



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

BILL ANALYSIS

Telephone: (517) 373-2768
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Senate Bill 177 (S-1 as passed by the Senate)
Committee: Appropriations

	<u>Gross</u>	<u>GF/GP</u>
FY 2010-11 Year-To-Date	\$3,347,567,400	\$600,492,600
FY 2010-11 Governor's Recommendation.....	\$3,400,771,400	\$734,559,900
Change from Year-To-Date.....	\$53,204,000	\$134,067,300
Percentage Change from Year-To-Date	1.6%	22.3%
FY 2011-12 Senate Passed Recommendation.....	\$3,355,221,100	\$674,509,500
Change from Year-To-Date	\$7,653,700	\$74,016,900
Percent Change from Year-To-Date.....	0.2%	12.3%
Change from Governor	(\$45,550,300)	(\$60,050,400)
Percentage Change from Governor.....	-1.3%	-8.2%

See Individual Highlight Sheet for Department Detail

Changes from FY 2010-11 Year to Date:

1. **Deleted General Sections.** The Governor and Senate deleted the authorization for civil service billing (Sec. 204). The Governor deleted and the Senate retained the following general sections: hiring freeze (Sec. 205), purchasing requirements regarding consideration for buying from American, Michigan, and veteran-owned firms (Sec. 209), purchasing requirement regarding deprived and depressed areas (Sec. 210); retention of reports by departments (Sec. 212), prohibit casino ownership (Sec. 213), Department of Technology, Management, and Budget user fees (Sec. 214), prohibit employee discipline for speaking with a legislator or legislative staff (Sec. 215), limitations on out-of-State travel (Sec. 216), prohibit use of General Fund money when Federal funds are available (Sec. 217), policy change report (Sec. 221), prohibit use of funds for legal services that should be provided by the Attorney General (Sec. 226), lapse estimate report (Sec. 228), require departments to follow-up on savings proposals from the Legislative Auditor General (Sec. 229), quarterly report on full-time equivalent (FTE) employees (Sec. 230(1)), expenditure reporting on the internet (Sec. 230(2)), limit spending on expenditure report to \$10,000 (Sec. 230(2)).
2. **Relocated Sections.** The Governor moved the schedule of payments to locals and list of definitions were moved to sections in the articles for the individual departments. (Sec. 201 and 203). The Senate retained the current bill structure.
3. **FY 2012-13.** The Governor included line items and a schedule of programs for FY 2012-12. The Senate included a section that specified the types of adjustments and estimates that would be anticipated for FY 2012-13. (Sec. 1201)

Date Completed: 4-26-11

Fiscal Analyst: Elizabeth Pratt



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Senate Bill 177 (S-1 as passed by the Senate)

Committee: Appropriations

FY 2010-11 Year-to-Date Gross Appropriation	\$73,413,100
Changes from FY 2010-11 Year-to-Date:	
1. Attorney General Operations. The Governor recognized early retirement savings of (\$1,151,200) GF/GP and made an additional reduction of (\$142,400) GF/GP. Together these reduce GF/GP appropriations for operations by 5%. The Senate concurred.	(1,293,600)
2. Attorney General Salary. The Governor reduced the salary for the Attorney General by (\$3,300) GF/GP to \$112,500, following the recommendation of the State Officers Compensation Commission. The Senate concurred.	(3,300)
3. Prosecuting Attorneys Coordination Council. The Governor reduced funding to reflect retirement savings of (\$35,600) GF/GP and a reduction of (\$186,000) in restricted grant funds for training. The Senate concurred.	(221,600)
4. Information Technology. The Governor recommended a reduction of (\$98,800) GF/GP in the information technology appropriation. The Senate concurred.	(98,800)
5. Economic Adjustments. The Governor recommended economic adjustments of \$2,603,300 of which \$985,200 are funded by GF/GP revenue. The Senate concurred.	2,603,300
6. Other Changes. The Governor proposed information technology economics of \$4,300 and a reduction of (\$62,500) in restricted fund authority for the State Claims Unit to reflect the level of billings. The Senate concurred and made offsetting restricted fund adjustments to increase spending authority for the Self-insurer's Security Fund.	(58,200)
7. Comparison to the Governor's Recommendation. The Senate is \$0 Gross and \$0 GF/GP over/under the Governor.	
Total Changes	\$927,800
FY 2011-12 Senate-Passed Gross Appropriation	\$74,340,900

Changes from FY 2010-11 Year to Date:

1. **Boilerplate Changes.** The Governor moved the statement of total State spending and definitions for the Attorney General to the Article for the Attorney General. The Senate retained the current bill structure. (Sec. 2-201 and 2-202)
2. **Boilerplate Sections.** The Governor retained and renumbered all Attorney General boilerplate sections enacted for FY 2010-11. The Senate retained the current bill structure. (Sec. 2-203 to 2-213)
3. **Limit Spending for Legal Services.** The Governor retained language that prohibits spending any funds in addition to the appropriations in Part 1 for legal services to departments except for costs for expert witnesses, court costs, and non-salary litigation expenses. The Senate deleted the section. (Sec. 312)

