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OVERVIEW

The General Government Appropriations Bill contains appropriations for Attorney General, Civil Rights, Civil Service, Executive, Information Technology, Legislature, Management and Budget, State, and Treasury. The following pages provide a summary of the changes for FY 2004-05. The Conference Report is at the General Fund Leadership Target of \$335.1 million.

Items Included by the Senate and House

1. **Buy American Intent Language.** This section that prohibits use of funds for purchase of foreign goods or services if competitively priced and comparable quality American goods or services are available. The Governor's recommendation includes intent language stating that preference should be given to goods and services manufactured or provided by Michigan businesses if they are competitively priced and of comparable value. The House replaced the word "value" with "quality" in the second sentence. The Senate concurred with the House. (Sec. 209)
2. **Deprived and Depressed Communities.** Requires department directors to take all reasonable steps necessary to ensure businesses in deprived and depressed communities compete for and perform State contracts. The Governor eliminated this section. The House and Senate restored it. (Sec. 210)
3. **Retention of Reports.** The Governor eliminated current year language that requires departments and agencies receiving appropriations under this Act to receive and retain copies of all reports funded in the Act. Federal and State guidelines for retention of records shall be followed. The House and Senate restored this section. (Sec. 212)
4. **Communications with Legislators.** Prohibits disciplinary action against department employees for communicating with Legislators or their staff. The House and Senate restored this section. (Sec. 215)
5. **Information Technology Work Projects.** The House and Senate removed proposed language stating that amounts appropriated in Part 1 for information technology may be designated as work projects.

Conference Agreement on Items of Difference

6. **Hiring Freeze.** This section imposes a hiring freeze and provides that the State Budget Director may grant exceptions to the hiring freeze. Criteria for exceptions include; ability to deliver basic services, loss of revenue, inability to receive Federal funds, or resulting costs exceeding savings from the vacancy. The Department of Attorney General and Secretary of State may grant exceptions to the hiring freeze for their respective departments pursuant to the same criteria that the State Budget Director may grant exceptions. Provides for a quarterly report to the chairs of appropriations committees regarding exceptions to hiring freeze. The Governor removed this section. The House restored it. The Senate revised this language by eliminating the provision that allowed the Attorney General, Secretary of State, and Budget Director to grant exceptions to the hiring freeze. In lieu of exceptions the modified language provides that the hiring freeze does not apply to any of the following situations: (a) Filling the vacant position will directly prevent the loss of federal funding. (b) The vacant position deals directly with the direct provision of public safety services including prison officers, law enforcement officers, child services enforcement workers. (c) The vacant position provides direct health care services including physicians, nurses and other direct health care providers. (d) The vacant position directly impacts necessary legal services as determined by the Attorney General. The reporting requirement is maintained. The Conference Committee restored current year language. (Sec. 205)
7. **Privatization Evaluation.** Requires departments to submit a complete project plan to appropriate House and Senate appropriation subcommittees and fiscal agencies 60 days prior to beginning any privatization efforts. The completed evaluations are to be submitted within 30 months. The Governor eliminated this section. The House restored the provision. The Senate removed it. The Conference Committee concurred with the Senate.

8. **Travel Restrictions.** The Senate added language that prohibits departments from expending appropriations for travel outside the State of Michigan. Also requires departments to reduce travel expenditures by at least 50% in FY 2004-05. An exception to these restrictions is provided for travel related to necessary legal services, revenue collection, or the protection of State property, investments, or assets. The total travel expenditures under this exception are limited to no more than the amount expended in FY 2003-04. The Conference Committee included modified language agreed to by leadership that limits out-of-state travel to specific situations, allows for exceptions by the State Budget Director, requires monthly reporting of exceptions, and requires an annual travel report. (Sec. 216)
9. **General Fund Restrictions.** The Senate added language that prohibits use of general fund appropriations in this Act where Federal funds are available for the same expenditures. The Conference Committee concurred with the Senate. (Sec. 217)

FY 2003-04 Year-to-Date Gross Appropriation	\$61,504,400
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Changes from FY 2003-04 Year-to-Date:

Items Included by the House and Senate

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| 1. Real Estate Enforcement. The House and Senate maintained the \$200,000 for increased enforcement included in the FY 2003-04 Supplemental (2004 PA 309). | 0 |
| 2. Prisoner Reimbursement. The House eliminated the line item appropriation of contingent spending authorization and included it as a boilerplate appropriation (see Section 309. Item # 3 on the next page. The Senate concurred with the House. | (719,200) |
| 3. Federal Funds. Federal funding is adjusted to reflect actual revenue (Byrne Grant reduced by \$364,700 and U.S. Department of Agriculture Food Stamp reduced \$633,800). The Senate concurred with the House. | (998,500) |
| 4. Other Changes. Other adjustments include the reduction of 6.0 FTE based on Executive Order 2003-23, a \$23,900 reduction to information technology based on actual costs, elimination of one-time adjustments included in the FY 2003-04 supplementals, and adjustments to Federal and State Restricted funding based on appropriate charges. | (587,900) |

