

**Summary: Conference Report
MILITARY AND VETERANS AFFAIRS
FY 2004-05 House Bill 5522 (H-1) CR-1**



**HFA Analyst: Hannah Lee
SFA Analyst: Bruce Baker**

	FY 2003-04 YTD (as of 2/12/04)	Executive	House	Senate	Conference	Difference: Conference from FY 2003-04 YTD	
						Amount	%
IDG/IDT	\$300,000	\$603,000	\$642,500	\$1,042,500	\$1,042,500	\$742,500	247.0
Federal	40,627,900	45,418,100	45,418,100	45,418,100	45,418,100	4,790,200	11.8
Local	0	0	0	0	0	0	0
Private	1,270,700	1,282,300	1,282,300	1,282,300	1,282,300	11,600	0.9
Restricted	24,570,100	25,599,800	25,599,800	25,599,800	25,599,800	1,029,700	4.2
GF/GP	36,328,800	37,377,900	38,563,000	37,563,100	37,370,700	1,041,900	2.9
Gross	\$103,097,500	\$110,281,100	\$111,505,700	\$110,905,800	\$110,713,400	\$7,615,900	7.4
FTEs	1,079.0	1,023.0	1,023.0	1,023.0	1,023.0	(56.0)	(5.2)

Overview

The Department of Military and Veterans Affairs is charged with the training and administration of Army and Air National Guard forces, providing combat-ready military forces during times of national emergency, and performing civil relief operations under the command of the governor during state emergencies. The Department's budget includes administrative and maintenance costs associated with these responsibilities, as well as several National Guard-related programs, such as the Challenge Program and the National Guard Education Assistance Program. The Department has oversight over the following veterans-related programs: state-licensed nursing care at veterans homes in Grand Rapids and Marquette, grant funding to veterans service organizations, and the Michigan Veterans Trust Fund.

Major Budget Changes from

FY 2003-04 YTD Appropriations:

1. Challenge Program

Exec. Rec., House and Senate: Increased \$125,000 GF/GP to help fund two 50-pupil Challenge classes — a voluntary boot camp-style program for high school dropouts funded by the federal National Guard Bureau on a 60/40 federal/state basis.

House: Added \$39,500 IDG above Exec. Rec. to reflect the actual IDG received in FY 2003-04.

Senate: Included additional \$439,500 IDG above Exec. Rec. from FIA to fund more than two 50-pupil classes

Conference Report: Concurred with Senate.

	FY 2003-04 YTD (as of 2/12/04)	Conference Change
Gross	\$3,296,900	\$564,500
IDG	200,000	439,500
Federal	1,651,200	0
Private	845,700	0
GF/GP	\$600,000	\$125,000

2. D.J. Jacobetti Veterans' Home – Medicare and Medicaid

Exec. Rec., House and Senate: Increased federal revenue at the D.J. Jacobetti Veterans' Home due to tightening criteria for providing free prescription drugs to a portion of the Veterans at the home. As a result, there has been an increase in billing to the Veterans' insurance companies resulting in increased Medicare and Medicaid revenues. Also reflects increase in Medicare revenue due to a change in Medicare policy allowing the Home to bill for blood-sugar testing supplies.

Conference Report: Concurred.

Gross	\$12,945,600	\$87,000
Federal	4,073,700	87,000
Restricted	4,391,500	0
GF/GP	\$4,480,400	\$0

Major Budget Changes from
FY 2003-04 YTD Appropriations:

