

**Summary: Conference Report**  
**FY 2002-03 Michigan Strategic Fund Agency**  
**HB 5643**

	FTEs	Gross	IDG/IDT	Federal	Local	Private	State Restricted	GF/GP
<b>2001-02 YTD</b>	<b>234.0</b>	<b>\$169,090,600</b>	<b>\$100,000</b>	<b>\$62,934,400</b>	<b>\$0</b>	<b>\$850,000</b>	<b>\$45,050,000</b>	<b>\$60,156,200</b>
<b>Executive</b>	<b>231.5</b>	<b>\$155,037,500</b>	<b>\$100,900</b>	<b>\$62,953,300</b>	<b>\$0</b>	<b>\$853,100</b>	<b>\$45,050,000</b>	<b>\$46,080,200</b>
Exec \$ Change from YTD	(2.5)	(\$14,053,100)	\$900	\$18,900	\$0	\$3,100	\$0	(\$14,076,000)
<b>House</b>	<b>231.5</b>	<b>\$156,037,000</b>	<b>\$100,900</b>	<b>\$62,953,300</b>	<b>\$0</b>	<b>\$853,100</b>	<b>\$45,049,900</b>	<b>\$47,079,800</b>
House \$ Change from YTD	(2.5)	(\$13,053,600)	\$900	\$18,900	\$0	\$3,100	(\$100)	(\$13,076,400)
House % Change from YTD	(1.1%)	(7.7%)	0.9%	0.0%	0.0%	0.4%	0.0%	(21.7%)
<b>Senate</b>	<b>231.5</b>	<b>\$156,037,300</b>	<b>\$100,900</b>	<b>\$62,953,300</b>	<b>\$0</b>	<b>\$853,100</b>	<b>\$45,050,000</b>	<b>\$47,080,000</b>
Senate \$ Change from House	0.0	\$300	\$0	\$0	\$0	\$0	\$100	\$200
Senate % Change from House	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Senate \$ Change from YTD	(2.5)	(\$13,053,300)	\$900	\$18,900	\$0	\$3,100	\$0	(\$13,076,200)
Senate % Change from YTD	(1.1%)	(7.7%)	0.9%	0.0%	0.0%	0.4%	0.0%	(21.7%)
<b>Conference</b>	<b>231.5</b>	<b>\$146,181,500</b>	<b>\$100,900</b>	<b>\$62,953,300</b>	<b>\$0</b>	<b>\$853,100</b>	<b>\$45,050,000</b>	<b>\$37,224,200</b>
Conference \$ Change from House	0.0	(\$9,855,500)	\$0	\$0	\$0	\$0	\$100	(\$9,855,600)
Conference % Change from House	0.0%	(6.3%)	0.0%	0.0%	0.0%	0.0%	0.0%	(20.9%)
Conference \$ Change from YTD	(2.5)	(\$22,909,100)	\$900	\$18,900	\$0	\$3,100	\$0	(\$22,932,000)
Conference % Change from YTD	(1.1%)	(13.5%)	0.9%	0.0%	0.0%	0.4%	0.0%	(38.1%)

**OVERVIEW**

The Michigan Strategic Fund Agency (MSF) was created by Executive Order 1999-1. The MSF is an autonomous agency within the Department of Management and Budget and houses the State's economic development programs. Programs are administered through the Michigan Economic Development Corporation (MEDC) – a public corporation that represents a partnership between the MSF and local economic development corporations and partners. The MEDC administers various programs aimed at retaining

and attracting businesses to Michigan, assisting Michigan business with expansion plans, and providing financial support for local units of government to provide infrastructure improvements necessary for economic development projects. More recently, the MEDC has been charged with administering the Life Sciences Corridor initiative which has received as much as \$50 million in tobacco settlement proceeds since FY 2000 to promote research and development in the life sciences as well as the commercialization of new technologies and processes developed through this research.

Below is a review of the major changes contained in the Conference Report:

**Major Budget Changes from FY 2001-02 YTD Appropriations:**

		<b><u>House</u></b>	<b><u>Senate</u></b>	<b><u>Conference</u></b>
<b>1. Economic Development Job Training Grants</b>	<b>Gross</b>	<b>(\$13,000,000)</b>	<b>(\$13,000,000)</b>	<b>(\$19,800,000)</b>
The <b>Senate</b> concurred with the <b>Executive</b> in providing for a GF/GP appropriation of roughly \$13.5 million for this program. The <b>House</b> reduced the appropriation by \$100 to open the line item for further discussions in conference. Grants are awarded competitively to training providers to finance customized training programs on behalf of specific employers that are seeking to add new employees or upgrade current employee skills.	<b>GF/GP</b>	<b>(\$13,000,000)</b>	<b>(\$13,000,000)</b>	<b>(\$19,800,000)</b>

The **Conference Committee** reduces the appropriation by \$6.8 million in GF/GP. This reduction would be restored, however, if an increase in the cigarette tax of at least 30 cents per pack is enacted prior to September 30, 2002.

