constitutionally-specified responsibilities include organization and supervision of the Executive branch and annual preparation and submission of the Executive budget. The Lieutenant Governor is nominated at party convention, is elected with the Governor to a four-year term, performs gubernatorial functions in the Governor's absence, and serves as President of the Michigan Senate.

Divisions within the Governor's Office include: Legal, Operations, Community-Based Initiatives, Appointments, Constituent Services, Policy, Communications, Legislative Affairs, Scheduling, Special Projects, and the Governor's Washington D.C. Office, Southeastern Michigan Office, and Upper Peninsula Office.

Summary of Major Budget Issues

Administrative Reduction – Reflects a savings of \$136,900 GF/GP to be achieved through implementation of administrative efficiencies.

Early Retirement Savings – Reflects a savings of \$25,000 GF/GP due to the early retirement of state employees.

FY 2003-04 Recommendations

	FY 2002-03 YTD (as of 03/06/03)	Executive	Senate Passed	House Passed	Conference	Conference Change to 2002-03 YTD	
						Amount	%
IDG/IDT	\$0	\$0	\$0	\$0	\$0	\$0	0.0
Federal	0	0	0	0	0	0	0.0
Local	0	0	0	0	0	0	0.0
Private	0	0	0	0	0	0	0.0
Restricted	0	0	0	0	0	0	0.0
GF/GP	5,021,500	4,859,500	4,859,500	4,859,300	4,859,500	(162,000)	(3.2)
Gross	\$5,021,500	\$4,859,500	\$4,859,500	\$4,859,300	\$4,859,500	(\$162,000)	(3.2)
FTEs	84.2	84.2	84.2	84.2	84.2	0.0	0.0

<u>Major Budget Changes from FY 2002-03 YTD Appropriations:</u>		<u>YTD FY 2002-03</u>	<u>Conference Change</u>
1. Administrative Reduction			
Conference:	Reduces funding for Executive Office Operations by \$136,900 to be achieved through implementation of administrative efficiencies. More specifically, one copy machine will be eliminated, and costs for travel, cell phones, subscriptions, copying, and supplies will be reduced significantly.	Gross	\$3,870,700
		GF/GP	\$3,870,700
			(\$136,900)
			(\$136,900)
	Executive: (\$136,900) GF/GP		
	Senate: (\$136,900) GF/GP		
	House: (\$136,900) GF/GP		
2. Early Retirement Savings			
Conference:	Eliminates funding associated with one month's salary and annual leave payouts for employees who retired in November 2002.	Gross	\$0
		GF/GP	\$0
			(\$25,000)
			(\$25,000)
	Executive: (\$25,000) GF/GP		
	Senate: (\$25,000) GF/GP		
	House: (\$25,000) GF/GP		

Major Boilerplate Changes from FY 2002-03:

Sec. 550. Office of Regulatory Reform – TRANSFERRED TO DMB

Authorizes the collection of funding to cover costs associated with publication and distribution of the Michigan Register and the Michigan Administrative Code; appropriates the funding; and specifies that the funding will not lapse to the general fund at the end of the fiscal year. **Executive, Senate, House, and Conference Committee** transfer the language to the DMB section of the bill due to the transfer of the Office of Regulatory Reform from the Executive Office to DMB, pursuant to Executive Order 2002-11.

**Summary: First Conference Report
INFORMATION TECHNOLOGY FY 2003-04
Senate Bill 270**



**Analyst: Robin Risko
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Department Overview

The Department of Information Technology was created pursuant to Executive Order 2001-3 for the purposes of improving the delivery of services to citizens by utilizing advancements in technology, improving the management of state information and technology resources, and assuring the reliability, security, and confidentiality of state data and computer facilities. The Department acts as a general contractor between the state's information technology users and private sector providers of information technology products and services.

"Information Technology Services" is defined to mean services involving all aspects of managing and processing information including, but not limited to, all of the following: application development and maintenance; desktop computer support and management; mainframe computer support and management; server support and management; local area network support and management; information technology contract, project, and procurement management; information technology planning and budget management; and telecommunication services, security, infrastructure, and support.

The Department utilizes existing technology funding and state employees from within the other 19 executive branch departments and agencies to support the long-term technology needs of the state, and to find solutions and identify more effective ways to achieve missions. Each state department and agency requests spending authority to fund information technology-related activities and pays for technology services rendered by the Department of Information Technology through an interdepartmental grant. The administration of fund sources remains with each agency. Funding is organized into the following broad theme areas which are based on agency missions: Enterprisewide Services, Health and Human Services, Education Services, Public Protection, Resources Services, Transportation Services, and General Services.

Summary of Major Budget Issues

Reduced Funding for CSES – Reflects a savings of \$20.6 million due to reduced funding for the Child Support Enforcement System in the FIA budget.

Executive Order Reductions – Reflects a savings of \$21.9 million due to Executive Orders 2002-22 and 2003-03 which had not been realized in the DIT budget, but in the various state department and agency budgets only.

Administrative Reductions – Reflects a savings of \$11.7 million to be achieved through administrative efficiencies.

FY 2003-04 Recommendations

	FY 2002-03 YTD (as of 03/06/03)	Executive	Senate Passed	House Passed	Conference	Conference Change to 2002-03 YTD	
						Amount	%
IDG/IDT	\$424,006,800	\$355,689,300	\$355,689,300	\$356,489,300	\$360,239,300	(\$63,767,500)	(15.0)
Federal	0	0	0	0	0	0	0
Local	0	0	0	0	0	0	0
Private	0	0	0	0	0	0	0
Restricted	0	0	0	0	0	0	0
GF/GP	0	0	0	0	0	0	0
Gross	\$424,006,800	\$355,689,300	\$355,689,300	\$356,489,300	\$360,239,300	(\$63,767,500)	(15.0)
FTEs	1,771.4	1,769.4	1,752.4	1,752.4	1,755.4	(16.0)	(0.9)

<u>Major Budget Changes from FY 2002-03 YTD Appropriations:</u>		<u>YTD FY 2002-03</u>	<u>Conference Change</u>
<i>1. Adjustment for Budgetary Savings</i>	Gross	\$424,006,800	(\$10,111,500)
Conference: Reduces funding by \$10.1 million which reflects the 1% GF/GP budgetary savings amounts realized by state departments/agencies in FY 2003. These savings were a result of administrative efficiencies and were reflected in the various state department/agency budgets for FY 2003, but were not reflected in this budget.	IDG	424,006,800	(10,111,500)
Executive: (\$10,111,500) IDG	GF/GP	\$0	\$0
Senate: (\$10,111,500) IDG			
House: (\$10,111,500) IDG			
<i>2. Executive Order 2002-22 Reductions</i>	Gross	\$424,006,800	(\$7,066,700)
Conference: Reduces funding by \$7.1 million which reflects the 2.5% GF/GP savings amounts realized by state departments/agencies as a result of Executive Order 2002-22. These savings were a result of administrative efficiencies and were reflected in the various state department/agency budgets for FY 2003, but were not reflected in this budget.	IDG	424,006,800	(7,066,700)
Executive: (\$7,066,700) IDG	GF/GP	\$0	\$0
Senate: (\$7,066,700) IDG			
House: (\$7,066,700) IDG			
<i>3. Executive Order 2003-03 Reductions</i>	Gross	\$424,006,800	(\$14,839,800)
Conference: Reduces funding by \$14.8 million which reflects the amounts of savings realized by state departments/agencies as a result of Executive Order 2003-03. These savings were a result of reductions in vendor rates, data center rates, contractual services for application support, other contractual services, supplies, and materials, and equipment. These savings were reflected in the various state department/agency budgets for FY 2003, but were not reflected in this budget.	IDG	424,006,800	(14,839,800)
Executive: (\$14,839,800) IDG	GF/GP	\$0	\$0
Senate: (\$14,839,800) IDG			
House: (\$14,839,800) IDG			
<i>4. Reduced Funding for CSES</i>	Gross	N/A	(\$20,571,000)
Conference: Reflects a savings of \$20.6 million due to reduced funding for the Child Support Enforcement System (CSES) in the Family Independence Agency budget. The CSES project has been certified and fully implemented. Funding will continue to be available for ongoing operation and maintenance costs.	IDG	N/A	(20,571,000)
Executive: (\$20,571,000) IDG	GF/GP	N/A	\$0
Senate: (\$20,571,000) IDG			
House: (\$20,571,000) IDG			

