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Senate Bill 436 (Substitute S-1 as passed the Senate)
Sponsor: Senator Ron Jelinek
Committee: Appropriations

Date Completed: 5-17-07

CONTENT

Senate Bill 436 (S-1) provides for supplemental appropriations for FY 2006-07. The bill contains positive supplemental appropriations to address funding shortfalls in several State departments. These funding shortfalls are a result of caseload and expenditure adjustments and adjustments to reflect the actual levels of Federal and State restricted revenue. The positive supplemental appropriations in the bill total \$73.5 million of Gross appropriations and \$209.2 million of General Fund/General Purpose (GF/GP) appropriations, and include the appropriation of State funds for the implementation of a new business tax plan.

Senate Bill 436 (S-1) also contains a significant number of appropriation reductions to State departments, the Legislature, and the Judiciary. These appropriation reductions total \$268.6 million of Gross appropriations and \$169.6 million of GF/GP appropriations. The appropriation reductions address a significant portion of the projected FY 2006-07 GF/GP budget deficit. Following is a brief summary of the major appropriations contained in Senate Bill 436 (S-1). Attachment A provides a department-by-department summary of the appropriations contained in the bill.

Community Colleges: The bill includes a delay in the funding of the second half of the August 2007 payment to community colleges until FY 2007-08. The first half of the August 2007 payment was delayed in Executive Order 2007-3. This funding delay equals \$12.9 million. The bill also reduces the operations appropriations for community colleges by \$5.0 million, a 1.8% reduction for each college.

Community Health: The bill includes appropriation increases of \$105.4 million GF/GP to reflect unrealized savings included in the original budget and fund source adjustments. The major appropriation reductions include a \$5.9 million reduction in Healthy Michigan Fund programs and a 3.0% reduction to all Medicaid providers except hospitals.

Corrections: The bill includes appropriation increases of \$26.6 million GF/GP to cover funding shortfalls in the Department.

Executive Office: The bill includes a 4.0% funding reduction for the Executive Office.

Higher Education: The bill includes a delay in the funding of the second half of the August 2007 payment to universities until FY 2007-08. The first half of the August 2007 payment was delayed in Executive Order 2007-3. This funding delay equals \$69.4 million. The bill also reduces the operations appropriations for universities by \$25.9 million, a 1.8% reduction for each university.

History, Arts, and Libraries: The bill includes GF/GP funding reductions for arts and cultural grants (\$3.6 million) and State aid to libraries (\$3.5 million).

Human Services: The bill includes an appropriation increase of \$66.0 million to cover funding shortfalls in the Department.

Judiciary: The bill includes a 4.0% funding reduction for the judicial branch.

Legislature: The bill includes a 4.0% funding reduction for the legislative branch.

State Police: The bill includes a \$1.2 million GF/GP supplemental appropriation designed to eliminate the layoff of 29 at-post State troopers.

Treasury: The bill contains a \$10.0 million GF/GP appropriation for the implementation of the new business tax to replace the repealed single business tax. The bill also reduces State revenue sharing payments to local units of government by \$16.4 million.

Negotiations related to Senate Bill 436 included several recommendations to transfer State Restricted funds to the GF/GP budget. These transfers are outlined in Attachment A. The State Restricted fund transfers to the GF/GP budget total \$349.6 million. These transfers include \$16.4 million from State revenue sharing, \$35.0 million from the Convention Facilities Fund, \$14.7 million from the Comprehensive Transportation Fund, \$5.3 million from State Restricted revenue set aside for the Soo Locks, \$154.2 million from the 21st Century Jobs Fund, \$20.0 million from the Michigan Conservation Corps Endowment Fund, \$70.0 million from the Refined Petroleum Fund, and \$7.2 million from the State Campaign Fund. These transfers are not included in Senate Bill 436 (S-1) because separate statutory changes will be required to implement the transfers.

Fiscal Analyst: Gary S. Olson

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.