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Senate Bill 177 (S-1 as passed by the Senate)

Committee: Appropriations

FY 2010-11 Year-to-Date Gross Appropriation	\$12,778,700
Changes from FY 2010-11 Year-to-Date:	
1. Operations Reduction and Fund Shift. The Governor proposed a reduction to operational funding of (\$1,020,400) consisting of retirement savings of (\$600,400) GF/GP and a reduction of (\$420,000) GF/GP. The Senate concurred.	(1,020,400)
2. Operations Fund Shift, GF/GP to Federal. The Governor recommended a reduction of (\$463,200) GF/GP that would be replaced by \$463,200 of increased Federal funds by completing additional cases pursuant to a contract with the U.S. Department of Housing and Urban Development. These cases are dually filed at the State and Federal levels. The Senate concurred.	0
3. Information Technology (IT). The Governor reduced funding for information technology by (\$150,000) GF/GP. Due to fewer staff, the Department expects to realize savings by reducing the number of computers. The Senate concurred	(150,000)
4. Pacific American Affairs Commission/ Office of Asian Pacific Affairs. The Senate added a \$100 GF/GP placeholder to provide support for this Commission which was transferred from the Department of Energy, Labor, and Economic Growth (DELEG) to Civil Rights by E.O. 2011-4.	100
5. Economic Adjustments. The Governor recommended economic adjustments of \$451,900. The Senate concurred.	451,900
6. Other Changes. The Governor also recommended a building occupancy charge increase of \$25,000, workers' compensation increase of \$8,600, information technology economics of \$10,600, IT retirement savings of (\$7,600), and IT building occupancy charges of \$2,100. The Senate concurred.	38,700
7. Comparison to the Governor's Recommendation. The Senate is \$0 Gross and \$0 GF/GP over/under the Governor.	
Total Changes	(\$679,700)
FY 2011-12 Senate-Passed Gross Appropriation	\$12,099,000

Changes from FY 2010-11 Year to Date:

1. **Statement of Total State Spending.** The Governor moved the statement of total State spending for Civil Rights to the Article for Civil Rights. The Senate retained the current bill structure. (Sec. 3-201)
2. **Contingency Funds.** The Governor added authority for appropriating up to \$500,000 in private contingency funds through the legislative transfer process. The Department has applied for private grant funding to support initiatives related to hate crime response and prevention. (Sec. 3-301(b)) The Senate concurred. (Sec. 401)
3. **Spending from Local and Private Sources.** The Governor added authority to spend local or private funds for staffing costs related to services currently supported by these revenues including training, mediation, and publication costs. The Governor also deleted a report on the amount and uses of local and private funds received and spent by the Department. (Sec. 3-302(g)) The Senate concurred. (Sec. 402)

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Senate Bill 177 (S-1 as passed by the Senate)

Committee: Appropriations

FY 2010-11 Year-to-Date Gross Appropriation	\$4,630,800
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Changes from FY 2010-11 Year-to-Date:

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|---|-----------|
| 1. State Officers Compensation Commission (SOCC) Adjustment. The salaries and expense allowances for the Governor and the Lt. Governor were further reduced to comply with the March 2009 SOCC decision. The Senate concurred with the Governor. | (19,400) |
| 2. Non-SOCC Reduction. The Governor and Senate reduced the appropriation for the Executive Office by 5%to to save additional GF/GP dollars. | (212,200) |
| 3. Comparison to the Governor's Recommendation. The Senate is \$0 Gross and \$0 GF/GP over/under the Governor. | |

Total Changes	(\$231,600)
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FY 2011-12 Senate-Passed Gross Appropriation	\$4,399,200
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Changes from FY 2010-11 Year to Date:

1. There previously were no boilerplate sections for the Executive Office. The Governor added one general section listing the total State spending from State resources and the payments to local units of government. Senate did not include this section. (Sec. 9-201)

Date Completed: 4-26-11

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Senate Bill 177 (S-1 as passed by the Senate)

Committee: Appropriations

FY 2010-11 Year-to-Date Gross Appropriation	\$117,330,500
Changes from FY 2010-11 Year-to-Date:	
1. Senate Reductions. The Governor and Senate reduced the following Senate appropriations: Senate (\$905,500 or 3.5%); Senate IT (\$46,400 or 2.0%); and Senate Fiscal Agency (\$94,100 or 3.5%).	(1,046,000)
2. House Reductions. The Governor and Senate reduced the following House appropriations: House (\$1,153,300 or 2.9%); House IT (\$37,500 or 2.1%); and House Fiscal Agency (\$94,100 or 3.5%).	(1,284,900)
3. Other Legislative Changes. The Governor and Senate reduced two other legislative line items: Legislative Council (\$396,600 or 4.7%); and Legislative Retirement (\$164,400). The Cora Anderson House Office Building line was increased by \$871,000 to realize lease-cost savings.	330,000
4. Interdepartmental Grant (IDG) Credits. The Governor and Senate moved boilerplate language for the Legislative Auditor General to a line item that allows spending in excess of appropriations due to higher than estimated number of audits completed.	1,700,000
5. Unfunded IDG. The Governor and Senate removed funding from the Legislative Auditor General for an unfunded IDG from the Michigan Department of Corrections due to a Governor's veto for the FY 2010-11 enacted budget.	(500,000)
6. Target Reduction. The Governor and Senate reduced funding by 5% in the Field Operations line item for the Legislative Auditor General.	(558,000)
7. Comparison to the Governor's Recommendation. The Senate is \$0 Gross and \$0 GF/GP over/under the Governor.	
Total Changes	(\$1,358,900)
FY 2011-12 Senate-Passed Gross Appropriation	\$115,971,600

