

November 7, 2001

Members of the House of Representatives

Mitch Bean

Executive Order 2001-9

The terrorist attacks of September 11, 2001, and subsequent events related to the attack, have dramatically impacted the U.S. and state economies. The principals of the Consensus Revenue Conference responded to weakening economic data and lower-than-anticipated revenue collections by convening a Conference on October 23, 2001, and revising consensus revenue estimates. Fiscal Year (FY) 2001-02 General Fund/General Purpose (GF/GP) revenue estimates were revised downward by \$462,500,000.

On November 6, 2001, pursuant to Article V, Section 20 of the Michigan Constitution of 1963, Governor John Engler issued Executive Order (EO) 2001-9. The EO, which was approved by the House and Senate Appropriations Committees, ordered FY 2001-02 GF/GP spending reductions of \$463,727,893. The EO ordered Capital Outlay reductions of \$21,896,500; GF/GP appropriation reductions for executive departments of \$285,288,985; and the transfer of \$144,571,000 in restricted funds to unrestricted GF/GP.

The attached analysis describes line item reductions contained in Executive Order 2001-9. It is organized in the same manner as the EO. Section one of the analysis reports reductions in Capital Outlay, section two reports the details of line-item reductions by department, section three reports work projects, and section four notes transfers of restricted fund balances to unrestricted GF/GP.

Included in section four is a \$37,200,000 reduction in statutory revenue sharing payments to local governments. Revised estimates of FY 2001-02 revenue sharing payments to local units that include the impact of the EO reduction are attached.

Three additional pieces of legislation are required to fully implement planned spending reductions. A supplemental appropriations bill has been requested by the state budget director that would make \$50,000,000 of gross spending adjustments in six state departments/agencies and authorize the sale of certain state property in Northville, Michigan. In addition, the Merit Award Trust Fund Act must be amended and fee increases contained in Senate Bill 677 must be enacted. A contingency fund transfer package has also been requested to adjust certain line items within particular departments/agencies and allow for the appropriation of additional revenue sources. The proposed legislation and the transfer package are likely to be considered after the November break.

If you have any questions concerning the effects of the EO reductions or if you would like a copy of Executive Order 2001-9, please call House Fiscal Agency at 373-8080.

**BACKGROUND FOR NOVEMBER 5, 2001, EXECUTIVE ORDERS
Changes to FY 2001-02 Budget**

<u>Section</u>	<u>Page</u>	<u>Amount</u>
1 Capital Outlay Reductions	1	(\$21,896,500)
2 General Fund Reductions		
Agriculture	1	(\$2,323,500)
Attorney General	2	(\$1,860,600)
Career Development	3	(\$1,654,900)
Civil Rights	3	(\$260,000)
Civil Service	3	(\$560,860)
Community Health	3	(\$85,304,100)
Consumer and Industry Services	5	(\$4,875,100)
Corrections	6	(\$54,900,000)
Education	7	(\$1,572,100)
Environmental Quality	9	(\$17,394,200)
Executive	10	(\$228,900)
Family Independence Agency	10	(\$24,197,100)
History, Arts, and Libraries — 2001 PA 83 and 2001 PA 120	11	(\$6,638,600)
Management and Budget	12	(\$2,308,900)
Military and Veterans Affairs	12	(\$1,791,625)
Natural Resources	13	(\$6,770,300)
State	14	(\$43,037,800)
State Police	14	(\$7,550,000)
State School Aid	15	(\$7,200,000)
Strategic Fund	15	(\$4,755,600)
Treasury	16	(\$10,104,800)
TOTAL General Fund Reductions		(\$285,288,985)
3 Work Project Reductions	16	(\$11,971,408)
<i>(Includes work projects for Agriculture, Civil Rights, Environmental Quality, Family Independence Agency, and Michigan Strategic Fund)</i>		
4 Fund Balance Transfers to General Fund	17	(\$144,571,000)
<i>(Includes transfers for the following: Career Development, Community Colleges, Community Health, Education, Environmental Quality, Higher Education, Michigan Strategic Fund, Transportation, Treasury)</i>		

EXECUTIVE ORDER 2001-9
Changes to FY 2001-02 Budget

<u>Description of Change</u>	<u>Fund Source</u>	<u>Amount of Change</u>
CAPITAL OUTLAY REDUCTIONS		
1. Special Maintenance - State Agencies The recommendation is to reduce by one-half the monies appropriated for major special maintenance for the following agencies: Community Health, Corrections, FIA, DMB, DNR, and State Police.	Gross GF/GP	(\$4,396,500) (\$4,396,500)
2. State Building Authority Rent The recommendation is to reduce the overall SBA Rent appropriation by 3%.	Gross GF/GP	(\$9,000,000) (\$9,000,000)
3. Kalamazoo Aviation History Museum The recommendation is to eliminate this FY 1999-2000 appropriation. Boilerplate in that act stipulated that the funds would only be spent if the facility was to be located in Michigan. As it appears that the facility will not be located in Michigan these funds would lapse after FY 2003.	Gross GF/GP	(\$3,000,000) (\$3,000,000)
4. Art, Culture, and Quality of Life Grants This reduction specifically applies to the FY 2000 appropriation for the Windmill Island project in Holland.	Gross GF/GP	(\$2,300,000) (\$2,300,000)
5. Lump Sum Planning Account The recommendation eliminates the remaining funds in the Lump Sum Capital Outlay Planning account. With the new project planning procedures implemented in 1999, this account is no longer used to pay project planning costs.	Gross GF/GP	(\$3,200,000) (\$3,200,000)
TOTAL CAPITAL OUTLAY	GF/GP	(\$21,896,500)

GF/GP REDUCTIONS

AGRICULTURE

1. Disease and Pest Intervention Fund This line item contains funding for the Department to respond to exotic or regulatory pests on a priority basis. Enacted for FY 2002 at \$135,600, \$50,000 represents a 37% GF/GP reduction.	Gross GF/GP	(\$50,000) (\$50,000)
2. Orchard or Vineyard Removal Funding for this line item would assist growers with the removal of abandoned orchards or vineyards in order to mitigate plant pest infestation. Enacted for FY 2002 at \$37,800, this represents a 100% GF/GP reduction.	Gross GF/GP	(\$37,800) (\$37,800)
3. Migrant Labor Housing Funding for this line item provides for licensing/inspection and construction grants to assist Michigan farmers in housing migrant workers. Enacted for FY 2002 at \$895,400, \$345,400 represents a 39% GF/GP reduction.	Gross GF/GP	(\$345,400) (\$345,400)
4. Local Conservation Districts This funding is for operational grants to the state's 82 soil conservation districts. Enacted for FY 2002 at \$2,734,400, this represents a 29% GF/GP reduction to this line item.	Gross GF/GP	(\$780,000) (\$780,000)
5. Export Marketing This function is located in the Market Development Division and is funded through the Agriculture Development line item, whose purpose is to market Michigan commodities outside of Michigan and the USA. Enacted for FY 2002 at \$1,322,500, this represents a 7.5% GF/GP reduction to this line item.	Gross GF/GP	(\$100,000) (\$100,000)

EXECUTIVE ORDER 2001-9
Changes to FY 2001-02 Budget

<u>Description of Change</u>	<u>Fund Source</u>	<u>Amount of Change</u>
6. Food Bank This grant to the Food Bank Council of Michigan is made for processing and distributing food items to local food banks across Michigan. Enacted for FY 2002 at \$964,600, this represents a 33% GF/GP reduction to this line item.	Gross GF/GP	(\$319,000) (\$319,000)
7. Grown in Michigan This line item funds matching grants to nonprofit commodity organizations to increase in-state awareness of Michigan-grown commodities. Enacted for FY 2002 at \$94,500, this represents a 100% GF/GP reduction to this line item.	Gross GF/GP	(\$94,500) (\$94,500)
8. Horse Shows This appropriation would be to develop competitive horse shows. Enacted for FY 2002 at \$39,900, this represents a 37.6% GF/GP reduction to this line item.	Gross GF/GP	(\$15,000) (\$15,000)
9. NW Horticultural Station This appropriation funds capital improvement projects at the research station near Traverse City. Enacted for FY 2002 at \$41,800, this represents a 100% GF/GP reduction to this line item.	Gross GF/GP	(\$41,800) (\$41,800)
10. Administrative Reductions Would include reductions related to administration of MDA programs as follows: Agriculture development \$190,000 • Management services \$224,000 • Upper Peninsula state fair \$10,000 • Fairs and expositions \$9,400 • Statistical reporting services \$30,000 • Pesticide and plant pest management \$76,600 Compared to the Department total GF/GP at \$43,719,500, this represents a 1.2% GF/GP reduction. It is not known how many, if any, layoffs will be required.	Gross GF/GP	(\$540,000) (\$540,000)
TOTAL AGRICULTURE	GF/GP	(\$2,323,500)
 ATTORNEY GENERAL		
1. Attorney General Operations The Attorney General Operations line item is reduced by 5.0%. In order to achieve this reduction in GF/GP, employee layoffs will be necessary. The exact number of layoffs is indeterminate at this time, though it is estimated to be in the range of 33 to 41. Of those, up to 20 will be attorneys.	Gross GF/GP	(\$1,800,200) (\$1,800,200)
2. Prosecuting Attorneys Coordinating Council The Prosecuting Attorneys Coordinating Council line item is reduced by 5.0%. In order to achieve this reduction in GF/GP, one vacant FTE position will not be filled.	Gross GF/GP	(\$60,400) (\$60,400)
TOTAL ATTORNEY GENERAL	GF/GP	(\$1,860,600)