Senate Bill 436 (S-1): As Passed the Senate
FY 2006-07 Appropriations Summary
(thousands of dollars)

Department/Budget Area	Senate Passed	
	Gross	GF/GP
Agriculture	(\$286.2)	(\$286.2)
Attorney General	(308.9)	(308.9)
Civil Rights	(50.0)	(50.0)
Civil Service	(168.7)	(168.7)
Community Colleges	(17,895.3)	(17,895.3)
Community Health	(106,503.7)	74,405.0
Corrections	25,883.3	25,883.3
Education	(90.4)	(90.4)
Environmental Quality	(311.0)	(311.0)
Executive Office	(194.0)	(194.0)
Higher Education	(97,350.0)	(97,350.0)
History, Arts and Libraries	(7,100.0)	(7,100.0)
Human Services	67,755.2	66,041.0
Judiciary	(4,190.5)	(4,103.6)
Labor and Economic Growth	10,550.0	0.0
Legislature	(6,534.3)	(6,534.3)
Management and Budget	(488.3)	(550.0)
Military and Veterans Affairs	134.5	0.0
Natural Resources	(510.0)	(510.0)
State	(757.9)	(757.9)
State Police	1,200.0	1,200.0
Strategic Fund Agency	(297.6)	(297.6)
Transportation	(14,700.0)	0.0
Treasury	(42,836.5)	8,597.5
Total	(\$195,050.3)	\$39,618.9

Senate Bill 436 (S-1): As Passed the Senate
FY 2006-07 Appropriation Additions
(thousands of dollars)

Department/Program	Senate Passed	
	Gross	GF/GP
<u>Appropriation Additions:</u>		
Community Health		
Mental Health/Substance Abuse Caseload Increase	\$5,521.4	\$2,077.1
Pandemic Influenza Antiviral Drugs	15,670.0	15,670.0
IDG to DHS for Rape Prevention and Services	1,300.0	0.0
Unrealized Health IT Savings	4,650.0	2,028.3
Fund Shift for Health Plan Services	12,500.0	0.0
Long Term Care Lapse	(46,000.0)	(20,065.2)
Unrealized Pharmacy Rebate Savings	50,000.0	21,500.0
Unrealized HMO Drug Carve-In QAAP Savings	(2,756.3)	1,554.0
Unrealized CMH Drug Carve-In QAAP Savings	(4,742.6)	2,673.9
Unrealized Plan First! Family Planning Savings	243.4	6,653.0
Unrealized Hospital/HMO QAAP Savings	(79,024.4)	2,500.0
Unrealized Emergency Room Co-Pay Savings	150.0	65.4
Unrealized Guardianship Fee Savings	135.0	58.9
Unrealized Graduate Medical Education Savings	(1,500.0)	845.7
Unrealized MICHild Premium Savings	650.0	198.4
Fund Shift from Merit Award Trust Fund to GF/GP	0.0	69,600.0
Fund Shift from Medicaid to Hospital QAAP Revenue	<u>0.0</u>	<u>0.0</u>
Subtotal Community Health	(43,203.5)	105,359.5
Corrections		
Additional Prison and Camp Beds	23,600.0	23,600.0
Prison Clinics	<u>3,000.0</u>	<u>3,000.0</u>
Subtotal Corrections	26,600.0	26,600.0
Human Services		
Family Independence Program Caseload Increase	65,679.5	65,679.5
Foster Care Payments	1,226.2	0.0
Day Care Services Case Review	450.9	317.6
AFC, Children's Welfare and Daycare Licensure	123.4	0.0
Fund Shift from TANF to IDG from DCH	0.0	0.0
State Disability Assistance Fund Shift	213.5	0.0
SSI Advocates Fund Shift	0.0	0.0
Funding for State Budget Office Staff	<u>61.7</u>	<u>43.9</u>
Subtotal Human Services	67,755.2	66,041.0
Labor and Economic Growth		
Replace TANF with Federal WIA Funds	10,000.0	0.0
Fire Protection Grants Fund Shift: GF to Restricted	<u>1,000.0</u>	<u>0.0</u>
Subtotal Labor and Economic Growth	11,000.0	0.0
Management and Budget		
Fund Shift from GF to DHS IDG for Staff Work	<u>61.7</u>	<u>0.0</u>
Subtotal Management and Budget	61.7	0.0

