

HOUSE BILL No. 5047

July 15, 1997, Introduced by Rep. Profit and referred to the Committee on Appropriations.

A bill to amend 1984 PA 431, entitled
"The management and budget act,"
by amending sections 351, 352, 353, 354, 355, 358, and 367b (MCL
18.1351, 18.1352, 18.1353, 18.1354, 18.1355, 18.1358, and
18.1367b), sections 352 and 355 as amended and section 367b as
added by 1991 PA 72, section 353 as amended by 1994 PA 107, and
section 354 as amended by 1995 PA 286.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 351. (1) A countercyclical budget ~~and economic~~ sta-
2 bilization fund is created to assist in stabilizing revenue ~~and~~
3 ~~employment~~ during periods of economic recession. ~~and high~~
4 ~~unemployment.~~

5 (2) As used in this section and sections 352 to 359: —
6 "fund"—

1 (A) "FUND" means the countercyclical budget ~~and economic~~
2 stabilization fund.

3 (B) "REAL RATE OF GROWTH" MEANS THE GROWTH IN EACH REVENUE
4 SOURCE AS REDUCED BY THE GROWTH IN INFLATION AND MODIFIED BY THE
5 CHANGE IN THE BASE OF THAT REVENUE SOURCE, AS DETERMINED BY THE
6 PRINCIPALS AT THE REVENUE ESTIMATING CONFERENCE HELD UNDER SEC-
7 TION 367B.

8 (C) "TREND LEVEL" MEANS THE REAL RATE OF GROWTH AVERAGED
9 OVER A PERIOD OF AT LEAST THE IMMEDIATELY PRECEDING 10 YEARS, AS
10 DETERMINED BY THE PRINCIPALS AT THE REVENUE ESTIMATING CONFER-
11 ENCE, ESTABLISHED AS A PERCENTAGE HELD UNDER SECTION 367B.

12 (3) As used in section 352, "current calendar year" means
13 the year that ends December 31 in which the determination of the
14 transfer into or out of the fund is being made.

15 Sec. 352. (1) When the annual growth rate is more than ~~-2%~~
16 THE TREND LEVEL, the percentage excess over ~~-2%~~ THE TREND LEVEL
17 shall be multiplied by the COMBINED total state general
18 fund-general purpose revenue AND STATE SCHOOL AID FUND REVENUE
19 for the fiscal year ending in the current calendar year to deter-
20 mine the amount to be transferred to the fund from the state gen-
21 eral fund AND THE STATE SCHOOL AID FUND in the fiscal year begin-
22 ning in the current calendar year.

23 (2) ~~When the annual growth rate is less than 0%, the per-~~
24 ~~centage deficiency under 0% shall be multiplied by the total~~
25 ~~state general fund-general purpose revenue for the fiscal year~~
26 ~~ending in the current calendar year to determine the eligible~~
27 ~~amount to be transferred to the state general fund from the fund~~

~~1 in the current fiscal year. When the formula calls for a larger~~
~~2 transfer from the fund than is necessary to balance the current~~
~~3 fiscal year state general fund-general purpose budget, the excess~~
~~4 shall remain in the fund.~~ WHEN THE ANNUAL GROWTH RATE IS LESS
5 THAN THE TREND LEVEL, THE PERCENTAGE UNDER THE TREND LEVEL SHALL
6 BE MULTIPLIED BY THE COMBINED TOTAL STATE GENERAL FUND-GENERAL
7 PURPOSE REVENUE AND STATE SCHOOL AID FUND REVENUE FOR THE FISCAL
8 YEAR ENDING IN THE CURRENT CALENDAR YEAR TO DETERMINE THE AMOUNT
9 TO BE TRANSFERRED INTO THE STATE GENERAL FUND AND STATE SCHOOL
10 AID FUND FROM THE FUND IN THE FISCAL YEAR BEGINNING IN THE CUR-
11 RENT CALENDAR YEAR.

12 (3) TRANSFERS INTO OR OUT OF THE FUND SHALL BE MADE PURSUANT
13 TO AN APPROPRIATION IN AN AMOUNT DETERMINED UNDER THIS SECTION BY
14 THE PRINCIPALS AT THE REVENUE ESTIMATING CONFERENCE HELD UNDER
15 SECTION 367B.