EXECUTIVE ORDER 2001-9
Changes to FY 2001-02 Budget

<u>Description of Change</u>	<u>Fund Source</u>	<u>Amount of Change</u>
CAREER DEVELOPMENT		
1. Welfare-to-Work Programs	Gross	(\$1,500,400)
Just over \$1.5 million of the GF/GP appropriation for this line item would be removed by the Executive Order. This represents 15% of the overall \$10.0 million GF/GP appropriation for the program. The GF/GP is used to match federal revenue. Each \$1 of state revenue draws \$2 in federal revenue. The program is targeted at providing job readiness programs, job training, and other support services for welfare recipients with significant barriers to employment as well as non-custodial parents whose children receive welfare assistance.	GF/GP	(\$1,500,400)
2. Pre-college Programs in Engineering and the Sciences	Gross	(\$104,500)
The Executive Order proposes to reduce the line item by 10%. The line supports grants to the Detroit Area Pre-college Engineering Program and the Grand Rapids Area Pre-college Engineering Program. Each program would receive a proportional 10% reduction in state support - \$62,000 for the Detroit program and \$42,500 for the Grand Rapids program. The grants are funded 100% with GF/GP.	GF/GP	(\$104,500)
3. Michigan Community Service Commission Subgrantees	Gross	(\$50,000)
The Executive Order would reduce GF/GP support for the Department's Volunteer Investment Grant program by 5.5%. The program assists volunteer centers across the state to build local endowments to support community volunteer activities.	GF/GP	(\$50,000)
TOTAL CAREER DEVELOPMENT	GF/GP	(\$1,654,900)
CIVIL RIGHTS		
1. Unclassified Positions	Gross	(\$120,000)
The Unclassified Positions line item is reduced by 32.1%. In order to achieve this reduction in GF/GP, two vacant FTE positions will not be filled.	GF/GP	(\$120,000)
2. Operations	Gross	(\$140,000)
The Operations line item is reduced by 1.0%. In order to achieve this reduction in GF/GP, funding for tuition reimbursement, employee enhancement, and professional development programs for employees will be reduced, previously planned computer hardware and software purchases will not be made, and previously planned information technology contracts will not be let.	GF/GP	(\$140,000)
TOTAL CIVIL RIGHTS	GF/GP	(\$260,000)
CIVIL SERVICE		
Operations Reduction of 5%	Gross	(\$560,860)
The Civil Service Operations appropriation line would be reduced by 5% GF/GP. This will be accomplished by not filing vacancies. No lay off of employees is anticipated.	GF/GP	(\$560,860)
TOTAL CIVIL SERVICE	GF/GP	(\$560,860)
COMMUNITY HEALTH		
1. Multicultural Services	Gross	(\$396,200)
The Executive Order reduces funds authorized to Multicultural services providers by 10%. Funds are provided to CMHSPs to contract with providers that serve Multicultural populations and groups such as Chinese American, Asian American, Hispanic American, Arab Community Center for Economic and Social Services (ACCESS), and Arab/American and Chaldean Council. Funds are also provided to the Michigan Inter-Tribal Council, Jewish Federation of Metropolitan Detroit, and Vietnam Veterans.	GF/GP	(\$396,200)

EXECUTIVE ORDER 2001-9
Changes to FY 2001-02 Budget

<u>Description of Change</u>	<u>Fund Source</u>	<u>Amount of Change</u>
2. Mental Health Prevention Pilots The Executive Order reduces funds appropriated for pilot projects in prevention for adults and children by slightly more than 80%. In the current fiscal year, \$996,300 is appropriated for this line item.	Gross GF/GP	(\$800,000) (\$800,000)
3. Colorectal Cancer Prevention The Executive Order reduces by 75% GF/GP funds targeting colorectal cancer awareness, education and early detection.	Gross GF/GP	(\$112,500) (\$112,500)
4. Michigan Parkinson's Foundation The Executive Order reduces by 75% funds for implementation of the Michigan Parkinson's Initiative to support and educate persons with Parkinson's disease.	Gross GF/GP	(\$150,000) (\$150,000)
5. Adolescent Health Care Clinics The Executive Order reduces by 74.8% GF/GP funds for local teen health clinics providing primary health care, screening and assessment, health promotion, and referral services to teens.	Gross GF/GP	(\$2,164,000) (\$2,164,000)
6. Senior Citizen Center Improvements The Executive Order eliminates \$1.0 million to senior citizen centers that has been allocated for improvements to facilities since FY 1999-2000.	Gross GF/GP	(\$1,000,000) (\$1,000,000)
7. Graduate Medical Education The Executive Order reduces Medicaid graduate medical education (GME) payments by 5% to teaching hospitals that offset their direct and indirect costs associated with the training of medical residents. Currently, the DCH Budget appropriates \$186.3 million in GME funds. The reduction will result in a corresponding loss of federal Medicaid matching funds.	Gross Federal GF/GP	(\$9,395,100) (\$5,295,100) (\$4,100,000)
8. Rural Hospital Outpatient Adjustor The Executive Order eliminates the outpatient adjustor payment hospitals in rural areas that was appropriated in the FY 2001-02 budget. The funds represent an additional payment above the regular Medicaid reimbursement rate to hospitals. The reduction will result in a corresponding loss of federal Medicaid matching funds.	Gross Federal GF/GP	(\$5,220,000) (\$2,942,000) (\$2,278,000)
9. Psychiatric Residency Program The Executive Order eliminates funding for the collaborative psychiatric residency training program that involves the medical schools at Wayne State University and Michigan State University. The reduction will result in a corresponding loss of federal Medicaid matching funds.	Gross Federal GF/GP	(\$3,635,100) (\$2,055,100) (\$1,580,000)
10. Rebase Hospital DRG Payments The Executive Order authorizes the rebasing of Medicaid hospital DRG payment rates, without the requirement that the rebasing be budget neutral. The reduction will result in a corresponding loss of federal Medicaid matching funds.	Gross Federal GF/GP	(\$13,260,800) (\$7,473,800) (\$5,787,000)
11. Ambulance Rates The Executive Order eliminates the Medicaid ambulance services average mileage surcharge payment authorized in the budget. The reduction will result in a corresponding loss of federal Medicaid matching funds.	Gross Federal GF/GP	(\$1,000,000) (\$563,600) (\$436,400)
12. Nursing Home Payment Rates The Executive Order maintains Medicaid payment rates at FY 2000-01 levels instead of adjusting maximum payments to the 80 th percentile of actual allowable nursing home costs. The reduction will result in a corresponding loss of federal Medicaid matching funds.	Gross Federal GF/GP	(\$14,894,600) (\$8,394,600) (\$6,500,000)
13. Medicaid Special Financing Savings The Executive Order removes \$60.0 million in GF/GP funds that will be replaced with revenues resulting from additional Medicaid special financing payments above the appropriated level this year.	Gross GF/GP	(\$60,000,000) (\$60,000,000)
TOTAL COMMUNITY HEALTH	GF/GP	(\$85,304,100)