Conference Agreement on Items of Difference

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| 5. Health Professionals. The House added funding to reflect actual costs of the Department of Attorney General for legal services provided to the Department of Community Health regarding health professionals. The Senate concurred but maintained a \$100 point of difference. The Conference Committee concurred with the House. | 460,900 |
| 6. Office of Financial and Insurance Services. The House added funding to reflect the actual workload from the Department of Labor and Economic Growth related to the Office of Financial and Insurance Services. The Senate concurred but maintained a \$100 point of difference. The Conference Committee concurred with the House. | 903,600 |
| 7. Prosecuting Attorneys Coordinating Council. The Senate reduced this line item by \$150,000. The Conference Committee restored the funding. | 0 |
| 8. Information Technology Reduction. The Senate reduced the information technology appropriation by \$60,600 (7%) from the Governor's recommendation. The Conference Committee included the Leadership Agreement for information technology. | (14,700) |
| 9. 5/27/04 DMB Revision Letter. This adjustment is made based on allocating employee costs between fiscal years and a recent retirement system actuarial study. | (189,800) |
| 10. Budgetary Savings. The Governor included a budgetary savings of \$1,776,300 for the Department of Attorney General. The House reduced savings by \$25,000. The Senate concurred with the House, however, it maintained a \$100 point of difference on the line item. The Conference Committee concurred with the House. | (1,751,300) |
| 11. Economic Adjustments. The Governor included \$3,374,900 for economic adjustments. The House increased funding by \$1,043,300. The Senate concurred, however, it maintained a \$100 point of difference. The Conference Committee reduced General Fund economics by \$190,000 from the House Passed version of the bill pursuant to Leadership Agreement. | 4,228,200 |

Total Changes.....	1,331,300
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FY 2004-05 Conference Report Gross Appropriation	\$62,835,700
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Amount Over/(Under) GF/GP Target: \$0

Changes from FY 2003-04 Year to Date:Items Included by the House and Senate

1. **Anti-Trust Enforcement Revenue.** Provides that any unobligated anti-trust enforcement revenue, limited to \$250,000, may be carried forward for appropriation in the next fiscal year. The House modified this section to provide that in addition to antitrust revenues appropriated in Part 1, antitrust, securities fraud, consumer protection or class action enforcement revenue, or attorney fees recovered by the Department, not to exceed \$1.0 million are appropriated for those cases. The House also added carry forward authorization for up to \$1.0 million. The Senate concurred with the House. (Sec. 307)
2. **Litigation Expense Reimbursement.** Appropriates up to \$500,000 from litigation expense reimbursements awarded to the State. Provides that funds may be used to pay attorney fees assessed against the State and for State costs incurred pursuant to MCL 770.16 (DNA testing). Provides for carry forward of unexpended funds up to a maximum of \$500,000. The Governor's recommendation includes litigation settlements as a proper use of the funding. The House and Senate concurred with the Governor. (Sec. 308)
3. **Prisoner Reimbursement Funds.** Provides that the Department may spend up to \$301,700 of prisoner reimbursement funds on activities related to the State Correctional Facilities Reimbursement Act. If the Department of Attorney General collects in excess of \$1,131,000, the excess, limited to \$800,000, may be spent on the defense of the State, its departments, or employees, in civil actions filed by prisoners. The Governor's recommendation increases the amount reserved for collection activities from \$301,700 to \$400,000 and increases the threshold for the expenditure of additional funds from \$1,131,000 to \$1,231,000. The revised language also includes carry forward authority of up to \$800,000. The House changed the language to reflect a boilerplate appropriation of the contingent prisoner reimbursement allocation to the Department of Attorney General, increased the contingent appropriation and carryforward authorization from \$800,000 to \$1,000,000, broadened the scope of what the funds can be spent on, and returned the threshold for the contingent appropriation to \$1,131,000. The Senate concurred with the House. (Sec. 309)
4. **Information Technology.** The House added language that appropriates \$700,000, in addition to amounts appropriated in Part 1, for information technology services and projects. Provides for carry forward authorization. This funding would complete the Department's replacement of its information technology infrastructure. Items remaining include completion of application development and database conversion, the purchase of an Oracle server, and developmental software for the database and tools. The Senate concurred with the House. The Conference Committee removed this language pursuant to Leadership Agreement.

Conference Agreement on Items of Difference

5. **Contingency Funds.** Appropriates, in addition to amounts appropriated in Part 1, Federal, State Restricted, Local, and Private Contingency Funds. Requires legislative transfers prior to expenditure of funds. The Governor included this section, which was eliminated in FY 2003-04. The House concurred with the Governor. The Senate eliminated this section. The Conference Committee concurred with the Senate pursuant to Leadership Agreement.

Date Completed: 9-7-04

Fiscal Analyst: Bill Bowerman

FY 2003-04 Year-to-Date Gross Appropriation	\$12,654,158
Changes from FY 2003-04 Year-to-Date:	
<u>Items Included by the House and Senate</u>	
1. Human Resources Optimization Project. This reduction reflects the net savings related to Human Resources Optimization Project. The reduction includes the elimination of 1.0 FTE position.	(19,600)
2. Information Technology Adjustments. The adjustment reflects an increase of \$16,000 for desktop costs and savings of \$7,700 related to telecommunication cost reductions.	8,300
3. Budgetary Savings. The Governor included budgetary savings in all departments to offset a portion of employee related economic increases. Savings are to be achieved through employee concessions and efficiencies.	(346,900)
4. Economic Adjustments. Economic adjustments are consistent with factors applied to other departmental budgets.	495,242
<u>Conference Agreement on Items of Difference</u>	
5. Program Reduction. The Senate reduced the operations line item by \$550,000. The Conference Committee restored the funding.	0
6. Information Technology Reduction. The Senate reduced information technology by \$58,800 (7%) from the Governor's recommendation. The Conference Committee adjusted funding for information technology pursuant to Leadership Agreement.	(14,300)
7. 5/27/04 DMB Revision Letter. This adjustment is made based on allocating employee costs between fiscal years and a recent retirement system actuarial study.	(83,900)
8. Points of Difference. The Senate also created a point of difference on the Human Resources line item. The Conference Committee eliminated \$100 differences.	0
Total Changes.....	38,842
FY 2004-05 Conference Report Gross Appropriation	\$12,693,000
Amount Over/(Under) GF/GP Target: \$0	