<u>Major Budget Changes from FY 2002-03 YTD Appropriations:</u>		<u>YTD FY 2002-03</u>	<u>Conference Change</u>
5. FY 2004 Savings	Gross	\$424,006,800	(\$11,700,900)
Conference: Reduces funding by \$11.7 million to reflect the amounts of savings anticipated to occur in department/agency budgets in FY 2004. Savings are expected to result from reductions in vendor rates, telecomm rates, contractual services for application support, other contractual services, supplies, and materials, personnel, equipment, training, travel, and desktops, canceling or delaying projects, changing the scope of projects, and reducing hardware and software maintenance.	IDG	424,006,800	(11,700,900)
Executive: (\$11,700,900) IDG	GF/GP	\$0	\$0
Senate: (\$11,700,900) IDG			
House: (\$11,700,900) IDG			
6. Line Item Structure	Gross	\$0	\$0
Conference: Retains current “theme” line item structure and lists each IDG fund source by state department and agency.	IDG	0	0
Executive: retains current structure	GF/GP	\$0	\$0
Senate: retains current structure			
House: eliminates current “theme” line item structure and lists each state department and agency as its own separate line item			
7. Increased IDG Authorization for Department of State	Gross	\$0	\$4,550,000
Conference: Increases IDG authorization from the Department of State due to an additional \$4.6 million in the Department of State’s budget for replacement of the mainframe computer system.	IDG	0	4,550,000
Executive: \$0	GF/GP	\$0	\$0
Senate: \$0			
House: \$800,000 IDG			
8. Early Retirement Savings	Gross	\$0	(\$3,798,500)
Conference: Eliminates funding associated with one month’s salary and annual leave payouts for employees who retired in November 2002.	IDG	0	(3,798,500)
Executive: (\$3,798,500) IDG	GF/GP	\$0	\$0
Senate: (\$3,798,500) IDG			
House: (\$3,798,500) IDG			
9. Unclassified Positions	FTEs	6.0	0.0
Conference: Restores the reduction to unclassified FTE position authorization back to 6.0 FTEs.	Gross	\$300,000	\$0
Executive: 0.0	IDG	300,000	0
Senate: (3.0) FTE positions	GF/GP	\$0	\$0
House: (3.0) FTE positions			

<u>Major Budget Changes from FY 2002-03 YTD Appropriations:</u>		<u>YTD FY 2002-03</u>	<u>Conference Change</u>
10. Unfunded Vacancies	FTEs	1,765.4	(14.0)
Conference: Eliminates authorization for 14.0 classified FTE positions which are vacant and unfunded.	Gross	\$0	\$0
	IDG	0	0
Executive: 0.0	GF/GP	\$0	\$0
Senate: (14.0) FTE positions			
House: (14.0) FTE positions			

Major Boilerplate Changes from FY 2002-03:

Sec. 570. Contingency Funds – DELETED

Authorizes the Department to receive an amount not to exceed \$40.0 million in additional IDG funding from other state departments and agencies and requires that the funding be transferred to another line item via the legislative transfer process in order to be available for expenditure. **Executive** retains current law. **Senate, House, and Conference Committee** strike current law.

Sec. 572. e-Michigan Office – MODIFIED / DELETED

- (1) Authorizes the e-Michigan office to sell and accept paid advertising; requires review and approval of each advertisement; authorizes the office to refuse advertising or to require modifications based on criteria determined by the office; requires revenue received to be used for operating costs and for future technology enhancements; limits the amount of revenue that can be received from the sale of paid advertising to \$250,000.
- (2) Authorizes the receipt of gifts, donations, contributions, bequests, and grants of money from any public or private sources.
- (3) Authorizes the e-Michigan office to supply services and to receive and expend funding in addition to that which is appropriated for providing such services.
- (4) Appropriates and allots funding received.
- (5) Designates funding for e-Michigan as a work project account.
- (6) Requires the e-Michigan office to develop a search function of all state departments and agencies which is easily accessible to visitors.
- (7) Requires a privacy policy to be adopted by the e-Michigan office which includes instructions on how visitors can set their browsers to be warned before each cookie is written to a visitor's computer, and instructions for visitors on how to view and remove cookies on their computers.
- (8) Requires a report on all of the following: the amount of gifts, donations, contributions, bequests, and grants of money received; expenditures made from amounts received; a listing of gifts, donations, contributions, etc. other than funding received; total revenue received from the sale of paid advertising; and total number of advertising transactions.

Executive modifies all references to "e-Michigan office" to read "department of information technology" or "department" and strikes subsections 3, 6, 7, and 8. **Senate, House, and Conference Committee** modify the references to "e-Michigan office"; retain current law in subsections 1, 2, 4, 5, 6, and 7; strike subsection 3; and modify current law subsection 8 to require the report to be made available on the Department's website.

Sec. 575. Transfer of DIT Employees – DELETED

Expresses that the intent of the Legislature is for the Department to transfer their employees from the other state departments and agencies within a reasonable time frame. **Executive, Senate, House, and Conference Committee** strike current law.

Major Boilerplate Changes from FY 2002-03:

Sec. 577. Michigan Public Safety Communications System – NEW

Executive includes new language which requires the appropriation for the Michigan Public Safety Communications System to be expended upon approval by the State Budget Director of an expenditure plan, and requires the Department to assess reasonable access and maintenance fees to all subscribers of the system. **Senate, House, and Conference Committee** include the new language and add to it requirements for revenue received to be deposited into the general fund and for a report to be submitted on the amount of revenue collected and deposited.

Sec. 578. Report on Appropriations and Expenditures – NEW

House and Conference Committee include new language which requires the Department to submit a report that states the total amount of funding appropriated for information technology services and projects, by funding source, for all state departments and agencies, and requires a listing of expenditures made from the amounts received by the Department of Information Technology.

Sec. 579. Report on Life-Cycle of Hardware and Software – NEW

House and Conference Committee include new language which requires the Department to submit a report that analyzes and makes recommendations on the life-cycle of information technology hardware and software.

Sec. 580. Department of State's Business Application Modernization Project – NEW

Conference Committee includes new language which requires funding appropriated to the Department of Information Technology for the Department of State's Business Application Modernization project to be used only for the development, implementation, and maintenance of the project, and designates the funding as a work project account, authorizing the remaining funding at the end of the fiscal year to be carried forward.

**Summary: First Conference Report
LEGISLATURE FY 2003-04
Senate Bill 270**



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Department Overview

The budget for the Legislature provides funding for the Legislative branch of state government, to include the Legislative Council and agencies it governs, the Office of the Auditor General, the Legislative Retirement System, and Property Management. The Legislature enacts the laws of Michigan, levies taxes, appropriates funding from revenues collected for the support of public institutions and the administration of the affairs of state government, initiates and considers amendments to the State and U.S. Constitutions, and exercises legislative oversight over the Executive branch of government. The Legislative Council provides a wide variety of essential services to members and staff of the Legislature and is responsible for maintaining bill drafting, research, and other services. Carpenters, painters, maintenance mechanics, and electricians provide maintenance, operation, and repair of the Capitol Building, House of Representatives Office Building, and Farnum Building.

The Office of the Auditor General is responsible for conducting financial and performance audits of state government operations. The resulting audit reports provide a continuing flow of information to assist the Legislature in its oversight of state government, provide citizens with a measure of accountability, and assist state departments and agencies in improving financial management.

The Michigan Legislative Retirement System provides retirement allowances, survivors' allowances, and other benefits for members of the Legislature and their spouses, dependents, survivors, and beneficiaries. The system is funded through state appropriations, member contributions, certain court filing fees, and investment income.

Summary of Major Budget Issues

Budget Reductions – Reduces funding by \$5.4 million from current-year appropriations.

FY 2003-04 Recommendations

	FY 2002-03 YTD (as of 03/06/03)	Executive	Senate Passed	House Passed	Conference	Conference Change to 2002-03 YTD	
						Amount	%
IDG/IDT	\$1,627,600	\$1,662,900	\$1,662,900	\$1,662,900	\$1,662,900	\$35,300	2.2
Federal	0	0	0	0	0	0	0.0
Local	0	0	0	0	0	0	0.0
Private	400,000	400,000	400,000	400,000	400,000	0	0.0
Restricted	2,530,400	2,495,100	2,495,100	2,495,100	2,495,100	0	0.0
GF/GP	120,726,700	118,883,500	115,953,800	114,930,400	115,322,400	(5,404,300)	(4.5)
Gross	\$125,284,700	\$123,441,500	\$120,511,800	\$119,488,400	\$119,880,400	(\$5,404,300)	(4.3)
FTEs	0.0	0.0	0.0	0.0	0.0	0	0.0