<b>2. Michigan Promotion Program</b>	<b>Gross</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$700,000)</b>
The <b>Senate</b> and <b>Executive</b> concur in maintaining the current year appropriation of \$7.4 million for the program, which is responsible for promoting Michigan as a tourism destination. Funding is utilized to finance travel publications, advertising and other marketing activities. The <b>House</b> reduced the appropriation by \$100 to open the line item for conference consideration.	<b>GF/GP</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$700,000)</b>

The **Conference Committee** includes a \$700,000 budgetary reduction to the line item. As with the EDJT funds above, this cut would be restored if a cigarette tax increase of 30 cents per pack or more is enacted.

<b>3. Capital Access Program</b>	<b>Gross</b>	<b>\$0</b>	<b>(\$100)</b>	<b>(\$1,000,000)</b>
The <b>Executive</b> eliminates the \$1.0 million current law GF/GP appropriation for this program that encourages bank lending to Michigan businesses. When a bank makes a loan under the program, a one-time contribution (based on loan size) is made from appropriated funds into a special loss reserve. Banks are then allowed to recover funds from the reserve account when a business defaults on a loan made under the program. By reducing the loan loss exposure of banks, the program encourages additional bank lending to some businesses that might otherwise be rejected due to a higher credit risk.	<b>GF/GP</b>	<b>\$0</b>	<b>(\$100)</b>	<b>(\$1,000,000)</b>

The **House** bill retains this \$1.0 million appropriation and adds boilerplate language allowing unexpended appropriation authority and other interest and revenue generated from the Michigan Core Communities Fund (MCCF) to be used to finance this program.

The **Senate** maintains the line item but reduces the overall appropriation by \$100 to create a point of difference with the House.

The **Conference Committee** eliminates the line item. However, the House boilerplate appropriating available MCCF funding is retained.

**Major Budget Changes from FY 2001-02 YTD Appropriations:**

		<u>House</u>	<u>Senate</u>	<u>Conference</u>
<b>4. Early Retirement Savings</b>	<b>Gross</b>	<b>\$0</b>	<b>(\$100)</b>	<b>(\$895,200)</b>
The <b>Senate</b> , acting on a recommendation from the Department of Management and Budget, added a negative appropriation of \$100 for "Early Retirement Savings". The appropriation was intended to be a placeholder to allow this issue to be addressed by the Conference Committee. The <b>Conference Committee</b> includes a negative GF/GP appropriation of \$895,200 for this purpose. This represents DMB-estimated early retirement savings. In calculating the required savings, the MSF is allowed GF/GP funding to replace 1 of every 5 early retirees. This is somewhat less than the average department, which is provided funds to replace 1 in 4 early retirees.	GF/GP	\$0	(\$100)	(\$895,200)
<b>5. General Budgetary Savings</b>	<b>Gross</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$460,800)</b>
As part of the leadership target setting agreement, each department and agency will be required to absorb budgetary savings equal to 1% of its Executive-recommended GF/GP appropriation. For the MSF, this amounts to \$460,800 in required savings. The <b>Conference Committee</b> includes a new "Budgetary Savings" line item, which incorporates these savings. The MSF, along with the Department of Management and Budget, will formulate a proposal regarding how these savings are to be allocated across the agency's various programs. These recommendations will be forwarded to the House and Senate Appropriations Committees for approval through the legislative transfer process.	GF/GP	\$0	\$0	(\$460,800)
<b>6. Other Budget Adjustments</b>	FTEs	(2.5)	(2.5)	(2.5)
The <b>Executive, House</b> and <b>Senate</b> bills all contain three other budget reductions totaling \$367,900. These include the removal of \$41,900 that have been used to make sick leave payouts to individuals leaving state government under the last early retirement program in 1996; \$92,000 in savings generated through the elimination of a \$375 lump sum payment for state classified employees; and a reduction of \$234,500 and 2.5 FTE positions used to offset GF/GP economic increases paid to classified employees. The <b>Conference Committee</b> concurs with these changes.	<b>Gross</b>	<b>(\$367,900)</b>	<b>(\$367,900)</b>	<b>(\$367,900)</b>
	IDG	(\$500)	(\$500)	(\$500)
	Federal	(\$5,900)	(\$5,900)	(\$5,900)
	Private	(\$800)	(\$800)	(\$800)
	GF/GP	(\$360,700)	(\$360,700)	(\$360,700)
<b>7. Economic Increase</b>	<b>Gross</b>	<b>\$314,800</b>	<b>\$314,800</b>	<b>\$314,800</b>
The <b>Executive, House</b> and <b>Senate</b> budgets contain an increase of \$349,400 to provide a 2.0% overall increase for classified salaries as well as to cover economic increases for retirement and insurance costs. Partially offsetting this increase is a \$34,600 reduction in the appropriations to cover building occupancy charges. The <b>Conference Committee</b> concurs.	IDG	\$1,400	\$1,400	\$1,400
	Federal	\$24,800	\$24,800	\$24,800
	Private	\$3,900	\$3,900	\$3,900
	GF/GP	\$284,700	\$284,700	\$284,700