Changes from FY 2003-04 Year to Date:Conference Agreement on Items of Difference

1. **Contingency Funds.** Appropriates, in addition to amounts appropriated in Part 1, Federal Contingency Funds. Requires legislative transfers prior to expenditure of funds. The Governor included this section. The House concurred with the Governor. The Senate eliminated this section. The Conference Committee concurred with the Senate pursuant to Leadership Agreement.

Date Completed: 9-7-04

Fiscal Analyst: Bill Bowerman

FY 2003-04 Year-to-Date Gross Appropriation	\$31,633,837
Changes from FY 2003-04 Year-to-Date:	
<u>Items Included by the House and Senate</u>	
1. Human Resource Service Center. The Governor's FY 2004-05 budget recommendation includes a Human Resources Optimization proposal that would use the Human Resources Management Network (HRMN) to consolidate and standardize the processing of certain routine transactions and services for State employees. The proposal excludes the Judiciary, Legislature, Department of Attorney General and Department of State. The centralized Human Resource Service Center would be housed in the Department of Civil Service and technical maintenance provided by the Department of Information Technology. The Governor's budget proposal includes a net reduction of \$2 million and 70 FTE positions related to the Optimization Project. The Department of Civil Service appropriation for the Human Resources Optimization Center would total 30.0 FTEs/\$2 million, and the appropriation for the Department of Information Technology would be 4.0 FTEs/\$1,070,900. The House reclassified the funding source for this program from State Restricted to IDG funding. The Senate concurred.	3,041,400
2. Human Resources Optimization Project. This reduction reflects the net savings (including 1.0 FTE) related to Human Resources Optimization Project.	(19,600)
3. Information Technology Adjustments. The reduction reflects savings related to telecommunication, data center, contractual costs, and equipment.	(91,900)
4. Budgetary Savings. The Governor included budgetary savings in all departments to offset a portion of employee related economic increases. Savings are to be achieved through employee concessions and efficiencies.	(588,600)
5. Economic Adjustments. Economic adjustments are consistent with factors applied to other departmental budgets.	1,887,763
<u>Conference Agreement on Items of Difference</u>	
6. Reductions. Reductions include travel, contractual services, supplies, materials, and delayed improvements to HRMN. The House concurred with the Governor's \$600,000 reduction. The Senate reduced an additional \$80,000. The Conference Committee concurred with the Governor and House.	(600,000)
7. Information Technology Reduction. The Senate reduced information technology by \$274,200 (7%) from the Governor's recommendation. The Conference Committee adjusted funding for information technology pursuant to Leadership Agreement.	(63,100)
8. 5/27/04 DMB Revision Letter. This adjustment is made based on allocating employee costs between fiscal years and a recent retirement system actuarial study.	(53,100)
9. Points of Difference. The Senate created points of difference on certain line items. The Conference Committee eliminated the points of difference.	0
Total Changes.....	3,512,863
FY 2004-05 Conference Report Gross Appropriation	\$35,146,700
Amount Over/(Under) GF/GP Target: \$0	

Changes from FY 2003-04 Year to Date:Items Included by the House and Senate

1. **Human Resource Offices.** Requires the Department to compile a report detailing position descriptions and functions of human resource offices in executive branch departments. Requires report to include recommendations for consolidating human resource functions into one department and estimate cost savings that would be realized from the consolidation. This language was first included in FY 2003-04 and recommended for continuation by the Governor. The House and Senate eliminated this section.

Conference Agreement on Items of Difference

2. **Contingency Funds.** Appropriates, in addition to amounts appropriated in Part 1, Federal, State Restricted, Local, and Private Contingency Funds. Requires legislative transfers prior to expenditure of funds. The Governor included this section, which was eliminated in FY 2003-04. The House concurred with the Governor. The Senate eliminated this section. The Conference Committee concurred with the Senate pursuant to Leadership Agreement.
3. **Child Care Centers.** The Senate added language that requires the Department of Civil Service to prepare a report regarding the feasibility of establishing quality child care centers to accommodate the needs of State employees. The report shall provide information including, but not limited to, the possible locations including State or privately owned buildings, the potential number of children that the centers would serve, possible Federal funding sources available, the benefits of work behavior and attitudes to employees and employers and the estimated cost of the program. The estimated costs shall be funded from fees charged to employees who utilize the child care services provided by the centers. The Conference Committee modified the language to provide that the report will be done in cooperation with the Office of the State Employer. (Sec. 505)

Date Completed: 9-7-04

Fiscal Analyst: Bill Bowerman

FY 2003-04 Year-to-Date Gross Appropriation	\$4,859,500
Changes from FY 2003-04 Year-to-Date:	
<u>Conference Agreement on Items of Difference</u>	
1. Adjustments. The Governor maintained funding for all line items at the FY 2003-04 Year-To-Date appropriation level. The House concurred with the Governor. The Senate reduced the Executive Office line item by \$100 to create a point of difference. The Conference Committee included economics for the Executive Office pursuant to Leadership Agreement.	346,000
Total Changes.....	346,000
FY 2004-05 Conference Report Gross Appropriation	\$5,205,500
Amount Over/(Under) GF/GP Target: \$0	

Changes from FY 2003-04 Year to Date:

There are no boilerplate sections for the Executive Office.