<u>Major Budget Changes from FY 2002-03 YTD Appropriations:</u>		<u>YTD FY 2002-03</u>	<u>Conference Change</u>
<i>1. Senate Line Item Reductions</i>	Gross	\$33,887,200	(\$1,021,900)
Conference: Reduces funding for Senate line items by a total of \$1.0 million. These reductions are figured from the current-year appropriated levels, not including the negative supplemental, HB 4032. (Senate operations reduced by \$1,161,400; Senate ADP increased by \$292,600; and SFA reduced by \$153,100)	GF/GP	\$33,887,200	(\$1,021,900)
Executive: (\$575,700) GF/GP			
Senate: (\$2,127,100) GF/GP			
House: (\$2,126,800) GF/GP			
<i>2. House Line Item Reductions</i>	Gross	\$48,486,100	(\$1,399,100)
Conference: Reduces funding for House line items by a total of \$1.4 million. These reductions are figured from the current-year appropriated levels, not including the negative supplemental, HB 4032. (House operations reduced by \$1,493,400; House ADP increased by \$238,500; and HFA reduced by \$144,200)	GF/GP	\$48,486,100	(\$1,399,100)
Executive: (\$696,000) GF/GP			
Senate: (\$696,000) GF/GP			
House: (\$1,719,200) GF/GP			
<i>3. Legislative Auditor General Line Item Reduction</i>	Gross	\$15,384,600	(\$911,700)
Conference: Reduces GF/GP funding for the Legislative Auditor General line item by a total of \$911,700. This reduction is figured from the current-year appropriated level, not including the negative supplemental, HB 4032. Also, includes additional IDG funding and reduces state restricted funding by a like amount in order to more accurately reflect where audit charges occur.	IDG	1,627,600	35,300
	Restricted	1,420,600	(35,300)
Executive: (\$246,700) GF/GP	GF/GP	\$12,336,400	(\$911,700)
Senate: (\$911,600) GF/GP			
House: (\$911,700) GF/GP			
<i>4. Legislative Council Line Item Reductions</i>	Gross	\$13,636,300	(\$2,511,500)
Conference: Reduces GF/GP funding for Legislative Council line items by a total of \$2.5 million, which includes the elimination of funding for the Legislative Corrections Ombudsman. These reductions are figured from the current-year appropriated levels, not including the negative supplemental, HB 4032. (Legislative Council reduced by \$1,394,300; LSB-ADP by \$107,200; e-Law project by \$194,500; Legislative Corrections Ombudsman eliminated \$532,600; Workers' Compensation by \$10,800; and National Association dues by \$272,100)	Private	400,000	0
Executive: (\$264,700) GF/GP	GF/GP	\$13,236,300	(\$2,511,500)
Senate: (\$978,100) GF/GP			
House: (\$978,500) GF/GP			

<u>Major Budget Changes from FY 2002-03 YTD Appropriations:</u>		<u>YTD FY 2002-03</u>	<u>Conference Change</u>
5. Property Management	Gross	\$7,613,400	\$500,000
Conference: Includes an additional \$400,000 for the House Office Building and an additional \$100,000 for the Farnum Building. This increase is figured from the current-year appropriated level, not including the negative supplemental, HB 4032.	GF/GP	\$7,613,400	\$500,000
Executive: \$0			
Senate: \$0			
House: \$0			
6. Legislative Retirement System Reductions	Gross	\$4,117,100	(\$60,100)
Conference: Reduces GF/GP funding for the Michigan Legislative Retirement System by a total of \$60,100. This reduction is figured from the current-year appropriated level, not including the negative supplemental, HB 4032.	Restricted	1,109,800	0
	GF/GP	\$3,007,300	(\$60,100)
Executive: (\$60,100)			
Senate: (\$60,100)			
House: (\$60,100)			

Major Boilerplate Changes from FY 2002-03:

Sec. 604. National Association Dues – MODIFIED

Specifies the distribution of funding appropriated for payment of National Association Dues. **Executive**, **Senate**, and **House** modify the payment amounts based on the appropriation. **Conference Committee** strikes specific distribution payments and authorizes the Legislative Council to distribute the funding.

Sec. 610. Contingency Funds – DELETED

Authorizes the Auditor General to receive an amount not to exceed \$500,000 in state restricted contingency funding and requires that the funding be transferred to another line item via the legislative transfer process in order to be available for expenditure. **Executive** retains current law. **Senate**, **House**, and **Conference Committee** strike current law.

Sec. 614. Report on Audits Not Complied With – DELETED

Requires the Office of the Auditor General to report on audits that are not complied with by the audited agencies. **Executive** and **Senate** retain current law. **House** and **Conference Committee** strike current law.

Sec. 615. Auditor General's Salary – MODIFIED

Requires the Auditor General's salary to be \$135,500 and the salaries of the other 2.0 unclassified positions to be limited to an aggregate amount of \$147,200. **Executive** retains current law. **Senate**, **House**, and **Conference Committee** modify current law to eliminate specified salary amounts and to require that the salaries of the Auditor General and other 2.0 unclassified positions be determined by Legislative Leadership.

**Summary: First Conference Report
MANAGEMENT AND BUDGET FY 2003-04
Senate Bill 270**



**Analyst: Robin Risko
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Department Overview

The Department of Management and Budget (DMB) has legal authority under the Management and Budget Act, 1984 PA 431, and is the central management element of the Executive branch of state government. The Department is an interdepartmental service and management agency responsible for all of the following: ensuring proper financial record keeping for state agencies; managing capital outlay projects; managing property for the state (i.e. managing state leases, selling surplus property); executing cost-effective purchasing programs; managing the state's retirement systems; supervising the state motor vehicle fleet; administering travel policies; and providing office support services to state agencies. In addition, the Office of the State Budget prepares, presents, and executes the state budget on behalf of the Governor.

The Department has several autonomous units, including the following: Office of the State Employer, which is primarily responsible for central labor relations as the employer of the state classified work force; Office of the Children's Ombudsman, which investigates the actions, decisions, policies, and protocols of the Family Independence Agency and child placing agencies as they relate to children in Michigan's child welfare system; and Office of Regulatory Reform, which is responsible for reviewing proposed rules, coordinating the processing of rules by state agencies, and working with agencies to streamline the rule-making process and to improve public access.

Summary of Major Budget Issues

Appropriation for Motor Vehicle Fleet – Includes a \$58.5 million line item appropriation for the state's Motor Vehicle Fleet program. In the current year, funding is in an "off-budget" internal service fund, the Motor Transport fund, and is funded at \$71.0 million.

Transfer of Programs – Reduces FTE positions by 39.5 and reflects a savings of \$6.8 million Gross due to the transfer of the Employee Benefits program from DMB to the Department of Civil Service (31.0 FTE positions and \$5.4 million), and the transfer of the forms and records management program and demographics from DMB to the Department of History, Arts, and Libraries (8.5 FTE positions and \$1.4 million).

FY 2003-04 Recommendations

	FY 2002-03 YTD (as of 03/06/03)	Executive	Senate Passed	House Passed	Conference	Conference Change to 2002-03 YTD	
						Amount	%
IDG/IDT	\$109,548,100	\$103,716,800	\$103,716,800	\$103,716,800	\$162,216,800	52,668,700	48.1
Federal	358,600	440,800	440,800	440,800	440,800	82,200	22.9
Local	0	0	0	0	0	0	0.0
Private	0	0	0	0	0	0	0.0
Restricted	36,073,900	31,201,300	31,201,300	89,701,300	31,201,300	(4,872,600)	(13.5)
GF/GP	38,047,311	36,328,900	35,328,900	36,328,600	36,328,900	(1,718,411)	(4.5)
Gross	\$184,027,911	\$171,687,800	\$170,687,800	\$230,187,500	\$230,187,800	\$46,159,889	25.1
FTEs	854.5	819.0	722.0	722.0	722.0	(132.5)	(15.5)

<u>Major Budget Changes from FY 2002-03 YTD Appropriations:</u>		<u>YTD FY 2002-03</u>	<u>Conference Change</u>
1. Motor Vehicle Fleet	Gross	\$0	\$58,500,000
Conference: Includes a \$58.5 million line item appropriation for the state’s Motor Vehicle Fleet program. In the current year, funding is in an “off-budget” internal service fund, the Motor Transport fund, and is funded at \$71.0 million.	IDG	0	58,500,000
	GF/GP	\$0	\$0
Executive: \$0			
Senate: \$0			
House: \$58,500,000 IDG line item appropriation			
2. Retirement System – Vision ORS	Gross	\$24,886,111	\$1,290,000
Conference: Includes additional funding for implementation of Vision ORS. When Vision ORS is complete, members of the State Employees, Public School Employees, Judges, and State Police retirement systems will be able to access their retirement information via telephone, Internet, fax, interactive voice response, or in person. As the new system becomes functional in FY 2004, ongoing operational costs will change from those experienced under the old automated systems. The Conference Committee includes \$840,000 for additional costs associated with application support and \$450,000 for equipment hosting and licensing charges.	IDG	915,500	0
	Federal	58,600	0
	Restricted	7,499,800	1,290,000
	GF/GP	\$16,412,211	\$0
Executive: \$1,290,000 state restricted			
Senate: \$1,290,000 state restricted			
House: \$1,290,000 state restricted			
3. Building Occupancy Adjustments	Gross	\$101,043,500	(\$4,250,000)
Conference: Reduces funding for security, janitorial services, and for operating costs that are part of the leases the Department has for Cadillac Place and Constitution Hall. Security costs will be reduced through technology and other alternatives, such as key card readers, automated gates in place of gate arms, surveillance cameras, and alternative use of security services. Janitorial costs will be reduced by changing the frequency or type of service requirement in areas such as vacuuming, window cleaning, and trash pick-up.	IDG	99,041,600	(4,250,000)
	Federal	12,000	0
	Restricted	443,600	0
	GF/GP	\$1,546,300	\$0
Executive: (\$4,250,000) IDG			
Senate: (\$4,250,000) IDG			
House: (\$4,250,000) IDG			
4. Private Building Lease Adjustments	Gross	\$101,043,500	\$729,900
Conference: Includes additional funding to cover increased cost requirements contained in private leases. Increased cost requirements include annual CPI increases in the base rent, increased utility costs, property tax adjustments, and operating and maintenance adjustments.	IDG	99,041,600	729,900
	Federal	12,000	0
	Restricted	443,600	0
	GF/GP	\$1,546,300	\$0
Executive: \$729,900 IDG			
Senate: \$729,900 IDG			
House: \$729,900 IDG			