EXECUTIVE ORDER 2001-9
Changes to FY 2001-02 Budget

<u>Description of Change</u>	<u>Fund Source</u>	<u>Amount of Change</u>
CONSUMER AND INDUSTRY SERVICES		
1. Nursing Home Quality Incentive Grants	Gross	(\$10,050,500)
The entire FY 2002 GF/GP appropriation for this grant program is eliminated in the Executive Order. Funding has been utilized to support grants to licensed long-term care facilities that have demonstrated a satisfactory level of care to residents. Grants awards are based on the number of licensed beds within a facility and are to be used to support approved projects to improve the quality of life and care in the facility.	GF/GP	(\$4,536,500)
The GF/GP appropriation is used to match roughly \$5.5 million in federal Medicaid revenue, though this revenue is not explicitly removed in the Executive Order. 3.0 FTE positions are also authorized in the line item.		
2. Commercial Services	Gross	(\$121,100)
The Executive Order removes \$121,100 in GF/GP support from the "Commercial Services" line item. The line supports the Bureau of Commercial Services which administers the State's occupational and professional licensing programs as well as the intake, maintenance, and distribution of various corporate and business filings and reports required under statute. GF/GP appropriations make up less than 1.0% of the overall appropriation for this line item. The bulk of the activities are funded through restricted revenue. It is possible that currently appropriated state restricted revenues could be used to offset the GF/GP reduction.	GF/GP	(\$121,100)
3. Occupational Safety and Health	Gross	(\$50,000)
The Executive Order reduces GF/GP appropriations for this line item by 1.0% and overall appropriations by 0.2%. The appropriations support programs within the Bureau of Safety and Regulation which ensure employer compliance with MIOSHA safety standards and provide safety education and training support to employers. GF/GP is used, along with Safety Education and Training (SET) Fund revenues, to match federal revenue on a 50-50 basis. It is possible that currently appropriated SET revenues could be used to offset the GF/GP reduction.	GF/GP	(\$50,000)
4. Tax Tribunal Operations	Gross	(\$50,000)
The GF/GP appropriation for this line item is reduced by 5.9%. Funding supports the Tax Tribunal and its staff in hearing and ruling on tax appeals filed with the tribunal. The tribunal is supported by a combination of GF/GP and restricted fee revenue. However, there have been substantial GF/GP lapses recently from the line item, with year-end lapses ranging between \$165,000 and \$205,000 for FY 1998 through FY 2000. This contributed to the Legislature's decision to reduce the appropriation by \$175,000 in the existing FY 2002 budget.	GF/GP	(\$50,000)
5. Policy Development	Gross	(\$25,000)
An 11.0% GF/GP reduction is proposed in the Executive Order for this line item. The line item supports the Office of Policy and Legislative Affairs, Office of Media Relations and Communication, and the Department's out-state offices. The reduction would represent a 1.5% decrease to the overall appropriation since the majority of the appropriation is financed using restricted revenues. It is possible that currently appropriated state restricted revenues could be used to offset the GF/GP reduction.	GF/GP	(\$25,000)
6. Bureau of Hearings	Gross	(\$25,000)
The Executive Order reduces this line item by \$25,000, which represents a 3.2% GF/GP reduction and a 0.6% overall reduction. The line provides funding for the Department's administrative law judges and staff who conduct hearings and render decisions in cases across the Department's various regulatory areas. It is possible that currently appropriated state restricted revenues could be used to offset the GF/GP reduction.	GF/GP	(\$25,000)
7. Administrative Services	Gross	(\$25,000)
The GF/GP appropriation for this line item would be reduced by 8.2% by the Executive Order. Much of the line item, however, is supported with restricted revenue. Thus, the overall reduction to the line item would be 0.4%. The line supports the general administrative divisions within the Department (e.g. Budget Development, Financial Services, Purchasing). It is possible that currently appropriated state restricted revenues could be used to offset the GF/GP reduction.	GF/GP	(\$25,000)

**EXECUTIVE ORDER 2001-9
Changes to FY 2001-02 Budget**

<u>Description of Change</u>	<u>Fund Source</u>	<u>Amount of Change</u>
8. Technology Support		
The Executive Order would reduce the GF/GP appropriation for this line by 5.0% and the overall appropriation by 0.3%. The appropriation supports the Department's information technology staff and infrastructure. It is possible that currently appropriated state restricted revenues could be used to offset the GF/GP reduction.	Gross GF/GP	(\$42,500) (\$42,500)
TOTAL CONSUMER AND INDUSTRY SERVICES	GF/GP	(\$4,875,100)
 CORRECTIONS		
1. Double-bunk Southern Michigan Correctional Facility and Close Jackson Maximum		
Southern Michigan and Jackson Maximum Correctional Facilities were developed as separate prisons through court-ordered remodeling of the massive State Prison of Southern Michigan (SPSM), and are funded accordingly. Southern Michigan is an 878-bed Level IV facility that as of 10/26/01 housed 815 prisoners, 760 of whom were in Level IV ("close" security) beds; the remainder were in administrative segregation or other types of beds. Appropriations for Jackson Maximum fund the old Jackson Reception and Guidance Center (645 beds), the old SPSM central complex (234 administrative segregation beds), and 488 Level IV beds in newly-remodeled 11 and 12 blocks. Though not yet officially opened as Jackson Maximum, the new beds in 11 and 12 blocks have been completed and have been temporarily used to house Level II prisoners during the transition of Western Wayne Correctional Facility into a women's facility. The Executive anticipates savings by closing beds at Jackson Maximum (a reduction of about 650 beds currently housing about 630 prisoners); converting Southern Michigan into a double-bunked Level II facility (thereby adding about 600 beds); and transferring Southern Michigan's current Level IV population into other facilities. It is expected that the bulk of the prisoners now at Southern Michigan can be transferred to the new Bellamy Creek Correctional Facility in Ionia, where they will join prisoners being transferred from the nearby Michigan Reformatory. Though not officially opened, nor funded as a separate facility in the FY 2001-02 budget act, the 1,500 bed Bellamy Creek is expected to be filled by these prisoner transfers. Closure at Jackson Maximum, the change in security level at Southern Michigan, and the double-bunking at Southern Michigan are expected result in the reduction of about 600 FTEs and one-time savings of about \$29.5 million. Savings beyond the current fiscal year are not expected in light of projections for continued growth in the prisoner population.	Gross GF/GP	(\$29,508,200) (\$29,508,200)
2. Reduce Mid-level Management Positions		
The Executive estimates that \$8.1 million can be saved through reductions in middle management positions at various institutions. Elimination of various supervisory positions are expected to result in a reduction of 161.2 FTEs..	Gross GF/GP	(\$8,082,700) (\$8,082,700)
3. Reduce Funding at Huron Valley Center		
The Executive proposes a \$5.0 million reduction in appropriations for the Huron Valley Center, which has beds for acute care and chronic long-term care for prisoners with serious mental illness.	Gross GF/GP	(\$5,000,000) (\$5,000,000)
4. Civil Infraction Assessment for County Jail Reimbursement Program		
Senate Bill 677 (S-2) provides for a new \$5 assessment on civil infractions which is to be used by the Department of Corrections to reimburse counties for the housing and custody of convicted felons. The Executive anticipates current-year collections of \$4.5 million through this assessment, which would be used to replace GF/GP appropriations for the county jail reimbursement program.	Gross Restricted GF/GP	\$0 \$4,500,000 (\$4,500,000)
5. Reduction in New Employee Schools		
The enacted budget appropriates funding for training of 1,018 new officers, about 821 of whom were expected to be needed to accommodate staff turnover. The Executive assumes that fewer new correctional officers will be hired and trained in the current fiscal year.	Gross GF/GP	(\$2,900,000) (\$2,900,000)
6. Close Camp Pellston		
The Executive expects GF/GP savings of \$1,182,600 through closing of Camp Pellston, a 140-bed corrections camp built near Pellston in 1957. The closure will be accompanied by a reduction of 36.0 FTEs.	Gross Restricted GF/GP	(\$1,197,200) (\$14,600) (\$1,182,600)

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Changes to FY 2001-02 Budget