Date Completed: 9-7-04

Fiscal Analyst: Bill Bowerman

FY 2003-04 Year-to-Date Gross Appropriation \$371,269,300

Changes from FY 2003-04 Year-to-Date:

Items Included by the House and Senate

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| 1. Human Resource Service Center. The centralized Human Resource Service Center would be housed in the Department of Civil Service and technical maintenance provided by the Department of Information Technology (DIT). The DIT appropriation includes 4.0 FTE positions. | 1,070,900 |
| 2. Office of Retirement Services (ORS). The budget includes funding associated with additional software and licenses, servers, storage, and application tools for ORS. | 553,000 |
| 3. Bureau of the State Lottery. Increased costs of \$691,900 related to website usage (portal costs) and \$275,500 for additional license and maintenance costs. | 967,400 |
| 4. Baseline Reductions. The budget includes savings related to telecommunications rates, line charges, data center costs, contracts, and equipment. | (4,331,600) |
| 5. Department of Corrections. This adjustment reflects the net cost related to conversion from the Corrections Management Information System (CMIS) to the Offender Management Network Information (OMNI), and the cost of Sybase licenses. | 2,220,000 |
| 6. Budgetary Savings. Reduction to offset a portion of employee economic increases. | (4,472,200) |
| 7. Economic Adjustments. | 14,830,600 |
| 8. Other Changes. Other adjustments include a net increase of \$11,243,100 to reconcile the DIT appropriation with the base appropriation for information technology in other budgets, a reduction of \$13,888,400 to reflect reductions contained in Executive Order 2003-23, a reduction of \$13,500 related to CEPI, the transfer of 1.0 FTE and \$698,500 to the Department of State, an increase of 6.0 FTE along with a reduction of \$300,000 related to revenue enhancement projects contained in 2003 PA 237, a reduction of \$12,000,000 based on projected funding requirements for the Child Support Enforcement System, a transfer in from State Police of \$1,000,000 for the Commercial Vehicle Information System Network, a \$1,080,000 transfer in from State Police related to base funding, a transfer in from State Police of \$350,000 related to fleet funding, the transfer in of \$9,115,200 for costs associated with the DLEG unemployment call center, a reduction of \$751,000 related to MAIN costs, the transfer of 2.0 FTE/\$151,900 to DMB related to the MAIN help desk, \$71,000 related to the Motor Fuel Tax Simplification Project, an increase of \$102,400 related to Federal funding for the Department of Education, and elimination of \$11,030,000 in adjustments included in 2004 PA 309. | (15,871,600) |

Conference Agreement on Items of Difference

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| 9. House/Senate Reductions. The House reduced all of the DIT line items by \$10,987,100 (3.0%) from the Governor's Recommendation. The Senate reduced \$25,636,500 (7%). The Conference Committee adjusted funding pursuant to Leadership Agreement. | (5,100,000) |
| 10. 5/27/04 DMB Revision Letter. This adjustment is made based on allocating employee costs between fiscal years and a recent retirement system actuarial study. | (397,200) |

Total Changes..... (10,530,700)

FY 2004-05 Conference Report Gross Appropriation \$360,738,600

Amount Over/(Under) Target: \$0

Changes from FY 2003-04 Year to Date:Items Included by the House and Senate

1. **Michigan Public Safety Communications System.** The Governor's recommendation provides that fees would be expended for the support and maintenance of the Michigan Public Safety Communications System instead of the current requirement that the money be deposited in the State General Fund and adjusts the reporting requirement to reflect that change. The House and Senate restored the current year version of this section. (Sec 577)
2. **Annual Report.** Requires an annual report from the Department of Information Technology that lists the total amount of funding appropriated and corresponding expenditures for information technology services and projects by funding source. The Governor eliminated this section. The House and Senate restored the language. (Sec. 578)
3. **Life-Cycle of Hardware and Software.** Requires the Department to provide a report by March 1, 2004 that analyzes and makes recommendations on the life-cycle of information technology hardware and software. The Governor eliminated this section. The House and Senate restored it. (Sec. 579)