Changes from FY 2010-11 Year to Date:

1. **Total State Spending.** The Governor added one general section listing the total State spending from State resources and the payments to local units of government. Senate deleted section. (Sec. 12-201)
2. **Statewide Single Audit.** The Governor added new language requiring a report, by December 31, 2011, regarding the feasibility of converting to a Statewide single audit. (Sec. 12-405) The Senate retained a revised version of this language. (Sec. 624)
3. **Legislative Auditor General Economics.** The Senate added new language allowing the Legislative Auditor General's Office to use up to \$905,000 in unexpended and unencumbered funds that may lapse at the end of FY 2010-11 to pay for economic cost increases. (Sec. 625)

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Senate Bill 177 (S-1 as passed by the Senate)

Committee: Appropriations

FY 2010-11 Year-to-Date Gross Appropriation	\$213,520,400
Changes from FY 2010-11 Year-to-Date:	
1. State Officers Compensation Commission (SOCC) Adjustment. The salaries and expense allowances for the Secretary of State were reduced to comply with the March 2009 SOCC decision. Senate concurred with Governor.	(3,300)
2. Early Retirement Savings. The Governor and Senate realized administrative savings due to early retirements.	(621,300)
3. Governor's Target Reduction. Several line items in the budget were reduced to achieve an overall GF/GP savings. Savings realized from efficiencies in operations in several line items, including: Regulatory Services (\$494,000); Branch Operations (\$484,200); Central Operations (\$558,800); Dept. Services (\$460,000); and Election Administration (\$103,000). The Senate concurred with the Governor.	(2,100,000)
4. Economic Adjustments. The Department's economic adjustments totaled \$980,600 while the economic adjustment for Information Technology totaled \$108,600. The Senate concurred with the Governor.	1,089,200
5. Comparison to the Governor's Recommendation. The Senate is \$0 Gross and \$0 GF/GP over/under the Governor.	
Total Changes.....	(\$1,635,400)
FY 2011-12 Senate-Passed Gross Appropriation	\$211,885,000

Changes from FY 2010-11 Year to Date:

1. **Re-numbering of Sections.** Sections of boilerplate that have been retained in the Governor's budget are re-numbered accordingly for Article 15. Senate did not concur with the Governor.
2. **Branch Office Closings.** At least 180 days prior to the announcement of Secretary of State branch office closings or consolidations, or 60 days prior to relocating a branch office, 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 Governor eliminated this section. The Senate retained this section. (Sec. 714)
3. **Motorcycle Safety Education Program.** Language continuing the Motorcycle Safety Education Program in the same manner as was provided by the Department of Education and the listing of revenue sources for the program were removed by the Governor. The Senate retained this section. (Sec. 716)
4. **Buena Vista Branch Office.** Requires the Department to maintain a full service branch office in Buena Vista Township. The Governor removed this section. The Senate retained this section. (Sec. 718)
5. **General Fund Expenditures.** Requires the Department to use Restricted Funds before using General Fund dollars. The Governor removed this section. The Senate retained this section. (Sec. 719)
6. **Guidelines for Branch Office Placement.** Provides guidelines for the placement of future branch offices. The Governor removed this section. The Senate concurred with the Governor. (Sec. 720)
7. **Deletions.** In keeping with the condensed structure of the Governor's budget, the following current-year language sections and/or subsections were not included: 705(5), 706, 716b, 716c, and 717(3). The majority of these sections required the Department to provide either reports or notifications to the Legislature. The Senate retained Sections 705(5), 716(b), and 717(3).