<u>Major Budget Changes from FY 2002-03 YTD Appropriations:</u>		YTD FY 2002-03	Conference Change
5. Removal of Victor Center from State Space Plan		Gross \$101,043,500	(\$1,678,900)
Conference: Eliminates funding associated with lease costs paid for state space in the Victor Center. When the State Space Plan was initiated, the intent was to assign private leases for state tenants in the building to DMB. At the time, there were multiple state tenants, but now, due to a number of executive reorganizations, the sole state tenant in the Victor Center is the Department of Career Development. As a result, there is no advantage to the state in transferring the private leases to DMB. Executive: (\$1,678,900) IDG Senate: (\$1,678,900) IDG House: (\$1,678,900) IDG	IDG	99,041,600	(1,678,900)
	Federal	12,000	0
	Restricted	443,600	0
	GF/GP	\$1,546,300	\$0
6. Parking Leases and Shuttle Bus Efficiencies		Gross \$101,043,500	(\$750,000)
Conference: Reduces funding for parking leases and shuttle bus services as a result of early retirements and completion of parking lot renovations. State employees are being reassigned from leased parking spaces to state-owned parking spaces and shuttle bus services will be reduced. Executive: (\$750,000) IDG Senate: (\$750,000) IDG House: (\$750,000) IDG	IDG	99,041,600	(750,000)
	Federal	12,000	0
	Restricted	443,600	0
	GF/GP	\$1,546,300	\$0
7. Transfer of Employee Benefits to Civil Service		FTEs 31.0	(31.0)
Conference: Reflects the transfer of the Employee Benefits and State Employee Quality Recognition System programs from DMB to the Department of Civil Service, pursuant to Executive Order 2002-13. Executive: (\$5,425,900) Gross and (31.0) FTE positions Senate: (\$5,425,900) Gross and (31.0) FTE positions House: (\$5,425,900) Gross and (31.0) FTE positions	Gross	\$5,425,900	(\$5,425,900)
	Restricted	5,234,100	(5,234,100)
	GF/GP	\$191,800	(\$191,800)
8. Transfer of Demographics and Records Management Center to History, Arts, and Libraries		FTEs 8.5	(8.5)
Conference: Reflects the transfer of the demographics program, the state data center program, and the records management and records center programs from DMB to the Department of History, Arts, and Libraries, pursuant to Executive Order 2002-17. Executive: (\$1,402,000) Gross and (8.5) FTE positions Senate: (\$1,402,000) Gross and (8.5) FTE positions House: (\$1,402,000) Gross and (8.5) FTE positions	Gross	\$1,402,000	(\$1,402,000)
	IDG	137,500	(137,500)
	Restricted	102,900	(102,900)
	GF/GP	\$1,161,600	(\$1,161,600)

<u>Major Budget Changes from FY 2002-03 YTD Appropriations:</u>		<u>YTD FY 2002-03</u>	<u>Conference Change</u>
9. Transfer CEPI from the Department of Education	Gross	\$0	\$685,100
Conference: Reflects the transfer of funding for the Center for Educational Performance and Information from the Department of Education to DMB. The Center was created pursuant to Executive Order 2000-9 and was charged with improving the quality and availability of educational data for use by educators, administrators, taxpayers, and state and local policymakers. The Center collects data and other mandated information for the Departments of Education, Treasury, Career Development, and Consumer and Industry Services, and is housed in the Office of the State Budget.	Federal	0	13,500
Executive: \$685,100 Gross	GF/GP	\$0	\$671,600
Senate: \$685,100 Gross			
House: \$685,100 Gross			
10. Transfer of Mail and Delivery Services from FIA	FTEs	0.0	4.0
Conference: Reflects the transfer of mail distribution services from the Family Independence Agency to DMB. Previously, FIA staff performed these services for Wayne County FIA offices. In order to accommodate early retirements of FIA staff, DMB has agreed to take over the responsibility since DMB currently provides these same services to the vast majority of state departments and agencies.	Gross	\$0	\$311,800
Executive: \$311,800 GF/GP and 4.0 FTE positions	GF/GP	\$0	\$311,800
Senate: \$311,800 GF/GP and 4.0 FTE positions			
House: \$311,800 GF/GP and 4.0 FTE positions			
11. Support Cost Reductions	Gross	N/A	(\$362,300)
Conference: Reduces funding for operational support for the Department's internal human resources, accounting, purchasing, budgeting, collective bargaining, and ID mail services. Savings are to be achieved through reductions in departmentwide training, contractual services, temporary staff, and other support costs.	GF/GP	N/A	(\$362,300)
Executive: (\$362,300) GF/GP			
Senate: (\$362,300) GF/GP			
House: (\$362,300) GF/GP			

<u>Major Budget Changes from FY 2002-03 YTD Appropriations:</u>		YTD FY 2002-03	Conference Change
12. Severance Pay Funds			
Conference: Reduces severance pay funds for AFSCME by \$500,000 and for UAW by \$100,000 in accordance with collective bargaining agreements. The amounts appropriated for severance pay funds are required to be available as of the first date covered by the collective bargaining agreement and for three years following that. The appropriations in FY 2003 for these two bargaining units satisfied the requirements for the next three years, thus the appropriations are no longer necessary. Executive: (\$600,000) IDG Senate: (\$600,000) IDG House: (\$600,000) IDG	Gross	\$600,000	(\$600,000)
	IDG	600,000	(600,000)
	GF/GP	\$0	\$0
13. Reduced Funding for Information Technology			
Conference: Reduces funding for information and technology-related services and projects. These savings will be realized through decreased use of contractors for maintenance of the Michigan Administrative Information Network, renegotiation of contract costs, data center rate reductions, and other support cost reductions. Executive: (\$646,200) GF/GP Senate: (\$646,200) GF/GP House: (\$646,200) GF/GP	Gross	\$24,886,111	(\$646,200)
	IDG	915,500	0
	Federal	58,600	0
	Restricted	7,499,800	0
	GF/GP	\$16,412,211	(\$646,200)
14. Early Retirement Savings			
Conference: Eliminates funding associated with one month's salary and annual leave payouts for employees who retired in November 2002. Executive: (\$277,400) GF/GP Senate: (\$277,400) GF/GP House: (\$277,400) GF/GP	Gross	\$0	(\$277,400)
	GF/GP	\$0	(\$277,400)
15. Economic Adjustments			
Conference: Reflects a savings of \$273,500 GF/GP due to economic adjustments made for building occupancy charges and rent. The same economic factors are applied to all budgets. Executive: (\$273,500) GF/GP Senate: (\$273,500) GF/GP House: (\$273,500) GF/GP	Gross	\$0	(\$82,500)
	IDG	0	164,600
	Restricted	0	26,400
	GF/GP	\$0	(\$273,500)
16. Unfunded Vacancies			
Conference: Eliminates authorization for 97.0 classified FTE positions which are vacant and unfunded. Executive: 0.0 Senate: (97.0) FTE positions House: (97.0) FTE positions	FTEs	848.5	(97.0)
	Gross	\$0	\$0
	GF/GP	\$0	\$0

Major Boilerplate Changes from FY 2002-03:

DEPARTMENT OF MANAGEMENT AND BUDGET

Sec. 700. Contingency Funds – DELETED

Authorizes the Department to receive amounts not to exceed \$2.0 million in federal, \$3.0 million in state restricted, and \$50,000 in private contingency funding and requires that the funding be transferred to another line item via the legislative transfer process in order to be available for expenditure. **Executive** retains current law. **Senate, House, and Conference Committee** strike current law.