Conference Agreement on Items of Difference

4. **Contingency Funds.** This language was eliminated in FY 2003-04. The Governor recommended restoring the language. The House included the contingency fund language, but reduced the authorization from \$40,000,000 to \$10,000,000. The Senate eliminated this section. The Conference Committee concurred with the Senate pursuant to Leadership Agreement.
5. **User Fees.** The Senate eliminated current year language that provides that the appropriation for the Department of Information Technology in Part 1 shall be funded by user fees assessed to State departments and agencies. The Conference Committee concurred with the Senate.
6. **State Website.**
 - 1) Provides authority for the Department to sell and accept paid advertising, review and approve content of advertisement, and refuse or require modification to advertisements. Up to \$250,000 in revenue received under this section can be used for operating costs of the Department and technology enhancements. The Governor's recommendation removes the \$250,000 limit on revenue received and the provision lapsing amounts over \$250,000 to the General Fund. The House and Senate restored current year language. (Sec. 573(1))
 - 2) Allows the Department to receive gifts, donations, contributions, bequests, and grants from any public or private source to assist with underwriting or sponsorship of State Web pages. The Senate eliminated this subsection. The Conference Committee concurred with the Senate.
 - 3) Appropriates and allots funds received under subsection 1, 2, and 3 when received. The Senate and Conference Committee adjusted this section to reflect elimination of the above subsection. (Sec. 573(2))
 - 4) Provides that unexpended revenue received under this section shall not lapse to the General Fund and shall be available for future appropriations. The Senate eliminated this subsection. The Conference Committee concurred with the Senate.
 - 5) A search function of all State agencies will be placed on the front page of the website. The Governor, House, and Senate removed this subsection.
 - 6) The privacy policy adopted by the Department will instruct visitors on how to be warned, view, and remove cookies on their personal computer. The Senate restored this subsection that was not included by the Governor and the House. The Conference Committee concurred with the Senate. (Sec. 573(3))
 - 7) Reporting requirement on revenue received and expenditures made under this section. The House and Senate maintained the reporting requirement. (Sec. 573(4))
7. **Spatial Information/Technical Services.** Allows Department of Information Technology to enter into agreements to supply spatial information and technical services to other departments, local units of government, and organizations. Provides for receipt and expenditure of funds relating to providing services, publications, and maps, and other products in addition to amounts appropriated in Part 1. The Senate added an annual reporting requirement regarding receipt and expenditure of funds. The Conference Committee concurred with the Senate. (Sec. 574)

FY 2003-04 Year-to-Date Gross Appropriation	\$118,630,800
Changes from FY 2003-04 Year-to-Date:	
<u>Items Included by the House and Senate</u>	
1. None.	0
<u>Conference Agreement on Items of Difference</u>	
2. Legislative Auditor General. The Governor included funding source adjustments for this line item, with no net increase. The House added \$50,000, from \$14,301,500 to \$14,351,500. The Senate increased additional funding to \$3,000,000. The Conference Committee provided funding to support economic adjustments.	932,300
3. Points of Difference. The Governor maintained funding for all line items at the FY 2003-04 Year-To-Date appropriation level. The Senate created \$100 points of difference on line items. The Conference Committee included economic adjustments for line items pursuant to Leadership Agreement.	7,168,800
Total Changes.....	8,101,100
FY 2004-05 Conference Report Gross Appropriation	\$126,731,900
Amount Over/(Under) GF/GP Target: \$0	

Changes from FY 2003-04 Year to Date:Items Included by the House and Senate

1. **Property Management.** Designates property management appropriation for the Legislature as work project. The House modified this language by specifying that the funds will be used to purchase equipment and services for building maintenance, and including an estimated total cost and completion date. The Senate concurred with the House. (Sec. 606)
2. **Legislative Automated Processing.** The House added language that designates appropriations in Part 1 for automated data processing as work project appropriations. Includes estimated costs and tentative completion date. The Senate concurred with the House. (Sec. 606a)

Conference Agreement on Items of Difference

3. **Contingency Funds - Auditor General.** Appropriates in addition to amounts in Part 1, \$500,000 in State Restricted Contingency Funds. Requires legislative transfers prior to expenditure. This section was eliminated in FY 2003-04. The Governor included this section in her budget recommendation for FY 2004-05. The House concurred with the Governor. The Senate eliminated this section. The Conference Committee concurred with the Senate pursuant to Leadership Agreement.

Date Completed: 9-7-04

Fiscal Analyst: Bill Bowerman

FY 2003-04 Year-to-Date Gross Appropriation \$229,987,800

Changes from FY 2003-04 Year-to-Date:

Items Included by the House and Senate

- 1. **Long-Term Lease Adjustments.** Savings from restructuring long-term leases. (18,100,000)
- 2. **Program Transfers.** The budget reflects the transfers related to the consolidation of internal audit functions, real estate services, and information technology adjustments. 538,400
- 3. **Information Technology Adjustments.** The budget includes; \$553,000 for software/server maintenance, licenses, and application support costs related to the Office of Retirement System computer project, a \$477,000 reduction related to MAIN contract conversion and archived data cost savings, and other reductions totaling \$342,400. (266,400)
- 4. **Human Resources Optimization Project.** This reduction reflects the net savings related to Human Resources Optimization Project. Includes the elimination of 1.0 FTE position. (19,600)
- 5. **Budgetary Savings.** Offsets a portion of employee related economic increases. (2,261,200)
- 6. **Economic Adjustments.** 6,764,000
- 7. **Other Changes.** Other adjustments include a reduction related to converting contractual staff to State employees, savings from the elimination of uniform rental and laundry service, a shift to restricted funding based on partnerships with governmental units for shared contracts and mail services, elimination of one-time funding, adjustments based on available revenue, and funding shifts based on the Statewide Cost Allocation Plan. (805,500)

Conference Agreement on Items of Difference

- 8. **Motor Vehicle Fleet.** The House reduced funding from \$58,500,000 to \$55,500,000. The Senate included \$57,500,000. The Conference Committee included \$56,500,000. (2,000,000)
- 9. **Information Technology Reduction.** The Senate reduced information technology by \$1,817,600 (7%) from the Governor's Recommendation. The Conference Committee adjusted funding based on the Leadership Agreement. (389,800)
- 10. **Program Reductions.** The Senate reduced Executive Operations by \$250,000 and Business Support Services by \$250,000. The Conference Committee restored funding pursuant to Leadership Agreement. 0
- 11. **Revised Recommendation (4/01/04).** Transfers 2.0 FTE/\$199,800 from the Department of State to DMB related to consolidated real estate planning functions. The Senate included the Governor's revision. The Conference Committee concurred with the Senate. 199,800
- 12. **5/27/04 DMB Revision Letter.** This adjustment is made based on allocating employee costs between fiscal years and a recent retirement system actuarial study. (237,400)
- 13. **Points of Difference.** The Senate included \$100 points of difference on certain line items. The Conference Committee eliminated the points of difference. 0