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FY 2010-11 Year-to-Date Gross Appropriation	\$974,362,200
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Changes from FY 2010-11 Year-to-Date:

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| 1. Technology Innovations Fund. Governor provided new GF/GP funding of \$5.0 million for competitive grants for innovations in technology. Senate did not include this funding. | 0 |
| 2. State Building Authority Rent Adjustments. Governor and Senate made adjustments to the "rent" the State pays for State financed building projects based on projected payments. | 15,000,000 |
| 3. Accounting Consolidation. Governor and Senate increased funding to finalize the consolidation of accounting services resulting from the previous merger of Civil Service and DMB resulting in the addition of 14.0 FTEs. | 1,593,200 |
| 4. Information Technology (IT) - Alignment of IDG Funding. The IT portion of the budget aligned its IDG funding with enacted FY 2011 appropriations for all departments. Senate concurred with Governor. | 7,907,900 |
| 5. Gubernatorial Transition. One-time funding provided in FY 2011 for transition costs associated with the election of a new Governor was eliminated by the Governor and Senate. | (1,500,000) |
| 6. Building Operations. Consolidation of functions and reduction in funded FTE positions resulted in savings for FY 2011-12. Senate concurred with Governor. | (1,250,000) |
| 7. Early Retirement Savings. The Governor and Senate realized administrative savings due to early retirements. Management and Budget saved \$1.5 million, Civil Service Commission saved \$1.6 million, and IT saved \$2.8 million. | (5,941,200) |
| 8. Professional Development. Governor and Senate eliminated all remaining funding for professional development activities for State classified employees. | (225,000) |
| 9. Civil Service Commission Adjustment. Governor and Senate adjusted funding for the Civil Service Commission for accounting costs saved as a result of a Department of Corrections facility closure in 2010. | 277,800 |
| 10. Governor's Target Reduction. Several line items in the budget were reduced by the Governor and Senate to achieve an overall GF/GP savings. Management and Budget reduced costs by \$3.1 million, Civil Service Commission reduced costs by \$2.0 million, and IT reduced costs by \$1.3 million. | (6,394,300) |
| 11. IT Miscellaneous Adjustments. Several items related to IT for several departments were adjusted by the Governor and Senate. Positive adjustments totaled \$13.6 million (the largest being \$8.9 million for DCH's HIPPA project) while negative adjustments totaled \$1.5 million (the largest being \$700,000 for the Dept. of State Police). | 12,079,400 |
| 12. Economic Adjustments. Management and Budget's economic adjustments totaled \$10,917,100 while the economic adjustment for IT totaled \$314,600. The Senate concurred with the Governor. | 11,231,700 |
| 13. Comparison to the Governor's Recommendation. The Senate is \$5,000,000 Gross and \$5,000,000 GF/GP under the Governor. | |

Total Changes	\$32,779,500
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FY 2011-12 Senate-Passed Gross Appropriation	\$1,007,141,700
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Changes from FY 2010-11 Year to Date:

1. **Re-numbering of Sections.** Sections of boilerplate that have been retained in the Governor's budget are re-numbered accordingly for Article 17. Senate did not concur with the Governor.
2. **Consolidated Internet Auction Services.** Senate added new language requiring DTMB to provide consolidated internet auction services through the State's contractors for all local units of government. (Sec. 802)
3. **Remanufactured Furniture.** The Senate added new language requiring the Department to spend no more than \$1.0 million annually on the purchase of new furniture and required the Department to purchase remanufactured or refurbished furniture according to the Department's statewide contract. (Sec. 803(5))
4. **Computer Contract Adjustments.** Required notification to the House and Senate Appropriation Committee Chairs and General Government Subcommittee Committee Chairs on computer contract revisions that increase or decrease current contracts by more than \$500,000. The Governor removed this section. The Senate retained this section. (Sec. 809)
5. **Motor Vehicle Fleet.**
 - a) Provides that funds appropriated in Part 1 for the Motor Vehicle Fleet are for the administration and for acquisition, lease, operation, maintenance, repair, replacement, and disposal of State motor vehicles.
 - b) Appropriations in Part 1 shall be funded from rates charged to State departments and agencies for utilizing vehicle travel services. Provides that revenue may be carried forward to the next fiscal year.
 - c) States legislative intent that the DMB has the authority to determine the appropriateness of vehicle assignments.
 - d) Requires Dept. of Management and Budget to develop a plan that includes the number of vehicles assigned to departments and agencies, efforts to reduce vehicle expenditures, the number of cars in the motor vehicle fleet, the number of miles driven by fleet vehicles, and the number of gallons of fuel consumed by fleet vehicles.
 - e) Allows the Department to charge State agencies for fuel cost increases that exceed the average retail price of \$2.27 per gallon and requires the Department to give a 30-day notice before a fuel surcharge is implemented.The Governor removed Subsections 3 and 4 (items c and d above). Senate only removed subsection 3. (Sec. 813)
6. **Remanufactured Auto Parts.** The Senate added new language requiring the Department to use remanufactured parts whenever possible for the repair and maintenance of the State's fleet of motor vehicles, excluding the fleet for State Police. (Sec. 813a)
7. **Contracting.** The Governor removed current year language (Secs. 814, 815, 816, & 817) regarding adoption of policies and procedures necessary for compliance with Section 261 of the Management and Budget Act (1984 PA 431); language requiring determination of the best interests of State when dealing with vendors outside of Michigan; language requiring obtaining certain information from vendors; and language requiring disclosure of location of call/contact centers. Senate removed Sections 814 and 816 and revised Section 815 to a more condensed version and requires the Department to notify the Legislature if the State purchases any goods that are produced outside of the State or the United States.
8. **Unclassified Salaries.** Language required the Department to compile a report by January 1 pertaining to the salaries of unclassified employees and gubernatorial appointees. The Governor removed this section. The Senate retained this section. (Sec. 822)
9. **Privatization of State Lottery Administration.** The Senate added new language requiring the Department to submit a report to the Legislature regarding the feasibility of privatizing the administration of the State Lottery. (Sec. 822a)
10. **Asbestos Removal.** The Senate added new language providing up to \$1.5 million for the costs associated with the removal of asbestos from the former State Police Headquarters. (Sec. 844)
11. **Health Savings Accounts.** The Senate added new language requiring the Civil Service Commission to submit a report by March 31, 2012, regarding the cost savings or increase of requiring all public employees and elected officials in the State to enroll in a health savings account benefit plan. (Sec. 852a)
12. **Office of Great Workplace Development.** Language prohibits use of any other funds for this office. The Governor and Senate removed section. (Sec. 853)
13. **Deletions.** In keeping with the condensed structure of the Governor's budget, the following current-year language sections and/or subsections were not included: 823(4), 827(4) however, carryforward language was retained, 828, 829, 830, 832, 840(4), 843, 850(1), 860, 861, 862, 865, 870, 871, 872, 873, 874, 875, and 876. The majority of these sections required the Department to provide either reports or notifications to the Legislature. The Senate concurred with the Governor in removing Sections 860, 861, 862, 865, 870, 871, 872, 873, 874, 875, and 876