16 Sec. 353. ~~(1) In a calendar quarter following a calendar~~
17 ~~quarter in which the seasonally adjusted state unemployment rate~~
18 ~~as certified by the director of the Michigan employment security~~
19 ~~commission is 8% or more, an amount may be appropriated from the~~
20 ~~fund by the legislature for the purposes listed in this section~~
21 ~~in accordance with the following table:~~

22

~~Percent of seasonally adjusted unemployment in the calendar quarter preceding the calendar quarter in which an amount may be appropriated~~ ~~Percent of fund available for economic stabilization during the calendar quarter following a calendar quarter of high unemployment~~

~~8.0-11.9%~~ ~~2.5% of fund balance~~

~~as of first day of calendar quarter~~

~~12.0% and over~~ ~~5.0% of fund balance~~

~~as of first day of calendar quarter~~

~~(2) The legislature may appropriate by law money from the fund in the amounts as provided in this section to assist in the following countercyclical economic stabilization purposes:~~

~~(a) Capital outlay.~~

~~(b) Public works and public service jobs.~~

~~(c) Refundable investment or employment tax credits against state business taxes for new outlays and hiring in this state.~~

~~(d) Any other purpose the legislature may provide by law which provides employment opportunities counter to the state's economic cycle.~~

~~(3) Notwithstanding subsections (1) and (2), there is hereby appropriated \$40,000,000.00 from the fund for the Michigan state parks endowment fund. The appropriation provided for in~~

~~1 this subsection shall only be effective after the proceeds from
2 the sale of the accident fund have been transferred to the fund
3 as provided for in section 701a of the worker's disability com-
4 pensation act of 1969, Act No. 317 of the Public Acts of 1969,
5 being section 418.701a of the Michigan Compiled Laws.~~

6 Sec. 354. (1) The executive budget for each fiscal year
7 shall contain an estimate of the transfer into or out of the fund
8 required by section 352.

9 (2) The legislature shall include a final estimate of the
10 transfer into or out of the fund required by section 352 in the
11 appropriations bill which contains the revenue estimate required
12 by section 31 of article IV of the state constitution of 1963.

13 (3) Except as provided in subsection ~~-(7)-~~ (4), a transfer
14 into the fund shall be made in equal monthly installments
15 throughout the fiscal year. Except as provided in
16 subsection ~~-(7)-~~ (4), a transfer out of the fund may be made as
17 needed during the fiscal year.

18 ~~-(4) For the fiscal year ending September 30, 1995 only, all
19 general fund-general purpose balances at the final close of the
20 fiscal year are appropriated in the following order:~~

21 ~~(a) Up to \$22,653,100.00 are appropriated for distribution
22 to the state's 15 universities and 28 community colleges. Of the
23 \$22,653,100.00 available for distribution to the state's 15 uni-
24 versities and 28 community colleges, \$18,805,186.00 shall be dis-
25 tributed to universities and \$3,847,914.00 shall be distributed
26 to community colleges in the manner provided in subsections (5)
27 and (6). If the general fund-general purpose balances at the~~

~~1 final close of the fiscal year are less than \$22,653,100.00, the~~
~~2 distribution to the state's 15 universities and 28 community col-~~
~~3 leges shall be reduced proportionally.~~

~~4 (b) If the general fund-general purpose balances at the~~
~~5 final close of the fiscal year exceed \$22,653,100.00, the addi-~~
~~6 tional general fund-general purpose balances up to \$5,000,000.00~~
~~7 are hereby appropriated for state special maintenance projects.~~

~~8 (c) If the general fund-general purpose balances at the~~
~~9 close of the fiscal year exceed \$27,653,100, all remaining bal-~~
~~10 ances are hereby appropriated into the counter cyclical budget~~
~~11 and economic stabilization fund. This appropriation shall be~~
~~12 used to satisfy requirements under section 26 of article IX of~~
~~13 the state constitution of 1963.~~

~~14 (5) The appropriation for the state's 15 universities appro-~~
~~15 priated in subsection (4) shall be allocated to the universities~~
~~16 as follows:~~

17	Central Michigan university.....	\$ 1,350,000
18	Eastern Michigan university.....	1,000,000
19	Ferris state university.....	625,000
20	Grand valley state university.....	250,000
21	Lake Superior state university.....	250,000
22	Michigan state university.....	900,000
23	Michigan technological university.....	750,000
24	Northern Michigan university.....	500,000
25	Oakland university.....	700,000