Total Changes..... (16,577,700)

FY 2004-05 Conference Report Gross Appropriation \$213,410,100

Amount Over/(Under) GF/GP Target: \$0

Changes from FY 2003-04 Year to Date:Items Included by the House and Senate

1. **Motor Vehicle Fleet.** States legislative intent that the Department of Management has the authority to determine the appropriateness of vehicle assignments. Requires the Department of Management and Budget to complete a project plan that results in the reduction of expenditures related to vehicle services and a reduction of the number of State vehicles in the Motor Vehicle Fleet. Requires quarterly report on the status of the project plan. The Governor eliminated this section. The House modified current year language to provide that revenue in excess of appropriations and unencumbered funds are restricted revenues and may be carried over to the succeeding fiscal year. The House also added a new subsection (5) stating that it is the intent of the Legislature that the Department determine the feasibility of using driver record information upon the issuance of cars to State employees in order to insure responsibility and safety. The Senate concurred with the House. (Sec. 715)
2. **Purchasing Preference - Michigan Based Firms.** The House added language that requires the Department of Management and Budget to adopt policies and procedures necessary for compliance with Section 261 of the Management and Budget Act (1984 PA 431). That section provides, all other things being equal, for a purchasing preference for products manufactured or services offered by Michigan-based firms. The Senate concurred with the House. (Sec. 716)
3. **Purchasing and Contracting Criteria.** The House added language that provides that in all contracts and purchases of services, the Department shall determine whether it is in the best interests of the State when:
 1. Vendors, employees of vendors, contractors, or subcontractors are not citizens of the United States.
 2. Services and or goods are provided from a location outside of this State or the United States.
 3. Goods or services are from a vendor that is an expatriated business entity located in a tax haven country or an affiliate of an expatriated business.
 4. Whether services from a vendor from outside of this State or the United States would be detrimental to privacy interests of Michigan residents or risk disclosure of personal information.
 5. Whether the above would constitute undue risk under the State's risk management policy.The Senate concurred with the House. (Sec 717)
4. **Vendor Information.** The House added language that requires the Department of Management and Budget to collect information from vendors that is necessary to comply with the requirements of the General Government Appropriation Bill. The Senate concurred with the House. (Sec. 718)
5. **Vendor Call or Contact Center Services.** The House added language that provides that the Department of Management and Budget may require vendors or subcontractors providing call or contact center services to disclose to inbound callers the location from which the call or contact center services are being provided. The Senate concurred with the House. (Sec. 719)

Conference Agreement on Items of Difference

6. **Contingency Funds.** Appropriates, in addition to amounts appropriated in Part 1, Federal, State Restricted, and Local Contingency Funds. Requires legislative transfers prior to expenditure of funds. The Governor and House included this section. The Senate eliminated it. The Conference Committee concurred with the Senate pursuant to Leadership Agreement.
7. **Training and Orientation Workshops.** Provides for the receipt and expenditure of funds for conducting training and orientation workshops. The Governor and House maintained this current year section. The Senate eliminated it. The Conference Committee concurred with the Senate.
8. **Computer Contract Adjustments.** Requires notification to the Legislature on computer contract revisions exceeding \$500,000. The Governor removed this section. The House restored it. The Senate modified the language by requiring notification for increases and decreases exceeding \$500,000. The Conference Committee concurred with the Senate. (Sec. 710)
9. **Building Occupancy Charges.** Pursuant to Leadership Agreement the Conference Report includes language authorizing DMB to reduce expenditures for building occupancy charges by \$700,000. (Sec. 720)
10. **Michigan Law Enforcement Officers Memorial Act.** Authorizes DMB to receive and expend funds for the Monument Fund pursuant to 2004 PA 177.

FY 2003-04 Year-to-Date Gross Appropriation	\$182,113,251
Changes from FY 2003-04 Year-to-Date:	
<u>Items Included by the House and Senate</u>	
1. Qualified Voter File. The additional funding will be used for enhancements and maintenance of the Qualified Voter File.	395,300
2. Driver Education Program. This adjustment reflects the transfer of the administration of the Driver Education Program from the Department of Education (PA 70 and 71 of 2004).	528,000
3. Notary Adjustments. The budget includes 1.0 FTE and \$400,000 to support the Secretary of State's responsibilities pursuant to amendments to the Notary Act (2003 PA 238). The funding (from fees) includes \$100,000 for the County Clerk Education and Training Fund. Public Act 309 of 2004 included \$190,000 for this program in FY 2003-04.	210,000
4. Information Technology Adjustments. The budget includes reductions related to data center rates, telecommunications, equipment, consulting charges, contractual services, funding shifts, and other information technology adjustments.	(936,800)
5. Budgetary Savings. Reductions to offset a portion of employee economic increases.	(3,979,100)
6. Economic Adjustments.	10,770,349
7. Other Changes. Other adjustments include the elimination of one-time appropriations related to the Help America Vote Act.	(710,000)
<u>Conference Agreement on Items of Difference</u>	
8. Branch Offices. The Senate included a \$167,000 reduction to this line item. The Conference Committee restored funding based on the Leadership Agreement.	0
9. Information Technology Reduction. The Senate reduced information technology by \$1,618,000 (7%) from the Governor's Recommendation. The Conference Committee reduced funding based on the Leadership Agreement.	(1,151,700)
10. Revised Recommendation (4/01/04). The House passed the bill prior to the Governor's Revised Recommendation that included an additional \$125,000 in revenue for Motorcycle Safety Program Grants and the transfer of 2.0 FTE/\$199,800 to DMB related to consolidated real estate planning functions. The Senate included these adjustments. Public Act 309 of 2004 included the \$125,000 for the Motorcycle Grants in FY 2003-04. The Conference Committee included the Senate adjustments and included \$200,000 for motorcycle equipment based on available revenue.	200
11. 5/27/04 DMB Revision Letter. This adjustment is made based on allocating employee costs between fiscal years and a recent retirement system actuarial study.	(60,000)
12. Points of Difference. The Senate reduced certain line items by \$100 to create points of difference for Conference. The Conference Committee eliminated the differences.	0
13. Funding Shift. The Conference Committee included a \$10,000,000 funding shift from the Transportation Administration Collection Fund to General Fund pursuant to Leadership Agreement.	
Total Changes.....	5,066,249
FY 2004-05 Conference Report Gross Appropriation	\$187,179,500
Amount Over/(Under) GF/GP Target: \$0	