## **Major Boilerplate Changes from FY 2001-02:**

### ***Sec. 261. Early Retirement and Budgetary Savings***

The **Conference Committee** includes new language regarding the negative appropriations for “Early Retirement Savings” and “Budgetary Savings”. The language provides that the House and Senate Appropriations Committees must approve the appropriation adjustments needed to allocate the negative appropriations to specific line items through the legislative transfer process.

### ***Sec. 262. Restoration of Reductions if Cigarette Tax Increase Enacted***

The **Conference Committee** adds language providing for the restoration of certain target-setting reductions if a cigarette tax increase of at least 30 cents per pack is enacted by September 30, 2002. For the MSF, the language could potentially restore the \$6.8 million reduction to the “Economic Development Job Training Grants” line item and the \$700,000 cut to the “Michigan Promotion Program” line item.

### ***Sec. 401(4). EDJT Allocation to Community Colleges***

Current law language allocates at least 70% of economic development job training grant funds to community colleges or a consortium of community colleges and other eligible training providers. The **House** amends the language to allocate 70% of the total appropriation (before any allocations taken off the top for worker recruitment or university research match) to community colleges or consortiums of community colleges and other eligible training providers. The **Senate** concurs with the House language. The **Conference Committee** amends the language further to provide an earmark to community colleges of at least **90%** of the total appropriation.

### ***Sec. 401(21). Use of Michigan Capital Growth Fund for University Research Grant Match***

New language included by the **Executive, House** and **Senate** allows an existing appropriation of \$5.0 million to the Michigan Growth Capital Fund, which was first established in the FY 2002 budget, to be used to provide matching funds for universities seeking federal research grants. The **Conference Committee** concurs.

### ***Sec. 401(22). EDJT Funds for University Research Grant Match***

New language proposed by the **Governor** and concurred in by the **House** would allow up to \$1.0 million of the appropriation for “Economic Development Job Training” to be used as grants to provide matching funds for universities seeking to obtain federal funding. The **Senate** adds language providing that the funds be awarded through a competitive grant program. It also restricts grant levels to be no greater than \$500,000 and prohibits a university from receiving more than one grant. The **Conference Committee** retains the Senate language.

### ***Sec. 401(23). Legislative Intent on Future EDJT Appropriations***

The **House** and **Senate** include new language establishing legislative intent that the FY 2004 EDJT program be funded at a level not less than the FY 2002 level (\$26.5 million). The **Conference Committee** retains the language.

### ***Sec. 405. Michigan Promotion Program***

The **House** reinstates language that had been a part of the FY 2002 MSF budget act that earmarks at least 25% of all Michigan Promotion Program funds to promote cultural tourism opportunities in Michigan and another \$25,000 to promote tourism activities in the northeast region of the state. The language had been repealed in a supplemental appropriation bill and replaced with new language increasing the earmark for the northeast region of the state to \$200,000. This language was subsequently vetoed. The **Senate** and **Conference Committee** concur with this action.

### ***Sec. 410. Life Sciences Corridor Initiative***

Current law language in Sec. 410(2) allows the Life Sciences Steering Committee to make “minor adjustments in category funding percentages outlined in elsewhere in boilerplate based upon the demands within categories and the quality of the applications received”. The **House** revises this language to eliminate the word “minor” and to allow adjustments only from the basic research and collaborative research fund categories to the commercialization fund category. The **House** also adds new language to Sec. 410(3) establishing legislative intent that, in allocating funds to the commercial development fund, the steering committee “give maximum priority to supporting all potential commercialization opportunities that appear to have merit”. The **Senate** and **Conference Committee** both retain the language.

### ***Sec. 418(3). Allowable Usage of Michigan Core Communities Funding***

Current law allows funds appropriated to the Michigan Core Communities Fund through 2000 PA 291 to be utilized for “land and property acquisition and assembly, demolition, site development, utility modifications and improvements, street and road improvements, telecommunication infrastructure, site location and relocation, infrastructure improvements, and costs related to any of these, at the discretion of the Michigan Economic Development Corporation”. New language added by the **Senate** amends this section to additionally allow the use of funds for “any other costs related to the successful development and implementation of core community or certified technology park projects, at the discretion of the Michigan Economic Development Corporation.” The **Conference Committee** retains the Senate language.

**Major Boilerplate Changes from FY 2001-02:**

***Sec. 418(11). Michigan Core Communities Funding for Capital Access Program***

The **House** and **Senate** concur in adding new language providing that up to \$1,000,000 of any unexpended and unencumbered balance in the Michigan Core Communities Fund (MCCF) and of any additional funds received in the MCCF shall be used to support the Capital Access Program. The **Conference Committee** retains this language.

