



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536



Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

Senate Bill 511 (Substitute S-1)
Sponsor: Senator Ron Jelinek
Committee: Appropriations

Date Completed: 9-23-07

CONTENT

Senate Bill 511 (S-1) makes fiscal year (FY) 2007-08 appropriations for the Executive branch, the Judiciary, the Legislative branch, community colleges, and universities. The bill, combined with the FY 2007-08 School Aid Fund appropriations contained in Senate Bill 237 (S-1), would provide for \$42.6 billion of Gross appropriations, \$9.5 billion of General Fund/General Purpose (GF/GP) appropriations, and the appropriation of 55,153.9 full-time equated positions. Table 1 provides a summary of the Gross appropriations, GF/GP appropriations, and full-time equated positions contained in the bill by State department or budget area. Table 2 provides a comparison of the GF/GP appropriations in Senate Bill 511 (S-1) with the current services level of FY 2007-08 GF/GP appropriations. Current services appropriations are defined as a continuation of the FY 2006-07 appropriation levels adjusted for cost increases, funding delays, and caseload adjustments. The FY 2007-08 GF/GP appropriations in the bill are \$587.5 million below the current services funding level.

Table 3 provides a summary of the FY 2007-08 GF/GP estimates of revenue, expenditures, and year-end balances if Senate Bill 511 (S-1) is enacted into law and no additional revenue increases are enacted. The revenue numbers in the table assume that the State utilizes the \$219.4 million of one-time revenue that are estimated to be received from the Michigan Business Tax and that the level of statutory revenue sharing paid to cities, villages, and townships paid in FY 2007-08 is the same as the appropriated level in FY 2006-07. Comparing these FY 2007-08 GF/GP revenue assumptions with the GF/GP appropriations contained in Senate Bill 511 (S-1) leads to a projected budget deficit of \$568.8 million. If Senate Bill 511 (S-1) is enacted into law, the Governor and the Legislature will have to take additional actions to eliminate this projected budget deficit.

The following information provides a department-by-department description of the highlights of the line-item appropriations in Senate Bill 511 (S-1). The information provides a summary of the reductions contained in the bill from the current services appropriation levels.

Department of Agriculture: The bill represents a \$5.1 million GF/GP reduction from the current services appropriation level. Major reductions include \$1.7 million from Executive Division, \$0.9 million from the Pesticide and Plant Management Division, and \$2.5 million from Environmental Stewardship. The bill also includes the elimination of GF/GP funding for local conservation districts, Export Marketing Program, and the Cervid Culture Program.

Attorney General: The bill represents a \$7.6 million GF/GP reduction from the current services appropriation level. The reduction was attained through a departmental negative appropriation of \$7.5 million. Since the budget is primarily driven by direct employee costs, the reduction could result in the elimination of approximately 107 employees or 19.0% of the departmental work force.

Department of Civil Rights: The bill represents a \$1.8 million GF/GP reduction from the current services appropriation level. The reduction was attained through a departmental negative appropriation of \$0.9 million and \$0.9 million of reductions in departmental economic increases. Since this budget is primarily driven by direct employee costs, the reductions could result in the elimination of approximately 25 employees or 18.0% of the departmental workforce.

Department of Civil Service: The bill represents a \$2.7 million GF/GP reduction from the current services appropriation level. The reduction was attained through a \$2.5 million departmental negative appropriation and a \$0.2 million reduction in departmental economic increases. Since this budget is primarily driven by direct employee costs, the reductions could result in the elimination of approximately 38 employees or 16.0% of the departmental workforce.

Community Colleges: The bill represents a \$7.1 million GF/GP reduction from the current services appropriation level. The reduction is based on the elimination of the 2.5% funding increase which is assumed in the current services funding level. The bill includes the \$25.8 million of funding to repay the funding delay that was instituted in FY 2006-07. The bill will leave overall community college appropriations at the initial FY 2006-07 appropriated levels.

Department of Community Health: The bill represents a \$116.8 million GF/GP reduction from the current services appropriation level. Major reductions include \$25.6 million from the elimination of Medicaid coverage for caretaker relatives, \$12.7 million from the elimination of Medicaid coverage for 19- and 20-year olds, \$5.2 million from the elimination of multicultural grants to mental health providers, \$18.9 million from the elimination of a majority of Healthy Michigan-funded grant programs, \$18.0 million from revised caseload estimates in concurrence with the House Fiscal Agency and the State Budget Office, \$10.0 million of savings from mandated citizenship verification for Medicaid recipients, \$9.3 million from various other Medicaid and departmental changes, and \$15.0 million from a 1.1% provider rate reduction for all nonmanaged care Medicaid providers.