Changes from FY 2003-04 Year to Date:Items Included by the House and Senate

1. **Commemorative/Specialty Plates.** Provides for and limits expenditures from commemorative and specialty license plate fee revenue to administration of the program. Funds not used for program administration may be used for other Michigan Transportation Fund (MTF) programs. The Governor's recommendation modifies this language to reflect changes contained in 2003 PA 152. That Act created the Transportation Administration Collection Fund (TACF), which consists of service fees formerly deposited in the MTF and service fee increases provided for in Public Act 152. The Governor's modification would also provide that revenues in excess of appropriations would remain in the TACF for future appropriations. The House and Senate concurred with the Governor. (Sec. 809)
2. **Olympic Training Plate.** Provides for distribution of funds for the Olympic education training center from Olympic plate sales after deducting costs. The Governor's recommendation updates this section based on 2003 PA 152. The House and Senate concurred with the Governor. (Sec. 810)
3. **Organ Donor Program.** Provides for the production of an informational pamphlet and return postage costs for the organ donor program. The Governor eliminated this section. The House and Senate restored it. (Sec. 814)
4. **Motorcycle Safety Program.** States legislative intent regarding continuing the Motorcycle Safety Program in the same manner as was provided by the Department of Education. Lists revenue sources for the program, criteria for grants, and details appropriate charges for Department of State administrative costs. The Governor eliminated this section. The House and Senate restored it. (Sec. 818)
5. **Department of State Business Application Modernization Project.** Provides criteria for expenditure of funds and designates as a work project. The House and Senate included this section which is also in boilerplate for the Department of Information Technology. (Sec. 819)

Conference Agreement on Items of Difference

6. **Contingency Funds.** Appropriates, in addition to amounts appropriated in Part 1, Federal, State Restricted, Local, and Private Contingency Funds. Requires legislative transfers prior to expenditure of funds. The Governor and House included this section. The Senate eliminated it. The Conference Committee concurred with the Senate pursuant to Leadership Agreement.
7. **Branch Office Closings.** Requires the Department to consult with the Senate and House General Government Appropriation Subcommittees regarding the closing or consolidation of any branch offices. The Governor eliminated this section. The House restored it. The Senate modified this language by requiring that at least 60 days prior to the announcement of Secretary of State branch office closings, consolidations, or relocations, the department of state shall inform members of the senate and house of representatives standing committees on appropriations and legislators who represent affected areas regarding the details of the proposal. The information provided shall be in written form and include all analysis done regarding criteria for changes in the location of branch offices, including but not limited to branch transactions, revenue, and the impact on citizens of the affected area. The notice shall also include detailed estimates of costs and savings that will result from the overall changes made to the branch office structure. The section also provides that prior to November 1, 2004, the Department of State shall provide a detailed report to the Senate and House standing committees on appropriations Subcommittees on General Government regarding the department's branch optimization plan that was announced on April 26, 2004. The Conference Committee concurred with the Senate. (Sec. 815)
8. **Unlicensed Dealer Fines.** Provides that in addition to funds appropriated in Part 1, funds collected by the Department of State under MCL 257.248 from unlicensed dealer fines may be used to defray administrative expenses pursuant to Public Act 652 of 2002. Funds shall be available for expenditure after the approval of legislative transfers pursuant to the Management and Budget Act. The Governor eliminated this section. The House restored it. The Senate concurred with the Governor and eliminated the section. The Conference Committee concurred with the Senate.
9. **Motorcycle Safety Equipment.** The Conference Report includes intent language for the \$200,000 appropriation included in Part 1. (Sec. 818(5))

FY 2003-04 Year-to-Date Gross Appropriation \$1,746,197,886

Changes from FY 2003-04 Year-to-Date:

Items Included by the House and Senate

- 1. **Personal Property Tax Audits.** The House and Senate eliminated this grant to locals. (7,000,000)
- 2. **Budgetary Savings.** Offsets a portion of salary-related economic increases. (4,649,700)
- 3. **Economic Adjustments.** Consistent with factors applied to other departmental budgets. 13,257,614
- 4. **Other Changes.** Changes include adjustments based on available revenue, debt service, Executive Orders, information technology, statutory payments, and elimination of one-time costs. 2,923,600