<u>Description of Change</u>	<u>Fund Source</u>	<u>Amount of Change</u>
7. Fire Safety Program Reduction Savings of \$1.2 million are to be gained through regionalizing fire safety inspection functions. The number of inspectors would be reduced from the current 31.0 FTEs to 3.0 FTEs -- one per MDOC region.	Gross GF/GP	(\$1,165,600) (\$1,165,600)
8. Close Pontiac Corrections Center Corrections centers are residential facilities housing prisoners and parolees in the community. However, community placement is prohibited for prisoners sentenced under truth-in-sentencing, which requires that the full minimum term be served in secure confinement. In anticipation of declining numbers of eligible prisoners, the Executive proposes the closure of the Pontiac Corrections Center, a 162-bed facility in Pontiac. The closure would be accompanied by a reduction of 20.0 FTEs.	Gross Restricted GF/GP	(\$1,498,500) (\$485,600) (\$1,012,900)
9. Eliminate IDG to DCD for Parolee Employment Services The Executive proposes savings through elimination of an interdepartmental grant under which the Department of Career Development provides employment services for parolees.	Gross GF/GP	(\$1,048,000) (\$1,048,000)
10. Increase Parole/Probation Oversight Fees Statute provides for parolees and probationers to pay monthly oversight fees based on income. The four-tier fee schedule ranges from \$0 to \$30 per month. By increasing fees in the upper two tiers and providing for additional fees for offenders with monthly incomes of \$1,000 or more, the Executive expects to collect an additional \$500,000 in oversight fees.	Gross Restricted GF/GP	\$0 \$500,000 (\$500,000)
TOTAL CORRECTIONS	GF/GP	(\$54,900,000)
 EDUCATION		
1. Unclassified Positions This line funds salary and wages for six unclassified policymaking staff. Currently, three positions are filled and three positions are vacant. For the last three fiscal years, this line lapsed approximate \$200,000 (GF/GP) to the General Fund due to personnel vacancies. The Executive Order would reduce this line by \$150,000 (GF/GP), however, the number of positions associated with this line remains unchanged at six full time equivalences.	Gross GF/GP	(\$150,000) (\$150,000)
2. State Board/Superintendent Operations This line supports the Superintendent of Public and State Board of Education members in the overall management of the Department. The Executive Order would reduce this line by \$35,000 (GF/GP). For FY 2000-01, this line is expected to lapse nearly \$16,000 (GF/GP) after a year-end adjustment of \$80,000 (GF/GP) to continue funding the Shiga Teacher Exchange program.	Gross GF/GP	(\$35,000) (\$35,000)
3. Central Support Operations Central Support section is the primary administrative arm of the Department. This Office includes the following service areas: financial services, budget development, personnel services, and contract and grant administration. The Central Support office is expected to lapse approximately \$126,000 (GF/GP) after a year-end adjustment of \$120,000 (GF/GP) to continue to fund the Shiga Teacher Exchange program. The Executive Order would reduce this line by \$115,000 (GF/GP) to balance the FY 2001-02 budget.	Gross GF/GP	(\$115,000) (\$115,000)
4. Technology and Information Operations This line funds personnel and operational costs for technological services. For FY 2001-02, this line is expected to lapse \$28,000 (GF/GP). The Executive Order would reduce this line by \$50,000 (GF/GP) to balance the FY 2001-02 budget.	Gross GF/GP	(\$50,000) (\$50,000)
5. School Excellence Operations This Office provides technical assistance to low-performing schools, curriculum development, and early childhood education. For FY 2000-01, this line is projecting a lapse of \$161,700 (GF/GP) after a year-end adjustment of \$104,500 (GF/GP) to partially address a deficit in the School Breakfast program. The Executive Order would reduce this line by \$200,000 (GF/GP) to balance the FY 2001-02 budget.	Gross GF/GP	(\$200,000) (\$200,000)

**EXECUTIVE ORDER 2001-9
Changes to FY 2001-02 Budget**

<u>Description of Change</u>	<u>Fund Source</u>	<u>Amount of Change</u>
6. Administrative Law Operations This Office conducts hearings for cases involving teacher tenure, property transfer, and teacher certification. For FY 2000-01, approximately \$56,000 (GF/GP) would revert to the General Fund. The Executive Order would remove \$15,000 (GF/GP) from this line to offset statewide deficits.	Gross GF/GP	(\$15,000) (\$15,000)
7. Education Options Operations This line oversees public school academies statewide, including authorization of state aid payments for charter schools. For FY 2000-01, approximately \$22,900 (GF/GP) will lapse to the General Fund after a year-end adjustment of \$50,000 (GF/GP) to continue funding the Shiga Teacher Exchange program. The Executive Order would reduce this line by \$65,000 GF/GP.	Gross GF/GP	(\$65,000) (\$65,000)
8. School Readiness Grants Competitive grants to private and nonprofit organizations to deliver early childhood education to at-risk children. For FY 2000-01, approximately \$186,000 (GF/GP) will revert to the General Fund after a year-end adjustment of \$177,200 (GF/GP) to offset anticipated deficits in the School Breakfast line. The Executive Order would remove \$650,000 (GF/GP) from this line to balance the FY 2001-02 budget.	Gross GF/GP	(\$650,000) (\$650,000)
9. MI Schools for the Deaf and Blind Operations Funds personnel and operational costs to deliver services to students who are deaf and/or visually impaired at Schools for the Deaf and Blind in Flint. The Executive Order would reduce this line by \$50,000 (GF/GP) to balance the FY 2001-02 budget.	Gross GF/GP	(\$50,000) (\$50,000)
10. Summer Institute Program These funds are used to teach braille and life skills to visually-impaired students at the Schools for the Deaf and Blind in Flint. For FY 2001-02, \$242,100 (GF/GP) is appropriated to fund the Summer Institute program. The Executive Order would shift the funding source from GF/GP revenues to restricted revenues from the Blind Trust Fund. The net effect to this line is zero. \$242,100 (GF/GP) would be used to offset statewide deficits.	Gross Restricted GF/GP	\$0 \$242,100 (\$242,100)
TOTAL EDUCATION	GF/GP	(\$1,572,100)
 ENVIRONMENTAL QUALITY		
1. Land and Water Program Direction The Department would be expected to realize the needed General Fund savings through program adjustments and administrative efficiencies.	Gross GF/GP	(\$50,000) (\$50,000)
2. Great Lakes Shorelands The Department would be expected to realize the needed General Fund savings through program adjustments and administrative efficiencies.	Gross GF/GP	(\$83,870) (\$83,870)
3. Surface Water Surveillance Program: Water Quality Monitoring General Fund support for these contracts would be replaced by Clean Michigan Initiative Bond revenue. There would be no impact on program activities. This order would remove, as well, the provision which requires a minimum of \$250,000 be e provided to local organizations (2001 PA 43, Sec. 501).	Gross GF/GP	(\$500,000) (\$500,000)
4. Laboratory Services Administration The Department would be expected to realize the needed General Fund savings through program adjustments and administrative efficiencies.	Gross GF/GP	(\$85,000) (\$85,000)
5. Environmental Cleanup and Redevelopment Program: Funding Shift to Section 29 Tax Credit Sale Revenue General Fund support for these contracts would be replaced by Section 29 Credit sale revenue. There would be no impact on program activities.	Gross GF/GP	(\$11,049,800) (\$11,049,800)
6. State Site Cleanup: Funding Shift to Section 29 Tax Credit Sale Revenue General Fund support for these contracts would be replaced by Section 29 Credit sale revenue. There would be no impact on program activities.	Gross GF/GP	(\$550,400) (\$550,400)

EXECUTIVE ORDER 2001-9
Changes to FY 2001-02 Budget

<u>Description of Change</u>	<u>Fund Source</u>	<u>Amount of Change</u>
<p>7. Contaminated Site Investigations, Cleanup, and Revitalization: Funding Shift and Administrative Efficiencies General Fund support for these contracts would be replaced by Section 29 Credit sale revenue: \$3,339,800. Environmental Response Fund revenue would replace GF/GP: \$1,132,830. An additional \$200,000 savings would be realized through program adjustments and administrative efficiencies.</p>	Gross GF/GP	(\$4,732,630) (\$4,732,630)
<p>8. Low Income Community Wastewater Assistance This program would be phased out, effective January 1, 2002.</p>	Gross GF/GP	(\$67,500) (\$67,500)
<p>9. Volunteer River, Stream, and Creek Cleanup This local grant program would be reduced by 75%.</p>	Gross GF/GP	(\$75,000) (\$75,000)
<p>10. Compliance and Permits The Department would be expected to realize the needed General Fund savings through program adjustments and administrative efficiencies.</p>	Gross GF/GP	(\$100,000) (\$100,000)
<p>11. Drinking Water The Department would be expected to realize the needed General Fund savings through program adjustments and administrative efficiencies.</p>	Gross GF/GP	(\$100,000) (\$100,000)
TOTAL ENVIRONMENTAL QUALITY	GF/GP	(\$17,394,200)
 EXECUTIVE		
<p>Executive Office Operations The Executive Office Operations line item is reduced by 5.0%. In order to achieve this reduction in GF/GP, administrative efficiencies will be implemented and, as FTE position vacancies occur, positions will not be filled.</p>	Gross GF/GP	(\$228,900) (\$228,900)
TOTAL EXECUTIVE	GF/GP	(\$228,900)
 FAMILY INDEPENDENCE AGENCY		
<p>1. Non-energy related Home Repairs and Multi-cultural Contracts The adjustment to the State Emergency Relief line item reduces funding in the area of non-energy related home repairs (\$255,000) and Multi-cultural contracts (Arab/Caldean \$735,000 and ACCESS \$485,000). Additionally, sections 621 and 644 of 2001 PA 82 are repealed. Section 621 issued guidance on Multi-cultural assimilation and support services contracts and section 644 increased the lifetime limit for non-energy related home repairs to \$1,750. The lifetime limit for non-energy related home repairs will now revert back to the pre FY 2000-01 level of \$1,500.</p>	Gross GF/GP	(\$1,475,000) (\$1,475,000)
<p>2. Indigent Burial The adjustment to the State Emergency Relief line item reduces indigent burial reimbursement by \$1.1 million GF/GP. Section 233 (1) of 2001 PA 120 is amended to allow the maximum charge limit for indigent burials to be \$1,114, with the funds directed to be distributed as follows: \$710 for funeral directors; \$234 for cemeteries or crematoriums; and \$170 for the provider of the vault.</p>	Gross GF/GP	(\$1,110,500) (\$1,110,500)
<p>3. Reduce Data Systems, Training, and Hiring Freeze The adjustment reduces funding for the following lines: Data systems enhancements (\$500,000); Training and staff development (\$250,000); and Field staff, salary and wages (\$250,000).</p>	Gross GF/GP	(\$1,000,000) (\$1,000,000)
<p>4. Child Assessment Centers In FY 2000-01, \$315,000 GF/GP was added to the Family Preservation and Prevention Services line item for Child Assessment (Advocacy) Centers statewide. This adjustment would reduce funding for the centers by \$236,600, leaving \$78,400.</p>	Gross GF/GP	(\$236,600) (\$236,600)
<p>5. Facility Savings The adjustment reduces by \$2.0 million GF/GP funding for rent (\$500,000); equipment (\$500,000); contractual services, supplies, and materials (\$750,000); and travel (\$250,000).</p>	Gross GF/GP	(\$2,000,000) (\$2,000,000)