Department of Corrections: The bill represents a \$111.2 million GF/GP reduction from the current services appropriation level. Major reductions include \$37.5 million from removing funding for currently vacant department positions, \$55.0 million from bed reductions across the system including the closure of the Southern Michigan Correctional Facility, the closure of the Egeler Reception and Guidance Center Annex, the closure of the Riverside Correctional Facility, and the re-opening of the Michigan Reformatory; \$10.0 million from cuts to nonholiday overtime pay; \$3.7 million from the partial-year savings resulting from the centralization of prison store operations; \$6.9 million from savings in prison food services; and \$8.8 million from various staffing efficiencies. The bill also includes \$18.3 million of new funding for 1,520 additional beds at various correctional facilities. These additional beds would be adding an eighth bed in seven-bunk open bays.

Department of Education: The bill represents a \$3.5 million GF/GP reduction from the current services appropriation level. Major reductions include \$1.0 million from the State Board and State Superintendents Office, \$0.8 million from departmental central support functions, \$0.8 million from School Finance and School Law programs, \$0.4 million from Career and Technical Education programs, \$0.3 million from information technology programs, and \$0.2 million from Early Childhood and Family Services. The impact of the reductions across the Department will lead to the layoffs of approximately 44 employees.

Department of Environmental Quality: The bill represents a \$7.9 million GF/GP reduction from the current services appropriation level. Major reductions include \$5.7 million from the reduction of 143 employee positions across the Department and \$2.3 million from a GF/GP reduction to the Drinking Water Loan Fund. This employee reduction represents a 9.0%

reduction for the Department. The reduction to the Drinking Water Loan Fund will also result in a loss of \$9.2 million of Federal funds.

Executive Office: The bill represents a \$0.2 million GF/GP reduction from the current services appropriation level. The reduction was attained through a \$52,700 departmental negative appropriation and reductions in economic funding.

Higher Education: The bill represents a \$35.9 million GF/GP reduction from the current services appropriation level. The reduction is based on the elimination of the 2.5% funding increase which is assumed in the current services funding level. The bill includes the \$138.7 million of funding to repay the funding delay that was instituted in FY 2006-07. The bill will leave overall Higher Education appropriations at the year-to-date FY 2006-07 appropriated levels, which include the reductions in Public Act 17 of 2007.

Department of History, Arts, and Libraries: The bill represents a \$6.9 million reduction from the current services appropriation level. Major reductions include a \$6.2 million reduction in State aid to libraries and \$0.4 million from book distribution centers.

Department of Human Services: The bill represents a \$207.5 million reduction from the current services appropriation level. The major reductions include \$47.2 million from changes in day care reimbursement rates, \$35.4 million from caseload costs adjustments, \$57.1 million from Family Independence program sanctions, \$18.1 million from departmental budgetary savings, \$11.8 million from the closure of the Maxey Boys Training School, \$13.5 million from changes in child welfare programs, \$6.1 million from day care case reviews, and \$18.3 million of other savings from various program reductions and funding shifts. The closure of the Maxey Boys Training School will result in the layoff of 268 employees.

Judiciary: The bill represents a \$7.6 million GF/GP reduction from the current services appropriation level. The reduction was spread proportionally across all line items containing GF/GP appropriations, excluding judicial salaries. The reduction could result in the loss of up to 59 employees or approximately 11.0% of the judicial workforce.

Labor and Economic Growth: The bill represents a \$9.6 million GF/GP reduction from the current services appropriation level. Major reductions include \$2.6 million in Fire Protection grants, \$4.4 million in workforce training grants, \$1.7 million in welfare-to-work programs, \$0.3 million from Focus Hope program funding, and \$0.2 million from administrative programs.

Legislative Auditor General: The bill represents a \$1.4 million GF/GP reduction from the current services appropriation level. Since this budget is primarily driven by direct employee costs, the reductions could result in the elimination of approximately 31 employees.

Legislature: The bill represents a \$7.4 million GF/GP reduction from the current services appropriation level. The reduction included \$4.4 million of undesignated legislative reductions and \$3.0 million in reductions in economic adjustments for all legislative agencies.