Sec. 704. Supply of Census Information and Technical Services – TRANSFERRED TO DHAL

Authorizes the Department to supply census information and technical services to other state departments and agencies, local units of government and other organizations, and authorizes the Department to receive and expend funding for providing such services. **Executive, Senate, House, and Conference Committee** transfer the language to the Department of History, Arts, and Libraries bill due to the transfer of the demographics program from DMB to DHAL, pursuant to Executive Order 2002-17.

Sec. 707. Per Diems for Retirement Boards – DELETED

Authorizes per diem amounts for the Judges, Public School Employees, State Police, and State Employees retirement boards. **Executive, Senate, House, and Conference Committee** strike current law.

Sec. 711. Flexible Spending Accounts – TRANSFERRED TO CIVIL SERVICE

Describes fund sourcing for the flexible spending accounts program and specifies how unspent employee contributions are to be used. This language is transferred to the Department of Civil Service boilerplate section of the bill due to the transfer of the Employee Benefits Program from DMB, pursuant to Executive Order 2002-13. **Executive, Senate, House, and Conference Committee** transfer the language.

Sec. 712. Health Insurance Reserve Fund – DELETED

Specifies the amount of funding to be appropriated into the Health Insurance Reserve Fund pursuant to Section 52 of the State Employees' Retirement Act, 1943 PA 240. **Executive, Senate, House, and Conference Committee** strike current law.

Sec. 713. Report on Revisions to Computer Contracts – RETAINED

Requires the Department to report on any revisions to current computer contracts exceeding \$500,000 at least 14 days prior to finalization of the revisions. **Executive** strikes current law. **Senate, House, and Conference Committee** retain current law.

Sec. 714. Administrative Efficiencies – DELETED

Executive includes new language which appropriates an amount not to exceed one-half of the unexpended, unreserved general fund portions of FY 2003 appropriations for salaries and wages, contractual services, supplies, and materials, information technology, and program operation expenses in an effort to encourage administrative efficiencies; subjects the appropriation to approval by the State Budget Director; and requires the appropriation to be spent for the same purposes for which the original appropriation was made in FY 2003. **Senate, House, and Conference Committee** do not include the new language.

Sec. 718. Reference to Townships on Forms – DELETED

Prohibits the Department from printing, or authorizing the printing of, forms that reference a city or village unless the form also references a township in the same size print and in the same font. **Executive, Senate, House, and Conference Committee** strike current law.

Major Boilerplate Changes from FY 2002-03:

Sec. 718. Office of Regulatory Reform – TRANSFERRED FROM EXECUTIVE OFFICE

Authorizes the collection of funding to cover costs associated with publication and distribution of the Michigan Register and the Michigan Administrative Code; appropriates the funding; and specifies that the funding will not lapse to the general fund at the end of the fiscal year. **Executive, Senate, House, and Conference Committee** transfer the language from the Executive Office boilerplate section of the bill due to the transfer of the Office of Regulatory Reform from the Executive Office to DMB, pursuant to Executive Order 2002-11.

Sec. 719. Gubernatorial Transition Process – DELETED

Transfers up to \$1.2 million from the general fund for costs associated with the gubernatorial transition process. **Executive, Senate, House, and Conference Committee** strike current law.

Sec. 719. Motor Vehicle Fleet – NEW

House and Conference Committee include new language which requires the appropriation for motor vehicle fleet to be used for administration and for the acquisition, lease, operation, maintenance, repair, replacement, and disposal of state motor vehicles; specifies that the appropriation is to be funded by revenue from rates charged to state departments and agencies for utilizing vehicle travel services provided by DMB; expresses intent of the Legislature that DMB have the authority to determine the appropriateness of vehicle assignment, to include, year, make, model, size, and price of vehicle; gives DMB the authority to assign motor vehicles, either permanently or temporarily, to state agencies and to institutions of higher education; expresses intent of the Legislature that DMB complete a project plan which results in the reduction of expenditures related to vehicle travel services, to include a reduction in the number of state vehicles; and requires a quarterly report on the status of the project plan.

GENERAL SECTIONS OF BOILERPLATE

Sec. 205. Hiring Freeze – MODIFIED

Imposes a hiring freeze on the state classified civil service, permits exceptions, and requires a report on the number of exceptions granted, to include justification for the exceptions. **Executive** retains current law. **Senate, House, and Conference Committee** modify current law to authorize the Attorney General and Secretary of State to grant exceptions to the hiring freeze for their respective departments instead of the State Budget Director granting the exceptions.

Sec. 207. Privatization – RETAINED

Requires departments to submit a complete project plan 60 days prior to beginning any effort to privatize and requires an evaluation of the privatization initiative within 30 months. **Executive** strikes current law. **Senate, House, and Conference Committee** retain current law.

Sec. 209. Buy American – RETAINED

Prohibits the purchase of foreign goods or services if competitively priced and of comparable quality American goods or services are available. **Executive** strikes current law. **Senate, House, and Conference Committee** retain current law.

Sec. 210. Designate Information Technology Appropriations as Work Projects – DELETED

Executive includes new language which designates appropriations for information technology as work project accounts and authorizes them to be carried forward to support technology projects under the direction of the Department of Information Technology. **Senate, House, and Conference Committee** do not include the new language.

Major Boilerplate Changes from FY 2002-03:

Sec. 210. Businesses in Deprived and Depressed Communities – RETAINED

Requires the directors of departments to take all reasonable steps to ensure businesses in deprived and depressed communities compete for and perform contracts. **Executive** strikes current law. **Senate, House,** and **Conference Committee** retain current law.

Sec. 212. Receipt and Retention of Reports – RETAINED

Authorizes departments to receive, and requires them to retain, copies of all reports required in the bill and requires departments to follow federal and state guidelines for short-term and long-term retention of records. **Executive** strikes current law. **Senate, House,** and **Conference Committee** retain current law.

Sec. 215. Disciplinary Action Against Executive Branch Employees – RETAINED

Prohibits state departments and agencies from taking disciplinary action against employees for communicating with members of the Legislature or their staff. **Executive** strikes current law. **Senate, House,** and **Conference Committee** retain current law.

Sec. 216. Negative Appropriation for Early Retirement and Budgetary Savings – DELETED

Requires negative appropriations for early retirement savings to be satisfied by savings realized from not filling all of the positions lost due to the early retirement of state employees; requires negative appropriations for budgetary savings to be satisfied by savings from the hiring freeze, efficiencies, and other savings identified by department directors and approved by the State Budget Director; and requires approval of transfers by the Legislature in order to apply the early retirement and budgetary savings to appropriated line items. **Executive, Senate, House,** and **Conference Committee** strike current law.

Sec. 216. Presidential Primary – NEW

Senate, House, and **Conference Committee** include new language which prohibits appropriations from being used to fund costs associated with a 2004 presidential primary.

**Summary: First Conference Report
STATE FY 2003-04
Senate Bill 270**



**Analyst: Robin Risko
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Department Overview

The Department of State administers programs in four major areas: motor vehicle transactions, which includes titling and registration of automobiles, watercraft, and recreational vehicles; traffic safety, which includes testing drivers for ability and the suspension of license privileges when laws are broken or incompetence is judged; consumer protection, which includes inspection and licensing of automotive repair facilities; and regulation and administration of the state's electoral process, which entails training local election officials and monitoring campaign finance.

Summary of Major Budget Issues

Business Application Modernization Project – Includes an additional \$4.6 million to begin replacement of the mainframe computer system.

Commercial Look-Up Fee Revenues – Includes an additional \$2.1 million in state restricted commercial look-up fee revenue and reduces GF/GP by a like amount due to an anticipated fee increase from \$6.55 to \$7.00.

Elimination of Vertical Driver License Funding – Eliminates the one-time appropriation of \$1.0 million associated with development and implementation of a vertical driver license and personal identification card for persons under the age of 21.

Motorcycle Safety Education Grants and Administration – Includes an additional \$1.2 million for the Motorcycle Safety Education program; funding is to be used for grant awards and administration.