***Sec. 420. Port Huron Technical Assistance Center***

The **Senate** adds new language allocating \$20,000 in existing appropriations from the "Job Creation Services" line item to the Michigan Technical Assistance Center in Port Huron. The MEDC has traditionally provided direct support to MTACs, which are located in various regions throughout the state. Port Huron has not received direct support, however, since it operates within a region with another MTAC. Since it is not the primary MTAC in its region, it has not received direct support. The **Conference Committee** retains the Senate language.

**Summary: Conference Report**  
**FY 2002-03 Department of Career Development**  
**HB 5643**

	FTEs	Gross	IDG/IDT	Federal	Local	Private	State Restricted	GF/GP
<b>2001-02 YTD</b>	<b>1,147.0</b>	<b>\$526,169,600</b>	<b>\$1,048,000</b>	<b>\$463,699,900</b>	<b>\$14,978,200</b>	<b>\$2,396,300</b>	<b>\$9,444,500</b>	<b>\$34,602,700</b>
<b>Executive</b>	<b>1,095.0</b>	<b>\$534,318,700</b>	<b>\$0</b>	<b>\$472,569,200</b>	<b>\$15,011,900</b>	<b>\$2,396,300</b>	<b>\$9,661,500</b>	<b>\$34,679,800</b>
Exec \$ Change from YTD	(52.0)	\$8,149,100	(\$1,048,000)	\$8,869,300	\$33,700	\$0	\$217,000	\$77,100
<b>House</b>	<b>1,095.0</b>	<b>\$534,317,100</b>	<b>\$0</b>	<b>\$472,569,200</b>	<b>\$15,011,900</b>	<b>\$2,396,300</b>	<b>\$9,661,500</b>	<b>\$34,678,200</b>
House \$ Change from YTD	(52.0)	\$8,147,500	(\$1,048,000)	\$8,869,300	\$33,700	\$0	\$217,000	\$75,500
House % Change from YTD	(4.5%)	1.5%	(100.0%)	1.9%	0.2%	0.0%	2.3%	0.2%
<b>Senate</b>	<b>1,094.0</b>	<b>\$536,495,700</b>	<b>\$0</b>	<b>\$472,569,300</b>	<b>\$15,011,900</b>	<b>\$2,396,300</b>	<b>\$11,661,500</b>	<b>\$34,856,700</b>
Senate \$ Change from House	0.0	\$2,178,600	\$0	\$100	\$0	\$0	\$2,000,000	\$178,500
Senate % Change from House	0.0%	0.4%	0.0%	0.0%	0.0%	0.0%	20.7%	0.5%
Senate \$ Change from YTD	(53.0)	\$10,326,100	(\$1,048,000)	\$8,869,400	\$33,700	\$0	\$2,217,000	\$254,000
Senate % Change from YTD	(4.6%)	2.0%	(100.0%)	1.9%	0.2%	0.0%	23.5%	0.7%
<b>Conference</b>	<b>1,095.0</b>	<b>\$459,846,600</b>	<b>\$0</b>	<b>\$406,469,200</b>	<b>\$15,011,900</b>	<b>\$2,396,300</b>	<b>\$8,661,500</b>	<b>\$27,307,700</b>
Conference \$ Change from House	0.0	(\$74,470,500)	\$0	(\$66,100,000)	\$0	\$0	(\$1,000,000)	(\$7,370,500)
Conference % Change from House	0.0%	(13.9%)	0.0%	(14.0%)	0.0%	0.0%	(10.4%)	(21.3%)
Conference \$ Change from YTD	(52.0)	(\$63,323,000)	(\$1,048,000)	(\$57,230,700)	\$33,700	\$0	(\$783,000)	(\$7,295,000)
Conference % Change from YTD	(4.5%)	(12.6%)	(100.0%)	(12.3%)	0.2%	0.0%	(8.3%)	(21.1%)

**OVERVIEW**

The Department of Career Development (DCD) was created by Executive Order 1999-1, which reorganized the former Michigan Jobs Commission. The department's responsibilities focus on workforce development – assisting workers in preparing for and obtaining jobs and assisting businesses in obtaining skilled workers. To this end, the DCD administers various employment training and job readiness programs, including federal employment training programs through the Workforce Investment Act, the

Work First and Welfare-to-Work programs, vocational rehabilitation programs for disabled individuals, career and technical training programs for both adults and youths, and the state's labor exchange system which matches employers and job seekers, primarily through the use of the Internet-based Michigan Talent Bank.