		FY 2003-04 YTD (as of 2/12/04)	Conference Change
3. Veterans Trust Fund Tuition Grant	Gross	\$3,746,500	\$0
House: Increased \$1.0 million GF/GP to fund tuition grant program completely funded by the Michigan Veterans Trust Fund.	Restricted	3,746,500	0
Senate: Did not include \$1.0 million GF/GP.	GF/GP	\$0	\$0
Conference Report: Concurred with Senate.			
4. Headquarters and Armories	Gross	\$9,041,200	\$300,000
Exec. Rec., House and Senate: Included federal revenue available for security contracts, personnel costs, and maintenance costs.	Federal	1,891,300	300,000
	Restricted	350,000	0
Conference Report: Concurred.	GF/GP	\$6,799,900	\$0
5. Military Training Sites	Gross	\$14,860,200	\$2,000,000
Exec. Rec., House and Senate: Included federal revenue available for security contracts, personnel costs, and maintenance costs.	Federal	12,140,400	2,000,000
Conference Report: Concurred.	GF/GP	\$2,719,800	\$0
6. Special Maintenance – Federal	Gross	\$4,300,000	\$1,000,000
Exec. Rec., House and Senate: Included federal revenue available for construction, maintenance and upkeep at the training sites and logistical facilities used as training areas for the Michigan National Guard.	Federal	4,300,000	1,000,000
Conference Report: Concurred.			
7. Information Technology – Base Reduction and Budgetary Savings	Gross	\$1,170,300	(\$78,900)
Exec. Rec., House and Senate: Included reduction of operating costs and employee-related savings in information technology.	Federal	560,400	(12,000)
Conference Report: Concurred.	Restricted	160,500	(8,500)
	GF/GP	\$449,400	(\$58,400)
8. Economic Adjustments	Gross	N/A	\$5,687,100
Exec. Rec., House and Senate: Included economic adjustments for salary and wage costs (positive \$2,922,600), retirement costs (positive 1,757,000), insurance costs (positive \$1,051,500), workers compensation (negative \$44,000), and DIT Economics (positive \$90,600).	IDG	N/A	7,600
Conference Report: Concurred.	Federal	N/A	2,378,100
	Private	N/A	31,900
	Restricted	N/A	1,413,000
	GF/GP	N/A	\$1,856,500
9. Homeland Security	Gross	\$100,000	\$300,000
Exec. Rec., House and Senate: Included pass-through grant funding received from the Department of State Police for activities related to the Homeland Security program.	IDG	100,000	300,000
Conference Report: Concurred.			
10. Headquarters and Armories – GF Adjustment	Gross	\$9,041,200	(\$100,000)
Exec. Rec., House and Senate: Included adjustment for one-time cost to bring home troops for the 2003 holiday.	Federal	1,891,300	0
Conference Report: Concurred.	Restricted	350,000	0
	GF/GP	\$6,799,900	(\$100,000)
11. Military Retirement Payments	Gross	\$2,500,000	\$176,000
Exec. Rec., House and Senate: Included increase in the annual annuity paid to retired Michigan Army and Air national Guard personnel per the Michigan Military Act, PA 150 of 1967.	GF/GP	\$2,500,000	\$176,000
Conference Report: Concurred.			
12. Employee-related savings	Gross	\$103,097,500	(\$2,198,500)
Exec. Rec., House and Senate: Included 5% employee-related savings to help fund FY 2004-05 economic costs.	IDG	300,000	(4,600)
Conference Report: Concurred.	Federal	40,627,900	(858,100)
	Private	1,270,700	(20,300)
	Restricted	24,570,100	(537,700)
	GF/GP	\$36,328,800	(\$777,800)

**Major Budget Changes from
FY 2003-04 YTD Appropriations:**

		FY 2003-04 YTD (as of 2/12/04)	Conference Change
13. Human Resources Optimization			
Exec. Rec., House and Senate:	Gross	\$9,041,200	(\$19,600)
Included savings through increased efficiency in performing human resources.	Federal	1,891,300	0
Conference Report: Concurred.	Restricted	350,000	0
	GF/GP	\$6,799,900	(\$19,600)
14. FTE Adjustments			
Exec. Rec., House and Senate:	FTEs	1,079.0	(56.0)
Reduced full-time equated positions (FTEs) throughout budget to correctly align staffing and to optimize human resources.			
Conference Report: Concurred.			
15. Executive Budget Revision			
Exec. Rec.: Reduced GF/GP to reflect the change in methodology for allocating year-end salary and fringe benefit costs between fiscal years and to reflect the savings from the recent actuarial experience study for the State Employees Retirement System.	Gross	N/A	(\$185,100)
Conference Report: Concurred.	GF/GP	N/A	(\$185,100)
16. Target Agreement: DIT GF/GP Reduction			
Conference Report: Reduced \$7,200 GF/GP to reflect FY 2004-05 target setting reductions for DIT.	Gross	N/A	(\$7,200)
	GF/GP	N/A	(\$7,200)

Major Boilerplate Changes from FY 2003-04:

Sec. 205. Hiring Freeze

Imposes hiring freeze on the state classified civil service; exempts internal transfers and provides for other exceptions.

Exec. Rec.: deleted. **House:** retained. **Senate:** updated language on criteria for exceptions. **Conference Report:** concurred with House.

Sec. 214. Military Cemeteries

States legislative intent that, should necessary legislation be enacted and funds become available, funds be appropriated for state military cemeteries in Crawford and Dickinson Counties.

Exec. Rec.: deleted. **House:** concurred with Exec. Rec. **Senate:** retained. **Conference Report:** concurred with Senate.

Sec. 224. Contingency Funds

Appropriates federal, restricted, local, and private contingency funds that can be expended upon legislative transfer to a specific line item.

Exec. Rec.: added new section. **House:** concurred with Exec. Rec. **Senate:** deleted. **Conference Report:** concurred with Senate.

Sec. 225. Travel Language

Imposes restrictions on out-of-state travel.

Conference Report: added new language.

Sec. 705. Veterans Trust Fund

States the legislative intent to only expend interest earned by the Michigan Veterans Trust Fund.

Exec. Rec.: did not include this section. **House:** did not include this section. **Senate:** added new language. **Conference Report:** added new language, subsection (1), which states the legislative intent to enact legislation prior to the enactment of the fiscal year 2005-06 appropriations bill for the Michigan Veterans Trust Fund (MVTF), which would provide a dedicated funding source for the cost of the veterans survivors tuition program, which is a fund source other than from the MVTF. Subsection (2) states the legislative intent to only expend interest earned by the MVTF and to earmark funds each year to pay into the corpus, should the provisions of subsection (1) be enacted.