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Committee: Appropriations

FY 2010-11 Year-to-Date Gross Appropriation	\$1,951,331,700
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Changes from FY 2010-11 Year-to-Date:

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| 1. Debt Service. The Governor increased debt service appropriations for general obligation environmental bond issues by \$83,295,200 GF/GP. The increase reflects the current payment structure including the impact of prior year debt restructuring. The Senate concurred. | 83,295,200 |
| 2. Presidential Primary. The Governor provided \$10.0 million GF/GP for the 2012 presidential primary. The Senate concurred. | 10,000,000 |
| 3. Payments in Lieu of Taxes (PILT). The Governor proposed a 15% reduction consisting of (\$351,500) from Commercial Forest Reserve, (\$580,800) from Purchased Lands, and (\$934,100) from Swamp and Tax Reverted Lands. This would save (\$1,576,000) GF/GP and (\$290,400) State Restricted funds. The Senate concurred. | (1,866,400) |
| 4. Administrative Reductions. The Governor reduced all GF/GP-funded administrative lines. Savings totaled (\$905,500) GF/GP. The Senate concurred. | (905,500) |
| 5. Retirement Savings. The Governor recognized (\$1,022,400) of savings from retirements. The Senate concurred. | (1,022,400) |
| 6. Business Property Tax Appeal. The Governor reduced the program from \$900,000 GF/GP to \$300,000 GF/GP. The Senate concurred. | (600,000) |
| 7. Unclaimed Property. The Governor increased funding by \$700,000 and 5.0 FTEs for on-going administrative costs. The Senate concurred. | 700,000 |
| 8. Senior Citizens' Cooperative Housing Tax Exemption. The Governor adjusted funding based on the projected cost of the program, realizing savings of (\$2,500,000) GF/GP. The Senate concurred. | (2,500,000) |
| 9. Tobacco Tax Enforcement. The Senate added \$4,500,000 in restricted revenue for additional tobacco tax enforcement | 4,500,000 |
| 10. Revenue Sharing. Changes total (\$100,412,200). Revenue sharing highlight sheet is attached. | (100,412,200) |
| 11. Michigan Strategic Fund (MSF). Reduced by (\$11,520,500). MSF highlight sheet is attached. | (11,520,500) |
| 12. Economic Adjustments. Treasury economics (excluding MSF) total \$9,168,600. | 9,168,600 |
| 13. Other Changes. Information technology economics, \$363,400; reduction in excess restricted fund authority in PILT, (\$513,000); workers' compensation, building occupancy charges, and rent adjustments, (\$75,000); Land Bank federal grants, \$1,000,000; removed one-time supplemental funding, (\$11,600,000), added 1.0 FTE Indian gaming auditor, \$90,200. Senate adjusted Business Property Tax Appeal economics, (\$50,400). | (10,784,800) |
| 14. Comparison to the Governor's Recommendation. The Senate is (\$40,550,400) Gross and (\$55,050,400) GF/GP under the Governor. | |

Total Changes.....	(\$21,948,000)
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FY 2011-12 Senate-Passed Gross Appropriation	\$1,929,383,700
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Changes from FY 2010-11 Year to Date:

1. **Deleted Sections.** The Governor deleted the following sections in their entirety: tax manual publication (Sec. 905), authority to charge local governments for costs of audits (Sec. 906), audit and report on senior citizens' cooperative housing tax exemption program (Sec. 913(2)), prohibition on use of any appropriations for the Detroit River International Crossing (Sec. 925a), intent language on improving PILT purchased lands administration (Sec. 938), intent language on pension fund investments in early stage companies (Sec. 939), permissive language on local assessment practices review (Sec. 945), reverse vending distributions (Sec. 949), Lottery - prohibition of lottery advertising to persons under 18 (Sec. 961), Lottery - requirement to inform retailers that bridge cards cannot be used for lottery purchases (Sec. 963), Gaming - contingent language in case no thoroughbred race meet was held in 2010 or 2011 (Sec. 979), Michigan State Housing Development Authority (MSHDA) - permissive language on allocation to Housing and Community Development Fund and report (Sec. 985). The Senate deleted sections 905, 938, 939, 945, 948, 961, 985, and retained remaining sections
2. **Deleted Reports.** The Governor deleted the following reports: cost of private collections agencies (Sec. 903(3)), revenue received from sale of information (Sec. 916), write-offs and advances (Sec. 917(2)), audits and collection of unclaimed property (Sec. 919(2)), cost of collection of Michigan Transportation Fund revenue (Sec. 922), principal residence exemption audit results (Sec. 924(2)), personal property tax audits (Sec. 927), cost of collections for other departments (Sec. 930(2)), investment fees assessed by restricted fund (Sec. 931(1)), Michigan Finance Authority spending from revenue not appropriated in a line item (Sec. 934(2)), efficiency of field collection personnel (Sec. 942), pension plan consultants (Sec. 944), online tax filing (Sec. 948), MSHDA - housing production report (Sec. 980), MSHDA - Broadband development authority (Sec. 981), MSHDA - Blight Elimination (Sec. 982). The Senate deleted Sec. 982 and retained remaining reports.
3. **Notification of Bond Refinancing or Restructuring.** The Senate required that Treasury notify the appropriations committees 15 days prior to any refinancing or restructuring and provide information on changes in debt service schedules and the present value costs or savings. (Sec. 902a)
4. **Tobacco Tax Enforcement.** The Senate directed the use of the tobacco tax enforcement appropriation for costs associated with a new stamp indicia, reimbursement to licensed tax stamp agents for various costs associated with the new stamp, including machines and scanners approved by Treasury. (Sec. 943)
5. **Public Private Partnership Investment Fund.** The Governor deleted provisions that prohibited the fund from supporting any work related to the Detroit River International Crossing and deleted the annual report requirements. (Sec. 925) The Senate retained and modified to apply to DRIC or any successor project unless it is approved by the Legislature and signed into law, and add a requirement for Treasury to fund the line by transfer from existing appropriations, if necessary.
6. **Michigan Strategic Fund Boilerplate.** See separate highlight sheet.
7. **Revenue Sharing Boilerplate.** See separate highlight sheet.

Date Completed: 4-26-11

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Committee: Appropriations

FY 2010-11 Year-to-Date Gross Appropriation	\$1,059,391,500
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Changes from FY 2010-11 Year-to-Date:

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| <p>1. Constitutional Revenue Sharing. The Governor estimated that revenue sharing payments to cities, villages, and townships (CVTs) pursuant to the Constitution will total \$658,979,300 in FY 2011-12, an increase of \$15,232,400 from the January consensus estimate for FY 2010-11 payments. Constitutional revenue sharing totals 15% of sales tax collections at a 4% rate. These funds are distributed to CVTs in an equal amount per capita, adjusted so that institutional populations are counted at 50%. When 2010 census figures become available in April 2011, FY 2010-11 payments will be adjusted based on the new population data, causing changes in local unit payments. The Senate concurred.</p> | 15,232,400 |
| <p>2. Statutory Revenue Sharing for CVTs. The Governor eliminated of this program for CVTs. Prior year appropriation reductions have eliminated statutory revenue sharing payments to 1,240 CVTs for FY 2010-11. The year-to-date estimate for the cost of this program is \$300,903,900. Since FY 2007-08, boilerplate formulas have determined payments. The Senate concurred.</p> | (300,903,900) |
| <p>3. County Revenue Sharing. The Governor proposed funding revenue sharing payments to counties at \$100,000,000 in FY 2011-12, an amount that is (\$51,800,000) or (34.1%) under the amount required by the statutory formula. Under current law, total payments to counties would increase in FY 2011-12 due to additional counties exhausting their revenue sharing reserve funds and re-entering the county revenue sharing program and other counties receiving full year funding under the program. When compared to FY 2010-11, the Governor's proposal is (\$14,740,700) under the year-to-date appropriation. The Senate concurred</p> | (14,740,700) |
| <p>4. Economic Vitality Incentive Program. The Governor recommended \$195.0 million for a revenue sharing program for CVTs with eligibility based on adoption of best practices. The remaining \$5.0 million would be for grants for consolidation of services. The Senate included a similar program that requires eligible CVTs to develop performance dashboards and a citizen's guide to finances, prepare a consolidation, cooperation and collaboration plan, and develop an employee compensation plan that it intends to implement with a new, modified, or extended contract where that plan incorporates savings criteria for retirement plans and health care. Cities, villages, townships, and counties would be eligible for the consolidation grants.</p> | 200,000,000 |
| <p>5. Comparison to the Governor's Recommendation. The Senate is \$0 Gross and \$0 GF/GP over/under the Governor.</p> | |