Below is a review of the major changes contained in the Conference Report:

**Major Budget Changes from FY 2001-02 YTD Appropriations:**

		<b><u>House</u></b>	<b><u>Senate</u></b>	<b><u>Conference</u></b>
<b>1. Reed Act Funds – Work First</b>	<b>Gross</b>	<b>(\$100)</b>	<b>\$0</b>	<b>(\$66,100,000)</b>
Pursuant to the target setting agreement, \$66.1 million in federal Temporary Assistance for Needy Families (TANF) funding is removed from the "Welfare-to-Work Programs" line item as part of a fund shift. The reduction will be replaced by federal Reed Act funds through a FY 2002 supplemental appropriation in House Bill 4373. This supplemental appropriation will provide Reed Act funds for these purposes for FY 2002 through FY 2004. The "Welfare-to-Work Programs" line supports the department's programs aimed at assisting welfare recipients in gaining permanent employment.	Federal	\$0	\$0	(\$66,100,000)
	GF/GP	(\$100)	\$0	\$0

The State of Michigan recently received just over \$291.0 million in Reed Act funds as part of the recently enacted federal economic stimulus package. Funds may be used to support unemployment insurance programs and employment service/job placement programs.

<b>2. Reed Act Funds – One Stop Centers</b>	<b>Gross</b>	<b>(\$100)</b>	<b>\$0</b>	<b>(\$7,000,000)</b>
Pursuant to the target setting agreement, \$6.0 million in federal Workforce Investment Act (WIA) funding and \$1.0 million in GF/GP are removed from the "Job Training Programs Subgrantees" line item as part of a fund shift. The reduction will be replaced by federal Reed Act funds through a FY 2002 supplemental appropriation in House Bill 4373. This supplemental appropriation will provide Reed Act funds for these purposes for FY 2002 through FY 2004. The "Job Training Programs Subgrantees" line supports grants to regional Michigan Works! Agencies that provide re-employment services through the state's network of One Stop Service Centers.	Federal	\$0	\$0	(\$6,000,000)
	GF/GP	(\$100)	\$0	(\$1,000,000)

The \$6.0 million in federal WIA funds made available through the fund shift are transferred to Focus:HOPE and the Michigan Virtual University (see below).

<b>3. Council of Michigan Foundations</b>	<b>Gross</b>	<b>\$0</b>	<b>\$2,000,000</b>	<b>(\$1,000,000)</b>
The <b>Senate</b> added \$2.0 million in tobacco settlement appropriations to this line item that supports a grant to the Council of Michigan Foundations. This essentially restores \$2.0 million in appropriation authority that was removed by the recent Executive Order budgetary reductions. The Council regrants the appropriated funding to area community foundations using a population-based formula. Funds are then used locally to support initiatives related to youth and senior health issues as well as to create permanent endowments to support such programs in the future. The <b>House</b> and <b>Executive</b> concurred in maintaining the Executive Order-adjusted appropriation of \$4.0 million.	Tobacco	\$0	\$2,000,000	(\$1,000,000)

The **Conference Committee** rejects the Senate increase and instead reduces the appropriation by \$1.0 million from the Executive recommendation as part of leadership target agreements. Related boilerplate provides that this reduction would be restored, however, if a 30-cent per pack increase in the cigarette tax is enacted.

**Major Budget Changes from FY 2001-02 YTD Appropriations:****4. Focus:HOPE**

The grant appropriation for Focus:HOPE was restored by the full **Senate** to the Executive-proposed level after it had initially been reduced by \$177,000 (a 3.0% decrease from the House-passed level) by the **Senate Subcommittee**. Focus:HOPE's appropriation is utilized to support the organization's various education and job training programs. The **House** reduced the appropriation by \$100 to create a point of difference for conference.

	<u>House</u>	<u>Senate</u>	<u>Conference</u>
<b>Gross</b>	<b>(\$100)</b>	<b>\$0</b>	<b>(\$250,000)</b>
Federal	\$0	\$0	\$5,000,000
GF/GP	(\$100)	\$0	(\$5,250,000)

The **Conference Committee** reduces this appropriation by \$250,000 in GF/GP as part of the target setting agreement. Related boilerplate provides that this reduction would be restored, however, if a 30-cent per pack increase in the cigarette tax is enacted. The committee also shifts the financing of \$5.0 million of the appropriation from GF/GP to federal Workforce Investment Act revenue.

**5. Adult Education Learning Grants**

The **Senate** concurred with the **Executive** in maintaining this grant appropriation at the FY 2002 level. The appropriation supports grants to the Arab-American and Chaldean Council, Jewish Vocational Services, and the Arab Community Center for Economic and Social Services. The **House** reduced the appropriation by \$100 to create a point of difference for conference.

<b>Gross</b>	<b>(\$100)</b>	<b>\$0</b>	<b>(\$225,000)</b>
GF/GP	(\$100)	\$0	(\$225,000)

The **Conference Committee** eliminates the appropriation in accordance with the target setting agreement. Related boilerplate provides that this reduction would be restored, however, if a 30-cent per pack increase in the cigarette tax is enacted.