FY 2003-04 Recommendations

	FY 2002-03 YTD (as of 03/06/03)	Executive	Senate Passed	House Passed	Conference	Conference Change to 2002-03 YTD	
						Amount	%
IDG/IDT	\$96,493,000	\$94,752,300	\$73,925,300	\$89,925,300	\$20,000,000	(\$76,493,000)	(79.3)
Federal	1,319,500	1,319,500	1,319,500	46,619,500	1,319,500	0	0.0
Local	0	0	0	0	0	0	0.0
Private	100	100	100	100	100	0	0.0
Restricted	65,274,200	66,447,400	73,418,200	73,418,200	143,070,200	77,796,000	119.2
GF/GP	15,876,161	12,981,700	\$28,812,500	12,980,900	16,731,700	855,539	5.4
Gross	\$178,962,961	\$175,501,000	\$177,475,600	\$222,944,000	\$181,121,500	\$2,158,539	1.2
FTEs	1,853.8	1,853.8	1,854.3	1,854.3	1,855.8	2.0	0.1

<u>Major Budget Changes from FY 2002-03 YTD Appropriations:</u>		<u>YTD FY 2002-03</u>	<u>Conference Change</u>
1. Help America Vote Act		Gross	\$0
Conference: Transfers additional federal revenue, included by the House, made available as a result of the Help America Vote Act of 2002, to the FY 2003 supplemental appropriation bills. Funding will be used for election reform initiatives.	Federal	0	0
	GF/GP	\$0	\$0
Executive: \$0			
Senate: \$0			
House: \$45,300,000 federal			
2. Additional Commercial Look-Up Fee Revenue		Gross	N/A
Conference: Includes an additional \$2.1 million in state restricted commercial look-up fee revenue and reduces GF/GP by a like amount due to an anticipated fee increase from \$6.55 to \$7.00. This user fee is paid by insurance companies for information about a driver's record which assists the companies in determining insurance premiums. The fee has not been increased since 1990 and is projected to generate \$2.1 million in additional commercial look-up fee revenue.	Restricted	N/A	2,100,000
	GF/GP	N/A	(\$2,100,000)
Executive: \$2,100,000 state restricted; (\$2,100,000) GF/GP			
Senate: \$2,100,000 state restricted; (\$2,100,000) GF/GP			
House: \$2,100,000 state restricted; (\$2,100,000) GF/GP			
3. Motorcycle Safety Education		FTEs	0.0
Conference: Includes additional funding and FTE positions for the Motorcycle Safety Education Grants and Administration Program. The program was previously funded in the Department of Education budget, but was recommended for elimination by the Executive. Funds to support the program are derived from original and renewal motorcycle license endorsements, annual motorcycle registration fees, and motorcycle operator driving test fees.	Gross	\$0	\$1,200,000
	Restricted	0	1,200,000
	GF/GP	\$0	\$0
Executive: \$0			
Senate: \$1,343,800 state restricted and 0.5 FTE position			
House: \$1,343,800 state restricted and 0.5 FTE position			
4. Funding for Legacy Mainframe		Gross	\$0
Conference: Includes \$4.6 million in additional funding for the Department to begin replacement of the mainframe computer system. Of the \$4.6 million, \$800,000 is funded with state restricted funding anticipated to result from a \$3.00 increase in the fee for personal identification cards from \$7.00 to \$10.00, and the remaining \$3.8 million is funded with GF/GP.	Restricted	0	800,000
	GF/GP	\$0	\$3,750,000
Executive: \$0			
Senate: \$800,000 state restricted			
House: \$800,000 state restricted			

<u>Major Budget Changes from FY 2002-03 YTD Appropriations:</u>		<u>YTD FY 2002-03</u>	<u>Conference Change</u>
5. Michigan Transportation Fund Source Shift		Gross	\$0
Conference: Retains \$20.0 million in IDG funding from the MTF and shifts the balance to the newly created Transportation Administration Collection Fund established by SB 554.		IDG	0
		Restricted	0
		GF/GP	\$0
Executive: \$0			
Senate: (\$20,827,000) IDG; \$4,827,000 state restricted			
House: (\$4,827,000) IDG; \$4,827,000 state restricted			
6. Specialty License Plate Funding Adjustment		Gross	\$3,915,000
Conference: Reduces IDG funding to reflect the amount of funding that is made available in the Department of Transportation budget. This reduction is based on the level of anticipated sales. The public's interest level in specialty plates has not been sustained.		IDG	3,915,000
		GF/GP	\$0
Executive: (\$1,993,000) IDG			
Senate: (\$1,993,000) IDG			
House: (\$1,993,000) IDG			
7. Vertical Drivers' License and Personal ID Card		Gross	\$1,000,000
Conference: Eliminates the one-time appropriation of \$1.0 million in state restricted State Services Fee Fund revenue used for the development of vertical drivers' licenses and personal identification cards for persons under the age of 21.		Restricted	1,000,000
		GF/GP	\$0
Executive: (\$1,000,000) state restricted			
Senate: (\$1,000,000) state restricted			
House: (\$1,000,000) state restricted			
8. Administrative Savings Reduction		Gross	N/A
Conference: Reflects a savings to be achieved through implementation of administrative efficiencies. Current FTE positions which are vacant will not be filled and costs for contractual services, supplies, and materials will be reduced.		GF/GP	N/A
Executive: (\$500,000) GF/GP			
Senate: (\$500,000) GF/GP			
House: (\$500,000) GF/GP			
9. Reduced Funding for Information Technology		Gross	\$20,637,861
Conference: Reduces funding for information and technology-related services and projects. These savings will be realized through reductions in FTE positions, costs for contractual services, supplies, and materials, rate reductions, and other support cost reductions.		IDG	14,473,200
		Restricted	4,581,900
		GF/GP	\$1,582,761
Executive: (\$112,600) GF/GP			
Senate: (\$112,600) GF/GP			
House: (\$112,600) GF/GP			

<u>Major Budget Changes from FY 2002-03 YTD Appropriations:</u>		<u>YTD FY 2002-03</u>	<u>Conference Change</u>
10. Early Retirement Savings	Gross	\$0	(\$193,900)
Conference: Eliminates funding associated with one month's salary and annual leave payouts for employees who retired in November 2002.		GF/GP	(\$193,900)
Executive: (\$193,900) GF/GP			
Senate: (\$193,900) GF/GP			
House: (\$193,900) GF/GP			
11. Economic Adjustments	Gross	\$0	\$258,900
Conference: Includes additional funding to cover costs of economic adjustments made for building occupancy charges, rent, and workers' compensation. The same economic factors are applied to all budgets.		IDG	111,100
		Restricted	73,200
		GF/GP	\$74,600
Executive: \$258,900 Gross			
Senate: \$258,900 Gross			
House: \$258,900 Gross			

Major Boilerplate Changes from FY 2002-03:

Sec. 800. Contingency Funds – DELETED

Authorizes the Department to receive amounts not to exceed \$1.0 million in federal, \$7.5 million in state restricted, \$50,000 in local, and \$100,000 in private contingency funding and requires that the funding be transferred to another line item via the legislative transfer process in order to be available for expenditure. **Executive** retains current law. **Senate, House, and Conference Committee** strike current law.

Sec. 802. Commercial Look-Up Fees – MODIFIED

Authorizes the Department to sell copies of records for various conveyances and to use the revenue to finance necessary expenses. The balance of the fee revenue at the end of the fiscal year is required to revert to the general fund. **Executive, Senate, House, and Conference Committee** increase the charge per record from \$6.55 to \$7.00.

Sec. 813. Organ Donor Program – RETAINED

Requires funding for the organ donor program to be used for the production of an organ donation informational pamphlet to be distributed with driver licenses and personal identification cards. The pamphlet is required to include a return reply postage paid form addressed to the Gift of Life Donor Program organization. **Executive** strikes current law. **Senate, House, and Conference Committee** retain current law.

Sec. 814. Qualified Voter File Reimbursements – DELETED

Requires the Department to reimburse municipalities with voting populations over 5,000 in any calendar year for qualified voter file systems and subjects reimbursement to the appropriation of funds. **Executive, Senate, House, and Conference Committee** strike current law.

Major Boilerplate Changes from FY 2002-03:

Sec. 814. Branch Closings/Consolidation – RETAINED

Requires the Department to consult with the House and Senate Subcommittees on General Government regarding projected closings or consolidations of branch offices. **Executive** strikes current law. **Senate, House, and Conference Committee** retain current law.

Sec. 815. Administrative Efficiencies – DELETED

Executive includes new language which appropriates an amount not to exceed one-half of the unexpended, unreserved general fund portions of FY 2003 appropriations for salaries and wages, contractual services, supplies, and materials, information technology, and program operation expenses in an effort to encourage administrative efficiencies; subjects the appropriation to approval by the State Budget Director; and requires the appropriation to be spent for the same purposes for which the original appropriation was made in FY 2003. **Senate, House, and Conference Committee** do not include the new boilerplate.

Sec. 815. Credit or Debit Card Service Assessments – NEW

Executive, Senate, House, and Conference Committee include new language which appropriates service assessments collected by the Department from the users of credit or debit cards to be used for expenses related to providing services, limits charges by the Department to not more than the costs billable to the Department, and provides for carry forward of any balance of service assessments received.

Sec. 816. Unlicensed Dealer Fines – NEW

Executive, Senate, House, and Conference Committee include new language which authorizes funding collected by the Department from unlicensed dealer fines to be used to offset administrative expenses and requires the funding to be transferred via the legislative transfer process in order to be available for expenditure.

Sec. 817. Secretary of State Salary – DELETED

Requires the Secretary of State's annual salary to be \$135,500 unless an amendment to the State Constitution gives the State Officers Compensation Commission the authority to determine the salary. **Executive, Senate, House, and Conference Committee** strike current law.