Senate Bill 436 (S-1): As Passed the Senate
FY 2006-07 Appropriation Additions
(thousands of dollars)

Department/Program	Senate Passed	
	Gross	GF/GP
Military and Veterans Affairs		
Fund Shift from GF to Restricted for Jacobetti Home	<u>134.5</u>	<u>0.0</u>
Subtotal Military and Veterans Affairs	134.5	0.0
State Police		
Uniform Services	<u>1,200.0</u>	<u>1,200.0</u>
Subtotal State Police	1,200.0	1,200.0
Treasury		
Tax Restructuring Initiative	<u>10,000.0</u>	<u>10,000.0</u>
Subtotal Treasury	10,000.0	10,000.0
Total Appropriation Additions	\$73,547.9	\$209,200.5

Senate Bill 436 (S-1): As Passed the Senate
FY 2006-07 Appropriation Reductions and Restricted Fund Transfers
(thousands of dollars)

Department/Program	Senate Passed	
	Gross	GF/GP
<u>Appropriation Reductions:</u>		
Agriculture		
Pesticide and Plant Pest Management	(\$266.0)	(\$266.0)
Information Technology Services and Projects	<u>(20.2)</u>	<u>(20.2)</u>
Subtotal Agriculture	(286.2)	(286.2)
Attorney General		
Operations	(301.8)	(301.8)
Information Technology	<u>(7.1)</u>	<u>(7.1)</u>
Subtotal Attorney General	(308.9)	(308.9)
Civil Rights		
Operations	<u>(50.0)</u>	<u>(50.0)</u>
Subtotal Civil Rights	(50.0)	(50.0)
Civil Service		
Executive Direction	<u>(168.7)</u>	<u>(168.7)</u>
Subtotal Civil Service	(168.7)	(168.7)
Community Colleges		
Operations Reduction	(5,015.4)	(5,015.4)
Delay Remaining 50% of August 2007 Payment	<u>(12,879.9)</u>	<u>(12,879.9)</u>
Subtotal Community Colleges	(17,895.3)	(17,895.3)
Community Health		
Healthy Michigan Fund	(5,863.1)	(5,863.1)
Adjust Gainsharing on Hospital/Nursing Home QAAP	(14,808.3)	(6,459.4)
Reduce Medicaid Providers (3% except hospitals)	<u>(42,628.8)</u>	<u>(18,632.0)</u>
Subtotal Community Health	(63,300.2)	(30,954.5)
Corrections		
Eliminate Project Joshua	(441.7)	(441.7)
Remove Compensatory Buyout & Union Leave Bank	<u>(275.0)</u>	<u>(275.0)</u>
Subtotal Corrections	(716.7)	(716.7)
Education		
Central Support	(65.0)	(65.0)
Early Childhood Education	<u>(25.4)</u>	<u>(25.4)</u>
Subtotal Education	(90.4)	(90.4)
Environmental Quality		
Contaminated Site Cleanup	<u>(311.0)</u>	<u>(311.0)</u>
Subtotal Environmental Quality	(311.0)	(311.0)

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FY 2006-07 Appropriation Reductions and Restricted Fund Transfers
(thousands of dollars)