**6. Pre-college Programs in Engineering and the Sciences**

The **Senate** increased appropriations for pre-college programs by \$104,500 in GF/GP. This action restores funding that was removed under the recent Executive Order reductions. Under the Senate proposal, the Detroit Area Pre-College Engineering Program (DAPCEP) would receive \$620,000, while another \$424,700 would be distributed to the Grand Rapids Area Precollege Engineering Program. This represents an 11.1% increase over the House-passed recommendation. The **House** and **Executive** concurred in maintaining appropriations at the Executive Order-adjusted FY 2002 level.

<b>Gross</b>	<b>\$0</b>	<b>\$104,500</b>	<b>\$0</b>
GF/GP	\$0	\$104,500	\$0

The **Conference Committee** concurs with the House and removes the Senate increase.

**7. Vocational Rehabilitation Independent Living**

The **Senate** provides a \$63,300 GF/GP increase for the State's centers for independent living over House-passed recommendation (a 2.0% increase over the House). The centers provide peer support and advocacy for disabled individuals around the state aimed at assisting these individuals to become more independent. The **House** and **Executive** had maintained funding at FY 2002 levels.

<b>Gross</b>	<b>\$0</b>	<b>\$63,300</b>	<b>\$25,000</b>
GF/GP	\$0	\$63,300	\$25,000

The **Conference Committee** provides a \$25,000 increase for the program.



**Major Budget Changes from FY 2001-02 YTD Appropriations:**

		<u>House</u>	<u>Senate</u>	<u>Conference</u>
<b>8. Personal Assistance Services</b>	<b>Gross</b>	<b>\$0</b>	<b>\$9,200</b>	<b>\$0</b>
The <b>Senate</b> provides a \$9,200 GF/GP increase for the Personal Assistance Services program. The program, administered through two centers for independent living, helps to support personal attendants for disabled individuals. This represents a 2.0% increase over the House-passed appropriation for this program. The <b>House</b> and <b>Executive</b> had maintained funding at FY 2002 levels.	GF/GP	\$0	\$9,200	\$0
The <b>Conference Committee</b> concurs with the House and removes the Senate increase.				
<b>9. Michigan Virtual University</b>	<b>Gross</b>	<b>\$0</b>	<b>\$100</b>	<b>\$1,000,000</b>
The <b>Senate</b> includes a \$100 appropriation for Michigan Virtual University (MVU). The appropriation was meant to be a placeholder in the budget to allow for additional discussions regarding funding for MVU during conference.	Federal	\$0	\$100	\$1,000,000
The <b>Conference Committee</b> appropriates \$1,000,000 to support MVU's technology-based education programs. Funding comes from federal Workforce Investment Act dollars transferred from within the budget.				
<b>10. Gear-Up Program Grant</b>	<b>Gross</b>	<b>\$3,000,000</b>	<b>\$3,000,000</b>	<b>\$3,000,000</b>
The <b>Executive</b> , <b>House</b> and <b>Senate</b> include an appropriation of \$3.0 million in federal revenue for a Gear Up Grant program, which aims to increase the number of low-income students who attend college. The program provides at-risk youth in 7 <sup>th</sup> through 12 <sup>th</sup> grades with tutoring, mentoring, and academic enrichment opportunities to enhance their preparedness for college work. The program will also seek to enhance college scholarship availability for its participants. Funding for the program comes from a 5-year, \$11.9 million grant to the DCD from the U.S. Department of Education. The <b>Conference Committee</b> concurs in including this appropriation.	Federal	\$3,000,000	\$3,000,000	\$3,000,000
<b>11. Early Retirement Savings</b>	<b>Gross</b>	<b>\$0</b>	<b>(\$100)</b>	<b>(\$575,300)</b>
The <b>Senate</b> , acting on a recommendation from the Department of Management and Budget, added a negative appropriation of \$100 for "Early Retirement Savings". The appropriation was intended to be a placeholder to allow this issue to be addressed by the Conference Committee. The <b>Conference Committee</b> includes a negative GF/GP appropriation of \$575,300 for this purpose. This represents DMB-estimated early retirement savings. In calculating the required savings, the DCD is allowed GF/GP funding to replace 1 of every 4 early retirees.	GF/GP	\$0	(\$100)	(\$575,300)
<b>12. General Budgetary Savings</b>	<b>Gross</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$346,800)</b>
As part of the leadership target setting agreement, each department and agency will be required to absorb budgetary savings equal to 1% of its Executive-recommended GF/GP appropriation. For the DCD, this amounts to \$346,800 in required savings. The <b>Conference Committee</b> includes a new "Budgetary Savings" line item, which incorporates these savings. The DCD, along with the Department of Management and Budget, will formulate a proposal regarding how these savings are to be allocated across the agency's various programs. These recommendations will be forwarded to the House and Senate Appropriations Committees for approval through the legislative transfer process.	GF/GP	\$0	\$0	(\$346,800)

**Major Budget Changes from FY 2001-02 YTD Appropriations:****13. Other Budgetary Adjustments**

The **Executive** recommends three other budget reductions totaling \$891,700. These include the removal of \$346,400 in appropriations that have been used to make sick leave payouts to individuals leaving state government under the last early retirement program in 1996; \$400,000 in savings generated through the elimination of a \$375 lump sum payment for state classified employees; and a reduction of \$145,300 and 2.0 FTE positions used to offset GF/GP economic increases paid to classified employees. The **House**, **Senate**, and **Conference Committee** all concur with this action.