Sec. 817. Motorcycle Safety Education Program – NEW

Senate includes new language which requires appropriations for the Motorcycle Safety Education Program to be used for operation of a program which is substantially similar to the one previously operated by the Department of Education. **House and Conference Committee** modify the Senate language to require funding appropriated for the Motorcycle Safety Education Grants and Administration program to be used for operation of the program, to authorize funding for grants to help subsidize safety training courses for individuals interested in operating motorcycles, and to authorize funding to be used for costs associated with administration of the program.

Sec. 818. Vertical Drivers' License and Personal Identification Card – DELETED

Requires that \$1.0 million of the appropriation in part 1 for Branch Operations, financed from the State Services Fee Fund, be used for the development and implementation of a vertical driver license and personal identification card for persons under the age of 21. **Executive, Senate, House, and Conference Committee** strike current law.

Sec. 818. Help America Vote Act Funding – NEW

House includes new language which establishes the Help America Vote Act appropriation as a work project account. **Conference Committee** includes the language in the FY 2003 supplemental bill.

**Summary: First Conference Report
TREASURY FY 2003-04
Senate Bill 270**



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Department Overview

The Department of Treasury is the chief fiscal agency of the state and is the primary source of advice to the Governor on tax and fiscal policy issues. The Department's mission is to collect state taxes, to invest, control, and disburse state monies, and to protect the state's credit rating and that of its cities. In addition, the Department manages one of the nation's largest pension funds, administers revenue sharing, and administers the student financial aid programs. Also, the Department investigates fraudulent financial activity, provides recommendations and assistance on all property tax-related issues, trains and gives advice concerning accounting, auditing, budgeting, and financial management to local units of government, advises issuers of municipal obligations, and lends funds to local units of government in fiscal distress through the Emergency Loan Board.

Summary of Major Budget Issues

Revenue Sharing – Includes an additional \$3.6 million, for a total of \$683.1 million, in Constitutional State General Revenue Sharing grant funding, and reduces Statutory State General Revenue Sharing grant funding by \$66.3 million, for a total of \$724.8 million.

Debt Service – Includes an additional \$35.7 million GF/GP for the Quality of Life Bond and an additional \$17.1 million GF/GP for the Clean Michigan Initiative Bond.

New Lottery Games – Includes authorization for an additional 19.0 FTE positions and \$1.5 million for costs associated with the two new lottery games; \$1.3 million is for contractual services, supplies, and materials for administration of the two new games, and \$133,800 is for information technology projects.

Lottery Advertising and Promotion – Includes an additional \$250,000 for Lottery Advertising and Promotion.

FY 2003-04 Recommendations

	FY 2002-03 YTD (as of 03/06/03)	Executive	Senate Passed	House Passed	Conference	Conference Change to 2002-03 YTD	
						Amount	%
IDG/IDT	\$19,445,300	\$14,278,600	\$12,417,600	\$12,417,600	\$12,417,600	(\$7,027,700)	(36.1)
Federal	44,296,100	44,196,100	44,196,100	44,196,100	44,196,100	(100,000)	(0.2)
Local	910,800	910,800	910,800	910,800	910,800	0	0.0
Private	0	0	0	0	0	0	0.0
Restricted	1,762,733,900	1,670,369,700	1,668,369,700	1,668,419,600	1,665,139,700	(97,594,200)	(5.5)
GF/GP	75,309,997	122,065,100	122,022,800	123,172,700	130,705,100	55,395,103	73.6
Gross	\$1,902,696,097	\$1,851,820,300	\$1,847,917,00	\$1,849,116,800	\$1,853,369,300	(\$49,326,797)	(2.6)
FTEs	1,861.5	1,876.5	1,535.0	1,535.0	1,535.0	(326.5)	(17.5)

<u>Major Budget Changes from FY 2002-03 YTD Appropriations:</u>		<u>YTD FY 2002-03</u>	<u>Conference Change</u>
TREASURY OPERATIONS			
1. Funding Reductions	Gross	N/A	\$0
Conference: Restores GF/GP funding reductions taken for the following line items: Travel; Human Resources, Program Management, and Purchasing; Supervision of the General Property Tax Law; Local Finance; Common Cash Investments and Debt Management; and Student Financial Assistance Programs.	GF/GP	N/A	\$0
Executive: (\$100,000) GF/GP reduction for travel			
Senate: (\$1,530,000) GF/GP			
House: (\$330,000) GF/GP			
2. Administrative Savings Reductions	Gross	N/A	(\$3,477,300)
Conference: Reduces funding to be achieved through implementation of administrative efficiencies. Efficiencies include: suspension of seasonal overtime services (\$1.9 million); suspension of the customer contact center toll free line (\$200,000); reductions in individual income tax form notification services (\$600,000); reduced revenue training (\$500,000); reduced information technology-related travel (\$177,300); and using the Internet for local unit mailings (\$100,000).	GF/GP	N/A	(\$3,477,300)
Executive: (\$3,477,300) GF/GP			
Senate: (\$3,477,300) GF/GP			
House: (\$3,477,300) GF/GP			
3. Funding for Warrant Processing Activities	Gross	\$3,000,000	(\$3,000,000)
Conference: Eliminates funding for warrant processing activities due to the transfer of the responsibilities to the Department of Management and Budget.	IDG	3,000,000	(3,000,000)
Executive: (\$3,000,000) IDG	GF/GP	\$0	\$0
Senate: (\$3,000,000) IDG			
House: (\$3,000,000) IDG			
4. Michigan Transportation Fund Source Shift	Gross	N/A	\$0
Conference: Restores \$1.9 million in IDG funding from the MTF that was reduced by the Senate and House.	IDG	N/A	0
Executive: \$0	GF/GP	N/A	\$0
Senate: (\$1,861,000) IDG			
House: (\$1,861,000) IDG			
5. Motor Fuel Tax Project	Gross	\$1,664,000	(\$1,664,000)
Conference: Eliminates \$1.7 million in one-time IDG funding associated with the motor fuel tax electronic reporting system.	IDG	1,664,000	(1,664,000)
Executive: (\$1,664,000) IDG	GF/GP	\$0	\$0
Senate: (\$1,664,000) IDG			
House: (\$1,664,000) IDG			

<u>Major Budget Changes from FY 2002-03 YTD Appropriations:</u>		<u>YTD FY 2002-03</u>	<u>Conference Change</u>
6. MUSTFA	FTEs	4.0	(4.0)
Conference: Eliminates 4.0 FTE positions and state restricted Michigan Underground Storage Tank Financial Assurance funding due to the scheduled 2003 sunset of the statutory fee which supports this revenue source. The 7/8 cent fee on motor fuels will no longer be collected as bonding requirements will be met in FY 2003.	Gross	\$224,400	(\$224,400)
	Restricted	224,400	(224,400)
	GF/GP	\$0	\$0
Executive: (\$224,400) state restricted and (4.0) FTE positions			
Senate: (\$224,400) state restricted and (4.0) FTE positions			
House: (\$224,400) state restricted and (4.0) FTE positions			
7. Federal/State Motor Fuel Compliance Project	Gross	\$100,000	(\$100,000)
Conference: Reflects the elimination of federal funding made available for the Joint Federal/State Motor Fuel Compliance Project. Funding was used to train staff on motor fuel compliance laws.	Federal	100,000	(100,000)
	GF/GP	\$0	\$0
Executive: (\$100,000) federal			
Senate: (\$100,000) federal			
House: (\$100,000) federal			
8. Early Retirement Savings	Gross	\$0	(\$693,200)
Conference: Eliminates funding associated with one month's salary and annual leave payouts for employees who retired in November 2002.	GF/GP	\$0	(\$693,200)
Executive: (\$693,200) GF/GP			
Senate: (\$693,200) GF/GP			
House: (\$693,200) GF/GP			
9. Economic Adjustments	Gross	\$0	(\$299,800)
Conference: Reflects a savings of \$298,600 GF/GP due to economic adjustments made for building occupancy charges, rent, and workers' compensation. The same economic factors are applied to all budgets.	IDG	0	(1,200)
	Restricted	0	(99,900)
	GF/GP	\$0	(\$298,600)
Executive: (\$298,600) GF/GP			
Senate: (\$298,600) GF/GP			
House: (\$298,600) GF/GP			
10. Unfunded Vacancies	FTEs	1,852.5	(319.0)
Conference: Eliminates authorization for 319.0 classified FTE positions which are vacant and unfunded.	Gross	\$0	\$0
	GF/GP	\$0	\$0
Executive: 0.0			
Senate: (319.0) FTE positions			
House: (319.0) FTE positions			