Total Changes.....	(\$100,412,200)
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FY 2011-12 Senate-Passed Gross Appropriation	\$958,979,300
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Changes from FY 2010-11 Year to Date:

1. **Renumbered Sections for Constitutional and County Revenue Sharing.** The Governor maintained current boilerplate for constitutional and county revenue sharing and renumbered those sections. (Sec. 950(1)/19-401 and 955/19-402) The Senate concurred.
2. **Statutory Revenue Sharing.** The Governor deleted boilerplate authorizing statutory revenue sharing payments to eligible CVTs. The current year language authorizes payments to each CVT such that the total of the FY 2010-11 constitutional and statutory payment to each CVT is 100% of the total of those payments in FY 2009-10. Of the 1,801 CVTS, 1,240 local units no longer receive statutory payments because they have received increases in constitutional revenue sharing that decreased the statutory amount to zero. The language also provides a calculation for determining reduced statutory revenue payments in the event that sales tax revenue falls below the amount estimated at the time the bill was enacted. (Sec. 950(2)) The Senate concurred.
3. **Economic Vitality Incentive Program.** The Governor's plan was not included in boilerplate. The Senate program would pay up to \$195.0 million to eligible cities, villages, and townships (CVTs). The maximum distribution under this program to CVTs shall not exceed the lesser of 81.88% of the combined statutory and constitutional revenue sharing received in FY 2010-11 or the amount determined by applying a percentage determined by dividing the sum of all payments under constitutional revenue sharing in FY 2011-12 and statutory revenue sharing by \$853,979,300 and then subtracting 0.1812. A CVT with a calculated amount less than \$6,000 would not be eligible. An eligible CVT could receive 1/3rd of their total payment for meeting each of the following criteria:
 - a) Creating a performance dashboard and citizen's guide to its finances and submitting a copy to Treasury by October 1, 2011.
 - b) Creating a cooperation, collaboration, and consolidation plan by January 1, 2012 and submitting a copy to Treasury by January 15, 2012.
 - c) Developing a compensation plan that the CVT intends to implement with any new, modified, or extended contract. The plan must be developed by May 1, 2012 and submitted to Treasury by May 15, 2012. The plan would be required to indicate intent to:
 - Limit retirement plan costs to 10% of wages and salaries of employees in the plan
 - Require that any pensions be paid based on a final average compensation calculated based on at least 3 consecutive years of salary; that limited the amount of paid leave time, vacation time, and overtime hours used to calculated final average compensation to no more than 240 hours, and other measures determined by the CVT.
 - If a health care plan is offered, state intent that employees pay at least 20% of the cost.Payments would be distributed on the same schedule as constitutional revenue sharing. Payments would be calculated assuming that the CVTs qualified, and then recalculated and adjusted based on actual compliance. \$5,000,000 of the appropriation would be for consolidation incentive grants to eligible CVTs and counties. Undistributed funds would be deposited in the Budget Stabilization Fund. (Sec. 951)

Date Completed: 4-26-11

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ANALYSIS

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Senate Bill 177 (S-1 as passed by the Senate)

Committee: Appropriations

FY 2010-11 Year-to-Date Gross Appropriation	\$165,846,200
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Changes from FY 2010-11 Year-to-Date:

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| 1. Business Attraction and Economic Gardening. The Governor proposed replacing business tax credits with this new incentive program funded by \$25.0 million GF/GP and \$25.0 million from the 21 st Century Jobs Trust Fund. The Senate would fund at \$25.0 million from 21 st Century Jobs Trust Fund. | 25,000,000 |
| 2. Innovation and Entrepreneurship. The Governor proposed using \$25.0 million from the 21 st Century Jobs Trust Fund for this new program. | 25,000,000 |
| 3. Pure Michigan. The Governor recommended funding tourism promotion at \$25.0 million solely from the 21 st Century Jobs Trust Fund. The Senate concurred. | 25,000,000 |
| 4. Michigan Promotion Program. The Governor deleted \$5,402,800 GF/GP in promotion funding and shifted funding to 21 st Century for Pure Michigan described above. The Senate concurred. | (5,402,800) |
| 5. Film Incentive Program. The Governor recommended using \$25.0 million GF/GP to provide incentives for the film industry and replace the existing Michigan Film Tax Credit. Currently the cost of the Michigan Film Tax Credit is not appropriated. The Senate funded at \$10.0 million from Tobacco Tax Enhanced Enforcement Revenue. A statutory change would be needed. | 10,000,000 |
| 6. Quality of Place and Talent Enhancement. The Governor proposed using \$5.0 million GF/GP for a program to retain young adults in Michigan. The Senate did not include. | 0 |
| 7. Jobs for Michigan Investment Program: 21st Century Jobs Fund. The Governor eliminated this line item for 21 st Century programs and redirected the funds to Pure Michigan and to fund proposed new programs for Business Attraction and Economic Gardening and Innovation and Entrepreneurship. The Senate concurred. | (75,000,000) |
| 8. Community Development Block Grant. The Governor reduced from \$53.0 million to \$47.0 million to reflect anticipated Federal funding. The Senate concurred. | (6,000,000) |
| 9. Retirement Savings. The Governor reduced Job Creation Services funding by (\$543,000) due to retirement savings. The Senate concurred. | (543,000) |
| 10. Economic Adjustments. The Governor recommended economics of \$968,900 Gross including \$881,000 GF/GP. | 968,900 |
| 11. Other Changes. The Governor adjusted revenue estimates for private revenue and an IDG. The Senate moved economic adjustments for Arts and Cultural Grants employees to the Job Creation Services line item and removed one-time funding for the Detroit Institute for the Arts. | (10,543,600) |
| 12. Comparison to the Governor's Recommendation. The Senate is (\$45,000,000) Gross and (\$55,000,000) GF/GP under the Governor. | |