Department of Management and Budget: The bill represents a \$2.1 million GF/GP reduction from the current services appropriation level. The reductions include \$0.6 million in departmental undesignated reduction and a \$1.5 million in reduction in economic adjustments.

Department of Military and Veterans Affairs: The bill represents a \$2.2 million GF/GP reduction from the current services appropriation level. The reductions include \$1.6 million from grants to veterans' service organizations and \$0.6 million in other administrative reductions.

Department of Natural Resources: The bill represents a \$1.1 million GF/GP reduction from the current services appropriation level. The reduction was taken from purchased land payments in lieu of taxes. The Department would have to prorate payments to local units of government that it distributes for land it owns within each jurisdiction. The reduction would also reduce the amount of restricted funds distributed since State law requires that the General Fund pay for at least 50.0% of the total.

Secretary of State: The bill represents a \$14.0 million GF/GP reduction from the current services appropriation level. The reductions include \$13.1 million of undesignated departmental reductions and a \$0.9 million reduction in economic adjustments. The reduction could result in the closure of approximately 25 branch offices and the layoff of approximately 80 employees.

Department of State Police: The bill represents a \$14.1 million GF/GP reduction from the current services appropriation level. The reductions include \$8.3 million from a 59.0% reduction in Secondary Road Patrol grants, \$4.8 million from Justice Training Fund grants, and \$1.0 million in other administrative reductions.

Strategic Fund Agency: The bill represents a \$2.1 million GF/GP reduction from the current services appropriation level. The major reduction is a \$2.6 million fund shift in the funding of the Michigan Promotion program. Funding for a portion of the Michigan Promotion Program will be shifted to funds received back to the Department as a result of pay-backs on loans and other returns on investments from the previous Life Science and Technology Tri-Corridor programs. The bill includes a \$100 placeholder for funding of a new Entrepreneurial Training and Mentoring program.

Transportation: The bill includes two transfers of State Restricted transportation revenue to the GF/GP budget. The first is a \$5.0 million transfer of Comprehensive Transportation Fund revenue. This reduction is taken from local bus operating grants, \$2.5 million; intercity passenger and freight rail programs, \$1.45 million; administrative functions, \$0.8 million; and the transportation to work program, \$0.3 million. The second transfer is \$13.0 million from the Economic Development Fund. This reduction is taken from targeted industries, \$6.5 million; urban county congestion, \$3.25 million; and rural county primary, \$3.25 million.

Treasury-Operations: The bill represents an \$11.6 million GF/GP reduction from the current services appropriation level. The reductions included \$10.2 million of undesignated departmental reductions and \$1.4 million of other reductions spread across the Department. The reductions could result in the layoffs of approximately 137 employees.

Treasury-Revenue Sharing: The bill provides for a freeze in revenue sharing payments to cities, villages, and townships. Some local units will receive increases in the overall level of revenue sharing payments if they are only receiving constitutional revenue sharing payments.

Departmental Boilerplate Language: Senate Bill 511 (S-1) contains complete boilerplate intent language for each department and appropriation. The boilerplate in the bill generally conforms to the boilerplate in the Senate-passed versions of the individual appropriation bills for each department and program.

Fiscal Analyst: Gary S. Olson

Table 1

Senate Bills 511 (S-1) and 237 (S-1) Full-Time Equated Positions (FTEs), Gross, and General Fund/General Purpose Appropriations			
Department/Budget Area	FTEs	Gross Appropriations	GF/GP Appropriations
Agriculture.....	652.0	\$101,814,300	\$25,168,400
Attorney General	556.0	62,079,400	25,362,100
Civil Rights	136.0	13,106,400	11,052,300
Civil Service.....	240.5	34,338,100	4,161,300
Community Colleges	na	316,039,200	316,039,200
Community Health.....	4,651.0	11,625,177,800	3,060,970,400
Corrections	17,340.5	2,022,458,400	1,940,360,800
Education	416.6	93,321,600	3,714,600
Environmental Quality.....	1,561.7	357,915,100	24,632,400
Executive Office	74.2	5,252,900	5,252,900
Higher Education	1.0	1,880,545,300	1,747,345,300
History, Arts, and Libraries	228.0	43,555,100	33,350,500
Human Services	9,248.5	4,430,617,900	1,185,402,200
Information Technology.....	1,774.4	406,193,400	0
Judiciary.....	519.0	253,472,600	152,177,800
Labor and Economic Growth.....	4,277.5	1,285,028,700	40,029,800
Legislative Auditor General	0.0	14,665,700	11,324,300
Legislature.....	0.0	108,215,900	106,706,100
Management and Budget.....	747.5	472,471,000	265,508,600
Military and Veterans Affairs	1,015.0	128,221,900	39,177,700
Natural Resources	2,082.9	288,567,900	23,249,900
School Aid ¹⁾	0.0	12,814,269,900	35,000,000
State	1,853.8	194,041,900	15,507,700
State Police	2,899.0	554,966,100	275,330,600
Strategic Fund Agency	152.0	164,352,000	28,123,300
Transportation	3,029.3	3,360,255,600	0
Treasury.....	1,697.5	1,533,294,600	138,674,900
Total	55,153.9	\$42,564,238,700	\$9,513,623,100
¹⁾ The School Aid appropriations are contained in Senate Bill 237 (S-1). The remaining appropriations are contained in Senate Bill 511 (S-1).			