EXECUTIVE ORDER 2001-9
Changes to FY 2001-02 Budget

<u>Description of Change</u>	<u>Fund Source</u>	<u>Amount of Change</u>
6. Maxey Training School		
The \$1.0 million GF/GP adjustment reduces bed capacity at Maxey Training School. The state-operated facility has been underutilized in recent months due, in large part, to the fact that Wayne County is putting fewer youth into residential care.	Gross GF/GP	(\$1,000,000) (\$1,000,000)
7. Community Action Agencies		
The adjustment to the State Emergency Relief line reduces \$1.5 million GF/GP for energy related services provided by Community Action Agencies.	Gross GF/GP	(\$1,500,000) (\$1,500,000)
8. Child Support Incentives		
The Executive Order reduces the distribution of State incentive payments to local Friends of the Court by \$2.5 million and uses an additional \$6.0 million in federal child support incentive payments to offset State child support related expenditures. The total GF/GP reduction is \$8.5 million. Section 401 (1) of 2001 PA 82 is amended to allow the department to retain the additional \$6.0 million in federal child support incentive payments and to utilize such funds for legal support contracts and child support program expenses.	Gross GF/GP	(\$8,500,000) (\$8,500,000)
9. Hiring Freeze Savings		
The Executive Order removes \$7.0 million GF/GP to reflect anticipated hiring freeze savings. Savings will be taken in a number of areas including Salary and wage lines as well as the Payroll taxes and fringe benefits line.	Gross GF/GP	(\$7,000,000) (\$7,000,000)
10. Juvenile Justice Contracts		
The Executive Order removes \$375,000 GF/GP of the \$1.5 million GF/GP appropriated for juvenile justice Day Treatment programs. Section 710 of 2001 PA 82 is amended to allow (<i>instead of requiring</i>) the department to continue contracts for county day treatment programs.	Gross GF/GP	(\$375,000) (\$375,000)
TOTAL FAMILY INDEPENDENCE AGENCY		GF/GP (\$24,197,100)
 HISTORY, ARTS, AND LIBRARIES		
1. Reduce Grant to Detroit Public Library		
The grant to the Detroit Public Library is reduced by 50%.	Gross GF/GP	(\$2,877,100) (\$2,877,100)
2. Reduce Grant to Grand Rapids Public Library		
The grant to the Grand Rapids Public Library is reduced by 50%.	Gross GF/GP	(\$199,100) (\$199,100)
3. Reduction to Arts and Cultural Supplemental Grants		
The supplemental grant line is reduced by 20%.	Gross GF/GP	(\$500,000) (\$500,000)
4. Proportional Decrease to Other GF Funded Lines		
A 5.2% reduction to GF/GP was taken on lines within the Department of History, Arts and Libraries with the exception of the three previously mentioned and as well the following lines which were held harmless; Unclassified Salaries; Management Services; Worker's Compensation; Museum of African American History; Michigan Library and Historical Center Operations; Renaissance Zone Reimbursement. The following appropriation lines did receive the 5.2% reduction and will cut services, staffing and administrative costs as necessary.	Gross GF/GP	(\$3,062,400) (\$3,062,400)
State Aid to Libraries (\$736,700) • Library-Operations (\$475,200) • Statewide Database Access (\$55,500) • Subregional State Aid (\$31,000) • Book Distribution Centers (\$17,000) • Wayne County Library for the Blind and Physically Handicapped (\$2,600) • Library Automation (\$26,600) • Arts and Cultural Grants (\$1,276,500) • Arts-Administration (\$46,500) • Building Occupancy Charges and Rent (\$10,100) • Office of Film and Television Services (\$7,900) • Mackinac Island State Park Operations (\$81,500) • Historical Facilities Systems (\$20,500) • Historical Administration Services (\$274,800)		
TOTAL HISTORY, ARTS, AND LIBRARIES		GF/GP (\$6,638,600)

EXECUTIVE ORDER 2001-9
Changes to FY 2001-02 Budget

<u>Description of Change</u>	<u>Fund Source</u>	<u>Amount of Change</u>
MANAGEMENT AND BUDGET		
1. Departmentwide Services	Gross	(\$203,200)
The Departmentwide Services line item is reduced by 5.8%. In order to achieve this reduction in GF/GP, reorganization of administrative functions will occur and previously planned projects will be delayed. Also, a portion of GF/GP revenue will be replaced with state restricted revenue.	Restricted	209,100
	GF/GP	(\$412,300)
2. Statewide Administrative Services	Gross	(\$352,700)
The Statewide Administrative Services line item is reduced by 5.4%. In order to achieve this reduction in GF/GP, consulting services related to research and expertise on financial management and information technology accounting will be reduced. Also, a portion of GF/GP revenue will be replaced with state restricted revenue.	Restricted	334,600
	GF/GP	(\$687,300)
3. Michigan Administrative Information Network	Gross	(\$994,100)
The Michigan Administrative Information Network line item is reduced by 4.9%. In order to achieve this reduction in GF/GP, information technology upgrades, application upgrades, infrastructure upgrades, and software purchases will either be delayed or will not take place at all.	GF/GP	(\$994,100)
4. Office of Children's Ombudsman	Gross	(\$61,100)
The Office of Children's Ombudsman line item is reduced by 5.0%. In order to achieve this reduction in GF/GP, operational support will be reduced and one full-time staff position will be reduced to part-time.	GF/GP	(\$61,100)
5. Health Insurance Reserve Fund	Gross	(\$154,100)
The Health Insurance Reserve Fund Payment line item is eliminated. Section 52 of the State Employees' Retirement Act, 1943 PA 240, requires the Department to calculate cost savings which occur as a result of implementing the Defined Contribution Retirement Plan, and requires the total amount of such cost savings to be submitted in the executive budget to the Legislature for appropriation into the Health Insurance Reserve Fund.	GF/GP	(\$154,100)
TOTAL FOR MANAGEMENT AND BUDGET	GF/GP	(\$2,308,900)
MILITARY AND VETERANS AFFAIRS		
1. Military Training Sites and Support Facilities	Gross	(\$600,000)
Reflects 1) \$500,000 reduction for anticipated savings from National Guard Tuition Program under current provisions of program and 2) \$100,000 reduction for National Guard training site operations.	GF/GP	(\$600,000)
2. Departmentwide Accounts	Gross	(\$200,000)
Represents 17.8% reduction from enacted appropriation; line item includes the following National Guard-related expenses: travel, equipment, worker's compensation, vehicle liability insurance, rent, training, and supplies.	GF/GP	(\$200,000)
3. Special Maintenance - State	Gross	(\$100,000)
Represents 20.0% reduction from enacted appropriation; line item supplements appropriation for armory maintenance in Capital Outlay budget.	GF/GP	(\$100,000)
4. Veterans Service Organizations	Gross	(\$891,625)
Eliminates grant payments over final three quarters of fiscal year (75.0% reduction) for the following organizations:	GF/GP	(\$891,625)
Marine Corps League (\$252,225) • Purple Heart (\$118,425) • Polish Legion of American Veterans (\$30,900) • Jewish Veterans of America (\$30,900) • Catholic War Veterans (\$9,975) • Veterans of World War I (placeholder) \$100)		
SUBTOTAL		(\$442,525)
Applies 13.6% across-the-board reductions for remaining organizations: American Legion (\$120,800) • Veterans of Foreign Wars (\$120,800) • Disabled American Veterans (\$99,800) • AMVETS (\$63,400) • Paralyzed Veterans of America (\$22,600) • Vietnam Veterans of America (\$21,700)		
SUBTOTAL		(\$449,100)