<u>Major Budget Changes from FY 2002-03 YTD Appropriations:</u>	<u>YTD FY 2002-03</u>	<u>Conference Change</u>
REVENUE SHARING		
11. Revenue Sharing	Gross \$1,470,500,000	(\$62,650,000)
Conference: Includes an additional \$3.6 million, for a total of \$683.1 million, in Constitutional State General Revenue Sharing grant funding, and reduces Statutory State General Revenue Sharing grant funding by \$66.3 million, for a total of \$724.8 million. The net is a reduction of \$62.7 million, or 3.0%, from current-year appropriated levels.	Restricted 1,470,500,000	(62,650,000)
Executive: (\$58,420,000) state restricted	GF/GP \$0	\$0
Senate: (\$58,420,000) state restricted		
House: (\$58,420,000) state restricted		
DEBT SERVICE		
12. Debt Service	Gross \$59,586,400	\$13,700,000
Conference: Includes an additional \$35.7 million GF/GP for the Quality of Life bond, an additional \$17.1 million GF/GP for the Clean Michigan Initiative bond, and maintains current-year funding for the Water Pollution Control bond.	Restricted 40,000,000	(39,122,000)
Executive: \$13,700,000 Gross	GF/GP \$19,586,400	\$52,822,000
Senate: \$13,700,000 Gross		
House: \$13,700,000 Gross		
GRANTS		
13. Grants	Gross \$117,795,400	\$9,397,300
Conference: Includes an additional \$2.5 million in state restricted funding for Commercial Mobile Radio Service Payments for local 911 telephone emergency programs in local communities; reflects the transfer from DHAL of \$1.6 million in GF/GP funding for Renaissance Zone Reimbursement payments to be made to libraries for lost property tax revenue associated with renaissance zones; reduces funding by \$1.0 million for the Qualified Agricultural Loan payment program based on estimates of what interest payments will be for FY 2004; reduces funding for the Senior Citizen Cooperative Housing Tax Exemption Program by \$700,000 due to the change in payment dates for the state education property tax; reduces funding for reimbursement payments made to the City of Benton Harbor for lost property tax revenue associated with an enterprise zone; and maintains current-year funding levels for Grants to Counties in Lieu of Taxes, Convention Facility Development Distribution, and Health and Safety Fund Grants; and includes \$7.0 million in GF/GP funding for reimbursement payments to local units of government for audits of personal property, pursuant to Section 22a of the General Property Tax Act.	Restricted 95,500,000	2,500,000
Executive: \$957,300 Gross; (\$1,542,700) GF/GP	GF/GP \$22,295,400	\$6,897,300
Senate: \$2,397,300 Gross; (\$102,700) GF/GP		
House: \$2,397,300 Gross; (\$102,700) GF/GP		

<u>Major Budget Changes from FY 2002-03 YTD Appropriations:</u>		<u>YTD FY 2002-03</u>	<u>Conference Change</u>
BUREAU OF STATE LOTTERY			
14. New Lottery Games	FTEs	164.0	19.0
Conference: Increases FTE position authorization and funding for contractual services, supplies, materials, and information technology-related projects associated with the two new lottery games. It is anticipated that the two new games, Lottery Keno and break-open lottery tickets, will generate \$50.0 million in new revenues for deposit into the School Aid Fund.	Gross	\$33,697,600	\$1,474,100
	Restricted	33,697,600	1,474,100
	GF/GP	\$0	\$0
Executive: \$1,474,100 state restricted and 19.0 FTE positions			
Senate: \$1,474,100 state restricted and 19.0 FTE positions			
House: \$1,474,100 state restricted and 19.0 FTE positions			
15. Promotion and Advertising	Gross	\$18,372,000	\$250,000
Conference: Includes additional funding for Lottery Promotion and Advertising.	Restricted	18,372,000	250,000
	GF/GP	\$0	\$0
Executive: \$1,250,000 state restricted			
Senate: (\$750,000) state restricted			
House: (\$700,000) state restricted			
16. Economic Adjustments	Gross	\$15,325,600	(\$153,400)
Conference: Reflects a savings due to economic adjustments made for building occupancy charges and workers' compensation. The same economic factors are applied to all budgets.	Restricted	15,325,600	(153,400)
	GF/GP	\$0	\$0
Executive: (\$153,400) state restricted			
Senate: (\$153,400) state restricted			
House: (\$153,400) state restricted			
17. Unfunded Vacancies	FTEs	164.0	(17.0)
Conference: Eliminates authorization for 17.0 classified FTE positions which are vacant and unfunded.	Gross	\$0	\$0
	GF/GP	\$0	\$0
Executive: 0.0			
Senate: (17.0) FTE positions			
House: (17.0) FTE positions			
CASINO GAMING			
18. Additional FTE Position Authorization	FTEs	96.0	6.0
Conference: Increases FTE position authorization by 6.0 for Casino Gaming Control Administration. Funding to cover costs associated with the new positions, \$450,000, is transferred from the Michigan Gaming Control Board line item.	Gross	\$16,630,200	\$0
	Restricted	16,630,200	0
	GF/GP	\$0	\$0
Executive: \$0			
Senate: 6.0 FTE positions			
House: 6.0 FTE positions			

Major Boilerplate Changes from FY 2002-03:

Sec. 900. Contingency Funds – DELETED

Authorizes the Department to receive amounts not to exceed \$1.0 million in federal, \$10.0 million in state restricted, \$200,000 in local, and \$50,000 in private contingency funding and requires that the funding be transferred to another line item via the legislative transfer process in order to be available for expenditure. **Executive** retains current law. **Senate, House, and Conference Committee** strike current law.

Sec. 902.(3) Defaulted Student Loan Collections – NEW

Executive includes new language which authorizes the Department to contract with private collection agencies and law firms to collect defaulted student loans and other accounts due the Michigan Guaranty Agency, and appropriates funding to cover collection costs and fees which may not be greater than 22% of the collections or a lesser amount as prescribed by contract. **Senate, House, and Conference Committee** include the new language and add to it requirements that the Department explore the feasibility of donated services in lieu of repayment when the Department is unable to collect defaulted student loans and file a report on the implementation status of this section.

Sec. 915. State Campaign Fund – RETAINED

Appropriates funding from the general fund to the State Campaign Fund in an amount equal to the amount designated for the prior tax year. **Executive** strikes current law. **Senate, House, and Conference Committee** retain current law.

Sec. 916. Technology Investment Plan – DELETED

Authorizes the Department to develop and maintain a technology investment plan. **Executive, Senate, House, and Conference Committee** strike current law.

Sec. 922. Renaissance Zone Reimbursement – TRANSFERRED FROM DHAL

Senate, House, and Conference Committee include language transferred to the Department of Treasury from the Department of History, Arts, and Libraries budget which requires reimbursement to public libraries for property taxes levied in the prior tax year.

Sec. 923. Michigan Transportation Funds – NEW

House and Conference Committee include new language which requires the Department to submit a report stating the amount of Michigan Transportation Fund revenue collected and the cost of collection.

Sec. 924. Audit and Collection Procedures – NEW

House and Conference Committee include new language which requires the Department to publish the handbook required, pursuant to 1941 PA 122, Section 205.4(3), which informs taxpayers and tax preparers of audit and collection procedures and authorizes the Department to publish the handbook on the Internet.

Sec. 925. Homestead Property Tax Exemption Audit Fund – NEW

House and Conference Committee include new language which appropriates Homestead Property Tax Audit Fund revenue for costs of audits consistent with Enrolled Senate Bill 520 and requires a report which states the amount of revenue appropriated for Homestead Property Tax Exemption audits.

Sec. 926. Personal Property Tax – NEW

House and Conference Committee include new language which requires funding be used to reimburse local units of government for a portion of the costs paid for personal property audits.

Sec. 935. Administrative Efficiencies – DELETED

Executive includes new language which appropriates an amount not to exceed one-half of the unexpended, unreserved general fund portions of FY 2003 appropriations for salaries and wages, contractual services, supplies, and materials, information technology, and program operation expenses in an effort to encourage administrative efficiencies; subjects the appropriation to approval by the State Budget Director; and requires the appropriation to be spent for the same purposes for which the original appropriation was made in FY 2003. **Senate, House, and Conference Committee** do not include the new language.

Major Boilerplate Changes from FY 2002-03:

Sec. 951.(3) MEAP Item Analysis – NEW

House and **Conference Committee** include new language which requires the results of each test administered as part of MEAP, including tests administered to high school students, to include an item analysis that lists all items that are counted for individual student scores and the percentage of students choosing each possible response.

Sec. 982. Prohibition of Sports Personalities in Advertising – RETAINED

Prohibits the Bureau of State Lottery from associating professional or amateur athletes with the lottery. **Executive** strikes current law. **Senate, House, and Conference Committee** retain current law.

Sec. 983. Plan to Increase Lottery Ticket Sales – NEW

House and **Conference Committee** include new language which requires the Bureau of State Lottery to complete a project plan which includes new strategies for the Bureau to use in its efforts to increase lottery ticket sales and improvements they are going to make to how they expend funding for advertising and promotion. The language requires the Bureau to report quarterly on the status of the project plan.