Table 2

Senate Bill 511 (S-1)				
General Fund/General Purpose Reductions				
Department/Budget Area	FY 2007-08 Current Services Budget	GF/GP Reductions	Restricted Revenue Reductions	Total GF/GP or Equivalent Reductions
Agriculture	\$30,316,000	\$(5,147,600)		\$(5,147,600)
Attorney General	32,858,100	(7,496,000)		(7,496,000)
Civil Rights	12,812,200	(1,759,900)		(1,759,900)
Civil Service	6,815,200	(2,653,900)		(2,653,900)
Community Colleges	323,128,800	(7,089,600)		(7,089,600)
Community Health	3,177,794,500	(116,824,100)		(116,824,100)
Corrections	2,051,684,500	(111,323,700)		(111,323,700)
Education	7,164,100	(3,449,500)		(3,449,500)
Environmental Quality	32,577,500	(7,945,100)		(7,945,100)
Executive Office	5,453,600	(200,700)		(200,700)
Higher Education	1,783,275,700	(35,930,400)		(35,930,400)
History, Arts, & Libraries	40,299,500	(6,949,000)		(6,949,000)
Human Services	1,392,931,700	(207,529,500)		(207,529,500)
Judiciary	159,740,200	(7,562,400)		(7,562,400)
Labor & Economic Growth	47,182,300	(7,152,500)	\$(2,410,500)	(9,563,000)
Legislative Auditor General	12,681,000	(1,356,700)		(1,356,700)
Legislature	114,088,800	(7,382,700)		(7,382,700)
Management & Budget	267,617,600	(2,109,000)		(2,109,000)
Military & Veterans Affairs	41,422,100	(2,244,400)		(2,244,400)
Natural Resources	24,352,000	(1,102,100)		(1,102,100)
School Aid	35,000,000	0		0
State	29,535,600	(14,027,900)		(14,027,900)
State Police	276,739,800	(1,409,200)	(12,712,600)	(14,121,800)
Strategic Fund Agency	30,249,600	(2,126,300)		(2,126,300)
Transportation	0	0		0
Treasury	150,251,300	(11,576,400)		(11,576,400)
Total	\$10,085,971,700	\$(572,348,600)	\$(15,123,100)	\$(587,471,700)

Table 3

FY 2007-08 Senate Bill 511 (S-1) Budget Summary General Fund/General Purpose (millions of dollars)	
Revenue:	
Consensus Revenue Estimate (May 2007).....	\$6,919.7
Michigan Business Tax (Ongoing Revenue)	1,189.5
Michigan Business Tax (One-Time Revenue)	219.4
Revenue Sharing Freeze	558.3
Restricted Revenue Transferred to General Fund (S.B. 511 (S-1))	15.1
Comprehensive Transportation Fund Transfer (S.B. 511 (S-1))	5.0
Other Revenue Adjustments	37.8 ^{a)}
Total Current Services Revenue.....	\$8,944.8
Expenditures:	
Senate Bill 511 (S-1) and Senate Bill 237 (S-1).....	\$9,513.6
Projected FY 2007-08 Budget Imbalance	\$(568.8)
^{a)} Includes \$2.0 million from a financial institution fund transfer, \$22.8 million from the School Aid Fund for short-term State borrowing costs, and \$13.0 million transfer from the Transportation Economic Development Fund.	

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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.