Department/Program	Senate Passed	
	Gross	GF/GP
Executive Office		
Operations	(194.0)	(194.0)
Subtotal Executive Office	(194.0)	(194.0)
Higher Education		
Operations Reduction	(25,882.0)	(25,882.0)
Delay Remaining 50% of August 2007 Payment	(69,368.0)	(69,368.0)
Tuition Grant Lapse	(2,100.0)	(2,100.0)
Subtotal Higher Education	(97,350.0)	(97,350.0)
History, Arts and Libraries		
Arts and Cultural Grants	(3,600.0)	(3,600.0)
State Aid to Libraries	(3,500.0)	(3,500.0)
Subtotal History, Arts and Libraries	(7,100.0)	(7,100.0)
Judiciary		
Administrative Reductions	(2,947.1)	(2,947.1)
Retirement Savings	(1,243.4)	(1,156.5)
Subtotal Judiciary	(4,190.5)	(4,103.6)
Labor and Economic Growth		
Restricted Fund Reductions (Transfer to GF)	(450.0)	0.0
Subtotal Labor and Economic Growth	(450.0)	0.0
Legislature		
Senate/House/Legislative Agencies	(3,854.5)	(3,854.5)
Auditor General	(650.3)	(650.3)
Retirement Savings	(2,029.5)	(2,029.5)
Subtotal Legislature	(6,534.3)	(6,534.3)
Management and Budget		
Administrative Services	(25.0)	(25.0)
Office of the State Employer	(60.0)	(60.0)
Business Support Services	(65.0)	(65.0)
Information Technology	(400.0)	(400.0)
Subtotal Management and Budget	(550.0)	(550.0)
Natural Resources		
Communications	(10.0)	(10.0)
Executive Direction	(50.0)	(50.0)
Financial Services	(20.0)	(20.0)
Human Resources	(20.0)	(20.0)
Wildlife Management	(150.0)	(150.0)
Natural Resources Heritage	(10.0)	(10.0)
Cooperative Resources Programs	(75.0)	(75.0)
Forest Recreation and Trails	(75.0)	(75.0)
Information Technology	(100.0)	(100.0)
Subtotal Natural Resources	(510.0)	(510.0)

Senate Bill 436 (S-1): As Passed the Senate
FY 2006-07 Appropriation Reductions and Restricted Fund Transfers
(thousands of dollars)

Department/Program	Senate Passed	
	Gross	GF/GP
State		
Reduce line items as State designates	<u>(757.9)</u>	<u>(757.9)</u>
Subtotal State	(757.9)	(757.9)
Strategic Fund Agency		
Job Creation Programs	<u>(297.6)</u>	<u>(297.6)</u>
Subtotal Strategic Fund Agency	(297.6)	(297.6)
Transportation		
Local Bus Operating	(3,347.9)	0.0
Intercity Passenger and Freight Programs	(2,700.0)	0.0
Bus Capital Grants	(7,237.9)	0.0
Specialized Service Grants	(170.2)	0.0
Transportation to Work Programs	<u>(1,244.0)</u>	<u>0.0</u>
Subtotal Transportation	(14,700.0)	0.0
Treasury		
Revenue Enhancement Program	(500.0)	(500.0)
Senior Citizen Cooperative Housing	(902.5)	(902.5)
Constitutional Revenue Sharing Adjustment	(30,084.0)	0.0
Statutory Revenue Sharing Reduction	(16,350.0)	0.0
Lottery Promotion and Advertising	<u>(5,000.0)</u>	<u>0.0</u>
Subtotal Treasury	(52,836.5)	(1,402.5)
Total Appropriation Reductions	(\$268,598.2)	(\$169,581.6)
<u>Restricted Fund Transfers to GF/GP:</u>		
Statutory Revenue Sharing Reductions		(16,350.0)
Convention Facilities Fund		(35,000.0)
Comprehensive Transportation Fund		(14,700.0)
CTF -- Soo Locks Set-Aside		(5,270.0)
21st Century Jobs Fund		(154,200.0)
DCH Fund Balances		(23,100.0)
DLEG Restricted Revenue: LPRF/Corp/Securities/Utility		(3,823.4)
Michigan Conservation Corps Endowment Fund		(20,000.0)
Refined Petroleum General Fund Shift		(70,000.0)
State Campaign Fund		<u>(7,200.0)</u>
Total Fund Transfers		(\$349,643.4)
Total Senate Proposal		(\$519,225.0)