1	Saginaw valley state university.....	505,186
2	University of Michigan - Ann Arbor.....	8,000,000
3	University of Michigan - Dearborn.....	250,000
4	University of Michigan - Flint.....	250,000
5	Wayne state university.....	3,000,000
6	Western Michigan university.....	475,000

7 ~~(6) The appropriation for the state's 28 community colleges~~
8 ~~appropriated in subsection (4) shall be distributed to the col-~~
9 ~~leges in direct proportion to the 1995 fiscal year unrestricted~~
10 ~~operating appropriations as follows:~~

11	Alpena community college.....\$	63,009
12	Bay de Noc community college.....	53,818
13	Delta college.....	182,277
14	Glen Oaks community college.....	26,991
15	Gogebic community college.....	56,841
16	Grand Rapids community college.....	251,450
17	Henry Ford community college.....	276,759
18	Jackson community college.....	168,689
19	Kalamazoo valley community college.....	124,895
20	Kellogg community college.....	110,996
21	Kirtland community college.....	41,612
22	Lake Michigan college.....	61,471
23	Lansing community college.....	400,092
24	Macomb community college.....	433,324
25	Mid Michigan community college.....	49,144

1	Monroe county community college.....	46,534
2	Montcalm community college.....	41,908
3	Mott community college.....	197,936
4	Muskegon community college.....	115,122
5	North central Michigan college.....	37,650
6	Northwestern Michigan college.....	107,757
7	Oakland community college.....	289,677
8	St. Clair county community college.....	90,922
9	Schoolcraft college.....	147,844
10	Southwestern Michigan college.....	68,966
11	Washtenaw community college.....	138,360
12	Wayne county community college.....	235,233
13	West Shore community college.....	28,637

14 (4) ~~-(7)-~~ For the fiscal year ending September 30, 1996
15 only, all general fund-general purpose balances at the final
16 close of the fiscal year are hereby appropriated and shall be
17 transferred to the fund. Notwithstanding section 352, the total
18 amount transferred to the fund under this subsection shall be
19 considered to be the amount transferred to the fund for purposes
20 of section 352 for the fiscal year ending September 30, 1996
21 only.

22 (5) ~~-(8)-~~ For the fiscal year ending September 30, 1996
23 only, there is appropriated FROM THE FUND \$391,300.00 to the city
24 of Detroit to fund the Detroit crime lab and the Detroit police
25 special events unit.

26 Sec. 355. ~~-(1)-~~ The transfer into or out of the fund as
27 provided in section 352 for each fiscal year beginning after

1 September 30, 1978, may be adjusted in light of revision in the
2 annual growth rate for the calendar year upon which that transfer
3 was made. The adjustment, if made, shall be directly propor-
4 tional to an increase or decrease in the annual growth rate, but
5 the adjustment shall not be in excess of 1% multiplied by the
6 total general fund-general purpose revenue of the fiscal year
7 upon which the transfer was based. ~~The basis for an adjustment~~
8 ~~shall be a change in the personal income level for that calendar~~
9 ~~year as determined by the bureau of economic analysis of the~~
10 ~~United States department of commerce in the last report it makes~~
11 ~~before April 30 of the fiscal year in which that calendar year~~
12 ~~ended. The adjustment, if made, shall be effective on June 1 of~~
13 ~~the fiscal year in which the transfer is made.~~

14 ~~(2) An appropriation from the fund as provided in section~~
15 ~~353 may be adjusted for a change in the unemployment rate statis-~~
16 ~~tics for the 4 quarters immediately preceding the quarter in~~
17 ~~which the appropriation is to be made, as long as an adjustment~~
18 ~~has not already been made in an appropriation from the fund~~
19 ~~because of a prior change in the unemployment rate statistics for~~
20 ~~1 or more of those 4 quarters. A change in the unemployment rate~~
21 ~~statistics shall not be made until that change is certified by~~
22 ~~the director of the Michigan employment security commission.~~

23 ~~(3) An adjustment made pursuant to subsection (2) shall not~~
24 ~~be made unless the change in the unemployment rate statistics~~
25 ~~would have provided for a different percent of the fund to be~~
26 ~~appropriated under section 353. If the adjustment creates a~~
27 ~~state general fund liability, that liability shall be offset~~

1 against future appropriations which would have been made under
2 section 353.