EXECUTIVE ORDER 2001-9
Changes to FY 2001-02 Budget

<u>Description of Change</u>	<u>Fund Source</u>	<u>Amount of Change</u>
TOTAL MILITARY AND VETERANS AFFAIRS	GF/GP	(\$1,791,625)
NATURAL RESOURCES		
<p>1. Finance and Operations Services: General Fund Supplement for Discounted Senior Citizen Licenses The Department budget has included a General Fund appropriation, supplementing Game and Fish Protection Fund support for the license sales system since 1995. This supplement, required in statute (1995 PA 57, MCL 324.43546), would not be made in FY 2001-02. This reduction would result in layoffs if these funds are not replaced through an increase in the Game and Fish Fund appropriation.</p>	Gross GF/GP	(\$2,300,000) (2,300,000)
<p>2. Michigan Civilian Conservation Corps: Camps Alberta and Vanderbuilt The level of General Fund support available for residential camps would be reduced. The remaining \$500,000 continues to be available to operate these camps. This funding support has been included in this line item since FY 1997-98. Total program appropriations in FY 2001-2002 amount to \$3,724,100 (GF/GP: \$2,223,100). The number of program enrollees would be reduced. There would be no Department staff reductions.</p>	Gross GF/GP	(\$500,000) (500,000)
<p>3. Timber Harvest: General Fund Supplement to Forest Development Fund Programs The General Fund appropriation to supplement the Forest Development Fund would be reduced. A similar increase in Forest Development Fund support would be necessary to maintain timber management efforts. This reduction represents approximately ½ of the General Fund appropriation for this line item.</p>	Gross GF/GP	(\$1,042,900) (1,042,900)
<p>4. Cooperative Resource Programs: Urban Tree Planting The remaining amount of General Fund appropriation earmarked for tree planting programs would be deleted. This reduction would not result in Department staff reductions or have an impact other programs.</p>	Gross GF/GP	(\$256,500) (256,500)
<p>5. Abandoned Mineshaft Closures This program would be eliminated for FY 2001-2002. Program activities typically occur at underground mine sites in the Upper Peninsula.</p>	Gross GF/GP	(\$350,000) (350,000)
<p>6. General Law Enforcement: Conservation Officer Training The Department will not need to offer a Conservation Officer Training School in FY 2002: the department wide hiring freeze precludes an increase in the number of department conservation officers. This reduction does not effect the \$500,000 added to this budget to enforce the new Native American fishing treaty.</p>	Gross GF/GP	(\$500,000) (500,000)
<p>7. Purchased Lands Taxes/Open Space Payments: Supplement to the Game and Fish Protection Fund The General Fund subsidy to the Game and Fish Protection Fund would be suspended. This contribution was first included in FY 1995-96 to reflect non-hunting and fishing uses of lands purchased by license revenue. Game and Fish Fund support would need to be increased to cover payment in lieu of taxes obligations.</p>	Gross GF/GP	(\$1,820,900) (1,820,900)
TOTAL NATURAL RESOURCES	GF/GP	(\$6,770,300)

STATE

EXECUTIVE ORDER 2001-9
Changes to FY 2001-02 Budget

<u>Description of Change</u>	<u>Fund Source</u>	<u>Amount of Change</u>
<p>1. Increase Michigan Transportation Fund Support The Department of State currently receives funds from the Department of Transportation, through an IDG, for the department's collection of transportation revenue. The IDG is increased by \$40.0 million and that the General Fund/General Purpose funding is reduced by a like amount. The following represents the reduction of GF/GP by appropriation line.</p>	Gross GF/GP	(\$40,000,000) (\$40,000,000)
<p>Executive Direction - Operations (\$387,700) • Department Services-Operations (\$4,428,100) • Data Processing (\$5,547,300) • Regulatory Services-Operations (\$2,335,200) • Auto Regulations (\$1,007,800) • Branch Operations (\$18,813,000) • Central Records (\$4,690,600) • Field Services Administration (\$579,300) • Record Administration (\$109,100) • Building Occupancy Charges/Rent (\$1,897,200) • Worker's Compensation (\$204,700)</p>		
<p>2. Branch Office Reduction A reduction of \$1.0 million is made in the Branch Operations appropriation line, which is a 4.1% decrease to appropriated GF/GP funding. It is anticipated that several branch offices will be closed. This would result in corresponding staff lay-offs.</p>	Gross GF/GP	(\$1,000,000) (\$1,000,000)
<p>3. Central Office Reductions Reductions of GF/GP are also made in the appropriation lines listed below. Operational costs such as travel, supplies, materials and contractual services will be reduced to meet revised funding levels. The reduction represents a 5.8% decrease given that the gross GF/GP authorization for the following lines is \$45,573,000.</p> <p>Executive Direction-Operations (\$50,000) • Department Services-Operations (\$69,900) • Data Processing (\$740,200) • Regulatory Services-Operations (\$235,000) • Auto Regulations (\$16,800) • Central Records (\$282,400) • Field Services Administration (\$100,000) • Election Administration and Services (\$94,500) • Qualified Voter File (46,300) • Building Occupancy Charges/Rent (\$350,000) • Worker's Compensation (\$52,700)</p>	Gross GF/GP	(\$2,037,800) (\$2,037,800)
TOTAL STATE	GF/GP	(\$43,037,800)
 STATE POLICE		
<p>1. Secondary Road Patrol and Traffic Accident Basic Grants GF/GP reduction to be offset by projected restricted revenue generated by temporary increase, from \$5 to \$10, of the Secondary Road Patrol and Training assessment applied to most traffic citations in the state.</p>	Gross GF/GP	(\$4,500,000) (\$4,500,000)

EXECUTIVE ORDER 2001-9
Changes to FY 2001-02 Budget

<u>Description of Change</u>	<u>Fund Source</u>	<u>Amount of Change</u>
2. Criminal Justice Information Center	Gross	(\$2,800,000)
GF/GP reduction to be offset by projected restricted revenue generated by temporary increases from statutory amounts for the following fees:	GF/GP	(\$2,800,000)
1) Criminal history fingerprint checks—increase fee from \$15 (\$25 in specific cases) to \$30 (\$1.8 million), 2) Criminal history name checks—increase fee from \$5 to \$15 (\$1.0 million)		
3. Criminal Investigations	Gross	(\$250,000)
GF/GP reduction to be offset by projected restricted revenue generated by temporary increases from statutory amounts for the following licensure fees:	GF/GP	(\$250,000)
1) Private security guard (firm, partnership, or corporation)—increase two-year renewal fee from \$150 to \$1,500, 2) Private security guard (person)—increase two-year renewal fee from \$100 to \$1,500, 3) Alarm system contractor—increase two-year renewal fee from \$250 to \$1,500, 4) Private detective (firm, partnership, or corporation)—increase two-year renewal fee from \$200 to \$500, 5) Private detective (person)—increase two-year renewal fee from \$50 to \$500		
TOTAL STATE POLICE	GF/GP	(\$7,550,000)
 SCHOOL AID		
1. Reduction of funding for the Golden Apple program for FY 2001-02.	Gross	(7,200,000)
	Restricted	(7,200,000)
	GF/GP	\$0
2. Reduction of the General Fund/General Purpose fund transfer to the School Aid Fund and transfer of these funds to the unappropriated balance of the General Fund for FY 2001-02.	Gross	(7,200,000)
	GF/GP	(7,200,000)
TOTAL SCHOOL AID	GF/GP	(\$7,200,000)
 MICHIGAN STRATEGIC FUND		
1. Economic Development Job Training Grants	Gross	(\$3,000,000)
A 10.2% reduction is recommended within the Executive Order for this grant program. The program finances grants to job training providers to support the development and administration of customized training programs tailored to the needs of specific Michigan businesses.	GF/GP	(\$3,000,000)
2. Job Creation Services	Gross	(\$1,216,000)
The line item's GF/GP support would be reduced by 5.8% with the overall appropriation dropping by 4.9% under the proposal. The line item broadly supports the staff and administration of most of the Michigan Economic Development Corporation's economic development programs, including its business retention and attraction programs, development finance programs, Travel Michigan, small business assistance, and its Public Affairs unit.	GF/GP	(\$1,216,000)
3. Michigan Promotion Program	Gross	(\$400,000)
The Executive Order would reduce GF/GP appropriations for this purpose by 5.0%. The appropriation supports the marketing of Michigan as a tourism destination in key Midwestern markets. This includes advertising campaigns, direct marketing efforts, and publications.	GF/GP	(\$400,000)
4. Administration	Gross	(\$139,600)
The Executive Order reduces this GF/GP-financed line item by 2.6%. The line item supports the general administration of the Michigan Economic Development Corporation (e.g. budgeting, accounting, legal affairs).	GF/GP	(\$139,600)
TOTAL STRATEGIC FUND	GF/GP	(\$4,755,600)