Total Changes	(\$11,520,500)
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FY 2011-12 Senate-Passed Gross Appropriation	(\$154,325,700)
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Changes from FY 2010-11 Year to Date:

1. **Deleted Sections.** The Governor recommended deleting the following boilerplate sections in their entirety: Michigan Growth Capital Fund (Sec. 1003), Travel Michigan fee authority (Sec. 1004), Michigan Strategic Fund (MSF) and Michigan Economic Development Corporation (MEDC) report on grants awarded (Sec. 1006), report of MEDC grants and loans from investment and Indian gaming revenue, including details on travel promotion and business marketing, revenues, expenditures, and FTEs by program (Sec. 1007), limits on use of funds for purchase or options on land (Sec. 1009), exclusion of MEDC employees involved in fund-raising from decisions on grants or tax abatements (Sec. 1013), Core Communities Fund and report (Sec. 1014), coordination of tourism promotion with the tourism industry and report (Sec. 1023), 21st Century allocations for Small Business Innovation Research and Small Business Technology Transfer matching grants, business incubators, Lakeshore Advantage, and Michigan Aeronautics Manufacturers Association (Sec. 1024, 1025, 1027, and 1034), limit 21st Century allocations in the first quarter of FY 2010-11 to \$25.0 million (Sec. 1028), reappropriation of 21st Century work project from 2005 PA 225 (Sec. 1029), FY 2009-10 contingent funding of \$10.0 million for Detroit Institute of Arts (Sec. 1030), Film Office detailed tax credit and jobs report (Sec. 1032), and Michigan Film Office Advisory Council publication of minutes (Sec. 1033). The Senate deleted Sections 1003, 1025, 1027, 1028, 1029, 1030, and 1033 and retained and/or modified remaining sections.
2. **Travel Michigan.** The Governor updated language on use of revenue related to Michigan's promotional materials to specify that it applies to Pure Michigan and all other copyrighted slogans and images. (Sec. 1005/Sec. 19-702) The Senate concurred.
3. **21st Century Jobs Trust Fund Reappropriation of Work Project.** The Governor proposed reappropriation of up to \$75.0 million remaining from the \$75.0 million appropriated in FY 2007-08 for the Jobs for Michigan Investment Program: 21st Century Jobs Fund. The funds would be used for the original purposes and remain available until September 30, 2016. (Sec. 19-707) The Senate did not include.
4. **Small Business Innovation Research/Small Business Technology Transfer Program.** The Senate allocated not less than \$1.0 million from the Innovation and Entrepreneurship line to support this matching grant program. (Sec. 1024)
5. **Spending Plan Report.** The Senate required the MSF to report by January 15, 2012 on the spending plan the new line items for innovation and entrepreneurship and business attraction and economic gardening. (Sec. 1031)
6. **Business Incubators.** The Governor deleted the program. The Senate funded six incubators or accelerators in the following localities: Houghton, Kent, Macomb, Oakland, and Washtenaw counties and Detroit. Recipients would receive at least \$500,000 and no more than \$2.0 million. The program would be allocated from the line item for Innovation and Entrepreneurship. (Sec. 1034)
7. **Arts and Cultural Grants.** The Governor deleted the following: Authority to charge and use revenue from application fees, a requirement to use past arts and cultural grant programs as a guideline, deadlines for publishing application criteria and hearing public comment, the requirement to award grants to public and private arts and cultural entities, a report on grants awarded, and a limit of \$100,000 on the use of funds for administration. The language was amended to specify that the geographical distribution should be fair, in addition to equitable. (Sec. 1035/Sec. 19-707) The Senate retained current language.

Date Completed: 4-26-11

Fiscal Analyst: Elizabeth Pratt