	<b><u>House</u></b>	<b><u>Senate</u></b>	<b><u>Conference</u></b>
FTEs	(2.0)	(2.0)	(2.0)
<b>Gross</b>	<b>(\$891,700)</b>	<b>(\$891,700)</b>	<b>(\$891,700)</b>
Federal	(\$667,500)	(\$667,500)	(\$667,500)
GF/GP	(\$224,200)	(\$224,200)	(\$224,200)

**14. Information Technology Services**

The **Executive** recommends consolidating all appropriations for information technology personnel, support staff, and contracts to a separate Information Technology (IT) Services and Projects unit. Within the DCD budget, just over \$6.4 million in appropriations is moved into this unit. Appropriations will be used to pay for IT services and projects provided through the new Department of Information Technology (DIT). DIT will provide IT services statewide, billing individual departments for services provided. The **House** had concurred with the original Executive recommendation on this issue.

FTEs	(50.0)	(51.0)	(51.0)
<b>Gross</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
GF/GP	\$0	\$0	\$0

Since the House passed the DCD budget, the **Executive** budget has been revised to transfer an additional FTE position to the DIT and \$50,900 in federal appropriations from the DCD's "Administration" line item to the new IT unit. The **Senate** and **Conference Committee** concur with this revised recommendation.

The action transfers funding within the department and does not affect overall appropriations. The transfer of positions to the new department does, however, lead to a decrease in appropriated FTE positions.

**15. Economic Increase**

The **Executive**, **House** and **Senate** include an increase of \$1,878,500 to provide a 2.0% overall increase for classified salaries as well as to cover economic increases for retirement and insurance costs. Partially offsetting this increase is a \$34,600 reduction in the appropriations to cover building occupancy charges. The **Conference Committee** retains these changes.

<b>Gross</b>	<b>\$1,878,500</b>	<b>\$1,878,500</b>	<b>\$1,878,500</b>
Federal	\$1,446,200	\$1,446,200	\$1,446,200
Restr'd	\$116,100	\$116,100	\$116,100
Private	\$33,700	\$33,700	\$33,700
GF/GP	\$282,500	\$282,500	\$282,500

**Major Boilerplate Changes from FY 2001-02:*****Secs. 259 and 260. Information Technology Services and Projects***

The **Executive**, **House** and **Senate** all include new language regarding information technology expenditures and the newly created Department of Information Technology (DIT). As discussed above, appropriations covering information technology are transferred to a single line item. These sections provide that this appropriation be used to pay user fees to the new DIT for information technology services. The language requires that user fees be based on an interagency agreement between DIT and DCD and allows the appropriation to be designated as a work project and carried forward to support technology projects. The **Conference Committee** retains this language.

## **Major Boilerplate Changes from FY 2001-02:**

### ***Sec. 261. Early Retirement and Budgetary Savings***

The **Conference Committee** includes new language regarding the negative appropriations for “Early Retirement Savings” and “Budgetary Savings”. The language provides that the House and Senate Appropriations Committees must approve the appropriation adjustments needed to allocate the negative appropriations to specific line items through the legislative transfer process.

### ***Sec. 262. Restoration of Reductions if Cigarette Tax Increase Enacted***

The **Conference Committee** adds language providing for the restoration of certain target-setting reductions if a cigarette tax increase of at least 30 cents per pack is enacted by September 30, 2002. For the DCD, the language could potentially restore the \$1.0 million reduction to the “Council of Michigan Foundations” line item, the \$250,000 reduction for “Focus:HOPE”, and the elimination of the \$225,000 appropriation for “Adult Education Learning Programs”.

### ***Sec. 304(3). Reporting on Centers for Independent Living***

Sec. 304 of the **Executive** and **House** bills requires reporting from the Statewide Independent Living Council and the Michigan Association of Centers for Independent Living on the results achieved through appropriated funds, budgetary information on each center receiving funds, and savings to state taxpayers achieved as the result of appropriated funds. The **Senate** retains these requirements but modifies the reporting date from January 15, 2003 to January 30, 2003. The **Conference Committee** concurs with the Senate change.