3 ~~(4) For the fiscal year ending September 30, 1991 only, the~~
4 ~~mid-year adjustment to be used to calculate the amount to be~~
5 ~~transferred from the fund to the general fund pursuant to~~
6 ~~section 352(2) shall be based on the following estimates:~~

7 Dollars in

8 Millions

	<u>1990</u>	<u>1991</u>
10 Michigan personal income.....	\$ 170,534	\$ 175,484
11 Less: Transfer payments.....	(26,866)	(28,932)
12 Subtotal.....	\$ 143,668	\$ 146,552
13 Divided by: Detroit C.P.I. for 12 months		
14 ending June 30 (1982=1.00).....	1.253	1.317
15 Equals: Real adjusted Michigan personal		
16 income.....	\$ 114,659	\$ 111,277
17 Percentage decrease.....		(2.95)%
18 Multiplied by: Estimated GF/GP revenue in		
19 FY 1990-91.....		7,120
20 Equals: Transfer from countercyclical		
21 budget and economic stabilization fund		
22 for the fiscal year ending September 30,		
23 1991.....	\$	210

24 ~~(5) In accordance with the economic stabilization transfer~~
25 ~~allowed under section 353(1) there is appropriated from the fund~~
26 ~~for the fiscal year ending September 30, 1991 the sum of~~
27 ~~\$20,000,000.00 determined as follows:~~

	<u>Fund Balance</u>		<u>Maximum</u>
<u>Calendar</u>	<u>as of First</u>		
<u>Dollar</u>			
<u>Quarter</u>	<u>Day of Calendar</u>	<u>Maximum Allowable</u>	<u>Amount of</u>
<u>Beginning</u>	<u>Quarter</u>	<u>Withdrawal</u>	<u>Withdrawal</u>
32 4/1/91	\$400,000,000	2.5% of the fund	\$10,000,000
33		balance as of first	

1 ~~day of quarter~~
 2 ~~7/1/91 \$398,000,000 2.5% of the fund \$10,000,000~~
 3 ~~balance as of first~~
 4 ~~day of quarter~~

5 ~~(6) The total transfer from the fund to the general fund for~~
 6 ~~the fiscal year ending September 30, 1991 pursuant to subsections~~
 7 ~~(4) and (5) shall be \$230,000,000.00.~~

8 Sec. 358. (1) The legislature may make an emergency appro-
 9 priation from the fund ~~subject to all of the following~~
 10 ~~conditions: (a) The maximum appropriation from the fund for~~
 11 ~~budget stabilization as provided in section 352(2) has already~~
 12 ~~been made for the current fiscal year. (b) The IF THE legisla-~~
 13 ~~ture has approved the emergency appropriations bill by a 2/3~~
 14 ~~majority vote of the members elected to and serving in each house~~
 15 ~~— (c) The AND THE emergency appropriations bill becomes law.~~

16 (2) The additional transfer from the fund may be made only
 17 for the current fiscal year.

18 Sec. 367b. (1) A revenue estimating conference shall be
 19 held in the second week of January and in the last week in May of
 20 each year, and as otherwise provided in this act.

21 (2) The principals of the conference shall be the director
 22 of the department of management and budget, the director of the
 23 senate fiscal agency, and the director of the house fiscal
 24 agency, or their respective designees.

25 (3) The conference shall establish an official economic
 26 forecast of major variables of the national and state economies.
 27 The conference shall also establish THE TREND LEVEL AND a

1 forecast of anticipated state revenues as the conference
2 determines including the following:

- 3 (a) State income tax collections.
- 4 (b) State sales tax collections.
- 5 (c) Single business tax collections.
- 6 (d) Total general fund/general purpose revenues.
- 7 (e) Lottery transfers to the school aid fund.
- 8 (f) Total school aid fund revenues.

9 (4) The conference's official TREND LEVEL AND forecast of
10 economic and revenue variables shall be determined by consensus
11 among the principals.

12 (5) The TREND LEVEL AND forecasts required by this section
13 shall be for the fiscal year in which the conference is being
14 held and the ensuing fiscal year.

15 (6) The official conference TREND LEVEL AND forecast shall
16 be based upon the assumption that the current law and current
17 administrative procedures will remain in effect for the forecast
18 period.

19 (7) THE OFFICIAL CONFERENCE FORECAST SHALL INCLUDE A DETER-
20 MINATION OF THE TREND LEVEL, OF THE REAL RATE OF GROWTH, AND of
21 how much money should be transferred into or out of the counter-
22 cyclical budget and economic stabilization fund, as provided in
23 section 352.