**EXECUTIVE ORDER 2001-9
Changes to FY 2001-02 Budget**

<u>Description of Change</u>	<u>Fund Source</u>	<u>Amount of Change</u>
TREASURY		
1. Revenue Appropriation Line Reduction and Fund Source Change		
Activities in the Revenue appropriation line partly consist of the collection of motor fuel taxes for the Michigan Transportation Fund. The costs of collecting those funds are currently supported by GF/GP. It is proposed that the GF/GP amount of \$8.0 million now be supported with Michigan Transportation Funds. The department will create a system to track motor fuel tax activities. A reduction of \$1.5 million will be realized through decrease use of temporary staff during the tax processing season. This will result in slower tax returns to the public. No staff lay-offs are anticipated.	Gross GF/GP	(\$9,500,000) (\$9,500,000)
2. Financial Services Appropriation Line Reduction		
A GF/GP reduction is proposed that will result in decreased services to other agencies and as well the public, resulting in slower tax return receipt.	Gross GF/GP	(\$604,800) (\$604,800)
TOTAL TREASURY	GF/GP	(\$10,104,800)
TOTAL GF/GP REDUCTIONS	GF/GP	(\$285,288,985)
 WORK PROJECT REDUCTIONS		
1. 4% reduction to the Ethanol Grant - Agriculture		
A recently enacted transfer for a GF/GP grant to provide \$5.0 million for value added: ethanol plant near Caro is also included as part of this recommendation. Enacted for FY 2002 at \$5,000,000, this represents a 4% GF/GP reduction to this work project.	Gross GF/GP	(\$200,000) (\$200,000)
2. Succession Planning Work Project Lapse - Civil Rights		
The available GF/GP balance of the Succession Planning work project account will be transferred to the unappropriated balance of the general fund at the end of the fiscal year.	Gross GF/GP	(\$740,000) (\$740,000)
3. Work Project Authorization - Environmental Quality		
Prior year carryforwards for environmental cleanup projects would be reduced. Affected programs include: Environmental Cleanup and Pollution Prevention, Environmental Cleanup and Redevelopment, and Leaking Underground Storage Tank Cleanup.	Gross GF/GP	(\$5,631,408) (\$5,631,408)
4. Finger Imaging - Family Independence Agency		
The FY 2000-01 budget included \$8.7 million Gross (\$3.4 million GF/GP) to cover the development, and equipment and operational costs of a new finger imaging system mandated in 1999 PA 26. The purpose of the system is to prevent individuals from illegally receiving cash assistance and food stamps under more than one name. The system has yet to begin development due to litigation. It was the department's plan to request that funding for this project be placed in a work project account until needed. It's now been decided to forgo placing the \$3.4 million GF/GP in a work project account and to instead utilizing the GF/GP funding to partially satisfy the requirement of this Executive Order.	Gross GF/GP	(\$3,400,000) (\$3,400,000)
5. Work Project Reduction: Michigan Core Communities Fund - Michigan Strategic Fund		
The Executive Order would transfer \$2.0 million (estimated withdrawal) of the remaining balance of the work project appropriation to the State's general fund. The work project appropriation supports grants to eligible local units of government and to certified technology parks for economic development, revitalization and infrastructure projects. The current work project appropriation balance is roughly \$27.0 million.	Gross GF/GP	(\$2,000,000) (\$2,000,000)
TOTAL WORK PROJECT REDUCTIONS	GF/GP	(\$11,971,408)
TRANSFERS TO GENERAL FUND		

EXECUTIVE ORDER 2001-9 Changes to FY 2001-02 Budget

<u>Description of Change</u>	<u>Fund Source</u>	<u>Amount of Change</u>
<p>1. Work Project Reduction: Michigan Technical Education Centers - Career Development The appropriation authority for this tobacco settlement-funded work project would be reduced by \$8.0 million (estimated balance withdrawal) through the Executive Order. This amount would be transferred to the general fund to support other state programs. Work project funds are used to support a number of Department policy initiatives, including the Competency-Based Curriculum Fund, Operation Fast Break, credentialing initiatives, and the Michigan Virtual University. Initially, \$75.0 million in tobacco settlement revenue was appropriated for this purpose. However, the Legislature reduced the work project account by \$20.0 million in SB 283—a FY 2001 supplemental appropriation bill—in order to increase general fund revenue. This action would reduce the work project by an additional \$8.0 million. The current balance of the work project appropriation is \$24,900,000.</p>	Gross Tobacco	(\$8,000,000) (\$8,000,000)
<p>2. Council of Michigan Foundations - Career Development Supports local initiatives related to youth and senior health issues.</p>	Gross Tobacco	(\$2,000,000) \$2,000,000)
<p>3. PASS Program - Community Colleges The Postsecondary Access Student Scholarship (PASS) program pays the remaining tuition and mandatory fee costs for eligible students enrolled at community colleges, states universities that offer associate degrees, or independent colleges after utilization of all other financial aid grants and tax credits for which the students qualify. In FY 2000-01, approximately \$760,000 or 7.6% of the original \$10 million appropriated from the Tobacco Settlement Trust Fund was expended for scholarships. For FY 2001-02, the PASS program is funded at \$5 million from the Michigan Merit Award Trust Fund; the Executive Order would reduce scholarship funding from \$5 million down to \$2 million. Scholarship expenditure trends have been considerably lower than the amount appropriated in Fiscal Year (FY) 2000-01.</p>	Gross Tobacco GF/GP	(\$3,000,000) (\$3,000,000) \$0
<p>4. Long-Term Care Media Campaign - Community Health The executive order reduces funds to the Long-Term Care Advisor which primarily support a public information and awareness campaign regarding long-term care planning, insurance, and services. The reduction represents 75% of the FY 2001-02 appropriation, which is funded with tobacco settlement revenues.</p>	Gross Tobacco	(\$2,285,000) (\$2,285,000)
<p>5. Employee Wellness Grants - Community Health The executive order reduces by 77% all state restricted funds (\$1,312,000 from Healthy Michigan Fund and \$1,888,000 from the Michigan Health Initiative) for employee wellness program grants to local health departments and small businesses.</p>	Gross Restricted	(\$3,200,000) (\$3,200,000)
<p>6. Violence Prevention - Community Health The executive order reduces by 74.8% state restricted Healthy Michigan Funds for regional violence prevention coalitions, and rape and domestic violence prevention programs.</p>	Gross Restricted	(\$1,500,000) (\$1,500,000)
<p>7. Adolescent Health Care Clinics - Community Health The executive order reduces by 74.8% state restricted Healthy Michigan Funds for local teen health clinics providing primary health care, screening and assessment, health promotion, and referral services to teens.</p>	Gross Restricted	(\$636,000) (\$636,000)
<p>8. HIV/AIDS Testing - Community Health The executive order reduces state restricted Michigan Health Initiative funds appropriated for HIV/AIDS testing and counseling. In the current fiscal year an estimated \$3.1 million from all fund sources is allocated for HIV/AIDS counseling and testing at local public health departments.</p>	Gross Restricted	(\$600,000) (\$600,000)
<p>9. State and Local Medical Programs - Community Health The executive order eliminates funding for new county-based indigent care programs to be financed with tobacco settlement revenues. The reduction will result in a corresponding loss of federal Medicaid matching funds.</p>	Gross Federal Tobacco	(\$16,498,600) (9,298,600) (7,200,000)
<p>10. Teacher Certification Fund - Education The Executive Order would transfer \$1.4 million in restricted revenues from the Teacher Certification Fund to the General Fund. These fees are derived from the issuance of teacher and administrator certificates. This is a one-time transfer to the General Fund.</p>	Gross Restricted	\$0 (\$1,400,000)