Conference Agreement on Items of Difference

- 5. **Revenue Sharing.** The Governor’s Recommendation included the proposed modification to county property tax collection structure to replace statutory revenue sharing to counties with payments from a reserve fund. The Governor also included a proposal to replace the appropriation Payments in Lieu of Taxes (PILT) with Statutory Revenue Sharing Payments. The Conference Committee included the new reserve fund for county payments but did not fund PILT from Revenue Sharing. Special grants were reduced by \$1,100,000. (163,410,500)
- 6. **Personal Property Tax Auditors.** The Senate included \$900,000/10.0 FTE positions instead of the \$7.0 million grant to locals. The Conference Committee included 38.0 FTEs and funding with boilerplate (Item 12 on the following page) pursuant to Leadership Agreement. 3,500,000
- 7. **Detroit Water and Sewerage Department Audit.** The House included \$500,000/Senate \$50,000. The Conference Committee eliminated this item. 0
- 8. **Travel.** The House reduced the travel line item by \$327,400. The Senate restored \$300,000. The Conference Committee restored the funding. 0
- 9. **Assessor Training.** The Senate added \$50,000 to support training of assessors regarding assessment of personal property. The Conference Committee eliminated this item. 0
- 10. **5/27/04 DMB Revision Letter.** This adjustment includes a \$169,500 reduction based on allocating employee costs between fiscal years and a recent retirement system actuarial study, and a \$2,500,000 increase related to the transfer of the responsibility for the sale of tax reverted property from DNR to Treasury. 2,330,500
- 11. **Program Reductions.** The Senate included \$1,000,000 in reductions to various program line items. The Conference Committee restored funding based on Leadership Agreement. 0
- 12. **Information Technology Reduction.** The Senate reduced information technology by \$1,543,500 (7%) from the Governor’s Recommendation. The Conference Committee adjusted funding based on Leadership Agreement. (88,000)
- 13. **Other Issues.** The Senate created a \$1,000 line item for PILT, a \$1,000 line item for audits of Intermediate School Districts, and \$100 reductions to numerous line items to create points of difference. The Conference Committee eliminated the Senate changes. The Conference Agreement includes Leadership Agreement on debt service funding sources and a 0.5 FTE adjustment for the Gaming Control Board. 0

Total Changes..... (153,136,486)

FY 2004-05 Conference Report Gross Appropriation \$1,593,061,400

Amount Over/(Under) GF/GP Target: \$0

Changes from FY 2003-04 Year to Date:Items Included by the House and Senate

1. **Assessor Certification and Training Fund.** The Governor, House, and Senate increased the exam fee from \$25 to \$50, the initial certification fee from \$35 to \$50, Level 1 and Level 2 renewal fees from \$50 to \$75, and Level 3 and 4 renewal fees from \$95 to \$125. The fee increases will generate approximately \$80,000. (Sec. 907)
2. **Grants to Locals for Costs of Personal Property Audits.** The Governor removed the total grant limit of \$7,000,000. The House and Senate eliminated the entire section.
3. **Other Items.** The House and Senate restored sections that: prohibit appropriations for the State Lottery from being used toward promotional efforts directed towards individuals under age 18 (Sec. 961), condition statutory State general revenue grant payments to counties on compliance with Section 151 of the State School Aid Act (Sec. 951), and prohibit the Department from expending funds on initiating a new audit of any taxpayer until the Department fully complies with MCL 205.4(3). (Sec. 923) The Governor, House, and Senate included language that provides that any unexpended funds appropriated in FY 2003-04 for Qualified Agricultural Loan Payments are appropriated in FY 2004-05. (Sec. 927)

Conference Agreement on Items of Difference

4. **Contingency Funds.** Included by the Governor and House. Eliminated by the Senate. The Conference Committee concurred with the Senate pursuant to Leadership Agreement.
5. **Detroit Water and Sewerage Department Audit.** The House and Senate included language that allocates funding in the Local Finance line to conduct a financial/performance audit, and independent efficiency evaluation. The Conference Committee removed this item.
6. **Revenue Sharing Penalty.** The Conference Report removed language added by the Senate that would reduce Statutory Revenue Sharing by 5% for local units of government that adopt ordinances or rules that are in conflict with the Michigan Constitution or State Statute.
7. **County Revenue Sharing Reserve Fund.** The Conference Report includes language that implements County Revenue Sharing Reserve Funds. (Sec. 953 and 955)
8. **Lottery Sports Figures.** The Conference Report includes an exception for NASCAR drivers to the prohibition regarding the use of sports figures for Lottery promotions. (Sec. 962)
9. **FIA Bridge Cards.** The Senate and Conference Committee included language that requires the Lottery to notify retailers that FIA bridge cards cannot be used to purchase lottery tickets. (Sec. 963)
10. **Assessor Training.** The Senate added language that provides that the general fund appropriation for property tax assessor training shall be allocated to the education and training of current assessors. The Conference Committee eliminated this section.
11. **Pension Fund Investments.** States Legislative intent that pension funds be invested in early stage, university derived life science companies located solely in Michigan, or in Michigan based seed stage venture capital funds which invest in such life science companies, but only to the extent such venture capital funds invest such funds in Michigan derived life science companies. The Conference Committee modified this section to request that the State Treasurer give appropriate consideration to the above investments.(Sec. 939)
12. **Personal Property Tax Auditors.** The Conference Committee included language pursuant to Leadership Agreement providing that the funds will be used to hire State employees or contractors under State supervision. (Sec. 940)

Date Completed: 9-7-04

Fiscal Analyst: Bill Bowerman