### ***Sec. 305. Work First Program***

The **House** and **Senate** made a number of changes to the language governing the DCD’s Work First program. These changes are reviewed below:

- Subsection (11) – The **House** concurred with **Executive** language that removed the requirement that the DCD and the Family Independence Agency continue to collaborate on “joint guidelines” regarding the eligibility of Work First participants for post-employment training support and the application of training/education hours toward federal work participation requirements. Instead, new language provides that the DCD and FIA make available guidelines on these issues and present the guidelines during joint orientations conducted by FIA and Work First contractors. The new language states that these guidelines “will not conflict”. The **House** also concurs with the **Executive** removing a required progress report on continuing efforts to establish joint guidelines. The **Senate**, however, amends the language to remove current law language requiring the Family Independence Agency to collaborate with the department in making available these eligibility guidelines. The **Senate** also eliminates the language that specifically requires that these guidelines “will not conflict”.
- Subsection (12) – The **House** modifies **Executive** proposed language to establish a work participation requirement of *up to* 40 hours per week (the **Executive** language did not include the “up to”). The **House** also amends current law to allow Work First participants involved in a two-year undergraduate program to apply any single year of that program towards work participation requirements. Current law allows one year of education and study time hours to be applied to work participation requirements but restricts this to only the final year of a program. The **Senate** concurs with the House on the *up to* 40 hours per week language but retains the current law language restricting the application of education and study time hours to work participation requirements only during the first year of a two-year undergraduate program.

The **Senate** also adds new language to subsection (3) that requires the DCD to encourage Michigan Works! Agencies to consider transportation challenges for Work First participants placed in employment. The **Conference Committee** concurs with the Senate on each of these issues.

### ***Sec. 319. Adult Education Programs***

The **Executive** deletes legislative intent language that the department ensure that at least \$80.0 million in adult education program funding be distributed through the existing grant process outlined in the School Aid Act and that no more than \$20.0 million be administered through any alternative process. The **House** and **Senate** retain the language but revise the allocation for the existing grant process to \$75.0 million to reflect the FY 2003 Executive budget proposal for adult education. The **Conference Committee** retains the language.

### ***Sec. 320. Medicaid Buy-in Program for the Disabled***

The **Executive** and **House** do not include current law language that provides that the DCD work with the Department of Community Health to establish a Medicaid buy-in program for the working disabled. The **Senate** reinserted the current law language. The **Conference Committee** concurs with the Senate.

## **Major Boilerplate Changes from FY 2001-02:**

### ***Sec. 328. Technology-Based Education***

The **Senate** adds new language providing that, if resources are available, the department may do the following:

- Promote the use of education technology to accelerate career and workforce development
- Promote technology-based training to public and private sector organizations that emphasize partnerships between public education and the business sector
- Support and encourage various collaborative efforts among educational institutions and government agencies to meet training needs

The **Conference Committee** retains the language and specifies that the department is to work with the Michigan Virtual University on these efforts. A \$1.0 million line item appropriation is also included for these purposes.

### ***Sec. 329. Focus:HOPE Reporting Requirement***

The **Senate** includes new language requiring reporting from Focus:HOPE on the use of the organization's grant appropriation. This includes information on expenditures, students served, program enhancements, new hires, and capital expenditures. The report is to be distributed to the Chairs of the House and Senate Subcommittees on DCD/MEDC and to the House and Senate Fiscal Agencies. The **Conference Committee** concurs.

### ***Sec. 330. Work First Funding Formula***

New boilerplate added by the **Senate** prohibits the department from altering the method of allocation of available Work First funding to the various Work First regions around the state. The department would be required to utilize the distribution methodology used in FY 2001-2002. The DCD had planned to alter its current formula for the upcoming fiscal year. Under the current formula, general Work First funding is distributed to regions by a formula based 75% on the total Family Independence Program (FIP) caseload for the region and 25% on the new FIP caseload (entered the program within the previous 12 months) for the region. The funds for the Welfare-to-Work program (aimed at long-term welfare recipients) are distributed based 50% on a measure of "excess poverty" in a region and 50% on the number of clients receiving welfare benefits for 30 months or more.

The DCD had planned to revise the distribution formula so that all available funds were distributed based 60% on FIP caseload, 20% on new FIP caseload, and 20% based on "referrals" – which reflects actual entrants into the program. Data shows that while most regions gain under this formula change, three regions do lose funding. Most notably, the City of Detroit region and the region serving Monroe and the rest of Wayne County would lose 10% and 13% of their total funding, respectively. The DCD has argued that the new formula is more equitable given the inclusion of "referrals", which would be the best measure of the number served by the program.

The **Conference Committee** does not include the language.

### ***Deletion – Assistance to Created for Caring Organization***

The **Senate** deletes current law language that was retained in Sec. 323 of the House-passed bill that requires the department to work with the Created for Caring organization to enhance their employment skills training program to assist the organization in competing for available Welfare-to-Work dollars. The **Conference Committee** concurs in eliminating the language.