EXECUTIVE ORDER 2001-9
Changes to FY 2001-02 Budget

<u>Description of Change</u>	<u>Fund Source</u>	<u>Amount of Change</u>
<p>11. Motorcycle Safety Fund - Education The Executive Order would transfer \$200,000 in restricted revenues from the Motorcycle Safety Fund to the General Fund to offset statewide deficits. This is a one-time transfer to the General Fund.</p>	Gross Restricted	\$0 (\$200,000)
<p>12. Teacher Testing Fund - Education The Executive Order would transfer \$250,000 in restricted revenues from the Teacher Testing Fund to the General Fund to offset statewide deficits. These fees are collected from certifying teachers. This is a one-time transfer to the General Fund.</p>	Gross Restricted	\$0 (\$250,000)
<p>13. Medical Waste Emergency Response Fund - Environmental Quality For FY 2001-2002 only, funds accumulated in the Medical Waste Emergency Response Fund (approximately \$1,100,000) would be transferred to the General Fund on September 30, 2002. This amount includes the \$402,500 lapsed from the Environmental Health program</p>	Gross GF/GP	(\$1,100,000) (\$1,100,000)
<p>14. Adjust Accounting Treatment for Michigan Merit Award - Higher Education This change adjusts the treatment of payables for the Michigan Merit Awards. Currently, Merit Award payables for subsequent fiscal years are included in calculation of the financial obligation in a single fiscal year. This accounting change would result in calculation of the financial obligation for the current fiscal year only.</p>	Gross Merit Trust GF/GP	(\$33,000,000) (\$33,000,000) \$0
<p>15. Reduce FY02 Merit Award Appropriation To Expected Spending Level - Higher Education The number of Award recipients is now estimated to be fewer than the number originally estimated and linked to the appropriated amount for the Merit Award program. The Merit Award program will also adjust the accounting treatment of payables for the Awards. Currently, Merit Award payables for subsequent fiscal years are included in calculation of the financial obligation in a single fiscal year. The proposed change would modify the obligation to the current fiscal year only. This change would provide a one-time savings of \$33 million in restricted funds, which would then be transferred to the General Fund.</p>	Gross Merit Trust GF/GP	(\$7,000,000) (\$7,000,000) \$0
<p>16. Implement Revised Time Limits Related to Merit Award Use - Higher Education This requires legislative action to amend P.A. 94 of 1999 to compress the time period for use of the Merit award and to adjust the deadline for application to receive an award. Currently, a person has seven years to utilize the Award and can provide required certification forms beyond the beginning of a fiscal year. Those time limits are proposed for changes that are estimated to achieve a \$15 million savings.</p>	Gross Merit Trust GF/GP	(\$15,000,000) (\$15,000,000) \$0
<p>17. Health and Aging Research and Development Strategies - Michigan Strategic Fund The Executive Order would reduce the tobacco settlement appropriation for this initiative by \$5.0 million and transfer this amount to the State's general fund. This represents a 10% reduction to the FY 2002 appropriation. Funds are used to support research and development grants in the life sciences to the Michigan universities and non-profit research institutes as well as the commercialization of technologies and/or processes discovered through the research.</p>	Gross Tobacco GF/GP	(\$5,000,000) (\$5,000,000) \$0

EXECUTIVE ORDER 2001-9
Changes to FY 2001-02 Budget

<u>Description of Change</u>	<u>Fund Source</u>	<u>Amount of Change</u>
18. MTF Reimbursement - Department of State - Transportation		
The Michigan Department of State (DOS) collects vehicle title and registration taxes for the Michigan Transportation Fund (MTF) - the main collection and distribution fund for state-restricted transportation revenue. It is estimated that DOS-collected taxes will generate \$789 million in revenue for the MTF in the current fiscal year.	Gross	\$0
The MTF currently reimburses the DOS for the cost of revenue collection through an interdepartment grant - currently \$55.8 million - appropriated in the state transportation budget. However, a cost allocation study obtained by the DOS concluded that for the fiscal year ended September 30, 1999, the DOS's actual cost of collecting MTF revenue was \$85.5 million. DOS costs not reimbursed by the MTF grant are currently funded through General Fund appropriations. The Executive Order would authorize the Michigan Department of Transportation to pay up to \$95.8 million to the DOS from the MTF for "transportation-related activities... based on allowable expenditures and subject to verification by the Michigan Department of Transportation."	Restricted	\$0
The proposed \$40 million increase in the grant to the DOS would effectively reduce the amount of MTF revenue available for distribution in accordance with Public Act 51 of 1951 (Act 51) as follows: CTF - 10% of MTF balance (\$4.0 million) • STF - 35% of MTF balance (\$14.0 million) • County Road Commissions - 35% of MTF balance (\$14.0 million) • Cities and Villages - 20% of MTF balance (\$8.0 million)	GF/GP	\$0
19. MTF Reimbursement - Department of Treasury - Transportation		
The Michigan Department of Treasury collects approximately \$1.0 billion in motor fuel taxes for the MTF. The costs of collecting those taxes are currently funded from GF appropriations; a grant from the MTF to reimburse the Department of Treasury for collection costs was eliminated in FY 1999-2000 in accordance with an Act 51 mandate.	Gross	\$0
The Executive Order would authorize the Department to pay up to \$8 million from the MTF for "tax collection and audit activities performed by the Michigan Department of Treasury ... based on allowable expenditures and subject to verification by the Michigan Department of Transportation."	Restricted	\$0
The proposed reimbursement of up to \$8 million from the MTF to the Michigan Department of Treasury would effectively reduce the amount of MTF revenue available for distribution in accordance with Act 51 as follows: CTF - 10% of MTF balance (\$800,000) • STF - 35% of MTF balance (\$2.8 million) • County Road Commissions - 35% of MTF balance (\$2.8 million) • Cities and Villages - 20% of MTF balance (\$1.6 million)	GF/GP	\$0
20. Drivers' License Fee Revenue - Transportation		
The Transportation Economic Development Fund (TEDF) was established by PA 231 of 1987 (MCL 247.902) to assist in funding highway, road, and street projects that support economic growth. One of the revenue sources for this fund is a statutory earmark of a portion of drivers' license fees. This revenue source generates approximately \$13.0 million per year for the TEDF. The Executive Order would amend Section 819 of the Michigan Vehicle Code for the fiscal year ending September 30, 2002 to direct \$2.25 million of this drivers' license fee revenue to the General Fund instead of the TEDF. The EO would also reduce funding for TEDF programs in accordance with current PA 231 distribution formula as follows: Category "A" - Target industries (\$1.1 million) • Category "C" - Urban congestion relief (\$562,500) • Category "D" - Rural county primary (\$562,500)	Gross	(\$2,250,000)
Category "A" is considered a "state" program and is jointly administered by the Michigan Department of Transportation and the Michigan Economic Development Corporation. Categories "C" and "D" are considered local programs.	Restricted	(\$2,250,000)
	GF/GP	\$0

**EXECUTIVE ORDER 2001-9
Changes to FY 2001-02 Budget**

<u>Description of Change</u>	<u>Fund Source</u>	<u>Amount of Change</u>
21. Motor Vehicle Related Sales Tax Revenue - Transportation		
The Comprehensive Transportation Fund (CTF) is dedicated to public transportation programs; it provides capital and operating assistance to the state's 72 public transit systems, supports intercity rail and bus passenger programs, rail freight programs, and programs which address the transportation needs of the elderly, the disabled, and people making the transition from welfare to work.	Gross	(\$12,750,000)
	Restricted	(\$12,750,000)
	GF/GP	\$0
One of the revenue sources for this fund is an earmark in the Sales Tax Act - effectively 4.65% - of the sales tax collected on motor vehicle-related sales (motor fuels, motor vehicles, vehicle parts and accessories). Revenue from the motor vehicle related sales tax is estimated to be \$71.0 million in FY 2001-02.		
The Executive Order would amend Section 25 of the Sales Tax Act (PA 167 of 1933) for the fiscal year ending September 30, 2002 to direct \$12.8 million of the motor vehicle related sales tax to the General Fund instead of to the CTF. The EO would make the following reductions in CTF program accounts: Bureau of Urban and Public Transportation - Administration (\$200,000) • Local Bus Operating (\$3,247,300) • Freight Property Management (\$119,300) • Detroit/Wayne County Port Authority (\$31,500) • Intercity Bus Equipment (\$1,000,000) • Rail Passenger Service (\$78,000) • Rail Infrastructure Loan Program (\$800,000 *) • Intercity Bus Service Development (\$100,000) • Marine Passenger Services (\$500,000) • Terminal Development (\$200,000) • Specialized Services (\$190,000) • Bus Capital (\$378,900) • Bus Property Management (\$60,000) • Service Development and New Technology (\$155,000) • Planning Grants (\$40,000) • Audit Settlements (\$50,000) • Regional Service Coordination (\$900,000) • Work First Initiative (\$1,500,000) • Rail Infrastructure Loan Program (Reserve for Revolving Loan Programs) (\$3,200,000 **)		
* The EO proposes to delete a sentence from Section 705 of the current year appropriation act (Public Act 59 of 2001) which had allocated \$800,000 to the Rail Infrastructure Loan Program.		
** All items except the Rail Infrastructure Loan Program (Reserve for Revolving Loan Programs) represent reductions in current year appropriations from the CTF. The Rail Infrastructure Loan Program (Reserve for Revolving Loan Programs) represents a reduction in a portion of the CTF fund balance reserved for revolving loan programs.		
22. Merit Award Trust Fund Lapse - Treasury		
Funding to the Michigan Education Savings Plan line is reduced by \$1.0 million. This line is funded from the Michigan Merit Award Trust Fund. The \$1.0 million will lapse to the General Fund at year-end. The MEAP projected costs are \$1.0 million for FY 2002.	Gross	(\$1,000,000)
	Restricted	(\$1,000,000)
23. Statutory Revenue Sharing Reduction - Treasury		
A transfer to the unappropriated balance of the General Fund as of September 30, 2002, of \$37.2 million Michigan sales tax revenue from the Statutory State General Revenue Sharing Grants appropriation line.	Gross	(\$37,200,000)
	Restricted	(\$37,200,000)
TOTAL FUND BALANCE TRANSFERS	GF/GP	(\$144,571,000)